

AGRICULTURE AND RURAL DEVELOPMENT

<u>I.</u>	<u>HORIZONTAL</u>	<u>2</u>
<u>II.</u>	<u>MARKET MEASURES</u>	<u>41</u>
<u>III.</u>	<u>DIRECT PAYMENTS TO FARMERS</u>	<u>73</u>
<u>IV.</u>	<u>RURAL DEVELOPMENT POLICY</u>	<u>79</u>
<u>V.</u>	<u>QUALITY POLICY</u>	<u>116</u>
<u>VI.</u>	<u>ORGANIC FARMING</u>	<u>118</u>
<u>VII.</u>	<u>STATISTICS</u>	<u>120</u>
ANNEX 11:8 A	CUSTOMS TARIFFS FOR AGRICULTURAL PRODUCTS	
ANNEX 11:8 B	ICELANDIC IMPORT REGIME FOR PAP'S ACCORDING TO PROTOCOL 3 TO THE EEA AGREEMENT	
ANNEX 11:22	IMPORTS & EXPORTS OF AGRICULTURAL PRODUCTS IN 2004-2008	

I. HORIZONTAL

Explanatory note on references to laws and monetary values

Icelandic laws, regulations (and other secondary legislation) and treaties are published in the Government Gazette (*Stjórnartíðindi*)¹. A consolidated version of laws in force is available at the website of Althingi (The Parliament of Iceland).² A consolidated version of regulations in force is available at the Government website.³ Monetary values are listed in Icelandic krona (ISK). The rounded average Central Bank of Iceland exchange rate was EUR 1 = ISK 180 on 2 September 2009. However it should be kept in mind that the value of the krona has fluctuated in the last few years from below ISK 70 to over ISK 180 per euro at the official exchange rate (more if rates of EU banks are used). The euro value may therefore not give an accurate view, depending on the time of transactions.

1. Please provide, with an indication of recent and expected future developments, a general description of:

- the national and regional farm income policy, production and structural policy (in particular rural development policy)
- the budget earmarked and used for this general agricultural policy framework

- the administrative structure in place at the national and/or regional level (e.g. Ministry of Agriculture, Intervention/Paying Agencies, Advisory Boards, etc.) involved in agricultural policy formulation, execution, monitoring, and control, and

a) Is there a paying agency in charge of the management of your agricultural policy? If yes, please submit information on the way it operates. If no, please provide information on the institution in charge of the management of your agricultural policy (Ministry of Agriculture, regional offices, marketing boards, etc.)? In both cases, information on the structures of the organisation(s) involved should also be provided.

b) When receiving applications for aids, how are they processed, controlled, authorized and paid? Please provide flowcharts describing the main processes and procedures with regard to the management and internal control system (if existing) together with a description of any system used for the administration and control of support schemes.

- farmers' organisations and their role in the agricultural and rural development policy formulation, implementation and monitoring as well as regarding their advisory role for farmers,

- farm advisory services and farmer's register,

- the method and frequency of information transmission to beneficiaries/general public (on applications and on other general agricultural and rural development issues).

¹ www.stjornartidindi.is

² www.althingi.is

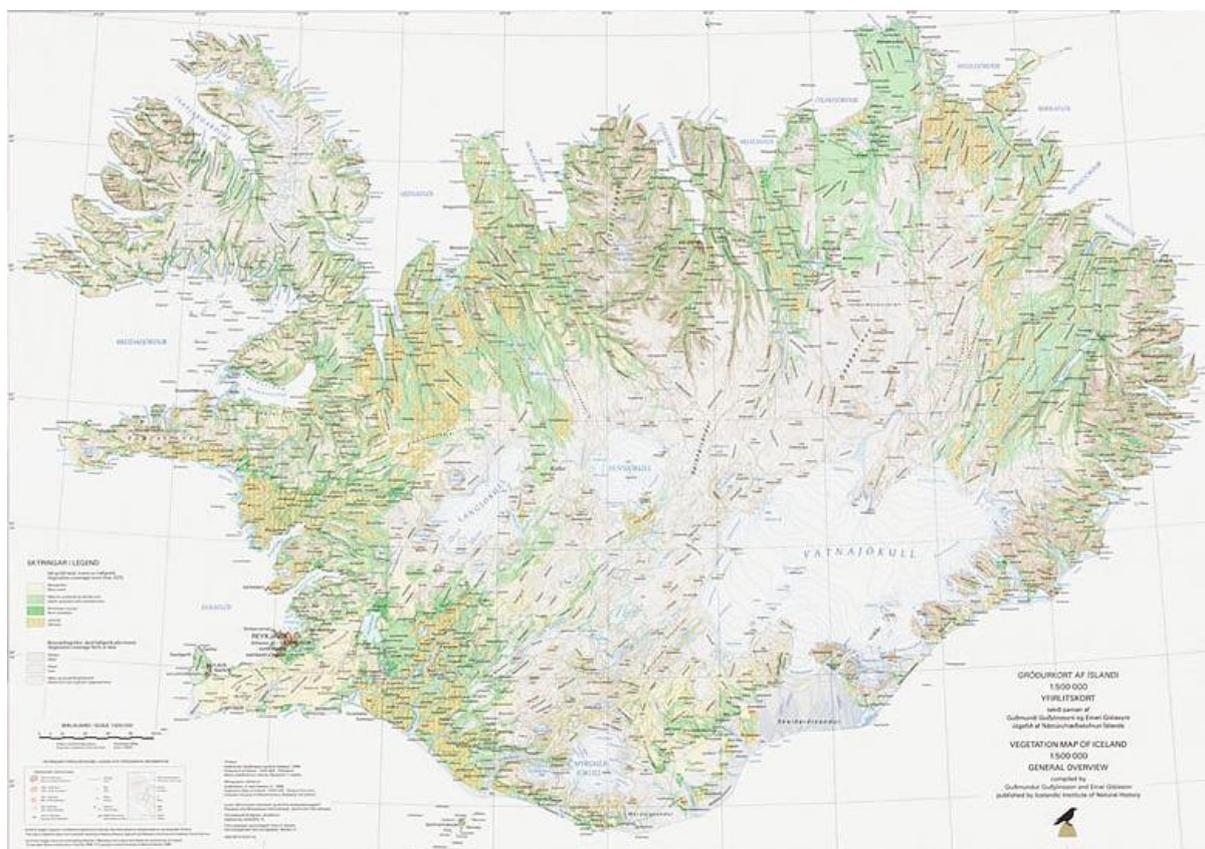
³ <http://www.reglugerd.is/interpro/dkm/WebGuard.nsf/key2/forsida>

1. Introduction

Conditions for agriculture in Iceland are limited by the country's geographical location and geological formation, being located between 63.3 and 66.7° north (Arctic Circle) on the Atlantic Ridge. The total area is 103,000 square kilometres. The climate is dominated by the surrounding ocean with average temperature of approximately 10°C in July and around -1°C in January. Annual precipitation ranges from approximately 400 to over 3,000 mm. The growing season is short, around four months.

The island is young on the geological calendar, consisting almost exclusively of volcanic rocks, lava and sediment and has still many active volcanoes. Thus, there are large areas in the country which are very vulnerable to wind and water erosion.

Figure 1.1: The surface of Iceland



Source: The Icelandic Institute of Natural History 1998.

Potentially arable land below 200 m altitude (i.e. land that can be cultivated), partly vegetated and partly barren, amounts to some 15% of the total surface, 18% of the area lies between 200 and 400 m and 58% above 400 m altitude.

These conditions constrict agricultural production in Iceland. Because of the cool climate very few farms lie above 300 meters altitude and over 90% of the farms below 200 meters. In certain areas there is limited land for cultivation, which restricts the possibility of farms to grow and increase production.

Traditional agriculture is primarily based on grass, by natural pasturage and making fodder in the form of hay or silage from cultivated grass fields. Total cultivated grassland amounts to 120,000 hectares. Crop production is currently small scale, almost exclusively barley for feed

for use on the farms and not for sale. This cultivation, however, has been increasing rapidly in the last few years and barley is now grown on over 4,000 hectares yielding 15,000-16,000 tons and provides 10-12% of all grain used for livestock feed.

Private ownership of farm holdings is the most common ownership in Iceland as shown in Table 1.1 and family farming is the most typical form.

Table 1.1: Ownership of agricultural holdings in 2008 (No of farms)*

Farmers and associates	3,223
State owned	239
Municipalities	114
Others	714
Total	4,290

**) Not all with agricultural production*

2. Agriculture and the National Economy

As in other western countries, Icelandic society has undergone extensive structural changes in the past decades resulting in emigration from the rural to the urban areas. The source of employment has shifted from agriculture and fisheries to industries and services. At present, 6.5% of the population live in the rural areas and less than 3% of the total workforce is employed in agriculture, which in 2007 provided 1.4% of the gross domestic production (GDP). In 2006 there were 3,045 farms in Iceland, i.e. operational units paying the levy on agricultural production applied according to Act No 84/1997 which is obligatory for all farms with agricultural income in excess of ISK 500,000 a year.

Table 1.2: Key figures

Rural population 2009	6.5%
No of operational farms 2006	3,045
Proportion of manpower in agriculture 2008	2.5%
Proportion of GDP from agriculture 2007	1.4%
Gross farm income, incl. support payments 2008 (estim.) (mISK) ⁴	27,588
Producer support estimate (PSE) 2008	51%

Despite these relatively low figures on the national scale, agriculture remains an important sector outside the densely populated south-west corner of the country. In fact agriculture is the backbone for livelihood and employment in the more remote rural areas and provides the basis on which various services and new initiatives are built. It can be argued that the public and political willingness to support agriculture to the current level is to the larger extent, based on two pillars; food security and the vital role that agriculture plays in rural society.

A. Agriculture by Sectors

Livestock production provides 87% of farm income from agricultural production, the remainder deriving from horticulture and potato growing (figure 3).

⁴ mISK = million Icelandic Krona

Table 1.3: Annual turnover on agricultural production

<i>Annual turnover on agricultural production</i>	<i>Calendar Year 2005</i>	<i>Calendar Year 2006</i>	<i>Calendar Year 2007^e</i>	<i>Calendar Year 2008^e</i>
1. Bovine products (incl. sales of live animals and direct payments)	10,495,749	11,258,185	12,102,549	12,955,778
2. Sheep/goat products (incl. sales of live animals and direct payments)	4,921,460	5,295,831	5,693,019	6,094,376
3. Horse products (incl. sales of live animals)	625,189	776,923	831,696	890,330
4. Pig products (incl. sales of live animals)	1,159,822	1,420,673	1,520,830	1,628,049
5. Poultry products (incl. sales of live birds; excluding eggs)	995,341	1,248,294	1,336,299	1,430,508
6. Eggs	650,013	444,703	476,055	509,617
7. Potatoes	349,392	643,528	688,897	737,464
8. Swede (yellow turnips)	45,287	60,629	64,903	69,478
9. Other vegetables and flowers	2,096,685	1,962,820	2,101,199	2,249,333
10. Pelts from mink and foxes (including sales of live animals)	296,426	506,015	541,689	579,878
11. Eiderdown	172,492	174,632	186,944	200,123
12. Forestry products (incl. sales of forestry plants)	119,681	42,624	45,629	48,846
13. Sales of hay and various other agricultural products	144,872	169,321	181,258	194,037
<i>Total</i>	<i>22,072,408</i>	<i>24,004,177</i>	<i>25,770,964</i>	<i>27,587,817</i>

Agricultural production at farmgate in years 2005 and 2006 with estimates for years 2007 and 2008; in ISK 000s (value incl. direct payments)

Source: (1) The State Financial Management Authority (years 2005 and 2006); (2) Agricultural Economics Institute (years 2007e, 2008e).

Traditionally, agricultural production in Iceland rested on sheep and cattle with horses for work and transport. While this has changed greatly over the last decades, dairy and sheep farming are still the dominating sectors in terms of both employment and production as well as in supporting rural habitation. There are at present 738 dairy farms and 1,955 sheep farms with support entitlements (see later). A typical dairy farmer keeps 30-40 cows and a sheep farmer 300-600 sheep, while the variation is considerable and the development is towards larger farm size.

During the past decade consumption patterns have changed considerably, with consumption switching from sheep meat to pork and poultry. As a consequence of this trend the pork and poultry sectors have gained greater market share and developed an extended production capacity. At the same time the number of sheep farmers has been decreasing.

⁵ 2007e = estimate for the year 2007

Horticulture is, on the one hand, based on crops that can grow outside despite the short and cool summers and, on the other hand, greenhouse production based on geothermal energy and increasingly also on artificial lighting. Outside production is in the main limited to potatoes, turnips, cabbages, cauliflower and carrots, while the primary products in greenhouses are tomatoes, cucumbers, peppers, nursery plants and flowers, although a great variety of other types is grown on a smaller scale.

B. Diversification

With contraction in traditional agriculture, several attempts have been and are being made to diversify farming to secure employment and livelihood in the countryside. Amongst these is fur farming, although with mixed results, presently being operated on 21 farms.

Developments have been made in raising an indigenous variety of trout, the Arctic Char, which offers opportunities for large scale production as well as small scale production on family farms without the requirement of costly investment.

Farm tourism has increased greatly in recent years and is predicted to expand further in the future. The short tourist season is a disadvantage, but nevertheless this activity already supplements the income on many farms and is the main source of income on quite a few farms around the country.

There are five regional Government programs in place for reforestation, which provide a few hundred farmers with supplementary income, supported by the state.

Utilization of resources, such as fishing in lakes and rivers, collecting eiderdown and driftwood, has always been a part of farming life in Iceland, where these resources are available. This is being further encouraged by various development projects and fits in well with the tourism, particularly the fishing of trout and salmon.

3. Agricultural policy by substance

Agricultural policy in Iceland is based on two main legal instruments.

Firstly, policy concerning production and marketing of agricultural products which is laid out in the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993. This legislation establishes official objectives for Iceland's agricultural policy and provides the general policy framework for Icelandic agriculture and its regulation. Tasks, in accordance with this legislation, are comparable with Pillar I in the Common Agricultural Policy in EU.

Secondly, policies on provision of support for farm construction projects, livestock improvement and extension (advisory) service is laid out in Act on Agriculture No 70/1998. In addition, the following acts should be mentioned: The Act on Afforestation No 3/1955, the Act on Regional Programs for afforestation No 95/2006 and the Act on Soil conservation No 17/1965. Tasks, in accordance with this legislation, are comparable with Pillar II in the Common Agricultural Policy in EU.

A. Production and marketing of agricultural products

The main objectives of the Act No 99/1993 are to:

- a) To promote development and increased efficiency in the production, processing and sale of agricultural produce for the benefit of producers and consumers
- b) To ensure that the level of production of agricultural produce is as close as possible in line with domestic demand and to guarantee at all times sufficient supply of agricultural products

- c) To ensure that export opportunities for agricultural products are utilized to the extent feasible
- d) To ensure that the income of farmers is comparable with the earnings of other occupations
- e) To utilize domestic inputs to the extent possible in agricultural production, with respect to security of production and employment
- f) To facilitate equality between producers in each sector with respect to output prices and access to markets

In order to implement the main objectives of the agriculture policy, according to Article 30 and 58 of Act No 99/1993 the Government shall seek to negotiate agreements with the Farmers' Association concerning the general framework for support and production control for sheep and dairy farmers and horticulture. Presently, there are three agreements in place:

- Agreement on horticultural production from 2002, expires 2013
- Agreement on dairy production from 2004, expires 2014
- Agreement on sheep production from 2007, expires 2015

In 2009 all the agreements were revised and at the same time their validity was extended.

The above mentioned agreements aim to provide producers with a stable and predictable operating environment for a number of years each time.

The policy objectives for each of the farming sectors for which an agreement has been concluded are stated in the agreements and the relevant Act No 99/1993.

For sheep production from 2007 the objectives are:

- To strengthen sheep farming as an economic sector as well as the income of sheep farmers
- To stimulate recruitment of new farmers into the sheep sector and thus strengthen residence in rural areas
- To ensure that sheep farming is practiced in accordance with environmental protection and land quality to secure sustainable utilisation of land
- To increase market awareness of farmers and the slaughter industry and maintain a balance between supply and demand
- To support innovation in sheep farming.

For dairy production from 2004, the objectives are:

- That the general operating conditions of dairy production and processing, and the support of the Government will support continuing rationalization, increased competitiveness and lower prices
- That the Government's financial support to the dairy industry will be optimally used to lower dairy consumer prices
- That the current balance between supply and demand will be sustained
- That the dairy industry will be given leeway to prepare for increased foreign competition

- That the dairy industry can develop so that the necessary generation change integrates into the group of dairy producers and that the normal updating of production facilities is possible
- That the viewpoints regarding the interest of animal welfare and wholesomeness of produce are protected

For horticulture from 2002 the objectives are:

- To lower consumer prices on imported as well as domestic horticultural products
- To improve efficiency and competitiveness of domestic horticulture for the benefit of both producers and consumers
- To provide a stronger base for improving income of producers
- To improve the production and marketing position of domestic produce at times when it fulfil requirements for both quantity and quality

It should be emphasised that the Agreement on horticulture came about in connection with a decision to bring import tariffs of a number of products to zero, hence the strong emphasis on lower consumer prices of the respective products.

The support and control mechanisms are different for the three sectors. In all cases, however, the agreements stipulate the total amount in ISK that each sector receives in direct payments annually and this amount is non-related to the number of producers, total production or any production factors.

For the dairy and sheep sectors, the direct payments are allocated to individual producers on the basis of support entitlements. These were originally based on historical production levels, but the entitlements are freely tradable between farmers.

The dairy sector is the only sector of agriculture that is production regulated and partly price regulated on the domestic market. The total support entitlement, defined in litres per year (presently 116 million litres) is at the same time a total production quota that is divided between individual producers according to their proportional entitlements, thus deciding simultaneously individual support entitlement and production quotas. Producers are guaranteed a minimum price set for all milk delivered within the quota, the price being decided by a government committee. The same committee decides wholesale prices for selected dairy products.

There is no production control within the sheep sector. The total support entitlement is defined in “sheep units”, which according to the present Agreement are 368,000 in total. Similarly, individual support quotas are defined in sheep units. Approximately 2/3 of the direct payments are paid according to individual support entitlements, regardless of production; however the condition for receiving full payment is to keep at least 60 winter-fed sheep per 100 sheep units. The remaining 1/3 is paid on the basis of the amount of lamb meat produced. To receive the latter payment, the respective producer has to participate in a comprehensive quality control scheme which, among other things, takes into account factors of animal welfare, product quality and traceability as well as sustainable land utilization. No price regulation is applied; however the Sheep Farmers’ Association is permitted, by Act No 99/1993, to publish a reference price. Regardless of this, the slaughter sector, i.e. individual slaughter companies, decide farm gate prices of sheep meat as well as of other meats.

Direct payments within the horticulture sector are granted to producers of tomatoes, cucumber and peppers, and distributed in proportion to the level of production. There are no limits on the level of production of any horticultural products. However, the amount available for direct

payments is fixed and the payments per unit may in consequence vary according to the level of production. Pricing is unregulated.

As for other agricultural sectors, there is no Government intervention, either as regards price or production control, nor are there any support payments. The only exception to this are small headage payments to few farmers who keep specialized beef cattle (suckling cows). However, one of the fundamental measures for support to all meat and dairy production and to a lesser extent horticulture and floriculture is market support through import tariffs.

B. Development assistance – technical services

The Act on Agriculture No 70/1998 lays down the main features of Government support in the field of structural adjustment on farms, technical development, livestock improvement and extension services.

The overall objective is to promote progress in agricultural production, develop new production methods and new sectors within the agricultural framework in order to provide Icelandic farmers with comparable working environment to that in neighbour countries.

According to Act No 70/1998, the Minister of Fisheries and Agriculture shall negotiate an agreement with the Farmers' Association for five years at a time on Government support to the following services:

- The Agricultural Productivity Fund, which provides grants to structural changes on farms and for various development projects designed to increase productivity and competitiveness of agriculture
- Technical development and improved land cultivation on farms. Apart from the overall objectives, this support shall take into account sustainable land use, protection of ecosystem and biological variability and to further environmentally sound and organic agricultural practices
- Livestock improvement. The stated objectives are to secure progress in livestock breeding in order to improve competitiveness of Icelandic livestock and livestock products, while at the same time taking into account our commitments in regard to the preservation of biological diversity
- Extension (advisory) services, the objectives being to seek and disseminate information and the best available knowledge and experience to farmers on all aspects of farming practices

The current Agreement is applicable in the period 2005-2010. The Farmers Association is responsible for implementation of the Agreement, however the Ministry of Fisheries and Agriculture funds the programs laid by the Agreement with monthly payments to the Farmers Association.

4. The budget earmarked and used for the general agricultural policy framework

The total agricultural support by the Ministry of Fisheries and Agriculture in the agricultural budget year 2008 was ISK 13,958 million⁶

⁶ Source: State Accounts (Ríkisreikningur) for year 2008.

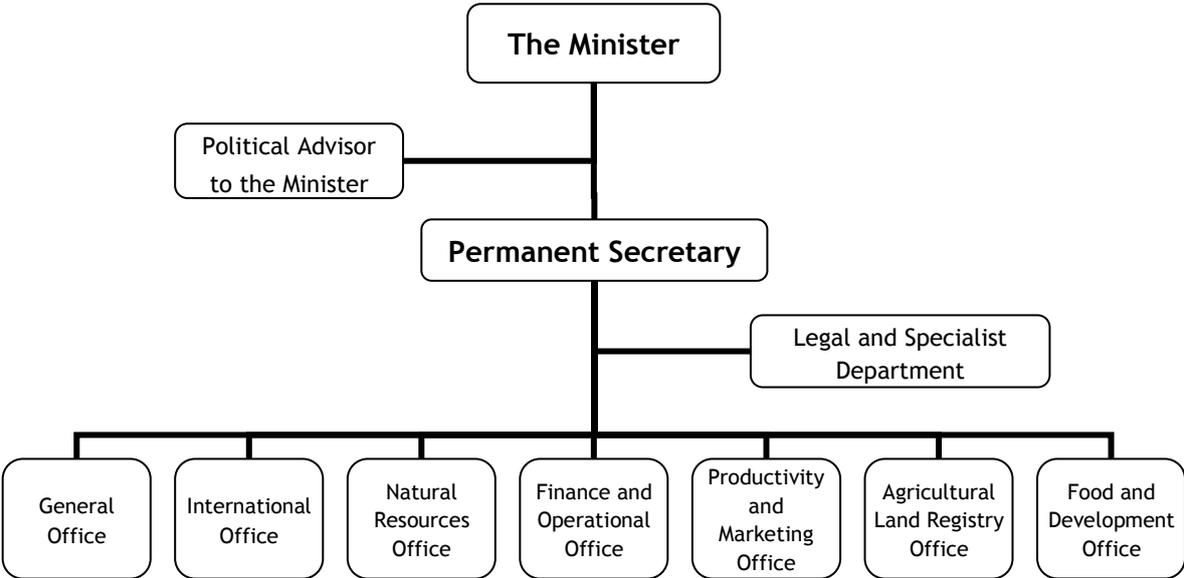
5. Expected future development

The current agricultural policy is laid down mainly in Act No 99/1993, Act No 70/1998 and the current agreements between the Government and the Farmers' Association, which are valid until 2013-2015. Regarding the future development of agriculture policy there are no plans other than to continue to work towards the aforementioned main objectives. The present Government places a very strong emphasis on food security, i.e. increased self-sufficiency of agricultural products. Similarly, a strong emphasis is placed on rural sustainability. Furthermore, new opportunities may arise in relation to food security and rural sustainability bearing in mind production possibilities (e.g. grain production and on-farm marketing) that occur with improvements in production technology and farm science and cultivation and technology development.

6. The administrative structure for Icelandic agriculture

According to Regulation No 177/2007 on the division of responsibilities within the Government the Ministry of Fisheries and Agriculture is *inter alia* responsible for agricultural policies. Apart from the Ministry itself the Icelandic Food and Veterinary Authority (Matvælastofnun - MAST), a governmental agency, deals with implementation of agricultural policies. There are three standing committees; the Agricultural Pricing Committee, with independent powers; the Executive Committee for the implementation of national agricultural agreements; and the Advisory Committee on import and export of agricultural products. Certain administrative tasks are carried out by the Farmers' Association on behalf of and under the auspices of the Ministry of Fisheries and Agriculture and MAST, by special arrangements or according to law.

Figure 1.2: Organizational Chart of the Ministry of Fisheries and Agriculture



The main actors in the field of agricultural policy and their tasks:

Ministry of Fisheries and Agriculture

- Overall responsibility for agricultural policies and their realisation
- Policy making and preparation and implementation of agricultural legislation
- Delegation of tasks to subordinate governmental agencies
- Negotiating agreements on the framework of support to farmers with the Farmers' Association
- Administration of imports and exports
- Participation in negotiation on market access for agricultural products in free trade agreements, in cooperation with the Ministry for Foreign Affairs
- Administration of state owned leasehold land
- Administrative authority of last resort within complaint procedures (e.g. Decisions on individual production quotas can be referred to the Minister of Fisheries and Agriculture)

The Ministry employs about 40 people, of which some ten are partly or solely concerned with the administration of agricultural policies.

Executive Committee for the implementation of national agricultural agreements (EC)

- Comprises representatives of Government and Farmers' Association
- Consultation and evaluation of progress of implementation
- Makes proposals annually to the Minister for total production quota in the dairy sector
- Reviews systemic issues which may arise, to facilitate the smooth functioning of the agreements

Agricultural Pricing Committee

- Evaluation of the cost of production of cattle and sheep farming
- Sets minimum producers price (farm gate price) of milk
- Sets wholesale price for certain dairy products
- Supervision of the use of Price Transferral Levies (verðtilfærslugjald)

Advisory Committee on import and export of agricultural products

- The Committee shall advise the Minister on rules for allocation of import quotas, imposition of price equalisation levy with import and payment of price equalisation with export and application of Special Safeguards, in accordance with international trade agreements
- Announce applicable import quotas for agricultural products as decided by regulations and allocate

Icelandic Food and Veterinary Authority (MAST)

- State and surveillance institution under the Ministry of Fisheries and Agriculture
- Responsible for a register of support entitlement holders and holders of production quotas
- Confirms and registers all transfers of support entitlements and production quotas between producers
- Is responsible for livestock registration
- Surveillance regarding fulfilment of conditions for receiving payments on participation in the quality control scheme applicable to sheep meat production
- Livestock disease control and prevention issues

MAST is primarily concerned with veterinary, phytosanitary and food safety issues. The institute employs a total of 80 people, of which only four are partly involved in the administration described here. MAST outsources certain tasks to the Farmers' Association.

There is no centralized governmental paying agency responsible for allocation of funds to farmers; however, in recent years the Farmers' Association has administered payments to farmers on behalf of the Ministry of Fisheries and Agriculture, *inter alia* based on the register kept by the MAST. Financial accounts and all transactions carried out by the Farmers' Association on behalf of the Ministry of Fisheries and Agriculture are under surveillance of the National Audit Office. Furthermore some payments are granted directly to the Agricultural Productivity Fund, as laid down in the relevant agreements between the Government and the Farmers' Association. The Agricultural Productivity Fund allocates its payments in accordance with its own administrative procedures.

The following institutions are in charge of payments to farmers based on the purpose of payments.

Direct payments to dairy and sheep farmers, headage payments and cross compliance schemes

These are determined by individual support entitlements and are subject to the fulfilment of certain conditions. Farmers do not have to apply for these payments annually. Payments are made according to a register of holders of support entitlements and livestock register, information from the respective dairy or slaughtering company, as applicable, and a confirmation by MAST that the receiver fulfils other requirements.

The Ministry of Fisheries and Agriculture transfers the total monthly amount, based on the register of entitlement holders, to the Farmers' Association, which carries out the payment to individual producers on behalf of the Ministry.

Direct payments to horticulture producers

These payments are limited to producers of tomatoes, cucumbers and peppers. The farmers concerned present a production plan to the Farmers' Association at the beginning of each year and, in the case of new producers, they have to apply for direct payments. The Executive Committee for the implementation of national agricultural agreements estimates the total production eligible for support, based on information from Farmers' Association, and decides the initial unit payment as 80% of the estimated unit payment. This is revised before 1st July and again before 1st October each year, based on the development of production, and the unit payment adjusted accordingly. The final payment, based on a production and income report

from each producer, verified by a certified public accountant, takes place before 1st March the following year. The method and authorization of payment is same as above.

Development grants to farmers pursuant to the Agreement made under Act No 70/1998 (búnaðarlagasamningur).

Presently, fields that are eligible for support include re-cultivation in relation to adjustment for organic production; environmental and development investments in horticulture; cereal production (barley); grazing control, to keep farms orderly; improved conditions for animal welfare, and better working conditions on farms; maintenance of draining systems; and to increase the calcium level of fields.

Farmers apply for these grants to the Farmers' Association before a certain date each year and receive an answer within a given time stating whether the application has been accepted and, if so, the level of the minimal grant which depends on the number and type of applications each time. The grants are paid in December on the condition that applicants have completed the tasks in question and that this has been verified by a regional extension officer. The Farmers' Association is responsible administration of this scheme and is audited by the National Audit Office.

Regional afforestation projects

Beneficiaries are principally farmers. The only criterion for inclusion is that the land to be afforested be part of a registered farm. Participants sign a 40-year contract concerning the afforestation area on their farm. At end of this period the forest becomes the sole responsibility of the farmer but shall be under surveillance of the respective regional afforestation projects (the Act on Regional Afforestation Projects No 95/2006).

Each project has its own administration which is responsible for financial as well as other affairs. The projects receive monthly payments according to a payment plan verified by the Ministry of Fisheries and Agriculture.

Hekla Forest Project

This project is based on a contract between the Ministry of Environment on the one hand, and the Icelandic Forest Service and the Soil Conservation Service on the other. Beneficiaries are land owners and land managers within defined areas (HFP). Grants are not paid out in cash but as support in the form of free seedlings, grass seed, fertiliser, and part of sowing and planting. The administration is under the supervision of the Ministry of Environment.

Land reclamation on farms

This is a project run by the Soil Conservation Service and entails the support of the institute to farmers engaging in efforts to revegetate eroded land within the borders of their farms. The support is both technical, in providing advice and supervision, and financial, as the Soil Conservation Service pays partly for fertilizer and seed utilized. Presently, there are 650 farmers participating.

7. The Icelandic Farmers' Association and Other Farmers' Organizations

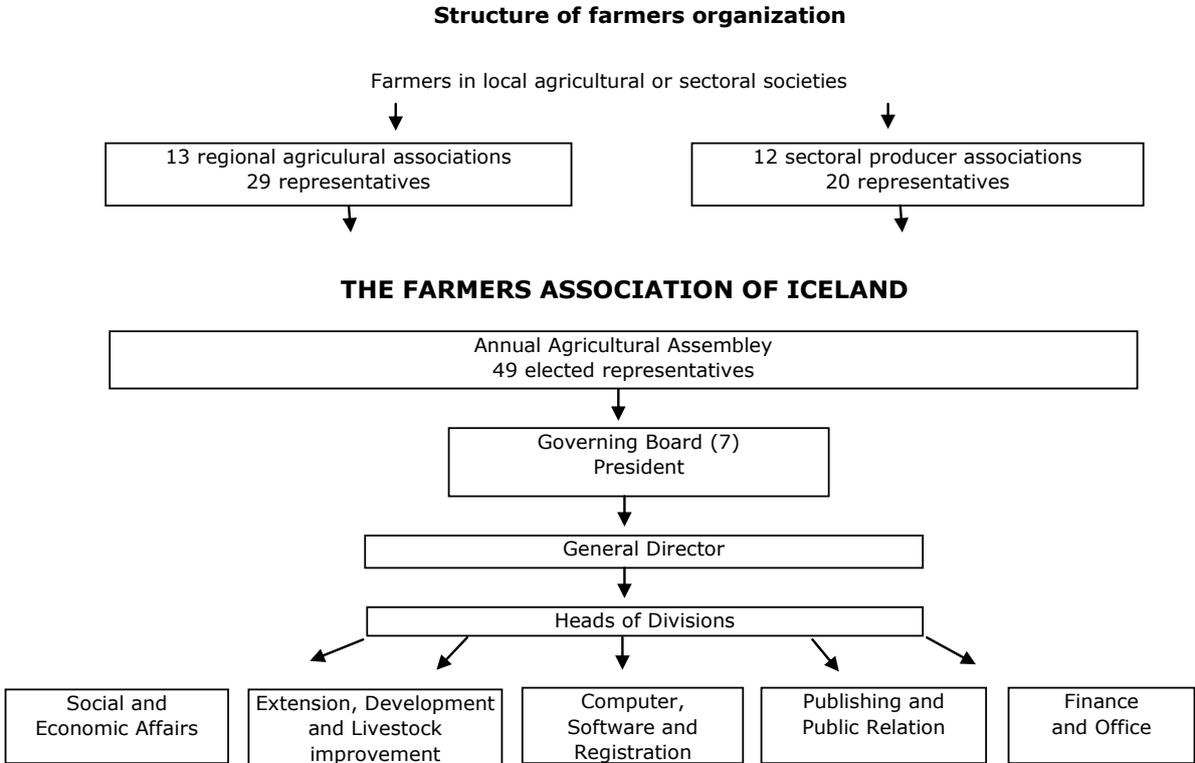
The Farmers' Association is an umbrella organization representing all farmers in Iceland. Membership is voluntary and can be either through one of 13 regional agricultural associations or through sectoral producer organizations or both.

The sectoral producer associations represent:

- Dairy and Beef Cattle Farmers
- Sheep Farmers
- Horticulture Producers
- Egg Producers
- Poultry Producers
- Pig Producers
- Horse Farmers
- Fur Producers
- Farm Tourism
- Forrest Owners
- Foster- Parents on Farms
- Eiderdown Producers

The structure and organization of the Farmers Association is illustrated in figure 1.3.

Figure 1.3: The Farmers Association of Iceland



While membership of the organization is voluntary, all producers of agricultural products are obliged, under Act No 84/1997, to pay the agricultural production levy, which at present is 1.2 % of gross income from production falling under the Act The income is divided,

according to the Act, between the Farmers' Association, the regional agricultural associations, the sectoral producer associations and the Emergency Relief Fund.

The Farmers' Association performs a multitude of roles for farmers and the authorities. These are laid down in the statute of the association and are to look after and work for the interests of the farming community and seek to unify farmers around their common interests by the following means:

- Form a policy for farmers and the agricultural sector as a whole
- Advocate and defend the interests of farmers in relation to government and other sectors of society
- Work for renewal and improvement of legislation for the benefit of farmers
- Follow closely development in farmers' income and the general operational environment of the sector and thus secure as far as possible equitable earnings in comparison with other sectors
- Negotiate with authorities on production control, pricing of agricultural products and earnings in agriculture
- Represent Icelandic farmers to sister organizations in other countries

As for the Association's official role in extension and development work the statute lists:

- Further progress in agriculture by employing chief extension officers who have a leading role within each discipline in accordance with the Act on Agriculture No 70/1998. The regional agricultural associations also employ local extension officers for the same purposes
- Execute other functions that Parliament or Government entrusts the association for
- Supervise and lead livestock improvement work nationwide
- Advocate and work for applied research and experiments in all spheres of agriculture

Presently the association employs about 55 people fulltime or part time, of which 30-35 are engaged in extension and development, livestock breeding and registration or computer services and software development, while 3-4 people take care of the administration work concerned with production control and direct payments as described above.

The regional agricultural associations currently run six regional extension centres, employing between 50 and 60 people. There is close co-operation between the Farmers' Association and the regional extension centres. The extension service, as a whole, places strong emphasis on farm management and accountancy, land cultivation, livestock improvement, feeding and management, as well as on diversification and innovation.

8. Farmer's registers

There are six main registers for farmers and/or keepers of livestock:

1) Register of payers of agricultural production levy. The Farmers' Association receives the register from the National Tax (Revenue) Directorate. The register contains names and ID-numbers of all payers, name of farm and municipality and for which production sector(s) payment is made. The Farmers' Association may only use the register for the purpose of executing their legal role and their in service to farmers. Others are not to be permitted any access to the register.

2) Register of keepers of livestock. MAST is responsible for the register which is kept by the Farmers' Association. The register is revised once a year according to records completed by all those responsible for keeping livestock and verification by "animal welfare" inspectors operating under the auspices of the municipalities. Information from this register may be used by Statistics Iceland, the Agriculture Economics Institute, MAST and other Government entities with permission from the Ministry of Fisheries and Agriculture.

3) Register of right holders of sheep production support targets. Register of entitlements to direct payments to sheep producers kept by the Farmers' Association by mandate from MAST. Subject to annual revision.

4) Register of right holders of dairy production support targets. Register of production quotas and entitlements to direct payments to dairy producer kept by the Farmers' Association by mandate from MAST. Subject to annual revision.

5) Register for receivers of direct payments in horticulture. The register is kept by the Farmers' Association, and revised annually.

6) Register of agricultural holdings, which registers all recognized farms in the country and their occupants, which the Ministry of Fishery and Agriculture is responsible for.

9. Information transmission to beneficiaries and the general public

The State Budget and the Government Account are publicly available, and include information on public expenditure to agriculture. Several reports have been produced, on the initiative of the Ministry of Fisheries and Agriculture, on individual policy sectors or certain policy issues when occasion has arisen, and these reports are publicly available.

The Governing Board of the Farmers' Association delivers a report to the Annual Agricultural Assembly on the activities of the Association and the implementation of the agreements on support between the Government and the Farmers' Association. The Farmers' Association furthermore issues a leaflet on Icelandic Agricultural Statistics every second year. The Agriculture Economic Institute issues publications on agricultural economic affairs and farm accounting.

The Agricultural Productivity Fund issues a yearly report on its activities and allocation of funds and many governmental agencies, including the Icelandic Food and Veterinary Authority, produce yearly reports describing their activities and policy implementation in the reporting year.

2. Please provide general information on the trade policy and mechanism applied in Iceland regarding agricultural products including bi- and multi-lateral agreements, import/export schemes, tariff quotas, systems of licenses, safeguard clauses, etc. as well as operational structure in place; please also specify whether the EU Combined Nomenclature is applied. Product specific measures should be described under section II).

Icelandic agriculture operates under harsh geographical and climate circumstances and the production is limited both in terms of range and quantity. The cost of production is high and the market is small by most comparisons. The operation of the Icelandic Agricultural sector and the realization of the general objectives of the agriculture policy, including a level playing

field in the consumer market, adequate pricing and food security, would therefore be extremely difficult without protection from foreign competition through the applied instruments of high tariffs, domestic support and tempered/controlled market access through tariff rate quotas.

Iceland is not an exporting country in the field of agriculture. It is self-sufficient in the production of dairy products, although some cheeses are imported for increased variety; it is self-sufficient for over 90% of meat products. Some excess production of these sectors is exported. As regards other agricultural products, the level of self-sufficiency is highest in potatoes (approx. 75%), and a number of vegetables, while the bulk of vegetables and nearly all fruits and berries as well as most cereals for human food are imported. The total import of agricultural products amounts to around 50% in terms of calorific value of agricultural goods for domestic consumption.

The Customs Tariffs reflect these realities, significant tariffs being applied on most products produced domestically resulting in little or no imports through the MFN rates. For other agricultural products customs duties are nominal and in fact 62.7% of all tariff lines were duty free in 2007, covering 66.3% of the import volume in that year (see further WTO, World Tariff Profiles 2008).

In 2008 the biggest importing partner was the European Union with just above a 65% share, Switzerland and the United States followed second both with around 8%. In exports the biggest partner was the European Union with a 61.7% share, followed by the US with 13.1%. Icelandic agricultural exports constituted 1.4% of total export in 2008, compared to 1.1% in 2007. (Source: Statice).

Iceland is a founding member of the WTO and a party to the EEA Agreement. Partnership within both entities has heavily influenced regulation of imports and exports. According to Article 64 of the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, the importation of agricultural products from the member states of the WTO shall be unhindered, subject to provisions set out in law. However, the Minister of Fisheries and Agriculture is authorised to restrict imports of agricultural products from non-WTO members.

Products deriving from or containing genetically modified organism (GMOs) can only be placed on the market following a licence from the Environmental authority, unless the products has already obtained a licence in an EEA country. The Minister of Fisheries and Agriculture is furthermore authorised to ban the importation of animal and plant products which have been hormone treated during the production span or may contain residues of drugs or other contaminants exceeding the allowed levels in domestic production and constitute a risk to human health.

Under Regulation No 509/2004, in principle the importation of certain animal products or products capable of containing infectious agents which are dangerous to animal and human health are not permitted, unless they have received satisfactory heat treatment. The regulation is based on the Act on Animal Diseases and their Prevention No 25/1993, as amended. However, the Minister of Fisheries and Agriculture, with the recommendation of the Chief Veterinary Officer, may permit the importation of these products provided it is proven that they will not carry any contaminants capable of causing animal or human diseases and that the conditions applicable to the importation have been met. According to Regulation No 189/1990 (stemming from the Act on disease prevention and vermin on plants No 51/1981) the import of plants and plant products is subject to certificate requirements and may be restricted by the Minister of Fisheries and Agriculture to protect Icelandic flora against new diseases and pests.

To date Iceland has neither applied countervailing duties, to counter illegal subsidisation and dumping practices, nor safeguard measures as set out in the relevant agreements of the WTO. While Iceland has retained the right to apply special safeguards under the WTO Agreement on Agriculture for a considerable number of tariff lines in its WTO schedules of concessions, such safeguards have never been applied. Furthermore, Iceland has never applied any such measures in relation to its free trade agreements (FTAs).

Iceland offers limited market access through its network of free trade agreements, both bilaterally and jointly with the other EFTA countries (see table 2.1). Agricultural products are treated differently in the FTAs, with a special arrangement on progressive liberalization of trade in agricultural products between Iceland and the negotiating partner, distinguishing between basic and processed agricultural products. In general, products, both basic and processed, which climate conditions allow to be produced in Iceland, are not included in the FTAs. All of the agreements and the respective bilateral arrangements on agricultural products are available online and in electronic format on disk to the Commission.⁷

Table 2.1: Free trade agreements of which Iceland is a party and the year of entry into force

<i>EFTA FTAs</i>		<i>Other FTAs</i>
EFTA Convention (1970)	Singapore (2003)	EEC (1993)
Turkey (1992)	Tunisia (2005)	Greenland (1985)
Chile (1993)	South Korea (2006)	EEA Agreement (1994)
Israel (1993)	Lebanon (2007)	Faroe Islands (2005)
Morocco (1999)	Egypt (2007)	
Palestinian Authority (1999)	SACU (2008)	
Mexico (2001)	Canada (2009)	
Macedonia (2002)	Columbia (not yet in force)	
Croatia (2002)	Peru (not yet in force)	
Jordan (2002)	Gulf Cooperation Council	
FYR Macedonia (2002)	(not yet in force)	

The EEA Agreement entered into force on January 1st 1994, including Protocol 3 on trade in certain processed agricultural products. The protocol is in principle an extension of Protocol 2 to the free trade Agreement between the Iceland and the EEC from 1972. Upon entry into force of the EEA Agreement, negotiations had not been finalized on certain technical aspects of the authorized system of price compensation for taking into account the impact of the differences in prices between the world market and the markets of the Contracting Parties for the basic agricultural products. In the meanwhile Protocol 2 to the 1972 FTA was applied to

⁷ The FTA's concluded jointly with the EFTA States, with the associated bilateral arrangements are available online at the EFTA website: <http://www.efta.int/content/free-trade/fta-countries>

The EEA Agreement is available online at the EFTA website: <http://www.efta.int/content/legal-texts/eea>

The bilateral arrangement between Iceland and the European Community based on Article 19 of the EEA Agreement is e.g. available online at the website the EC Treaty Office database: <http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&reatyId=4861>

The bilateral arrangement between Iceland and Norway based on Article 19 of the EEA Agreement is available online at the website of the Government Gazette: <http://www.stjornartidindi.is/Advert.aspx?ID=81710592-25e1-4488-9a2e-b029f5ed0286>

The EFTA Convention is available at the EFTA website: <http://www.efta.int/content/legal-texts/efta-convention>

The Hoyvik Agreement is available at the website of the Government Gazette: <http://www.stjornartidindi.is/Advert.aspx?ID=95a6f2c9-fdb2-44eb-88d1-37f1d9448601>

this issue. The review of the protocols was protracted *inter alia* due to the conclusion of the Marrakesh Agreement Establishing the World Trade Organization.

Protocol 2 to the 1972 FTA included 41 tariff lines, as per the Notice of the Ministry of Finance No 372/1995. In August 1999 a revised version of Protocol 2 entered into force. It now included 77 tariff lines, as per the Notice of the Ministry of Finance No 546/1999. Following the review, customs duties for certain tariff lines which had been covered by the original protocol were renegotiated and in some cases the tariff lines were bound duty free while in other cases the duties were reduced by up to 15%.

In July 1999 an agreement was reached on Protocol 3 to the EEA Agreement, effective from 1 January 2000, as per Notice of the Ministry of Finance, No 5/2002. In principle Protocol 3 contains the same rules as the previous protocol, although the scope was widened, covering around 100 tariff lines, including beer, soft drinks and various types of wine, which forthwith enjoyed duty free market access. According to Protocol 3, Iceland reduced its duties by 2% from the rates according to Protocol 2 to the 1972 FTA. The new Protocol was also meant to provide export opportunities for Icelandic companies, as duties applied by the EU were reduced by 3% for the products falling within the scope of the Protocol.

On 1 March 2007 entered into force the Agreement in the form of an Exchange of Letters between the European Community and the Republic of Iceland concerning additional trade preferences in agricultural products undertaken on the basis of Article 19 of the Agreement on the European Economic Area (OJ L61 of 28/02/2007, p.29), (the 'Art. 19 Agreement'). Article 19 of the EEA Agreement stipulates the regular review of the arrangement on trade in agricultural products between the EU and the EFTA EEA countries. This was the first arrangement between Iceland and the EU based on the aforementioned Article 19.

Customs duties were abolished for the products listed in Annex I to the Art. 19 Agreement. This led to reciprocal duty free access for e.g. certain flowers, fresh and frozen vegetables, and Christmas trees. Duties for live horses were also abolished, although sanitary measures prevent the importation of live horses to Iceland. The Art. 19 Agreement also increased Iceland's duty free sheep meat quota to the Common Market from 1.350 to 1850 tons. Iceland furthermore acquired a duty free butter quota of 350 tons, and a 'skyr' quota of 380 tons. The EU acquired several duty free quotas from Iceland, namely, for 100 tons of beef and veal, 200 tons of pig meat, 200 tons of poultry, 100 tons of cheese, 100 tons of potatoes, 20 tons of ptarmigan. Furthermore reciprocal duty free quotas of 100 tons of sausages were established. Iceland was allowed to allocate the quotas through auctioning. The quotas are advertised for the calendar year and allocated in the same way as the WTO tariff rate quotas.

Additionally the Art. 19 Agreement required MFN customs duties applied to meat in chapter 2 of the respective customs tariffs to be reduced, in general, by around 40%. For further information, consult the Agreement.

Iceland is a member of the European Free Trade Association – EFTA. A special regime is applied between these countries regarding trade in agricultural products.

Traditionally Iceland and the Faroe Islands enjoy a special relationship both as neighbours and due to cultural proximity. Since 2005, Iceland and the Faroe Islands have a special free trade Agreement (the Hoyvik Agreement), which provides for more extensive trade liberalization than any other free trade agreements concluded by Iceland, including reciprocal duty free access for all products.

Apart from the agreements which have been mentioned, Iceland has concluded a further 20 FTAs jointly with the other EFTA States. While processed agricultural products are dealt with within the main agreements, taking into account and not providing for more market access

than under Protocol 3 to the EEA Agreement, basic agricultural products are covered in associated arrangements between each of the EFTA states and the negotiating partner.

A few different import and exports schemes are applied in the field of agricultural trade.

Tourists travelling to Iceland are allowed to bring a limited amount of food and beverages duty free (maximum 3 kg and worth less than ISK 18.500), the standard sanitary and phytosanitary measures apply.

The Feed Fund provides for partial or full reimbursement of customs duties paid on import of certain feedstuffs, according to further condition laid down in law. The fund is administered by the Ministry of Fisheries and Agriculture.

Iceland has a price compensation mechanism on export in place. To provide for a level competitive environment exporters of a range of processed agricultural products which contain in part certain Icelandic raw products are entitled to a price compensation payment, based on the difference in price of the domestic ingredient product and the world price of the ingredient product. The amount available is highly limited and fixed by the national budget (in 2009, ISK 5 million). Furthermore the Minister of Fisheries and Agriculture can apply a levy on import of certain raw substitute products used in processing, unless it is restricted by provisions laid down in trade liberalization arrangements with other countries. The levy shall be no higher than the difference in price of the domestic product and the world price of the product. The levy can be reimbursed if the ingredient product is re-exported as part of a processed product.

Apart from reciprocal tariff rate quotas with the EU and Norway, Iceland also offers market access through the current and minimum access quotas in accordance with its WTO commitments. While more than 500 tariff lines are subject to such quotas, for a number of lines the quota regime has not been applied and only applied rates of duty equal to, or lower than, the corresponding in-quota rates have been used instead. For several other tariff lines the quotas remain inactive as the applicable in quota rate is higher than the out of quota rate. Out-of-quota duties were all compound rates. The specific part of the duties ranged from ISK 52/kg to ISK 1,462/kg. In-quota rates are either compound or *ad valorem*; all the compound rates had duty-free *ad valorem* components and specific components ranging from ISK 26/kg up to ISK 576/kg, except in the case of the country specific quotas that are duty free. In 2009-2010 *ad valorem* duties were applied as in-quota tariffs.

Quota allocations to importers are carried out by the Ministry of Fisheries and Agriculture based on recommendations made by a special committee comprising representatives of that Ministry and the Ministry of Economic Affairs. If applications exceed the available quota, allocations are auctioned, and quotas are always allocated to the highest bidder. The bidding process effectively results in additional import charges.

EU Combined Nomenclature is not applied in Iceland.

The Minister for Foreign Affairs is responsible for all trade negotiations and external trade relations. The Minister of Fisheries and Agriculture is responsible for regulation of imports and exports of agricultural products, the advertising and allocation of tariff rate quotas and application of safeguard measures. An Advisory Committee of designates of the Ministry of Fisheries and Agriculture, the Ministry of Finance and the Ministry of Economic Affairs shall advise the Minister on the implementation of these measures. Inspection and control of imports are carried out by the Icelandic Food and Veterinary Authority (MAST) and the Directorate of Customs. The Ministry of Fisheries and Agriculture and the Directorate of Customs administer the import and export schemes.

- 3. Please provide a description, including financial details, of State aid measures or any other policies specifically applied in the sector of primary agricultural production, processing and marketing of agricultural products as well as in the forestry sector (but not covered elsewhere in replying to this questionnaire). This should include direct and indirect input subsidies; social policy measures primarily directed to the agriculture sector; tax policy measures primarily directed to the agriculture sector; policies directed to privatisation of land and other factors of production (including the agro-food processing sector); measures which are aimed at developing a land market; credit subsidies; risk management tools and others.**

Sheep production – Agreement on the production of sheep products of 25 January 2007.

The support scheme is based on the Act on Production, Pricing and Sale of Agricultural production No 99/1993.

The Agreement ensures sheep farmers a certain support per year in the period 2008 – 2015.

The support is divided into 6 main categories:

1. Direct payments to farmers. Farmers receive direct payments per “support unit”, which represents their support entitlement. To receive a full payment they must keep 0,6 winterfed sheep per support unit. If the farmer has fewer winterfed sheep than 0,6/support unit, his payments are cut, proportionately.

Total number of support units which is divided between farmers is 368.457. Support units are transferable between farms provided that conditions in Article 3 of Regulation No 11/2008 are fulfilled.

Payment per support unit is calculated by dividing the total monetary amount by the 368.457 support units.

If a farmer does not receive a full support per support unit, the remaining support which he otherwise would be entitled to, is donated to the Sheep Marketing Board. A more detailed description of this scheme is given in section III – Direct payments.

At the age of 64, farmers have the option of receiving full direct payments until 2015 in return for reducing their herd to a maximum of 10 ewes. Those who wish to take advantage of this option must establish a written contract with the Ministry of Fisheries and Agriculture.

2. Cross compliance. Farmers receive a payment per kilogram of meat of lamb, classified in classification categories E, U, R, O and fat classification 1 – 3+, see Article 19 of Regulation No 10/2008. To receive this payment, farmers must meet the conditions stipulated in Regulation No 10/2008, Articles 6-11. See further Question 11:6.
3. Wool subsidies. Wool subsidies are paid directly to the wool company Ístex. Ístex is the only company buying wool from farmers. It must give a monthly report of the quantity and the quality of the wool bought from farmers. The wool price is negotiated between farmers and Ístex every twelve months, (in September/October). Further description of wool subsidies is given in Part II – Market Measures.
4. Marketing and storage costs. This support is divided into three main categories:

- Premium to farmers slaughtering lamb out of the traditional season – September to October. This can either be paid as a premium per lamb or per kilogram of carcass weight
- Support to storage costs of slaughtering companies. See Chapter II, Market measures
- Marketing and promotion. A special board, the sheep marketing board, advises on how this fund is used for marketing purposes

Further description is given in Part II – Market Measures.

5. Support to new entrants and development programs

- Support to new entrants: Support paid per ewe or lamb in excess of 50 ewes or lambs which a new entrant buys or selects for replacements from own flock. A new entrant is defined in Notice No 22/2009, and must not have received direct payments in sheep farming since 2000 or been an owner of a business unit which operates sheep farming since 2000. Furthermore, he/she must not have been registered as an owner in official records (Act No 103/2002) of more than 50 sheep since 2000
- Support to education, training, research and development. Support is granted to projects in this field, including training program for farmers who wish to enter the cross-compliance scheme in sheep farming. Furthermore support is granted to projects in organic farming
- Support to cultivation projects. Support is given to projects in re-cultivating grass-fields and growing barley

Budget: The program has been in force since 2008. Total budget (a-c) ISK 94.8 million.

6. Quality improvement programs in sheep rearing practices

In the previous Agreement on sheep production for the years 2001-2007, there was a special financial appropriation intended to be utilized for continued education of sheep farmers, research, advisory services to sheep farmers and to general development and improvement of sheep rearing practices, as well as to provide general support to sheep farmers in less developed geographically defined areas.

The development of the quality assurance program was also funded through this appropriation. The final payments under this provision were made in 2008. The cost of the project is shown in table 3.1.

Table 3.1: Budget for the quality improvement programs in sheep rearing practices (in million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	19.0	21.9	27.2	25.0	22.4	38.5	34.9	80.9

7. Regional support – See section IV. Rural Development

Farmers on officially registered agricultural holdings in areas which are defined as particularly dependent on sheep farming in Article 3, Rules No 522/2005 and 567/2008 are entitled to receive a “lump-sum” payment, once a year provided they fulfil the following conditions (listed in Article 4 of the rules):

- Owned more than 200 ewes in the winter 2002/2003
- Operate their farm on an officially registered holding in a defined sheep area

These rights can be transferred to a new owner/farmer on the holding and can also be transferred to another officially registered holding if the farmer in question moves to another holding in a defined sheep area.

The program has been a part of the Agreement on sheep production since 2008:

- Number of beneficiaries 2009: 366
- Total budget 2008, ISK 45 million

b) Adaptation Agreement regarding operational environment for horticulture production between the Icelandic Government and the Farmers' Association. The support scheme is based on The Act on Production, Pricing and Sale of Agricultural Production No 99/1993

This Agreement was signed in March 2002 and is valid until the year of 2013. The objectives are stipulated in the first Article of the Agreement.

The contract covers five main categories of support to producers and market protection – border measures.

1. Tariff policy. See Part II, Market Measures
2. Direct payments. See further Part III, Direct Payments

Direct payments are made to producers of tomatoes, cucumbers and paprika. The contract stipulates the total amount in ISK donated to direct payments and the division of the amount between the three products; see Article 2 of the Agreement. Producers receive a payment per kilogram produced. The final payment per kilogram depends on total production as payment per kilogram is calculated as the total fiscal amount divided by the total production

Producers of these products have to register yearly and fulfil conditions stipulated in the implementing regulation (for 2009, see Regulation No 5/2009).

3. Subsidies of electricity

Article 3 of the Agreement outlines the framework for subsidies of electricity. The subsidies are meant to ensure similar price of electricity for lighting of greenhouses as in the neighbouring countries (Norway and Canada). The support is twofold; to distribution of electricity to green house farmers, and the purchase and instalment of lighting equipment. Articles 3.1, 3.2 and 3.3 outline the conditions and procedure of payments for subsidization of electricity. The budget available for the scheme is was according to table 3.2.

Table 3.2: Budget for subsidies of electricity (in million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
0	0	17	34	42.6	110.8	110.0	149.8	178.6

The Ministry of Industry, Energy and Tourism on behalf of the Treasury will deal directly with the appropriate energy providers regarding the payments. An agreement will be made between energy providers that deal with horticultural farmers, the Association of Horticultural Producers and Ministry of Industry, Energy and Tourism regarding energy transactions. Those parties that negotiate with energy producers regarding horticultural lighting are entitled

to subsidised electricity. It is permitted to cancel this entitlement if the parties violate this Agreement.

A grant is provided to buy and install lighting equipment (lamps and reflectors). The grant can cover up to 30% of the cost, with a maximum ISK 2,400 per green house square metre. The total amount available for this grant is ISK 5 million per annum.

4. Green house obsolescence. The applicable conditions and procedure were outlined in Article 4 of the Agreement and Regulation No 482/2002.

Those who produced warmth cultivated vegetables in green houses during the years 2000 and 2001 were entitled to compensation payments for green houses becoming obsolete to enhance rationalization in the sector. This provision was available for the first five years of the term of the Agreement. It was permitted to take out of service individual houses that produced warmth cultivated vegetables during these years. A confirmation should be provided regarding the produce of the horticultural station during these years and a confirmation by the Farmers' Association of Iceland consultant regarding the use of the premises. The last payment was made in 2007.

Table 3.3: Green house obsolescence. (in million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
0	0	29.5	30.5	16.3	8.0	40.0	18.9	0

5. Funding for promotional, research, development and re-education projects. This program is outlined in Article 5 of the contract All producers in horticulture and outdoor vegetable and potato production are eligible to receive support from this program. Table 3.4 lists the budget available for the program.

Table 3.4: Budget for green house obsolescence (in million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
0	0	25.0	25.0	25.0	25.0	0.47	51.9	27.9

c) Agreement on the operating environment for dairy production.

The support scheme is based on the Act on Production, Pricing and Sale of Agricultural production No 99/1993.

This Agreement ensures dairy farmers a certain support per year in the period 1.9.2005 – 31.12.2014 (as amended in 20 April 2009). The objectives are stipulated in Article 1 of the Agreement. The means used to achieve these goals are in five categories.

1. Direct payments

Icelandic dairy farmers are entitled to direct payments per litre of support entitlements/production quota. The total support entitlements/production quota per year should reflect the estimated requirement for milk in the domestic market. The total support entitlements are divided between producers proportionally, reflecting the individual support entitlement and thus the direct payments. These rights are transferable between farms provided that certain conditions are fulfilled. The conditions for receiving direct payments and procedure of payment are outlined in the implementing regulation; currently in Regulation No 648/2009. See further Part III -Direct payments and Part II – Market measure.

2. Payments to breeding and development work (Article 6.2 of the Agreement)

The contribution is entirely used to subsidise artificial insemination of dairy cows and suckler cows. It is distributed to local agricultural societies which operate artificial insemination services. Distribution of the support is made with reference to milk production in the district. Table 3.5 sets out the budget for the scheme.

Table 3.5: Budget for payments to breeding and development work (in million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
0	0	0	0	0	0	112.47	119.63	127.2

3. Headage payments (Article 6.3 of the Agreement)

Payment is made per ‘whole year-cow’, and the payment framework is stipulated in Regulation No 567/2006. Payments are made monthly and the number of cows per producer is recalculated every four months. See further Part III - Direct Payments.

4. Decoupled payments and/or less market distorting (Article 6.4 of the Agreement)

- Animal breeding. Eligible are all producers which receive direct payments in milk and/or headage payments. To receive payments under this program, producers must fulfil the conditions of the Farmers’ Association for ‘quality-breeding records’. Number of beneficiaries: 555
- Cultivation. Support is granted to cultivation projects in grass or other feed crops
- Development programs. Support is granted to project in research and development

Table 3.6 sets out the budget for the decoupled and/or less market distorting support.

Table 3.6: Budget for decoupled payments and/or less market distorting support (in million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
0	0	0	0	0	0	0	0	80

5. Administered prices. See Part II – Market Measures.

d) The Farmers’ Pension Fund

1. The Foundations of the Farmers’ Pension Fund

The Farmers’ Pension Fund performs its duties according to a special legislation, the Act on the Farmers’ Pension Fund No 12/1999, with later amendments and the Act on Mandatory Pension Insurance and the Activities of Pension Funds No 129/1990. The implementation of the legislation is articulated in resolutions of the fund.

The main features of the legislation, regarding farmers, are the following:

- The membership of farmers in the fund is compulsory
- Farmers’ spouses, if they work at the husbandry and receive wages, are automatically members of the pension fund

- It is obliged to grant a farmer's spouse membership of the fund, though he or she does not work on the farm, if he or she does not have an automatic membership to another pension scheme. The spouse has to request membership in writing. The farmer's contribution is then divided according to the ratio he or she requests
- The contribution base is presumptive employment income in agriculture or paid wages, depending on the form of the husbandry
- The contribution is 4% of the contribution base and the employer's contribution is 8%
- Regarding spouses, the contribution is decided according to the ratio of the spouse wages
- The pension fund's members are obligated to pay the contribution until they reach the age of 70, despite having started to receive retirement pension. The farmers have to pay the employer's contribution by themselves, if they have not agreed upon that being paid from the state treasury according to an agricultural agreement or by other comparable means
- Contributions are collected from the farmers' direct payments, or otherwise the fee is collected with an invoice. If the form of the husbandry is arranged so the parties to the husbandry get paid wages monthly, the legal entities must deliver the contribution directly to the fund by using a specific form
- Spouses can divide the retirement pension's payments equally between them according to certain rules

2. Members of the Fund

It is stipulated in the Act on the Farmers Pension Fund who should be a member of the fund. All farmers who practice farming on registered agricultural holding where they have their legal residence shall be members of the fund, including parties to a 'co-operative farm' (a joint enterprise of two or more partners), private limited-liability companies and other lawful forms of farming. Farmers' spouses, who work at the farm, shall also be members of the pension fund. It is obligatory to give a farmer's spouse membership of the fund, though he or she does not work on the farm, if he or she does not have an automatic membership to another pension fund. The starting age for membership of the fund is 16.⁸ Deviation is authorised from the condition of practising farming on a registered agricultural holding, if the farming in question is considered to be significant and the respective farmer receives the majority of his/hers wages from the farm. Furthermore, employees in agriculture, 16 years of age and older, shall be members of the Farmers Pension Fund, if they do not have automatic membership of another pension fund.

3. Contributions in the agricultural sector

Farmers and farmers' spouses' contribution is now 4% of the contribution base, that is the assumed employment income in agriculture, their paid wages, those who receive wages from private limited-liability companies or other legal entities. Farmers are entities which practice farming as defined in the Statistics Iceland's classification of economic activities (compatible NACE Rev. 2 classification applied by EUROSTAT). More specifically this means the groups 01 and 02 (excluding subgroups 01.6, 01.7, 02.3 and 02.4) in the classification system of economic activities.

⁸ commencing on the first day of the next month following the member's birthday.

4. Contribution of the Treasury

The foundation of the pension payments is the contributions of pension fund members, normally 4% of wages, and the contribution of the employer, 8% of wages. In the agricultural sector, this member's contribution of 4% is deducted from the farmers' direct payments from the Icelandic Treasury when applicable, but in sectors not enjoying direct payments the farmers have to pay directly. As for the matching contribution of 8%, this has also to be paid by the farmer if there is not an agricultural agreement in place, or a comparable arrangement, providing for the Treasury to pay the employer's contribution. As it stands, and has been for decades, the Treasury pays the 8% employer's contribution. This is catered for in the annual State Budget. The Treasury's contribution is set out in table 3.7.

Table 3.7: Contribution from the Treasury to the Farmers' Pension Fund (in million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
210.4	195.8	210.9	221.8	225.3	234	257.1	267.7	308	325

5. Employee's contribution

As stipulated in Article 3 of the Act on the Farmers' Pension Fund No 12/1999, those employees in the agricultural sector who do not have an automatic membership to another pension fund, shall pay contributions to the Farmers' Pension Fund. Farmers who have employee compensation from other activities than farming and whose employment does not allow automatic membership of another pension fund, are also allowed to pay contributions to the Farmers' Pension Fund from that income. In such cases, the respective member bears the responsibility for transferring the contribution to the Farmers' Pension Fund. Employers shall retain the employee's contribution from their wages and transfer that contribution, along with the employer's contribution, to the Farmers' Pension Fund.

6. Pensions

The principal objective of the Farmers' Pension Fund is to ensure its members pensions according to the Act on Mandatory Pension Insurance and the Activities of Pension Funds. The requirements for pension rights, rules on the calculation of the pension and the basic pension are items articulated further in the pension fund's resolutions.

7. Information from the 2008 annual report

The total contribution income of the Farmers' Pension Fund in the year 2008 was ISK 523.3 million. The contribution of farmers/employees amounted to ISK 164.4 million and the employer's contribution) was ISK 359.7 millions. The Treasury's contribution amounted to ISK 308 million. The Farmers' Pension Fund members were 2,996 in the year 2008, compared to 3,117 members in 2007. The total of pension payments in 2008 was ISK 882.9 million, which was an 11.3% increase from the year before. In 2008, 3,765 members received pension payments. Net asset to pay pension was ISK 20,319.8 million at the end of the year 2008 and decreased 5.9% from the year before.

e) Act on Agricultural Production Levy No 84/1997

On the basis of Act No 84/1997 a levy, the agricultural production levy, of 1,2% is imposed on farm income in farming sectors classified under ÍSAT2008 categories 01 and 02 except 01.61, 01.62, 01.63, 01.64, 01.70 and 02.40 (The ÍSAT2008 is in conformity with the NACE Rev. 2 classification applied by EUROSTAT). Producers which are neither required to

register nor are registered as paying VAT according to legislation No 50/1988 are exempted from paying this levy.

The levy is imposed on income which is classified in Articles 11-13 in Act No 50/1988. This includes direct payments and value of sold products including live animals. However, export is exempted from the base of the levy.

The income from the levy is distributed between four main bodies⁹:

These bodies are:

- Farmers' Association of Iceland
- District Agricultural Societies (11)
- Producer organisations by sectors (11)
- The Emergency Relief Fund

Table 3.8: Agricultural production levy in 2000-2008

2000	441.885.595
2001	465.223.789
2002	502.192.687
2003	366.025.136
2004	389.136.076
2005	426.601.482
2006 ¹⁰	283.668.508
2007	305.303.632
2008	294.783.339

f) The Emergency Relief Fund

The compensation fund operates according to Act No 49/2009 which replaces the previous Act (No 146/1995). The income of the fund derives from four sources (Article 5 of the Act):

- a) Contribution from the State Budget
- b) Interest from equity capital
- c) Other income
- d) Share of the agricultural production levy

The Emergency Relief Fund operates in two divisions

a) General division:

This division receives its income from sources b) and c) above. Its objective is to grant financial support to individuals and organisations which suffer major financial losses due to natural disasters, according to Article 8 of the Act This includes real estate, fences, grass fields, electricity cables, silage and hay as well as for winter-damage to hayfields.

⁹ See appendix to the legislation in the Government Gazette, A 2002, p. 546 and A 2005 p. 1051.

¹⁰ A reduction of the levy from 2% to 1,2%.

b) Agricultural division:

This division receives its income from the agricultural production levy. It compensates for major financial losses caused by animal diseases, extreme weather and accidents according to Article 9 of the Act. No compensation is made for losses which can be covered by insurance policies from insurance companies or are covered by other official measures for example the Act on Catastrophe Insurance, No 55/1992.

Table 3.9: The income of the Emergency Relief Fund 2000-2008 in ISK million.*

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Income from the agricultural levy	66.0	66.8	47.6	39.5	40.0	16.6	28.1	27.3	33.7
Contribution from the Government	30.0	30.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Interest from equity capital	25.0	49.4	33.0	37.5	47.4	43.4	68.4	83.0	112.2
Contribution from municipalities	27.0	28.4	31.4	32.1	33.1	34.8	37.0	40.5	43.7
Total	148	174.6	122.1	119.1	130.6	104.8	143.6	161	199.6

*Income according to Act No 146/1995 on the Disaster and Compensation Fund

g) Development projects concerning horse breeding, raising and marketing

An amount of ISK 25 million is available for the year 2009, for development projects concerning horse breeding, raising and marketing. Support is available by application and is advertised each year. A special committee comprising representatives of the horse owners, farmers and the Government assesses the applications and allocates the funds. No support is expected to be financed by the budget for 2010.

h) Development projects concerning feed preparation for fur animals

A yearly amount of ISK 16 million is available for developing projects concerning feed preparation for fur animals. Support is available by application and is advertised each year. A special committee comprising representatives of the producing sector and the Government assesses the applications and allocates the funds. No support is projected in 2010.

- 4. Please provide information on publicly funded services to agriculture. The description should be provided only if public resources are involved. It should indicate the amount of public contribution and financing originating from any other resources for the period starting from year 2000. Examples are research; guidance/advisory service, training; marketing support; inspection; farm land surveying; advisory service, other.**

Allocations of funds in the State budget to publicly funded services to agriculture are listed in the tables below (all figures are in ISK 000s).

Table 4.1: State committee on implementation of agricultural agreements (Framkvæmdanefnd búvörusamninga).

2000	2001	2002	2003	2004	2005	2006	2007	2008
19,633	14,439	10,153	1,782	8,068	250	2,336	781	3,166

Table 4.2: State price committee on agricultural products (Verðlagsnefnd búvöru).

2000	2001	2002	2003	2004	2005	2006	2007	2008
6,934	10,752	7,411	5,811	5,813	6,053	5,903	6,817	8,019

Table 4.3: Implementation of databases on farms (Innleiðing gagnagrunna á lögbýlum).

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	-	-	-	-	5,000	-	2,981

Table 4.4: Allocations to support the State institutes in fresh water fishing and aquaculture research.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	
NASCO; North-Atlantic Salmon Conservation Organization		3,545	3,950	3,441	3,543	4,586	4,695	5,571	7,262	7,137
Institute of Freshwater Fisheries (Veiðimálastofnun).	43,884	40,604	53,913	48,672	58,456	90,537	101,625	66,588	73,076	
Institute of Freshwater Fishing (Veiðimálastjóri). ¹¹	13,696	14,687	18,014	21,408	24,865	25,842	-	-	-	
Total	61,125	59,241	75,368	73,623	87,907	121,074	107,196	73,850	80,213	

¹¹ Institute of Freshwater Fishing (Veiðimálastjóri) was merged with a new institute, The Agricultural Authority of Iceland, as of 1.1.2006.

Table 4.5: Food and Veterinary Authority; part allocation of 45%

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Inspection services, 45% of amounts. ^{12 13 14}	-	-	-	-	-	-	581,985	646,353	908,405
The State Feed, Seed and Fertilizer Surveillance Authority	312,901	305,791	244,283	286,224	395,691	403,400	-	-	-
The Chief Veterinary Officer	20,028	12,418	13,427	27,112	21,064	31,940	-	-	-
Total funds	332,929	318,209	257,710	313,336	416,755	435,340	-	-	-
45/100	149,818	143,194	115,970	141,001	187,540	195,903	261,893	290,859	408,782

Table 4.6: The Agricultural University of Iceland

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Research in agriculture. ^{15 16}	-	-	-	-	-	601,855	603,971	679,390	-
Agricultural Research Institute	192,953	196,697	223,332	207,895	191,134	-	-	-	-
Agricultural University at Hvanneyri	147,880	186,052	172,183	208,492	254,374	-	-	-	-
The State Horticultural College	101,222	109,274	105,414	103,042	107,348	-	-	-	-
Total	442,055	492,023	500,929	519,429	552,856	601,855	603,971	679,390	-
1/3 of the amount	147,352	164,008	166,976	173,143	184,285	200,618	201,324	226,463	-

Table 4.7: The Hólar University College (Hólaskóli, háskólinn að Hólum).¹⁷

¹² The Agricultural Authority of Iceland (*Landbúnaðarstofnun*) was a new institute as of 1.1.2006. It took over responsibilities from the following institutes [and defined programs] as of that time: (1) The Chief Veterinary Officer (*yfirdýralæknisembættið*); (2) The State Feed, Seed and Fertilizer Surveillance Authority (*Aðfangaeftirlitið*); (3) The State Meat Valuation Inspectorate (*Yfirkjötmát ríkisins*); (4) Directorate of Freshwater fisheries (*Embætti veiðimálastjóra*); and (5) a few defined programs previously dealt with by The Agricultural University of Iceland, The Farmers' Association and within Ministry of Agriculture.

¹³ The Agricultural Authority of Iceland (*Landbúnaðarstofnun*) ceased to exist on December 31, 2007. On 1 January 2008 a new institute took over its responsibilities, i.e. the *Icelandic Food and Veterinary Authority* (*Matvælastofnun* abbr. *MAST*). The new institute, MAST, is an inspection and administrative body, with these primary roles: (1) Food safety, control of primary production of animal products, including fish products, import and export control of all foodstuffs; (2) supervision of domestic food control by municipal authorities; (3) veterinary services; (4) plant protection services; (5) feed, seed and fertilizer services; (6) meat classification services; (7) administration of organic production of agricultural products; (8) management, monitoring of supplies and surveillance of animal welfare. MAST took over tasks carried out by the following authorities: (1) The Agricultural Authority of Iceland (formerly *Landbúnaðarstofnun*); (2) Organic production; (3) Administrative tasks carried out by the Farmers' Association of Iceland; (4) The food division of the Environmental and Food Agency of Iceland; and (5) The food division of the Icelandic Directorate of Fisheries.

¹⁴ Amount (45/100) is in line with OECD reporting.

¹⁵ The Agricultural University of Iceland started on 1.1.2005. The new institute was a merger between the Agricultural University at Hvanneyri (04-261-000), The Agricultural Research Institute (04-211-000) and the State Horticultural College (04-283-000).

¹⁶ The amount (1/3) is in line with OECD reporting.

2000	2001	2002	2003	2004	2005	2006	2007	2008
147,024	165,277	178,240	198,100	214,432	231,298	221,606	280,293	-

Table 4.8: Transfers to the Agricultural Economics Institute; (*Hagbjónusta landbúnaðarins*).

2000	2001	2002	2003	2004	2005	2006	2007	2008
15,286	15,850	16,273	17,780	16,845	22,346	20,492	23,019	24,681

Table 4.9: Soil conservation programs; (*Landgræðsla ríkisins*).¹⁸

2000	2001	2002	2003	2004	2005	2006	2007	2008
234,958	359,036	388,347	479,878	473,391	534,076	466,748	559,310	-

Table 4.10: Allocations of funds to support regional afforestation programs

	2000	2001	2002	2003	2004	2005	2006	2007	2008
The special program for soil conservation and afforestation; ¹⁹	97,381	4,930	0,850	-	-	-	-	-	-
Héraðsskógar (east); ²⁰	81,590	93,703	84,683	97,238	102,75	112,84	110,61	-	-
Landshlutabundin skógrækt; ²¹	104,03	192,57	219,65	300,81	331,62	369,54	395,79	-	-
Hekla forests; ²²	6	8	2	6	8	0	8	-	-
East Iceland; ²³	-	-	-	-	-	-	-	5,605	-
(Héraðs- og Austurlandsskógar)	-	-	-	-	-	-	-	143,92	165,35
South Iceland; (Suðurlandsskógar)	-	-	-	-	-	-	-	9	1
West Iceland; (Vesturlandsskógar)	-	-	-	-	-	-	-	107,98	122,61
)	-	-	-	-	-	-	-	0	9
North/West Iceland;(Skjólsgógar á Vestfjörðum)	-	-	-	-	-	-	-	63,768	55,942
North Iceland; (Norðurlandsskógar)	-	-	-	-	-	-	-	49,682	51,441
)	-	-	-	-	-	-	-	111,93	126,30
	-	-	-	-	-	-	-	5	5
	283,00	291,21	304,33	398,05	434,38	482,38	506,41	482,89	521,65
	7	1	5	4	4	1	1	9	8

¹⁷ With the merger of the Ministry for Fisheries and the Ministry for Agriculture (as of January 1, 2008) it was decided that the The Agriculture School at Hólar (*Hólaskóli, háskólinn að Hólum*) and the The Agricultural University of Iceland formerly responsible to the Ministry of Agriculture should be, as of that date, be responsible to the Ministry of Education.

¹⁸ With the merger of the Ministry for Fisheries and the Ministry for Agriculture (as of January 1, 2008) it was decided that the The Soil Conservation Service, formerly responsible to the Ministry of Agriculture should be, as of that date, be responsible to the Ministry of Environment.

¹⁹ The special program for soil conservation and afforestation “Átak í landgræðslu og skógrækt” (04-341-000) ended in year 2002.

²⁰ The afforestation program “Héraðsskógar” (04-331-000) ended as an independent program in 2006.

²¹ The afforestation program “Landshlutabundin skógrækt” (04-343-000) ended in year 2006.

²² The “Hekluskógar” afforestation program was a one-time program in year 2007.

²³ The afforestation regional programs: “Héraðs- og Austurlandsskógar” (04-331-000); “Suðurlandsskógar (04-332-000); “Vesturlandsskógar” (04-334); “Skjólsgógar á Vestfjörðum” (04-335-000); and “Norðurlandsskógar” (04-2336) are all new and independent regional afforestation programs as of year 2007.

Table 4.11: The Iceland forest Service (Skógrækt ríkisins).²⁴

2000	2001	2002	2003	2004	2005	2006	2007	2008
183,198	215,586	223,603	221,204	235,373	236,712	239,076	254,605	-

Table 4.12: Research in agriculture at university level (rannsóknir háskóla í þágu landbúnaðar).²⁵

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	-	-	-	-	-	-	160,000

*State budget for soil conservation and forestry for the benefit of agriculture (stated 2008)*²⁶

Soil conservation and forestry programs for the benefit of agriculture are classified as environmental programs. These programs benefit the environment mainly through combating desertification, sand encroachment and other soil erosion, and through promotion of sustainable land use, reclamation and restoration of degraded land. The program consists of the following three parts:

- Payments to farmers who qualify for participation in soil conservation and forestry schemes
- Soil conservation schemes that consist of constructing barriers, blockades and dams for soil conservation purposes
- Funds used in research in forestry for the benefit of agriculture

Table 4.13: State budget for soil conservation and forestry for the benefit of agriculture

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	-	-	-	-	-	-	137,800

Programs for bovine breeding, general development and improvement of bovine rearing practices (gripagreiðslur; kynbóta- og þróunarstarfsemi):

This amount is based on the Agreement between the Government and the Farmers' Association on support to milk production and the operating conditions of dairy farmers (as well as other farmers who produce milk). These payments started in 2006 (see Part: 3-b-2).

²⁴ With the merger of the Ministry for Fisheries and the Ministry for Agriculture (as of January 1, 2008) it was decided that the The Iceland Forest Service, formerly responsible to the Ministry of Agriculture should be, as of that date, be responsible to the Ministry of the Environment.

²⁵ With the merger of the Ministry for Fisheries and the Ministry for Agriculture (as of January 1, 2008) the Ministry of Education became responsible for The University of Iceland (04-262-000). However, a handful of research programs were left to be overseen by the Ministry for Fisheries and Agriculture. Allocation of funds under this budget item (04-481-101) provides payments to these research programs.

²⁶ With the merger of the Ministry for Fisheries and Agriculture (as of January 1, 2008) the Ministry of the Environment became responsible for The Soil Conservation Service (04-311-000) and the Iceland Forest Service (04-321-000). However, these three particular programs were left in the Ministry for Fisheries and Agriculture, i.e. budget item numbers 04-483-111; 04-483-113; and 04-483-115.

Table 4.14: Programs for bovine breeding, general development and improvement of bovine rearing practices

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	-	-	-	-	112,473	119,628	127,217

Support to new sheep farmers and development programs; (nýliðunar- og átaksverkefni)

This allocation is based on the Agreement between the Government and the Farmers' Association on support to sheep meat production and operating conditions of sheep farmers (and other farmers who produce sheep meat) intended to facilitate easier access for newcomers to sheep farming and promotion of special effort programs in sheep farming.²⁷

Under clause 4.5 in the Agreement funds are to be used for two particular purposes: (1) To ease access of newcomers to start sheep farming; and (2) to support special effort programs in sheep farming. This support divides as follows (see prev. part: 3-a-5):

- Funds are to be used to assist both individuals starting sheep farming as well as elderly sheep farmers who wish to retire by handing down the farm to family members. A part of this assistance can be in the form of grants to buy a herd of sheep
- Funds are to be used for tuition, research, advising and development programs pertaining to sheep farming, for example promoting quality improvement in sheep rearing and to promote organic production
- Funds are to be used to support re-vegetation and re-cultivation of agricultural land and for general agronomy issues (i.e. for soil management and land cultivation)

Table 4.15: Support to new sheep farmers and development programs

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	-	-	-	-	-	-	94,848

Quality improvement programs in sheep rearing practices

In the previous Agreement on sheep production for the years 2001-2007, there was a special financial appropriation intended to be utilized for continued education of sheep farmers, research, advisory services to sheep farmers and to general development and improvement of sheep rearing practices, as well as to provide general support to sheep farmers in less developed geographically defined areas. The development of the quality assurance program was also funded through this appropriation. The final payments under this provision were made in 2008. The budget was as set out in table 4.16.

Table 4.16: Budget for quality improvement programs in sheep rearing practices

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	18,978	21,850	27,236	25,015	22,410	38,507	34,915	80,943

²⁷ The Icelandic text is as follows: "Að stuðla að nýliðun í hópi sauðfjárbænda og styrkja búsetu í dreifbýli; Nýliðunar- og átaksverkefni".

Electricity subsidies to horticulture producers for greenhouse lighting (niðurgreiðslur á lýsingu í ylrækt)

These allocations are based on an agreement between the Government and the Farmers' Association for support to farmers in horticulture production on their operating environment. Both programs started in 2002. (see part: 3-b-3):

Table 4.17: Electricity subsidies to horticulture producers for greenhouse lighting

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	17,000	34,000	42,567	110,788	109,976	149,762	178,600

Programs for improved marketing, research, development as well as educational programs producers in horticulture (see part: 3-b-5):

Table 4.18: Programs for improved marketing, research, development as well as educational programs producers in horticulture

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	25,000	25,000	25,000	25,000	471	51,929	27,900

Allocation of funds in the State budget to the Farmers' Association

The funds are intended for:

- Advisory services (general) – countrywide; advisory services (general) – regional
- Advisory services (financial planning)
- Animal breeding, land cultivation, and marketing programs

The appropriation of funds is split up as of year 2006 into two parts, i.e. at the introduction of a new budget item number. The budget for the programs was as set out in tables 4.18 and 4.19.

Table 4.19: The Farmers' Association; (Bændasamtök Íslands).

2000	2001	2002	2003	2004	2005	2006	2007	2008
262,400	304,100	348,300	408,500	420,700	452,300	398,600	429,900	460,500

Table 4.20: Development programs and marketing programs (þróunar- og markaðsverkefni)

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	-	-	-	-	115,000	115,000	115,000

Allocation in the state budget to the Agricultural Productivity Fund; (Framleiðni-sjóður landbúnaðarins)

The Agricultural Productivity Fund (Framleiðnisjóður) was founded on the basis of Act No 89/1966. The fund also has a role as is laid out in Act No 46/1985 and Act No 70/1998. The Fund functions on a limited scale as a lending institution. Grants are, however, afforded to firms, institutions and partnerships that are involved in agriculture. *Examples:*

Farms. The Fund hands out grants to farmers who are either increasing current production or changing to a different kind of a production.

Partnerships in agriculture. The Fund supports partnerships that increase employment in the countryside and that are formed on a wide basis with the participation of individuals residing locally.

Institutions/firms in the countryside. In this category the Fund supports ventures which are directly intended to impact employment favourably in the countryside, but first and foremost advisory services, research and development.

Education. The Fund gives financial support to individuals employed in agriculture who seek education, and also to farmers who take part in programs of continued education at The Agricultural University of Iceland and at the Hólar Agricultural University. The Fund also gives out grants to students with a B.Sc. degree who pursue further education in agricultural sciences as well as grants to individuals living on a farm that pursues accredited education, and to individuals working in agricultural processing.

Hydroelectric power generation on farms. The Fund supports new ventures on farms which aim to produce electricity by building small hydroelectric power stations.

Table 4.21: Allocation in the state budget to the Agricultural Productivity Fund

2000	2001	2002	2003	2004	2005	2006	2007	2008
170,000	170,000	165,000	190,000	185,000	185,000	160,000	81,500	237,400

Table 4.22: Program to improve horse breeding (átak í hrossarækt)

2000	2001	2002	2003	2004	2005	2006	2007	2008
25,000	25,000	25,000	25,000	25,000	18,298	25,227	31,458	11,841

5. Please describe the current land cadastre system and mechanism, and if existing any system used for the identification of agricultural parcels.

Overview

Iceland, which is approximately 103,000 square kilometres in area, is divided into around the same number of parcels²⁸ and with around 175,000 registered buildings.

The landscape is quite mountainous. Just over three quarters of total area is above 200 meters elevation and not very arable because of unfavourable climate. Glaciers, sands and lava fields restrict the habitable lowland, and in some places (especially in the East and Northwest) only a narrow strip of arable land is between the mountains and the coast. In total it is considered that around 15,000 square kilometres are arable. However, only 6,000 square kilometres are considered to have the conditions to be considered good agricultural land.

Actors in land registration

The Icelandic Property Registry (IPR) is responsible for registering real estate properties in Iceland in cooperation with local municipalities and land register offices. IPR was established as a governmental agency in 1976 to govern real estate property and compulsory fire insurance valuation, but has since focused increasingly on maintaining core information on real estate properties. It ensures this by operating the property registry database, along with other duties like valuation and publishing marketing data. Refinements to the Act on Property

²⁸ 103.152 parcels were registered in the Property Registry Database 14th of august 2009.

Registration and Valuation (No 6/2001), valid from 1st of January 2009 reflect this development, where the name of the agency was changed from the Official Real Property Valuation to The Icelandic Property Registry.

The National Land Survey of Iceland (Landmælingar Íslands) is a governmental body responsible for map making, among other things. The history of the National Land Survey of Iceland can be traced back to the turn of the 20th century, when the surveying branch of the Danish General Staff began mapping the country. The National Land Survey of Iceland became an independent institute under the Ministry for Communications in 1956, and from 1990 it has been under the auspices of the Ministry for the Environment.

Property Registry Database

A coordinated registration process, with collaboration of municipal planning and building authorities as well as local district commissioners, ensures that all data regarding real estate properties is collected only once into a central database, referred to as the Property Registry Database (PRD). The database consists of four sections: *Base*, *Structure*, *Valuation* and *Titles and Interests*.

The Base section contains primary data concerning real estate property, such as names, parcel, building and apartment identifiers, addresses and legal boundaries. As stated all parcels have unique identifier which is used to distinguish it from other parcels and covers the whole country. Though are examples of land that is not registered within the database. This is mostly land owned by municipalities, used for infrastructures such as roads and recreational parks, or unplanned land outside the urban area. The same goes for land owned by the Government, such as highland and land in the interior of Iceland. Finally, commons owned by multiple farms are not specifically registered and assigned a land identifier in the PRD.

Although legal boundaries are mentioned here, there is little history of maintaining cadastral maps in Iceland. Work is in progress on gathering boundary information from diverse sources and altering registration procedures in such way that the cadastral map would be updated simultaneously with other data.

The Structure section contains detailed descriptions of buildings as units, according to ownership and use. Buildings are further divided into spaces which are registered independently and can be connected together to form apartments consisting of multiple adjacent and non-adjacent units. Information that can be accessed in the structure section includes year of construction, building material, defined use, number of storey's etc.

The Valuation section contains the results of valuation, both for taxation and fire insurance. The Title and Interests section lists the respective right holders for land and buildings.

Availability of cadastral maps

In recent years, The National Land Survey of Iceland (www.lmi.is) has been working on the registration of the country according to the CORINE Land Cover project (Coordination of information on the environment). The CORINE project is a trans-European project on classification of land, which involves among other things the mapping of the types of land according to certain criteria. This project is carried out in most countries of Europe, with the same methods and at the same time. The CORINE classification is updated every few years. The main purpose of the project is to gather comparable environmental information for all the European countries and follow the changes which occur over time on the utilisation of land. The first CORINE classification was done in 1990 while the first update was done in 2000. The second update has 2006 as a benchmark. The next CORINE classification is planned for 2010.

In addition, the Farmers' Association, the Soil Conservation Service, the Ministry of Fisheries and Agriculture and the Agricultural University have been working on a special project called "Nytjaland" (direct translation is "exploitable land"). This project is based on the classification of the country in ten categories by vegetation and the condition of the vegetation on the basis of satellite pictures. Municipalities and other actors have to a certain extent relied on data from "Nytjaland"²⁹ when developing geographic information system.

As spatial delimitation of parcels has until now not been part of land registration procedures, IPR is not in a position to define or deliver legal boundaries of parcels in Iceland. The agency uses address repository to locate real properties approximately, thus stakeholders have to look further afield for information on the exact delimitations of their properties. Several larger municipalities maintain their own digital land information systems, especially in urban areas. These systems differ from one to another, but work is in process to combine as part of the PRD.

Since 1998 all land owners have needed to deliver survey plans when parcels have been subdivided.³⁰ These subdivision documents differ in detail and setup, from being simple hand-drawn pictures that show the relative location of the new parcel, to detailed surveyed plan with all coordinates enumerated. These documents can be accessed through the land register office or through the local municipality land information system. Many of them are also available in digital format attached to other information in the PRD.

Information on legal boundaries in rural areas, like farmland, is mostly kept in textual documents that refer to local place names and landmarks to locate the boundaries. These descriptions date from late 19th century but in several places they have been refined or even connected to surveyed coordinates. The intention is that these boundaries will be surveyed and registered within the PRD when the farmland is either sold or subdivided.

Consequently, little information exists on the total area of individual farms in Iceland, though some surveyance of cultivated land has been done by the Farmers' Association in Iceland (Bændasamtök Íslands). Overall statistics on the use of arable land in the farming sector have recently been evaluated by the Farmers' Association of Iceland to consist of the following:

Table 5.1: Use of arable land in the farming sector as recently evaluated by the Farmers' Association of Iceland

Utilisation	Size in hectares
Hayfield for cutting:	100,000
Grazing field:	18,000
Green Fodder, cereals and potherbs:	10,000 (estimated)
In total:	128,000

See also table 22.1

There are no reliable statistics available on the size of uncultivated land used for grazing, nor is there a definition in place of utilized agricultural land (UAA).

²⁹ www.nytjaland.is

³⁰ Law on registration and survey of land within Reykjavík and Akureyri municipality has though been valid since 1914 and 1951 respectively.

Subdivision procedures

If a landowner wants to create a new parcel by subdivision, he or she submits an application to the local municipality along with a survey plan. The municipality is the local planning authority and decides if the subdivision is possible or not, according to its overall plan. If the parcel is registered in agricultural use, special permission is needed from the Ministry of Fisheries and Agriculture to alter its use, e.g. for residential, commercial or recreational purposes.

The municipality assigns the new property a unique identifier, a parcel identifier and pre-registers within the PRD. When all necessary documents, a survey plan and an approval from the Ministry of Fisheries and Agriculture of change of land use have been submitted a land registration officer confirms the pre-registration and changes the status of the property in the PRD. The time required to create a new real estate property in the system is only a matter of days, depending on the complexity.

At the moment, the procedure does not provide for checking boundaries against others in the immediate vicinity. The land owner is not required to define the outer limits of his land, unless the municipality requires it, only the parcel he wants to establish. This has caused some problems, but the procedure will hopefully be refined in the near future to address this issue.

As municipalities are most often the landowner within their urban area the procedure for subdividing land in that case is somewhat simpler.

Land ownership

Ownership of land can be categorized as *public* or *private*. Public land is land that has been defined as so according to the act on public land (No 58/1998). This is mostly land within the interior and highlands that are classified as outside private ownership. Though land is classified as public, persons can own limited rights there, e.g. grazing, hunting or fishing rights.

Private land can be categorized into land own by persons, either legal or natural, and land that belongs to specific real properties and referred as commons. Most private land within urban areas is owned by municipalities and leased out to house owners, often to 99 years. In rural areas the ownership is mixed between the state, municipalities and persons.

Common land is when farms or even parcels in urban areas share specific plots of land, e.g. for grazing or other uses (in urban areas this could be a garage lot). In such cases, the land is "owned" by the other land by stakes which are noted in their boundary description document. This ownership is not presently registered within the PRD and not widely used in urban areas.

Land in agricultural use

As mentioned above, land use cannot be changed from agricultural use without the permission of the Ministry of Fisheries and Agriculture, as stated in the Act on Farmland No 81/2004, Article 5-7. In this Act it is stipulated that no arable land, presently cultivated or with the potential to cultivate, can be used for other purposes without special permission from the Ministry. In addition, permission of the Ministry is needed in advance if a municipality wants to change the plan of areas that formerly have been used for agricultural uses.

6. Please inform on the existence of any type of cross-compliance systems (e.g. reduction in agricultural support paid to farmers if environmental, animal welfare, public, animal or plant health standards are not complied with).

a) Direct payments to sheep farmers under cross compliance scheme – quality management scheme.

Regulation No 10/2008 stipulates conditions and management of the cross compliance scheme for sheep farming.

Applications and registration

Farmers who wish to receive a premium per kilogram of lamb meat for the first time or have previously not fulfilled conditions to receive the premium/payment, must apply in writing to the Icelandic Food and Veterinary Authority (MAST) on standard forms before 20 November each year. Farmers who fulfil the conditions do not need to re-register and will receive the payments each year without application, while the conditions are met and they do not renounce the payments. MAST keeps a record listing farmers who have applied or fulfil the conditions set.

Conditions for receiving payments

The conditions for receiving payments are stipulated in Regulation No 10/2008, Chapters II-IV. In general the farmer must:

- Keep detailed records of fertilizer use which verify that legislation on pollution and health are adhered to
- Keep records of feed production on the farm
- Keep records of land management and ensure proper land management
- Keep records of medicine use and register diseases
- Make sure that animal welfare standards in Regulation No 60/2000 are met
- Make sure that individual animal identity is in accordance with Regulation No 289/2005 and Article 63 in Act No 6/1986
- Keep breeding records for the herd
- Fulfil the vaccination requirements laid out in Regulation No 933/2007 on the vaccination of sheep and goats for the prevention of Johne's disease
- Complete a seminar for farmers on quality management

Article 18 of Regulation No 10/2008 outlines the frame for defining which farmers fulfil the conditions for receiving the premium and the procedures initiated should the producer cease to meet the conditions set by the quality management scheme.

The number of beneficiaries is currently 1,410.

The actual amount sent in 2008 was ISK 1,038,718,000, compared with ISK 689,130 in 2007.

b) Quality management scheme relating to cattle breeding

The receivers of direct payments and headage payments to cattle farmers that fulfil the requirements set by the Farmers' Association on record-keeping in relation to cattle breeding are eligible for a premium.

The amount administered by the scheme is set out in Regulation No 648/2009. The amount available is allocated in the following ways:

- A flat payment, i.e. 20% of the amount is paid evenly to all producers that meet the condition
- A relative payment, i.e. 80% of the amount is paid to producers based on their proportional share of the total support entitlements in the payment month

The amount is allocated in four even payments; in January, May, September and January the following year. Filing of records to the Farmers' Association has to be done on a regular basis, i.e. records have to be filed before the 11th day for the preceding month. Test results from quarterly milk samples from each milking cow shall be provided. The test results must have been checked within 15 days from the end of the quarter. Exceptions are made if the testing is delayed for technical reasons. New participants in the quality management scheme shall have registered and filed reports on a regular bases and test results for the most recent quarter, together with fulfilling the general requirements.

A farm is considered to be a 'record-keeping farm' if it was registered for the scheme in the previous production year. New 'record-keeping farms' means a farm which was not registered for the scheme in the previous year; or, have been subject to ownership change in the past production year or later.

The number of recipients in 2009 was 555. The actual payments made in 2008 amounted to ISK 127,217,000 compared with ISK 119,628,000 in 2007.

7. Please inform us about the existence of a microeconomic instrument providing an overview of farm economics, in particular on the income of agricultural holdings, sectoral analysis and distribution of direct payments (comparable to the EU Farm Accountancy Data Network (FADN)).

The Agricultural Economics Institute (Hagbjónusta landbúnaðarins) compiles data and produces an annual report that provides an overview of farm economics (FADN), pertaining to dairy farmers and sheep farmers. Sectoral analysis is performed when needed but not on a regularly basis. Such analyses are accessible for a given year (or years). National and regional distribution of direct payments in agriculture is available in data bases (however, not comparable to the FADN).

II. MARKET MEASURES

8. A full description of the policies currently applied or planned is requested for each of the products or product categories listed below covering:

- the aims, the functioning and the main quantitative elements of all the product-specific agricultural policy measures currently applied and planned (support schemes – market intervention (buying-in, public/private storage, etc), production quotas, production or export levy, tax, import duties and equivalent charges and other border measures like tariff rate quotas and other preferential imports production control, export refunds, etc.).

- the management of import quotas explaining whether a system of import/export licences is used, and whether such a system provides for securities (bank guarantees) and controls (physical checks on products exported with a refund).

- the management and control of production subsidy schemes describing (procedure for lodging applications for production subsidies, registration of farmers' plots in the national farm register, containing which data, practical control of relevant crops).

Arable crops, fibre, sugar:

- Cereals;
- dried fodder, oilseed, protein crops
- potato starch;
- flax and hemp;
- sugar;
- potato.

Animal products:

- milk and milk products;
- beef and veal;
- sheep and goats;
- pig meat;
- eggs, poultry;
- honey.

Specialized crops and products:

- alcohol;
- fruits and vegetables;
- bananas;
- floriculture;
- tobacco;
- seeds;
- hops.

9. Where the individual measures are applied to more than one product category, they should be included within the description for each product category concerned. The descriptions should include at least the following information:

- name of the policy measure; whether currently applied or planned (planned date of likely introduction);
- legislative basis (name and reference number of the relevant legal act); – objectives and general description of the scheme;
- eligibility criteria of policy measure;

- **payments (and levies or other indirect support);**
- **basis for payments and for their regional differentiation (also the basis for determining the regions);**
- **amounts spent since 2000; total and per unit (ranges, if regionally differentiated);**
- **use to which the levies/taxes are put (paid into general budget or destined for finance of particular activities in which case please specify);**
- **administration of the scheme.**

10. In addition, the description for the fruit and vegetables sector should include an indication, if relevant, of the economic importance of producers' organisations (including number and percentage of production covered by such organisations). It would also be useful to provide details of any representative markets for determining production and import prices. An indication should also be included of any subsidies for the processing of fresh fruits and vegetables and of the legal relationship between processors and producers of fresh products.

Introduction

The main features of the current agricultural policy in Iceland, including market measures, are laid out in the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, with subsequent amendments. This legislation establishes official objectives for Iceland's agricultural policy and provides the general policy framework for Icelandic agriculture and its regulation.

The desire to promote greater efficiency, rationalization and market orientation is further elaborated in three agreements between the Government and the Farmers' Association concerning dairy, sheep and horticulture production. These agreements provide producers with a stable and predictable operating environment through 2014, 2015 and 2013, respectively. The individual policy measures of the agreements are implemented through the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993 and the state budget.

At the outset it should be noted that the Icelandic Government has taken the liberty to add a few product categories to this answer, which it believes merit special coverage.

It should also be noted that the import regime for agricultural products is strongly affected by, in principle, a ban on imports of live animals and certain animal products, as well as the restricted imports of plants and plant products to protect the fragility of the flora and fauna, stemming from its particular longstanding geographical isolation. The ban covers *inter alia* uncooked meat and meat products. The ban is based on the Act on Animal Diseases and their Prevention No 25/1993, as amended. The Minister of Fisheries and Agriculture, on the recommendation of the Chief Veterinary Officer, may permit importation provided it is proven that they will not carry any contaminants capable of causing animal or human diseases and that the conditions applicable to the importation have been met. According to Regulation No 189/1990 (stemming from the Act on Disease Prevention and Vermin on Plants No 51/1981) the import of plants and plant products is subject to certificate requirements and may be restricted by the Minister of Fisheries and Agriculture to protect Icelandic flora against

new diseases and pests. On these measures and others which are not market measures consult the answers to Question 11:2, in part I and also see Chapter 12 of the Questionnaire on food safety, veterinary and phytosanitary policy.

As regards customs duties it should be noted that they are applied to other products than those covered under the product categories mentioned in the question. This is generally done to safeguard the market share of domestic production but also to provide a level competitive environment for a few processing companies with a longstanding history. In this regard special attention should be paid to the preferential regime for processed agricultural products, based on the concessions which have been made for these products within Protocol 3 to the EEA Agreement and constitute the benchmark for other free trade agreements in this regard. In some cases these are covered under the section for the related product categories; however, based on circumstances in each case this is not always practical. For further information see Annex 11.8 A, containing a table on Customs Tariffs for Agricultural products. The bilateral arrangements on agricultural products between Iceland and its respective negotiating partner in FTAs are available online.³¹ Annex 11.8.B contains information on the import regime for processed agricultural products originating in the EEA. The entire Protocol 3 to the EEA Agreement is available online.³²

Tariff rate quotas will be dealt with under the section for each product category. A number of products relevant to Iceland's WTO current access commitments are not subject to any quotas system upon import, only applied rates of duty that are equal to or lower than the corresponding in-quotas rates. These products fall under the tariff headings in table 8.1.

Table 8.1: WTO current access commitments where products are not subject to any quota system.

0506	1003	1102	1201	1212	1508	1514	1520	1902	2005	2301
0710	1004	1103	1202	1501	1509	1515	1521	1904	2102	2302
0711	1005	1104	1204	1502	1510	1516	1701	2001	2103	2304
0712	1006	1105	1206	1505	1511	1517	1702	2002	2104	2306
1001	1008	1106	1207	1506	1512	1518	1703	2003	2106	2309
1002	1101	1108	1208	1507	1513	1519	1806	2004	2202	3501

For the exact coverage please consult Iceland's WTO schedules of commitments or the most recent market access notification to the WTO Committee on Agriculture dated 30 July 2009 which is available online.³³

³¹ The FTA's concluded jointly with the EFTA States, with the associated bilateral arrangements are available online at the EFTA website: <http://www.efta.int/content/free-trade/fta-countries>

The EEA Agreement is available online at the EFTA website: <http://www.efta.int/content/legal-texts/eea>

The bilateral arrangement between Iceland and the European Community based on Article 19 of the EEA Agreement is e.g. available online at the website the EC Treaty Office database:

<http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=4861>

The bilateral arrangement between Iceland and Norway based on Article 19 of the EEA Agreement is available online at the website of the Government Gazette: <http://www.stjornartidindi.is/Advert.aspx?ID=81710592-25e1-4488-9a2e-b029f5ed0286>

The EFTA Convention is available at the EFTA website: <http://www.efta.int/content/legal-texts/eea-convention>

The Hoyvik Agreement is available at the website of the Government Gazette:

<http://www.stjornartidindi.is/Advert.aspx?ID=95a6f2c9-fdb2-44eb-88d1-37f1d9448601>

³² Protocol 3 to the EEA Agreement is available at the EFTA website: <http://www.efta.int/content/legal-texts/eea/protocols/protocol3.pdf/view>

³³ See document G/AG/N/ISL/29 accessible at <http://docsonline.wto.org/DDFDocuments/t/G/AG/NISL29.doc>

Arable crops, fibre, sugar:

Of the products falling under this product category, the principle crops in Iceland are certain cereals, namely barley, grass fodder, in the form of hay or silage (mainly round bale silage) and potatoes. Hay and silage constitute the main fodder for sheep, horses and bovine animals, whereas cereals are the main feed in poultry and pig farming, and an important feed supplement in dairy farming. Green fodder crops for forage (*grænfóður*) are also important for feeding and grazing in the autumn. In recent years domestic production of barley and a variety of green fodder crops has been increasing and is becoming more and more important in providing feed for domestic farming.

There is a long-standing tradition for potato growing in Iceland. The market share of domestically grown potatoes is estimated to be around 75%. Potato production is mainly concentrated in certain farming areas (Þykkvabær in the South, Eyjafjörður in the North and Hornafjörður in the South East).

- Cereals

In recent years barley production has steadily increased. The production in the year 2008 was estimated to be just over 15,000 tons compared with some 4,300 tons in 2000. This production is mainly carried out by livestock farmers and the harvest is almost exclusively used for animal feeding on the farm.

Barley for human consumption is still only on a minute scale.

Growing of other cereals, e.g. winter wheat, is only on an experimental level.

The following market measures are applied to cereals:

i. Customs duties and the Feed Fund

Customs tariffs are applied according to the Customs Act No 88/2005 and the associated Customs Tariffs. An ad valorem duty of 55% is applied to all feed used for animal feeding. However, the Feed Fund provides for partial or full reimbursement of customs duties paid on import of certain feedstuffs, according to conditions laid down in Regulation No 431/1996 on payments from the Feed Fund, with subsequent amendments. For raw material for fodder preparation, processed fodder for fur-bearing animals and for aquaculture, the entire duty shall be reimbursed. For raw material for fodder preparation for other feeding, the entire duty shall be reimbursed, and for fully processed compound feed originating outside the European Economic Area the entire duty shall be reimbursed, save ISK 3.90 per kilogram. For fully processed compound feed originating in the European Economic Area the duty paid on import is fully reimbursed, by virtue of Regulation No 1220/2008, temporarily amending Regulation No 431/1996, for the period 1 January 2009 to 31 December 2009. The Feed Fund is administered by the Ministry of Fisheries and Agriculture.

No duties are applied to cereals for human consumption.

- Dried fodder, oilseed, protein crops

Hay and round bale silage is of the utmost importance for feeding of sheep, horses and bovine animals. In 2008, the dry hay yield amounted to 133,829 cubic meters, compared to 433,000 cubic meters in 2000. In 2008 the silage hay yield amounted to 2,174,647 cubic meters, compared to 1,958,000 cubic meters in 2000. It should be noted that a project experimenting with cultivation of oil rape is underway.

i. Customs duties and the Feed Fund

The same as for cereals applies. See a) Cereals, i. Customs duties and the Feed Fund.

- Potato starch

There is no production of potato starch. Customs tariffs are applied according to the Customs Act No 88/2005 and the associated Customs Tariffs. An MFN duty of 5% ad valorem is applied. However, a zero duty is bound for the product in free trade agreements.

- Flax and hemp

There is no production of flax and hemp in Iceland, except for experimental growing of flax. No agricultural policy measures are applied.

- Sugar

There is no production of sugar in Iceland.

Customs tariffs are applied to sugar for feed purposes, falling under tariff heading 1703. Regarding reimbursement of the duty from the Feed Fund, the same applies as for cereals, see Cereals, i. Customs duties and the Feed Fund.

For sugar confectionery falling within tariff heading 1704 an MFN duty of 20% ad valorem is applied. However, a zero duty is bound for the product in free trade agreements.

Specific excise duty, according to Act No 97/1987, as amended, is applied to a range of agricultural products, imported and domestically produced, including sugar. In the case of sugar the duty ranges between ISK 60 and ISK 120 per kg. The duty is not applicable to sugar for feed purposes (falling under heading 1703). The application of the duty is administered by the Ministry of Finance and the Internal Revenue Directorate.

- Potatoes

As stated above, in 2008, the potato estimated harvest amounted to 12,500 tons. The following products specific market measures are applied.

i. Customs tariffs and tariff quotas

Customs duties are applied according to the Customs Act No 88/2005 and the associated Customs Tariffs. MFN duties are compound duties, i.e. ad valorem duties and specific duties. For fresh potatoes and potatoes falling within HS-heading 0710, the ad valorem duty is set at 30% and the added specific duties range from ISK 55 to ISK 60 per kilogram (see Annex 11.8 A with table on Customs Tariffs for Agricultural Products). For processed potatoes falling within tariff heading 2001, 2004 or 2005 an ad valorem duty ranging from 15-76% is applied.

Under its WTO commitments, Iceland provides market access opportunities through current access tariff quotas every year. However, quotas for potatoes are advertised by a regulation seasonally, reflecting the seasonal variations in domestic supply. The quotas, which are duty free, are mainly set for the period of the year in which domestic production is not available.

In its most recent free trade agreements, Iceland has granted a reduction in duty rates for potato chips falling under tariff line 2004.1002, from ad valorem duty 76% down to 46% (see Annex 11.8 A with table on Customs Tariffs for Agricultural Products).

ii. Support for promotion, research, development and projects for educational purposes

According to the Agreement between the Government and the Farmers' Association concerning the framework of support to horticulture, support is provided for promotion, research, development and projects for educational purposes. The potato sector is eligible for

funds for promotional activities (a common program with horticulture producers). The available amount in 2009 is approximately ISK 29 million. The amount is paid to the Agricultural Productivity Fund, and the funds are allocated to farmers based on operational instructions set by the Association of Horticultural Producers.

Animal products:

In addition to those products covered in the following sub-sections, tariffs are applied to several other meat products, which are not, however, subject to other policy measures. For these products, see table on Customs Tariffs for Agricultural Products.

-Milk and milk products;

The operating environment for dairy production is governed by an Agreement between the Government and the Farmers' Association, presently for the period 2005-2014. This Agreement is concluded on the basis of and implemented through the Act No 99/1993 and the State Budget.

The objectives of the current Agreement on the operating environment of dairy production are incorporated into Article 51 of Act No 99/1993:

- That the general operating conditions in the production and processing of dairy products and government support to the sector should serve to promote further rationalization, increased competitiveness and lower consumer prices
- That government support payments should serve as effectively as possible to lower consumer prices
- That the balance that has been reached between supply and demand be maintained
- That the sector be afforded leeway to prepare for increased foreign competition
- That the sector can develop so as to facilitate generational renewal among dairy producers and rational use of production facilities
- That animal welfare and the safety and wholesomeness of products be safeguarded

While the sector has been developing rapidly in the last years and the number of producers has been decreasing, remaining farms have increased in size and efficiency. Additionally, the processing sector has changed considerably due to rationalization and a series of mergers of processing companies. Currently there are three processing companies operating on the market, *Mjólkursamsalan (MS)*, *Mjólkursamlag Kaupfélags Skagfirðinga* and *Mjólka* of which the first-mentioned has by far the biggest market share.

The following market measures are applied to milk and milk products.

i. Production quotas and direct payments based on support entitlements

The measure is governed by the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, and Regulation No 648/2009 on Support Entitlements for Milk Production on Registered Farms and Direct Payments to Dairy Farmers in the period 1 September 2009 through to 31 December 2010.

A system of production quotas is applied for dairy farms. The production quota for each dairy farm is a specific share of the production quota for the whole country, which is based on sales in the previous year, to ensure an appropriate supply of milk and dairy products on the domestic market. If a dairy purchases milk from an individual farmer exceeding his production quota the dairy shall export dairy products equivalent to the milk in excess.

However; the Executive Committee for the implementation of national agricultural agreements can authorise that the dairy products be placed on the domestic market, provided that shortage is imminent due to low stock levels. In recent years the production of milk has been in excess of the set production quotas; however, due to market circumstances the Executive committee has authorized domestic marketing of the excess milk each year.

Farm production quotas can be transferred and sold. The Ministry of Fisheries and Agriculture determines the total production quota, on advice from the Farmers' Association. As of 2011, the quota will be set for the calendar year. Previously the production quota was determined for the 12-month production year starting 1 September. In April 2009, in a supplement to the current Agreement governing milk production, the reference year was changed to the calendar year, also extending the validity of the Agreement until 2014. For the production year (starting 1 September) 2008-2009, the milk quota was 119 million litres. Through a transitional period to implement the calendar year as the reference year, a quota has been set for a 16-month period, starting 1 September 2009, valid until 31 December 2010. For this period the production quota has been set at 155 million litres.

Table 8.2: Production quotas for milk (in 000s litres)

2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
103,000	104,000	106,000	105,000	106,000	111,000	116,000	117,000	119,000

Dairy farmers, holding production quotas, receive direct payments per litre of milk which is equal to their production quota. Direct payments are intended to support the production of milk and the market of dairy products. The payments are funded by the state treasury. The amount available each year for direct payments, also known as the total support entitlements, is fixed by the Agreement governing milk production and implemented through the state budget.

When a production quota has been set for a particular year the total amount available for direct payments is divided evenly by the litres of milk prescribed in the quota. Thus the payment per litre varies between years, decreasing per litre if the production quota is increased, but increasing if the quota is decreased.

The entitlements to direct payments are limited to registered farms only. The Icelandic Food and Veterinary Authority is responsible for keeping a register of entitlement holders. The payments are made on a monthly basis. The Ministry for Fisheries and Agriculture transfers the total monthly amount, based on the register of entitlement holders, to the Farmers' Association which carries out payments to individual producers.

See further the answers on direct payments in part III of this Chapter.

ii. Administration of farm gate and wholesale prices (Price regulation).

The measure is governed by Chapter VI of the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993.

The Agricultural Pricing Committee (*Verðlagsnefnd bívára*) sets a minimum producer price (farm gate price) for first-rate milk delivered within the production quota. The Committee furthermore decides the allowed scaling down of prices for milk of lesser quality. The same minimum price applies in the whole of Iceland. The Committee bases its decision on the production costs of the farmers, including reasonable proceeds, based on information from Statistics Iceland. The Committee's most recent decision on farm gate prices was effective on

1 November 2008. The Committee's decisions on farm gate prices are published in the Legal Notice Journal. Out of quota milk is paid for based on the export price; where the exported dairy products are calculated to 'milk equivalence'. If the Executive Committee for the implementation of national agricultural agreements has authorised the placement of out of quota milk on the domestic market, the price to farmers is set by the dairies, based on market circumstances.

The Committee also regularly sets the wholesale price for a number of basic dairy products. These products include fresh milk, skimmed milk, cream, butter, skyr (basic product), certain types of cheese, whole milk powder, and skimmed milk powder. In its decision the Committee takes into account the farm gate price of milk, and reasoned information on the processing and distribution costs of the dairies. The wholesale prices are advertised in the Legal Notice Journal (the applicable advertisement was effective on 1 August 2009). The same wholesale price applies to the whole of Iceland.

The legislation provides for the possible abolition of administered prices at any time by decision of the Agriculture Pricing Committee. It consists of representatives from the Farmers' and Dairy Associations, Icelandic Confederation of Labour, Federation of State and Municipal Employees, and a chairperson from the Ministry of Fisheries and Agriculture. The Committee members are appointed each year by the Minister of Fisheries and Agriculture.

iii. Cooperation of dairies permitted (deviation from Competition Law).

According to Article 13 of the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, as amended by Act No 85/2004, notwithstanding the prohibition against such cooperation under competition law (Act No 44/2005), the dairies are permitted to cooperate with the aim of making price transferrals between certain products. Such arrangements shall be notified to the Agriculture Pricing Committee.

According to Article 71 of the aforementioned Act, notwithstanding the prohibition against such cooperation under competition law (Act No 44/2005), the dairies are permitted to merge, to make arrangements on division of labour regarding production of certain dairy products, as they see appropriate, and cooperate in other ways to bring down the costs of production, storage, and distribution.

iv. 'Price Transferral Levy' (*Verðtilfærslugjald*)

According to Article 22 of the Act on Production, Pricing and Sale of Agricultural Products No 99/1993, a levy of 2.65 ISK per litre of milk is collected on delivery at the dairy. The amount is used to lower the wholesale prices of certain agricultural products, based on decision of the Agriculture Pricing Committee. The utility of this transfer has diminished in the recent years. In 2008, the total amount of the levy was 311.9 million ISK.

Table 8.3: Price Transferral Levy (in 000s ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
270,495	281,296	293,517	287,218	284,330	275,851	303,846	308,472	311,866

v. 'Price Equalisation Levy' (*Verðmiðlunargjald*)

According to Article 19 of Act No 99/1993 and the associated Regulation No 123/1994 on 'Price equalisation levy' on milk, on the Production, Pricing and Sale of Agricultural Products a levy of 0.65 ISK per litre of milk is collected on delivery to the dairy. The levy shall be used to level production costs between the dairies, i.e. to level the cost of collecting the milk from the farms, to arrange for the advantageous division of labour between the dairies, and level

the cost of marketing their products. When allocating the funds available for the aforementioned purposes, the Minister for Fisheries and Agriculture shall first seek advice from the Farmers' Association and the Association of Dairies. The utility of this transfer has diminished in recent years as there is now principally only one dairy company on the market.

Table 8.4: Price equalisation levy (000s ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008e
66,348	68,997	71,995	70,450	69,741	67,662	74,528	75,663	76,474

vi. Customs tariffs and tariff quotas

Customs duties are applied according to the Customs Act No 88/2005 and the associated Customs Tariffs. MFN duties are compound duties, i.e. ad valorem duties and specific duties, and are applied to all milk and dairy products, the ad valorem duty being fixed at 30% and the added specific duties range from ISK 44 to ISK 623 per kilogram. For certain yogurt products within the tariff heading 0403, a specific duty only regime is applied on a preferential basis, in accordance with arrangements on trade in processed agricultural products, of which Protocol 3 to the EEA Agreements provides for the most extensive concessions. The duty ranges from ISK 45-53 per kilogram. The same preferential regime is applied for certain composite products containing milk or dairy products, such as margarine within tariff heading 1517, with a specific duty ranging from ISK 60-90 per kilogram; and, chocolate within tariff heading 1816, with a specific duty ranging from ISK18-109 per kilogram. For other composite products, an MFN compound duty is applied, such as ice cream falling within tariff heading 2105, 30% ad valorem and ISK 110 per kilogram (see Annex 11.8. A, containing a table on Customs Tariffs for Agricultural products; and, Annex 11.8 B, on processed agricultural products within Protocol 3 of the EEA Agreement).

Market access for dairy products is administered through quotas in multilateral and bilateral agreements and arrangements. Under its WTO commitments, Iceland applies a minimum access tariff rate quota for dairy products. The quotas are as set out in table. 8.5.

Table 8.5: WTO - Minimum Access quotas for milk and milk products as advertised for the period 2008-2009

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates kr./kg
				Ad Valorem Duty	Specific Rate of Duty	Specific Rate of Duty
0405		Butter and other fats and oil derived from milk; dairy spreads:	53,000			
	0405.xxxx	Butter and other fats and oil		30%	220-623	244
0406		Cheese and curd:	119,000			
	0406.1000	Fresh (unripened or uncured) cheese, including whey cheese, and curd		30%	430	174
	0406.2000	Grated or powdered cheese, of all kinds		30%	430	174
	0406.3000	Processed cheese, not grated or powered		30%	430	130
	0406.4000	Blue-veined cheese		30%	500	200
	0406.9000	Other cheese		30%	500	195

The quotas are set for the period 1 July to 30 June. In 2008-2009 the quotas were advertised and allocated to importers by the Minister of Fisheries and Agriculture based on recommendations made by a special committee comprising representatives from the Ministries of Agriculture, Commerce, and Finance. If applications exceeded the available quota, the quotas were auctioned, and allocated to the highest bidder. A bid for the quotas was valid only if the bidder provided a bank guarantee, equal to the amount of the bid, payable within 7 days from the date on which the bid was accepted.

However, for the period from 1 July 2009 to 30 June 2010 a different approach was implemented. According to Article 12 of the Customs Act No 88/2005, the duty applicable for imports within the minimum access tariff rate quotas shall be 32% of the reference duty specified in Annex No IIA (a reference duty is specified in both terms of ad valorem and specific duty, and the higher should be applied). Since 1995 the duty has been fixed at 32% of the specific duty. For application of quotas for the period of 2009-2010 the in-quota tariff has been set at 32% of the ad valorem reference duty.

Table 8.6: WTO – Minimum Access Quotas for milk and milk products as advertised for the period 2009-2010

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates %
				Ad Valorem Duty	Specific Rate of Duty	Ad Valorem Duty
0405		Butter and other fats and oil derived from milk; dairy spreads:	53,000			
	0405.xxxx	Butter and other fats and oil		30%	220-623	215.7
0406		Cheese and curd:	119,000			
	0406.1000	Fresh (unripened or uncured) cheese, including whey cheese, and curd		30%	430	182.4
	0406.2000	Grated or powdered cheese, of all kinds		30%	430	182.4
	0406.3000	Processed cheese, not grated or powdered		30%	430	185.9
	0406.4000	Blue-veined cheese		30%	500	193.3
	0406.9000	Other cheese		30%	500	185.0

Under an arrangement between Iceland and Norway, dated 28 June 2000, Iceland provides the latter with the following duty free quotas:

Table 8.7: A duty free tariff quota on cheese to Norway, according to the Art. 19 Agreement between Iceland and Norway

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates kr./kg
				Ad Valorem Duty	Specific Rate of Duty	Specific Rate of Duty
0406		Cheese and curd:	13,000			
	0406.3000	Processed cheese, not grated or powdered		30%	430	0

The quota is allocated for the calendar year by lottery.

Additionally, reference is made to the Arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products undertaken on the basis of Article 19 of the EEA Agreement, which provides for two additional duty free cheese quotas, the total volume of which is 100 tons. The quotas to the EC are managed the same way as the WTO minimum access quotas in the 2008-2009 quota year, as previously described, although the quotas to the EC are applied to each calendar year.

vii. 'Price compensation mechanism on exports' (Verðjöfnun við útflutning)

To level the competitive position of exported domestic products, the Minister of Fisheries and Agriculture is authorized in Article 85 A of Act No 99/1993 to pay price compensation at the time of export of fully processed products that contain domestic raw material. This compensation shall be equal to the difference between the domestic reference price and world reference price of each type of ingredient product used in the fully processed product. This mechanism is rarely applied, although *inter alia* applicable to dairy products. The amount available is highly limited and fixed by the national budget (in 2009, ISK 5 million).

-beef and veal

In 2008, the production of beef and veal was approximately 3,600 tons.

The following market measures are applied.

i. Setting of recommended prices for beef and veal

According to Article 8 of Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, the Icelandic Dairy and Beef Association is authorised to put forward a list of recommended prices to producers every year.

ii. Customs tariffs and tariff quotas

Customs duties are applied on beef and veal according to the Customs Act No 88/2005 and the associated Customs Tariffs. No duties are applied to live bovine animals; however, imports are prohibited on grounds of sanitary regulation. In all other instances MFN duties are compound duties, i.e. ad valorem duties and specific duties, the ad valorem duty being fixed at 30% and the added specific duties range from ISK 315 to ISK 1,462 per kilogram (see Annex 11.8 A table on Customs Tariffs for Agricultural products). Under the arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products a reduced compound duty is applied, 18% ad valorem and ISK 189-877 per kilogram (for more information please consult the text of the arrangement).

Market access for beef and veal is administered through quotas in multilateral and bilateral agreements and arrangements. Under its WTO commitments, Iceland applies minimum access tariff rate quotas for beef and veal products. The quotas are as follows:

Table 8.8: WTO - Minimum access tariff rate quotas for beef and veal products, as advertised in 2008-2009

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates kr./kg
				Ad Valorem Duty	Specific Rate of Duty	Specific Rate of Duty
0202 and 0210		Meat of bovine animals	95,000			
	0202.3xxx	Meat of bovine animals, frozen: Boneless		30%	510-1,462	609
	0210.2001	Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat offal: Boneless		30%	1,462	371

Additionally, some processed products containing beef and veal fall within an 86,000 kg quota under tariff heading 1602 (Other prepared or preserved meat, meat offal or blood).

For the administration of the quotas reference is made to a) Milk and milk products, vi. Customs tariffs and tariff quotas.

For the period 1 July 2009 to 30 June 2010, the applicable quotas and duty rates were as follows:

Table 8.9: WTO – Minimum Access Quotas as advertised for meat of bovine animals for the period 2009-2010.

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates %
				Ad Valorem Duty	Specific Rate of Duty	Ad Valorem Duty
0202 and 0210		Meat of bovine animals	95,000			
	0202.3xxx	Meat of bovine animals, frozen: Boneless		30%	510-1,462	114.6
	0210.2001	Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat offal: Boneless		30%	1,462	114.6

Additionally, reference is made to the Arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products undertaken on the basis of Article 19 of the EEA Agreement, which provides for a duty-free quota for meat of bovine animals, the total volume of which is 100 tons, and three shared quotas with other meat products under tariff headings ex0210 (dried, salted or smoked meat), ex 1601 (sausages) and 1602, the volume of which is 50 tons each. The quotas to the EC are managed the same way as the WTO minimum access quotas in the 2008-2009 quota year, as previously described, although the quotas to the EC are applied to each calendar year.

- sheep and goats

The market measures applied to sheep meat and other sheep products are based on an Agreement between the Government and the Farmers' Association concerning the framework of support to sheep production. The current Agreement took effect on 1 January 2008 and has been extended throughout 2015. The measures are implemented through the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993. Furthermore tariff duties are applied in accordance with the Customs Act No 88/2005.

The objectives of the current Agreement are incorporated into Article 36 of Act No 99/1993 and are relevant for all policy measures applied in the sector:

- To strengthen sheep farming as an economic sector as well as the income of sheep farmers
- To stimulate recruitment of new farmers into the sheep sector and thus strengthen residence in rural areas
- That sheep farming is practiced in accordance with environmental protection, land quality to secure sustainable utilisation of land
- To increase market awareness of farmers and the slaughter industry and maintain a balance between supply and demand
- To support innovation in sheep farming

With respect to sheep production, government policies have in general been aimed at decoupling direct payments from the level of production and encouraging retirement to promote efficiency. The total production of sheep meat in the year of 2008 was approximately 8,900 tons and collected wool amounted to approximately 710 tons.

The sector has been developing markedly in recent years and the number of producers has been decreasing quite rapidly. At the same time, remaining farms have increased in size and efficiency. The slaughterhouse and processing sector has undergone significant restructuring and rationalization in the past years, *inter alia* through a special government program. The rationalization was aimed at increased efficiency as well as modernizing the slaughter houses to meet international market standards. Currently, seven companies operate slaughterhouses for sheep.

No market measures are applied to goat meat production, although customs duties are applied. Those duties will be dealt with under the coverage on customs tariffs for sheep meat.

The following market measures are applied to sheep meat production.

- i. Setting of recommended prices for sheep meat

According to Article 8 of the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, the Association of Sheep Meat Producers is authorised to put forward a list of recommended prices to producers every year.

ii. Marketing and a 'Levy for marketing' (*Verðskerðingargjald*)

According to Article 20 of the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, a special levy of 2 ISK per kg is collected of the price at wholesale level for marketing purposes. Additionally, unutilised direct payments to sheep farmers are allocated to marketing purposes as well.

The income from the levy and the unutilised direct payments is administered by the Sheep Meat Marketing Board, comprising representatives from the Farmers' Association and the Association of Slaughterhouses, and is used for marketing of sheep meat domestically. The total amount available can be seen in the following tables.

Table 8.10: Levy for marketing of sheep meat (*verðskerðingargjald*) (000s ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
37,152	36,970	33,485	32,675	37,582	38,647	14,283	14,507	17,118

Table 8.11: Unutilised direct payments for the use by the Sheep Meat Marketing Board (in 000s ISK)

2000e	2001	2002	2003	2004	2005	2006	2007	2008
24,483	23,175	20,123	25,232	22,046	26,000	20,964	27,761	40,000

iii. Customs tariffs and tariff quotas

Customs duties are applied according to the Customs Act No 88/2005 and the associated Customs Tariffs. No duty is applied for live sheep; however, importation is prohibited on grounds of sanitary regulation. In all other instances MFN duties are compound duties, i.e. ad valorem duties and specific duties, and are applied to all sheep meat and goat products, the ad valorem duty being fixed at 30% and the added specific duties range from ISK 241 to 947 per kilogram (see table on Customs Tariffs for Agricultural products). Under the arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products a reduced compound duty is applied, 18% ad valorem and ISK 130-568 per kilogram (for more information consult the text of the arrangement). The WTO minimum access quotas for sheep meat have not been utilized.

iv. Wool utilisation

According to Article 4.4 of the Agreement between the Government and the Farmers' Association concerning the framework of support to sheep meat production, as implemented by the state budget, sheep farmers receive support in the form of direct payments to encourage sheep shearing. The payment is made per kilogram of wool collected. In 2009, the amount available is ISK 364 million. Payment is made to the wool processing company, Istex, based on monthly reports on purchase of wool from farmers. Istex incorporates the payments into the price it pays the farmers for the wool. The Ministry of Fisheries and Agriculture transfers the yearly amount, as set by the state budget, to the Farmers' Association which carries out the payments to Istex.

Table 8.12: Wool utilisation (000s ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008e
296,289	178,692	250,656	259,834	273,369	378,008	282,941	293,422	317,000

v. Marketing and stockholding costs

According to Article 4.4 of the Agreement between the Government and the Farmers' Association concerning the framework of support to sheep production, as implemented by the state budget, a certain amount is contributed annually to marketing and stockholding costs. The amount available in 2009 is ISK 340 million. The funds can *inter alia* be used to compensate farmers for out-of-season slaughtering, to meet stockholding costs, and for marketing sheep meat on the domestic market. The program is managed by the Farmers' association.

Table 8.13: Marketing and stockholding costs (in 000s ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008e
227,802	141,108	275,108	260,084	375,563	340,212	318,800	272,637	329,000

vi. Payment on quality controlled production

According to Article 41 of the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, farmers fulfilling the criteria for quality controlled production set out in the Act and the implementing Regulation No 10/2008 can receive a special payment. In 2009, such payments are estimated to be ISK 1,088 million. See further the answer on cross compliance payments in Question 11:6, part I of the Questionnaire.

- pig meat

In 2008, the production of pig meat was approximately 6,700 tons. The following product specific market measures apply.

i. Customs tariffs and tariff quotas

Customs duties are applied on pig meat according to the Customs Act No 88/2005 and the associated customs tariffs. No duty is applied for live pigs. In all other instances MFN duties are compound duties, i.e. ad valorem duties and specific duties, the ad valorem duty being fixed at 30% and the added specific duties range from ISK 361 to ISK 1,195 per kilogram (see table on Customs Tariffs for Agricultural products). Under the arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products a reduced compound duty is applied, 18% ad valorem and ISK 121-465 per kilogram (for more information consult the text of the arrangement).

Market access for pig meat is administered through quotas in multilateral and bilateral agreements and arrangements. Under its WTO commitments, Iceland applies minimum access tariff rate quotas for pig meat. The quotas are as follows:

Table 8.14: WTO Minimum Access Quotas for pig meat

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates kr./kg
				Ad Valorem Duty	Specific Rate of Duty	Specific Rate of Duty
0203 and 0210		Meat of swine	64,000			
		Meat of swine, fresh, chilled or frozen:				
	0203.29xx	Meat of swine, frozen		30%	361-1,195	493
		Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat offal:				
		<i>Meat of swine:</i>				
	0210.1200	Bellies (streaky) and cuts thereof		30%	361	353
		<i>Meat of swine, salted, dried or smoked:</i>				
	0210.1901	Smoked - boneless		30%	447	401
	0210.1909	Other - boneless		30%	775	401

Additionally, some processed products containing pig meat fall within an 86,000 kg quota under tariff heading 1602 (Other prepared or preserved meat, meat offal or blood).

For the administration of the quotas reference is made to a) Milk and milk products, vi. Custom tariffs and tariff quotas.

For the period 1 July 2009 to 30 June 2010, the applicable quotas and duty rates were as follows:

Table 8.15: WTO – Minimum Access Quotas as advertised for pig meat for the period 2009-2010.

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates %
				Ad Valorem Duty	Specific Rate of Duty	Ad Valorem Duty
0203 and 0210		Meat of swine	64,000			
		Meat of swine, fresh, chilled or frozen:				
	0203.29xx	Meat of swine, frozen		30%	361-1,195	172.2
		Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat offal:				
		<i>Meat of swine:</i>				
	0210.1200	Bellies (streaky) and cuts thereof		30%	361	117.2
		<i>Meat of swine, salted, dried or smoked:</i>				
	0210.1901	Smoked - boneless		30%	447	117.2
	0210.1909	Other - boneless		30%	775	172.2

Additionally, reference is made to the Arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products undertaken on the basis of Article 19 of the EEA Agreement, which provides for a duty-free quota for pig meat, the total volume of which is 200 tons and three shared quotas with other meat products under tariff headings ex 0210 (dried, salted or smoked meat), ex 1601 (sausages) and 1602, the volume of which is 50 tons each. The quotas to the EC are managed in the same way as the WTO minimum access quotas in the 2008-2009 quota year, as previously described, although the quotas to the EC are applied to each calendar year.

- Eggs and poultry

In 2008, the production of poultry was approximately 7,400 tons. In 2006 (the most recent estimate), the production of eggs was 2,900 tons. The following product specific market measures apply.

i. Customs tariffs and tariff quotas for eggs

Customs duties are applied on eggs according to the Customs Act No 88/2005 and the associated Customs Tariffs. MFN duties are compound duties, i.e. ad valorem duties and specific duties, the ad valorem duty being fixed at 30% and the added specific duties ranges from ISK 208 to 875 per kilogram (see table on Customs Tariffs for Agricultural products).

Under its WTO commitments, Iceland's minimum access commitment for eggs is a tariff rate quota of 76 tons. The implementation is set out in Regulations No 1119-1120/2008 concerning allocation of tariff quotas for egg and egg products. The quotas are unlimited in volume. The quotas are set for the calendar year.

ii. Customs tariffs and tariff quotas for poultry

Customs duties are applied on poultry according to the Customs Act No 88/2005 and the associated Customs Tariffs. No duty is applied for live poultry. In all other instances MFN duties are compound duties, i.e. ad valorem duties and specific duties, the ad valorem duty being fixed at 30% and the added specific duties ranges from ISK 256 to 1,000 per kilogram (see table on Customs Tariffs for Agricultural products). Under the arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products, a reduced compound duty is applied, 18% ad valorem and ISK 263-600 per kilogram (for more information consult the text of the arrangement).

Market access for poultry is administered through quotas in multilateral and bilateral agreements and arrangements. Under the WTO commitments Iceland applies minimum access tariff rate quotas for poultry. The quotas are as follows:

Table 8.16: WTO Minimum Access Quotas for Poultry

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates kr./kg
				Ad Valorem Duty	Specific Rate of Duty	Specific Rate of Duty
0207		Meat and edible offal, of the poultry of heading No 0105, fresh, chilled or frozen:	59,000			
		<i>Of fowls of the species Gallus domesticus:</i>				
	0207.1xxx	Of fowls, frozen		30%	439-900	181
		<i>Of turkey:</i>				
	0207.2xxx	Of turkey, frozen		30%	499-1,000	249
		<i>Of ducks, geese or guinea fowls:</i>				
	0207.3xxx	Of ducks, geese or guinea fowls, frozen		30%	256-1,000	249

Additionally, some processed products containing poultry fall within an 86,000 kg quota under tariff heading 1602 (Other prepared or preserved meat, meat offal or blood).

For the administration of the quotas reference is made to a) Milk and milk products, vi. Custom tariffs and tariff quotas.

For the period 1 July 2009 to 30 June 2010, the applicable quotas and duty rates were as follows:

Table 8.17: WTO – Minimum Access Quotas as advertised for poultry for the period 2009-2010.

Heading no	Tariff line	Description of products	Volume of Quotas kg	MFN tariff rate % - IKR./kg		In-quota rates %
				Ad Valorem Duty	Specific Rate of Duty	Ad Valorem Duty
0207		Meat and edible offal, of the poultry of heading No 0105, fresh, chilled or frozen:	59,000			
		<i>Of fowls of the species Gallus domesticus:</i>				
	0207.1xxx	Of fowls, frozen		30%	439-900	149.4
		<i>Of turkey:</i>				
	0207.2xxx	Of turkey, frozen		30%	499-1,000	159.0
		<i>Of ducks, geese or guinea fowls:</i>				
	0207.3xxx	Of ducks, geese or guinea fowls, frozen		30%	256-1,000	159.0

Additionally, reference is made to the Arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products undertaken on the basis of Article 19 of the EEA Agreement. The arrangement provides for a duty-free quota for poultry, the total volume of which is 200 tons and three shared quotas with other meat products under tariff headings ex 0210 (dried, salted or smoked meat), ex 1601 (sausages) and 1602, the volume of which is 50 tons each. The quotas to the EC are managed in the same way as the WTO minimum access quotas in the 2008-2009 quota year, as previously described, although the quotas to the EC are applied to each calendar year.

-Honey

There is a minor production of honey in Iceland. No agricultural market measures are applied.

- Horse

There is a long-standing tradition for horse breeding in Iceland. The Icelandic horse is the only horse breed in Iceland. It is unique and has five different gaits. No new horse breeds have been imported for centuries. Horses are primarily bred and kept for leisure riding while also having a role on farms for collecting sheep from mountain grazing. The domestic and international market is highly active. Icelandic breeders export a significant number of horses each year, the total value being ISK 1,064 million in 2008.

In 2008, the production of horse and foal meat was approximately 1,000 tons.

i. Customs tariffs and tariff quotas

No duty is applied for live horses. Customs duties are applied to horse meat according to the Customs Act No 88/2005 and the associated Customs Tariffs. The applied compound MFN duty, i.e. ad valorem duty and specific duty, is 30% ad valorem and the specific duty is ISK 256 per kilogram (see table on Customs Tariffs for Agricultural Products). Under the

arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products a reduced compound duty is applied, 18% ad valorem and ISK 154 per kilogram (for more information consult the text of the arrangement).

The WTO minimum access quota for horse meat is 15 tons.

ii. Marketing and a 'Levy for marketing' (*Verðskerðingargjald*)

According to Article 20 of Act on the Production, Pricing and Sale of Agricultural Products No 99/1993 a special levy of 2% of the farm gate price is collected for marketing purposes. The total amount is paid to the Farmers' Association and disbursed by the Horse Farmers' Society of Iceland. The levy collected in 2008 was ISK 2.575.000.

Table 8.18: A Levy for marketing horse meat; (Verðskerðingargjald)(in 000s ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
3,152	5,453	2,182	1,830	1,636	1,871	2,113	2,434	2,575

iii. Development projects concerning horse breeding, raising and marketing

An amount of ISK 25 million is available for the year 2009, for development projects concerning horse breeding, raising and marketing. Support is available by application, and is advertised each year. A special committee comprising representatives of horse owners, farmers and the Government assesses the applications and allocates the funds. No support is expected to be financed by the budget for 2010.

- Furs

In 2008, exported furs amounted in volume to 31.5 tons, or ISK 1,070 million.

i. Customs tariffs

MFN Customs tariffs of 5% ad valorem applied to furs. However, furs have been bound at zero duty in free trade agreements.

- Eiderdown

There is a long-standing tradition for eiderdown collecting/farming. The Icelandic eiderdown possesses distinct characteristics and has been utilized locally as well as for export. The total value of eiderdown exported in 2008 was approximately ISK 280 million.

No market measures are applied to eiderdown.

Specialized crops and products:

- Alcohol

i. Customs tariffs

Except for customs duties for certain products, no other agricultural policy measures are applied. On alcoholic beverages and preparations of alcohol level between 0.5-2.25% an MFN duty of 10-20% ad valorem is applied. However, the same products have been bound at zero duty in free trade agreements.

ii. Alcohol tax

According to the Act on Tax on Alcohol and Tobacco No 96/1995, as subsequently amended, and the associated Regulation No 505/1998, as subsequently amended, alcohol tax is applied to all consumable alcoholic beverages of alcohol level exceeding 2.25% (at 20°C). The tax applies to importers and producers alike for products for sale or further processing domestically. The tax is also applied to alcoholic beverages carried by travellers and deliveries from abroad for own consumption, although a certain amount can be carried from abroad tax-free (see Regulation No 630/2008). The Internal Revenue Directorate carries out surveillance of domestic producers and imposes the tax.

- Fruits and vegetables

The market measures applied to vegetable production is based on an Agreement between the Government and the Farmers' Association concerning the framework of support to horticulture. The current Agreement took effect in 2002 and has been extended throughout 2013. The measures are implemented through the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993. The Agreement was concluded as a part of the adjustment program for horticultural farmers when customs tariffs for vegetables were abolished, except for seasonal production of certain vegetables grown outdoors. Customs tariffs were also maintained for mushrooms.

The objectives of the measures prescribed by the current Agreement are incorporated into Article 57 of Act No 99/1993 and are relevant for all policy measures applied in the sector:

- To lower consumer prices on imported as well as domestic horticultural products
- To improve the efficiency and competitiveness of domestic horticulture for the benefit of both producers and consumers
- To improve the income base of horticultural producers
- And to improve the production and marketing opportunities of domestic production when it is sufficient in both quantity and quality

No market measures are applied to vegetable production and processing, except for customs duties, tariff rate quotas, and certain limited support schemes.

Vegetable production in Iceland is limited in range but includes the following:

*Table 8.19: Horticulture production 2000-2008 in tons**

	2000	2005	2006	2007	2008
Potatoes	9,013	7,250	13,800	13,000	12,500
Turnips	793	750	800	860	872
Carrots	395	418	398.2	526	653
Cauliflower	89	44	82.9	112	107
Cabbage	538	346	306.6	340	434
Broccoli	53		56.3	83	88
Chinese Cabbage	255	162	219.3	222	229
Red Cabbage			31.8		

Salad			65.7	89.8	98
Leek	22		6	0	
Tomatoes	931	1,508	1,724	1,603	1,621
Cucumbers	914	1,147	1,124	1,343	1,516
Paprika	203	126	130	147	170
Mushrooms	447	438	487.6	515	526

* Sources: Association of Horticultural Producers, official stock reports for potatoes. Direct sales from greenhouses estimated at 2%. Deviations in outdoor crops are 5%. Some numbers are estimates.

There is no commercial fruit production in Iceland, save limited production of strawberries; however no market measures, e.g. price administration, are applied to fruit production or processing.

i. Customs tariffs and tariff quotas

Customs tariffs are applied according the Customs Act No 88/2005 and the associated Customs Tariffs. MFN duties are either ad valorem or compound duties, i.e. ad valorem duties and specific duties, and are applied to all fresh vegetables. The ad valorem duty ranges from 25-30% and the added specific duties range from ISK 79 to 400 per kilogram (see table on Customs Tariffs for Agricultural products). There is no customs tariff applied to fruit.

Under its WTO commitments, Iceland provides market access opportunities through current access tariff quotas every year. Seasonal quotas for potatoes, cabbages and flowers are advertised by regulations, reflecting the seasonal variations in domestic supply. In recent years the trend has been to lower duties through the quotas, frequently without limitations in volumes. This applies especially to imports from the European Community while higher duties are applied to imports from third countries, based on the Arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products undertaken on the basis of Article 19 of the EEA Agreement.

Quotas are set for the calendar year. In 2009, for those quotas which provide for limited volume, the quotas were advertised and allocated to importers by the Minister of Fisheries and Agriculture based on recommendations made by a special committee comprising representatives from the Ministries of Agriculture, Commerce, and Finance. If applications exceeded the available quota, the quotas were auctioned and allocated to the highest bidder. A bid for the quotas was valid only if the bidder provided a bank guarantee, equal to the amount of the bid, payable within 7 days from the date in which the bid was accepted. This applies in particular to floriculture.

In the most recent free trade agreements concluded by Iceland, duty-free access has been granted for certain fresh vegetables. For information on these concessions, please consult the bilateral arrangements of Iceland's FTAs.

ii. Support to greenhouse producers for distribution of electricity

Under an associated arrangement to the Agreement between the Government and the Farmers' Association concerning the framework of support to horticulture, implemented through the state budget, the Icelandic Government provides for support for distribution of electricity for the benefit of greenhouse farmers. The amount available in 2009 is approximately ISK 161 million. The support is administered by the Ministry of Fisheries and Agriculture and granted through cooperation with the distribution companies linking it to individual farmers.

- iii. Support for promotion, research, development and projects for educational purposes

According to the Agreement between the Government and the Farmers' Association concerning the framework of support to horticulture, support is provided for promotion, research, development and projects for educational purposes. The available amount in 2009 is approximately ISK 29 million. The amount is paid to the Agricultural Productivity Fund, and the funds are allocated to farmers based on operational instructions set by the Association of Horticultural Producers.

Table 8.20: Programs for improved marketing, research, development as well as educational programs for producers in horticulture (in 000s ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
-	-	25,000	25,000	25,000	25,000	471	51,929	27,900

- Bananas

No agricultural policy measures are applied. There is no commercial production of bananas in Iceland.

- Floriculture

Except for customs tariffs and tariff rate quotas no other market measures are applied.

- i. Customs tariffs and tariff rate quotas

Customs tariffs are applied according to the Customs Act No 88/2005 and the associated Customs Tariffs. MFN duties for Chapter 6 of the Custom Tariffs are either ad valorem, specific or compound duties, i.e. ad valorem duties and specific duties. The ad valorem duty ranges from 0-30% and the added specific duties range from ISK 0 to 650 per piece (see table on Customs Tariffs for Agricultural products).

Under its WTO commitments, Iceland provides market access opportunities through current access tariff quotas every year. A number of flowers and other plants relevant to Iceland's current access commitments are subject to quotas upon import. Both quotas with lower duties and unlimited volume and regular tariff quotas are applied. Quotas for flowers are advertised for the calendar year. In recent years the trend has been to lower duties through the quotas, frequently without limitations in volumes. This applies especially to imports from the European Community based on the Arrangement between Iceland and the European Community concerning additional trade preferences in agricultural products undertaken on the basis of Article 19 of the EEA Agreement.

Table 8.21: WTO Current Access Quotas

Heading no	Tariff line	Description of products	Volume of Quotas pcs.	MFN tariff rate % - IKR./kg		In-quota rates
				Ad Valorem Duty	Specific Rate of Duty	Ad Valorem Duty
0602		Other live plants (including their roots), cuttings and slips; mushroom spawn:				

0602.2000	- Trees, shrubs and bushes, grafted or not, of kinds which bear edible fruit or nuts	Open	30	200	30
0602.3000	- Rhododendrons and azaleas, grafted or not	Open	30	200	30
	- Roses, grafted or not				
0602.4010	-- In retail packing	Open	30	200	30
0602.4090	-- Other	Open	30	200	30
	- Other:				
0602.9030	-- Vegetable plants and strawberry plants	Open	30	200	30
	-- Other:				
	--- Outdoor plants:				
	---- Trees, shrubs and bushes:				
0602.9041	----- Forest trees	Open	30	200	30
	----- Other:				
0602.9045	----- Slips, rooted, and young growth	Open	30	200	30
0602.9049	----- Other	Open	30	200	30
	---- Other outdoor plants:				
0602.9051	----- Perennial plantlike plants	Open	30	200	30
	--- Indoor plants:				
	---- Slips, rooted, and young growth, excluding cacti and thick leaves	Open	30	200	30
0602.9071	---- For continued cultivation in nurseries for not less than two months	Open	30	200	30
0602.9079	---- Other	Open	30	200	30
	---- Flowering plants with buds or flowers, excluding cacti:				
0602.9091	----- Potted plants not exceeding 1 m in height, excluding thick leaves and plants of the genus Bromilea and the plants Erica Gracilis and Calluna	3.500	30	200	30

	0602.9092	----- Other	Open	30	200	30
		---- Other:				
	0602.9093	----- Potted plants not exceeding 1 m in height, excluding thick leaves and plants of the genus Bromilea and the plants Erica Gracilis and Calluna	4,300	30	200	30
	0602.9099	----- Other	Open	30	200	30
0603		Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared:				
		- Fresh:				
		-- Carnations:				
	0603.1202	--- Imported at other time	Open	15	48	30
	0603.1300	-- Orchids	Open	30	95	30
	0603.1400	-- Chrysanthemums	15,500	30	95	30
	0603.1901	-- Of the genera Protea, Banksia, Leucadendron and Brunia	Open	30	95	30
	0603.1902	-- Cut branches with berries or fruit on, not edible, of the genera: Ligustrum, Callicarpa, Gossupium, Hypericum, Ilex and Symphoricarpos		30	95	30
		--- Spider flowers, flamingo flowers or tail flowers, wonder flowers or chincer chee and bird of paradise				
	0603.1905	---- Imported at other time	Open	30	95	30
	0603.1909	--- Other (cut flowers)	285,000	30	95	30
0604		Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens, being goods of a kind suitable for bouquets or for ornamental purposes, fresh, dries, dyed, bleached, impregnated or otherwise prepared:				
		- Other:				

		-- Fresh:				
	0604.9101	--- Christmas trees, without roots	Open	30	650	30
	0604.9102	--- Christmas tree branches	Open	30	50	30
	0604.9109	--- Other	Open	30	50	30
	0604.9900	-- Other	Open	30	50	30

The quotas are set for the calendar year. In 2009, those quotas which provide for limited volume were advertised and allocated to importers by the Minister of Fisheries and Agriculture based on recommendations made by a special committee comprising representatives from the Ministries of Fisheries and Agriculture, Commerce, and Finance. If applications exceeded the available quota, the quotas were auctioned, and allocated to the highest bidder. A bid for the quotas was valid only if the bidder provided a bank guarantee, equal to the amount of the bid, payable within 7 days from the date in which the bid was accepted.

ii. Support to greenhouse producers for distribution of electricity

See fruits and vegetables, ii. Support to green house producers for distribution of electricity

iii. Support for promotion, research, development and educational projects

See fruits and vegetables, iii. for promotion, research, development and educational projects.

- Tobacco

There is no production of tobacco in Iceland and no agricultural policy measures are applied. Tobacco is however subject to preventive taxation.

i. Tobacco tax

According to the Act on Tax on Alcohol and Tobacco No 96/1995, as subsequently amended, and the associated Regulation No 1082/2004, as amended, a tobacco tax shall apply to imported and domestically produced tobacco, falling within Chapter 24 of the Icelandic Customs Tariffs. The tax is collected from retail sellers and imposed and collected by the State Alcohol and Tobacco Monopoly (ATVR), which delivers the collected amount to the state treasury. The tax is also applied to tobacco which is brought or sent from abroad for private consumption. Special higher rates apply to private importation although a certain amount brought personally from abroad is tax free.

- Seeds

No market measures are applied.

- Hops

No market measures are applied.

11. For each of the following sectors, a detailed description should be given of

- a. **the existing regulatory requirements and the arrangements for their administration and enforcement including legislative basis (name and reference of relevant legal**

acts); objectives and general description of the legislation; approximated or not to EU legislation (or degree of approximation); participation in other international standard schemes; description of administrative and enforcement arrangements (including resources, human, financial, and infrastructure, and if possible the administrative organigram).

b. Agricultural marketing requirements (grading, mandatory/voluntary standards), labelling requirements for each of the following sectors:

- **Dairy products;**
- **Beef and veal, sheep meat and goat meat;**
- **Pig meat, poultry meat, eggs and honey;**
- **Fruit and vegetables.**

Regulatory framework

This aspect of the question has been dealt with under the answer to part I and Questions 11:8-10 of part II.

Agricultural marketing standards and labelling

i. Horizontal legislation

The legislative foundation for agricultural marketing and labelling requirements is found in various acts. The main enabling provisions are found in the Foodstuffs Act No 93/1995; the Act on Hygiene and Pollution Prevention No 7/1998; the Act on the Raising and Health of Slaughter Animals, Slaughtering, Processing, Health Inspection and Quality Grading of Slaughter Products No 96/1997; and to a limited extent the Act on the Production, Pricing and Sale of Agricultural Products No 99/1993, with subsequent amendments.

Regarding general marketing and labelling rules, two separate legal instruments are applied horizontally to all foodstuffs, namely Regulation No 503/2005 on the labelling of foodstuffs, as amended (and the prior Regulation No 588/1993 on labelling, advertisement and promotion of food, as amended, only as regards assertions). The regulations sometimes include sectoral specific provisions, e.g. exceptions from general applicable rules on content description on labels. As specified, the regulations implement a number of directives incorporated into the EEA Agreement, under Annex II. The regulations are considered fully compatible with the incorporated *acquis*.

In some instances more detailed rules are laid down in sectoral instruments. In the meat sector Regulation No 331/2005 on meat and meat products sets out detailed rules for the classification and composition of products in that sector. It also applies to names for product types and other labelling in connection to distribution of meat and meat products. The purpose of the Regulation is to ensure that consumers receive accurate and informative information on meat and meat products which are offered for sale, advertised or promoted in other ways.

Marketing, advertising and promotion of meat and meat products shall adhere to the classification set out in the Regulation, the classification of products (minimum meat content) as set out in Annex I to the Regulation; the use of product names which are reserved for certain product types, as laid out in Annex II; the definitions for pure meat products as laid out in Annex III; and the specified rules on content description, assertions (such as 'lightly salty', or 'reduced fat content') and the indication of water content.

Control is carried out by the Municipal Environmental and Public Health Offices. Non-observance of the rules is subject to prosecution and punishment by fine or imprisonment upon conviction.

ii) Dairy products

The marketing requirements and, to a certain extent, labelling standards for milk and milk products, are laid out in Regulation No 919/2002 on milk and milk products, as amended. The Regulation is issued on the basis of an authorization in the Foodstuffs Act No 93/1995 and the Act on Hygiene and Pollution Prevention No 7/1998. Production and distribution of milk and milk products shall also be in conformity with Regulation No 522/1994 on food monitoring and hygiene during production and distribution of food.

Non-observance of the provisions of the regulations is subject to prosecution and punishment by fine or imprisonment upon conviction.

According to Regulation No 919/2002, 'milk' is defined as cow's milk obtained from regular milking and meant for human consumption. Nothing shall be added or extracted from milk before it arrives to the dairies (same rules apply to milk from she-goats, ewes and mares). These products, along with beestings and geld milk are further defined in Annex I to the Regulation. The Regulation sets out standards for cow's milk that has been heated, namely its maximum freezing point, minimum mass per litre, minimum protein content, and minimum fat-free solid matter.

'Milk products' are defined as products derived exclusively from milk, on the understanding that other substances necessary for their manufacturing may be added provided that those substances are not used for the purpose of replacing, in whole or in part, any milk constituent. 'Composite milk product' means a product for which milk and milk products are essential part either in terms of quantity or for characterisation of the product. The regulation also contains definition for fat-reduced and homogenized milk.

More specific rules for certain milk products and names for product types are laid down in Annex I to the regulation (such as milk; cream; milk drinks; sour milk products, including sour milk and yogurt; condensed milk products; powdered milk; skyr and quark; whey and whey products; butter and butter products; and; cheeses). Production and distribution of milk products with other contents or micro organism then specified in Annex I is prohibited unless specifically authorised by MAST.

Each producer (farmer) must hold a production permit. The dairies are not authorised to collect milk from producers unless they have a valid permit. Each producer shall take measures to guarantee that milk deriving from his farm meets the minimum requirements for milk quality as set out in Annex III. Each dairy shall employ a milk inspector to inspect the treatment of milk at the producers' establishments. The milk inspectors and the district veterinary officer shall inspect the treatment of milk at producer's level. If a producer does not meet the standards set out in Annex III for three consecutive months the dairies cannot receive milk from that producer, although limited exceptions apply. The district veterinary officer has the authority to revoke the production permit.

Only pasteurised milk may be delivered to the final consumer, unless by express authorisation of MAST. Re-pasteurising is permitted for cream and skimmed milk. The processing and distribution of reprocessed milk is prohibited unless there is demonstrable shortage of milk and only by permission of MAST. Unpasteurised beestings can be marketed under strict conditions, and only frozen. The conditions for marketing of condensed milk are set out in Annex VI.

Milk is paid for on the basis of compositional and hygienic quality, assessed according to the fat content, protein, total bacterial count (TBC) or somatic cell count (SCC) content of milk. The regulation lays down a referent for classification of milk based on both the heat resistant and cold resistant bacteria count and dormant spore. The Agricultural Pricing Committee has set a binding classification system for milk in Rules No 503/2006, on the classification of milk and price reduction based on TBC, SCC and drug residue. According to the rules, the price reduction can amount to 4-54% of the set price for first-rate milk. If milk deriving from a farmer contains drug residues it will not be registered and paid for. Furthermore the price for milk collected from the farmer in the same month is reduced by 15%, and for further 15% for each occurrence of the sort in the same month.

Regulation No 392/1995 on certain lacto proteins for use in food products, lays down specific rules for production and marketing of lacto proteins, such as casein and caseinate. Casein and caseinate shall be labelled as set out in Regulation No 588/1993 on labelling, advertisement and promotion of food which transposes *inter alia* Directive No 83/417/EEC on the approximation of the laws of the Member States relating to certain lacto proteins (caseins and caseinates) intended for human consumption.

iii) Beef and veal, sheep meat and goat meat

Apart from Regulation No 331/2005 on meat and meat products (see i. *Horizontal legislation*), the marketing requirements and certain labelling standards for slaughter products (from sheep, bovine animals, pigs and horses), are laid out in Regulation No 484/1998 on quality grading, classification and labelling of slaughter products, as amended. The Regulation is issued on the basis of an authorization in the Act on the Raising and Health of Slaughter Animals, Slaughtering, Processing, Health Inspection and Quality Grading of Slaughter Products No 96/1997.

All slaughter products which are exported or marketed domestically shall be classified and labelled in accordance with product specific rules set out in the respective annexes to the regulation. The legislation sets common standards for treatment and weighing of slaughter products, as well as labelling. The labelling requirements apply equally to slaughter products other than meat, as applicable. Labels shall include information on the slaughterhouse, the type of meat, classification and the date and year of slaughtering. Furthermore including of additional information is allowed, such as bar code, the carcass weight, the name of the farmer, the number of the farm or the name of the purchaser. Conformation and fat classification shall be identified by different colours as set out in the regulation. When meat is sold from the slaughterhouse company or a wholesale company, in whole, half or quarter of a carcass, or otherwise segmented, each part or package shall be identified with the product name and the classification.

The classification is carried out by a meat classifier. Each slaughterhouse shall employ a meat classifier who carries out the quality grading of slaughter products. Meat classifiers are approved by the Chief Meat Classifier, a government official responsible for miscellaneous tasks relating to the administration of quality grading, including the setting of grading and classification guidelines; the training and guiding of meat classifiers; to coordinate and inspect their work and; collecting of data on meat inspection; and, up on well founded requests of purchasers or producers, review grading and classification of meat.

According to Act No 96/1997, non-observance of the provisions of the Regulation is subject to prosecution and a fine or imprisonment upon conviction.

The detailed rules for classification of beef and veal are laid out in Annex II to the Regulation. The classification system is not comparable to the system applied in the European Union.

Carcasses are divided into categories based on age and gender. Meat which has received first rate health grade, second rate health grade and faulty carcasses are graded separately. The standard applied varies based on the age and gender of carcass although the classification generally includes assessment of conformation, degree of fat cover, and, colour of both the meat and the fat.

It should be noted that under Regulation No 331/2005 on meat and meat products, when marketing ‘beef’, the name shall not be used as a collective name for meat of bovine animals, but only meat of bulls, oxen or young cows, 12-30 months old.

The detailed rules for classification of sheep meat are laid out in Annex I to Regulation No 331/2005. The classification system is based on the classification system which is applied in the European Union (as currently set out in Council Regulation (EC) No 1234/2007 – the Single CMO Regulation). Carcasses are divided into categories based on age and gender. Carcasses with first rate health inspection, second rate health inspection and faulty carcasses are classified separately. Lamb meat (of sheep up to twelve months old) and ewe meat are classified separately. Classification includes assessment of conformation and degree of fat cover. The annex specifically authorises that sheep meat intended for exports to a particular market abroad can be labelled in accordance with the requirements of destination country.

iv) Pig meat

Apart from Regulation No 331/2005 on meat and meat products (see i. *Horizontal legislation*) and the general provisions of Regulation No 484/1998 (see: iii) beef and veal, sheep meat and goat meat), the detailed rules for classification of pig meat are laid out in Annex III to the latter regulation. The classification system is not comparable to the system applied in the European Union. Carcasses are divided into categories based on age and gender – namely piglets, hogs and sows, as further defined in the annex. Carcasses which have received first rate health grade, second rate health grade and faulty carcasses are graded separately. The classification is based on weight, assessment of conformation and degree of fat cover.

v) Poultry

Apart from Regulation No 331/2005 on meat and meat products (see i. *Horizontal legislation*) and the marketing requirements and labelling standards for poultry are laid out in Regulation No 260/1980 poultry slaughterhouses on their equipment, the slaughtering, handling of meat and meat inspection, as amended. The regulation is issued on the basis of an authorization in the Act on the Raising and Health of Slaughter Animals, Slaughtering, Processing, Health Inspection and Quality Grading of Slaughter Products No 96/1997.

Poultry products shall be labelled in accordance with Regulation No 503/2002 on the labelling of foodstuffs and Regulation No 331/2005 on meat and meat products, and include the name of the producer or his brand name, the name of the poultry slaughterhouse, the month and year of slaughtering and the content of the product. The packaging of poultry and poultry products shall furthermore contain instructions on handling and cooking in accordance with Appendix I to the Regulation No 260/1980. If products are packed together in a multi-unit crate or box, the packaging shall be labelled according to the contents. Poultry products may not be offered for sale without packaging or in unmarked packaging.

When destined for the popular market, poultry meat deemed fit for human consumption shall be distinguished by age, conformation and weight. The classification shall appear on the label and be as follow:

- *Kjúklingar*: Fowl of age 14 weeks or less at the time of slaughtering, minimum weight 500 gr. after slaughtering

- *Ungfuglar*: Fowl of age 15-30 weeks, at the time of slaughtering, maximum weight of 1000 gr. after slaughtering
- *Unghænsn*: Fowl of age 8-20 months, at the time of slaughtering, maximum weight of 1000 gr. after slaughtering
- *Hænsni*: Fowl older than 20 months, at the time of slaughtering

Producers are permitted the further classification of the slaughter product within these categories, e.g. based on weight, gender, conformation.

vi) Horse meat and foal

Apart from Regulation No 331/2005 on meat and meat products (see i. *Horizontal legislation*) and the general provisions of Regulation No 484/1998 (see: iii) beef and veal, sheep meat and goat meat), the detailed rules for classification of horsemeat and foal are laid out in Annex IV to the latter Regulation. Carcasses are divided into categories based on age and gender. Carcasses which have received first rate health grade, second rate health grade and faulty carcasses are graded separately. The classification includes assessment of conformation, degree of fat cover, and sometimes weight.

vii) Fruits and vegetables

Rules on marketing and labelling for vegetables and fruits are contained in the horizontally applicable provisions of Regulation No 503/2005 on the labelling of foodstuffs. However, certain provisions are specific for this sector, usually in the form of exceptions from the generally applicable rules. This *inter alia* applies regarding content description and indication of durability which are unnecessary for fresh fruit, vegetables, including potatoes, which have not been peeled, sliced or treated in similar manner.

In certain other cases more detailed rules are laid out for the sector. According to Regulation No 681/2009 amending Regulation No 503/2005, certain fresh vegetables, certain fresh fruits and potatoes, as specified in Annex 7 to the main Regulation, shall be labelled with information on the country of origin. The same applies for fresh blends of these types. If the ingredients originate in more than one country the name and the country of origin of each of the ingredients shall appear on the label. An exception is provided for products which are sold directly from producers to consumers. If these products are sold without packaging or packed by the retailer at the place of sale, the retailer shall provide information on the country of origin in an apparent manner in proximity to the product placement.

As potatoes are to a certain extent treated as vegetables, it should lastly be noted that the marketing and labelling of seed potatoes is regulated by Regulation No 455/2006 on seed potatoes. The aim of the Regulation is *inter alia* to ensure greater quality of potatoes grown domestically. Retailers and distributors of seed potatoes have to acquire a licence from MAST.

III. DIRECT PAYMENTS TO FARMERS

12. Please describe the direct payments regimes applied, and in particular:

- the eligibility conditions for their granting,

- **the management and control system applied to each of them (notably, registration of farmers' plots in the national farm register, procedure for lodging applications, data to be submitted, administrative and on-the-spot controls to be performed, sanctions to be applied),**
- **the number of beneficiaries,**
- **the budgetary amounts devoted to each regime,**
- **any other information that would be useful for comparing these regimes with the EU ones.**

Direct payments to farmers in milk, cattle, sheep and horticulture production are based on the Act on Production, Pricing and Sale of Agricultural Products No 99/1993. Non-observance of the provisions of the Act or regulations enacted on its basis is subject to prosecution and fines upon conviction, unless more stringent sanctions apply under other legislation.

Milk production

Direct payments to milk producers are paid with reference to Chapter X in Act No 99/1993 and currently Regulation No 648/2009. This regulation is applicable for the period 1 September 2009 to 31 December 2010. This is an abnormally long period for transitional reasons due to the decision made in April 2009 to align the production year (historically 1 September to 31 August) with the calendar year (i.e. 1 January to 31 December). (Comparable with the 1 April to 31 March production year in the EU).

Eligibility conditions

The production eligible for direct payments must take place on an officially registered agriculture holding. Furthermore the production must take place on the farm where the support entitlement is registered.

Payments are made to a legal entity (an individual or company) and it is only possible to register one legal entity per production unit. If there is more than one production unit per holding/farm, two or more legal entities can be registered as recipients of direct payments at the holding. A production unit is recognized on the basis of a separate VAT registration number.³⁴

Producers who produce milk on farms where there are no support entitlements³⁵ registered are not eligible for this scheme.

A farmer who wishes to undertake milk production and receive direct payments must fulfil the following:

1. Production must be located on an officially registered agricultural holding
2. Support entitlements must be located either by acquisition of a farm with such entitlements or buying such entitlements from other officially registered holdings and have them registered on the farm. The conditions which must be met for transferring support entitlements from one officially registered holding to another are the following:

³⁴ A registered producer has a separate registration number for his identification when filing tax reports for VAT.

³⁵ The individual support entitlements and the individual production quota are interlinked. The total support entitlements are defined in litres per year, equal to the total production quota in each production year. When the quota has been set the amount available for direct payments in the state budget is divided evenly to the total support entitlements. The total support entitlements are then allocated to individual producers according to their proportional share in the entitlements based on their production quota, thus setting simultaneously the individual support entitlement and the individual production quotas in the year.

- Conclusion of a contract between the buyer and the seller including their names, ID numbers, residence, date of the contract, date of validity, price per litre of support entitlements, the total quantity sold and signatures of the persons involved, certified by two witnesses
- Verification of ownership of the farm selling the support entitlements. All owners must verify that they assent to the selling of the support entitlements
- Submission of a registration and mortgage certificate for the farm selling the support entitlements and the written consent of all creditors for selling the support entitlements
- Registration of the recipient of the support entitlements. It is only possible to register one individual per production unit. Two or more legal entities can be registered as recipients of direct payments per farm provided there is more than one registered production unit at the holding

Procedure of payment

Payments are made monthly and are divided into three categories. Payments are made regardless of fat or protein content of the milk produced:

- 47.6% of the total direct payments are paid per litre of the production quota of the farm regardless of the quantity produced by the producer in question, provided that the production reaches at least 90% of the production quota of the farm. Payment is made on the 1st day of the month in advance, per 1/12 of the support target (This year 1/16 since the production year is 16 months)
- 35.45% of the total direct payments are paid per produced litre, up to a maximum of the production quota of the producer. Payment is made on the 1st day of the month for the production of the penultimate month
- 16.88% are paid per production (not exceeding the total production quota of each farm) in selected months to ensure sufficient supply the whole year round

Unused direct payments in the first two bullets are distributed to producers under rules listed in Article 5 of Regulation No 648/2009, *inter alia* taking into consideration their support entitlements and their production in the preceding production year.

Payments are made based on information contained in the monthly reports of the dairies. These reports list production per producer by farm and producer. Payment takes place automatically provided that the production takes place on a farm with a registered support entitlement and the producer is registered as the recipient of payments. Registration of the producer (ID number, bank account, VAT registration number) in the registry of recipients of payments can be considered as an application.

The number of beneficiaries under the milk production scheme was 705 in September 2009.

Table 12.1: Budgetary amounts for direct payments relating to milk production (million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
3,241.5	3,471.1	3,839.3	3,925.6	4,013.9	4,163.3	4,239.9	4,137.5	4,102.0

2. Headage payments for dairy and suckler cows

Payments are made according to Regulation No 567/2006 on Headage Payments at Registered Farms, as amended by Regulations No 828/2006 and No 208/2008.

Eligibility conditions

All producers at officially registered holdings owning dairy and/or suckler cows are eligible for the payments. Milk producers who receive direct payments for milk production do not have to apply for headage payments. The legal entity receiving headage payments must be the same as the one receiving direct payments. Other producers must apply for headage payments. Payments are made to a legal entity (an individual or a company) and it is only possible to register one legal entity per production unit. If there is more than one registered production unit per holding/farm, two or more legal entities can be registered as recipients of direct payments per farm. The cows eligible for payment must carry an identity tag in accordance with requirements set out in Regulation No 289/2005 on Livestock Tagging.

Procedure of payment

Payments are determined based on the following criteria:

- The total amount allocated to the program in the state budget
- The number of ‘full-year cows’. This is defined as the average number of tagged cows on a registered holding over a 12 month period (Article 2 of Regulation No 567/2006) Calculation of the number of full-year cows is made based on information from the database MARK³⁶.
- Suckler cows of imported bovine breeds are eligible for twice the payment of dairy cows
- The number of full-year cows per producer is recalculated every four months
- Producers receive full payment for the first 40 full-year cows. For full-year cows in excess of 40, the reduction in payment per cow in the respective range is described as follows:

<i>Number of full-year cows</i>	<i>Share in payment per cow</i>
1 - 40	100%
41 - 60	75%
61 - 80	50%
81 - 100	25%
101 and more	0%

Should the number of full-year cows per producer (production unit) reach 170 the total headage payment per producer will be cut by 25% for every 10 full-year cows beyond 170, with the result that producers with more than 200 full-year cows do not receive any headage payments:

<i>Full year cows</i>	<i>Reduction in total headage payments</i>
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³⁶ Shared database administered by MAST and the Farmers’ Association containing information on marking of individual livestock, operating on the bases of Regulation No 289/2005, as amended.

>170 - 180	25%
>180 - 190	50%
>190 - 200	75%
more than 200	100%

Headage payments per suckler cows are exempted from these reductions (Regulation No 208/2008).

Inspection

Should there be a difference in the number of registered cows in the database MARK and other official records on the number of animals, the number of full-year cows can be revised. The producer should be given a period of 14 days to explain or correct the difference, before such a corrective decision is made.

The number of beneficiaries was 801 in September 2009.

Table 12.2: Budgetary amounts for headage payments (million ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
0	0	0	0	0	0	38.3	492.6	504.0

3. Sheep production

Direct payments to sheep farmers are paid per unit of support entitlements (in sheep units), in accordance with Regulation No 11/2008 on support entitlements for sheep farming on registered agricultural holdings 2008-2013. These entitlements are originally based on historical production and are transferable between farms.

Eligibility conditions

A farmer who wishes to receive direct payments in sheep production must fulfil the following conditions:

1. Production must be located on an officially registered agricultural holding.
2. Support entitlements must be obtained either by acquisition of a farm with such entitlements or buying such entitlements from other officially registered holdings and have them registered on the farm. The conditions which must be met for transferring support entitlements from one officially registered holding to another are the following:
 - To conclude a contract between the buyer and the seller including their names, ID numbers, residence, date of the contract, date of validity, price per litre of support entitlements, the total quantity sold and signatures of the persons involved, certified by two witnesses
 - A verification of ownership of the farm selling the support entitlements. All owners must verify that they assent to the selling of the support entitlements.
 - Registration and mortgage certificate for the farm selling the support entitlements and a written consent of all creditors for selling the support entitlements
 - Register the recipient of the support entitlements. It is only possible to register one individual per production unit. Two or more legal entities can be registered

as recipients of direct payments per farm provided there are more than one registered production unit at the holding

The total support entitlements are 368,457 units and direct payments are divided between farms with respect to their relative share in total support entitlements.

Procedure of payment

Payments are divided into nine tranches paid monthly from 1 January to 1 September. The first two months are covered by a single payment on 1 February. Payment is made in ISK per unit of support entitlements.

Conditions – inspection

In order to receive maximum direct payments, the farmer who is the registered recipient must own (according to official records obtained under Act No 103/2002) at least 0.6 winter-fed sheep per unit of support entitlements. If the producer owns fewer winter-fed sheep, the payments are reduced accordingly. However, there are two exceptions:

- Farmers who have had to undergo a mandatory slaughtering of their herds in order to eradicate animal diseases for which the Government will compensate, shall receive full direct payments in the first year after they recommence farming if their herd size reaches 0.2 winterfed sheep per unit of support entitlements and 0.4 in the second year
- On registered agricultural holdings where pasturage prevents the usual methods for soil reclamation or constitutes an excessive burden for the pasture, the Minister for Fisheries and Agriculture is permitted to decide a lower ratio

The competent authority (MAST) can decide to reduce or withdraw direct payments to farmers who either report an incorrect number of winter-fed sheep or practise illegal selling or distribution of meat. The number of sheep is inspected once a year according to Act No 103/2002.

The number of beneficiaries under the sheep production scheme was 1,720 in September 2009.

Table 12.3: Budgetary amounts for direct payments to sheep production (000s ISK)

Direct payments sheep meat farmers	2000	2001	2002	2003	2004	2005	2006	2007	2008
04-805-101; Direct payments to sheep meat producers	1,671,606	1,723,381	1,771,695	1,893,617	1,605,787	1,582,630	1,746,338	1,731,210	1,901,450
04-805-103; Direct payments to sheep meat producers equivalence payments	0	0	68,792	70,334	72,982	116,481	73,522	94,296	0
04-805-104/111; Direct payments to sheep meat producers – extra payments to producers participating in quality-assurance programs	0	0	0	0	385,501	483,587	576,666	689,130	1,038,718
Total of items	1,671,606	1,723,381	1,840,487	1,963,951	2,064,270	2,182,698	2,396,526	2,514,636	2,940,168

4. Horticulture

Payments are currently made in accordance with Regulation No 5/2009 on Direct Payments in Horticulture for the year 2009.

Eligibility

Producers (individuals or companies) of tomatoes, cucumbers and peppers are eligible to receive direct payments.

Conditions

Producers who received direct payments in the previous year do not need to apply for direct payments in 2009.

New entrants must apply before 15 January each year.

All producers who wish to receive direct payments must, before 15 January, file a production estimate to the Farmers' Association including the square measure of the greenhouses intended to be used for the production of each of the product types and the production estimate for each of the product types.

Payments are made to a legal entity (an individual or company) and it is only possible to register one legal entity per production unit. If there is more than one registered production unit per holding/farm, two or more individuals can be registered as recipients of direct payments per farm.

Procedure of payment

Payments are made per kg produced and either based on production records from wholesale companies or information from the producer. The producer must file a monthly report on the production and provide the competent authority with information on the producer, the buyer of the production, and a copy of a bill or invoice for the sold products, which includes information about the product, quantity, quality and price per kg as well as the total value.

The number of beneficiaries of the horticulture production scheme is approximately 40 in 2009.

Table 12.4: Budgetary amounts for direct payments to horticulture (million ISK):

2000	2001	2002	2003	2004	2005	2006	2007	2008
0	0	182.5	169.0	205.5	199.8	194.8	204.0	217.0

IV. RURAL DEVELOPMENT POLICY

Introduction

Iceland does not have in place a comprehensive rural development policy. Due to natural circumstances rural policy is the result of many different policies directly or indirectly affecting the interests and the livelihood of rural areas. Rural and regional development policies are generally speaking one and the same. These specific national circumstances, which are described briefly below, should shed some light on the answers given on rural development in Iceland.

The pattern of settlement in Iceland is characterized by a growing urban agglomeration in the capital region and its immediate hinterland, and a more sparsely populated rural area comprising small towns and farms. Approximately 37 % of the population lives in these rural areas. Iceland is Europe's most sparsely populated country with only 2.9 inhabitants per km².

Almost 80% of the country is uninhabited, and mostly uninhabitable. The highland interior of the country mostly consists of barren highlands, lava fields, glaciers, mountains and volcanoes. The population is to a large extent concentrated in the lowlands, a narrow coastal belt and valleys extending from the coast.

Based on the OECD rural development programme's definition of rural regions and Statistics Iceland's division of Iceland into regions, six out of eight regions of Iceland can be categorized as significantly rural. The other two regions are categorized as predominantly urban. It should be noted that a common approach for a geographical division of Iceland is to use a two-tier division, which is partly based on population density, i.e. a) the capital region, and b) the rest of the country.

This definition is, however, not sufficient for a geographical analysis, even if this is widely practiced. Furthermore, this division of the country is not the basis for rural or regional development planning, as all areas outside the capital are considered rural. Further division of rural areas is not relevant in Iceland. They are comparable regarding natural conditions and possibilities, and they all face very similar challenges, when it comes to economic diversification, social structure and fulfilling legal duties towards their population.

These national characteristics indicate clearly that hardly any policy is formulated or carried out without affecting rural communities directly. This has, among factors such as relatively recent urbanization, contributed to the fact that no consolidated rural development policy exists in Iceland. Up to the present, rural development policy is on the one hand laid down by Parliamentary resolutions, where the Althingi declares its position, urging the Government to carry out certain projects, prepare legislation in a specific field or to take other actions. On the other hand, policy is formulated in long or short term legislation concerning specific, itemised, publicly supported projects, affecting rural development.

Iceland has two government levels, the central government and the municipalities. There is thus no intermediate regional level in Iceland. Although the central government is generally responsible for shaping and implementing rural development policy, the municipalities are important actors in this area, as is evident given their legal and political responsibilities. The municipalities actively participate in policy formulation at national level and are often key players when it comes to its implementation.

The approach to rural development has been changing in recent years from specific support to rural areas and sectors in distress towards a general policy aimed at strengthening certain rural areas. Efforts have been made towards diversification of the industry. Official support is now available for a broader range of production and agricultural activities. Efforts have also aimed at encouraging utilization of resources such as fishing in lakes and rivers, collecting eider down, driftwood collecting and processing and similar. Fish farming and tourism are also industries farmers have increasingly got involved in, for the purpose of strengthening their income. Furthermore, the responsibility of the field of rural development was moved from the Prime Minister to the Minister of Industry, and increased emphasis has been placed on economic development and innovation.

13. Describe the institutional framework for rural development; decision-making structure and responsibilities (top-down/decentralised method).

Introduction

To a somewhat different degree all the ministries have a role to play with regard to rural development. Even if they are not responsible for carrying out rural development policy, their

work affects the rural regions in various ways. A formal venue for inter-ministerial cooperation does not exist. However, the administration makes every effort to avoid duplication, and seeks to create synergy between different policies and implementation measures.

The procedures for preparing comprehensive national strategies for Regional Development are being redesigned. The Government has launched work on a Long Term Comprehensive Strategy to 2020. This will include broad consultation under the direction of the Prime Minister's office and pro-active plans to boost long-term employment and quality of life in all areas of Iceland. The objective is to elicit a joint future vision and integrate plans in transport, communications, tourism and regional development, together with programmes to expand local government responsibilities and various growth agreements, with plans for public works projects which are likely to be revised in the wake of the economic collapse. Objectives encouraging development of green industries, e.g. projects where clean, renewable energy is utilized sustainably to create value and employment, will be included. Emphasis will be placed on mapping out Iceland's opportunities in environmentally clean industrial production and on encouraging investment through temporary incentives and favourable energy prices. An emphasis will be placed on reaching a wide consensus on a joint vision and key decisions in the rebuilding effort. The aim is to attain extensive cooperation between ministries, state institutions, and municipalities, associations of industries, labour unions and societies for those interested in developing a strategic plan for Iceland. Consulting groups will be appointed in every part of the country, creating coordinated plans for each region having a mutual relevance for the strengthening of employment, education and public service within the area.

Below, some of the most relevant ministries, their agencies and other key actors, are accounted for, emphasising their connection to rural development:

The Ministry of Fisheries and Agriculture is responsible for an important part of the framework for rural development policy, affecting the most sparsely populated parts of the country as well as all the rural regions, even if the formal rural development policy is the responsibility of Ministry for Industry. The most relevant policies are defined in the legislation defining the agricultural policy; namely the Act on Production, Pricing and sale of Agricultural Products No 99/1993; the Act on Agriculture No 70/1998; and, the associated agreements with the Farmers Association; as well as in the legal framework for fisheries; *inter alia* the Fisheries Management Act No 116/2006.

Agriculture and fisheries have been the basis of rural living and rural habitation in Iceland. Regulation regarding governmental funding to farmers and agriculture production, in the Act on Production, Pricing and Sale of Agricultural Products No 99/1993 has been part of supporting maintenance and development of rural areas. Increased technological development in the agriculture has led to the decrease of the number of farmers, which has been met with a search for new employment opportunities for farmers, amongst other things on the basis of Act No 70/1998. Agri-tourism and the creation of job opportunities for farmers are examples of tasks under the responsibility of the Farmers' Association in accordance with this legislation. Official institutions in agriculture and food production sectors, under the Ministry of Fisheries and Agriculture, have also been moved to rural areas to increase employment there (e.g. the Icelandic Food and Veterinary Authority (MAST), see the Act on Food and Veterinary Authority No 80/2005). Description on the current support provided to farmers has been provided in Parts I-III.

The Ministry of Industry, Energy and Tourism is responsible for rural/regional development policy, rural/regional research as well as employment and economic development. The Ministry's main activities are all directly or indirectly related to rural policy, rural and regional development policies being closely interlinked. Following are the Ministry's main areas of responsibility:

- Industrial- and power intensive industry matters. Innovation and technological development
- Legalization of professional titles in technology and fields of design
- Energy matters, utilization of energy, heating and electricity
- Ground resources on land, sea bed and subsoil
- Regional matters and employment development
- Standardizing
- The travel industry

The overall rural/regional development policy is formulated by the Ministry of Industry, Energy and Tourism, which submits to Althingi (the Parliament of Iceland) a proposal for a parliamentary resolution regarding a strategic regional development plan for a period of four years. The plan describes the objectives and policy of the Government with regard to regional development, plans for action and the place that regional development policy occupies in relation to the economy in general as well as plans in the field of public services in Iceland. The policy is carried out in accordance with the Act on the Institute of Regional Development in Iceland No 106/1999.

The Institute of Regional Development (IRD) is a government agency under the authority of the Minister of Industry. The IRD is the main administrative unit responsible for implementing and coordinating regional / rural policy at national level, as well as to monitor programs carried out under the Regional Development Plan. According to Act No 106/1999 the IRD's main objectives are: to strengthen settlement and economic activity outside the capital region. To fulfil this objective the institute shall prepare, plan and finance projects and provide loans with the purpose of strengthening settlement, rural economy and enhancing innovation. Preparing a proposal for rural development policy is one of these tasks. The plan shall be based on economic, educational, social and cultural objectives, and is to be formulated in close cooperation with all relevant ministries, municipalities and other stakeholders. Secondly, the institute shall monitor habitation in the country by collecting data and carrying out research. The institute cooperates with and supports financially economic development offices in each of the seven regions outside the capital region. The institute can carry out plans to strengthen habitation and economy in specific regions. The IRD hosts regular information and coordination meetings with relevant ministries, municipalities and other stakeholders, in order to increase horizontal communication and transparency.

The Icelandic Tourist Board handles the implementation of tourism affairs. The administration of tourism, as a horizontal sector, cooperates closely with different government bodies including the Ministries of Finance, Foreign Affairs, Communications, Environment and Culture. Following are the main duties of the Tourist Board:

- Issuance of licences, registration of operations, and monitoring in order to ensure that requirements for operations are met
- Development, quality control, and organizational issues related to tourism; i.e., the implementation of a defined tourism strategy, the co-ordination of environmental and educational affairs, the dissemination of information, regional and local development, and international collaboration

- Marketing and promotion of tourism services in accordance with the Minister's decision as current at any given time

The Innovation Centre Iceland is the Government's key organization responsible for delivering support services and implementing business development initiatives that are specifically designed for the benefit of SMEs, start-ups, entrepreneurs and innovators with the overall aim of and increasing national competitiveness.³⁷

Impra, located in Innovation Centre Iceland, works according to the objectives stipulated in the aforesaid legislation and as further specified in contractual action plans between the Ministry of Industry and the Innovation Centre. Such support actions are typically aimed at improving the competitiveness of SMEs, facilitating their access to information, education, training and expert support in improving business management, accessing finance, developing new products and services and so forth.³⁸

The Ministry of Education, Science and Culture. The rural development policy 2006-2009 has a clear emphasis on education and culture. Some of the most relevant policies for rural areas in the fields of the ministry are to be found in the rural development policy itself. Science, technology and innovation are of high priority in the policy framework. The Science and technology policy 2006-2009, prepared by the Science and Technology Policy Board (STPB) is an important policy for the development of rural regions as well as for development in general.³⁹

Universal basic education without charge is at the centre of rural development in Iceland. Efforts are made to ensure the welfare and well-being of children and youths in pre-schools and compulsory schools with effective co-operation between the Government and municipalities, affirming the commitment to the ideology of inclusive education.

Two universities (Hólar University College and the Agricultural University of Iceland) provide vocational and scientific education on agriculture, as well as courses (námsleiðir) directly linked to the wider field of rural development. Both colleges operate according to Act No 57/1999⁴⁰ with subsequent amendments. Their field of education includes sustainable use of land and animals, breeding and husbandry, farm management and technology, environmental planning, rural and sustainable development, restoration sciences, horticulture and forestry, rural tourism, equine science as well as aquaculture and fish biology.

The University of Iceland's *Institute of Regional Research Centres* was founded in 2003. The Institute is a venue for the University's collaboration with local authorities, institutions, businesses and individuals in rural areas. Its objectives are to meet the demand for research and education all over Iceland, to provide facilities for research projects dealing with local environmental and societal conditions, to provide facilities for students' field work, to increase access to research-based education in rural areas, and to strengthen the University's ties to local enterprises and daily life in rural areas. Seven Regional Research Centres are currently run by the Institute. The Centres have had a positive impact on local societies by encouraging and enabling young researchers with families to make a career in research outside the capital area, by channelling research activities and research funding to rural areas, and by increasing the University's cooperation with local research initiatives. In 2008, the Centres employed 43 people, including permanent staff, part-time staff and students. The majority of the Centres' turnover is generated by research funds.

³⁷ www.nmi.is/english/entrepreneurs-and-sme-services/

³⁸ For further information on the Innovation Centre Iceland, please see chapter 20. q. 18.

³⁹ Link with other chapters – support the statement.

⁴⁰ Find the Act and place as Annex.

The Ministry for the Environment was allocated the environmental aspect of afforestation, and soil conservation and reclamation in the beginning of 2008, which had been the responsibility of the Ministry of Agriculture. The Farmers' Management projects regarding afforestation are still within the Ministry of Fisheries and Agriculture project agenda.

The Ministry of Communications, is responsible for transportation, communications, and from 1 October 2009 municipal affairs will be allocated to the ministry. Partly due to the fact that Iceland is sparsely populated, some of the infrastructure in rural areas has been lagging behind, in particular the road network. All the fields covered by this ministry have direct effects on rural development, and policy making increasingly takes this into account. Key policy documents are the Telecommunication Plan and the Plan of Transport and Connectivity.

The Public Road Administration (PRA) contributes to policy-making and is responsible for public projects in the road sector. The PRA operates four field agencies, inter alia to formulate projects and solutions suitable for rural areas.

The Post and Telecom Administration supervises communications within the territory of the Icelandic state and execution of the Electric Communications Act Along with other duties, the PTA is authorised to delegate obligations of universal service for the whole of Iceland or limited parts of the service in demarcated areas, making it an highly relevant body for rural areas.

Municipalities. Iceland is divided into 77 municipalities which manage their own affairs and have independent tax revenues. Municipal councils, elected every four years, manage the affairs of the municipalities, and the municipal right to self-governance is defined in the Constitution and by law. Municipalities are active players in the field of rural development, both individually and through their cooperation, although not one of their express tasks according to the Municipal Act No 45/1998. This is evident given their interests in strengthening settlement and the economy in the respective municipality or region. According to the aforementioned Act issues concerning the interests of a particular municipality shall not be concluded without prior consultation with that municipality. Furthermore, municipalities can take on any duties concerning the inhabitants as long as it is not the duty of another establishment by law. Municipalities are tasked to provide a number of key services, including primary education, day care (pre-school) sports and recreation, snow clearing, waste management and fire services.

Physical planning is one of the responsibilities of municipalities and this is obviously a tool to influence the development of individual municipalities and/or regions. Municipalities play an active role in shaping the discussion on rural-urban relations and they are consulted on laws and resolutions of the Parliament that are relevant for their area or field of interest. The Association of Local Authorities in Iceland has been active in the discussion on rural development and has established working committees on the issue.

Municipal capacity to carry out their legal responsibilities varies greatly, as does their ability to formulate and implement development strategies. This is mainly due to variations in population and the physical size of municipalities. Out of 77 municipalities, only 32 have more than 1,000 inhabitants, where more than 93% of the total population lives. Of these, the vast majority resides in the capital region. There are 30 municipalities with fewer than 500 inhabitants, accounting for only 2% of the total population.

There is a long tradition for cooperation between municipalities, which is partly due to the factors described above. This cooperation is basically voluntary. As stated in the Local Government Act municipalities may collaborate on the fulfilment of specific tasks. Such

collaboration may take place within the context of, for instance, regional boards ('héraðsnefnd' – very few bodies), co-owned agencies ('byggðasamlag' – many bodies), regional federations ('landshlutasamtök' – 8 bodies), or the Icelandic Association of Local Authorities. The setup and missions of these cooperating bodies varies from one region or mission to another.

Regional Economic Development Centres (RDC's) operate at eight locations in the rural area. They are usually co-owned agencies. Their operation is funded by the Government and the municipalities both directly through allocations and indirectly through contracts.

Eight public-private partnerships in the form of 'Growth agreements' have been made or are being planned. These are implemented by governance procedures with emphasis on clusters and are led by the RDC's. Through Growth agreements and the Regional Development Plan the Ministry of Industry, Energy and Tourism establishes the objectives of the main national and European policy documents on e.g. innovation, regional competitiveness, sustainability and environmental responsibilities in to the regional development. In this context the Regional Development Centres deal with regional prioritization and aligning policies, as well as contributing to the formation of the agreements and the general rural / regional policy.⁴¹

The Association of Local Authorities is an important forum for co-operation between the municipalities. The association is the joint representative of the country's municipalities. It safeguards their interests in relation to the Government and other parties both nationally and abroad. The association formulates a common policy on individual issues and works closely with the Government and the Parliament. A special cooperation Agreement exists between the association and the Government, containing formal provisions covering relations between them.

14. Detail and describe links between rural development and sectoral and territorial policies.

Introduction⁴²

Various policies under the responsibility of different ministries contribute extensively to overall rural development in the country. An overview on policies, contributing to rural development, will be provided in the reply to this question, including a description of the Act on Agriculture (and subsequent Agreements). There is no formal link between these different policies, and they contain no provisions for such linkage. In some cases the policies are linked to some extent. For example the Regional / rural development plan has direct links to the plan on transport and connectivity. Such links can to some extent be found between most of the policies mentioned below. The small size of the administration, close cooperation with subordinate agencies, as well as the limited number of bodies implementing these policies, all contribute to better coordination and linkage than is evident in the formal decision making procedures and formal division of labour. In the absence of an integral rural development policy the policy measures, although not formally coordinated, constitute a framework addressing the needs of rural areas.

⁴¹ See further on Growth Agreements in Question 20:2.

⁴² See Question 46 in Chapter 22 on plans and programmes related to Rural Development.

Strategic Regional Plan / Rural Plan

The objectives of the current Strategic Regional Plan / Rural plan for the years 2006-2009 are to improve conditions for living outside the area of the capital and to increase the country's competitive capability, by building on the following principal objectives:

- Strengthening regional centres, while also making a special effort to find ways of maintaining population levels in areas that have been struggling with long-term population decline
- Enabling rural communities to adjust to the fast pace of societal developments and rapid changes in industrial structure
- Supporting employment, education and culture and promoting social equality in areas distant from the capital

Special emphasis will be placed on the importance of education and culture, additional endeavour to promote innovation and progress in industry, improvements in transport and communications, and augmentation of the larger towns; of Akureyri, Ísafjörður, and in central East Iceland, as well as other important centres of employment and services in rural areas.

- *Main principles*

Three main principles shall serve as guidelines for governmental authorities during the Regional Development Plan's period of validity, i.e.:

- To boost education in rural areas
- To increase the number of government jobs in rural areas
- To bolster the Institute of Regional Development and enable it, through appropriations in the national budget, to carry out important projects in the field of rural development

This policy was accompanied with 23 proposals of measures where the main emphasis is on regional growth agreements and cluster work.

The draft Regional Development Plan for 2010-2013

A draft Regional Development Plan for 2010-2013 will be submitted to parliament in the autumn of 2009. Its principal objective is to improve conditions for residence, innovation and sustainable development in rural areas, strengthening culture, societies and the competitiveness of Iceland's communities and towns.

- *Main objectives*

In order to achieve these objectives, 26 proposals were identified, containing measures that are roughly based on the following:

- Integration of general support measures reaching all sectors, including the use of regional agreements such as growth agreements and coordination of every kind of support service related to innovation and employment development
- Strengthening of defined professional areas and business sectors, where special success is foreseen, e.g. within tourism, aquaculture and biotechnology
- Research and development that can lead to energy saving and advanced development of a domestic eco-friendly fuel
- Strengthening of numerous social factors such as educational and cultural undertakings and the secure delivery of electricity

Measures to achieve the planned objectives are supposed to make use of regional specialties, nature, human resources and culture for sustainable development. A couple of important

factors while formulating the proposed measures has been the revision of growth agreements and Centres of Expertise and also gender mainstreaming, whereby measures yielding employment in rural areas are to be suitable to both genders.

The Act on Agriculture

According to Act No 70/1998, the Minister of Fisheries and Agriculture shall negotiate an agreement with the Farmers' Association for five years at a time on Government support to the following services:

- The Agricultural Productivity Fund, which provides grants to structural changes on farms and for various development projects designed to increase productivity and competitiveness of agriculture
- Technical development and improved land cultivation on farms. Apart from the overall objectives, this support shall take into account sustainable land use, protection of ecosystem and biological variability and to further environmentally sound and organic agricultural practices
- Livestock improvement. The stated objectives are to secure progress in livestock breeding in order to improve competitiveness of Icelandic livestock and livestock products, while at the same time taking into account our commitments in regard to the preservation of biological variability
- Extension (advisory) services, the objectives being to seek and disseminate information and the best available knowledge and experience to farmers on all aspects of farming practices

The current Agreement is applicable in the period 2005-2010. The Farmers' Association is responsible for implementation of the Agreement, however the Ministry of Fisheries and Agriculture funds the programs laid by the Agreement with monthly payments to the Farmers Association.

Plan of Transport and Connectivity

According to Act No 71/2002, the Minister of Transport, Communications and Municipal Affairs is responsible for developing the Plan of Transport and Connectivity, and put it before parliament in the form of a draft resolution. The Plan of Transport and Connectivity 2003-2014, has been ratified by parliament. An upgraded Plan for 2007-2018 has not yet been ratified.

- Main objectives

The unratified PTC 2007-2018 has five main objectives:

- Better transportation in general
- Efficiency in the construction and operation of transport
- Environmentally sustainable transport
- Safety in transport
- Favourable regional development.

Telecommunication Plan 2005-2010

The Government recognizes the importance of telecommunications in today's society. This is especially the case regarding rural areas where access to effective telecommunications is considered vital in order to ensure equal opportunities, competitiveness and to sustain the general quality of life. This is evident in the current Telecom Policy Statement for the years 2005-2010. The Ministry of Communications is responsible for the Telecommunication Plan which is ratified by the Parliament. Its main objectives are as follows:

- Emphasis should be placed on taking advantage of the opportunities offered by good electronic communications, good education and technological progress to create employment and increase prosperity throughout Iceland
- All Icelanders who so desire should be able to connect to a high-speed network and enjoy cost-effective and secure electronic communications services
- Educational institutions should be connected to a powerful high-speed network
- The security of travellers should be improved through increased access to mobile telephone services on Iceland's highways and main recreation areas
- High-speed mobile services should be developed in all areas of the country
- A long-range digital mobile phone network should be developed to serve the entire country and offshore waters
- All Icelanders should have access to interactive digital television
- Satellite broadcasting should reach all of Iceland and waters around Iceland
- The security of public electronic communications networks within Iceland and internationally should be ensured through satisfactory alternate connections
- The security of the Internet should be improved, so that the public can rely on it in business and everyday life
- Efforts should be devoted to improve the regulatory framework and reinforce regulation of the electronic communications market to increase competitiveness, transparency and confidence
- Efforts should be made to lower unit costs in international electronic communications
- Efforts should be made to equalize the cost of electronic communications services everywhere in Iceland
- Efforts should be made to improve access to cost-effective and secure electronic communications service everywhere in Iceland

Tourism Strategy

Tourism plays a significant and increasing role in the economy in rural areas. A majority of the most attractive tourist sights are located in rural areas around the country, which in turn brings both opportunities and challenges. Attracting tourists and building up necessary infrastructure and services is a demanding task. It requires planning and close cooperation between municipalities, the central Government and relevant stakeholders, both individuals and businesses. Planning at national level takes place in the form of a parliamentary resolution put forth by the minister of industry, energy and tourism, and the Icelandic Tourist Board is responsible for the implementation. The Regional Development Plan also includes tourism as an important factor in regional/rural development. Planning at local level is made either by the municipalities or within their regional federations (further covered below).

The most recent Tourism Strategy was adopted in 2005 and is valid for the years 2006-2015. Its main objectives and goals are:

- Iceland's nature and wilderness, the nation's cultural heritage, regional growth, and a spirit of professionalism shall prevail in the development of Icelandic tourism
- The competitive position of the tourism sector shall be ensured, with the goal of promoting maximum performance in the sector
- The strain resulting from tourism shall be distributed evenly over the entire country and its inhabitants and shall remain within the tolerance limits defined through research
- Iceland's image as a tourism destination shall be fortified and safeguarded

Although not stated in the four main goals, the Tourism Strategy aims at distributing national efforts evenly throughout the country, recognizing the importance of rural areas and rural communities to the tourism sector, and the need for enhancing the role of tourism in the economy of rural areas.

A portion of the funds allocated to the regional/rural development policy has been aimed at the tourism sector. The Ministry of Industry, Energy and Tourism has publicly advertised for applicants, businesses and individuals, in areas eligible for regional investment aid (Icelandic regional aid maps authorized by the EFTA Surveillance Authority for the period from 2007 to 2013) with the main purpose of:

- Supporting the tourism sector (clusters) with emphasis on training and development, with focus on culture, food, quality and marketing
- Encouraging different projects in order to strengthen both rural and coastal areas as tourist destinations

Institutes under the authority of the Ministry of Industry, Energy and Tourism; the Tourist Board, the Innovation Centre and the Institute of Regional Development participate either jointly or separately in different phases of the projects.

15. Detailed information is required on existing rural development activities as described below.

- Information should be provided on all publicly funded rural development activities, whether these are implemented as part of integrated programmes, or as stand-alone schemes, and should include activities financed both nationally and regionally. The information should cover the legal basis, design, objectives, content, financing, implementation, monitoring, control and evaluation of the programmes or schemes. Any selection criteria used for the definition of areas targeted by specific activities should also be described, and the bodies responsible for the programmes or schemes should be listed.

Rural development activities may include, but are not limited to:

- Increasing the competitiveness of the agricultural and forestry sector through support for investment and restructuring, including investments on farms and forests, support for processing and marketing, land improvement, re-parcelling, irrigation and water management, early retirement, vocational training, provision of advisory and extension services, establishment of producer groups, and establishment and operation of quality schemes for agricultural products;

- Enhancing the environment and countryside through support for sustainable land management, including supporting farming in mountain areas or other areas with

particular handicaps, schemes to protect biodiversity, habitats and landscapes, support for environmentally friendly farming and forestry methods, afforestation, measures aimed at climate change mitigation and adaptation, water management (quality protection and quantity saving), soil protection, genetic resource conservation in agriculture;

- Enhancing the quality of life in rural areas and promoting diversification of economic activities, including the provision of basic services (e.g. roads, electricity, water, sewerage, local municipality/village authorities' buildings, etc. for the rural population, the renovation and development of villages, rural tourism, development of new economic activities to diversify the rural economy, and support for local development activities, small rural development projects at local level under own initiatives;

- Within this context, please describe the existence of an integrated measures/approach linked to the implementation of the rural development policy, including, for example, different elements under the aforementioned indents or several elements of one indent and linked also to local/village development strategies/plans.

The description of each measure/activity should include the following information:

- The name of the policy measure and sub-measure;**
- The legislative basis (name and reference of the relevant legal act);**
- The objectives, rationale, and general description;**
- The beneficiaries, eligibility and selection criteria;**
- Details of the support provided (payment levels and composition of payments – share of private and public funds);**
- The amount spent per year over the last 5 years, and budget foreseen for future years, per policy measure;**
- Number of beneficiaries and average support per beneficiary;**
- Administration of the scheme (body responsible, processing and evaluation of applications).**

As noted before, a wide variety of different policies affect the rural areas. The larger ones, covering areas such as transport, communication and regional development, are implemented through a myriad of small projects. A comprehensive listing is not readily available, and would, if available, not add important information to the general policy description, its purpose and value. However, where such listing is available and considered to be of importance and value, information is provided according to the question, at least as closely as possible. This includes information on projects within the agricultural sector and concerning environmental issues.

The following information should give a relatively comprehensive overview of rural development activities currently carried out in Iceland. The list is not necessarily exhaustive.

A. Transport

The central Government is in general responsible for building and maintaining roads in

Iceland.⁴³ Municipalities are responsible only for roads and pathways within towns and villages, other than main roads, which are considered to be part of the nationwide road network. Reykjavik (Capital) and adjacent municipalities are responsible for the vast majority of municipal spending on roads and transport facilities (as almost 2/3 of Icelanders live in the capital area). Due to this division of labour between the state and municipalities, government financing in this sector can be considered as support to rural development.

The Government also operates numerous airports around Iceland. Air transport is highly important to sparsely populated rural areas, as viable options in public transport (trains) do not exist. Lighthouses, harbours and the Harbour Improvement Fund is also funded by the central Government.

Government spending on roads, airports, harbours and related services, in year 2009 is estimated to be more than ISK 40 billion.

B. Municipality Equalization Fund

The Ministry of Transport, Communication and Municipal Affairs is also responsible for managing the Municipality Equalization Fund. The Fund operates on the basis of Act No 4/1995 (not available in English), with later amendments, as well as Regulations No 113/2003, 351/2002, 122/2003 and 80/2001 with later amendments, providing detailed information on the Fund's operating procedures. The budget of municipalities varies considerably, mainly because of differences in population, total area, services and the structures of the local economies. The fund's main responsibility is to compensate for this difference by making transfer payments to municipalities that are short of sufficient revenue base, thus enabling these municipalities to provide basic services to their inhabitants.

According to Act No 4/1995 a fixed share, of the Government's tax revenues, is paid to the Fund on a monthly basis. The total amount is estimated to be ISK 11 billion in the year 2009. See also Question 22:12.

C. Education

Upper secondary education, including occupational education, is financed through the state budget. Primary investments, housing and equipment, is financed jointly with municipalities, where the state provides 60% of the cost and the municipalities provide 40%. In order to provide the rural population equal access to education, secondary schools are operated all around Iceland. Accommodation is provided by school authorities for students that can not attend school regularly from their homes. The state stipulates the operation of pupils' accommodation (dormitories) in connection with the upper secondary schools. The schools provide regular supervision of the accommodation and in all cases students have access to healthy food within the walls of the schools. Students attending vocational programmes in Reykjavík have access to accommodation run by student organisations. Pupils in secondary education who have to leave their legal residence for the purpose of studying have the right to non-refundable grants to partly cover expenses in this respect.

Great emphasis is placed on equal access to higher education in Iceland. There are currently seven higher education institutions in Iceland under the auspices of the Ministry of Education, Science and Culture and the Act on Higher Education Institutions No 63/2006. Currently, four Universities are operated outside the Capital area, three public schools and one private school.

⁴³ See Question 11:13 for a general description of the Plan for Transport and Connectivity and Question 22:46.

All institutions providing higher education require accreditation from the Ministry of Education, Science and Culture, they are to operate according to issued guidelines, and are subject to monitoring by the Ministry. Private institutions receive state funding according to the number of students, and performance-related contracts with the Ministry.

Distance learning is important for rural communities, providing rural population with access to a wide variety of education at all levels. Increased emphasis has been placed on distance learning. This relates to the implementation of the Telecommunication Plan (see Question 11:14).

The possibility to attain higher education in rural areas is considered very important, and the presence of these institutions in rural communities has proven beneficial, providing high value job opportunities as well as spurring innovation and development in various fields.

D. The Agriculture Act Agreement

On the basis of the Act on Agriculture No 70/1998 the Minister of Fisheries and Agriculture and the Minister of Finance on behalf of the Treasury (Government of Iceland), on one hand, and the Farmers' Association of Iceland, on the other hand, entered into a special Agreement regarding projects, activities and support. This Agreement is valid for a period of five years at a time (the present one runs from 1 January 2006 until 31 December 2010), revised every second year and then extended by a further two years. Regular revisions started in 2008 and are still ongoing.

The Farmers' Association of Iceland is responsible, both towards the Government and the farmers, for the implementation of this Agreement. All governmental subsidies included under the Agreement are paid through and are managed by the Farmers' Association.

Aims of the Agriculture Agreement

In general the aims of the governmental support to agricultural development are defined in the introduction of the Agreement and in the general part in Article 1 of Chapter I, as set out in the following text of the Agreement:

International agreements increasingly demand that agriculture support does not interfere with the market and agreements regarding Icelandic agriculture support take that development into account. Government support based on the following Agreement is first and foremost to support development projects and other projects that support improvements in Icelandic agricultural production and increased farming economisation with the aim to support agricultural competitiveness and strengthen farmers' interests. Among other things emphasis shall be placed on increased productivity, domestic fodder harvesting, fodder utilisation, an improved operating environment for farmers, sustainable development and improved land usage, increased product-quality and the welfare of livestock.

The Treasury provides funding for projects in the following fields; land improvement, livestock breeding and instruction work, which will be referred to in this Agreement as extension services; and, the Agricultural Productivity Fund, to increase rural employment in the countryside and projects that support increased Icelandic agriculture production.

All contributions made by the Treasury for extension services, livestock breeding and improved land quality shall be paid to the Farmers' Association, which will manage the distribution of funds according to this Agreement.

The full amount that is agreed on which the Treasury will provide for projects according to Article 1 during 2006 to 2010 is provided in table 15.1.

Table 15.1: The public funding of projects according to the Act on Agriculture Agreement 2006-2010 (in ISK million)

	2006	2007	2008	2009	2010
Consultancy services	259.7	258.5	249	243	237
Livestock breeding	78	76,8	74	71	68
Development projects	90	90	90	90	90
The Agricultural Productivity Fund	160	157	160	160	160
Marketing projects	25	25	25	25	25
Total	612.7	607.3	598	589	580

In addition to the funds agreed on in this Agreement, funds have also been agreed upon for similar projects in the following agreements between the Government and the Farmers Association of Iceland regarding support to individual fields within agriculture. Those are as follows:

- An Agreement regarding the production of sheep products from 11 March 2000, valid from 1 January 2001 until 31 December 2007
- An adaptation Agreement regarding the operational environment for producers of horticultural products from 12 March 2002, valid from 1 January 2002 until 31 December 2011
- An Agreement regarding the working environment for dairy production from 10 May 2004, valid from 1 September 2005 until 31 August 2012”

Activities G-1 to G-4 are carried out according to this Agreement.

D-1 Extension Services

The Treasury annually funds the consultancy service in accordance with the goals in Article 17 and arrangements according to Article 18 of the Act on Agriculture No 70/1998. The service is divided into two parts; the nation wide service on behalf of the Farmers' Association and the regional service on behalf of regional agricultural associations/consultancy centres.

The main emphases in specific fields are the following:

- *Land cultivation:* Strengthening cultivation culture, practical fodder harvesting with minimal environmental impact Maintaining land draining and re-cultivation – grass, ensilage and grain. Focused use of fertiliser taking into account economic and environmental views, including the maximum usage of manure. The building of a land information database for cultivated land

- *Horticulture – geothermal cultivation:* Quality control taking into account economisation and the minimum use of chemicals. The development of artificial lighting, an effort in increased production, lengthening of the harvest period, increased cultivation diversity
- *Livestock breeding:* Increased productivity, more diverse and better production, and a more economical production. Continuous development and application of advanced breeding techniques, re-evaluation of breeding goals in the light of consumer wishes and increased participation of farmers. Quality control, precision feeding and managements animals which ensures their welfare
- *Economics and management consultation:* An effort in management and financial advice provided by the Farmers Association of Iceland and extension centres. The development of a resource information database for farmers and consultants, for management analysis and comparison and planning for particular farms. Emphasising professional cooperation and links between operational management plans in farming such as feeding and fertiliser plans
- *Organic/environmentally sound farming and land utilisation:* Presentation and consultation regarding organic and environmentally sound quality control, evaluating individual farmer's possibilities and consultation regarding different options. Sustainable land utilisation and grazing control dependent on circumstances. Maintaining biological diversity and sustainable development
- *Buildings and farm technology:* Development and consultation regarding building the most economic farm buildings taking into account cost, working condition and animal welfare. Increased education regarding economisation concerning different investment options in machines and instruments
- *Employment creation, general employment advice and the use of perquisites:* Consultation regarding treatment and usage of perquisites that belong to farms. Utilisation of options taking into account changed working methods and evaluation of concepts. Encouragement and consultation regarding creation and entrepreneur work and new employment opportunities on officially recorded farms

Table 15.2: Funds allocated to extension services (ISK million)

	2006	2007	2008	2009	2010
The Farmers' Association management funding	123.2	122.6	119	115	111
The Farmers' Association pension increase	27	27	27	27	27
Basic funding-management	71.9	71.4	69	67	65
Pension increase	14	14	14	14	14
Farm management schedules	23.5	23.5	20	20	20
Total	259.7	258.5	249	243	237

The extension services shall continue to strengthen quality control in farm management.

Included in the funds provided to the extension services are funds for supervising projects according to the Act on Livestock Management No 103/2002 and the Act on Agriculture No 70/1998.

Nation wide services

The nation wide services of the Farmers' Association, supported by sectoral advisory panels have a leading role in deciding areas of emphasis and the organisation of the country's extension service. The Farmers' Association provides regional advisers with information and support and also serves individual farmers as a consultant in sectors where there is no scope for specialisation at the regional extension centres.

The nation wide service attends to the following fields:

- Land cultivation
- Horticulture, geothermal cultivation
- Livestock breeding: cattle-, sheep-, horse-, pig-, poultry-, fur animals, breeding techniques and development.
- Farm tourism with emphasis on recreation.
- Farm management and economics.
- Buildings and farm technology
- Sustainable, organic/environmentally sound agriculture and land utilisation
- New job opportunities, innovation and entrepreneurship
- Perquisite utilisation

Agricultural consultants monitor and disseminate domestic and foreign research results, answer queries and provide instruction through articles, meetings and by holding courses, as well as visiting extension centres and individual farmers, as needed. They provide information to the public and advise the Government.

Regional services

Regional consultants provide advice and education direct to farmers, in accordance with the goals stated earlier. They attend to office work and provide information at meetings and courses, either alone or in cooperation with the Farmers' Association or other professional bodies. During the period of the Agreement continual emphasis will be on visits to farmers and specialised individual advice, which the Regional Agricultural Associations or the centres of instruction provide in the following fields:

- Land cultivation
- Cattle breeding
- Sheep breeding
- Horse breeding
- Land utilisation
- Economics, management analysis and plans
- The Farmers' Association's nationwide service attends to individual farm consultancy in other fields.
- Treasury funds will be paid to the Regional Agriculture Associations or specified centres of extension according to decisions made by agriculture associations.

- Funding to the regional services is only paid to centres of extension where at least three consultants are employed

Farm management plans

Targeted farm management plans shall be emphasised in the extension work on behalf of agricultural associations and centres of extension during the period of this Agreement.

A farm management plan shall be valid for the duration of a three to five year period. The targets of farm management schedules shall be clear, scheduled and measurable and be based on a written contract between the farmer and the centre of extension, which involves professional teamwork of consultants and regular monitoring. In addition, it is permitted to define plans for demarcated fields, for which lower funding is provided. The Economy Sectoral Council defines the minimal requirements for farm management plans for which agriculture associations receive funding.

When the plan's term is completed, it is permitted to provide lower funds to follow-up according to special rules set by the Economy Sectoral Council.

Payments

The annual basic funding to the regional service according to Article 3 is divided in the following way:

1. Compensated pensions to former employees of agriculture associations. Pension increases are divided so that 65% are specified and they change in accordance with the agriculture associations' commitments to the Pension Fund for State Employees while 35% are paid from the undivided basic funding provided for operational costs.
2. Funds to compensate for differences between centres. Up to six million IKR shall be divided between those centres of extension where the provision of services is difficult due to distances and other natural conditions. The Farmers' Association decides the distribution of funds.
3. After the allocations according to paragraphs 1 and 2, the remaining shall be divided between centres of, in direct relation to the number of farmers, on the one hand, and, on the other hand an added agricultural fee.

Annual funds due to farm management plans are paid to the extension service centres, dependent on the projects number of participant and the scope of the projects.

D-2 Livestock breeding

The Farmers' Association of Iceland supervises breeding of all livestock and is responsible for processing the breed reports, mainly in dairy cattle, sheep and horses.

In Chapter III the funds for support to livestock breeding and livestock (genetic diversity) are specified and described. Furthermore, there are links to Articles 5 and 6 regarding payments in a special Agreement for the production of sheep (improved skills in sheep farming) and another Agreement for dairy production (breed improvement and development funds).

Project and funds

The Government's funds provided for livestock breeding are defined by topics in table 15.3.

Table 15.3: The Government's funds provided for livestock breeding by topics (ISK million)

	2006	2007	2008	2009	2010
Improving the strain reports	34.1	33.4	30.6	28.8	27.8
Cow insemination	23.3	23	23	22	21
Breeding stations, quarantine station	17.1	16.9	16.9	16.7	15.7
Live stock protection	3.5	3.5	3.5	3.5	3.5
Total	78	76.8	74	71	68

Conservation of livestock breeds

Further division of the funds is specified in the Agreement supplement, which shall be viewed as a part of it.

The Farmers' Association further decides, in accordance with the appropriate professional advice, the division of those funds, which go to the execution of improving breed records. Further, The Farmers' Association divides the funds for cow insemination between the Regional Agricultural Associations.

In addition to the above, funds have been allocated according to the following agreements (funds are in ISK million)

Payments for breeding and development work according to Article 6(2) in an Agreement regarding the operating environment for dairy production from 10 March 2004.

Table 15.4: Professionalism in sheep breeding (ISK million) (a) million) (b)

Year	
2006	35
2007	35

Table 15.5: Improving the strain and development fund (ISK

Marketing year	
2005/2006	100
2006/2007	99
2007/2008	98
2008/2009	97
2009/2010	96
2010/2011	95
2011/2012	94

- a. Payments will be utilised to support teaching, research, instruction and development in the field and to support specially-targeted projects in the main sheep breeding areas
- b. Payments according to Article 6(2) in the Agreement regarding the operating environment for dairy production. From and including the marketing year 2005/2006 funds will be paid to the Farmers Association of Iceland for breed improvement and development projects in cattle breeding. The association shall allocate the funds in cooperation with the Executive Committee for the Implementation of National Agricultural Agreements.

D-3 Farm-development projects

Some support can be given to miscellaneous farm projects. Individual farmers can send applications to the Farmers' Association followed by a declaration of the project plan. Chapter IV Art 9 - 11, further defines funds for farm-development projects (special project groups) and land improvement.

Projects and funds

The Treasury provides funds for development projects and land improvement as shown in table 15.6.

Table 15.6: Funds for farm development projects (in ISK million)

Project groups	2006	2007	2008	2009	2010
Re-cultivation and adaptation to biological farming	5	5	5	5	5
Environmental and development projects in horticulture/warmth cultivation	8	8	8	8	8
Grain cultivation	13	13	13	13	13
Grazing control and land utilisation	4	4	4	4	4
Environmental effort in counties	10	10	10	10	10
Projects connected to farming and operational environment	20	20	20	20	20
Maintenance of land drainage for cultivation	20	20	20	20	20
Calcium spreading on fields	10	10	10	10	10
Total	90	90	90	90	90

The Farmers' Association will stipulate in more detail projects that are funded within each project group, the amount funded and/or the proportion of the paid cost. The Minister of Fisheries and Agriculture confirms these regulations, which may be revised annually.

If the full amount of annual applications within a specific project group is higher than this Agreement stipulates, then funds will be cut proportionally within each group.

If the full amount of annual applications within any project group, here stated, is lower than this Agreement stipulates the excess funding will be transferred to other project groups where funds are needed. Distribution shall be so that proportional reduction is as even as possible in those groups.

In addition to the above mentioned contributions funds have been agreed upon in the following agreements (funds are in ISK million):

- Funding to invest in lighting equipment and green house obsolescence according to Article 3 and Article 4 of the Adaptation Agreement regarding the operational environment for horticulture production from 12 March 2002.
- De-coupled and/or less market distorting payments according to Article 6(4) in the Agreement regarding the operational environment for dairy production from 10 March 2004.

Table 15.7: Artificial lighting equipment and obsolescence of green houses (ISK million)

Year	Artificial lighting equipment	Obsolescence of green houses
2006	5	30
2007	5	
2008	5	
2009	5	
2010	5	
2011	5	

Table 15.8: Non-production based support (ISK million)

Marketing year	
2007/2008	49
2008/2009	97
2009/2010	144
2010/2011	190
2011/2012	282

- a) Subsidies for the buying and installation of artificial lighting equipment cover up to 30% of costs according to Article 3 and green house obsolescence according to Article 3, but those funds were provided for five years, and ceased in 2006. These funds are on the price level of February 2002 and index linked compensation will follow specific regulations see Article 7 in the Agreement.
- b) Payments according to Article 6(4) in the Agreement regarding the operating environment for dairy production. Regarding those payments there shall be an agreement between parties regarding the allocation of payments for support payments that are de-coupled and/or less market distorting, for example for improvements in land cultivation support payments.

Applications

The conditions for a project to receive funding are that it has been applied for by individual farmers and that it has received recommendation from the local agricultural association or centre of extension in question.

The Farmers' Association advertises, with sufficient notice, which projects and subjects in the field of land improvement can receive funds, what the conditions for the funding are and other information considered desirable to inform applicants about, including the applicant rights and treatment of complaints.

Applications shall be returned to the Farmers' Association or the local agricultural association / centres of extension before the 1st of March for projects for that year.

Replies to applications shall be provided no later than on 30 April, and shall state whether full funding is provided or what minimal funding is provided, if a reduction occurs according to paragraph 2.

The Farmers' Association can decide, in the case of individual project groups, that no application is needed, only that it is sufficient to announce the proposed project within the advertised deadline and then an assessment will be made according to standard working regulations.

Applications that are received after the advertised deadline will not be processed.

Assessments

Assessment of project execution, confirmed by competent body (Local Agricultural Association or Centre of Extension), shall be returned to the Farmers' Association before 15 November and funds shall be paid before the end of the year. The Farmers' Association is permitted to decide to audit only a random sample of projects if the funds to those projects are less than ISK 100,000.

If all funding of agreed applications is not used, for example because the project was not completed, the un-used funds shall be distributed proportionally between projects within each project group, within the limit that no contribution exceeds the maximum funding according to the Agreement's regulations. If there are still excess funds those funds must be transferred to next year and distributed to projects according to the recommendation of the Farmers' Association, by confirmation of the Minister of Fisheries and Agriculture.

D-4 Special development projects

The Agricultural Productivity Fund operates on the basis of a Act No 89/1966 as amended. The fund also has certain other duties as set out in Act No 46/1985 and Act No 70/1998. The Fund is independent and allocates financial assistance and loans to different tasks within the agricultural sector, e.g. farm-actions to increase general productivity; changes in agricultural production; innovation; smaller agricultural research projects; and, advisory activities. The Productivity Fund is administrated by a five man board of directors. Two are appointed by the Farmers' Association and three appointed by the Minister of Fisheries and Agriculture. On the bases of the aforementioned Acts the Fund has the following functions today;

Loans

The Fund functions on a limited scale as a lending institution. Loans are granted to firms, institutions and partnerships that are involved in agriculture.

Grants

(a) *To farms.* The Fund allocates grants to farmers who are either increasing current production or changing to a different kind of a production. Each grant can be at the maximum of ISK 2 million but can not exceed 30% of the total worth of the new investment. These grants need to be based on investments which add to employment on the farm. For example: Fish-farming, agro-tourism, utilization of natural resources or service-based activities or small industrial activities. If a new investment can be demonstrated to add at least 2 annual work units (AWU's) a grant may be increased to ISK 3 million but can not exceed 30% of the total worth of a new investment.

(b) *To partnerships.* The Fund supports partnerships which increase employment in the countryside and which are formed on a wide basis with the participation of local people. For example: Handing out grants to sub-units of the Farmers' Association or to other locally formed groups in order to purchase stock in new ventures which add to local employment. Grants of this kind are evaluated on a case-by-case basis and depend on the scope of activity and are usually decided on in relation to local financial participation.

(c) *To institutions/firms.* In this category the Fund supports ventures which are directly intended to impact favourably employment in the countryside, but first and foremost advisory services, research and development. For example: Ventures which concern production of meat and milk and research into the development of new farming activities, e.g. agro-tourism, fish-farming, and which add to the marketing success of agricultural products with regard to exports and with regard to increased productivity in agriculture. Grants of this kind are evaluated on a case-by-case basis and depend on the scope of activity and are usually decided on in relation to local financial participation.

(d) *Educational matters.* The Fund provides financial support to individuals employed in agriculture who seek education, and also to farmers who take part in programs of continued education at the Agricultural University and at the Hólar University College. The Fund also provides grants to students with a B.Sc. degree who pursue further education in agricultural sciences as well as grants to individuals living on a farm who pursue accredited education, and to individuals working in agricultural processing.

(e) *Hydroelectric power generation on farms.* The Fund supports new ventures on farms which aim to produce electricity by building small hydroelectric power stations through a basic grant is ISK 0.5 million. The grant, however, must not exceed 30% of the total investment. In addition, if the farm produces electricity that is sold outside the farm, the Fund provides a further grant of the amount of ISK 0.4 million for each 10kW of power produced; to the maximum of 50kW of power produced. Overall the support of the Fund must not exceed 30% of the total investment.

Funding

The Agricultural Productivity Fund is funded through a transfer from the treasury. The total transfer is twofold, i.e. most of the payment comes from the Treasury and a part payment derives from the levies that are collected on feeds. For example the total amount allocated to the Fund in 2004 was ISK 235 million, of which ISK 50 million was derived from the feed levy. The total transfer for 2005 is the same ISK amount.

Table 15.9: Allocations by the Agricultural Productivity fund in 2004 and 2005 (in ISK)

	2004	2005
Marketing programs for agricultural products (mostly for export)	25,000,000	25,000,000
Education, continued education programs, advisory services	15,908,000	24,170,000
Co-funding of agricultural research with the Icelandic Research Counsel	17,400,000	12,400,000
Development programs for different farming activities	27,875,000	44,472,000
Other research and development programs	43,080,000	47,560,000
Support to marketing and development of agricultural products	11,840,000	19,530,000
Processing-plants, other firms and partnerships in the countryside	14,350,000	6,450,000
New farming activities at farms and ventures undertaken by farmers	0	84,928,000
Written-off support	-10,435,500	-30,907,760

205,174,500 233,602,240

Table 15.10: The Agricultural Productivity fund; interest revenues and costs in 2004 and 2005 (in ISK)

	2004	2005
Interest revenues	10,987,757	18,855,343
Interest costs	-1,630	-904
	10,986,127	18,854,439

Table 15.11: The Agricultural Productivity fund; general costs in 2004 and 2005 (in ISK)

	2004	2005
Salaries	14,006,842	14,975,390
Other costs	4,836,292	4,487,225
Cost-sharing by outside parties	-1,000,000	-750,000
	17,843,134	18,712,615

The Treasury provides funds to the Agricultural Productivity Fund that operates according to Act No 89/1966, with later amendments, as shown in table 15.12.

Table 15.12: The Agricultural Productivity fund; general costs in 2004 and 2005 (in ISK)

2006	2007	2008	2009	2010
160	157	160	160	160

E. Soil Conservation

The Icelandic Soil Conservation Service (ISCS) was established according to the Forestry and Soil Conservation Act of 1907. The Soil Conservation Service (ISCS) is a governmental agency under the Ministry for the Environment.

1. Legislative basis

The applicable legislation is the Soil Conservation Act No17/1965, the Parliamentary Resolution on a Land Reclamation Programme 2003-2014 and the Prevention of Riverine Erosion Act No 91/2002.

2. General description, objectives and rationale

The ISCS is charged with combating desertification, sand encroachment and other soil erosion, and promoting sustainable land use and reclamation and restoration of degraded land. The work is on different levels, from policy-making and research, to extension services and management of large- and small-scale re-vegetation and land reclamation.

Figure 15.1: Organization of the Icelandic Soil Conservation Service



3. Selection criteria of areas targeted

The ISCS manages re-vegetation areas throughout Iceland. Re-vegetation as practiced in Iceland converts eroded or desertified land into areas with more vegetation cover and with healthier and more self-sustainable ecosystems. This is accomplished by establishing vegetation on eroded or desertified land or reinforcing existing vegetation, using distribution of fertilizer, direct seeding or planting. Most land hereto re-vegetated has involved establishing vegetation on land with in general only 0-10% cover of vascular plants. The areas where re-vegetation is carried out vary considerably with regards to soil, climate and methods used. The success of re-vegetation efforts is also very variable.

4. Beneficiaries, eligibility and selection criteria.

Beneficiaries of the work of the ISCS are 1) the general public and 2) farmers and landowners directly involved in land improvement and soil conservation programmes.

5. Details of support provided.

The ISCS provides financial support to individuals or businesses through different programmes:

- Farmers Heal the Land (FHL), a ‘cost-share’ partnership with farmers, with conservation work jointly funded by the Government and farmers
- The Land Improvement Fund (LIF) provides financial support to facilitate that responsibility, initiative and execution of the soil conservation is a local effort
- The Protection against River Erosion Programme (PREP) provides financial support, consulting and supervision to prevent damage on land or properties from river erosion

6. Amount spent over the past five years. See table 15.12.

Table 15.12: Funds for the Soil Conservation Service (in ISK million)

	2004	2005	2006	2007	2008	Total
Total SCS Budget (state contribution + income)	553.0	595.1	617.4	712.8	841.2	3,319.5
State contribution (part of total SCS budget)	469.4	501.3	502.5	550.9	648.3	2,672.4
SCS income from sale of services (part of total SCS budget)	83.6	93.8	114.9	161.9	192.9	647.1
Research budget (part of total SCS budget)	62.7	68.0	71.3	71.0	77.8	350.8

7. Foreseen future budget

The ISCS budget was cut by 10% in 2009 and further cuts are foreseen, which will impact projects and research. General cuts in the state budget are also expected to impede the ISCS's income from sale of services so the cut in the total ISCS budget will probably exceed 10%.

8. Number of beneficiaries and average support per beneficiary

This information is not available.

9. Administration of the scheme

The above mentioned schemes, FHL, LIF and RBPP are all administrated by the department of environmental protection/land protection which administers several land improvement incentives projects, handles processing of application and evaluation of participation and success.

10. Provision of advisory and extension services.

Provision of advisory and extension services is not available.

F. Land Healing

Legislative basis

The Soil Conservation Act No 17/1965 and the Parliamentary Resolution on a Land Reclamation Programme 2003-2014.

General description, objectives and rationale

The Farmers Heal the Land (FHL) is a rehabilitation project which started in 1990. In year 1994 number of farmers registered in the scheme were 370, 4-500 in 1997 upwards to 643 in 2008, whereof 587 were active, i.e. about 25% of Icelandic farmers.

The purpose of this project is to assist farmers to re-vegetate degraded land, to halt erosion, and to reclaim land so that it is again available for sustainable agricultural use or other land uses. For farmers to participate, the intended land reclamation site must be barren or near barren, and local grazing lands used in moderation. The Icelandic Soil Conservation Service pays about 85% of fertilizer costs and provides seed, and employees visit farmers regularly to survey the re-vegetated areas and discuss progress. The implementation of land reclamation, along with sensible grazing constraints, improves pastureland capacity and production becomes more economical, which is beneficial for the entire nation.

Participation is on a volunteer basis, farmers apply to ISCS.

Selection criteria of areas targeted

The FHL cover all of rural Iceland. All farmers can participate as long as they fulfil the conditions for the scheme, i.e. the intended land reclamation site must be barren or near barren and grazing must be moderate.

Beneficiaries, eligibility and selection criteria

Beneficiaries are principally farmers, but also other landowners in rural areas. The only eligibility criterion for inclusion is that the land is to be barren or near barren and local grazing lands used in moderation. The farm does not need to be in other agricultural production or even with year-round occupation. Most are however.

There are no specific limits are on quantity of fertilizer or seed per participant, but on average in 2008 payment was made for 2.1 tons of fertilizer and 17 kg seed per active participant.

Participants sign a contract concerning the intended area on their farm. The contract is flexible and the farmer is free to cut the project for a year or over a longer period when he decides to do so.

Details of support provided

The Farmers Heal the Land is a cost-share partnership with farmers. The ISCS pays about 85% of fertilizer costs and provides seed if needed. The remaining 15% are paid by the farmer which also takes care of seeding, fertilizing and transport costs.

In addition to the grant, a land use plan is prepared by the ISCS in consultation with the farmer, and farmers have free access to consultancy provided by ISCS's specialists.

Amount spent over the past five years

Table 15.13: ISCS budget for the FHL (millions of ISK)

2004	2005	2006	2007	2008	Total
28,1	32,1	36,4	39,7	78,1	214,4

Foreseen future budget

The ISCS budget was cut by 10% in 2009 and further cuts are expected. However, since the FHL has been highly prioritized, grants have not been cut in 2009. It is though most likely that grants will be reduced in the coming years.

Number of beneficiaries and average support per beneficiary

In 2008 643 farmers and landowners were contracted to the FHL, whereof 587 were active in that given year. Roughly 1/3 of the budget for the FHL goes for operating costs and 2/3 for grants. The average grant in 2008 per farm was slightly less than ISK 87,000 (EUR 685) for fertilizer and about ISK 8,500 (EUR 67) for seed, total ISK 95,500 (about EUR 750).

Administration of the scheme

The FHL is administrated by the department of land protection in the ISCS. Farmers apply to ISCS for participation. The land intended is inspected by ISCS employees. ISCS employees visit farms involved regularly in order to advise the farmer and to make certain that fertilizing and seeding have been successfully performed before grants are given.

Provision of advisory and extension services

The ISCS provides advice and extension services to the farmers and land owners at no cost to those. In addition participants in FHL have full access to advice from specialists and researchers working for the ISCS, also free of charge.

G. Land Improvement*Legislative basis*

The Soil Conservation Act No 17/1965 and the Parliamentary resolution of Land reclamation programme 2003-2014.

General description, objectives and rationale

The Land Improvement Fund was established by the ISCS in 2003. Its purpose is to move responsibility, initiative and execution of soil conservation projects to municipalities, land owners, collectives, and non-governmental organizations, by providing funding for soil conservation projects. The Soil Conservation Service provides consultation, funding and supervision of projects. Other institutes, associations or individuals can also contribute to the fund. Grants can reach up to 2/3 of project cost.

Selection criteria of areas targeted

The LIF covers all of rural Iceland. Landowners, municipalities, non-governmental organizations and others working with land restoration and land improvement can apply.

Beneficiaries, eligibility and selection criteria

Beneficiaries are principally farmers, but also others landowners in rural areas. Applications that are based on land use and land improvement plans are given priority as well as projects that conform to aims and focal points of long-term soil conservation strategy planning accepted in 2002 as the Parliamentary resolution of Land reclamation programme 2003-2014.

The LIF fund focuses on:

- Halting active soil erosion and destruction of vegetation
- Reclamation and restoration of vegetation, soil and wetlands
- Sustainable land use
- Carbon sequestration in soil and vegetation

During the last years about 2/3 of available disposable funds have been used for projects associated with the land use factor in quality management in sheep farming, as a part of cross-compliance subsidy Agreement between farmers and Government.

Details of support provided - Amount spent over the past five years

Table 15.14: ISCS budget for the LIF (millions of ISK)

2004	2005	2006	2007	2008	Total
5.6	16.4	19.5	26.8	30.8	99.1

Foreseen future budget

The ISCS budget was cut by 10% in 2009 and further cuts are expected. It is most likely that LIF grants will be reduced in the coming years.

Number of beneficiaries and average support per beneficiary

In 2008 the LIF gave 60 grants to farmers and landowners. Roughly 10% of the LIF total budget goes for operating costs and 90% for grants. The average grant in 2008 was slightly more than ISK 430,000 (EUR 3,410).

Administration of the scheme

The LIF is administrated by a group of two representatives from the ISCS and one from the Farmers' Union. The group reports to the director of ISCS who makes the final decision. The land intended is inspected by ISCS employees. ISCS employees visit sites involved regularly in order to advise the grant holders and to make certain that programmes have been successfully performed before grants are given.

Provision of advisory and extension services

The ISCS provides cost-free advice and extension services to the farmers and land owners. In addition, participants in LIF have full access to advice from specialists and researchers working for the ISCS, also free of charge.

H. Protection against River Erosion

Legislative basis

The Prevention of Riverine Erosion Act No 91/2002.

General description, objectives and rationale

The Protection against River Erosion Programme (PREP) is a programme at the Soil Conservation Service (ISCS) for prevention or limiting the damage to land, land quality, buildings, structures or facilities caused by riverine erosion. Actions include various river bank protection measures such as rip-rap, gravel armours, barrier construction and other measures that aim to adjust river flow or river channels to limit the effects of river erosion.

Selection criteria of areas targeted

The PREP covers all of rural Iceland. All landowners can apply for aid, but applications regarding agricultural land, cropland, grazing land, buildings and structures or vegetated land in danger are generally prioritized.

Beneficiaries, eligibility and selection criteria

Beneficiaries are principally farmers and other landowners, but also the general public. The ISCS manages river erosion protection regarding land and structure damage, however, other institutes such as the Road Administration and/or the Maritime Administration manages erosion regarding roads and other traffic structures, harbours and other maritime affairs.

Land owners can apply for grants if they consider there is danger of potential or actual riverine erosion. The ISCS manages execution of the preventive work and bears the final responsibility in all projects. Work is executed either by ISCS employees or through competitive tender for larger projects. For smaller projects land owners get grants directly and

handle the work themselves. Grants are distributed in equal measures around the country as suggested by ISCS each time.

Details of support provided

The PREP is principally a governmental financed project, but in some instances it can be a cost-share partnership with landowners. The ISCS evaluates in each instance the cost of the project, decides on appropriate erosion prevention measures and evaluates the final outcome. After all conditions are fulfilled the grant payment is issued as previously agreed. Annually only a fraction of applications are accepted due to lack of funds.

Amount spent over the past five years

Table 15.15: State budget for the PREP (millions of ISK) (PREP budget is part of total budget for ISCS.)

2004	2005	2006	2007	2008	Total
63.0	51.7	30.7	72.5	95.3	313.2

Foreseen future budget

The ISCS budget was cut by 10% in 2009 and further cuts are expected. It is most likely that grants for the PREP will also be reduced in the coming years.

Number of beneficiaries and average support per beneficiary

In 2008, 68 projects were in progress, of which 53 have been completed. About 10% of total budget of the programme is spent on operation of the programme, and 90% on river erosion measures execution. Mean funds appropriated to those 68 projects in the year 2008 were approximately ISK 1,261,000 (EUR 9,926).

Administration of the scheme

The PREP is administrated by the department of land protection of the ISCS. Landowners apply to ISCS for grants.

Provision of advisory and extension services

Provision of advisory and extension services is not available

I. Forest Service

The Forest Service (IFS) was established according to the Forestry and Soil Conservation Act of 1907. It is the state forestry authority and is under the Ministry of Environment. Its objectives according to the Forestry Act are to protect existing forests and forest remnants, establish new forests where appropriate and advise on forests and forestry. The IFS manages the state-owned forests, conducts forest research and provides advisory and extension services

Legislative basis

The Forestry Act No 3/1955.

Selection criteria of areas targeted

The IFS manages state-owned forests throughout Iceland.

Beneficiaries, eligibility and selection criteria

Beneficiaries of the work of the IFS are 1) the general public, 2) people involved in afforestation and 3) forest related businesses (tree nurseries, contractors, forest products industry). The national forests are located in rural areas and employ local people directly as well as contractors.

Details of support provided

The IFS no longer provides financial support to individuals or businesses. The support provided is in the form of development within the forest sector and advice.

Amount spent over the past five years

Table 15.16: Funds to the Icelandic Forest Service (ISK million)

	2004	2005	2006	2007	2008	Total
Total IFS Budget (state contribution + income)	489.2	474.9	490.5	489.4	571.7	2,515.7
Research budget (part of total IFS budget)	118.9	111.7	108.9	101.1	109.6	550.2
National Forests budget (part of total IFS budget)	250.5	235.4	247.1	273.3	299.5	1,305.8
IFS Income from sale of forest products	59.5	65.6	68.7	80.1	83.4	357.3

Foreseen future budget

The IFS budget was cut by 10% in 2009 and further cuts are expected. Budget cuts will impact research and will also affect areas such as outdoor recreation and planning. Increased sales of forest products will benefit contractors and businesses that use wood in their production but will add very little net income to the IFS since the cost of thinning is roughly equal to the income from wood sales.

Number of beneficiaries and average support per beneficiary

Information on number of beneficiaries and average support is not available.

Administration of the scheme

The IFS is headed by a Director General (Director of Forestry) who according to law must have a university education in forestry. His/her immediate superior is the Minister of Environment. The IFS is divided into three divisions: National Forests, Forest Research and Finance. The directors of these divisions report directly to the Director of Forestry.

Provision of advisory and extension services

Provision of advisory and extension services is not available.

J. Regional Afforestation Projects

Starting with the Héraðsskógar project in 1991, five Regional Afforestation Projects (RAPs) have been established to cover all of Iceland. They are individually financed projects directly under the Ministry of Fisheries and Agriculture and their function is to manage the state grants scheme for afforestation on farms, each in its own region of the country. The stated objectives according to the RAP Act are to create a forest resource in Iceland by cultivating multiple-use forests and shelterbelts, to support rural areas and increase employment. Support for rural areas and increased employment is both in the short term (the grants scheme itself supports rural communities by creating employment) and the long term (once it develops, the

forest resource will be a source of employment and lead to rural development through diversification of land-use). Additional outcomes such as carbon sequestration and biodiversity enhancement are considered as bonuses rather than main objectives. The goal is to afforest at least 5% of the land, below 400 meters above sea level, in each region of the country. Afforestation on farms through this scheme is now the main avenue for afforestation in Iceland, representing about 80% of total afforestation planting.

Legislative basis

The Regional Afforestation Projects Act No 95/2006.

Selection criteria of areas targeted

The five RAPs together cover all of rural Iceland. Certain core areas have developed within each region where conditions for forestry are favourable and many farms participate. Afforestation within those areas is encouraged on a professional level but is not legally mandated or supported by higher grants.

Beneficiaries, eligibility and selection criteria

Beneficiaries are principally farmers, but also tree nurseries and contractors in rural areas. The only eligibility criterion for inclusion is that the land to be afforested be on a registered farm. The farm need not be in other agricultural production or even with year-round occupation. Most are however. Nature protection areas and specific land-cover types (wetlands and volcanic areas) are usually excluded from afforestation, requiring either preliminary or full environmental impact assessment (if the land-owner wishes to proceed). Afforestation of over 200 hectares also requires preliminary environmental impact assessment and may require full assessment.

Conditions vary, often limiting options for forestry objectives. These are dealt with in the planning process (each participating farm gets an afforestation plan detailing objectives, species selection and cultivation methods). No applicant has yet been rejected on the grounds that his/her farm is unsuitable for afforestation, since even the most difficult areas will at least support low-growing woodlands for erosion control as well as shelterbelts.

Participants sign a 40 year contract concerning the afforestation area on their farm, which is notified and remains in effect even though the farm changes ownership. According to the contract, the forest owner must maintain the forest and follow instructions provided by the RAP. He/she may not remove the forest or part thereof without repaying the grant in full or part. At the end of 40 years, the forest becomes the sole responsibility of the forest owner and falls under provisions in the general Forestry Act

Details of support provided

The Regional Afforestation Projects are fully financed by the state. The grants pay for 97% of all establishment costs of afforestation on each participating farm. This includes fencing and fence maintenance, site preparation, seedlings, seedling transport, planting, fertiliser, fertiliser application and the first spacing. The forest owner contributes 3%, which is usually in the form of work (the 3% is deducted from the payment for planting for example). No other payments are made, such as compensation for land or lost production.

In addition to the grant, the forest owner gets an afforestation plan prepared by the RAP, in consultation with the forest owner, and has full and free access to advice provided by foresters employed by the RAPs.

The RAPs arrange seedling production and buy fertiliser through bids, presumably getting them at better prices than forest owners could individually. Thus, the forest owner does not

have the freedom to buy seedlings or fertiliser wherever he/she wishes. Levels of payment for fencing, site preparation, planting and such are also decided by the RAPs in consultation with the Forest Owners' Association.

Amount spent over the past five years

Table 15.17: State budget for the RAPs (millions of ISK)

2004	2005	2006	2007	2008	Total
435.9	482.2	489.8	514.9	520.9	2.443.7

Foreseen future budget

The budget for the RAPs was cut by 15% in 2009 and will most likely be cut more in 2010. However, if the goal of afforesting 5% of the Icelandic lowlands is to be met within a reasonable amount of time, support for the RAPs must be increased.

Number of beneficiaries and average support per beneficiary

There are close to 800 farms contracted to the RAPs, about 700 of which are active in any given year. Roughly 20% of the budget for each RAP goes for operating costs and 80% for grants. The average total grant per farm is slightly less than ISK 600,000 or about EUR 3,300.

Administration of the scheme

Each RAP has a board of directors appointed by the Minister of Agriculture and Fisheries and composed of one person nominated by the local Forest Owners' Society, one by the Forest Service and a chairperson appointed without nomination. With few exceptions, all are local people within each region. Each board of directors answers directly to the Minister of Agriculture and Fisheries. Each board of directors hires a managing director and other employees. Each RAP has a staff of 2-5 people, most of them forestry educated. Each board of directors has the freedom to set goals and decide points of emphasis within the limits of the RAP Act. Thus, there are slight differences in emphasis between the RAPs, some emphasizing shelterbelts more than others, others emphasizing timber production and so on, depending on the needs and possibilities within each region.

Provision of advisory and extension services

Each RAP has in its employ at least one university educated forester, who provides advice and extension services to the forest owners at no cost to the forest owner. In addition to this, the RAPs and individual forest owners have full access to advice from experts employed by the IFS, also free of charge. All of the RAPs encourage their participants to take part in a continuing education programme called "Greener Forests", which is a series of courses offered by the Agricultural University in co-operation with the IFS, the Soil Conservation Service and the RAPs.

K. Land Reclamation Forests Project

The Land Reclamation Forests Project (LRF) project started in 1990, when the IFA using donations from private companies, sent a total of one million tree seedlings to interested forestry societies with the aim that they be planted on degraded or eroded land. The project was a great success and was repeated in 1991. The private donations dried up in 1992, at

which time the Forest Service (IFS) and the Soil Conservation Service (SCS) stepped in and supported the project through donation of seedlings and transport. This support then gradually evolved into the situation today.

State support is now in the form of money from the state budget paid to the IFA. The IFA buys seedlings and distributes them to forestry societies and others for planting. The main objective is to afforest degraded and eroded land, thus reclaiming and conserving soil and vegetation resources. An additional objective is that the resulting forests be open to the public and improved for outdoor recreation and in some cases biodiversity. Timber production is not a stated objective of the LRF project.

Legislative basis

No legislative basis. State funding for the Land Reclamation Forests project (LRF) is based on a contract between the Ministry of Environment and the Icelandic Forestry Association (IFA). The contract has been interpreted in two ways: 1) the Government supports the LRF project by paying an annual grant to the IFA or 2) the Government purchases the services of the IFA to run the LRF project. The first interpretation is probably more correct.

Selection criteria of areas targeted

The only selection criterion for land targeted is that it be degraded or eroded. There is no shortage of such land in Iceland. For each afforestation area receiving seedlings through the LRF project, a 50-year contract is made between the IFA and the land-owner, mainly stipulating the area will be protected from grazing for the duration and open to the public.

Beneficiaries, eligibility and selection criteria

Any degraded or eroded land is eligible regardless of ownership or location. The main beneficiaries are forestry societies, other land owners and the general public in towns and villages throughout Iceland. Because of how the LRF project got its start, the main beneficiaries are forestry societies in towns and villages. They have in many cases facilitated contracts for land between the IFA and local communities. Thus, many LRF areas are community-owned land close to towns and villages. Other LRF areas are state-owned or owned by individuals. The same stipulations apply regardless of land ownership, i.e. the land owner ensures that the area is protected from grazing and open to the public.

Details of support provided

No grants are paid out in cash. The IFA provides seedlings and transport of the seedlings to each afforestation area, or in some cases to central distribution points. Forestry societies, communities or land owners supervise and provide labour for planting. In areas close to towns and villages, planting is often done by teenagers employed by the community as well as volunteers from the local forestry society. The beneficiary's share of the total cost of afforestation is considered to be 50%.

The IFA contracts for seedling production and transport, through bidding. They also organise distribution (who gets how many seedlings) and monitor results.

Amount spent over the past five years

Table 15.18: State support to the LRF project ISK Million)

2004	2005	2006	2007	2008	Total
26.0	28.0	28.6	34.6	35.6	152.8

Foreseen future budget

A new five-year contract between the Ministry of Environment and the IFA took effect in 2009, granting similar levels of state support through 2013 as in 2008. However, due to the uncertain economic climate, that level of support cannot be considered certain.

Number of beneficiaries and average support per beneficiary

About 120 afforestation areas are contracted to the IFA, about 90 of which are active in any one year. In 2008, ISK 2.5 million were spent on managing the project, leaving ISK 22.5 million to buy and transport seedlings. This yields an average level of support of ISK 250,000 per beneficiary or about EUR 1400. It is estimated that Management will continue to constitute roughly 10% of the budget and grants in the form of seedlings and their transport 90%.

Administration of the scheme

The IFA is a non-governmental organisation composed of 60 local forestry societies throughout Iceland. The IFA staff manages the LRF project and is responsible to the board of directors of the IFA (elected at IFA general meetings), which in turn is responsible to the Ministry of Environment in matters concerning their part of the funding for the project. The LRF project also has an advisory committee composed of one person each from the Ministry of Environment, the IFS and the SCS and two from the IFA.

Provision of advisory and extension services

The IFA employs foresters who serve as advisors to participants in the LRF project. Participants also have full and free access to experts employed by the IFS.

L. Hekla Forests Project

The Hekla Forests Project (HFP) is a special joint effort of the SCS and the IFS supported by the Ministry of Environment and emphasising the protective functions of forests. Established in 2006, it aims to afforest approximately 90,000 hectares of land in a belt to the north, west and south of the volcano Hekla. This is mostly eroded or sparsely vegetated land often disturbed by tephra-fall and blowing tephra from volcanic eruptions. The main objective is to capture the tephra in forests and woodlands, preventing it from being blown back and forth across the landscape. It is this wind-generated movement of tephra subsequent to eruptions that causes the most damage to vegetation in the surrounding areas. A secondary objective is to reclaim native birch woodlands that historically covered much of the area, thereby providing biodiversity benefits and carbon sequestration as added value.

Legislative basis

No legislative basis. The Hekla Forests Project (HFP) is based on a contract between the Ministry of Environment on the one hand and the Iceland Forest Service (IFS) and the Soil Conservation Service (SCS) on the other. The contract calls for annual funding of 50 million ISK from the state and assumes matching donations from companies and individuals.

Selection criteria of areas targeted

The HFP is limited to a specific 90,000 ha area north, west and south of Hekla. The largest part of this area is owned and/or managed by either the SCS or the IFS. Parts of the area are managed by the state Energy Authority, parts by local rural communities and parts by forestry societies or individual land owners. There are several entire farms within the HFP area.

Beneficiaries, eligibility and selection criteria

Direct beneficiaries are land owners and land managers within the HFP area. Indirect beneficiaries will be neighbouring rural areas that will hopefully have to deal with less blowing tephra once the woodland belt is established. All land owners within the HFP area are eligible and most are already participating.

Details of support provided

No grants are paid out in cash. The HFP pays for a variable part of work done by the SCS and the IFS within the area, paying for seedlings, grass seed, fertiliser, and part of sowing and planting. Grants to individuals are in the form of seedlings, seed and fertiliser. Volunteer groups are encouraged to participate, usually being allocated a piece of land (to work with - not to own) and provided with seedlings and fertiliser.

Some funding for the HFP was received from companies in 2007 but those sources have dried up in the recession/financial collapse.

Amount spent over the past five years

Table 15.19: State support for the HFP (ISK million)

2004	2005	2006	2007	2008	Total
0,0	0,0	14,0	14,0	50,0	78,0

Foreseen future budget

The HFP budget was cut by 50% in 2009 and further cuts are expected.

Number of beneficiaries and average support per beneficiary

Not applicable (this is not a grants scheme per se even though both farmers within the HFP area and volunteers receive seedlings to plant).

Administration of the scheme

The HFP has a board of directors composed of one representative each from the SCS and the IFS and a chairperson appointed by the Minister of Environment. The board of directors appoints a project manager who administers the project according to a long term management plan.

Provision of advisory and extension services

Provision of advisory and extension services is not available.

M. Enhancing Freshwater Fisheries in Lakes and Rivers

The Institute of Freshwater Fisheries (IFF) operates under the Act on the IFF No 59/2006. IFF also has some roles in the salmon and trout fishing according to Act No 59/2006. The IFF was first founded in 1947 with a broader field of work, but since 1997 its role is purely confined to research and development. It operates under the Ministry of Fisheries and Agriculture. The IFF employs around 20 people. The main office is located in Reykjavik and four branches are operated in rural areas.

As stated in the law the roles of the IFF are;

- To perform research on the biota of freshwater and provide information thereof
- To encourage sustainable fishing in freshwaters
- To strengthen the basis of scientific advice to conduct sustainable fishing
- To study how aquaculture can be operated with minimal impact on nature and wild fish populations
- To do consulting work regarding construction projects
- To do research to enhance aquaculture and enhance fisheries
- To do research on diadromous fish at sea
- To advise the Government and do other task decided by the Minister of Fisheries and Agriculture

Fishing rights in rivers and lakes are linked to the adjacent land. The landowners are usually farmers. The fishery is managed by the fishing associations by law have to be established for each river or lake. The Government, through the Directorate of Fisheries, supervises the management in order to maintain sustainable fishing. The fishing rights are usually leased on the free market for one or more years (maximum ten years by law). Then individual rod-days are sold by the lessee.

Fisheries of salmon and trout are important for the rural economy and it is important to maintain sustainable fishery. This is done with precise catch statistics and monitoring research programs. Furthermore, it is important as well to enhance fisheries in areas where there is little or no fishing; indeed, only part of the trout and char fishing opportunities are being used. IFF has estimated that the income of the inland fisheries could be doubled without harming the fish populations. IFF has launched a special program to do that.

This program, *improving trout and char rod fishery*, was launched this year and has a wide range of work i.e.; assisting farmers to form fishing association for rivers and lakes, do research on the fish populations their size and phenotype in order to estimate the fishing feasibility and how much can be harvested, marketing of the fishing opportunities, improvement of the fishing facilities (building and improvement of roads and accommodations for fishermen), connecting fishing and accommodation, connecting fishing and other tourism activities, fisheries enhancement etc. In the beginning the work will be concentrated on areas where there is a high probability of success.

Furthermore, enhancement of existing fisheries is also important, for example with release of juvenile fish, while at the same time measures must be taken in order to protect wild fish populations and maintain natural biodiversity and conserve genetic resources. Most of the fishery is sport fishery and therefore an important part of the tourism in rural areas. It contributes to diversification of economic activities in rural areas bringing money in from the urban area and from abroad.

The total income/expenses of the Institute are expected to be approximately ISK 200 million this year which is slightly higher value than recent years. About 50 % the income of IFF is derived from other sources than the Government, i.e. power companies, fishing associations, municipalities, from research grants and others.

Table 15.20: Allocation of funds in the State budget to support the enhancement of freshwater fisheries (in 000s ISK)

2000	2001	2002	2003	2004	2005	2006	2007	2008
61.125	59.241	75.368	73.623	87.907	121.074	107.196	73.725	80.338

N. Biodiversity protection

The Act on Agriculture No 70/1998 and the Act on the Import of Animals No 54/1990, as well as the Regulation on the Conservation and Utilization of Genetic Resources in Agriculture No 151/2005, form the legislative framework for conserving genetic diversity in Icelandic farm animals, particularly with reference to the native breeds of dairy cattle, goats, horses and sheep. The native breeds, all of Nordic origin, are all highly important in terms of agricultural production, except the goat which is an endangered breed. Iceland is self-sufficient in all livestock products (meat, milk, eggs). Much of this production depends on the native breeds, well known for their great genetic diversity, namely the Iceland Breed of Dairy Cattle (all the milk as well as much of the beef), the Iceland Breed of Sheep (all the sheep meat and wool and skins), the Iceland Breed of Horses (all the riding/sport horses as well as horse meat) and the Iceland Breed of Goats (mainly meat). There is also a small population of old Icelandic poultry, however, of little economic importance. Due to the geographical isolation of Iceland and the longstanding government policy of strict import control, aided by strong support for the native breeds, from both the farming community and the general public, the Icelandic native breeds, except the goat, have been conserved and bred by modern methods, in large numbers.

Thus Iceland is in a unique position as regards the conservation of animal genetic resources and thereby biodiversity compared, for example, to the other Nordic Countries where most of the related breeds have become extinct, are endangered or are now kept in small numbers. To give an example of the present status the North European short-tailed Iceland Breed of Sheep, its population of nearly 0.5 million breeding sheep, constitutes over 50% of the total population of all the 34 northern European short-tailed breeds recorded in the world. Thus conservation by utilization is efficiently maintaining a high level of biodiversity in these breeds and, at the same time, strengthening food security, mainly through the utilization of Icelandic resources such as grassland and feeds.

V. QUALITY POLICY

16. Please indicate whether a clear domestic policy with related instruments exists for recognition and protection of geographical indications and traditional names for agricultural products and foodstuffs. If so describe the instruments for registration and protection.

No clear domestic policy on recognition and protection of geographical indications or traditional names for agricultural products exist. Certain measures of similar nature do, however, exist.

17. Please detail any other quality schemes in existence with regard to product origin or other quality characteristics.

Certain quality related measures have been based on the Act on Production, Pricing and Sale of Agricultural Products No 99/1993. A cross compliance scheme for sheep producers is a clear example, see section I.6. However, a clear and comprehensive domestic policy does not exist, to a large extent. In recent years there has been a growing interest in improving quality as well as origin-orientated labelling of agricultural products. Furthermore, this has led to a trend towards direct farm sales of artisan food items, linked to certain districts and farms and certain commodities, of both vegetable and animal origin. Emphasis is increasingly placed on quality and special characteristics, such as those linked to the product itself or its methods of processing. In some cases this may be linked to a certain livestock breed in connection with its conservation.

Wholesalers and retailers of vegetables have statutory obligations to indicate by labelling in which country the product is originated.

One of the regulations with a legal base in the Act on Production, Pricing and Sale of Agricultural Products No 99/1993, with subsequent amendments, is the Regulation on Environmentally Sound Agricultural Production No 504/1998 with subsequent amendments No 246/1999 and 15/2000. This regulation replaced a regulation on partial quality control of agricultural production from 1996. The main content of Regulation No 504/1998 concerns environmental, animal welfare and quality orientated aspects, including full traceability throughout the production, processing and marketing chain. Thus, those producers fulfilling the requirements of this regulation, and who are registered by the Ministry of Fisheries and Agriculture, have the right to use a label specified in the regulation. The products covered are the following: Sheep meat, horse meat, free-range poultry eggs and meat, farmed fish and all vegetables grown outdoors or in greenhouses. In practice, the main products marketed under this label are: Vegetables, mainly cucumbers and potatoes, and eggs now probably most visible on the market, including the so called "brown eggs". There are no exports of products labelled according to this regulation.

It should be emphasised that these products are produced, processed and marketed within quality-controlled, conventional agriculture and are not the products of certified, organic farming.

Since the late 19th century there has been operational legislation in the country on the recording and supervision of feed supplies (mainly hay and silage) and farm animal welfare on individual farms throughout the country. The present legislation is based on the Act on Farm Animal Management No 103/2002 and Regulation on Farm Animal Management No 742/2002 with amendments No 231/2003. In some cases there are references in accompanying regulations to the Act on Animal Diseases and Protective Measures Against them No 25/1993 with subsequent amendments. This national system, under the supervision of the Food and Veterinary Authority (MAST) since 2006, is based on yearly recording and monitoring of the number of winterfed farm animals of all species and visits of a total of 50 local, livestock inspectors to all owners of farm animals in the spring. The Farmers' Association is responsible for their training and their salaries and travel expenses are paid by respective local authorities. Under the umbrella of the above quoted Act No103/2002 there are also several regulations which all farm animal owners have to comply with, name Regulations on the Management and Welfare of Cattle No 438/2002, of Sheep and Goats No 60/2000, of Horses No 160/2006, of pigs No 219/1991, of Poultry No 251/1995 with amendments No 904/2001 and No 701/2002, of Farmed Minks and Foxes No 165/2007 and

of Farmed Rabbits No 557/1998. This system is of high quality and welfare orientated. It is one of the pillars of sustainable animal production systems in Iceland.

VI. ORGANIC FARMING

18. Please provide information on the existing schemes and the arrangements for its administration and enforcement including

- **Legislative basis (name and reference of relevant legal act);**
- **Objectives and general description of the legislation;**
- **Approximated or not to EU legislation (or degree of approximation);**
- **Details of the support provided;**
- **Description of administrative and enforcement arrangements (including resources, human, financial, and infrastructure, and if possible the administrative organigram).**

The EEA Agreement includes the EU acquis on organic farming. Regulation (EC) No 2092/91 on Organic Farming has been fully implemented in Iceland. The national legislation on organic farming dates back to 1994, namely to the Act on Organic Farming No 162/1994. The objective of the Act is to ensure that the production, processing, transport, storage and distribution of agricultural goods produced using organic methods is subject to certain rules on farms and in companies that have been awarded certification to use the trademark of organic farming. Secondary legislation is to be found in Regulation No 219/1995 on Organic Farming and Regulation No 74/2002 on Organic Farming and Labelling with amendments No 582/2003, 571/2005, 980/2005, 732/2006, 38/2008, 125/2008, 824/2008, 951/2008, 9/2009 and 161/2009. Regulation (EC) No 834/2007 and also the implementation regulation, Regulation (EC) No 889/2008, are in the process of being implemented in Iceland in accordance with the EEA Agreement. Some other legislation relating to the above legislation will be incorporated in the near future.

Support to organic farming is provided according to the Act on Agriculture No 78/1998. The objective of the Act is to promote progress in agricultural production and increase the competitiveness of Icelandic agriculture. Government payments made in accordance with the Act serve to promote the development of new production methods and new sectors within agriculture and aim at providing Icelandic farmers with working conditions comparable to that of neighbouring countries. A five-year Agreement on projects pursuant to the Act and their financing is concluded between the Government and the Farmers' Association. This Agricultural Act Agreement is reviewed and extended every other year (latest review valid for 2006-2010).

Government support to organic farming is in the form of conversion support for land/soil for a maximum of two years, ISK 30,000 per hectare for the re-cultivation of hayfields and other arable land and ISK 300 per square metre of floor area in glasshouses. In addition, each agricultural holding in organic conversion is eligible for a flat rate support of ISK 40,000 in the first year of conversion only.

The Ministry of Fisheries and Agriculture and the Food and Veterinary Authority (MAST) are the governmental bodies responsible for the implementation and administration of the legislation on organic farming, including enforcement arrangements. However, most administrative responsibilities, such as those pertaining to support payments, are carried out by the Farmers' Association which is also responsible for advisory services for organic

farming. The advisory officer responsible for organic farming at the Association has been the elected representative of the organic sector in Iceland at the IFOAM/EU Group since 2003.

19. Please describe the national accreditation and certification system for organic farming including the control system in place as well as its relevance for import/export (e.g. EU list of third countries).

According to Article 3 of the Act on Organic Farming No 162/1994, independent domestic bodies, individuals or organizations are permitted to provide certification services to farms and companies engaged in organic production provided they have been so accredited. Accreditation of certifiers is carried out by ISAC Accreditation, an independent department of the Icelandic Patent Office. MAST issues operating licenses to producers who conform to the provisions of Article 3 and maintains a registry of all farms and companies that have been certified for organic production methods. Should these parties be held in violation, the Authority can revoke their operating licenses and deny them use of the organic farming trademark.

The TUN Certification Body is the only certifier of organic farming in Iceland. It is a non-Governmental organization independent of the Farmers' Association, founded in 1994 and is fully accredited according to national and EU standards. TUN maintains its own standards which comply with the national and EU legislative framework. It should be noted that TUN has pioneered the writing of new organic standards for aquaculture, which influenced the drafting of Regulation (EC) No 710/2009, and for organic greenhouse growing.

TUN's principal role is to provide:

- Standards for organic and sustainable production and resource utilization
- Inspection and certification services of such production
- Information on and promotion of the principles of organic and sustainable production

TUN is an Icelandic organization with firm links with grassroots organizations in the farming, food, environmental and consumer sectors and is also rooted in international cooperation. The Soil Association in the UK played a pivotal role in the setting up of TUN's certification scheme. TUN is a member of the International Federation of Organic Agriculture Movements (IFOAM) and participates in annual fora organized by Nordic and Baltic certification bodies.

TUN operates within the framework of European regulations and is listed in the official EU registry of approved certifying agencies for organic production in the European Economic Area and the European Union. Its standards conform to the EU regulations on organic agricultural production. TUN is accredited by ISAC Accreditation to the European standard EN 45011 for certification bodies operating product certification systems. TUN is currently undergoing an assessment by Accreditation Services International GmbH for a Marine Stewardship Council accreditation to establish MSC certification services for sustainable fisheries.

20. Please describe the sector and its organisation (e.g. importance of cooperatives) with statistical data including farm structure, production, trade (export/import).

Only 1% of Icelandic farmers, mainly on typical family holdings, are involved in certified organic production together with a few processors, the main products being vegetables, seaweed (aquatic products), milk and lamb. The only organic exports are in seaweed products.

Several organically certified commodities are imported. However, no official statistics are available on this trade which mainly consists of processed grain, vegetable and fruit products. Furthermore, statistics are deficient on the volume and the market share of Icelandic organic produce.

An Organic Action Plan has not been established and is therefore not operational in Iceland as in most EU Member States. On the social side it should be noted that a Society of Organic Farmers, VOR, was founded in 1993. The organic adviser of the Farmers' Association maintains close links with this sector society which has 30 members at present.

VII. AGRICULTURAL STATISTICS

21. Please provide a brief description on the organisational structure for statistical collection and monitoring; co-operation between Ministry of Agriculture and central/local statistical offices concerning agricultural statistics.

Statistics Iceland is the centre for official statistics in Iceland and collects, processes and disseminates data on the economy and society. The institute is divided into three divisions – economic statistics, social statistics and resources and services. The Ministry of Fisheries and Agriculture contributes agricultural data, as well as the Farmers' Association and the Agricultural Economics Institute. There is active cooperation between all institutes.

Statistical collection on the structure of agriculture is processed by Statistics Iceland. One contributing factor is the FSS (Farm Structure Survey). Iceland participated in its first FSS census in year 2001 (for 2000 data) in accordance with the Agreement on the European Economic Area. The Ministry plays a vital part in the process as a source for official statistical information, e.g. budgetary. The Farmers' Association is commissioned to handle several tasks on behalf of the Government. These tasks generate data on production, support and other issues. The Agricultural Economics Institute collects annual FADN (Farm Accountancy Data Network) data and is commissioned to do an annual collection of information on registered farms. There are also other contributors of specific agricultural statistics in the country.

General and product specific statistics

22. The general position and circumstances of the agricultural sector should be described (in a table) by the following statistical information (as far as the information is available):

- a) Utilised agricultural area (UAA) on both a national and regional basis. Situation in 1992 (if available), 2000 to 2008 (or most recent year available): arable land; fallow land; land under permanent crops; permanent grassland; kitchen gardens; greenhouses.**

Little reliable information is available on arable land. Information on 2000 is not available except in the case of greenhouses. The estimates for size of grass fields in 2008 are inter alia based on older records. It is estimated that green fodder growing for feed is more extensive than in 2000, but no records are available to support this assumption.

Table 22.1: UAA estimate in 2008

	2008	2000
Green Fodder, cereals and potherbs (estimate)	10,000 ha	n/a
Fallow land	n/a	n/a
Land under permanent crops:		
<i>Total size of cultivated grass fields for silage, hay and grazing (estimate)**</i>	118,000 ha.	n/a
Permanent grassland***	40,000 km ²	n/a
Kitchen gardens	n/a	n/a
Greenhouses, total area in under glass	192,029 m ²	199,510 m ²

* According to records of barley fields

** Based on records of the size of grass fields until 1989 and official records of hay and silage crop

*** Estimated total size of permanent grassland based on official information (Statistics Iceland) on land quality. This covers range land for grazing, mainly sheep and horses, however also cattle to some extent.

Source: Farmers' Association

b) Forest area

Forest is defined as land with tree cover over 2 m in height and 10% crown cover. Other wooded land is birch woodland under 2 m in height.

Table 22.2: Forest area

	ha	Million ha	%
Total forest area	29,900	0.03	0.3
Total other wooded land:	86,100	0.09	0.9
Total forest and other wooded land	116,000	0.1	1.2
Total land area		10.3	

Source: Icelandic Forestry Service

Table 22.3: Ownership structure of forest land

	%
Private ownership:	70.5
<i>Of which individuals</i>	51.2
<i>Of which businesses and institutions:</i>	19.3
Public ownership	29.5
Division between state forests, national parks, local authorities and other public ownership is not available.	

Source: Icelandic Forestry Service

c) Development of farm structures between 2000 and 2008 (indicating when farm structure surveys had been carried out): farm size structure by region (where applicable); distribution by cultivated area; distribution by main type of

production; distribution by herd size; area used by farms smaller than 2 ha.

Iceland is considered a single region with respect to agriculture and information on farm size structure by region is not available. The table 'Total Number of Farms with Animals' shows the division of farms between the Capital Area and the Rural Areas. Furthermore information on distribution of cultivated areas is not available nor on areas used by farms smaller than 2 ha.

Table 22.4: Total number of farms with animals (sheep, cattle, horses, pigs, poultry, mink and foxes)

	2001	2002	2003	2004	2005	2006
Capital Area	46	47	45	50	50	48
Rural Areas	2.904	2.834	2.742	2.703	2.675	2.645
Total	2.950	2.881	2.787	2.753	2.725	2.693

Source: Farmers' Association

Table 22.5: Size distribution of dairy farms, number of dairy cows

	2000	2008
<15 cows	358	125
15-34	654	311
35-54	173	198
55-74	18	103
75-94	5	9
95-114	1	5
115-134	0	4
135-154	0	3
>154	1	2

Source: Farmers' Association

Table 22.6: Size distribution of sheep farms – Total number of winterfed sheep pr. farm including rams and lambs for replacement

	2000	2008
<50	927	762
50-99	366	305
100-199	586	425
200-299	389	327
300-399	315	227
400-499	154	173
500-599	46	95
600-699	21	45

700-799	3	17
>799	5	20

Source: Farmers' Association

Table 22.7: Size of pork farms – number of sows

	2000	2008
<100	25	6
100-249	9	6
250-499	1	2
>=500	2	4

Source: Farmers' Association

Table 22.8: Size distribution of farms with laying hens

	2000	2008
<100	191	288
100-999	2	1
1000-5000	10	5
>5000	7	6

Source: Farmers' Association

d) Agricultural population and its development. Development from 2000 to 2008 (or most recent year available), preferably based on the Labour Force Survey: share of total active population; regional distribution; full-time and part time farmers; distribution by age and sex.

Detailed information requested by the question is not available. However, information is available on the employed persons in agriculture by sex and to a limited extent by region, see table. Employed persons are classified as working if they worked one hour or more in the reference week or were absent from the work they usually carry out. Individuals on maternity/paternity leave are considered absent from work if they went on leave from a paid job, even if they have no intention of returning to the same job. Agriculture is defined in accordance with the Icelandic classification of economic activity, ÍSAT95, which is based on the EU classification of economic activity, NACE.

Regions. The capital region consists of Reykjavík, Seltjarnarnes, Kópavogur, Hafnarfjörður, Garðabær, Mosfellsbær, Álftanes and Kjósahreppur. Other municipalities are considered to belong to other regions.

Table 22.9: Employed persons in agriculture by sex and regions 2000, 2004 and 2008

			2000	2004	2008
Agriculture	Total	Total	6900	5400	4400
		Males	4500	3500	2900
		Females	2400	1800	1500
Capital	Total	400	700	500	

	Males	100	500	400
	Females	300	200	100
Rural areas	Total	6400	4600	3900
	Males	4300	3000	2500
	Females	2100	1600	1400

Source: Statistics Iceland

e) Farm incomes for full time farmers (gross added value per annual labour unit) including comparison with average gross wages of employment outside agriculture.

Table 22.10: Annual wages per AWU for dairy farmers and sheep farmers; in 000s ISK at current value^{44 45}

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Dairy farmers	1097	1257	1732	1459	1339	1291	1213	1301	1184
Sheep farmers	626	897	928	1144	1070	1298	858	953	932

Source: FADN records 2000-2008; Agricultural Economics Institute (Hagbjónusta landbúnaðarins)

Table 22.11: Annual wages per AWU for manual workers; in 000s ISK at current value⁴⁶

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Manual worker	1956	2148	2256	2448	2604	2832	3120	3420	3660

Source: Statistics Iceland (Hagstofa Íslands)

f) Contribution of the agricultural sector to Gross National Product (GNP) by region.

Iceland is considered as a single region in relation to agriculture. Thus gross domestic product figures, although available are not divided by region.

Table 22.12: The contribution of Agriculture, hunting and forestry to Gross Domestic Product, percentage 2000-2008

2000	2001	2002	2003	2004	2005	2006	2007*	2008*
2	1,6	1,6	1,6	1,5	1,5	1,4	1,3	1,4

*2007-2008: Preliminary data .Economic activity is classified in accordance with the Icelandic version of NACE rev 1. Not available.

g) Area, yield and production of soft wheat, durum wheat, barley, cereal maize, rye, oats, other cereals, basic or certified seed (varieties mentioned in the annex to Regulation 1234/2007), rape seed, soybeans, sunflower seed, other oilseeds, dried fodder, peas, field beans and sweet lupins, potatoes, turnips, flax and hemp (annual production and growing area), sugar beets, fruit and vegetables (by the most important products), bananas, hops, tobacco, cotton and fodder roots, hay (dry and silage), silage maize area.

⁴⁴ Projected values per AWU from FADN data 2000-2008, i.e. 2000-2005 (launagreiðslugeta) and 2006-2008 (reiknuð eigin laun).

⁴⁵ The annual work unit corresponds to the work performed by one person who is occupied with an agricultural holding on a full-time basis. Persons with a minimum working time of 1800 hours annually are considered "full-time" workers and count as one annual work unit (AWU). The performance of part-time workers is converted into AWU pro rata. Persons with a minimum working time of 1800 hours annually are considered "full-time" workers and count as one annual work unit (AWU). The performance of part-time workers is converted into AWU pro rata.

⁴⁶ Projected values per AWU are for manual workers (average gross wages). Source: Statistics Iceland (Hagstofa Íslands).

Growing of other varieties than information is provided for is only on experimental basis and in minute quantity. No official statistics are available.

Table 22.13: Barley cultivation 1991-2008

Year	Size of barley fields ha (estimate)	Total Harvest tons (Estimate)**
2000	2000	6,300
2001	2100	7,650
2002	2400	7,585
2003	2600	11,000
2004	2330	10,255
2005	3636	9,773
2006	3619*	11,253
2007	3605*	11,246
2008	4316*	15,413

*Not estimates, but according to registrations under the barley support scheme.

** Barley yield is estimated, based on the size of barley fields and yield in trials. Barley is mainly used directly on the farm which produces it, a limited quantity is traded directly between farms.

Table 22.14: Production of vegetables, tonnes, estimated

	2000	2008
Potatoes*	9.013	12500
Turnips*	793	872
Carrots*	395	653
Cauliflower*	89	107
Cabbage*	538	434
Broccoli*	53	88
Chinese Cabbage*	255	229
Tomatoes	931	1621
Cucumbers	914	1516
Paprika	203	170
Mushrooms*	447	526

* The production is estimated by the producers' association and the largest wholesalers. Since 2002 official records are kept for production of tomatoes, cucumbers and paprika in connection with the direct payment scheme – see part III. No official statistic records are kept for other vegetables and potatoes.

Table 22.15: Total area in greenhouse production, m²

Crop	2000	2008
Tomatoes	38,703	41,685
Cucumbers	23,908	24,047
Peppers (paprika)	22,667	11,974
Roses	37,046	25,900
Pot plants	13,397	7,608
Garden- and forest plants	17,775	47,793
Other (vegetables and flowers)	46,014	33,023
Total	199.510	192.029

Table 22.16: Hay production in m³ *

	2000	2008
<i>Total hay yield, m³</i>	2,363,342	2,091,748
<i>Dried hay, m³</i>	608,050	133,829
<i>Silage, m³</i>	53,393	
<i>Big-bale silage, m³</i>	1,701,899	1,957,919

* Hay production is registered by farmers as part of execution of Act on Animal husbandry No 103/2002. The total size of the grass fields is estimated at 118,000 ha, however breakdown according to hay production is not available.

h) Number of livestock, slaughtering, and average carcass weight for calves, male beef cattle, cows, pigs, chicken, other poultry, as well as sheep and goats.

Table 22.17: Number of livestock in 2008

	Total number
Young cattle, 6 – 24 months (heifers/bulls/steers)	17,965
Calves, heifers	10,880
Calves – bulls/steers	8,437
Total sheep	457,861
<i>Ewes</i>	36,485
<i>Rams</i>	11,583
<i>Lambs for replacement</i>	84,793
Laying hens	168,515
Broiler hens	48,050
Turkeys	1,202
Ducks	980
Pigs (sows only)	4,265
Goats	563

Table 22.18: Average weight kg and number of cattle carcasses, 2008

	Number	Quantity, kg	Average kg
Calves	3,549	72,232	20.35
Cows	7,050	1,436,684	203.78
Other cattle*	9,177	2,098,032	228.61

*bulls, steers and heifers are not separated in the classification
Estimated on farm slaughtering is 200 tonnes.

Table 22.19: Average weight and number of sheep carcasses, 2008

	Number	Quantity, kg	Average weight, kg
Lambs	506,962	8,044,177	15.87
Other sheep	36,267	885,936	24.43

Estimated farm slaughtering is 300 tonnes

Table 22.20: Average weight and number of poultry for slaughtering, 2008

	Number	Quantity, kg	Average weight, kg
Broilers 1stclass	4,373,524	6,534,159	1.49
Broilers 2nd class	340,673	549,496	1.61
Ducks	8,923	21,415	2.40
Turkey	41,748	240,482	5.76
Broiler hens	19,940	56,395	2.83
Total:	4,784,808	7,401,947	

Broilers: Average total: 1.50 kg

Table 22.22: Average weight and number of pork carcasses, 2008

	Number	Quantity, kg	Average weight, kg
Pork	83,298	6,434,368	77.25
Pork – sows and other adult pigs	1,549	206,382	133.24
Piglets	241	4,583	19.02

- i) Number of dairy cows, milk yields, production of milk, deliveries of milk to dairies showing volume and fat content, the distribution of volume of deliveries and number of producers by herd-size category, the volume of direct sales by milk product type and number of producers making direct sales, volume of on-farm consumption of milk indicating separately feed and food use.**

The distribution by volume of deliveries and number of producers by herd-size category is not available; however, please find below a table on the distribution of dairy farms by milk delivered to the dairies.

Table 22.23

Number of dairy cows in 2008	26,211
Number of heifers in 2008	6,905
Total production delivered to dairies in 2008	126,358,862 litres
Volume of milk for feed, based on number of calves, estimate	5,038,280 litres
Volume of on-farm consumption, based on number of dairy farms, estimate	1.571.000 litres
Average fat content of milk delivery	4,09%
Average yield pr. cow according to breeding records	5.422 kg/full year cow
Number of producers making direct sales, estimate	3 farms

Disclaimer: Volume of direct sales is not included in sales figures

Table 22.24: Distribution of dairy farms by milk delivered to the dairies 2008

<i>Milk delivered, litres</i>	
< 100.000	210
100.000 - 199.999	289
200.000 - 299.999	146
300.000 - 399.999	69
400.000 - 499.999	10
500.000-599.999	7
600.000-699.999	3
>=700.000	3
	737

Table 22.25: Domestic sale of dairy products 2000-2008

	<i>Unit</i>	2008
<i>Sale of dairy products</i>		
Liquid milk, total	Kg	36,770,777
Cream for direct consumption total	Kg	2,451,333
Acidified milk, total	Kg	8,710,128
Whole milk powder, total	Kg	271,129
Skimmed milk powder, total	Kg	374,372
Butter and dairy spreads, total	Kg	1,802,201
Cheese, total	Kg	7,589,046
Whey, total	Kg	223,959

Notes: Data only refer to the sale of members of the Icelandic Dairy Association.

Source: Icelandic Dairy Association

j) Number of non-dairy cows (other cows) and number of specialised beef cattle, sheep and goats.

The total number of suckler cows in 2008 was 1,614. The figure for other beef cattle in stock is included in the figures under h) in young cattle and calves.

Table 22.26

	Total number	
	2000	2008
Total sheep	465,574	457,861
<i>Ewes</i>	373,194	361,485
<i>Rams</i>		11,583
<i>Lambs for replacement</i>		84,793
Goats	416	563

k) Production and degree of self-sufficiency of the principal agricultural products including the main fruit and vegetables, eggs honey and wool.

Table 22.27: Consumption (tonnes)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Potatoes	10,848	12,201	9,390	8,789	8,205	8,612	15,646	14,788	14,950
Turnips	854	745	937	975	713	884	944	1,011	921
Carrots	488	634	566	622	810	932	1,162	1,265	1,292
Barley	18,062	19,665	18,561	18,464	22,680	23,542	23,179	23,485	27,930
Tomatoes	1,373	1,510	1,589	1,745	1,984	2,078	2,245	2,306	2,265
Cucumber	958	1,130	1,164	1,112	1,221	1,290	1,397	1,550	1,618
Cauliflower	294	280	282	294	349	368	444	470	421
Cabbage	984	881	891	872	710	744	930	925	878
Sweet peppers (Capsicum)	640	693	782	883	996	1,103	1,256	1,375	1,336
Chinese cabbage	481	470	465	458	382	344	426	433	404
Mushroom	504	502	512	524	563	592	632	686	656
Birds eggs	2,653	2,724	2,687	2,712	2,686	2,976	3,012	3,097	3,066
Wool	na								
Meat of domestic poultry	3,311	3,783	4,457	5,559	5,353	6,169	6,769	7,919	7,946
Meat of sheep	10,053	7,260	7,387	6,594	6,810	7,159	7,737	7,808	7,190
Meat of swine	3,311	5,296	5,872	5,963	5,536	5,297	5,811	6,369	6,924
Meat of bovine animals	3,852	3,892	3,865	3,840	3,885	3,798	3,928	4,076	4,144
Butter	1,750	1,514	1,677	1,459	1,916	1,522	1,621	1,917	1,916
Cheese	5,957	7,207	6,961	7,244	7,298	7,096	7,483	7,793	7,734
Skimmed milk powder	467	589	791	505	557	468	756	894	300
Whole milk powder	194	189	230	241	260	251	293	250	302

Table 22.28: Degree of self-sufficiency of the principal agricultural products

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Potatoes	91%	93%	94%	81%	85%	84%	88%	88%	84%
Turnips	93%	98%	90%	98%	93%	85%	85%	85%	95%
Carrots	37%	47%	53%	56%	46%	45%	34%	42%	51%
Barley	17%	22%	23%	23%	45%	42%	49%	48%	55%
Tomatoes	68%	64%	60%	62%	66%	73%	77%	70%	72%
Cucumber	87%	93%	84%	81%	76%	89%	80%	87%	94%
Cauliflower	30%	30%	28%	24%	24%	12%	19%	24%	25%
Cabbage	55%	57%	63%	64%	54%	47%	33%	37%	49%
Sweet peppers (Capsicum)	32%	28%	18%	9%	10%	11%	10%	11%	13%
Chinese cabbage	53%	54%	56%	59%	53%	47%	51%	51%	57%
Mushroom	89%	90%	89%	89%	82%	74%	77%	75%	80%
Birds eggs	111%	101%	99%	98%	98%	94%	91%	92%	93%
Wool	na.								
Meat of domestic poultry	92%	100%	104%	103%	101%	94%	98%	96%	93%
Meat of sheep	100%	122%	122%	138%	131%	126%	116%	114%	128%
Meat of swine	144%	100%	102%	104%	101%	100%	99%	96%	96%
Meat of bovine animals	99%	100%	99%	100%	98%	98%	86%	92%	92%
Butter	114%	136%	137%	145%	123%	144%	132%	139%	142%
Cheese	97%	99%	98%	98%	98%	98%	99%	99%	100%
Skimmed milk powder	122%	100%	100%	125%	136%	100%	100%	122%	382%
Whole milk powder	100%	100%	100%	100%	100%	100%	100%	100%	100%

- 1) **Market balances for the principal crops (soft wheat, durum wheat, barley, corn maize, rye, oats, other cereals, rape seed, sunseed, soybeans, refined sugar and isoglucose), the principal meats (beef, pork, poultry, as well as sheep and goat meat) and the principal dairy products (butter, skimmed milk powder, whole milk powder, cheese). The balances should state production, domestic use (human consumption, feed use when applicable), imports, exports, beginning and ending stocks for the period of 2000 to 2008 (or latest year available).**

Table 22.29: Poultry and Turkey (numbers in tonnes)

Year	Stock 1 Jan	Prod.	Domestic sale	Imports	Exports	Shrinkage in agric. product facility	Stock 31 Dec
2000	252	3,051	3,311	91	0	-57	139
2001	139	3,801	3,783	64	0	130	92
2002	92	4,633	4,457	146	0	76	338
2003	338	5,706	5,559	125	0	106	504
2004	504	5,392	5,353	149	39	36	617
2005	617	5,769	6,169	140	0	107	249
2006	248	6,653	6,769	280	16	43	352
2007	352	7,597	7,919	384	0	0	414
2008	414	7,402	7,946	530	1	8	392

Table 22.30: Meat of sheep (numbers in tonnes)

Year	Stock 1 Jan	Delivered to slaughter houses	On farm slaughtering and use (estimated)	Domestic sale for human consumption	Imports	Exports	Feed use as ABP	Shrinkage in agricultural product facility	Stock 31 Dec
2000	6,136	9,735	318	8,563	0,0	0.2	253	170	6,886
2001	6,886	8,616	232	6,597	0,0	1,587.5	277	432	6,608
2002	6,608	8,676	305	6,554	0,0	1,594.3	207	153	6,776
2003	6,776	8,792	290	6,313	0,2	2,488.2	251	45	6,472
2004	6,472	8,644	296	7,111	0,0	2,130.3	0	293	5,582
2005	5,582	8,738	296	6,776	9,0	1,884.3	0	365	5,304
2006	5,304	8,647	292	7,061	94,8	1,296.5	0	227	5,461
2007	5,461	8,644	289	6,880	50,4	1,176.1	0	246	5,853
2008	5,853	8,930	296	6,936	23,1	2,058.6	0	218	5,593

Table 22.31: Meat of swine (numbers in tonnes)

Year	Stock 1 Jan	Prod.	Domestic sale	Imports	Exports	Feed use as ABP	Shrinkage in agricultural product facility	Stock 31 Dec
2000	13	4,783	3,319	16,8	1,488,6	0	5	0
2001	0	5,284	5,293	12,4	0,0	0	-2	5
2002	5	6,011	5,615	16,4	155,6	174	82	6
2003	6	6,205	5,734	10,3	252,6	234	0	1
2004	1	5,597	5,414	20,5	82,0	124	-1	0
2005	0	5,300	5,298	21,8	24,1	0	-1	0
2006	0	5,744	5,812	73,8	6,5	0	-1	0
2007	0	6,088	6,368	281,3	0,4	0	1	0
2008	0	6,645	6,924	279,8	1,2	0	0	0

Table 22.32: Meat of bovine animals (numbers in tonnes)

Year	Stock 1 Jan	Delivered to slaughter houses	On farm slaughtering and use (estimated)	Domestic sale	Imports	Exports	Shrinkage in agricultural product facility	Stock 31 Dec
2000	0	3,626	199	3,649	29	0	-6	11
2001	11	3,683	203	3,626	7	0	5	70
2002	68	3,639	200	3,714	26	0	-7	26
2003	26	3,624	199	3,631	17	0	5	32
2004	32	3,611	199	3,703	75	0	-8	24
2005	24	3,540	195	3,626	63	0	-5	6
2006	6	3,196	176	3,738	556	2	-6	24
2007	24	3,553	195	3,888	329	1	-8	26
2008	26	3,607	198	3,951	340	2	-4	23

Table 22.33: Butter and Dairy spreads (numbers in tonnes)

Year	Stock 1 Jan	Production	Domestic sale	Imports	Exports	Stock 31 Dec
2000	429	1,986	1,729.6	0	236.4	449
2001	449	2,063	1,702.1	0	548.9	261
2002	261	2,298	1,651.8	3,6	624.8	286
2003	286	2,114	1,637.3	0,5	655.2	108
2004	108	2,348	1,709.2	0,1	431.9	315
2005	315	2,188	1,633.0	0	666	204
2006	204	2,146	1,590.5	0,1	525.6	234
2007	234	2,667	1,858.5	0	750.5	292
2008	292	2,713	2,038.3	0	796.7	170

Notes: The numbers only cover members of the Icelandic Dairies Association and cover only Icelandic milk products (99% of the total production)

Table 22.34: Skim milk powder (numbers in tonnes)

Year	Stock 1 Jan	Production	Domestic sale	Imports	Exports	Stock 31 Dec
2000	530	572	546	0	105	451
2001	451	589	736	0	0	304
2002	304	791	528	0	0	567
2003	567	630	680	0	125	392
2004	392	757	595	0	200	354
2005	354	466	699	2	0	123
2006	123	753	623	3	0	256
2007	256	1,090	514	4	200	636
2008	636	1,148	508	7	855	428

Notes: The numbers only cover members of the Icelandic Dairies Association and cover only Icelandic milk products (99% of the total production)

Table 22.35: Whole milk powder (numbers in tonnes)

Year	Stock 1 Jan	Production	Domestic sale	Imports	Exports	Stock 31 Dec
2000	63	194	205	0	0	52
2001	52	189	215	0.2	0	27
2002	27	229	217	0,7	0	37
2003	37	241	235	0	0	43
2004	43	260	258	0	0	39
2005	39	250	264	0.5	0	22
2006	22	293	259	0	0	56
2007	56	250	279	0	0	30
2008	30	302	271	0.0052	0	62

Notes: The numbers only cover members of the Icelandic Dairies Association and cover only Icelandic milk products (99% of the total production)

Table 22.36: Cheese (numbers in tonnes)

Year	Stock 1 Jan	Production	Domestic sale	Imports	Exports	Stock 31 Dec
2000	1,071	5,796	6,128.2	162.3	1.1	900
2001	900	7,100	7,177.1	107.2	0.1	930
2002	930	6,830	6,821.5	130.9	0.4	1,069
2003	1,069	7,099	7,079.2	146.2	1	1,234
2004	1,234	7,153	7,312.3	146.9	1.6	1,220
2005	1,220	6,941	7,303.2	190.1	34.9	1,013
2006	1,013	7,372	7,423.3	173.1	61.8	1,073
2007	1,073	7,724	7,577.1	203.3	134.2	1,289
2008	1,289	7,707	7,826.9	201.5	174.6	1,196

Notes: The numbers only cover members of the Icelandic Dairies Association and cover only Icelandic milk products (99% of the total production)

Table 22.37: Production, and sale of milk on fat basis, thousands of litres

Year	Stock 1 Jan	Delivery to dairies	Feed milk estimated	On farm consumption	Sale from dairies	Exports	Deterioration	Total on farm use	Stock 31 Dec
2000	16.300	104,025	4,680	2,366	97,974	5,238	1,310	7,046	15,803
2001	15.803	106,150	4,420	2,129	98,225	12,183	-809	6,549	12,354
2002	12.354	110,761	4,576	2,082	96,754	13,111	-650	6,658	13,900
2003	13.900	108,384	4,472	1,995	96,756	14,098	419	6,467	11,011
2004	11.011	112,030	4,427	1,913	98,650	9,746	-486	6,340	15,131
2005	15.131	109,445	4,394	1,803	100,768	13,255	-842	6,197	11,395
2006	11.395	117,062	4,680	1,685	103,871	11,643	88	6,365	12,856
2007	12.856	124,817	4,940	1,620	108,697	14,379	-1,164	6,560	15,761
2008	15.761	126,052	5,038	1,571	112,297	17,808	-822	6,610	12,530

Table 22.38: Production, and sale of milk on protein basis, thousands of litres

Year	Stock 1 Jan	Delivery to dairies	Feed milk estimated	On farm consumption	Sale from dairies	Exports	Deterioration	Total on farm use	Stock 31 Dec
2000	19,443	104,025	4,680	2,366	105,981	1,659	-995	7,046	16,823
2001	16,517	106,150	4,420	2,129	107,973	852	-661	6,549	14,503
2002	14,290	110,761	4,576	2,082	106,209	900	-1,141	6,658	19,083
2003	19,083	108,384	4,472	1,995	107,392	2,435	-760	6,467	18,400
2004	18,199	112,030	4,427	1,913	109,538	2,990	-180	6,340	17,881
2005	17,904	109,445	4,394	1,803	112,316	1,621	548	6,197	12,864
2006	12,864	117,062	4,680	1,685	113,607	1,064	-246	6,365	15,501
2007	15,501	124,817	4,940	1,620	114,881	389	-488	6,560	25,536
2008	22,036	126,052	5,038	1,571	117,119	11,752	97	6,610	19,119

m) Production of ethyl alcohol of agricultural origin broken down by alcohol-producing product use.

Limited production, mainly of imported raw materials. Official statistics not available.

n) Seeds measures concerning certified seeds.

Iceland has implemented the EC directives on agricultural and vegetable seed with the exception of the seed potato directive.

There is no marketing of Icelandic agricultural and vegetable seed. All such seed is imported from EEA countries as certified seed. In 2008 Iceland imported 1,019 tonnes of cereal seed, 342 tonnes of grass seed and 32 tonnes of other agricultural seed.

Regarding seed potatoes there is about 75 tonnes of Icelandic certified seed marketed each year from 3 certified growers while imported certified seed from EC countries amounts to about 60 – 80 tonnes each year. In addition, Iceland allows marketing of seed potatoes from 30 ware potato growers with "seed potato license", which means freedom from certain potato pathogens and regular use of certified seed. The exact amount of seed from those licensed growers is not known but is not considered substantial.

o) Market prices for each product category, indicating the stage of production and the quality.

The following figures do not express the production price because direct payments to farmers are not included. For further clarification, see III. Direct Payments.

Table 22.39: Wholesale price for specific products

Description of basic products	Calendar year	Measure type(s)	Wholesale price (ISK/kg)
Milk	2007	Administered price	60.27
Sheep meat	"	Market price	467.00
Beef	"	"	466.00
Horsemeat	"	"	190.00
Pig meat	"	"	382.00
Poultry meat	"	"	375.00
Eggs	"	"	313.00

p) Economic accounts for agriculture

Economic accounts are not computed in Iceland; however, information on annual turnover of agricultural production gives some indication (see table below).

Table 22.40: Agricultural production at farm gate in years 2005 and 2006 with estimates for years 2007 and 2008; in million ISK

Annual turnover on agricultural production	2005	2006	2007e	2008e
1. Bovine products (incl. sales of live animals and direct payments)	10,496	11,258	12,103	12,956
2. Sheep/goat products (incl. sales of live animals and direct payments)	4,921	5,296	5,693	6,094
3. Horse products (incl. sales of live animals)	625	777	832	890
4. Pig products (incl. sales of live animals)	1,160	1,421	1,521	1,628
5. Poultry products (incl. sales of live birds; excluding eggs)	995	1,248	1,336	1,431
6. Eggs	650	445	476	510
7. Potatoes	349	644	689	737
8. Swede (yellow turnips)	45	61	65	69
9. Other vegetables and flowers	2,097	1,963	2,101	2,249
10. Pelts from mink and foxes (including sales of live animals)	296	506	542	580
11. Eiderdown	172	175	187	200
12. Forestry products (incl. sales of forestry plants)	120	43	46	49
13. Sales of hay and various other agricultural products	145	169	181	194
	22,072	24,004	25,771	27,588

Source: (1) The State Financial Management Authority (years 2005 and 2006); (2) Agricultural Economics Institute (years 2007e, 2008e).

q) Agricultural budget according to measures (support of markets, direct payments, social security, rural development) and total agricultural support

The figures below express state budget support to Agriculture. These figures do not, however, include the market price support.

Table 22.41: Ministry of Fisheries and Agriculture; agricultural budget according to measures; year 2008; in '000 ISK⁴⁷

Agricultural budget – total agricultural support	13,958
Thereof, support of markets (budget item 04-805-113)	362
Thereof, direct payments	10,666
Thereof, social security (ref. agricultural Agreement)	308
Thereof, rural development (budget item 04-805-114)	49

Table 22.42: Calculation of direct payments; year 2008; in '000 ISK

04-801-101; Direct payments to dairy producers	5,369
04-805-101; Direct payments to sheep meat producers	4,012
04-805-111; Direct payments to sheep meat producers; quality schemes	1,039
04-807-101; Direct payments to horticulture producers (tomatoes, cucumber, peppers)	246
	10,666

Table 22.43: Calculation of social security payments; year 2008; in '000 ISK

04-801-102; Social security payments (ref. agricultural Agreement)	198
04-805-102; Social security payments (ref. agricultural Agreement)	110
	308

⁴⁷ Source: State Accounts (Ríkisreikningur) for year 2008.

r) Trade flows (volumes) by product category (2004-2008):**Imports (indicating the amount of preferential trade):**

- from the EU;
- from Lichtenstein, Norway and Switzerland;
- from the rest of the world, specifying the three most important partners.

Exports:

- b) to the EU;
- b) to Lichtenstein, Norway and Switzerland;
- b) to the rest of the world, specifying the three most important partners.

See information in Annex 11.22.

Rural development statistics**23. Rural areas:****a) Please indicate whether a classification/definition of rural areas exists, and if so, please describe the basis for the classification, and the results across the country.**

Iceland is divided into six parliamentary constituencies. The southwest constituency and the two Reykjavik constituencies constitute 'the capital region'. The Northwest, the Northeast and the South constituencies constitute "the rural region". This division of the country, however, is not the basis for any rural or regional development planning, as all areas outside the capital area are considered rural.

Regional classification reported to EFTA Surveillance Authority

The EFTA Surveillance Authority (ESA) has approved a regional aid map for Iceland in the period 2007-2013. Approval of the regional aid maps is not an authorization of aid as such. It is the responsibility of the Icelandic authorities to decide what kind of regional investment aid they would grant and to notify aid schemes or individual aid grants to ESA as appropriate. According to the EEA Agreement state aid to business activities is prohibited. However, provided certain conditions are met, rural development support can be granted. Such conditions inter alia include that the region for which the support is destined has a lower population density than 12.5 inhabitants per square kilometre.

Regarding the period from 1 January 2007 – 31 December 2007, the assisted areas in Iceland cover 31.5% of the total population and qualify for regional investment aid because they are low population density regions (*i.e.* less than 12.5 inhabitants per square kilometre).

Based on the revised classification of regions, which in turn are based on the parliamentary constituencies (approved by EUROSTAT) which will apply from 1 January 2008 - 31 December 2013, a larger area covering 37.5% of the Icelandic population will be eligible for regional aid (population living in areas with less than 12.5 inhabitants per square kilometre).

The population density of the rural constituencies is 1.2 inhabitants per square kilometre. The population density of the capital region is 181 inhabitants per square kilometre.

The ESA decision also includes a limit on the amount which can be granted as rural development support. Aid can be granted to up to 15% of investment costs for large enterprises, with possible top-ups of 10% for medium-sized enterprises and 20% for small enterprises. The Government must inform ESA on all support projects.

b) Please give the following information for each region of the country:**– per capita GDP;**

Figures are in million ISK in the year 2006. The division by regions is based on the report “Economic Growth by region 2000-2006, produced by the Institute of Economic Studies and the Institute of Regional Development.”⁴⁸ The table is in accordance with the regional division described above.

Table 23.1

Capital	Rural
4.160	3.213

– % of total workforce employed in agriculture (preferably based on the Labour Force Survey);*Table 23.2: Workforce employed in agriculture as a ratio of total workforce, by sex and areas, in 2000-2008*

		2000	2001	2002	2003	2004	2005	2006	2007	2008
Total	Total	4,41%	4,03%	3,83%	3,63%	3,46%	3,41%	3,77%	3,39%	2,46%
	Male	5,38%	5,06%	4,82%	4,61%	4,24%	4,20%	5,00%	4,35%	2,99%
	Female	3,30%	2,84%	2,85%	2,55%	2,45%	2,51%	2,32%	2,23%	1,84%
Capital Area	Total	0,42%	0,30%	0,21%	0,60%	0,70%	0,48%	0,64%	0,68%	0,43%
	Male	0,20%	0,38%	0,39%	0,78%	0,97%	0,56%	0,85%	0,94%	0,63%
	Female	0,65%	0,42%	0,22%	0,41%	0,41%	0,20%	0,39%	0,38%	0,19%
Rural Areas	Total	10,54%	10,07%	9,68%	8,93%	8,23%	8,78%	9,61%	8,62%	6,30%
	Male	12,72%	12,46%	11,99%	10,65%	9,65%	10,19%	12,05%	10,98%	7,53%
	Female	7,81%	7,12%	7,07%	6,51%	6,45%	7,03%	6,49%	5,82%	4,88%

– value-added per agricultural labour unit;

Not available.

– population density per km² and trend in recent years (i. e. is the rural population falling?);

Population density for Iceland as a whole is only 2.9 inhabitants per km². As for the capital the density is 181 inhabitants per km², and for rural areas 1.2 inhabitants per km². The rural population is not falling in actual numbers; however, in relative terms it has fallen considerably in the last three decades.

⁴⁸ All figures are estimates.

Table 23.3: Population development (actual numbers)

	1980	1985	1990	1995	2000	2005	2008
Capital	121,698	132,510	145,980	158,597	175,000	187,105	201,585
Rural areas	107,489	109,579	109,728	109,212	107,845	112,299	118,171
Total	229,187	242,089	255,708	267,809	282,845	299,404	319,756

Table 23.4: Population development (density, persons per sq km)

	1980	1985	1990	1995	2000	2005	2008
Capital	109.3	119	131.1	142.4	157.1	168	181
Rural areas	1.10	1.11	1.11	1.11	1.10	1.14	1.2
Total	2.1	2.2	2.3	2.4	2.6	2.7	2.9

– unemployment figures.

Table 23.5: Registered unemployment by region 2006-2009 - average

December	2006	2007	2008
Total	1,879	1,357	7,902
Capital	994	605	5,009
Rural areas	885	752	2,893

Percentage of labour force

	2006	2007	2008
Total	1.2	0.8	4.8
Capital	1	0.6	4.8
Rural areas	1.5	1.2	4.7

c) Please indicate the percentage of the total population which lives in rural areas, and the percentages of the total and rural population having:

In 2008 just under 37% of the population lived in the rural areas.

– piped water (water consumption in agriculture compared to the total consumption);

The whole population has access to piped water.

– surface of the environmentally protected areas

Table 23.6: Protected areas 2007 (Dates refer to first year of conservation)

	Number	Area km ²
Total	96	9,506
National parks	4	5,333
Natural monuments	34	126
Nature reserves	40	3,294
Country parks	16	421
Other	2	331

– **mains electricity;**

The whole population has access to mains electricity.

– **a connection to a sewage system;**

The whole population has sewage systems. The general rule on farms is septic tanks, emptied regularly and content disposed of according to sanitary rules.

– **a fixed telephone network, or coverage by a mobile telephone network;**

The whole population has access to the either of the specified networks.

– **elementary school education;**

– **secondary school education;**

– **advanced level education.**

Table 23.7: Education (ISCED 3) 16-75 years old, (y.o.) categorised by residence (rural versus urban)

<i>(Actual numbers)</i>		2003	2004	2005	2006	2007	2008
Total 16-75 y.o.	Primary education – ISCED 1,2	75,900	75,500	74,900	76,500	77,400	82,200
	Occupational and secondary education – ISCED 3,4	77,300	79,600	80,100	82,400	87,100	84,800
	Higher education (university) – 5,6	42,200	43,000	45,800	49,600	52,300	55,000
Capital region 16-75 y.o.	Primary education – ISCED 1,2	41,400	41,000	40,600	42,100	42,800	45,200
	Occupational and secondary education – ISCED 3,4	50,600	53,200	53,400	55,600	57,600	55,500
	Higher education (university) – 5,6	33,400	33,300	34,600	37,900	41,400	43,500
Rural region 16-75 y.o.	Primary education – ISCED 1,2	34,500	34,500	34,300	34,400	34,600	37,000
	Occupational and secondary education – ISCED 3,4	26,700	26,400	26,700	26,800	29,500	29,300
	Higher education (university) – 5,6	8,800	9,700	11,200	11,600	10,800	11,400
<i>Percentage</i>							
Total 16-75 y.o.	Primary education – ISCED 1,2	38.8%	38.1%	37.3%	36.7%	35.7%	37.0%
	Occupational and secondary education – ISCED 3,4	39.6%	40.2%	39.9%	39.5%	40.2%	38.2%
	Higher education (university) – 5,6	21.6%	21.7%	22.8%	23.8%	24.1%	24.8%
Capital region 16-75 y.o.	Primary education – ISCED 1,2	100%	100%	100%	100%	100%	100%
	Occupational and secondary education – ISCED 3,4	33.0%	32.2%	31.6%	31.1%	30.2%	31.3%
	Higher education (university) – 5,6	40.4%	41.7%	41.5%	41.0%	40.6%	38.5%
Rural region	Primary education – ISCED 1,2	26.6%	26.1%	26.9%	28.0%	29.2%	30.2%
	Occupational and secondary education – ISCED 3,4	100%	100%	100%	100%	100%	100%
	Higher education (university) – 5,6	49.3%	48.9%	47.5%	47.2%	46.2%	47.6%

16-75 y.o.	1,2						
	Occupational and secondary education – ISCED 3,4	38.1%	37.4%	37.0%	36.8%	39.3%	37.7%
	Higher education (university) – 5,6	12.6%	13.7%	15.5%	16.0%	14.4%	14.7%
		100%	100%	100%	100%	100%	100%

Source: Labour market survey, Statistics Iceland

24. National statistics concerning measures to adapt agricultural structures:

a) Compensatory allowances:

– **Hill and mountain areas: number of holdings, Utilised Agricultural Area (UAA) and the number of livestock units (LSUs) in the following three categories:**

- (1) Altitudes >800 m;
- (2) Slopes >20 % (below 800 m);
- (3) Altitudes between 600 m and 800 m and slopes > 15%.

– **Areas with significant handicaps:**

- (1) Areas where the yields of grass or cereal are <80 % of the national average: number of holdings, total UAA and total LSUs;
- (2) Areas where key economic indicators (e.g. value added, farmers' gross and net earnings, earned income, etc.) are below the national average: number of farmers, total UAA and total LSUs.

Not applicable. The specified information is not available as they are not required in order to carry out current agricultural and rural policies.

b) Investment: Number and proportion of holdings where the income earned per annual man-work unit is < 1.2 times the average of non-agricultural workers in the area and which provide at least 50% of the holder's total farm income.

The specified information is not available.

c) Young farmers and early retirement: Age profile of farm holders by five-year bands, including the number under 40 years old.

The specified information is not available.

d) Producer associations:

- % of production by value that is handled by producer associations for each of the main sectors of production.
- % of holdings that are members of producer associations in each sector.

The statistics are being prepared and will be delivered to the European Commission as soon as it is finalized.

e) Marketing and processing:

-for each of the main sectors give:

- (1) % of output that is processed and existing processing capacity;**
- (2) forecast increase in the proportion processed and in capacity over the next ten years.**

-for each of the main sectors specify: capacity in need of modernisation.

The statistics are being prepared and will be delivered to the European Commission as soon as it is finalized.