

Fisheries Economy

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Managing Risk in Aquaculture Businesses

- The level of risk in an aquaculture business requires that managers plan to make adjustments when negative outcomes occur so that the business will be successful. The goal of managing the risk in a business is to improve the probability of success.

- However, even with the very best management, profits are not guaranteed. Well-thought-out and carefully planned decisions can still result in poor outcomes. Moreover, higher profits are frequently associated with greater risk of losses. The key is to evaluate decisions based on the objectives of the business, not in reaction to previous decisions. Good decisions and strategies over time will result in positive outcomes in spite of the occasional negative outcomes.

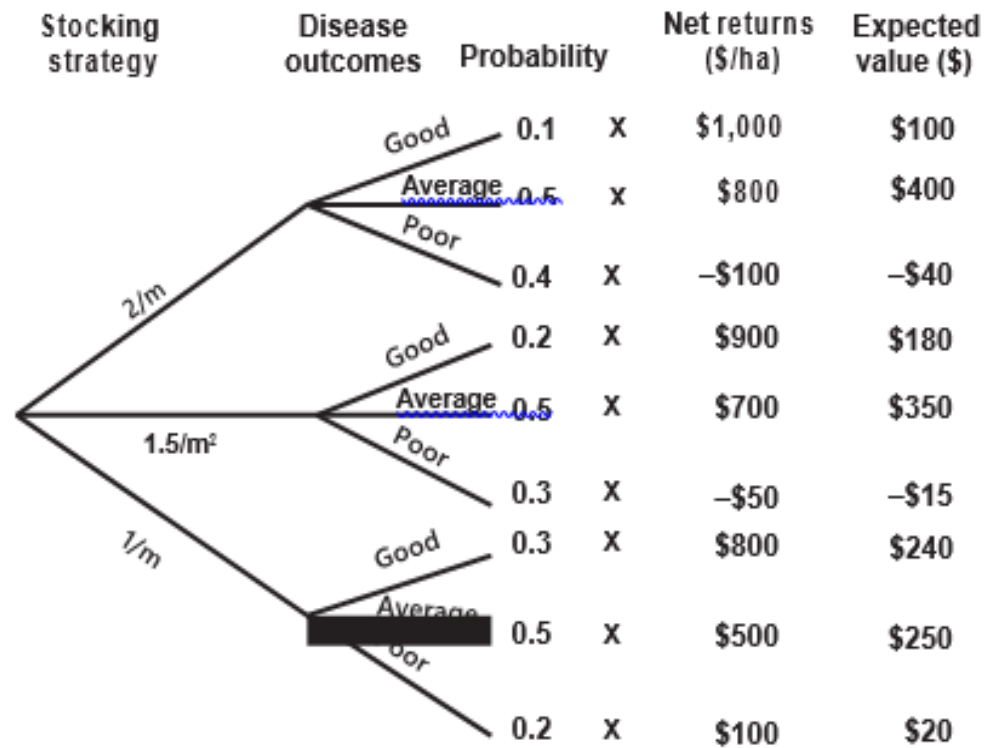
PRIORITIZING RISK

- A manager of an aquaculture business must account for risk in each phase of the business. Planning begins with careful identification of the types of risk that the business is likely to face in the upcoming planning term. The second step is to identify the possible outcomes from each type of risk.

- The process of prioritizing risk requires assessment of the potential impact on the business as a result of the various sources of risk and an estimate of the probability of that type of effect occurring. Careful evaluation of the combined effects of both these criteria allows the manager to identify those likeliest to cause the greatest problems.

METHODS TO ORGANIZE RISKS AND STRATEGIES

- A decision tree is a useful way to organize the various types of risks and the alternative strategies for managing them.



Decision tree for shrimp stocked at different densities.