CHAPTER 9. PLANT OWNERSHIP, FINANCING, AND MANAGEMENT

Business Structure and Ownership

An important step in planning your fish plant is deciding who will own the plant and how the business will be structured. These decisions affect how much money there is to build and equip the plant, who makes management decisions, how hard it is to get loans for the plant, who is responsible for debts, and who gets to share in the profits.

There are many options for the business structure of a fish plant. Some of the options include corporations, cooperatives, and private family businesses. Usually the owners of a fish plant will be the organizations or people who have invested money in it.

The Board of Directors can play an important role in the success of your fish plant. Even though the Board of Directors doesn’t usually get involved in day-to-day operations, the directors make the most important decisions, such as hiring the manager and other key people and approving major decisions. A good Board of Directors takes an active interest in the plant and learns enough about the fish processing business to make good decisions. Try to get the best people you can for your Board of Directors.

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Planning Step: Ownership

What type of business will the plant be?

Who will own the plant?

How will the Board of Directors be chosen? What kind of expertise will the Board of Directors have in operating a fish plant?
Financing

You will need financing to build your plant. This funding may come from equity investments by the plant owners, grants, loans, or profits that you reinvest. The more funding you raise, the bigger the plant you can build and the more equipment you can purchase—but the more money you may owe and the more people who may have a say in your business.

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**Planning Step: Financing**

Where will the money come from to build your plant, to buy equipment, and to begin operations? How much money will come from equity investments? Who will the investors be?

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How much money will come from grants? Who will provide the grants? What are the conditions the plant must meet in order to receive these grants?

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How much money will come from loans? Who will provide the loans? What is the schedule for repaying the loans?

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Fish Plant Manager

A critical part of any business is having a good manager. For your fish plant to succeed, you need to have a good manager running it.

The manager has to think about everything that needs to be done to make the plant a success—and make sure that it gets done. Sometimes he may have to do it himself.

Your manager needs to be good with people: at hiring people who can do the work, teaching them how to do it, and getting them to do the work well. Your manager needs to be good with equipment—from boat engines to ice-making machines to vacuum sealers. He or she needs to know how to use equipment, how to maintain it, and how to fix it when it breaks, or how to find someone who can fix it. Your manager needs to be good at keeping track of how much money is being spent and how much money is coming in, and not spending too much money. Your manager has to know what supplies are needed and order them in time.

During the season, being a fish plant manager is a full-time job, seven days a week, twenty-four hours a day. The manager has to be ready to deal with problems at any time—equipment breakdowns, power failures, injured workers.

For your plant to succeed, the manager will have to make tough decisions. If markets aren’t good, the manager may have to decide to pay fishermen lower prices than they want. The manager may have to decide not to buy fish from fishermen that aren’t handling their fish carefully enough. The manager may have to fire workers who aren’t doing their jobs.

Getting a good manager is particularly important the first season, since you will be doing everything for the first time and that’s when the most problems are likely to occur.

Usually it takes experience in the fish business to manage a successful fish processing plant. If there isn’t someone in your village who can manage your fish plant, you will need to find someone who can come to the village to manage the plant during the season.
One of the major factors in the success of Dainty Island Seafoods was that the owner and operator—Sidney Huntington—was talented, energetic, resourceful, highly respected both locally and statewide, and willing to work long hours to face up to regulatory challenges and to meet the demands of his growing market. This picture was taken in 1993.

A manager has to know about more than just processing fish.

Operating a fish processing plant is more than just processing fish. A manager of a Yukon River fish plant recalled an incident shortly after his arrival: “Wetlocks sitting in the sun can spontaneously combust—the heat builds up—and they torched off. I said ‘grab the fire extinguisher!’ and they all looked at me and said ‘what are they?’ They were stacked right next to the plant. No one had had fire drills and there wasn't anything in the fire extinguishers anyway. They hadn't been recharged.”

Fish plants are people-dependent.

A former village fish plant operator commented: “All these operations are people dependent. It’s one or two people that can bring them up, and one or two people can bring them to disaster if they walk off.”
Fish Plant Manager Job Description

The 1996 Unalakleet Fish Processing Plant proposal included this job description for the plant manager:

Obtains all necessary federal and state permits for processing seafood for either the fresh or frozen markets

Prepares plans and budgets as it relates to the purchasing and the processing of herring, salmon and crab in the Norton Sound area.

Prepares Quality Control Guidelines for the processing of herring, salmon and crab for the Plant Foreman and seafood processors.

Prepares equipment maintenance schedules for plant foreman to insure that all equipment will operate properly during the entire fishing season.

Directs preparation and distribution of all employee and fisherman payroll and benefits.

Works closely with Marketing manager to insure top dollar is received on the sales of herring, salmon and crab.

Prepare all Federal and State reports that are required at the end of each fishing season. Prepares Annual Operations profit/loss reports for the NEDC Board, and recommended changes for the next year’s operations.

Is responsible for the entire operations of the Unalakleet Fish Processing Plant.

Planning step: Manager

Who will manage the plant during its first season? Does this person have the necessary experience and training for starting up a fish plant?

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If you don’t have someone in mind yet to manage the plant, how will you find a manager?

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A Different Option: Leasing Your Fish Plant

What if you want a fish plant in your village to provide markets for fishermen and jobs in the community, but you don’t have the expertise to run a fish plant, or don’t want to take on the responsibility or the risks? One option is to build a fish plant, but lease it out to another company to operate the fish plant and make all these decisions.

If you lease out your plant you will have less responsibility and less financial risk. If you lease your plant to a company with experience in processing and marketing fish, it may be able to operate more successfully than if you tried to operate it yourself. However, you will have less control over decisions, such as who gets hired and what fishermen get paid, and you won’t receive as much of any profits.

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<tr>
<th>Operate your plant yourself or lease it out?</th>
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<tr>
<td><strong>Operate it yourself</strong></td>
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<tr>
<td>More control</td>
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<tr>
<td>More money if the plant is profitable</td>
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<td><strong>Lease it out</strong></td>
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<td>Less responsibility</td>
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<td>Less financial risk</td>
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<td>Easier for the operators to take unpopular decisions which may be needed for the success of the operation</td>
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<td><strong>but</strong></td>
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<tr>
<td>More responsibility</td>
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<tr>
<td>More financial risk</td>
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<td>Harder to take unpopular decisions</td>
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During the 1980s, small halibut processing plants were built in Toksook Bay, Tununak, and Mekoryuk to provide opportunities for local fishermen to harvest halibut and have a place to sell their catch. Each was managed in a different way. The City of Toksook Bay leased its plant to an individual who operated it for his own profit. The Tununak Elders Traditional Council operated their plant as their only business operation. The Mekoryuk plant was operated by Bering Sea Reindeer Products, Inc., which was a subsidiary of the Native Village of Mekoryuk. Now all three plants are operated by Coastal Villages Seafoods, Inc., a subsidiary of the Coastal Villages Region Fund CDQ group.