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# Testing times for farmers



Patrick Lüthy / Imagopress

Abolishing the milk quota system could drastically bring down prices.

**PABLO CRIVELLI**

*Farmers are facing a tough challenge with the liberalisation of the agricultural sector – their very existence is threatened.*

**IN AUGUST AND SEPTEMBER** thousands of farmers took to the streets to protest. Their banners accused the Federal Council, and Minister of Economic Affairs Pascal Couchepin in particular, of destroying the

entire farming community by administering a lethal dose of liberalisation. The farmers' criticisms were mainly focused on the new Federal Council message on agricultural policy for 2004–2007, to be debated by parliament in December.

One particular measure is bringing many farmers out in a cold sweat: the plan to abolish the milk quota system as of 2008. If the Federal Council has its way, the free market rather than the state will then decide on the level of milk production. Farmers' associations complain that prices would plummet without a limitation on milk supplies, and production in peripheral regions would have to be stopped. By lifting the quota system the Federal Council wants to pre-empt

a decision by the EU which would introduce similar measures in 2006–2008 or possibly even earlier.

The Federal Council's arguments address another key factor: the bilateral accords with the EU provide for a liberalisation of the cheese markets five years after coming into force. In the opinion of the executive, abolishing milk quotas offers farmers an opportunity to rationalise production and hence become more competitive.

Yet there is a long way to go if one considers that one litre of milk costs CHF 0.45 in EU countries, compared to CHF 0.73 and CHF 0.76 in Switzerland. Based on the fact that one quarter of Swiss milk produc-



tion is exported to Europe, Pascal Couchepin believes that fixing the milk price would endanger one quarter of national production in Switzerland. Many farmers believe the Federal Council's deadlines are too tight to make adequate preparations for the challenges ahead, while others ask whether the liberalisation process will be pushed so far that not a single farmer will be left on Swiss soil. While Hermann Weyeneth, SVP National Councillor and himself a farmer, is not quite so pessimistic, he too believes the situation is far from ideal: at a farmer's rally in Grauholz near Berne in early September, he estimated that within ten years one in two farms would go under as a result of the government's agricultural policy.

### Endangered jobs

Statistics support this theory. Between 1985 and 1996 the proportion of persons working in the primary sector dropped from 7.5 to 4.8 percent, primarily in the agricultural sector. The past decade has been marked by the disappearance of thousands of farming operations. Between 1990 and 2000 the number of farms fell from approximately 90,000 to 75,000. The market deregulation process launched in the 1990s triggered a wave of restructuring in the Swiss farming sector. Increased economic pressure and technological advances led to an agricultural concentration process to which smaller farms (with less than 20 hectares) fell victim. The Federal Council assumes that for every year between 2002 and 2007, three percent of farms will either disappear or require radical restructuring. What makes the future of farmers even bleaker is the continual erosion of their income. Currently a farmer earns less than CHF 2500 per month on average – the poverty line is set at CHF 2100. Small wonder, then, that this profession boasts the largest number of “working poor”, i.e. people who, despite being in employment, do not have sufficient means to live a dignified life.

### Abolishing privileges

Given these circumstances it is easy to understand the farmers' anger, particularly during a time of slow economic growth as is the case at present. Exports of Swiss cheese to Germany dropped by 30 percent this year. Symptomatic of the difficult situ-

ation is the recent collapse of Swiss Dairy Food, one of the largest Swiss processors of milk: to avoid the worst case scenario, the government had to approve immediate financial aid amounting to CHF 63 million to cover the August/September accounts payable to 7000 suppliers of Swiss Dairy Food.

### Ecological production

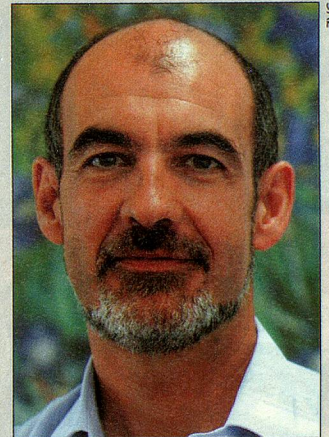
Despite the difficult environment, the Federal Council appears to be unwilling to budge even an inch on the principles formulated in its message to parliament. Pascal Couchepin believes that farmers must become entrepreneurs and agree to an abolition of their privileges (quota system, direct payments to “artificially” maintain the price level, protectionist taxes). The end of the quota system represents the last stage in a process which interlinked market liberalisation with ecological considerations. So far the system has guaranteed farmers a reasonable income and motivated some to invest in more ecological production methods; every farm received state contributions for its contribution to the public good. By cushioning the social consequences, this system led to a gradual transition from a “Soviet-style” to a more deregulated agricultural sector.

### New strategies needed

Now, however, none of this seems to be enough. Many farmers complain that their income is continually dropping despite investing in more ecological production methods. Again and again they claim that it is impossible to produce in an expensive country like Switzerland at the same price as a developing country. In view of the broad resistance, the Federal Council has promised to do everything possible to safeguard against social hardship cases; moreover, parliament still has the option of making the necessary adjustments and addressing some of the farmers' demands. Nevertheless, one thing is sure: the price reductions, which everyone believes are essential in order to remain competitive, will force farmers to develop new survival strategies such as founding cooperatives, focusing on product quality, or intensifying marketing efforts.

## More flexibility

**Jacques Bourgeois, Director of the Swiss Farmers' Association, is against abolishing the milk quota system as of 2008.**



**IN HIS OPINION** “the system should continue in operation over the next few years, but in a more relaxed form in order to gear milk supplies more closely to demand. It is worthwhile re-assessing the situation in 2005 and 2006 on the basis of the experience acquired, and deciding at that stage whether or not to abolish the system definitively.” Bourgeois hopes that, in planning the liberalisation process, the Federal Council is taking into consideration the precarious economic situation in which the sector finds itself. In his view “accompanying social measures are urgently needed in view of the structural changes in the agricultural sector, which should happen naturally. People who give up farming before age 65 must be able to count on state assistance.” To secure the future of Swiss farming, “Swiss products must be given a clear label of origin along the lines of the ‘Suisse qualité’ label. The Swiss are pioneers in the field of ecological production, and the associated costs must be transparent for the buyer: a suitable product label should tell consumers exactly what they are buying.”

C.P.

Translated from the German

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