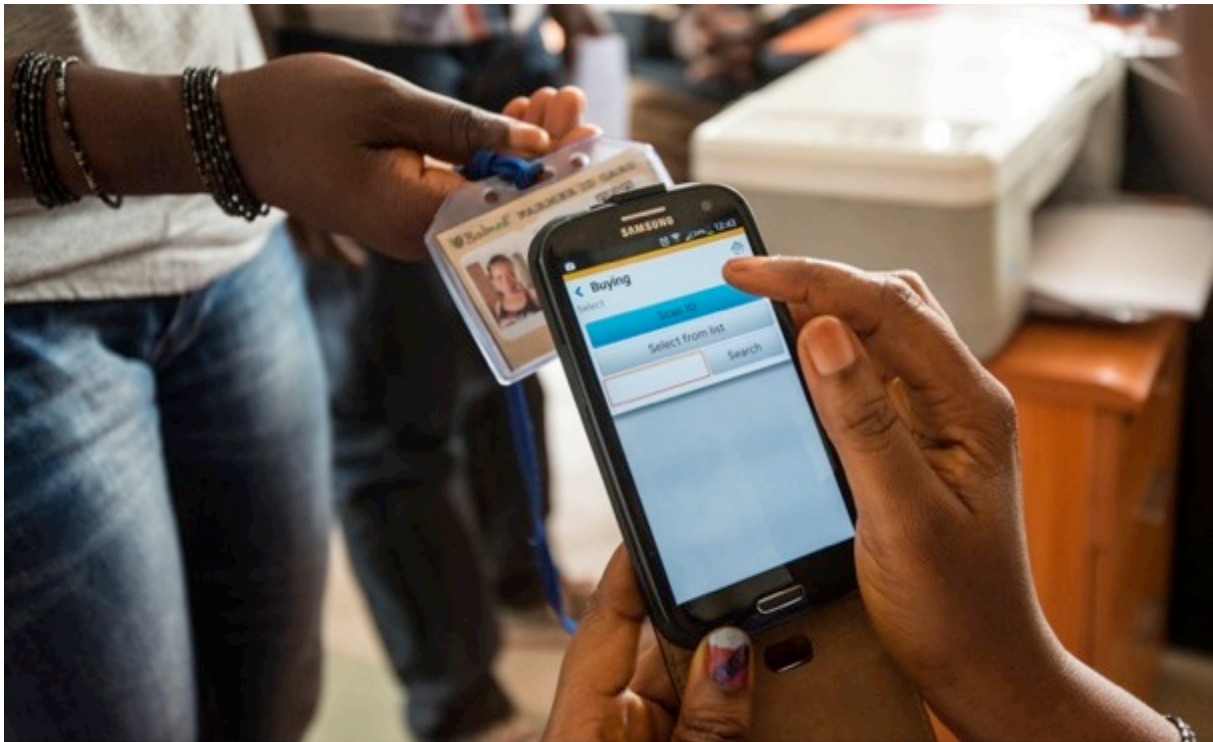




BALMED HOLDINGS LIMITED

## **A strategic business analysis**

*Quarterly stakeholder report for Q1 2014*



**Balmed staff practicing the use of the newly developed traceability app provided by SAP**

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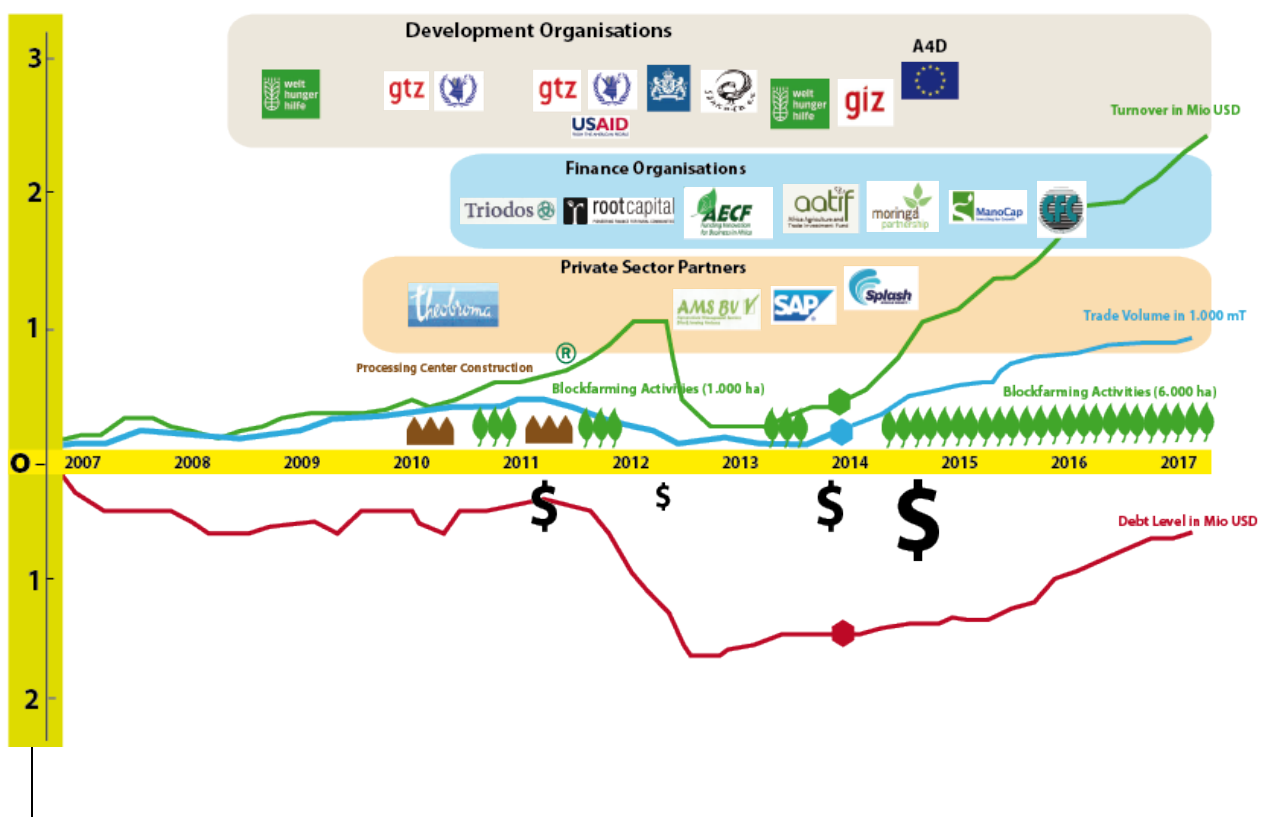
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## 1. Business Overview (Executive Summary):

Balmed is an agric company, based in Sierra Leone. Its main objectives are farm management; plantation establishment and purchasing of high quality produce (cocoa, coffee and cashew in the near future). The firm is one of the key promoters for certification, new plantation establishment and improving quality backed by international development organisations and NGO's. Over the past 7 years, the firm has built trustful relationships with its development partners in the various sector of collaboration (construction of processing centers, establishment of new plantations, implementation of certification etc.) During the 2011 season the company was hit by a series of unexpected financial difficulties, which led to major delays of 2 bank loans given by the financiers, Triodos Bank and Rootcapital. In April 2013 Balmed officially was granted 800.000 \$ grant from the African Enterprise Challenge Fund, the contract was signed end of 2013 and the firm is expecting the first payout in Q2 2014. Furthermore Balmed signed a funding agreement with AATIF (African trade and investment fund/ funded by KfW and implemented by Deutsche Bank) for trade finance in december 2013. Balmed recently signed a partner agreement with the German Welthungerhilfe (A4D Agriculture for Development funded by the European Union EU) for continuation of Blockfarming and farm rehabilitation for 1.000 farmers. Furthermore Balmed expects major investment from the A4D project as well as another PPP project initiated by GIZ (German International Cooperation) into infrastructure and plantation expansion.



## 2. Planning outlook for Q2 2014

### • General progress:

Since December 2013 Balmed is trading cocoa and coffee under the AATIF agreement and nursing cocoa seedlings in its central nursery in Mobai. The firm has conducted a major assessment on the plantations as well as continued to implement a new buying system focusing purely on improved quality and traceability. Balmed believes that the improved quality is the only applicable method in order to make the cocoa market profitable and also increase farmer income as well as a general quality improvement.

The company has been audited by Lawrence Dodo, a KPMG analyst on behalf of the AECF. He compared his findings with the report prior done by Paul van de Vrom and has confirmed improvement steps in the fields of accounting (new CFO) and controlling. He has made 3 main recommendations for the next audit in Q2 which the company will put into place. 1. Strengthening the board involvement, increase finance staff and improve reporting. Furthermore Balmed has made the matching fund amount of 100.000 USD available for the first tranche of the grant funds provided by AECF. Balmed is awaiting the payment in Q2 2014.

### • Key Milestone Deviation:

Balmed did not reach the set target of min. 50 mT because the trade finance provided by AATIF was too late to get the desired volume. The finances were transferred into Balmed accounts by end of December 2013, whilst the cocoa season was already on the decline, and stopped end of January. Due to unsufficient transport and logistic means (pick-ups, motorbikes) the buying of the produce is slow and Balmed is still restricted to handle larger volumes. The quality Balmed is sourcing currently is not improved quality as the company is using the same unprofitable buying scheme like the other traders/competitors. The current system does not yet allow Balmed to focus on quality and increased farmer income. Balmed so far did not have the chance to fully implement the new buying system, where it would buy raw cocoa and coffee beans and process them in the designated centers, which have been established for that purpose. Balmed must follow up on the initial quality strategy and source raw beans and cherries for improved quality and profitability.

### • Course Correction:

In order to overcome the challenges of bad quality and therefore resulting in a heavily discounted commodity, Balmed seeks to implement a new buying system focusing purely on purchasing raw cocoa and coffee beans to guarantee quality and increased farmer benefit. Balmed clearly will focus on its certified farmers and maintain certification by concentrating only on the purchase of wet cocoa and coffee beans to get the required quality. It will link donor funding (A4D) for farm rehabilitation and training. So far Balmed has sensitized 26 farm groups, who have received training and sensitization. The groups agreed and appreciated the new buying method and agreed to sell the raw products to the company. (Usually farmer process their goods for themselves and sell to the agents, this system leads to poor Sierra Leone quality and market discount) Balmed intends to increase to 100 groups targeting 100 communities in total (corresponding to about 5.000 farmers). The buying strategy is further explained under paragraph 3, buying strategy.

### • Risks

The cocoa and coffee market in Sierra Leone is a fast declining (due to age of plantations),

low quality market, where farmers are locked into a (rice) loan/ credit scheme operated by agents. In many cases, farmers do not receive money; they mainly receive items (rice, roofing sheets, construction materials) as exchange for the cocoa. The risk potential is very high as farmers might default the loans given at the beginning of the season and weather/ climate/diseases can further affect the sales. It is obvious that the cocoa/ coffee market in Sierra Leone is a non/ low profit market that is mainly used for foreign exchange.

Only few traders operate a system based on quality; however those traders encounter the same problems, of purchasing poor quality cocoa/ coffee at a high price. The main risk in the cocoa market is the long period of trade funds that are „locked“ in the bush, due to the long drying period it takes from the initial farmer purchase till the final export level combined with the low quality that does not allow traders to deliver good quality and thereof get better prices or certification premium.

Another risk is that all traders in Sierra Leone operate a cash-based buying system via agents and buying stations in the field. Traders estimate the losses through cash based buying system and advance payment to farmers between 5 – 15%. In order to recover the losses, traders reduce the price of the commodity.

#### • Scalability

The total market size in Sierra Leone is approximately 16.000 mT of cocoa and 4.000 mT of coffee. Balmed targets minimum 1.000 mT of grade 1 products within the next 2 years, due to new buying strategy and continuous farmer support and presence in the village. However the scalability of the trade volumes is limited due to fast declining yields, lack of farm skills and lack of continuously monitored and controlled replanting programmes, as well as a high competition from other traders for the existing volume. The envisioned buying strategy will give Balmed a clear market lead as it will not directly compete with other traders, because Balmed is sourcing wet products, which the other traders are not doing.

Therefore Balmed is targeting a market where it does not have direct competitors, as other traders are not quality focused and are not sourcing fresh products. The improved quality will lead to a significant trade margin and profitability for the company.

Although the yield of existing plantation in Sierra Leone is declining Balmed will leverage it against the supply coming from its own plantations.

The firm is therefore focusing on the full implementation and utilization of the new buying system and investing in its blockfarming operations to guarantee its own future supply and significantly increase farmer income and social benefits. The firm's target is 10.000 ha cocoa, coffee and cashew plantation under agro-forest conditions, using the Balmed Blockfarming Method.

#### • Sustainability

Balmed's business model aims to be fully self-sustaining after the successful implementation of the project phases. The company's quality strategy is currently the only way to increase farmer income and quality at the same time, by creating a win-win situation between the farmers and the trader. The continuous farmer support and the establishment of new plantations will guarantee a stable future supply of high quality products and improving livelihoods of people in rural areas that are living under the poverty level.

#### • Plans for Next Reporting Period

Balmed plans to implement the following changes and steps for the next reporting period:

- Implement raw produce buying system (raw cocoa (pods), raw coffee (cherries))
- Professionalize and improve digital dataflow and reduce paper based documentation (SAP)
- Survey (GPS) 4.000 ha of land for certification and possible conversion to Blockfarming
- Introduce & Implement (partly) the cashless buying method using SPLASH mobile wallets
- Strengthen the stakeholder communication and information
- Strengthen the logistic and buying infrastructure to cope with increased trade volume and new buying system
- Train and sensitize more farmers in Good Agricultural Practices (A4D)

### **Lessons learnt**

Over the past 4 month Balmed has identified some key areas within the business operation that need to be improved. On the trading side of the business it has identified a huge quality problem, due to bad harvest and post-harvest practices by the farmers and agents, as well as a supply chain problem, caused by farmers and agents who are locked into a debt cycle due to a loan system that is not providing escape opportunities. Balmed has realised that only the change of the buying strategy will lead to profitability. Balmed will address those 2 main problems on the trading side by putting the following correction methods in place:

- ✓ **Buy wet/fresh products direct from the farmer after the immediate harvest**
- ✓ **Show constant presence in the village for marketing and educational purposes**
- ✓ **Link donor/NGO funds to communities for farm rehabilitation, maintenance and training**
- ✓ **Increase and consolidate communities who agree to supply wet beans**
- ✓ **Implement a central data management system to cope with documentation and reporting task**

On the plantation side of the business it has identified a series of smaller problems that arose during the pilot phase since 2010. It was mainly the lack of proper nursery management and the lack of farm management by the groups compared with an insufficient monitoring from Balmed due to lack of funding and consistent donor support.

To correct the identified mistakes Balmed has/will put the following steps in place:

- ✓ **Set up centralised nurseries to produce strong high quality seedlings**
- ✓ **Conduct GPS surveys before any planting activity on the selected plot**
- ✓ **Train farmers on farm management and shade management**
- ✓ **Show continuous presence in the selected communities**

### 3. Trading:

#### Trading Analysis

The current buying system of dried farmer processed goods does not give a profit to the trader, neither increased farmer income. The quality of the product is bad and results in a low quality market that is known by buyers and therefore heavily discounted. It is the responsibility of the traders to transform the sector into a quality based buying system, rather than a quantity based, low quality system. The quality based system would benefit all stakeholders in the value chain and improve the international recognition of Sierra Leone for quality (certified) cocoa/coffee.

#### Comparison of buying schemes:

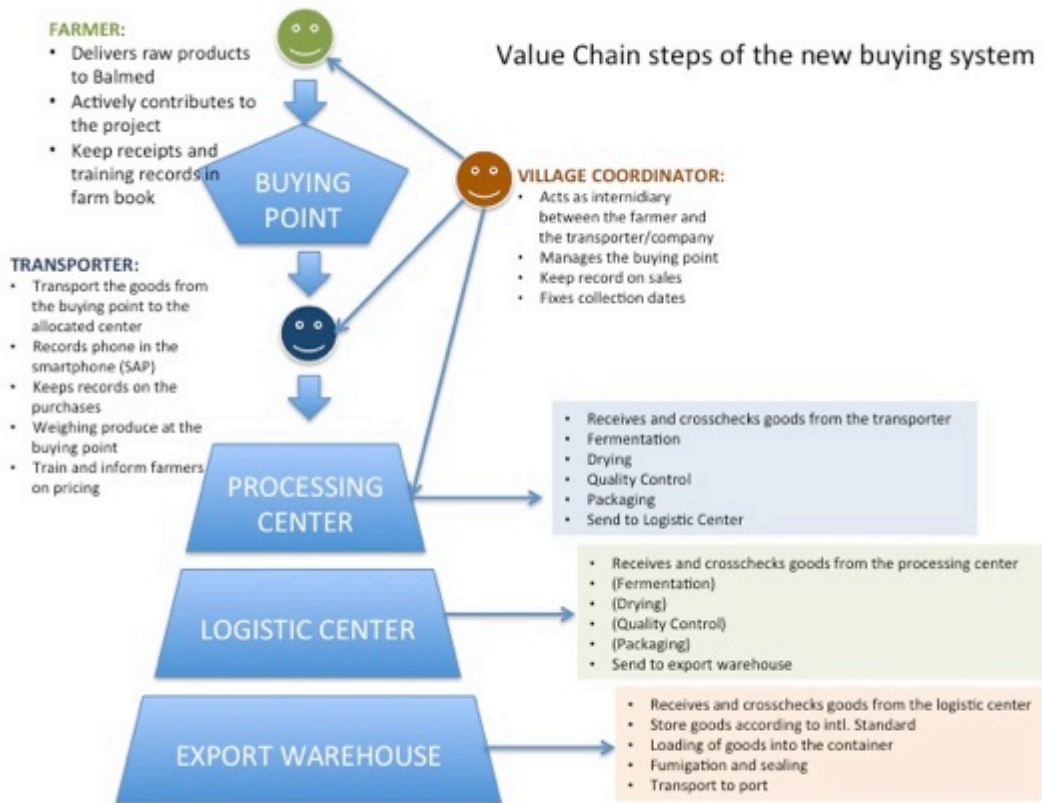
DRY COCOA/COFFEE		RAW/WET COCOA/COFFEE	
-	+	-	+
Labour intensive; farmers are not paid for quality > no incentive to produce quality	less work for the trader/buyer	High investment costs for processing structures and farmer training/sensitization	High quality products leading to higher prices from the buyer
farmers getting paid low prices and are locked in a loan scheme		Increased running costs for traders/buyers who are responsible for processing	<b>Direct farmer benefit</b> due to improved quality and certification premium > Farmers get sensitized for quality and new markets
Traders have to source low quality product and have high processing costs (artificial drying)			Continuous product flow throughout the season (no local storing which leads to mould, black beans and bad quality (FFA))
No income from certification as buyer cannot pay a premium for low quality			Reduced labour for the farmer (No fermentation/ No drying) > Increased efficiency

High risk because intensive monitoring and fraud risk			Farmer get paid the daily price with no discount for bad quality and no middlemen
No improvement and innovation in a fast declining market			Long term market access for certified high quality product
Intransparent procurement and middlemen			Transforming the image of Sierra Leone as a "residue/ low quality market" to a high quality market.

#### Envisioned Buying Strategy:

Balmed is envisioning to take up again the buying strategy that it has **already started to implement and promote in 2010**, and was backed up by that time by NGO's and Development Organisations. Hence due to the financial strokes that affected the company, Balmed was not able to continue the implementation and consolidation of the activity. Together with donor input the company will reactivate, upgrade and fully use its structure of buying points and processing centers and purely focusses on quality and increased traceability as well as increased farmer income and social benefits through a regulated trade.





The envisioned buying strategy will lead to:

- ✓ **Cut out the existing SL discount of 250 \$**
- ✓ **Increase the certification premium by focusing on quality and traceability**
- ✓ **Mitigate the fraud risk by using cashless mobile payment system**
- ✓ **Paperless data management system using SAP system**

As main effect, the new buying system will lead to a significant increase in quality and thereof result in premium payments from the international buyer. The farmer will be paid the price of the day without quality discount; it is expected that the wet cocoa beans weighs 3 times more than the dried one, so Balmed will divide the weight of the wet beans by 3. (300 kg wet beans = 100 kg dried beans, 1 dry bean on average 1g (bean\_count)). Balmed is currently testing the ratio for wet/fresh coffee cherries compared to dry coffee beans, which is expected to be at average 31% (similar like cocoa).

The main advantages of the „immediate after harvest processing method“ are:

**Cocoa:**

- ✓ **Controlled fermentation process (important for the typical chocolate flavour)**
- ✓ **Controlled fast drying process (reduction of mold and free fatty acids; FFA)**
- ✓ **Farmer receives no discount for bad quality**

**Coffee:**

- ✓ **Reduction of broken beans (due to dry hulling)**

✓ **Reduction of black beans (due to moisture and bad post harvesting practice)**

This will address the main quality problems of cocoa and coffee in Sierra Leone, which are mainly caused by bad post harvesting and processing methods, currently used by small holder farmers.

	<b>Average</b>	<b>Low</b>	<b>High</b>
Pod Weight	548,35	264,00	1000,00
Pod Mass Ratio ((LxCxW)/1000)	279,32	80,65	743,90
Bean Count	42,48	21,00	52,00
Wet Bean Weight (gm)	3,21	1,72	5,29

Wet cocoa bean weight analysis; Source: TA consultant Alan Beales

**Applying this method, Balmed will have several major benefits:**

- ✓ **Full weight and outcome control and forecast**
- ✓ **Grade 1 quality due to own processing**
- ✓ **Motivation of staff and farmers because of the positive impact**
- ✓ **Scalability of volume and incentive for other traders to apply the system > overall quality improvement in the country**
- ✓ **Transparent flow of goods using modern IT technology (Smartphones/SAP)**



Wet cocoa beans direct after harvest.

The initial roll-out phase will start by the upcoming cocoa season 2014 (may/june) and target 1.000 farmers in the 26 blockfarming communities where Balmed already showed strong activity. It will then gradually add other communities (min. 100) in the area, which in the near future can also become blockfarmers. The overall business strategy is that Balmed closely interact with farmers and manage the existing plantations (using donor funding, food for work, cash for work, A4D etc...) and set up at the same time new plantations to guarantee its future supply and growth. By showing constant presence in the communities and supporting farmers consistently, the firm will be able to source the products right at source. It will cut out any middlemen and only produce grade 1 commodities. ***By using the quality based buying system Balmed will cut out the existing discount of min. 250\$ for cocoa/coffee from Sierra Leone and getting premium payments of up to 300\$/mT on top. This will lead to a significant trade margin for the company.***

To reach the planned target Balmed continuous to implement the following

- ✓ Buy wet cocoa/coffee and process the goods in the centers
- ✓ Buy the produce directly from the farmers using the village coordinator system
- ✓ Deliver 100% traceable, certified commodities using modern IT systems
- ✓ Upgrade the decentralised buying structure and prepare for the upcoming volume
- ✓ Train and sensitize farmers and authorities for the new buying system

#### • Socio-economic impact and community acceptance

To introduce the new buying method Balmed consulted 28 selected communities and introduced the new buying method. Meetings with the chiefdom authorities and the farm groups were held and the payment structure and the general conditions have been discussed. The farmers widely accepted and appreciated the new buying system because it will directly benefit their income (fast money, less labour) and also the long term aspect and intention of Balmed to rehabilitate existing plantations and replant. The farmers clearly understand the dynamics of the market and understand the situation they are trapped in.

	Intl. Price	farmgate price					
Cocoa	ICCO	low	high	Moisture content	Farmer sales to agent	Loan to farmers from agent	Trader purchases from agents
	\$/mT	SLL/lbs	SLL/lbs	avg.			
Jan 13	\$2.275,44						
Feb 13	\$2.197,70						
Mrz 13	\$2.153,36						
Apr 13	\$2.294,49						
Mai 13	\$2.345,73						
Jun 13	\$2.283,58	1.800 SLL	2.300 SLL	28%			
Jul 13	\$2.308,53	1.800 SLL	2.300 SLL	25%			

Aug 13	\$2.483,61	1.800 SLL	2.300 SLL	26%			
Sep 13	\$2.616,05	1.800 SLL	2.600 SLL	22%			
Okt 13	\$2.730,70	2.200 SLL	2.800 SLL	20%			
Nov 13	\$2.755,17	3.000 SLL	3.600 SLL	18%			
Dez 13	\$2.824,54	3.800 SLL	4.050 SLL	13%			
Jan 14	\$2.819,43	4.000 SLL	4.250 SLL	11%			
Feb 14	\$2.994,36	4.200 SLL	4.400 SLL	10%			
Mrz 14		4.400 SLL	4.550 SLL				
Apr 14							

**Avg.                                      2.880 SLL    3.315 SLL                      17%**

As we can see in chart above the yearly average price for the past season was around 3.100 SLL/lbs of cocoa. When the prices getting higher (October to January) farmers have mainly sold majority of the cocoa to agents.(often in exchange against rice or building materials). Traders often start to buy larger volumes, starting end of october, when the weather is getting drier and cocoa can be dried under the sun. This saves money as the artificial gas/fuel powered driers are expensive to use. (Balmed uses cost effective and environmental friendly solar dryers!)

With the new buying method, Balmed will be sourcing throughout the season and therefore being ahead of the competition, as the company will be able to pay higher prices during the season, when cocoa prices are low. Throughout the season, farmer will furthermore appreciate the reduced labour and constant income when selling the harvested pods weekly to Balmed. (No fermentation, no drying, no risk of stealing) This system allows Balmed to buy direct from the farmers and at the same time eliminating bad quality and middlemen trading, which cuts out most of the profit. The cost benefit analysis shows, that by eliminating the current SL discount of 200 \$ (red line ) and an increased certification premium (200 \$ min.) due to improved quality and traceability, the company could absorb high farmgate prices throughout the season and still remain as profitable trading business whilst increasing farmers income at the same time. It is expected that participating farmers will receive a min. of 800 SLL more per pound of cocoa, resulting in approx. 50 \$ extra income due to quality (avg. Farmer harvest = 250 lbs).

When we compare now the cost benefit analysis of the current situation (dry beans/low quality) with the improved system it clearly shows the benefits of the new method. It is expected that farmgate price throughout the year is at the max. of 4300 SLL (avg. = 3100, see chart above). As we can see the company has a huge buffer zone to be competitive on the local market as it will have the margin to pay a higher price than the competitors and by the same time running on profit because of the higher price paid by the buyer due to increased quality and traceability.

**The goal that needs to be achieved is:**

- ✓ **Cut out the current Sierra Leone discount (focus on quality)**
- ✓ **Increase the certification premium (increase farmer income)**
- ✓ **Fully digitalize all business transactions (traceability)**

### Cost benefit analysis: Cocoa (Current situation: Dry beans/ low quality)

exchange rate \$ - SLL	4.302 SLL	
farmgate/ bushprice SLL/lbs	4.300 SLL	
exchange rate £ - \$	1,6470	
MARGIN	COGS	GROSS
	97,50%	2,50%
	Intl. Currency	SLL
worldmarket price £/mT (LIFFE)	£1.841,00	
differential (premium/discount) £/mT	-£120,00	
buyers price \$/mT	\$2.834,49	12.193.963 SLL
farmgate/bushprice \$/mT	\$2.203,60	9.479.877 SLL
farmgate/bushprice \$/lbs	\$1,00	4.300 SLL
Fixed cost \$/mT @ December 2013 (Logistics)	\$589,34	2.535.341 SLL
TOTAL costs (purchase + fixed) \$/mT	\$2.792,94	12.015.218 SLL
GROSS profit \$/lbs	\$0,02	81 SLL
GROSS profit \$/ton	\$41,55	178.745 SLL
Certification Premium/ton	\$30,00	129.060 SLL
TOTAL profit \$/mT	\$71,55	307.805 SLL
GROSS profit per container	\$894,37	3.847.565 SLL

### Cost benefit analysis: Cocoa (Improved situation: wet beans/high quality)

exchange rate \$ - SLL	4.302 SLL
farmgate/bushprice SLL/lbs	4.300 SLL

exchange rate £ - \$	1,6470	
<b>MARGIN</b>	<b>COGS</b> 86,41%	<b>GROSS</b> 13,59%
	<b>Intl. Currency</b>	<b>SLL</b>
<i>worldmarket price £/mT (LIFFE)</i>	£1.841,00	
<b>differential (premium/discount) £/mT</b>	£-	
<b>buyers price \$/mT</b>	\$3.032,13	13.044.210 SLL
farmgate/bushprice \$/mT	\$2.203,60	9.479.877 SLL
farmgate/bushprice \$/lbs	\$1,00	4.300 SLL
<b>Fixed cost \$/mT @ december 2013 (Logistics)</b>	<b>\$589,34</b>	<b>2.535.341 SLL</b>
TOTAL costs (purchase + fixed) \$/mT	\$2.792,94	12.015.218 SLL
GROSS profit \$/lbs	\$0,11	467 SLL
<b>GROSS profit \$/ton</b>	\$239,19	1.028.992 SLL
<b>Certification Premium/ton</b>	<b>\$200,00</b>	<b>860.400 SLL</b>
<b>TOTAL profit \$/mT</b>	<b>\$439,19</b>	<b>1.889.392 SLL</b>
<b>GROSS profit per container</b>	<b>\$5.489,87</b>	<b>23.617.406 SLL</b>

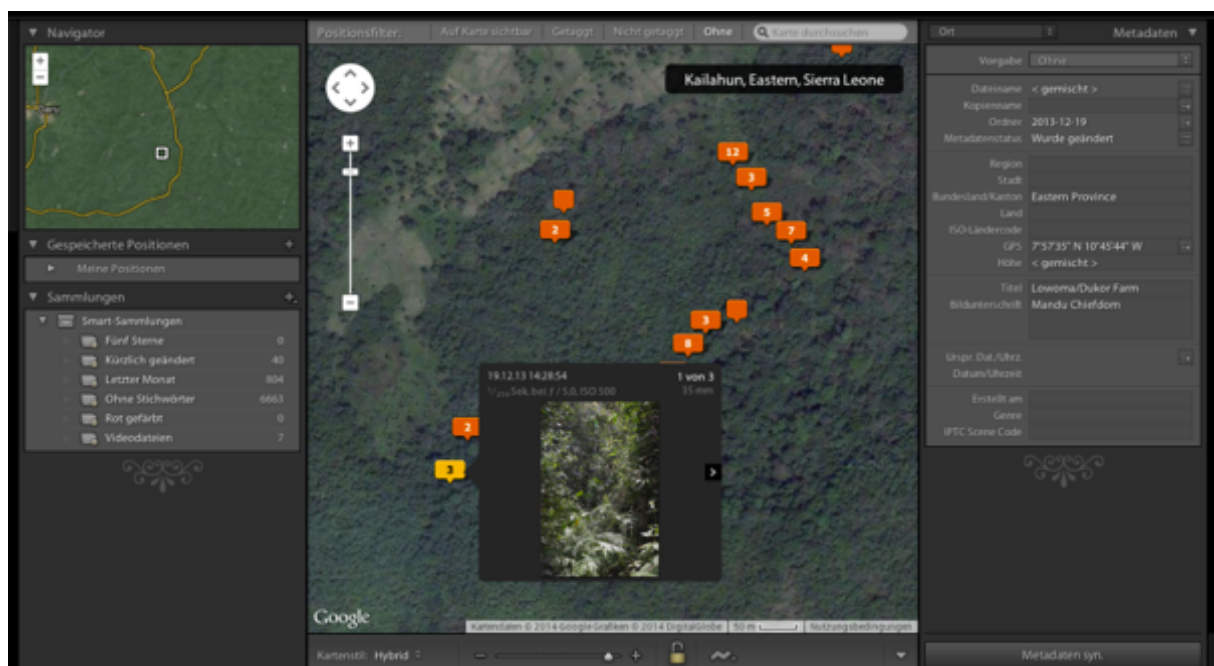
#### 4. Blockfarming:

##### Conducted assessment:

Balmed conducted an overall assessment of all its 28 contracted farm groups under the Blockfarming system for cocoa. Overall the company has 1.924 ha contracted on paper, 330 hectares could be GPS measured and identified. The assessment includes all the boundaries that Balmed and the village people thought is the given size on the contract. GPS measurements have not been done in prior blockfarming operations. Balmed believed in the area stated by the farmer and the farmers simply underestimated the land. During the assessment it was interesting to see, that most of the farm groups overestimated the given acreage. Only very few farm groups estimated the correct size. Hence it was only one quarter of the total land selected, all communities accepted to contribute the full amount



stated on the contracts and even contribute more as land is available and the farmers have a big interest in the project and like the company and its system. Balmed expects to possibly access more than 20.000 ha available farmland to plant cocoa, coffee and cashew. All farm groups have been visited, training and sensitization of each group was conducted, farmer data has been digitalized and the GPS data has been entered on a mapping tool and prepared to be uploaded in the upcoming SAP system. During the GPS survey, pictures were taken with a special GPS camera, allowing to display all taken pictures on a GPS map. This allows specialized personnel to identify mistakes, overview the general condition of the farm and help to identify correction methods. In combination with the smartphone app almost every business transaction can be recorded and the cloud server makes information accessible worldwide. Balmed will be able to manage its upcoming data volume consisting of various complex business transactions with its clients/ farmers. Through the mobile app, farmer training records can be entered, purchasing volumes captured, payment to farmers (cash for work) recorded, tool distribution controlled; later the data can be analysed on the computer.



Picture database -using GPS tagged plantation is used for improved farm monitoring

**Full information on the Blockfarming groups are available in a separate Blockfarming Report. (See Annex)**

#### **Current Blockfarming activities:**

Balmed is an associate partner on the A4D (Agriculture for Development) programme initiated by the European Union. The company has signed a one-year contract (end of November. 2014) for nursery and farm management targeting 816 farmers in Dea, Mandu and Malema Chiefdom. Balmed has so far received 183.600 polybags as well as 18 Mio SLL (4.186 USD) for the establishment of the central nursery in Mobai (Mandu Chiefdom). Up to date, Balmed has established the nursery in the logistic center in Mobai. It has filled all the 183.600 polybags and planted with cocoa seeds. The company has trained a team of 25

ladies who are working full time during the nursing period in the center to maintain the nursery and execute the necessary tasks: e.g. filling of polybags, planting, weeding and watering twice daily. In order to have sufficient water supply throughout the year, Balmed connected 2 pipes to the main water pipe in the town Mobai. Furthermore it has installed a petrol powered pump to fill the water tanks that are required for the watering of the seedling. The demanded water supply for the 183.600 seedlings (148 ha of cocoa plantation) is expected to be 15.000 liter water daily.

Balmed is expecting to plant the seedlings between june and august (rainy season) on selected areas. Training has been started for the selected farm groups in brushing, lining and pegging as well as shade management.



Nursery in Mobai

## **5. Other information:**

### **4th Call of Proposal for the Common Fund for Commodities:**

Balmed has applied with a proposal for the 4th call of proposal from the Common Fund for Commodities. The CFC recently signed partnership agreements with AATIF and Moringa Investment Fund. The submission deadline is the 4th of april 2014. Balmed will apply with a proposal for a new buying system (mentioned above under Chapter 3. Trading) introducing paperless documentation and cashless purchases using the SPLASH mobile wallet service.

### **Certification:**



Balmed currently runs UTZ and Rainforest Alliance certification schemes in 2 districts (Kailahun and Pujehun). The company has 2,140 farmers under UTZ in Kailahun District and 770 farmers under Rainforest Alliance in Pujehun District. All blockfarmers are under those certification schemes included in the total figure. The RA certification is under preparation for the main audit in 2014. In 2014 Balmed had to submit a non-conformity report to UTZ due to insufficient documentation of farmer receipts and reports. The non-conformity is mainly caused by a paper-based documentation system that is not capable of managing increased volumes of data. Balmed encounters practical problems in managing and analysing the data, mainly captured on paper. The digitalization process of the different information is not manageable unless the company will use a business software to manage a large volume of human resource and transaction data. It will link the SAP smartphone app with a business management software (SAP business ONE) to capture and monitor all business transactions (according to SAP contract). Balmed has the capacity, the knowledge and skilled personnel to implement the upcoming task. Balmed will have all points mentioned in the audit report completed for the upcoming annual audit in July 2014.

#### **Tax exemption MoU with the Government of Sierra Leone:**

Together with the Government of Sierra Leone, Balmed produced a draft MoU for tax exemption and other benefits. The company, as a large scale agricultural investor to Sierra Leone, is applicable of receiving tax exemption, tax free imports of agric inputs and expatriate staff benefits. The memorandum was prepared in March and will be signed the next weeks. The document can be requested from Balmed for review.

#### **Requirements and budget for the next reporting period (trading)**

To implement the upcoming tasks Balmed will need the following funds:

##### **BUYING CENTERS**

location	item	quantity	unit cost	total
<b>Mobai</b>	solar plastic dryer	2	18.000.000	36.000.000
	store (roof, concrete)	1	10.000.000	10.000.000
	drying matts	200	13.000	2.600.000
	hanging scale	3	520.000	1.560.000
	store scale	1	2.230.000	2.230.000
	training room	1	1.800.000	1.800.000
<b>TOTAL</b>				<b>54.190.000</b>
<b>Kamao</b>	solar plastic dryer	1	18.000.000	18.000.000
	drying tables	100	26.000	2.600.000
	drying matts	100	13.000	1.300.000
	fermentation boxes	1	4.000.000	4.000.000
	store scale	1	2.230.000	2.230.000
	hanging scale	2	520.000	1.040.000
	general maintenance	1	2.500.000	2.500.000
<b>TOTAL</b>				<b>31.670.000</b>

<b>Baiwalla</b>	solar plastic dryer	1	18.000.000	18.000.000
	store scale	1	2.230.000	2.230.000
	hanging scale	2	520.000	1.040.000
	drying tables	100	26.000	2.600.000
	drying matts	100	13.000	1.300.000
	fence	1	4.000.000	4.000.000
	fermentation boxes	1	4.000.000	4.000.000
	solar power system	1	3.250.000	3.250.000
	store	1	8.000.000	8.000.000
	general maintenance	1	2.500.000	2.500.000
<b>TOTAL</b>				<b>46.920.000</b>
<b>Potoru</b>	solar plastic dryer	1	18.000.000	18.000.000
	drying tables	100	26.000	2.600.000
	drying matts	100	13.000	1.300.000
	store	1	3.000.000	3.000.000
	fence	1	4.000.000	4.000.000
	painting office	1	2.500.000	2.500.000
	hanging scale	1	520.000	520.000
	store scale	1	2.230.000	2.230.000
	ferment boxes	1	20.000.000	20.000.000
<b>TOTAL</b>				<b>54.150.000</b>
<b>Blackman London</b>	solar plastic dryer	1	8.000.000	8.000.000
	drying tables	20	26.000	520.000
	drying matts	20	13.000	260.000
	hanging scale	1	520.000	520.000
	store	1	1.000.000	1.000.000
<b>TOTAL</b>				<b>10.300.000</b>
<b>Joiroma</b>	solar plastic dryer	1	11.000.000	11.000.000
	store scale	1	2.230.000	2.230.000
	hanging scale	1	520.000	520.000
	drying tables	50	26.000	1.300.000
	drying matts	50	13.000	650.000
	store	1	5.000.000	5.000.000
	fence	1	3.000.000	3.000.000
<b>TOTALS</b>				<b>23.700.000</b>
<b>Luawa Baoma</b>	solar plastic dryer	1	11.000.000	11.000.000
	drying tables	50	26.000	1.300.000
	drying matts	50	13.000	650.000
	store scale	1	2.230.000	2.230.000
	hanging scale	2	520.000	1.040.000
	store	1	2.000.000	2.000.000
<b>TOTAL</b>				<b>18.220.000</b>

**VECHILES REPAIR/PURCHASES**

location	item	quantity	unit cost	total
Overall	pick up	7	10.000.000	70.000.000

24.03.14

truck	1	10.000.000	10.000.000
bikes	10	5.000.000	50.000.000

<b>TOTAL</b>			<b>130.000.000</b>
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**SAP System**

location	item	quantity	unit cost	total
	Business ONE			
	workplace	2	10.750.000	21.500.000
	Smartphones	4	870.000	3.480.000
	Farmer ID cards	1.200	4.560	5.472.000
	<b>TOTAL</b>			<b>30.452.000</b>

<b>GRAND TOTAL in</b>	<b>399.602.00</b>
<b>SLL</b>	<b>0</b>

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<b>GRAND TOTAL in USD</b>	<b>\$92.930,70</b>
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