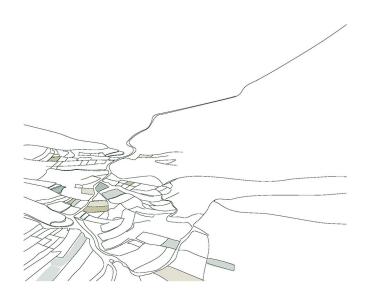


AGRICULTURAL LAND REFORM - WHITE PAPER

ISSUED BY THE MINISTRY FOR AGRICULTURE,
FISHERIES AND ANIMAL RIGHTS

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Agricultural Land Reform - White Paper

Feedback by the Gozo Regional Development Authority

1. Preamble

The White Paper published in October 2022, by the Ministry for Agriculture, Fisheries and Animal Rights (MAFA), entitled 'Agricultural Land Reform' (there after to be referred as Document) has as a central aim the creation of a legal framework and control systems that safeguard the social rights of all stakeholders, food safety, and environmental protection.

This need to reform the acquisition and ownership of agricultural land emerged after recent rulings at the Courts of Malta¹. These rulings have placed local farmers at increased risk of forced eviction, and have led to an increase in agricultural land speculation. Farmers are now facing the reality of farmland being valued for its non-agricultural characteristics.

Given that around 22% of registered farmland in Gozo is leased from private owners and another 34% owner occupied², any reform in the legal framework of acquisition and ownership of farmland will have significant impact on Gozo.

2. Background

Gozo has a more rural dimension than mainland Malta and as a result agriculture in Gozo is more prevalent. Apart from its economic contribution, the agricultural sector in Gozo plays a multifunctional role, ranging from food production and security to culinary tradition and land stewardship, from environmental conservation to recreational purposes. Furthermore, the arable land also has large positive externalities which are clearly evident when serving as a backdrop for the tourism industry.

J&C Properties vs Nazzareno Pulis and the State Advocate 133/18 JZM.
Baldacchino Holdings Ltd v Advocate General and Carmelo Spiteri (72/2016 MH).

² Census of Agriculture 2020 - https://nso.gov.mt/en/News_Releases/Documents/2022/02/News2022_015.pdf.

A significant part of agricultural activity in Gozo tends to be informal and is viewed as a secondary activity. In fact, according to the 2020 Agricultural Census², only 65% of the 2,115 agricultural holdings recorded in Gozo sell a share of their produce, with the remaining 35% of farm holdings using any agricultural produce exclusively for their own consumption. This aspect is often ignored but it represents an important part of the Gozitan identity where traditionally most of the households were independent in terms of agricultural produce. Thus, this informal linkage of Gozitan society to agricultural lands needs to be respected and taken into account when discussing any reform and farmer's status.

In terms of direct economic importance of the sector, latest regional data (2020) show that the Gross Value Added (GVA) of the agricultural and fishing industry in Gozo amounted to €11.2 million or to 2.2% of Gozo's total GVA³. Employment in the agriculture and fishing industry reached 670 individuals in 2020, which is equivalent to around 19% of national employment in this industry⁴. This figure confirms the high importance Gozo has in terms of agriculture at a national level. Overall, the share of agriculture and forestry in Gozo's total GVA has followed a downward trajectory over the 2000 to 2020 period. This occurred as while output generated from the agriculture and fishing industry remained relatively stable over this period, other industries, including that of professional, scientific, and technical activities and information and communication, grew at a rapid pace. During this year employment in the agricultural industry increased marginally over that registered a year earlier, maintaining the positive upward trend registered in recent years. In fact, in the years prior to the pandemic employment in this sector increased by an annual rate of 5.3% and 2.4% in 2019 and 2018 respectively.

One of the main challenges that the agricultural sector is currently facing is that of attracting the younger generation to work in this sector. Employment in agriculture has not only declined but its composition has also changed. In fact, the share of those aged 34 or younger to total agricultural employment declined over the years while the share of the 65+ age cohort increased. This change in composition implies that the younger generation are becoming less attracted to this sector as they explore other sectors with higher financial returns⁵. A further challenge that is often ignored is the difficulty of farmers to raise capital, with the result that the same farmers find it difficult to invest in modern machinery and equipment. This has been flagged by young farmers as a major concern.

3. Context of GRDA feedback

The GRDA considers agriculture as key to Gozo's development. It strongly believes that agricultural land, both at a national level but more so for Gozo, should be used exclusively for agricultural purposes. The GRDA also notes that over the years, agricultural land has been misused with uses ranging from illegal buildings to car scrap yards, from storage of industrial machinery to dumping of waste.

² Census of Agriculture 2020 - https://nso.gov.mt/en/News_Releases/Documents/2022/02/News2022_015.pdf.

³ NSO News Release 230/2021 https://nso.gov.mt/en/News_Releases/Documents/2021/12/News2021_230.pdf.

⁴ Employed persons comprise full-time and part-time (primary only) employment.

⁵ GRDA Note Agriculture in Gozo - https://grda.mt/wp-content/uploads/2022/06/Agriculture-in-Gozo-Final-14.06.22.pdf.

As the overarching objective of the GRDA for the Agricultural sector in Gozo is to attain the following strategic goals, namely the revitalisation of Gozo's rural community; to attract more youths to Gozo's agricultural sector; to valorise Gozitan food and produce; and to achieve a fair, healthy, and environmentally friendly food system that is both commercially viable as well as respects traditional agricultural activities that are not necessary formal nor profit driven.

4. Comments on the White Paper

- 4.1. The White Paper puts an emphasis on the farmer's status. The White Paper expressly states that "it is crucially important to define the farmer's status and to distinguish between active farmers, hobby farmers, and newcomers entering or attempting to enter in the sector". The same White Paper emphasises that, "to create this distinction, different categories will be established on the basis of product value outgoing from the agricultural land or farm for a period of one (1) year (the so-called Standard Output). The farmer's status and the link to the farming activity will be criteria that will determine who gets preference to benefit from the reform. As expected, there will also be criteria for young people wishing to enter the agricultural sector for the first time". The GRDA's considered opinion on the matter is that arriving at a consistent and accepted definition of a farmer will prove very difficult and this is also acknowledged indirectly in the White Paper (proposal 4, pg 19). Furthermore, the GRDA considers this attempt to classify farmers' status as not essential for the purpose of this reform.
- 4.2. The single most important proposition in the White Paper is found in page 13 where it is stated that "the valuation of agriculture land on the basis of value of land on the open market is not an appropriate reflection of the price of the land being used solely for agriculture purposes, but rather a valuation which takes places in other contexts where land is sold or rented for different purposes, including recreational purposes". The GRDA believes that this is key to address the issue at hand.
- 4.3. The fact is that transaction value on agricultural land observed in the open is a function of (i) the intrinsic value of agriculture i.e. that is the present value of future agriculture output as well as (ii) the benefits (utility) derived from non-agricultural use which consist of uses that range from recreational purposes and other non agricultural uses.
- 4.4. The benefits derived from non-agriculture uses include changes that were introduced as a result of the Rural Policy and Design Guidance of 2014 which made it possible, under certain circumstances, the construction of store rooms on agricultural land. In fact, as per media reports the approval of policy applications for agricultural stores have shot up from just 34 applications in 2014 to 224 in 2017⁶. If these non-agricultural uses are either eliminated or

https://www.maltatoday.com.mt/environment/environment/85461/malta_planning_authority_agriculture_fragmentation_speculation_odz_rural#.Y2S8UXbMK3A.

- highly restricted, the value of the agricultural land will return to reflect mostly its agricultural use.
- 4.5. By removing or drastically minimising the possibility of making other uses from agricultural land apart from agrarian ones, the need to draw a distinction according to farmer's status (proposal 4, pg 19) and the need to establish the fair pricing of land by nonmarket means (proposal 7, pg 21) becomes superficial.
- 4.6. The GRDA considers positively Proposal 1 (pg 18) on safeguarding the agricultural land found within the boundaries established as per Rural Zones in line with Local Plans of 2006, Proposal 3 (pg 18) on the establishment of an agricultural land cadaster, Proposal 5 (pg 20) on safeguarding and ensuring the need to cultivate agricultural land for its agricultural scope and purpose, and Proposal 11 and Proposal 12 (both pg 23) which deals with positive tax measures and financial assistance.

5. Concluding Remarks and Reference to the Regional Impact Assessment Studies

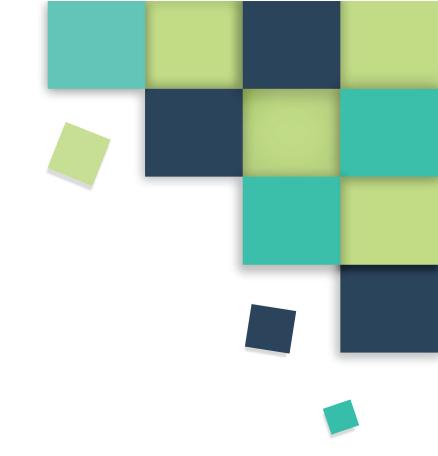
The GRDA acknowledges with satisfaction that the transfer of agricultural land and its price in the open market are being given due importance. Agriculture and consequently agricultural land are both strategic assets at a national level as well as an integral part of our identity. This applies particularly for Gozo with its more rural dimension and its identity based on villages surrounded by agricultural land.

The GRDA condivide a number of proposals, however, it considers that the main cause/s behind this issue are not addressed at source. As outlined above, more simple solutions such as enforcing that agricultural land is used solely for these purposes and making sure that no illegal activities take place on the same land, will return the market to an acceptable and fair equilibrium without further need for direct government intervention in the market.

Furthermore, in line with the established methodology, the GRDA has initiated a Screening Process to determine whether a Regional Impact Assessment study⁷ is required. From preliminary analysis, it is not excluded that the proposed intervention might impact Gozo in a materially different manner from its impact on Malta.

Thus, the GRDA will be asking for more information on the proposal reform in order to be able to decide whether there is a need for a full Regional Impact Assessment Studies as per Article 8(1)(F) and Schedule II of the GRDA Act.

Regional Impact Assessment System: A Non-Techincal Guide - https://grda.mt/wp-content/uploads/2022/02/GRDA_ Regional-Impact-Assessment-System-revised_02.02.22.pdf.





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