



Surviving \$350/ton Feed: Developing Survival Strategies

Carole R. Engle
Aquaculture/Fisheries
Center
UAPB





What are your business goals for 2010?

- ***These need to be very specific,***
- ***Need to be based on thorough financial analysis of business.***



***What does it take to
survive the short run?***

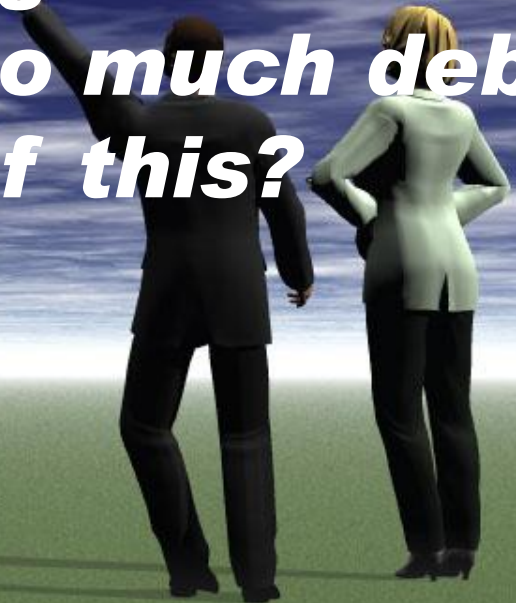
***Should I try to survive
the short run?***



Should I try to survive the short run?



- Must be able to produce at a cost above variable costs, not total costs.***
- Is my financial position strong enough?***
- Do I have too much debt to pull out of this?***



How do I look at my costs?

- ***Use the budget spreadsheets.***
- ***Need to have EXCEL installed on your computer.***
- ***Substitute your costs in and see the change in the breakeven costs and net returns.***


What does it take to survive the short run?

- ***Adequate liquidity.***
- ***Adequate cash flow.***





How much liquidity is adequate?

- ***Enough cash revenue to make payments when due.***
 - ***Determined from***
 - ***Balance sheet &***
 - ***Cash flow budget.***
- 

Adequate Cash Flow: Determined from Cash Flow Budget

- Cash flow budget must show realistic projections of cash revenue for the year, by month.***
- Any month with a negative cash flow is a cash flow problem that needs to be resolved.***
- Must identify a production/financial plan that generates the revenue when needed.***
- If there is a problem, may need to sell off some stock, reduce densities, allow for better growth = better cash flow.***



What about this year?

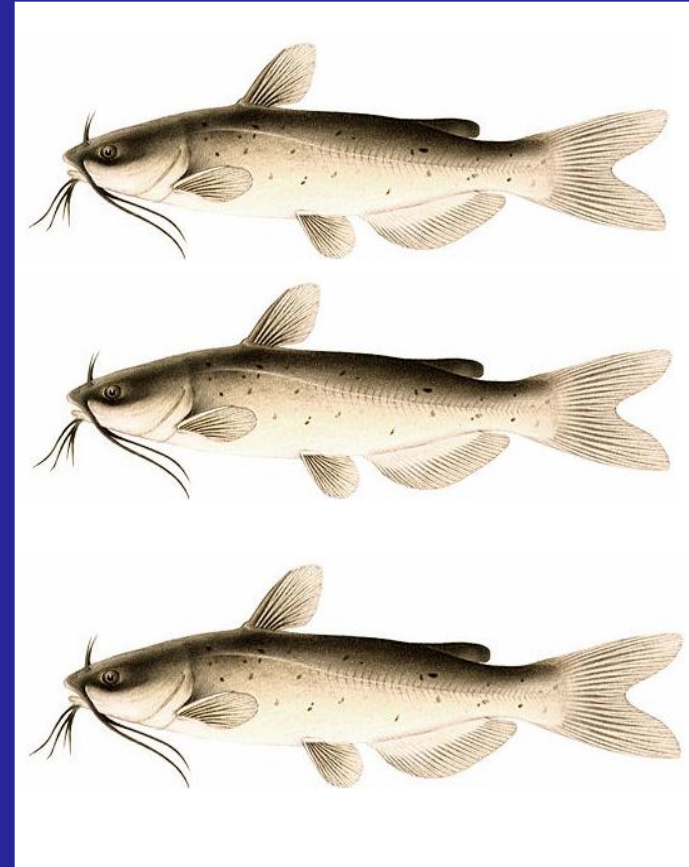
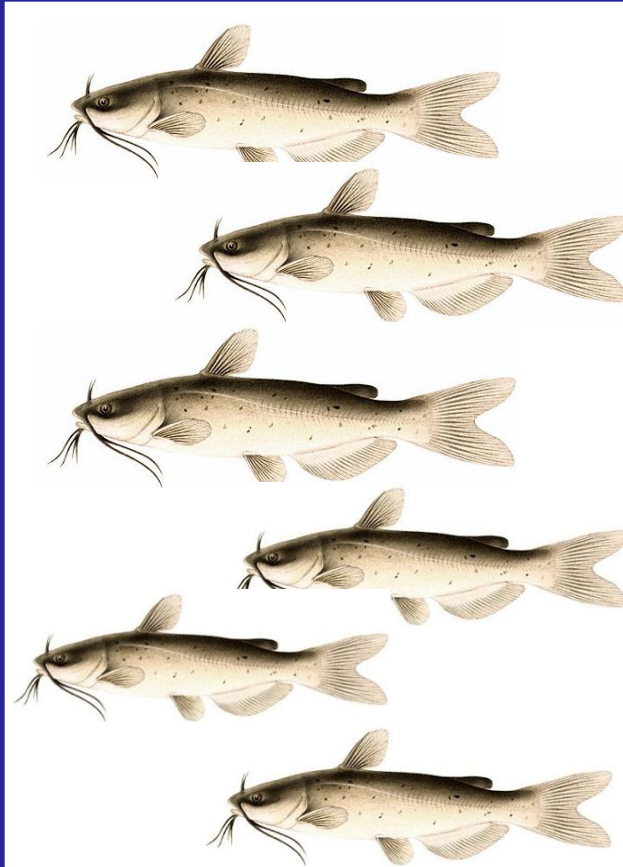
- ***Decisions on stocking and feeding rates should be based on meeting short-term financial obligations.***

With High Feed Prices,

***Essential to get as much
gain out of every pound
of feed as possible.***



Fish grow faster at lower densities.



Effects of Higher Fish Prices & Higher Feed Prices

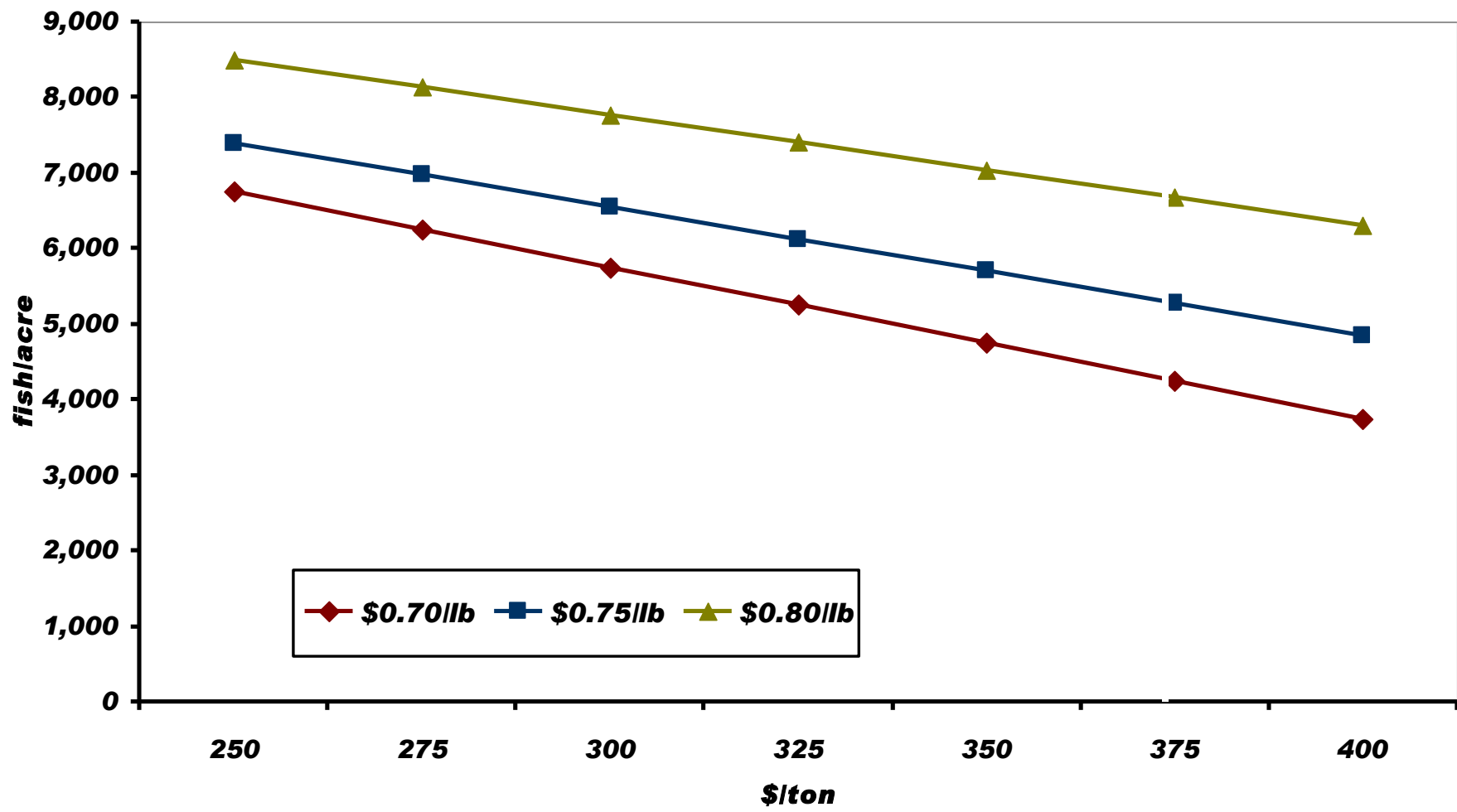
- ***Higher **feed** prices***

\$\$\$ → Lower stocking & feeding

- ***Higher **fish** prices***

\$\$\$ → Higher stocking & feeding

Profit-maximizing stocking densities at different fish & feed prices.



Realities of \$350/ton Feed

431-acre farm

<i>Stocking Density</i>	<i>Cost/ VC</i>	<i>Cost/ TC</i>
<i>7,000/acre</i>	<i>\$0.70/lb</i>	<i>\$0.84/lb</i>
<i>6,000/acre</i>	<i>\$0.68/lb</i>	<i>\$0.80/lb</i>
<i>5,000/acre</i>	<i>\$0.65/lb</i>	<i>\$0.77/lb</i>
<i>4,000/acre</i>	<i>\$0.63/lb</i>	<i>\$0.74/lb</i>



What About Every Other Day Feeding?

UAPB study:

- ***Yield of carryover fish was 757 lb/lac less when fed every other day.***
- ***Feed fed was 4,778 lb/lac less.***



What About Every Other Day Feeding?

<i>Feed cost</i>	<i>Net benefit (\$0.65/lb)</i>	<i>Net benefit (\$0.70/lb)</i>	<i>Net Benefit (\$0.75/lb)</i>
<i>\$250/ton</i>	<i>\$106/lac</i>	<i>\$68/lac</i>	<i>\$30/lac</i>
<i>\$275/ton</i>	<i>\$165/lac</i>	<i>\$127/lac</i>	<i>\$89/lac</i>
<i>\$300/ton</i>	<i>\$225/lac</i>	<i>\$187/lac</i>	<i>\$149/lac</i>
<i>\$325/ton</i>	<i>\$285/lac</i>	<i>\$247/lac</i>	<i>\$209/lac</i>
<i>\$350/ton</i>	<i>\$344/lac</i>	<i>\$306/lac</i>	<i>\$268/lac</i>



What's the Down Side to Every Other Day Feeding?

- ***Understocked fish grow very poorly.***
- ***Every other day feeding better strategy for ponds with fish that are closer to market size.***



Essential Financial Management

- ***Extensive planning.***
- ***Controlling: implementing actions needed to meet goals.***
- ***Monthly monitoring needed.***
- ***Cash flow statement.***
 - ***Deviations will be apparent.***
 - ***Corrective actions can be taken more quickly.***

Cash Flow Deviation Report

- ***Deviations from projected cash flows***
 - ***Quantities***
 - ***Source***
- ***Alerts manager to changes in cash flow***
- ***Triggers interventions in management***

Is there hope?

I think so.

- ***Prices are above costs above variable costs.***
- ***Grain prices finally are showing some relief.***
- ***The cheaper 28% standard diet did as well as the premium, at a lower cost.***
- ***FSIS rule is coming, likely the broad definition.***



Discussion?

