WP 3
Status Quo Analysis Switzerland

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1. Introduction

This report gives a general overview on collective farmers' marketing initiatives in Switzerland. Collective actions of farmers have a long tradition in Switzerland. Indeed, the earliest forms of collective actions in agricultural can be traced back to the management of common land and forest areas in early Germanic times. Furthermore, the foundation of the Swiss Confederation (1291) was also based on mutual support of farmers / rural habitants to protect their freedom against encroachments. Like in most other European countries, the cooperative movement emerged in the second half of the 19^{th} century in Switzerland and experienced a rapid diffusion. Despite these experiences, nowadays a general lack of collective actions of farmers can be observed. This contradiction can mainly be explained by the protectionistic agricultural policy after the Second World War. Until the 1990s, prices and incomes were guaranteed by the state and consequently only few farmers were involved in marketing or put much effort in building up self-help structures. These two contrasting experiences and attitudes are very characteristical for the Swiss context and is therefore a central theme of this report.

In general, data and scientific information on farmers' cooperatives are very rare in Switzerland. There is no official statistic that collects the number and types of existing co-operatives in Switzerland. Apart from two recent research projects (OMIaRD and SUS-CHAIN) only little scientific literature was available on this topic – and most of it was published in the 1980s or even earlier. In view of the little information interviews with experts and an internet search has additionally been conducted.

In the following section, the historic development of collective initiatives in agriculture is summarized. Afterwards, the five main forms of collective marketing initiatives are described: producer co-operatives, confederations of co-operatives, regional marketing initiatives, producer pools and farmers' interest groups. In the fourth section of this report the contextual factors are outlined.

2. General description of the importance of collective farmers' marketing in Switzerland

2.1 Historical context in which collective farmers' marketing has developed

The agricultural cooperative movement arose in Switzerland in the second part of the 19th century as a result of the prevailing economic and political situation. Predecessors of collective farmers' initiatives existed with the cooperative management of common land and forest area.

Until the middle of the 19th century, the three-field rotation and self-supply was still very common in Switzerland. This changed with the first "modernisation" of agriculture and the introduction of (artificial) fertilizers, indoor livestock feeding and use of concentrates respectively. It was now possible to achieve higher yields and to produce more food than only for self-consumption. These changes required from framers to learn new skills. At the same time, a large number of rural habitants moved to the urban areas in Switzerland to find new jobs in the growing industrial centres. Consequently, the demand for food increased. Since agricultural markets were less protected in Switzerland at that time, imports from foreign countries (e.g. cereals from the USA) increased significantly. It was not only necessary for Swiss farmers to "modernise" their production, but also to compete against other suppliers and to become market-oriented. As a consequence, many farmers converted their production from arable to livestock farming. In view of these radical changes that occurred in relative short time, it is not a surprise that a large number of farmers were not able to cope with the new situation. Consequently, a serious crisis occurred in agriculture which provided a general basis for collective actions and self-help measures.

Apart from the economic difficulties, the emergence of the Swiss cooperative movement was also influenced by the prevailing social, Christian and humanistic ideas of the 19th century, which promoted social responsibility in society and a general belief and optimism in the future. The work and ideas of Friedrich Wilhelm Raiffeisen and Herman Schulze-Delitzsch met also in Switzerland a considerable response (HSL, 2006).

In the mountain area, the collective management alpine meadows as well as alpine dairies can be regarded as the first "modern" cooperative approach. In view of the increasing production of milk and export of Swiss cheese, dairy cooperatives continuously expanded from the mountain to the valley area during the second half of the 19th century. At the end of the century, there were approximately 2000 of these dairy cooperatives in Switzerland (HSL, 2006).

In contrast to this, in the valley area, the diffusion of cooperatives is closely connected to agricultural societies established in the middle of the 19th century. In view of the problems in agriculture, as outlined above, these societies advocated for the political interest of farmers and provided agricultural advice and training. They were mainly organised at canton or local level, before the societies in the German speaking part of Switzerland united to the "Schweizerischen Landwirtschaftlichen Verein". A similar development took also place in the French speaking part of the country as well as in the Italian speaking canton Ticino. These societies provided a basis for the establishment of farmers' cooperatives, which were legally allowed after a revision of the Stock Corporation Act in 1883 (Pfister, 2001).

The foundation of a co-operative was mainly the response to external pressure and aimed to achieve very specific aims.

- *Dairy cooperatives* were established as a result of the increase of milk production and aimed to process and market milk that was not directly consumed.
- *Agricultural supply and marketing cooperatives* had the aim to facilitate the access to new agricultural means of production (e.g. fertilizer) through collective purchase. Later, these co-operatives were also involved in marketing activities.
- The first *cooperative lending bank* was founded in 1900 and provided the possibility for farmers to lend money for technical investments.

Local cooperatives were able to improve the economic situation of their members and extended very soon their commercial activities. For structural reasons, however, single cooperatives were not able to expand their activities beyond a certain level (Troxler, 1986). In order to expand further and to increase the efficiency of the business regardless of this limitation, individual cooperatives started to join together to form regional federations of co-operatives. Thereby, it was possible to expand the activities to other regions, to integrate downstream supply chain activities, to coordinate prices, supply and sales of commodities and to reduce production costs through economy of scales. Alternatively, individual cooperatives founded an umbrella association to coordinate their activities. Two examples are given below that describe this development.

Zentralverband Schweizer Milchproduzenten

In the second half of the 19th century, the number of local dairies increased rapidly. In order to improve the economic performance they joined together to found regional federations of cooperatives and later on the umbrella association of Swiss milk producers (Zentralverband Schweizer Milchproduzenten) in 1907. The regional federations of cooperatives as well as the umbrella association were involved in various activities such as marketing of dairy product, price negotiations and balancing seasonal fluctuations of supply. Furthermore, the ZVSM aimed to increase the power of farmers and to reduce their dependency on milk buyers and cheese traders.

Between the 1920s and the 1960s, in view of the increasing production of milk in Switzerland, the ZVSM built various new dairies and cheese companies. In 1998, six regional federations of dairy cooperatives (federation of dairy cooperatives from Berne, Basel, Waadt Freiburg and Winterthur (ToniLait AG), together with Appenzell-St. Gallen) joined together to form the Swiss Dairy Food AG. This new dairy company however became insolvent in 2002, and was partly integrated into the Emmi group AG which was founded by the ZVSM already in 1911 and is now the biggest dairy in Switzerland.

Further information: www.milch.ch

VOLG

The first federation of co-operatives in Switzerland was the East Swiss Federation of agricultural co-operatives (Verband Ostschweizer Landwirtschaftlicher Genossenschaften VOLG), a pioneer of co-operative federations. This federation of cooperatives developed from the Agricultural Society Elsau, which was founded by the farmer Conrad Schenkel in 1874. The prime aim of this society was to supply farmers with agricultural means of production. In the following years several agricultural societies were established for similar purposes. They were transformed into cooperatives after the commercial nature of these societies increased and joined together to form a federation of cooperatives in 1886. Ten years later, VOLG comprised already 102 local sections, which were mainly located in the cantons Zurich and Aargau. Subsequently, VOLG started also to sell products of their members and was active as a retailer in local areas.

Further information: www.volg.ch

Due to the shift of power to the federations of cooperatives as well as the strong emphasis on commercial activities the initial idea of self-help receded into the background. Individual co-operatives became a part of a company that was run by professional managers. The direct influence of farmers on the company was reduced.

After the Second World War, the Swiss agricultural policy changed. This change had also an impact on the existing cooperatives and their marketing activities. In view of the food scare of the Second World War, agricultural policy aimed to ensure a very high degree of self-sufficiency. For this reason, guaranteed prices were introduced for the most important commodities. According to the Act on Agriculture, the income of farmers was supposed to be similar to the average income of the region. Consequently, there was no need and incentive for farmers any more to be involved in marketing. Self-help measures were not necessary since the economic situation of farmers was addressed by governmental policies. Like in most European countries, this agricultural policy led to heavy market distortions, accelerating budgetary costs, environmental problems and low competitiveness of the agricultural sector. In view of these problems, Switzerland began to reform its agricultural policy in the 1990s aiming to foster a market-orientated multifunctional agriculture. Farmers were forced to improve the competitiveness of their farming business. At the same time, there was also a change in consumer demand. An increasing number of consumers wanted to buy authentic, naturally produced and high quality food. These changes provided again a basis for the foundation of new collective farmers marketing initiatives to respond adequately on these new challenges.

2.2 Present situation and trends: General configuration of collective farmers' marketing

Nowadays, there are a wide range of different collective farmers' marketing initiatives. They are shortly described below:

- *Independent producer cooperatives*: One of the most numerous collective farmers' initiatives are the producer co-operatives. The main goals are processing and marketing products and thereby creating an added-value for their members. Very typical cooperatives are for example local cheese dairies, where mostly all farmers of one village are members.

- *Federations of producer cooperatives* consist of numerous individual cooperatives that joined together to expand their activities and benefit from economies of scales. Although these organisations are formally farmers' cooperatives, they are in fact conventional agro-industrial company. Individual cooperatives have lost their self-help character and became a local branch. Federations of co-operations provide greater opportunities than single cooperatives. Decreasing costs and more market power are the most frequent motives.

- *Producer milk pools* are associations of milk farmers that aim to improve the bargaining power of farmers by pooling the milk supply of several farmers (that are mostly located in one region). These pools sell milk on behalf of their member. The members commit themselves to market their milk exclusively through the milk pool that negotiates prices, quantities and supply conditions with the dairies. All other transactions are directly covered by members.

- *Farmer interest groups* are associations aiming to provide specific support and exchange for their members. The activities of these groups are very different and comprise collective marketing activities, quality development, breeding programmes, exchange of seeds and so on.

- *Regional marketing initiatives* are characterised by offering regional products. The initiatives are often vertically organised, including both farmers and small regional processors like bakeries, dairies and butchers. In some cases even the consumers are part of the initiative. The common legal form is an association. The distribution of the products varies between product sales at farmers markets, farm shops, bakeries, butchers and local shops. Marketed products include the whole range of farm products like fruits, vegetables and eggs but also all kind of processed products and even agrotourism, such as farm visits and farm holidays.

- *Consumer-producer co-operatives* have mainly been founded in urban areas to supply consumer with regionally produced and fresh products (mainly vegetables) and to create an added value for farmers.

- *Service-oriented associations* offer different kinds of services for farmers. Machinery rings are a very typical example for this type of initiative. The basic self-help principal is still the same like hundred years ago: members loan and borrow machineries, labour and technical support from each other.

- *Producer organisations* may also be added to this list, since they are also involved in marketing activities (e.g. sales promotion and advertisement) and offer market information as well as quality assessment and promotion for their members. According to the Swiss Farmers' Union, there are 22 crop producer organisations and 17 livestock producer organisations in Switzerland.

Table 1 Key figures about collective farmers' marketing initiatives in Switzerland

Type of initiatives	Marketed goods	Organisation form	Legal form	Estimated Number
Producer co-operatives	Milk, cereals, oil seeds, meat, eggs, vegetables, wine	Horizontal, vertical	Co-operative	4000 - 6000
Federations of cooperatives	Cereals, oil seeds, meat, feeding stuff, processed goods	Horizontal, vertical	Co-operative, public limited company	5
Producer pools	Milk, meat, vegetables, advisory, cheese	Horizontal, vertical	Public limited company, private limited company	40-60
Interest groups	Cheese, meat, cereals	Horizontal, vertical	Association	50-100
Regional marketing initiatives	Processed products like cheese, sausages, but also all kinds of farm products	Mainly vertical	Association	100-300
Producer associations	Milk, cereals, oil seeds, meat, eggs, vegetables, wine	Horizontal	Association	50-100
Service oriented Associations	Machinery, Farm stays, tourist activities	Horizontal	Association, private limited company	10-20
Consumer producer co-operatives	All kind of farms products	Vertical	Co-operative	5-10

The importance of collective farmers' marketing initiatives various greatly and depends highly on the commodity. They play a very dominant role in the milk sector. Almost 100% of the milk produced in Switzerland is market through co-operatives or producer pools. Furthermore, most of the cereal and oilseed production is sold through cooperatives (only the FENACO group market 80% of the oilseed and 50% of the cereal production). In contrast to this, collective farmers' marketing initiatives are less dominant in the meat, vegetable and fruit sector. These commodities are mostly directly traded between individual farmers and traders or processors.

2.3 Conclusions of the general importance of collective farmers' marketing initiatives

Collective farmers' marketing initiatives have great economic importance in the agricultural sector. This is particularly true for the milk sector which is the most important commodity in Switzerland. Many traditional co-operatives, who originally were founded as self-help movements but united later on to federations of cooperatives, have become a conventional agro-industrial company, where farmers have only little influence on the management. While the agricultural policy gave no incentives for farmers after the second world-war to develop an entrepreneurial attitude and to put effort in marketing activities, the policy change in the 1990s and provided a basis for new cooperative actions. These new collective initiatives, however, are to a lesser extent a self-help measure, but rather an business strategy to improve the competitiveness of farms.

3. Characterisation of the main forms of collective farmers' marketing in the country

3.1 Different forms of collective farmers' marketing that can be found

In order to adapt the national report to the Swiss situation, the existing types of collective farmers' marketing initiatives have been described in section 2.2. From the eight types the following five have been chosen as the main ones in Switzerland (based on the number of initiatives, the number of farmers involved, economic power or political relevance:

- Independent producer cooperatives
- United cooperatives / Federations of producer cooperatives
- Producer pools
- Producer interest groups
- Regional marketing initiatives

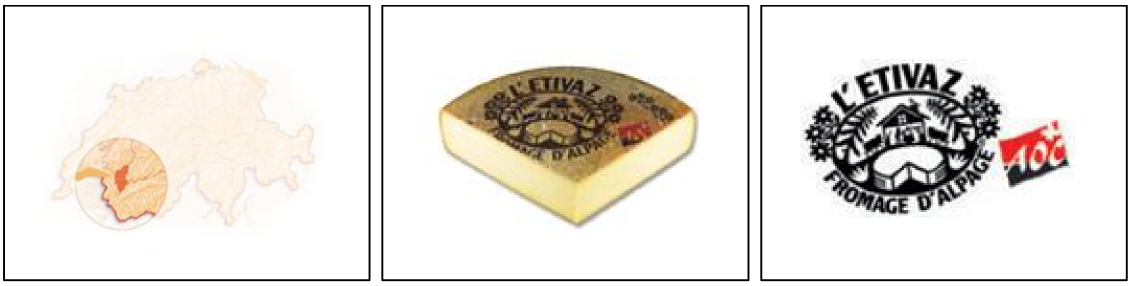
In the following, case examples are given for each type describing the organisational form, main actors involved, relationships between farmers and other actors of the supply chain, products and main markets as well as the life cycle of the initiative.

3.2 Individual characterisation of each 'main' form Cooperatives

3.2.1 Independent producer cooperatives: Co-operative l'Etivaz

The cooperative "Coopérative des producteurs de fromages d'alpages l'Etivaz" was founded by farmers of the village Etivaz in 1932. The aim of the foundation was to construct a cheese cellar and to process milk from the area to mountain cheese. The capacity of the cellar was extended in 1974 and 1984. Today, it is possible to store and refine approximately 14000 loaves of cheese. In 2002, the cooperative consisted of 66 members, which are all active farmers from the counties Château-d'Oex, Rougemont, Rossinière, Ollon, Villeneuve, Ormont-Dessus, Ormont- Dessous, Corbeyrier, Leysin and Bex. The management board of the cooperative consist of seven producers. The board is assisted by two commissions: one is responsible to deal with all aspects related to the quality of the product. The other one is responsible for promotion activities.

Figure 1 L'Etivaz fromage d'alpage



Source: L'Etivaz

The producer cooperative follows a strict quality strategy. The production of cheese takes place only during summer time. The cheese is created by traditional craft technique. Since 2000, the Etivaz cheese is registered as a PDO. In total, only three different types of cheeses are produced – all of them are market as an authentic PDO speciality.

The annual turnover is about 6 million Swiss Francs. The cheese is sold in the whole country and also exported to other European countries and the USA via traders and retailers.

Webpage: www.etivaz.ch

3.2.2 United cooperatives / Federations of cooperatives: FENACO group

The FENACO group was founded by six agricultural federations of cooperatives in 1993 to establish a supra federation of cooperatives in Switzerland. In total, it comprises of 385 individual cooperatives with 50983 members. About 80 percent of all Swiss farmers are members and owners (FENACO, 2006). The prime aim of the foundation was to integrate various supply-chain activities into one company and thereby to improve the competitiveness in view of the ongoing liberalisation and deregulation of agricultural markets. Today, the FENACO group consist of mills, manufacturers of compound animal feeding stuffs, companies for cattle trade and sales of fuels. Furthermore, the company group is also the owner of the VOLG retail chain that has already been described in section 2.2.

Figure 2 Affiliated companies and federations of agricultural cooperatives as well as brands of the FENACO group

Source: FENACO

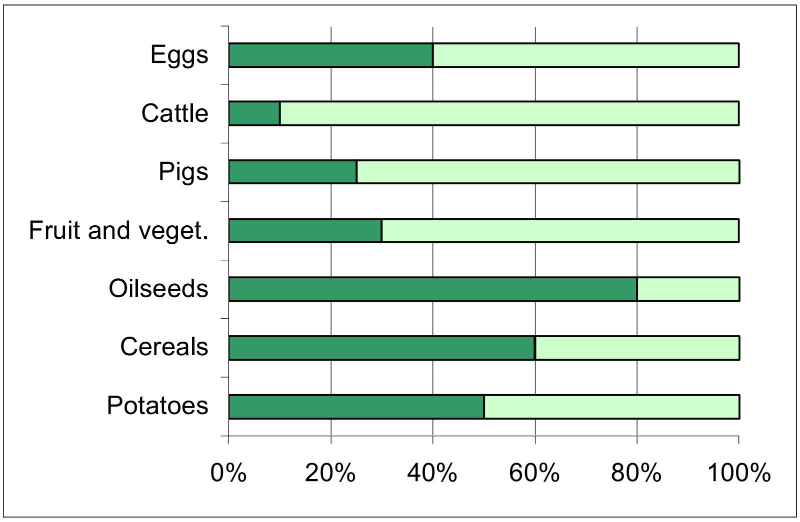
The FENACO group is based in four different locations: Puidoux (canton Waadt), Berne (canton Berne), Sursee (canton Luzern) and Wintherthur (canton Zurich). Their most important activities are:

- Supply of agricultural means of production

- Storage, processing and marketing of agricultural products
- Trade with cereals, oilseeds and other products
- Retail of food products and means of agricultural production via Landi and VOLG

The figure below indicates the market share of the FENACO group for various commodities. In the year 2005 a turnover of 4.38 billion Swiss Francs was achieved. Legally, FENACO has the status of a cooperative although most of their subsidiaries are public limited companies. Including all their activities and having 80% of the Swiss farmers as members the whole company group has achieved a considerable economic weight in the agricultural sector.

Figure 3 Proportion of marketed commodities by FENACO in total production



Source: FENACO

Webpage: www.fenaco.ch

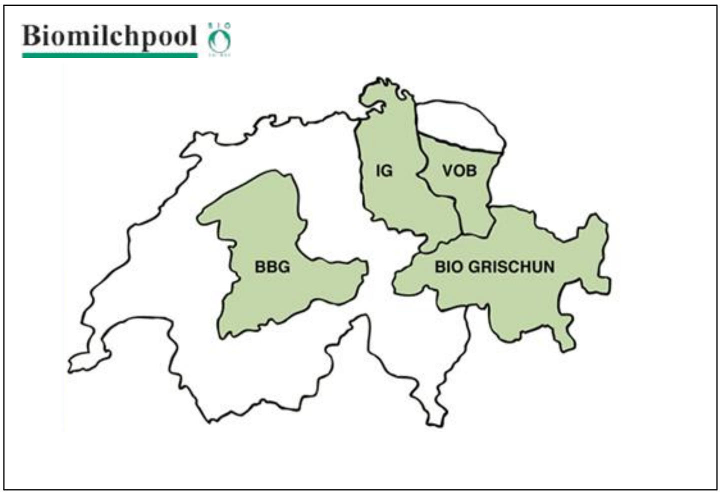
3.2.3 Producer pools: Organic Milk Pool

The Organic Milk Pool was founded by four regional organic milk associations (Bio Grischun, Bio Ring Appenzellerland, IG Biomilch, Verein Ostschweizer Biobauern) that are located mainly in East Switzerland in the year 2000. Shortly after its foundation, the Bernese organic milk association also joined the Organic Milk Pool. The legal form is a private limited company. Each of the involved associations is a legal partner of the company. Approximately 1000 farmers market their milk through the pool. All of them are member of the participating milk associations. Thus the pool is only run by farmers.

The aim of the foundation of the Organic Milk Pool was to regain control over the supply chain by pooling as much organic milk as possible and to use this power to achieve higher prices. In contrast to other pools, the Organic Milk Pool buys the milk from farmers and sells it again the processors. This means that it has taken over the classical role of a trader.

The Organic Milk Pool has a managing director who is responsible for marketing and sales activities. Furthermore, a branch manager is responsible for purchases, logistics and quality management. On average, 70 millions kg of milk is sold annually which corresponds to a market share of approximately 45 percent (related to organic milk only). The most important customers are the dairies Emmi AG, AZM and Cremo. In total, the milk pool sells the milk to approximately thirty customers.

Figure 4 Members of the Biomilchpool[1]



Source: Biomilchpool

Due to over-production of organic milk in recent years in Switzerland, the competition in the organic milk market has become more intense. Despite these difficulties, the Organic Milk Pool was able to increase its sales by offering different types of milk such as organic industrial milk, silage-free produced organic milk for cheese production, regional organic milk and organic milk from mountain areas. In order to increase the volume of exports, the Organic Milk Pool also offers milk that complies with the private standards of the British Soil Association Standards as well as the organic production standards of the USA.

Webpage: www.biomilchpool.ch

3.2.4 Interest groups: Bioring Emmentaler

The "Bioring Emmentaler" was founded as an association by local cheese dairies and milk producers in the region Emmental in 1995 (Schmid et al., 2003). The foundation was initiated by the retailer Coop, who wanted to launch an organic Emmentaler cheese and was looking for an adequate business partner. Main activities of the interest group are promotion of organic Emmentaler cheese, exchange of information and representation of the interests of their members.

In 2003, Bioring Emmentaler consisted of 130 farmers and five local cheese dairies. Each dairy produce 45 to 140 tonnes of organic cheese per year. Main customer is the EMMI AG, who operates as a wholesaler and sells the Emmentaler cheese to Coop and other retailers. Since the interest group is not direct involved in production, processing or sales, their annual turnover is relatively low. The market value of the annual production of the Bio Emmentaler cheese is about 4.5 million Swiss Francs.

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[1] VOB = Bio Ring Appenzellerland and Verein Ostschweizer Biobauern, IG = IG Biomilch, BBG = Berner Biomilch Genossenschaft

Figure 5 Sales promotion of Bioring Emmentaler

Source: FiBL, SBI, MBB

The activities of the group are coordinated by a board of nine members, consisting of 5 producers, 3 processors and a managing director. Head of board is a producer. The influence on the interest group on sales is very low. The packaging and communication measures at the point of sales remain in the hand of the retailers.

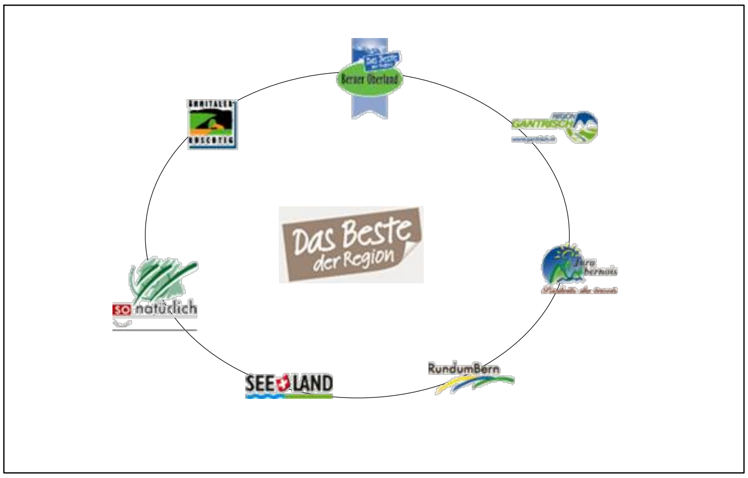
3.2.5 Regional marketing initiatives: Das Beste der Region

The regional marketing initiative „Das Beste der Region“ was founded in 2000 as an umbrella association from seven regional marketing organisations and the branches of the farmers’ union in the cantons Berne, Aargau and Solothurn. The legal form is an association. Each founding member is represented in the board of the association. About 1200 contractual partners plus approximately 200 consumers are members of the seven initiatives. The foundation of the initiative was initiated by the Federal Office for Agriculture who supported each single marketing initiative. The aim of the foundation was to create synergies and to use the public marketing and promotion support more efficiently.

Products sold with the label “Das Beste der Region” comply with certain quality standards. The product range includes all kinds of dairy produces but also jams, wine, bakery and meat produces. In 2005, the annual turnover was 42 millions Swiss Francs. Almost 50 percent of the turnover can be attributed to the sale of alpine cheese. All products have to be certified according to the standards of the initiative. The initiative works in close collaboration with a certification body to control and certify their producers and processors.

Products are sold mainly in local shops, farm shops and the gastronomy. Further, the initiative works together with the retailer Migros. The Migros accepts the standards of the initiative as comparable to the standards of their regional brand “Aus der Region für die Region”. Therefore all certified products with the label ”Das Beste der Region” can be sold at Migros with the label of their regional brand. The annual turnover of products sold at Migros was 60 millions Swiss Francs in 2005.

Figure 6 Regional marketing initiatives that are behind „Das Beste der Region“



Source: Das Beste aus der Region

Webpage: www.regionalprodukte.ch/html/das-beste.html

3.2.6 Regional marketing initiatives: Uster plus

Uster plus is an example for a local marketing initiative with the aim to support the production, processing and marketing of local products. Uster is a middle-seized town close to Zurich with approximately 30.000 habitants. The overall aim of the initiative is to improve the connection between producers and consumers in the region.

The initiative is vertically organised including producers, processors and traders as well as consumers. The legal form is an association. Besides this the managing committee there are two other committee that are involved in marketing activities and aspects that are related to the quality of life in Uster. The initiative has its own standards to make sure that all products are produced and processed locally and contribute to the added value in the region. Products are labeled with the label “Uster plus”. Besides food products, the initiative coordinates also off-farm services such as catering and drives with horse coaches.

Webpage: www.usterplus.ch

3.3 Conclusions on the identified different main forms

Five case examples have been described in this section that represents the main forms of collective farmers marketing initiative in Switzerland. The main characteristics of each initiative are summarized in Table 2. From the Swiss perspective, the following key criteria seem to be appropriate for a classification of collective actions of farmers: actors involved in the initiative (are non-farmers also members/shareholders/partners), degree of involvement/collectivity, relationship to other supply chain actors, aims and activities of the initiatives.

Table 2 Characteristics of the main forms of collective farmers' initiative in Switzerland

Type of initiative	Legal forms	Actors involved	Degree of involvement	Main activities / aims
Independent producer cooperative	cooperative	only farmers	high/medium	pooling, processing, marketing, added value
Producer Cooperative / Federation of producer cooperatives	cooperative	farmers and other share holders	medium/low	pooling, processing, marketing, economies of sclaes
Producer pool	public / private limited company	only farmers	low	pooling, gaining bargaining power
Regional marketing initiative	associations or public / private company	farmers, processors and other regional stakeholders	medium/low	processing, marketing, combined activities with other regional stakeholders, regional synergies
Interest group	associations	farmers and other share holders	low	marketing, exchange, coordination, lobbying, facilition

The most traditional forms of collective initiatives are producer cooperatives. A general distinction was made between independent cooperatives and those that united to federations of cooperatives. The first type is still mainly run by farmers whereas the second type has become a "conventional" agro-industrial company. In contrast to independent cooperatives, federations of cooperatives have commonly integrated other supply chain actors into the company. Furthermore, both types differ in their general strategic orientation: broadly speaking, a federation of cooperatives aims to improve its profitability through economies of scales, whereas an independent cooperative rather aims to increase the added-value of the products. Although no exact data are available, it is assumed that most producer cooperatives are part of a federation of cooperatives.

Producer pools and producer interest groups are both characterised by their low capital intensity. Both types can be seen as a classical self-help measure of farmers, aiming to support their members either through creating market power (pools) or collective promotion activities and exchange of information or goods (interest groups).

Regional marketing initiatives are presented as another form of collective farmers' initiative. In many cases, these initiatives were not only founded by farmers but also by processors and other regional stakeholders. This form has emerged during the last decade and can be seen as a response to changes in consumer demands and in the policy and economic environment (liberalisation of agricultural markets, increased competition, rural development as a policy issue).

3.4 How important are the following broad forms of collective farmers' marketing in the country?

In view of the lack of exact data, an expert assessment has been carried out in order to specify the importance of the different main forms in terms of number of initiatives, number of farmers involved and average turnover (see Table 3).

Table 3 Importance of the main forms of collective farmers marketing initiatives

Type of initiative	Number of initiatives			Number of farmers			Average turnover *		
	>1000	50-1000	<50	>1000	50-1000	<50	>2	0.1-2	<0.1
Traditional co-operatives	X			X	X	X	X	X	x
COFAMIs focusing on product quality differentiation		X			X	X		X	X
Territorially embedded COFAMIs		X			X	X	X	X	X
COFAMIs with a producer-consumer network as main focus			X			X			X
COFAMIs focusing on non-food products			X		X	X			X
COFAMIs focusing on services or public goods			-			-			-

* in million Swiss Francs

Source: expert assessment

Further comments:

- *Traditional co-operatives*: Widespread in Switzerland. Particular common in the milk sector.
- *COFAMIs focusing on product quality differentiation*: Mainly organic marketing cooperatives. See results of the OMIaRD project for further information.
- *Territorially embedded COFAMIs*: Widespread in Switzerland. Particularly, initiatives from mountain regions use their regional identity for promotional purposes. Since 2000, products can also be registered as PGO/PGI. Currently, there are fourteen products registered as PGO and six as PGI.
- *COFAMIs with a producer-consumer network as main focus*: Less relevant in Switzerland. A limited number of initiatives can be found close to urban areas (Basel, Berne, Zurich, Geneva, and Lausanne).
- *COFAMIs focusing on non-food products*: Less relevant in Switzerland. Typical examples are machinery rings, associations organising “sleeping on straw” or “bed and breakfast”.
- *COFAMIs focusing on services or public goods*: No initiatives are known.

4. Contextual factors that affect the emergence and performance of COFAMIs

4.1 Description of the different contextual factors

4.1.1 Political and institutional factors

Since more than fifteen years, Swiss agricultural policy is subject to a continuous reform process aiming to foster a market-orientated multifunctional agriculture. The undertaken policy reform comprise a stepwise decoupling of price support from income support, part opening of the agricultural markets, abolishment of the milk quota regime as well as the introduction of cross-compliance measures. The economic improvements, however, have turned out to be limited in terms of market-orientation and competitiveness. Although producer prices decreased, on average, by 20 to 30 percent, they are still on average twice as high as in the European Union, and on average three times as high as on the world market. Furthermore, Switzerland still has the highest government support among OECD countries. Market price support and output payments accounted for 68% of the total producer support estimate in 2004 which is more than twice the OECD average (OECD, 2006). Apart from certain processed agricultural products, most primary products are still highly protected by means of out-of-quota tariffs and very low tariff quota volumes. The WTO critically concluded in their recent report on the Swiss agricultural trade policy that the objectives of the market-oriented reforms have not been met (WTO, 2004).

In light of the low competitiveness of Swiss agriculture, there is an ongoing public debate on a further liberalisation of food markets and deregulation of agricultural policies (Wasescha, 2002). More specifically, three different partial revisions of the Swiss legislation on agriculture are currently discussed that all aim to improve the competitiveness of the agri-food industry.

〉 A new agricultural policy package “AP2011” has been launched in 2005. The prime aim of the reform is to increase competition in the domestic market by further de-linking of subsidies from production (mainly related to milk, root crops, oilseeds) and improved possibilities for product differentiation.

〉 Since 2001, the WTO Doha-Round seeks to find a way to reduce substantially existing trade distorting measures among member states. The existing draft on modalities envisage an abolishment of export subsidies, reduction of domestic price support in the range of 50% and reduction of tariffs in the range of 30% (WTO, 2005).

〉 At the beginning of 2006, the Federal Office for Agriculture (FOAG) launched the proposal of an agricultural free trade between Switzerland and the European Community. This would mean that Swiss producer prices will approximate to the EU-price level mainly due to a sharp increase of food imports from the EU. On the other hand, it is expected that the Swiss agri-food industry is able to increase the exports of high-quality products and Swiss specialities.

It is expected that these changes will significantly increase the economic pressure on farmers, which are forced to find a suitable strategy to increase their competitiveness.

Due to the geographical situation and the small size of most farms, there are only limited possibilities to intensify the production. It is assumed that most farmers will rather extensify their production, in order to reduce production costs. Moreover, horizontal and vertical forms of co-operation and diversification of the production are two other strategies that currently gain importance for farmers. General speaking, collective actions become more popular again due to changes in the policy environment. However, this approach is only one strategy among many.

Health and hygiene regulations in Switzerland were adapted to comply with EU standards in the last year. But while the EU standards apply mainly to large companies, smaller ones can operate under special conditions. This can be seen as beneficial for the development of COFAMIs including all kinds of different small scale food processors.

The influence of stakeholders from the processing sector on the development of COFAMIS in Switzerland is relatively strong compared to many other Euroepean countries (Cappusai, 2006). Butchers, bakeries and dairies do not have any interest that farmers start to compete in their own business by baking bread or processing sausages. These stakeholder groups use their influence to prevent more government support for COFAMIs.

Financial public support for the foundation and development of COFAMIs is limited. There are mainly two programmes that offer funds for specific collective actions:

- Similar to the EU LEADER programme, the State Secretariat for Economic Affairs (SECO) has launched a rural development programme called “Impulsprogramm zur Unterstützung des Strukturwandels im ländlichen Raum” (Regio Plus). The programme provides funds for initiatives that support structural changes in rural areas as well as for sales of regionally produced food. In total, 69 million Swiss Francs are available for the new application period of the programme that will start in 2008. The focus will be on projects that facilitate added value in a region and the creation of new jobs in rural areas.
- In 1997 the Federal Office for Agriculture started to promote regional marketing projects. Financial support has been given to initiatives that market products with a strong regional character. Furthermore, it was a requirement of the programme that - among others - farmers were actively involved. For four years expenses were financed to 50% by the FOAG, while the remaining 50% had to be financed by the project members themselves. After the first four years, the FOAG continued support for a further four years but only at 25% of the project costs. About twenty regional marketing initiatives were supported in the last years. In order to have more synergies between single initiatives and to use the financial resources more efficiently, the FOAG now supports initiatives only if they are participating in an umbrella association of regional marketing projects.

4.1.2 Economic and market factors

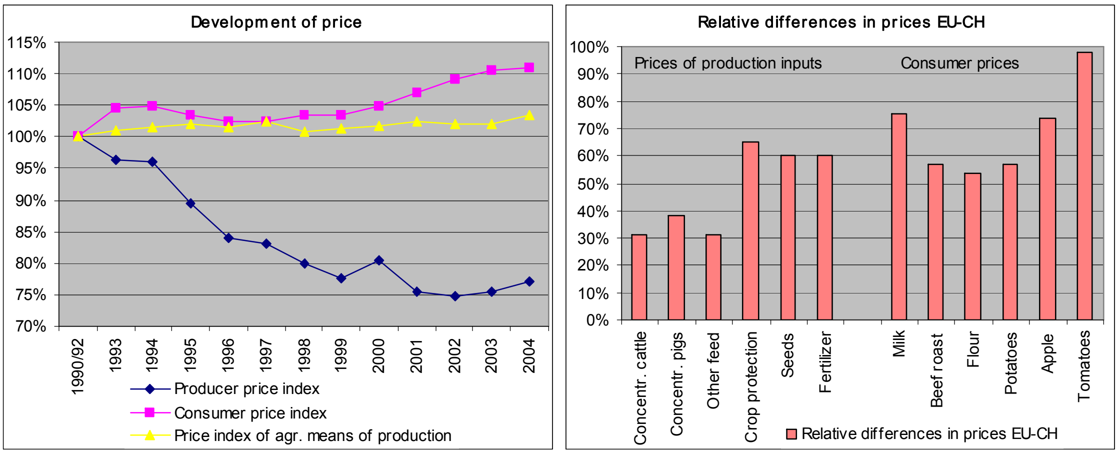
Producer prices decreased over the last years due to the abolishment of price and sales warranties (see Figure 7 and Figure 8). Particularly, prices for eggs and cereals have dropped by almost fifty percent, while other products have not significantly changed (e.g. fruit and vegetables). Although, producer prices decreased on average by twenty-five percent, they are still almost double as high as in the EU. A comparison of the changes in prices differences between Switzerland and the EU shows (right part of Figure 7) that only a modest approximation has taken place since 1990/92.

In contrast to producer prices, consumer prices for food increases in Switzerland. A considerable increase was observable particularly since 1999. On average, consumer prices are 30-40 percent lower in the EU than in Switzerland. Similar observations can be made for prices of agricultural means of production. In general, prices for variable inputs related to livestock production are 60-70 percent cheaper in the EU. Variable inputs of crop production are 30-40% lower.

Figure 7 Development of producer prices and price differences between CH and EU

Source: FOAG

Figure 8 Development of prices and relative differences in prices between CH and EU



Source: SBV, SFSO

Although the economic environment has considerable changed during the last decade, the agricultural income of farmers developed relatively stable. In Table 4, the most recent book-keeping data from the FADN (Farm Accountancy Data Network) are presented. Accordingly, working incomes per family work unit range on average from 22’000 to 45’000 Swiss Francs. The stable development of incomes is mainly due to increasing direct payments. As shown in Table 4, the share of direct payments in agricultural income amounts 61% to 136%. This means that considerable governmental funds are used to reduce the economic pressure on farm businesses that are caused by the liberalisation in the last years.

Table 4 Average income figures from Swiss farms in 2004

	Unit	Organic			Non-organic		
		Valley	Hill	Mountain	Valley	Hill	Mountain
Agri. income	CHF	67'488	53'807	51'348	66'748	50'550	39'680
Working Income	CHF/FWU	45'549	36'339	29'595	44'246	32'002	22'970
Gross output	CHF	232'589	173'946	160'402	251'753	190'318	139'785
Direct payments (DP)	CHF	47'570	50'415	65'527	40'919	45'042	54'334
Direct payments (DP)	CHF/ha	2'635	2'960	3'190	1'998	2'418	3'034
Share of DP in agri. income	%	70%	94%	127%	61%	89%	136%

Source: FADN

Food sales in Switzerland are dominated by the two big retailers Coop and Migros. Together they sell more than 2/3 of all fresh agricultural products. Both retailers have own processing companies, mainly in the dairy and meat sector but also cooperate with smaller processors. For example, they both launched a regional food brand with produces coming from small processors or regional marketing initiatives. Besides these two big retailers, a few other retail chains exist with different marketing strategies. These range from discounters like Denner and Aldi, to the VOLG shops which are mainly located in rural areas. Coop, Migros and VOLG have launched own labels that are related to animal welfare, organic farming, regional provenance or use existing labels from producer or trading associations (Bio Suisse, IP Switzerland, Max Havelaar, PGO/PDI).

As far as consumer trends are concerned, two opposed trends were able to observe in the last years. On the one hand, consumers are attract by high quality products (organic food, PDO/PGI, fair trade products) and are willing to pay higher prices for extra quality. On the other hand, Coop and Migros introduced successfully a discount brand where consumers are attracted by very low prices.

4.1.3 Technical and knowledge factors

Many COFAMIs which sell products directly to end consumers have built up websites with information about the initiative as well as their products and producers. The use of mobile abattoirs does not to seem to be very common, mainly because of the high hygiene standards required. However, mobile dairies and distilleries are being used.

Extension is offered by various advisory services that are run by cantons and private offices (such as the Research Institute of Organic Farming). In addition, the national advisory services for agriculture and rural areas (AGRIDEA) offers advice from two locations – one in the German speaking and another in the French speaking part of Switzerland. In the last years the advice was focused on production, issues related to multifunctional agriculture and optimisation of individual farm enterprises. Marketing aspects for farmers is just beginning to play a greater role. Producer associations, such as the Swiss Farmers' Union, play only a minor role in supporting marketing activities of farms and put not much effort in supporting collective actions.

Table 5 Overview of agricultural advisory services and research in Switzerland

Institution	Type of activity	Activity
Agricultural education and advisory centres (LBBZ)	Extension Education	Farm advisory for economic, animal and plant related topics/ Courses for further
National advisory services for developing agriculture and rural areas (Agridea)	Extension Further education	Further education and advisory services to all relevant topics in the field of agriculture and rural development
Research institute for organic farming (FiBL)	Extension Education Further education Research	Farm advisory for economic, animal and plant related topics / Research in all fields
Research centres of the FOAG (Agroscopes)	Research	Research in all fields related to agriculture and food production
Swiss Polytechnic for Agriculture (SHL)	Research	Research in all fields related to agriculture and food production (applied science)
Swiss Federal Institute of Technology Zurich (ETH)	Research	Research in all fields related to agriculture and food production

Research institutes do research in all fields related to agriculture and food production but entrepreneurship in agriculture has been addressed only to a minor extent in the last years. In 2002, the national advisory service AGRIDEA and the agricultural economic department of the ETH started the project "inoVagri", which aims to show innovative business and marketing strategies including cooperative actions. More specifically, “inoVagri” has the following objectives:

- Encouraging the innovative abilities and willingness of Swiss farmers
- Developing techniques for a successful realisation of innovations at farm and interplant level
- Strengthening the cooperation between research, advisory services and farmers;
- Developing a positive climate for innovation from the political and advisory side.

For further information about this project, see the project webpage (www.inovagri.ch).

4.1.4 Social and cultural factors

Unlike other European states, Switzerland consists of a unique mixture of different geographic areas, languages and traditions. Switzerland developed slowly over many centuries, as more and more regions came together to form a loose confederation whose members gave each other mutual support to protect their freedoms against encroachments. It was only in 1848 that Switzerland became a more centralised federal state. The general attitude is summed up in the formula "unity, but not uniformity."

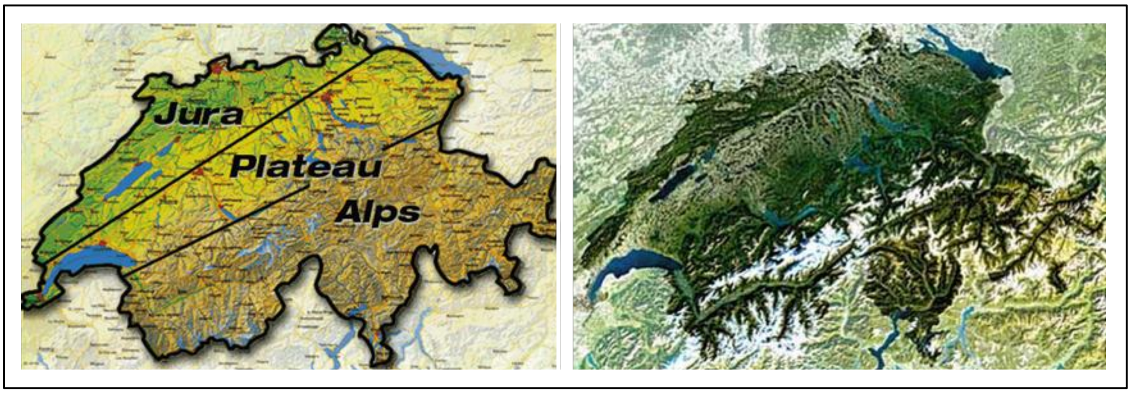
Although the territorial identity is generally very strong in Switzerland, it has not played a major role in rural development in the last years. One reason for this may be the fact that the territorial identity is often related to the local area, which is difficult to take into consideration even with a multi-level governance approach. Until today rural development policies were rather a composition of different, not always congruent policy instruments (investment support for agriculture in mountain region, assistance for economic development areas, Regio plus and Interreg programme). A new rural development approach has been implemented in the last years. The new policy is more focussed on soft factors and aims to strengthen regional skills and knowledge networks, which is more promising to integrate territorial identities (Federal Council, 2005).

Culinary traditions and characteristics are mainly determined by various kinds of dairy products – particularly mountain cheese and fondue. Baking is also a traditional Swiss occupation with a wide range of different regional bread varieties. Furthermore, apple cider, wines, and various meat dishes including sausages and pies are typical for the Swiss cuisine. Particularly in the mountain region, culinary traditions contribute to the territorial identity.

4.1.5 Geographical / location factors

Switzerland has an area of 41,285 square kilometres. The country has a high population density, with 237 people per square km of the productive area. In the agglomerations, which cover about 20% of the total surface area, the density is 590 per square km. The geography of Switzerland is characterised by its great diversity in terms of climatic conditions, landscape features and economic areas.

Figure 9 Overview about the geography of Switzerland



Source: swissworld.org

Geographically, the country can be broadly divided into three different regions: the Plateau, the Jura and the Alps.

〉 *The Plateau* stretches from Lake Geneva in the south west to Lake Constance in the north east, with an average altitude of 580 m. It covers about 30 percent of the surface area, but two third of the population is located in this area. Few regions in Europe are more densely populated. Most of Switzerland's industry and farmland is concentrated in the Plateau. The landscape continually shows signs of man's presence. Villages are very close located to each other. The (agricultural) land is used intensively. Due to the dense population and economic concentration in this area more and more agricultural land is being lost.

〉 *The Jura* is a limestone range stretching from Lake Geneva to the Rhine and makes up about 12 per cent of Switzerland's surface area. Located on average 700 meters above sea level, it is a picturesque highland crossed by river valleys.

- *The Alps* span some 200 kilometres, at an average altitude of 1700 m, and cover nearly two thirds of Switzerland's total surface area. They provide a continental watershed, determining the climate and vegetation. But while they contribute enormously to the Swiss identity, economic activity is concentrated in the Plateau. Agriculture is mainly grassland based. Most farms either produce extensively beef or milk.

Figure10 Typical landscapes in the Plateau, Jura and Alps

Source: swissworld.org

The World Heritage List of the UNESCO includes the following six properties in Switzerland forming part of the cultural and natural heritage with an outstanding universal value.

- Benedictine Convent of St John at Müstair (1983)
- Convent of St Gall (1983)
- Old City of Berne (1983)
- Three Castles, Defensive Wall and Ramparts of the Market-Town of Bellinzone (2000)
- Jungfrau-Aletsch-Bietschhorn (2001)
- Monte San Giorgio (2003)

4.2 Reflections on the context factors

Since more than fifteen years, Swiss agricultural policy is subject to a continuous reform process aiming to foster a market-orientated multifunctional agriculture. In light of the low competitiveness of Swiss agriculture, the currently discussed revisions of the Swiss legislation on agriculture (AP 2011, WTO Doha-Round, Free trade with the EC) will increase the economic pressure on farmers. More cooperation between farmers seems to be a suitable strategy to reduce production costs or to achieve jointly a higher added value. However, collective actions are only one strategy among many.

Collective farmers' marketing initiatives is particularly a suitable approach for alpine regions. These remote areas are characterised by their natural and cultural heritage. The landscape and tradition provides a strong territorial identity which can ideally be used (and is already used) for promotional activities. Although Swiss consumers become more and more price sensitive, consumer studies suggest that a large number of Swiss consumers is willing to pay higher prices for authentic high quality food (see for example Zanoli, 2004). In order to increase the production of high quality food (organic products, PDG/PGI, etc.), it would be necessary that Swiss agriculture increase their exports.

Unlike in most European countries, more than 60% of the income of farmers still comes from governmental support. While it can be expected that the income support is further decoupled from price support, there are no indication that the overall support level will decrease in the next years. This means that if the production of food becomes economically less important than the provision of public goods and services, the necessity for collective action will reduce, assuming that the payment policy will not change and most of the direct payments will further be paid on a per hectare basis.

5. Summary and further work

5.1 Summary of the main points of the country report

- In general, data and scientific information on farmers' cooperatives are very rare in Switzerland. There is no official statistic that collects the number and types of existing co-operatives in Switzerland. In view of the little information interviews with experts and an internet search has additionally been conducted.

- Collective actions of farmers have a long tradition in Switzerland. The earliest forms of collective actions in agricultural can be traced back to the management of common land and forest areas in early Germanic times. Like in most other European countries, the cooperative movement emerged in the second half of the 19th century in Switzerland and experienced a rapid diffusion. Due to the protectionistic agricultural policy and guaranteed prices and incomes after the Second World War, only few farmers put much effort in building up / developing further self-help structures. The recent policy changes provide a new basis for cooperative actions. However, new collective initiatives are to a lesser extent a self-help measure, but rather an business strategy to improve the competitiveness of individual farms.

- Nowadays, there are a wide range of different collective farmers' marketing initiatives. The importance of these initiatives various greatly and depends highly on the commodity. They play for example a very dominant role in the milk, cereal and oilseed sector. In contrast to this, collective farmers' marketing initiatives are less dominant in the meat, vegetable and fruit sector. In total, five different forms have been identified as the main ones in Switzerland. These are: independent producer cooperatives, united cooperatives / federations of producer cooperatives, producer pools, producer interest groups, regional marketing initiatives. Each form was described by a case example. From the Swiss perspective, the following key criteria seem to be appropriate for a classification of collective actions of farmers: actors involved in the initiative (are non-farmers also members/shareholders/partners), degree of involvement/collectivity, relationship to other supply chain actors, aims and activities of the initiatives.

- Collective initiatives are particularly a suitable approach for the Swiss mountain area, which are characterised by their natural and cultural heritage. Since consumers are willing to pay higher prices for authentic quality food, such products produced by COFAMIs may successfully compete on the market against cheap products from agro-industrial companies. However, in order to increase the production of high quality food (organic products, PDG/PGI, etc.) in Switzerland, it would be necessary that more agricultural products are exported.

  Currently, there are two programmes which offer funds for specific collective actions. The future direct payment policy, however, could have a strong impact on the attractiveness of collective actions of farmers. If the production of food becomes economically less important than the provision of public goods and services, the necessity for collective action will rather be reduced.

5.2 Propositions for several key research questions / hypothesis for further research

- "*Each farmer is member of at least three co-operatives.*" Despite of various first-hand experiences with cooperatives, why are farmers only little attracted to participate / initiiate collective action?
- "*Farmers only join a cooperative / collective actions if they are forced to change something and when they have no other possibilities*". Taking this statement into account, would it be possible to identify the moment when farmers consider a COFAMI as a possibility for their business?
- To what extent is the economic attractiveness of COFAMIs reduced by the high direct payments?
- Which legal form is most suitable for which type of collective action?
- To what extent depends a successful development of COFAMIs on the legal form?

6. Data basis

Interviews with experts

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