



A FISH OUT OF WATER

Everything is wrong with this business: wrong place, wrong product, wrong people. So what makes an entrepreneur, a chef, Jim Bolger and 31 of their friends think that Mt Cook Alpine Salmon will become a \$60 million export success in the next five years? Vincent Heeringa investigates

GEOFF MATTHEWS PHOTOGRAPHED BY ALISTAIR GUTHRIE

Twizel. Notable for cheap houses, some lakes, electricity—and now, perhaps, a successful global exporter.

In the mountains above the town sit two of New Zealand's most picturesque and pristine lakes, Tekapo and Pukaki. Fed by pure glacial water that trickles from the surrounding peaks of the Southern Alps, the lakes are joined by man-made canals, gushing with near-frozen river currents. The water is good enough to sell, reckons entrepreneur Geoff Matthews. But he's not planning to bottle it—he's turning the virtues of that pristine place into an unlikely export winner.

In 2009, Matthews and a consortium of mates bought a struggling fish farm and renamed it Mt Cook Alpine Salmon. There's nothing right about this business but they must see something in it: they modestly call their product "the benchmark for all salmon".

Matthews, a former private secretary to

Prime Minister Jim Bolger, does have a knack for seeing big opportunities in small places. After postgraduate studies in marketing at Victoria University, he set up consulting business BrandCom and now wears a suit without a tie and drives a Ferrari. His other ventures include TaxRefunds.co.nz, the online tax-return service he sold last year for a rumoured \$11 million, and Red Witch Guitar Pedals, a Paekakariki company that manufactures effects pedals for Californian rock bands. It won an export marketing award last year and Jeff Beck is apparently a fan.

Matthews knew nothing about guitar pedals—or fish farming, for that matter. Twenty years earlier, enthusiasts had introduced salmon to the Ohau Canal in an experimental fish farm. It kind of worked, kind of didn't. Few people had farmed salmon in such fast-moving water and alpine conditions, and the company struggled. As a business consultant, Matthews was invited by New Zealand Trade & Enterprise to assist the fish farm develop new export markets. "Everyone in the industry was sceptical, to

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MT COOK ALPINE SALMON

“I managed to talk my way into seeing the executive chef and laid out the fish. There was no ceremony about this: he cut it, looked at it, smelled it and tasted it and said, ‘It’s very good, very fresh.’ When I told him it had been snap-frozen, flown from New Zealand and thawed that morning, he didn’t believe me”

be honest. I wasn’t, because I didn’t know any better. Also, there were some misconceptions about freshwater salmon that needed to be overcome.”

Those ‘misconceptions’? Freshwater salmon is perceived by foodies as lacking in colour and taste. Its marine sibling (both are king salmon) eats more diverse food and tends to be more robust, growing up to four times

as large. And as wild salmon disappears from its natural habitat through encroachment and overfishing, the world is mostly consuming farmed salmon, notorious for disease and treatment through hormones, GMOs and antibiotics. Fish farming has a bad rap, both for the feed and chemicals that go in, and the effluent and dead animals that come out.

Matthews was already on the back foot

with this freshwater fish; but it gets worse. The fish farm exported its salmon frozen, not fresh. In the restaurant business that’s a bit like flogging a fake Rolex or dressing mutton up as lamb. Gordon Ramsay wouldn’t effing tolerate it.

But a remarkable thing occurred in 2008 at Dubai’s extravagant Jumeirah Beach Resort. “I managed to talk my way into seeing the executive chef and laid out the fish. There was no ceremony about this: he cut it, looked at it, smelled it and tasted it and said, ‘It’s very good, very fresh.’ When I told him it had been snap-frozen, flown from New Zealand and thawed that morning, he didn’t believe me. He couldn’t tell the difference between fresh and frozen. Remember this is a seven-star resort, so he was no slouch. This was a real moment for me.”

The resort ordered 30 tonnes with the possibility of making that a monthly



MT COOK ALPINE SALMON

Clockwise from far left: sushi-grade salmon, New Zealand’s southern alps; the Mt Cook Alpine Salmon farms; chef and investor Scott Murray

gig, totalling 360 tonnes a year. But Mt Cook produced only 120 tonnes annually. “I couldn’t fill the order and that really bothered me. We’ve got resource consent to produce 2,250 tonnes. I had to do something.”

So he did. Spurred by this early success in Dubai and elsewhere, Matthews formed plans to buy the farm from its owners. He needed capital but, more importantly, he needed a better story. Sure, there’s clearly a sustainability thread to this business as well as purity and uniqueness, and there’s a charm to the little fish from the little farm high in the hills of a little faraway country. But cute doesn’t cut it in the kitchens of New York or Tokyo. And, anyway, who’s Geoff Matthews? What was missing was the credibility.

The company needed Scott Murray. A professional chef, trained in Japan and working in California, Murray’s the kind

of burly, taciturn character you’d find in a reality TV kitchen, barking curt instructions and making timid men cry. “I don’t suffer fools,” says Murray. “If you’d asked me a year ago if would I cook frozen, freshwater salmon, I’d have said no. If you’d asked whether I’d invest in it, I’d have laughed.”

Murray’s cousin, a prospective investor in Matthews’ new consortium, did ask. He cajoled Murray, while holidaying in New Zealand, to test the product. Murray declined but the cousin was persistent. “For his sake I lay the fish out and the first thing I notice is how small it is,” says Murray. “I’m already dark about this but now I’m feeling darker. Then I’m told they freeze their fish and I’m like, ‘Are you serious? Don’t waste my time. And don’t waste your money!’ But as I cut it, I noticed it had no oily residue and no fishy odour. It had texture and subtlety. When I tasted it, it was just like the premium salmon

BARRIERS TO SUCCESS

Sometimes success is found in hard places. Mt Cook Alpine Salmon faces five hurdles to global success:

1. **TASTE:** Freshwater salmon gets a bad rap as colourless and tasteless compared with marine salmon
2. **FROZEN:** The product is not sent chilled but frozen
3. **DISTANCE:** New Zealand is not well known for is aquaculture products (not yet anyway)
4. **SIZE:** Its product is a quarter the size of US salmon
5. **IGNORANCE:** None of the investors are aquaculture or food specialists

But Geoff Matthews has turned these drawbacks to his advantage: a unique product with a unique place in the market.

A BILLION DOLLARS? YOU BET

The success of Mt Cook Alpine Salmon reflects the optimism in aquaculture in general. The sector currently books about \$300 million in sales but hopes to reach \$1 billion within 20 years. Optimistic? Here are five good reasons to think it's on track:

- 1. Historic growth:** In the past decade the industry has grown at 20–30 percent per year and the growth is accelerating. Exports grew a whopping 40 percent in the past year.
- 2. Big demand:** Driving the growth is the combined effect of rising demand, especially from the developing world, and the depletion of wild stocks through overfishing.
- 3. Unified vision:** Unlike wool, the industry has an ambitious and unified strategic plan, articulated by the industry body Aquaculture New Zealand. And unlike tourism, the sector is dominated by large, well-organised companies that can

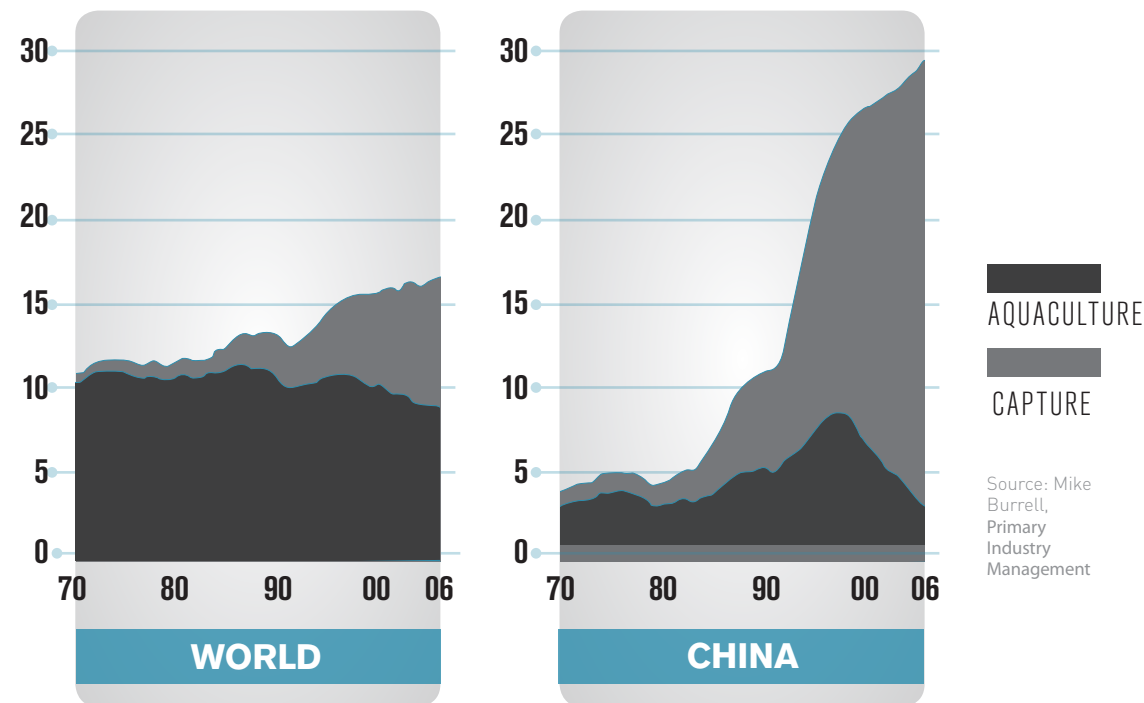
deliver on that vision.

- 4. Premium product:** New Zealand's product attracts premium prices thanks to its high quality and environmental credibility. All our farms are free of disease, antibiotics and GMOs, and employ low-impact farming practices. The result: a 50 percent price premium over the dominant product, Norwegian salmon.
- 5. New legislation:** The government is progressing a bill that will end an effective 2001 moratorium on new farms, free up rules and appoint a minister in charge.

Don Everitt, managing director of King Salmon, our largest salmon exporter, says the industry has pretty much everything it needs to grow. "What we need now is for all the players to price New Zealand product at a premium. We need to present united front to say that our salmon and aquaculture is the best in the world."

THE WORLD NEEDS FEEDING

FISHERY FOOD SUPPLY (KILOGRAMS PER CAPITA)



BY THE NUMBERS

Aquaculture is fast becoming big business in New Zealand. Here are the facts, ma'm:

- Total exports are \$252 million
- Export sales are split between green-lipped mussels (72 percent), salmon (22 percent) and oysters (six percent)
- Salmon accounted for \$76 million (up 23 percent from September 2009)
- Salmon went to Japan (31 percent), Australia (25 percent), US (20 percent) and Taiwan (ten percent)



ALISTAIR GUTHRIE

that I used to eat in Japan."

Murray was impressed, especially the next day when he made sushi from the salmon he'd frozen overnight. "It was still so alive in texture and taste."

Two weeks later Murray was back home and opened the newspaper to read 'No wild salmon left in California'. "I nearly fell out of my chair and got on the phone to New Zealand. I was in."

So were others. It was the middle of the global financial crisis and institutions were quick to decline Matthews' invitation to raise the money to buy the business, so he turned to friends, family and other fools: 31 private shareholders, including the newly-appointed chairman, former prime minister Jim Bolger.

"We deliberately avoid people with seafood- or salmon-farming experience," says Matthews. "We don't want to have people say to us, 'Oh, you can't do that,' or, 'This is how it's done round here.' We're a bunch of passionate investors, owners and workers, trying to build an amazing export business."



The Mt Cook Alpine Salmon farms

MT COOK ALPINE SALMON

How our environmental initiatives can help your business

Container shipping is the most environment-friendly way to get your goods to market. Maersk Line is committed to building on that advantage, developing new ways to improve our eco-efficiency, and to ensure our customers have access to best practice solutions.

Through initiatives such as our voluntary fuel switch programme and our water ballast management processes, we are establishing

Maersk Line as a strong and visible driving force in promoting more sustainable ways of working and a healthier planet.

By choosing to work with Maersk Line, you are choosing to be part of a commitment to environmental best practice across the entire supply chain.

To learn more about our environmental initiatives please visit maerskgreen.com



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This article is published at idealog.co.nz/alpine-salmon

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The boys from the Bay

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A dry, stony bit of Hawke's Bay, once a speedway and a quarry, now produces full-bodied red wines the equal of thousand-bucks-a-bottle Bordeaux.

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ELSEWHERE

www.mtcooksalmon.com

SO WHAT'S MAKING THIS SALMON SO POPULAR?

There's something in the water. Or rather, there's not: no parasites, algae, antibiotics, hormones or pollution. The company claims not a single fish has died of disease in its 20-year history. And the water flows faster than any other fish farm in the world, making the fish swim hard like wild salmon. Then there's the altitude. "High in the mountains is where athletes train to develop higher red-blood-cell counts. This may be why our fish have a different taste and texture," the brochure says.

It's one thing to have a great product. It's another to sell it. Matthews and Murray sensed the potential, but the obstacles remained. "We decided that all the things that made this fish unusual are our part of our brand. We had to leapfrog the mainstream and go straight to the top of the field," says Matthews.

Murray toured his old haunts in Japan and California to show his chef mates the new idea. Where they saw small fish, he sold them on quality. If they saw pale flesh, he said they were witnessing purity. Freshwater? Taste of the wild. New Zealand? Unspoilt environment. Frozen fish? Longevity. Alpine setting? Disease-free.

The pair took lessons from other businesses. Matthews had noticed how Apple packages its products so beautifully. Mt Cook now restricts its fish to five per box, standing up, to preserve the flesh. The ice packs are branded and the handling has been reduced to eliminate bruising. It's not efficient, but it improves quality.

They developed a brand—Saikou, meaning 'sweet spot'—and have had some success convincing restaurants in Japan and the US that Saikou is an industry standard, to be promoted on menus.

They're targeting the trade, converting chefs in premium restaurants. Jeremy Wilson, a Japanese-trained chef at Wellington's Shinobi Sushi Lounge, says the salmon is the highest quality he can buy and it reminds him of the *masu-sushi* salmon in Japan. In Auckland, Clooney's Des Harris says while all New Zealand salmon is good, Mt Cook's is superior for its low-fat, clean taste. "It makes the most incredible sashimi," he says.

In California the company has numerous outlets; most notably the French Laundry, a

recipient of three Michelin stars and twice named best restaurant in the world by *Restaurant Magazine*. In Japan, the second largest market for New Zealand salmon, Mt Cook has the rare honour of being served at the 'Emperor's table', meaning it is on the menu for the imperial court. This choice reflects again the uniqueness of the fish—emulating the near-extinct alpine salmon of the Toyama region.

The results are impressive—although this is a private company so we have to take Matthews' word for it. He says revenues are growing 60-fold and expects to reach \$60 million in the next five years. In 2011 sales will rise to 400 tonnes and then 1,000 tonnes in 2012. To get there, production must grow 12 times over, so the company is seeking a further \$20 million to fuel capacity and marketing infrastructure.

It sounds like a dream business, but the barriers to success are significant. Even if Mt Cook can overcome the abovementioned perception and marketing problems, industry critics doubt it can produce enough fish. The business relies entirely on the consent of Meridian Energy, which owns the hydro-electric canals, and on local government resource consents (a problem all aquaculture businesses face). Moreover, the cold water restricts the size and speed of growth, meaning not only are the fish smaller but harvesting is seasonal, not year-round like other marine farms. Combine all that with the literal space constraints of the canal and the business is, if you'll excuse the pun, not scalable.

Matthews denies the capacity problem. And anyway, he's a brand man, turning constraints into rarity and rarity into premium. Since when did champagne complain about constraint, he asks.

"As a consultant I became frustrated that we'd suggest all these ways to grow businesses but the owners would shelve the idea because they couldn't implement them. It's such a common story in New Zealand—we'd see all these great ideas and ask, 'What's stopping you?' Capital and courage? Well, that's easy to fix. I can raise the capital and I have passion in spades."

In Japan 'saikou' is a colloquial term, like our 'choice' or 'awesome'. Say it aloud in English and it sounds like you're describing a madman. Mt Cook Alpine Salmon has so many reasons to be awesome but it's still some way from success. Maybe it will take a bit of a madman to get there.