

**TILAPIA PRODUCTION SYSTEMS IN CAGAYAN VALLEY:  
AN ANALYSIS OF PROFITABILITY AND  
TECHNICAL EFFICIENCY**

**REYNALD A. DELOS TRINOS**

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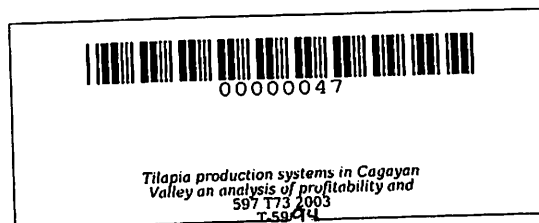
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<sup>c</sup>  
✓ **TILAPIA PRODUCTION SYSTEMS IN CAGAYAN VALLEY: AN ANALYSIS  
OF PROFITABILITY AND TECHNICAL EFFICIENCY**

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**A dissertation submitted to the faculty of the Institute of Graduate Studies,  
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## **ABSTRACT**

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This study evaluated the profitability and technical efficiency of tilapia hatchery, fishpond and floating net cage production systems in Cagayan Valley. Farm level data obtained from a survey of 380 people engaged in tilapia culture were used in the analysis.

Assessment of the farm budgets showed that the amount of capital investment per hectare of operation were PhP 97,328 for hatchery; PhP115,294 for fishpond culture; and PhP547,631 for floating net cage farming.

Financial analysis revealed that tilapia production in Cagayan Valley is highly profitable. The annual net incomes were computed to be PhP551,574, PhP211,121 and PhP1,817,167, respectively.

The calculated discounted profitability measures indicate the high investment potentials of the various tilapia production systems with benefit-cost ratios of 3.04, 1.54 and 1.40 for hatchery, fishpond and floating net cage systems, respectively. The internal rates of return were estimated in excess of 50 percent for all systems.

Production efficiency was also analyzed using the Cobb-Douglas production function model. Results showed that the four variables found to have significant effect on yield were broodfish size, stocking density, feeds, and labor. According to the present practice, tilapia farmers in Cagayan Valley are not utilizing these variables or inputs at their profit-optimizing levels. Marginal analysis shows that the yield from hatchery systems could be maximized if the broodfish size is reduced to about 154 grams per breeder. In the case of fishpond operation, farmers should reduce stocking density, although the optimum rate could not be calculated due to negative marginal productivity. On the other hand, feed utilization should be increased from the current level of 1.73 to 2.19 kg/m<sup>2</sup> per culture period, as well as labor use from 16.90 to 45.40 mandays/ha. per culture period. For fish cage operation, the estimated optimum rates for feeds and labor per culture period should be increased to 18.63 kg/m<sup>2</sup> and 113.40 mandays/ha., respectively.

## TABLE OF CONTENTS

	PAGE
LIST OF TABLES	xiv
LIST OF FIGURES	xvii
LIST OF APPENDICES	xviii
LIST OF APPENDIX TABLES	xix
ABSTRACT	xx
<b>INTRODUCTION</b>	<b>1</b>
The Aquaculture Industry: an Overview	1
The Tilapia Industry	2
Tilapia hatchery	3
Tilapia grow-out in ponds	3
Tilapia grow-out in floating net cages	4
Statement of the Problem	4
Objectives of the Study	6
Significance of the Study	7
Scope and Limitation of the Study	7
<b>REVIEW OF LITERATURE</b>	<b>8</b>
Recent Developments in the Tilapia Industry	8
Hatchery Systems	8
Intensive Grow-out Production	10
Extensive/Semi-intensive Grow-out Production	10
Grow-out in Floating Net Cages	11
Socio-Economic Studies on the Culture of Tilapia	12
Estimation of Production Functions	14
The Use of Cobb-Douglas Production Function Analysis in Aquaculture	17
Factors Affecting Tilapia Yields	20
<b>METHODOLOGY</b>	<b>28</b>
Locale and Respondents of the Study	28
The Study Areas	28
Cagayan	28
Isabela	30
Quirino	31

	PAGE
Nueva Vizcaya	31
Respondents of the Study	32
Sampling Technique	33
Research Instrument	34
Data Collection Procedure	35
Data Analysis	35
Socio-demographic Characteristics of Fishfarmers and Description of Farming Practices	36
Profitability Analysis	36
Operating profit	36
Net farm income	36
Net profit	36
Return on investment	36
Discounted Measures of Project Worth	37
Net present worth	38
Internal rate of return	38
Net benefit-investment ratio	39
Benefit-cost-ratio	40
The Discount Rate	40
Switching Values	41
Analysis of Production Technology and Efficiency of Input Use	41
Analytical Framework: The Cobb-Douglas Production Function	42
Tilapia Production Function Models	44
Tilapia seed production function model	44
Tilapia freshwater pond production function model	46
Tilapia floating cage production function model	46
Operational Definition of Terms	47
<b>RESULTS AND DISCUSSION</b>	51
Socio-demographic Characteristics of Respondents	51
Educational Attainment of the Respondents	51
Age of Respondents	52
Respondents' Experience in Tilapia Production	53
Tilapia Production Practices	55
Tilapia Seed Production Practices	55

	PAGE
Pond construction and preparation	55
Elimination of pests, predators, diseases and competitors	56
Water management	58
Broodstock management	59
Breed of broodstock	60
Feeding	61
Kind and quantity of fertilizer applied	61
Fry and fingerling collection and marketing practices	64
Tilapia Grow-out in Pond Production Practices	66
Fishpond construction and preparation	66
Source of water	67
Stocking tilapia seed	68
Fertilizer application	69
Feeding	71
Water management	72
Harvesting	73
Marketing	74
Tilapia Grow-out in Floating Cages	76
Cage design and construction	76
Source of information about tilapia cage farming	77
Stocking practices	80
Feeds and feeding	83
Harvesting	85
Marketing	86
Capital Investment, Cost Structure and Profitability	91
Capital Investment	91
Production Cost	92
Profitability Analysis	93
Operating profit	95
Annual income or profit	95
Return on investment	96
Discounted Measures of Project Worth	97
Net present worth	97
Internal rate of return	98
Net benefit-investment ratio	98
Benefit-cost ratio	98
Switching Values	99

	PAGE
Production Technology of the Different Tilapia Production Systems	100
Productivity of Inputs	101
Efficiency of Input Use	103
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</b>	110
Summary	110
Socio-demographic Characteristics	110
Management and Practices	111
Cost Structure and Profitability	112
Production Technology and Efficiency	113
Conclusions	113
Recommendations	114
<b>LITERATURE CITED</b>	116
<b>APPENDICES</b>	122



## LIST OF TABLES

TABLE	PAGE
1 Top ten tilapia-producing countries of the world	3
2 Number of tilapia production systems in Cagayan Valley	33
3 Number of respondents by tilapia production system	34
4 Educational attainment of respondents by tilapia production system, Cagayan Valley, 2002	52
5 Percent distribution of respondents according to age by tilapia production system, Cagayan Valley, 2002	53
6 Distribution of respondents according to tilapia production experience, Cagayan Valley, 2002	54
7 Methods of hatchery pond construction and preparation, Cagayan Valley, 2002	55
8 Source of water, water depth maintained, and frequency of water addition, Cagayan Valley, 2002	59
9 Average broodfish stocking density, size, age and ratio, Cagayan Valley, 2002	60
10 Breeders used to produce tilapia seeds, Cagayan Valley, 2002	61
11 Type of feeds used in hatchery ponds, Cagayan Valley, 2002	62
12 Kind, volume applied, and frequency of application of fertilizers used in hatchery ponds, Cagayan Valley, 2002	63
13 Method of construction and preparation of tilapia growout ponds, Cagayan Valley, 2002	67
14 Source of water in tilapia growout ponds, Cagayan Valley, 2002	68
15 Average stocking rate and weight of tilapia seed at stocking	69

TABLE		PAGE
16	Size of tilapia seeds used by tilapia growout pond operators, Cagayan Valley, 2002	70
17	Method of fertilizer application in tilapia growout ponds, Cagayan Valley, 2002	70
18	Kind, average quantity and frequency of fertilizer applied in tilapia growout ponds, Cagayan Valley, 2002	72
19	Kind and quantity of feeds given, and frequency of feeding tilapia stocked in tilapia growout ponds, Cagayan Valley, 2002	72
20	Water management in tilapia growout ponds, Cagayan Valley, 2002	73
21	Harvesting methods tilapia growout ponds, Cagayan Valley, 2002	74
22	Selling price, type of buyers and mode of delivery of harvested tilapia from growout ponds, Cagayan Valley, 2002	76
23	Reasons for stocking schedule	81
24	Various observations regarding tilapia growout in floating net cages, Cagayan Valley, 2002	82
25	Reasons for owning idle cages	83
26	Type and percent volume of commercial feeds given to tilapia reared in floating net cages, Cagayan Valley, 2002	84
27	Frequency of feeding tilapia reared in floating net cages, Cagayan Valley, 2002	84
28	Reasons for inability to purchase feeds at any given time	85
29	System of harvesting fish from fish cages, Cagayan Valley, 2002	88
30	Reasons for "forced-harvesting" tilapia from net cages	88

TABLE		PAGE
31	Some features of marketing aspect of tilapia cage production system, Cagayan Valley, 2002	90
32	Summary table on the average capital investment (PhP/ha) of the different tilapia production systems, Cagayan Valley, 2002	91
33	Summary table on the production cost structure (PhP/ha. per year) by different tilapia production systems, Cagayan Valley, 2002	94
34	Annual depreciation of capital assets (PhP/ha.) of the different tilapia production systems, Cagayan Valley, 2002	94
35	Income statement (PhP/ha. per year) of the different tilapia production systems, Cagayan Valley, 2002	97
36	Discounted measures of project worth for the different tilapia production systems (per ha.), Cagayan Valley, 2002	99
37	Switching values (percent) for net benefit-investment (N/K) ratio and benefit-cost (B/C) ratio	100
38	Yield function for the different tilapia production systems, Cagayan Valley, 2002	104
39	Optimum input usage for the tilapia production system in Cagayan Valley, 2002	106
40	Optimum rate of significant variables by tilapia production system	108

## LIST OF FIGURES

FIGURE		PAGE
1	Location map of Cagayan Valley	29
2	Graph showing the distribution of the different pests, predators, diseases and competitors identified by tilapia seed producers	57
3	Mean fingerling production (bar) and length of breeding cycle (line)	65
4	Average tilapia production and length of culture period in freshwater ponds, Cagayan Valley, 2002	75
5	Open floating type of fish cage	78
6	Sources of information of tilapia cage operators	79
7	Average tilapia production in floating net cages, Cagayan Valley, 2002	87

## LIST OF APPENDICES

APPENDIX	PAGE
"A" Appendix Tables	123
"B" Computation of the Internal Rate of Return	128
"C" Sample Survey Questionnaires	129



## LIST OF APPENDIX TABLES

APPENDIX TABLE	PAGE
1 Farm budget for the different tilapia production systems, Cagayan Valley, 2002	123
2 Computation of benefit-cost ratio (B/C), net present worth (NPW) and net benefit-investment ratio for the hatchery system, Cagayan Valley, 2002	124
3 Computation of benefit-cost ratio (B/C), net present worth (NPW) and net benefit-investment ratio for the fishpond system, Cagayan Valley, 2002	125
4 Computation of benefit-cost ratio (B/C), net present worth (NPW) and net benefit-investment ratio for the fish cage system, Cagayan Valley, 2002	126
5 Method of computing initial estimate of internal rate of return	127

## INTRODUCTION

### **The Aquaculture Industry: An Overview**

Aquaculture literally means water cultivation. It comes from the Latin word *aqua* (which means *water*) and English word *culture*, and is defined as the cultivation of the natural produce of water as fish or shellfish (Britannica, 2001). Aquaculture is characterized as a technique of raising, not hunting or gathering, and therefore is more efficient in the use of time and effort.

Aquaculture can be undertaken on marginal land or land poorly suited for agriculture, and it utilizes fish which are efficient converters of feeds and of low-quality plant materials and wastes. It is the fastest-growing sectors in world food production.

The importance of aquaculture, in that it feeds a large percentage of the world's population and provide economic security for society, is increasingly well understood.

From an economic perspective, the expansion of aquaculture has been at least strong. Over the period 1985-1995, the value of production almost tripled, from US \$14.2 thousand million to US \$42.3 thousand million (Charles, 2002). Between 1990 and 1995, world aquaculture production expanded at an average annual rate of 11 percent (McGinn, 2001). Aquaculture contributes an average of 23 percent to aquatic production, and freshwater finfish make up 46 percent (Shelton 2002). The United Nations Food and Agriculture Organization (FAO) estimates that under favorable conditions, aquaculture could supply the world