

# The 2007 Malaysian Swiftlet Farming Industry Report (Summary and Synopsis) (Publication Date: 1st June 2007)

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## **Abstract of the 2007 Malaysian Swiftlet Farming Industry Report**

*There has been many new developments in the swiftlet farming industry in Malaysia over the last 5 years. Most swiftlet farming businesses in the country are owned by SMI and SME operators who account for approximately 98% of all swiftlet farming operations in 2007. This Report was commissioned by the Small Medium Industries Association of Penang with funding from the SMI Agricultural Grant Scheme and prepared by the Agricultural and Agro-based Businesses Sub-Committee according to the Association's strict academic and report publication standards. The full text and publication of this Report is available for reading at the headquarters of the Association as well as for distribution. It is hoped that more and more SMI and SME operators would be able to use this Report as a starting point for research into swiftlet farming and undertake ventures into the swiftlet farming industry in the country.*

### **Introduction**

The swiftlet farming industry is a relatively new industry in Malaysia as compared to other fundamental and long-standing industries such as rubber, palm oil, oil and gas, timber, financial services and SMI manufacturing, having only achieved critical mass some 5 years ago.

The edible birds' nests industry in Malaysia, on the other hand, has a much longer and illustrious history having been in consistent operation for the last 100 odd years, and is made up primarily of cottage style operations and mainly run by SMI and SME businessmen. Prior to 5 years ago, these SMI and SME businessmen mainly source birds nests from indigenous suppliers who collect the nests from caves, which are the natural habitat of edible nests swiftlets. As the swiftlet farming industry continues to expand and grow, more and more supplies of edible birds' nests sourced from purpose-built farms that are constructed specially to house edible nests swiftlets find their way into the supply chain.

The swiftlet farming industry has the potential to grow into a multi-million ringgit industry due to the industry's relatively profitable risk-return profile as well as a continuously growing demand for edible birds nests by wealthy overseas countries. There is also a discernable world-wide trend pursued by international as well as home grown pharmaceutical and herbal products companies in using edible birds' nests as base materials for producing natural and organic health supplement products for local and overseas consumption.

### **Definition of Swiftlet Farming**

Currently, the business of swiftlet farming essentially involves the conversion of people-centric buildings into buildings used to house and protect a certain species of swiftlets (i.e. the white edible birds' nests swiftlets or the *Aerodramus Fuciphagus* species of swiftlets) that can only be found in the South East Asian region as well as the design and construction of purpose-built buildings for the purposes of accommodating such swiftlet populations as well.

A continuous vocalization of swiftlet chirps and mating sounds are played throughout each and every day using speakers and audio systems installed within such buildings in order to lure the swiftlets that are flying overhead to fly into the said buildings to mate and make the buildings their new home.

Almost 99% of all swiftlet farms in Malaysia are geared towards the production of white edible birds' nests.

### **The History of Swiftlet Farming in Malaysia**

The swiftlet farming industry in Malaysia only started to gather momentum after the Asian Economic Crisis of 1997-1998. During that period, many businesses, especially small to medium sized businesses, experienced hard times and a great number of them closed down throughout the country.

The premises that these businesses were located in were left empty due to the fact that no other businesses had sprung up to take their place as a result of the depressed economic environment at that time. Rather than leave their properties idle, quite a number of the landlords for these properties then had decided to convert their untenanted properties into swiftlet farms. At that time, there was only one research and development company specializing in the establishment

of swiftlet farms in Malaysia and had almost single-handedly aided and helped grow the industry into becoming what it is today.

Due to the industry's expansion, many swiftlet farming companies have now been established to serve the many and every growing number of swiftlet farms throughout the country. The web-links of the above companies are included in the bottom part of this Summary Report for easy reference.

### **The Number of Swiftlet Farms in Malaysia**

The swiftlet farming industry in Malaysia has been growing by leaps and bounds over the last 8 years. Before 1998, there was an estimate of 900 plus swiftlet farms throughout the country.

However, after the first generation of swiftlet farms that were established after 1998 started to produce commercially harvestable quantities of edible birds' nests, more and more SMI and SME businessmen, landlords and investors began to realize the financial viability of the swiftlet farming industry in Malaysia. By the end of 2006, swiftlet farms throughout the country number close to 36,000 units, with an average annualized growth rate of 35% per year (for the last 5 years).

### **The Major Swiftlet Farming Areas in Malaysia**

Over the last 20 years, the swiftlet farming industry in the country basically grew through mostly private funding and operational initiatives and without any help whatsoever from the public sector.

The major swiftlet farming areas are located mostly in secondary and tertiary townships where food source is in abundance and pollution levels are at their relative minimum. These secondary and tertiary townships include Kampong Tebing, Kampong Tasoh, Kampong Banat Bawah, Kampong Bakan, Kuala Nerang, Pokok Sena, Kampong Tanjung Radin, Kuala Ketil, Lunas, Kulim, Sungai Petani, Jitra, Bukit Mertajam, Nibong Tebal, Kepala Batas, Cangkat Kledang, Legong, Jelai, Cangkat Jering, Bruas, Pantai Remis, Lumut, Teluk Intan, Setiawan, Bagan Serai, Parit Buntar, Selama, Tanjung Malim, Kuala Kubu Bahru, Rawang, Kepong, Cheras, Slim River, Kulai, Kampong Bahru Paroi, Alor Gajah, Ayer Pasir, Durian Tunggal, Tangkok, Pagoh, Bukit Pasir, Kampong Machap, Ulu Tiram, Tai Hong Village, Senai, Pontian Kecil, Jemaluang, Kampong Seri Pantai, Mersing, Kampong

Sawah Datuk, Kampong Air Papan, Kuala Besut, Tok Soboh, Kampong Pinang, Rompin, Pekan, Kuala Terengganu and Pasir Mas.

### **Industry Projections for the Next 5 years**

According to Kuan, H. & Lee, J, Malaysia is currently the third largest producer of edible birds' nests (7% of gross supply value) in the world, behind Indonesia (60%) and Thailand (20%).

A kilogram of unprocessed white edible birds' nests (around 90 to 120 nests) is able to fetch production level prices of RM\$4500 to RM\$6000 in 2006, with supply of white edible birds' nests being severely tight as compared to ever increasing levels of demand from consumer countries all over the world.

A kilogram of processed white edible birds' nests is able to fetch retail level prices of RM\$15000 to RM\$25000 in 2006 in Hong Kong and China.

Kuan, H. & Lee, J. have hypothesized in their above publication that due to the following enduring qualitative reasons that the:

1. Consumption of edible birds' nests is considered as a status symbol;
2. The health giving properties of consuming edible birds' nests;
3. Strong economic growth rates experienced by Hong Kong, China and Taiwan; and
4. Potential of edible birds' nests as a base mineral to be used in the production of herbal and vitamin supplements; the international market for edible birds' nests will continue to grow at double-digit rates for the next 2 decades or so.

### **The Export Markets for Edible Birds Nests**

The main export markets for edible birds' nests are Hong Kong (50% of world trade), China (8%), Taiwan (4%) and Macau (3%) with a consumption weight value of approximately 160 tons for 2006. The total consumption value of edible birds' nests throughout the world in 2006 was estimated to be in the vicinity of RM8 billion to RM12 billion.

## **The Regulatory Framework Governing Swiftlet Farming**

The swiftlet farming industry in Malaysia was duly recognized as a valid contributor of important foreign exchange currency for the country by the Ministry of Housing and Local Government in 2004 with the gazetting of the "Guidelines on Swiftlet Farming" for all local, district, municipal and city councils throughout the country.

The Guidelines require that only premises within commercially zoned areas as well being registered as commercial premises with the relevant council which have not been designated as a Class 1 Heritage Building can be converted into a swiftlet farm.

The Guidelines also require that certain standards and levels of premises upkeep must be adhered to in areas of noise, health, pollution, scope of renovation works, building façade rendition and lighting be adhered to before swiftlet farming licenses can be issued by the relevant council.

### **Methodology of Swiftlet Farming**

In its essence, a swiftlet farm is a place in which edible white nests swiftlets mate, build their nests, raise their younglings and live in. Swiftlets had traditionally lived in caves. With their migration into the city and town centres through the years, these swiftlets will find places to live that are not dissimilar to that of their natural cave environment.

Therefore, all swiftlet farmers have endeavored to design, construct and renovate their swiftlet farms in ways which will control the light intensities, humidity levels, air flow standards, pressure levels, safety perceptions, heat standards, odors and smells and swiftlet flight-paths in order to mimic swiftlet cave environments so as to encourage swiftlets to nest within the said farms.

Once a swiftlet farm has been completely constructed, swiftlet mating sounds and swiftlet chirps are played using audio systems through tweeters in order to 'advertise' to swiftlets flying above the new swiftlet farm that there is a new place for them to stay. These new swiftlets will then nest on wooden planks and lay eggs.

### **Competition Between Swiftlet farms**

Throughout the last 20 years or so, many technological advances, swiftlet farm design leaps as well as improvements in the behavioral

characteristics of edible nests swiftlets have been made by the participants of the swiftlet farming industry in the areas of swiftlet farm design and construction, audio systems, mating and chirping sound identification and modulation, swiftlet flight-paths within farms and tweeter design.

Many owners of swiftlet farms whose farms are located in close proximity to each other (within a 5km radius) are constantly trying to outdo their neighborly competition by implementing more and more scientifically researched and developed swiftlet farming products within their swiftlet farms in order to attract swiftlets from the surrounding competing farms into theirs.

A stage has almost been reached whereby it is now becoming more of a scientific endeavor of luring swiftlets to nest within a swiftlet farm as compared to the more unsuccessful and traditional 'hit-or-miss' method of swiftlet farming.

### **The Public Perception of Swiftlet Farming**

The Malaysian swiftlet farming industry has generated quite a large amount of publicity for the print and broadcast Medias, relative to the currently small contribution of the industry to the overall growth of the Malaysian economy. Almost all the said publicity has been negative with the media focusing their reporting on errant swiftlet farmers who do not adhere to the Guidelines set by the Ministry but continue to carry on their swiftlet farming businesses in residential areas, vocalizing swiftlet chirps at over and above the permitted levels as well as not in accordance with the permitted timetable as set out by the Ministry, causing public health disturbances, renovating and constructing their swiftlet farms without the consent of the relevant councils and turning thriving townships into low commercial traffic areas by sealing shut their swiftlet farming properties.

There is also a discernable phenomenon of non-swiftlet business owners who reside near the areas of swiftlet farms campaigning against the operations of such farms due to jealousy and envy of the potential financial returns that such farms may bring to the operators.

However, from the field research undertaken in the preparation of this Report, it was found that there existed a high level of compliance with the Guidelines and relevant laws and regulations amongst a majority of swiftlet farmers who plan to participate actively in the Malaysian swiftlet farming industry over the long-term. The negative perception

painted by the media of the Malaysian swiftlet farming industry by focusing on only a select few recalcitrant swiftlet farmers may have the effect curtailing the growth of the said industry or in its extreme, snuff out the interests of participants within the industry all together.

A concerted and unified push, in a continuous manner, by the major participants competing within the industry within a framework of engagement and participation with the relevant government departments and agencies and media organizations may have to be embarked upon in the near future in order to help maintain and nurture the healthy growth of the industry within the country.

### **Potential Financial Returns of a Swiftlet Farming Business**

A swiftlet farm, if constructed properly and using the right swiftlet farming equipment can yield returns that are competitive with other types of profitable industries.

It is relatively hard to provide an estimation of the possible returns that can be derived from a swiftlet farm as industry standard figures are not yet available at this moment.

However, from perceptive and cognitive observations, there are many swiftlet farms throughout the country that comfortably yield 1kg to 10kgs (i.e. RM4000 to RM40000) of collected white edible birds' nests per month. On average, from the field studies conducted by the Committee, an average yield of around 1kgs to 3kgs (i.e. RM4000 to RM12000) of collected white edible birds' nests per month can be obtained from a 2 storey swiftlet farm that had been properly converted from a conventional shop-lot or shop-house in Malaysia.

In spite of the above glowing returns derived from swiftlet farming, this Report estimates that approximately 70% of all swiftlet farms existing throughout throughout the country at end of 2006 are either uninhabited by edible nests swiftlets or can only sustain a nests collection yield of only less than 20 nests per month after 5 years of continuous operation. Such yield rates fall substantially below the commercially accepted yield rates for successful swiftlet farms in Malaysia.

## **The Profile of Participants of the Malaysian Swiftlet Farming Industry**

This Report has determined that the swiftlet farming industry in the country as at the end of 2006 is made up of the following participant groups:

1. The self-build group of swiftlet farmers who personally establish their swiftlet farms through their own self-education, learning, understanding and research of the methodology of swiftlet farming (approximately 67% of the industry). It is estimated that around 92% of this group of participants experience failure in harvesting edible birds' nests from their farms. Such a high sub-industry failure rate is attributable to the lack of proper and reliable information with regards to the nature of the industry, insufficient capital in establishing productive swiftlet farms and lack of access to proper and effective swiftlet farming equipment within the country.
2. Swiftlet farming consultants and advisors who assist SMI and SME businessmen in establishing swiftlet farms (approximately 28% of the industry). It is estimated that around 70% of swiftlet farms established by this group are commercially viable farms with growing harvestable yields over time.
3. Well-capitalized companies who enter the swiftlet farming industry as a diversification of their current revenue streams (approximately 5%). This group, although relatively small by industry standards, is estimated to have the highest industry success rates at 95%. The main reasons for such a high success rate is that this group possesses the ability to tap enough capital, either internally generated or through external sourcing, to acquire the best knowledge, design and swiftlet-farm set-up and more effective swiftlet farming equipment as compared to the first 2 groups.

## **Important Links to the Swiftlet Farming Industry in Malaysia**

The Top 10 most popular swiftlet farming products and consultancy companies in the country in 2007 are as follows:

1. Crystal Swiftlets
2. Aerodramus Consultancy
3. EBN Resources Sdn. Bhd.
4. Nest Tech Equipment Technology

5. [Swiftlets City](#)
6. [Malaysia Swiftlet Farming](#)
7. [Swiftlet Design House](#)
8. [Birds Nest Center](#)
9. [Kong Heng Swiftlets](#)
10. [Swiftlet Ranching](#)

The 5 most popular online reading materials on swiftlet farming in the country in 2007 are as follows:

1. [Swiftlets of Borneo: Builders of Edible Birds' Nests](#)
2. [eBook: The Complete Introductory Guide to Swiftlet farming](#)
3. [C.S. Hor's Swiftlet Farm](#)
4. [Make Millions From Swiftlet Farming: A Definitive Guide](#)

The 4 most popular message blogs on swiftlet farming in the country in 2007 are as follows:

1. [Yahoo! on Swiftlet Farming](#)
2. [The LOWYAT Forum on Swiftlet Farming](#)
3. [NGV Community's Take on Swiftlet farming](#)
4. [Swiftlet Farming Made Easy](#)

The past and future conferences and courses on swiftlet farming in Malaysia as at the date of this Report are:

1. [The Beginner's Guide to Swiftlet Farming Course](#)
2. [Kursus Keusahawanan Burung Walit](#)
3. [Swiftlet Farm Design and Management Seminar](#)

### **Framework for Evaluating Swiftlet Farming Sites**

While the World Wide Web and the internet are important tools for information dissemination with regards to the Malaysian swiftlet

farming industry, these tools are also prone to being taken advantage of by site operators sprouting questionable claims with regards to the products and services that they provide. The members of the Committee who compiled this Report have personally encountered a handful of sites which contain representations of high capabilities and performances bordering on grandeur which may not be entirely accurate.

Therefore in order to effectively and properly evaluate websites on swiftlet farming, the following common sense framework has been included as an addendum to the Report which should be kept in mind by users in evaluating such sites:

- Determine whether or not the website operator has physical premises where he or she conducts business from. A physical premises tend to indicate the seriousness of the operator in participating in and expanding the swiftlet farming industry in the country;
- Make sure that the website is operated by a company or body corporate (i.e. the business entity with a Sdn. Bhd. or Bhd. designation) that has been in existence for more than 10 years or so. The time frame for success in this industry is usually long due to the relatively long gestation periods that swiftlets need in order to build up their colonies within their farms which would then allow for the harvesting of commercial quantities of white edible birds' nests. New swiftlet farming companies or body corporate that have been recently established may not possess the requisite overall knowledge and complete know-how with regards to the challenges and tribulations of the industry in spite of the purported claims on their websites;
- Determine whether or not the swiftlet farming companies produce and manufacture their own swiftlet farming products rather than buying their products 'off the shelf'. This is another factual detail that can be used to indicate the seriousness of the said companies in participating in the swiftlet farming industry for the long-term.

### **Conclusions**

The 2007 Malaysian Swiftlet Farming Industry Report indicates that there is a strong likelihood for continuous above-average growth of the swiftlet farming industry in Malaysia over the next decade most

probably due to the continuous high price of edible birds' nests on international markets as well as the continuous advancements being made in the area of swiftlet farming.

However, there exists certain immediate challenges that may need to be addressed by the industry players, namely in the areas of adhering to relevant council and Ministerial regulations and requirements for such businesses, complying with best swiftlet farm management practices and increasing the continuous education of SMI and SME businessmen involved in swiftlet farming in order to reduce the incidence of the extremely high-failure rate of swiftlet farms associated with this group so that the healthy growth of the industry to continue. Members and the public who are interested in viewing the entirety of the Report are invited to write to the Association at [enquiries@smipenang.com](mailto:enquiries@smipenang.com).

*Note:*

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**Addendum:**

The 2007 Malaysian Swiftlet Farming Report is now officially out of print due to the strong demand from members and the public. For those who are interested, kindly register yourselves at our above email address and we will contact you when the new print run has been completed. Thank you.