Differences between EU-CAP proposals and the new supporting scheme of the Swiss agriculture from 2014

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1 Introduction

A figurative island located in the midst of the vast EU ocean, Switzerland shares many characteristics with its neighbors, but also faces unique opportunities and challenges in all economic and social domains that require individualized policy approaches. This is especially true in the agricultural sector. Swiss agriculture has adapted to its regional, topographic and climatic conditions over hundreds of years, and is now organized in a format that is hard to find anywhere else in the world.

The mountainous topography of Switzerland leads to a good third of its agricultural production surface being dedicated to alpine pastures (STATISTIK SCHWEIZ, 2013a). These are usually only used during the summer for the grazing of ruminants, leading to much differentiated policy incentives for different production areas. In the lowlands, meadows are equally important, and contribute to the fact that over 70% of Swiss farmland comprises meadows and pastureland. This explains the importance of meat and dairy products in the Swiss agricultural sector (FOAG, 2004). In comparison, only 33% of EU-27 acreage is dedicated to permanent grassland and meadows; almost twice as much is comprised of arable land (EUROSTAT, 2007).

The Swiss average farm size is around 17 hectares, compared to an EU average of 14ha (but spread between 19ha in Austria, 54ha in France, 56ha in Germany, and 84ha in the United Kingdom) (STATISTIK SCHWEIZ, 2013b). In the last years, the number of Swiss farms has steadily decreased, but there are still around 30% of farms that work on less than 10 hectares of land, with another 32% owning 10 to 20 hectares and 35% that are bigger than 20 ha (STATISTIK SCHWEIZ, 2013c).

Swiss agricultural policy is maybe best known for its high level of domestic producer support: in 2011, 54% of total agricultural production value was based on political subsidies (PSE), compared to 17% in the EU (OECD, 2012). In fact, roughly 100% of net farm incomes are currently covered by agricultural subsidies (FOAG, 2004). Another critical difference between EU and Swiss policy is simply that the EU policy has to be regional and cover nearly an entire continent, while the national Swiss policy can be very specific and targeted. In addition, since Switzerland is extremely federalized (it has 26 cantons, which are the equivalent of the German Bundesländer), policy measures decided on the national scale are implemented and monitored regionally, allowing further individualization, but also posing more coordination challenges.

2 The Swiss Agricultural Policy 2014-2017 in Comparison

On a macroeconomic scale, Swiss agricultural policy has followed a historical path similar to the EU Common Agricultural Policy’s. After the Uruguay Round, Switzerland started a comprehensive reform of its price support schemes and started to shift them to less trade-distorting measures such as direct payments starting in 1993 – first only partially, but then
increasingly decoupled. From 1999 to 2003, Switzerland introduced their version of “cross-compliance”, called “ökologischer Leistungsnachweis” (“proof of ecological performance”), as a requirement for farmers in order to receive direct payments (BUTAULT, J.-P., et al., 2012). As of 2008, all export subsidies were phased out except for processed products (this was dubbed “Schoggigesetz” or “chocolate law”) and market supporting measures were reduced. Finally, in 2009, the government phased out milk quotas (SWISSMILK, 2013), cut import tariffs for cereal and animal feed and started auctioning meat quotas (KOHLI, 2012).

The Agricultural Policy 2014 – 2017 tries to continue this trajectory of shifting Swiss policy toward WTO-conformity, while putting great emphasis on the multifunctional goals of agriculture which – uniquely – have been enshrined in the Swiss constitution by a popular vote in 1996 (FOAG, 2004). This is a first major difference between the Swiss and the EU reform process: while the EU process is based on a difficult balance between stakeholders, institutions, and Member States’ preferences, which all first have to agree to a common goal and target in reforming the CAP (for instance, the CAP 2020 objectives are “enhanced competitiveness”, “improved sustainability” and “greater effectiveness” [EU, 2011a]), the Swiss government focuses on implementing the citizen-approved, constitutionally specified set of public goods that agriculture should provide.

Thus, the current reform aims to refocus the direct payment system and align it with the constitutionally specified goals, creating one separate payment category per goal in order to encourage more progress in fulfilling them (NZZ, 2013). Until now, one of the largest categories of agricultural support had been “general direct payments” that simply compensated farmers for their public services in general, and which were then supplemented by special target programs (BUTAULT, J.-P., et al., 2012). This total money will now be redistributed among the six constitutional objectives: There will be contributions for cultivated landscape to maintain open landscapes and prevent the abandonment of production surfaces; contributions for ensuring food supply to maintain adequate food production capacities and assure a minimum self-sufficiency level; contributions for biodiversity to maintain and promote species diversity; contributions for landscape quality to maintain and develop diverse landscapes; contributions for production systems to support ecofriendly production systems (e.g. organic or animal-welfare enhancing housing); and contributions to enhance resource efficiency. Finally, there will also be contributions to adaptation to ensure rural development and to help farmers cope during the transition period (KOHLI, 2012).

The Swiss reform also removes one of its last remnants of coupled support, namely animal-based payments that were paid out per head of livestock. This was one of the most debated changes and occurred against the fierce opposition of farmers’ organizations. A similar switch had occurred in the EU with the 2003 CAP reform which uncoupled farm support from production, and replaced per head payments by farm income payments based on historical entitlements (EU, 2008). However, many Member States only partially decoupled and retained their prerogative to pay out premiums for suckler cows, ewes or calves (DRIVER, 2013).
To help farmers cover their costs, the Swiss proposal also plans to distribute differentiated payments depending on production costs, which are drastically different between the lowlands and the mountainous regions. In contrast, the EU is introducing a “Basic Payment Scheme” that moves away from historical entitlements and aims to make payments as homogenous as possible (moving toward mandatory uniform payments per hectare by 2019) and to reduce the discrepancies in payments between different farmers, regions and Member States. However, there is also an option to receive additional payment for areas with natural constraints (EU, 2011a). In addition, Member States reserve the right to use 5% (Commission proposal) to 15% (Parliament position) of the direct payment envelope for coupled payments to support certain regions or sectors, such as beef or sheep production, leading effectively to the potential “recoupling” of livestock production (Driver, 2013).

Conversely, the Swiss Parliament’s method to strengthen domestic meat production in the face of this reform was to reinstate meat import quotas, of which 40% will be distributed freely to domestic abattoirs (NZZ, 2013). Looking at EU market management mechanisms, the milk quotas and wine planting rights are already set to expire, and the Commission proposal aims to also phase out the last remaining quota regime, the sugar quota, as of 2015. However, the EU Parliament voted that its position in the upcoming negotiations will be to advocate for an extension of sugar quotas until 2020 and grape planting limits until 2030 (EURACTIV, 2013), so the final position on this issue is still to be decided.

The EU Commission’s ostensible goal of “greening” the CAP is expressed mainly through three additional instruments linked to receiving direct payments: farms are required to engage in crop rotation, to maintain 95% of their permanent pasture intact, and to ensure that 3-5% (Parliament position) to 7% (Commission proposal) of their arable land is reserved for “ecological focus areas” in order to claim 30% of their overall direct payments of Pillar I. Cross compliance in animal welfare, environmental and animal and plant health standards was actually simplified, reducing the number of Statutory Management Requirements (SMRs) from 18 to 13 and the rules on Good Agricultural & Environmental Condition (GAEC) from 15 to 8 (EU, 2011). This was seen by many environmental NGOs as a lost opportunity to enshrine public good provision and the precautionary principle with regard to environmental standards in the new Policy (Slow Food, 2013).

From an environmental perspective, even at the current pre-reform level, the Swiss scheme is ahead by far of the EU one. Its proof of environmental performance includes a mandatory 7% of land reserved for ecological focus areas and a wide array of criteria that seem stricter than the EU’s (Butault, J.-P., et al., 2012). In addition, it is already spending 20% of its direct payments on ecological rewards beyond cross-compliance (ibid.), and this focus on public good provision is intended to be even more apparent after the policy change. Yet, there is criticism by Swiss stakeholders that the repooling of resources as mentioned above will lead to few actual behavioral changes, since most of the formerly general direct payments will be re-routed to the acreage-based “contributions to ensure food supply” and again present a pure income support measure for farmers (Bauer & Minsch, 2012; Birdlife (2012). A final interesting aspect is that while the EU’s
greening efforts is trying to preserve permanent pasture and prevent the sprawl of intensified production surfaces, Switzerland has the opposite problem and has a whole separate payment category for “cultivated landscape” to prevent the abandonment of marginal land in the mountainous regions.

The overall Swiss budget of 13.8 billion Francs over 4 years (so around 3.45 billion Francs a year) is comparable to the expenditure of recent years; and the vast majority of it, 11 billion Francs, will flow into the direct payment scheme laid out above (BLW, 2013). According to simulations, farming income is estimated to grow by 4% or 110 million Francs until 2017 (NZZ, 2013). The EU is also keeping its expenditure constant at around 386.9 billion Euros from 2014 – 2020 (Commission proposal), which amounts to 55.27 billion Euros a year. 281.8 billion Euros of this is dedicated to the direct payment system in Pillar I (EU, 2011b). For a rough comparison, in Switzerland, the proposed amount would cost each citizen around 437 Francs per year; in the EU, each citizen would pay 110 Euros (calculated with population estimates) per year.

3 Conclusion: Similarities and Differences compared to CAP 2020

If we compare the Swiss Agricultural Policy 2014 – 2017 to the CAP 2020 discussions, we can conclude that there are a number of similar objectives, but that the manner of how these objectives are met depends highly on the circumstances each policy has to consider.

First, both Policies aim to find a balance between respectively domestic and regional food security, rural development, and environmental considerations. In both schemes, budgets are limited and the future reforms should not exceed the current total payments, but yet meet policy targets better – unavoidably creating winners and losers and heated discussions between farmers’ organizations, environmentalists and free market advocates. Both regions’ policymakers seem to be caught between advocating for a continuation and extension of the aim of multifunctional agriculture, and acknowledging the importance of a certain level of food independence and sovereignty that necessitates at least the maintenance of the status quo in farm number and production capacities.

The main goals of the policy reforms are, in a certain regard, on the opposite ends of the spectrum, though – in the EU, one of the Commission’s stated objectives was the greening of the CAP (moving closer to Swiss standards), whereas policy-makers in Switzerland want to refocus on public good provision and fully uncoupling their support schemes (moving closer to previously existing EU policy there). Both negotiations seemed to end up in a compromise that made no one party of stakeholders extremely happy, reflecting the trade-offs necessary in public policy-making.

Finally, the higher overall level of income support in Switzerland seems to give a greater possibility of satisfying stringent environmental goals and yet keep farmers well-off at taxpayers’ expense. In the EU, where the overall producer support is lower, trade-offs are even more hurtful and “greening” seems to be extremely difficult politically – maybe this is why we see that environmental goals seem to be more advanced in Switzerland and that
reforms are somewhat more accepted since losses can be cushioned through very specialized targeting and restructuring mechanisms.

4 References


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