A NEW FUTURE FOR ICELANDIC AGRICULTURE?

ROGER CROFTS

This paper considers the issues facing Icelandic agriculture internationally and internally and makes suggestions on future roles for farmers and the structures and incentives necessary to support it.

CHALLENGES FOR THE FUTURE

There are many challenges which Icelandic agriculture and the farming community have to face if there is to be a future.

A major consideration is the global challenges brought about by the desire under the WTO to equalise treatment for farmers and agriculture around the world by the removal of subsidies and other finance support structures. Although Icelandic agriculture has relatively few such mechanisms, they nevertheless represent an important source of income to farmers and consideration will be needed about the implications of their complete removal and what other measures could be reasonably put in place.

There is also the challenge of meeting consumer expectations: no seasonality of supply of meat, fruit and vegetables, high quality of produce and at the same time low price to the consumer, as well as the public desire to meet health standards in production especially of meat and to ensure traceability.

Competitor producer nations are efficient in production and effective in marketing and it is very difficult for Icelandic agriculture to rise to these challenges. Market competition is very strong already making Icelandic farm products not economically viable in European and other markets and therefore a concentration of production for the home market.

There is the challenge of meeting environmental standards: soil, water, pollution, and health. These environmental requirements are rising all of the time. Iceland's adoption of the EU standards means that it operates on exactly the same rules as those producers in Europe where climate and other circumstances are more favourable.

More locally there is a desire to diversify by the more progressive farmers but the opportunities are limited by finance, manpower and markets. The situation is not helped by the lack of any integrated forward strategy for agriculture and for the role of farmers in Iceland. I welcome the determination of the Minister of Agriculture to develop such a strategy and hope that this will be accomplished at the earliest opportunity. Finally, the structures to support the industry are somewhat muddled in terms of organisations and the incentives available.

AGRICULTURE FOR FOOD

Food for home consumption will presumably remain a key role for Icelandic farmers. There is some talk of a shift away from lamb perhaps to beef but others dispute this trend. Fruit and vegetable production using geothermal heat will presumably continue in order to meet home market needs and reduce imports. But is there likely to be an expansion in the scale of production and is the location of the production in the lower temperature geothermal areas likely to remain or are there possibilities of beginning production in the higher temperature geothermal areas? Also are there possibilities of expanding production to such an extent that an export market could be developed that would be competitive with other producers for example from the tropical region?

Are there really any financially viable possibilities of exporting food? Production costs and therefore price and also volume available are likely to be constraints. But there are possibile niches for Icelandic food products such as the many variations of smoked lamb. Selling into overseas markets will be difficult partly because of the control of the large supermarkets in countries like the UK and France. But there maybe possibilities through specialist food shops. One possibility might be to establish high quality Icelandic restaurants in key cities where eating out is an essential part of life and new experiences are eagerly sort. Obvious possibilities are Edinburgh and Glasgow. These would act as a shop window for Icelandic food produced.

NEW ROLES FOR FARMERS

Agriculture in the future is not likely to be the only source of activity or the only role which Icelandic farmers play. An examination of Iceland's sustainable development strategy ‘Welfare for the Future’ shows that farmers can be linked to 10 of the 17 sustainable development policy goals of Iceland: Soil Conservation, Climate Change, Biological Diversity, Biota Protection, Outdoor Activities, Wilderness Areas, Clean Freshwater, Safe Food Products, Waste and Chemicals. Any strategy for the future of agriculture and the role of farmers could usefully address each of these. I shall highlight three roles in particular: land restoration, habitat restoration, and tourism.

FARMERS AND LAND RESTORATION

Many Icelandic farmers already play a key role in the reclamation of land and the maintenance of these areas as the agent of Landgraedsla. Farmers’ role in land restoration and soil conservation could be further enhanced by reducing grazing by sheep and by horses in the most vulnerable areas on their farms and in the areas identified as most vulnerable in the ‘Jardvesrof a Islandi’. Also further technical support and support in kind for seeding and fertilising would be helpful. This traditional approach could be backed up with a support package comprising a number of elements.

- Farmers could have a deal with Landgraedsla for their role as stewards of restoration and effective management of grazing pressure.
- Farmers could be given tax credits for the amount of carbon they lock-up in the soils on their land as a result of their restoration activities.
- Farmers could be given encouragement for waste recycling and reducing chemical use.
- Given the problems of overgrazing and soil and vegetation loss as a result of horses, then consideration could be given to a financial scheme for supporting the export of horses.
- Some technical support could be given for marketing Icelandic lamb in both home and overseas markets.

FARMERS AND HABITAT RESTORATION

Farmers have a key role to play in biodiversity conservation. This should recognised and supported by Umhversfisstofnun through:

- The protection of natural habitats from over use,
- By restoring wetlands and other lost habitats and damaged ecosystems,
- By encouraging plant diversity through planting native species, and
- By safeguarding bird breeding sites.

FARMERS AND TOURSIM

Farmers already provide a number of services for tourists and other visitors. Consideration should be given by the government and tourist associations as follows:

- Aid for the conversion of farm buildings for tourism, including accommodation and visitor centres,
- Overseas marketing scheme for rural tourism,
- Financial support for developing tourist trails,
- Training and a Certification scheme for those farmers acting as tourist guides, and
- Development of farm shops and farmers markets for sale of quality local produce.

MAKING IT WORK

If the above suggestions are to be made to work and if there is to be a future for farmers in Iceland, then farmers need political and practical support in the form of an integrated forward strategy, reform of the institutional support structures, improved knowledge transfer from research and development to farmers, improved marketing, and modernised incentives and Codes of Good Practice.

INTEGRATED FORWARD STRATEGY

We found in Scotland that good progress on building consensus about the future of agriculture was gained through establishment of a working group

chaired by the Minister to hammer out an integrated strategy 'Future for Scottish Agriculture'. This was followed by a number of working groups developing detailed proposals on specific aspects such as the agri-environment measures with a plan entitled 'Custodians of Change' published, and also work on land management contracts based on the French experience.

The Icelandic Minister of Agriculture has announced that he intends to produce a White Paper of Agriculture. This is an important decision and I hope that a working group representing all of the relevant interests will be established soon. It is particularly important that, in addition to the agriculture and farming interests, those of the consumers, retailers, environmental and health are also involved.

INSTITUTIONAL SUPPORT REFORMED

There are many government institutions in Iceland supporting agriculture and farmers: three universities/colleges, a separate research organisation, separate executive agencies for soil conservation and for forestry, as well as farming associations around the country and the Farmers Union. In addition, advice and extension services are not integrated with each other and with the education and research institutions. There is a great need for rationalisation and greater coherence to meet farmers and society's needs. Although the announcement of the merger of RALA and the Agriculture University of Hvanneryri has been made, it does seems a little premature given that work on the overall strategy for the industry has not yet begun and therefore consideration of the most effective organisational mechanisms for its delivery cannot be considered.

Our experience in Scotland might be helpful. The institutional structure on agriculture research is a mess with six Scottish Agriculture and Biological Research Institutes in existence covering crops, dairy, food, land use, genetics, and general agricultural science. They are all responsible to the same Minister and are often competing for the same money from the Ministry and other sources. A review is currently being undertaken in the light of both the agricultural strategy and the outcome of recent research needs and research quality assessment exercises. Some changes to the organisational structure and some reduction in the competition is the minimum likely outcome from the exercise; more fundamental changes might result.

In the meantime the Scottish Agriculture College provides a model of an integrated approach to support for the land-based industries in Scotland by combining within one body education and training, research and development, and consultancy and advice. The organisation focuses on knowledge transfer from the research and development to the educational and training activity and to the advisory and consultancy services. This type of model has stood the test of time in general but has been recently restructured to give greater emphasis to knowledge transfer and to make sure that it works more effectively in practice. This model might be of

interest to Iceland and the author can provide further information, as he is a non-executive Director of the Board of the SAC.

IMPROVED KNOWLEDGE TRANSFER

In the light of the Scottish experience the key components for knowledge transfer would seem to be:

- Education and Training: the development of a single university structure with facilities at the existing locations at Holar, Hvanneryi and Hveragerdi to maximise existing investment, together with remote learning provision through extension centres.
- Integrated Research and Development with government funding and a steer from the industry on its requirements.
- Knowledge transfer arrangements to farmers using a variety of methods including oral, email, paper and web sites.
- One-stop shops where the relevant organisations are housed in the same building and can provide easy access for the farmer to the whole of agricultural and rural extension services. The type of facilities in existence at Selfosss and Egilstaddir should be developed elsewhere and include all of the relevant organizations, including Skogread and Landgraedsla.

IMPROVED MARKETING

Marketing of Icelandic agricultural products should be improved in number of ways:

- Recognise consumer preferences and demands, including organic produce and pollution free husbandry methods.
- Introduce quality-mark schemes with traceability and assurance of husbandry methods.
- Develop niche markets for smoked lamb, added value products from sustainable fishing and hunting, geothermal crops.
- Reduce the supply chain and increase the income to the farmer through farmer-led marketing cooperatives at home and overseas.

MODERNISED INCENTIVES AND CODES

Finally and extremely important is the need for a dual ‘carrot and stick’ approach of modernised incentives and Codes of Good Farming practice.

Incentives in a variety of forms, such as taxation breaks, finance support, and free advice, should all be considered as part of the forthcoming White Paper on Agriculture. In addition, consideration should be given to the use of the **land management contract** to deliver key sustainable development objectives. This has been in use in France for some time and is being considered as a possibility in Scotland. The basic idea is that the farmer is contracted to the nation to deliver certain types of outcome, along the lines described earlier in this paper, such as land restoration and biodiversity conservation. The farmer receives some financial support in relation to delivery of these outcomes.

Alongside these incentives should be **Codes of Good Agricultural Practice** for soil conservation and land restoration, for biodiversity conservation, for animal husbandry. These should be developed and agreed by farming organisations and government agencies. They should be mandatory on all farmers. All farmers receiving any incentives from the government should comply fully with these codes and if they fail to do so then there should be penalties such as the removal of incentives. This approach is currently subject to consultation in Scotland.

Roger Crofts
March 2004