

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

beam, approximately 82 horsepower, 800 gallon fuel capacity and space for approximately 15 tons of ice. In those days, a vessel of this type cost the fishermen approximately \$15,000. In the period when a 50 feet trawler was big enough, electronic equipment was considered excess baggage and the idea of installing freezer equipment in vessels was looked upon as something that was entirely impractical.

Inasmuch as the fishing grounds were only 25 to 50 miles from port, the vessels generally returned to their base at the end of every day, or, at most, at the end of every week. If foul weather occurred the vessels remained at the dock, resulting in complete loss of production and giving rise to the usual economic problems of crew welfare, unpaid supply bills and delinquencies in vessel payments.

Now let us examine the present situation. Trawlers have reached a size of 75 feet in length and 20 feet in beam, with horsepower ranging from 120 to 225, with 4,000 to 6,000 gallons fuel capacity (enabling the vessel to operate for at least 40 days continuously) and have ice space of 35 to 50 tons, or refrigeration to accommodate as much as 40,000 pounds of frozen shrimp. These vessels now range in cost from \$40,000 to \$80,000.

Fishing grounds have been extended to cover all of the Gulf of Mexico, requiring a vessel to operate as much as 800 miles from its port. Distance has changed the method of operation, with the result that the vessel usually does not return to port for forty days. Furthermore, the vessel, being more seaworthy, continues its fishing in good and foul weather alike.

The modern trawler is now outfitted with auxiliary equipment such as depth recorders, radio telephones, radio direction finders, and automatic pilots, all of which have increased the efficiency of the vessel and, at the same time, its cost. Refrigeration is being tried at the present time and will, undoubtedly, play an important part in the trawler fleets of tomorrow.

As suppliers of these fishing trawlers, the Gibbs Corporation has been continuously pressed by the industry to meet its various needs, the most vital one of which is the initial capital investment for the purchase or replacement of the vessel. The supply of shrimp is good and fishermen are available to man the vessels. The one serious obstacle is the cash required to place a vessel in operation.

Looking back to 1948, we were able to meet the requirements of the industry by underwriting approximately \$12,000 of mortgage money credit on every vessel sold. Today the requirements extend us to an average of approximately \$25,000 per vessel. In 1948, mortgage credit was extended for twenty four months. Today, we are on a thirty-six to forty-eight months basis, and are studying the possibility of five year mortgage money for the years ahead.

Since 1948 financing institutions have extended mortgage loan credit only against *new vessels* and only if we, as supplier, endorse and guarantee the obligation of the fisherman in every respect. This stringent requirement by the bankers is the result, not of lack of confidence in the shrimp industry, but a lack of knowledge of the industry, its operations, marketing techniques, etc., due in great measure to the reluctance of the industry to bring the bankers into its confidence.

It is a pleasure to report that the shrimp industry has, to date, established

a payment record, with respect to mortgages handled by Gibbs Corporation, which we believe to be the equal of payment records of other acceptable installment loan paper.

The major problem that still confronts us as supplier is one of completely winning the bankers to the point of view of accepting trawler financing in the same light as the financing of capital additions to plants. The trawler is a fine income production unit, covered by insurance for partial or total loss, and warrants the best in credit terms.

It seems to us that it is timely for the industry to invite the appropriate financing institutions to study its operations and not rely solely on the value of the hull or the guarantee of the supplier of the vessel. The character and reputation of the owner, the value of the vessel, the adequacy of insurance, the sources of supply and marketing techniques should be studied by the bankers. If this is done they will learn, as we have, that the present day shrimp boat owner is a man of substantial worth and proven earning ability, who can operate his vessel — which is a production plant — without tremendous overhead in both good and lean earning periods, and produces a product that has rapidly become a standard item of the housewives' food budget, far more in demand than in supply.

Gibbs Corporation, as supplier of trawler vessels and replacement engines, has been confronted by numerous problems in its efforts to give the fisherman the service which it felt was necessary, requiring the management to develop the following policies and procedures:

1. We have made an intensive study of enrollment and documentation requirements, developing forms and procedures enabling us to admeasure and enroll a vessel, as well as record a ship mortgage, all in less than one week. This enables the customer to take immediate delivery with all papers in order. This is of particular value to the bankers, since it enables them to purchase from us fully certified documents.
2. We require continuous observance of U. S. Customs Regulations as they relate to fishing vessels (and more particularly to vessels fishing off foreign coastlines), so that our customers may be informed from time to time of penalties which may be inflicted if regulations are violated, which penalties could place the vessel in jeopardy.
3. We have developed contacts in foreign countries, off whose shores fishing is being conducted, to assist in legal and insurance entanglements should they arise.
4. We supplied the exploratory vessel *Antillas* for one year and we underwrote the expense of its operation to enable scientists of the Fish and Wildlife Service of the United States Department of the Interior to explore possible new grounds and experiment with new fishing gear.

We have undertaken the foregoing in order to gain a full understanding of the problems of the industry so that we could meet its challenge. We now urge the leaders of this fast growing fishery and the bankers to get together. The credit requirements which will arise from the need for larger, more seaworthy and more versatile vessels, will become the responsibility of the bankers and their encouragement and help are necessary.