

Equilibrium and US pension back Butterfly's aquaculture business

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[Butterfly Equity](#) portfolio company [Pacífico Aquaculture](#) has secured an equity investment of an undisclosed size from a consortium led by Butterfly and an unnamed US pension fund.

Pacífico, based in Ensenada, Mexico, also secured a loan from [Equilibrium Capital's](#) controlled environment foods fund – the size of which was also undisclosed – to support construction of a 20,000 metric ton striped bass nursery in Baja California. Construction of the facility is expected to take more than two years.

Butterfly co-founder and co-chief executive Dustin Beck told *Agri Investor* that the pension investor is among the LPs in the firm's existing vehicles.

"We have a really strong network across US pensions," he said. "A lot of these pensions have a lot of early-stage investments in the technology industry and a couple of them are looking to diversify into some really exciting, growing assets within the food sector in particular just because of the stability and long-term trends."

Pacifico plans to build a nursery facility equipped with a recirculating aquaculture system (RAS) supplied by Billund Aquaculture, a recirculating fish farm design and implementation specialist headquartered in Denmark.

In 2019, Equilibrium published a research report on aquaculture that estimated the cost of construction of a RAS facility at between \$62 million and \$67 million. Equilibrium principal Sarah Coggins declined to provide any detail on the size or terms of the loan to construct Pacifico's nursery, but did tell *Agri Investor* that the 2019 construction cost estimate is still roughly accurate.

Coggins said Equilibrium's relationship with Butterfly played a key role in bringing about the first aquaculture investment from its [controlled environment food fund](#). She explained that it came after five years' examination of the aquaculture sector to determine its role within a strategy devoted largely, so far, to indoor farming.

She said Equilibrium intends to be long-term owners of the aquaculture facility that has been designed for Pacifico, and explained that, typically, large aquaculture projects have been financed through equity into the companies themselves, not project financing.

"We're hoping that this opens the door a little bit into some of that for the

better-capitalized, more established aquaculture companies as a way for them to continue to expand and grow by utilizing this type of capital that's not sitting on their balance sheets," said Coggins. "This is an area that we see increased interest in and we're excited to continue to expand into."

Bass en masse

Beck added that part of what made Pacifico an attractive investment was its position as the only commercial producer of ocean-raised striped bass. "We're the only people in the world that have figured out the science and the technology of how to reproduce this really high value-added species in a controlled environment before then growing it out in the ocean.

"It would take someone five to 10 years to go and replicate that technology, but you can't just plop this out in the Mediterranean, Middle East or in Asia, it has to be indigenous to the local waters where it is native.

"In the US, they haven't embraced aquaculture and open-ocean fish farming yet. We think it's only a matter of time; it's one of the few things Republicans and Democrats can agree about."

The [California Public Employees' Retirement Association](#) is among the investors in Butterfly's closed-end funds. In July 2022, CalPERS committed [up to \\$500 million](#) to a Butterfly-managed vehicle called Red Admiral Fund LP, which was valued at [\\$230 million](#) in June. Beck said the vehicle is used for "other co-investments." CalPERS declined to discuss its Butterfly investments or the function of ag within its broader portfolio.

"All of our investments are made with the goal of delivering on our fiduciary duty on behalf of our members, and portfolio diversification is one of the key goals in generating returns," a CalPERS representative told *Agri Investor* in an email.