Entrepreneurship in Seafood Industry

The following article is a part of FIFP webinars on the topic "Entrepreneurship in fisheries-Part 1" held on 6th March, 2021.

Note from the Chief Editor:

The main theme of FIFP webinar conducted on 6th March, 2021was 'Entrepreneurship in fisheries'. In all 3 presentations were made which covered Entrepreneurship in Seafood Industry; Pioneering role of the ICAR initiatives for creating business enterprises by technology transfer, promoting innovation and ideas among entrepreneurs; and Aqua tourism. Sri Jacob Taliat, the first entrepreneur from the Department of Industrial Fisheries, Kochi shares his experience as an entrepreneur in the seafood industry for the last several decades. He explained the background of transformation of small-scale seafood units to large capital intensive and mature diversified industry. Based on his experience, he provided tips on starting and operating a seafood business enterprise to youngsters and other aspirants keen on becoming entrepreneurs. He gave valuable insights on means of raising capital for initiating an enterprise, problems that could arise in course of time and resolution measures. He stressed on the need for building a dedicated and motivated team for business growth. Also, an innovative approach needs to be adopted to remain viable in business at all times. He highlighted the importance of forging consortiums under certain special circumstances and adopting Icelandic model that was a success story in Iceland and other countries.

Introduction

The entrepreneurs in the Seafood industry in the early 1980s with some exceptions were mostly individuals who scaled up from traders of seafood products, peeling-shed operators, agents of buyers or executives who worked in the seafood industry before venturing to set up their own units. These units were almost entirely involved in processing block frozen shrimp and a very few, in canned seafood. This industry could be entered with relatively small capital, easy to enter and exit.

In 1982 MPEDA brought in a scheme for the Government to invest in the equity of companies which diversified into value-added products and aquaculture, basically to instigate and give confidence to entrepreneurs and their financing Institutions to venture into newer and risky fields with much larger capital. MPEDA also incentivised the exports of value-added products. The combined effect scaled up the industry to diversify and bring in more capital-intensive units which required additional professionals with specific training in the field-like the MSc Industrial Fisheries, and others.

Like in most nascent industries which disrupted the old established trades, there were many forces resisting this growth. The problems were in the foreign markets and in the local land laws, which put many units to grave financial difficulties. But the more resourceful, existing and new entrepreneurs came out stronger with larger capital and scale of operations into the industry. Today after the 40 years, we see a larger and more mature industry which is diversified into many areas handling seafood.

Starting an enterprise

Prior to starting an enterprise, the following aspects need to be assessed

- Viability of the specific line of activity
- Capital required versus available
- Contacts available and can be made available
- Raw material available and accessible

Understanding of one's strengths and weaknesses to start the specific line of business in each of the above also helps in taking appropriate decision.

Raising sufficient capital

Several means of raising sufficient capital exist such as equity/own funds, partners, joint ventures, and borrowed funds. The main limitation for first-time entrepreneurs will be finding sufficient equity/own funds. It is also important to earmark some funds for contingencies. When selecting partners losing part of the control may become inevitable at times. Joint ventures with strong parties especially from abroad in the same business is a big advantage, particularly if the venture is part of their backward integration. Borrowing institutional funds from banks and other term lending institutions might be required to complete the project. The cost of funds and the ratio of funding –debt/equity requires careful consideration while borrowing funds. Availing good professional advice at the project conceptualisation stage is a critical part of any venture.

Employment of suitable personnel

Accelerated growth of an enterprise calls for selection of suitable people for the job with right aspirations. Building a motivated and dedicated team in sync with the line of activity and delegation of duties and responsibilities is very important.

How to face challenges?

Severe competition challenges the viability of any line of business. An innovative approach is the key to stay ahead in the business ad remain viable at all times. The 'new ways' adopted does not necessarily mean totally different product or volume increase, but can improve the efficiency of operations. *Lean, mean and fit* is an apt management jargon to move ahead of the herd.

Problems of varying magnitude have to be expected in course of time. An entrepreneur requires agility and resoluteness to overcome the problem and bounce back. The problem must be identified in time and tackled dispassionately. Diversification without losing the focus from the core strength is the key to success.

Forge Consortiums

The business activity many a time, may face several generic issues (outside your control) that leads to difficulty in managing the Unit. When the going gets tough, usually the larger and better managed entities withstand stress better than the small/ medium scale units. This is mainly due to the scale of operations, better management techniques, the range of products and the ability to absorb financial shocks. It's not always easy to upgrade, especially when the going is tough. Under such circumstances forging Consortiums helps to overcome the adverse situation and regain strength.

Iceland model

Few years back in Iceland, some of the small traditional fisheries companies, involved in boat building, fishing, processing and marketing, found it difficult to compete with the large corporates in Europe. Most of them happened to be financed or co-financed by the same financier. So, under the financier's guidance the units amalgamated their assets and liabilities to form larger functional entity a Consortium as a Limited liability company. The ultimate result was that each of them managed their debts and became part of the management /owners of a large and successful company which started to pay them profits. The strengths of the individual units were taken advantage of and scaled up, some of the units which were outdated were dismantled and sold off to add capital for the Consortium. This model was copied by several other units successfully in Iceland and other countries. This model was adopted in India also, and had almost become a reality few years back.

Conclusion

Prior to starting an enterprise in seafood sector, its viability, capital, contacts and raw material (required and available) have to be assessed. Availing good professional advice at the project conceptualisation stage is a critical part of any venture. Several means of raising sufficient capital exist such as equity/own funds, partners, joint ventures, and borrowed funds. An innovative approach is the key to stay ahead in the business ad remain viable at all times. Under difficult circumstances, forging Consortiums helps to overcome the adverse situation and regain strength. For the survival and growth of small-scale fisheries companies in the face of stiff competition from large corporates, Iceland model suggestive of their amalgamation as a limited liability company is the key. As an entrepreneur there could be heartaches when the going gets tough and to overcome the difficulties, priorities need to be planned and executed. The independence and the potential for growth as an entrepreneur is great.

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Mr. Jacob J Taliat is Managing Director, Seafresh Exports Ltd, processing Block & IQF seafood since 1998. He started his career in 1980 as Development executive at Union Carbide India Ltd, in Deep Sea fishing operations. Subsequently, he worked as General Manager at Zamoron International (Amalgam Foods) dealing with frozen seafood for exports. In 1982, he became the Managing Director- International Creative Foods Ltd, where he set up the first factory to process cooked IQF seafood in India. Also, he offered consultancy in Deep Sea Lobster harvest and setting up IQF plants for seafood in India. As Managing Director of Ocean Bounty Ltd, he set up factory to process cooked IQF seafood for export in 1992. As Proprietor of 'Prime Catch', took up marketing of frozen semi-processed Frozen Seafood within India in 1998. As Proprietor of 'Fresh Fish', fresh fish products were marketed through 14 Super market outlets (Kerala, Bengaluru, Chennai) and started marketing dressed fishery products through super markets for the first time in India (1999). As Partner in 'Convenience Trades', he undertook distribution of pre-packed food & additives.