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fisheries areas network

Looking at the business plan: how can the FLAG check if the business proposal makes sense?

What do you need to understand about a business plan?

As a FLAG you may need to advise your local businesses, and sometimes to assess their business plans. For this you need to understand at least:

1. What is the project idea? Does it make sense?
2. Will the entrepreneur find a market for it?
3. Can he/she make money out of it – or at least cover the costs?

For the more technical parts of the business plan you may need expert support!

Imagine a fisherman comes to the FLAG with a business idea...





1. The idea

My pal and me – 2 fishermen – would like to sell part of our catch to the fish frying stands in the tourist harbour of Aquar.



For this, we need a cooling van. Citroen Jumper, worth about €20.000. We can put up €10.000 ourselves (5000 each) and we need to find the other €10.000.



Let's start from the beginning. What would you like to achieve?



We'd like to get a better price for our fish by shortening the supply chain. We talked to the fish frying stands in Aquar; most of their fish is deep-frozen, but the customers often ask for fresh fish. They're interested to use fresh fish if they could rely on regular supplies.

The two of us together, we can ensure about 200 kg of fish per day. We'd get a much better price than at the auction:
€3 per kg, compared to €1 – 1.5 per kg we are getting today.



Yes, but there is a risk: we would have higher costs of fuel and repairs – and it may spend more time at the garage.

Can't you buy a cheaper van, does it have to cost €20.000?



Who will drive the van?



The other fisherman, Ed, has a son who has the right kind of driving licence. He's done a similar job for a local grocery for the last 2 years.



When do you want to start?

The season starts in May. The highest number of tourists come in July and August.

It means you should already negotiate with the fish-frying stands as of March and have the contracts signed in April.



What other questions
would you like to ask about
the project?



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2. The market

Tell me more about the stands which will buy your fish. How many of them would be interested?



There are about 60 fish-frying stands, bars and little restaurants on the beach. Each sells about 50 kg of fish a day. Most of the fish comes from far away and is deep-frozen.



Some 20% of their raw material is fresh fish, but the quality is not satisfactory. They would be very happy to buy fresh fish of good quality. So far we talked to 3 stand owners, they say other fish bars in Aquar will all be interested.

So how much fish do you think you can sell?

The total fish used daily is ca. 3000 kg. If half of it is fresh, they will need 1500 kg per day. We can supply some 200 kg per day, ca. 14% of the market.

Is the price of €3 per kg realistic?



That's the price at which they are currently buying their frozen fish from the wholesaler. We can get it if we provide good quality fresh fish every day.



Any other questions about
the market?



3. The money

So you hope to sell 200 kg of fish each day? And what would be your costs?



Fixed costs

	per month	whole season (5 months)
Driver	1.400	
Fuel	300	
Car maintenance	300	
TOTAL		

And your expected income?



Expected income

Additional income (as compared to selling fish at the auction)	€1.4 per kg
Sales per day	200 kg
Number of days in the tourist season	150
Income:	

Is this realistic? Can you really sell 200 kg of fish every day for 5 months?



Well... Perhaps not... July and August perhaps, but the rest of the season there will be fewer people, some stands will be closed...

Let's see how much you would need to sell in order to cover your fixed costs. Ideally a little more, to pay back your share of the van!

Covering the costs (break even):

Sales in July-August	6000 kg
Sales in May, June and September	1800 kg
Total sales	
Total income	

But maybe some costs, e.g. fuel, will be lower with lower sales? This will leave us around €1000 income per season – before tax!



So, you would have to make sure that you sell at least 7800 kg in a season, only to cover your costs.



You need to talk to all the fish bar owners and see if they are willing to sign a contract with you for at least this amount – then perhaps it makes sense to get your van.

But be careful! It is not easy to get 14% of the market in the first year. And next year you may already face competition, other people may want to follow you! You have to maintain good relations with your customers and keep an eye on quality.



You should also look for ways to get some extra income. Perhaps talk also to restaurants from the area of Aquarex, it's a bit further from the shore and their demand is less seasonal. Maybe your van can be used to drive flowers or food off season?

So what do you think about this business proposal? Would you support it?

Optimists vs. pessimists



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Thank you for your attention!

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