

CHAPTER 13. OWNERSHIP AND FINANCING

Three critical questions for any business are (1) who owns the business, (2) who has control over the business, and (3) where the money comes from to start the business. The answers affect how much money there is to build and equip the plant, who makes the 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.

Business Ownership and Structure

Usually the owners of a fish processing plant, who have the final say in business decisions about the plant, are the people or organizations that put up the money to start the business. There may be several options for the business structure of a fish plant. Some of these are sole private ownership, partnerships, private or public corporations, and cooperatives. You should think carefully and seek advice about what business structure will work best for your plant. The answer will depend on who the owners are, how many owners there are, and what their objectives are.

Many types of businesses have a board of directors. 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.



Experience has shown that fish plants run by independent operators do better than those run by committees. People are a lot more careful about what they're doing when it's their own credit card on the line.

—An experienced western Alaska fish processor.



Who will own the plant?

What type of business structure will the plant have?

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, buy equipment, and meet your cash flow needs. Grants from public agencies can help—but they won't be enough. Even if you got a grant to build an entire plant and to buy all the equipment you need—which is highly unlikely!—you will still need money to pay for your operating costs. Processors with a record of successfully operating a fish plant can get “pack loans” to finance their operating costs—but banks are unlikely to loan money to a new company. Someone—an organization or private investors—will need to be willing to invest money in the operation to get it started.



Nobody ever gave anyone a grant for a pack loan.
—An experienced Alaska fish processor.

If you have a source of collateral—such as your home or another business—you may be able to get a loan. But the more money you borrow, the more you will need to pay back each season, and the more you may need to give the lender a say in how you run your plant.



How will you get the money to build your plant, to buy equipment, and to begin operations?

Who is willing to invest money in the plant?

How much money are they willing to invest?

What grants can you get?

How do you apply for the grant?

What conditions must the plant meet in order to get the grants?

What loans can you get?

Who will loan the money?

What is the interest rate?

What is the payment schedule?

What is the collateral?

A Different Option: Leasing Your Fish Plant

What if you want to have 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 to another company to operate.

If you lease 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. Make sure you work with a reliable company and have good communications to ensure that your plant is used well.

Operate your plant yourself or lease it out?

Operate it yourself

More control
More money if the plant is profitable

but

More responsibility
More financial risk
Harder to take unpopular decisions



Lease it out

Less responsibility
Less financial risk
Easier for the operators to take unpopular decisions which may be needed for the success of the operation

but

Less control
Less money if the plant is profitable



Different management choices

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 themselves 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.