

Aquaculture Farm Financial Management During the Pandemic

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**Who would have thought
3 months ago that we would be
where we are today...**

Financially, how did we get where we are so quickly?

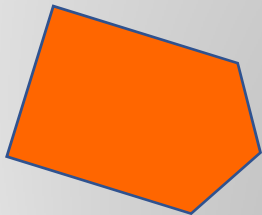


Revenue

**There are no easy answers.
There is no one answer that will
work for everyone.**

**Let's first briefly assess the overall
context:**

- **We know the key problem:**
- **Lack of revenue = major cash flow
deficits**



- 1. New sources of cash**
- 2. Reduce costs**

What else do we know?:

Where are the opportunities?

- **The economy was strong going into this.**
- **There is pent-up demand from people having to shelter at home.**
- **People need to eat.**
- **People need to stay away from others to buy food.**
- **People want to be outdoors in the nice weather.**

Where are the market opportunities?



Rent an oyster?
Well, maybe not.

**What about an
oyster truck?**

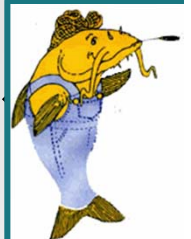
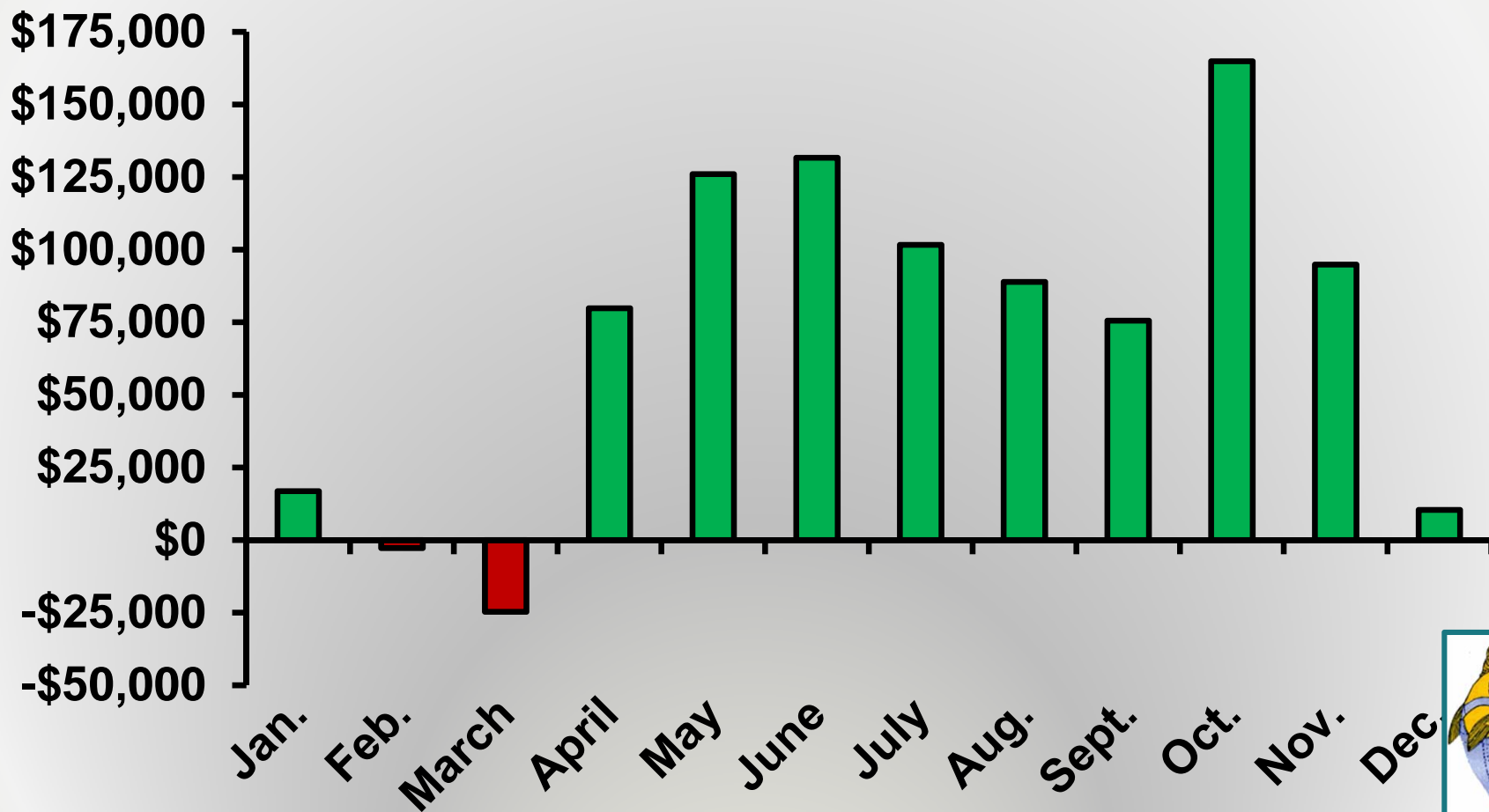
**Fish delivered to
your doorstep?**



- **Can you sell online?**
- **Can you partner with a neighbor who sells online?**
- **Is there a way to invite people to safely come buy shellfish and fish from your farm?**

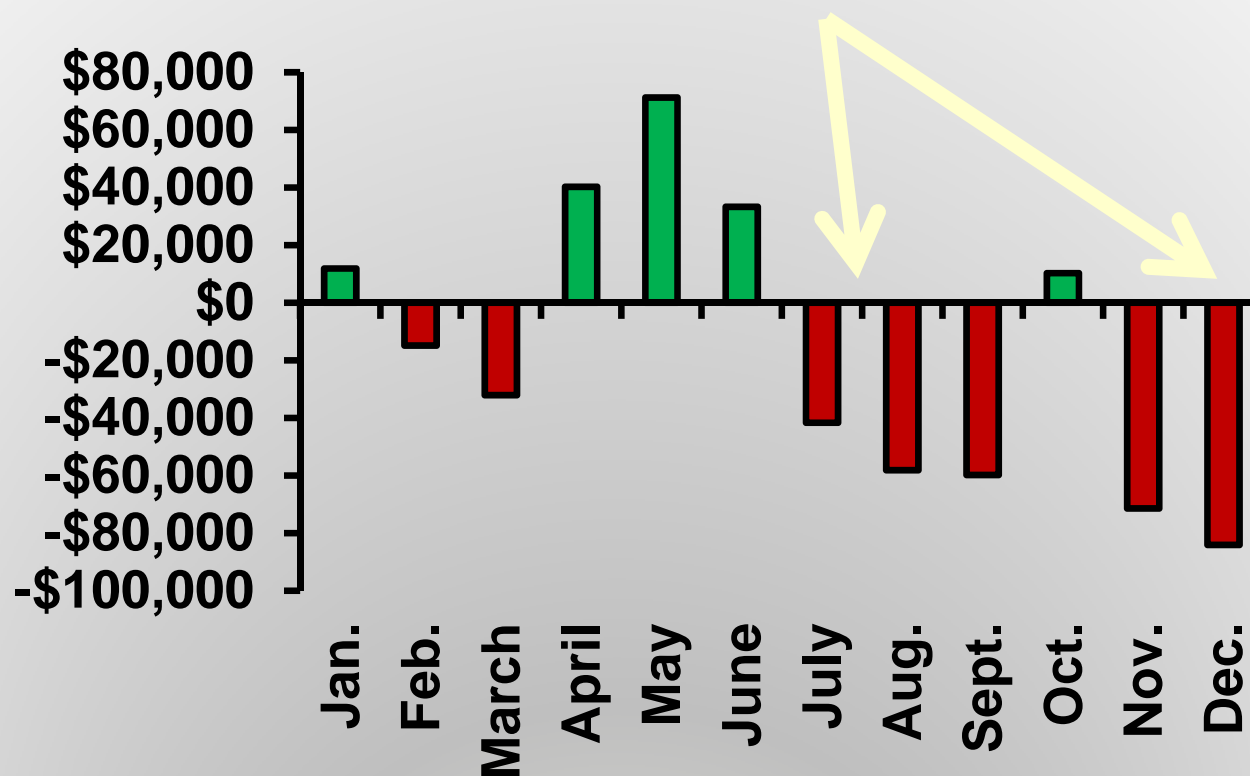
With discounts, of course: your goal is to get some cash coming in.

The other side of the ledger is managing cash deficits in the absence of new cash revenue.





What kind of interventions will help you get out of this?



- **Strong cost controls**
- **Not allowing operating loans to get out of control**
- **Off-farm income**

Short-term



- **Find out about the new programs coming out & how to access any federal or state financial relief being made available to businesses.**
- **Anything that provides cash, defers payments, defers expenses is a help.**

New federal programs: Talk with your local lender



- **CARES ACT**
- **Paycheck Protection Program (SBA) (provision for forgiveness)**
- **Advance Loan (SBA) (Economic Injury Disaster Loan) up to \$10,000. Will not have to be repaid.**
- **Express Bridge Loan Pilot Program (SBA): up to \$25,000; term or bridge.**
- **Small Business Debt Relief Program (SBA)**

Be very certain to learn all the rules, what is eligible and what's not & maintain eligibility for forgiveness!



Short-term: New federal programs

Make sure you're signed up with all aquaculture news services:

- **University Extension**
- **National Aquaculture Association**
- **Species associations (ECSGA; PCSGA; CFA, etc.)**
- **State aquaculture assoc. (MAA, CAA, OAA, etc.)**
- **State Depts. of Agriculture**
- **Farm Bureau**
- **Small Business Administration**



Short-term cash management

- **Delay large capital purchases i.e., new equipment.**
- **Slow expansion, renovations.**
- **Can you find other employment from home to generate short-term cash?**
- **Do you have any assets that could be sold to generate some cash?**
- **Can you sell some equipment? Maybe lease it back for less cash outlay.**

Short-term cash management

- **Talk with suppliers: may get extended terms.**
- **Choose which bills to pay carefully**
 - ✓ **Payroll first**
 - ✓ **Crucial suppliers second**
 - ✓ **Ask others if payment can be skipped**
 - ✓ **Or make a partial payment**

Be very certain to stay within guidelines of all federal programs you are participating in – to maintain eligibility for forgiveness!



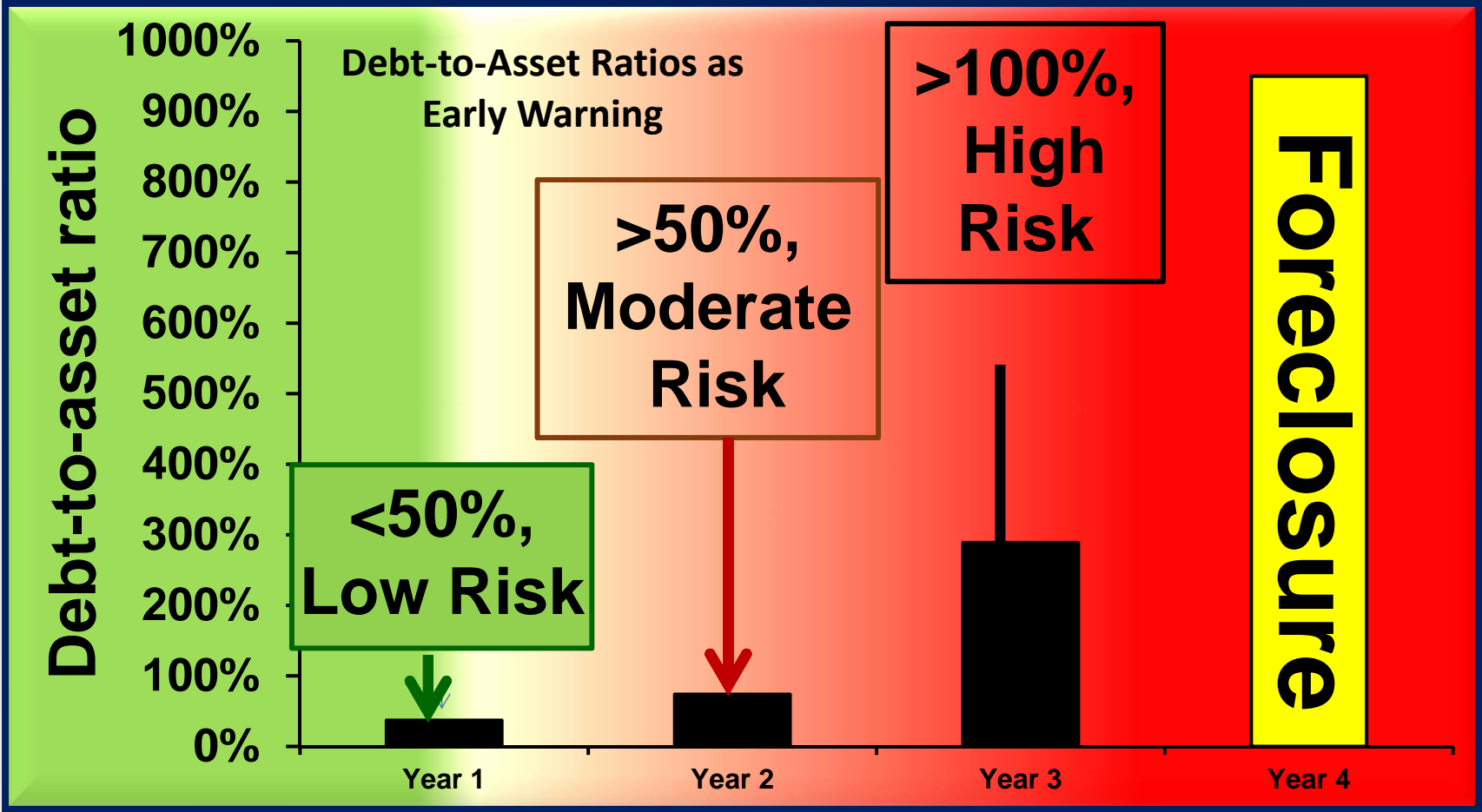
Short-term: What to do about loans?

- New borrowing (line of credit) is standard way of managing cash deficits.

But, care must be taken to not get so far into debt that you cannot get out.



How much debt is too much?



Balance sheet

Debt-to-Asset Ratio =

**Total Liabilities ÷
Total Assets**

\$275,214 ÷ \$1,285,851

= 0.21 X 100

= 21%

Item	Total Value
Assets	
1. Current Assets	
Cash on deposit	\$15,849
Checking account balance	0
Accounts receivable	0
Fish inventory ^a	\$266,112
2. Non-Current Assets	
Equipment	\$387,570
Ponds	\$357,888
Wells	\$48,000
Land	\$210,432
3. Total Assets	\$1,285,851
Liabilities = Debts	
4. Current Liabilities	
Payments on debt due & payable over next year	
Equipment	\$36,368
Real estate	\$19,216
5. Non-Current Liabilities	
Equipment loan	\$84,858
Real estate loan	\$134,772
6. Total Liabilities	\$275,214

D/A Ratio	Interpretation
< 40% to 50%	Low risk
40% to 65%	Medium risk
> 65%	High risk, but don't panic
> 100%	Banks get worried; might begin to talk about calling in loan



More on new loans: terms of lending

1. Interest rate (% , fixed, variable)
2. Length of loan (no. of months, years)
3. Repayment schedule
4. Payments
5. Collateral

But have a detailed cash flow budget that you use to evaluate the trade-offs.



Item	Jan.	Feb.	March	April	May	June	Total
Receipts, \$ inflow	24,500	24,500	24,500	101,500	52,500	73,500	644,000
Operating Cash Expenses							
Feed	2,783	5,565	5,565	19,479	13,913	44,522	278,264
Fingerlings	0	36,416	36,416	0	0	0	72,832
Labor	3,245	3,245	3,245	3,245	4,766	5,780	50,700
Gas, fuel, oil	1,137	568	568	568	947	1,516	18,944
Electricity	1,137	1,137	1,705	2,273	2,842	5,683	56,832
Repairs	2,980	497	993	993	1,242	2,483	24,832
Telephone	215	215	161	269	269	215	2,688
Farm insurance	518	518	518	518	518	518	6,476
Legal/accounting	156	125	125	125	125	125	1,562
Total Operating Expenses	14,386	50,304	51,427	34,936	29,937	66,655	567,233
Loan payments							
Real estate							
Operating							
Interest	208	150	433	742	267	0	3,425
Principal	7,000	0	0	57,000	32,000	0	141,000
Total Cash Outflow	21,594	50,454	51,860	92,678	62,204	66,655	
Cash available	2,906	-23,048	-16,409	29,414	19,710	26,555	
New Borrowing	0	34,000	37,000	0	0	0	



Terms: Interest rate

- **Generally the lower, the better.**
- **But fixed rate loans tend to have higher interest rates, but less risk to your business over time.**
- **Variable rate loans: often lower rates, but will only go up over time because interest rates are so low right now.**





Terms: Length of loan term

Lower payments
Greater total interest

Greater payments
Less total interest

Longer term

Shorter term

Operating loans:

Lenders & their examiners traditionally want them repaid in less than 12 months.



Terms: Repayment schedule

- **Ask for deferred payments.**
 - **But have a plan (based on cash flow budget) to show how you will make those payments.**
 - **Auto dealers offering 90 days of deferred payments on new cars.**



Terms: Payments



- **Amount of each payment depends on:**
 - Interest rate
 - Term (length, in months, yrs.)
 - Number of payments
- **Use your detailed cash flow budget to determine when and how much you can pay on loans**
- **Beware of balloon payments**



Terms: Collateral



- **Frequent types:**
 - Land
 - Equipment, boats
 - Other personal assets
- **Think long and hard before using your home for collateral**





Short-term: If you have existing loans:

Schedule virtual meeting or call with your loan officer

- Have a **well-thought out** cash flow budget for this year that shows not just current cash deficits, but those that are coming
- Review loan payment schedules for the coming months
- Talk about re-scheduling payments, deferring payments
- Keep your loan officer informed

Keys to getting through the coming months.



- **Get your financial records in order**
 - **Federal programs will require business owners to keep detailed records: on sales, revenue, expenses, labor, & how they compare to business as usual**
- **Will improve accuracy in assessing your options now and throughout the coming year**

Keys to getting through the coming months.



- Project out various scenarios for the coming months (3, 6, 9, 12)
 - **Develop cash flow budget(s)**
- Know what your shortfall will be
- Use projections to think about making ends meet now & what that will mean a year from now

Resources:

Southern Regional Aquaculture Center Fact Sheets

<https://srac.tamu.edu>

4403: Liquidity, cash flow budgets

4400: Introduction to financial analysis

4401: Financial position, balance sheet

4402: Profitability, income statement

University Extension Specialists

State Aquaculture Associations

Small Business Administration

All participants in today's webinar will be emailed a Tip Sheet with helpful links to federal programs and the SRAC fact sheets on Cash Flow and Balance Sheets.

Please let us know if there are additional webinar topics that would be helpful to you.

Thanks to:

***Paul Zajicek
National Aquaculture Association***

***LaDon Swann
NOAA Sea Grant***

***For organizing & hosting this
webinar.***



Questions and Comments?

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Helpful Links:

Paycheck Protection Program:

//home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf

Small Business Administration:

***www.sba.gov/local-assistance/find/?type=SBA
District Office&pageNumber=1***

CARES ACT

https://home.treasury.gov/cares