

which banks grant credit to the fishing industry. Many banks help provide working capital by short-term loans, either secured or unsecured, to wholesalers and to packers. Although by no means the only source, commercial banks have been able to help satisfy the credit needs of the industry.

Financing of Fishing Vessels in the Gulf States

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As a banker I want to go on record that I like the commercial fishing industry — every phase of it. Also, I am somewhat apologetic for the reticence with which the banking fraternity has recognized this, America's oldest industry, as the sound bankable business that it really is.

Bankers have a reputation for being somewhat cold and calculating, and possibly that is why banks have been so slow to recognize the importance of the fishing industry and what it means to the nation, the community, and the bank itself.

When I moved to the Texas Coast in early 1947 the commercial fishing industry meant nothing to me. My knowledge of commercial fishing was limited to the lone little fish market in our West Texas town, and the odor of it was a poor introduction to the industry. Port Lavaca, at the time I moved there, was primarily a cotton and cattle town, insofar as banking was concerned. Rice was a new industry for us, and in self defense we had to get out of our bank and learn something about rice. This got us in the learning habit, I suppose, for it was not long before we also made it a point to spend some time out of our bank learning about another new industry — commercial fishing. It was not long before we began to notice that the checks for the seafood industry going through our bank were larger and more regular in their appearance than previously.

Then, in early 1948, a bright-eyed young man came into the bank and wanted to talk about a loan to build a new shrimp trawler. Our first impulse was to turn him down flat, but we had inaugurated a new attitude toward the public in our bank, this new attitude being one of definite friendliness while endeavoring to learn something about the new industries in our community. So we listened to the young man instead of dismissing him with a flat "no".

This man's appearance, alertness, obvious educational background and aggressiveness did not fit into the vague pattern we had in our mind of a commercial fisherman. After listening to him for a few minutes we were sincerely interested in his proposition, and asked him to return the next day. This gave us a chance to evaluate what he had told us about himself and about the operation of modern shrimp trawlers. What we learned, we liked. This not only clinched the loan for this, our first applicant, but sold us on the feasibility of lending money on shrimp trawlers and to the seafood industry in general.

We have been financing fishing boats ever since the first contact with the industry in early 1948. On November 12, 1953, we had outstanding

\$612,375.09 in loans on commercial shrimp trawlers. Although this is not a lot of money to the large banks, with us (a bank of about \$10,000,000 in deposits) it is about 20 per cent of our total commercial loans, and it might be interesting to you to know that since making our first boat loan in the early part of 1948, we have financed 137 shrimp boats, representing total loans of \$1,432,000, and we have not yet had to repossess a single boat.

An obvious question is — "How do you account for your luck or success, or both, in financing the 137 boats, through loans totaling nearly one and a half million dollars, without having even one repossession?" And first, let me say that not every loan we have made has been perfect — we have had our share of loans we have had to nurse along, but we have always made it a point to keep in close touch with all of these loans and have tried to make it our business to spot trouble early. We feel that by keeping up with each boat regularly we have been able to avoid several situations on which we could have lost money. We require the owner of every boat that we finance to carry his bank account with our bank, thus affording us an opportunity to see all of his income and expenses. There is no better way to keep up with anybody's business than to know how much money they make and how much money they spend.

I would like to tell you our exact procedure in closing a loan on a shrimp boat. We believe firmly that in financing a fishing boat, just as in financing anything else, the first essential to a successful loan is a good man — that is, a man of character, ability and the desire to work. We try very hard to satisfy ourselves first that the man is honest, second, that he is an experienced fisherman, and third, that he has had an opportunity, through actually fishing himself, to know what he is up against. Also, we want to know that this man has the determination, energy and desire to work. There are many capable fishermen who are satisfied to make a trip that will provide them with merely enough to buy a few groceries or to have a good time, and do not care about taking the boat out again until they are out of money. It is my observation, however, that there is a steady improvement in the men who fish our boats and in those who are in the producing end of the fish business. They are getting to be better business men, and it is a good thing that they are.

After we have satisfied ourselves as to the man — his honesty, ability, and experience (and, by the way, our decision depends to a large extent on our personal impression of the applicant), we next consider the boat that the applicant either wishes to buy or to borrow against. We finance both new and used boats. One of our first requirements is that we be furnished with a recent (not over ninety days old) survey by a licensed marine surveyor on the boat that will be mortgaged to us. We use this survey, not necessarily as a guide to the actual value to the boat, but more to acquaint us with the particulars of the boat, and to call to our attention any repairs or alterations needed to put the boat in good condition. Our best guide to the sound value of the boat is its insurable value through an established insurance company. Once we are satisfied with the man applying to us and we have determined a value on his boat we customarily lend from 50 to 75 per cent of this value, and our loans run for a period of from two to three years. We have meanwhile completed all of the details on our loan, such as preparing a Preferred Customhouse Mortgage against the boat, holding insurance

covering our loan and with Loss Payable in favor of our bank and securing a complete credit report file on the borrower.

We do not lend on boats of less than fifty feet in length, simply because we have found that smaller boats are not in demand. A typical shrimp boat loan in our bank is one that I closed just before coming over here. This boat has a steel hull of about eighty feet in length and cost \$52,000. Our customer paid \$22,000 in cash and we have financed the balance for him over a period of two years. His payments to us are made every three months, because we have found that this enables the borrower to keep up with his payments much better than if they are monthly payments. Bad weather, high winds, or other circumstances may make it impossible for a man to fish for as long as two months at a time.

Without reliable insurance companies insuring shrimping vessels there would be no sound way of financing them. As a result of companies offering insurance on the boats at a reasonable rate we are now able to finance boats that we could not consider financing just a few years ago.

Obviously, our bank likes the commercial fishing industry. I am sorry that other banks, many of them are on the Gulf Coast, do not share the same enthusiasm for this business that we do, because I honestly feel that they are passing by a wonderful piece of business for their banks. There is still much need for improvement in financing the various segments of our growing seafood industry. It is not only the opportunity but the duty of banking to readjust its visions and thinking to conform to the new stature of commercial fishing.

In spite of much progress made by some banks in providing sound credit to fishing boat owners and seafood dealers in the past six or seven years, there is still no long term credit available to boat owners. And long term credit is sorely needed. It is not the job of the commercial bank to provide this long term credit and actually our commercial banks cannot do it. We do make loans payable over a period as long as five years, but we do not like to. Furthermore, we are not able to do it regularly. Most of our boat loans run for a maximum of three years and a lot of them pay out in two years. Thus far, no customer has had any serious difficulty in meeting his notes on such terms. But larger and more expensive boats are being built. As recently as three or four years ago a shrimp trawler costing \$30,000 was considered a big and modern boat. Today the average price is nearer \$50,000. If boats continue to grow in size and price it is logical to believe that, within a few years, the average shrimp trawler could cost \$100,000 or more. In the past the average shrimp boat owner who borrowed from us has paid off his notes in three years or less, from profits from the boat. It is possible to do this with a boat that cost \$30,000 or even as much as \$50,000 but a loan on a \$100,000 boat will be very difficult to retire in three years and still leave enough profits to pay income taxes.

It appears, then, that fishing boat owners must have some source of long term credit. Commercial banks cannot provide it, but I do believe the industry has stabilized itself to such an extent that it is now attracting sizable attention in financial circles, and it will be but a matter of time until there will be loan agencies set up to make long term loans. I have some idea of my own in this connection which I hope we may be able to put into practice

soon. I am convinced that any agency that does provide such a long term credit, if it be on a sound basis, will reap excellent profits.

Although there is a tremendous need for adequate financing for fishing boat owners, there is almost as great a need for financing seafood packers, dealers, and shippers. In our own area banks are becoming much more liberal toward dealer-shippers, because of a better knowledge of the industry and its needs. Quick freezing and a gradual improvement in packaging and product quality have taken much of the risk out of the dealer-shippers operations; accordingly, bankers are becoming more liberal in their attitude toward this phase of the industry.

In our own case we have found our dealer customers among the most reliable of all business men. We normally lend 80 per cent of the current price of shrimp on cold storage receipts, and we are looking forward to the time when the price structure has been stabilized so that we can raise our lending ratio. I do not know the cause or the cure, but I do know that the price of your product has fluctuated too widely. This lends itself to speculation rather than stabilization, and speculation hurts the whole industry.

We are looking forward to the time when we may be able to convince bigger men of finance, not only of the size and importance of the fishing industry, but also of its stability. Their confidence in the industry should allow any reliable individual who knows his business to obtain any type of financing he needs, so long as his needs conform with sound financing practices.

I recommend to each one of you in the fisheries that you try to be salesmen for your industry — not only in selling your product, but in trying to acquaint your bankers with every detail of what you are doing. I know very well and sometimes you just have to grab them by the ear and make them get out and see what you are doing. All of you can help to acquaint better your bankers and others who could be helpful to you in financing the industry if you will make an effort to do so.

Financing of Fishing Vessels Through the Ship Construction Industry

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The commercial fishing industry of the South Atlantic and Gulf areas has, during the past five years, continuously challenged the boat builder and engine dealer, both in design and financial resources, to keep pace with its requirements. Of particular importance has been the tremendous growth of the shrimp industry. The comments that follow relate to this segment of the fishing industry, since the activity of Gibbs Corporation in the fisheries, during this period of time, has been primarily confined to shrimping.

In 1948, as suppliers of "Packaged Shrimp Trawlers", we were able to meet the demands of industry with vessels 50 feet in length, with 16.5 feet