

**Where are you going to be, when
you get where you are going?**

Jerry Clower



Business Planning . . .

*Creating a sound financial base to build
the economic future of your business*

GOAL

**Determine financial viability of business
to identify:**

➤ *Strengths*

➤ *Weaknesses*

➤ *Response to Opportunities*



How Healthy is your Business?

Assessing Financial Position

- **What is the ratio telling me?**
- **How has it changed from last year?**
- **Will it impact my marketing decisions?**

Tools to track financial performance

➤ **Solvency**

➤ **Profitability**

➤ **Liquidity**

Solvency

Goal

Track changes in net worth

Method

Compare invested capital with sources of capital, debt, & equity

Tool

Balance sheet

Measuring Solvency

Debt to Asset Ratio =
 $(\text{Total Liabilities} / \text{Total Assets}) * 100$

3 Simple Rules of Thumb:

- *Strong = Under 30%*
- *Caution = 30 – 60%*
- *Vulnerable = Over 60%*

Profitability

Goal

Monitor the earnings of the business

Method

**Analyzing how much money the
business is making**

Tool

Income Statement

Measuring Profitability

$$\text{Rate of Return on Assets (ROA)} = \frac{(\text{Net Business Income} + \text{Interest Expense} - \text{Value of Unpaid Labor \& Management})}{\text{Total Business Assets}}$$

3 Simple Rules of Thumb:

- *Strong = Over 8%*
- *Caution = 3 - 8%*
- *Vulnerable = Under 3%*

Liquidity

Goal

Estimate cash flow available for short term payments

Method

Determining amount of cash business could convert/generate in short term to meet obligations

Tool

Cash Flow Statement

Measuring Liquidity

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

3 Simple Rules of Thumb:

- *Strong = Over 1.75*
- *Caution = 1.1 – 1.75*
- *Vulnerable = Under 1.1*

Assessing Financial Position

How much RISK can you bear in 2005?

				<u>Go</u>	<u>Caution</u>	<u>Stop</u>
A.	Debt to Asset ratio		$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	< 30%	<60%	>60%
B.	Current ratio		$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	>1.75	>1.75	<1.1
C.	Working Capital		Current Assets - Current Liabilities	?	?	?
D.	$\frac{\text{Working Capital}}{\text{Revenue}}$		$\frac{\text{Working Capital}}{\text{Gross Revenue}}$	> 25% of revenue	> 15% of revenue	< 15% of revenue
E.	Asset Turnover ratio		$\frac{\text{Gross Revenue}}{\text{Total Assets}}$	>60%	>25%	<25%

Assessing Financial Position -- 1

One New Boat -Financed

1	Current Assets	125,724	-
2	Current Liabilities	105,681	-
3	Total Assets	296,512	-
4	Total Liabilities	167,365	-
5	Gross Revenue	88,054	1

	<u>Line</u>		
Debt to Asset ratio	4 / 3	$\frac{167,365}{296,512}$	56%
Current ratio	1 / 2	$\frac{125,724}{105,681}$	119%
Working Capital	$\frac{(1 - 2)}{5}$	$\frac{20,043}{88,054}$	23%
Asset Turnover ratio	5 / 3	$\frac{88,054}{296,512}$	30%

<u>Go</u>	<u>Caution</u>	<u>Stop</u>
	X	
	X	
	X	
	X	

Assessing Financial Position -- 2

Dock and Multiple Boats

1	Current Assets	377,306	-
2	Current Liabilities	183,400	-
3	Total Assets	1,420,426	-
4	Total Liabilities	333,400	-
5	Gross Revenue	466,008	1

	<u>Line</u>			<u>Go</u>	<u>Caution</u>	<u>Stop</u>
Debt to Asset ratio	4 / 3	<u>333,400</u> 1,420,426	23%	X		
Current ratio	1 / 2	<u>377,306</u> 183,400	206%	X		
Working Capital	<u>(1 - 2)</u> 5	<u>193,906</u> 466,008	42%	X		
Asset Turnover ratio	5 / 3	<u>466,008</u> 1,420,426	33%		X	

Assessing Financial Position -- 3

One Small Boat - Mostly Paid

1	Current Assets		30,042	-
2	Current Liabilities		16,667	-
3	Total Assets		73,163	-
4	Total Liabilities		36,667	-
5	Gross Revenue		55,182	1

				<u>Go</u>	<u>Caution</u>	<u>Stop</u>
Debt to Asset ratio	<u>Line</u> 4 / 3	<u>36,667</u> 73,163	50%		X	
Current ratio	1 / 2	<u>30,042</u> 16,667	180%	X		
Working Capital	<u>(1 - 2)</u> 5	<u>13,375</u> 55,182	24%		X	
Asset Turnover ratio	5 / 3	<u>55,182</u> 73,163	75%	X		

Assessing Financial Position -- 4 Multiple Boats - Paid For

1	Current Assets	388,501	-
2	Current Liabilities	415	-
3	Total Assets	544,996	-
4	Total Liabilities	14,729	-
5	Gross Revenue	445,777	1

	<u>Line</u>			<u>Go</u>	<u>Caution</u>	<u>Stop</u>
Debt to Asset ratio	4 / 3	<u>14,729</u> 544,996	3%	X		
Current ratio	1 / 2	<u>388,501</u> 415	93615%	X		
Working Capital	<u>(1 - 2)</u> 5	<u>388,086</u> 445,777	87%	X		
Asset Turnover ratio	5 / 3	<u>445,777</u> 544,996	82%	X		

Assessing Financial Position

<u>Boat</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Debt to Asset	56%	23%	50%	3%
Current Ratio	119%	206%	180%	93615%
Working Capital	\$20k	\$194k	\$13k	\$388k
ATO	30%	33%	75%	82%
Monthly Operating & Draws	\$8,000	\$40,000	\$4,000	\$36,000

Liquidity Gap

- **Measures the financial risk “cushion” of the business**
- **How much of a loss can the business fund**
- **Coke machine example**

What's your PLAN?

- To do your BEST
- To do ALL you can do

Setting Commodity Target Prices

Determine operating profit requirements

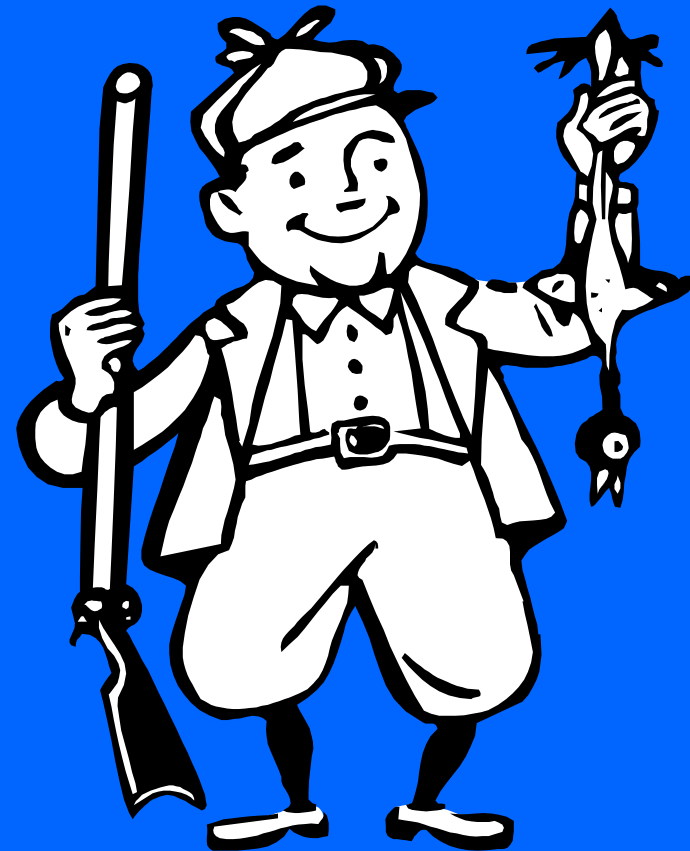
FLOID

Family Living & taxes

Operating expenses

Interest

Debt (principal)



Operating Profit

$$\begin{array}{r} \text{Revenue} \\ \text{Minus: } \underline{\text{Expenses} *} \\ \text{Equals: } \text{OPERATING PROFIT} \end{array}$$

* Except interest & depreciation

Operating Profit

- **Only four uses of Operating Profit**
 - **Interest**
 - **Family living & taxes**
 - **Principal**
 - **Asset investment**

Setting Commodity Target Prices

Develop and implement marketing plan

Are prices feasible?



Elements of Marketing Plan Development

- What do I need from the market?
- Where is the market now?
- What's the potential for price change
- What tools are available to manage market risk?
- How do my tools protect me as price changes?

Inventory of Resources & Talents

Resources:

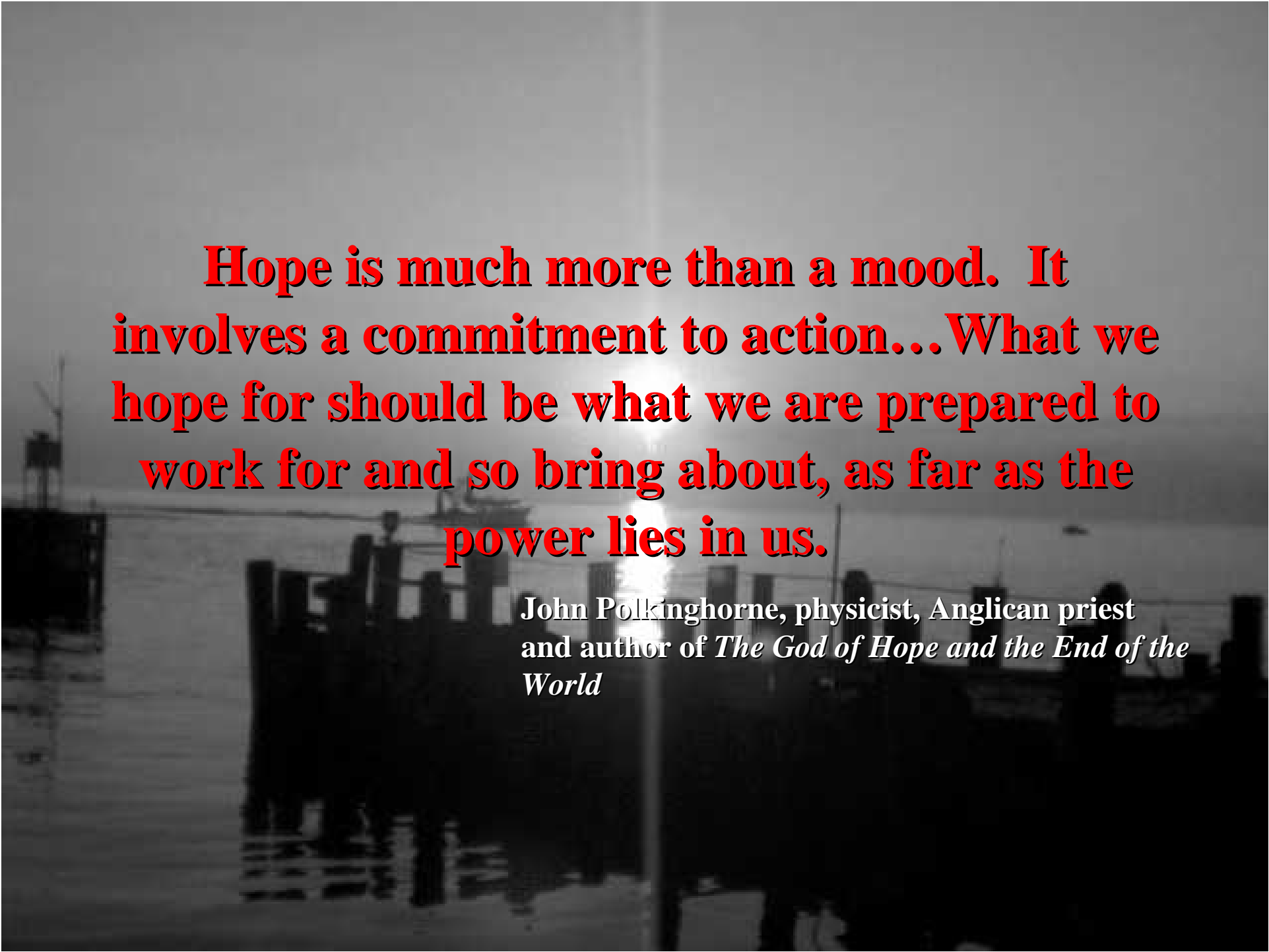
- **Hard assets/financial resources**
- **(on balance sheet)**
- **Knowledge, interest, & abilities drawn from management team**

Skill areas to consider

- **Production & Operations Management**
 - *High volume commodity production?*
 - *Niche market/value added products?*
- **Marketing**
 - *Traditional commodities?*
 - *Niche market, value added, wholesale, retail products?*
- **People Skills**
 - *Sole proprietorship?*
 - *Multiple employees?*
- **Money Management Skills**
 - *Hire accounting/financial services?*
 - *Self-management of finances?*

Other Resources

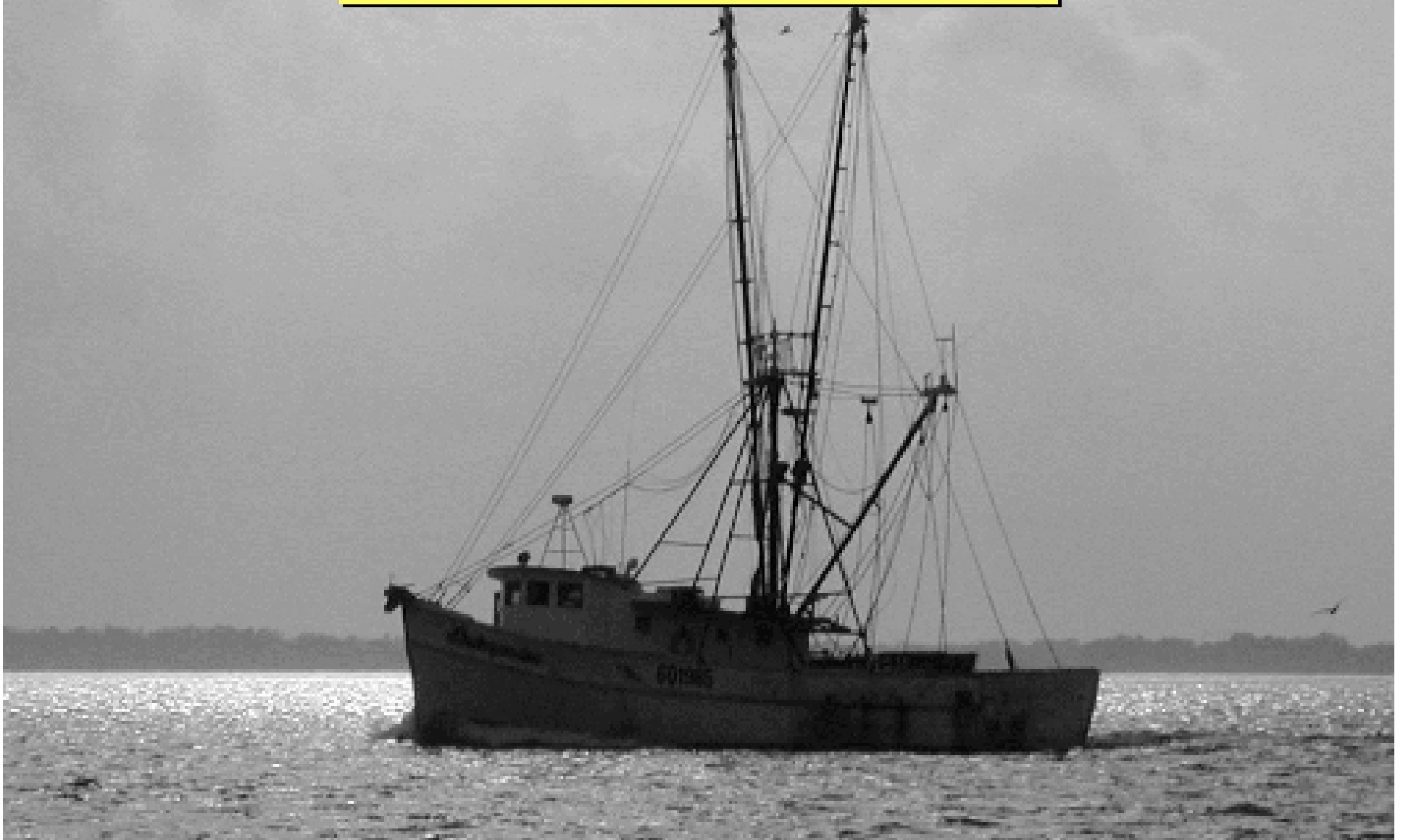
- **Physical assets, equity capital, borrowing capacity**
- **Summarize strengths & weaknesses**
- **For success:**
 - **Conduct financial assessment**
 - **Honestly answer resource and talent questions before investing more in the business operation**



Hope is much more than a mood. It involves a commitment to action... What we hope for should be what we are prepared to work for and so bring about, as far as the power lies in us.

John Polkinghorne, physicist, Anglican priest
and author of *The God of Hope and the End of the World*

Alternative Enterprises Education/Training



Alternative Enterprises

- Reasonably Convertible To
- Little Out of Pocket Expense
- Life Experiences
- Things You Already Have Tried

Commercial Fishing Alternatives

Crustaceans

- **Blue Crabs**
- **Golden Crabs**
- **Rock Shrimp**



Commercial Fishing Alternatives

Shellfish

- **Clams**
- **Oysters**
- **Scallops**
- **Whelks**
- **Octopus**
- **Squid**



Commercial Fishing Alternatives

Finfish

- **Snapper/Grouper - Buy In - Quota**
- **Wreakfish - Buy In - Quota**
- **Swordfish - Buy In - Closed Feb - Apr.- Quota**
- **Sharks - Buy In - Quota**
- **Shad - Possible - Ocean Closing**
- **Tuna - Buy In - Quota**
- **Eels - Pot License - Elvers Restricted**
- **King Mackerel - Moratorium**
- **Spanish Mackerel - Possible - Quota**

Alternatives Aquaculture

- **Clam Farming**
- **Softshell Crab Shedding**



Alternative Marketing

- **Eco-tourism Trips - Insurance**
- **Direct Marketing - Dock Space**
- **“You’ve made a marketing decision- *EVERY TIME* you leave the dock.”**

Alternatives Recreation

- **Guide Services - Offshore/Inshore**
- **Tour Boats**
- **Eco-tourism - Trawling - Insurance**
- **Birdwatching**
- **Island/Beachcombing**

Alternatives Trades

- **Marine Construction**
- **Boat Maintenance**
- **Mechanics - Diesel and Outboards**
- **Construction**
- **Tugs and Tenders**

Licenses

- **OUPV - 6 Pack - Operator of Uninspected Passenger Vessels <100 Miles**
- **Master's License - Coast Guard Inspected Vessels -**
- **25, 50 and 100 Tons - Experience**
- **Inland-360 Days Coastal-720 Days**
- **Towing Assistance Endorsement**

Education/Training

- **FSA Official Document - September**
- **TAA Employment Counseling**
- **Case Assessment**
- **Job Development**
- **Self-directed Job Search Services**
- **Education Services**

Education Assistance

- **Tuition**
- **Travel - >50 Miles One Way**
- **Books**
- **Up to 104 Weeks - Full Time**
- **Classroom, OTJ and Employer-based Training**
- **www.doleta.gov/tradeact/pdf/**
- **[factservices.cfm](#)**

6 Criteria for Training

- **No Suitable Employment**
- **Benefit from Appropriate Training**
- **Reasonable Expectation of Job**
- **Training Reasonably Available**
- **Qualified to obtain and complete**
- **Suitable and Available at a Reasonable Cost**

Education Assistance

- **Job Search Allowances**
- **Relocation Allowances**
- **Trade Readjustment Allowance**

SC Coordinator

- **Maria Anderson**
TAA, NAFTA-TAA Coordinator
South Carolina Employment Security
Commission
P.O. Box 1406
Columbia, SC 29202
Phone: 803-737-3096
Fax: 803-737-0140
Email: manderson@sces.org

Beaufort Workforce Center

- **Jannie L. Allen**
- **914 Boundary Street
Beaufort, SC 29901**

Phone: 843-524-3351

FAX: 843-524-0904

- **TelClaim: 843-986-0483**
e-mail: beaufort@sces.org

Charleston Workforce Center

- **Gary Crossley**
- **176 Lockwood Blvd.
Charleston, SC 29403**
- **Phone: 843-792-7026
FAX: 843-792-4005
e-mail: charleston@sces.org**

Georgetown Workforce Center

- **Brenda England**
- **2704 Highmarket Street
Georgetown, SC 29440**

Phone: 843-546-8581

FAX: 843-527-6586

TelClaim: 843-527-8309

Business Owner Assistance

- US DOC
- 50% Cost Sharing
- Business Plans
- Marketing Strategies
- Research & New Product Materials
- Marketing Materials
- www.taacenters.org/locations.html

When Should We Get A Check?

September, 2005

Could Be Earlier

Still Getting Petitions

NO FORM - NO \$

- **MUST Fill Out Form**
- **FSA ID # - Blank**
- **Commodity - SC Shrimp**
- **Petition # - P200400041**
- **You Keep Top 2 Copies**
- **You Turn in Top Copy to Local FSA**
- **We Keep Bottom 2 Copies**



THANK YOU!