

ICELAND: ESTIMATES OF SUPPORT TO AGRICULTURE

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DEFINITIONS AND SOURCES

Table 1. Agricultural Support Estimates / Total Transfers contains country Total Support Estimate (TSE) and derived indicators, which cover all agricultural production, i.e. all agricultural commodities produced in the country. Definitions of basic data sets refer to the specific programmes applied in the country. For the Producer Support Estimate (PSE) and Consumer Support Estimate (CSE), each policy measure is classified according to implementation criteria, which include: the *transfer basis* of support (output, input, area/animal numbers/receipts/income, and non-commodity criteria); whether support is based on *current or non-current basis*; whether *production is required* or *not* to receive payment. Each policy measure is also assigned several “labels” indicating additional implementation criteria. “MPS commodities”, which vary across countries, are those for which the market price support is explicitly calculated in Tables 4.1 – 4.8.

Table 2. Breakdown of PSE by Commodity and Other Transfers provides a breakdown of the total PSE into four categories reflecting the flexibility given to farmers regarding which commodity to produce within the various policy measures. These categories are: Single Commodity Transfers (SCT); Group Commodity Transfers (GCT); All Commodity Transfers (ACT); and Other Transfers to Producers (OTP). All data sets in Table 2 come from Tables 1 and 3.1 – 3.8 where definitions are included.

Tables 3.1 – 3.7 Producer Single Commodity Transfers contain producer SCT by commodity, which are calculated for Iceland for the following commodities milk, beef and veal, pigmeat, poultry meat, eggs, sheepmeat and wool (Tables 3.1-3.7) provided that the value of production of that commodity exceeds 1% of the total value of production. In addition, SCT for “other commodities” is also calculated (Table 3.8), which covers transfers *to single commodities other than MPS commodities*. All data sets in the calculation of producer SCT by commodity come from Tables 1 and 4.1-4.8 where definitions are included.

Tables 4.1 – 4.8 contain **Market Price Support (MPS)** and **Consumer Single Commodity Transfers** (consumer SCT) by commodity, calculated for the same set of commodities as **Tables 3.1 to 3.8**. Definitions are provided only for basic data sets from which all the other data sets in this table are derived.

Definitions of the indicators, criteria for classification of policy transfers included in support estimation, and methods of calculation are contained in the PSE Manual (*OECD's Producer Support*

Estimate and Related indicators of Agricultural Support: Concepts, Calculations, Interpretation and Use [<http://www.oecd.org/tad/support/psecse>].

TABLE 1: Iceland: Total Support Estimate

Definitions:

I. Total value of production (at farm gate): Total agricultural production valued at farm gate prices, i.e. value (at farm gate) of all agricultural commodities produced in the country [1].

I.1. Of which share of MPS commodities (%): Share of commodities for which MPS is explicitly calculated (in Tables 4.1-4-7) in the total value of agricultural production.

II. Total value of consumption (at farm gate): Consumption of all commodities domestically produced valued at farm gate prices, and estimated by increasing the value of consumption (at farm gate) of the MPS commodities according to their share in the total value of agricultural production [(II.1) / (I.1) x100].

II.1. Of which MPS commodities: Sum of the value of consumption (at farm gate prices) of the MPS commodities as indicated in Tables 4.1-4.7.

III.1 Producer Support Estimate (PSE): Associated with total agricultural production, i.e. for all commodities domestically produced [Sum of A to G; when negative, the amounts represent an implicit or explicit tax on producers].

A. Support based on commodity output

A.1. Market Price Support: On quantities domestically produced (excluding for on-farm feed use -- *Excess Feed Cost*) of all agricultural commodities, estimated by increasing the MPS for the MPS commodities according to their share in the total value of agricultural production [(Σ MPS for MPS commodities listed in the rows below) / (I.1) x 100].

A.2. Payments based on output

Refund of feed levies – pigmeat (1986-1994): payment per tonne on quantities sold of pigmeat to compensate for taxes on imported feed. These transfers are included in pigmeat SCT (Table 3.3).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Refund of feed levies – poultry meat (1986-1994): payment per tonne on quantities sold of poultry meat to compensate for taxes on imported feed. These transfers are included in poultry SCT (Table 3.4).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Refund of feed levies – eggs (1986-1994): payment per tonne on quantities sold of eggs to compensate for taxes on imported feed. These transfers are included in egg SCT (Table 3.5).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Payments for potatoes (1996): payments per tonne of potatoes. These transfers are included in other SCT (Table 3.8).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Payments for horticulture (from 2002): payments per tonne of horticulture products. These transfers are included in other SCT (Table 3.8).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Payments for milk (1986-1995): payments per tonne of milk produced under quota limits. These transfers are included in milk SCT (Table 3.1).

Production and payment limits (YES because of milk quota); Variable payment rates (NO); Input constraints (NO)

Payments for sheep meat (1986-1995): payments per tonne of sheep meat produced under quota limits. These transfers are included in sheep meat SCT (Table 3.6).

Production and payment limits (YES because of sheep meat quota); Variable payment rates (NO); Input constraints (NO)

B. Payments based on input use

B.1. Payments based on variable input use

Fertiliser payment (1986-1990): Budgetary expenditures on payment to the state-owned fertiliser plant for covering costs associated with reduced prices to farmers. These transfers are included in ACT (Table 2).

Production and payment limits (NO); Variable payment rates (YES because it varies with prices to farmers); Input constraints (NO)

Feed payments (1988-1990): budgetary expenditures on grants and loan write-offs to feed plants for covering costs associated with reduced prices to farmers. These transfers are included in livestock GCT (Table 2).

Production and payment limits (NO); Variable payment rates (YES because it varies with prices to farmers); Input constraints (NO)

Electricity subsidy (From 2002): Payments to subsidize electricity cost used for agriculture. These transfers are included in ACT (Table 2).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

B.2. Payments based on fixed capital formation

Cultivation and animal breeding program (From 1986): Budgetary expenditures on cultivation and animal breeding programs. These transfers are included in ACT (Table 2).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Animal breeding improvement: the Quarantine Station (1986-1992): Budgetary expenditures on animal breeding improvement. These transfers are included in All livestock GCT (Table 2).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Special appropriation to sheep rearing (2004-2005): Budgetary expenditures for sheep rearing improvement. These transfers are included in Sheepmeat SCT (Table 3.6).

Production and payment limits (YES because of sheepmeat quota); Variable payment rates (NO); Input constraints (NO)

Infrastructure (on farm) (From 1986): Budgetary expenditures for on-farm infrastructure improvements within the Agricultural Productivity Fund for sheepmeat, milk and beef producers. These transfers are included in Ruminants GCT (Table 2).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Bovine animal breeding programs and general development issues (From 2006): Budgetary expenditures on bovine animal breeding programs. These transfers are included in Beef and veal SCT (Table 3.2).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Support to new sheep farmers and development programs: young and retiring farmers (From 2008): Budgetary expenditures on assistance to individuals starting sheep farming and elderly sheep farmers who wish to retire by handing down the farm to family members, in terms of capital formation. These transfers are included in Sheepmeat SCT (Table 3.6).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Decoupled support to milk farmers: bovine animal breeding programs (From 2008): Budgetary expenditures on bovine animal breeding programs addressed to dairy farmers. These transfers are included in Milk SCT (Table 3.1).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Decoupled support to milk farmers: land cultivation (From 2008): Budgetary expenditures on land cultivation programmes addressed to milk farmers. These transfers are included in Milk SCT (Table 3.1).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

B.3. Payments based on on-farm services

Labour replacement (relief service) (1986-1995): Budgetary expenditure to finance the relief service. These transfers are included in ACT (Table 2).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Advisory services (From 1986): Budgetary expenditures on advisory services. These transfers are included in ACT (Table 2).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Contagious diseases (From 1986): Budgetary expenditures on sheep disease control and payments to scrapie farms. These transfers are included in Sheepmeat SCT (Table 3.6).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Abattoir surveillance costs and salmonella control (2004-2005): Budgetary expenditures on abattoir surveillance costs and salmonella control. These transfers are included in Poultry SCT (Table 3.4).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Quality improvements in sheep rearing (From 2006): Budgetary expenditures on quality improvements in sheep rearing. These transfers are included in Sheepmeat SCT (Table 3.6).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Support to new sheep farmers and development programs – services (From 2008): Budgetary expenditures on tuition, research, advising and development programs pertaining to sheep farming, such as promoting quality improvement in sheep rearing or organic production. These transfers are included in Sheepmeat SCT (Table 3.6).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

C. Payments based on current area planted/animal numbers/receipts/income – production required

Milk payment based on animal numbers (From 2006): payments for milk producers based on animal numbers. These transfers are included in milk SCT (Table 3.1).

Production and payment limits (YES because of milk quota); Variable payment rates (NO); Input constraints (NO)

D. Payments based on non-current area planted/animal numbers/receipts/income – production required

Direct payment to sheepmeat 96 (From 1996): payments per tonne on 1986-88 sheep meat quota level. These transfers are included in sheep meat SCT (Table 3.6).

Production and payment limits (YES because of sheep meat quota); Variable payment rates (NO); Input constraints (NO)

Regional support to sheepmeat producers (From 2008): budgetary payments to sheepmeat producers who live in areas highly dependent on sheep farming. These transfers are included in sheep meat SCT (Table 3.6).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

Decoupled support to dairy farmers: one-time payment (2008): a one-time budgetary payment to milk producers in proportion to their support targets (in litres of milk) established on 01.09.2008. Production is not required. These transfers are included in Milk SCT (Table 3.1).

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO)

E. Payments based on non-current area planted/animal numbers/ receipts/income – production not required

Diversion payments (1986-1996): payments under the Agricultural Productivity Fund for leasing milk and sheep meat quotas. These transfers are included in OTP.

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO); Commodity exceptions (YES)

Permanent withdrawal of sheepmeat quota (1997-2005): Budgetary payments to compensate farmers for withdrawal of sheepmeat quota. These transfers are included in OTP.

Production and payment limits (NO); Variable payment rates (NO); Input constraints (NO); Commodity exceptions (YES)

F. Payments based on non-commodity criteria

F.1. Payments based on long-term resource retirement

Permanent removal of sheep-slaughter houses (From 2002): Budgetary payments for removal of sheep-slaughter houses. These payments are included in OTP.

Production and payment limits (NO); Input constraints (YES, voluntary)

Permanent removal of greenhouses from production (From 2002): Budgetary payments for removal of greenhouses. These payments are included in OTP.

Production and payment limits (NO); Input constraints (YES, voluntary)

Soil conservation and forestry program (From 2008) Grants to farmers participating in soil conservation and forestry programs. These payments are included in OTP.

Production and payment limits (NO); Input constraints (YES, voluntary)

F.2. Payments based on specific non-commodity output

Soil conservation programme (From 2008) Grants to farmers to cover the costs associated with constructing blockades and dams for soil conservation purposes. These payments are included in OTP.

Production and payment limits (NO); Input constraints (YES, voluntary)

F.3. Payments based on other non-commodity criteria

G. Miscellaneous payments

III.2 Percentage PSE $[100 \times (\text{III.1}) / ((\text{I}) + (\text{Sum of A2 to G}))]$

III.3 Producer NPC: For all agricultural commodities the producer NPC is estimated as a weighted average of the producer NPC calculated for the individual MPS commodities and shown in Table 4. For each commodity $\text{Producer NPC} = [\text{domestic price received by producers (at the farm gate)} + \text{unit payments based on output}] / \text{border price (also at the farm gate)}$.

III.4 Producer NAC $[1 / (100 - (\text{III.2})) \times 100]$

IV. General Services Support Estimate (GSSE): total budgetary expenditure to support general services provided to agriculture [Sum of H to N].

H. Research and development

Agricultural Research Institute (1986-2004): Budgetary expenditures on Agricultural Research Institute.

Agricultural Productivity Fund – others (From 1986): Budgetary expenditures on research activities of Agricultural Productivity Fund.

Agricultural University of Iceland – institute and schools (From 2005): Budgetary expenditures on research activity of Agricultural University of Iceland.

Agricultural Economic Institute (From 1989): Budgetary expenditures on Agricultural Economic Institute.

Horse breeding station (1996): Budgetary expenditures on horse breeding station.

Improvements in sheep rearing (2001-2006): Budgetary expenditures on improvements in sheep rearing.

Horticulture marketing and research (From 2002): Budgetary expenditures on horticulture research.

Research in forestry for the benefit of agriculture (From 2008): Budgetary expenditures on research in forestry related to agriculture.

Decoupled support for milk farmers: development funds (From 2008): Budgetary expenditures on general agricultural development under decoupled support for milk farmers programme.

I. Agricultural schools

Agricultural University of Hvanneyri (1986-2004): Budgetary expenditures on Agricultural University of Hvanneyri.

Agricultural University of Iceland (From 2005): Budgetary expenditures on Agricultural University of Iceland.

State Horticultural School (1986-2004): Budgetary expenditures on State Horticultural School.

J. Inspection services

Inspection and grading of agricultural products (1986-1991): Budgetary expenditures on Inspection and grading of agricultural products.

Chief Veterinary Officer (1986-2005): Budgetary expenditures on the activity of Chief Veterinary Officer.

Agricultural Authority of Iceland (From 2006): Budgetary expenditures on Agricultural Authority of Iceland.

K. Infrastructure

Agricultural Productivity Fund – general support for milk, beef and sheepmeat (From 1986): Budgetary expenditures on general infrastructure support for milk, beef and sheepmeat through Agricultural Productivity Fund.

Agricultural Productivity Fund – others (From 1986): Budgetary expenditures on other activities of Agricultural Productivity Fund relate to infrastructure.

State Farmland Fund and Properties (1986-2001): Budgetary expenditures on State Farmland Fund and Properties.

Facilitating improvements in sheep-slaughter houses and processing plants (1997-2005): Budgetary expenditures on Facilitating improvements in sheep-slaughter houses and processing plants.

L. Marketing and promotion

Agricultural Productivity Fund – others (From 1986): Budgetary expenditures on activities of Agricultural Productivity Fund related to marketing and promotion.

Services and development costs (sheepmeat) (2004-2005): Budgetary expenditures on services and development costs in sheep farming.

Development costs (sheepmeat) (2004-2005): Budgetary expenditures on development costs related to sheep farming.

Reformation and product development (sheepmeat) (2004-2005): Budgetary expenditures on reformation and product development for sheepmeat.

Marketing efforts (sheepmeat) (1998): Budgetary expenditures on marketing efforts for sheepmeat.

Horticulture marketing and research (From 2002): Budgetary expenditures on horticulture marketing and research.

Valuation of agricultural products (2002-2005): Budgetary expenditures on valuation of agricultural products.

M. Public stockholding

Stockholding costs (From 1986): Budgetary expenditures on stockholding costs.

N. Miscellaneous

V.1 Consumer Support Estimate (CSE): Associated with agricultural production, i.e. for the quantities of commodities domestically produced, excluding the quantities used on-farm as feed -- excess feed cost. [Sum of O to R; when negative, the amounts represent an implicit tax on consumers].

O. Transfers to producers from consumers: Associated with market price support on all domestically produced commodities, estimated by increasing the transfers calculated for the MPS commodities according to their share in the total value of production $[(O.1) / (I.1) \times 100]$.

O.1. Of which MPS commodities: Sum of the values of transfers from consumers to producers associated with market price support for the MPS commodities as calculated in Tables 4.1 to 4.7.

P. Other transfers from consumers: Transfers to the budget associated with market price support on the quantities imported of domestically produced commodities, estimated by increasing the transfers calculated for the MPS commodities according to their share in the total value of production $[(P.1) / (I.1) \times 100]$.

P.1. Of which MPS commodities: Sum of the transfers to the budget associated with market price support on the quantities imported of the MPS commodities as calculated in Tables 4.1 to 4.7.

Q. Transfers to consumers from taxpayers

Q.1. Commodity specific transfers to consumers: Sum of commodity specific transfers from taxpayers to consumers (farm gate level) from Tables 4.1 – 4.7, including:

Consumer aids (milk) (1986-2005)

Price support (milk) (1987-1993)

Consumer aids transfer (beef and veal) (1986-2005)

Price support (beef and veal) (1987-1988)

Consumer levy and refunds (beef and veal) (1988-1993)

Consumer aids (poultry) (1987-2005)

Consumer aids (sheepmeat) (1986-2005)

Marketing effort (sheepmeat) (1994-1998)

Price support (sheepmeat) (1987-1994)

Consumer aids (wool) (From 1986)

Q.2. Non-commodity specific transfers to consumers: Sum of non-commodity specific transfers from taxpayers to consumers, including:

R. Excess Feed Cost: Associated with market price support on quantities of domestically produced crops and used on-farm as feed as calculated (Sum of *Excess Feed Cost* in the MPS Tables).

V.2 Percentage CSE $[100 \times (V.1) / ((II) + (Q))]$

V.3 Consumer NPC: For all agricultural commodities the consumer NPC is estimated as a weighted average of the consumer NPC calculated for the individual MPS commodities and shown in Table 2. For each commodity consumer NPC = domestic price paid by consumers (at the farm gate)/ border price (also at the farm gate).

V.4 Consumer NAC $[(1 / (100 - (V.2)) \times 100]$

VI. Total Support Estimate $[(III.1) + (IV) + (Q)]$ and $[(S) + (T) - (U)]$

S. Transfers from consumers $[(O)+(P)]$

T. Transfers from taxpayers $[(III.1)-(O)+(IV)+(Q)]$

U. Budget revenues $[(P)]$

TABLE 2. Iceland: Breakdown of PSE by commodity specificity and other transfers

All data sets in Table 2 to come from Tables 1 and 3.1 to 3.8 where definitions are included.

Definitions:

I. Producer Single Commodity Transfers (producer SCT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm level, arising from policy measures directly linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the payment. This includes policies where payments are specified on a per-commodity basis [Sum of SCTs for individual commodities from Tables 3.1-3.8].

Percentage producer SCT: is the commodity SCT expressed as a share of gross farm receipts for the specific commodities (including support in the denominator). This indicator can be expressed for the total SCT (Table 2), or for a specific commodity (Table 3.1 to 3.8).

$$\%SCT = 100 * SCT / (\text{Value of production}_{COM} + A.2_{COM} + B_{COM} + C_{COM} + D_{COM})$$

$$\text{Share in Total PSE (\%): } SCT_{SHARE} = 100 * SCT / PSE$$

II. Group commodity transfers (GCT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures whose payments are made on the basis that one or more of a designated list of commodities is produced. That is, a producer may produce from a set of allowable commodities and receive a transfer that does not vary with respect to this decision [GCT = B_{GROUP} + C_{GROUP} + D_{GROUP}].

$$\text{Share in Total PSE (\%): } GCT_{SHARE} = 100 * GCT / PSE$$

Transfers to specific groups of commodities: the GCT indicator is calculated for Iceland for the following groups of commodities: all livestock GCT and ruminants GCT.

III. All commodity transfers (ACT): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that place no restrictions on the commodity produced but require the recipient to produce some commodity of their choice [ACT = C_{ALL} + B_{ALL} + D_{ALL}].

$$\text{Share in Total PSE (\%): } ACT_{SHARE} = 100 * ACT / PSE$$

IV. Other Transfers to Producers (OTP): the annual monetary value of gross transfers made under policies that do not fall in the above three cases (SCT, GCT, ACT). That is, payments that do not require any commodity production at all. [OTP = E + F + G]

$$\text{Share in Total PSE (\%): } OTP_{SHARE} = 100 * OTP / PSE$$

$$\text{V. Total PSE: } PSE = A + B + C + D + E + F + G = SCT + GCT + ACT + OTP$$

$$\text{Percentage PSE: } \%PSE = 100 * PSE / (\text{Total Value of Production at farm gate} + A.2. + B + C + D + E + F + G)$$

TABLE 3. Iceland: Producer Single Commodity Transfers (by commodity)

Tables 3.1 to 3.8, provide information on Producer Single Commodity Transfers (PSCT) for the following commodities: wheat, maize, other grains, sunflower, sugar beet, milk, beef, pigmeat, poultry, eggs and “other commodities”. All data sets in the calculation SCT by commodity come from Tables 1 and 4.1 – 4.7 where definitions are included.

Definitions:

I. Level of production: Data from respective commodity Tables 4.1 – 4.7 (Market Price Support tables)

II. Value of production (at farm gate): Data for respective commodity Tables 4.1 – 4.7 (Market Price Support tables)

III. Producer Single Commodity Transfers: Sum of transfers to respective single commodity in categories A, B, C and D.

A. Support based on commodity output

A1. Market Price Support [Data for respective commodity from Table 4]

A2. Payments based on output

Payments based on output (A.2) provided to respective single commodity [Data from Table 1]

B. Payments based on input use, single commodity [B.1_{COM} + B.2_{COM} + B.3_{COM}]

B1. Based on variable input use

Payments based on variable input use (B.1_{COM}) provided to respective single commodity [Data from Table 1].

B2. Based on Fixed capital formation

Payments based on fixed capital formation (B.2_{COM}) provided to respective single commodity [Data from Table 1].

B3. Based on on-farm services

Payments based on on-farm services (B.3_{COM}) provided to respective single commodity [Data from Table 1].

C. Payments based on current A/An/R/I, production required, single commodity

Payments based on current A/An/R/I (C_{COM}) provided to respective single commodity [Data from Table 1].

D. Payments based on non-current A/An/R/I, production required, single commodity

Payments based on non-current A/An/R/I, production required (D_{COM}) provided to respective single commodity [Data from Table 1].

IV. Percentage producer SCT : %SCT = 100*(III) / ((II) + (A.2) + (B_{COM}) + (C_{COM}) + (D_{COM}))

TABLE 4. Iceland: Market Price Support and Consumer Single Commodity Transfers

Tables 4.1 to 4.8, contain calculation of the Market Price Support (MPS) and Consumer Single Commodity Transfers (consumer SCT) for the following commodities: wheat, maize, other grains, sunflower, sugar beet, milk, beef, pigmeat, poultry, eggs and “other commodities”. The data sets used in calculation of the MPS and consumer SCT by commodity are described below.

Definitions:

I. Level of production

Milk: Total production of cow milk delivered to dairies (including production in excess of quota) plus estimated on-farm use, converted from litres to kilos using the coefficient 1.032 kg per litre [1] [8].

Beef and veal: Gross indigenous production of beef and veal, carcass weight, deliveries to slaughterhouses plus on-farm use [2] [8].

Pigmeat: Gross indigenous production of pigmeat, carcass weight [2] [8].

Poultry: Gross indigenous production of poultry meat, carcass weight, delivered to slaughterhouses [2] [8].

Sheep meat: Gross indigenous production of sheep meat, carcass weight, including estimated on-farm consumption [2] [8].

Wool: Greasy equivalent weight of greasy and scoured wool [2] [8].

Eggs: Gross indigenous production of eggs [2] [8].

II. Producer prices (at farm gate)

Milk: Average price of milk for feed purposes and milk for human consumption (delivered to dairies and on-farm consumption). The price of milk for human consumption is the administered price net of transportation costs and direct payments. The price of milk for feed purposes is assumed to be 20 per cent lower than the average price of milk for human consumption [1] [8].

Beef and veal: Administered price till 1998. Weighted average price received by farmers since 1999, excluding transport costs [3] [8].

Pigmeat: Average prices according to reference price lists published by the Pig Producers' Organisation, net of direct payments [2][8].

Poultry: Estimated producer prices for the period 1986-1987, administered producer prices for the period 1988-1994, transportation and processing costs (5 per cent) are deducted from wholesale price for period of 1995-2003 [4] and estimated farm gate price since 2004 [8].

Sheep meat: The administered price till 1998. Average price of sheep meat delivered to slaughterhouses and on-farm consumption net of direct payments and transportation costs. For sheep meat in excess of quota, the unit value of deliveries is used [5].

Wool: Average price paid to farmers [2]. The administered price was abolished in 1998.

Eggs: Estimated average producer prices for the period 1986-1987, administered producer prices for the period 1988-1994, processing costs (15 per cent) deducted from wholesale price for the period for 1995-2003 [4] and estimated farm gate price since 2004 [8].

III. Value of production (at farm gate) [(I)*(II)]

IV. Level of consumption (at farm gate)

Milk: Total domestic use of fresh milk and milk products in milk-equivalent [1].

Beef and veal, pigmeat, poultry, and sheep meat: Total domestic use of meat, carcass weight [2].

Wool: Consumption of wool is assumed to be equal to production, in greasy equivalent terms [2].

Eggs: Domestic use of eggs [2].

V. Consumption prices (at farm gate)

Implicit prices corresponding to reference prices plus the unit value of market transfers.

VI. Value of consumption (at farm gate) [(IV)*(V)]

VII. Reference prices

Milk: Border prices of butter and skimmed milk powder converted into a milk equivalent border price using technical coefficients minus a processing margin, calendar year. The border prices of butter and skimmed milk powder are the EU export prices [6]. The processing margin is calculated as a simple average of the processing margin for the four main exporting countries: Australia, EU, New Zealand and the United States.

Beef and veal: EU export price of live animals for slaughter [6], free-at-EU frontier offer price, live-weight converted to carcass equivalent (coefficient 1.85).

Pigmeat: Farm gate price used in calculating the PSE for the EU implicit reference price calculated by deducting the EU feed adjustment from the EU producer price [6].

Poultry: EU unit value of exports of 70 per cent chickens outside the EU [7]. In order to make reference prices applicable to farm level prices, processing costs are subtracted from reference prices (estimated at 45 per cent of this unit value) [8].

Sheep meat: EU import price of New Zealand frozen lamb, c.i.f. U.K. [6], killing and processing deducted, and adjusted by a coefficient of 1.3 for the price difference between frozen New Zealand and fresh EU supplies.

Wool: New Zealand producer price adjusted for transportation costs estimated as the ratio of c.i.f./f.o.b. prices (5 per cent) [9].

Eggs: EU export unit value of eggs outside the EU of poultry, fresh or preserved shell eggs, except hatching eggs [7]. In order to make reference prices applicable to farm level prices, processing costs are subtracted from reference prices (estimated at 25 per cent of this unit value) [8].

Sources:

- [1] Agricultural Production Board and Dairy Association.
- [2] Agricultural Production Board.
- [3] Prices: Agricultural Production Board; Transport costs: Agricultural Society of Iceland and Agricultural Economic Institute.
- [4] Agricultural Production Board. Processing costs are estimated by the Ministry of Agriculture.
- [5] Prices: Agricultural Production Board; Transport costs: Agricultural Society and Agricultural Economic Institute.
- [6] EU Commission.
- [7] EUROSTAT external trade -- exports.
- [8] Icelandic Ministry of Agriculture; communication to OECD Secretariat.
- [9] PSE/CSE database -- New Zealand; Statistical Bureau of Iceland for transport costs.
- [10] Icelandic Agricultural Information Service, *Icelandic Agricultural Statistics*, Reykjavik.
- [11] Agricultural Economic Institute, *Agricultural Accounts*, Hvanneyri.
- [12] National Economic Institute, *Agriculture 1945-1989*, Reykjavik.