

Valid Nutrition Supporter Newsletter

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Valid Nutrition (VN) faced a challenging year in 2010 which tested our social business model and the capacity to fulfill long-term humanitarian goals. Last year also brought with it some major achievements in terms of the supply of close to **10 million sachets** of VN branded Ready to Use Therapeutic Foods (RUTFs) to those in need.

Welcome to the sixth edition of the VN newsletter aimed at providing our supporters and funders with an update on the continued progress and further developments within VN during the past six months and our future plans to address the challenges ahead.

REFLECTIONS ON 2010

The challenges VN faced in 2010 included serious problems in raising working capital funding as a humanitarian organisation; problems around sourcing quality ingredients locally and access to forex, especially in Malawi. These problems combined represented major challenges for local management and VN's executive team to overcome. Despite this, close to 10 million sachets of VN branded Ready to Use Therapeutic Foods (RUTFs) were supplied by the end of 2010 which equates to the treatment of approximately 100,000 children and several thousand lives saved.

Good progress has been made in 2010 in relation to our Research and Development Program, supported by Irish Aid, and we are now looking forward to getting new/alternative life-saving products and cheaper formulations on to the market in 2011/2012. We are also planning further collaborations in West Africa and India during the course of this year.

As we enter 2011 then, while there are significant challenges ahead and much more progress to be made, efforts in 2010 are beginning to demonstrate real results as we look forward to another busy, challenging and successful year.



MALAWI

Whilst the factory is already a major supplier to UNICEF locally following their designation of "local supplier" approval, the focus is on the completion of "international supplier" status which remains outstanding and is vital to the long-term viability of the Lilongwe factory. It is hoped to achieve this status in the first half of 2011, providing VN with essential access to export markets for existing product and our new products in due course. It is planned to hold a formal opening of the factory in Malawi once international certification has been achieved.

We secured funding in November 2010 from Gorta and Irish Aid (Malawi) for the establishment of our own food chemistry, microbiology and physical testing laboratory at the factory; work has now commenced on this project which is due to be completed in July 2011. There are currently no product testing facilities within the Malawi factory and it has been necessary in the past, to use expensive independent external laboratories as back up, to underpin continuing confidence in the reliability of local laboratories. Quality Assurance testing is particularly critical given RUTF used in the treatment of vulnerable children. The laboratory will initially concentrate on meeting VN requirements, but in due course it is intended to review the potential to provide quality laboratory services to third parties.



VN have established a research project in collaboration with University College, Cork into sustainable small farmer holdings aimed at improving crop management and yield, providing guaranteed crop prices to farmers upfront, and sourcing quality peanuts to the required standard. It is planned, subject to adequate funding, to undertake the project in Malawi, Ethiopia, Kenya and possibly Nigeria. The first phase of the three year project in Malawi, which is being funded by Irish Aid Malawi and VN, involving a research project to establish a baseline against which to judge the benefits of training farmers to produce high quality groundnuts for an assured fair market price has been completed and the results from this phase of the project will be available shortly.

KENYA

The Insta EPZ state of the art factory in Kenya, which was UNICEF certified in November 2009, produced reasonable outputs in 2010 – its first full year of operations. While the factory demonstrated consistent growth by quarter, tonnage was much lower than expected and is well short of local demand in the region. The key constraint was difficulties in accessing sufficient working capital funding. VN are, however, determined to support Insta in addressing this issue and are actively seeking solutions to this problem.

OTHER TERRITORIES

Following intensive preparatory work, Valid Nutrition is planning to develop further manufacturing collaborations in West Africa and India during the course of 2011.

ETHIOPIA

The collaboration with Valsek - a local food manufacturer - following delays in factory commissioning due largely to problems with packaging equipment, is progressing well with commissioning of the factory underway and due to be operational in February 2011. UNICEF, the major customer in Ethiopia for RUTFs, is expected to visit the plant and provide certification in early 2011. This is a really exciting development and brings much needed competition to Ethiopia.



TWO DEGREES

Two Degrees are an American based new Venture with an innovative Social Mission. They have launched a range of nutritious and healthy, gluten-free "Snack Bars" on the US market in late Q4 2010. A core component of the consumer proposition is the promise that: "for every nutrition bar you buy, we give a nutrition pack to a hungry child".

VN are the Supplier Partner for Two Degrees – to provide the "nutrition packs" in developing countries and a first consignment of RUTF is about to be delivered in Malawi to their local distribution partners. This exciting collaboration will help VN to benefit through broader awareness and gain brand equity enhancing publicity for our humanitarian goals amongst Two Degrees' customers/consumers through this association.

Why not visit their website on www.twodegreesfood.com and become a Facebook friend for more and regular information.



RESEARCH & DEVELOPMENT

Solid progress continues to be made with VN's Research & Development programme funded by Irish Aid, with the latest RUTF trials in Zambia providing very positive results from which to bring a new product to final market stage. In keeping with VN's evidence-based approach to research, all trials are being conducted in collaboration with international and local research institutions and involve large numbers of children.



APPOINTMENTS

Derek Staveley, VN's CEO since January 2007, has decided for personal reasons to step down as CEO; he is however remaining in the business as VN's Vice Chairperson with particular focus on Strategic Development of VN, fundraising and finance. VN much appreciate Derek's important contribution to the business and its development in recent years and look forward to his continuing involvement.

We are delighted to announce that Paul Murphy, who has been VN's Chief Operating Officer since mid 2010, is taking over as CEO. Paul has considerable experience in the food business having been in various senior executive/chairman roles in Unilever over a 27 year career. We wish Paul all the very best in his new role.

VN would also like to extend a warm welcome to Richard Kadasa, who has recently joined the business in the role of Accounts Assistant and who together with Daniel Kampondeni runs VN's back office operations in Malawi.

FUNDING THE VISION

Valid Nutrition is aiming to rapidly expand its manufacturing capability to meet the extensive demand for ready to use foods (RUFs) and is now producing RUFs in Kenya and soon in Ethiopia, with the intention of extending to West Africa and India during the course of 2011. Its innovative social enterprise model is breaking the charity-driven mould for humanitarian development. Rather than solely depending on donor funding, Valid Nutrition is intent on being commercially viable, generating economic activity whilst improving nutrition and agriculture through a unique sustainable business framework. It is confident that with appropriate support, it can be self financing within a short timeframe.

However, as a social enterprise determined to improve quality, expand production and make highly nutritious products more available and affordable to those who need them, Valid Nutrition does face a number of serious challenges in this "start up phase". Principle among these is funding for core costs and working capital requirements. With CTC and RUFs, we have a proven breakthrough in the treatment of malnutrition – and by expanding the sourcing and production of these innovative foods locally, we are building a sustainable model with powerful associated benefits to the local economies. We are confident that with additional funding, we will realise our vision. Details of how to make credit card or cheque donations are available on VN's website - www.validnutrition.org – donations can also be made directly through the website.

We are extremely grateful for the funding that we have so far received from our donors. Many of the exciting developments referred to above would not have been possible without their support.

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VN are on Facebook and we are Tweeting too – so check us out and become a friend and follower!



VN WEBSITE

VN's newly published Code of Conduct and Business Principles together with recent media coverage and associated articles, are available for viewing on our newly styled website.

Why not visit us on www.validnutrition.org for more information.