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A business plan for fish farming

Executive Summary.

The objective of this feasibility is to establish and educate potential entrepreneur/ investors on the cost benefit analysis of investing into this project. The project is about establishing an inland cat fish farm in the potential area of Ogun state, Nigeria which provides suitable environment.

The project would serve as facility to utilize the everyday resources in the form of feed for inland fish farm that usually ends up as cultural waste. On the other hand, it would generate employment for the local inhabitants and more over would possibly cause cash inflow as well.

Ultimately the investors would also smile to the bank at the end of the project.

A total sum of 10,310,000.00 (Ten Million Three Hundred and Ten Naira) is required for this project, the project would break even at the end of the third production cycle which is about one and half year into the project; at the end of the 3rd year the investors would have made a total sum of 33,806,625.00 (Thirty Three Million Eight Hundred and Six Thousand Six Hundred and Twenty-Five Naira) which is 30% return on investment.

This project is environmental friendly and the risk associated with it is low, however, the project will be managed by seasoned practitioners in the industry with over 10 years of experience in the field of Fish Farm production and Management, thus the risk would be mitigated towards

ensuring that the investors make above average returns on their investment.

Sponsorship

The project is sponsored by Senator Ibikunle Amosun, a senator representing Ogun State and also an accountant. Senator Ibikunle Amosun is concerned about promoting farmers of the state.

Market Analysis

The Target Customer. The target customers for fish are:

- Households,

- Hotels,

- Restaurants and

- Pharmaceutical companies.

Initially the project will focus on local market, depending upon its successful operation it would be market in other customer groups of the country at national level.

Marketing

The marketing of Fish follows the traditional channels of distribution. Generally, fish are distributed in the market through middlemen and wholesalers. The role of middlemen and wholesalers is to identify buyers and negotiate the price. Fish are transported to the urban market and are sold to retailers. The time spent in getting fish from the farm to the retail shop varies from area to area. Although collection and handling of fish has improved with the use of loader vehicles, but it is an established fact that greater the distance between the farm and consumer,

more complicated will be marketing system including their collection, handling and transportation to the middlemen or consumer as per perishable nature of the product. The trick in marketing is availability of current market information of fish supply and demand, which will determine the selling price.

The approach that will be adopted here will be that of forward integration the company will have her own marketing team that will source for the market and ensure that the products are delivered to the customers. With this method the bottle neck associated with middle men will be eliminated and the cost price of the product to the final consumer will be lower compare to our competitors in the market.

Market Opportunities

Following are some major opportunities for the proposed project:

- Diversified demand of the product from the food industry and medicine.
- Availability of abundant raw material.
- Lack of specialized producer.
- Established market and demand.

Market Threats.

The proposed project will be facing the following threat:

- Substitute's availability.
- Price fluctuations and macroeconomic instability.

Resources and Environment

Site Location: Special consideration was taken in the identification and location of proposed facility. It located at Ota in Ijako village a swamp area that is not prone to flooding. The site has the following unique features that is conducive for fish farming

- Located in a swamp.
- The area is not subjected to flooding
- There is enough elevation in the area.
- The soil texture of the area is china clay soil which is the most preferred for fish farming.
- There is round the year adequate supply of water.
- There is good road network access leading to the farm location.
- The PH of the water was found to be very good and will be favorable for fish farming.

Technical Assistance

Human resources capabilities are key to the successful execution of this project, the project team consists of people with relevant qualifications and experience in the field of management and expertise is in fish farm. Detailed below are the list of the resources and their capabilities.

- Nurudeen Fashola – Managing Director
 - o Over 10 years of management experience in the field of Fish production.
 - o Masters in Business Administration (Specialization in Entrepreneurship Management)

- o Masters in Information Technology
- o BTech in Animal Production and Health. • Kolade Folorunsho – Farm Manager.
- o Over 7 years in the field of Fish production and Management.
- o BSC in Fisheries and Aquaculture.
- About 3 Farm attendants with over 5 years of experience in fish farming production.

Project Timeline

The project will be completed within 7 months preferably between March to October because it is during raining season.

Estimated Project Costs and Revenue

Total Capital Outlay: The project will require a total capital outlay of 10,310,000.00 (Ten Million Three Hundred and Ten Thousand Naira) as detailed below.

Capital Investment	Amount(N)
Land	1,000,000
Building	500,000
Equipment/Machinery	375,000
Furniture	30,000
Construction of 10 ponds	500,000
Total Capital Cost	2,405,000

Working Capital	Amount(N)
Purchase of Fingerlings	750,000
Purchase of feeds	6,000,000
Medications	200,000
6 months staff salaries	300,000
Fuel/Transport/Maintenance	555,000
Cost of Sales expenses	100,000
Total Working Capital	7,905,000
Total Investment	10,310,000

The following assumptions were used to arrive at some of the figures above

- The working capital is for the production of 30,000 Tons of table six of fish with each pond expected to produce 3,000 Tons.
- The staff salary consists of 20,000 Naira for 1 farm manager monthly and 3 farm attendants of 10,000 Naira monthly each.
- The total cost required for a pond is 695,000 Naira only.

Cash Flow

With the first seven months of operation this project requires the capital out lay to be released as

detailed in the cash flow analysis below. Thereafter the project will be buoyant after the sales of the first production and it will be able to fund itself.

Month	1	2	3	4	5	6	7
Inflow							
Balance	-	-	-	-	-	-	-
Investors Funds	2,445,000	1,895,000	1,670,000	1,670,000	1,670,000	650,000	150,000
Total Inflow	2,445,000	1,895,000	1,670,000	1,670,000	1,670,000	650,000	150,000
Out Flow							
Start-up cost							
Land	1,000,000	-					
Building/infrastructure	500,000.00	-					
Equipment/machinery	375,000.00						
Furniture/fitting	30,000.00	-					
Construction of 10 ponds	500,000.00	-					
Sub-total	2,405,000.00	-	-	-	-	-	-
Monthly operating cost							
Salaries	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Stock	-	75,000.00					
Feed	-	1,000,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	-
Transportation	-	40,000.00	50,000.00	50,000.00	50,000.00	30,000.00	-
Fuel	-	15,000.00	20,000.00	20,000.00	20,000.00	20,000.00	-

Farm maintenance	-	40,000.00	50,000.00	50,000.00	50,000.00	50,000.00	-
Sales expenses	-	-	-	-	-	-	100,000.00
Sub-total	50,000.00	1,895,000	1,670,000	1,670,000	1,670,000	650,000.00	150,000.00
		.00	.00	.00	.00		
Total out flow	2,455,000	1,895,000	1,670,000	1,670,000	1,670,000	650,000.00	150,000.00
	.00	.00	.00	.00	.00		
Cash flow balance							
	-	-	-	-	-	-	-

Projected Profit and Loss for 3 Years.

Detailed below is the projected profit and loss account for 3years with the following assumptions.

- A production cycle is for 6 months.
- The Income is based on the sales of 1 ton @ 400 Naira for the first and second production and 425 Naira and 450 Naira for 3rd, 4th and 5th, 6th respectively.
- A straight line method is used for the depreciation of the fixed asset. It is expected that a sum of 400,833.33 is depreciated at the end of each production.
- The sum of 38,062.5 is assumed for the bank charges – COT and VAT inclusive.

	1 st production	2 nd production	3 rd production	4 th production	5 th production	6 th production
Cost of Stock	750,000	750,000	800,000	800,000	850,000	850,000
Cost of Feeding	6,000,000	6,000,000	6,250,000	6,250,000	6,500,000	6,500,000
Medication	200,000	200,000	210,000	210,000	220,000	220,000
Cost of Labour /overhead	300,000	300,000	350,000	350,000	400,000	400,000
Fuel/Transport and others	555,000	555,000	600,000	600,000	650,000	650,000
Cost of sales	100,000	100,000	100,000	100,000	100,000	100,000
Pond rehabilitations	-	100,000	100,000	100,000	100,000	100,000
Total Cost of Production	7,905,000	8,005,000	8,410,000	8,410,000	8,820,000	8,820,000
Income	12,000,000	12,000,000	12,750,000	12,750,000	13,500,000	13,500,000
Gross Profit	4,095,000	3,995,000	4,340,000	4,340,000	4,680,000	4,680,000
Less Depreciation	400,833.3	400,833.3	400,833.3	400,833.3	400,833.3	400,833.3
Less Bank Charges	38,065.5	38,065.5	38,065.5	38,065.5	38,065.5	38,065.5
Net Profit	3,656,104.17	3,556,104.17	3,901,104.17	3,901,104.17	4,241,104.17	4,241,104.17

Projected Balance Sheet for 3 Years.

Detailed below is the projected balance sheet of the project for the next 3 years showing the status at the end of each production. The following can be deduced:

- At the end of the 3rd production the project will break even, that is, the investors would have gotten back their investment.
- At the end of the 3rd year (6th Production) the investors would have made a total sum of 33,806,625.00 Naira which is 30% return on investment.

Conclusions

From the facts and figures presented above the following can be concluded and recommended.

- The project is viable and is environmentally friendly.
- The project demonstrates the fact that the local community will be engaged which shows a sense of corporate social responsibility on the part of the promoters.
- The Financials are okay, as the breakeven point for the project is very good and it will give value to the investors.
- The expected return on investment is 30%.
- The investor would start collecting back of their investment at the end of the first production.
- The management teams that will be in charge of the project are well seasoned professionals in the industry.