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DOCUMENTATION ON INTERNATIONAL TRADE IN GRAINS

Addendum

SWITZERLAND

The following additional information on international trade in grains has been submitted by the Swiss delegation. This information supplements information already included in Chapter C of MTN/GR/W/8/Rev.1.

Under "Country Notes" (pages 110-134) add the following:

Switzerland

As the Swiss delegation has already had occasion to point out in the work concerning meat and dairy products, implementation of Switzerland's agricultural policy, including the trade régime, must take account of two fundamental objectives:

- On the one hand, income parity, that is, maintenance of agricultural income at the income level of a comparable group in the industrial sector of the Swiss economy. The Swiss Government is obliged by law to pursue this objective of agricultural income parity, it being understood that the other economic sectors must be taken into consideration.
- And secondly, maintenance of a certain degree of autonomy of supply. As you know, this self-sufficiency ratio is one of the lowest in the world and per capita imports are among the highest. The trend in the market situation and in the export policy of certain countries has nevertheless brought some arguments in support of those who have always contended that such a low ratio carries excessively great supply risks.

Attainment of these two complementary objectives implies the implementation of support policies. The mechanisms of these policies take account of the specific circumstances of the various sectors and of their interrelation.

Thus, in the sector of grains for human consumption, the consumer price level is determined by the world price. I shall revert in a moment to the case of feedgrains and the link between fodder, meat and milk. I should like first to present some details concerning the Swiss import system for bread wheat.

Imports of bread wheat, including durum wheat, cover approximately 40 per cent of consumption. Not being a durum wheat producer, Switzerland has to import its entire consumption needs of this product.

The Federal Wheat Administration - a State agency - purchases domestic bread wheat at prices that are remunerative, taking into account the objective of income parity and subject to certain quality criteria.

This wheat is sold to the millers at a price corresponding to the average cost price of foreign wheat of equivalent quality. The difference between the purchase price and the sales price is covered out of the Federal budget.

National supply requirements are met not only by domestic production and imports, but in addition through a system of reserve stocks.

This system is based on the "Federal wheat law" of 20 March 1959, requiring importers to maintain a certain volume of reserve stocks. Provided that importers comply with this stock requirement, bread wheat can be imported by them without any quantitative limitation. The Swiss Co-operative Society for Cereals and Feedingstuffs issues import permits.

The level of reserve stocks is fixed by the Federal Council in the light of the international situation. At present, 41 per cent of the reserve stocks are held by the millers, 20 per cent by the importers and 39 per cent by the Wheat Administration.

These are purely strategic reserve stocks that cannot be used to stabilize markets.

The millers are required to use domestic wheat and foreign wheat resulting from rotation of the Confederation's stocks. The Wheat Administration allocates their shares in proportion to the quantities of wheat that they process.

Wheat for sowing, of whose importance for developing the quality of wheat you are all aware, may be imported only subject to authorization by the Administration. The latter grants permits only in exceptional cases and for good varieties of tested quality whose use contributes to promote wheat cultivation in Switzerland.

The Administration has an import monopoly for bread flour, but invokes this right only when necessary to regulate price formation.

In order to allow processing industries to operate in conditions of international competition, the Administration can issue permits to industries for imports of flour for the manufacture of products for export and also for imports of hard wheat meal for the preparation of macaroni, spaghetti and similar products. In addition, permits are granted to manufacturers of these products to the extent of 20 per cent of the quantity of hard wheat meal used in the preceding calendar year for the manufacture of macaroni, spaghetti and similar products for the domestic market.

As we mentioned earlier, the problem of feedingstuffs is particularly complex, not only because of the interrelation with dairy products and meat, but also because of substitutability of the various fodder products. Switzerland's agricultural policy takes account of these two elements, and the prime considerations underlying the Swiss import system are on the one hand the need to encourage field cultivation, i.e. to maintain the surface under cultivation and reduce livestock production, and on the other hand, the need for a system for controlling or regulating feedingstuffs as a whole. This control is exercised by the Swiss Co-operative Society for Cereals and Feedingstuffs through a system of price supplements and quotas.

Imports of feed grains and of the other main products intended for animal feed are under quota. Global quotas are fixed each three months to take account of market needs, the size of the domestic crop, possibilities for placing livestock products and, to the extent possible, a certain orientation of production.

Domestic production of coarse grains covers only about 25 per cent of fodder requirements. Imports are in the vicinity of one million tons each year.

The Swiss Co-operative Society for Cereals and Feedingstuffs is formally authorized to import, but only exceptionally engages in import transactions, issuing permits to importers. These permits are granted on condition that importers comply with the Federal regulations on reserve stocks for ensuring national supplies. The system of compulsory reserve stocks operates in the same way as that for bread wheat which I have just described.

The Society also charges price supplements which are fixed by the Federal Department of Public Economy. For this purpose, it buys the goods from importers at the frontier and sells them back after levying the price supplement.

Feed grains cultivation benefits indirectly from the charging of price supplements on imported fodder; to encourage this cultivation, premiums are granted to producers in proportion to the area under cultivation. These measures taken together afford some equalization of the cost of domestic grains and of imported grains.

Conclusions

- As you will have seen from this short description of the implementation of our grains policy, our agricultural policy in this sector is transparent and in no case causes any disturbance of international markets.
- It is likewise clear that the Swiss market is broadly open to foreign exporters, and I would repeat that Switzerland imports 40 per cent of its bread wheat requirements and 75 per cent of its fodder requirements.
- Furthermore, consumption of bread wheat is greatly encouraged by the fact that the domestic crop, as well as imports, are sold at the world market price.
- It must also be recognized that the maintenance of compulsory reserve stocks constitutes an element of stability and a contribution to the financing of world stocks.