

POTENTIAL INDUSTRY - Ornamental Fish



The Flower Horn - the current rage among local aquarium fish enthusiasts. A good specimen can command astronomical prices.

1.0 INTRODUCTION

The ornamental fish business is the fastest-growing one in Malaysia's agriculture sector. The export-oriented sub-sector enjoys a growth rate in excess of 40% a year.

Malaysia is the third largest producer of ornamental fish (next to Singapore and Indonesia) with a 7% share of the global market in 2000. On average, the industry experienced a 24% growth in exports over a 10 year period (1990-2000).

The world market for the industry has shown some recovery after the economic crisis of 1997 and can be expected to reach its previous growth levels of 10 -15% annually. The size of the world trade is estimated at US\$2.24 billion, 98% of which is trade in tropical fish. World import and export alone are valued in 2000 at US\$250 million and US\$176 million respectively, and can be expected to grow by 2.5 – 4% in the short- and medium-term.

Ornamental fish is a high value product, raking in an average of US\$1.8 million per tonne. The price ratio of ornamental fish to those bred for consumption is about 100:1. Exporters who are also producers can further save on the already low cost of production (estimated at RM100, 000 per hectare), to bring about exceedingly attractive returns.

The relatively short production cycle (i.e. less than 3 months), and a profit margin of 40-50% are other attractive attributes of the industry.

These factors make ornamental fish a prime industry, especially for producers who can turn out popular varieties and market them aggressively.

2.0 MARKET OUTLOOK

2.1 Introduction

The local ornamental fish industry is expected to grow steadily in the near future. Demand for Malaysian ornamental fish is expected to increase from RM61 million in 2002 to RM68 million in 2003, and RM83 million in 2005.

The domestic market is also expected to rise significantly from RM6 million in 2002 to RM8 million in 2003, and to RM10 million in 2005.

Growth for the predominantly export-oriented industry can be attributed to the 2.5-4% recovery in the world market, and the consistent demand for Malaysian fish.

The world supply of ornamental fish is expected to expand to US\$201 million in 2005, from US\$ 176 million in 2001. At this rate, Malaysia's share is also expected to grow to 9% in 2003, and to 10% in 2005.

Nevertheless, drastic measures must be taken to help the local ornamental fish industry to grow in excess of 10% annually, or Malaysia will remain the third largest world exporter. Our closest competitors, Indonesia and The Czech Republic, managed an annual growth rate of 25% and 3% respectively, in the 1996-2000 period.

Meanwhile, market prices for popular varieties should remain stable, while prices for new varieties will see some fluctuation.

Ornamental Fish Outlook, Malaysia 2002 – 2010 (RM Million)

Market	Situation in 2000	Targets RM Million									
		Year	02	03	04	05	06	07	08	09	10
Domestic	RM6 Mil	G*	7	8	9	10	10.6	11.6	12.9	14.1	15.5
Exports	RM 45 Mil	G**	54	60	66	73	80	88	97	106	117
Total			61	68	75	83	90	100	110	120	132
World Eksport:US\$ Mil			186	190	196	201	206	211	217	223	229
% market (current = 7%)			8	9	9.4	10	11	12	13	14	15

Notes : - * Growth 1% (Globe fish, Vol 67), currently valued at RM 6 Mil
 - ** Growth Target 10% , Growth 96 –2000= 4%, Growth 1990 – 2000= 24%

The figures are based on official estimate. To value at whole saling price, a mark up of 2.7 is used in the export figure.

2.2 Demand

2.2.1 Export Market

The value of Malaysia's ornamental fish exports is estimated at RM54 million in 2001, RM60 million in 2003, and RM73 million in 2005. This growth in exports is expected to be created by both existing and new markets.

This projection is consistent with the 35% growth in ornamental fish exports for the 1995-2001 periods. The increase from RM16.7 million to RM54 million in export value was the highest growth rate recorded in the agriculture sector during this period.

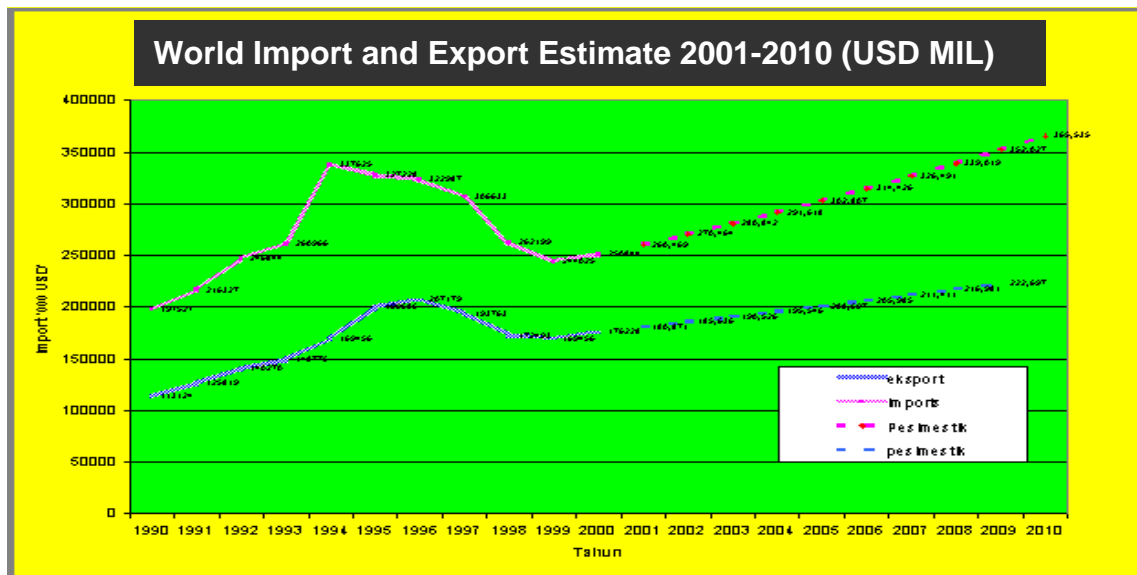
Year	Numbers of Heads	Value in RM Mil
1995	686.5	16.73
1996	1,815	24.76
1997	2,742	24.31

1998	5,069	33.83
1999	6,651	40.19
2000	7,013	44.29
2001 @ estimate	22,357	54.44

Source : Statistics Department

The world demand for ornamental fish is expected to recover with a lower annual growth rate of 2.5-4% in 2003-2005 (compared to the 8-15% growth rate previously).

The total world imports are forecast to exceed US\$280 million this year and US\$300 million in 2005. Consequently, Malaysia's share is also expected to grow to 10% in 2005, from 7% in 2001.



An increase in world demand is more transparent in dynamic markets like the EU, Japan and the USA. These countries account for 39%, 13% and 24% of the global demand for ornamental fish, respectively. New markets such as the UAE and Russia have the potential to experience growth in import of 28% and 29% in the period of 1996 – 2000 respectively. Singapore will remain the major market with more than 70% share.

To remain competitive, the ornamental fish industry must be able to produce new varieties. In 1998, Malaysia's export consisted of mainly the poecilids (32%), the barbs/danio (24.07%) and Goldfish/ Koi (24.07%)

2.2.2 The Domestic Market

Domestic demand for ornamental fish is projected to grow from RM6 million in 2000 to RM8 million in 2003, and to RM10 million in 2005. This represents a per capita increase to RM0.34 in 2003 and to RM0.42 in 2005, from RM0.26 in 2000.

Two probable causes of the increase are:

- 1) A significant increase in demand for **Flower Horns**. Various campaigns have been undertaken by FAMA and other agencies to promote the species.
- 2) An increase in demand for smaller fish used to feed the Flower Horns.

2.3 Supply

Most of the supply for the industry comes from local producers. Malaysia also rely on imports to meet domestic demand, as well as for re-exporting.

Local production is expected to expand by at least 10% annually after an impressive growth rate of 43% in the 1991-2000 period. This is estimated to be worth RM96 million in 2003 and RM116 million in 2005, based on estimated farm prices.

Imports will continue to grow at the rate of 14% a year valued at RM26 million in 2003 and RM34 million in 2005. The world supply is also expected to rise steadily, at a lower rate of 2.6-3.0% a year, with a value of US\$191 million in 2003, US\$201 million in 2005, and US\$300 million in 2010. Malaysia imports from Indonesia (46%), Taiwan (21%), Thailand (8%), China (6%) and the USA (6%). The fish imported are of high value, worth about US\$3,656 per tonne in 2000.

2.4 Price

Prices have been stabilizing lately with an increase in the price of lower-value species, while the higher-value ones saw some drops in their prices.

Due to fierce competition, prices are normally set at a minimum by local industry players. Nevertheless, new varieties can still command a high premium, especially when they were first introduced to the market. Their prices tend to stabilize when supplies increase to meet their market demand.

3.0 CRITICAL SUCCESS FACTORS

- Products
 - o New variety, unique and constantly changing
 - o High quality with low mortality rate
- Logistics
 - o Efficient handling
 - o High frequency of flights
 - o Competitive pricing
- Aggressive Marketing
- Human Resource
- Networking

4.0 ADVANTAGES OF INVESTING IN MALAYSIA

➤ Production

Malaysia is blessed with good soil, water quality and good weather all year round. This makes it a suitable place for major fish breeding activities, especially of high-value species such as the Arowana and Gold Fish.

➤ Price and cost of production

The cost of production in Malaysia is still low when compared to other countries such as Singapore, which is the world largest supplier of ornamental fish.

➤ Support service

Good infrastructure is in place to support the expansion of the industry. The cargo hub in the Kuala Lumpur International Airport is capable of handling up to one million tonnes of cargo a year, and will extend this capability to three million tonnes a year, in the near future.

MasKargo is the major provider for logistics and transportation of aquarium fish in Malaysia. Its service is competitively priced against other major airports in Asia.

5.0 INVESTMENT OPPORTUNITIES

- Breeders - To come up with new varieties for commercial breeding, to conduct more R&D and genetic engineering.
- Producers - With low barrier to entry, new producers are joining the industry.
- Processing - Feed-processing for the industry
Re-packing of feed (imported in bulk)
Medical products for ornamental fish
- Sales and Marketing - Exporters of ornamental fish/ aquatic plants/ accessories