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From Faroese fjords to the wide world

– THE STORY OF BAKKAFROST

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A word from the management

As I reflect on the forces that drove the gradual growth of Bakkafrost in Glyvrar in the mid-1960s, some of the characteristics and fundamental values that come to my mind include building, running and growing our own company, generating jobs and adding value, creating healthy and delicious food products and taking pride in doing a job that is deserving of the trust our customers place in us.

A tenacious forward-looking drive to improve processes and attain ever-higher goals was embedded in everyday routines. This ambition, this propulsive force so strong that it appeared nearly unstoppable, made such an impression on me that I had no doubt that it was something I wanted to be a part of as a 16-year-old.

Now nearly 38 years later, I can say that our business has undergone profound and fascinating changes. Yet, the future looks no less exciting. We stand on the shoulders of those who went before us, but it is in the present and future that opportunities abound. We build our business on the same values as our predecessors. We are reliable, we show respect, and we are tenacious, knowledgeable and forward-looking.

The company that started up by the

shore in Glyvrar next to the fish drying grounds and store of our forefathers, today runs large-scale operations from the southernmost to the northernmost points of the Faroe Islands. In addition, we have operations in the UK and in the US. The company currently employs a total of over one thousand competent and industrious people.

The history of Faroese fish farming is fascinating. Toil, blood and sweat underpin the industry’s great achievements to date. However, I firmly believe that its biggest opportunities are still ahead of us.

It is a great honour for me to have been given the opportunity to lead a world-class company. Having had the chance to work alongside so very many highly capable people for so many years has been a pleasure. Over the last 15 years, we have undertaken major transformations under demanding circumstances. Multiple acquisitions and mergers have proved challenging, and we have all had considerable demands placed on us.

Being part of a company that exists to produce healthy and delicious food products of high quality in a sustainable manner gives us a sense of purpose. Furthermore, that the company is part of a

sector that contributes to significantly increasing the “net production” of fish products for global consumption in an era with such immense need for precisely these foods is exhilarating. Bakkafrost is based in the Faroe Islands, and this is where we produce our salmon using local resources. Thanks to the Gulf Stream, the Faroe Islands is blessed with a superb natural setting for breeding salmon in a clean ocean environment. It is our duty and privilege to harness these conditions and produce good food for the world.

As the company celebrated its fiftieth anniversary, it seemed only fitting to find someone who would take on the responsibility of writing a book about the business, the challenges it has endured with its employees, and the general environment it has operated in over half a century. Our choice fell on Jógvan Hugo Gardar, a prolific and experienced reporter of the seafood industry both in the Faroe Islands and in Norway. We gave the author free rein to make this contribution to history from his perspective of the company over these years.

Regin Jacobsen
Chief Executive Officer (CEO)

Foreword

When entrepreneurs start working on an innovative idea, they think about the start-up itself – how to make it a success, and preferably, generate sufficient returns to be viable. The dream is to build something which can generate revenues for those who are part of the start-up.

The story of Bakkafrost is the story of entrepreneurs in several places in the Faroe Islands – Glyvrar, Klaksvík, Fuglafjørður, Vestmanna, Hov and elsewhere. The goup that was stitched together following the ISA (Infectious Salmon Anaemia) crisis in the early 21st century is quite the patchwork, as Faroese fish farming pioneers found themselves forced to sit down with investors and bankers to find a solution.

The people who laid the foundations for a renewed Bakkafrost between 2003 and its listing on the Oslo Børs stock exchange in 2010 had little in common. Each one brought valuable expertise from their companies and personal experiences. What they had in common was a dream and the conviction that it had to be possible to farm fish in the Faroe Islands. The people who came together were convinced that if farming was to be profitable, they had to cooperate closely, and this would be easiest to achieve as a group.

They banded together and embarked on a journey unique in Faroese history, with companies merging to achieve a common goal: to build a robust world class Faroese company. Contrary to competitors in other countries, Bakkafrost has chosen not to invest heavily in fish farming abroad.

The cooperation continued as these same people built what we often refer to as the fish-farming giant, Bakkafrost. From an industry in ruins at the start of this century, the giant has grown into the country’s largest private employer. Not only that, it is one of the biggest fish farming companies in the world.

Bakkafrost is a business that experts around the world, such as seafood financial analysts and investors, are familiar with and follow closely.

Its most distinctive feature is that it manages to survive in a sector with competitors built in societies with much larger populations and stronger finances such as Norway, Scotland, Canada and Chile.

Part of the ethos that has characterized the company since 1968, and remains in place today, is the conviction that there is no reason to export a commodity directly, when we are well able to process it ourselves and thereby.

The years 2016, 2018, 2019, and 2020 are all milestones in the history of Bakkafrost:

- 2016:** 50 years since the foundation of Havsbrún.
- 2018:** 50 years since the foundation of Bakkafrost in 1968.
- 2019:** 45 years since P/F Bakkafrost was founded.
- 2019:** 40 years since Bakkafrost received its first fish-farming license.
- 2020:** 40 years since East Salmon was founded.
- 2020:** 35 years since Faroe Salmon was founded.
- 2020:** 10 years since Bakkafrost was listed on Oslo Børs.

Introduction

In a sea of bankers, CEOs and analysts, the founder looks around. He shakes his head a little. The date is 26 March. It is Friday morning. He is at the stock exchange Oslo Børs, housed in a grandiose building at the heart of the Norwegian capital. For this special day, the merchant and entrepreneur Hans Jacobsen travelled to Oslo with his wife Oddvør Jacobsen and son Regin Jacobsen, who currently leads the company.

They came with a large party, which included the company board and representatives of Bank Nordik. The bank, until then the majority shareholder, is now taking a first step towards divesting from fish farming. It is clearly a special moment for the company founder. He had never dreamt of any of this, not back in 1968, nor over the ensuing years.

Yet, this momentous day in March 2010 marked the occasion when the first ever Faroese company was listed on Oslo Børs. Only a few years earlier, few would have predicted that it would be Bakkafrost. As Líggjas í Bø, one of the architects of the new Bakkafrost says, he was probably the only person who believed there would be a fish farming industry after the ISA debacle in 2003. Seven years later, with the company listed on the stock market, the unique journey continues.

The company founded by three brothers on the shores of Skálafjørður in 1968, which weathered many a storm and rose out of multiple mergers, is now being floated on the stock exchange and

is the first Faroese seafood company to have taken this plunge.

So far, history has proven it to be the right decision for owners, employees and Faroese society alike. The company has grown significantly, and its prospects are exceptional. It has attracted unusually high interest, not least from foreign investors, from New York to London and Oslo and beyond, where investors have grasped the value in fish farming.

Bakkafrost, which within fish farming has its distinctive story and an ethos based on values different to other big fish farming companies, has firmly placed the Faroe Islands and farmed Faroese salmon on the world map.

Hans Jacobsen was one of the founders of Bakkafrost in 1968. There was no talk of farming salmon or having anything to do with salmon back then. It was all about building operations in an entirely different segment of the seafood industry. It was the time of the herring bonanza. Salmon and farming cages were still a long way down the line.

The name Bakkafrost and its pickled herring brand Bakkasild have followed those of us who have lived since the latter half of the 1960s. We remember the jar of Bakkasild on the table, and some of the storms that battered the seafood industry. Bakkafrost still stands strong, though it can be counted among those, which have felt the fluctuations keenly and barely managed to survive the aftermath. We have a tendency to

forget these tempests when the sailing seems smooth. For company management and board, weathering storms is a constant. They know that the weather is very fickle.

One trait that characterizes most of the people who contributed to building Bakkafrost, and here I am thinking of most of the companies that merged with the Group since the turn of the millennium, is one that defined the mindset and approach of Hans á Bakka, “We mustn’t be so bound by tradition that it holds us back.”

This approach is deeply embedded in the current management style of the company. Bakkafrost does not tread in its competitors’ footsteps, it sets the trend for the competition to watch and follow. Discussing today’s situation with Bakkafrost’s management is of little interest, because current operations are under control and running smoothly. The management is already thinking ahead deep into the future about how to improve, grow and become more resilient.

When I started to gather material for this book, it soon became clear that it was not a given that Bakkafrost would get to where it is today. Of course, one can talk of good management; still, there is no denying that sometimes even good management is not enough – you also need luck at times.

The Norwegian football coach Nils Arne Eggen coached the Norwegian football club Rosenborg from 1988 to

2002, and he established the best football team in Norway by far. People still speak of the ‘Eggen style’, which the team also still uses. Nils Arne Eggen would say, “you become good by making others good.” This is akin to what we see in Bakkafrost where management and board have skilfully sparred with each other in the major decisions taken, particularly post 2003.

The story of Bakkafrost is also the story of pioneers not just á Bakka in Glyvrar, but elsewhere in the Faroe Islands, including Klaksvík, Fuglafjørður, Suðuroy, Vestmanna, where companies were founded and later became part of the Bakkafrost Group. Bakkafrost, as we now know it is the result of those who dared to blaze a trail in a new industry.

When we use the name Bakkafrost in this book, we are not referring exclusively to the company that started á Bakka in Glyvrar. But rather to all the companies, which over time have merged with the Group, and in their own way shaped what we know today as Bakkafrost.

I have followed the fish farming and fisheries industries closely over many years. Keeping abreast of what the ocean yields is part and parcel of being Faroese.

This book is an attempt to portray this colossus in Faroese society in reportage format. Through profiles of individuals with ties to the Group, including employees, collaborators and owners. In addition, we have included

“ No, I never imagined this! ”

HANS JACOBSEN 26 MARCH 2010

historical descriptions of the company’s development and of events related to it in an attempt to paint a picture of Bakkafrost.

The idea for this book is my own. I chose the format and made the selections. The material is based on articles featured in Faroese newspapers as well as publications in other countries. We have searched for documents about the fish farming industry, in particular Bakkafrost, and interviewed people who have played roles related to the company. Much ink has flowed from my pen about the Faroese fish farming industry, mainly in the Norwegian press, for over 20 years. This archive helped me along the way, especially for this period.

Grækari Djurhuus Magnussen has also been part of this project. He has provided invaluable support for the profiles featured in this volume. With his long-standing experience, he has encouraged people to talk about their experiences and knowledge of Bakkafrost. Interviews with employees, past and present, have contributed to breathing life into this volume.

In addition, I would be remiss if I did not mention the support from the management of Bakkafrost, which helped me gain insight into its history through access to minutes of meetings, financial accounts and other materials. The many interviews, in particular with CEO Regin Jacobsen and chair of the board Rúni M. Hansen have contributed to shaping this book. I met with them in the Faroe Islands, and at Hotel Continental in Oslo where, over the past decade, they have presented accounts four times a year to interested investors, analysts and others.

Finally, I must introduce one caveat. The intention of this volume is not to offer a definitive history of Bakkafrost, but rather a portrait, which we hope will offer insight into what made this company what it is today.

The story of Bakkafrost is concurrently the story of Faroese society from the latter half of the 1960s.

Jógvan H. Gardar
Oslo 11 March 2020.

The story OF FISH FARMING

Aquaculture is no new phenomenon, though the billion-dollar industry we now know, particularly salmon farming, is only a few decades old.

In countries like China in the Far East aquaculture has been known for millennia. Already over 4000 years ago, Chinese legislation set out a system regulating the collection of roe from rivers. The roe was sold across China and the brood released into rice paddy fields, which are regularly flooded. Here the rice fields served as fish farms, while the fish cleaned the water allowing the rice to grow. This method is still very much alive in parts of the Far East.

The Romans used aquaculture too, and there are several examples of fish farming in dams around Europe in the Middle Ages. This type of fish farming was often associated with monasteries where monks would farm fish.

The first person known to have experimented with fertilizing fish roe is S.L. Jacoby (1709-1784) from Germany. He used trout for his first experiments in the early 1760s. His techniques are used in today's fish farming; however, his research was not applied in his time. About a hundred years later, two French nationals came to the same conclusions as Jacoby, probably without knowing

about his experiments. When the French state opened its first trout hatchery in 1854, fish farming took off. Subsequently, fish farms were set up both in Europe and the US.

Denmark's first trout hatchery opened in 1858, and the first Danish fish farms in 1895. It would be many years before fish farming took off in Norway. Some initial trials took place shortly after the Danish fish farms were established, but with limited success, and farming efforts in Norway came to a halt. It was not until after World War II that people in the Sunnmøre region in central Norway began to consider trying it again.

They first carried out trials in lakes, now with greater success. In the early 1960s, Norwegians produced between 500 and 1000 tonnes of rainbow trout.

When the Faroese first became interested in farming, they looked to Denmark as it had much more of a history of farming than anywhere else in the region. It would be a few years before salmon became interesting as a farmed fish. There were some experiments with salmon in Norway in the 1960s, but it was not until 1971 that the Norwegians made the first real attempt to farm salmon. The Faroese were already conducting their own trials by then. The Faroese public Aquaculture Research Station, Fiskaaling, had discussed the possibility of farming salmon already back in the second half of the 1960s. However, the first Faroese trials did not really take off until 1972.

The Faroese made a first attempt to fish salmon using long lines in 1968, when the research vessel, Jens Christian Svabo, undertook pilot expeditions proving salmon was in Faroese waters, particularly North of the archipelago.

This marked the beginning of Faroese salmon fishing in the 1970s, when six or seven vessels fished salmon.

But Faroese salmon fishery would not peak until the 1980s. This was a profitable catch for many of the vessels, even though the season was limited. Faroese salmon fishery stopped in the early 1990s, when an international initiative spearheaded by the Icelandic, Orri Vigfússon, bought the Faroese salmon quota. In agreement with the Faroese Salmon Fishing Vessel Association and the Faroese authorities, Vigfússon offered the Faroese money not to catch salmon. The Faroese accepted the offer, and for years, foreigners paid the Faroese not to fish salmon.

Salmon farming in the Faroe Islands accelerated over the latter half of the 1970s. In the early 1980s, the industry began in earnest. However, in the early years, this was a sector fumbling to learn how to capitalise on farming. The industry was plagued by disease for quite a number of years. There was a major setback in the 1990s followed by the crash around the turn of the millennium, with the ISA virus wiping out practically all fish farming.

Since 2003, the fishfarming sector has rebuilt and developed with the input of regulators and experts in veterinary medicine securing an industry, which has avoided major problems with disease. The Faroe Islands has managed to keep its farming fjords virtually clear of disease since the beginning of the century. Extensive controls and the ability to take salmon quickly on the slightest suspicion of disease mean that international competitors keen to learn from Faroese fish farming are watching the industry closely.

1956

Hans á Bakka was 17 years old when he boarded the ship Tjaldur bound for Copenhagen. He started studying at the business high school Købmandshvile in Rungsted, not far from Copenhagen. He learnt the basic principles of commerce and bookkeeping there, while acquiring theoretical skills needed to go into business. Twelve Faroese students attended the school while Hans á Bakka was there.

1957

The plan was to continue on to higher education. Hans á Bakka had intended to study engineering, but money was short at the time - it was impossible to study without it. So, he only completed two years of upper secondary school. In July 1957, he returned to the Faroe Islands and started helping out at Turkihúsi in Glyvrrar, the local fish drying facility.

1968-1972

The brothers Hans Jacobsen and Róland Jacobsen found the company Bakka-frost. The first processing plant was built the same year. The third brother, Martin Jakobsen, joined the company in 1971. Hans was 29 years old, when he began processing small batches of herring

Continues on page 13



Salmon

– The fish people cannot get enough of

Since production began, farmed salmon has seen unfathomable growth. No other fish species has enjoyed such accelerated market growth as Atlantic salmon. There is no indication that the market is saturated. On the contrary, salmon is conquering ever more markets. The problem is not finding enough buyers, but producing enough for regular salmon consumers.

Currently, producers pick and choose their markets, and they are looking for

new ones, because the growth in production is unable to match the rising demand.

A few years ago, when Chile ran into difficulties selling salmon to the US market, they were forced to rethink their strategy. Salmon is not common in any South American country, but as storages filled up in Chile, they tried to find takers for salmon in Brazil. It was like opening the floodgates. The Brazilian upper and middle class loved the fish, and Chile

had found a new market for its farmed salmon. The result was that Chile found a new market to turn to and became less dependent on the US market.

Norwegians have cultivated the Russian salmon market for many years. Generally, Norwegian salmon was only sold in and around Moscow and St. Petersburg. The reason was that the supply infrastructure in Russia was so underdeveloped that fresh salmon could only be guaranteed to reach customers in the two largest cities and their surrounding areas. Efforts to expand the supply infrastructure were underway when Russia blocked all salmon import from Norway. When Russia closed its market to Norwegian, Irish and Scottish salmon, it was like installing a vacuum cleaner east of the Faroe Islands. The Russians would buy all the Faroese salmon they could get their hands on, and right after the import ban was implemented, the Russians would pay almost any price to get their hands on salmon.

The Faroese could have sold all their salmon to the Russians and abandoned other markets, but companies like Bakkafrost took care not to put all their eggs in one basket.

Repeatedly, Bakkafrost CEO, Regin Jacobsen, pointed out that the company

would only sell to markets that paid the right price. He also stuck to the strategy of selling to several markets to avoid becoming so dependant on a single market that the business would collapse, if that market suddenly did not want more salmon or was unable to pay for it. For many years, the Faroese practically only sold salmon to the EU market. As it turns out, this was not the best solution.

This is why today you will find Bakkafrost on all major markets like the US, Russia, EU and China. In recent years, the Faroese have played their geopolitical hand skilfully, which has ensured access to all markets. We are not affected by the Russia boycott, and we have had no problems with China, unlike Norway. The Faroese were not involved in the salmon dispute between the US and Norway, which left Norwegian salmon with no access to the US market.

There have been efforts to open new markets, for example, in Asia. There are many populous countries in the region, which consume large quantities of fish, but are still unfamiliar with eating salmon. India is one of those countries. However, plans to attempt to build markets in these countries have been more or less shelved, because there is no growth in salmon production, and it looks like it may be a while before growth returns. None of the major salmon farming countries will be seeing any significant increase in output over the coming years.

At present, there is little variation in salmon production methods across countries; however, salmon growing conditions do vary. It is said that Faroese fjords offer the very best farming conditions, because ocean temperatures remain optimal for salmon year round. It is up to fish farmers to ensure that salmon enjoy the best possible conditions in their environment while they are alive.

Consumer demands and statutory

requirements push farming companies to do their utmost to ensure that they farm the healthiest salmon possible under the best conditions possible. In order to document how they go about farming fish, most fish farming companies today choose to publish an annual sustainability report.

Bakkafrost writes on its website, “The Faroe Islands are the perfect location for premium salmon production. Its remote location is complemented by pristine clear waters, cool steady sea temperatures, strong currents, and accessible fjords that are deep and long. Drawn to this perfect mix of conditions, wild Atlantic Salmon from all over northern Europe make their way north of the Faroe Islands to feed.”

There is great emphasis on sustainability with Bakkafrost aiming to reduce all environmental impact. The company encourages all its employees to adopt this approach, and the whole chain from roe to processed salmon is monitored closely. The company demands full traceability of this process. Bakkafrost stands out as a salmon producer with a low mortality rate, i.e., the number of fish that survive to the harvest stage.

Another aim is that, in order to safeguard the quality of its salmon, the company should never resort to temporary fixes. Investment in new wellboats is one example of this policy in action.

The company states, “Bakkafrost Salmon have been given the time to grow slowly and steadily in the clean, cold waters surrounding the Faroe Islands. They have only been fed the best quality fishmeal, rich on marine ingredients, ensuring a quality second to none. Consumers can enjoy a safe and uniquely delicious tasting food that is nutritious and very healthy. That’s why we say that Bakkafrost Salmon is probably the best salmon in the world.”

Continued from page 11

á Bakka with his brothers Róland and Martin. They built Bakkafrost’s first processing plant. The people of Skálafjørður had a long history in herring. After many years of absence, herring gradually returned from 1967 onwards, and when herring fishermen were struggling to find takers for their catch, Hans Jacobsen attempted to sell their herring. He contacted a Dane by the name Svend Jørgensen and another named Christian Havsten. They sold herring in buckets in Denmark. The seed was sown for the first Bakkafrost. Later, they would buy from several Skálafjørður boats, as well as herring boats fishing in the Sandoy Bank waters. The herring was salted, seasoned and pickled in barrels.

1970

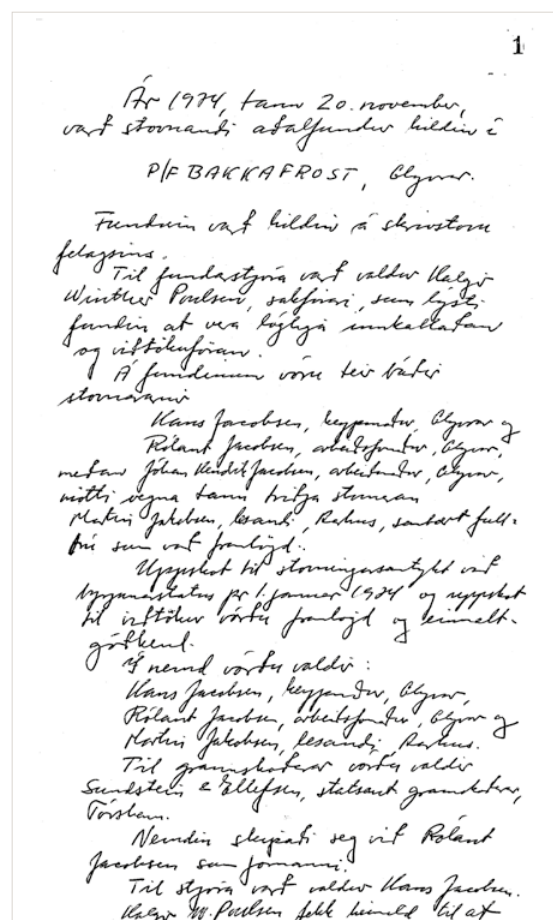
An Arenco filleting machine was purchased in 1970. It had the capacity to fillet large quantities of herring quickly and efficiently. It was purchased from Lübbert in Germany via Marr & Co. There was an abundance of herring at the time, and it was sold to companies like Abba in Sweden. Bakkafrost also filleted for Nykur based in Toftir, which would buy from several boats. Nykur also had an agreement with

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Salmon playing in Kaldbaksfjørður. More and more people eat salmon, and the industry sees several big markets yet to be explored. The market is far from saturated. PHOTO: BAKKAFROST



The start-up á Bakka

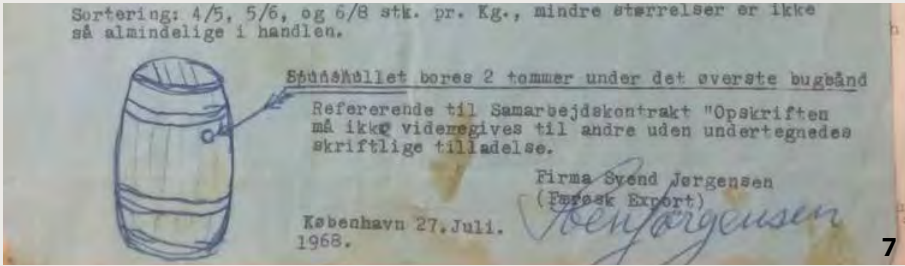
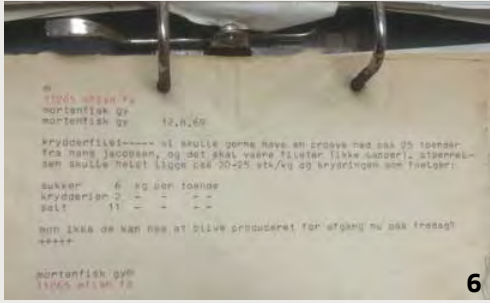
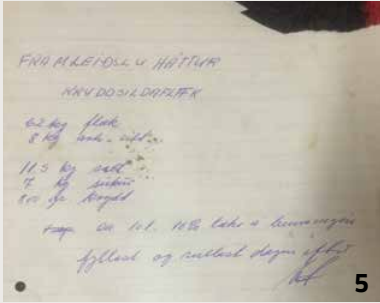
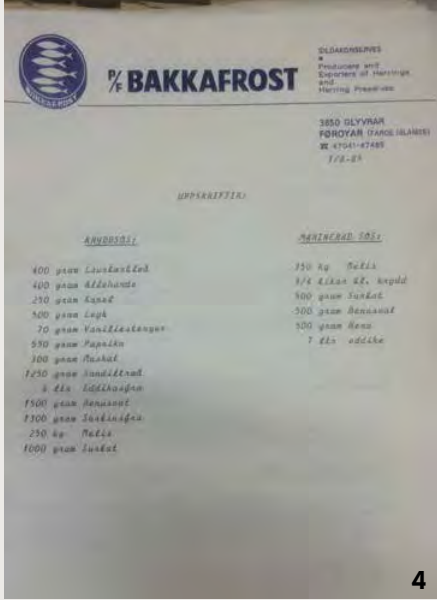
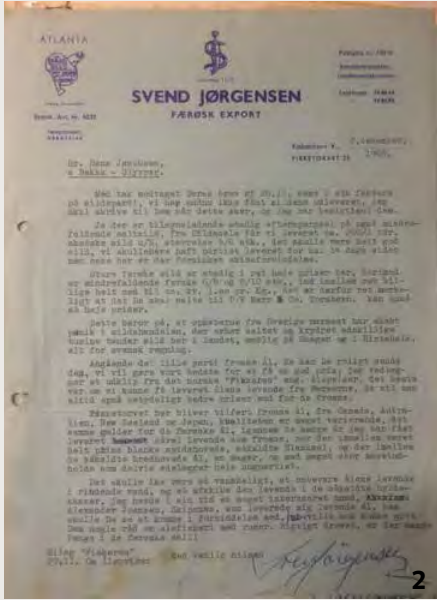
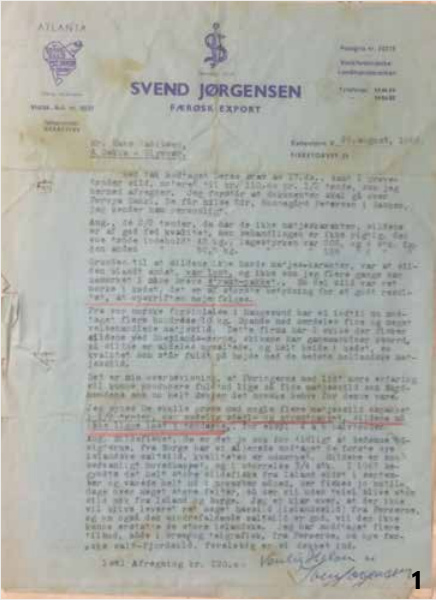


In 1974, the limited company Bakka Frost is founded.

A vessel belonging to Skipafelagið is at Bakka Frost loading fish products. The image is from the 1980s. PHOTO: MARJUN SIMONSEN



PHOTO REPORTAGE



1.-2. Svend Jørgensen was among the first to do business with Bakkafrost. The company exported to him. These two letters document the communication between the parties.

3. The fish trade cooperative, Føroya Fiskasøla, outlines how products should be produced and handled at Bakkafrost in these regulations.

4. These pickle and marinade recipes date from 1 Aug. 1985.

5. One of the recipes Bakkafrost used to make pickled herring.

6. This order from Morten Fisk in Denmark came in on 12 Aug. 1969. They wanted 25 barrels of herring. They sent the recipe with the order.

7. In one letter from Svend Jørgensen, he drew how he wanted the herring placed in the barrels.

8. The vessel *Leivur Øssurson* landing blue whiting in Glyvra, probably in 1980. PHOTO: BAKKAFROST

9. Jóhanna Olsen (to the right), Hans, Martin and Róland's oldest sister working at Bakkafrost around 1980. PHOTO: JÁKUP MØRKØRE

The beginnings Á BAKKA

In the latter half of the 1960s, the Bakka brothers launched what would later be known as Bakkafrost. The trio Hans, Róland and Martin grew up in the area called á Bakka in the village Glyvrrar, where the family has roots dating back generations.

For centuries, herring and herring fisheries have been part of local culture in the fjord where Glyvrrar is located, Skálafjörður. The Bakka family had been drying fish since the early 20th century.

The brothers wanted to get more out of the ocean's bounty and wanted to create a workplace for themselves. They juggled several ideas, in particular processing herring, which was booming at the time. Herring returned in 1967, and by 1968 they started buying and selling herring.

From the outset, they planned to sell to both the Faroese and international markets. Hans á Bakka was in touch with a Dane, Svend Jørgensen, who

was interested in buying herring. They also established contact with another Dane, Christian Havsten. They started buying herring in Glyvrrar and selling it in buckets to Denmark. This is the new company's first activity and they named the start-up Bakkafrost.

The founders are clearly driven by a desire to innovate. The entrepreneurial spirit is perhaps most evident in the fact that there are few documents from the early years. Two or three years have passed before anything is entered into minutes, and through the 1970s, general meetings are virtually the only official company meetings. It means that they probably talked a lot, but not in the form of structured minuted meetings.

General meetings and written minutes were required for the approval of accounts. Once the investments grew larger and decisions had to be taken about new activities after the herring disappeared again, there were more minuted meetings, but only those strictly necessary. What the minutes do record are general meetings and the odd meeting to discuss new investments and loan applications.

Laksurin docked in Glyvrrar. Hilmar Jacobsen is preparing the boat. There was a feed station on board, which mixed the feed and transported it on a conveyor to the farming cages. PHOTO: ALARIN



Guarded by high mountains, Bakkafrost is nestled on the shore of Skálafjörður. This was where it all started, and this is where the headquarters remain, “á Bakka” in Glyvrrar. This is a view of Glyvrrar and Bakkafrost from the summit of Reyðafelli mountain.

PHOTO: JÓGVAN H. GARDAR

FOUNDING OF THE LIMITED COMPANY

On 21 Dec. 1974 the newspapers carried a notice from the Registry of Companies. It announced that a new limited company had been founded under the name Bakkafrost.

Its purpose was “to operate fish production, in particular herring fillet production, commerce and other related activities.”

The incorporation date was 20 Nov. 1974. The share capital, DKK 240,000. The founders of the company were stated to be, “merchant Hans Jacobsen, foreman Róland Jacobsen, both of Glyvrrar, and student Martin Ingolf Jakobsen, Aarhus.”

Róland Jacobsen was elected chair of the board, while Hans Jacobsen was appointed director. There is a minor variation in the last names of the three brothers, Martin was given Jakobsen with a k, and the other two brothers Jacobsen with a c. This error occurred back when Martin Jakobsen was entered into the parish register and it was never corrected.

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Marr & Co on selling to Abba, but had no machine. The filleting machine was housed at the little processing plant, which would later be converted into a cafeteria in what is now the old Bakkafrost processing plant. At this point in time, the company started looking into acquiring a jarring line from Kjølbro in Klaksvík. It turned out it was possible to acquire it for a reasonable price along with recipes. Soon the company's herring, Bakkasild, had conquered most of the Faroese jar-pickled herring market. They did not have the best facilities, as there was little or no room for employees and administration. During these years, they also equipped ships for herring fisheries.

1972

A second processing plant was built in Glyvrrar. The business idea was to fish herring in Faroese fjords and process and sell pickled and marinated herring fillets. Bakkafrost embarked on real finished goods production with its herring in jars. A large new prefabricated building was added to the north side of the existing building. An advanced filleting line was installed, and a new herring jarring was purchased. This was a

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I, of course, bade good morning and was roundly and jovially greeted in return. I knew some of the employees. Then Hans á Bakka himself came to greet me, the company owner along with his brothers. He stepped off a forklift, dressed for a busy day in oilskin trousers like other men. I quipped, 'the grandees of industry in Klaksvík don't get themselves worked up like this.' A smile crossed his face. And we conversed. I tried to take everything in at this wonderful plant, which truly is one-of-a-kind in Faroese industry. I chatted with a few employees, who in a friendly and sensible manner explained one thing and another about the production process. Indeed a place of happy industriousness from youngest to oldest. The whole place exuded capability and a fresh work ethic in every possible way."

Observation in 1975: Then Hans á Bakka himself came to greet me. John Reid Bjartalíð from Klaksvík was a prolific columnist regularly in newspaper print, particularly in Norðlýsið, Tingakrossur and Dimmalætting. On 22 Nov. 1975, he published an article titled "In Nes Parish as a tourist." He opens with the words, "It was on a morning at the start of November, that I woke early with an unrelenting yearning, wanderlust! I jumped out of bed, put on my clothes and shoes and prepared for a trip to Eysturoy." His article begins with some observations he makes as he enters Skálafjørður "After dwelling on my reflections, I hurried down to Bakkafrost. As soon as I stepped inside I was struck by the welcoming atmosphere, the fresh scent of bustling activity, people in high spirits.

of herring was landed. At other times, there were just over ten employees pickling herring in jars. During this period, Bakkafrost received regular visits from potential foreign buyers, ambassadors and others, who wanted to see the Faroese seafood industry. One example was the Spanish ambassador to Denmark, Axel Christiansen, who travelled to the Faroe Islands with his wife. They stopped by Bakkafrost on 9 Sep. 1975. By 1977, herring was noticeably dwindling. The stock was not thriving as before. In a press release from P/F Marr & Co, which handled Bakkafrost's sales, we read about the grim state of affairs. If Bakkafrost had not been allocated any of the herring quota distributed

that year, then the stores would have been empty by March 1978. However, in 1977 as herring grew scarcer, Bakkafrost developed two new herring products – herring in madeira and curried herring. The company also chose to import the so-called lantern jars and lids designed by Johann Mortensen at Marr & Co. The first decade laid the foundations of a company, which would prove very open to innovation and experimentation. What began as a company set up to purchase herring found itself at a crossroads in 1977-1978, and it opted to explore several paths. Blue whiting and salmon would come to characterize the 1980s, before the company moved to focus exclusively on salmon.

barrels. Of the remaining herring, 160 tonnes were frozen for bait, while two tonnes were filleted. In 1971, the plant received approximately the same volume of herring. Running a business under the conditions in Skálafjørður at the time took grit. In October 1971, Fjarðbúgvín writes, "The road for vehicles from Sýnin towards Skriðurnar is being asphalted, at long last. It has been a morass for far too long." In November 1972, Fjarðbúgvín reported that Bakkafrost had shipped 900 barrels of pickled herring to Sweden with Hans Hansen, and that 1,300 barrels were due to be shipped to Poland. In the early years, the company purchased herring from vessels fishing in Faroese waters or on Faroese fjords. There was a Faroese herring quota in the North Sea and part of this herring wound up á Bakka. They also bought herring in Scotland, which was processed in Glyvrrar. In early July 1974, Bakkafrost received a visit from Czechoslovakia. The visitors were the directors of the company Koopol, Antonín Racanský, and one of his men, B. Vannek. This was a Czechoslovakian import and export company. They visited Bakkafrost among other locations. The Faroe Islands exported herring to Czechoslovakia for a number of years, but by 1974, they practically only bought coalfish and blue whiting from the Faroe Islands, according to the paper Tíðindablaðið, which reported the visit in July 1974. No agreement was signed with Bakkafrost after this visit. However, it indicates that international visits were already arranged very early on in the company's history. That summer between 30 and 40 people worked at Bakkafrost, and a lot

During the first two years, Hans and Róland ran the business – Martin joined in 1971. The limited company Bakkafrost was founded in 1974. The first ten to fifteen years were characterised by pioneering efforts at all levels. The company had to be built and adequate infrastructure needed to be secured in a society on its way into an era when the term bygdamening, village or local development, was nearly every Faroese parliamentarian's slogan. The 1960s saw the first tunnels in Suðuroy and Borðoy. If you needed to travel from Eysturoy – either to Klaksvík or Tórshavn you had to travel via Fuglafjørður to make your way North, while it was possible to reach Tórshavn and Streymoy via Høgaból in Heiðar or Selatrað. In 1973, Streymin Bridge connecting Streymoy and Eysturoy opened and in 1976 the Norðskáli Tunnel was inaugurated. This facilitated transportation for companies like Bakkafrost. In 1970, the local paper, Fjarðbúgvín, printed that, Bakkafrost purchased 406 tonnes of fjord herring. Most of it was salted and placed in a total of 2,140

HANS JACOBSEN IN AN INTERVIEW WITH FJARÐBÚGVÍN:

“ In the last few days, we began to process pickled herring, which we decant in fillets into jars with a wine marinade. We think this is the right path, rather than exporting unprocessed raw materials. ”

FJARÐBÚGVÍN 16 MAR. 1972



PHOTO: JENS KRISTIAN VANG

ODDVØR M. JACOBSEN

Hans was light-hearted and god-fearing

Oddvør Jacobsen, Hans á Bakka's widow, invited us into her cosy living room. Here, by the window, the two of them, Oddvør and Hans, would start their day with spiritual readings and prayer – every morning.

This was one of Hans á Bakka's defining characteristics – he was a God-fearing man. He served as parish clerk to Glyvrar Church for 25 years, and he was among the founders of the Evangelical congregation, *Keldan*. He was also involved in the construction of *Keldan's* congregation hall in Skálabotnur village.

Oddvør Jacobsen gazed out of the window overlooking Bakkafróst's buildings. Hans á Bakka paved the way for all this,

but the company did not become what it is overnight.

Higher education

Oddvør Jacobsen said that Hans Jacobsen was particularly fond of reading, and, like so many others, he dreamt of getting a higher education, but there was no money for it.

“If he was to make studying a reality, then he would have to go to Tórshavn for upper secondary school. Now, his father worked as a master joiner and also bought fish, and he wanted Hans to help him with all this work. His father and uncles also had a fish-drying house. When Hans was a boy, he got up early in

Name: Oddvør Marita Jacobsen **Date of Birth:** 17 Dec., 1941

Married to: Hans Jacobsen (Hans á Bakka) **Children:** Regin, 1966, Jastrid, 1968, Annika, 1971, Birna, 1973 and Rógvi, 1982 **Education:** Nurse and specialist community health nurse **Home:** Glyvrar (since 1965)

the mornings to help his father with his work, and he could work for hours before going to school,” Oddvør Jacobsen reminisced.

Even before Oddvør and Hans were married in 1965, he had built the house that would become their home for the rest of their lives. When they married, they moved in. At that point Hans had already opened a shop in the basement, a shop that resembled many others of that period selling food, clothes and other household staples.

Bakkafrost

Hans á Bakka and his brothers started Bakkafrost in 1968. Oddvør Jacobsen remembers that at the time there was an abundance of herring in the fjords, and Bakkafrost bought that herring, which was known as *fjarðasild*, fjord herring.

“The herring was salted in barrels and then exported. Later they bought a filleting line and started cutting the herring into fillets. The herring was then pickled in jars. This was the herring we labelled Bakkasild. I remember that many boats would fish on the fjords then, and they would sell their catch to Bakkafrost and it would then end up as Bakka herring,” Oddvør Jacobsen explained.

Ups and downs

Like other workplaces, not least in fish farming, there were ups and downs. Oddvør M. Jacobsen mused,

“But Hans was never discouraged. Where many men would probably have thrown in the towel and said that they had enough, Hans always got back up again.

He could be quite upset about some situations, when things didn’t go as he had expected. But every single time he got back on his feet and would say that it would probably all work out anyway”.

She clearly remembered the time when Faroese fish farming was hit by ISA. It was a hard blow for Bakkafrost too, a considerable downturn.

“But even after the ISA virus he got back up again, and since then there has only been success. Of course, there have been setbacks here and there, but nothing that made him lose his spirit.”

The objective was job creation

According to Oddvør M. Jacobsen, Hans Jacobsen

did not set out to make Bakkafrost as big as it is today.

“His goal was first and foremost to have a company that would be resilient enough to provide jobs for people in the area. That was his objective first and foremost.”

She remarked that when Hans Jacobsen went to work he would be in boots and coveralls. He was always the first person there and the last person to go home. He had an office chair at the workplace, but the chair was hardly used.

“Once they received a visit at Bakkafrost, and I can’t quite remember whether they were representatives of a bank. They asked for the director. And there he was at the bottom of the silage pit. He wasn’t afraid of doing the heaviest lifting or dirtiest work.”

“I think Hans was probably also the person who worked the most. I also heard from the hatchery in Glyvradalur that Hans would often work faster than the young ones.”

Mindset

When you get up time and again in spite of poor prospects, you have to be exceptionally resilient and have a very special outlook, Hans á Bakka had that. He was, for example, quite light-hearted.

“First of all Hans had a great sense of humour. He could always see the funny side of all sorts of situations. He used to say that you have to have fun. He always had a positive attitude and was great to be around. He never spoke negatively of people. He was dependable and loyal. It turned out that if he had a vision, then he would keep his eye on that vision until it was realized.

He didn’t like disputes, not that he couldn’t handle conflict, though. On the contrary, he always tried to settle things. He was extremely hard working, and he was fond of his staff. You would never see him placing himself above the staff, and he also always thought of others first, before he would think of himself. If he saw that someone needed help, be it in the family, at work or elsewhere, he was always ready to help.

Hans never disowned anyone. We are all different in different ways, and it might be the case, for example, that somebody at work wasn’t as fast as others. Some people would then think that that

person ought to be let go, but Hans would refuse, because he would also think of that person’s family.

He was a family man and he cared deeply about everyone in his family. And he was also a god-fearing man,” Oddvør M. Jacobsen recounted.

They would always start the day sitting in the living room. Here they would read the Bible and pray.

“We entrusted the day, our children and grandchildren, our work and so on to the Lord every morning. It was very important to him and it gave him strength to face the day. This has shaped our lives and our children,” Oddvør M. Jacobsen added.

Sports enthusiast

Hans á Bakka was quite the sports enthusiast, he was perhaps particularly interested in football.

“He actually followed all sports, and in his youth, he would often play football with the boys from Toftir village. This was before the time of the club B68. Later he, of course, followed the local team NSÍ.

He also took a keen interest in politics. He served three times as municipal councillor, and he was a member of the local Unionist Party association. He chaired the board of Eysturoy Old Age and Care Home, where he served for 20 years. And he was not a man who shied away from anything, because when the Queen once visited Eysturoy Old Age and Care Home Hans made a speech for her,” Oddvør M. Jacobsen laughingly remarked.

Excited

Hans evidently never expected Bakkafrost to become the mammoth company it is today. But when the time had come to list it on Oslo Børs, he was quite excited.

“Yes, he was very excited then, and he talked to Regin a lot, they always did. Hans was an excellent mentor to Regin, so it was a great loss to Regin when Hans was no longer with us.

Hans didn’t speak much of his illness, but he probably knew, which way things were headed. He died the day I turned 70. It was a little peculiar, because we had arranged to celebrate the occasion at Keldan in Skálabotnur. But I cancelled two weeks before the birthday, because Hans was so poorly by then.”

Hans also had artistic talent and wrote lovely poetry. While in hospital before her 70th birthday, he composed a song for his wife with 14 stanzas.

“Over those five days he made me such a beautiful song. He spent all his energy on this song. The evening before he asked our daughter to take it and print it, because ‘then we can sing it to your mother tomorrow’. But he never got to, he died that day,” she explained.

No cafeteria at Bakkafrost

Oddvør Jacobsen commented that guests frequently visited Bakkafrost.

“There was no cafeteria back then, so our doors were always open. Hans wouldn’t think twice of coming home for dinner with guests, without telling me in advance, or for coffee. I always made plenty, so it worked out. They were good times,” she says.

“Where many men would probably have thrown in the towel and said that they had enough, Hans always got back up again.”

When Eysturoy Old Age and Care Home opened in 1983, she started working there part time. She had that job for 12 years. Later, they would need school nurses, and she would take shifts as a substitute. This motivated her to pursue a specialisation in community health nursing. She applied and was accepted in 1997. Hans would often visit her in Denmark.

“It was a lovely period, I have to say, both studying in Denmark and working as a community health nurse here at home. I retired a few years ago, and we had hoped to get some good years together, but that wasn’t to be,” Oddvør M. Jacobsen says.

Entrepreneurship and political meetings

The spirit of enterprise shaped the Faroe Islands of the 1970s and 1980s. The political system was very open to investments and ideas. A host of public political debates took place, while companies such as Bakkafrost were trying to identify new raw materials and study their potential uses.



2. Debates. Through the 1980s, multiple meetings took place, both industrial meetings and political meetings about fish farming. Here, we see representatives of the industry debating. From the right: Hans á Bakka, Andrias Reinert, Haldor Hansen and Liggjas Joensen. PHOTO: HAVBÚNAÐARFELAGIÐ

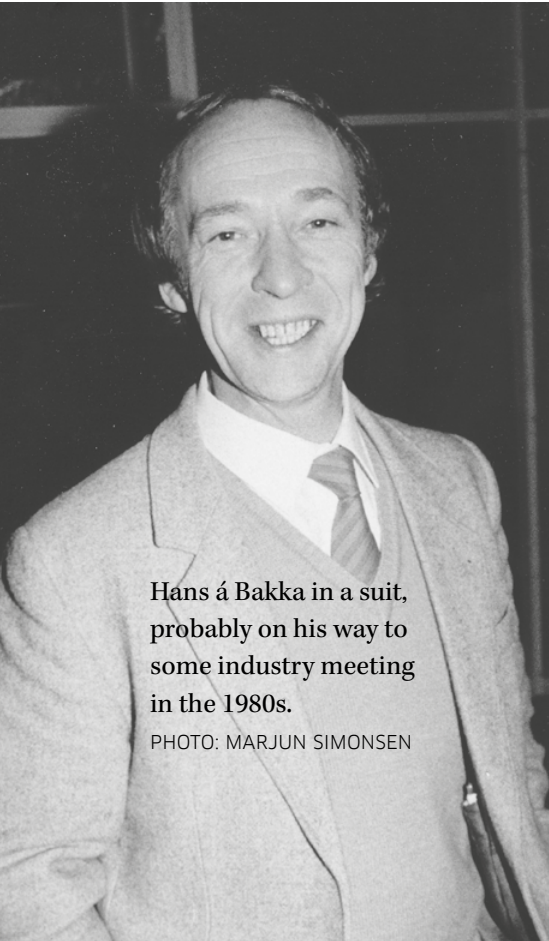
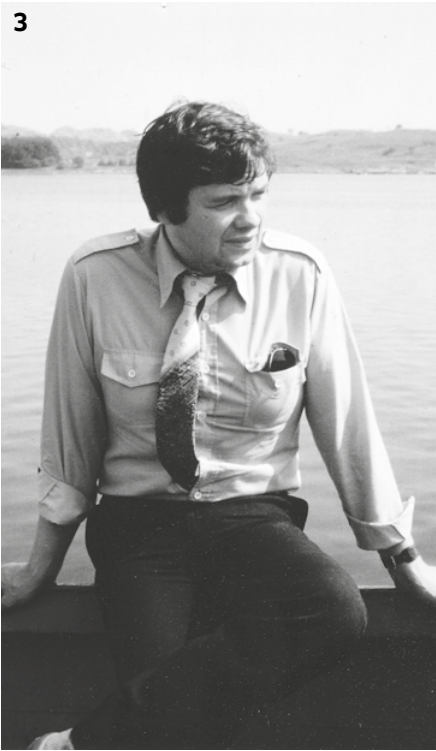
3. Martin Djurhuus directed the public funding facility Menningargrunnurin, Faroe Islands Development Fund, for many years. In the early 1980s, he wrote a report on the potential of Faroese fish farming based on interviews and visits. Here he is visiting Skretting in Norway. PHOTO: MARTIN DJURHUUS



4. Fileting salmon at Bakkafrost. PHOTO: MARJUN SIMONSEN



5. Bagging salmon feed. PHOTO: MARJUN SIMONSEN



Hans á Bakka in a suit, probably on his way to some industry meeting in the 1980s. PHOTO: MARJUN SIMONSEN



1. Members of the Faroese aquaculture trade organisation, Havbúnaðarfélagið, in a meeting at Royndarstöðin in Kollafjørður in 1986. The board members from the right are: Knút Nolsøe, Knútur Nygaard, Atli Gregersen, Hans Jacobsen (Chair), Dánjal á Argjaboða, consultant, and Karin Margreta Joensen-Næs. PHOTO: MARJUN SIMONSEN

Teambuilding

Bakkafrost works tirelessly to build a clear brand. Having good employees who are proud of their workplace is key to success as a big company. This is why it is so important that everyone in the company takes part in staff events. These images capture Bakkafrost employees on an excursion to Viðareiði in 2006 and at a Christmas dinner in 2003.

PHOTOS: BAKKAFROST

1. Bakkafrost's CEO Regin Jacobsen joins in when there are employee events, such as this excursion to Viðareiði in 2006.

2. From the 2003 Christmas dinner. There is a lot of singing. Hans and Oddvør á Bakka sing along. Hans á Bakka loved singing, and he was a poet himself.





PHOTO: JENS KRISTIAN VANG

REGIN JACOBSEN

Faroese workplaces are crucial

Regin Jacobsen was two years old when Bakkafrøst started up in 1968. So, he has followed the company since its inception. First, as the little boy who would visit the processing plant with his father, and later, as a helping hand where it was needed. As a teenager, he would take on the company’s book-keeping at the plant office. Finally, he joined management and took over as CEO, when his father wanted to hand over day-to-day operations to others. His father continued on the board and kept close watch over the plant and the fish farms, which is what he liked best.

Regin Jacobsen was fascinated by the activities á Bakka. He clearly recalls exploring the place even before starting year one at school. At that time, it was

herring that was processed in the oldest part of the plant, the building constructed in 1968. This facility was in use until the new plant was built. The second floor housed the office, first occupied by father, then son. The cafeteria was on the first floor, until it was moved to the new plant. Now, the building is designated for other company activities.

When Regin Jacobsen was 16 years old, he started gymnasium, upper secondary school, at Gøtugjógv. The school already offered the higher preparatory examination, but in 1982 the Faroese Government decided to open a new gymnasium. It would be housed at the old Gøtugjógv School. Students would arrive by bus from Eysturoy, the northern part of Streymoy. Students from the

Regin Jacobsen has followed the company since its inception. He has been CEO of the Group since 1990.

Northern Isles would daily cross Leirvíksfjørður by ferry to attend school. That year Regin Jacobsen enrolled in the mathematical stream at Gøtugjógv.

The year 1982, when Regin started upper secondary school, proved to be an eventful year for Bakkafrost. The plant was teeming with ideas, while expansions and innovations forced the owners to review company management.

Accountant at 16

There was no actual bookkeeping á Bakka, and there were no office personnel.

“There was one accountant who once a year was handed a plastic bag with documents. Then he would sort it all out. They probably also saw to it that bills were paid,” Regin Jacobsen recalled.

But, 1982 brought with it more stringent requirements, probably in conjunction with the expansions underway.

“One day when I was 16, my father asked me if I could do the accounts. Why he asked someone so young, I cannot say. I don’t know why they didn’t want to hire someone trained for it either. I guess at some point, I showed him I was interested. Because, already back in lower-secondary school in year 8 when I was 14 years old, I took accounting as an elective and simultaneously studied it at evening school. I did the same with dactylography. My father probably noticed that I had this inclination,” the CEO reminisced.

The autumn of 1982 was eventful for Regin Jacobsen. It took diligence to take on responsibility for the accounts, and he wanted to do it as well and as quickly as possible. In his words:

“When we had our autumn break in year 1 of upper secondary, I travelled north to Klaksvík. I brought along two or three plastic bags filled with documents. That was the paperwork for 1982 up to October. I remember my father saying that when I got there, I just had to buy some lever arch files. I didn’t know what lever arch files were.”

At the ferry berth, the student was welcomed by Liggjas í Bø, who founded, directed and worked at ComData.

“He was supposed to give me sort of an introduction to bookkeeping on a computer using the system we called Lundaskipan. So, I had that

week from Monday to Saturday. We worked from morning to late at night. I worked all day, Liggjas guided me, and then Liggjas continued in the evening after I went home. When the week was over, we had done the books for 1982.

“Then I was to take it with me to Glyvrar and continue bookkeeping on my own for the rest of the year. It must have worked reasonably well. It was audited. There were no annotations. So, I stayed on as bookkeeper after that. I was also entrusted with settling bills, paying wages and everything else that has to be done in the financial area,” Regin Jacobsen said.

Coupling responsibility for day-to-day accounting while studying required him to organise his days meticulously. In his own words:

“I was at school in Gøtugjógv during the day, and as soon as I returned to Glyvrar I headed down to do the books. I worked until 9 pm and then did my homework after that. On Saturdays, I would also go to work. That is how it went while I was at upper secondary school.”

On 3 Feb. 1985, a board meeting took place at the Bakkafrost office á Bakka. This was the first time Regin Jacobsen took part and acted as board secretary.

After completing his upper secondary certificate, Regin Jacobsen went straight to Tórshavn Business College and then on to complete a graduate diploma in business accounting.

“I did this whilst working. In 1989, I got my sister, Annika, to help me. She was taken on as an apprentice.”

Annika Frederiksberg is still working at Bakkafrost, and she sells the company’s salmon. She is also on the board.

Worked well together

Regin Jacobsen communicated well with his father and they got along well.

“We had a good relationship,” he says.

In 1990, Regin became CEO of Bakkafrost and has held this position since.

At a board meeting in 1992, Martin suggested that Regin should become a shareholder when the company was re-incorporated. Róland Jacobsen chose to leave the company during that same re-in-

corporation. Subsequently, in the 1990s, Martin Jacobsen decided to sell part of his share.

“That left father and me as the main shareholders. But we all cooperated smoothly,” Regin Jacobsen emphasized.

But, it wasn’t just with his father that Regin felt he got along well. Regin and his uncle Martin were efficient in tandem. Hans turned his focus to the farming operations, while Regin handled most of the activities on land as well as administration. Martin was involved with everything related to Bakkafrost, and in him, Regin had a keen observer and sounding board.

At that point, Hans á Bakka became more involved with everything related to blue whiting, and he also managed the farming operations through the 1990s. Regin was in charge of running everyday business and was allocated his own specific areas.

“Everything related to mackerel was my remit. I was the one who travelled to Norway to study mackerel processing in 1991. We also went to Iceland to look at equipment and acquire it. That was when we bought the tunnel freezers. I took full responsibility for that operation and also ran it. I worked as manager, seller, bookkeeper and so on,” Regin recounts.

Throughout this process, and while he was learning, Regin had a pillar of strength in Martin.

“My father looked after the farming side, but as we approached the turn of the millennium, I gradually started to take over in that area.”

In 1995 construction of the smolt farm in Glyvradalur valley began.

“My father took full responsibility for building it. He rebuilt it completely from scratch. I think it must have been one of the first recirculation system in the Faroe Islands. Up until then smolt farms had been built to let the water flow through. We started smolt farming here in Glyvrar at the packaging plant, because we had access to free heating there. We ran that for a year, and then we expanded to Glyvradalur.”

“He got a hold of some Dane, who had worked with recirculation in Denmark. Then they plodded away up there – hammering and tinkering”.

This farm has since expanded to what it is today. The result was an efficient recirculation facility

“We had a good relationship.”

REGIN JACOBSEN ON WORKING WITH HIS FATHER

capable of recirculating up to around 95 per cent of the water used. Today, recirculation is used in all smolt production in the Faroe Islands.

Building a Faroese company

Regin Jacobsen’s final thesis for his graduate diploma in business was, of course, on fish farming.

“The topic was management accounting and vertical integration. And that was precisely our focus at the time. We chose to bet heavily on vertical integration. Our production of portion packages began in 1995, and we wanted to take our products deeper into the market to add more value to them.”

In his 30 years as CEO, Regin Jacobsen has always adhered to the same fundamental vision: while expanding vertically, the company should remain focused on its markets and on getting closer to its customers. Portion packaged products have been an integral part of this strategy.

“We have always stuck to making sure that a percentage of our production, preferably just under half of the output, should be finished goods. This evens out operations. We experience fluctuations, that is how it is, but it has made sense for the company to sell finished goods, which get as close to the final customer as possible. We also take a certain pride as managers, owners and employees alike in producing high quality goods, which receive good reviews on the market.

In recent years, Regin Jacobsen has also pioneered an entirely new working method in Faroese industry known as the five-year investment plan.

“Sending clear messages about what we want to do and planning for the future contributes to sharpening our plans. In addition, this offers transparency for the company, investors and employees, and society also benefits from our over-arching vision, which is that we must safeguard our operations.

The 1970s and 80s – the era of entrepreneurship

From the late 1970s and 80s onwards, Faroese fish farming took off while most people were abuzz with talk of blue whiting. They hardly expected fish farming to become a major industry. Plenty of farming licenses were given to people to try their hand at fish farming. In the Faroe Islands, the approach was ‘one farmer – one license’ – a concept recognisable from Norway. In addition to fish farming, this was a period marked by shipbuilding and blue whiting until the financial crash in the early 1990s.

While daily operations continued at Bakkafrost, there was a lot of discussion

about the options available to the company. The brothers were open-minded, and others in the Faroe Islands with good ideas had caught wind of this. Bakkafrost became an incubator for new ideas, especially when the herring disappeared.

Interest in, or rather excitement about, farmed fish had for many years been tangible in the Faroe Islands. There were multiple small-scale trout farming pilot projects, but these were all governmental efforts. At Bakkafrost, fish farming was not discussed as an option at all until the late 1970s. The

“Capable of filling 15,000 jars of herring every day”

The beginning of December 1975 saw new equipment ready to use at Bakkafrost. With this new machinery, the plant had a capacity of 15,000 jars of herring a day, compared to 4,000 before the new equipment arrived. The equipment cost DKK 800,000.

Dagblaðið – 10 Dec. 1976

Faroe Islanders had not attributed any value to blue whiting. Moreover, other species were fished without the Faroese taking any note of their value, for example, flatfish.

When herring disappeared in 1977–78, new ideas were needed. Concern and an eagerness to try new ways were palpable among the three Bakka brothers. There was a lot of talk, both at Bakkafrost and with other entrepreneurs, about what could be done. When the prospects of securing access to herring dwindled, they were already looking into new options.

Nevertheless, fish farming was not where they started or what they first considered worth their time. It was just one of many proposals on the table at á Bakka in the late 1970s.

Considered selling the company

By 1977, herring stocks were in such poor condition that fishery was banned in the North Sea. It was a major blow to the company. Everything they had invested in in 1972 ground to a halt. There was no indication that the herring would return any time soon, and by autumn 1978, the brothers had reached the conclusion that they had to weigh every option for the future of the business.

On 2 Sep. 1978, they held their Annual General Meeting. The question of whether to sell the company was on the agenda. But, there was agreement that they would wait to decide on the sale. First, they wanted to test other options.

It is impossible to tell from the documents whether they had been in touch

Blue whiting skinned using a Trio skinning machine at the old plant. Circa 1980.

PHOTO: JÁKUP MØRKØRE



Continued from page 21

big investment under the circumstances. There was also room for a cafeteria, toilets, changing rooms and an office. In addition, there was a laboratory to sample and develop products. Purse seiners landed herring for Bakkafrost. The herring was filleted and prepared for further processing both in Glyvrar and abroad. Icelandic vessels also landed herring in Glyvrar. Large numbers of people worked the herring. They came from all around Skálafjørður, as well as from villages across Eysturoy.

1974

20 November, 1974, saw the founding General Meeting of Bakkafrost limited. The minute book opened with the words, “This minute book is adopted as P/F Bakkafrost’s minute book in Glyvrar on 20 November 1974.”

Hans Jacobsen and Róland Jacobsen signed the page. At that time, the third brother, Martin Jakobsen, was studying in Aarhus, Denmark. Even though the business had started operating in 1968-1969, Bakkafrost was not incorporated until shortly before Christmas in 1974. The reason for incorporating a limited company was that the business was growing, and the brothers envisaged making investments,

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with potential buyers, or if this was just mentioned as a suggestion, because the outlook was so bleak. However, a possible sale was never spoken of again. At least, not according to the minutes.

On 14 Aug. 1979, a General Meeting took place. They would usually meet in the summer, because Martin would be home then. At this meeting, they were suddenly discussing flatfish production and the suggestion to sell the company was not brought up again. What the minutes indicate is that following the 1978 meeting, they decided to start packaging flatfish and shelved the idea of selling the company.

Packaging flatfish

Regin Jacobsen says that he clearly remembers the company packaging flatfish for quite a few years, and he played a role in this venture also. Most fish processing plants in the Faroe Islands were members of the fish trade cooperative Føroya Fiskasøla, and most placed their bets on cod and haddock. Flatfish was an overlooked area with low yields. The entire flatfish catch wound up in England with *Tjaldur*.

A flatfish line was installed at the Bakkafrost plant, and the company

collected the entire flatfish catch from every processing plant in the Faroe Islands. Bakkafrost had a refrigerated truck, which they used to drive to all the plants. The only thing the plants had to do was freeze the flatfish whole. Bakkafrost would take care of collecting and sorting by size and species. Lemon sole, plaice and halibut were the main catches.

In his early youth, Kári Jacobsen, who is now VAP Manager at Bakkafrost, was one of the truck drivers who would pick up flatfish in the early 1980s. He later returned to his studies and became a VAP manager. He worked at Frost in Leirvík, which was part of Faroe Seafood, before returning to Bakkafrost in 2008.

The flatfish was packaged into small packs, 15–20 kilo boxes. Part of the catch was also packed into single-fish vacuum packs. These were sold to the Danish supermarket chain Irma. With this approach, much greater value was added to Faroese flatfish catches. In Regin Jacobsen’s words:

“I remember that during my first years in this office, it would have been around 1981, one of my tasks was to settle accounts with all these fish processing plants. I remember that I would

“ We can manage about 100 tonnes an hour, so the ship can head out again quickly, in addition we are making work on shore considerably easier. ”

HANS Á BAKKA IN AN INTERVIEW WITH SOSIALURIN IN 1985

write L/F Føroya Fiskasøla in the top left-hand corner, because we sold this on behalf of the filleting plants that were members of the cooperative Føroya Fiskasøla. We had the prices they were due for the different grades, and then I had to deduct two per cent for the operating fund and one per cent for the reserve fund, I believe.”

The purpose of the operating fund was to run Føroya Fiskasøla, while the reserve fund was what we might term equity, in which every member of the cooperative owned a share.

In 1979, the Bakka brothers agreed that this flatfish venture must play a role in ensuring that they can run the

company, as there was no herring at the time.

In 1979 they minuted, “This production must constitute a sufficient foundation for the company to remain viable, if there should be no herring,” which Hans á Bakka wrote in his own hand.

They placed great emphasis on keeping their eyes open to any opportunity that came their way.

Blue whiting

The 1980s in Faroese history was characterised by major investments in blue whiting fisheries. With the blessing of the Faroese Government and loans guaranteed by the Faroese Treasury,

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which would necessitate organising the business as a limited company. Two of the founders attended the founding meeting, Hans and Róland Jacobsen. Their father, Jóhan Hendrik Jacobsen, represented Martin Jakobsen. The meeting was chaired by the lawyer, Halgir Winther Poulsen. The three brothers, Hans, Róland and Martin, were elected to the board. Róland became chair of the board, while Hans was appointed company director. That year 100,000 jars of herring were produced.

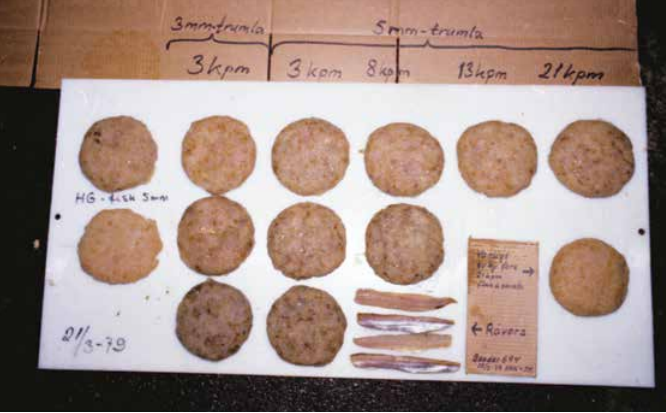
1975

“Bakkafrost in Glyvrar has signed its first jarred herring sales contract with a foreign buyer,” wrote the paper 14. september on 25 January.

“It has been six years since Hans Jacobsen started receiving herring. He built a little house down by the harbour and initially only received local fjord herring. However, when herring vanished from the fjords and this fishery collapsed, he built himself a 1500 m² processing plant and acquired filleting machines, so that he could also receive herring from purse seiners. Subsequently, jars were acquired, and he embarked on a successful jarred herring production.”

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Trials with mince on 21 Mar. 1979. PHOTO: JÁKUP MØRKØRE



Size and weight of blue whiting. PHOTO: JÁKUP MØRKØRE



“Bakkafrost more than doubles production in one year”

In 1974, Bakkafrost produced 100,000 jars, and in 1975, production rose to 250,000 jars.

Export to FDB in Denmark began at Easter, 1975.

“With the types we produce we don’t encounter much competition from producers in other countries, but we cannot offer users as broad a range as they can, because the Faroese market is too small for that.” Hans Jacobsen.

The production of Bakkasild herring at this time comprised four different products: marinated herring, pickled herring, gaffilbitar (chopped pickled herring) and sprat.

Sosialurin – 14 Jul. 1976

gigantic trawlers were built. People saw great potential in blue whiting.

It seemed this codfish, which the Faroese had not used for anything, but was abundant in Faroese waters, could now be used for everything.

“No doubt that blue whiting is fit for human consumption”

“The Government has commissioned studies on how blue whiting can be used as food. The trials were carried out at Bakkafrost.”

Oyggjatíðindi - 15 Dec. 1977

The economy was running red-hot and large sums of borrowed money came in from Denmark, as money lenders had to find a new approach when Prime Minister Poul Schlüter and his Government tried to rein in Danish loan debt with strict measures designed to slow down the economy. Meanwhile, the Norwegian bank Fiskeribanken was also holding money intended to keep Norwegian shipyards in business. Under the circumstances, those orders for gigantic trawlers from the Faroe Islands came in very handy.

However, the Faroese blue whiting period had begun a little earlier, in 1977-

1978. At that point, Bakkafrost along with the Faroese Food and Veterinary Authority began to study this fish to find out how to harness it.

On 15 Dec. 1977, the paper *Oyggjatíðindi* noted that there was no doubt that blue whiting was fit for human consumption. The paper referred to studies commissioned by the Faroese Government on how blue whiting could be harnessed for food production. The studies were carried out at Bakkafrost.

Blue whiting stocks were in Faroese waters and several people were trying to come up with what could be derived from this fish and sold as food. Crab-

sticks were made and salami sausages were produced using blue whiting as an alternative to meat.

In 1978, Bakkafrost conducted trials processing blue whiting on behalf of the Faroese Food and Veterinary Agency. The minutes do not record much information about this. The machines not used to processing herring could, with minor adaptations, be adapted to filleting blue whiting and produce mince. Pilot production on behalf of the Faroese Food and Veterinary Agency began in 1978. At the time, the Agency also functioned as a kind of product-development laboratory. Marjun

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Minister Petur Reinert tabled a proposal to grant financial aid to the Faroese purse seiners that wanted to land first-grade herring to Faroese buyers. The main companies buying herring in the Faroe Islands in 1975 were Harenga in Gøta, Borgsild in Kollafjørður and Bakkafrost in Glyvur. The Spanish ambassador to Denmark, Axel Christiansen, toured the Faroe Islands with his wife. They paid Bakkafrost a visit on 9 September. Bakkafrost was expanding to the tune of DKK 400,000, according to *Sosialurin*. The same paper writes that Bakkafrost exported 100,000 jars of herring this year. A total of 250,000 jars of herring were produced for export and the domestic market that same year.

1976

Dagblaðið wrote on 10, December, 1976, “Can fill 15,000 jars of herring every day.” The article stated, “in early December 1976 new equipment is ready for use at Bakkafrost. The new equipment enables to company to produce 15,000 jars of herring a day compared to 4,000 before the new equipment arrived. The equipment cost DKK 800,000.” In an interview with *Sosialurin*

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Work is carried out at the plant during special trials using blue whiting. PHOTO: JÁKUP MØRKØRE

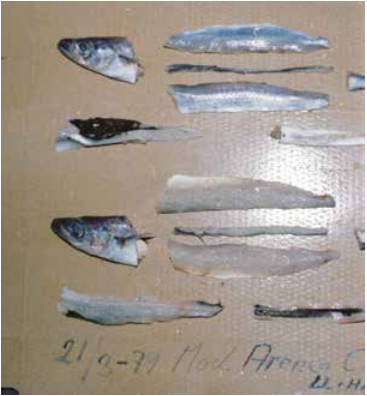


“Not enough fish for Bakkafrost herring plant. Having difficulty taking new requests.”

At Bakkafrost, the director is forced to admit that all they can do is refuse new buyers. They sell to three Danish retail companies, in addition to the Faroese market. A scarcity of herring means that they have to consider what to do if no more herring becomes available. They are considering buying herring from Iceland, but the director says that this fish is not particularly well suited to production at Bakkafrost. Moreover, it will be too expensive, because it has to be imported to the Faroe Islands first and then re-exported to Denmark.

Sosialurin - 5 Nov. 1977

Blue whiting. PHOTOS: JÁKUP MØRKØRE



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Hans Jacobsen, director, explained, “We had to expand production capacity now to meet the big demand for jarred herring.”

1977

On 29 August, there was an Annual General Meeting (AGM) at Bakkafrost. This was the first minuted General Meeting (GM) since the founding in 1974. The accounts were presented and approved. The board was re-elected. Bakkafrost stared packaging flatfish from other Faroese plants for the British market. This was an attempt to shore up the company given that herring fisheries were dwindling. The ban on catching herring in the North Sea made it difficult to obtain sufficient volumes of herring for effective production. The financial basis for continued operations was in jeopardy, and new opportunities had to be found. However, a limited jarred herring production continued until 1985.

1978

An AGM took place at Bakkafrost on 2 September. The question of selling the plant was discussed. The AGM decided not to make any immediate decision, but to continue discussions.

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“What happened with *Gullfinnur’s* blue whiting efforts over those years was the true foundation for the blue whiting fishery we would later get,”

ACCORDING TO REGIN JACOBSEN

Hanusardóttir was its director, and Jákup Mørkøre and Ásmund Guðjónsson worked there. The director spent so much time at Bakkafrost that one of the production rooms became known as Marjun’s room.

Pilot trials were carried out on behalf of the Faroese Food and Veterinary Agency. The vessel *Leivur Øssursson* fished blue whiting and conducted a series of trials to find uses for it. One of

the trials involved trying to make blue whiting chips.

After about two years of trials, Bakkafrost chose to expand its blue whiting facilities. In 1982, the building by the shore was constructed. This was a fairly large expansion for blue whiting mince production. Large volumes of blue whiting mince were produced from 1981 and all the way through to the late 1990s. The catch initially came from *Gullfinnur* from Vestmanna, which was owned by Regin á Rógvi (this trawler recently returned to the Faroe Islands renamed *Hoyvíkingur*).

“What happened with *Gullfinnur’s* blue whiting efforts over those years was the true foundation for the blue whiting fishery we would later get,” acknowledged Regin Jacobsen.

Equipment for modern blue whiting fishery was not available in the early 1980s, but they developed their own systems, which worked. This included a system where the catch was first pumped into a hose and then pushed further. This is the same system we today know from wellboats. The then director of the telecoms company Telefonverkið, Sólbjörn Jacobsen, also developed a fish pump that was used.

Forced to raise more share capital

On 26 Feb. 1982, an Extraordinary General Meeting was convened. As Martin Jakobsen was in Norway, he could not participate. The meeting discussed starting blue whiting production in earnest. However, the meeting took place long after they had started building. Blue whiting production was probably only mentioned at this meeting just to get something down in the minutes.

On 3 Jun. 1982, an additional meeting was conducted. On the agenda this time was that the Faroe Islands Industrial Fund, *Ídnaðargrunnurin*, a public funding instrument, required Bakkafrost to raise more share capital. The board unanimously agreed to request that the Fund desist from this demand, but the Fund refused. They were therefore forced to find the money and raise the share capital by DKK 750,000. They agreed to find the necessary funding and continued to work on their blue whiting plans.

In 1982, they chose to separate the fish farming business into its own limited company. The decision was probably partly motivated by the imperative to acquire new share capital, and desire to launch blue whiting production.

It is impossible to pinpoint what exactly spurred the flurry of activity following the crisis talks about selling the company in 1978. In all likelihood,

it was thanks to the industriousness of Bakkafrost, the political system and the freshly qualified engineer graduates that so many new initiatives saw the light of day then.

The construction works in the early 1980s distinguish Bakkafrost. A lot happened on the fish-buying side - from not having its own quay in the beginning to 1976 when the first quay was built. The expansion in 1985 was a large-scale landing system with containers and a truck, which meant that land-

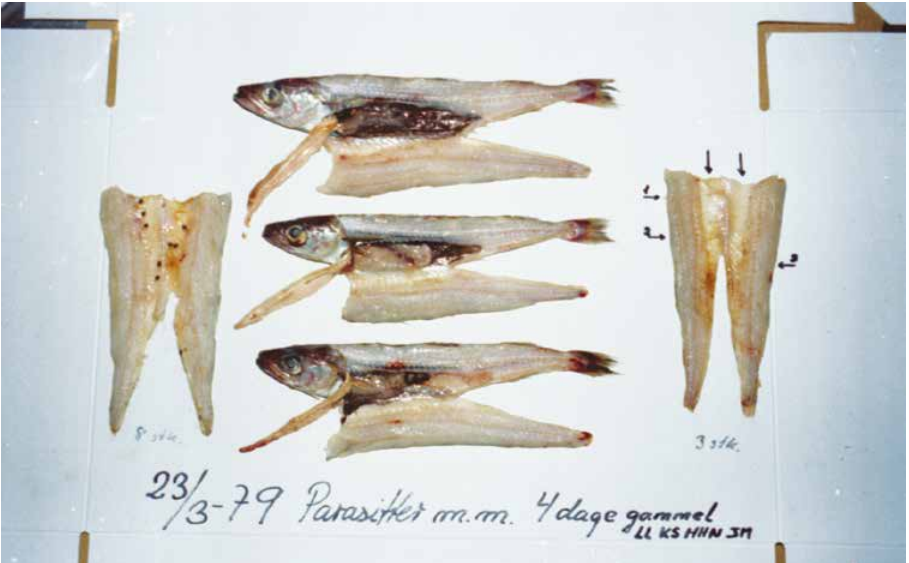
ing about 400 tonnes of blue whiting could be done quickly and efficiently at the quay in Glyvrrar. In addition, major investments were made in expanding the feed factory in Glyvrrar. Bakkafrost produced fish feed for all the farming companies that emerged on the shores of Skálafjørður, Sundalagið and elsewhere on Eysturoy island. The plant, which was completed in 1985, is the only one of its kind in the world. “We can manage about 100 tonnes an hour, so the ship can head out again quick-

Fearful of the trend

“I fear a major crash if we build several 100-million trawlers to fish blue whiting. There is a future in blue whiting, but we ought to be prudent. Frankly speaking, I find it senseless to invest in several new factory trawlers exclusively for blue whiting fishery, vessels in the one-hundred-million class,” he says and asks a pertinent question, “I fear that we may reach a point, where we see the biggest crash we have ever experienced in the history of our fisheries. What are these hugely expensive ships meant to do when blue whiting catches are meagre?”

Hans á Bakka interviewed by *Sosialurin* in 1985

Photo of blue whiting with parasites. This was also part of the studies that took place at Bakkafrost. PHOTO: JÁKUP MØRKØRE





Blue whiting production at Glyvvar circa 1982. PHOTO: REGIN JACOBSEN

ly, in addition we are making work on shore considerably easier,” Hans á Bakka says in an interview with the paper *Sosialurin*.

From January to mid-March 1985, Bakkafrøst received approximately 4200 tonnes of blue whiting. By January 1986, the prospects were not as promising - only 600 tonnes had been landed. The hope was to acquire around 3000 tonnes in the first quarter. The company placed its trust in *Gullfinnur*, which brought the blue whiting plant.

The challenge for the plant was to store the blue whiting. The plant could process ten tonnes of fish per hour, and so the blue whiting had to be stored without compromising its quality.

While Bakkafrøst prepared to increase its blue whiting activities, its director noticed that the industry was on a perilous path. The Faroese had started building mammoth trawlers. Most of these were intended to catch the new species, blue whiting. Though little was known about the potential of

Investments in surimi lines to the tune of DKK 10 million

“For a few years now, Bakkafrøst has been receiving blue whiting to produce mince. When the two surimi lines are installed in November, they will stop producing mince.”

“Another thing they do at Bakkafrøst is slaughter farmed fish. They slaughter for about 10 farmers.”

Marr & Co and Føroya Fiskasøla sell on behalf of Bakkafrøst

14. september - 5 Jul. 1986



Blue whiting production. The image shows Hans á Bakka monitoring the process. PHOTO: REGIN JACOBSEN

blue whiting, there was still a palpable sense of a gold rush amongst ship owners and prospective ship owners. Hans á Bakka did not like what he saw. On 18 Dec. 1986, he issued a clear warning in an interview with *Sosialurin*.

“I fear a major crash if we build several 100-million trawlers to fish blue whiting. There is a future in blue whiting, but we ought to be prudent. Frankly speaking, I find it senseless to invest in several new factory trawlers exclusively for blue whiting fishery, vessels in the

one-hundred-million class,” he said and asked a pertinent question,

“I fear that we may reach a point, where we see the biggest crash we have ever experienced in the history of our fisheries. What are these hugely expensive ships meant to do when blue whiting catches are meagre?”

Along with blue whiting, fish farming would shape Bakkafrøst over these years.

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1979

Bakkafrøst was one of the first Faroese companies to farm fish. Bakkafrøst also embarked on blue whiting food-processing trials that year with trial catch from *Leivur Øssursson*. This was in close cooperation with the Faroese Food and Veterinary Agency, which, on behalf of the Faroese Government, carried out a series of fisheries trials, to explore the perceived potential for profitable blue whiting fisheries. Initially, herring machines were converted to fillet blue whiting. Technicians from German manufacturer BAADER, which built the machines, travelled to the Faroe Islands to repurpose the machines for blue whiting production. Later, new equipment specifically designed for blue whiting was acquired. On 14 June, *Oyggjatiðindi* carried an article about Bakkafrøst's 10th anniversary. This was a year of transition for processing á Bakka, as the foregoing year, 1978, Atlanto-Scandian herring, or North Sea herring, disappeared, so á Bakka they went back to receiving Faroese fjord herring. Bakkafrøst stopped exporting herring and now only produced jarred herring for the Faroese market. The Faroese bought around 150,000

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Jákup Mørkøre says that it was always exciting to head into Bakkafrost to inspect herring or other production lines, because they were constantly developing the plant – they always had something in the pipeline.

PHOTO: JENS KRISTIAN VANG

JÁKUP MØRKØRE

Researched the potential of blue whiting in food production

Jákup Mørkøre is a civil engineer (chemical engineer) specialising in food production and inspection. He started visiting Bakkafrost in 1976 – 1977 and continued up until around 1983, he had just started working at the Faroese Food and Veterinary Agency back then. This was while Brynjolv Melus was the Agency’s director and Jákup Mørkøre became a sort of head of department.

At the time, the remit of a former public fisheries research body, *Fiskiðnaðarstovan*, was transferred to the Food and Veterinary Agency. The Agency’s director

had for some time been advocating the drafting of food production legislation. However, his proposal had not gained traction.

“One day, Landsbyggifelagið requested a meeting with us about plans to carry out trials using blue whiting in food production. Landsbyggifelagið wanted us to take part in the trials. The driving force behind the plan was then Minister for Fisheries Petur Reinert,” Jákup Mørkøre explained.

There were several reasons why the engineering consulting firm Landsbyggi-

Jákup Mørkøre has been working to foster innovation in the Faroese seafood industry since the 1970s. The trials at Bakkafrost in the late 1970s were amongst his first fisheries trials.

felagið called a meeting about a potential blue whiting industry. One was that the company had co-founded a Faroese fish filleting plant. The other that Landsbyggifelagið was also part of the company Faroe Fishcon, along with Jákup Joensen, captain and shipowner based in Lopra village, and Matcon Consulting Engineers Aps. Faroe Fishcon was also in business with Nielsen & Rauschenberger A/S.

Faroe Fishcon planned to launch a major push to establish Faroese fisheries in Alaska. The fact that nothing ever came of that plan is another story.

Danish government laboratory

Jákup Mørkøre was well connected at the Technological Laboratory of the Danish Ministry of Fisheries, *Fiskeriministeriets Forsøgslaboratorium*, so he received substantial assistance with technology and expertise from the laboratory. He also had connections at Marr & Co., which in turn cooperated closely with Findus. And Findus was the company behind the blue whiting trials in England and Scotland.

“The Bakka men were always attentive and open to new ideas. And Hans, for example, was a workhorse. They were always working.”

One of the first things Jákup Mørkøre remembered from Bakkafrost was how much frozen wild salmon they had in their storages. This was salmon caught by Faroese salmon vessels. They also jarred marinated and pickled herring and Mørkøre himself had some involvement with their curried herring trials.

“We launched the blue whiting trials at the Bakkafrost plant. We looked at things like the machines and we set about meticulously cleaning older machinery. I remember this round machine, which canned fish, but I don’t remember its name. They had Arenco machines, Baader machines, and so on. We went about it systematically, fileting blue whiting for mince. Firstly, we tried the round machine, but it was incapable of guiding the blue

whiting when we wanted it to cut fillets. Then, we tried the Swedish Arenco machine, and it was usable, though still a little unsteady,” he recalled.

At a later stage, they acquired three Baader machines. At that point, they had upgraded the machines, so they were well suited to blue whiting processing.

“Not that Baader were keen to make the modifications to their machines that we wanted, because we were such a small market. However, together with the Danish Technological Laboratory and Matcon, we managed to get the Baader machines modified, so that they could fillet blue whiting,” Mørkøre remarked.

“We also took shelf-life samples that were sent to Denmark. So I travelled to the Technological Laboratory now and again, to study the foods we produced at Bakkafrost,” Mørkøre explained.

In the early 1980s, the Faroe Islands were included in a Nordic blue whiting project, in which it played quite a significant role. A report was later released about this project.

Bakkafrost

Jákup Mørkøre remembered clearly what it was like to visit Bakkafrost in those days. In 1974, Faroese engineers at the Technical University of Denmark had set up an association for young engineers. They sent a request to industrial consultant Tormóður Dahl to help them secure summer jobs at Robert Poulsen’s fish export firm. Mørkøre was put in charge of carrying out trials salting fish.

“The salt you used and how you salted made a big difference. One problem was that the fish would turn yellow after salting. So, I experimented with this at Lynfrost. Havstein Ellingsgaard was director. In that role, I really entered the fisheries circles, and I travelled around visiting places like Bakkafrost. And in 1977, when we really got started at Bakkafrost, Hans and Róland would always be around and involved in everything,” Mørkøre recounted.

This was around the time when they were jarring herring and just starting the blue whiting trials. In his words:

“I remember that the first ship to land blue whiting for us was *Durit*, which landed the fish in Fuglafjørður. The blue whiting was then transferred to Bakkafrost where we carried out different tests. At

Bakkafrost, they were really enthusiastic about it all.”

For years, Bakkafrost had produced wet feed for fish farming. Relatively shortly after, blue whiting fisheries began, Bakkafrost started mixing blue whiting liver into its wet feed. However, the company soon stopped using it, because of the levels of lugworm in blue whiting, and Andrias Reinert, who was the director of Fiskaaling at the time, found a lugworm in the feed.

Jákup Mørkøre enjoyed his time at Bakkafrost.

“I remember, for example, that we were frequently invited up to Oddvør’s, Hans’ wife, for morning coffee or lunch, so we enjoyed many good times at theirs,” he reminisced.

It was a little inconvenient not to have a laboratory at Bakkafrost. But Hans á Bakka quickly made room for a little laboratory in Bakkafrost’s loft. He had a very positive disposition and always did his utmost to make sure that any research succeeded..

Bimonthly account statements

Shortly after meeting Hans á Bakka at Bakkafrost, Jákup Mørkøre asked him how he handled bookkeeping and kept an overview of everything. Well, Hans á Bakka told Mørkøre he had a smart solution. He would collect all the bills and other documents and post them to P/F Data in Tórshavn, and then they would post back a statement of accounts every two weeks.

“Then I said to him that if he wanted to run a business, getting accounts by post every two weeks was useless. I told him he would have to get a hold of some local accountant to take care of that side of things. Ideally, you should be able to know your results at the close of each day,” Mørkøre explained.

Hans á Bakka heeded his advice, and soon after, he had found someone in the area to look after the business accounts, at least for a few hours a week.

“The funny thing is that not long after, suddenly there was a boy in the Bakkafrost office doing the books. That boy was Regin. That is one of my earliest memories of Regin á Bakka,” Mørkøre said.

Nordic cooperation

Bakkafrost’s business was constantly evolving, and Mørkøre noticed that Hans á Bakka was always enthusiastic about new developments. Among other ventures, they joined a Nordic cooperation.

Mørkøre recalled that he once chartered a plane to Iceland with everyone who, in one way or another, was involved in the blue whiting pilot studies and was interested in blue whiting.

“We took part in a number of presentations about blue whiting and Bakkafrost was of course there too.”

Oddfríður Gregersen, CEO of Harenga in the village Gøta, was not pleased that Gøta was not included in the blue whiting trials, but there was a remedy for that. Mørkøre made sure that a pilot study of blue whiting drying was launched in Gøta. The Icelandic, Sigurjón Arason, who was familiar with the Faroe Islands, travelled to the archipelago to take part in these trials. Today, he often refers to these trials in Gøta.

“He will always say, you know Jákup, the results of the blue whiting drying pilot in Gøta can be seen everywhere in Iceland and the Faroe Islands now that they are drying fish heads. They are using the same technology today that we developed back then.”

For a young man like Mørkøre, it was always exciting to head into Bakkafrost to inspect her-ring or other production lines, because they were constantly developing the plant – they always had something in the pipeline.

“The Bakka men were always attentive and open to ideas. And Hans, for example, was a workhorse. They were always working. If you made an agreement with them, they would always honour it, they got things done. They were men you could trust,” Mørkøre emphasised.

Reporting back to the industry

The period from 1976 to 1983 was exhilarating for Jákup Mørkøre. And it was during these years that he worked particularly closely with Bakkafrost.

In 1983, Mørkøre concluded his blue whiting trials with a presentation at Hotel Hafnia. He published 14 reports, some brief, some long, on blue whiting.

“I stated then that it was now up to the sector itself to carry this work forward. Blue whiting fishery was now fully and wholly entrusted to the fishing industry. The only project that the Faroese Food and Veterinary Industry continued to work on was trials with fish fingers,” Mørkøre concluded.

Pioneer of pelagic fisheries

The Faroese fished herring. However, the most common pelagic fish in Faroese waters, blue whiting, swam undisturbed. This small codfish was not of particular interest to Faroese fisheries, at least not until the 1980s dawned. Once the fishery limits were extended to 200 miles, and the Faroe Islands entered agreements with the Soviet Union, then blue whiting and its value no longer went unnoticed.

During the 1980s, interest in the blue whiting stock grew and the Faroese Government discussed a slew of plans. Around the archipelago, many wanted to try their luck, and there was no shortage of ideas about how. At Bakkafrost, they had already begun to study this species in the second half of the 1970s; they were trying to determine if it could be harnessed in some way.

Cold War blocks cooperation

In the late 1970s and early 1980s, Bakkafrost was part of an intergovernmental

blue whiting project, which yielded a great deal of knowledge not only about the stock and its potential, but, crucially, also about its limitations and what it would take to produce food using blue whiting. It was the Faroese Government, which launched blue whiting research alongside the industry, and at a meeting at Hotel Hafnia on 25 and 26 Jun. 1981 titled 'Blue whiting production now and in the future' the parties took stock of the situation.

One fact that was mentioned was that the trawler *Giljanas* had attempted to produce mince, however, the trials did not quite go according to plan. Meanwhile, in DDR, they fished blue whiting and produced mince quite successfully. The crew on board a trawler from DDR, *Rudolf*, had offered to assist and advice the *Giljanas* crew. However, this was during the Cold War and diplomatic hurdles prevented the ships from cooperating.

Bakkafrost had attempted to process blue whiting for human consumption

and carried out a series of trials. At the meeting in June 1981, it became evident, that Bakkafrost had underestimated both the investments required, and the number of people needed for production. Questions had been raised about the range of production lines. One suggestion had been that more types of products should be made from blue whiting. Moreover, in order to process blue whiting optimally, the catch had to be as fresh as possible. However, it

appeared this was not always that easy to obtain fresh catch.

The concluding remarks at that meeting in June 1981 highlighted that closer cooperation between the feed plant Havsbrún and Bakkafrost would be desirable, so that Bakkafrost received the catch best suited to food production, while Havsbrún received the rest.

However, it was argued that the issue was not just one of production. The market was not ready to welcome this

PHOTO: JENS KRISTIAN VANG



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jars a year from Bakkafrost. The company held a GM on 14 Aug. 1979. The minutes of the meeting do not mention selling the company. Investments are, however, mentioned, including investments in flatfish production. This investment was made to secure a basis for operations if no herring should return. Bakkafrost started farming fish in Skálafjørður (later also in Sundalagið and Lambavík). As one of four companies, Bakkafrost was licensed to start farming salmon and trout in the Faroe Islands. However, in the early years, it was difficult to acquire smolts. Only Fiskaaling bred smolts, which were for research purposes rather than industrial production. Initially, each company could only obtain around 15,000 to 25,000 smolts, so, in spite of high salmon prices, the industry was not very profitable. The trends did, however, demonstrate the sector's potential

1980

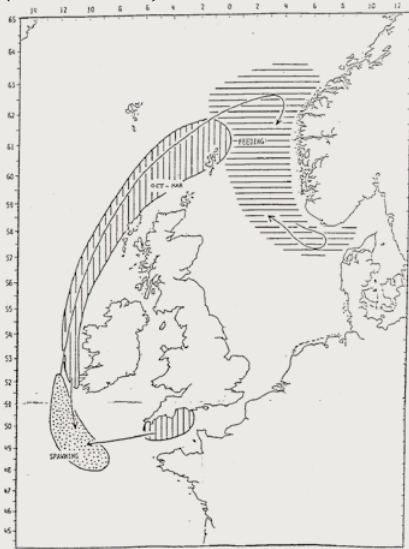
An AGM took place on 11 Aug. 1980, and the owners discussed the company's salmon and trout farming activities. A proposal to request a DKK 1.5 million loan from the Faroe Islands Development Fund was on the agenda. The AGM also

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Front page



Westerly mackerel stock
(Source: ICES)



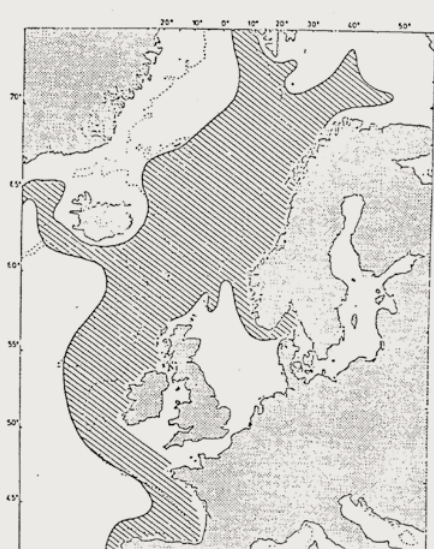
Area of fishing for blue whiting
(Source: ICES)



Spawning grounds for blue whiting
(Source: ICES)



Distribution of mature blue whiting
(Source: ICES)



From the document written by Hans Jacobsen (Hans á Bakka) in 1993.
He assessed the potential of mackerel, blue whiting and herring stocks.

“ For the Faroese it
is particularly interesting that
the Atlantic mackerel stock
appears stable. ”

HANS Á BAKKA, 19 MAY 1993

unfamiliar fish, and several people felt that the English name for the species ‘blue whiting’ was not a good sales name. It was also unclear what would be the best way forward, as trial production had included products such as mince, fillets and crabsticks. The advantage of blue whiting is that it has no distinct flavour, and is therefore ideal for foods

like crabsticks with the addition of crab flavouring.

Politically, anything seemed possible in those years and the banks were not tight-fisted. Government-backed guarantees were readily available. There were many stories of local coastal fishermen and other good folk, who went to the bank to discuss some detail or other of their small business account and left again as owners of gigantic trawlers. Banks poured money into projects, and the Faroese Treasury backed those loans.

The crisis takes its toll

As the 1980s roll on, a series of exciting projects are launched. Society is infused with hopes and dreams. Village development is the watchword. Transport infrastructure is expanded and no mountain should prove a stumbling block for development, so tunnels pierce the

whole country. In the fisheries sector blue whiting is the buzzword. There are grand plans on the table and the fleet grows with several mammoth trawlers. Everyone seems to think blue whiting is a panacea. However, most of these projects eventually went bankrupt and within a few years most of the trawlers had been sold to other countries. By 1992, things came to a head. The public coffers were empty, and the banks went bust. On 6 Sep, 1992 Sjóvinnubankin failed and Føroya Banki was forced to seek help from Danske Bank. In 1994, the two Faroese banks merged.

Since the mid-1970s, Bakkafrost had been through quite a lot. The company was not immune to the economic shock that hit the country. However, although the outlook seemed bleak, Hans á Bakka was not idle while society fought to get back on its feet.

Although Bakkafrost’s business was more focused on salmon in the 1980s, pelagic fish was still part of the mix. Experience had taught Hans á Bakka that here was a natural resource, which the Faroese were not harnessing to its full potential. Or rather, not harnessing at all. Although there was mackerel in Faroese waters, the Faroese fleet was catching its neighbours’ mackerel, particularly to the East. It would be almost 20 years before the Faroese Government chose to go to mackerel war and allow its fleet to catch the stock in its own waters.

In 1993, though, there was little interest in mackerel or other pelagic fish. The country’s financial back was broken, and everyone was busy merely trying to salvage what they could.

Hans á Bakka meticulously studied the travel patterns of pelagic species

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decided that one of the owners, Martin Jakobsen, would travel to Norway from 25 August, 1980, to 25 February, 1981, to work at a fish farm. Bakkafrost would pay his wages, fixed at DKK 7,000 per month. Martin Jakobsen spent the six months at Frøya in central Norway.

1981

On 7 July, there was an AGM, which decided to invest further in salmon and trout farming. There were also discussions as to whether the company should start processing blue whiting. The company was, in fact, already processing this catch, so the AGM decision was probably taken to be able to document that there was agreement on this.

1982

On 26 February, an Extraordinary General Meeting (EGM) was held without Martin Jakobsen, as he was in Norway. The meeting went ahead with Hans and Róland Jacobsen. The subject of the meeting was a blue whiting plant, and they agreed to attempt to secure funding for such a plant with loans from the Development Fund and Industrial Fund. In the same year, on 3 June, another EGM took place. The Faroe Islands

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“ This is estimated to be the cheapest approach to processing blue whiting, and it offers the best ratio between fishing capacity and processing plants. ”

HANS Á BAKKA, 19 MAY 1993, ON USING THREE TRAWLERS FOR PAIR TRAWLING

in Faroese waters. These are migratory stocks and the Faroese were entitled to these fisheries. He also closely studied what blue whiting, mackerel and herring were used for in Europe and far-flung countries like Japan and several African countries.

In 1992-1993, when Faroe Islanders were most pessimistic about the future, and people were fleeing the country in droves, Bakkafrost’s director was thinking hard about how the nation could overcome this deep crisis:

“... country, industry and the people who live here alike.”

Attempts to suggest solutions

By 19 May 1993, Hans á Bakka had readied a document he titled “*Mackerel, blue whiting and herring – future potential.*” It was a review of the three stocks and the prospects he saw in them. Bakkafrost had 25 years of experience under its belt by then, coupled with solid knowledge about pelagic fish.

What is fascinating about this document is that much of what the author elucidated would become reality just 15 to 20 years down the line.

Hans á Bakka’s review revealed that trawlers from about 13 countries were trying for mackerel in the Northeast Atlantic Ocean. And the Faroe Islands are located right at the heart of this area. He also highlighted that mackerel fisheries had grown steadily since they began in the 1960s.

There were six vessels in the fleet capable of catching mackerel in 1993: *Krúnborg*, *Norðborg*, *Tróndur í Gøtu*, *Finnur Fríði*, *Skúvanes* and *Christian í Grótinum*.

The major mackerel markets were Japan and Nigeria.

In 1990, Bakkafrost attempted to process frozen mackerel on a trial basis. Hans á Bakka wrote that this was a pilot project and that Japanese experts travelled to Glyvrrar to monitor production and offer advice. In 1991, Bakkafrost expanded and was ready to process the catch when the mackerel season opened in September. Hans á Bakka wrote that in total they received around 2700 tonnes the first year, and the price paid to the vessels fluctuated between DKK 1.50 and DKK 3.50 per kg. No state aid was received for this production. The following year proved less successful. Bakkafrost’s output fell to 872 tonnes, and the price paid to vessels was between only DKK 0.90 and DKK 3.00 per kg according to size.

Hans á Bakka attributed the plummeting prices to Norway announcing that it would increase its own mackerel quota significantly just as fisheries were due to begin.

He concluded that although previous years had demonstrated that pro-

cessing mackerel on shore was demanding, it was possible with the necessary investments. He did not consider access to raw materials an issue, because, already in 1993, Faroese vessels were selling large quantities of mackerel directly to buyers in neighbouring countries like Norway, Denmark and Shetland.

Advocates pair trawling for blue whiting

Regarding blue whiting, Hans á Bakka recorded that the stock probably had vast potential, but given the situation in 1993, large investments were unlikely. Therefore, it was essential to use existing fleet capacity to harness this species, which was in Faroese waters almost all year-round.

Considering that most of the blue whiting trawlers from the 1980s had been sold, only *Tróndur í Gøtu* remained; another solution had to be found in order to make the most of the blue whiting. Hans á Bakka referred to an idea floated in the 1980s, which was that three trawlers could take turns to pair trawl for blue whiting. This idea was back on the table, when the mackerel conflict peaked after 2009, and trials proved successful.

From 1983 to 1989, blue whiting was processed at Bakkafrost with purpose-bought equipment. The main product was mince, which was sold to Britain, with some sold to France, Denmark and other countries. Filleting trials were less successful, because the catch was not fresh enough when it reached Bakkafrost.

Hans á Bakka concluded that in order to effectively harness blue whiting, his recommendation would be to attempt to pair trawl with three ships. He also emphasised the need for meticulous

market research. Experience from the 1980s had shown that the market was unfamiliar with blue whiting, and that it would be necessary to identify the right markets for any products that could be derived from the species.

His review also touched upon the herring stock, and he mentioned that practically no herring was processed on land between 1978 and 1993. From 1987 to 1989, herring was a by-catch of blue whiting fisheries south of the Faroe Islands, but it was not processed. Between 10,000 and 15,000 tonnes of herring were caught over this period.

There is a large herring market in Europe and elsewhere in the world. Hans á Bakka believed that, given the circumstances, it would be wise to use the country’s installed capacity to attempt to rebuild herring production. He was convinced that any increase in herring production should be led by market growth.

He believed that market studies were required in order to determine what the Faroe Islands had to offer.

Even though Bakkafrost was veering towards salmon farming at full speed, Hans á Bakka in this document from 1993 shows that he is not willing to just abandon what he had spent so much energy developing over the previous 15 years. Personal experience told him that the Faroese should be able to harness pelagic species.

History bears witness that he was right. Today, pelagic fisheries and fish farming constitute the lion’s share of Faroese exports. What these two industries have in common is that they provide onshore jobs for people.

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Industrial Fund demanded a DKK 750,000 increase in the company share capital. The EGM decided to request the withdrawal of this requirement. A third EGM was convened on 2 July. The Industrial Fund refused to withdraw their demand for the DKK 750,000 rise in share capital. If no other funding were found, then the owners would accept the Industrial Fund’s demand. They would also attempt to secure a treasury guarantee for the DKK 750,00. They met again on 19 July, and the owners agreed to increase the share capital. They also agreed to accept the DKK-5-million loan from the Industrial Fund. Simultaneously, they would submit a request to Føroya Sparikassi to fund the remainder of the share capital required. The owners also agreed to separate the trout and salmon farm into another limited company. Halgir Winther Poulsen and Jógvan Sundstein were tasked with preparing the separation. Between Christmas and New Year’s, on 27 December, 1982, all the shareholders were in the Faroe Islands, and another EGM took place. Stock was taken of the year. It was agreed that the share capital would be increased by DKK 750,000, and the money

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THE WILL to try something new

When herring disappeared in the late 1970s, Bakkafrost was forced to rethink. Countless ideas were explored. These images depict the keen interest in Bakkafrost around 1980. Hans á Bakka welcomes visits from Faroese as well as foreign politicians and business people. Simultaneously, Bakkafrost is working on processing blue whiting into new products, and a smattering of herring is still being landed – probably what is known as fjord herring from local fjords.

PHOTOS: JÁKUP MØRKØRE



1. Hans á Bakka conversing with a foreign guest, this was probably a visit from Russia. The interpreter is standing between the pair.

2. Hans á Bakka is explaining the procedures used at the plant to the international guests. Behind him is Árni Olafsson, active in Faroese foreign relations for many years.

3. A demonstration of filleting. Hjal-ti í Jákupsstovu and Árni Olafsson watching the process. The foreign guest is listening to the interpreter.

4. Women filleters at work.

5. Jógvan Ingvard Olsen, member of parliament (furthest to the right), Pauli Ellefsen, Prime Minister, and others listen while Hans á Bakka sets out future possibilities.

PHOTO REPORTAGE



6. Woman making mince.
PHOTO: JÁKUP MØRKØRE

7. Herdis Poulsen weighing and packing salmon shortly after starting at Bakkafrost in 1981 PHOTO: REGIN JACOBSEN

8. Workers inside the plant.
PHOTO: JÁKUP MØRKØRE

9. Women working herring.
PHOTO: JÁKUP MØRKØRE



10. Bill Justinussen emptying the freezer of blue whiting mince. PHOTO: REGIN JACOBSEN

11. Men working at the plant.
PHOTO: JÁKUP MØRKØRE

12.-14. Martin J. Olsen has had ties to Bakkafrost for over 40 years. He was involved in designing farming cages. Bakkafrost started manufacturing cages in-house from the early 1980s, because it turned out that cages available for purchase from Norway could not withstand the Faroese conditions. Olsen invented the steel fittings, which to this day remain the foundation for the cages that are built. At present, KJ Hydraulik is the main producer of cages in the Faroe Islands. PHOTO: REGIN JACOBSEN



“We were in the same class in college. We got to know each other there and we spent the rest of our lives together,” said Katrin Dahl Jakobsen, Martin Jakobsen’s widow.

PHOTO: JENS KRISTIAN VANG

KATRIN DAHL JAKOBSEN

Bakkafrost was always on his mind

Born in 1951, Martin Jakobsen was the youngest of the Bakka brothers. Like his brothers, he had had close ties to Bakkafrost throughout his life. As a young man, he worked at Bakkafrost whenever there was a chance. During his student days, and after completing his degree, he was an indispensable advisor to his older brothers. In addition to his degree as a food engineer, he had completed, amongst other qualifications, a graduate diploma in business.

Martin Jakobsen studied abroad and worked in Norway for a few years before returning to the Faroe Islands with his family. He spent several years as a manager at the filleting plant Bacalao and

later as associate director at Bacalao. He led TK Stovan in Tórshavn for a period, before joining Bakkafrost as a manager for the remaining years of his life.

Katrin Dahl Jakobsen and Martin Jakobsen met back at Tórshavn College, the upper secondary school in Hoydalar.

“We were in the same class in school. We got to know each other there, and we spent the rest of our lives together,” says Katrin Dahl Jakobsen, Martin Jakobsen’s widow.

In 1972, they moved to Denmark for three years. Martin went to business college there, while Katrin started to study psychology. But, there was pressure on Martin to go into fisheries.

Katrin Dahl Jakobsen was married to Martin Jakobsen, the youngest of the Bakka brothers. They met each other at upper secondary school and spent their lives together until his death. He gathered experience and knowledge from many places, but Bakkafrost was always on his mind.

“I still have a letter from Tormóður Dahl, where he encourages Martin to study fisheries in Trondheim. In this same letter, he tells Martin that it would be no problem for me to continue my psychology studies in Trondheim,” Katrin Dahl Jakobsen explained.

In 1976, they both moved to Trondheim to study. However, contrary to what they were told, there was no degree in psychology on offer there. It meant that Katrin Dahl Jakobsen studied education instead, while her husband embarked on his studies in fisheries and food engineering, as planned.

Extensive experience in Norway

While studying in Trondheim, Martin Jakobsen worked for the Norwegian Food Safety Authority. He also worked at Frionor while he was studying. Frionor was a big company, which exported frozen fish and other fish products to buyers around Europe. Frionor also had around 50 filleting plants and two large industrial plants in Norway.

“Later, Martin got a permanent job at Frionor and visited multiple plants as a consultant on quality control, production control and the like. So he gained in-depth knowledge of food processing, including the production of finished goods. This sparked his interest in processing fish further, and in that way, adding more value,” remarked Katrin Dahl Jakobsen.

After Martin Jakobsen was offered a job at Norsk Landbrukskjemi, he moved with his family to Flekkefjord in southern Norway for two years. Norsk Landbrukskjemi worked with frozen goods, salmon feed, prawns and other products. There, he first held the position of operations manager and later of director.

Never severed ties to Bakkafrost

Martin Jakobsen worked at Frionor in Norway from 1982 to 1984, but always maintained close ties to Bakkafrost.

“He would always work at Bakkafrost, whenever possible and in any capacity, including during holidays as a student. Straight out of upper secondary school, he started working as a plant manager and on Bakkafrost’s board. He did that for two years until we moved to Denmark. It was the same when he continued his studies in Norway; he was always ready to work. Whenever we came home, for example, for the summer holidays, he would change straight into his work clothes, head down to Bakkafrost and get to work,” Katrin Dahl Jakobsen reminisced.

He was always ready to give advice to his brothers at Bakkafrost - advice and tips about things he had heard or learnt from his studies or work in Norway.

“Not that Hans and Róland weren’t bursting with ideas, and they were not afraid of launching into new ventures, but I think Martin was a good advisor to them in the scientific area. I’m referring to the area where he had gained experience studying and working in Norway,” Katrin Dahl Jakobsen clarified.

Home to the Faroe Islands

In 1984, the Jakobsen family moved back home to the Faroe Islands. Martin started working as plant manager at Bacalao and later as associate director in charge of operations. At Bacalao, he developed a value-adding scheme, which was implemented in 1986. It included, for example, thawing frozen fish and breeding it.

“There were six vessels linked to Bacalao at the time, so there was a lot of activity. Bacalao also left Føroya Fiskasøla, so they had to manage their own sales,” said Katrin Dahl Jakobsen.

In 1993, Bacalao was taken over by Fiskavirking. Martin was given the opportunity to continue at Fiskavirking, but had no desire to do so. In the following years, he was involved in various projects, including launching FarFish. Bakkafrost

“ Whenever we came home, for example, for the summer holidays, he would change straight into his work clothes, head down to Bakkafrost and get to work. ”

in cooperation with the trade union Havnar Arbeiðsmannafelag were behind FarFish. For a few years, he led TK Stovan until he returned to work at Bakkafrost. That was in 2001.

“Around that time, they were expanding the plant to the north. It was Martin who designed the structure, internal layout, fittings and fixtures and so on,” Katrin Dahl Jakobsen recounted.

Martin Jakobsen struggled with diabetes from childhood. Later, in life when his health deteriorated, and he needed a new kidney, he received one from his brother, Hans.

“I remember that Hans had to have a medical examination in conjunction with the procedure. They said that Hans had the physique of an athlete. Well, his rear-end never touched a chair -, he was always working.”

“Martin received a new kidney in 1995, and after that he was well for many years. But later, his health took a turn for the worse, and he lost first one leg and then the other. In spite of this, he never missed a day off work, only while in hospital. Taking a day off for illness was not something these men did. I remember when his first leg was amputated, he was working at Bakkafrost. So, he made an arrangement with a man in Signabøður to pick him up from Tórshavn. Then he paid the man for the trip.

So, you can imagine how hard working these men were. Martin was even at work the day before his final hospital admission,” Katrin Dahl Jakobsen reminisced.

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was deposited in cash. The following day saw another EGM. The incorporation of a new limited company to run the fish farm was on the agenda. There was also agreement that the fish farm would be allocated shares in P/F Bakkafrost.

Róland and Hans Jacobsen could sell shares to the new company for up to DKK 400,000. The new company was named Faroe Sea Farming. However, the business did not become known under that name, but rather as Glyvra Alistøð. At the same meeting, the participants discussed commencing trout production and salmon feed. The meeting agreed to look into the costs of such production. The decision as to whether this would become a new line of activity for Bakkafrost was postponed until more information was available about what would happen with the blue whiting plant. Bakkafrost was expanding its facilities to accommodate blue whiting production – the finished goods were fillets and mince. New technology was acquired and capacity expanded. The plant was built to accommodate freezing and refrigerated storage west of Bakkafrost.

1983
Bakkafrost built a feed plant to produce farm

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FISH FARMING

a budding industry

As Bakkafrost’s flatfish production got underway, the Bakka brothers discussed various other ideas they would like to try out. Although there was no mention of it in any minutes from meetings in the late 1970s, they had already been preparing to farm fish. They received their first farming license in 1979.

However, they did not seem to think the license required much discussion, as evidenced by the lack of entries in the minutes. Not until August 1980 is there mention of “the salmon and trout farming the company is gradually undertaking.” This implies that by August 1980, they were already farming fish.

It was also decided that Martin Jacobsen would spend six months working in a fish farming area in Norway. It was agreed that he should stay there from 25 Aug. 1980 to 25 Feb. 1981. He would receive a small salary for his efforts, and he was bound for Frøya in Trøndelag in central Norway.

“Interesting, because this is where SalMar is based. To this day, neighbouring islands Hitra and Frøya are among

Norway’s premium fish farming areas,” Regin Jacobsen stated. SalMar would also later show interest in acquiring a stake in Faroese fish farming. It would probably even have wanted to take over Bakkafrost had the opportunity ever presented itself.

The HitraFrøya region served as

an inspiration to Bakkafrost. Martin Jacobsen travelled there in search of fish farming know-how to pass on to the people back home.

The minutes of a meeting on 7 Jul. 1981 recorded that they should continue farming trout and salmon, and they should expand as much as could

Glyvrar and Bakkafrost seen from the mountainside. Farming cages to the north and south of the quay. This image dates from 1981-1982. A crane appears to be working on the expansion of the main building. Works were completed in 1982.

PHOTO: REGIN JACOBSEN





Martin Jakobsen travelled to Norway in autumn 1980 in order to learn more about salmon farming. He visited Frøya, a location that remains one of Norway's finest fish farming areas. PHOTO: MARJUN SIMONSEN

be deemed feasible. The main challenge at this stage was the sheer number of unknowns, and most licenses were only for 30 cages.

“The first cages were placed right below where the new plant is located today. The depth there was only 8 m,” Regin Jacobsen explained.

“We only had cages here at first. In 1985–1986, we moved the cages behind Langanes. The southernmost section of the east shore of Skálafjørður belonged to Bakkafrost. At the time, there were multiple fish farming companies in Skálafjørður. Oddfríður Gregersen and the men at Fiskavirkning in Gøta took up the innermost section, within Skipanes. In addition, there were Faroe

Fish Farming, Undir Skriðum and Runavíkar laksaaling.

They were all scattered haphazardly across the fjord. We had five fish farms on the eastern arm and on the western arm there was Urðará. A total of six fish farms were located in Skálafjørður. All the way back from 1980 and up to 2003 there were several fish farms on this fjord.”

There were smolts, mid-size fish and fish ready for harvest. No separation of year classes existed.

View fish farming as the future

With the onset of the 1980s, Faroese transport and fisheries infrastructure were undergoing a deep transformation

with brand-new tunnels and vessels. The economy heated quickly over this period. Major investments in new trawlers were funded by treasury-backed loans.

For Bakkafrost, this decade meant a gradual move away from herring. Blue whiting trials were underway, and this was the stock everyone was pinning their hopes on. Concurrently, Bakkafrost was heading down the path of fish farming. Until then fish farming had not played a major role at Bakkafrost, but the company realised it had significant untapped potential.

In January 1986, Hans á Bakka stated, **“The greatest growth will be in fish farming.”** At the time, 10-12 people were employed in fish farming at Bakkafrost.

Harvesting trout. Transferred using push nets from the cages into a boat. Here the well boat ‘Hans á Bakka’ is on duty. PHOTOS: REGIN JACOBSEN



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feed. In the early years, farmed fish was fed wet feed. This mostly included ground herring, blue whiting or capelin. Vitamins and colourants were added, but the process was very dirty and laborious. The new feed product was a type of soft feed, which was obtained by mixing fishmeal, fish oil, vitamins, colourants and a binding agent, kneading the mixture with special machines, and then producing feed pellets. This was a major departure from the old technology, and for several years until around 1990, Bakkafrost sold feed to most of the fish farming industry in Eysturoy. Later, the sector switched to a new dry feed product, which Havsbrún had started producing.

1984

At the GM on 18 August, 1984, there was agreement on building a silage unit and exploring options to fund it.

1985

On 3 February this year, there was a GM at Bakkafrost's office á Bakka. This was the first meeting in which Regin Jacobsen took part, and he acted as board secretary. At this GM two points were discussed: first, that the board had decided to launch construction of a

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Hans á Bakka in the office in the early 1980s. PHOTO: JÁKUP MØRKØRE

The Faroese followed developments in Norway closely, and the first six recipients of fish farming licenses in 1979 had nearly all been to Norway to observe and learn from the Norwegians.

The companies that in 1979 and 1980 were granted fish farming licenses by the Faroese Government were: Salmo belonging to Guttormur Djurhuus and others in Kaldbak, Joki belonging to John Andreassen in Funningur, P/f á Strond in Klaksvík, Gján in Norðskáli, Tangi, also in Norðskáli, and as the sixth company Glyvra Alistøð in Glyvra.

Helgi Jacobsen wrote in his book *Ringar á sjónum* (*Rings in the sea*), that political interest in the fish farming industry grew once the first privately owned fish farms had been established, and in his words: “In the year 2000, these first fish farmers would have been called entrepreneurs, and that is what they were. However, initially they were prob-

ably mostly drawn to fish farming out of interest and enthusiasm. Later, when major investments were at stake, it was not always as enjoyable.”

Bakkafrost began its fish farming activities in Skálafjørður; the farming sites in Sundalagið and Lambavík were later additions. The first license allowed the company to start farming salmon and trout in the Faroe Islands. In the early years, you could only get your hands on around 15,000 to 25,000 smolts for each company, so although salmon prices were high, the industry was not very profitable. Still, the trends were indicative of the potential of the sector.

Fish farming is financially demanding, because any undertaking requires sufficient funds to cover its operations, while the fish is growing in cages. When fish farming started up, there were really only two options to secure funding: the public financing facilities – the Far-

“ Fish farming will see the greatest growth. ”

HANS Á BAKKA, JANUARY 1986

oe Islands Industrial Fund, *Ídnaðargrunnurin*, and the Faroe Islands Development Fund, *Menningargrunnurin*. These two funds offered loans and defined the terms and conditions the industry operated under in the early years.

The first condition for financial support stipulated by the Industrial Fund was that any applicant company had to have secured a fish-farming license from the Government. The second condition was that they were not allowed to farm more than 50 tonnes of fish per year. Companies were also required to

hold equity of DKK 150,000, of which DKK 100,000 had to be deposited in a Faroese financial institution, while the remaining DKK 50,000 had to be raised in the first year of business.

Finance was a tough challenge for those who wanted to try their hand at fish farming, but these early years were not only characterised by financial preoccupations. This was a fledgling industry in uncharted waters, so Faroese fish farmers had to learn their trade without any precedents.

Farming cages inside Langanes in Glyvra around 1983-1985. PHOTO: BAKKAFROST



Continued from page 65
new packaging system, and second, wages for board members and office staff.

Regin Jacobsen was just 18 years old this year and was a senior at the upper secondary school – Studentaskúlin við Gøtugjógv. For some time now, he had, been helping out at the office after school. At this meeting, the board decided that he should receive fixed monthly wages equivalent to a full-time clerk’s salary. Concurrently, it was agreed to pay monthly wages of DKK 17,000 to Hans Jacobsen and DKK 15,500 to Róland Jacobsen. The brothers were allocated compensation for telephone expenses of DKK 500 and 200, respectively.

At the GM on 5, April, there were discussions about expanding blue whiting production with two filleting machines, a skinning machine, freezer cabinets, a packaging system and a truck. The decision was made to embark on these investments, and the first action was the purchase of two filleting machines from the government. In early September, a board meeting was conducted with expansions and financing on the agenda. The board discussed increasing the loan by DKK 7 million, of which

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Johan Mortensen had the opportunity to be part of a period in Bakkafrøst's history when many new paths were explored. He remembered it as a time with scope for new ideas and a willingness to put them to the test.

PHOTO: JENS KRISTIAN VANG

JOHAN MORTENSEN

Correctness characterized the company

It was through his father, Aksel Mortensen, that Johan Mortensen came into contact with Bakkafrøst and later began collaborating with the Bakka men. To quote him:

“My father ran the wholesale firm Marr & Co. He was an enterprising and very creative man. On the wholesale market competition was tough, but for years father had been selling salt fish, which was not marketed through Føroya Fiskasøla, so selling fish was second nature to him. And he somehow came into contact with Hans á Bakka. As they received herring, I think my father probably exported herring for them, possibly to Bremerhaven.”

At that time, Johan Mortensen had started studying psychology and literature in Denmark, but he was not exactly

enthusiastic about it. Aksel Mortensen therefore asked his son to come home and work with him. This was when Aksel Mortensen took the plunge and left the wholesale business to concentrate exclusively on selling fish.

“It was a bold move, because Føroya Fiskasøla was sitting on 95 per cent of all fish sales in the Faroe Islands,” Johan Mortensen declared.

Herring in jars

When Aksel Mortensen came into contact with the Bakka brothers, Hans Jacobsen was a young man. Pickling herring in jars was a dream Aksel Mortensen had long nurtured. Johan recalled that his father discussed the possibility at length with Hans á Bakka, gradually his interest was piqued.

Johan Mortensen was employed by Marr & Co run by his father, Aksel Mortensen. Together, they had the chance to contribute to developing and exporting goods for Bakkafrøst, before fish farming took over.

“Kósin was processing herring at the time, and my father knew that they had a recipe for pickled herring. Johan Høj, who managed operations at Kósin back then, was the only Faroese person who had studied food preservation by canning and jarring. Eventually, Hans á Bakka bought the recipe from Johan Høj. That is how it started, slowly at first. Bakkafrøst began to sell jars of pickled herring,” Johan Mortensen recounted.

At first, the employees were doing everything manually around a table and the pace was slow. Bakkafrøst later acquired a production line for the task and the pace picked up.

“My father and I worked quite well with Hans and Róland. We discussed adding more value to the fish, so we went to Denmark to study how they went about things there. It immediately became clear that if we wanted this to be profitable, then we had to have a production line and that was when they purchased the production line,” he recollected.

Better equipment

In Denmark, they came into contact with Cab-inplant. This was a company, which developed technology for the fisheries industry. They decided to order the first packaging machine for Bakkafrøst.

“Little by little the gears started turning and we found ourselves selling herring for Bakkafrøst,” Mortensen explained.

Johan Mortensen was also quite creative himself, so he created the labels for the jars and even designed the jars.

Johan Mortensen remarked that in the 1970s, the Faroe Islands were quite remote. The world was far away, and a plane ticket cost an arm and a leg. Still, they worked ceaselessly to increase their export.

A key grant

The investment fund Føroyagrønnurin gave Bakkafrøst, Johan and Aksel Mortensen a major boost.

“There were some incredible men on the board, two of them were Einar Kallsberg and Sólbjørn Jacobsen. That was when I wrote my very first funding application. I asked them if Føroyagrønnurin

would be willing to help us, so that we could start exporting herring. And God help me, they were willing. It was a tremendous boost. And now, we were going to show them what we were capable of. The will and vision those men displayed made a real difference,” Johan Mortensen stated.

At this stage, it all came down to finding the right flavour to make inroads into the Danish market. They contacted a food research centre called Gastronomisk Institut. One of the people who worked there was Polish-born Thomas Jewzki. He received samples from the Faroe Islands.

“It was a little comical, because every time we tasted a sample, the Pole offered us beer and schnapps, but Hans was, of course, a teetotaller. We always got a lot of laughs out of that, and Hans was a very entertaining travel companion,” Johan Mortensen reminisced.

On the Danish market

Now, they had reached the point where the herring was sold in the Faroe Islands and the flavour had been perfected. They were ready to launch this in Denmark. So, Johan Mortensen had started contacting Danish retailers, and there were many of them.

“I tried to talk and argue that there were so many Faroese people living in Denmark. I told them that this was fantastic herring. And, wouldn’t you know it, in the end, the Danish cooperative retail chains put in a gigantic order for herring from Bakkafrøst. They sold it under their own label as Færø sild, meaning Faroe herring. This was the first proper retail-ready finished product to be produced in the Faroe Islands and sold abroad,” Johan Mortensen mentioned.

“It was an exciting time with a very special collaboration. My father and partly myself as the creative men, and Hans as the ever practical workman.”

He remembered when all the pallets with Faroese herring were stacked on the quayside in Tórs-havn waiting to be loaded onto the freight vessel Lómur. As he put it:

“What I felt then was deep satisfaction thanks to the terrific cooperation, which had gone into making those pallets of herring.”

This was the second half of the 1970s. Johan Mortensen could not recall why exactly, but for some reason, the venture eventually fell by the wayside. He thinks the main reason was probably the price of herring.

“It was an exciting time with a very special collaboration. My father and partly myself as the creative men, and Hans as the ever practical workman,” Johan Mortensen reminisced.

They later abandoned herring completely.

Visit to Japan

Johan Mortensen accompanied Hans and Martin á Bakka on a visit to Japan to see surimi plant equipment manufactured by Bibun, which they intended to purchase. The surimi plant was delivered and installed the following year. He remembered that trip as immensely educational, both professionally and culturally. And, as always, it was fun to travel with Hans á Bakka, because he was so witty.

“He was always ready to joke around,” Johan Mortensen said laughingly

In the same breath, he emphasized that Hans á Bakka was not merely humorous, he was also incredibly positive and constructive.

Lugworm in Faroese fish

This was around the time when it occurred to a German journalist to exhibit lugworm detected

in Faroese fish. The German journalist’s feature would cost the Faroese dearly for a long time, and Bakkafrøst paid the prize too.

“I was in England on behalf of the Bakka brothers trying to negotiate a blue whiting mince contract with a large company in England, which bought these types of goods. They welcomed us warmly and were ready to sign a sizeable contract with Bakkafrøst. They were scheduled to travel to the Faroe Islands two weeks later to sign this massive order.

One day, they arrived, and we were all at Bakkafrøst ready for the deal to be signed. Suddenly, there was a telephone message for the English sales director. He stepped out for a moment, and when he returned, he was pale and serious. ‘No, terribly sorry’. Because of the lugworm affair, they had to let the order go. It was a disaster, not just for Bakkafrøst, but for the Faroe Islands,” Johan Mortensen recalled.

By then, Bakkafrøst had been farming fish for six years. It was a growing segment, and Bakkafrøst and Marr, therefore had decided to jointly acquire a share in the company Urðará. Later, times became more difficult, also in fish farming, and that was when the collaboration ended.

Johan Mortensen believes that one reason Bakkafrøst has made it so far and grown so much is a matter of “right time and right place.”

“Moreover, it was a family business with excellent cooperation, strong cohesion and openness. That, along with decency and correctness, has, I think, characterized the company,” Johan Mortensen said.

The 1980s: When salmon prices knew no bounds

When the first salmon farming licenses were issued in 1978–1979, there was little fish farming know-how. Though they had foresight, the people who launched this industry were probably unaware of how demanding it would be and just how challenging its lows could be. They hardly expected that it would spell financial disaster for many in later years. Disease coupled with a financially demanding industry would prove more than most could endure. Salmon generates no revenue until its adult stage. Going without any income from fry until fish are harvested two to three years later, requires broad financial shoulders.

Politically, the Faroese were hemmed in by the same approach that characterised Norway, namely ‘one fish farmer, one license.’ That notion also fitted nicely with the dominant political thinking about Faroese village development. Fish farming was viewed as an opportunity for enthusiastic investors, who wanted to

create a workplace in their home village. This saw 63 fish farmers being granted licenses across the archipelago in no time at all.

The 1980s were an eventful decade, also internationally. These were the years when salmon farming really took off. In 1980, the world produced 7500 tonnes of farmed salmon. Ten years later, production had multiplied 31-fold to nearly 250,000 tonnes. And this was just the beginning, because restaurants in Tokyo, New York, Paris and elsewhere had acquired a taste for this fish. Salmon had become a staple of fine restaurant dining.

Given the limited production in the 1980s, salmon prices shot up. In the mid 1980s, the price of salmon was well above DKK 60 per kg. This meant that individual sellers would have sold at a considerably higher price, some at between DKK 80 and DKK 100 per kg. The price would not reach the same highs again until 2016, when an algal bloom in Chile wiped out almost 30 million salmon. When the

Crimean crisis hit the Western World, and Norwegian and Scottish producers were excluded from Russia, Faroese fish farms fetched record high prices for their salmon in Russia.

However, price records were not on the minds of the Faroese fish farming pioneers when they started out in the 1980s.

One of the first applications for a fish-farming license was submitted by Jógvan Hansen and Sámal Thorsteins-son from Klaksvík along with Monrad

Skjelten from Norway. In his book, *Ring-ar á sjónum* Helgi Jacobsen wrote that, “This was the first private Faroese company, which from the beginning had a focused plan with near perfect vertical integration from stripping and hatching to gutting.”

The company was called Á Strond and was planning to run its farming operation just south of where Bakkafröst is currently building its new smolt farm. Á Strond was granted a license for 10,000 smolts, which could be released in 1980.

Glyvra Alistøð was one of the first companies to build its own feed float.

PHOTO: SOSIALURIN



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DKK 3 million could be borrowed internationally. The company's mainstays from feed and blue whiting production would bear that burden. Feed production was estimated at 2000 tonnes and packaging trout and salmon around 1000 tonnes. In revenues, packaging was forecast to contribute around DKK 1 million in 1986, and feed production around DKK 1.6 million. The meeting also touched on a thorny situation – the considerable debt owed to Bakkafröst by P/F Star Salmon. The minutes of the meeting indicate that the board is unsure about the company's liquidity, as quoted: “P/F Star Salmon has used bills of exchange and this may be an indication of something.”

On 20 December, 1985, shortly before Christmas, the first bonus scheme was approved at Bakkafröst. The question raised that day was whether the employees should receive a bonus for 1985, results permitting. The board agreed that management could offer employees up to five per cent of each individual's annual wages in bonus payment. It was agreed that all hourly paid workers would receive five per cent up to a maximum of DKK 9,000 per person, depending on the numbers of hours

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Hans Jacobsen and Oddfríður Gregersen, two pioneers of Faroese fish farming. PHOTO: SOSIALURIN



Olaf Olsen, former government minister, and Andrias Reinert, Fiskaaling, at one of the many meetings about fish farming in the 1980s. PHOTO: MARJUN SIMONSEN



From the left: Bergur Poulsen, then leader of Havsbrún's feed division, Andreas Lava Olsen and Ditlev Eldevig, both directors of Havsbrún. These took a great interest in fish farming in the 1980s. In the mid 1980s, Andreas Lava Olsen commissioned a report on the financial situation of the fish farming industry. PHOTO: MARJUN SIMONSEN



The company would get 10,000 smolts per year, but had aimed for more.

It was tough to get the plan off the ground. The founders had not been granted all the licenses they had applied for and were initially not allowed to place cages in við Strond. Instead, they were licensed to place them by Kunoyarnes. This is a good fish farming area today, but in the early 1980s, it was not easy to farm salmon there. Sea lice were an issue at this site. In addition, seals were very keen on the salmon. They quickly figured out how to climb onto the cages and then dive in for a feast. This became so much of a problem that the owners were forced to set up night guards by the cages. As soon as any seal approached, it was shot.

Á Strond ceased its activities in 1985, when another company in Klaksvík took over both the farming licenses and the company. The Á Strond licenses are today a part of Bakkafrost Group.

From 1978, Fiskaaling imported salmon roe from Norway, but stopped in 1984, because of the infectious pancreatic necrosis (IPN) that had begun spreading in Norway by then.

At Bakkafrost, the first farming cages had been placed right below the plant. This was a pilot project more than anything. Nevertheless, Glyvra Alistøð, as the company was named, was allowed to grow and became the forerunner of what Bakkafrost would later become. In the tome *Ringar á sjónum*, we are told that the reason why it would become the fish farming giant we know today is down to, “*patience, capability, industriousness and rock-solid faith that it would work out.*”

Bakkafrost was not amongst the first round of recipients of salmon smolts from Fiskaaling in 1980. They applied too late – they did receive trout though.

“ The politicians had decided that fish farming should not be synonymous with large-scale operations. ”

HANS Á BAKKA

In the following year, they received 5000 salmon smolts. It appears they counted rather loosely, though, because when Bakkafrost later harvested this fish they counted over 5000 salmon. The harvest was sold at between DKK 80 and DKK 100 per kg.

Glyvra Alistøð initially farmed trout, which it sold to Stabburet in Norway. Stabburet, a company that marketed a whole range of food products to Norwegians, could not find the right trout size in Norway. It was only available in Glyvvar. Consequently, it fetched a very good price. Some of the farmed fish was also sold to Denmark.

In 1985, the fish farming company á Bakka had 27 cages with 60,000 salmon and about 80,000 trout. That year, the company received well above DKK 100 per kg for the 90 tonnes of salmon and 60 tonnes of trout harvested.

The price rose quickly in the 1980s. In 1980, the price per kg was around DKK 25, and already by 1985 the average price commanded by Faroese fish farmers was between DKK 80 and 90.

Bakkafrost had begun to produce salmon feed back in 1980. They started small, but later acquired more suitable equipment. At that time, they produced soft feed.

Out of the six companies, which were the first to receive fish farming licenses, only Glyvra Alistøð survived the 1980s

and entered the 1990s. The other five companies were taken over or ceased production.

Large or small fish farms

It was not just fish farmers who struggled in the early years. There was no clear political consensus on how the Faroe Islands should structure its fish farming industry. In the early 1980s, the Faroese Government knew that the situation was difficult. Access to smolts was limited, while the issue of how to fund fish farming operations remained unresolved. Another question was whether ‘one fish farmer, one fish farm’ was really the right approach.

The Faroese had followed the Norwegian trend, and it was obvious that the countries experienced similar difficulties. In January 1981, Pauli Ellefsen of the Unionist Party succeeded Atli P. Dam as Prime Minister. One of the issues he put on the agenda was the structure of the fish farming industry. In August 1981, he called on the secretary of the Development Fund, Martin Djurhuus, to review the situation of the salmon and trout farming sector. This was after two public funding facilities, the Development Fund and the Industrial Fund, had already granted the industry financial support. Pauli Ellefsen wanted to know what could be done to further develop the industry.

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they worked. Employees on permanent wages would receive a bonus of DKK 9,000 each.

In 1985, Bakkafrost received a fish farming license in Sundalagið in the við Hagagjógv area, and the company P/F Hagagjógv was founded. On 12 Feb, this year *Dagblaðið* writes that blue whiting is heading south. This is said to be unusually early. In 1984 and 1985, Faroese vessels caught around 45,000 tonnes of blue whiting in EU waters and only 15,000 tonnes in Faroese waters. This year, Bakkafrost expanded by acquiring a packaging plant from Samfisk in Álaker. Farmed salmon was largely exported fresh, and for this Styrofoam boxes were required. There were two machines producing Styrofoam in Tórshavn and three at Handils & Frystivirkið in Fuglafjarður.

1986

Jón Purkhús and Heini Gregersen in Klaksvík established Sp/f Faroe Salmon, which later became P/F Bakkafrost Holding. They started to farm salmon and smolts.

1987

In this year, Bakkafrost built a new packaging plant in Glyvvar and bought new machines

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Bakkafrost started producing feed for farmed fish already in 1980.

PHOTO: ALARIN



Feed store at Havsbrún in the 1980s.

PHOTO: MARJUN SIMONSEN



Islands and Norway, the author referred to the Norwegian system where the first fish farmers were farmers who ran fish farming operations in addition to agriculture. Martin Djurhuus felt that the Faroe Islands did not have to follow that model to the letter. It was his opinion that it would make Faroese fish farms too small.

In his conclusion amongst other suggestions, he wrote that the optimal size for Faroese fish farmers would be what was termed 10,000 to 12,000 m³. The licenses should be valid for seven years. The most successful fish farmers could receive an extraordinary license to farm more.

Certain qualifications should be required

Another interesting aspect of this report was that the author was convinced that the authorities should demand certain qualifications of anyone intending to farm fish. He also stated that the Government should enact fish farming legislation encompassing environmental protection and checks on feed products. He also argued in favour of enact-

ing measures to combat fish diseases through executive orders.

In the early years, the authorities laid down spatial requirements, not restrictions on production volumes. In November 1983, the committee with fish farming in its remit discussed an application from Føroya Laksur for a license to build rock pens in Nesvík. It was a large-scale project, and a very different concept. The company wanted to lower rocks into Sundalagið to create farming pens. This was the first occasion when production volume was discussed, not merely cubic metres. Føroya Laksur implemented its plan, but the salmon failed to thrive in Sundalagið's strong currents. Fiskaaling later took over the site and has had operations there for many years. The rock pens were removed.

For a long time, the licensing committee refused to issue any fish farmer a license to farm more than the fixed 15,000 m³. Applications for licenses to farm 30,000 to 60,000 m³ were rejected.

This capping policy originated in a report from the Development Fund in the early 1980s, which underscored that fish farming should be a part of village development. It had been decided in politics that anyone wanting to stay in their home village should be able to do so. That was also why the Faroese Parliament agreed to expand transport infrastructure and filleting plants were to be dotted around the country wherever possible. This approach also extended to fish farming, because anyone living by a fjord or in a village had the best chance to obtain a fish or smolt-farming license.

Village development hindered industrial development

In 1986, a Norwegian study concluded that larger fish farms had a greater

chance of success than smaller fish farms. This was a new notion, which would not be followed up immediately.

The Faroe Islands adopted its fish farming legislations in 1988. It stipulated a number of conditions for who would be allowed to farm fish. In addition to requiring that applicants have the knowledge and qualifications needed to run a fish farm, applicants were also required to live in the location the license covered or have a special connection to that area. However, the legislation went on to mention that if the person in question did not live in or have any connection to the fish farming area, it would suffice that they lived in the Faroe Islands. This opened up access to fish farming. Another condition stipulated in this legislation was that nobody who owned part of a fish farm could own a significant share in more than two fish or smolt farms.

Hans á Bakka would later refer to the village development imperative as an obstacle to fish farms as it blocked vertical integration. He was thinking about the possibility of farming smolts on shore and later releasing them into the fish farms.

In *Ringar á sjónum* Hans á Bakka is quoted as having said, “Village development policies blocked this. The politicians had decided that fish farming should not be synonymous with large-scale operations. Fish farming had to be spread as widely around the country as possible, and people in the village where a fish farm was located should hold a majority share in that company. This was especially the case for ocean fish farms. Smolt farms were placed where there was sufficient naturally occurring water, but fish farms and smolt farms could, for that matter, easily have the same owners.”

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as well as the machines belonging to Handils & Frystivirkid.

On 7 Feb, the board discussed the surimi machinery, which had arrived. Bakkafrost had bought a surimi line from Japan to produce blue whiting surimi. The market prices of blue whiting mince and fillets were too low, and it was therefore necessary to add more value to the catch by producing more expensive goods. Bakkafrost brought Japanese experts over for the first six months to transfer the necessary knowledge about surimi production. At a meeting on 7 Feb, the board discussed the situation of the trawlers trying for blue whiting, which usually supplied Bakkafrost. The minute book has recorded: “There appears to be much less blue whiting now than 2-3 years ago.” The board agreed that the company should stay calm and await development in blue whiting fisheries. At the following board meeting and GM on 26 June, 1987, it was decided that Bakkafrost would cancel its membership of the fish sales cooperative Føroya Fiskasøla, because membership was less and less relevant for the company. The minute book nevertheless emphasised the value of maintaining good cooperation with Føroya

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PHOTO REPORTAGE

Autumn in Fuglafjørður



PHOTO REPORTAGE

Fuglafjörður is one of the fjords that have been part of the Bakkafrost Group for many years. It is also home to Havsbrún, which can be seen in the background in some of the photos. Havsbrún has been key to the Group with its feed production, but also because it developed the ethos of ensuring that fish farming was a lasting industry controlled by the Faroese themselves. By securing rights in several fish farming areas, Havsbrún made it impossible for a single foreign buyer to take over fish farming entirely in one area, say in the Northern Isles. These pictures were taken in 2014, when fish had recently been released into the cages. One of the images features the then CFO, Teitur Samuelsen (to the left), along with Oddvaldur Olsen, who today is Farming Manager at Bakkafrost West.

PHOTOS: JÓGVAN H. GARDAR





“And you got to work undisturbed, nobody meddled. The politicians didn’t want to touch fish farming, and that is what made it possible for us to do this,” Odd Eliassen about the efforts to build Bakkafrost Group after the ISA crisis at the beginning of the century.

PHOTO: JENS KRISTIAN VANG

ODD ELIASEN

The politicians would not touch fish farming

On 25 Jul. 2018 Odd Eliassen could celebrate 30 years of permanent employment at Havsbrún. He took up his first permanent position with the company on 25 Jul. 1988.

However, like other boys in Fuglafjörður, Eliassen started out unloading 50 kg meal sacks for boats. Straightening sacks was the boys’ task to prevent them from falling off. He was 13 years old at the time.

Later, while studying to be a teacher, he worked at Havsbrún during the summer holidays. This was always physical work.

“It could be mixing vitamins and minerals. You had to follow a recipe to mix the feed, it was all done manually. Later they let me be a distributor, this meant handing out feed. I don’t know

whether that was some sort of promotion,” Eliassen quipped.

Around that time, and in this capacity, Odd Eliassen first encountered the Bakka men on the job. This was in the period 1986-1988. At the time, Bakkafrost used a type of feed known as *krotumjöl* (chitterling meal). Havsbrún produced a blend of meal with added vitamins and minerals, which was delivered to Bakkafrost, where they transformed it into wet feed. So, while Bakkafrost was among Havsbrún’s clients, the company also supplied feed to other fish farmers.

“In this context, Regin Jacobsen would come with the road tanker to pick up *krotumjöl*. He would park the tanker below where I stood, and then head back to Bakkafrost with the supply.

Odd Eliassen, CEO of Havsbrún, has worked for over 30 years at Havsbrún and is one of the strategists, who laid the foundations of Bakkafrost Group.

“ I doubt that anyone owns as many maps of the Faroe Islands with annotations scribbled in this direction and that as we do. We tried out every conceivable possibility on the maps. And in this particular aspect, I do think that Havsbrún was forward-looking. ”

So when I first met Regin, he was a truck driver,” Odd Eliassen reminisced.

New feed plant

Around the year 1986, there were rumours of Havsbrún building a new feed plant. The company was then producing pressed feed, and Odd Eliassen had the opportunity to participate in that production. In September 1988, the new feed plant was launched with a new feed production technology, which is still in use. This new technology significantly increased the energy content of feed and, it was far superior technically.

“It really was a revolution. The approach was completely different. This new method squeezed wet feed out of the market. It wouldn’t be long before Bakkafrøst also switched to the new feed. And Bakkafrøst went from feed supplier to feed buyer,” Odd Eliassen recalled.

In the early 1990s, there were between 60 and 63 fish farms in the Faroe Islands, and when Havsbrún built its new feed plant, it hired Odd Eliassen as sales manager.

“We were supplying several fish farming companies with feed services. Somebody had to be in

charge of coordinating this segment, and making sure that the money was collected. I was entrusted with that task. This meant that I was in close contact with Bakkafrøst. We visited them regularly to negotiate new sales contracts. These could be tough, but positive and exciting negotiations and we always worked well together. We practically always got there in the end,” Eliassen remembered.

“In the beginning, Hans á Bakka ran the business practically on his own, and later Regin joined in. History has proven that they were very sensible and reliable men; otherwise, we would never have started working as closely with them as we did in 2005-2006.

Hans á Bakka was quite modest, but honest and hard working, an upstanding bloke through and through. Regin was the younger and enterprising man, and we had great respect for them and their work,” Eliassen said.

Wanted Faroese supplies

According to Odd Eliassen, Havsbrún was Bakkafrøst’s main supplier through the years, bar a few very brief interruptions.

“I dare say that Hans á Bakka was wed to Faroese manufacturing. He was very conscious about supporting Faroese producers and raising Faroese goods to the standards seen in other countries. Having the know-how, technology and competitiveness in the Faroe Islands were factors he considered crucial,” Eliassen declared.

One year, Bakkafrøst had tried feed from Ewos, and that was the year the ISA contagion reached them. The next time they released fish, they had gone back to buying feed from Havsbrún.

Havsbrún had lost a lot of money on the fish farming industry, as farming companies whose feed Havsbrún had financed went bankrupt. Concurrently, however, Havsbrún received large volumes of other fish in 2005 – 2006. So, the company made a loss on fish farming, but a profit on meal.

“In spite of write offs to the tune of DKK 30 to 40 million, we turned a profit those years. It meant that we could act strategically, and we did. This was exactly what came into play again, when virtually the entire fish farming industry went bust. We were then left with certain fish farms in specific

areas, we were partially debt-free and had money to invest,” he explained.

Havsbrún gets into fish farming

Havsbrún has always kept their fingers on the pulse of fish farming trends. In 1995, the company entered the industry directly for the first time. They purchased a share in Eystlaks in the Northern Isles. After that, fish farming became another business portfolio for Havsbrún.

“We realised that we probably ought to expand our business beyond just producing feed, meal and fish oil, and that we should get into fish farming. We gradually acquired shares in quite a few fish farms. Sometimes, we held 15 per cent, other times 50 per cent, and sometimes, we had a majority in a fish farm, but it was not a goal in itself to hold a majority share,” Eliassen recounted.

For Havsbrún, this had been the strategic plan. In 1998, new Norwegian companies entered Faroese fish farming, including Pan Fish.

“We realized quite early on, that it would be perfectly feasible for a Norwegian fish farming company to buy up the entire Faroese fish farming industry over a weekend. We, therefore, had to play a proactive role in investing in fish farming companies, because they were at risk. Feed production was a part of our foundation, and a feed producer or someone else in Norway could, in actual fact, buy up all of the Faroe Islands, and then we would be left with nothing to do,” said Eliassen.

He believed that history had demonstrated how important it was that Havsbrún reacted early and bought shares in the fish farming industry. At first, it was perhaps not quite a conscious strategy, but by 1998, Havsbrún’s management and board were acutely aware of what the future of fish farming would bring.

New structure on the horizon

Whenever Havsbrún considered acquiring a stake in a fish farming company, there were some aspects they had to consider. For example, when a company was up for sale, they would have to assess how it might slot into the puzzle.

“I doubt that anyone owns as many maps of the Faroe Islands with annotations scribbled in

this direction and that as we do. We studied every conceivable possibility on the maps. And in this particular aspect, I do think that Havsbrún was forward-looking. We foresaw these scenarios that could play out, and we acted on them. We had to be part of the restructuring effort, which was due. Let’s say we held two fish farms in the Northern Islands, then nobody could sell the Northern Islands around us. It was also mentioned time and again that Pan Fish, or investors from Iceland, were going to buy the Northern Isles, but they could not get to them. Either they had to invite us to join, and then we could set the agenda, or they just had to forget about it,” Eliassen said.

Found the right management

While the reform working party was in discussions, and the new fish-farming Group was founded, it was crucial that the right people were placed in key positions. One of these people was Jón Purkhús, who was appointed to manage fish farming in the Northern Isles. He was very capable and knew the farming operations in the Northern Islands well. When Vestlaks joined, people with local expertise from that area were identified, and the same occurred with the smolt farms. It meant that the best people had been appointed to pivotal roles.

“We were dealing with a much larger and more diverse business now, so we spent a lot of time and energy on this. Regin took on most of that effort, it was his game of chess,” Eliassen opined.

Personally, he found this was quite an exciting period from which he learned a great deal. He was party to the decisions about which fish farming companies to buy, which strategy to follow, and so forth.

“And you got to work undisturbed, nobody meddled. The politicians didn’t want to touch fish farming, and that made it possible for us to do this,” he said.

He believed that Havsbrún had quite a visionary and enterprising board. The board and management had met fairly frequently over that period. According to Odd Eliassen, it had not always been easy, but it was a matter of doing the groundwork, because they had to get the board to buy into the management’s plans for the future. And they did.

The companies that become Bakkafrost

The journey from the beginnings in 1978-1979 to 2019 has been a chequered one. From the initial approach of ‘one farmer, one farm’ to today, with three fish farming companies holding all the licenses, this is a tale of heavy financial burden and disease gradually

whittling down the number of Faroese fish farming companies. This has also been a highly political process. In the early years, the authorities insisted that the best solution was to ensure that farming licenses were in as many hands as possible. As the years went by, more

people had become convinced that it was simply not viable to run a small company with only one fish-farming license. Anyone engaging in fish farming today needs to stand strong in the face of unpredictable adversity.

The three companies in the Faroe

Islands today are all composites of more than one original license. Bakkafrost currently holds six smolt licenses and operates six smolt farms. The Group is now made up of 18 fish farms located in what are termed the central, north and south regions.

Bakkafrost originated from the central region, along with Vestlaks, which joined the Group in 2009. In the north region, prior to the merger with Bakkafrost at the turn of the millennium, we find the companies Faroe Salmon, East Salmon and Hellisvað.

The south region is the most recent addition to the Group. It was included when Bakkafrost acquired Faroe Farming, which was made up of the companies and licenses that originally

operated in the southernmost island Suðuroy.

Bakkafrost initiated its farming activities with the company Glyvra Alistøð. This was the company that applied for the first fish-farming license in 1979. In 1992, Alistøðin á Bakka was founded when Bakkafrost was restructured after a crisis. Alistøðin á Bakka operated fish farming in Skálafjørður, before activities were expanded to Lambavík.

A multitude of companies

The Northern Isles are a telling example of the complexity of the fish-farming map. A host of small companies had started up there in the 1980s, but they gradually succumbed to the pressures on the industry and ceased operations.

The depths where Faroe Salmon, amongst others, began its operations out by Kunoyarnes. PHOTO: BAKKA Frost



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Fiskasøla.

1989
Bakkafrost was granted a farming license in Lambavík. In this year, Bakkafrost expanded to accommodate freezing mackerel.

1990
Dagblaðið wrote in December that Bakkafrost had harvested around 15,000 tonnes of salmon that year. In October, *Dagblaðið* stated that Bakkafrost had a new director, and that it was 24-year-old Regin Jacobsen. Among other things, the paper highlighted the change in leadership, “The fact that Regin has become CEO, will, according to *Dagblaðið*’s understanding, not lead to any discernible changes. Hans is still where he always has been, and it is business as usual at the plant.”

1991
In March, *Dimmalætting* wrote that Bakkafrost has deployed two pilot cages in Lambavík. Hans Jacobsen tells the paper that this is an attempt to test whether the bay is suited to fish farming. It is also intended to give Skálafjørður more rest from farming. There had been a lot of activity in the area, and fish farmers had made attempts to lay the fjord fallow from time

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to time. In May, *Sosialurin* announced that 40 new jobs had been created at Bakkafrost. These are mainly winter jobs. In September, the same paper noted that Bakkafrost had embarked on an exciting pilot production, namely freezing mackerel for the domestic market as well as export.

1992

Regin Jacobsen, Hans Jacobsen and Martin Jakobsen restructured the company. Around that time, the company also founded P/F Alistøðin á Bakka, which was licensed to farm salmon in two fjords. Improvements were also made to the salmon gutting and packaging facilities in Glyvrar, as well as to pelagic fish processing facilities, and the production of Styrofoam boxes for fish export. Bakkafrost was declared bankrupt this year, but found its feet again. It was, in particular, the dwindling blue whiting stocks in Faroese waters from 1987 to 1992, which led to insufficient profitability over these years. Blue whiting fisheries were seasonal and work usually commenced in autumn and continued through to late spring. During the crisis years, alternative resources contributed to keeping the company in

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Fish farming in Hvannasund started early and became a part of Bakkafrost when Faroe Salmon and Bakkafrost merged in 2003.

PHOTO: JÓGVAN H. GARDAR

Eystlaks was the result of a merger of several companies in the Northern Isles. Vitin with Tryggvi Laksafoss was the pioneer in Hvannasund Suður. Líggjas í Bø and others joined in later, and Vitin was renamed Eystlaks. At a later stage, Havsbrún also joined, and then it was renamed East Salmon. There were two other fish farms in Hvannasund Suður: Bólshella and Undir Fossinum. In Hvannasund Norður, where Polarlaks originally operated, there was also another fish farm, Selgjógv, owned by locals from Viðoy. In Árnafjørður, there were two fish farms: Hellisvað and Breiðálaks. In the Kunoyarnes area there was one fish farm, in addition to the Faroe Salmon farm, which was Norðlaks. In Borðoyarvík, Faroe Salmon started in 1991 through the company Taravík.

In 1985, Jón Purkhus and Heini Greg-

ersen from Klaksvík had started farming salmon out by the headland Pollurin, also known as Kunoyarnes. They named the company Faroe Salmon. They started with about 14,000 fish in their cages. Around the turn of the millennium they had roughly two million salmon in the cages.

On 5 Apr, 1991, the paper *Norðlýsið* carried an announcement on its front page, “The first farming cages being deployed in Borðoyarvík.” The limited company Taravík had been granted a license to start a fish farm in an area just off Norðoyri village. Jón Purkhús, who had been one of the initiators, stated in an interview with the paper that this was one of the big licenses. Initially, a Bridgestone cage was to be placed in the area in spring that year. Purkhús went on to say that, if production went

as planned, this cage had the capacity to produce around 350 tonnes of salmon a year. Later in the same year, the next cage was to be deployed in order to increase production to 700 tonnes per year.

The founders of P/F Taravík were Jón Purkhús, Heini Gregersen and Edvard Ziska. Farming in that area had yielded moderate results in the early years, but when they subsequently moved the cages further out their results improved immediately.

Faroe Salmon acquired the company Polarlaks in 1996, along with its farming licenses in Haraldssund and in Hvannasund. Two farming sites had been insufficient for them. They had also started to release smolts in autumn, not just in spring as was usual. The implication of having two releases a year and two farming areas was that neither area was

allowed to rest. They, therefore, bid for Polarlaks.

In 1998, Faroe Salmon built its own smolt farm in Syðradalur valley in Kalsoy as it was difficult to acquire smolts. Most smolt farms already produced for specific fish farms, making it difficult for companies like Faroe Salmon to secure smolts. The smolt farm in Syðradalur would have a production capacity of 1.5 million smolts per year when it was ready, but they were building for the future and had it prepared to expand production to 3 million smolts, for when demand rose.

By 1999, Faroe Salmon was comprised of the following companies: P/F Taravík, P/F Polarlaks and P/F Faroe Smolt with about 25 people in permanent employment. In addition, the company took on a further 30 people during the salmon harvest. They had their salmon gutted at



Fish farming in Ørðavík is part of what Faroe Farming brought to Bakkafrost. IMAGE JÓGVAN H. GARDAR

the NFCS gutting plant in Klaksvík. Pure Water in Klaksvík employed around 80 people. Their biggest client was Faroe Salmon.

In an interview with Norðlýsið, Jón Purkhús on 17 Sep. 1999 stated that they had long been acutely aware that if a fish farm was too small, it was like ploughing the same field year after year. If you had no possibility to lay farming areas fallow regularly, the environment was exhausted after two or three years. This meant increased susceptibility to disease and sea lice.

He added that if the area was allowed to rest between releases, for example over six months, then the area could be used again. This approach would later come to underpin Faroese fish farming, and is what fish farmers elsewhere are trying to learn.

At the turn of the millennium, Faroe Salmon’s production was 6000 tonnes of gutted fish, equivalent to 10,000 tonnes of whole fish.

Immediately after the millennium, Faroe Salmon fell on hard times as ISA engulfed the industry. Following this,

the banks began playing a greater role in all fish farming companies in the Faroe Islands, including Faroe Salmon, and in 2005, an agreement was reached to merge Faroe Salmon and Bakkafrost.

Føroya Banki took over the largest fish farming company

Vestlaks had started operating in the 1980s, when Suni Durhuus and Jógvan Durhuus took up fish farming. The company became the largest in the Faroese fish farming industry, and its business also spanned operations in Denmark where they produced smoked salmon for example. In the 1990s, they had begun to cooperate with Norwegian investors. At first, private individuals in Norwegian fish farming had shown interest in the Faroe Islands, but later, when Pan Fish had started building up a portfolio through acquisitions and mergers, this company took a special interest in Faroese fish farming. They held the fish farming licenses, which today belong to Mowi (Marine Harvest) in the Faroe Islands. However, they had not been content to remain small and had attempted to broker a partnership or take over of Vestlaks. This collaboration sparked furore, because in industry and politics alike, many feared that the Faroese would lose control of the fish farming industry, if large foreign investors with deep pockets were allowed to buy up the country’s fish farming industry.

Legislative amendments had put paid to Pan Fish buying a share of Faroese mariculture. However, they could own buildings and operations on shore.

Eventually, Pan Fish fell on hard times and once ISA hit the Faroese industry also, it marked the unravelling of the Vestlaks/Pan Fish collaboration.

The partnership between Vestlaks and Pan Fish ended when Føroya Banki took over Vestlaks in 2003 in the midst of the crisis that engulfed the entire fish farming industry. Vestlaks would later become part of Bakkafrost.

Fish farming in Suðuroy

In June 2016, Bakkafrost had acquired 51 per cent of the shares in Faroe Farming from P/F Hjalla, Bakkafrost already held 49 per cent of the company. The authorities had accepted the purchase and with it Bakkafrost had ensured its hold on fish farming in Suðuroy.

Faroe Farming was an amalgamation of most fish farming licenses in Suðuroy, and its origins can be traced to Pan Fish. While Pan Fish had been angling for the farming licenses up north, Pan Fish through Norway Seafarms had begun collaborating with Heri Hjelm’s companies. Norway Seafarms and Heri Hjelm had started working together in 1998. The companies in question were Atlantic Seafarms, which operated ocean farming; Hovsá, which had a smolt farm; and Suðurlaks, which ran gutting, processing and packaging operations. In addition, there was Atlantic Seafood in Porkeri village, which was a smoking plant, while Suðurlaks was housed at the old Polarfrost plant in Vágur village.

These companies had ceased trading due to the crisis in 2003. When the company was refounded in 2005, new own-

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the black. Large volumes of Greenland halibut were filleted for Asian markets, while mackerel and herring were frozen. Regin Jacobsen, CEO, stated in an interview with *Sosialurin* in May that it had, in particular, been the lack of catch to sustain the surimi line coupled with a rough patch in fish farming, which had prevented the company from securing timely refinancing. On 2 July, there was a P/F Alistøðin á Bakka board meeting. A proposal to buy Glyvra Alistøð’s fish farm was tabled. An agreement was reached with Føroya Banki on the purchase of the assets, and the bank provided the necessary funding for the acquisition.

1993

In early 1993, there was not much activity around the archipelago following the 1992 crash. *Sosialurin* wrote in February that around 500 employees at fish processing plants in Skálafjørður had lost their jobs. Bakkafrost’s lines were still moving at very low speed, in contrast to the bustling activity only a few years earlier. In autumn, Bakkafrost merged its packaging plant Kassavirkid with the Sveipur packaging plant in Argir and named the company Føroya Kassasøla.

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1994
On 28 December, 1994, a P/F Alistøðin á Bakka AGM took place. At this meeting, Martin Jakobsen and Róland Jakobsen resigned from the board.

1995
The plant in Glyvrrar was refitted for salmon processing. The investment was limited and production capacity low. The company was granted a license to breed smolts/fry in Glyvrrar/á Glyvradali. Bakkafrøst expanded this year to accommodate processing finished salmon goods – portions. It was estimated that farmed salmon was a more stable commodity than herring, flatfish, blue whiting or mackerel products. The whole business was therefore systematically reoriented towards salmon farming and salmon processing. Bakkafrøst founded the company Farfish and acquired, along with the trade union Havnar Arbeiðsmannafelag, Roykivirkid í Álakeri in Tórs-havn to smoke salmon. The smokery operated for around two years – nevertheless, as it was running at a loss, it was not considered prudent to continue.

1996
‘A gruelling year’ – this

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the company in which it had made major investments?

There was an outcry from Havsbrún shareholders when it emerged that Bakkafrøst’s board was considering purchasing Havsbrún. There were several disgruntled owners. It became very clear in public debate that the chair of the board, Poul Hansen, was not happy at all, in fact, he was downright furious about the plans. He fought the take-over

tooth and nail. In an interview with Faroese public broadcasting company, *Kringvarpið*, he did not mince his words when asked his opinion about the plans afoot. However, his arguments did not win on the day, and he found himself in the minority. In return, he received a handsome sum for his shares.

When Bakkafrøst acquired Havsbrún, Bergur Poulsen was its CEO. Havsbrún limited was made up of 530 shares with

Vestlaks farmed fish for many years in Fuglafjørður before the fjord became part of Bakkafrøst Group.

PHOTO: KJ HYDRAULIK



ers had been brought in. P/F Suðurling, P/F Havsbrún, Farøe Seafood with the investment fund Framtaksgrunnur Føroya, and the bank Føroya Sparikassi held shares in the refounded company, which was named Farøe Farming.

The company that could not be bought

Havsbrún was always considered impossible to buy. There were too many owners and their interests too divergent. It was impossible to secure the necessary majority given the company’s ownership structure.

This was a widely held view about the company in Fuglafjørður with a multitude of owners, who were hard to read and difficult to unite. Havsbrún was a giant in Faroese industry. It was originally a plant producing fishmeal and cod-liver oil from pelagic fish, and when fish farming took off Havsbrún saw its chance to supply feed to this industry. Producing feed remained the company’s main objective for a long time. However, as times grew harder and harder for the fish-farming industry, Havsbrún had to decide whether to cease producing feed or to help the industry weather the storm. The conclusion was that the company would attempt to keep fish farming afloat and so became a co-owner of several fish farming companies.

When the fish farming companies in the Northern Isles, along with Vestlaks, became part of Bakkafrøst Group, and the Group readied itself for a listing on the Oslo stock exchange, Havsbrún also joined as a major investor and became the largest individual owner when the Norwegian company SalMar decided to sell its shares.

Havsbrún joined the Bakkafrøst Group in 2005, when the fish farming companies in the Northern Isles and Bakkafrøst merged. Havsbrún owned Hellisvað and also invested in the merged company.

Havsbrún had valuable expertise in both fish farming and feed production, which could benefit Bakkafrøst Group as a whole. When Bakkafrøst took over Havsbrún, the Group suddenly found itself in a unique position. Bakkafrøst could claim to be the only company in the world, which controlled the whole supply chain from smolt production to finished goods. Moreover, the Group also owns production of feed for the entire chain. This enables the company to provide insight into traceability for buyers from all over the world – with detailed information about what its fish is fed, how it is cared for from smolt to harvest, and how it is handled from cage to table.

Challenging acquisition

Buying Havsbrún was no easy deal, though. It placed great demands on all parties, and there are still a few of the old owners, who have a hard time accepting what happened.

A deal of this scale requires lengthy and meticulous preparation. By the time news broke about the deal, the parties had already spent months negotiating and ironing out every detail. Several of the people who had insight into the process stated that it was a hard-fought game of chess, and it was the player with the greatest perseverance and keenest eye for the endgame who secured the checkmate.

What exactly happened when the biggest owner in Bakkafrøst was bought by



Whirlwinds over Bakkafrost's farming cages við Sundaland in Hvannasund. PHOTO: BAKKAFROST



PHOTO: BAKKAFROST

the nominal value of DKK 1000. The value of the shares rose in the year 2000 to DKK 10.6 million.

The limited company Føroya Fiskiðnaður owned the limited company Havsbrún. And there were three owners in Føroya Fiskiðnaður: the limited company Dagsbrún with 44.44 per cent of shares; the co-operative Føroya Sildasøla with 30.5556 per cent of shares; and the co-operative Føroya Sildaskip with 25 per cent of the shares.

Dagsbrún had seven employees and 17 owners. Jústines Justinussen chaired Dagsbrún's board, while Símun Mittún was its CEO.

The co-operative, Føroya Sildasøla, which was composed of 550 shares had no director, however, Christian Christiansen chaired its board.

Føroya Sildaskip was made up of 450 shares. The owners of this cooperative represented the pelagic industry or seiners. It was amongst these owners that the loudest critics of the take-over were found. The chair of the board was Eiler Jacobsen, while Kristian Martin Rasmussen, Árni Joensen, Høgni Hansen and Poul Hansen were board members.

These three companies appointed the boards, primarily of Føroya Fiskiðna-

aður, but also indirectly of Havsbrún. Poul Hansen chaired the board of Føroya Fiskiðnaður. His fellow representative of Føroya Sildaskip on the board was Kristian Martin Rasmussen. Christian Christiansen and Niels J.T. Nielsen represented Føroya Sildasøla, while Tummas Eliassen, Símun Mittún, Kristoffur Laksá and Regin Hammer represented Dagsbrún.

Several of the same people were on Havsbrún's board: Poul Hansen also chaired this board, and from Føroya Sildaskip he was joined by Petur Háberg Jacobsen and Høgni Hansen. Christian Christiansen, Niels J. Th. Nielsen and Jústines Justinussen represented Føroya Sildasøla. Dagsbrún was represented by Tummas Eliassen, Kristoffur Laksá and Jákup Birgir Mohr.

Havsbrún had made investments in several other companies. In many cases Havsbrún had become part of the ownership structure because fish farming was in financial difficulties. As a feed producer, Havsbrún could choose to collect its debt or transform the debt into shares and thereby contribute to efforts to save the companies. Amongst other holdings, Havsbrún owned the limited liability company Havsbrún Farming outright and held 78 per cent of Faroe Farming.

Havsbrún also owned roughly 35 per cent of Hanstholm Fiskemelfabrik and 25 per cent of Keldan limited, which owned 20 per cent of Mentir limited, former Statoil. In addition, Havsbrún held shares in several other companies including Sundalaks, Bergfrost, Fiskamarknaður Føroya, Salmon Proteins and Atlantic Petroleum.

In 2011, Havsbrún also owned around 16.71 per cent of Bakkafrost making it the largest individual Faroese owner.

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is what Regin Jacobsen called 1996 in his speech during the company Christmas dinner for employees. There was a lot of activity. Sales doubled compared to 1995. Sales totalled DKK 125 million and DKK 20 million were paid in wages. This acceleration strained the processing plants and equipment. The smolt farm was expanded. Perhaps the most salient development this year was that Bakkafrost launched its salmon portion production. The blue whiting hall was emptied, and the old machinery replaced with equipment that packaged salmon into retail-ready portions.

In order to keep up with development in Norway, the gutting line was also due for expansion. Regin Jacobsen declared that it would all work out and that Bakkafrost would surely manage to stay ahead by a whisker of its competitors in the global salmon market. This year around 6000 tonnes of fish passed through the plant.

1997

It became clear to the company that the future lies in farming and farmed fish. This segment grows ever more important.

1998

This year was quite rough.

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Liggjas í Bø, Klaksvík, former chair of Bakkafróst's board, director of Tjaldur, and part of the first commercial fish farming undertaking in the Faroe Islands SP/F Strond.

PHOTO: JENS KRISTIAN VANG

LÍGGJAS Í BØ

Not a soul with money believed in fish farming

Liggjas í Bø from Klaksvík is known as the entrepreneur who prefers to work under the radar. He is respected for his vision and willingness to break new ground. He founded the computer firm ComData long before most people knew what a computer was. He was also part of the first industrial fish farming company in the Faroe Islands, Sp/F Strond.

From the outset, this new industry in Norway, salmon farming, fascinated Liggjas í Bø. So, he joined a handful of men in Klaksvík who had decided to found a Faroese fish farming company.

"It was in fact, the first private fish farming business in the Faroe Islands. Júst í Túni started before us, but that company was more or less publicly owned," í Bø says.

One of them, the engineer Jógvan Hansen, travelled to Norway to learn about fish farming. He spent about a year over there - that was when they started farming á Strond.

"There was no fish feed at the time, so we ground fish entrails in a grinding mill and used that as feed," í Bø explained.

This first fish farming business in the Faroe Islands went bankrupt after a few years.

For several years, there was a lot of fish farming activity in the Northern Isles. In the late 1980s and early 1990s, much happened in the fish farming industry. In the Northern Isles, Tryggvi Laksafoss started farming in Hvannasund and had expanded significantly

Liggjas í Bø is a pioneer and entrepreneur. He came to fish farming as a curious investor, one who never lost faith in the industry.

with ocean farming and a smolt farm. However, in the late 1980s, he ran into difficulties.

“At that point, three of us up north, Grímur Rasmussen, who had worked for Tryggvi Laksa-foss; Símun Pauli úr Konoy; and I invested in a new fish farming company. We named the new company Eystlaks. Grímur Rasmussen, who had a ship master certificate, led the venture. We proceeded to buy everything Tryggvi Laksa-foss had in Hvannasund,” í Bø explained.

Through the years, Eystlaks sometimes did well and other times less so. With the onset of ISA in the Faroe Islands in the early 2000s, the whole salmon farming sector went more or less bankrupt.

“It all ended in chaos, because some businesses went bankrupt and others nearly did, and it was just miserable. When we entered 2004–2005, the reality was that the banks and Havsbrún were sitting on quite a few fish farms. As the fish farms performed worse and worse, the banks gained more and more of a say. Havsbrún was also deeply intertwined with Faroese fish farming, partly because they produced feed and farming credit was part of their financing model. So when companies couldn’t square their finances, Havsbrún took over more and more. Havsbrún and Føroya Banki were calling all the shots then,” í Bø recounted.

Something had to change

Over time, it became absolutely evident to the players in the fish farming industry that significant changes were called for to ensure the survival of Faroese fish farming.

“More and more of us realised that it was impossible to just carry on in the same vein. It was necessary to transform the entire fish farming industry from multiple small units to larger units. Much stricter animal health regulations were also required in terms of stemming the spread of disease and so on,” said í Bø.

He remembered that there were a string of consultations, and gradually, a new system started to take shape. In 2006, there was a general consensus that this was how it had to be, the units had to be much larger.

Nobody believed in fish farming

One thing was that the players in Faroese fish

farming had agreed on the best course of action to secure a future for fish farming in the archipel-ago, but garnering finances was another story. The outlook for that was bleak, according to í Bø.

“The truth was that not a soul in the Faroe Islands with money believed in fish farming. Nobody would dream of investing after all the misery the industry had been through. I remember the multiple meetings and the tug-of-wars,” í Bø reminisced.

The flurry of meetings saw the participation of bankers, representatives of Havsbrún, people who one might think willing to invest in the industry, such as representatives of the insurance company, Tryggingarsambandið, and the pension fund Lív, along with others.

“I had been in fish farming for many years, as the CFO of Eystlaks, among other positions, and in the meantime I had become CEO of Tjaldur. So I knew the industry rather well. I am convinced that I was the only one who, at the time, believed in fish farming in the Faroe Islands. I insisted that this would become big business. Once everything was restructured, I truly believed this. None of the others had ever touched a salmon, their back-grounds were in finance. In the end I, on behalf of Tjaldur, offered to invest DKK 20 million in this new company that was supposed to carry on,” í Bø recounted.

That Líggjas í Bø with his long-standing experience in fish farming dared to invest so much money in the new company probably came as quite a shock to the others, and it gave them food for thought. In the end, Tryggingarfelagið decided to invest DKK 15 million and Lív added another DKK 10-15 million. Suddenly, DKK 50 million had been injected into the new company.

Business picks up again

Bakkafrost’s management attempted to acquire fish-farming licenses and to restructure the fish-farming industry. They saw no reason for the banks to be sitting on licenses. Líggjas í Bø played a key role in brokering the new industry structure.

In 2006, Líggjas í Bø was appointed chair of Bakkafrost’s board, and he remained in that role until the company was listed on the stock exchange.

“I stayed on as chair of the board until 2009, shortly before Bakkafrost was listed. I supported

listing the company from the outset, we were all in agreement, but I knew that it would require a particular skillset and energy to fulfil the role as chair after that, that is why I chose to step down,” í Bø said.

He did not recall any particular difficulties from the time he was elected chair of Bakkafrost’s board in 2006 up until the company was listed on the Oslo stock exchange in 2010. He pointed to one man as having paved the way for the listing, Rúni M. Hansen. Hansen took over as chair of the board when Líggjas í Bø chose to relinquish the role.

“We all worked quite well together. I knew Regin from before, he is an exceedingly capable man. I got to know him as early as the 1980s, when he was a young man. While he attended upper secondary college in Gøtugjógv he would come to see me in Klaksvík to learn to do bookkeeping on the computer. He came north during the day, probably after school, and left again on the last ferry in the evening, he was incredibly eager.

The fact that he had never worked with anything but salmon has, of course, shaped him, and when you meet him it’s not long before the conversation veers to that subject. He is incredibly good at what he does. And that duo, Regin Jacobsen and Rúni Hansen, are worth much more than a mere one plus one. Rúni too has played a major role in Bakkafrost’s great success,” í Bø stated.

He had worked a lot with the Bakka men, and they were very close.

“Take Hans á Bakka, he was always positive, there was no adversity from his side. I don’t recall every having argued, not even a hint of any quarrel. He was also very hard working. I only remember good things about that time,” í Bø recalled.

A crucial sounding board

For anyone following Bakkafrost, it is no secret that Regin Jacobsen and Líggjas í Bø worked well together. It is also said that í Bø has been a crucial sounding board for the CEO on many issues.

Bakkafrost owned the gutting plant, Kryvji-virkið in Klaksvík. This was where all the fish in the Northern Isles were gutted, but Bakkafrost also slaughtered fish in Kollafjørður and Strendur. So, management began to consider centralising gutting at one plant.

“Calculations demonstrated that by centralising at a single plant, the company could save between DKK 70 and 100 million per year.

Once a decision of that nature has been made the question arises: where should gutting take place? Another matter is how people will react, you know, considering local patriotism and all that. I remember when Regin called in Kristian Mart-in Rasmussen and myself, who owned shares in

“ And that duo, Regin Jacobsen and Rúni Hansen, is worth much more than a mere one plus one. Rúni too has played a major role in Bakkafrost’s great success. ”

Bakkafrost, and put this question to us. We initially thought it a pity to close down everything here in Klaksvík. But, after careful objective consideration, we both reached the conclusion that we would centralise everything in Glyvrar,” í Bø explained.

The future is bright

Líggjas í Bø firmly believes Bakkafrost has a bright future ahead. The greatest risk is disease.

“We are much more robust today, though. We saw it recently when there was a suspicion that farmed salmon in Hvannasund might have contracted ISA again. All the systems are excellent today, safety systems and other systems. And I believe that even before ISA had even been confirmed in Hvannasund, they had slaughtered all the fish. With the way the industry is equipped today, it only takes a week to empty a whole fjord.

Twenty years ago, they would have been chip-ping away at this problem for years. I remember hundreds of tanks of fish parked up north here for ages. It took forever to incinerate the fish. And the virus spread further and further of course. In that sense, we are much better prepared today. In addition, there is much tighter control now, which means that you notice any possible contagion much sooner,” í Bø mused.

Portion production

Bakkafrost is known for holding on to its portion production, which began in 1995. Often, it has been the production line that secured revenue for the company during dips in fresh salmon prices.

PHOTOS: BAKKAFROST



1.-3. These photos of portion production were taken in 2001, six years after Bakkafrost started selling this line of products. Portion production yields greater returns over time than selling fresh fish. It generates secure revenues over longer periods, as prices are locked-in for shorter and longer terms based on price forecasts on the day the agreement is signed. Prices then remain unchanged until the agreement is due for renewal. Bakkafrost's historical figures demonstrate that this is the soundest business approach.



4.-6. These images are from the General Meeting on 7 Mar 2007, which took place at Bakka Frost's cafeteria with the attendance of Martin á Bakka. In the centre of the image, Hans and Martin are sitting side by side. Chair of the board, Liggjas í Bø, is presenting the annual report.

7. On the occasion of the General Meeting, attendees were given a tour of the production floor. In the foreground, Gunnar í Liða is explaining to Tummas T. Eliassen how salmon is cut into portions.



“People had been doing things in their own way, so they were all very different. It meant that it took a little time to become a cohesive unit, but now I feel that everything is running very smoothly.”

PHOTO: JENS KRISTIAN VANG

JÓN PURKHÚS

Smolt scarcity and the wrong approach to farming

Many had tried their hand at fish farming before Jón Purkhús joined the fray, including the fish farming company Við Strond in Klaksvík. However, this company had not been doing particularly well, its equipment was weak and its cages too small.

Við Strond had occasionally switched sites between Við Strond and the headland Kunoyarnes, but the very strong currents around Kunoyarnes made farming difficult. Ultimately, the lawyer Tormóður Djurhuus was appointed to sell Við Strond as a bankrupt estate. Jón Purkhús and his friend Heini Gregersen spotted an opportunity.

“We bid for the bankrupt estate together and we got it. That was in 1985,” Purkhús explained.

Jón Purkhús and Heini Gregersen knew each other from the days when they used to bait á Stongum. Later, Purkhús became a sailor and Gregersen became a certified electrician and marine engineer.

“The first time we released trout we released 14,000 trout. We thought it was a lot. Soon we reached 100,000 and 150,000 smolts. We thought that was astronomical,” Purkhús recalled.

Back then, fish farmers could only get a limited quantity of smolts, so the number of fish released depended on

Jón Purkhús is one of the fish farming pioneers in the Northern Isles. He has been with Bakkafrost since 2003 and has seen the company grow into what it is today. The multiple mergers proved a challenge.

“The vets advised against vaccinating. They didn’t want us to use the vaccine in the Faroe Islands. Instead, we had to work or farm ourselves out of the virus. That was nothing short of clumsy – a terrible blunder.”

how many smolts were available. That had been the case for Purkhús and Gregersen also.

Difficult to sell trout

Although they had started out with trout, they quickly switched to salmon. Despite having made a few more attempts with trout, they found it was difficult to sell them.

“The trout grew soundly and quickly, they thrived. It was a pleasure to farm trout. However, when we took them to the Japanese market, we were never paid what we had been promised. They were difficult to do business with, something was allegedly always wrong with the trout, for example, its colour. The fact was that the fish was first class. Those buyers were too much hassle to bother with, so we quit trout. Everyone stopped farming trout, because the issues with the buyers continued,” he explained.

Smolt scarcity

Jón Purkhús has always enjoyed working with salmon, because it is good farming fish, as long as you secured good smolts.

“Production grew every time you acquired more smolts, but the problem was that there were never enough smolts. That is why so many smolt licenses were granted at one point, and many little smolt farms sprung up. But, this meant that it wasn’t always top quality. And then the small volumes made it expensive to produce smolt,” Purkhús explained.

Several smolt farms had been established in the Northern Isles. One in Svínø, one in Norðtoftir, and there was one smolt farm in Viðareiði. Purkhús and Gregersen more often than not bought their smolts from these farms. There was also a period when they bought smolt from Heri Højsted in Funningur.

“Right before the ISA virus was confirmed, we acquired a majority in the smolt farm Gjáarsmolt in Gjógv. There was competition for smolt back then, so we acquired a share in Gjáarsmolt to secure our access. Several others made special arrangements with smolt farms in order to protect their supply, given that there simply weren’t enough smolts. But it was too late, by then ISA spread and we were hit too,” he explained.

When ISA was confirmed at their farm they had around 4,000 tonnes of fish swimming in Hvannasund Norður. These were large fish weighing around 6 kg. They had to sell for less than DKK 12 per kg, far below market rate. In addition, they had to discard two year classes.

“We had a lot of equity, but after that all our equity was gone. That was in 2003, and at that point it was all over for us,” Purkhús said.

Fish farming had to change

Already back in 1988-1989, Purkhús and Gregersen had discussed that it was impossible to continue farming under the conditions in the Faroe Islands at the time. Every company had two or three year classes in its fjord.

“Furthermore, there were several fish farmers in each area, so it was all one big muddle. They would constantly farm two and three year classes, so the areas were never fallow. It caused a series of problems, for one thing, because you could never break the cycle of sea lice, diseases and pollution,” Purkhús said.

Purkhús and Gregersen discussed at length how the farming pattern would have to change. In the end, they received a farming license in Borðoyarvík in 1991, and then they started farming at two sites. They soon realised that two farming sites did not suffice to implement a fully functioning rotation system. At least three different areas would be needed for optimal rotation.

“In 1994, we acquired Polarlaks, which was located in Hvannasund Norður. Bacterial kidney disease (BKD) had been detected in Hvannasund Norður. However, they also had a farming license in Haraldssund.

In Haraldssund, there had been two licenses: Sjógarður with Sjúrdur Guðjónsson and others, and Borðoyarlaks with Ábraham Mikladal and others.

But, these fish farms had already ceased trading at the time, and Polarlaks, which we acquired, had been granted a license to release fish in Haraldssund. Meaning that they were operating with two farm sites, like we did,” Purkhús clarified.

That was when Polarlaks offered Purkhús and Gregersen the opportunity to buy its farming licenses, and the partners accepted. Now, they suddenly found themselves with four farming sites, and they could make their system functional.

Landshandilin and Sigtór Andreassen sold most of the salmon produced by Purkhús and Gregersen.

Refused to vaccinate

As the 1990s came to a close, ISA had been confirmed on Faroese fish farms. There were no veterinary safeguards in place, so wellboats and other equipment travelled unrestrictedly among fish farms in the Faroe Islands. This was how the ISA virus spread to every corner of the archipelago.

“We approached the competent authorities even before the turn of the millennium and asked for permission to vaccinate our fish against ISA. An ISA vaccine existed, so it wouldn’t have been any problem to vaccinate. However, the vets advised against using the vaccine in the Faroe Islands. Instead, we had to work or farm ourselves out of the virus. That was nothing short of clumsy – a terrible blunder,” Purkhús asserted.

He pointed out that today no smolt is released without being vaccinated against ISA.

“Vaccination could have saved fish farming then, but the vets didn’t want us to vaccinate. We asked and tried again and again and again, but they refused. It all ended with farming grinding to a halt.”

Quit in 2003

In 2003, as the fish farming industry agonised, Jón Purkhús and Heini Gregersen had to give up their fish farm. Their equity was gone, and there was no money to fund another release.

“Farming ceased and was then restructured. The northern region, Eystlaks, Faroe Salmon and Bakkafrost merged. Later Viking and Vestlaks joined too,” Purkhús recalled.

In the same year, he had been forced to stop farming, Purkhús was hired as farming manager at Bakkafrost. Initially, he was the only farming

manager, but the new company grew so fast that they had to hire an additional manager.

“Farming quickly accelerated and Bakkafrost acquired Viking in Strendur, which was owned by Bogi Jacobsen and others from Svínø. Shortly after, Bakkafrost took over Vestlaks and I was entrusted with all of that for a while. But it was far too much, so the area was divided into North and West, which a new man, Oddvaldur Olsen, was hired to manage,” he mentioned.

Smolts in a swimming pool

In addition to the many fish farms in the Northern Isles, there were also several smolt farms. But, in spite of the myriad smolt farms, it was too difficult to secure sufficient smolts.

Jón Purkhús and Heini Gregersen had built the smolt farm in Syðradalur/Húsar, which they named Faroe Smolt. It was a reasonably large smolt farm for the period. Purkhús believed it was the first smolt farm in the archipelago with a recirculation installation.

“One year we had smolts growing in the lido úti í Grøv, I think it was in 1995. We bought around 70,000 smolts from Dánial Lydersen and kept them in the lido for one winter. They grew into the finest smolts, and we released them the following year. We flew them to Kunoyarnes by helicopter, and they turned out great.

We intended to use the lido úti í Grøv again, but Yvirfriðingarnevndin (the national nature conservation board) denied us permission. We did those things so we wouldn’t be left without smolts the following year, but, well, it ended,” he explained.

Before joining Bakkafrost in 2003, he had had little contact with the company. But that all changed in 2003, when Purkhús was hired as farming manager. And he is positive about the cooperation.

“Well, I didn’t get many years with Hans á Bakka, but he was very hard-working and always took the lead, wherever he was.

I have had more contact with Regin. The Bakka men have proven to be very able fish farmers, and I think our collaboration has been good. Regin Jacobsen is also a good CEO for Bakkafrost,” Purkhús stated.

He mentioned that when so many companies were merged each came with its culture. People had been going things in their own way, so they were all very different. It meant that it took a little time to become a cohesive unit, but now he feels that everything is running very smoothly.



Lambavík. PHOTO: JENS KRISTIAN VANG

Foreigners unlikely to develop Faroese fish farming

The last decade of the past millennium, and the first decade of this millennium turned out to be turbulent for Faroese society. For the fish farming industry, the 1980s had been a period of entrepreneurship with both great progress

and setbacks. The number of fish farmers had fallen sharply by the time the calendar showed 1990. The following years would also have major challenges in store for the fish farming industry. On 17 Oct. 1990, the newspaper *Dag-*



Bakkafrost fingið nýggjan stjóra

Fiskavirkið á Glyvrum, Bakkafrost, hevur fingið nýggjan stjóra. Tað er bert 24. ára gamli Regin Jacobsen, sonur størsta eigaran, Hans, ið formliga hevur tikið sætið sum stjóri á Bakkafrost. Regin hevur síðani hann gjørdist studentur í '85 havt fast tilknýti til virkið. Tað, at Regin er vorðin stjóri hevur eftir hvat *Dagblaðið* hevur skilt ikki havt nakra merkisverða broyting við sær. Hans er har framvegis, sum hann altíð hevur verið og alt gongur sína vanligu gongd á virkinum. Í hesum døgum ger Bakkafrost eisini klárt til at taka ímóti svartkjafti, og vóna menn, at veiðan fer at roynast góð í ár. Arið í fjør gav nevniliga Bakkafrosti eitt undurskot uppá triggjar milliónur krónur, og frættist, at hetta er fyrsta árið, at virkið hevur havt undirskot. **nic**

On 17 Oct. 1990, the newspaper *Dagblaðið* announced that the 24-year-old Regin Jacobsen was stepping up as CEO of Bakkafrost after his father, Hans á Bakka.

blaðið announced that the 24-year-old Regin Jacobsen had taken over as CEO of Bakkafrost. According to *Dagblaðið*, the change in leadership would not be of great consequence, because, “the fact that Regin had become CEO would not lead to any discernible changes. Hans is still where he always has been and it is business as usual at the plant.” In March 1991, Bakkafrost’s first farming cages had been placed in Lambavík. This was a trial to determine its suitability as a farming site. It was also an attempt to ease the pressure on Skálafjørður, where there were multiple farming sites. Lambavík remains part of Bakkafrost’s fish farming venture, while Skálafjørður is no longer used for fish farming.

In the Northern Isles, Faroe Salmon and East Salmon had established themselves. These companies resulted from the mergers of all the farming licenses in the area. Vestlaks had started its operations in the 1980s, when Suni Durhuus and Jógvan Durhuus took up farming. The company grew into the biggest fish farming company the country had seen. In the 1990s, it had started cooperating with Norwegian investors. This collaboration sparked outrage, because within industry and political circles alike, many feared that the Faroese would lose control of the fish farming industry if major investors with deep pockets from abroad bought out the industry. In 2003, Faroe Salmon had been forced to abandon fish farming. Its equity had

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Especially, the first half was a little inconsistent, as there was little salmon ready for harvest. This, in turn, meant salmon portion production could not remain sufficiently stable. Moreover, there was barely any mackerel in February, and blue whiting production performed considerably worse than in previous years. The second half was busier, as more salmon was available. Financially, the year was also characterised by a tough first half and a better second half. The smolt farm expansion was nearing completion and production had risen to one million smolts. This figure would rise even further in 1999.

1999-2001

The company increased the daily production capacity at the processing plant to around 22 tonnes of gutted fish with two separate investments in order to spur greater growth.

1999

The level of activity was more stable and production had returned to the record levels of 1996. The gutting department has been equipped with a gutting machine, which meant that fewer people were required for gutting than the four to six people who had hitherto

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vanished, and there was no money to release new fish. Farming ceased, and everything had been restructured. In the northern region, Eystlaks, Faroe Salmon and Bakkafrost had merged. Later, Viking and Vestlaks would join too. The cooperation between Vestlaks and Pan Fish had ended when Føroya Banki took over Vestlaks in 2003 during the crisis that had pummelled the entire fish farming industry. Vestlaks would later become part of Bakkafrost.

Bakkafrost, which in the 1980s had experimented with several production streams, not least blue whiting and fish farming, found itself under financial pressure in the 1990s. The whole economy was cooling down following a prolonged period of overheating lasting most of the 1980s.

In May 1992, it was Bakkafrost’s turn to be denied postponement of debt repayment. The Industrial Fund initiated bankruptcy proceedings against Bakkafrost.

Regin Jacobsen represented Bakkafrost in court, and he drove back to Glyvrar with the message that the company had gone into administration and that a trustee was to be appointed. The creditor’s claims were both against Bakkafrost and Glyvra Alistøð.

There were several reasons why the company ran into difficulties. One was that the fish farms were not breaking even. Another was a surimi production line purchased in 1986. It never went into operation and was later resold.

In May 1992, Regin Jacobsen, CEO, had said in a statement to the paper *Sosialurin* that they had tried to come up with solutions, but to no avail. Initially, he had not expected to restart operations, because he used the metaphor, “we have run aground and the ship is wrecked.”

What many found curious was that right around the time of the bankruptcy, there had been plenty of activity at Bakkafrost. However, the problem was

old and onerous debt, which was difficult to get under control.

Even though employees had been notified that operations would cease, the plant never came to a complete standstill.

Føroya Banki agreed to take over administration, but the existing management of Bakkafrost and Glyvra Alistøð had been asked to stay on by the bank, while they tried to come up with a solution.

Through 1992, they tried to find a workable solution. In October 1992, Sjóvinnubankin went bust, and Føroya Banki was also burdened by debt. At Bakkafrost on the other hand, the dark days of May had been giving way to brighter times. Financially, things were looking up. Regin Jacobsen, Hans Jacobsen and Martin Jakobsen had restructured the company. Róland Jacobsen chose to bow out as an owner, when an agreement to take back the company had been reached.

At this point, the company had founded P/F Alistøðin á Bakka, which was licensed to farm salmon in two fjords. The salmon gutting plant and packaging facilities in Glyvrar had also been expanded, in addition to the pelagic fish processing facilities and the production of Styrofoam boxes for fish export.

Salmon portion production begins
In 1995, a key decision had been reached at Bakkafrost. That year they launched

trial production of salmon portions for the international market. This was an innovation in Faroese fish farming and would prove to be the single most significant decision in the company’s history. Salmon portions would turn out to constitute a lifeline for the company during times of crises. The production line would ensure steady work at the plant.

Salmon portion production is to this day a pillar of production. They became an instant market hit. There had been a major drive to penetrate the European market, and two years later, Hans á Bakka could confirm that the trial had been a success. By 1998, around 1000 tonnes of salmon portions left Bakkafrost’s plant for countries like France, Germany, Belgium and Switzerland.

This production returned much more to Faroese society than fresh salmon export. In 1998, an additional DKK 7.00 to 8.00 stayed in the archipelago compared to when salmon was exported whole. According to the management of Bakkafrost, experience confirms the long-term profitability of portion production.

Foreign interests will not develop fish farming
The fish farming industry had recovered, and in the latter half of the 1990s, the industry enjoyed good results. In an interview with *Sosialurin* in December 1998, Regin Jacobsen stated that he saw great potential in fish farming.

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worked with it. The gutting machine also made this work more consistent. During this year, around 4000 tonnes in gutted weight passed through the gutting department. This was equivalent to approximately 5000 tonnes in gross weight.

Portion production had begun in earnest, and this year 1400 tonnes were produced, compared to 900 tonnes in 1998. The target was 2000 tonnes by the year 2000.

In order to ensure that Bakkafrost could produce salmon portions consistently year round in the future, new equipment was acquired.

2000

Smolt production continued to grow, and in 2000 it reached 1.4 million. Bakkafrost released around 1.1 million smolts this year and six people now worked full time at the smolt farm. In addition, more people were hired for casual work when required. Annual sales reached DKK 12 million.

There were plans to take water “on the other side of Lambavík” in summer. The fish farm produced approximately 3000 tonnes. The cages contained 1.4 million salmon, compared to 1.1 million a year ago. Sales totalled DKK 50 million in 2000.

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Vestlaks had its main plant in Kollaþfjørður. PHOTO: JÓGVAN H. GARDAR





Bakkafrost Glyvrar. PHOTO: JÓGVAN H. GARDAR

By then, Bakkafrost was exporting to the tune of DKK 100 million a year and had paid wages worth approximately DKK 20 million. Also, employees had been on the job every single working day, which was in itself unusual for this sector at that time.

“We are not standing still, and in two or three years time, we will have progressed even further,” he stated.

He made reference to the company’s vertical integration and its advantages, as everyone benefitted from one another.

“The smolt farm, for example, doesn’t only consider smolt numbers or saving on feed to maximize profit. We can allow ourselves to let smolts grow as big as possible, because that means they are in good condition when they are released into the sea,” he elucidated and pointed out that savings at the fish farm offsets any additional expense at the smolt farm.

In the interview, he was asked about foreign investors. He clarified that he did not reject the concept of foreign funding, but emphasised that foreign interests were unlikely to develop Faroese fish farming.

“There are both advantages and disadvantages to injections of international capital in Faroes fish farming, however, if the farming industry is to develop, then the Faroese will have to do it themselves,” Regin Jacobsen asserted.

He added that he does not expect foreigners to constitute a driving force in Faroese society.

The reason why the question came up was that the Faroese Government was working on a proposal to attract capital by facilitating foreign investment. Up to this point, foreign shareholders had only been allowed to hold up to 33 per cent of a fish farming company. The Faroese Government had been considering raising the limit to 49 per cent.

No venture capital in the Faroe Islands

Regin Jacobsen stated that he hoped Faroes Islanders would retain the final say in fish farming in future, but then he added,

“On the other hand, it is impossible to isolate ourselves out here in the North Atlantic. We are a part of the world, and we must be competitive.”

At the same time, he chose to send a clear message to Faroese investors, because venture capital was scarce in the Faroe Islands.

“Because there is a big difference between having capital and having venture capital. We have plenty of capital in the Faroe Islands, but those who have money would rather leave it in the bank, or they choose to make other invest-

“ If the fish farming industry is to develop, the Faroese have to do it ourselves. ”

REGIN JACOBSEN IN SOSIALURIN 1998

ments, say in buildings in Tórshavn, where there is little to no risk,” the CEO stated.

Regin Jacobsen added that if there was no venture capital in the archipelago, then there was no choice but to look for it abroad.

After Bakkafrost was floated on Oslo Børs in 2010, most Faroese investors chose to sell their shares quickly, losing out on the astronomical rise in share value.

ISA halts progress

At the turn of the millennium, times were brighter for the fish farming industry. The previous years had been financially difficult, but 1999 turned out to be a bumper year. Farmed fish exports doubled from 1998 to 1999. In round weight it meant around 40,000 tonnes. This yielded an export value of DKK one billion. The average price per kg was just under DKK 25. Both export volume and value had doubled since 1998.

In the early 2000s, the Faroe Islands were forecast to produce roughly 65,000 tonnes of salmon and trout in 2003. The branch organisation, Havbúnaðarfelagið, made projections showing that the fish

farming industry was gaining pace again after some financially tough years.

While neighbouring countries battled disease, the Faroese fish industry was in much better shape. BKD was much less of an issue in 1999, and ISA had not been officially confirmed in the Faroe Islands as yet.

There was great interest in Faroese fish farming, particularly as it had proved less affected by disease than its competitors. In December 1999, the Faroese exported their first batch of smolts to Chile.

Alas, optimism would soon give way to pessimism.

As early as 1999, there were signs that ISA may have reached or be on its way to Faroese fish farms. In March 2000, a large number of salmon suddenly died at Vestlaks in Fuglafjørður. There were one million salmon in the cages. They weighed around one kg when the disease was confirmed. The estimated sale value at the time was nearly DKK 80 million, if the salmon had been harvested at three kg.

On Monday 27 Mar. 2000, the Faroese Food and Veterinary Agency for the first time publicly registered the presence of the ISA virus in the Faroe Islands.

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Eight people were employed at the fish farm, three of these hired during this year. Activity had also increased at the fish farm, and more cages had been floated. Meanwhile, there were also plans to increase the number of cages and vessels and to expand feeding capacity. The gutting department gutted around 3650 tonnes in 2000, which was slightly below 1999, when 4800 tonnes in gross weight were gutted. At this point, between 22 and 25 people worked at the gutting department and sales hovered around DKK 13 million. The frozen goods department employed 4 to 6 people, and its sales amounted to DKK 1.5 million in 2000. The portion department, which that year produced roughly 1660 tonnes of finished goods, employed around 50 people. Sales totalled DKK 94 million. Three people worked in packaging at Kassavirkíð, which had a turnover of DKK 8 million. Around the turn of the millennium, Regin Jacobsen, CEO, concluded that the greatest risks were disease and competitiveness. There were also great opportunities. He outlined these goals: Increase salmon production; secure steady production; steady jobs and even

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On 14 Mar. 1991, the newspaper Dimmalætting wrote about Bakkafrost's first fish cages in Lambavík.

Offer of advice from Shetland

The veterinarian Bjørn Harlou was quoted by *IntraFish* as claiming that the virus in Fuglafjørður may have spread from Shetland carried by a ship, which had released ballast water into Fuglafjørður.

News travelled fast, and only a week or so later, the word from Chile was that the authorities were halting all imports of smolts and roe from the Faroe Islands. Chile had been looking to re-establish its own fish farming industry after it was practically decimated

by ISA. They wanted smolts and roe from a salmon family in a country that could guarantee that they would be disease-free. Chileans no longer believed that the Faroe Islands could offer this guarantee following the contagion of Fuglafjørður, and considering the risk of further outbreaks.

Soon, a letter arrived from the fish farmers' association in Shetland. They wanted to share the lessons Shetland had learnt from the ISA struggle, which the Faroese might be about to face. The other part of the letter touched on what Harlou had claimed about the contagion possibly originating in Shetland. The association wanted to have this confirmed or debunked, because, as they pointed out, when ISA came to Shetland, rumour had it that it had arrived from Norway.

The chair of Shetland's fish farmers' association, David Sandison, wrote that this claim that ISA in Shetland had originated in Norway was never proven, however, the narrative was bandied about as truth by the media unfamiliar with fish farming. He, therefore, wanted checks to determine whether the virus really could have spread from Shetland.

Unprepared

In spring 2000, the Faroese fish farming industry had been working on a plan to safeguard against disease, which also set out how to manage the situation if any disease was detected.

Norway and the EU had already implemented their own disease-prevention measures. Jan Mortensen, who was the director of the Faroese House of Industry at the time and spoke on behalf of Havbúnaðarfelagið, had stated in an

interview with *IntraFish* that given that the Faroese exported so much salmon to the EU, the Faroese had decided to look into how the EU handled ISA in Shetland and Scotland.

However, the incident in Fuglafjørður had been so unexpected that the Faroese had been caught unawares.

“If the plan had been ready, we would have acted more quickly, but we did establish cooperation between the industry and local society,” Jan Mortensen stated, according to *IntraFish* in May 2000.

As it turned out, the Faroese had been entirely unprepared to implement any effective measures whatsoever.

Almost a year went by before the next fish farm contracted ISA. This was in March 2001, when the Pan Fish site in Oyndarfjørður was hit.

ISA would soon show up around the entire country. It spread like wildfire.

Bjarni Djurholm, who was the Minister responsible for fish farming, stated in an interview with Faroese radio, that ISA could threaten the Faroese economy if the virus were allowed to spread. He had made this declaration even before the virus had been confirmed in Oyndarfjørður.

The virus was travelling now. First Fuglafjørður, then Oyndarfjørður and come April 2001, the third neighbouring fjord, Funningsfjørður, where the virus hit Funningslaksur.

This prompted the authorities to check whether the virus had spread elsewhere in the archipelago.

In May 2001, the situation worsened. Not because of further outbreaks, but because the trade union federation Føroya Arbeiðarafelag called a strike and

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better conditions to guarantee competitiveness. Bakkafrost's sales in 2000 totalled around DKK 130 million. The company paid DKK 23 million in wages. Equity stood at around DKK 30 million at the close of year.

2001

In 2001, Bakkafrost released 800,000 smolts in spring. At the same time, the portion plant expanded and production capacity significantly increased. In May that year, there was a strike in the Faroe Islands, which would have a significant impact on fish farming as it halted farmed salmon exports. Alistøðin á Bakka turned a profit of DKK 5.2 million that year.

2002

The EU accused the Faroe Islands of salmon dumping, alleging that Faroese salmon was marketed in the EU at below the cost of production. Bakkafrost's management together with other Faroese exporters denied any wrongdoing. The EU accused Vestlaks, Faroe Seafood and Bakkafrost of dumping trout and salmon on the EU market. The accusation was later confirmed to include trout, particularly because EU fish farmers were unable to produce trout at the prices in question.

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2003

The darkest period in Faroese fish farming history began in 1999 with an incident in Fuglafjørður – a harbinger of ISA. A few years would pass before the virus spread to the whole archipelago. In March 2003, ISA was confirmed at Alistøðin á Bakka's farming site in Skálafjørður. Only a few days later, ISA was also confirmed at Atlantic Sea-farms in Trongisvágur. The authorities suspected the presence of ISA in other fjords too. Jan Mortensen, director of the Faroese House of Industry, admitted in an interview with IntraFish in March, that the Faroese fish farming industry was facing difficulties. He pointed to the low salmon prices, ISA contagion at several farming sites, and the EU accusation still hanging over Faroese heads, even though the Faroese had been acquitted in the first instance.

ISA struck more fish farms and a strike called in May did little to improve the situation. After four weeks of industrial action, Hans Jacobsen declared that the situation was so dangerous that it was not a matter of weeks, but rather days and hours before the Faroe Islands faced an environmental disaster. Fish farmers were

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ISA was first detected at the fish farm owned by Vestlaks in Fuglafjørður.

PHOTO: JÓGVAN H. GARDAR

initially refused to grant an exemption to the fish farming companies to retrieve and remove dead salmon from Fuglafjørður and Funningsfjørður. This sparked concern among the industry and authorities that importers like the EU might ban the import of salmon alleging that the Faroese did not have the ISA situation under control.

The industrial action lasted three weeks. The Minister in charge of fish farming, Bjarni Djurholm, stated in an interview with *Dimmalætting* that he had reached the conclusion that he

and the Faroese Government could no longer stand idly by. It appeared that this remark brought the parties back to the negotiating table.

In late May, the employers' association Føroya Arbeidsgevarafelag and the trade union Føroya Arbeðarafelag reached an agreement, which brought the strike to an end.

August 2001 was the first time ISA was suspected at one of Bakkafrost's farms. Official inspections had detected the ISA virus at the Lambavík farming site. However, no fish had been found

with ISA. Bjørn Harlou, fish veterinarian, stated that it was unclear where the virus had spread from this time. Lambavík was the third farming site in Eysturoy where the virus was detected within barely a year. Harlou believed that wild salmon were possible carriers of the virus.

Hans Jacobsen, who in addition to being director of Alistøðin á Bakka also chaired Havbúnaðarfelagið, said in an interview with *Dimmalætting* in August 2001 that the industry now had to wait and see how events unfolded, and that

it was probably best to try to secure production at the level already reached and not attempt to increase production immediately.

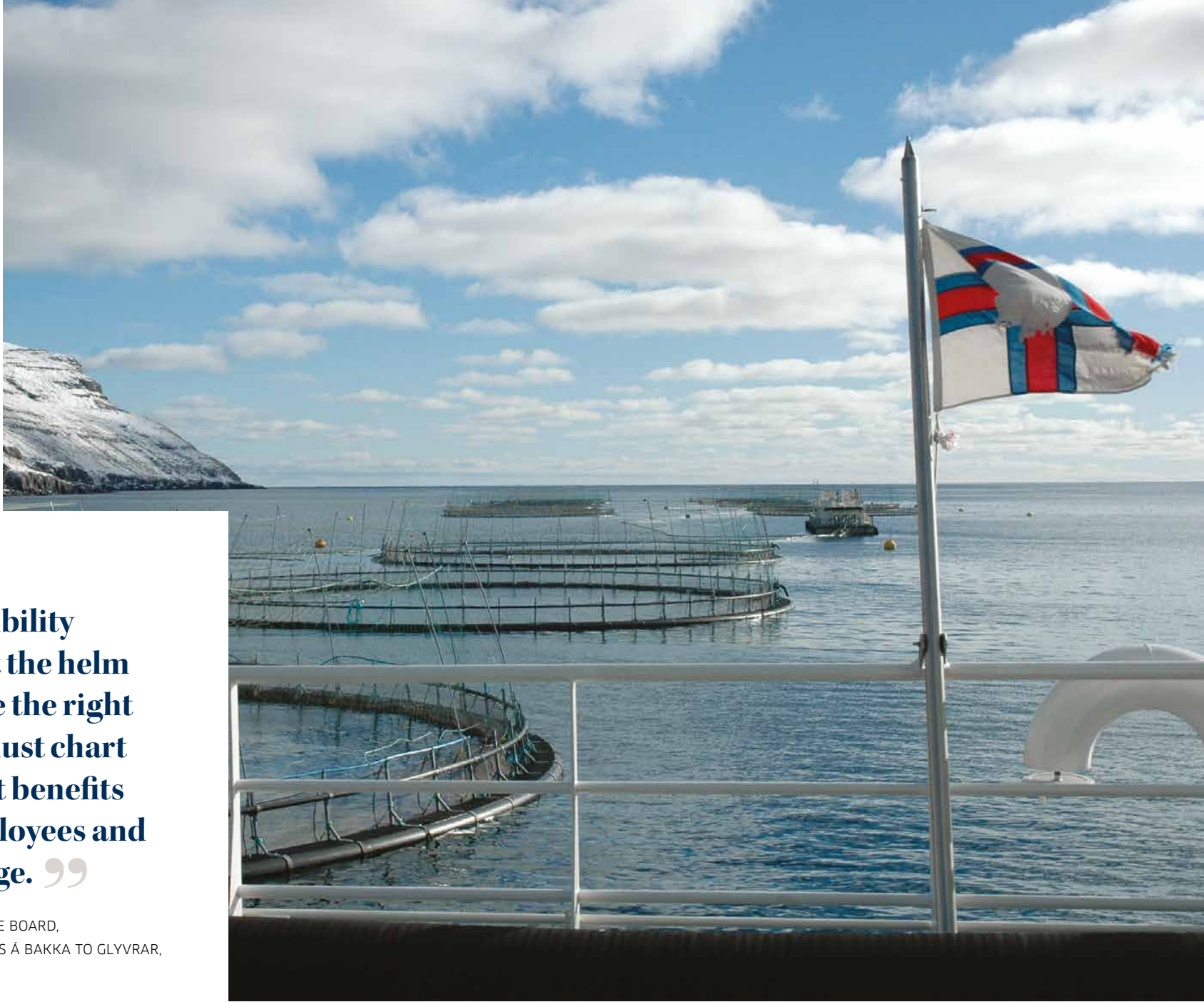
The industry had benefitted from progress and optimism in equal measures. At the turn of the millennium, the Faroe Islands were forecast to produce 100,000 tonnes of salmon and trout within only a few years. ISA had ushered in great uncertainty. In 2001, production stood at 50,000 tonnes.

Hans á Bakka hard at work

It is a beautiful day in March 2017, and Hans á Bakka is anchored at the farm in Borðoyarvík where salmon is being deloused using water. This image is from when Bakkafrost first replaces medication with water in its treatments. The salmon are transferred to the vessel where they are treated and then released back into the cages. The wellboat is usually assisted by at least two smaller service vessels.

PHOTOS: JÓGVAN H. GARDAR





“ A great responsibility befalls us who are at the helm today, we must make the right decisions. (...) We must chart the course, so that it benefits the company, its employees and society at large. ”

RÚNI M. HANSEN, CHAIR OF THE BOARD,
EXCERPT FROM THE SPEECH WELCOMING HANS Á BAKKA TO GLYVRAR,
30 JUL. 2015

“ We compete internationally and our neighbouring countries are actively building a competitive framework for their industry. It is crucial that the framework this industry operates within remains competitive in the future, to prevent any loss of revenue or jobs to other countries. ”

RÚNI M. HANSEN, CHAIR OF THE BOARD,
EXCERPT FROM THE SPEECH WELCOMING HANS Á BAKKA TO GLYVRAR,
30 JUL. 2015





Herdis Poulsen started working at Bakkafrost in 1981, and she stayed with the company until 2017. Over these years, she has worked in processing lines, as a grader and as foreman.

PHOTO: JENS KRISTIAN VANG

HERDIS POULSEN

Blended spices in a cement mixer

“The curious thing was that they mixed spices for the herring in a regular cement mixer. The men were in charge of the cement mixer, we sorted by size and then the herring was put into barrels. They then sprinkled this spice mix between each layer. The mix also had salt. Rolling the barrels when they had to be moved was men’s work,” Herdis Poulsen recounted.

Once the herring had rested in the spice long enough, it had to be removed from the barrels for the machines to dehead and fillet, then it was up to the women to skin the fillets.

“You had to be quite quick at getting the herring in the jars, because the jars came along on a production line and above the jars the lids were ready to

screw on. After that, labels with the name ‘Bakkasild’ were stuck on,” she recollected.

Ten to fifteen women worked in this area of Bakkafrost’s herring production.

Ready-meals for Irma

As time went by, and there was less herring to process, the facilities had been adapted to make ready-meals for the Danish retail chain Irma.

“We received the fish and prepared a range of ready-meals. We had a little laboratory where someone called Bergur Magnussen experimented with this and that. It was filled with jars and hotplates and everything. I also remember that later when we started producing surimi, some Japanese people came to work

When **Herdis Poulsen**, started working at Bakkafrost in 1981, the plant bought fjord herring from artisanal coastal vessels, which would cast their nets in areas like Skálafjörður.

with us. They practically ‘invaded’ Bergur’s laboratory and used it to cook rice for themselves. They would boil and eat that rice day and night,” Poulsen laughs.

There was a period when they received flatfish, particularly plaice and lemon sole. The fish were trimmed, which means that the fins were cut off. Then the fish were glazed. They were placed in ice-cold water and vitamin C was added to the water to prevent the fish from going rancid.

Wild salmon and fish farming

Herdis Poulsen felt that there was less work at Bakkafrost then, and that is why they had started taking wild salmon. They would hang the salmon from ceiling hooks in the cold store.

“It was also glazed with vitamin C. Then it was packed and exported in Styrofoam boxes. That was around the time when fish farming slowly began,” she reminisced.

Poulsen remembered that when they started slaughtering farmed salmon, one of the engineers, Martin Olsen, made a special machine to wash the blood off the salmon.

“The machine had brushes, which brushed all the blood off the salmon, inside and outside. The salmon was then iced and shipped abroad fresh. I remember that if we took two tonnes of salmon in one day, it was considered a lot, but now look.”

Surimi and lobster

Later, they had started receiving blue whiting for surimi production. It was in this context that the Japanese had come to Bakkafrost to work.

“Blue whiting was filleted in a machine, and you had to make sure that the fillets were the right way around. The flavour was taken out, and it was all made into threads. I remember that Birgir Streymoy was sent on board the Japanese vessel *Shin ka Maru* to observe how they worked with this. But, surimi making didn’t last very long,” she stated.

They had also received lobsters for a few years. The lobsters were alive when they came in. It was a lot of work, which meant they often worked into the night.

“The lobsters went into a washing machine alive, because they could be very muddy, but it

didn’t kill them. Then the lobsters were packed into Styrofoam boxes. They would come from all corners with lobster, from Eiði, from Haldórsvík, from Streymnes, from the Northern Isles and here from Skálafjörður.

It’s something I have been thinking about. Men would travel from all corners to Bakkafrost to sell their lobsters back then, but today the lobster fishermen are so angry at Bakkafrost that they won’t leave the company in peace,” Herdis Poulsen declared.

More salmon

Gradually, more and more salmon was being processed at Bakkafrost, and much has happened in this segment since then.

“Yes, a lot has happened since we started working salmon back in the day. Men could be smoking their roll-your-owns while gutting salmon. They didn’t cover their heads, and they all wore the same canvas and oilskin anoraks. The women would bring in their own workwear too, for example, oilskin aprons and sleeves to put on.

Some men might have been a little fond of their beer, so they would have brew in the break. We used to collect the empty beer bottles, we could buy chocolate marshmallow treats for the bottle deposit money,” Herdis Poulsen chuckled.

She also remembered Regin Jacobsen as a young man and a bit of a rascal. She recalled how once Regin Jacobsen and one of his cousins came down to paint at Bakkafrost to earn a little money.

“So they started painting with rollers, but didn’t spare a thought for all the employee cars that stood parked nearby. There was a stiff breeze and there they stood painting and spattering paint. By the time they were done every single car had acquired little white paint spots,” she laughed.

Only salmon

With time, Bakkafrost’s circumstances and activities had begun to revolve exclusively around salmon. Poulsen recalled the time when they started to produce salmon portions. It was more demanding both for the employees and the plant.

Poulsen was both grader and foreman at the time. As foreman, it was her task to make sure that

everyone worked. This was no easy feat, because old habits had been deeply engrained, say having a cup of coffee when it suited you.

“It had to change, and these were people I had been working with for a long time, so it wasn’t always straightforward. Later, we got another foreman, so we could split the work, and I liked that,” she mused.

She was Bakkafrost’s foreman up until 2009, when she stepped down from that role. But she continued working at the plant for years after that.

Ups and downs

During Herdis Poulsen’s career at Bakkafrost, there were times of good fortune and otherwise. She even experienced the closing down of Bakkafrost.

“One day, we were called into a meeting and that day the plant was closed. It was a terribly sad day. I remember Regin Jacobsen’s determination. He said that they might reopen, but he could not say for certain. It was a very strange feeling, because you didn’t know if the entire plant would go bankrupt. But a couple of days later, it reopened. Work was slow, but I was never out of work. I remember the low mood at the plant, we worked practically in silence, there was no banter, nobody felt like it, things weren’t the way they usually were,” Poulsen remembered.

Great to work with

Herdis Poulsen has enjoyed working at Bakkafrost, and the Bakka men were great to work with. It was hard to get Hans á Bakka down. If one idea was not working out, he always had another one up his sleeve. In her words:

“He was light-hearted, and he was a man who could talk to anyone. As a director, he walked around in his overalls and would lend a hand with every chore, he was a real workhorse. Róland was a regular bloke and very funny, anyone could talk to him too. He was a workingman. Martin also worked with us for a time, and he could both be a bit cheeky and very entertaining. Jóan Hendrik á Bakka, their father, was an exceptionally witty man and kind to everyone.

And Regin, well, he is a good CEO. He is polite

and pleasant to talk to. But he knows how to keep a suitable distance. He knows how to be funny too when the occasion calls for it. I think that Regin is also the one who, if anyone, can take this big company further.”

Poulsen has experienced many a funny and heartwarming anecdote from her years of work at Bakkafrost. She recalled one occasion when they had to prepare salmon to ship out at midnight. They had not been working shifts at the time.

“Back then, fish was gutted on a table. I was deputy grader at the time. Hans had told us that we had to finish this job, and then he asked us if

“ Men would travel from all corners to Bakkafrost to sell their lobsters back then, but today, the lobster fishermen are so angry at Bakkafrost that they won’t leave the company in peace. ”

we could manage to finish without any breaks. We agreed, but the truth was that it became quite a slog.

While we were standing there in our gloves, oilskin aprons and so on, Hans á Bakka came around with chocolate biscuits. He just stuffed whole biscuits into our mouths, and there was nothing we could do. These were square biscuits that hardly fit in our mouth. He found it hilarious, and it was,” Poulsen laughed.

In her opinion, the Bakka men also share other traits, for example that they would never brag or lord it over anyone.

“I think that is also a reason why things have gone so well.”

Sustainable salmon is in demand

Global population growth is spurring food producers to be innovative in making the most of natural resources and ensuring even healthier food for current and future generations.

Agriculture and fisheries will need to increase production significantly for two reasons. Firstly, to satisfy the growing global population, which the UN estimates will grow from 7.5 billion in 2017 to approximately 9.7 billion by 2050. Secondly, according to the UN body FAO, the demand for protein is expected to grow by 70 per cent in 2050.

Arable land is limited. Fresh water is scarce, and several of the world's fish stocks are affected by overfishing. At present, the seafood industry appears to be the only industry capable of contributing to fulfilling the world's need for more food.

Consumers want to know more

In recent years, demand for food products like salmon has grown exponentially. Salmon farmers have had their hands full trying to produce sufficient salmon, while also spending more and more energy on giving the salmon a better life and, by extension, a healthier product to those who eat it.

People involved in salmon farming around the world know their salmon; they know how it lives and what it eats. Consumers trust farmers, but they demand more information about how food is produced and under what circumstances.

Today, a range of quality labels is available to guide consumers when they find themselves food shopping at a supermarket or at a restaurant. It no longer suffices to say that a company

produces the best goods. Consumers demand proof of this. More stringent traceability requirements are in place so that consumers, if they so wish, can find out where the food they eat was produced, and how it was produced.

Bakkafrost on board from the outset

Within the salmon-farming industry, much effort has been put into developing schemes applicable to all farmers to offer consumers the necessary assurances.

For Bakkafrost, documenting how its salmon is produced is not a new

Demand for food products like salmon has risen substantially in recent years. Bakkafrost started documenting how its salmon was produced many years ago.

PHOTO: BAKKAFROST

exercise. The company keeps records of everything – from brood to salmon ready for harvest, how the feed is produced, and the ingredients in the feed.

Producers face considerable demands to ensure that all raw materials used in the feed are sustainable. Havsbrún, for example, chose to issue certificates to buyers declaring that no fish in their feed was sourced from disputed stocks. This meant that Havsbrún refrained from using any of the mackerel landed, while the Faroe Islands was in conflict with the EU and Norway about mackerel quotas. Havsbrún wanted its feed to stand up to any and all scrutiny.

Since the recovery of salmon farming post the ISA crisis in 2003, Bakkafrost has worked systematically to improve health issues and secure documentation of everything the company does. The new fish farming legislation of 2003 was an impetus for this work to begin in earnest. In 2010, Havsbrún became the first fish oil and feed plant to obtain the good agricultural practice certification GlobalG.A.P.

Much to learn from fish farming

In parallel with efforts to make its own farming more sustainable and transparent, the management of Bakkafrost has

Continued from page 117

in a tough spot, because they were not allowed to take salmon affected by ISA, and they could not harvest salmon intended for export either. Freeze storages were overflowing and the gutting plants were out of packaging for salmon. On 10 June, the strike was called off.

2004

This was a challenging year for Faroese fish farming. At Bakkafrost, they were taking up ISA affected salmon, while trying to secure funding to release new smolts. In order to combat ISA, Bakkafrost was also forced to take smolts. In both 2002 and 2003, Alistøðin á Bakka's accounts were in the red, but in 2004, the deficit turned into a slim profit of DKK 110,000.

2005

On 10 July, 2005, Intra-Fish writes that its readers would get used to the name Bakkafrost Holding. Only a few days earlier, on 6 Jul, Føroya Banki joined the company as an owner. The objective was to build a company, which would produce at least a quarter of all salmon in the Faroe Islands. The company's estimated production capacity was between 30,000 and 40,000 tonnes of salmon per year. Føroya Banki, together with Bakkafrost

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PHOTO: BAKKAFROST

been working with several other major international fish farming companies to streamline this approach. In 2013, this incentive bore fruit, when Bakkafrost became one of the founders of the Global Salmon Initiative (GSI). Today, 16 of the biggest fish farming companies in the world take part in the collaboration. In addition to Bakkafrost, participants include Mowi (formerly Marine Harvest), Grieg Seafood and Cermaq (now under Japanese ownership). There are also members from Chile, such as AquaChile and Camanchaca, and Australasian companies like Huon Tasmania and New Zealand King Salmon. GSI's main focus is on leading the way in sustainable salmon farming.

Regin Jacobsen, CEO of Bakkafrost, stated that other industries could learn from the GSI partnership. In his words: "With the GSI partnership, fish farming is demonstrating how industry can become more sustainable. We share knowledge to accelerate change

throughout the sector. I think that this scheme could serve as a template for other industries. In the past years, we have made major investments in the value chain to improve our operations. We have shared knowledge with other GSI members in order to speed up the process. It was crucial that we started using alternative delousing methods including lumpfish, fresh water and heated seawater for delousing rather than medication. Securing sustainable feed production and separating dioxin and DL-PCB from fish oil are also important steps towards making Bakkafrost even more sustainable."

Showcase the company's commitments

In order to document what Bakkafrost does, the company has started publishing an annual sustainability report. It is entitled Healthy Living, and was first published in 2018.

These reports are mainly intended

to showcase Bakkafrost's new sustainability plan and its goals for 2018–2020. Each report will highlight the progress of the company in the previous year.

Regin Jacobsen declared that, as the biggest fish farming company in the Faroe Islands, the management considers it Bakkafrost's responsibility to exercise good corporate governance and social responsibility and report on the impact a company of this size has on the local economy, society and environment.

The CEO explained that salmon from Bakkafrost is a product, which is as close to wild salmon as is possible.

"The sea runs cold and clean between the islands. It is the ideal environment to farm perfectly clean salmon. We keep an eye on every detail and there is no better salmon in the farming industry," he declared.

The work Bakkafrost has done in this area over the past years is akin to the approach several other large foreign competitors have taken. However, the approach also entails periodically reviewing operations and making any necessary changes. The 2019 goal is to follow up on the evaluation of 2018 to accelerate the process of ensuring that the company's fish farms meet the Aquaculture Stewardship Council (ASC) certification requirements. The company has also taken steps to reduce the environmental impact on fjords, for example, by using cameras to monitor feeding, eliminating copper impregnation from its nets and not using any chemical substances for delousing.

Bakkafrost has also decided to take a sustainable approach to its entire value chain by requiring compliance with the 10 principles in the UN Global Compact.

"Given the challenges fish farming has faced over the years, it is impera-

Many Chinese buyers

Beijing Dong Long is one of China's biggest salmon importers and one of the major buyers of fresh salmon. Beijing Dong Long is a family undertaking. Anthony Chung, who represents the company, attributes their results to the high quality of the seafood their sales people sell coupled with excellent customer-relationships. These are linked to their ability to source the highest quality goods, as also to meet their customers' changing demands.

Since their first order from Bakkafrost in 2012, weekly sales have increased twelve-fold. Chung is of the opinion that these excellent results are down

to two factors: the world-class quality salmon, and the capacity to guarantee a secure and regular supply. In addition, to be able to assure the customers that this salmon is antibiotics free, eats only non-GMO feed, has very high Omega 3 fatty acid content, and that Bakkafrost is a fully vertically integrated company, only makes the sales so much easier.

Chung also emphasised that a growing awareness of and demand for sustainable and responsible management of marine production makes Bakkafrost an even better proposition.

EXTRACT: HEALTHY LIVING – 2017

"I eat salmon and use its skin too"

Faroeese fashion designer, Sissal Kristiansen, received global recognition in 2017 for her Shisa Brand's innovative and sustainable approach to fashion. In August, she was awarded first prize at the Blue Fashion Challenge for her Bakkafrost salmon skin bag and smock design – sourced, designed and made in the Faroe Islands.

"Salmon leather appealed to my aesthetics, also it has a lot of character, it is very strong and I love the story, especially as I eat salmon from Bakkafrost at least twice a week, so it feels like completing my sustainable circle. My tagline was 'I eat fish and use the skin too'."

Using salmon leather has opened up new markets for Sissal Kristiansen, attracting a niche group of conscious customers in markets as far flung as Australia.

EXTRACT: HEALTHY LIVING – 2017



PHOTO: KAREN SISSAL KRISTIANSEN

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and Havsbrún, established the new company. The following companies joined Bakkafrost Holding in December 1992: Faroe Salmon, Faroe Smolt, Kryvjing, East Salmon, Hellisvað, Bakkafrost, Alistøðin á Bakka and P/F 21. December 1992. The new company's equity was around DKK 150 million. There were 120 employees in the new company, but the objective was to grow to around 200 employees within a short period. With this merger, fish farming in the northeast Faroe Islands was amalgamated into one company.

2006

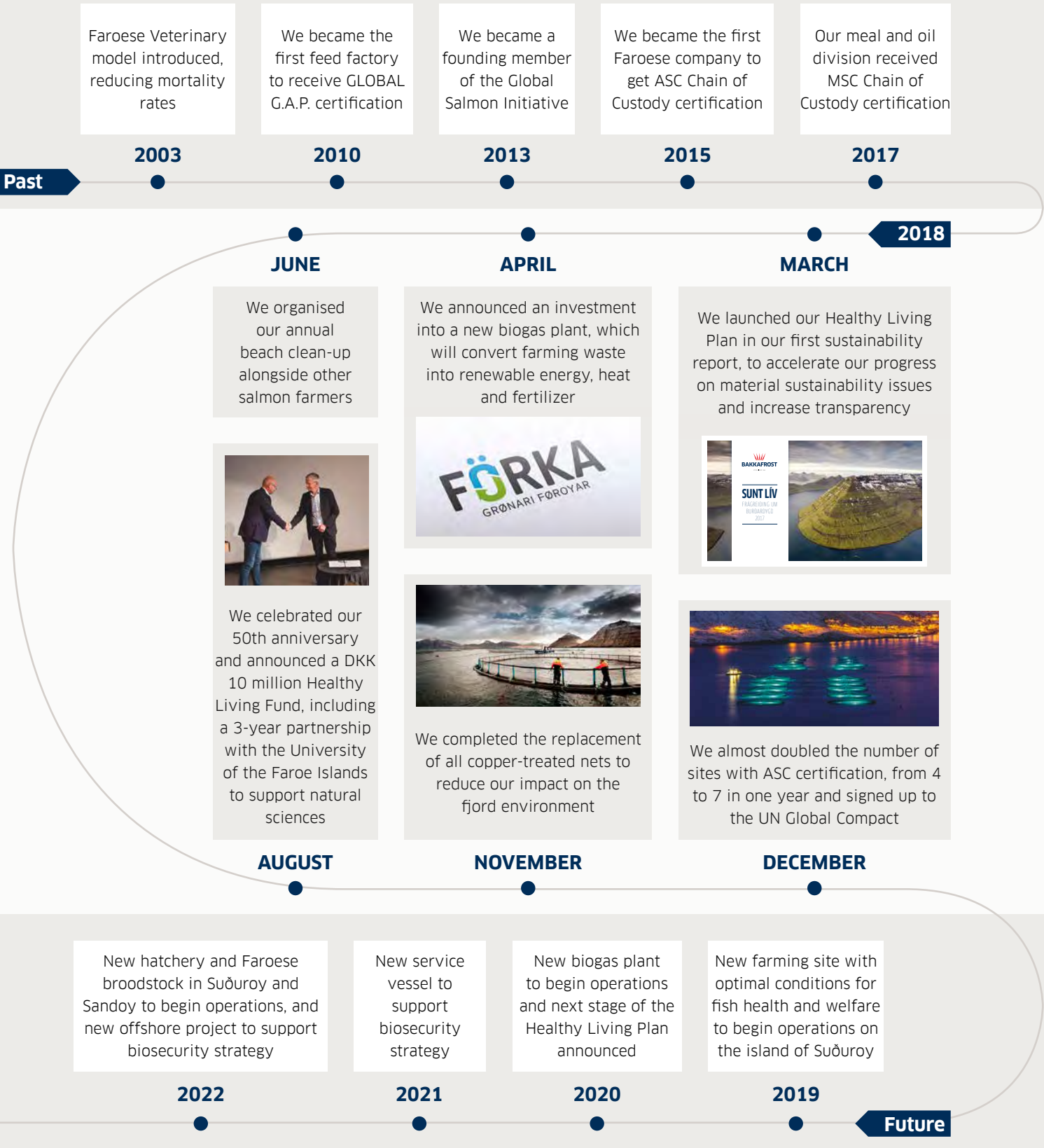
'New Bakkafrost' with new investors was founded and expanded to include fish farming in the Northern Islands. P/F Tjaldur was one of its main investors. The chair of Tjaldur's board at this time was Rúni M. Hansen and its CEO is Líggjas í Bø. Líggjas í Bø was appointed chair of 'New Bakkafrost's' board. Hans Jacobsen remained active in day-to-day management and as a member of the board.

The company grew through mergers and acquisitions, and farming production grew by 15,000 tonnes in gutted weight to a total production of 18,000 tonnes of gutted salmon. The Group

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Our sustainability journey

SOURCE: SUSTAINABILITY REPORT 2018, BAKKA Frost



tive that we comprehend and see the long-term risks facing the industry if we are to survive and develop. We feel that coming together is important, both at the local and international level, and that there are many advantages to addressing these risks,” Regin Jacobsen remarked.

In the first sustainability report, Regin Jacobsen answered the following question:

Would you tell us about your approach to sustainability at Bakkafrost?

“The unique Faroese Veterinary Model is a good example of this, and we are proud to be leading the way in areas such as fish health and welfare.

Our collaboration with the GSI and our commitment to various standards and certifications, such as the Aquaculture Stewardship Council (ASC), has also enabled us to work with the rest of the industry to address systemic issues. We have not stopped there though. We have set ourselves apart from our competitors by investing heavily in our integrated supply chain to produce healthy world-class salmon, as sustainably as possible. The new plan outlined in this report reveals for the first time how we intend to build on our work so far, with a new vision to promote sustainable development.”

Bakkafrost is determined to ensure that sustainability underpins its approach to the entire value chain by complying with the 10 principles of the UN Global Compact. PHOTO: BAKKA Frost



Continued from page 129

gained access to farming in six fjords, in addition to two new smolt farms. The Group also invested heavily in the processing plant in Glyvvar, to enable it to receive the increased volumes. Daily production was now 55 tonnes in gutted weight per day. In October, the sale of Vestlaks was announced. This company held three fish farms. Føroya Banki owned the company and was preparing the sale. The bank took over Vestlaks in 2003 when it was facing serious financial difficulties. Vestlaks’ production had reached 12,000 tonnes. Marine Harvest, which took over Pan Fish in the Faroe Islands, was attempting to build up production in the Faroe Islands. It is evident that the Norwegian behemoth wanted to buy Vestlaks. Pan Fish and Vestlaks had cooperated in the past, and Pan Fish had originally wanted to merge with Vestlaks.

2007 The portion plan was expanded considerably and production capacity doubled. Shortly after New Year, Vestlaks was put out to sale. The seller sought strong investors to buy the company. However, the sale was postponed,

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They used their hands

In the early years, it was common to do everything by hand in fish farming, including dragging the salmon nets. The last company to give up manual power was Faroe Farming. These images are from 2014.

PHOTOS: JÓGVAN H. GARDAR



It takes a lot of effort to close the net correctly and make sure that it is easy to reopen.



The net is seething.



PHOTO REPORTAGE

1.-3. The newest fish cages are wide, and it takes a while to close the whole net in Trongisvágsfjørður.



A lone escapee plays.
The crane sustains
the hose that pumps
the salmon into the
bleeding tub.

4. Preparing to harvest the salmon that has matured in Trongisvágsfjørður.

5. Salmon entering the bleeding tub.





Sunvard Vang has worked at Bakkafrost since the early 1980s and has followed fish farming from the beginning. From when everything was done manually to today's modern equipment.

PHOTO: JENS KRISTIAN VANG

SUNVARD VANG

Dragged the cages by hand

“We had to start at five in the morning dragging the cages in by hand,” Sunvard Vang explained. He has been working at Bakkafrost’s farms for many years. But, when he started in the early 1980s, he transported fish entrails. That was during the blue whiting period. He already had years as a navigator under his belt having sailed with Mærsk and ØK.

“When I was home between expeditions, I used to work at Bakkafrost. Initially, I drove fish entrails, but when I spent a year at home, 1984–1985, I worked in fish farming in Skálafjörður, at the site called undir Høgabakka,” Vang reminisced.

He signed on to sail again for a few years, but in May 1990, he became a

permanent employee of Bakkafrost and has worked at the company’s farms ever since.

“Farming was organised differently then. We used to drag the cages from Skálafjörður to Kolbeinagjógv every year for summer pasture. We had trouble with algae in Skálafjörður and for a time we had sand-pump dredgers out there trying to oxygenate the sea. And it was because of the algae that we moved the cages,” Vang recalled.

The cages were moved from Skálafjörður in May-June and were dragged back to the fjord in August. All the cages were moved at the same time – about 30 of them.

Sunvard Vang, started at Bakkafrost in the 1980s. Back then, everything had to be done by hand. Now, they have better boats and better equipment overall. It is easier to work on the farms today than when he started.

“Of course, the units have become much bigger. We have better boats and better equipment in general. It’s easier to work on the farms today than when I started. Take for example when you were delousing, everything had to be hauled up manually.”

Manual labour

Much has changed since Vang started working at Bakkafrøst in the 1980s. Back then everything had to be done by hand.

“Hans didn’t like it at all when we got a crane involved. He preferred it when the work was done manually. Perhaps because you have more of a feel for it when you use your hands,” Vang recounted.

In the early 1990s, the conditions had changed a little. Quite a few large Bridgestone cages were imported to the Faroe Islands and Bakkafrøst acquired Dunlop cages.

“The advantage of the Dunlop cages was that they had two pumps and a form of walkway on the cages, while the Bridgestone cages had only the one pump, and they were harder to walk on, and the supports were sometimes loose. We also had to watch out, because the supports on the Dunlop cages had a tendency to drop inwards,” Vang explained.

When fish farming began, the cages had a circumference of 40 m. Later, they increased to 50 m, and then 60 m, which at the time they thought was big.

“With those, we thought that the cages were so big that they couldn’t become any bigger, but then we got these massive cages with a 113 m circumference,” Vang said.

Bakkafrøst produced cages for its own use, as well as for all the other fish farms throughout the 1980s. However, when Dunlop and Bridgestone

started offering the extra large cages, Bakkafrøst stopped manufacturing cages. The cages that KJ Hydraulik now manufactures for Faroese fish farms are based on the principles, which Bakkafrøst developed in the 1980s.

Though they had the advantage of size, the Dunlop cages were hard to work on. That was why Bakkafrøst started manufacturing its own cages. Bakkafrøst used plastic, and they turned out to be much easier to work with. This was in the mid 1990s.

“We worked with those cages for quite a while. It wasn’t that long ago that we moved to the cages we now use. They have a circumference of 160 m. Today they are fairly good to walk on, however, you still have to be careful, say if a boat sails past,” Vang explained.

Went bankrupt

Bakkafrøst has experienced more than fair weather, because in the 1990s the company went bankrupt. Sunvard Vang was working at Bakkafrøst at the time, but his work was not affected.

“Well, they had several fish farms, one was here on this fjord, and another was Hagagjógv in Selatrað. When they went bust I was working at Hagagjógv and that farm wasn’t hit. So I just carried on,” Vang recounted.

ISA virus

Around the turn of the millennium, the ISA virus

was first detected in the Faroe Islands and Bakkafrøst did not escape the terrible disease.

“Those were very gloomy days. We had our work cut out hauling salmon from early morning to late at night. Still, Bakkafrøst had long-term contracts with buyers abroad for salmon portions and that carried on, because the plant was always receiving slaughtered salmon. I think they said that they sold it at under production cost. I mean, everyone wanted to get rid of the fish. So work at the plant kept going,” Vang said.

He continued in fish farming, and there was more and more work as Bakkafrøst started merging with other fish farming companies. By 2010, the company was so strong that it was floated on the stock exchange in Oslo.

“I was farming in Skálafjørður and Lamba all these years up until three years ago, when I moved into Kambsdalur to work. Now, I’m in charge of importing all the feed for the smolt farms and then distributing it to the smolt farms. Today, I mostly to desk work,” Vang explained.

Larger units

It was not easy for Sunvard Vang to put into words his experience of the changes in Bakkafrøst – from the size the company was before it merged with other fish farming companies to its current status as a global company.

“Well, of course, the units are much bigger. We have better boats and better equipment in general.

It’s easier to work at the farms today than when I started. Take for example when you were delousing, everything had to be dragged out manually. If you ask someone to grab a hold of something that has to be dragged today, well, they practically glare at you,” Vang laughed.

Now it is all hydraulics.

“Say you had to take salmon in Lamba, in those days you had to start at five in the morning hauling the cages in by hand. A specific crew was assigned to slaughter the fish from eight in the morning. If we took 20 tonnes it was a lot and it would take all day. The fish was then taken by road to the plant in Glyvrrar,” Vang explained.

Much has changed in this area too. It started with the first little wellboats, then came larger wellboats. Today, a single vessel, Hans á Bakka, collects the fish.

“It carries 400 tonnes of fish, and they say that the fish should enjoy as good conditions on board as when it is swimming in the cages. There are another two big boats, Róland and Martin, and they are used to clean nets and for delousing. So, there have been major changes for the better over the years,” Vang said.

Overall, he thinks Bakkafrøst is a good workplace.

“I only have good things to say about Bakkafrøst. I have enjoyed being there and overall, people have felt good there,” he said.

There are, of course, many stories you could tell from so many years at work, and Vang remembered one day when they were working with blue whiting.

“This bloke tripped and slid on his backside into a thousand-litre crate of blue whiting while they were landing. Hans á Bakka got wind of this, and as he walked past the unlucky man later that day he quipped... ‘the blue whiting is big today’.”

Vang worked a lot with Hans á Bakka over the years, and he spoke well of him.

“He was capable, hard-working and easy to work with, always in good spirits. The same goes for Róland, they were great to work with,” Vang mused.

Innovating with wellboats

The summer of 2015 saw the arrival of the first of the modern wellboats: Hans á Bakka. Two years later, the converted vessels Róland and Martin also joined the fleet. The wellboats were named after the three brothers who founded Bakkafrost in 1968. The three boats were quickly adapted to the fight against sea lice and other tasks, such as transporting smolts to fish farms and adult salmon to the slaughter plants. In March 2017, Martin joined the fleet. The images are from the reception at á Bakka.

PHOTOS: JÓGVAN H. GARDAR



1. *Martin* docks á Bakka for the first time. Bakkafrost's most recent plant extension can be seen to the right.

2. It was on a freezing March day that Regin Jacobsen, CEO, welcomed the new vessel. Behind him *Martin's* crew is lined up.

3. Regin Jacobsen, CEO, Poul Michelsen, Minister for Industry, and Torbjørn Jacobsen, mayor of Runavík Municipality, chatting during the celebrations.

4. An Optilicer system is installed on *Martin's* deck. It is part of the measures taken to combat sea lice.

Home and away

Faroese fish farmers, and particularly Bakkafrost, attend a host of meetings in the Faroe Islands and abroad. In these images, we are in Tórshavn, Brussels and in Oslo.

Hans á Bakka rarely joined the trips abroad. He probably only attended the big seafood fair in Brussels once, and that was in 2005. Regin Jacobsen, on the other hand, generally attends the fair in Brussels, and is also usually among the speakers at Havbrukskonferansen in Oslo.



1.-2. Havbrukskonferansen is an annual conference in Oslo, which brings together representatives of the salmon farming industry from around the world. Regin Jacobsen and Bakkafrost are usually among the speakers at these conferences. Atli Gregersen, CEO of Hidden Fjord, also usually takes part. Here, Jacobsen and Gregersen are conversing at Havbrukskonferansen in 2011.

PHOTO: JÓGVAN H. GARDAR

3. At the seafood fair in Brussels many people came to see Hans á Bakka. Pictured from the left: Marita Rasmussen, director of the Faroese House of Industry, Bjørn Kalsø Minister of Fisheries, Hans and Regin Jacobsen. PHOTO: BAKKAFROST.

4. Hans Jacobsen was part of the Faroese salmon farming venture from the very beginning. He was there through good years and bad. He also chaired the Faroese aquaculture trade association, Havbúnaðarfelagið, for many years. In this image, he has received an accolade on the occasion of the annual Faroese aquaculture conference Aliráðstevnan.

PHOTO: FINNUR JUSTINUSSEN

5. Hans á Bakka meets the Minister of Trade, Bjarni Djurholm, in Brussels in 2005. PHOTO: BAKKAFROST.

6. Regin Jacobsen at the annual Faroese aquaculture conference. Every year the industry acknowledges the companies with the best results. Bakkafrost can boast of many accolades from these conferences.

PHOTO: FINNUR JUSTINUSSEN

SalMar attempts to take over Bakkafrost

After Bakkafrost was listed on Oslo Børs (a stock exchange in Norway), it did not take long before a Norwegian fish farming company tried to acquire it. But, this proved easier said than done.

At the turn of the millennium, Faroese fish farming was in good shape. Operations were going fairly well, and Faroese farming was basically free of the diseases that plagued trout and salmon farming elsewhere. The ISA infection that cost Norwegian producers dearly seemed not to affect Faroese farms. Some believed that the disease would not reach the Faroe Islands given the distance to the Norwegian coastline, and since no natural currents flow

to the Faroe Islands from Norwegian fjords used for salmon farming. The same could be said for the Shetland and Scotland. Faroese fjords seemed too far-flung to be infected.

This did not mean that Faroese salmon was free of infection. The fish contracted many of the same diseases that plagued Norwegian fish farming in the 1980s and 1990s, but the situation seemed to be under greater control in the Faroe Islands than in the neighbouring countries. And for many years, the islands were ISA free.

But, at the turn of the millennium, ISA hit Faroese fish farming. The first case was detected in 1999, and it continued



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because Føroya Banki was now up for sale. It was owned by the Treasury, and the Faroese Government had decided to sell the bank. So, the sale of Vestlaks was postponed until the autumn. Marine Harvest, which had taken over Pan Fish in the Faroe Islands, was attempting to build up production in the Faroe Islands. It is clear that the Norwegian behemoth would like to buy Vestlaks. Pan Fish and Vestlaks were managed jointly for years, but were separated in 2003 when the bank took over Vestlaks. Ragnar Joensen, CEO of Marine Harvest in the Faroe Islands, confirmed to *IntraFish* in September that his company could see advantages in taking over Vestlaks, but would not be bidding for it that autumn.

Meanwhile, it emerged that the sale of Vestlaks was still not ready, and would not be completed in 2007 either.

2008

In March, Føroya Banki gave notice that the sale of Vestlaks had been provisionally postponed, but that the aim was to sell the company before summer. Nevertheless, another spring passed without the sale of the company. Faroese fish farmers now had a new adage 'the most reliable

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Rúni M. Hansen had to keep a tight balance between being cooperative and firm when communicating with SalMar during the period that they were Bakkafrost's biggest shareholder. PHOTO: JÓGVAN H. GARDAR

to spread until 2005, becoming particularly severe in 2001–2003. Once it first infected the stock, it spread like wildfire, making the industry, the authorities and the public jittery. The salmon was quickly harvested and destroyed. As no one had a good understanding of how ISA spread, the industry did not have adequate safety measures in place. Therefore, the industry that was expected to bloom and give the Faroe Islands a strong economic footing withered.

Føroya Banki (now Bank Nordic) ended up with most of the salmon farming

companies and had to find ways forward. The bank simply could not let all the companies go bankrupt and move on. High investments were at stake since the banks, the government and especially many individuals who had put their whole lives into fish farming had taken enormous risks.

However, there were not many who held much hope for the future of fish farming. Any attempt to get the industry back on its feet found no takers.

In 1995, Havsbrún decided to enter the fish farming industry by investing

in Eystlaks in the Northern Isles. This investment made them one of the industry's key strategic players. When Pan Fish, a Norwegian company, started to buy their way into the Faroese industry, many soon realised that a large Norwegian company could easily take over fish farming in the Faroe Islands before anyone realised what was happening. Havsbrún, therefore, decided to buy shares in several fish farming regions and so hinder any single buyer from getting their hands on everything.

Soon, it became evident that more

troublesome than rich and willing foreign investors, was what was actually happening in the farming cages.

By the spring of 2000, ISA had become a serious problem. Odd Eliassen, CEO of Havsbrún, believed it took the industry about four to five years to understand how serious the ISA threat actually was. In 2001 and 2002, there was no decrease in the quantity of harvested salmon, but in 2004 and 2005, the harvest failed completely. The height of the ISA epidemic coincided with uncommonly low salmon prices on the world market. The net capital of most companies disappeared, making them insolvent.

As 2003 turned into 2004, the fish farming industry began to consider what it needed to do.

Eliassen noted that many locals asked whether the Faroese simply were too incompetent to stay in the fish farming business. They wondered if perhaps this was the opportunity to restructure the industry.

“At Havsbrún, we believed that the industry had to be restructured. This is not something I only say in hindsight; that

“SalMar’s interest in Bakkafrost is likely a confirmation of the quality of our operations.”

REGIN JACOBSEN ON SALMAR'S INVESTMENT IN BAKKAFROST

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sign of spring is a rumour that Vestlaks is for sale.’ In the end, no decision is made on the future of Vestlaks in 2008.

2009

Føroya Banki continues to work on a plan for Vestlaks that is acceptable to the bank. Though the bank again fails to sell the company in spring, the two parties finally reach an agreement in July. Vestlaks becomes a part of Bakkafrost. Rúni M. Hansen becomes the chair of Bakkafrost's board, replacing Liggjas í Bø. The company is to be listed on the stock exchange in Oslo in 2010.

The shareholders in Bakkafrost and Vestlaks agree to merge the companies. The merger is set for 1 January, 2010. The shareholders of P/F Vestlaks Holding make a stock-for-stock exchange, receiving Bakkafrost shares for their Vestlaks shares. The Vestlaks group's production capacity is about 11,000 tonnes of processed salmon and trout, in addition to a gutting plant in the village of Kollafjørður. With other investors, the new Bakkafrost buys Vestlaks. Hans Jacobsen is still a member of Bakkafrost's board and part of the company's management team. In this year, 3.2 million smolts are released into the cag-

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“ Regin and I went around Tórshavn, cap in hand so to speak, asking people to invest, but it was hard going. ”

ODD ELIASEN ABOUT THE TIME WHEN THE NEW BAKKA Frost WAS FORMED



Odd Eliassen and Havsbrún made investments in the 1990s with the aim of impeding foreign investors from taking over fish farming in the Faroe Islands.

PHOTO: JÓGVAN H. GARDAR

was our intention with our much-discussed acquisition of Funningslaksur in 2001. We did it precisely with the hope that companies like Funningslaksur, Gulin and Kaldbakslaksur would work together, merging into a larger unit. At that time, we placed fish in one fjord one year, in another the next, in a third the following year and so on. This is where,” Eliassen believes, “the system of rotating between fjords started.”

Havsbrún’s inspired plan was to get

fish farmers to work together in order to both gain the competence that would make them self-sufficient in smolt production and to sell the fish themselves, thereby gaining insight into the market. In the words of the CEO of Havsbrún:

“We saw that business as usual was doomed to fail. That is why we invested in several fish farming companies in the Faroes. We expected that the industry would eventually be restructured. Therefore, we needed to play our

cards so well so that no one could jump ahead of us – something we succeeded in doing.”

Havsbrún chose Bakka Frost

Around this time, restructuring the fish farming industry was in the air. Havsbrún owned a comparatively large share in several Faroese fish farming companies. Concurrently, the group built on Bakka Frost and Faroe Salmon was taking shape.

Both Bakka Frost in Glyvra and Havsbrún in Fuglafjørður were looking ahead, considering what models would move the industry forward by thoroughly examining what their company was about, what its competences were, and what its goals should be. Both at Bakka Frost and at Havsbrún, they realised that they had much in common and could grow stronger together. That the companies already were well acquainted – Bakka Frost had e.g. bought

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es, weighing 88 gr each. The smolt farms produce smolt in Glyvradalur, á Húsum and Norðtoftir. The plants employ 15 people. In gross weight, about 18,000 tonnes are produced, which translates into approximately 15,600 tonnes of processed salmon – a doubling of production compared to 2007. Bakka Frost’s management can show that comparing feed factor, speed of growth and cost price, the company’s result are the best in the world. Bakka Frost owns three wellboats: *Grønlið*, captained by Dánial Lydersen; *Tjørnunes*, captained by several people, including Poul Jacob Joensen, André Johannesen and Sjúrdur Eliassen; and *Stígubúgv*, the newest vessel, captained by Sandy Olsen and Eyðun Christiansen. The processing plant for retail portions produces 8,400 tonnes of gutted salmon. This results in 4,200 tonnes retail portions, 800 tonnes salmon heads, 1,000 tonnes backbones and other products. The start-up of the processing plant built in 2007 for retail portions runs into several problems; therefore, it takes longer than expected to reach the goal of doubling the production, but by 2008 that goal is reached. Fifteen containers of

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SalMar management team: From the left, Trond Tuvstein, CFO, and Leif Inge Nordhammer, CEO, in conversation with analysts. PHOTO: JÓGVAN H. GARDAR.



Yngve Myhre was SalMar's CEO, when the company sold its shares in Bakkafrost. PHOTO: JÓGVAN H. GARDAR



Trond Tuvstein, CFO, and Leif Inge Nordhammer, CEO, headed SalMar when the company made its investments in Bakkafrost. PHOTO: JÓGVAN H. GARDAR

feed from Havsbrún – made it easier to cooperate.

According to Eliassen, here were several reasons why they believed Bakkafrost was their right partner.

“First, we knew these competent people. They had set a good course, worked hard and were ambitious. They were visionary in their efforts to enhance quality. No one else in the industry did that. We wanted to do everything in order to achieve a more balanced trade in salmon farming, an industry with fewer up and downturns, developing at a steadier pace. This has also always been Havsbrún's line of thinking,” Eliassen said.

When the whole industry collapsed after the ISA crisis, a group was set to restructure the industry to kick-start it again. Representatives from Før-

oya Banki (which had taken over the bankrupted fish farms, including Faroe Salmon and Vestlaks), Havsbrún and Bakkafrost constituted the group.

Føroya Banki opposed the idea of organising the industry in larger units as long as Jørn Astrup Hansen was the CEO.

“It came to a head during a meeting at the bank. While we were on our way out of the meeting, a banker pulled on my sleeve and dragged me back into the meeting. He told me that if we continued to talk about one big unit, we would not be allowed back into the bank,” Eliassen explained.

In fact, it was not before Astrup Hansen left Føroya Banki that the bank even considered supporting the idea. Prior to this, several companies were interested in buying part of the industry,

including Pan Fish and Icelandic and Japanese investors. They were interested in different parts of the industry. Føroya Banki was close to selling on several occasions, but never went through with it.

“I remember Janus Petersen taking me aside at a Faroese Industry event and asking me what they should do with the fish farms. I told him what we thought needed to be done – I had primarily the operations in the Northern Isles in mind. And it was not before Petersen became CEO after Astrup Hansen that things started rolling.”

The big decision and the big company

It is at this time that the new formula, a large and strong company, was proposed. It had to be financially sound.

At Havsbrún, Eliassen was responsible for the company's fish farming operations, and he was a board member in all the companies in which Havsbrún owned a share. He observed:

“We were excited about this prospect, and now the bank had also caught the vision. Regin Jacobsen and his people were also on board. So we started to discuss a price tag that all could agree on.”

During that period, Jacobsen and Eliassen spent a lot of time discussing the matter. Jacobsen set out how Bakkafrost could contribute to the joint effort and Eliassen did the same at Havsbrún. Føroya Banki had also proposed what they could offer. However, when the parties were able to determine how much the venture would cost, they found they had insufficient funds to start the company. Jacobsen and Eliassen were forced

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retail portions and 10-12 semi-trailers of fresh salmon are shipped every week.

The company's total sales this year run to DKK 365 million.

The production this year is record breaking, and net profit and results are the best ever. The decision is made to list the company on Oslo Børs. About 280 people work at Bakkafrost this year. Sales are about DKK 550 million.

Negotiations with the bank about the future of Bakkafrost and Vestlaks are finalised on 1 January, 2010. Bakkafrost is becoming a company renowned for salmon production in the Faroe Islands but is not well known abroad. The total smolt production grows from 3.5 million to 7 million smolts.

This year, the salmon weigh 6.3 kg in average, and the gross weight of fish harvested is 22,000 tonnes. The gutting plant produces 22,500 tonnes, produced as retail portions or fresh fish for customers in the US and elsewhere. About 11,000 tonnes are processed as retail portions. Despite the global financial crisis, Bakkafrost remains optimistic, and the key words are sustainability, integrity and dependable long-term

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solutions. The total Faroese export in 2009 reaches DKK 3.6 billion. The fish farming industry accounts for 36 per cent of the total export, and Bakkafrøst accounted for 22.5 of the total. Bakkafrøst employs 1.5 per cent of the total Faroese work force. Bakkafrøst becomes company of the year in the Faroe Islands.

2010

Bakkafrøst and Vestlaks are merged on 1 January. Regin Jacobsen becomes the CEO of the new company, and Rúni M. Hansen becomes chair of the board. This merger creates the biggest fish farming company in the Faroe Islands, accounting for about 55 per cent of farmed salmon production. The biggest owners of the new company are Føroya Banki with 34 per cent and Havsbrún with just under 17 per cent. Now that the companies finally have been merged, operations span smolt production to fish farming as well as processed goods. The group's total production in 2010 is 21,626 tonnes in gutted weight. On 26 March 2010, the group is floated on Oslo Børs, widening the circle of shareholders. Now, not only Faroese investors, but also those from Eu-

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Oslo Børs in March, analysts started to speculate, 2010 that the company might be among those quickly acquired by others with strong financial backing or good agreements with the banks.

Rúni M. Hansen, chair of the board, says that the question of foreign ownership and acquisition was something he and the board discussed, and that he continually emphasised that all investors should be able to trust the management of Bakkafrøst management and board, both in the Faroe Islands and abroad.

Faroese fish farming had acquired a good reputation, both renowned for high quality salmon and, for not being that prone to diseases as in Norway, Scotland, Chile and Canada.

As the Faroese investors soon started to sell their shares in Bakkafrøst, two Norwegian investors of note started to buy shares in the Faroese company – Kverva AS and Tyccon Industrier, the latter headed by Øystein Stray Spetalen, an investor who often entered the scene during new and exciting opportunities. He saw an opportunity to buy cheap and sell expensively after the shares had skyrocketed. Spetalen was convinced that Bakkafrøst was worth more than the rate of its share. The other company, Kverva AS, headed by Gustav Witzøe, is the largest shareholder in SalMar, the fish farming company.

As SalMar and Bakkafrøst were seen as two fish farming companies with several common denominators, they were a good match. Local roots formed

a significant part of their identities, and they were able to keep costs down.

Kverva and Tyccon Industrier both made their investments in Bakkafrøst when the company was floated on Oslo Børs. Already by October 2010, these investors believed they had gained enough from their investments – or they could simply have received an offer they could not resist.

Bakkafrøst gets a new primary shareholder

On Friday morning, 22 Oct. 2010, almost at dawn, Oslo Børs sent out three announcements. Kverva had sold its 3,158,052 shares in Bakkafrøst. Tyccon Industrier has also sold its 4,033,534 shares. With this, the two investors were no longer shareholders in Bakkafrøst.

This autumn morning was cold, minus 1.8 degrees Celsius, with a slight breeze and sunny spells.

Oslo Børs’ third announcement came from SalMar.

It stated that the company had acquired a large part of Bakkafrøst’s shares. SalMar had not only bought Kverna’s and Tyccon Industrier’s shares, but also nearly three million other shares. In total, SalMar had been able to acquire 10,633,857 shares in the Faroese fish farming company totalling to 21.76 % of Bakkafrøst shares.

Suddenly, a foreign owner and competitor had become the single largest shareholder in Bakkafrøst.

The CEO of SalMar at the time was Leif Inge Nordhammer, a well liked and

worked closely together. This relationship became closer in 2006, and the companies were tied even closer together in 2009, when Vestlaks became part of Bakkafrøst.

SalMar attempts to take over Bakkafrøst

In 2010, when Bakkafrøst was listed on Oslo Børs, ownership within the fish farming industry was in a flux and mergers and acquisitions were the order of the day. The first farmers were on their way out of the industry, and many chose to sell their companies. At this time, several major investors, who did not have much experience in the industry, bought shares in fish farming companies.

By the fall of 2010, there was a flurry of investor activity. Several parties competed to acquire Marine Farms, resulting in bids from Cermaq and Friendmall, a part of the then Polish company Morpol. Friendmall proved successful and got Marine Farms. Later, Morpol was acquired by another giant, Marine Harvest.

This bidding war for Marine Farms spurred analysts and investors to assess what other fish farming companies could be sold. Three companies proved to be of interest: Lerøy Seafood Group, SalMar and Bakkafrøst.

In the Faroese context, Bakkafrøst was a large company, but on Oslo Børs it was a small company with little experience in international financial markets. Therefore, even before Bakkafrøst was listed on

owners of Bakkafrøst, and the Faroese government wished to stop any foreign attempt to acquire the company.

After the new Bakkafrøst was established, several parties tried to acquire Vestlaks from Føroya Banki, but the bank was not at the point of selling. Consequently, Havsbrún bought shares in Vestlaks. Concurrently, an agreement was reached that Vestlaks would become part of Bakkafrøst.

After acquiring Vestlaks, the company commenced on the process of floating Bakkafrøst on Oslo Børs. Bakkafrøst was registered at the stock exchange in March 2010.

The years between 2006 and 2010 were a consolidation period for what would become the new Bakkafrøst group. The company had acquired several fish farms, all with different organisational cultures, characteristics and ideas. Therefore, much time was spent to unify the diverse parties.

“Regin Jacobsen of course played the major role during this period. I was a member of Bakkafrøst’s board, representing Havsbrún between 2006 and 2012, Havsbrún being the biggest shareholder. At this time, Havsbrún was also the largest fish farming company in the Faroes. In addition to our share in Bakkafrøst, we also owned the operations at Funningur, Kaldbak and in Suðuroy, which were not part of Bakkafrøst. When Bakkafrøst bought Havsbrún in June 2011, these farms became part of Bakkafrøst,” explained Eliassen.

Havsbrún and Bakkafrøst had always

to solicit investment from well-heeled people for the new company.

“Regin and I went around Tórshavn, cap in hand, so to speak, asking people to invest, but it was hard going,” recalled Eliassen.

They asked the insurance company Lív, the investors Framtaksgrunnurin, the insurers Tryggingarsambandið, Tórshavn Shipyard and others. They were unsuccessful. No one with a fat bank account wanted anything to do with fish farming.

It was not before Liggjas í Bø and others in the holding company Tjaldur invested DKK 20 million in the company that things began to look up. í Bø thinks that he was the only one at the time in the Faroe Islands who believed fish farming had a future.

“I think that is when the ball started rolling for us. After this, Tryggingarsambandið, Framtaksgrunnurin and Lív also made their investments. Being able to establish this new and big Bakkafrøst helped the Northern Isles follow suit,” reminisced Eliassen.

That was in 2006. When the company was floated on Oslo Børs four years later, Havsbrún owned about 17 % of Bakkafrøst’s shares.

Smooth sailing

From the onset, the new company had wind in its sails. But in 2008–2009 Tjaldur floundered and chose to sell its Bakkafrøst stock, which were bought by the owners SalMar, a Norwegian company. This acquisition worried the old

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rope and the US invest in the company. Føroya Banki sells all its shares in the company, making Havsbrún the largest single shareholder. This has been a demanding journey for the Faroese company, but the reception in Oslo and among international investors could not have been better.

Oslo Børs is the stock exchange for major international seafood companies, especially fish farming operators. When the company is listed, there are five companies producing more salmon than Bakka-frost. They are all Norwegian:

Marine Harvest,	300,000 tonnes
Lerøy Seafood,	110,000 tonnes
Cermaq,	108,000 tonnes
SalMar,	70,000 tonnes
Grieg Seafood,	50,000 tonnes
Bakka-frost,	23,000 tonnes

There are about 100 salmon farming companies in Norway in 2010, and they produce two thirds of all salmon in the world. The Faroese production amounts to about 3 per cent of the global market. By year end, the company's net capital is just short of DKK 800 million, and its market value is DKK 2.1 billion. In 2010, the average sales value per employee

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very competent director. He commented on *IntraFish* that morning:

“We believe that Bakka-frost is a very well-managed company with a strong and healthy organisational culture. We have invested in Bakka-frost because we believe the conditions to run fish farms in the Faroe Islands are good, and we see advantages in collaboration

between SalMar and Bakka-frost. At the same time, we believe the companies have potential for increased growth.”

In an interview on the news programme, *Dagur og vika*, Johnny í Gróttinum, who then worked as an analyst in BankNordik, noted that SalMar's investment was a stamp of approval for Bakka-frost. In his words:

“SalMar is a big company that is well acquainted with the fish farming industry and the international salmon market. That they choose to invest about half a billion Norwegian kroner in Faroese fish farming is no doubt a stamp of approval.”

He added that the purchase proved that foreigners trust the structure of fish farming in the Faroe Islands and the political framework provided for it.

The message from SalMar's leadership was crystal clear: they had not invested in Bakka-frost simply to have their share of the company. They intended to acquire more. This was an operational investment, and they wanted to have their say in the company's management.

This was the message of SalMar's executives, first stated by Leif Inge Nordhammer and later repeated by Yngve Myhre.

An inconspicuous shareholder? No thanks!

SalMar's and Bakka-frost's managements discussed the cooperation between the two amicably. But, there was no doubting SalMar's intent – they wanted to buy Bakka-frost. They certainly had the

“I am not interested in being an inconspicuous shareholder pulled by Norwegian strings.”

HANS Á BAKKA ABOUT SALMAR'S INVESTMENT IN BAKKA-FROST

financial clout to do so. Therefore, an intense effort was made in the Faroe Islands to thwart the acquisition of Bakka-frost.

Some months after SalMar had become the largest shareholder, Regin Jacobsen and Hans Jacobsen, also known as Hans á Bakka, discussed the situation. They kept in touch regularly, and SalMar popped up often in their conversation. An e-mail to Regin Jacobsen on 3 Mar. 2011, in which Hans á Bakka summed up his take on the situation revealed clearly his dissatisfaction with it.

Among other things, he stated that he was “not interested in being an inconspicuous shareholder pulled by Norwegian strings.” He added, “we know what they are like now, and they are nice now, that is to their advantage.”

It is clear that Hans á Bakka feared that they would lose Bakka-frost. He wrote to Regin:

“When these men own the majority and gain control over the company,

there is no guarantee that we, as minority shareholders, will be of much interest to them. We might end up worse off than if we just sold now. If they want everything, they are able to buy everything, and we are hardly able to stop them.”

In his e-mail, Hans á Bakka was blunt, calling it as he saw it – if it ended with a SalMar take-over, “then I have lost my interest and can only conclude that I was always afraid it would end up like this.”

His only comfort was that share rates were quite high and selling would be profitable.

Regin Jacobsen outlined his position unequivocally as well. He had nothing against a major investor, but he expected such an investor to trust them. In a conversation with *IntraFish* in May 2012, Jacobsen said that as long as SalMar respected Bakka-frost as an independent Faroese company with plans to develop and grow in the Faroes, he could live with this investor. He added

Leif Inge Nordhammer was SalMar's CEO when the company became the largest shareholder in Bakka-frost. PHOTO: JÓGVAN H. GARDAR





Yngve Myhre was SalMar's CEO, when the company decided to sell some and finally all their shares in Bakkafrost. PHOTO: JÓGVAN H. GARDAR

that by floating the company on a stock exchange, he had opened the door to being taken over.

“It is, nevertheless, important to us that we can implement our strategy for Bakkafrost and Faroese society. And that is also our long-term plan,” he added.

Jacobsen also noted that Bakkafrost found it interesting that a company like SalMar showed interest in it. In his words:

“That SalMar is interested in Bakkafrost can be seen as a stamp of approval that we are on to something good.”

The shareholders had to make up their minds, and behind the scene, both SalMar and Bakkafrost were busy planning their moves. The chair of Bakkafrost, Rúni M. Hansen, said that his concern was what the board had not only promised the shareholders, but also politicians and Faroese society as a whole; the strategic goal was to be

an independent company that ensured long-term sustainable growth through stable and cost effective production. He said that the board had repeated this several times since the company went on Oslo Børs, including when it was floated and later, when Bakkafrost acquired Havsbrún.

He observed that it was important when a large part of a country's industry and export rested on one company:

“Our message and my message as chair of the board was unambiguous, we wanted to continue to operate an independent company.”

The political system followed the situation closely, and in the summer of 2012 the Minister of Industry, Johan Dahl, came to the conclusion that the law must be changed. He wanted to impede foreign operators from taking over Faroese fish farming.

In his motion, foreign ownership would be limited to 30 per cent of shares. Additionally, foreign shareholders were not to hold more than 10 per cent of votes in an individual fish farming company. Another requirement is that the chair and at least half of the

board must have lived or have had their residence in the Faroe Islands for at least two years.

When the motion was tabled on 9 Aug. 2021, there were two foreign owners in Faroese fish farming, Marine Harvest and SalMar. Marine Harvest held more than 30 per cent of shares in one company, while SalMar held 25 per cent of Bakkafrost's shares, with the option of buying another 5 per cent. With the amendment to the law, SalMar would not be able to buy more shares in Bakkafrost, and they would lose their vote.

This was the beginning of the end of any further SalMar investment in Bakkafrost. On 12 Dec. 2013, it was announced that SalMar would not make any further investments in the Faroes. As management had said, this was not just simply an investment in Bakkafrost, the aim had been to become part of the Faroese industry, operating fish farms in the Faroes. This plan failed; therefore, SalMar chose to sell their shares in the Faroese company. The SalMar shares were sold for NOK 86 each, netting SalMar NOK 625 million for the sale.

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is about DKK 2 million. In 2009, the average sale's value was DKK 1.8 million.

2011

Bakkafrost acquires P/F Havsbrún, a state-of-the-art and internationally renowned fishmeal, fish oil and fish feed producer located in the Faroe Islands. The production of fishmeal and oil is mostly used in the company's production of fishmeal, the rest is exported. Bakkafrost is Havsbrún's largest customer. P/F Havsbrún own 78.1 per cent of P/F Faroe Farming and P/F Viking Seafood with a total of 5 licenses. After Bakkafrost acquired Havsbrún, the company also purchases the minority shares in P/F Viking Seafood, leaving it in possession of all of the latter's shares. Bakkafrost's chair of the board, Rúni M. Hansen, also becomes the chair of Havsbrún's board. Wages paid out in 2011 are higher than the company's total sales in 2001. Havsbrún was the largest shareholder of Bakkafrost, but in 2011 Bakkafrost purchased its largest owner. This makes Bakkafrost a better and larger company that can compete with the big fish farming operators in the international market. With this acquisition, Bakkafrost

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Snæbjørn Justinussen grew up in Glyvrar with a view of Bakkafrost. He was fourteen when he first worked at Bakkafrost, processing blue whiting.

PHOTO: JENS KRISTIAN VANG

SNÆBJØRN JUSTINUSSEN

A staunchly loyal employer

“It was quite exciting. With some of my peers I found a job as soon as I left school. We would often work until midnight,” recalled Snæbjørn Justinussen.

He was very shy when he first started but settled in quickly. The cafeteria lady, Helga, took care of him.

“She was so nice, made sure I got my Wellingtons, my employee number and so on. I so enjoyed my work from the get-go that I would work in my free time, such as during my holidays. I processed both blue whiting and worked in the freezing plant. I was also involved a little in salmon processing.

“Today we talk about Bakkafrost as

a giant, but in the 1990s, for example, Bakkafrost was not that big if you think about the people who worked here. The company has been very important for this region,” he said.

At Lambavík

In 2000, people were needed at the fish farm at Lambavík. Justinussen seized the opportunity. This was where he worked most often until 2014, when he got a new job with Bakkafrost.

“The working day in fish farming was long. During our lunch break, from noon to 1 p.m., we went home. We also took a break for dinner, but then continued

Snæbjørn Justinussen, Bakkafrost workman grew up in Glyvrar and was only fourteen when he first worked at Bakkafrost, processing blue whiting.

“ I remember the day very well when the veterinarian confirmed that we too had been infected with the ISA disease. That was a terrible day. ”

to feed the fish until dusk. It was hard work, but we earned a lot,” explained Justinussen.

For a while, he worked on the farm located off Hulk in the village of Strendur, and later, in 2003, in Søldarfjørður.

“That was the end of it, everything stopped. It was really sad. We could hardly believe it, that the ISA disease could halt our work in this way. I remember very well the day when the veterinarian confirmed that we too had been infected with the ISA disease. That was a terrible day,” said Justinussen.

Loyal men

One morning, in the summer of 2003, when the ISA epidemic was at its peak in the Faroe Islands, Justinussen met with his boss, Regin Jacobsen.

“I came right out and asked him what my future looked like. He said it like it was, the prospects were bleak. So, I said he probably wouldn’t mind if I found myself another job, and that was of course OK,” recalled Justinussen.

The Bakka men have always been loyal.

“I found another job, called Regin, and told him that now I had found a new job and thanked him for my time at Bakkafrost. I remember what he then told me, that if they started up again, he would contact me. A year later, they called. You don’t forget something like that. That is what they are like, they keep their word,” says Justinussen.

He remembered how no one expected the industry to revive and certainly not this quickly. But, already the following year, they had put fish in the cages at Lambavík.

After Faroe Salmon and Bakkafrost merged, Justinussen worked at the farm in Hvannasund for two years. According to him,

“I would park my car in Leirvík, and take the ferry across to Klaksvík, where they had a car that I could use. When the subsea tunnel came in 2006, I only needed my own car.

“But I always wanted to return to the farming in Lambavík, and did so in 2007, where I was until 2014 when I started to do outdoor work here at

Bakkafrost. Now I take care of clearing away debris and rubbish such as broken pallets and Polystyrene boxes and such.”

Justinussen also takes care of the formic acid that is used for fish entrails.

2006: The turning point

Asked about how he has experienced the enormous changes in the company, from the small operation to the international company Bakkafrost is today, Justinussen said he started to notice the changes already in 2006.

“That’s when the mergers started, and in 2010 the farms in the Sundalagið area were added. Things turned around quickly, it happened so fast, and suddenly Bakkafrost was listed on Oslo Børs. So today we work in quite a large company. In the past you knew almost everyone who worked here, that is different today. But this is still a great place to work.”

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becomes the only company in the world in control of a value chain spanning the production of fish meal, fish oil and fish feed through smolt farming and farming at sea to the final gutting and packaging of its goods for retail sale.

About 600 people work at Bakkafrost.

At the beginning of the year, it was estimated that Bakkafrost’s sales would exceed DKK 1 billion. The result is about DKK 1.1 billion. About 38,000 tonnes of salmon is harvested.

The average sales value per employee had risen to DKK 2.1 million in 2011. Hans Jacobsen, one of the company’s founders, passes away.

2012

The Havsbrún group, which was taken over in 2011, is restructured to fit in better with the Bakkafrost group, enhancing the advantages of the merger. Because of the merger, the group is reorganised, and in order to comply with Faroese fish farming legislation, 51 per cent of Faroe Farming, a fish farming company, is sold. Bakkafrost UK is purchased towards the end of 2012 with the sale coming into effect on 1 January, 2013. Sales in 2012 amount to 48,000 tonnes of

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Stock Exchange Listing 26 March 2010

PHOTOS: JÓGVAN H. GARDAR



1. It is 9 o'clock, 26 March. Regin Jacobsen, CEO, rings the bell as Bakka-frost is listed on Oslo Børs. Joining him on the balcony, in addition to the chair of the board, Rúni M. Hansen and the rest of the board, are Hans Jacobsen, Bakka-frost's founder, and former chair of the board, Liggjas í Bø.

2.-3. Bakka-frost's share rate at 9:00 a.m. was NOK 33.10. By 9:49 a.m. it was down to 32.90. That was the start, but since then the share has risen significantly.

**The countdown.
When 10 seconds are left,
everyone at the exchange
joins the countdown.**



The chair of the board, Rúni M. Hansen, and the CEO, Regin Jacobsen, outside Oslo Børs, when the company was finally floated.



4. Hans and Oddvør Jacobsen listen while their son presents Bakkafrøst right after the company is listed. All companies listed on Oslo Børs make a similar presentation on the morning they are listed.

5. Second from left is Kolbjørn Giskeødegård, analyst from Nordea Market. He has followed the fish farming industry for many years, and here he listens to Regin Jacobsen's presentation.

6. The management of Føroya Banki, who prepared the listing. From left, Niels Juul Arge, Janus Petersen and John Rajani. Behind them Rúni M. Hansen, chair of Bakkafrøst's board, is seen.

7. After the company was listed, the Minister of Industry, Johan Dahl, the CEO of Lív, Tummás Eliassen and the CEO of Tryggingarsamband Føroya, Gunnar í Liða, discuss the prospects.

8. Johannes Jensen, board member and hotelier (on the far left), and Bergur Poulsen, director, converse after the listing.



Martin J. Olsen has worked at Bakkafrost, with a few breaks, since 1978. He has shared its history, from the herring era through the blue whiting season to salmon farming.

PHOTO: JENS KRISTIAN VANG

MARTIN J. OLSEN

Observing Bakkafrost for 40 years

“At the time the company processed herring. We cut them into fillets, stuffed them in glass jars and barrels for export. Some of the herring was also sold as bait. Today, it is an international company focusing solely on salmon,” said Martin J. Olsen.

As a machinist, his responsibility was to take care of the filleting machines, make sure they stayed sharp. He was also in charge of the freezing plant, the fork trucks and other things that needed maintenance. He was involved in Bakkafrost’s efforts to make ready-made meals for a fish exporter as well.

“We had to produce sauces, and I helped with that. There I stood, stirring spoons in huge pots. One man who

had his finger in everything was Hans á Bakka. He was always ready and kept a close eye on everything. Once, I remember, a smart fellow arrived, asking for the director. Hans stood in a well in the middle of the floor, shovelling herring. There wasn’t much pretence about Hans. He was incredibly resourceful,” explained Olsen.

“I have had a great time at Bakkafrost, perhaps especially the first years. I worked at Bakkafrost for 10 years before taking on another job for a while. One of the jobs I held was at the municipality, but then they asked me to return to Bakkafrost, and I started to work at the smolt farm in Glyvradalur. Truth be told, though, I always worked for

Martin J. Olsen, mechanical engineer, was first employed at Bakkafrost in 1978. Hans á Bakka and Olsen knew each other, and it was the former who invited him to come and work as a machinist. At the time, Bakkafrost was a young and very different company.

Bakkafrost on the side while I held down the other jobs. They used a lot of boats in fish farming then, and they had to be maintained,” recalled Olsen.

Blue whiting

Olsen worked at Bakkafrost throughout the entire blue whiting era.

“I think it started in 1980. Ships came in to land, including *Gullfinnur*. They sold blue whiting, and we cut the fish into fillets and made blue whiting mince. Now and then, we also processed argentine.

“And then there was surimi production. We bought a surimi plant in Japan. It was used much. First, the blue whiting was cut into fillets, then ground into mince or something like it before being poured into square tanks that washed everything out of the fish. Finally, what remained was put under pressure to press the liquid out of it. Then it was like a dough, but with no taste.”

The production of surimi gradually decreased, and then completely ground to a halt.

“New vessels, like *Skálafjall* and *Andrias í Hvannasundi*, were factory trawlers, where the blue whiting was filleted on-board.”

Fascinating work

The first 10 years when Olsen was there, much of what they worked with at Bakkafrost was unusual in a Faroese context. It was therefore both exciting and challenging to work as a machinist at the company as he explained:

“You were involved in so many things of which you knew little and had no expertise in. Therefore, you had to figure it out by yourself. I read up on a lot myself and drew also on the experience of others. So, it was a very exciting time.”

In 1988, Olsen went to work for Runavík Municipality, but he returned to work full-time for Bakkafrost in 2000, twelve years later. That was when he started at the smolt farm in Glyvradalur.

“It is a demanding job to be a mechanical engineer at a smolt farm. You have to take good care of everything, so it lasts as long as possible. There are a lot of pumps, and you use masses of oxygen. We produce it by using air compressors, reactors and so on.

“There is also a lot of electric equipment, and electronics are a big part of a normal day. Sometimes, the technology makes it possible to stay at home and work. But everything has to be done well.”

Olsen has worked at Bakkafrost without a break since 2000. He is 70 years old now and works half time. During this period, he has worked in Glyvradalur until he quite recently started to help out at another of the smolt farms owned by Bakkafrost in the village of Gjógv.

“ You were involved in so many things of which you knew little and had no expertise in. Therefore, you had to figure it out by yourself. I read up on a lot myself and drew also on the experience of others. So, it was a very exciting time. ”

Seismic changes

Olsen’s working conditions as a machinist changed so drastically since he started in the company in the seventies that he found it hard to put it into words.

“Finances were so tight back then. So, a machinist had to try to figure things out on his own without using outside help. I had to get it to work on my own”

The tools were poor as well, and if the conversation turned to buying a socket wrench set, it had to be thoroughly discussed before it was purchased.

“Hans á Bakka was also quite a frugal man, and he was good at recycling things. When the smolt

farm in Glyvradalur was built, there was no money. We needed to use a lot of water, and therefore had to put in a water line. At the same time, farming cages could break. But they were never thrown away. Instead they were driven up to Glyvradalur and welded together into a water pipe. Everything was done by hand,” Olsen noted.

They also needed a hall for the smolt farm in Glyvradalur, but they did not have the money to buy a new one. Instead, they bought an old one that had been dismantled in Tórshavn harbour. It was all reassembled again in Glyvradalur, by hand. The only machinery used was an excavator.

“When something needed more than hand power, we used the excavator – including everything that had to be hauled up the hill, such as the hall that had to be raised.”

In his opinion, much has changed.

Harsh Faroese weather

Olsen shared his memories of Bakkafrost acquiring its first fish farming cages. These were Norwegian cages of quite decent quality, but they could not withstand Faroese weather.

“The cages broke so often that they could not be used long-term. We, therefore, began to build our own cages. Then, we used steel fittings that lasted. Yes, we made many cages, also for other fish farmers. Truth be told, it became a little bit of a business for us.

“I was actually the first one in the Faroe Islands who made steel fittings for fish farming cages, fittings that lasted,” Olsen mused.

The fish cages were built in such a way that two cages were held together by one steel fitting linked up to a crossbar. It was these fittings Olsen was able to get to last in the Faroese weather conditions. That was in 1980.

Decent men

Olsen had only good words for the Bakka men, they were always good to work with. Or in his words: “they were great guys, incredibly nice guys.”

“Róland and Hans were wonderful to work with. Their father, Jóan Hendrik, was an older man, when I started working there. They were all humorous

and good at taking the mickey out of each other. They were even tempered, and Róland and his father were good at winding people up.

“When you work in a big company, things can easily come up, some misunderstanding perhaps. I have to say, if there was something going on, and the air, so to speak, needed to be cleared, then Hans always did it, and did it in a good way. He did not wait - nothing bad was allowed to linger. It was always dealt with,” he recalled.

Hans á Bakka was always in a good mood. He worked constantly but never grew tired. He was always in high spirits, even when they met for something after a hard day’s work.

According to Olsen, the Bakka men were always called by the nickname ‘*nøkkari*’. How they got this nickname and what it meant he does not know, but Jóan Hendrik, the father, was ‘*the nøkkari*.’

“Now Róland had been in Norway and came home with a little house to keep keys in. He gave the key house to his father. And on the house, it said: ‘*nøkkelhuset*’ [‘key house’ in Norwegian],” chuckled Olsen.

Another of their good stories was about a well-known villager called Frants who had stopped wearing a wig after many, many years. At the same time, he had grown a moustache.

“When Jóan Hendrik á Bakka found this out, he told his wife that things were a right mess for Frants. His wife had thrown the wig in the washing machine and it had shrunk so much it was of no use, but as a moustache,” laughed Olsen.

Today, Bakkafrost is not only an international fish farming company, which is highly respected around the world but a workplace that bears little resemblance to the one that Olsen first started working at in 1978.

“At that time all tools were reused, nothing was purchased before prolonged discussions. Today, there are good tools for everything, good drills, saws, good tools to weld with and so on. No, you cannot really compare it, and yet, it has all changed so slowly, cautiously, one thing at a time, that you don’t really notice it before it has happened. And this is perhaps what has characterised Bakkafrost over the years.” said Olsen.

Presentations at Hotel Continental

PHOTOS: JÓGVAN H. GARDAR

1. 2017: Regin Jacobsen, CEO presents the annual report for 2016 at Hotel Continental in Oslo.

2. 2017: Bakkafrost's management outside Hotel Continental after the presentation in February 2017. From the left, Gunnar Nielsen, CFO; Regin Jacobsen, CEO; and Rúni M. Hansen, chair of the Board.

3. 2013: Journalists queue to talk with Regin Jacobsen, CEO, after his presentation at Hotel Continental in November 2013.



4. 2012: Teitur Samuelsen, former CFO and current Bakkafrost board member, and Regin Jacobsen, CEO, speak with analysts after the presentation at Hotel Continental in 2012.

5. 2013: Odd Eliassen, CEO of Havsbrún, sometimes participates at the presentation of the annual results at Hotel Continental. Here, he is speaking with Georg Liasjø, analyst at ABG Sundal Collier in November 2013.





6. According to his peers, one of the top seafood industry analysts at Oslo Børs, Alexander Aukner of DNB Markets, speaks with the chair of Bakka-frost’s board, Rúni M. Hansen, after the presentation in Oslo in February 2019.

7. 2012: Teitur Samuelsen, former CFO and current member of Bakka-frost’s board, and Regin Jacobsen, CEO, speak with analysts after the presentation at Hotel Continental in February 2012.

8. 2012: Regin Jacobsen, CEO, speaks with the editor of *IntraFish*, Joar Grindheim, after the presentation in Oslo in November 2012.



9. 2014: Teitur Samuelsen, former CFO and current member of Bakka-frost’s board, speaks with Georg Liasjø, analyst at ABG Sundal Collier, after the pres-entation in May 2014.

10. 2015: Regin Jacobsen, CEO, makes some calculations and shows analysts how the numbers add up.

11. Rúni M. Hansen, chair of Bakka-frost’s board, speaks with the analysts Kolbjørn Giskeødegård and Lise Tønnesen from Nordea Markets.



Bakkafrost’s management outside Hotel Continental after the presentation in March 2016. From the left: Rúni M. Hansen, Chair of the Board; Regin Jacobsen, CEO; Odd Eliassen, CEO of Havsbrún; and Gunnar Nielsen, CFO.

From Faroese fjords to the wide world

It has been a long and chequered path from “one fish farmer – one fish farm” to what happened at Oslo Børs in 2010, when Bakkafrost was listed. At first the political system tried to cast, was of operations fit for a few hands close to their home village. However, the experiences acquired through the 1980s and 1990s, and specifically from early in this century, showed that the fish-farming industry needed coordination and principally, financial clout.

The political system was slow to appreciate that regional development could not always be forced on people and business. Perhaps the political system never quite understood this, because it was not until the whole industry collapsed, and the banks had become fish farmers, that something happened. The banks could well have sold the equipment and let the industry die.

At this time, people started to talk together. Fish farming in the 1990s

showed that it was possible to farm fish in the Faroes, but the infrastructure had to be improved. All over the Faroes, there were investors, business-people and farmers who were mulling this question. Líggjas í Bø, for example, noted that he was one of the few, perhaps the only one, who believed fish farming had a future.

It is only when Regin and Hans Jacobsen, Odd Eliassen, Líggjas í Bø, and later, Rúni M. Hansen, joined forces that a new map for fish farming was drawn. They agreed, that if the operation of a fish farming company was to be viable, it had to be of a certain size. At the outset, they began talking about listing on a stock exchange, but in 2003–2004, there was still a long way to go.

Havsbrún had a few licenses, and so did Bakkafrost and Faroe Salmon. For a start, these two companies held all the licenses in the Northern Isles and could therefore coordinate operations as they wished.

Making plans for more viable operations required more than the investor, farmer and businessperson speaking together. Føroya Banki, had the final say on their course of action given it had financed a large proportion of the industry, which in return was heavily indebted to it.

All parties had to talk together, the fish farming industry collectively, the

financial institutions and the political system. The legal framework for the industry was changed after the ISA-shock. It became more evident to everyone that it was necessary to separate year class. For that, it is best that one farmer is in charge of a fjord.

In 2006, the first steps were taken to what eventually lead to the listing of Bakkafrost on Oslo Børs. That is

Elduvík Cape at Funningsfjørður – the farming cages by the fjord’s mouth are seen in the background. PHOTO: JÓGVAN H. GARDAR



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salmon, an increase of no less than 64 per cent compared to 2011. The production of retail portions rose from just over 12,000 tonnes to more than 15,000 tonnes in 2012.

The salmon price, though, slumped significantly in 2012. Bakkafrost's profit per kg went from DKK 12.98 down to DKK 7.94 in 2012.

The number of employees has risen to about 800. There are about 300 Faroese shareholders in Bakkafrost and another 500-600 in 18 other countries. Although the Faroe Islands are remote, Bakkafrost can now send its fresh salmon to the world's big cities, offering customers in places like Beijing, Shanghai, Los Angeles and New York salmon that is no more than three days old. The EU has been the major market for Faroese farmed fish, and most farmers probably thought it was the best market. But, things change in 2012; even though the EU remains the largest single market, three other major markets emerge, the US, Russia and China, which is also seen in Bakkafrost's sales.

Of the total export from the Faroe Islands, Bakkafrost is responsible for 25 per cent.

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2013
Bakkafrost is the first company in the Faroe Islands to launch a long-term investment plan. Regin Jacobsen, CEO, and Rúni M. Hansen, chair of the board, present the plan at a café in Tórshavn. The goal is to ensure that Bakkafrost remains within the elite group of global fish farming companies in 2023. Bakkafrost announces that the purpose of the investment plan is to make the production on land more effective, to increase the production of fish and reduce environmental risks. Part of the plan is to build a new wellboat, Hans á Bakka. In order to lessen the environmental risk, Bakkafrost exchanges its farming area by the village of Vestmanna with P/F Luna's area in the Bay of Gøta. The company's share of the total export in the Faroe Islands has now risen to 30 per cent. Bakkafrost exports fish to more than 30 countries, and its salmon is now available in places like Hawaii, China, Japan, the United Arab Emirates, Indonesia, Russia, the US and most countries in Europe. The company has the equivalent of 590 full time employees. The actual number of people on Bakkafrost's payroll is 785.

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“ Here we find both investors and analysts who have the know-how to discern how a fish farming company like Bakkafrost works. ”

RÚNI M. HANSEN, CHAIR OF BAKKAFROST'S BOARD, ABOUT OSLO BØRS

The roadblocks were more political in nature, because it was not sufficiently clear if a fish farming company of the size its architects envisioned was legal.

Major stock exchange for the seafood industry

The pessimism that hit the Faroe Islands around the turn of the century was about to turn. Salmon production plummeted from 56,000 tonnes in 2003 to only 18,000 tonnes in 2006. But, things turned around in 2007, when the production increased to 30,000 tonnes and in 2008, it was 40,000 tonnes. The price for salmon was also increasing.

In 2009, it was finally clear that Vestlax would become a part of the Bakkafrost group, but it took time to finalise the paperwork. Nevertheless, the management of Føroya Banki and Bakkafrost had started making preparations to float Bakkafrost on Oslo Børs. At the time, Faroese companies were listed in Reykjavik or Copenhagen, but Bakkafrost chose Oslo, because other fish farming and seafood companies were already listed there.

As the invitation stated: “Why Oslo Børs? Oslo Børs is the fisheries and sea-

food industry stock exchange in the Nordic countries. Most of the major Nordic fish farming and fish industry companies that are floated on a stock exchange – as well as some from other countries – are listed on Oslo Børs. Many analysts follow these companies, assessing their results and prospects regularly.”

Bakkafrost and Vestlax were merged early in 2010. The two companies produced about 31,000 tonnes of filleted salmon with a value of DKK 922 million.

The whole production was exported, either fresh, iced or in frozen retail portions. The production capacity was estimated to be about 45,000 tonnes net with the potential for growth with the addition of two new farming areas.

Ready to be floated on Oslo Børs

On 15 Feb. 2010, Bakkafrost published the annual report for 2009, which was the best result in the company's history. Owner equity was almost DKK 600 million, and that was an excellent result. The annual meeting confirmed that the process launched in 2003 with the new fish farming law and the merger of Bakkafrost and Vestlax was now bearing

when Bakkafrost formally took over Faroe Salmon and changed the name to Bakkafrost Holding. Faroe Salmon was taken over by Hans Jacobsen, Regin Jacobsen, Martin Jakobsen, FB Holding, Havsbrún, Tjaldur, TF Holding, Norðoya Íløgufelag and Íløgufelagið Royndin. One of the goals of the new company was to take over Vestlax, which Føroya Banki wanted to sell.

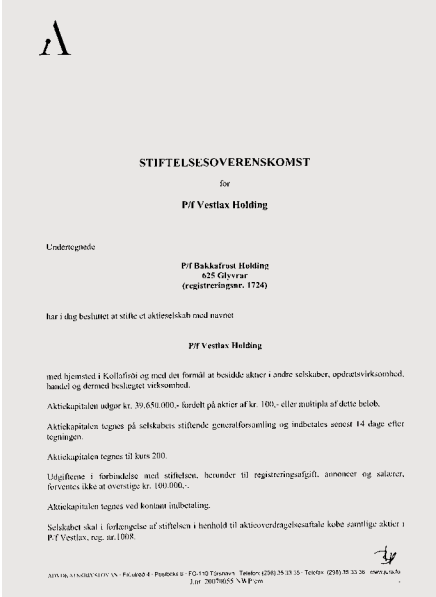
In the summer of 2008, an agreement was reached to form a group that would take over Vestlax. It consisted of Bakkafrost Holding, Havsbrún, Royal Greenland, TF Holding, Lív, Norðoya Íløgufelag and Føroya Banki.

Despite the decision to create one large company in 2006, nothing further happened with acquisitions before the fall of 2008. On 14 Oct., Vestlax Holding was formed. The founder was Bakkafrost Holding. The purpose was to take over Vestlaks. The investors in the new company included Bakkafrost Holding, Havsbrún, Føroya Banki, TF Holding, Føroya Lívstrygging, Norðoya Íløgufelag and Framtak. The largest single investor was Havsbrún. Royal Greenland had dropped out of the venture, when Vestlax was taken over in 2008.

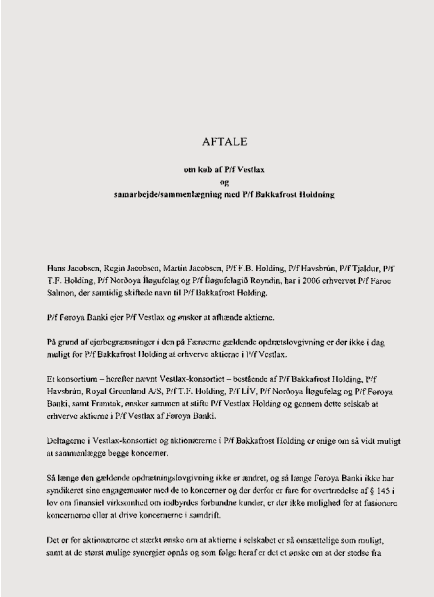
The Vestlax group's purpose was to take over Vestlax and its operations. Vestlaks was also one of the fish farming companies that Føroya Banki administered. Therefore, the idea of a large merger was put on the table, in which Vestlaks would become part of the same group that was already forming through the mergers and cooperation among Bakkafrost, Faroe Salmon and Havsbrún.

The agreements among the various parties and the founding of Bakkafrost Holding and the Vestlax group were the first clear steps toward listing on a stock exchange. This was the outcome of the long process that had commenced when Regin Jacobsen, Odd Eliassen and Liggjas í Bø had begun to discuss the future of fish farming in the Faroes.

Those who observed this process thought it took Føroya Banki a long time to decide what the bank wanted to do with Vestlaks. The company could have been sold to others, but it became more and more evident that the bank was trying to find a solution in which Vestlaks was merged with the Bakkafrost group.



The sales agreement that confirms that Bakkafrost Holding acquires Vestlax.



Vestlax Holding's deed of foundation. This finalised the work to get the company listed on Oslo Børs could begin in earnest.

Bakkafrost Does Better than Google and Facebook on the Stock Market

The journey Bakkafrost started on in 2010 has been an adventure. Those who bought shares in the company on 26 March 2010 for just over NOK 30 a share – and are still in possession of them – have earned more than NOK 400 per share. The minimum number of shares that could be acquired was 500 shares. They cost about NOK 16,000 when the company was listed on Oslo Børs. When the shares peaked, in October 2018, these same 500 shares would have been worth about NOK 260,000. On top of this comes the dividend Bakkafrost pays out to its shareholders.

Kolbjørn Giskeødegård of Nordea Markets is the Oslo Børs analyst who has followed Bakkafrost through the years, and who knows both Bakkafrost and the Faroese fish farming industry best. He has repeatedly said that Bakkafrost's story is a fairy tale. He points out that the operating result per kg of salmon since 2011 shows that Bakkafrost is number one in the world in earned profit.

Giskeødegård points out that Bakkafrost's strength is that the company is not heavily indebted. Also, the company's operations are not solely in salmon farming. This makes it easier for Bakkafrost in tough times. The combination of fish farming with production of fishmeal, fish oil, fish feed and salmon products gives the company several viable options.

Rúni M. Hansen, the chair of Bakkafrost's board, says that key to both the board and management is to optimise operations.

"We keep a constant eye on operations, that it is as good as possible," says Hansen.

The stock market figures speak also for themselves. Between March 2010 and December 2018, the value of the Bakkafrost share rose 1,690 per cent. It was not easy to predict in 2010 that it would go so well as the years between 2000 and 2010 are often spoken of as the lost decade in the fish farming industry. The example often highlighted is Pan

Fish, which shot up like a rocket and crashed just as quickly. Between 2003 and 2009, the salmon price was about NOK 25 per kg, and the Marine Harvest share (which builds on the remains of Pan Fish) did not move at all. Investors were wary of fish farming companies.

In 2018, Robert Næss of Nordea Asset Management said in an interview with Finansavisen that what has happened with fish farming companies on the stock exchange can only be compared to one thing. He compared them with the companies, which are often called investment of our times phenomenon, the technology locomotive labelled FAANG (Facebook, Apple, Amazon, Netflix and Google).

"Bakkafrost even beats Amazon, Google, Facebook, Apple, Tencent, Baidu and Alibaba," says Robert Næss.

fruit. The annual meeting gave the green light to continue with the preparation of listing the company on Oslo Børs.

Regin Jacobsen, CEO, affirmed that the results were good and that the company's 450 employees had done an excellent job.

Rúni M. Hansen, chair of Bakkafrost's board, pointed out that Oslo Børs was the foremost stock exchange in the world for fisheries and fish farming. In his words:

"We believe this is the right stock exchange for Bakkafrost. Here, we find both investors and analysts who have the know-how to discern how a fish farming company like Bakkafrost works. We also see that interest in us is great at Oslo Børs."

The board was re-elected: Rúni M. Hansen, chair; Johannes Jensen, deputy chair, and Odd Eliassen, Trine S. Romund, Annika Frederiksberg and Virgar Dahl were members.

The decision to list the company on Oslo Børs was to be taken on 25 March,

when the stock exchange's board would decide on the application.

A large delegation journeyed to Norway from the Faroe Islands to be present when the listing was confirmed. On Thursday evening, 25 March, a dinner was held, where the Minister of Industry, Johan Dahl, made a speech. In it, he summarised the development of fish farming in the Faroes, noting what the authorities, banks, and not least, the fish farming industry itself had done to resuscitate the industry, especially with the help of the new legal framework, stricter health and sanitary regulations and increased cooperation within the industry.

The big day

Friday 26 March 2010 was the big day. Just before 9:00 a.m., Regin Jacobsen walked out on the balcony of Oslo Børs together with the members of the board. Hans á Bakka and Liggjas í Bø also joined them, even though they no longer were members of the board.

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The mackerel feud between the Faroe Islands and the EU has not yet affected the fish farming industry, but in June Ian McFadden, the leader of the Scottish Pelagic Processors Association (SPPA), accuses the Faroese of using mackerel, fish suitable for human consumption, in fish feed, a claim made in The Scotsman. Odd Eliassen, the CEO of Havsbrún, denies the claim in IntraFish, and points out that the Faroese fish farming industry has agreed not to use mackerel in fish feed. When the semi-public Norwegian company, Cermaq tries to acquire the Peruvian shipowners and meal producer Copeinca, Regin Jacobsen, CEO, confirms that Bakkafrost has never intended to buy fishing vessels. Jacobsen, though, does not deny that the company might invest in the fishing fleet at some point, but this is not in keeping with the company's current plans. However, Bakkafrost does indirectly own part of a trawler, as it is a shareholder in Faroe Farming. Faroe Farming has invested in a pelagic trawler.

2014

The first phase of the investment plan is completed, when the new

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"We keep a constant eye on operations, that it is as good as possible," says Rúni M. Hansen.
PHOTO: JÓGVAN H. GARDAR



Kolbjørn Giskeødegård of Nordea Markets has repeatedly said that Bakkafrost's story is a fairy tale.
PHOTO: JÓGVAN H. GARDAR

“ Not in my wildest of dreams had I expected that Bakkafrost would end up on Oslo Børs. I doubt I even knew what Oslo Børs was when I started the company. ”

HANS Á BAKKA, FOUNDER



From the founding of Vestlax Holding. From the left: Regin Jacobsen, Bakkafrost; Símun Joensen; Tummas Eliassen, Gunnar í Liða, TF Holding; John Rajani, Føroya Banki; Bergur Poulsen, Havsbrún; Líggjas í Bø, Bakkafrost; Niels Dan West and Niels Winther Poulsen. PHOTO: BAKKAFROST

“ Being listed on
Oslo Børs is a milestone in our
company’s history. ”

REGIN JACOBSEN, CEO

“The growth will happen elsewhere, and in the long run, I expect it to be outside the Faroe Islands,” said Hans á Bakka.

An exiting journey commences

Regin Jacobsen commented that this had been an exciting journey for the company, not least the story that commenced with being floated on the stock exchange.

“Being listed on Oslo Børs is a milestone in our company’s history. Floating the company makes it possible for everyone who wishes to do so to own a part of the largest fish farming company in the Faroe Islands without having to buy the whole company. For the company itself, it is a decisive opportunity to ensure that the plans we have for it come to fruition – and that is to grow. This gives us the competitive edge be-

cause we can acquire adequate funds for the company,” said Jacobsen.

When the company was ready to be listed, the overview showed that of the one thousand new shareholders about half were Faroese.

The board and management of Bakkafrost had carefully considered tactics to entice Faroese people to buy shares in the listed company.

Rúni M. Hansen, chair of the board,

“ We have crossed boundaries,
which it was natural for us to stay within.
By listing on the stock exchange, we have
gone beyond business as usual. ”

HANS Á BAKKA, FOUNDER

indicated that much effort was spent on explaining this opportunity to the Faroese. Other attempts at listing had not gone well, and with the memory of the recent financial crisis still fresh, it was understandable that many had doubts.

Privileging potential Faroese
shareholders

All households in the Faroe Islands received a pamphlet with information on the listing and its purpose. The company intentionally put potential Faroese buyers ahead of foreign ones – a choice that is at the discretion of a company.

Faroese buyers were given just over 14 days to buy shares, from 8 March to 23 March, before the company was officially floated on 26 March.

The interest in buying shares was exceptionally great, not least among Norwegian investors, who knew the fish farming industry well.

Bakkafrost took the right to prioritise Faroese investors. The invitation indicated as follows: “If the demand

for shares is higher than the number of shares for sale, received bids may be reduced when shares are granted. Faroese investors who buy shares in the public offering for minor investors are prioritised. Minimum purchase is 500 shares.”

The board of Bakkafrost had to limit how many shares people were able to buy. It was decided that Faroese investors would first receive what they had wished to buy, and the rest would then be divided among the foreign investors. Some big investors received quite a bit less than what they had planned to acquire, but Rúni M. Hansen says that he had made it clear in no uncertain terms that Faroese investors would be privileged.

It is said that some were not happy about not receiving anything or less than they had planned.

Føroya Banki sold its shares in Bakkafrost, while other shareholders suddenly sold almost 9 per cent of their shares. In total, about 50 per cent of all shares were sold on the day the company was listed.

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boat sails for the first time into Skálafjørður on Thursday, 30 July, 2015, and berths at á Bakka, Glyvrar.

2016

The fish farming cages are hit by a series of storms at Christmas, but extensive experience and good preparation for bad weather helps. Damage to Bakkafrost’s operations is limited, a few loose board and broken pipes, but otherwise, there is no damage to the fish. Bakkafrost prepares a plan for ASC (Aquaculture Stewardship Council) certification. The goal is to get all farming areas ASC certified by 2020. The Faroese authorities approve Bakkafrost’s complete take-over of Faroe Farming in July. Bakkafrost owns 49 per cent and agrees to purchase the remainder from the other owner, P/F Hjalla. FSF (the Faroe Islands Football Association) and Bakkafrost sign an agreement in June for a new two-year contract in which Bakkafrost becomes the main sponsor of the men’s national team’s upcoming Word Cup qualifiers. The Faroe Islands are in the same group as Portugal, Switzerland, Hungary, Latvia and Andorra. The Faroese Food and Veterinary Authority sus-

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Janus Petersen was the CEO of Føroya Banki during the crisis years in the fish farming industry, and he was also involved in the preparation to list Bakkafrost at Oslo Børs in 2010. It is said that no progress was made in the reconstruction of the fish farming industry before he became the bank's CEO.

PHOTO: JENS KRISTIAN VANG

JANUS PETERSEN

Bank CEO come fish farmer

The first reconstruction of the fish farming industry in 1994

The fish farming industry was in dire straits. It was not profitable and with diseases ravishing the farming cages, the numbers were dismally red. Most fish farming companies went bankrupt; only the best-run companies survived, including Bakkafrost in Glyvrar.

It was evident to Janus Petersen that the fish farming industry had significant structural problems that had to be solved if it were to become a sustainable industry.

In the 1980s, when fish farming first started in the Faroes, 63 companies were granted licenses to farm salmon. The companies were so small that they were unable to generate any profit, and

in their fight for survival, they created trouble for one another. Farming was more intense than the companies were able to manage ecologically, upsetting the biological balance. When disease hit – at the time it was usually sea lice, furunculosis and other illnesses – the companies often had neither the energy nor the financial capacity to manage the illnesses. Therefore, the diseases spread from one farming cage to the next, devastating neighbouring farms.

“At Føroya Banki, we had to decide whether the bank would continue to finance this loss-making industry that had cost the bank dearly. Fish farming was a new industry and was an important part of the Faroese economy. Therefore, the bank decided to try to do

Janus Petersen became CEO of Føroya Banki in April 1994, just after a major bank crisis that bankrupted the Faroese state and the banks. The Bank management's first task in the early days was to rebuild the collapsed industry.

“Bakkafrost was one of the few well-run fish farming companies that survived the crisis in 2001, and the company also had guts, courage and imagination in seeking out new ideas. It was also interested in being part of a larger company.”

something with key players in the industry to get it back on its feet – together with the fish farmers with the best run companies, the industry’s principal suppliers, the feed producer Havsbrún in the village of Fuglafjørður, and the official authorities responsible for the sector, Faroese Food and Veterinary Agency. We all agreed that the industry needed to be restructured. There had to be fewer operators with larger operations, who could benefit from the economics of scale, who would be motivated to implement preventative measures and refrain from putting too great an ecological strain on the fjords,” explained Petersen.

“The upshot of it was that fifteen companies were left after the crisis. The industry boomed in the second half of the 1990s. Better management resulted in fewer diseases, and increased production per operational unit meant better results for the companies. In 2000, the total production value reached DKK 1 billion, and owner equity had increased by more than half a billion Danish kroners” Petersen pointed out.

The second reconstruction of the fish farming industry

Disaster struck in 2001. There was a countrywide breakout of the dangerous ISA disease, quickly resulting in high fish mortality rates. The health and food authorities ordered several farms to slaughter all their fish. Petersen recalled how the industry simultaneously experienced the largest price drop in recent times, with salmon prices plunging below DKK 19 per kg. That was far less than it cost to produce the salmon.

“This combination of high mortality rates, emergency slaughter, and selling at a loss meant

that almost all the companies were running with significant deficits,” he said.

He pointed out that in 2000, most people believed that the fish farming industry was doing well, but in 2002–2004, the deficit in the industry was more than DKK 1 billion. As a result, most fish farming companies went bankrupt. The big losers were the investors in the industry who lost their companies, Havsbrún and other providers with their loss of credit, and the banks who never got their loans repaid. Føroya Banki alone lost almost DKK 300 million on the fish farming industry. That was a massive loss, but the bank’s solvency was so high that the loss did not prove a challenge.

“The bank found itself in the same situation as in 1992–94. The fish farming industry was in shambles, and the bank had to assess if it was advisable to continue after these dire experiences. But, we believed it was right to make one more attempt, but only if the operational conditions were bettered.”

After consulting the remaining operators, feed producers, and the banks, the Food and Veterinary Agency led the way in setting new requirements for fish farming. It was required that an area was to lie fallow for six months after a completed production cycle. This stipulation to let areas lie fallow for a period was revolutionary. In addition to this, several other measures were put in place to reduce the environmental impact on the fjords.

To ensure they had the proper management tools, the banks demanded certain changes in the law that made it easier for banks to mortgage both the production and the fish farming licenses. The Faroese parliament enacted these changes.

“After the great setback in 2001, fish farming

was run as if in a state of emergency. According to the law, the banks could only run other businesses for a limited time in order to make them fit for handing over to new owners.

“The banks, together with the feed producers, took the responsibility to run the farms until the fish was harvested. Limited numbers of smolts were put into the cages, and the harvest was significantly reduced. When the harvest peaked in 2001, it was 41,000 tonnes in net weight. In 2006, it was less than 10,000 tonnes. Only a few farms released new smolts. Bakkafrost was one of the few companies with both the courage and capability to continue farming,” declared Petersen.

New Bakkafrost is founded

Early in 2005, Janus Petersen became Føroya Banki’s CEO. One of the primary goals he wanted to achieve was to get the fish farming industry back on its feet, and so divest the bank of the enormous responsibility of running most of the fish farming industry in the Faroes.

When the production was under control, and a new environmental protection scheme was in place, the bank, together with Havsbrún, started to look for a way to reconstruct the industry. The bank demanded that new capital be invested in the industry because fish farming needed a significant amount of capital. The bank also wanted to reduce the number of operators in the industry significantly.

According to Petersen, “Bakkafrost was one of the few well-run fish farming companies that survived the crisis in 2001, and the company also had guts, courage and imagination in seeking out new ideas. It was also interested in being part of a larger company. The idea was to unite the farming areas in the Northern Isles and in parts of Eysturoy in one company, merging, among others, Bakkafrost in Eysturoy, Faroe Salmon’s areas, as well as East Salmon and Hellisvað in the Northern Isles. At the time, Føroya Banki owned Faroe Salmon in Klaksvík and 60 per cent of Eystlaks in the village of Hvannasund, where Bakkafrost and Havsbrún also were minor owners.”

He thought such a big company was of great interest to the bank, because environmentally, it would be far more stable for farming, since the

company would be the sole operator in a large area, significantly reducing the risk of infection from other farms. Furthermore, having this many farming areas also made it easier to fulfil the requirements to let fjords lie fallow between production cycles.

“And finally, this would be a great opportunity for mass-scale farming and better utilisation of a common infrastructure, including Faroe Salmon’s advanced slaughter plant in Klaksvík, Bakkafrost’s packaging plant in Glyvvar as well as its wellboats, farming boats and smolt farms, and so on.” Petersen opined.

In the wake of these talks, the idea of organising fish farming in large regions emerged in the bank. These would be self-sufficient units with high capital, so that the bank would no longer be forced to be an owner or play an owner-like position. The bank could concentrate on being a bank that financed the industry.

“Already then, we in the bank wondered whether the big fish farming companies might one day be floated on one of the stock exchanges, and so be able to raise capital that way,” Petersen reminisced.

Bakkafrost had started to look for investors for this venture, and several capital strong companies in the Faroe Islands were interested. One company was formed from the remains of Faroe Salmon in Klaksvík, of which all the other companies became subsidiaries. The owners of the new company were Bakkafrost, Føroya Banki, Havsbrún, Tryggingarfelagið Føroyar, Tjaldur and Lív.

“Føroya Banki was the largest owner, owning a third, but with this the bank escaped the position as majority owner. This was important because a bank can only in exceptional cases run businesses, and it can only do so with a view of handing it over to others,” Petersen explained.

He believed the people at Bakkafrost were visionary in this venture. They could clearly see that this large company had a far greater prospect of doing well than small ones and therefore, they were happy to be a minority owner in the big company.

“Although the owners of Bakkafrost did not formally have the decisive vote in the new company, it was nevertheless built up around the management of Bakkafrost with Regin Jacobsen at the helm,” clarified Petersen.

A FAROESE COMPANY

Saturday, 6 July 2012, proved to be unique to fish farmers in both Norway and the Faroes. Norway was on its way into the industrial summer break, when select media and journalists were called to a press conference. It was overcast

but dry, a peaceful Oslo Saturday in July. Many had gone on their summer holidays the day before and had already escaped the city. The invitation came from the Russian health authorities, Rosselkhoznadzor. Those who follow the fish farming industry knew that a delegation from Rosselkhoznadzor was in Norway at the time, and that they had made inspections at a few companies. Now, on their way home, they wished to meet the press before departing.

Three representatives from Rosselkhoznadzor and a translator showed up at the press conference. Alexie Alekseenko, the vice director, grim-faced, took the floor. He was very grave when he chided the Norwegian Food Safety Authority, Mattilsynet, for poor inspections. He was not amused by the fact that they had gone on vacation, and therefore, could not meet the Russians. He pointed out that he had discovered serious breaches in health and sanitary requirements. He promised that this would have consequences for Norway and the Norwegian fish farming industry. He did not rule out the Norwegian fish industry being denied access to the Russian market.

There proved to be consequences. At first, a number of companies were hit, and, in 2013, Russia banned all salmon import from Norway. Later, with the Krim crisis, the relationship between Russia and Norway came to a standstill. This crisis also locked out EU salmon exporters from the Russian market.

The result of the embargo was that Faroese fish farmers suddenly had the Russian fresh fish market to themselves. Chile was also able to sell salmon to Rus-

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pects that the fish farm in Hvannasund Norður is infected with ILA. The cages contain 1.2 million salmon. An analysis from Kontali Analyse shows that Bakkafróst's salmon is on average sold for one Euro more than Norwegian salmon. On 30 July, fifty years have passed since Havsbrún was founded. In order to make Bakkafróst's operations more efficient, the decision is made to move the smolt production on the island of Svínoy to the newly expanded smolt farms in the Northern Isles. Bakkafróst's old smolt farm in Svínoy is sold to Sjúður Jacobsen. The new owner, who is the son of Bjarni Jacobsen, who built the smolt farm, plans to use it to farm Faroese lumpfish.

2017

Just before Christmas, Bakkafróst signs an agreement with Fiskaaling (an aquaculture research station) and the Ministry of Foreign Affairs and Industry to take over Fiskaaling's breeding programme. Bakkafróst will build a new breeding station, and until it is completed, the programme will continue at Fiskaaling's stations in Skopun and við Áir. The employees at these locations will continue in their jobs. This agreement ensures continued roe production, a breeding

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Bakkafróst's headquarters in Glyvrar, and their large production plant.

PHOTO:
BAKKAFRÓST

sia, but they exported primarily frozen salmon.

Suddenly, there was almost no limit to what the Russians would pay for salmon from the Faroes. The phones of the Faroese producers were constantly ringing, and sellers were knocking on the doors. They wanted to buy all the salmon they could get their hands on.



Press conference in Oslo, 6 July 2013. The vice director of Rosselkhoznadzor, Alexie Alekseenko, gives clear indications that Norwegian fish farmers will be excluded from the Russian market. PHOTO: JÓGVAN H. GARDAR

No interest in quick profit

Bakkafrost, however, stated their position clearly. They could sell as much as possible to Russia, but they would not turn their back on their regular customers or renege any signed agreement in order to supply the Russians with what they were desperately wanting.

Bakkafrost did not let quick profit interfere with their long-term plans. The company has been steadily building up to what it is today.

In 2005, Bakkafrost owned the rights to one farming area, had one smolt farm, and they filleted and processed salmon.

In 2006, six farming areas were added, and they acquired a wellboat.

In 2009, they obtained another four farming areas.

In 2010, Bakkafrost was listed on Oslo Børs.

In 2011, with the purchase of Havsbrún, five farming areas were added.

In 2016, with the acquisition of Faroe Salmon came the farming areas in Suðuroy, the southernmost island in the Faroes.

In addition to its phenomenal growth, what has characterised Bakkafrost is a fundamental commitment to being a Faroese company and keeping as much as possible of the company's operations in the Faroes.

From the outset, it was evident what happened at Bakka in Glyvrrar was intended to be a Faroese production. In 1979, when Fiskasølan, the primary fish exporter in the Faroe Islands at the time, wanted to move part of their operations in Grimsby to Glyvrrar, Bakkafrost welcomed the initiative with open arms. The same attitude was seen in 1995, when the plant at Bakka started producing salmon in retail portions packaging, and which



Hans á Bakka is one of the major investments in Bakkafrost's future. PHOTO: REGIN OLSEN

today is one of the primary products produced at the company's new plant in the same place.

While the Norwegians were trying to get their head around what happened on 6 Jul. 2013, people at Bakkafrost were almost ready to present their largest investment plan ever.

On Monday morning, 8 Jul. 2013, Bakkafrost announced via Oslo Børs that the company planned to make some sizeable investments. Bakkafrost presented an unusual plan in a Faroese context, a long-term investment plan for 2013 to 2018. The political system is seldom able to plan long-term beyond an electoral cycle, and even that it finds difficult. But, Bakkafrost was able to present a plan for the whole of the company's operations in the northeastern part of the country. Instead of thinking

in several small units, the plan proposed larger units. At the same time, the plan called for spreading the activity, so that all regions in which the company operated continued to be actively involved in fish farming.

Big changes

The purpose of the five-year investment plan, as set out when it was launched, was to lessen environmental impact, make onshore operations more effective, and to enhance growth. Part of the plan was to build a new wellboat, to be named *Hans á Bakka*.

Bakkafrost planned to use DKK 170 million a year in new investments between 2013 and 2018. On top of this, comes the cost of the new wellboat *Hans á Bakka*, built at the Yalova shipyard in Turkey.

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programme for the unique Faroese salmon strand, and improvement of Faroese salmon continues.

In November, Bakkafrost announces that JT Electric will repurpose a transport vessel into a feed vessel. The ship is to be ready before summer 2018. In July, listeria bacteria are detected at the new plant at á Bakka, Glyvrrar. The production is moved to the old plants, while the problem is solved.

In March, the Norwegian company Berg Norway launches its new series of watches. The straps are made from salmon skin, which an Icelandic company has made out of salmon skin from Bakkafrost.

In March, the Faroese Health and Veterinary Authority confirms that salmon in the Hvannasund Norður area is infected with ISA. The area has been under investigation since July, 2016. Already before the verdict arrives, Bakkafrost has decided to slaughter all the salmon in the cages, although the fish were due to be harvested in the summer of 2017.

The wellboat *Martin* arrives in March. Its primary purpose is to combat lice. In January, Bakkafrost's new plant is ready to commence operations. The first months are spent optimising the plant. South Korea's vice-min-

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“The purpose of the 2020 long-term plan is to ensure sustainable farming, lessen the environmental risk, strengthen the competitive edge and create opportunities for growth.”

REGIN JACOBSEN, CEO

At the same time, Bakkafrøst and Luna agreed to swap farming areas. To decrease environmental risk, Bakkafrøst exchanged its area in Vestmanna for one in the bay of Gøta. With this agreement, all of Bakkafrøst’s operations were consolidated in the Northern Isles, and in the eastern part of Eysturoy, in addition to the southern part of the strait of Sundalagið, by the village of Kaldbak, and at Gulin, outside Argir.

In 2014, the first part of the investment plan was completed, when the packaging plant in Glyvrrar was finished and went into operation. A new smolt farm was built in Norðtoftir, which enabled Bakkafrøst to produce all the smolts it needed. Construction of a new

filleting and processing plant in Glyvrrar commenced the same year.

The inspiration to launch this investment plan was likely manifold, but the chair of the board, Rúni M. Hansen, with extensive experiences from the oil industry, believed that this was a good way to see investments. He is experienced in long-term investments.

By June 2016, most of the investments in the first long-term investment plan had commenced. Bakkafrøst presented another plan, this one for 2016 to 2020. This plan for future operations showed that Bakkafrøst would make investments of DKK 2.2 billion in these years.

Regin Jacobsen pointed out that three years had passed since Bakka-

frøst presented the investment plan for 2013–2017. In his words:

“This is the right time for Bakkafrøst to set out new goals that look ahead to 2020. The purpose of the 2020 long-term plan is to ensure sustainable farming, lessen the environmental risk, strengthen the competitive edge and create opportunities for growth.”

The goal remains the same, the company is to be even better at what they already are best at in the world.

Bakkafrøst wants to be at the forefront

The major investments made since 2013 were used in every part of the Bakkafrøst group. The 2016–2020 investments

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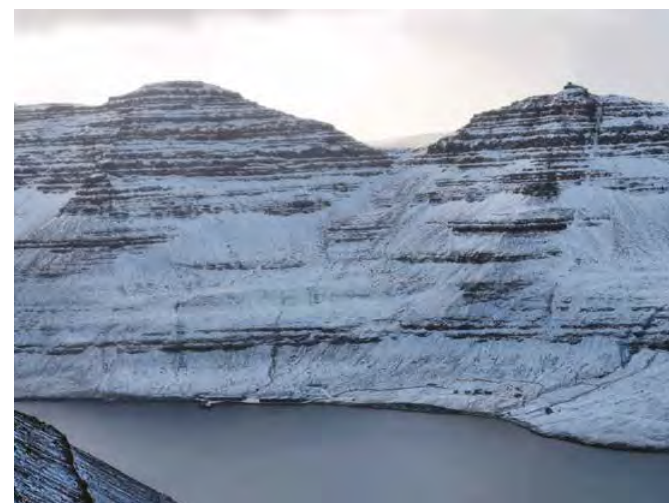
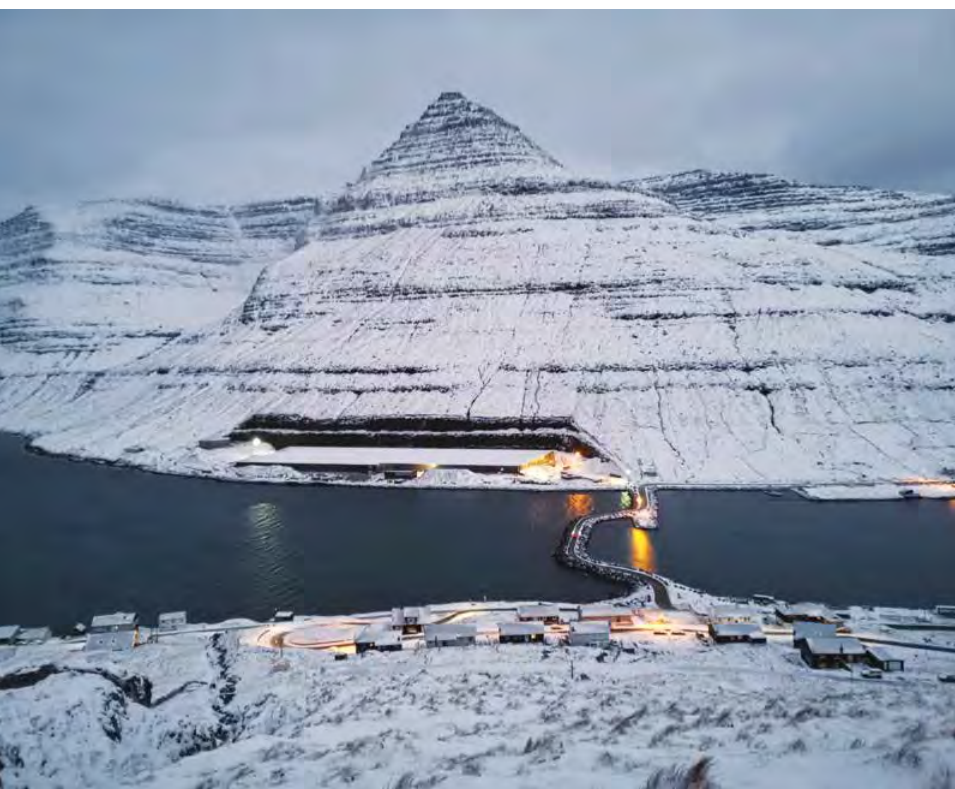
ister for Toll and Taxes, Youngrok Choi, visits the Faroe Islands. During his stay, the South Korean and Faroese delegation make a visit Bakkafrøst, where Regin Jacobsen, CEO, hosts them.

2018

Carla Sanders, the US ambassador to Denmark, and her delegation visit Bakkafrøst on 20 August. The ambassador shows great interest in and is delighted with Bakkafrøst’s export to the US. Sanders is especially happy about Bakkafrøst’s new endeavours in the US. Bakkafrøst has in the past years developed their sales in the US, and with the purchase of North Landing, the plan is to further increase operations in the US.

On 21 September, P/f Føroysk Náttúruorka, a subsidiary of Bakkafrøst, and the Danish company Bigaden A/S sign a contract for the construction of a biogas plant, which Bakkafrøst has taken the initiative to build. The plant is to be completed by December 2019. Bakkafrøst has announced a plan to invest DKK 10 million in the foundation “Sunt Liv” (“Healthy Living Sustainability Report”) over three years. This is one of several investments Bakkafrøst makes in order to reach its sustainability goals. The com-

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The smolt farm in Norðtoftir is one of the investments set out in the first long-term plan that was introduced in 2013. PHOTO: PÓL SUNDSKARD

The expansion of the new smolt farm in á Strond is the biggest single investment of the long-term plan begun in 2016. PHOTO: PÓL SUNDSKARD



The smolt farm in Viðareiði is part of the first long-term investment plan presented in 2014. PHOTO: PÓL SUNDSKARD



Bakkafrost's management after the presentation in Oslo, February 2019. From the left: Gunnar Nielsen, CFO; Odd Eliassen, CEO of Havsbrún; Rúni M. Hansen, chair of Bakkafrost's board, and Regin Jacobsen, CEO of Bakkafrost. PHOTO: JÓGVAN H. GARDAR

covered several links in the value chain, the largest investments being in smolt farms. Investments were also made in the production of fishmeal, fish oil, feed and sea farming. The company also made clear that the investments were financed by production capital and available financial options.

The filleting and processing plant in Glyvrrar was completed in 2016 and was fully operational in 2017.

“It takes time to adjust operations in such a large and new plant. We need to learn how everything works, and the best way to work,” Jacobsen said, when it took a little longer than expected to get the plant in Glyvrrar fully operational.

In 2013, the decision was made to increase the size of smolts from 100 gr

to 150 gr. To reach this goal, major expansions were made at the smolt farms in Norðtoftir and in Viðareiði. The expansion in Norðtoftir was completed in 2014, and the one in Viðareiði in 2016.

The goal was to produce 14 million smolts a year with an average weight of 500 gr. To reach this, the two newly expanded smolt farms were not enough. In 2016, Bakkafrost announced that a new large smolt farm was to be built at á Strond in Klaksvík on the site where quarry had been located since the 1980s. It had not been very active. Here, Bakkafrost chose to build the largest smolt farm in the country.

The Faroese operators are far ahead of their competitors in experimenting with shortening the time the salmon

“Being a comparatively large company in a small society puts a great burden of responsibility on us, who are the caretakers of this company.”

RÚNI M. HANSEN, CHAIR OF THE BOARD, BAKKAFROST

spends in the farming cages. This mitigates risks of disease and sea lice infestation. The less time the salmon spends at sea, the lower the environmental risk; the larger the salmon is when released into the sea, the more resilient it is.

The goal of Bakkafrost has remained constant, i.e., the raw material is to be processed as much as possible in the Faroes. This pattern is evident in the major investments in Viðareiði, Norðtoftir, á Strond, Glyvrrar and at sea, where the fish farming equipment is nearly all made in the Faroe Islands. Additionally, Havsbrún in Fuglafjørður has grown to become a leader in its area.

Social responsibility

Rúni M. Hansen, chair of Bakkafrost's board since 2009, underlined that Bakkafrost as a company has a clear goal to be a Faroese company, and that they remind themselves of this responsibility every day.

“Being a comparatively large company in a small society puts a great bur-

den of responsibility on us who are the caretakers of this company. Internally, we say that we are responsible and take responsibility – for the company, for ourselves and for the society in which we work. This places demands on us whom are to be handled prudently,” he said.

He acknowledged that already before the company was listed on Oslo Børs, the management believed that this was an opportunity to develop into a recognised company in the international market.

These expectations have perhaps been fulfilled to an extent few had dared to dream. Already from 2010 and onwards, international investors from New York, London, Copenhagen, Oslo, etc., had shown great interest and willingness to invest in the Faroese company.

To achieve all this, the management of Bakkafrost have been duty bound to set goals that required them to be better than their competitors in Norway, Scot-

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pany's vision is realised by making it possible for millions of people around the world to live healthily since the company produces healthy world-class salmon, which is produced sustainably.

A three-year cooperation agreement with the University of the Faroe Islands is also discussed. The aim is to strengthen research in the natural sciences at the university in order to find solutions to challenges faced by the fish farming industry worldwide. The goal of the cooperation is to gain further knowledge on how fish farming influences the environment as well as what consequences climate change might have for fish farming in the Faroe Islands. Issues related to the health and welfare of salmon as well as the ecological balance of farming areas are also to be researched.

Bakkafrost acquires North Landing Ltd, an American company, in May. The purpose of the company's operations in the US is to provide customers with the best service possible. North Landing sells salmon on the American east coast. The sales' office and cooling and freezing storage facilities are in Clifton, New Jersey. North Landing was the first American company that imported fresh salmon

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Martin approaches a farming cage.

PHOTO: BAKKA Frost



The service vessels Róland and Hans á Bakka.

PHOTO: BAKKA Frost



Hans á Bakka in Borðoyavík bay. PHOTO: BAKKA Frost

land, Ireland, Canada and Chile. In this, they have most certainly succeeded.

“We have invested significantly more per kg than all our competitors abroad. This has benefited Faroese society, and we expect that these investments will also strengthen the company’s competitive edge internationally in the future,” Hansen continued.

He is quick to point out that Bakkafrost is not in competition with anyone in the Faroes, and that the massive investment is to benefit Faroese society at the same time as it makes Bakkafrost ready for the future. In his words:

“The goal of the investments is to prepare the company for the future by lessening the environmental risk and to make the company more competitive internationally. We must not forget that our competitors are international. If we remain competitive, we can keep many jobs in our country. It is then we can generate work and development in the Faroes. As a company, therefore, we must always aim to be as competitive as possible, and the politicians must aim at making competitive frameworks com-

parable to other countries.” He added:

“If one of these fails, we all lose both jobs, and product development moves abroad. In that way, the whole society loses out. The fact that there has been a good framework for the Faroese fish farming industry over the past years, has resulted in, among other things, that the industry has developed within this framework and is very competitive in the international scene today – also when it comes to generating capital for investments.

Strengthening its position in the Faroe Islands

As chair of the Board, Hansen has been at the head of some of the great milestones in the history of both Bakkafrost and Faroese fish farming. Here are a few of the major milestones:

2005: Among the first to reconstruct the fish farming industry as chair of Tjaldur’s board.

2009: Preparation to list and float Bakkafrost on Oslo Børs in 2010 as well as the merger with Vestlaks.

2011: Acquisition of Havsbrún.

2012: Blocking SalMar’s take-over bid.

2013: Implementation of the first 5-year investment plan.

2016: The merger of seven companies and investment in new ships, smolt farms, etc.

2017: First sustainability report, a first for any company in the Faroes.

2018: Final take-over of all licenses in Suðuroy, and the breeding project.

Already prior to Bakkafrost’s listing on Oslo Børs, analysts and the industry were discussing whether Bakkafrost might not be an easy catch for some giants in the industry. But, this has proven to be difficult. SalMar tried, but instead of remaining as owner of 20 per cent of the company, they chose to sell all their

shares. Since then, there has been no official word of another bidder. Faroese law probably prevents attempts at hostile acquisition.

Another question often debated is whether Bakkafrost plans to make investments in another country. Although management does not discuss this publicly, the company has been mentioned a few times in connection with potential deals, but it has never resulted in any purchases abroad. The goal Bakkafrost has set itself is to own the companies it invests in, not be a minority stakeholder.

Regin Jacobsen has said that making investments abroad has been discussed, but so far it has not been more than talk.

Rúni M. Hansen attributed Bakka-

frost acquisitions in the Faroe Islands over the last few years to a desire to strengthen the company’s international competitive edge. To quote him:

“We have also made major investments in the Faroe Islands in order to reduce environmental risks and to become more competitive. We believe that these investments will yield results than foreign acquisitions. But, we don’t deny that we might buy abroad. It is all a matter of timing.”

Hansen and Jacobsen remarked that they always keep abreast with developments.

“On the other hand, we don’t sit back and twiddle our thumbs while we wait, because a lot is afoot,” was their comment.

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from the Faroe Islands and has been doing business with Bakkafrost for ten years. North Landing has 36 employees.

Bakkafrost decides to build a gutting plant in the village of Vágur in order to facilitate the process, when salmon is harvested in the fjords in Suðuroy. When Faroe Farming was acquired, Bakkafrost immediately decided to build a new gutting plant at Polarfrost, an older fish processing plant. The old plant’s capacity was limited and out of date. There were two options, either to close the plant or build a new modern plant that could meet the current need. The latter option was chosen, and after a substantial expansion, the plant should be operational this summer.

The gutting plant in Vágur is to gut all the salmon taken from the farming regions in Suðuroy. This should prove to be viable for the company in the long run. The plant must be able to process salmon from a single fiord, approximately 5,000 tonnes, in two months. This is a total of about 40 working days, and this would be within the capability of the new plant.

2019

On Wednesday, 25 September, Bakkafrost announced the signing

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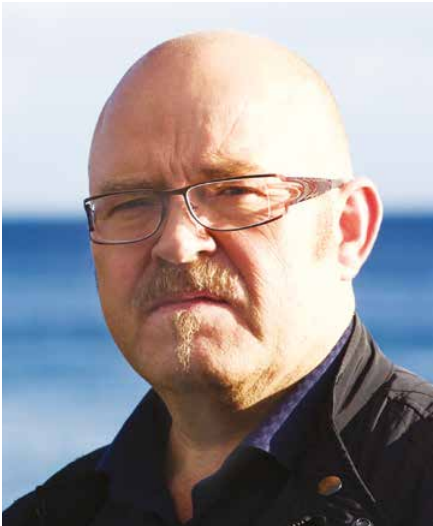
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of a binding agreement with Scottish Salmon Company’s majority shareholder, Scottish private equity firm Northern Link, to purchase nearly 69 percent of the Edinburgh, Scotland-based company for an estimated DKK 3 billion (USD 440.3 million, EUR 401.9 million), paying a per-share price of NOK 28.25 (USD 3.12, EUR 2.85). A successful effort by Bakkafrost to purchase a majority stake will trigger a mandatory tender offer for the remaining 31.4 percent stake in the company, at the same NOK 28.25 per-share price. The Scottish Salmon Company is the second-largest salmon farming firm by harvest volume in Scotland, producing 29,913 metric tons (MT) of salmon in 2018.



Jógvan Hugo Gardar
 Journalist, raised in Klaksvík, residing in Oslo, Norway. He has followed fisheries and fish farming industries in the North Atlantic, especially in the Faroe Islands, for more than two decades. He has written for the Norwegian media *IntraFish* and *Fiskeribladet* for more than twenty years. He is also associated with media in the Faroes, especially Kringvarp Føroya (the Faroese Broadcasting Corporation). He has translated Óli Samró's work *Fiskiskapur – fjølbroyttar ásetingar* (*Fishery – many solutions*) and other works into Norwegian. He is one of the founders of the freelance association Norpublica.



Grækariis Djurhuus Magnussen
 Journalist and author, raised in Hvalvík, residing in Argir. He has worked as a journalist for more than 30 year for Faroese media, including *Dimmalætting*, *Sosialurin*, Sjóntvarp Føroya and later Kringvarp Føroya. For the past few years, he has worked as a freelance journalist at the freelance agency PRESS. He has also authored seven books, especially in the documentary genre, about various issues in the Faroe Islands.



**“ We mustn’t be so
bound by tradition that it
holds us back. ”**

HANS Á BAKKA

The story of Bakkafrost is the story of entrepreneurs in several places in the Faroe Islands – Glyvrar, Klaksvík, Fuglafjørður, Vestmanna, Hov and elsewhere. The Group stitched together following the ISA crisis in the early 21st century is quite the patchwork, as Faroese fish farming pioneers found themselves forced to sit down with investors and bankers to find a solution. The people who laid the foundations for a renewed Bakkafrost between 2003 and its listing on the Oslo Børs stock exchange in 2010 had little in common. Each one brought valuable expertise from their companies and personal experiences. What they had in common was a dream and the conviction that it had to be possible to farm fish in the Faroe Islands. Bakkafrost’s most distinctive feature is that it manages to survive in a sector with competitors built in societies with much larger populations and stronger finances such as Norway, Scotland, Canada and Chile. This book attempts to portray the history of Bakkafrost since 1968, while acknowledging that the companies that later became part of the Group each hold their stake in this story.