

FOOD SAFETY

Our aim is to supply consumers with safe food that meets all requirements. This is facilitated by ensuring that all the activities constituting the food processing chain — from the production of raw material for food to making food available to consumers — comply with the requirements. On the other hand, consumers must be supplied with sufficient and true information about food, on the basis of which they can make their choices.

The fundamentals governing the food sector (i.e. handling of raw material for food and of food, self-checking by food business operators, and state supervision) are set out in the Estonian Food Act and Regulation 178/2002/EC of the European Parliament, and of the Council laying down the general principles and requirements of food law, establishing the European Food Safety Authority, and laying down procedures in matters of food safety.

According to the Food Act, state supervision over food is exercised by the supervisory officials of the Veterinary and Food Board, Health Protection Inspectorate, and the Consumer Protection Board. Officials of the Tax and Customs Board also have certain functions under the Food Act.

The Health Protection Inspectorate supervises retail and catering businesses. The Veterinary and Food Board supervises all other food business operators (such as the

production and primary processing of raw material for food, food industries, wholesale warehouses, and transport companies). The Consumer Protection Board supervises compliance with the requirements for presenting information and the correctness of the information presented in the retail and wholesale stages. The Tax and Customs Board checks the documents accompanying food of non-animal origin at border points, in certain cases.



ESTONIAN FOOD

In cooperation with other state agencies, professional associations, and various other partners, the Ministry of Agriculture has drafted the development plan "Estonian Food", which is aimed at developing the sustainability of the Estonian food sector via information and marketing activities.

The plan has two main objectives:

- sustainable development of the Estonian food sector,
- protecting the interests of, and informing, consumers.

The development plan covers the years 2006–2008. The activities to be carried out during these three years are: mapping of the typical food production, processing, marketing and consumption situation, shaping the image of Estonian food, increasing the competitiveness of typical food products, the awareness of consumers, and their satisfaction with Estonian food and food products.

The development plan will be implemented via projects to be launched in cooperation with various public, private, and third sector entities. Various information materials, studies, training courses, seminars and information campaigns play a large role among the planned activities.

Information on the development plan and on Estonian food is available on the website www.eestitoit.ee.

ESTONIA



FOOD AND FOOD SAFETY

Traditional Estonian food has, throughout history, been the food originating from our fields, pastures, gardens, or nearby bodies of water. Food reflects our natural environment – Estonia's blue skies, black soils, and golden grain fields. The genuineness of our land and nation.

Traditionally, the entire Estonian agriculture sector has been oriented to food production. Since ancient times, food has played the leading role in trade with neighbouring countries; food export, as we know it, began in the 17th century. Since then, the quality of Estonian food has been repeatedly highly acclaimed in all-European competitions, as well as by Estonians themselves.

The total output of food industry undertakings was E€K 11.1 billion in 2005; this accounts for 18% of the total output of the processing industry. 28% of the output was exported. The dairy industry, beverages industry and Estonia's total food industry output with 29%, 21% and 18%, respectively.

According to preliminary calculations, the food industry's total profit amounted to ME€K 420, i.e. an average of 4.5% of total turnover, in the first half of 2006.

FOOD INDUSTRY

PRODUCTION

According to preliminary data, the total output of the food industry was E€K 11.1 billion in the first nine months of 2006, which is 16% more than in the same period last year. In terms of monetary value, dairy products formed the largest share at 29% (E€K 3.2 billion), followed by beverages with 21% (E€K 2.4 billion), and meat products with 18% (E€K 2.0 billion) (Figure 1).

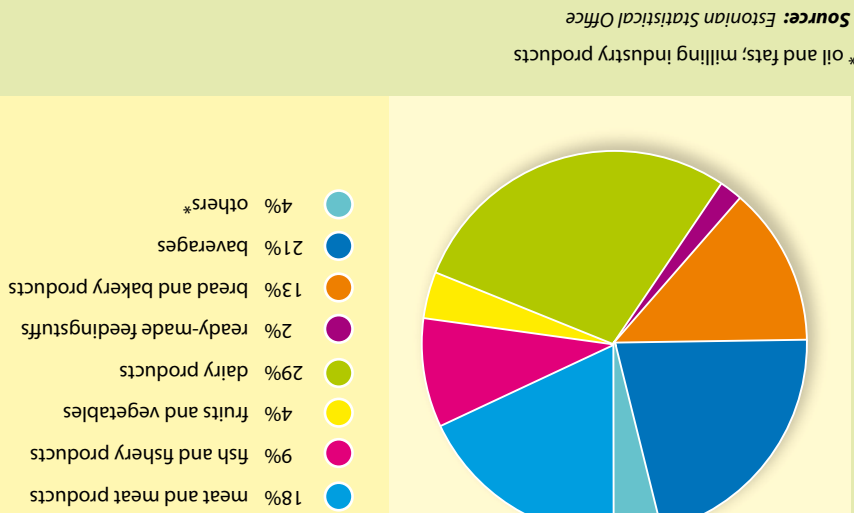


Figure 1. Structure of the food industry (%) in the first 9 months of 2006

According to the Veterinary and Food Board, 38 dairy processing enterprises (including 6 processing their own farm's milk), 122 meat processing enterprises (17 large-scale and 121 small-scale enterprises; 138 in the previous year) were registered as of 1 November 2006. As of 10 October 2006, there were 334 enterprises processing raw material for food and food of non-animal origin, of which 187 were engaged in the cereal and cereal-based products processing industry, 151 enterprises were in the business of handling bread products, bakery products, pastry products and biscuits (hereinafter bread and bakery products). 151 enterprises were in the business of handling bread products, bakery products, pastry products and biscuits (hereinafter bread and bakery products). 151 enterprises were in the business of handling bread products, bakery products, pastry products and biscuits (hereinafter bread and bakery products).

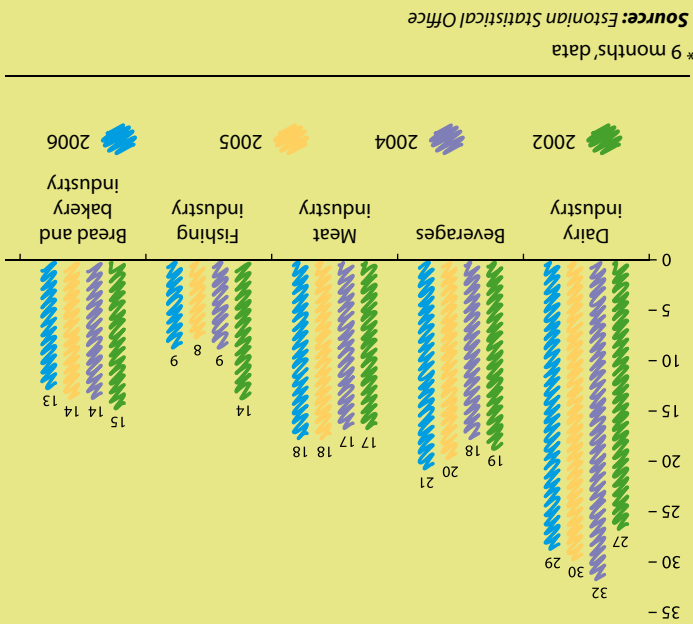


Figure 2. Percentages of the sectors in the food industry total output 2002–2006

The dairy industry continues to hold the largest share (29%) of the output by the Estonian food industry, although its share has decreased 2% compared to the same period in 2005. The relative share of the outputs of the beverages and the fish and fishery products has increased 1%. The shares of bread and bakery products, meat and meat products, and dairy products have decreased 2%, 1% and 1%, respectively. The shares of fruits and vegetables (4%) and ready-made feedstuffs (2%) in the total output of the food industry have remained the same.

DAIRY INDUSTRY

According to the Estonian Statistical Office, 527 200 tonnes of raw milk (Table 1) were produced in the first nine months of 2006, which is 3.1% more than in the same period in 2005. Milk bought in by dairy processing enterprises formed 87.7% of the total production and amounted to 462 100 tonnes. The volume of milk bought in by the

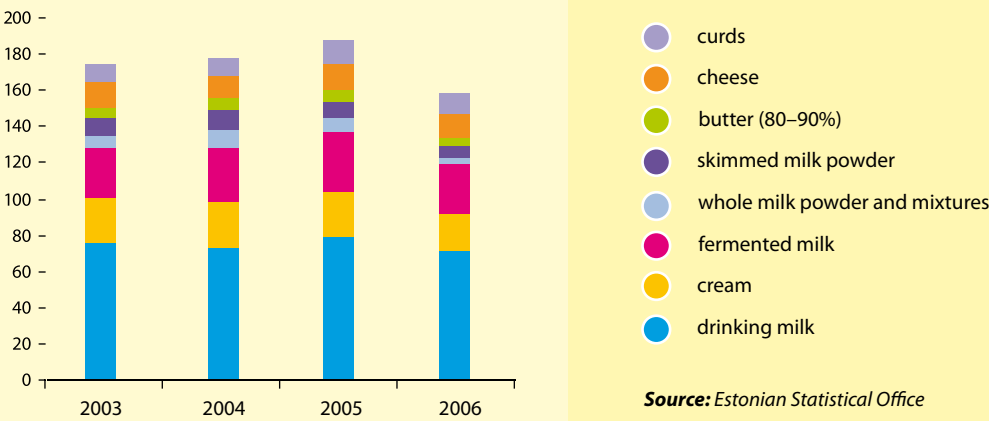
Table 1.

1 st half of year	2003	2004	2005	2006*
Raw milk production (thousand t)	613.0	652.4	670.4	527.2
Bought-in milk, %	79	82	85	88

* 9 months' data

Source: Estonian Statistical Office

Figure 3. Output of dairy products 2003–2006 ('000 t)



Source: Estonian Statistical Office

CEREAL PROCESSING INDUSTRY

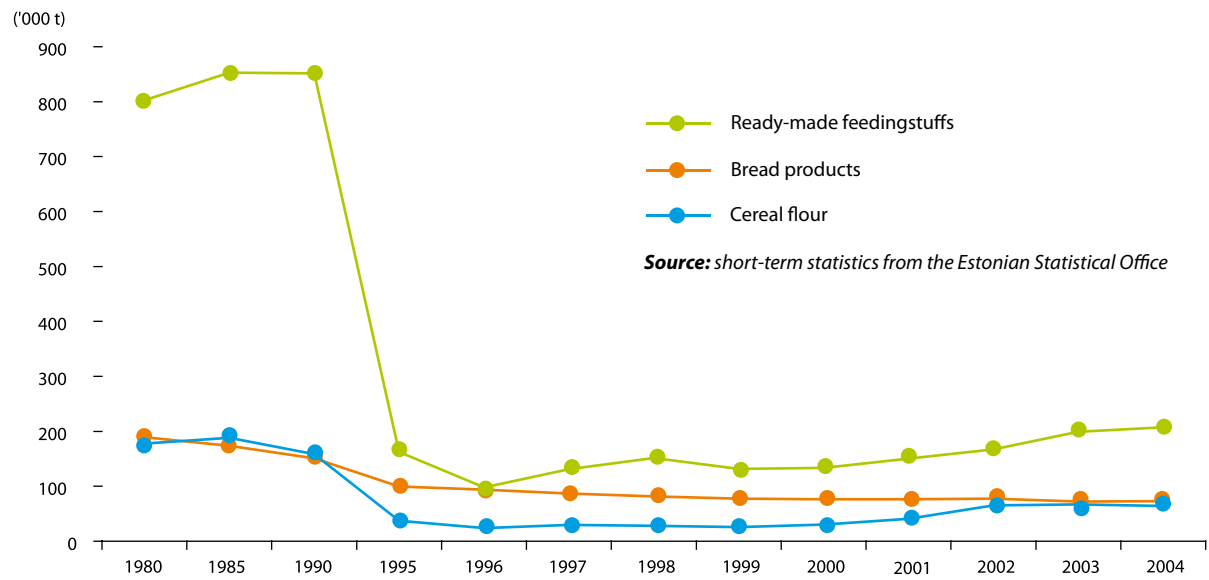
Production

The cereal processing industry provides about 15% of the total output of the Estonian food industry in terms of value. The total output of bread and bakery enterprises accounts for over three-fourths of this, and that of the milling and feedingstuffs industries accounts for one quarter (Figure 5).

Consumption

Consumption of cereals as feedingstuffs is in first place in terms of Estonian domestic market demand. In the harvesting year 2004/2005, feedingstuffs accounted for 64% of total cereal consumption, followed by human consumption (19%), consumption as seeds (10%), and industrial consumption (7%). Industrial consumption means the use of cereals for production of alcoholic beverages and other products, except for food and feedingstuffs.

Figure 5. Production of cereal-based products



Source: short-term statistics from the Estonian Statistical Office

The foreign trade balance of dairy products continued to be positive (MEEK +787.2) in the first eight months of 2006; the export of dairy products surpassed imports 5.6-fold. Dairy products accounted for 19.3% of total agricultural exports (MEEK 4958.6) and 30.9% of the export of foodstuffs.

Most of the products were exported to EU Member States (83.8%). The major partners among EU countries were Germany (2.6%), Latvia (18.3%), Finland (10.8%) and the Netherlands (8.7%). Exports to Russia have increased 1.8-fold (MEEK 66.3), totalling 15.4% of total exports.

Cheese, milk powder and non-condensed dairy products formed the largest shares of exported foodstuffs in the first eight months of the year. The export of whey products continues to grow (64.6%), the main destination being Russia (97.5%), but whey still accounts for only 3.6% of all exports.

The importing of dairy products decreased 17.4% (MEEK -36) in the first eight months of the year, compared to the previous year, and accounted for 2.3% of all agricultural imports. 97% of the imports came from EU countries (Lithuania 24.5%, Finland 21.5%, Latvia 17.0% and Germany 14.5%). Cheese (1189.6 t), whey products (1183.1 t), ice-cream (1089.2 t) and fermented milk products (637.1 t) were the main import articles.



MEAT INDUSTRY

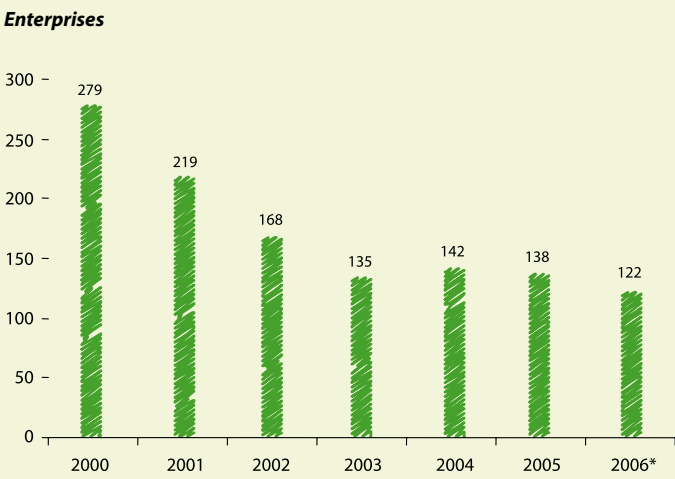
The Estonian meat market in the first eight months of 2006 is characterised by similar product ranges, a low level of specialisation and tough competition on the domestic market. Exports of meat and meat products form 6.9% of total agricultural exports (7.2% in the same period in 2005).

The foreign trade balance for meat and meat products was negative (MEEK -351.5) in the first eight months of 2006 just as it was during the same period in 2005 (MEEK -318.3).

Export of meat products amounted to MEEK 346.8 in the first eight months of 2006. The bulk of production is exported to EU countries (94.1%), where the largest partners have remained the same: Latvia (33.9%) and Lithuania (31%). Exports to Russia accounted for 4.4% of total meat exports.

The export of meat products during the same period in 2005 was MEEK 328.7. Most of the products were exported to EU Member States (97%). Latvia (39.8%) and Lithuania (34.8%) were the largest export partners. Export to Russia formed 1.8% of exports in 2005.

Figure 4. Number of meat processing enterprises over the years

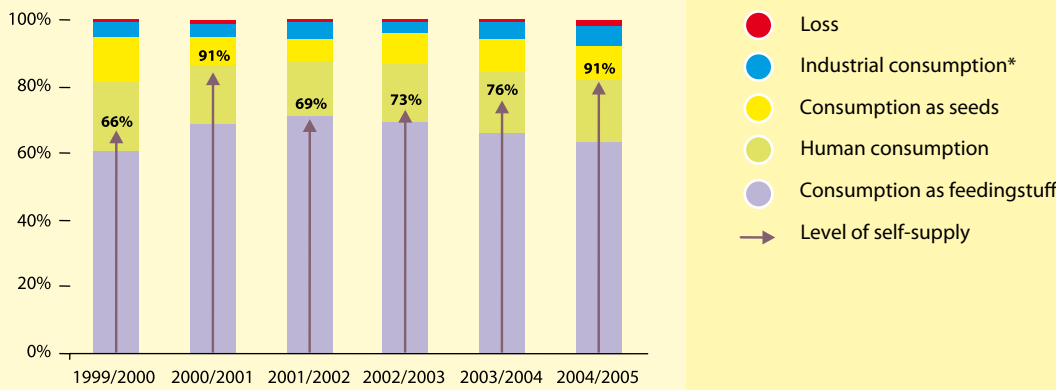


During the first eight months of 2006, exports and imports of meat and meat products amounted to 10 900 t and 25 100 t, respectively.

In order to cover domestic market demand, 9 300 tonnes of meat was exported and 23.7 t of meat was imported in the first eight months of 2005.

In 2006, there were 122 meat handling enterprises in Estonia, according to the Veterinary and Food Board (*the data for 2006 is as of 17 November 2006).

Figure 6. Cereal consumption and self-supply level



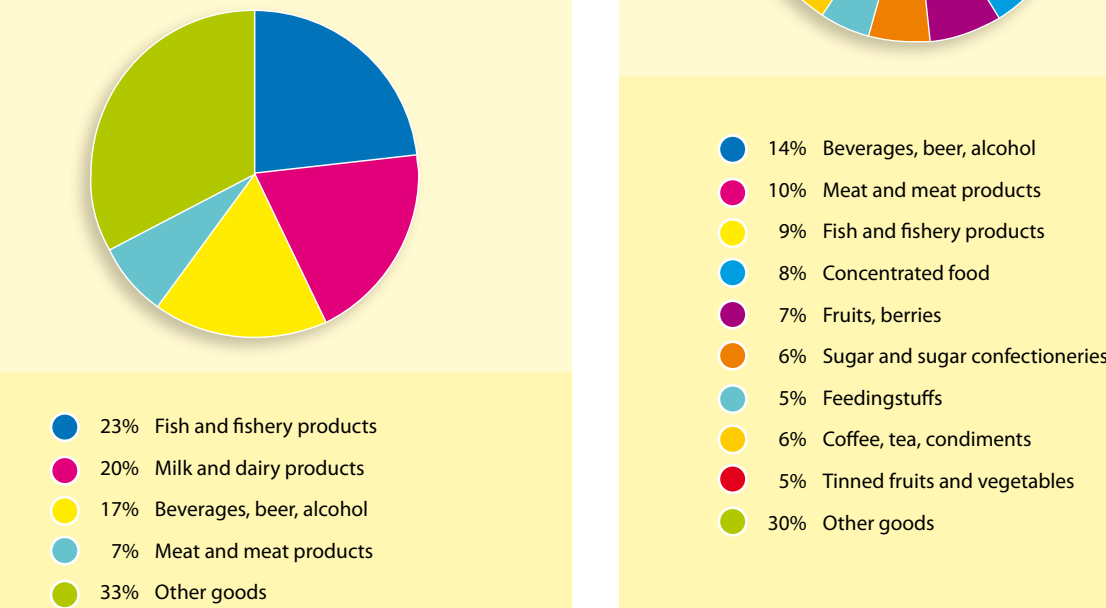
FOREIGN TRADE

The value of agricultural products (KN¹ Chapters 01–24) exported and imported in 2005 was MEEK 6950.1 and MEEK 10 985.9, respectively. Agricultural products formed 7.2% of total exports and 8.6% of total imports of commodities.

The volumes of export and import increased 24.3% and 14.6%, respectively, compared to the previous year; the negative trade balance was MEEK 4035.8. Estonia had positive trade balances with EU Member States Latvia, Greece, Slovenia, Cyprus, and Malta, and negative balances with all other EU Member States. Among the main partners outside the Community market, Estonia had positive trade balances with Russia, Switzerland, Ukraine, Kazakhstan and Moldova (see Figure 7).

¹ Nomenclature of Commodities

Figure 7. Structure of export of agricultural products in 2005, % of total



Imports of agricultural products (see Figure 8) increased, compared to the previous, year as follows: by MEEK 445.2 from Finland, MEEK 245.2 from Poland, MEEK 197.9 from Denmark, MEEK 218.4 from Latvia, and MEEK 180.8 from Sweden. Import volumes from the following countries decreased: by MEEK 100 from Ukraine, MEEK 88 from the Czech Republic, MEEK 64.7 from Norway, and MEEK 61.2 from Hungary.

Figure 8. Structure of import of agricultural products in 2005, % of total

