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NOTE

From: General Secretariat of the Council
To: Delegations
Subject: Market situation

Further to the ministerial lunch discussion held on 15 February 2016 and in preparation of the March "Agriculture and Fisheries" Council, delegations will find attached a note from Malta's delegation on the above-mentioned subject.

Malta's Proposals on possible future measures to address the difficult market situation and current climatic conditions

Rationale

Malta's autumn and winter seasons, between September 2015 and end of February 2016 have been considered exceptionally dry, with warm temperatures and a marked lack of precipitation. Farmers are facing this dry season following a long and very hot summer in 2015.

Autumn and winter are usually the rainiest seasons in Malta. Crops, mainly fodder, are sown after the summer and thrive on rainfall through autumn and winter. This is important to reduce the stress on the extraction of groundwater and also for fields which do not possess groundwater access but rely almost exclusively on rainfall, thereby restricting use to around half of the year (locally known as *raba' bagħli*).

Horticultural crops necessitated extraordinary irrigation efforts by farmers in order to avoid reductions in production which could have crippled their income. This has led to an increase in the cost of production undermining their competitiveness. Since Malta does not have other water sources that can be used for farming purposes, extraction from the water table or pumping water for irrigation create further costs to the usual crop production. Such costs were exacerbated by the need for added vigilance for pests which are not normally present at this time of the year.

The phenomena of warm temperatures were not recorded only in Malta but also in other Mediterranean Member States. This has resulted in high crop yields pushing down further prices on the vulnerable Maltese fruit and vegetable market. Having an inherently small market which is regularly flooded with highly competitively-priced imports from nearby countries adds to the strain on local producers. The Russian ban on European agricultural products placed further pressure in diverting produce which normally finds other outlets on the internal market to Malta. The combination of these factors has had a cumulative negative effect on the local market.

Fodder crops are mainly cultivated on *raba' baġħli*. Faced by the lack of rainfall, production of this year's fodder crop will result in a huge loss, since in some areas the crop did not develop, while in other areas the crop did not even germinate. In light of this, demand from the livestock sector (mainly those in the ruminant sector) will not be met and so the sector will have to resort more heavily on imports. This further reduces the profit margin of the livestock breeders.

The Maltese Authorities are concerned with the serious negative effect on farmer' income, and are therefore proposing additional support measures to ensure income support to partially attenuate this loss of income:

Proposal 1: Relaunch new targeted aid scheme

The envelope for Malta under the targeted aid was €19, 570 with a possibility to top up this fund from national funds, representing less than 0.024% of the total budgeted targeted aid. The Maltese Authorities decided to use this aid to support the pigmeat sector, which at the time was the most seriously threatened sector. In view of the rapid deterioration in the situation faced by farmers in other sectors over the ensuing months, Malta is proposing the provision of further renewed support, which amongst others, focuses on those sectors negatively affected by this drought.

Proposal 2: Use of the agricultural crisis reserve

The Maltese Authorities note that indeed this situation is leading to an agricultural crisis and therefore suggest utilising the agricultural crisis reserve to be able to support these farmers. The reserve, administered by the Commission, is to be used in case of major crises affecting production in line with Article 25 of the Horizontal Regulation.

Proposal 3: Increase of the LFA/ANC payment rate

Article 31 of the Rural Development Regulation allows Member States with areas under natural constraints to compensate farmers for all or part of the additional costs and income foregone related to the constraints for agricultural production in the area concerned. Annex II of this Regulation stipulates a maximum amount of €250/ha subject to the possibility of increasing this amount in duly substantiated cases, taking into account specific circumstances to be justified in the rural development programmes.

Given that the influence of the current local climatic conditions constitutes a duly substantiated case, a fast-track procedure should be adopted to approve the raising of this threshold to €450/ha.

