

THE ROLE OF PRODUCERS' ORGANISATIONS IN THE SUCCESSFUL OPERATION OF FAS IN MALTA: LESSONS LEARNT AND FUTURE PERSPECTIVES

G.P. Attard, S.J. Sammut, R. Micallef Attard - Institute of Agriculture, University of Malta.

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1. Introduction

The Maltese ministry responsible for agriculture until recently offered a free of charge extension service. In view of the need for structured advisory facilities, and the risk that farmers resort to unofficial sources of information, the same ministry has taken the initiative to regulate, monitor and support this service by the relevant legal framework and EAFRD measures in the Rural Development Programme for the period 2007-2013 (Ministry for Rural Affairs and the Environment, 2007). The newly set up private Farm Advisory Service (FAS) providers can be considered as the latest development in the provision of institutionalised advisory and extension services in Malta. Their role is crucial in empowering producers to face the challenges and exploit opportunities brought about as a result of Malta's membership in the EU. Although Maltese rural society has a rich history and experience within the cooperative movement, the formation, and fiscal realities of producer organisations has so far been limited and problematic. The intent of this paper is to identify some of the constraints and highlight possible mitigation options that could serve as recommendations for future action.

2. Background

The Maltese agricultural sector has operated on the basis of the co-operative philosophy and legal framework for the past 60 years. These co-operatives have a unique structure that may hold the reasons as to why farmers are reluctant to group themselves within Producer Organisations (POs). Agricultural co-operatives have an established and traditional institutional structure and have significantly contributed to the sector; however, they are weak and vulnerable from a business and financial point of view. Without the institutional and managerial strengthening of the organisations and the availability of funds for innovation and restructuring, they are susceptible to the ongoing forces that exist within a liberalised market.

The path towards accession instilled uncertainty and confusion in particular amongst the conservative rural society. Malta submitted its application for EU full membership in July 1990 and frozen in 1996 as a result of a change in government. The snap election of September 1998 reversed the seat of governance and reactivated Malta's EU application. Concurrently, communication with the agricultural co-operatives often resulted in conflicting, confusing or inaccurate advice, also in areas pertaining to the formation and operation of POs. The European Commission noted the insufficient progress in the introduction of a legal framework and administrative structures for the establishment of Common Market Organisations, including the activities of producers and processors organisations. In the pre-accession protectionist agricultural policy, co-operatives and their federations have mainly been seen by farmers as political pressure groups that convey claims to government for protection and subsidies. Rural society makes a distinction and perceives co-operatives as representing member interests while POs as a pre-requisite for obtaining EU assistance. This perception is mirrored in the analysis of the effectiveness of the Rural Development Program 2004-2006 (Ministry for Rural Affairs and the

Environment, 2002). As highlighted in the ex-post evaluation of the programme (ADI, 2009), measures that entitled individual farmers to be eligible to financial support were well subscribed to, whereas measures that require a collective effort were not taken up at all.

3. The Role of Producers' Organisations

Following Malta's accession to the EU and the dismantling of protective levies, the agricultural sector experienced a surge in imports, resulting in retail prices fluctuations to the detriment of the local farmer who started to find it increasingly difficult to compete in an open market, a repercussion of past inward-oriented policy and protectionism of domestic production that suppressed the need for the development of a strong professional marketing strategy. Furthermore, notwithstanding the fact that most farmers are members of co-operatives, they market their produce individually rather than collectively, thereby limiting their ability to take advantage of economies of scale, collective bargaining, market dominance, price leadership, information exchange, representation, and to receive a higher return from the market. The resistance to change these traditional methods can be traced back to the farmers self pride and false sensation of market control when the individual gets a small window of opportunity to play and speculate the market. Inevitably farmers carry on competing for the minute profits of the first stage of the value chain.

Given the specific difficulties and the limited levels of producer cooperation, the Maltese government recognised that support is necessary to encourage the setting up of producer groups to modulate market forces and to meet quality standards. By uniting, producers can plan and optimise the scale and timing of output, reduce their costs, improve the quality of primary and processed produce and access and implement technical support for marketing and production activities. In order to achieve this, support is needed to address issues of training, planning and optimisation of product output, improve the quality of primary and processed produce and access and implement technical support for marketing and production activities. This is where the Maltese farm advisory services have an important role to play.

4. Producers' Organizations in Malta

According to official statistics for 2007 (NSO, 2007) 17,148 persons were actively engaged in agriculture, of which only 1,764 persons (or 10.3%) are full-time workers. The fact that the majority operate on a part-time basis is a clear indicator that the sector lacks commitment and dedication. Farming is conceived mainly as a hobby rather than a full-time employment. Though this mentality is not totally impeding the creation and further development of producers' organisations, it can potentially slow down and lengthen the process of adaptation. A total of 1,011 producers, or just fewer than 6% of the total number of farmers, are members of either one of the seven producers' organisations or producers' groups set up to date.

Although a number of sectors have been identified as potential target sectors for the setting up of producers organisations, it is only the fruit and vegetable category that has attracted most interest, particularly since it in itself includes a variety of products. To date, a total of seven different entities are recognised as producers' organisations or groups, with only two in the former category. Nonetheless it is to be acknowledged that these have managed to overcome all the difficulties associated with start-up and contribute significantly to the manner in which the fruit and vegetable sector is being managed. Out of the seven, only two have the legal personality, the rest are not formally constituted and lack the legal personality to operate as a commercial entity, excluding them from any available credit schemes offered by lending institutions. This means that most POs experience financial instability and have inefficient cash flow patterns, which in turn spirals into the inability of convincing financial institutions to grant the necessary credit for improvement and investment. From a financial point of view, most, if not all POs are weak.

A general characteristic is the lack of necessary capacity, especially in terms of qualified and competent human resources. Little specific training is ever provided to refresh and update the people involved within the management structure of the organisations. The importance of creating specific professional representatives, both at management and administration level, could help drastically in the improvement of activities. Furthermore, most POs lack a proper participative structure and some of the key positions within the organisations are occupied by persons who are not producers themselves but are employed by the agro-processing industry, where the agro-processor is the sole buyer of the produce. This anomaly within the governing hierarchy also has a negative indirect effect on farmers in that they show signs of discouragement and scepticism about the PO as an important legal instrument for their development. This together with the fact that many farmers still sell a significant portion of their produce through the middle men (pitkala) instead of passing through their organisation create great challenges that can jeopardise the future development of the sector.

In November 2008 Government prepared a national strategy for sustainable operational programmes in the fruit and vegetable market (Ministry for Resources and Rural Affairs, 2008). The strategy was intended to address these issues and other weaknesses that have an impact on all POs. The strategy takes into account the national dimension within the wider framework of the Common Agricultural Policy. The aim is that of providing the legal framework through which the present strengths can be further developed and adjusted to meet all the requirements as set by EU directives and regulations. Various weaknesses can be classified as quite fundamental and therefore, the strategy clearly identifies that these should be addressed accordingly. The national strategy provides a holistic approach to the development of PO's and their members and facilitates the setting to create a better environment both for the farmers as well as for the FAS providers.

5. Operation of Farm Advisory Services

The experience of FAS providers has been limited in view of their very recent establishment. In general, the response of the rural society to the function and purpose of the FAS has not been rational and consistent so far. Some farmers are somewhat confused and fail to understand the need for such an extensive set up since they associate these services with consultancy companies that provide advisory and support services to access EU programmes and funds. The individual farmer is at times not interested in seeking advice directly and leaves it up to the organisation's management and representatives to seek direction. Unfortunately, the sector is also marked by a difference in attitude and approach between the representatives of one movement and another in the sector. Some are keen to move on to specialisation and eager to seek professional advice in respect of technical and managerial issues, while others believe in traditional exclusively in-house management of affairs.

Given the low level of farmers' education, access to the service has to be presented in the most uncomplicated manner, with as little effort in bureaucratic procedures and filling of application forms as possible. Funds are only available to farmers who fill in their forms correctly and in the evaluation of all the applications have proven to be the most eligible. In this respect, POs are crucial to simplify the process and act as an intermediary between the farmer and the FAS providers in terms of service demand and supply. At the same time, given the unique reality of Maltese agriculture, the service provider has to be in a position to offer advice that is applicable to this reality and not propose ambitious solutions and novel ideas that while successful in other countries, would not work well in the local context without at least some evaluation of the applicability to Maltese conditions. Thus the advisory services need a close affiliation with local research institutions to have issues addressed by experts with a real "on ground" understanding of the situation. On the other hand it has to assist the rural society in organising itself in the best possible manner to profit from this service. The close collaboration between the FAS, the co-operative, where relevant, and the producers' organisation could enhance synergy and establish a platform of co-operation that represents all sectors of agriculture and lobbies at the political level to this effect.

Provided a positive and enthusiastic attitude by the rural community and a continued professional management of the FAS, the sector could have a strong institution as a point of reference for institutionalised advisory and

extension services. The FAS, however, has to develop a reputation and track record as a provider of quality advice, gradually building up a solid client base, founded on mutual loyalty. Service has to be high quality and affordable. Over time, the experience acquired by these entities could be further consolidated and made use of for the benefit of national initiatives.

6. Conclusions

Notwithstanding the very valid contribution that co-operatives have given to the sector over the years, it is now time for farmers to seriously consider moving towards a new way of collaborating and managing their business, as legally recognised and well-managed POs. It is also time for the authorities to support this sector and its development, not only through financial support and aid schemes, but even more importantly and prior to distributing funds, through the enactment and enforcement of the necessary legislation, particularly in situations where certain groups find themselves in uncertain legal territory, through a well-defined and adopted agricultural policy that promotes and encourages POs, and through the creation of platforms for the dissemination of information, exchange of view by stakeholders, and for bottom-up proposals. In this respect, the recent setting up and launching of the rural network can be seen as one such opportunity linking key stakeholders and providing them with an opportunity for collaborative action in areas warranting immediate attention.

Concurrently, Malta is witnessing the evolution of organised forms of private-based farm advisory and extension services. Without in any way diminishing the role and importance of past extension initiatives, it is to be stressed that these newly set up FAS providers founded along professional parameters have a pivotal function in the development of the sector. Farm Advisory Services need the support of government through funds, information campaigns, and investment in research structures, in order to enhance and widen the scope of their operation, and in turn depend on a closer co-operation with other professionals and with the management and technical advisors of existing farmers' groups, associations and other formal organisations. The planned setting up of a Chamber of Agriologists could further contribute to support the creation and exchange of ideas for development.

The key to the sustainable and successful operation of the FAS lies in the hands of the POs and in whether they are ready to convince their members to embrace this new reality and to invest in human resources skills and capacity in addition to farm modernisation and equipment in order to take a strategic approach to doing farming and to programme and plan for results.

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