

**Source:** Estonian Statistical Office

Year	2005	2004	2003	2002	2001
Value added in agriculture and hunting in current prices (MEEK)	3 453,8	3 224,9	2 773,7	2 732,4	2 756,1
Relative share in value added (%)	2,4	2,6	2,5	2,6	3,0
Value added in agriculture and hunting in 2000 constant prices (MEEK)	2 539,4	2 545,5	2 397,3	2 351,0	2 466,8
Change in comparison with the previous year (%)	-0,2	6,2	-4,7	-1,1	5,1
Employed in agriculture and hunting (aged 15–74) (thousand EEK)	23,4	24,2	25,9	30,1	29,0
Employment (%)	3,9	4,1	4,4	5,1	5,0

**Table 1.** Relative share of agriculture in value added and employment, 2001–2004

**Estonia is an old agricultural country with a tradition- at food industry.** Crop husbandry, as the main activity and source of livelihood for Estonians, has its roots in the Bronze Age; local fields emerged in the 5<sup>th</sup> century. Food exports developed as early as the 17<sup>th</sup> century and have been repeatedly recognised on the European market. Both crop and livestock production increased due to the more favourable growth conditions. Agricultural output increased 7% in base prices in 2005 compared to the previous year. The most important branch of agriculture is animal husbandry, within which dairy farming ranks first. The main crop products are cereals, oil crops, potatoes, vegetables, and flax. 2005 was a favourable year for agricultural production. Milk yields also increased, milk quality improved, the quantity of milk bought and the buying-in price of milk both increased. Meat production has stabilised over the past four years. The biological yields of field crops were good and the climate at the time of harvesting allowed the crops to be harvested without major losses. The active growth period of plants (average daily temperature constantly above 10°) was 12 days longer than usual and occurred later than average. Active heat accumulation was 2016°, which is 202° more than the average for previous years. Precipitation was 306 mm in summer (from 1 May to 31 August); this exceeds the average by 20 mm.

## ESTONIA

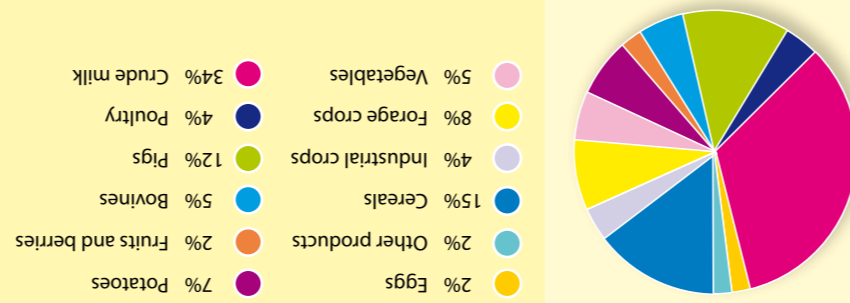


**Source:** Estonian Statistical Office

Year	2005	2004	2003	2002	2001
Number of holdings in 2003	1 090	1 051	1 051	1 090	1 090
Total	<10 ha	10<50 ha	50–<100 ha	>=100 ha	>=100 ha
Agricultural land in 2003, ha	795 640	795 640	795 640	795 640	795 640
2005	27 688	18 078	7 346	946	1 317
2005	828 926	71 009	150 864	65 043	542 011

**Table 2.** Number of holdings and distribution of agricultural land used by them, broken down by holding size (structural surveys from 2003 and 2005)

Of all holdings, 65% used a smaller area of land than 10 ha and this accounted for 8,6% of all agricultural land. A majority of agricultural land (65%) is used by holdings using more than 100 ha of land each; an average holding of this size category holds 411 ha of agricultural land.



**Figure 1.** Structure of the value of agricultural production in 2005

According to preliminary information, the value of agricultural output (including support payments) in 2005 was BEEK 7,9, of which crop production, livestock production and other production accounted for 37,5%, 53,4% and 9,1%, respectively. The largest production value is created in milk production (Figure 1).

**Source:** Estonian Statistical Office, Ministry of Agriculture

Crop	2005 (preliminary)	2004	2003	2002	2001
Total cereals	2 747	2 773	2 330	2 330	2 747
incl. rye	2 704	2 228	1 811	2 228	2 704
winter wheat	3 642	70,3	19,3	2 869	70,3
summer wheat	2 922	197,6	2 357	1 302	2 357
barley	2 598	3 656,1	2 307	2 307	2 598
Total legumes	1 463	6,1	4,1	757	4,1
Sprng swede rape	1 817	77,5	42,7	1 356	42,7
Potato	14 220	224,8	15,8	10 335	15,8
Sown area of field crops	517,3	495,4	495,4	495,4	517,3

**Table 3.** Production of the main crop products in 2003, 2004 and 2005

According to the preliminary data from the Estonian Statistical Office, cereal production totalled 761 800 t in 2005, which is 153 700 t or 25% more than in 2004. Potato production totalled 224 800 t, which is 36% more than in 2004 (165 700 t), and rapeseed and turnip rapeseed production amounted to 77 500 t, which is 13% more than in the previous year (65 600 t in 2004).

## CEREAL GROWTH



## PREPARATION OF THE ESTONIAN RURAL DEVELOPMENT STRATEGY (RDS) AND RURAL DEVELOPMENT PLAN 2007–2013 (RDP)



As an EU Member State, Estonia can participate in the Community's rural policy and benefit from the EU budget for support of rural development. In the next EU budgetary period 2007–2013, Estonia will be able to use the resources of the European Agricultural Fund for Rural Development (EAFRD). The strategy and development plan cover the period 2007–2013 and are focused on objectives pertaining to the competitiveness of the Community's agriculture and forestry, land maintenance and the environment, life quality and the diversification of rural enterprise, while taking account of the specific features of Estonia's rural life.

A steering committee has been set up to prepare the "Estonian Rural Development Plan 2007–2013", composed of representatives of the Ministry of Finance, Ministry of Economic Affairs and Communications, Ministry of Internal Affairs, Ministry of the Environment, Agricultural Registers and Information Board, Estonian

Chamber of Agriculture and Commerce, Central Union of Estonian Agricultural Producers, Estonian Farmers' Federation, Estonian Council of Environmental NGOs, Estonian Private Forest Union, Young Estonian Farmers' non-profit association, Kodukant Village Movement, Estonian University of Life Sciences, ETNA in Estonia non-profit association, and Estonian Association of SMEs, who have made proposals for drawing up the development plan. Additional questions about the sectors are also discussed in the axis-based working groups that accompany the steering committee. Reports on the drafting process have been presented to, among others, the Council for Agriculture and Rural Development and the Rural Affairs Committee of the Riigikogu. The draft strategy and development plan are available on the Ministry of Agriculture's website at [www.agri.ee/mak](http://www.agri.ee/mak).

Pursuant to Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), the Member States are to prepare a rural development strategy and rural development plans as a part of rural development programming.

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The strategy and development plan have the following main objectives:

- improving the competitiveness of a majority of agricultural holdings and the agricultural processing industry to such an extent that agricultural holdings can cope during conditions of reduced market support and direct aid after the end of the programming period (after 2013). In forestry, the objective is to enhance the long-term competitiveness of forestry to a level that ensures the restoration of forest potential in forests damaged by natural disasters and fires as well as appropriate preventive activities, sustainable management of private forests and maintenance of employment in rural areas, and supports a broader use of forestry products and services;
- the agricultural production practices should ensure a good status for the environment, and agricultural land use shall be maintained in areas where this is essential to landscape formation and the preservation of areas of high ecological value. Forest management and protection are based on the principles of sustainable forestry and ensure a good status of the environment;
- diversification of rural enterprise, particularly in less-favoured areas, and an improvement of rural life quality. These objectives are pursued in parallel by developing enterprise on the one hand and strengthening local initiative on the other;

- granting the local level greater powers of decision, so that by 2009–2010 most rural municipalities are covered by local action groups that have drafted and implemented development strategies for their respective areas.

The strategy and development plan distribute the resources between the axes as follows:

- competitiveness of the agricultural and forestry sector – 40%;
- improvement of the environment and locality – 39%;
- rural life quality and diversification of rural enterprise – 21%;
- LEADER – 10%.

Within the framework of the EU new programming period (2007–2013), beginning on 1 January 2007, about EEK 1.9 billion of public sector funding will be available to Estonia for supporting agricultural and rural development.

### Vegetable growth and consumption

According to the Statistical Office, open-field vegetables were grown on 3000 hectares in 2005, which is only 0.54% of the sown area of field crops. The amount of sown area has decreased by 500 ha or 14% since 2004. The production of open-field vegetables totalled 50 700 t, including 17 800 t (35%) of cabbage, 15 600 t (31%) of carrots, 6200 t (12%) of beetroot and 2300 t (4%) of swede. The production of other vegetables was lower. The production of greenhouse vegetables (mainly tomatoes and cucumbers) was about 12 000 t. Flowers and ornamental plants were grown on 11 hectares, in greenhouses.

Total vegetable resources (production + import) were 85 800 t in 2004/2005. Production accounted for more than 50% of the total resources. The rest was imported (32 200 t). A total of 76 700 t of fresh (i.e. not industrially processed) vegetables were used for human consumption. The average annual consumption of vegetables was 56.9 kg per capita.

### Fruit and berry growth and consumption

The total area of orchards and berry gardens was 11 700 ha in 2005 and they yielded 16 800 t of production. Apples formed the bulk of it: 10 700 t or 63%. Among berries, strawberries (2300 t or 14%), red currants (1100 t or 7%) and black currants (900 t or 6%) were the largest crops. Other fruits and berries were produced to a lesser extent.

The total resources of fresh fruits and berries were 62 900 t in 2004/2005. The quantities of these products are not sufficient to cover Estonia's needs. Imports accounted for 87% of the total resources. Citruses and apples were the largest import products in this category. A total of 52 800 t of fresh fruits and berries were used for human consumption. The average annual consumption of vegetables was 56.9 kg per capita.

### Biomass and bioenergy

Modern technology allows for using not only energy crops, but any kind of biomass for the production of heat, electricity and liquid biofuels. It would be most lucrative for agricultural producers to be able to count on marketing biomass when planning their production profiles and hedging their production risks. This requires the establishment of a modern biomass processing industry in Estonia. Estonian farmers are currently paid under the single area payment scheme for growing energy crops. A separate subsidy for energy crops (45 EUR/ha) will be paid beginning in the year 2007. The Ministry of Agriculture is drawing up a development plan for promoting the use of biomass and bioenergy. The development plan is aimed at reducing the uncertainty for investors by assessing the physical and economic availability of different types of biomasses, including wood and wood waste, as well as waste and agricultural crops, defining the priorities for the types of biomass used and the methods of their development, and specifying the promotional measures to be taken. Relying on directive 2003/30/EC, Estonia's objective is to increase the indicative share of biofuels and other renewable fuels to 5.75% of the diesel and petrol fuels available on the market by 2011, calculated by the energy value of the fuels. Another plan being drafted is the Rural Development Plan for 2007–2013, which provides for investment aids for producers of biomass and bioenergy.

Figure 2. Number of cows, total milk output and yield per cow in 2000–2005

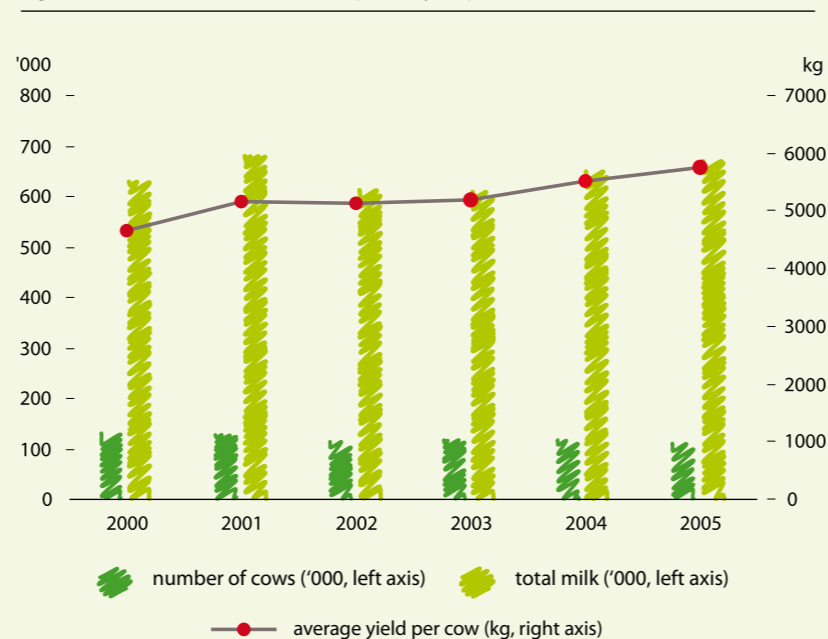
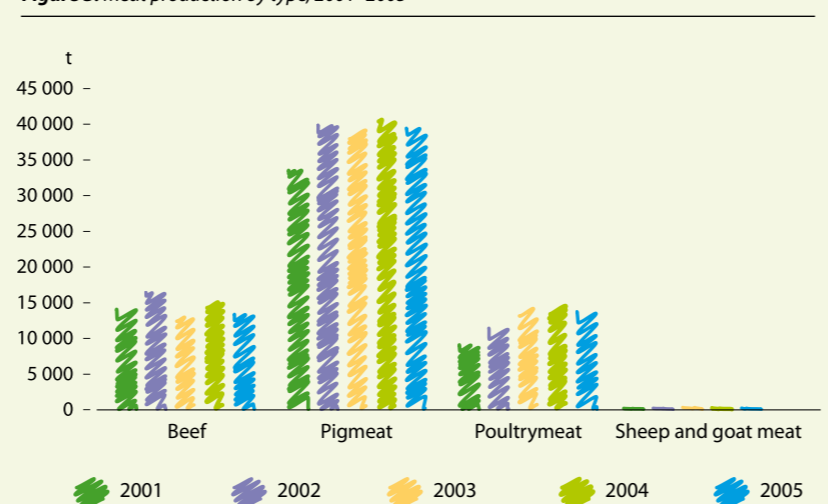


Figure 3. Meat production by type, 2001–2005



### MILK PRODUCTION

According to preliminary data, 670 400 t of milk was produced in 2005, which is 18 000 t or 3% more than in 2004. Järva County produced the largest quantity of milk: 115 500 t, followed by Lääne-Viru County with 78 800 and Pärnu County with 72 600 t.

As of 31 December 2005, there were 112 800 cows in Estonia, which is 3 700 cows or 3% less than at the same time in 2004. The number of cows decreased mostly on account of small producers' giving up the dairy business, while major producers increased their numbers of cows in order to fulfil the milk quota and to be able to increase the quota in the future.

### MEAT PRODUCTION

Meat production amounted to 67 100 t in 2005, which is 6% or 4200 t less than in 2004 (71 300 t). Beef, poultry meat and pork production decreased 12%, 7% and 3%, respectively, since 2004.

Meat production has stabilised over the past four years to an annual level of 67 000 – 70 000 t. Pork accounts for more than one half of total meat production.



### OTHER RURAL ECONOMY SECTORS

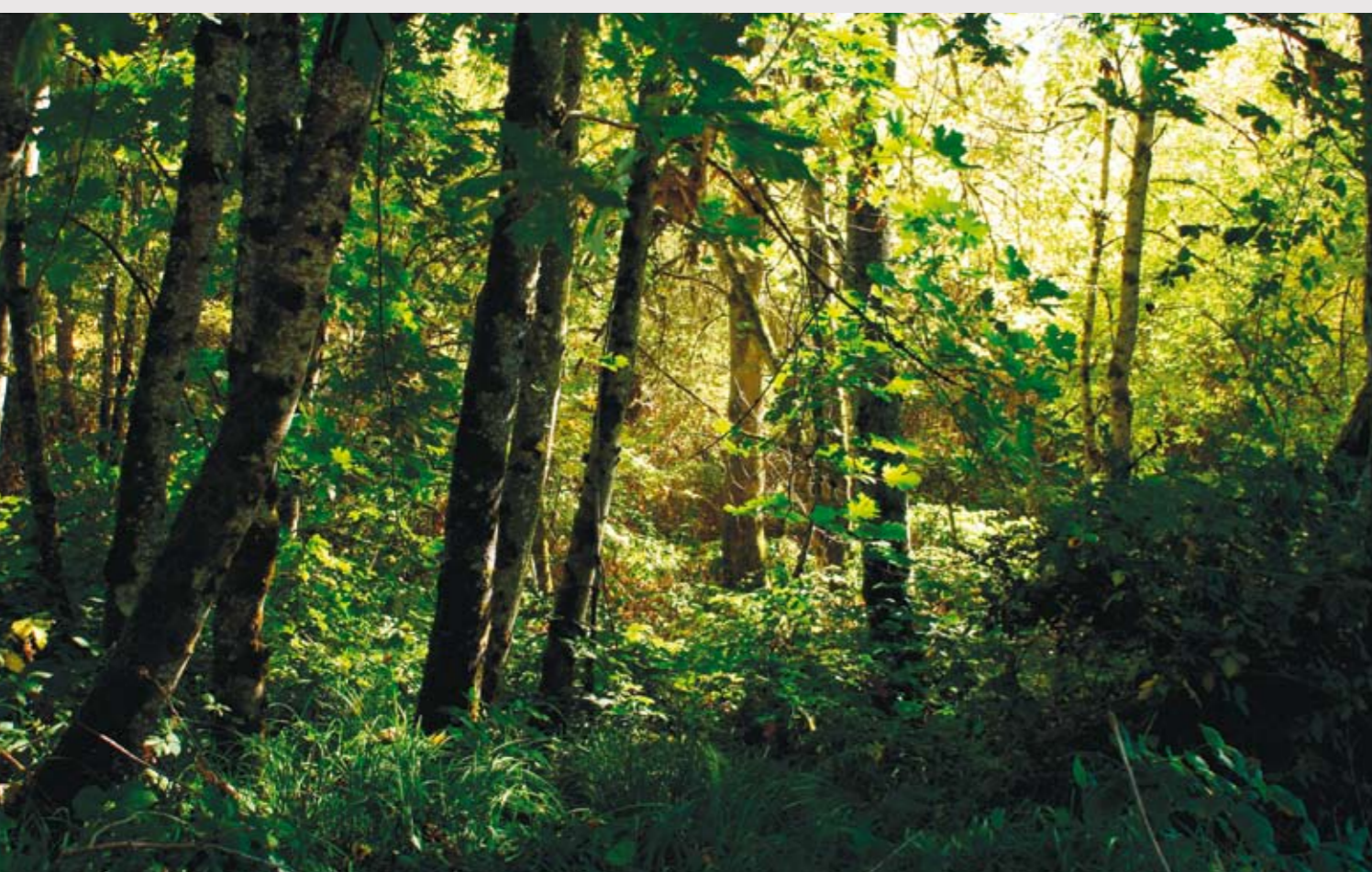
#### Development of rural tourism

The rural tourism sector consists of rural accommodation undertakings in villages, towns and small towns with a population less than 10 000.

There were 663 approved or registered accommodation establishments in rural areas in 2005, which is 21% more than in 2004. Bed-and-breakfast facilities and holiday homes account for more than a half (56%) of all rural accommodation establishments. The number of holiday villages and hotels is somewhat smaller (29%) and the number of hostels, guest houses, motels and visitor's apartments is the smallest (15% in total).

Rural accommodation establishments are concentrated in the major tourism areas such as the islands (Saaremaa and Hiiumaa), where 32% of the establishments are located, and the Valga and Võru counties of southern Estonia, which are the places of operation of 20% of all rural accommodation establishments. Tourism investments continued in 2005, with support from the Structural Funds.

Support for the development of rural tourism was available in 2004 under Measure 3.3 "Diversification of economic activities in rural areas". While in 2004, tourism projects with MEEK 35 of public sector support were approved, by the end of 2005, MEEK 17 of projects had been completed along with MEEK 35 of investments. Investments continue and the remaining projects will receive payments provided that the requirements are met. The buildings and facilities needed for serving tourists are reconstructed and accommodation and catering enterprises are modernised in the course of rural tourism activities.



### PRIVATE FORESTRY

The state owns about 850 000 ha of the total 2.2 million ha of Estonian woodlands. About 60% (800 000 ha) of woodlands will be passed into private ownership as the land reform draws to a close. Approximately 60 000 persons have become forest owners by now; most of them lack the experience and skills needed for forest management. A large portion of private forest owners (60–70%) live far from their forest holdings. The management of

private forests by the owners themselves has not been continuous due to historical reasons.

Although the average forest holding is 12 ha, it should be stressed that the size of most cadastral units in each county is 1–4.9 ha, and forest covers less than 10 ha of 80% of cadastral units. Less than 1% of Estonian forest owners have 100 ha of forest or more.

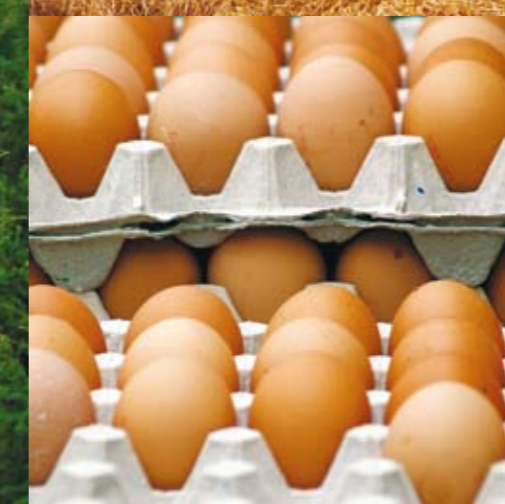


Organic farming has grown in popularity in Estonia in recent years, not just among producers, but also among consumers. According to the data from the Plant Production Inspectorate, as of 18 October 2006, we had 1176 organic farms with a total of 73 700 ha of land (including 9 900 ha of non-agricultural land). This is more than 8% of the agricultural land used in Estonia.

A vast majority of organic land, over 80%, is grasslands, including natural, permanent and short-term grasslands. 12% is under cereals. Most organic farms rear livestock and grow crops i.e. these are diversified farms. At the end of 2005, about 12 000 bovine animals (ca 5% of the total) and 17 000 sheep (ca 30% of the total) were reared in line with the requirements for organic farming. The numbers of pigs and poultry reared on organic farms were smaller.

Although primary production has developed relatively well in recent years, the supply of local organic products on our market is not yet sufficient because of the small number of relevant processing plants.

There were only 13 approved organic processing plants in Estonia, as of October 2006. However, consumers are greatly interested in organic products and this gives hope for the rapid development of this sector in the near future.



### SUBSIDIES FOR AGRICULTURAL PRODUCERS

Subsidies for agriculture, fisheries, rural development and the food industry can be applied under the four relevant sets of procedures and conditions:

- European Union Common Agricultural Policy Implementation Act (**CAP Implementation Act**);
- Estonian Rural Development Plan 2004–2006 (**RDP**);
- Estonian National Development Plan 2004–2006 (**NDP**);
- Rural Development and Agricultural Market Regulation Act (**domestic support**)

The first three are financed from four structural funds of the European Union (EU):

- European Agricultural Guidance and Guarantee Fund (EAGGF), which supports the reorganisation of both agriculture and rural life;
- Financial Instrument for Fisheries Guidance (FIFG), which is aimed at solving the structural problems of fisheries;
- European Regional Development Fund (ERDF), which supports economic development and the creation of new jobs;
- European Social Fund (ESF), which helps increase employment via human resource development.