Mapping of the Coastal Fisheries in Faroe Islands 2013

Faroese Waters – Economic Fishery Zone

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# Table of content

INTRODUCTION................................................................................................................1

  Objectives.......................................................................................................................... 1
  Data Sources.................................................................................................................... 1

THE REGULATORY FRAMEWORK.....................................................................................2

THE COASTAL FLEET .........................................................................................................2

  Fishing Areas .................................................................................................................. 3
  Catches and Value .......................................................................................................... 4
  The Financial Operating Environment ......................................................................... 8

THE SIGNIFICANCE OF THE COASTAL SECTOR.............................................................8

  Employment in the Coastal Sector .............................................................................. 9

TECHNICAL DATA ON SMALL VESSELS .....................................................................11

  Building Material ......................................................................................................... 11
  Age of Coastal Vessels ................................................................................................. 11
  Engine Power ............................................................................................................... 12
  Length of Coastal Vessels ............................................................................................. 12
  Gear Type ...................................................................................................................... 13

ON-BOARD HANDLING AND PROCESSING ..................................................................14

LOGISTICS AND MARKETING .......................................................................................14

  Exports by Small Vessels ............................................................................................. 15

CLOSING REMARKS .......................................................................................................16

REFERENCES ..................................................................................................................17

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NORA
Nordic Atlantic Cooperation
Introduction

The purpose of this report is to inventory the coastal fisheries of the Faroe Islands and provide data in accordance with the objectives in the collaborative research project “Coastal Fishing in the North Atlantic” funded by NORA (Nordic Atlantic Cooperation).

The report presents data representative of the small commercial fishing fleet <15 meter in the Faroe Islands and the data summarized include fisheries landings and value, financial data, vessel registration data and market data.

The motivation behind this report is twofold: To secure improvement in the small vessel sector and provide opportunities for international networking among stakeholders across the North Atlantic. The countries included are Canada, Norway, Greenland, Iceland and Faroe Islands.

Objectives

The research objectives are as follows:

a) To inventory the small commercial fishing fleet <15 meter (50 feet) in Faroe Islands including:
   - Total vessels and groups (composition),
   - Fishing areas
   - Catches and catch value
   - Financial situation
   - Employment

b) To summarize registration data:
   i. Building material, vessel length, engine size and gear type

c) To describe handling, processing and marketing in the small vessel fisheries.

Since this report serves as an inventory and data summary, no conclusions or recommendations are made.

Data Sources

This report relies primarily on data and information collected from published sources available online and interviews with Industry representatives. Important sources are the databases of the Faroese Fishery Inspection – FVE and the Office of National Statistics Faroe Islands, Hagstovan.

Where possible we provide the most recent five years of data to represent current trends. If new and relevant data becomes available in later stages of the Coastal Fisheries project this data may be included.
The Regulatory Framework

Most fishing vessels in the Faroese small vessel sector are owned by individuals or by a registered company/one person company. It is not common for a fishing company to have multiple fishing licenses or vessels as seen in our neighbouring countries. The available data summarized is therefore attached to individual vessels and not an enterprise.

The Faroese vessels operating in Faroese waters have fishing licences within the National System of Fishing Days referred to as “Fiskidagaskipanin”.

The System is regulated by the Faroese Law of Commercial Fishing\(^1\) that defines the following groups of vessels:

\[\text{Table 1: The Faroese fleet by groups}\]

<table>
<thead>
<tr>
<th>Vessel groups</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1-2</td>
<td>Trawlers</td>
</tr>
<tr>
<td>Group 3</td>
<td>Long liners &gt; 110 GT</td>
</tr>
<tr>
<td>Group 4</td>
<td>Vessels &gt; 15 GT (4A: &lt;15m) (A/B/T)</td>
</tr>
<tr>
<td>Group 5</td>
<td>Vessels &lt;15 GT and &lt;15m fishing with line or jig (A/B)</td>
</tr>
<tr>
<td>Group 6</td>
<td>Others</td>
</tr>
</tbody>
</table>

\(^{Law of Commercial Fishing no 28, March 10 1994, changes in Law no 109 August 16, 2013}\)

According to the Law of Commercial Fishing the groups are assigned an annual number of fishing days and the days are allocated based on a set of guidelines. Basically all the species caught are brought to land and as a consequence, discards are not an issue. This is considered by fishermen as one of the main advantages with the system.

The guidelines for the system are designed and established by The National Board of Fishing Days and reviewed once a year and adjusted if necessary. The last amendment was made in August 2013 and involved a small reduction in the number of days allocated.

The Coastal Fleet

The vessels that fall within the scope of this report have fishing licences in the groups 4A, 5A and 5B. The Faroese coastal vessels are therefore characterized as follows:

\[\begin{align*}
4A: & <15 \text{ m and } > 15 \text{ GT} \\
5A: & <15 \text{ m and } < 15 \text{ GT (annual landing value of }> \varepsilon 54,000) \\
5B: & < 15 \text{ m and } < 15 \text{ GT (annual landing value of }<= \varepsilon 54,000) \\
\end{align*}\]

Fishing license in 4A is assigned to larger vessels (15-40 tonnes, < 15m) fishing in the outer areas of Faroese Waters. For the fishing year 2012/13 10 coastal vessels are assigned a fishing license within 4A\(^2\).

Group 5 is divided into A and B. Fishing licenses in group 5A are assigned to vessels with an annual landing value of minimum \(\varepsilon 54,000\). These vessels are classed as fully operational. Fishing licenses

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\(^1\) The Law of Commercial Fishing was designed and implemented in 1994 as an attempt to recover from the serious economic crisis of the time. Before 1994 a quota system regulated the fishery.

\(^2\) Tilmæli frá Fiskidaganevndini til landsstýrismanning í fiskivinnumálum fyri fiskiárið 2013/14 – pp. 10
within 5B are assigned to fishermen who mainly operate on a supplementary basis – for leisure or own consumption and have landings for less value than € 54,000 annually.

In the table below the volume of the coastal fleet is specified with respect to licenses allocated, vessels having registered landings and vessels fully operating in 2012/13. For comparison the number of fishing days is listed for 1996/97 and for the fishing year 2012/13. The National System of Fishing days was implemented in 1994.

**Table 2: The Faroese coastal fleet 2012/13 and fishing days allocated**

<table>
<thead>
<tr>
<th>Vessel groups</th>
<th>Fishing licenses assigned</th>
<th>Vessels reporting catches</th>
<th>Vessels fully operating*</th>
<th>Fishing days assigned 1996/97 and 2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>4A &lt; 15m &gt;15GT</td>
<td>10</td>
<td>7</td>
<td>4</td>
<td>5600 / 1011 days</td>
</tr>
<tr>
<td>5A &lt;15m &lt; 15GT</td>
<td>39</td>
<td>39</td>
<td>20</td>
<td>27000 / 10607 days</td>
</tr>
<tr>
<td>5B &lt;15m &lt; 15GT</td>
<td>493</td>
<td>281</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>542</strong></td>
<td><strong>327</strong></td>
<td><strong>35</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Coastal vessels fully operating are defined as having an annual catch value of minimum 54.000 €.*

The database of FVE (Faroese Fishery Inspection) has 327 vessels registered with landings in 2012/13. According to the National Board of Fishing Days 542 fishing licenses were assigned to the coastal vessels in 2012/13 and thus a good part of the fleet is inactive – 215 vessels in total. Due to poor fishery and additionally low prices for the last 2-3 years (cod in particular) a relatively large part of the fleet is at land or fishing for leisure and personal consumption only. It is even more worth noting that of the 327 coastal vessels reporting catches only 35 in total are able to operate on a full level i.e. obtain an annual landing value of minimum 54.000 €.

The Faroese legal framework does not set different terms for vessels in group 5A and B. There is virtually no difference in the terms for commercial fishery compared to leisure fishery. However, there is a slight preference for 5A when the number of fishing days left is to be distributed. There are ongoing discussions among politicians, fishery experts and the industry whether to increase restrictions on vessels in group 5B. Such requirements are set for similar boats in our neighbouring countries e.g. Norway and Iceland. In order to produce landings, a fishery licence is required together with a Fishing Authorization.

**Fishing Areas**

A large part of the small vessels are fishing near shore within the fishery limit zone of 24 nm. Due to the risk of catching too much small-size fish during periods where the inflow is little in Faroese waters, the Fishing Authorities are required to close areas for fishing near shore. This has been the case especially during the last two years and the cause of much discussion among fishermen and fisheries experts.

The red areas in Figure 1 are areas where the small vessels mainly fish. The dotted areas between the 12 nm zone and the 24 nm zone are closed areas protecting the breeding grounds of especially cod and haddock. The grey areas are closed areas for trawlers (group 2 and 4T).
As recently as September 2013, a ban has been lifted for two important areas for small vessels. These two areas are the upper right area in Figure 4 and a limited part of the mid left area. However, the general industry opinion is that there are currently not sufficient fish stocks in Faroese Waters for the coastal vessels to operate on a sustainable and adequate economical level.

Catches and Value

The top 10 species landed in 2012 by all small vessels and the corresponding value is displayed in Figures 2 and 3.

Figure 2: Top ten landed species by Coastal Fleet in 2012 (t)

Cod is the main species landed by the coastal vessels followed by haddock and saithe. The category “Other” is mainly halibut which in some years have been caught in reasonable quantities by the small vessels in group 5B.
The table below demonstrates the total volume in coastal catches of the three main species in 2002 compared to 2013. It is clear that the situation has changed drastically for the coastal fleet with regard to catches in Faroese Waters. As a consequence the number of coastal vessels operating has reduced significantly and as – shown in table 2 above – is down to 35 fully operating vessels in 2013.

**Table 3: Volume of catches 2002 and 2013**

<table>
<thead>
<tr>
<th>Top 3 species</th>
<th>2002</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cod</td>
<td>11.954 t</td>
<td>1.696 t</td>
</tr>
<tr>
<td>Haddock</td>
<td>4.589 t</td>
<td>803 t</td>
</tr>
<tr>
<td>Saithe</td>
<td>294 t</td>
<td>609 t</td>
</tr>
</tbody>
</table>

It is not only volumes that have declined in the period. The prices on the main species show severe fluctuations and overall, the trend is downward as well as catches volumes in the 10 year period.

The figure below demonstrates the price per kilo of all the top ten species for 2012 viewed in isolation. The value of landings - the value per kilo - are in DKK (1 EUR = 7.45 DKK).

**Figure 3: Top ten landed species 2012 coastal fleet – price per kilo of each species**

According to Figure 3 the price of cod - the most landed species - had an average price of 13.86 DKK in 2012. The price for halibut and lobster were decent, but the catches were relatively small.

During the past five years, the average price of cod has been decreasing significantly – especially for the large cod sizes, cod 1 and 2. As mentioned above, this trend has had a severe impact on the economy of the small coastal vessels. See Figure 4 below which has been updated with data from 2013.
Large catches of cod 1 and 2 from the Barents Sea have contributed to a certain price pressure during this five to six year period. The price of cod 4 has been increasing from 2009 until 2012, but declines slightly during 2012 to 2013.

For haddock - the top two species - the prices have been increasing from 2009 until 2011 but from 2011 to 2012 there has been a decline in the average price for all three sizes. The trend is illustrated in Figure 5 below which has been updated with data from 2013 as well. Currently, the trend is more positive for haddock with prices increasing from 2012 to 2013 for sizes 2 and 3.

The overall value of the small vessels landings appears when comparing the top ten landings with the sales or value of landings. For 2012 – again viewed in isolation, the situation is as follows:
The value of landings for cod represents 25 million DKK in 2012, whilst the corresponding figure for haddock and halibut is approximately 9 million. To assess the value of landings in a longer time perspective the figure below demonstrates the total value of landings of all species distributed to the three vessel groups 4A, 5A and 5B. The data are updated for 2013.

Since 1998 the value of landings has dropped severely in all three vessel groups – especially for the larger vessels in 4A. The fluctuations correlate to some degree with the fluctuation in prices but total catches are declining and small in volume (see table 3). As a consequence the situation for the coastal vessels is characterized by really low turnover.
The financial operating environment

Most vessels in the coastal sector are owned by individuals or by a one man company. Of the 35 coastal vessels operating on a full level, only 19 boats are formally organized as a limited liability company. Public financial data available for these 19 companies is illustrated in the figure below where EBITDA and overheads - depreciation and interest expenses are specified.

**Figure 8: The economic situation for fully operating vessels from 2010-2013**

![Business Line 2010-2013](image)

EBIT, the red line, illustrates the pure operational margin of the part of the fleet fully operating (19 boats of 35). While the overhead expenses in the sector are stable and approximately on the same level the operational margin is declining. It must be emphasized that figure 8 illustrates the total picture for the 19 boats in the sector and not average figures pr. boat. The 19 boats generate approximately 3.5 mill DKK in operational margin or 470,000 € in total. Counting the overheads in 2013 i.e. 0.9 mill DKK plus 2.4 mill DKK, we have 3.3 mill DKK in total overheads and we will have to conclude that the coastal sector is really operating on the limit – not generating enough operating income to cover overheads and make sufficient profits.

The significance of the coastal sector

Based on the situation of the coastal sector, has it any significance or impact on our economy?

In 2013 total catches from coastal vessels in Faroese waters were 4.295 tons. This corresponds to 1.06% of total catches in Faroese waters and represents a relatively small portion. However, in a period of extensive pelagic fishery in Faroese waters comparing volumes is not really fair to the coastal sector.

When looking at the two important ground species only – cod and haddock, and comparing to total catches in Faroese Waters, the sector represents 33% and 31% respectively and that is definitely significant.
Authorized fishing gear for the coastal fleet is jig and line only. The fish from the coastal fleet is considered as the freshest and of high quality and therefore historically provides the best value compared to other sectors. But volumes are low and the conditions for coastal fishing in our coastal waters are challenging.

Historically, the cod fishery has had a significant importance to the Faroese economy and social structure and the coastal fishing is a fundamental part of our perception of ourselves as a fishing nation. But with relatively few vessels fully operating in the coastal sector this perception will consequently change in the years to come.

**Employment in the coastal sector**

According to government statistics the total population of the Faroe Islands in 2013 was around 48,000. Due to the small size of the Faroe Islands and good infrastructure, data on regional development with respect to employment in the coastal sector is limited. We travel and commute quite easily between the Islands and mainly see ourselves as one coastal community compared to the larger countries participating in the Coastal Fisheries project.

Based on the situation described above, the activity from the small vessels sector does currently not have a vital and significant importance to most regions regarding employment, but of course, regions suffer when activity in a sector is declining and almost down to zero.

In this context we divide the Faroe Islands into two regions – the South Western and the North Eastern regions:
In the South Western part of the Faroes there is almost no activity in the coastal sector when considering coastal vessels fully operating (minimum landing value of € 54,000) in 2013. Due to low catch volumes the service industry e.g. landing stations have closed down and the vessels have to go quite far to land catches. There are currently no economic advantages operating on a commercial basis in this region when catches are small – you are below the minimum efficient scale. The result is a very low number of vessels operating fully in the South Western region. The left figure illustrates the share of coastal vessels fully operating in this region compared to the North Eastern region. The North Eastern region is more densely populated with around 80% of the population located in the region. Despite this scenario there are no national initiatives or attempts for regional job creation in the coastal sector.

Unfortunately there is no national statistics available covering employment in the coastal sector specifically. Based on the 35 vessels fully operating it is quite simple to estimate that there are approximately 70-80 full time employees in the coastal sector directly. This is not much – not even in the Faroes. For the larger vessels in group 4A there are on average 3-4 employees associated with the boat. The smaller vessels in 5A and 5B have on average 1 and 2 persons associated. There are relatively few young people in the small vessels sector and the average age of the workforce is estimated to be steadily increasing.

For the Faroese fishing industry as a whole the number of employees in capture, processing and services has been relatively stable during the last three years\(^3\). It should be added that compared to our neighbouring countries the number of employees in the Faroese fishing industry is relatively high. Approximately 20% of the Faroese workforce is employed in the fishing and the aquaculture industries in 2013\(^4\).

The last part of the report summarizes registration data for the coastal vessels (material, length, size and gear type) and describes the handling, processing and marketing of the small vessels fisheries.

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\(^3\) www.hagstova.fo/ Lønargjaldingar skift á kyn, vinnugrein og ár.

\(^4\) www.hagstova.fo/ Lønargjaldingar 2013.
Technical Data on Small Vessels

Based on registration data mainly from the database of FVE, the characteristics such as building material, construction period, engine power, length and gear type of the Faroese coastal fleet is presented in what follows below.

Building Material

The Faroese coastal fleet is quite uniform with regards to building material. The material varies mainly between glass-reinforced plastic (GRP) and wood.

From the FVE database we find the following registrations of the hull material of the small vessels fleet.

![Figure 11: Hull material – Coastal Fleet 2012 (325 vessels reg.)](source: www.teyggjan.fo 2012)

Age of Coastal Vessels

The age of the Faroese coastal fleet is illustrated in Figure 11 which shows that more than half of the vessels are built during the period from 1981 to 1990. Almost 70% of the coastal fleet is built during the 20-year period from 1970 to 1990. In total 301 small vessels are registered with construction year in the FVE database.

![Figure 12: Construction periods – Coastal Fleet 2012 (301 vessels reg.)](source: www.teyggjan.fo)
The majority of the coastal fleet vessels are around 20-30 years of age. This could indicate that the owners have less capital costs but only if one assumes that the vessels have not changed hands too often. It should be taken into account that the older the vessels, the less safe they are. In addition they are slower compared to newer boats.

**Engine Power**

There is a relatively even spread regarding engine power. 78 of the 127 vessels with less engine power than 70 kilowatts are registered in vessel group 5B (not fully operational).

**Figure 13: Engine power kw/hk – coastal fleet (4A, 5A and 5B) 2012**

![Engine power distribution graph](www.teyggjan.fo)

**Length of Coastal Vessels**

Regarding the vessel length range we distinguish between vessels in group 4A and 5A and those which are in the possession of more or less recreational fishermen - group 5B. Figure 13 shows that the preferable length of vessels ranges from 7 to 12 meters or 28-40 feet. This is sufficient space when working on-board.

**Figure 14: Length of vessels in group 4A and 5A 2012 (landing value > €54.000 annually)**

![Length of vessels distribution graph](www.teyggjan.fo)
Figure 15: Length of vessels in group 5B (landing value < €54.000 annually)

For the vessels in 5B the most common length ranges from 7 to 9 meters or around 28 feet.

**Gear Type**

There are no national statistics on what gear is on board the Faroese coastal vessels specifically, but we know from the industry that far the most of the small vessels are equipped with long line and/or jigging machines⁵.

The fishing license for group 5A and 5B allows jig as fishing gear/method and the fishing license in vessel group 4A (15-40 t) requires line only.

Line is the most frequently used gear type for the vessels in groups 4A and 5A while jig machine is used relative more by vessels in group 5B.

According to the database of Hagstovan, 65% of all cod in Faroese waters was caught with long line and approximately 30% with trawl and trawl with doors respectively in 2012. For haddock 82% was caught with line and for saithe 89% of total catch was caught with trawl or 93% if trawl with doors is included. Of the total catch saithe caught with jig machines was 5%. See summary for gear type divided on top three species for small vessels: Cod, haddock and saithe in Figure 15.

⁵ FoFish, Authorized Landing Station
On-board Handling and Processing

All the catch on-board the small vessels is processed in a standardised way in order to obtain a fairly homogenous quality and product presentation: Bleeding, gutting, cleaning and preservation.

The boats are required to take sufficient ice on-board when they set to sea.

The fish is taken off the line/hook and bled by cutting off the gills. Small tubs with running seawater are used to bleed the fish out. When they are bled (app 10 minutes), the fish are gutted, cleaned and stored in bins with ice. There is no grading in size or species done on-board.

The purpose of the handling is to get the catch cleaned and preserved as quickly as possible and then cooled down.

Logistics and Marketing

Only authorized landing stations are allowed to receive fresh caught fish from the boats. There are 9 operational landing stations in the Faroe Islands. The landing stations land the fish, grade the catch with regards to species and size and pack the catch in boxes or bins with ice. They then report the catch of each boat to the auction system where the fish is sold every morning. After the sale, it is the buyers that organize domestic logistics to filleting plants or to export.

There is currently no organized effort from the small boats to market their fish in any differentiated way and often there is a discussion in the industry that the quality of the day-boats is not rewarded. Buyers know which boats bring the best quality and do pay a premium, but this is not due to any marketing effort but rather due to experience and knowledge in the industry.
Exports by Small Vessels

Exports by small vessels are concentrated around UK, Germany and France. In the best case scenario, the fish reaches the final market 3 days after being caught and never later than 6 days.

On the UK market the Fish & Chips segment is relatively dominant, but the UK fishmongers and retailers are also large customers of whole fresh haddock from the Faroese small vessels. On the French market the fish mongers are customers of whole fresh fish as well but the largest portions of cod, haddock and saithe are processed locally - mainly in Boulogne sur Mer, and sold as natural fillets in the retail segment. The same market approach applies for the German market.

There are no national statistics available specifying exports by small vessels only but we estimate that ¼ of haddock is processed in the Faroes for the domestic market and ¾ is exported as round fish – mainly to the UK market.

Approximately 1/3 of cod is processed in the Faroes for the domestic market and export. 2/3 of cod is exported as round – mainly to France, German and the UK market.

*Figure 17: What becomes of the catches (estimates 2014)*

For the coastal catches, Faroese fish business operators have relatively fast and well organized logistics to the UK market

The figure below illustrates the top five export countries by value for all fisheries. The Faroese exports consist almost exclusively of fish and fish products – around 91% in 2012 and the percentage figures below may therefore roughly represent the Faroese fishery exports.

*Figure 18: Top five export countries 2012*

*Exports commodities: Fish (91%), Other: (9%)*

Top 8 export species:
1. Salmon
2. Mackerel
3. Cod
4. Saithe
5. Herring
6. Hake
7. Ling
8. Shrimp

http://www.hagstova.fo
Closing remarks

The future for the small vessels fleet will most likely bring changes. Current licenses in the Faroese Fishing industry are by the Government set to expire in 2018 and alternative solutions and terms in a new license system are discussed.

A suggestion from fishery experts concerning the coastal fleet is limiting the options for the vessels in group 5B. Vessels that are not fully operational or recreational fishermen should not have the same access to our marine resources as fishermen operating on full-time.

In addition fishery experts recommend that current closed areas continue to be maintained and possible extended in order to protect the breeding grounds of cod and haddock. The stocks are still not on a sufficient and sustainable level⁶.

According to fishery experts the overall actions for improving the fishery license system should be within these three areas:

1. Limiting access for exploiting the marine resources
2. Securing an economic and sustainable eco-based fishery (possible resource tax)
3. Allow the industry to adapt to possible future changes during a sufficient period of time.

The vital question is whether the future holds more opportunities for the Faroese coastal fleet. Only a small part of the fleet is fully operating – 35 vessels, but the question is for how long. Improvements are clearly necessary but where should efforts and stakes be made. In view of the above, changes are needed to improve the conditions within the Faroese coastal sector. Gaining insight into the conditions of the coastal fleets across the North Atlantic might give valuable answers in this respect.

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Skipalistin 2012, Vinnuvitan P/F, Rounborg Grafiske Hus

**Interviews:**
U/Hæddini Spf (project SME)
Jákup Páll Joensen, Captain, Bjørgvin KG 503
Símun E. Høgnesen, representative Bjørgvin KG 503
Meginfelag Útróðrarmanna
Absalon í Buð, Chairman
Óli Jacobsen, Board member
Auðunn Konraðsson, former Chairman
FoFish, Authorized Landing Station
Bogi Nielsen, MSc. Econ, Sales Manager

**Electronic resources:**
www.bl.fo (Business Line, financial services)
www.hagstova.fo (National statistics)
www.teyggjan.fo (Statistics vessels and licenses)
www.vorn.fo (Statistics fisheries)