



Marine Advisory Program

A FLORIDA SEA GRANT PUBLICATION

SUSF-SG-73-002

MARINE ECONOMICS SERIES

Costs and Returns in Commercial Fishing

MULLET FISHING - FLORIDA A Case Study

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ABSTRACT

Costs and returns are presented for an individual commercial fisherman for one year's operation. These data show amounts and kinds of fish caught, range of prices received and gross revenue. Items of expenses are listed and hours of labor are estimated. The annual budget shows a net return of \$705.06 after all resources are paid including variable and fixed expenses and a charge for operator's labor and management.

KEY WORDS

Marine

Costs and Returns

Commercial Fishing

Mullet Fishing

This public document was promulgated at a cost of \$190.03, or 25 cents per copy, to provide current economic facts to persons interested in the commercial fishing industry of Florida.

The Marine Advisory Program functions as a component of the Florida Cooperative Extension Service, Joe N. Busby, Dean, in conducting Cooperative Extension work in Agriculture, Home Economics, and Marine Sciences, State of Florida, U.S. Department of Agriculture, U.S. Department of Commerce, and Boards of County Commissioners, Cooperating. Printed and distributed in furtherance of the Acts of Congress of May 8 and June 14, 1914.

A CASE STUDY: INDEPENDENT COMMERCIAL FISHERMAN, CENTRAL WEST COAST OF FLORIDA, 1971

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INTRODUCTION

Accurate data on the costs and returns accruing to an independent commercial fishing operation have not been available. There has not been a great deal of interest in these data until recently. However, the change in practices of Production Credit Associations (PCA), allowing these institutions to advance operating capital to fishermen on the same basis they had historically made loans available to farmers has created a need for a closer look at this enterprise.

Most independent fishermen have acquired financing through the fish company where they market their catch. This was done by advances which were deducted from the revenue from fish delivered. The fish companies normally have not charged any interest on these transactions, so this has been a very economical source of credit. At times, however, lack of capital could be a limiting factor to both the independent fisherman and to the fish company. Therefore, there is a need in some areas for other sources of credit. For these other sources of credit to be available required the development of cost and return data for the enterprise.

This paper is an attempt to make available a budget for an independent fisherman; thus, making it possible for a lending agency to have some insight into the ability of such an enterprise to liquidate an operating loan. These data do not represent an average fishing operation. They more closely estimate a maximum return for an above average fisherman.

METHOD

The budget information contained herein was developed from return and expense information shown on weekly settlement sheets supplied to the fishermen by the fish company. These sheets show pounds of the different specie of fish caught daily, price paid per pound, expenses deducted and the division of the proceeds among those fishing. Additional information was supplied by the fish company such as a breakdown of the items of expenses for which the deductions had been made.

BUDGET

Revenue

Revenue shown in Table 1 is for the total fish caught and sold in a period of one year. The quantity of each specie is shown. Since each specie brought varying prices during the year, a range in price is reported here. For anyone interested in average price, this can be calculated by dividing the total return from a particular specie by the number of pounds caught.

Cash Expenses

There are only two items listed under cash expenses which require some explanation--equipment rental and labor. In the fishing industry, the captain (owner of the equipment) gets one-third of the revenue after dues to the association and gasoline is deducted. The balance of the revenue is then divided equally among the captain and the crew. For example, if the catch brought \$900.00 after dues and gasoline were deducted, the captain would first get \$300.00 leaving \$600.00. If there were two other men fishing with him, the three would divide the \$600.00 equally.

In some instances there were two crews and captains involved in a catch. When this was the case, the captain who was assisting shared in the top one-third. For purposes of showing returns to an individual fisherman in the budget, this second captain's share was listed as equipment rental. All monies paid to other crew members is listed here as a labor cost.

Annual Fixed Expenses

Annual fixed expenses were developed from Table 2. They are depreciation on equipment and interest on the average investment at a rate of six percent. When annual fixed expenses were deducted from returns over cash expenses, the result was a return to operator's labor and management. This is the sum which is left for living expense and the reduction of any long term mortgage.

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DEPRECIATION AND INTEREST ON INVESTMENT

Return to Management

In 1971 this fisherman actually fished 116 days for an average of ten hours per trip (day). In addition to this, he estimated that 750 hours were spent mending nets and repairing boats. These total hours (1,910) were valued at \$2.50 per hour and deducted from return to operator's labor and management, leaving a return of \$1,700.89 as a return to management.

Net Return

An arbitrary amount of five percent of gross revenue or \$995.83 was charged for management and deducted from the return to management leaving a net return of \$705.06. This amounts to an 8.97% return on investment.

Table 2 shows the equipment involved in this enterprise. This fisherman takes excellent care of his equipment as is shown by the age of the two skiffs. Some probably would not get the use of their equipment for this long a period. If they did not, depreciation charges would of course, be higher.

SUMMARY

Table 3 shows the data in Table 1 in summary form and needs no explanation. However, in summarizing these data there are several points to keep in mind. First, the records from which these data came are from an above average fisherman. He fished more regularly than most and maintained his equipment very well. However, this is not to say others in the industry could not do as well.

Table 1. Revenue, expenses and estimated returns to various resources, individual commercial fisherman central west coast of Florida, 1971.

	Unit	Quantity	Price	Amount	Total
I Revenue					
Large Mullet	lbs.	141,559	8-10¢	\$11,435.83	
Medium Mullet	"	63,231	5-10¢	4,328.25	
Trout	"	2,782	25-30¢	833.10	
Bottom Fish	"	8,510	10¢	851.00	
Spanish Mackerel	"	2,325	11-12¢	256.96	
Pampano	"	305	\$1.10-\$1.50	420.90	
Blue Fish	"	779	12-14¢	98.64	
Red Fish	"	4,816	15-16¢	731.76	
Misc. Income (other fish, bait, etc.)	"	10,004	7.9¢	786.77	
Total revenue					<u>\$19,916.60</u>
II Cash expenses					
Dues				\$ 199.17	
Gasoline				920.00	
Repair & Main. (boats)				728.21	
Repair & Main. (nets)				599.25	
Groceries				28.27	
Misc. (oilers, boots, etc.)				76.96	
Equipment Rental				898.10	
Labor				6,176.43	
License				34.50	
Total cash expenses					<u>9,660.89</u>
III Return over cash expenses					<u>\$10,255.71</u>
IV Annual fixed expenses					
Depreciation				\$3,042.00	
Interest on investment @ 6%				737.82	
Total annual fixed expenses					<u>3,779.82</u>
V Return to operator's labor and management					<u>\$6,475.89</u>
VI Charge for operator's labor	hrs.	1,910*	\$2.50	\$4,775.00	<u>4,775.00</u>
VII. Return to management					<u>\$1,700.89</u>
VIII. Charge for management @ 5% of gross revenue					<u>995.83</u>
IX. Net return**					<u>\$ 705.06</u>

* 1160 hrs. fishing and 750 hrs. repairing nets.

** Return to investment 8.97%.

Table 2. Depreciation schedule, individual commercial fisherman, central west coast of Florida, 1971.

Item	Description	Cost \$	Life Yrs.	Annual Deprec. \$	Age Yrs.	Remaining Value \$	Average Value \$	Int. on Inv. at 6% \$
Launch	23 foot	2,500.00	15	167.00	8	1,164.00	1,832.00	109.92
Skiffs (2)	homemade	100.00	15	--	25	--	--	--
Net	400 yds 3" mesh							
"	1,000 yds 3-1/8" mesh							
"	800 yds 3-3/8" mesh							
"	600 yds 3-5/8" mesh							
"	200 yds 3-3/4" mesh		5	2,840.00	3	5,680.00	9,940.00	596.40
"	1,700 yds 3-7/8" mesh	14,200.00						
"	1,200 yds 4" mesh							
"	600 yds 4-1/2" mesh							
"	300 yds 4-3/4" mesh							
"	300 yds hand seine							
Bldg.	Boat and net house	700.00	20	35.00	10	350.00	525.00	31.50
Total				3,042.00			7,862.00	737.82

Table 3. Summary of revenue, expenses and estimated returns to various resources, individual commercial fisherman, central west coast of Florida, 1971.

Item	Amount
Gross revenue	\$19,916.60
Variable (cash) expenses	9,660.89
Return over variable expenses	\$10,255.71
Fixed expenses	3,779.82
Return to operator's labor and management	\$6,475.89
Charge for operator's labor	4,775.00
Return to management	\$1,700.89
Charge for management	995.83
Net return	\$705.06

