Tete city in Mozambique is quickly becoming a major economic player in the region as the development of railways and boating corridors is connecting it throughout the region. Although behind its neighbours of Zambia, Zimbabwe and Malawi in the fish farming industry this is expected to drastically change in the next 5 years with an explosion of fish cage farming on Lake Cahora Bassa. By anticipating this change, a savvy investor can take advantage of this opportunity to begin a fish feed factory in light of the coming economic boom and demand in the fish market.

Do you need more information? No problem. The extended business plan for the fish feed factory and other business opportunities in aquaculture, potato, dairy, poultry, tilapia cage farming and cold chains, can be requested from the Zambezi Valley Development Agency (ZVDA). These have been prepared with support from Wageningen University & Research/CDI, the Netherlands.

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> **OPPORTUNITIES**

- The Tete region has all the necessary requirements (lakes, labour, transportation lines, corn & soy production) for the fish farming to thrive, yet it is not progressing due to a lack of fish feed. Currently, fish feed is imported from Mauritius. By not having a local producer of fish feed, the import supply chain is creating a bottleneck for growth. Furthermore, this imported fish feed, which has become the benchmark for quality, comes with 17% VAT and cost of transportation.

- An investor will take advantage of the lower costs of local production by building a local fish feed production plant in the region and provide fish feed to all of the countries in the region where fish farming is on the rise. A local plant will gain a profit margin over imported fish feed while still maintaining the current standard of quality and lowering costs for the farmers.

- This investment will take advantage of the locally grown corn and soy products, which are the two largest ingredients in fish feed.

> **INVESTMENT COSTS**

- Financial analysis shows that a fish feed plant will require an initial investment of 3,750,000 US$ for the equipment, infrastructure and construction. The plant will require the first two years for strategic planning, building the factory and training. Fish feed production will slowly increase to reach the 5 year goal of 5,500 tons per year (400 ton/yr. - 2nd year, 2,000 ton/yr. - 3rd year, 3,500 ton/yr. - 4th year), and this will continue rising until year 10 with a projected production of 11,500 tons/yr. The demand for fish feed in the Tete province is expected to reach 5,000 and could double in the following 5 years. This fish feed plant will also export high quality fish feed to neighbouring countries and with its high quality will easily fill the niche in the market.

- This investment analysis gives three financial scenarios for an investor to choose from. The investor could fully finance 100% of the equity and receive an IRR of 16%, the NPV will be $1.5 million and the PBP will be 7 years. The other two options involve a 50% investment by either a grant or a loan with 10% interest. The option with a grant provides an investor with a 31% IRR, $3.4 million NPV and 6 years for the PBP, while the debt option has a 20% IRR, $1.7 million NPV and 7 years for the PBP.

All 3 options take into account the scaled production of the fish feed reaching 5,500 tons/yr. in year 5 and steadily progressing up to 11,500 tons/yr. by year 10. These production factors will earn a net profit of US$ 508,400 in year five and this will steadily grow up to a net profit of US$ 1,554,000 by year 10.

- This fish feed production facility will have the capability of producing a maximum of 24,000 tons of fish feed per year. This option for a scalable production provides the investor with the comfort of meeting any demands that the region may have in the upcoming 5, 10 or 15 years.

> **RISKS**

- The cost of locally produced soybeans and corn are a major player in the cost of fish feed production. If the cost of these ingredients rise, profits will decrease.

- The success of the business depends on regional developments in the aquaculture market as a whole.