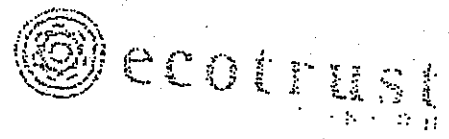


Siska Traditional Products
(Non-Tlv. Forest Products)
Business Plan Summary

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Executive Summary

Siska Traditional Products is an initiative of the Siska Indian Band. Located just south of Lytton, the Siska are a member of the *Nl'akapxm* First Nation. In 2001, led by the Siska Band, members of the community initiated the harvest of berries and herbs from their traditional territory. The goal of the initiative was to establish a non-timber forest products (NTFP) business which would employ a number of community members, especially single mothers.

In December 2001, Ecotrust Canada was commissioned to prepare a business plan to guide this fledgling company in its establishment. This document is a summary of our findings. In essence, we believe that the Siska community has the potential to run a successful NTFP company. This will require significant but carefully staged growth over 2002. Highlights of our findings include:

- We project a gradual build-up of production and sales over the first six months of the year, from zero production in January and February (based upon low projected sales and high inventory), to 1,000 jars of jam, 600 bars of soap, and 250 units of teas in July (75% production capacity).
- Corresponding monthly sales would grow from approximately \$1,200 in January (10% of production capacity) to a summer peak of \$10,000 in August (100% production capacity). Total sales for 2002 are projected at approximately \$100,000. See the attached spreadsheets for further details.

The employment required to reach these levels would consist of one harvest co-ordinator, employed full time at a wage of \$15,000, and 21 investors and production staff working on piece rate and hourly rates respectively.

- Berry Pickers would work a total of 140 person-days¹ at approximately \$10.00 per hour for total wages of \$14,000.
- Production would require zero days of work in the beginning of the year (based upon sales of existing inventory) increasing to 16 person days (jellies), 17.5 person days (soaps), and five person days (teas) of work per month by summer.
- The total wage bill for direct costs – including harvesting and processing – would amount to approximately \$100,000. This includes the cost of goods sold (labour, ingredients, and packaging) is projected at \$100,000. Assuming that the operations are able to continue with very low overhead (shared, rent-free production space, for example), total non-production expenses have been pegged at \$100,000 (which is the salary of the harvest co-ordinator).

While we would characterize our projections for the 2002 volume of production and sales as ambitious, the relatively small scale, high production costs and the market tolerance of

¹ A "person day" is calculated at 8 hours per day.

² Once existing inventory is factored in, this would be closer to 90 person days, and \$7,000 in total wages for 2002.

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prices for specialty jellies and soaps would still result in an anticipated loss of for the year. A break-even point could be reached in 2003 or 2004. This would require sales of approximately *Sec 21*

Siska Traditional Products will be subject to all the risks that any new business is exposed to. If revenue is slow to build, and reach only half of our projections, losses in 2002 could reach *Sec 21* (assuming that production is also halved accordingly). As currently designed, all of the costs associated with Siska Traditional Products are production costs. The small increase in total losses if sales falter. Besides losing an additional *Sec 21* community employment would also drop substantially. Careful consideration needs to be given to the consequences of such a scenario.

The following sections summarise our findings and recommendations about the structure of the company, its preferred markets, and the competition.

The Company

We see merit in the Siska Nation's suggestion that all of the community's non-timber forest products activity be governed under an umbrella structure. This would likely be a society with a board made up of members of the Siska Band Council, community members, and technical experts. Band businesses such as the art gallery and museum could be hived off from the Band and also integrated into this structure. This would allow a single entity to co-ordinate several of the Siska's business interests, many of which are interlinked.

Emphasis on a solid administrative structure will allow Siska Traditional Products to guide the implementation of the community's many NTFP entrepreneurs in a co-ordinated manner. It is also well suited to the capacity of the community: in centralising administrative functions, the structure allows many initiatives to tap into existing capacity on this front, without spreading it too thin. It also minimises overhead costs to allow these small initiatives a better shot at survival.

Products

Siska Traditional Products currently has three product lines of wildcrafted goods. Two of these are *prepared food goods*: wild berry jellies and herbal teas (loose). The other is a *specialty health product*: castile soaps with wild berry and leaf ingredients and essential oils. There are many varieties of each product line.

The primary market for these goods is the *specialty gift market*. The high production costs and relatively low production capacity make the goods inappropriate for the commodity marketplace. These will not be goods that people use every day.

Production and Sales

Based upon our understanding of the operations' processing and harvesting requirements, we estimate that Siska Traditional Products has the annual production capacity to produce 800 batches of jelly, 320 batches of soap, and 400 batches of tea. These figures are based upon 40 weeks of work, producing 20 batches of jelly, 8 (single) batches of soap, and 10 batches of tea per week. At our current projected sales structure (ie. a mix of direct sale, sales to a retailer, and sales to a distributor), this would generate revenues of a Sec. 21. Once production costs, project co-ordination, and overhead are factored in, this would also roughly constitute a net profit in the range of Sec. 21.

To sell this amount in 2002, however, would exceed all realistic expectations. We propose that a more realistic scenario is to sell roughly 60% of this amount. Depending upon the avenues of sale, this would amount to total sales revenues in the Sec. 21. The Gross Margin - ie. the revenues once core production costs have been subtracted - would be in the range of Sec. 21. This sounds attractive until non-production expenses are factored in: project co-ordination, overhead, etc.

At this point, we anticipate a loss of app. Sec. 21 in 2002. The company will also have a negative cash flow for most months of 2002, and will need investment of an additional Sec. 21 to continue operations. The break-even point for the company as currently Sec. 21 could be approximately Sec. 21 in sales (75% current production capacity). These scenarios are presented in the attached spreadsheets entitled "Income Statement" and "Sales Analysis".

The Market

The primary customer of these products is progressive, is of higher-than-average income, and is willing to pay a premium to ensure that his or her purchases are consistent with their ethical values. These ethical values will tend to be ones that support environmental and social justice causes. This demographic constitutes a significant portion of the population: as much as 25% of the North American population according to some intensive analyses, perhaps more in a progressive urban area like Vancouver. Siska Traditional Products are very consistent with these values, and efforts should be made to ensure that the "story" of these products comes across to the customer. Avenues of reaching this market include the following.

Local Retail

In 2001, most sales of Siska Traditional Products occurred through their local Art Gallery and Museum. Advantages of this approach include that the community is able to receive the full mark-up of the goods sold, rather than selling at a reduced mark-up to an outside retailer or distributor. Disadvantages include the relatively low volume that is attainable through this outlet. If the community follows through on its

goal of engaging in a comprehensive community marketing strategy, however, this will have significant impact on opportunities to sell Siska Traditional Products.

Farmers' Markets and Craft Fairs

These are another good way to sell a modest quantity of goods. For the Lower Mainland, there are currently three farmers' markets in Vancouver, with others in Whistler, Gibsons, and throughout the Fraser Valley. There is very little overhead (the labour involved with travel and staffing a booth) and the producers are in a position to receive the full retail value of the sales. They also provide a good interface between the producer and the community, spreading the word about the initiative and creating a sense of connection to what the company is doing.

A closely related avenue is through the sizable pow-wow circuit in BC and Alberta. Here, the company will find a large community of interested customers.

Fair Trade Networks

There is a growing network of people working to create space in the marketplace for goods produced by those that mainstream economics tends to marginalise: indigenous peoples, women, etc., especially those in the global south. These networks range from informal trading networks (as will be discussed below) to retailers such as *Ten Thousand Villages* and *Bridgehead*.

As we will present in our final report, we have established a possible opportunity to work with a local supplier of fair trade coffee to create "fair trade gift baskets" containing Siska Traditional Products.

Informal Networks

Many fair trade, craft-oriented products survive through cultivating relationships with a network of people (friends, family, etc.) who purchase case lot quantities of their goods for sale to those around them. In addition to being a way to sell a modest quantity of material, this is an effective means of building a network of allies.

Tourist-oriented outlets (gift shops, etc.)

This will be a key outlet for Siska Traditional Products. Effective tourist establishments give visitors a keen sense of the "place" in which they are a guest. This creates an affinity for products which represent this "place". Siska Traditional Products clearly are such products. We are providing a list of prospective gift shops and museums in Greater Vancouver that may be interested in stocking these goods.

First Nations-run businesses

Perhaps no outlets will be as sympathetic to the values implicit in these products than other First Nations businesses. There are over 100 First Nations communities in BC, most of them with some form of community owned and operated store.

Restaurants/Hotels/Caterers

During the course of our research, we talked with a number of high-end restaurateurs with an interest in native ingredients. A particular opportunity is the *Fairmont Waterfront Hotel*, which has a partnership with the *Hiwus Feasthouse* on Grouse Mountain to bring a First Nations theme to their conferencing events.

Progressive Retailers

BC is lucky to have a number of progressive retailers of food and health products. This includes grocers such as *Choices Market* and *Capers*, as well as organic home delivery companies such as *Small Potatoes Urban Delivery (SPUD)*. This will be a tough market for the jellies and teas, as there are many other organic and/or herbal goods on the market at prices much lower than that at which Siska Traditional Products can compete. The soaps, on the other hand, are well priced and placed to find a niche on these shelves.

High end establishments such as *Urban Fare* and *Meinhardts* are the most likely opportunities for all of these products: these stores have several specialty products in the price range of Siska Traditional Products. Attractive presentation is essential for these outlets.

Competition

As indicated above, Siska Traditional Products is not in a position to compete with most jelly and tea products on the market unless it brings its production costs down significantly. This should be a core objective for 2002. In the meantime, they should focus on informal trading options such as markets and fairs, or strive to capture a high-end specialty market.

Jellies

There are currently two other First Nations-led companies producing wildcrafted berry products in BC.

- **Clayoquot Sound Wildfoods** is an initiative of Ma-Mook Development Corporation, the community development corporation of the Nuu-chah-nulth First Nation. They have three products: wild blackberry syrup, salal berry vinaigrette, and dried chanterelle mushrooms. Each exhibits a very attractive presentation, with shaped glass bottles and logos evoking the wilderness of Clayoquot Sound and the culture of its first peoples. The company also hired a food technician to analyse both the taste and the appearance of the products (to ensure that the juice and oils separate attractively in the vinaigrette, for example).
- **Wilp Sa Maa'y Harvesting Co-operative** is largely run by members of the Gitksan First Nation. They started with one line of jelly (Wild huckleberry) in one size of jar. They introduced a second in Year 2, as they plan to each year. They also produce a canned soapberry, which is approximately twice the price of the jams. Like Clayoquot Sound Wildfoods, they have worked to ensure that their product presentation is attractive and evocative. In this case, the jams come in

square jars representative of the cedar baskets that Northwestern First Nations used to trade berries.

Both companies are able to keep their costs of production lower than those of Siska Traditional Products through the use of volunteer labour for all administration and board activity, and by focussing on narrower product lines.

Brand	Description	Size	Price
<i>Siska Traditional Products</i>	Wild harvested berry jellies (3-4 blended varieties)	41, 120, and 125 ml jars (current)	\$2.50, \$5.50, and \$5.75 suggested retail.
<i>Wip Sa Maan'y</i>	First Nations-led co-op: wild huckleberry, soapberry, high bush cran	110 ml and 250 ml jars	\$7.95 to \$11 suggested retail, depending upon product.
<i>Clayoquot Sound Wildfoods</i>	First Nations company: salal berry vinaigrette, blackberry syrup, dried chanterelles	225 ml (syrup); 200 ml (vin.); 14 gm bag (chants)	\$5.75 (syrup), \$8.25 (vinaig.), \$4.25 (chants.)
<i>Prairie Berries (Saskatchewan)</i>	Spreads, pie fillings, and syrups, including Saskatoon, black currant, cranberry	20, 45, 60, 110, 125, and 580 ml jars	\$3.99 for 110 ml
<i>Lone Willow (Ladner, BC)</i>	Wine jellies	45, 125, and 190 ml jars	\$15 for gift box of 5 45 ml jars.
<i>Enchanted Garden (Steveston)</i>	Organic preserve, sold in SPUD. Capers, etc.	250 ml	\$4.50

Soaps

The soaps are better situated for widespread distribution. BC is home to several craft soap makers. Many of these goods are sold in progressive retail outlets in Greater Vancouver. The prices range from \$2 to \$11, but most are in the range of \$3 to \$4.³ One can find everything from olive oil to berry blends to hemp-based organics. As with those of Siska Traditional Products, most of these are sold as individual bars; many are also wrapped in cellophane with a paper logo. Some of the more effective products have a label which tells the story of the company, linking the product to community, health, and environmental well-being.⁴ Mountain Sky Soap has one line which is made up of the end-cuts of its many product lines: the result is a multicoloured, multi-smelled bar which is one of their better sellers (at Choices Market); this is also a good way to ensure that no product is wasted after the batch is cut into 100 gram bars.

Brand	Description	Price
<i>Siska Traditional Products</i>	Castile soaps with wild ingred.	\$4.00
<i>Sun Dog (Choices to discontinue)</i>	Organic hemp-based	\$5.99
<i>Waterbug Soapworks (Kootenays)</i>	Range of natural scents	\$3.99
<i>Druide (Pte. Claire, Que)</i>	Organic	\$3.99
<i>Soapworks</i>	Many lines; commodity-scale	\$1.89
<i>Avalon</i>	Organic glycerin soap	\$3.69
<i>Mountain Sky (Crescent Valley, BC)</i>	River friendly, essential oils; have end-cut blend	\$2.99
<i>Krause Bros. Farms (Aldergrove)</i>	Berry and honey blends	\$7.49 - \$10.99

³ The \$11 product, from Krause Brothers Farms, is a value-added product: a soap moulded into the shape of a honeybee and wrapped in a wooden frame.

⁴ One product, from Mountain Sky Soap, claims to be "river friendly", i.e. that one can take their product camping and not pollute natural waterways.

Teas

At current cost projections, the Siska teas would definitely be at the upper end of the market for herbal teas. Most herbal teas are sold in teabags, and range in price from \$3.89 (Celestial Seasonings, 34-42 grams) to \$7.49 (Traditional Medicinals, 28-36 grams). In order to compete, Siska teas will need to ensure that the taste and presentation are superior. Provision of (culturally appropriate) traditional medicinal use information would be a selling point.

Brand	Size	Retail Price
<i>Siska Traditional Products</i>	25 gm (loose)	\$5.50
<i>Traditional Medicinals</i>	28-36 gram	\$4.99 - \$7.49
<i>Stash</i>	18-38 gram	\$4.49
<i>Bigelow</i>	25-39 gram	\$5.99
<i>Good Earth</i>	34-42.4 gram	\$5.69
<i>Ridgways Organic</i>	125 gram	\$5.99
<i>T</i>	Range	Range

Recommendations

Production

P1. Focus the product line.

Narrowing the product line will allow the company to invest greater resources in improving their continued product: appearance, taste, etc. It will also allow the company to achieve greater standardisation of production. We recommend three to four varieties of jelly, and 5-10 varieties of the soaps and teas (if these can be standardised effectively).

Market

M1. Invest in the presentation of the product, especially the jellies.

An attractive product could make all the difference in getting these products into the public eye. The basic presentation of the soap products is more consistent with the competitors, although an attractive logo would make a significant difference.

M2. Prepare product information materials.

Many distributors and retailers ask for a catalogue to introduce one's company and product. These establishments get pitches to carry hundreds of products per year. Tell them why Siska Traditional Products is distinct. Prepare a "story" around the products for display purposes (eg. a counter-stand with a small introduction or a card on the products themselves). The potential buyer should have a clear sense of who made the product, what it represents to the producers, and why they want people to have it. Siska Traditional Products has a great story to tell. Tell it!

M3. Focus on direct sales avenues in 2002.

As indicated above, any opportunity to receive the full retail mark-up will greatly assist the company in recouping the costs of production. These include sales through the art gallery, markets and craft fairs, and informal networks.

M4. Invest in the necessary regulatory and labelling requirements to distribute these products formally.

This will include bilingual labels, lists of ingredients, and – if planning to sell the product through formal distributors and retailers – UPC codes. The latter is less important if Siska Traditional Products members decide to focus on informal networks in 2002.

M5. Consider making the product organic.

While there is some expense associated with this – including the costs of certification and the added expenses associated with use of organic ingredients – it is anticipated that this would create opportunities to charge a premium and to access a larger progressive market. Whether or not Siska Traditional Products is certified organic is one of the first questions asked by many prospective buyers. This may be a strategy to consider for 2003. Our full report will present detailed information about the organic certification process.

M6. Look for ways to boost tourist traffic through the community.

As indicated above, direct sales of Siska Traditional Products through their own retail outlets provide the company with an opportunity to receive the full mark-up. By implication, anything that raises the profile of the community and attracts visitors to the art gallery will result in increased revenues for the initiative. This would include continued efforts to attract tour buses and private RVs to the community.

M7. Build a network of allies and informal distributors.

This would include family, friends, or people in other areas that share common values and interests. In this case, allies would also include the producers of Clayoquot Sound Wildfoods and Wilp Sa Maa'y. Each company produces a slightly different product for the same market. Through co-operation, there are greater opportunities to boost the scale of the market for all three.

M8. Establish and cultivate relationships with appropriately scaled businesses that may carry Siska Traditional Products.

This may include gift shops, First Nations stores, fair trade retailers, restaurants and caterers, or farmers' markets. In all cases, it is crucial to introduce one's product effectively, and to follow-up with first contacts or first contracts. Also, look for opportunities to sell berries directly where premiums exist (eg. high-end restaurants).

M9. Look for ways to reduce and standardise production costs.

This will allow Siska Traditional Products to increase their margin and/or reduce their suggested retail price. The latter is important as it will allow them to access new and more formal markets. *We recommend that \$20 be the upper limit for juice costs for a batch of jelly.* This is the figure upon which we have based the financial models.

M10. Consider direct sales of raw product if and when premiums exist.

High end restaurants have expressed more interest in purchasing wild berries than in the processed product. Keep this avenue open. The manager of "7" – the premier tea company in North America – expressed interest in discussing the purchase of herbal product from the Siska. Key selling points would be exploration of First Nations medicinal uses, potency, taste, and compliance with American Food and Drug Act regulations.⁵

M11. Seek opportunities to add value through gift baskets or boxes.

Many producers of specialty products package their goods in baskets or boxes to make them more attractive as gifts. In many cases, this amounts to only a slight increase in production costs with significant increases in attractiveness and sales. Collectively, these products would make a very attractive gift basket.

Operations

OP1. Compile detailed and accurate information about harvesting sites.

This is important for a number of reasons. First, keeping track of the locations of productive sites will improve the productivity of pickers. Second, it will allow the harvest co-ordinator to direct the pickers to sites that have not been exhausted, ensuring the sustainability of the harvest. Third, it will be very helpful if the business decides to seek organic certification: having the ability to identify a number of productive harvest sites and the estimated harvest from each area will make a good impression; it will also help to identify the most productive areas to certify.

OP2. Pay pickers by kilogram rather than by bucket.

This makes conversion factors and inventory easier to rationalise.

OP3. For guidance in training pickers in best stewardship practices, we recommend looking at the NTFP Harvester Training and Certification created by Shorebank Enterprise Pacific and Northwest Natural Resources Group.

These organisations have a long history of supporting best practices in NTFP harvesting. This will allow Morris to teach prospective harvesters in a manner that is consistent with current thinking around the practice.

OP4. Ensure that practices are compliant with worker safety standards.

This would include better worker safety standards for the use of lye and other chemicals used in the production of Siska Traditional Products. Ventilation should be improved and face masks provided.

Organisation

ORGI. Focus on the key strengths of the business, and devise an effective build-out strategy for the future.

The core thing to keep in mind in 2002 is the need to design an effective business structure that is compatible with the needs of a diverse set of products. This would include a way to assess and implement future ideas introduced by local entrepreneurs.

⁵ Scale will be a major factor in this, as any trial run would be on the order of hundreds of lbs.

ORG2. Reduce the staff to a core of one co-ordinator.

Rather than carrying the overhead of two harvest co-ordinators, a soaps co-ordinator, and a jelly co-ordinator (as was the case in the Pilot Year), it would be preferable to reduce the staff to a single co-ordinator. Production of jellies, soaps, and teas would then be done on a contract basis. In the earlier stages of the business, it will be necessary to utilise the human resources of the Siska Band for several tasks, including: accounting, technical support, and GIS. Cost sharing arrangements should be worked out accordingly. Once there are more operations under the umbrella of the CDC - including the museum and art gallery - it may make more sense to bring on a larger staff.

ORG3. Look for ways to reduce labour costs per unit of production.

As indicated above, the high production costs of Siska Traditional Products' goods is a limiting factor. If efficiencies can be found which reduce the labour costs per unit, this will allow the operation to reduce the suggested retail value of the product and to use its staff more productively.

Conclusion

Needless to say, the vision proposed here will not immediately lead to the creation of a profitable venture employing five to six full-time, year-round jobs for the community. Instead, we are proposing that Siska Traditional Products focus on starting small and building an effective structure for later growth. The core message of the Wilp Sa Maa'y Harvesting Co-operative is to "*Think Big but Start Small*".

That said, in our market research we uncovered several promising sales avenues for Siska Traditional Products. In our judgement, if the Siska feel confident they have the staff and accounting systems to ensure diligent marketing, quality control, and tracking of revenues and expenses, Siska Traditional Products can be a successful company producing high quality products that give the Siska another reason to be proud of their culture and accomplishments and inject community.

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NOTE. proforma income and cash flow statements were severed in accordance with Sec. 21

(business information) of the FOI/PPA. J.