

# Proximity Designs Quarterly Report

Quarter 2, FY2016

01 October – 31 December 2016

## SUMMARY Q2:

At our mid-year point, Proximity has served over 85,000 customer households with our irrigation technology, rural finance, and advisory services. Year-to-date irrigation sales are up 11 percent, compared to FY2016, and our new sprinkler irrigation product has been well-received by farmers. Adoption rates for our farm advisory services jumped to 68 percent by quarter end, as our extension staff served 8.2 farmers each per working day. Proximity Finance is now serving 60,238 active customers with an outstanding portfolio of USD11.7 million. Proximity Research focused on recent inter-communal violence in Rakhine State with domestic research visits, and made preparations to take Myanmar leaders to visit Indonesia and Maluku in the next quarter. Our in-house product and service design team, Proximity Labs, completed a full-season pilot of our SMS-messaging service to advise farmers on timely fertilizer application, ready for launch next quarter.

# Q2



### FARM ADVISORY SERVICES GOES DIGITAL

Han Moe Nyein, Shwebo Township Coordinator, introduces customers to our SMS messaging service that advises farmers on timely fertilizer application.





## CUSTOMERS EMBRACING MICRO IRRIGATION TECHNOLOGIES

Sales of drip irrigation and our new sprinkler system now account for 55 percent of total irrigationsales.

## YETAGON IRRIGATION

### Boosting farm productivity with small-plot irrigation technologies

This quarter, farm households purchased 7,385 units of our irrigation technologies, sold under the local “Yetagon” brand (meaning “waterfall”). Our cumulative sales for this fiscal year total 9,419 products (up 11 percent compared to this time last year) to 3,588 households. We are now seeing more customer households purchasing more than one unit of our drip and sprinkler products

Most of our irrigation product sales (61 percent) continue to be driven by our direct sales force that engages face-to-face with farmers in villages. This quarter, our 81 sales representatives gave 13,085 presentations, resulting in 8 percent higher sales this quarter and a closing rate of 26 percent. We continue to recruit, train and develop our rural sales force, replacing low-performers and giving opportunities to new recruits from local areas. Sales through our network of agro-dealer shops remained flat with a 2 percent increase from Q2 FY2016. Our new dealer network manager has come onboard and is reviewing our engagement with shops and aligning incentives to boost sales through this channel.

Sales of drip irrigation and our new sprinkler system now account for 55 percent of total sales. In contrast, sales of our water basket dropped by 38 percent, and our treadle pumps dropped by 18 percent. This shift in our product mix reflects wider trends in Myanmar. Labor costs in rural areas continue to rise as urban migration increases, and farmers are demanding more labor-saving products. Our in-house design team, Proximity Labs, is currently redesigning our drip-system for compatibility with mechanized pumps. We are also redesigning two new versions of the Lotus solar irrigation pump. The first will allow farmers to use our submersible pump with their existing solar panels, and the second design will allow farmers to connect our submersible pump to grid electricity.

## FARM ADVISORY SERVICES

### Rice farmers are keen and ready to adopt new “best-fit” practices

Our Farm Advisory Services team continued to expand to meet high demand from farmers, for “best-fit” rice-cropping practices. We are seeing that farmers value cropping knowledge and information from a trusted and neutral (non-commercial) source. We now have 120 staff, including 70 extension officers and 13 field managers. 50 percent were hired in the last six months, reflecting our rapid growth this year. We now serve 12 townships in the Ayeyarwady Delta and Central Dry Zone.

Each of our farm extension staff served an average of 7.7 farmers per working day, or a total of 36,229 farmers this quarter (up 239 percent year-on-year). 8,186 farmers adopted at least one of our farm advisory services during the 2016 monsoon season. As monsoon crops matured for harvest this quarter in our new





### LAND LEVELING PILOT

Proximity Labs teamed with Farm Advisory Services in the Ayeyarwaddy Delta to test the viability of a new land-leveling service. This service could generate around USD200 in additional income per acre leveled for farmers.

and expanded geographic areas, we also saw a rise in farmers requesting our on-call service to deal with emergency pest and disease outbreaks. 1,108 farmers were helped by this service this quarter—up 226 percent from the same quarter last year.

Farm Advisory Services explored new services that can help generate earned revenues for this venture. This quarter, we completed our first full-season pilot of our SMS-messaging service to deliver timely fertilizer management advice to farmers throughout the season, with 25 percent of the 335 farmers adopting recommended techniques. We plan to officially launch this service to adopting farmers next quarter. A new land-leveling service was tested with five paddy farmers and 30 acres of land in the Delta. It is expected to generate around USD200 in additional income per acre leveled for farmers.

### PROXIMITY FINANCE

#### Stable growth despite regulatory delays

Growth this financial year was slower than anticipated for our farm finance business. This is largely due to government regulatory delays in approving a currency hedging facility that hindered our ability to access overseas capital flows. Proximity Finance closed this quarter with 60,238 active customers and an outstanding portfolio of USD11.7 million. More than half of our 8,674 disbursed loans this quarter were to new customers (4,502 customers). Our repayment rates remain high, above 99 percent (PAR30 dropped to 0.55 percent compared to 2.7 percent this time last year).

In terms of geographic reach, we currently serve 1,355 villages through 14 branch offices. Our portfolio is now split evenly between clients in the Dry Zone and Delta, and a small portion, 5 percent our portfolio in Shan State. This quarter, we opened two new offices in Shwebo and Kyaukse townships in central Myanmar, bringing our total to 14 branches. Staff grew to 263 employees—62 percent growth year-on-year.

With the addition of many new staff, we invested heavily in training this quarter and provided intensive sales training to all field managers and loan officers, centered around positive customer interaction. Trainings will continue throughout next quarter. This quarter, 25 staff traveled to Cambodia to visit and learn from other, more established farm finance institutions.

### PROXIMITY RESEARCH

#### Deepening research in Rakhine state as tensions rise

Recent violent outbreaks in Rakhine State make our research and engagement of leaders more timely and critical than ever, as we focus on supporting leaders to build an inclusive and pluralistic nation. Proximity and its research partner, a team from the Harvard Ash Center, spent the first two weeks of December 2016 on in-country research and engagement trips. Our trip to Sittwe in western Myanmar took place when communal tensions were at an all-time





## OUR NEW HOME

We repurposed an abandoned hot-pot restaurant into a new office space that can house all teams under one roof.



high, following the October 2016 attacks by local militants on police posts and subsequent military counter-insurgency operations. Our research focused on the changes in key dynamics in Rakhine state and resulted in a discussion paper, “Rakhine State – In Need of Fundamental Solutions”. The memo highlights 1) the need for security forces to pursue violent extremists but to protect the majority who are largely unconnected to the violence; and 2) the importance of substantial investments and subsequent creation of economic opportunities, benefitting all areas and communities in Rakhine state.

This quarter, we started preparing for our third Senior Leadership Program and trip with Myanmar leaders to the Maluku islands in Indonesia, which was home to violent sectarian conflict between resident Christian and Muslim communities in the 1990s. Myanmar leaders have found it impactful to learn firsthand from Indonesian leaders, about their experience transitioning from decades of military rule to a vibrant and prosperous democracy.

## TALENT

As of December 31, we had a total of 589 employees—142 of whom are based in Yangon. Proximity School, our in-house training program delivered over 10,719 hours of training to staff, primarily onboarding for the large number of recent hires. We designed a new managerial track this quarter to equip our managerial talent—which is scarce in Myanmar.

New talent recruited this quarter includes **Soe Paing**, who joined as the Sales Manager for our agro-dealer channel for our Irrigation business. He previously managed agri-machinery dealers for Honda in Myanmar. **Oak Soe** also joined our Irrigation team in October as a Senior Operations Associate. A graduate of Nanyang Technological University in Singapore with a Bachelor of Engineering (Hons), Oak Soe worked in Micron Technology as a Quality Reliability Assurance Engineer before joining Proximity. **Taiei Harimoto**, co-manager of our product design team attended Autodesk University in the U.S. to participate in a panel discussion on the role of human-centered design in social enterprises.

## SIX-MONTH OUTLOOK

Myanmar continues to see fast-paced changes, especially with rural labor shortages due to out-migration of workers to non-rural jobs. Farmers are under pressure and looking for ways to reduce costs, mechanize, boost yields and diversify into higher value crops. We expect to see continued demand for our labor-saving irrigation technologies and smart farming services. Farmers will need sufficient capital to invest in their farms. Proximity has an opportunity to shape the future of smallholder farming in Myanmar, and we expect to invest and build digital and tech infrastructure to support broader engagement with farmers across Myanmar.



**Soe Paing**



**Oak Soe**



**Taiei Harimoto**