

I. INTRODUCTION

1. Background

Indonesia is an archipelagic country with 82,600 km coastline, 0.3 million km² territorial waters, 2.8 million km² archipelagic waters, and 2.7 million km² Economic Exclusive Zone (EEZ). Totally Indonesian water covers 5.8 million km².

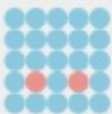
With a large number of waters, Indonesia has abundance of marine resources including fish, crab, shrimp, molluscas, crustacean, and seaweed. In the last few years fisheries products have stabilized its position as a reliable foreign exchange yielder. Meanwhile in the export of agricultural products, fish products including shrimp, tuna, and other fish are being recorded as the largest foreign exchange earners (Table 1).

During the period of 1993 - 1996 export of fisheries products increased by 4.68 % per annum, from 529,213 mt in 1993 - to 606,890 mt in 1996, while by value it increased by 10.54 % per annum, from US \$ 1,503,748 million to US \$ 2,030,369 million in the same period (Directorate General of Fisheries, 1997).

Commodities that predominantly contribute to the total fishery export were shrimp and tuna (including skipjack, and eastern little tuna). In 1993, shrimp (unfrozen, frozen, and canned) export reached 18.62 % of the total volume and 58.30 % of the total value. On the other hand in 1996 shrimp export reached 16.38 % of the total volume and 58.45 % of the total value, while tuna export (fresh /frozen /canned), in the same time accounted 17.53 % of the total volume or 14.22 % of the total value and in 1996 reached 16.49 % of the total volume or 12.42 % of the total value (Table 2).



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Table 1. Indonesian Export of Agricultural Sector 1993/94 - 1996/97 (000 US \$)

Commodity	1993/94	1994/95	1995/96	1996/97
1. Fish	1503.7	1678.7	1808.4	2030.4
2. Coffee beans	303.2	704.1	623.6	590.0
3. Cocoa beans	178.1	219.4	237.7	258.2
4. Tea	123.4	75.8	96.9	117.2
5. Tobacco	42.1	78.0	67.4	77.5
6. Natural rubber (latex)	46.2	40.9	50.5	35.8
7. Other agricultural products	316.0	582.4	436.8	389.1
Total	2512.7	3379.3	3321.3	3498.2

Source: Directorate General of Fisheries (1997), BPS (1997) (Calculated)

Table 2. Indonesian Fishery Export from 1993 - 1996

Commodity	1993	%	1994	%	1995	%	1996	%
Volume (ton)	529,213	100	545,371	100	574,340	100	606,890	100
Shrimp	98,569	18.62	99,523	18.25	94,810	16.51	99,430	16.38
Tuna & Skipjack	92,764	17.53	79,729	14.62	90,140	15.69	100,070	16.49
Seaweed	16,562	3.13	18,689	3.43	24,350	4.24	27,600	4.55
Other Fish Product	321,318	60.72	347,430	63.70	365,040	63.36	379,790	62.58
Value (1.000 US \$)	1,503,748	100	1,678,720	100	1,808,450	100	2,030,369	100
Shrimp	876,703	58.30	1,009,738	60.15	1,052,820	58.22	1,186,670	58.45
Tuna & Skipjack	213,819	14.22	182,200	10.85	217,240	12.01	252,250	12.42
Seaweed	8,480	0.56	9,029	0.54	15,100	0.83	18,320	0.90
Other Fish Product	404,746	26.92	477,753	28.46	523,290	28.94	573,129	28.23

Source: Directorate General of Fisheries (1997), GAPPINDO, (1997) (Calculated)

Indonesia has enormous resources of tuna and shrimp. The stocks of tuna are 548,413 ton/year, and the sea shrimp potential is 100,700 ton/year (Indonesian Association of Fisheries Production, 1995). In addition, for pond shrimp, there is still the possibility for an expansion of the existing shrimp breeding ponds. With 82,000 kilometers of coastline, Indonesian geographical conditions are ideal for the development of shrimp industry (Table 3).

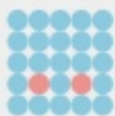




Table 3. Indonesian Shrimp and Tuna Potentials

Species	Potential
1. Shrimp	
* Marine	105,100 ton/year
* Pond	82,000 km coastline
2. Tuna	548,413 ton/year
3. Skipjack	294,975 ton/year

Source : Directorate General of Fisheries (1991)

The large potential of shrimp pond breeding is based on the fact that the country has vast mangrove forest land suitable for shrimp breeding. The mangrove forest lands of the coasts in Indonesia are estimated at a total of 4.3 million hectares, of which according to *South China Sea Fisheries Development and Coordinating Programme* (1982), for the coast ecology balance, only 20 % can be converted into shrimp breeding. It means, that as much as 860,000 hectares of Indonesian mangrove forest can be converted into shrimp breeding ground (Directorate General of Fisheries, 1991).

Meanwhile, the invention of new "green" technology in shrimp breeding that allow to breed shrimp in sandy ground without changing coast environment dramatically is an opportunity to be developed in Indonesian coasts. A project using this technology has been successfully implemented in the area of 39 ha in the sandy coast of Ujung Genteng (South Sukabumi) for seven years (Citarate, 1997).

The global demand of tuna and shrimp will most likely increase in the future. For example, Japan and US as the biggest importers for tuna and shrimp will increase the demand. Some reasons that indicate the increase in demand are high preference of fish over animal meat, the high buying power of the consumers and also the increasing number of the population in their countries.

The fishery sector in Indonesia is characterized by a dualistic industrial structure, which has a large number of small-scale producers using traditional technology (artisanal fisheries) and newly established large-scale producers. Small-scale producers are smaller, dispersed and often fragmented in organization. They are

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often equipped with motorized boats but not generally with mechanized gear. Because they use only simple handling and processing techniques, they suffer significant post harvest losses that could be avoided with more sophisticated technology. They harvest stocks of overall biomass containing a large variety of species suitable for domestic consumption and are suppliers of most of the local cured fish and fresh fish (Kusumastanto, 1996).

By contrast, large-scale producers are highly organized (similar to agroindustrial firms), relatively capital intensive, provide higher incomes for both boat owners and crew than artisanal fisheries. They supply mostly canned and frozen fish, and are producers of most fish marketed for domestic supermarket and export.

During the past two decades, the government of Indonesia supported by international development agencies has made conscious policy decisions to encourage fisheries development. In spite of the rapid technological and structural change, the benefits of fisheries development of Indonesia have not been equally shared, most small-scale producers are among the poorest of the poor in Indonesia society (Kusumastanto, 1996).

However, Indonesian shrimp and tuna industries still have big problems mostly in production, finance, and marketing. Most of the Indonesian fisheries producers are poor productivity, low technology content, low quality of products, poor human resources ability, low capital input, and low access to supplier and market.

Further, Indonesian fishery products are not always easier in penetrating the international market. As the result, importer frequently rejects export products. For example, in 1995 (January – October), as many as 799.1 million US \$ Indonesian shrimp export value and 386.5 million fish products are embargoed in export destination countries.

Due to the abundance of marine resources and relatively low cost of labor, Indonesia has a great potential in this industry. But shrimp and tuna are internationally traded goods and there are a lot of factors influencing these commodities such as





social, economical, technological, and political considerations. Therefore, it is important to study the business prospect of shrimp and tuna in Indonesia.

Indonesia is in a transition towards a deregulated and a more open economy. Free trade for ASEAN (ASEAN Free Trade Association) in the year 2003, and APEC (Asia Pacific Economic Cooperation) in the year 2020 will eliminate tariff and non-tariff barriers and also protection. In that open economy, each company can run activities freely in every country. It means the firms will face stiff competition. This change can be viewed as a very good opportunity but also can be considered as a serious threat to the Indonesian shrimp and tuna Industry.

Beside that, a successful product marketed depends on how the firms aware to the environment. Consumers forced the companies to keep the sustainability of global environment. The performance of company is more strongly judged by their care for environment preservation. This means that enterprises can become more competitive if they give adequate attention to the protection of the environment. Standardization through, for example, Environmental Management System (EMS) or ISO 14000 series becomes a barrier to the company marketed product in some countries like European Countries and the USA.

It means that the fishery business success depends, therefore, on how firms anticipate and cope with changes. To do this, managers in fishery business must firstly identify the characteristics of the environment in which they operate. They have to know about the market mechanism. Knowledge of the market mechanism is related to how firm allocates its resources and anticipates consumers demand.

Managers inside the firm are also required to have sufficient knowledge of internal and external forces that influence the business. Key external forces can be divided into five categories namely (1) economic forces, (2) social, cultural, demographic, and environmental forces, (3) political, government and legal forces, (4) technological forces and (5) competitive forces. Internal forces are related to functional areas of business such as management, marketing, finance/accounting, production/operation, and research and development (David, 1997).

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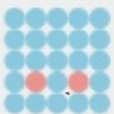
2. Objectives

The objectives of this study were:

1. To identify the general performance of shrimp and tuna industries and to describe the characteristics, development, problems, and their competitiveness.
2. To conduct business environmental assessment, including field research to evaluate strengths, weaknesses, opportunities, and threats of Indonesian shrimp and tuna industries.
3. To examine the strategies and business implications for Government, Indonesia shrimp and tuna industries, and PT. Rabobank Duta Indonesia in order to develop the industry, to improve competitiveness, and to maintain their sustainability.

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