

ANPOP 2014 Annual Report

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March 8, 2015

Executive Summary

Although 2014 had been projected to be the first year with positive cash flow, we did not achieve that milestone, and will need to look to 2015 for that accomplishment. In 2014 we realized ₦3.20 million in revenue against ₦4.99 million in expenses, with an additional estimated nearly ₦1.00 million in inventory on hand at the end of the year. The primary reasons for falling short of our positive cash flow milestone were mostly on the revenue side, with a lower than expected yield in oil palm fruit, good yield but lower than expected prices for non-oil crops, and a shortfall in sales of seedlings. Expenses also exceeded projections slightly, with chemicals and seeds for the farm and repairs on the tractor being the primary categories where our spending exceeded projections. Adjustments to the spending plans and revenue have improved the likelihood of achieving positive cash flow 2015.

Vision

We envision a medium scale palm oil plantation and mill in Oyo State, Nigeria, including a plantation of Tenera-type hybrid oil palm trees producing more than 100,000 kg of fresh fruit bunches of palm fruit per year, and a mill that will process this fruit to yield at least 25,000 liters of cooking grade palm oil annually.

Mission

The American-Nigerian Palm Oil Producing Corporation was formed to help bring economic development to the people of rural Oyo State, Nigeria, to provide an example of ethical business conduct, and to assist The Good Samaritan Society of America in its vision to serve these people with education and health care. ANPOP is a for-profit enterprise that will, through its Nigerian subsidiary ANPOP-NAMPOP Ltd, provide jobs and economic stimulus

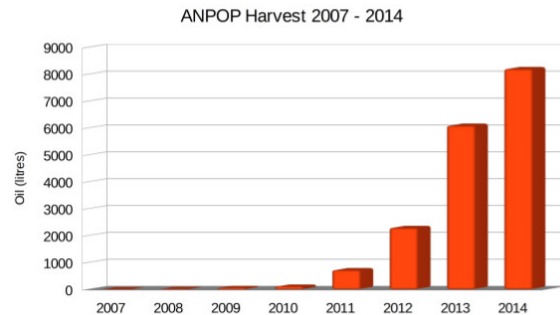


Figure 1: Exponential growth in ANPOP oil production through 2013 now appears to be more linear.

to the area. Once profitable, ANPOP will make significant financial contributions to the programs of The Good Samaritan Society Mission in Fiditi, Nigeria.

2014 Financial Results

We estimate having approximately 7,000 - 8,000 trees planted on about 200 acres spread over five farms. In 2013 these trees produced 10374 fruit bunches from which we produced 8190 liters of oil, less than the 10000 litres projected at the beginning of the year. Figure 1 show the entire history of ANPOP oil production since we produced our first two litres in 2007.

A month by month summary of oil production (see Figure 2) is also instructive. Prior to 2012, no measurable harvest had been reported in September through January. In 2012, the productive season extended considerably, with December the only month without oil production, although the quantities in January and in November were small. 2013 saw a higher production in almost every month. In 2014 the peak months and the lowest months increased again, but the baseline level for much of the year remained mostly unchanged. Although there is no clear explanation for the change in harvest pattern, a smaller than normal rainfall in 2013 seems the most likely explanation. If so, a healthy rainy season in

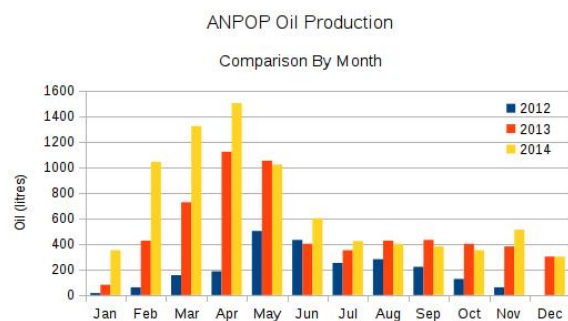


Figure 2: After significant increases in the first four months of 2014 compared to 2013, the remainder of 2014 saw no significant change from the previous year.

2014 should lead to a better growth in oil production in 2015.

Here is a summary of key financial measures from 2014 operations. Note that while in past annual reports the amounts have been converted to U.S. dollars for the benefit of the U.S. shareholders, the dramatic devaluation of the Naira in 2014 (probably due to the dramatic drop in global oil prices) makes conversion problematic. The exchange rate at the beginning of 2014 was around 170 Naira per dollar, but by the end of 2014 the exchange rate was closer to 220 Naira per dollar. An approximate U.S. dollar equivalent can be obtained by using a rough estimate of ₦200 / dollar.

- Current number of shares issued is 258,536. We have also sold shares in Nigeria worth another roughly \$2,000.
- Expenses increased in 2014 due mostly to the addition of about ₦400,000 in nursery expenses. Total expenses in 2014 of ₦4.99 million is compared to ₦4.25 million in 2013. Other significant areas of increase were in farm chemicals and seeds. Note that due to the devaluation of the Naira, the increase would be negligible if expressed in U.S. dollars. Very similar to last year, about ₦2.64 million (₦2.58 million in 2013) of that expense was salaries and other labor expenses. Fuel for the tractor and truck totaled ₦932,000. Repairs (mainly to the tractor) totaled ₦405,000, farm supplies (including seeds and chemicals) totaled ₦479,000, and nursery expenses were ₦396,000. Mill supplies (mostly new drums to handle increase inventory of oil) at ₦141,000 accounted for the remainder of the expenses.

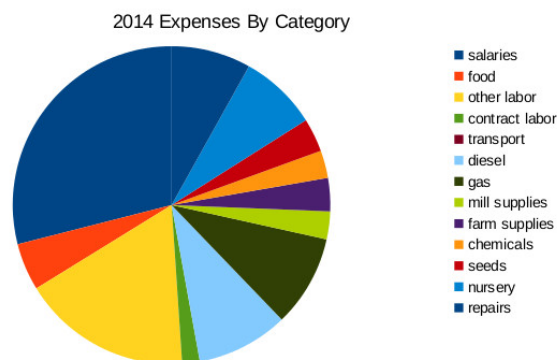


Figure 3: Breakdown in expenses as a percentage of the total by category. The various categories associated with labor represent about 60% of the total.

- Revenues for 2014 totaled ₦3.20 million, compared to ₦1.76 million in 2013. Of that amount, ₦1.59 million came from palm oil (compared to ₦1.12 million in 2013), ₦916,000 came from the sale of seedlings, and the rest (₦546,000) came from maize, yams, palm kernels and plantains. In addition, at the end of 2013 we had on hand approximately ₦975,000 of unsold produce, compared to about ₦418,000 at the end of 2013.
- Accounting for the increase in inventory in produce ready for sale, our operating loss for 2014 was ₦1.23 million, compared to an operating loss of ₦2.07 million in 2013.
- No capital investments were made in 2014. About ₦1.0 - 1.5 million in improvements to the mill are planned, although not expected to be completed in 2014.
- As of the end of 2014 the tractor loan has been fully repaid.

Table 1 compares the main revenue categories between 2013 and 2014, and Table 2 compares the expenses.

The details of monthly income and expenditures is provided in Table 3. Amounts are in thousands of Naira. For reporting in dollars, an approximate exchange rate of ₦200 per dollar may be used. Figure 3 represents the breakdown of expenses categories graphically. A breakdown of revenues is graphically represented in Figure 4.

As can be seen by a comparison of expenses vs. revenues month by month, shown in Figure 5, expenses overall fell fairly close to plan, while the revenues fell short. The primary causes of the shortfall were as follows:

Table 1: 2014 vs. 2013 Revenues

Category	2013			2014		
	Total	Inventory	Adjusted	Total	Inventory	Adjusted
palm oil	1117.6	251.72	1369.32	1592.6	455.4	1796.28
yams	96	5	101	146	80	221
maize	443	150	593	420.5	100	370.5
plantain	4.5	0	4.5	49	0	21
cassava	28	0	28	0	100	100
kernels	73	10	83	77	0	67
seedlings	0	0	0	916	240	1156
Total	1762.1	416.72	2178.82	3201.1	975.4	3759.78

Table 2: 2014 vs. 2013 Expenses

Category	2013	2014
salaries	1559	1446
food	220	240
other labor	727	862
contract labor	78.5	90
Total labor	2584.5	2638
transport	150	0
diesel	593	466
gas	219	466
mill supplies	138.5	141
farm supplies	66	169
chemicals	166	140
seeds	20	170
nursery	0	396
repairs	316.8	404.5
Total	4253.8	4990.5

Table 3: 2014 Expenses and Income

Category	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
Expenses													
Salaries	119	125	125	125	125	125	125	113	113	113	113	125	1446
Food		24	24	24	24	24	24	24	24	24	24		240
Other labor ¹	200	90		32				100	100	200	140		862
Contract	38				25			27					90
Total labor	357	239	149	181	174	149	149	264	237	337	277	125	2638
Diesel	25			50	126			40	60	65	50	50	466
Gas	30	36	40	40	40	40	40	40	40	40	40	40	466
Mill supplies	3	4	6	6	41	19	4	4	4	4	4	42	141
Farm Supplies	105	36	105	40	50	38	28	42	35				479
Nursery			15							359	22		396
Rep. & Maint.	92		45	25	25	37		18	36	110	5	11.5	404.5
Total Expenses	612	315	360	342	456	283	221	408	412	915	398	268.5	4990.5
Revenues													
palm oil	236		42			79.2	110	110	295	234	118	368.4	1592.6
yams	6							10	10	40	40	40	146
maize					126.5			40		254			420.5
plantain	2	3	10	3	2	2	4		3	12	6	2	49
cassava													0
kernels			10	30								37	77
seedlings			100	600	96	100	20						916
Total Revenue	244	3	162	633	224.5	181.2	134	160	308	540	164	447.4	3201.1

¹ includes transportation of migrant workers into the country, annual housing for migrant workers, lump sum payments for migrant worker salaries, and 2013 bonus and vacation allowance

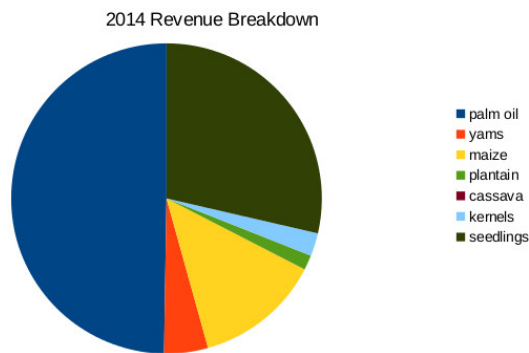


Figure 4: Breakdown in revenues as a percentage of the total. Revenue from sales of palm oil and kernels represents two thirds of the total, and that proportion is projected to increase to 75% in 2014, excluding nursery sales.

- a lower than expected yield in oil palm fruit
- good yield but lower than expected prices for non-oil crops
- a shortfall in sales of seedlings

Although overall the revenues fell short of plan, the graph shows revenues tracking above the projection for April through June. This was due to deposits toward the purchase of seedlings made in advance, which had not been planned for.

Although the expenses were closer to projections, the spending above projections was mainly due to increased expense for farm chemicals and seeds (mostly seed yams).

Mill Operations

The mill equipment is currently set up to produce about 200 litres of palm oil per day, with the sterilizers representing the limiting step in the process. Typically, the mill operates for one or two days a week for two weeks out of the month, but in the peak months fruit is processed every week. Based on the current experience, it seems like we should be able to get up to 4000 litres a month at full capacity before

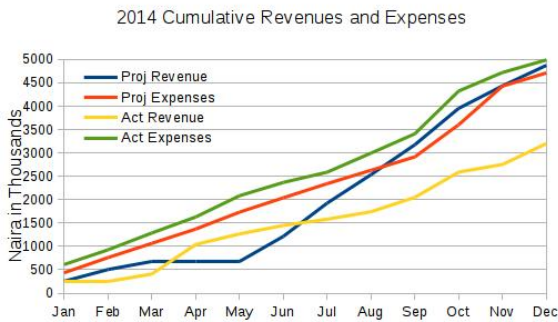


Figure 5: Increases in 2013 are not only significant in the peak months of March through May, but note especially the steady level of production throughout the rest of the year.



Figure 6: Freshly harvested fruit bunches awaiting processing. This amount of fruit should keep the mill busy for up to two days, producing more than 200 litres of oil.

needing additional sterilizers, and that seems like a couple years off. The amount of fruit shown in Figure 6 should produce more than 200 litres.

Maize continues to be our second largest crop behind oil palm fruit, and the third largest source of revenue (following palm oil and seedlings). Although it can be sold fresh, more often it is dried and shelled, then sold either as seed corn or for further milling into corn flour. Figure 7 shows a crop of maize drying at the mill.

Farm Operations

For the first time ever, the CEO visited every farm twice in 2014 - once in February and once in September. On both occasions the farms were quite clean, such that any part of the farm could be easily ac-



Figure 7: A crop of maize drying, preparing to be shelled.

cessed. We now regularly have ripening fruit on many trees at any time of the year. Figures 8-16 show the parts of the farms visited on each trip.

We were again successful in avoiding any significant fire on any of the farms; this will certainly contribute to improving fruit harvests. There are still a surprising number of trees who have yet to start setting fruit or are progressing slowly, but each year sees improvement in that regard as well. Some pictures of the ripening fruit are shown in Figures 18-23.

Nursery Operations

After several years of not having a nursery, the nursery was once again launched in 2013 and renewed in 2014 with 9,000 sprouted nuts. Figure 24 shows a section of the nursery. In 2014 we yielded approximately 7,280 seedlings out of the 1,200 sprouted nuts we planted - a 60.7% yield, which (barely) met our minimum expectations. Some errors were identified that have been avoided in the nursery operations for 2015, with a much better yield expected. Of those 7,280 seedlings, approximately 5,760 were sold, 1,500 were planted (at Awe) and 1,200 (the smallest ones) were held over for sale or planting in 2015.

The primary purpose of the nursery this time is commercial - we plan to sell the majority of the seedlings, but replanting areas of the farms that are currently idle or underutilized is also a priority. We have attempted to launch some kind of outgrower association, in which farmers receive credit toward the purchase of seedlings in return for a commitment to process fruit at our plant once trees mature. So far, however, we have been unable to generate any interest in such an arrangement.

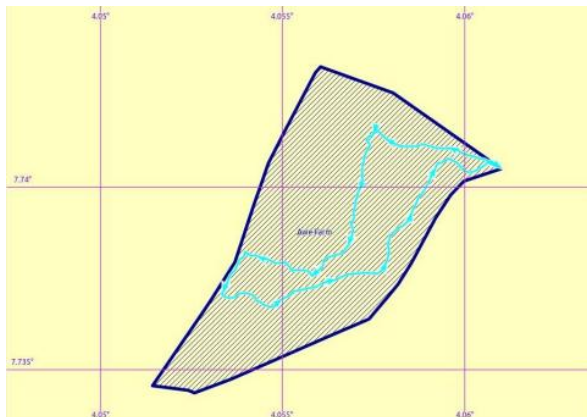


Figure 8: Awe farm visit, February 2014.

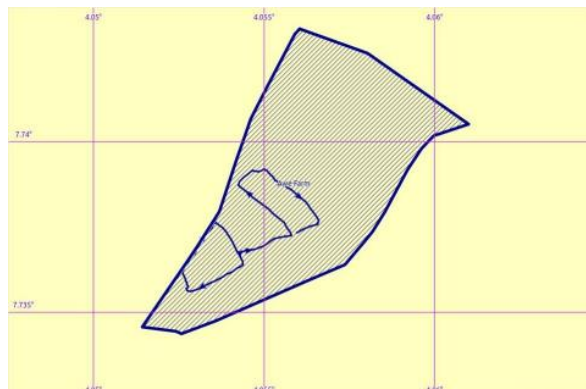


Figure 11: Awe farm visit, September 2014.

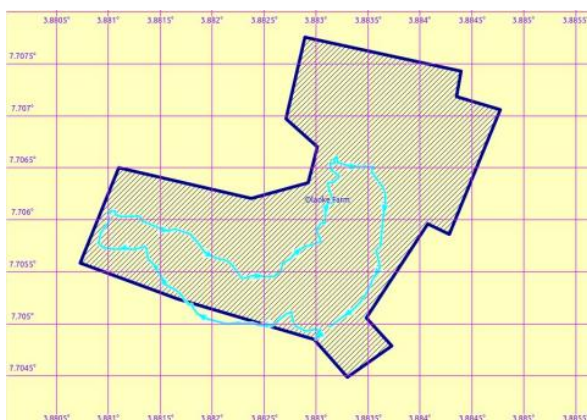


Figure 9: Olaoke farm visit, February 2014.

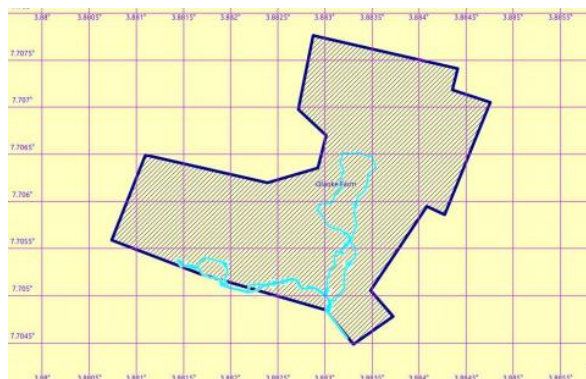


Figure 12: Olaoke farm visit, September 2014.

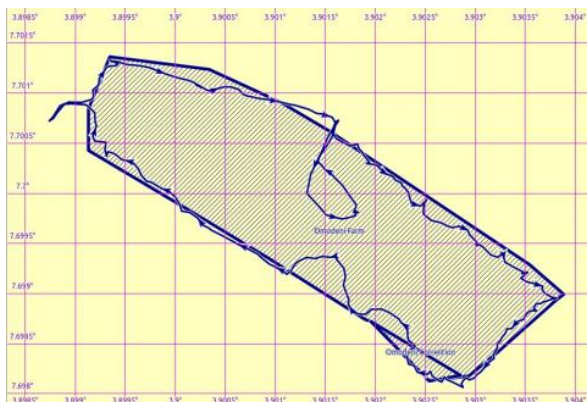


Figure 10: Omodeni farm visit, February 2014.

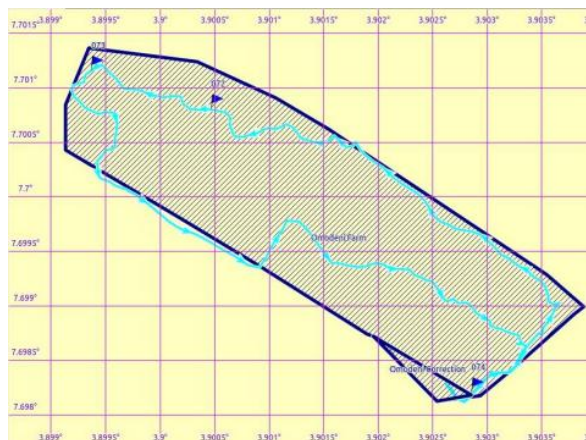


Figure 13: Omodeni farm visit, September 2014.

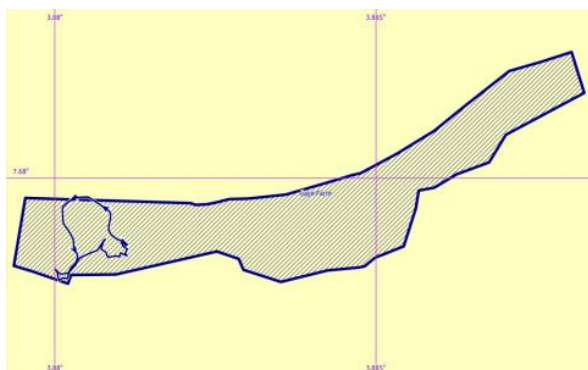


Figure 14: Ijaye farm visit, February 2014.

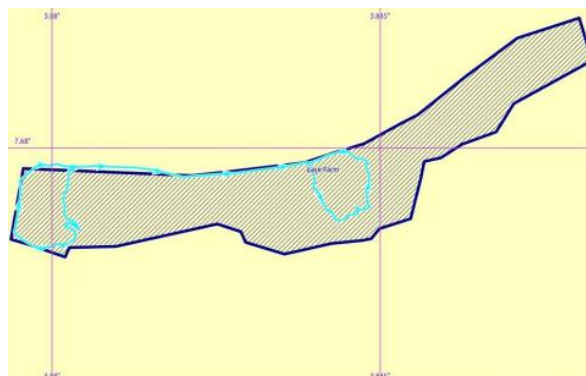


Figure 17: Ijaye farm visit, September 2014.

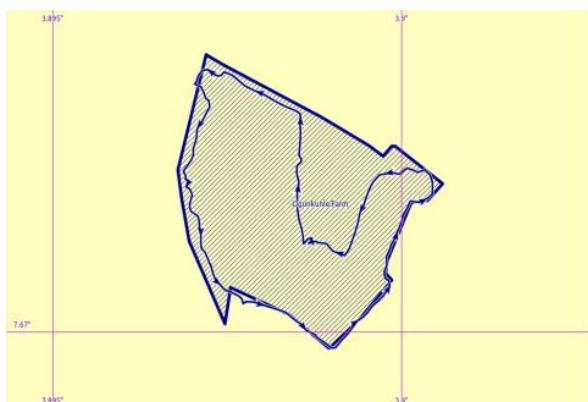


Figure 15: Ogunkunle farm visit, February 2014.



Figure 18: Ripe fruit on Omodeni Farm, Feb 2014.

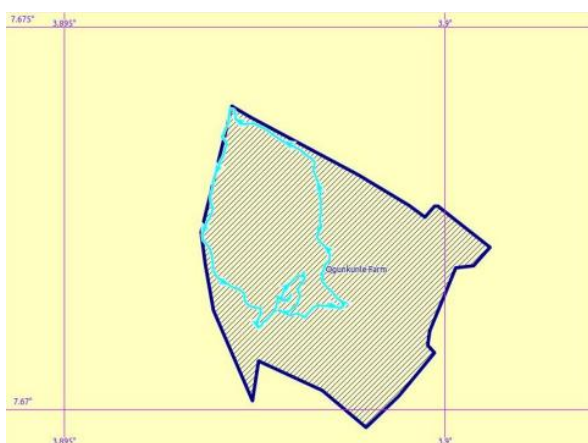


Figure 16: Ogunkunle farm visit, September 2014.



Figure 19: Ripe fruit on Ogunkunle Farm, Feb 2014.



Figure 20: Nearly ripe fruit on Ijaye Farm, Feb 2014.



Figure 23: Ripe fruit on Ogunkunle Farm, Sep 2014.



Figure 21: Nearly ripe fruit on Awe Farm, Sep 2014.



Figure 24: A section of the nursery in February 2014. The nursery has been planted again for 2015.



Figure 22: Ripe fruit on Olaoke Farm, Sep 2014.

Production by Farm

We do not yet have a full year's worth of reliable weight data with which to make a comparison of bunch weight by farm, although we have begun to collect that data. We do, however, have bunch count data. Here are the counts from each farm for the whole of 2014.

Awe 2696 bunches

Ogunkunle 2666 bunches

Ijaye 1766 bunches

Omodeni 1636 bunches

Olaoke 1610 bunches

Projections

Despite significant gains again in 2014, we still fell short of our immediate goal of positive cash flow. Planning for 2015 has attempted to take into account the lessons learned from 2014, with additional steps taken to improve the likelihood of operating at a profit. The plan anticipates positive cash flow for the year.

Projected income and expenses by month are provided in Table 4. Amounts are in thousand of Naira. As can be seen, the projected revenue slightly exceeds planned expenses. Figure 25 depicts the relationship between income and expenses, showing the deficit that occurs in the early half of the year. Given the current low cash balance, these projections suggest that an additional investment of \$6,600 during the first few months will be required. By the end of the year, that amount, plus the roughly \$600 by which revenues exceed expenses, should be either in the bank or on hand in unsold inventory.

Additional Capital Investment

Work remains to fully complete the mill facility, including windows, plaster, painting, ceilings, and a toilet and septic tank. The estimated total for all the remaining work on the building is around ₦1.0 - 1.5 million. In addition, although the mill capacity may be sufficient for 2015, additional sterilizer capacity is likely to be needed before very long. The current plan is to take on these additional capital investments out of operating income.

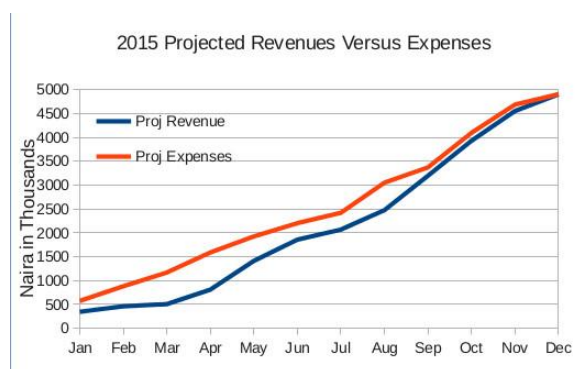


Figure 25: Projected expenses versus income for 2015, showing revenues matching expenses.

Summary

While 2014 represents significant progress toward profitable operation, we are confident of continued improvement as we get closer to that milestone.

Table 4: 2015 Projected Expenses and Income

Category	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
Expenses													
Salaries	113	113	113	113	113	113	113	113	113	113	113	113	1356
Food		24	24	24	24	24	24	24	24	24	24		240
Other labor ¹	190	20		30							15	35	290
Contract	90							270			270		630
Total labor	393	157	137	167	137	137	137	407	137	137	422	148	2516
Diesel	50	50		50	50	50		50	50	100	100		550
Gas	40	40	50	50	50	40	40	40	40	40	35	35	500
Mill supplies	5	5	15	20	20	20	10	5	5	5	5	5	120
Farm Supplies	50		50	100	50			100	50				400
Nursery	5	5	5							400			415
Rep. & Maint.	30	50	30	30	30	30	30	30	40	40	30	30	400
Total Expenses	423	307	287	419	337	277	217	632	322	722	592	218	4901
Revenues													
palm oil	270	110					110	270	585	600	470	345	2760
yams	30							30	30	30	10		130
maize						100	100	100	100	100	100		600
plantain	5	5	5	4	3	3	3	5	5	3	5	5	51
cassava					200								200
kernels	40		40			40					40		160
seedlings				300	400	300							1000
Total Revenue	345	115	45	304	603	443	213	405	720	733	625	350	4901

¹ transportation and annual housing of migrant workers into the country, plus 2014 bonus and vacation allowance