GENERAL AGREEMENT ON
TARIFFS AND TRADE

Committee II - Expansion of Trade

TRADE IN AGRICULTURAL PRODUCTS

SWITZERLAND

Synopsis of Non-Tariff Measures for the Protection
of Agriculture or in support of Incomes of
Agricultural Producers furnished by the Government of the Swiss Confederation

I.

NATIONAL AGRICULTURAL POLICIES

A. General Objectives

Agricultural policy aims at the optimum exploitation of arable land to ensure as much of the country's supply as possible, taking account of natural conditions and outlets offered by domestic and foreign markets. Steps are taken in order to establish a proper balance between livestock products and field crops.

Legislation provides that prices for high grade products should cover average production costs on efficiently managed farms calculated over a period of several years. These general aims have led to the definition of more specific objectives with respect to the desirable level of farmers' income. The Federal Council fixes prices to the producer in the light of special standards for the calculation of remuneration to farmers, based on an amount equal to the average product of the work of skilled workers in rural and semi-urban areas. In fixing or influencing prices, the Federal Council also endeavours to ensure an equitable relationship between prices of the main agricultural products.

To that end, the Federal Council fixes guaranteed prices for wheat, potatoes, sugar beet, rape-seed, apples and pears for cider, milk and butter. The Federal Council also fixes target prices for cattle intended for slaughter and fat hogs.

B. Special Measures

Market intervention and price guarantees are exercised by the Government through special agencies or trade monopolies. Guaranteed prices or target prices fixed by the Government are maintained by such measures as import quotas, additional import duties and price supplements. In addition, for some agricultural products a system of conditional imports can be applied when imports compromise the placing of
domestic products at equitable prices. Under this scheme, the Government can compel an importer to buy up a certain proportion of domestic production. The cost of stabilizing the market, disposing of surplus, preventing price slumps and promoting consumption of domestic produce, is financed in particular with the resources arising out of import taxes, taxes on domestic produce and, if necessary, from Government funds. Committees which consist of representatives of agricultural producers, the trading professions and consumers, are obligatorily consulted before legislative and regulatory provisions are put into effect.

The Federal Wheat Administration, which is the only purchaser of domestic wheat, ensures the marketing of wheat at the price fixed every year by the Federal Chambers or the Federal Council, in the light of production costs, due account being taken of the magnitude and quality of the harvest. Supplements in addition to the basic price are paid to farmers in mountain regions. The area under sugar beet is restricted to correspond to the absorption capacity of the only existing Swiss refinery which is committed to buy the yearly crop at the fixed price. The production of this factory (roughly about 15 per cent of domestic consumption) is sold in open competition with foreign sugar, the importation of which has been freed. Milk prices are maintained by State intervention which takes the form of the regulation of the butter market by a semi-official public co-operative society, "Centrale Suisse du ravitaillement en beurre" (BUTYRA) and the regulation of the cheese market by the Swiss Cheese Trading Association. BUTYRA has a monopoly on butter imports and is empowered to levy a charge on imported butter which serves, together with a number of other devices, to bring down prices for domestic butter. The members of the Swiss Cheese Trading Association is committed to buy up the production of hard cheese, at prices calculated in the light of the basic price for milk. Disposal of dried whole milk is facilitated by a system of buying commitments (take-over system). As regards milk for consumption, the Government may intervene in order to ensure rational distribution and control of retailers' profit margins.

The Federal Council may, in particular where disposal proves difficult, fix target prices for vine products in the various regions. Target prices are determined in the light of the quality of the produce and the amount of production, so as to secure for growers over a ten-year period adequate gross returns to cover production costs.

Target prices for fruit and vegetables are regularly determined by regional fruit and vegetable exchanges. The Government usually supports marketing of domestic production at target prices through the operation of a three-phase import quota system:

(a) free import while there is no home produce in the market;

(b) limited import when home produce is in the market but in insufficient quantities;

(c) import suspended as soon as the market is adequately supplied with home produce.

The public authorities determine prices to be paid to producers for eggs delivered to collecting centres.
Target prices for cattle intended for slaughter and fat hogs include margins for upward and downward variations to take account of seasonal market fluctuations. The Swiss co-operative for meat and fatstock (consisting of representatives of growers, importers, middle-men, butchers and consumers) is empowered by the State to regulate the importation of meat and fatstock. The co-operative organizes and controls, in consultation with growers' associations, transactions in and deliveries of fatstock, where prices and disposal are guaranteed. It also surveys and controls disposal of surpluses. Lastly, it advises the competent authorities, in particular in the determination of the amount and timing of importation.

The Government determines annually the area to be seeded to colza, and the Confederation is committed to take up the crop. The Government also fixes the price for rape-seed at the time of the harvest. The State finances, out of the proceeds of the price supplements levied on imports of coarse grains, any difference between the selling price for oil and the cost of take-over operations, delivery and processing of the seeds.

II.

SUBSIDIES

(Including all forms of income and price support)

Financial measures in support of the market are described in Section I. It is to be noted that any resources intended for such purposes may in some cases be supplemented by Government payments.

The Government grants financial assistance for land improvement and the consolidation of farm holdings. Subsidies are also granted with a view to obtaining high yields and improved quality, for instance for seed selection, for grouping fruit trees into orchards, for improvement of vineyards, etc. The Government contributes up to 35 per cent of the operating costs of agricultural and specialized schools. Import duties on fuel (diesel oil and petroleum) are reduced where the consumer undertakes to use it for purely agricultural purposes. Farmers in mountain areas receive more extensive subsidies than farmers in the plains.

In addition to expenditure resulting from committed buying by the Confederation (take-over system), a bonus is paid on account of bread grains used by growers. The amount of the bonus varies depending on the altitude of the holding.

When the operations of the Centrale Suisse du ravitaillement en beurre (BUTYRA) (Central Swiss butter supply Board) and the Swiss Cheese Trading Association, referred to above (Section IB), result in a loss, the deficit is financed by the State and by producers jointly.

In 1958, bonuses of Sw. frs. 300.— per hectare (plus supplements for mountain areas) were awarded to producers to encourage the growing of coarse grains.

In order to avoid distillation, subsidies are also paid to facilitate the use for fodder outside the farms of potato surpluses, either in natural or shredded form.
Subsidies are paid also to facilitate the sales of desert grapes and high grade grape juice.

These measures are intended to reduce burdensome wine surpluses.

The Confederation may encourage disposal in the domestic or foreign markets of dairy cattle and fatstock; of potatoes, as well as fruit and vine products, either through the grant of subsidies or any other appropriate means.

III.

TOTAL COST OF CARRYING OUT GOVERNMENT SUPPORT PROGRAMMES AND NET AGRICULTURAL INCOME

(a) Total cost of carrying out government support programmes

The expenditure authorized by the Confederation to ensure national supplies, guarantee prices and sales of products, and reduce prices of agricultural products is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>1956</th>
<th>1957</th>
<th>1958</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(in millions of francs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>119.7</td>
<td>170.6</td>
<td>244.2</td>
</tr>
</tbody>
</table>

The above figures are computed on the basis of gross expenditure; in other words, special appropriation receipts have not been deducted. The variations in the amount of expenditure from one year to the next are accounted for by harvest conditions. Such differences resulting from the crop yield are reflected in the amount of subsidies, partly with one year's delay, or are partly imprecise because the subsidies for a single crop year are spread over two budget years in the State accounts.

(b) Net agricultural income

There are no official estimates of net agricultural income. The following figures, compiled by the Swiss Farmers' Secretariat (Secrétariat des paysans suisses), represent the adjusted gross income:

Adjusted gross income

<table>
<thead>
<tr>
<th>Year</th>
<th>1955</th>
<th>1956</th>
<th>1957</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions of francs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,596.6</td>
<td>2,526.4</td>
<td>2,594.9</td>
</tr>
</tbody>
</table>

Adjusted gross income represents the value in monetary terms of agricultural products sold to third parties or consumed in the producer's own household.
IV.

MIXING REGULATIONS

No such regulations are in force in Switzerland.

V.

STATE-TRADING OPERATIONS

(Including private enterprises enjoying special privileges)

The Alcohol monopoly has been instituted for reasons of a social and fiscal nature much more than as a result of protective considerations in the interest of the branch of monopoly concerned. The administration encourages the utilization for food and fodder of domestic materials otherwise used for distillation purposes (potatoes and fruit).

The Federal Wheat Administration purchases all domestically grown wheat and exercises an import monopoly.

The Swiss Co-operative Society for Fodder, Grains and Feedingstuffs, which all importers have to join, controls all imports, which provide about two-thirds of domestic requirements. The Society buys imports at frontier points and sells them back to importers after levying a price addition. The import quota and price addition are fixed by the Government. Trade is confined practically to imported coarse grains as home production is almost entirely consumed on the farms.

This system of levying price supplements serves to finance bonuses paid to producers of coarse grains and the cost of supporting prices for rape-seed and milk, as well as expenditure on account of livestock sales.

Imports of butter are a monopoly of the Centrale suisse du ravitaillement en beurre (BUTYRA) (see Section IB).

VI.

IMPORT RESTRICTIONS

Private imports which have not been liberalized (i.e. 32 per cent of agricultural imports) are in general effected under quotas provided for in bilateral agreements. In cases where such imports are not the subject of bilateral negotiations, imports are admitted either under global quotas or under licences issued on an ad hoc basis in the light of domestic requirements. In certain cases, e.g. vegetables and fruit, the control of imports is directly linked with the domestic supply situation, imports being suspended, limited or
freed according to the availability of domestic produce in relation to consumption requirements. (See the "three-phase" system mentioned in Section II.)

The goods subject to restriction include the following:

- potatoes (except seed potatoes), potato flour;
- fresh and preserved meat, salami, etc., and other butchers' meat, lard;
- horses, donkeys and mules, oxen, bulls, cows, heifers and calves, other young animals, pigs, sheep and goats;
- flowers (in summer), fruit stocks and vine stocks, tubers for replanting, vegetables and certain fruits, fruit pectin, wines.

**VII. MEASURES WHICH TEND TO REDUCE OR REMOVE THE NEED FOR NON-TARIFF MEASURES OF PROTECTION OR SUPPORT**

In several respects, Swiss agriculture has to reckon with difficult conditions for production. The main agricultural area is the Swiss "plateau", a region of hills extending from the Jura to the Alps. The mountain area of the Jura and the Alps which is well defined in the Cadastral survey includes the agricultural area at a latitude above 800 metres where conditions of production are particularly difficult. About one-third of Swiss livestock numbers are maintained in this area. The altitude, the sloping ground and the hard climate require the existence of large buildings for both farmers and animals and make the use of machinery particularly difficult. Altitude is a factor connected with the growth period which limits intensive cultivation. In areas of Switzerland where the climate is more propitious, seeding and harvesting time is somewhat later than in more southerly regions and may result in some disadvantages or disposal of such seasonal produce as fruit and vegetables.

Most holdings are of small or average dimensions. Only 1 per cent of Swiss holdings comprise more than 30 hectares. For a number of years there has been a tendency towards concentration in 10 to 15 hectare units. The high level of expenditure required on account of buildings and the narrowness of productive plots imply intensive cultivation. The general labour shortage has speeded up desertion from the land. As a result, agriculture has had to resort to mechanization and to rely on improved living conditions which are strictly influenced by those obtaining in industry and other branches of economic activity. A number of agricultural associations are endeavouring to disseminate technical progress through conferences and extension courses. Agricultural unions are attempting to improve the economic situation of small and medium holdings by ensuring placement of products on a co-operative basis.

In addition to certain subsidies paid by the State in order to facilitate purchase of machinery by mountain communities and independently from the reimbursement of part of the customs duties levied on petroleum and diesel oil, the State has no direct influence on costs. On the other hand, a number of indirect measures tend to increase productivity and to improve the situation of Swiss agriculture in the field of international competition, a situation which has to be viewed in the light of natural conditions and in relation to the economic situation of the country. State intervention includes in particular the following:
- encouragement to vocational training, extension work and agricultural research undertaken by the Federation, the Cantons and the associations concerned.

- improvement of livestock breeding and of livestock yield through the participation of the Federation and the Cantons in the cost of keeping herd books; elimination of low yield animals and herd sanitation.

- improvement of quality for tree-, wine- and orchard-production through participation in expenditure incurred by the adoption of good selling quality strains and in marketing expenditure for quality seeds.

- encouragement to consolidation of holdings, construction of roads and other improvements, in the interest of the rational exploitation of the land, through subsidies paid by the Federal authorities and the Cantons.

- encouragement to the construction of rational and healthy agricultural buildings, in particular in mountain areas, through the allocation of subsidies by the Federal authorities and the Cantons.

- extension of credit facilities to farmers in debt.

(A Bill is being considered which provides for an extension of relief work and should make it possible for the agricultural community to improve conditions to a greater extent.)