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Relevance of Border Protection for Agriculture in Switzerland

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RELEVANCE OF BORDER PROTECTION FOR AGRICULTURE IN SWITZERLAND

**By Lucie Adenäuer
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Datum: 02.11.2017

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Suisse

Berne déclare la guerre aux paysans

Florent Quiquerez Berne
Johann Schneider-

gérer ces bouleversements, Jo-
hann Schneider-Ammann n'aura
suit. «Le Conseil fédéral bafoue la
volonté populaire. Il y a quelques

Bern declares war to farmers

Schweizer Bauernverband
Union Suisse des Paysans
Unione Svizzera dei Contadini
sbv|usp|usc



Medienmitteilung des Schweizer Bauernverbands vom 1. November 2017

*Federal council ignores will of people
and wants to sacrifice Agriculture*

Bundesrat missachtet Volkswillen und will Landwirtschaft opfern

Datum: 02.11.2017

Le Nouvelliste

Le Nouvelliste
1960 Sion
027/329 76 11
www.lenouvelliste.ch

Medienart: Print
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Seite: 33
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Neue Zürcher Zeitung
8021 Zürich
044/258 11 11
<https://www.nzz.ch/>

Medienart: Print
Medientyp: Tages- und Wochenpresse
Auflage: 104'397
Erscheinungsweise: 6x wöchentlich



Seite: 1
Fläche: 35'297 mm²

Federal council enrages farmer lobby

*Bundesrat erzürnt
Bauernlobby*

Agrarmarkt soll geöffnet werden

HEIDI GMÜR, BERN
Mit einer Gesamtschau

verband warf dem Bundesrat vor, den
Volkswillen zu missachten und die

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Vent de colère chez les paysans

Winds of fury at the farmers

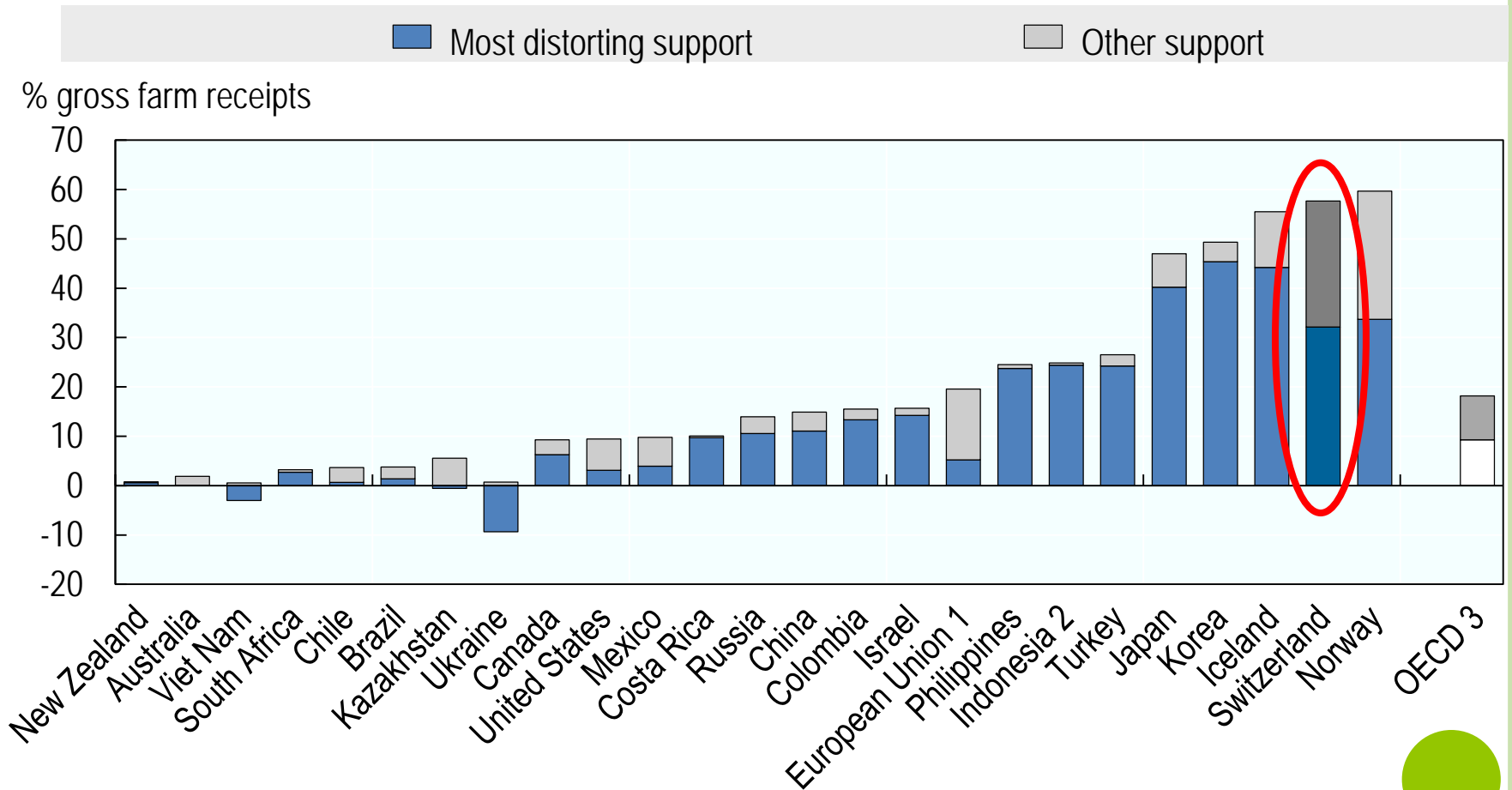


SWITZERLAND

- Switzerland is characterised by high GDP per capita, low inflation and unemployment rates
- Swiss economy is mostly service oriented (70% of GDP)
- Agriculture plays a relatively small role in the economy (0.7% of GDP)
- Focus is mainly on livestock production, dairy and beef production
- At the same time the total support provided to the agricultural sector accounts for 1.2% of GDP



AGRICULTURE RECEIVES HIGH LEVELS OF SUPPORT...



Source: OECD (2017), "Producer and Consumer Support Estimates", *OECD Agriculture statistics* (database), <http://dx.doi.org/10.1787/agr-pcse-data-en>



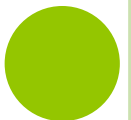
WHY IS THE SUPPORT SO HIGH?

SWISS AGRICULTURAL POLICY CONTEXT

- Agriculture is expected to provide public goods:
 - preserve natural resources, maintain agricultural land in a cultivated state, encourage decentralised settlement, guarantee animal welfare AND ensure reliable food supplies for the population
- The sector receives high levels of support to help create favourable conditions for production and sale
- The sector's ability to provide public goods may be put at risk if farm incomes or agricultural production decline



IS BORDER PROTECTION
RELEVANT FOR AGRICULTURE'S
PUBLIC GOODS?



APPLIED OECD FRAMEWORK FOR ANALYSING MULTIFUNCTIONALITY IN AGRICULTURE

Jointness between agricultural commodity outputs and non-commodity outputs (NCOs)

YES

NO

Is separation possible?

Policies should target the NCO

NO

YES

Is there market failure?

Non-agricultural provision of the NCO

YES

NO

Are there non-government options?

No role for agricultural policy

YES

NO

A small role for government in e.g. establishing institutional framework or addressing information gaps

The efficient agricultural policy intervention depends on the nature of jointness and public good characteristics of the NCO



IS BORDER PROTECTION RELEVANT FOR AGRICULTURE'S PUBLIC GOODS?

- Encouraging decentralised settlement?
 - Regarding jointness, there is only a weak link between agriculture and economically and socially viable rural areas
 - Public services, infrastructure and jobs are more important
- Maintaining agricultural land in a cultivated state?
 - Agricultural land may be abandoned / taken out of production without public support
 - But support provided by direct payments ensures land is used



IS BORDER PROTECTION RELEVANT FOR AGRICULTURE'S PUBLIC GOODS? CONTINUED...

○ Preserving natural resources?

- Farmers' land use decisions and choice of farming practices and system can increase or reduce pressure on natural resources
- Border protection encourages more intensive production
- Best addressed by environmental regulations and cross-compliance

○ Guaranteeing animal welfare?

- Switzerland has stringent animal welfare regulations
- Lower farm incomes may reduce participation in voluntary programmes...
- But high prices overall make it hard for farmers to differentiate on the basis of animal welfare and earn premiums

IS BORDER PROTECTION RELEVANT FOR AGRICULTURE'S PUBLIC GOODS? CONTINUED...

- Ensuring food supplies for the population?
 - Current Swiss production levels are very close to the target rates
 - BUT food prices for consumers are 79% higher than international prices on average
 - Trade liberalisation would reduce gross food production by 8-15%
 - Largest impacts in meat sectors, but dairy largely unaffected
- Border protection (and direct payments) keep domestic production at a high level...but at a cost
 - Increases costs for Swiss consumers and food industries, reducing consumer choice and economic welfare
 - Constrains growth in less protected and more efficient sectors, including in agriculture




SUMMARY: BORDER PROTECTION IS COSTLY AND INEFFECTIVE

- Not conditional on delivery of improved environmental, social and animal welfare outcomes
- Untargeted towards the activity or factor of production most strongly related to those outcomes
- Untargeted to regions that are valued by society for services beyond agricultural production.
- May lead to conflicting outcomes between objectives
- Imposes significant costs on the Swiss economy



ALTERNATIVE INSTRUMENTS

Restructure existing instruments to directly target environmental and animal welfare outcomes:

- Differentiate direct payments by region
 - To target environmental challenges and land at risk of abandonment and/or with leisure value
 - Strengthen environmental standards
 - Incorporate current cross-compliance conditions into mandatory requirements & increase stringency of conditions for voluntary payments
 - Consumer information system
 - Invest in promoting the “Swiss” brand to help farmers offset costs of guaranteeing animal welfare (and meeting other goals)
- 

ALTERNATIVE INSTRUMENTS

New risk management instruments to help farmers cope with new market conditions

○ Farm risk account

- Voluntary savings account that can be accessed in the case of income losses due to market volatility or unexpected weather conditions
- Encourage farmers to better manage normal risk

○ Disaster payments

- Define triggering criteria and types and levels of assistance for helping farmers cope with catastrophic risks



KEY MESSAGES

- Border protection is a key instrument of Swiss agricultural policy
 - But it does not deliver the environmental, social and animal welfare outcomes demanded by Swiss society
 - And it imposes significant costs on the Swiss economy and reduces the competitiveness of Swiss food industries
- Alternative policies to meet Switzerland's environmental, social and animal welfare objectives would
 - Directly target the outcomes desired by Swiss society and
 - Help farmers cope with new market conditions

