

RESTRICTED

L/4622/Add.8

28 September 1978

Limited Distribution

GENERAL AGREEMENT ON
TARIFFS AND TRADE

Original: French

SUBSIDIES

Notification Pursuant to Article XVI:1

SWITZERLAND

The following notification on subsidies, covering the period 1975 to 1977, has been received from the Government of Switzerland.

I. Milk and Dairy ProductsA. Dairy balance sheet of the Confederation

Dairying is the most important branch of Swiss agriculture; it brings in more than one third of the adjusted gross yield of agricultural production. The dairy balance sheet of the Confederation shown below gives a general picture of the financial measures taken in this sector. The details of these measures will be studied in the subsequent chapters dealing with the various groups of dairy products.

Accounting period

(1 November-31 October)	(Sw F '000)		
	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>
	<u>Expenditure</u>		
<u>Total</u>	<u>566,628</u>	<u>588,864</u>	<u>607,765</u>
including mainly:			
- valorization of butter	228,395	229,442	226,316
- valorization of cheese	227,631	294,850	317,347
- valorization of preserved milk products	26,610	14,155	16,138
- contribution to producers delivering neither milk nor dairy products	23,387	23,636	24,319
	<u>Coverage</u>		
<u>Total resources</u>	<u>566,628</u>	<u>588,864</u>	<u>607,765</u>
including:			
<u>Payments by the Confederation</u>	<u>516,212</u>	<u>499,183</u>	<u>514,721</u>
of which:			
- general funds	398,934	375,784	376,101
- revenue from taxes and price supplements	117,278	123,399	138,620
<u>Share of losses payable by producers</u>	<u>50,416</u>	<u>89,681</u>	<u>93,044</u>

B. Butter

1. Nature and extent of the subsidy

a. Background and authority

- Law on Agriculture of 3 October 1951
- Order of the Federal Assembly of 29 September 1953 concerning milk, dairy products and edible fats
- Federal Law of 21 December 1960 concerning goods with protected prices
- Federal Order of 25 June 1971 concerning supplementary economic and financial measures applicable to dairy production.

The Swiss butter market is governed by the Swiss Central Office for Butter Supplies (BUTYRA) - a co-operative society under public law which holds the monopoly on butter imports. It levies a charge on imported butter, purchases at a price corresponding to the base price of milk any domestic butter which cannot be readily sold and arranges for its disposal with the help of funds granted by the Confederation.

b. Incidence

The following types of subsidies, which may be granted concurrently, are intended to promote the sale of butter on the domestic market only:

- (1) (a) BUTYRA pays a subsidy to the butter centres to enable them to sell table butter without loss at prices fixed by the Federal Council.
 - (b) The Confederation allocates to BUTYRA the sums necessary to enable it to sell fresh or resolidified cooking butter at a reduced price; the amount of the price reduction, and consequently also of the loss entailed varies according to the destination and the quality of the product.
- (2) BUTYRA meets certain marketing costs by means of the following subsidies:

- (a) marginal supplements for wholesale trade, with low turnover;
 - (b) marginal supplements for collection.
- (3) BUTYRA shares in the cost of propaganda to promote the butter consumption.
- (4) In order to ensure that valorization of skimmed milk does not negatively affect consumption of this product, BUTYRA pays a subsidy to users of fresh skimmed milk intended for animal feed.

c. Amount of subsidy

Accounting period	(Sw F'000)		
	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>
(1 November-31 C			
(1a) Reduction in table butter	118,361	136,254	132,564
(1b) Reduction in cooking and resolidified butter	92,106	74,282	75,933
(2a) Marginal supplements for wholesalers	262	270	302
(2b) Marginal supplements for collection	145	154	165
(3) Propaganda for butter	3,257	5,247	3,960
(4) Use of fresh skimmed milk for animal feed	14,154	13,245	13,407
Total	<u>228,285</u>	<u>229,453</u>	<u>226,331</u>

d. Amount per unit

- (1) (a) Subsidies for table butter varied, according to quality, as follows:

From 1. 5.1974: 4.60 or 4.70 frs per kgs.

From 1. 3.1975: 3.60 or 3.70 frs per kgs.

From 1. 5.1975: 4.18 or 4.28 frs per kgs.

From 1. 9.1977: 3.68 or 3.78 frs per kgs.

- (1) (b) Subsidies for cooking and resolidified butter varied, according to the quality of the butter used, as follows:

	<u>Cooking butter</u> Sw F per kg.	<u>Resolidified butter</u> Sw F per kg.
From 1.5.1974	6.23 to 8.96	8.96 to 11.60
From 1.3.1975	5.32 to 7.96	8.15 to 10.79
From 1.5.1975	5.85 to 8.49	8.75 to 11.39
From 1.9.1977	5.30 to 7.94	8.52 to 11.16

- (2) (a) The marginal supplement to wholesale trade is granted according to a sliding scale, in inverse proportion to turnover. In recent years the average marginal supplement per kilogramme of butter was:

1974/75	3.0 centimes
1975/76	2.8 centimes
1976/77	3.0 centimes

- (2) (b) The marginal supplement for the collection of butter for cheese-making is still 3.5 centimes per kilogramme, there having been no change in recent years.

2. Effect of subsidy - Prices and consumption

The following tables show the trend of prices and of butter consumption from 1974/75 onwards:

Trend of butter prices and consumption since 1971/72

- Retail prices (Sw F per kg.)

	<u>From</u> <u>1.1.1971</u>	<u>From</u> <u>1.3.1975</u>	<u>From</u> <u>1.9.1977</u>
Special butter (packages of 200 grs.)	12.30	13.30	13.80
Fresh cooking butter (packages of 250 grs.)	7.80	8.80	9.40

	<u>From</u> <u>1.1.1971</u>	<u>From</u> <u>1.3.1975</u>	<u>From</u> <u>1.9.1977</u>		
Resolidified butter (packages of 1 kg.)	6.50	7.56	8.00		
<u>- Annual consumption (in tons)</u>					
	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1975/76 to</u> <u>1974/75</u>	<u>1976/77 to</u> <u>1975/76</u>
<u>Total consumption of</u> <u>butter</u>	<u>45,809</u>	<u>44,861</u>	<u>46,545</u>	<u>-2%</u>	<u>+4%</u>
including:					
Special butter	13,714	13,294	12,979	-3%	-2%
Fresh cooking butter	24,969	24,368	26,116	-2%	+7%
Resolidified butter (in terms of fresh butter)	321	320	344	-	+7%
<u>Consumption per head of</u> <u>population (kgs. per annum)</u>	<u>7.1</u>	<u>7.1</u>	<u>7.3</u>	-	<u>+3%</u>

It should also be noted that, in order to limit as far as possible the losses incurred in the valorization of milk, an order of priority is laid down; the largest possible proportion of domestic production has to be used to meet the demand for fresh milk and fresh dairy products, which can be sold without loss. Apart from that, the manufacture of cheese and preserved milk products takes priority over butter, imports of which are encouraged. The loss per kilogramme of milk involved in the production of butter is higher than in other uses, and the proceeds from a compensatory tax levied on imported butter (equal to the difference between the price of imported butter and the wholesale price of domestic butter) are credited to the "dairy balance sheet".

b. Production, imports and total consumption of butter (in tons)*

<u>Calendar year</u>	<u>Production</u>	<u>Imports</u>	<u>Consumption</u>
1975	34,079	10,457	45,472
1976	34,856	9,545	45,366
1977	33,847	11,453	46,288

*Exports are insignificant

C. Cheese

1. Nature and extent of the subsidy

a. Background and authority

- Law on Agriculture of 3 October 1951;
- Order of the Federal Assembly of 29 September 1953 concerning milk, dairy products and edible fats, as amended by Federal Order of 27 June 1957;
- Federal Order of 25 June 1971 supplementary economic and financial measures applicable to dairy production.

In accordance with these legislative provisions, the organizations of milk producers and of manufacturers and exporters of cheese established the Swiss Union for the Cheese Trade (USF), which purchases at fixed prices the domestic output of hard cheese (Emmental, Gruyère, Sbrinz, representing 80 per cent of the total output) and resells it through private firms at the best prices obtainable. However, in these operations, the USF incurs losses which are charged to the dairy balance sheet of the Confederation (see page 2).

b. Incidence

The deficit resulting from the USF operations is largely met by the Confederation, which meets the entire amount of any losses due to increases 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 in the case of other types of cheese which are not required to be delivered to the USF.

c. Amount of subsidy

(cf. dairy balance sheet, page 2).

d. Amount per unit

It is not possible to calculate the price reduction resulting from the subsidy to cover losses on the valorization of cheese, because the prices obtained in the various markets can vary.

2. Effect of subsidy

a. The fact that the Confederation covers part of any deficits in the dairy balance sheet (the remainder being charged to milk producers - see page 2) offsets the difference between earnings from cheese sales in domestic and external markets¹ and production costs for the same cheese, established according to the base price for milk.

b. Production, imports, exports and consumption

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption*</u>
	t	t	t	t
1975	103,500	21,562	54,904	75,016
1976	111,400	20,549	56,059	77,296
1977	115,520	19,513	63,269	80,156

*Allowing for fluctuations in stocks.

D. Preserved milk products1. Nature and extent of the subsidya. Background and authority

- Law on Agriculture of 3 October 1951;
- Order of the Federal Assembly of 29 September 1953 concerning milk, dairy products and edible fats;
- Federal Order of 25 June 1971 concerning supplementary economic and financial measures applicable to dairy production.

¹Under its statutes, the USF is obliged to place cheese at the highest possible prices.

b. Incidence

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

c. Amount of subsidy (cf. Dairy balance sheet, page 2)d. Amount per unit

From 1 May 1974 to 30 April 1975 the subsidy was 30 centimes per kilogramme of milk used for the manufacture of these products; from 1 May 1975 to 30 April 1977 it was 32 centimes, and from 1 May 1977 onwards, 48 centimes. Since the amount of milk used for the preparation of 1 kilogramme of preserved product varies according to the product, it is impossible to determine the amount of the subsidy per unit of preserved milk products.

2. Effect of subsidy

a. Since foreign selling prices do not cover the production price of milk these subsidies are necessary in order to maintain traditional exports.

b. Production, imports, exports and consumption

(in tons of fresh milk used)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Exports</u>		<u>Consumption</u>
	t	t	t		t
			<u>Commercial Welfare schemes</u>		
1975	146,000	27,400	13,600	17,300	142,500
1976	172,000	25,500	13,300	15,000	169,200
1977	173,000	27,500	27,300	16,000	157,200

E. Measures taken in the field of dairy policy

a. Price policy

On 1 May 1975 the base price paid to the producer for milk offered in the market, which is fixed by the Federal Council, was raised from 73 to 75 centimes per kg./litre.

b. Overall quota system

Under the Order of 25 June 1971 concerning dairy production, at the beginning of each accounting period (1 November to 31 October) the Federal Council determines the quantity of milk to be paid for at the full price less the normal deduction. In the case of deliveries above this amount, the producers must share collectively in the cost of valorizing the additional quantities in accordance with the following scale:

- for the first 25,000 tons	10 centimes per kg.
- from 25,000 to 50,000 tons	20 centimes per kg.
- from 50,000 to 75,000 tons	30 centimes per kg.
- over 75,000 tons	40 centimes per kg.

c. Other measures

The 1971 Order concerning dairy production also provides for the continuation of the campaign to eliminate dairy farms and to encourage their conversion into undertakings for fattening heavy cattle. In order to relieve the milk market, the Order also provides measures to encourage utilization of milk on the farm. In this perspective, all producers delivering no milk receive contributions. On 1 November 1974, the amount was raised from Sw F 400 to Sw F 500 per cow, and as from 1 November 1976 in the mountain region and the sub-alpine hill zone, it was raised to Sw F 700 per cow for farms fattening calves under certain conditions (except for the first cow, on which it is no longer paid). In addition, since 1 November 1973 retention of mother-cows and foster-cows is further encouraged by an additional payment of contributions for increased fattening resulting

from this form of livestock-raising. Since 1 November 1977, this additional contribution has been integrated in the general payment mentioned above, and the total amount payable to all producers delivering no milk is now Sw F 800 per cow.

d. Individual quota system

Since these various measures did not succeed in cutting the increase in milk production, a system of individual milk quotas was introduced on 1 May 1977. Its main effect is to limit the price guarantee to a certain quantity per farm; this quantity must correspond in principle to the volume of milk marketed by the producer between 1 May 1975 and 30 April 1976. For any quantity over and above the quota, the basic price for milk is reduced by 50 centimes.

II. Breeding and Dairy Cattle

1. Nature and extent of the subsidy

a. Background and authority

- Law on Agriculture of 3 October 1951
- Federal Law of 15 June 1962 to facilitate the sale of breeding and dairy cattle, horses and wool
- Federal Law of 28 June 1974 on contributions to cost of cattle-farmers in mountain regions and the sub-alpine hill zone.

The various measures taken in this sector are intended primarily 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 are at a disadvantage both because of their geographical situation and because of the climate.

The measures are aimed at improving animal husbandry and facilitating a better distribution of labour between the low-lying and the mountainous areas as regards the breeding and rearing of cattle. The

purpose is to enable good-quality breeding and dairy cattle to be sold at prices which in general cover production costs. These measures are financed out of the proceeds of the price supplements charged on imported fodder and also out of the general funds of the Confederation.

b. Incidence

(1) Promotion of sales within the country

- (a) In order to avoid difficulties in the disposal of breeding and dairy cattle from mountain areas, the Confederation grants subsidies to the cantons and to authorized bodies which purchase animals from stock breeders from those areas at markets, shows or fairs and thereby incur losses.
- (b) The Confederation refunds part of their expenditure to cantons which grant subsidies to breeders in mountain areas for the slaughter of breeding and dairy cattle which are of inferior quality or unfit to be kept. In addition, special elimination campaigns have been launched in the plain. Farmers wishing to receive bonuses under the campaign were required to purchase stock from mountain regions to replace culled animals.
- (c) The Confederation contributes to the cost of transporting animals from remote mountain areas.

(2) Maintenance of traditional exports

Subsidies are granted in order to bring the prices of animals into line with those prevailing in traditional export markets. These contributions are calculated as a percentage of the selling price, adjusted by a uniform supplement per animal; they are paid up to

a fixed maximum. The Confederation also pays the cost of transport to the Swiss frontier.

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

Having regard to the unfavourable production in mountain areas, the Confederation grants an annual allowance to cattle breeders in such areas. The amount of the allowance has not been adjusted since 1 January 1971, and the number of head of cattle in respect of which the allowance is payable is 15 per holding. The number of cattle covered by the allowance reached 587,700 in 1977.

c. Amount of subsidy

(1) Promotion of sales within the country

	<u>1975</u>	<u>1976</u> (Sw F'000)	<u>1977</u>
(a) subsidies to relieve market pressure	1,436	2,107	2,643
(b) subsidies for elimination	18,254	19,946	15,504
(c) contribution to transport costs	1,291	1,412	1,625
(2) Maintenance of exports	11,177	13,364	18,178
(3) Special campaigns	3,773	1,123	1,546
(4) Contribution to expenses of cattle breeders in mountain areas	130,973	130,528	127,847
Total	<u>166,905</u>	<u>168,480</u>	<u>167,343</u>

d. Amount per unit

	<u>1975</u>	<u>1976</u> (francs per head)	<u>1977</u>
(1) (a) subsidies to relieve market pressure (average)	413	475	607
(b) subsidies for elimination (average)	331	341	289

	<u>1975</u>	<u>1976</u>	<u>1977</u>
(c) contribution to transport costs for cattle (average)	32	27	- <u>1/</u>
(2) export subsidies (average)	1,350	1,476	1,448
(3) contribution to expenses of cattle breeders in mountain areas (limited to 15 head of cattle per farm)			
- sub-alpine hill area	80	80	80
- mountain zone I	140	140	140
- mountain zone II	270	270	270
- mountain zone III	400	400	400

2. Effect of subsidy

- a. Purchases intended to relieve market pressure are limited in time and geographically; their purpose is to prevent a collapse in prices on markets in mountain areas. They thus help to stabilize the income of farmers in those areas. The subsidies for elimination campaigns aim at improving the quality and productivity of the 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 breeding in mountain areas. Despite these subsidies, prices of Swiss breeding and dairy cattle are generally higher than those of animals of foreign origin.

The contribution to the costs of cattle breeders in hill and mountain areas is intended to ensure higher incomes for the farming population in those areas in view of the difficult production conditions which are prevalent there.

1/ No longer calculable from 1977 onwards.

b. Production and exports of breeding and dairy cattle

<u>Year</u>	<u>Production*</u>	<u>Exports**</u> (head of cattle)
1975	216,700	9,058
1976	226,200	9,150
1977	221,400	12,615

*Total number of calves for breeding up to age six months, of which about a quarter are placed on the market

**Total exports of breeding and dairy cattle.

Note:

Switzerland imports practically no breeding and dairy cattle.

III. Wool

1. Nature and extent of the subsidy

a. Background and authority

- Law on Agriculture of 3 October 1951;
- Federal Law of 15 June 1962 to facilitate the sale of breeding and dairy cattle, horses and wool.

There are at present some 380,000 head of sheep, the great majority being in mountain areas. The subsidy enables the Swiss wool industry to purchase domestic wool, while at the same time it guarantees to producers, for part of their output, 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, on the other, to ensure to some extent a supply of domestic wool in case of emergency.

The subsidy is now payable up to a certain maximum; it 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 (CLI), which is a subsidiary of the Swiss Sheepfarmers' Federation, organizes the purchase of domestic wool from producers, and its taxation and taking over by the wool industry. The Board purchases domestic wool. The price received by the producer comprises a federal contribution fixed by the Department of Public Economy and an amount that varies with the prices obtained by the Board when re-selling in the domestic market. The Confederation reimburses to the CLI any losses resulting from its activities, up to a certain maximum amount which has been at the level of Sw F 1,400,000 per annum since 1971.

c. Amount of subsidy

1975: Sw F 1,397,000 for 566 tons of wool delivered
1976: Sw F 1,386,000 for 582 tons of wool delivered
1977: Sw F 1,282,000 for 586 tons of wool delivered.

d. Amount per unit

1975: Sw F 2,468 per ton of wool delivered
1976: Sw F 2,381 per ton of wool delivered
1977: Sw F 2,188 per ton of wool delivered.

2. 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 5 to 7 per cent of total consumption. It should be stressed that there are no restrictions whatsoever on imports, and that the exports referred to below do not consist of domestic wool.

b. Production, imports, exports and consumption

(in tons)

<u>Year</u>	<u>Production*</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption</u>
1975	606	11,127	2,954	8,779
1976	624	13,769	3,350	11,043
1977**	640	14,679	3,683	11,636

*Including domestic supplies

**Estimated production

IV. Eggs

1. Nature and extent of the subsidy

a. Background and authority

- Law on Agriculture of 3 October 1951
- Federal Law of 21 December 1960 concerning goods at protected prices and the price equalization 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 used mainly to reduce the price of domestic eggs taken over whether compulsorily or voluntarily, by the importers. The reduced take-over prices and the producer prices for eggs are fixed by the authorities.

b. Incidence

The price equalization fund for eggs and egg products is financed entirely out of the proceeds from the charges on imported eggs and egg products. It pays subsidies to the bodies 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 propoganda to encourage egg consumption and can make grants for other measures designed to facilitate disposal of domestic eggs.

c. Amount of subsidy

1975: Sw F 10,000,000

1976: Sw F 9,499,000

1977: Sw F 9,179,000

d. Amount per unit

1975: 5.77 centimes per egg taken over

1976: 5.41 centimes per egg taken over

1977: 4.67 centimes per egg taken over

2. Effect of the subsidy

a. The subsidy facilitates the import trade to take over domestic eggs collected by bodies responsible. Such take-overs affect less than 25 per cent of total domestic production. This production accounts for between 63 and 66 per cent of total consumption of eggs in the shell.

b. Production, imports and consumption of eggs in the shell

<u>Year</u>	<u>Production*</u>	<u>Imports</u>	<u>Consumption</u>
	(millions of eggs)		
1975	720	383	1,103
1976	730	379	1,109
1977	720	389	1,109

*Including consumption on the farm.

V. Bread Grains

1. Nature and extent of the subsidy

a. Background and authority

- Law on Wheat of 20 March 1959 (entered into force on 1 January 1960).

The subsidies are aimed at keeping under wheat an area which would help to ensure national supplies in time 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 wheat has no longer been a State monopoly and is free of any quantitative restriction. The Wheat Board purchases domestic bread wheat of good quality at prices which cover average production costs and which are fixed by the Federal Council. Commercial millers buy the 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. Since 1976, surface subsidies have been granted in regions where production conditions are difficult.

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 rate of the bonus is fixed in such a way that the bread made with the producer's own flour will cost him approximately the same as if he bought it from a bakery.

c. Amount of subsidy

The amounts spent by the Wheat Administration were as follows:

	(Sw F'000)		
	<u>1975</u>	<u>1976</u>	<u>1977</u>
Price premium on domestic grains	118,968	117,926	102,362
Milling bonus and compensatory allowances	9,941	8,091	7,475
Surface subsidies	-	7,497	9,000
Other subsidies	<u>3,094</u>	<u>2,664</u>	<u>2,631</u>
<u>Total subsidies</u>	<u>132,003</u>	<u>136,178</u>	<u>121,468</u>

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

- Purchase of bread wheat	36.15	32.34	33.23
- Milling bonus			
. average	27.03	27.17	27.22
. variable according to altitude of the farm		from 25.- to 43.-	
- Surface subsidies (francs per hectare)			
. steeply sloping land and pre-alpine hill zone	-	400.-	450.-
. intermediate zone, excluding steeply sloping land	-	-	300.-
. mountain zone I		550.-	600.-
. mountain zone II	-	750.-	800.-

2. Effect of the 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, wheat may be imported by private firms without quantitative restriction.

Switzerland does not export bread wheat.

b. Production, imports and consumption of bread grains
(allowing for fluctuations in stocks)

<u>Year</u>	<u>Production</u> ('000 tons)	<u>Imports*</u> ('000 tons)	<u>Consumption</u> ('000 tons)
1974/75	453	397	763
1975/76	381	368	764
1976/77	442	390	822

* Including flour

VI. Feed Grains

1. Nature and extent of the subsidy

a. Background and authority

- Law on Agriculture of 3 October 1951.

In order to ensure the national supplies during periods of emergency, to maintain the possibility of extending cultivation and to relieve the strain on animal production, cultivation, bonuses are paid, as in the past, to encourage the growing of feed grains. The 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) To grow feed grains costs more than to buy like imported grains, and cultivation bonuses in proportion to the area under cultivation are therefore paid to domestic producers of oats, barley, maize, field beans and three other local types of feed grains. There is a basic bonus and supplementary bonuses for the mountain area. They are fixed annually before the spring sowings. The cost is covered by the price supplements levied on imported fodder.

- (2) In addition, allowances are paid to importers 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 bonus

1975: 57,567,000 francs
1976: 67,805,000 francs
1977: 57,914,000 francs.

(2) Marketing and transport allowance

1975: 2,443,000 francs
1976: 3,195,000 francs
1977: 2,114,000 francs.

d. Amount per unit

(1) <u>Cultivation bonus</u> (francs per hectare)	<u>1975</u>	<u>1976</u>	<u>1977</u>
- Basic bonus, identical for all varieties except maize (700.- for first 3 hectares, 450.- between 3 and 5 hectares, and 200.- for 5 hectares or more)	750.-	750.-	750.-
- Supplements:			
. Mountain zone up to 1,000 m. and steeply sloping land outside the mountain zones	300.-	400.-	450.-
. Mountain zone above 1,000 m.	450.-	550.-	600.-

(2) Marketing and transport allowance

The amount of the allowance for marketing operations is fixed and in 1975 and 1976 was 25 francs per ton. The allowance for transport costs varies according to the distance, being about 17.80 francs per ton on the average in 1975 and 16.90 francs per ton in 1976.

Since 1977, marketing and transport are no longer subsidized.

2. Effect of the subsidy

- a. The increase in cultivation bonuses for feed grains forms part of the measures intended to reduce the disparity between farm income in the plain and in the mountains and to modify the structure of agricultural production in order to relieve the pressure on dairy production. Despite these efforts, the area under feed grains has declined, from more than 80,000 hectares in 1974 to some 74,000 hectares in 1977.

b. Production, imports and consumption
(allowing for fluctuations in stocks)

<u>Year</u>	<u>Production</u> ('000 tons)	<u>Imports</u> ('000 tons)	<u>Consumption</u> ('000 tons)
1974/75	403	1,122	1,495
1975/76	376	1,113	1,457
1976/77	353	1,080	1,410

VII. Colza Seeds

1. Nature and extent of the subsidy

a. Background and authority

- Law on Agriculture of 3 October 1951.

The measures taken to promote colza cultivation are aimed at maintaining a minimum area under oilseed cultivation in order to enable the country to be self-sufficient in periods of emergency. The Federal Council fixes annually the area in respect of which it guarantees to producers the purchase of the colza crop. This area was increased from 10,000 to 13,000 hectares during the period under reference in this report. 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 appropriate organizations for the conclusion of cultivation contracts producers. It concludes agreements with the oil-processing plants for 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 refunds 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

1975: 16,499,000 francs

1976: 23,997,000 francs

1977: 16,620,000 francs

d. Amount per unit (per ton of seed)

1975: 917 francs

1976: 1,008 francs

1977: 698 francs

2. Effect of the 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 crop would disappear. Domestic production covers on average only about 10 per cent of Swiss consumption of vegetable oils and fats.

b. Production and consumption

Imports of colza fats and oils are irregular and small in quantity. There are no exports.

The consumption of domestic colza oil was:

1975: 9,071 tons

1976: 8,376 tons

1977: 11,205 tons

VIII. Sugar Beet

1. Nature and extent of the subsidy

a. Background and authority

- Federal Order of 28 June 1974 concerning the domestic sugar industry.

In order to enable the sugar refineries to take over at prices fixed by the Federal Council, the beet produced in accordance with the cultivation contracts concluded with the planters, the Confederation grants them a subsidy in the form of a guarantee against any deficit. The price of beet corresponds to the cost of production on efficient farms. Imports of sugar are unrestricted. Consequently the sugar refineries must sell sugar refined in Switzerland at the price prevailing in the free market, and this may mean a loss for them when the world price is very low, as was the case from 1959 to 1962, from 1964 to 1973 and from 1977 onwards.

b. Incidence

The Federal Order of 28 June 1974 concerning the domestic sugar industry came into force on 1 October 1974. Like the earlier Order of 1969, it stipulates how any excess deficit of the two sugar refineries is to be covered if it exceeds the 20 million francs guaranteed by the Confederation.

It prescribes in particular that:

- (1) the Confederation may make an additional grant of from 1 to 10 million francs;
- (2) the Confederation may impose a charge of between 1 and 10 francs

per quintal on imported sugar;

- (3) the producers make a contribution of between 6 and 60 centimes per quintal of sugar beet delivered.

These three measures operate concurrently; in other words, for each additional million francs granted by the Government, there will be a charge on imports of 1 franc for 100 kgs. and a deduction of 6 centimes per quintal of sugar beet.

For the 1977/78 accounting period (1 October to 30 September) the initial contribution by the Confederation was reduced from 20 to 10 million francs, while the fork in respect of the charge on imported sugar was fixed at 1.50 to 15 francs per quintal. At the end of 1977 this charge in fact amounted to 10 francs per quintal of imported sugar, while the producers' contribution was at the rate of 60 centimes per quintal of sugar beet delivered.

In addition, each year the Federal Council determines the area to be devoted to this crop (not to exceed 14,000 hectares) and the quantity of beet for which the Confederation guarantees disposal at the price fixed (not to exceed 700,000 tons).

c. Amount of subsidy (in millions of francs)

Accounting period	<u>1975</u>	<u>1976</u>	<u>1977</u>
(1.10 to 30.9)	-	-	21,677

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

1975:	0 centimes
1976:	0 centimes
1977:	27.6 centimes

2. Effect of the subsidy

a. Due to the guarantee of the Confederation the sugar refineries are able to process the domestic sugar beet, even when sugar prices on the world market are extremely low with a view to ensuring the country's supplies in time of emergency. Since the second refinery came into

operation, domestic production meets between 25 and 30 per cent of total consumption.

b. Production, imports, exports and consumption of sugar

<u>Year</u>	<u>Production</u>	(in tons) <u>Imports*</u>	<u>Exports*</u>	<u>Consumption</u>
1975	59,437	130,781	131	214,074
1976	76,611	208,369	152	260,042
1977	78,524	234,965	5,828	277,066

* Chapter 1701 of the customs tariff

IX. Potatoes

1. Nature and extent of the subsidy

a. Background and authority

- Article 32 bis of the Federal Constitution;
- Federal Law of 21 June 1932 on alcohol, revised on 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.

This provision is intended, inter alia, to reduce the 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. The subsidies therefore serve to promote the use of potatoes for food and fodder.

The price of potatoes at the production stage is fixed annually before the beginning of the main harvest, taking into account the average production costs and the possibility of utilizing any surplus. The subsidies are financed out of the receipts of the Federal Alcohol

Administration and the general funds of the Confederation.

b. Incidence

The subsidies take the following forms:

1. Information and propaganda;
2. Sale of potatoes to needy persons at reduced prices for use as food;
3. Subsidies for the transport of potatoes for use as food, for seed or for fodder, as well as potato products;
4. Disposal of potato seedlings;
5. Subsidies for the utilization of surpluses in the form of export promotion and aids to processing them as flakes or flour for fodder;
6. Subsidies to organizations and for research;
7. To maintain rational cultivation of potatoes in mountain areas or on sloping ground in other areas, subsidies have been granted since 1 March 1966 in the form of sharing in the higher production costs involved.

c. Amount of subsidy

	<u>1.7. to 30.6. Millions of francs</u>	
1. Information and propaganda	1974/75	808
	1975/76	984
	1976/77	1,026
2. Sale of potatoes to needy persons at reduced prices	1974/75	2,104
	1975/76	1,364
	1976/77	1,007
3. Transport subsidies	1974/75	116
	1975/76	118
	1976/77	112
4. Disposal of potato seedlings	1974/75	2,726
	1975/76	1,480
	1976/77	1,204
5. Subsidies for the utilization of potato surpluses of which promotion of exports	1974/75	22,520
	1975/76	4,146
	1976/77	3,066
	1974/75	19,784
	1975/76	3,439
	1976/77	-

		<u>1.7. to 30.6</u> Millions of <u>francs</u>	
6.	Subsidies to organizations and for research	1974/75 1975/76 1976/77	374 374 339
7.	Subsidies for cultivation of potatoes in mountain areas and on sloping ground	1974/75 1975/76 1976/77	1,990 2,345 2,273
d.	<u>Amount per unit</u>		<u>Francs per</u> <u>100 kgs.</u>
1.	Reduction in price for needy persons	1974/75 1975/76 1976/77	19.44 12.74 9.06
2.	Subsidies for transport	1974/75 1975/76 1976/77	1.87 2.02 1.98
3.	Disposal of potato seedlings	1974/75 1975/76 1976/77	5.44 4.45 5.14
4.	Utilization of surpluses	1974/75 1975/76 1976/77	12.04 3.05 2.49
	of which promotion of exports	1974/75 1975/76 1976/77	26.27 1.33 -

2. Effect of subsidy

a. The subsidies do not affect imports. For a long time past, domestic production has been sufficient to meet the country's requirements (except for new potatoes and potato seedlings); the subsidies tend to protect public health by promoting the utilization of domestic distillable materials for purposes other than the production of alcohol.

The amount of the export aids depends on the difference between the producer price in Switzerland and the price on the market of the purchasing country. This policy of assistance for exports does not involve undercutting and does not cause the prices of the exported Swiss products to be lower than the prices of the corresponding domestic products in the market of the country of destination.

b. Total harvest, normal utilization, utilization of surpluses and imports ('000 tons)*

Year	Total harvest	Normal utilization	Utilization of surpluses	Of which exports	Imports
1974/75	1,085	890	195	91	14
1975/76	965	817	148	61	15
1976/77	874	751	123	39	9

*Potatoes for food, seed and fodder.

X. Fruit

1. Nature and extent of the subsidy

a. Background and authority

- Article 32 bis of the Federal Constitution.
- Federal Law of 21 June 1932 concerning alcohol, as revised on 25 October 1949.
- Law on Agriculture of 3 October 1951.

Under Article 32 bis of the Federal Constitution, the legislation must aim at reducing the production and consumption of spirits and promoting the production of dessert fruit. Thanks to these measures, the per capita consumption of fresh fruit is one of the highest in Europe.

Measures have been taken to:

- (1) influence production by means of subsidies to reduce the number of tall-growing trees, make cultivation more efficient and improve the quality of the fruit;
- (2) influence consumption by information and propaganda, by introducing new forms of distribution, and by the sale of fruit at reduced prices to needy persons and to those living in mountain areas;

- (3) (a) to encourage the utilization of surpluses otherwise than for distillation by granting subsidies to fruit juice manufacturers for the manufacture and storage of concentrated fruit juice, as well as subsidies to reduce prices to the level of the world price for concentrates;
- (b) in order to prevent a collapse in dessert fruit prices on the domestic market and its harmful consequences on farmers' income, special measures can be taken for the utilization of surpluses. In recent years these measures have consisted mainly in subsidies to facilitate the disposal of apricots (price reductions, contributions towards various subsidiary costs - sorting, quality checking, advertising, storage, etc. - and industrial processing). The disposal of domestic apricots takes place after the period when imports are unrestricted to meet requirements, and coincides with a market where there is very keen competition from other imported fruits (peaches, table grapes);
- (c) to promote exports of fruit and of concentrated fruit juice.

b. Incidence

The subsidies are granted in different ways according to their nature.

- (1) Subsidies intended to re-convert fruit-growing, making cultivation more efficient and improving the quality of fruit, are granted in co-operation with the cantons. They are granted only to cantons which themselves take corresponding measures.
- (2) (a) In principle, the authorities pay 50 per cent of the cost of information and propaganda to encourage fruit consumption. The remaining 50 per cent is paid by the business groups concerned (producers, user undertakings and importers).
- (b) As a general rule, the authorities pay the cost of transport and part of the trading margins for the sale of fruit at reduced

prices to needy persons. An additional reduction is made for persons living in mountain areas.

- (3) (a) Surpluses are in most cases utilized in industry; first of all, the utilization must be for non-alcoholic purposes.
- (b) The granting of these subsidies (as also those mentioned in 3(a)) is conditional on adherence to the prices laid down by the Federal Council for the fruit in question.
- (c) Export subsidies may be granted in particular cases in order to maintain exports to traditional markets.

c. Amount of subsidy

		<u>Sw F'000</u>
(1) Reconversion of fruit growing	1974/75	2,320
	1975/76	982
	1976/77	749
(2) Subsidies to promote the consumption of fruit		
	(a) information and propaganda	
	1974/75	1,811
	1975/76	2,381
	1976/77	2,322
(b) supply of fruit at reduced prices to persons with low incomes or living in mountain areas	1974/75	831
	1975/76	711
	1976/77	619
(3) Subsidies for the utilization of surpluses of various fruits	1974/75	2,019
	1975/76	7,339
	1976/77	4,756

d. Amount per unit

The subsidies to reduce the price of fruit for needy persons and those in mountain areas have fluctuated on the average at between 21 and 28 centimes per kilogramme.

As regards utilization of surpluses of dessert fruit, the following subsidies were paid, in particular for apricots:

<u>Year</u>	<u>Total</u> ('000 francs)	<u>Per unit</u> (francs per kg.)
1975	377	0.37
1976	4,458	0.51
1977	1,227	0.22

The amount of the other subsidies per unit cannot be indicated because it varies too much for the different products and according to the market situation.

2. Effect of subsidy

- a. The main effect of the subsidies is to ensure, to a much greater extent than formerly, that the pip-fruit crop is used for purposes other than the production of alcohol. As per capita consumption of fruit is very high in Switzerland, domestic production of dessert fruit covers only between 45 and 55 per cent of the country's requirements, according to the year.

b. Production, imports, exports and consumption of fruit (excluding fruit for cider and for distilling)

(1) Fresh fruit

<u>Year</u>	(thousands of tons)				<u>Consumption</u> ¹
	<u>Production</u>	<u>Imports</u>	<u>Exports</u>		
1974/75	249	326	0	575	
1975/76	327	294	2	619	
1976/77	263	287	2	547	

(2) Fruit juice, pulp, preserved and dried fruits

1974/75	63	78	8	156
1975/76	141	77	7	176
1976/77	79	72	11	160

¹Allowing for variations in stocks where covered by statistics.

XI. Wine, Grape Juice, Dessert Grapes

1. Nature and extent of the subsidy

a. Background and authority

- Law on Agriculture of 3 October 1951.
- Federal Order of 10 October 1969, instituting temporary measures for viticulture.
- Wine statute of 23 December 1971.

Vine growing is restricted to the areas suitable for wine production, as determined by the vineyard survey. Outside that area, the planting of new vines is prohibited; within the area, permission must be obtained.

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

- (1) Propaganda to encourage consumption of grape juice, new wine and dessert grapes.
- (2) Information campaign in favour of domestic wines, and expenditure to promote domestic wines in foreign markets.
- (3) Non-alcoholic use of grapes (grape juice, new wine and dessert grapes).

These measures are financed out of the vineyard fund, which is constituted from the proceeds of a charge of Sw F 8.00 per quintal on wine imported in casks.

b. Incidence

- (1) and (2) Contributions to propaganda and information costs are paid to the Propaganda Office for Swiss Agricultural Products and the Society of Swiss Wine Exporters.
- (3) Subsidies for the non-alcoholic utilization of grapes are granted to traders and manufacturers of grape juice, provided that they pay the fixed prices to the producer.

Any price reductions resulting from these subsidies must be passed on to the consumer.

c. Amount of subsidy

(1) Propaganda to encourage consumption of wine, dessert grapes, grape juice and new wine.

		<u>Sw F'000</u>
(a) Wine	1975	250
	1976	1,750
	1977	250
(b) Grape juice, new wine	1975	253
	1976	248
	1977	286

(2) Non-alcoholic utilization of grapes.

(a) Grape juice and new wine	1975	368
	1976	9,737
	1977	17,357
(b) Dessert grapes	1975	36
	1976	205
	1977	-

d. Amount per unit

(1) Propaganda: impossible to determine the amount per unit.

(2) Non-alcoholic utilization of grapes.

(a) Grape juice	1975	0.27 frs. per litre
	1976	1.89 frs. per litre
	1977	2.60 frs. per litre

(b) Dessert grapes	1975	0.11 frs. per kg.
	1976	0.29 frs. per kg.
	1977	-

2. Effect of subsidy

a. The subsidies for propaganda and the non-alcoholic utilization of grapes facilitate disposal of the grape harvest. In particular, they make it possible to reduce consumer prices of dessert grapes and grape juice.

b. Production, imports, exports, consumption

	<u>Production</u>	<u>Imports</u>	<u>Exports</u>	<u>Consumption*</u>
<u>Wine</u> *	hl	hl	hl	hl
1975	829,884	1,892,030	4,855	2,782,161
1976	1,193,858	1,789,228	5,915	2,726,536
1977	1,300,516	1,823,385	6,101	2,793,356
<u>Grape juice</u>	hl	hl	hl	hl
1975	13,728	86,539	8,163	89,910
1976	51,514	79,507	7,584	116,158
1977	66,632	78,688	12,563	117,466
<u>Dessert grapes</u>	t	t	t	t
1975	338	34,977	16	35,299
1976	705	28,462	2	29,167
1977	150	34,801	5	34,946

* Consumption is calculated on the basis of the vineyard year from 1 July to 30 June.