Module 4

FINANCIAL MANAGEMENT OF A SMALL FISHING BUSINESS

FISHING VESSEL LOGBOOK

VESSEL NAME:

SKIPPER:

SECRETARIAT OF THE PACIFIC COMMUNITY
PREFACE

Records from government-assisted fishing enterprises from around the region have shown that many small fishing ventures have not succeeded, with the fishers not being able to pay their debts and having their boats repossessed. One of the most common reasons cited for this failure is a lack of management skills, particularly in respect to financial management.

The purpose of this module is to provide an introduction to some basic principles of business management for small-scale commercial fishers or those interested in becoming small-scale commercial fishers. In addition, the module promotes the use of a simple logbook as an aid to the financial management of the business.

Fishers are, generally, more interested in catching fish than in business management, and they find keeping records of financial matters either difficult or boring. It is not easy to persuade them that a knowledge of business management will improve their chances of success. Their immediate reaction to financial problems is to attempt to catch more fish or to increase the fishing effort.

The following lessons are designed to make fishers aware of business practice, and also to illustrate how businesses fail or succeed through a knowledge of business practice. The major aims of the lessons are to convince fishers of the benefits of understanding management and business practice, and that the keeping of simple records, through a logbook, is neither difficult nor time-consuming.

This module is presented in six sections, or lessons, which could make up a 12-hour (2 days) workshop. Each section starts with background information for the benefit of the teacher. This is followed by teaching hints which the teacher can use to construct a lesson plan, and the number of appropriate overhead-projector resource materials or teaching aids for that lesson and the number of hand-outs.

In all lessons, the teacher is encouraged to use adult learning principles which involve the trainees and encourage them to participate using their own knowledge and experience as tools for learning.
1.1 What is a business?

A ‘business’, or ‘enterprise’ as it is increasingly called, is an activity which brings together resources such as money, fishing skills and materials (boats and fishing gear) to provide some goods or services for others with the purpose of providing work and income for those involved. Business is thus a transaction between a buyer and a seller.

People start businesses for a variety of reasons, the principal one being to earn money. Unless a business earns more money than it costs to run it (a profit) it cannot operate. People have, however, many other reasons for starting businesses, including: generating employment, changing or improving their standard of living, being their own boss, assisting the community, or just for the fun they get from making something work, e.g. catching fish.

Fishing is a hunting/production business, which, for success, requires:

- access to a raw material (the fish stocks), highly-skilled labour and resources (boats and fishing gear), which combine together to produce a product (the landed fish);
- access to money to put into raw materials or resources (boats, fuel, fishing gear) for a period of time until the product (fish) is sold;
- access to a market which gives a good price for your fish.

TEACHING HINT!

Before starting the first part of the workshop, teachers should involve the participants in a warm-up exercise. Perhaps ask participants to introduce themselves and describe their fishing backgrounds.

It is perhaps too early in the workshop to ask participants to define ‘business’ as a group exercise.

The best approach is to ask for anyone to define what is generally meant by business.

This will give you the chance to agree and elaborate where necessary.
1.2 What do we mean by ‘commercial’ fishing?

The term ‘commercial’ fishing refers to a business which is committed to full-time fishing to obtain a profit. Because of the money involved (usually the repayment of a loan to purchase a boat or equipment), it means:

- going fishing on a regular basis, not just when the cash from the previous trip is spent;
- going fishing even when you don’t feel like it;
- not going home when you are cold, wet and tired but going home when the job is done;
- being competitive;
- planning ahead;
- looking after your boat and gear and repairing things properly;
- attention to detail and attention to safety;
- being a risk taker.

Lastly, it means very hard work.
TEACHING HINT!

Introduce the subject by asking:

‘What is meant by “commercial fishing”?’. Write this question on the board so the trainees can think about it.

Ask the trainees: ‘Does it simply mean selling fish, or selling fish for profit, or does it mean more than that?’.

The point is to suggest to the group that ‘commercial fishing’ implies an ‘attitude’ of commitment to the business of catching fish and maximising opportunities to do so.

If there are more than seven participants, split into two or three groups (no less than four in each group).

Ask the groups to discuss what is meant by ‘commercial fishing’ and for one of them to write down their ideas in ‘short simple sentences on large sheets of paper’ or on a board provided. This should not take longer than 15 to 20 minutes. Stop the discussion when you feel the groups have run out of ideas or at the designated time.

Ask someone from each group to present the findings of his group to the whole workshop, either by sticking the sheets of paper on the wall or by referring to the board provided.

Summarise the lists and suggest additional reasons if not all listed above.

Go over the list again by showing AV 4-1.2, then distribute hand-out of same.

AV 4-1.2 & Distribute hand-out of same
2.1 Finding out if your business will work

Many small fisheries enterprises are started by fishers as an extension of existing subsistence fishing, or because they see others in business and think they could succeed by doing the same. Alternatively, persons who are engaged in one type of fishing see opportunities to catch more fish by changing their style of fishing to another method, e.g. by going outside the lagoon to fish around a FAD. Both of these groups are often encouraged by governments through subsidies or training schemes.

Without an understanding of the costs involved, the catch of another fisher can look very attractive and tempt a person into starting a business without seriously studying whether it will work (make a profit). The process of determining whether a business will make a profit or not is called a **feasibility study**.

Anyone contemplating starting a fishing enterprise should first do a feasibility study. Those who are currently running a fishing business and finding it difficult to pay the bills might also benefit from such a study.

There are three steps in deciding whether a business will be profitable:

1. Whether it can be done with the resources you have available or can access. This is called a **technical feasibility study**.
2. Whether you can market the fish at a price high enough to make a profit. This is called a **market feasibility study**.
3. Whether you can get access to the resources you currently do not have but will need to run the business (generally, a loan to buy a boat or equipment, but training, assistance and materials are also included) and whether the business can make a profit. This phase is called determining the **overall viability**.

**Conducting a technical feasibility study**

When doing a technical feasibility study the fisher must consider:

- what fish resource(s) he/she intends to exploit;
- what equipment is required to access the fish resource, and, in particular, what equipment is already available and what equipment will need to be acquired;
- what particular skills will be required to access the fish resource, what skills are already available and what skills will need to be learned;
Perhaps the easiest way to conduct a technical feasibility study is simply to find out the practical requirements and difficulties by asking someone already involved in the particular type of business. Another way is to seek the advice of an ‘expert’, who may be found in the local fisheries department.

**Conducting a market feasibility study**

When doing a market feasibility study, the fisher will need to ascertain where he/she intends to sell the fish caught and at what price. It is also necessary to ensure there will be sufficient demand for the product over a long period. This is usually not a problem when supplying a big market, but can quickly become a problem when the market is small. For example, one person sees another catching a lot of fish and seemingly making a lot of money by selling it to the local market. Based on this observation, he/she starts a business. If the market is not large enough (not enough people or not enough money in the community), it could mean that the fish from an additional boat result in both businesses having fish they cannot sell. As a result, both businesses might not make enough money to cover their costs. Lowering the price of the fish in this instance may not solve their financial problems.

**Determining overall viability**

Determining overall viability will occur after the technical and market feasibility studies have given favourable results. This phase helps to decide whether the business can make a profit and whether enough funds are available. A complete assessment of the value of the fish caught against the costs the enterprise will incur will determine the possible profit or loss. As the costs involved in operating a fishing boat are complicated and variable, this is a difficult part of the study. Too often in the past this part of the study has not been well done. Fishers have seen that they can catch and sell fish, and assumed that they can make a profit without a careful analysis of costs.

Determining the overall viability of an operation will be covered in more detail later in the workshop after participants have a better understanding of finances.
TEACHING HINT!

Some of the contents of this section will be new to workshop participants, and most of them will not be familiar with the more technical terms. It is, however, important to keep them involved and sharing their ideas and experiences.

Ask them: ‘How do we work out beforehand whether we can make a success of a fishing business?’ Write this on the board so they can think about it.

Then ask: ‘Does it just mean finding out if we can catch the fish or do we need to know more?’ and ‘If it means finding out more things, what are they, and how can we know what they are?’

Split participants into groups (no less than four in each group) and ask the groups to discuss what is meant by ‘How do we work out beforehand whether we can make a success of a fishing business?’. In each group, one trainee will write down the group’s ideas in short simple sentences on a large sheet of paper (newsprint). This should not take longer than 15 to 20 minutes; stop the discussion when you feel the groups have run out of ideas or at the designated time.

Ask someone from each group to present the findings of his group to the whole workshop by sticking the sheet of paper on the wall.

Summarise the lists then give a short talk based on what they have come up with and the previous notes.
3.1 Why do small fishing businesses fail?

There are many reasons why small fishing businesses fail, but it is useful to divide them into four main categories:

Lack of appropriate skills or laziness

- cannot catch as much fish as others due to lack of knowledge or inexperience;
- cannot maintain engine or fishing gear due to lack of skill;
- do not understand maintenance procedures such as anti-fouling and engine service checks;
- cannot get out of bed early enough to catch the best fishing hours;
- do not spend enough time at sea each trip;
- do not go to sea often enough;

General mismanagement

- do not properly prepare for fishing trips so can run out of bait, ice, water or stores at times of good fishing and have to return home early;
- fishing gear not prepared or repaired before fishing trip resulting in poor catches because the gear is not working as well as it ought to;
- do not organise time so that engine maintenance cycles are not completed, resulting in early failure of engine;
- do not co-ordinate or motivate crew who sometimes do not turn up at fishing time or do not work as hard as they should;
- know fish should be iced but do not encourage or instruct crew to do this, resulting in a lower price for the fish;
Financial mismanagement

- count the total value of the fish without counting the expenses;
- do not put money aside during good times for repayments of boats, insurance or possible engine repairs;
- do not sell fish at the maximum price;
- owe too much money on the boats so cannot meet the repayments;
- give away too many fish at times when there is not enough money to meet costs;
- spend too much money on non-boat-related things and not enough on maintenance of boat and equipment;
- fail to meet insurance payments and insurance will not pay out when the boat has an accident.

Special circumstances

- reduction in fish stocks, making gross income from catch too low to service debts;
- fish prices drop for reasons out of the control of the fishers;
- illness;
- accidents to boat or injuries not covered by insurance;
- poor fishing seasons and sustained bad weather.

POINT TO NOTE!

There are many more reasons why fishing businesses fail. In most cases it is not for any single reason, but a combination of reasons.
3.2 A general scenario of small fishing business failure

Many countries in the Pacific have, over the years, endeavoured to stimulate small fishing businesses through the organisation of loan schemes to finance fishers into small boats. Many of these schemes exhibit similar characteristics:

- fishers are selected by community groups to attend a government-organised training course;
- at the end of the training course, and provided they can come up with a small deposit, fishers are provided with a new fishing vessel and a bank loan;
- the vessel’s purchase price is subsidised by a grant aid component (usually the cost of the engine);
- fishers commence fishing operations and regular monthly payments for loan.

After several years of operation of these schemes the fishing boats are still running, but most will have changed hands a number of times. Because the owner fails to make repayments, the boats will have been re-possessed by the loan financier, normally the development bank, and the owner will have lost all of the equity he/she had in the boat. When this happens, the boats are tendered and resold at a cheaper price, or the new purchaser takes over the loan.

What causes these businesses to fail?

In general, the newly-purchased vessel is put to work and returns from fishing trips to sell the catch for cash. When the fisher has a good catch, he/she feels obliged to give away some of the fish to friends or relatives, then armed with folding money from the sale of the fish, the fisher can easily be swayed from putting the cash back into the business. In addition to the fishers’ immediate onshore expenses, there may be loans to friends and family, donations to churches and community groups, extra beer for the crew etc.

Often the fisher will not go out on another trip until all the money from the previous trip is spent, except for the money he/she needs to buy fuel, ice and stores for the next trip.

Despite seemingly profitable fishing, the fisher may not have the money necessary to make the loan payment at the end of the month. If the bank fails to contact the fisher soon after the payment date has been missed, the fisher might assume that the bank is not too worried about the arrears in payment and may repeat the non-payment in the next month. In many cases, the bank may not contact the fisher until 3 or 4 payments are overdue. At this point, the fisher is unlikely to be able to meet the arrears and may lose his boat.
If the fisher does not keep aside some money each time he/she goes fishing, there may also be the problem of paying for unexpected repairs or lost fishing gear. If there is not enough money to pay for these unforeseen problems and expenses, more fishing days will be lost and the chances of incurring more debt will increase.

How does the fisher avoid business problems and what steps can be taken to improve business management skills? In many cases, the answer lies in two areas. The fisher’s understanding that being in business means that he/she has to manage the business, and that this involves managing money, and how this can be achieved.

TEACHING HINT!

Introduce the group to the subject of failure in business.

Using the small-group methods described in previous lessons, ask each group to list the reasons why a small fishing business might fail.

Ask them to suggest how the fisher might have been able to prevent the failure of the business. If business failure was preventable, what specific steps should the fisher take?

It is likely that most of the reasons for failure given by the group will relate to the actual catching of the fish. How many of the reasons for failure relate to the management (both financial and organisational) of the business?

Prepare a list based on group discussions which summarises business failure. Add any important items which might have been missed, based on the previous notes.

The point of the discussions should be to have the participants realise that in many cases, business failure is attributable to the fisher or his/her deficiency in understanding the nature of their business.

Distribute the hand-out ‘A general scenario of small fishing-business failure’ for the trainees to read later.
4.1 What does it mean to manage a small fishing business?

Management of a small fishing business means:

- making sure the boat is well equipped when it goes to sea i.e. has sufficient bait, ice, fuel, safety equipment etc.;
- making sure the crew have the right skills for the job i.e. know how to catch fish and are motivated to work hard etc.;
- making sure the boat does regular trips;
- making sure the boat is fishing in the right place at the right time and with the right fishing gear;
- getting the best price for the catch;
- making sure the boat is serviced and maintained;
- making sure the fishing business is sensitive to community and cultural perspectives without seriously affecting commercial perspectives;
- making sure the crew are happy and prepared to work hard, and if necessary learn new skills and fishing methods.

Financial management of a small fishing business means:

- making sure the crew gets paid;
- making sure the bills and the bank loan get paid;
- making sure there is enough cash to finance the next fishing trip;
- making sure some cash is set aside for unexpected expenses;
- making sure some sort of system is in place to keep basic records to assist in financial management and planning;
4.2 How to manage a small fishing business

We have now suggested that many of the problems in operating a small fishing business could be overcome with good management, and we have discussed what good management means and what a good manager should do. We have not discussed how this should be done.
HOW TO MANAGE A SMALL FISHING BUSINESS

Management of a small fishing business means:

making sure the boat is well equipped when it goes to sea

   by checking before each trip that everything is on
board,   by making lists of equipment needed
and ensuring it   is obtained;

making sure the crew have the right skills for the job

   by knowing who is working on the boat, what
skills   they have or do not have, and whether they
are good,   reliable workers;

making sure the boat does regular trips

   by planning trip times in advance, by being there
to   ensure that things go according to plan and
by ensu-   ring that regular maintenance is under-
taken;

making sure the boat is fishing in the right place at the right
time and with the right fishing gear

   either by being on board the boat and directing op-
era-
tions or by staying in touch with the boat by
radio, and   keeping in touch with other vessels and
knowing what   they are doing;

getting the best price for the catch

   by keeping a close eye on markets and not giving
away too much fish, by seeing which fish gets the
best price,   by ensuring fish are in top-quality con-
dition when landed;

making sure the boat is serviced and maintained

   by keeping track of vessel-servicing schedules, carry-
ing   out maintenance each time the boat is in
port and   fixing things as and when they require;
by ensuring   that each time the boat leaves on
a fishing trip every -   thing is working well;
Management of a small fishing business means:

making sure the fishing business is sensitive to community and cultural perspectives without harming commercial performance

by setting limits on the amount of fish given away and limits on donations or loans, by scheduling trips to ensure the boat is in port for important community occasions or religious events;

making sure the crew are happy and prepared to work hard, and if necessary learn new skills and fishing methods

by paying the crew on an incentive basis and organising, when necessary, training in new skills, by ensuring that the boat is well equipped and there is plenty of food for each trip, by providing strong back-up support for both the vessel and the crew.
Financial management of a small fishing business means:

making sure the crew gets paid fairly and regularly

by having a payment system based on incentive or a portion of the catch and keeping records of payments made to the crew, by having a limit to crew advances and a policy on payment for shoreside work;

making sure the bills and the bank loan get paid

by keeping records of what is owed and what has been paid, by keeping track of profit and loss, and by ensuring that the business is not carrying too much debt;

making sure there is enough cash to finance the next fishing trip

by keeping records of where the money goes from each trip and keeping aside the necessary cash for the next trip;

making sure some cash is set aside for unexpected expenses

by having some sort of savings plan so that the money from the good times can be saved to offset the not so good times;

making sure some sort of system is in place to keep basic records to assist in financial management and planning

by learning to use a basic system such as a logbook to manage money and making sure the logbook is kept up to date.
TEACHING HINT!

Using AV 4-4.2, ‘What does it mean to manage a small fishing business?’, ask the group to discuss how the fisher or business manager can ‘make sure’ that each of the items he/she is required to attend to are undertaken.

Use the previous lists as a guide for discussion and, at the end of the session, distribute hand-out to participants.
4.3 Who needs business management skills?

Many small-scale fishers in the region operate on a part-time basis, integrating their fishing activities with other community-based activities such as gardening. The income from fishing is only a part of their income, and many of the fish caught are shared around the village or even bartered for other goods.

It is difficult to imagine that people operating on this scale would have a great need to manage their business, as it is a subsistence activity. The point at which management becomes a necessary part of a business is really the point when the business operator or owner aspires to consolidate or expand the business, either by purchasing new and better equipment, taking out a bank loan, or embarking on a savings plan. As a rule of thumb, a business will require management when the operator aspires to a business plan which involves financial commitments. Once the fisher has regular financial commitments such as a loan repayment, he/she must be able to plan how the commitments will be met and then manage the business according to the plan.

POINT TO NOTE!

Once a fisher is committed to a structured payment system for a bank loan, the fishing business, especially the financial side of the business, will need to be managed in a manner which ensures there is money available to make regular payments.
TEACHING HINT!

Using AV 4-4.3, ‘Who needs business management skills?’, ask the group: ‘These fishers seem to have caught the same amount of fish but one has a motor car and a nice house while the other has not. What can be the reason for this?’

Use the small-group discussion method to get answers to your question.

The point of this session is to have participants acknowledge two facts:

- that catching more fish does not necessarily mean making more money, and
- if a business is properly managed it will make more money that if it is poorly managed.
5.1 Understanding the operation costs of a commercial fishing boat

Before the participants can use the SPC Logbook for financial purposes, it is important that they are aware of all the costs associated with running a fishing operation. They should also understand that there are costs which vary from trip to trip (e.g. how much fuel is used, how much ice is used, loss of fishing equipment, etc.), which are called variable costs or running costs. Also, there are costs which go on regardless of whether the vessel goes fishing or not, e.g. insurance and boat repayments (bank loan). These are called fixed costs. Fishers should know what these costs are at all times in order to manage their business. Generally, these can only be obtained by listing the costs and keeping a record of them.

As each year passes, the boat, engine and equipment become older and more worn out. They gradually lose their value, and this is a loss to the fisher who will ultimately have to replace them. In business terms this is called depreciation, and it is usually estimated on an annual basis. The different parts of the boat lose value at different rates. Electronic components lose value very quickly. If you try to sell a GPS you bought a year ago for $1,750, you may only get two hundred dollars for it now. Outboard motors are also items which depreciate quickly: after two years of continuous work, a new outboard will be worth very little. Diesel engines last longer (eight to 10 years) and boat hulls, especially steel or fibreglass ones, longer still (10 to 15 years). As the fisher does not have to pay this from his/her pocket each year, depreciation has not been included as an item in the SPC Logbook. It is, however, important that you explain depreciation in simple terms and stress the need to put money aside after each trip to replace electronics, engine and ultimately the boat itself.

The total amount of money a fishing vessel makes from a fishing trip is called the gross income, and the amount left after all costs have been deducted is the net income. It is very easy for a fisher to look at the gross income and think he/she is doing well without considering the costs, especially those which he/she pays at less frequent intervals. This is why many fishing businesses look to be doing much better than they really are.
INFORMATION REQUIRED FOR THE FINANCIAL MANAGEMENT OF A SMALL FISHING BUSINESS

To manage the finances of a small fishing business, the fisher will need to know:

- the volume of fish caught and sold, the price per kilogramme of fish, and the total payment for each trip.
- the cost of fuel, ice, bait, stores, fishing gear, and miscellaneous equipment used during each trip.
- the fixed expenses on a weekly (or monthly) basis: loan repayment, insurance, depreciation etc.

Perhaps more importantly, the fisher will need to know how to summarise all these figures in a simple and easy fashion without having to spend too much time on the job.
Start this session by showing AV 4-5.1a, showing a fisher arriving back with 100 fish.

Tell the group he/she has caught 100 fish and can sell them at the market for $1 each. He/she looks very lucky as he/she has earned $100 for a morning of fishing.

Tell the group that one of his/her friends or relatives sees the fish and says, ‘You have caught a lot of fish, what about giving me some?’ The fisher gives away ten fish. He/she still has 90.

The fisher then thinks about the other things he/she paid before doing this trip: his/her fuel, equal to the value of ten fish, the ice, valued at five fish and bait, also valued at five fish.

The fisher now only has 70 fish. Show AV 4-5.1b.

Tell the group he/she thinks a little more about other things he/she must pay: the line and hooks he/she lost this morning must be replaced: five fish. He/she must buy a new fuel filter for his/her engine worth five fish, and some paper for his/her echo sounder, worth five fish. He/she also thinks a little more and remembers he/she is going to paint the boat soon so he/she had better put a little aside each trip to save for that, which is equivalent to five fish. He/she now only has 50 fish.

His/her cousin comes along and says, ‘Hello cousin, you have caught a lot of fish today and are going to make a lot of money. What about a loan of $10?’ The fisher now only has 40 fish for himself.

Show AV 4-5.1c.

He/she thinks a little more: ‘What about my loan repayment? That is $200 dollars a month and I will only make 20 trips this month so I had better put aside ten fish to cover it.’ He/she then realises: ‘I will be paying my insurance in a couple of months so I had better put five fish aside for this’. The fisher now has only 25 fish.

The fisher is a little sad, especially when the man at the market says he/she must be making a lot of money.

The point you are trying to make with this story is that the total value of the fish caught (gross profit) is very different from what the fisher has left over, after he/she has deducted all the costs (net profit).
TEACHING HINT!

Using the small-group discussion method previously described, ask the trainees to list all the costs associated with the operation of their fishing businesses.

When you have the list, ask them to think of a method that would let them know whether they are making money or not.

The information-needs table in section 5.1 summarises the information required for the financial management of a small fishing business. How does it compare with the list prepared by the workshop participants?

In basic terms, the group will probably agree that the essential element of financial management is to know all the costs which are incurred in the course of vessel operation, and to be able to compare these with the total income from sales of fish.

When the costs are listed, the trainees may or may not suggest the need for keeping financial records. If they do suggest record keeping, expand on that point; if they do not, you must explain that all businesses have to keep records of their transactions, and this is called **book keeping**.
5.2 How the marketing of fish can assist profit

If asked what is the best way to increase their profit, most fishers will say: ‘by catching more fish’. While this statement is correct to a point, it overlooks the fact that catching more fish is mostly achieved by making more fishing trips or by working longer hours. As well as the increased effort, extra trips or longer hours also mean some additional expenses for bait, ice, fuel, wear and crew’s wages. The resulting profit will be eroded by these costs, and if the fisher was already having difficulty balancing his/her budget, the end result may be little better than before.

Catching more fish is only the answer, if this can be done without substantially increasing the running costs of the vessel. That is by fishing smarter. It is not within the scope of this training course to teach a fisher to be a more efficient or effective catcher of fish, but some examples might be:

- catching one extra fish a day by keeping hooks sharp,
- never running out of bait when the fish are biting well,
- never losing a big troll fish because there was no good gaff on board, etc.

We could use figures or case studies to demonstrate that after all the fixed and running costs of the trip have been deducted, every fish caught thereafter will be profit and that catching only one extra fish a day through ‘fishing smarter’, while not significantly increasing the gross income, will have a significant effect on the profit.

However, the greatest impact on profit is obtained through an increase in fish prices. An increase in fish prices does not affect any of the costs and is all returned to the fisher as profit. The only additional cost the fisher may have is an increase in crew’s wages where the crew are paid on a share of the catch. Again, this should be demonstrated to the fisher by means of figures or case studies.

Increases in fish prices are obtained by more effective marketing. Fishers, by their nature, are usually not greatly interested in marketing, even though it gives them the chance of more profit. That is possibly why merchants are usually richer than fishermen.

A very common reaction to the idea of fish-price increases is that it is just not possible in the existing circumstances and, although this is often not correct, it does demonstrate that getting better prices is not easy and will only be achieved over a long period of time and with considerable effort. Although there will be no easy answers to marketing difficulties and the fishers will have to solve the problems themselves, there are some basic principles which may be followed.

Marketing fish
The key word is ‘value’. In a market, if there are several sellers, the buyers have ‘choice’ and go for ‘best value’. To get the best results when marketing your fish, you need to know what the customer sees as value. It could be ‘price’, it could be ‘freshness’ or a combination of things such as taste (species), appearance, size or presentation. If you understand your customer’s preference, you will get ‘top price’ for your fish. Remember that although this may be as little an increase as 5% more than before, this could result in a profit increase of 25%.

It is possible for the fisher, perhaps with the help of the Fisheries Department, to influence the market, but this may be difficult and time consuming. For example, a market may be used to buying poor-quality fish and not initially be prepared to pay more for good-quality fish. They may regard some other product, such as chicken, as a preferred food for the special occasion. By constantly supplying the market with best-quality fresh fish over a long period, it is possible to raise the perception of the product and ultimately the price.

**What are the markets?**

In the Pacific region, the first market is the roadside or local market place. From supplying this market, the fisher can move to a town market where fish are often sold for a fixed price, e.g. the supermarket. In town markets and supermarkets, fish compete with other products to attract the customers’ money. In all of these markets, the principle of knowing what the customer wants is vital. It is no use offering fish for sale by the kilogramme if the customers would prefer to buy it by the bundle. Very often a supermarket or fishmarket does not present its fish in an attractive manner or is unconcerned about its freshness. This might be because they know if the customer does not buy fish from them they will buy another product that is in its place. This will push down the cost of the fish.

A variation on local markets can be hotels. This is a ‘specialist market’ where better prices can be obtained by supplying the customer with exactly what they want, e.g. white-fish fillets freshly caught each Tuesday and Friday.

Increasingly, in the Pacific, there is more appreciation of export marketing. The principles of this are exactly the same as before: You must give the customers exactly what they want. Export markets can be very rewarding, but they are also more demanding, and although the profits can be bigger, so can losses through transportation difficulties. Knowing exactly what overseas customers want is difficult and time consuming. It is not possible for small producers to deal directly with overseas buyers, and they must
sell through an agent of some sort. To get a good price from an agent, the fisher must supply what he/she wants, which will in turn reflect what the market he/she is supplying wants. Negotiating a price with the agent is just like negotiating a price in the market. Although the agent will give you many reasons why you should not get a better price, there is always room for bargaining for more money. From the above it can be seen that it is in the interest of the fisher for there to be several overseas outlets or agents.

Summary

How can the fisher improve the ‘value’ of the fish, in order to make some profit?

- by understanding the customers
- by getting a better price in the local market
  i.e. increase perception of value through quality (customers prefer to buy fish)
- through better presentation
- through better packaging
- by getting fish to market on ‘good’ days
- by looking for new markets
  - in-country
  - export
- by negotiating price
  i.e. by improving negotiating skills

There are no ‘quick-fix’ answers: the solution is usually long-term so the fisher always needs to look for the long-term advantage.

TEACHING HINT
Split the participants into smaller discussion groups as before. Ask the groups to discuss and report back on the topic ‘How can fishers get more profit from their business’. The purpose of the discussions is to make the following points:

- Catching more fish does not necessarily mean making more money unless it is done without increasing the running costs of the vessel (‘fish smarter’). Use the tables below (AV 4-5.2) to illustrate this point.

- Selling the catch at a better price is the most effective way of increasing profits. Use the tables below (AV 4-5.2) to illustrate this point.

Use the summary above to explain how better marketing can increase the price of fish, then distribute the hand-out of the tables of profit changes.
TABLES OF PROFIT CHANGES

A boat catches 2,000 kg at $5/kg giving a total (gross) income of $10,000

5% INCREASE IN CATCH BY WORKING MORE

<table>
<thead>
<tr>
<th></th>
<th>BEFORE</th>
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<tr>
<td><strong>GROSS INCOME ($)</strong></td>
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<td>10,500</td>
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<tr>
<td><strong>FIXED COSTS ($)</strong></td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>VARIABLE COSTS ($)</strong></td>
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<td>6,877</td>
</tr>
<tr>
<td><strong>PROFIT ($)</strong></td>
<td>1,950</td>
<td>2,123</td>
</tr>
<tr>
<td><strong>INCREASE IN PROFIT ($)</strong></td>
<td>– 173</td>
<td>i.e. 8.9%</td>
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5% INCREASE IN CATCH BY FISHING SMARTER

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<td><strong>FIXED COSTS ($)</strong></td>
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<tr>
<td><strong>VARIABLE COSTS ($)</strong></td>
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<td>6,550</td>
</tr>
<tr>
<td><strong>PROFIT ($)</strong></td>
<td>1,950</td>
<td>2,623</td>
</tr>
<tr>
<td><strong>INCREASE IN PROFIT ($)</strong></td>
<td>– 500</td>
<td>i.e. 25.6%</td>
</tr>
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NO MORE FISH CAUGHT BUT 5% INCREASE IN PRICE OF FISH

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<tr>
<td><strong>GROSS INCOME ($)</strong></td>
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<td>– 500</td>
<td>i.e. 25.6%</td>
</tr>
</tbody>
</table>
6.1 Logbook and financial management

Workshop participants should now be aware that there are a number of good reasons why they should use a logbook. One of the major justifications for the logbook will be that, if used correctly, the information collected will enable the fisher to better manage the finances of his/her fishing business. The fisher will know where his/her money is going and how much profit he/her is making.

With this information, the fisher will be better able to plan the future of his/her business. Whether it is worthwhile to invest in more gear and equipment, how long it will be before he/she can afford a new engine, etc.

If the financial records reveal that the fisher is making a profit, the information collected over a period of time will be of considerable advantage should the fisher wish to approach the bank for a loan to expand his business. The production of good records to a banker will establish not only that the fisher is running a profitable operation, but also that he/she understands the importance of financial management.

### POINT TO NOTE!

The availability of financial records, as noted in a logbook, will be very useful to fishers who want to loan money from a bank to expand their business.

6.2 Other reasons for keeping a logbook
The idea of collecting information in a simplistic form is not a new one, and the promotion of a simple logbook for recording information for business management is a common practice in many small-scale fisheries. The logbook format proposed in this module has been developed by SPC as an example of a means to collect information. Variations on the logbook format will be discussed later in the module, but in the first instance, the emphasis for discussion should be on the collection of information and what sort of information is needed to assist in business management and how this information might be collected.

It is this need to collect figures and summarise them which is perhaps the greatest problem for small fishers, as many may have difficulty reading and managing figures. It is difficult to perceive that a fisher could simply be given a logbook, asked to complete it, and suddenly be able to manage the finances of his/her business. The promotion of a logbook for fishers and the adoption of such a logbook is thus a challenge in fisheries extension and the role of promotion is entrusted to the fisheries extension officer or somebody in a similar situation, such as a fisheries centre manager or a fish buyer.

In order to sell the idea to fishers that they should be collecting information, an extension officer can make a number of suggestions designed to get the fisher to agree that it is worthwhile to make the effort to collect and record information. These are summarised as follows:

**Fishing information**

As well as recording financial information, the fisher might benefit from collecting information on his/her fishing activities in that it will assist in catching more fish at a later time.

One of the certainties of fishing for a living is that no two trips are the same. In some small way, each trip is different: the weather, the tides, the phase of the moon, the way the fish bite, the colour of the sea, the wind, the sea temperature, the bird life, the number of other boats fishing, the location of the fish. In some small way, it is possible for the fisher to learn something more about his/her work on every trip: the location of a rock or seamount, the duration of a bite on a school of surface fish when certain sea conditions prevail . . .

This cumulative local knowledge is an important part of fishing lore of many Pacific cultures, information passed from generation to generation which is used every day to assist fishers in going about their work.

The point to make to fishers is that simple summaries of interesting occurrences during each fishing trip will cumulatively provide a host of potentially useful information. Regular reviews of trip summaries will assist the fisher to better understand the habits and catchability of the fish he/she is targeting, and it becomes possible to predict times when the fishing will be good or places to go when the tide is strong, or the location of a stock.
of trochus which will have grown to marketable size in six or 12 months
time.

If a fisher is prepared to note and summarise these points of interest each
time he/she undertakes a fishing trip, he/she will soon accumulate a diary
of information which may prove very useful in the planning of future fish-
ing trips and fishing strategies.

**POINT TO NOTE!**

Recording matters of interest noted during every fishing trip will
cumulatively provide a host of potentially-useful personal in-
formation for a fisher.

The SPC logbook provides for the collection of this type of information
both as trip notes and in the introduction section.

**Resource management**

Commercial fishers in many countries are required by the government,
usually through the fisheries division, to keep catch logbooks as a means
of the government assessing the resource for management purposes. Fish-
ers have a mixed reaction to this requirement. Some feel that this is spying
on their activities or forcing them to divulge information on their fishing
which they feel is private to themselves or their families.

It is possibly best not to raise this reason for keeping a logbook at this time
unless it is brought up during discussion. Should it be raised, point out the
beneficial effects of the government managing the resource, i.e. the resource
will be sustainable for them and their children.

**TEACHING HINT!**

Summarise the information given in this section suggesting that
there are other good reasons for keeping a logbook. Do not
elaborate too much.

Using the small-group method, ask the trainees to make a list of
items, other than financial, that the fisher may benefit from re-
cording on a fishing trip.

Write this list on a board (or sheet of paper) for the trainees to
think about and refer to during their discussions.
6.3 The SPC Logbook

The SPC Logbook is designed to meet the basic information needs of a wide range of small-scale fishers, undertaking trips of varying duration, fishing with different methods and using several marketing strategies.

The SPC Logbook consists, in fact, of two separate books:

- The first book, entitled ‘Fishing Vessel Logbook’, is used by the fisher on a daily basis. After each fishing trip, the fisher fills one sheet (two pages) with information on the fishing conditions and the catch (front page) as well as financial information on the trip (back page). Other information of interest on the trip can be recorded on a specific page of the Logbook which is entitled ‘Notes’ and appears regularly (after three sheets of trip information);

- The second book, entitled ‘Fishing Vessel Logbook — Summary’ is intended to assist the fisher in finding out whether his/her business is profitable or not. This book is used on a monthly (or weekly) basis. After each month (or week) of fishing, the fisher will summarise the financial information that was recorded daily in the first logbook, on one page of the Summary Logbook. The monthly (or weekly) fixed expenses are added to the trip variable expenses for the period and compared to the overall income for the same period. The fisher finds out how much money he/she has made or lost for that period. This book concludes with a table which summarises the monthly figures and allow the fisher to compile an annual statement of profit/loss.

Following are the blank pages of the SPC Logbook. They can be photocopied to make logbooks to distribute to workshop participants.
6.4 A case study – Jone, FAD fisherman in Fiji

At this point of the workshop, the participants should be convinced that completing a logbook as a business management aid is a good idea and that logbook information can also be very useful for the enhancement of their own fishing skills and the management of their marine resources.

Fishers should also be assured that they will be fully backed up in the use of the logbook by an extension agent and that the assistance they need to make full use of the logbook will be available to them. It may be appropriate to devise some natural incentives to encourage the fishers to complete the logbook.

The workshop should now be in a position to work through the collection and entering of information into a logbook.

TEACHING HINT!

Distribute the notes on Jone’s fishing operations (hand-out) and the SPC Logbook to each participant. Explain to the class that they are going to use the records of Jone’s fishing trips as a means of getting used to filling in a logbook. Before starting to fill in the SPC Logbook, take time to go over the case study of Jone’s fishing trips in detail, as some of the participants may have problems reading English.

When everyone understands what is expected, project AV 4-6.4a and ask everyone to be ready to fill in the first page of their Logbook along with you. Starting at the beginning, go through each item in the Logbook, asking the class for the information to be inserted. Insert this on the whiteboard. If no OHP is available, use a blank page from the Logbook.

Go through each page of the Logbook (AV 4-6.4b, 4-6.4c and 4-6.4d), filling in each section by reference to the case study. You will need to prepare this well in advance in order that you are familiar with each calculation and can explain it to participants.

This is both the most difficult and most important lesson of the workshop.

You can refer to the completed pages of Jone’s Logbook to assist you in this exercise.

At the end of this exercise, the participants should have made their own copy of Jone’s Logbook.
It would be quite interesting if, at this stage, the participants could fill in their own logbook using their own fishing information, but it is unlikely that they will have come prepared to do this.

At this stage, it is interesting to seek the participants opinion on the usefulness of the Logbook. Doing so, you will need to assure them that they will have your assistance at all times, even to modify the Logbook to meet their specific needs.

TEACHING HINT!

As a conclusion to the workshop, ask the participants if they can see any benefit in using a logbook in their fishing operation.

Encourage the positive answers. Assure participants that you, or another fisheries extension officer, will be available to help them if they do.

Ask the group if some modifications could be made to the Logbook to suit the local context and their specific needs.
Jone, FAD fisherman in Fiji

Background

Jone lives on a small island, some 20 miles from the main fish market of Suva. Jone has a new 19-feet skiff called Sau, with a 30 hp outboard which he has purchased with the assistance of the development bank. Jone usually makes 5 trips a week and sells his fish locally, except for Spanish mackerels, which he stores on ice and takes to market at Suva each Saturday. Fuel is purchased daily from the village store, sometimes paid daily, sometimes once a week. Ice is purchased each day from the local fisheries department’s ice machine.

There are two FADs within fishing distance from Jone’s village, and he has equipped his boat with two vertical longlines and some trolling gear. The vertical longlines are stored on two wooden hand reels, which can also be used for bottom fishing and trolling along the reef. Jone is also a keen diver, and if the weather is too rough to fish at the FAD, he takes several of his friends and goes spear fishing.

Jone’s finances can be summarised as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of vessel</td>
<td>$8,000.00</td>
</tr>
<tr>
<td>Deposit paid by Jone</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>Development bank loan</td>
<td>$6,000.00</td>
</tr>
</tbody>
</table>

He is also required by the bank to insure the boat, at a rate of 3.5% of the total value each year.

Jone’s loan from the bank has a 5% interest fee and a three-year term. This means that Jone has to repay the bank $2,000.00 every year plus the interest.

Jone has recently purchased a new VHF radio and an EPIRB for a total cost of $1,000 which he has borrowed from his family. There is no interest on the loan but he is expected to repay $50.00 per week.

He has also decided to put $10.00 aside each week so that within four or five years, he would be able to replace his engine.

Jone and his crew Pila both bring their own food for each trip.
Trip record

For the one week which we will be looking at, Jone makes the following trips:

Trip 1:

Monday 17th. Leaves at 0530 with his crew, Pila, and trolls 2 lines along the reef on the way to the bottom-fishing grounds. Catches 2 Spanish mackerels, 1 of 3.4 kg, the other 6.2 kg. He catches both of these on a blue rapala lure he has just bought, although he is also trolling his old lures. He thinks the new lure might be better. He notes the place he caught the fish, off Ngu Island, and the weather, which was overcast with 10 knots of SE wind. He reaches the place where he wants to bottom fish, called Cape Farewell, at 0715, and stays fishing at a depth of around 100 metres until 1500 when he goes straight home without trolling. He notes that there was no current during this period. His catch for bottom fishing is 8 white snappers for a total weight of 21.5 kg, 1 red snapper which weighs 4.5 kg and 2 cods for a weight of 2.5 kg.

When he gets home, he sells the white and red snappers for $3.75 per kg and the cods for $2.50 per kg. He puts the Spanish mackerels in ice. He estimates that he used a tank and a half of fuel at $1 per litre, 8 kg of bait purchased at $2.00 per kilo, and one bag of ice at $4.00.

Trip 2:

Tuesday 18th. Leaves at 0530 with his crew, Pila, and trolls 2 lines along the reef, but gets no strikes. Weather is fine and clear with no wind. He leaves the reef at 0630 and goes straight to FAD No. 1, where he arrives at 0700. He trolls some schools until 0830, catching 7 skipjacks weighing 15 kg. He sets his vertical longlines at 0830, and fishes with them all day until 1400. Jone knows that if he can get a yellow fin or a big-eye tuna of over 30 kg, he will be able to sell it in Suva for the sashimi export market for at least $10 per kg. He only catches 1 yellow fin tuna weighing 14.5 kg. He goes straight home. He keeps 4 skipjacks for bait and sells the rest, which weighs 8.5 kg at $2.00 per kilo, and the yellow fin at $2.50 per kilo. He has used almost two tanks of fuel, one bag of ice and 10 kg of bought bait. The day has been fine and calm throughout.

Trip 3:

Wednesday 19th. Leaves at 0430 with his crew, Pila, and spends a lot of time trolling along the reef and again at Ngu Island. He catches 4 Spanish mackerels for a total weight of 21.5 kg. He notes that, apart for a double strike on both lures, he has caught all the fish on the blue rapala. Unfortunately, he loses this lure on the last strike. He stops trolling at 0800 and goes to FAD No. 2, arriving at 0855. There are no schools, so he sets both vertical longlines. By 1500, he has caught 3 yellow fin tunas weighing 36 kg. He goes straight home, arriving at 1700. He puts the Spanish macker-
rels in ice, and sells the tunas for $2.50 per kilo. He has used 2 tanks of fuel, 1 bag of ice and 12 kg of bought bait at $2.00 per kilo. The weather has been cloudy with a SE wind of about 15 knots.

Trip 4:

Thursday and Friday, 20th/21st. Jone is disappointed with his catches so far and decides to go on a two-day trip this time. Leaves at 0530 and trolls along the reef for 1 Spanish mackerel weighing 14.0 kg. The weather is cloudy with 15/20 knots of SE wind. He stops trolling and starts bottom fishing at 0800 at Cape Farewell. He stays bottom fishing all night until 0400 the following day. His catch is 11 white snapper weighing 31.5 kg caught at 100 metres, 18 cod weighing 16 kg at around 80 metres and 3 big red snapper at 240 metres weighing 26.5 kg. The tide has been setting NW at less than 1 knot, even though it is a full moon. He then goes to FAD No. 2, getting there at 0530, and trolls for 10 yellow fin tunas weighing 27 kg and 4 skipjacks weighing 6.5 kg. He stops at 0800 and sets his vertical longlines. By 1400, he has caught two yellow fin tunas weighing 28 kg. He goes home at 1530. When he reaches home, he meets his uncle, who sees that he has a good catch and asks for a couple of fish; Jone gives him 2 white snappers. Pila also takes 2 white snappers and Jone takes two home. Except for the skipjack which he keeps for bait, he puts the Spanish mackerel in ice and sells the rest of the fish at the same prices as before. The remaining white snappers weigh 16.5 kg. He has used 2 bags of ice, his own skipjack for bottom bait, 8 kg of bought bait for the verticals and two and a half tanks of fuel. He has lost bottom-fishing hooks, sinkers and line worth about $8.00.

Trip 5:

Saturday 22nd. This is not a fishing trip but the day he takes the Spanish mackerels and/or big tunas to the Suva market to sell. He sells all of the week’s catch of Spanish mackerel for $5.50 per kilo. During the week, he used two and half bags of ice to keep the Spanish mackerels chilled. On return, he pays Pila $150.00 for the week. During the trip to Suva and return, he has burnt one and a half tanks of fuel.

Completed pages of Jone’s logbook

Following are the completed pages of Jone’s logbook.