

Zeitschrift: Swiss review : the magazine for the Swiss abroad
Herausgeber: Organisation of the Swiss Abroad
Band: 33 (2006)
Heft: 2

Artikel: The future of farming in Switzerland : worried Swiss farmers
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DOI: <https://doi.org/10.5169/seals-906401>

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Worried Swiss farmers

No other branch of industry in this country of ours has changed its structures as drastically as farming. Despite this, our farmers are constantly being criticised by politicians and economists. But the farming tradition has the backing of the Swiss people. By Rolf Ribi

This statistic is so incredible you have to read it twice: Switzerland loses five farms every day. That amounts to nearly 2,000 farming businesses a year in the Mittelland – the heartland of the country – and in the hills and mountains. So, in other words, on any one day five farming families have to give everything up and stand by helplessly as their possessions, animals and equipment are sold to the highest bidders. Tears and sadness are etched on the faces of farmers, many of whose forefathers have run the farms for generations.

As the trade association Economiesuisse repeatedly emphasises, structural changes in farming are “not quick enough and not bold enough”. The association argues that the current agricultural industry is too small in structure and not productive enough. It views the creation of larger farms as a matter “of key importance”, and regards a free trade agreement with the European Union for all agricultural products as “the only way ahead”.

The “Neue Zürcher Zeitung” newspaper made the sarcastic comment that “being a farmer is not a matter of fate. Nobody is forced to remain a farmer for ever.”

Probably no other branch of industry in our country has experienced such a radical structural transformation as farming. The number of farms has fallen from roughly 93,000 in 1990 to 65,000 last year – a 30 percent drop. In the same period, the number of people employed in farming has also plummeted from 253,000 to around 190,000 – down some 25 percent. But that is not the end of it: because of the 2011 agricultural reform programme, every day over the next few years five to ten farming families will have to throw in the towel. According to Manfred Bötsch, Director of the Swiss Federal Office for Agriculture, this would mean “that 15,000 to 20,000 farms will be abandoned inside ten years.” His personal view on the matter: “The pruning measures demanded by farming are higher than they have ever been in the industry.”

Pressure from within ...

Intense internal and external pressure is driving the sustained structural change in farming in



Verena + Hans Stucki, cereal farmers, Schlosswil/BE

Switzerland. The “home-made” facts include the following: only three percent of the entire workforce is still employed in agriculture. Through their efforts in the fields and on the farm, they contribute just one percent to economic added value. Added to this is the value of socio-economic services as stipulated in the Swiss federal constitution, e.g. the security of the country’s food supply, the upkeep of the cultural landscape and the population of remote areas. Despite this, the Agricultural Report 2005 issued by the responsible federal office states that “Farming is no longer one of the most important branches of industry”.

Yet in terms of government expenditure on agriculture and food, this sector ranks fifth. Almost CHF 4 billion or 7.8 percent of government spending was ploughed into farming in 2004, compared with CHF 3 billion in 1990. The largest slice, some CHF 2.5 billion, went on so-called direct payments i.e. compensation to farmers for the upkeep of the countryside and for ecological cultivation. The state gave just under CHF 0.8 billion in support for production and sales in dairy and livestock farming as well as plant cultivation. A further CHF 0.7 billion was allocated to export subsidies, investment loans, agricultural schools or family allowances. And here’s another statistic: more than 70 percent of farming income comes from state coffers. According to the Organisation for Economic Cooperation and Development

(OECD), this figure is extremely high compared with other countries.

Nearly CHF 4 billion of government aid in return for a contribution of just one percent to the economy: this ratio is attracting a great deal of criticism. If the Swiss parliament decides to reduce state finance or if the World Trade Organisation (WTO) targets global free trade, complaining Swiss farmers will be regarded as “trouble-makers”. Trade associations and economists are demanding fewer subsidies and instead a rapid transformation of the farming industry into a structure consisting of larger farms that are able to hold their own in a market economy. “I have noticed a general trend in Switzerland that increasingly challenges farming’s special position within the economy”, says Professor Bernard Lehmann, head of the Institute of Agricultural Economics at the Swiss Federal Institute of Technology (ETH) in Zurich.

... and pressure from outside

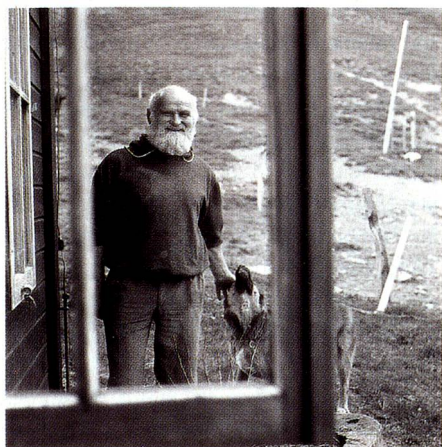
There is also very strong external pressure for structural change in the farming industry. If multilateral negotiations in the WTO or bilateral free trade agreements with the USA or the European Union are on the agenda, then agriculture faces a gloomy future; because opening borders to foreign agricultural produce, trimming down domestic market support and making exports cheaper will impact farming revenues. “All in all, the WTO measures will probably cost farming around CHF 2 billion”, estimates Manfred Bötsch, Director of the Federal Department of Agriculture. “Losses on this scale would ruin all the efforts that farming has made over the past decade”, says Jacques Bourgeois, Director of the Swiss Farmers’ Union.

The current WTO round is clearly the greatest challenge to farming. But fateful negotiations are also on the agenda with the United States and the European Union.

A free trade agreement with the USA would encourage the export of Swiss-made industrial goods. From a farming point of view, free trade with the USA would have “serious disadvantages”, according to Hans Burger, former Director of the Federal Department of Agriculture: income in our farming industry would fall by CHF 1.2 billion, the geographically distant American market coupled with US consumer behaviour make marketing difficult, and US meat, which is produced with antibiotics and hormones, is not wanted here. Nor are genetically modified products from the US. Jean-Daniel Gerber, Swiss State Secretary for Economic Affairs, sees things differently: “The American market comprises 270 million consumers. This would offer Swiss farmers new

sales opportunities, for cheese and biological products, for example."

The opening of borders within Europe to agricultural products is viewed more positively. In a market of 400 million people with high purchasing power and similar consumer behaviour, quality products have a good chance of making decent prices and selling well thanks to the healthy "Swiss quality" image. With free trade in agricultural goods, domestic production costs and product prices are expected to



Leo Elleberger, biological-farmer, Günsberg, SO

annual income of a worker on a family farm in 2004 was CHF 39,700. This corresponds to a monthly wage of CHF 3,300 (equivalent to the minimum wage of a cashier in a large supermarket). The so-called comparative wage shows that in the valley region 38 percent, in the hills 51 percent and in the mountains 60 percent of workers on family farms earn less than in comparable occupations in industry and the service sector. In the mountains, in particular, many farming families are among the "working poor"

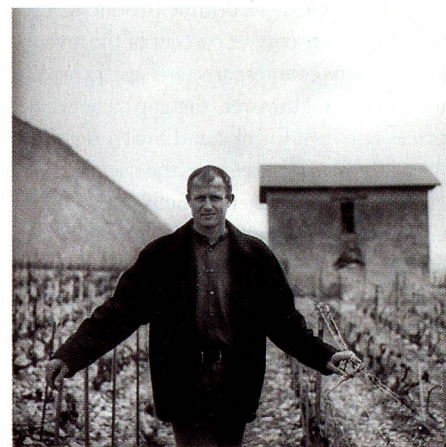


Verena Aebersold, vegetable farmer, Treiten/BE

the border, state support for the market, cheaper exports and income support for farmers.

Expensive means of production

Whether animal feed or seeds, tractors or equipment, fertilisers or pesticides, fuel or veterinary care – Swiss farmers procure the bulk of their means of production from outside the country. One quarter of these initial costs is spent on animal feed from domestic and for-



Jean-François Maye, wine-grower, Chamoson/VS

settle at the European level. This will improve export opportunities for Swiss products. The opening of the European market will hit farming very hard, with income loss estimated at CHF 1.5 billion. For Hansjörg Walter, President of the Swiss Farmers' Union, one thing is certain: "The liberalisation of world trade is unstoppable."

Modest income for farmers

Farmers are feeling mounting pressure from both within and outside. More than 10,000 of them marched through the streets of the Swiss capital, Berne, on 17 November of last year carrying cow bells and banners. Led by the flags of cantonal organisations, the men and women made their way to Bundesplatz, in front of the Houses of Parliament, with serious faces and measured footsteps. "Stop the money men and politicians who are turning farming into a scapegoat", cried one woman. "No-one who slaves away all day without getting paid a decent wage can understand managers' high salaries and neoliberal slogans", complained one man. When, at the end, they raised their bells in a loud staccato, the farmers' parade became a powerful demonstration – or was it a desperate cry for help to the powers that be in parliament?

The plight of agriculture is evident from the income that farmers receive. According to the research organisation Agroscope, the average

– they do not earn enough to live on despite all their hard work.

The agricultural income per farm was around CHF 60,400 in 2004. The average over the past three years was CHF 55,600. Annual income fluctuates with product sales and direct payments received. Because almost 70 percent of all farming families are no longer able to live off farming alone, they look to generate additional earnings elsewhere – the husband works the ski lift in winter or performs forestry work for the town council, while the wife teaches or works on the post office counter in the village. An average of CHF 21,500 was generated this way in extra earnings, producing an average total income of CHF 82,000 per farm – which breaks down into CHF 93,100 in the valleys, CHF 76,900 in the hills and CHF 68,800 in alpine areas.

Agricultural income has an impact on the increase or decrease in equity. In 2004, 27 percent of farms in the valleys, 28 percent in the hills and 30 percent in the mountains posted negative equity, i.e. a loss. This means that these farming families are living off their reserves, with no resources to invest in new equipment or replacements. The financial position of around 40 percent of all farms is regarded as "worrying".

Political pressure on the farming sector calls for drastic agricultural reforms governing production costs, marketing, protective tariffs at

eign mills. The Situation Report 2005 drawn up by the Swiss Farmers' Union clearly shows how much more our farmers are having to pay for such feed than farmers elsewhere in Europe. Based on an EU price level of 100, Swiss farmers pay 300 for seed and planting stock, for fertilisers and soil improvers 140, for plant protection products and pesticides 125, for animal feed 300, for veterinary care and medicinal products 127, and for investments in infrastructure 136.

According to Eduard Hofer, Vice-Director of the Swiss Federal Department of Agriculture, the main reason for the differences in cost is the behaviour of international suppliers, who base their selling prices on the price level and purchasing power in any given country. Moreover, their distribution plans also prevent German dealers, for example, from supplying goods to Switzerland at German prices. There are also other reasons for the higher costs in Switzerland, such as the fact that the distribution network is denser and the market smaller.

These distinctly higher prices have also caught the eye of price regulator Rudolf Strahm. In his opinion, our farmers pay CHF 1 billion per annum more than they should for their means of production. He recommends that farmers operate a "cost management" programme and believes that the responsible federal department should make sure that the farming community is given access to price

comparisons and alternative sourcing options. In addition, the price watchdog calls for farmers to be permitted to import such materials as plant protection products and veterinary medicines directly. "The need to reduce purchasing costs is becoming a survival issue for farms." But farmers can also do quite a lot more for themselves – by sharing machinery and tractors or by merging neighbouring farms.

The Swiss Federal Department of Agriculture works with different figures: if farmers elsewhere in Europe were to produce and sell 15 comparable agricultural products, they would generate only 54 percent of the revenue of their Swiss counterparts (and just 47 percent in America). However, the gap in producer prices between Europe and Switzerland has narrowed by 28 percent in the last ten years. Have Swiss consumers benefited from this? Certainly not! They pay 25 percent more for a comparable food shopping basket.

The fact that consumers here do not benefit from farmers' sacrifices is due to the margins of the processing industry and retail trade. "Food prices tend not to be based on producer prices. The margins of downstream industry and bulk distributors are much higher than those abroad. This is where reform is needed", claims Bourgeois.

Better marketing

It is not only costs that are in need of reform, but also the way agricultural products are mar-

keted. "We can absorb the pressure of international competition by supplying top-quality Swiss products", declared Federal Councillor Joseph Deiss. To promote sales, he added, the government "helps people to help themselves". The Minister of Economic Affairs believes that the prospects are good for ecologically sustainable products and goods with a clear geographical origin: "Not just cured meat, but cured meat from Grisons or from Valais; not ordinary cheese, but Gruyère cheese." With products like these "it is possible to get round the problem of higher prices because they are based on confidence and reliability".

Cheese exports are already proving successful. Switzerland already has a share of almost one percent in the EU cheese market. This equates to a quarter of the milk yield in Switzerland. Federal Councillor Deiss is "proud that today 45 percent of German consumers count Swiss cheese among the best in the world". Free trade in cheese with the European Union is set to come into force in June 2007.

"Market presence in Switzerland and the rest of Europe must be strengthened", agrees Jacques Bourgeois. And: "The marketing strategy must be geared even more towards origin and production methods." Sales should be promoted using quality products and special labels, for example for alpine produce.

Many farmers have already taken the initiative by selling fruit and vegetables, meat and cheese, milk and eggs, as well as wine and cider

direct from their farms. They are discovering niche markets for new products; they have Scottish Highland cattle grazing on their land; they are planting melons instead of potatoes; baking traditional farm bread and extracting oil from sunflowers; and inviting people to enjoy a farmer's breakfast and spend holidays on the farm.

Protective tariffs, marketing and export help

The state has long protected Swiss farmers from foreign competition – with import tariffs and volume-based quotas. The duties slapped on top of import prices are steep: 47 percent for cherries, 59 percent for white wine, 64 percent for hard cheese, 145 percent for apples, 170 percent for sugar, 183 percent for tomatoes, 273 percent for fillet of beef, 556 percent for butter and an incredible 1019 percent for chicken legs. The price of one third of all agricultural products from abroad is artificially raised more than 100 percent through the imposition of tariffs. Certain foreign products such as fresh milk can only be imported in small quantities. And the import of cauliflower, carrots, apples and pears is only approved if domestic supplies are short.

This "border control" in the form of tariffs and quotas is the main instrument applied to support domestic meat and crop production. Any dismantling of this border control would make imported products cheaper, make the sale

THE VALLEY FARMER

■ Ulrich Ineichen is a valley farmer in Boswil in the canton of Aargau. His 112-hectare farm is one of the largest in the country. The "Sentenhof" estate looks a little like the South Fork ranch in the cult US television series "Dallas". The owner of this large farm has two employees and six tractors. Its state-of-the-art barn with open enclosure has room for 60 cows and capacity for 400,000 kilos of milk production per annum. Milking is computer-controlled. Six years ago, Ineichen switched to organic farming. He generates CHF 700,000 in turnover, of which CHF 170,000 comes from direct payments for organic production and for cultivating the area. He estimates his hourly wage at CHF 35. Ineichen is proud of his large farm's productivity levels and is able to grant himself the luxury of

a five-day week and holidays. (Source: «Beobachter»)

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THE HILL FARMER

■ Gottfried Grünig and his wife Silvia run a typical Swiss farm in Säriswil in the canton of Berne, where they keep 16 cows, 10 calves and heifers, 8 sows, one boar, twelve chickens and a tractor on 17 hectares of land. He would not be able to keep his farm going without state aid of around CHF 36,000 a year: one fifth of the farm's income. He receives this direct aid from the state for cultivating the soil, using the meadows extensively, living in the hills, keeping animals in a manner appropriate to their species, and looking after 107 ecologically valuable high-trunk trees. This farming family is in debt – conversion of the shed and liquid manure pit cost them half a million Swiss

francs. Silvia has a second job in a nursing home, taking the family's income to CHF 53,000. The fact that Gottfried Grünig does not receive even so much as CHF 6 as an hourly wage despite working a 14-hour day depresses him. He would not want to become a farmer these days, but he cannot sell his farm – otherwise he would have to pay CHF 100,000 in liquidation taxes. (Source: «Beobachter»)

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THE MOUNTAIN FARMER

■ Martin Herrmann and his wife Christine are mountain farmers in Lauenen in the Bernese Oberland. Here, on 21 hectares of land, they run an exclusively dairy farm with ten cows, six heifers, three calves, seven ewes and a small tractor. In summer, the farmers work on the alpine pastures for three months – last summer with 77 cows and heifers,

one bull and 18 pigs. They receive direct payments of CHF 70,800 from the state, a good third of the farm's revenue. They generate a total income of CHF 85,000 thanks to second jobs: he works the ski lift, she baby-sits in hotels. The working day runs from five o'clock in the morning until ten o'clock at night. Up on the high alpine pastures in summer they produce more than four tons of alpine cheese ("Alpkäse") and planing cheese ("Hobelkäse"). The Hermanns cannot imagine doing any other job. As far as they are concerned, it is only right that they receive direct aid from the state. "We look after the countryside, and if it weren't for us farmers there would be no animals up there." (Source: «Beobachter»)

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of domestic produce more difficult and, as a result, reduce the income from farming. Of course, this Swiss protectionism runs contrary to global free trade.

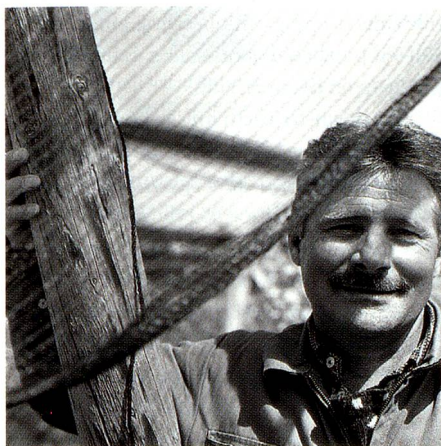
"Abolition of this border control will be inevitable in the medium to long term", says Federal Councillor Deiss. "I imagine that in the next 10 to 15 years the border protection for Swiss agriculture will be reduced to the same level as in the European Union", comments ETH professor Bernard Lehmann. It is "an il-

good, farmers and their families receive approximately CHF 2.5 billion per annum: money which comes from general state funding. Of this, CHF 2 billion is in the form of general direct payments for the use and upkeep of meadows and fields, particularly in the hills and mountains. Ecological direct payments of CHF 0.5 billion are intended as an incentive for farmers to perform special environmental services, such as ecological cultivation, extensive grain production, organic farming and the keeping

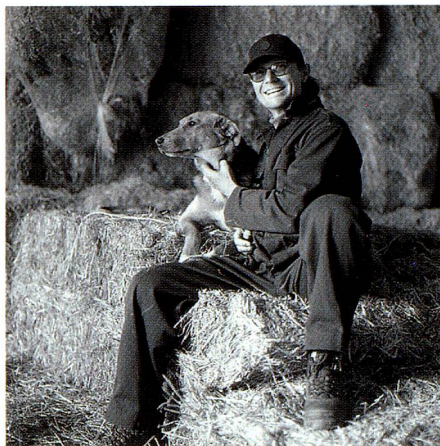
Farming is a cultural heritage

"We want to keep production-independent direct payments, and we will", declared Federal Councillor Deiss. He also commented that the structural change would have to be made in a "socially compatible" way. He is aware that three out of four farms, particularly in the hills and mountains, would not survive without the wage payments they receive from the state.

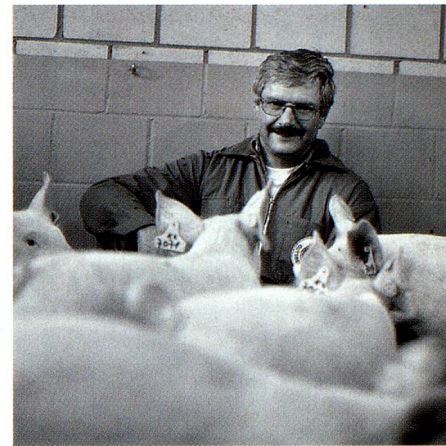
The Federal Council has the backing of the people on this issue: according to a Univox sur-



Louis Suter, fruit farmer, Hünenberg/ZG



Sepp Haas, suckler cow breeder, Ohmstal/LU



Andreas Binswanger, pig breeder, Tägerwilen/TG

lusion to want to secure the competitiveness of Swiss agriculture with the present border protection", declares Rudolf Walser of trade association Economiesuisse.

The Swiss Federal Council is aiming for more market and more competition with its "Agricultural Policy 2011". The core element of the strategy is the phased abolition of current market subsidies and measures to make exports cheaper, combined with higher direct payments to farmers. For example, domestic market subsidies for butter will be halved and the subsidy for overseas cheese exports abolished. The removal of market support and the abolition of measures to make exports cheaper will free up roughly CHF 600 million, which will go to farmers in the form of direct payments. The "Neue Zürcher Zeitung" is not at all happy about this: "The right answer to the losses is rapid structural change, rather than even more money from state coffers."

State wage for farmers

The most important instrument of the Swiss Agricultural Policy is the so-called direct payments to farmers, as compensation for performing the tasks required by Article 104 of the Swiss federal constitution: securing the supply of food to the nation, conservation of natural resources, preservation of the cultural landscape and population of remote areas.

For these "public" services for the common

of farm animals in a manner that is particularly appropriate to their species.

Direct payments as a wage for farmers only came into effect in 1992. Before then, agricultural policy in the Swiss Confederation had always been about nutrition and defence as well. In the "Battle of the Crops" in the Second World War, farmers became heroes of independence. The "old" agricultural policy guaranteed them prices, sales and income. However, the pegging of producer prices led to surplus production, rising costs and uneconomic structures. It was not until 1996, with the clear acceptance of the constitutional article by the people, that the "new" agricultural policy became possible. From this point onwards, the production of food also included the upkeep of the public environment.

Of course, a bill that runs to "CHF 2.5 billion in direct payments to 65,000 farms" will not escape criticism. The arguments raised are: the constitutional objective of decentralising the population cannot be achieved by farming alone; there is no clear mandate associated with many of the direct payments; payments are tied to land area and not to yield; the threshold for receiving direct payments needs to be raised (which would affect many small farmers in the mountains and those involved in organic farming: the direct payments prevent structural change and lead to excessive checks on the farms.

vey, 91 percent of Swiss people consider the preservation of the countryside important or very important, 97 percent are in favour of ecological farming, 87 percent want to see animals kept in an animal-friendly manner, and 70 percent want mountain farming to be given special support. Only 23 percent of those surveyed (and the trend is downward) are willing to sacrifice some of the farms. Conversely, however, 51 percent of Swiss citizens believe that the agricultural policy is leading to excessive costs.

Another answer produced by this survey is that three out of four Swiss consider the "preservation of the farming way of life" important. This is practically a declaration of love for the farming community and its traditions. Columnist Frank A. Meyer even holds the view that "the farmers we know and love make Switzerland rich. The question of farming's future is the question of Switzerland's future."

DOCUMENTATION: Agricultural Report 2005 (and previous reports) by the Swiss Federal Department of Agriculture (www.blw.admin.ch), Situation Report 2005 (and previous reports) by the Swiss Farmers' Union (www.bauernverband.ch), Main Report 2004 by Agroscope FAT Tänikon (www.fat.ch), Agricultural Information Centre - LID (www.lid.ch), newspapers and magazines: Zug Documentation Centre (www.doku-zug.ch)