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Aquaculture in Shared Waters Fact Sheet: The Business of Aquaculture

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Aquaculture in Shared Waters — *The Business of Aquaculture* —



Dick Clime¹

Maine has significant potential to benefit from the successful integration of commercial fishing and the seafood business in the form of aquaculture and you have a chance to be involved in the beginning stages of this promising field. Aquaculture can be seen as a way to diversify on-the-water income and can easily complement existing fisheries businesses. There are risks associated with any business, however if managed properly aquaculture can be profitable.



Keys to Running a Successful Business

- Clear sense of purpose
- Set goals based on REALISTIC expectations
- Be organized
- Become a world-class problem solver
- Excel at building solid relationships
- Keep a close eye on costs, pricing, and profit
- Ask for help BEFORE it's too late

“
Never stop marketing—giveaways, auctions, sport events, talks, press releases, site visits, farm tours, and train your help to do the same.

– Bob Rheault, East Coast Shellfish Association Director

Four P's of Marketing

- **Product.** The right product to satisfy the needs of your target customer.
- **Price.** The right product offered at the right price.
- **Place.** The right product at the right price available in the right place to be bought by customers.
- **Promotion.** Informing potential customers of the availability of the product, its price and its place.



What a wholesale distributor looks for

“
Your product only looks as good as the package it's in.

– Jeff Payson, Northeast Transport, Waldoboro, ME

“
Distributors are the face of the producer... have a good one who is familiar with your products...they can make or break you as a farmer.

– Sebastian Belle, Maine Aquaculture Association Director

- Enthusiasm for the product, emphasis on freshness, full traceability
- The story about the farm- show passion and ability to communicate in real time
- Workable logistics- getting it there predictably
- The ability to sell the product year round or a significant part of the year
- Your willingness to improve your product
- Your dedication to operate as a business, not a hobby
- Do not over-promise or compete with your best customers
- Fair pricing
- Attention to detail and accommodation to their specific customer base

– Peter Ramsden, Foley Fish, Boston

“
20% of your customers should move 80% of your sales.

– Terry Callery, Marketing Consultant, former Great Eastern Mussel employee

Risks for an Aquaculture Business

First year failure rate for new businesses is 70-80%...half of the survivors will last less than 5 years.

– Bradley University Small Business Development Center, Peoria IL

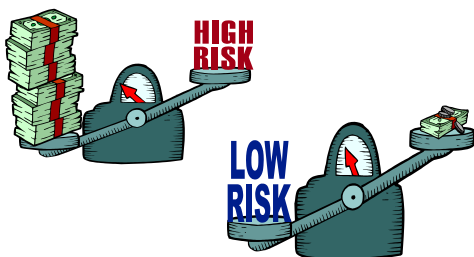
“People who don't take risks generally make about two big mistakes a year.

People who do take risks generally make about two big mistakes a year.

– Peter F. Drucker

“It's important to take risks but it's idiotic to take them blindly.

– Terry Levine



- **Lack of a business plan:** A good one details the development of a profitable business along a timeline of several years. It takes research to realistically estimate costs against sales earnings. Take pointers from others who may have done this before. Learn from the success stories and, most importantly, the failures.
- **Disease:** Animals and plants cultivated in dense proximity risk a higher exposure to disease and parasites. Maine aquaculture farms have been ravaged occasionally by epidemics that cause high mortalities in annual crops. Farmers should be familiar with the types of disease risks for their species. They should practice bio-security prevention measures on the farms.
- **Weather:** Destruction from storms, colder-than-normal-winters, hotter-than-normal-summer...these impacts of weather can stress or kill animals or destroy the farm infrastructure. Design gear and structures to resist severe conditions. Site your farm alee of the strongest storm wind directions. Avoid sea ice laden sites. Evaluate the swings of extreme temperatures and salinities before choosing the site.
- **Predation:** Whether it's birds, starfish, gastropods, crabs, seals or other freeloaders of choice farmed seafood, most farmers recognize the threat and try to mitigate the loss by protecting their crops. Learn the methods to reduce predation and practice those that are most cost effective.
- **Poor site selection or species selection for the site characteristics:** Location, location, location is business advice especially relevant to aquaculture. The fit between site and species affects the growth and survival of the crop and the bottom line of the business. Do your homework with testing various sites in small ways before choosing one for starting your business. Seek expertise from advisors who know how and where to raise this plant or animal.
- **Poor management:** Decisions about production, marketing, and finances are faced by all business managers daily. Be a generalist with interest in all three even though you're a specialist in one or two. Recognize your weaknesses as a manager and work to improve them through learning. The best managers do all of these well.
- **Inadequate cash to span periods with low earnings:** Like fishing, aquaculture is a seasonal business. Without cash to sustain the business during the off season, the business will falter. Similarly, start-ups without enough cash available to them can fail. Anticipate these times with a plan and locate the cash whether internally or externally to get through these periods.
- **Poor community relations:** Clashes with other users of the water resources may cause people to work against you rather than support you. Building solid relationships with other water users and community leaders helps you concentrate on running your business and not dueling with people who would rather see you fail.
- **Poaching, vandalism:** Can be disheartening and bleed your business slowly. Make your equipment hard to steal or break open. Maximize the on-site presence. Have others watchful on your behalf. Work with the Marine Patrol or other authorities if you start to experience damage or theft.

Sales of aquaculture products

Most fishermen sell 90% or more of their landings to a buyer at the wharf near where they access their mooring, their fuel, or their bait. Then it's someone else's problem to get it to the consumer. The upside is that the fishermen don't need to be concerned about retail sales and receipt of the money; the downside is that the chain of handlers reduces prices paid directly to fishermen.

A farmer approaches this differently. Successful aquaculturists provide top quality seafood, brand it with their name, and sell it for a higher price further down the handling chain.

How this is done:

- Package your farmed seafood attractively, incorporate your logo, name, and contacts.
- Find distribution outlets by talking to refrigerated transporters. They'll tell you where they deliver and how to get it there. A list of refrigerated transporters can be found within a seafood study link.

www.ceimaine.org/consulting/natural-resources/fisheries-and-waterfront/maine-based-seafood-distribution-study

- If your raw farmed seafood needs processing to add value, you can contract with processors for their service and have them package it ready to ship. Or do it yourself.

Direct to consumer strategies:

- Farm to table markets
- Online sales
- Food trucks
- Farm to restaurant deliveries
- Advertise retail hours at your place of business

Some common wholesale prices for Maine farmed shellfish and seaweeds:

- Live oysters, \$0.50-0.75 each in the 2.5 inch to 4 inch range;
- Live mussels, \$1.80 – 1.90 per pound for 2.5 inch rope grown;
- Sea scallops, roe-on in the shell (legal for farmed only), 3-4 inch diameter, \$1 -\$2;
- \$2-3 each kelp (farmed only), clean and fresh to processor, \$1 per wet pound.

Resources to help with business planning

Free business counseling:

www.mainesbdc.org and

www.ceimaine.org/consulting/business-counseling-development

Workshops, events, and training opportunities: www.mainebusinessworks.org

Maine SCORE Program: www.scoremaine.org

Free credit report once a year: www.annualcreditreport.com

Calculate loan payments at specific rates and terms: www.amortization.org

Maine DMR aquaculture information: www.maine.gov/dmr/aquaculture

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<http://www.seagrant.umaine.edu/aquaculture-in-shared-waters>



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