ESTONIAN FOOD PRODUCTION

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From the 13th to mid-19th centuries, most Estonians had no right to own land and were subjected to serfdom by successive foreign landlords. Although land was allocated to liberated serfs from the 1860s, it was insufficient and many effectively remained serfs until the land reforms of the newly independent republic in 1919 (Pullerits 1927:106). The total number of farms in private ownership in Estonia by 1927 was 30,820, with a total area of 519,000 ha (Pullerits 1927:109) and an average area of 16.8ha. Before the Land Reform Law of 1919 (Passed by the Constituent Assembly October 10th 1919), most of the land had been owned by a very few landowners. In 1994, three years after the end of the Soviet occupation, there were 10,153 private farms with a total area of 251,800 ha, (officially, there were none in 1990), but the government policy of returning land to its pre-war owners resulted in the number and area of privately-owned farms exceeding the pre-war Figures, both by number and by total area by 1998 (Statistical Office of Estonia 2000) (Table 1).

Between 1919 and 1939, Estonia became a major exporter of agricultural products to Western Europe. Butter in particular was a major export; 11,000,000 kg in 1936, of which 58% was exported to Britain and 39% to Germany (Ministry of Agriculture 1937:25). (In 1921, butter exports had only amounted to 128,000kg (Pullerits 1927:121)) It was also reported that “Estonian bacon has found a good market in Great Britain” (Granö 1930:57). The quality of Estonian food was commended by Ungern-Sternberg (1939), but, no doubt, she ate only the best. The commencement of hostilities in 1939 put a sudden end to this thriving agricultural trade and the subsequent Soviet occupation ensured that a true international market could not be resumed until the 1990s, although Estonia acquired a reputation in the Soviet Union as a supplier of good quality food products. In the 1990s, Estonian food and agricultural exports were unable to recover their pre-war status; 50 years of the Soviet Union left their mark on quality and Western Europe already had a surplus of many commodities.

Rural Food Processing

Manufacturing of agricultural products in Estonia is highly dependent on small, rural enterprises (Table 2) (Thorne and Kuusik 2000). These, however, continue to have serious technical and economic problems. Banks in Estonia have often been unwilling to finance small businesses, preferring to invest in larger enterprises, which are perceived as being safer investments. When loans were available to small enterprises, interest rates throughout the 1990s were prohibitively high. The concept of venture capital has not been widely exploited in Estonia. Marketing of rural food products has only recently become more than direct selling at a very local level, and a few marketing consortia have recently been established (Thorne 1999). Only now is capital becoming more freely available, with loans in euros and at European rates.

Technical difficulties affect the rural food industry, too. In 1991, there was no official rural food industry, and therefore little legislation to control it. Indeed, with all industry owned by the State and the State being the only customer, there was considered to be no need for food legislation or consumer protection. With the development of a free economy and a westward-looking government, the need arose for western-style food legislation, the impetus for this being enhanced by pending Estonian membership in the European Union. A new Estonian Food law was introduced in 1999 (Government of Estonia 1999). Many small rural food enterprises lack the technical ability or finance to comply with the new requirements immediately and many seem likely to cease to trade. This may represent an improvement in food safety, but it will cause deterioration of well-being in the countryside. The rural food industry in Estonia not only makes a significant contribution to the national economy, but often plays a major role in rural life as the major or only employer in rural communities. Encouragement of rural entrepreneurship is appreciated as necessary by the Estonian government (Viik 1998:89) and an EU funded Phare project has helped encourage entrepreneurship in the Estonian Baltic islands of Saaremaa and Hiiumaa and the southern counties of Võru and Põlva (Thorne and Kuusik 2000).

The Rural Population

The population of Estonia at the 1922 census was 1,107,059 (Estonian Statistical Office 1922); in 1998 it was 1,453,800. However, during this period, the Russian population of Estonia increased from 91,000 to 409,000; the number of Estonians increased only by 39,000 (Statistical Office of Estonia 1998:56). Increase in the Estonian population was constrained by considerable emigration before and during the 2nd World War and by the subsequent maltreatment and deportation of the population by the Soviet authorities, though numbers of losses from these causes remain unrecorded.

The area of Estonia was reduced by 2331 km^2 by the acquisition of Petserimaa in the SE by Russia. The increase of 350,000 in the total population between 1922 and 1998 has been compensated by a similar increase in the urban population[1], so that the rural population density has hardly changed (18.3 per km^2 in 1922; 17.9 per km^2 in 1998) while the overall population density has increased from 23.3 per km^2 to 32.1 per km^2. The increase in the Russian population of Estonia has been largely in Tallinn and in Narva on the NE border with Russia; the rural population has remained almost entirely Estonian.

The number of persons working in agricultural production has fallen considerably since the first Estonian Republic. The official statistics (Pullerits 1927:86, Statistical Office of Estonia 2001) are illustrated in Table 1. These figures, however, are misleading. One third of the 1927 agricultural workers are recorded as working, unpaid, on their family farms. The 1989 figures are near the demise of the Soviet Union, when there was officially no unemployment; collective farms were wildly over-endowed with labor to ensure that this was so. Nevertheless, there has undoubtedly been a considerable increase in the efficiency of Estonian agriculture, to the extent that rural unemployment in some areas is now a significant social problem (Raime 1998:98). Estonia has a well-developed regional policy, dating from as early as 1989, one aim of which is to help rural regions develop to eliminate the differences between urban and rural areas (Ministry of Internal Affairs 1998).

Estonian Food Production

Estonian agriculture in the past decade has been in a phase of adjustment from a command economy, in which it was a major supplier to the Soviet Union, to a free economy, in which it must compete for markets. In the Soviet Union, all production was bought by the State; there was no incentive to improve quality and no need for marketing. These, and financial management, are skills which have had to be acquired. Some food products, such as processed meat and canned fish, continued to be produced for the Russian market after independence, but this market has largely collapsed since 1998, with serious consequences for the food manufacturing industry (Table 3). However, some food manufacturers have emerged from this disaster to manufacture successfully improved products for the domestic and, potentially, export markets.

Cereal production has long been a major agricultural area in Estonia. Immediately before the First World War, total cereal production was 400,000 tonnes per annum and passed 500,000 tonnes per annum by 1925 (Pullerits 1927:114). At the end of the Soviet era, it was again about ½ million tonnes (Statistical Office of Estonia 1998). A major change has been a reduction in production of rye and a corresponding increase in wheat production since the Second World War; typical of Eastern Europe, where white bread is the preference of affluence. Much of the total increase in cereal production has been barley, mostly for livestock feed.

Since 1991, commercial potato and milk production has decreased with the loss of the Soviet market. Beef cattle and pig meat production have remained high, but sheep have almost disappeared since the Second World War, although their re-introduction is now being encouraged. Production of some major agricultural products since 1914 is summarised in Table 4.

Imports and Exports of Food Products

After independence in 1991, Russia remained the major export market for Estonia for most of the decade, in spite of the deterioration of the Russian economy. Many food products were designed for the Russian (former Soviet) market; the major exports being fish, meat and milk products, beverages and sugar confectionery (Table 5) (Maadvere 1998:51). Imports, however, are mostly those demanded by an increasingly-affluent urban population: superior meat products, beverages (coffee, tea and particularly international alcoholic drinks), and confectionery.

A large proportion of these superior imports were consumed in Harju County. It is noteworthy that, in 1999, mean gross wages in Harju county (in which Tallinn is located) were 60% greater than the mean for the rest of the country (EEK 5544 per month compared with EEK 3461 per month,)[2] This difference is particularly significant when, as in Estonia, incomes are generally low, 40% of total personal income is spent purchasing foodstuffs and only 2% on eating out; the demand for imported foods is largely confined to the capital. Rural dwellers largely rely still on traditional foods.

Export of staple food products and import of sophisticated food products has resulted in a curious trading pattern (Statistical Office of Estonia 1998, 1998a) (Table 6); exports generally head eastwards and imports come from the West; this situation was even more obvious before the collapse of the Russian economy in the late 1990s; in 1998, 50% of Estonian food and food products was to Russia. This collapse, though it had serious financial consequences for the Estonian economy at the time, was perhaps a benefit in that it forced Estonia to look for more stable and selective markets. This imbalance of trade has resulted in a worsening balance of trade in agricultural products; in credit until 1994, there is now a deficit of some EUR 120 million (Table 7). It is unfortunate that this deficit is largely attributable to the affluence of the capital and that its perceived benefits are unavailable to most of the rural population.

Food Shopping and Consumption

An important aspect of food in Estonia is the large quantity produced on household plots; 194kg per head in 1997 (Statistical Office of Estonia 1998b). Although much of this domestic production is potatoes, significant quantities of other crops are grown (Table 8). If it were assumed that the population of Tallinn (415,000) did not grow produce, then that for the rest of the population would rise to 272 kg per head for the rest of the population. This corresponds to 750g per head per day; a very significant contribution to the diet.

A survey in 1998 of the shopping habits of 800 consumers in rural Estonia revealed that appreciable numbers of respondents did not buy many products because they produced their own. Table 9 (Thorne and Kuusik 2000) lists the percentages of respondents who bought products “rarely or never because they produced their own.” Sixty percent of respondents grew all their own potatoes and over 30% their own cabbage. More surprisingly, 20% kept chickens and were self-sufficient in eggs and 15% produced all their own fresh meat.

Conclusions

Estonia between the wars rapidly developed a thriving rural economy that had not been possible under a repressive Tsarist regime and developed an expanding export market to Western Europe. This, of course, was stopped by the Soviet occupation of the country, although Estonia was able to achieve the status of a major producer of high-quality food within the Soviet Union itself. With the coming of the second independence, Estonia again developed rapidly; certainly more rapidly than its neighbors, helped by earlier contacts with Finland and access to Finnish television. The infrastructure of a modern food industry was missing, however, and this limited exports to the West, leaving Russia as the major export market for food.

The collapse of the Russian economy in 1998 brought a sudden reduction in exports of poor quality food to Russia and bankruptcy to several Estonian manufacturers of meat, fish and dairy products. Another barrier to trade has been the high import tariffs imposed by Russia, which were only reduced in 2000. The collapse of the Russian market may be no bad thing for Estonia in the long run. Manufacturers have been forced to develop better quality products, which will be acceptable in the West and suppliers have been forced – often with great success – to manufacture their own superior products. Membership in the European Union will once again provide Estonia with an export market, but at the price of bankruptcy of more of the less able food manufacturers and considerable rural hardship. It seems unlikely that Estonia will be able to compete in most areas of mainstream agriculture and food processing. Rural manufacturers will have to find new products and new markets; the rural tourist industry, which is beginning to thrive, will be a major market for rural food products.

Many large food producers and manufacturers have received considerable overseas capital investment and, indeed, have come into foreign ownership. These companies are well-placed to compete in Europe. Most smaller companies have not had the benefit of great investment and it seems likely that they will have to adopt niche markets for the tourist trade and speciality products and to form marketing consortia in order to thrive.

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[1] The total population of the 4 largest cities, Tallinn, Pärnu, Tartu and Narva, increased from 235,629 in 1927 to 642,775 in 1998.

[2] Statistical Office of Estonia, http://www.stat.ee/wwwstat/content/I_S_PA_MK/2.html

Tables

Table 1: Estonians employed in agriculture, 1927-2000

	1927	**1989**	**1996**	**2000**
Total Employed (1000s)	625	837	645	609
Employed in Agriculture (1000s)	422	151	60	42
% of total employed in Farming	67.5	18.0	9.3	6.9

Table 2: Number and area of privately-owned farms in Estonia, 1927 to 2000.

Fig 1

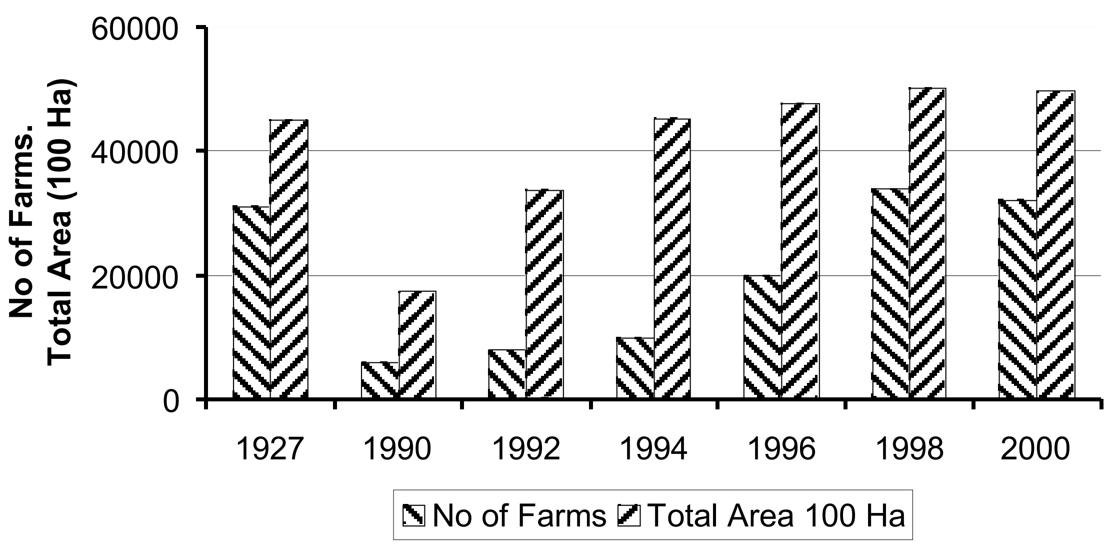

Table 3: Size and number of Estonian food manufacturing companies, 1998.

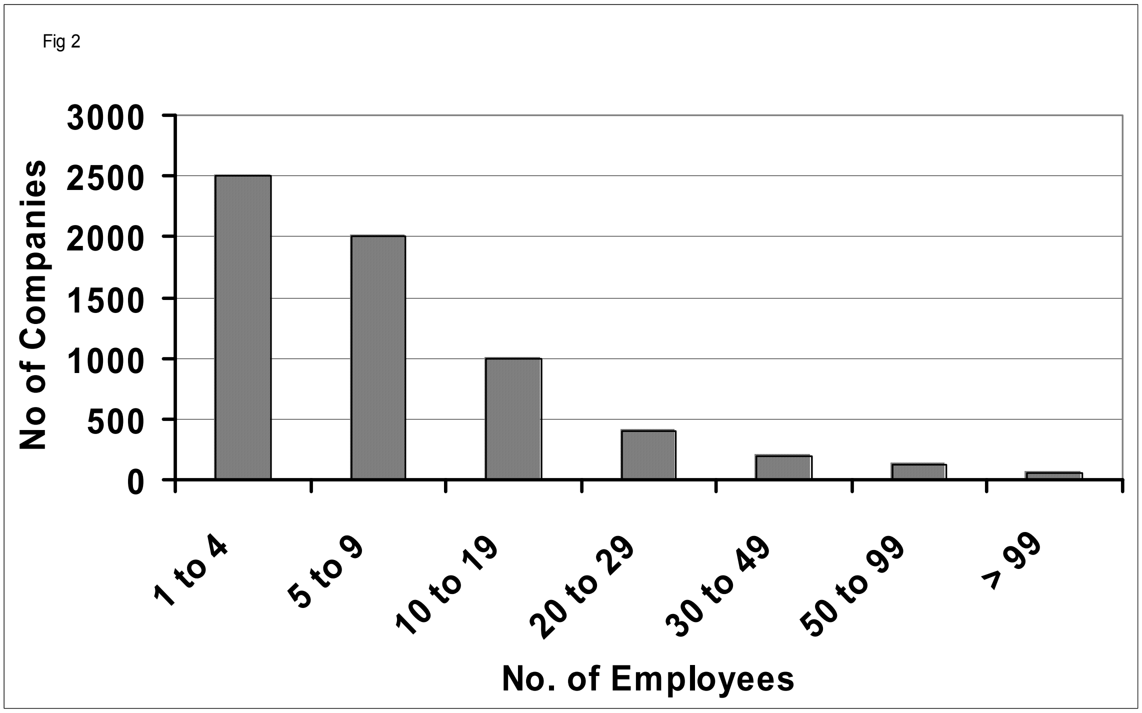

Figure 4: Production of some major agricultural commodities, 1914 to 2000.

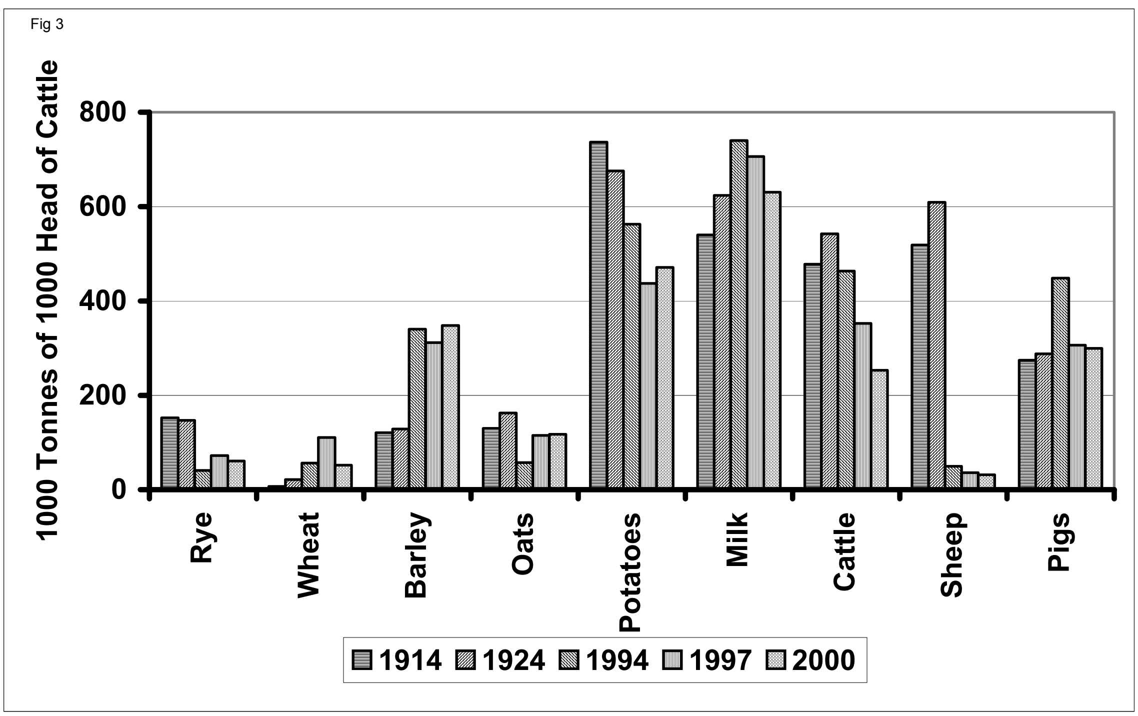

Figure 5: Exports and imports of agricultural commodities and food products, 2000.

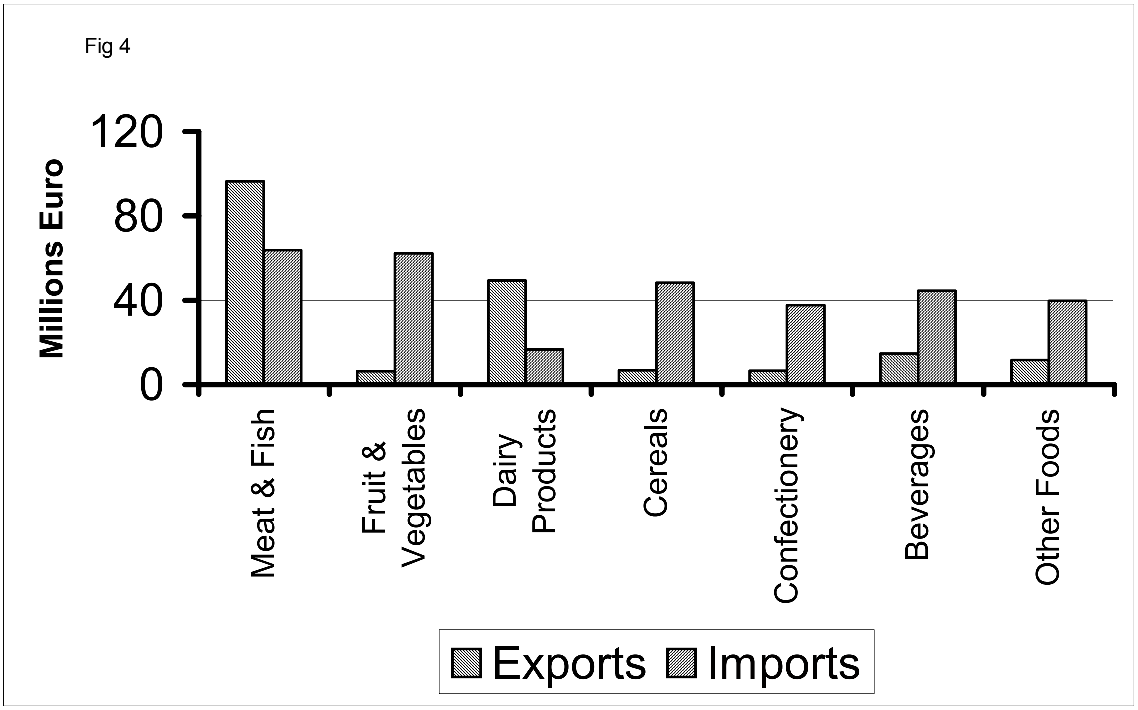

Figure 6: Trade in food and agricultural products by major trading partner, 2000

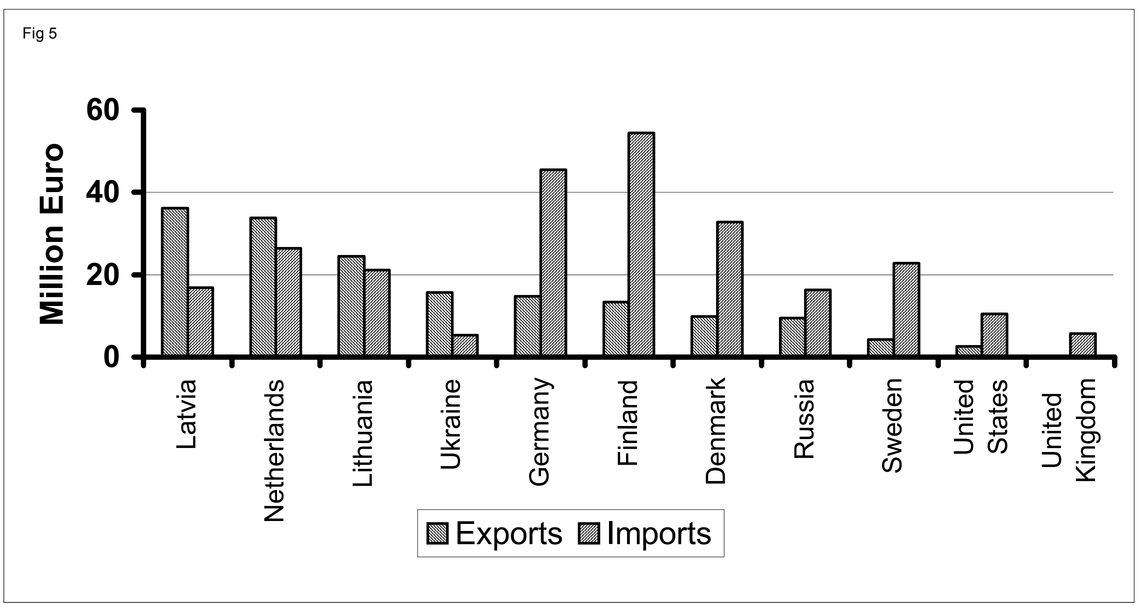

Figure 7: Trade deficit in food and agricultural products, 1995 to 2000.

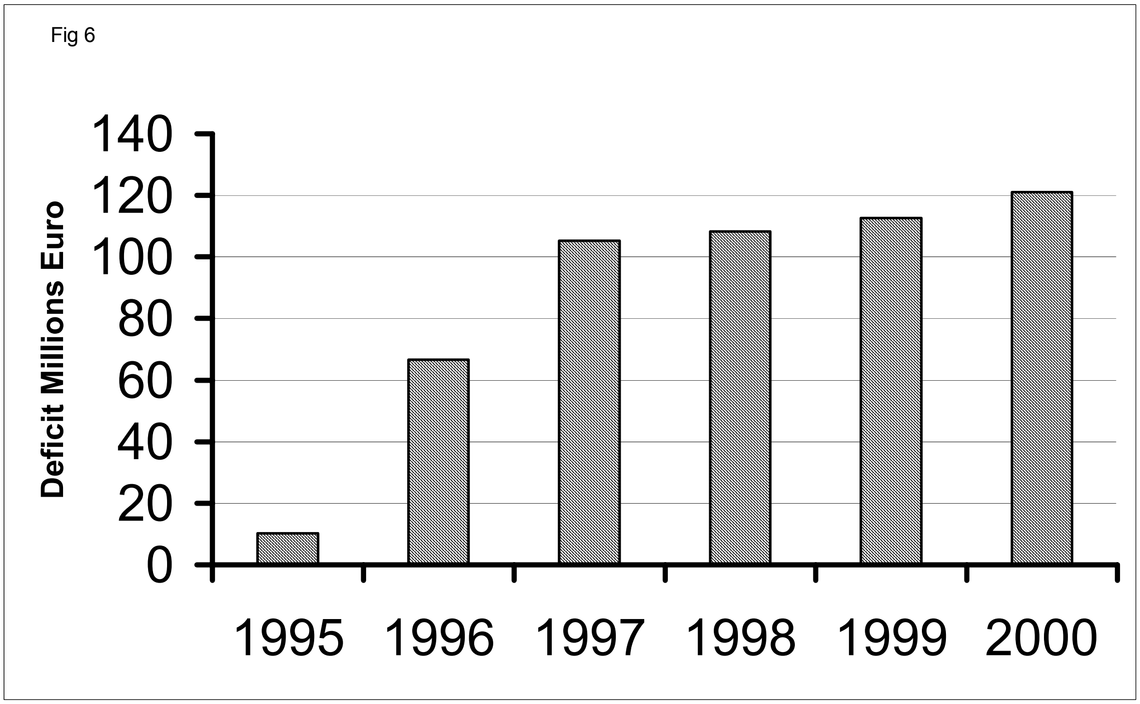

Figure 8: Domestic production of fruits and vegetables other than potatoes, 1998.

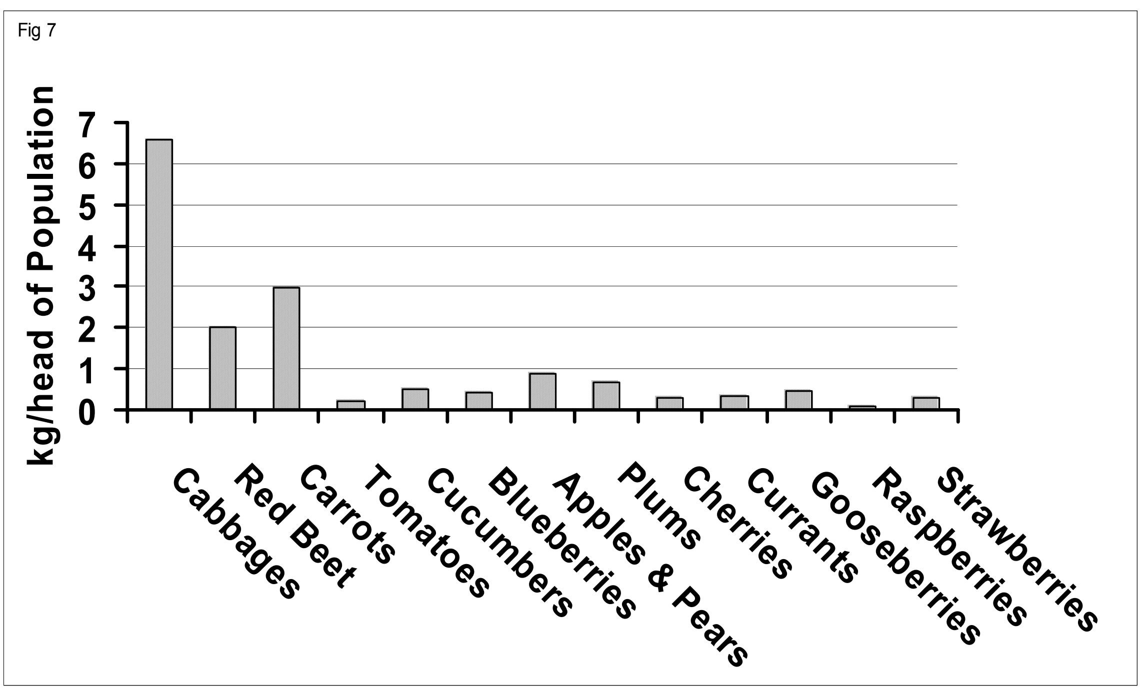

Figure 9: Percentage of consumers who produce their own rather than purchase, by item.