

Profitability analysis of abalone farming in Port Nolloth, in the Northern Cape Province, South Africa.

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Abstract

The abalone industry in South Africa is known as one of the largest producing farmed abalone in the world. Most of the farms are located in the Western Cape Province. The growth of abalone aquaculture is expected to continue, however, access to suitable coastal land and the dependence to a large degree on wild harvest of seaweed for feed purposes may restrict further development around main spatial nodes of abalone farming. This led to government proposing the development of the Namaqualand Mariculture Park (NMP) in the Northern Cape province of South Africa. The NMP concept involves the development of complementary marine aquaculture activities sharing common infrastructure. The NMP could support a diverse number of mariculture operations but the current project evaluated the feasibility of abalone farming as the first aquaculture venture to be established in the NMP. The main result from the profitability model, The Net Present Value (NPV) for the two cash flow series was negative R 37 million and negative R 30 million respectively. Sensitivity analysis indicated that the abalone farm is most sensitive to variations in the sales price and the quantity of abalone sold. This is important as revenue earned must cover the cost incurred by production. The production strategy of the current study, selling abalone in dried product form, requires larger animals than usually grown on the majority of abalone farms; thus a longer production period. High production costs have been cited as one of the main reasons for poor economic performance of abalone aquaculture.