Survey of activities in food price formation, transparency and monitoring along the chain, Answers from Switzerland

I Are price formation, transmission and transparency issues along the food chain important and if so for which stakeholders and why?
Yes, we regard price formation, transmission and transparency along the food chain as a highly important issue. In order to improve agricultural policies design and implementation a good understanding of how domestic agricultural markets operate is crucial.

Stakeholders are
a. Agricultural producers, processors and their political representatives: Producers and food-processors are in particular faced with a strong market power of retailers and therefore interested in a fair distribution of price margins. On the other hand, retailers are not really interested in more transparency since they know the market on retail level very well.
b. Consumers: General interest in price transmission (in particular when prices decrease), want to be able to compare consumer prices, interest in a high value for money.
c. Policy makers/administration: evaluation of policy design and effects of polices
d. Researchers: use market data for research
e. Media etc.

II. What are the three most important issues with respect to food prices that have raised concern over the recent period?
(1) Increasing price volatility as a consequence of the increasing global food demand (in particular in developing and emerging countries), resource scarcity, climate change, population growth, decline of agricultural land- area, etc.
(2) Margin of retailers: On one hand the high retailers' margin (due to duopolistic market situation in Switzerland, two large retailer companies) is increasingly subject of discussion in Switzerland. On the other hand the entrance of German discounters into the Swiss retail market lead to an increasing price pressure among retailers. In addition, the strong Swiss franc and the more open markets (in particular for cheese, wine etc.) increase competition among producers and retailers increasingly.
(3) The strong Swiss franc (respectively the weak US dollar and EURO): Over the last years, the franc had to be stabilized by the Swiss National Bank on CHF 1.20/€. Negative effects on exports in general and in particular on exports of agricultural products (e.g. cheese) still exist. In consequence imperfect and retarded price transmission along the food chain are one of the negative effects. The increasing shopping trips abroad are a second.
(4) Food safety: BSE, bird flu, dioxine, EHEC etc.

III. Have you undertaken any institutional initiatives in recent years to improve your understanding of impacts of price formation, transmission and transparency on stakeholders in the food chain? Do these involve more than one ministry or units in a ministry, and if so which? These should include new working groups, new statistical units and special government offices and how they are administratively set up and operate. Any cross department activities in this area would be of particular interest.

III. In Switzerland there is already relatively high transparency in specific markets (e.g. in milk, meat, eggs, cereals and potato markets). Nevertheless, there is an increasing political pressure to increase transparency. The Ministry is still the same. New predictive models have been introduced by FOAG (Capri). Agroscope, the research-organization of the FOAG is involved in

different modelling projects. The staff of the Market Observation itself, the source of many Market Data has been decreased mainly due to political pressures coming from the retailers and the wholesale traders.

IV. Are there non-governmental institutions which are involved in the same activities? Please include trade unions, co-operatives, consumer groups or business associations

There are several non-governmental institutions involved in price monitoring activities or have their own market monitoring initiatives:
• Associations such as the farmers' union, the milk producers' union, vegetable producers' union etc.
• Branch organisations such as the milk branch organisation (BO Milch), meat branch organsiation (Proviande), vegetable branch organisation (Swisslegumes) etc.
• Sales promotion organisations such as AMS (Agro Marketing Switzerland)
• Research institutes: Ad hoc studies, Price lists
• Private institutes such as BAK Basel: Ad hoc studies
• Market research institutes such as ACNielsen
• HTW Chur
• ETH Zurich, HORECA (**HO**tel/**RE**staurant/**Ca**tering)
• Etc.

V. Please describe briefly statistical and analytical activities undertaken on a regular or ad hoc basis. Please include special studies and research projects, database development, statistical analyses and other relevant activities

The Swiss Federal Office for Agriculture has its own market monitoring activity (see http://www.blw.admin.ch/dokumentation/00844/index.html?lang=fr). Producer and consumer prices, gross margins of transformation/distribution, price indices etc. are calculated and analyzed regularly for milk, meat, eggs, fruits, vegetables, potatoes, cereals/oilseed and feeding stuff.

In addition to this update, we are looking for information concerning **the role of institutions in providing food price formation data and analysis.**
Case studies based on countries' experiences will be presented in the paper.
To prepare the case studies, would you please provide information on the following set of questions?

NB: If you answer positively to question 1, please answer question 2 to 6. If not, please answer question 7. Answer questions 8 and 9 is all circumstances.

1. Is there a monitoring entity of food prices, food price transmission or/and of contractual arrangements along the chain in your country? What is its name? When was it settled?

FOAG:
There is a small sized market observation working on price transmission. It's the Market Monitoring, established between WW1 and WW2 and covers the most important agricultural products except sugar, beverages and biofuel. Besides there is the federal office for statistics, that works on high-level, low analytical national statistical issues.

2. What is the rationale behind the existence of this monitoring entity? What does it add to what was done in the past on food prices in your country?

FOAG:
Monitoring of the price-level, volatility and –transmission due to governmental measures that have an impact on agricultural markets.

3. Can you identify three key objectives of this institutional initiative? Have they been reached? Did you set up an assessment's process? Can you describe experiences that were not as successful?

FOAG:
- Monitoring prices on different levels of trade. Wholesale-Prices are still lacking due to reluctant market-players.
- Price-transmission: the most important Markets are covered (meat, milk, eggs)
- Price transparency: Quite well covered, still increasing
- Our liberal, political system called "direct democracy" shows weaknesses, while enforcing the market players to provide market information. The effects of market transparency as a foundation of free markets is discussed contradictory (danger of collusion).

4. Who are the "clients" of this monitoring entity: government, specific stakeholders along the chain, consumers? How do they use the tool to your knowledge?

FOAG:
- Agriculture: price transmission, retail prices for own activities
- Small and middle-sized enterprises who don't have a market observation are interested in information around the whole national market
- Data providers like to compare their prices with their competitors
- Consumers are interested in price transmission and price formation

5. What is the cost of getting this monitoring entity up and running in terms of:
- Involvement of ministries, statistical offices, stakeholders along the chain
- Financial implications for its regular functioning

FOAG:
750k€

6. What is the future planned for this entity?

FOAG:
- Enforcing analysis and increasing the dataflow on wholesale-level.

- Currently there is a new institutional activity coordinated by the Swiss Federal Office for Agriculture for developing a Swiss agricultural outlook. The outlook will be carried out relying on the modelling tools available at Agroscope, the research station affiliated to the Swiss Federal Office for Agriculture. An integrant part of the outlook will also be constituted by information coming from the different commodity and market experts available within the federal administration. The aim of the outlook is to provide projections for the most important agricultural markets in Switzerland in order to inform the different stakeholder involved in the agro-food chain on future market developments. The outlook projections will be also used as a yardstick for policy analyses. This activity, although not explicitly focusing on food price formation, is expected to increase market transparency among the different stakeholders in the Swiss agro-food chain. The first publication release of the Swiss agricultural outlook is expected at the beginning of 2015.

7. If you don't have such a monitoring entity, are food prices at different levels of the chain available publicly? Is food price transmission / transparency an important issue for your government, for consumers and for stakeholders along the chain? Is there a plan to set up a monitoring entity? Did you have one in the past and why did it stop operating?

8. What about the private sector: what is their demand for and willingness to provide greater transparency regarding price formation along the food chain according to your experience?

FOAG:
yes

9. Have you identified impediments to price transmission along the food chain? Do you think that policies can help mitigating those impediments? In that context, have policy responses been taken to ensure that food markets are competitive and integrated in your country? What is your assessment of their effectiveness? Are there any policy related to relationships along the food chain in the pipelines?

FOAG:
- Timelags in price-transmission while producer prices decrease. Our monitoring helps.
- Competitivity and its indicators is a theme, where research takes increasingly place.