

Discussion Paper

# Regional Agriculture: A Gozitan Perspective

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# Regional Agriculture: A Gozitan Perspective

**George Cauchi**

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*The regulatory aspect in the agricultural sector in Gozo has been significantly reshaped following Malta's accession to the European Union. Changes throughout its various facets are still ongoing. Over the last two decades, the share of this sector's contribution to Gozo's economy has followed a downward trajectory, with the output generated from this sector remained relatively stable while other sectors grew at a more rapid pace. Despite this, the agricultural sector is of vital importance to Gozo, especially when considering Gozo's distinctive rural character. Apart from its economic contribution, the agricultural sector in Gozo plays a multifunctional role. This ranges from food production and security, culinary tradition, land stewardship, environmental conservation, and recreational landscape. It also serves as a backdrop for the tourism industry.*

*This paper aims to present a detailed situational analysis of the agricultural sector, identifying the main agricultural challenges, as well as the economical, social, and environmental constraints that are inhibiting progress. It also presents an overview of existing agricultural policies, measures, and schemes, applicable to Gozo's agricultural sector.*

*Building on the findings of the situational analysis, and on the strategic objectives of the Gozo Regional Development Strategy, the Common Agricultural Policy, and the National Agricultural Policy, this paper presents an overarching vision for the agricultural sector in Gozo to try steering it in a more sustainable direction. This vision is based on the following strategic goals: revitalising Gozo's rural community; attracting more youth to Gozo's agricultural sector; valorising Gozitan food and produce; achieving a fair, healthy, and environmentally friendly food system (Farm to Fork); and achieving a sustainable sector resilient to climate change.*

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### **George Cauchi (Lead Author)**

George Cauchi holds a first degree in Mechanical Engineering from the University of Malta. He spent over 3 years working in industrial and manufacturing engineering at a leading semiconductor company in Malta, working mainly in process optimization, quality control, and data analysis. Currently, he holds the position of manager within the Project Management and Implementation Unit at the Gozo Regional Development Authority. During his tenure, he played a significant role in drafting various documents pertaining to the Regional Impact Assessment Study related to proposed Gozo Rural Airfield.

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# Regional Agriculture: A Gozitan Perspective

## 1. Introduction

### 1.1 Background

The Gozo Regional Development Authority (GRDA) has been set up to formulate, streamline and help in the implementation of regional policies to ensure Gozo's sustainable development. One of the main roles of the Authority is to ensure that the 'development' of the region, including its agricultural sector, remains true to the long-term sustainable needs of Gozo, its inhabitants and all those that have Gozo's interests at heart. This document has been prepared by the Gozo Regional Development Authority (GRDA) as part of its initiative to present a sustainable vision for the agricultural sector in Gozo.

In this regard, prior to the launch of the Gozo Regional Development Strategy (RDS), the GRDA felt the need to draw a holistic vision based on strategic objectives for Gozo's agricultural sector. The vision outlined in this document, for Gozo's agricultural sector, is consistent with GRDA's vision for Gozo, which was initially presented in the Gozo RDS consultation document.

The need for a long-term regional agricultural vision is made more urgent by the present challenges and needs of the agricultural sector in Gozo, which differ from those at a national level. Gozo's double insularity, differences in the sector's economic importance when compared to the national economy, and the distribution of agricultural land by type of usage (arable, permanent crops, etc) are some of the differences between the regional and national situations. Apart from these differences, existing challenges of the regional agricultural sector, which were highlighted by various stakeholders during the RDS's public consultation, also highlight the need for a long-term regional agricultural vision. While these challenges and various recommendations to achieve sustainability have been factored in the draft Gozo RDS, the GRDA took the initiative to address the sector's needs and challenges through a separate exercise focused on Gozo's agricultural sector. Through this initiative, the GRDA aims to encourage a more structured and informed discussion on the need of long-term sustainable vision for this sector.

### 1.2 Agriculture's significance goes beyond economics

Agriculture is at the centre of human well-being and sustainable development. The growth of agriculture contributed to the rise of civilizations over centuries. It has influenced our

value systems, our cultural heritage, the structure and location of our communities, and the development of other sectors in the economy.

Agriculture is the socio-economic backbone of rural landscapes. It plays a multifunctional role, ranging from food production and security, culinary tradition, land stewardship, environmental conservation, and recreational landscape while it also serves as a backdrop for the tourism industry.

As well as providing the food and sustenance we need, it also produces feed for animals, fuel (both traditional fuels and modern biofuels) and fibre for artisanal and industrial production. Thus, the agricultural sector contributes inputs to many other industrial sectors.

Agriculture and food systems create employment and income. The sector employs one third of the world's economically active labour force, or about 1.3 billion people. An estimated 2.5 billion people worldwide are involved in full- or part-time smallholder agriculture, while over one billion people living in rural poverty are dependent on agriculture for their livelihoods.<sup>1</sup> Within the European Union, there are around 10 million farms, with 22 million people working regularly in the sector. When considering other jobs in 'downstream' operations and 'upstream' sectors, linked to farming, the farming and food sectors together provide nearly 40 million jobs in the EU.<sup>2</sup>

Apart from its economic contribution, the agricultural sector has a host of non-economic benefits too. These include improvement in quality of life, by preserving open spaces for wildlife and bucolic views, providing a buffer to development, and offering recreational access and a local source of fresh food, while preserving a highly valued heritage and its traditions.

Creation of employment, income generation, and other economic contributions are widely accepted as important benefits of the agricultural sector. There is growing evidence of agriculture's positive impacts on rural economies.<sup>3</sup> Indicators such as income and employment multipliers help planners and economic developers make the case for protecting agriculture and for promoting agricultural economic development. However, the non-economic benefits of agriculture for local communities, including recreational access, aesthetically pleasing green space in the countryside, and quality of life for residents have received comparatively little attention, despite their importance to the rural communities. In fact, various studies including a study conducted by Cornell University in New York, suggest that even though the economic impacts of agriculture tend to be the first to come to many people's mind, the non-economic effects are equally important. According to this study conducted by Cornell University, half of the respondents chose non-economic benefits of agriculture as being the most important.<sup>4</sup>

Farms, farmers, and farmland, which constitute the agricultural sector, are key pieces of the social, economic, and environmental fabric which binds people and communities together. Therefore, any agricultural vision and policy decisions should be weighed carefully, keeping in consideration both the economic as well as the non-economic impacts of agriculture. Increased awareness of these benefits may help local leaders fully appreciate the importance of local agriculture, develop and successfully implement policies and strategies for sustaining agriculture in communities.

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<sup>1</sup> <https://www.unep.org/news-and-stories/story/economic-invisibility-agriculture>.

<sup>2</sup> [https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-glance\\_en](https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-glance_en).

<sup>3</sup> <http://bit.ly/Teebagrifood-InterimReport>.

<sup>4</sup> <https://news.cornell.edu/stories/2008/06/agricultures-local-impact-more-economic-study-finds>.

## 1.3 Scope

Gozo has a more rural dimension than mainland Malta, as clearly illustrated in the latest Census of Agriculture.<sup>5</sup> The Census shows that the land under cultivation in Gozo amounts to 35.7% of total available land, which is 2.1% higher when compared to that recorded in mainland Malta. As a result, agriculture in Gozo is more prevalent. As outlined in the previous section, this sector presents numerous benefits, in particular social and economic benefits. Consequently, considering its importance, the agricultural sector in Gozo necessitates a holistic vision upon which agricultural policies and measures could be formulated.

In this regard, the main scope of this document is to present a holistic vision, together with an overview of policies, schemes, and measures applicable to Gozo's agricultural sector. It is intended to identify all pertinent issues and challenges that are hindering progress in the sector and evaluate them in detail as well as addressing new trends, developments and opportunities. The report finally attempts to identify and map a plausible strategy for the next decade.

As part of this initiative to present a vision and strategic objectives for Gozo's agricultural sector, the GRDA through this document aims to engage in open and transparent discussions with all relevant stakeholders. The aim of this discussion paper is to serve as a basis for discussions, and provide a regional direction for this dynamic sector. Such discussions with stakeholders, that shall be focused on the presented vision as well as existing policies, are aimed at accomplishing the final goal of formulating policies and measures that are appropriate in the Gozitan context.

## 1.4 Methodology

This section provides an overview of the selected methodological approach with a view to assess and study Regional Agricultural Policy for the island of Gozo, placing particular emphasis on the main identified deliverables. These are:

- a. Situational analysis of the agricultural sector in Gozo
- b. Overview of existing policies, measures, and schemes
- c. Regional Agricultural Policy vision
- d. Strategic objectives
- e. Stakeholder engagement and feedback analysis
- f. Formulation of Regional Agricultural Policy and measures

The methodological approach selected involves the following main steps:

1. Identification of the main agricultural challenges and issues that are currently inhibiting progress in this sector. This involves a thorough desk research and situational analysis of the agricultural sector in Gozo, making reference to the available statistics and data. The

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<sup>5</sup> <https://hso.gov.mt/wp-content/uploads/Census-of-Agriculture-2020-new.pdf>.

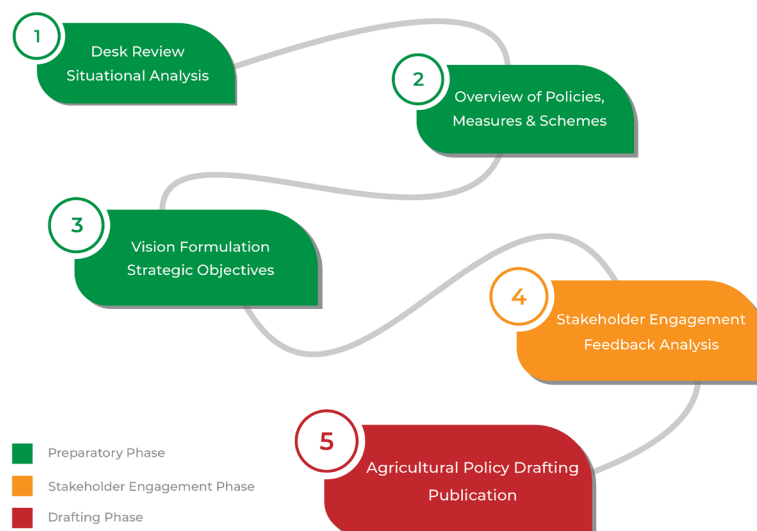


aim is to identify the main economic, social, political, and environmental constraints that the regional sector is facing, as well as identifying the needs and opportunities of the sector.

2. An overview of existing agricultural policies, measures, and schemes, applicable to Gozo's agricultural sector, upon which policy issues and gaps could be identified. This overview of agricultural policies shall act as a basis for further analysis aimed at identifying limitations of existing policies and/or measures, based on which recommendations could be made to formulate regional agricultural policies aligned with the set vision.
3. Building on the strategic objectives within the parameters of the Gozo RDS 2022-2032, Common Agricultural Policy 2023-2027, and the National Agricultural Policy for the Maltese Islands 2018-2028. Such an exercise aims to provide a direction to this dynamic sector and steer it into a more sustainable direction.
4. Preparation of a Regional Agricultural Policy Discussion Paper, followed by thorough discussions with relevant stakeholders through working groups and other stakeholder engagement events. This discussion paper, which would incorporate the situational analysis, the Regional Agricultural Policy vision, and the other deliverables emanating from the previous three steps, would serve as a basis for discussions on various aspects including agricultural challenges and constraints, and agricultural policies, measures, and schemes. Stakeholder engagement would be followed by analysis and consideration of stakeholder feedback and recommendations, aimed at eventual inclusion in respective policy measures.
5. Drafting and publication of Regional Agricultural Policy, which incorporates feedback received during working groups' discussions, and suggests a set of policy measures that are suitable to the Gozitan context.

Figure 1 below illustrates the various stages involved in the delivery of a Regional Agricultural Policy for the island of Gozo. The development progress of the policy follows the five (5) stages identified below.

**Figure 1: Development structure of the Regional Agricultural Policy for the island of Gozo**



## 2. Sectoral analysis

The onset of agriculture in the Maltese Islands started with the establishment of the first human settlers in the Neolithic period. Archaeological evidence suggests that the earliest Maltese communities practised a mixture of pastoral and arable farming, mainly cereals.<sup>6</sup> Nowadays, the agricultural sector in Malta and Gozo comprises of land farmers and livestock breeders who operate on small-scale holdings and farms. Land farming in Malta as well as in Gozo is composed of dry (arable) farming that relies on rain to grow mostly fodder, onions, garlic, broad beans, potatoes, and some permanent crops such as vines, olive trees and fruit trees, and irrigated farmland which is used to grow a wider range of fruit and vegetables utilising mostly drip irrigation and sprinklers. The amount of irrigated farmland proliferated over the last three decades as a result of widespread groundwater tapping. With regards to livestock breeders, these mainly breed their livestock indoors.

The following section aims to present an overview of agriculture in the Maltese islands, with a focus on the island of Gozo, making reference to the available statistics and data. It includes sectoral information regarding various crop and livestock production sectors, as well as other aspects related to agriculture. This is followed by a section on the main economic, social, political, and environmental constraints and challenges that the agricultural sector in Malta and in particular Gozo are facing.

### 2.1 Overview of recent agricultural developments

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. This ranges from food production and security, culinary tradition, land stewardship, environmental conservation, and recreational landscape while it also serves as a backdrop for the tourism industry.

#### ***Gross Value Added (GVA)***

According to the latest regional data, in 2021, the GVA of the agricultural and fishing industry in Gozo amounted to €10.3 million or to 1.7% of Gozo's total GVA.<sup>7</sup> This represents a drop of 2.0% over the previous year following a drop of 16.1% registered a year earlier.

Overall, the share of agriculture and forestry in Gozo's total GVA has followed a downward trajectory over the 2000 to 2021 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. Consequently, the share of the agriculture and forestry to total GVA in Gozo declined from 6.2% in 2000 to 1.7% by end 2021 (see Chart 1). As shown, the share of agriculture and forestry to the total GVA in Gozo, was also influenced by Malta's accession to the European Union and its single market

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<sup>6</sup> <https://minervamagazine.com/megalithic-malta.html#:~:text=The%20first%20farmers%20on%20Malta,resources%2C%20including%20water%20and%20wood.>

<sup>7</sup> [https://nso.gov.mt/regional-gross-domestic-product-2021/.](https://nso.gov.mt/regional-gross-domestic-product-2021/)

policy, which brought an end to protectionist trade policies and introduced temporary state aid through the Special Market Policy Programme for Maltese Agriculture (SMPPMA).

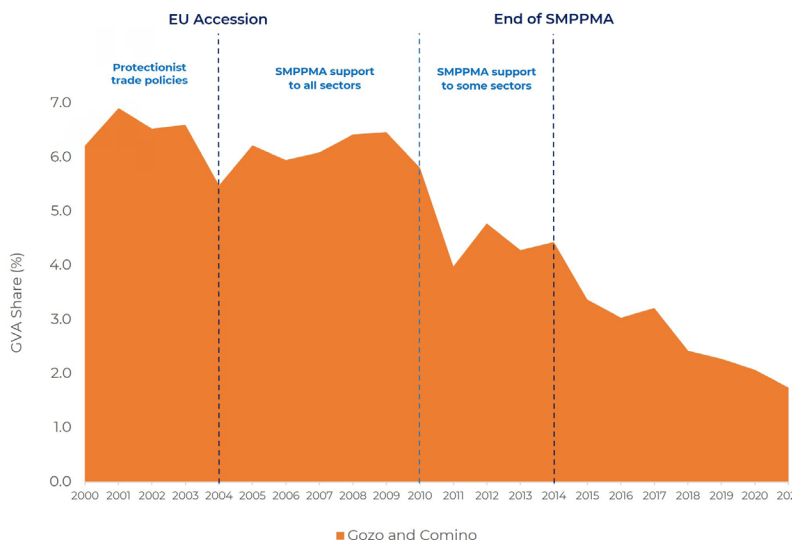
### Employment developments

Employment in the agriculture and fishing industry reached 707 individuals in 2021 in Gozo, which is equivalent to around 19% of national employment in this industry.<sup>8</sup> During 2021, employment in this industry increased marginally over that registered a year earlier, maintaining the positive upward trend registered in recent years. In fact, employment in this sector increased by an annual rate of 1.8%, 5.3% and 2.4% in 2020, 2019 and 2018 respectively.

Notwithstanding the recent positive developments, over the last two decades, employment in the industry grew at a much slower pace than of other industries in Gozo (see Chart 2). In fact, over the 2000 and 2021 period, employment in agriculture and fishing in Gozo grew by an average annual rate of around 1.3%, 1.2 percentage points lower than the average annual growth in total employment.

Employment in agriculture in Gozo is also more robust vis-à-vis that of Malta. Over the 2000-2021 period the average share of agricultural employment to total employment in Gozo was equivalent to 5.8% while in Malta this was only 1.6%.

Chart 1: Share of the agriculture and forestry to total GVA (%)



Data Source: NSO and GRDA workings.

Chart 2: Employment growth in Gozo (annual, growth rate)



Data Source: NSO

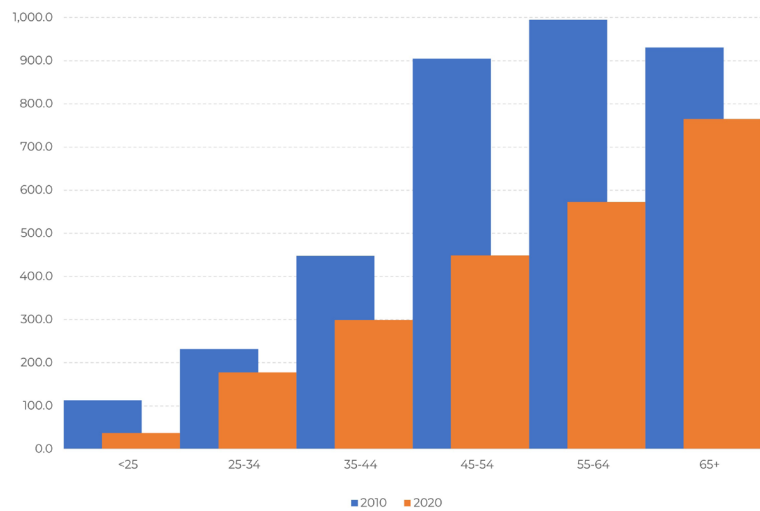
Additional information on the agricultural sector in Gozo can be drawn up from the Census of Agriculture. The latter is carried out once every decade and provides valuable information on agricultural developments in Malta and Gozo. Evidence on the use of agricultural land, developments in livestock population and agriculture employment trends, can be obtained by analysing the data from the 2020 Census and comparing the results with those of the previous Census.<sup>9</sup>

<sup>8</sup> Employed persons comprise full-time and part-time (primary only) employment.

<sup>9</sup> For more information on the salient results of the 2020 and 2010 Census for Agriculture see: <https://grda.mt/wp-content/uploads/2022/03/Agriculture-Census.pdf>.

According to the latest Census of Agriculture the agricultural labour force in Gozo (including full-time and primary and secondary part-time) stood at 2,590 or 19% of total agricultural labour force. This represents a drop of 32% when compared to the 2010 labour force.<sup>10</sup> The composition of the Gozitan agricultural labour force mainly consists of males as the number of females only amounted to 293 individuals or 11% of total agricultural employment. Moreover, over the 2010 and 2020 period the composition of the agricultural labour force shifted to higher ratios of men workers. This occurred as while male workers declined by 23% the number of females dropped by 64%.

**Chart 3: Distribution of agricultural labour force by annual hours (Gozo, <1800 hours, Part-time)**

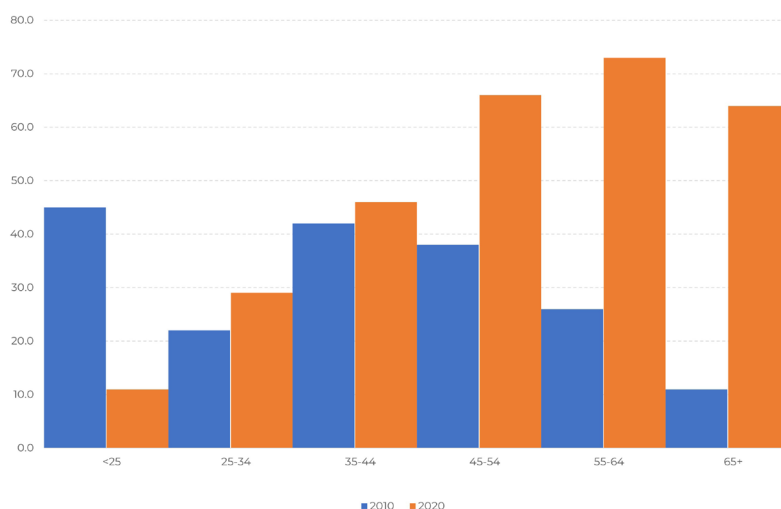


Data Source: Census of Agriculture

The Agricultural Census data is also disaggregated according to the number of hours worked, and thus the employment in the agricultural sector in Gozo could be categorized according to full-time or part-time employment basis. The latter amounted to 2,301 individuals in 2020 or 88.8% of the total agricultural labour force. When compared to 2010, individuals who worked less than 1,800 hours, and thus considered as part-timers, declined by 36.5%. This drop was evident across all age groups. However, the strongest drop was recorded for those aged less than 25, as can be seen in Chart 3.

Moving on to those who work more than 1,800 hours per year, or in other words full-timers, these reached 289 individuals in 2020. This represents a rise of 105 individuals or 47% when compared to the levels registered in 2010. This increase was evident across all age groups and this being more prominently for those aged 55 and older (see Chart 4). On the other hand, the number of individuals aged 25 or lower declined significantly over this period.

**Chart 4: Distribution of agricultural labour force by annual hours (Gozo, ≥ 1800 hours, Full-time)**



Data Source: Census of Agriculture

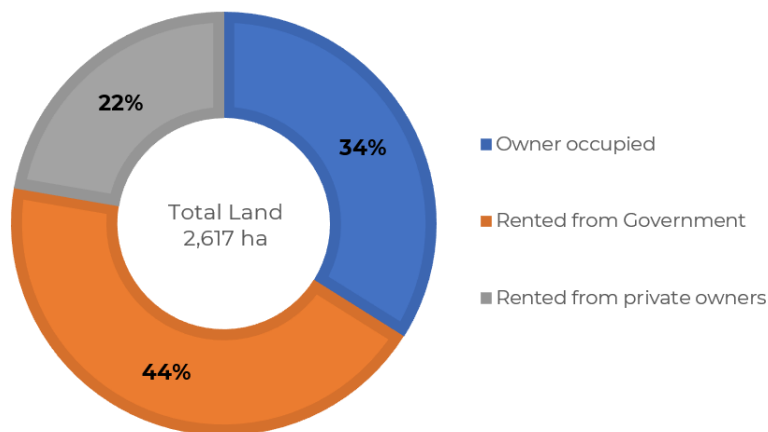
**Agriculture holdings, permanent crops and livestock**

The 2020 Agricultural Census recorded 2,115 agricultural holdings for the Gozo and Comino district. The total

<sup>10</sup> The labour force includes full-time, primary part-time and secondary part-time.

land declared by Gozitan farmers amounted to 2,617 hectares, of which 93.6% was utilised agricultural area (UAA). The remaining declared land consisted of unutilised agriculture area and other land which mainly includes infertile land. According to the results of the 2020 Census, the percentage of land in hectares declared by Gozitan farmers in Gozo declined by around 7% over the 2020 and 2010 period. The vast majority of registered agricultural land is rented either from the government (44%) or from private owners (22%), with only 34% of this land being owner occupied, as shown in Chart 5.

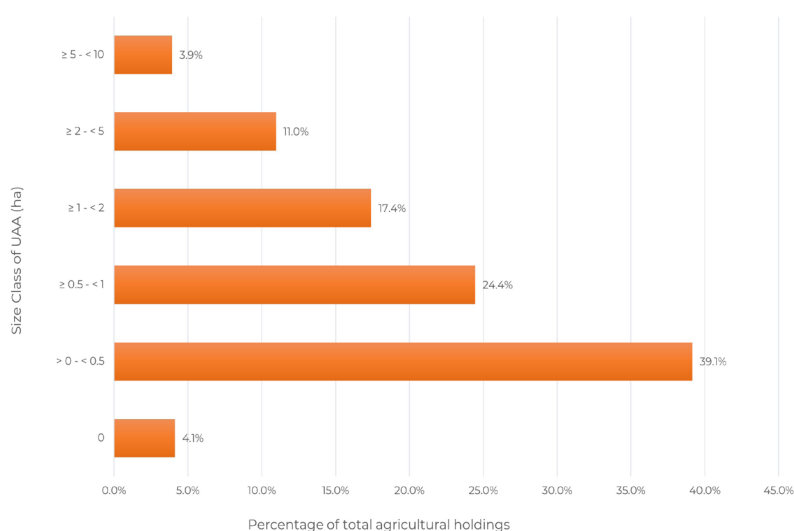
**Chart 5: Percentage distribution of agricultural land (Gozo & Comino) by type of tenure: 2020**



Data Source: Census of Agriculture

The average land holding size in Malta and Gozo is extremely small when compared with the European (EU-28) average, which stood at 16 hectares of agricultural land in 2013, according to COPA-COGECA (union of European farmers and agri-cooperatives) figures.<sup>11</sup> The average size of farm holdings in Gozo is around 1.24 hectares. This is slightly larger than the national average, which stands at around 1.09 hectares. 68% of all farm holdings in Gozo (just over 1,400) have less than one hectare of land, with 64% of these (just over 900) or 43% of the total farm holdings having less than half a hectare of land (see Chart 6). This micro-farming aspect is a result of land scarcity, topography, dense population as well as inheritance regulations that permit land fragmentation.

**Chart 6: Percentage distribution of agricultural holdings (Gozo & Comino) by size class: 2020**

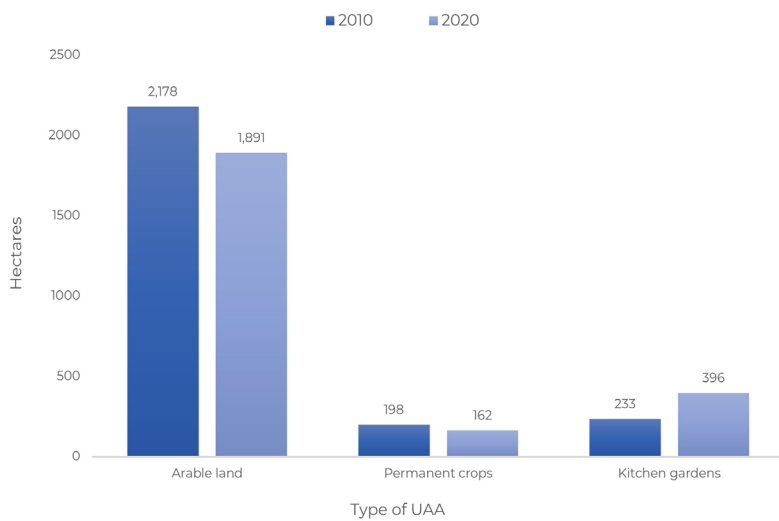


Data Source: Census of Agriculture

The total utilised agriculture land in Gozo as at end of 2020 amounted to 2,449 hectares, which is equivalent to 23% of total utilised agricultural land in Malta. Around 80% or 1,891 hectares of utilised agricultural land in Gozo is used as arable land with most of this land being devoted to forage plants. The most commonly cultivated forage plants include wheat and barley, which according to archaeological evidence have been cultivated in the Maltese islands since prehistoric times.

<sup>11</sup> <https://copa-cogeca.eu/EUROPEANFARMING>.

**Chart 7: Distribution of utilised agricultural area (Gozo & Comino) by type and year**



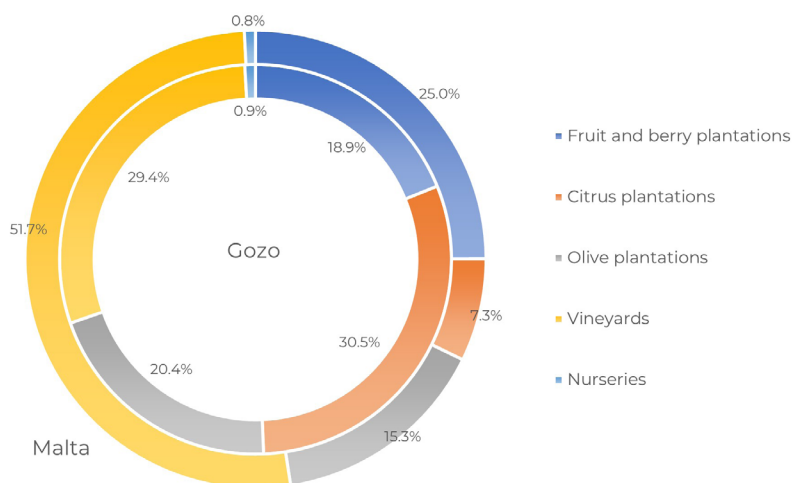
Data Source: Census of Agriculture

(396 hectares) and permanent crops (162 hectares). With regards to kitchen gardens, it is interesting to note that the amount of agricultural land (in hectares) in Gozo utilized for kitchen garden cultivation has increased by around 70% from the levels recorded in 2010.

Permanent crop cultivation in Gozo is dominated by citrus plantations, followed by vineyards which account for around 60% of total hectares dedicated to permanent crops in Gozo. Meanwhile, permanent crop cultivation in mainland Malta is dominated by vineyards which account for around 52% of total hectares dedicated to permanent crops, with citrus plantations only accounting for around 7% of total hectares dedicated to permanent crops in mainland Malta, as shown in Chart 8. This notable difference in distribution of permanent crops (by type) between the two islands highlights the distinctiveness of the agriculture sector in Gozo. In this respect, the low percentage of citrus plantations in mainland Malta can be attributed to the lack of cane screens ‘qannic’, which, on the other hand, are prevalent in Gozo and can be considered as a characteristic of Gozo’s rural landscape.

Both citrus plantations and vineyards are important to Gozo’s agricultural sector. These permanent crops were introduced to the Maltese islands during different ages. Citrus trees were introduced to the Maltese islands during the middle ages but were particularly important during the rule of the Knights of St John. During this time, Malta was particularly renowned for the superior quality of its citrus fruits, which used to be

**Chart 8: Percentage distribution of permanent crops by region/district and type: 2020**

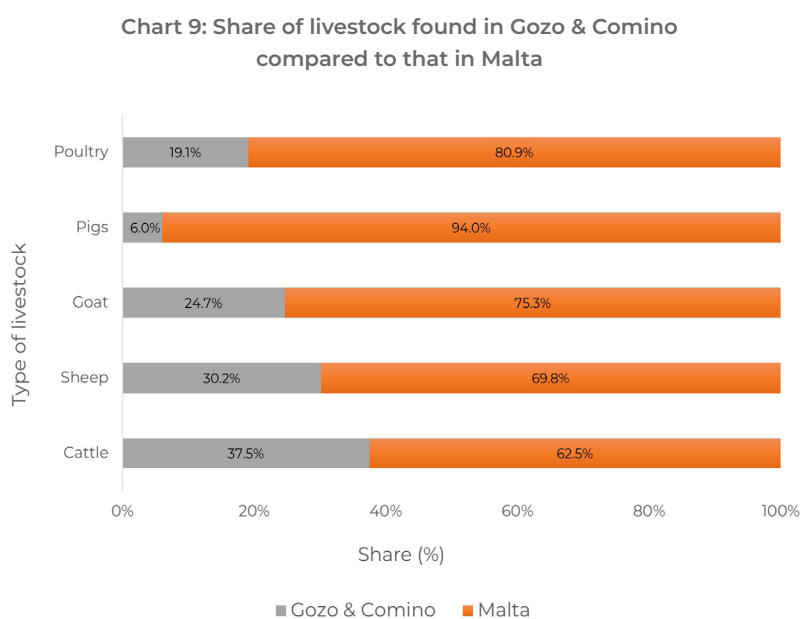


Data Source: Census of Agriculture

In these times, prior to the start of the Temple period, the earliest Maltese communities practised a mixture of pastoral and arable farming, with the most commonly cultivated legumes including wheat, barley, lentils, and broad beans. Nowadays, these legumes are still amongst the most commonly cultivated arable crops in the Maltese islands.

As can be seen in Chart 7, a significantly smaller proportion of utilised agricultural land is dedicated to kitchen gardens

exported to various European countries. Meanwhile, a higher dominance of grape cultivation for the production of wine was characteristic of the Roman period.<sup>12</sup> Both of these permanent crops have maintained their importance throughout the different historical periods, and nowadays are still dominant in the local agricultural sector. In fact, given its importance, the quality of wine produced on the Maltese islands is regulated as part of the government's Viticulture and Oenology Unit, through the introduction of the DOK and IGT Wine Quality Scheme. This wine quality scheme enables wines produced on the Maltese islands to be recognized as wines that are produced, processed, and prepared in a given geographical area on the Maltese islands, recognizing production methods and their quality. Malta has three wine quality labels which are the IGT 'Maltese Islands', the DOK 'Malta' and the DOK 'Gozo'. The latter is exclusively used for Gozitan wines that attain a very high quality through strict yields per hectare, methods of cultivation and the use of only the most suitable grape varieties. The grapes of such wines have to be produced exclusively in Gozo.



Data Source: Census of Agriculture

Gozo compared to that in Malta reflecting the previously mentioned dependence of the Maltese and Gozitan economies on agriculture (see Chart 9).

According to the 2020 Census, the stock of poultry in Gozo amounted to 197,953, which is equivalent to 19% of the total poultry found in the Maltese Islands. This consisted of 131,048 broilers and 66,905 laying hens. By the end of 2020, the stock of cattle reached 5,419 or 38% of the total cattle population in Malta, with around half of this livestock consisted of dairy cows. The high proportion of cattle found in Gozo compared to mainland Malta reflects the country's dependence on Gozo for milk production. This dependence is notable, and highlights the importance of Gozo's agricultural sector, especially when considering that milk is an important commodity for Europe. The dairy sector is considered as very important for the economy of the EU, with the latter being the largest producer of milk in the world. The EU also exports milk around the world, reflecting the importance of this product.<sup>13</sup>

<sup>12</sup> <https://agrifair.gov.mt/crops-plants/>.

<sup>13</sup> Hillerton, J.E.; Berry, E.A. Quality of the Milk Supply: European Regulations Versus Practice. In Proceedings of the NMC 43rd Annual Meeting, 1–4 February 2004.

Meanwhile, the stock of sheep in Gozo reached 4,882 while that of goats amounted to 1,424. The share of these two livestock to national total remained elevated as they respectively accounted for 30% and 25%. With regards to pigs these amounted to 2,409 by end of 2020, which is equivalent to 6% of the total pig population in Malta.

When compared to the 2010 Census, the stocks of poultry declined by around 20%. This was evident both in Gozo and in Malta, although the drop in Gozo was more prevalent. A downturn of around 40% was recorded for pigs, in line with that registered in Malta. Meanwhile, the stock of goats, sheep and cattle rose by 36%, 19% and 4% respectively. While the registered growth in goat livestock was similar to that registered in Malta, the increase in the number of sheep stock was stronger in Malta. On the other hand, while the stock of cattle in Malta declined by 14%, that in Gozo increased slightly.

## 2.2 SWOT Analysis

The SWOT analysis of the agricultural sector in Gozo aims to identify all the challenges and constraints that are hindering progress in the sector, as well as to identify the strengths and opportunities, on which a holistic vision for the agricultural sector in Gozo could be devised. The SWOT analysis is the initial step to deliver an adequate Regional Agricultural Policy for Gozo.

### 2.2.1 Strengths

This analysis should start by acknowledging the strengths that made the agricultural sector so resilient in the past. The small size of the island, apart from being a constraint, is also an important strength as it makes the island ideal for experimenting and implementing new legislation, new farming practices or innovative strategies, such as the farm to fork strategy. Gozo's small size also makes it ideal for communicating new initiatives, schemes or policies and increases the effectiveness of schemes or policies. The presence of a government experimental farm and a central agricultural cooperative on the island are other important strengths which present huge potential for the regional agricultural sector.

Other strengths of the agricultural sector in Gozo include its unique climate, which provides high quality products that have organoleptic properties and have potential for commercialisation, and its limited production which leads to uniqueness. Moreover, due to its warm climate, Gozo enjoys a long growing season, enabling agricultural land to be cultivated all year round, resulting in higher yields. Also, Gozo has various traditional products which are linked specifically to the island. These strengths were given important consideration when drawing the Agricultural Policy Vision for Gozo.

### 2.2.2 Weaknesses

The agricultural sector in Malta and Gozo is beset by a number of resource constraints including scarcity of land (as reflected by the comparatively small size of agricultural holdings), lack of



natural resources in particular water, dependence on imports such as fodder and fertilisers, land use pressures and opportunity cost of land.

Water supply and diffuse water pollution from agriculture are critical issues for both Gozo and Malta, both currently and for the future, particularly in the context of anticipated climate change and demographic pressures and challenges. The state of Malta's water resources is among the most stressed in the world. Another key weakness is the island's heavy reliance on imported fuel for its energy needs. These weaknesses and resource constraints hinder agricultural development and reduce the competitiveness of local operators. Apart from these, the agricultural sector in Gozo faces additional weaknesses including the absence of tertiary education, and Gozo's double insularity, which leads to higher import prices.

Irregularity of income and lack of capital is another important weakness of the local agricultural sector. This leads to difficulties for farmers to invest in modern machinery and equipment. In fact, young farmers claim that, more than physical hardship associated with working in this sector or the constraints outlined previously, the most significant factors that are pushing them away from the sector are the irregularity of income and the lack of capital to invest in modern machinery and equipment.<sup>14</sup>

Another weakness of the regional agricultural sector is an ageing working population that does not regenerate enough young farmers to carry on working on the fields and farms. The agricultural sector is failing to attract the younger generation to work in this sector. As identified earlier, 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 returns.

### 2.2.3 Opportunities

The regional agricultural sector can exploit several opportunities which in turn could enhance its resilience, competitiveness, and sustainability.

#### ***Agricultural technology (Agritech)***

This situational analysis identified a huge potential when it comes to utilisation of new technologies in the agricultural sector. Agricultural technology, also known as "agritech", encompasses a broad range of disciplines and devices that improve agricultural output. This includes vehicles, robotics, computers, sensors, drones, and software. Such agricultural technology could help address or mitigate some important challenges including water scarcity, higher labour costs, pest problems in agriculture, and a wide variety of other challenges that are hindering the competitiveness of the local agricultural sector. Agricultural technology holds considerable potential to transform the food, agriculture, and farming system in the coming years. Modern equipment, IoT sensors,

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<sup>14</sup> National Agricultural Policy for Maltese Islands 2018 - 2028. <https://faolex.fao.org/docs/pdf/mlt189509.pdf>.

and other digital technologies could contribute greatly to increase productivity, sustainability, and resilience across the local agricultural sector.

Through the use of agritech, farmers would be able to monitor their crops and livestock with greater precision, to fine-tune applications of inputs (such as irrigation, fertilisers, or feed supplements), and to optimise agricultural production. Moreover, traceability systems that follow agricultural products along the value chain could be developed through the use of technology, providing consumers with information on the origin of food purchased. Such a traceability system might potentially be a game changer for the local agricultural sector, as it would serve to improve the consumer's confidence and trust in the quality of local agricultural produce.

### ***EU funding***

Another identified opportunity is the opportunity to further tap EU funding by encouraging farmers to apply for EU funds and employ/contract professional people to manage their funds and projects. Generally, Gozitan farmers are more focused on the production aspect and lack the knowledge of procedures required to apply for EU funds. Thus, further exploitation of EU funding presents opportunities to the local agricultural sector to become more sustainable and competitive as well as opportunities to address some of the challenges outlined in the previous section.

In this regard, the main EU Funds that support agriculture in Malta are the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). Both programmes have been in transition during the past two years (period 2021 – 2023), with the present programmes, EAGF 2021-2027 and EAFRD 2021-2027, replacing the previous programmes, EAGF 2014-2020 and EAFRD 2014-2020, respectively. Both of these funds fall under the Multi-Annual Financial Framework (MFF) for the 2021-2027 programming period, and in order to access these funds under the MFF, all European Member States, including Malta, are required to prepare a Partnership Agreement and plans or programmes covering these funds for the 2021-2027 periods. The plan that covers the EAGF and the EAFRD funds is the Common Agricultural Policy Strategic Plan.

The Common Agricultural Policy (CAP) Strategic Plan (SP) represents the main EU Funding instrument for supporting agriculture in Malta and Gozo, in complementarity with other EU funded interventions and instruments. The CAP SP provides funding and support from 2023 to the end of 2027 under previous CAP measures, direct payments, and schemes. The Common Agricultural Policy SP resources are primarily mobilised through the EAGF and the EAFRD and target the needs of the agricultural sector with the specific aim of providing adequate resources to meet future demands including environmental and climate objectives, new technologies and digitisation, fair income for farmers and workers, improving rural conditions, and improving farm resilience. The CAP SP also targets animal welfare, the apiculture sector, eco-schemes, and more sustainable agricultural practices as well as support for young farmers.

Hence, EU funding, mainly through the EAGF and EAFRD programmes, presents numerous opportunities to farmers and livestock breeders to become more resilient to change, by offering various forms of financial support, including funding to invest in long-term assets such as technology and education. Such funding to invest in long-term assets is offered under Malta's

Rural Development Programme, which consists of measures and projects that contribute to the EU-wide agricultural objectives, and is co-financed by the EAFRD.

Other important forms of EU financial support include a basic payment scheme for farmers, green direct payments (for sustainable farming methods), and a payment for young farmers. These payments are offered by each EU country through the EAGF, and are intended to help the EU's farmers to provide a secure supply of safe, healthy, and affordable food.

### ***Rural tourism***

The situational analysis identified rural tourism as an opportunity for the local agricultural sector to wean itself from its dependency on quantitative food production. Given that the local tourism sector is very strong, rural tourism is an opportunity to enhance the agricultural sector in Gozo. Internal tourism and international tourism offer a great niche for local traditional products. Through investments in profitable niche markets, young skilled farmers can sustain their farming career or supplement their mainstream operations by investing in product diversification that is conducive to rural tourism.

The potential offered by rural tourism can be capitalised through synergies with the service industry. Rural tourism should be developed as a continuation of present farming activity rather than being developed in a vacuum, as indicated in the Rural Policy and Design Guidelines, 2014. Also, to limit the risk of speculative development of agricultural buildings in the countryside under the pretext of rural tourism, the latter should be developed within parameters acceptable for the local scenario. Ideally, this would include a mix between agro-tourism investments and rural tourism experiences, enabling rural tourism activities to take place in the countryside, while accommodation would be located in nearby villages. This approach would remove the need for specific agro-tourism accommodation to be developed in the countryside, and assist in the effective maintenance and protection of the countryside, enabling environmental qualities to reach certain standards. Thus, rural tourism is a huge opportunity for the local agricultural sector, both to attract young farmers and to enhance the rural aesthetics and protect vernacular architecture, such as rubble walls and 'giren' (corbelled stone huts).

### ***Amenity horticulture***

The increased tourist activity, coupled with an increased civic awareness have generated a strong demand for gardening and landscaping services. These services are important for creating pleasant green spaces in a wide variety of public spaces including town parks and squares, recreational areas, and gardens, as well as centre strips and roundabouts.

This emergence of amenity horticulture presents an increased demand for gardening and landscaping, and thus, presents an opportunity for farmers to expand their skill set and complement their inadequate income from their mainstream crop production or livestock enterprises. Through appropriate policies, amenity horticulture could be instrumental for addressing some of the challenges identified in the previous section. For instance, by providing incentives and guidance, a distinctive approach to amenity horticulture, based on propagation and cultivation of indigenous flora species, could be encouraged. Through such an approach, the required services and skills

could be directed towards the development of a cohort of youths pursuing agricultural studies. Youths pursuing a career in agriculture can be guided to embark on service provision that includes amenity horticulture as part of their portfolio so that they can diversify their production. Thus, amenity horticulture presents an opportunity for the local agricultural sector to retain its young farmers and potentially attract other youths to the sector.

A directed amenity horticulture approach would also help to bridge the green corridors and spaces in our urban areas to the rural countryside through the harmonisation and integration of the species used. These initiatives would also familiarise the general public with the indigenous species that constitute a vital component of the natural heritage and enhance the public understanding of the qualities and attributes of the ecological biodiversity. Moreover, such an approach to amenity horticulture could be integrated with EU funding opportunities due to the accentuated ecological and environmental component of these projects.

### ***Other opportunities***

There are several other opportunities for the local agricultural sector, including the opportunity of enhanced collaboration between educational institutions and the business community which can lead to the creation of efficient production systems and innovative approaches in agriculture and rural businesses.

New developments in the food production sectors such as hydroponics, aquaponics, vermiculture, insect protein farms and snail farming present opportunities to the local agricultural sector and farmers to diversify their produce and potentially sustain their farming career or supplement their mainstream operations. Considering that such innovative practices are usually conducted indoors in dedicated farms, that usually comprise of greenhouses and similar structures, these practices offer the opportunity to extend agricultural activities beyond the limited traditional rural areas. In this regard, to limit the risk of development of such structures in rural areas, it is advisable to establish these modern practices within acceptable parameters for the local context, such as within industrial areas.

Another promising opportunity for the local agricultural sector is to encourage the production of local landraces (local varieties) that are more adaptable to the local geo-climatic conditions, and through which a higher premium can be obtained in the form of niche farming. Similarly, the identification and introduction of plants and animals which can resist water stress is another opportunity for the local agricultural sector, given the lack of water resources.

Research and Innovation (R&I) in the agricultural sector, especially holistic research is another opportunity for the sector to become more sustainable and more resilient to change. Holistic research into the relationship between agriculture, nature, resource requirements, and other sectors, such as tourism, is one research area that has been relatively unexplored at a regional or local level, and which could potentially devise new solutions for the sector to become more sustainable. For instance, such holistic research could lead to the development of new practices, processes and technologies that address new challenges faced by the agricultural sector such as climate change and exploit various opportunities. Research and Innovation in agriculture also present an opportunity for developing improved agricultural methods that promote an increased agricultural productivity, and thus an opportunity for the sector to become a more lucrative

sector. Moreover, research and development present the sector with an opportunity to develop solutions and equipment tailor-made for Gozo's situation. The development of new equipment or engineering solutions, which might already be used abroad, but are not suitable to the local context given the different realities, such as the small land parcels, would reduce dependence on manual work and enhance productivity. Research and innovation would also open the agricultural sector to professionals from different fields, such as science and engineering fields.

Other opportunities which were identified as part of the situational analysis are related to the potential utilisation of agricultural waste and by-products, and the supply network of second-class water ("new water"). The latter presents an opportunity for the agricultural sector to reduce dependence on groundwater tapping and potentially replenish groundwater sources, which are among the most stressed in the world. Meanwhile, utilisation of agricultural waste and by-products present an opportunity for the agricultural sector, especially the livestock sector, to become more sustainable. Through appropriate investments, by-products and agricultural waste could be utilised as a source of energy as well as in carbon dioxide reduction or absorption, and eco-friendly agribusiness. In this regard, the GRDA shall be working on a separate document dealing with the circular economy, focusing mainly on the agricultural sector and agricultural by-products.

## 2.2.4 Threats

The local agricultural sector constantly faces a number of threats and challenges, some of which prevailed for a number of years, others developed or exacerbated in recent years, while new challenges and threats will emerge in the future.

Competition from foreign agricultural produce has been a prevailing threat for the local agricultural sector. Due to the supply constraints and due to import of inferior products resulting from little or no control at point of entry, the price of some local agricultural products may be higher when compared to foreign produce. As a result, demand for foreign produce may be more appealing than that produced locally. Moreover, consumers tend to opt for foreign produce as more often than not these are marketed and presented in a more appealing way.

Another threat faced by local farmers is that of higher import prices caused by the pandemic and more recently the war in Ukraine. In particular, farm animal breeders were impacted by higher prices for grain. Meanwhile, farmers are facing higher costs for fertilisers as supplies from Russia, the leading exporter, have dwindled.

The unintended introduction of new pests and pathogens in the Maltese islands, that require innovative and quick control measures, is another threat to the local agricultural sector. Various pests and pathogens, such as those affecting olives (e.g. *Pseudomonas*, *Prays olea* and *Coleoptera*), are increasing since most farmers are facing difficulties in controlling certain pests via practices employed in conventional farming, namely chemical methods. Also, since several farmers are not professional, they are not well versed with regards to protection, precautions, and pest controls.

Recent rulings at the Courts of Malta<sup>15</sup> have introduced additional threats to the local agricultural

sector. 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. Following these rulings, given that around 22% of registered farmland in Gozo is leased from private owners, several Gozitan farmers may be placed in a challenging position since landowners can easily initiate legal actions against farmers for compensation, which may run into thousands of euros. These new challenges in the field of land acquisition and ownership, might negatively impact food security, employment, and the environment due to the increased inability for agricultural land to be used for farming purposes.

Some of these present threats, as well as weaknesses of the agricultural sector, may exacerbate in the future due to climate change. Changes in weather patterns and extreme weather events such as heatwaves, droughts and floods are on the rise and pose a significant threat to the local agricultural sector. These changes have a considerable impact on economic activity and well-being, particularly in climate-sensitive sectors such as agriculture. The latter is extremely volatile to climate change as higher temperatures and lack of rainfall reduce yields of desirable crops while extreme weather events lead to costly interventions. Climate change will also negatively affect the soil. Furthermore, possible severe changes in weather may influence biota and exacerbate pest problems, which may affect agricultural produce. In fact, according to a recent report published by the Intergovernmental Panel on Climate Change (IPCC), climate change will have a significant effect on the global agricultural sector.<sup>16</sup>

In Malta, the impact of climate change is to some extent already being felt. As an example, in February of 2019 wind gusts reached 133 km/hr and almost 50mm of rain poured down during this storm. This extreme weather event led to significant damages particularly for farmers.<sup>17</sup> Weather-related shocks such as this will become more prevalent over the medium to long term. Farmers will need to adapt to changes in climate and they should also adopt ways to curb the possible damages that can be caused by future extreme weather events.

In summary, the analysis identified the below main strengths, weaknesses, opportunities, and threats for the agricultural sector in Gozo.

## Strengths

1. Small island where a farm to fork strategy is easily achievable.
2. Various traditional and unique high-quality products linked specifically to Gozo.
3. An experimental farm with huge potential and a central cooperative present on the island.
4. One confederation that unites all the regional agricultural sector thus providing one interlocutor for the government.

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<sup>15</sup> 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).

<sup>16</sup> For more information see: <https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/>

<sup>17</sup> <https://timesofmalta.com/articles/view/hurricane-level-gusts-and-more-than-half-februays-rain-the-storm-by.702997>

## Weaknesses

1. Ageing population that does not regenerate enough young farmers to carry on working on the fields and farms. This is even more so in Gozo where the whole island is becoming older.
2. No tertiary education being offered in agriculture in Gozo.
3. Lack of natural resources, loss of agricultural land, and lack of availability of agricultural land to new entrants.
4. Irregularity of income, lack of capital to invest in modern machinery and equipment.

## Opportunities

1. EU funding, including funding for quality products which are also territorial (DOK, IGT Quality Schemes, etc), and funding for the sector to become more sustainable.
2. Internal tourism and international tourism offer a great niche for local traditional products, and an opportunity for development of profitable new niches that are conducive to rural tourism.
3. Holistic research into the relationship between agriculture, nature, resource requirements, and other sectors such as tourism.
4. Supply network of second-class water ("new water").

## Threats

1. Imports of inferior products with little or no control at point of entry, as well as higher import prices resulting from Gozo's double insularity, recently exacerbated by the pandemic and more recently by the war in Ukraine.
2. Introduction of new pests and pathogens in the Maltese islands, that require innovative and quick control measures
3. An increase in agricultural land speculation, with farmland being valued for its non-agricultural characteristics.
4. Effects of climate change including increased occurrence of heatwaves, droughts, and floods.

## 3. Overview of policies, measures & schemes

As outlined in Section 1.4, the methodological approach selected to devise Agricultural Policy for the island region of Gozo entails a comprehensive review and analysis of existing agricultural schemes, policies, and measures, as one of its main steps. Accordingly, through this analysis, policy issues and gaps could be identified, based on which recommendations could be made to formulate Regional Agricultural Policy.

Although the main aim of this exercise is to devise a regional agricultural vision that provides a direction to this dynamic sector and steer it into a more sustainable direction, this should remain in line with the national and EU policies and objectives. Thus, the identification and review of national agricultural schemes, policies, and measures is an important step in this exercise.

In this regard, as an initial step as part of this analysis, the transformation of the Maltese agricultural sector and the accompanying shift in policy focus, following Malta's accession in the European Union, was reviewed.

### 3.1 Agriculture in the European Context

The agricultural sector in Malta has been significantly reshaped following Malta's accession to the European Union and changes throughout its various facets are still ongoing. Upon EU membership, the Maltese agricultural sector had to adjust to the EU's single market, with a strong focus on food safety, animal welfare and environmental awareness. As a result of this, several agricultural sectors experienced either outright restructuring or radical reorganisation in the way they operate.

One of the most important changes brought by EU membership, which had and is still having a great impact on the local agricultural sector, is a change in the Maltese trade policies. Prior to EU accession, the Maltese trade policies protected local agricultural produce through levies imposed on food imports. Thus, prior to EU accession, demand for local produce and thereby economic returns for farmers and livestock breeders, were to a certain extent guaranteed. However, following Malta's accession to the EU in 2004, the nation migrated towards the removal of import levies on agricultural supplies to get in line with the Common Agricultural Policy (CAP). The removal of import levies had a significant impact on local farmers' and livestock breeders' profitability as it placed local agricultural produce in direct competition with imported quality products.

To mitigate the impacts emanating from the change in Maltese trade policies and to cater for structural adjustments of certain sectors, Malta was granted the Special Market Policy Programme for Maltese Agriculture (SMPPMA). The latter provided income support, through special temporary state aid schemes, to Maltese producers of fresh fruit and vegetables, tomatoes for processing, potatoes, wine, dairy, eggs, poultry, and pig meat to compensate for the loss of revenue resulting from the drop of local prices after EU membership. Some sectors benefited from the SMPPMA support up till 2010, whilst others kept on accessing this funding mechanism till 2014.<sup>18</sup>

Whilst SMPPMA support was vital for the survival of the involved agricultural sectors, some of these sectors used to rely heavily on the provided state aid, which on several instances encouraged quantity production rather than quality production, and served as a disincentive for the restructuring and change required to compete with imported quality products. Consequently, those agricultural sectors that were not organised and ready to compete in an open market, started to experience an unstable market characterised with irregular demand and income.

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<sup>18</sup> Briguglio, L. and Cordina, G. (2003). Occasional Papers on Islands and Small States, Agriculture in Malta. Discussion Paper No: 1/2003. Islands and Small States Institute. (Accessed 20th November 2022).



Apart from the compensation for the loss of revenue, the SMPPMA also provided transitional state aid to farmers to exploit entrepreneurial opportunities, as well as support for marketing and restructuring, with the aim of giving a new impetus to the rural economy. However, this programme could not address the challenges faced by the Maltese agricultural sector by itself. As a result, in addition to SMPPMA, which sought to sustain the income level of agricultural producers through price support, farmers also received support through the Rural Development Plan, which sought to assist with restructuring and modernisation of agricultural sectors.

In this regard, following EU membership, the overall agricultural policy objective was directed towards fostering a continuous shift from support focused on prices and quantities towards support focused on quality improvement and rural economic development, in line with the Common Agricultural Policy (CAP). Accordingly, the Rural Development Plan for the Maltese Islands (2004 – 2006), which is considered as the second pillar of the CAP, focused on investments in agricultural holdings and investments in marketing and processing as catalysts of change in agriculture.

The Rural Development Plan (RDP) initiated a programme of structural change in the Maltese agricultural sector in line with the overall goals of the Common Agricultural Policy. Indeed, a number of livestock breeders and farmers responded to these changes by investing in modernisation to increase productivity. Such investments were aided through the Rural Development Plan funds, which became one of the main support instruments to Maltese agriculture upon EU accession. However, the drive to invest in modern technology to enhance productivity and achieve economies of scale instigated unintended consequences in the form of overproduction and a distorted vision to compete through quantity rather than quality. Consequently, due to this distorted vision and lack of planning and innovation, the economic constraints faced by the agricultural community, first introduced by EU accession and its single market policy, persisted for some of the agricultural sectors throughout the years.

These persevering economic constraints instigated several of the present agricultural challenges outlined previously in Section 2.2. The most notable challenges include irregularity of income, and an increasingly ageing farming community that does not regenerate enough young farmers. As a response to these difficulties, €134 million were allocated from the EU budget to the Maltese farming sector and rural areas for the period 2014-2020, through the Common Agricultural Policy. The main priorities for this funding budget include job creation, growth, sustainability, modernisation, innovation, and quality.

As highlighted above, Malta's EU membership introduced several changes and thereby new challenges to Malta's agricultural sector. Consequently, these changes, challenges, as well as new opportunities significantly reshaped Malta's agricultural sector and steered the sector in a new direction, in line with the Common Agricultural Policy. In this regard, following EU accession, Malta's agricultural policy objectives had to align with the Common Agricultural Policy. Given its importance, both at a European and at a national level, the CAP as well as its objectives and its significance to Malta's agriculture will be looked at in more detail, in the subsequent section.

## 3.2 Common Agricultural Policy

The Common Agricultural Policy (CAP) is a common policy for all EU countries, which was launched 60 years ago, in 1962, to support farmers and ensure Europe's food security. The CAP is a partnership between agriculture and society, and between Europe and its farmers, which aims to:

- Support farmers and improve agricultural productivity, ensuring a stable supply of affordable food;
- Safeguard European Union farmers to make a reasonable living (despite the importance of food production, farmers' income is around 40% lower compared to non-agricultural income);
- Help tackle climate change and the sustainable management of natural resources;
- Maintain rural areas and landscape across the EU; and
- Keep the rural economy alive by promoting jobs in farming, agri-food industries, and associated sectors.

To achieve these goals, the Common Agricultural Policy takes action with the following measures:

- **Income support** through direct payments aimed at ensuring income stability, and remunerations for environmentally friendly farming;
- **Market measures** to deal with difficult market situations such as a sudden drop in demand due to a health scare, or a fall in prices as a result of a temporary oversupply on the market; and
- **Rural development measures** with national and regional programmes to address the specific needs and challenges facing rural areas.

These actions and measures are financed from the resources of the EU's budget, through two funds:

1. The **European Agricultural Guarantee Fund (EAGF)**, which is considered as the first pillar of the CAP, provides income support and funds market measures to help the EU's farmers provide a secure supply of safe, healthy, and affordable food; and
2. The **European Agricultural Fund for Rural Development (EAFRD)**, which is considered as the second pillar of the CAP, finances rural development measures through the national and regional Rural Development Programmes (RDPs). RDPs are co-financed by the EAFRD, and the national budgets of EU countries.

These EU funding programmes are managed at a national level by each EU country. In Malta, these programmes, which provide the main financial support to the local agricultural sector, are managed by the Funds and Programme Division. Both EAGF and EAFRD programmes have

been in transition during the past two years (period 2021 – 2023), with the present programmes, EAGF 2021-2027 and EAFRD 2021-2027, replacing the previous programmes, EAGF 2014-2020 and EAFRD 2014-2020, respectively.

The transition in these EU funding programmes reflects the reform of the CAP. To consolidate the role of European agriculture for the future, the CAP has evolved over the years to meet changing economic circumstances and citizens' requirements and needs. In this regard, in June 2018, the European Commission presented legislative proposals for a new CAP. After extensive negotiations between the European Commission, the European Parliament, and the Council of the EU, agreement was reached on CAP reform, and the new CAP was formally adopted on 2<sup>nd</sup> December 2021.

The new CAP, which began on 1<sup>st</sup> January 2023, paves the way for a fairer, greener and more performance-based CAP. It seeks to ensure a sustainable future for European farmers, provide more targeted support to smaller farms, and allow greater flexibility for EU countries to adapt measures to local conditions. Under this reformed policy, funding will be more fairly distributed among farms, with an emphasis on small- and medium-sized farms, as well as young farmers. Moreover, farmers will be supported to take up innovation, from precision farming to agro-ecological production methods.

The new Common Agricultural Policy for the period 2023-27 is a key tool in reaching the ambitions of the European Green Deal, and the Farm to Fork and biodiversity strategies. The policy focuses on ten specific objectives, linked to common European goals for economic, social, and environmental sustainability in agriculture and rural areas. These policy objectives, on which the new CAP is built are:

- i. Support viable farm income and resilience across the Union to enhance food security;
- ii. Enhance market orientation and increase competitiveness;
- iii. Improve the farmers' position in the value chain;
- iv. Contribute to climate change mitigation and adaptation, as well as sustainable energy;
- v. Foster sustainable development and efficient management of natural resources such as water, soil, and air;
- vi. Contribution to the protection of biodiversity, enhance ecosystem services and preserve habitats and landscapes;
- vii. Attract young farmers and facilitate business development in rural areas;
- viii. Promote employment, growth, social inclusion, and local development in rural areas, including bio-economy and sustainable forestry;
- ix. Improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, as well as animal welfare; and
- x. Foster knowledge, innovation, and digitalisation in agriculture.

As per previous common agricultural policies, the new CAP for period 2023-2027 is financed through the CAP's two pillars i.e., the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). To access these European agricultural funds (EAGF & EAFRD) and achieve the goals of the new CAP, all member states including Malta, prepared a national CAP Strategic Plan (SP), that contributes to the above ten policy objectives through a toolbox of broad policy measures provided by the Commission, and shaped around national needs and capabilities.

In this regard, Malta prepared and published a **public consultation document** in December 2021, to be used as a basis for the CAP strategic plan 2023-27. This document incorporated recommendations from the EU Commission, which can be accessed in the document: **Commission recommendation for the CAP Strategic Plan Malta**, published in December 2020.

Each national CAP SP 2023-27 is to be approved by the Commission, who assesses whether each national strategic plan builds towards the ten key CAP objectives and ensures that the plan is in line with EU legislation and contributes to the EU's climate and environmental goals, as set out in the Commission's Farm to Fork and Biodiversity strategies. Malta's national CAP strategic plan was approved by the Commission on 30th November 2022.<sup>19</sup>

Malta's national **Common Agricultural Policy Strategic Plan**, with a total budget of around €166 million, supports measures with the aim of achieving the above ten specific policy objectives, which were derived from the following three general objectives:

1. Foster a smart, competitive, resilient, and diversified agricultural sector ensuring long-term food security;
2. Support and strengthen environmental protection, including biodiversity, and climate action and contribute to achieving the environmental and climate-related objectives of the Union, including its commitments under the Paris Agreement; and
3. Strengthen the socio-economic fabric of rural areas.

The Maltese CAP Strategic Plan aims at providing a fair income for farmers and workers, and improving rural conditions and infrastructure while supporting sustainable agricultural practices. Around €18.1 million of CAP funds will be allocated to stabilise farmers' income over the 2023-2027 period. Additional coupled support will be provided to sectors undergoing difficulties, such as beef, dairy, sheep, and tomatoes. The Plan also supports investments in infrastructure beneficial to the agricultural sector, such as the upgrade and modernisation of roads in rural areas and improved farm waste management. The Maltese Plan has a particular focus on young farmers with a start-up support of up to €100,000 for successful business plans. In terms of environmental action, €30 million of public money will be invested to support projects to, among others, store, collect and recycle water. Malta is also aspiring to increase the share of organically farmed agricultural land in spite of the challenges this entails due to the small size and fragmentation of the fields. In general, it is foreseen that more than 4100 people will benefit from training and advice on how to be more environmentally, socially, and economically sustainable.<sup>20</sup>

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<sup>19</sup> <sup>20</sup> [https://malta.representation.ec.europa.eu/news/commission-approves-cap-strategic-plan-malta-2022-11-30\\_en](https://malta.representation.ec.europa.eu/news/commission-approves-cap-strategic-plan-malta-2022-11-30_en).

More information on the Maltese CAP Strategic Plan as well as the breakdown of the CAP budget is available in “*at a glance*” documents.

The CAP SP 2023-2027 builds on the types and patterns of support that were offered under previous CAP measures, direct payments (income support), market measures, and schemes. This plan covers the entire territory of the Maltese Islands and provides funding and support from 2023 to the end of 2027 through the CAP funding pillars. In this regard, as part of this analysis, the active programmes, measures, and schemes which are currently being financed under each of the two CAP pillars will be reviewed.

### 3.2.1 First pillar of the CAP

The **European Agricultural Guarantee Fund (EAGF)**, which is considered as the first pillar of the CAP, helps the EU’s farmers provide a secure supply of safe, healthy, and affordable food. Through the EAGF, all EU countries must offer a basic payment scheme for farmers, green direct payments (for sustainable farming methods), and a payment for young farmers.

Additionally, EU countries can use the EAGF to fund specific schemes to help small and medium sized farms, farmers who operate in areas of natural constraint, and sectors undergoing difficulties. The EAGF also funds measures to support and stabilise agricultural markets. These measures operate as part of the Common Market Organisation.

Malta offers the following measures and schemes through the EAGF:

#### I. Direct Payments

Agreement at EU-level on direct payment support, provided through the European Agricultural Guarantee Fund (EAGF), was reached in 2013 and resulted in the adoption of the Direct Payments Regulation (DPR). Direct payments contribute to sustain farming throughout the European Union’s whole territory by supporting and stabilising farmers’ income, thereby ensuring the longer-term economic viability of farms and making them less vulnerable to fluctuations in prices.

In Malta, the Ministry for Agriculture, Fisheries, and Animal Rights (MAFA) is responsible for the national program regarding the Direct Payment Schemes, while the Agriculture and Rural Payments Agency (ARPA) is responsible for management and implementation of the Direct Payment Schemes. Malta is implementing the following schemes to support farmers under the Direct Payments Regulation:

- *Basic Income Support for Sustainability (BISS)*: This scheme replaces the Basic Payment Scheme (BPS), and is designed to provide a direct income support to Maltese farmers to underpin their continued sustainability and viability. Under this scheme, farmers receive a payment in accordance with the eligible agricultural area registered with the Agriculture and Rural Payments Agency (ARPA). In order to be eligible for support under the BISS, applicants must possess a minimum total holding of 0.3 hectares of eligible

agricultural land and must satisfy a minimum activity obligation (land be tilled at least once a year between April and May).

- *Complimentary Income Support for Young Farmers (CISYF)*: This scheme is aimed to support newly setup young farmers that comply with a set of eligibility conditions. Farmers who are 40 years or younger are able to benefit from an additional financial top-up on the Basic Income Support for Sustainability payment. This support is granted for the first 5 years from when the farmers commence their agricultural activity; from the first year of submission of the application
- *Payment for Small Farmers*: Through this payment, small farmers are able to submit a simple application form rather than applying for the Basic Income Support for Sustainability (BISS), and other direct payment schemes. This scheme replaces all Direct Payment interventions, and farmers opting to apply for this intervention may not benefit from other direct payment schemes. Under this scheme, farmers may be paid a lump sum payment of €250 per year.
- *Eco-schemes*: Eligible farmers receive payments under these schemes, provided they fulfil the commitments attributed to each scheme. These eco-schemes are aimed at: enhancing biodiversity and pollination; managing pests through an integrated approach; and encouraging the use of bio-mulch. Further information on each of these schemes can be obtained from the guidelines document for Direct Payments 2023-2027, issued by ARPA.
- *Voluntary Coupled Support (VCS)*: This scheme aims to support sectors that are particularly important for economic, social, or environmental reasons, and which are undergoing certain difficulties. Farmers in the dairy, beef, sheep, and tomato (for processing) sectors are eligible to receive support under this scheme through an expression of interest, provided they satisfy the set criteria. The small size of Malta combined with the island's insularity creates several natural and structural disadvantages for these sectors.<sup>21</sup>

## II. Common Market Organisation

Apart from income support provided through direct payments, the first pillar of the CAP also finances market measures to deal with difficult market situations. Such market support schemes are offered under the Common Market Organisation (CMO) Regulation.

The CMO is the framework for the market measures provided for under the first pillar of the CAP. The CMO deals with the competition rules applicable to businesses and the rules on State aid, and also covers general provisions on exceptional measures, including measures to guard against market disruption, as well as the new reserve fund for crises in the agricultural sector.

During the past years, financial support under the common organisation of the markets (CMO) was provided through various different schemes in Malta, to deal with difficult market situations, and to address other issues related to the local agricultural sector. Such schemes include:

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<sup>21</sup> [https://malta.representation.ec.europa.eu/news/commission-approves-cap-strategic-plan-malta-2022-11-30\\_en](https://malta.representation.ec.europa.eu/news/commission-approves-cap-strategic-plan-malta-2022-11-30_en).

- *Private Storage Aid Scheme - Pig meat:* The pig meat sector has been in serious difficulties, mainly due to severe slowdown of EU exports to China, the spread of African Swine Fever, and the impact of recent COVID-19 restrictions. These events along with Russia's invasion of Ukraine have created market disturbance and severely impacted European Union pig meat exports. Consequently, there has been a sharp drop of export demand for certain pig meat products. To reduce this supply-demand imbalance, financial support was offered through the *Private Storage Aid Scheme* which grants aid for private storage for pig meat. In this regard, a call for applications was launched from 25<sup>th</sup> March 2022 till 29<sup>th</sup> April 2022.
- *Aid to Beekeepers:* Honeybees, which are known to be important pollinators of many crops and flora, constitute an irreplaceable resource to the local agricultural community as well as to the wider environment. Unfortunately, environmental degradation and the spread of disease are contributing to a decline in bee populations, which subsequently leads to reduction of honey yields, and detrimental effect on agricultural production. Against this backdrop, an '*Aid to Beekeepers*' scheme, co-funded by the EAGF and the Government of Malta, was set up. This scheme aims to protect honeybees and beekeepers through financial and other support for the control of disease, restocking of hives, support through technical assistance, support laboratories that analyse honey, and other support.
- *School Scheme 2017 – 2023:* Children's consumption of fruit, vegetables and milk in Malta has slowly been declining over the past years. A low intake of fruit and vegetables contributes to a poor diet which in turn, may be one of the key elements of obesity, long recognised as the cause of several diseases. Milk and milk products are widely known to contain important vitamins and minerals and are considered to form an important part of a balanced diet. Within this context, Malta's National Strategy is to encourage healthy lifestyles and the creation of a social environment that supports health. In this regard, the *School Scheme 2017-2023*, which is co-financed by the European Union through the EAGF, and by the Maltese Government, was set up. The scheme aims to increase the share of fruit, vegetables, and milk in children's diets as they are growing up, when their eating and drinking habits are still developing, through a focused national campaign. The School Scheme, which is administered by ARPA, provides for weekly free distribution of fresh fruit and/or vegetable and milk products to all children aged between 3 and 11 years, whose schools are participating in the scheme.

Besides the above schemes, which are completely or partially financed from the resources of the EU's budget, the Maltese Government offers additional national funded schemes under the Common Market Organisation. Such schemes which were launched in recent years include:

- *Fertiliser Voucher Scheme:* The agricultural sector has been facing serious difficulties for a number of months as a result of the COVID-19 pandemic due to the rise in shipping costs. Furthermore, Russia's invasion of Ukraine has created additional market disturbance and severely impacted farmers' costs of production as both Russia and Ukraine are main suppliers of fertilisers. Due to the ongoing conflict, supply is very low whilst demand has increased. This has resulted in a sharp increase in fertiliser prices. In order to mitigate the increase in prices, the Maltese Government, through ARPA, launched the '*Fertiliser Voucher Scheme*' granting aid to farmers through a system of vouchers intended to

subsidise the purchase of fertilisers, thereby reducing the financial burden on the agriculture sector. Such vouchers were redeemable until 31<sup>st</sup> March 2023.

- *Temporary State Aid to Swine Co-operatives because of difficulties of the COVID-19 pandemic:* Several factors have negatively impacted the swine sector on several fronts. The limitation on out-of-home catering, the limitation of public gatherings, and the disruption of the tourism industry, as a result of the COVID-19 pandemic, influenced the demand and as a result the value of production has been affected due to oversupply. In light of these events, the Government offered direct temporary state aid to partially support the income of swine co-operatives in the context of sudden unforeseen market shock directly attributed to COVID-19.

### 3.2.2 Second pillar of the CAP

The European Union's Rural Development Policy was introduced as the second pillar of the CAP under the 'Agenda 2000' reform. The EU's Rural Development Policy is designed to support rural areas of the Union and meet the wide range of economic, environmental, and societal challenges.

In this regard, rural development in EU countries is managed nationally through national and/or regional **Rural Development Programmes (RDPs)**, also known as second pillar programmes. Contrary to the first pillar, which is entirely financed by the EU, the second pillar programmes (RDPs) are co-financed by EU funds, through the **European Agricultural Fund for Rural Development (EAFRD)**, and the national budgets of EU countries. Rural Development Programmes bring together a wide range of funding opportunities for the farming and primary processing sectors, rural enterprise and business development, diversification, and rural tourism.

In Malta, rural development is managed through the national Rural Development Programme, which is formulated by national authorities based on the EU's objectives. The aim of the RDP is to help farmers, and their families, agricultural organisations and other people involved in the agricultural industry, through aid varying from farm modernisation, training, and advice, to developing new business ideas or enhancement of a local community.

The European Commission has established the following three overarching objectives for Rural Development Policy:

1. Improving the competitiveness of agriculture;
2. Encouraging sustainable management of natural resources and climate action; and
3. Achieving a balanced territorial development of rural economies and communities.<sup>22</sup>

The Rural Development Programme (RDP) for Malta was formally adopted by the European Commission on 24 November 2015, outlining Malta's priorities for the period 2014-2020. These priorities for rural development policy, which were based on the above overarching objectives, are the following:

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<sup>22</sup> [https://agriculture.ec.europa.eu/common-agricultural-policy/rural-development\\_en](https://agriculture.ec.europa.eu/common-agricultural-policy/rural-development_en).



1. Fostering knowledge transfer in agriculture, forestry, and rural areas;
2. Enhancing the competitiveness of all types of agriculture and enhancing farm viability;
3. Promoting food chain organisation and risk management in agriculture;
4. Restoring, preserving, and enhancing ecosystems dependent on agriculture and forestry;
5. Promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food, and forestry sectors; and
6. Promoting social inclusion, poverty reduction and economic development in rural areas.

Malta's RDP finances operations under all six rural development priorities, through a combination of measures selected from a set of European measures detailed in the Rural Development Regulation. A total of thirteen measures, including the technical assistance measure, were programmed under Malta's RDP 2014-2020, with each measure sub-divided in a number of other sub-measures. The main measures and corresponding actions emanating from the RDP are summarized in Table 1. More information about these measures and rural development support can be accessed through Malta's Rural Development Programme 2014-2020.

**Table 1: RDP 2014-2020 measures and actions**

<b>RDP 2014-2020</b>	<b>Actions</b>
Measure 1	Knowledge transfer and information actions
Measure 2	Advisory services, farm management and farm relief services
Measure 3	Quality schemes for farm produce and foodstuffs
Measure 4	Investments in physical assets
Measure 6	Farm and business development
Measure 8	Investments in forest areas
Measure 10	Agri-environment-climate measures
Measure 11	Subsidies for organic farming
Measure 13	Payments to areas facing natural or other specific constraints
Measure 16	Cooperation
Measure 17	Risk management
Measure 19	LEADER

Farmers and beneficiaries benefit from financial aid through several open calls which are issued regularly under the RDP's measures and sub-measures (table above), during a particular programming period. In this regard, the Rural Development Programmes of all EU member states, including that of Malta, were conditionally extended for 2021 and 2022. Due to this extension, many of the projects and schemes included in Malta's RDP 2014-2020 will continue to run until the end of 2025.

In this regard, financial aid and support is still currently being offered through open calls under the same measures and sub-measures of the RDP 2014-2020. Open calls and corresponding

guidance notes for the submission of applications to benefit from funds under the **Rural Development Programme** can be accessed on the national EU Funds portal, through **this page**.

Malta's RDP takes action through the above measures and sub-measures. In the past, the most in demand measures during a particular programming period were replicated and enhanced in the subsequent programme. In fact, many European member states have opted to continue with previously existing RDP measures for the 2014-2020 period, with the three measures most commonly chosen for this period being measure 4 (23% of total public spending), measure 10 (17% of total public spending), and measure 13 (16% of total public spending), which were also programmed in Malta's RDP 2014-2020.<sup>23</sup> Other measures of significant importance, in budgetary terms, that were programmed under Malta's RDP are measures 6 (Farm and business development) and 16 (Cooperation). These measures along with other relevant RDP measures have been looked at in more detail below.

### ***Measure 2: Advisory services, farm management and farm relief services***

A substantial number of Maltese farmers have experienced difficulties in attaining and maintaining compliance with the often-complex requirements of the Common Agricultural Policy, with various adverse consequences including sub-optimal uptake of opportunities for funding and support.

Measure 2 of the Rural Development Programme 2014-2020 is intended to address these difficulties, by providing a range of advisory support to help farmers better understand and meet the EU rules for environment, public and animal health, animal welfare and the good agricultural and environmental condition. This measure supports farmers, forest holders, other land managers, and SMEs operating in rural areas to make use of advisory services, and supports Member States in setting up farm advisory services, together with training of the advisors. This support, offered under Measure 2, is organized in the following sub-measures:

- Measure 2.1 - Support to help benefiting from the use of advisory services
- Measure 2.2 - Support for the setting up of farm management, farm relief and farm advisory services as well as forestry advisory services
- Measure 2.3 - Support for training of advisors

Through support under Measure 2, a Farm Advisory System has been established in Malta. This system, which is operated by the Agriculture and Rural Payments Agency (ARPA), has the function to provide advice to farmers and other beneficiaries on land management and farm management.

As part of this Farm Advisory System, a Farm Advisory Service was set up, with AgriConnect being registered as the only Farm Advisory Service Provider in Malta, in January 2020. Following calls for application by ARPA, AgriConnect achieved registration to provide Farm Advisory Service to Maltese farmers, ensuring that proper compliance is attained by farmers whilst tapping EU funds

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<sup>23</sup> <https://www.europarl.europa.eu/factsheets/en/sheet/110/second-pillar-of-the-cap-rural-development-policy>.

to help farmers achieve this. AgriConnect, being a registered Farm Advisory Service Provider, needs to compete and submit an annual status report to be reviewed by the Farm Advisory Service Registration Board (FASRB).<sup>24</sup>

AgriConnect supports farmers in achieving all the necessary compliance and technical requirements to access other types of funding and advisory support which can help them tap into diversification opportunities, produce higher quality and/or innovative products and farming techniques, and to plan and structure their farming business effectively in every respect. The service offered by AgriConnect is free of charge, subsidized through the EAFRD fund for rural development, under Measure 2.1.

Advisory support offered by AgriConnect goes beyond simple provision of information and involve understanding of particular issues in an individual farm of business context, in order to provide guidance on improvements. AgriConnect, which is strategically located at the Għammieri Government Farm in Marsa, within proximity to the relevant authorities, offer advisory services on various aspects of agriculture, including advice on compliance and technical requirements, as well as on rural development measures and other agricultural measures. AgriConnect mainly offers advice on:

- **Cross Compliance:** Farmers and livestock breeders that are eligible for subsidies Under Pillar I and Pillar II of the CAP issued by the Agriculture and Rural Payments Agency are obliged to conform with Cross Compliance requirements aimed at safeguarding the environment, public and plant health, and animal welfare. AgriConnect helps farmers identify any problems they might face and offers them appropriate advice on how to comply with current regulations.
- **Agri-Environmental Climate Measures:** These are voluntary measures taken up by the farmer who is compensated by costs incurred and income forgone in implementing such measures. These measures are generally simple to implement, but need proper adherence in terms of compliance. AgriConnect assists farmers in informing them on the availability of such measures compatible with their holding and agronomic practices.
- **Rural Development Measures:** AgriConnect offers advice related to measures at farm level, which are provided for in rural development programmes. These measures are linked to farm modernisation, competitiveness building, sectoral integration, innovation, and market orientation, as well as for the promotion of entrepreneurship. This service correspondingly helps farmers satisfy the requirements for the ongoing RDP and any subsequent legislation.

Apart from the above, AgriConnect offers other advisory support including advice on crop plan and fertiliser plan. The latter is intended to regulate and reduce nitrate levels in agricultural production to protect water quality. The compilation of a fertilizer plan is a mandatory requirement under S.L 549.66 for all farmers growing agricultural crops, and farmers can receive free of charge support to compile this plan, as well as the crop plan and soil management plan. AgriConnect offers other free of charge services including crop compensation calculations for loss of agricultural land (due

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<sup>24</sup> <https://agriculture.services.gov.mt/en/arpa/Pages/farmAdvisorySystem.aspx>.

to infrastructural projects or government expropriation), assistance in record keeping, storm damage assessments, research in land archives to determine who was responsible for cultivating a particular parcel of land, and soil tests.<sup>25</sup>

### ***Measure 3: Quality schemes for farm produce and foodstuffs***

As highlighted earlier, following Malta's accession into the European Union, the local agricultural produce was placed in direct competition with imported quality products. In this regard, the Rural Development Programme 2014-2020 identified quality assurance and marketing as major areas that should be developed in order to enhance the competitiveness of the local agricultural sector. To enhance competitiveness, Malta's RDP 2014-2020 funded operations through Measure 3 to support the promotion of quality products and the participation of farmers in quality schemes.

The main aim of Measure 3 is to assist farmers to join the National Quality Scheme which serves as a guarantee of the product quality and its attributes, with possibilities for some products to also seek EU established quality schemes. The National Quality Scheme was established in 2014, under Legal Notice 467 of 2014 – "Establishment of Products of Quality – National Scheme Regulations", for the purpose of granting support to farmers who farm part of a recognized value chain.

Measure 3 also offers financial aid to promote products that are certified as attaining the standards of quality schemes. Farmers who farm part of a recognized value chain could benefit from support under Measure 3 through open calls under the following sub-measures:

- *Measure 3.1 – Support for new participation in quality schemes*
- *Measure 3.2 – Support for information and promotion activities implemented by groups of producers in the internal market*

Further information and guidance notes on these sub-measures could be accessed on Malta's ***Rural Development Programme 2014-2020***, which could be downloaded from the Managing Authority's ***website***.

Measure 3 provides an incentive to underpin the further required development to meet quality schemes requirements. Such development can be supported under Measure 4, which is explained below.

### ***Measure 4: Investment in physical assets***

This measure is the most important measure in budgetary terms, with around 39% of total public expenditure for RDP 2014-2020 being allocated to it.<sup>26</sup> This measure provides support for on-farm investment aimed at improvement in the overall performance and sustainability of agricultural holdings. Measure 4 supports agricultural activities and investments in all five areas of need

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<sup>25</sup> <https://agriculture.services.gov.mt/en/agric/Pages/DCD/agriConnect.aspx>.

<sup>26</sup> [https://enrd.ec.europa.eu/sites/default/files/mt\\_rdp\\_qnt\\_summary\\_v1.pdf](https://enrd.ec.europa.eu/sites/default/files/mt_rdp_qnt_summary_v1.pdf).

identified in Malta's RDP, namely: water, waste and energy; Maltese quality produce; sustainable livestock; landscape and environment; and quality of life.

On-farm investment and support under Measure 4, is offered through the following sub-measures:

- *Measure 4.1 – Support for investments in agricultural holdings*

This measure is intended to support active farmers and livestock breeders to sustain investment in cost-effective and environmentally efficient systems and equipment, in relation to soil management, waste management, renewable energy, water capture and use, improved efficiency of fertiliser, improved productivity, and pesticide use and control.

- *Measure 4.2 – Support for investments in processing/marketing and/or development of agricultural products*

This measure consists of grants aimed at supporting farmers and processors in adding value to primary products and in developing new products, and/or opening up new markets.

- *Measure 4.3 – Support for investments in infrastructure related to development, modernisation or adaptation of agriculture and forestry*

This measure is intended to provide infrastructure required for the development of agriculture and forestry, in particular infrastructure for water management and associated soil management, infrastructure associated with the installation and distribution of renewable energy, and infrastructure for improved access to arable farms.

- *Measure 4.4 - Support for non-productive investments linked to the achievement of agri-environment climate objectives*

This measure is intended to support non-productive investments which do not generate a significant return, income, or revenue, but have a positive environmental impact, such as support for restoration of rubble walls, valley habitats and terraces.

## **Measure 6: Farm and business development**

This measure aims to assist young farmers who are setting up a farm or an agricultural holding for the first time, and intend to engage in an agricultural activity as the main holders of the farm or land. Furthermore, this measure offers support for farmers to diversify into non-agricultural activities (such as small-scale processing of local food, provision of accommodation, or operating rural walks, tours, and rides). This support aimed at achieving farm and business development, is programmed under the following two sub-measures.

- *Measure 6.1: Business start-up aid for young farmers*

Young farmers face a wide array of barriers to enter into agricultural activity especially in obtaining land due to the high costs of either purchasing or renting. Fragmentation

of land, difficulties in obtaining loans for business investments, problems in accessing markets and resistance from older farmers are also problems which new farmers have to deal with. In this regard, this measure aims to incentivise farmers, who are 40 years or younger, to set up and develop new and sustainable agricultural holdings, while at the same time contributing to creating a younger farming population.

- *Measure 6.4: Support for investments in creation & development of non-agricultural activities*

This measure is intended to support farmers to create and develop new economic activities by investing in non-agricultural activities, with the aim to increase their income and create occupational alternatives.

Grant is provided for diversification of agricultural into a non-agricultural activity undertaken in rural areas in the following domains, identified in the Rural Development Programme (2014-2020): rural tourism activities or activities linked to territorial economic development, including rural accommodation, tourism service provision, catering, farm shops (non-Annex I products), restaurants, cafes, etc; processing and marketing of non-Annex I products (no matter the input); provision of services to all rural economic sectors, including agriculture and forestry, or to the rural population; development of crafts and handicraft activities; IT activities, computer-based and electronic activities, e-commerce, etc.; creation/development of parks (wildlife, birds, etc); investments in leisure, recreational and sport activities.

### ***Measure 10: Agri-environment-climate***

Agri-environment-climate measures are designed to encourage farmers to protect and enhance the environment on the land that they manage. They provide payments to farmers in return for a service, in the form of a multi-annual commitment to observe a set of prescribed management practices over a period of five years. The agri-environmental-climate measures for Malta aim to enhance cultivation methods adapted to the environment and the features of landscapes, and specifically to enhance Maltese biodiversity and ecosystem services; promote water conservation and water quality improvement; and contribute to climate change adaptation and mitigation principally by increasing efficiency of input use and improving soil management. Thus, by supporting the more sustainable management of land in rural areas, they contribute to the maintenance of a favourable landscape and environment for the wider Maltese population and for tourists and other visitors.

Similar to other rural development measures, application of support for agri-environment-climate measures (AECMs) are subject to Cross Compliance controls, for which guidance and advice is offered under RDP Measure 2. Thus, each AECM should be considered as a package of commitments, meaning that beneficiaries under any AECM have to fulfil all the applicable commitments to receive support.

Support under Measure 10 is provided for the following operations:

- AECM 1: Using mechanical control (rather than herbicides) for weeds in permanent crop production systems (olives, vines, orchards);
- AECM 2: Tree maintenance measures – maintenance of recommended tree species replacing alien species or maintenance of recommended tree species planted on slopes and terraces to prevent soil and wind erosion;
- AECM 3: Support for introduction and management of bee boxes on holdings to improve pollination;
- AECM 4: Implementing integrated pest management plans for vineyards and orchards;
- AECM 5: Introduction and implementation of soil management and conservation plans for whole holdings; and
- AECM 6: Integration and maintenance of autochthonous Maltese species (2 types of animal, 3 plant species).

### ***Measure 13: Payments to areas facing natural or other specific constraints***

The Areas with Natural and or/other Specific Constraints (ANC) measure covers all agricultural land and provides compensation to ensure continued agricultural land use, across the rural areas of Malta. Although Regulation 1783/2003 stated that the total area covered by this measure must not exceed 10% of the area of a Member State, during the negotiations the EU agreed that all of the agricultural land in the Maltese islands should qualify for funds eligible under this measure or under the previous measure, Less Favoured Areas measure. The reason for this being that agricultural production in the Maltese islands is beset by several specific constraints, including land fragmentation, high opportunity cost of land, higher transport and import costs due the island's insularity from the rest of Europe, lack of water resources, and scarcity of arable land.

The main objective of this measure is to prevent land abandonment in areas that are disadvantaged. Support under this measure offers beneficiaries a simple, standard payment per hectare of agricultural land to ensure that this land remains under agricultural management.

### ***Measure 16: Cooperation***

This new measure aims to incentivise the development of cooperation between a more diverse range of actors in the agricultural sector. It offers support for groups, partnerships, and cooperative activities to assist in the achievement of a wide range of RDP objectives. This measure is an important component of Malta's Rural Development Policy, especially when considering the very small-scale nature of farms in Malta, the large-scale nature of many of Malta's needs (e.g., in water management and market development), and the difficulties of undertaking cooperation activities in Malta (mainly as a result of a culture of distrust among rural stakeholders).

In this regard, support for co-operation under this measure is intended to encourage the formation of partnerships that are necessary to undertake improvements in environmental

quality, sustainable energy, and water and waste management. Cooperation support is offered through a number of sub-measures that have been programmed under Measure 16, and will mainly support the following cooperative actions:

- Pilot projects, and development of new products, process, practices, and technologies;
- Development of short supply chains and local markets;
- Joint work processes and sharing facilities and resources;
- Joint action to mitigate or adapt to climate change;
- Cooperation of biomass activities;
- Diversification of farming activities; and
- The European Innovation Partnership (EIP) – a new initiative which aims to support innovative cooperative projects.

The results of each innovative, cooperative action carried out through support under this measure, is to be disseminated publicly through the EIP network.

Apart from taking action through the above measures and sub-measures, that are incorporated in Malta's RDP 2014-2020, member states could finance actions and operations under new measures, from 2023 onwards. These new measures and new rural development actions have been incorporated into the national **CAP Strategic Plan**, which was referred to earlier in this report.

Financial aid and support under these new measures are offered through open calls, similar to the open calls issued for RDP measures. In this regard, open calls for new measures and new rural development actions under the new CAP Strategic Plan, are also accessible on the national EU Funds portal, through **this page** (this is the same webpage where open calls for financial aid under RDP measures are published).

Currently, there are three open calls for rural development funding opportunities, which will close on July 2023. These are calls under *RDP Measure 4.1: Support for Investments in Agricultural Holdings*; *Measure 4.4: Support for non-productive investments linked to agri-environment-climate objectives*; and *Measure 8.5: Support for improving the resilience and environmental value of forest ecosystems*. Farmers can apply for more than one measure under both pillars, provided that they are eligible.

### 3.3 National Agricultural Policy for the Maltese Islands 2018 – 2028

As highlighted earlier in Section 3.1, the agricultural sector in the Maltese Islands was significantly reshaped following Malta's accession to the European Union and changes throughout its various facets are still ongoing. Following EU accession, the local agricultural sector had to align with the Common Agricultural Policy, and consequently it underwent structural changes that were enabled by Rural Development Programmes. Despite progress in some agricultural sectors, the



lack of clear vision and planning, combined with the CAP's drive to enhance productivity and achieve economy of scale, more suited to mainland Europe, instigated unintended consequences in the form of distorted vision to compete through quantity rather than quality.

Consequently, due to this constraint and a relative lack of planning and innovation, the economic constraints faced by the agricultural community, first introduced by EU accession with its single market policy, persisted for some of the agricultural sectors throughout the years. In light of this, a comprehensive Agricultural Policy for the Maltese Islands was requested by various stakeholders in order to provide a strategic national direction for this dynamic sector, upon which CAP funding and support, under the second pillar, could be programmed.

Thus, the National Agricultural Policy for the Maltese Islands 2018-2028 was formulated following evidence-gathering, meetings, and discussions with a range of relevant stakeholders and Government entities. This National Agricultural Policy for the Maltese Islands is a ten-year policy intended to steer the agricultural sector into a more sustainable direction by providing the means along which it can develop and flourish, whilst remaining within the parameters of the Common Agricultural Policy and providing a basis upon which CAP funding and support could be programmed. In this regard, the CAP strategic plan that covers the entire territory of the Maltese Islands and will provide funding and support from 2023 to the end of 2027, maintains overall consistency with Malta's National Agricultural Policy for the Maltese Islands 2018 - 2028.

The Agricultural Policy for the Maltese Islands 2018-2028 is intended to provide a clear direction to all relevant stakeholders ranging from public entities involved with certification, permitting and decision making to private entities directly involved in the agricultural scenario who intend to invest or diversify their business. As the overarching objective for this Agricultural Policy, a 'vision' for the Maltese agriculture sector was identified and agreed between government entities, representatives of the private sector and the farming community. This vision entailed the development of a policy that targets the following critical targets:

- A. Increasing the competitiveness of active farmers and livestock breeders by focusing on quality and embracing diversification;
- B. Facilitating the entry of young farmers by creating a cost-effective agri-business sector;
- C. Fostering sustainability of farming activities by adapting to the local geo-climatic conditions;
- D. Ensuring that farmland is managed by genuine farmers for agricultural purposes and related activities.

Following a wide consultation process, the report identified six strategic policy objectives which stood as the basis for a comprehensive evaluation process and the development of policy measures for the upcoming decade. These strategic policy objectives include 1) Food presentation, labelling and traceability; 2) Consolidation of land holdings; 3) Sustaining water and key resources; 4) Competitiveness and diversification, 5) Adaptation to and mitigation of geo-climatic conditions and 6) Research and development. This policy document presents a total of seventy (70) policy measures organised in four (4) sets of operational objectives, namely a) Economic objectives, b) Social regeneration, c) Resources and d) Governance.

## 4. Agricultural Vision for the Island Region of Gozo

The agricultural sector was and will remain critical for our island since it serves a multifunctional role that extends beyond its direct economic contribution. This ranges from food production and food security, culinary tradition, land stewardship, environmental conservation, and recreational landscape, while offering various benefits to local communities, including recreational access, aesthetically pleasing green space in the countryside, and improved quality of life for residents.

Considering its importance, the agricultural sector should be safeguarded and sustainably managed to ensure its benefits continue to be realised by current as well as future generations. The agricultural sector necessitates a more holistic policy vision, accompanied with achievable goals and targets, that steers it into a more sustainable direction.

In this regard, after nearly twenty years from becoming full members of the European Union, the main actors within the agricultural sector feel that it is high time that the Local Agricultural Policy is revisited so as to reflect the main changes in the EU Common Agricultural Policy (CAP), the international food situation and also to meet and address local challenges while tapping new opportunities. This with special emphasis on the war in Ukraine which raised serious doubts about the dependence of European countries on third countries for food supply, young farmers who are vital for the sector to continue functioning, as well as the two innovative principles embraced by the new CAP, Greening and Farm to Fork.

Within this ambit, the need is felt for Gozo, an island region which is the rural area of the country, to formulate, for the very first time, a Regional Agricultural Development Policy. Given that Gozo has a more rural dimension than mainland Malta and agriculture is more prevalent Regional Agricultural Development policy should not only meet the national goals but be as ambitious as possible so as to ensure to make good use of the various opportunities identified in the situational analysis as well as other opportunities that are available within the new Common Agricultural Policy.

It is clear that the Regional Agricultural Policy should be based on a holistic vision that looks at the sector in a multi-dimensional manner whilst keeping the Gozitan context, as well as the identified strengths, weaknesses, opportunities, and threats into consideration. This will enable the formulation of policies that address issues and challenges in a scientific manner and based on actual facts and data. Such research-based policies would act as the basis on which the regional agricultural sector could be developed, and enable the sector to meet and potentially exceed the national targets as well as attaining positive results both locally and at an EU level.

In this regard, the GRDA together with Gozitano Agri-Coop Ltd, which is a central agricultural cooperative present on the island of Gozo, undertook the initiative to draw a holistic vision for the regional agricultural sector, with the aim of closing the gap in policy formulation at a regional level. The recent agricultural developments, as well as the challenges, constraints, and opportunities that were identified as part of the situational analysis were kept in consideration when drawing the Regional Agricultural Policy vision.

The GRDA envisions an agricultural sector that plays a vital role in improving the quality of life, the economic well-being of Gozo, and the island's food security. The importance of a nation's food security has been greatly accentuated by the war in Ukraine, which exposed the dependence

of European countries, including Malta, on third countries for food provision. Extra dependence on foreign third countries for the provision of food could potentially threaten the food security of a nation, especially in the eventuality of major international crises such as the recent covid-19 pandemic and the war in Ukraine, which could cause supply chain disruptions. Apart from its contribution to the island's food security, the agricultural sector can contribute greatly to improvements in quality of life in Gozo, especially considering that the Island is rooted in its rural culture. Consequently, it is a central priority that rural and agricultural developments preserve the cultural and traditional tapestry that makes Gozo such a pleasant community and a visitor's destination.

GRDA's vision is to steer the agricultural sector into a more sustainable direction by providing the means along which it can develop and flourish, whilst contributing towards the overall achievement of green ambitions, in line with the European Green Deal, Farm to Fork Strategy and Biodiversity strategy, as well as remaining within the parameters of the Common Agricultural Policy 2023-2027, the Gozo RDS 2022-2032, and other pertinent regulations. As delineated in the Gozo RDS 2022-2032, the key to Gozo's future is the sustainment of a formula that safeguards sustainable development.

The Regional Agricultural Policy vision looks at the sector in a multi-dimensional manner, focusing on improvement of agricultural practices, animal welfare, greening and embellishment of the rural landscape, as well as the profitability of farmers, who are the fulcrum of all agricultural activities, and without whom there can be no agriculture. Through this Regional Agricultural Policy vision, the GRDA together with salient stakeholders including Government entities and departments, representatives of the private sector and the farming community, aims to develop Regional Agricultural Policy for the coming years with the scope of attracting more investment towards the agricultural sector and making it a more lucrative and profitable economic sector, attracting young farmers to take upon themselves the mantle instilled by our forefathers, and to secure a balance between agriculture the environment and the resources it requires. Indeed, the agricultural sector has to be developed with an environmental and social consciousness and at the same time ensure a just income to the people who invest in the sector.

## 5. Way Forward

The National Agricultural Policy for the Maltese Islands 2018 – 2028 published by the Parliamentary Secretary for Agriculture, Fisheries and Animal Rights in 2018 was an important step for the development of the national agricultural sector, as well as the regional sector, providing a set of policy measures along with a clear direction for the sector. However, given the different situation, needs and challenges of Gozo's agricultural sector, as highlighted in the situational analysis, the next natural step for the regional sector to continue developing in a sustainable direction is to formulate a Regional Agricultural Policy that accurately reflects the region's specific needs and challenges.

In this regard, the drafting of this working paper, which incorporates a situational analysis of Gozo's agricultural sector, a regional policy vision for the sector, and an overview of existing agricultural policies, measures, and schemes, is the initial phase in GRDA's initiative to drive and suggest regional policy for the island of Gozo following engagement and feedback from stakeholders.

The GRDA is determined that insights of multi-disciplinary stakeholders including those working in environmental, social, and economic fields, as well as insights of key stakeholders involved in agriculture would benefit from regional policy formulation. Thus, as the next phase in agricultural policy formulation, the GRDA would set up a number of stakeholders working groups, centred around Gozo's agricultural sector, so as to get a better understanding of the sector and its needs. The GRDA would support this policy formulation process with contributions from Government departments and directorates who are involved in regional agricultural and rural development, as well as contributions from other key stakeholders in the agricultural sector, such as agricultural cooperatives.

This discussion paper serves as the basis for discussion with stakeholders working groups, ensuring that any insights and/or recommendations are focused on desktop research-based findings presented in this paper and on GRDA's proposed vision for the regional agricultural sector. Stakeholder engagement would be followed by analysis and consideration of stakeholder feedback and recommendations, aimed at eventual inclusion in respective policy measures.

As the final phase, and based on analysis of this discussion paper, a set of policy measures that are suitable to the Gozitan context would need to be formulated. The latter should take into account the recommendations and feedback received from stakeholders during working group discussions and other stakeholder engagement events. Such measures would be presented in the form of a policy document.

The final goal of this exercise being conducted by the GRDA is to design an innovative toolbox of policy measures based on stakeholder discussions and recommendations, and eventually oversee the implementation of these policy measures aimed at realising the vision for Gozo's agricultural sector as per the RDS.



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