

Voluntary Report – Voluntary - Public Distribution

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Report Name: Government Provides Support to Farmers to Combat
Coronavirus and Increase Competitiveness

Country: Iceland

Post: The Hague

Report Category: Agriculture in the News, Agricultural Situation, Agriculture in the Economy,
National Plan, Policy and Program Announcements

Prepared By: Marjolein Selten

Approved By: Christopher Riker

Report Highlights:

In March 2021, Iceland's Minister of Fisheries and Agriculture announced his intention to allocate ISK 970 million (\$7.5 million) in financial support for Icelandic sheep and cattle farmers. Coronavirus-related social and travel restrictions have hit Iceland's sheep and cattle farmers hard, leading to declines in both demand and prices for their products. The measure is part of a 12-point action plan to help Icelandic farmers address the impact the coronavirus pandemic has had on Icelandic agriculture.

Background

Icelandic agricultural is dominated by livestock production (predominantly sheep and dairy cattle). Livestock production accounts for roughly 78 percent of all Icelandic agricultural production.¹ According to the latest figures (from 2015), there are roughly 3,000 farms in Iceland producing various kinds of products.² According to official statistics, Iceland counted 411,563 sheep (exceeding Iceland's population), 80,872 cattle, and 22,145 calves in 2019.³

The level of financial support for Icelandic farmers remains among the highest in the world. In 2019, an estimated \$219 million in government financial support was paid to Icelandic farmers, according to a recent study published by the Organization for Economic Co-operation and Development.⁴ Most Icelandic agricultural support continues to be provided through market price support measures, principally through high tariffs that help to maintain high domestic prices relative to global prices. In 2019, the government of Iceland introduced voluntary financial support (for up to four years) to help sheep farmers diversify their operations, while a milk-quota system was introduced for dairy farmers.⁵

Icelandic Sheep and Cattle Farmers to Receive Millions of Icelandic Króna

In March 2021, Iceland's Minister of Fisheries and Agriculture, Kristján Þór Júlíusson, announced the allocation of ISK 970 million (\$7.5 million) in support to help sheep and cattle farmers meet the impact of the pandemic. The measure is part of a 12-point action plan in response to the effect of the pandemic on Icelandic agriculture. Due to social and travel restrictions Iceland's sheep and cattle farmers were hit hard, with both demand and prices declining for their products. Two million less tourists came to Iceland in 2020. The Minister pointed out that prices for meat and wool had fallen while waiting time at slaughterhouses had increased.

75 percent of the fund (\$5.6 million) will be directed towards sheep farmers, while the remaining 25 percent (\$1.9 million) will go to cattle farmers. The funding for sheep farmers will be allocated via an additional quality control surcharge for wool production and through a special action plan on sheep breeding. Whereas cattle farmers will be given an additional payment for each calf that was slaughtered in 2020 -- some 11,000 animals.

Additional Support Measures

Other measures in the 12-point action plan include, in part, changes in the allocation of tariff quotas, a new national agricultural policy, review of the Customs agreement with the EU, efforts to increase farmers' opportunities for domestic consumption, and the creation of a national food security strategy: *Agricultural Administrative Costs Will Not be Increased in 2021* – The government of Iceland announced in 2020 that all the Food Agency's cost increases scheduled for 2020 (e.g., for farmer inspections, etc.) would be dropped due to the impact the coronavirus (COVID-19) pandemic has had on Icelandic food producers.

¹ <https://www.oecd-ilibrary.org/sites/a6e8e4a8-en/index.html?itemId=/content/component/a6e8e4a8-en>

² <https://www.bondi.is/utgafa-og-kynning/hagtolar/>

³ <http://px.hagstofa.is/pxen/sq/de9cea73-fb63-4b39-9d8a-be55b917317e>

⁴ <https://www.oecd-ilibrary.org/sites/a6e8e4a8-en/index.html?itemId=/content/component/a6e8e4a8-en>

⁵ Ibid

Changes in Administration of Tariff Quota Allocations - The Icelandic parliament approved a proposal by the Minister of Fisheries and Agriculture to revive the previous system for allocating tariff quotas until August 1, 2022. Quotas will be allocated based on the lowest accepted bid which will then become the quota price for all bidders. The Icelandic Ministry of Finance and Economic Affairs will also continue to work on improvements to meet suggestions for violations in customs clearance of agricultural products. This work is expected to be completed by the middle of 2021.

New Agricultural Policy for Iceland - A proposal for a national agricultural policy for Iceland will be developed. The policy will be submitted to Parliament as a resolution and will then be used for the review of agricultural contracts in the year 2023.⁶

*Request for a Review of the Customs Agreement with the EU*⁷ - The Icelandic government notes that the preconditions for the customs agreement between Iceland and the European Union, which entered into force in May 2018, have changed, particularly with regard to export opportunities. The Icelandic government reports negotiations with the EU on the revision of the agreement are underway, with a focus on revisiting the balance between the parties' obligations based on the benefits realized from the agreement.⁸

Promotion of Farmers' Opportunities for Domestic Consumption - In March 2021, an initiative will be launched to promote farmers' abilities to produce and sell products directly from the farm, to strengthen the value chain. The requirements for small food producers will also be examined with a goal of simplifying the regulatory framework that applies to their activities.

Food Labeling - A working group on food labeling submitted a [report](#) to the Minister of Fisheries and Agriculture in September 2020. The group's conclusions include a proposal for a special Icelandic agricultural brand based on the Nordic model. The Icelandic Farmers' Association has secured funding for its preparation and implementation. A special agreement will be made with the organization in the first half of 2021. Meanwhile, other proposals (e.g., nutri-score nutrition labels, common origin labels, etc.) will be considered and implemented by the working group.⁹

Revision of Rules on Culling Due to Livestock Diseases and Insurance Protection - Iceland reports that the regulations on responses to scrapie in sheep, lines of protection against livestock diseases, culling, and related provisions on veterinary health will be reviewed. Special emphasis will be placed on the arrangements necessary for the restoration of agriculture following animal disease outbreaks. Compensation schemes for culls will also be reviewed. In addition, farmer insurance programs to protect against unexpected developments will be analyzed. The details of farmer insurance protections in neighboring countries will be examined, and potential improvements will be made to the Icelandic system.

⁶ More information is available online at: <https://www.stjornarradid.is/efst-a-baugi/frettir/stok-frett/2020/03/02/Landbunadarstefna-verdur-motud-fyrir-Island/>

⁷ See, e.g., <https://kjarninn.is/frettir/2020-12-17-island-fer-fram-ad-tollasamningur-vid-esb-um-landbunadarvorur-verdi-endurskodadur/>

⁸ More information is available online at: <https://www.stjornarradid.is/efst-a-baugi/frettir/stok-frett/2021/02/17/Adgerdaaetlun-til-eflingar-islensks-landbunadar-kynnt/>

⁹ More information is available online at: <https://www.stjornarradid.is/efst-a-baugi/frettir/stok-frett/2020/09/16/Radherra-afhentar-tillogur-um-betri-merkingar-a-matvaelum/>

Strengthening Food Security in Iceland - The Agricultural University of Iceland (AUI) has submitted a report on food security in Iceland to the Ministry of Fisheries and Agriculture.¹⁰ The report proposes, among other things, the need to formulate a national food security policy. The government notes this work will begin in the coming weeks, after consultation with the parties involved.

For the full list of proposed actions under the 12-point plan, see: <https://www.stjornarradid.is/efst-a-baugi/frettir/stok-frett/2021/02/17/Adgerdaaetlun-til-eflingar-islensks-landbunadar-kynnt/> (in Icelandic).

Iceland National Food Policy

In December 2020, the Government of Iceland presented its first comprehensive Food Policy. The policy aims to ensure food security, sustainability, and efficiency, and extends to the year 2030. It lays out actionable items to improve national food security, consumer protection, marketing rules, etc. The strategy focuses on five specific areas: value creation, consumers, image and (food) security, the environment and climate, and public health. For more information see GAIN report [IC2021-0002: Iceland Launches its First Comprehensive Food Policy](#).

Attachments:

No Attachments.

¹⁰ http://www.lbhi.is/sites/lbhi.is/files/gogn/vidhengi/rit_lbhi_nr_139_faeduoryggi_a_islandi_lokaskyrsla.pdf (in Icelandic)