

**Malta's National Strategy for the  
Common Organisation of Agricultural Markets (CMO)  
Fruit and Vegetables**

**2008 – 2013**

A document prepared pursuant to:

Article 103 of Commission Regulation (EC) No 1234/2007

Articles 57, 58 and 60 of Commission Regulation (EC) No 1580/2007

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## Foreword

EU Member States are called to develop a national strategy for sustainable operational programmes in the fruit and vegetable market, pursuant to Article 103 of Commission Regulation (EC) No 1234/2007 and Article 57 of Commission Regulation (EC) No 1580/2007.

The final document of the national strategy must be drawn up in accordance with the instructions contained in Annex VII to Commission Regulation (EC) No 1580/2007.

Notwithstanding this provision, for the year 2008, Member States may determine the “overall structure and content of the national strategy ... [which] may be comprised of regional elements”, Article 57(1) Commission Regulation (EC) No 1580/2007.

The national strategy includes the following elements:

- a) an analysis of the situation in terms of strengths and weaknesses and potential for development;
- b) justification of priorities adopted;
- c) objectives and tools of the operational programmes, performance indicators;
- d) evaluation of operational programmes,
- e) producer organisations reporting requirements.

The national strategy also incorporates the national environmental framework (Annex A) and the modalities and the parameters for the recognition of producer organisations (PO) (Annex B).

Moreover, Member States are called to set the maximum percentage rates of resources that can be spent for each measure to ensure a proper balance between the different measures.

It has been verified and confirmed that the national strategy - including the 'environmental framework' - needs to test and demonstrate "complementarity and consistency of the actions selected, and with other national / regional actions, and in particular with activities supported through European Community funds, and in particular with the rural development measures.

# **1 Duration of the National Strategy**

The duration of this planning document is temporary, relative to the activities that may be carried out by POs for the years 2008 and 2013.

Each year, as provided by EC Regulations, the National Strategy may be amended.

## **2 Analysis of the situation in terms of strengths and weaknesses**

### **2.1 Analysis of the current situation**

Malta is handicapped by a number of structural constraints limiting its competitiveness in agriculture and agro-industry. The most obvious can be listed as follows:

- 1) opportunity cost of land due to land scarcity, resulting in a high economic rental value of land. This is further compounded by fragmentation, tenure issues and poor soil quality;
- 2) the second constraint is the lack of fresh water reserves, resulting in the farming community tapping all water aquifers for irrigation;
- 3) thirdly, labour costs are high in a situation where the rate of unemployment is only about 5%.

In view of these constraints, Maltese agriculture cannot attain the high productivity standards achieved elsewhere in Europe. Labour productivity in agriculture, measured as Gross Value Added (GVA) per Agriculture Working Unit (AWU) stands at €14,443, compared to the EU25 average of €16,862.

On the whole, the agricultural sector accounts for only 2.4% of the total GVA generated by the Maltese economy. Notwithstanding this minimal direct contribution to economic growth, the role of agriculture in Malta goes far beyond that captured in figures. Agriculture has been important in shaping the rural landscape and the environmental character of the islands. Today agriculture remains a major contributor in maintaining the quality of the landscape exhibiting multiple functions and values beyond its economic contribution.

Malta is considered as being self-sufficient in fresh vegetables, potatoes and processed tomatoes. Fruit, sugar, vegetable oil, rice, butter, cheese, and beef are imported in bulk to meet national needs. Following Malta's accession to the EU and the dismantling of protective levies, the sector experienced a surge in imports. The importation of fruit and vegetables increased, and although local production volumes did not fluctuate dramatically, producer prices recorded significant fluctuations. In many cases, farmers marketed their produce individually rather than collectively, thereby limiting their ability to receive a higher return from the market. High mark-ups on producer prices at retail level, further epitomised an inefficient distribution system. Till recently, there were no attempts to market Maltese produce as a distinctive brand or to market on the basis of the guaranteed quality of Maltese production. There is a heavy dependence on traditional wholesale markets and little effort to identify and market produce through new marketing channels resulting mainly in poor collaboration between farmers and other stakeholders in the sector.

In order to remedy the structural deficiencies affecting the supply and marketing of agricultural products, the producer organisations (PO) have to be supported to modulate market forces and to meet quality standards. To achieve this, support needs to address issues of training, planning and optimisation of product output, improve the quality of primary and processed produce and access and implement technical support for marketing and production activities.

The Maltese fruit and vegetable sector involves a total of seven different entities; five classified as Producer Organisations and two as Producer Groups.

The Gozitano PO belongs to Category 1, the Koperattiva/Għaqda tal-Produtturi Gromriza Maltese Agri Products Ltd and the Ta' Qali Producer Group are categorised as 2 & 3. The other five all belong to category 4. Out of the seven, only the Għaqda tal-Produtturi/Koperattiva Agrikola Għawdxija - Gozitano Ltd and the Koperattiva/Għaqda tal-Produtturi Gromriza Maltese Agri Products Ltd have a legal

personality in that both are co-operatives. The remaining five POs are not formally constituted and therefore lack the required legal personality.

There are a total of 1,011 producers (5.9% of total farmers) who are members in all seven organisations.



Table1: Inventory of Producer Categories involved in the Fruit and Vegetable sector.

Code	Type	Category	Name	Legal Status	Members
1a)	PO	1	(Għaqda tal-Produtturi / Koperattiva Agrikola Għawdxija - Gozitano Ltd) - Universal	Cooperative Limited	432
1b)	PO	2&3	(Koperattiva/Għaqda tal-Produtturi Gromriza Maltese Agri Products Ltd) - Fruit & Vegetables	Cooperative Limited	100
1c)	PG	2&3	(Ta' Qali Producer Group) - Fruit & Vegetables		160
1d),(1)	PO	4	(1) Għaqda Għawdxija tal-Produtturi tat-Tadam		81
1d),(2)	PO	4	(2) Għaqda Produtturi tat-Tadam Maltin		133
1d) (3)	PO	4	(3) Għaqda Bdiewa Produtturi tat-Tadam		63
1e) (1)	PG	4	(1) Produtturi tat-Tadam ta' Malta		42

The financial information on the organisations is presented in Table 2.

Organisation 1a) had a VMP of €3,023,866.76, €3,711,017.94 and €3,782,776.15 for the years 2004, 2005 and 2006 respectively. A total of €111,057.12 and €144,421.15 was received in the form of aid for the years 2005 and 2006 respectively. This is equivalent to 3.67% and 3.89% of the VMP of the respective years.

Organisation 1b) had a VMP of €1,695,647.47 and €1,745,533.47 for years 2005 and 2006 respectively and received in the form of aid €24,390.87 in 2006 equivalent to 1.4% of the VMP.

Organisation 1c) has applied for aid in 2008 on the basis of 2007 for an amount equivalent to €100,000. This is the first time that this organisation will be benefiting from this aid.

Organisations 1d)(1) had a VMP of €671,950.01 and €847,384.07 for years 2005 and 2006 respectively; 1d)(2) had a VMP of €426,264.29 and €565,779.25 for years 2005 and 2006 respectively; and 1d)(3) had a VMP of €134,570.46 for 2006.

Table2: Financial data on the organisations

Organisation	Year	VMP* Lm	VMP €	Aid received under OP	Aid received under SMPPMA	% on VMP under OP
1a)	2004	1,298,146.00	3,023,866.76	No Aid		
	2005	1,593,140.00	3,711,017.94	111,057.12		3.67%
	2006	1,623,945.80	3,782,776.15	144,421.15		3.89%
1b)	2005	727,941.46	1,696,647.47	No Aid		
	2006	749,357.52	1,745,533.47	24,390.87		1.40%
1c)	2007 <sup>2</sup>				n/a <sup>1</sup>	
1d) (1)	2005	288,468.14	671,950.01			
	2006	363,781.98	847,384.07			
1d) (2)	2005	182,995.26	426,264.29			
	2006	242,889.03	565,779.25			
1d) (3)	2006	57,771.10	134,570.46			

VMP: Value of Marketed Production

<sup>1</sup> The beneficiaries of the aid under this transitional arrangement are the individual farmers themselves and not the Producer organizations or Producer groups.

<sup>2</sup> In 2008, in respect of the year 2007, this PG has applied for the amount of €100,000 and they will be benefiting from this aid for the first year.

Malta is characterised by the fact that only a small number equivalent to seven POs are in operation. Nonetheless, they have managed to overcome all the difficulties associated with start-up and contribute significantly in the manner the Fruit and Vegetable sector is being managed. The presence of one universal PO and six sectorial POs sheds light on how European Regulations are implemented. Although the universal PO is facing increasing challenges in terms of sustainability and development of activities, it operates in coherence with the core requirements contained in the relevant Regulations, the sectorial POs are experiencing particular circumstances.

It is evident that the POs operating within the sector of fresh fruits and vegetables have a very strong farmer participation. Meanwhile, the sectorial POs (those producing tomatoes for processing) seem to lack a proper participative structure and as a matter of fact, some of the key roles in the organisations are occupied by non farmers that are employed by the agro-processors.

Another major difficulty being faced by POs is that the supply chain has not been developed completely and many farmers still sell a significant portion of their produce through the pitkala (middlemen) instead of passing the process through their PO. In various cases, farming is being conceived mainly as a hobby and diversion rather than a full time employment opportunity. Though this mentality is not totally impeding the creation and further development of POs, it can potentially slow down and lengthen the process of adaptation.

A blanket characteristic of Maltese POs is also the general lack of the necessary capacity, especially in terms of qualified and suitable human resources. Furthermore, little specific training has ever been carried out to refresh and update the people who are employed within the management structure of the POs. The importance of creating specific professional figures, both at management and administration level, could help drastically in the improvement of activities.

From a financial point of view, most, if not all Pos, are weak. They lack the precise legal framework and definition for POs and have no access to specific credit schemes. Hence, most POs experience financial instability and inefficient cash flow patterns.

The strategy is intended to address these issue and other weaknesses that have an impact on all POs.

## ***2.2 Strategies adopted to address the strengths and weaknesses***

The strategy adopted takes into account the national dimension within the wider framework of the Common Agricultural Policy. Thus, the national strategy highlights the weaknesses and the strengths of the situation at present.

The aim is that of providing the legal framework through which the present strengths can be further developed and adjusted to meet all the requirements as set by EU directives and regulations. This is now of the essence and is a driving force in all the national strategy. Meanwhile, weaknesses have been clearly identified in order to address them and ensure that every PO is in line with the various requirements under EU law. Various weaknesses can be classified as quite fundamental and therefore, the strategy clearly identifies that these should be addressed accordingly.

The strategy intends to encourage those positive practices and approaches undertaken by POs in order to consolidate their position and role both at market level and at members' level. The consolidation of these crucial intermediate bodies that are able to get farmers together and assist them in the development of local agriculture is of extreme importance.

The strategy encourages POs to implement a mix of measures that aim to improve the level of tangible and intangible investments. Thanks to a balanced use of the

measures provided, POs would be able to increase the competitiveness and know-how of their members, and also to create a buffer from excessive market fluctuations.

### **2.2.1 Relevance of the targets set for Producer Organisations**

As part of this Chapter, an evaluation of the relevance of the interventions contemplated within Malta's National Strategy for Common Market Organisations (CMO), Fruit and Vegetables (F&V) 2008 - 2013 can be obtained on the basis of the analysis of the measures envisaged. The analysis for each measure within the Malta National Strategy for CMO F&V 2008 – 2013 indicates that the potential relevance of all the possible measures is very high. This is due to the fact that POs will be able to reach a solid position in the market and to provide their members with full guarantees and financial benefits. This result can be obtained thanks to the balanced mix that the Malta National Strategy for CMO F&V 2008 – 2013 sets out, between price support measures and soft policy actions. The balanced and proactive use of the resources available can take existing POs to a maturity stage and encourage other organisations to consolidate their structure.

### **2.2.2 Coherence of the internal strategy**

The internal strategy provides various measures which are intended to provide a fine net of aid for the development of POs. Various measures which may be adopted by POs make great emphasis on the environment. This underlying factor is very important as it continues to develop on the very fundamental issue that the farmer is the person safeguarding the environment. Thus it is envisaged that measures which are undertaken by the individual farmer as well as measures to be directed by the PO as a central organ have as their main aim the optimising of quality and the respect of the environment.

Other measures are intended to be used alternatively. For instance, market withdrawals and non-collection have a similar effect and a similar underlying scope but with a different approach. It will be up to every single PO to decide whether and also which of these measures it will put into force. Similarly, crop insurance, is also an important instrument which might be used alternatively by POs in order to assist farmers in reaching viability and sustaining their activity.

### **2.2.3 Complementarity and coherence of actions**

The importance that the European Union attributes to the rural world in the ambit of the development policies of European areas. is confirmed - in the 2007-2013 programming period – by the expected initiatives supported by other EC funds. Indeed, the European Regional Development Fund (ERDF) regulations contain provisions relating to specific territorial particularities, but require the existence and the respect of the principle of complementarity and coherence between actions financed by the ERDF and those financed by EARDF (European Agriculture Rural Development Fund).

In addition, all programmes must establish a clear demarcation of responsibilities between the two Funds; but also within the same fund, the various operational programmes must state clearly:

- the existence of possible overlap between different measures;
- the methodology and statutory provisions designed to "differentiate" and to maintain the separation between management and the beneficiaries of the actions and measures embarked upon.

The EU requires an exact description of participation competencies, in respect of the principles of coherence and complementarity, implemented with a demarcation that is effective, operational and controllable.

The individual beneficiaries will specifically certify the inexistence of overlap of the PO's participation in other public funds and the control shall be entrusted to the Paying Agency that will be responsible in carrying out all the required and necessary controls.

#### **2.2.4 Expected Outcomes**

The expected outcomes are those of sustaining and strengthening those POs which are already in existence, and by making them adapt to EU Regulations. This will be a process of rapid change. The measures themselves are intended to sustain agriculture in the full respect of the environment and this will be one of the most expected and desired outcomes. This result will also be achieved with the aid of other measures already contemplated and approved within the Rural Development Plan.

The national strategy will thus provide a holistic approach to the development of POs and their producer members and will therefore be striving to create a better environment both for the farmers themselves as well as for the community at large.

### ***2.3 Impact of previous operational programmes***

It must be pointed out that up till now in Malta, no Operational Programme has arrived to its completion. The first five-year operational programme presented was the Five-Year Operational Programme presented by Għaqda tal-Produtturi / Koperattiva Agrikola Għawdxija - Gozitano Ltd in July 2004 with the first operative year being 2005. This same operational programme will arrive to its conclusion after the operative year 2009. It will be at that point in time that conclusions can be drawn and the effects of the operational programme can be properly assessed.

### **3 Objectives and tools of the operational programmes**

Article 103 of Commission Regulation (EC) 1234/2007 indicates the objectives that will be pursued through the implementation of Operational Programmes measures:

- a) production planning;
- b) improvement of product quality;
- c) increase in the commercial value of products;
- d) marketing of fresh or processed products;
- e) environmental measures and environmentally friendly production methods, including organic farming;
- f) prevention and crisis management.

These measures are to be added to the objectives set out in Article 122(c) of Commission Regulation (EC) 1234/2007:

- i) ensuring that production planning with adaptation to product demand, especially in qualitative and quantitative terms;
- ii) the concentration of supply and marketing;
- iii) optimisation of production costs and stabilization of production prices,

and the planned actions of Annex VII to Commission Regulation (EC) 1580/2007:

- research and experimental production;
- training and consultancy services.

The list of feasible measures is only indicative and should not be taken as exhaustive.

It is left to the discretion of the actuators (APO / PO) to identify the measures most suitable for reaching of the objectives within the requirements set out in ANNEX VIII



of Commission Regulation (EC) No 1580/2007 and to demonstrate their achievements.

### **3.1 Requirements relating to the measures**

1. The measures proposed in the national strategy form the basis of reference for the preparation of operational programmes.
2. With respect to any measures that may overlap with those of the RDP, the National Strategy limits the choices of demarcation to those found in the RDP.
3. The Government has verified that all the measures and the actions proposed in the National Strategy do not overlap with those actions and measures dealt with in the RDP, nonetheless ensuring a degree of complementarity.

### **3.2 Specific information about the measures**

Operational programmes will be structured according to the following:

- Action 1): Planning and Programming of production
- Action 2): Improving the quality of products
- Action 3): Improving the conditions of product marketing
- Action 4): Research and experimental production
- Action 5): Training and consultancy services
- Action 6): Prevention and Crisis Management
- Action 7): Environmental measures
- Action 8): Concentration of supply

Action 9): Optimising costs and producer prices

Action 10): Promotion of fresh or processed products

The major operational indications are listed below:

- A. The duration of the operational programmes is set between 3 to 5 years;
- B. Operational programmes must respect the basic principle of equity of spending between the measures. The parameters and/or constraints of equity are determined within the National Strategy;
- C. The actions and non eligible expenses are listed in ANNEX VIII of Commission Regulation (EC) No 1580/2007;
- D. Each eligible intervention for any action must be focused for the achievement of the set goals;
- E. The operational programmes must correspond to the objectives of “homogeneity and administrative alignment”, in particular it should depict the need to pursue uniformity of the rules and the procedures for cost reimbursement from the operational funds;
- F. The establishment of a standard reporting system which allows a better understanding of POs’ realities; optimising the reciprocal administrative procedures of monitoring and surveillance.

### **3.2.1 Planning and Programming of the production**

This measure includes the action aimed at planning and programming of production and appropriate management of information flow through computer systems, telemetrics and mapping.

The production planning is intended to monitor the production potential of the PO with the aim to adjust supply to demand, plan the PO’s scheduled workload, and to contribute to enhance the detail of commercial agreements. Planning must be taken

in the broadest sense of the word or rather relative to the integration of the management of information from different sectors of the enterprise with the ultimate aim of optimising the management processes from production to sale.

The following investments are included by way of illustration only and are not exhaustive:

#### **3.2.1.1 Acquisition of fixed assets**

Purchase / rental / leasing of hardware and software, remote sensing systems.

#### **3.2.1.2 Other measures**

Flat rate reimbursement of costs incurred by the PO for the activities above-mentioned equal to €30 for every member (agricultural activity) with a maximum ceiling equivalent to €10,000 per PO.

### **3.2.2 Improvement of product quality**

All the actions and interventions aimed at the improvement of product quality are eligible under this action. Quality is defined as being the combination of product characteristics and requirements that a particular product must have so as to satisfy expectations.

An non exhaustive indicative list is presented hereunder:

#### **3.2.2.1 Acquisition of fixed capital**

Purchase / rental / leasing of hardware and software, consultation on the implementations of quality systems, costs for quality certification, projects aimed at traceability, greenhouse cover, tunnel, mini-tunnels, cloches and other types of

durable material for protective cropping, machinery and equipment, procurement of certified seedlings covered by an official phytosanitary document.

### 3.2.2.2 Other actions

Mulching of annuals under protective cropping and the use of materials in conformity with the enforced norms, staff cost for people in charge of the management of quality systems, staff cost assigned to warehouse management. A reimbursement of expenses equivalent to €10,000 per hectare is admissible with respect to planting of tree seedlings.

### 3.2.3 Improvement for the marketing of products

All the activities aimed at achieving an improved market infiltration and value added of the product is eligible under this action. They are favourable interventions aimed to increase the profit margin on the farm side, by reducing costs and increasing the volume of sales. Such interventions are perceived as a means to; widen the product range, consolidate and achieve consistent supply (out of season production), acquire new functions along the supply chain, innovate processes of product management and to improve customer relationships. The added value is also achieved through the increased awareness of the PO, achieving the standards of quality productions as demanded by the consumer and the shortening of time of the product to reach the final consumer.

A non-exhaustive indicative list is presented here:

#### 3.2.3.1 Acquisition of fixed capital

Purchase / rental / leasing of hardware and software, machines and equipment that guarantee technological innovation (also packaging), building of suitable structures, investments in the modernisation of existing systems, setting up of commercial offices.

### 3.2.3.2 Other actions

Staff in charge of the marketing activity, amortisation of structures and/or equipment, cost of lease of structures and/or equipment as an alternative to purchase.

### **3.2.4 Research and production under experimental conditions**

Research activity in the agricultural sector is of fundamental importance with respect to aspects of primary production to identify; potential new varieties, equipment for the improvement of energy efficiency and post harvest procedures with research to new systems and/or machinery.

A non-exhaustive indicative list is presented here:

#### 3.2.4.1 Acquisition of fixed capital

Purchase / rental / leasing of hardware and software, machinery and equipment that guarantee technological innovation (pilot projects), setting up of laboratories (instruments and premises).

#### 3.2.4.2 Other actions

Agreements with research and experimentation centres, and the acquisition of royalties.

### **3.2.5 Actions on training and consultation services**

The proper training of all the operators within the supply chain is a transversal measure that is synergetic with all the objectives of the CMO of fruits and vegetables. Training programmes may include any aspects including primary production, handling and marketing of the products. Complementary to training, an allowance is to be

made for consultancy aimed at augmenting the knowledge in specific issues and the supply chain issues. These activities exclude all those aimed at the prevention and crises management, as they will be dealt within a specific action.

A non-exhaustive indicative list of possible investments is presented here:

#### 3.2.5.1 Acquisition of fixed capital

Purchase / rental / leasing of hardware and software, renting of premises.

#### 3.2.5.2 Other Actions

Direct and indirect cost for training, teaching material and multimedia support.

### 3.2.6 Forecasting and crisis management

To address the issues of crisis management, a measure on the prevention and management of crisis has been introduced in the operational programme for the organisation of producers, hoping that this measure will lead to an greater attractiveness in the POs.

To meet such goal, a provision for supplementary financial aid (+0.5% of the turnover) for the interventions in the prevention and management of crisis. These are:

- a) removal of product from the market;
- b) harvest prior to maturity or poor fruit and vegetable yield;
- c) promotion and communication;
- d) training initiatives;
- e) harvest insurance;

- f) support to cover the administrative expenses for the creation of investment funds.

The measures for the prevention and crisis management, include the reimbursement of both capital and interest, and can reach up to 33% of the estimated cost of the operational programme. To finance this measure, the POs may make use of commercial loan agreements: the re-imburement of the capital and interest thereon may form part of the operational programme, making use of the Community financial aid schemes.

- Products removed from the market, withdrawn products and products not placed on the market refer to products that are withdrawn from the market according to and in conformity with the Article 76 of Commission Regulation (EC) No 1580/2007;
- Harvest prior to maturation or green harvests, refers to the complete collection of non marketable products carried out prior to the beginning of the normal harvesting date. The products must not have been already damaged before collection by atmospheric adversities, phytosanitary or in other way. The green collection or the lack of harvesting are additional and different practices and are not usually carried under normal cultural circumstances;
- Un-harvested product refers to the non harvest or collection of the product on a particular date throughout the normal production cycle. The destruction of products due to atmospheric adversities or phytosanitary are not considered to be classified as un-harvested or not collected;
- Promotion and communication refers to those complementary measures to other eventual actions of promotion and communication, which are included in the operational programmes and operated by interested associations and POs.
- Harvest insurance refers to those measures aimed at protecting producers' income and that will refund market losses suffered by POs and/or by its

members when these are hit by natural disasters, atmospheric adversities or the eventual phytosanitary and pest infestation.

### 3.2.6.1 Withdrawal of product from the market

In order to guarantee complete information and awareness on the level and dynamics of prices of fruit and vegetables, the PO and the Association of Producer Organisations (APO) and their other recognised forms may implement actions to monitor the market in collaboration with other Government entities.

The operational procedures relating to POs taking part in market withdrawal is compatible with the new Community regulation and is the same as those foreseen in the of Commission Regulation (EC) No 103/2004 of the 21 January 2004.

The maximum amount of support (€1 per 100 kilo) for products which are non indicated in Annex X of Commission Regulation (EC) No 1580/2007 are as follows:

- Artichokes 26.0
- Broccoli 20.0
- Carrots 8.0
- Cucumber 16.8
- Fennel 18.0
- French Beans 16.8
- Mushrooms 350.0
- Onion 8.0
- Peppers 14.4
- Plums 24.8
- Salad 28.0
- Spinach 12.0



- Strawberries 140.0
- Zucchini 14.4

Products subject to withdrawal from the market may be intended, apart from the guaranteed distribution, as governing norms of the Community, even with reference to the biomass, biodegradability and/or composting, animal feed, distillation of alcohol and in the industrial processing of non-food items. The applicable guidelines are:

### Approval of measure

In order for this measure to be approved within the operational programme, the following needs to be verified with regards to the targeted products:

- a) withdrawal is a tool that will in the short term create stability in the supply of fresh produce;
- b) withdrawal must under no circumstance create an alternative outlet within the market;
- c) Withdrawal must not disrupt the management of markets of fruit and vegetables intended for processing.

### Reporting on the withdrawal procedures

In order to receive Community aid, the POs have to present appropriate justification documents that certify:

- the marketable quantities of each product since the beginning of the campaign;
- the quantities withdrawn from the market of each product;
- the final destination of each product, verified by a certificate released on consignment (or equivalent document) of the withdrawn produce by third parties for the free distribution, distillation, animal feed;

- the eventual authorisation of the withdrawal exercise released from the Public Authority according to the respective quantities, so as to satisfy the conditions stipulated in Article 6(3) of Commission Regulation (EC) No 103/2004.

In the case of the produce which is subjected to composting or biodegradation directly by the PO and/or in the case of consignment to third parties, one has to in each case demonstrate with appropriate documentation that environmental national standards have been observed.

When examining the operational programme report the following will be verified; the quantities not placed on the market since the start of the campaign, the respect of the limits established by Community rules. In case of overshoot, the aid will only be given up to the established quantity limits.

## Destruction of withdrawn produce

Withdrawn produce may be destroyed according to the following:

- a) distribution guaranteed according to Article 103 of Commission Regulation (EC) No 1234/2007;
- b) rendered into biomass;
- c) animal feed;
- d) distillation into alcohol;
- e) industrial processing into non-food items.

Only in the case that none of the above are possible will biodegradation or composting be allowed.

## Environmental safeguards

Withdrawal operations have to respect the national standards with regards to environmental standards, as stipulated within the national strategy. The handover of products to the processing industry is possible only on condition that it does not cause distortions and competition for the industries within the Community and with imported products.

### **3.2.6.2 Harvesting prior to maturity or non collection of fruit and vegetables**

The activation of procedures for early harvesting or for the non collection is possible via the presentation of an analysis of the situation and/or the forecasting of the market operated by the subject placing the claim (PO, APO).

In order to guarantee comprehensive information and awareness on the levels and dynamics of the fruit and vegetable prices, the POs and APOs and their recognised associated forms may carry out market monitoring together with the respective government entities.

The interventions are applicable to products marketed by the PO and the admissible value is calculated on the basis of maximum support for the withdrawn products from the market, specified in Annex X of Commission Regulation (EC) No 1580/2007 or in absence of similar tables prescribed by government, applying the standard statistically estimated average yields per hectare so as to reach a quantification for an allowance according to each single species per hectare.

The criteria for application of intervention are as follows:

- the interventions may be limited to a single species;
- the minimum area eligible for intervention is made up of homogenous parcels or of greenhouses, or of chambers in the case of mushrooms;
- the intervention is applicable if the parcel/greenhouse/chamber yields are of normal quality and quantity. The cases to be excluded can be as damages having occurred due to weather adversity and phytopathology that show a decrease in yields of more than 35%;
- the crop has to be managed using good agricultural practice;
- the PO has to indicate the method of denaturing of every single product (denaturing is defined as the operation that renders the product ineligible for being placed on the market. For example, ploughing-in of the entire crop in the case of vegetables, collection of fruits from trees with immediate crushing in between trees in the case of fruit trees, drenching with a disinfectant and the removal of the substrate in the case of mushrooms) so as to avoid issues of environment and phytosanitary.

The schedule and technical / administrative management of the intervention is as follows:

- on presentation of the operational programme (or of the integration within the operational programme for 2008), with the aim of an eventual activation notification of the intervention, there has to be indicated the eventual products and the method of destruction that are intended to be applied;
- in case of need to apply the measure, the notification of the intervention will have to be presented 10 days before the intended harvesting of mushrooms, 20 days in the case of vegetables and 30 days in the case of fruit, attaching the following documentation:
  - a brief analysis of the market to justify the intervention on a single product;

- a list of holdings interested in the intervention with reference to the individual parcel / greenhouse / chamber that will have the intervention;
- a declaration of the commitment to maintain the cultivation in such a way that it will not have negative effects on the environment or be a source of infection;
- an indication on what method will be employed to destroy the product;
- an indication of the period when the procedures are intended to be implemented assuring that the dates precede the normal harvest date;
- an indication of the technicians responsible for the procedure on behalf of the PO/APO.

The control by the competent public Authority must take effect on all the areas subject to this intervention, before/during/after the implementation of the intervention and the following must be noted:

- identification of parcel / greenhouse /chamber and their extensions;
- state of the crop relative to normal cultivation;
- health status of the crop and eventual damages from weather or wildlife;
- presence of weeds in amounts above the norm;
- presence of production within the average yields for the type of crop and the territory;
- that no removal of denatured crop has occurred;
- proper and efficient denaturing;
- respecting time frames of operation.

### 3.2.6.3 Promotion and communications

The activation of interventions for the promotion and communication, within the scope of prevention and management of crises, is possible through the presentation of a

technical report containing the analysis of the possible situation and/or forecasting market situations operated by the applicant (PO, APO)

In order to guarantee comprehensive information and awareness on the level and dynamics of the fruit and vegetable prices, the POs and APOs and their recognised associates may implement actions of market monitoring in collaboration with the appropriate government entities.

The interventions of communication and promotion that will be activated within the measure of prevention and management crises are complementary to eventual other actions of promotion and communication, as foreseen in the operational programme which are being activated by the particular PO.

#### 3.2.6.4 Training initiatives

The activations of training interventions within the scope of prevention and management crises is possible through the presentation of a technical report containing the analysis of the possible situations and/or market situations operated by the applicant PO, APO.

In order to guarantee complete information and awareness on the levels and dynamics of the prices of fruit and vegetables, the PO and APO and their recognised associates may implement actions of market monitoring together with the appropriate government entities.

The interventions on training that will be activated within the measure to prevent and manage crises are complementary to eventual actions of training as provided in the operational programmes and which are being activated by the particular producer organisation.

### 3.2.6.5 Crop yield insurance

The activation of interventions for crop yield insurance is possible through the presentation on an analysis on the situation and/or forecasting of the market situations operated by the applicant PO/APO.

In order to guarantee complete information and awareness on the levels and dynamics of the prices of fruit and vegetables, the PO and APO and their recognised associates may implement actions of market monitoring together with the appropriate government entities.

The interventions on crop yield insurance are those measures aimed at safeguarding the producer's income and to reimburse losses in the market suffered by the PO and/or by their associate members when they are hit by natural disasters, adverse weather or eventual phytosanitary or pest infestations.

### 3.2.6.6 Supporting administrative costs for the creation of a common investment fund

The activation of interventions for the creation of a common investment fund is possible through the presentation of an analysis on the situation and/or forecasting of the market situations managed by the applicant PO/APO

In order to guarantee complete information and awareness on the levels and dynamics of the prices of fruit and vegetables, the PO and APO and their recognised associates may implement actions of market monitoring together with the appropriate government entities.

The interventions for prior reimbursement of administrative costs for the creation of a common investment fund has to be presented by the PO only once per fund for a maximum period of three years.

### **3.2.7 Environmental types of actions (non exhaustive list)**

The actions aimed to the adaptation and strengthening of eco-friendly production systems, are indicated in the attached document - Annex A.

### **3.2.8. Supply concentration**

The possibility for the POs to concentrate and stock products, forms part of a more general strategy that is based on:

- increase of number of members of the POs and/or increase of the economic dimension of the POs (creation of APO, setting up of branches);
- increase in the total volume of production to respond to the increase of demand;
- international trade agreements;
- policies of product aggregation;
- specific projects related to the product or to certain characteristics of a product
- improve POs attractiveness level, also with specific communication actions aimed at raising awareness in the territory concerned;
- realisation of feasibility studies for the definition of a new model for the organisation of the PO/APO.

This approach will make it possible to influence the internal and external factors that have a positive effect on the concentration of the product. This will be achieved both by concentrating the same product from a physical point of view and also through the definition of new organisational models. Projects involving merging/collaboration for



the management of specific commercial actions or aggregation policies, trade agreements, supply chain and group strategies, are encouraged.

The investments carried out could include (non exhaustive list):

- Extra financial assistance (maximum 60% of the costs incurred) for the operational programmes that are presented by more than one PO, that include the implementation of trans-national actions or actions carried out at inter professional level. Operational programmes presented after the merging between two POs are also eligible. The support of merging actions between POs facilitate the reduce management and operational costs, it contributes to the concentration of the supply and it improves the competitiveness and financial position of the PO.
- Creation of commercial branches related to the product. The “branch tool” as established in the Regulation, facilitates the supply concentration, therefore it increases the added value of the production for the members. A branch is defined as an enterprise in which one or more POs are shareholders having the task to introduce to the market the product collected from the members.

### **3.2.9 Costs and production price optimisation**

#### **3.2.9.1. Production costs optimisation**

This measure allows the carrying out of interventions aimed at reducing all cost factors of the PO and of its members. The objective is to contain production and management costs both internal and external to the POs. Actions aimed at increasing plant productivity and production factors, are eligible, as well as those aimed at reducing management costs. The reduction of cost factors can also be achieved through the creation of inter and extra enterprise synergies. Synergies in the

production chain as well as cooperation with other entities with regards to logistics are also eligible.

The investments carried out could include (non exhaustive list):

- a) interventions to reduce production factors;
  - costs related to work and human resources, whose impact depend on productivity and on the investments;
  - costs related to production factors (raw materials, energy, transports, services..);
  - general costs, through the application of industrial accountancy practices.
- b) introduction of process innovation during the cultivation phase, including specific cultivation techniques, that could allow an increase in productivity, a minor environmental impact and a higher profitability level;
- c) increase of revenues through the sale of sub products (no food areas);
- d) production supply chain costs analysis;
- e) interventions aimed at centralisation of purchases;
- f) investment in primary production (machinery, plants and equipment);
- g) mid term analysis of operational programmes;
- h) investments in production and processing phase aimed at reducing costs of the final product.

### 3.2.9.2. Optimisation of production prices

The objective of these measures is to protect price sensitivity and stability from market variations. It includes all those interventions that achieve the objective of sustaining the price, both directly and indirectly. Such actions could include guarantee instruments to reduce commercial risks; the definition of new relationships with processing industry to create the opportunity to find a commercial space for products that, due to production surplus or to the market dynamics, cannot find an adequate

commercial space in the fresh chain; intra chain agreements; inter professional agreements aimed at price stabilisation; the selection of new commercial and industrial channels; the establishment of new strategies to better define the market uptake of products thanks to the production planning. It includes also interventions to concentrate the supply to allow a better monitoring of the market and consumption trends; inter professional agreements between producers, the processing industry and the organised distribution.

The actions envisaged for price stabilisation to the production are the following:

- a) adoption of new financial instruments and/or guarantee instruments aimed at risk reduction and to support market performances of the entities;
- b) new relationships with the processing industry with reference to some products also the utilisation of specialised personnel in the area of planning;
- c) the research of new commercial agreements within the production chain and/or the research of inter professional agreements between PO/APO, processing industry and retailers;
- d) investments aimed to stabilise the quality of production.

### **3.2.10. Promotion of fresh and processed products**

This measure includes the promotion of the commercial brands of the POs and APO and their branches. Article 5 of Commission Regulation (EC) No 1580/2007, this measure is also provided for under in the conditions established in Annex VIII, (15) of the same Regulation. The aim is to increase the consumption rate of fruit and vegetable both fresh and processed.

The investments carried out could include (non exhaustive list):

### 3.2.10.1. Acquisition of fixed assets

Acquisition / leasing / rental of hardware and software; realisation and set up of stands; modernisation of the existing plants; setting up of commercial offices.

### 3.2.10.2. Other actions

Promotion and information campaigns; participation in fairs; promotion and development of commercial brands; creating of promotion and information material; online and offline communication; company image design.

## **4. Designation of competent authorities and bodies responsible**

The Ministry for Resources and Rural Affairs is responsible for the management, monitoring and evaluation of the national strategy.

### ***4.1 Legal framework***

Refer to the Fruit and Vegetable Producer Organisations Regulations (LN63/04).

### ***4.2 Agro environmental measures***

Refer to the Fruit and Vegetable Producer Organisations Regulations (LN63/04).

## **5. Description of the monitoring and evaluation systems (Article 12(2)(d) and (e) of Commission Regulation (EC) No 1182/2007)**

### **Balance indicators**

With reference to Article 57(5), of Commission Regulation (EC) No 1580/2007 the following allocation criteria are defined, as provided in Article 103 of Commission Regulation (EC) No 1234/07:

- a) the present proposal is valid for the period 2008 – 2013;
- b) the percentage of eligible expenditure for the realisation of actions of crises management and prevention cannot exceed the 33% of the Operational Fund;
- c) the percentage of eligible expenditure for the realisation of the interventions of an environmental nature (in the case of non-observance of other admissible parameters) must be equivalent to 10% of the approved Operational Fund;

- d) the percentage of eligible expenditure for overheads is 2% of the approved Operational Fund, with the maximum limit of expenditure indicated in Annex VIII, of Commission Regulation (EC) No 1580/07 (€180,000);
- e) the remaining part of the Operational Fund that are not allocated for the measures mentioned in the previous points, shall be assigned to the other measures, based on the following criteria:
  - maximum 60% of the residual quota shall be assigned to the realisation of one single measure;
  - the remaining part is assigned to the other measures at PO's discretion .

### ***5.1. Assessment of the operational programmes and reporting obligations for producer organisations***

The monitoring procedures and mid term evaluations as indicated in Article 127 and Article 128, of Commission Regulation (EC) No 1580/2007 include the realisation of a system for the collection, registration and conservation of all the data that are useful for compiling of monitoring indicators.

This system includes the establishment of a coordinated relationship between the monitoring structure and the PO, which is based on:

- standard procedures for data collection;
- standard and adequate informatics processes;
- procedure that do not reduce productivity of the operators;
- The creation of indicators for financial evaluation, product evaluation and performance evaluation.

The activity of mid term evaluation can be carried out with the support of specialised institutes or qualified entities.

## ***5.2. Monitoring and evaluation of the national strategy***

### Administrative checks

Administrative checks shall be carried out on all applications for support or payment claims, and shall cover all possible and appropriate elements to be checked by administrative means. The procedures shall require the recording of undertaken operations, the results of the verification and the measures taken in respect of discrepancies.

### On-the-spot checks

1. Every on-the-spot check shall be the subject to a monitoring report in order to make it possible to review the details of the checks carried out. The report shall indicate in particular:
  - (a) the aid scheme and the application checked;
  - (b) the persons present;
  - (c) the actions, measures and documents checked; and
  - (d) the results of the check.
2. The beneficiary may be given the opportunity to sign the report to attest his presence at the check and to add observations. Where irregularities are found the beneficiary may receive a copy of the monitoring report.
3. Advance notice of on-the-spot checks may be given, provided that the purpose of the check is not jeopardized. The advance notice should be limited to the minimum time necessary.
4. Where possible, on-the-spot checks provided for in of Commission Regulation (EC) No 1580/2007 and other checks provided for in Community rules regarding

agricultural subsidies shall be carried out at the same time. However, in 2008, where necessary, on-the-spot checks may be carried out by different bodies at different times.

## Approval of requests for recognition and approval of operational programmes

1. Before recognising a PO under Article 4(2)(a) of Commission Regulation (EC) No 1182/2007, the Competent National Authority shall conduct an on-the-spot visit to the PO after to granting recognition to verify compliance with the conditions for recognition.
2. Before approving an operational programme under Article 65 of Commission Regulation (EC) No 1580/2007, the competent national authority shall verify by all appropriate means, including on-the-spot checks, the operational programme submitted for approval and, if applicable, the requests for modification. These checks shall in particular concern:
  - (a) the accuracy of information provided pursuant to Article 61(1)(a), (b) and (e) of Commission Regulation (EC) No 1580/2007;
  - (b) compliance of the programmes with Article 9 of Commission Regulation (EC) No 1182/2007 as well as with the national framework and the national strategy;
  - (c) the eligibility of the actions and the eligibility of the expenditure proposed;
  - (d) the consistency and technical quality of programmes, the soundness of the estimates and the aid plan, and the planning of its implementation. Checks shall verify whether measurable targets have been set, so that their achievement can be monitored, and whether the targets set are achievable through implementing the proposed actions;
  - (e) the compliance of the operations for which support is requested with applicable national and Community rules on, in particular, and where



relevant, public procurement, State aid and the other appropriate obligatory standards established by national legislation or established in the national framework or the national strategy.

## Checks on applications for aid for operational programmes

Before granting the payment, the Competent National Authority shall carry out administrative checks on all applications for aid as well as on-the-spot checks by sampling.

## Administrative checks on applications for aid for operational programmes

1. Administrative checks on applications for aid shall include in particular, and as far as appropriate a verification of:
  - (a) the annual or, where applicable, the final report transmitted together with the application on the execution of the operational programme;
  - (b) the value of marketed production, the contributions to the operational fund and the expenditure incurred;
  - (c) the delivery of the products and services and the genuineness of expenditure claimed;
  - (d) the conformity of the actions executed with those included in the operational programme as approved; and
  - (e) the respect of financial or other limits and ceilings imposed.
2. Payments financed under the operational programme shall be supported by invoices and documents proving that payment has been made. Where this cannot be done, payments shall be supported by documents of equivalent value. Invoices used must be established in the name of the PO, APO, producer group or subsidiary as foreseen in Article 52(7) of Commission Regulation (EC)

No 1580/2007 or, subject to Competent National Authority approval, in the name of one or more of its members.

## On-the-spot checks on applications for aid for operational programmes

1. In the context of the verification of the application for aid referred to in Article 70(1) of Commission Regulation (EC) No 1580/2007, the Competent National Authority shall carry out on-the-spot checks on the PO so as to ensure compliance with the conditions for grant of aid or the balance thereof for the year in question.

Such checks shall in particular concern:

- (a) compliance with the recognition criteria for the year in question;
  - (b) the use of the operational fund in the given year including expenditure declared in claims for advance payments or partial payments; and
  - (c) second level checks for the expenses of market withdrawals and green harvesting and non-harvesting.
2. The checks referred to in paragraph 1 shall relate to a significant sample of applications each year. The sample shall represent at least 30% of the total aid amount. Each PO shall be visited at least once every three years.

At least one check shall be made on each PO before the payment of the aid or the balance thereof relating to the final year of its operational programme.

3. The results of the on-the-spot checks shall be evaluated to establish whether any problems encountered are of a systemic character, entailing a risk for other similar actions, beneficiaries or bodies. The evaluation shall also identify the causes of such situations, any further examination which may be required and the necessary corrective and preventive action.

If the checks reveal significant irregularities in a specific PO, the Competent National Authority shall carry out additional checks during the year in question and shall increase the percentage of corresponding applications to be checked the following year.

4. The Competent National Authority shall determine which producer organisations to check on the basis of a risk analysis.

The risk analysis shall in particular take account of:

- (a) the amount of aid;
- (b) the findings of the checks in previous years;
- (c) a random element; and
- (d) other parameters to be determined by the Competent National Authority, in particular whether PO are involved in a quality assurance programme officially recognised by the Competent National Authority or by independent certifying bodies.

### On-the-spot checks on measures of operational programmes

1. Through the on-the-spot checks concerning the measures of operational programmes, the Competent National Authority shall verify in particular the following:
  - (a) the implementation of the actions contained in the operational programme;
  - (b) that the implementation or intended implementation of the action is consistent with the use described in the operational programme as approved;
  - (c) for an adequate number of expenditure items, that the nature and timing of the relevant expenditure comply with Community provisions and correspond to the approved specifications;

- (d) that the expenditure incurred can be supported by accounting or other documents; and
  - (e) the value of marketed production.
2. The value of marketed production shall be verified on the basis of data of the accounting system required under national law.

To that end, the Competent National Authority may decide that the declaration of the value of marketed production shall be certified in the same way as the accounting data required under national law.

The check on the declaration of the value of marketed production may be carried out before the relevant application for aid is transmitted.

3. Except in exceptional circumstances, the on-the-spot check shall include a visit to the action or, if the action is intangible, to the action promoter. In particular actions on individual holdings covered by the sample referred to in Article 108(2) of Commission Regulation (EC) No 1580/2007 shall be subject to at least one visit to verify their execution.

However, the Competent National Authority may decide not to carry out such visits for smaller operations, or where they consider that the risk is low that the conditions for receiving aid are not fulfilled, or that the reality of the operation has not been respected. That decision and its justification shall be recorded.

4. The on-the-spot check shall cover all the commitments and obligations of the PO or its members which can be checked at the time of the visit.
5. Only checks meeting all the requirements may be counted towards the fulfilment of the checking rate set out in Article 108(2) of Commission Regulation (EC) No 1580/2007.

## First-level checks on withdrawal operations

1. The Competent National Authority shall make first-level checks on withdrawal operations in each PO, comprising a documentary and identity check and a physical check, where appropriate by sampling, of the weight of the products withdrawn from the market and a check on compliance with the rules in Article 77 of Commission Regulation (EC) No 1580/2007. The check shall take place following receipt of the notification referred to in Article 79(1) of Commission Regulation (EC) No 1580/2007, within the deadlines provided for in Article 79(2) of Commission Regulation (EC) No 1580/2007.
2. The first-level checks provided for in paragraph 1 shall cover 100% of the quantity of products withdrawn from the market. At the end of this check, the withdrawn products other than those for free distribution shall be denatured or disposed of to the processing industry under the supervision of the competent authorities under the terms and conditions laid down by the Member State under Article 81 of Commission Regulation (EC) No 1580/2007.

However, where the products are for free distribution, the Competent National Authority may check a smaller percentage than that set out in paragraph 2, provided it is not less than 10% of the quantities concerned during the marketing year. The check may take place at the PO and/or at the sites of the recipients of the products. In the event that the checks reveal significant irregularities, the competent authorities shall carry out additional checks.

## Second-level checks on withdrawal operations

1. In the framework of the checks referred to in Article 108 of Commission Regulation (EC) No 1580/2007, the Competent National Authority shall make second-level checks.

The Competent National Authority shall lay down criteria for analysing and evaluating the risk of any given PO carrying out non-compliant withdrawal operations. Such criteria shall relate, among other things, to the findings of previous first-level and second-level checks, and whether or not a PO has some form of quality-assurance procedure. They shall use these criteria to determine for each PO a minimum frequency of second-level checks.

2. The checks referred to in paragraph 1 shall comprise on-the-spot checks at the premises of PO and the recipients of withdrawn products, in order to ensure that the requisite conditions for payment of Community support have been complied with. These checks shall include:
  - (a) the specific stock and accounting records to be kept by all PO which carry out one or more withdrawal operations during the marketing year concerned;
  - (b) verification of the quantities marketed as declared in the applications for aid, checking in particular the stock and accounting records, the invoices and, where necessary, their veracity and ensuring that the declarations tally with the accounting and/or tax data of the PO concerned;
  - (c) checks that the accounts are correct, in particular the veracity of net receipts by the PO as declared in their payment applications, the proportionality of any withdrawal costs, the entries in the accounts regarding the receipt by the PO of the Community support and any amounts thereof paid on to members, ensuring that these tally; and
  - (d) checks on the destination of withdrawn products as declared in the payment application and checks on the appropriate denaturing to ensure that the PO and recipients have complied with this Regulation.

3. The checks referred to in paragraph 2 shall be carried out on the PO concerned and the recipients associated with those organisations. Each check shall include a sample representing at least 5% of the quantities withdrawn during the marketing year by the PO.
4. The stock and accounting records referred to in point (a) of paragraph 2 shall show, for each product withdrawn, the amounts moved, expressed in volume, of:
  - (a) the production delivered by members of the PO and by members of other PO in accordance with Article 3(3)(b) and (c) of Commission Regulation (EC) No 1182/2007;
  - (b) sales by the PO, broken down by products prepared for the fresh market and other types of products including raw materials for processing; and
  - (c) products withdrawn from the market.
5. The checks on the destination of products referred to in point (c) of paragraph 4 shall include, in particular:
  - (a) a sample check on the separate accounts to be kept by recipients and, where necessary, verification that these tally with the accounts required under national law; and
  - (b) checks on compliance with the relevant environmental requirements;
6. If the second-level checks reveal significant irregularities, the competent authorities shall carry out more detailed second-level checks for the marketing year concerned and shall increase the frequency of second-level checks on the PO or their associations concerned during the following marketing year.