

Title: **Causality Between Price, Operated Area and Employment in Aquaculture Production**

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Abstract: The role of aquaculture industry is becoming more prominent in order to supplement marine capture in meeting the food need of the growing population. In an attempt to minimize depletion of marine fisheries only traditional vessels are allowed to fish along the coastal area while bigger vessels are regulated to deep-sea fishing. According to the Malaysian Economic Planning Unit of the Prime Minister Department (2006) during the 9th Malaysian Plan this subsector has been recognized as the engine of growth of the national development strategies in agricultural food sector. Future fisheries policy is expected to continue emphasizing on aquaculture production and technological improvement as an alternative to marine capture. This paper investigates the causalities between the selected freshwater fish prices, aquaculture area and production. The study aspires to establish whether or not market price is a key contributor to a rise in the aquaculture area and production. It is hypothesized that aquaculture firms, comprise the individual operators are motivated to profitability which is reflected in higher prices over cost of production. Production increases give rise to greater participation of culturists which is reflected in increased potential for employment. However, production increases may have possible negative impact on the environment. The former relates to employment opportunity generated from aquaculture undertakings and the later to the sustainable development of this growing industry. A multivariate co-integration analysis for the annual data dated 1977 to 2007 will be used in this investigation.