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Agricultural Policies

Addendum

SWITZERLAND

AGRICULTURAL POLICY OF SWITZERLAND

Note by the Swiss Delegation

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1. Objectives and guidelines

The general objectives of Swiss agricultural policy are defined in Article XXXI(a) of the Federal Constitution and in the Law of 1951 on agriculture. They can be summed up as follows: to maintain a healthy agricultural population and productive agriculture serving to keep the country supplied while safeguarding the interests of the national economy. To that end, Swiss agricultural policy is aimed at:

- ensuring the establishment of agricultural undertakings which are productive and capable of making rational use of the productive factors constituted by the soil, labour and capital;
- adapting production to domestic demand and export possibilities, while permitting harmonious development of imports of agricultural products;
- stabilizing agricultural markets and ensuring a fair income for farmers.

The implementation of those objectives should make it possible - having due regard to the building-up of adequate reserves of foodstuffs and fodder - to maintain a minimum area of land capable of cultivation which could be extended in case of need, sufficient reserves of skilled labour and the necessary means of production. Further, it should contribute to the preservation of an ecological and demographic balance.

2. Measures and instruments

2.1. General

The measures concerning agriculture can be classified under two main headings:

- policy concerning prices and markets;
- policy concerning the improvement of holdings, structural reform and regional development.

As regards the latter category of measures, the Swiss Government stated, in its fourth report on agriculture published in 1969, its intention of intensifying its efforts in order to enable farmers to rationalize their production (vocational training and advisory services, research, improvements in land tenure including regrouping, investment credits, and the improvement of stock-breeding and livestock farming). Further, it is to encourage, in close co-operation with the cantons, a better-balanced regional economic development, and thus also indirectly aid agriculture. It has, moreover, been recognized that one of the main means of securing further progress is to maintain full employment in general, which facilitates the transfer of labour which can no longer be fully occupied in agriculture because of the use of more advanced techniques.

As regards the policy concerning prices, that is studied in greater detail in the paragraphs which follow.

2.2. Policy concerning prices

2.2.1. Relationship between prices and incomes

The measures for which the law on agriculture provides are to be applied in such a way as to secure for good quality national produce prices which will make it possible to cover the average costs of production, calculated over several years (three years as a general rule), on farms managed in a rational manner and acquired on normal terms. Agricultural production should, however, correspond to the absorption capacity of the domestic market and export possibilities. Further, when prices are being fixed account has to be taken of the interests of other branches of the economy and of the material conditions of other sectors of the population.

In calculating the production costs of agricultural holdings, account is taken of the principle, laid down by law, of the parity of incomes. That principle requires the granting of a fair reward for the work of the farmer and of the members of his family who help him. That fair reward is calculated on the basis of the average product of the labour of one worker in the rural and semi-urban areas.

The particular conditions of production in the mountain areas entail the application of specific additional measures to protect the income of farmers in those regions (in particular the improvement of the infrastructure, subsidies

for the purchase of agricultural machinery, for the improvement of breeding animals and animal health, contributions towards stockbreeders' costs, etc.).

2.2.2. Guidance of production

As has been seen above, the policy concerning prices also serves to guide production. Prices cannot be determined solely with regard to the objective of fair remuneration; account must also be taken of the part they play in regulating supply and demand. An example of taking that into account is provided by the measures adopted some years ago to deal with the difficulties encountered in the milk and dairy products sector. In particular, it was decided to extend to that sector the principle of limiting the guarantee of prices to a certain volume of production (a principle already applied to other products such as sugar beet and colza).

In that connexion, it must also be pointed out that the measures to promote tillage, which are aimed at the maintenance of a minimum area under cultivation, are also intended to allow of some decrease in milk production.

2.3. Measures to ensure national supplies and the maintenance of incomes and prices

In order to ensure that the market is supplied by national production and imports, taking into account the need to safeguard the levels of production and of prices required by the national legislation, the Swiss authorities have recourse to a combination of measures within the country and at the frontier. Those measures cannot, therefore, be considered, from the point of view of their effects, independently of each other. This is shown in the case on the following major products:

2.3.1. Vegetable production

Bread cereals

The national harvest of bread cereals is bought by the Confederation at fixed prices. It covers some 50-60 per cent of the country's needs and, taking into account conditions of production, the areas under corn remain fairly constant. The balance is provided by imports which take place freely. The commercial millers have to take native wheat at prices which correspond as a general rule to the average cost price of foreign wheat of the same quality (at the present time, in view of the high level of world rates and in order to combat inflation, the prices at which the millers buy native wheat have been fixed at a lower amount).

The difference between the higher prices paid to the producers and the product of the sale of native wheat is borne by the Confederation. It also maintains the necessary reserves for reasons of security of supply. The obligatory stocks in the country represent about 50 per cent of the annual consumption.

Fodder cereals

Switzerland has a large deficit as regards supplies of animal feeding stuffs. Imports cover some 70-80 per cent of its requirements of concentrates (60-80 per cent for fodder cereals alone, depending on the size of the national harvest).

The growing of fodder cereals benefits indirectly from the levying of price supplements on imported feeding stuffs (charges which are the subject of periodical adjustments); it is encouraged by the granting to farmers of crop premiums paid per hectare. These measures as a whole allow of a certain equalization of the cost of home-grown cereals, on the one hand, and of imported cereals, on the other. There is also a financial link between the price supplements levied at the frontier and the measures adopted by the Confederation to encourage the cultivation of home-grown fodder cereals.

The importation of fodder cereals and of the other major products intended for animal feeding is subject to quotas. The fixing of the global quotas, which takes place quarterly, takes into account trade requirements, the size of the national harvest, marketing possibilities for the products of national livestock farming and, in so far as possible, the measure of guidance to be given to production. In addition, the importers have to comply with the Federal provisions concerning the stocking intended to ensure national supplies.

Sugar beet

The growing of sugar beet is well suited to the climatic conditions of the farming areas of the country. In connexion with the general objectives already mentioned (the ensuring of supplies, and a balance between animal and vegetable production), the policy followed takes into account the particular part it plays in crop rotation and thus in the maintenance of a certain cultivated area. That policy only leads in normal times to the country's sugar requirements being met to a slight extent by national production, as the rate of self-sufficiency should not be more than some 30-35 per cent. There are guaranteed prices for the sugar beet crop up to a given quantity. It is bought by the two existing sugar refineries at fixed prices and on the basis of contracts concluded with the growers. As there are no restrictions on the importation of sugar and the selling prices on the home market are free, the sugar refineries generally suffer losses which vary accordingly to the level of world rates. The Confederation helps, up to a

given amount, to cover those losses. If they exceed a certain level, a charge is levied on imports and the producers are required to make a contribution. Measures regarding stocking are also in force in respect of sugar.

Oilseed: oils and edible vegetable fats

National production in this sector is confined to colza oil. Production depends on the limited area for which the Federal Council guarantees a market for the producer and the price to be paid for the harvested seed. Its share of the country's total consumption of oils and vegetable fats remains at about 10 per cent.

The selling price of colza oil is fixed by the authorities in relation to the rates for other current edible oils which are imported. The Confederation thus bears the cost of the difference between that price and expenditure on the purchase and processing of the seed. The funds resulting from the price supplements levied on imported animal feeding stuffs are drawn on for that purpose.

Imports of oilseeds and of oils and edible vegetable fats are free. They are subject to the levying of a price supplement (charge) of which the purpose is to maintain an appropriate relationship between the lower prices of vegetable fatty substances, on the one hand, and those of the competing animal fatty substances, on the other. That makes it possible to keep a certain balance in the share of the market which falls to each of those two categories of products. It is in fact a matter of ensuring that the marketing of national milk and dairy products does not encounter difficulties as a result of a decline in the consumption of butter. The product of those price supplements is used to finance public expenditure in the milk and dairy products sector.

Like the other products already mentioned, oilseeds and vegetable oils and fats are subject to a system of obligatory stocking.

Potatoes

The areas devoted to this crop, which is well suited to natural conditions and plays an important part in the security of national supplies, are decreasing every year. The total decrease in the area recorded over the past two decades has been about 50 per cent. The strong increase in yields and the fall in consumption per inhabitant have however kept the rate of self-sufficiency at about 110-120 per cent.

The legislation on alcohol is aimed at favouring and encouraging the use of the crop without distillation. On that basis, importation is limited to certain periods and quantities; it can also be made subject to an obligation to

take a fair proportion of home-grown produce. As the marketing of the national crop is guaranteed at fixed prices, various subsidies are paid to make it easier to dispose of it within the country (sales at reduced prices to needy persons, aids for processing into flakes and flour for fodder, etc. ...). Subsidies are also granted to enable traditional exports to be maintained.

Finally, in the mountainous areas, a premium is granted per hectare for the growing of potatoes.

Vegetables

The area devoted to market-gardening has remained fairly constant during recent years. Production, which at present covers less than 50 per cent of the country's requirements of fresh and preserved vegetables, is related to the limited character of the outlets for the traditional vegetables produced in Switzerland. The demand for these has declined, as consumers show an increasing preference for fine quality produce. There is a growing supply of foreign vegetables available outside the Swiss production seasons so that the Swiss buyer has become accustomed to having a wide range of products available throughout almost the whole year.

As a rule, production price formation is free; the State does not give any subsidy, premium or price guarantee. The regulation of imports is aimed at allowing national produce to attain prices considered to be fair within the meaning of the law on agriculture. It is a matter of what is known as the "three phase" system which applies to the majority of fresh or chilled products of the same kind as those grown in Switzerland, exclusive of all others. That system provides that the importation of a product subject to such regulation is:

- (1) free, when the similar home-grown product is not available on the market;
- (2) subject to quota, when the home-grown produce is available, but not in sufficient quantity to cover requirements (authorization to import may also be made subject to the obligation to purchase national produce);
- (3) suspended, when there is sufficient home-grown produce to cover requirements.

The opinion of a commission set up under the law, on which all those concerned are represented (producers, trade, industry, consumers), determines the decisions relating to the application of the system.

Fruit

Natural conditions restrict home production to certain kinds of fruit amongst which apples play a traditionally important part. Production covers approximately half the country's total requirements of fresh fruit, the level of consumption per inhabitant being high. Fruit-growing has been undergoing structural transformation for some years past: progressive elimination of traditional orchards and unfavourably situated plantations; creation of modern orchards (intensive cultivation) in the most suitable areas. Such measures, which are still being applied although not at such a rapid rate, are aimed at giving greater stability to production and making it less variable from one year to another. Policy in that field, of which the objective is to adapt production to marketing possibilities and to limit the use of fruit for distilling, is also based on the legislation concerning alcohol.

In addition to the subsidies paid for reducing the number of trees, rationalizing cultivation and improving quality, aid is also given to encourage the non-alcoholic use of fruit (publicity, sales at reduced prices to needy persons, the manufacture of fruit juice, etc. ...) and, where appropriate, to help to dispose of the crop domestically when there is a glut on the market (e.g. subsidies for reducing the price of apricots during special selling campaigns). Subsidies can also be granted in specific cases to permit certain exports to traditional markets, in so far as the growing difficulties encountered on those markets have not put an end to that flow of trade.

As in the case of vegetables, prices at production are generally free. The regulation of imports (three-phase system) is aimed at maintaining those prices at a fair level. Such regulation does not apply, and importation can thus take place without restriction throughout the year, in the case of all species of fruit which are not produced in Switzerland (citrus fruit, bananas, other meridional and tropical fruit, etc. ...) and also of certain species which, although produced in Switzerland, are exempt from the application of the system (in particular table-grapes and peaches).

Wine

Vine growing is restricted to regions which are suitable and are mapped out in a viticultural survey. Outside that area, the planting of new vines is forbidden, and within the area it is subject to authorization. That policy, which is aimed at adapting production to demand taking into account natural conditions, is completed by provisions concerning promotion of the quality of the wines produced. Over the past twenty years, the area under vineyards in Switzerland decreased appreciably up to 1965 and has remained relatively constant since then. Imports, which on the average cover 60-65 per cent of the

country's total requirements of wine, thus show a trend parallel with that of the increase in consumption. They are mainly of red wines, as home production covers a larger proportion of the consumption of white wines.

The prices at production of the majority of wines are the subject of agreements between the organizations of those concerned (vine growers, cellarman and wine merchants), and the authorities may make recommendations on the subject. Measures applying to importation are aimed at ensuring the maintenance of those prices at an equitable level. The main measure of that kind is the application of a quota system, but red wines in bottles, which are free of any quantitative import restriction, constitute an exception to that system. The Confederation meets certain costs in connexion with the improvement of the quality of the vineyards, publicity and the non-alcoholic use of grapes (manufacture of grape juice). It may also intervene occasionally, to prevent a collapse of prices, by ordering temporary storage measures or granting subsidies to assist in marketing certain wines. The cost of such operations is covered by a special fund financed by a fixed charge levied on imports of wine, must and grape juice.

2.3.2 Livestock production

Owing to natural conditions, livestock production represents a major proportion, more than three quarters, of Swiss agricultural production. Owing to the importance of the pastures, cattle-farming plays a predominant part. The breeds raised are primarily for two purposes: the production of milk and dairy products contributes about one third of the gross agricultural revenue whereas that of beef and veal represents one fifth. Pig-farming and poultry-keeping have undergone structural transformations characterized by a certain concentration and the development of production under contract; those two activities, but in particular the first, nevertheless continue to make a not insignificant contribution to the income of many farmers. Sheep-farming, on the other hand, plays a relatively marginal part in Switzerland.

Milk and dairy products

Milk plays a traditionally important part in Swiss agricultural production. It has the advantage, as compared with meat, of being a regular and reliable source of income for the country's small and medium-sized farms. There are therefore many which mainly depend on it, more particularly in the mountainous areas. Although the milk production is generally sufficient to cover the country's needs, Switzerland is both an importer and exporter of dairy products. The quantitative foreign trade balance for milk, which was constantly favourable until towards the end of the sixties, has since become slightly unfavourable.

Taking into account the very small growth in demand for dairy products, the increase in yield per cow and the trend toward a decrease in the use of milk on the farm, the policy pursued by the government is aimed at adapting production to the markets and limiting the losses incurred in that field. Those losses arise from the fact that a fixed basic price is paid to the farmers for the milk supplied and that the selling prices of the various dairy products do not always make it possible to cover that price and the other production costs. As a general rule, the marketing of fresh dairy products is carried out without a loss, but that is not the case with the other products such as cheese, milk preserves and, to a greater extent, butter. The greater losses incurred in the manufacture and marketing of butter explain why priority is given to the utilization of home-produced milk in other forms, whereas imports of butter are encouraged. That is why the producers, who are obliged to participate in covering the deficit in the "Milk account" (that participation being guaranteed by a deduction from the basic price paid for milk), have to bear a larger share of the losses on butter than on the other products. The greater part of the deficit in the "Milk account" is, however, covered by federal subsidies together with the product of certain charges (in particular on imports of butter and of other dairy products and also on those of edible vegetable oils and fats). Since 1967, a year characterized by difficulties on the dairy products market, various additional measures have been adopted to curb expansion of milk deliveries and stimulate domestic consumption. Chief amongst them, on the production level, were the following:

Restriction of complete payment of the basic price to a total maximum volume of milk delivered at the national level; beyond that volume, producers are collectively penalized by means of a deduction of which the amount increases in proportion to the excess volume;

The payment of premiums to the owners of cows of which the milk is withheld from the market;

Special campaigns for the slaughter of cows.

As regards consumption, special mention should be made of the payment of additional subsidies to reduce prices and facilitate the marketing of butter.

Further, the measures adopted in other sectors than that of milk, such as those aimed at encouraging tillage or meat production, must also be regarded as related to the aims pursued in connexion with the limitation of milk production.

In the field of foreign trade, the various instruments applied supplement the measures adopted within the country:

Import monopoly for butter with the levying of a variable charge (difference between the fixed selling price for home-produced butter and the import price) which goes to finance the "Milk account";

Charges (price supplements) on imports of skimmed milk powder, cream and condensed milk, the proceeds going to the "Milk account";

Obligatory purchase of a certain proportion of national products by the importers of powdered whole milk and lactic casein;

Prohibition on imports of fresh milk, with the exception of a fixed quota for the free zone bordering on Geneva;

Apart from customs duty, cheeses are not as a general rule subject to any special import measures; it will be recalled that an agreement was concluded with the supplying countries fixing a minimum price for exports of certain varieties to Switzerland;

Aids to protect traditional exports of cheeses and milk preserves (specialities for children, medical milks).

Livestock for meat

Cattle breeding and pig breeding play an essential part in this sector. The objective fixed by the legislation is that production for the market should not exceed, on an average over several years, 85-90 per cent of the country's requirements of heavy cattle for meat and 95 per cent of requirements of calves and pigs. That proportion has been achieved as regards pigmeat and, taking into account the cyclic variations inherent in that form of production, it remains on the average at that level. For veal and beef, on the other hand, the rate of self-sufficiency envisaged has not been attained in recent years, during which the necessary imports have covered 20-30 per cent of the country's requirements. A certain margin for development of production thus exists in that field. With a view to reducing the milk sector, the State is endeavouring to encourage such development, in particular by giving subsidies to fatteners (grants, already mentioned, to the owners of cows of which the milk is withheld from the market) or by establishing the most suitable relationships possible between the price of milk and meat.

Production target prices are fixed, with an upper and lower margin, for all categories and quality grades of cattle for meat. Import measures (quota system)¹ are aimed at allowing the maintenance of those prices: the quotas are opened, for products of the same kind, when the market prices reach the upper limit of the target price. In the case of need, importers can also be called on to purchase home-produced cattle for meat in reasonable proportion to their purchases from abroad. Those measures are completed by arrangements made within the country to relieve congestion on the market and facilitate the disposal of any surplus quantities (organization of cattle-markets, stocking, freezing, etc. ...), which are carried out by a semi-State body on which all those concerned are represented (Swiss Co-operative for supplies of meat and livestock for meat). A special reserve fund, financed by a charge on meat imports (amounting to less than 1 per cent ad valorem in most cases), is used to meet the cost of these operations for the stabilization of the domestic market.

Poultry and eggs

In the course of the past fifteen years, poultry farming has undergone far-reaching structural changes. The process of concentration and the subsequent improvement in productivity have lead to an expansion of production. As far as eggs are concerned, that expansion was related to increase in total consumption so that the level of the self-sufficiency rate, which varies between 50 and 55 per cent, has not changed. As for poultry meat, of which the increase in consumption per head has been considerable as a result of its always relatively more advantageous price, the rate of self-sufficiency rose somewhat during the first half of the sixties and appears to have become stabilized since then at about 40 per cent. It should be noted that some 90 per cent of the production of poultry meat is at present under contract.

The fact that poultry farming continues to allow a certain number of small or medium-sized farms to increase their resources and thus ensure a sound economic foundation is taken into consideration in applying price protection measures. In that connexion, the markets for poultry and eggs are governed by similar systems and the measures adopted are aimed at attaining a target of remuneration which is regarded as equitable, without those two products being the subject of a price guarantee. In both cases, imports take place without any quantitative limitation. As regards poultry, the importers have undertaken, on the basis of a private agreement concluded with groups of producers, to purchase a certain quantity of home-produced poultry and to pay a charge on imports which goes into a price-equalization fund. The resources of that fund make it possible to lower the price

¹Imports of mutton and lamb, which cover about half domestic requirements for that category of meat, are not subject to that system: they take place without restriction, importers being obliged to purchase at fixed prices home-produced sheep and lambs.

of home-produced poultry which is purchased; they are also used to stabilize the market for poultry for roasting and to promote publicity campaigns in favour of poultry consumption. As regards eggs, importers are actually required by law to purchase at given prices a certain quantity of home-produced eggs, as a general rule 30 per cent (but not more than 35 per cent) of their average imports of the two preceding years. A charge, fixed by the Federal Council, is made on imports of eggs and products with an egg base. It finances a public equalization fund which serves to facilitate the purchase by importers (contribution to costs of collecting, transport and distribution), to remedy disturbances of the market (organization of occasional programmes of lowering prices) and to finance publicity campaigns in favour of egg consumption.

3. Concluding remarks

The effect of the policy and measures described above can be assessed in general terms as follows:

- Domestic production covers some 55 to 60 per cent of the total consumption of calories. The rate becomes about 45 per cent if one takes into account the fact that part of the livestock production is based on imported animal feeding stuffs. That percentage ought to be considered, in particular, in relation to the basic objective, already mentioned, that the national agriculture should be in a position to ensure the supplying of the country in the case of difficulties hindering imports.
- The rate of self-sufficiency mentioned above has remained constant in spite of the decrease recorded in the number of farms and of the population actively engaged in agriculture: from 1955 to 1969 the total number of farms decreased by 27 per cent and that of persons engaged in agriculture as a primary occupation by 41 per cent. That decrease is still continuing at a similar rate.
- The stability of the rate of self-sufficiency has made it possible for imports to benefit to the same extent as national production from the increase in the domestic consumption of food. It will be noted in this connexion that Switzerland is an important market for foreign agricultural products. It heads the list of industrialized countries as regards the net amount of agricultural imports per inhabitant.

The regular functioning of the international markets in agricultural products is a determining factor in the policy pursued in that field, as described in this report.