ANPOP 2013 Annual Report

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Executive Summary

In 2013 the company completed the capital investment plan approved in 2011 and begun in 2012. Expectations for revenues matching expenses for the second half of the year were nearly met, although for the year the company again operated at a loss. Projections for 2014 include an annual operating profit, with no major capital outlays planned.

Vision

We envision a medium scale palm oil plantation and mill in Oyo State, Nigeria, including a 1000 hectare (2500 acre) plantation of Tenera-type hybrid oil palm trees producing 5 and 10 million kg of fresh fruit bunches of palm fruit per year, and a mill that will process this fruit to yield more than 1 million 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 to the area. Once profitable, ANPOP will make significant financial contributions to the programs of The Good Samaritan Society Mission in Fiditi, Nigeria.

2013 Financial Results

We continue to estimate having approximately 8,000 trees planted on about 200 acres spread over five farms. In 2013 these trees produced 7524 fruit bunches from which we produced 6035 liters of

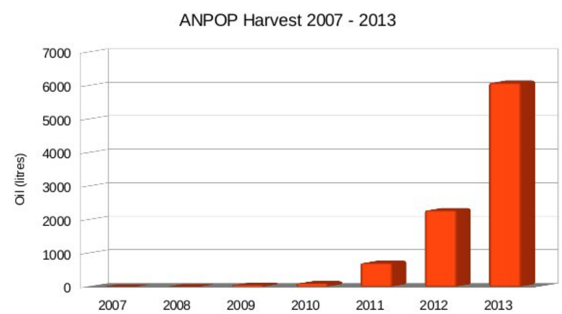

Figure 1: Exponential growth in ANPOP oil production.

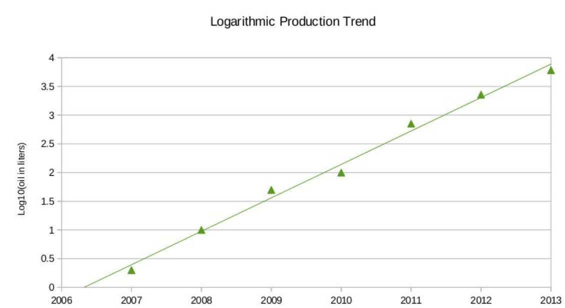

Figure 2: Growth through 2013 is still approximately exponential, but the exponent appears to be dropping.

oil, slightly more than the 6000 litres projected in September, although lower than an earlier projection of 8,000 litres. Figures 1 and 2 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 3) 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. Following a significant increase though still a small total harvest

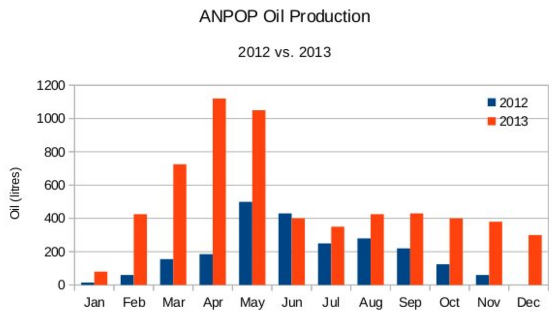

Figure 3: Increases in 2013 are not only significant in the peak months of March through May, but note especially the steady level of production throughout the rest of the year.

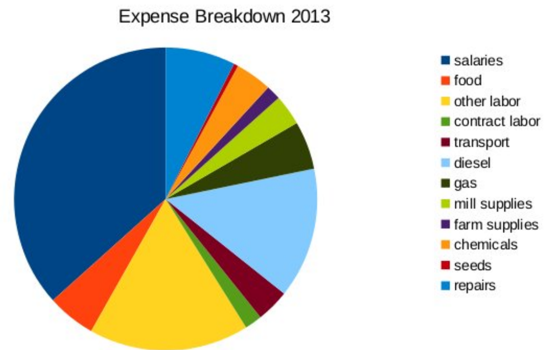

Figure 4: Breakdown in expenses as a percentage of the total by category. The various categories associated with labor represent about 60% of the total.

in January 2013, every other month in 2013 saw a minimum of 300 litres of oil produced. This speaks well to the improving health of the farm.

Here is a summary of key financial measures from 2013 operations.

- Current number of shares issued is 252,536. We have also sold shares in Nigeria worth another roughly $2,000.
- Expenses increased only slightly compared to 2012, at $26,900 in 2013 compared to $25,300 in 2012. Very similar to last year, about $16,200 of that expense was salaries and other labor expenses, with approximately $6,600 going to the new farm manager and the rest to the tractor operator–mechanic and to the laborers. Fuel for the tractor and truck totaled $5,000, and other transportation expenses (primarily from before we bought the truck) totaled about $1,000. Repairs (mainly to the tractor) totaled $2,000, mill supplies (mostly new drums to handle increase inventory of oil) totaled $900, farm chemicals totaled $1,000 and the remaining expenses (about $800) went to seeds and other farm supplies.
- Revenues for 2013 totaled $11,000, compared to $4,500 in 2012. Of that amount, $7000 came from oil (compared to $2,900 in 2012), and the rest ($4,000) came from maize, yams, palm kernels, cassava and plantains. In addition, at the end of 2013 we had on hand approximately $2,600 of unsold produce (mostly oil and maize), compared to less than $200 at the end of 2012.
- Excluding capital and special expenditures, and accounting for the increase in inventory in produce ready for sale, our operating loss for 2013 was $13,100, compared to an operating loss of $20,800 in 2012.
- 2013 capital investment totaled about $9,100, mostly for the truck ($8,300), with the rest ($1000) going for plumbing water to the mill.
- There were also a couple of special expenditures not included in the expense total above:
  - We spent $2,500 for seedlings at NIFOR, an investment that we expect to recover at significant profit in 2014.
  - We loaned $780 to our permanent farm operator Paul for the purchase of a motorcycle. That loan will be repaid from his wages in 2014.
- As of the end of 2013 we owed $11,420.01 on the tractor.

The details of monthly income and expenditures is provided in Table 1. Amounts are in thousand of Naira. For reporting in dollars, this report uses N160 per dollar as an approximate exchange rate. Figure 4 represents the breakdown of expenses categories graphically. A breakdown of revenues is graphically represented in Figure 5.

The projection from the 2012 annual report was that, after running a deficit of around $10,000 for the first half of the year, revenues might be expected to exceed expenses for the second half of the year. As can be seen in Figure 6, we fell short of that target. In fact, by the end of August expenses had exceeded revenues by around $15,100. For the last four months, expenses and revenues tracked pretty closely, but revenues still fell short of expenses by around $700. If

Table 1: 2013 Expenses and Income

Category	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
Expenses													
Salaries	129	129	149	149	135	135	135	129	104	117	117	131	1559
Food		24	24	24	24	24	20	20	20	20	20		220
Contract								13	17		32.5	16	78.5
Other labor	80[1]				32[2]						495[3]	120[4]	727
Total labor	209	153	173	173	191	159	155	162	141	137	664.5	267	2584.5
Transport	38	52	38	22									150
Diesel	50	105	32	32	25	25	80		30	120	32	62	593
Gas				10	25	25	25	22	26	26	30	30	219
Mill supplies	2	7.5	15	35	35	12	12	12	2	2	2	2	138.5
Farm Supplies	44	5				17							66
Rep. & Maint.	0.8	68	80	28	15	16	25			76	4	4	326.8
Total Expenses	343.8	420.5	338	320	311	276	307	208	241	391	732.5	365	4253.8
Capital Invest.	8.5			1397							44.4		1449.9
Special Expend.											400[5]	125[6]	525
Total Expend.	352.3	420.5	383	1717	311	276	307	208	241	791	776.9	490	6228.7
Revenues													
Oil									168	360	307.2	282.4	1117.6
Kernels	3									20	50		73
Maize						120					323		443
Yams	25								30	5	30	6	96
Cassava										14	14		28
Plantain											3.5	1	4.5
Total Revenue	28					120			198	399	727.7	289.4	1762.1

[1] transportation of migrant workers into the country
[2] annual housing for migrant workers
[3] lump sum payment of migrant worker salaries
[4] 2012 bonus for Temi (N80,000 - should have been paid in January), plus 2012 and 2013 vacation allowances
[5] sprouted nuts from NIFOR
[6] motorcycle loan to Paul

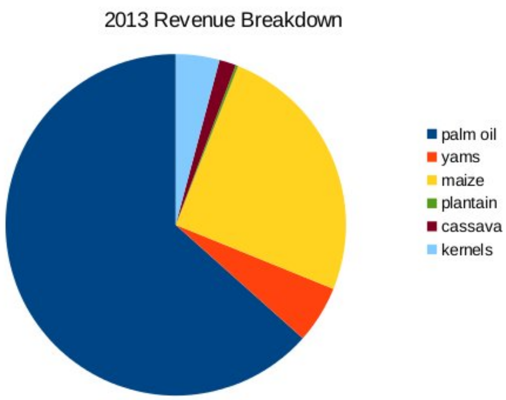

Figure 5: Breakdown in revenues as a percentage of the total. Revenue from sales of palm oil and kernels represents two thirds of the total, and that proportion is projected to increase to 75% in 2014, excluding nursery sales.

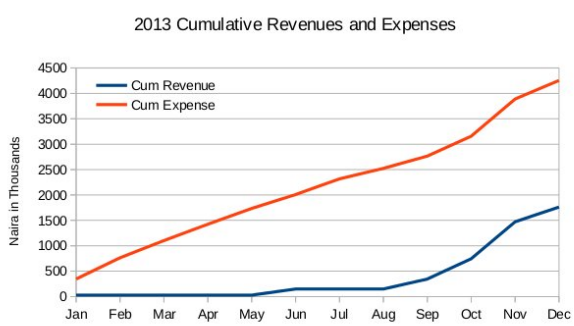

Figure 6: Increases in 2013 are not only significant in the peak months of March through May, but note especially the steady level of production throughout the rest of the year.

we adjust for the value of year-end inventory, the picture improves a little; revenues plus inventory slightly exceeded expenses for the last 5 months of the year.

Mill Operations

Although the mill equipment is designed for processing the oil palm fruit, the mill building is also used to process our other produce. Figure 7 shows the mill building in September 2013, with several tons of maize drying in the foreground. Typically, the maize is dried for a few months, then shelled and sold for grinding into flour. Behind the piles of maize, a pile of oil palm fruit awaiting processing can be seen. This pile is shown more clearly in Figure 8. The splitting of fruit from the bunch is done by hand using ma-

Figure 7: The mill building in September 2013, with both maize (foreground) and oil palm fruit (behind) spread out on the floor.

chetes, as shown in Figure 9. The fruit is generally harvested every two weeks, and the harvested fruit is usually then processed within a few days. When the peak production is reached in 2014, typically in April or May, we expect that the mill will need to operate five days a week to handle the capacity. By 2015, we will need additional sterilizer capacity to keep up with the volume of fruit.

In the background of Figures 7 and 8 can be seen the water tank. In November the tank was raised to a more suitable height to facilitate operation of the clarifier and watering of the newly planted nursery. Next to the oil palm fruit is the fruit cleaner, used to separate grass and other loose dry matter from the fruit that would otherwise soak up the oil during processing and reduce our yield. Behind the fruit cleaner in Figure 8 is one of the two sterilizers. The sterilizers are the bottleneck in the process, such that increased sterilizer capacity will be needed by 2015. The sterilizer passes steam through the fruit for a few hours, softening the fruit to make it easier to extract the oil, and denaturing the proteins that would otherwise cause the oil to ferment during processing.

Farm Operations

We were mostly successful in 2013 avoiding fire, with one small fire affecting the northern corner of the Ogunkunle farm. A good fire break had been established around the entire perimeter of the farm, as with the other farms, except for this stretch along a stream boundary where it had been too wet at the time for the tractor to complete the circuit. Fire spread across the stream, and a handful of trees near

Figure 8: Oil palm fruit awaiting processing. Much of the fruit here has already been split from the bunch, but a number of bunches remain to be split.

Figure 9: Paul and Tope splitting fruit. After splitting, the fruit is sent through the cleaner and then into the sterilizer.

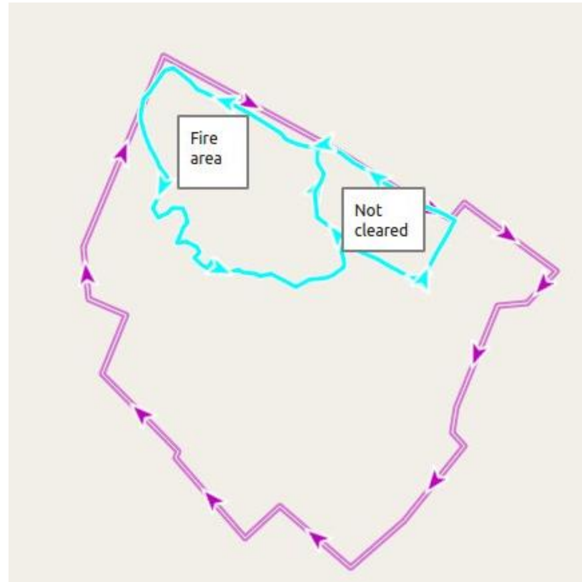

Figure 10: Ogunkunle farm, highlighting the area touched by fire in February 2013. Damage was minor except for a handful of trees right at the edge of the farm.

the stream were hit hard. The rest of the farm was well cleared, though, and the fire burned itself out without causing much damage except for those few trees near the stream. The total area affected by fire is shown in Figure 10. Figure 11 shows some of the fruit that survived the fire.

A visit to any one of the farms at any time of year now will find ripening bunches, and the bunches grow bigger each year. An example tree with several nearly ripe bunches from Awe in September 2013 is shown in Figure 12.

Nursery Operations

After several years of not having a nursery, we have once again launched nursery operations with about 12,000 sprouted nuts. Figure 13 shows the bags filled with seeds planted, though at the time this picture was taken in early December none of the sprouts had appeared. The primary purpose of the nursery this time is commercial - we plan to sell the majority of the seedlings. Two factors made this an especially good time to once again operate a nursery. First, the availability of water at the mill location is now very good, with the new bore hole providing plenty of water and plumbing completed to bring the water to the mill. Second, local farmers have noted recently that our tenera-variety trees have a much longer productive season than the local dura variety,

Figure 11: A tree in the Ogunkunle fire zone with several bunches. The fire intensity for most of the area affected was so low as to not touch the fruit, due to the overall good maintenance of the farm.

Figure 12: A tree at Awe with several nearly ripe bunches in September 2013. It is now possible to find plenty of ripening fruit on any farm at any time of year.

Figure 13: Recently planted nursery. The picture was taken in early December.

and it seems there is an increased interest in planting these trees. We are also hoping to launch some kind of cooperative arrangement with farmers who purchase seedlings from us.

Gifts

In keeping with the overall progress of the farm operation, several gifts of oil were made in 2013. The first gift was 50 litres of oil to Alafin of Oyo, in appreciation for his participation in the commissioning service at the Good Samaritan Mission Village in February. Then, another 50 litres each were gifted to the owners of each of the individual farms, five in all. So in total, 300 litres of oil were given as gifts, worth about $450. Reports from the farm owners in particular are that these gifts were greatly appreciated.

It had initially been thought to make the gifts more in proportion to the amount of fruit produced by each farm. However, the differences in the amount of fruit produced by each farm was not enough to justify making a distinction. While we do not have good data on possible variations in the size of bunches between the farms, the count of fruit bunches is thought to be pretty accurate. Here are the counts from each farm for the whole of 2013.

Awe 1955 bunches

Ogunkunle 1934 bunches

Ijaye 1295 bunches

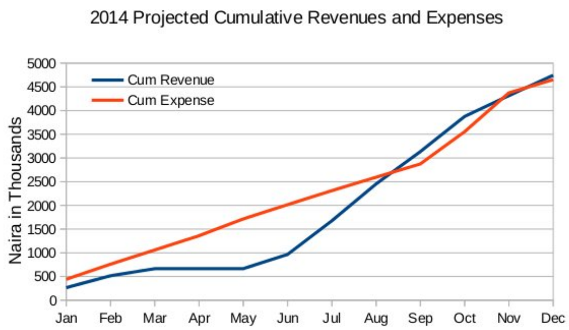

Figure 14: Projected expenses versus income for 2014, showing revenues exceeding expenses by about N100,000 (about $600).

Omodeni 1211 bunches

Olaoke 1129 bunches

Projections

Despite significant gains in 2013, we were still well short of financial success. Planning for 2014 has taken place at a much greater level of detail, and steps have been taken to improve the likelihood of operating with a positive cash flow. The plan anticipates positive cash flow for the year, but early in the year revenues will lag expenses, so additional investment is still required to build up sufficient cash reserves.

Projected income and expenses by month are provided in Table 2. Amounts are in thousand of Naira. As can be seen, the projected revenue slightly exceeds planned expenses. Figure 14 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 $6400. In addition, although the mill capacity is expected to be sufficient in 2014, by 2015 we expect to need additional sterilizer capacity. The current plan is to take on these additional capital investments out of operating income.

Summary

While 2013 represents significant progress toward profitable operation, by God's grace 2014 will be the year we achieve that milestone.

Table 2: 2014 Projected Expenses and Income

Category	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
Expenses													
Salaries	125	125	125	125	125	125	125	125	125	125	125	125	1500
Food		24	24	24	24	24	24	24	24	24	24		240
Contract											15	15	30
Other labor	200[1]				32[2]						540[3]	20[4]	792
Total labor	325	149	149	149	181	149	149	149	149	149	704	160	2562
Diesel	50	50	50	50	50	50	50	50	50	50	50	50	600
Gas	30	30	30	30	30	30	30	30	30	30	30	30	360
Mill supplies	2	5	15	15	45	22	17	2	2	2	2	2	131
Farm Supplies		50	20	20	20	20	20	20	20	20			210
Nursery	5	5	5	5						400	5	5	430
Rep. & Maint.	30	30	30	30	30	30	30	30	30	30	30	30	360
Total Expenses	442	319	299	299	356	301	296	281	281	681	821	277	4653
Revenues													
Oil	250	250						250	400	400	400	400	2350
Kernels	10								100			20	130
Maize			150							300			450
Yams	5							20	30	30	30		115
Cassava							200						200
Plantain							10	10	10	10	10	10	60
Seedlings						300	500	500	140				1440
Total Revenue	265	250	150			300	710	780	680	740	440	430	4745

[1] transportation of migrant workers into the country (N80,000) plus 2013 bonus (N120,000)
[2] annual housing for migrant workers
[3] lump sum payment of migrant worker salaries
[4] 2014 vacation allowance