



Overview of the implementation of rural enterprise measures of Estonian Rural Development Plan 2007–2013

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of rural enterprise measures
of Estonian Rural Development Plan
2007–2013**



The European Agricultural
Fund for Rural Development:
Europe investing in rural areas

This publication gives a summary of the implementation results of the Estonian Rural Development Plan 2007–2010 support measures, which are targeted at the development of rural areas and modernisation of agricultural production:

- **1.2** Setting up of young agricultural producers;
- **1.4.1** Investments into the development of micro agricultural holdings;
- **1.4.2** Investments in livestock buildings;
- **1.4.3** Investments into the production of bioenergy;
- **1.9** Setting up and development of producer groups;
- **3.1** Diversification of the rural economy.

In this publication, the text of the Estonian Rural Development Plan 2007–2010 has been abridged.

Please refer to the source when using the data of this publication.

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1. INTRODUCTION

The Estonian Rural Development Plan 2007–2013 (hereinafter the ERDP) covers the period from 1 January 2007 to the end of 2013. The ERDP was prepared to support the regionally balanced development of rural areas through the European Union (hereinafter the EU) Common Agricultural Policy (hereinafter the CAP) measures. Within the framework of the EU new programming period (2007–2013), which started on 1 January 2007, Estonia will be able to use approximately 925,2 million euros of public sector support funds for supporting agriculture and rural development.

In the period of 2007–2013, the CAP and fisheries market organisation measures are financed from the European Agricultural Guarantee Fund (the EAGF), and agriculture and rural development measures are financed from the European Agricultural Fund for Rural Development (the EAFRD) and co-financed from the state budget of Estonia. Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277, 21.10.2005, p. 1–40) lays down a common legal framework for rural development support applicable throughout the EU. Title IV of this Regulation specifies rural development measures, their objectives and the eligibility criteria.

The preparation and development of the ERDP was coordinated by the Ministry of Agriculture, involving representatives of the third sector and specialists of the relevant fields. By Order No 240 of the Minister of Agriculture, 1 September 2005, Steering Committee was established for preparing the ERDP 2007–2013. Among other tasks, the Steering Committee was charged with making proposals for the documents related to the rural development strategy and the rural development plan to be submitted to the Government of the Republic of Estonia, and with expressing opinions. The Agriculture and Rural Development Council (the ARDC), giving advice to the minister, had a significant role in preparing the development plan.

The implementation of the measures provided in the ERDP and described in this publication is conducted in co-operation between the Ministry of Agriculture and the institutions within its area of government. Support payments made under the ERDP measures are processed according to the CAP implementing regulation and the relevant implementing provisions.

The present document describes the following ERDP measures:

- Measure **1.2** Setting up of young agricultural producers;
- Measure **1.4.1** Investments into the development of micro agricultural holdings;
- Measure **1.4.2** Investments in livestock buildings;
- Measure **1.4.3** Investments into the production of bioenergy;
- Measure **1.9** Setting up and development of producer groups;
- Measure **3.1** Diversification of the rural economy.



2. MEMBER STATE AND ADMINISTRATIVE REGION

The Republic of Estonia is located between the 57th and 60th latitudes and the 22nd and 28th longitudes. Estonia shares a common sea and land border with the Republic of Latvia and the Russian Federation (the latter is also the border of the EU) and a sea border with the Republic of Finland and the Kingdom of Sweden. Estonia stretches 240 km from north to south and 350 km from east to west.



Source: <http://eesti.info/kaart/>

The total area of Estonia is 45 227 km², including 43 200 km² of land area. More than a half of the land area is forest land, one third is agricultural land, and one fifth is covered by mires and bogs.

Estonia is one of the smallest countries in Europe, both by area and by population. Of the EU-27 countries, only Cyprus, Malta and Luxembourg have smaller size of population. Belgium, Luxembourg, the Netherlands, Denmark, Cyprus, Malta and Slovenia have smaller territory than Estonia. Therefore, density of population of Estonia (31,2 p/km²) is among the smallest in the EU, with only Finland and Sweden having smaller figures.

The ERDP covers the rural area of the entire Republic of Estonia and is a horizontal plan in that respect. According to the Territory of Estonia Administrative Division Act, the territory of Estonia is divided into counties, rural municipalities and cities. A rural municipality, which is a unit of local government, is divided into settlements, which are villages, small towns, towns and cities without municipal status.



According to the governmental decree on types, names and division of administrative units, normally, a densely populated administrative unit with less than 300 inhabitants or a sparsely populated administrative unit is considered to be a village, a densely populated administrative unit with more than 300 inhabitants a small town and with more than 1000 inhabitants a town or a city without municipal status. The territory of rural municipalities is regarded as rural area. There are 15 counties and 226 local governments (33 cities and 193 rural municipalities) in Estonia.

In the ERDP, rural area is generally defined according to the methodology of Statistics Estonia, it means that residents of rural municipalities are regarded as rural population. In addition to that, small cities with a certain size of population (up to 4000) are also included. According to the data provided by Statistics Estonia, as of 1 January 2010, there were 473 285 residents in rural municipalities (35,3% of Estonian population). The average population density of rural municipalities was 11,1 inhabitants/km².

The entire territory of Estonia is regarded as a convergence region, which means that in all administrative units of the NUTS¹ second level, GNP is below 75% of the EU average. In 2005, Estonian GDP was 59,8% of the EU-25 average. According to the estimates of the Ministry of Finance, 74,2% of the respective level will be reached by 2008.

Table 1. Cities and cities without municipal status with a population of less than 4000 inhabitants (as of 2.4.2007)

Cities	Number of inhabitants	Cities without municipal status	Number of inhabitants
Kunda	3751	Kehra	3070
Kärdla	3724	Räpina	2744
Loksa	3469	Tamsalu	2561
Tõrva	3112	Otepää	2231
Narva-Jõesuu	2734	Kilingi-Nõmme	2125
Püssi	1837	Karksi-Nuia	1995
Mustvee	1648	Antsla	1583
Võhma	1544	Lihula	1544
Kallaste	1152	Abja-Paluoja	1379
Mõisaküla	1073	Suure-Jaani	1203

Source: Statistics Estonia and Population Register

¹ Nomenclature of Territorial Units for Statistics.



3. OVERVIEW OF THE SECTOR OF AGRICULTURE (2004–2010)

3.1 Share in total value added and employment

Year by year, the share of agriculture in Estonian total value added has been diminishing, making up only 1,5% in 2009. Employment in agriculture has also declined, however, if as a result of economic crisis the total number of employed persons decreased in 2009, the sector of agriculture experienced a 1,2% exceptional increase of employment. During the last three years, the average gross earnings in the sector of agriculture have steadily made up at least of the average of all activities together. It shows that the sector of agriculture is able to compete with other activities.

Table 2. The share of the sector of agriculture in total value added and employment, 2004–2009

Indicator	2004	2005	2006	2007	2008	2009
Value added in current prices, produced by the sector of agriculture and hunting, (million euros)	201,1	214,6	239,4	297,9	232,8	178,1
Share in total value added, (%)	2,3	2,2	2,0	2,2	1,6	1,5
Number of employed persons in the sector of agriculture and hunting, (thousand)	24,3	22,6	22,6	20,4	17,2	17,4
Share in the total number of employed persons, (%)	4,1	3,7	3,5	3,1	2,6	2,9
Average gross earnings in the sector of agriculture, (euros)	306,7	359,6	435,1	550,2	635,2	636,4
Share in the average gross earnings of all activities, (%)	65,9	69,7	72,4	75,9	77,0	76,1

Source: Statistics Estonia

3.2 Structure of agricultural producers

According to the preliminary results of the agricultural census conducted in 2010 (Statistics Estonia 17.12.2010), in Estonia there were 19 700 agricultural holdings, which used at least 1 hectare of agricultural land or produced agricultural products mainly for marketing. Comparing with the census results of the year 2003, the number of agricultural holdings has nearly halved (-46%), but at the same time the usage of agricultural land has increased by 18%. Due to these changes the average usage of land per agricultural holding has increased from 21,6 ha in 2003 to 47,6 ha in 2010 (i.e. 2,2 times).



Looking at the number of holdings and their usage of land by size classes (ranked by usage of hectares), the extreme structure of Estonian agricultural holdings becomes evident – more than a half of holdings (54%) use less than 10 ha of land, but together they exploit only 5% of total agricultural land, which means that their average size is 4,3 ha. At the same time, a tenth of holdings (9%) have more than 100 ha of land and together they exploit 73% of total agricultural land, which means that their average size is 404 ha. Medium-sized holdings (10 – 100 ha) make up about 37% of the total number of holdings and together they use 22% of total agricultural land (the average size is 28 ha). It means that a relatively fast concentration of agricultural activity into bigger holdings takes place in Estonia.

3.3 Value added produced by the sector of agriculture

In the sector of agriculture, some changes influencing the formation of net value added (factor income – covering labour, rental and interest costs) have taken place. In the year 2004, accession to the European Union and the concurrent increase in subsidies and in sales prices influenced the economic results of holdings (purchase price of milk grew by 33,2%), which also brought about a significant increase in profitability.

In 2005, development was not so fast anymore, increase in input prices, particularly rise in fuel and energy prices, which also increased feed costs, slowed down the growth of profitability.

In 2006, profitability indicators decreased as in comparison with the previous year input prices increased by 6,2% but producer prices only by 2,9% on an average.

In 2007, due to increase in crop production and producer prices (13%), net value added increased more than a third.

In 2008, because of global economic recession and fall in the prices of agricultural products during the second half of the year as well as unfavourable climatic conditions during the harvesting period caused decrease in net value added produced in the sector of agriculture. On an average, the prices of agricultural products decreased by 6,7% and at the same time increase in input prices reached 13,2%.

In 2009, economic crisis deepened and had a particularly strong impact on milk sector. Decrease in the prices of agricultural products continued and reached –15%. As a result of that, net value added was only 4% bigger than in 2004.

In 2010, the economy demonstrated signs of recovery, as the net value added produced in the sector of agriculture was estimated to be 46% higher than in 2009. This was mainly caused by better milk purchase price (33% higher than in 2009), increase in cereal prices in the second half of the year and also by increase in supports (except investment support), in comparison with the year 2009.

Thus, the sector of agriculture has undergone a major development in the period 2004–2010. Favourable economic circumstances caused increase in income and provided good conditions for making investments. This in its turn increased the importance of foreign capital and involved fixed-term obligations. Economic recession, which started in 2008 and reached the bottom in 2009, caused a very difficult situation for agricultural producers, who in conditions of reduced income and value added were forced to increase cost effectiveness and to find solutions to pay for used (incl. foreign) factors of production.

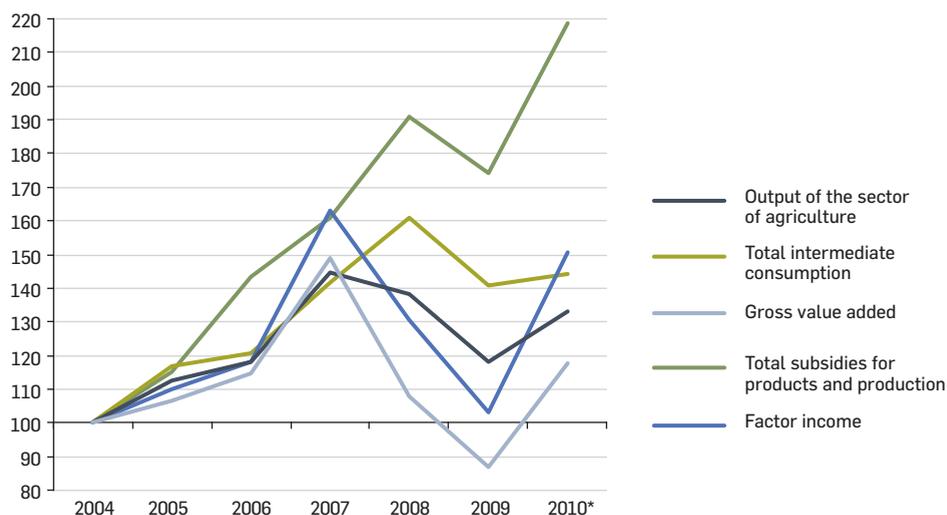


3.4 Output and intermediate consumption of the sector of agriculture

During the period after accession to the European Union, the output of the sector of agriculture has increased from 482,8 million euros in 2004 to 599,6 million euros in 2009 (+18%). In 2010, the estimated value of output was 642 million euros. In 2007 and 2008, the value of output was above 642 million euros too. At the same time, the amount of gross value added is not so big as the variable expenses reflected in intermediate consumption have increased significantly more than the value of output. If in 2009 the value of output was 18% higher than in 2004, the value of intermediate consumption was 41% higher. During the period observed, the year 2009 was the most difficult year for agricultural producers, as intermediate consumption made up 69% of gross output and gross value added was 13% smaller, compared to 2004. Nevertheless, the estimated gross value added of 2010 is 18% bigger than that of 2004.

The single area payment, complementary national direct payments and supports under the ERDP 2007–2013 (excl. investment supports), that increased 1,7 times in the period 2004–2009, have helped to balance the decrease in market income. According to estimates, in 2010 agricultural producers received 2,2 times more support than in 2004.

Figure 1. Output of the sector of agriculture, total intermediate consumption, gross value added, subsidies for products and production and factor income, 2004–2010 (2004=100%)



Source: Statistics Estonia

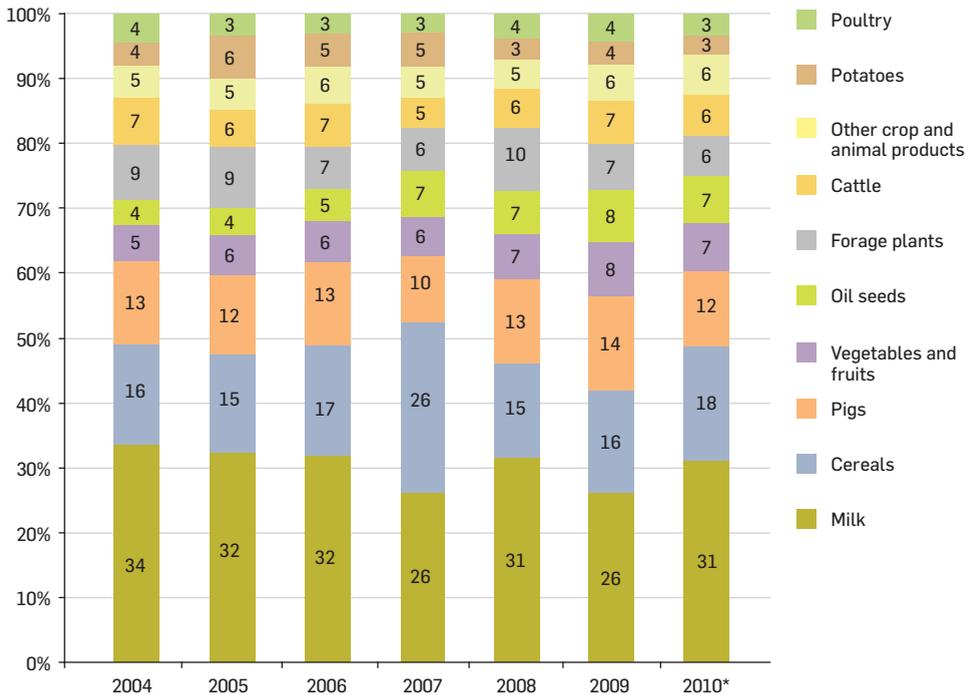
* Provisional estimate (29.11.2010)



3.5 Structure of agricultural production

Milk has always been the most important product of Estonian sector of agriculture. In the period after accession to the European Union, it has made up a third of the total agricultural output. The production of milk and cereals together make up a half of Estonian agricultural output, of which the structure has not changed much in the period 2004–2010. However, the share of technical crops has increased and the share of potatoes has decreased. The year 2007 was exceptional as due to good harvest and high cereal prices the share of cereals was as big as the share of milk.

Figure 2. Structure of the value of agricultural production, 2004–2010



Source: Statistics Estonia

* Provisional estimate (29.11.2010)

3.6 Agricultural input price index and output price index

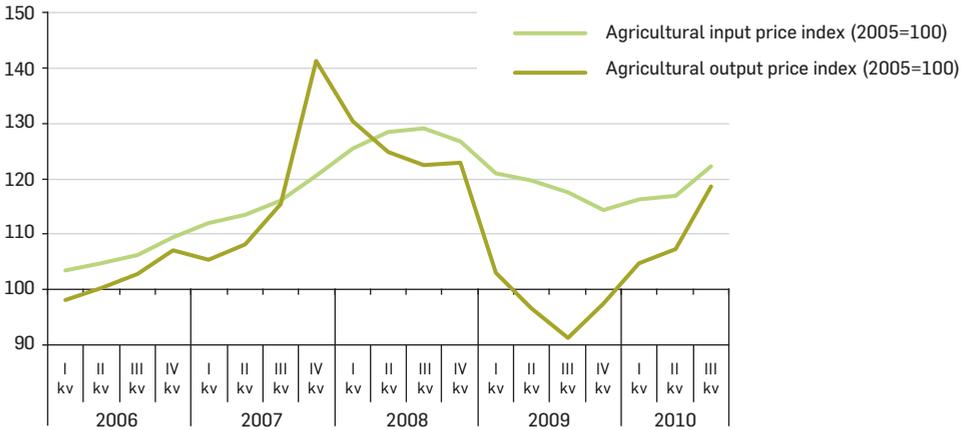
The agricultural output price is a determining factor in the formation of the value of agricultural output and the agricultural input price is a determining factor in the formation of the value of intermediate consumption.

In the period 2005–2010, the variation of output prices has been considerably bigger than that of the input prices. In comparison with the year 2005, output prices reached the maximum in the last quarter of 2007 and the minimum in the third quarter of 2009. Difference between the top and the bottom was 50 percentage points.



Input prices have been more stable and higher than output prices. Compared to the year 2005, by the end of 2010 the output prices of agricultural products had increased by 18,6% and the input prices 22,3%. Within most quarters of the period, the input price index was higher than the output price index and this influenced the formation of value added. Thus, for the maintenance of the level of value added, it is important to increase in the efficiency of the use of inputs.

Figure 3. Change in the agricultural output price index and in the agricultural input price index by quarters in 2006–2010 (2005=100%)



Source: Statistics Estonia, Ministry of Agriculture

3.7 Subsidies for agriculture and rural development

Since the accession of Estonia to the European Union, the common agricultural policy (CAP) has been applied in Estonia. Under Pillar I of the CAP, market organisation measures and direct payments are applied. In case of direct payments, Estonia has applied the Single Area Payment Scheme, in which the total amount of direct subsidies allocated from the EU budget is divided by the number of hectares of eligible agricultural land kept in good agricultural and environmental condition in the year of applying. The level of direct subsidies paid from the EU budget has been calculated according to the subsidies applied in the European Union on 30 April 2004 and the entitlements granted to Member States and from year to year this sum is increasing and will reach the maximum level (100%) in 2013. In addition, complementary national direct payments (since 2007 mostly decoupled) are paid from the state budget. Complementary national direct payments can be paid until the end of the year 2012.

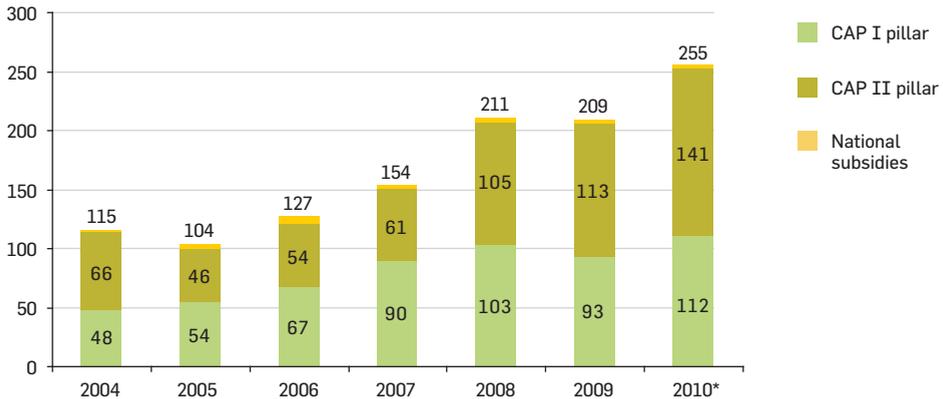
Under the CAP Pillar II rural development is supported under four axes. Axis I is targeted at the improvement of competitiveness of agriculture and forestry sectors, Axis II at the improvement of the environment and the countryside and Axis III at the improvement of the quality of life in rural areas and at the and diversification of the rural economy. Axis IV (LEADER – *Liason entre actions de développement rural*) provides support to local action groups.



On national level, the following support schemes are applied: support for the replacement of agricultural producers during their vacation period, practical training support, insurance support, market development support and support for animal breeding.

According to first estimates, the total amount of support has increased from 115 million euros in 2004 to 255 million euros in 2010.

Figure 4. Division of the CAP Pillars I and II subsidies and national subsidies, 2004–2010 (million euros)



3.8 Competitiveness of agricultural producers

According to the structure survey conducted by Statistics Estonia in 2007, there were 7301 agricultural holdings in Estonia, of which with the minimum economic size was at least 2 ESU (European Size Unit) and which form a FADN population covering 31,3% of the total number of agricultural holdings, 87% of total used agricultural land and 95% of the total number of animal units.

By types of production – 39,4% of holdings are engaged in field crops production, 26,6% in dairying, 19% in mixed production and the rest 15% in gardening, permanent crops growing, cattle, pig and poultry farming.

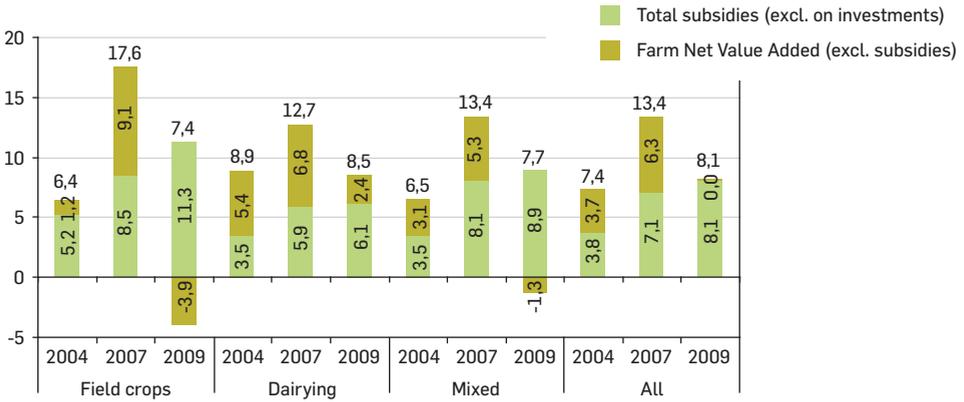
As regards the economic results of agricultural producers on the basis of farm net value added per annual work unit (AWU), it was 8143,9 euros in 2009. This is almost 10% more than in 2004, but 18,5% less than in 2008. In comparison with the previous years, the importance of subsidies increased remarkably in 2009, making up 99,5% of the indicator. In 2004, the respective figure was a half on an average.

By types of production the situation is different: compared to the year 2008, the farm net value added per annual work unit decreased the most in mixed production (-32,6%) and dairying (-28,3%), at the same time, it almost doubled in pig and poultry farming and increased by a third in cattle farming (34,9%). Without support the indicator was negative in field crops and livestock farming and in mixed production.



During the last five years, without support the value of indicator was the lowest in 2009 and with support it is on the level of years 2005 and 2006. Thus, subsidies to agricultural producers and the more effective use of recourses in the circumstances of the economic recession of 2009 have helped to maintain the value of farm net value added per annual work unit on a higher level than in 2004 (except in dairying).

Figure 5. Net value added per annual work unit by different types of production (thousand euros)





4. INFORMATION ABOUT THE ERDP 2007–2013 MEASURES

4.1 Measures of the ERDP 2007–2013

Within the ERDP 2007–2013, it is planned to implement the support paid under Articles 21, 22, 24, 25, 26, 27, 28, 29, 30, 32, 33, 35, 37, 38, 39, 40, 41, 43, 46, 48, 53, 54, 55, 56, 57, 59, 61, 62, 63, 64 and 65 of Council Regulation (EC) No 1698/2005, 20 September 2005, on support for rural development by the European Agricultural Fund for Rural Development (EAFRD). The selection of measures is based on the Estonian Rural Development Strategy 2007–2013.

Within the ERDP measures it will be ensured that the activities supported from the funds intended for rural development do not get support from any other CAP financial instrument. The ERDP does not support productivity investments in aquaculture as this is the responsibility of the European Fisheries Fund.

4.2 Common principles regarding all measures

The more detailed requirements for all the ERDP support payments and the more detailed procedure of applying and processing of applications will be established by a regulation of the Minister of Agriculture. The supports to be granted and the activities to be supported during a financial year will also be established by a regulation of the Minister of Agriculture. The right to apply for and to obtain support does not arise if it has not been prescribed by the Minister of Agriculture with a relevant regulation in a financial year.

4.3 Common principles regarding investment measures

The Minister of Agriculture is entitled to establish maximum support sums for investment measures. In case of investment measures, support is directed at clearly defined objectives, reflecting the specified territorial requirements and weak structural sides. This will be ensured through the definition of target groups, the preclusion of support for replacement investments, the usage of different regional support rates and through different preferences given by evaluation criteria.

According to Article 72(1) of Council Regulation (EC) No 1698/2005, in case of investment measures, an investment operation must retain the EAFRD contribution at least within five years since the funding decision. Simple replacement investments are not supported.

In case of investment measures it is stated in measure descriptions what kind of investments are supported in order to protect the environment. Only those objects of investment which after purchase, construction or reconstruction meet all the EU requirements (incl. environmental) are supported. According to the implementing regulations of the Minister of Agriculture, it is required that a building permit or a permit of the local government be added to applications for support if this is required by the Building Act. Such a permit also ensures that construction or reconstruction will not deteriorate or destruct the environment. It is also necessary to add an environmental impact assessment statement to the application for support (if required according to national legislation) which also guarantees that the investment object will not deteriorate or destruct the environment.



In order to approve and implement the best projects, applications are evaluated and ranked according to respective measure-specific assessment criteria, if necessary.

According to Article 56 of Council Regulation (EC) No 1974/2006, applicants may receive from the Paying Agency prepayment for investments if they have necessary means for making the investment and if it is provided by a regulation of the Minister of Agriculture. The amount of prepayment shall not exceed the sum specified by the mentioned Article and grant of banker's guarantee corresponding to 110% of the amount of prepayment or any other equivalent security serve as prerequisites for refunding. The banker's guarantee will be released if the Paying Agency finds out that the actual investment exceeds the sum of prepayment. The more detailed requirements and procedure for receiving the prepayment will be established by a regulation of the Minister of Agriculture.

In Axis 1, purchase of used machinery may also be an eligible investment, if this machinery is purchased by an applicant who is a micro, small or medium-sized enterprise for the purposes of Article 2(7) of Commission Regulation (EC) No 800/2008, 6 August 2008, declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation) and if such an opportunity has been provided by a regulation of the Minister of Agriculture.

4.4 Main requirements for recognised producer groups

A producer group is a union joining agricultural entrepreneurs for the purpose of common marketing of the agricultural products produced by its members and the products resulting from the processing of agricultural products.

- A producer group must consist of at least 5 entrepreneurs engaged in the field of agriculture, whose sales revenue during the last two financial years from the sales of self-produced agricultural products and of processed self-produced agricultural products made up at least 50% of the total sales revenue of the entrepreneur and exceeded 6391 euros per financial year.
- A member of a producer group is an entrepreneur for the purposes of Section 1 of the Commercial Code.
- A producer group ensures that its member sells through the producer group at least 80% of those self-produced agricultural products and processed self-produced agricultural products with which it is a member of the producer group. A member of a producer group active in the sector of organic farming has to sell through the producer group at least 50% of those self-produced agricultural products and processed self-produced agricultural products with which it is a member of the producer group.
- The annual sales revenue of marketed agricultural products and of processed agricultural products of a producer group has to be at least 127 823 euros.
- The annual sales revenue of marketed agricultural products and of processed agricultural products of a producer group active in the meat, milk, grain, oilseeds and potato sector (except in case of organic farming) has to be at least 319 558 euros.
- A producer group must be established for more than 5 years.



- A producer group shall establish:
 - common rules compulsory for its members relating to the production, processing and common marketing of agricultural products and the order to establish or change common rules;
 - an action plan for planning the production, processing and common marketing of agricultural products.

4.5 Recognition of producer groups

Recognition of producer groups is a procedure during which the compliance of a producer group with the requirements provided for in the European Union Common Agricultural Policy Implementation Act and in legislation established on the basis thereof and in the ERDP will be assessed. In order to apply for recognition, a producer group shall submit an application to the Agricultural Registers and Information Board (the ARIB). The ARIB shall review an application for recognition and on the grounds of performed controls, a decision on the recognition, refusal to recognise or revocation of recognition will be made. A producer group shall be granted recognition if it complies with the requirements. It shall be granted recognition without a term.





5. SUPPORT MEASURES

5.1 AXIS I – IMPROVING THE COMPETITIVENESS OF THE AGRICULTURAL AND FORESTRY SECTOR

Axis I is targeted at improving the competitiveness of the agricultural and forestry sector. To this end, the following is supported: training and information activities; setting up of young farmers; advisory system and services; modernisation of agricultural holdings; improving the economic value of forests and adding value to forestry products; adding value to agricultural products and non-wood forestry products; development of new products, processes and technologies in the sectors of agriculture, food and forestry; infrastructure of agriculture and forest management.

This chapter gives a more detailed overview of measures 1.2 – Setting up of young agricultural producers, 1.4 – Modernisation of agricultural holdings (incl. submeasures 1.4.1, 1.4.2, 1.4.3) and 1.9 – Setting up and development of producer groups.

5.2 MEASURE 1.2 – SETTING UP OF YOUNG AGRICULTURAL PRODUCERS (112)

Justification

In Estonia, the age structure in the field of agriculture is comparable to the EU-15 structure. The share of sole holders of agricultural holdings, aged under 35, is 10% of the total number of agricultural entrepreneurs, the share of sole holders of agricultural holdings, aged over 55, is 55%. Compared to EU-15, where the ratio of sole holders aged under 35 to sole holders aged over 55 is 0,12, in Estonia, the relevant figure is 0,19. Thus, participation of younger generation in agriculture needs to be stimulated.

According to the data of the structure survey of 2005, there were 6725 professional business entrepreneurs in Estonia, who received the main part of their income from agricultural production (larger than 2 ESU). The number of sole holders of agricultural holdings, aged under 40, was 1680, comprising only 25% of all owners. The entrepreneurs aged 55 and more made up 58% of all self-employed persons.

Upon developing this measure, the need for increasing the share of young agricultural producers by 2–3% annually was taken as the basis. At the same time, the measure helps young agricultural producers to make additional investments, of which the need results from the new veterinary, plant health, animal welfare, hygiene, and environmental standards.

Legal basis

Article 22 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Objectives

Overall objective

The overall objective of this measure is to facilitate setting up of young agricultural producers and to contribute to the change of generations in agriculture.



Specific objectives

- To assist young agricultural producers in starting an agricultural holding;
- Further structural adjustments to enterprises of young agricultural producers;
- To expand employment opportunities to young people;
- To involve young people in the development of rural community.

Target group

Beneficiaries

- Agricultural sole proprietors and private limited companies with natural person shareholders (starting agricultural production/already active). Applicants may take over an agricultural holding.

Minimum requirements for an applicant

- Sole proprietor or all shareholders of a private limited company are younger than 40 years at the moment of applying;
- Sole proprietor or a shareholder of a private limited company is starting activities as a manager of an agricultural holding for the first time;
- If a young agricultural producer is not the sole manager of an agricultural holding, specific conditions equivalent to the conditions required from a young agricultural producer starting as the sole manager of an agricultural holding will apply (Article 13 of Commission Regulation (EC) No 1974/2006);
- Applicant must submit a business plan concerning the development of applicant's agricultural activity, which should include the description of the situation of the agricultural holding and the activities contributing to the promotion of the economic viability of the holding, with objectives and dates of performance and with details on investments, training, advice or other activities necessary for the development of the holding. Compliance with the business plan will be assessed by the ARIB no later than five years from the date of the individual decision granting support according to Article 13 of Commission Regulation (EC) No 1974/2006;
- Sole proprietor or all shareholders of a private limited company must have appropriate professional skills and competence. A period not exceeding 36 months may be allowed from the date of the individual decision to grant support in order to meet the conditions relating to occupational skills and competence referred to in Article 22(1)(b) of Regulation (EC) No 1698/2005, if the young farmer needs a period of adaptation for setting up or restructuring the holding, provided that the business plan referred to indicates such a need;
- Applicant must be able to prove the economic sustainability of his/her enterprise for the next 5 years and by the end of the fifth calendar year following the receipt of support, applicant's sales revenue from agricultural activity must make up at least 80% of the support amount granted.

The conditions of the support for setting up of young agricultural producers will be provided by a regulation of the Minister of Agriculture.



Definition of setting up

An applicant must set up an agricultural holding for a minimum period of five years according to the business plan. By the end of the calendar year following the year of applying, the required sales revenue from agricultural activity is at least 2400 euros. If the sales revenue attained by a sole proprietor, private limited company or a shareholder of a private limited company is 2400 euros, it is regarded as setting up of agricultural activity under this measure. The applicant must submit an application for entering data in the agricultural support and agricultural parcels register. An animal keeper starting animal keeping and not yet registered in the ARIB register of animals, shall fill in a corresponding application form and shall undertake to maintain records on his/her agricultural animals.

Support payments

Maximum amount of support payment

Support payment is made as one-off payment of up to 40 000 euros.

State financing schemes

Additionally, young agricultural producers can use the loans, securities and other enterprise supporting instruments, granted by the Rural Development Foundation (the RDF). Young agricultural producers who have already received support under measure 1.2 or whose applications have been approved, may additionally use soft loans and securities foreseen for young agricultural producers and granted by the RDF.

This advantage should not exceed 15 000 euros, which conforms to the maximum setting up limit provided in Council Regulation (EC) No 1698/2005.

Target area

The measure is implemented in Estonian rural area.

Indicators and target levels

Type of indicator	Indicator	Target 2007–2013
Output indicator	Number of assisted young agricultural producers	312–350
	Total volume of investment (euros)	12 470 840
Result indicator	Increase in agricultural gross value added in supported farms, %	10
Impact indicator	Net additional value added expressed in PPS (% of the average level of EU-25)	65
	Change in gross value added per full time equivalent, %	+ 10–15%



Processing of applications

Documents required

- Application;
- Business plan;
- Documents proving the required education and professional experience in agriculture;
- Other proving documents, if needed.

Paying Agency

The ARIB.

Application assessment procedure

A call for applications is announced. The applications in conformity with requirements are assessed on the basis of assessment criteria and a ranking list is prepared on the basis of evaluation points. The best applications will be approved. Business plans proving economic sustainability within the following five years since the transfer of the support amount are preferred.

Primarily, the following aspects are assessed:

- competence and experience;
- preference to the applicants who have taken over an operating agricultural holding;
- preference to applicants in economically less-favoured areas.

5.3 Summary of measure 1.2 implementation results within the period 2007–2009

Calls for applications and financing

The implementation of measure 1.2 started in 2008. The total budget of the measure is 11.8 million euros.

Table 3. Overview of calls for applications (as of 31.12.2010)

Calls for applications	Budget (euros)	Support applied for		Support granted		Support paid (euros)
		Amount (euros)	Number of applications	Amount (euros)	Number of applications	
18.2.–10.3.08	3 579 052	9 825 127	253	3 579 052	95	3 579 052
15.9.–6.10.08	3 579 052	6 376 093	163	3 579 052	92	3 579 052
21.9.–12.10.09	1 719 223	8 375 259	222	1 719 223	46	1 719 223
17.8.–30.8.10	2 236 908	6 530 343	177	2 236 908*	59*	2 236 908*
Total	11 114 235	31 106 822	815	11 114 235*	292*	11 114 235*

Source: The ARIB

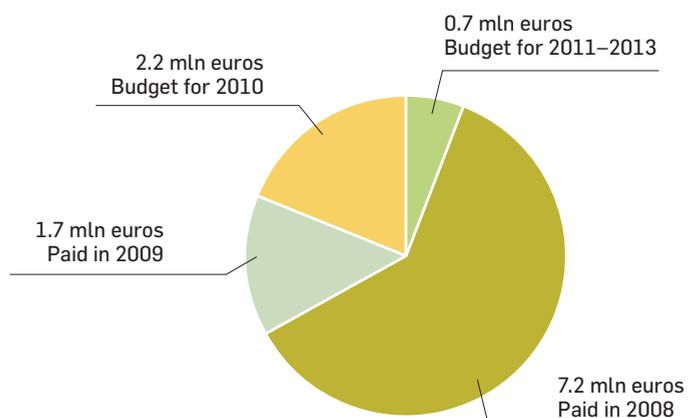
* Prognosis



During the period 2008–2010, a total of 815 applications in the sum of 31.1 million euros were submitted to the ARIB. The planned amount of investments is 33.1 million euros. According to estimates, by the end of 2010 the support will be granted to 292 applications in the sum of 11.1 million euros (i.e. 94% of measure 1.2 total budget for the period 2007–2013). The planned sum of investments will be approximately 12.2 million euros and the average sum of granted support per applicant will be approximately 38 062 euros, which makes up 95,2% of the possible maximum support amount.

Considering the fact that support for the fourth call for applications has not yet been granted, only the results of the three first calls for applications are analysed here below.

Figure 6. Total use of measure 1.2 budget (as of 31.12.2010)



Source: The ARIB

Achievement of objectives

Beneficiaries

The overall objective of this measure is to broaden professional skills, to increase the competence and the quality of human potential in the sector of agriculture, to facilitate setting up of young agricultural producers and the change of generations in agriculture. Therefore, skills and competence of applicants are the main assessment criteria and the advantage will be given to the applicants who intend to take over the operating farm belonging to their parents or grandparents.

The share of applicants with professional competence and skills (i.e. agricultural higher education, vocational education, vocational courses after secondary education or the third level of professional qualification) among beneficiaries was 79,7% and the respective share of applicants with agricultural work experience was 72,3%. 20,3% of supported applicants are obliged to meet the conditions related to competence and skills and to agricultural work experience during the period of 36 months starting from the date of grant decision.

58 persons who received support during the years 2008 and 2009 (25% of all beneficiaries) took over an operating agricultural holding, which had earlier belonged to their parents or grandparents.



This measure offers young producers many possibilities for choosing what kind of agricultural activity to practice and into which object to invest. However, business plans drawn up by applicants mostly involved traditional fields of agriculture, such as crop and animal farming, but gardening (fruit, berries, herbs and vegetables), ostrich and chinchilla farming were also represented. If under the first two calls for applications applicants mostly preferred one field of agricultural activity, in the third call for applications the range of different fields of agricultural activities mentioned in one application was wider. More applicants planned to invest into two or more fields of agricultural activity simultaneously.

Increase in the revenue of applicants of the year 2010 in comparison with applicants of the years 2008 and 2009 allows us to assume that supported enterprises should be able to meet the obligation for the fifth operational year when revenue must make up at least 80% of received support. Moreover, beneficiaries in all fields of agricultural activity plan to substantially increase their revenues as early as during the third operational year and enterprises engaged in mixed and plant production, gardening and cattle farming forecast bigger increase in sales than others. Enterprises active in the sectors of permanent crop production, mixed production and crop production have significantly more land (an average about 66 ha) in use (both owned and leased) than enterprises from other sectors (approx. 23 ha).

Applicants by counties

During the period 2008–2009, young farmers from Tartu, Jõgeva, Rapla and Võru counties more actively applied for support. Most supported entrepreneurs also came from those counties. In the period 2008–2009, 29 beneficiaries from Tartu, 24 from Jõgeva, 23 from Põlva and 21 from Rapla and Võru counties were supported.

Measure 1.2 has positive impact on employment, but the magnitude of that impact is small. 233 beneficiaries from the period 2008–2009 plan to create 351 jobs and 59 beneficiaries from the year 2010 plan to create 95 jobs for the fifth operating year. Impact on employment is not the direct target of measure 1.2, but it is a positive side effect. As for different fields of agricultural activities, in case of crop production the measure has positive impact on employment in all counties and in case of animal production in most counties (except Harju and Ida-Viru). The biggest planned need for additional labour can be seen in the field of animal production and Järva, Tartu and Hiiu are the counties where the largest number of jobs should be created.

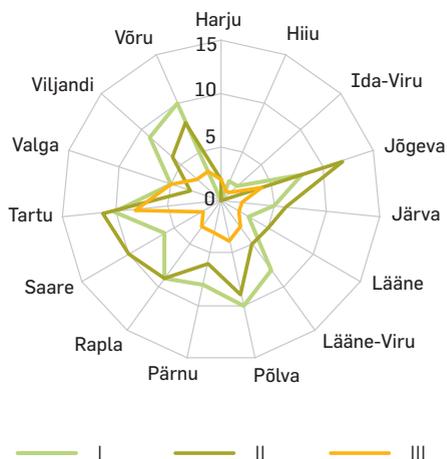


Table 4. Number of beneficiaries by counties and by calls for applications

Counties	Call for applications			Total
	I	II	III	
Harju	0	2	2	4
Hiiu	2	0	1	3
Ida-Viru	2	0	1	3
Jõgeva	8	12	4	24
Järva	5	6	2	13
Lääne	3	5	2	10
Lääne-Viru	8	5	3	16
Põlva	10	9	4	23
Pärnu	8	6	3	17
Rapla	9	9	3	21
Saare	6	10	2	18
Tartu	10	11	8	29
Valga	5	3	5	13
Viljandi	9	6	3	18
Võru	10	8	3	21
Total	95	92	46	233

Source: The ARIB

Figure 7. Number of beneficiaries by counties and by calls for applications



Legal forms of supported agricultural holdings

Under this measure support may be granted to sole proprietors or private limited companies of which the shareholders are solely natural persons. In 2008, the share of sole proprietors among applicants was bigger, but in 2009, private limited companies dominated.

Table 5. Applicants of measure 1.2 by the legal form of agricultural holding (2008–2009)

Legal form of agricultural holding	Number of applications received	Supported applications	
		Number	Share in applications received, %
Sole proprietor	290	109	37,6
Private limited company	448	124	27,7
Total	638	233	36,5

Source: The ARIB



Investments

In 2008–2009, the biggest part – 45% (103 projects) of supported applications – included projects, which aimed to start with or to improve crop production. The respective share of animal production projects was 24% (58 projects), gardening projects 12% (29 projects) and mixed production projects 11% (25 projects).

Table 6. Support paid by the field of agricultural activity (2008–2009)

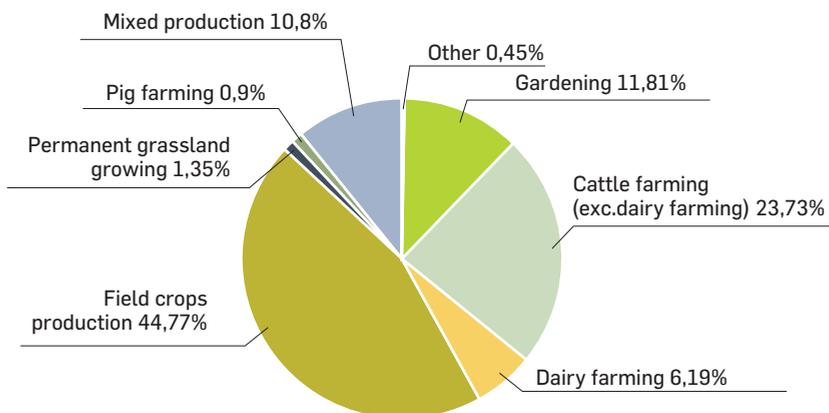
Field of agricultural activity	Number of applications supported	Support paid, million euros	Share in total support paid, %
Gardening (incl. fruit, vegetables, berries, herbs, mushrooms)	29	1,05	11,8
Cattle farming (except dairy farming)	56	2,11	23,8
Dairy farming	14	0,55	6,2
Field crops production	103	3,98	44,8
Permanent grassland management	3	0,12	1,3
Pig farming	2	0,08	0,9
Mixed production	25	0,96	10,8
Other	1	0,04	0,4
Total	233	8,89	100,0

Source: The ARIB

The selection of fields of agricultural activities mentioned by beneficiaries is understandable, considering the fact that the biggest part of support was received by the entrepreneurs who had just started farm business. It is easier to start with crop production and gardening. At the same time, animal production requires more investments into livestock buildings, equipment and tools, professional experience and time, therefore, these activities were more represented in case of enterprises with longer operating history. Because of their longer operating history enterprises from the sectors of mixed and animal production also had the highest sales among beneficiaries.



Figure 8. Beneficiaries by fields of agricultural activity (support paid)



Source: The ARIB

Indicators

During the whole period it is planned to support approximately 312–350 young agricultural producers. As of 31.12.2010, 292 young farmers have already been supported, thus approximately 88% of the average target level and 94% of the minimum level has been met.

Differences between calls for applications

In all calls for applications, the amount of applied support was larger than the budget and therefore beneficiaries were chosen on the basis of assessment criteria and ranking. During the first two calls for applications, evaluation and ranking was made by the ARIB. 38% of applications from the first call for applications and 56% from the second call were granted support. The percentage of granted applications was higher in the second call for applications as the number of applications submitted was smaller.

Based on the results of the first two calls for applications, assessment criteria were adjusted for the third call for applications to be more targeted at measure objectives and a special Examination Committee was formed by the Director General of the ARIB. Experts and representatives of social partners are the members of the Examination Committee. As the budget of measure 1.2 is small, the assessment of applications is extremely important. Many applications (222) were submitted in the third call for applications and only 21% of them were granted support. Still, regardless of strong competition among beneficiaries, one fifth of applicants were without any agricultural education, which is a better result, compared to the second call for applications (35,9%), but worse, compared to the first call for applications (5,3%). At the same time, the share of applicants with higher agricultural education increased up to 50% (in the first and second call for applications the respective share was 43% and 38%). In comparison with the first two calls for applications, the number of young farmers taking over an operating farm belonging to their parents or grandparents increased 1.9 times.



In order to give the Examination Committee more flexibility (in particular in the assessment of competence and objectives of submitted projects), assessment criteria were adjusted once more in 2010 before the fourth call for applications. A flexible assessment scale which allows to consider the specificity and the field of the project, the actual profile of applicants, business ideas, the planned performance, risks and economic sustainability of a business, was introduced. *Inter alia* the definition of takeover of an operating agricultural holding, which has previously belonged to applicants' parents or grandparents, was also specified.

In the first and second call for applications, beneficiaries planned to create one job on an average per company, and 3.5 jobs in the third call for applications. The difference can be explained by the fact that in the first and second call for applications beneficiaries were mostly agricultural sole proprietors who in general do not plan to create jobs for others but intend to do the work themselves or with the help of family members. In the third call for applications, the majority of beneficiaries were private limited companies, who definitely plan to create more jobs.

If in the first and second call for applications beneficiaries were 31 years old on an average, in the third call for applications business owners were younger – 27 years old on an average.

Substantial differences between beneficiaries and the applicants who were denied support occurred in their average age and in the average time of operation. The applicants who were denied support were generally younger and with less operating experience. Regarding beneficiaries, the average business operation time was two years, ranging from one year to 4,2 years.

Overall assessment of implementation progress

The mid-term review of measure 1.2 was conducted by the auditing company Ernst & Young, who concluded that the measure had been well accepted by the sector as the number of applications and the requested support exceeded the forecast figures. The experts who participated in interviews and focus groups confirmed that the measure brought additional expertise and entrepreneurial initiative into the sector of agriculture and therefore had a positive impact on the development of the sector and supported the achievement of the ERDP objectives. Beneficiaries feel that the support has positively influenced the growth of their business. 89% of poll respondents agreed that the received support had helped to improve the financial results of their enterprise, 96.7% agreed that it had helped to increase productivity, 73.3% agreed that it had broadened the range of fields of agricultural activities of their enterprise and 88.3% agreed that it had helped to improve the competitiveness of their enterprise.

Considering that the quality of business plans and the economic sustainability of applicants are the most important assessment criteria in application ranking, the evaluator concluded that the measure will help to achieve structural changes in agricultural production.

To sum up, the implementation of the measure can be considered as successful. The number of applications is steadily large and competition between applicants is very strong. The established application assessment system has significantly improved, which allows to conduct professional and objective evaluation of business plans. Measure 1.2 promotes increase in the number of young agricultural producers with good professional competence and practical work experience and therefore contributes to the development of the sector of agriculture in general.



5.4 MEASURE 1.4 – MODERNISATION OF AGRICULTURAL HOLDINGS (121)

Justification

Agriculture is the branch of economy which has undergone deep changes during the transition period. Regardless of the decreased share of agriculture in the economy of Estonia, it has retained its significant role in supplying the population with food, in rural enterprise and in shaping cultural landscape.

The competitiveness of Estonian agriculture has been very low since the beginning of 1990ties. Since then, there have been no opportunities for necessary investments in Estonian agriculture. Thus, 50% of the fixed assets of agricultural holdings have passed their service life.

A comparative analysis of all tested enterprises of the FADN database indicates that Estonia does not keep up with the average efficiency figures of the EU-15 agricultural holdings. In Estonia, the value of fixed assets per one hectare of usable agricultural area is more than seven times and the level of the provision with fixed assets per one average employee is more than six times lower than the EU-15 average. Big differences in the state of being provided with fixed assets between Estonia and the EU-15 indicate a serious disproportion, which cannot be conquered, relying upon the convergence of prices present in the Common Economic Space. At the same time, difference in actual production outputs (yield, animal productivity, total production) per one hectare of usable agricultural area is not so big as the difference in the provision with fixed assets.

According to different scenarios, approximately 1.28 billion euros must be invested into agricultural production in 2007–2013, of which only a quarter will be related to the new standards.

In the promotion of the competitiveness of Estonian sector of agriculture, the structure of the sector of agriculture and the self-financing capability of agricultural entrepreneurs should also be considered.

According to the FADN data, there are only about 7000 professional commercial enterprises in Estonia, which get most of their income from agricultural production (bigger than 2 ESU).

More than a half of agricultural holdings (64,1%) belong to the size group of 2–6 ESU, in case of which it can be presumed that their estimated sales revenue will be less than 12 782 euros a year. Adding the size group of 6–25 ESU (of which the estimated sales revenue can be about 12 782–63 911 euros a year), we shall find that the sales revenue of 88,6% of Estonian agricultural holdings is not bigger than 63 911 euros. At the same time, the total revenue of those two size groups makes up only 28,3% of the standard gross margin of Estonian sector of agriculture, they use 36,1% of agricultural land and 43,8% of labour in annual work units.

Only 10,4% of agricultural holdings belong to the size group of 25–250 ESU (the producers with the sales revenue of 63.9–639.1 thousand euros), but they produce 43,7% of standard gross margin and use 45,4% of agricultural land and 30,6% of labour in annual work units.

Somewhat more than 1,0% of agricultural holdings belong to the size group of over 250 ESU, but they produce 28,0% of standard gross margin and use 18,5% of agricultural land and 25,6% of labour in annual work units.

An analysis of sustainability based on net value added of agricultural holdings indicated that smaller agricultural holdings are not sustainable with the same volume and type of



production continuing. They don't have enough means for investments and production reorganisation. Medium-sized agricultural holdings also need significant reorganisation, their strengthening and the improvement of their sustainability is extremely important for rural development and the competitiveness of the sector of agriculture. Besides, the survey of the need for investment in the sector of agriculture made by the Estonian University of Life Sciences indicated that bigger agricultural holdings were relatively better furnished with the machinery, equipment and buildings fit for use than smaller agricultural holdings. Considering that the net value added produced in the sector of agriculture is lower mainly among smaller agricultural holdings, it is important to increase their competitiveness through the diversification/expansion of agricultural production in the sectors of normal market outlet. Thus, much attention must be paid to improving the competitiveness of smaller agricultural holdings, as a result of which the development of micro agricultural holdings is supported through one submeasure. Micro agricultural holdings will be given an opportunity to diversify their activities or to extend it to non-agricultural fields. For this purpose, the investments of micro agricultural holdings into the diversification of rural enterprise will be supported through Axis III (measure 3.1).

Besides the development of micro agricultural holdings, it has to be considered that during the programming period 2007–2013, new standards requiring big additional investments must be expected by agricultural holdings. The obligation to use best available techniques (BAT) accompanied by an integrated environmental permit will be applied to larger stock farmers. According to Council Regulation (EEC) No 2092/91, organic stock farmers must have their tether-keeping sheds rebuilt into free-holding sheds by 31 December 2010. Besides, at the beginning of the new period, the necessary investments related to the new cross-compliance requirements and the need for investments related to the new poultry farming requirements in the last years of the new period have to be considered. Additional requirements are also expected from the Community action plan on animal protection and welfare.

Considering that in medium and long term the shortage of investments in the sector of agriculture will jeopardize the competitiveness of agriculture and competitiveness should develop very quickly in the coming years, investments into buildings of long pay-back period are very important. As many requirements are related to livestock farming, the construction and reconstruction of agricultural buildings and facilities of long pay-back period is supported under one submeasure.

Processing of agricultural and forestry (by)-products into energy is one of the potential areas to diversify agricultural production and to develop new products and production structure. At the same time, the promotion of the use of biofuels contributes to the shaping of an efficient energy market, increasing the share of energy produced from renewable sources. Estonia has potential for the production of renewable energy, increasing the production of biomass on lands out of use. Need for biomass is increasing year by year.

Bioenergy can be produced from biomass produced on abandoned agricultural lands (estimated 400 000 ha). The soil fertility of those lands is often of low site class and those lands consist of small scattered land units. Taking those lands into use requires large investments and marketing certainty (biomass consuming industry). To use better the possibilities of agriculture in the production of renewable raw materials (incl. bioenergy) into non-food and to create new jobs in rural area, investments into the production of bioenergy raw material and of bioenergy from self-produced raw material are promoted. The production of bioenergy close to the location of raw material production is considered to be important for the reduction of negative environmental impact caused by transport. To develop the diversification of agricultural



production, investments into the production of bioenergy are also supported through one submeasure. This submeasure is implemented in accordance with the “Development plan for promoting the usage of biomass and bioenergy in 2007–2013”. In addition to the above mentioned, the shortage of qualified labour is turning to one of the biggest obstacles to the development of Estonian sector of agriculture.

Legal basis

Article 26 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Common principles regarding all submeasures

In order to increase the number of beneficiaries with the objective to increase the number of competitive agricultural producers, the Minister of Agriculture may establish a maximum amount of support available to one applicant regarding all submeasures for the programming period.

As a general rule, young agricultural producers entitled to receive higher support rate are defined as sole proprietors younger than 40 years at the time of applying for support. This shall also be applied to companies of which all shares belong to natural persons or shareholders who are younger than 40 years at the time of applying for support, to joint activity organisations if all their members and all applicants in contractual cooperation correspond to the requirements regarding sole proprietors or companies described above.

In accordance with Article 26(1) of Council Regulation (EC) No 1698/2005, where investments are made in order to comply with Community standards, support may be granted only to those investments which are made in order to comply with newly introduced Community standards. For example in submeasure 1.4.2, bringing manure storages into compliance with the requirements proceeding from the Water Act or in case of enterprises with an integrated environmental permit obligation, meeting the requirements proceeding from the Integrated Pollution Prevention and Control Act (which in their turn proceed from Council Directive 91/676/EEC, concerning the protection of waters against pollution caused by nitrates from agricultural sources and Council Directive 96/61/EC, concerning integrated pollution prevention and control respectively). In that case, a period of grace, not exceeding 36 months from the date on which the standard becomes mandatory for an agricultural holding, may be provided to meet that standard.

Objectives

Overall objective

The overall objective of this measure is to improve the competitiveness of agricultural production through the diversification of agricultural activities, the promotion of agriculture meeting the relevant standards and through the promotion of the usage of biomass.

To attain the overall objective, agricultural producers are supported by three submeasures.



5.5 SUBMEASURE 1.4.1 – INVESTMENTS INTO THE DEVELOPMENT OF MICRO AGRICULTURAL HOLDINGS

Specific objectives

- Increase in the level of technology, modernisation of the sector of agriculture and improvement of production quality;
 - Contribution to the improvement of the environment and animal welfare and to meeting relevant standards;
 - Maintenance of employment and stimulation of the creation of new jobs in agriculture;
 - Maintenance of traditional cultural landscape by more environmentally friendly cultivation methods;
 - Contribution to the processing of self-produced agricultural produce and thus to the increase in the value added produced by agricultural entrepreneurs.

Target group

Beneficiaries

- Micro agricultural producers (including joint activity organisations of micro agricultural producers) with up to 10 employees and annual sales revenue with other business income and the volume of annual balance not exceeding 2 million euros. Besides, the annual sales revenue of micro agricultural producers' self-produced agricultural products or of processed self-produced agricultural products should be more than 2400 euros. Micro agricultural producer has to gain profit, but its annual net profit should not exceed 63.9 thousand euros.

Larger business associations or legal persons other than micro agricultural producers for the purposes of this submeasure and natural persons active in agricultural production as sole proprietors, of which annual sales revenue with other business income, the volume of annual balance and the number of employees is bigger than that of micro agricultural producers for the purposes of this measure must not have bigger participating interest than 25%.

If support is applied for by a parent undertaking or a subsidiary belonging to a group of undertakings, the size of this group of undertakings should not exceed the limits established for a micro agricultural producer.

- Two or more micro agricultural producers together can apply for support to one investment object, if after the investment this investment object is or will be in their common ownership.



Minimum requirements for an applicant

- More than 50% of the sales revenue of micro agricultural producers applying for support must come from the sales of self-produced agricultural products or of processed self-produced agricultural products.
- Investment must improve the competitiveness of micro agricultural producers.
- Submitted business plan must *inter alia* include details about the planned investment and must indicate the objectives to be attained by the investment.
- Micro agricultural producer must meet the environmental, hygiene and animal welfare standards, established by law.
- Micro agricultural producer has no tax arrears (save staggered tax arrears).

Conditions for the support for investments into the development of micro agricultural producers will be specified by an implementing regulation, if necessary.

Supported activities and their short description

For the improvement of the competitiveness of micro-enterprises through diversification and/or for production expansion in sectors with normal market output the following is supported:

- Construction and reconstruction of agricultural production buildings and facilities (except livestock buildings and facilities) (incl. driers, storage facilities, greenhouses and the buildings necessary for processing self-produced agricultural produce referred to in Annex I of the EC Treaty) (incl. construction and reconstruction of power systems, construction and reconstruction of water supply and sewerage systems, connection to power, water supply and sewerage network, construction and reconstruction of access roads, construction and reconstruction of sewage treatment systems), in order to reduce environmental damages, to increase technological level, to improve product quality and to increase the competitiveness of micro agricultural producers;
- Construction and reconstruction of buildings and facilities, purchase and construction of cages and related systems necessary for livestock farming (except livestock buildings or facilities for cattle, pigs, sheep, goats, horses or poultry or construction or reconstruction of manure, silage or feeding stuffs storage facilities pertaining to them or stationary technological equipment), in order to bring the production into conformity with the EU environmental, hygiene, veterinary and animal protection requirements and to increase the competitiveness of micro agricultural entrepreneurs-livestock farmers;
- Purchase of machinery and equipment necessary for agricultural production (incl. used machinery and equipment) (incl. the machinery and equipment necessary for the self-produced products referred to in Annex I of the EC Treaty and plant protection and seed growing technology) (also incl. traditional agricultural machinery and equipment, which are intended for the production of raw material for biofuels or bioenergy, but except investments into the buildings, machinery and equipment which will be used for the production of biofuel, bioenergy or raw material of biofuel or bioenergy and supported by the submeasure concerning investments into the production of bioenergy), in order to reduce environmental damages, to increase technological level, to improve product quality and to increase the competitiveness of micro agricultural producers;



- Purchase of propagating material necessary for the establishment and expansion of orchards and berry plantations; purchase of plantation enclosures and constructions; purchase of apicultural and mushroom growing objects, in order to stabilize the income of micro agricultural holdings, to improve product quality and to increase the competitiveness of micro agricultural producers;
- Preparatory works for an investment (e.g. geodetic surveys, etc.) and owner supervision during the construction of an investment object.

Double financing with other measures, submeasures or any other CAP financial instruments, also with other financial resources from the state budget, the EU support funds, other international organization budgets or other non-returnable state aid must be avoided. To this end, any limitation of Community support under the common market organisations is taken into account.

Support payments

Maximum support rates

Upon determination of support payments, it is kept in view that public sector contribution under this measure should not exceed:

- 40% of the cost of investment;
- 50% of the cost of investment in less-favoured areas or for young agricultural producers outside less-favoured areas;
- 60% of the cost of investment for young agricultural producers in less-favoured area.

Upon purchase of tractors, it is kept in view that public sector contribution should not exceed:

- 35% of the cost of investment;
- 45% of the cost of investment in less-favoured areas or for young agricultural producers outside less-favoured areas;
- 55% of the cost of investment for young agricultural producers in less-favoured area.

Maximum amount of support payments

- Up to 100 000 euros during the programming period;
- In case of joint activity organisations of micro agricultural producers or where three or more micro agricultural producers apply for support together, to the investment object, which is or will be after investment in common ownership, up to 300 000 euros during the programming period.

In case of the purchase of used machinery and equipment, maximum amount of support is 20 000 euros during the programming period.

A micro agricultural producer may apply for investment support alone, through the joint activity organisation of micro agricultural producers or together with other micro agricultural producers. The total amount of support payments for one agricultural producer must not exceed 200 000 euros during the programming period.

The sum applied for by micro agricultural producers being parties of a group of undertakings may total 100 000 euros per group of undertakings within the programming period.



State financing schemes

Additionally, agricultural producers may use the loans, securities and other enterprise supporting instruments, granted by the Rural Development Foundation (the RDF). Agricultural producers who have already received support under measures 1.2 or 1.4 or whose applications have been approved, may additionally use soft loans and securities granted by the RDF.

Target area

The submeasure is implemented in Estonian rural area (rural municipalities, except cities within rural municipalities).

Indicators and target levels

Type of indicator	Indicator	Target 2007–2013
Output indicators	Number of supported agricultural holdings	2100
	Total volume of investment (euros)	210 900 000
Result indicators	Number of holdings introducing new products or techniques	700
Impact indicators	Net value added, PPS	increase
	Change of gross value added per full time equivalent	+ 40%

Processing of applications

Documents required

- Application;
- Business plan;
- Other proving documents, if necessary.

Paying Agency

The ARIB.

Application assessment procedure

A call for applications is announced. In case of lack of resources necessary for the approval of all applications successfully passing conformity control, a ranking list of eligible applications will be prepared on the basis of assessment criteria. The best applications will be approved.

Primarily, the following aspects are assessed:

- preference to micro agricultural producers with smaller annual sales revenue;
- preference to micro agricultural producers who have not received support for investments into agricultural production earlier;
- preference to young agricultural producers;
- preference to investments directed at agricultural produce processing, gardening, apiculture and mushroom production (processing of organic products or the diversification of organic production are preferred);
- preference to joint activities;



- preference to micro agricultural producers whose sales of self-produced agricultural products or of processed self-produced agricultural products makes up a bigger part of their total sales revenue;
- preference to micro agricultural producers who apply for a smaller amount of support.

5.6 Summary of submeasure 1.4.1 implementation results within the period 2007–2009

Calls for applications and financing

The implementation of the measure started in December 2007, three application rounds have been accomplished, the fourth round was opened in December 2010.

The budget of the measure totals 99.2 million euros and by now support in the sum of 73,2 million euros has been applied for, of which 88,3% (64 680 470 euros) has been granted. 36,7% of granted supports has been paid: 91,1% of the support granted in the first application round, 69,0% of the support granted in the second application round and 34,7% of the support granted in the third application round.

Table 7. Overview of calls for applications (as of 31.12.2010)

Calls for applications	Budget (million euros)	Support applied for		Support granted		Support paid (euros)
		Amount (euros)	Number of applications	Amount (euros)	Number of applications	
17.12.07–7.2.08	35,4	36 863 740	889	35 445 998	849	33 863 610
24.10.–15.12.08	22,4	23 564 736	577	21 445 268	533	16 270 807
16.11.–30.11.09	7,7	13 497 936	467	7 789 204	308	4 683 588
9.12.–22.12.10	7,7	18 737 998	537			
Total	73,2	92 664 410	2470	64 680 470	1690	54 818 005

Source: The ARIB

The biggest part of granted support (58,0%–37 487 228 euros) has been allocated to plant production (table 10), of which 85,0% (31 845 509 euros) has been paid. 4 351 530 euros have been granted for the promotion of milk production, of which 77,5% (3 370 882 euros) has been paid. An important part of investments has been allocated to mixed production (29,0%–18 745 289 euros). It must be noticed that although investments may already be made since the submission of an application, in constantly changing economic situation applicants first want to be sure of the grant of support by the ARIB to investments and only then make the investments.

The average granted support sum per applicant in the three accomplished application rounds was 38 272 euros, which per applicant made up 38% of the maximum possible support sum.



Achievement of objectives

Beneficiaries

By counties, most support (7.3 million euros) has been granted to Tartu county. Supports to Võru and Viljandi counties make up 10% of total granted support and the total support sum granted to those counties is 13.1 million euros. Pärnu and Lääne-Viru counties follow, the support sums granted to those counties make up 9% and 8% of the total support sum respectively. The smallest support sums have been granted to Harju county (2.6 million euros) and to Hiiu county (1.1 million euros).

The number of LFA support beneficiaries has continually increased in each application round, in the third application round their share was higher than 50%, at the same time the share of young applicants has continually increased, being higher than 20% in the third application round.

Table 8. Applying for support by counties (as of 1.12.2010, euros)

Implementation county	Number of applications	Granted support sum	Average granted support sum
Harju	75	2 615 870	34 878
Hiiu	39	1 137 683	29 171
Ida-Viru	62	2 260 374	35 879
Jõgeva	109	4 636 190	42 147
Järva	71	3 300 373	46 484
Lääne	90	3 936 404	43 257
Lääne, Rapla	2	62 874	31 437
Lääne-Viru	139	5 159 034	37 115
Põlva	108	4 701 209	43 530
Pärnu	172	5 786 140	33 254
Pärnu, Põlva	1	8 117	8 117
Rapla	111	2 973 850	26 791
Saare	97	3 150 822	32 483
Tartu	166	7 230 859	42 786
Valga	110	4 610 656	41 537
Valga, Tartu	1	12 667	12 667
Viljandi	179	6 781 305	37 466
Võru	158	6 316 043	39 975
Total	1 690	64 680 470	38 025

By different types of enterprise, among total support granted in three application rounds, sole proprietors' projects prevailed (77,6% of the total number of applicants). The support sum granted to sole proprietors' 1311 projects was 43 832 641 euros (67% of the total granted support sum). The average support sum was 38 025 euros, which is by 4793 euros bigger than the support sum applied for by sole proprietors (table 9).



Table 9. *Granted support by different types of enterprise (as of 1.12.2010, euros)*

Type of enterprise	Number of applications	Granted support sum	Average granted support sum
Public limited company	10	578 624	57 862
Sole proprietor	1 311	43 832 641	33 232
Private limited company	356	19 575 686	54 528
Commercial association	13	693 520	53 348
Total	1 690	64 680 470	38 025

Investments

Plant production and mixed production have been the main target areas for investments, making up 87,3%. 81.9 million euros are planned for investments into plant production, this makes up a big part of total eligible investments (58,2%). Out of total support granted to plant production, 31.8 million euros have been paid, which makes up 85% of total paid support. Mixed production in the sum of 41 million euros has been another important investment target, making up 29,1% of total eligible investments. Mixed production has been granted 18.7 million euros, which makes up 89,8% of total granted support paid. Poultry farming has been paid the biggest part of granted support.

Table 10. *Investments by target areas (as of 1.12.2010, euros)*

Investment target area	Investment amount	Granted support	Paid support	Share in total eligible investment, (%)	Share in total granted support, (%)	Paid share in total granted support (%)
Horticulture	3 361 627	1 585 568	1 003 443	2,4	2,5	63,3
Poultry farming	2 770	1 385	1 385	0,0	0,0	100,0
Livestock farming, except milk production	3 848 286	1 926 160	1 494 531	2,7	3,0	77,6
Milk production	9 390 498	4 351 530	3 370 882	6,7	6,7	77,5
Permanent crops	482 088	240 316	59 980	0,3	0,4	25,0
Pig farming	813 953	342 990	210 678	0,6	0,5	61,4
Mixed production	41 006 506	18 745 289	1 683 159	29,1	29,0	89,8
Plant production	81 951 165	37 487 227	31 845 509	58,2	58,0	85,0
Total	140 856 897	64 680 469	54 818 004	100,0	100,0	84,8



By activities, most support (65%) has been granted for the purchase of machinery or equipment and 30% of support for the purchase of tractors. In the two first application rounds, for the construction of buildings and facilities payments have been made for 43% of approved applications (table 11).

Table 11. Division and payment of support by activities

Activity	Share of granted applications	Granted eligible cost	Share of granted support sum	Number of paid applications	Share of paid support in the support granted to activities
Construction or reconstruction of buildings or facilities	81	4%	4%	39	43,2%
Purchase and installation of machinery or equipment	1474	63%	65%	1060	69,6%
Purchase of tractors	770	32%	30%	615	77,4%
Other activities	186	1%	1%	1797	70,5%

By target areas, most support has been granted to plant production (more than 50%) and mixed production (30%), livestock farming, milk production and horticulture have been supported less from the measure. The share of livestock farming is smaller as the undertakings of that area of activity may apply for measure 1.4.2 support.

Indicators

In three application rounds, support has been granted to 1686 applications of 1241 different undertakings. To meet the required target number of undertakings, support should be granted to 1288 more applicants.

In measure objectives, the planned investment volume was 210.9 million euros. After three application rounds, the volume of investments accomplished by the use of paid supports is 140.8 million euros, which makes up 66,7% of target level. The list of paid activities is varied and very different activities have been supported.

As for impact indicator, the evaluator is of the opinion that it is too early to give estimates. As most beneficiaries of investment support partially or fully made their investments in 2009, the impact of support can be assessed according to the economic indicators of the year 2010 at the earliest.

Differences by application rounds

By application rounds, the average support rate has increased with each application round. Increase has been caused by the fact that in the third application round support was granted to the undertakings of which the evaluation results were better but in the first and second application rounds most applications (92–96%) were granted support. The young entrepreneur criterion influencing both the support rate and the ranking list of entrepreneurs has been included in evaluation criteria. Increase in support rate is also certainly influenced by better preparation of entrepreneurs so that buildings are planned to LFA or holdings are transferred to younger people.



Table 12. Overview of the results of three application rounds according to support grant data (million euros)

Indicator	Total	I application round	II application round	III application round
Number of supported applications	1686	849	533	304
Number of supported new undertakings	1241	849	259	133
Granted support sum	64,6	35,4	21,4	7,7
Sum of supported investment	140,5	78,4	46,1	16,0
Average support rate (%)	45,9	45,2	46,5	48,1

The following beneficiaries' activities have been most popular in three application rounds (table 13):

- 1) purchase of machinery and equipment (except tractors);
- 2) purchase of tractors;
- 3) construction of buildings and facilities;
- 4) purchase of fruit trees, berry bushes and plants;
- 5) purchase of apiculture accessories.

Table 13. Most frequent activities in three application rounds (%)

Application round	Purchase of machinery and equipment	Purchase of tractors	Construction of buildings or facilities	Fruit trees, berry bushes and plants	Api-culture accessories
I application round – numerical share in activities	56,2	37,6	1,8	0,9	1,1
I application round – financial share in granted support	64,4	32,8	1,7	0,2	0,1
II application round – numerical share in activities	61,7	26,4	2,8	2,2	1,2
II application round – financial share in granted support	66,1	26,4	5,4	0,6	0,3
III application round – numerical share in activities	60,8	17,9	4,8	4,8	3,2
III application round – financial share in granted support	64,2	27,5	4,4	1,5	0,4



Both numerical and financial share of other activities was below 1,8%. Purchase of machinery and equipment makes up an important share in the number of supported applications and in financial volume (financially more than 60%). A big part of supported projects includes purchase of tractors, of which the share has decreased to some extent (financially more than 19%), compared to the first application round. This was due to the big importance of repeated applications. In the first and second application rounds, purchase of tractors was supported in case of 670 different undertakings. In the third application round, purchase of agricultural machinery (except tractors) was supported in case of 109 undertakings, of which purchase of tractors had been supported in the first and/or in the second application rounds. This makes up 16% of the number of undertakings of which purchase of tractors was supported.

In the first application round, construction of buildings and facilities was financially the third most popular activity and made up 1,7% of the total budget of the first application round. In the following application rounds, its importance has grown. The third application round is distinguished by the addition of popular activities, of which the numerical or financial volume exceeds 1,8%.

The importance of machinery and equipment proceeds from the specificity of the measure. Measure 1.4.2 supports livestock buildings and with the implementing regulation of measure 1.4.1 the eligible activities of measure 1.4.2 are excluded.

Overall assessment of implementation progress

Measure implementation has been successful and is important for supporting the competitiveness of small (up to 10 employees) agricultural holdings. Evaluator is of the opinion that the measure has contributed to making use of new machinery and equipment and tractors and enhanced the better use of production factors in agricultural holdings.

Evaluator estimates that demand for submeasure 1.4.1 support is high. This is confirmed by the great number of applications in application rounds and good realisation of investment plans by supports (big share of payments in approved supports). Most support has been given to cereal growing and mixed production, other areas have been supported to a smaller extent.

5.7 SUBMEASURE 1.4.2 – INVESTMENTS IN LIVESTOCK BUILDINGS

Specific objectives

- To improve competitiveness, incl. promoting the implementation of new technologies and innovations;
- To contribute to the conformity with the requirements related to the improvement of environmental and occupational safety and animal welfare.

Target group

Beneficiaries

Agricultural producers, joint activity organisations of agricultural producers and independent agricultural producers in contractual cooperation active in raising cattle, pigs, sheep, goats, horses or poultry.



Minimum requirements for an applicant

- Investment must improve the competitiveness of the enterprise;
- In case of enterprises with the obligation to have an integrated environmental permit, the investment must meet the BAT requirements;
- Submitted business plan must *inter alia* include information about the existing agricultural fixed assets of the applicant, as well as details about the planned investment and must describe the objectives to be attained with the investment;
- Livestock building must be registered as required;
- Agricultural producer must meet the environmental, hygiene and animal welfare standards, established by law;
- As regards the investment object, no decisions have been made on the approval of application or on support payment within the framework of other support schemes.

Amendments to the minimum requirements for an applicant can be provided in an implementing regulation, if necessary.

Supported activities and their short description

Investments into construction and reconstruction of livestock buildings are supported. Supported investments can be as follows: a design project, construction or reconstruction of a livestock building, construction or reconstruction of a manure, silage and fodder storage facility and its equipment, farm equipment (incl. washing equipment, freezing equipment, scrapers, stationary feeders and drinking devices, ventilators, mats, vacuum devices, incubators, etc.). A more specific list of eligible investments will be included in the implementing regulation.

In case of agricultural producers with the obligation to have an integrated environmental permit, the investments meeting the BAT requirements will be supported. Applicants must not have violations of animal welfare, food hygiene and environmental standards or the source of violations must have been corrected. Double financing with other measures shall be avoided.

Support payments

Maximum support rates

Awarding support, it is kept in view that payments should not exceed:

- 40% of the cost of investment;
- 50% of the cost of investment in less-favoured area or for young agricultural producers outside less-favoured area;
- 60% of the cost of investment for young agricultural producers in less-favoured area,

and the cost of an animal place established according to the type of production. More specific support rates will be provided in an implementing regulation.

Maximum amount of support payments

Maximum amount of support payment will be 500 000 euros within the programming period 2007–2013.



State financing schemes

Additionally, agricultural producers may use the loans, securities and other enterprise supporting instruments, granted by the Rural Development Foundation (the RDF). Agricultural producers who have already received support under measures 1.2 or 1.4 or whose applications have been approved, may additionally use soft loans and securities granted by the RDF.

Target area

The submeasure is implemented in Estonian rural area (rural municipalities, except cities within rural municipalities).

Indicators and target levels

Type of indicator	Indicator	Target 2007–2013
Output indicators	Number of supported agricultural holdings	600
	Total volume of investment (euros)	134 000 000
Result indicators	Number of holdings introducing new products or techniques	200
Impact indicators	Net value added, PPS	increase
	Change of gross value added per full time equivalent	+ 40%

Processing of applications

Documents required

- Application;
- Business plan;
- Other proving documents, if necessary.

Paying Agency

The ARIB.

Application assessment procedure

A call for applications is announced. In case of lack of resources necessary for the approval of all applications successfully passing conformity control, a ranking list of eligible applications will be prepared on the basis of assessment criteria. The best applications will be approved.

The main evaluation criteria are the following:

- preference to agricultural producers not having received support for investments into agricultural production;
- preference to young agricultural producers;
- preference to organic producers;
- preference to agricultural producers whose sales revenue from the sales of self-produced products or of processed self-produced products makes up a larger part of the total sales revenue;
- preference to applicants with higher economic efficiency;
- preference to applications with lower support rate applied for.

Amendments to evaluation criteria can be provided in an implementing regulation, if necessary.



5.8 Summary of submeasure 1.4.2 implementation results within the period 2007–2010

Calls for applications and financing

Measure 1.4.2 has been implemented since 2007. In the elaboration of the measure, serious shortage of investment in agricultural production deriving from 1990ties and augmented by additional environmental and animal welfare standards concurrent with the accession of Estonia to the European Union was considered. Shortage of investment endangers the competitiveness of the sector of agriculture in mid- and long-term perspective and therefore, in the period 2007–2013, it is important to support investments into livestock buildings of long payback period for cattle, pig, sheep, goat, horse or poultry keeping (incl. manure and feed storage facilities and access roads).

The indicative budget of the measure for the period 2007–2013 is 81 million euros, of which 75,3% (61.0 million euros) has been granted. 36,7% of granted support has been paid: 66,1% of the support granted in the first application round, 19,5% of the support granted in the second application round and 1,3% of the support granted in the third application round.

Table 14. Overview of calls for applications (as of 31.12.2010)

Calls for applications	Budget (euros)	Support applied for		Support granted		Support paid (euros)
		Amount (euros)	Number of applications	Amount (euros)	Number of applications	
17.12.07–20.2.08	27 511 094	30 067 092	128	27 520 954	128	18 191 433
24.10.–15.12.08	20 323 904	23 490 503	100	20 730 164	89	4 029 034
12.10.–26.10.09	12 389 273	18 239 288	106	12 761 012	83	164 152
27.10.–15.11.10	12 462 771	23 258 859	122			
Total	72 687 042	72 687 042	456	61 012 131	300	22 384 619

The biggest part of granted supports – 58,2% (35 496 096 euros), goes to cattle farming (table 17), of which 35,4% (12 578 957 euros) has been paid. For the development of pig farming, 11 864 688 euros has been granted, of which 43,2% (5 123 160 euros) has been paid. The share of paid support is the biggest in poultry farming – 71,1% (1 114 824 euros). In poultry farming, the granted support sum totalled 2 914 305 euros. In cattle farming, the low level of investment can be explained by the abrupt fall in milk prices in 2009. According to the data of the Estonian Institute of Economic Research, the purchase price of milk fell 41,1%, compared to 2008. During the same period, the purchase price of pig meat remained practically the same, which explains the bigger importance of investments made in pig farming projects.

The average granted support sum per applicant was 203.4 thousand euros, which made up 40,7% of the maximum possible support sum.



Achievement of objectives

Beneficiaries

By counties, most support (7 477 480 euros) has been granted to Lääne-Viru county, where investments totalling 28 704 974 euros are planned to be made by the aid of support. Supports to Lääne-Viru county make up 18,8% of total granted support and 19,5% of total planned investments. Pärnu county follows with the support granted in the sum of 7 254 827 euros and with planned investments in the sum of 16 932 527 euros. Supports to Pärnu county make up 12,0% of total granted support and 11,5% of total planned investments. 5 987 316 euros were granted to Tartu county that wishes to make investments in the sum of 14 881 986 euros. Supports to Tartu county make up 9,9 % of total granted support and 10,1% of total planned investments.

Table 15. Applying for support by counties (as of 23.11.2010, euros)

Implementation county	Number of applications	Granted support sum	Average granted support sum
Harju	13	3 507 266	269 790
Hiiu	9	487 340	54 149
Ida-Viru	10	778 495	77 850
Jõgeva	13	3 465 525	266 579
Jõgeva and Viljandi	1	173 532	173 532
Järva	14	3 570 966	255 069
Lääne	17	3 512 930	206 643
Lääne and Lääne-Viru	1	392 769	392 769
Lääne-Viru	44	11 357 605	258 127
Põlva	19	3 685 134	193 954
Pärnu	41	7 254 827	176 947
Rapla	13	4 313 988	331 845
Saare	22	3 454 996	157 045
Tartu	28	5 987 316	213 833
Valga	19	3 645 126	191 849
Viljandi	15	3 316 965	221 131
Viljandi and Jõgeva	1	93 400	93 400
Võru	20	2 013 949	100 697
Total	300	61 012 131	203 374

Support to agricultural holdings active in LFA made up 33,1% (20 198 873 euros) of total granted support sum, support to young agricultural producers active in LFA made up 16,9% (3 402 020 euros) of that.



Among the supports granted in three application rounds together, most projects belonged to private limited companies (52,3% of the number of applicants). The support sum granted to the 157 projects of private limited companies was 42 255 645 euros (69% of total granted support sum). The average support sum was 269 144 euros, which is 74 673 euros less than the support sum applied for by public limited companies (table 16).

Table 16. *Granted support by different types of enterprise (as of 24.11.2010, euros)*

Type of enterprise	Number of applications	Granted support sum	Average granted support sum
Public limited company	19	6 532 532	343 817
Sole proprietor	111	9 312 252	83 894
Private limited company	157	42 255 645	269 144
Commercial association	13	2 911 702	223 977
Total	300	61 012 131	203 374

According to the analysis made by the Estonian University of Life Sciences² during ongoing evaluation, sole proprietors who had applied for up to 63 912 euros and companies which had applied for more than 319 558 euros predominated among applicants, their average sales revenue was 51 129 euros and 703 028 euros respectively (table 17).

Table 17. *Undertakings which predominated among applicants*

Applicant	Number of undertakings	Average sales revenue, euros	Average number of employees	Average net profit, euros
Sole proprietors who applied for up to 63 912 euros	28	51 129	2	25 565
Companies which applied for more than 319 558 euros	23	703 028	26	76 694

Investments

Granted supports are mostly planned to be used for investments into livestock buildings and equipment intended for cattle keeping. Investments into cattle farming are planned in the sum of 88.7 million euros, which makes up 59,7% of total planned investments (table 18). Big importance of cattle farming (particularly dairy cattle farming) in planned investments derives from high capital intensity and big investment shortage of this branch of livestock farming and in case of bigger producers also from the obligation to bring their production into accordance with the requirements of the integrated permit provided for in the Integrated Pollution Prevention and Control Act. Big investments are also needed because of the fact

² Analysis of the implementation results of the ERDP 2007–2013 measure 1.4.2 „Investments in livestock buildings“ III application round. Performer: Rural Economy Research Department of the Institute of Economics and Social Sciences of the Estonian University of Life Sciences, ongoing evaluator of the ERDP 2007–2013 Axes 1, 3 and 4.



that stock farmers must bring their manure and silage storage facilities into accordance with the requirements provided for by the Water Act.

For the construction and reconstruction of feed and manure storage facilities, investments in the sum of 8.4 million euros are planned, which makes up 12,9% of total eligible investments. At the same time, the number of investments made into feed and manure storage facilities is the smallest – only 23,1% of total support granted to feed and manure storage facilities has been paid (table 18).

Table 18. Investments by investment areas (as of 4.10.2010, euros)

Investment target area	Investment amount	Granted support	Paid support	Share in total eligible investment, (%)	Share in total granted support, (%)	Paid share in total granted support, (%)
Cattle farms and equipment	88 700 099	35 496 096	12 578 957	59,7	58,2	35,4
Pig farms and equipment	28 460 329	11 864 688	5 123 160	19,2	19,4	43,2
Poultry farms and equipment	7 234 752	2 914 305	2 073 185	4,9	4,8	71,1
Feed and manure storage facilities	19 124 421	8 447 759	1 949 376	12,9	13,8	23,1
Access roads	2 342 711	1 070 450	284 482	1,6	1,8	26,6
Total	148 463 037	61 012 131	22 384 619	100,0	100,0	36,7

Indicators

In all, 300 applicants have been supported. This figure makes up 50% of the target level. The total volume of investments (148.5 million euros) planned by the projects which were granted support exceeds the planned target level by 10,9%.

In case of the result indicator “The number of agricultural producers producing new products or using new farming practices”, the inquiry made by the mid-term evaluator indicates that most agricultural entrepreneurs (88,3% of respondents) are of the opinion that the support has helped them to make production more efficient, to make use of new technology and to introduce innovation.

As regards the impact indicator, the ongoing evaluator is of the opinion that it is too early to give estimates. As most beneficiaries-investors partially or fully made their investments in 2009, the impact of support can be assessed according to the economic indicators of the year 2010 at the earliest.



Differences by application rounds

By application rounds, the share of the sector of cattle farming in granted supports has decreased from 68,6% to 46,4%. Bigger importance of cattle farming in earlier application rounds can be explained by the fact that cattle farmers could not apply for investment support in 2005 and 2006, but because of high capital intensity of cattle farming and the resultant big annual depreciation, shortage of investment was particularly big. Besides, cattle farmers had to consider new animal keeping standards, which took effect with the accession of Estonia to the European Union.

Table 19. Investments by application rounds (as of 4.10.2010)

Investment target area	Granted support			Paid support		
	Cost of investment, (euros)	Sum		Cost of investment, (euros)	Sum, (euros)	Share in granted support sum, (%)
		(euros)	(%)			
I application round						
Cattle farms and equipment	48 450 002	18 888 296	68,6	31 063 284	11 882 242	62,9
Pig farms and equipment	10 555 381	4 574 665	16,6	8 149 227	3 562 214	77,9
Poultry farms and equipment	3 124 701	1 295 815	4,7	3 124 701	1 295 815	100,0
Feed and manure storage facilities	5 073 575	2 252 233	8,2	2 884 967	1 182 510	52,5
Access roads	695 682	324 789	1,2	280 821	130 960	40,3
Total I round	68 275 204	27 520 954	100,0	45 778 838	18 191 433	66,1
II application round						
Cattle farms and equipment	26 370 316	10 687 088	51,6	1 416 100	630 678	5,9
Pig farms and equipment	10 585 598	4 140 955	20,0	3 641 630	1 538 346	37,1
Poultry farms and equipment	2 961 295	1 287 133	6,2	1 858 327	777 370	60,4
Feed and manure storage facilities	8 695 748	3 727 609	18,0	1 593 858	700 466	18,8
Access roads	859 719	397 325	1,9	367 737	153 521	38,6
Total II round	50 568 300	20 730 164	100,0	9 387 788	4 029 034	19,4

**III application round**

Cattle farms and equipment	13 879 781	5 920 713	46,4	114 472	66 037	1,1
Pig farms and equipment	7 319 350	3 149 068	24,7	50 211	22 600	0,7
Poultry farms and equipment	1 148 756	331 357	2,6	0	0	0,0
Feed and manure storage facilities	5 355 098	2 467 917	19,3	132 800	66 400	2,7
Access roads	787 310	348 336	2,7	0	0	0,0
Total III round	29 619 534	12 761 012	100,0	315 715	164 152	1,3

Decrease in the importance of the sector of cattle farming in the following application rounds was also caused by the global economic recession of 2009, which was particularly hard on dairy cattle farming due to big fall in the purchase price of milk. Nevertheless, most investments of the first application round targeted at cattle farming have already been made (62,9% of total granted support sum has been paid).

The share of the sector of pig farming in granted supports has increased from 16,6% in the first application round to 24,7% in the third application round. In investments, pig farmers have been more successful than cattle farmers particularly in the second application round, in which 37,1% of granted support has been paid to investors in pig farming, compared to cattle farmers' 7,9%.

Due to economic recession, an amendment was made to the implementing regulation of the measure. Since the decision taken by the ARIB to approve application, the supports granted in the first and second application rounds can be used during four years instead of the earlier two-year period. The amendment was caused by the danger that the two-year period could be too short for post recession re-establishment and for the accomplishment of big investments.

Investments into manure and feed storage facilities have also been modest (52,5% in the first application round and 18,8% in the second application round respectively), which can be explained by the fact that hard pressed stock farmers made investments into the improvement of animal keeping conditions their priority. Decrease in the average granted support sum per applicant in application rounds is also typical of that – the first application round – 215 thousand euros, the second application round – 207 thousand euros and the third application round – 153.7 thousand euros.

Overall assessment of implementation progress

Measure implementation has been successful – by the end of the third application round, the total volume of the planned investments of the projects which had been granted support exceeded the planned target level. The support has enabled agricultural producers to make their production more efficient, to make use of new technology and to introduce innovation.

The mid-term evaluator is of the opinion that submeasure 1.4.2 is important for the promotion of the competitiveness of the agricultural holdings engaged in livestock farming. Although



applying for support from the measure has been successful, making investments is risky even with supports. Most support has been used for the construction of livestock buildings for the holdings engaged in cattle farming (incl. dairy farming) and in mixed production. Non-realisation of investment plans would endanger conformity with environmental and animal keeping requirements, the sustainability of holdings and the competitiveness of the sector.

5.9 SUBMEASURE 1.4.3 – INVESTMENTS INTO THE PRODUCTION OF BIOENERGY

Specific objectives

- New market for agricultural entrepreneurs;
- Introduction of new technologies;
- Increase in the competitiveness (i.e. income) of agricultural entrepreneurs;
- Maintenance of the environment;
- Maintenance of landscape;
- Supply certainty of raw material for energy production;
- Diversity of energy sources;
- Distributed energy production.

Target group

Beneficiaries

- Agricultural producers;
- Joint activity organisations of agricultural producers and independent agricultural producers in contractual cooperation. All members of the organisations applying for support in the framework of such joint activity must be agricultural producers.

Minimum requirements for applicants

- More than 50% of the sales revenue of agricultural producers applying for support must come from the sales of self-produced products or of processed self-produced products;
- On-farm use of the predominant share of produced bioenergy is the objective of agricultural producers applying for support;
- Investment must enhance the competitiveness of an agricultural producer;
- Submitted business plan must *inter alia* include information about the details of the planned investment and must include the objectives to be attained by the investment;
- Agricultural producers must prove the existence of the necessary equipment and/or the existence of sufficient commercial outlets (supply contracts, sales statistics, etc.);
- Agricultural producers must meet the minimum environmental, hygiene and animal welfare standards, established by law;
- Agricultural producers must have agricultural education, work experience in the sector of agriculture or they must be accredited with farm workers' I professional qualification;



- Agricultural producers have no tax arrears (save staggered tax arrears);
- As regards the investment object, no decisions have been made on the approval of application or on support payment within the framework of other support schemes.

Conditions for the support for investments into the production of bioenergy will be specified by an implementing regulation, if necessary.

Supported activities and their short description

Investments directed at the cultivation and processing of biomass and production of bioenergy will be supported, incl. the following:

- construction of buildings and facilities for the processing of biomass and for the production of bioenergy;
- construction of access roads to the building;
- construction of water supply and sewerage systems linked to the building, purchase and installation of sewage treatment systems and related equipment (incl. connection to water supply and sewerage systems);
- construction of electrical installations linked to the building and the purchase and installation of related equipment (incl. connection to electric power systems) if prescribed by the building design project in conformity with the Building Act;
- purchase and installation of equipment and machinery for the cultivation of energy shrubs, processing of biomass and production of bioenergy (except traditional agricultural machinery and equipment supported under submeasure 1.4.1, which could be used for the production of biomass);
- preparatory works for an investment (e.g. geodetic surveys etc.) and owner supervision during the construction of investment object.

Double financing with other measures, submeasures or any other CAP financial instruments, also with other financial resources from the Structural Funds, the Cohesion Fund or other EU support funds or international organisations or the state budget or local government budget must be avoided. To this end, any limitation of Community support under the common market organisations is taken into account.

Support payments

Maximum support rates

Upon determination of support payments, it is kept in view that public sector contribution under this measure should not exceed:

- 40% of the cost of investment;
- 50% of the cost of investment in less-favoured area or for young agricultural producers outside less-favoured area;
- 60% of the cost of investment for young agricultural producers in less-favoured area.

Maximum amounts of support payments

- Up to 300 000 euros during the programming period;



An agricultural producer may apply for investment support alone, through agricultural producers' joint activity organisations or through contractual cooperation of independent agricultural producers. The total amount of support payments for a single applicant must not exceed 300 000 euros.

State financing schemes

Additionally, agricultural producers may use the loans, securities and other enterprise supporting instruments, granted by the Rural Development Foundation (the RDF). Agricultural producers who have already received support under measures 1.2 or 1.4 or whose applications have been approved, may additionally use soft loans and securities granted by the RDF.

Target area

The submeasure is implemented in Estonian rural area (rural municipalities, except cities within rural municipalities).

Indicators and target levels

Type of indicator	Indicator	Target 2007–2013
Output indicators	Number of supported agricultural holdings	180
	Total volume of investment (euros)	46 000 000
Result indicators	Number of holdings introducing new products or techniques	180
Impact indicators	Net value added expressed in PPS	increase
	Change in gross value added per full time equivalent	+ 40%

Processing of applications

Documents required

- Application;
- Business plan;
- Other proving documents, if necessary.

Paying Agency

The ARIB.

Application assessment procedure

A call for applications is announced. In case of lack of resources necessary for the approval of all applications successfully passing conformity control, a ranking list of eligible applications will be prepared on the basis of assessment criteria. The best applications will be approved.

The main evaluation criteria are the following:

- preference to projects with larger impact on the reduction of CO₂ emissions;
- preference to agricultural producers who have not received support for investment into agricultural production;



- preference to young agricultural producers;
- preference to cooperation;
- in the production of bioenergy preference is given if raw materials originate within a radius of 50 km;
- preference to raw materials of agricultural origin (incl. from the forest of the agricultural producer);
- preference to marketing of biomass within a radius of 150 km of the place of production;
- preference to agricultural producers active in the LFA;
- preference to projects resulting in new jobs;
- preference to agricultural producers who apply for a smaller amount of support.

5.10 Summary of submeasure 1.4.3 implementation results within the period 2007–2009

Calls for applications and financing

Measure 1.4.3 has been implemented since 2008. In the elaboration of the measure, different needs and challenges concerning the sector of agriculture were considered, such as climate change alleviation, better use of the possibilities of agriculture and forestry in the production of renewable resources, promotion of economic activity and creation of jobs in rural area, introduction of new technologies and increase in the security of provision, diversity and distribution in energy production.

Table 20. Overview of calls for applications (as of 31.12.2010)

Calls for applications	Budget (euros)	Support applied for		Support granted		Support paid (euros)
		Amount (euros)	Number of applications	Amount (euros)	Number of applications	
18.8.–17.09.08	2 530 901	2 881 859	30	2 140 064	27	999 233
24.8.–14.09.09	1 032 173	1 032 156	10	1 017 227	10	349 817
21.09.–30.09.10	1 917 349	4 049 805	38	0	0	0
Total	5 480 424	7 963 820	78	3 157 291	37	1 349 050

Purchase of the machinery and equipment necessary for the cultivation of energy shrubs, for the production of bioenergy and for the processing of biomass and the construction of buildings and facilities are the activities supported under the measure. Electric power and heat and transport fuel produced from biomass are regarded as bioenergy. Besides, the construction of access roads, water supply and sewerage systems and electrical installations linked to buildings are also eligible under the measure. Preparatory works for an investment and owner supervision during the construction of an investment object are also supported, if necessary.



Initially, the budget of the measure was 25.3 million euros, but due to lower receipt of applications than planned it was decided to reduce the budget by almost 9.6 million euros in 2010 and after that the new budget is 15.7 million euros, of which 20% (3.2 million euros) has been granted in two years.

In 2008, the support granted totalled 2 140 064 euros and in 2009 1 017 226 euros. As of the end of 2010, 42% (1.35 million euros) of granted support has been paid. In 2008, 27 applicants and in 2009 10 applicants were granted support. In 2008, the average granted support per applicant was 79 262 euros and 101 723 euros in 2009.

Achievement of objectives

Beneficiaries

By counties, most support (859 112 euros) has been granted to Valga county, but this sum actually includes three applications close to maximum support sum. Most applications for support were approved in Põlva county (6), but the total support sum granted is more than twice smaller than the support sum granted to Valga county.

Table 21. Applying by counties

Implementation county	Number of applications	Granted support sum	Average granted support sum
Harju	1	39 612	39 612
Jõgeva	3	540 315	180 105
Järva	2	201 906	100 953
Lääne-Viru	4	419 523	104 881
Põlva	6	326 850	54 475
Pärnu	3	15 614	5 205
Saare	3	81 577	27 192
Tartu	4	455 729	113 932
Valga	4	859 112	214 778
Viljandi	4	74 790	18 698
Võru	3	142 263	47 421
Total	37	3 157 291	85 332

Investments

Support for the purchase of several biomass processing and loading equipment and boilers made up the biggest part of granted support. Investments into wood and hay choppers and loaders were rather frequent. In several times, investment was made into integral solution, which besides a wood chopper and a loader also included the purchase of a burner. In four cases, support was granted for the purchase of biogas production equipment and in two cases the purchase of rape oil press was supported. In 2008, one applicant was granted support for the purchase of energy willow sets together with a boiler and a wood chopper.



Differences by application rounds

During the first two years of the implementation of the measure, purchase of energy shrub sets and cuttings was also eligible. Since 2010, this opportunity has been abolished as the production and use of timber-based biomass has intensified and become profitable anyhow and its additional support is not necessary any more in Estonia. Instead of that it is reasonable to focus on other areas which have not developed so well, such as the use of grass biomass for energy production or the production of biogas.

Overall assessment of implementation progress

In the first two years and particularly in 2009, the implementation of the measure remained considerably lower than the extent planned. In two years, only 20% of the budget of the measure has been granted (considering budget retrenchment). By now, there have only been 37 beneficiaries, which makes up only 20% of the target level of the period (180).

The application round of 2010 started more successfully and compared to earlier times, much more applications were received. In 2010, applications for support totalled more than four million euros. The grant of the supports of the application round of 2010 will take place in February 2011.

According to the estimate of the participants in the RDP mid-term evaluation focus group and interviews, the changed economic situation has hindered investment planning in the field of bioenergy and investment decisions have been postponed. Therefore, with the improvement of economic situation need for the measure may grow.

In an inquiry on investment support made under mid-term evaluation applicants were asked if the measure had met their wishes and expectations. 85% of respondents declared that the measure had fully met their expectations.

According to the implementation analysis made under the ERDP ongoing evaluation, by 2008, beneficiaries' average debt coefficient had increased by 0,05 units and by the end of 2009 by 0,03 units. In 2008, obligations per undertaking increased by 0.21 million euros and by 0.03 million euros on an average in 2009. The growth rate for obligations has slowed down. In 2008, the average change of equity capital brought about increase in equity capital by 0.24 million euros, thus, the average decrease in equity capital by 0.02 million euros in 2009 does not considerably worsen the status of equity capital of undertakings.

5.11 MEASURE 1.9 – SETTING UP AND DEVELOPMENT OF PRODUCER GROUPS (142)

Justification

For agricultural producers, incl. organic farmers and producers of niche products, the problem lies in the incompleteness of the production chain (production – processing – trade – consumer), in the lack of nationally recognised quality schemes, weak joint activity and marketing, low expenditure on innovation. The adaptability of agricultural producers is low and they have trouble with pre-sale processing of their products, with meeting the quality standards and in marketing. Marketing should ensure continuous flow of goods and sufficient quantities.

Solution can be found in the integrated development of production chain and the promotion of cooperation among producers (common production, processing and marketing of self-produced products, etc.), in participation of agricultural producers in food quality schemes, in significant increase in the volumes of common marketing.



In Estonia, the most suitable legal form for the promotion of joint economic activity among agricultural producers is a commercial association. According to the Commercial Association Act, a commercial association is a company of which the purpose is to support and promote the economic interests of its members through joint economic activity. In February 2010, there were 85 agricultural commercial associations in Estonia. 65 of them indicated crop and animal production and related service activities, 6 manufacturing of food products (i.e. processing industry), 13 wholesale of food products and 1 management of conventions and trade shows as their main economic activity.

According to the reports of accounting year 2008, the total net turnover of these commercial associations (together with trading companies controlled by them) was 198 million euros. However, 14% of them had no economic activity at all in 2008. The net turnover of commercial associations engaged in crop and animal production and related service activities was 42 million euros, i.e. only 7.5% of total net turnover (565.5 million euros) of all enterprises engaged in crop and animal production, hunting and related service activities. The biggest number of active commercial associations was engaged in the milk production sector – 34, followed by the cereals and oil seeds sector with 19, 16 were offering supporting services for crop production, 5 were engaged in pig farming, 4 in potato and vegetables production, 3 in berry and fruit production, 2 in mixed agricultural production, 1 produced grass feeds and 1 intended to produce flax.

With setting up producer groups by agricultural producers and with supporting the development of their activities it is possible to expand the production volumes of (mainly) self-produced products, small and fragmented niche products and their market access opportunities and to increase their market share through common marketing.

Legal basis

Article 35 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Objectives

Overall objective

The objective is to increase the competitiveness and market power of agricultural entrepreneurs through the encouragement of their joint economic activities.

Specific objectives

- setting up and development of sustainable producer groups, increasing their net turnover and the number of members;
- to increase the share of common marketing in the total revenue of the sector of agriculture;
- to increase the share of goods jointly prepared for sale and the share of processed agricultural products in the total turnover of producer groups;
- to help to adapt the production and output of producer group members to market requirements.

Target group

Support will be granted to commercial associations of which the objective is the common marketing of agricultural products produced by its members and of products obtained by processing these products.



Under this measure, support cannot be applied for by a producer organisation, which complies with the requirements set out in Chapter 3 of the Fisheries Market Organisation Act and by a producer organisation in fruit and vegetables sector which has been recognised according to Article 125e (1) of Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation).

Main support requirements

Commercial associations must comply with recognition requirements and have to be recognised at the moment of applying for support. More detailed support requirements will be established by the Minister of Agriculture.

Supported activities and their short description

In order to promote administrative and economic efficiency of producer groups, the activities related to the setting up and development of producer groups are supported.

The expenses on used equipment are considered to be eligible if the given equipment is purchased by micro, small and medium-sized producer groups and it is not older than 3 years (production year) and if the EU, national or foreign aid was not used for its purchase.

Support payments

The support will be granted as flat-rate aid in annual instalments for the first five years following the date on which the producer group was recognised in the amount of up to 310 000 euros.

Maximum amount of support payments

Calculation of the support for a producer group and payment according to the sales revenue of the annually marketed products of the producer group are carried out as follows:

Year	Maximum support rate, %		Maximum total amount of support payments, euros
	for revenue up to 1 000 000 euros	for revenue exceeding 1 000 000 euros	
1 st and 2 nd year	5	2,5	80 000
3 rd year	4	2,0	64 000
4 th year	3	1,5	48 000
5 th year	2	1,5	38 000

Target area

The measure is implemented all over Estonia.



Indicators and target levels

Type of indicator	Indicator	Target 2007–2013
Output indicator	Number of supported producer groups	45
	Turnover of supported producer groups (euros)	48 000 000
Result indicator	Number of farms entering the market	100
Impact indicator	Net value added expressed in purchasing power standard (PPS), (% of EU-25 average)	65
	Change in gross value added (growth) per annual work unit (%)	10–15

Processing of applications

Documents required

- Application;
- Other proving documents, if necessary.

Paying Agency

The ARIB.

Application assessment procedure

Applications will be processed by the ARIB. In case of lack of resources necessary for the approval of all applications successfully passing conformity control, a ranking list of eligible applications will be prepared by the ARIB on the basis of assessment criteria. The best applications will be approved.

The main evaluation criteria are the following:

- preference will be given to producer groups whose revenue from marketing of agricultural products produced by its members and products obtained by processing of these products is larger;
- preference will be given to producer groups with bigger number of members;
- preference will be given to producer groups active in the sector of organic farming or specialised in niche products.

5.12 Summary of submeasure 1.9 implementation results within the period 2007–2009

Calls for applications and financing

The measure has been implemented since 2010. The indicative budget for the period 2007–2013 is 7 million euros. Initially, the budget of the measure was 12.8 million euros, but due to lower receipt of applications than planned it was decided to reduce the budget by almost 5.8 million euros in 2010.

**Table 22.** Overview of calls for applications (as of 31.12.2010)

Calls for applications	Budget (euros)	Support applied for		Support granted		Support paid (euros)
		Amount (euros)	Number of applications	Amount (euros)	Number of applications	
30.8.–13.9.2010	1,6	0,6	11	0,6	11	0

The budget for 2010 was 1.6 million euros, of which 0.5 million euros was allotted for producer groups in the fields of cereals, oil seeds and protein crops marketing and cow milk and milk products marketing and 0.3 million euros for producer groups in the fields of animal products (except cow milk and milk products) and other agricultural products marketing. As the total budget of the application round and the support sums applied for by all different fields were smaller than the planned budgets, no ranking list was established and all applications were approved.

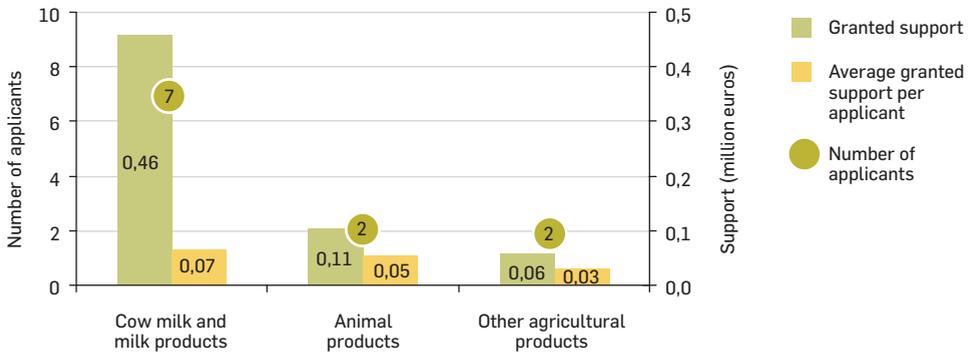
Achievement of objectives

Beneficiaries

Beneficiaries of measure 1.9 may only be the commercial associations prior recognised as producer groups, of which the objective is joint marketing of the products of their members. There are about 90 commercial associations active in the sector of agriculture in Estonia, nevertheless, many of them are not oriented toward joint marketing. Considering the sales revenue of 2008, the number of potential recognised producer groups may be about 30. First time commercial associations could apply for recognition in the period of 15 June–27 October 2010. Only 11 commercial associations applied for recognition and were granted recognition. All recognised commercial associations applied for support from measure 1.9. Seven of them were active in the field of cow milk and milk products marketing, two in the field of animal products (except cow milk and milk products) marketing (active in pig farming) and two in the field of other agricultural products marketing (one was active in the sector of potato growing and one was involved in the marketing of different organic products, mainly vegetables and fruit). The bigger orientation of the sector of cow milk and milk products marketing towards concentration and joint activity was confirmed by applicants' sales revenues and support sums applied for (figure 4). The maximum possible support sum 80 thousand euros was applied for by even 5 commercial associations of the field of cow milk and milk products marketing. In 2009, in the field of cow milk and milk products marketing, applicant's sales revenue from the sales of the agricultural products produced by its members and of the products obtained by processing these products (on the basis of what, each applicant's maximum possible support sum was calculated) was 9.2 million euros per applicant on an average. In the field of animal products (except cow milk and milk products) marketing, the respective indicator was more than six times smaller – 1.4 million euros, and in the field of other agricultural products marketing even fifteen times smaller – only 0.6 million euros.



Figure 9. Granted support sums and the number of applicants, 2010



4 applicants exported the products of their members, but only 2 applicants processed the products of their members towards higher value added products.

As generally commercial associations include members from several counties, it is difficult to estimate the division of support by counties. By postal addresses, commercial associations from 6 counties were represented – the office of 4 applicants was located in Tartu county, 2 applicants came from Jõgeva county and Harju county, one applicant came from Pärnu, Viljandi and Lääne-Viru counties. The biggest importance of Tartu county was reflected in the support sum granted – 33%, Jõgeva county followed with 26%.

Investments

Measure 1.9 is intended for setting up and development of producer groups, therefore, main stress is laid on the compensation of administrative costs. Wages of a member of the board made up 53,5% of the granted support sum, other administrative costs, such as accounting, office, electric power, transport, fuel, training and other costs made up 28,7%. Although the maximum support sums of measure 1.9 are too small for making more serious investments, even then applicants expressed their wish to contribute to joint production, processing and marketing, of which the costs made up 17,8% of the support applied for.

Indicators

The objective of measure 1.9 during the whole programming period is to support 45 producer groups in the total sum of 7 million euros and to increase their value added. With the first application round, only 11 producer groups were supported in the sum of 0.6 million euros. The achievement of the set objective requires the origination of new producer groups and better orientation of existing commercial associations towards joint marketing.

Overall assessment of implementation progress

The first implementation year of measure 1.9 indicated big interest of commercial associations in applying for support. However, at the beginning, many of them were not able to meet the producer group recognition requirements and could not submit an application for support. The impact of the measure will become clear after a survey in 2011, but the first signals from the sector give reason for hope that the measure has stimulated the reorganisation of existing commercial associations and the origination of new ones.



5.13 AXIS III – QUALITY OF LIFE IN RURAL AREA AND DIVERSIFICATION OF THE RURAL ECONOMY

Axis III is directed at the improvement of the quality of life and at the diversification of economic activity in rural area, for which diversification of the rural economy and village renewal and development are supported. Rural area involves rural municipalities (incl. cities within rural municipalities with less than 4000 inhabitants) and small towns with up to 4000 inhabitants. The selection of measures is based on the problems and necessities identified in ERDS 2007–2013. The objectives within measures in this axis will be achieved by developing non-agricultural entrepreneurship and increasing the activity of local communities. For that purpose village infrastructure, cultural and architectural heritage will be improved and modernised, and public buildings will be modernised and entrepreneurship will be diversified in rural area.

5.14 MEASURE 3.1 – DIVERSIFICATION OF THE RURAL ECONOMY (311, 312, 313)

Justification

The development of rural enterprise is mostly influenced by low population density and persistent decrease in the share of agricultural enterprises, which presently make up 50% of the total number of enterprises active in rural area. Labour force is released due to the higher efficiency of agricultural production. The secondary and tertiary sectors have a higher potential for creating new jobs, though presently this has been able to compensate for less than a third (28,9%) of the jobs becoming vacant in agriculture.

Rural economic activity is one-sided, especially in peripheral areas. Compared to rural area, the average number of the fields of activity represented in towns is approximately twice as large. This makes it difficult to find suitable employment in rural area and decreases employment rate. According to the data for 2004, 40% of rural residents have found employment in towns.

Rural entrepreneurs, on the other hand, are having difficulties finding suitable labour force and more active involvement in rural labour force problems is expected from the state. Assistance is needed for keeping young specialists in the rural area or for inviting young specialists and other competent workers to the country.

The survey "Need for support in the sector of rural enterprise" conducted in 2005 indicates that one of the risk factors for the development of rural enterprise is the fact that the number of liquidated enterprises increases faster than the number of new enterprises. This is mainly true for agricultural producers. Thus, diversification of the enterprise of small agricultural producers outside agriculture is one of the ways to improve competitiveness and to create alternative sources of income, primarily in less-favoured areas.

The sustainable development of enterprises is also endangered by the high average age of the managers of rural enterprises. Presently, a half of the managers of rural enterprises are more than 45 years old, and 18.6% of enterprise managers are of age 56–65. Thus, more and more attention must be paid to the involvement of young people in enterprise and in making general development decisions of the region.

There are resources in rural area which could balance differences between the country and towns: buildings left empty, without purpose or undercharged due to changes in agriculture,



and natural and cultural heritage, of which the implementation for local development is hindered by poor technical condition, poor accessibility and exposure, poor infrastructure, a few additional services, and also weak relations between objects. The modernisation of those objects and giving them economic value makes the production or service-providing activities more efficient and thus improves the living environment.

Under the business environment operational programme, the measure complements the activity to facilitate access to capital, enabling all-round setting up assistance to new entrepreneurs, and the development of tourism, under which the projects increasing the demand for the tourism products of enterprises and regions on international target markets are supported *inter alia*.

In order to increase the number of beneficiaries and to ensure a better and more effective implementation of the measure, a limit similar to Axis 1 submeasure 1.4.1 “Investments into the development of micro agricultural holdings” was imposed on the support rate, according to which the maximum support rate does not generally exceed 100 000 euros for one applicant during the programming period. In certain cases, large-scale projects might give faster and more efficient results in solving the problems in rural areas, mostly in areas far away from the centres. With larger investment projects, it is more likely that the effect of the investment on the development of the socio-economic situation of the rural area is important and in broader and wider sense positive (increase in profit of the other enterprises of the region, creation of employment in other businesses or organisations, preservation of biodiversity, increase in the safety of the region). For example, sustainable and viable projects in the field of bioenergy are in their essence large-scaled and have greater effect on the socio-economic situation of the rural area. Therefore, projects under measure 3.1 are divided into two categories: small-scale projects (public sector support up to 100 000 euros) (hereinafter *small project*) and large-scale projects, where the cost of projects exceeds 200 001 euros (public sector support 100 000–300 000 euros) (hereinafter *large project*).

Legal basis

Articles 53 (submeasure 3.1.1), 54 (submeasure 3.1.2) and 55 (submeasures 3.1.1 and 3.1.2) of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Objectives

Overall objective

The overall objective of this measure is to improve the competitiveness and sustainability of rural entrepreneurs through the diversification of rural enterprise (primarily in peripheral areas), and to contribute to the creation of new and better jobs.

The objective of large projects is to diversify agricultural production and the rural economy through bioenergy and other innovative investments, which also promote the development of environmentally friendly business and, complying with the main objective of the measure, create better employment.

Financial allocation

Within the category of small and large projects the budget will be equally divided between submeasures 3.1.1 (diversification into non-agricultural activities) and 3.1.2 (support for business development).



5.15 SUBMEASURE 3.1.1 – DIVERSIFICATION INTO NON-AGRICULTURAL ACTIVITIES

Specific objectives

- Diversification of the activities of agricultural producers with non-agricultural rural business activities;
- Contribution to taking abandoned buildings into use again in non-agricultural production and services;
- Improvement of the innovative qualities of enterprise by new solutions, incl. by mobile solutions in offering goods and services;
- Promotion of the involvement of young people and women and the creation of working conditions and services considering special needs of disabled persons;
- Production of biofuels, bioelectricity and bioheat from biomass in view of marketing.

Target group

Beneficiaries

Micro agricultural producers specified in Article 2 (3) of Commission Recommendation No 2003/361/EC, who provide occupation to less than 10 persons and whose annual sales revenue and/or balance sheet total does not exceed 2 million euros. In case of small projects, the annual sales revenue has to be more than 2400 euros and in case of large projects, the annual sales revenue of an undertaking has to be more than 31 955.8 euros.

Regarding bioenergy support, bigger SMEs than micro agricultural producers are also eligible.

Minimum requirements for applicants

- Applicants' actual economic activities have lasted at least 1 year.
- In case of small projects, applicants must retain at least the existing number of jobs.
- In case of large projects, beneficiaries must create at least one additional job.
- Sustainability of an applicant (economic indicators preceding the application and in case of large projects also the economic indicators of the 3 years following the investment are observed).
- The presented business plan must also contain the details of the planned investment and highlight the objectives, which are planned to be achieved with the investment. In case of large projects, the presented business plan has to reflect, in order to ensure a more thorough and high-quality assessment, the business environment analysis, product, market and competition analysis, the description of the project implementing team competence in the field of the investment, an analysis of the effect of the project on the socio-economic situation, a project plan, where the achievement of the objective is assessed through results, the achievement of results through activities and the necessary inputs for activities.
- No decisions of approval or payment of support have been made on the investment object under other support schemes.
- Applicants have no tax arrears (save staggered tax arrears).



Supported activities and their short description

Supported activities:

- In the provision of goods and services, the development of mobile solutions, and the implementation of information technology, incl. new technologies for bringing the producer and the consumer closer to each other;
- Provision of services for rural enterprises and for rural population, incl. the development of multi-functional service centres, agricultural services;
- Investments into bioenergy production where the produced energy is predominantly marketed;
- Creation and improvement of accommodation service in rural area, if the number of beds is not bigger than 30 (this restriction is not valid in case of holiday villages and camps).

Eligibility criteria:

- Investments into buildings and equipment, necessary for economic activities (incl. used equipment), except investments into agricultural production;
- Investment marketing costs (e.g. in the development of rural tourism and handicraft products), if necessary, up to 12% of project;
- Small-scale infrastructure and marking places of interest as one part of an investment;
- Preparatory works for an investment as mentioned in Article 55(1) (c) of Commission Regulation (EC) 1974/2006 (e.g. geodetic surveys, etc.).

Double-financing from other measures is avoided.

Support payments

Maximum support rates

- Up to 30% of eligible expenses – a small project will be implemented in Harju County, in a rural municipality bordering Tallinn. A large project will be implemented in a Harju County rural municipality, which is not bordering Tallinn.
- Up to 40% of eligible expenses – a small project will be implemented in a rural municipality which is bordering on a county centre or the project is in Harju County, in a rural municipality not bordering Tallinn. A large project will be implemented in a rural municipality which is bordering on a county centre and which is not in Harju County.
- Up to 50% of eligible expenses – the project will be implemented in a rural municipality which is not bordering on a county centre and which is not in Harju County.
- If a city without municipal status is county centre, the same municipality is considered to be bordering the county centre.
- In case of small projects, for buying a tractor, co-financing is foreseen by the public sector, which cannot exceed the maximum support rate by 35% of the eligible cost of the investment object (in case of large projects, buying tractors is not eligible for support).

**Maximum amounts of support payments**

- Up to 300 000 euros during the whole programming period.
- Maximum amount of support in case of purchase of used equipment is 20 000 euros.
- Undertakings belonging to a group may apply for support up to 300 000 euros per group.

Target area

The submeasure is implemented in Estonian rural area. For the purposes of this measure, rural area covers rural municipalities (incl. cities within rural municipalities with less than 4000 inhabitants) and small cities with up to 4000 inhabitants. Maximum rate of support is higher for the projects which are carried out in remote areas located far away from county centres.

Indicators and target levels

Type of indicator	Indicator	Target 2007–2013
Output indicator	Number of beneficiaries	500
	Total volume of investment (euros)	91 649 304
	Number of rural tourism actions supported	100
Result indicator	Increase in non-agricultural gross value added in supported businesses	10–15% yearly
	Additional number of tourists' visits	+ 10%
	Number of jobs created	250
Impact indicator	Net value added produced in an enterprise per employee (euros)	23 008 (incl. in enterprises with 1–9 employees 20 771)

Processing of applications**Documents required**

- Application;
- Business plan;
- Other proving documents, if necessary.

Paying Agency

The ARIB.

Application assessment procedure

A call for applications is announced. In case of lack of resources necessary for the approval of all applications successfully passing conformity control, a ranking list of eligible applications will be prepared on the basis of assessment criteria. In case of large projects, all applications meeting the requirements will be assessed by an Estonian wide assessment board. In the



assessment of large projects, minimum required score points are established. Rank order of applications will be formed in two groups both for small and large projects. The best applications will be approved.

In case of small projects, the following is primarily assessed:

- impact of the project on employment;
- growth potential of the enterprise as a result of the investment;
- revaluation of cultural heritage and the diversification of rural services;
- in case of retail sale, catering or tourism, importance for the improvement of the offer and processing of organic production;
- value added of the project (taking abandoned buildings into use, impact on disabled persons, impact on entrepreneurship of young people and women);
- earlier activities of the enterprise;
- dependence on agriculture;
- reducing the risks of dependence on seasons;
- location of the project;
- preference is given to entrepreneurs applying for smaller amounts of support payments.

In case of large projects, the following is primarily assessed:

- location of the project;
- market research on the implementation of the project: existence and quality of market information;
- innovativeness of the project;
- competence of the project implementing team in the field of the investment;
- impact of the project on the socio-economic situation of the rural area;
- realistic achievement of the set objectives, results and activities;
- those entrepreneurs are preferred, whose objectives, results, activities and economic indicators are planned realistically and according to requirements.

5.16 SUB-MEASURE 3.1.2 – SUPPORT FOR BUSINESS DEVELOPMENT

Specific objectives

- Development of non-agricultural micro enterprise based on local resources and related to the improvement of the quality of life in rural area;
- Contribution to taking abandoned buildings into use again in production and services;
- Improvement of the innovative qualities of enterprise by new solutions, incl. by the mobile solutions in offering goods and services;
- Promotion of the involvement of young people and women and creation of working conditions and services considering special needs of disabled persons.
- Production of biofuels, bioelectricity and bioheat from the biomass with an objective of marketing.



Target group

Beneficiaries

Micro rural enterprises specified in Article 2 (3) of Commission Recommendation No 2003/361/EC, who provide occupation to less than 10 persons and whose annual sales revenue and/or balance sheet total does not exceed 2 million euros. In case of small projects, the annual sales revenue has to be more than 2400 euros and in case of large projects, the annual sales revenue of an undertaking has to be more than 31 955.8 euros.

Minimum requirements for applicants

- Applicants' actual economic activities have lasted at least 1 year.
- In case of small projects, applicants must retain at least the existing number of jobs.
- In case of large projects, beneficiaries must create at least one additional job.
- Sustainability of applicants (economic indicators preceding the application and in case of large projects also the economic indicators of the 3 years following the investment are observed).
- Presented business plan must also contain the details of the planned investment and highlight the objectives, which are planned to be achieved with the investment. In case of large projects, the presented business plan has to reflect, in order to ensure a more thorough and high-quality assessment, the business environment analysis, product, market and competition analysis, the description of the project implementing team competence in the field of the investment, an analysis of the effect of the project on the socio-economic situation, a project plan, where the achievement of the objective is assessed through results, the achievement of results through activities and the necessary inputs for activities.
- No decisions of approval or payment of support have been made on the investment object under other support schemes.
- Applicants have no tax arrears (save staggered tax arrears).

Supported activities and their short description

Supported activities:

- In the provision of goods and services, the development of mobile solutions, and the implementation of information technology, incl. new technologies for bringing the producer and the consumer closer to each other;
- Provision of services for rural enterprises and for rural population, incl. the development of multi-functional service centres, agricultural services;
- Investments into bioenergy production where the produced energy is predominantly marketed;
- Creation and improvement of accommodation service in rural area, if the number of beds is not bigger than 30 (this restriction is not valid in case of holiday villages and camps).



Eligibility criteria

- Investments into buildings and equipment, necessary for economic activities (incl. used equipment), except investments into agricultural production;
- Investment marketing costs, (e.g. in the development of rural tourism and handicraft products), if necessary, up to 12% of project;
- Small-scale infrastructure and marking places of interest as one part of an investment;
- Preparatory works for an investment as mentioned in Article 55(1) (c) of Commission Regulation (EC) 1974/2006 (e.g. geodetic surveys, etc.).

Double-financing from other measures is avoided.

Support payments

Maximum support rates

- Up to 30% of eligible expenses – a small project will be implemented in Harju County, in a rural municipality bordering Tallinn. A large project will be implemented in a Harju County rural municipality, which is not bordering Tallinn.
- Up to 40% of eligible expenses – a small project will be implemented in a rural municipality which is bordering on a county centre or the project is in Harju County, in a rural municipality not bordering Tallinn. A large project will be implemented in a rural municipality which is bordering on a county centre and which is not in Harju County.
- Up to 50% of eligible expenses – the project will be implemented in a rural municipality which is not bordering on a county centre and which is not in Harju County.
- If a city without municipal status is county centre, the same municipality is considered to be bordering the county centre.
- In case of small projects, for buying a tractor, co-financing is foreseen by the public sector, which cannot exceed the maximum support rate by 35% of the eligible cost of the investment object (in case of large projects, buying tractors is not eligible for support).

Maximum amounts of support payments

- Up to 300 000 euros during the whole programming period.
- Maximum amount of support in case of the purchase of used equipment is 20 000 euros.
- Undertakings belonging to a group may apply for support up to 300 000 euros per group.

Target area

The submeasure is implemented in Estonian rural area. For the purposes of this measure, rural area covers rural municipalities (incl. cities within rural municipalities with less than 4000 inhabitants) and small cities with up to 4000 inhabitants. Maximum rate of support is higher for projects which are carried out in remote areas located far away from county centres.



Indicators and target levels

Type of indicator	Indicator	Target 2007–2013
Output indicator	Number of beneficiaries	500
	Total volume of investment (euros)	91 649 304
	Number of rural tourism actions supported	100
Result indicator	Increase in non-agricultural gross value added in supported businesses	10–15% yearly
	Additional number of tourists' visits	+10%
	Number of jobs created	250
Impact indicator	Net value added produced in an enterprise per employee (euros)	23 008 (incl. in enterprises with 1–9 employees 20 771)

Processing of applications

Documents required

- Application;
- Business plan;
- Other proving documents, if necessary.

Paying Agency

The ARIB.

Application assessment procedure

A call for applications is announced. In case of lack of resources necessary for the approval of all applications successfully passing conformity control, a ranking list of eligible applications will be prepared on the basis of assessment criteria. In case of large projects, all applications meeting the requirements will be assessed by an Estonian wide assessment board. In the assessment of large projects, minimum required score points are established. Rank order of applications will be formed in two groups both for small and large projects. The best applications will be approved.

In case of small projects, the following is primarily assessed:

- impact of the project on employment;
- growth potential of the enterprise as a result of the investment;
- revaluation of cultural heritage and the diversification of rural services;
- in case of retail sale, catering or tourism, importance for the improvement of the offer and processing of organic production;
- value added of the project (taking abandoned buildings into use, impact on disabled persons, impact on entrepreneurship of young people and women);
- earlier activities of the enterprise;
- dependence on agriculture;



- reducing the risks of dependence on seasons;
- location of the project;
- preference is given to entrepreneurs applying for smaller amounts of support payments.

In case of large projects, the following is primarily assessed:

- location of the project;
- market research on the implementation of the project: existence and quality of market information;
- innovativeness of the project;
- competence of the project implementing team in the field of the investment;
- impact of the project on the socio-economic situation of the rural area;
- realistic achievement of the set objectives, results and activities;
- those entrepreneurs are preferred, whose objectives, results, activities and economic indicators are planned realistically and according to requirements.

5.17 Summary of measure 3.1 implementation results within the period 2008–2010

Calls for applications and financing

The measure with the budget of 71.4 million euros has been implemented since 2008.

Table 23. Overview of calls for applications (as of 31.12.2010)

Calls for applications	Budget (million euros)	Support applied for		Support granted		Support paid (million euros)*
		Amount (million euros)	Number of applications	Amount (million euros)	Number of applications	
14.–30.4.2008 small projects	24,8	23,9	359	19,7	306	11,8
1.–18.12.2008 large projects	7,8	24,1	114	8	38	2,5
31.8.–21.9.2009 small projects	11,9	22,0	347	12,8	201	1,4
31.8.–13.9.2010 large projects	10,1	32,8	152	0**	0**	0**
Total	54,6	102,8	972	40,5	545	15,7

*as of November 2010.

**submitted applications under processing, therefore, grant decisions not taken yet.



The total planned cost of investment of all four calls for applications was 219.5 million euros (45.6, 51.9, 49.5 and 72.5 million euros respectively in calls for applications) and the support granted to investments totalled 84.4 million euros (38.5, 17.2 and 28.7 million euros respectively in the first three calls for applications).

Measure 3.1 is popular with the undertakings willing to diversify or develop their rural enterprise. Applying for support has been very intensive and the budget planned for application rounds has each time been over applied twice on an average. By today, more support (102.8 million euros) than the budget of the measure for the whole programming period (71.4 million euros) has been applied for. According to the budget of the application rounds held, 76% of the total budget of the measure has been taken into use. According to the sums granted, 57% of the total budget of the measure has been taken into use. Under the measure, payment of support (39% of the support sum granted) has been conservative as the implementation of projects took place during the period of financial crisis when undertakings had economic difficulties and possibilities of getting loans from banks were limited. Due to the stabilisation of economic situation, investment activities are expected to become more active.

Under small projects with the maximum support sum of 100 000 euros per applicant within the programming period, the average support sum granted per beneficiary was approximately 64 100 euros (i.e. 64% of the maximum support sum). Under large projects with the maximum support sum of 300 000 euros per applicant within the programming period, the average support sum granted per beneficiary was 211 000 euros (i.e. 70% of the maximum support sum). Under both large and small projects, the average support rate was close to the maximum authorised support rate (50%) (table 24). Under measure 3.1, support rate has been differentiated and depends on the location of an investment object. The projects to be implemented in rural municipalities or small towns which are not bordering on county centres or are not located in Harju county are preferred – investments made in rural area far away from centres are supported. The minimum support rate is 30% and the maximum support rate is 50% of the cost of an investment object of the supported activity.

Table 24. The average figures of investment cost, support sums and support rates on the basis of approved projects by application rounds

Calles for applications	Average supported cost of investment, (euros)	Average support granted, (euros)	Average support rate, (%)
I application round (small projects)	125 817	64 379	51
II application round (big projects)	452 632	210 526	47
III application round (small projects)	142 786	63 682	45
TOTAL	153 388	74 312	48

Achievement of objectives

Beneficiaries

Measure 3.1 is targeted at all micro undertakings which wish to diversify their activity towards non-agricultural activities in rural area. Both agricultural producers and other micro undertakings engaged in other fields of activity are expected to apply for support. Agricultural producers may be bigger than micro undertakings if their planned investment is related to the



production of biofuel, bioheat or bioelectricity from biomass in view of marketing. Regarding the approved projects, the share of agricultural producers in beneficiaries has been relatively low (12%), it has probably been caused by agricultural producers' concern over the loss of their agricultural producer status in case of the implementation of non-agricultural large-scale investment objects, thus losing other supports intended for agricultural producers. To increase the share of agricultural producers, corresponding measures have been taken with a view to raise agricultural producers' interest in the measure and to make them aware of their advantages (for the assessment, a separate rank order list will be formed, so that agricultural producers will not have to compete for support with other micro undertakings in the same rank order list) and of the importance of diversification.

In four application rounds, undertakings have submitted 972 applications, applying for 102.8 million euros. As a result of three application rounds, 545 applications have been approved (i.e. 66% of the number of applications submitted in three application rounds) in the support sum of 40.5 million euros. Information about granting support in the fourth application round is missing as the submitted projects are still under processing.

Tartu (141) and Pärnu county (105) undertakings have been the most active appliers for support. Hiiu (23) and Ida-Viru counties (29) have been less active. Most approved applications were submitted by the undertakings of Lääne (73%), Viljandi (71%) and Hiiu (65%) counties (table 25).

Table 25. Applying for and granting of investment support by counties

County	Support applied for*		Granted support**		Share of grants in submitted applications, %
	Number of applications	Support sum (million euros)	Number of applications	Support sum (million euros)	
Lääne	33	2,4	24	1,3	73
Viljandi	73	6,9	52	3,5	71
Hiiu	23	1,7	15	0,7	65
Saare	97	10,6	59	4,4	61
Pärnu	105	10,2	63	4,7	60
Rapla	43	3,9	25	1,9	58
Võru	61	5,9	34	2,9	56
Lääne-Viru	53	6,6	29	2,1	55
Tartu	141	13,8	77	5,7	55
Põlva	57	7,2	29	2,1	51
Valga	73	9,3	37	3,4	51
Harju	90	9,5	45	3,4	50
Ida-Viru	29	3,2	14	0,8	48
Järva	33	4,3	15	1,2	45
Jõgeva	61	7,3	27	2,4	44
Total	972	102,8	545	40,5	56

*Applying according to the results of four application rounds.

**Granting according to the results of three application rounds.



Beneficiaries of measure 3.1 support (according to the results of the first two application rounds) can be regarded as developing undertakings because of their high growth of gross value added in 2006–2007 – 25% in the group of large projects and 77,4% in the group of small projects respectively per year. In 2006–2007, gross value added increased by 6,1% on an average in agriculture and by 15,1% altogether in all fields of activity. The average turnover coefficient³ of beneficiaries' overall assets (according to the data of the first two application rounds) was lower than Estonian average in 2007. Lower turnover coefficient of overall assets was particularly noticeable in case of those supported undertakings which operate in the field of trade, accommodation and catering. Lower turnover frequency of overall assets is typical of rural undertakings operating in the field of trade, accommodation and catering. The analysis of the beneficiaries of the support for small projects indicated that so far many of them had managed without any foreign capital. The average debt coefficient⁴ of the beneficiaries of the support for large and small projects is 0.45–0.5, which enables to ensure the solvency of an undertaking, provided that support is used purposefully. The average current ratio of short-term commitments⁵ in case of beneficiaries of the support for large projects is 1.61 and 1.95 in case of beneficiaries of the support for small projects. This is higher than the average of Estonia (1.46), indicating good level⁶.

Investments

The undertakings of Tartu (69 applications), Pärnu (62 applications), Saare (59 applications) and Viljandi (54 applications) counties are most willing to make their investments. On the contrary, the intention to implement projects is lowest in Hiiu (15 applications), Järva (16 applications) and Ida-Viru (17 applications) counties. The support sum granted for a county depends on the number of applications, therefore, most support has been granted for the projects to be carried out in Tartu (5.2 million euros), Pärnu (4.49 million euros) and Saare (4.46) counties (table 26).

By the use of allocated support sum (40.5 million euros) and with their own co-financing, undertakings plan to invest 84.4 million euros into rural area (table 27). About a half of granted support sum (52%) has been allocated for carrying out tourism projects (table 28). Big importance of tourism projects is due to the fact that in rural area there are many active rural tourism undertakings wishing to expand their activity towards new tourism activity. Besides, according to the small projects evaluation criterion, rural tourism projects are preferred. At the same time, fields of activity of projects differ by application rounds as under big projects, innovative bioenergy investments of large volume are preferred. Under small projects, most support has been granted to those undertakings which plan to make investments related to

³ Turnover coefficient of overall assets indicates how efficiently the assets of an undertaking were used to get sales revenue.

⁴ Debt coefficient indicates the share of foreign capital in total equity or to which extent are the assets of an undertaking financed by borrowed capital.

⁵ Current ratio of short-term commitments or solvency indicator indicates the amount of current assets of an undertaking per one euro of short-term commitments at the moment of drawing up an account or how many times bigger is the total value of current assets than the total amount of short-term commitments.

⁶ Estonian University of Life Sciences (2009) Analysis of the ERDP 2007-2013 measure 3.1 „Diversification of the rural economy“ implementation results and undertakings' financial situation. Available: http://www.agri.ee/public/Meetme_3_1_rakendusanaluus_06.04.2010.pdf, 26 November 2010.



accommodation and catering (EMTAK⁷ 2008, section I), processing industry (EMTAK 2008, section C), agriculture supporting activities and forest management (EMTAK 2008, section A). Under large projects on the contrary, investments related to processing industry have been supported most, e.g. projects related to the production of metal constructions, wood processing, the production of timber and cork products, etc.

Table 26. Investment implementation by counties

County	Support applied for*		Granted support**		Share of grants in submitted applications, %
	Number of applications	Support sum (million euros)	Number of applications	Support sum (million euros)	
Tartu	125	11,9	69	5,2	55,2
Pärnu	106	10,3	62	4,5	58,5
Saare	103	11,4	59	4,5	57,3
Viljandi	75	7,0	54	3,6	72,0
Valga	79	10,5	39	3,6	49,4
Võru	63	5,8	37	3,1	58,7
Harju	58	5,0	36	2,5	62,1
Põlva	65	8,0	35	2,6	53,9
Lääne-Viru	50	5,9	28	2,0	56,0
Jõgeva	62	7,4	27	2,5	43,6
Rapla	48	4,6	26	1,9	54,2
Lääne	40	3,3	25	1,5	62,5
Ida-Virumaa	36	4,0	17	1,1	47,2
Järva	37	5,1	16	1,3	43,2
Hiiu	25	1,9	15	0,6	60,0
Total	972	102,1	545	40,5	56,1

*Applying according to the results of four application rounds.

**Granting according to the results of three application rounds.

⁷ Statistical Classification of Economic Activities in Estonia

**Table 27.** Field of activity of investment objects (data of three application rounds)

Planned activity	Number of approved applications	Investment volume, (million euros)	Granted support sum, (million euros)	Share in total granted support sum, (%)
Retail sale	15	1,5	0,70	2
Small craft industries	39	5,5	2,65	7
Other	202	32,5	15,07	37
Production of renewable energy	14	2,5	1,20	3
Tourism	275	42,5	20,90	52
Total	545	84,5	40,52	100

Most support has been granted for the construction of buildings and facilities – 69% of the granted support sum. Purchase of machinery and equipment follows with 31%. A support sum of small importance (0,4% of granted support sum) has been given for carrying out additional activities, such as for market survey, preparatory works, marketing, owner supervision and for the purchase of a license, a patent and a utility model. There are both differences and similarities between application rounds. The first and the third application rounds for small projects are very similar. In both application rounds, most support was granted for the construction of buildings and facilities (74% of granted support sum) and to a smaller extent for the purchase of machinery and equipment (26%).

The second application round for large projects is a bit different. In case of large projects, the support sum granted for the construction of buildings is not prevailing but the budget of the application round has been equally divided between two main activities: construction of buildings and purchase of machinery and equipment. Such a situation may have been due to the fact that under large projects more attention was drawn to specific and innovative projects and compared to the application rounds for small projects, in the application round for large projects there were more projects dealing with processing industry and other fields of activity where machinery and equipment served as main investment objects. For example in the field of foodstuffs and beverages most support (80%) was granted for the purchase of machinery and equipment. In the application round for large projects there were less recreation and accommodation related projects and in many cases they were related to the construction or reconstruction of buildings.

Indicators

The budget of measure 3.1 for the whole programming period is 71.4 million euros, out of which 40.5 million euros have been allocated to rural projects under three application rounds. Thus, 57% of the total budget of the measure has been granted as support. Table 28 gives a good overview of measure 3.1 target fulfilment provided in ERDP 2007–2013.

**Table 28.** Measure 3.1 target fulfilment

Type of indicator	Indicator	Target 2013	Fulfilment*	Fulfilment %
Output indicator	Number of beneficiaries	1000	512	51
	Total volume of investment (million euros)	183,3	84,4	46
	Number of supported tourism activities	200	275	138
Result indicators	Increase in non-agricultural gross value added in supported businesses	10–15% a year	GVA 46,7%** NVA 40,6%***	Big increase in beneficiaries' value added, compared to the average of sectors.
	Additional number of tourists' visits	+10%	Investments made in 2009 and 2010 will have impact on the number of tourists only in 2011, so it is difficult to estimate and forecast any additional number of tourists.	
	Number of jobs created	500	892****	178
Impact indicators	Net value added produced in an enterprise per employee (euros)	23 008	It is too early to estimate the impact of support as only a small part of support has been paid and the impact indicators of 2009 and 2010 are not available at the moment.	

*Applications for approval and granted support sums have been taken as the basis.

** Change of GVA in 2007–2008, concerning those enterprises to whom support has been paid.

*** Change of NVA in 2007–2008, concerning those enterprises to whom support has been paid.

**** Estimate made on the basis of the approved projects of three application rounds.

Differences by application rounds

In case of measure 3.1, two different application rounds are used: small projects and large projects. Application rounds take place by turns on alternating years and differ from each other in their objective, amount of support, classification of support rate, support conditions, requirements for investment objects and evaluation system.

Overall assessment of implementation progress

Several projects related to different fields of activity of which the realisation diversifies rural enterprise and creates innovative and competitive jobs have been supported under the measure. The fact that as a result of the inquiry made among beneficiaries of investment support in the course of the ERDP 2007–2013 mid-term evaluation it turned out that about 77% of the undertakings supported under measure 3.1 experienced the expansion of orientation trends of enterprise and diversification of the product and service range of enterprise is



also worth mentioning. Undertakings also gave positive estimation to the impact of support on the creation of jobs and particularly on the maintenance of jobs and the improvement of working conditions. It can be said beforehand that as a result of the implementation of the projects of three application rounds about 890 new jobs will be created. Actual results will be known later after the projects have been fully implemented and entrepreneurial activities launched.





Annex I, Measures of the ERDP 2007–2013

Table 29. Applied measures of the ERDP 2007–2013 (as of 31.12.2010)

Axis	Nr	Measure / submeasure / activity	Article	Code
1	1.1	Training and information activities	21	111
	1.2	Setting up of young agricultural producers	22	112
	1.3	Support for advisory system and services	24, 25	114, 115
		Granting advisory service to agricultural producers and private forest holders	24	114
		Development of advisory system for ensuring good availability of advisory service	25	115
	1.4	Modernisation of agricultural holdings	26	121
	1.4.1	Investments into the development of micro agricultural holdings		
	1.4.2	Investments in livestock buildings		
	1.4.3	Investments into the production of bioenergy		
	1.5	Improving the economic value of forests and adding value to forestry products	27, 28, 48	122, 123, 226
		Improving the economic value of forests	27	122
		Restoration of damaged forest and prevention of forest fires	48	226
		Implementation of development projects	28	123
	1.6	Adding value to agricultural and non-wood forestry products	28	123
	1.6.1	Processing of agricultural and non-wood forestry products	28	123
	1.6.2	Adjustment of the dairy sector and organic production to new challenges	28	123
	1.6.3	Promoting the common marketing of agricultural products	28	123
	1.7	Development of new products, processes and technologies in the sectors of agriculture, food and forestry	26, 29	121, 124
	1.7.1	Cooperation in the development of new products, processes and technologies in the sectors of agriculture, food and forestry	26, 29	121, 124
	1.7.2	Farmers' participation in food quality schemes	32	132
1.7.3	Information and promotion activities related to the products produced under food quality schemes	33	133	
1.8	Infrastructure of agriculture and forest management	30	125	
1.9	Setting up and development of producer groups	35	142	



2	2.1	Support for less-favoured areas	37	212
	2.2	Natura 2000 support for agricultural land	38	213
	2.3	Agri-environmental support	39	214
	2.3.1	Environmentally friendly management		
	2.3.2	Support for organic production		
	2.3.3	Support for keeping animals of local endangered breeds		
	2.3.4	Support for growing plants of local varieties		
	2.3.5	Support for the maintenance of semi-natural habitats		
	2.4	Animal welfare: support for grazing animals	40	215
	2.5	Non-productive investments	41	216
	2.5.1	Support for the establishment and restoration of stonewalls		
	2.5.2	Support for the establishment of mixed species hedgerows		
	2.6	Support for the establishment of protection forest on agricultural land	43	221
	2.7	Natura 2000 support for private forest land	46	224
3	3.1	Diversification of the rural economy	53–55	311–313
	3.1.1	Diversification into non-agricultural activities	53, 55	311, 313
	3.1.2	Support for business development	54, 55	312, 313
	3.2	Village renewal and development	56, 57	321–323
	3.2.1	Basic services for the economy and rural population	56	321
	3.2.2	Village renewal and development	56	322
	3.2.3	Conservation and upgrading of the rural heritage	57	323
4	4	Leader-measure	61–65	41, 42, 431



Annex II, FINANCIAL PLAN

Table 30. Annual contribution from the EAFRD, (million euros)

Year	2007	2008	2009	2010	2011	2012	2013
Total EAFRD	95.6	95.6	101.0	104.7	104.6	108.9	113.3

Table 31. Financial plan by axes, (euros, total period)

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	347 610 068	75	260 707 551
Axis 2	334 460 344	80	267 568 275
Axis 3	118 919 233	75	89 189 425
Axis 4	85 759 063	80	68 607 250
Technical assistance	38 115 139	75	28 586 354
Total	924 863 847	77	714 658 855

Table 32. Financial plan of additional financial means resulting from Article 69 (5a) of Council Regulation (EC) No 1698/2005 by axes, (euros, total period)

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	3 695 754	90	3 326 179
Axis 3	6 390 912	90	5 751 821
Total	10 086 666	90	9 078 000

Table 33. Indicative breakdown by measures, (euros, total period)

Measure	Expenditure		
	Total public	Private	Total cost
111 Vocational training and information actions	4 266 012		4 266 012
112 Setting up of young farmers	11 813 787		11 813 787
114 Use of advisory services	3 967 569	880 535	4 848 104
115 Setting up of management, relief and advisory services	0		0
121 Modernisation of agricultural holdings	189 019 921	201 880 079	390 900 000
122 Improvement of the economic value of forests	20 674 145	17 196 261	37 870 406
123 Adding value to agricultural and forestry products	42 090 319	52 935 308	95 025 627
124 Cooperation for development of new products, processes and technologies	22 305 379		22 305 379
125 Infrastructure related to the development and adaptation of agriculture and forestry	35 441 168	8 617 793	44 058 961



131 Meeting standards based on Community legislation	4 793 375	4 793 374	9 586 749
132 Participation of farmers in food quality schemes	0		0
133 Information and promotion activities	0		0
141 Semi-subsistence farming	4 200 480		4 200 480
142 Producer groups	12 733 667		12 733 667
212 Payments in areas with handicaps, other than mountain areas*	53 513 654		53 513 654
213 Natura 2000 payments and payments linked to Directive 2000/60/EC	8 652 796		8 652 796
214 Agri-environment payments*	210 886 973		210 886 973
215 Animal welfare payments	21 724 033		21 724 033
216 Non-productive investments	3 962 523		3 962 523
221 First afforestation of agricultural land*	4 281 093		4 281 093
224 Natura 2000 payments	31 439 272		31 439 272
225 Forest-environment payments	0		0
226 Restoring forestry potential and introducing preventive actions	0		0
311 Diversification into non-agricultural activities	0		0
312 Business creation and development	71 351 540	112 000 000	183 351 540
313 Encouragement of tourism activities	0		0
321 Basic services for the economy and rural population	0		0
322 Village renewal and development	53 958 605	43 506 342	97 464 947
323 Conservation and upgrading of the rural heritage	0		0
341 Skills acquisition and animation	0		0
411 Implementation of local development strategies. Competitiveness	15 436 631		15 436 631
412 Implementation of local development strategies. Environment/Land	0		0
413 Implementation of local development strategies. Quality of life	61 746 525		61 746 525
421 Implementation of cooperation projects	5 145 544		5 145 544
431 Running the local action group (LAG), support for acquiring of skills and animating the inhabitants of LAGs territories	3 430 363		3 430 363
511 Technical assistance	38 115 139		38 115 139
- of which National Rural Network (NRN) running costs (up to)	1 120 000		1 120 000
- action plan of NRN (up to)	3 360 000		3 360 000
Total	934 950 513	441 809 692	1 376 760 205

* incl. the transferred costs from period 2004–2006

More detailed amounts for single measures and submeasures will be established by the order of the Minister of Agriculture for each financial year.

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