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**Macro-level analysis of food supply
chain dynamics and diversity**

National report – Switzerland

By
J.M Chappuis, S. Réviron, D.Barjolle, P.Damary and P.Praz

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Macro-level analysis of food supply chain dynamics and diversity

SWITZERLAND

SUS-CHAIN WP2 National Report (deliverable 8.3)

J.M. Chappuis (Institute of Agricultural and Food Economics, ETH Zurich)
S. Réviron (Institute of Agricultural and Food Economics, ETH Zurich)
D. Barjolle (Service Romand de Vulgarisation Agricole, SRVA)
P. Damary (Service Romand de Vulgarisation Agricole, SRVA)
P. Praz (Service Romand de Vulgarisation Agricole, SRVA)



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1 INTRODUCTION

Switzerland is a small country of 7 million inhabitants situated from now on in the centre of the European Union, yet not a member. However, concerning the market systems for products from sustainable agriculture, it is an interesting case for its European neighbours.

In a first instance, ecology has been a consideration in Swiss agricultural policy for a long and regulatory measures in favour of the environment are particularly well developed. Following a major reform of agricultural policies in 1992, Switzerland was the first European country to link all direct payments to environmental measures (PEP or Proof of Ecological Performance – see point 3 for details). Today, 95% of agricultural production in Switzerland is done through methods respectful of the environment. This raises the following questions: how to inform the citizens and consumers about this « quality » ? what induced effects, positive or negative, have the reforms had on economic sustainability of the producers and rural development ?

Secondly, the two main Swiss retailers are constructing their image strategy around environmental and social sustainability, by, amongst others, putting forward their own ecological and/or ethical trade marks. As they have a quasi duo-polistic position on the retail market, with these two companies capturing 75% of the food market, their capacity to orient the market is considerable. Are the retailer strategies favourable to producers ? What is their impact on the organisation of supply chains ?

Finally, the diversity of Food supply chains is exceptionally high, both through the type of products and the commercial channels used, due to the importance of mountain type economies. Switzerland also has a long tradition of decentralisation (it is a federation) and the cantons have a lot of decision autonomy. Depending on the region, the pallet of products and the market strategies are very different. How should one consider and make an asset out of this diversity, in particular by well adapted federal and regional policies ?

This report will describe the situation in Switzerland, using the methodology and guide-lines common to all the partners of the project.

2 HISTORICAL PERSPECTIVE

Switzerland has a long tradition of grasslands and cheese has been an export product since early on, most notably since the 17th century with exports to France and Germany. This trading enabled whole regions to prosper and contributed to the image of Switzerland as a cheese producing country. The 18th century is considered today as the golden age of this « cheese civilisation », in particular in mountain regions. The situation will change during the 19th century. The development of milk and cheese production in the plains following the introduction of artificial pastures, created an important crisis in the mountain regions, and the different European conflicts disturbed international trade.

The development of rail and sea transport during the second half of the 19th century permitted the imports of cheap cereals from Europe and the Americas. At the founding of the confederation in 1848, Switzerland covered 80% of its own food needs, even in cereals. By the time the first world war began, self-sufficiency had fallen to 16% for cereals and 4% for sugar. During these few decades, under a very liberal regime, Switzerland had specialised in milk production. 1867, in Cham (canton of Zoug) saw the opening of the first condensed milk factory in Europe and by 1914, there were ten such factories in Switzerland. Cheese production was also strongly increased, to such a point that by 1914, approximately a quarter of all milk production was exported, of which 22% as condensed milk. During this period, agricultural policy was non-existent. This led to the emergence of many self-help organisations : agricultural societies, buying cooperatives, savings and credit cooperatives (such as Raiffeisen), dairy societies, based on solidarity between producers and with the objective of confronting the difficulties collectively.

At the start of the first world war, Switzerland was completely unprepared in the food domain. Exports bans were decreed and import monopolies created immediately. But, as both the authorities and public opinion were expecting the war to be short, it is only in 1917 that the extension of cultivation was made obligatory. ... During the war a whole strata of the population went hungry, and this bitter experience marked a whole generation. Once the conflict was over, liberal principals were re-established, but not for cereals. In this domain, the state initiated a system of guaranteed buying and prices, so that the production of cereals remained much more important than before the war. The world wide economic crisis of the 1930s will lead the federal and cantonal authorities to intervene much more in the agricultural sector. Dialogue and collaboration between the authorities and the self-help organisations created during the 19th century were established. At the onset of the second world war, Switzerland was relatively ready, thanks amongst other measures, to the agricultural policies that encouraged cultivation at the detriment of dairy and animal production since 1938. During the conflict, plant production was widely increased and the supplying of the population was assured in orderly fashion. The Swiss population will remain thankful for a long time for the efforts undertaken by its farmers to « feed the country » during the war. At the end of the second world war, parliament passed a number of texts, including the federal law on agriculture of 1951, that will shape Swiss agriculture until 1992. The main objective was to « maintain a healthy farming community » and to encourage an efficient production able to maintain sufficient supply for the country. One of the basic principals of post war agricultural policy was to assure farmers an income comparable to other workers thanks to stable prices that should cover production costs.

Guaranteed sales and prices, border protection, production orientation, investment support, measures to support mountain agriculture determined the evolution of Swiss agriculture.

These policy measures, almost always insufficient in the opinion of the farming community, lead to overproduction during the 1960s and 70s. Price policies aimed at covering production costs had reached their limits.

An increased productivity, a slowing down of population growth and an increasing difference between Swiss prices and those in neighbouring countries led to a deadlock. Milk quotas were introduced in 1977. However, it took over ten years to initiate reforms that will steer away from this system of policies. During this period, state monopolies, usually based on the self-help organisations mentioned earlier, tried to sell their products on the international markets, with the state picking up the bill for the price difference (export subsidies). All these measures became increasingly costly on the state budget and irritated the general public for whom « war economics » no longer mattered.

The agricultural reforms were initiated in 1992 that have profoundly changed the market rules for agricultural products. Support prices were reduced or eliminated, and the state pulled back from intervening on the markets, leaving private actors more free room to determine prices.

In parallel, direct payments were introduced. These, originally introduced as a « social cushion », are now all linked to the respect of environmental practices (PEPs).

These measures have effectively reduced the prices for agricultural goods at the farm gate. Milk prices have been reduced by 24% between 1992 and 2002 (from 105 to 80 ct./kg), the market price for wheat diminished by 34% (from 99 to 56 fr./100kg), that of young veal by 17% (from 14 to 12 fr./kg dead weight).

They have also lead to a strong increase in agricultural land under practices respectful of the environment. Currently 95 % of Swiss agricultural land are farmed according to integrated pest management or organic methods. The purchase of pesticides has diminished by 32% in ten years, due to both the lower prices and the strict environmental rules.

The federal law on agriculture of 1998 put the final touches to the liberalisation of agricultural markets on the 1st of January 1999, and has lead to the disappearance of state monopolies. In many branches, it is only from this date onwards, and after a parenthesis of almost 50 years, that one can speak of food supply chains in Switzerland. These now evolve in a competitive context and answer to real consumer demands. The farming community is still very much on the learning curve concerning commercial activities, as policies of the last decades did not encourage enterprise autonomy, and the reforms have underestimated the knowledge needs for this new environment.

In very few years, Swiss agriculture went from a state system to a market economy, and has in parallel developed, through PEPs, exemplary ecological production.

3 GENERAL CONFIGURATION OF THE SWISS FOOD SUPPLY CHAINS

3.1 Typology of the food supply chains (methodology)

Recent changes have created a need for a new method to represent the supply chains so as to be able to consider the diversity of competing systems (for a detailed analysis, see WP1 report_Methodology).

The typology proposed by the Swiss team and approved during the Cheltenham meeting crosses two typical variables of the marketing mix : the segment of the market on which the product is positioned (product variable) and the distribution channel (distribution variable). By crossing these two variables, we will build a table [figure 1] in which each box corresponds to a marketing strategy defined as the pair : type of product / type of channel. This table holds 48 possible positions.

figure 1 : typology of the food supply chains

		← transport volume →							
		long International <i>import, export</i>	long national <i>big retailers</i>	long national <i>collective housings</i>	long national <i>gastro with wholesaler</i>	medium <i>specialised shops</i>	short collective <i>restaurants, local shops farmers' markets</i>	Short individual <i>direct sales</i>	extra-short individual <i>family, relatives, friends</i>
product market segment	channel								
	conventional generic								
	normalised								
	eco-labels ethic labels								
	organic								
	artisan (among them PDO/PGI)								
	new products								

S.Révion (IER-ETH) & P. Damary (SRVA). Switzerland

3.2 Typology of the Swiss food supply chains

Even though Switzerland is a small country, the diversity of supply chains is very high and covers a large part of the possible types (see grey boxes in the table below). The dynamism of changes are observable in the different types of supply chains, induced and accelerated by an institutional environment in constant change. The situation by production branch is developed in section 4.

figure 2 : typology of the food supply chains in Switzerland

		← transport volume →						
channel product market segment	long Inter-national <i>import, export</i>	long national <i>big retailers</i>	long national <i>collective housings</i>	long national <i>gastro with wholesaler</i>	medium <i>specialised shops</i>	short collective <i>restaurants, local shops farmers' markets</i>	Short individual <i>direct sales</i>	extra-short individual <i>family, relatives, friends</i>
conventional generic	import							
normalised	import							
eco-labels ethic labels								
organic	import							
artisan (among them PDO/PGI)	import export							
new products								

S.Réviron (IER-ETH) & P. Damary (SRVA). Switzerland

3.2.1 Characteristics of the sales channels in Switzerland

3.2.1.1 Classic channels (long)

As in most European country, large retailers dominate the market and therefore the supply chains. However, the particularity of Switzerland is that two players (Migros and Coop) trade over 75% of all fresh agricultural products (cheeses and other dairy, fruits and vegetables...). They have such a dominate position that it is very difficult to have a successful initiative without implicating one of these two. Their marketing strategies are central to understanding Swiss Food supply chains, and we have therefore presented them in detail in box 1. Migros has developed in the last months a strategy based on a partnership with sustainable development initiatives, whilst Coop has developed, since 10 years, its own distributor trademark in sustainability "CoopNaturaplan" (mainly, but not exclusively, based on Organic products). Neither of these distributors have integrated products labelled according to their origin (i.e. mainly PDOs and PGIs) into their strategy, leaving them to be often sold without a label.

The retailers tend to diminish the number of commercial partners and to engage them into certification and quality management normalisation programmes (as for example : EurepGap), so as to limit their own risk in regards to food security.

Box 1 : the Swiss retailers

Migros was founded in 1925 by Gottlieb Duttweiler and became a co-operative in 1940. Members are the customers of the co-operative. Today, it is the leader in the retail business with app. 40% of the market. Migros is composed of several regional co-operatives which have, in theory, a large purchase autonomy. In practice decision making is centralised and managed by a hierarchical organisation. Vertical integration is developed, specially for meat : Migros owns slaughterhouses and has developed its own label (M7).

Migros' strategy historically developed from social concerns. The retailer sells only its own private labels (with some exceptions : mineral water brands, Pepsi and Kellog's...). It is positioned on basic standard products at a medium price. A low price private label (M budget) was introduced some years ago. Stores don't sell any alcohol and tobacco goods. The company supports cultural activities and has diversified to sport and foreign languages classes and tourism.

Migros s' strategy toward marketing sustainable agriculture products : the retailer has presently a poor position on the organic product segment. It created and developed during 15 years a line of integrated production products (called Migrosano) but gave up in 1997. It still has a sustainable private label for meat (M7).. A new image strategy has been introduced for some months with a double logo that associates the new cooperate logo "Engagement Migros" and the logo of partners engaged in sustainable production (IP Suisse, Max Havelaar, FSC...). Migros is also developing a new initiative "From your region for your region", and a specific line of "guaranteed ripe" fruits and vegetables.

Coop started as a national union of regional co-operatives of consumers. It was actually a self-aid project of the customers. The Union of the Swiss associations of consumers was founded in 1890. It took the name Coop in 1969. Coop is composed of several regional co-operatives. Coop has recently modified its regional organisation and has limited the number of its suppliers.

Coop s' strategy toward marketing sustainable agriculture products : Coop has build up an aggressive promotion strategy on organic and sustainable food, by developing its own private labels on food (CoopNaturaplan), on textile (CoopNaturaline) and on bath and cleaning products (CoopOecoplan). It is partner of Max Havelaar with a private label (Cooperacion) and with the organic producers organisation of Switzerland (Bio-Suisse – "Le Bourgeon"). Most, but not all products sold under CoopNaturaplan and CoopNaturaline are Organic and all organic products are sold under these labels and "le Bourgeon".

The marketing strategy is now based on three poles : CoopNatura products (engine of the promotion plan), high quality products with processors trademarks (Nestlé, Coca-cola...), standard products with private labels.

Other retail chains share the rest of the market, developing niche strategies, based either on « luxury » (Manor, Globus), trademarks (Pick Pay), proximity /Vis-à-vis, Spar) or discounter (Denner). The recent buyout of the Jumbo shops by the French retail giant Carrefour could modify competition, mainly on artisan products.

3.2.1.2 *Specialised shops (medium)*

Specialized shops develop in towns, where they cater for clients looking for “authentic” products, or other niches (organic, health). They may compete with the specialized departments of some retailers- see box 1.

3.2.1.3 *Short channels*

Switzerland has a number of medium size towns, surrounded by agricultural belts. Local markets in the town centers are an ancient tradition. Direct selling at the farm gate in the zones around towns is well appreciated by town folk. (example: le label “marché paysan”). These local markets are by no means dominated by organic production, but organic has a particular historical link to this form of marketing.

Local tourism, i.e town folk going to the mountains or countryside for the week-end, is strongly developed in Switzerland. Network and infrastructure for outdoor sports and relaxation is very well developed and popular. The Swiss also have an emotional attachment to the countryside and to “their” agriculture. This weekly migration is an important source of regular and chance clients for the short supply chains (for example mountain village cheese dairies).

Producers strategies may be individual (direct and local sales) or collective. It is difficult to estimate the market share of these short supply chains. In some mountainous regions, the market share can be important.

The collective initiatives in which a group of producers, and possibly other actors of the supply chain such as processors, restaurants, or small retailers are associated, are the most interesting.

3.2.1.4 *Extra-short channels*

In mountain regions, direct sales of confidentiality products to a private network of the enlarged family and friends are still very prevalent. These sales concern products of very diverse quality that correspond to a family based economic system in which acquisition prices remain an important criteria.

3.2.1.5 *Internet sales*

The trading of food products through the internet is still little developed in Switzerland. It is having difficulty competing with large retailers, but seems to be developing in the direct sales channels, with deliveries assured by the post office that assures a high quality logistics and packaging support.

3.2.2 Producers' strategy according to the product market segment

3.2.2.1 *Conventional products*

The conventional Swiss products are de-facto environmentally sustainable products as the agri-environmental criteria (PEP) to obtain governmental support require integrated production methods (see point 3). This is mainly the result of political will, rather than conscious decisions on behalf of the producers. In fact, the objectives of the Swiss agricultural policy are not always fully understood or accepted by producers. Rules are often thought of as constraints, in order to receive direct payments.

The products are state controlled, but not certified, PEP production, that benefits from direct payments, but not from any added value on the markets.

This result is linked to the characteristics of the trading of products in Switzerland.

The great majority of the State controlled conventional food is sold through the classic (long) channels, with little coordination and mainly of industrial type. Processing companies are usually of average to large size and trade their products mainly on the national markets, through large retailers.

Production is strongly regionalized around the first level transformation and conditioning, but at the intermediate levels the regional origin is lost (expeditors, wholesaler, processors, retailers who often package or re-package products). Swiss products are mixed with imported products, which are rarely environment friendly guaranteed. The production method is often not mentioned at the sales point and products are sold as generic. On products that are highly processed, the production method is not mentioned either.

Swiss consumers are ignorant of the agricultural methods and of the high environmental standards in Suisse agriculture. All consumer studies confirm this diagnostic (see WP3 Switzerland report). Nevertheless almost no information on integrated production is provided to them either before the sale nor at the sales point.

3.2.2.2 Normalised products

For a few years, the Swiss retailers have modified in depth the organization of the transactions with their suppliers of fresh products. The adopted solutions all go in the direction of a selection of the partners and specific requirements regarding management of quality :

- Control of a processing enterprise by the retailer, partially or totally.
- Subcontracts for the manufacture of retailers' brands by an independent processing enterprise.
- "Standardized" supply chains with the selection of a pool of approved suppliers for the management of quality.

The products may be sold with a retailer private label (dairy products) that compete with national brand products or as generic (fruits and vegetables) that compete with imported conventional products. No information on the production method is provided to the consumers, because this normalization is not made for increasing transparency towards the consumer but for protecting retailers against a hidden product defect.

3.2.2.3 Eco-labels and ethic labels

In some cases, some efforts have been or are currently undertaken to promote the environmental production quality of Swiss agriculture, initiated by producer associations or distributors. Production is additionally privately certified for Integrated Production, and benefits from a private label (and more secure sale channels, if not better prices). Below are a few examples.

Over 10 years ago, Migros launched a line of products called « Migros-Sano », a developed important activities in integrated production. Yet this initiative failed due mainly to the lack of recognition of the label and lack of clarity of what it represented. Since, Migros has launched a new campaign “EngageMent Migros”, in close collaboration with private sustainable development labels (for example Max Haavelar, IP Suisse, Forest Stewardship Council, Marine Stewardship Council ...), or with its own house label (M-Bio, M7).

The producers association IP-Suisse has, through certification and labeling of the integrated production of its members, attempted to differentiate themselves on the

market. The requirements are slightly superior to the PEP requirements (see point 3) but the main interest of the initiative is to inform the consumer about the production process. IP-Suisse is a preferential partner of Migros for bakery cereals and potatoes.

In the wine sector, there is a label called “Vinatura”. Integrated production rules are the basic elements of the code of practice. The differentiation effect on the market is limited and there is no significant price premium.

There was a current initiative to create a mark of guarantee « Suisse Qualité », whose main objective is to differentiate Swiss products against imports. Production rules are the same as the PEPs necessary to obtain direct payments. This initiative has encountered some opposition, as they can not guarantee a superior quality as compared to standard Swiss products and the rules do not automatically permit membership to producers who respect the standards.

In the meat and egg sector, the retailer labels M7 (Migros) and CoopNaturaplan correspond to integrated production methods and to certain animal welfare standards. In this system, producers may be « approved » by the retailer, but do not benefit from a formal production contract (see section 4, meat sector).

3.2.2.4 Organic products (10.% of the producers, 6% of agricultural production)

As mentioned in the introduction, Organic agriculture has a long history in Switzerland. The first organic producers were visionary pioneers, motivated by strong personal values. However, with the improved conditions for Organic farming in the early 1990 – increased sales, improved state protection and higher direct payments – economic considerations also became a motivation.

Swiss consumers are interested by organic products but there is a large gap between sympathy and buying decision (see WP3 Switzerland report). It is difficult to predict the potential demand.

Initially, organic production was dominated by very short supply chains, often direct between the farmer and consumers (based on trust). Then in the 70s the supply chains got a little longer, with producer organizations selling their grouped products to ecological and health conscious consumers (often in towns) through specialty shops or markets. These short supply chains still represent a relatively important sector for the organic producers, but this sector has grown only marginally in the last ten years.

A unified producers association (Bio-Suisse) first elaborated national production standards and a logo (“le Bourgeon / die Knospe” or the bud) in 1980. This is (was) a strong vehicle for the promotion of organic agriculture in the 80s and 90s.

The market for organic products developed rapidly when, 10 years ago, the second most important retailer, Coop introduced organic products in its stores, using both “le Bourgeons” of the farmers association and their own trademark “CoopNaturaPlan”. Under this trademark all fruit and vegetables are organic and carry the Bio-Suisse label, whilst meat and eggs are either organic (green label) or IP/animal welfare (bluelabel), thereby creating confusion, but permitting Coop to better control the supply chain. This trademark is central to Coops’ image, and efforts put into its promotion have resulted in the recognition “CoopNaturaPlan” being higher than that of “Le Bourgeon” (see WP3 Switzerland report). Coop considers that it is a strong growth segment and will continue to invest in its development to consolidate the success of “Naturaplan” (10-15% growth a year, with peaks at over 25%). Even if

around 90% of its sales are still conventional, the image benefit it has acquired thanks to this trademark is considerable.

Migros has developed its own trademark for organic products (M-Bio), but has been less enthusiastic than its rival about its development.

In 2000, 5 % of Swiss organic food stuff was sold through short supply chains, 16% through speciality shops and other medium supply chains, whilst 75 % was sold through the large retailers. (FIBL, 2000)

3.2.2.5 *Artisan products with a basket of typical and specific products that are or could be registered as PDO/PGI products*

If the term artisan seems to apply mainly to the processing level, through “production standards” and production agreements (as for example non-silage milk production for cheeses), we can also consider it a specific form of agricultural production. In effect, an attempt at defining artisan production at the farm level would be to say that producers limit their production levels (voluntarily to comply with production standards, or due to natural limitations) in exchange for higher added value in terms of quality or image.

Switzerland has a long tradition of artisan food production, often produced in the mountainous valleys in small processing units (cheese dairies, meat processing). This artisan system can represent an important percentage of the total production, in particular for cheeses (see section 4).

PDOs and PGIs represent a formalized version of artisan productions, though by no means (yet) cover the whole sector. Indeed, they are relatively new, as the law recognizing PDOs and PGIs was established in 1997. Members of the PDO supply chain establish an alliance around a piloting center (inter-professional association or cooperative – see WP1). These associations establish rules (standards) for the production and processing and these rules often imply lower production intensities (thereby often indirectly benefiting the environment).

The idea of a geographic indication is quite new in Switzerland. The recognition of PDOs and PGIs is developing rapidly, thanks to the efforts of the Swiss association for the promotion of PDOs and PGIs and to the important press coverage with the recording of each new product (this association owns and promotes a unified label for all Swiss PDO/PGI products). The registration of Gruyere cheese (a well known hard cheese) in July 2001 has been an important step in the development of PDOs knowledge.

However, these products of the “terroir” are having difficulty entering the shelves of the large distributors. Indeed, Migros and Coop have little interest in these products that do not enter into their image strategy, to such an extent that they are often sold without the PDO label. There may be a cultural effect here, as PDO/PGI are mainly a south European concept and most PDOs are registered in the west of Switzerland, whilst the management of both large retailers is in the German speaking part of Switzerland. Even though PDOs are encouraged and protected by the state, there is no obligation to use the logo at the final point of sale. The arrival of the French group Carrefour on the Swiss market may be an opportunity for PDOs and PGIs to profile themselves more, (though there is the risk of the development of the distributors own label similar to “reflets de France”).

In the tourism areas (mountains), local (medium) supply chains are encouraged by the PDO alliances. These medium length supply chains are often linked to the village

dairies or other specialized shops. The sales through these outlets reinforce the authenticity image of the product.

These medium length supply chains are also increasingly creating alliances with local restaurants and there are some interesting examples of initiatives in this domain (culinarium...).

3.2.2.6 Regional trade marks and labels

Some regions have created their own regional multi-product trademarks. There is a strong temptation to cover, under these trademarks all agricultural products irrespective of the production method, in which case products positioned on very different market segments / market channels cohabit (according to the table below, see 2.1). This strategy is, as a general rule, not very efficient, unless a region benefits from a high sympathy level from the consumers, which is rarely the case outside the region itself.

In most cases, the approach quickly leads to the elaboration of standards for the regional trademarks which represent the coherent characteristics with the image attributes of the region, so as to maximise possible synergies.

The trademark « Les saveurs du Jura Vaudois » only covers artisan products. The trade mark « Valais-Wallis » covers both artisan products (cheeses, wines, liquors, dried meat, rye bread – of which some are PDOs), organic and fruits of superior quality (apricots, apples and pears). Work is underway to associate other artisan products and services (hotels).

The interest of regional products is to bring together products of very different volumes. When the image attributes are coherent, a regional trademark can be a good support to regional promotion and to the construction of a strong social and cultural identity.

4 OVERVIEW OF THE REGULATORY AND POLICY ENVIRONMENT AND INSTITUTIONAL SETTING IN SWITZERLAND

4.1 Agricultural Policy with strong environmental requirements

A reform of the agricultural policy was initiated in 1992 based on a separation of price and income policies. Product prices were reduced and direct payments were introduced. Direct payments were rapidly linked to environmental performances. Today all farmers must comply with a set of environmental requirements (PEP = proof for ecological performance) if they are to receive any direct payments. The PEP requirements are:

- well-adjusted fertiliser balance and regular soil analyses;
- appropriate share in ecological compensation areas,
- organised crop rotation;
- adequate soil protection;
- specific use of plant treatment agents;
- animal-friendly livestock husbandry.

An appropriate share in ecological compensation areas means that farmers must devote at least 7% of the utilised agricultural area (UAA) to strips of meadows along paths and surface waters, hedges, bushes, overgrowth and forest edges. This policy goes beyond farming practices and is clearly nature oriented.

The importance of direct payments to the income of Swiss farmers is so high that 95% of the land is farmed according to the PEP conditions.

In addition to these general direct payments, farmers can participate in specific programmes with additional criteria and receive ecological direct payments (organic agriculture, special animal-friendly husbandry of livestock, etc.).

In 1996, the contract between the Swiss society and its agriculture was embodied in the Constitution after a popular vote that won the support of 78 %. Art 104 stipulates that "The Confederation shall ensure that agriculture contributes substantially by way of a sustainable and market-oriented production

- a) to secure provisions for the population;
- b) to the conservation of natural resources and the upkeep of rural scenery;
- c) to a decentralised inhabitation of the country".

The objectives embodied in the Constitution make it clear that agriculture must fulfil tasks which extend beyond pure food production.

4.2 Specific conditions for production and sales

Without going into details, one must point out that specific market support schemes have an impact on the sustainability of food supply chains. For example specific dairy expenditures are allowed for milk processed into cheese and for feeding cows without silage. These measures support a raw milk cheese production based on grazing and hay production. There is an impact on the land use (natural meadows) and on the dairy structure (upkeep of artisan dairies in mountainous areas).

In addition, protection at the boarder (tariff quotas) is still important. For example, tariffs on the import of some fruits and vegetables are prohibitive during the inland season production.

4.3 A better designation of agricultural and products foodstuff

In 1995 the possibility for the Confederation to support the definition of food products was embodied in the Federal Law on Agriculture. According to art. 14 of the law, the Confederation can edict rules for" the designation of products that are

- a) elaborated according to a specific production method;
- b) presenting specific characteristics;
- c) produced in the mountain area
- d) identified by the origin"

Letters a) and d) have been implemented in practice. Switzerland has a specific regulation for organic food products and another one for Protected Designation of Origin (PDO). Both regulations are similar to EU regulations in order to facilitate the trade of that kind of products.

The Confederation has a related legislation that allows the State to support the collective action of a group of enterprises involved in the definition and the marketing of products with a specific designation (see next point).

The respect of the regulation on organic production is under the supervision of the Federal office of agriculture. Regarding the respect of the regulation on Protected Designations of Origin, the responsibility to deal with frauds rests with the Chief Chemist of individual cantons (26!). Producer unions are not satisfied with that situation. There is a strong lobbying to force the government to apply art. 182 of the Law on agriculture that gives the federal government the power to create a body to deal specifically with fraud in the field of protected denominations of agricultural products.

4.4 A policy to promote the sales of agricultural products

The art. 12 of the Federal Law on Agriculture allows the government to support marketing communication through subsidies. It is considered as a paramount importance that Swiss agriculture achieves the highest possible preference for domestically produced foodstuffs. The government has an annual budget of 60 millions Swiss francs (40 millions Euros) to support market communication, advertisements, sales promotion, public work, sponsoring, etc. Swiss agriculture must cover 50% of the costs, which means that there is a potential of 120 millions Swiss francs for sales promotion.

This policy led to an institutionalisation of agricultural marketing in Switzerland with private associations operating at national level or regional levels, in specific sectors of production or in general. We can mention five significant associations:

- Agro Marketing Suisse (AMS) that coordinates the efforts of various initiatives in the marketing and communication of Swiss agricultural products in general;
- Switzerland Cheese Marketing (SCM) which operates at the international level in the promotion of Swiss cheeses;
- Käse Organisation Schweiz (KOS) which operates in the domestic market and coordinates the promotion efforts of the specific cheese supply chains;
- BIO Suisse that promotes organic production and foodstuffs;

- Association Suisse pour la Promotion des AOC-IGP that develops a specific communication for PDO/PGI products.

4.5 Promotion of regional products

The Confederation can allow up to 5% of its budget for the promotion of sales of agricultural products to regional projects promoting regional food products. In addition, most of Swiss regions have a promotion budget dedicated to regional food products. These promotion plans are dedicated either to a generic regional promotion (including all products) or specific products (“terroir” products). Sustainability is more suggested than a main argument, even in mountains areas.

A policy to support the collective action of interprofessional bodies and producers’ organisations

Art. 9 of the Federal Law on Agriculture allows the government to declare compulsory for the non-members of interprofessional bodies or producers’ organisations the measures adopted by those organisations. The organisations must be representative for a specific product and their internal process of decision making must be democratic. The measures must relate to the improvement of quality, the promotion of sales or the adaptation of supply to demand. The purpose of the Swiss legislation on interprofessional bodies and producers’ organisations is to support and allow collective action in agriculture by solving the problem of "free riders" who benefit from the collective measures without applying them or without supporting the costs of them. In addition, interprofessional bodies are allowed by art. 8a of the Federal Law on Agriculture to publish indicatory prices under certain conditions, in order to improve the quality of information on the side of producers. They do not encounter problems with antitrust authorities if they remain in the framework defined by the Law. Most of the agricultural sectors have an interprofessional body and/or a producers’ organisation.

Agricultural policy as a component of regional and mountain policies

Swiss federalism is shaped by the large institutional and fiscal competencies that cantons and municipalities enjoy. Extended responsibility and fiscal power enable the cantons to determine and pursue their own development trajectories. Vertical intergovernmental policy cooperation combined with an elaborated system of financial transfers, acts as a counterpart to the competitive environment and has prevented disparities from becoming excessive.

Several policies have been passed to support mountain areas (2/3 of the territory and 1/4 of the population). We should distinguish between: explicit mountain policies (ex. Federal law on investment in mountain areas – LIM) ; general policies with territorial impacts (ex. Federal law on fiscal equalisation; Federal law on land use); specific policies with territorial impacts (Federal law on agriculture, Federal law supporting credit in the tourist industry; Federal law on national roads).

Agricultural policy supports mountain farming by delimiting several mountain zones. The federal government allows different kind and different amount of subsidies for investments, land and herd management according to these geographical zones.

5 SECTOR BY SECTOR SUMMARY OF FSCs IN SWITZERLAND

5.1 Dairy products

80% of Swiss agricultural land is dedicated to grass production (both pastures and meadows), much of this dedicated for milk production. The milk sector is the most important agricultural sector in Switzerland, both in terms of income, number of producers and impact on rural development. (36% of the total value of production at farm gate and 51% of all animal production). There are 36 200 milk producers (57% of them in the plains), producing 3'200'000 tons of milk (of which 68% is produced in the plains). In the last years there has been a strong and accelerating reduction of number of producers :between 1996 and 2000, - 2.5% per annum ; 2001-2002 – 4.9%. Farm sizes are relatively small, though increasing, with an average size of farms of 19.6 hectares (plains 20.6, mountains 18.2), and average quota per producer in 2001 of 83'407 liters (with 98'200 Liters in the plains, and 63'500 in the mountain zones). Average herd sizes are 17 LCU, (plains : 18.9, mountains: 14.5).

Milk quotas are an important regulatory mechanism, as this has traditionally limited the volumes and maintained a decentralised production. New rules permit a “transfer of quotas”. 36% of Milk is produced without using silage. This is very important for the production of our hard cheeses, and has a real effect on the use of grasslands.

7.7% of milk producers are organic and they produce 6.3% of the total milk amount (many producers are relatively small with an important concentration in the mountainous areas).

5.1.1 Institutions, organisational forms and governance

The following table (figure 3) indicates the main types of supply chains in the dairy sector. It shows that the market is divided in clearly identified poles.

The normalised /industrial system is dedicated to long, high volume outlets.

Artisan products are sold by all channels, from extra-short to extra-long. Direct sales to consumers concerns mainly the artisan type cheeses and small volumes of other dairy products (yoghurt, cream...). Dairy products are the main agricultural export of Switzerland, with hard speciality cheeses leading the way, (42 % of cheese is exported, all in all 26% of milk is exported, whereas 17% is imported, mainly in form of cheeses and butter.)

Organic products are present in all outlets, from short to long.

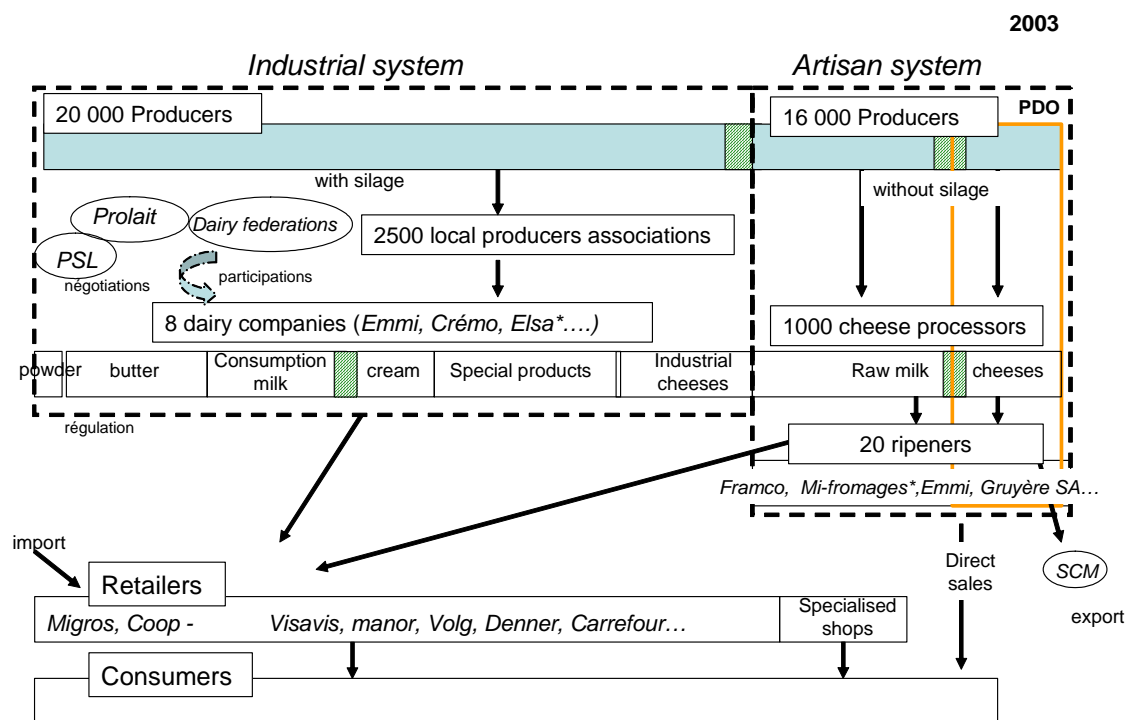
The following map (figure 4) presents the different systems of selling dairy products in Switzerland. The length of the rectangles is to scale of the volumes of traded equivalent liters of milk. This card was produced with the support of professionals from the sector, with the objective of identifying actors who are in commercial relations. This approach confirms the coexistence of two relatively impermeable systems; the “industrial” system and the “artisan” system.

figure 3 : types of food supply chains in the dairy sector

Dairy products		← transport volume →							
		long International import, export	long national big retailers	long national collective housings	long national gastro with wholesaler	medium specialised shops	short restaurants local shops open air	Short collective farmers' markets, packages	extra-short individual family, relatives, friends
channel	product market segment								
conventional generic									
normalised		import	firm brands						
			retailer brands						
eco-labels ethic labels									
organic		import	CoopNaturaPlan						
			Migros Bio						
artisan (among them PDO/PGI)		import export	PDO cheese						
new products									

According to S.Révillon & P. Damary, Swiss team, Sus-chain, WP1

figure 4 : map of the dairy sector in Switzerland



* Group belonging to Migros

The supply chain is divided in two main co-ordinated vertical systems :

The industrial system (on the left of the card) : producers do not know how their milk will be processed. They deliver the milk to a local dairy group of producers, that is affiliated to a federation. The federation has contracts with a dairy company. There are 8 large processing companies that make up to 96% of the market (up to 2003 they were 9 ; 2002 saw the collapse of Swiss dairy food, the largest processing company... most activities have been taken over by the other actors :Emmi, Cremo, LRG....). This sector has seen many changes in the last ten years, with the gradual liberalisation of the market and diminishing role of the state. 4 of these companies are fully or majority owned by the dairy societies regional federations, whilst one is owned by a large retailer (Migros) and 3 are pure private companies. These dairy companies decide on the use of milk either for generic products (consumption milk, powder, butter), special products (yoghurts, deserts) or industrial cheeses based on pasteurised milk.

The artisan system of production of matured cheeses (right side of the card) : the producers produce without using silage (zone de non-ensilage). They are in direct link with an artisan type of cheese-dairy (approximately 1000 in Switzerland). These dairies usually belong to the local producers association. These dairies then sell the cheeses to a maturing company (20 in Switzerland, with 4 majors) that then trades the product in Switzerland and abroad. Within this artisan system, the PDO alliances have a specific place. The family of labelled PDO products is increasing rapidly, as more are registered. The PDO labelled products can be in competition with industrial or artisan type copies.

5.1.2 Sustainability and transparency of the current structure

The whole Swiss milk production is obtained with environment friendly practices. However this information is never given to the consumer, neither in the industrial system nor in the artisan one.

The bio market segment is developing quickly, pushed by the retailers' strategy (mainly Coop NaturaPlan).

The artisan character, and the origin are important image attributes that form the basis for communication strategies of the PDO and other artisan cheeses.

5.1.3 Interrelationships with rural development

The effects of the industrial system on rural development are very small, when not negative. Producers are invited to produce at low costs on a very intensive way, with high yield cows.

The artisan system on the contrary is exemplar. When the production volume is high (Gruyère), the effects on direct and indirect employment are important. But even when it is not, the artisan cheese making has important indirect benefits on tourism in the concerned region. Another important economic contribution is the maintenance of the skiing slopes. The cows graze during summer and thereby avoid heavy maintenance costs, at the benefit of the ski resorts. Besides direct and indirect economic benefits, the cheese making creates not merchant goods that are essential to the protection of mountainous areas. Cattle is the best solution, according to biologists, for maintaining open spaces in the mountains, preventing the fallow to spread and protecting rare flora. The artisan cheeses promote a high number of cows

with a low milk yield and extensive farming methods that benefit mountain protection. This contribution to the mountain upkeep and the fight against fallow has other benefits. It maintains the famous typical Swiss landscape. It is also a very efficient preventive method against natural disasters (forest fires, avalanches). Rural development in mountain areas is a very important issue in Switzerland, at all levels (local, regional, federal). Different institutions and programmes support the producers and processors initiatives.

5.1.4 Bottlenecks to a sustainable development of rural areas

It is necessary to better look at a fair competition between industrial products and artisan ones. Protection against copies is essential. More products are now recognised as PDO products and this is a smart move in favour of rural development.

Organic products are now at a critical point of their development, with a high risk of industrialization.

5.2 Fruits

Fruit production covers approximately 7000 ha. These are mainly concentrated in the cantons of Valais, Thurgovie and Vaud where they play an important role in agricultural and post-harvest employment. The main productions are apples, pears and strawberries. Apricots are an important production in the Valais. Diversification (cherries, prunes, table grapes...) is ongoing.

“Conventional” production has become “Integrated production” due to the agri-environmental criteria imposed by the new agricultural policies (see chapter 3), as well as extra norms defined by the sector. The federal research centers have played an important role in the definition of the production methods and standards, as well as in the selection of new varieties.

The changes in this sector have been considerable during the last years, due to the agricultural policy reforms and the changes of demand by the large retailers. These developments are on-going.

5.2.1 Institutions, organisational forms and governance

The following table (figure XX) indicates the main types of supply chains in the fruits sector. It shows that the market is very diverse.

Import is very important (20% of provision of apples, pears, plums, prunes, cherries, apricots and peaches). It concerns mainly conventional products which compete with integrated production Swiss products.

The “normalised” products supply chains develop quickly, at the request of retailers.

Conventional and normalised products are more likely to be sold in long channels. Artisan and new products are mainly found in the short channels.

Organic products are present in all outlets, from short to long. The retailers are mostly interested by the organic segment, especially Coop with its private label CoopNaturaplan

The origin is a sales argument which is developing for image products (strawberries, apricots, other berries) or for local varieties of apples and pears. The regional brands

such as Valais-Wallis, which is a multi-products initiative, cover products in different segments.

Max Havelaar (fair trade) label is well known for bananas and some fruit juices (orange) and sometimes also carries the organic label. These products, only placed on products from developing countries, pass through other supply chains.

The extra-short supply chains are still very developed in some regions.

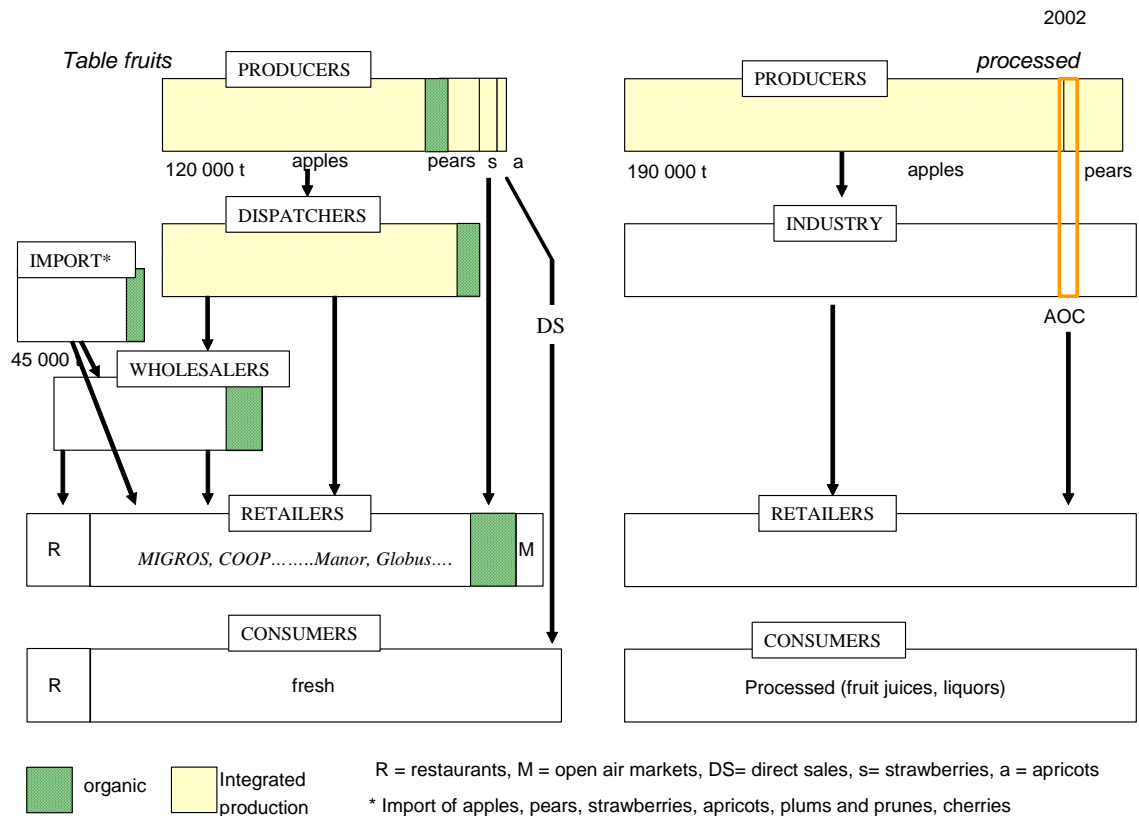
The following map (figure XX) presents the different systems of selling dairy products in Switzerland. The length of the rectangles is to scale of the volumes of traded equivalent liters of milk. This card was produced with the support of professionals from the sector, with the objective of identifying actors who are in commercial relations. This approach confirms that the fruit sector is in rapid evolution.

figure 5: types of food supply chains in the fruits sector

Fruits		← transport volume →						
channel \ product market segment	long International import, export	long national big retailers	long national collective housings	long national gastro with wholesaler	medium specialised shops	short collective restaurants local shops open air...	Short individual direct sales consumers, restaurants	extra-short individual family, relatives, friends
conventional generic	import							
normalised	import	Regional brands						
eco-labels ethic labels	Max Havelaar							
organic	import	Coop NaturaPlan Migros Bio						
artisan (among them PDO/PGI)					Regional brands (Valais-Wallis)			
new products								

According to S.Réviron & P. Damary, Swiss team, Sus-chain, WP1

figure 6: map of the fruits sector in Switzerland



Three different systems compete:

- The traditional supply chain, in which the producer delivers his fruit to a dispatcher, who dispatches larger volumes to a wholesaler, dominates the market. The wholesaler plays an important role in gathering a complete conditioned assortment (including imported products) to deliver to the retailers. Concentration in this sector is progressing rapidly, due to the strategy of the retailers to reduce the number of suppliers. This is evolving towards the second system, namely;
- Different shorter supply chains, which are developing with the objective of reducing the number of intermediaries within the long channels. Some producers sign direct contracts with wholesalers outside of their region, integrating the role of dispatcher; others integrate the conditioning into their production process and deliver the nearby retailers directly (this option depends on the policy of the retailers if they give the freedom of individual shops to buy directly without going through the buying centres). Some dispatchers are associating or merging, to be able to supply the retailers directly.
- Another supply chain, which we could call very short supply chain, has developed in certain regions and for certain products. These involve direct selling to the consumers, through open air markets (marchés paysants) and farm gate shops (important around large cities and along tourist routes), as well as pick-yourself possibilities. These initiatives may be individual or collective.

Processing, mainly into fruit juices or alcohol, is an important outlet for fruit of second quality or as a buffer for temporary surplus. It is organised around processing companies.

Organic products are traded by specialised wholesalers to the retailers. Direct sales is also well developed, though it has somewhat stagnated in volumes since the large retailers have entered the market.

5.2.2 Sustainability and transparency of the current structure

The whole Swiss fruits production is obtained with environment friendly practices and qualifies as “integrated production”. However the information to the consumer is very discrete (a mention on the point of sale boards without any explanation). At the point of sale, the lack of information to the consumer is the result of two strategies :

- Retailers are reluctant to highlight integrated production fruits firstly because it could depreciate the conventional products (mainly imported). They don't want the consumer to express a preference and restrain their buying power. Secondly, they want to protect the organic segment, which has a strong and clear image among consumers and argue that too many environmental sustainability categories could lead to confusion. The Max Havelaar label is well accepted because it concerns another type of sustainability.
- The producers of standard products and their associations estimate that the sustainability argument does not differentiate them from the other Swiss producers and therefore do not supply information on the packaging. They make the classical mistake of restricting the definition of the relevant market to their closest competitors. When 70% of strawberries are imported, the Valais producers watch only the Thurgovie producers (another region in Switzerland) leaving the consumers to understand by themselves why local strawberries are so much more expensive than imported ones. Some dispatchers have created their own brand but do not include the sustainability argument in their promotion strategy. The regional brands communicate

mainly on the origin attribute. They should transmit systematically information on the environmental friendly farming to the benefit of the region image.

The bio market segment is developing quickly, pushed by the retailers' strategy (mainly Coop NaturaPlan).

5.2.3 Interrelationships with rural development

Fruit production creates both direct and induced employment (with the expeditors and processors). The social conditions of employment of seasonal workers is an issue that is often raised.

The landscape value of intensive orchards is a controversial issue. The flowering of some of the fruit trees is appreciated by residents and can be a source of animation.

The contribution of fruit that carry a strong positive image (such as apricots or small fruit in the mountain canton of the Valais), to tourism and, more widely, to social and cultural identity, is important.

5.2.4 Bottlenecks to a sustainable development of rural areas

The fruit market is attractive and demand is strong. Recommendations in health matters are favourable to fruit. However, to benefit from this favourable trend, Swiss supply chains must elaborate a strategy of differentiation relative to imported competition.

A progressive and prudent diversification towards other fruit than apples and pears, an in depth study of the promises to consumers and work on the image of Swiss fruit should contribute to maintaining market shares.

Organic products are now at a critical point of their development, with a high risk of industrialization.

5.3 Vegetables

Vegetables production covers approximately 8000 ha plus the greenhouses areas. These are mainly concentrated in Seeland and Vaud regions where they play an important role in agricultural and post-harvest employment. The main productions are carrots, onions, tomatoes, lettuce, and cauliflower...among more than 100 products

As for fruit, “conventional” production has become “Integrated production” due to the agri-environmental criteria imposed by the new agricultural policies (see chapter 3), as well as extra norms defined by the sector. Important technological progress has been made, in particular in greenhouse production. “New” products have been introduced (grape tomatoes, peppers...) and the organoleptic (taste) qualities improved. Some producers have specialized and have gained an recognized expertise.

Changes in this sector have been considerable in the last few years, due to the reform of the agricultural policies and changes in demand from the large retailers.

5.3.1 Institutions, organisational forms and governance

The following table (figure XX) indicates the main types of supply chains in the vegetables sector. It shows that the market is very diverse.

Import is very important (50% of vegetables provision). It concerns mainly conventional products which compete with integrated production Swiss products.

The “normalised” products supply chains develop quickly, at the request of retailers. Few partners, which may be a dispatcher, a wholesaler or a producer platform, are selected by the retailer according to quality management and services supply.

Conventional and normalised products are more likely to be sold in long channels. Artisan and new products are mainly found in the short channels.

Some private collective brands (Swiss red for tomatoes, Suisse Qualité) try to highlight Swiss products rather than integrated production farming.

Organic products are present in all outlets, from short to long. The retailers are mostly interested by the organic segment, especially Coop with its private label CoopNaturaplan.

Artisan production is active. It concerns small producers who propose a large range of products (classic or original) that they deliver directly to their clients (restaurants, specialised shops, collective kitchens) or direct sell in an open air market or at the farm’s gate.

The extra-short supply chains are still very developed in some regions and resist quite well.

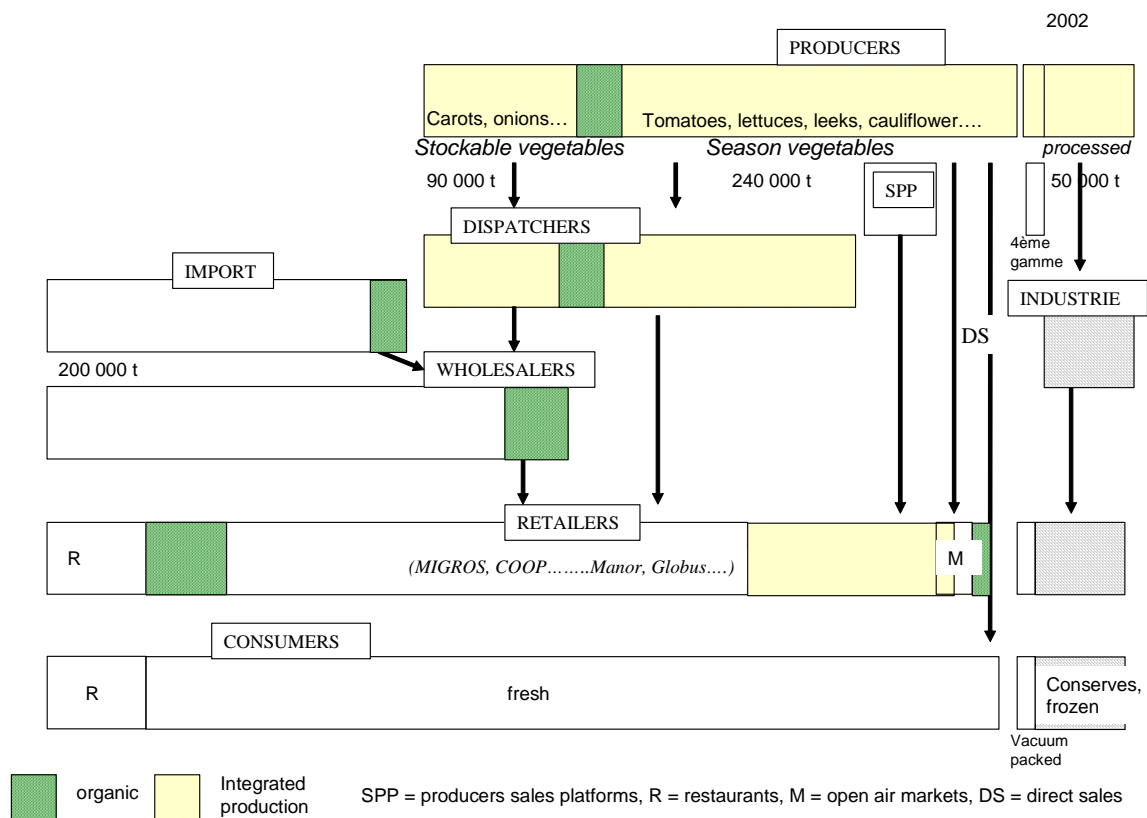
The following map (figure XX) presents the different systems of selling dairy products in Switzerland. The length of the rectangles is to scale of the volumes of traded equivalent liters of milk. This card was produced with the support of professionals from the sector, with the objective of identifying actors who are in commercial relations. This approach confirms that the vegetables sector is in rapid evolution.

figure 7: types of food supply chains in the vegetables sector

channel	transport volume ←							
	long International import, export	long national big retailers	long national collective housings	long national gastro with wholesaler	medium specialised shops	short collective restaurants local shops open air	Short individual direct sales consumers, restaurants	extra-short individual family, relatives, friends
product market segment								
conventional generic	import							
normalised	import							
eco-labels								
ethic labels	Max Havelaar	IP Suisse						
organic	import	Coop NaturaPlan Migros Bio						
artisan (among them PDO/PGI)								
new products								

According to S.Révireon & P. Damary, Swiss team, Sus-chain, WP1

figure 8: map of the vegetables sector in Switzerland



The vegetable sector is evolving rapidly. Different systems compete :

- The traditional supply chain, very similar to the traditional fruit supply chain, with the products going from a producer to a dispatcher (often a cooperative), to a wholesaler, and finally to the retailers This supply chain is now put in competition with shorter supply chains.

- Shorter supply chains integrate a level in the supply chain. The dispatcher may deliver directly to the retailer. Sales platforms of producers are another alternative. These are usually large producers, that have developed very performing systems on one or a number of products, and who develop direct contracts with retailers. These producers then buy from other farmers in the region the products that are missing in their assortment and deliver a complete package to the retailers.

- Direct or semi-direct sales to the consumers, through small shops, market stands, farm gate shops and restaurants is also developing, based on an original (rare and tasty varieties) and varied assortment, of very fresh products, the welcoming contact and/or special services (deliveries).

- Prepared and packaged vegetables (washed, cut and vacuum packed) is the domain of only a few producers, as it requires important investments and know-how.

Organic products, and products produced according to integrated management systems are in the same situation as with fruit.

The mention of origin is very rare. Some initiatives, in particular where vegetables are a major agricultural production (Geneva, Berne) are promoting local products through the distribution chains, but this remains marginal.

5.3.2 Sustainability and transparency of the current structure

The great majority Swiss vegetable production is obtained with environment friendly practices and qualifies as “integrated production”. However the information to the consumer is very discrete (a mention on the point of sale boards without any explanation). At the point of sale, the lack of information to the consumer is the result of two strategies :

- Retailers are reluctant to highlight integrated production fruits firstly because it could depreciate the conventional products (mainly imported). They don't want the consumer to express a preference and restrain their buying power. Secondly, they want to protect the organic segment, which has a strong and clear image among consumers and argue that too many environmental sustainability categories could lead to confusion.

- The producers of standard products and their associations estimate that the sustainability argument does not differentiate them from the other Swiss producers and therefore do not supply information on the packaging. Even the private collective brands, such as Swiss red, Suisse quality do not use the argument.

IP Suisse (a multi-products label that concerns potatoes) on the contrary insists on the environmental quality and is included in the Migros EngageMent program.

The organic market segment is developing quickly, pushed by the retailers' strategy (mainly Coop NaturaPlan).

5.3.3 Interrelationships with rural development

Vegetable production creates jobs, both on the farms and in post harvesting, however the question of the social conditions of seasonal employment is a recurrent issue.

The question of aesthetic value of greenhouses is often raised and generally considered very low, yet some areas could almost be considered as “little Netherlands”, as you can find canals, flat surfaces and bike lanes. Greenhouse tend to be placed near urban zones.

5.3.4 Bottlenecks to a sustainable development of rural areas

The vegetable market, like the fruit market, is attractive and demand is strong. Recommendations in health matters are favourable to vegetables. However, to benefit from this favourable trend, Swiss supply chains would need to be able to increase production. Some regions have a real potential in this sector, with good technical know-how in integrated pest management systems and management of quantities.

Organic products are now at a critical point of their development, with a high risk of industrialization.

5.4 Bovine meat

Bovine meat is in the great majority of cases a “by-product” of dairy production (approximately 700'000 animals a year). The races and selection criteria of cattle in Switzerland is rarely purely for Milk, and 30 to 40% of inseminations in the milk herds are with meat races, so that these “by-products” may carry satisfactory meat quantities and qualities. 25% of the animals from the dairy sector are old dairy cows, processed into sausages and other processed meats, whilst the other 75% is either white veal (4 months old) or fattening beef (12-18 months). These may be raised on the farms with the dairy herd, or, more commonly, on farms that specialise in fattening. This strong correlation to the milk sector increases the inelasticity of the market, that already has very slow reaction periods.

There is also a small but increasing number of farms that raise cattle specifically for meat production (approximately 70000 animals a year). This section is dominated by “suckling cow” production, with a small proportion being produced as prime beef.

Production suffered from the BSE crisis between 1996 and 2001. The self-sufficiency is of 92% for veal and 85% for beef meat.

Producers are organised in different professional defence organisations depending on their production system. They also have different associations linked to production standards, such as the “association of nurturing and mother cows” (+NaturaBeef and SwissPrimBeef) and IP-Suisse (integrated production), as well as with labelled production (M7, Agri-Natura and Naturaplan).

There are many *animal traders*, some fully independent, some linked to larger retail groups. One group however seems to dominate in certain sectors, namely Anicom ltd, a group owned by the producers organisation FENACO, who own the label Agri Natura and provide the meat for Bell (Coop) under the program Naturaplan. Micarna is also active in this sector on behalf of Migros.

A grouping called ProViande, in which consumers, producers and processors (and retailers) are represented, has been mandated by the federal *government to organise the market*, but its intervention means are limited. They discuss when action should be undertaken, *participate in the regulation of imports* and can play somewhat on the % to be sold as white beef or fattening beef.

The *abattoirs* work mainly as service providers to the owners of the animals (these can be producers, butcheries – even their own sister companies in many cases, or retailers), and therefore abattoirs have little to say in the market place. Swiss policies are in the direction of a reduction of the number of abattoirs with EU hygiene standards, and these means that even though many small abattoirs still exist, their importance is strongly reduced (a few 100s of abattoirs kill 10 to 15% of the animals ???). The rest is slaughtered by a few large abattoir groups, some with strong, but not exclusive links to the large retailers. Migros has its own abattoirs, Coop owns a large % in Bell that has its own abattoir, but both of these can sell outside the group, and there are a few other large independent abattoirs, many of which work with the two large groups also.

At the *processing level* (ripening, cutting, packaging and further processing), there are basically two channels systems:

- *The large national distribution channels*; this supply chain is dominated by two major groups, with very strong links to the two main retailers, Micarna with links to Migros, and Bell with links to Coop dominate the market. These are followed by 2 other groups with relative importance at the national level, namely DelMaître (with links to the producers organisation of Geneva) and Carnavi (with links to the national producers organisation FENACO) and a limited number of purely private companies, including Marmy and Sutter.

There are a number of labels with extra production standards (mainly linked to animal welfare). These are steered by the large retailers, (M7 steered by Migros and different labels covered by Naturaplan steered by Coop). In these label programs, the organisation of the supply chain is the following; producers sign agreements and are controlled for the respect of the standards, the animals are then sold on the parallel market for this labelled meat. If there is too much of this meat, the price is lowered the distributor will sell it as “non-labelled” meat.

A new label, mainly assuring traceability has been developed by the Swiss producers Union; *AQ (Assurance Qualité)*. This label is now almost obligatory for all meat producers, as the retailers now only accept meat traced with this system and it is now considered the standard market.

Other labels, concerning specific production methods, such as Naturabeef for suckling cows, almost exclusively sold through Coop, have been gaining importance. With Coop Naturabeef, the producer has an agreement to produce according to given standards, but has *no buying guarantee for the individual farmer (no production contract)*. *Indeed*, Coop signs an agreement on quantities only with the producers organisation – or is a meat trader. however if the producer finds a buyer for is approved meat he will get a premium per kg on the days quote for non-labeled meat. With this system, farmers often produce meat according to standards of a given label program, but must sell the animal at the non-labelled price. To be checked –

- *Small local distribution channels*; These are resisting the trend towards concentration, often by maintaining the small local abattoirs and numerous small

butcheries so as to be able to provide short local supply chains. This supply has a certain importance in the mountainous regions. In this sector numerous small butcheries produce local specialities, some of which are obtaining PGI status.

It is noticeable that private home consumption of meat represents only approximately 50% of sales. The is sold through restaurants and hotels and collective kitchens (canteens, schools, hospitals...). A general observation is that the indigenous and labelled meat are sold in majority through shops to private homes, whilst the conventional and imported meat is sold in majority to collective kitchens and restaurants. (Buletin du marché de la viande, OFAG mai 2003).

Organic meat has traditionally been sold through specialist outlets or direct sales and has remained marginal, with much of the “by-product” meat from the dairy sector being sold as conventional. The large retailers have however started selling organic fresh meat, and this sector is gaining in importance.

The distributors labels (M7 and those linked to CoopNaturaplan) correspond to integrated production methods, with some animal welfare standards (these are pretty strict in the Swiss legislation anyway) and consumer often confuse these products with organic (particularly with CoopNatura plan, who in the vegetable and fruit sector is exclusively organic but in the meat sector has both integrated production and organic, differing only in the colours of the packaging).

The origin of the meat is rarely mentioned. Only a few local initiative, usually in partnership with restaurants and local retailers, put the local origin as a sales argument forward. Even with the PGIs of processed meats (sausages and dried meats) it is not the origin of the meat that is put forward, but the specificities of the locality and recipe of the processing.

5.5 Sheep meat

Approximately 4000 farms produce sheep. Production has increased by 18% in the last 10 years but still does not satisfy demand. The self-sufficiency rate is low at around 35%.

The analysis is similar to the bovine meat. Import is much higher and represent around 50% of the consumption.

5.6 Wines

Swiss wine production is small (300 million litres), even if in some regions, it is however a major source of agricultural income, but is of major interest in terms of sustainable development. .

Due to the very particular production conditions (steep hills, altitude) and small structures, production has remained mostly of artisan character, with very little mechanisation. Many local varieties have been maintained, giving a original wines, unique to Swittherland.

As for fruit and vegetables, all Swiss grape production is now done according to “integrated production” methods (or organic) and the producers, supported by the federal research centres, have developed a good know-how in these techniques.

The wine sector is in full transformation, due to the great improvements in oenological quality of Swiss wines.

5.6.1 Institutions, organisational forms and governance

The following table (figure XX) indicates the main types of supply chains in the wines sector. It shows that the market is divided in two parts : the artisan quality wines and the conventional wines. The products price range is very large.

Import is very important in both product segments, mainly from France and Italy.

Organic wine is still rare, thou there are a good number of organic producer-cellar owners, covering % of produced wine in Switzerland. Organic products are present in all outlets, from short to long. The retailers are mostly interested by the organic segment, especially Coop with its private label CoopNaturaplan.

Integrated production methods benefit from the label Vinatura (standards are the PEPs +). This label, launched a few years ago, now covers approximately 20%?? of the market, but has not reached the levels hoped for. If through direct sales, the integrated production methods are put forward by the producer- cellar owner, this publicity rarely reaches the consumer of wines in large retailers. On an institutional level, certain regions, such as the Valais do communicate on this question, without their efforts being carried on the signs on the bottles.

Most of the production is artisan. The Swiss wine has a complicated PDO system, that is mainly regional. The products are present in all outlets.

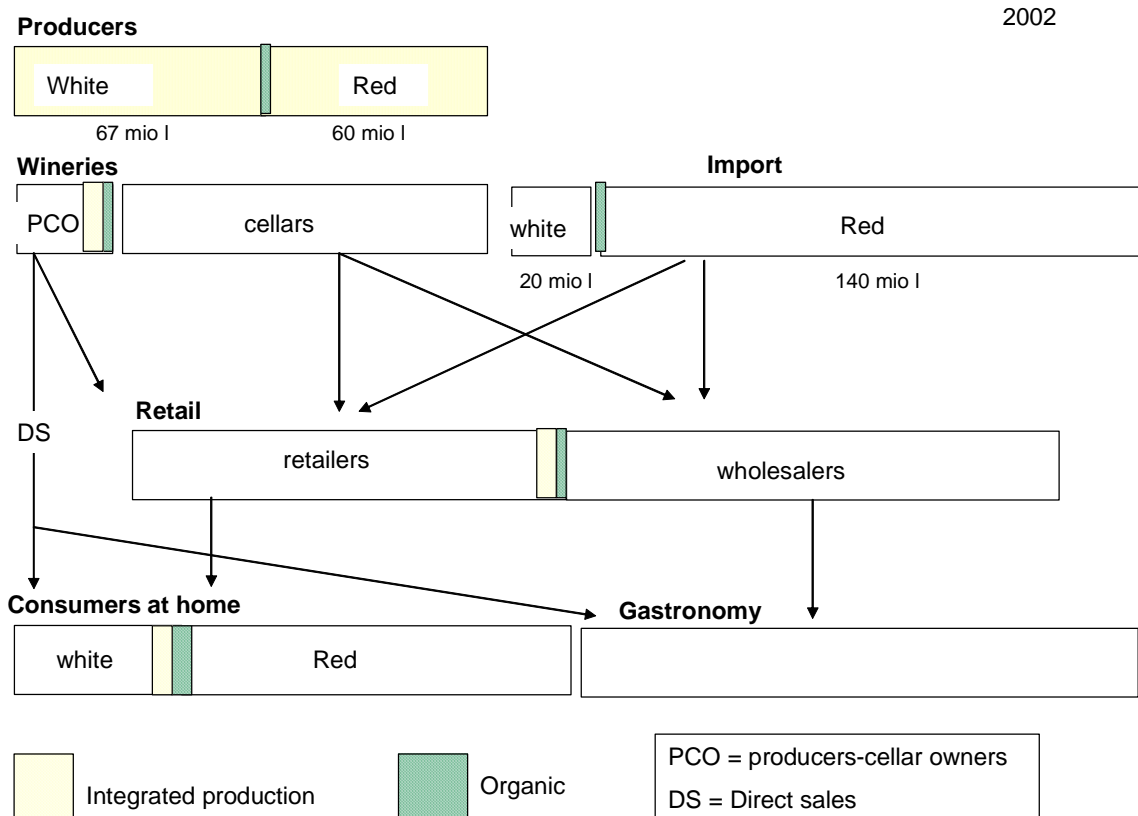
The following map (figure XX) presents the different systems of selling dairy products in Switzerland. The length of the rectangles is to scale of the volumes of traded equivalent liters of milk. This card was produced with the support of professionals from the sector, with the objective of identifying actors who are in commercial relations. This approach shows the development of producers-cellar owners.

figure 9 : types of food supply chains in the wines sector

Wines		← transport volume							
		long International import, export	long national big retailers	long national collective housings	long national gastro with wholesaler	medium specialised shops	short collective restaurants, local shops farmers' markets...	Short individual direct sales	extra-short individual family, relatives, friends
channel	product market segment								
conventional generic	import								
normalised									
eco-labels ethic labels			Vinatura						
organic	import	CoopNaturaPlan							
artisan (among them PDO/PGI)	import	PDO wines							
new products									

According to S.Réviron & P. Damary, Swiss team, Sus-chain, WP1

figure 10 : map of the wines sector in Switzerland



The traditional supply chain, with a producer delivering his grapes to a co-operative or private cellar, is still well developed. But there is also an increasing number of producer-cellar owners (who both produce the grapes and vinify them)

Direct sales in the wine sector represent 15 to 20% of the market, with cellars open regularly for wine tasting.

5.6.2 Sustainability and transparency of the current structure

Swiss production has reached high levels of environmental sustainability. However, there remains a lot to be done to transmit this reality to consumers.

The Vinatura label and the efforts undertaken by the association Vitival (in the canton of Valais) go in the right direction.

The question of landscapes are understated in the communication efforts, but never explicit, yet this could be a major asset, as the landscapes of the wine regions of Switzerland are of exceptional beauty.

5.6.3 Interrelationships with rural development

The effects of the wine sector on rural development are important. Firstly maintains jobs both through direct and induced employment.

Contribution to tourism is considerable, both through an offer of original and typical products of ever increasing quality, and through the creation and up-keeping of spectacular landscapes (terraced vineyards with high mountains in the background), as well as through wine tasting activities in the wine cellars.

Wine also has an important place in the cultural and social regional identity.

The contribution to bio-diversity is more controversial. The networking of ecological compensation surfaces could contribute to improving the record in this domain.

5.6.4 Bottlenecks to a sustainable development of rural areas

Maintaining land cultivated with vines is vital to many regions and depends on the commercial performance on a very competitive market. The effort on enological quality, to place wines in the higher quality segments must be pursued. An improved marketing approach is essential so as to better serve the different segments of the market.

The promotion of Swiss wines should put more emphasis on its specific qualities, so as to reinforce their image in relation to imported wines. The environmental sustainability argument should systematically be put forward, as should the association with the landscape (“drink the view”).,

6 DRIVERS OF CHANGE IN FSCs IN SWITZERLAND

This first list of “drivers of change” was elaborated during an internal brain-storming session and does not claim to be exhaustive, nor are we able to evaluate the relative importance of each “driver”. We hope however to use this presentation and have external experts verify its validity.

We have divided the supply chain into the four classic levels – production, processing, distribution and consumption and have given each level an axis that we consider represents two opposing directions. These “opposing” directions though can not be read “vertically” as many supply chains may go from one side at the production level to the other side at the processing and transformation... (Example “organic UHT milk – certified – industrial- large retailers –consumers ??).

We then considered these drivers according to the PEST analysis proposed.

Political:

Production

Drivers	Conventional	Certified
Diminishing border protection, diminishing price support levels (1)	++	+
Direct payments (linked to PEPs) (2)		++
Regional (local) support (3)		++
Legal support and protection of Organic (4)		+

In cases where the driver has an impact in both directions, we conclude that it will tend to put pressure on those farms who do not have a clear profile (the middle ground) that will slowly be eliminated.

Drivers pushing towards “conventional” agriculture will tend to put pressure on farms to increase their size and to rationalise production methods. Drivers pushing towards “certified” production, will push farms to opt for possibilities of capturing more “added value” on the farm (capturing payments for improved production methods, offering other services...)

Processing:

Drivers	Industrial	Artisan
Diminishing border protection (BP), diminishing price support levels (1)	++	
Direct payments (linked to PEPs) (2)		+
“New (2001)” PDO law (5)		++
“Low quality” fraud repression (6)	+	

We also observe tendencies of vertical integration between the large retailers, industrial processing and “conventional” farming levels, pushed by the diminishing price support levels and the search for rationalisation, and, at the other end of the scale, tendencies towards more artisan production on the “certified” farms and increased levels of direct marketing (bypassing the “distribution level”).

Distribution

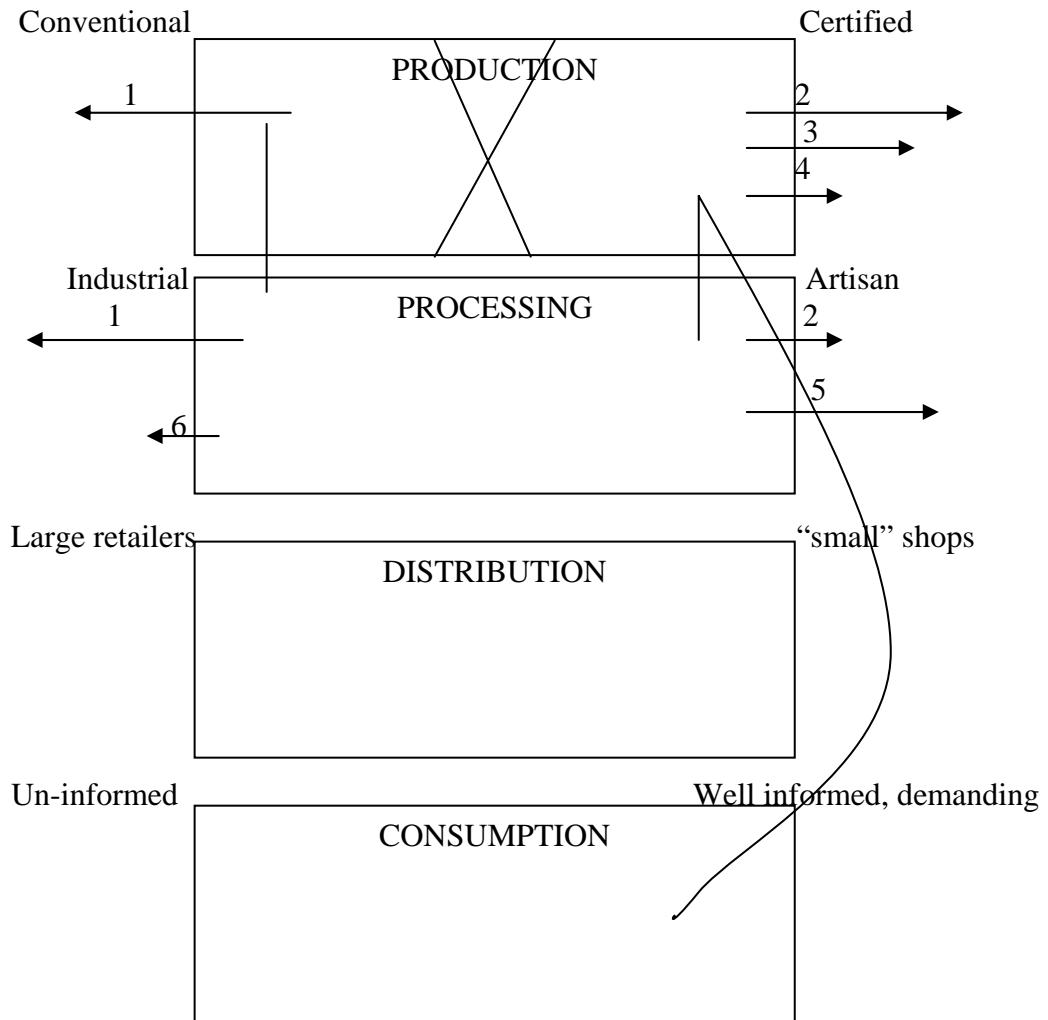
Drivers	Large retailers	“Small” shops
“Low quality” fraud repression (6)	+	
Weak anti-trust laws (7)	++	

Policies seem to have little influence on the distribution patterns in Switzerland. All that can be said is that the relative trade freedom left to the actors of this level has a tendency to encourage concentration in the retail sector (2 large retailers dominate 80% of the market).

Consumption

Drivers	Un-informed	Well informed/ demanding
No obligation to keep official signs on products (PDOs and PGIs) (8)	+	
State support for promotion (9)		++

Figure 11 : Graphic of policy drivers of change:



Economic:

Production

Drivers	Conventional	Certified
Differential of price levels CH / EU (1)	+	++
High labour cost levels (2)	+	
High cost of other inputs (3)		++
Low cost of capital (historical) (4)	++	
Strategy of large retailers (Development of distributor trade marks) (5)		++
Communication strategy of the “interprofessions” (6)		++

In our analysis, we have considered that the important price differential between CH and EU prices will tend to push more producers towards certified products (niches, specialities, high quality...), though some will try to rationalise to compete.

Historically, capital was available to Swiss farms at a relatively low cost. This encouraged over indebtedness and high levels of capitalisation on the farms.

The strategy of the large distributors is clearly a major influence in the direction of certified products. For example, organic production progressed rapidly when Coop started selling organic products in 1993.

Processing:

Drivers	Industrial	Artisan
Communication strategy of the “inter-professions” (6)		+
Development of distributor trade marks (5)	++	
Concentration of large retailers (7)	++	+
Low transport and energy costs (8)	+	
Differential of price levels CH / EU (1)	++	

Interestingly, the development of distributor trademarks that has contributed to increased certification at the production level, has also increased the levels of industrialisation at the processing level, as the distributors search for increased control of the supply chain. At the extreme, the distributors are increasingly integrating vertically by building or acquiring processing capacity and “attaching” producers through certification schemes.

The concentration of large retailers has a tendency to push towards industrialisation, though it also leaves open spaces for a more artisan approach. Again here we see that at this level, that companies without a clear profile and strategy in one or the other directions are currently at a disadvantage.

At this level, the price differential with the EU has a tendency to push processing companies to search for cost reduction possibilities (rationalisation).

Distribution

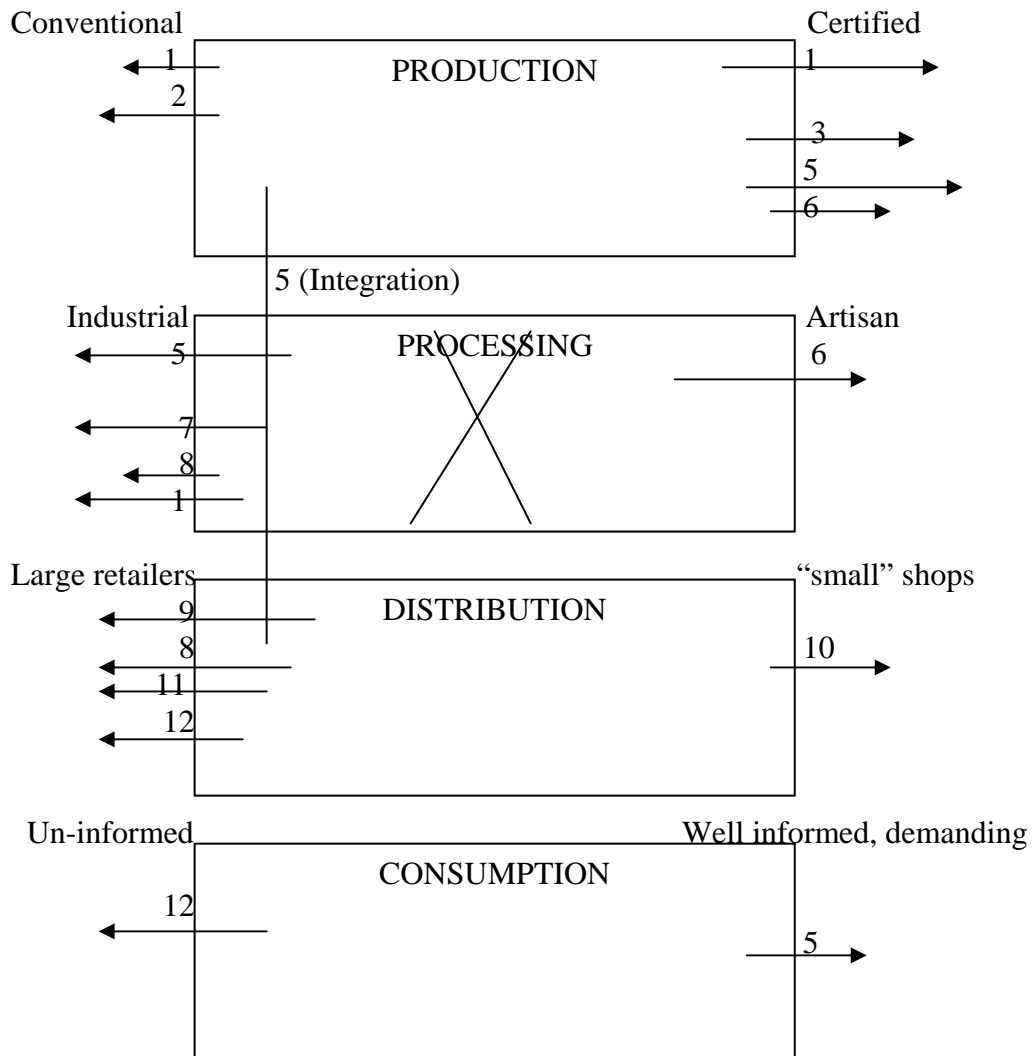
Drivers	Large retailers	“Small” shops
Entry of new (EU) retailers on the Swiss market (9)	++	-
Low transport and energy costs (8)	++	
High buyer capacity of certain classes (10)		+
Lowered buying capacity of middle classes (<i>To be checked</i>) (11)	++	
Price pressure (discounters) (12)	++	

The price differential between EU and CH has a tendency to make this sector smaller, as consumers cross the boarder to shop in neighbouring countries.

Consumption

Drivers	Un-informed	Well informed/ demanding
Discounters (12)	++	
Strategy of large retailers (Development of distributor trade marks) (5)		+

Figure 12 : Graphic of economic drivers of change:



Societal:**Production**

Drivers	Conventional	Certified
Consumer health worries (1)		++
Environmental concerns (2)		++
Animal welfare concerns (3)	++	++
Proximity and national preferences (4)		+
Multi-culturalism (5)	-	?

Again here we can see pressures that tend in both directions, leaving the producers with no clear identity in difficulty.

Multiculturalism has a tendency to diminish the sector, as consumers look for foods from elsewhere.

Processing:

Drivers	Industrial	Artisan
Consumer health worries (1)	++	
Fast and functional foods (6)	++	
Health/fitness/ movement (7)	++	
“Other” globalisation movement (8)		+
Slow food movement (9)		+
Leisure activities (holidays, WE) (10)		+
Proximity and national preferences (4)		+
Multi-culturalism (5)	-	

Distribution

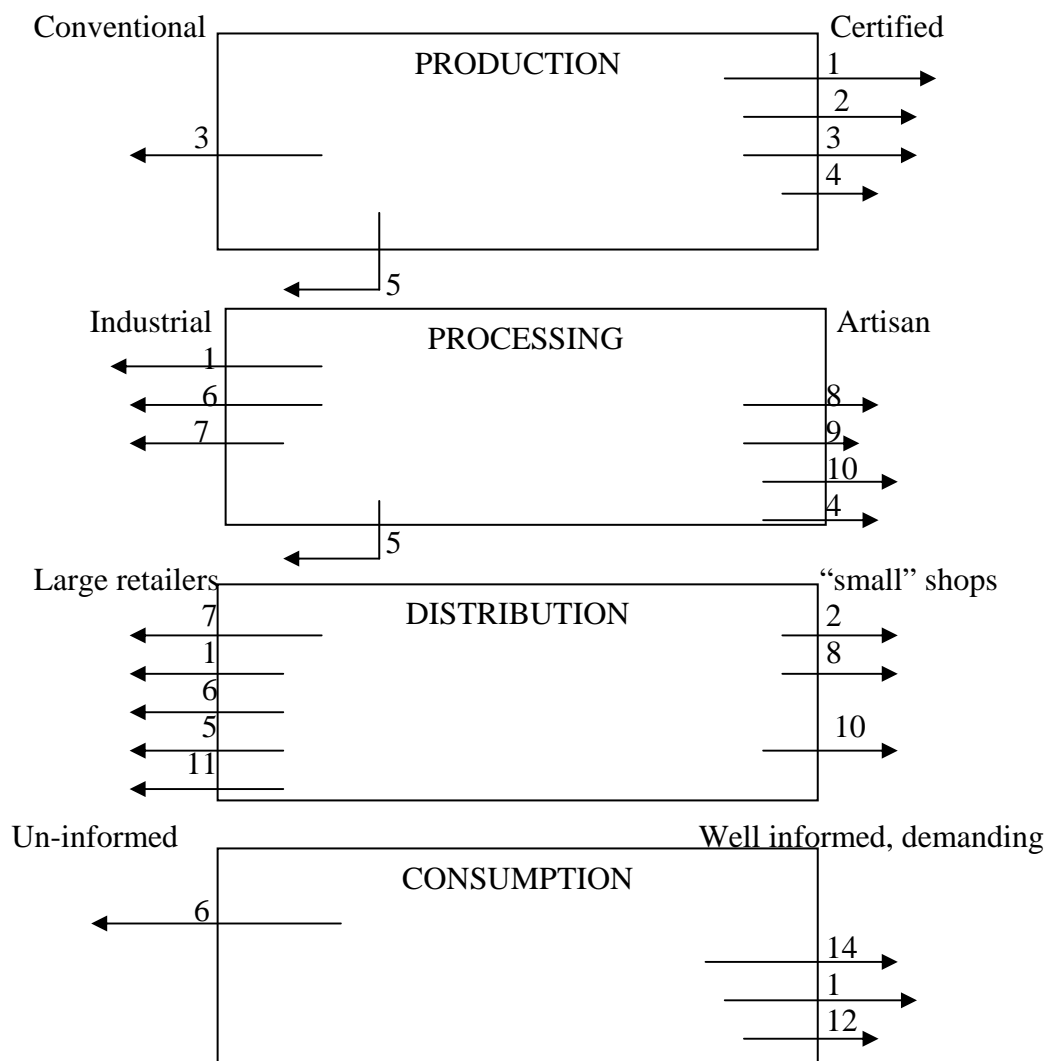
Drivers	Large retailers	“Small” shops
Health/fitness/ movement (7)	++	
Consumer health worries (see organic) (1)	++	
Environmental concerns (2)		+
Fast and functional foods (6)	++	
“Other” globalisation movement (8)		+
Multi-culturalism (5)	++	
Buying tendencies (11)	++	
Aging population (12)		+ (?)
Leisure activities (holidays, WE) (10)		++
Food “Zapping” (13)	++	

Small and speciality shops can offer a “different” experience, taking advantage of the increasing leisure activities. Food zapping, or the increased tendency of consumers to buy very different types of food (example: functional food during the week and organic fruit and vegetables at week-ends) tends to push buyers towards large shops where they can find a wide variety of products.

Consumption

Drivers	Un-informed	Well informed/ demanding
Fast and functional foods (6)	++	
Education levels (14)		++
Consumer health worries (food scares) (1)		+
Aging population (12)		+

Figure 13 : Graphic of societal drivers of change:



Technical:

Production

Drivers	Conventional	Certified
Improved agro-environmental knowledge (1)		++
Technical progress organic and IPM (2)		++
GMOs (3)	++	
Computerisation / automation (4)	+	

Processing:

Drivers	Industrial	Artisan
Conditioning and stock management (5)	++	
Computerisation / automation (4)	+	
Information technologies (6)		+
Marketing methods (7)		+

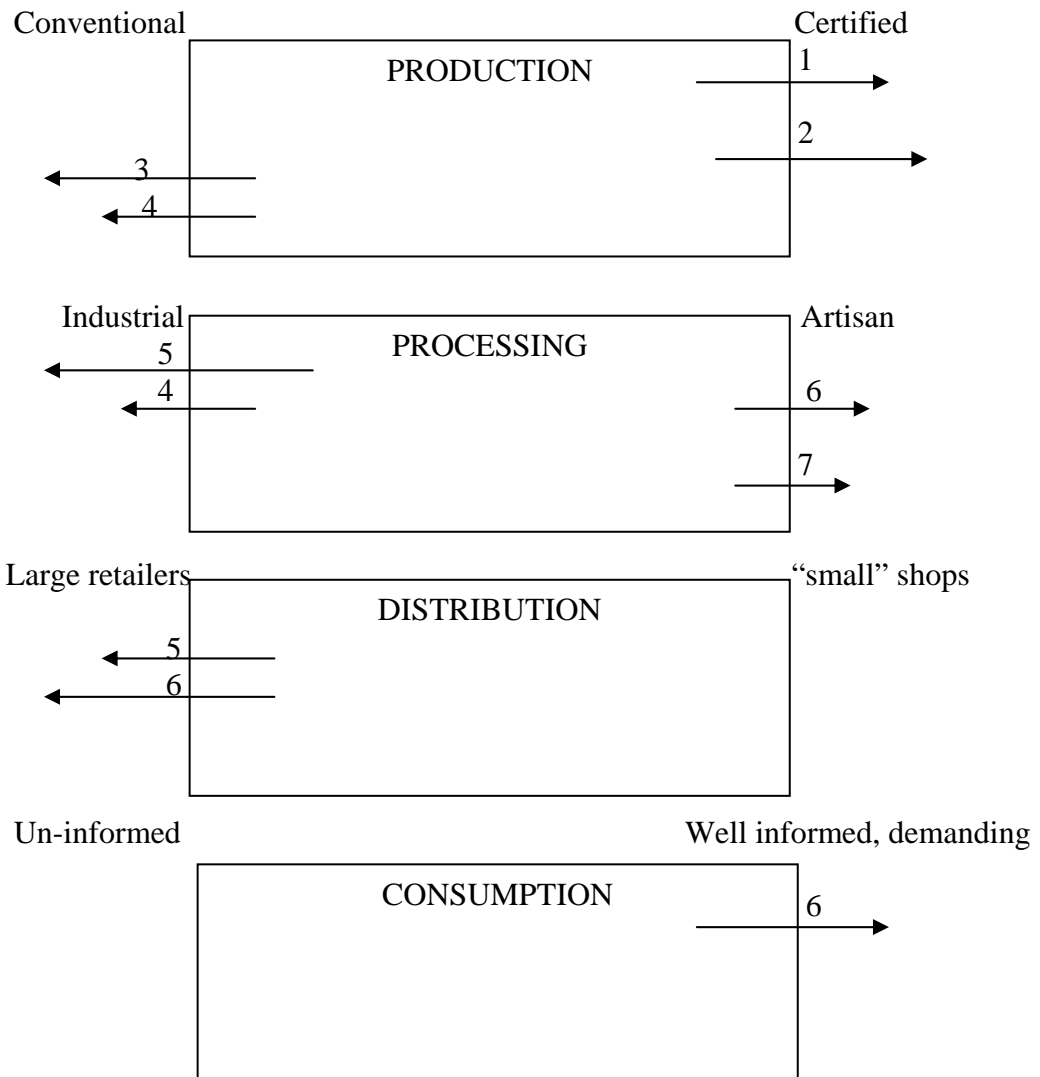
Distribution

Drivers	Large retailers	“Small” shops
Conditioning and stock management (5)	++	
Transport and logistics (6)	++	

Consumption

Drivers	Un-informed	Well informed/ demanding
Information technologies		++

Figure 14 : Graphic of the technical drivers of change



7 CATALOGUE OF FSC INITIATIVES

Priority initiatives we will describe :

- 1) Pro Zürich Berggebiet *
- 2) Napf Milch AG,*
- 3) Label jus de pomme hautes tiges de Pro natura
- 4) Valplantes *
- 5) Coop Natura plan *
- 6) M Engagment *
- 7) IP Suisse et la coccinelle
- 8) Natura Beef
- 9) BIO Suisse *
- 10) Bio weidebeef
- 11) Lo Bao
- 12) Carrefour viande
- 13) Viande de nos Monts
- 14) Gruyère *
- 15) Progana céréales
- 16) Pain de seigle du Valais
- 17) Agriculture contractuelle (tournerêve GE)
- 18) Kag Freiland
- 19) Vinatura
- 20) Kulinarium
- 21) Swiss red
- 22) Fromage d'alpage du Tessin
- 23) Marque de terroir : produits du terroir du pays de Fribourg
- 24) De la région pour la région
- 25) Les jardins de Cocagne
- 26) Schaukäserei Kloster Engelberg

* Analysis tables are presented in the annexes

8 ISSUES SUMMARY IN SWITZERLAND

8.1 Historical perspective

The current dynamic in food supply chains in Switzerland is the result of specific historic factors:

8.1.1 The State intervention for the trading of many agricultural products until 1992

After World War II and until the beginning of the 1990 the Swiss agriculture was strongly supported by the State. Markets were regulated by the Confederation, prices were guaranteed at the first levels of the supply chains (production and transformation), to fulfil specific objectives social and economic objectives. This led to high costs of food products for consumers, high costs for the Confederation budget and for tax payers, environmental problems due to intensive farming, general lack of competitiveness at international level (WTO). The State fixed the prices and quantities for the most important agricultural products (milk, cheese, meat...). Producers and first level processing enterprises never developed a marketing culture.

8.1.2 The fundamental agricultural policy reform of 1992.

This reform profoundly modified the rules for agricultural markets. The reforms replaced guaranteed prices with price “objectives” and the State has pulled out (slowly) from its market activities, leaving room for more private actors.

In parallel, and initially as a compensation measure, direct payments were introduced. These are now (since 1997?) all linked to agricultural practices respectful of the environment.

These measures have had as effect a reduction of the price of agricultural goods at the farm gate. The price of milk was been reduced between 1992 and 2002 by 23.7% (from 105 to 79.9 ct./kg), the price of wheat by 33.8% (from 99.34 to 55.65 fr./100kg), that of young beef (veaux) by 16.6% (from 14.39 to 12.03 fr./kg dead weight).

They have lead to a strong increase of land farmed according to environmental rules. Currently, 95% of agricultural land is farmed according to rules of PEP (*see Below*) (Integrated Pest Management or Organic plus other environmental measures). The purchase of pesticides has diminished by ... % in five years. This is linked both to the diminishing prices and to the environmental conditionality.

8.1.3 The maintenance (though diminishing) of strong border protections

These protections are justified by a low % of self-sufficiency for certain products (fruit and vegetables, cereals, meat) and high production costs, as well as by stated historical policy objectives. National production is often protected during the production season, through a complex calendar. The difference in production methods between locally produced goods (respecting PEPs) and imported products has, up to now, rarely been evoked to justify this protection.

8.1.4 The regulation on PDOs and PGIs of may 1997

This regulation created an “official quality sign” for typical products. It took a few years for this piece of legislation to be put into practice, with the alpine cheese « L’Etivaz » being the first to be recorded in 2000. There are now 13 PDOs and PGIs registered. In the cheese industry, PDOs play a significant role since the registering of the AOC Gruyère in 2001.

8.1.5 The important development of organic agriculture

The development of organic agriculture is based on strong historic links (initial steps in the 1930s and 40s in Northern Switzerland with Dr Steiner – bio-dynamic and Dr. Muller, bio-organic) and an early and important implication of the large retailers (Coop 1993). The State now also supports organic farming through a regulation (1997), research and slightly higher direct payments.

8.1.6 Policies to support decentralisation and mountain areas.

Switzerland is a federal state of 26 cantons with their own constitution, parliament and government. Constitutional prerogatives make the country one of the most decentralised within OECD. At federal level, a law on fiscal equalisation redistributes wealth between the cantons, the richest supporting the poorest. Several policies have also been passed to support mountain areas (2/3 of the territory and 1/4 of the population). We must distinguish between explicit mountain policies, general policies with territorial impacts (relevant for mountain areas) and specific policies with territorial impacts (see chapter 3). Agricultural policy, for example, has always made a difference between mountain farms and farms located on the plains, according to a map of regions and zones.

8.1.7 The diversity of agri-food processing enterprises.

The market liberalising has led to a lot of restructuring of the large agri-food processing enterprises. In the dairy sector, 8 dairy companies share the market for industrial dairy products. In the meat sector, 3 large companies control the majority of the slaughtering and processing. Most of these industrial companies work mainly with the large retailers for which they produce, to order, products for the retailers own labels. Next to this activity, they also try to diversify towards special products with high added value.

Next to this main channel, largely controlled by national enterprises and the retailers, there is also, in numerous sectors, important artisan type production (cheeses, meats and butcher products, wines) that carry a positive image and a strong link to the territory. The number of processors is very high, in the order of a few thousands. In some cases, the products are « confidential », in others they are known world-wide.

The difference between artisan and industrial products seems ever more important, with on the one hand the development of long « normalised » supply chains, largely under the control of the distributors, and on the other, short to extra-long supply chains of certified products, controlled and piloted by collective organisations that group producers and processors and in some cases other partners (such as restaurants or cheese ripeners).

8.1.8 An oligopoly situation in the retail market,

Two large companies dominate the sector. Together, these two companies, namely Migros and Coop trade over 75% of all fresh agricultural products (cheeses and other dairy, fruits and vegetables...). The marketing strategy of these two retailers has major effects on all agricultural products Swiss supply chains. They are in a position to support or block most producers initiatives. Migros has developed in the last months a strategy based on a partnership with sustainable development initiatives, whilst Coop has developed, since 10 years, its own distributor trademark in sustainability “CoopNaturaplan” (mainly, but not exclusively, based on Organic products). Neither of these distributors have integrated products labelled according to their origin (i.e. mainly PDOs and PGIs) into their strategy, leaving them to be often sold without a label.

8.2 Dynamism of different types of food supply chains

A detailed presentation of the different types of food supply chains in Switzerland is presented in section 2. Even though the country is small, the diversity of supply chains is very high and covers a large amount of possible types. Dynamism and change can be observed in the different types of supply chains, accelerated by an institutional environment in constant change.

8.2.1 « Normalised » supply chains

« Normalised » supply chain are developing at speed, at the initiative of the distributors, and carried further by the intermediary enterprises (processors, wholesalers). Commercial partners are selected, with regard to their capacity in quality assurance (enterprise certificates) and logistics. In many cases, these supply chains cover a large part of the market, as in the milk sector.

Producers must respect a strict set of production standards, that evolve every year. This often implies important investments and high control costs. These demands tend to select larger producers with strong entrepreneur characteristics.

These supply chains are very dynamic on the technical and commercial levels, and have a strong capacity to adapt to change. Many intermediary companies (processors, wholesalers) have undertaken, during the last few years, considerable efforts to improve their quality management ; company certification, acquisition of analysis tools, reorganisations...

The processed products are usually sold either with the company trade mark or the retailers own label. Fresh products (fruits, vegetables) are often sold to the consumers without trademarks, nor signs of origin or type of production and in unmarked packages.

8.2.2 Supply chains of environmental and ethical products

Labels concerning environmentally produced and ethical (such as fair trade) products are not new in Switzerland (some are over ten years old), but only seem to have « taken off » recently and it is too early to evaluate their success. The question is particularly sensitive for products of environmentally produced goods (integrated management, reasoned farming) which may be in competition with organic products.

It is interesting to observe that these labels have an impact on the market only in partnership with a retailer. Products are usually sold to the consumers under the

double labels of an association (often a producer-processor association or a foundation, that determine the standards and own the label) and that of the retailer. Migros has recently launched its program « EngageMemt Migros », in partnership with several private associations. In the meat sector, Coop allies its own label « NaturaPlan » to the label of the association « Natura Beef ». Both retailers are associated with Max Havelaar for fair trade products (bananas, coffees, teas, flowers...).

8.2.3 Organic supply chain

Demand for organic products is still increasing, pulled as it is by a strong consumer current and by the strength of the promotion efforts undertaken by Coop within the framework of their retailer label « CoopNaturaPlan ». Initiatives in the short supply chains are also numerous. Organic represents approximately 2.5% of food consumption and 8% of consumption of fresh produce.

8.2.4 Supply chain for artisan products with a strong link to the origin

Switzerland, due amongst other factors to the importance of mountain areas, has a rich heritage of artisan food products (cheeses, delicatessen, dried meats, rye bread, wines...). Some of these products have, since over a century, a collective marketing organisation.

During many years, these products were mainly sold through local channels, within their area of production. Still today, extra-short traditional channels have developed and seem to resist well, based as they are on individual strategies of direct sales to a small network of family and friends and regular clients. Collective initiatives for multi-product short channels are regularly created and have unequal success's.

The establishment of legislation for PDO and PGI products was perceived as a real opportunity for typical traditional products that were seen as having a chance of entering the long channels of large retailers and exports. It has lead, in a number of cases, to the creation of a new market segment, that of Swiss food products of superior quality. This legislation is recent (except for wines) and the number of registered products increases every year. The debates and oppositions with each new registration increases the reputation of the label and leads the population and politicians to become aware of their culinary heritage. It is a growing segment of the market.

8.2.5 Regional trademarks

Some regions have created their own regional multi-product trademarks. There is a strong temptation to cover under these trademarks all agricultural products irrespective of their production method, in which case products positioned on very different market segments / market channels cohabit.

In most cases, the approach quickly leads to the elaboration of standards for the regional trademarks which represent the coherent characteristics with the image attributes of the region. The trademark « Les saveurs du Jura Vaudois » only covers artisan products. The trade mark « Valais-Wallis » covers both artisan products (cheeses, wines, liquors, dried meat, rye bread – of which some are PDOs), organic and fruits of superior quality (apricots, apples and pears). Work is underway to associate other artisan products and services (hotels).

8.3 Sustainability performance

What are the future effects of present forms of supply chains on the environment, the territory and the producers themselves ?

It is very difficult, at this stage of the research project sus-chain, to evaluate this sustainability performance, but we can sketch some possible fields of exploration , which will have to be confirmed later, mainly by the case-studies analysis.

8.3.1 Normalised supply channels

These supply channels have been established mainly to reinforce food safety, with important means for controlling and quality assurance.

Environmentally, the agricultural products at the farm gate are exemplary, not due to the normalised programme, but thanks to the environmental measures (PEPs) required to be eligible for direct payments, that are now respected by 98% of all Swiss farmers. Further down the supply channel, particular attention is given to ecological questions, with high requirements in transport and factory pollution.

However, as the requirements are legal, no information is given to the consumers and it is forbidden by law to use these as commercial selling arguments. This lack of transparency towards the consumer is problematic for Swiss supply chains, as they can not differentiate themselves from conventional imported products (see point 6).

On the socio-territorial level, the sustainability impact is not so positive. These supply chains exclude producers who are not able to comply with required conditions. This mechanism accelerated the disappearance of farms in Switzerland. The contribution to rural development are therefore limited (see point 4).

On economic aspects, questions are numerous. This system is, de-facto, in the same logic as the markets for conventional products. One must produce at the lowest cost, but with a maximum of services and guarantees. Retailers select commercial partners that comply to these demands so as to limit their own risks of legal proceedings and loss of reputation in cases of public health problems. However, even though there is often high costs for producers and other commercial partners to fulfil the requirements, retailers rarely offer long term relations. The constitution of the EUREPGAP norms is clear evidence that retailers are searching to identify, at the European and world wide level, potential commercial partners they can put in competition (their numbers are less important than for purely conventional products, but they are still sufficiently numerous).

8.3.2 Supply chains of environmental products

On the environmental level, the production standards are superior to the legal demands, but the main interest of the approach is to transmit to the consumers an information and a guarantee on the production methods.

The socio-territorial sustainability dimension is not usually central to the approach, however some initiatives have an important impact in certain regions where they have contributed to improve the image of the producers.

On the economic level, Swiss producers who are members of these associations usually benefit from a premium on the price of their products. The question of future perspectives however remains open in certain cases (as in meat for example) as

partnerships between retailers and producer organisations foresee a general guaranteed buying of a fix amount, but does not get translated into individual contracts with the producers.

8.3.3 Organic supply chain

On the environmental level, organic standards are very strict. Transparency to the consumer is high.

The socio-territorial sustainability dimension is not central to the approach, however some initiatives have an important impact in certain regions where the number of organic producers is high and/or their visibility is important (direct sales).

On the economic level, the situation seems satisfactory for the moment, as the reputation and the image of organic products with the consumers is very good and the producers obtain a higher price for their products in relation to the extra costs of their production. An “industrialisation” of organic agriculture and of processed products (UHT milk, ready made meals...), pushed by an ever increasing control of the supply chain by the retailers could put pressure on the producers if it leads to a lowering of prices paid to the producers and to the increase of imported products.

8.3.4 Supply chain for artisan products with a strong link to the origin

The environmental dimension is not central to the strategy of origin products. However, as these products are produced extensively and are processed according to traditional methods, they cause little negative impact on the environment.

The socio-territorial dimension is central to this approach. A product of origin is strongly linked to a geographic area and contributes to the maintenance of its identity and dynamism.

On the economic level, the situation is often satisfactory, as the producers receive premiums on the prices of their agricultural products linked to their production costs, as do, in many cases, a number of artisan enterprises involved in processing. The future perspectives of the producers is improved, as the reputation of the product increases the consumer loyalty. This makes it possible to build long term strategies, relying on a capital of reputation.

8.4 Effects of the initiatives on rural development

What current positive or negative effects do these food supply chains have on the territory of production, concerning direct or induced employment, tourism, non-commercial functions assured by agriculture (landscape maintenance, social and cultural identity...)?

It is also very difficult, at this stage of the research project sus-chain, in particular as the link between sustainability, multifunctionality and rural development has not yet been made explicit, to evaluate the performance, but we can sketch some possible fields of exploration.

8.4.1 Normalised supply chains

The development of normalised supply chains may have positive effects on the direct or indirect creation of jobs. The contribution to landscape is usually weak or even

negative. The environmental regulations (including the PEPs) effectively limit the industrialisation of Swiss agriculture.

8.4.2 Supply chains of environmental products

The development of supply chains for environmental labelled products may have a positive effect on direct and induced employment. For contributions to the other aspects, it will depend on the number of producers involved in the given territory, as these sign up individually to “delocalised” national programs. The number of producers, as well as their and the processors level of implication will determine its contribution to rural development.

8.4.3 Organic supply chain

The question is complex. The producers sign-up to “delocalised” national standards. At the local level, the impact will depend on the number of producers and their marketing strategy. If the number of producers is low and the markets national, the contribution to rural development will be low. If the approach is collective and concerns a good number of rural actors, the effect will be high. Direct and local sales channels, if they are individual or collective, can have high impacts.

8.4.4 Alliances of artisan products with strong links to the origin

The marketing of artisan-origin labelled products can have a vital effect on rural development for the production area, even if the product volume remains small : support to tourism, including agro-tourism, multifunctionality, including maintenance of open spaces, landscapes, life quality of residents, social and cultural identity,... (see case-study “L’Etivaz” – European concerted action Dolphins).

8.4.5 Regional trademarks

The interest of regional products is to bring together products of very different volumes. When the image attributes are coherent, a regional trademark can be a good support to regional promotion and to the construction of a strong social and cultural identity.

8.5 The importance and potential for the development of short supply chains

The short supply chains do not only concern organic product and artisan origin products, but also conventional products. The producers strategy can be individual or collective. It is difficult to estimate the market share of these short supply chains. In some mountain areas, they can be important.

The most interesting approaches are the collective ones that associate a group of producers and in some cases other actors of the supply chain (restaurants, processors...) around a well positioned product or group of products. The capacity and the interest of these initiatives to grow is disputed, as a change of scale would imply an in-depth modification of the marketing strategy and the organisation and relationship of its members. (PDO alliances may be an example of the construction of collective organisations that can reconcile commercial efficiency, the entrance in long distribution channels – large retailers and exports – and the preservation of the common values of its members.)

8.6 Stumbling blocks and possible actions to improve the performance of supply chains

8.6.1 Normalised supply chains

The development of normalised supply chains is welcome in that it increases food safety for large volumes. However their establishment raises a number of issues : the cost to bring up to standard the producers, first processors and wholesalers in the regions is carried by these first levels of the supply chain without any specific support. This normalisation may not be beneficial to the producers. The creation of these supply chains is done without long term contractual agreements. The system is replacing the supply chain for conventional products. There is a need for an analysis, to be lead by the producer or supply chain organisations and the state, of the distribution of the added value along the chain, so as to avoid that all the constraints be carried by the first levels of the supply chain, with all the benefits going to the final levels. Financial support for quality management at these first levels should be supplied. The commercial contracts signed with intermediaries should be analysed and the creation of standard contracts envisaged.

The question of communication to the consumer of the environmental qualities of Swiss products is pending. This lack of transparency raises question of competition with imported products that do not give the same environmental guarantees. The producers efforts do not (yet) reach the consumers. The institutional communication on integrated management and the PEPs is non-existent. Neither the federal administration, nor the supply chain organisations, nor the retailers have taken measures to inform the consumer and the citizen of the effects of the agricultural policy reforms of the 90s concerning environmental sustainability.

Before sales, most promotion means are public. The state finances general campaigns whose objective is to increase the preference of consumers for Swiss products. The message usually concerns national preference and does not put forward, in a positive manner, the specific “qualities” of Swiss products that should justify this preference.

At the point of sales, this lack of information to the consumers is due to a double strategy. On the one hand, retailers are hesitant about promoting the particular environmental qualities of Swiss products, as they fear that this would limit the impact of their own labels and restrict their possibilities to sell “real” conventional products, in particular imported products. On the other hand of producers associations consider that the environmental sustainability argument does not differentiate between producers. They are making the classic mistake of restricting their vision of the market only to their direct competitors, and not seeing the foreign competition. The legal ban on mentioning the conformity with Swiss regulations does not either lead to more transparency.

8.6.2 Supply chains for environmental and ethical labelled products

The development of the supply chain of products from environmental forms of agriculture (other than organic) will depend mainly on the response from consumers. The combined efforts of the association of producers and retailers will be essential to provide an image to these products next to the organic products. Also, the capacity to

exist in the future will depend on the capacities of the label organisation to be recognised by the consumer, so as to not be absorbed by the retailers.

Concerning meat, retailers maintain consumers' confusion, as they sell environmentally produced meat under the same retailer label that covers essentially organic fruit and vegetables.

Fare trade (ethical) labels (Max Havelaar) are developing well in Switzerland. The organisation and communication seem to be well mastered. The price difference with conventional products is low, overcoming one of the main buying obstacles (see WP3-Switzerland report). The aspect of reputation is important and the partnership with the two main retailers is a major asset.

8.6.3 Organic supply chain

Organic products are an attractive segment. The interest of the large retailer Coop for organic products is both an opportunity and a risk. It is an opportunity, because the promotional means deployed are considerable. It is a risk, because the retailer trademark can dominate and take control of the label of the producers association ("Le Bourgeois" or the Bud of the organisation Bio-Suisse). The power of the retailer, the development of their own label with high recognition levels, raises the questions of decision and negotiation powers within the supply chain.

8.6.4 Alliances for artisan products with origin labels

The introduction of PDO labels in Swiss legislation gave an essential impulse to typical products of origin. Their reputation amongst consumers is increasing fast thanks to the quality of the promotion efforts of the Swiss association of PDO and PGI products and the alliances of producers and processors. The organisation of actors in these alliances is usually efficient and allows the reconciliation of artisan type of production and industrial type services, in particular for the management of quality.

The main stumbling block is the access to market, in that the retailers have difficulty including these PDO labelled products, and more generally the "terroir" products, in their strategy and their assortment. Often PDO products on the retailers shelves, be it cut or packed, do not carry the PDO label. Yet these products, considering their important image attributes linked to a region, need, when they are sold away from their production area, a specific merchandising that promotes their typical character.

For the more confidential products, sold in short channels, the main difficulties of collective initiatives are linked to marketing. The temptation is often strong to build a label without having defined its content, nor having assured a regular and sufficient supply of the market. The creation of common piloting centres is essential but costly and difficult.

8.6.5 Regional trademarks

Regional trademarks have credibility only if they are able to define and guarantee a marketing position and build a coherent promotional program. The financial means are often provided by the cantons, but the human capacities (in time and quality) are often limited. Yet this kind of initiative needs both strong commercial and technical know-how and strong personal relations with the producers and enterprises of the different sectors.

8.7 Attitude and commitment of institutions

We will have a look at the federal administration, the regional (cantonal) administrations and the consumers and environmental associations.

8.7.1 Federal administration

Agricultural policies are usually centred around standard products that enter long “industrial” type supply chains. The international debate at the WTO, mainly centred on generic products that are traded internationally, tends to reinforce this priority. Swiss policy does not escape this rule. However, Swiss policy makers have tried, since the latest reforms, to consider the diversity of supply chains and to suggest adapted legislation. This is a complex issue, and some subjects (as for example the bringing up to standard of slaughterhouses) remain the object of intense discussions.

The program for promotion is being revised and should lead to better valorisation of the assets of the different Swiss supply chains.

8.7.2 Regional administration

Swiss cantons have a strong identity and high levels of policy responsibility. Their attitude towards agriculture in general and sustainable agriculture in particular are very diverse.

Intensive agricultural activity in the plains usually is of little interest to the concerned regions, in particular as the urban centres and the industrial and service type economic activities need, in general, a lot of attention. The lack of social and cultural identity of the producers is often a barrier to seeing the dynamism of these farms. The regional administration usually only intervenes in cases of demands for new buildings (greenhouses, sheds), considering aspects of aesthetics that matter little to the producers and are often sources of added costs and nuisances.

In some cases (notably the very urban canton of Geneva), the maintenance of agriculture is considered essential for the maintenance of life quality of the inhabitants and the attractiveness of the canton.

In mountain regions, the relationship is quite different. Support to agriculture by the regions is permanent. This is justified by the non-commercial functions of agriculture (in particular the maintenance of rural communities and the maintenance of mountain landscapes) and the support provided by agriculture and its products to tourism. The canton of Valais for example, pays much attention to questions of sustainability, as it intends to use it as a promotional image attribute to its residents and tourists, and intends becoming an example in this domain.

8.7.3 Consumer associations

Consumer associations are increasing their interest in food labels and their contents. They contribute to market research and make proposals. Their financial means are limited and the diversity of supply chains does not make their work any easier.

8.7.4 Environmental associations

Farmers often perceive environmental associations as enemies and competitors for space, whose intentions are to give the land back to nature. Some conflicts, as for

example around the re-emergence of the wolf in the Swiss alps, has reinforced this animosity.

The environmental associations take the position that agriculture has not yet made a sufficient effort and would like to see some ecological requirements (PEPs) for the direct payments reinforced. However, they do recognise that extensive agriculture in mountain areas is the best (only) solution to maintain open spaces and protect rare and fragile species. They may also support farmers in plain regions to maintain open spaces away from urbanisation or to improve the quality of hedges and other ecological elements. They have little interest in the products themselves.

9 MAIN RESEARCH QUESTIONS IN SWITZERLAND

The evolution of the marketing of products of sustainable agriculture will depend on the answers of private operators, their associations and the administration to the three following questions :

1. What promotion for products following PEP requirements ?

Swiss production is exemplary in matters of environmental sustainability. This effort by the producers is not communicated to the consumers. Institutional communication on integrated production (and PEPs) is non-existent.

In a recent poll, the consumers federation of Swiss romande, has identified that only 6% of consumers realise that the high price of Swiss products is linked to production methods. Neither the federal administration, nor the professionals of the supply chains, nor the retailers have yet undertaken sufficient efforts to inform the general public of the effects of the agricultural reforms on environmental and socio-territorial sustainability, neither upstream of the act of buying, nor at the point of sales.

The agricultural organisations should rethink of their place in the assortment of the retailers, define common communication messages and use all the means possible to transmit the message. Without this effort, the distributors will have the monopoly of the image of “defender of sustainability”.

The development of private labels for aspects of social responsibility such as the integrated production, that are close to the legal norm (PEPs), raises questions such as ; what superior quality is needed for these labelled products and what criteria is relevant ? and what effect do these labelled products have on the image of non-labelled Swiss products ?

2. What policy for quality management ?

In so far as “normalised” supply chains reinforce food safety for all, how can the state provide support in quality management ? How can one avoid that this normalisation should diminish the diversity of products on the market, through the exclusion of smaller supply chains ? What impact does this normalisation have on producers and their negotiating power within the supply chain ?

3. Which obligation for distributors to maintain the quality signs up to the final point of sales ?

The recent development of PDO and PGIs and of other origin labelled products (regional trademarks) is a contribution to socio-territorial sustainability. Considerable efforts are undertaken upstream of the supply chain for the elaboration of production standards and control procedures. Important means are spent on the registering and promotion of PDO/PGI products. Yet PDO/PGI products are de-facto de-classified on the shelves of the retailers, as these do not (always) maintain the mention nor the PDO/PGI logo of the packaging or on the cut pieces. There is no legal obligation to do so, and it is left to the goodwill of the retailer. The problem is identical for imported products (for example Parmagiano Reggiano) that are (re-) packaged by the retailer.

4. What is the effect of retailer trademarks on labelled products ?

The interest of Coop for organic products is both a opportunity and a risk. A opportunity, because communication means are considerable. Also the choice of the assortment in the shops orient the consumers towards products of the trademark

CoopNatuaPlan and develops the demand for Organic products. It's a risk, because the retailers trademark can « suffocate » the producers association's Organic label (« le bourgeois »). Also, as Swiss production is insufficient, the import for certain organic products can be important.

Generally, the power of the retailers and the development of their own trademarks with very strong recognition, raises question of powers of decision and negotiations within the supply chain. This is exacerbated in Switzerland due to the very dominant position of two retailers, who never use the same labels.

The arrival of Carrefour on the Swiss market also raises the possibility of a retailer trademark for « terroir » products, similar to « Reflets de France » or « Carrefour FQC » in France.

It is too early to evaluate the new policies of Migros which has decided to work with existing private labels (Engagement), and it will be interesting to see if the effort will be important and sustained, and if these private labels will be able to maintain a certain decision power.

The retailers have perceived the consumers trend towards sustainable agriculture products and have capitalised important image gains. However, their involvement is largely opportunistic and their concern is not to assure the economic viability of producers. It would therefore be desirable to rethink contractual links within the supply chain so that producers may benefit from production contracts when they respect retailer defined production standards.

10 CONCLUSION

The Swiss food supply chains have important assets to supply markets with products from sustainable agriculture.

Primarily, due to new agricultural policies, the amount of products is exceptional, as 95% of agricultural production corresponds to required ecological prescriptions (PEPs). Organic production is also well developed. The heritage in typical artisan products linked to the origin is rich and the PDO/PGI legislation has opened many new commercial possibilities.

Producers initiatives on short channels are numerous and the desire of producers of certain regions to get closer to the consumers and to take charge of the communication of their products is encouraging.

Both main Swiss retailers have committed themselves strategically to environmental and ethical labels, considering that Swiss consumers were interested in these products. Other smaller retailers have positioned themselves more on the regional (“terroir”) segment of the market.

This incredible amount of activities however concerns only a minority of food products sold in Switzerland and should not hide the lack of transparency of information to the consumer that leads to a lot of wasted opportunities. The inversion of figures between what is produced according to sustainable agricultural methods and what is sold as sustainable products is a disappointment, as it does not lead Swiss consumers to increased trust in Swiss food products, nor the citizen in their policies.

