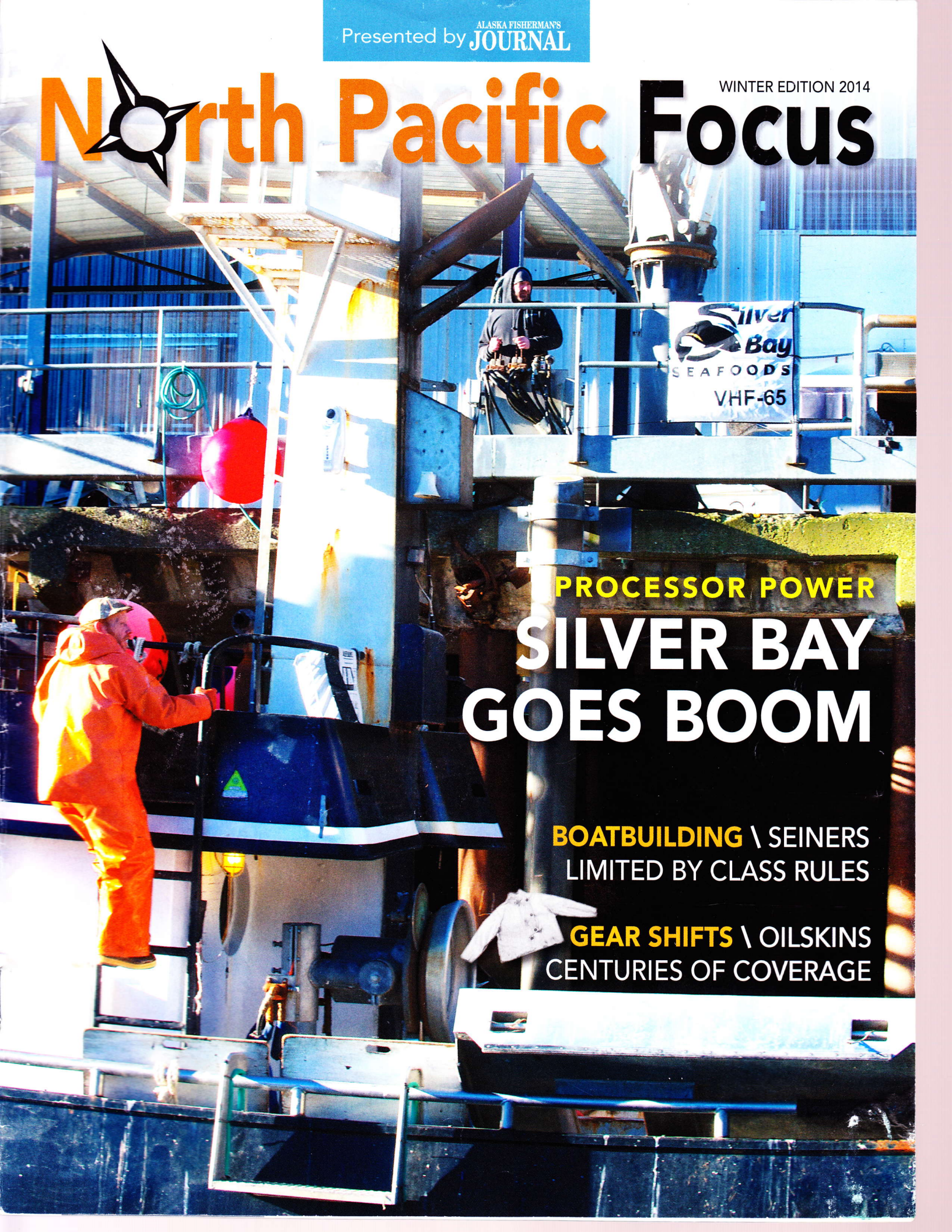


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North Pacific Focus



PROCESSOR POWER SILVER BAY GOES BOOM

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SALMON on a SILVER PLATTER

Alaska's Silver Bay Seafoods' meteoric rise has some communities scrambling to make way for the processing powerhouse

By SIERRA GOLDEN

This summer, Silver Bay Seafoods expects to be able to process 2.4 million pounds of sockeye per day at the company's newest processing plant

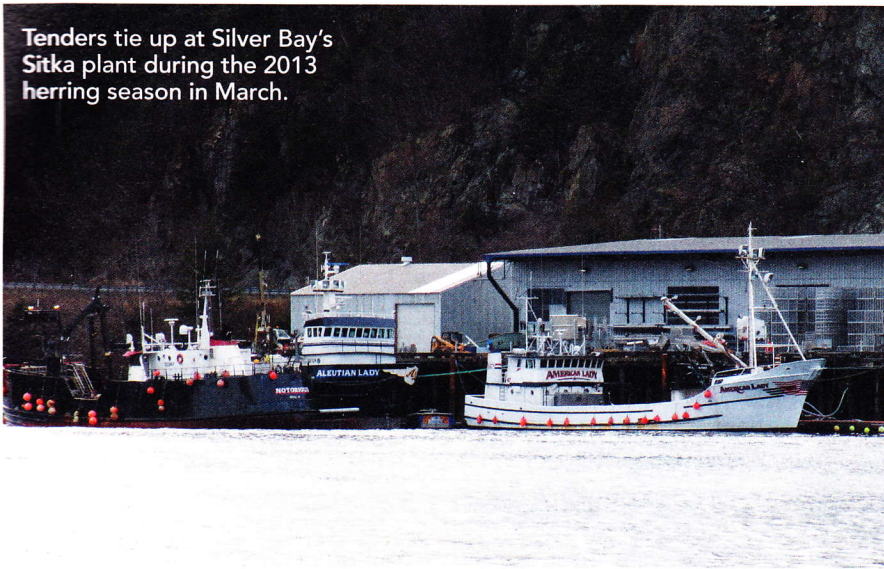
in Alaska's Bristol Bay. Chris Hanson, Bristol Bay fleet manager for Silver Bay, explained to KDLG radio in Dillingham that two barges anchored in the Naknek River would pump fish to the 53,000-square-foot processing plant. If all goes as planned, Silver Bay should be ready to

process up to 30 percent of the Togiak herring harvest and 18 percent of the salmon drift gillnet fishery in 2014.

Similar to Silver Bay's other plants, the main product will be frozen head and gut fish and frozen fillets. Heads and guts will be ground and sold for pet food. Silver Bay Project



Tenders tie up at Silver Bay's Sitka plant during the 2013 herring season in March.



SILVER GOLDEN

Manager Kevin Barry told KDLG that "SBS presents its fishermen with the ability to maximize their profits in this industry by guaranteeing to meet or exceed the highest ex-vessel grounds price; providing large volume, reliable and efficient tendering service; providing fleet support services designed to minimize lost fishing

time; and company profit sharing from processing operations."

It all began in the summer of 2006. The Southeast seine fleet was aflutter with gossip: At a time when ex-vessel prices were at a historic low and processing capacities in Southeast were severely limiting the seine catch, somebody was starting a new company that was to be fishermen owned. The company that became known as Silver Bay Seafoods promised new

markets, higher prices and greater processing capacity. Since then, the glamour and gossip surrounding Silver Bay has increased exponentially. Dock talk praises the company for its highliner fleet, speedy tender service and large dividend checks. At the same time, the history of the company has carried a tinge of mystery.

Former Southeast seiner Troy Denkinger spearheaded Silver Bay Seafoods in 2006, acquiring a lease on facilities at the Sawmill Cove Industrial Park in Sitka, Alaska. In 2007, the company implemented a plan to raise \$7 million from fishermen to design and build its processing plant at the site of the existing facilities. Silver Bay sold company shares that gave fishermen a voting membership in the company and dividend earnings. While most business decisions are made by a majority vote from a five-person board of representatives, mem-

Boats in port in ANB, one of Sitka's five harbors.



KATHERINE HOLMUND PHOTO

ber fishermen use their votes to elect two of the representatives. Each member fisherman vote is a percentage based on the amount of ownership interest (investment) in the company. Member-elected representatives serve two-year terms.

Silver Bay fisherman Sven Stroosma says, "We invested in this company because we had faith in the principals that they would be good at [buying, selling and processing fish], so we put our faith in them." As member-owners, fishermen also

receive dividends. "The board decides how to allocate profits that won't be used for reconstruction," Stroosma explains. "Like any company, when there's surplus profits to be distributed, those can be allocated either toward price or toward ownership dividends." In 2013, the company reported that more than

70 percent of the ownership is held by 125 member fishermen.

Troy Denkinger continues to represent the limited liability company as president, while Richard Riggs serves as CEO and Van E. Kramer as chief financial officer. Together the board and officers run a company guided by



"The main thing is not to undermine what people in Sitka have worked so hard to protect and to build."

— Linda Behnken,
Alaska Longline Fishermen's Association

this vision statement: "Through sound management, innovation, teamwork and vision, provide member fishermen and other strategic partners with the 'Silver Bay experience' that is predicated on exceptional and unparalleled performance that is second to none; simultaneously promoting the growth

and sustained profitability of the company." During its inception, Silver Bay received additional financial support from the city of Sitka, Alaska Pacific Bank, and the Alaska Industrial Development and Export Authority. In its first season of operation, the Sitka plant processed more than 20 million pounds of seafood.

The company targets a newly developed market for frozen pink salmon. Once frozen, Silver Bay's salmon goes to a variety of markets, many in Asia. Most of the secondary markets repro- cess and then resell the fish. Silver Bay herring fleet manager Del Repnow explains, "By freezing all their fish and having the large fleet that they have, [Silver Bay] took a lot of fish away from the can lines." Freezing pink salmon has both opened a new market and reduced pressure on the traditional canned mar-

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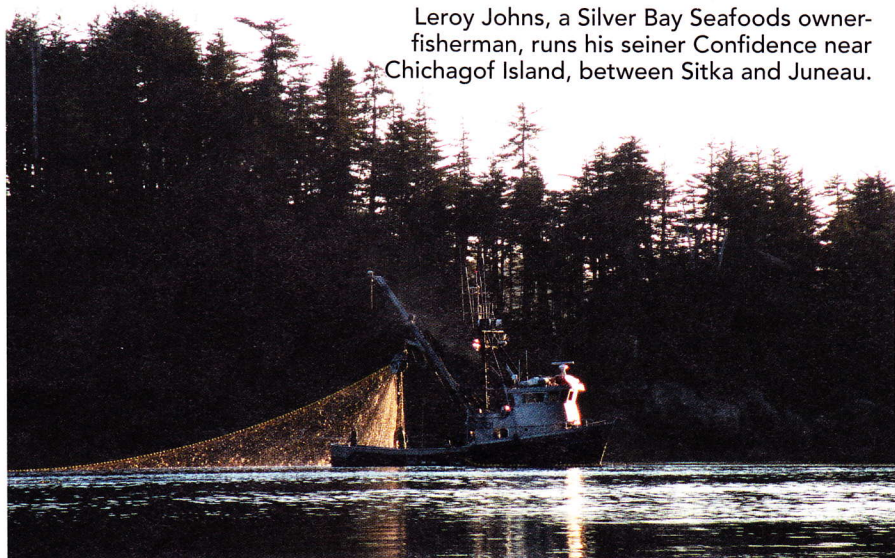
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ket. "I think it's helped every fisherman in the fishery," Repnow says. "It's made stronger demand for the fish, and I think that everybody in the business has benefited from it." Silver Bay also buys and freezes Sitka sac roe herring. In 2014, it plans to buy Togiak herring for the first time.

After the immediate success of the company, Silver Bay quickly turned to purchasing the property it was leasing. Realizing that the city-owned dock was badly deteriorated and unsafe, Silver Bay began negotiating a deal with the city and borough of Sitka that would allow the company to purchase the dock and associated buildings, and begin renovations. The *Sitka Sentinel* describes a plan that "calls for 'selling' the property for \$1 million to Silver Bay Seafoods... but the money would



SIERRA GOLDEN

Leroy Johns, a Silver Bay Seafoods owner-fisherman, runs his seiner Confidence near Chichagof Island, between Sitka and Juneau.

be paid back to Silver Bay by the city for work needed to repair the 50-year-old pulp dock." The city estimated that replacing the dock, rather than selling

to Silver Bay, would cost \$6 million to \$12 million. Fearing liabilities and an unattainable replacement cost, the city essentially agreed to sell the property

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to Silver Bay for nothing. The original lease was partially facilitated by then City Public Works Chief Rich Riggs, who eventually became the company's CEO.

Some Sitka citizens were upset about many aspects of the sale. "It looks like [Silver Bay] got their foot in the door and are taking advantage of the city," Sitka resident Thad Poulson told the *Sentinel*. "They're getting a unique asset. It's the only dock face for an ocean-going ship. It's unique in Sitka. There's nothing like it anywhere else... and the city's not going to have it anymore."

During city and borough assemblies that decided the fate of the Sawmill Cove Industrial Park facilities, Riggs said, "The biggest criticism is that I was overly thorough on most, if not all, aspects on the lease." He also indicated that Silver Bay originally had no short-term interest in purchasing the property and that the deterioration of the dock is what forced it to consider the purchase at such an early date.

An uptick in salmon season activity, including the new Silver Bay Seafoods bunkhouse and processing plant, in Bristol Bay's Naknek has the city worried about sewage capacity.



FRED PIKE

A group of citizens continues to pursue legal action with the city, hoping to ensure that residents will have a voice in any future property deals worth more than \$1 million. Though many continue

to oppose the business decisions of Silver Bay, even critics acknowledge that the company has brought the city millions of dollars of raw fish tax and many new jobs. For example, after Silver Bay en-



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munity, including members of the Sitka Tribe, sport and commercial fishermen and conservationists. Silver Bay CEO Riggs apologized for the purchase in an open letter and described the company's rationale behind the purchase: "The simple objective was to expand our processing to supplement our production, and see increases in employment, ancillary multiplier dollars, and fish tax dollars for Sitka... Make no mistake; Silver Bay is no proponent of trawling in the waters of Southeast Alaska... Silver Bay simply redirected the delivery of a legally harvested natural resource from Seward or Kodiak, to Sitka." An anonymous Sitka fisherman notes that Silver Bay's business philosophy "goes against all the small boat and conservation ethics we've tried to instill and preserve."

Behnken further notes, "I haven't seen [Silver Bay] very willing to back local fishing organizations or get involved in supporting us in issues that are really important to the local fleet and fishing community... and that's fine if they don't want to get involved... but the main thing is not to undermine what people here have worked so hard to protect and to build."

Promises of outstanding processing capacity, new frozen markets and higher prices hold an understandable allure for Bristol Bay fisherman, yet plans for the new plant have raised some concerns. Many locals are worried that the

municipal sewage system of Bristol Bay Borough will not be able to handle the additional load. With bunk houses being built at many processing plants and with the arrival of Silver Bay, the bor-

ough has gone from handling a peak of 175,000 gallons of sewage per day to a peak of 475,000 gallons per day. According to Mayor Daniel O'Hara, improving the septic system will be the

WELCOME TO THE MATRIX

In the summer of 2013, after a plant breakdown in Craig, Silver Bay Seafoods put its fishermen on limits for the first time. Using an innovative "matrix formula," the company allowed top fishermen the highest limits, and the caps cascaded down from there.

According to one Silver Bay fisherman, the difference between high and low limits was supposed to be no more than 50 percent but was actually more than 300 percent, with some fishermen limited to around 30,000 pounds and others with up to 100,000 pounds. This approach helps Silver Bay maximize processing, but it also favors larger boats, in turn hampering the little guy, and can create dissension among member fishermen.

Though some expressed frustration at company management during critical points in the season, suggesting that Silver Bay may need to listen more carefully to its member fishermen if the company is going to maintain its influential position as the top processor in Southeast, others believe the company is dominated by a few top owner-fishermen and as such will not be receptive to changes in the limit system.

While one anonymous Silver Bay fisherman said that rather than voicing his opinions, he would fight the system by purchasing a larger boat, another simply said, "Nobody ever likes to be told that they have to stop fishing... certainly that created a fair bit of tension, but that's fishing. Sometimes we just can't do good enough, and sometimes we do too well."

— S.G.



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borough's next capital project priority. The borough has already invested \$435,000 in a pump and overland line to ensure the septic system will not shut down during the 2014 summer. The borough expects to spend about \$20 million in a three-phase project to upgrade the system and build new holding lagoons. Silver Bay representatives have been working closely with the borough to develop a short-term plan ensuring that the current system will work satisfactorily for both parties. Eventually, the new or upgraded system should handle the company's waste with no problems.

Silver Bay Seafoods' meteoric rise, aggressive employee-owned business model, and constant expansions — there are even rumors flying of the company's involvement in the California squid fishery — make it nearly impossible to predict the future. Many local fishermen hope it will continue its innovative work in fisheries processing while supporting the Alaskan mantra of working in a sustainable fishery and delivering delicious, healthful product. As fisherman Jeff Farvour says, "There's nothing like [fishing]... It connects you. You see things that no one else is going to see, and they are connected to the environment... you hope that would instill a level of stewardship to go with it."

Sierra Golden is a seiner deckhand and freelance writer living in Seattle.

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