

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### Addendum

#### SWITZERLAND

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1. Milk and Dairy Products(i) Dairy balance sheet of the Confederation

Dairy production is the most important branch of Swiss agriculture; it brings in more than one third of the adjusted gross yield from agricultural production. The dairy balance sheet of the Confederation shown below gives an overall picture of the financial measures taken in this sector. The measures will be examined in detail in the ensuing sections concerning the various groups of dairy products.

<u>Accounting period</u> (1 November-31 October)	<u>In thousand francs</u>		
	<u>1965/66</u>	<u>1966/67</u>	<u>1967/68</u>
	<u>Expenditure</u>		
<u>Total expenditure</u>	172,171	197,283	393,999
of which:			
- valorization of butter	68,142	91,478	222,753
- valorization of cheese	99,548	100,919	150,810
- valorization of preserved milk products	2,481	3,166	18,411
	<u>Coverage</u>		
<u>Total resources</u>	172,171	197,283	393,999
of which:			
<u>Payments by the Confederation</u>	164,878	161,238	278,884
- out of general funds	104,776	83,123	191,503
- out of revenue from taxes and price supplements	60,102	78,115	87,381
<u>Share of losses payable by producers</u>	7,293	36,045	115,115

(ii) ButterI. Nature and Extent of the Subsidy(a) Background and authority

- Law on Agriculture of 3.10.1951.
- Federal Assembly decree of 29.9.1953 concerning milk, dairy products and edible fats.

- Federal Law of 21.12.1960 on goods subject to protected prices.
- Federal Decree of 16.6.1966 on supplementary economic and financial measures applicable to dairy products.

The Swiss butter market is controlled by the Swiss Butter Supply Board (BUTYRA), a co-operative society under public law which holds the monopoly on imported butter. It levies a charge on imported butter, purchases unsold domestic butter at a price corresponding to the base price of milk and arranges for its disposal with the help of funds granted by the Confederation.

(b) Incidence

The following kinds of subsidies, which may be applied simultaneously, are designed to encourage the sale of butter on the domestic market exclusively:

- (1) (a) The Confederation pays a subsidy to the butter centres to enable them to sell table butter without loss at the prices fixed by the Federal Council.
- (b) The Confederation grants the requisite funds to BUTYRA so that fresh cooking butter or resolidified butter can be sold at a reduced price; the amount of the price reduction, and consequently the losses incurred, vary according to the use made of the butter (household, trade, industry) and its quality.
- (2) BUTYRA pays certain marketing costs by means of the following subsidies:
  - (a) marginal supplements for the wholesale trade;
  - (b) marginal supplements for collection.
- (3) BUTYRA shares in the cost of propaganda to encourage butter consumption.

(c) Amount of subsidy

<u>Accounting period</u> (1 November-31 October)	(in thousand francs)		
	<u>1965/66</u>	<u>1966/67</u>	<u>1967/68</u>
1(a) Reduction of table butter prices	50,052	35,754	46,771
1(b) Reduction of prices of cooking butter and resolidified butter	17,051	54,239	170,740
2(a) Marginal supplements for wholesale trade	263	275	273
2(b) Marginal supplements for collection	179	193	197
3 Propaganda for butter	<u>597</u>	<u>1,017</u>	<u>1,581</u>
Total	68,142	91,478	222,753 (including interest paid)

(d) Amount per unit

- (1) (a)
- The subsidy on table butter
- has varied as follows, according to quality:

From 1.11.1965:	Fr. 2.05	or	Fr. 2.10 per kg.
From 1.11.1966:	Fr. 1.05	or	Fr. 1.10 per kg.
From 1.11.1967:	Fr. 2.16	or	Fr. 2.21 per kg.

- (b)
- Subsidies on cooking butter and resolidified butter
- have varied depending on the quality of the butter used for this purpose, as follows:

	Cooking butter francs/kg.	Resolidified butter francs/kg.
From 1.11.1965	From 1.11 to 4.50	From 2.64 to 6.03
From 1.11.1966	From 1.11 to 3.50	From 3.67 to 6.06
From 1.11.1967	From 4.51 to 6.66	From 5.42 to 7.57
From 1.11.1968	From 6.31 to 8.46	From 7.92 to 10.07

- (2) (a)
- The marginal supplement
- is granted to the
- wholesale trade
- according to a sliding scale inversely proportional to turnover. In recent years, the average marginal supplement per kg. of butter has been as follows:

1965/66:	3.4 centimes
1966/67:	2.9 centimes
1967/68:	3.2 centimes

- (b)
- The marginal supplement for collection
- of dairy butter still amounts to 3.5 centimes per kg.; there has been no change in this amount in recent years.

II. Effect of Subsidy

(a) The last increase in the base price of milk, on 1 May 1967 (see section v: Measures in regard to dairy policy) was, like the preceding increase in November 1965, entirely passed on to the retail prices of dairy products. The resulting rise in selling prices of butter led to a substantial decline in consumption of this product in the summer of 1967 (-18 per cent as compared with the same period of the preceding year). In parallel, butter stocks increased, reaching a record level at the end of September 1967 (11,000 tons). Additional measures to reduce prices (as may be seen from the figures concerning subsidies mentioned above) were therefore introduced on 1 September 1967 and 18 June 1968 in order to encourage consumption of butter, in particular cooking butter. These reductions resulted in a marked recovery of consumption in this respect. The

following tables indicate the trend in prices and consumption for the main types of butter since 1 November 1965:

Trend in prices and consumption of butter since 1965

- Retail price (in francs per kg.)

	<u>From</u> <u>1.11.65</u>	<u>From</u> <u>1.11.66</u>	<u>From</u> <u>1.5.67</u>	<u>From</u> <u>1.9.67</u>	<u>From</u> <u>18.1.68</u>
Special butter (200 gr. packages)	12.05	13.05	13.80	12.30	12.30
Fresh cooking butter (250 gr. packages)	9.60	10.60	11.20	7.80	6.00
Resolidified butter (500 gr. packages)	9.70	9.70	10.00	8.50	5.50

- Annual consumption (in 10-ton wagons)

	<u>1965/66</u>	<u>1966/67</u>	<u>1967/68</u>	Evolution since 1965/66 to <u>1966/67</u> to <u>1967/68</u>	
<u>Total consumption of butter</u>	3,940	3,615	4,440	- 8%	+ 13%
of which in particular:					
Special butter	1,741	1,506	1,374	- 13%	- 21%
Fresh cooking butter	1,208	1,101	1,900	- 9%	+ 57%
Resolidified butter (quantities expressed in fresh butter equivalent)	73	80	463	+ 10%	+534%
<u>Per capita consumption, kg.</u>	6.5	5.8	7.0	- 11%	+ 8%

It should further be recalled that in order to limit as far as possible the losses resulting from the valorization of milk, some precedence is established: first of all, the largest possible part of domestic production is used to meet requirements of fresh milk and fresh dairy products, and these are sold without any loss. Thereafter, the manufacture of cheese and preserved milk products is preferred to the manufacture of butter, and imports of the latter are encouraged.

Indeed, losses per kg. of milk used are higher for butter; butter imports are subject to a compensatory charge (the difference between the price of imported butter and the price of domestic butter), the proceeds from which go into the dairy fund. In this context, and in accordance with the Federal Decree of 16 June 1966 on dairy production, milk producers take on a larger part of the expenses not covered by the initial allowances granted by the Confederation for the valorization of butter (60 per cent of the expenditure not covered) than in respect of the valorization of cheese and milk preserves (10 per cent of the expenditure not covered).

(b) Production, imports, exports and consumption

<u>Years</u>	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> <sup>1</sup> tons
1966	34,400	4,862	-	39,278
1967	40,800	766	-	36,474
1968	37,800	2,368	157	46,371

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<sup>1</sup>Taking account of stock variations.

(iii) Cheese

I. Nature and Extent of Subsidy

(a) Background and authority

- Law on Agriculture, of 3.10.1951;
- Decree of the Federal Assembly of 29.9.1953 on milk, dairy products and edible fats as amended by Federal Decree of 27.6.1957;
- Federal Decree of 16.6.1966 on supplementary economic and financial measures applicable to dairy production.

In pursuance of these legislative provisions, the organizations of milk producers and of cheese manufacturers and exporters have formed the "Union suisse du commerce de fromage S.A.", (Swiss Cheese Trade Union) (USF). The USF takes up the domestic production of hard cheese at fixed prices (Emmenthal, Gruyère, Sbrinz, i.e. 80 per cent of total production) and resells it through private firms at the best prices obtainable. The USF does, however, suffer losses in the process of this activity which are covered by subsidies.

(b) Incidence

The deficit resulting from the operations of the USF is largely covered by the Confederation, which meets the entire amount of losses due to any increase in the base price of milk where market conditions have not made it possible to pass them on to the retail price of cheese.

It should be noted that certain valorization expenses are also met by the Confederation with respect to other types of cheese that are not required to be delivered to the USF.

(c) Amount of subsidy (see dairy balance sheet, page 2)

(d) Amount per unit

It is not possible to calculate the price reduction resulting from the subsidy which covers losses due to the valorization of cheese, since the prices obtained on the various markets can vary.

II. Effect of Subsidy

(a) Owing to the subsidies it has been possible to ensure disposal of cheese on the domestic market and to maintain traditional exports. It should be emphasized that Switzerland does not impose either quantitative restrictions or taxes on cheese imports, despite the fact that selling prices of domestic cheese are higher than those of imported cheese.

(b) Production, imports, exports and consumption

<u>Years</u>	<u>Production</u> tons	<u>Imports</u> tons	<u>Exports</u> tons	<u>Consumption</u> <sup>1</sup> tons
1966	80,100	13,396	39,931	52,737
1967	86,300	14,657	40,356	52,944
1968	86,000	15,213	45,958	55,353

<sup>1</sup>Taking account of stock variations.

(iv) Preserved milk products

I. Nature and Extent of Subsidy

(a) Background and authority

- Law on Agriculture of 3.10.1951;
- Decree of Federal Assembly of 29.9.1953 concerning milk, dairy products and edible fats;
- Federal Decree of 16.6.1966 on supplementary economic and financial measures applicable to dairy production.

(b) Incidence

The subsidy compensates any rise in the base price of milk that cannot be passed on to the price of preserved milk products that are exported. It is paid on the basis of the quantity of milk used for the manufacture of such products.

(c) Amount of subsidy (see dairy balance sheet, page 2)

(d) Amount per unit

Since 1 May 1967, the subsidy has been at the rate of 15 centimes per kg. of milk used for the manufacture of these products (prior to that date, 12 centimes). Since the amount of milk used for the preparation of 1 kg. of milk preserves varies according to the product, it is impossible to determine the amount of the subsidy per unit of preserved milk products.

II. Effect of Subsidy

(a) Since foreign selling prices do not cover the production price of milk, the subsidies are necessary to maintain traditional exports.

(b) Production, imports, exports and consumption

(in tons of fresh milk used)

<u>Year</u>	<u>Production</u> t	<u>Imports</u> t	<u>Exports</u> t		<u>Consumption</u> t
			Current	Inter- national welfare action	
1966	92,000	54,300	32,200	5,300	108,800
1967	89,000	41,400	36,300	3,200	90,400
1968	120,000	37,700	39,800	10,500	107,400

(v) Measures taken in regard to dairy policy

On 1 May 1967, the base price paid to producers for milk marketed, which is fixed by the Federal Council, was raised from 53 to 56 centimes per kg./litre.

Because of difficulties resulting from increased milk deliveries by producers the Swiss Government was obliged to introduce a series of measures designed to limit production in this sector. These include the following:

- Increases in the sum withheld on the base price of milk

On 1 November 1967 the conditional sum withheld from producers, to ensure participation by the latter in losses resulting from the valorization of dairy products, was raised from 1.35 to 3 centimes per kg. of milk. On 1 May 1968 this sum was further raised to 5 centimes, the last centime being used to finance short-term campaigns to reduce the dairy herd and to encourage farmers to switch over their production to intensive feeding;

- organization of a pre-established programme of additional campaigns to reduce the dairy herd, financed out of the proceeds of the last centime of the sum withheld on the price of milk, as indicated above;

- encouragement for extension of crop cultivation in order to reduce milk production (see chapter 6, Feed grains: increase in cultivation bonuses);

- decision to limit the guaranteed base price to a certain volume of milk (quota restriction).

## 2. Breeding and Dairy Cattle

### I. Nature and Extent of Subsidy

#### (a) Background and authority

- Law on Agriculture of 3.10.1951;
- Federal Law of 15.6.1962 to facilitate the sale of breeding and dairy cattle, horses and wool.

The various measures taken in this sector are principally designed to improve conditions in the mountain areas, where animal husbandry is the principal, if not the only livelihood. Assistance can thus be given to small farms in mountain areas, which suffer from disadvantages of geographical situation and climate.

The measures are aimed at improving animal husbandry and achieving a better distribution of labour in this sector as between the plain and the mountain areas; the aim is to enable breeding and dairy cattle of good quality to be sold at prices which in general cover production costs. The subsidies are financed out of the proceeds of the price supplements levied on imported fodder, and out of the general funds of the Confederation.

#### (b) Incidence

##### (1) Encouragement of sales within the country

- (a) In order to avoid difficulties which might be encountered in the disposal of breeding or dairy cattle from mountain areas, the Confederation grants subsidies to the cantons or to authorized bodies that purchase cattle from stock breeders from those areas at markets, shows or fairs and thereby incur losses.
- (b) The Confederation reimburses part of their expenses to cantons which pay subsidies to breeders in mountain areas for the slaughter of dairy or breeding animals that are of inferior quality or unfit to be kept.
- (c) The Confederation contributes to the cost of transporting animals from remote mountain districts.

##### (2) Maintenance of traditional exports

Subsidies are granted in order to bring the prices of animals into line with those prevailing in the traditional export markets. The contributions are calculated as a percentage of the selling price and are subject to a

uniform supplement per animal; they are payable up to a fixed maximum. In addition, the Confederation pays the cost of transport as far as the Swiss frontier.

(3) Contribution to expenses of cattle breeders in mountain areas

Having regard to unfavourable production conditions in the mountain zones, the Confederation grants an annual allowance to cattle breeders in these areas. The allowance is payable only in respect of the first ten large bovine animals on the farm. The amount of the allowance was increased by 20 per cent as from 1 January 1968 in order to prevent the already modest income of mountain farmers from being excessively reduced as a result of the new measures (increases in the sum withheld on the price of milk etc.) in the dairy sector.

(c) Amount of subsidy

(1) <u>Encouragement of sales within the country</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
	In thousand francs		
(a) subsidies to relieve market pressure	467	852	665
(b) subsidies for elimination	6,388	6,598	10,299
(c) contribution to transport costs	541	558	554
(2) Maintenance of exports	4,912	4,535	6,676
(3) Contribution to expenses of cattle breeders in mountain areas	37,095	36,861	43,562
Total	49,403	49,404	61,756

(d) Amount per unit

(1) (a) subsidies to relieve market pressure, average	<u>1966</u>	<u>1967</u>	<u>1968</u>
	In francs per head		
(a) subsidies to relieve market pressure, average	445	640	339
(b) subsidies for elimination, average	329	328	317
(c) contribution to transport costs, average (cattle)	14	17	15

(d) <u>Amount per unit</u> (cont'd)	<u>1966</u>	<u>1967</u>	<u>1968</u>
	In francs per head		
(2) subsidies on exports, average	781	826	827
(3) contribution to expenses of cattle producers in mountain areas			
- Zone I	50	50	60
- Zone II	100	100	120
- Zone III	150	150	180

## 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 areas. They help to stabilize the income of farmers in those areas. Subsidies for elimination campaigns are designed to improve the quality and productivity of animals. In the long term, therefore, they provide a basis for improvement in income.

The export bonuses have made it possible to maintain traditional exports of cattle, mainly in the interest of cattle breeding in the mountain areas. Despite the subsidies, prices of Swiss breeding and dairy cattle continue in general to be higher than those of animals of foreign origin.

The contribution to expenses of cattle breeders in the mountain zones is designed to improve the income situation of farmers in these areas, having regard to the difficult production conditions that prevail there.

### (b) Production and exports of breeding and dairy cattle

<u>Year</u>	<u>Production</u> <sup>1</sup> (head)	<u>Exports</u> <sup>2</sup> (head)
1966	210,200	6,286
1967	215,600	5,487
1968	212,074	8,077

<sup>1</sup> Calves for breeding, of which about one quarter are placed on the market.

<sup>2</sup> Total exports of breeding and dairy cattle.

Note: Switzerland imports practically no breeding and dairy cattle.

### 3. Wool

#### I. Nature and Extent of Subsidy

##### (a) Background and authority

- Law on Agriculture of 3.10.1951;
- Federal Law of 15.6.1962 to facilitate the sale of breeding and dairy cattle, horses and wool.

The present number of sheep is approximately 300,000 most of which are in the mountain areas. The subsidy enables the Swiss wool industry to purchase domestic wool and guarantee for producers prices corresponding more or less to the cost of production. It is therefore designed to raise the income level of the mountain population, on the one hand, and to ensure to some extent the country's supplies of domestic wool in periods of emergency, on the other hand.

The subsidy is now subject to a certain maximum amount and is financed out of the price supplements levied on imported fodder and, if necessary, out of the general funds of the Confederation.

##### (b) Incidence

The Domestic Wool Board, which is composed of wool producers and representative of the wool industry, organizes the purchase of domestic wool from producers, and its taxation and taking over by the wool industry. The Board purchases domestic wool at prices fixed by the Federal Department of Public Economy on the basis of average production costs, and sells it to industry at world market prices. The Confederation refunds any difference in price to the Board. Since 5 October 1967, expenditure by the Confederation for this purpose is limited to a maximum of Sw F 900,000 per annum. Subsidies are no longer granted in respect of wool supplies exceeding 100 kgs. per six-monthly clip (an annual clip of 200 kgs.) per sheep-farming supplier.

##### (c) Amount of subsidy

1965:	1,337,000 francs for 489 tons of wool delivered
1966:	1,390,000 francs for 515 tons of wool delivered
1967:	907,000 francs for 460 tons of wool delivered
1968:	793,000 francs for 448 tons of wool delivered

(d) Amount per unit

1965: 2,734 francs per ton of wool delivered  
 1966: 2,699 francs per ton of wool delivered  
 1967: 1,972 francs per ton of wool delivered  
 1968: 1,770 francs per ton of wool delivered

II. Effect of Subsidy

(a) The subsidy improves the modest income level of mountain farmers and helps to prevent a decline in the number of sheep.

It has no influence on the wool trade, since domestic production covers only about 4 to 5 per cent of total consumption. It should be emphasized that imports are entirely free and that the exports mentioned below do not consist of domestic wool.

(b) Production, imports, exports and consumption  
(in tons)

<u>Year</u>	<u>Production</u> <sup>1</sup>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
1965	506	13,745	1,844	12,407
1966	550	13,504	2,073	11,981
1967	555	13,169	2,080	11,644
1968	552	12,361	2,221	10,692

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<sup>1</sup>Including domestic supply.

#### 4. Eggs

##### I. Nature and Extent of Subsidy

###### (a) Background and authority

- Law on Agriculture of 3.10.1951;
- Federal Law of 21.12.1960, on merchandise at protected prices and the price compensation fund for eggs and egg products.

No import quotas are applied on eggs or egg products. On the other hand, importers of fresh eggs are obliged to take up domestic eggs, to the extent of 30 per cent of their imports in the two preceding years. A charge is levied on imports of eggs and egg products and the proceeds from it are primarily used to reduce the price of domestic eggs taken over, whether on a compulsory or a voluntary basis, by the importers. The reduced take-over prices and the producer prices for eggs are fixed by the authorities.

###### (b) Incidence

The taxes levied on imported eggs and egg products are paid into an egg and egg products price compensation fund which has no other source of revenue. The fund pays subsidies to the organizations responsible for collecting domestic eggs to contribute to the cost of collection, transport and distribution of domestic eggs. It also contributes to the cost of propaganda to encourage egg consumption and can make grants for other measures designed to facilitate disposal of domestic eggs.

###### (c) Amount of subsidy

1966:	5,105 thousand francs
1967:	6,045 thousand francs
1968:	5,005 thousand francs

###### (d) Amount per unit

1966:	3.4 centimes per egg taken over
1967:	3.5 centimes per egg taken over
1968:	3.3 centimes per egg taken over

## II. Effect of Subsidy

(a) The subsidy helps the import trade to take over domestic eggs collected by the organizations formed for this purpose. Such take-overs affect approximately 25 per cent of total domestic production. The share of domestic production in total egg consumption varies between 62 and 64 per cent.

### (b) Production, imports and consumption

<u>Year</u>	<u>Production</u> <sup>1</sup>	<u>Imports</u> (in million units)	<u>Consumption</u>
1966	615	382	997
1967	645	367	1,012
1968	645	393	1,038

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<sup>1</sup> Including consumption on the farm.

## 5. Bread Grains

### I. Nature and Extent of Subsidy

#### (a) Background and authority

- Law on Wheat of 20.3.1959 (entered into force on 1.1.1960).

The subsidies are aimed at keeping under wheat an area which would help to ensure national supplies in times of difficulty 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 free of any quantitative restriction. The Wheat Administration buys domestic good quality bread wheat at prices which cover average costs of production and are fixed by the Federal Council. Commercial millers buy this wheat at prices corresponding to the cost price 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 from the sale of domestic wheat is charged to the Government's account.

A producer who uses home-grown wheat on his farm is entitled to a milling bonus. The bonus is fixed in such a way that bread made 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 for the purchase of domestic bread wheat amounted to the following:

1966:	92.7 million francs
1967:	100.9 million francs
1968:	85.8 million francs

The milling bonus amounted to the following:

1966:	11.3 million francs
1967:	10.2 million francs
1968:	9.6 million francs

(d) Amount per unit (in francs per 100 kgs.)

	<u>1966</u>	<u>1967</u>	<u>1968</u>
(a) Purchase of bread wheat	29.65 <sup>1</sup>	27.66 <sup>1</sup>	28.11 <sup>1</sup>
(b) Milling bonus	16.- to 32.- <sup>2</sup>	16.- to 32.- <sup>2</sup>	16.- to 32.- <sup>2</sup>

<sup>1</sup> Average.

<sup>2</sup> According to the altitude of the farm.

## II. Effect of Subsidy

(a) The subsidy makes it possible to grow wheat in Switzerland and thus helps to ensure the country's wheat supply in difficult periods. Since 1 January 1960 private enterprise has been able to import wheat without quantitative restriction.

Switzerland does not export bread wheat.

(b) Production, imports and consumption of bread grains  
(New series taking account of variations in stocks)

<u>Year</u>	<u>Production</u> '000 tons	<u>Imports</u> <sup>1</sup> '000 tons	<u>Consumption</u> '000 tons
1962/63	499	408	803
1963/64	363	339	802
1964/65	461	380	782
1965/66	408	508	877
1966/67	409	392	835
1967/68	492	404	833

<sup>1</sup> Including flour.

## 6. Feed Grains

### I. Nature and Extent of Subsidy

#### (a) Background and authority

- Law on Agriculture of 3.10.1951.

In order to ensure national supplies during periods of emergency, to maintain the possibility of extending cultivation and to relieve the strain on animal production, cultivation bonuses are granted, as in the past, to encourage the growing of feed grains. These bonuses are accompanied by a price supplement levied on imported fodder. In addition, subsidies are paid on the small quantities of domestic feed grains sold in the commercial market.

#### (b) Incidence

- (1) Because of the fact that the growing of feed grains leads to expenditure higher than that involved in the purchase of similar imported grains, cultivation bonuses in proportion to the area under cultivation are paid to domestic producers of oats, barley, maize and three other local species of feed grains. The allowances consist of a basic bonus and of supplementary bonuses for the mountain zone. They are fixed annually before the spring sowings, the cost being covered by the price supplements levied on imported fodder.
- (2) In addition, allowances are paid to importers of fodder who purchase domestic feed grains from a merchant or producer. These subsidies cover transport and marketing costs for domestic feed grains.

#### (c) Amount of subsidy

##### (1) Cultivation bonuses

1966:	20,323 thousand francs
1967:	18,013 thousand francs
1968:	005 thousand francs

##### (2) Marketing and transport allowances

1966:	364 thousand francs
1967:	511 thousand francs
1968:	702 thousand francs

(d) Amount per unit

(1) <u>Cultivation bonus</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
- Basic bonus	400	375	450 or 500 (maize)

## - Supplementary bonuses:

Mountain zone I and steeply sloping land outside the mountain zones	100	100	100
Mountain zone II	200	200	200

(2) Marketing and transport allowances

The allowance for marketing operations is fixed at 25 francs per ton. The allowance for transport costs varies according to distance, the average rate being 9.80 francs per ton.

II. Effect of Subsidy

- (a) (1) The increase made in 1968 in the cultivation bonuses for feed grains is one of the measures designed to modify the structure of agricultural production in order to reduce milk production. Over the past year, however, no increase was achieved in the area of feed grain cultivations which is still less than 50,000 hectares.

(2) Over the past three years, the average share of total domestic production affected by the allowances paid to importers for the marketing of domestic feed grains was approximately 8.5 per cent.

(b) Production, imports and consumption

(new series taking account of variations in stocks and covering all coarse grains)

<u>Year</u>	<u>Production</u> '000 tons	<u>Imports</u> '000 tons	<u>Consumption</u> '000 tons
1962/63	204	691	881
1963/64	156	652	800
1964/65	175	682	876
1965/66	150	749	906
1966/67	169	935	1,056
1967/68	181	861	1,044

## 7. Colza Seeds

### I. Nature and Extent of Subsidy

#### (a) Background and authority

-- Law on Agriculture of 3.10.1951.

The measures for the encouragement of colza cultivation are aimed at maintaining a minimum area under oilseed cultivation in order to help the country to be self-sufficient in periods of emergency. Each year the Federal Council fixes the area in respect of which it guarantees to producers the purchase of the colza crop. In 1966, this area was increased from 7,000 to 8,000 hectares. The guaranteed price to the producer is fixed at the time of the harvest, on the basis of production costs and possibilities of disposal.

#### (b) Incidence

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

#### (c) Amount of subsidy

1966:	7,655 thousand francs
1967:	10,100 thousand francs
1968:	10,000 thousand francs

#### (d) Amount per unit (per ton of seeds)

1966:	687.75 francs
1967:	591.70 francs
1968:	520.30 francs

### II. Effect of Subsidy

(a) The subsidy has made it possible to maintain a minimum area under colza cultivation as a basis for extension in case of need. Without the subsidy this cultivation would disappear. Domestic production at present covers only approximately 7 per cent of Swiss consumption of vegetable oils and fats.

(b) Production and consumption

Imports of colza seed and oil are irregular and very small. There are no exports.

Consumption of domestic colza oil has been as follows:

1966:	4,600 tons
1967:	7,500 tons
1968:	7,700 tons

## 8. Sugar Beet

### I. Nature and Extent of Subsidy

#### (a) Background and authority

- Federal Decree of 20.12.1952 (amended on 19.12.1963) 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 prices fixed by the Federal Council the sugar beet produced in accordance with the cultivation contracts concluded with the planters, the Confederation grants a subsidy in the form of a guarantee against any deficit. The price of sugar beet corresponds to the cost of production in efficient agricultural undertakings. The import of sugar is free. The sugar refineries therefore have to sell sugar refined in Switzerland at the price prevailing on the free market, and this might involve a loss when the world price is very low, as has been the case from 1959 to 1962 and again since 1964.

#### (b) Incidence

Since 1 October 1964, the Federal Council fixes the proportion of Federal participation in any deficit incurred by the sugar refineries, but the amount thereof must not be in excess of 15 million francs per annum for the two refineries together; in exceptional circumstances, the Federal Assembly would be empowered to raise the maximum amount to 20 million francs. Before that date, the Confederation guaranteed to the sugar refineries the refund of half the deficit, up to a maximum of 6 million francs (3.6 million francs so long as only one sugar refinery was in operation).

#### (c) Amount of subsidy

Accounting period (1.10.-30.9.)	<u>1965/66</u>	<u>1966/67</u>	<u>1967/68</u>
Subsidy by the Confederation	15.0	17.8	20.0

#### (d) Amount per unit (per kg. of domestic refined sugar)

1965:	36.4 cts.
1966:	33.2 cts.
1967:	33.9 cts.

### II. Effect of Subsidy

(a) Due to the Confederation guarantee, the sugar refineries are able to process domestic sugar beet even when world sugar prices are extremely low, with a view to ensuring Switzerland's supplies in time of emergency. Since the second refinery came into operation, about 20 per cent of total sugar consumption is covered by domestic production; Switzerland therefore remains last among the

West European countries as regards the extent to which sugar requirements are covered by domestic production.

(b) Production, imports, exports and consumption  
(in tons)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
1966	53,608	220,369	3,677	270,300
1967	58,918	235,514	5,617	288,815
1968	62,289	260,104	9,123	313,270

## 9. Potatoes

### I. Nature and Extent of Subsidy

#### (a) Background and authority

- Article 32 bis of the Federal Constitution;
- Federal Law on Alcohol, of 21.6.1932, revised on 25.10.1949;
- Law on Agriculture 3.10.1951.

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 consumption of spirits, and it thus constitutes a public health measure. Article 8 of the Law on Alcohol authorizes the distillation of potatoes only 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 main 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) In order to maintain efficient cultivation of potatoes in mountain areas and on steeply sloping land outside these areas, subsidies have been granted since 1 March 1966 by way of participation in higher production costs.
- (6) Information, publicity, etc.

(c) <u>Amount of subsidy</u>	<u>1.7.- 30.6.</u>	<u>Million francs</u>
(1) Transport subsidies	1965/66 1966/67 1967/68	1.71 1.67 <u>2.07</u>
(2) Sale of ware potatoes at reduced prices to needy persons	1965/66 1966/67 1967/68	2.34 2.02 <u>2.00</u>
(3) Subsidies to reduce seed potato prices	1965/66 1966/67 1967/68	1.17 1.06 <u>1.78</u>
(4) Subsidies for utilization of potato surpluses	1965/66 1966/67 1967/68	6.99 20.34 <u>38.28</u>
(5) Subsidies for potato cultivation in mountain areas and on sloping land	1965/66 1966/67 1967/68	- 1.31 <u>1.27</u>
(6) Information, publicity, etc.	1965/66 1966/67 1967/68	0.46 0.67 <u>0.64</u>
(d) <u>Amount per unit</u>		<u>Francs</u>
(1) Transport subsidy per 100 kgs. of potatoes	1965/66 1966/67 1967/68	1.19 1.20 1.35
(2) Price reduction for needy persons, per 100 kgs. of ware potatoes	1965/66 1966/67 1967/68	14.81 14.06 14.43
(3) Reduction in price of seed potatoes, quality A, per 100 kgs.	1965/66 1966/67 1967/68	2.36 2.32 2.42
(4) Utilization of surplus of ware potatoes, potatoes for general use and fodder potatoes, per 100 kgs., average	1965/66 1966/67 1967/68	6.08 10.17 15.31

## II. Effect of Subsidy

(a) The subsidies do not affect imports. For a long time past, 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> <sup>1</sup> total consumption of ware, seed and fodder potatoes tons
1965	1,220,000	20,600	31,100	1,209,500
1966	1,310,000	18,200	57,600	1,270,600
1967	1,310,000	18,400	78,500	1,249,900

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<sup>1</sup>Including utilization of surpluses within the country.

## 10. Fruit

### I. Nature and Extent of Subsidy

#### (a) Background and authority

- Article 32 bis of the Federal Constitution;
- Federal Law on Alcohol of 21.6.1932, revised on 25.10.1949;
- Law on Agriculture of 3.10.1951.

Under Article 32 bis of the Federal Constitution, the legislation must aim at reducing the production and consumption of spirits and encouraging the production of dessert fruits. Thanks to these measures also, per caput consumption of fresh fruit in Switzerland is among 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 introduction of new distribution methods, and also by the sale of fruit at reduced prices to needy persons and the mountain population;
- (3) (a) to encourage the utilization of surpluses without distilling by means of subsidies to fruit juice manufacturers for the manufacture and storage of concentrated juice and by subsidies for domestic consumption or for exports of fruits and concentrated juices in case of surpluses.
- (b) In order to prevent a collapse in dessert fruit prices on the domestic market and its harmful effects on farmers' income, special measures can be taken for the utilization of surpluses: in recent years, these measures have mainly consisted of subsidies granted to facilitate disposal of apricots (price reductions, contribution to various incidental expenses - sorting, quality control, publicity, storage etc., - industrial processing). This disposal of the domestic apricot crop takes place after the import season, in a market where competition from other imported fruits is very keen.

(b) Incidence

Subsidies are granted in different ways according to their nature.

- (1) The subsidies aimed at influencing production by adjusting 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 the cantons. They are only granted to cantons which themselves take corresponding measures.
- (2) (a) In principle, the authorities pay 50 per cent of the expenses of information and publicity to encourage fruit consumption. The remaining 50 per cent is paid by the business groups concerned (producers, user undertakings, importers).
- (b) As a general rule, the authorities take responsibility for transport costs and part of the loss on sales 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; first of all, the utilization must be for non-alcoholic purposes. Export subsidies may be granted in particular cases for cider-making fruits when the surpluses cannot be used otherwise.
- (b) The granting of these subsidies, like those pursuant to (3) (a) is conditional on observance of the indicative prices fixed by the Federal Council for these fruits.

(c) <u>Amount of subsidy</u>		<u>million francs</u>
(1) Subsidy to influence production	1965/66	1.17
	1966/67	1.14
	1967/68	1.13
(2) Subsidy to encourage consumption of pip fruit		
(a) propaganda	1965/66	1.27
	1966/67	1.35
	1967/68	1.01
(b) supply of fruit to persons with small incomes and mountain population	1965/66	1.03
	1966/67	0.46
	1967/68	0.96
(3) (a) Subsidy for the utilization of surpluses of various fruits without distilling	1965/66	1.39
	1966/67	1.26
	1967/68	7.62

million francs

(b) Subsidy for the utilization of dessert fruit surpluses	1965/66	1.47
	1966/67	1.87
	1967/68	1.45

(d) Amount per unit

The subsidies designed to lower prices of fruit for needy persons, and for the mountain population varied, on average, between 17 and 25 centimes per kg.

Subsidies for the utilization of surpluses of dessert fruit (apricots) amounted on average to 28 centimes per kg. in 1965, 36 centimes in 1966 and 22 centimes in 1967.

The amount per unit in respect of the other measures mentioned cannot be stated, because it varies too much depending on conditions and the market situation.

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 pip fruit crop. Swiss fruit consumption amounted in 1967/68 to 122 kgs. per head of population, thus exceeding that of any other European country. Domestic production only covers about 65-80 per cent of this consumption, however, depending on the year.

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

(1) <u>Fresh fruit</u>	<u>Production</u>	<u>Imports</u> In thousand tons	<u>Exports</u>	<u>Consumption</u>
1965/66	621	348	9	960
1966/67	777	319	9	1,087
1967/68	1,087	305	9	1,383

(2) Fruit juices, pulp, preserves and dried fruit

1965/66	77	29	9	125
1966/67	119	30	11	126
1967/68	180	35	6	134

## 11. Wine, Grape Juice, Dessert Grapes

### I. Nature and Extent of Subsidy

#### (a) Background and authority

- Law on Agriculture of 3.10.1951.
- Federal Decree of 6.6.1958, instituting temporary measures for viticulture, as extended on 28.9.1967.

Vine growing is restricted to the regions suitable for wine production, as defined by the vineyard survey. The planting of new vines outside the vineyard zone is prohibited; within that zone, an authorization is required.

Subsidies have been granted for the following measures aimed at encouraging disposal of the harvest:

1. Optional purchase by importers of 6.4 million litres of surplus wine from German-speaking Switzerland, from the 1965 harvest.
2. Propaganda to encourage consumption of wine, dessert grapes and grape juice.
3. Non-alcoholic consumption of grapes (dessert grapes and grape juice).

These measures are financed out of the vineyard fund, which is constituted from the proceeds of a tax of 8 francs per quintal levied on wine imported in casks.

#### (b) Incidence

(1) The subsidy for optional purchase is paid to the proprietors of domestic wine who supply it to importers. The subsidy covers the difference between the price payable to the vendor and the price to be paid by the importer, together with certain costs (transport, inspection, storage, etc.). The wine concerned must be used for the following purposes:

- blending with imported ordinary red wines;
- sale under the unified appellation "Swiss red wine" or "Local wine".

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

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

(c) amount of subsidy

(1) Optional purchase of surplus wine from the 1965 harvest in German-speaking Switzerland:

1966: 776,655 francs

No measures of this kind were taken in 1967 or 1968.

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

(a) Wine:	1966: 160,577 francs
	1967: 245,634 francs
	1968: 335,491 francs

(b) Grape juice:	1966: 266,253 francs
	1967: 268,072 francs
	1968: 347,588 francs

(c) Dessert grapes:	1966: -
	1967: 5,000 francs
	1968: -

(3) Non-alcoholic consumption of grapes:

(a) Non-alcoholic grape juice:

1966:	2,821,989 francs
1967:	1,807,457 francs
1968:	1,865,952 francs

(b) Dessert grapes:

1966:	243,499 francs
1967:	178,733 francs
1968:	23,193 francs (balance)

(d) Amount per unit

(1) Purchase of surplus wine, from the 1965 harvest:  
0.70 francs per litre for red wine, 0.40 francs per litre for white wine.

(2) Propaganda: it is impossible to calculate the amount per unit.

## (3) Non-alcoholic consumption of grapes:

(a) Grape juice:	1966:	0.55 francs per litre
	1967:	0.49 francs per litre
	1968:	0.66 francs per litre
(b) Dessert grapes:	1966:	0.21 francs per kg.
	1967:	0.19 francs per kg.
	1968:	-

II. Effect of Subsidy

- (a) (1) The subsidy for the purchase of surplus wine from the 1965 harvest in German-speaking Switzerland helped towards the disposal of 897,000 litres of domestic wine.

(2) and (3) Subsidies for propaganda and the non-alcoholic consumption of grapes encouraged disposal of the grape harvest. In particular, they make it possible to lower consumer prices of dessert grapes and grape juice.

(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> <sup>1</sup> (1.7.-30.6.)				
1965/66	847,585	1,447,728	2,145	2,252,971
1966/67	773,651	1,432,954	1,975	2,295,240
1967/68	904,457	1,401,389	1,658	2,314,338
<u>Grape juice</u> (1.7.-30.6.)				
1965/66	110,800	22,216	1,640	104,204
1966/67	58,397	30,684	1,777	96,338
1967/68	56,560	29,330	1,741	97,622
<u>Dessert grapes</u>	tons	tons	tons	tons
1966	1,539	38,388	11	39,916
1967	1,197	36,508	9	37,696
1968	391	34,110	15	34,486

<sup>1</sup> Imports and exports of wine relate exclusively to wine in casks (tariff headings 22.05.10 to 22.05.22).