

EXECUTIVE SUMMARY

Although global food prices are stabilizing following 2022's inflationary spike, many countries across Africa continue to face high domestic price levels. Beyond market volatility, worsening climate change also continues to pose serious risks to global food systems. Smallholder farmers across East Africa are among the most vulnerable to the increasing occurrence of economic and climate shocks.

One Acre Fund remains committed to delivering services to farmers that will boost harvests and build resilience and food security. Farmers across our operating countries have now received their inputs and commenced planting for the 2023 seasons. By year-end 2023, we project serving 1.58 million farmers in our core program and an additional 2.53 million via our systems-change work.

To protect our farmer network and organization against increasing external shocks, we have recently committed to a 10-year climate strategy. As discussed below in [Management Discussion II](#), addressing soil degradation is a key priority area of this work. Our impactful soil health services were recently highlighted in Tanzania's national newspaper, [The Citizen](#).

FARMER PROFILE



Name: Hamido Kifyoga

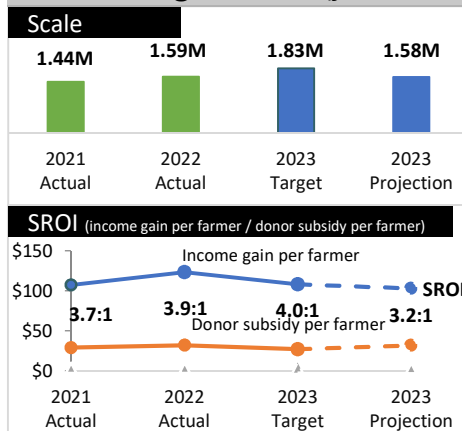
Location: Tagamenda village, Tanzania

Hamido's Story: When Hamido joined One Acre Fund in 2021, he was primarily farming maize. This season, he is enrolled to receive trees for the first time and will plant 300 pine seedlings. Trees offer major economic and environmental benefits, like improving soil health and reducing erosion.

Quote: "I am planting trees for two reasons: to earn additional income and for environmental conservation."

PERFORMANCE AT A GLANCE

1. Core Program Unit (full bundle, direct service program)



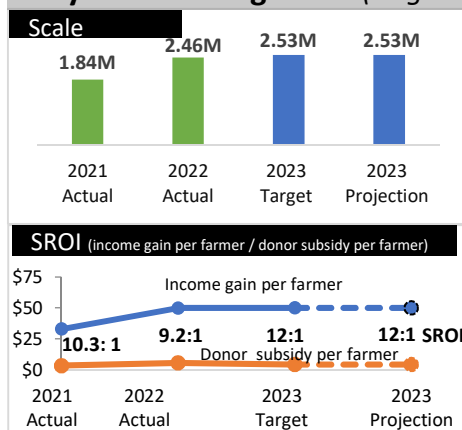
Behind Target

- Expect to serve 1.58M farmers
- As disclosed in our Q4 2022 report, a government fertilizer subsidy in Kenya is significantly lowering enrollment for the year in one of our largest markets.

Behind Target

- Initial projections show below target SROI due largely to ongoing challenges in Kenya (drought, and expected reductions in the land area farmers cultivate through our core program).

2. Systems-Change Unit (large-scale partnerships in one ag system)



On Track

- We project strong growth in our large-scale public and private partnerships unit, driven by rapid, multi-country expansion of rural retail shops and tree-planting programs.

On Track

- Expect to meet systems-change SROI target for the year due to expansion of impact-efficient tree, cash crop, and rural retail programming.

3. Field-Building Unit

- Goal:** Influence farm finance, ag R&D, and ag policy fields to benefit farmers.
- Highlight:** One Acre Fund is partnering with pre-existing government cooperatives in Burundi to implement impactful market access initiatives. We are currently running trials with 50 local cooperatives focused on soybean production and aggregation.

4. Research and Development

- Goal:** Improve future scale, impact, cost trajectories of our three program units.
- Highlight:** We continue to explore agroforestry models for linking smallholders to carbon markets, generating income for sequestered carbon. We recently enrolled 171 farmers for the first year of our new integrated agroforestry trial in Malawi.

5. Organizational Capacity

- Goal:** Ensure that we have strong and diverse leadership, resources, and systems in place to support our rapid program growth.
- Highlight:** Following strong progress in 2022 on delivering key equity and inclusion initiatives, we are now focusing on ensuring balanced gender representation org-wide. We are also excited to announce the addition of our newest board member, Kanini Mutooni. Based in Kenya, Kanini increases female representation on our main governing board and brings expertise in ag, impact investing, and more.

6. Key Challenges

- Kenya Fertilizer Subsidy:** As shared in our last report, we expect the new publicly-administered fertilizer subsidy in Kenya to meaningfully drive down demand for our core program services in 2023. That said, early reports indicate delays and challenges in receiving inputs from the government's subsidy program, which contributed to an influx of orders for One Acre Fund inputs in March. We continue to focus on ensuring we are able to provide products and services that create the most value for farmers.



One Acre Fund tracks our performance along the key metrics of scale, repayment, impact, and sustainability. As most of these metrics are not finalized until year-end, we have provided in this section a brief discussion on our 2023 scale performance to date. We have seen a steady decline in customer interest in Kenya for staff-intensive services such as group loans and intensive training. In response, we have explored ways to offer more flexible services and improve our overall customer experience. To ensure the long-term health of One Acre Fund’s Kenya program as we adapt to the changing market, we are restructuring our operations in Kenya and considering a reduction in our workforce. We have proactively published a [blog from our CEO](#) to share our actions and rationale and will provide more details in our Q2 Performance Report. Although we expect declines in our Kenya core program enrollment to drive down our organization-wide scale this year, growth in our other operating markets will keep us on a stable trajectory - roughly equal to last year’s scale. Core program growth in 2023 will be concentrated in Rwanda and Burundi, where we continue to see high demand. By year-end, we expect to reach 1.58 million farmers via our core program and an additional 2.53 million unique farmers through our systems-change work.

Rwanda has emerged as One Acre Fund’s strongest context for core program scale – and whole market impact. We are leveraging the success and competencies developed through our core program to scale partnerships geared toward eventually reaching *every smallholder farmer in the country*. Together, our core and systems-change programs now reach 95% of the country’s farming population, with the average farmer accessing over three One Acre Fund-led or partnered interventions. Beyond direct, farmer-level impact, this country-wide reach allows us to make meaningful macro-economic contributions such as closing the yield gap for major staple crops and increasing national tree cover. This season, we project serving 871,000 farmers through our core program (100,000+ increase compared to last year) and over a million farmers through our growing systems-change partnerships.

Scale milestones	2021 Actual	2022 Actual	2023 Target	2023 Projections	Status vs Target
Core farmers served	1,441,300	1,587,900	1,831,000	1,579,100	<i>Behind target – final to be shared in Q4</i>
Kenya	527,600	436,500	465,000	230,600	<i>Behind target – final to be shared in Q4</i>
Rwanda	631,800	764,100	871,000	871,000	<i>On track – final to be shared in Q4</i>
Burundi	128,700	189,200	263,000	263,100	<i>On track – final to be shared in Q4</i>
Tanzania	55,100	78,200	73,000	73,000	<i>On track – final to be shared in Q4</i>
Malawi	62,100	95,900	105,000	105,300	<i>On track – final to be shared in Q4</i>
Nigeria	8,900	24,100	54,000	32,500	<i>Behind target – final to be shared in Q4</i>
Systems-Change (# unique farmers)	1,841,000	2,465,000	2,530,000	2,530,000	<i>On track – final to be shared in Q4</i>
Solar lights	159,780	119,700	No target	62,900	<i>No target</i>
Tree adopters / trees surviving 1 year	2,017,000/ 20.1M trees	2,720,000/ 33.8M trees	3,400,000/ 42.8M trees	3,400,000/ 42.8M trees	<i>On track for adopters and surviving trees – final to be shared in Q4</i>

*Please note that we previously removed Uganda and Zambia from this table’s list of core program countries, following One Acre Fund leadership’s strategic decision to wind down our core staple crop program in both countries, and instead offer farmers higher value cash crops (coffee and trees in Uganda; trees and carbon credits in Zambia). Therefore, our core program’s 2021 actual scale includes both Uganda and Zambia’s farmer numbers (12,800 for Uganda and 14,300 for Zambia), while our 2022 actual and 2023 target do not include these two countries. We are partnering with the [JFDC](#) on a two-year initiative that includes providing core program services to farmers in Zambia in 2023. Therefore, our core program 2023 projection includes 3,500 Zambia farmers.

**We have updated all actual figures to reflect current final numbers.



Last year, Enife Matemba's entire field was destroyed by a cyclone. Then this year, just as she was recovering, Cyclone Freddy tore through her community damaging crops and destroying land.

I. MANAGEMENT DISCUSSION: MALAWI CYCLONE FREDDY EMERGENCY RESPONSE

In March, southern Malawi was devastated by Cyclone Freddy, the longest and most energetic tropical storm ever recorded. The cyclone ripped through southern Africa, hitting 15 districts in Southern Malawi with severe flooding, landslides, and extreme winds. In the span of four days, the storm caused untold damage: the death toll stands at over a thousand lives lost, and more than half a million people are displaced in Malawi alone. The destruction wreaked by Cyclone Freddy comes just as farmers were recovering from Cyclone Ana, which hit Southern Malawi in January 2022.

As one of the highest-need countries that One Acre Fund operates in, the smallholder families we serve in Malawi are highly vulnerable to extreme weather events. Over 95,000 client families live in Malawi's affected areas, and preliminary data shows that roughly 30% of these clients experienced measurable crop damage. Such weather volatility can lead to costly farmer coping strategies, like dramatic food reductions, selling major assets, and pulling kids out of school. More than ever, safeguarding smallholder's livelihoods against climate change is an integral part of our program.

We continue to evaluate farmers' fields to understand the full extent of damage to clients' farms and livelihoods. We are using the findings from our assessments to inform an effective response strategy, including the following:

- **Income recovery** - we are considering a second distribution of inputs later this year, equipping farmers to replant crops to support food security. For immediate support, we recently offered delivery of seasonal inputs, including bean seed and chicken manure, which will help farmers bolster their incomes during the next few months.
- **Insurance payouts for affected farmers** - in 2021, we began offering our Malawi clients an improved insurance product; this coverage allows us to forgive a portion of farmer loans in the event of low yields due to extreme weather, pests, or other destructive events such as Cyclone Freddy. Based on the gathered yield data, we have confirmation from some of our insurance products that there will be payouts. We will communicate and execute the payouts to farmers in the next few weeks.

In addition to our Cyclone Freddy disaster response, we will continue providing long-term support to farm families across Malawi to help them build their resilience. While unfavorable weather is affecting harvests in several of our service areas, we expect key climate resilience program improvements (like scaling our legumes and tree planting programs) to continue driving impact gains for our clients in 2023. Earlier this year, the Malawi team also held a two-day workshop to draft an actionable Malawi climate strategy. The team identified the following priority areas for further embedding climate change adaptation into our services:

- **Rich Soils:** Healthy soil is crucial for long-term farm productivity. In Malawi, we will focus on offering annual trainings on increasing soil organic matter and supporting farmers in adopting 2 or more soil erosion control methods through campaigns grounded in social and behavior change communication (SBCC).
- **Diverse Fields:** We are developing an informed path forward on diversifying our product offerings. This year the Malawi team will outline a 2027 Tree Vision that will include plans for diversifying tree species and channels of tree planting.
- **Assets & Safety Nets:** We will improve insurance services so that they are better suited to the needs of our clients and prevent asset loss.

Later this year, Malawi team leaders will refine the program's climate goals within each priority area and create a clear and actionable roadmap for the coming years.

II. MANAGEMENT DISCUSSION: ONE ACRE FUND'S 10-YEAR CLIMATE STRATEGY



Farmers participating in soil health testing trials in Wanging'ombe district, Tanzania

East Africa's farm families are not responsible for the climate crisis but they are among the most impacted populations. Smallholders make up 70% of the world's extreme poor, and their livelihoods depend on an acre or two of land. The UN special panel on climate change (the IPCC) currently forecasts that by 2050, climate change will drive yield reductions of up to 33% for Africa's staple crops. Reductions in crop yield often lead Africa's smallholder farmers to convert uncultivated land to agriculture, catalyzing a disastrous cycle of increased emissions, further diminished yields, and worsening hunger. As the primary producers of Africa's food and vital stewards of its land, smallholder farmers are in urgent need of tools for transforming their livelihoods, responding to climate change, and restoring the degraded environments in which they live.

One Acre Fund has long recognized the climate crisis as an existential threat to Africa's smallholders. Extreme weather is becoming more common – in the past five years, regional droughts, floods, severe storms, and invasive pests have hurt the livelihoods of millions of families. To help protect against increasing climate threats, One Acre Fund has built a multi-layer “climate resilience shield” of sustainable products and services that includes soil health practices like composting, and products such as optimized (often drought-resistant) seed varieties, diverse tree species, and insurance.

Last year, to guide our efforts to strengthen smallholders' resilience and empower Africa's farmers as stewards of their lands, we formally adopted a 10-year organizational climate strategy. In 2023, we are fully embedding these priorities into our work through country-level climate plans that diversify and protect farmer incomes. We are adopting the following strategic commitments:

- **Reliably increase average farm income by intensifying and diversifying production:** One Acre Fund is committed to helping smallholder farmers utilize their land more productively by providing seeds and fertilizer appropriate to each farmer's micro-climate and soil; promoting intercropping (encouraging farmers to plant a mixture of crops together for optimum use of soil); and offering integrated pest management and improved market access opportunities.
- **Prioritize work to tackle soil degradation:** We are equipping farmers with the right knowledge, tools, and techniques to actively prevent erosion on their land, boost soil organic matter, and combat soil acidity. This work will involve multi-channel, collaborative social behavior change campaigns on soil health, lime application campaigns, and the implementation of erosion-prevention techniques.
- **Intensify agroforestry systems to increase land productivity and decrease deforestation:** We are working to improve farmer access to quality tree seedlings and tree-care training, encouraging farmers to plant a diverse mixture of trees as part of a sustainable portfolio, and incentivizing farmers to keep trees in the ground or continually replant to maintain tree cover.
- **Ensure that farmers and their families are more resilient to income shocks and can consistently meet their basic needs:** We will improve our farmer insurance product offerings, increasing overall insurance value. Scaling up our tree program and helping farmers obtain more secure land tenure will also ensure that every farmer we serve has secure assets to protect against climate and market shocks.

Conclusion

One Acre Fund is committed to supporting smallholder families to adapt to the changing climate and keep their land sustainable for generations to come. The urgency to equip farmers with tools to safeguard their livelihoods is evident in the context of recent incidents like Cyclone Freddy (described in [Management Discussion I](#)). Our 10-year climate strategy firmly elevates climate change challenges to one of our highest priorities as an organization, and crucially, creates a clear path forward for action.

As we chart the way forward with country-level climate plans, we remain grateful to our donors for your generous contributions in support of this crucial work. We would not be able to pursue this ambitious set of initiatives without your partnership. On behalf of Africa's farm families, and our shared planet, **thank you.**

APPENDIX 1: Audited, Full Year 2022 Financials

2022 was a year of significant challenges. Higher input prices, supply chain disruptions, inflation, lingering impacts of Covid-19, and the effects of the economic turbulence on farmer incomes affected the realization of our farmer enrollment and margin targets. Despite the challenging farming season (which manifested in a meaningful Net Loss), One Acre Fund remains financially healthy, with adequate liquidity and operating reserves as we work through 2023.

Core Program - One Acre Fund direct services	Budget YTD	Actuals YTD	Variance	% (YTD)
Farmer revenue	137,584,708	109,737,295	(27,847,413)	-20.2%
Inputs (seed, fertilizer, solar lamps, etc.)	(106,057,268)	(90,917,190)	15,140,078	14.3%
Bad debts expense	(7,155,048)	(6,948,915)	206,134	2.9%
Associated costs (crop insurance, transport, storage)	(16,149,147)	(13,588,232)	2,560,915	15.9%
Interest Expense	(1,779,384)	(1,979,978)	(200,594)	-11.3%
Field operations costs (primarily salaries)	(22,852,966)	(27,284,292)	(4,431,326)	-19.4%
Program support (primarily HQ costs and overhead)	(15,894,573)	(17,119,306)	(1,224,733)	-7.7%
Core Program Overhead allocation	(2,324,240)	(2,015,645)	308,595	13.3%
Budget Buffer	(3,000,000)	0	3,000,000	n/m
Flex Fund	(1,000,000)	0	1,000,000	n/m
Core Program Total	(38,627,919)	(50,116,262)	(11,488,344)	-29.7%
Systems Change – One Acre Fund for countries	Budget YTD	Actual YTD	Variance	% (YTD)
Revenues (primarily farm input sales to agro-dealers)	61,232,013	43,932,240	(17,299,773)	-28.3%
Farm input costs	(48,393,294)	(36,876,038)	11,517,256	23.8%
Associated costs (transport, storage, allowance)	(2,295,933)	(1,015,948)	1,279,984	55.8%
Staff, program and management support for input sales	(16,104,589)	(14,807,483)	1,297,107	8.1%
Farm Input Sales Shared Overhead Allocation	(364,434)	(327,952)	36,482	10.0%
Net Contribution from Farm Input Sales	(5,926,238)	(9,095,181)	3,168,943	-53.5%
Extension, Seed and other partnerships (net of revenue)	(4,570,666)	(3,694,973)	875,693	19.2%
Systems Change Overhead allocation	(559,434)	(498,607)	60,827	10.9%
Systems Change total	(11,056,337)	(13,288,761)	(2,232,423)	-20.2%
Field-Building	Budget YTD	Actual YTD	Variance	% (YTD)
Government Relations	(2,659,487)	(2,628,827)	30,660	1.2%
Communications	(1,233,161)	(963,884)	269,277	21.8%
Field Building Overhead allocation	(501,142)	(448,218)	52,924	10.6%
Field Building	(4,393,790)	(4,040,930)	352,860	8.0%
Research and Development	Budget YTD	Actual YTD	Variance	% (YTD)
Product and service R&D	(4,951,653)	(4,404,895)	546,759	11.0%
Scale innovation	(362,181)	(374,655)	(12,474)	-3.4%
New country scouting and piloting	(578,999)	(346,253)	232,746	40.2%
Strategy and Research	(979,155)	(771,585)	207,570	21.2%
Monitoring & Evaluation	(4,160,614)	(3,492,289)	668,325	16.1%
Research and Development Overhead allocation	(934,323)	(879,311)	55,011	5.9%
Research and Development	(11,966,925)	(10,268,988)	1,697,937	-14.2%
Shared Services	Budget YTD	Actual YTD	Variance	% (YTD)
Systems and Infrastructure	(5,371,572)	(6,669,996)	(1,298,424)	-24.2%
Finance	(2,296,690)	(1,841,327)	455,363	19.8%
People Operations	(3,907,649)	(4,116,623)	(208,974)	-5.3%
Fund development	(4,030,746)	(4,738,143)	(707,397)	-17.6%
Supporting departments (Executive, Legal)	(3,053,014)	(3,336,906)	(283,892)	-9.3%
Shared Services Overhead allocation	(983,994)	(852,309)	131,686	13.4%
Shared Services	(19,643,666)	(21,555,305)	(1,911,639)	-9.7%
Covid-19 expense	0	(14,238)	(14,527)	n/m
Remeasurement loss	0	(1,272,702)	(1,272,702)	n/m
Other revenue	0	2,665,168	2,665,168	n/m
Deficit before fundraising	(85,688,637)	(97,891,927)	(12,203,670)	-14.2%
Donor Contributions	Budget YTD	Actual YTD	Variance	% (YTD)
Unrestricted Grants Revenue	43,071,000	40,829,931	(2,241,069)	-5.2%
Total Restricted Cash Released	43,729,000	40,842,960	(2,886,040)	-6.6%
Grant Revenue (Donor-Intended basis)	86,800,000	81,672,891	(5,127,109)	-5.9%
Grants to sub-recipients	\$0	(1,446,845)	(1,446,845)	n/m
Total Revenue (Donor-intended basis)	285,616,720	236,585,809	(47,609,127)	-16.7%
Total Expenses	(284,505,357)	(254,251,690)	28,831,503	10.1%
Net Income (Donor-intended basis)	1,111,363	(17,665,881)	(18,777,243)	n/m
(+) Restricted Grants Revenue	28,714,481	42,228,150	13,513,669	47.1%
(-) Restricted Cash Released	(43,729,000)	(40,842,960)	2,886,040	6.6%
Total Net Income (GAAP basis)	(13,903,156)	(16,280,691)	(2,377,534)	-17.1%

Core Program: -\$11.5m negative to budget at -\$50.1m (Budget: -\$38.6m). This was due to a margin miss of \$12.7m mostly driven by enrollment misses in Kenya, higher landed costs due to supply chain disruptions, and lower fertilizer adoption. Above budget field operation costs (\$4.4m) were primarily due to higher minimum wage regulatory changes in Kenya and the cost of compensation & benefit changes implemented this year in line with our DEI commitments. This was partially offset by lower associated costs (\$2.6m) mainly driven by lower incentive bonuses following the enrollment/repayment misses in Kenya.

Note that the budget buffer and flex fund were utilized within program budgets and are reflected in other line items.

Systems Change: net deficit was -\$2.2m negative to budget at -\$13.3m (Budget: -\$11.1m). This was mainly due to lower market access sales following Kenya's avocado export ban in 2022, lower than anticipated solar sales in Rwanda due to delays in government subsidy rollout, and lower multi-grain processing revenues due to country-wide shortages of maize in Rwanda.

Field Building: net deficit was +\$0.4m positive to budget at -\$4.0m (Budget: -\$4.4m). This was mainly driven by hiring delays and delayed spending on partnership projects.

Research and Development: net deficit was +\$1.7m positive to budget at -\$10.3m (Budget: -\$12m). This was mostly due to delayed spending on trials and surveys in Kenya as well as savings from open roles under Global departments.

Shared Services: net deficit was -\$1.9m negative to budget at -\$21.6m (Budget: -\$19.6m). This was mainly due to an increase in tech projects and higher fund development staffing costs due to increased grant-related activities. This was partially offset by savings in bank fees and hedging costs under finance.

Remeasurement loss: Unbudgeted FX gains arose from translation and transactional variances across several countries.

Other Revenue: Primarily related to unbudgeted direct inventory sales and trial revenue

Grant Revenue: Donor-intended revenue was lower than budgeted at \$81.7m (Budget: \$86.8m). This was due exclusively to a timing difference with a handful of large grants; we expect to recognize revenue on these grants in 2023.

Net Income (Donor-Intended Basis): -\$18.8m negative to budget at -\$17.7m (Budget: \$1.1m). This was mainly due to margin and enrollment misses, below-target donor-intended revenue, and various factors mentioned above.