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the threads of  
conservation  
and community  
wellbeing



# The Talking Stick

## NEWSLETTER OF THE COAST OPPORTUNITY FUNDS

COAST ECONOMIC DEVELOPMENT SOCIETY (CEDS) AND COAST CONSERVATION ENDOWMENT FOUNDATION FUND (CCEFF)

### Message from the Chair

Welcome to the 2014 summer issue of the Talking Stick for 2014. This month we feature the story of 'Namgis First Nation's investment in a recirculating aquaculture system, piloting the commercial viability of raising healthy Atlantic salmon on land. The results are promising, with sales of Kuterra brand salmon already under way.

A lot has happened since the last issue in January. You can read our news on page 8. In addition, our 2013 Annual Report was published and distributed at the end of April. You can find it on our website, at [www.coastfunds.ca](http://www.coastfunds.ca).

In the first half of 2014, Coast Funds has approved more than \$2 million in economic development awards, and over \$5 million in conservation fund awards. We reported this and our other activities over the last year to the Members of Coast Funds at the Annual General Meeting, held in Vancouver on June 26, 2014.

In early June we held a Board meeting in Haida Gwaii, visiting several Coast Funds-funded projects and meeting representatives of the Council of the Haida Nation and HaiCo, the CHN's economic development arm. The Board benefits greatly from these annual visits to see projects in action, meet the people we work with, and hear directly from First Nation businesses, governments, and communities about the work we do and their concerns and interests.



You can download this newsletter from the website, or any stories in it that you would like to share or reproduce in your own publication or on your website. If you have ideas on where else we should distribute the newsletter, or you would like it to be emailed to you whenever it comes out, please contact [info@coastfunds.ca](mailto:info@coastfunds.ca) or call us at 1.888.684.5223. In the meantime, I hope you enjoy this issue.

Darcy Dobell, Chair, Coast Funds Communications Committee

### WHAT'S INSIDE

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# Diving into the Unknown

THE 'NAMGIS FIRST NATION HAS INVESTED IN LAND-BASED FINFISH AQUACULTURE, WITH THE GOAL OF PROVING NOT ONLY THAT IT'S POSSIBLE, BUT IT'S PROFITABLE—AND A GOOD IDEA THAT WILL ULTIMATELY HELP CONSERVE BC'S WILD SALMON.

## Project Stories

SINCE COAST FUNDS WAS CREATED, THE PARTICIPATING FIRST NATIONS HAVE EMBARKED ON A WIDE RANGE OF PROJECTS, FROM CREATING ECONOMIC DEVELOPMENT CORPORATIONS TO PLANNING FOR CONSERVATION MANAGEMENT. PROJECTS UNDER WAY INCLUDE FORESTRY, FISH PROCESSING, TOURISM BUSINESSES AND ACCOMMODATION, INTEGRATED RESOURCE MANAGEMENT, FEASIBILITY STUDIES AND MORE.

Harvest time at the Kuterra recirculating aquaculture system (RAS) facility near Port McNeill.

On Earth Day this year, Atlantic salmon raised by the 'Namgis First Nation in land-based tanks went on sale in Safeway grocery stores across British Columbia and Alberta. "It's delicious, high-quality fish," says 'Namgis hereditary Chief Bill Cranmer. Cranmer is a director of Kuterra, the partnership operating the on-land recirculating aquaculture system (or RAS, as it is known). "It tastes a bit like trout. We've already had very positive responses to it, with chefs at high-end restaurants in Vancouver promoting Kuterra fish because they really like the product."

It's taken a lot of hard work to reach this point, but Cranmer says it has been very worthwhile: "We invite other First Nations to come and see our facility, and what we have been able to do. We've learned a great deal about what's involved, how to go about this in a cost-effective way, and the importance of having the right people involved. We are very happy to share our experience with the world. In fact," says Cranmer, "that's the reason we chose to invest in this business. We wanted to show that land-raised salmon is the future of sustainable salmon farming, and can be done in a healthy, environmentally safe and profitable way."







'Namgis hereditary chief Bill Cranmer presents the first Kuterra salmon for sale to Renée Hopfner, Director, Corporate Social Responsibility for Safeway-Sobeys.

## THE KUTERRA CONCEPT

"Kutala" means salmon in the language of the 'Namgis people.

"Terra" means land. Kuterra was chosen as the brand, meaning "salmon from the land."

The RAS or Recirculating Aquaculture System employed by the 'Namgis is a land-based, energy-efficient closed containment system which means the fish are not exposed to environmental pathogens or predators and cannot escape into open ocean waters. Ninety-eight percent of the slightly saline disinfected groundwater used in the system is cleaned again and recirculated. Temperature, oxygen, salinity and flow can all be regulated for maximum fish health and growth. The tanks are sized to mimic natural schooling behaviour and minimize stress on the fish. No antibiotics or pesticides are used and fish waste is composted.

Distributor Guy Dean of Albion Fisheries says: "Quality and taste drive the market demand for farmed salmon and 'Namgis recognized that right from the start." The Kuterra website ([www.kuterra.com](http://www.kuterra.com)) notes: "We want to lead the way in meeting demand for Atlantic salmon with land-based farming practices that don't harm the environment and improve salmon quality at the same time." Dean adds: "Kuterra fish are very high quality and taste very good indeed."

## An idea is spawned

The Kuterra story started five years ago, when SOS Marine Conservation Foundation approached 'Namgis with the idea of piloting an on-land commercial RAS to grow Atlantic salmon. SOS had already been working with the 'Namgis on ways to mitigate the impacts of open-net finfish aquaculture on wild Pacific salmon. The organization wanted to find a way to show that an on-land fish farm could work, says SOS President Eric Hobson, and that—contrary to popular belief—it's possible to raise healthy, happy, drug- and pesticide-free Atlantic salmon and still make money.

Hobson explains: "We had learned that the Freshwater Institute in West Virginia had researched RAS and trialled it. They basically have written the text book on how to go about doing this. But we needed to test the technology, the biology and the economics of on-land fish farming to prove if it could work here on the B.C. coast."

Knowing that the technology and equipment for a pilot were readily available, says Hobson: "We really wanted to try out a commercial-scale pilot project, and we thought 'Namgis were the right community to try it."

## An opportunity too good to turn down

Garry Ullstrom is the senior financial officer for 'Namgis, and the Chief Executive Officer of Kuterra. "It was strange of course for 'Namgis to think about becoming Atlantic salmon farmers. But the key motivation for 'Namgis to do this," says Ullstrom,

"was that this might prove to be a good way to protect wild Pacific salmon, which are so important to the First Nation."

At the same time, adds Ullstrom, 'Namgis was being offered the opportunity to invest in a profitable venture which would create year-round jobs for the community. "How good does it get? We had been working with SOS for some time already so we had a good, trusting relationship based on shared values. So we were very interested in what Eric had to say."



Catherine Emrick, Tides Canada.

SOS proposed that it and its partners would raise all the funds necessary to build the facility and get it up and running, if 'Namgis provided the land. "So there would be no risk and no cost to 'Namgis. That was pretty compelling, too," says Ullstrom. The results of a feasibility study undertaken by Ecotrust Canada looked promising. With everything adding up, in 2010 'Namgis decided to give the project a green light.

## Lining up the money

Fund-raising for the project proved more complex than anticipated. Catherine Emrick, now a senior associate of aquaculture innovation at Tides Canada, was involved in trying to coordinate various potential funders to contribute to one pooled source of capital to fund the project. "It didn't work out that way, because many of the funding sources were established programs with different criteria and sets of reporting rules," says Emrick.

A different approach was applied instead: "Although the funding was provided directly from several different sources, we worked with the funders to streamline their reporting requirements in a manageable way."

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## PROFIT IN PARTNERSHIP

Albion Fisheries is delighted to be partnering with 'Namgis to market and distribute Kuterra salmon, says Guy Dean. "We try to be an industry leader on sustainability," says Dean. "So there was a lot of appeal to working with 'Namgis on this initiative and have the opportunity to make the business case for sustainable land-based fish farming as a way to address concerns about conventional methods."

'Namgis and Albion entered into a formal partnership that is a little different to a standard distribution agreement, say the partners. "Albion's sustainability track record appealed to us," says Garry Ullstrom. "But being able to sell our fish at a sufficiently high price to make the venture profitable was of course fundamental." A profit-sharing arrangement was therefore negotiated, so that there is always an incentive to maximize the market price. "The 'Namgis also wanted to be associated with a high quality product," adds Dean, "and that to us is the most important market driver so we were very happy to develop the Kuterra brand around its high quality and taste."

Perhaps the most important thing, observes Dean, is the mutually respectful, open relationship that Albion shares with 'Namgis. "It was clear to us that 'Namgis had consciously chosen to surround themselves with the right experts and infrastructure and were determined to go about this concept the right way. We saw that they were a very forward-thinking group, and they had a proven track record of industry investment that gave us confidence as well in partnering with them. It's very challenging creating a new market for a new product and 'Namgis have been an excellent partner with us in doing the work needed to develop it. That's really starting to pay off now."



Guy Dean, Albion Fisheries.

The majority of the grant funding was contributed by the federal government and Tides Canada's Salmon Aquaculture Innovation Fund, which received its funding from the Gordon and Betty Moore Foundation, the Province of B.C., and a committed group of Canadian donors that care deeply about BC's wild salmon. With the money finally in place, and a site selected for the facility, a memorandum of understanding was signed between the 'Namgis and SOS setting out shared objectives for the pilot. The primary requirement for the 'Namgis was that it be designed to operate as a viable business.

A project team was put together comprising Emrick, Bill Cranmer, Eric Hobson, Garry Ullstrom and other people with the requisite skills sets to oversee the building and operational set-up of the facility. Albion Fisheries signed on to develop and market the brand and distribute the product (see sidebar, Profit in Partnership). In March 2013, the first salmon smolts were released into the tanks. Just over a year later, Kuterra fish were for sale at Safeway counters.

## Taking ownership of the challenges

Garry Ullstrom says there were plenty of lessons to be learned along the way and some unanticipated challenges. "The project did end up costing more than was expected. 'Namgis wanted to retain 100% ownership, so that meant we were faced with a smaller scale facility that might compromise ongoing profitability, walking away from a half-built facility, or taking an equity stake in it to carry it through to the end. That was very challenging, because the basis on which the community had supported the concept was that it would be at no cost. Now, they would have to go into debt to back the project. That was a more difficult decision to make."

'Namgis decided to go ahead and complete the project for the same compelling reasons they had approved it in the first place: helping the wild salmon, proving there was a better way to grow Atlantic salmon, and providing significant revenue potential and stable, long term jobs for community members in an environmentally sustainable industry. "The community recognized the steadfastness of Chief and Council in realizing that vision," says Ullstrom. "They saw that a good team had been put together that could make this happen and they committed to seeing it through."

The 'Namgis still needed to fill the funding gap: "For a First Nation to obtain traditional debt financing continues to be difficult," observes Catherine Emrick. "This was also an innovative project in an unproven industry, something lenders are typically wary of. That's one of the areas where I really appreciated the role Coast Funds played in all this. Coast staff were very engaged in following the project to see what opportunities there might be long term for the other First Nations they work with and we really appreciated that, because when the need for filling the financing gap came along Coast Funds were ready to step in to help brainstorm mechanisms to overcome that."

With the assistance of Coast Funds, 'Namgis decided to invest a portion of its Coast Funds allocation in a loan loss reserve facility with VanCity Credit Union, available to be drawn upon if needed. It also contributed a million dollars of its own capital into the venture, and guaranteed loans required to complete the project. SOS and Tides Canada continued to provide advice and assistance throughout

**MOST IMPORTANT OF ALL, SAYS BILL CRANMER: "WE HAD A VISION, AND IT'S BECOME REALITY. WE ARE GROWING GOOD-TASTING, SUSTAINABLE ATLANTIC SALMON ON LAND AND WE'RE MAKING MONEY DOING IT. WE ARE HARVESTING BI-WEEKLY NOW. WHEN WE ARE IN FULL PRODUCTION THINGS ARE GOING TO BE EVEN BETTER. WE HAVE CREATED JOBS AND WE HAVE THE OPPORTUNITY IN THE FUTURE TO THINK ABOUT BUILDING IN VALUE-ADDED PRODUCTS. WE'LL TELL ANYONE WHO WANTS TO LISTEN HOW TO DO IT, TOO. I'M VERY PROUD OF WHAT HAS BEEN ACHIEVED."**



Bill Cranmer and Merv Child, Chair of Coast Opportunity Fund, visiting the Kuterra facility in December 2013.





Top to bottom: Overview from platform;  
Fish in tank



the remainder of the construction and start-up operations of the RAS facility: "This project has been all about that kind of commitment on the part of 'Namgis and the collaboration between the partners," says Ullstrom. "In fact, that's been vital to its success."

## Lessons learned—and shared

"Everything unfolded in a fairly normal way, I think," says Eric Hobson, who continues to be Vice-Chair of Kuterra and provide advice and the benefit of his experience and knowledge, as does Catherine Emrick (George Speck, 'Namgis Band Administrator, is Chair of Kuterra). "There were implementation problems because this hasn't been done before, but nothing unusual or overly onerous."

Other key factors for success, adds Emrick, is that 'Namgis had a strong team on its side with robust operational, financial, communication and marketing skills. "Namgis are very good judges of what help they need and where to get it. They were very, very smart about getting the right people involved. If the expertise wasn't available within the community, they went out to get what they needed to ensure they had the necessary skills."

'Namgis were also diligent about keeping the community informed and maintaining support for the vision. "Their openness and transparency in reporting out on the project and the performance of the facility has been very important. That will also help prove out the process, the structure for the project and the business plan so others considering this can see what's involved and take advantage of everything 'Namgis have learned and applied to it," says Emrick. "Everyone realizes that if the broader objective is protection of wild salmon, then one project alone won't do it. This is just paving the way. 'Namgis's commitment to sharing their information with others is a huge part of reaching the objective."

## From vision to reality

"The land-based RAS is a complicated, complex system but I believe it does provide an excellent opportunity for First Nations, particularly those with existing processing facilities," says Garry Ullstrom. "There's risk involved, of course, because it is such an innovative concept. But people can learn from our experience."

Ullstrom believes risk can be mitigated by building a small facility like Nanaimo's Taste of BC (which raises 100 tonnes of steelhead per year in an RAS system similar to Kuterra's): "The size and \$2 million price tag are an excellent way to enter the sector and to begin developing competency." The other way to deal with risk is by partnering with an existing salmon farming company to build a 1000+ tonne facility like Kuterra's, for \$15+ million. "Building a team that has the skills to keep the fish alive and thriving is key," repeats Ullstrom. "Partnering with knowledgeable and experienced industry partners is a good strategy that brings both capital and capacity to the table right off the bat."

Most important of all, says Bill Cranmer: "We had a vision, and it's become reality. We are growing good-tasting, sustainable Atlantic salmon on land and we're making money doing it. We are harvesting bi-weekly now. When we are in full production things are going to be even better. We have created jobs and we have the opportunity in the future to think about building in value-added products. We'll tell anyone who wants to listen how to do it, too. I'm very proud of what has been achieved."

## TAKING THE PLUNGE: POINTS TO PONDER IN DIVING INTO INNOVATIVE INDUSTRIES

Dr. Brent Mainprize teaches entrepreneurship and strategy at the University of Victoria's Peter B. Gustavson School of Business and has worked closely with many First Nations in B.C. on their economic development strategies. He offers the following food for thought to communities considering investing in a new and innovative industry like Kuterra's land-based RAS facility.

"In a nutshell, there are four main risks to plan for. First, if several parties are involved, is relationship risk. It's a good idea to make sure everyone spends time at the beginning to build the relationship and to discuss and understand each other's expectations very clearly.

"We can learn a lot from Asian business culture in that regard. I teach in a UVic's Master's of Global Business program in Taiwan and it is common that several meetings of prospective partners will take place before any discussion of the potential project occurs. The purpose is simply for people to get to know each other and where they are coming from. That can be very frustrating for North American investors who aren't used to that, but in my experience it's very consistent with how First Nations go about engaging in partnerships. That's good, because it mitigates relationship risk over the long term, and helps manage expectations and overcome hurdles.

"Secondly, there are obvious risks associated with investing in unproven technology. To minimize that risk, it could be piloted on a small scale first. Studying other similar projects being undertaken elsewhere, as 'Namgis did with the Freshwater Institute, is also a good idea.

"Third is operational risk, especially with regards to human resources. There are three models to mitigate that kind of risk with respect to innovative investment that work well, often in combination. One is to set a goal of employing as many local community members as possible in the project to foster a stable human resource base to draw upon.

"Another route is to build an entrepreneurial culture in the community and provide opportunities for small contractors to take advantage of the project through providing associated products or services. That really increases the economic multiplier effect of the chosen project in the community. A co-operative approach can also work, with individual members each having an ownership stake in the project and a built-in incentive to see it succeed.



"Finally, it's also important to mitigate any market risks associated with fluctuating prices for the product, which can be significant. Careful planning is required to cover downturns from time to time.

"Raising debt financing for innovative industries can be challenging," Mainprize concludes, "but demonstrating that there is a solid plan in place to manage the risks is persuasive."

On July 17 this year Dr. Mainprize represented UVic to collect the Partnership and Collaboration Visionary Award from Industry Council for Aboriginal Business for his work in helping design the Northwest Aboriginal Entrepreneurs Program with Tribal Resource Investment Corporation, Service Canada and the BG Group: see <http://www.nwace.ca/> for more information.

"ONE MODEL THAT HELPS TO MITIGATE OPERATIONAL RISK IS TO SET A GOAL OF EMPLOYING AS MANY LOCAL COMMUNITY MEMBERS AS POSSIBLE IN THE PROJECT TO FOSTER A STABLE HUMAN RESOURCE BASE TO DRAW UPON".





We were treated to a fine, calm day for our visit to Windy Bay and Skedans with James Cowper of Highline Adventure Ltd.



Patricia Moore, Economic Development Planner for Old Massett Village Council, shows Board members around the new lodge at Naikoon.



We also enjoyed an excellent guided tour of the Haida Cultural Centre near Skidegate.

## BOARD TRIP TO HAIDA GWAI, JUNE 2014

### Staffing changes at Coast Funds

In June, Director of Economic Development Projects Brodie Guy celebrated a year of working with Coast Funds. We'd like to take this opportunity to congratulate him on his efficient and successful engagement in his role with us—and on becoming a father for the first time on May 20!

On a sadder note, we said farewell to Scott Rehms on July 11. Scott began his time with Coast Funds as CEO of the Conservation Fund, transitioning seamlessly to Director of Conservation Projects in early 2013. He will be staying on part-time for three months to assist in the transition to a new staff organizational model and to ensure that no current conservation work-in-progress is impacted by his departure. We wish Scott the very best for his future and thank him for his efforts over the last six years.

### Send us your stories

If you have stories to share, project photos, ideas about Coast Funds projects and community activities, or other interesting information, we want to know. We'll publish stories and photos on the website and in this newsletter whenever we can. You can send them to us any time at [communications@coastfunds.ca](mailto:communications@coastfunds.ca).

Coast Opportunity Funds  
Suite 1455-409 Granville Street  
Vancouver, BC V6C 1T2  
Phone: 604-684-0223  
[info@coastfunds.ca](mailto:info@coastfunds.ca)  
[www.coastfunds.ca](http://www.coastfunds.ca)