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IN THE CONTEXT OF RURAL DEVELOPMENT
IN ESTONIA**

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1 Introduction and background

1.1 An introduction to rural employment

The population of Estonia was 1.35 million of 1 January 2005 (Annex; Figure 1.1.1). The population has significantly decreased after the country re gained its independence at first mainly because of migration and after that because of the negative birth rate.

The population density in Estonia is very low compared to the EU; the average population density (on the land area of the country) is 31.3 person per km², while the rural population density is 10.4 person per km² (Annex; Figure 1.1.2). Estonia's population density is also lower compared to the other EU candidate states.

In closer look, the Estonian total population has decreased a little since 2000. The tendency of the last three years has been the slight diminishing of rural population. By 2005, one third (30.4%, 0.41 million inhabitants) of Estonian total population lived in rural areas. Estonian total employed population and the number of people employed in agriculture and hunting sector has decreased. The share of employees engaged in agriculture is 3.8% (23,000 employees in 2005) of total engaged employees in Estonia (Annex; Figure 1.1.3 and 1.1.4).

The main regional development issues for Estonia have been:

- Increased center periphery disparities in economic growth, incomes and unemployment;
- Concentration of economic activities and investments to the capital region;
- Decline in agriculture with resultant increase in unemployment in rural areas;
- Change in the geo-political situation, which has several economic ties with the Russian markets

1.2 Agricultural employment

In 1990-2004 the employment in agriculture has decreased 6 times. In 2004 23,700 people were employed in the agricultural sector, the same figure being 126,900 in 1990. While agricultural employment was 16.6% of total rural employment in 1990, the respective figure for 2004 was 3.6% (Annex, Table 1.2.1).

In 2005, the unemployment rate in rural areas was slightly higher among men (11.8%) than among women (10.8%) and the difference has remained stable over the past five years. The length of unemployment in rural areas has increased, which complicates the situation on the labour market. It is much harder to return to the labour market after long-term unemployment.

The number of people with an undefined employment status among the population of working-age has declined. The household records of rural municipalities have only negative information on every sixth person of working age: they do not work or study full-time, they are not on parental leave and do not receive disability pension. According to the data of the 2005 labour force survey, about one-tenth of the rural non-active job seekers aged 15–74 had given up the search, while the respective figure in urban areas was only 5%.

The low employment rate has a negative impact on the revenue base of local governments and reduces their possibilities to provide rural populations with adequate services. The high unemployment rate and the low quality of services make young people leave rural areas and the local social environment becomes even less attractive.

Restructuring has resulted in the increase of disparities between the center-periphery and eastern and western regions. Regions that have been particularly affected by the negative impacts of restructuring are backward rural peripheries, declining industrial settlements, and small inhabited islands. Disparities can be identified between the main urban centers and rural areas, with large towns proving generally more economically adaptable. In some regions, the decline in agriculture is leading to high levels of migration by young people and skilled workers and rural areas in the East and South-East have the lowest income and the highest unemployment levels in the country. Mono-functional industrial regions have also had greater difficulty in restructuring. (Annex; Table 1.2.2 and 1.2.3)

The sector structure of employment in rural areas shows a sharp decrease in the share of agricultural employment in overall employment during the period from 1991-2004. The primary sector (agriculture, forestry and fishing) lost 73% of its employment share during this period. The main part of this share has been gained by the tertiary sector, whereas the secondary sector has only increased its share by about 20 % of the 1991 share. About 75 % of the labour force in the primary sector is engaged in agriculture and hunting, the rest in fishery and forestry.

1.3 Non-agricultural employment

The Estonian urban population has decreased over the last ten years mainly on account of emigration. The rural population has remained relatively stable: 1989 — 446,800; 1999 — 437,566; 2005 — 412,364 according to the Statistical Office data. The positive dynamics of recent years is directly related to the movement of the inhabitants of Tallinn and Tartu to the surrounding areas of these cities, while maintaining close relations to the city (work, school, services etc).

However, the demographic situation is less favourable in rural areas because of the bigger number of dependants. The ratio of people below and above working age to the population of working age is 54.6% in rural and 46.7% in urban areas. The reason behind this is the migration of young people to cities where the labour market has more to offer them. Non-agricultural employment has been increasing since 1991. (Annex, Figure 1.3.1).

The employment structure has changed over the past 5 years. The share of the primary sector has decreased from 9.2% to 5.3% or from 56,800 to 32,200 employed persons; the share of the tertiary sector has grown (Annex, Figure 1.3.2 and 1.3.3). In 2004, employment was divided between economic sectors in the EU as follows: 4.2% of employed people worked in the primary sector, 29% in the secondary and 66.8% in the tertiary sector. The relative shares of the primary and secondary sectors are thus about 3 and 2 percentage points larger than in the EU, respectively

In the EU, the actual activity rate was 68.9% in 2000; in Estonia it has been over 70%, reaching 73.5% in 2002. In Estonia, the peak of unemployment fell on the years 1999–2001, when it was more than 12%. Unemployment fell to 10.3% in 2002. Compared to the EU, in Estonia the unemployment rate were about 3 and 5 percentage points higher than in the EU in 2002 and 2001, respectively.

In Estonia, the actual activity rate has dropped in recent years, but is still higher than in the EU. Unemployment rate is relatively high in Estonia, over 10%, and about 7% in the EU. The share of employed people has decreased by nearly 5% in Estonia over the past six years and the structure of employment has changed. The greatest changes have taken place in the primary sector, which has shrunk by 16,000 employees. Low wages in agriculture and forestry are probably one of the reasons for this.

The monthly average gross wages have increased nearly 11% a year in the Estonian enterprises. The monthly average gross wages of paid labour in agriculture have been about 40% lower than the average of all enterprises. The gap was the largest in 1999, when an agricultural worker was paid 46% less than the average wages of non-agricultural enterprises.

The growth of wages in forestry has been uneven over years: in 1998–2001, the average wages grew by up to 8% a year, but in 2002, the average wage increased by 15% compared to the previous year. Due to the implementation of CAP support measures, the average wage after the accession into the EU (2004-2006) is rapidly rising.

The different rise of wages has had its impact on the economic sector: while in 1997, a forestry worker was paid 2% higher wages than the Estonian average, the forestry workers' wages were close to the national average in 2005. The lower average wages in agriculture and forestry are one of the reasons for reduced employment in the primary sector.

2 The context of rural employment

2.1 New employment opportunities

The aim of the measure is to increase employment and income level in rural areas through developing rural enterprises, including support to activities leading into non-agricultural micro enterprises, and developing of small enterprises that are using local resources/materials or offering services in rural areas. Support activities are tourism and handicrafts, provision of services in rural areas, and promotion of activities bearing close relation to agriculture.

Only a small fraction of agricultural enterprises –less than 1 percent of the total agricultural enterprises - offer tourist services, and a comparably small number of enterprises are engaged in catering and entertainment. However, tourism is seen as a promising branch of the rural economy, as there are price advantages compared to other Nordic countries. Still, most of the increasing amount of income from tourism stays in Tallinn, and rural tourism still has to be developed.

2.2 Education and skills – levels, access and provision

Present situation

Education indicators show the rural population to be below the urban ones (Annex, Figure 2.2.1 and 2.2.2).

The Ministry of Agriculture has been of the opinion that in order to ensure the training of a new generation of agricultural producers (taking into account the number of students studying agricultural subjects, interest in the area and actual opportunities), two Agricultural Training Centres, supplied with modern teaching and study facilities, should be developed in the State. They should provide practical training conforming to the requirements of students and agricultural producers, distribute information about new technologies, and offer practical training. In order to ensure the availability and wider dissemination of agricultural information that conforms to modern requirements, the training farm would make use of new varieties, animal breeds, plant protection products, fertilizers feedstuffs; the farms should cooperate with research establishments, and provide agricultural advice and consulting. The Türi School of Technology and Rural Economy and Olustvere School of Service and Rural Economics, in which investments have been made over the last years, were intended to become such centers.

Agricultural education development plan

Led by the Ministry of Agriculture, the development plan of agricultural education for 2002–2004 was completed at the end of 2001, which provides a brief overview of the current situation of agricultural education, its strong and weak points and a list of opportunities and threats arising from the external environment. The paper contains a vision of agricultural education and strategic objectives, the development components and results required to achieve them, an action plan for achieving the goals set and the basic notions belonging to the area of vocational education.

On 12 March 2001, the cooperation protocol for 2001–2004 was signed between the Ministries of Education and Agriculture, according to which the parties consider it important to continue cooperation in issues concerning vocational and higher education and science. An annex to the

cooperation protocol provides specific activities for both ministries, which need to be reviewed once a year.

2.3 Other key factors in employment (if any)

Advisory service

Advising is an activity in the course of which practical help is provided to the client in various forms for resolving their (the enterprise's) current problems and conflicts, for increasing adaptability and competitiveness and for identifying their development opportunities.

There are three forms of advising:

- 1) Individual advice — based on specific production activities and aimed at improving production efficiency,
- 2) Group advice — advice is given to a group of producers with similar interests,
- 3) Mass advice — advisory activity aimed at a larger interest group via radio, newspapers, etc.

The agricultural advisory system was initiated in Estonia by a EU PHARE project. The agricultural advisory service component of the World Bank agricultural loan project launched in August 1996 continued the process of building the system. The component consisted of support scheme for the private advisory system; strengthening of the public advisory system (technical assistance and training); and support for rural information centres.

The project that ended in 2002 provided many training sessions in different areas: introduction to the principles of the participation method, efficiency training, group advising and project management training, and training for economic advisers and other specific advisers (livestock farming, plant production, economics, including marketing, alternative rural activities, environmental protection, forestry).

The advisory service is supplemented by the county information centres of the Estonian Chamber of Agriculture and Commerce (ECAC) and the Internet portal for rural undertakings

The goal of the advisory service is to develop agricultural producers by competent advice, to disseminate the information necessary for rural entrepreneurs, and to introduce the topics relating to accession to the EU.

Advisory support granted as State aid means financial aid to an agricultural producer or fish farmer, covering the cost of the individual advice in full or in part.

On average, 2000–2500 producers use the individual agricultural advisory service every year. In June 2003, there were 96 attested advisors in Estonia, who can provide advice with support from the state. Information on attested advisors is available at the Ministry of Agriculture, the Agricultural Registers and Information Board (hereinafter ARIB), farm associations, the Estonian Advisors Association, county governments, and the ECAC information centre. A farmer has to pay a part of the price of advice — the farmer selects a suitable advisor and defines the details of the service needed. The farmer and advisor agree on the price according to the scope and quality of the service.

Individual advisory support has been administered by the ARIB since 2001. ARIB received 1550 applications for advisory support in 2001, of which 1410 were approved for payment. In 2002, ARIB received 1423 applications for advisory support, of which 1134 were approved for

payment. In 2003 advisory support was paid to 747 farmers. Studies have shown that farmers appreciate the activities of advisors highly.

The state finances group advice and county advisory projects via county governments; county specialists decide on the need for projects. Group advice is mainly carried out as one-day training courses. County projects also include several days' training sessions, information publications, and other activities. 147 group advice contracts were made and 3368 people participated in the events in 2001. The average length of an event was six hours; the average number of participants was 24. In 2002, a total of 156 group advice contracts were concluded and 3608 people participated in the events. An average event lasted 6 hours and had 23 participants.

Special attention was paid also to disseminate the information and advice farmers on national agri-environment support in 56 municipalities. In 2003, 28 information days were organised where the principles and the requirements of the support were introduced. During the 33-group advice days through the practical seminar the environment-friendly management plans were prepared in farmer-adviser co-operation. There was also requirement for the 6-hours compulsory training under the environment-friendly management scheme in the 2 special pilot areas. In addition to the aforementioned activities, the special supplementary measures training, field days and common seminars of farmers, advisors, representatives of ministry and inspectors were held. National implementation of the agri-environment support has shown very clearly the need of the good advisory and training service on the successful implementation of the support.

After EU accession, Estonia launched a measure to support farm advisory and extension services under the SPD. This will provide new opportunities for farmers and new challenges for advisors. The measure promotes an enhancement in the knowledge and skills of farmers via advisory, information, and support services.

Information system development

Discussion of the cooperation groups of advisors in 2000 and 2001 reached the conclusion that farmers and advisors themselves need a large-scale system of dissemination of information that would ensure quick access to state, research, and market information.

To reach this aim, a web site of agricultural advisors was launched, a development plan was prepared for agricultural sciences, attention was paid to the organisation of advising private forest owners, development of agricultural vocational schools into in-service training centres, development of the services of public Internet access points; the Estonian Farmers' Federation started to publish the information paper *Hüva Nõu* (Good Advice). Advisors and their support centres have been assisted by procurement of the equipment they need for providing their services.

At the end of 2001, the Ministry of Agriculture launched a project (PIKK project) to improve the efficiency of dissemination of agricultural and rural information and advisory activities. The Rural Development Institute together with the Estonian University of Life Sciences were selected by competition as the implementers of the project that had been launched with help from the World Bank loan. An Internet portal for rural undertakings (<http://www.pikk.ee>) and an information dissemination system with the coordinating national centre and county centres were launched in the course of the project. The information system helps farmers and rural undertakings to find and understand information, and gives the Ministry of Agriculture regular feedback on the information needs of rural undertakings.

In 2002, the coordinating function was performed by the Rural Development Foundation, which guided the county units. The Ministry of Agriculture selected county farm associations as the county units as a result of a competition. The county information units helped those interested to find information and held training days.

The ECAC acts as the national coordinating centre from 2003, and the county units continue to act under the guidance of the information dissemination centre set up at the ECAC. The local farm associations are still the information units in most counties. The aim of the county units is to make the necessary information available to rural undertakings and to keep the Ministry of Agriculture in touch with the information needs of rural undertakings. Besides daily informing activities, the information units organise training days for rural undertakings.

Since 2003, the ECAC information dissemination centre also administers and updates the Internet portal for rural undertakings that was launched under the PIKK project. Information materials needed by rural undertakings are published in cooperation between the ECAC information dissemination centre and the Ministry of Agriculture.

Since 2003, the activities of the ECAC information dissemination centre and the Rural Development Foundation finance the county units, as well as the maintenance of the Internet portal; the Ministry of Agriculture finances the production of information materials in part.

3 Specific rural employment issues

3.1 The nature of under-employment

Labour markets in Estonia are characterised by an unemployment rate of about 10 % according to ILO-definitions, although the estimated job shortage in rural areas amounts to about 20 %, and ranging from 9.7 % to 33.4 % depending on the area. What is remarkable is the high number of commuters working outside their parish of residence, who account for more than one third of employed people.

In 1998, of all employed inhabitants of rural areas, 55,372 (33.5%) worked outside their home rural municipality; the same indicator for 2001 was 71,200 and for 2005 79,800. The number of rural inhabitants working outside their home rural municipality grew by 44 % since 1998 till 2005. The reason lies in better working conditions and remuneration in the cities.

3.2 The scale of semi-subsistence farming

Two support measures in 2004-2006 have positive impact to semi subsistence farming:

- Support for semi-subsistence farms undergoing restructuring;
- The support for less-favoured areas.

These measures should have positive impacts on rural development. The objectives are to encourage the restructuring of farms that are no longer economically viable and, with that, to maintain entrepreneurship in rural areas. The estimated participation for support by 2006 is 5000 farms.

The Commission proposed that the maximum rate of support for semi-subsistence farms undergoing restructuring is EUR 1000 per applicant per year, paid during a period of up to five years. On the basis of the working group's proposal, the maximum rate is applied in Estonia for this measure, i.e. EUR 1000 per applicant per year and up to EUR 5000 during the five-year period.

According to the income declarations for 2001 received by the Tax Board, there were 3800 sole proprietors who declared their income to be 2000-18000 EUR. The estimated participation for

this measure would be 5000 farms. Based on the rate of the measure and the estimated number of applicants the total budget of the measure for the programming period is 13,24 million EUR.

Support is available for sole proprietors engaged in the production of agricultural products if the applicant's gross revenue from agricultural production in the previous year exceeded 2000 EUR and total farm revenue included also revenue from on-farm diversification activities in the previous year do not exceed 18000 EUR.

The applicant must prove economic viability in the form total revenue growth (excluded support for semi-subsistence farms undergoing restructuring), which will have to increase at least 12% by the end of the third year compared to year before applying support.

An applicant must continue with agricultural production during support period.

An applicant must complete necessary investments described in the business plan to become economically viable. Compliance with the business plan is reviewed after three years.

Physical indicators

During 2004 - 2006 approximately 5000 applicants

Total applications every year

2004 – 3840

2005 – 4400

2006 – 5000

Financial indicators

Amount of public expenditure committed (EUR '000)

2004 – 3840

2005 – 4400

2006 – 5000

TOTAL 13 240

Achievement indicators

Approved business plans

During programme approximately 5000 entrepreneurs are supported.

2004 - 3840

2005 – 4400

2006 – 5000

Impact

Applicants will increase revenue more than 12% by the end of the third year of the support period. The measure should have a positive impact on rural development. The objective is to encourage the restructuring of farms not yet economically viable and with that maintain entrepreneurship in rural area.

According to the ERDP ex-ante evaluation report, the economic impact of the measure is positive. The additional income of small farms is clearly measurable and predictable. In 2004, approximately 3800 farms had a turnover of EUR 2000–18000. The estimated participation applying for support is 5000 farms. They all can apply this support. Measure has no clear impact on environment. Only the facilitation of land use may have a positive impact. Social impact is positive. Five years of payments alleviate the social tensions in rural areas.

3.3 The implications of the 'Lisbon Strategy'

From the early 1950s to the beginning of the 1970s, sharp labour productivity growth in Europe was associated with a catching-up process in terms of GDP per capita levels with the US. Then, the comparative growth performance of Europe vis-à-vis the US experienced two marked changes.

Firstly, the gap in terms of GDP per capita levels between the US and the EU did not narrow further after the mid 1970s while the catching up in terms of labour productivity continued. GDP per capita in the EU remains at only 70 % of GDP per capita in the US, i.e. roughly the same relative level as 30 years ago. This relative constant gap in GDP per capita can mainly be explained by a slowdown in the growth of labour input in Europe reflecting an increased unemployment, a decline in employment rates and a fall in average working hours per capita since the 1970s.

Secondly, the catching-up in terms of labour productivity stopped in the mid-1990s. While the average annual growth of labour productivity per hour declined in Europe by a full percentage point from 2.5 % in the first half of the 1990s to 1.5 % over 1996-2003, productivity growth in the US rose by a similar amount to 2.4 % per year. This deterioration of labour productivity growth in Europe occurs at a time when labour input shows signs of improvement. From a growth accounting perspective, the EU's under-performance vis-à-vis the US in terms of labour productivity growth stems from a reduction in the contribution from capital deepening and a decline in multifactor productivity. This is a serious threat for the international competitiveness of business activities in Europe. An important part of the answer to that threat lies with Europe's ability to leverage science, technology and innovation to create higher productivity and economic growth with more and better jobs.

(ftp://ftp.cordis.lup/pub/indicators/docs/2004_1857_en_web.pdf)

Therefore the progress of science and technology is crucial:

- To help European companies innovate and stay competitive
- To create more and better jobs in Europe
- And to keep improving the European way of life

This is why the European Union decided that investment in research should increase in Europe. At present, less than 2% of Europe's wealth (GDP) is devoted to research, which compares poorly with 2.5% in the USA and more than 3% in Japan.

The goal is to approach 3% of GDP for research. This is an important part of the so-called "Lisbon strategy", which consists of a Partnership between the European Union and Member States to transform Europe into a vibrant knowledge economy, in order to boost economic growth, create more and better jobs and ensure lasting prosperity in Europe.

However, since the 3% goal was set in 2002, progress has remained too slow. Yet many concrete measures have been taken by the European Union, as well as by countries and regions, to increase investment in research, which make the "3% objective" a very much alive and exciting venture. In Estonia, for instance, the same indicator is only 1%.

Taking into account the rural development in Estonia (Estonian Rural Development Plan 2007-2013, Draft version) distribution of support measures (EU direct payments + CNDP) are following:

1. Competitive axes	40%
2. Environment axes	40%
3. Social axes for rural areas incl. "Leader program"	20%

Due to the Luxembourg Agreement in the agricultural sector, most premiums have been decoupled in Estonia since 2004. Estonia maintains its SAPS system until 2009 when the SFP system will be introduced.

Decoupled direct payments will be introduced in accordance with the following schedule of increments expressed as a percentage of the level of such payments in the Union: 2004 25%, 2005 30%, 2006 35%, 2007 40%, 2008 50%, 2009 60%, 2010 70 %, 2011 80%, 2012 90%, 2013 100%.

The total direct support the farmer could be granted after accession in Estonia under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme.

4 Overview and prospects

The EU Structural Funds have been available to the Republic of Estonia (hereinafter Estonia) in the form of the SAPARD programme (Special Accession Programme for Agriculture and Rural Development for Central and East European countries) since 2001 under the SAPARD financing agreement between the Commission of the European Communities and the Republic of Estonia. The rural development measures financed from the EAGGF Guarantee Section that Estonia plans to implement are the following:

- Support for less-favoured areas;
- Agri-environmental support;
- Support for afforestation of agricultural land;
- Support for semi-subsistence farms undergoing restructuring;
- Support for meeting standards;
- Additional direct aid payments;
- Technical assistance (supportive measure).

The present document describes the current situation in the rural areas of Estonia and the rural development strategy and the measures arising from it.

SWOT analyses
Rural development.

Strengths	Weaknesses
<ul style="list-style-type: none"> - The labour-force from decreasing agricultural sector is open for other rural activities, for which there are available natural resources (clean environment, forest, picturesque landscape etc.); - The heritage of state and collective farms: vacant and semi-vacant production buildings. 	<ul style="list-style-type: none"> - Lack of jobs in rural areas, long-term structural unemployment reducing labour-force quality; - Small size of local market, - Emigration of young people; - The weakness or lack of representative organisations and the resulting difficulties in organising training and marketing; - The lack of and difficulty in accessing investment means, insufficient advisory system to cover needs of sector.
Opportunities	Threats
<ul style="list-style-type: none"> - Development of favourable investment environment; - Dynamic development of new enterprises, based on former agricultural production buildings with good infrastructure and taking advantage on available natural resources; - Establishment of co-operative organisation for rural banking, insurance, training, marketing and economic activities; - Diversification of rural activities implementing achievements of modern technology; - Development of rural tourism and recreational activities, based on diverse landscape, fauna and flora, as this provides jobs in related sectors: local food production and processing, catering, recreational activities; - Further development of agricultural advisory system to cover alternative activities. 	<ul style="list-style-type: none"> - The lack of qualified advice and unfavourable investment environment, which may prevent the carrying out of ideas; - The low income of rural inhabitants, which together with insufficient management skills may be an obstacle to getting loans; the credit institutions' lack of trust in loan collateral; - Environmental protection restrictions and low-level technologies used in waste processing in certain geographical areas (ca 15% of Estonian territory is under various special restrictions).

Agriculture

Strengths	Weaknesses
<ul style="list-style-type: none"> - A relatively good structure – 75% of agricultural products are produced by technologically viable units; - A relatively large cultivated land stock and natural preconditions for growing traditional crops and remaining competitive; - The relatively good professional skills and development potential of farmers; - Employment in the agricultural sector reduced from 16,0% (1991) to 5,3% (2005) compared to EU average of 5%; rate of employment corresponds to current market demand. 	<ul style="list-style-type: none"> - Very low investment level during the last 5 years (outdated means of production), and a general non-compliance of the sector with the EU requirements; - The low profitability in the agriculture sector lead to decrease of livestock (cows: 2,5 times) and agricultural land use (arable from 1,12 million to 0,8 million ha); - The poor availability and use of professional information in changing economic environment; vocational and higher education in agriculture does not meet current requirements; - The weak development of co-operative activities and influence of producers' organisations in the organisation of common economic activities; - The low use of certified seed material, poorly developed seed propagation system (defined seed centres do not meet EU requirements yet); - The low popularity of the sector, largely caused by the low income and the specific historical nature of sector
<p>Opportunities</p> <ul style="list-style-type: none"> - the further development and establishment of an optimum farming structure and rapid improvement of agricultural technology; diversification of production and primary processing by the primary producer; - Development potential for applied research in co-operation with other countries, particularly in priority areas. - Development of common supply and marketing organisations; - To expand extensive sustainable environment friendly farming on the available land stock; 	<p>Threats</p> <ul style="list-style-type: none"> - Lack of reproduction (the investment need for reproduction exceeds actual investments by nearly 3 times); - The slow pace of the land reform – uncertainty of agricultural producers on land and degeneration of lands out of active agricultural use; - The continuing loss of skilled labour from the sector; - The breeding of new animal breeds is decelerating, the re-launching of livestock production is time-consuming

Forestry

Strengths	Weaknesses
<ul style="list-style-type: none"> - Estonia's large forest area (about 50% of total land territory); - Strong state forest management system; - Relatively high number of skilled people; - Different kind of wood processing industry (modern sawmills, furniture, ski and construction). 	<ul style="list-style-type: none"> - Insufficient capacity (management skills) of private forestry related organisations; 1/3 of private forest owners lack forest management plans; small forest properties due to land reform scheme; no viable economic use of fuel wood in quantities, available in Estonian forests; - Inadequate afforestation of the areas, which have fallen out of agricultural production and reforestation volume has been considerably smaller than the clear cutting area in need of reforestation, resulting with poor quality stands; - Local road network in private forests have not been properly maintained within last 10 years and private forest amelioration scheme has not been started; - Slow development of local small-scale wood processing industry; lack of capacity for low-valued timber (grey alder etc)
Opportunities	Threats
<ul style="list-style-type: none"> - Consolidation of private forest lands, and common economic activities on forest management and primary wood processing; - Development of effective vocational training and advisory system; - Afforestation and reforestation; - Additional income in rural area; - Optimisation of tax system. 	<ul style="list-style-type: none"> - Non-sustainable forest management leads to poor living environment; delay in certification of private forest management may close access to main markets of full forestry sector; - Large areas of young stands have not been tended resulting with poor stand structure resulting with lack of raw materials for wood processing industry; - Forest growth rate too small due to lack of forest amelioration - Poor quality and lack of local forest road network (demolished with heavy machinery) leads to non-proportional felling (good-quality cut-aged stand remains in forest) and harm to environment.

Fishery

Strengths	Weaknesses
<ul style="list-style-type: none"> - 37 well located ports equipped for receiving trawlers and long shoreline for coastal fishing; - Relative high number of skilled people; - Sizeable inland fishery sector providing income to rural coastal areas, however, inadequately described in official statistics. 	<ul style="list-style-type: none"> - General management weaknesses in sector - Quality: outdated fish farming technology and fishing vessels, with low quality and efficiency, incompatible to EU requirements - Quantity: low competitiveness with quality fish farming because low volumes of fish farming
Opportunities	Threats
<ul style="list-style-type: none"> - With local flexible fishery regulations to achieve within 5-6 years the stable catch and thus sustainable management of coastal and inland fish resources; - Development of fish farming to cover local consumption; including using industrial warm water resources (North-East region); - Crayfish farming development (mostly for Nordic markets); - Common economic activities (marketing and supply). 	<ul style="list-style-type: none"> - Continuation of present fishing strategy leads to significant decrease of resources; - Lack of Euro-compatible fishing equipment (ships, boats, engines, nets etc) may cancel further marketing of fish and products; - Extreme weather conditions may harm inland fish hatchery sector; - Reliance on CIS markets (on some species)

5 References

1. Estonian Rural Development Plan 2004-2006; Ministry of Agriculture; Tallinn 2005, p157.
2. Network of Independent Agricultural Experts in the CEE Candidate Countries; The Future of Rural Areas in the New Member State, IAMO, Institut für Agrarentwicklung in Mitten-und Osteuropa; CD ROM.
3. Draft of Estonian Rural Development Plan 2007-2013. Ministry of Agriculture, Oct. 2006, (Translations from Estonian language)