

**The Minister of Fisheries and Agriculture and the Minister of Finance
and Economic Affairs, for the National Treasury, and the Farmers’
Association of Iceland hereby enter into the following**

Framework Agreement

on the general operating environment for the agricultural sector and on appropriations not provided for in the agreements on the operating environment for the horticultural, cattle and sheep sectors in the period between 2017 and 2026:

Article 1

Introduction and objectives

1.1 The main objective of this agreement is to strengthen Icelandic agriculture and provide the sector with the largest possible variety of opportunities for expansion. The aim of the agreement is to provide the agricultural sector with a framework conducive to creating economic value and to making the most of opportunities present in the country’s rural areas, for the benefit of farmers, consumers and society at large. This development must be founded on specificity, sustainability and diversity. For that purpose, the agreement contains provisions on new projects designed to strengthen the operational basis of the agricultural sector and promote development and innovation.

1.2 Objectives:

- To ensure that the general operating environment for the production and processing of agricultural products, as well as the support provided by the government, are such as to promote continued advances in cost effectiveness, increased competitiveness and a diverse supply of quality produce capable of being sold at fair prices.
- To ensure that farmers have access to advisory services and record-keeping software to support the achievement of the agreement’s objectives.
- To ensure that agricultural production respects principles relating to animal welfare, the wholesomeness of produce, environmental protection, and sustainable land management.
- To increase the share of organic production.
- To ensure that the government’s support contributes to the continued development of the sector and the improved financial situation of farmers.
- To facilitate recruitment in order to enable the necessary generational change among producers, and ensure that existing farms can make the most of the government’s support.

Article 2

Eligibility requirements and payment arrangements

2.1 Payments under this agreement may only be made to producers who carry out agricultural activities at a registered farm or horticultural operation, who have a value-added tax number, and whose operations are classified under either of the sectoral codes 01 and 02 of ÍSAT2008, Statistics Iceland’s sectoral classification, excluding operations classified under codes 01.61, 01.62, 01.63, 01.64, 01.70 or 02.40.

- 2.2 Spouses or partners who run an agricultural operation jointly may apply for any payments under the agreement to be divided equally between each party concerned.
- 2.3 The table in Annex I lists the amounts available for individual projects during the period of validity of the agreement.

Article 3

Advisory services

- 3.1 The Farmers' Association of Iceland shall allocate funds made available for advisory services under this agreement. The Association may allocate such funds to the Icelandic Agriculture Advisory Centre (Icelandic abbreviation: RML). Moreover, the Association may allocate funds for the purpose of covering the cost of reviews pursuant to Article 5.
- 3.2 The main points of focus in each field are as follows:
- **Land cultivation:** Improved general cultivation practices; cost-effective feed production having a minimal impact on the environment. Maintenance of cultivation; recultivation – grass, green forage, and cereals. Judicious use of fertilisers, having regard to cost factors and environmental considerations, including maximum utilisation of manure. Stronger domestic feed production.
 - **Horticulture – greenhouse production (geothermal):** Quality assurance having regard to cost factors and the minimal use of chemicals. More advanced electric illumination; a push to boost production; a longer growing season; and increased crop diversity.
 - **Animal production:** Increased productivity; more diverse and higher quality products; healthy and long living animals; and more cost-effective production. Continued development and implementation of best-practice breeding methods; continuous re-evaluation of breeding objectives, having regard to consumers' expectations; and increased farmer participation in breeding programmes.
 - **Farm management and financial advice:** An emphasis will be placed on cooperation, and on creating links to farm operation programmes, such as feed and fertiliser programmes. Other areas of emphasis will be the cost-effectiveness and profitability of any farm investments.
 - **Organic farming:** Studies should be conducted to examine the prospects for marketing organic produce and the possibility of adapting individual farms and production practices to organic farming.
 - **Sustainable development and land use:** Sustainable land use should be encouraged through better-targeted grazing management, as well as through education, including on the importance of cultivated land and biological diversity.
 - **Buildings and agricultural technologies:** A special emphasis will be placed on farm management advisory services, considering changes in farming, evolving technologies, and new regulations pertaining to animal welfare.

- 3.3 The cost of higher pension payments to former agricultural consultancy employees shall be paid by the Farmers' Association of Iceland from the funds allocated to advisory services under Article 3.1.

Article 4

Breeding projects

- 4.1 The Farmers' Association of Iceland shall allocate funds made available for breeding projects under this agreement. For that purpose, projects relating to such aspects as breeding records, breeding stations and quarantine facilities should be prioritised. Additionally, emphasis shall be placed on plant breeding projects, in particular the breeding of seed potatoes and studies on vegetable variety selection.

Article 5

Land cultivation and farmland payments

- 5.1 The Icelandic Food and Veterinary Authority shall allocate funds made available for land cultivation under this agreement. Financial contributions available during the term of the agreement will be allocated to land cultivation, that is the cultivation and recultivation of hay fields, the growing of cereals, as well as the cultivation of other forage crops and open-field vegetable growing. Support may be paid out on account of damage on farmland caused by swans and geese.
- 5.2 The Icelandic Food and Veterinary Authority shall allocate funds made available for farmland payments under this agreement. Farmland payments shall be paid in regard to all cultivated land bearing forage crops. No payments may be made in regard to land which is only used for grazing. A precondition for the payment of subsidies is the existence of an officially recognised field map of the plots for which a financial contribution is sought, and evidence that the plots are harvested in the same year as the contribution is paid, as confirmed by recorded harvest data.
- 5.3 No producer may receive financial contributions pursuant to both Article 5.1 and Article 5.2 for the same plots in the same year. Funds not paid out pursuant to Article 5.1 or Article 5.2 may be transferred between the two components.

Article 6

Recruitment

- 6.1 The Icelandic Food and Veterinary Authority shall allocate funds made available for new entrants to farming under this agreement. The objective is to help new entrants to farming and encourage generational succession in agriculture.

Article 7

Organic production

- 7.1 The Icelandic Food and Veterinary Authority shall allocate funds made available for conversion to organic production under this agreement. The objective is to help producers to meet the requirements for organic production of agricultural products, and to increase the supply of such products in the

market. The funds are intended to support the conversion to organic production methods.

Article 8

Assessment of vegetation resources

- 8.1 The parties to the agreement agree to launch a project for the assessment of vegetation resources during the term of the agreement. The Minister of Fisheries and Agriculture will appoint a group of experts to oversee the project. The tasks of the group will include the summing up of existing research in this field and the promotion of further research. The Agricultural Productivity Fund shall administer funds made available for the project.

Article 9

Goat farming

- 9.1 The Icelandic Food and Veterinary Authority shall allocate funds made available for goat farming under this agreement. The objective is to increase the supply of goat products, and to provide support for the preservation and breeding of the Icelandic goat.

Article 10

Investment subsidies in pig farming

- 10.1 The Icelandic Food and Veterinary Authority shall allocate funds made available for investment subsidies in pig farming under this agreement. The objective is to make it easier for, in particular, smaller pig farming operations to speed up the adaptation to new regulations on the welfare of pigs.

Article 11

Financial resources for agricultural development projects

- 11.1 The Agricultural Productivity Fund shall allocate funds made available for development projects in the horticultural, cattle and sheep sectors under this agreement, after obtaining the opinion of the Advisory Board for the respective sector. The objective is to support teaching, research, advisory services and development in the aforementioned sectors. The division of these financial contributions shall be such as to allocate 38% to the horticultural sector, 14% to the cattle sector and 48% to the sheep sector.
- 11.2 The parties to the agreement agree that in the period leading up to the planned revision of the agreement in 2019, funds will be made available for development work in other agricultural sectors than those referred to in Article 11.1, in consultation with the Agricultural Productivity Fund.

Article 12

Forestry products

- 12.1 The Minister of Fisheries and Agriculture shall allocate resources intended to support new initiatives by forest growers to the National Forest Owners organisation (LSE). The objective of the contributions is to increase the value of forestry products, and to strengthen the processing of forestry raw material as well as product development and supply, thereby supporting the increased profitability of forestry. The LSE is to submit a yearly report to the Ministry regarding the allocation of the funds.

Article 13

Agricultural Productivity Fund

- 13.1 During the term of the agreement, the Agricultural Productivity Fund will receive annual contributions which the Fund is to allocate to support projects to increase employment in rural areas, in accordance with Act No 89/1966 on the Agricultural Productivity Fund.
- 13.2 The parties to the agreement will make arrangements to revise the legislation currently in force on the Fund. Concurrently, priorities will be laid down concerning the projects to be supported by the Fund during the term of the agreement. The goal is for a revised act to come into force in 2017.

Article 14

Genetic Resource Council

- 14.1 The parties to the agreement agree that the Icelandic Genetic Resource Council should be guaranteed, over the term of the agreement, the payment of specific annual contributions to cover the cost of the Council's tasks as defined in the Agricultural Act, No 70/1998, as amended. In addition, the Council shall perform tasks relating specifically to the preservation of livestock breeds.

Article 15

Fees for services provided to users

- 15.1 The Farmers' Association of Iceland and other entities performing tasks pursuant to the Agricultural Act, No 70/1998, may collect fees for services they provide under this agreement, as authorised by Article 3, third paragraph, of the Agricultural Act, No 70/1998, and in accordance with the applicable tariff approved by the Minister of Fisheries and Agriculture.

Article 16

Financial guarantees and procedure

- 16.1 The financial guarantees provided by the government are limited by the amounts specified in this agreement.
- 16.2 The Farmers' Association of Iceland is responsible for the implementation of those components of the agreement the administration of which has been entrusted to it.
- 16.3 The Farmers' Association of Iceland may delegate to its member associations, and/or to a society/company in its ownership and operating under its responsibility, the performance of certain tasks under this agreement, provided that this is in compliance with the provisions of Article 40 of the Act on Public Finances, No 123/2015.

Article 17

Supervision of the agreement

- 17.1 The Minister of Fisheries and Agriculture is responsible for supervising the implementation of the agreement.

- 17.2 The Minister of Fisheries and Agriculture shall have access to all information recorded by the Farmers' Association of Iceland in relation to the implementation of the agreement. The Farmers' Association of Iceland must keep records containing information about beneficiaries of contributions allocated by the Association, contribution amounts, projects supported by the contributions, and payment dates. The Farmers' Association of Iceland must record specifically any complaints received in relation to the implementation of the agreement, as well as the manner in which complaints are dealt with by the Association.
- 17.3 A report compiled by the Farmers' Association of Iceland and detailing total amounts of contributions paid out is to be submitted every year to the Minister of Fisheries and Agriculture, and should itemise all amounts by eligible project or activity.
- 17.4 The Farmers' Association of Iceland must separate in its annual accounts between finances covered by this agreement and its other activities.

Article 18

Reallocation

- 18.1 Where so decided by the Committee for the Implementation of National Agricultural Agreements, funds may be reallocated between components of the agreement up to an annual limit of 20% of the appropriations for each component.

Article 19

Price indexation

- 19.1 Annual contributions under this agreement shall be as decided in the 2016 National Budget and shall be adjusted annually in accordance with price indexations applied in each annual National Budget. Where the average value of the consumer price index (the annual mean) differs from the reference value used in the National Budget for the year in question, a correction shall be applied in the National Budget for the following year.

Article 20

Revision

- 20.1 This agreement is to be revised twice during its term: in 2019 and in 2023. In the context of each revision, the focus is to be placed on the extent to which the agreement's objectives have been reached, any assessment of this taking into account the agreements on the operating environment for the horticultural, cattle and sheep sectors. When conducting the latter revision, the parties to the agreement may decide to initiate negotiations on a new agreement, which could come into force in 2025.

Article 21

Reservation

- 21.1 This agreement applies with the reservation that Iceland's international obligations may change as a result of the Althing's decision.

Article 22

Term and implementation

- 22.1. This agreement shall apply between 1 January 2017 and 31 December 2026 inclusive.
- 22.2 The Minister of Fisheries and Agriculture shall issue a Regulation stipulating the arrangements for awarding grants pursuant to Articles 5, 6, 7, 8, 9 and 10, and which shall provide for application deadlines, criteria for awarding grants, eligibility requirements for receiving payments, contribution amounts, and conditions for reductions to be applied. It shall furthermore contain provisions on the registration of land and plots, inspections, and limits on contributions under Article 5. The Minister of Fisheries and Agriculture shall also issue a Regulation on application deadlines, payment arrangements, eligibility requirements, the submission of reports, and the publication of results in regard to grants awarded by the Agricultural Productivity Fund under Article 11.2.
- 22.3. The Parties to the agreement will consult regularly on the implementation of the agreement; any such consultation should take place within the Committee for the Implementation of National Agricultural Agreements. During the term of the agreement, the Committee is to gather information on the evolution of the production and sales of agricultural products, product prices, imports and exports of agricultural products, the evolution of farm net income, and other information relevant to the implementation of this agreement, as well as on the implementation of the agreements on the operating environment for, respectively, the cattle, sheep and horticultural sectors. On the basis of the aforementioned information, the Committee should decide on reallocations between components of this agreement, and proceed in a similar manner for the agreements on the operating environment for, respectively, the cattle, sheep and horticultural sectors.
- 22.5 In the event of a dispute regarding the implementation of the agreement, the parties agree to appoint for each such case a three-member arbitration panel to rule on the dispute. Each party to the agreement is to nominate one member to the panel. The Supreme Court shall be asked to nominate the Chair of the panel, unless the parties can agree on the third member. A ruling by an arbitration panel is binding upon the parties to the agreement.
- 22.6. This agreement is signed, on behalf of the Government of Iceland, with the reservation that the necessary legal provisions must be adopted by the Althing.
- 22.7. This agreement is made in three identical copies. Of these, one shall be kept by the Farmers' Association of Iceland, one by the Minister of Fisheries and Agriculture, and one by the Minister of Finance and Economic Affairs.

Protocol on regional affairs

The parties to the agreement agree to initiate measures to strengthen the infrastructure and demographics of rural areas. This should include identifying approaches which contribute to greater sustainability in rural areas and boost local food production and processing, not least for the purpose of creating more added value in these regions. Special consideration should be given to the development of infrastructure, such as

transport, telecommunications and electric power, as well as to the potential inherent in rural areas and their participation in efforts to manage climate impacts. Furthermore, measures to strengthen farmers' finances and facilitate generational succession on farms even further should be considered.

To implement this, the Minister of Fisheries and Agriculture will in the spring of 2016 appoint a cooperation group for the parties to the agreement with the mandate to form proposals for measures conducive to the objectives outlined above.

Reykjavik, 19 February 2016

For the Government of Iceland

For the Farmers' Association of
Iceland

Sigurður Ingi Jóhannsson
Minister of Fisheries and Agriculture

Sindri Sigurgeirsson
President of the Farmers'
Association of Iceland

Bjarni Benediktsson
Minister of Finance and Economic Affairs

Annex I

Table – Amounts in ISK millions

Framework	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Advisory services – Article 3	519	503	486	467	450	432	414	396	378	359
Breeding projects – Article 4	60	59	59	58	58	58	57	57	56	56
Land cultivation payments – Article 5	369	366	365	361	359	356	353	350	347	344
Agricultural Productivity Fund – Article 13	128	128	128	128	128	128	128	128	128	128
Financial resources for agricultural development projects – Article 11	92	91	91	90	90	89	88	87	86	86
Organic production – Article 7	35	34	34	34	34	33	33	33	33	32
Forestry products – Article 12	15	15	15	15	14	14	14	14	14	14
Investment subsidies in pig farming – Article 10	99	98	98	97	48	0	0	0	0	0
Farmland payments – Article 5	247	246	245	342	341	339	337	335	333	331
Assessment of vegetation resources – Article 8	30	30	29	29	29	29	28	28	28	28
Recruitment – Article 6	128	127	126	125	124	123	122	121	120	119
Goat farming – Article 9	15	15	15	15	14	14	14	14	14	14
Genetic Resource Council – Article 14	7	7	7	7	7	7	7	7	7	6
Framework agreement total	1,743	1,719	1,699	1,766	1,697	1,622	1,595	1,569	1,542	1,516