Utilisation of 2018 European Union - Faroe Islands Bilateral Fisheries Agreement

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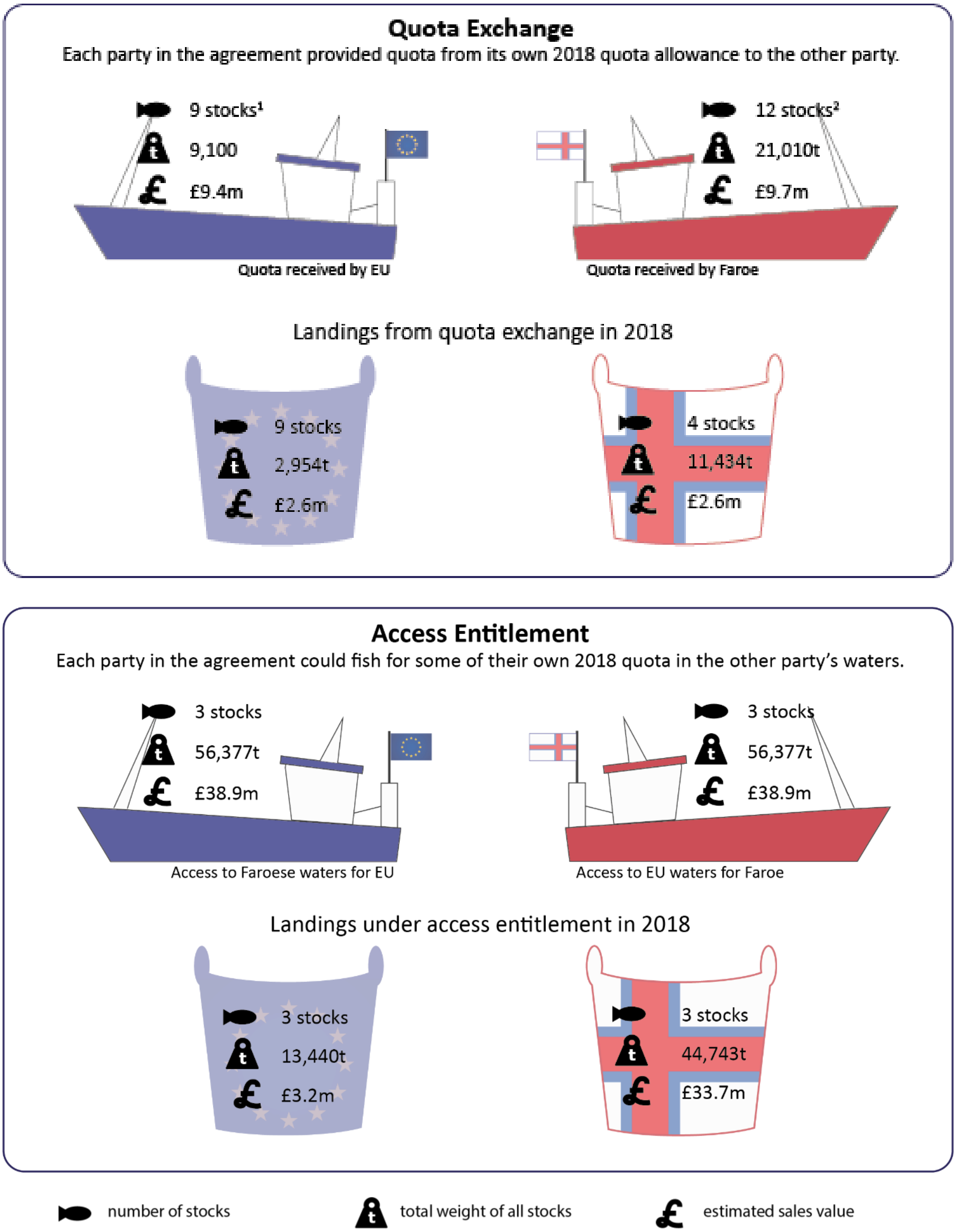
Overview of utilisation in 2018

The infographic below summarises the scope of, and landings under, the 2018 EU-Faroe fisheries bilateral agreement.



[1] *The quota exchange agreement contains seven categories of stock. Two of these contain two quota stocks therefore the total number of stocks is nine, including an 'Others' stock.*

[2] *The quota exchange agreement contains 11 categories of stock. One of these contains two quota stocks therefore the total number of stocks is 12, including an 'Others' stock. Two of the 12 stocks are Greenland quota stocks.*

1 Introduction

Seafish Pelagic Industry Issues Group (PIIG) requested analysis of the utilisation of the 2018 EU-Faroe fisheries bilateral agreement. The bilateral agreement provides a reciprocal exchange of fishing possibilities between the EU and Faroe. Similar reports on utilisation of the agreement in 2014, 2015, 2016 and 2017 have previously been produced by Seafish. The report on utilisation in 2018 also presents a comparison of utilisation across all five years.

1.1 About the agreement

The EU-Faroe bilateral agreement is negotiated annually and includes:

- an exchange of quota between the two parties - both pelagic and demersal quota; and
- access entitlement, which enables each party to fish for some of its own quota for pelagic shared stocks in the other party's waters.

The content of the agreement is broadly similar from one-year to the next although it does reflect changes in annual TACs and may add or remove a stock. Although the negotiation is annual, the mackerel access entitlement is a percentage-based calculation that was fixed for five years from 2014 in a verbal agreement between the EU and Faroe.

1.2 Data sources

The report has benefitted greatly from landings data from the European Commission, provided by the Scottish Government, and FIDES and MMO databases.

All other data sources are detailed in the report where they are used including EUMOFA and www.hagstova.fo.

1.3 Structure of the report

The remainder of the report is structured as follows:

- Section 2 provides context for the analysis.
- Section 3 includes:
    - An introduction to the quota exchange element of the agreement, followed by analysis of uptake by the EU and Faroese fleets in 2018 and a comparative analysis of annual uptake since 2014. Utilisation by the EU fleet is disaggregated to show uptake by the UK fleet and rest of EU fleet;
    - An introduction to the access entitlement element of the agreement, followed by analysis of uptake by the EU and Faroese fleets in 2018 and a comparative analysis for 2014-2018. Utilisation by the EU fleet is disaggregated to show uptake by the UK fleet and rest of EU fleet; and
    - Estimates of the sales value of landings made by both Parties under the agreement.

- Section 4 concludes the report with a summary on utilisation in the five years to 2018.
- Appendix A presents the detail of the fishing opportunities provided in the 2018 EU-Faroe fisheries bilateral agreement, the data used to calculate utilisation and the estimated sales values associated with the stocks in the bilateral agreement.
- Appendix B presents information on the countries to which the UK and Faroe exported whole frozen mackerel in 2018.

2 Context

Section 2 of the report presents information on the background to the EU-Faroe fisheries bilateral agreement and the sources of concern for the UK pelagic industry.

2.1 Purpose of the agreement

The EU-Faroe bilateral agreement exchanges fishing possibilities between the two parties. The incentives for the agreement are not detailed in the published documentation. However, since 2014, Faroese utilisation of the fishing possibilities provided by the agreement strongly indicates that the incentive for Faroe is to secure fishing possibilities for shared mackerel and blue whiting stocks in EU waters. The incentive for the EU to participate in the agreement is less clear from its uptake of the fishing possibilities. Since the first analysis was conducted in 2015, consultations and discussions with industry and Scottish Government representatives suggest that the primary incentive for the EU's engagement in the bilateral agreement was the role of the agreement in securing Faroese engagement in the multilateral negotiations on the management of Northeast Atlantic mackerel conducted by the Coastal States.

In 2010, the Governments of Faroe and Iceland set unilateral total allowable catches (TACs) for mackerel which significantly increased the mackerel fishing opportunities available to their fleets. The subsequent increase in mackerel catches, which exceeded scientific advice for sustainable catches, led to a suspension of MSC certifications for Northeast Atlantic mackerel in 2012. Following negotiations, an agreement on the shared management of mackerel was reached between the EU, Norway and Faroe for 2014 to 2018. The EU-Faroe bilateral agreement, which began again in 2014, is viewed as part of the process which secured Faroese engagement in the multilateral negotiations.

The five-year (2014-2018) multilateral mackerel agreement between the EU, Norway and Faroe[1] sets aside a reserve equivalent to 15.6% of total TAC to provide for fishing by parties not yet involved in the agreement. The remaining TAC is divided between the three parties as follows: EU receives 58.4%, Faroe receives 14.9% and Norway receives 26.7%. In 2018, the TAC available for Northeast Atlantic mackerel was reduced by 20%, relative to 2017. Table 2-1 shows how the TAC was allocated. The UK's initial allocation of quota in 2018 was 191,668t, equivalent to approximately 48% of the EU quota and 23% of total TAC.

Table 2-1: Northeast Atlantic mackerel TAC and quotas in 2018

Recipients of quota shares	Quota share in 2018 (tonnes)
EU	402,596
Faroe	102,924
Norway	183,857
Other Coastal States and fishing Parties	127,420
Total TAC for Northeast Atlantic mackerel	816,797

Source: Agreed Record of Conclusions of Fisheries Consultations between Norway, the European Union and the Faroe Islands on the Management of Mackerel in the Northeast Atlantic for 2018

[1] Agreed Record on a Fisheries Arrangement between the European Union, the Faroe Islands and Norway on the management of mackerel in the North-east Atlantic from 2014-2018. https://ec.europa.eu/fisheries/sites/fisheries/files/docs/body/2014-2018-agreed-record-eu-faroe-islands-norway-mackerel_en.pdf

The access entitlement for mackerel in the 2018 EU-Faroe bilateral agreement provided access to each party to catch 30,877t of their own mackerel quota in the other party's waters. Therefore, the Faroe fleet could catch 30% of its total mackerel quota in EU waters and the EU fleet could catch almost 8% of its mackerel quota in Faroese waters.

2.1.1 Changes to the agreement since 2014

Although the negotiation between the EU and Faroe is annual, the changes from one year to the next are relatively modest and are likely to reflect changes in TAC, rather than significant changes in the negotiated position of either party. The most notable differences since 2014 have been:

- in 2016, sprat quota was added to the quota exchange provided by the EU to Faroe;
- in 2015, Atlanto-Scandian herring was added to the access element of the agreement part-way through the year. Consultees stated that this was at the request of the EU because no agreement for Atlanto-Scandian herring was reached between the EU and Norway for 2015. The access entitlement has remained in subsequent annual agreements despite there being an agreement on Atlanto-Scandian herring between the EU and Norway in 2016 and 2017;
- in 2015, the access entitlement for blue whiting increased for one year. Consultees stated this was at the request of Faroe and in response to the EU's request for Atlanto-Scandian herring access;
- in 2017, herring 4a was included for the first time in the quota exchange provided by the EU to Faroe. The amount of herring 4a quota provided corresponds with a reduction in the Skaggerak herring quota also provided by the EU to Faroe in 2017. The Commission data on utilisation in 2018 combines the two stocks and this is how they are presented in the report.

2.2 Concerns around the agreement

The UK fleet benefits from the EU-Faroe bilateral agreement through access to fishing possibilities for primarily cod, haddock and saithe in Faroese waters. Whilst only a relatively small proportion of the UK demersal fleet take advantage of the opportunities, the vessels which utilise the Faroese fishing possibilities primarily fish on the West of Scotland where demersal quotas are lower than in the North Sea. The fishing possibilities in Faroese waters provide a vital supplement to the opportunities available to these vessels from West of Scotland EU quota stocks.

However, concern about the level of benefit secured by the Faroese fleet from the agreement in return for the benefits available to the UK and rest of EU is greatest in Scotland. Given that the access entitlement which enables the Faroese fleet to fish in EU waters does not provide additional quota to Faroe, it simply allows the fleet to catch its own quota in EU waters, it could be asked: Why does it matter where the Faroese fleet catches its mackerel quota?

Representatives of the pelagic fleet and pelagic processing sector believe that too high a price is paid by the EU for the benefits received. The 'price' of greatest concern is the mackerel access entitlement provided to Faroe by the EU and the advantages that this is believed to provide to the Faroese processing sector in the market for mackerel products, and the boost it provides to the competitive strength of the Faroese processing sector. The advantages to the Faroese processing sector which are perceived to exist because of the EU-Faroe bilateral agreement include the quality and quantity of mackerel available to Faroese processors which are believed to expand the market opportunities available to Faroese processors. These perceptions are discussed further in the sections below.

2.2.1 Quality and quantity of fish

As presented in previous reports on the EU-Faroe agreement, it continues to be the case that the incentive for Faroese vessels to fish in EU waters is significantly greater than it is for EU vessels to fish in Faroese waters, particularly for mackerel. Representatives of the industry stated that when the mackerel stock is present in Faroese waters the fish are poorer quality due to the presence of stomach feed which makes the fish soft and oily. Therefore, mackerel caught in Faroese waters tends to be of lower value per tonne than mackerel caught in EU waters.

Similarly, characteristics of the blue whiting stock in different fishing grounds provide the Faroese fleet with an incentive to fish for blue whiting in EU waters instead of Faroese waters. Fishing industry representatives have stated that when blue whiting is present in Faroese waters the shoals are dispersed making the fishing operation less efficient due to lower stock density. Thus, there are likely to be higher costs and lower profits from fishing in Faroese waters compared to fishing in EU waters.

In addition to the benefits to the Faroese fleet from accessing EU waters to fish, the management of Faroese fisheries effectively requires Faroese vessels to land their catch in Faroe. This means Faroese processors are guaranteed access to all the landings from the quota secured by the Government of the Faroe Islands. This may reduce the price a Faroese processor must pay relative to the prices which EU and Norwegian processors must pay to secure landings in open market conditions. However, industry representatives also acknowledge that there is more vertical integration in the Faroese pelagic sector which will also influence their ability to attract raw material.

Industry representatives in Scotland also express concerns around whether the Faroese fleet would be able to catch the mackerel quota they are allocated if it were not for access to EU waters. This concern feeds questions about the fairness of the agreement.

2.2.2 Market analysis for Faroe and UK

In 2018, exports of frozen whole mackerel from the UK were 51,474t, down 22% compared to 2017 and 69,251t from Faroe, a reduction of 38% compared to 2017[2]. The reduction in UK exports reflects the 20% reduction in mackerel TAC implemented in 2018. The reduction in Faroese exports will also have been influenced by the TAC reduction. The additional 18% reduction in Faroese exports (38%) may be due to the closure of a Faroese pelagic processor due to fire in June 2017, which meant the processor was closed during the early 2018 mackerel season.

The UK processing sector exported over 500t to 18 different countries and Faroe exported over 500t to 15 different countries in 2018. Of the export destinations to which each party exported more than 500t, ten are common to both the UK and Faroe: France, Germany, Lithuania, Netherlands, Poland, Romania, China, Japan, Bulgaria and Ukraine. Further detail on the countries to which the UK or Faroe exported more than 500t of frozen whole mackerel in 2018 is provided in Appendix B.

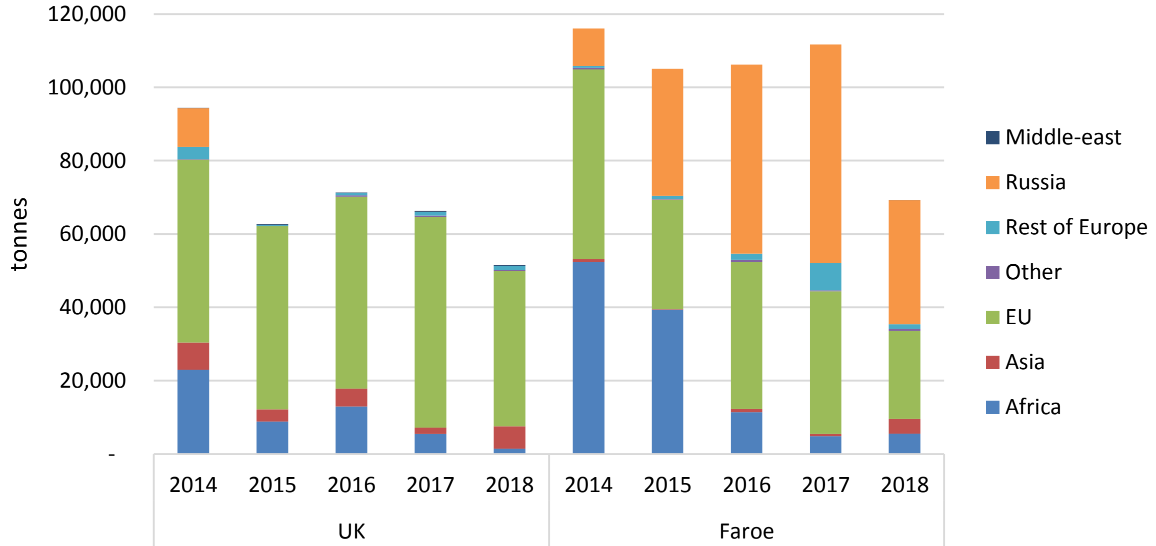
One very important market to Faroese processors is the Russian market. In 2014, Faroese processors exported approximately 10,000t of frozen whole mackerel to Russia, which represented almost 9% of the export of this product from Faroe, in 2018 exports to Russia were almost 34,000t, or 49% of mackerel export from Faroe. EU processors currently do not have access to the Russian market. In August 2014, the Russian Federation banned the import of seafood from the EU which shut what had been an important market for UK pelagic processors. In the first seven months of 2014, before the ban was introduced, the UK exported 10,000t of frozen whole mackerel to Russia.

[2] Source: EUMOFA data for UK exports and www.hagstova.fo for exports from Faroe.

Faroe benefits from being outside of the EU as this enables its processors to export their product to Russia. Faroe also has a bilateral trade agreement with the EU which means that customs duties are not applied to imports/exports between the two parties. Whilst reference ceilings[3] exist for some fish products they do not exist for frozen whole mackerel. This means that EU and Faroese processors compete on a relatively level playing field in EU markets.

Figure 2-1 shows all export destinations to which the UK and Faroe exported frozen whole mackerel in the five years to 2018 aggregated into groupings such as Asia, EU and rest of Europe. In 2018, the Russian market represented 49% of all Faroese exports. In 2018, the EU market represented 35% of Faroese exports and 82% of UK exports (Figure 2-1). Both Faroe and the UK increased their exports to Asia in 2018. The Rotterdam effect (described below) may exaggerate exports to the EU and underestimate exports to elsewhere.

Figure 2-1: Exports of frozen whole mackerel from UK and Faroe by destination in 2014-2018 (tonnes)



Sources: EUMOFA (www.eumofa.eu) and www.hagstova.fo

Rotterdam Effect

There is one factor which affects the transparency of the trade data available for analysis and this is the 'Rotterdam effect'. This is a widely acknowledged challenge whereby the trade flows to and from the Netherlands are exaggerated due to the Port of Rotterdam's role as a global distribution hub for fisheries and other products. A significant proportion of exports to the Netherlands could represent quasi-transit[4] trade and could be mackerel destined for either another EU or a non-EU country. For example, one Scottish processor spoke of regularly storing product in the Netherlands prior to export to Asia. The Rotterdam effect means that exports from the UK, or Faroe, to Asia or elsewhere that use Rotterdam as a distribution hub are recorded as an export to the Netherlands.

[3] Reference ceilings limit the amount of imports to the EU. If imports to the EU exceed the reference ceiling the EU may introduce full customs duties on the product.

[4] *Quasi-transit - Operation when goods are imported by non-residents into the reporting economy from outside the EU and subsequently dispatched to another Member State as well as when the goods exported from a Member State to a non-member country are cleared for exports in another Member State. Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Quasi-transit*

In the export data for 2018, exports to the Netherlands accounted for 17% of Faroese exports to the EU, this is down from 52% in 2017. In 2018, exports to the Netherlands accounted for 50% of UK exports to the EU. Appendix B shows export data by country.

In terms of tonnage, Faroese exports to the Netherlands reduced from over 20,000t in 2017 to approximately 4,000t in 2018. UK exports to Netherlands reduced in 2018, but to a much lesser extent, from approximately 26,500t in 2017 to 21,000t in 2018, reflecting the 20% reduction in mackerel TAC in 2018.

3 Utilisation of fishing possibilities

There are two types of fishing possibility agreed under the EU-Faroe bilateral agreement:

- Quota exchange – an exchange of quota between the two parties - both pelagic and demersal quota; and
- Access entitlement – which enables each party to fish for some of its own pelagic quota in the other party's waters.

Section 3 of the report provides analysis of utilisation of both types of fishing possibility by the UK and the rest of EU in 2018 and provides a comparison of utilisation for the years 2014-2018.

3.1 Quota Exchange

The quota exchange element of the agreement involves a swap of fishing rights between the EU and Faroe. In the absence of the bilateral agreement, the quota provided under the exchange element of the agreement to the other party would have been available to be fished by the fleet of the quota provider. Therefore, it is assumed that the incentive for quota exchange is to better match the availability of quota to the interests of each party's fleet.

In 2018, the EU received quota under seven stock categories from Faroe, representing a total of eight quota stocks and an 'others' quota. Some stocks were combined into a single quota for the quota exchange: cod and haddock were combined, and ling and blue ling were combined. Quota received by the EU was then distributed to Member States, including the UK.

In 2018, Faroe received quota under eleven stock categories from the EU, representing a total of 11 quota stocks and an 'others' quota. Two of the quota stocks provided to Faroe were for Greenland waters.

3.1.1 Greenland quota

Since 2014, the EU has provided Faroe with quota stocks from EU waters and from Greenland waters. Greenland quota is available to the EU through the Sustainable Fisheries Partnership Agreement (SFPA) between the EU and Greenland. However, data on Faroese catches against these exchanged Greenland quotas is not available from the European Commission.

3.1.2 Utilisation of quota exchange possibilities by UK and EU in 2018

The UK demersal fleet benefits from the quota provided by Faroe to the EU under the quota exchange element of the bilateral agreement. In 2018 the UK fleet landed 1,036t under the quota exchange agreement, the majority of the landings was cod, haddock and saithe. UK POs are also assumed to have benefitted from quota exchange as they traded just over 800t of blue whiting quota provided via quota exchange to German POs, presumably in some form of reciprocal trade.

The UK vessels which fish in Faroese waters are Scottish vessels which primarily fish on the West of Scotland. The Scottish vessels fish in Faroese waters in the latter part of the year, September to November, and may make three trips of 8-10 days per month.

Since 2014, utilisation by the rest of the EU fleet has largely focused on blue whiting. In 2018, vessels from the rest of the EU landed just over 1,700t of blue whiting from Faroese waters.

3.1.3 Utilisation of quota exchange possibilities by Faroe in 2018

In 2018, the Faroese fleet landed 11,434t of EU quota stocks, representing 54% of the quota provided by the EU for EU and Greenland waters. The Faroese fleet can catch blue whiting in EU waters under both quota exchange and access fishing possibilities. The analysis assumes the quota exchange possibility is utilised first because the quota must be caught in EU waters. Therefore, 10,000t of the 11,434t of Faroese landings under the quota exchange element of the agreement was blue whiting. Sprat and herring represent the remainder of the landings.

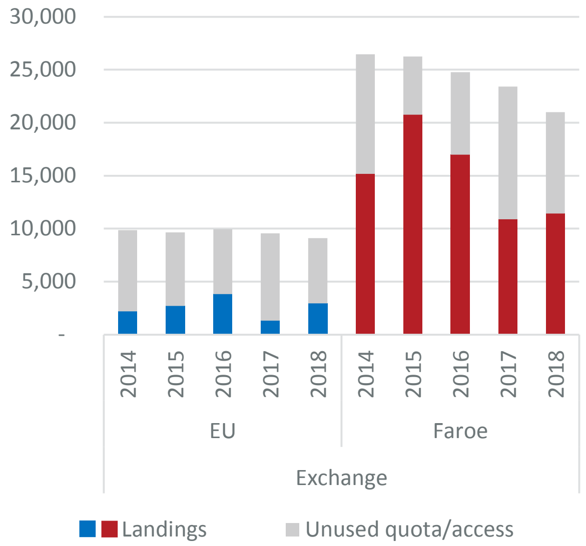
3.1.4 Utilisation of quota exchange by the EU and Faroe in 2014-2018

In 2018, the EU fleet (including UK) landed 32% of the quota exchange fishing possibilities available in Faroese waters. Since 2014 uptake by the EU fleet has varied from between 14% (2017) and 38% (2016). (Figure 3.1)

In 2018, the Faroese fleet landed 54% of the quota exchange fishing possibilities available in EU and Greenland waters. Since 2014, uptake has varied between 49% (2017) and 84% (2015).

The next two pages provide graphs, data and observations on uptake of quota exchange possibilities at a stock level in 2018, and a comparison of uptake in the period 2014-2018.

Figure 3-1: Uptake of quota exchange possibilities by EU and Faroe, 2014-2018 (tonnes)



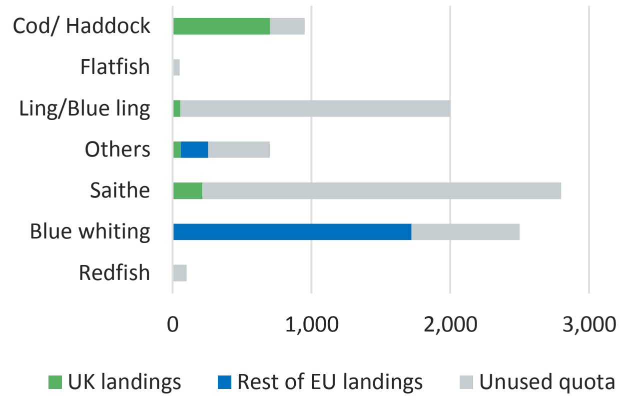
3.1.5 UK and rest of EU utilisation of quota exchange fishing possibilities by stock

Utilisation in 2018

In 2018, the UK fleet landed 1,036t of demersal quota stocks from Faroese waters. The stocks of most significance were cod/haddock and saithe. The rest of the EU (REU) fleet landed approximately 1,900t in 2018, largely consisting of blue whiting.

Of the quota received by the EU for Faroese waters in 2018, 6,146t or 68% was not caught, the majority of which was saithe and ling/blue ling.

Figure 3-2: UK and Rest of EU (REU) utilisation of quota exchange fishing possibilities in 2018 (tonnage landed from Faroese waters and, in table, tonnage landed as % of quota for each stock provided to EU)



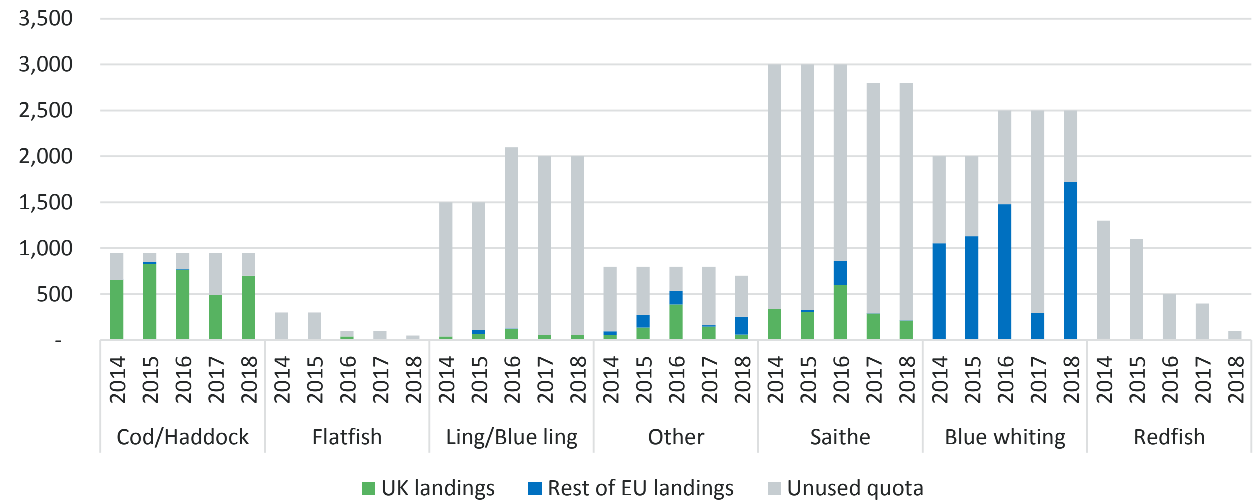
	UK landings (t & % of EU t)		REU landings (t & % of EU t)		Unused quota (t)
Cod/ Haddock	702	74%	0	-	248
Flatfish	5	10%	0	-	45
Ling/Blue ling	55	3%	0	-	1,945
Others	59	8%	195	28%	445
Saithe	214	8%	0	-	2,586
Blue whiting	0	-	1,721	69%	779
Redfish	1	1%	1	1%	98
Total	1,036	11%	1,917	21%	6,146

Utilisation in 2014-2018

UK fleet landings of Faroese quota were lowest in 2017 (1,000t) and highest in 2016 (1,919t). In 2018, the UK fleet landed 1,036t from Faroese waters, and landings of cod/haddock were up by 210t compared to 2017.

Landings of blue whiting by the rest of EU fleet reduced in 2017 because the Danish fleet did not utilise the possibility for the first time since 2014. Landings increased in 2018 due to Danish landings and an increase in landings by the German fleet, facilitated by a quota trade between the UK and Germany which increased German quota for Faroese blue whiting from 75t to 880t.

Figure 3-3: UK and EU utilisation of quota exchange fishing possibilities from Faroe, 2014-2018



3.1.6 Faroe utilisation of quota exchange fishing possibilities by stock

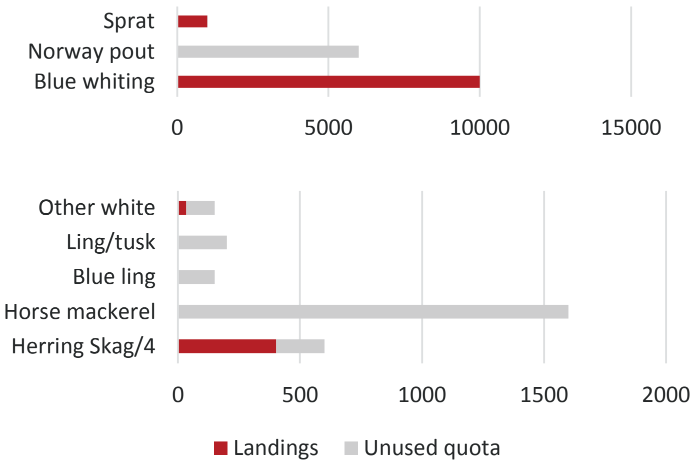
Utilisation in 2018 (excluding Greenland stocks)

Applying the assumption that quota exchange possibilities for blue whiting (10,000t) are used before access entitlements, the Faroese fleet landed 11,434t of the EU quota provided to them.

Of the quota received by Faroe under the quota exchange element of the bilateral agreement in 2018, 8,266 or 42% was not caught, largely consisting of Norway pout and horse mackerel quota. Greenland stocks are excluded from this analysis.

The high tonnage stocks, blue whiting, Norway pout and sprat, are shown separately in the graphs below.

Figure 3-4: Faroe utilisation of quota exchange fishing possibilities in 2018 (t) (tonnage landed from EU waters and, in table, tonnage landed as % of quota provided to Faroe)

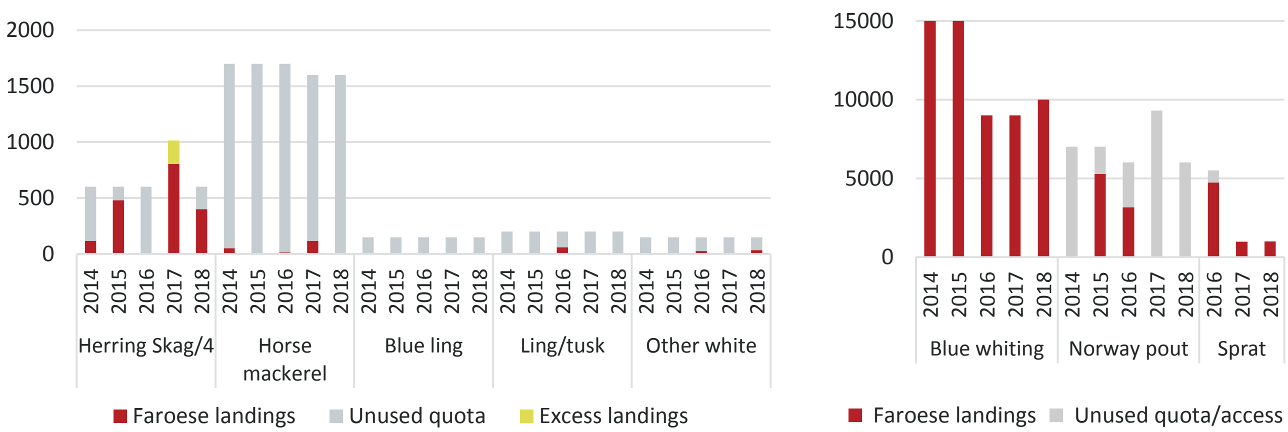


	Faroe landings (t)	Landings as % of quota avail.	Unused quota (t)
Blue whiting	10,000	100%	-
Norway pout	-	-	6,000
Sprat	998	100%	2
Herring 4a/Skag	402	67%	198
Horse mackerel	-	-	1,600
Blue ling	-	-	150
Ling/tusk	-	-	200
Other white	34	23%	116
Total	11,434	58%	8,266

Utilisation in 2014-2018 (excluding Greenland stocks)

Faroese uptake of blue whiting exchange possibilities is assumed to be 100% in all four years. Other stocks with notable uptake of fishing possibilities include sprat, Norway pout in 2015 and 2016 and herring in 2015, 2017 and 2018.

Figure 3-5: Faroe utilisation of quota exchange fishing possibilities from the EU, 2014-2018



3.2 Access entitlements

Access entitlements do not change the size of fishing opportunity available to the recipient, instead the access entitlement provides the recipient with an option to fish for its own quota in the waters of the other party. There is no transfer of quota. The bilateral agreement provides equal reciprocal access to both parties, i.e. the tonnages available to each party are the same. The three stocks for which access entitlements are provided are the pelagic shared stocks of mackerel, blue whiting and Atlanto-Scandian herring.

3.2.1 Utilisation of access entitlements by the EU and Faroe in 2018

The UK fleet did not catch against any of the access entitlements available to it in 2018. However, UK POs did trade a proportion of the access possibilities received for Atlanto-Scandian herring in Faroese waters, and will presumably have received a benefit in return. Utilisation by rest of EU fleet focused on blue whiting and Atlanto-Scandian herring and landings of 13,440t represented 24% of the access entitlement available.

Faroe landed all three stocks under the access entitlements in the 2018 agreement, landing a total of 44,743t which represented 79% of the access available.

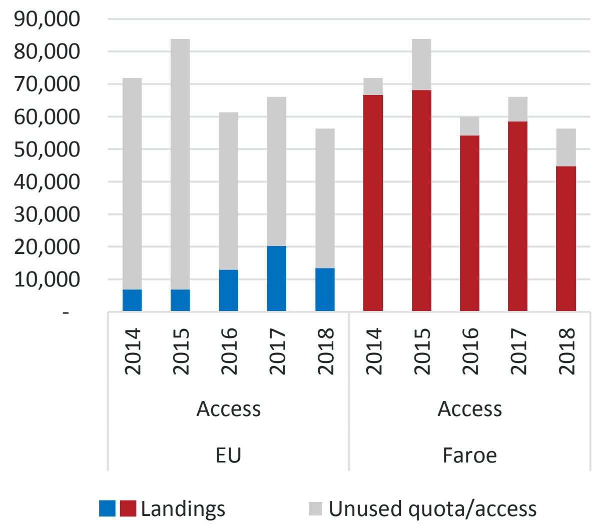
3.2.2 Utilisation of access entitlements by the EU and Faroe in 2014-2018

In 2018, the EU fleet (including UK) landed 24% of the access fishing possibilities available in Faroese waters. Since 2014 uptake by the EU fleet has varied from between 8% (2015) and 31% (2017) (Figure 3.6).

In 2018, the Faroese fleet landed 79% of the access fishing possibilities available in EU waters. Since 2014, uptake has varied between 79% (2018) and 93% (2014).

The next two pages provide graphs, data and observations on uptake of access possibilities at a stock level in 2018, and a comparison of uptake in the period 2014-2018.

Figure 3-6: Uptake of access entitlements by EU and Faroe, 2014-2018 (tonnes)



3.2.3 UK and rest of EU utilisation of access entitlements by stock

UK and REU utilisation of access entitlements in 2018

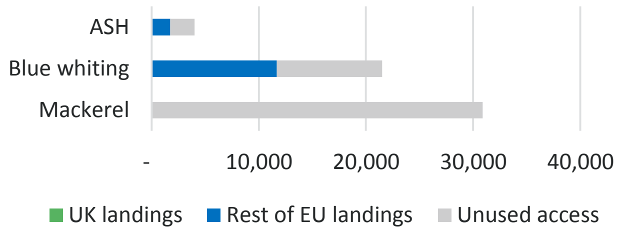
The EU fleet utilised 24% of the access fishing possibilities available to it in 2018. The majority of which was 11,700t of blue whiting landings, which represented an 54% uptake of the access entitlement for this stock.

Atlanto-Scandian herring (ASH) was included in the access possibilities from 2015 at the request of the EU, and in 2018 the EU fleet utilised 43% of the entitlement.

In 2018, only 15t, less than one percent, of the mackerel access entitlement was used by the EU fleet (Figure 3-7).

The UK fleet did not utilise any of the access entitlements available to it in 2018 although it did trade Atlanto-Scandian herring entitlements.

Figure 3-7: UK and Rest of EU (REU) utilisation of access fishing possibilities in 2018 (tonnage landed from Faroese waters and, shown in table, tonnage landed as % of access for each stock available to EU)



	UK landings (t & % of EU t)		REU landings (t & % of EU t)		Unused access (t)
Atlanto-Scandian herring (ASH)	0	0%	1,727	43%	2,273
Blue whiting	0	0%	11,698	54%	9,802
Mackerel	0	0%	15	0%	30,862
Total	0	0%	13,440	24%	42,937

UK and REU utilisation of access entitlements in 2014-2018

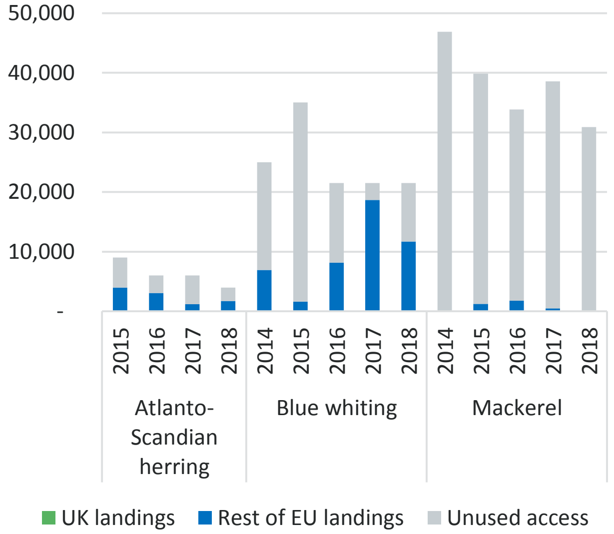
Figure 3-8 compares EU use of the possibility to fish for EU quota in Faroese waters across the five years to 2018.

The landings of blue whiting by the EU fleet under the access entitlement more than doubled in 2017 compared to 2016 but reduced again in 2018.

The uptake of Atlanto-Scandian herring decreased in 2017 but increased again in 2018.

The uptake of access possibilities for mackerel has been very limited since 2014.

Figure 3-8: UK and Rest of EU (REU) utilisation of access fishing possibilities in 2014-2018 (tonnage landed from Faroese waters)

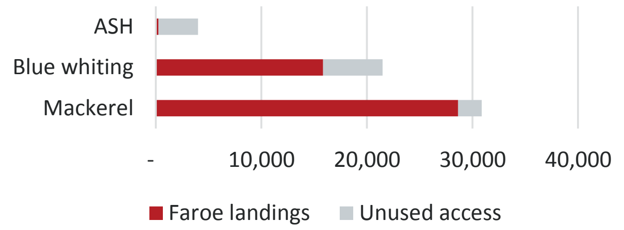


3.2.4 Faroe utilisation of access entitlements by stock

Faroe utilisation of access entitlements in 2018

Figure 3-9 shows that in 2018 the Faroese fleet utilised 74% of the blue whiting and 93% of the mackerel access entitlements available to it. In 2018, 44,743 tonnes of Faroese pelagic quota was landed from EU waters.

Figure 3-9: Faroe utilisation of access fishing possibilities in 2018 (tonnage landed from EU waters and, shown in table, tonnage landed as % of access for each stock available to Faroe)



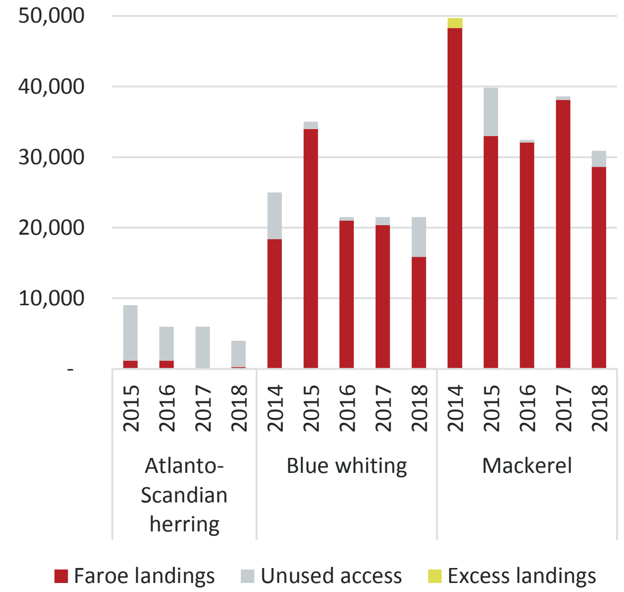
	Faroe landings (t)	Landings as % of access	Unused access (t)
Atlanto-Scandian herring (ASH)	243	6%	3,757
Blue whiting	15,861	74%	5,639
Mackerel	28,639	93%	2,238
Total	44,743	79%	11,634

Faroe utilisation of access entitlements in 2014-2018

Faroese utilisation of access possibilities has remained high in the five years to 2018. In 2018, the percentage is somewhat down on the previous two years. In 2016 and 2017 utilisation of mackerel and blue whiting access was almost 100% (Figure 3-10).

Excess landings of mackerel were reported in 2014, and this was deducted from the access entitlement available to Faroe in 2016.

Figure 3-10: Faroe utilisation of access fishing possibilities in 2014-2018 (tonnage landed from EU waters)



3.3 Sales value of landings made under the 2018 agreement

The value estimates are based on the UK sales value of the fish that could potentially have been landed, and the fish that was landed, from the fishing possibilities agreed between the two parties in the bilateral agreement.

The estimated potential value of the quota exchange fishing possibilities to the EU, from the quota provided by Faroe, in 2018 is £9.4 million; and the estimated potential value to Faroe, from the quota provided by the EU, is £9.7 million.

The uptake of fishing possibilities exchanged between the EU and Faroe is also well balanced in terms of value. The estimated sales values of landings made by the UK, EU and Faroese fleets from the quota exchange element of the agreement in 2018 are as follows:

- the EU fleet landed £2.6 million of stocks from Faroese waters, of which £1.8 million was landed by the UK fleet; and
- the Faroese fleet landed £2.6 million of stocks from EU waters. This figure excludes any landings made by the Faroese fleet from Greenland waters under the quota exchange agreement as uptake of this possibility is not known.

The uptake of access entitlements was less balanced in 2018, as it has been in all previous years. The access entitlement enables each party to catch their own quota in the other party's waters. The estimated sales values of landings under access entitlements are as follows:

- the EU fleet landed £3.2 million of pelagic stocks from its access to Faroese waters; and
- the Faroese fleet landed £33.7 million of pelagic stocks from its access to EU waters.

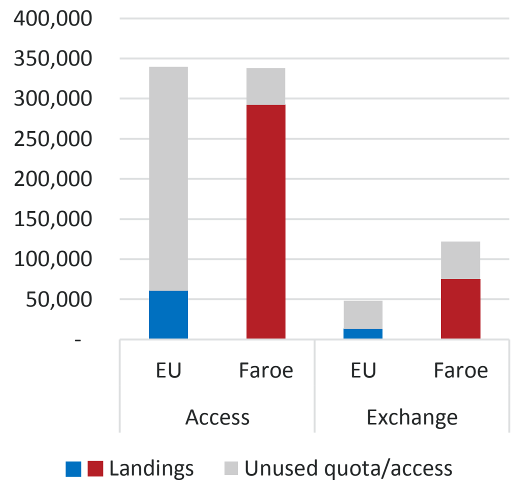
Further detail on the calculation of sales value is provided in Appendix A.

4 Summary of utilisation, 2014-2018

In the five years to 2018, in total the EU fleet has utilised 18% of access entitlements available to it, with total landings of 60,513t from a total potential access entitlement across the five years of 339,477t (first column, figure 4-1).

In the five years to 2018, in total the Faroese fleet has utilised 86% of the access entitlements available to it, with total landings of 292,161t from a total potential access entitlement across the five years of 338,073 (second column, figure 4-1). The access entitlement not utilised by Faroe was largely unused access to EU waters for Atlanto-Scandian herring.

Figure 4-1: Total uptake of fishing possibilities by EU and Faroe, 2014-2018 (tonnes)



In the five years to 2018, in total the EU fleet has utilised 27% of the quota provided by Faroe, with landings of 13,000t from total quota exchange of 48,100t (third column, figure 4-1).

In the five years to 2018, in total the Faroese fleet has utilised 62% of the EU quota provided to Faroe, with total landings of 75,229t from quota of 121,900t (fourth column, figure 4-1). The findings exclude any catch of Greenland stocks provided to Faroe by the EU.

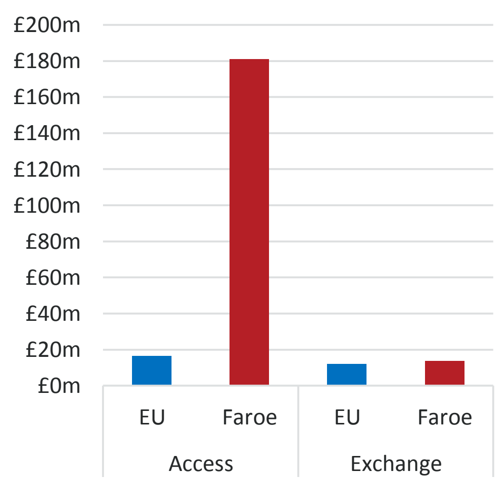
The estimated value[5] of the landings made in the five years to 2018 by each party under each element of the agreement is shown in Figure 4-2. In total, the estimated value of landings under access entitlements is as follows:

- the EU fleet landed an estimated £16.6 million of landings under its own quota from Faroese waters (first column, figure 4-2); and
- the Faroese fleet landed an estimated £180.9 million of landings under its own quota from EU waters (second column, figure 4-2).

In total the estimated value of landings under quota exchange is as follows:

- the EU fleet landed an estimated £12.1 million of landings using quota provided by Faroe under quota exchange (third column, figure 4-2); and
- the Faroese fleet landed an estimated £13.8 million of landings using quota provided by the EU under quota exchange (fourth column, figure 4-2).

Figure 4-2: Estimated value of landings by EU and Faroe, 2014-2018 (£million)



[5] The estimated value of landings is based on UK price and is assumed to be representative of market value.

The estimated value of landings to each party is relatively balanced under quota exchange, with landings by the Faroese fleet £1.7 million higher than the £12.1 million landed by the EU fleet. The difference in the value of landings by each party under access entitlement is more substantial, with the Faroese fleet estimated to have made landings valued at £164.3 million more than the landings of £16.6 million made by the EU fleet.

The analysis of the EU-Fisheries bilateral agreement shows that the Faroese fleet makes significantly more use of the fishing possibilities provided under the agreement than the EU fleet does. However, the demersal fishing possibilities in Faroese waters provided via quota exchange have been of value to the UK.

Although the agreement is reciprocal, the fishing possibilities provided are more attractive to Faroe than they are to the EU. Of greatest importance to the Faroese fleet is the pelagic fishing possibilities in EU waters provided under both the quota exchange and access entitlement elements of the agreement. The access entitlements and some quota exchange provide the Faroese fleet with either access to higher quality catch (mackerel) or better catchability (blue whiting). This can be expected to improve the profit margin for the fleet which means the vessels are prepared to travel to EU waters to fish.

In contrast, the benefit to the EU fleet from fishing for its own quota in Faroese waters is less clear. This is reflected in the EU fleet's relatively low utilisation of the access entitlements provided in the EU-Faroe fisheries bilateral agreement across the five years to 2018.

Appendix A: Quantitative analysis of 2018 EU-Faroe fisheries bilateral agreement

2018 EU-Faroe Bilateral Fisheries Agreement: Quota Exchange Analysis												
Bilateral Agreement				Landings by EU and Faroe		UK Quota and Landings			Sales Value of Landings[6]			
Benefic-iary Party	Agreement	Species	Agreed quota 2018 (t)	Landings 2018 (t)	Landings as % of agreed quota	End of year UK quota 2018 (t)	UK landings 2018 (t)	UK landings as % of UK quota	Sales price per tonne of landings in 2018 (£)	Potential sales value of quota exchange to EU and Faroe (£'000s)	Estimated sales value of actual landings from other party's waters (£'000s)	Estimated sales value of UK landings (£'000s)
EU	Exchange	Cod and haddock	950	702.08	74%	821.80	702.08	84%	£2,015	£1,914	£1,415	£1,415
EU	Exchange	Saithe	2,800	213.74	8%	722.8	213.53	30%	£811	£2,270	£173	£173
EU	Exchange	Redfish	100	1.68	2%	1.00	1.04	100%	£929	£93	£2	£1
EU	Exchange	Ling and blue ling	2,000	55.12	3%	114.00	55.12	48%	£1,541	£3,082	£85	£85
EU	Exchange	Flatfish	50	5.40	11%	34.00	5.25	16%	£1,897	£95	£10	£10
EU	Exchange	Blue whiting	2,500	1,721.29	69%	294.30	-	0%	£211	£528	£363	£
EU	Exchange	Others	700	254.60	36%	259.70	59.27	23%	£2,000	£1,400	£509	£119
Total			**9,100**	**2,953.90**	**32%**	**2,247.60**	**1,036.29**	**46%**		**£9,382**	**£2,557**	**£1,802**
Faroe	Exchange	Ling and tusk	200	-	0%				£1,541	£308	-	
Faroe	Exchange	Blue ling	150	-	0%				£916	£137	-	
Faroe	Exchange	Horse mackerel	1,600	-	0%				£680	£1,088	-	
Faroe	Exchange	Norway pout	6,000	-	0%				£216	£1,296	-	
Faroe	Exchange	Sprat	1,000	998.00	100%				£242	£242	£242	
Faroe	Exchange	Blue whiting	10,000	10,000.00	100%				£211	£2,110	£2,110	
Faroe	Exchange	Other white	150	34.00	23%				£2,000	£300	£68	
Faroe	Exchange	Herring Skag/4a	600	402.00	67%				£437	£262	£176	
Faroe	Exchange	Northern deep prawns*	1,200	-	0%				£3,001	£3,601	-	
Faroe	Exchange	Greenland halibut*	110	-	0%				£2,836	£312	-	
Total			**21,010**	**11,434.00**	**54%**					**£9,657**	**£2,595**	

[6] All estimated sales values are based on the average price of landings for each stock in the UK in 2018. The price of Norway pout is from https://www.ssb.no/en/fiskeri

**Quota stocks in Greenland waters.*

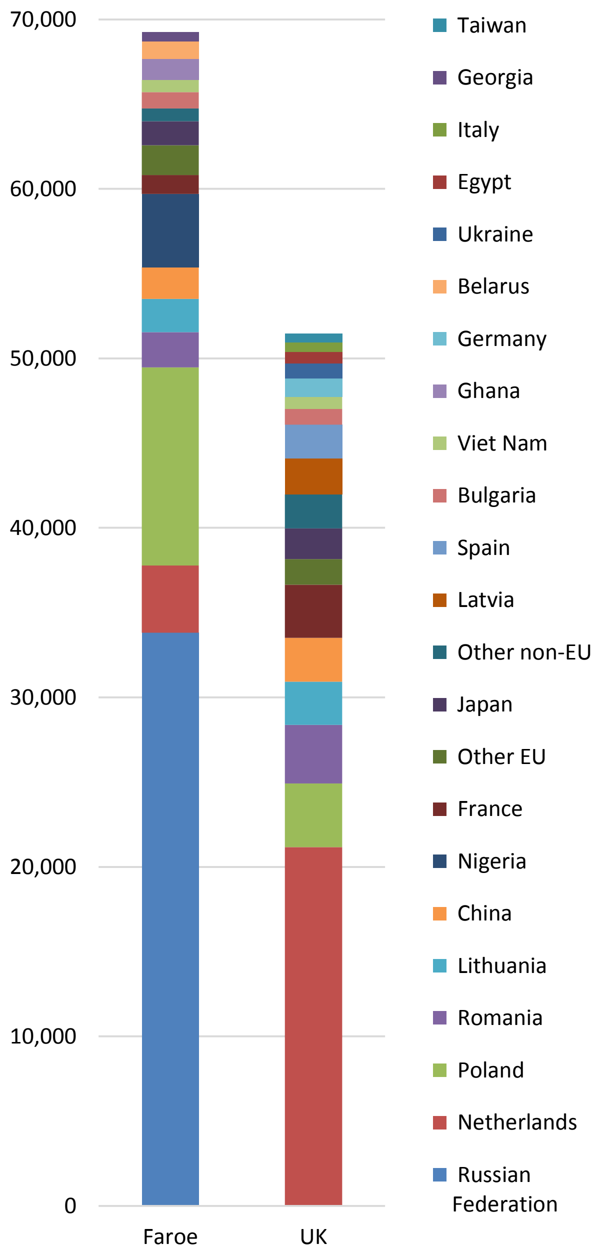
2018 EU-Faroe Bilateral Fisheries Agreement: Access Entitlement Analysis												
Bilateral Agreement				Landings by EU and Faroe		UK Access and Landings			Sales Value of Landings[7]			
Beneficiary party	**Agreement**	**Species**	**Agreed access 2018 (t)**	**Landings 2018 (t)**	**Landings as % of agreed access**	**UK access 2018 (t)**	**UK landings 2018 (t)**	**UK landings as % of UK access**	**Sales price per tonne of landings in 2018 (£)**	**Potential sales value of access entitlement (£'000s)**	**Estimated sales value of actual landings from other party's waters (£'000s)**	**Estimated sales value of UK landings (£'000s)**
EU	Access	Atlanto-Scandian herring	4,000	1,727.19	43%	876	-	0%	£437	£1,748	£755	£ -
EU	Access	Mackerel	30,877	15.39	0%	16,008	-	0%	£1,057	£32,637	£16	£ -
EU	Access	Blue whiting	21,500	11,697.59	54%	7,315	-	0%	£211	£4,537	£2,468	£ -
Total			**56,377**	**13,440.17**	**24%**	**24,199**	**-**	**0%**		**£38,921**	**£3,239**	**£ -**
Faroe	Access	Atlanto-Scandian herring	4,000	243.20	6%				£437	£1,748	£106	
Faroe	Access	Mackerel	30,877	28,639.10	93%				£1,057	£32,637	£30,272	
Faroe	Access	Blue whiting	21,500	15,860.60	74%				£211	£4,537	£3,347	
Total			**56,377**	**44,742.90**	**79%**					**£38,921**	**£33,724**	

[7] All estimated sales values are based on the average price of landings for each stock in the UK in 2018.

Appendix B: Exports by Faroe and UK in 2018

Figure B-1: Destination of frozen whole mackerel exports from Faroe and UK in 2018 (tonnes)

Only countries which imported more than 500 tonnes are detailed separately. Countries which imported less than 500 tonnes are grouped under 'other EU' or 'other non-EU'.



Destination of mackerel exports	Faroe exports 2018 (t)	UK exports 2018 (t)
Russian Federation	33,816	
Netherlands	3,958	21,168
Poland	11,693	3,751
Romania	2,070	3,456
Lithuania	1,967	2,557
China	1,873	2,578
Nigeria	4,329	
France	1,117	3,144
Other EU	1,745	1,512
Japan	1,413	1,804
Other non-EU	764	1,995
Latvia		2,129
Spain		1,992
Bulgaria	958	921
Viet Nam	714	718
Ghana	1,246	
Germany		1,110
Belarus	1,051	
Ukraine		856
Egypt		702
Italy		565
Georgia	537	
Taiwan		517

Sources: EUMOFA (www.eumofa.eu) and www.hagstova.fo

Please see Section 2 for a description of conditions that influence the quantity of exports to Netherlands.