



# **Dairy in Switzerland after milk quotas ending**

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# Agenda for the next 35'

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- ◆ Switzerland's Dairy Market
- ◆ Agricultural Policy Agenda
- ◆ Abolishment of Milk Quota
- ◆ The time after the Milk Quota
- ◆ Conclusions
  
- ◆ Discussion?



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# Switzerland's Dairy Market

# Switzerland's Dairy Market 2010 (SMP)



**595,000 Dairy cows**  
**26,000 Milk producers**

**Production:**  
**4.10 mill. t of milk**

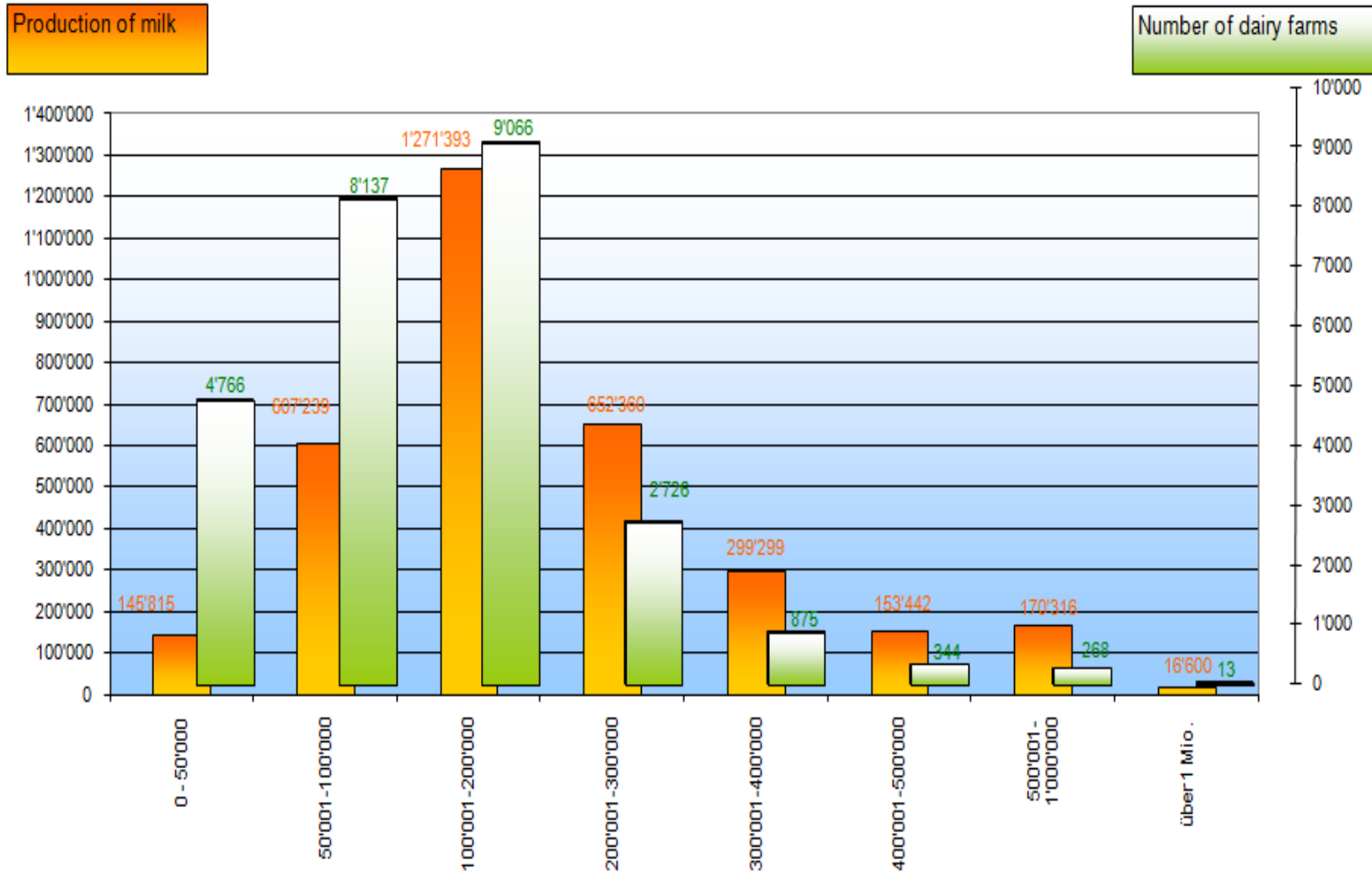
**Processing:**  
**3.43 mill. t of milk**

Feeding milk: 0.60 mill. t

Household milk: 0.07 mill. t

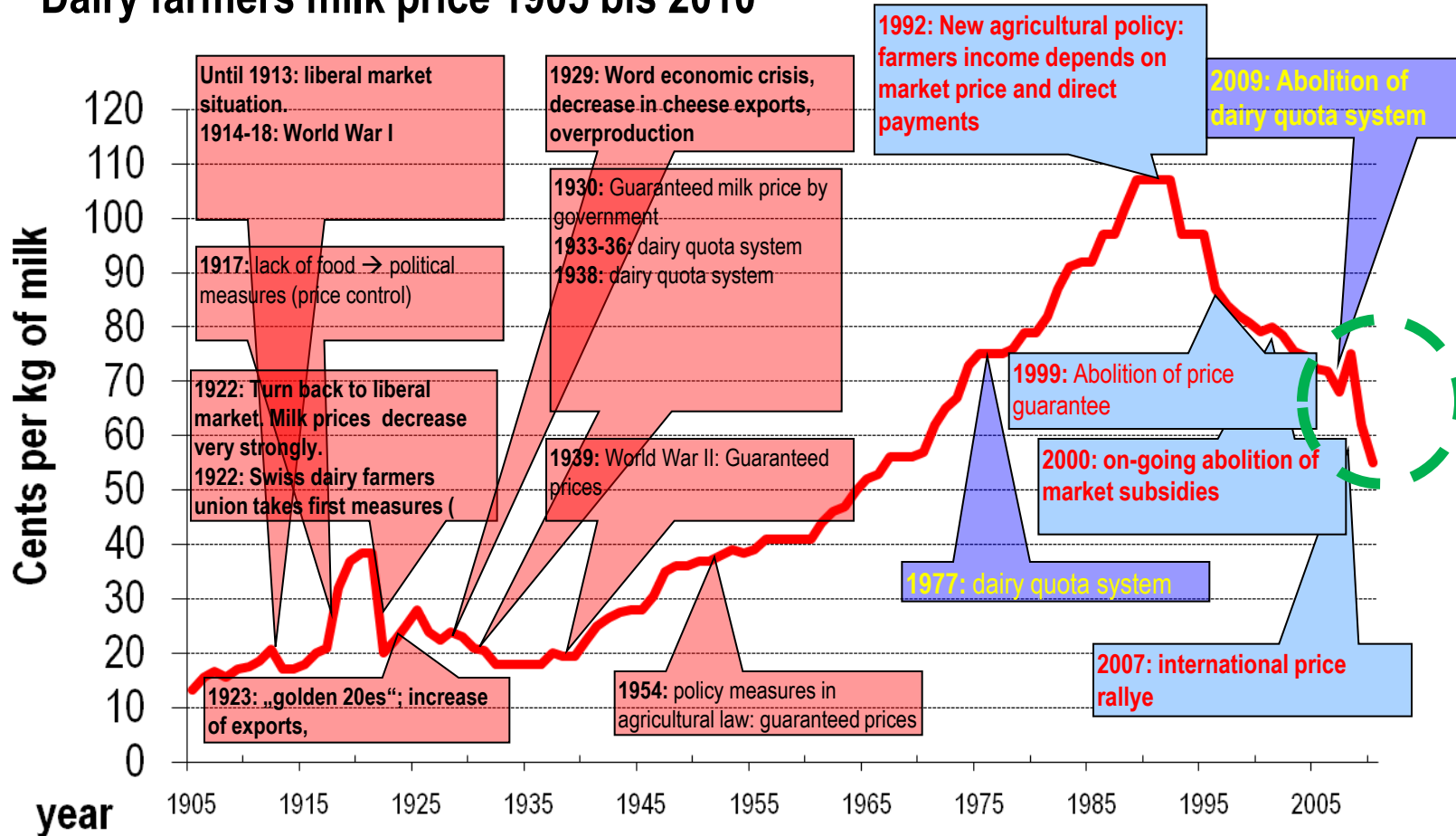


# Size of dairy farms in Switzerland 2010 (SMP)

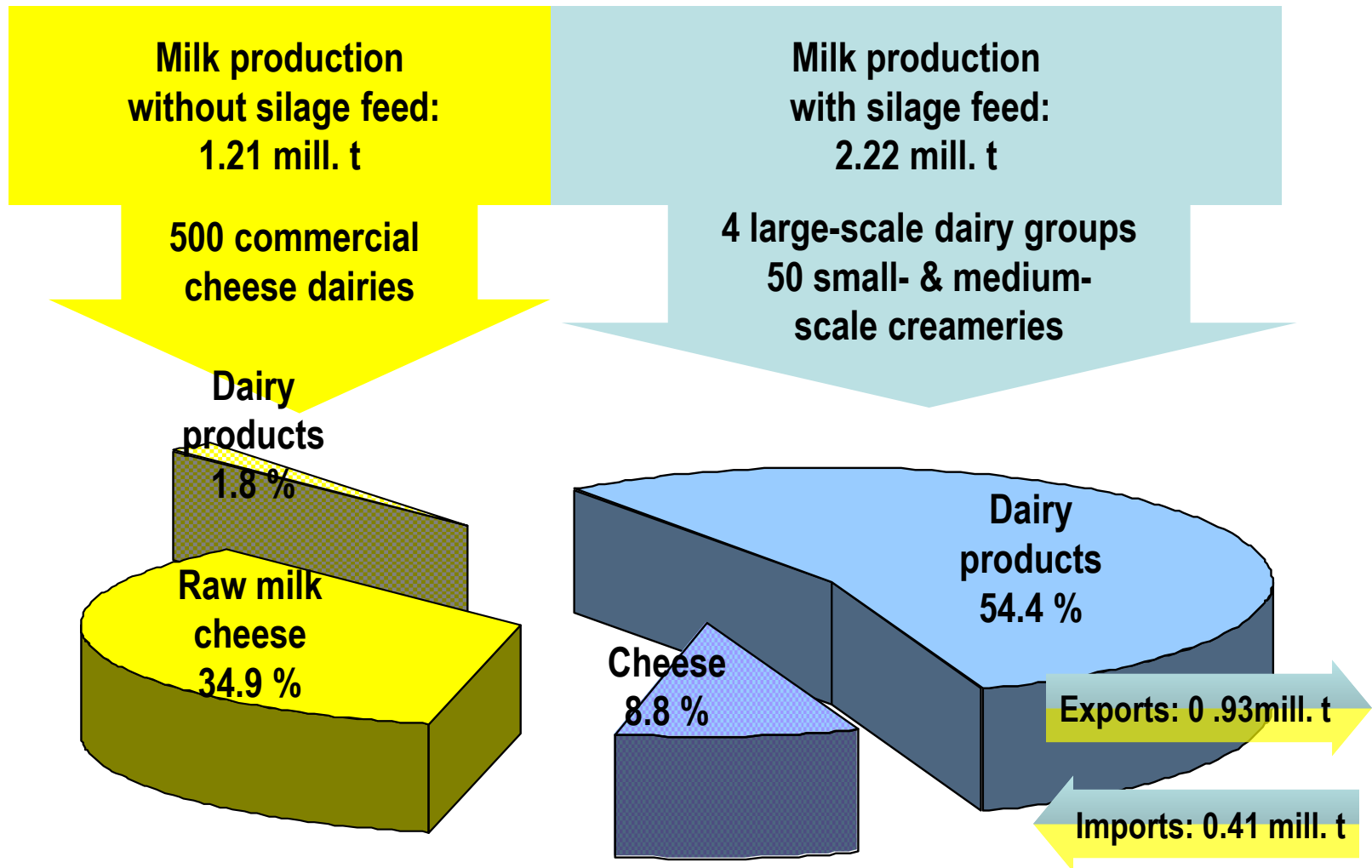


# Farmers milk price: Review (SMP)













## Dairy farmers milk price 1905 bis 2010



# Switzerland's Dairy Market 2010: Two market systems (SMP)





















# Switzerland's Dairy Market 2010 (SMP)

Cheese dairy milk	Processed quantity of milk 2009	Number of cheese dairies 2009	Brand
Le Gruyère AOC	321 Mio. kg	178	
Emmentaler AOC	314 Mio. kg	180	
Raclette Suisse	112 Mio. kg	18	
Appenzeller®	92 Mio. kg	65	
Tilsiter	39 Mio. kg	33	
Sbrinz AOC	24 Mio. kg	22	
Vacherin Fribourgeois AOC	24 Mio. kg	66	
Tête de Moine AOC	24 Mio. kg	7	
Walliser Raclette AOC	21 Mio. kg	29	
Bündner Bergkäse	8.3 Mio. kg	13	
Vacherin Mont-d'Or AOC	3.8 Mio. kg	14	
Schweizer Alpkäse	56 Mio. kg	1467	



# Switzerland's Dairy Market 2010 (SMP)

Dairy milk		Processed quantity of milk 2009	Turnover 2009	Brand
Emmi AG		904 Mio. kg	2619 Mio. CHF	
Crema AG		462 Mio. kg	539 Mio. CHF	
Hochdorf AG		320 Mio. kg	361 Mio. CHF	
Elsa		269 Mio. kg	661 Mio. CHF	
Züger AG		75 Mio. kg	75 Mio. CHF	
Nestlé Suisse SA		55 Mio. kg		
Valait		52 Mio. kg	93 Mio. CHF	
LRG		46 Mio. kg	77 Mio. CHF	
Strahl Käse AG		27 Mio. kg		
Baer AG		20 Mio. kg	40 Mio. CHF	
Lati		16 Mio. kg	51 Mio. CHF	

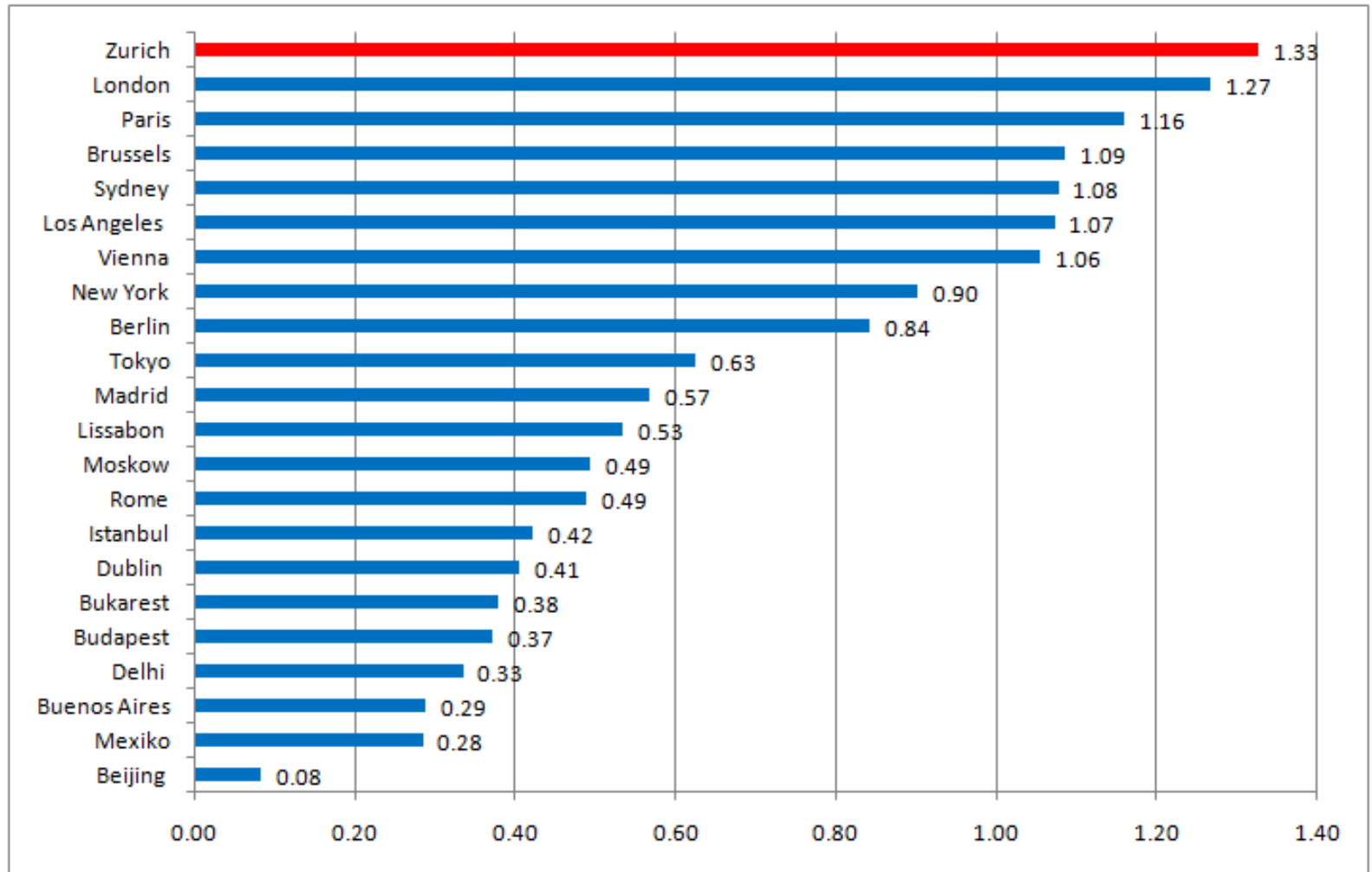


# Consumption of „milk“ in Switzerland: World top-position (IDF/2010)

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# Purchasing power of cheese 2009 (UBS)



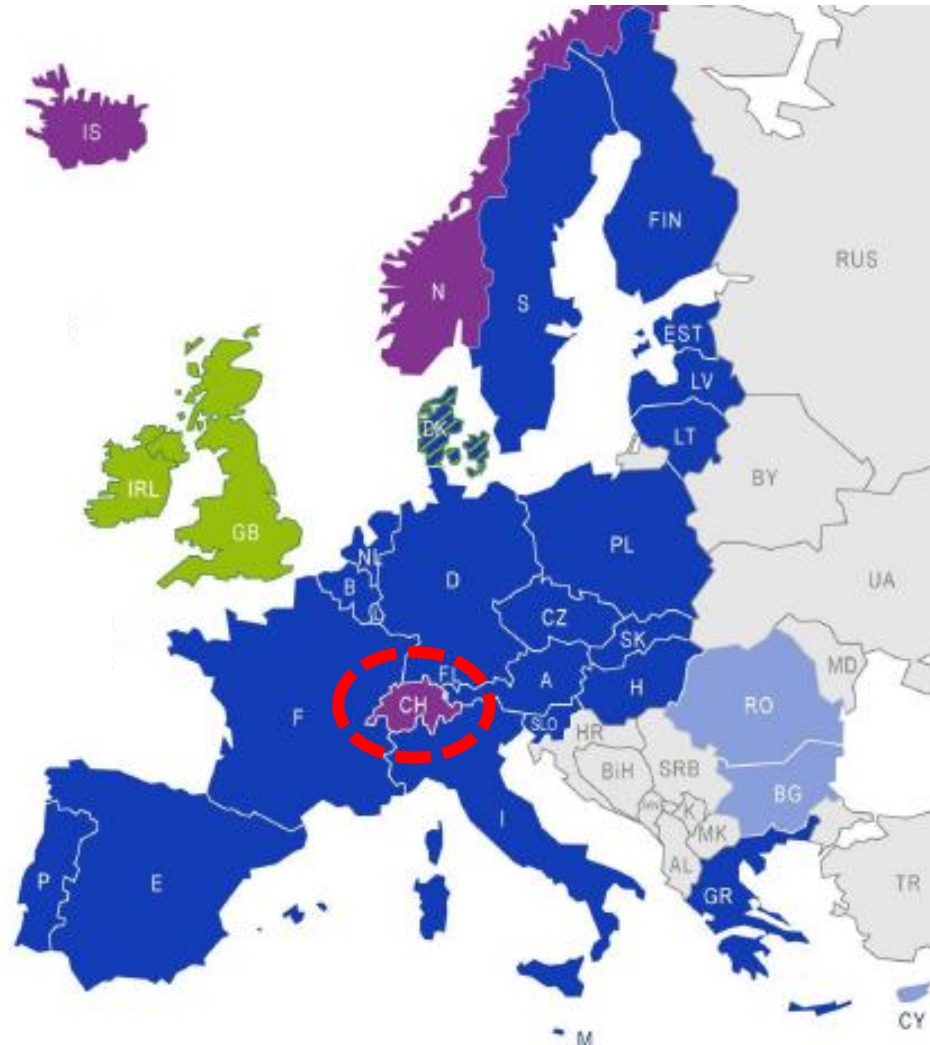
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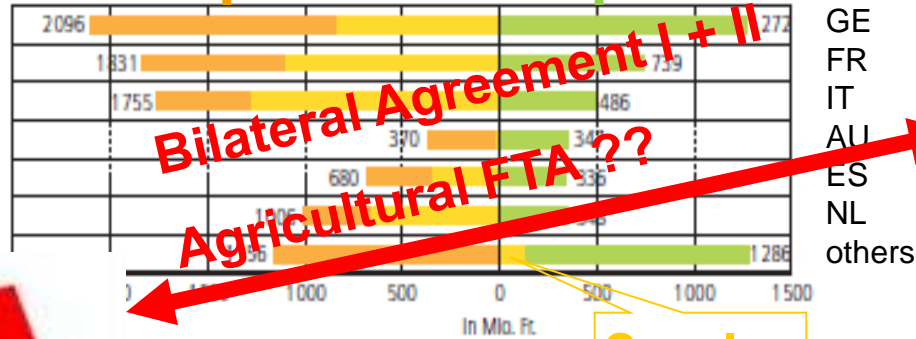
# Policy Agenda

# Switzerland: In the middle of Europe, but not a part of the European Union



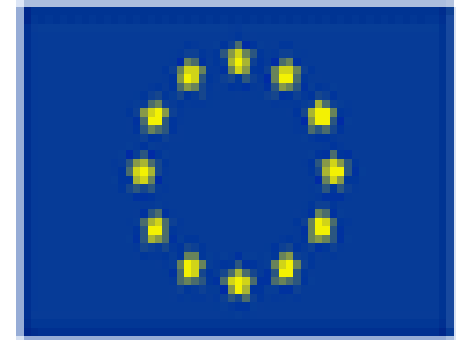
# Trade Agreements and Agricultural trade relations

<-Importation Exportation->



**Bilateral Agreement I + II**

**Agricultural FTA ??**



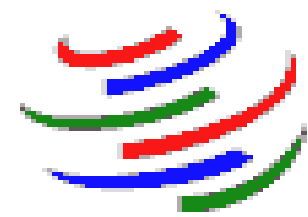
**Surplus**

**Other FTA ??**



**Dauha Rounde**

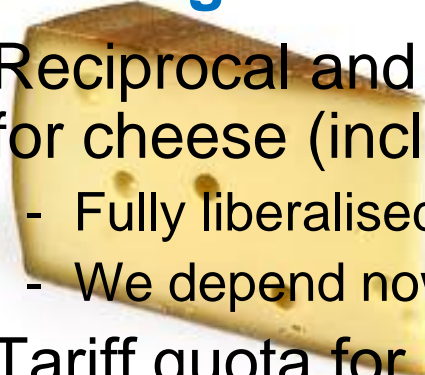
**WORLD TRADE ORGANIZATION**



## Border protection and market access

### ◆ Cheese agreement EU-CH (bilateral agreement I):

- Reciprocal and gradually eliminate customs duties for cheese (incl. cottage cheese):
  - Fully liberalised: July 2007
  - We depend now from EU-border protection for cheese
- Tariff quota for cream and yoghurt (2'000 t)



### ◆ Agreement for processed agricultural products EU-CH (bilateral agreement II / „chocolate law“):

- Net price compensation
- New access for yoghurt, „semi-butter“, milk beverages etc.



### ◆ No change in border protection for milk, butter, SMP, WMP



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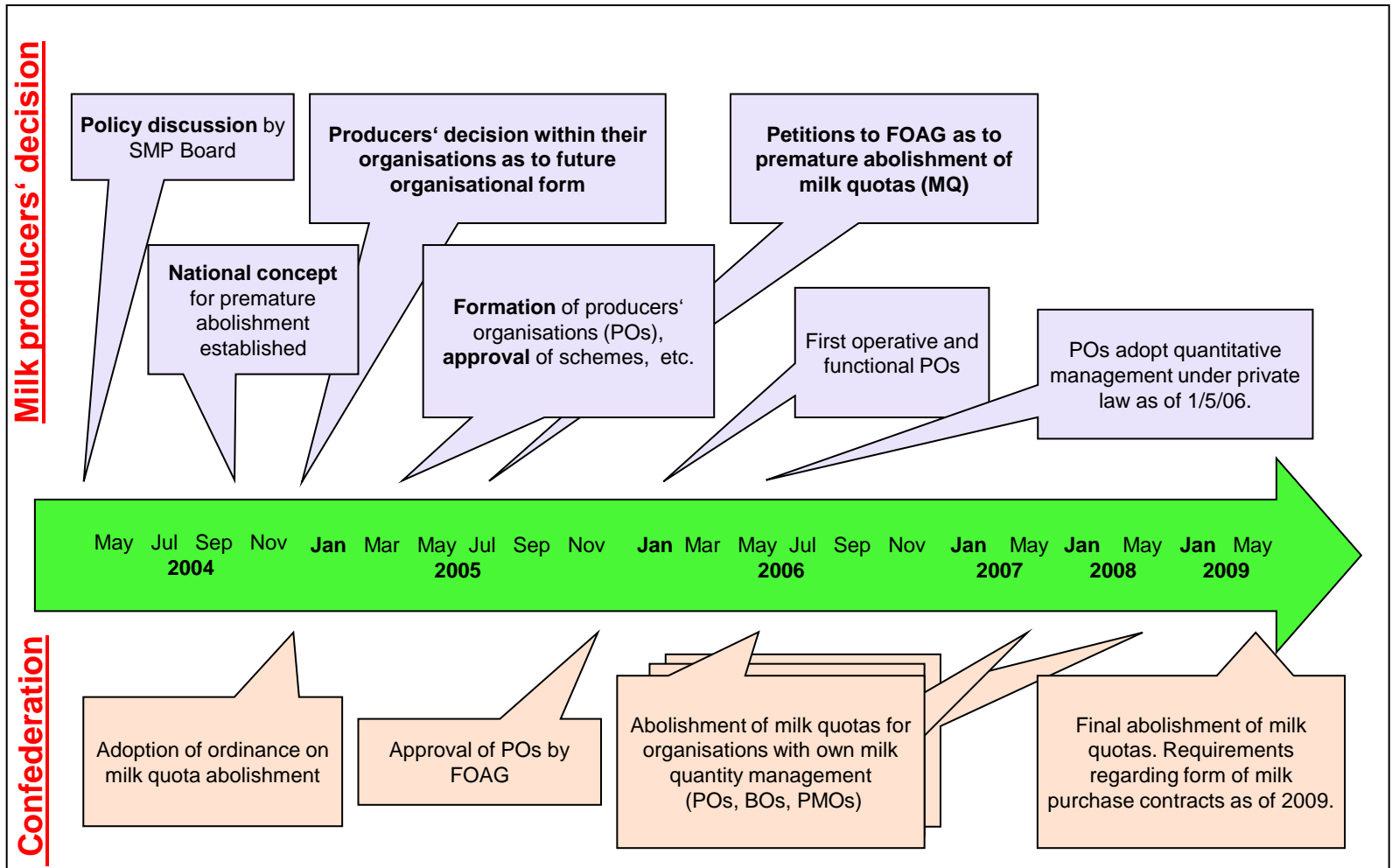
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# Abolishment of Milk Quota

# The „day before“:

## A road map to the quota abolishment



# The „day after“:

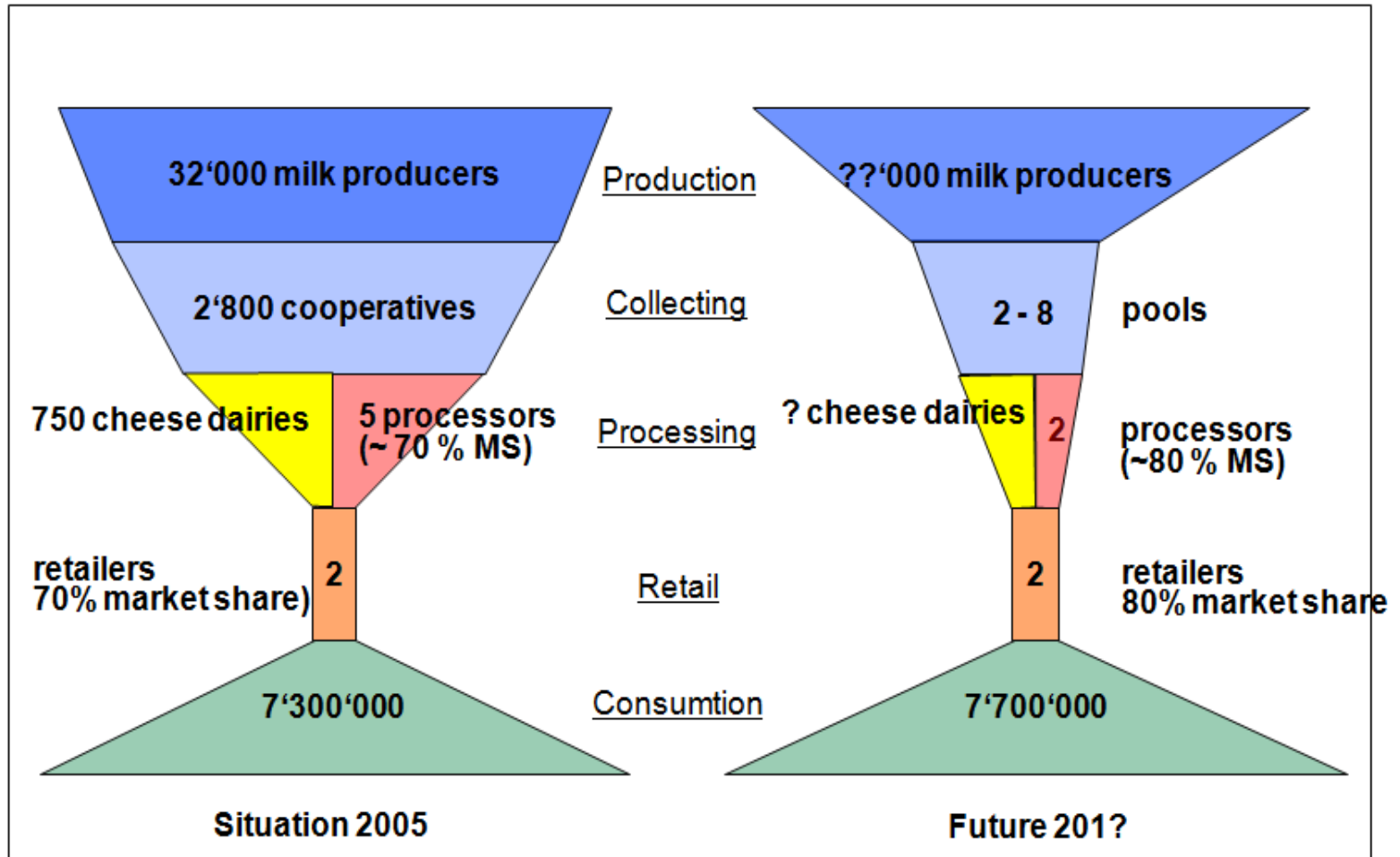
## A roadmap for a very long „milkyway“!

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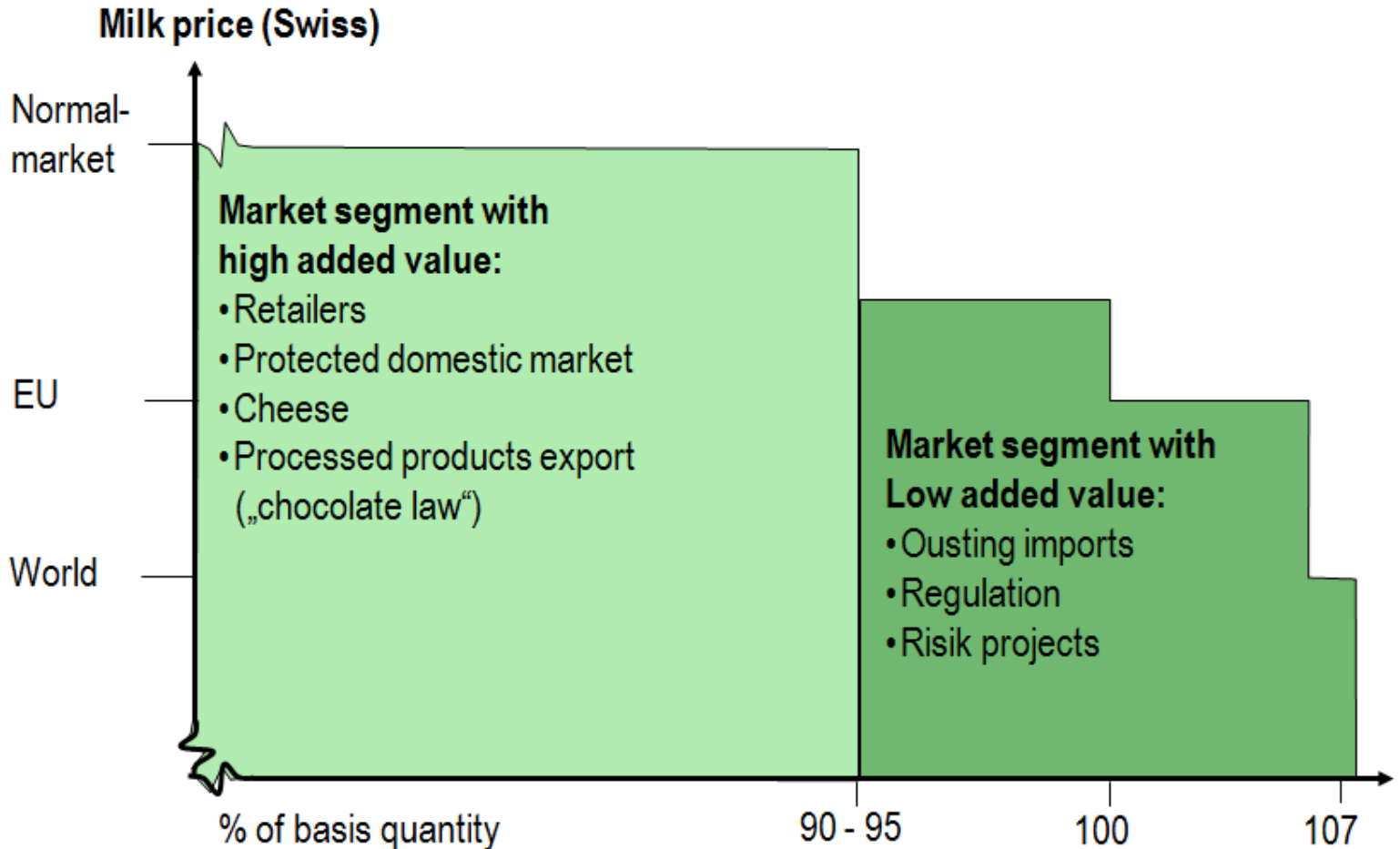
- ◆ **2003:** Policy decision phasing out of milk quota
- ◆ **2004:** Creation of **Milk Interprofession I** → 2008 †
- ◆ **2005:** Formation of **new producer's organisations**  
for a premature abolishment
- ◆ **2007:** Discussion for a common **strategy**
- ◆ **2008:** National **milkpool** → †
- ◆ **2008:** Creation of **Milk Interprofession II** → †
- ◆ **2009:** Creation of Swiss **Milk Interprofession III**
  - 1<sup>st</sup> Package of tools (2010) → †
  - 2<sup>nd</sup> Package of tools (2011) → ?



# Targets in 2005 (I): Market concentration

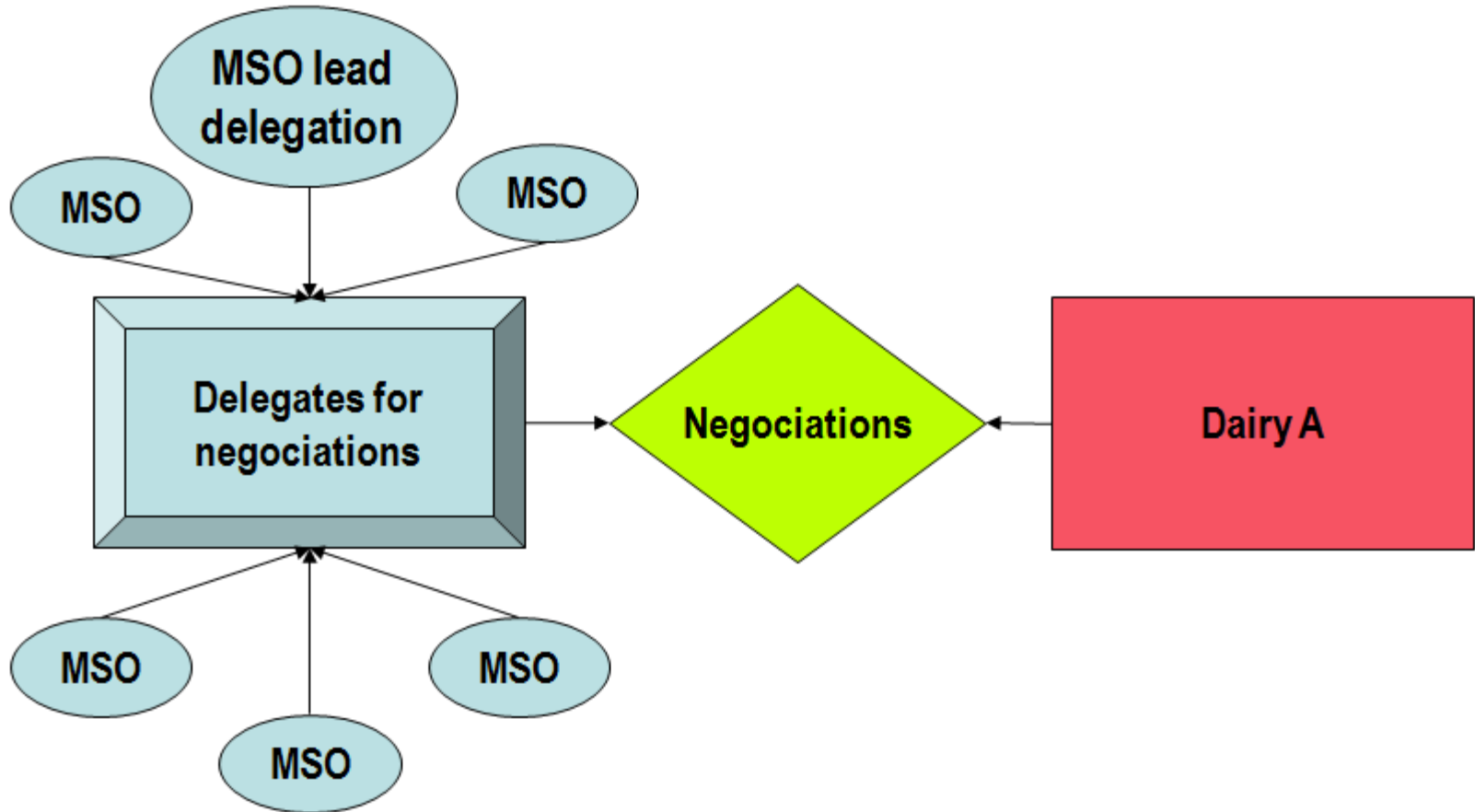


# Targets in 2005 (II): Segmentation

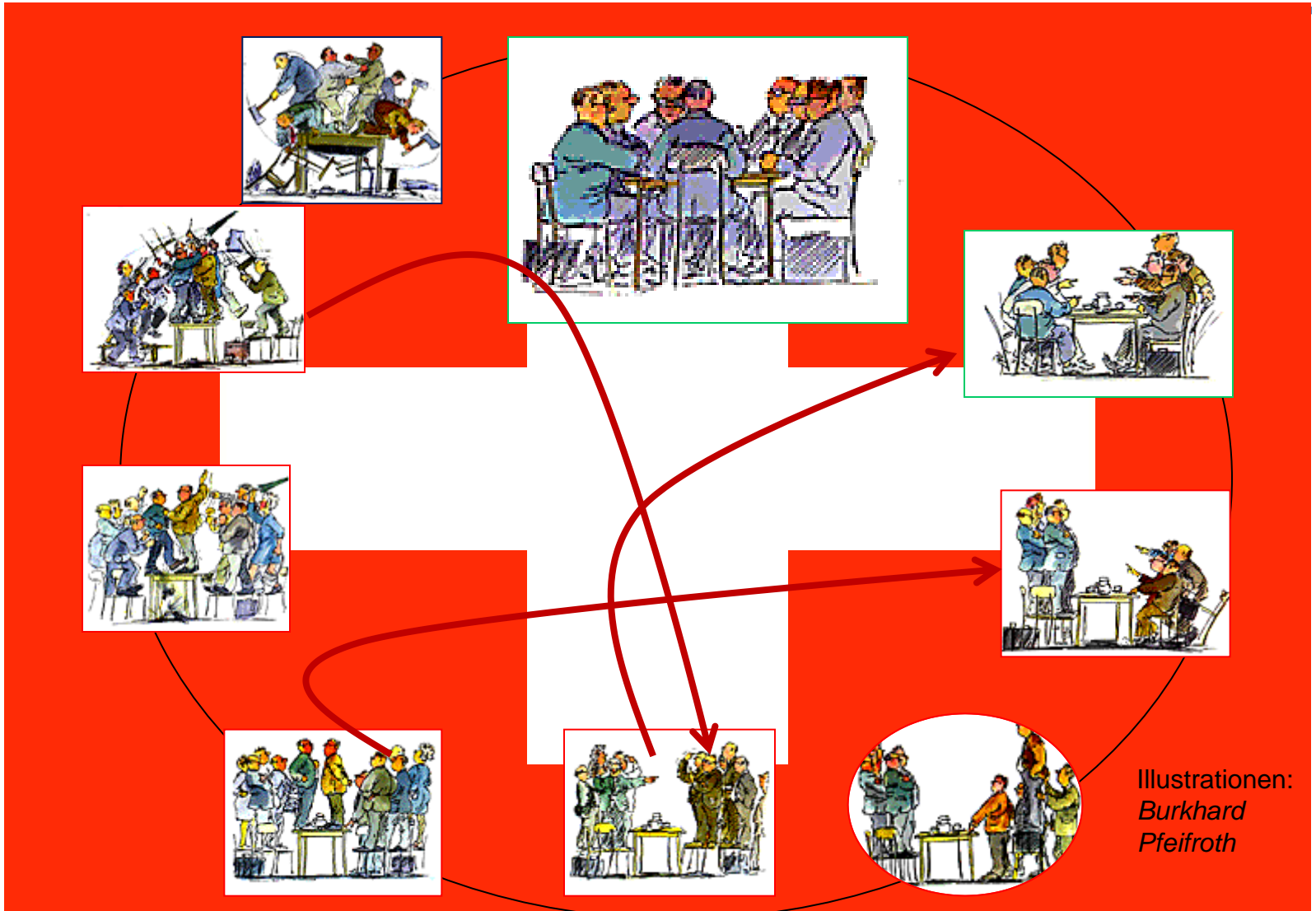


# Targets in 2005 (III): Market power / **One** delegation

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# The way to „resolve“ conflicts.....is not easy: Why?



Illustrationen:  
Burkhard  
Pfeifroth



# Different strategies and interests!

(**producers**, **processors**, **policy**)

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mountains/  
plain

additional  
milk?

quantity/  
price?

policy/  
market



big/small

organisations

“Gold rush  
feeling”

white /  
yellow line



# One other reality!



# Interprofession Swiss Milk III, ISM (I)

Founded: 29th June 2009 as a **privat** platform

Market-issue **tools** still need to stand the **test**:

- ◆ Segmentation-system (A-,B-,C-Milk)
- ◆ Common contracts for A-,B-,C-Milk, 1<sup>st</sup> and 2<sup>nd</sup> level
- ◆ Recommended price index for A-,B-,C-Milk
- ◆ Intervention (self-help measures)
- ◆ Milk-Quality issues (safeguard CH standard)
- ◆ Information, transparency

About 95 % of the „Swiss Milk“ is member to ISM



## Interprofession Swiss Milk III, ISM (II)

Additional **tools** and remarks:

- ◆ Interprofession can ask the government for a declaration of general application of a collective agreement (-> extension of collective agreements) to Non-members fo ISM
- ◆ The tools must be easy and transparent

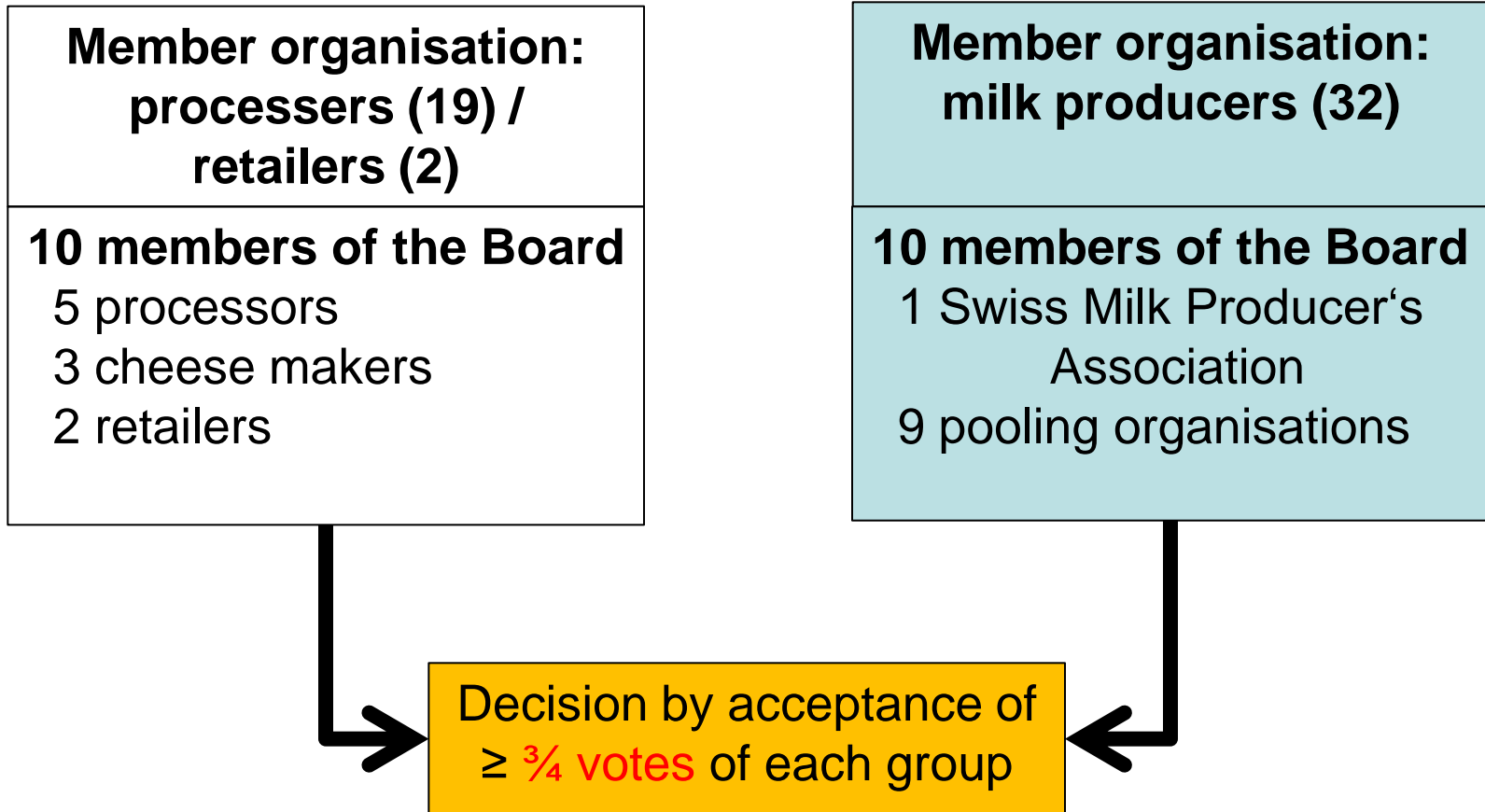
But no prices and no quantities can be fixed either by the Swiss government or by the extension law!

There is no conflict with the anti-trust law in Switzerland



# Interprofession Swiss Milk III:

## Organisation



# Interprofession Swiss Milk III: Segmentation-system

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## Definition of the three categories of „Swiss Milk“:

- ◆ **„A“-Milk:** domestic market (fat and protein),  
border protection and/or support
- ◆ **„B“-Milk:** domestic market (fat), export (protein),  
no support or no border protection
- ◆ **„C“-Milk:** export (fat and protein),  
no support



# Interprofession Swiss Milk III:

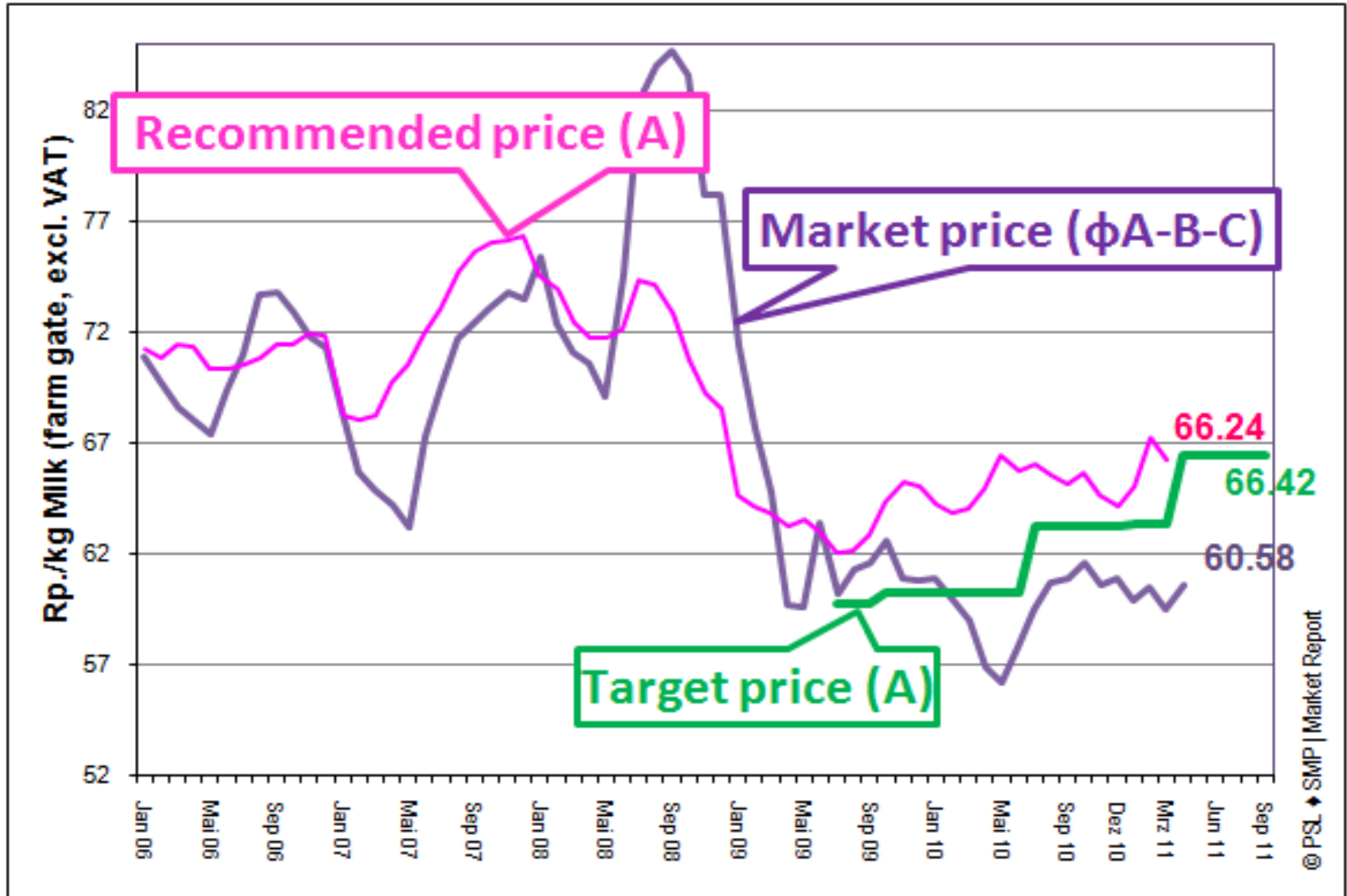
## Common contracts, transparency

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- ◆ **Every farmer** must have a contract (1<sup>st</sup> level):
  - for A-, B-, C-Milk
  - for one year, with quantity and price indications
- ◆ **Every processor** must have contracts (2<sup>nd</sup> level):
  - for the milk demanded (A, B, C)
- ◆ **Transparency** about quantities on different levels is a condition



# Interprofession Swiss Milk III: Recommended milk price index (A-Milk)



# Interprofession Swiss Milk III:

## Milk quality (public, “Swiss-finish / bonus“)

Criterion	Requirements	Method
Microbial count at 30°C (per mL)	$< 80,000$ $< 8,000$	Fluorescence optical measurement
Somatic cells (per mL)	$< 350,000$ $< 100,000$	Fluorescence optical measurement
Inhibitor assay	Not detectable	Microbiological inhibitory test
Freezing point	$\leq -0.520$ °C	Cryoscopy



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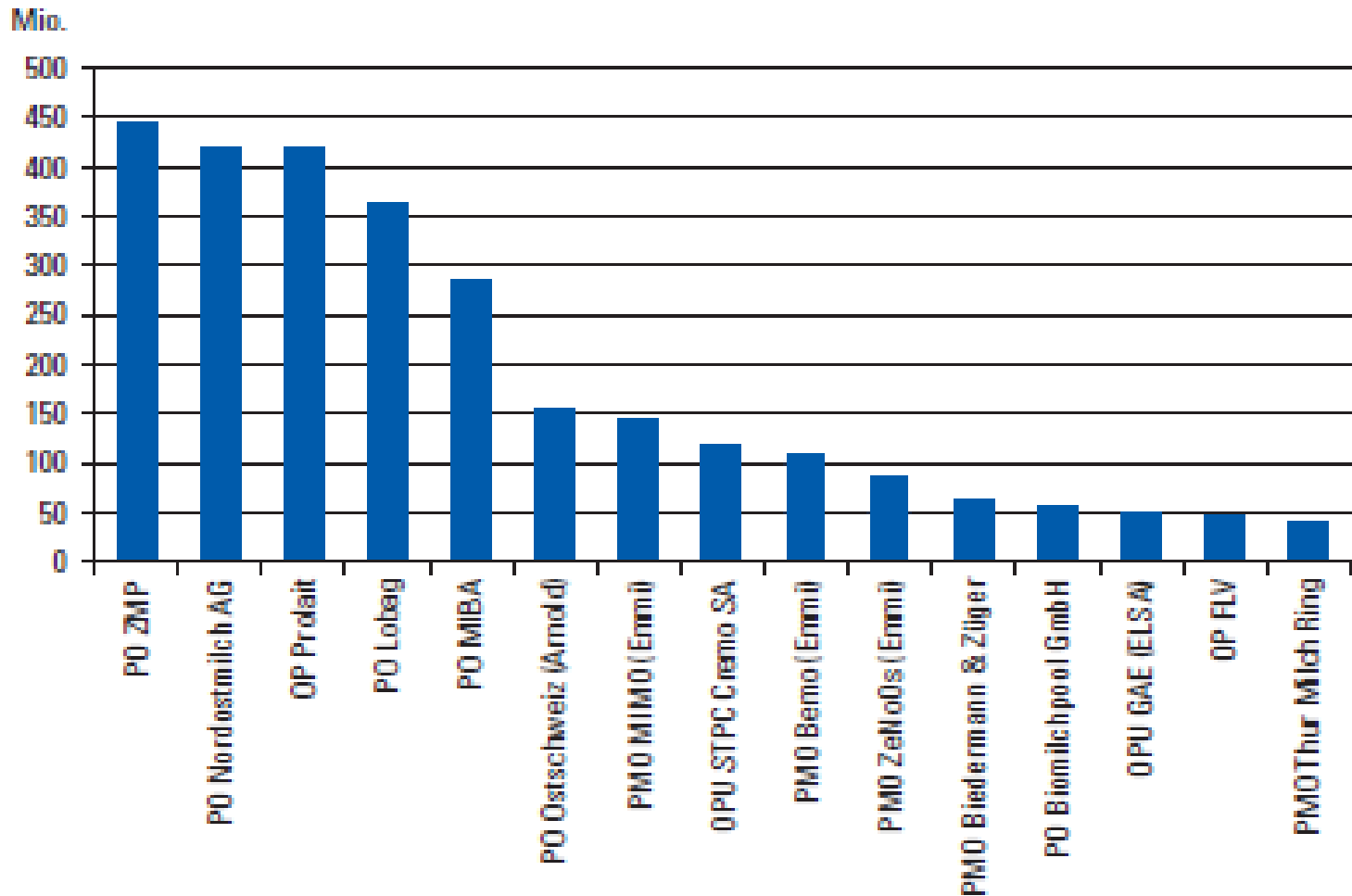
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# The time after the Milk Quota

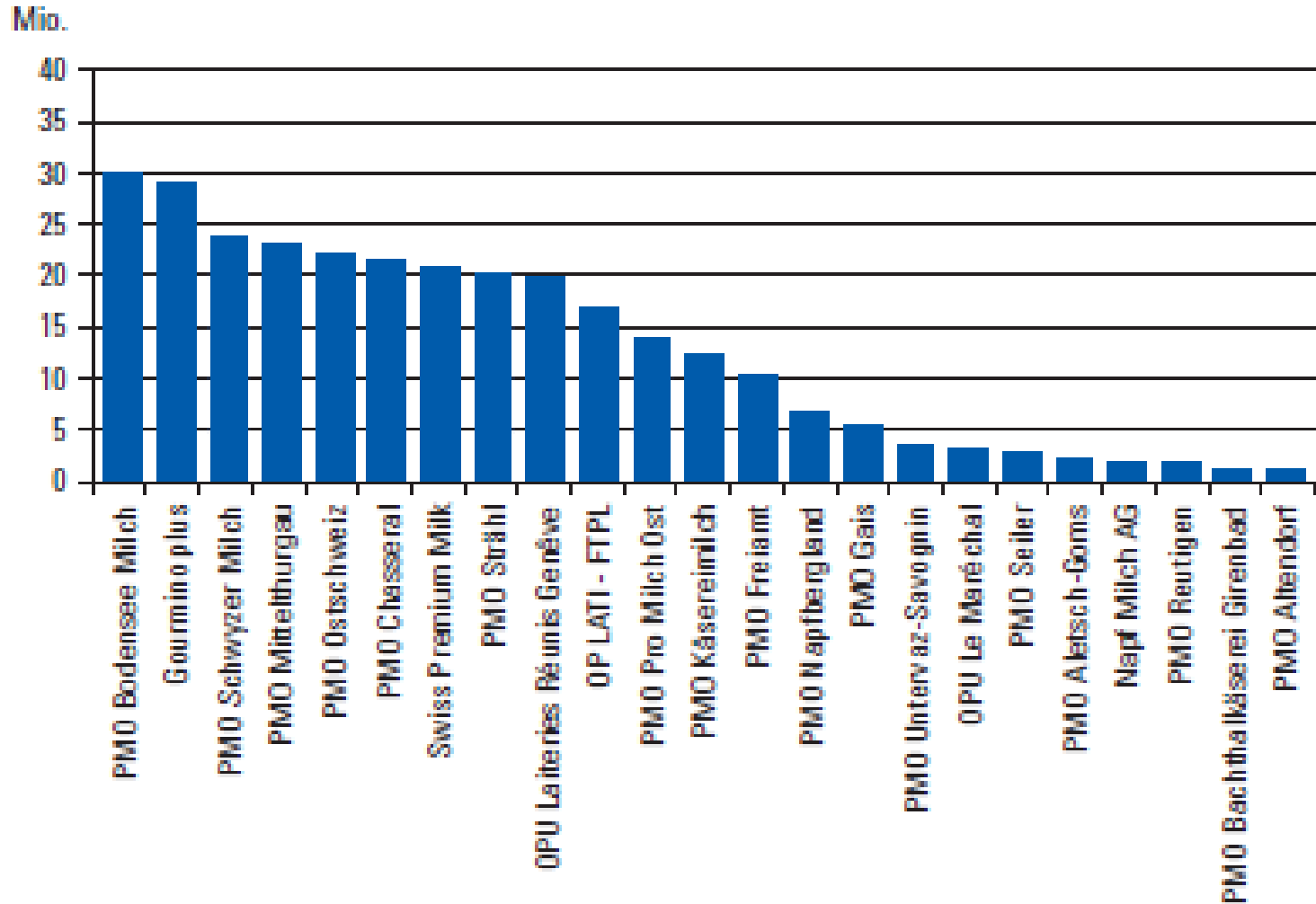
# Milk pooling: The big ones

## Market concentration (2009)



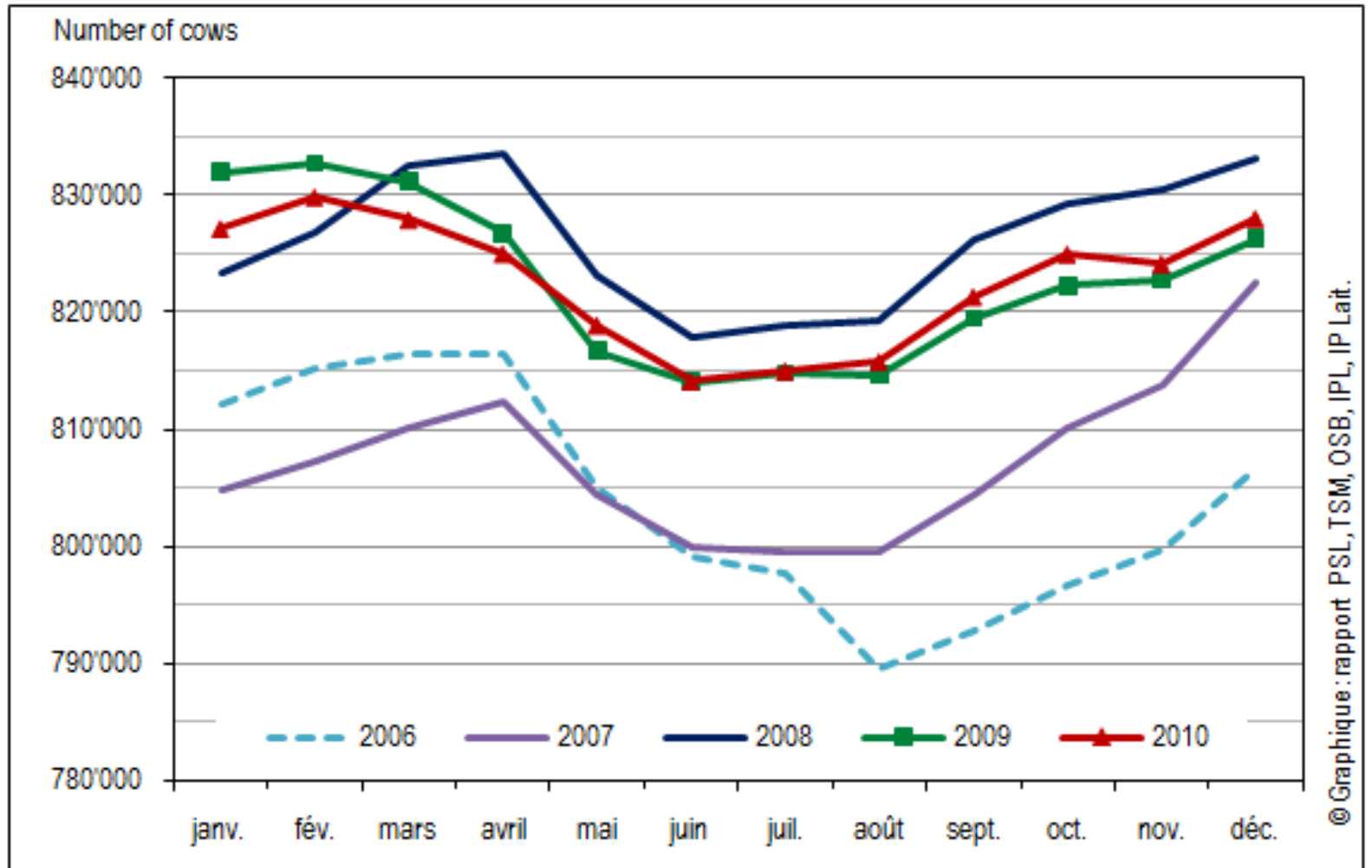
# Milk pooling: The small ones

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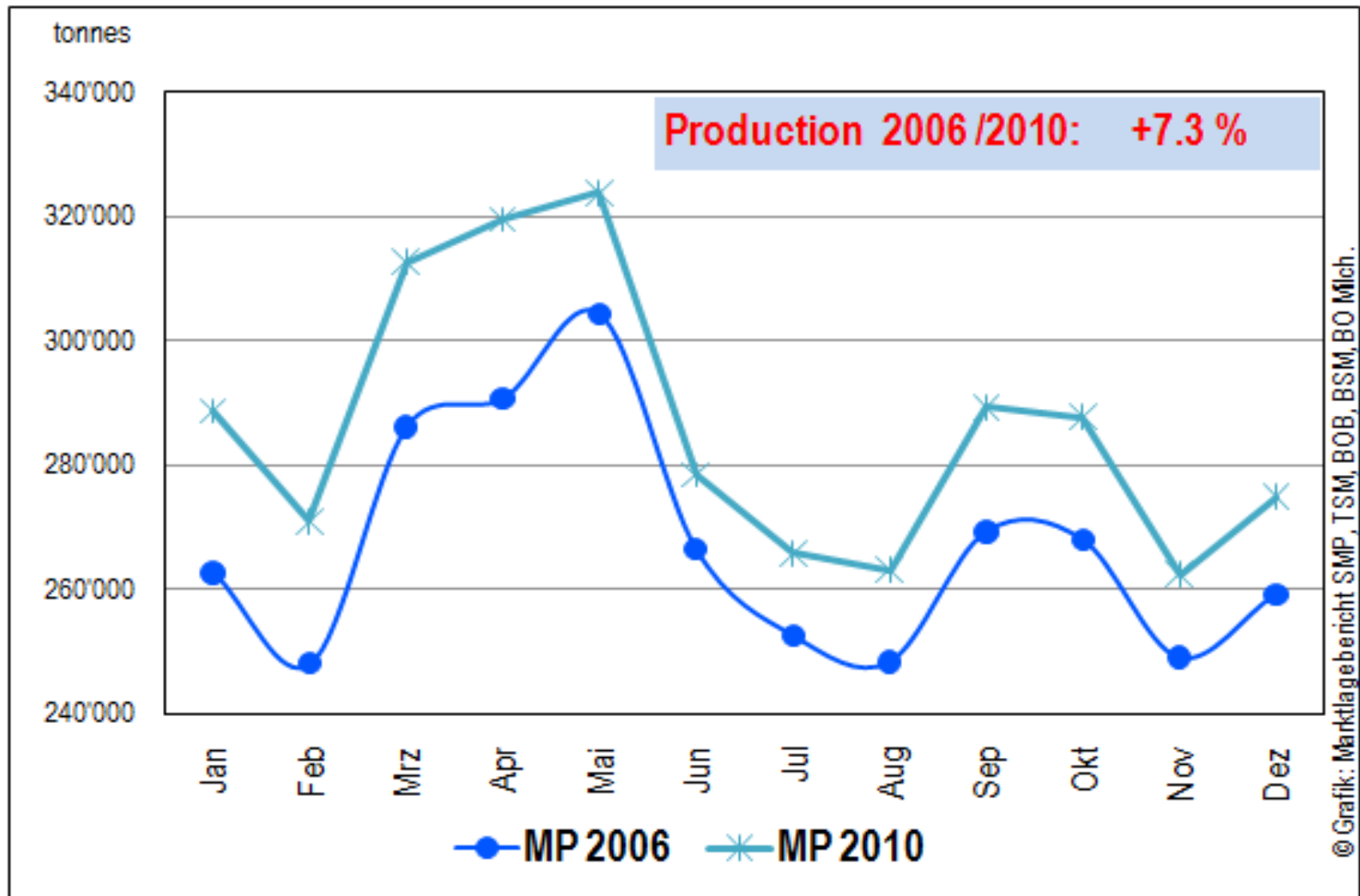
# Market:

## Population of milk cows (> 2 years)



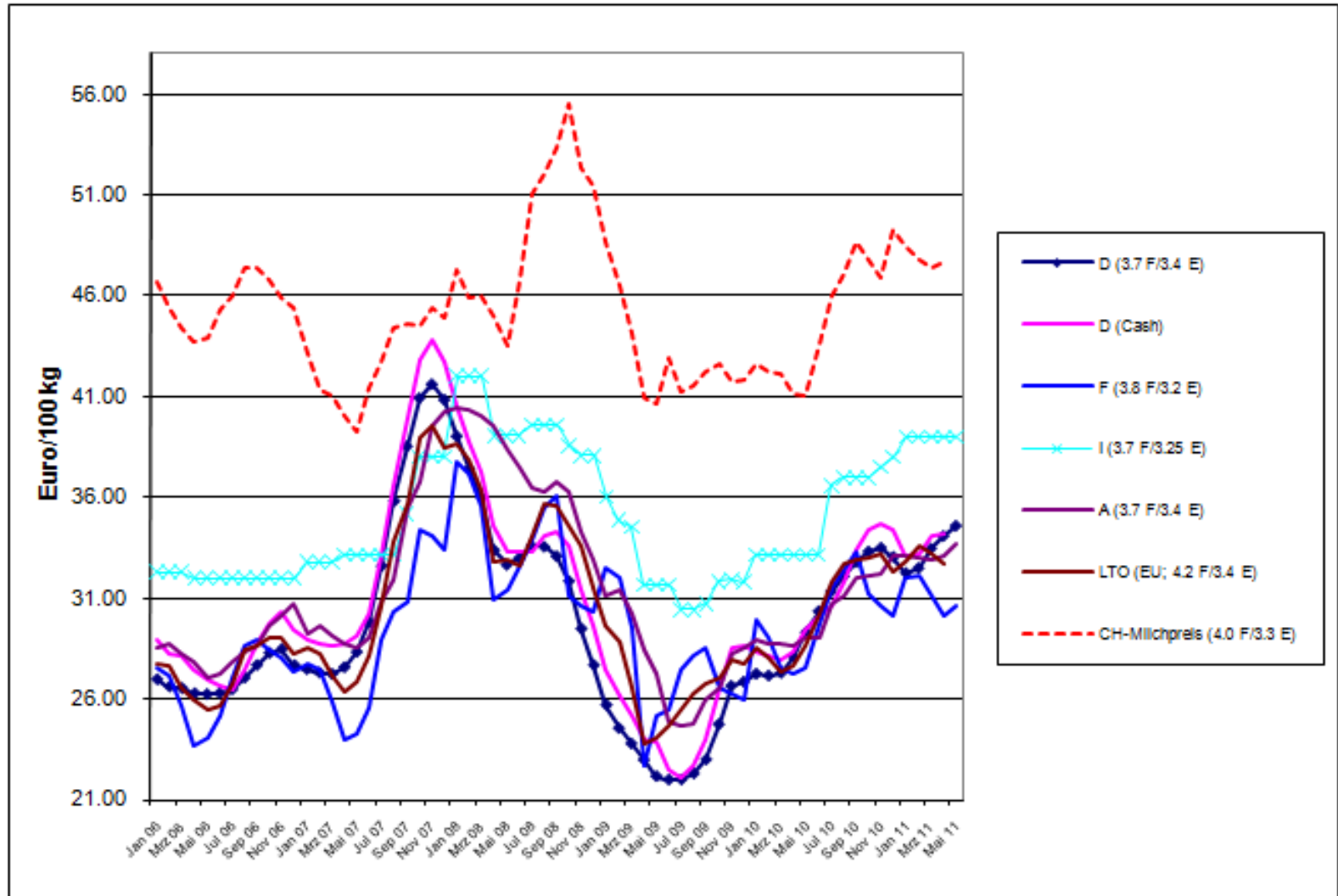
# Market:

## Milk production (2006/2010)



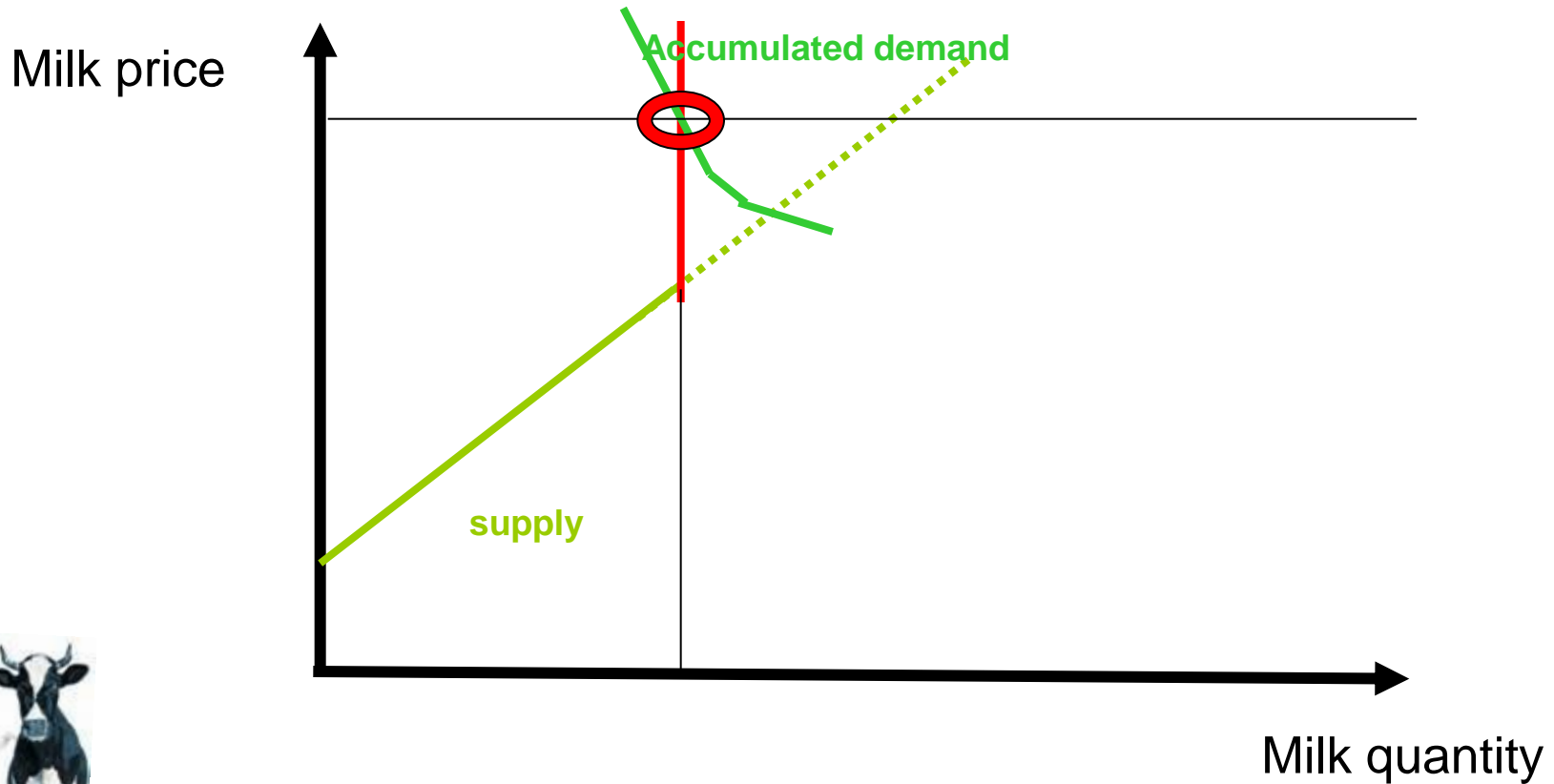
# Market:

## Milk price (and exchange rate €/CHF)



# Market:

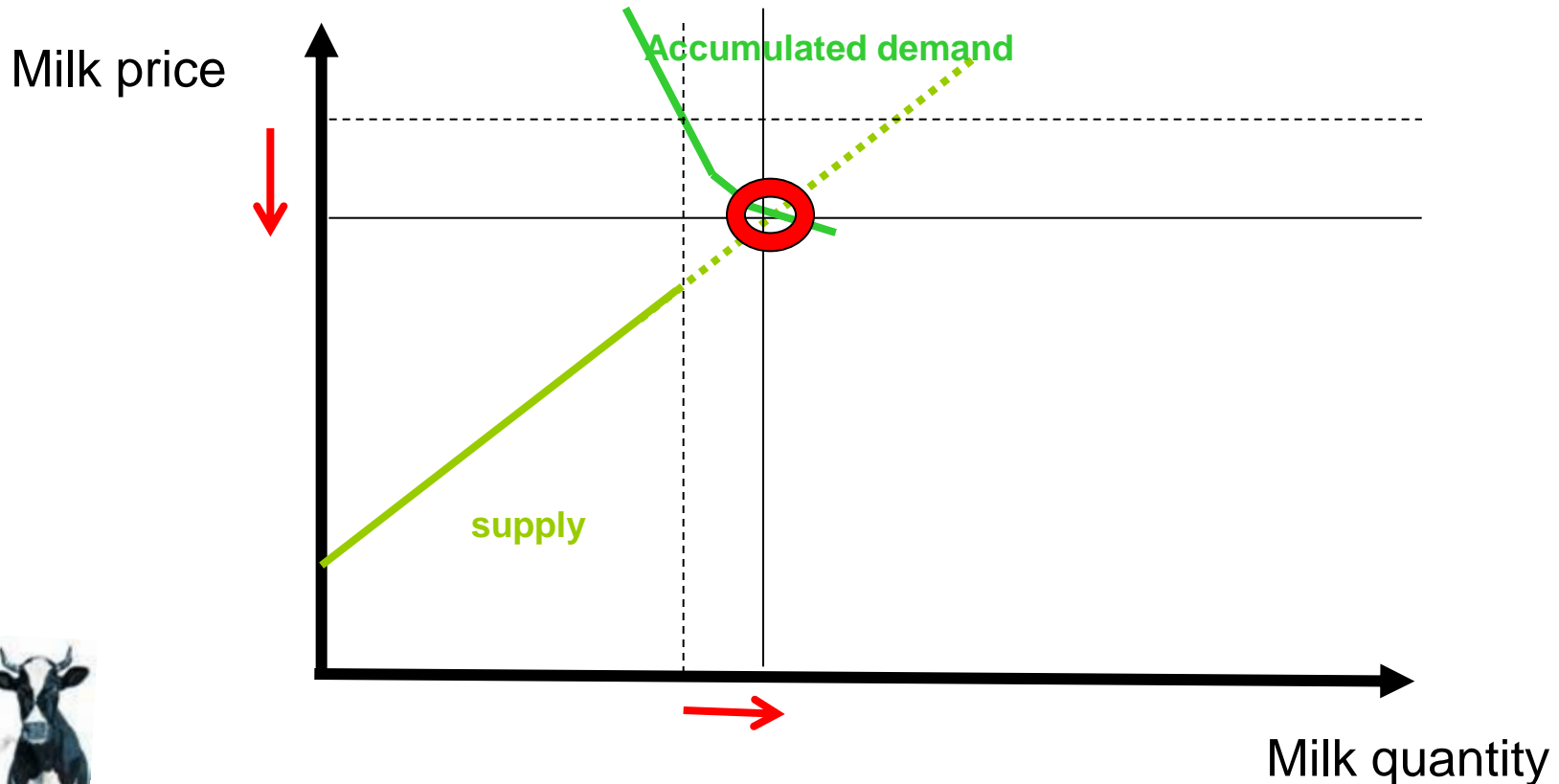
## „Homo oeconomicus Lactus Helveticus“ 2005



# Market:

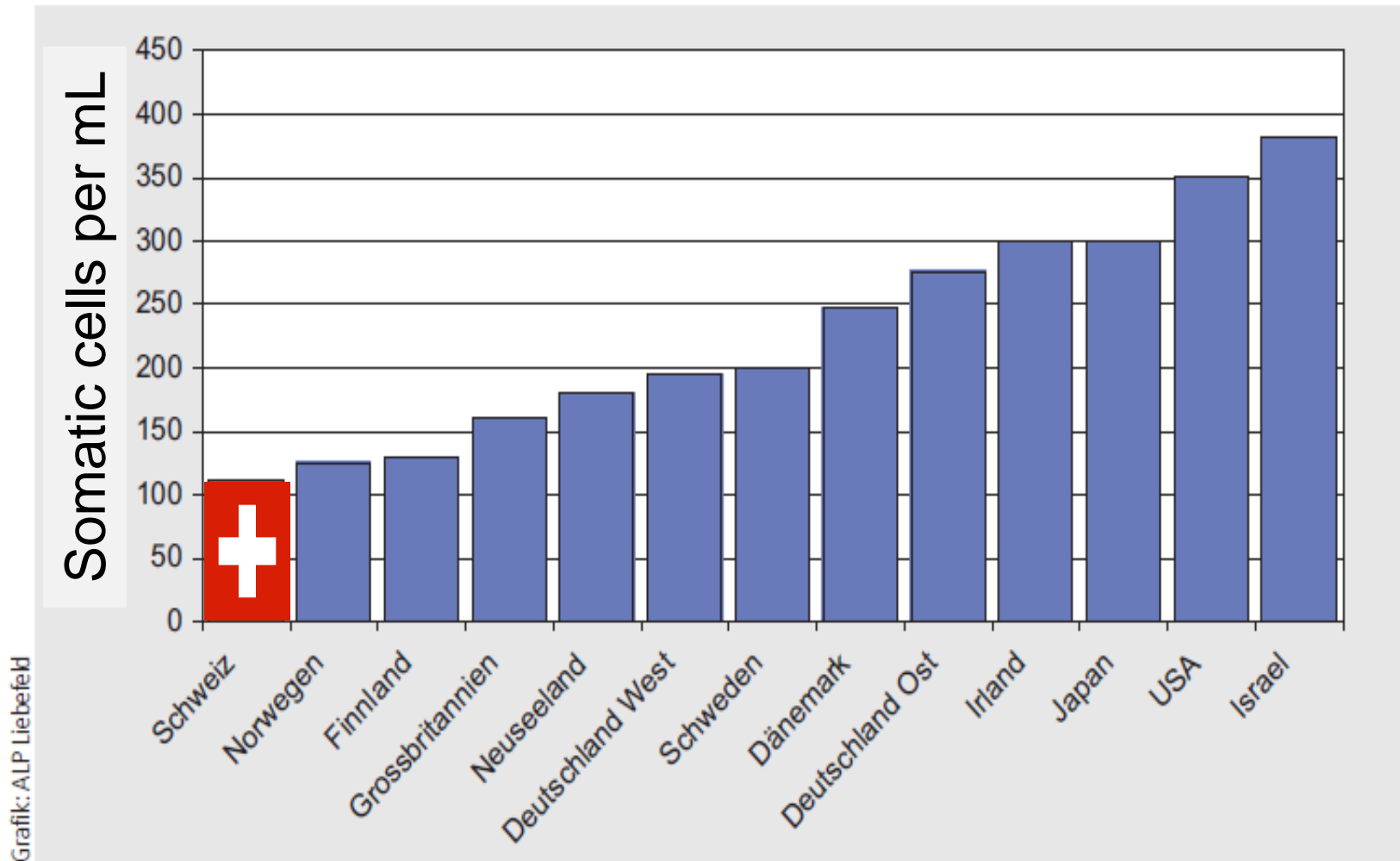
## „Homo oeconomicus Lactus Helveticus“ 2010

Abolishment of milk quotas: Market equilibrium ...where is it? [ $\eta_{m/p} \gg 1$ ]



# Market:

## Added value with **Swiss-Quality**



# Market:

## Added value with „Swissness“ / Marketing

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# Conclusions

## **Conclusions in general (I)**

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- ◆ **A lot of time to study „new“ solutions is no guarantee for success; it can be the contrary!**
- ◆ **„Good market signals“ at the „bad“ moment can have a negativ influence**
- ◆ **Market focus becomes more imortant to the dairy value chain**
- ◆ **More volatility is a fact**



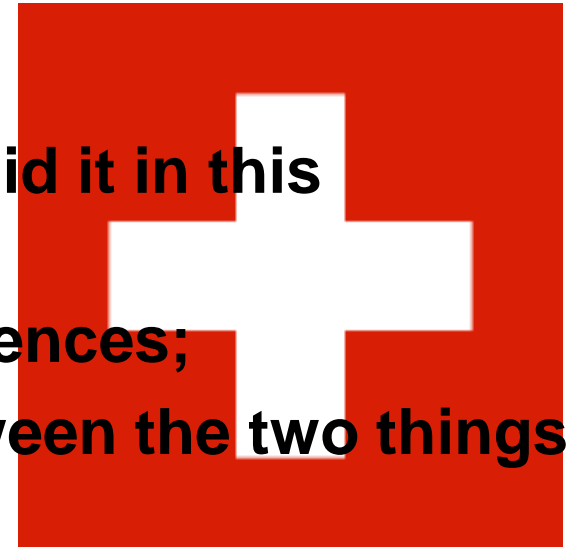
## **Conclusions for the Dairy Economy (II)**

- ◆ **Partners on the business line have to co-operate for sustainable solutions:**
  - vertical business line becomes more important
  - stability is important for producers, processors and retailers
  - Milk producers are in fact quantity adjuster and price takers
  - Retailers and processors do not „like“ the pressure from the „road“
  
- ◆ **Milk market without quota requires new structures**
  
- ◆ **Without solutions between the partners on the value chain the „problems“ come back to the policy**



## Conclusions for this audience (III)

- ◆ The „Swiss“-system is not transferable to EU-countries because of different conditions (2010)
- ◆ **You have now the privilege:**
  - To avoid **mistakes**, like we did it in this process in Switzerland;
  - Take out the **positive** experiences;
  - To make the **difference** between the two things
- ◆ So, I'm sure, you will „drive the curve in less time“.....
- ◆ Thank you!



# Conclusions?? (IV)



# Thank you very much for your attention – time for discussions?

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