Processed agricultural products

Chocolate is the absolute Swiss export hit. The sweet treat has even succeeded in achieving a massive extension of its popularity in the EU – thanks also to the Agreement on processed agricultural products which facilitates trade in these products.

Special rules apply for trade in processed agricultural products (e.g. chocolate, soups, biscuits, pasta) because, common to all of these products is the fact that they are made of agricultural products yet are produced industrially. The Agreement on processed agricultural products, which revises Protocol no. 2 to the Free Trade Agreement, takes account of this special aspect.

The production of domestic agricultural raw materials is protected by import duties. At the same time, the Swiss food industry is supported by export subsidies. This so-called raw materials compensation mechanism balances out the (in part) considerable price differences for agricultural raw materials. The industrial processing share, on the other hand, is covered by free trade. This gives Swiss exporters the same sales opportunities as their competitors from the EU.

In order to facilitate trade further, the EU and Switzerland have agreed to lower customs duties and export subsidies on the raw materials share. The target figure is the price difference between the Swiss and the EU level. As Swiss prices for milk, wheat and other agricultural raw materials are normally higher than in the EU, the consequences of this are as follows:

In principle, the EU no longer levies customs duties on products such as chocolate, biscuits or sweets and refrains from paying its exporters – for example Italian spaghetti exporters – export subsidies. In return, Switzerland reduces customs duties on imports from the EU, as well as its subsidies for exports to the EU, to the level of the difference in the raw materials prices.

The Agreement is a success for both sides. It is of particular benefit to the Swiss food industry: Between 2005 and 2007, exports of chocolate to the EU rose by 52% in monetary terms, those of biscuits by 29% and exports of sweets by 39%. Some 180 companies from the food industry employing around 30,000 people can benefit from this agreement. Likewise the farmers: Around half of the total milk production is used in the food industry. The Swiss food industry also uses over 50% of flour production from Swiss soft wheat and around 45% of the potato harvest.

Special status for sugar

Sugar enjoys a special status: As sugar prices in the EU and Switzerland had been almost the same for decades, it was agreed that both sides would abolish export subsidies for this commodity. Sugar in processed products enjoys free trade.

Key data
Date of signing: 26 October 2004 (in the framework of Bilaterals II)
Date effective: 30 March 2005

"The Agreement on processed agricultural products is a success for the entire chocolate exporting industry. The administrative burden on our customers has also been reduced. In addition to Switzerland, our best markets are France, Germany, Italy, Austria and Scandinavia."

Volker Kremser, Export Manager