

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

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RESTRICTED

L/1328/Add.15  
12 April 1961

Limited Distribution

Original: French

SUBSIDIES

Notifications of Contracting Parties

Addendum

SWITZERLAND

Notification of 27 March 1961

By letter of 27 March 1961 the Government of Switzerland has transmitted to the secretariat a notification on subsidies in Switzerland.

INTRODUCTION

The present report is addressed to the Panel on Subsidies and State Trading in reply to the questions put in Annex B of GATT document L/1160.

The State's action, including subsidies in respect of agriculture and agricultural products, forms an integral part of Swiss agricultural policy. The principal object of this policy is to keep at a certain standard level the income of the agricultural and non-agricultural population and thus maintain a healthy agriculture, on the one hand in order to facilitate the country's supplies, particularly in periods of emergency when imports are held up and, on the other hand, for reasons of demographic and social policy.

The report relates to the following subsidized products:

1. Milk and dairy products
  - (i) general
  - (ii) butter
  - (iii) cheese
  - (iv) preserved milk products
2. Fodder grains
3. Colza seed
4. Sugar beet
5. Breeding and dairy cattle
6. Wool
7. Eggs
8. Wine, grape juice, dessert grapes
9. Bread cereals
10. Potatoes
11. Fruit

1. Milk and dairy products

(1) General

Dairy production is the most important branch of Swiss agriculture. It brings in about one third of its adjusted gross yield. Hence the steps taken to ensure an appropriate level of milk prices are of primary importance from the point of view of the improvement and stabilization of agricultural income. Accordingly, the subsidies mentioned below must be considered as a whole. The financial data are as follows:

Dairy balance-sheet of the Confederation

	<u>1957/58*</u> '000 frs.	<u>1958/59*</u> '000 frs.	<u>1959/60*</u> '000 frs.
<u>Total expenditure</u>	<u>94,062</u>	<u>94,391</u>	<u>122,475</u>
of which:			
- butter	52,945 <sup>1</sup>	45,992	63,970
- cheese	39,901	47,209	46,820
- preserved milk products	1,216	1,190	1,420
- allowances for cattle breeding in mountain districts	-	-	6,763
- international charitable organizations	-	-	3,302
of which:			
<u>payable by producers of commercial milk</u>	-	<u>15,168</u>	<u>50,894</u>
payable by the Confederation (subsidies)	<u>94,062</u>	<u>79,223</u>	<u>71,581</u>
Covered by the following receipts:			
Tax on imported edible oils and fats	6,951	5,946	7,190
Tax on imported butter	6,550	2,314	223
Price supplements on imported feedingstuffs (share debited to the dairy balance-sheet)	58,887	13,976	19,696
General funds of the Confederation	21,674	56,987	44,472

The Federal Council fixes the basic price to be paid to producers for milk offered for sale. This price is at present 43 centimes per kg. of milk but it is no longer paid in full (deduction) since 1 November 1958. The deduction was fixed at 2 centimes per kg. of milk from 1 November 1958 to 31 October 1959 and at 2.5 centimes from 1 November 1959 to 30 April 1960;

\* 1.11-31.10.

<sup>1</sup> One and a half years: 1.5.57-31.10.58.

since then it has been raised to 3 centimes per kg. It serves to restrain over-production on milk and to make producers bear part of the losses arising from the milk marketing system. Since 1 November 1960, producers who offer for sale a quantity of milk out of proportion to their own fodder production may be charged an additional tax of up to 2 centimes per kg. of milk. This tax at present stands at 1 centime per kg.

The sums paid in respect of the various products (Federal subsidies and payments to commercial milk producers) serve firstly to guarantee a price of milk covering costs of production and secondly to ensure the best possible utilization of dairy products. In order to encourage domestic supplies and consumption of milk at the farm, and having regard to the less favourable conditions of production, a contribution has since 1 November 1959 been payable to farmers in the mountain districts towards the cost of the first four units of large cattle. This payment amounts to frs.40 per unit in mountain zone II and frs.60 in mountain zone III. The total expense under this head was frs.6.9 million in the 1959/60 financial period. In 1960 dairy products to the value of frs.3.5 million were placed at the disposal of international charitable organizations, particularly in the form of dried milk.

(ii) Butter

I. Nature and extent of subsidy

(a) Background and authority

Law on Agriculture of 3 October 1951 (adopted by popular vote), Federal Decree of 28 September 1956 introducing the provisions applicable to maintenance of price control on a lower basis, Federal Assembly Decree of 29 September 1953 concerning milk, dairy products and edible fats (Decree on milk control), Federal Decree of 19 June 1959 on supplementary economic and financial measures applicable to dairy production.

The Swiss butter market is controlled by the Swiss Butter Supply Board (BUTYRA), a co-operative society under public law. BUTYRA holds a monopoly for the importation of butter (see also notification by Switzerland on State-trading enterprises, Chapter 3, GATT document L/1014/Add.29). It levies a tax on imported butter, purchases unsold domestic butter of good quality at a price corresponding to the basic price of milk, and arranges for its disposal with the help of credits granted by the Federal Council. These credits consist of contributions from the Confederation and from commercial milk producers (deduction) (cf. table in Chapter I i).

(b) Incidence

A distinction must be made between three kinds of subsidies which may be simultaneous and which are designed to encourage the sale of butter on the domestic market exclusively:

- (1) Since 1 November 1957 a subsidy of 2 centimes per kg. of processed milk has been payable to butter producers and to all other milk processing undertakings. The purpose of the subsidy is to prevent the increase of 2 centimes per kg. which occurred on that date in the basic price of milk from bringing about a corresponding rise in the retail price of dairy products.
- (2) (a) The Federal Council fixes the wholesale price of butter corresponding to the basic price of milk. In order to reduce selling prices, BUTYRA pays manufacturers of special butter and of centrifugal milk butter derived from cheese dairies a fixed allowance per kg. of butter manufactured.
- (b) BUTYRA also bears the loss resulting from the utilization as cooking butter of the unsold butter which it has taken over. The loss varies according to the use made of the butter (household, trade, industry) and according to the quality and price of the basic product.
- (3) BUTYRA grants subsidies for propaganda in favour of butter, and assumes responsibility for certain administrative expenses.

(c) Amount of subsidy

	<u>1957/58</u> 1.5.57- 31.10.58 '000 frs.	<u>1958/59</u> 1.11.58- 31.10.59 '000 frs.	<u>1959/60</u> 1.11.59 31.10.60 '000 frs.
Subsidy for processed milk (1)	11,173	11,840	12,567
Reduction of butter prices (2(a) 2(b))	40,629	33,679	49,050
Propaganda, administration (3)	1,143	473	2,353
Total	<u>52,945</u>	<u>45,992</u>	<u>63,970</u>

With regard to financing see Chapter I 1.

(d) Amount per unit

The subsidy for processed milk (1) amounts to 2 centimes per kg. of milk processed; this causes a reduction of 50 centimes per kg. in the price of butter.

The price of table butter (2 (a)) is reduced by 45 centimes, or by 60 centimes in mountain districts, making an average of 47 centimes per kg. This reduction is in addition to that mentioned under (1) above.

The reduction in the price of cooking butter (? (b)) varies between frs.1.03 and 3.08 per kg. according to the use and the basic product. The average is frs.1.90. These amounts do not include the reductions mentioned under (1) and (2 (a)) above.

## II. Effect of subsidy

(a) The subsidies enable butter producers to sell at prices corresponding to the price of milk. They also facilitate disposal on the domestic market. These measures have to a large extent deterred consumers from using competing products and have kept the consumption of butter per head at a steady level.

The provisions of 1 November 1958, by transferring to commercial milk producers part of the expenditure on the disposal of dairy products, tend to adjust the production of milk and hence of butter to market conditions.

### (b) Production, imports, exports and consumption

	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> tons
1934/38	26,200	920	3	26,729
1957	28,600	6,862	-	33,217
1958	30,800	295	-	33,573
1959	33,000	2,437	-	34,392

### (iii) Cheese

#### I. Nature and extent of subsidy

##### (a) Background and authority

Law on Agriculture of 3 October 1951, Decree of 29 September 1953 on milk control with Supplementary Decree of 27 June 1957 concerning the regulation of the cheese market, Federal Decree of 19 June 1959 on supplementary economic and financial measures applicable to dairy production.

In pursuance of the legislative provisions, the organizations of milk producers and of cheese manufacturers and exporters have formed a joint stock company under the name of Union suisse du commerce de fromage S.A. (USCF).

The USCF takes up the domestic production of hard cheese (Emmental, Gruyère, St. Inz) in excess of local consumption and resells it through private firms at the best prices obtainable. In the last few years the Union has, however, suffered losses in the pursuit of this activity which have been covered by the subsidies described below.

(b) Incidence

- (1) A subsidy of 2 centimes per kg. of processed milk is granted to producers of cheese of all kinds (cf. Chapter on butter I, (b) (1)).
- (2) Until 1958/59 the losses of the USCF were covered to a large extent, and since then in full by another subsidy. Apart from the payments appearing in the dairy balance-sheet on page 3 the commercial undertakings have partly defrayed the surplus expenditure out of their profit balances. Only hard cheese is subsidized in this manner.

(c) Amount of subsidy

	<u>1957/58*</u> '000 frs.	<u>1958/59*</u> '000 frs.	<u>1959/60*</u> '000 frs.
Milk converted into cheese (1)	15,023	15,152	15,753
Share in losses of the USCF (2)	24,878	32,057	31,067
Total	<u>39,901</u>	<u>47,209</u>	<u>46,820</u>

\* 1.11 - 31.10

As regards financing, see Chapter I i.

(d) Amount per unit

Subsidy (1) of 2 centimes per kg. of processed milk causes on an average a reduction of 25 centimes per kg. in the price of cheese. The quantities of milk utilized per kg. of finished product being variable, it is difficult to calculate the reduction for each kind of cheese. This applies in particular to the losses of the USCF covered by subsidy (2), since in comparison with the domestic market, Swiss hard cheese can be sold at a profit in some foreign markets while in others it is sold at a loss.

II. Effect of subsidy

(a) Owing to the subsidies it has been possible to dispose of the cheese output on the domestic market and to maintain the traditional exports. In spite of the reduction caused by the subsidies, the selling price of Swiss cheese in the country itself is higher than that of similar cheese manufactured abroad, but Switzerland applies no restrictions or taxes on cheese imports, which have considerably increased in the last few years.

(b) Production, imports, exports and consumption

	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> tons
1934/38	50,700	1,780	18,377	33,726
1957	63,400	5,073	24,022	40,484
1958	61,700	5,706	27,964	41,621
1959	65,300	6,635	28,787	41,712

(iv) Preserved milk productsI. Nature and extent of subsidy(a) Background and authority

Substantially the same as for butter and cheese (see above).

(b) Incidence

The subsidy is paid to suppliers of milk to industry.

(c) Amount of subsidy

Two centimes per kg. of processed milk. The total amounted to frs.1,216 million in 1957/58, 1,190 million in 1958/59 and 1,421 million in 1959/60. As regards financing see the account given in Chapter I i.

(d) Amount per unit

The amount of the subsidy per kg. of preserved milk products is proportional to the amount of milk utilized in each case.

II. Effect of subsidy

(a) The reduction in the price of preserved milk products has had a favourable effect on sales. Nevertheless, the production and export of these products have remained relatively stable in the last few years; imports, on the other hand, have steadily increased.

(b) Production, imports, exports and consumption (fresh milk basis)

	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> tons
1956	58,900	16,400	34,100	41,200
1957	64,200	21,700	36,400	49,500
1958	58,000	25,200	34,500	48,700
1959	60,300	27,000	36,100	51,200

## 2. Fodder grains

### I. Nature and extent of subsidy

#### (a) Background and authority

Law on Agriculture of 3 October 1951.

In order to ensure supplies during periods of emergency, to retain the possibility of extending cultivation and to relieve the strain on animal production, cultivation bonuses are granted to encourage the growing of fodder grains. These bonuses are accompanied by a price supplement levied on imported feedingstuffs (cf. notification by Switzerland on State-Trading Enterprises, Chapter 2, GATT document L/1014/Add.29).

#### (b) Incidence

In years in which the growing of fodder grains leads to expenditure greater than that involved in the purchase of similar imported grains, cultivation bonuses in proportion to the area under cultivation are paid to native producers of oats, barley, maize and three other local species of fodder grains. The allowances consist of a basic bonus and of supplementary bonuses for the mountain districts. They are fixed annually before the spring sowings. The cost is covered by the price supplements levied on imported feedingstuffs.

#### (c) Amount of subsidy

1958	13.7 million francs
1959	13.7 million francs

#### (d) Amount per unit

The basic bonus was frs.300 per hectare in 1958 and 1959. In the mountain districts the supplements amounted to frs.60 for undertakings below 1,000 metres and frs.120 for those above that altitude.

### II. Effect of subsidy

(a) The system of cultivation bonuses and price supplements on imported feedingstuffs made it possible to maintain the cultivation of fodder grains over an area of 45,000 to 48,000 hectares after the abolition of the obligations in regard to cultivation existing during the war.

(b) Production, imports and consumption (oats, barley, maize)

	<u>Production</u> tons	<u>Imports</u> tons	<u>Consumption</u> tons
1934/38	32,700	430,600	463,300
1957	140,600	436,900	577,500
1958	133,100	372,500	505,600
1959	138,700	416,900	555,600

Switzerland does not export fodder grains.

3. Colza seed

I. Nature and extent of subsidy

(a) Background and authority

Law on Agriculture of 3 October 1951.

The measures for the encouragement of colza cultivation are aimed at maintaining a minimum area under oilseed cultivation in order that the country may be self-sufficient in periods of emergency. The Federal Council fixes annually the area in respect of which it guarantees producers the purchase of the colza crop. This area is at present limited to 6,000 hectares. The guaranteed price of production is fixed at the time of the harvest on the basis of costs of production and possibilities of disposal.

(b) Incidence

The Federal Department for Public Economy makes arrangements with the organizations concerned for the conclusion of cultivation contracts with producers. It concludes agreements with the oil refineries concerning the purchase of the crop, the processing of the seed and the disposal of the oil. The selling prices of colza oil are fixed in relation to the prices of other edible oils. The Confederation reimburses to the oil refineries any loss resulting from the difference between their costs of production and the selling price of colza oil.

(c) Amount of subsidy

1958	5.6 million francs
1959	5.9 million francs

(d) Amount per unit

1958	534 francs per ton of seed
1959	609 francs per ton of seed

II. Effect.. of subsidy

(a) The subsidy has made it possible to maintain a minimum area under cultivation with colza as a basis for extension in case of need. Without the subsidy this cultivation would disappear. Domestic production only covers about 5 per cent of Swiss consumption of vegetable oils and fats.

(b) Production and imports

Imports of colza seed and oil are irregular and practically negligible. The production of colza seed in the last few years has been as follows:

1957	5,000 tons
1958	9,800 tons
1959	9,700 tons

4. Sugar beet

I. Nature and extent of subsidy

(a) Background and authority

Federal Decree of 20 December 1957 (entered into force on 15 May 1959) for the encouragement of sugar beet cultivation and safeguard of the country's sugar supply.

In order to enable the sugar refineries to purchase, at the prices fixed by the Federal Council, the sugar beet produced in accordance with the cultivation contracts concluded with the planters, the Confederation grants them a subsidy which takes the form of a guarantee against a possible deficit. The price of sugar beet corresponds to the cost of production in efficient agricultural undertakings. The import of sugar is free. The sugar refinery has to sell the refined sugar in Switzerland at the price prevailing on the free market, and this might involve it in a loss.

(b) Incidence

The Confederation guarantees the sugar refinery the refund of half any deficit incurred up to 3.6 million francs.

(c) Amount of subsidy

The financial year 1958/59 closed for the first time since 1939 with a deficit on the sugar refinery, which was covered to the extent of 1.7 million francs by the Confederation under its guarantee. In 1959/60 the sugar refinery incurred a deficit of 2.8 million francs, half of which will also have to be covered by subsidy in accordance with the law.

(d) Amount per unit

The subsidy required to cover the 1958 deficit is equivalent to 5 centimes per kg. of refined domestic sugar.

II. Effect of subsidy

(a) Thanks to the Confederation's guarantee, the sugar refinery is able to process domestic sugar beet even when world sugar prices are extremely low, which means that Switzerland's supplies are ensured even in time of emergency. About 15 per cent of the total sugar consumption is covered by domestic production.

(b) Production, imports, exports and consumption

	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> tons
1934/38	9,100	128,500	1,000	136,600
1957	33,800	195,500	2,200	224,100
1958	33,500	231,600	3,500	257,600
1959	38,300	184,600	3,400	219,500

5. Breeding and dairy cattleI. Nature and extent of subsidy(a) Background and authority

Federal Decree of 13 December 1957 to facilitate the sale of breeding and dairy cattle in Switzerland; Law on Agriculture of 3 October 1951.

The measures in question refer to breeding and dairy cattle in the mountain districts where animal husbandry is the principal, if not the only, occupation of a number of undertakings. Most of these are small undertakings suffering from disadvantages of geographical situation and climate.

The measures in question are aimed at overcoming the difficulties regarding the sale of breeding and dairy cattle from the mountain districts and at preventing a collapse in prices.

The subsidies are financed from the proceeds of the price supplements levied on imported feedingstuffs, and from the general funds of the Confederation.

(b) Incidence

(aa) Encouragement of sales within the country

- (1) Subsidies to cantons and authorized bodies, which make purchases in markets designated in advance in the mountain districts in order to support prices, and which incur losses in consequence.
- (2) Subsidies to cantons to assist them in the elimination of dairy or breeding animals of inferior quality in mountain districts.
- (3) Contributions to the cost of transport of cattle from distant areas.

(bb) Encouragement of exports

Contributions to stockbreeders' organizations with a view to helping sellers to adjust the prices of Swiss animals to those prevailing on foreign markets. The contributions are payable up to a fixed maximum; they are calculated as a percentage of the selling price, and are subject to a uniform supplement per animal, whatever the category. In addition, the Confederation takes responsibility for the cost of transport by rail as far as the Swiss frontier.

(c) Amount of subsidy

	<u>1958</u>	<u>1959</u>	<u>1960</u>
		millions of francs	
(aa) <u>Encouragement of sales within the country</u>			
(1) Subsidies for purchases intended to relieve market pressure )	0.07	0.39	1.38
(2) Subsidies for elimination campaigns )			
(3) Contributions to transport costs	0.32	0.32	0.38
(bb) Export subsidies	5.81	9.11	9.55
(d) <u>Amount per unit</u>			

The subsidies for purchases to relieve market pressure and for elimination campaigns vary between frs.60 and 200 per head according to the quality, weight and age of the animals. Contributions to transport costs vary between frs.10 and 40 per head.

Export bonuses averaged frs.720 per head in 1958, frs.700 in 1959 and frs.685 in 1960.

## II. Effect of subsidy

(a) The purchases intended to relieve market pressure are limited as regards time and place and are intended to prevent a collapse in prices on markets in the mountain districts. They constitute a factor in stabilizing the income of farmers in those districts.

Subsidies for elimination campaigns tend to improve the quality and productivity of animals in mountain districts. In the long run, therefore, they provide a basis for improvement in income.

The export bonuses have made it possible to maintain the traditional exports of cattle for breeding and farming. The exports are of primary importance as a stimulus to markets in the mountain districts. In spite of the subsidies, the prices of Swiss cattle for breeding and farming remain in general above those of animals of foreign origin.

### (b) Production and exports of cattle for breeding and farming

	<u>Production*</u> head	<u>Exports</u> (excluding calves) head
1935/38	201,250	8,335
1957	197,350	7,230
1958	203,900	6,963
1959	213,000	12,394

\* Calves for breeding, of which about a quarter are placed on the market.

Switzerland imports practically no breeding and dairy cattle.

## 6. Wool

### I. Nature and extent of subsidy

#### (a) Background and authority

Federal Decree of 13 December 1957 aimed at facilitating the sale in Switzerland of breeding and dairy cattle and of sheeps' wool.

The number of sheep in Switzerland is approximately 200,000, most of which are kept in the mountain districts. The subsidies enable the Swiss wool industry to purchase domestic wool and guarantee to producers prices corresponding more or less to the cost of production. They therefore tend to improve the income of the mountain population. At the same time they ensure to some extent the country's supplies of domestic wool in periods of emergency. Finance is provided as described in Chapter 5 Ia above.

(b) Incidence

The associations of wool producers and of the woollen industry organize the purchase of domestic wool from producers, its taxation and its processing by the woollen industry. For this purpose they have set up the Domestic Wool Board (CLI), which pays producers the wool prices fixed by the Federal Department for Public Economy on the basis of the average cost of production but at a level in line with world market rates. The woollen industry purchases wool at the world market price for equivalent qualities. The Confederation refunds any difference in price to the CLI.

(c) Amount of subsidy

1958: 758,655 frs. for 319 tons of wool taken over

1959: 732,557 frs. for 379 tons of wool taken over

(d) Amount per unit

1958: 2,370 frs. per ton

1959: 1,878 frs. per ton

II. Effect of subsidy

(a) It supplements the modest income of mountain farmers and helps to prevent a decline in the number of sheep.

The subsidy has practically no influence on the wool trade since domestic production only covers about 2-4 per cent of the total consumption. Imports are entirely free.

(b) Production, imports, exports and consumption

	<u>Production*</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> tons
1934/38	..	10,572	2,128	..
1957	368	14,053	954	13,467
1958	400	11,696	890	11,206
1959	438	12,980	1,390	12,028

.. Figure not available

\*Including domestic supply

## 7. Eggs

### I. Nature and extent of subsidy

#### (a) Background and authority

Law on Agriculture of 3 October 1951, Federal Decree of 28 September 1956 introducing the provisions applicable to the maintenance of price control on a lower basis.

The measures provide for the buying up of domestic eggs by importers. The eggs thus purchased represent at present about 22 per cent of the country's total production.

Imports of eggs and egg products are not restricted, but importers of fresh eggs are obliged to buy domestic eggs, generally to the extent of 30 per cent of their imports during the previous year. For this purpose a tax is levied on imported eggs and egg products, the proceeds of which serve exclusively to reduce the price of domestic eggs bought by importers. The Federal Price Control Office fixes the prices applicable to the production and purchase of domestic eggs.

#### (b) Incidence

The equalization taxes levied on imports are paid into an egg and dairy product compensation fund. The fund is self-sufficient. The proceeds of the import taxes are used to contribute to the cost of collection, transport and distribution of domestic eggs assigned to importers. The fund may also pay additional subsidies to reduce the price of such eggs.

#### (c) Amount of subsidy

1958: 4 million francs  
1959: 5 million francs

#### (d) Amount per unit

1958: 4 centimes per egg  
1959: 4 centimes per egg

### II. Effect of subsidy

(a) The subsidy helps the import trade to buy domestic eggs collected by the organizations formed for the purpose. Since 1951, the share of domestic production in the total consumption of fresh eggs has fallen from 72 to 62 per cent.

#### (b) Production, imports and consumption

	<u>Production*</u>	<u>Imports</u>	<u>Consumption</u>
	in millions of eggs		
1954/58	423	238	661
1957	520	287	807
1958	525	306	831
1959	530	330	860

\*including the portion utilized in the undertaking itself.  
Switzerland does not export eggs.

8. Wine, grape juice, dessert grapes

I. Nature and extent of subsidy

(a) Background and authority

Law on Agriculture of 3 October 1951.

Wine growing is reserved for the regions suitable for wine production, as delimited by the vineyard survey. The planting of new vines in the vineyard zone requires an authorization. The planting of new vines outside that zone is prohibited.

During the financial periods under consideration, subsidies have been granted for the following measures aimed at encouraging the disposal of the harvest:

- (1) Optional limited purchase by importers of red Ticino grapes for wine making;
- (2) Propaganda in favour of the consumption of wine, grapes and grape juice;
- (3) Non-alcoholic consumption of grapes (dessert grapes and non-alcoholic grape juice).

Finance is provided by the "vineyard fund", supplied from the proceeds of a tax of frs. 8 per 100 kgs. levied on wines imported in barrels.

(b) Incidence

The subsidy for the optional limited purchase of red Ticino grapes (1) is paid to importers direct on condition that they pay domestic producers for their goods at the fixed standard price.

Contributions to propaganda expenses (2) are paid to the Swiss Agricultural Products Propaganda Office and to the Society of Swiss Wine Exporters.

Subsidies for the non-alcoholic utilization of grapes (3) are granted to grape importers and to grape juice manufacturers on condition that they pay for the raw materials at the fixed rates. All price reductions must be passed on to the consumer.

(c) Amount of subsidy

(1) Optional limited purchase of red Ticino grapes for wine making:

1957	221,500 frs.
1958	13,120 frs.
1959	163,715 frs.

(2) ~~Propaganda in favour of the consumption of wine, dessert grapes and grape juice:~~

(a) Wine

1957	279,219 frs.
1958	53,692 frs.
1959	156,574 frs.

(b) Grape juice

1957	250,000 frs.
1958	90,000 frs.
1959	60,000 frs.

(c) Dessert grapes

1957	0
1958	0
1959	40,000 frs.

(3) Non-alcoholic consumption of grapes

(a) Non-alcoholic grape juice:

1957	94,547 frs.
1958	533,924 frs.
1959	1,024,627 frs.

(b) Dessert grapes

1957	715 frs.
1958	7,552 frs.
1959	2,068,578 frs.



(d) Amount per unit

(1) Purchase of red Ticino grapes:

5-10 frs. per 100 kgs. according to variety.

(3) Non-alcoholic consumption:

(a) Grape juice

1958 0.52 frs. per litre

1959 0.45 frs. per litre

(b) Dessert grapes

1959 0.54 frs. per kg. of grapes

II. Effect of subsidy

(a) The measures taken facilitate disposal. Thanks to intensified propaganda, the consumption of non-alcoholic grape juice has considerably increased in the last few years.

(b) Production, imports, exports and consumption

	<u>Production*</u> hl.	<u>Imports*</u> hl.	<u>Exports*</u> hl.	<u>Consumption*</u> hl.
<u>Wine</u>				
1947/56 <sup>1</sup>	715,142	887,300	4,304	1,581,193
1957/58	403,242	1,445,897	1,202	1,761,717
1958/59	626,204	1,090,461	702	1,704,848
1959/60	1,007,254	1,143,484	1,325	1,870,602

\* 1 July - 30 June

<sup>1</sup> average

Grape juice

1957	9,297	85,529	22,294	58,681
1958	26,580	12,004	19,101	70,007
1959	51,808	10,149	2,172	55,473

	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> tons
<u>Dessert grapes</u>				
1957	567	20,743	8	21,302
1958	1,567	22,723	2	24,288
1959	6,010	19,764	2	25,772

### 9. Bread cereals

#### I. Nature and extent of subsidy

##### (a) Background and authority

Law on Wheat of 20 March 1959 (1 January 1960). Previously Law on Wheat of 7 July 1932 and Federal Decree of 19 July 1953 concerning the national supply of bread cereals. The new law made no changes in the provisions regarding subsidies.

The subsidies are aimed at keeping under wheat an area which would facilitate the national supply in times of emergency and relieve the pressure on animal production. In addition they are designed to ensure a fair return to farmers. Since 1 January 1960, the import of bread wheat has no longer been a State monopoly and is subject to no quantitative restriction. The Wheat Administration buys domestic good quality bread wheat at prices which cover average costs of production and which are fixed by the Federal Council. Commercial millers buy this wheat at prices corresponding to the cost of production of foreign wheat of the same quality.

A producer who keeps wheat for his own requirements is entitled to a milling bonus.

##### (b) Incidence

The difference between the prices paid to producers by the Federal Wheat Administration and the proceeds of the sale of domestic wheat is charged to the Government's account.

A producer who used home-grown wheat in his business is entitled to a milling bonus. The bonus is fixed in such a way that bread manufactured by the producer costs him about as much as he would pay at a bakery.

(c) Amount of subsidy

The expenditure incurred by the Wheat Administration on the purchase of domestic bread wheat amounted to the following:

1957	61.1 million frs.
1958	70.6 million frs.
1959	75.7 million frs.

The milling bonus amounted to the following:

1957	7.2 million frs.
1958	9.5 million frs.
1959	11.7 million frs.

(d) Amount per unit

	<u>1957</u> frs.	<u>1958</u> frs.	<u>1959</u> frs.
Bread wheat per 100 kgs.	28.44*	28.06*	27.48*
Milling bonus per 100 kgs.	15 - 31**	15 - 31**	15 - 31**

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\*average

\*\*according to the altitude of the farm

II. Effect of subsidy

(a) The subsidy makes it possible to grow wheat in Switzerland and thus ensures the country's wheat supply.

Since 1 January 1960, private enterprise has been able to import wheat without quantitative restriction.

Switzerland does not export bread wheat.

(b) Production\*, imports, exports, quantities available

	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Quantities available</u> tons
1934/38	204,000	421,100	-	625,100
1957/58	277,921	323,100	-	601,021
1958/59	326,639	228,200	11	554,839
1959/60	334,136**	299,500	1	633,636

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\*bread wheat exclusively

\*\*estimate

## 10. Potatoes

### I. Nature and extent of subsidy

#### (a) Background and authority

Article 32 bis of the Federal Constitution; Federal Law on Alcohol of 21 June 1932, revised 25 October 1949; Law on Agriculture of 3 October 1951.

Under Article 32 bis of the Federal Constitution, Federal legislation must encourage the use of domestic distillable materials - including potatoes - for food or fodder. One of the purposes of this provision is to reduce the consumption of spirits, and it thus constitutes a public health measure. Article 8 of the Law on Alcohol only authorizes the distillation of potatoes if the crop cannot be used in a more appropriate manner. Accordingly, the subsidies serve to encourage the utilization of potatoes for food and fodder.

The price of potatoes at the production stage is fixed each year before the beginning of the principal harvest on the basis of the average cost of production and having regard to the utilization of surpluses. The subsidies are financed out of the revenues of the Alcohol Administration and the general funds of the Confederation.

#### (b) Incidence

The subsidies take the following forms:

- (1) Subsidies for the transport of ware potatoes, seed potatoes and potatoes for fodder as well as potato products.
- (2) Sale of ware potatoes at reduced prices to needy persons.
- (3) Subsidies to reduce the price of domestic seed potatoes.
- (4) Subsidies for the utilization of surpluses, in the form of subsidies on exports and for making potato flakes and flour for use as fodder. After consultation with the representatives of the principal exporting countries, the export price is adjusted to the price current in other countries.
- (5) Information, propaganda, etc.

(c) Amount of subsidy

	<u>1957/58</u> millions of francs	1.7-30.6	<u>1958/59</u> millions of francs
(1) Transport subsidies	1.39		1.42
(2) Sale of ware potatoes at reduced prices to needy persons	1.39		1.52
(3) Subsidies to reduce seed potato prices	0.21		0.33
(4) Subsidies for utilization of surpluses	11.27		16.10
(5) Information, propaganda, etc.	0.21		0.29
	<hr/>		<hr/>
Total	14.47		19.66
	<hr/> <hr/>		<hr/> <hr/>

(d) Amount per unit

	<u>1957/58</u> frs.	<u>1958/59</u> frs.
(1) Transport subsidy per 100 kgs. of potatoes	1.17	1.18
(2) Price reduction for needy persons per 100 kgs. of ware potatoes	10.05	10.33
(3) Reduction in price of seed potatoes, quality A, per 100 kgs.	1.25	1.25
(4) Utilization of surplus of ware potatoes, potatoes for general use and fodder potatoes per 100 kgs., average	6.26	6.57

II. Effect of subsidy

(a) The subsidies do not affect imports. For a long time past the domestic production has covered the country's requirements (apart from new potatoes and seedlings) and the subsidies serve mainly for the utilization of surpluses.

The export subsidies also form part of the measures to stimulate the utilization of surpluses. These practically do not affect the exports of the traditional exporting countries.

The subsidies aim at ensuring the utilization of the entire potato crop for food and fodder and at preventing its distillation.

(b) Production, imports, exports, consumption

	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption*</u> total consumption of ware, seed and fodder potatoes tons
1936/38	728,000	48,000	11	765,000
1957	1,500,000	41,000	30,000	1,511,000
1958	1,590,000	32,000	84,000	1,538,000
1959	1,540,000	29,000	81,000	1,488,000

\*including utilization of surpluses within the country.

11. Fruits

I. Nature and extent of subsidy

(a) Background and authority

Article 32 bis of the Federal Constitution; Federal Law on Alcohol of 21 June 1932, revised 25 October 1949; Law on Agriculture of 3 October 1951.

In virtue of Article 32 bis of the Federal Constitution, the law must aim at reducing the production and consumption of spirits and encourage the production of dessert fruits. Thanks to these measures the consumption of fresh fruit in Switzerland is the highest in Europe. Measures have been adopted for the following purposes:

- (1) To influence production by means of subsidies to reduce the number of trees, make cultivation more efficient and improve the quality of fruit;
- (2) To influence consumption by information and propaganda and by the sale of fruit at reduced prices to needy persons and the mountain population;

- (3) (a) To encourage the utilization of surpluses by means of subsidies to fruit juice manufacturers for the manufacture and storage of concentrated juice and by export subsidies in case of surpluses of cider-making fruits and concentrated juices.
- (b) In 1958 the largest crop of dessert fruits was recorded. In order to prevent a collapse in prices on the domestic market and its harmful effects on farmers' income, special steps had to be taken for the utilization of surpluses:
- (i) subsidies for the storage of dessert apples;
  - (ii) subsidies for the industrial utilization of dessert apples;
  - (iii) deliveries at cut prices to the army;
  - (iv) subsidies for the export of dessert apples and pears.

During the 1957 and 1959 financial periods, no subsidies were paid on dessert fruits.

(b) Incidence

Subsidies are granted in different ways according to their nature.

- (1) The subsidies aimed at influencing production by adapting the number of trees to the market situation, by making cultivation more efficient and by improving the quality of fruit, are granted in co-operation with and paid to the cantons which distribute them to producers. They are only granted to cantons which themselves take similar measures.
- (2) (a) The Federal Alcohol Administration takes responsibility for 50 per cent of the expenses of information and propaganda to encourage fruit production. The remaining 50 per cent is paid by the business groups concerned (producers, user undertakings, importers).
- (b) The Administration takes responsibility as a rule for transport costs and part of the loss on the sale of fresh fruit at reduced prices to needy persons. The mountain population has the benefit of a further reduction.
- (3) (a) Surpluses are in most cases utilized in industry; the first utilization must be for non-alcoholic purposes. The Alcohol Administration partially guarantees factories making concentrated juices the cost of manufacturing such juices. This guarantee only comes into play however when the concentrated juices have to be sold to trade below the cost of production.

Export subsidies may be granted in particular cases for cider-making fruits when the surpluses cannot be used otherwise. The same applies to concentrated juices, in the case of which, however, producers must bear 10 per cent of the loss.

- (b) The Agriculture Division has paid subsidies to warehousemen ((i) and (iii)), to the processing industries (ii) and to the exporters. The granting of a subsidy is conditional on observance of the standard prices fixed by the Federal Council for dessert fruits. About 10 per cent of the dessert apple and pear crop had to be utilized as surplus in 1958.

(c) Amount of subsidy

	<u>1958</u> millions of francs	<u>1959</u> millions of francs
(1) Subsidy to influence production	0.74	0.52
(2) Subsidy to encourage consumption	0.95	0.59
(3) (a) Subsidy for the utilization of surpluses	8.94	3.88
(b) Subsidy for the utilization of dessert fruit surpluses	3.5	-

(d) Amount per unit

The subsidies mentioned under (1) and (2a) above cannot be detailed. The subsidies under (2b) average 5 centimes per kg. of fruit for needy persons and 10 centimes per kg. for the mountain population. Thanks to certain indirect effects of these subsidies, the reduction in price enjoyed by the recipients of the fruit is in reality much greater.

The sum to be paid for the manufacture and storage of concentrated juices (3a above) vary according to the market situation between 0 and 20 frs. per 100 kgs. approximately. Subsidies on the export of concentrated juices also varied in the two years under comparison between 0 and 65 frs. per 100 kgs. according to market conditions in the importing countries. Producers must also bear part of the loss.

Subsidies for the utilization of surpluses of dessert fruit of the 1958 harvest (3a) amounted to approximately 11 frs. per 100 kgs.

## II. Effect of subsidy

(a) The subsidies have in particular the effect of permitting to a much greater extent than previously the non-alcoholic utilization of the cider fruit crop. In 1922 only 39.5 per cent of the crop was utilized in a non-alcoholic manner; in 1954 the percentage had already reached 71.5 per cent. The Swiss fruit consumption amounted in 1957/58 to 88.3 kgs. per head of the population, thus exceeding that of any other European country. Domestic production only covers about 34 per cent of this consumption however.

### (b) Production, imports, exports and consumption of seed fruit

	<u>Production*</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> tons
<u>1. Fresh fruit</u>				
1934/38	...	...	...	...
1956/57**	239,000	20,458	10,664	248,994
1957/58**	98,300	95,022	3,183	190,139
1958/59**	338,700	5,363	24,489	319,574
1959/60**	220,700	50,937	6,974	264,663
<u>2. Cider-making fruit</u>				
1934/38	...	...	...	...
1956/57**	360,800	-	3,114	357,686
1957/58**	61,700	44,030	602	105,128
1958/59**	731,300	-	9,329	721,971
1959/60**	249,300	-	47,327	201,973
<u>3. Fruit concentrates</u>				
1934/38	...	...	...	...
1956/57**	3,223	-	1,838	1,385
1957/58**	176	-	1,011	835
1958/59**	16,400	-	2,298	14,102
1959/60**	1,192	-	3,446	2,254

\*Estimate

\*\*From 1 July to 30 June

... Figures not available

