

**MINISTERU
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MALTA

**MINISTRY
FOR RESOURCES AND
RURAL AFFAIRS**

Awtorita' Ta' Tmexxija

Managing Authority



Minutes of the National Rural Network Meeting

Date: 31st October 2012

Place: Birdpark Malta

Time: 13.30 – 16.00

Minutes by: Marilyn Tanti

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Attending

Caruana Joseph	Paying Agency
Camilleri Sharlo	Paying Agency
Fenech Emasyll	Managing Authority
Grech Angelo	Managing Authority
Grima Daniel	Managing Authority
Ivanovic Zona	Managing Authority
Naudi Robert	Managing Authority
Tanti Marilyn	Managing Authority
Marmara Marisa	Majjistral Action Group Foundation
Abela Catherine	Majjistral Action Group Foundation
Schembri Silvio	GAL Xlokk Foundation
Salerno Christian	GAL Xlokk Foundation
Buttigieg Gaetano	Dairy Sector (KPH)
Gauci Paul	Poultry Sector (Valle del Miele)
Frendo Oliver	Pork Sector (KIM)
Eman Vella	Office of the Permanent Secretary
Victor Rizzo	Din l-Art Helwa



Agenda

1. Opening
2. Measure 121 and Measure 123: A Sectoral Overview
3. The state of play of the new legislative framework
4. Overview of developments in the NRN Consultation Process within the 6 thematic working groups
5. Activities undertaken by NRNM in the last quarter
6. Q&A session
7. Closing

1. Opening – Mr. Joseph Caruana

The meeting commenced at 13.30 and was chaired by Mr. Joseph Caruana who welcomed and thanked all members for attending. Mr Caruana mentioned that the NRN meetings need to go hand in hand with the NRN consultation process. Following this consultation process a strategic report will be designed, the NRN can then discuss these issues. The new programme will be drafted in 2013, following these working groups and NRN meetings. By that time the picture on what is going on at EU level with respect to financing will be clearer. He stated that this NRN committee will be meeting every quarter, approximately at the same time when the newsletter is published.

2. Measure 121 and Measure 123: A Sectoral Overview – Ms Zona Ivanovic

Ms. Zona Ivanovic gave a presentation regarding Measure 121 and Measure 123. The aim of the presentation was to give a clearer picture regarding how funds have been invested.

M121 was launched for the first time on 15th November 2008 and closed on 30th January 2009 with a total allocated budget of €19.8 million. 360 applications were received with 344 eligible applications. 280 beneficiaries were contracted with total grant amount of €15.3 million. Under this Measure the beneficiary is granted 50% of the total eligible expenditure, with a total project cost amounting to €32.2million.

A second call for applications was issued on 3rd October 2011, closing on 16th December 2011 with a total allocated amount of €4.9 million. Following this call, 509 applications were received. As at end of October 2012, 35 applicants had been selected, with total requested amount of €6.8 million and grant amount of €3.3 million.

The output indicator target 'Number of farming supported' is set to 445 and 280 farm holdings have been supported so far. The output indicator 'Total volume of investment' is set to €39.7 million, €32.2 have been invested so far. Result indicator 'Number of holdings introducing new products and new techniques' was not set and will be included in the next course of RDP modification. So far, 184 holdings have introduced new products or techniques. Values for result indicators 'Increase in gross



value added in supported holdings', 'Net additional value expressed in PPS' and 'Change in gross value added full time equivalent' will be updated by ongoing evaluators.

Investments were then divided by the various sectors. For the dairy sector, 68 beneficiaries were supported, with a total grant amounting to €7.06 million and total project cost of €15.5 million. The main types of investment were: building of new farms, refurbishing of farms, milking parlours and professional fees and other expenses with costs of €1.7 million, €1.8 million, €1.7 million and €5.9 million respectively.

For the swine sector, 17 beneficiaries were supported, with a total grant amount of €1.09 million and a total project cost amounting to €2.4 million. The main types of investment were building of new farms, refurbishing of existing farms and professional fees and other expenses with project costs of €0.4 million, €0.9 million and €0.6 million respectively.

For the poultry sector, 278 beneficiaries were supported, with a total grant amount of €2.1 million and total project cost of €4.5 million. The main types of investment were building of new farms, refurbishing of existing farms, water reservoirs and professional fees and other expenses with costs of €0.9 million, €0.6 million, €0.2 million and €1.6 million respectively.

129 beneficiaries from the field crop sector were supported, with a total grant amount of €3.5 million and a total project cost of €7.3 million. The main types of investment were building of greenhouses, building of water reservoirs, purchase of tractors and professional fees and other expenses with costs of €1.2 million, €0.9 million, €0.8 million and €2.1 million respectively.

16 beneficiaries were supported from the permanent crop sector with a total grant of €0.55 million and a total project cost amounting €0.96 million. The main types of investment were building of water reservoirs, purchase of tractors, professional fees and other expenses with costs of €0.3 million, €0.1 million and €0.3 million respectively.

For the wine sector, 8 beneficiaries were supported with a total grant amount of €0.15 million and total project cost of €0.3 million. The main types of investment were the purchase of tractors, building of water reservoirs and professional fees and other expenses with costs of €0.07 million, €0.47 million and €0.15 million respectively.

5 beneficiaries benefitted from the apiculture sector, with a total grant amount of €0.09 and total project cost amounting to €0.18 million. 1 beneficiary was supported from the horticulture sector with a total grant amount of €0.15, million and total project cost amounting to €0.3 million. For the mixed crops/livestock sector, 3 beneficiaries were supported with a total grant amount on €0.15 million and a total project cost amounting to €0.54 million, mostly spent building new farms and refurbishing existing farms. 1 beneficiary was supported from the rabbit sector, with a total grant amount of €0.15 million and a total project cost amounting to €0.3 million.



Taking into consideration all of the sectors supported under Measure 121, most of the costs concerned building of new farms, refurbishing of existing farms, construction of water reservoirs and professional fees and other expenses with €3.5 million, €3.6 million, €3.0 million and €11.4 million.

The second part of the presentation focused on Measure 123. The first call for Measure 123 was launched on 20th February 2009 and closed on 29th May 2009 with total allocated budget of €7 million which was reduced by €3 million and again increased by €2.3 million in 2012 due to an increased demand following the second call. The first call attracted 27 applications, 25 were eligible and contracted with total grant amount of €2.08 million. The total project cost amounted to €5.3.

The second call for applications was launched on 24th October 2011 and closed on 16th December 2011 with total allocated amount of around €4.3. Following the second call, 39 applications were received. 21 selected applicants were selected to date, with a total amount requested of €8.5 million and grant amount to €4 million.

The target for output indicator 'Number of holdings supported' is set at 45 while the actual number of holdings supported currently stands at 25. The target for output indicator 'Total volume of investment' is set at €11.4 million, the actual value currently stands at €5.3 million. The result indicator 'Increase in gross value added in supported holdings/enterprises' has not been set and will be included in the next RDP modification. The target for result indicator 'Number of enterprises introducing new products or techniques' was set at 7, with the actual value currently standing at 9. The impact indicators 'net additional value expressed in PPS' and 'Change in gross value added per full time equivalent' will be calculated by ongoing evaluators.

Under Measure 123, beneficiaries can be split into three: 3 beneficiaries from the agricultural sector, investing a total amount of €0.7 million; 11 beneficiaries from the food industry investing a total of €2.27 million and 11 mixed beneficiaries, with a total investment amount of €2.29. Six beneficiaries were contracted from the field crop sector, with a total investment amount of €0.9 million while 7 beneficiaries were contracted from the pigs/poultry sector with a total investment of €1.7 million. Other types of activity include horticulture, milk, wine and permanent crop. 19 beneficiaries were classified as 'small size holdings' with a total investment amount of €3 million while 6 beneficiaries were classified as 'medium size holdings', with a total investment amount of €2.2 million.

Following this presentation, Mr Joseph Caruana stated that these figures are related to the first call for applications since applications from the second call have not been contracted yet.

Mr Victor Rizzo stated that investments in energy saving and IT equipment is rather low.

Mr Gaetano Buttigieg queried about the amount of funds requested following the second call for applications. He mentioned that farmers would like to invest in modern technologies and equipment however the priority should be to first modernise and restructure farms to ensure compliance to EU requirements.



Ms Marisa Marmara commented on 'Professional Fees and Others' in the presentations and asked for a clarification on what these constitute.

Mr Joseph Caruana stated that Measure 121 was divided into three sub-measures and one of them concerned energy saving investments. This Measure under the current programming period was intended to improve farm holdings and ensure compliance to EU requirements. Farmers needed to invest to improve the basic structures. The next programming period will then build on what was achieved during the current programming period.

Regarding the status of the second call for application, applications are currently being evaluated. More information regarding the second call will be given in future NRN meetings.

Professional fees are eligible for reimbursement under Measure 121. Professional fees include architect fees and other fees related to filling in of applications. Professional fees should not exceed 10% of the total project cost. A considerable amount of funding is being spent on consultancy services. These funds can be invested into the sector. LAGs and FAS should provide assistance to reduce consultancy fees. Farmers need assistance to fill in application forms. However funding should be retained in the programme and used to help the farmers.

Mr Silvio Schembri commented on the fact that 'Professional Fees and Others' exceeded 35% of the expenses according to the figures provided and asked how this can be explained if professional fees cost are capped at 10% of total project cost.

Mr Joseph Caruana stated that this 35% also includes other investments which do not fall under the categories mentioned in the table and are not limited to professional fees. He stated that this figure for 'others' needs to be broken down into components to give a clearer picture.

Ms Marisa Marmara requested more information regarding the FAS and whether and how this is functioning so that the LAGs can promote it.

Mr Gaetano Buttigieg explained that the FAS is made up of a number of individuals representing a number of stakeholders, together with a General Manager. LAGs should speak to the General Manager and set up a meeting for an update on the FAS.

Mr Caruana stated that it would be a good idea to invite the FAS during the next NRN meeting so that they can give NRN members an update how the FAS will operate. The objectives and roles of the FAS should be discussed.

Dr Oliver Frendo asked whether the NRN committee shall be involved in the approval of selection criteria and objectives of Measures. Also during the current programming period farmers focused mostly on restructuring. It is important to focus on the basics first before moving on to a new goal.



Mr Caruana stated that the Monitoring Committee is responsible for the approval of selection criteria and objectives of the programme. The NRN committee aims to gather feedback and suggestions from stakeholders. These suggestions are taken into consideration when programme modifications are made and then the Monitoring Committee is involved in the approval of these changes.

3. The state of play of the new legislative framework – Ms Marilyn Tanti

This presentation concerned the EAFRD legislation which is being proposed for the next programming period. This legislation is still under discussion and the framework still needs to be finalised. A revised text was presented by the Cypriot Presidency however it has not been approved by the Commission yet.

Working parties are still underway during the current Presidency. The current structure of the CAP will be maintained. The new programming period will aim to exploit synergies between the two Pillars of the CAP and a Common Strategic Framework regulation has been proposed to better coordinate with other EU shared management funds.

New aspects under Pillar II include a European Innovation Partnership on Agricultural Productivity and Sustainability and a Risk management toolkit.

The new EAFRD regulation focuses on 6 priorities which are related to the EU 2020 targets:

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

The new regulation includes rules on the preparation, approval and revision of programmes that largely follow current rules. It also includes the possibilities for sub-programmes that benefit from higher aid intensities. The new regulation also describes all of the possible individual measures, including a specific one on organic farming. Most measures can serve under more than one objective or priority and Measures are no longer grouped into axes. There are also new delimitation criteria for areas facing specific natural constraints and an improved provision for supporting joint environmental actions. The regulation also provides for a significantly reinforced and extended cooperation measure. Also, support through LEADER will be consistent and coordinated with the support for local development from other EU shared management funds. A prize for local innovative co-operation projects to support transnational initiatives in favour of innovation was also proposed which needs to be funded through technical assistance. Most MS have objected to this and in the current revised text presented to the Commission by the Presidency, this has been eliminated completely.



There are also proposals to build on the Common Monitoring and Evaluation Framework (CMEF) introduced in the current period and a common list of indicators that will be linked to the policy priorities for the purpose of monitoring and evaluation

Malta is following closely developments on Article 32, Payments to areas facing natural or other specific constraints; Article 33, Designation of areas facing natural and other specific constraints; Article 46, Investments for Irrigation; and Article 95, Transitional Provisions due to their importance to the local scenario.

Mr Silvio Schembri asked what is the Maltese position on LEADER in relation to funding of LAGs from different funding programmes and whether FLAGs will be considered during the next programming period. He also asked whether there is an intention to increase the amount of funding dedicated to LEADER.

Dr Oliver Frendo asked for more information regarding the risk management toolkit.

Mr Caruana stated that LEADER will still be there in the next programming period but one cannot comment about the financial allocations since these still have to be decided. Malta will aim for a balanced RDP and the main priorities need to be set and followed. The current programming period is aiming to build trust in LEADER and build more confidence in the structure. Once this has been achieved, more tasks can be delegated to LEADER. With respect to FLAGs there needs to be synergy and no duplication of work. Since LAGs have worked successfully in agriculture there is no reason why they should not do the same in fisheries.

Risk management tools currently exist under Pillar I where mutual funds, insurances and income stabilisation tools already exist. The next programming period aims to move away from direct subsidies and move towards risk management and income stabilisation tools. The fund will not create an insurance policy but can assist insurance companies to support such programmes. There will also be new methods on how grants can take forms through soft loans.

Mr Schembri asked whether there is a contingency plan should programme implementation start late.

Mr Caruana stated that there are transitional funds and there is also the N+2 rule. However it is planned to start implementation of the new programme before the end of the N+2 period and preparations are currently underway to draft the new RDP. Malta aims to submit the first draft as early as possible in order to ensure a timely start of the programme. The draft framework which needs to be followed for the drafting of this programme is available but not yet finalised.

Mr Sharlo Camilleri stated that the RDP shall be approved on time and measures will be rolled out within the N+2 timeframe.



Mr Caruana stated that the MA now has more experience from the current programming period but one cannot conclude anything until the rules are officially in place.

4. Overview of the developments in the NRN Consultation Process within the 6 thematic working groups – Angelo Grech

This presentation concerned the ongoing consultation process which will form the basis of the new RDP. Six themes have been suggested by Prof Dwyer and her team and six working groups have been set up in relation to these themes. The six themes are:

1. Increasing returns to the fresh produce sector, and improving efficient input use
2. Improving the long-term sustainability of the livestock sector in Malta
3. Food processing and adding value – establishing quality chains and new products
4. Direct sales of fresh produce
5. Making a high quality rural visitor experience
6. Enhancing the landscape and adapting to future water challenges

The first meeting took place in September where the purpose and targets of these working groups was explained. The participants were given the opportunity to express themselves and comment about the agriculture sector in general. During the second meeting, a SWOT analysis was carried out. The main points discussed are listed below.

Working Group 1

<p>Strengths:</p> <ul style="list-style-type: none"> • Fresh and quality produce for the consumer • Improvement of landscape • Dedication of the farmers • Knowledgeable through years of experience inherited through generations • Sector is a safety net in the event of global shortages 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Aging farming population • MEPA issues • Low prices due to competition from cheap imports • Lack of promotion • Lack of representation and cooperation
<p>Opportunities:</p> <ul style="list-style-type: none"> • Quality Standards should be in place • Export opportunities • Training regarding improved quality, grading, cross-compliance, etc • Promotion and marketing of local produce 	<p>Threats:</p> <ul style="list-style-type: none"> • Sector is not adequately represented • Not enough incentive to full time farmers to continue their trade • EU rules are same for all MS • Larger farmers will be required to adhere to more regulations • Lack of funding for cooperatives



Working Group 2

<p>Strengths:</p> <ul style="list-style-type: none"> • Small size of Malta allows for: <ul style="list-style-type: none"> ○ Traceability ○ Transport/distribution ○ Direct selling ○ Freshness of products • Product Diversity • Cooperatives that are already in place • Known local Brands (Benna, Majjal ta'Malta) 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Water and Electricity Bills • Lack of funds to improve sustainability of industry • Lack of enforcement/ traceability • Lack of government support for Local Products • Animal productivity lower when compared with other EU breeders
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Working Group 3

<p>Strengths:</p> <ul style="list-style-type: none"> • Higher standards in Hygiene and animal welfare • More rubble walls have been constructed • More land is being tilled • Programme acted as a catalyst to investment and upgrading • R & D has improved 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • "Grey water" not available for agriculture • More and better marketing of Maltese products • Not enough efforts to protect farmer from fluctuation of prices • No policy for agro-tourism is on hand. • Not enough attention given toward value added products (e.g. Organic products)
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Working Group 4

<p>Strengths:</p> <ul style="list-style-type: none"> • Direct income and direct control of price by farmer • Control on quantity, quality and variety • Direct contact with the consumer • Identified as a local product 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Farmers need to put in more investment • Direct market is small but wholesale market is big. • Lack of organization and therefore less power • More time needed to produce and sell
<p>Opportunities:</p> <ul style="list-style-type: none"> • Farm modernization • Agro-tourism • Educating the public • Grading and labelling of product 	<p>Threats:</p> <ul style="list-style-type: none"> • Imported produce and traceability • Government bureaucracy • The health of the seller • Laws are not equal for all



Working Group 5

<p>Strengths:</p> <ul style="list-style-type: none"> • Farmers are more appreciated • Works/projects done by local councils in rural areas • Wide consultation • Cultural routes/trails 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Rights and status of farms • Concept of sun and sea • Fragmented land parcels • No policy structure for rural tourism
<p>Opportunities:</p> <ul style="list-style-type: none"> • Source of income through rural tourism for farmers • Increase tourist arrivals during shoulder months • Malta can offer something rural different from other countries • Networking between organizations 	<p>Threats:</p> <ul style="list-style-type: none"> • Identity of local products/lack of authenticity • Land use and land abandonment • "Walks" do not give any benefit to farmers • Loss of biodiversity through mass tourism

Working Group 6

<p>Strengths:</p> <ul style="list-style-type: none"> • Farmers have invested heavily in their land • LFA and AEM helped farmers to take good care of some aspects of the landscape. • Unique character of Maltese countryside • Farmers understand importance of water as a major resource • Existent damaged water reservoirs could be used 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • MEPA bureaucracy and policies sometimes work against sector • Small parcels of land are becoming more fragmented • Outdated laws especially on land entitlement. • No real measure of volume of water used by sector • Electricity meter rental rates are high
<p>Opportunities:</p> <ul style="list-style-type: none"> • Using recycled stones to build rubble walls • Rubble walls could be owned by Government and then sub-contacted • Repairing existing water reservoirs which have been damaged • Catch more rain water by making use of water reservoirs • Educate farmer on optimization of water use in irrigation 	<p>Threats</p> <ul style="list-style-type: none"> • Increase in land abandonment • Lack of interest from young people • Low water quality • Failure to continue restoration of rubble walls due to time and money.



Dr Oliver Frendo asked for a clarification regarding the structure of these working groups.

Mr Angelo Grech explained that there are 6 themes, with one working group per theme. These groups formed following the NRN Conference held in June where those attending were invited to join one of the working groups. The leaders, all of which are active players in the sectors were appointed by the MA and PA. Other participants were added to these working groups after the conference.

Mr Eman Vella commented on one of the Opportunities for Theme 6: 'Rubble walls could be owned by Government and then sub-contacted'. He clarified that the members of the Working Group stated that a scheme for restoring rubble walls may operate with the engagement of sub-contractors to do the work, which are then funded by the Government/EU Funds. This should eliminate problems encountered in the past where restored rubble walls did not follow required standards.

5. Activities Undertaken by NRNM in the Last Quarter – Mr. Daniel Grima

In this presentation the activities undertaken during the last quarter were discussed. The MNRN organised the second NRN Committee meeting on 10th July 2012 at Birdpark Malta. The 4th newsletter was published in July and concerned the Future of the Common Agricultural Policy and the Consultation Process for the RDP 2014-2020. The 5th edition of the newsletter was issued in October and focused on a number of case studies on Measure 111 – Training, Information and Diffusion of Knowledge.

The NRN contributed to Biedja u Sajd, a magazine published by the Ministry for Resources and Rural Affairs, through a number of case-studies on RDP funded projects.

The MA participated in the Tomatoes Festival held in Kerċem on the 11th and 12th August. The MA also participated in Casal Fornaro held in Qormi on the 21st and 22nd September. An article was written for the Casal Fornaro booklet entitled "*Il-Futur tal-Agricoltura u l-Iżvilupp Rurali: X'opportunitajiet jeżistu għal wara l-2013?*"

In September, a media event on the Measure 313 heritage trail implemented by Dingli Local Council was held. This event was attended by Hon. George Pullicino and Paolo De Castro, Chair of the European Parliament's Committee on Agriculture and Rural Development. It demonstrated the challenges posed by the geo-physical features of the terrain in the Maltese islands.

The Mediterranean Agricultural Fair was held on 26th September 2012 during the 9th Meeting of the CIHEAM Ministers of Agriculture.

Informative TV features on the NRN particularly on the ongoing consultation process was held on *Mad-Daqqa t'Għajn* on ONE TV. Promotion of RDP funded projects will continue on *Malta u lil Hinn Minnha* on TVM 2012/2013 edition.



Measure 111, 'Training, Information and Diffusion of Knowledge' was also re-launched in August. An expression of interest was issued for interested service providers to provide training for farmers. Promotion for this measure took place through the NRN e-newsletter, articles on MEUSAC Funding360 publication, local newspapers and the Government Gazette.

In the next quarter, further working group meetings for the preparation of the drafting process of the Rural Development Programme 2014-2020 will be held, with one meeting being held every month. A number of RDP 2007-2013 measures will be re-launched. The MA will also participate in the Almonds Festival, Sliema between the 10th and 11th November.

Adjournment

The meeting was adjourned at 16.00 by the Chairperson, Mr. Joseph Caruana.