HANDOUT FOR:

SMALL-SCALE FISHERS

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CAPACITY BUILDING WORKSHOP
FINANCIAL LITERACY & BASIC BUSINESS SKILLS

Benguela CURRENT CONVENTION

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Benguela
CURRENT CONVENTION

RATIONALE

The purpose of this training handout is to provide small scale fishers, and fishers' co-ops with materials on the basic principles and tools of management. Some fishers are generally technically proficient in fishing but often lack understanding of business, internet and computer technologies (ICT), and economics and their use in planning and operating profitable, efficient, and productive enterprises. This programme provides basic training to these fishers. It is expected that with this exposure to business/financial management training, they will be better equipped to improving their management skills and love for record keeping.

Furthermore due to technological advances, smaller vessels operators/fishers are getting much more effective at locating and catching fish and they are increasingly engaged in fisheries that aim for marketing the products on the international market. Due to increased pressures on inshore areas there is now mounting pressure to "professionalize" the small-scale fisheries sector so as to make fishing effort commensurate with the productive capacity of the resources.

This Training Handout and spreadsheets are useful tools for fishers and fisheries co-operative management, and other agricultural extension personnel to provide fishers more specifically with:

- *An understanding of the principles of technical and financial efficiency;*
- *Procedures for identifying technical and economic constraints in fishing;*
- *Basic methods to analyze the performance of individual enterprises and operations;*
- *An understanding that the principles and tools of management are important for all fishers.*

MODULE 1

"MANAGEMENT" AS A BUSINESS TOOL

What is Management?

The role of the fisher is twofold. He or she is at the same time fisher and manager. The first role of the fisher is to spend time at sea to ensure the best possible catch relative to the resources expended for the fishing trip. For the fisher, this includes the preparatory work such as procuring fuel, food, water, and bait, the tuning of the engine, ensuring that all fishing, navigational, and safety equipment are in order and going out with intent to fish either through ports raising, long and vertical line, nets. Time spent at sea can yield high dividends or it may result in zero or low catch.

The fisher will be engaged in not only harvesting activities; he/she must ensure that the catch is preserved and protected particularly though adequate quantities of ice or refrigeration space. The care of the catch and safe return on-shore are important fishing activities that influence the overall success of each fishing trip. Personal safety and care of the fishing equipment and vessel must be given equal attention as the physical activities involved in extraction or harvesting while at sea.

Another role of the fisher is as manager. Just like any business, fishing requires management. Where the skills of harvesting/extraction are mostly physical, the skills of management involve activities of the mind backed up by the will. They involve primarily the making of decisions, or choices between alternatives. The decisions each fisher must make as manager include choosing between different fishing gears or equipment and technology that might be employed in fishing, choosing what type of vessel to invest in and deciding how much time (effort) engaged in harvesting, especially at times of the year when the combination of ecological (fish breeding), economical (loan payments due), environmental (hurricane season) and social (school opens) factor exists. They involve choices as to what and how, when, where fish species can be harvested to ensure maximum returns at minimum costs to the fishing operations.

The **common functions of management** that help fishers deal with changes in the environment are:

a) **Planning**: This is considered the most fundamental and important principle. It entails deciding on a course of action, policy, and procedure and assessing the future physical and financial performance, for enterprise as a whole. Plans are prepared based on resources available and on personal objectives.

b) **Implementation**: Plan implementation includes the purchase of the inputs and materials necessary to put the plan into effect and overseeing the process. This is a very important function within the fishing context because in dealing with marine environment its risks and challenges, the fisher is faced with a large number of day-to-day decisions that need to be taken.

c) **Control**: The control function includes monitoring and taking corrective action when necessary. Monitoring often requires the keeping of records of activities that occur such as the use of fuel, supplies, and changes in stock, sales and purchases. Such information is analysed to clarify what is occurring or has taken place. The results of the plan are monitored to see the extent to which the plan is being followed and producing the desired results. This process provides the fisher with an early warning of pending problems so that adjustments can be made accordingly.

The fishing Context (globally)

Changing prices: Prices of inputs and outputs are constantly changing in line with supply and demand and market forces. Changes in the prices of fish products affect the overall business' profitability.

Changing resource availability: The quantity available of any input has a direct impact on profitability. Problems of availability of supplies could result in the reduced use of fuel, ice, bait etc. and fishers would constantly need to reassess past decisions in relation to the resources available.

Changing technical relationships: The relationship between inputs and outputs changes as technological advances are made. For example, a new diesel engine may be introduced that has improved fuel efficiency over the gasoline type outboard engines and, hence, lower operating costs. This would have an effect of enhancing profitability.

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Changing institutional / social relations: Factors concerning access to markets / financial institutions, government support and private sector linkages also affect the industry's performance.

Climate Change: Climate change is upon us and scientific data available warns us that global warming can result in unexpected weather changes that can be detrimental to the fishing industry thus impacting on the livelihoods. We need to be aware of this and plan ahead for alternatives.

THE PLANNING PROCESS

There is no single and unique strategy to guide fishers in the proper choice of enterprises to be included in the enterprise plan. Fishers determine by themselves what fishing activities to engage in. Nevertheless, there are ways to facilitate some of the common decisions taken by fishers: i.e. whether or not to fish a particular distance (fishing site), in which species combination to fish and at what scale. The planning process has been designed to follow a series of steps and is based on physical and financial data.

The **purpose of planning** is to place the fisher in the best possible position to make decisions about the future. Once the fisher has defined his/her objective(s) the next step is to develop a plan to achieve them within the opportunities offered by the marketplace. This session analyses the planning process!

Step 1: Formulating Goals and Objectives
Step 2: Preparing a Fishing Enterprise Resource Inventory
Step 3: Identifying Opportunities
Step 4: Estimating Gross Margins and Choosing Enterprises
Step 5: Preparing the Complete Fishing Enterprise Budget and Action

Step 1: Formulation of Goals and Objectives
This step typically begins with identification of the Fishing Enterprise household goals and a listing of the priorities to the fisher. This may simply consist of a single goal such as maximization of profit or

competing goals such as increased profit and leisure. The goals reflect the operations-family preferences. This step is closely linked to the decision-making process.

Objectives	Goals
Prescribe scope	specific
Provide general direction	measurable
Long Run	achievable
Overall Result	realistic
Ultimate Aim	Time oriented

Step 2: Preparing a Fish Enterprise Resource Inventory
The second step involves the preparation of a resource inventory and assessment of operation's resources (e.g. vessel - including engine and fishing gear, navigational and safety equipment and human resources).

Background data on the physical resources of the operations and its past performance (catch, sales, and effort) is required to complete the inventory. The resource inventory is used as a base to identify problems and constraints on physical and financial performance.

Step 3: Identifying Opportunities
This step starts with a careful assessment of market and consumer demand. Even if the resource inventory shows that certain fishing enterprises are technically feasible, enterprise identification must take into account market opportunities. The market appraisal should include an assessment of the demand for the product, the marketing arrangements and probable prices that can be attained, availability, cost and quality of purchased inputs, and transportation and storage of the final product.

The range of potential opportunities identified and evaluated could be broad and would need to be reduced through a process of "short listing". The wide range of options open for consideration should be reviewed in the light of the goals defined in Step 1. Ideas and suggestions for activities can come from discussions held with family members, other fishers or fisheries officers all of which could provide important sources of new information.

Step 4: Estimating Gross Margins and Enterprise Choosing Enterprise
The next step is to assess the financial performance of the enterprises. It can be expressed through cost and income estimates for the different enterprises on a per unit catch or per unit effort. For many fishers the decision on what enterprises to include in a plan is based on personal experience and preference, together with considerations of comparative advantages of the different activities. Often fishers do not change their plan on a regular basis, and slight adjustments and modifications are usually made to the existing enterprise combination. In this event, the planning process primarily focuses on preparing budgets of existing enterprises. However, fishers responding to market changes may decide to introduce new enterprises and these would need to be budgeted out to assess their contribution to operations income.

Step 5: Preparing a Budget and Action Plan
This is the last step in the planning process. The whole enterprise budget checks the effect of changes in the cropping pattern and the introduction of new enterprises on the economic viability of the entire operations. The starting point for preparation of the whole enterprise budget and ultimately the action plan is the gross margin of individual enterprises. This information would need to match the volume of physical resources available to the fisher, and decisions taken as to the most viable enterprise. The decision would require reconciliation between physical characteristics of the resource base, market opportunities, use of other resources (labour and capital) available to the Fisher and

individual preferences of the fisher's family. This often involves a process of trial and error.

An action plan could be prepared taking into account physical and financial aspects of the plan. The plan could include an assessment of equipment suitability and enterprise selection, planned calendar of operations, schedules of supplies required, an assessment of investments, labour profiles and cash flow projections and enterprise budgets.

HOW DO FISHERS DECIDE?

This is considered a very important step in running a successful fishing business. As previously said the very nature of the Small Scale Fisher of being a worker and well as a manager makes deciding on which way to steer the business, could sometimes lead to problems within.

There are three different time horizons within which decisions are taken in fishing. These are:

a) **Short-term** These decisions are concerned with the daily organization for fishing operations such as boat and engine servicing, supplies (bait, ice, water, food, fuel, lubricants) procurement, checking equipment, harvesting/extraction, fish disposal (direct selling, processing, or storage). They also involve selection / grading of captured stock, recordkeeping, navigational and safety interventions, choice of fishing site or ground, landing site, and timing of effort.

b) **Medium-term** These are concerned with the annual organization of the business e.g. preparing the action plan, deciding on the amount of labour to use and whether to introduce fishing technologies, equipment, and techniques, improve storage capacity, and adopt new safety and navigational practices and technologies.

c) **Long-term** These decisions relate to the long-term nature of the business e.g. whether or not to expand fleet size through purchasing or leasing additional vessels; and whether or not to invest in new engine, boat, and/or purchase of new technology and equipment.

N.B. Short-term decisions are operational in nature, medium and long-term decisions are concerned with capital investments.

Step1: Identify the problem and Collect information/data about it

Step2: Identify and Appraise possible solutions

Step3: Identify and Adopt the best solution

Step 4: Implement that solution

Step 5: Monitor that implementation

MODULE 2

THE BUSINESS OF FISHING

There are several restrictions and opportunities in managing FISHING enterprises.

Knowledge of enterprise gross income, costs of extraction / harvesting (fishing), gross margin and profitability is essential for both fishers and regulators.

Gross Income

Gross Income is the value of the output of an enterprise. The gross income is obtained by multiplying the physical output by the landed price of fish and valuing home consumption. The landed price represents the point of first sale.

It is incorrect to calculate gross income for the enterprise by using the price at which the fisher sold the fish in the marketplace or elsewhere off the landing site. The costs of transportation and other marketing expenses need to be deducted from the market price in order to arrive at the gross income at the landing site.

Since it is possible to harvest fish of different species, types and sizes in different locations and fishing grounds within a year, a distinction needs to be made between gross income for a particular season and gross income for a particular year. The gross income of a fishing operation for the year may be the sum of the gross income for two or more species harvested/extracted during the year.

The factors that influence the gross income of an enterprise can be summarized as:

- the value of fish sold both directly or via intermediaries;
- the value of fish products re-used as bait-fish which is used again as input in the fishing operations. For example, fish is used to prepare long lines used to fish or placed in traps to attract new catch;
- the value of fish consumed by the fisher and his/her family - for example lobsters, etc. consumed by the fisher's family, and valued at the landed price;
- the gain/loss in value of fish - increase or decrease in value of fish stored at landed price. It is the difference in value at the beginning of the year (opening valuation) and the value at the end of the year (closing valuation);
- the gain/loss in value-added of stored fish - in the case of fish from a previous harvest or season, fillet, smoked, dried, frozen, and stored ready to be sold. This is the difference in value from the price that the fish is landed to the final value-added price that it is sold. It considers the quality of the fish which is a highly perishable product.

COSTS OF EXTRACTION

It is important to understand the structure of costs of extraction. While the fisher does have control over some of the costs, they tend to have little or no control over the prices received for most of their products. This is often the case as fish prices are determined by both local and global factors. Therefore, in the event that fishers wish to increase their income, they should attempt to reduce the cost per unit of output.

The method used for cost of fish landed calculation is given below:

1. **Cost of Fish Landed**

Fuel and Oil
- Total Mileage
- Fuel Consumption per kilo Total Consumption (Gallons)
- Unit Price per Gallon (5liter)

Labour (Effort)
- Number of Fishers
- Ave. Unit Wage per hour
- No. of Hours at Sea (Effort)

Ice and Food Supplies
- Unit of Ice
- Used Cost of Unit

Bait Purchases
- Total Value of Artificial Bait Purchased
- Useful Life of Bait
- Total Number of Trips

Fishing Landing
- Handling Charges
- Landing Fees

TOTAL COST is usually classified into two categories: **variable and fixed costs**. The classification of a particular cost as variable or fixed depends partly on the nature and timing of the management decisions being considered. Some costs are fixed in relation to certain decisions but others remain variable.

The **variable costs of a fishing enterprise** could include, for example:

Fuel and Lubricants: This represents the highest cost item for operations in a fishing enterprise. Traditionally diesel fuel engines are more economical due to the nature of operations of the internal combustion engine and because it is a heavier hydrocarbon fuel.

Food Supplies: This is normally purchased but could include items taken from or prepared at home. The supplies must be adequate to provide for any mishap and be sufficient for all parties on board.

Fishers' Wages: This represents hired labour paid as a percentage of the catch.

Bait Supplies: This is the value of bait used for the trip.

Landing Fees: This will be dependent on the Port master in the respective area that you berth

FIXED COSTS are generally long-term costs (lasting for more than one year) and are defined as costs that remain the same regardless of the size of the enterprise and do not alter with small changes in size. The allocation of fixed costs to a specific enterprise can be difficult, in some cases. Fixed costs (e.g. fishing equipment) are more difficult to allocate. The vessel, for example, tends to be used in all fishing operations, port or gill-net activities. If the operation adds an extra activity such as long-line fishing, the costs of the vessel will hardly be increased. If the fisher stops fishing altogether, some of the vessel costs will still be incurred. Of course, the operating costs of using the vessel, and in particular the cost of fuel, are variable but the capital cost of the vessel (interests) is fixed.

Other fixed costs such as depreciation on vessel and engine, maintenance and repairs, regular labour: (boat captain), insurance, and rental of boat house and mooring fees, may need to be computed for the whole enterprise since they cannot be directly allocated to a specific activity.

Labour can be either supplied by the farm family or hired. Hired labour is treated as a variable cost as noted above. Family labour is sometimes treated as a variable cost and on other occasions as a fixed cost. Where the fishing operations are shared between the adult members of the family on a regular basis throughout the year, family labour is treated as a fixed cost. However, whenever the operations is not owner operated, but receives seasonal inputs from family members, their labour contribution could be treated as a variable cost.

Gross Margin
Gross margin is a simple, useful and practical tool to assess performance. The gross margin for an enterprise is defined as the gross income minus its variable costs.

GROSS MARGIN = GROSS INCOME – VARIABLE COST

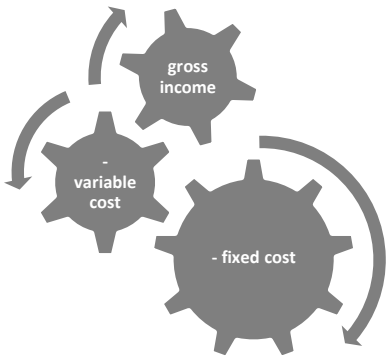
A fisher who uses his or her resources to extract fish worth R600 at a variable cost of R100 generates a gross margin of R500 (R600 - R100). The gross margin is a measure of what the enterprise is adding to profits.

Variable costs rise and fall as fishing output expands and contracts. The fixed costs are not affected. It is only the variable costs and value of output that increase. If the extra variable cost is less than the value of extra fish, the fisher increases profits by as increases in fishing effort occur. Profits will be increased by the value of the gross margin.

Enterprise Profitability
Enterprise profit shows the fisher's gain after taking into account the full operating costs of the enterprise. Some enterprises may be highly profitable, while others are either unprofitable or less profitable. In order to identify problems of low profitability, enterprise profitability analyses needs to be conducted for different fishing activities or species.

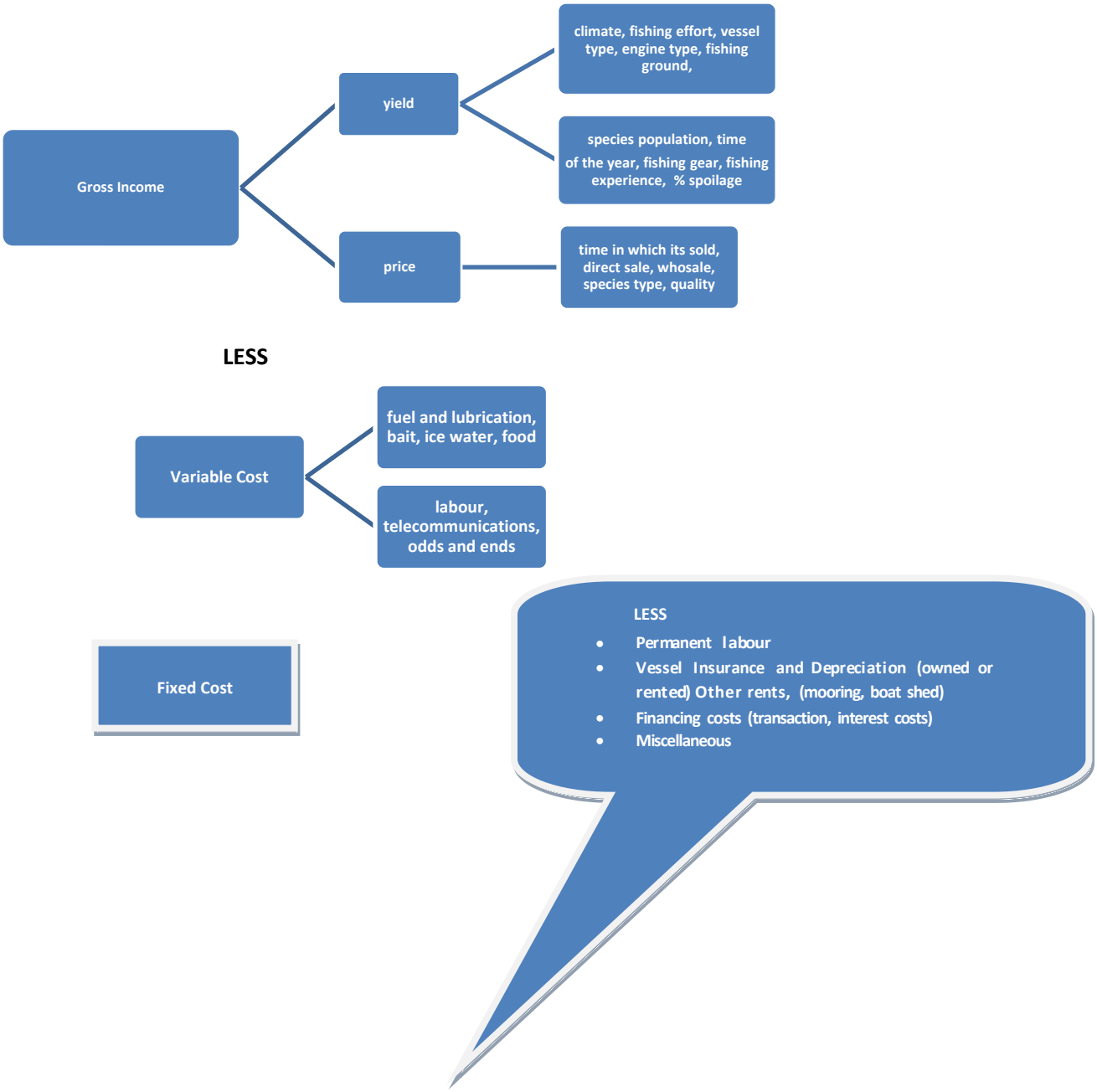
The **calculation of enterprise profitability consists of deducting all of the costs incurred for the enterprise i.e. fixed and variable costs, from the enterprise gross income**. When the enterprise gross margin was calculated above, the variable costs were taken into account but not fixed costs. Now in calculating the enterprise profit the total cost of operations – fixed as well as variable - is considered.

PROFIT OR LOSS



Gross Profit (Net Income) is the year-by-year profitability of the operations as a whole. It is the reward for labour, capital, and management contributed by the fisher's family during the year. There are two ways of calculating gross profit; either by using gross margins or conducting enterprise profitability calculations. Gross Profit is calculated by combining the gross margin of each of the fishing activities and deducting fixed costs. Alternatively it could be calculated by estimating the profit for each of the enterprises and aggregating to the level of the operations.

FACTORS THAT INFLUENCE PROFITABILITY



MODULE 3

EQUALS THE ENTERPRISE PROFIT OR NET

Understanding CASH FLOW

The concept of cash flow is simply the flow of money into the enterprise from sales and the flow of money out of the enterprise in the form of purchases. The difference between the inflows and the outflows is known as **Net Cash Flow**.

Net Cash Flow = Cash Inflows - Cash Outflows
For an enterprise to operate in the medium to long-term, it must generate a positive cash flow. More cash must flow into than flow out of the enterprise.

CASH FLOW ANALYSIS

A cash flow is a tool that has application for both ongoing analysis and forward planning of enterprises. Cash transactions frequently occur. An important task of the fisher as manager is to control this flow of cash in and out of the enterprise.

What is Liquidity?

Liquidity is the ability of the fisher to generate enough cash to meet financial obligations as they come due without disrupting the normal operation of the enterprise.

Several factors can affect the liquidity position of the enterprise:

1. The extraction cycle for all fishing enterprises is based on a typical fishing trip, a few hours to a day. This means that fisher often have to make daily payments for inputs (fuel purchases) used to sustain the operations.

2. Enterprise owners often find that it may be better not to sell fish directly following harvest, but alternatively to store or add value for some time in the search for higher prices. This, however, has an effect on the cash reserve by delaying cash inflows from product sales.

3. Very often merchants involved in purchasing fish do not pay for it immediately.

For many enterprises the availability of cash over the short term may even be more important than generating additional profits. For example, fishers may sell some of their productive assets, such as bait, stored fish, in order to pay for fuel and oil. For these reasons fishers need access to working capital and short-term credit. Flexible lending facilities are often desired that advance cash as is needed during the production cycle and can be repaid when fish is sold.

CASH IN FLOW:

Sales of Fish and Fish products are the primary sources of cash for the fishing enterprise and are critical to maintain the enterprise's liquidity reserve. Some enterprises such as dairy cows generate a

relatively even flow of cash over the production year. Other enterprises such as fruit and livestock (meat production) result in sporadic seasonal cash inflows over the production period.

1. **Other enterprise income sources** sometimes constitute a substantial cash inflow to the enterprise. A typical item includes income generated from work performed for others.
2. **Savings, Loans Gifts, Donations/Grants and Investments**
3. **Sales of capital assets** are sporadic inflows of cash from the sale of land, buildings, machinery, livestock and other capital items.

CASH OUTFLOW:

Extraction costs constitute a relatively large draw on the liquidity reserve.

These costs include fuel, bait, food, hired labour, repairs and others. If an owner fails to maintain a liquidity reserve to meet these costs, fish output could immediately drop and the owner could end up paying a high level of interest on borrowed money.

Capital expenditures include cash outlays for replacing or adding machinery and equipment, breeding livestock, and purchasing land and buildings. These expenditures are important for increasing and maintaining enterprise growth. The cash outflows are sporadic but often involve large amounts of money. Consequently, there is a need to ensure that the liquidity reserve is adequate to meet these expenditures.

Loan payments on borrowed money can be made during times when cash inflow from non-borrowed sources exceed cash outflow.

Family living expenditures are often overlooked in assessing the liquidity reserve. Certain basic family living expenses must be covered because money allocated to other uses in the enterprise sometimes find its way into the family budget.

Exercise – Cash Flow Exercise

Mary and Peter live in Saldanha Bay. Mary earns some money from selling souvenirs, while Peter is a fisherman. They have a few chickens and two goats. They also have three children attending school. They would like to buy new furniture for the house this year, which will cost R6,000 and they are wondering if they can afford it and when they should make the purchase.

Information at hand:

Peter expects to receive an income of R9,400 from selling fish broken down over the year as follows: R400 - March, April and October,
R600 - February, May, September and November, R800 - January and December, R1,200 - June and July and R1,800 - August
Mary usually gets money from souvenirs (R3,000) in the following months: R300 – January and R900 - June, July and August
They often sell some small livestock and may get: R600 – January and December
Peter needs money for boat and net maintenance: R200 - March, May and July and R300 – November
Every month they need R 500 to cover their living expenses.
They also need money for school expenses in the following months: R300 – March, June, September and December

Trainees' Task:
Based on the information given above, trainees should prepare a cash flow using the computer spread sheet and indicate if the family can afford to buy new furniture and which is the appropriate month to make the purchase.

POSSIBLE SOLUTIONS TO CASHFLOW

PROBLEMS	POSSIBLE SOLUTIONS
Low Profitability	Cash flow problems may be a symptom of the problem of low profitability. The first step would be to analyze profit and profitability of each single enterprise. Increasing profit and profitability is often the best way to remedy cash flow problems.
Unexpected cash problems	One way to prevent cash flow problems is to identify problems before they occur. Cash flow would give the fisher time to alter his plans and remedy the problems by timing cash inflows and cash outflows.
Low profitability together with low cash flow	This means a careful look at the combination of enterprises of the business. Perhaps value added fish product would increase cash inflow and allow for increase profitability at the same time.
High Extraction Costs	An effective way to improve cash flow is through cost control. Is the Fuel purchases monitored? Is frequency of trips or the time at sea appropriate? What can be done to reduce operating costs?
Need to increase selling Flexibility	The best approach to this problem is to improving marketing plans. By value adding perishable products, the fisher has some flexibility in timing sales. Improving farm profitability should be the main goal in formulating a marketing plan.
Need to reduce cash Outflow	Leasing or renting instead of owning: the down payments and loan payments associated with the purchase of land, buildings and equipment sometimes put a heavy burden on cash flow.
Increase cash Availability	Taking an off-fishing job. One or both spouses could seek part-time or full-time employment off fishing. Any additional expenses related to off-fishing employment such as transportation, clothing and others need to be considered carefully.
Increase cash Availability	**Refinancing:** Cash flow problems are sometimes caused by a poor balance of short- and long-term debts on the farm. Some fishers use short-term loans to finance current and fixed assets. Operating loans should be used only to purchase variable inputs. **Liquidating assets:** Selling assets is usually a drastic measure for dealing with cash flow problems; however, it may be justified. Sell unprofitable assets first (e.g. personal assets, timber, engines, unused equipment, machinery, unproductive land, etc.),
Assess the financial Package required	Estimate the financial package that the farmer requires when a cash shortfall is identified. The cash flow enables the fisher to estimate the size of loan required, the repayment capacity of the fisher and the repayment schedule

EXAMPLE OF PROFIT/LOSS STATEMENT:

FISHING RECEIPTS	RANDS	
Cash Sales	280,627.00	
Ending Frozen Fish Inventory	800.00	
Beginning Frozen Fish Inventory	1,200.00	
Gross Income From Fish		280,227.00
Sales of Bait	500.00	
Value of Fish Consumed at Home Gains/Loss	200.00	
on Sale of Capital Items Other Income	-	
	-	
GROSS INCOME		280,927.00
Variable Expenses		
Fuel and Oil Food	144,000.00	
Purchases [Bait, Ice]	14,400.00	
Transportation	14,428.80	
Fish Landing Charges	7,200.00	
Sundries	14,831.00	
Total Cost of Fish Landed	5,308.94	
		200,168.74
GROSS MARGIN	80,458.26	
Fixed Expenses		
Payroll	48,000.00	
Administrative Expense	3,240.00	
Boat Repairs and Maintenance	3,600.00	
Locker Room Rent and Mooring Fees	720.00	
Interest	11,677.92	
Social Security Payments	1,920.00	
Depreciation	7,706.65	
Vessel Insurance	3,000.00	
Total Cost of Fixed Expenses		79,864.57
NET INCOME: Profit/(Loss)	**593.69**	

IMPORTANCE IN RECORD KEEPING IN SMALL-SCALE FISHERIES

Fishing records provide useful information for fisheries officers to help fishing enterprises increase their profits, adjust the best investment options / strategies, determine the best use of available resources, obtain credit and formulate harvest/extraction plans.

Accounts are drawn up and are used to measure the financial performance of the enterprises.

More specifically, records and accounts to assist in:

- Evaluating the enterprise's financial position in relation to its objectives;
- Measuring the outcome of decisions and therefore allowing the fishing enterprise to benchmark financial data to be compared with others in the industry;
- Controlling the daily routine operations and enabling the fisher to know what have been spent and done at any given time during the year;
- Evaluating alternative strategies for controlling the available resources and therefore help the fisher/manager to spot where the enterprise is strong and where it is weak;
- Financing the fishing business operations; and
- Meeting legal requirements.

Apart from its potential use in management decision-making, fishing records are sometimes used to formulate national policies, programmes and action plans. A typical example is in exploitation planning.

Various types of fishing records are needed to assist the Division in monitoring and evaluating fisheries performance. Physical and technical records help to diagnose the various aspects of the enterprises' operation and prevent emerging problems. Some of the most commonly used records are:

TYPES OF RECORDS

RECORD TYPES	NOTES
1. Operational	
2. Catch and Effort	
3. Fish Sales	
4. Financial Records	

Financial accounts are concerned with classifying, measuring and recording the transactions of a business. At the end of a period (typically a year), the following financial statements are prepared to show the performance and position of the business:

Describing the trading performance of the business over the accounting period (…PROFIT AND LOST…)
Statement of assets and liabilities at the end of the accounting period (a "snapshot") of the business (……BALANCE SHEET…)
Describing the cash inflows and outflows during the accounting period (CASHFLOW…)
Additional details that have to be disclosed to comply with GAAP

NOTES

MODULE 4

UNDERTAKING PERFORMANCE ANALYSIS

Fishing performance analysis indicates if the enterprise is functioning as it should. Analysis of performance can be used to identify why certain operations are more profitable than others. Data needs to be collected that accurately reflects the performance of the enterprise and a set of standards should be selected for measurement.

The Management must decide how the performance analysis is to be conducted.

If enterprise performance is unsatisfactory, the officer should assist the fisher to make adjustments to the fishing activities in a way that results in improved performance.

Fishing performance analysis should be conducted periodically. Performance indicators can draw on data collected over time from a particular fisher or from others located in the area.

1. **Identify Key Performance Measures**
   This step calls for identifying key performance measures that reflects performance. Practical examples of such indicators are:

   - ***Market related measures:*** *Final market price achieved; landed; Price achieved net of marketing costs*
   - *Marketing expenses paid, Cost per kg of fish landed*
   - ***Fishing related measures:*** *Catch per gallon of fuel; Regular labour costs; Catch per unit effort; Quality of harvested fish*

2. **Evaluate key performance measures by comparison with other similar fishers in the area**
   The most import factor for performance analysis is to obtain comparative information. Comparative information might be available from:

   - survey data
   - management information
   - publications
   - fisheries division services fishers' associations/co-operatives

3. **Identify the best cases for each key performance measure**
   This is usually a matter of comparing the performance of a particular fisher with that achieved by other fishers or by a group of fishers. It is likely that performance is measured in terms of:

   - overall profitability
   - gross margin performance of the enterprise
   - catch levels and selling prices
   - the quantities of variable inputs used total fixed costs

- physical and financial performance measures relevant to the operations
- or to groups of fishers' operations

4. **Identify fishing or marketing practices resulting in best performance**
   Agricultural business analysis can be used to identify the indicators and their associated values in comparison with best in class cases. The information collected would serve as a preliminary stage of a more in depth investigation.
   In particular, extension workers and fisheries officers could organize meetings for fishers where discussions could be held to identify the root causes of their performance success and failures. These factors could be traced to either fishing or marketing practices, all of which should be discussed at the meetings. This allows fishers who have been identified as achieving high performance in particular areas to explain to the rest of the group how this performance was achieved.

5. **Assess the transferability of the best practices to the particular operations**
   Analysis of the various key performance measures identified should suggest the extent to which the experience can be transferred. The reasons preventing the transference of relevant techniques may be, for example, unavailability of training, insufficient financing to procure supporting technology or equipments or a lack of required skills.

6. **Investigate the potential benefits and implications of using the best practices**
   Having identified the best available marketing and fishing practices, an assessment of the pros and cons in their implementation should be conducted.

7. **Implement the practices and monitor their performance**
   Once the techniques are assessed they should be transferred and implemented. The next step is to monitor the performance of the relevant enterprises to ensure that the changes improve performance in line with expectations.

BENCHMARKING

Benchmarking is the practice of identifying those fishers who are the best at fishing and learning from them how best to manage their operations.

Financial Benchmarks involve looking at actual performance data from fishers that can be used for comparative purposes. By monitoring and comparing a specific fisher's performance to benchmark data is helpful to identify key areas that will improve profitability.

Technical Benchmarks are information that helps fishers in defining benchmark for a particular input, such as a maximum of 40% of fuel cost to total costs. Benchmarks are not a blueprint, but a guide to help fishers to position themselves with regard to their inputs. If fishing inputs are very different from the benchmark, corrective actions should be taken by the fisher.

Examples of benchmarks are:

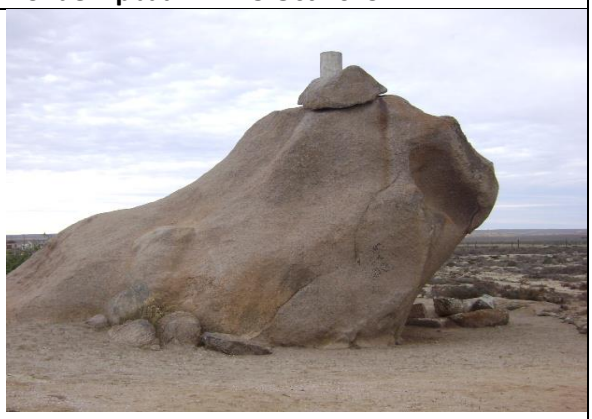
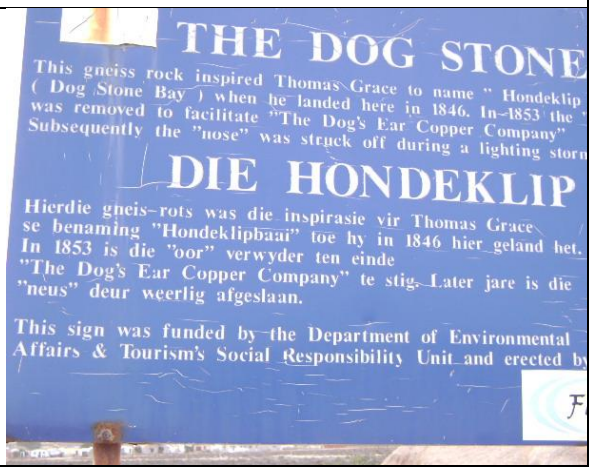
- Catch per Unit Effort (CPUE); Long-line fishing techniques; Catch Data
- Market Price and Fish Quality and Traceability; Fishing Harvesting Costs

Fisheries officers should be able to find benchmarks for different categories of fishers (large / small, specialized / mixed, full-time / part-time, etc.). There are different ways of setting performance standards or benchmarks but the most common method is by analysing actual performance data for a large number of fishers and categorizing them as "weak", "average" and "better" performing. Another set of average data could be calculated for each sub group.

NOTES:

Pictures of the capacity development training 2-day workshops held in Humansdorp and Hondeklipbaai on 21-22 and 24-25 October 2019

- **The training in Business Literacy was facilitated by Stowie-M, represented by Mr Euclid Doans and Mr Linda Koza.**
- **The training in Emergency response at Community Level was facilitated by SSTG Maritime Training Institute, represented by Mr Leon Mouton.**
- **The interactive discussion and presentation in Search and Rescue was done by Mr Griffith Groenewald (Port Elizabeth office) in Humansdorp, representing the South African Maritime Safety Authority (SAMSA).**
- **The interactive discussion and presentation in Search and Rescue was done by Mr Justin Coraizin (Port Nolloth office) in Hondeklipbaai, representing the South African Maritime Safety Authority (SAMSA).**

Humansdorp: 21-22 Oct 2019	**Hondeklipbaai: 24-25 Oct 2019**
	
The national coordinator: Sibongile Manzana giving some introductory remarks before the day's proceedings in Humansdorp.	***The name 'Hondeklipbaai'came about as a result of this rock – which looks like a dog***
	
National coordinator handing over to Stowie-M's Euclid Doans.	

The two facilitators from Stowie-M, Mr Linda Koza and Mr Euclid Doans.

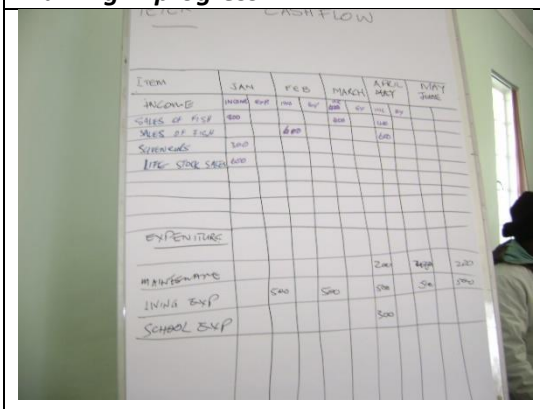
Euclid from Stowie-M facilitating the training in business literacy in Hondeklipbaai.

Example of the training manual in business literacy which was developed by Stowie-M.

Example of a certificate handed out to all the participants at the end of the training in emergency response by SSTG Maritime Training Institute.

Training in progress in Humansdorp. The participants were divided into groups and had to discuss some possible solutions to cash flow,

Training in progress in Hondeklipbaai, while Euclid listens attentively. The participants were divided into groups and had to do some

profit/loss, the importance of record keeping in small scale fisheries, pg 16 of the manual.	***exercises in profit/loss, fixed and total costs, for example, pg 10 of the manual.***
	
Training in progress.	***Training in progress.***
	
Training in progress, each group had to do a presentation on the cash flow.	***SAMSA representative, Justin Coraizin based at the Port Nolloth office giving a presentation in search and rescue.***
	
Facilitator (Euclid) giving some guidance to the participants.	***A participant in Hondeklipbaai proudly holding up her certificate of attendance at the end of the business literacy training.***

Group photo in Humansdorp after all the participants had received their certificates in business literacy.

Group photo in Hondeklipbaai after all the participants had received their certificates in Emergency Response.

Group photo in Humansdorp after all the participants had received their certificates in Emergency Response. Extreme left fron, standing – Mr Leon Mouton from SSTG Maritine Training Institute.

A very happy participant in Hondeklipbaai holding up his certificate in business literacy.