



Case Study - Estonia's Programming for Smart and Competitive Supply Chains

Introduction

[The Rural Development Programme \(RDP\) for Estonia](#) has planned for a total public expenditure of around €987 million of which over €823 million comes from the EU (equivalent to 0.9 % of the total EAFRD support for Europe).

Estonia has chosen to prioritise the expansion and better targeting of agri-environmental schemes and improved investment in the competitiveness of the sector. The main priority is environmental protection of water, soil, and biodiversity. Around 70% of farmland will be under agri-environmental commitments. However, improving competitiveness remains an important consideration, with Estonia looking to move its produce higher up the value chain.

In terms of funding, most goes towards: environmental management; improving the performance of agricultural holdings; LEADER local development; organic farming; and investment into processing and marketing of agricultural products. Knowledge transfer and advice is also given high priority, with more than 4 000 farmers expected to receive training. The RDP is also designed to help to diversify the rural economy.

[The programme will encourage short supply chains and it will strengthen cooperation](#) between those dealing with producing, processing, and marketing food. It is expected that nearly 2% of farms will be better integrated within the food chain. Agricultural holdings are thus receiving support for participating in quality schemes, local markets and short supply circuits, as well as participating in producer groups/organisations.

When it comes to the EU's rural development Priority 3 - Food chain and risk management and the promoting of food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management, the Estonian RDP is relying heavily on Focus Area 3A - Improving competitiveness of primary producers. With an [11% share of FA3A in the total planned public budget, Estonia is well above the 7.2% average of those using FA3A](#), and has fifth highest overall share according to ENRD figures. The relatively low share of agricultural holdings to receive such support in Estonia ([below the average of 2.6%](#)) reflects the fact that two-thirds of the traditional family farms in the country are so

small that there is no full-time work and that around 25% of farms do not produce any products – they simply maintain the land in good agricultural and environmental condition.

Funding under FA3A is divided amongst a number of Measures with the top three being:

M04 – Investments in physical assets (€50 million); M14 – Animal welfare (€40.7 million); and M09 – Setting up of producer groups and organisations (€6 million).

Developing competitive supply chains

When seen from the vantage point of enhancing smart and competitive agri-food supply chains in Estonia, the main changes in the RDP 2014-2020 compared to previous period is that [there is more attention being paid to R&D and innovation](#). There has also been a prioritisation of food supply chain related activities, several new activities for short supply chain and direct marketing and a greater push towards different forms of cooperation.

The goals of the Estonian RDP are clear:

- Enhanced cooperation between farmers, processors and scientists, implying that R&D and knowledge transfer are up-to-date.
- Stronger market positions for agricultural producers and processors, implying more cooperation in producing, processing and marketing of agricultural products.
- An agricultural sector oriented towards sustainable food production, that is competitive, resource-efficient and having a sustainable age structure.

All of which means that the programme is investing in the processing and marketing of agricultural products, while taking heed of the relative strengths of different actors in the food supply chain.

The programme will encourage short supply chains. Furthermore, it will strengthen cooperation between those dealing with producing, processing, and marketing food. In addition to better integration of agricultural holdings within the food chain, the RDP has also allocated 3.9% of funds for measures related to training, advice and cooperation. It will support 15 co-operation projects and train 4 000 people.

In Estonia, rural employment represents 43% of the total workforce. The successful implementation of the LEADER approach with 99% of the rural population covered by Local Development Strategies (LDS) to be carried out by 26 Local Action Groups (LAGs) will be continued and will also help stimulate innovative supply chains. For the 2014-2020 period, LEADER objectives are to improve competitiveness of enterprises, mainly through implementing cooperative actions and through better usage of regional specificities, including in developing local food.

The new scheme builds significantly on the previous approach and is designed to ensure the farmer and advisor engage in one-to-one discussion on key aspects of a farmer's business such as controlling input costs, environmental sustainability, breeding and herd health. It is complemented by group-based discussion and the sharing of experience and information between farmers.

Estonian Food 2015-2020

The Estonian Food 2015-2020 programme is providing practical support to the rural development objective of fostering a competitive agri-food supply chains in the country.

The initiative saw 18 different food sector organisations represented (including farmers, food processors, chefs, schools and public sector food manager) come together to devise a plan to boost Estonian produce. A series of projects are being targeted at: the Estonian market; export markets; and school children.

The scale of this initiative is impressive. By way of reference, the previous iteration of the programme saw over 400 projects including participation in trade fairs, projects for children, trainings for young chefs, publication of cookbooks, competitions of school canteens, TV promotion as well as mapping of regional food specialties and workshops.

The Estonian Food Month is a flagship campaign organised by the programme to showcase quality Estonian food. Held in September, when many food festivals, fairs and workshops are already taking place around the country, the initiative promotes local food producers and demonstrates that Estonian food is beautiful, tasty and well worth trying.

The RDP supports this effort via: M01 & M02 for knowledge transfer and advisory services; M03, M9 & M16 for cooperation; M04 for investment in processing and marketing of agricultural products; and LEADER.

Strong organic sector

Estonia has been particularly successful in developing its organic farming sector. Support via rural development has allowed the organic food sector expand considerably. By 2013, the organic sector had grown to 15.8% of the total utilised agricultural area. This gave Estonia the third highest share in the EU with 130 000 ha certified and a further 24 500 ha under conversion.

The 2014-2020 Rural Development Programme for Estonia wants to improve the balance of the food supply chain in Estonia. Producer organisations are seen as good way to help farmers get better organised and to market their products better and thus move up the value chain.

A notable characteristic of the Estonian landscape are the drainage systems that have been installed on more than half the agricultural land. Without it, the soil would be waterlogged and farming would be impossible. The need to keep the drainage systems in good condition is reflected in the design of the Rural Development Programme. Thus all of the funding allocated under M11 - Organic farming is housed under Priority 4 - Ecosystems management.

Responding to export market difficulties

Geopolitical changes may be far from the farm gate but they have a very real effect on the agri-food supply chain and the export market in particular. [The impact of the Russian ban on EU agricultural products](#) has been tougher in Estonia than in many other Member States.

The EU responded with an envelope of €6.9 million in November 2014 specifically for the Estonian fruit and vegetables sector and the dairy sector. Following the prolongation of the Russian ban on the EU agricultural imports and the specific market conditions, the European Commission adopted in October 2015 a support package to back those farmers affected most by the current difficulties.

Of the total €500 million budget, €420 million has been made available to Member States, giving them the flexibility to decide how to target the support. The remainder will be used for other short and medium term measures such as the provision of private storage aid for certain products and to promote the expansion of export markets. Under this new package, Estonia will receive another €7.6 million to be allocated to milk and pig farmers. The Estonian authorities will top up this package from national funds.

Additional resources

ENRD RDP Summary

https://enrd.ec.europa.eu/sites/enrd/files/ee_rdp_qnt_summary_v1_3.pdf

Summary

http://ec.europa.eu/agriculture/rural-development-2014-2020/country-files/ee/press-summary-13-02-2015_en.pdf

Factsheet on 2014-2020 Rural Development Programme for ESTONIA

http://ec.europa.eu/agriculture/rural-development-2014-2020/country-files/ee/factsheet_en.pdf

Estonian agriculture is characterised by:

http://ec.europa.eu/agriculture/cap-in-your-country/pdf/ee_en.pdf

- Many areas with high nature value (16.5% of the land is covered by Natura 2000 areas).
- Polarisation between large-sized farms (accounting for 75% of the agricultural area) and small, traditional farms, only providing work for one or two people (with two-thirds of the farms not even providing one full-time job). Many of these have very limited production, but simply maintain the land in good agricultural and environmental condition.
- Rather old farmers (only 6.9% of Estonian farmers are under 35 years old)

