



Changes in tax policy and support for vegetable farmers in Iceland

Effects on price and consumption

World Nutrition Conference,
Cape Town, August 2016

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HÁSKÓLI ÍSLANDS

Geographic location of Iceland, harsh climate, short summers and distance from markets, have contributed to lower vegetable consumption than found in most - if not all- European countries



Plenty of hydroelectric power and naturally hot water are natural resources that have been utilized in growing vegetables in the country



Illuminated greenhouses have mainly been used for growing tomatoes, peppers and cucumbers





Hardy outdoor crops include the yellow beet

High protective tariffs on imports have further added to the cost of vegetables

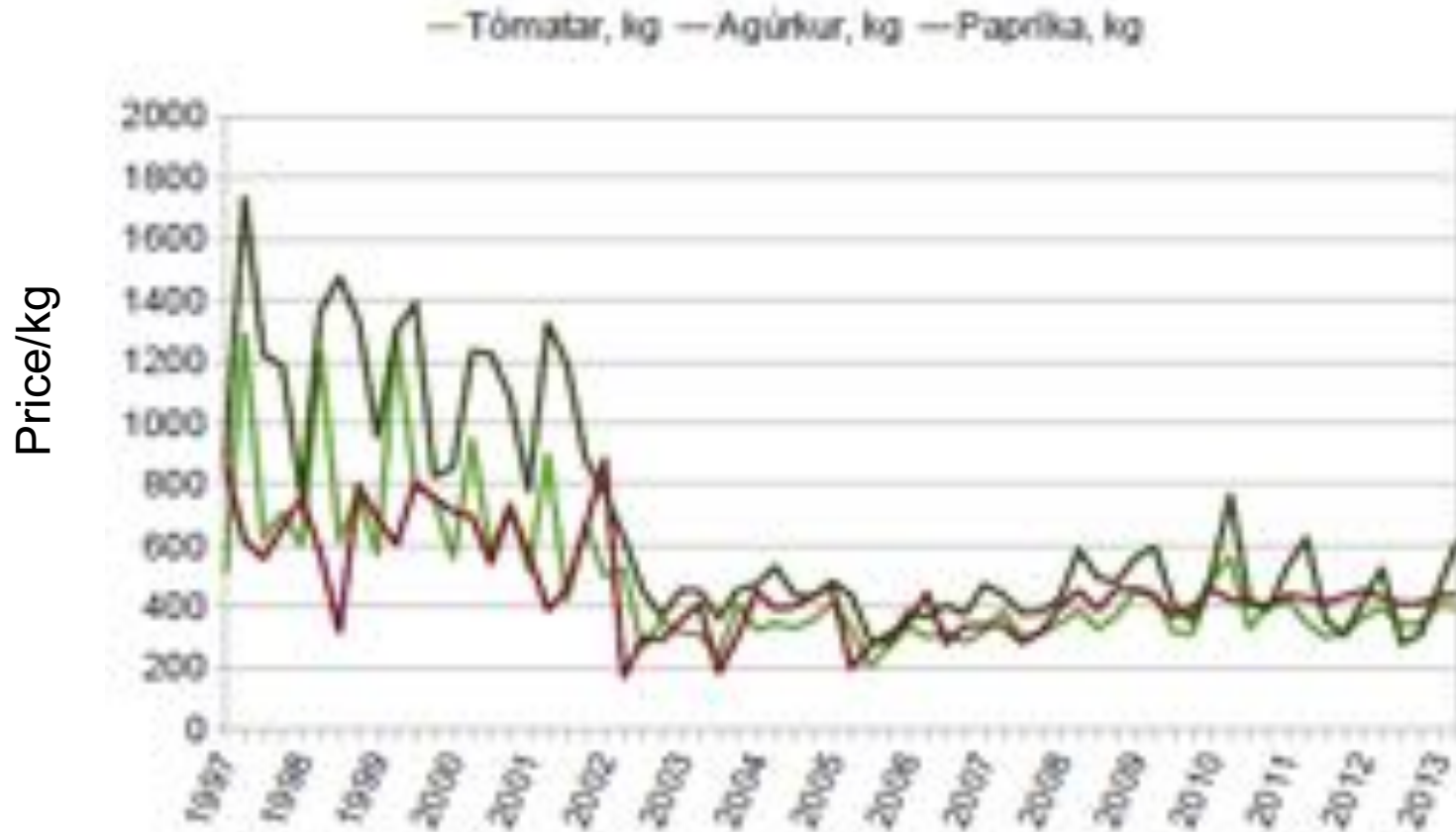
- Long standing policy of protecting local production by adding complicated import taxes and other tariffs on imported vegetables
- In 2002 there was a policy change after a long battle between farmer's lobby and consumer and health lobby:
- **The 30% flat import tax was removed from all greenhouse vegetables and partly for other vegetables**
- Also, greenhouse farmers received substantial development support, price support, decommission support and education stipends for improving production
- Price of electricity for greenhouse farmers was also somewhat lowered

Mean vegetable price by year

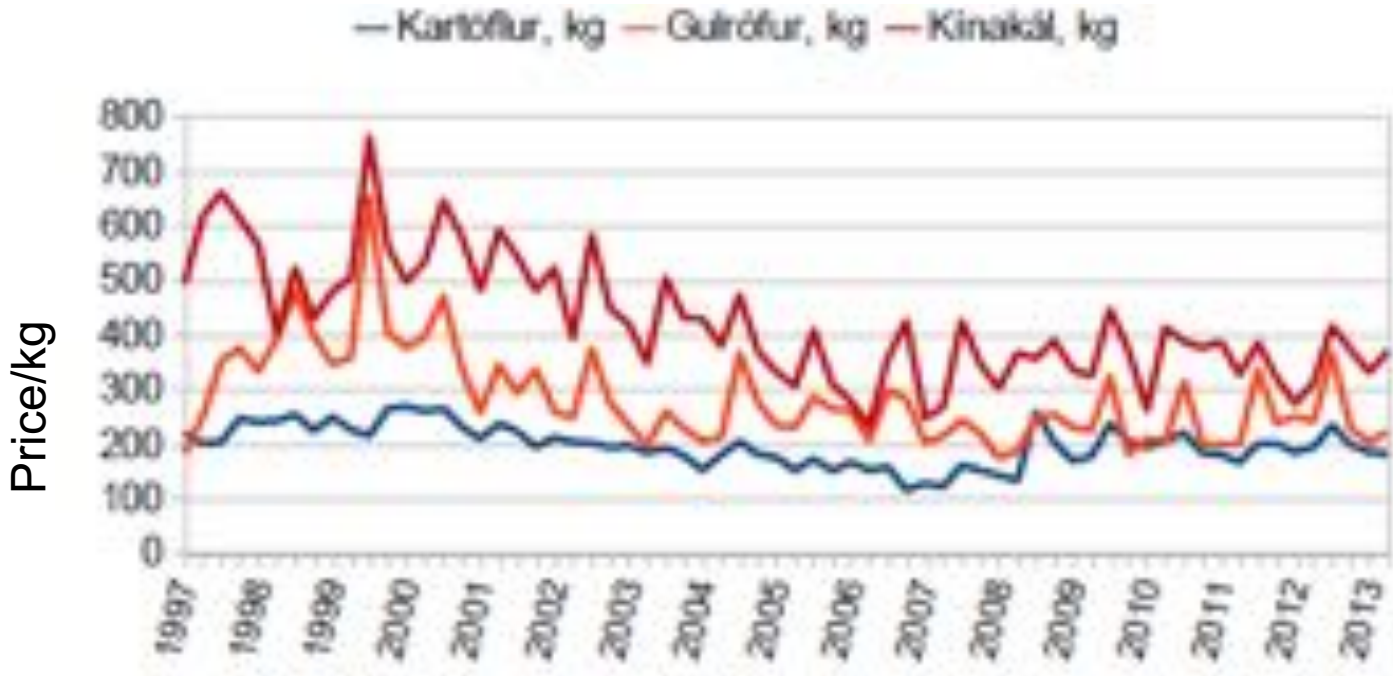
Prices adjusted to consumer index - 100 in year 2000



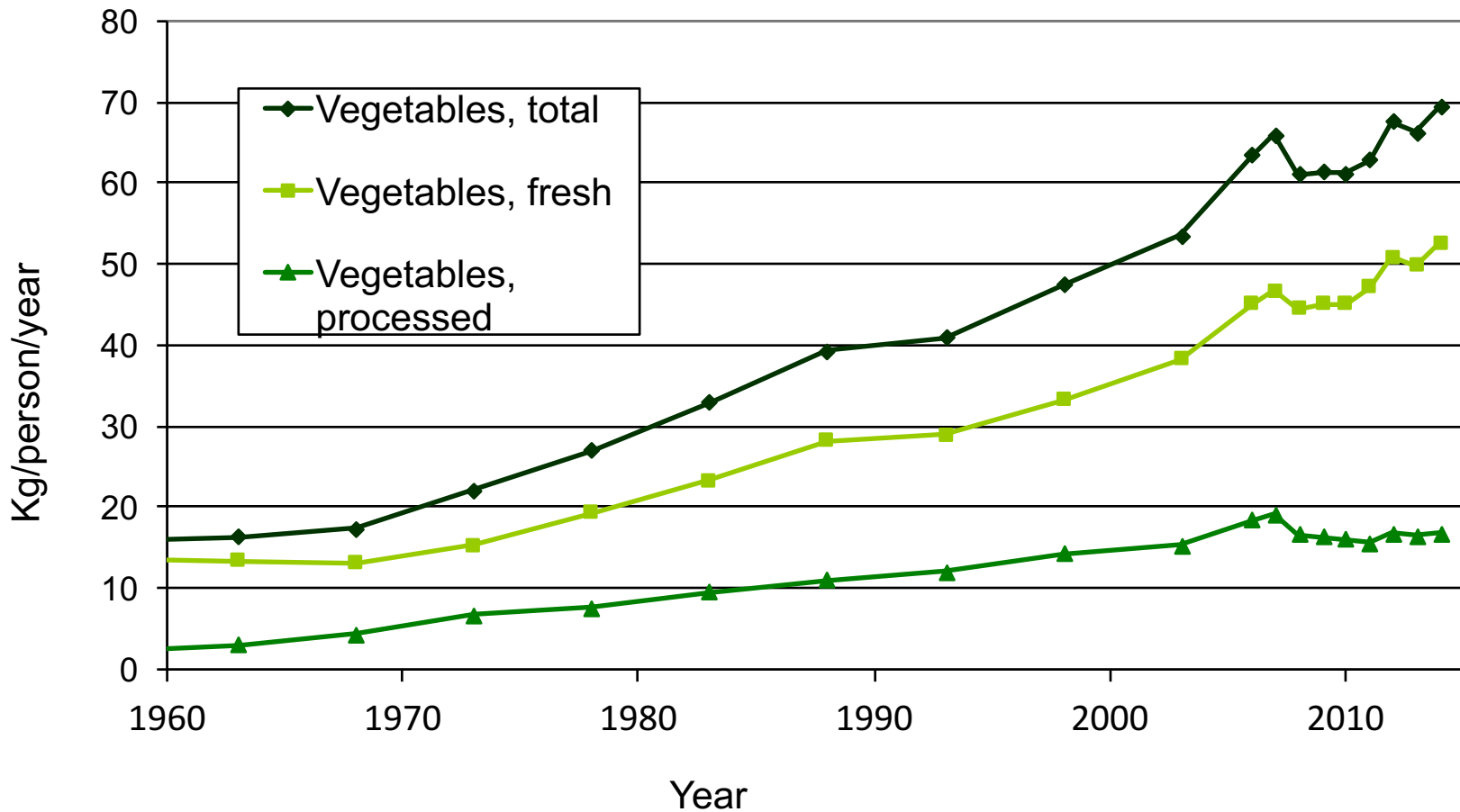
Price of tomatoes, cucumbers and peppers ISK/kg



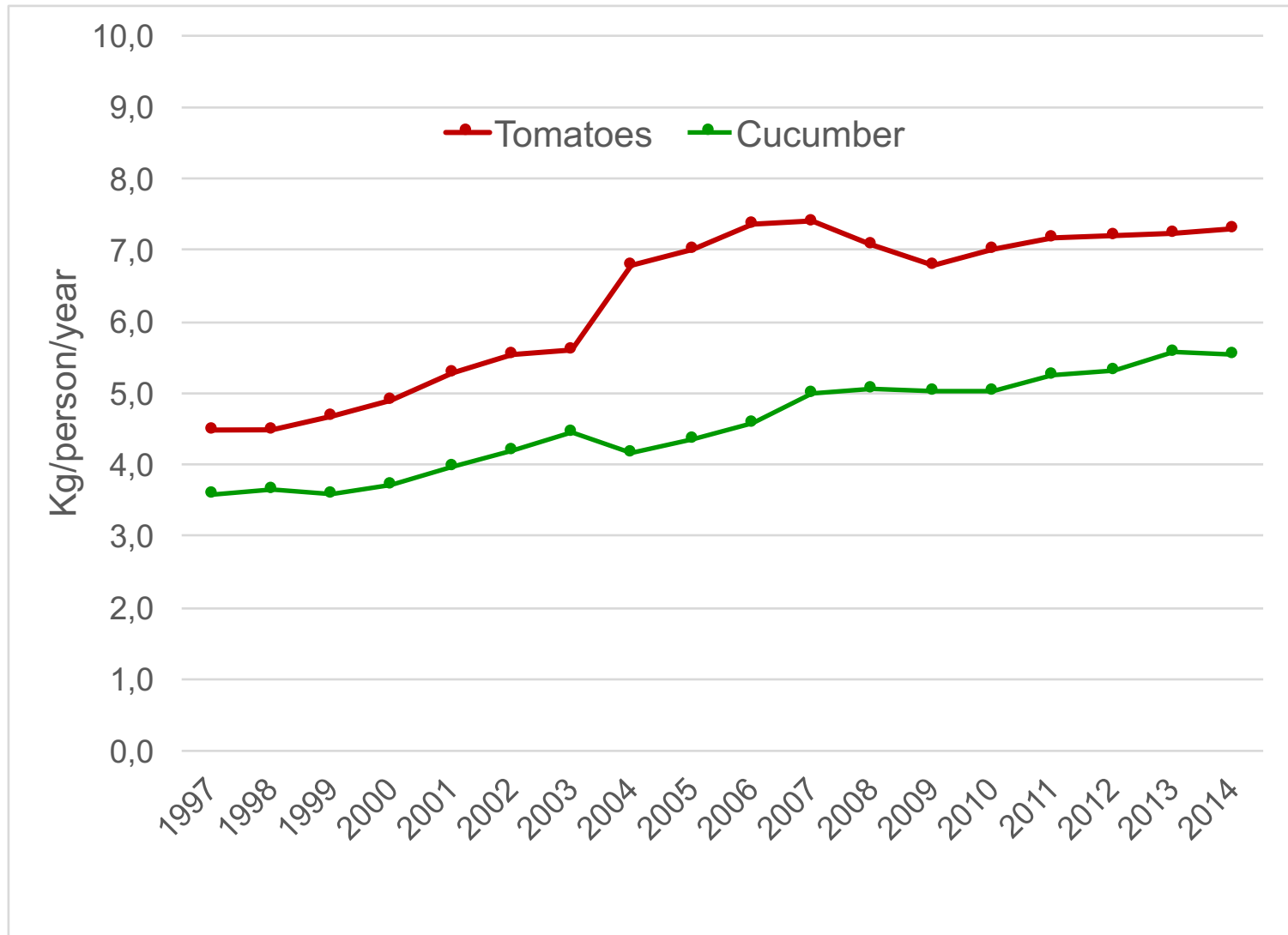
Price of potatoes, beats and lettuce



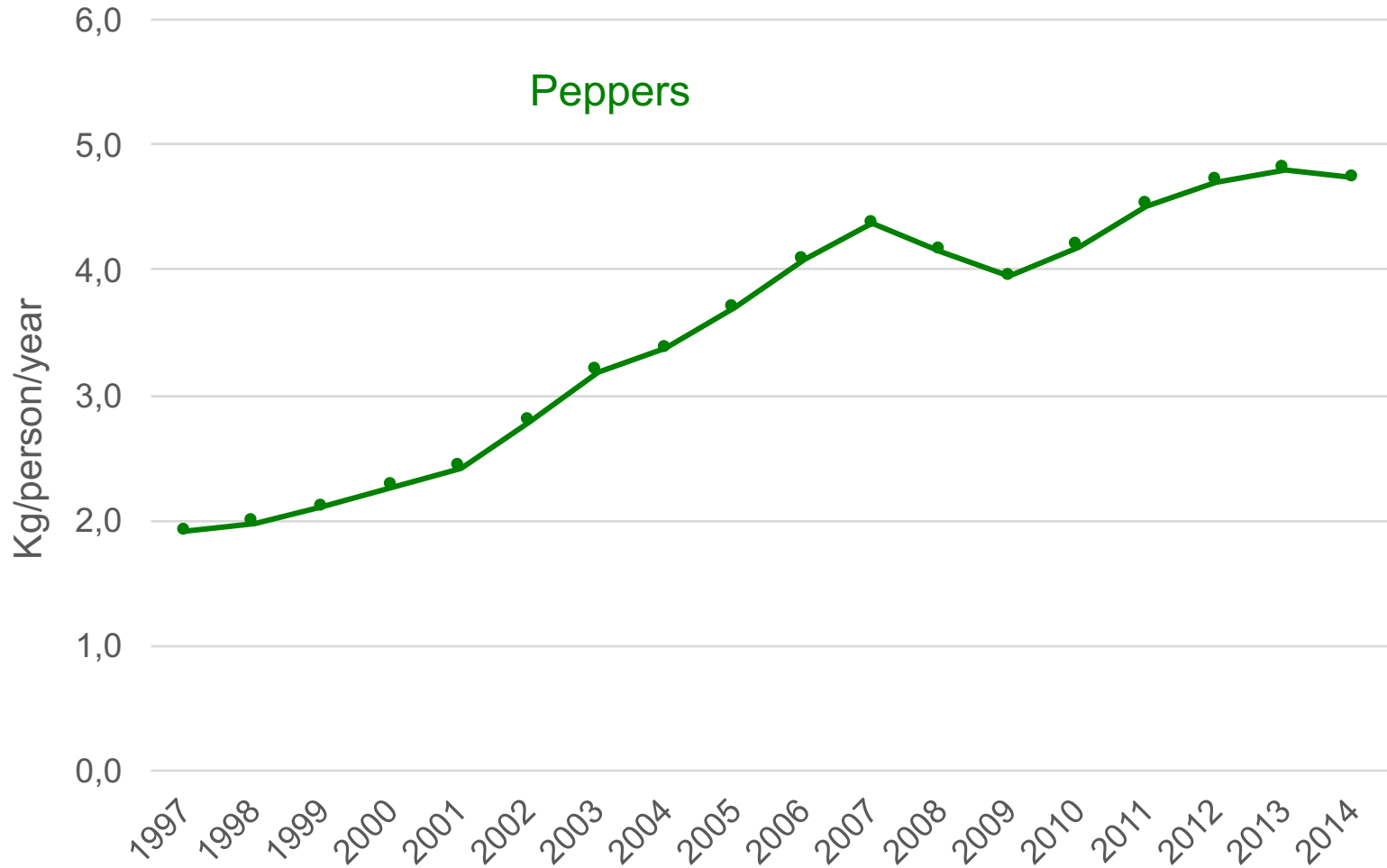
Vegetable Consumption in Iceland, Food consumption statistics



Per Capita Consumption of Tomatoes and Cucumbers



Per Capita Consumption of Peppers

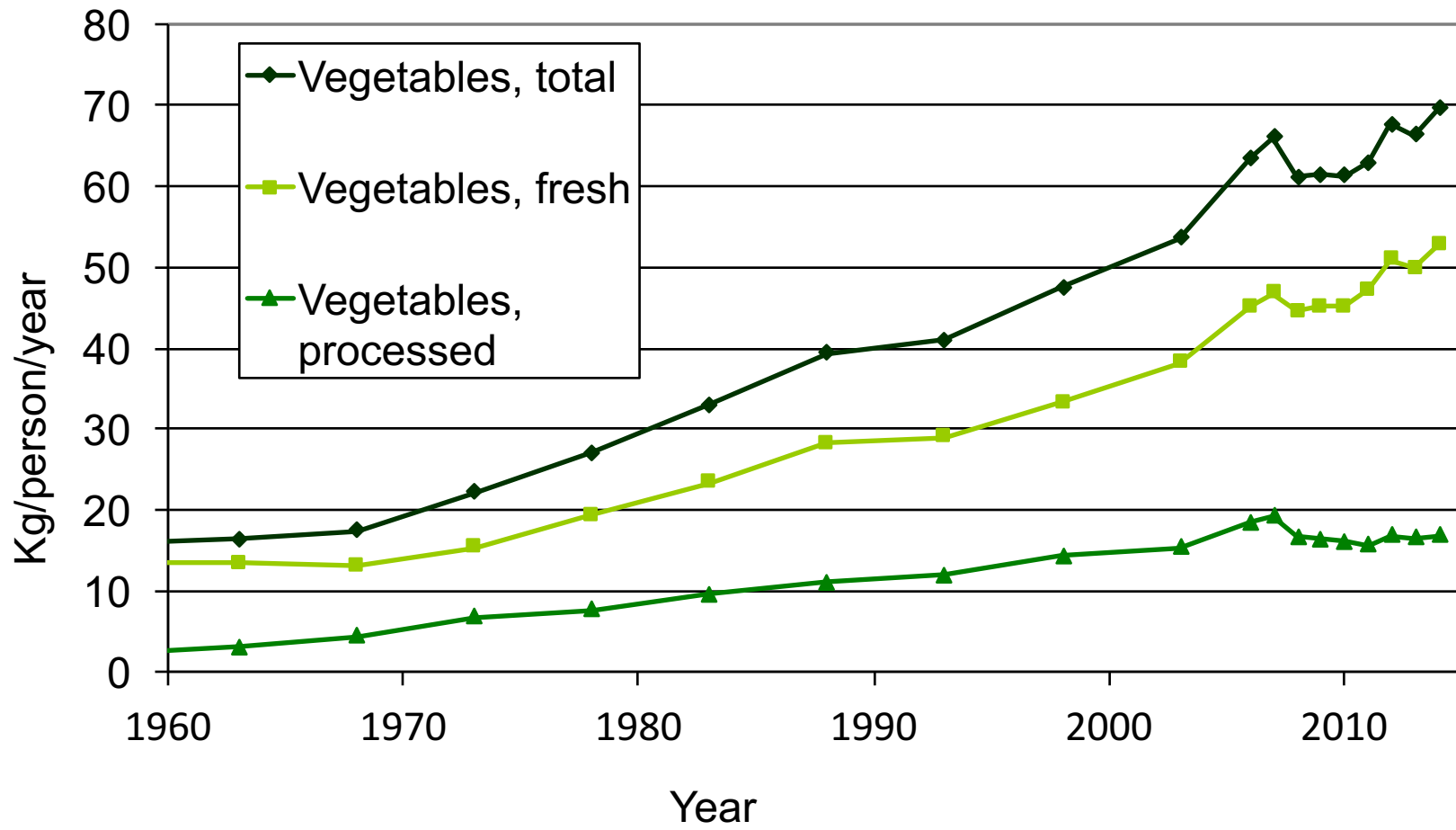


October 6th 2008

Icelandic banking system collapse

- Cost of living index rose sharply 28% – and so did housing loans and mortgages
 - Loans are adjusted to cost of living index
- Food prices rose
 - imported foods up 65%
 - vegetables up 39%
- Unemployment rose from 2.2 to 7.7%
- Little change in wages

Vegetable Consumption in Iceland, Food consumption statistics



Vegetable price and income Relationship with consumption

- Sharp changes in price allow more reliable calculations on their effect on consumption
- We find that for each 1% lowering of vegetable price, consumption increases by 0.8%
- For each 1% increase in mean income, vegetable consumption increases by 2.4%
- Greater effect of income on vegetable consumption than published for most other western countries

Conclusion

- Vegetables appear to be luxury food in Iceland, as consumption is so greatly affected by income, even in this high income country
- Price policy and support for producers can substantially affect consumption of vegetables



THANK YOU!