

CHAPTER 1. INTRODUCTION

The purpose of this handbook is to help people interested in starting a fish processing plant in an Alaska village.

This handbook focuses on *small locally owned fish processing operations in western Alaska*. However, much of the handbook is relevant to any fish processing operation, regardless of its location or size.

This handbook suggests questions you should ask yourself as you plan a village fish processing plant. You will need to answer these questions to prepare a business plan and to apply for grants or loans.

The handbook explains why the questions are important and suggests how you can start to find answers. But only you can provide the answers that fit your goals, your fishery resources and your village.

A successful fish processing plant can earn money for the people or organization which operates it. It can provide jobs and income for village residents. It can provide a market for local fishermen. It can provide opportunities to process other food resources, such as reindeer or subsistence foods.

But starting and operating a fish processing plant is not easy. It is a lot of work to plan the operation, get the funding, build the facility, buy and install the equipment, get the required permits, and hire the workers. And once you are ready to start processing fish, a lot of things can go wrong. Sometimes the fish don't show up. Sometimes critical equipment breaks. Sometimes people don't do the work they are supposed to. Sometimes transportation and marketing arrangements don't work out the way you expected.

For these and many other reasons, many fish processing plants end up losing money and shutting down. An unsuccessful fish processing plant can cost you a lot of money, time and effort. And other people can get hurt too, if you can't pay them money you owe them.



We've had 31 competitors come and go since we started. —A long-time Western Alaska fish processor

This handbook can help you think about both the benefits of starting a fish plant and the things that can go wrong. The more carefully you think and plan, the more likely you are to be successful.

Steps in Planning a Village Fish Processing Plant

There are a lot of things to think about and questions to answer in planning a village fish processing plant. You can think about them in five broad steps. First you need to define your goals: why you want to start a fish plant and how much money you need to make.

Then you should do a reality check about whether you understand the challenges you will face; whether you have a strategy to overcome them; and whether you have the essential requirements for a fish plant—such as enough fish and adequate transportation.



Five Steps in Planning a Fish Plant

1. Define your goals.

Goals. Why do you want to start a fish plant?

Financial objective. How much money do you need to make?

2. Do a reality check.

Challenges. Do you understand the challenges you will face?

Strategy. Do you have a strategy to overcome these challenges?

3. Research things you can't control.

Markets. What products do markets want? What prices will they pay?

Fish resources. What species in what volumes are caught in your area?

Competition. Who is your competition in buying fish?

Transportation. What transportation is available for shipping fish?

Land. What locations are available for a plant?

Utilities. What utilities are available?

4. Plan things you can control.

Fish. How much fish will you buy?

Products. What kind of products will you produce?

Buildings. What kind of buildings will you use?

Equipment. What kind of equipment will you use?

Manager. Who will manage the operation?

Workers. Where will you find workers?

Season. How long a season will you operate?

5. Analyze if your plan works financially.

Capital. Who will put up how much money to start the plant?

Grants. What grants can you get?

Loans. How much money will you borrow and need to pay back?

Costs. How much money will you spend?

Revenues. How much money will you earn from sales?

Profit or Loss. How much money will you make or lose?

Cash flow. Will you have money when you need it?

Then you should research things you can't control that determine the opportunities for and limits to what kind of fish plant you could have—such as markets, fish resources, and transportation.

Then you're ready to plan the things you can control, such as how much fish you'll buy, what products you'll make, and what kind of building and equipment you'll use.

Finally, you need to analyze if your plan works financially: whether you can make as much money as you need to make, and whether you'll have cash on hand when you need it.

You will need to go through all of these steps again and again—not necessarily in this order. As you do more research and planning you will get a better understanding of what your costs and revenues might be, and how well your plan works financially. As you understand the finances better, you will probably make changes to improve your plan, until you have figured out what kinds of products and what kind of fish plant can work best for you—or if it can work at all.

If you decide to go ahead and build a fish processing plant, you will eventually need to develop a written business plan that will address all these questions. You will need a business plan to apply for a grant or a loan.

Planning a fish plant is a lot of work—but building, equipping, and operating a fish plant is much more work. Careful planning at the beginning can help you decide whether you can make enough money for the plant to operate successfully—and to make all that work worthwhile.

Symbols Used in this Handbook

The handbook uses these symbols to indicate different kinds of questions and information:



Reality check questions. These are the most important questions you need to ask yourself, to think about whether your project has a realistic chance of succeeding.



Planning questions. These are questions you will need to answer to plan for your fish plant—and to apply for a grant or a loan.



Alaska examples. These are examples or information based on experiences of fish processing plants in Alaska and data about Alaska fish processing plants.



Quotations. These are from interviews with people who have many years of experience working for or doing business with village processing plants.

Who Prepared this Handbook?

This handbook was written by Gunnar Knapp, an economics professor at the University of Alaska Anchorage's Institute of Social and Economic Research, and Terry Reeve, a professor with the University of Alaska Fairbanks' Alaska Sea Grant Marine Advisory Program based in Bethel. Gunnar Knapp has spent many years researching the economics of the Alaska fishing industry. Before joining the Marine Advisory Program, Terry Reeve worked for many years in western Alaska buying fish and developing fish processing operations. As a Marine Advisory Program agent for the AYK Region, he continues to work with village fish processing operations.

In preparing the original version of this handbook and the revised version, we talked to many different people who shared a lot of insight, experience and advice. We couldn't have prepared this handbook without their help. However, the handbook doesn't necessarily reflect their opinions. We are responsible for all of the information and advice in this handbook, as well as any errors.

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