

# The Export Potential of the Omcan Fish Scaler to Nepal

Final Essay

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## Part 1

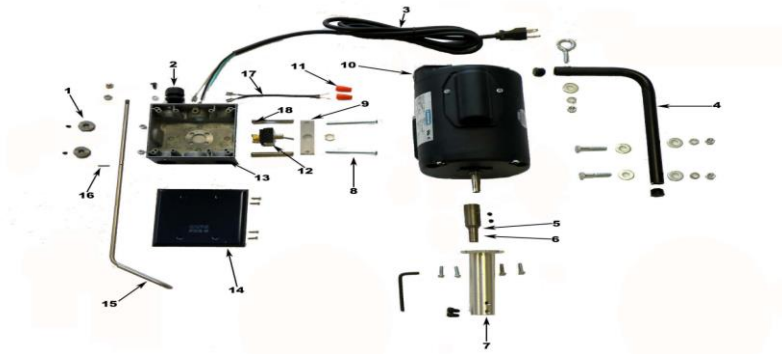
The purpose of this paper is to assess the export potential of the Omcan Fish Scaler to Nepal. We will look at everything from the production of the fish scaler to the fishing industry in Nepal, and everything in between. First off it should be noted that Nepal is in fact a landlocked country, meaning it has no access to any large bodies of water. This is one of the major reasons for Nepal's somewhat late entry into the Fishing and Aquaculture industry. Nepal is also a developing country, which means entrepreneurial opportunities are abundant in Nepal.

Nepal is a small country located between China and India, with a population of 30,986,975 (2014 est.) and a GDP of \$62.3 billion (CIA, 2014). Nepal has a ranking of 145th on the HDI (Human Development Index), this means it is a developing nation in its infancy (CIA, 2014). In 2011 Canada exported \$6.339 million worth of goods, and imported \$15.728 million of goods from Nepal (Embassy of Nepal, 2013). With a low export to import ratio, Nepal could become a much larger importer of Canadian made products.

Marketing The export product in question is a question of marketing it to the right people in Nepal, throughout this paper we will delve into what exactly the Omcan Fish Scaler has to offer to both Canada and Nepal.

### Product Description:

The Omcan Fish Scaler item #10864 is an electric fish scaler. The purpose of the device is to remove the scales from varying species of fish. The Fish Scaler makes processing fish much easier. The unit consists of a 0.33 horsepower 110V electric motor, connected to a flexible shaft. The shaft runs a descaling head, made out of hardened steel. The entire unit weighs 45 pounds, and stands 11 inches tall by 20 inches wide. The rotating head spins at 3450 RPM, and has the ability to clean fish with ease. There are also two optional heads not included in the package. The two optional heads are a 6 flute and a 8 fluted head, the latter being for smaller species of fish while the former is designed for larger fish. The device comes standard with the diamond tooth head (Omcan, 2014). The picture to the right is the Omcan Fish Descaler item #10864, showing the entire unit and an up close image of the descaling head (Omcan, 2014). The image below shows the various parts that make up the fish scaler (both images are courtesy of Omcan Food Machinery) (Omcan, 2014).



### Omcan Food Machinery:

Omcan is an American Company with large holdings in both Canada and the United States. They produce food machinery and related products such as fish scalers, meat slicers, refrigeration units and knives. Omcan sells on an industrial level, meaning they deal with mainly wholesalers and larger food processing companies (Omcan, 2014). Omcan has been in business for over 60 years, selling over 2000 different pieces of food equipment (Omcan, 2014). Omcan's head office for Canada is located in Mississauga, and is happy to help answer any questions, or quotes you may need (Omcan, 2014).

### Inputs:

The Omcan Fish Scaler specifically item #10864 costs \$3412.20 (Omcan, 2014). This is the purchase price for the device as of October 6, 2014. Apart from the cost of the machine itself it requires a 110V electricity source to operate, and will also need a selection of simple tools to setup the machine. The required tools are vice grips, wrench(s), Screwdriver(s), wire cutters, electrical tape and pliers (Omcan, 2014). There will also be the obvious input requirement of labor which is hard to calculate cost, but must be factored into the cost benefit model for this particular machine. Once the device is deployed to its final destination it must be maned by a single person to move the descaling head along the fish to remove the scales.

### Legal:

There are no patents on the Omcan Fish Scaler as a device. Which means litigation can be avoided (Omcan, 2104).

### Benefits to Canada:

Canada will benefit from exporting the fish scaler in 3 ways. #1 being the direct sale of the Omcan Fish Scaler to Nepal creating tax revenue for the Canadian Government. #2 will be the potential for strengthening trade relations with Nepal, as stated before we have a much lower export to import ratio with Nepal. This could be a chance to increase are exports to Nepal. #3 is the effect exporting this device to Nepal will have on Omcan, Omcan has the potential for expansion to Asia if this export program is successful. This would mean a huge increase in business for Omcan, which means the potential for job creation in Canada.

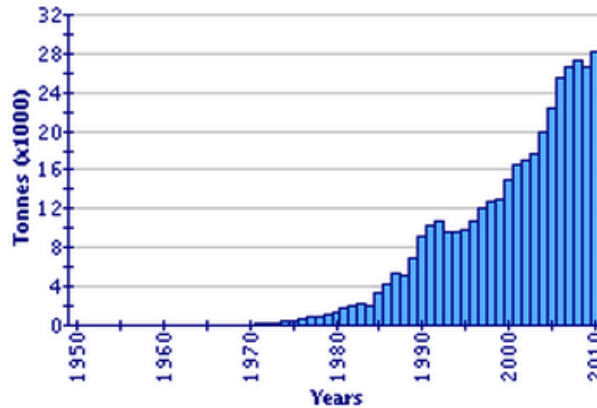
### Environmental Sustainability:

Omcan is a relatively small company, which means they do not have as a big of a carbon footprint as one might expect. If Omcan does become a much larger company in the future there are many options to offset their carbon output. Such as Carbon offsets or credits. The Omcan Fish Descaler itself is a fairly basic piece of equipment, meaning it doesn't require any advanced processes to manufacture (Omcan, 2014). The unit itself is made in America, meaning Omcan is held to a much higher standard of environmental sustainability when compared to China or other large manufacturing countries (Omcan, 2014). Time will be the ultimate judge for Omcan's environmental practices, if the company expands greatly they will have to compensate at a rate that meets societies standards.

### Market Opportunity:

Fishing in Nepal is a new form of occupation, since the 1940's Aquaculture has exploded in Nepal (FAO, 2011). The popular practice of using flooded rice paddies, river fishing and pond style fish farms are the main ways to produce fish in Nepal. This new form of income has been seen as a positive step forward for Nepal in regards to food security. Fish is an excellent source of essential fats and proteins (FAO, 2011). Fish production in Nepal has increased from 2 000 tonnes in 1980 to over 28 000 tonnes as of 2010 (FAO, 2011). The Aquaculture industry has also made a substantial impact to Nepal's economic situation. Fishing activities now make up over 2% of Nepal's GDP (Gross Domestic Product), and employs over 504 000 Nepalese (FAO, 2011).

**Reported aquaculture production in Nepal (from 1950)**  
(FAO Fishery Statistic)



With any growing industry comes the challenges of staying competitive, and lowering cost of production. This is why the Omcan Fish Scaler is an excellent first step for a large fish producer or fish market to take. The Omcan Fish Scaler will cut production times in half, and pass along the earnings to the Nepalese people. The market exists in Nepal, and with some help from the governments of both Canada and Nepal this export idea could be a viable one.

## **Part 2**

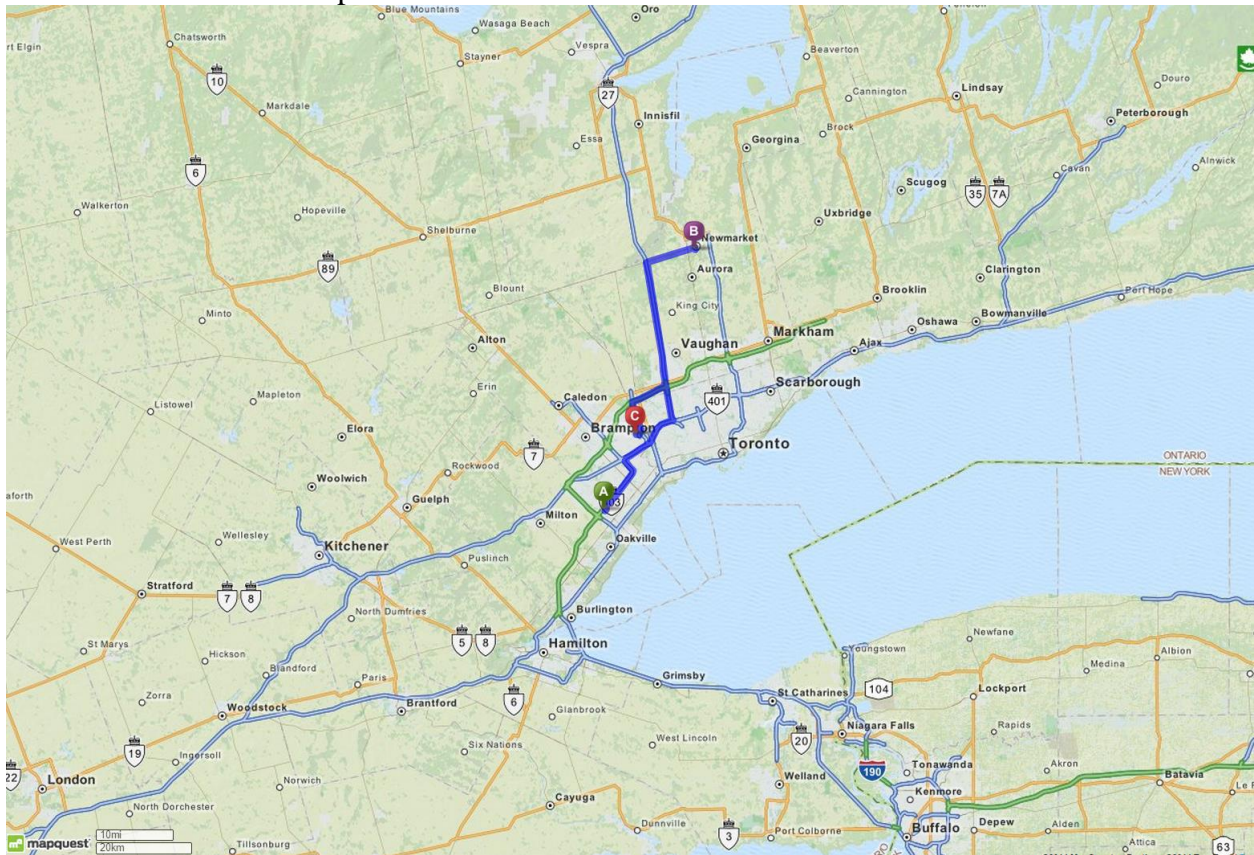
Transportation  
Logistics:

Since the Fishing and Aquaculture industry in Nepal is so spread out and not very established, customers for the Omcan Fish Scaler will have to be found once the device has been properly marketed in Nepal (OFA, 2011). The cost to deliver the Fish Scaler to Kathmandu, Nepal is \$299.11 (Air Freight Forwarding, 2014). Discounts on shipping do exist, if more units are shipped at a time.

AIR FREIGHT RATE	5.70 \$ CAD / KG ALL IN
ACTUAL WEIGHT	22.65 KG
VOLUME WEIGHT	12.02 KG
CHARGEABLE WEIGHT	22.65 KG

AIR FREIGHT	129.11
TERMINAL & SCREENING FEE	95.00
PROCESSING FEE	75.00
EXPORT DECLARATION	0.00
SURCHARGES	0.00
TOTAL:	299.11 \$ CAD

The Fish Scaler will travel from the Omcan Warehouse in Mississauga, Ontario to the A1 Freight Forwarding Warehouse in Newmarket, Ontario. From there it will travel to Pearson International Airport in Mississauga Ontario. Once aboard a plane it will fly from Mississauga Canada to Kathmandu Nepal.



The directions listed above are outlined in blue on this map of Southern Ontario (mapquest, 2014). From Pearson International Airport it will be flown to Kathmandu Nepal, the image above



gives an idea of the route (Vector World Map, 2014).

From Kathmandu the Fish Scaler will be loaded onto trucks and shipped out to its final destination in Nepal. A Nepalese company such as New York Cargo (P) Ltd. (<http://www.cargo-nepal.com/>) will be used to ship the Fish Scaler around Nepal.

#### Cost Analysis:

The Omcan Fish Scaler itself costs \$3412.20 (Omcan, 2014). When you add the cost of freight to get the machine to Kathmandu Nepal it will cost \$3711.31, this price doesn't include Canadian sales tax, Nepalese import tax, Tariffs or final destination transportation. A conservative estimate of the final cost would be over \$4 000. This is extremely expensive when compared to the average income per capita in Nepal of \$741.90 (CIA, 2014). A quick look back at the total estimated cost of the Fish Scaler, and you begin to realize how much of an investment this would be for the local Nepalese people. The price of fish in Nepal was NRs 28.9 in 1983 (Sherstha, n.d.). Adjusted for an average annual inflation rate of 11% that would equal NRs 815.14 as of 2013. Meaning 1 Kg of fish is worth \$9.21 in Canadian Dollars. If we take the total estimated cost of the Fish Scaler at \$ 4 000 and divide this by \$9.21 it equals 434 Kg of fish. In 1963 fish markets in Kathmandu had the demand to sell 63 tonnes of fish per month, that number grew to 89 tonnes by 1989 (Sherstha, n.d.). If this trend continues that would mean Kathmandu has the capacity to sell approximately 113 tonnes as of 2013. That 113 tonnes is equal to \$2.08 million. The average wholesaler sells 100 Kg of fish per a business day (Sherstha, n.d.). That 100 Kg of fish today is worth over \$900, which means that a fish wholesaler could be able to purchase the Omcan Fish Scaler. It may take them a little while to pay it off but they do have the cash flow to buy the Fish Scaler. More groundwork will have to be done to determine the cost effectiveness of the Omcan Fish Scaler, but from a theoretical standpoint it appears to be an option that the Nepalese Fishing Industry has the capacity to undertake.

#### Benefits to Nepal:

The Omcan Fish Scaler will Benefit both the consumers of Nepal and the Fishermen of Nepal. It will create a lower cost product for the consumer, while the fishermen will be able to process more fish in less time. Nepal is a developing nation, which means they don't have the luxuries that we are so lucky to have in Canada. To them a Fish Scaler would be a huge deal, and one with many benefits.

#### Marketing Strategy:

In order to sell the fishermen or fish marketers on the Omcan Fish Scaler we will have to present a problem that they are facing. Such a problem could be described to them as fully processed fish sell at a premium and the market exists for fully processed fish. The biggest task would be to sell them on the fact that the consumer would rather have a processed (de-scaled fish filet) rather than a whole gutted fish. The processed fish will fetch higher prices at the fish markets, since there is no input needed from the consumer to make the fish product edible. This strategy can be used for the fishermen to the fish marketers to the consumer, it will work for every step of the value chain. Every year there is a Fishery Expo in Kathmandu Nepal (Kathmandu Post, 2014). The most recent expo saw 45 stalls with many different species of fish. This would be the ideal place to advertise and demo the Omcan Fish Scaler.

#### Nepal Fishing Industry:

As Nepal grew so did its hunger, the country needed a way to grow food. One of these ways was the introduction of farming fish. During the 1940's Nepal began producing fish. The fish were "Indian Major Carp" imported from India (FAO, 2011). India is still a major exporter of fish to Nepal, but it has since declined since the introduction of farmed fish. Later in the 1970's Nepal gained three new carp species from China, this was a major breakthrough for the Aquaculture industry in Nepal. These new Chinese Carp were easily breed, and gained well in captivity making them perfect for fish farming (FAO, 2011). With Nepal now able to produce farmed fish efficiently the aquaculture industry exploded, and more fish ponds were built (FAO, 2011). In 2003/2004 204 tonnes of fish were produced from 32 000 cubic meters, while only 130 tonnes were produced from lakes with area of 100 hectares (FAO, 2011).

Rice Paddies haven't done as well as they were thought to have, during 2002/2003 only 87 tonnes was produced off of an area of 218 hectares (FAO, 2011). With aquaculture becoming a viable source of income for Nepalese, people are looking for new places to raise fish. This has meant the utilization of land that would otherwise be used for nothing, being used for Aquaculture. Right now there is 1225 hectares under use for Aquaculture, with an estimated 12 500 hectares available for use (FAO, 2011).

There is still huge potential for Aquaculture to expand in Nepal. As the world grows and food become more expensive, the Nepalese have a huge opportunity to produce food in their own country.

#### Export - Import Legal Documents:

In order to export the Omcan Fish Scaler to Nepal, Omcan will have to open a Business Bank Account in Nepal. This is for tax reasons, and to establish a company in Nepal. There are no licences for importing goods into Nepal, but there will be a duty charge on the Fish Scaler when it passes through customs in Nepal. As long as Omcan has a specific place where the fish Scaler will be going, and it pays for all movements of the device there won't be any problems.

#### Support from the Canadian Government:

There are tax credits, incentives, benefits and R&D support from both the Federal and Provincial Government. These incentives will lessen the burden on Omcan. There are many risks involved with breaking into new markets, especially in developing nations (CRA, 2014). Support is available, it just requires a lot of paper work to attain funding.

#### Competition:

There are a few options for fish scalers available on Alibaba.com. The best looking substitute/ competition for the Omcan Fish Scaler is the "2013 Hot Sale Fish Peeling Machine Fish Scaling Machine Fish Scaler CE&ISO". The price of this device is \$900.00, but it is much larger than the OMcan Fish Scaler. The dimensions of the fish scaler are 3x1.2x1.45 meters, it is also automatic so it doesn't require any input from a worker except the fish (Alibaba, 2013).

#### The Unknowns:

The Omcan Fish Scaler is a great product which I believe will work in the Nepalese fish market. The price is high, but fish prices are increasing so much so that the fishermen will be able to afford this device. Shipping the Omcan Fish Scaler to Nepal isn't a problem, since the world is so connected these days by air travel. The Omcan Fish Scaler is a well made device, made in America with top notch materials.

The problems/ unknowns about marketing and selling the Omcan Fish Scaler to Nepal are the small things. Such as do the Nepalese prefer to have their fish descaled, or do they like it fresh out of the pond, river e.t.c.. Is the product marketable to the Nepalese or would they rather buy

something closer to them. Nepal is situated very close to the manufacturing powerhouse of the world, China.

**Conclusion:**

The fishing industry is definitely an industry to keep an eye on. With most developing industries in developing countries there can be huge returns for those willing to accept more risk than usual. The OMcan Fish Scaler is a perfect example of this. It could do excellent in the Nepalese market or it could be completely irrelevant. At this point though it would seem as though the Omcan Fish Scaler would do well in the Nepalese market. This is because Nepal is looking for advantages in cost savings, since a lot of the fish sold in Nepal comes from India. If the Nepalese can produce fish at a lower cost than it is to import fish, they will do so. Nepal is no different than any other country, they'd rather eat food grown in their own country. The Omcan Fish Scaler can help them realize this.



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