Aquaculture Farm Financial Management During the Pandemic Webinar
April 3, 2020

Economic Assistance Programs

Paycheck Protection Program
The Paycheck Protection Program prioritizes millions of Americans employed by small businesses by authorizing up to $349 billion toward job retention and certain other expenses. Applications can be submitted starting today.

Small businesses and eligible nonprofit organizations, Veterans organizations, and Tribal businesses described in the Small Business Act, as well as individuals who are self-employed or are independent contractors, are eligible if they also meet program size standards.

- For a top-line overview of the program CLICK HERE
- If you’re a lender, more information can be found HERE
- If you’re a borrower, more information can be found HERE
- Final Borrower Application Form *NEW*
- Lender Electronic Data Form *NEW*
- Paycheck Protection Program – Interim Final Rule *NEW*
- To find a qualified lender, click here.

Paycheck Protection Program Resources
- SBA Paycheck Protection Program website
- Department of the Treasury CARES Act website

Small Business Administration
The U.S. Small Business Administration is offering all states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19). Click here for coronavirus relief loan options.

Economic Injury Disaster Loan
- The SBA’s Economic Injury Disaster Loans offer up to $2 million in assistance and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can’t be paid because of the disaster’s impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
- The SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower’s ability to repay.
- Click here to apply.
- For questions, please contact the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov.
Economic Injury Disaster Advance Loan
In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to $10,000.

This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available within three days of a successful application. This loan advance will not have to be repaid.

Apply for the Loan Advance here.

Other Coronavirus Assistance
Due to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are currently eligible to apply for a loan advance of up to $10,000.

The Express Bridge Loan Pilot Program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to $25,000 quickly. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan. If a small business has an urgent need for cash while waiting for decision and disbursement on an Economic Injury Disaster Loan, they may qualify for an SBA Express Disaster Bridge Loan.

Terms
- Up to $25,000
- Fast turnaround
- Will be repaid in full or in part by proceeds from the EIDL loan

The SBA provides a debt relief to small businesses as they overcome the challenges created by this health crisis.

Farm and Business Financial Analysis


Please note federal websites are being updated daily to reflect loan program changes to improve access or new programs authorized by the CARES Act. If a link no longer functions on these pages, go to the agency website and look for a coronavirus economic assistance program link.
Aquaculture Farm Financial Management During the Pandemic

Carole R. Engle
Engle-Stone Aquatic$ LLC
Adjunct, VA Seafood AREC
Virginia Tech University
Who would have thought 3 months ago that we would be where we are today…
Financially, how did we get where we are so quickly?

Revenue
There are no easy answers. There is no one answer that will work for everyone.

Let’s first briefly assess the overall context:

- We know the key problem:
- Lack of revenue = major cash flow deficits

1. New sources of cash
2. Reduce costs
What else do we know?:

Where are the opportunities?

- The economy was strong going into this.
- There is pent-up demand from people having to shelter at home.
- People need to eat.
- People need to stay away from others to buy food.
- People want to be outdoors in the nice weather.
Where are the market opportunities?

Rent an oyster?

Well, maybe not.

What about an oyster truck?

Fish delivered to your doorstep?
Can you sell online?
Can you partner with a neighbor who sells online?
Is there a way to invite people to safely come buy shellfish and fish from your farm?

With discounts, of course: your goal is to get some cash coming in.
The other side of the ledger is managing cash deficits in the absence of new cash revenue.
What kind of interventions will help you get out of this?

- Strong cost controls
- Not allowing operating loans to get out of control
- Off-farm income
Short-term

- Find out about the new programs coming out & how to access any federal or state financial relief being made available to businesses.
- Anything that provides cash, defers payments, defers expenses is a help.
New federal programs: Talk with your local lender

- CARES ACT
- Paycheck Protection Program (SBA) (provision for forgiveness)
- Advance Loan (SBA) (Economic Injury Disaster Loan) up to $10,000. Will not have to be repaid.
- Express Bridge Loan Pilot Program (SBA): up to $25,000; term or bridge.
- Small Business Debt Relief Program (SBA)

Be very certain to learn all the rules, what is eligible and what’s not & maintain eligibility for forgiveness!
Short-term: New federal programs

Make sure you’re signed up with all aquaculture news services:

- University Extension
- National Aquaculture Association
- Species associations (ECSGA; PCSGA; CFA, etc.)
- State aquaculture assoc. (MAA, CAA, OAA, etc.)
- State Depts. of Agriculture
- Farm Bureau
- Small Business Administration
Short-term cash management

• Delay large capital purchases i.e., new equipment.
• Slow expansion, renovations.
• Can you find other employment from home to generate short-term cash?
• Do you have any assets that could be sold to generate some cash?
• Can you sell some equipment? Maybe lease it back for less cash outlay.
Short-term cash management

• Talk with suppliers: may get extended terms.

• Choose which bills to pay carefully
  ✓ Payroll first
  ✓ Crucial suppliers second
  ✓ Ask others if payment can be skipped
  ✓ Or make a partial payment

Be very certain to stay within guidelines of all federal programs you are participating in – to maintain eligibility for forgiveness!
Short-term: What to do about loans?

- New borrowing (line of credit) is standard way of managing cash deficits.

But, care must be taken to not get so far into debt that you cannot get out.
How much debt is too much?

Debt-to-Asset Ratios as Early Warning

- <50%, Low Risk
- >50%, Moderate Risk
- >100%, High Risk
- Foreclosure

Year 1, Year 2, Year 3, Year 4
### Balance Sheet

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1. Current Assets</td>
<td></td>
</tr>
<tr>
<td>Cash on deposit</td>
<td>$15,849</td>
</tr>
<tr>
<td>Checking account balance</td>
<td>0</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>0</td>
</tr>
<tr>
<td>Fish inventory(^a)</td>
<td>$266,112</td>
</tr>
<tr>
<td>2. Non-Current Assets</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>$387,570</td>
</tr>
<tr>
<td>Ponds</td>
<td>$357,888</td>
</tr>
<tr>
<td>Wells</td>
<td>$48,000</td>
</tr>
<tr>
<td>Land</td>
<td>$210,432</td>
</tr>
<tr>
<td>3. Total Assets</td>
<td><strong>$1,285,851</strong></td>
</tr>
<tr>
<td><strong>Liabilities = Debts</strong></td>
<td></td>
</tr>
<tr>
<td>4. Current Liabilities</td>
<td></td>
</tr>
<tr>
<td>Payments on debt due &amp; payable over next year</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>$36,368</td>
</tr>
<tr>
<td>Real estate</td>
<td>$19,216</td>
</tr>
<tr>
<td>5. Non-Current Liabilities</td>
<td></td>
</tr>
<tr>
<td>Equipment loan</td>
<td>$84,858</td>
</tr>
<tr>
<td>Real estate loan</td>
<td>$134,772</td>
</tr>
<tr>
<td>6. Total Liabilities</td>
<td><strong>$275,214</strong></td>
</tr>
</tbody>
</table>

**Debt-to-Asset Ratio =**

\[
\frac{\text{Total Liabilities}}{\text{Total Assets}} = \frac{275,214}{1,285,851} = 0.21 \times 100 = 21\%
\]
<table>
<thead>
<tr>
<th>D/A Ratio</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 40% to 50%</td>
<td>Low risk</td>
</tr>
<tr>
<td>40% to 65%</td>
<td>Medium risk</td>
</tr>
<tr>
<td>&gt; 65%</td>
<td>High risk, but don’t panic</td>
</tr>
<tr>
<td>&gt; 100%</td>
<td>Banks get worried; might begin to talk about calling in loan</td>
</tr>
</tbody>
</table>
More on new loans: 
terms of lending

1. Interest rate (%; fixed, variable)
2. Length of loan (no. of months, years)
3. Repayment schedule
4. Payments
5. Collateral

But have a detailed cash flow budget that you use to evaluate the trade-offs.
# Cash Flow Budget

Normally, I would not show you a slide with a large amount of numbers, but for those of you who do not keep cash flow budgets, it’s important to have an idea what one looks like.

<table>
<thead>
<tr>
<th>Item</th>
<th>Jan.</th>
<th>Feb.</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts, $ inflow</td>
<td>24,500</td>
<td>24,500</td>
<td>24,500</td>
<td>101,500</td>
<td>52,500</td>
<td>73,500</td>
<td>644,000</td>
</tr>
<tr>
<td>Operating Cash Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feed</td>
<td>2,783</td>
<td>5,565</td>
<td>5,565</td>
<td>19,479</td>
<td>13,913</td>
<td>44,522</td>
<td>278,264</td>
</tr>
<tr>
<td>Fingerlings</td>
<td>0</td>
<td>36,416</td>
<td>36,416</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>72,832</td>
</tr>
<tr>
<td>Labor</td>
<td>3,245</td>
<td>3,245</td>
<td>3,245</td>
<td>3,245</td>
<td>4,766</td>
<td>5,780</td>
<td>50,700</td>
</tr>
<tr>
<td>Gas, fuel, oil</td>
<td>1,137</td>
<td>568</td>
<td>568</td>
<td>568</td>
<td>947</td>
<td>1,516</td>
<td>18,944</td>
</tr>
<tr>
<td>Electricity</td>
<td>1,137</td>
<td>1,137</td>
<td>1,705</td>
<td>2,273</td>
<td>2,842</td>
<td>5,683</td>
<td>56,832</td>
</tr>
<tr>
<td>Repairs</td>
<td>2,980</td>
<td>497</td>
<td>993</td>
<td>993</td>
<td>1,242</td>
<td>2,483</td>
<td>24,832</td>
</tr>
<tr>
<td>Telephone</td>
<td>215</td>
<td>215</td>
<td>161</td>
<td>269</td>
<td>269</td>
<td>215</td>
<td>2,688</td>
</tr>
<tr>
<td>Farm insurance</td>
<td>518</td>
<td>518</td>
<td>518</td>
<td>518</td>
<td>518</td>
<td>518</td>
<td>6,476</td>
</tr>
<tr>
<td>Legal/accounting</td>
<td>156</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>1,562</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>14,386</td>
<td>50,304</td>
<td>51,427</td>
<td>34,936</td>
<td>29,937</td>
<td>66,655</td>
<td>567,233</td>
</tr>
<tr>
<td>Loan payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>208</td>
<td>150</td>
<td>433</td>
<td>742</td>
<td>267</td>
<td>0</td>
<td>3,425</td>
</tr>
<tr>
<td>Principal</td>
<td>7,000</td>
<td>0</td>
<td>0</td>
<td>57,000</td>
<td>32,000</td>
<td>0</td>
<td>141,000</td>
</tr>
<tr>
<td>Total Cash Outflow</td>
<td>21,594</td>
<td>50,454</td>
<td>51,860</td>
<td>92,678</td>
<td>62,204</td>
<td>66,655</td>
<td></td>
</tr>
<tr>
<td>Cash available</td>
<td>2,906</td>
<td>-23,048</td>
<td>-16,409</td>
<td>29,414</td>
<td>19,710</td>
<td>26,555</td>
<td></td>
</tr>
<tr>
<td>New Borrowing</td>
<td>0</td>
<td>34,000</td>
<td>37,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Terms: Interest rate

• Generally the lower, the better.
• But fixed rate loans tend to have higher interest rates, but less risk to your business over time.
• Variable rate loans: often lower rates, but will only go up over time because interest rates are so low right now.
Terms: Length of loan term

- Lower payments
  - Greater total interest
- Greater payments
  - Less total interest

Longer term    Shorter term

Operating loans:
Lenders & their examiners traditionally want them repaid in less than 12 months.
Terms: Repayment schedule

- Ask for deferred payments.
  - But have a plan (based on cash flow budget) to show how you will make those payments.
  - Auto dealers offering 90 days of deferred payments on new cars.
Terms: Payments

- Amount of each payment depends on:
  - Interest rate
  - Term (length, in months, yrs.)
  - Number of payments

- Use your detailed cash flow budget to determine when and how much you can pay on loans

- Beware of balloon payments
Terms: Collateral

- Frequent types:
  - Land
  - Equipment, boats
  - Other personal assets

- Think long and hard before using your home for collateral
Short-term:
If you have existing loans:

Schedule virtual meeting or call with your loan officer

- Have a well-thought out cash flow budget for this year that shows not just current cash deficits, but those that are coming
- Review loan payment schedules for the coming months
- Talk about re-scheduling payments, deferring payments
- Keep your loan officer informed
Keys to getting through the coming months.

- Get your financial records in order
  - Federal programs will require business owners to keep detailed records: on sales, revenue, expenses, labor, & how they compare to business as usual

- Will improve accuracy in assessing your options now and throughout the coming year
Keys to getting through the coming months.

- Project out various scenarios for the coming months (3, 6, 9, 12)
  - Develop cash flow budget(s)

- Know what your shortfall will be

- Use projections to think about making ends meet now & what that will mean a year from now
Resources:
Southern Regional Aquaculture Center
Fact Sheets

https://srac.tamu.edu

4403: Liquidity, cash flow budgets
4400: Introduction to financial analysis
4401: Financial position, balance sheet
4402: Profitability, income statement

University Extension Specialists
State Aquaculture Associations
Small Business Administration
All participants in today’s webinar will be emailed a Tip Sheet with helpful links to federal programs and the SRAC fact sheets on Cash Flow and Balance Sheets.

Please let us know if there are additional webinar topics that would be helpful to you.
Thanks to:

Paul Zajicek
National Aquaculture Association

LaDon Swann
NOAA Sea Grant

For organizing & hosting this webinar.
Questions and Comments?

Carole R. Engle
cengle8523@gmail.com
Helpful Links:

Paycheck Protection Program:

Small Business Administration:
www.sba.gov/local-assistance/find/?type=SBA District Office&pageNumber=1

CARES ACT
https://home.treasury.gov/cares