

Lesser Sunda Sustainable Fisheries Initiative Overview

Mission and Vision

The Lesser Sunda Sustainable Fisheries Initiative (LSSFI) presents an opportunity to create a sustainable fisheries source in a highly productive region under intense pressure from overfishing. Through rationalizing the supply chain and executing on a sustainable community fisheries management plan, LSSFI will create wealth for subsistence fishers, preserve regional fisheries, and provide food security for the regional population. A group of key stakeholders and supporting organizations including The Nature Conservancy, the World Bank, World Wildlife Fund, Sustainable Fisheries Partnership and the Indonesian Department of Marine Affairs-Fisheries are bringing various forms of capital and resources necessary to create a game changing high impact operating model to the developing world.

The Opportunity and Challenges

The world wild capture fisheries reached its peak in 1985 at 90 million tons per year. Eighty percent of the wild stocks are fully or over exploited. The consumption of marine protein has increased 57% since 1997. Aquaculture has not offset this increase in consumption and steadily increasing per capita consumption and population growth will continue to drive demand. Consumption trends encourage continued overfishing by fishers seeking to maintain their livelihood, driving many stocks toward over exploitation. In addition, Western markets are now demanding seafood products from responsibly harvested and sustainable fisheries. This shift in consumer demand toward “green” food supply forces processors and distributors to seek new reliable sources to satisfy market demand.

Indonesia, part of the Coral Triangle, represents the most biodiverse marine area in the world. Many of the 180 million people in this “breadbasket” of fisheries depend upon marine protein as their major protein source. Current fisheries in Indonesia, however, lack an organized supply chain for the harvest, processing and distribution of the region’s stock. The number of players in the chain and lack of properly located processing/distribution infrastructure creates inefficiency and low harvest yields. Collector vessels purchase product from local middlemen and in turn sell to distant cities that have the necessary infrastructure. This method produces low quality product and higher costs for all competitors.

LSSFI will replace this model with a rational supply chain supported by regional mini plants for grading, primary processing, and distribution to industrialized processing centers. This structure provides high quality semi finished goods to processor/distributors for differentiation in final processing.

This participatory supply chain and infrastructure model also provides the structure for and enforces a code of conduct that supports sustainable fisheries and economic development. The Indonesian government will provide full regulatory support in this region for natural resource conservation and economic development. The current landscape is weak in rule of law and regulatory enforcement. Through the use of partnerships with international NGOs and district

government this risk can be managed.

An Integrated Solution

The economic development, conservation and business operating model elements are interconnected and critical to the long term viability and food security in the region. Throughout the supply chain, from fisher to final merchant, LSSFI uses these elements to create a transparent and permanent infrastructure.

Harvesting Fish (Fishers)

Harvesters obtain licenses from the district government to participate in the supply chain. This District level engagement creates a point of connection to each fisher and fisher group where codes of conduct buy-in takes place. Financial incentives and disincentives support sustainable fishing practices including fishing method, on board handling, acceptable sizing and fishing locations. Fishers are paid based on transparent export pricing, with incentives funded from cost savings in the rationalized supply chain. In addition an electronic direct pay and microfinance system based on hand phone technology provides additional incentive to fishers to participate and comply.

Grading, Education, Primary Processing and Transport Logistics (Regional Processing and Logistics Company)

A Regional Processing and Logistics Company (RPLC) will construct and own five mini plants in strategic landing locations in the Lesser Sunda region. At point of landing mini plant graders enforce grading standards and capture stock assessment and payment data. Aggregated data including species, size, weight, condition, and quantity initiates the chain of custody/traceability information that carries through to the end merchant. This data is also used to drive decision support for incentives/disincentives for the community fishery management program and sustainable fisheries capture. The RPLC purchases the fish, pays the fishers immediately at transparent (ex-vessel less processing/transport) prices, performs primary processing and transports fish to purchasers on the mainland. The prompt payment, fair pricing and bank financing for vessel improvement shift the power equation away from the current agents.

Finishing, Export and Sales (BSI and other processor/distributors)

A limited number of processor/distributors, including BSI, will be licensed to participate in the fishery and will be required to accept and comply with the code of conduct. Each limited entry player will be selected and licensed by the Indonesian Ministry of Marine Affairs – Fisheries. These licensed processor/distributors will purchase from the RPLC and differentiate through final processing and packaging. This structure allows for multiple competitors with different product forms while participating under one code of conduct and maximizing the value of the harvest.

Investment Opportunities

A multi organization supply chain model with economic development and conservation goals requires various forms of capital to launch and sustain operations. Therefore there are multiple forms of investment.

North Atlantic, Inc (S-Corp)

North Atlantic is an established Portland, ME-based seafood processor, distributor and innovator. The company is the primary leader the design, capital formation and execution of the Indonesian fisheries business model. Core intellectual property including education and training programs, operational model components and sustainability data are retained by North Atlantic Inc. Forms of capital needed for North Atlantic include grant dollars for IP development and working/growth capital to support the new supply.

NAI Ventures, Inc (C-Corp)

A US-based non-operating entity for equity and working capital investment into P.T. Bali Seafood International. This entity is designed to aggregate US-based capital for investment and is a subsidiary of North Atlantic Inc and new investors. NAI Ventures requires equity and working capital to support Bali Sustainable Seafood subsidiary operations. Equity investors receive a return on their investment as part of the terms for the eventual sale of North Atlantic Inc. parent company.

P.T Bali Seafood International ((Indonesia Joint Venture)

BSI is an operating processor formed in a joint venture between North Atlantic Inc and KML. KML is a minority Indonesian operating partner in BSI with a longstanding relationship with North Atlantic Inc. Capital for operations will be funded through equity and working capital investments in NAI Ventures. In addition, where collateral is required, trade capital may be invested directly into BSI.

Regional Processing and Logistics Company (RPLC)

A separate entity RPLC will be the holding company for the five regional mini-plants throughout the region. All investments made into RPLC will be structured to ensure a permanent (dividends, not exit) basis for the supply chain infrastructure.

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