PROCEEDINGS

APS SEMINAR 2004

THE FUTURE OF CO-OPERATIVES IN THE AGRICULTURE & FISHERIES SECTORS

AN
APS BANK
PUBLICATION
2004

First published by
APS Bank Publications in 2004

Produced by
Mizzi Design & Graphic Services
Printed in Malta by
Media Centre Print

ISBN: 99932-679-1-0

CONTENTS

INTRODUCTION

The topic of this year's Fifth APS Annual Seminar held on 20 February 2004 was 'The Future of Co-operatives in the Agriculture and Fisheries Sectors'.

This publication is a record of the presentations. These refer to policy formation and the experience of cooperatives in Malta and the EU.

Sincere thanks go to all the speakers, the Food and Agriculture Organisation of the UN, COPA-COGECA and the Ministries for Rural Affairs and the Environment, and Social Policy, without whose participation and support the holding of this event would not have been possible.

APS Bank is proud to have organised and promoted yet another successful seminar and trusts that this record of proceedings will lead to more informed debate on such a sensitive subject.

E. Cachia
Chief Executive Officer
APS BANK

Address of Welcome by E. P. Delia, Chairman APS Bank

THE FUTURE OF COOPERATIVES IN THE AGRICULTURE AND FISHERIES SECTORS

Honourable Minister, Excellencies, Ladies and Gentlemen,

On behalf of APS Bank, I welcome you to the Fifth APS Annual Seminar on the Development of Agriculture and Fisheries in Malta. I thank you for accepting our invitation, thereby encouraging us to pursue this annual event. The response we have been receiving throughout these years, from different selected audiences, is an indication that there are many who are interested in assessing various themes related to Agriculture and Fisheries in the Maltese Islands.

These seminars focus on specific issues. To date, we highlighted the role of Insurance and Effective Water Use in Agriculture, and FAO's Code of Conduct and Ecosystem Based Management for the Mediterranean Fishing Industry and the Maltese Islands.

These seminars have a dual objective. Firstly, they identify one aspect that the Bank believes deserves exploration. Secondly, specialized speakers present this theme in a holistic context so that the selected audience will be able to form an informed opinion on potential future action. We do not propose to resolve all the issues considered on this occasion. But speakers do aim to focus on matters that have to be addressed systematically if positive action is to be undertaken. The experience shared this morning is made available to a wider audience through the publication of the seminar's proceedings.

Today's topic refers to the future of cooperatives in the agriculture and fisheries sector in the Maltese Islands. It focuses on the role that institutions and forms of organization have in the socio-economic development of specific sectors of industry. Research in global economic growth suggests that there is a close correlation between institutional quality and international income differences. The perceived 'quality' of institutions is seen as a prime factor that determines economic and social development. The relative importance of institutional development for a country's overall economic welfare is coming strikingly to the fore.

It is useful to assess the role of Maltese cooperatives, in general, and in the agricultural and fisheries sector, in particular, within this institution-economic growth-enhanced welfare relationship. Cooperatives have been around in agriculture and fisheries for many years. But it is timely to have a hard look at the way they have been operating. Indeed, it is essential to consider three important queries. Firstly, are Maltese cooperatives actually behaving like coops or are they merely tax avoidance vehicles? Secondly, if they are acting in a cooperative spirit, are they being effective in supporting both the industrial sectors and, at the same time, their members' welfare? Thirdly, are they the right vehicle through which Maltese farmers and fishermen may achieve the objective of restructuring the two sectors and enhancing their incomes in the European Union?

The role of cooperatives is being assessed throughout the

European Union and elsewhere. Their existence has to be seen in conjunction with views on competition. Even locally, there has been a challenge to the Act on Cooperatives using arguments on collusion, freedom of trade and consumer choice. Therefore, it is considered timely to take stock of the situation and evaluate the basic ideas that underpin cooperatives. In turn, one has to examine the organizational set up of local cooperatives to ensure the formation of sound and effective institutions, ones that induce wealth creation, initiative and solidarity.

To guide us through this wide agenda, we are pleased to have with us speakers who are either responsible for policy formation and its implementation in Malta, or who work directly with cooperatives worldwide, or who have direct experience in the running of cooperatives in Malta and Gozo. It is this mixture of responsibility, experience and wish to continue developing the cooperative ideal that makes this morning's session worthwhile. The agriculture and fisheries sectors in Malta and Gozo are at the threshold of a major historical move towards a more liberal trading environment. So all those involved in these sectors need the maximum support that they can get. APS Bank hopes that this seminar will be instrumental in highlighting the needs of farmers, breeders and fishermen, in particular of those members enlisted in cooperatives.

Ms Ansa Norman Palmer, representing COPA-COGECA, presents an overview of the Agricultural and Fisheries Coops in the European Union. With membership so close, it is fitting that we start focusing on the new, wide economic space, and the rules that govern it, that will be our trade domain for the years to come. Although there is no fast rule that ties the local coops with developments of these organizations in the EU, yet collaboration among these regional institutions is bound to evolve. Ms Palmer is the first speaker from an institution within the EU set up to participate in the APS Bank Seminars.

Mr. Austin Walker, Mr.Godfrey Camilleri and Mr. Ivan Portanier will share their impressions on the state of the coops in local Agriculture, Livestock and Fisheries. These gentlemen have direct knowledge of the day-to-day problems faced by Maltese coops. I am sure that their experience will be valuable for an objective assessment of local cooperatives.

Mr. Janos Juhasz represents the Food and Agricultural Organisation of the United Nations. FAO officials have participated in the previous four seminars; so, from this aspect, Mr Juhasz presence is a continuation of a relationship that APS Bank treasures. Mr. Juhasz is aware of the situation in the Agricultural coops in the Maltese Islands and he has been instrumental not only in inspiring this year's theme but also in supporting initiatives to revamp local agricultural coops. In fact Mr. Juhasz will examine the approach that the Food and Agriculture Organisation implements for the development of Farmers' Cooperatives.

Mr. Mario Falzon, Chairman of the Malta Co-ops Board, will define the vision that the Co-ops regulator has for the organisations under its jurisdiction. The Co-ops Board has the responsibility to show the way co-operatives have to follow and to ensure that they are proceeding accordingly. His views for organisations that are seeking to understand their proper role in an enlarged European Union are therefore more than welcome.

But to set on the discussion it is only proper to learn the overall direction that local policy makers have prescribed for Agriculture and Fisheries Co-ops. We are honoured by the presence of the Honourable Minister for Rural Affairs and The Environment, Mr.George Pullicino, who will expound the Malta Government's views on Co-ops. Much of what the Minister has to say will also apply to cooperatives in other sectors. But today we focus on the two areas directly under the Minister's responsibilities.

I look forward to a healthy discussion after the speakers' interventions. I thank the speakers who accepted to share their views with us. We also appreciate greatly the support we get from the organisations that made the speakers' participation possible.

I now invite the Honourable Minister to present his address.

The Hon. G. Pullicino,
Minister for Rural Affairs and the Environment

OPENING SPEECH

It is a great delight for me to be invited to come and address this Seminar. For the theme set for today's Seminar is one of great interest to me personally as well as of central relevance to today's agricultural and fisheries sectors on our Islands.

To that effect I must at once thank and congratulate the APS Bank for their idea and initiative in programming and organising this Seminar.

Indeed, today's Seminar theme, *Cooperatives in Agriculture and Fisheries and the European Union*, partakes in no small measure of the change programme we have for our agricultural and fisheries sectors, a programme that is desirable on its own merits but also one that is warranted by virtue of the synergies we need to engineer for the revitalisation and modernisation of Maltese agriculture and fisheries at large: this is a commitment which my Government has been emphasising for quite some time, particularly this last year.

I am therefore sure that the discussions and debate which will result in the process of the Seminar will serve to highlight a number of variables that are vital components in any successful programme that integrates consultation with the stakeholders.

I have every reason to believe that the members on the panel will address the subject matter of this Seminar from various angles which, in their entirety, will present a complete framework of updated and fresh ideas on cooperatives, their functions and roles in agriculture and fisheries and the opportunities that are available for this mode of economic organisation by way of our country's accession to the European Union.

Our agriculture and fisheries still have – *and must continue to hold* – important functions in our economy and our socio-economic fabric. Their contribution, in both production output and value added terms, is at significant levels while this sector continues to be a secure source of employment to a great number of households.

One may observe that only around half of these sectors can be described to fall within formal and organised activity. Such a contextual reality leaves great leeways for feasible interventions on many fronts. In addition, there exists comfortable room for efficiency, upgrading of standards, and quality gains in all sectors and virtually along all product lines.

There exists ample anecdotal evidence – from all sectors – supporting that view.

As a matter of fact, the results that have materialized in various sectors during these last years, though still not evenly demonstrated, are encouraging.

In particular, in the cropping sector we have seen the more widespread application of the plastic tunnel and drip irrigation with marvellous results while in the livestock sector – whether dairy, pig breeding or poultry – we are modernizing farms in order to operate efficiently from both the technical and financial points of view. In marketing, distribution chains and processing, for both fruits and vegetables and meat and dairy products, innovational changes are taking place. Moreover, a slow but sure revival has been observed in our cottage industries, a process that gives positive market signals.

Such achievements reflect a cultural trait in our agricultural sector, a strength which needs to be recognised and harnessed.

The same observations can more or less be made for our fisheries sector. Our fisheries in fact are part and parcel of the socio-economic fabric of our islands. The industry needs to be safeguarded and the fisherman can earn his reward for satisfying consumer demand for quality fishery products as well as for sustaining the traditional texture of our islands.

These realities augur well for the future and should hearten us in our overall goal, that of programming a small scale viable self-sustainable agriculture and a dynamic fisheries sector in consonance with the country's needs.

In pursuit of these goals, positive impulses need to be identified and given dynamics through appropriate institutional arrangements that are themselves the vehicle for implementing the desired practical mechanisms for change.

It is precisely here that the cooperative has an important function.

For, at the organisational level, the cooperative is an effective umbrella for the individual producers, whether within an agricultural context or a fisheries one. This will all the more be the case with small producers, which is one primary characteristic of our agricultural and fisheries sectors.

My Government is fully aware that the organisation of producers is necessary and in fact essential for the realisation of our objectives in agricultural and fisheries development. This is so primarily in the interest of the producers themselves because the individual producer will benefit from his cohesion in grouping and thereby be better placed to participate in the market, on both output and quality terms.

My experiences since taking office as Minister responsible as well for agriculture and fisheries have made me believe that the organisation of producers can advance the interests of producers. But the benefits go much further than that, because one can observe that the final result is a symmetrical one in so far as even the consumer can benefit from the availability of a better marketed product and better quality standards.

It is precisely in consonance with such a fact that my Ministry has worked on the implementation of the setting up of producers organisations both as a pre-accession measure as well as a programming measure in the Rural Development Plan for the Maltese Islands 2004 - 2006.

This Government is set to spare no efforts for the revitalisation of Maltese agriculture and fisheries. To that intent, as everyone knows, Government has negotiated with the European Union a Special Market Policy Programme for Maltese Agriculture and a Rural Development Programme as well as a Fisheries Guidance Programme. By virtue of these instruments we have created a chance for the realisation of our goals for these sectors.

As a result of recent negotiations with DG Agri and thanks to Commissioner Fischler's intervention, we have managed to secure, for crop rotation purposes, that the minimum size for voluntary *Set-Aside* be set at not less than 0.01 hectares. This is a crucial point concerning crop rotations in Malta in respect of Good Farming Practices and will result in an increase in the eligible parcels by 98.5%.

Much however depends on the individual producer responsiveness to our policy design and, certainly, the organisation of producers under a cooperative umbrella and/or producers' organisation is a beneficial, mechanism for harnessing the capabilities and flexibilities of our producers as the foremost protagonists in our development programmes for Maltese agriculture and fisheries.

Ansa Norman Palmér, Federation of Swedish Farmers

AGRICULTURE AND FISHERIES CO-OPS IN THE EU – ASSISTANCE GIVEN BY COPA-COGECA

Following the presentation of the organizations of COPA and COGECA I would like to take this opportunity, on behalf of COGECA, to talk about the farming cooperative system in the European Union and the new challenges cooperatives face, at a time when there has just been a crucial decision for European agriculture and their co-operatives.

Although different cultural, economic and political factors have fashioned cooperative law and structures differently in each country, agricultural cooperatives today exist in all countries, be it in those of the European Union or in the new Member States.

These disparities are sometimes very pronounced from the North to the South of Europe, and they will be even more "visible" with enlargement. However all agricultural co-operatives in Europe have a point in common: they are all cooperatives with the same challenges to face!

Before dealing with the new challenges and especially the CAP Reform in depth, allow me to give you a short overview of the farming co-operative system in Europe.

1 European disparity in the types of agricultural co-operatives

In Europe, there is a huge disparity in the types of agricultural co-operatives from one Member State to another, and even within the same country. Co-operatives can be classified according to size (large, small), financial structure (stock, non-stock), organizational structure (centralised, federated, mixed), geographic area served (local, regional, national or transnational); function performed (marketing, supply, processing, bargaining and services), scope (fruits, vegetables, dairy, meat, etc.).

By the end of the 90s, the number of farming co-operatives was very different from one country to another, as well as the number of memberships and the turnover of co-operatives. According to statistics that the Commission and COGECA member organizations provided, as an example, Spain had over 4,000 farming co-ops with more than 900,000 memberships, but turnover only represented a little over EURO 6 billion. At the same time, to give a clear illustration of these disparities, Denmark counted only a little over 200 farming co-operatives, with "only" 110,000 memberships, but turnover represented more than EURO 12 billion. So, Denmark despite the fact it had 20 times fewer cooperatives than Spain, generated twice its turnover!

This does not mean that the farming co-operative system is better in Denmark than in Spain, but it clearly means that their structures are totally different and they do not operate on the same sectors, they do not serve the same geographic areas, etc. As a result, market shares are also very different from one Member State to another.

On the whole, we could say the same kind of disparities exist between the farming co-operative system in the North and that in the South. These disparities are also reflected in the way co-operatives are represented at national level. As a matter of fact, we can generally affirm that in the northern Member States, co-operatives are represented by the same organizations as the ones representing farmers. This is the case of Denmark, Sweden and the United Kingdom, for instance, where one organization represents both producers and co-operatives, whereas in other Member states, organizations representing co-operatives are clearly independent from those representing producers.

European Co-operative Statutes

One way to better understand all these disparities in the EU co-operative system is to work together, something which should be much easier in 2006, with the implementation of the 'European Co-operative Statutes'. Up to now, cross border co-operation among co-operatives, which are a form of enterprise generally recognised in all Member States, is still hampered by legal and administrative difficulties within the Community. This will no longer be the case in a market without frontiers. The European Co-operative Statutes will provide co-operatives with adequate legal instruments to facilitate their cross -border and transnational activities. This will ensure equal terms of competition with multinational companies.

Today, despite all these disparities, it is the duty of COGECA to seek the common interest of all farming co-operatives in Europe, beyond their disparities but all the while respecting these. This is why I would prefer to focus on the common challenges – the new CAP Reform being one of them – the EU farming co-operatives face at this point.

Agricultural co-operatives in the European Union are currently in a state of transformation. The economic, social, and legal environment of co-operatives are changing, requiring adaptive measures on their part as well. The withdrawal of government control from the market, public policy, international trade liberalisation and expansion, new technological developments, changing consumer demand, concentration and integration processes in other segment of product and marketing chain are but a few examples, yet all of them have a huge impact on the development of our co-operatives, placing them under great pressure to adapt themselves to new realities.

2 A New Scenario for Co-operatives: The new CAP

At the political level, a series of changes are proof of the changing historical perspective of agriculture: the CAP Reform, coupled with the ongoing negotiations at the WTO, reduces European institutional prices, lowers tariffs, facilitates competition, restricts supply, and decreases farm support. As a result, the changing political economy creates shifts of interests in agricultural policy: its focus is no longer to merely increase productivity, but also ecological balance, animal welfare, and integrated rural development.

We have seen many reforms of the CAP since its introduction nearly 50 years ago but the one decided in June 2003 was probably the most far-reaching.

(And of course the reforms are not finished yet. The Commission has put forward legislative proposals for the reform of the olive oil, cotton, hops and tobacco sectors. A proposal for a reform in the sugar sector is awaited during this year.)

COPA and COGECA had serious concerns about the original proposals of the Commission and we cannot say that the Council decisions of June have resolved these worries by any means. But now the decision has been made, our main objective must be to ensure that they are implemented in the most effective and optimal way for farmers and co-operatives.

What are, or could be, the benefits of the Reform?

The Commission claims there are many benefits from the Reform: more market orientation, simpler and less trade distorting support, a strengthening of rural development and the linking of support to the respect of certain standards – on food safety, animal welfare, plant health and the environment.

But what does this mean for farmers and agricultural co-operatives?

Well at this stage it is not easy to say because one of the major changes in this Reform, besides the introduction of de-coupled payments, has been the considerable degree of leeway given to Member States to choose how they wish to implement the decisions.

All Member States will have to introduce the single farm payment but quite how they do it is up to them and they have until 1 August this year (2004) to decide. And they can then choose whether to introduce the, single farm payment scheme in 2005, 2006 or 2007 - but indications are that all Member States are likely to go for the early introduction in next year (2005).

Apart from the question of timing, there are two main options for Member States: the possibility to maintain certain production requirements and the basis for allocation of the payments.

Inconveniences of Decoupling: how to limit them?

At present farmers are obliged not only to make production choices on the basis of how they can best optimise returns from the market, but also how they can best optimise their revenue from subsidies. The big advantage of decoupling (if there is one) is that farmers will get the subsidy regardless of their production choices – they will have *freedom to farm.* So in that way their production choices can be solely orientated towards the needs of the market.

The major concern with decoupling is that many farmers – particularly those in difficult areas – will abandon production.

This could create serious problems for some co-operatives, which will be faced with under-supply in their product and be working below capacity. But since they are tied to the territory where they operate they cannot simply move to another site as a private company can.

This is why the Council has given the option for Member States to require farmers to maintain at least a certain percentage of their premia payments coupled to production. Up to 25% of the current arable payment can remain coupled, 50% of the ewe premium and for beef there are several options.

However, this in itself could result in discrimination between farmers since some will have the freedom to farm and others will not. This may be the reason that most countries seem likely to maintain full decoupling in the arable sector and only using the latter option in the case of beef.

Regionalisation

Another major option open to Member States is the allocation of subsidies among farmers. Member States can choose to implement the new payments in a way that ensures a farmer will get more or less the same amount as under the current system – what we call historic payments.

Alternatively, they can choose to reallocate the money among farmers by dividing the total entitlements in a particular region across a wider spread of farmers. So, for example, if they opted for this regional averaging of payments, producers of potatoes or fruit and vegetables (other than permanent crops such as apples) could for the first time find themselves in receipt of a payment. On the other hand, producers of arable crops would see their payments fall.

We have considerable concerns about such an approach because we believe it could give rise to quite serious distortions or discrimination among farmers. However, indications are that most Member States will opt for the historic payment approach and not the regionalised, averaging approach.

Simplification and market orientation

Another objective of decoupling is to simplify the provision of payments by replacing several different payments into a single farm payment. We can see the advantages of this but; unfortunately, the way the legislation has been drawn up is so complicated, with so many different options, that even government administrators are having difficulty in understanding it, never mind farmers.

Some of these problems may be reduced when Member States have decided exactly how they are going to apply the system. In any case however, it seems to me that co-operatives are going to have an extremely important role in helping farmers to adjust to what is one of the most far-reaching reforms we have ever seen.

The vital role of agricultural co-operatives in rural areas must be strengthened: the second pillar

Finally, just (let me give) a comment of a more general nature. COGECA expected the Commission to recognise the vital role played by agricultural cooperatives and producer organizations in general in rural areas.

Consequently, COGECA also expected that the Commission would encourage management by this type of farmers' enterprise - by developing operational programmes - or by initiatives to improve, for example, product quality (quality assurance and certification programmes, the promotion of geographical indications and of organic farming, etc.), and the development of practices that are environmentally-friendly and that uphold animal welfare concerns. To a certain extent, this has been done through the introduction of a new Chapter on Quality in the Rural Development Regulation; co-operatives have now to work in order for their quality schemes to be eligible.

If for some reason co-operative activity would have to decrease or to cease because of the reform in certain areas, this would be catastrophic not only for farmers, bid also their families and their business partners in the same area.

Therefore, we believe that any reform of the CAP must take account of the agricultural co-operatives, which are an essential tool for reaching the set objectives. In view of the economic, social and indeed environmental importance of agricultural co-operatives, the agricultural co-operative form of enterprise must be encouraged over other types of enterprise, in particular by means of new political support for co-operatives.

Austin J. Walker, ex-Chairman, Co-Ops Board

AGRICULTURE CO-OPS IN MALTA

Honorable Minister, distinguished guests, Mr. Chairman, Ladies and Gentlemen. It is my pleasure to be here with you to day for this Seminar on *The Future of Co-Operatives, m the Agriculture & Fisheries Sectors* organized by the APS Bank.

I would like to start by thanking Mr. Joseph Galea Marketing Co-Coordinator APS Bank, who through Professor Lino Delia, Chairman of the Bank, has asked me to give this talk about the development, current standing and the future of the agriculture (farmers') co-operatives in Malta.

I will declare from the outset, that I am neither an expert nor an authority on local farmers' co-operative societies and 1 have to say, that for the last years, I have been ' a bit distant from the day-to-day happenings of these cooperatives.

On the other hand I, have to confess that my attachment to co-operatives is like "my first love". Although currently I am not directly involved with any co-operative, I immediately accepted this invitation as I felt that I was given the opportunity to go back to "my roots" and recall the days when I used to think, plan, and act in the farmers' co-operatives. I remember that I was so involved in the way co-operatives operate that it became for me as a "second" religion.

Allow me to give you a bit of information about my past and my involvement - for over fifteen years between 1972 and 1987, I was directly involved in the management of four primary farmers' co-operatives, namely - (Mgarr Farmers' Co-Op, St. Paul's Bay Farmers' Co-Op, Zabbar Farmers' Co-Op and Mellieha Farmers' Co-Op until it was liquidated). During this period, at various intervals, I assisted in the day-to-day management of Farmers' Central Co-operative.

In 1987, I needed a break. But it wasn't for long as in 1988, I was asked by Government to form part of the Co-Operative Societies Board which I did for two years (1988 -1989). Then in 1990 I was appointed Chairman of the same Board, a post which I kept for 3 years.

In 1993, – after 21 years – I took a break from the Co-Operatives Movement.

After this short introduction, I will proceed with my presentation.

Being that I am the first local speaker at this seminar, I will give you a bit of background on the Co-Operatives Movement in Malta and create a backdrop on the local agriculture Co-Operatives.

The agriculture co-operatives profile

I would not like to bother you with a lot of data and statistics, but it is worth mentioning that the Co-Operative Societies Ordinance was enacted in 1946 – nearly 60 yeas ago – and the first cooperative in Malta was registered in 1947.

For almost 40 years the agriculture and live-stock co-operatives were the only co-operatives in existence. The only exception were the fishermen who registered their first co-operative – *Għaqda Koperattiva tas-Sajd* – in 1964 – 18 years after the registering of the first farmers' co-operative.

Therefore, it comes as no surprise that the Co-Operatives Movement, until some 15 years ago, formed part and was under the patronage of the Ministry of Agriculture & Fisheries. Since then things have changed and during the last 15 years the ministerial responsibility for co-operatives was changed first to the Ministry for Education and later to the Ministry for Social Policy.

In fact, the first co-operative to be set up was the *Farmers' Central Co-Operative* (or FCCS as is better known locally). This Secondary Co-Operative which together with the nine - if I am not mistaken - village affiliates were registered in 1947. The farmers from each locality formed a village based co-operative and together these village co-operatives formed the Farmers' Central Co-Operative Society Limited. Currently there are 7 out of the 9 village affiliates which are: Dingli, Mgarr, Qormi, Rabat, Siggiewi and Zebbug, St. Paul's Bay, and Zabbar. The two co-operatives that no longer exist are the Mellieha which was liquidated many years back (early 70's) and the Zebbug which merged with the Siggiewi one. The FCCS operates at the Produce wholesale market while some of the village co-operatives carry out agricultural retail activities. There are a total of 946 farmers members in these primary co-operatives and the aggregate turnover of this group of co-operatives (including FCCS) amounts to Lm 2.075 million (Euro 4.88 million).

In 1959, the *Koperativa Agrikola Għawdxija - Gozitano* was set up, which I would say is the replica of the FCCS for the farmers in our sister Island of Gozo. This Co-operative operates at the Gozitan produce wholesale market together with a retail operation of agricultural products. This Co-Operative has 646 members and their annual turnover is just under Lm727 thousand (Euro 1.7 million).

The Farmers Wine Co-Op, which as the name indicates, was set by the vine growers to process their grapes in 1960. Currently there are 74 vine growers as members in this co-op and their annual turnover is only Lm42 thousand (Euro 99 thousand).

The Agricultural Co-Operative – or *Agricoop* as it is better known – was set up five years later, that is in 1965. This co-operative was set up to support its members with the importation and retail of agricultural equipment, tools, fertilizers and other products together with technical assistance. There are 1045 members in this co-op. The turnover from its operations is of just over Lm886 thousand (Euro 2.08 million).

In line with the development of the agricultural industry in Malta, the number of full-time farmers has decreased over the years and a larger number of farmers today are part-timers. Just for the record, the total number of members in the Farmers' Co-Operatives amounts to 2,711 farmers with a total Turnover of Lm3.73 million (Euro 8.77 million) in 2001. The number of 2,311 farmer members is a misnomer as most of the farmers have a dual membership. They are members in both the FCCS village affiliates or Gozitano and in Agricoop.

I would like to point out that all these farmers' co-operatives which were registered over 50 years ago are still in existence. They all had their fare share of successes and obviously of problematic periods, but all the farmers co-operatives have stood the test of time.

Through out the years of their existence, these co-operatives have increased the number of members, increased their turnover and kept to their core commercial activity.

Over the recent years, the co-operatives' movement moved away from this scenario of domination by the farmers/herdsmen and fishermen and currently there are more that 55 registered Co-Operatives which operate in practically all sectors of the island's economy and social environment and provide a broad range of services.

It has become an accepted fact that forming a co-operative is an alternative to setting up of a commercial entity or limited liability company.

If one had to analyze what happened and why it took us so long to develop the co-operatives movement in Malta, most probably, there are a multitude of reasons, which I will not be going into. But I think it would be an interesting "case study" to be carried out.

In which areas were the agriculture co-operatives successful?

The two largest agriculture co-operatives are FCCS and Agricoop.

FCCS operates in the wholesale produce market at Ta' Qali and has a market share of around 25% of all the agricultural produce sold in this wholesale market. The FCCS is competing with eighteen private brokers and is by far the largest single entity in the wholesale market. On the other hand, when one considers that out of the 2,000 farmers who take their produce to Ta' Qali, almost 1,000 of them are members in the FCCS village affiliates, it transpires that the market share of 25% is not such a positive indicator. One would conclude, that most of the co-operative members are not being faithful to their co-operative all the time. There might be valid commercial reasons why members are not always faithful, one thing is for sure - in this way their co-operative can never get stronger. This phenomenon needs to be studied and addressed by the FCCS management.

The Agricoop imports and retails agricultural products besides assisting members on technical issues. This co-operative have increased the number of its retail outlets and I believe it is keeping up well with the three or four established competitors on the agricultural retail sector. What applies to FCCS can be said as well to this cooperative, most of the local farmers are members in this co-operative and somehow they still do not buy all their agricultural requirements from their co-operative. There might be valid reasons for this but the management of the Agricoop should look deeply into this issue and try to take corrective measures.

Which are those areas where the agriculture co-operatives have failed?

As we have seen, the farmers' co-operatives have managed quite well their presence on the produce wholesale market and the retailing side, but in my opinion, the farmers' co-operatives failed in the processing of agricultural products and wine making.

To support my statement, here I refer to the Tomato Processing Factory which was operated by the FCCS and the Winery operated by the Farmers' Wine Co-Op in Burmarrad.

These co-operatives set up their own plants, primarily to safeguard their members interests, guarantee to their members that their crop is taken care of and farmers are properly rewarded for their efforts. As time passed by, the plants owned by the co-operatives were no longer feasible and had to stop their operations.

There must have been numerous reasons why these two operations failed.

First things which come to mind are:

- Lack of proper Technical and Marketing Management;
- Lack of marketing strategies and policies;
- Lack of investment to keep abreast with technological progress and automation;
- Lack of loyalty and support by the members towards their cooperative;
- Lack of quality standard by the members (the fact that the Coop guarantees that it takes the members product was counter productive);
- Lack of timely decision making process to rectify matters.

Obviously in the food processing and the wine production there are strong local competitors. The private firms have invested heavily in their processing plants and Ire quite strong in their marketing. Currently the farmers who are members of the co-operatives take their tomatoes and grapes to these private firms for processing and wine making.

Which are the main ingredients that will keep the agriculture cooperatives alive?

All these management tools that I will be talking about apply to the proper governance of any commercial entity. All co-operatives whether agriculture or otherwise have to operate in the same commercial environment and therefore they are no exception.

Like any other organisation the agriculture co-operatives need to keep updating their vision and mission. It is very important that all co-operatives remain focused on their core business activity and increase their efficiency. All co-operatives besides running a business have to look as well after their social responsibilities towards its members and the community in general. Many a time this social dimension is overlooked by the committees of management.

Like any other commercial entity the farmers' co-operatives need competent management. On this area co-operatives in general are weak. Most of the time, agriculture co-operatives rely for their management on one person. When this general manager either leaves the co-operative or does not perform, the whole co-operative fails to function. Co-Operatives need to set up management teams in order to counter act this deficiency and at the same time meet the challenges of today's business world. In all cooperatives the Committee of Management which is made up of members are very much involved in the day to day running of the Co-Operatives and many a time the Manager or Management Team is not allowed enough space to professionally manage the business side of the Co-Operative. May be it is time for each Co-Operative to re-define the role of the Committee of Management.

Another important ingredient is the ownership of the Co-Operative by its members. We all know that the backbone of the co-operative is its members and unless the members feel that the co-operative is theirs the chances of survival are very slim.

Needless to say that the agriculture co-operatives need to have an adequate capital base and their finances in place. In today's world, proper internal controls, efficient reporting systems and adoption of the best practices is the rule of the day. Farmers' Co-Operatives traditionally have always asked their members to contribute a nominal amount of capital. In my opinion the members participating equity has to be equivalent to the benefits that members expect to reap from the Co-Operative. Members equity has to be of a value that reflects the member's commitment and ownership of the Co-Operative.

Last but not least, the agriculture co-operatives like any other organisation, need to have proper corporate governance made up of an efficient reporting system, transparent management and a good decision making process.

All these component parts, we all know, are the pillars of any commercial entity and agriculture co-operatives are no exception. These corner stones need continuously to be looked at, evaluated, updated to the changing requirements of the business world around us and unless we keep our Organisation (the Co-Operative) on top of the situation, it will die a natural death.

Now let's look at the challenges that the agriculture co-operatives will be facing in the coming months and years

The agriculture co-operatives are no different from their members - who are the farmers. We all know that the local agricultural community will be facing the challenges of the removal of importation levies on all agricultural products - removal of all protectionism -and therefore the open market economy, the changes brought about by Malta becoming a member of the EU on 31st May 2004 and other challenges that the future will bring with it.

The fact that import levies have been removed or are in the final stages of being completely removed, is a reality. The local product has to compete with the imported product on quality, presentation and price. Therefore local produce need to be graded, better presented and compete on price with the imported product. This is a new "ball-game" which farmers need to address immediately. On the other hand agricultural products that are exported, need to conform to the "Eurogap Certification". All these are new rules and the farming community needs to get its house in order. Our agriculture co-operatives need to be the catalysts of these changes. Co-Operatives need to educate and assist their members in reaching these new standards. Co-Operatives need to upgrade their facilities, and conform to health and safety and hygiene regulations.

In an EU framework, farmers' co-operatives need to evaluate whether they can act as "Producers' Organisations" (which I understand are more efficient in attracting EU financial assistance) or whether Producers' Organisations have to be set up for the benefit of the farmer members.

The Committees of Management of all the Farmers

Co-Operatives need to evaluate whether there are synergies to be gained by joining forces.

Some of the provocative questions which comes to mind are:

1. Are all the village affiliates of the FCCS currently required? There are some of them that are inactive and most probably wasting resources.
2. Keeping in mind that most of the members of FCCS and Agricoop are the same farmers, the natural question then is: Is there anything to gain if these two co-operatives are merged? Would the farmer members have a better and a stronger co-operative looking after importing and retailing their requirements and at the same time marketing their produce at the wholesale market? This should result in "verticalization" of the value chain with increasing efficiencies and having economies of scale.
3. Another area where agriculture co-operatives are lacking behind is education of the farmer members, research and affiliation to international Co-Operative Organisation. All these can be tackled by a strong organistion like the APEX Organisation which is funded by all Co-Operatives through the Central Co-Operative Fund.

These are all realities and the Committees of Management of such Co-Operatives together with their members need to remove all inhibitions and emotions and take the proper decisions.

The list is not meant to be conclusive and most probably there are other areas which need to be explored.

I believe that if we have the proper mind-set and we are open to change all the farmers co-operatives are to gain.

If we are ready to change then our chances, I wouldn't say of survival but growth, are more attainable.

Conclusion

I believe that our agriculture co-operatives, (as with all other Maltese) will face up to the challenges, opportunities and threats that we will be coming our way in the coming months and as we have done in the past we will succeeded this time as well in overcoming our hurdles.

I augur that our agriculture co-operatives will be stronger, more focused and successful in the months to come.

Godfrey Camilleri,
Assistant Director, Department of Agriculture

CO-OPERATIVES IN ANIMAL HUSBANDARY

Type of Coops

The cooperative system adopted in Malta in animal husbandry was built on the notion of maintaining the individuality of the members. In other words not a kibbutz style. The members may act collectively in purchasing their requirements, in creating services, in processing their produce and also in marketing it, but the primary production that is farming, was left for the individual to practise and develop. Learning farming practices out of the Co-op movement had the disadvantages of creating different levels of farm management and efficiencies.

Initial cause

In the animal husbandry sector, the cooperative system was initiated on two requirements, one was the necessity of collectively buying feeds and the other on the necessity to have a strong voice in dealing for a fair price for their produce. KPH (*Koperattiva tal-Produtturi tal-Ħalib*) being a clear example. Later on came the necessity to market their produce collectively and balance production with demand which was what, in my opinion, brought about the formation of KIM (Koperativa tal-Produtturi tal-Majjal. This was essential after the African Swine Fever so that these producers would feel safe to invest on farm building.

K.I.M. (Pig Producers' Co-op)

KIM started operating in 1983 when the industry was in a poor state and took on board the creation of pork marketing whereby a quota of an amount of fatteners of around 100 kgs each are allotted to each producer per month.This is calculated so as to meet the demand expected. At most this balancing out has worked well and producers' price was maintained at satisfactory level. Obviously there was a time when some importation was required and other times when some storage was necessary. In order to maintain this equilibrium, KIM had to take over the nucleus herd at Comino and in so doing it could keep a check on the quality and quantity of parent stock produced. Here obviously KIM had involved itself in the genetics of this production and in creating high value male and female lines. The creation of multiplier units was also part of the mechanism to keep a good supply of replacement stock. In so doing, KIM managed a system that made it possible to keep out any chance of inbreeding but infact have evolved some hybred vigour and therefore obtained good daily liveweight gain and good monthly production.

This Co-op is maintaining the improvement in the genetic pool by bringing in Artificial Insemination and it is still aiming for further improvement.

Knowing that genetic upgrading is an important tool, the committee had explained very well in the last AGM that it is planning to replace the whole genetic pool with more modern carefully selected breeds.

KIM takes care of the slaughtering requirement and are responsible for collecting money from some 1600 processors and 800 distributors per week. In so doing they are acting as middlemen and therefore have full control in maintaining prices by keeping a balance between supply and demand.

Administration

This Co-op has a seven member committee which is elected from its 170 members, in actual fact all the pig producers in Malta and Gozo. It has a small staff of seven employees who together with the committee officials have quite a workload.

In order to meet its expenses, the Co-op gets 2c for every kilo of meat produced by its members. Only eight mils actually go for administration and the remaining 1c 2 m is a loan given to the Co-op. The Co-op pays the loan back in 2 or 3 years.

New entries will now have to pay Lm1000 which is only fair when one considers the goodwill this Coop has generated.

Other services

This Co-op has its own shop and mainly sells farm equipment. It has also a collective health and life insurance for its members and organises farm visits abroad which helps them to assess modern pig housing with high levels of welfare and efficiency. The Co-op encourages quality and gives trophies to breeders obtaining high grading consistency for the meat produced. One of the best services this Co-op gives is the prompt payment to breeders for their produce. Without this service, the producers will be in a bad cash flow situation.

This Co-op has played an important role in E.U. accession discussions. It is also administering the 15c per kilo subsidy it is getting under the SMPPMA to help this industry lower its prices to meet competition resulting from the removal of import levies.

Targets

This Co-op is hoping to meet other targets. It aims at verticalisation involving processors and feedmills. This is not easy but it could be important to offset the effect of the removal of levies.

Other targets would be the setting up of its own veterinary and advisory service especially regarding nutrition and analysing costs. In my opinion, it would be a good idea if a surveillance board is set up to ensure that this co-op's policies and AGM decisions are carried out. The Co-op needs to invest more in the young producer and the old producers' sons. The committee should organise courses for young producers involving MCAST and the Institute of Agriculture. Similarly foreign speakers should be brought over to explain modern management skills. There is a need for specialists to evaluate and discuss certain issues. For example, ventilation and temperature control which are so important even in our climate are not fully understood and are causing loss in liveweight gain and increase in mortality. This Co-op will have a much more important role to play in the coming years because it is surely the key to its success in an open market.

Co-operatives in animal husbandry have proved themselves important in the past and are proving themselves important at present and it seems that they are going to remain indispensable even in the future.

K.P.H. – Milk Producers Co-op

We need to look back in time to understand the important role KPH has played and what co-ops can do to make life easier for the producer.

Pre-war Malta was a goat breeding country which at one time it is recorded to have had some 70,000 goats. During the war this herd diminished fastly. After the war around the 1950's cows were being exchanged for goats, and this trend continued at a fast pace. The diminishing of marginal land pastures and other factors such as brucellosis eradication scheme, farm mechanisation, etc brought a fast change from goat breeding to cattle breeding. The demand for fresh milk was rising necessitating an increase in cattle population which required vast amounts of feeds. Due to lack of lands high quality balanced feeds had to be produced in large amounts and this is why KPH Feedmill was created.

KPH started operating in 1958 and its first major task was to start purchasing feeds, raw materials collectively and produce balanced feeds. The individual producer was at that time spending a lot of time and money mixing feeds himself. This resulted in producing unbalanced feeds causing losses of protein and money. This was not an easy task for KPH because initially it lacked proper machinery and the producer used to blame the quality of feeds for anything that happened to his herd. This problem has been overcome and KPH has now a modern feedmill which caters for 35 different formulations handling 66,000 tons annually. It obviously started with cattle feeds but now this is only 40% of its production having made inroads in poultry, pigs' feeds, etc. This feedmill can now boast of having reached high quality standards.

It has a well established food safety programme buying raw materials of high specifications and properly labelling its feeds. It has a HACCP (Hazard Analysis and Critical Control Points) system in place together with a professional pest control programme and a well entrenched product recall procedure if the need arise. Feed milling is an important part of the food chain and any hazard entering the feeds at this stage can easily reach the consumer and thus has to be avoided. KPH has made a success of this. KPH realised that verticalisation of the sector was a vital role and its involvement in the marketing of milk on behalf of its members was its second step.

This was initiated in 1985 and in 1986 the Malta Dairy Products was set up and today KPH owns 70% of the shares of this company. This was a very important step because the producer had to understand the difficulties that exist in marketing such a delicate and short shelf life product such as milk even in a protected market. This gave them a good kick start which will obviously help them in the fast changing environment with the removal of levies.

Sales of MDP products rose dramatically since KPH took over and decisions were taken when the need arose with least bureaucracy. This is happening at present with the upgrading of its well outdated building and infrastructure at Hamrun. This building at Hamrun was initially meant to cater for a small fraction of the amount of milk it handles today.

Here we also hope to have a set up which would make it easy to reach high standard of Food Safety which is important for this high risk product. An old building and an outdated infrastructure is the least we need if we have to become more competitive. The KPH with its co-perative thinking has been planning for years to be able to meet the challenges of an open market even in financial terms. KPH is strong enough to meet these challenges. In fact, this co-op movement did not exist in the milk sector I believe this industry would have been in a much less favoured position to meet the fast coming challenges.

The co-op involvement in the milk sector has also helped in order to maintain a good balance between supply and demand. This has been going on for many years using a quota and a price mechanism system. Infact Malta can boast to be one of the very first countries to have had a milk quota which was initiated in 1948 by a commission set up by the British Government. KPH has helped to keep a smooth running system where the global quota adjustment in relation to production and demand is made automatically. Producers also have the advantage of prompt payment for their milk supply especially to the small and the financially weak producers. Unfortunately these are the herds that are not efficiently managed and such a system and other advantages has given them the support they need to keep in business. KPH has also extended its involvement in the beef sector with the setting up of the Malta Beef Company. The strength of this collective movement is already being felt and the producer will soon start having the lion's share. KPH members produce only 18% of the local beef consumption and this creates problems which only a strong co-op movement can solve because it needs the full cooperation of all producers.

A co-op in order to be loyal to its statute has to give as many services to its members as possible and KPH spend about Lm60,000 annually on such services.

These include a veterinary service which is a great tool to reduce certain financial losses in animal husbandry especially in such issues as mortality and infertility. It also includes the purchase of medicinals. Cattle breeding services ensure the supply of high quality genetic material through artificial insemination. This has an important effect on quantity and quality of milk produced per unit feed and therefore affects gross margins. Farm and livestock insurance are also another service given to its members and has assisted quite a few producers in accidents such as farm fires. Members' private health scheme is also a great help to producers who have health problems. KPH has now for quite a long time been importing, checking and repairing farm equipment especially milking machines and coolers. This is vital to assist producers in keeping milking machines in a good state of repair and maintenance. This reduces harm to cows which results in (mastitis) infections of the udder, loss of production and great expenses in medicinals.

KPH gives also other support and assistance schemes including credit and financial facilities. KPH has a Lm6 million turnover and has a staff complement of 45 employees. Through KPH producers also get financial benefits. This includes 6c per gallon on increase in sales from MDP and a discount on balanced feed purchases.

In addition KPH members have a guaranteed milk price and a milk quota benefit which is a 50 to 60% increase which in practice is quite a substantial sum.

Regarding young producers KPH carries out information meeting and training programmes. Youngsters are filling posts in the main committee and are participating actively. KPH is also participating in ambitious advisory service work such as the *Interherd* which we hope will assist to improve the quality of milk in general. KPH has a vigilance board to see that its policies are carried out and has also an ethics board which assist in maintaining discipline among its members.

KPH has also embarked on production of forage from airport grounds to help increase forage production locally. It also imports good quality hay from abroad especially when local production is lean.

Poultry Co-Op

Another co-op which was set up recently in the year 2000 is the poultry co-op dealing mainly in broiler production. This co-op being in its infancy is finding it hard to get moving fast on its programme of verticalisation from the hatcheries to the consumer.

It has rented slaughtering facilities at Hal Far and Gozo and has reached 2000 tons production annually.

Its aim is to get good stabilised prices for its members by buying for them the pullets and then slaughter the broilers and sells them. It has 200 members but it manages to slaughter production produced by 89 members only. This co-operative needs a lot of support because it is vital for these producers. Only by having a co-op can these producers start having prompt payments for their produce as otherwise they could not pay back the feed mills for the feeds supplied.

Another registered co-op is the Gozo Cheeselet Co-op which has an ambitious programme. Together with Malta's organisations it can become an important tool in helping this traditional food obtain better prices and continue to improve its marketing campaign.

These co-ops are ideal producers organisations that can assist in rural development programmes and therefore obtain EU funds for its members. It is hoped that certain co-ops like KPH will also assist through its funds to help upgrade these farms thus making them more competitive and environmentally friendly.

Milk producers badly need to restructure their farms and start spending less time in manure removal, and more time in managing the herd properly by keeping and studying records. It is only in this manner that costs per unit milk and beef can be kept low and profits increased. These co-ops would need to involve themselves more in advisory work and eventually have a bigger share in this advisory service.

Co-ops will need to see how they could assist lame ducks to move out of animal husbandry with the least pain possible.

Co-ops should also need to embark on a more ambitious educational campaign especially targeting young producers. They can assist them to start full herd record keeping, ideally with the use of computers. This will create a new generation of the fully literate producers who will be able to keep and analyse farm records.

Documentation is becoming the major tool in food safety and if they have to include HACCP (Hazard Analysis and Critical Control Points) in their work without documentation, it is impossible.

Co-ops also need to involve themselves in ambitious professional marketing campaigns. These should bring to light the advantages our local products have over imported products. The words fresh milk, fresh broilers, fresh egg, fresh cheeselets need to become a household name. All co-ops in agriculture should join forces with the assistance of the Rural Development Programme and have a common approach.

Ivan Portanier, Full-time fisherman

FISHERIES CO-OPS: THE WAY AHEAD

I want first of all to thank APS Bank for inviting me to take part in this Seminar. The Fisheries Sector is being very well supported by APS Bank and our presence in these important Seminars confirms this fact.

Fishermen's Co-ops in Malta have existed since 1964 when the Ghaqda Koperattiva tas-Sajd was formed with the intention of leading fishermen in a difficult environment. The Co-op was meant to organise them so that they could benefit from the additional profits that might arise from the sale of bait, especially fishing bait used for the swordfish season. I have to explain that we buy Atlantic mackerel as bait for swordfish and tuna fishing and the cost is substantial. Through the formation of this Co-op fishermen were ensured of the availability of bait when required as well as of the best quality. Moreover they could share between them the 25% profit which used to be charged by importers of this bait. Fishing tackle started also to be imported by the Co-op.

Later on, in 1991 the Koperattiva Nazzjonali tas-Sajd was formed. The Ghaqda Koperattiva tas-Sajd now has 112 members whilst the Koperattiva Nazzjonali tas-Sajd has 330 members. Whilst the latter accepts only full-time fishermen as members the former accepts also part-timers. Between them the two co-operatives make an annual turnover of 4.25 million euros in the sale of fresh fish including a considerable amount obtained from the export of blue-fin tuna to Japan.

By joining a Co-op fishermen may enjoy other benefits besides the fact that they form part of an organised group. Foremost amongst these is the entitlement to duty free diesel for their boats, half of their social security contributions are refunded, approximately 50% of the commission which is deducted from the sale of their fish is refunded to them by their cooperatives because the government has a marketing system where a certain percentage of the commission deducted by the middlemen on the sale of their fish is refunded to the various cooperatives. The cooperatives in turn then distribute approximately 50% of this refund passed to them by the Department of Fisheries & Aquaculture. This amount depends on the volume of fish that they landed. and sold through the Fishmarket. One here must add that fishermen are given official vouchers when selling fish at the Fishmarket, the only authorized source through which fresh fish can be sold, and then they are refunded part of the charge made by middlemen, as explained above, depending on the monetary value registered on these vouchers.

The co-operatives have also managed to introduce a special scheme for the sale of swordfish. Whenever the catch. is abundant, and there isn't a ready market for all that fish, rather than selling the swordfish at a giveaway price and what is not sold is thrown away, as used to be done before, a minimum price is fixed depending on the size of the swordfish, and it is auctioned in a normal way in the fishmarket. That which has not been sold at one minimum price is then bought by the cooperatives. The cooperatives pay the fishermen for whatever is left of their catch, blast-freeze it and keep it in the cold-stores until the market conditions permit. Generally this fish is then put on the market when there is a shortage of supply due to weather conditions or also it is offered as a delicacy on special occasions such as Christmas and other festivities.

Another marketing exercise which the cooperatives undertake is the export of blue fin tuna. As one can imagine tuna is a very large fish which can weigh anything between 200 and 400 kilos . So large catches can be of substantial weight, Malta being a small country, represents a limited market, so the solution, besides that explained above, is exporting that which is considered over and above the demand for fish by housewives and catering establishments. If this is not done it is very difficult to get fishermen interested in fishing for this delicious fish. I have here to draw your attention to the fact that fishing especially for swordfish and tuna is very expensive and thus besides the physical effort fishermen have to invest heavily to be well equipped for it. To quote some examples of expenses involved: normally more than six men have to be on board; fishing bait costs about eight Malta liri for a 25 kilo box; and a mackerel used on a line will not be always the ideal bait if used again. Lots of fuel are also necessary as boats have normally two engines which have to remain working for the whole five or six days that normally fishermen remain in the open seas when going for this type of fish, ice has to be available all the time on board to keep the catch fresh, fishing lines and hooks have to be of a special quality and wear and tear is of course not to be disregarded when boats go for these strenuous activities. If therefore the sale of the catch through the local market or export is not "ensured" fishermen will not take the risk.

There are other advantages, which I feel I should not take your time to mention but at least allow me to include a very important one. Since time immemorial fishermen in Malta have used wooden boxes for fish. These are not as hygienic as one would wish and expect and are not acceptable by EU standards. The Co-ops are therefore introducing plastic boxes which are more hygienic and offer a better product to the consumer. The boxes are being ordered by the co-ops and fishermen, besides of course paying more reasonable prices, are benefiting from this initiative. .

We are on the threshold of the EU. Malta's membership may, as in many other cases, offer fishermen advantages and disadvantages as practically everything in life. The most advantage that Maltese fishermen are expecting is responsible management of fisheries in the Mediterranean. We are expecting that at least all fishermen of member states will have to adhere to the same conditions. We honestly however hope that the EU Fisheries authorities will keep in mind that it is not only EU fishermen that are operationally active in the Mediterranean. All decisions taken should therefore reflect this fact and we must not conserve fish in order to have them caught by fishermen from outside the EU. Up to the present day fishing in the Mediterranean was controlled by Regional Advisory Committees of the FAO and all countries fishing in the Mediterranean were bound by the same rules. Let us keep this in mind when the EU implements regulations for Maltese fishermen.

What we are expecting to have is a better marketing system for fish. Now in all probability Producers' Organisations will take over from the co-ops. I believe in these organizations and I appeal to the Ministry to introduce these Producers' Organisations as soon as possible and to obtain from the EU those advantages that go with the setting of these bodies. I strongly feel that we can organise our marketing possibilities through them and the Maltese fishermen may be at least at par with their cousins from other nearby EU countries.

Whilst speaking of marketing may I hope that the Fishmarket will be completely rehabilitated and offer better hygienic conditions and I hope that it will be transferred to the Fishermen's Producers Organisations to be completely managed by them. As you are aware the EU offers funds for such schemes as the modernization of fishmarkets. We should therefore not lose this opportunity. Let us hope also that marketing of fish in Gozo will be well organized to the benefit of Gozitan and Maltese fishermen. As the system now stands in Gozo fish is sold on the jetty and prices do not always reflect the effort made by Gozitan fishermen. Unfortunately sometimes these procedures and pricing systems also hit badly Maltese fishermen.

Another advantage of EU membership which I hope to see implemented is the offer of retirement schemes for fishermen. We have seen along the years that when catches were much bigger than the demand and thus prices fell to bottom levels the EU offered retirement schemes to fishermen. Such schemes enabled fishermen to retire and thus reduce the fishing effort. However, fishermen received attractive pensions which enabled them to live decently. To mention a particular EU exercise for fishermen, those who have been active in the trade for at least fifteen years and have more than ten years to reach pensionable age are not only offered a pension, but this may be commuted into a lump sum if the person in question opts to start a new business or trade. To give an example, if the retired fisherman starts working as a carpenter he may commute his pension in such a way that he can buy the required machinery, and thus continue an active life without endangering the marketing possibilities caused by excessive fishing.

Another advantage I look to with earnest is that the EU will offer better export opportunities to Maltese fishermen. We have in the past been hindered by levies imposed by the EU for imports of fish from non EU countries. Let us hope that now not only will the levies be obviously lifted but let us look forward to offer other countries in the EU the high quality fish for which we have a sound reputation. This is mainly due to the fact that the Maltese fisherman takes attentive care of the fish he catches immediately these are hauled on board. The best quality is thus assured.

May I also justly expect that help will be offered to us by the EU in the availability of consultants and experts who can teach the fishermen and the Producers Organizations how to compete efficiently and fairly with fishermen and Producers' Organisations in other countries. We strongly need assistance and I am relieved to note that one of the speakers in this Seminar will be launching a scheme for aid to Co-ops funded by FAO.

Another positive outcome from the setting up of Producers' Organisations will be the timely payment of fisheries. At present, fishermen have to wait up to two months before they are remunerated. Such delay should be tackled with urgency, even before Producers' Organisations are instituted!

You may be thinking that I am expecting much from the EU. But please bear in mind that as soon as we join, practically to-morrow, imports will no longer be controlled and the Maltese fisherman will be facing competition from thousands of other fishermen from EU countries. I therefore dare to mention another possibility. EU funds are also available for something we have for a long number of years disregarded. I am referring to industries which will be set up to process the fish which we to-day export to Japan and other countries to make the best use of it. I say for a long number of years and do not categorically state that we never thought about these industries because records show that well over eighty years ago an Italian industrialist had a small processing plant at Marsa and even small fish, which to-day are not even sought by fishermen, used to be sold to him for processing.

Finally may I come to a crucial point. As I stated before there are two fishermen's Co-ops at present and all attempts to unite them have failed. Admittedly they are working closely together now much more than they were before and undue harm may not be arising. But is it a question of having one co-op or one for each type of fishing? To quote an example the owners of trawlers have different interests from those of the traditional fishermen. The lampuki fishermen may have other interests than the swordfish and tuna fishermen who generally have large boats. Therefore, we should consider the usefulness of having all primary co-ops under the umbrella of one secondary co-op as farmers have. It pays to consider critically this approach.

May I therefore end this presentation by suggesting to the fishermen and the Ministry to study carefully this possibility and finally come to the most beneficial solution to the fishing sector.

Thank You.

János Juhász, Co-Ops and Rural Organisations Officer – FAO

FAO'S APPOACH TO DEVELOPING FARMERS' COOPERATIVES AND ITS RELEVANCE TO MALTA

FAO's perspective regarding the role of cooperatives in food security and sustainable agricultural and rural development is provided by the World Food Summit Plan of Action which stipulates that:

Governments, in cooperation with the private sector and non-governmental organizations, will:

- *Foster the social and economic organization of the rural population with particular emphasis on the development of small-scale farmers', fishers' and foresters' cooperatives, community organizations and development associations, so that rural inhabitants may be actively involved in decision-making, monitoring and evaluation of rural development programmes;*
- *Promote the empowerment of small-scale family farmers, fishers and foresters, both women and men, to set up their own cooperatives and business undertakings, as well as farmers' and fishers' financial and mutual institutions.*

(Commitment Three, Objective 3.5)

As is also recognized above, FAO considers viable farmer self-help organizations an indispensable precondition for sustainable agriculture and rural development.

There are three basic types of formally recognized farmers organizations, namely: farmers' unions and/or associations, farmer business co-operatives and Chambers of Agriculture. Farmers' unions and associations represent the "policy" arm of the farm movement, whereas farmers' co-operatives are the "economic" arm of the same movement. Chambers of Agriculture, on the other hand, form an official "interface" between farmers and government. Outside of the formal sector, there are also a host of loosely- organized informal farmer groups, ranging from Farmer Field Schools, to small farmer producer groups, contract farming groups, etc.

Cooperatives and farmers: advantages and trade-offs

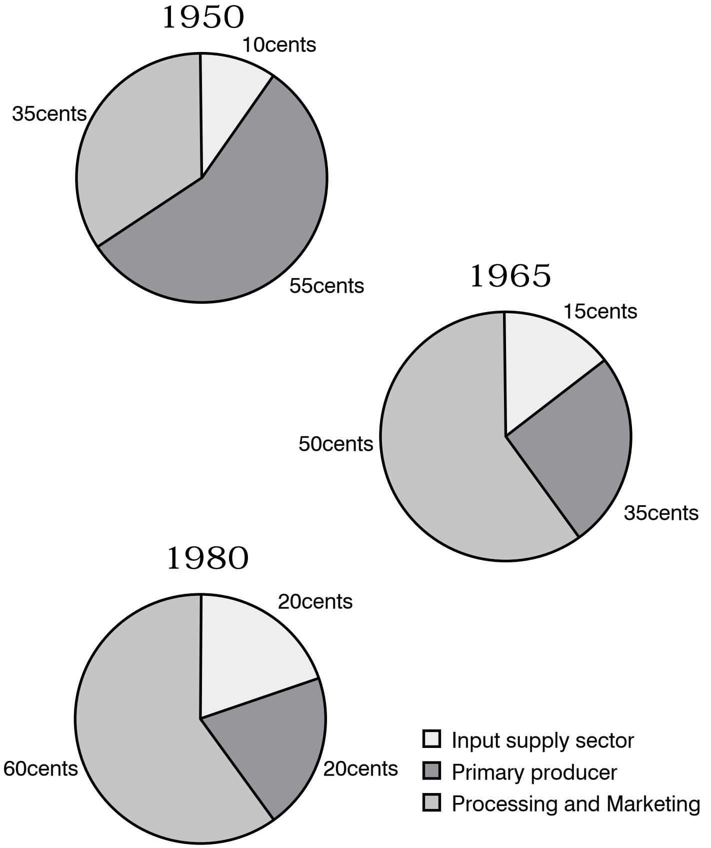
FAO's main focus has been on strengthening the group business management capacities of small informal farmer groups and larger formal farmer organizations with economic purposes to improve the businesses of farmers and increase their incomes. Co-operatives in agriculture perform economic functions and have a number of obvious advantages for farmers. Economies of scale, reduced transaction costs, increased business safety and the provision of (new) services are, by all means, among them.

However, it would be a mistake to see co-operatives as a general panacea to any problem. There are several fundamental conditions that make the establishment of a cooperative justified. A cooperative solution can be considered if there is a group of motivated individuals who share common problems and existing problems and constraints cannot be solved individually and there is no alternative to co-operative self-help - e.g. help cannot easily be provided from family, a social institution, a private enterprise or the state. It is very important, furthermore, for the potential members to be aware of the fact that co-operative membership does not mean only advantages, it entails duties, too. However, advantages of cooperative membership (access to goods, inputs, loans, services, markets, etc.) should always outweigh duties (e.g. contribution of resources such as money, time, land, equipment etc.). In other words, there should be a trade-off for the members who join. Furthermore, some, or at least, one person in the group should have leadership ability and take the initiative to represent the group. Finally, and important precondition is that there are no legal or political restrictions on groups being able to elect their own leaders; market their own goods; earn profits and to make their own decisions about distributing surplus, etc.

What should farmer co-operatives deal with

Another major issue: what should co-operatives deal with? Both co-operative leaders and members are faced with and must consider this problem. To answer the question, we should first have a look at the farm and food marketing chain schematically.[1] It is composed of three sectors. The first one is the input, or upstream, sector, then the agricultural and farm production itself, and finally the processing and marketing, or downstream, sector. As time goes by, more and more inputs are purchased by the farmers and more and more value added product goes to the marketplace. So farmers should be both wise buyers and successful sellers. This trend has a strong impact on the area which co-operatives should be involved in.

Composition of the consumer's "food dollar"[1]



("Agricultural adjustment in developed countries", FAO, Rome, 1972)

As it is shown on the chart above, based on a 1972 FAO estimate of consumer spending on food, in 1950 consumers spent 10% in the input sector, 55% in farm production proper, and 35% in processing and marketing. By 1965 these proportions had changed dramatically, with money spent on farm production down to 35%. In 1980 the proportions were 20/ 20/ 60. So already in 1980 only 20 cents of the consumer's dollar spent in a shop went to the farmer. And this trend is continuing today. Clearly, organizations of food processing and marketing that are owned by farmers are absolutely necessary, and the most appropriate institutional form for this is the co-operative. In light of this, the focus of FAO's activities is on two main areas. First, it provides assistance in developing government co-operative policies and strategies, and co-operative legislation. Second, institutional capacity building through training of co-operatives themselves to address these very problems is a very high priority for and a successful area of FAO assistance programmes.

Conditions for continued cooperative success

Not only the creation but the running of a cooperative as well requires the presence of a number of conditions which are essential if a cooperative is to continue to be successful after the initial enthusiasm of starting up.

The most important condition is the continued participation of members. Co-operatives are participatory self-help organizations and follow the "principle of identity": the owners, decision-makers and users are identical, the members. In accordance with this principle, members have both the rights and obligations of participating in goal-setting, decision-making and control or evaluation processes of their co-operative. Members should decide upon the services to be provided and benefit from what is produced or obtained by the co-operative. There are usually incentives for them to contribute their own resources (capital, labour, produce) to the development of the co-operative. As experience shows, a major reason for the failure of co-operatives is the lack of participation of members. It is extremely important that members act as both users and owners in the development of co-operative organizations through participation at three levels:

- participation in provision of resources (input participation) e.g. contribution of capital, labour, delivery of produce, As government support in financing cooperative development declines in many developing countries, agricultural cooperatives will have to rely much more than before on member sources to finance the cooperative business. This will require a shift in emphasis away from just rewarding the "member user" of cooperative services, but also providing adequate incentives that encourage members to invest in their cooperative;
- participation in the decision-making processes of the co-operative organization as a member in the general assembly, section meetings, work groups, committees or as an elected leader on the board, and;
- participation in the produced benefits (output participation), by sharing the surplus earned during the year by the co-operative enterprise, in the form of a patronage refund, interest on share capital, or the use of joint facilities and services.

Another important precondition for continued successful operation is the need for the co-operative to produce visible and tangible (economic and social) benefits for members. Co-operatives can only develop as autonomous self-help organizations when they are able and allowed to operate as business institutions geared to succeed in market competition.

Continued success requires that the co-operative has motivated, experienced and dynamic managers who are able to plan and implement business policies. They must be able to provide the services and goods required by the members, taking into account both the interests and needs of members as well as the entrepreneurial goals of the co-operative enterprise.

The type and management of the organization should correspond to the capabilities of its members. If members' competence and motivation is low, the promotion of complicated and complex co-operative organizations does not make sense.

Cooperatives, as any business organization, also need to be flexible and able to change with the circumstances. At present, co-operative organizations all over the world are facing the task of transforming and adjusting themselves to a new economic and political environment, market oriented conditions and increasing member demands. This means a need to learn new production methods, new methods of organization and management, and in particular, ways to help maintain or increase, member loyalty and commitment. This can be achieved through increased participation, communication and information provided the organization's core activities are efficient in meeting members needs.

Government and cooperatives

Cooperatives' relation with the government is an "evergreen" issue and will remain crucial under the new conditions of globalization and market liberalization. The bottom-line in this respect is that cooperatives should be seen as autonomous organizations and governments ideally should act only to create the general framework conditions needed so that co-operative autonomy, self-financing and self-reliance are strengthened. This means ensuring that legally, groups are allowed to elect their own leaders; to market their own goods; to earn profits and to make their own decisions about distributing surplus and to carry out numerous other business activities in the members' interests. In other words, governments hold the key to the liberation of cooperatives, *inter alia* by creating a favourable legal and policy environment in which genuine cooperatives can develop.

But aside from this, governments can also play a more active role, for instance by focusing technical assistance and available financial support on strengthening local cooperative management capacities and enabling cooperative self-reliance to become a reality. The challenge governments face is how to provide such financing support in such a way that it does not undermine the cooperative's progress towards achieving financial self-reliance. Nevertheless, governments do have a legitimate role also in supporting farmer cooperatives, above all, for purposes of social equity. It is being increasingly recognized that market forces and the private sector are inappropriate to handle services due by society to the weaker, poorer and underprivileged sectors of the population and which they are patently unable to pay for. When it comes to rural cooperatives, special features which justify continued support include the often high level of poverty and, in many developing countries, illiteracy of their members and their geographical isolation from markets, supplies, political decision-makers and technical innovations alike. Government support should, therefore, be directed towards strengthening a society's member service functions: this is especially important in outlying areas and can serve to attract new members or reactivate current member interest. Guarantees for loans or provision of tax exemption are further potential areas for legitimate government support to cooperatives.

In present times, however, when government capacity for intervention declines, legislation governing cooperatives needs also to be redirected. Legislation has a major impact on the operation of cooperatives and this can be negative or positive. What is needed to promote participation and democracy, and to allow cooperatives to compete with private operators is less regulatory legislation, legislation which is easier for members to understand, less intrusive, and which aims at facilitating cooperatives' operation rather than controlling them. Once efficient and democratically functioning structures have been established, cooperatives should be allowed to be self-regulatory, just as other private businesses are, within the framework of the law.

Relevance of farmer cooperatives in Malta

Globalization and trade liberalization in general and Malta's imminent accession to the EU in particular, will pose, however, strong external constraints to the country's agriculture and will require the introduction of sharp modifications in agricultural policies. The tradition of a highly protectionist policy can no longer be maintained and the dismantling of import levies, duties and excise taxes is one of the important provisions of the Government's Special Market Policy Programme for Maltese Agriculture (SMPPMA) to be implemented by May 2004. Furthermore, the policy recommendations included in the European Commission 2003 Regular Report on Malta's Progress towards Accession (Chapter 7: Agriculture) specifically note that there has been insufficient progress in the introduction of a legal framework and administrative structures for the establishment of Common Market

Organizations, including the activities of producers' and processors' organizations.

Malta's agriculture operates in highly unfavourable conditions and faces major structural constraints posed mainly by land and water scarcity and high labour costs. To enable the small-scale, often part-time, farmer to face the new challenges and survive value-added production through joint action is a must and, therefore, the services of viable farmers' organizations/cooperatives will be indispensable.

Agricultural cooperatives are known in Malta's agriculture. However, under the protectionist agricultural policy, cooperatives and their federations have mainly been seen by farmers as political pressure groups that conveys farmers' claims for more protection to the government. Nevertheless, cooperatives have an established and traditional institutional structure and in at least two sub-sectors, in milk and pork production, have significantly contributed to the organization of input supply, veterinary services, processing and marketing. They are, however, still weak from a business point of view and without institutional and managerial strengthening will not be able to withstand liberalized market conditions

In light of the above, there is an urgent need for strengthening the existing agricultural cooperative structure in the country. Cooperatives should become genuine, voluntary, self-help business organizations of farmers that provide them with the necessary services needed for an increasingly value-added production and for the achievement of economies of scale in the market place. Based on a rapid appraisal, it seems that most of the cooperative sectors, such as the pig breeders' cooperative, the milk producers' cooperative and the vegetable and vine cooperatives have a well- established organizational set-up which could absorb further capacity building assistance through which they would be able to adapt to the requirements a liberalized market on the one hand and those of the Common Agricultural Policy (CAP) of the European Union.

The poultry sector needs special attention. The poultry sector is important in Malta and it also has a market niche in the longer term, provided that high level, value-added products that meet EU standards are produced. For the last ten years, both the egg and broiler producers have been trying to organize their activities in the framework of cooperatives. At present there are two cooperatives in the sector: The Koperattiva tat-Tjur and the Gozo Poultry Breeders Cooperative who are closely collaborating in preparation for the challenges that the accession of Malta to the EU will present. For the time being the poultry cooperatives are weak but have a great potential to develop. Their respective Boards and the majority of their members are aware of the need for major change in their approach and operation and have already launched a bottom-up initiative to restructure the cooperatives. Individual producers are not extremely poor and are interested and would be ready to make further investment in their poultry farms. However, marketing uncertainties, in particular their exposure to conditions set by hatcheries and slaughterhouses and lack of influence on market prices make them ambiguous. They recognize that a strong, viable cooperative organization could greatly improve the situation.

The Government of Malta is fully aware of the need for viable farmers' cooperatives and the issue of strengthening the cooperative structure in agriculture and the institutional capacities of APEX to become an efficient umbrella organization and marketing facility for agricultural cooperatives are given high priority. The Government is firmly committed to pursuing a comprehensive agricultural cooperative business development programme elaborated through a technical cooperation effort with FAO.

FAO assistance

FAO will provide technical assistance to Malta under a newly approved Technical Cooperation Project, entitled "Strengthening the organizational and business capacities of agricultural cooperatives" The project will be implemented over a a period of 10 months, starting immediately.

The project will assist in:

- the development of a comprehensive and appropriate government policy and a strategy and plan of action for cooperative restructuring and business capacity building at primary cooperative level as well as at the level of secondary cooperatives and the APEX - Federation of Maltese Cooperatives;
- in the preparation of a comprehensive organizational restructuring as well as enterprise and business development plan for the poultry cooperatives (Koperattiva Tat-Tjur and Gozo Poultry Breeders Cooperative) to serve as a pilot cooperative model for other sectors.
- in providing government and cooperative policy makers and representatives of existing agricultural cooperatives with a better understanding of the operating principles and practices of agricultural cooperatives under the conditions of globalization and trade liberalization and the experiences of successful agricultural cooperatives in the EU.

In carrying out this ambitious programme, FAO wishes to develop a genuine technical cooperation with all stakeholders in Malta. To that end, it is proposed that a *National Working Group on Cooperative Development* be set up composed of representatives from Government, Cooperative Board, APEX, the Maltese academic community, APS Bank and primary and secondary cooperatives. These national stakeholders, in collaboration with an international agricultural cooperative development consultant, an international enterprise management and marketing consultant and two national consultant, will carry out a detailed survey and SWOT analysis of the cooperative sector in the Maltese agriculture. Through a process of workshops, training courses and sector-specific task force efforts, three major outputs will be developed during the lifetime of the project:

- a consensus review paper highlighting the situation and common constraints of the agricultural cooperatives in general and in each of the five sectors (fruit and vegetables, poultry, pork, wine and dairy), in particular;
- a set proposals for policy measures, strategic guidelines and an action plan for short (immediate) and medium term action in agricultural cooperative restructuring and capacity building, with particular reference to the mandate and functions of APEX - Federation of Maltese Cooperatives;
- a comprehensive organizational restructuring and enterprise and business development plan for the poultry cooperative sector (Koperattiva Tat-Tjur and Gozo Poultry Breeders Cooperative).

It is hoped that, through these outputs, the project will be able to make a tangible contribution to developing a viable structure of agricultural cooperatives in Malta. This, however, will need an efficient follow-up implementation of the proposals by the all stakeholders. The strong commitment of the Government of Malta for pursuing a comprehensive agricultural cooperative business development programme, the motivation and creativity of the cooperative members and managers and the prime interest of the APS Bank in cooperative development, as is also demonstrated by organizing and sponsoring our Seminar today, provide firm guarantees for a steady continuation of the process launched by the project.

1 Based on: *Panos Kolyris: Co-operative Transformation Strategy - A Guide for Co-operative Managers, Budapest, Hungary, 1994*

Mario Falzon, Chairman Co-Ops Board

THE BOARD'S PRESENT POLICY AND HOW AGRICULTURE AND FISHERIES CO-OPS FIT IN

It is a great pleasure for me to address this Seminar as a guest speaker. I was indeed delighted to receive the invitation to come and address this Seminar.

I am sure that the title of this Seminar will provoke a lot of discussion which may take the form of a heated debate.

I augur from the outset that such an outcome from this Seminar will take place because discussion stimulates consciousness and awareness. We will no doubt agree that discussion – even in the form of a heated debate – can be healthy.

We are living historical times. The accession of Malta to the European Union on May 1, 2004 is an appointment that we have been hearing, talking and arguing about. The accession date is indeed a historical milestone that leaves an impact – and needs to impact – on each one of us in many respects.

Serious awareness of this reality calls basically – for serious awareness of the adaptation and harmonization task incidental to Malta-EU accession.

Malta is a small island and a peripheral State, a reality that for some people provides an opportunity while for others seems a bit negative. Nevertheless, on accession, our country is expected to adopt the EU ideas on markets, internal and external, trade, economic organization, etc: this notion applies as well to our agricultural and fisheries sectors and, therefore, it must condition our logistics on the appropriate adaptation and harmonization exercise.

It is precisely within this context that the theme of our Seminar today is of a particular momentous relevance, a relevance that incidentally is also shared by other producers in Member States and the accession countries because such a Seminar, with more or less the same theme, was organised by TAIEX and COGECA in Brussels on 12th June, 2003: for everyone's information the exact title was *Agricultural Co-operatives in the enlarged European Union.*

To each and every one of us today's Seminar theme, namely, the *Future of Cooperatives in the Organisation Fisheries Sectors,* implies production in an EU framework. This new economic environment gives rise to three distinct but intrinsically related issues:

- The policy framework for agriculture and fisheries in the EU;
- The producers cooperative function in these policy areas; and
- The organisational and institutional aspects of the producers cooperative function.

There is a policy framework for agriculture and fisheries in the European Union – the Common Agricultural Policy and the Common Fisheries Policy. Together these two policy areas account for slightly less than 70% of the *Acquis Communautaire*. In both sectors there is a common organisation of the market and both have been through reforms for an updated alignment with the evolving realities.

For agriculture, the reform of the Common Agricultural Policy has been guided by the fundamental principles underlying the European model of agriculture.

Basically, this model aims to transform European agriculture into a modern and competitive farming sector but one that is sustainable and efficient and at the same time satisfies consumer demand at reasonable prices. In these respects, agricultural products must be hygienically safe and respect environmentally friendly production methods whereby consumers get the quality products they seek.

Besides, under its increasingly important second Pillar, the European model of agriculture sees the farming sector as one that serves rural communities.

Therefore, the farming sector is accepted to be one that reflects the rich tradition and diversity and whose role is not just one to produce food only but also one to guarantee the survival of the countryside as a place to live and work and as an environment in itself

The same principles hold for the Common Fisheries Policy whereby the “common fish pond” for fisheries resources needs to be safeguarded for self-sustainability goals while the fishermen earn a just reward for satisfying consumer demand for quality fish products.

This is only a simple outline of agricultural and fisheries policy within which Maltese producers, in these two sectors, will be expected to operate as from day one of our accession.

I will leave it to other panelists to go deeper into the issues from their own angle if they so decide.

One question now arises: how will our small producers wedge into this policy framework? And it is precisely here that we run tangent to the relevance of the cooperative as an umbrella for our producers and their organisations.

Our world today is one of more and more liberalisation and inter-related markets. We have this year witnessed the Fifth Ministerial Conference of the WTO. Though negotiations have failed, certainly no one questions the momentum for more and more liberalisation.

This is a reality of paramount importance especially to the small individual fanner. Because in today's evolving economic life his molecular significance needs to find its sustainability through cohesion within the appropriate organisational arrangements which, to all intents and purposes, can be a co-operative or a producers' organisation or, at a certain level of an organisational maturity, a producers' organisation within a cooperative.

I am sure that quite a good number of our producers in the agricultural and fisheries sectors have in recent years had the direct experience of witnessing such organisations abroad, perhaps in one of our 'neighbouring' countries, Italy, Spain or Portugal.

There are a number of reasons why such an organisational arrangement may be desirable. That is primarily so because satisfying the price-quality equation of today's market demands firstly, maximising the concentration area, secondly, good organisation, and thirdly, finding solutions to a whole range of socio-economic variables.

These are all attainable requisites. And, if this is so, there should be no reason why, with the development of the right orientation, a cooperative, as a producers' organisation cannot be assigned the management of the product line.

One may describe that as a stage of maturity but it is one that is attainable and attainable within a reasonable period of time. Such a stage will essentially entail:

- the level or degree of the concentration of production output,

- the improvement of the producers', as members, supply of output,
- the adequate commercial scale
- the definition of the desired product lines, and
- the effective participation in the market which, in due course, can also include the design of particular marketing windows.

The growth of any co-operative or producers' organisation can only be constrained by the technical and economic efficiency of its natural extension in upstream and downstream activity. This is in fact one of the opportunities of the Single Market within the European Union.

That the co-operative and its producers have their established platform in Brussels is well known. There are reasons for that.

In the first place, the EU Cooperative has reached certain economic importance

According to the latest published data, the EU Cooperative movement:

- **comprises** above 30,000 cooperatives with an estimated membership of about 9 million members and a total staff of about 600,000 people;
- **supplies** over 50% of all inputs required for agricultural production;
- **handles, processes, and markets** over 60% of all farm products, for both direct foodstuffs and non-food sector;
- **provides** a range of services for their members;
- **contributes** to the maintenance and improvement of the family farm structure and income levels; and
- **assists in safeguarding** the viability of rural areas, infrastructures, regional development, employment

and social conditions, etc.

Agricultural and fisheries cooperatives therefore play a prominent role in the economy and are also important from the socio-political point of view.

Almost 40 years of action have secured for Europe a resilient European agriculture, which protects the European farmer and the development of a European rural society. These achievements will endure as long as:

(i) the authentic interests of the farmer are defended; and
(ii) farmers and their families obtain income, and living and working conditions, which are comparable with those in other sectors of the economy.

These goals explain why throughout the years agricultural and fisheries producers were, able to establish their voice in Brussels under the umbrella of COPA[1] and COGECA[2] in the case of agriculture and EUROPECHE[3] and COGECA in the case of fisheries.

These bodies have a number of objectives, which may be described as follows:

(i) to examine any matters related to the development of the agricultural and fisheries policy;
(ii) to represent the interests of the agricultural and fisheries sectors as a whole;
(iii) to seek solutions which are in the common interest; and
(iv) to maintain and develop relations with Community authorities and with any other representative organisations established at European level.

Their working structures are determined by three basic ideas:

(i) to enable representatives from the various agricultural and fisheries production sectors and areas to discuss matters affecting their respective sector or area and to suggest solutions to the problems posed;
(ii) to co-ordinate work in the overall context of agriculture and fisheries; and
(iii) to represent all sectors and areas together.

These goals have resulted in a specific organisational structure and methods of action aimed primarily towards participation in the preparation and implementation of all EU policies, which form the framework of action of all cooperatives.

We can today boast of a reasonably long tradition of cooperative activity. Their historical record demonstrates that they have been voluntary self-aid organisations of farmers and fishermen. They have established a record in support of the interests of their members and have through time secured their economic independence and existence.

Above all, our cooperatives have shown that they can take part in the economic responsibilities, decide internal policy issues and control their activities in consonance with the EU cooperative principles of solidarity and economic democracy.

It is on this basis that Government embarked on a revision of the basic Cooperatives legal instrument, which resulted in the enactment of a new Cooperatives Law.

One final remark: our cooperative framework is basically that prevailing in the Classical British-Indian Model. This kind of structure gives members flexibility and leverage for creative and innovative adjustments; merits through which our cooperatives will in future find it easier to adjust to and adopt fully the European Cooperative Statute.

The Irish co-operatives experience is perhaps a very heartening example. The Irish co-operatives too had – and still basically have – the classical British-Indian cooperative model. The challenges and opportunities brought about by their country's accession to the European community made them adjust to change and their results have been splendid.

Ours are times fraught with great challenges. But these are also ones of new opportunities. Much depends on how we orientate ourselves and create a chance for us to realise a success.

This applies no less to our cooperatives. We should no doubt agree that if our producers, in both our agricultural and fisheries sectors, become aware of the evolving realities they will harness their capabilities and be flexible enough to devise a model that suits them and one which adds value in our national wealth creation.

1 COPA: Committee of Agricultural Organisations in the European Union

2 COGECA: General Confideration of Agricultural Cooperatives in the European Union

3 EUROPECHE: Association of National Organisation of Fishing Enterprises.

PROFILE OF AUTHORS

ANSA NORMAN PALMÉR
Is at present working for LRF (the Federation of Swedish Farmers) and stationed in Brussels. LRF is a member of COGECA as well as of COPA. Her main tasks in Brussels are, besides the work with COGECA, to cover the Common Agriculture Policy. Before arriving to LRF, Mrs Norman Palmér worked at the Swedish Ministry of Agriculture, Food and Fisheries, at the Food Division. She was also representing Sweden in management committees at and Council working groups. During the Swedish Presidency in the EU she was appointed as Chairman for Council Working Groups. She also spent seven years at the Swedish Board of Agriculture, and was responsible, among other duties, for the implementation of EU's support system for Direct Aid for Livestock production in Sweden.

AUSTIN WALKER F.C.C.A., F.I.A., C.P.A.A.
Currently he is the CEO for Mizzi Organisation which he joined in 1997. He has served as Secretary to the Mgarr, Zabbar, and St Paul's Bay Farmer Co-operatives between 1972 and 1987; a member of the Co-operatives' Board between 1988 and 1993 (Chairman from 1990); has been a member of the Agricultural Marketing Board between 1992 and 1996 (Chairman from 1994) and re-appointed Chairman in 2001 a post he still holds today. Since 2001 he is also a member of the Board of the Institute of Agriculture at the University of Malta.

GODFREY R. CAMILLERI
Currently Assistant Director at the Department of Agriculture and has speciliased in Dairying optaining a Diploma from Reading University and Seale Hayne Agricultural College. He acted as Director for the Milk Producers Co-operative (1975-83) and later served as a Principal

Agricultural Officer (1988-91) on Animal Husbandary, Research and Development, and has been a Principal Scientific Officer since 1991. He has also served on several government and non-government boards and committees.

IVAN PORTANIER
Interested in fishing from a young age, consequently read a lot about fishing; studied Communications but then returned to fishing on full-time basis; in 1991 was appointed Committee member of the Koperattiva Nazzjonali tas-Sajd; served on the board of the Central Co-Operatives Fund and the Council of Apex; has been producing radio and TV programmes promoting more fish based diets and explaining the hardships of fishermen.

JANOS JUHASZ B.Sc., M.Sc., Ph.D.
He is currently the Co-operatives and Rural Organizations Officer at the Rural Development Division of FAO. For more than 35 years he has been involved in the implementation, evaluation and policy advice in sustainable agricultural and rural development with emphasis on agricultural/rural cooperatives and other farmers' organizations. Has been involved with international activities of ICA (International Cooperative Alliance), COPAC (Committee for the Promotion and Advancement of Cooperatives). Has been associated with FAO for the last 29 years.

MARIO FALZON MBA (Maastricht)
He is currently Chairman of the National Board of Cooperatives since 2003; member of the Board of Directors Cooperatives Board (1998-2003); and member of the committee of experts of the Council of Europe for the promotion and access to employment (2000-2). He is also the CEO for the Malta Transport Authority. He has extensive experience in the labour and employment sector. For 18 years he held senior managerial posts with the Employment & Training Corporation.

APS Seminars Proceedings Series

2001	*Water and Agriculture in a Competitive Environment*
2002	*The Code of Conduct for Responsible Fisheries and its Implementation in the Mediterranean*
2003	*Ecosystem Based Fisheries Management in the Mediterranean*