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Liberalisation of agricultural markets in Switzerland: protected designation of origin (PDO) supply chains management by interprofessional bodies and anti-trust issues

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A REFORM OF THE SWISS AGRICULTURAL POLICY

Since 1945, Swiss agriculture has been strongly controlled by the Federal State. Many markets, especially the milk and cheese markets, have been regulated to a point that prevented free competition between agricultural firms : farmers had to deliver their production to the State. Per contra, the Confederation guaranteed the marketing of the product and a fixed price for the commodity. The goal of the agricultural policy was to secure the food supply of the Swiss population with national production.

In 1992, the Swiss Government introduced a reform of the agricultural policy. Commodity prices were reduced and direct payments were introduced. Their distribution was linked to environmental contributions by the firms. In 1999, all agricultural markets were liberalised : the obligation for the farmers to deliver their production was set aside and fixed prices were suppressed. The State does not guarantee the marketing of agricultural products any more. The reform had two important consequences : first, we have observed a strong concentration in the milk processing industry and second a lot of *interprofessions* (Unions by product or type of products) have been established.

ORGANISATION OF SUPPLY CHAINS

Nowadays the farmers' income depends on the success of the product. In the case of *Gruyère* cheese, many different firms live from the same product (milk producers, cheese makers, cheese ripeners). They are all independent from an economic and a juridical point of view while marketing the same good. Co-ordination between the firms is needed. Most of the *interprofessions* are created to this end.

CO-ORDINATION IN PDO SUPPLY CHAINS

Firms marketing the same PDO good have to co-ordinate on several issues.

1. The definition of the area of production.
2. The definition of the code of practice.
3. Quality controls.
4. Information to the firms.
5. Research and Development.
6. Promotion of the product.
7. Lobbying for institutional support.
8. Management of production volumes.

In many countries, especially France, Italy and Spain, these different functions are fulfilled by an interprofessional body. This body neither produces nor markets anything but it makes strategic decisions for the supply chain. It gathers representatives of the professionals. For a PDO cheese, milk producers, cheese makers and cheese ripeners will be represented in the interprofessional body.

MANAGEMENT OF PRODUCTION VOLUMES

A stable market that avoids strong variations in production volumes and prices appears as a necessity for the firms. Before the reform of the agricultural policy, the Federal State guaranteed market stability. Nowadays, private firms independent from an economic and a juridical point of view try to manage production volumes. They often have problems with anti-trust authorities. In effect, anti-trust policies condemn agreements on volumes and prices. Several examples in France and Italy highlight this issue.

OBJECTIVES OF THE RESEARCH

The objective of our research is to determine if the application of antitrust laws by the authorities takes into account the specificity of PDO products and supply chains. We want to answer the following questions:

1. The present methodology to consider co-operation agreements is relevant and can be applied to PDO products ;

2. The present methodology cannot be applied as such but economic paradigms are relevant. A better methodology can be developed ;

3. Economic paradigms are not relevant. There is a lack of theoretical consideration on the subject. Proposals must be made.

FINANCING

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NOTE

(1) PDO products are defined in Regulation EEC 2081/92.