

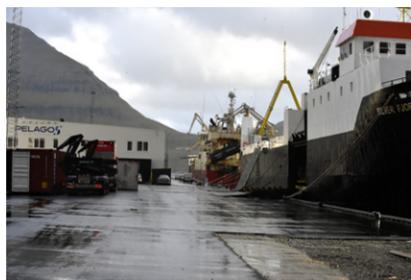
# PELAGOS BRACES FOR MORE CHANGE

**Fuglafjørður's freezing plant Pelagos had its baptism of fire with a spike in production during 2017 caused by external circumstances, processing as much as 100,000 tonnes of catch—now some very different challenges loom.**

Top to bottom: Aerial view of the Pelagos processing plant on a quiet day; Receiving fresh catch from fishing vessel with reefer ship doing business with next-door neighbor cold store Bergfrost; CEO Jóhan Páll Joensen.



JENS KRISTIAN VANG



MARIA OLSEN



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WITH overall pelagic fish processing capacity in the Faroe Islands temporarily reduced because of a fire at Tvøroyri in 2017, Fuglafjørður's freezing plant Pelagos saw an unforeseen and dramatic spike in production during the autumn season. With domestic production capacity expected to normalize in the second half of this year (2018), Pelagos is gearing for new challenges, largely linked to uncertainties brought on by new domestic fisheries legislation.

Thus for Pelagos, the dramatically increased business during 2017 primarily had to do with the devastating fire that saw the Varðin Pelagic facility virtually razed to the ground, which for a time reduced the number of large freezing plants in the Faroe Islands from three to two.

In result, with an unusually high number of vessels delivering their catch to Fuglafjørður, and to Kollafjørður for that matter, too, Pelagos was faced with a whole new level of logistical challenges.

A risk factor in the context: long queues of fishing vessels lining up for landing their fresh catch would mean too long waiting time, which in turn would leave too large portions of the catch at substandard quality. The situation called for urgent collaboration with effective coordination between the freezing plant and the vessels.

"The unfortunate incident at Tvøroyri led to very special conditions at Fuglafjørður during the autumn sea-

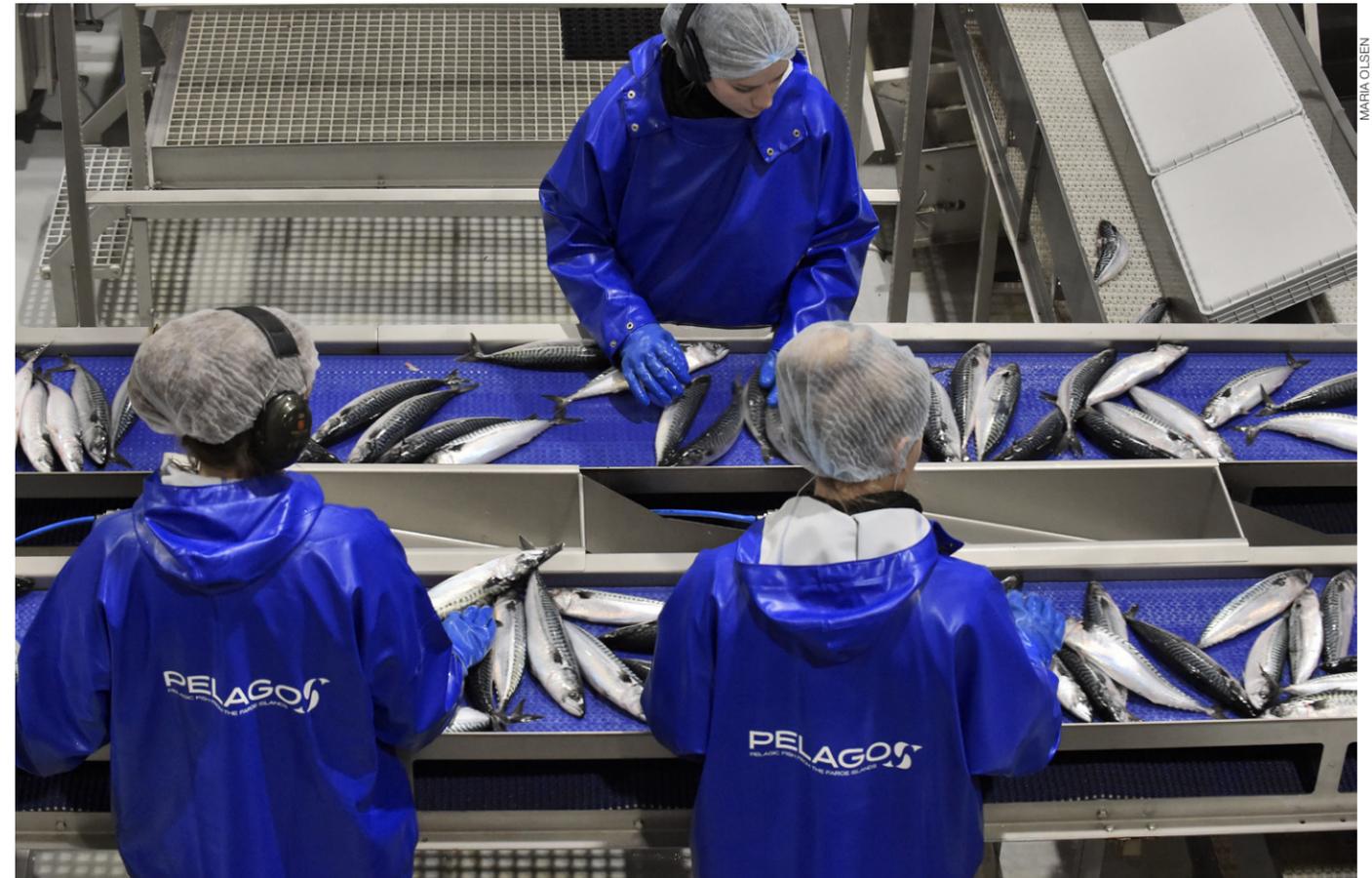
son," Pelagos CEO Jóhan Páll Joensen noted. "We were challenged at multiple levels because of very high traffic, first of all logistically, but also sales wise and administratively. Things had to be coordinated to a much higher degree than normally, and we had to get directly involved with the fishing vessels to help optimize timing for each on them to make sure landing would be spread as evenly as possible to prevent clogging at the dock side."

Whereas the previous year Pelagos processed around 40,000 tonnes of catch, the total for 2017 amounted to just above 100,000 tonnes, by far the highest tonnage produced so by Pelagos. The distribution of species was as follows, approximately: 48,000 tonnes of mackerel; 43,000 tonnes of herring, and 9,000 tonnes of blue whiting and capelin, according to Mr. Joensen.

## ADDED CAPACITY

With Varðin Pelagic expected back on-line by August 2018, much the pressure on Pelagos will be off for now, allowing management their to turn their attention to other challenges. Signs are the volumes of catch could turn out significantly lower this year, considering the fact that the catch quotas for herring and mackerel have been cut back.

Another factor is the new fisheries legislation, which introduces several new elements to the fisheries management, widely perceived to increase the



Quality control workers at the conveyor belts during a busy mackerel season.

scope and scale of uncertainty throughout the industry.

"At least for a period, we will see increased levels of uncertainty and therefore generally speaking an elevated sense of risk," Mr. Joensen said. "The more we know for certain about the tonnage of catch we'll be able to process going forward, the better our ability to plan ahead and serve our clients. Not knowing what to expect makes it next to impossible to foresee the volumes, and thus to plan our production accordingly. Hopefully these uncertainties will somehow be resolved or worked out in the near future; but in consequence to the current situation, we've had to reduce our work force to a certain degree."

Pelagos maintains high product quality through rigorous control systems that secure gentle handling of the fish throughout the process, with a recent new investment in freezing equipment further adding production capacity to a highly computerized and automated workflow.

With highly automated production,

from landing to processing and freezing to packing and palletizing, the entire flow is handled by robotized systems, making Pelagos one the world's most advanced facilities of its kind. While the Faroese pelagic fleet provides the largest share of raw material supplies to the factory — in the form of fresh catches of mackerel, herring, blue whiting, capelin, and silver smelt — foreign vessels are frequently seen delivering to the facility as well.

Commencing production in 2014, the Pelagos plant was designed and developed by Iceland's Skaginn 3X with automated grading, packing, freezing and palletizing. The refrigeration system, delivered by Frost, is specially designed for automatic plate freezers and to ensure low energy consumption. 2017 saw the installment of two new plate freezers of the same type that were already in use, an upgrade that addressed some bottleneck issues related to production flow; the freezing capacity was raised from 520 to about 640 tonnes per day, with the option of raising it further to about 1,000.

## Pelagos

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Pelagos is one the Faroe Islands' major pelagic fish processing plants and one of the world's most advanced — built on the latest computer and robotics technology for automation and top quality production.

Pelagos opened for business in the summer of 2014.

We deliver frozen products of the following species:

- Atlantic Mackerel
- Herring
- Blue Whiting
- Capelin
- Great Silver Smelt