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A Geographical Perspective
of the Orchid Industry in West Malaysia

by

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Abbreviations

- A. - Aranda - genera of orchids
- Ar. - Arachnis - genera of orchids
- D. - Dendrobium - genera of orchids
- EEC - The European Economic Community
- Felda - The Federal Land Development Authority
- MARDI - Malaysian Agricultural Research and Development Institute
- OECD - The Organisation for Economic Cooperation and Development
- V - Vanda - genera of orchids.
- R - Renanthera

Abstract

Commercial orchid growing on a large scale is a recent phenomenon in Malaysia. The emergence of this industry, which has elevated the country to be the world's third largest exporter of orchids, has been largely due to the diffusion of this idea from Singapore. Like the spread of the early pioneering agricultural crops into West Malaysia (then known as Malaya) at the turn of the century, there is a close linkage of trading activities between the Malaysian entrepreneurs with their Singaporean counterparts who assume the role of distributors and marketing agents. It is this symbiotic marketing union that has made the nascent orchid industry (initially on a small scale) possible and to further promote its development.

As discussed in the text, no one grower can possibly afford to make promotions on the sale of orchids overseas owing to it being arduous and expensive. It requires a consortium to do this job. Since Singapore has already established its market links overseas, it is convenient for Malaysian growers to distribute and export its orchid flowers through Singapore in order to reap economies of scale in freight charges by increased bulk weight. Moreover, Malaysian growers need not bear the responsibility of flower damages while on transit to overseas market. The snag of this system, however, is that the over dependence on Singaporean exporters as distribution and marketing channels has often led to exploitation in price offers, much to the disadvantage of Malaysian growers.

This situation is inevitable owing to the perishable characteristic of orchid and the delicate market situation of the international cut flower trade. Exporters having to bear a greater risk owing to the uncertainty of the demand market have to be very competitive in their price offers to importing nations. They have to exploit the local situation where growers of orchids being dependent on them are offered low prices for their produce but nevertheless higher than prices in the domestic market. It is because of this exploitation and the current lucrative orchid trade that Singaporean exporters are making 'big money'.

The resultant effect of this lucrativeness triggered off intensive participation by some State Governments and large scale operators in commercial orchid growing in 1972 which accounts for the present development of the orchid industry as dealt in Part I. This effect was also, in part, created by the 'orchid mania' during the same period. The Federal government has also encouraged smallholders to diversify their present crops with orchids.

The whole intention of governmental involvement in the industry is to elevate orchid flowers export as an important foreign exchange earner in the agricultural sector; to alleviate smallholders' low income by using orchids as a diversification crop; and finally to break the stranglehold of Singaporean exporters on the local growers.

However, the success of the industry depends on the growers'

comprehension of the nature and requirements of commercial orchid growing. It is important to note that the industry is capital intensive, at least initially; its products are highly perishable; its market is exclusive and precarious, being dependent on consumer taste and standard of living; and finally it requires certain scale operation and agronomic practices. As delved in Part II of the text, all these requirements make it impossible for the smallholder who is generally short of capital to diversify his holding with commercial orchid growing. Moreover, the intricate marketing system on which the industry is based (exporter-importer personal relationship) is all too intriguing for the smallholder to understand.

The situation is aggravated by the fact that the current oil crisis has created an inflation of prices in input factors as required by commercial orchid growing. Not only have prices of fertilizers, chemicals etc., gone up but growers are also confronted with their shortage. In addition, the reduction of air freight charges, on which the industry has depended on a large part for its survival, has not only been waived but have increased. This problem is dealt in part III.

In consideration of the possibilities and feasibilities of the industry, it has been concluded that the industry is too precarious for smallholders to participate due to their inability to cope with the inevitable period of depression. The research on commercial orchid growing by the public sector is best channelled into production of fodder or high-value food crops, which, in terms of opportunity costs, are far more valuable and favourable to the small farmers than investing into orchids.