ANPOP 2011 Annual Report

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Executive Summary

After several years of disappointing harvest and production, 2011 marks a turning point in ANPOP history. Our vision and mission have not changed, but trends in farm productivity over the past few years combined with volumes reaching critical levels call for additional investment at this time to implement our own processing center and improve our management structure.

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.

Current State

With this reminder of where we are going and why, an annual report is an appropriate time to take stock of how far we have come and how much progress remains to be made on our way toward our goals. First, we can measure directly the size of the farm, the amount of fruit and oil produced from it.

- We have approximately 200 acres of oil palm trees out of the 2500 envisioned (8%).
- We had a record harvest this year of an estimated 7,500 kg of fruit bunches out of an envisioned 5-10 million kg (0.1%).
- We produced 600 liters of oil out of our vision total of 1 million liters (0.06%).

Also, we do not mention the number of trees in our vision statement, but the fruit and oil projections assume 150,000 trees, which compares to our current estimated count of 8,000 trees (5%).

Although we are still far short of our goal, it is worthwhile to chart our recent progress to show the reasons for confidence and justification for additional investment. Figure 1 shows the entire history of ANPOP oil production since 2007, the first year we processed any fruit into oil (we produced two liters that year). The growth can be seen to be exponential, and the reasons for the exponential growth rate are mostly understood and are expected to drive continued exponential growth for a few more years before the rate starts to level off a little.

To complete the current state assessment, here is a summary of key financial measures.

- So far we have raised from ANPOP investors $142,536, plus an additional roughly $2,000 from Nigerian investors.
- Our expenses have averaged around $3,250 per year for the last 4 years.
- Our income this year is projected at $1,200.
- Our income next year is projected to be $12,000.
- We need to raise an additional $50,000 at this time for our next stage of expansion. After this, we expect future expansion to be funded by profits.

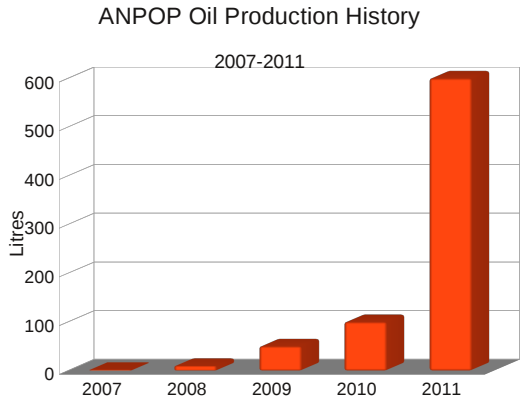

Figure 1: Exponential growth rate in ANPOP oil production since the first two liters of oil produced in 2007.

More details regarding the projected exponential increase in oil production and income along with a breakdown in the need for additional capital follow later in this report.

Additional insight into the current farm operations can be gained by watching videos of the current harvesting process as well as critical steps of the local oil extraction processing we have employed up to this point. Figure 2 shows Plantation Manager Segun Opatola demonstrating the harvesting of a single fruit bunch. In the video, he explains and demonstrates some key steps of the current process, including the actual harvesting, picking (hand picking the individual fruitlets from the ground that are knocked loose or fall off during harvesting) and splitting (removing the remaining attached fruitlets from the bunch). Figure 3 shows a snapshot of the mashed fruit being pulled out of the mashing equipment. The fruitlets are boiled prior to being mashed, and then the mashed fruit is processed in a pit of water, where the oil, fibers and kernel nuts are separated. Finally, the separated oil is heated to boil off remaining water and to allow any residual dirt or impurities to settle out. Follow the link to watch the video of a small part of this overall process.

Figure 2: Click to view harvesting video.

Figure 3: Click to view processing video.

Projections

As noted above, we have seen exponential growth in oil production over the last few years, and we expect growth to follow a similar trend for the next few years until we begin to approach the capacity of the trees. Here are the main points in the reasoning for projecting a ten-fold increase in oil production.

- We continue to expect year over year increases in the average size of the harvested bunches. A typical first year bunch weighs 1–1$\frac{1}{2}$ kg, while a bunch from the same tree will typically weigh 3 kg bunches in the second year and 5 kg in the third year. We estimate that probably more than half of the bunches harvested this year came from trees producing fruit for the first time, so bunch weights should continue to increase substantially.

- We expect a continued significant increase in the percentage of trees producing fruit. We estimate that we are still less than 50%, but the percentage of trees producing grows every year. In addition, this year due to several difficulties we lost all the fruit from our farm at Awe, representing approximately half of our trees. Further, many of our trees are not well cleared and as a result difficult to reach and easy to overlook. Undoubtedly a few of those trees were missed.

- As we prepare to launch our own processing center in 2012, we expect a significant improvement in processing efficiency. Currently, because we are using local processors to extract the oil, we

estimate that perhaps 10% is paid out in processing fees and another 40% is left behind due to the inherent inefficiencies in the manual process. The more mechanized process we plan to use starting next year should improve oil extraction from 50% to around 85%.

- While at times we have suffered significant fire damage, in the last couple years fire has not caused too much damage. But fire remains our largest risk, and we plan steps to further reduce the risk of fire, which will affect not only short term but also long term productivity.

For the next few years we will not see any increase in production due to more land or more trees, though those increases remain part of our long-term strategy. One of our farms, at Awe, is only about two-thirds planted, so there is significant room for expansion on our currently planted land. And the trees lost to fire or rodents can be replaced within the currently planted farms to increase the number of trees. The majority of future increases in land and trees, though, will come through some combination of acquiring an interest in new land or building a cooperative with local farmers.

Our expenses in 2012 are estimated to nearly match our revenues. This represents a significant increase in expenses relative to recent years, but it is necessary to achieve and manage the expected size of the 2012 fruit harvest. Additional increases in the sizes of the harvest are expected to lead to profits in subsequent years. Table 1 summarizes the projected expenses.

Table 1: 2012 Projected Expenses

Manager (New Hire)	$4,000
Processing Labor*	$1,000
Farm Labor	$2,000
Tractor Operator	$1,000
Oil, Gas & Supplies	$2,000
Unplanned Expenses	$1,000
Total	$10,000

7 people, $6/day, 4 days/month, 6 months

Expansion Plan

From the initial launch of ANPOP, the long-term plan has been to initiate our own processing center once the quantity of fruit produced grew large enough to justify the investment. While the project harvest will still only require a small fraction of the capacity of the system we intend to acquire, such that we may be able to operate only two to four days a month, the increase in processing efficiency and reduction in processing cost make it a very attractive investment at this time. In addition, we have practically already exceeded the local processing capacity to the extent that our totals this year may well have been limited to some degree by local processing capacity.

In addition to the investment in the processing plant, which represents the majority of the proposed capital expansion, the plan includes a small truck for fruit transport and a tractor with some implements for improving farm maintenance. Table 2 provides a summary of the proposed initial investment at this time.

Table 2: 2011 Planned Capital Expansion

Processing Equipment	$14,000
Installation & Training	$3,000
Small Truck for Fruit Transport	$3,000
Building / Shelter for Processing	$15,000
Fencing / Gate	$2,000
Tractor & Implements	$10,000
Miscellaneous	$3,000
Total	$50,000

The Processing equipment planned is sold by the Nigerian Institute For Oil-Palm Research (NIFOR) as “NIFOR Medium.” Table 3 describes some of the specifications of the NIFOR Medium system in comparison to the NIFOR Large. An important point is that the the NIFOR Medium system has the same screw/digester press, and sterilizers and clarifiers can be added when required to effectively transform a NIFOR Medium installation into a NIFOR Large installation. In the short term, the NIFOR Medium system will cost less and probably operate a little more efficiently when the fruit quantities are still relatively small.

Summary

2011 marks a turning point in ANPOP history. Significant progress in the amount of fruit harvested and in oil produced calls for additional investment at this time to implement our own processing center and improve our management structure.

Table 3: NIFOR Process Equipment

	NIFOR Large	NIFOR Medium
Price	$19,490	$12,571
Components	2 Large Sterilizers 1 Rotary Screen 1 Screw Digester Press 1 Large Clarifier 4 Chimney Extensions	2 Medium Sterilizers same same 1 Medium Clarifier 3 Chimney Extensions
Capacity	1000 kg /hour	500 kg/hour
Farm Size	125-250 acres	50-125 acres
Accessories	8hp diesel engine ($1000) Miscellaneous hardware ($638)	same
Lead Time	12-16 weeks	7 weeks
Operators	9	7
Training	2 weeks, $100/person	same
Building Plan	$2	same
Installation	$3898	$2514
Warranty	1 year	same