



## AQUACULTURE FACT SHEET

Sea Grant is a unique partnership between the nation's universities and its primary ocean agency, the National Oceanic and Atmospheric Administration (NOAA). Connecticut Sea Grant, based at the University of Connecticut, collaborates with maritime industries and coastal communities to identify needs, and fund research, outreach, and educational activities that have special relevance to Connecticut and Long Island Sound. Its mission is to foster the wise use and conservation of our nation's coastal and marine resources.

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# Financing the Aquaculture Operation

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## Financing the Aquaculture Operation

Obtaining capital for aquaculture can be a formidable task for current and prospective aquaculturists. Major problems are the perceived high risk and high investment nature and low return on investment associated with aquaculture.

Individuals considering commercial aquaculture should be financially sound because the capital investment can be higher than for most other agricultural enterprises. Prospective producers should not start aquaculture production under-capitalized or unsure of needed funds. Unexpected cash flow needs or capital equipment requirements may cause the operation to fail.

Credit is available for aquaculture and for a variety of purposes, including farm ownership and facility construction, and for operating or producing the product. A loan may be direct, insured, or guaranteed.

Most lenders are unfamiliar with aquaculture. In areas where aquaculture is unproven or a successful track record has not yet been established, lenders are usually cautious with new operations, and financing may be difficult to obtain. The education of the lender as to production, financial and marketing factors associated with aquaculture should become a priority.

Lending criteria and requirements for aquacultural credit are generally varied. Profitability and return on investment, while important, are not the only criteria that influences the decision-making process. Aquaculture risks and individual risks are also considered. Other factors include the character of the borrower, repayment capacity, collateral, equity capital, and the business or nature of the enterprise.

The prospective borrower should have adequate collateral for the amount of the loan requested. The borrower must provide current, accurate financial statements and supporting records, prepared with professional assistance. A balance sheet with supporting schedules and inventories is essential. A projected income statement and a projected cash flow for the business are needed. A 3- to 5-year projected cash flow period may be required. Use realistic figures that represent average values rather than inflated figures that are unlikely to be obtained. The financial analysis should reflect the specific farm situation. The borrower must provide a marketing plan explaining to whom, at what price, and how the product will be marketed. Letters of reference from professionals or from seafood brokers or other market customers in support of the business can be helpful. Any actual experience producing the product commercially or any participation in educational programs on aquaculture should be noted. The character of the principals in the business is of major interest to the lender. The producer must be willing to keep records, keep the lender informed, and listen to and work with the lender.

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Once credit is obtained, properly managing the credit becomes a major challenge in the business. Three basic financial statements—balance sheet, income statement and cash flow statement—are tools used to monitor the financial strength of your business. A successful business must exhibit strength in repayment ability and capacity, liquidity and solvency, and profitability and financial efficiency.

The following agencies may be able to assist you in developing and/or financing your aquaculture operation:

The **Farm Service Agency (FSA)**, housed within the United States Department of Agriculture (USDA), among its many services, provides:

- pilot programs for farmland purchase
- farm loans
- disaster assistance

Connecticut State FSA Office  
344 Merrow Rd Suite B  
Tolland, CT 06084  
(860) 871-2944 / fax (860) 871-4184  
<<http://www.fsa.usda.gov/ct/>>

The **Connecticut Farm Bureau Association (CFBA)** is a non-profit volunteer organization serving the states farmers. CFBA provides:

- “Farming For Me,” a small business development program
- technical assistance

Connecticut Farm Bureau Association  
510 Pigeon Hill Road  
Windsor, CT 06095-2141  
(860) 298-4400 / fax (860) 298-4408  
<<http://www.cfba.org/>>

The **Connecticut Small Business Development Center (CSBDC)** is a statewide organization funded by the Federal Government through the U.S. Small Business Administration (SBA), the State Government through the University of Connecticut, and the private sector. The CSBDC provides:

- business counseling without charge to the small and medium-sized business community
- counseling assistance and educational workshops for business planning, financial analysis, loan packaging, marketing, and management.

Conn. Small Business Development Center  
University of Connecticut  
2100 Hillside Rd. Unit 1094  
Storrs, CT 06269-1094  
(860) 486 4135 / fax (860) 486-1576  
<<http://www.business.uconn.edu/csbdc/>>

The **SouthEastern Connecticut Enterprise Region (seCTer)** is a non-profit economic development corporation serving New London County. SeCTer provides:

- business incubator
- loan funds and financial assistance

SouthEastern Connecticut Enterprise Region  
190 Governor Winthrop Boulevard, Suite 300  
New London, Connecticut 06320  
(860) 437-4659 ext. 204/ fax (860) 437-4662  
<<http://www.secter.org/>>

The **Connecticut Business Response Center**, an office of the Connecticut Department of Community and Economic Development can assist in:

- technical assistance for business development
- financing options
- licensing requirements

Connecticut Business Response Center  
Toll-free: 1-800-392-2122  
or visit the web site:  
<<http://www.youbelonginct.com>> and click on the tab for “Doing Business in Connecticut.”

