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Iceland

Exporter Guide

Report

2002

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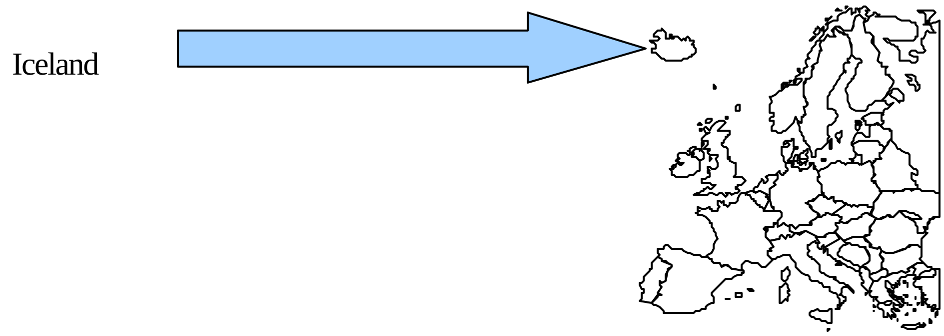
Report Highlights:
This Report provides information to U.S. companies interested in doing business in Iceland. It focuses on exports of consumer-oriented foods and beverages, edible fishery products and food ingredients.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
The Hague [NL1], IC

Section I. Market overview



Key Population data

	1990	1993	1997	2000
Total population	255,708	264,919	272,069	282,849
Annual growth rate (%)	0.87	1.04	0.87	1.48
% Youth (age < 15)	25	26	25	25
% Elderly (age >64)	11	12	12	12
Number of households	90,677	93,943	96,478	100,301
Population density (persons/sq. km)	2.5	2.6	2.6	2.7

- Iceland's supermarket industry reported sales of $452 million in 2000.
- Two supermarket chains, Baugur and Búr with 94 outlets and a total market share of 71% dominate the market.
- Iceland's food manufacturers supply a wide range of pork, poultry, dairy products, seafood, beer, soft drinks and fruit and vegetables (mainly tomatoes, cucumbers and lettuce and potatoes) during the domestic growing season.
- It is estimated that 75% of products sold in supermarkets are imported.
- Iceland imported about $76.8 million in consumer-ready food products in 2000. The U.S. market share was about 11%.
- U.S. exports of consumer ready foods to Iceland consist mainly of "shelf-stable" canned or dried food products as well as frozen vegetables.
- The Icelandic retail sector is covered by 5-9 wholesalers supplying supermarkets, neighborhood stores, mini-markets, discount stores, gas marts, and kiosks. These wholesalers are also the biggest importers. In addition, a limited number of individual importers (about 150) also supply the retailers.
- Warehouse outlets and wholesale clubs have not yet made an appearance.

Advantages	Challenges
Well organized trading system, everyone speaks English	Strict agriculture regulations for importers
Favorable image of U.S. products	Tariffs and quotas
Growth potential for branded products	Low overall growth
Increased interest for organic food	Label and ingredient requirements

Section II. Exporter Business Tips

Following are some generalities about Icelandic Business practices:

- Practically all Icelanders speak English; there is no language barrier for Americans doing business in Iceland.
- Icelanders are direct in their verbal and written communication. They do not mean to be rude but don't want to waste your time or theirs.
- Likewise, Icelanders expect you to come straight to the point. They give you their frank opinion and will let you know if you have something to offer them or not.
- Since Icelandic food buyers, and product managers are fully responsible for the buying process and profits the product will bring, they prefer to deal with the decision-makers.
- Icelanders prefer a close working relationship that is almost a partnership. Once you start doing business they expect continued support.
- Icelanders usually know their business and what competitors are doing. They understand the need to make a profit, but they can be tough negotiators.

General Consumer Tastes and Preferences

U.S. brands are generally well known and have a good image. The Icelandic market differs from most other European markets in that a large proportion of the U.S.-brand foodstuffs sold here are still imported directly from the U.S., rather than being processed in-country as is the practice in much of Europe. Icelandic importers say that Icelandic consumers are sophisticated enough to tell the difference between the U.S. and European versions of a product, and usually prefer the U.S.-made version. In addition, U.S.-made products are often perceived as being of better quality than the European processed foods.

As a result of changing demographics and increased wealth, Icelandic eating habits are changing. Consumers are demanding convenience, fresh foods, more variety, and more specialty food items. Organic, health and convenience foods present potential.

GMOs are not a controversial issue in Iceland. Although Iceland follows EU regulations, GMO labeling requirements are not being implemented in Iceland.

Food Standards and Regulations

The marking and labeling requirements for products sold in Iceland are numerous and vary from product to product. The requirements may originate from either Icelandic or EU laws and regulations. For the exporter to comply, the assistance of the Icelandic importer is essential. As a general rule, consumer products must be labeled in English, Icelandic or in another Nordic language (except Finnish). Certain products must be marked clearly with the country of origin. Ending dates or "Best before" dates must be clearly indicated.

Official certificates of health and of origin (sanctioned by the Chief Veterinary Officer) are required for dairy and livestock products. The certificate needs to confirm that dairy and livestock products do not come from animals that have been given growth stimulants or drugs.

Labeling of processed and frozen food imported from the US is subject to Icelandic regulations, which generally follow European Union rules. In most cases, the importer can do any necessary re-labeling after arrival of the goods to Iceland. Weights and measures must be stated in the metric system. Labels and marking must accurately describe the contents of packages. The responsibility for compliance with Icelandic regulations falls on the importer. Exporters should carefully follow importers´ instructions because failure to do so can cause customs delay and extra expenses.

Section III. Market Sector Structure and Trends

In Iceland supermarkets hold an 87 percent market share, while kiosks and gas stations make up the balance. This illustrates the strong position of the supermarkets in Iceland.

Retail food stores, 2000

Retail type	Turnover, million $	Market share, %	Number of outlets
Supermarkets, discount stores and neighborhood stores	392	86,5	140
Kiosks	28	6,5	N/A
Petrol stations w/ minimarts	33	7	21

Total	453	100	161

- Specialty stores are losing market share to the supermarkets because they do not have economies of scale.
- Discount supermarkets and convenience store chains are gaining market share.
- Relatively new food retailers in the Icelandic market are convenience stores in gas stations, and neighborhood food stores.
- Within the supermarket groups, the two largest, Baugur and Búr are increasing their market share, while smaller, supermarkets are declining or merging.

Company Profiles

In Iceland, because of concentration and the small market, only a few companies do most of the retail food buying.

Top ranking wholesalers (2000):

Group Name	Int. buying agent	Shop type	Number of outlets	Market share, percent
Baugur	Aðföng	Retail chains: Supermarkets, neighborhood stores, discount stores	48	46%
Kaupás	Búr	Supermarkets and neighborhood stores	46	25%
Samkaup/ Matbær	Búr and (Valgardur)	Supermarkets and discount stores	30	16.5%

Buying Procedures

Icelandic supermarkets buy most of their products from independent wholesalers, both large and small. The larger supermarket chains like Baugur and Kaupás import about 15% of their product themselves and buy 85% of their stock from independent wholesalers. Smaller supermarket chains buy their products exclusively from the independent wholesalers.

Entry Strategy

The Icelandic market is in some cases very difficult to enter particularly when dealing with agricultural products. To be well prepared and have good knowledge of rules and regulations before entering the market would be the best strategy. The Icelandic importer has often made up his own mind about a product before being approached by a seller. Therefore, it is essential to be ready to negotiate prices, discounts, delivery periods, and ordering time. Icelandic importers/buyers are well informed of competitor prices and quality.

New products on the U.S. market can have good potential on the Icelandic market because there is great interest in American products in Iceland. The Icelandic supermarket chains often introduce new products in campaigns planned several months ahead. Exporters should be prepared to contribute to these.

Certain U.S. produced products cannot be sold in Iceland because they do not comply with Icelandic regulations governing ingredients and additives. Importers must be asked to assure that products meets regulations

The two large European trade shows, ANUGA in Cologne and SIAL in Paris are visited by Icelandic importers/buyers, who show great interest in U.S. exhibitions. The FMI show in Chicago is well known among Icelandic importers and has been visited by most Icelandic buyers, although not every year.

Section IV. Best High-Value Product Prospects

A. Products in the Market which have a Good Sales Potential

- U.S. sweet corn
- Baby food
- Ketchup
- Pet food
- Wine
- Dried Fruits
- Breakfast cereals
- Fruits and vegetables

B. Products not present in Significant Quantities but which have a Good Potential

- Organic products (with proper marketing)
- American cheese and butter
- Ready to serve products/frozen prepared food
- Pastry
- Dressings
- Ice-cream

C. Products not Present Because They Face Significant Barriers

- Biscuits (duties and non-acceptance of bleached flour)
- Juices packed for retail sale (duties)
- Fresh meat (hormone-free requirement)

Section V. Key Contacts and Further Information

Office of Commercial Affairs, American Embassy, Reykjavik, Iceland
Postal Address: PSE 1003, Box 40, FPO AE 09728-0340
Phone: +354 562 9100, Fax: +354 562 9139, e-mail: econ-comm@usa.is
Visitor Address: Laufasvegur 21, Reykjavik

Office of Agricultural Affairs (OAA), American Embassy, Copenhagen, Denmark
Postal Address: PSC 73 American Embassy, APO AE 09716
Phone (direct): +45 3526 1081, Fax: +45 3543 0278, e-mail: agcopenhagen@fas.usda.gov
Visitor Address: Dag Hammerskjölds Alle 24, Copenhagen O, Denmark

Additional questions concerning Icelandic agricultural issues can be addressed to the Icelandic Ministry of Agriculture, Chief Veterinary Office, Solvholsgata 7, IS-150 Reykjavík.
Phone: +354 560 9750, Fax: +354 552-1160.
Internet: www.government.is/interpro/lan/lan.nsf/pages/lan
e-mail: postur@lan.stjr.is

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) [1/]	$142/17%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%) [1/]	$113/19%
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) [1/]	$59/1%
Total Population / Annual Growth Rate (%)	282,849/1.48%
Urban Population / Annual Growth Rate (%)	192,637/1.48%
Number of Major Metropolitan Areas [2/]	1
Size of the Middle Class / Growth Rate (%) [3/]	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	$30,597
Unemployment Rate (%)	2,1
Per Capita Food Expenditures (U.S. Dollars)	$6,789
Percent of Female Population Employed [4/]	69%
Exchange Rate (US$1 = X.X local currency), AVERAGE 1999/September 2000	78.87/104.60

Footnotes

1/ Use FAS' web-enabled UNTrade database (HS 6-digit option; Import Market Share BICO 3-Yr format)
2/ Population in excess of 100,000
3/ Defined as excluding the not economically active population
4/ Percent against total number of women (16 years old or above).

TABLE B. Consumer Food & Seafood Imports

Iceland Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
CONSUMER-ORIENTED AGRICULTURAL TOTAL	134	122	113	23	20	19	17	16	17
Snack Foods (Excl. Nuts)	18	17	15	1	1	1	7	6	7
Breakfast Cereals & Pancake Mix	8	7	7	4	4	3	56	51	47
Red Meats, Fresh/Chilled/Frozen	1	1	1	0	0	0	0	0	0
Red Meats, Prepared/Preserved	1	1	1	1	1	1	3	11	33
Poultry Meat	1	1	1	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	1	1	1	1	1	1	0	1	2
Cheese	1	1	1	1	1	1	4	6	4
Eggs & Products	1	1	1	1	0	1	0	0	0
Fresh Fruit	15	11	10	4	3	2	28	24	24
Fresh Vegetables	7	5	4	2	1	1	23	19	21
Processed Fruit & Vegetables	15	14	13	4	3	3	25	21	25
Fruit & Vegetable Juices	3	4	4	1	1	1	21	25	18
Tree Nuts	1	1	1	1	1	1	11	16	10
Wine & Beer	13	13	13	1	1	1	7	8	10
Nursery Products & Cut Flowers	2	2	2	1	1	1	2	2	1
Pet Foods (Dog & Cat Food)	2	2	2	1	1	1	46	39	43
Other Consumer-Oriented Products	47	44	39	5	6	5	12	13	13
FISH & SEAFOOD PRODUCTS	64	73	59	6	2	1	9	2	0
Salmon	1	1	0	0	0	0	0	0	0
Surimi	1	1	1	1	0	0	89	0	0
Crustaceans	20	41	44	1	1	1	1	0	0
Groundfish & Flatfish	31	22	10	5	1	0	16	2	0
Molluscs	2	3	1	1	1	1	16	33	1
Other Fishery Products	11	8	3	1	1	1	0	2	2
AGRICULTURAL PRODUCTS TOTAL	174	152	142	30	25	25	17	17	17
AGRICULTURAL, FISH & FORESTRY TOTAL	289	272	244	39	30	28	13	11	11

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C. Top 15 suppliers of Consumer Food & Edible Fishery Product

Iceland - Top 15 suppliers

CONSUMER-ORIENTED AGRICULTURAL TOTAL				FISH & SEAFOOD PRODUCTS		
	1998	1999	2000		1998	1999
$1,000						
United States	23368	19962	18998	Norway	10005	19772
Denmark	15941	14304	15498	Estonia	3015	8695
United Kingdom	16432	15669	14485	Russian Federation	24098	16007
Netherlands	13189	11455	11550	Lithuania	2181	3741
Ireland	8147	8533	6816	Canada	3682	2397
Germany	6925	5929	5920	Latvia	988	2977
Sweden	10636	9541	5811	Portugal	376	2739
Spain	6313	5343	5036	Poland	218	1551
France	4732	4745	4927	Denmark	1887	1327
Italy	3879	3756	3416	Spain	327	486
Norway	3204	2960	3057	Faroe Islands	5116	3808
Belgium	0	3557	2842	Germany	1814	1853
Switzerland	2415	2243	1868	Thailand	603	384
Canada	1510	2031	1712	China (Peoples Republ	8	38
South Africa	0	0	1230	Falkland Islands (Islas I	0	902
Other	17235	11771	9799	Other	9792	6699
World	**134024**	**121894**	**113040**	**World**	**64114**	**73376**

Source: United Nations Statistics Division

Table D. List of Importers of Food

Asbjorn Olafsson ehf.
Skutuvogi 11a, IS-104 Reykjavik
Tel: +354 588-7900, Fax: +354 588-7990

Asgeir Sigurdsson ehf.
Vatnagordum 20, IS-104 Reykjavik
Tel: +354 595-4000, Fax: +354 595-4004

Bergdal ehf.
Vatnagordum 12, IS-104 Reykjavik
Tel: +354 568-0888, Fax: +354 568-0747

Birgdaverslun Gripid og Greitt
Skutuvogi 4, IS-104 Reykjavik
Tel: +354 575-2200, Fax: +354 575-2210

Bjarmi sf., heildverslun
Borgartuni 29, IS-105 Reykjavik
Tel: +354 552-3112, Fax: +354 562-4530

Meistaravorur, umbods- og heildverslun ehf.
Funahofda 17a, IS-110 Reykjavik
Tel: +354 568-7000, Fax: +354 568-7001

Daniel Olafsson hf.
Skutuvogi 3, IS-104 Reykjavik
Tel: +354 580-6600, Fax: +354 588-6666

Dreifing ehf.
Vatnagordum 8, IS-104 Reykjavik
Tel: +354 588-1888, Fax: +354 588-1889

E. Olafsson ehf.
Grofinni 1, IS-101 Reykjavik
Tel: +354 562-2690, Fax: +354 562-3890

Eggert Kristjansson hf.
Sundagordum 4, IS-104 Reykjavik
Tel: +354 56805300, Fax: +354 568-0785

Gunnar Kvaran hf.

Vatnagordum 22, IS-124 Reykjavik
Tel: +354 588-3700, Fax: +354 588-3744

GV heildverslun ehf.
Midhraun 16, IS-210 Gardabaer
Tel: +354 555-6040, Fax: +354 555-6046

H. Sigurmundsson ehf.
Strandvegi 75-79, IS-900 Vestmannaeyjar
Tel: +354 481-2344, Fax: +354 481-2343

Heilsa ehf.
Sundaborg 1, IS-104 Reykjavik
Tel: +354 533-3232, Fax: +354 533-3233

I. Brynjolfsson & Co. hf.
Austurstrond 3, IS-121 Reykjavik
Tel: +354 561-1590, Fax: +354 561-1592

Innnes ehf.
Fossaleyni 19, IS-112 Reykjavik
Tel: +354 530-4000, Fax: +354 530-4050

Isflex ehf.
Starmyri 2, IS-108 Reykjavik
Tel: +354 588-4444, Fax: +354 588-4445

Islensk Ameriska verslunarfel. hf.
Tunguhalsi 11, IS-110 Reykjavik
Tel: +354 587-2700, Fax: +354 587- 0087

Islenskur Markadur hf.
Keflavikurflugvollur, IS-235 Keflavikurflugvollur
Tel: +354 425-0450, Fax: +354 425-0460

John Lindsay hf.
Skipholti 33, IS-105 Reykjavik
Tel: +354 533-2600, Fax: +354 533-2620

Karl K. Karlsson ehf.
Skutuvogi 5, IS-104 Reykjavik
Tel: +354 540-9000, Fax: +354 540-9040

O. Johnson & Kaaber hf.

Saetuni 8, IS-105 Reykjavik
Tel: +354 535-4000, Fax: +354 562-1878

Ora hf.
Vesturvor 12, IS-200 Kopavogur
Tel: +354 564-1995, Fax: +354 554-1941

Olafur Gudnason hf.
Skutuvogi 1f, IS-104 Reykjavik
Tel: +354 568-4100, Fax: +354 568-4110

Rekstrarvorur
Rettarhalsi 2, IS-110 Reykjavik
Tel: +354 520-6666, Fax: +354 520-6665

Rolf Johansen hf.
Skutuvogi 10a, IS-104 Reykjavik
Tel: +354 595-6700, Fax: +354 595-6750

Rydenskaffi hf.
Midhrauni 16, IS-210 Gardabaer
Tel: +354 575-5500, Fax: +354 575-5501

Standberg ehf.
Bildshofda 18, IS-110 Reykjavik
Tel: +354 587-5240, Fax: +354 587-5243

Slaturfelag Sudurlands SVF
Fosshalsi 1, IS-110 Reykjavik
Tel: +354 575-6000, Fax: +354 575-6090

Te og Kaffi hf.
Stapahrauni 4, IS-220 Hafnarfjordur
Tel: +354 555-1910, Fax: +354 555-1950

Valdimar Gislason-Ispakk ehf.
Austurhraun 7, IS-210 Gardabaer
Tel: +354 575-8000, Fax: +354575-8001

Valgadur Stefansson hf.
Osevri 3, IS-603 Akureyri
Tel: +354 460-0000, Fax: +354 460-0001

P. Bjorgulfsson hf.
Hafnarstraeti 19, IS-600 Akureyri
Tel: +354 462-5411, Fax: +354 461-2099

Thordur Sveinsson & Co. ehf.
Studlahalsi 1, IS-110 Reykjavik
Tel: +354 525-2660, Fax: +354 525-2650

Walter Hjaltested & Co. sf.
Geitastekk 3, IS-109 Reykjavik
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XCO hf.
Skutuvogi 10b og 12d, IS-104 Reykjavik
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Bur ehf
Skutuvogi 10f, IS-104 Reykjavik
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Goddi ehf
Audbrekku 19, IS-200 Kopavogur
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Agnar Ludvigsson hf
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Elgur heildverslun
Silungakvisl 11, IS-110 Reykjavik
Tel: +354 567-4060, fax: +354 588-6550

Table E. List of Importers of Beer, Wine and Spirits

Austurbakki hf.
Kollunarklettsvegi 2, IS-104 Reykjavik
Tel: +354 563-4000, Fax: +354 563-4090

Braedurnir Ormsson ehf.
Lagmula 8-9, IS-108 Reykjavik
Tel: +354 530-2800, Fax: +354 530-2810

Lind (owned by Daniel Olafsson, import wine & spirits)
Skutuvogi 3, IS-104 Reykjavik
Tel: +354 568-6699, Fax: +354 568-6690

Globus hf.
Skutuvogi 1F, IS-104 Reykjavik
Tel: +354 522-2500, Fax: +354 522-2550

HOB ehf.
Kaplahrauni 1, IS-220 Hafnarfjodur
Tel: +354 555-6600, Fax: +354 555-6606

Heildverslun Albert Gudmundsson
Grundarstig 12, IS-101 Reykjavik
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Allied Domecq Spirits & Wine, Iceland.
Tunguhalsi 11, IS-110 Reykjavik
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Kisill hf
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Olgerdin Egill Skallagrimsson ehf
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