

# The Future of Agriculture and the Agro-Industry in Gozo\*

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## Introduction

This brief article summaries the main findings of a dissertation presented by the present author in partial fulfilment of the B.Com. (Hons) degree in Economics. The study mainly focused on the Gozitan agro-industry and analyses the implications brought upon by membership of the European Union. It deals with four main products, namely tomatoes, grapes, milk, and honey. The conclusions derived, therefore, are also relevant to the Gozitan agricultural sector as a whole.

Gozo has a relatively large agricultural sector when compared to Malta. One reason for this is that Gozo is very dependent on its sister island Malta for practically all manufacturing raw material, and therefore it is difficult to develop a sustainable manufacturing sector in Gozo.

Most of the information was obtained by means of qualitative data, that is, interviews with the directors and managers of organisations. Also a few informal interviews were made with farmers to get a feel on the current situation. Quantitative data was also derived from surveys conducted by the National Statistics Office (NSO) and other findings by previous authors on the subject.

## A new competitive setting

Before accession to the EU, Gozitan agriculture and the Gozitan agro-industry survived to a large extent without the need for major subsidies, mostly through protection from competition from imported products. However, when Malta became a member of the EU, levies and other forms of protection were dismantled. Although subsidies have been introduced, these are often temporary arrangements, and Gozitan farmers have no other option but to adapt to a new unprotective setting which will eventually expose them to full competition with their European counterparts.



## Main findings regarding agriculture

The study produced a number of interesting conclusions, including the following:

1. It appears that the initial impact on agriculture in Gozo immediately after accession, was negative. The total amount of full-time and part-time farmers decreased. Furthermore, the increase of foreign products entering the market negatively affected the income of Gozitan farmers. However, in spite of all this, the key stakeholders interviewed were optimistic that with the right attitudes and with improved efficiency, the Gozitan agro-industry could survive and thrive.
2. Gozitan farmers face a number of problems, with the main ones being water resources constraints and very small holdings. This makes it somewhat difficult for Gozitan farmers to compete with their EU counterparts. In addition mechanization is greatly restricted owing to the small size of the fields and the typology of Gozitan farmland.
3. Another problem is that the Gozitan domestic market is very small, and transporting goods to Malta or to European markets is costly. This keeps Gozitan farmers from diversifying their products.

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4. Gozitan farmers have benefited from a number of compensatory arrangements in order to mitigate these disadvantages. From the funds obtained through the SMPPMA<sup>1</sup> as well as from Process Fund from the Rural and Development Plan (2004-2006)<sup>2</sup>, funds have been allocated for marketing schemes. This is to help improve the local market and induce consumers to choose local products. Currently there is a campaign running entitled '*Naturalment Malti*' – it appears however, that more effort needs to be made to foster awareness that local products are fresher and better than imported ones.



## The agro-industry

Regarding Gozo's agro-industry, it is very important that the restructuring plans be implemented within the defined transition period and are followed by the operators concerned and that, during this period, operators adjust and creatively find alternatives as to how to improve their current production and become more efficient in order to compete in an open market within the EU.

After just one year as members in the EU, it is difficult to access long term impacts on the Gozitan agro-industry. However some operators in the industry are already achieving promising results but others need to upgrade their organization with regard to marketing,

hygiene, and safety standards. This is a great challenge which requires considerable effort by all concerned since. Gozitan business tend to be somewhat conservative in this regard and it is sometimes difficult to persuade some operators to change their traditional mentality and pull them away from old working practices to a more modern market-oriented approach.

Furthermore, hygiene and safety standards are very expensive to implement and this could prove unsustainable for some small operators. Therefore the funding obtained from the EU appropriate attention should be given to hygiene and quality standards.

## Conclusion

From several interviews conducted by the present author with key stakeholders and from the information gathered from press releases and other sources, one can conclude that after a year as members of the EU, it appears that there is still much to be done to render the industry sustainable and a lot of hardship involved in the restructuring process, which will need to be undertaken in the coming years.

It is, therefore, important that Gozitan farmers and agro-industrialists prepare themselves for a more intense competitive setting, and towards this end, the funding and compensatory measures should be wisely utilized in order to enable Gozitan operators to become more competitive and to step up their efficiency.

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<sup>1</sup> The Special Market Policy Programme for Maltese farmers is a programme, which provides the gradual removal of levies, which will then be replaced with direct income support for farmers and restructuring assistance for the processing industry

<sup>2</sup> This programme provides a framework to build, over the medium to long-term, a new agricultural sector that is integrated with the rest of the economy.