

FISHERIES LOAN FUND

fiscal year 1960



FISH AND WILDLIFE CIRCULAR 123

UNITED STATES DEPARTMENT OF THE INTERIOR
FISH AND WILDLIFE SERVICE
BUREAU OF COMMERCIAL FISHERIES
WASHINGTON 25, D.C.

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ANNUAL REPORT OF FISHERIES LOAN FUND FISCAL YEAR 1960

The Fisheries Loan Fund was authorized by Section 4 of the Fish and Wildlife Act of 1956 (16 U.S.C. 742c) and operations were begun during fiscal year 1957. It is a revolving fund to be used for loans for financing and re-financing of operations, maintenance, replacement, repair and equipment of fishing gear and fishing vessels, and for research into the basic problems of fisheries. Appropriation of \$20 million has been authorized and \$13 million has been appropriated for operating the program. Background and historical information regarding the Fund can be found in the Annual Report of Fisheries Loan Fund, fiscal year 1957, published as Fish and Wildlife Circular 103; for fiscal year 1958, Fish and Wildlife Circular 106; and for fiscal year 1959, Fish and Wildlife Circular 113.

Factors that affect the economic health of the fisheries have a direct bearing on the operation of this program. Conditions in many of the fisheries improved in the latter part of fiscal year 1960. The major exception was the fishing for industrial species, for heavy landings of menhaden in fiscal year 1959, coupled with increased world production, exerted a marked downward pressure on prices. Shrimp prices hit a 3-year low in October 1959, but had made a sharp recovery by the end of fiscal year 1960 and nearly reached the level prevailing before the slump began a year earlier. Conversion of tuna clippers (bait boats) to purse seiners gained momentum as the converted vessels

continued to demonstrate their worth by reversing the trend of losses which had plagued the tuna fishery for several years.

STATISTICS OF THE COMMERCIAL FISHERY, 1960

During the calendar year 1960 the catch of fish and shellfish declined slightly to 4.9 billion pounds; however, in only 2 previous years have the 1960 landings been exceeded. Landings of menhaden, Alaska herring, Pacific sardines, and other species used in the manufacture of industrial products declined sharply because of depressed markets. New record highs were recorded in the clam, crab, sea scallop, and halibut fisheries. The total value of \$347 million to the fishermen, about the same as in 1959, was \$11 million below the previous 10 year average. The tuna fishery made a spectacular recovery due to conversion of most of the clipper fleet to purse seiners, using power blocks and nylon nets. More trips and lower expenses have restored this fishery to profitable operation. The shrimp fishery remained in first place in value with landings worth \$67 million, or about 20 percent of the total amount paid to vessel owners and crews.

Table 1 shows the number of fishing craft and fishermen by regions for 1959. Complete data are not available for 1960. The last half of calendar year 1959 constituted the first half of fiscal year 1960.

Table 1.--Vessels, boats and fishermen--United States and Alaska, 1960

Area	Vessels ¹		Boats ¹	
	Number	Fishermen	Number	Fishermen
North Atlantic.....	2,542	11,434	25,963	37,757
Southeast.....	4,897	16,278	15,001	20,865
Pacific Northwest.....	2,099	6,568	3,741	7,522
California.....	1,420	6,022	1,332	2,186
Great Lakes and Mississippi River....	511	1,497	10,304	12,348
Hawaii.....	64	343	263	345
Alaska.....	1,999	6,345	4,053	5,121
Total, exclusive of duplication ² ...	12,109	42,920	60,620	86,065

¹ Boats are less than 5 net tons. Vessels are 5 net tons or more.

² Some duplication results where vessels fish from several ports.

ORGANIZATION AND STAFF

The organizational position of the Office of Loans and Grants directly under the Director of the Bureau of Commercial Fisheries was changed to that of a Branch of Loans and Grants in the Division of Resource Development during fiscal year 1960. The organization within the Branch remained unchanged. There were no changes in number and location of field offices. Four full-time and one half-time professional employees and two full-time clerical employees op-

erated in the field under line supervision of Area and Regional Offices of the Bureau of Commercial Fisheries. Three professional and three clerical employees continued to handle loan functions in the central office. The financial specialist detailed from the Small Business Administration in fiscal year 1959 transferred to the Branch to plan the operation of the Fishing Vessel Mortgage Insurance Program, which was to be effective soon after the end of the fiscal year. An organizational chart (fig. 1) shows the organization of the Branch of Loans

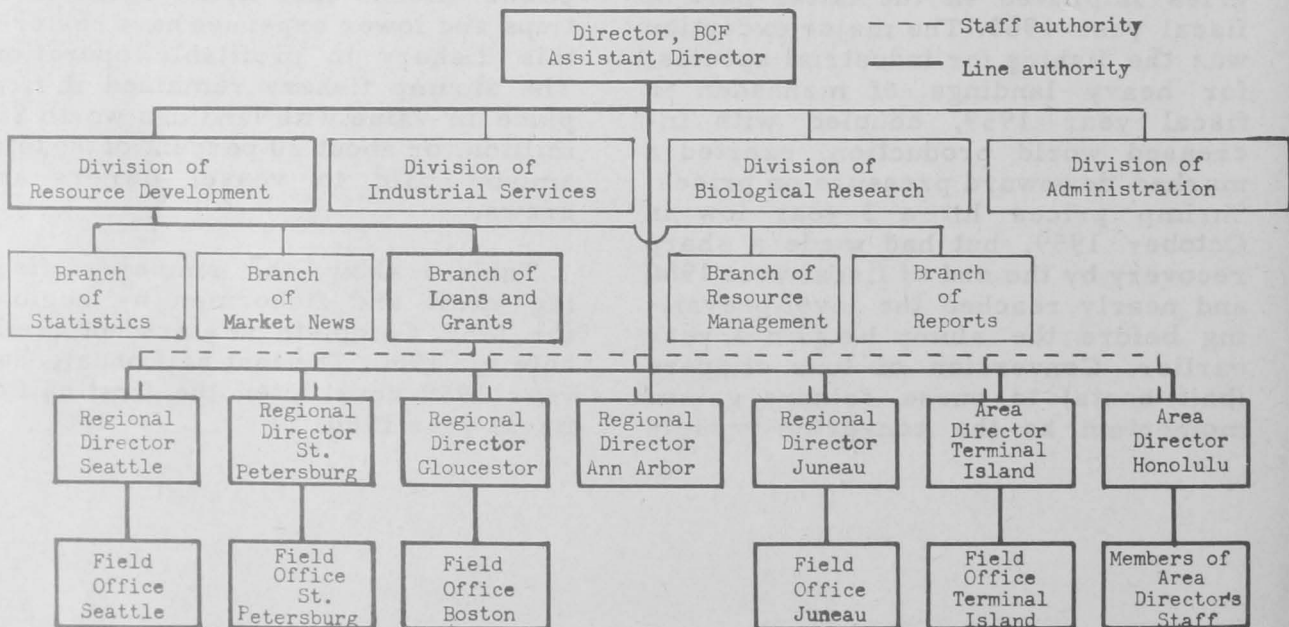


Figure 1.--Branch of Loans and Grants organization chart, June 30, 1960.

and Grants at the end of June 1960. Instructions for field offices were prepared in manual form to provide easy access to information about procedures and policies which had not been previously assembled for ready reference. Also, the Guidelines for the use of personnel engaged in loan work were clarified.

STATUS OF THE LOAN FUND

During the fiscal year 1960, 191 applications requesting \$5,329,000 were received; in the previous fiscal year, the total was 137 for \$2,569,000. The increased number and value of applications were centered mostly in the Alaska salmon, Gulf shrimp, and Pacific tuna fisheries. Sixteen applications for \$1.6 million to convert tuna clippers (bait boats) to purse

seiners were received. During the year, 104 loans totaling \$2,210,000 were approved, and 51 applications (\$1,620,000) were declined. The average size of approved loans during fiscal year 1960 was \$21,250, compared with \$19,145 for the previous fiscal year. Since the initiation of the Fisheries Loan Fund, 777 applications (\$24,200,000) have been received. Of these, 422 (\$9,930,000) were authorized, 201 (\$5,900,000) were declined, and 22 (\$1,620,000) were being processed at the end of the fiscal year. The remainder were withdrawn by the applicants or found to be ineligible. Since the beginning of the program, 26 percent of the loans approved have been for \$5,000 or less, 21 percent between \$5,000 and \$10,000, and 17 percent between \$10,000 and \$20,000. Only 2 percent exceeded \$100,000 each. The North Atlantic area led with 38

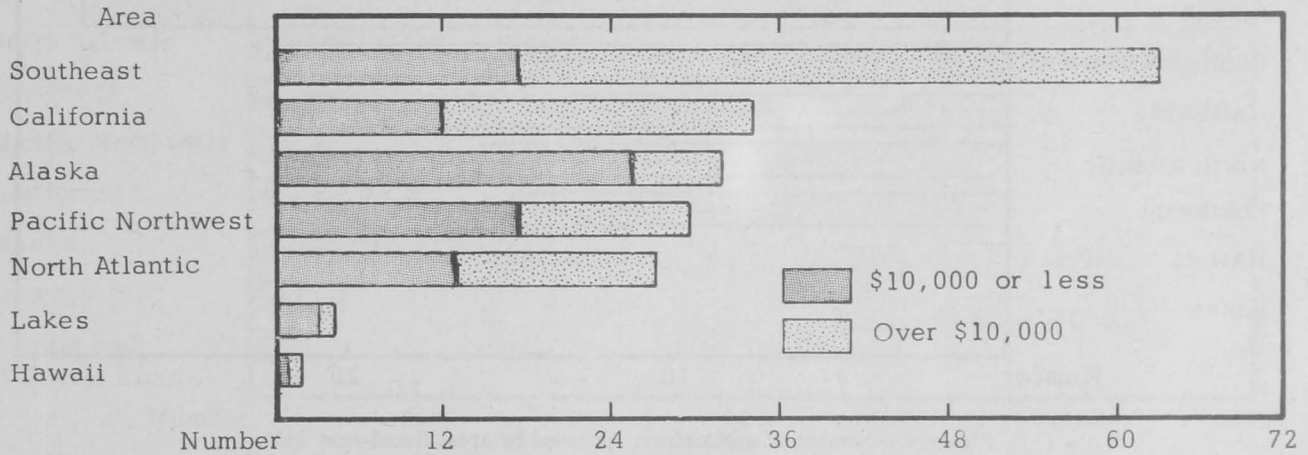


Figure 2.--Number of applications received by area, fiscal year 1960.

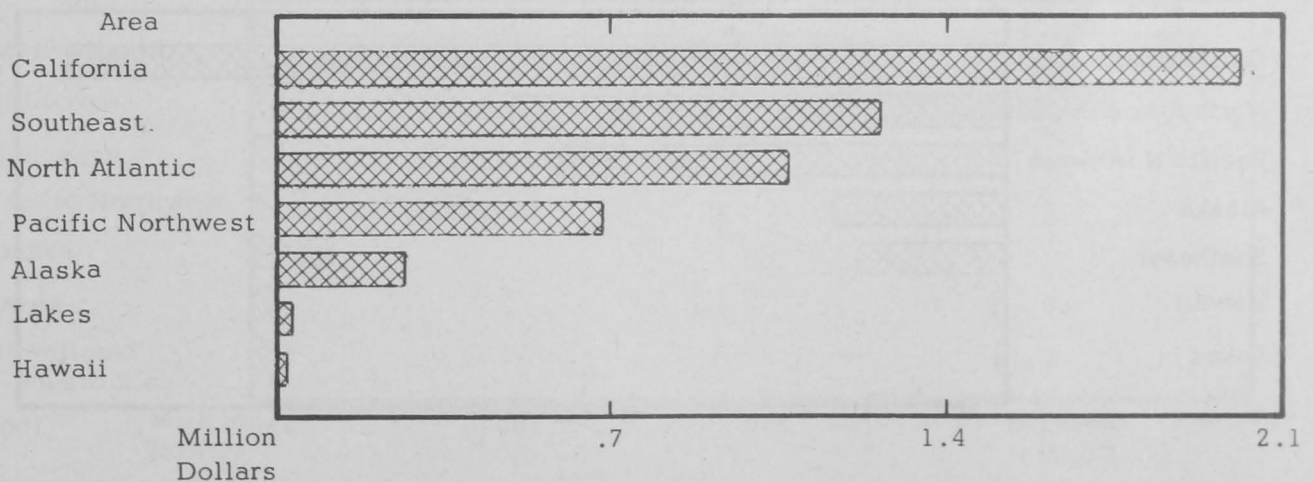


Figure 3.--Value of applications received by area, fiscal year 1960.

percent of the amount loaned, followed by California with 29 percent, the southeastern area with 16 percent, and the Pacific Northwest with 11 percent.

Figures 2, 3, 4, and 5 show the number and value of applications received and approved by areas during the fiscal year, and figures 6, 7, 8, and 9 provide similar information for the fiscal years 1957 to 1960, inclusive. Figures 10 and 11 show the total number and value of applications received and approved for each of the last 4 fiscal years.

The status of the fund as of June 30, 1960, was as follows:

Amount appropriated..	\$13,000,000
Interest collected and accrued ¹	544,000
Principal collected ¹ ...	1,939,000
Total available.....	15,483,000

Administrative expenses ¹	693,000
Net loans authorized ² ..	8,382,000
Total obligations ¹ ...	9,075,000

Amount available for new loans	6,408,000
Application for loans pending	1,623,000

¹ Since beginning of program.

² This represents the total loans authorized minus authorizations cancelled after approval at applicant's request.

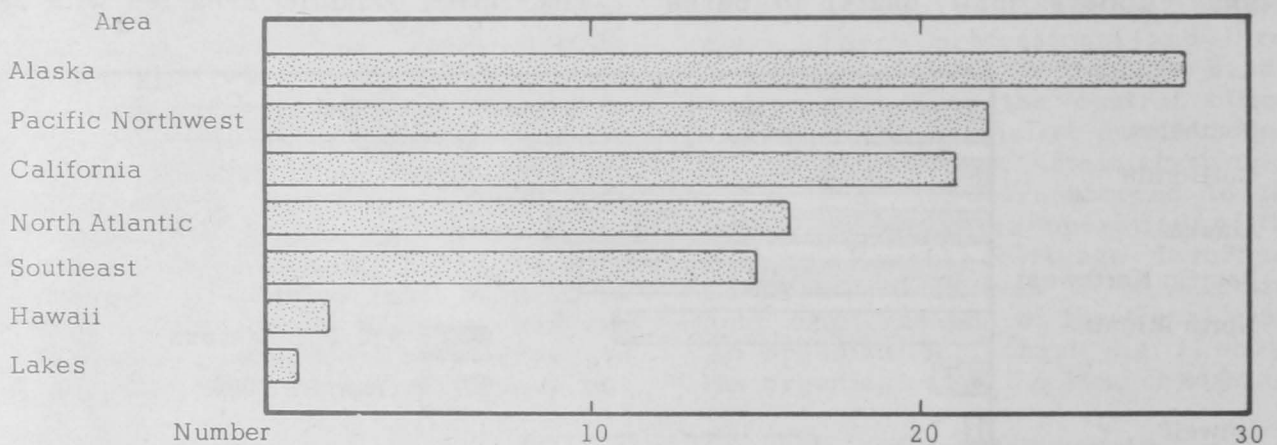


Figure 4.--Number of applications approved by area, fiscal year 1960.

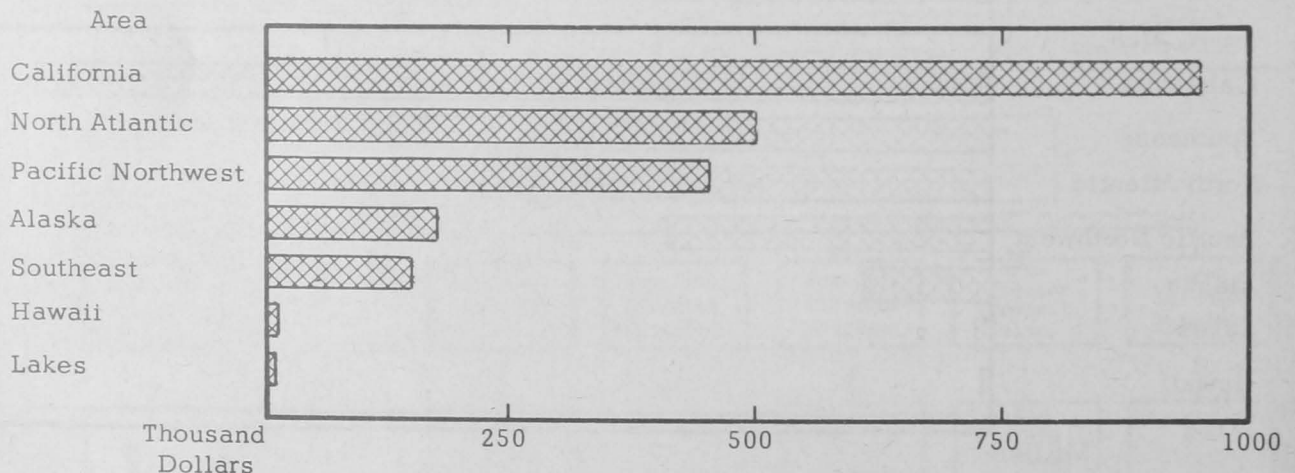


Figure 5.--Value of applications approved by area, fiscal year 1960.

Five percent simple interest is charged on all fisheries loans. Payment of principal and interest are returned to the revolving fund for use in making loans and for administrative expenses. All administrative expenses are paid from the fund. A limitation on the amount which can be spent each year for this purpose is carried in the Department of Interior Appropriations Bill. During the fiscal year of 1960, this limit was \$250,000. Expenditures for administrative expenses during the year were \$207,732.

During the fiscal year, seven loans were declared in default and turned over to the Department of Justice for collection. From the beginning of the program, 21 loans have been declared in default. Five of these defaults have been remedied. Six of the remaining

16 are in the South Atlantic and Gulf, five in New England, three in California, and one each in the Pacific Northwest and Alaska. Estimated losses total \$173,000 or slightly over 1 percent per year of the average net loans outstanding.

USE OF PROCEEDS OF LOANS

Through June 30, 1960, loans totaling \$8,382,000 had been authorized. Of this amount 50 percent was used for refinancing mortgages and maritime liens, 47 percent for repairs, replacement, and improvements, and 3 percent for miscellaneous purposes. Replacement vessels and conversion of vessels from one type of fishing to another accounted for 18 percent of the total; new engines, for 11 percent; repairs

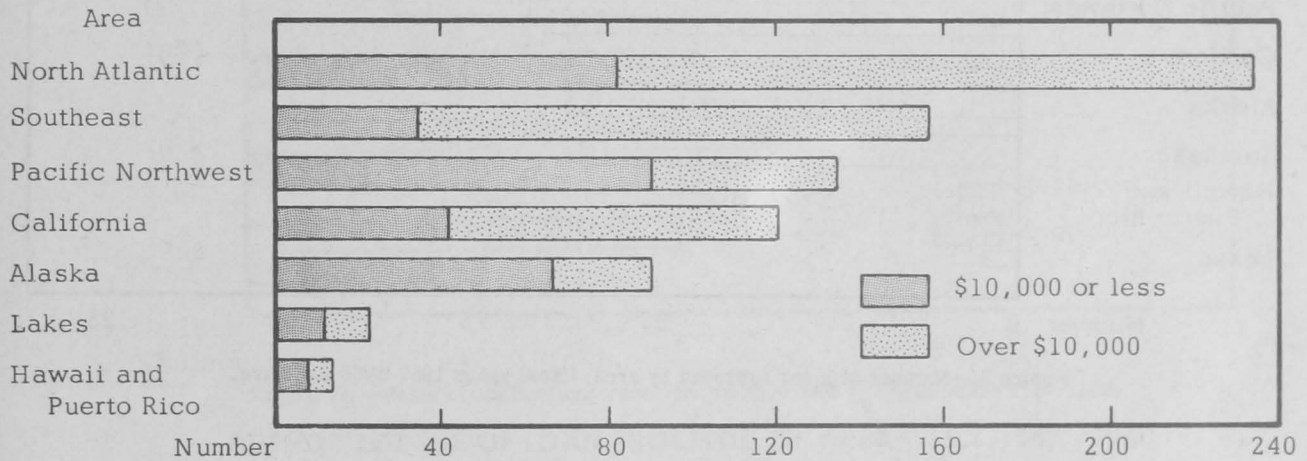


Figure 6.--Number of applications received by area, fiscal years 1957-1960 inclusive.

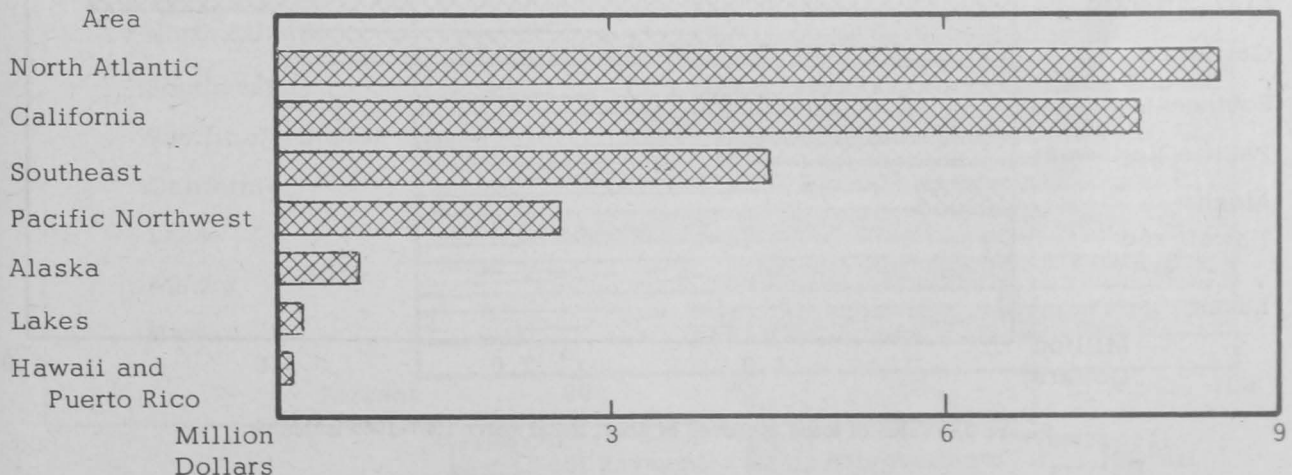


Figure 7.--Value of applications received by area, fiscal years 1957-1960 inclusive.

and rebuilding, for 10 percent; and new equipment, for 8 percent.

Figure 12 shows the variation in use of funds by area.

SUMMARY

Most of the vessel owners obtaining loans were in such financial difficulties that they could not have continued operating without this assistance. They were unable to obtain the needed credit through commercial lending or other sources. The phenomenal catches of converted tuna purse seiners have enabled some owners of the better

capitalized tuna vessels to obtain bank financing again. The poor profit experience of the shrimp vessels however has caused most of those banks which had been making loans to shrimp fishermen to adopt a policy of no fishing vessel loans. Overall, a fisherman had little chance to obtain commercial credit for a vessel loan. For many of these vessel operators, the fishery loan fund was the only possible source of long-term credit. As a result, over 400 fishing vessels have been able to continue operations because of loans received from this fund. These vessels have an estimated annual catch potential of 240 million pounds.

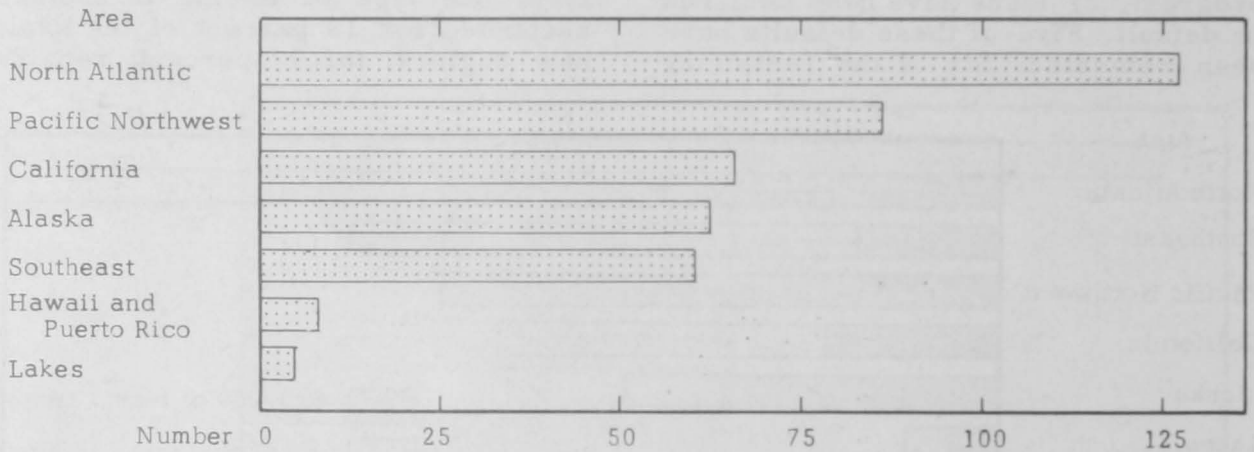


Figure 8.--Number of loans approved by area, fiscal years 1957-1960 inclusive.

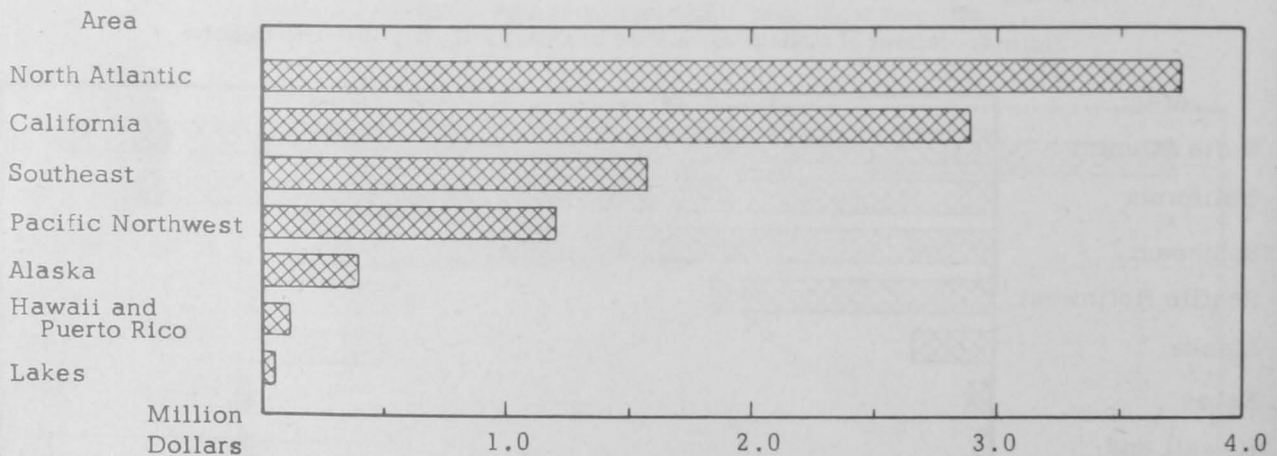


Figure 9.--Value of loans approved by area, fiscal years 1957-1960 inclusive.

NUMBER OF APPLICATIONS RECEIVED AND APPROVED BY FISCAL YEARS 1957 - 1960

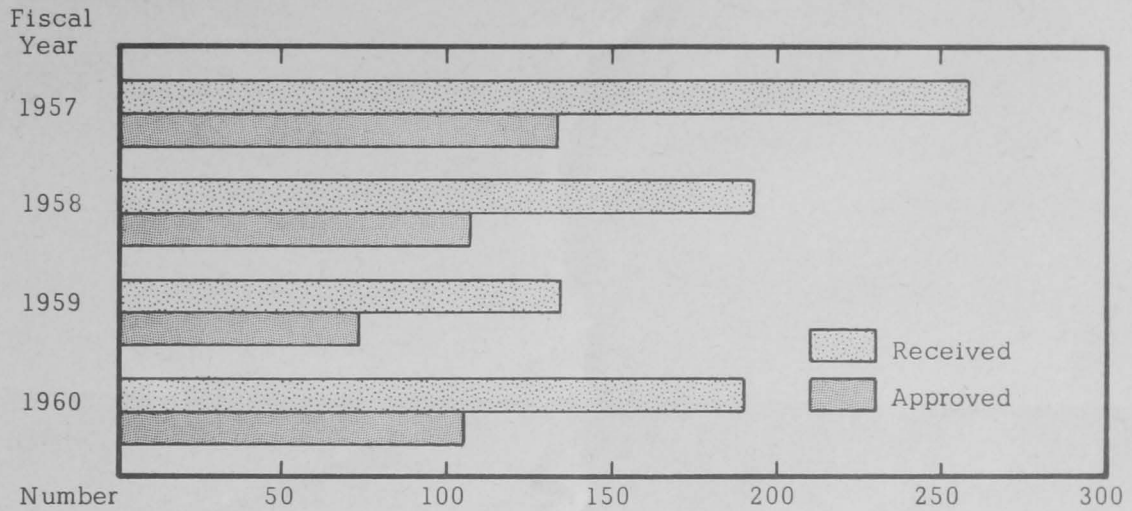


Figure 10.--Number of applications received and approved by fiscal years 1957-1960.

VALUE OF APPLICATIONS RECEIVED AND APPROVED BY FISCAL YEARS 1957 - 1960

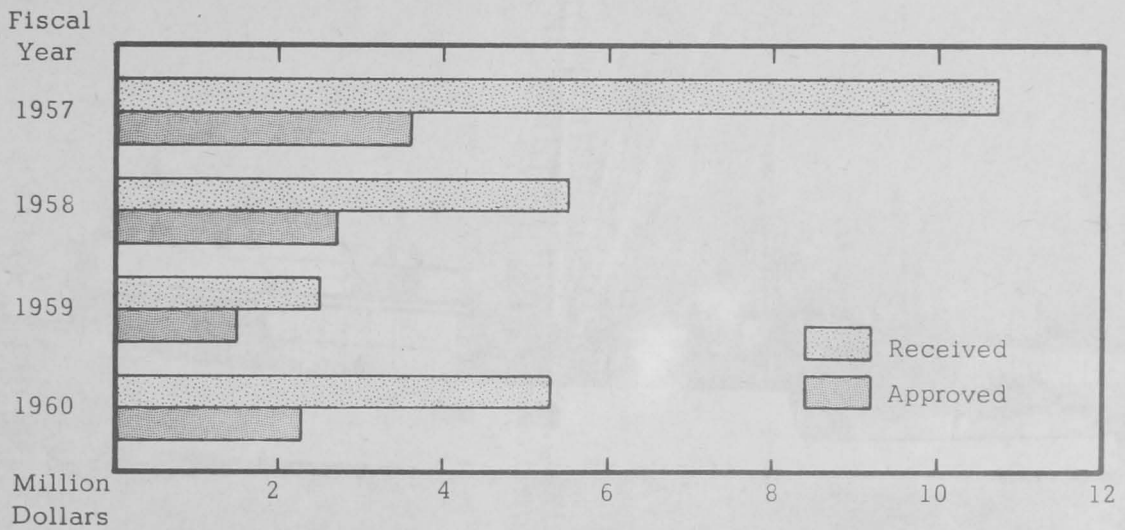


Figure 11.--Value of applications received and approved by fiscal years 1957-1960.

AUTHORIZED USE OF LOAN PROCEEDS, BY AREA - F.Y. 1957 - 1960

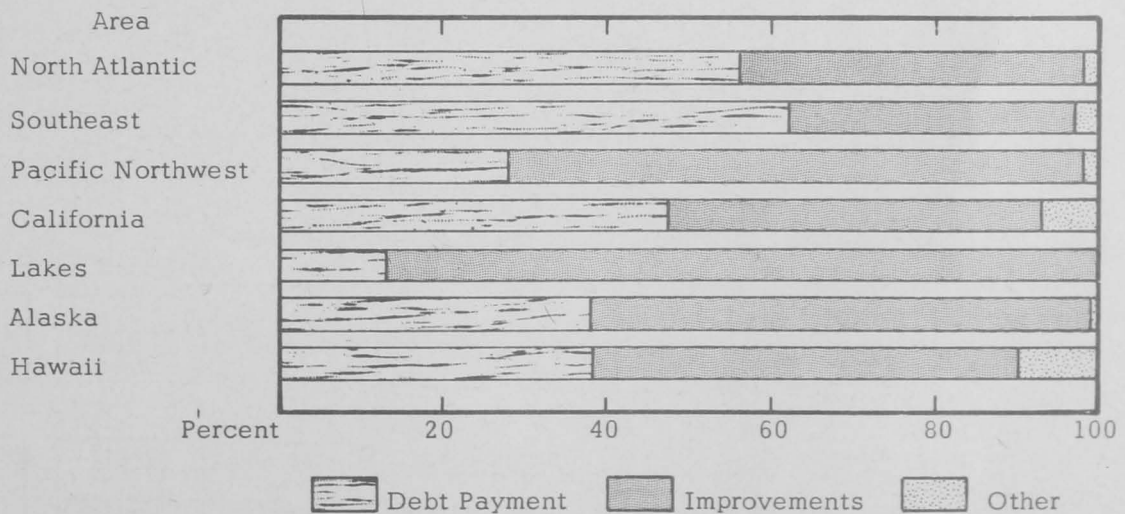
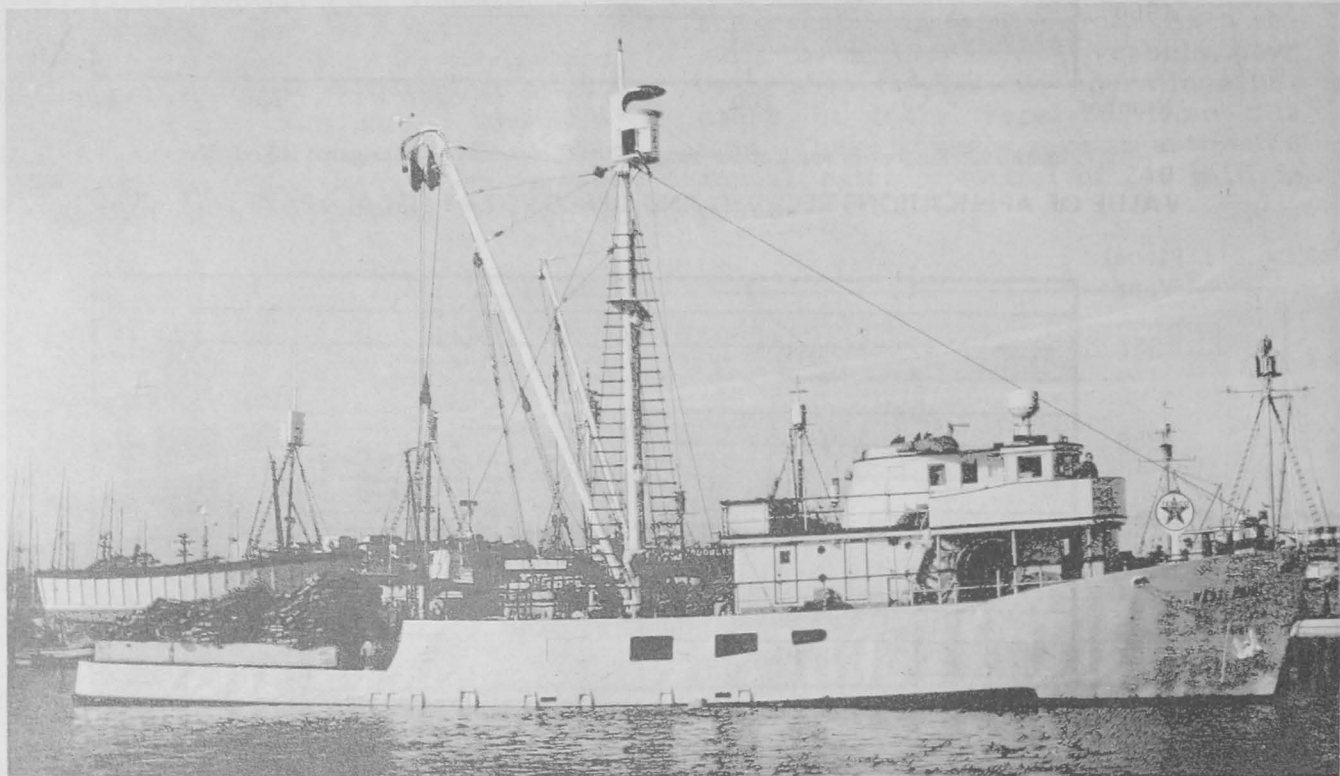


Figure 12.--Authorized use of loan proceeds by area, fiscal year 1957-1960.



One of the former tuna clippers which has been converted to a purse seiner through financing provided by the fishery loan fund.