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VOULI-INTERNAT-RELATIONS

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REPUBLIC



OF CYPRUS

Europaudvalget
EUU alm. del - Bilag 79
Offentligt

**PRESIDENT'S OFFICE
HOUSE OF REPRESENTATIVES**

Nicosia, 8 December 2005

H.E. Mr. Christian Mejdahl,
Speaker of the Folketing,
Copenhagen.

Dear Mr. Speaker,

It is with great pleasure that I take this opportunity to communicate with you with a view to drawing your attention to a problem, which is of utmost importance to the agricultural sector and rural development in Cyprus.

I am confident that you are aware of the fact that, as a result of the Turkish invasion and occupation of 37% of the Cyprus territory in 1974, thousands of farmers and rural people were forced to abandon their farms and households and become refugees in their own country.

After those unfortunate events, intensive efforts have been made by the Cypriot Government to reactivate and put back to work all the displaced farmers.

In order to enable these farmers and rural people to pursue their activities, Government - guaranteed loans were issued for the acquisition of machinery and livestock and/or the realization of other investments in agriculture, while other farmers borrowed the required capital from credit agencies.

Furthermore, in the 1990's, Cyprus was hit by an unprecedented and severe drought which lasted for 7 years, with devastating consequences for agricultural production and farm incomes. In the hope of a better harvest in the following years, many Cypriot farmers resorted to borrowing in order to buy farm inputs, thus falling into a trap of accumulated debt year after year. The extent of the losses suffered by the Cypriot farmers and the accumulation of their debts affected their ability to repay existing loans.

A political commitment to deal with the accumulated farm debt problem was given by the Government early in 1999, which proposed a debt repayment scheme. However, agreement on this scheme was not reached due to the position taken by Farmers' Unions. It was only after long discussions and the pressure of the serious challenges facing the agricultural sector of Cyprus, after accession, that Farmers' Unions came to revise their positions and accept the debt repayment scheme with some adjustments.

It is worth pointing out that before accession to the EU, Cyprus was not allowed to participate in the pre-accession EU programmes (i.e. PHARE, SAPARD, e.t.c); as did most other new Member States, which benefited generally from these important financial programs. Thus, Cyprus alone (with the exception of Malta) was deprived from substantial EU funding, and had to finance from national funds. After the accession of Cyprus to the EU, the agricultural sector of Cyprus entered into a period of extended crisis and farm incomes registered a decline unlike all the other new Member States. Farm gate prices of cereals and of fruit other than citrus decreased substantially, while a considerable share of the grape harvest could not find normal market outlets and Cyprus requested and was granted Community aid to implement an immediate grubbing-up scheme.

Anticipating the needs for adjustment, conversion and diversification, the national Rural Development Plan for the period 2004-2006 incorporated a number of schemes and programmes requiring considerable investment by farmers and other rural people. However, the accumulated farm debt from the period before accession proved to be a major stumbling block to the implementation of the Rural Development Plan, with the banks and other financial institutions requiring repayment of previous loans before issuing new ones.

The refusal of the credit agencies to provide further borrowing constitutes a major obstacle to the efforts of modernization and upgrading of agricultural production units. This lack of modernization and the consequent lower productivity and reduced profitability, together with the resulting hard living and working conditions of the Cypriot farmers, entails the risk of abandonment of farming, with the consequent risk of serious economic and social repercussions for the Cypriot farmers concerned.

On 21 November 2005, Cyprus submitted to the Council a plan providing for national aid to the farmers for the purpose of repaying part of agricultural debts created long before the accession of Cyprus to the EU, declaring that this plan is in accordance with the third subparagraph of Article 88(2) of the Treaty and that the plan is compatible with the common market.

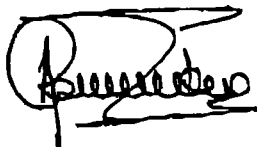
This kind of aid is intended as a relief to various categories of farmers which are affected by the accumulation of debts and are unable to repay the loans as follows:

- Farmers who were registered as farmers with the Social Security Fund and paid Social Security contributions up to 31/12/1998.
- Displaced farmers who held a professional license, and whose annual income from non-agricultural employment did not exceed £6,000 on 31/12/1998.
- Those who are today receiving a pension and were registered as farmers on 31/12/1998.
- Those who lived in the countryside and were employed in farming, but also exercised another non-agricultural profession, provided that their non-agricultural income did not exceed £6,000 on 31/12/1998.

Taking into consideration the fact that the exceptional circumstances of Cyprus request to grant national aid amounting to 23 million Cyprus Pounds (equivalent to 40 million Euro) for the partial repayment/regulation of farm debt, could be considered as compatible with the common market and is in accordance with the Treaty, I would be very grateful to you if you could support the Cyprus request for a Decision by the Council of Ministers as regards this important issue for Cyprus.

Please accept, dear colleague, the assurances of my highest consideration.

Yours Sincerely,



Demetris Christofias,
President of the House of Representatives
of the Republic of Cyprus.