

MASTER THESIS

Economic Analysis of Small Holder Aquaculture Farmers: The Case of Lagos State, Nigeria

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Abstract

Nigeria as a nation is largest fish consumer in Africa and among the highest consumers in the world. The domestic (Nigeria) fish production is short of the demands despite the vast potentials in the fishery sector. Harnessing these potentials rightly will help to increase employment and increase food fish production and availability. The awareness of the potentials and the contributions of aquaculture to the domestic fish production has being on the increase. Aquaculture production has led to increase in fish production despite capture fishing already reaching a maximum sustainable yield. It is clear given the importance of aquaculture in fish production that efforts must be made to encourage investors and entrepreneurs to go into the business. Many have casted doubts on the profitability of aquaculture production, particularly on a smallholder level. Against this background, this thesis determines the profitability of smallholder aquaculture farmers in Lagos State, Nigeria, with specific focus on catfish farmers. To do so, 30 catfish farmers and five additional experienced catfish farmers were interviewed using multi staged and theoretical sampling technique respectively in Ikorodu and Epe Local Government Area of Lagos State. The study used enterprise budgeting, balance sheet and investment analysis to determine the profitability of catfish production in the study area. The study also described the challenges faced by catfish farmers in the study area using grounded theory. The study showed that current catfish farmers are having a positive cash flow. However, the investment analysis showed that investment (new investors) in catfish production is not profitable due to negative net present value and the internal rate of returns lower than the discount rate used. The study made a hypothetical situation of production assumption that the farmers expanded their farm with additional five ponds. Based on the expansion, catfish production became profitable in the study area. The study therefore concluded that new investment in a catfish enterprise at the current market environment is not profitable. In addition, current catfish farmers are less productive due to their scale of production, expanding their enterprise will make them become more productive and run a profitable enterprise.

Keywords: Profitability, catfish, investments