European Commission

ESTONIA

CAP IN YOUR COUNTRY

The Common Agricultural Policy (CAP) is Europe's answer to the need for a decent standard of living for 22 million farmers and agricultural workers and a stable, varied and safe food supply for its 500 million citizens. As a common policy for all 28 EU countries, the CAP strengthens the competitiveness and sustainability of EU agriculture by providing Direct Payments aimed at stabilising farm revenues and finances projects responding to country-specific needs through national (or regional) Rural Development Programmes, which also cover the wider rural economy.

The CAP also provides a range of market measures, including tools to address market difficulties, and other additional elements such as quality logos or promotion for EU farm products, which complete CAP action to support farmers. The CAP budget fixed for the period from 2014-2020 provides a total of EUR 408.31 billion in EU funds with EUR 308.73 billion intended for Direct Payments and market measures (the so-called First Pillar) and EUR 99.58 billion for Rural Development (the so-called Second Pillar).

- covers an area of **45 000 km²**. Around **21% is farmland** and 50% is forest.
- has a population of **1.3 million**, 45% of which lives in rural areas
- has an agricultural sector undergoing an **important structural change** – the average farm holding has risen by 74% (from 22 ha in 2003 to 50 ha in 2013). Public and private investment in this period has also helped to raise competitiveness, productivity and added value from agriculture considerably in the past ten years.
- puts a strong emphasis **on high nature value** and agri-environmental issues, with 16.5% of the country defined under Natura 2000 (including 55 000 ha of farmland) and **more than 15% of its farmland is organic** (or under conversion) - the third highest share of any EU country.

Agriculture and Rural Development

April 2016

INVESTING
in Estonia's Agriculture 2014-2020

In the period to 2020, the new CAP is going to invest around **EUR 1.7 billion**[1] from the EU budget in Estonia's farming sector and rural areas. Key political priorities have been defined at European level such as: jobs and growth, sustainability, modernisation, innovation and quality. In parallel, flexibility is given to Estonia to adapt both direct payments and rural development programmes to its specific needs.

Fairer and greener direct payments

The new direct payments are to be distributed in a fairer way between Member States, and between farmers within the same Member State, increasing the overall amounts available for countries, such as the Baltic States, which had lower allocations in the 2007-2013 period and putting an end to allocations on the basis of "historical references" prevalent in the EU-15.

With a budgetary allocation of **EUR 842 million**, Estonia has seen a substantial rise in its budget for direct payments, despite an overall 3.2% reduction in the budget at EU level. This figure takes into account the Estonian decision to transfer EUR 97 million from its 2015-2020 direct payments envelope to its rural development programme in order to increase the amounts available for more targeted measures. In addition, Estonia is the only Member State to be making the maximum 15% transfer from direct payments to rural development – for the last three years of the period.

A key change in the new CAP is the application of new 'Greening' rules, in order to highlight the benefits farmers provide to society as a whole on issues such as climate change, biodiversity loss and soil quality. Under this system, 30% of the direct payment envelope, paid per hectare, is linked to three environmentally-friendly farming practices: crop diversification, maintaining permanent grassland and conserving 5% of areas of ecological interest or measures considered to have at least equivalent environmental benefit.

The Single Area Payment Scheme (SAPS) will be prolonged until end of 2020 as the system to distribute the resources among Estonian farmers: this system links the amount of support to the area that each farmer declares, with simpler administration.

The Estonian authorities have decided to earmark 3.7% of the direct payments envelope for **voluntary coupled support** (targeting mainly the dairy and suckler cow sector (45%), but also the sheep & goat and fruit & vegetables sectors), as well as to apply the Small Farmers Scheme (with a flat-rate simplified system of support for the smallest beneficiaries). Estonia is applying the standard 5% reduction of direct payments for the largest beneficiaries (amounts above EUR 150 000, following the deduction of salaries), with the goal of achieving a **fairer distribution of the support**.

Other changes introduced in the 2013 CAP reform include stricter rules on **active farmers** eligible for direct payments and a new 25% aid supplement for **young farmers** for the first five years, in addition to already existing installation grants.

1 Total allocation of Direct Payments and Rural Development for the period 2014-2020 (in current prices) for Estonia
2 This amount takes into account the transfer from direct payments to the rural development fund (as decided by the national authorities)

Farmers at the heart of the food supply chain

To improve the balance of the food supply chain in Estonia, EU instruments (such as Producer Organisations) help farmers to get better organised and to market their products better.

Support via rural development – see below – has also helped Estonia to expand its organic farming area, with 2013 figures showing that organic area had risen to 15.8% of Utilised Agricultural Area – the third highest share of any Member State – with 130 000 ha certified and a further 24 500 ha under conversion.

Moreover, the EU organic logo helps consumers choose food produced in a sustainable way.

Supporting key priorities for Estonia's rural development

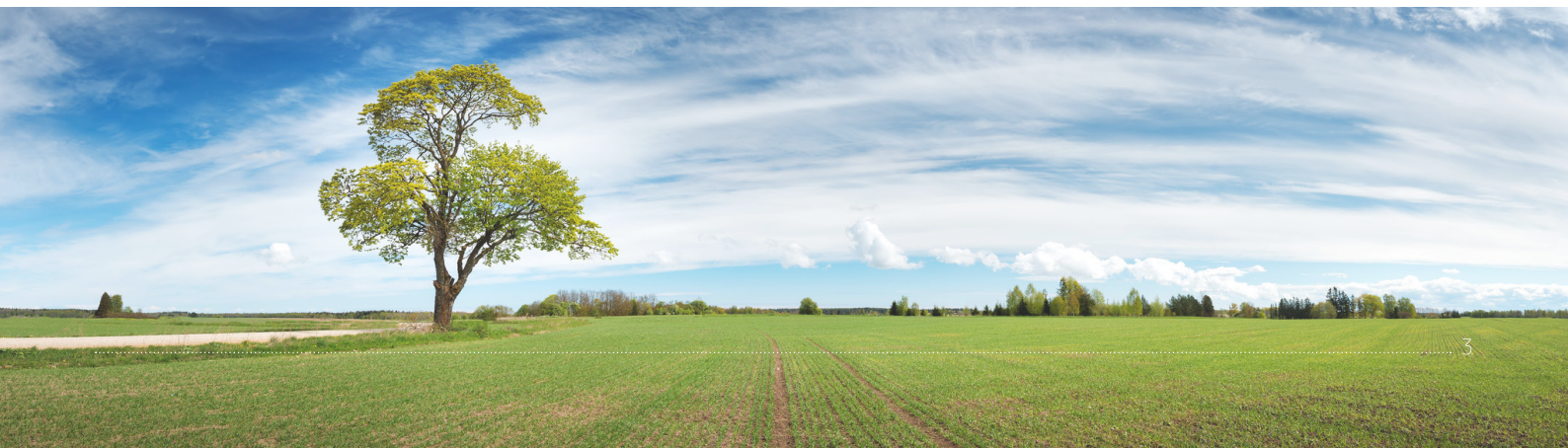
For 2014-2020, Estonia has been allocated **around EUR 823 million for measures benefiting** its rural areas. Based on the options available, the Estonian authorities have fixed the priorities for the coming period in its national Rural Development Programme.

The **2014–2020 Rural Development Programme for Estonia** focuses on the following four main objectives:

- Environmental protection regarding water, soil, and biodiversity (around 70% of farmland will be under agri-environmental commitments)
- Improving the competitiveness of agriculture (4% of farms will receive investment support and 3% of farmers will be helped to set up or take over a farm)
- Knowledge transfer and advice (more than 4 000 farmers will receive training)
- Diversifying the rural economy (creation of 225 jobs in rural areas)

Drainage systems have been installed on more than half the agricultural land. Without drainage, the soil would be waterlogged and farming would be impossible. It is necessary to keep the drainage systems in good condition which is reflected in the design of the Rural Development Programme.

Most funds go support for environmentally-friendly management, investments into improving the performance of agricultural holdings, LEADER local development, organic farming and investments into processing and marketing of agricultural products.



KEY ACHIEVEMENTS

Between 2007 and 2013 the CAP invested **EUR 1 158 million in Estonia's farming sector and rural areas** with the objective of stabilising farmers' incomes, modernising and increasing the sustainability of Estonian farms and securing the supply of safe, affordable and quality food for its citizens.

Estonian farmers benefit from the CAP

Direct payments have been a key safety net and a driver for the modernisation of agricultural holdings. In 2014 Estonian farmers received **EUR 99 million** on **direct payments**, benefitting more than **17 000 farmers and farm businesses**, two thirds of which received a payment below EUR 2 000. From 2003 to 2012 **Estonian agricultural income grew nearly tenfold** (+28.60% on average per year), compared to a doubling (+111%) of wages and salaries in the overall economy (8.7% per year). Moreover, in 2014, the EU spent **around EUR 1 million on market measures** in Estonia, targeting mainly the dairy sector.

Fostering growth and jobs in Estonia's rural areas

In the period from 2007 to 2013, the CAP invested **more than EUR 4 billion** to a whole range of different activities supporting agricultural production and benefitting Estonia's rural areas by allowing to keep diversity in place and to transform it into a feature of economic strength, cultural richness and social cohesion. In 2014, Rural Development funds supported Estonia's agriculture by:

- supporting nearly **6 500 beneficiaries** to manage **Natura 2000** areas covering more than 50 000 hectares.
- providing support for close to 1 350 **organic farmers** on 1.1 million hectares.
- financing schemes for using **environmentally-friendly farming methods** on roughly 1 900 farms (on approximately 400 000 hectares).
- aiding close to 1 000 farmers for maintaining **semi-natural habitats** (25 000 hectares in total).

Example of a Rural Development project supported by the CAP

Construction of bio-ethanol factory

With support from the EAFRD funds, the Kadarbiku Farm constructed a bio-ethanol plant to make better use of the available land resources and minimise production waste. The combination of carrot and cabbage residues and sugar beet grown on previous fallow land is used to make bio-ethanol fuel. The residues from bio-ethanol production can be afterwards dried and sold as fodder. The establishment of the plant has diversified the farm's activities and income base and created 8 full-time and 10 part-time jobs. Furthermore, it is an environmentally sustainable solution to management of farm waste, and a profitable way to use land that was previously fallow due to low gross margins. (Total cost: EUR 3 million, EAFRD contribution: EUR 480 000) More information

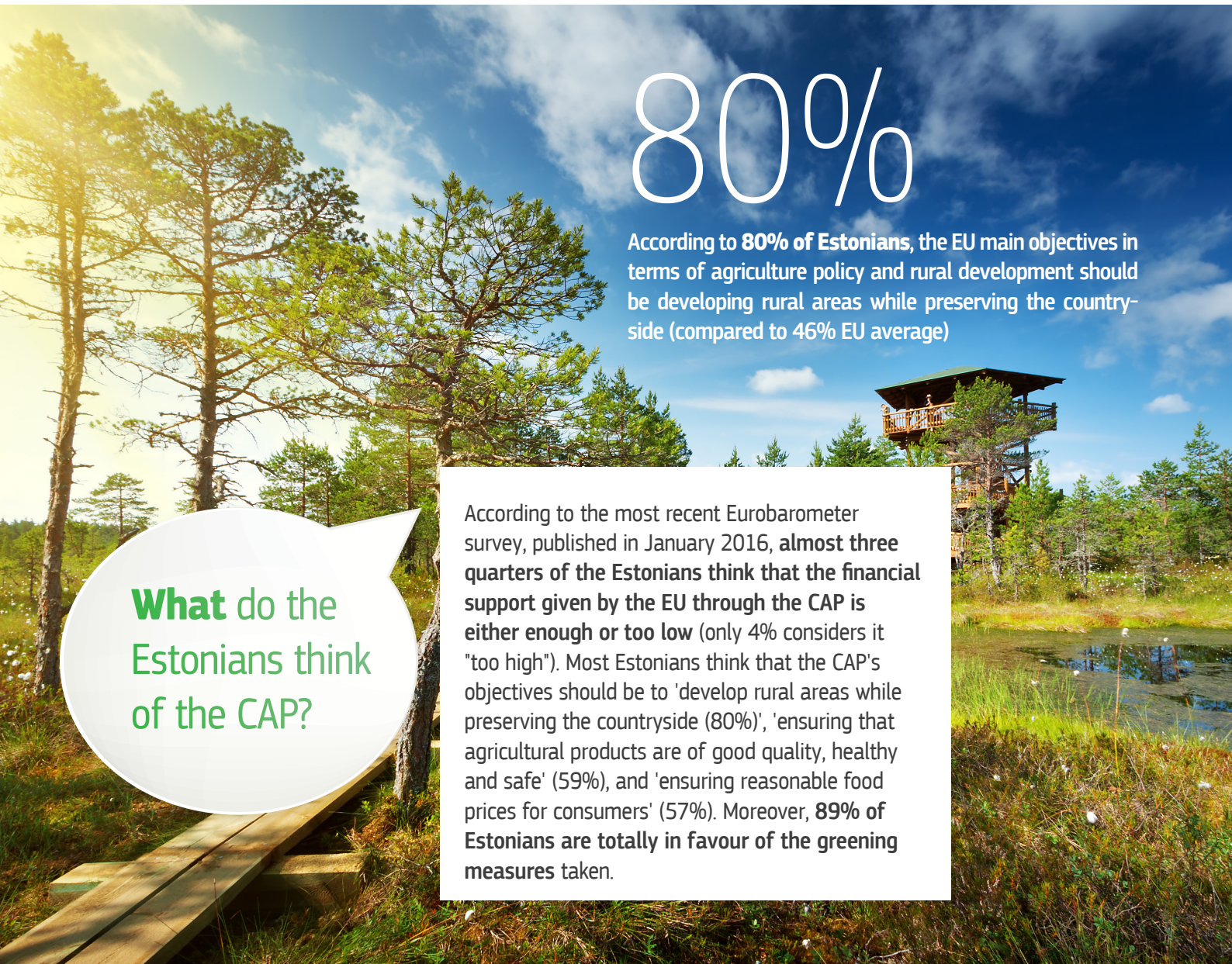
Responding to new market difficulties

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 EUR 6.9 million in November 2014 specifically for the Estonian fruit & vegetables and the dairy sectors.

Following the prolongation of the Russian ban on the EU agricultural imports and the specific market conditions of the summer of 2015, the European Commission adopted in October 2015 a support package worth EUR 500 million to back those farmers affected most by the current difficulties. A total budget of EUR 420 million has been made available for national envelopes to support especially **dairy and livestock sectors** while Member States have the flexibility to decide how to target this support. The remainder of the budget 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 EUR 7.6 million which will be allocated to the milk and pig meat farmers**. The Estonian authorities will top up this package from national funds.

Furthermore, following a series of cases of **African Swine Fever** in Estonia, the EU also provided EUR 790 000 in 2015 for ASF eradication measures.

In spite of the Russian ban, global EU agri-food exports to third countries have performed well, increasing by EUR 6.8 billion in the first 12 months since the ban, relative to the EUR 5.2 billion drop in trade with Russia compared to the same period of the previous year. Major gains have been achieved in exports to the USA, China, Switzerland and other key Asian markets such as Hong Kong and South Korea.



What do the Estonians think of the CAP?

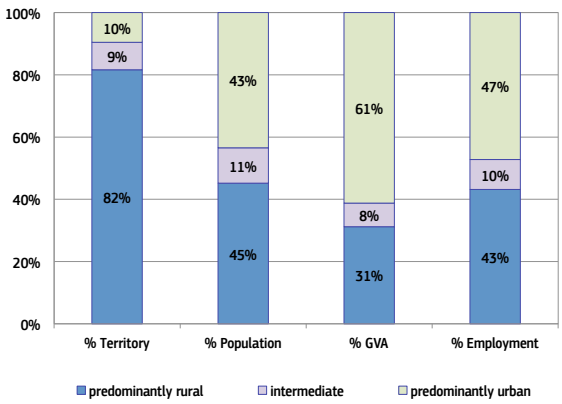
According to the most recent Eurobarometer survey, published in January 2016, **almost three quarters of the Estonians think that the financial support given by the EU through the CAP is either enough or too low** (only 4% considers it "too high"). Most Estonians think that the CAP's objectives should be to 'develop rural areas while preserving the countryside (80%)', 'ensuring that agricultural products are of good quality, healthy and safe' (59%), and 'ensuring reasonable food prices for consumers' (57%). Moreover, **89% of Estonians are totally in favour of the greening measures** taken.

ESTONIAN AGRICULTURE AT A GLANCE

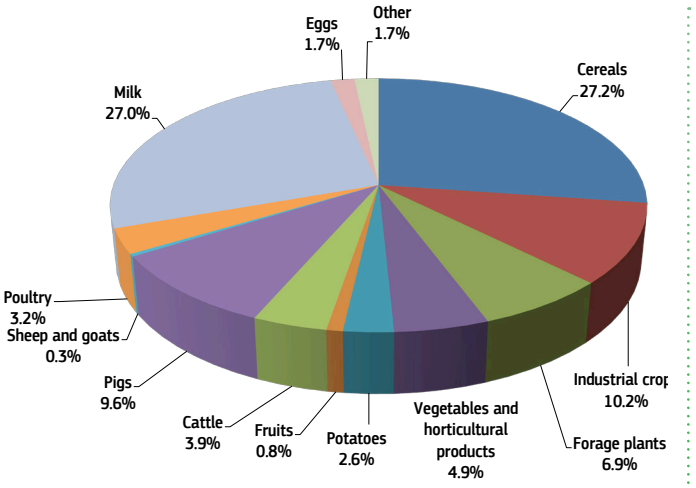
Estonian agriculture is characterised by:

- 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)
- A contribution to Estonia's **economy** with 3.5% of the total GVA (EU-27: 1.7%) and to employment with 4.3% of total employment (5.0% in EU-28).

Importance of rural areas

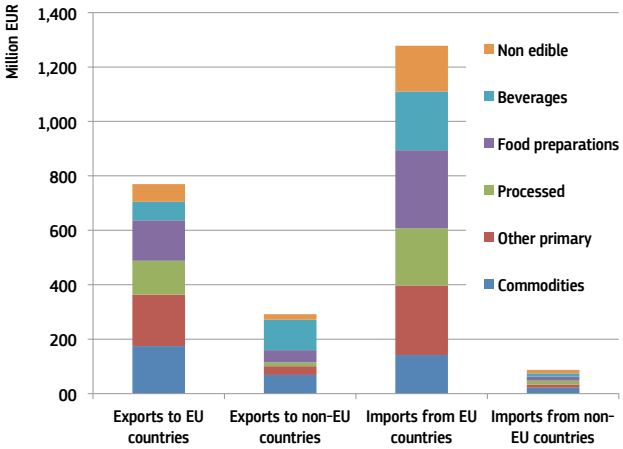


A very diversified production

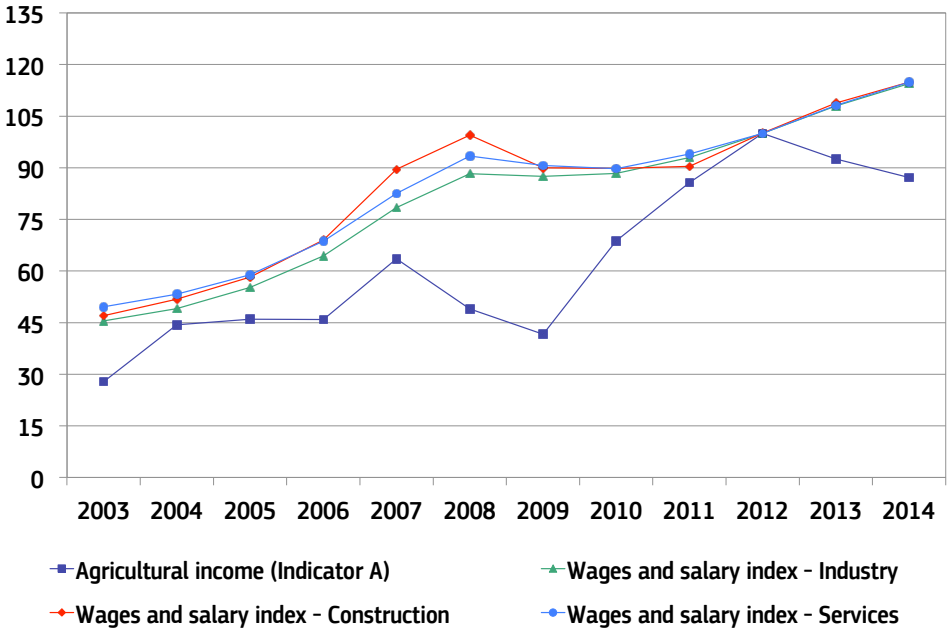


Output components (2013-2015 average); values at constant producer prices

Agricultural trade with EU Member States is highly important for Estonia (2014 data)



Farmer's income continues to be more volatile than wages and salaries in other sectors



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Data sources: Eurostat, Comext.