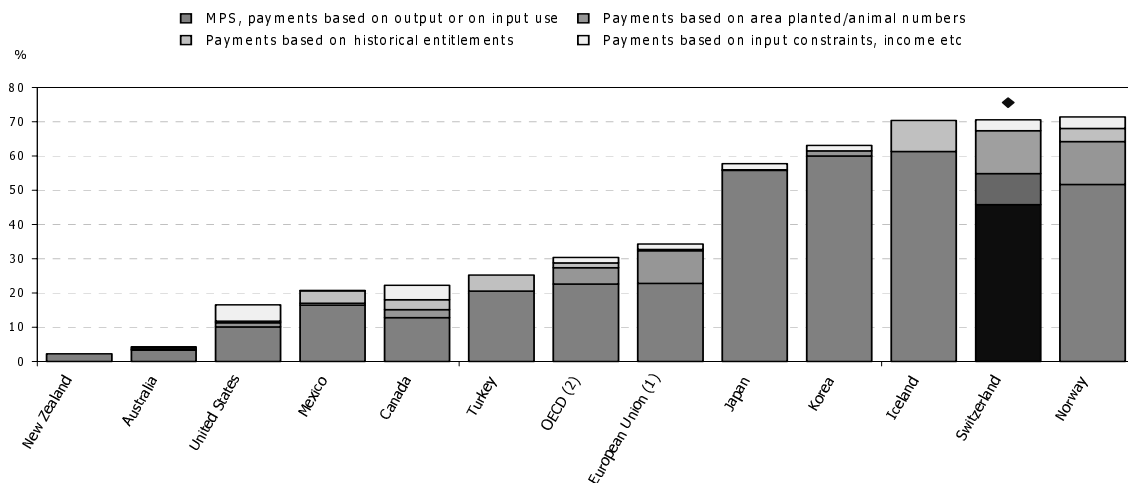


## SWITZERLAND

### Evaluation of policy developments

- Overall, there has been limited progress in policy reform. While the very high level of producer support has changed little since 1986-88, the gap between domestic and border prices has narrowed considerably as a result of a move away from market price support towards area and headage payments. But production and trade distorting policies still account for the largest part of support.
- The abolition of the target price for milk and the commitment to gradually abolish the milk quota system are important steps to improve the economic efficiency of the sector.
- Similarly, the adoption of greater flexibility in the administration of the import tariff rate quota system should allow a greater role for the market.
- Payments introduced for providing environmental services, organic farming and animal welfare respond to consumer concerns. They are conditional on compliance with environmental standards and management practices and are among the least production and trade distorting forms of support. However, they account for only a small share of support and are implemented in the context of production-linked policies.
- Despite progress away from market price support measures, greater efforts are required to reduce the level of support, increase market access and improve the targeting of support policies to meet policy objectives in ways that are less production and trade distorting.

**Producer Support Estimate by country, 2002-04**  
(Percent of gross farm receipts)



**Notes:**

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

Source: OECD, PSE/CSE database, 2005.

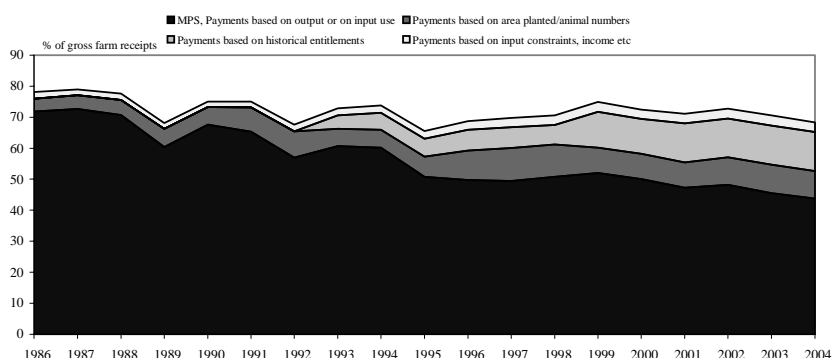
## Summary of policy developments

The main policy development in 2004 was the implementation of the new agricultural policy reform package (AP 2007) for the period 2004-07. Its key aspects entail the progressive abolition of the milk quota system, changes in the administration of import tariff quotas for livestock and meat products, diversification of rural income, enhancement of rural development and institutionalisation of the precautionary principle in food production.

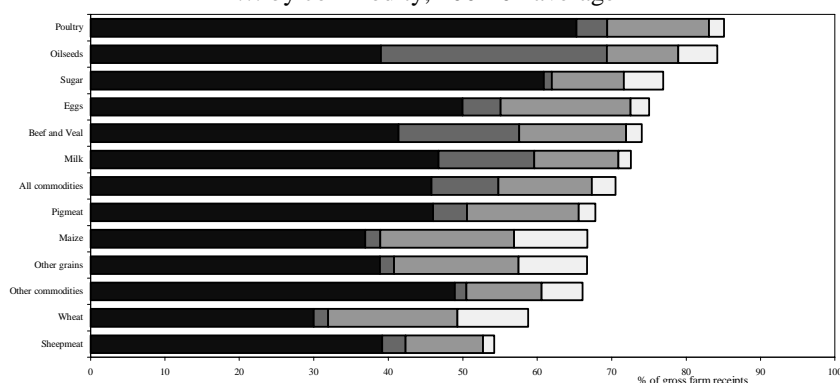
- The level of support to producers declined from 78% in 1986-88 to 71% in 2002-04, still more than twice the OECD average. Support is very high across all commodities.
- The share of market price support, output and input payments has fallen from 92% of the PSE in 1986-88 to 66% in 2002-04. In 1986-88, producer prices and consumer prices at the farmgate were five times world prices, by 2002-04 these were, on average, more than two and a half times higher. Consequently, the implicit tax on consumers decreased from 74% in 1986-88 to 58% in 2001-04.
- Payments based on historical entitlements, area and headage witnessed the largest increase. These are subject to environmental cross-compliance requirements. Input constraint payments, primarily measures for environmental purposes, are increasing, but still represent only 2% of support to producers.

- Support for general services has changed little between 1986-88 and 2002-04 at around 6.5% of total support to agriculture. Total support to agriculture was 1.8% of GDP, almost half the share in 1986-88.

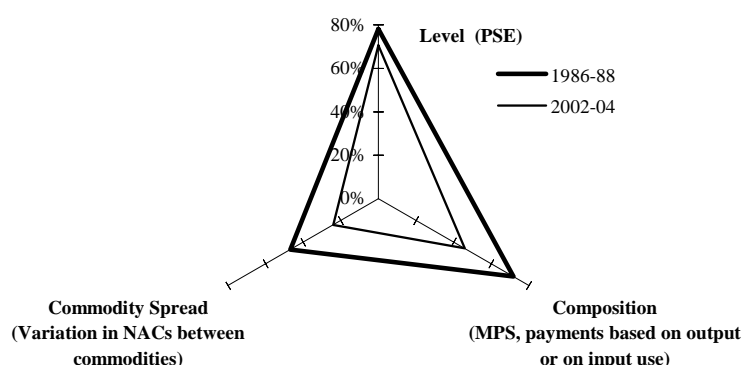
### Producer Support Estimate (PSE) Level and composition over time...



### ... by commodity, 2002-04 average



### ... and reform progress



The agro-food sector as a whole accounts for 8% of GDP. Agriculture alone contributes 1.3% to GDP and 4% to total employment. Between 2000-03, the total area set-aside for ecological compensation increased by 3% and the total amount of land devoted to organic farming rose by 7%. However, the use of fertilisers containing nitrates and phosphates has stagnated.

**Table 2.11. Switzerland: Estimates of support to agriculture**

(CHF million)	1986-88	2002-04	2002	2003	2004p
<b>Total value of production (at farm gate)</b>	<b>9 482</b>	<b>7 152</b>	<b>7 187</b>	<b>6 935</b>	<b>7 333</b>
<i>of which share of MPS commodities (%)</i>	85	78	78	79	77
<b>Total value of consumption (at farm gate)</b>	<b>11 624</b>	<b>8 629</b>	<b>8 631</b>	<b>8 350</b>	<b>8 908</b>
<b>Producer Support Estimate (PSE)</b>	<b>8 553</b>	<b>7 339</b>	<b>7 605</b>	<b>7 175</b>	<b>7 238</b>
Market Price Support (MPS)	7 094	4 085	4 329	3 949	3 976
<i>of which MPS commodities</i>	6 000	3 179	3 361	3 109	3 066
Payments based on output	102	348	363	349	332
Payments based on area planted/animal numbers	494	936	923	936	950
Payments based on historical entitlements	0	1 307	1 316	1 284	1 320
Payments based on input use	647	332	350	321	324
Payments based on input constraints	0	141	129	142	151
Payments based on overall farming income	0	0	0	0	0
Miscellaneous payments	216	191	195	194	185
<b>Percentage PSE</b>	<b>78</b>	<b>71</b>	<b>73</b>	<b>71</b>	<b>68</b>
<b>Producer NPC</b>	<b>5.10</b>	<b>2.57</b>	<b>2.81</b>	<b>2.54</b>	<b>2.36</b>
<b>Producer NAC</b>	<b>4.59</b>	<b>3.41</b>	<b>3.66</b>	<b>3.40</b>	<b>3.16</b>
<b>General Services Support Estimate (GSSE)</b>	<b>688</b>	<b>518</b>	<b>521</b>	<b>535</b>	<b>498</b>
Research and development	135	91	90	94	89
Agricultural schools	38	20	22	20	18
Inspection services	14	12	13	12	12
Infrastructure	137	96	90	102	95
Marketing and promotion	45	63	64	69	56
Public stockholding	103	45	47	44	44
Miscellaneous	216	191	195	194	185
<b>GSSE as a share of TSE (%)</b>	<b>6.7</b>	<b>6.5</b>	<b>6.2</b>	<b>6.8</b>	<b>6.4</b>
<b>Consumer Support Estimate (CSE)</b>	<b>-7 872</b>	<b>-4 877</b>	<b>-5 055</b>	<b>-4 667</b>	<b>-4 908</b>
Transfers to producers from consumers	-7 306	-4 103	-4 424	-3 855	-4 030
Other transfers from consumers	-1 960	-1 048	-986	-1 117	-1 042
Transfers to consumers from taxpayers	1 020	162	219	210	57
Excess feed cost	374	113	136	96	107
<b>Percentage CSE</b>	<b>-74</b>	<b>-58</b>	<b>-60</b>	<b>-57</b>	<b>-55</b>
<b>Consumer NPC</b>	<b>4.93</b>	<b>2.49</b>	<b>2.68</b>	<b>2.47</b>	<b>2.32</b>
<b>Consumer NAC</b>	<b>3.88</b>	<b>2.36</b>	<b>2.51</b>	<b>2.34</b>	<b>2.25</b>
<b>Total Support Estimate (TSE)</b>	<b>10 261</b>	<b>8 019</b>	<b>8 345</b>	<b>7 920</b>	<b>7 792</b>
Transfers from consumers	9 266	5 151	5 410	4 972	5 072
Transfers from taxpayers	2 955	3 916	3 921	4 064	3 762
Budget revenues	-1 960	-1 048	-986	-1 117	-1 042
<b>Percentage TSE (expressed as share of GDP)</b>	<b>3.95</b>	<b>1.84</b>	<b>1.94</b>	<b>1.83</b>	<b>1.75</b>
<b>GDP deflator 1986-88 = 100</b>	<b>100</b>	<b>130</b>	<b>129</b>	<b>130</b>	<b>132</b>

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.  
Market price support is net of producer levies and excess feed costs.  
MPS commodities for Switzerland are: wheat, maize, other grains, oilseeds, sugar, milk, beef and veal, sheepmeat, pigmeat, poultry and eggs.  
Source: OECD, PSE/CSE database 2005.