

Caviar from the Heartland

A Missouri fish farmer prospers from a ban on imported beluga.

By **Carlye Adler**, FSB contributor

October 24 2006: 9:09 AM EDT

FORTUNE
SMALL BUSINESS

(FSB Magazine) -- Some 300 million to 400 million years ago, a funny-looking fish with a giant nose swam the planet's primeval waterways. Today its female descendants produce some of the tastiest roe this side of Iran and are helping to jump-start the domestic caviar industry in the U.S. No, we're talking not about sturgeon but about its cousin the paddlefish (*Polyodon spathula*). These fish live more than 50 years, grow to five feet in length, and weigh 60 to 100 pounds. Their long, thin noses protrude some 15 inches, making them look like Pinocchio's prehistoric ancestors. But at least one entrepreneur has good reason to love these unsightly creatures. Missouri fish farmer Jim Kahrs will sell only about \$50,000 worth of paddlefish caviar this year but expects that number to rise to \$1 million by 2008. "I think they're beautiful," says Kahrs, 79. "But I'm prejudiced."

Kahrs is CEO of Osage Catfisheries, a 53-year-old family business that he runs with his sons Pete and Steve in Osage Beach, Mo. (*Editors' note: Jim Kahrs passed away in September, after the October issue of FSB, which this article appears in, went to press.*) Like other small domestic caviar producers, Osage is thriving, thanks to a recent import ban on all caviar from the Caspian and Black seas, where most of the trade originates. The ban was initiated to protect the endangered wild sturgeon and is enforced by the United Nations' Convention on International Trade in Endangered Species. As a result of the ban, much of the world's best caviar can no longer be shipped to 169 countries - including the U.S., which once snapped up most of the Caspian's production.

Osage has been farming paddlefish for 30 years and is the only U.S. farm licensed to export paddlefish products. (Some time ago, after years of overfishing and habitat damage from dams, the wild paddlefish was declared an endangered species by the U.S. government.)

High-grade caviar, low-grade price tag

The company, which markets its caviar under the L'Osage brand, has won its way into high-end restaurants and was included in the gift bags at the Academy Awards. A few years ago famed New York caviar importer Petrossian even offered to buy the small company. Osage refused to sell. "We've been in business so long we thought, What the hell, we can do this ourselves," says Steve Kahrs, 40.

Although paddlefish caviar might not be considered as luxurious as imported beluga (experts describe the paddlefish's smaller eggs as similar to the lesser-grade sevruga), it has won acceptance among connoisseurs. "Several years ago I tasted paddlefish caviar but wasn't blown away by its murky-water taste," says Rick Moonen, the chef and owner of RM Seafood at Mandalay Place in Las Vegas. "Then I tasted L'Osage, and it opened my eyes to something different. There's no funky water taste. The level of salt woke up the palate and was followed by an ocean breeze smell and a taste of nuttiness. It was really very good."

Humble beginnings

Jim Kahrs founded Osage Catfisheries (then called Turkey Bend Minnow Hatchery) in 1953. He started out raising minnows for fishermen and soon branched into catfish farming. Over time he added dozens of species native to the Missouri and Mississippi Valley waterways, including black crappie, blue gill sunfish, largemouth bass and paddlefish, which he initially raised for the



COURTESY: OSAGE CATFISHERIES

More from FSB

[Help wanted for HR firm](#)

[A CEO and rodeo queen](#)

[King of the mountain bike](#)

Current Issue

[Photo Gallery](#) [See more photos](#)

Top Stories

- [Rig workers could have called 'time-out'](#)
- [U.S. stocks boosted by China comments](#)
- [Can 'Top Kill' save BP and Big Oil? - The Buzz](#)
- [Tylenol recalls referred to FDA crime division](#)
- [Retire rich: 25 great stock picks](#)

Bankrate.com Mortgage Rates

LOAN TYPE	+/-	TODAY
30 yr fixed mtg	▼	4.86%
15 yr fixed mtg	▼	4.19%
7/1 ARM	▲	4.42%
\$30K home equity loan	▼	7.47%
\$30K HELOC	▼	5.06%

[Compare Local Rates](#) →

YOUR E-MAIL ALERTS

Follow the news that matters to you. [Create your own](#) alert to be notified on topics you're interested in.

Or, visit [Popular Alerts](#) for suggestions.

[Manage alerts](#) | [What is this?](#)

TRY 2 FREE PREVIEW ISSUES!



Outside the U.S. and Canada, click here.

Full Name

Address

City

State Zip/Po

E-mail

Consent [Privacy Policy](#)

aquarium trade.

"Paddlefish are popular aquarium animals because they grow so large and never stop swimming, and people like their big noses," he says. Osage has supplied paddlefish to institutions all over the country, including the Shedd Aquarium in Chicago, the National Aquarium in Baltimore and the Tennessee Aquarium in Chattanooga. The company also does a brisk overseas business in paddlefish eggs that can be hatched and raised for meat. (Paddlefish meat has a texture similar to swordfish and is sold smoked or in steaks. Although not popular in the West, it is considered a delicacy in Asia.)

Kahrs first started thinking about paddlefish caviar in the late 1980s after he saw headlines about declining wild sturgeon populations in the Caspian Sea. He launched a pilot program a few years later and harvested his first caviar crop in 2000.

Producing paddlefish caviar is hardly a shake-and-bake venture. For one thing, paddlefish are naturally river fish and won't reproduce on their own in the lakes and ponds where Osage's fish reside. So Osage uses in vitro fertilization, mixing paddlefish egg and sperm using a wild turkey feather. Each procedure takes 15 minutes, and the fertility rate is more than 90 percent. The fertilized eggs are put in hatching jars and kept at 60 degrees Fahrenheit for five to seven days until they are ready to hatch. (The eggs require round-the-clock care during this period, so Pete Kahrs sleeps in the building with them.) The hatched fry are then placed in nursery lakes on the Osage property and cared for until they are eight to 12 months old.

A plentiful harvest

Once the fish have grown to an arm's length, Kahrs and his sons move them into artificial lakes at real estate developments all over Missouri and Kansas. To date he has stocked more than 100 private lakes and ponds, including several at high-end golf clubs and resorts. He pays the property owner a fee (usually \$1 a pound for male paddlefish and \$1.50 a pound for females) when he harvests them seven to nine years later.

Unlike farmed sturgeon, paddlefish require little care: They live off zooplankton that grows naturally in water. And paddlefish are fun to have around because they breach like whales, especially when a golf ball flies into the lake or a powerboat passes over their heads.

Last March was harvest season at a lake on the Osage Catfisheries home farm in Osage. *FSB* tagged along while Kahrs and his sons harvested the paddlefish - now weighing in at 50 to 80 pounds each - with giant nets and biopsied them to determine their gender. The largest females were reserved for breeding, and the rest were killed for their caviar. A typical female yields eight to nine pounds of roe.

Today an ounce of L'Osage caviar retails for \$35, vs. about \$240 for the same amount of Caspian beluga - if you can find it. Last year the Kahrs family produced about 100 pounds of L'Osage paddlefish caviar, up from 30 pounds in 2000. The retail value of Osage's entire 2005 production was \$56,000, a tiny fraction of the estimated \$15 million market for domestic U.S. caviar. Osage has had to turn down business in recent months, including an order for four metric tons from a company in Japan.

While Osage may not have enough caviar to keep up with demand right now, Jim Kahrs hopes to boost annual production to 1,000 pounds by 2008 and to several tons in subsequent years. Meanwhile, Kahrs is working with the Missouri Department of Agriculture and the University of Missouri at Columbia to extract paddlefish collagen for use in the cosmetics industry as well as medical applications such as cartilage and joint fluid replacement. And the intricately patterned, sharklike skin could be used for "leather" products.

So if the Caspian caviar ban is lifted and caviar connoisseurs go back to enjoying imported beluga, perhaps the market will be flooded with new paddlefish accessories. Paddlefish purse? Remember, you read it here first.

Gallery: [Take a tour of the fish farm](#)

Taste test: [Domestic vs. Caspian caviar](#)

See osagecatfisheries.com for more on L'Osage caviar.

Did you take advantage of an import ban or shortage to start a company? What savvy methods did you use to come up with an idea for your business? [Let us know.](#)

To write a note to the editor about this article, [click here.](#)

[Turning bicycles into lounge chairs](#)

[Selling green beer to Mormons](#)

[Fastest-growing small companies](#) ■

To write a note to the editor about this article, [click here.](#)

From the October 1, 2006 issue

More Small Business

[SAVE](#) | [EMAIL](#) | [PRINT](#) | [RSS](#) | [REPRINT](#)

The Hot List

[100 best places to start a business](#)

[Diesel: The truck stops here](#)

['You're working for gas now'](#)

© 2010 Cable News Network. A Time Warner Company. All Rights Reserved. [Terms under which this service is provided to you.](#) [Privacy Policy.](#) [Advertising Practices.](#)

[Home](#) [Portfolio](#) [Calculators](#) [Contact Us](#) [Newsletters](#) [Podcasts](#) [RSS](#) [Mobile](#) [Widgets](#) [Site Map](#) [User Preferences](#) [Advertise with Us](#)
[Magazine](#) [Customer Service](#) [Download Fortune Lists](#) [Reprints](#) [Career Opportunities](#) [Special Sections](#) [Conferences](#) [Business Leader Council](#)

Market indexes are shown in real time, except for the DJIA, which is delayed by two minutes. All times are ET. Disclaimer LIBOR Warning: Neither BBA Enterprises Limited, nor the BBA LIBOR Contributor Banks, nor Reuters, can be held liable for any irregularity or inaccuracy of BBA LIBOR. Disclaimer: Morningstar: © 2010 Morningstar, Inc. All Rights Reserved. Disclaimer The Dow Jones IndexesSM are proprietary to and distributed by Dow Jones & Company, Inc. and have been licensed for use. All content of the Dow Jones IndexesSM © 2010 is proprietary to Dow Jones & Company, Inc. Chicago Mercantile Association. The market data is the property of Chicago Mercantile Exchange Inc. and its licensors. All rights reserved. FactSet Research Systems Inc. 2010. All rights reserved.