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Hot Boat Market Swells Demand for Loans

By Margaret Bauman

A hot market for new fishing vessels, coupled with increasing prices for Alaska seafood, has the Alaska Commercial Fishing and Agriculture Bank (www.cfabalaska.com) busy with requests from potential borrowers, says Lea Klingert, president and chief executive officer.

The member-owned cooperative, founded 30 years ago, is seeing requests for loans from \$300,000 for new drift gillnetters for the Bristol Bay sockeye salmon fishery up to \$2 million for limit seiners, the 57-foot vessels used for salmon, herring, crab and bottom fish harvesters in Southeast Alaska, Klingert said.

CFAB's stated vision is to be the premier lender to the commercial fishing, agriculture, timber, tourism and resource based industries in Alaska. In fact, 95 percent of its loans are to the fisheries industry.

"The boat market is pretty hot right now," she said, in a telephone interview from her Anchorage office. "It's supply and demand. There aren't a lot of boats available, so a lot of boat builders are pulling out their old molds and starting to ramp up again."

For several years, because the commercial fishing industry was in distress, these boat builders had switched to building yachts and pleasure boats, but now they are taking a renewed interest in commercial fishing vessels, she said. Most of these builders are in Washington State, but there are others in Homer and one in Anchorage, she said.

CFAB, as the cooperative is commonly known, is seeing requests from



Last month Little Hoquiam Shipyard in Hoquiam, Washington launched the 58-foot by 23-foot shallow draft seiner-longliner F/V *Invincible* for owner and captain Phil Fogle. Photo by Tom John's, courtesy of Little Hoquiam Shipyard.

people who are selling their old boat and buying a new one for reasons of size and capacity, she said.

"The price of vessels, because of the cost of materials, has gone up considerably," she noted.

CFAB, which is owned by its membership, is a cash flow lender. "Theoretically, CFAB's lending policies would allow the cooperative to do 100 percent loans, if CFAB felt it was appropriate, Klingert said. "But realistically we want them to have some investment themselves. We want the borrower to have something at risk, so average loans are 80 percent," she said.

Asset based lenders will use pri-

marily the value of collateral in deciding whether to okay a loan and the amount of that loan. CFAB's guideline is the historical cash flow or earnings of the borrower and the borrowers's demonstrated ability to repay the loan.

While the first decade of its existence was sometimes a rocky one financially, CFAB has gotten over the hump and now has a pretty strong portfolio, worth some \$25 million, with a very low delinquency rate. "We kind of fine tuned it after 30 years and, to be fair, the industry is probably in one of its strongest places right now, Klingert said.

While the lean years of the commercial fishing industry have their finan-

cial issues, it's the euphoria of the really good years that are most challenging, she said. In good economic times, the tendency is to see only the upside of the industry and not to prepare for the downside, she said.

Still, there is this issue of lending to folks who may have a lot of hands-

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Lea Klingert, president and chief executive officer, Alaska Commercial Fishing and Agriculture Bank

on experience in harvesting and vessels, but little practical experience in the business end of fisheries.

Klingert said that CFAB tries to rely on a number of resources in the industry to help educate potential borrowers, including the Alaska Sea Grant Marine Advisory Program, which organizes an annual Young Fishermen's Summit in Anchorage.

The event allows young fishermen

to network with their peers and to hear from people directly involved in harvesting, processing and marketing, and learn directly from the experience of successful commercial harvesters like Linda Behnken of the Alaska Longline Fishermen's Association at Sitka, Al Burch of the Alaska Whitefish Trawlers Association at Kodiak and Robin Samuelsen, president and chief executive officer of the Bristol Bay Economic Development Corp. at Dillingham. They also garner insight into what markets want from folks like Gunnar Knapp of the University of Alaska Anchorage's Institute of Social and Economic Research, Joe Egemo of Copper River Seafoods, and representatives from the Alaska Seafood Marketing Institute.

Since CFAB is a cooperative, all borrowers must become members of CFAB, and their transactions in turn benefit themselves and other members in Alaska's small business community.

The Bristol Bay Economic Development Corp. also has programs to train fishermen on the business side of the industry, she said.

"They give them a business education. They make sure they are filing their taxes. We do provide coaching, but we can't get too close or it is a conflict of interest."

CFAB got its start back in the 1970s,

when the Alaska Legislature chose to address the problem of access to credit by resident Alaska commercial harvesters of seafood, along with fish processors and farmers. The state initially purchased \$32 million in CFAB preferred stock. That stock has since been repurchased by CFAB over a period of years, and today the cooperative is owned entirely by the member/borrowers.

It's been a real learning curve, Klingert said.

The catch for the seafood industry has been that this is an industry where paydays are few and to be successful, commercial harvesters must know how to manage that lump sum money until the next payday, which could be months away.

"It isn't necessarily the highliners or top producers who end up with the best financial success, she said.

One advantage CFAB has is that people who borrow from the cooperative who do hit a rough patch financially can get help from CFAB, so long as there is an open dialogue and a commitment to honor the loan. "If there is an open dialogue and commitment on the part of the borrower, we can work with them to get through some of these issues," she said. "Our focus is concentrated (on fisheries, agriculture and tourism) so we can help them." 🐟

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