

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary - Public

**Date:** 9/10/2018

**GAIN Report Number:** NL8040

## Iceland

**Post:** The Hague

### Exporter Guide

**Report Categories:**

Beverages  
Dried Fruit  
Exporter Guide  
Fresh Fruit  
Raisins  
Retail Foods  
Snack Foods  
Special Certification - Organic/Kosher/Halal  
Strawberries  
Wine

**Approved By:**

Susan Phillips

**Prepared By:**

Matthew Casper and Marcel Pinckaers

**Report Highlights:**

This exporter guide provides practical tips for U.S. exporters on how to conduct business in Iceland. Although a small market, Iceland has a booming tourist industry and depends heavily on imports. Icelanders love products from the United States. There are export opportunities for U.S. exporters of specialty foods, cider, wine, craft beer, sauces and condiments, products with special certification (organic), food preparations and fresh produce.

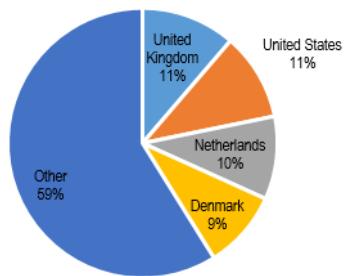
### Executive Summary

Iceland is an island located in the North Atlantic Ocean and has a population size of 340,000. Tourism has increased drastically and this past year up to 2.2 million tourists visited the island. In 2017, imports of agricultural and food products totaled \$666 million or almost ten percent of Iceland's total import value. In 2017, imports from the United States totaled over \$44 million. Similar to other Nordic countries, Iceland relies heavily on imports due to the severe winters and a short growing season. Icelanders are highly educated and can conduct meetings in English.

### Imports of Consumer-Oriented Products

For consumer-oriented products, Iceland imported \$369 million with the United States being the second largest supplier. Food preparations, breads, pastries, cakes, snacks, wine, and coffee are the most widely imported consumer-oriented products imported by Iceland.

### Market Share of Top Suppliers of Consumer-Oriented Products to Iceland, CY 2017



### Food Retail Industry

Two thirds of total food sales in Iceland are generated by food retailers (mainly supermarkets). Food sales via foodservice outlets are responsible for the remaining sales. Due to the high cost of food in restaurants, tourists are increasingly purchasing their food in local supermarkets.

In Iceland, there are two main supermarkets; *Kronan* and *Bonus*. For special occasions, Icelanders go to high-end supermarkets such as *Hagkaup* and *Fru Lauga*. Food prices in Iceland are high due to import tariffs and duties and because of high living standards in Iceland.

U.S. based wholesale chain Costco opened its first store in Iceland last year. Initially this helped to lower the cost of food but their prices have gradually increased and this has brought some shoppers back to the local grocery stores.

In general, Icelanders like to buy products produced in Iceland, but certain products such as breakfast cereals from the United States are popular. Stars and strips are used on product packaging to increase sales. However, some U.S. food products are also seen as products that are unhealthy and have too much sugar. U.S. product labels do not comply with Iceland labeling regulations; stickers are allowed.

Beverages with an alcoholic percentage of more than 2.25 percent can only be bought via the Monopoly Vínbúðin/ATVR, which is the Icelandic Alcohol and Tobacco State Monopoly.

### Quick Facts of CY 2017:

#### Areas for export growth in Iceland:

- Breakfast Cereals
- Sauces and Condiments
- Red and Rosé Wines
- Fresh Produce
- Cider, Whiskies, and Craft Beer

#### List of Top 10 Exports from U.S. to Iceland:

1. Food Preparations
2. Cereals
3. Condiments & Sauces
4. Fresh Grapes
5. Fresh Strawberries
6. Nuts and Seeds
7. Sweet Potatoes
8. Breads, Pastries
9. Fruit and Edible Plants
10. Raisins

#### Host Country Retailers:

- Hagar
- Kaupas
- Samkau
- Costco Wholesale
- Vínbúðin/ATVR

#### GDP/Population:

Population: 339,700  
GDP (USD): \$17.6 billion  
GDP per capita (USD): \$51,800

## Section I. Market Overview

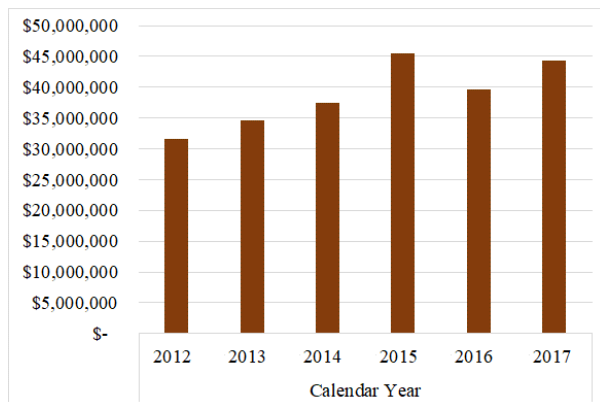
Iceland is an island nation with a stable democracy and an economy that has a capitalist structure and free market principles. Tourism, aluminum smelting, and fishing are the main cornerstones of the economy. The current population size of Iceland is roughly 340,000 people of which two-third lives in the greater Reykjavik area. Iceland has recently become a large tourist destination which makes this small nation more attractive for exporters. This past year saw 2.2 million visitors. This level of tourism is expected to grow further or at least remain high. Icelandic is the official language of Iceland; however, the majority of Icelanders are also fluent in English. The unemployment rate is one of the lowest in the world at 2.8 percent due mostly to the tourism boom that started in 2010.

Table 1. Advantages and Challenges for U.S. products in Iceland

| Advantages (product strengths and market opportunities)  | Challenges (product weaknesses and competitive threats)   |
|--|---|
| Iceland heavily depends on imports due to limited agriculture production so there is limited competition in this market.               | Last year, Iceland started the process to further harmonize with EU tariffs. The vast majority of all EU agricultural exports can enter Iceland duty free. Iceland places high taxes on imports from other countries, such as the United States, which makes these products more expensive. |
| Icelanders will select a product based on taste and quality.   | Icelanders have a preference for local items.   |
| When a new product catches on, the whole population will begin purchasing the product.   | Some consumers view products from the United States as being unhealthy and having too much sugar.   |
| Products from the United States are popular. Stars and stripes are used on product packaging to give other products an American Style. | Given the size and location of the market, shipping full containers of one product could be challenging; shipping consolidated mixed pallets could work better.   |
|  | Standard U.S. product labels do not comply with Iceland product labels (stickers are allowed).  |

## Section II. Exporter Business Tips

Figure 1. U.S. Exports to Iceland, U.S. Dollars



Icelanders are highly educated and all can conduct business meetings in English. Meetings and communication are informal and tend to get straight to the point. Because the island is small, there tends to be less competition amongst businesses. Iceland is not a member of the European Union (EU), but part of the EU through the European Economic Area (EEA) agreement and therefore practically part of the EU's single market. More information about the EEA agreement can be found [here](#).

Source: World Trade Atlas

### Market Research

Icelanders like local food and prefer to buy products produced in Iceland such as meat (sheep), fish, dairy (skyr) and rye bread. Consumers are loyal to brands and accept new products once locals have enjoyed them. The rapidly growing number of tourists, coming from the EU and the United States, increases the overall number of consumers in Iceland. Due to the high cost at restaurants, tourists have been increasingly going to supermarkets. This part of the market should be an area of focus for U.S. exporters.

Since Iceland has recovered from the financial collapse in 2008, consumers have recently started buying higher quality products. Overall, consumers are following similar trends seen in Northwest Europe. They increasingly look for more healthy and nutritious food options, especially products with reduced salt, sugar, saturated fats and calories. Food that can be quickly prepared or is convenient and suited for ‘to-go’ will fare well in this market. With an increased interest in climate change and carbon footprint by Icelanders the market is growing for organic, sustainable but also products that are vegan, clean label products and use less plastic.

#### *Local Business Customs and Trends*

Iceland is a very close-knit community. People trust others they meet. An in-person visit can go a long way in terms of finalizing future business. U.S. companies are advised to research the Icelandic market before doing business. It is important to know what can work and then learn how to follow regulations for a potential product to enter the market. Icelandic regulations on food product labeling are the same as in the EU.

#### *General Consumer Tastes and Trends*

The majority of Icelanders frequent the supermarkets *Kronan* and *Bonus*. For holidays and any other special occasion, they go to high-end supermarkets such as *Hagkaup* and *Fru Lauga*. Food prices in Iceland are high due to high import tariffs and duties and also because of high living standards in Iceland. Icelanders have recently become more aware of their footprint in the environment which has led consumers to seek out products that use less plastic and are more sustainable.

U.S. based wholesale chain Costco opened its first store in Iceland last year. Initially, *Costco Wholesale* helped lower the cost of food but their prices have gone up recently which according to industry sources has brought some shoppers back to *Kronan* and *Bonus*.

### **Section III. Import Food Standards, Regulations, and Import Procedures**

#### *Customs Clearance*

The first step for U.S. companies that would like to start exporting to Iceland is to determine whether there is a market for their product. Several product groups that have good sales prospects are mentioned in Section IV. It is important to gain a good understanding of the buyers and consumers in Iceland.

The first buyer of food products in Iceland is in most cases a specialized importer or user of a product. Products from the United States are either high quality or priced well for the market. It is highly recommended that exporters understand the Icelandic import requirements and market. The Icelandic Food and Veterinary Authority (MAST) controls all imports into Iceland. Their [website](#) provides specific instructions on how to enter this market by providing the types of imports allowed and forms to fill out to become a certified exporter to Iceland.

Since Iceland is part of the EEA, import requirements are harmonized with the European Union. For topics that are not part of the EEA agreement, Iceland continues to align more closely with EU import requirements. The U.S. mission to the EU annually writes a report about [EU Food and Agricultural Import Regulations and Standards Report, December 2017](#).

On top of these regulations, there may be specific rules and regulations that Iceland has for products to enter the market. Post advises exporters to contact FAS The Hague or work with Icelandic importers directly to ensure a product meets all standards.

#### *Entry Strategy*

Since Icelandic importers are not frequent visitors of trade shows in the United States, Post advises industry visiting or exhibiting at one of Europe’s trade shows to meet with importers. The [FAS Europe website](#) contains a list of the most relevant European shows, some of which are USDA endorsed. Trade shows can serve as a

springboard into the market, helping businesses to establish new trade contacts and gauge product interests. Iceland buyers visit these European shows every year.

U.S. exporters can also contact FAS The Hague, their respective U.S. State Regional Trade Group (SRTG), their commodity Cooperator Group and/or their State Department of Agriculture to obtain additional market entry support. Trade Missions, often organized around trade shows or other industry trade events, have proven to be an excellent platform for U.S. suppliers of food products to meet with foreign buyers.

#### *Alcohol Monopoly*

All beverages with an alcohol percentage over 2.25 percent are sold through the state monopoly Vínbúðin/ATVR. There are 51 stores to choose from throughout Iceland. Large Monopoly stores will carry about 30 U.S. white wines and roughly 50 different red wines. Sales via the Monopoly represent about 70 percent of total sales. The remaining sales are generated via foodservice outlets or via duty-free shops in Iceland. The latter is very popular among Icelanders for economic reasons. Bars, restaurants and hotels can only sell alcoholic drinks if they have an alcohol license.

The monopoly's margin on wine and beer is 18 percent and 12 percent on liquor. The liquor has a lower tax because there is no discounted duty on liquor when it enters the country. Here is a quick break down on the variable taxes on Alcohol (Exchange rate used was \$1 USD = 109.06 Icelandic Krona):

#### Beer:

- Any alcohol amount above 2.25% is multiplied by \$1.11 USD/CL
- Paper Package Fee: \$0.14/kg
- Plastic Packaging Fee: \$0.15/kg
- 11 percent VAT
- \*Deposit for Glass container smaller than 500 ml: \$0.17/per piece

#### Wine:

- Any alcohol amount above 2.25% is multiplied by \$1. 1 USD/CL
- Paper Package Fee: \$0.14/kg
- Plastic Packaging Fee: \$0.15/kg
- 11 percent VAT
- \*Deposit for Glass container larger than 500 ml: \$0.19/per piece

#### Spirits:

- Total Alcohol amount is multiplied by \$1.11 USD/CL
- Paper Package Fee: \$0.14/kg
- Plastic Packaging Fee: \$0.15/kg
- 11 percent VAT
- \*Deposit for Glass container larger than 500 ml: \$0.19/per piece

Please go to the [customs website](#) to calculate the duty for a specific alcohol item and amount. Please note: the website is currently being translated into English, however, some internet browser translator programs can translate the website into English.

## **Section IV. Market Sector Structure and Trends**

### *Retail Information*

Two thirds of total food sales in Iceland are generated by food retailers (mainly supermarkets). Food sales via foodservice outlets are responsible for the remainder. Like most industries in Iceland, there are few retail stores. The top three retail-buying groups *Hagar*, *Kaupas*, and *Samkaup* account for over three quarter of the turnover. According to industry sources, *Costco Wholesale* is taking almost ten percent of the market. With the success of

Costco, it is expected that more foreign retailers, for instance German discounters Lidl or Aldi, may enter the market. The table below provides more detailed information about the buying groups, the supermarket chains and their respective market shares.

Table 2. Leading Buying Groups in Iceland

| <b>Purchase Group</b>  | <b>Market Share, percentage</b> | <b>Retail Chains</b>  |
|--|---------------------------------|---|
| Hagar<br>Hagasmari 1, 201 Kopavogur, Iceland<br>+354 530 5500<br><a href="http://www.haga.is">www.haga.is</a>  | 40%                             | Bonus – full service/high-end supermarket<br>Hagkaup – Full service super market        |
| Kaupas<br>Bíldshöfða 20, 110 Reykjavík, Iceland<br>+354 585 7000   | 20%                             | Kronan – full service/soft discount supermarket   |
| Samkaup<br>Krossmo 4, 260 Reykjanesbær, Iceland<br>+354 421 5400<br><a href="mailto:Samkaup@samkaup.is">Samkaup@samkaup.is</a><br><a href="http://www.samkaup.is">www.samkaup.is</a> | 16%                             | Hyrnan – Convenience market<br>Kasko – Convenience market<br>Netto – Convenience market |
| Costco Wholesale<br>Kauptún 3, 210 Gardabaer, Iceland<br>+354 532 5555   | 10%                             | Costco – Full service supermarket   |
| Vínbúðin/ATVR<br>Stuðlaháls 2, 110 Reykjavík, Iceland<br>+354 560 7700<br><a href="http://www.vinbudin.is">www.vinbudin.is</a>   |                                 | Vínbúðin/ATVR Stores  |

Sources: Industry sources, FAS The Hague

The majority of the supermarkets in Iceland operate in stores ranging between 500 to 1,500 square meters, very similar to other supermarkets in Northwest Europe. Costco is much larger than any other supermarket since it only offers products in bulk volume and more importantly, most of its products are non-food items.

### *Growth Opportunities*

Table 3. Top Potential Opportunities

| <b>Product</b>                 | <b>U.S. Imports, 2017</b> | <b>U.S. Market Share</b> | <b>Key Constraints over Market Development</b>   | <b>Market Attractiveness for USA</b>  |
|--------------------------------|---------------------------|--------------------------|--|---|
| Cereal Products/Prepared Foods | \$3,368,066               | 8%                       | United Kingdom is the main competitor. There is more demand for organic cereals with less sugar.                     | General Mills has been in the market for over 30 years. There is trust in General Mills products along with an appetite for healthy cereal options, however, it takes time to gain buy-in from Icelandic consumers.   |
| Mixed Condiments/Sauces        | \$3,368,076               | 6%                       | The main competitor for these products is Sweden. However, they export about 50 percent less than the United States. | There are limited supplies of condiments from other countries than the United States. Condiments and sauces are prominently displayed in supermarkets near fresh meat products and in the aisles. Non-American sauces tend to be marketed as ‘American like’. |
| Wines                          | \$876,550                 | 2%                       | Consumers have a preference for Italian and French Wines. These are viewed as  | Although they are expensive in Iceland, there is growing demand for wine. There has been increasing interest in high value sweet reds and   |



|              |             |    |   |  |
|--------------|-------------|----|---|--|
|              |             |    | high quality.   | rosé wines in Iceland. There is also high interest in bag in box wine due to longevity and for economic reasons.   |
| Fresh Grapes | \$2,475,739 | 5% | The United States has about 50 percent of the market share in Iceland. Main competitors are South Africa and Chile. | Buyers in Iceland depend on foreign suppliers for fresh produce. Many fresh produce products from the United States are flown in. This continues to be a good market for this product. |

Source: Global Trade Atlas

### *Cereals*

General Mills entered the market over 30 years ago with *cheerios*. It has brought over other cereals as well which has helped the United States maintain a steady level of exports of cereal products to Iceland. The competition for cereal exports is mainly with the United Kingdom. An item that is a staple in every supermarket is Cheerios because it is gluten free and low in sugar. Other countries have begun exporting more to Iceland, however the overall level of cereal product imports has remained the same. Based on Icelanders having brand loyalty with Cheerios and the trend of eating healthier foods, there is an opportunity for more cereal products that are healthy and low in sugar.

### *Mixed Condiments and sauces*

Mixed condiments and sauces have two main locations in Iceland supermarkets, near fresh meat and in a specific aisle for condiments. The majority of these condiments are American condiments. This makes sense because trade data shows that America has been a top exporter of condiments and sauces to Iceland for the past five years by roughly \$1 million each year. This can be an area to introduce new types of condiments.

### *Wines*

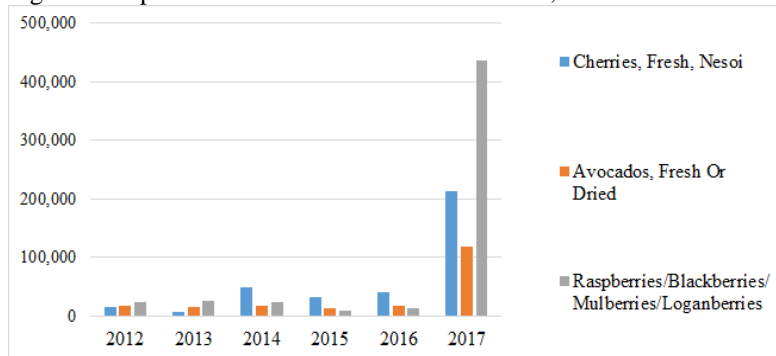
Similar to other Nordic countries, Iceland has a monopoly that sells alcohol to consumers. This monopoly is only for retail sales. Wines from the United States do well in Iceland, especially red and rosé (or blush) wines. Total wine imports last year totaled \$15 million. Popular wine countries are Italy, France and Spain. Wines from Lebanon, Chile and U.S. are gaining popularity. The U.S. has a ten percent market share in bottled wines and five percent share in bag-in-box wines. The latter are very popular in Iceland, similar to other Nordic markets. Half of all wines sold are bag-in-box wines. They are preferred because these wines keep longer well after opening compared to bottled wines. A lot of Icelanders have a weekend house in the country side and here bag-in-box wines are preferred. White wines are not very popular in Iceland and only represent one-third of the market.

In addition, rising demand and lack of domestic production makes this strong opportunity for growth. This is a good opportunity because total sales of wine increased by 30 percent, or \$5 million, since 2012. Imports of wine from the United States grew by eight percent last year. High quality as well as sweet reds and rosé wines from the U.S., comparable to those from Italy and France, could fare well in this market.

### *Fresh Produce*

Icelandic farmers use greenhouses to grow tomatoes, cucumbers, cabbage, and strawberries. These greenhouses use geo-thermal energy. This limited domestic supply makes Iceland a potential export market for American products. Supermarkets across Iceland already have several fresh produce items from America. Currently, there are more American fresh fruits available than vegetables, American exporters should continue pushing these products. The increasing popularity of eating healthy in Iceland is a main driver for these products. Also, the opening of Costco along with Iceland's leading fresh produce importers Innnes/Bur and Bananaras led to further increases in fresh produce sales. These groups have been working to get more fresh produce to Iceland and keep prices competitive; they are all interested in importing more produce from America specifically.

Figure 2. Exports of U.S. Fresh Produce to Iceland, U.S. Dollar



Source: World Trade Atlas

Above figure shows three produce items (cherries, avocados and berries) that all show large increases in exports to Iceland in 2017. Icelanders and tourists prefer these items, along with fresh grapes and strawberries. Fresh grapes from the United States have been a top importer to Iceland. The value has remained slightly above \$2 million for the past three years, which is \$1 million above the next country, South Africa.

### *Cider, Whiskey and Craft Beer*

The only cider sold in Iceland is produced by Olgerdin and it has done extremely well. Olgerdin sells approximately 350,000 liters a year under the Somersby Cider label. This cider has many different flavors on the market; the most common is apple cider. One flavor that was not received well under the Icelanders was pear cider. Cider is taxed as a wine by the government which means it faces lower tariffs. A typical alcohol content level of 4 percent also makes it less expensive when entering the market. The success of Somersby Cider indicates the consumer enjoys ciders. This is an area that has rising demands while very limited competition at the moment.

There are specific efforts to get more Kentucky whiskey into the market, though this is a more expensive product to get to Iceland, there has been more demand for different bourbons amongst Icelanders.

Craft beer production in Iceland has expanded over the past few years. There is a strong interest in learning about new beers and tastes (sour beer) amongst Icelandic consumers. Also beer in a can is gaining popularity, similar to other Nordic consumer markets. Finally, demand for beer low in alcohol or even no alcohol is up, especially among the youngsters. Several Icelandic breweries work with American brewers to create different and new craft beers. Breweries that can collaborate with Icelandic brewers to introduce a beer to a brewpub in Iceland can fare well here.

## **Section V. Agricultural and Food Imports**

Iceland's agricultural and related product imports from the United States in 2017 totaled \$44.4 million, an increase of 12 percent from 2016. Iceland presents a good market for high-value products and offers export potential in particular for breakfast cereals, sauces and condiments, wine, fresh produce, cider, craft beer, products with a special certification and healthy food snacks from the United States. Below table shows the top imports since 2013 from the United States.

Table 4. Top Iceland Imports from United States 2017, U.S. Dollars

| HS Code | Commodity         | 2013      | 2014      | 2015      | 2016      | 2017      |
|---------|-------------------|-----------|-----------|-----------|-----------|-----------|
| 210690  | Food Preparations | 6,013,575 | 6,901,318 | 5,721,647 | 9,123,513 | 7,958,008 |
| 190410  | Cereals           | 3,460,792 | 3,488,037 | 4,323,384 | 3,529,638 | 3,368,066 |



|        |  |           |           |            |           |           |
|--------|--|-----------|-----------|------------|-----------|-----------|
| 210390 | Sauces, Mixed Condiments, and Seasonings | 2,233,124 | 1,998,861 | 2,134,575  | 2,196,851 | 2,475,732 |
| 080610 | Fresh Grapes                             | 1,335,833 | 1,441,947 | 2,043,189  | 2,049,743 | 2,173,108 |
| 071420 | Sweet Potatoes                           | 350,675   | 1,349,864 | 1,420,663  | 1,330,494 | 1,095,503 |
| 190590 | Breads, Pastry, Cakes & Puddings         | 368,388   | 409,127   | 397,271    | 890,717   | 1,069,261 |
| 200899 | Fruit & Edible Plant Parts               | 501,989   | 604,095   | 717,287    | 705,409   | 1,069,069 |
| 080620 | Raisins                                  | 1,462,529 | 1,318,998 | 1,322,591  | 1,329,701 | 997,914   |
| 220421 | Wine/Cider                               | 786,996   | 873,568   | 786,903    | 808,275   | 876,550   |
| 210320 | Tomato Ketchup And Other Tomato Sauces   | 811,992   | 716,222   | 789,819    | 820,189   | 798,305   |
| 080211 | Almonds                                  | 619,378   | 787,199   | 813,564    | 804,318   | 673,383   |
| 200911 | Orange Juice (Frozen)                    | 479,333   | 662,517   | 590,718    | 652,457   | 561,172   |
| 080810 | Fresh Apples                             | 1,246,349 | 1,534,594 | 687,625    | 562,849   | 544,189   |
| 030616 | Cold-Water Shrimps And Prawns (Frozen)   | -         | 1,001,959 | 10,675,183 | 703,486   | 173,776   |

Source: Global Trade Atlas

#### **Section IV. Key Contacts and Further Information**

If you have questions or comments regarding this report, need assistance exporting to Iceland, a list of Icelandic wholesalers and distributors, or if you are looking for Foreign Buyers Lists (FBL), please contact:

FAS The Hague  
Marcel Pinckaers  
John Adams Park 1, 2244 BZ Wassenaar, the Netherlands  
+31 70 310 2305  
[marcel.pinckaers@fas.usda.gov](mailto:marcel.pinckaers@fas.usda.gov)