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**Date:** 12/19/2017

**GAIN Report Number:** NL7044

## Iceland

**Post:** The Hague

### Review of Agricultural Tariffs

**Report Categories:**

Agricultural Situation

Trade Policy Monitoring

SP1 - Expand International Marketing Opportunities

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**Report Highlights:**

On September 17, 2015, Iceland and the EU reached an agreement to reduce agricultural tariffs and increase meat and dairy quotas. The agreement will come into effect on May 1, 2018, agricultural tariffs for 340 product categories will be eliminated and tariffs reduced for 20 product categories. It is estimated that over 90 percent of agricultural products from the EU will be able to enter Iceland duty free. This agreement will make some U.S food products 10-30percent more expensive and is likely to result in fewer U.S. agricultural imports. Demand for food and agriculture products has risen dramatically in the past several years due to the rise in tourism and it is possible that it could surpass the quotas.

### *Introduction*

Iceland is not a member of the European Union (EU); however, they have signed various agreements which give them the same rights and obligations as a member state with the notable exception of the EU's Common Fisheries Policy.

Iceland, Liechtenstein, Norway, and Switzerland are members of the European Free Trade Association (EFTA), which was established in 1960 to promote free trade and economic integration. One of the main tasks of EFTA is to manage the Agreement on the European Economic Area (EEA), which brings Iceland, Liechtenstein, Norway and the EU Member States into one single market referred to as the "Internal Market". The EEA Agreement entered into force on January 1, 1994. The EEA Agreement does not cover common agriculture and fisheries policies, although it does contain provisions on trade in agricultural and fish products. This agreement allowed 66.4 percent of EU agricultural products to enter Iceland duty free; however, many seafood and agricultural products were still exempted.

In 2015, Iceland and the EU reached an agreement to reduce agricultural tariffs and increase meat and dairy quotas. For example, the tariff-free quota for beef was 100 tons and it will gradually increase to 696 tons. On May 1, 2018, it is estimated that 91.3 percent of agricultural products from the EU will be able to enter Iceland duty free. In exchange, the EU will increase its quotas for *Skyr* products (a cultured dairy product similar to yogurt) from 380 tons to 4,000 tons per year, over a four-year period. Iceland has also agreed to increased protection for Geographical Indicators (GIs). This means that agricultural products from certain geographical areas, such as Champagne, will enjoy the same protection of their name in Iceland as they currently do in the EU. There are currently 1,150 protected agricultural products.

For the time being, Iceland has put aside its interest in becoming a member of the EU. The Government of Iceland had submitted an application in 2009, a year after the banking crisis left the country on the verge of bankruptcy, but in 2015, with the formation of a new government and an improved economic situation, they decided not to pursue the talks. It does not look like Iceland will become an EU member in the foreseeable future. Nevertheless, the EU is by far Iceland's most important trading partner, both in terms of exports and imports. In 2016, more than 70 percent of exports of products from Iceland went to EU Member States, and around two-thirds of imports to Iceland came from Europe.

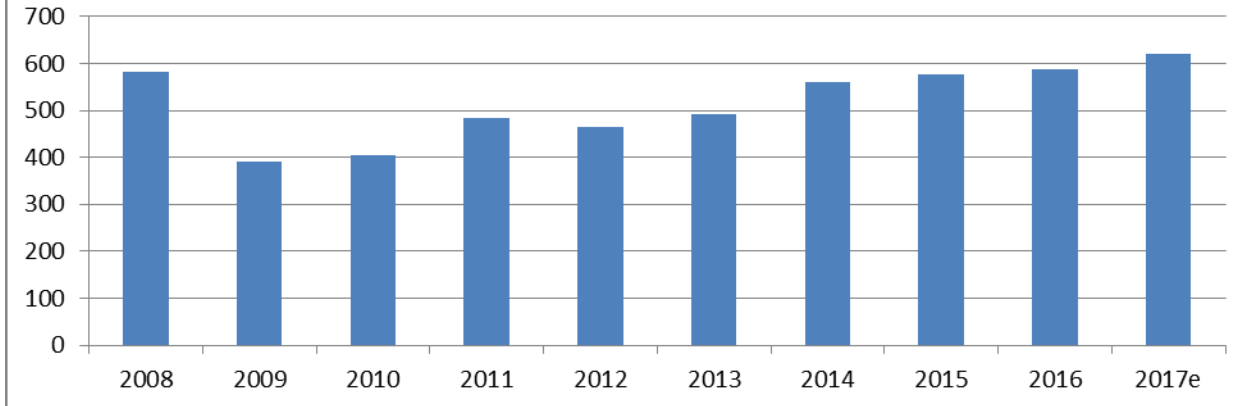
Not being a member of the European Union does give Iceland the flexibility to establish trade deals, such as with China, that would be difficult for the EU to conclude given their political structure and bureaucracy.

### *Total Agricultural Imports*

Demand for food and agriculture products has risen dramatically in the past several years due to the rise in tourism. Almost two million tourists are expected to visit Iceland this year, a rise of nearly 30 percent from the same time period last year. American visitors have increased by almost double that amount. Given the need to accommodate this large number of visitors, it is possible that imports could surpass the quotas.

## Iceland, Total Agricultural, Fish and Forestry Imports

1008-2017 Calendar Year



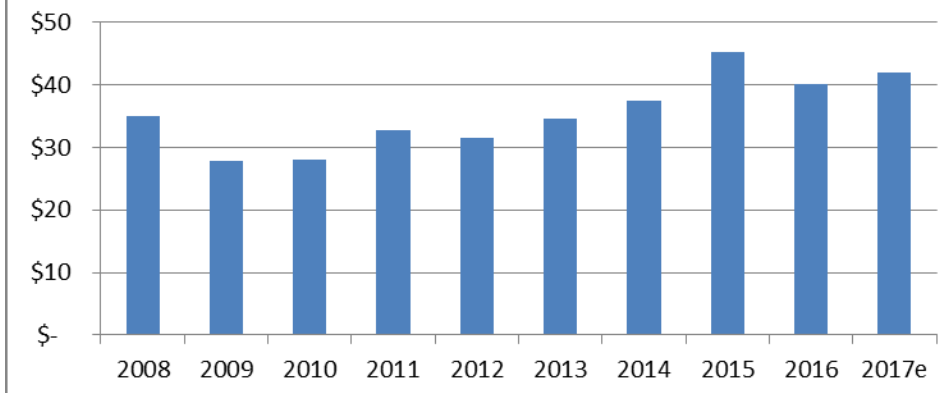
Source: Statistics Iceland

### *Agricultural, Fish and Forestry Imports from the United States*

Total U.S. agricultural, fish and forestry imports from the United States were valued at \$40 million in 2016, a decrease of 11.5 percent from the previous year. However, with the opening of Costco Wholesale in May this year, imports from the United States have returned to their previous growth trend. From January through October 2017, imports from the United States are currently valued at \$36 million, an increase of almost 13 percent from the same time period last year. Calendar year imports for 2017 from the United States are estimated at \$42 million.

### Iceland Agricultural, Fish and Forestry Imports from the United States

2008-2017 Calendar Year, Million USD



The main products imported in 2017 were animal feed, food preparations, cold-water shrimps and prawns, breads, pastry and cakes, waters, wine, sauces and coffee. The main products imports from the United States were food preparations, sauces, fresh grapes, fresh strawberries, raisins, nuts and sweet potatoes. (See the Appendix for a detailed list of U.S. exports to Iceland.)

### *Tariffs*

Iceland has 1,793 tariff lines for agriculture products at the eight-digit level. Although 1,000 of these lines are duty free, mainly products which are not produced domestically. For other agricultural products, the tariff structure is complicated: most have compound tariffs with an *ad valorem* component of 30 percent and a specific duty component that varies from Icelandic Krónur (ISK) 5/kg to ISK 1,462/kg (USD 0.40/kg to USD 11.87/kg). The simple average Icelandic MFN bound ad valorem tariff rate for agricultural products is 43.2 percent.

Meat and dairy products, and potatoes are protected by substantial duties. Tariffs for most meat based products are 20-30%, tariffs for most seafood is around 10%, tariffs for most dairy products is 30%, and most eggs 30%. Iceland has an import ban on fresh meat and high tariffs on agricultural products. Tariffs on certain varieties of vegetables, e.g. tomatoes, cucumbers and bell peppers are significantly higher during the growing season to protect domestic greenhouse producers.

VAT is added on top of that, but VAT will also be added on products from the EU after the agreement will come in effect. VAT is currently 11% of food.

#### *Recent Court Cases*

The Government of Iceland (GOI) lost two court cases on November 14, 2017, concerning the ban on the importation of fresh meat, unpasteurized eggs, and certain dairy products from EU member countries, and on illegal tariffs on agricultural products.

The European Free Trade Association (EFTA) court ruled that Iceland's restriction on the importation of fresh agricultural products goes against EU regulations that Iceland has committed to adhere to through the European Economic Area (EEA) Agreement. The Icelandic Federation of Trade & Services filed a complaint against the GOI to the EFTA Surveillance Authority (ESA) in 2011 for not abiding by EU regulations by restricting importation of meat and dairy products.

According to Icelandic law, importers have to obtain approval from authorities to import meat, raw eggs and unpasteurized dairy products. It is also prohibited to import fresh meat to Iceland. Documents are required to prove that raw meat has been frozen for at least 30 days prior to importation of meat. ESA concluded that the GOI did not adhere to the EEA Agreement when it came to the importation of agricultural products from EU member countries, and that these trade barriers should be rectified. As the GOI did not amend regulations according to ESA recommendations, ESA filed a lawsuit against the GOI before the EFTA Court.

As mentioned above, Iceland lost the case, much to the dismay of Icelandic farmers who claim that the introduction of new bacteria, and potentially diseases, can be very harmful for Icelandic livestock that has been isolated and free of many diseases for hundreds of years. The District Court of Reykjavik ordered in a separate case the GOI to repay three Icelandic importers 355 million ISK for illegal tariffs they were forced to pay.

### *Tariff Schedule*

The following information was taken from the Iceland Customs Tariff Schedule ([www.tollur.is](http://www.tollur.is)). Imports from the United States would be subject to the general duty. It should be noted that this information does not have any legal value and it is not complete.

#### **Chapter 02 Meat and edible meat offal**

0202.30 Meat of Bovine Animals; Frozen

0202.3003

A. General Duty: 30%; 1,087.00 ISK/kg

B. EU Duty: 18%; 652.00 Krónur/kg

0202.3009

A. General Duty: 30%; 599.00 ISK/kg

B. EU Duty: 18%; 359.00 ISK/kg

#### **Chapter 03 Fish and Crustaceans, Molluscs and Other Aquatic Invertebrates**

0303.67 Alaska Pollock; frozen

A. General Duty: 0%

0304.71 Cod Fillets; Frozen

0304.7119

A. General Duty: 0%

0306.17 Cold-Water Shrimps and Prawns; Frozen

A. General Duty: 0%

0307.29 Scallops; Frozen/dried/Salted/In Brine

0307.2909

A. General Duty: 0%

#### **Chapter 07 Edible Vegetables and Certain Roots and Tubers**

0710.40 Sweet Corn, Raw/Cooked by Steam/Boiling in Water

0710.4000

A. General Duty: 30%

B. EU Duty: 0%

0714.20 Sweet Potatoes; Fresh or Dried

0714.2000

A. General Duty: 30%

B. EU Duty: 0%

#### **Chapter 08 Edible Fruit & Nuts**

0802.11 Almonds; Fresh or Dried; In Shell

A. General Duty: 0%

0806.10 Grapes, Fresh  
A. General Duty: 0%

0806.20 Grapes, Dried (Raisins)  
A. General Duty: 0%

0808.10 Apples, Fresh  
A. General Duty: 0%

## **Chapter 10 Cereals**

1005.90 Corn (Maize), Other than Seed Corn, for Animal Feed and Fodder  
A. General Duty: 55%  
B. China Trade Sharing Duty: 0%

1006.30 Rice, Semi- or Wholly Milled, Polished Etc. or not  
A. General Duty: 0%

## **Chapter 11 Milling Products**

1101.0021 Wheat or Meslin Flour, Animal Feed and Fodder  
A. General Duty: 55%  
B. China Trade Sharing Duty: 0%

## **Chapter 15 Animal or Vegetable Fats**

1507.90 Soybean Oil, Refined, and Fractions, not modified  
A. General Duty: 0%

## **Chapter 18 Cocoa and Cocoa Preparations**

1806.90 Cocoa Preparations, not in bulk form, Nesoi  
1806.9011 Prepared beverages containing 5% or more of cocoa powder  
A. General Duty: 10%; 22.00 ISK/kg  
B. EU Duty: 0%

1806.9012 Prepared beverages containing cocoa, protein and other nutrients  
A. General Duty: 10%  
B. EU Duty: 0%

1806.9019 Other  
A. General Duty: 10%; 22.00 ISK/kg  
B. EU Duty: 0%

1806.9021 Powder, Buckwheat, Soups  
A. General Duty: 0%

1860.9022 Food Specially Prepared for Infants and Sick People

A. General Duty: 0%; 19.00 ISK/kg

B. EU Duty: 0%; 18.00 ISK/kg

1860.9023 Easter Eggs

A. General Duty: 20%; 51.00 ISK/kg

B. EU Duty: 0%; 49.00 ISK/kg

1860.9024 Ice Cubes and Dips

A. General Duty: 20%; 47.00 ISK/kg

B. EU Duty: 0%; 40.00 ISK/kg

1860.9025 Coated, such as Raisins, Nuts, Cereals, Licorice, Caramel and Jelly

A. General Duty: 20%; 56.00 ISK/kg

B. EU Duty: 0%; 54.00 ISK/kg

1860.9026 Confectionary

A. General Duty: 20%; 51.00 ISK/kg

B. EU Duty: 0%

Cocoa Powder Containing 30% or more of Dairy

1860.9041 With Added Sugar or Other Sweeteners

A. General Duty: 20%; 139.00 ISK/kg

B. EU Duty: 0%

1860.9049 Other Cocoa Powder

A. General Duty: 20%; 139.00 ISK/kg

B. EU Duty: 0%

Cocoa Powder Containing less than 30% Dairy

1860.9051 With Added Sugar or Other Sweeteners

A. General Duty: 20%; 50.00 ISK/kg

B. EU Duty: 0%

1860.9059 Other Cocoa Powder

A. General Duty: 20%; 50.00 ISK/kg

B. EU Duty: 0%

Other

1860.9091 With Added Sugar or Other Sweeteners

A. General Duty: 20%; 50.00 ISK/kg

B. EU Duty: 0%

1860.9099 Other

A. General Duty: 20%; 50.00 ISK/kg

B. EU Duty: 0%

## **Chapter 19 Preparations of Cereals, Flour, Starch or Milk; Bakers' Wares**

1904.10 Prep Food, Swelling/Roasting Cereal/Cereal Product

A. General Duty: 7.5%

B. EU Duty: 0%

1905.90 Bread, Pastry, Cakes, Etc., Nesoi & Puddings

1905.9011 With a filling consisting mainly of butter or other dairy products (e.g., garlic butter)

A. General Duty: 20%; 47 ISK/kg

B. EU Duty: 0%

1905.9051 Biscuits, including pizza and containing meat

A. General Duty: 20%; 99 ISK/kg

B. EU Duty: 0%

## **Chapter 20 Preparations of Vegetables, Fruit, Nuts or other parts of plants**

2002.10 Tomatoes Whole/Pieces Prep/Pres ex Vinegar Etc.

A. General Duty: 0%

2004.10 Potatoes, Prepared Etc., No Vinegar Etc., Frozen

2004.1001 Fine or coarse ground or flakes

A. General Duty: 15%

2004.1002 Cut

A. General Duty: 76%

2004.1003 Potato Starch Production

A. General Duty: 42%

2004.1009 Other

A. General Duty: 59%

2009.12 Orange Juice, Frozen, Sweetened or not

A. General Duty: 20%

B. EU Duty: 0%

## **Chapter 21 Miscellaneous Edible Preparations**

2103.20 Tomato Ketchup and Other Tomato Sauces

A. General Duty: 0%

2103.90 Sauces Etc., Mixed Condiments and Seasonings Nesoi

2103.9010 Prepared vegetable sauce based on flour, starch or malting kernel



A. General Duty: 0%

2103.9020 Mayonnaise

A. General Duty: 0%; 19 ISK/kg

B. EU Duty: 0%

## Chapter 22 Beverages, Spirits and Vinegar

2203.00 Beer made from Malt

A. General Duty: 20%

B. EU Duty: 0%

2204.21 Wine, fr Grape Nesoi & Gr Must with Alcohol

A. General Duty: 0%

2204.29 Wine, fr Grape Nesoi & Gr Must with Alcohol

A. General Duty: 10%;

B. EU Duty: 0%

### *Tariff Rate Quotas*

To comply with GATT and WTO-agreements, the Minister of Agriculture issues quotas for import of various meat and dairy products every year that are exempt from general tariffs <https://www.stjornarradid.is/raduneyti/atvinnuvega-og-nyskopunarraduneytid/>. There is some flexibility in how the minister can impose tariffs on the products imported under the WTO-quota. For example, in 1995-2008, specific per-pound tariffs were issued that were considerably lower than the general tariffs. In 2009, in a marked change of policy, the Minister issued ad valorem tariffs that were higher than the general quotas. Local importers challenged this, and it was later revoked after a local importer won a lawsuit against the Icelandic Government. Quotas for importation of 650 tons of meat and 100 tons of cheese from the EU are also issued every year. Because of high demand, the price of quotas determined at auctions has often exceeded half the general tariffs.

Iceland operates 87 tariff quotas covering a wide variety of products. Under its Uruguay Round Schedule, Iceland reserved the right to provide export subsidies for 1,797 tons of sheep meat and 3 million liters of milk; however, they have not done so.

### Appendix

#### **U.S. Agricultural, Forestry and Fishery Exports to Iceland by Value (U.S. Dollars)**

	<b>CY 2015</b>	<b>CY 2016</b>	<b>Jan-Oct 2016</b>	<b>Jan-Oct 2017</b>	<b>% Change (2017/2016)</b>
210690 Food Preparations	3,235,342	5,806,007	5,045,442	3,748,658	-25.7
190410 Cereal Preparations	2,525,295	2,051,026	1,654,823	1,694,690	2.41
081010 Strawberries,					5659.7

Fresh	5,816	32,538	29,178	1,680,564	
080610 Grapes, Fresh	2,098,439	1,952,777	1,661,724	1,450,781	-12.69
210390 Sauces/Condiments	1,160,364	1,380,322	1,108,919	1,153,779	4.05
210320 Ketchup	1,226,585	1,146,823	982,280	1,008,933	2.71
210610 Protein Concentrates	1,321,973	1,215,507	962,670	687,939	-28.54
071420 Sweet Potatoes	500,635	491,855	460,935	618,765	34.24
180690 Cocoa Preparations	870,924	661,318	499,318	574,657	15.09
020130 Beef	11,643	191,076	151,495	539,206	255.92
190590 Bread/Cakes	664,902	726,603	532,399	500,591	-5.97
330210 Mix Odoriferous Sub.	90,634	59,947	31,646	495,318	1465.18
080620 Grapes, Dried	965,070	728,475	618,485	455,636	-26.33
081020 Raspberries, Etc.	-	-	-	391,896	-
200520 Potatoes, Prepared	465,873	385,483	339,958	382,913	12.64
100590 Corn (Maize)	214,204	175,199	146,685	358,748	144.57
220421 Wine	947,839	772,779	649,069	339,125	-47.75
080810 Apples, Fresh	693,086	530,936	332,039	296,667	-10.65
090230 Black Tea	-	3,050	-	270,998	-
200819 Nuts (Except Peanuts)	640,352	598,091	457,592	227,910	-50.19
071040 Sweet Corn	134,460	154,923	154,923	197,939	27.77
200210 Tomatoes	289,208	254,088	199,275	195,685	-1.8
071430 Yams	274,920	560,238	253,784	190,898	-24.78
030616 Shrimps/Prawns, Frzn	7,262,246	403,643	403,643	184,000	-54.42
080929 Cherries, Fresh	5,140	12,117	9,544	162,230	1599.81
<b>Total</b>	<b>31,692,501</b>	<b>26,803,249</b>	<b>21,800,545</b>	<b>22,573,658</b>	<b>3.55</b>

Source: U.S. Department of Commerce, Bureau of Census

Note: Imports are generally reported on the basis of Cost, Insurance and Freight (CIF), while exports are reported on a Free on Board (FOB) basis. For this reason, import values tend to be higher than export values.