



# **Agriculture and Foodsecurity Network: "Inclusive Land Governance – Road to Better Life"**

**Field Days September 7, 2016:  
Land Governance in Switzerland**

## **Visit 3: Farm cooperation**

compiled by **AGRIDEA**

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ENTWICKLUNG DER LANDWIRTSCHAFT UND DES LÄNDLICHEN RAUMS  
DÉVELOPPEMENT DE L'AGRICULTURE ET DE L'ESPACE RURAL  
SVILUPPO DELL'AGRICOLTURA E DELLE AREE RURALI  
DEVELOPING AGRICULTURE AND RURAL AREAS

## 3 Farm cooperation - “More cows – less strain”

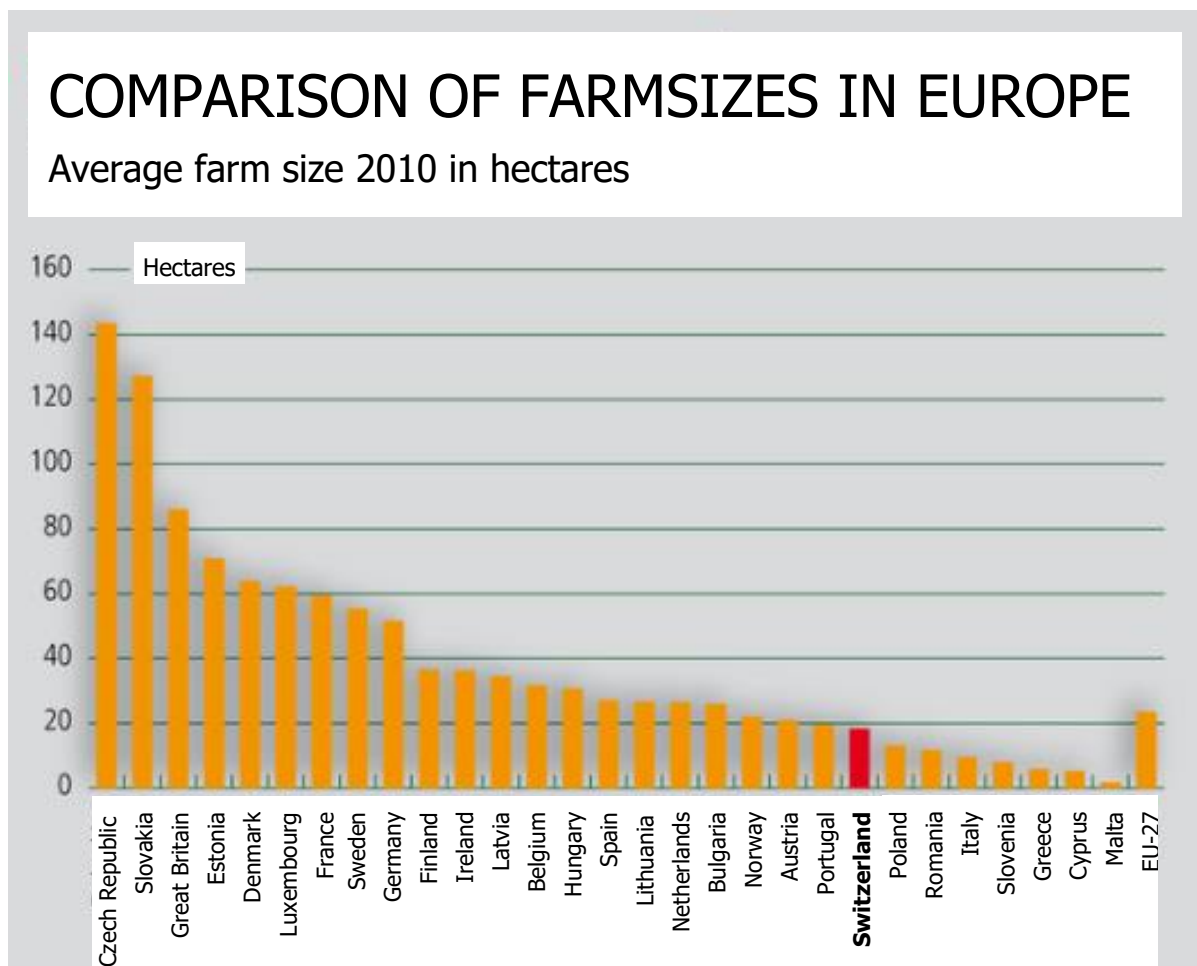
Field day example: **Farm association APMB – 5 famers join their assets to form one big company**

### 3.1 Background

The shrinking income of Swiss farms over the last few years – due mostly to sinking prices for key-commodities – is alarming and cause for an increasing number of appeals to the government to “do something to stop the decline of domestic agriculture”. And indeed: According to art. 2 of the law on agriculture, the confederation has to “create favourable conditions for the production and marketing of agricultural commodities” and to “support structural improvement”.

Analysis of accountancy data reveal that one major reason for the farmers alarming economic results is the contrary development of gains and costs: commodity prices point downward, whereas the costs for constructing, machinery, labour or variable means of production (seed, fertilizer, concentrate, veterinary service etc.) tend to increase or at least remain high. Consequently its no surprize that the average production costs of Swiss farms lie considerably above comparable figures of their colleagues in neighbouring (EU-) countries.

In principle, business experts agree that farms in Switzerland should grow in order to be able to profit from economies of scale: structural costs can be lowered per output (lower construction costs per cow place or less tractor costs per ton of wheat etc.), organization of manpower and allotment of agricultural land can be improved (less working hours per kg milk or fewer machine hours per ha grassland) through bigger production units.



Source: [www.lid.ch](http://www.lid.ch) / 2010

But: the free agricultural land market (buying and leasing) in Switzerland is very dry and/or very expensive (see chapter 3.5), which makes it more or less impossible for an individual farmer to scale up his enterprise.

The logical alternative – cooperation among famers or association of farms to build bigger units – gains renewed attention under these circumstances. If two average Swiss farms enter into full cooperation, they would be above the average farm size of, say, Spain or Ireland. If three unite their assets, they'd top the German average farm... And they would be able to reduce their production costs considerably.

### 3.2 Legal frame

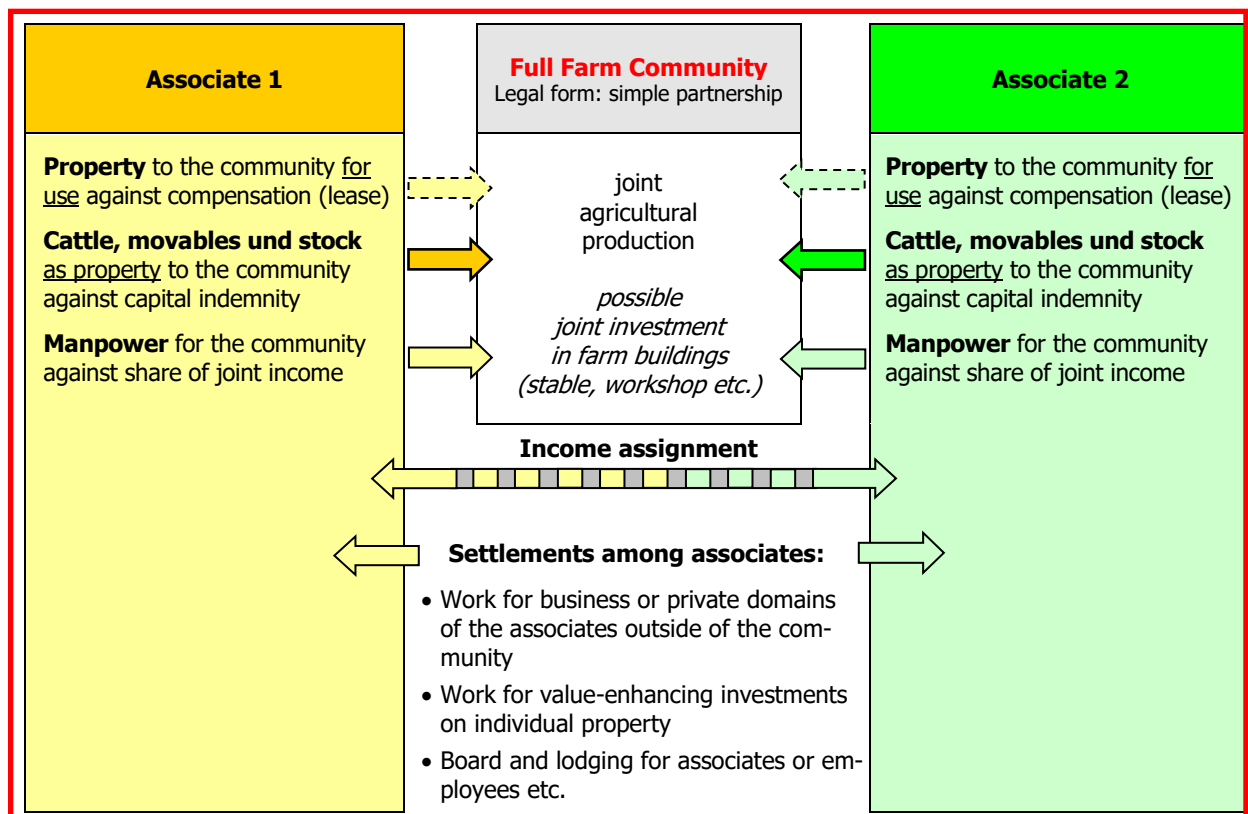
The cooperation of farms has been promoted by the federal ministry of agricultural in unison with official consultants for several decades already. As usual since the success of the "production battle" during the second world war, the Swiss national administration has decreed amendments in its agricultural legislation in order to steer farmers into desired directions: In the late eighties it has legally defined certain forms of inter-farm cooperation ("shared grazing land", "full community of farms" (FFC) and "partial community of farms" (PFC)) and bestowed these acknowledged types of cooperation with subtle advantages concerning subsidies and direct payments:

- The thresholds for direct payments based on a scaling on farm size, income and fortune are loosened
- Corporations can get additional interest free investment credits for construction, equipment and installations
- Corporate initiatives of farmers aiming "to lower production costs" can be encouraged with non-refundable subsidies during their formation phase (founding modalities, consultancies, team-building activities etc.)

### 3.3 Full Farm Community (FFC)

The full farm community ("Betriebsgemeinschaft") is defined as "a fusion of two or more farms into a new organisational unit under joint leadership of the partners". The associates assign their cattle, machinery and movable equipment as common property to the community, whereas land, buildings and possible production rights are merely made available for use to the community (see schema).

#### Full Farm Community: Diagram of organisational principles



#### Legal form:

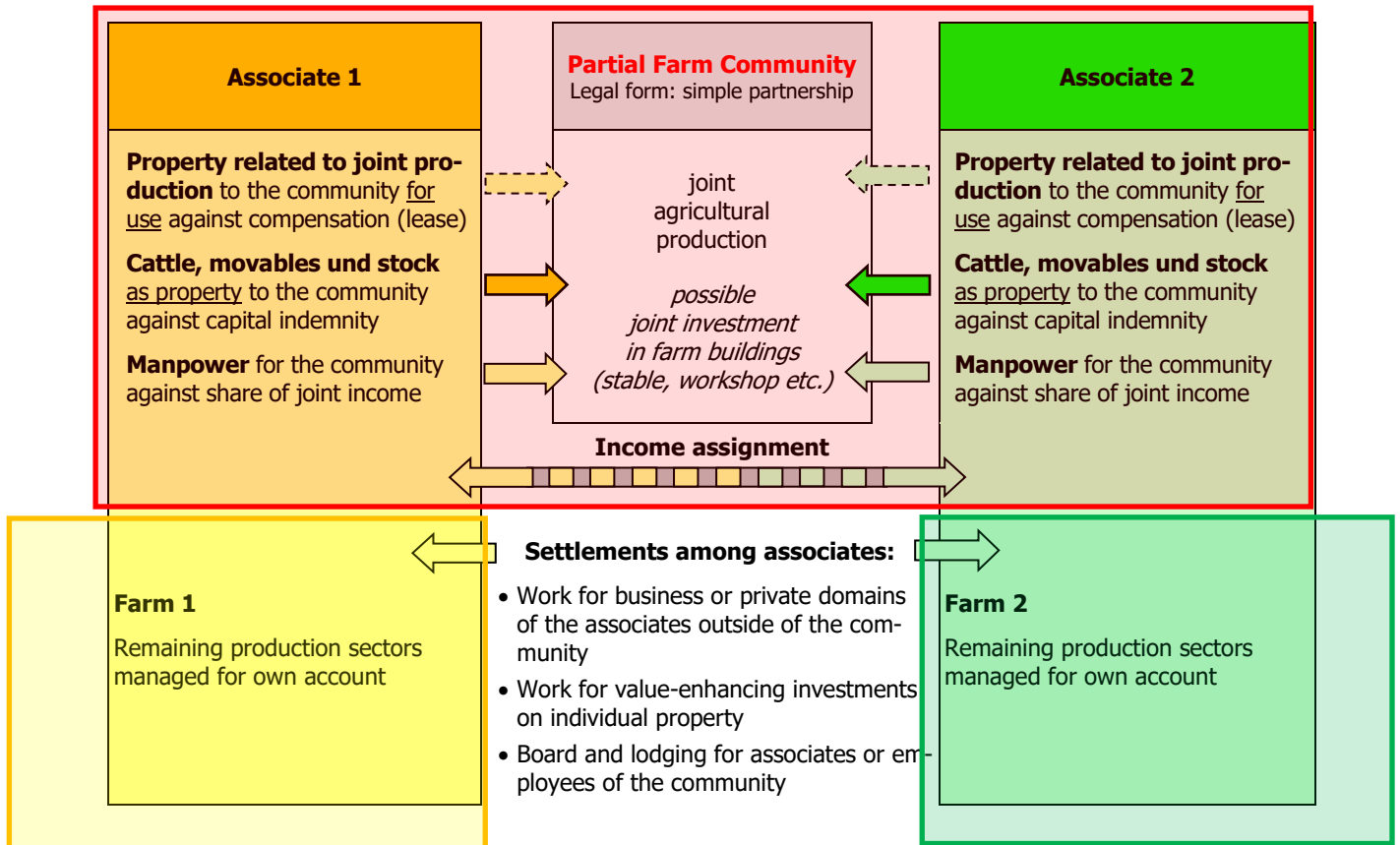
The main legal form for FFC's is the **simple partnership** according to Swiss law ("einfache Gesellschaft"): It can be incorporated easily and is dissolved without much effort too: Any association of natural or legal persons who pursue a common purpose with common means form a simple partnership – even without contract. Every associate has to assume unlimited and solidary liability with all his assets for the obligations of the partnership. The simple partnership can't be enlisted in the commercial register.

Some attorneys argue that farm communities of a certain size and commercial appearance should achieve the form of **collective partnership** under Swiss law ("Kollektivgesellschaft"). The collective partnership is an association of natural persons who join their manpower and capital to pursue economic objectives and run a business on commercial principles to this end. It must be enlisted in the commercial register and is first liable with its business assets for its obligations. Only when these are not sufficient the partners step in with all their assets and unlimited and solidary liability.

### 3.4 Partial Farm Community (PFC)

The partial farm community ("Betriebszweiggemeinschaft") is legally established when "two or more farms keep livestock together or start a joint management of a part of their production units". The associates assign the livestock, machinery and movable equipment of the joint units as common property to the community and make the part of their land, buildings and possible production rights that belong to the joint units available to the community for use, while the rest of their farm assets remain under the individual management of each partner (see schema).

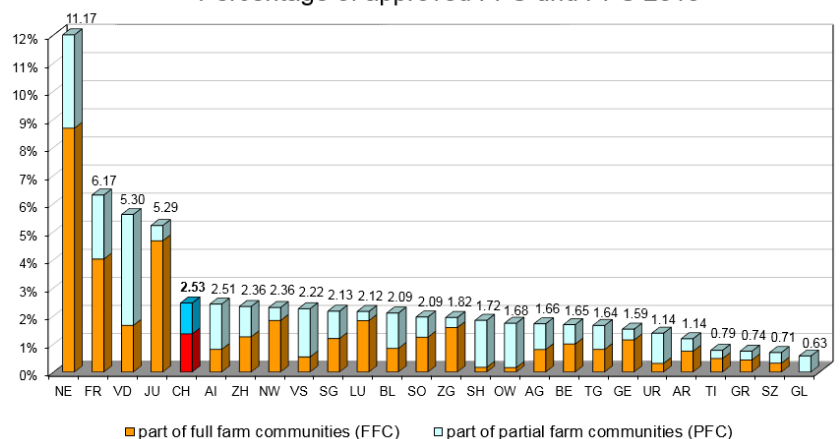
#### Partial Farm Community: Diagramm of organisational principles



### 3.5 Importance of enhanced cooperation forms in Switzerland

Farmers intending to start a full farm community must accept not to be the sole decision maker as before, but to find joint solutions with his colleagues in a process of discussion and persuasion. This not only concerns everyday issues but strategic objectives too: production plans, investments, employments etc. Furthermore, their income will depend not only on their own efforts, but on the performance of their partners too. The same restraints are valid for partial farm communities, albeit to a lesser degree (as associates in this cooperation form still manage independent sectors on their farms beside the joint venture branch of their community).

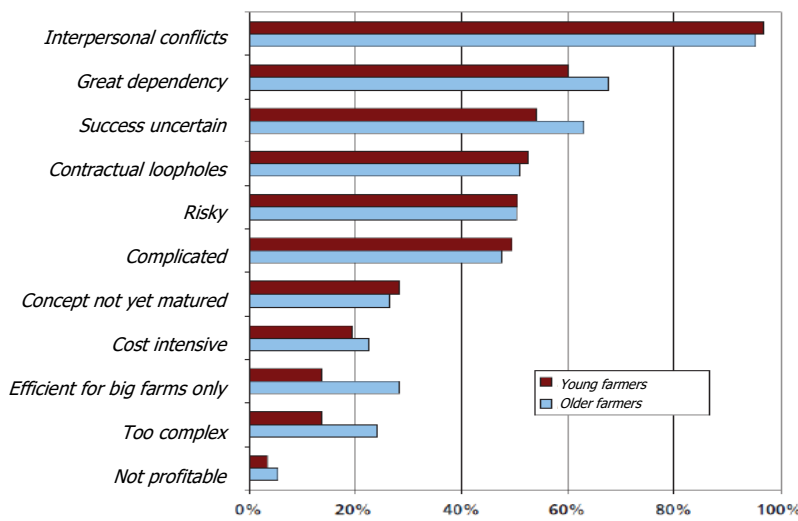
Percentage of approved FFC und PFC 2015



Source: Own presentation with statistics of the Federal Ministry of Agriculture 2015

These conditions clash with the strong striving for independence of most farmers. Subsequently, the percentage of full and partial farm communities is fairly low: For the whole of Switzerland, the part of approved communities in the past 20 years lingered around 2.5% compared to all farms (see graph above).

**How Swiss farmers perceived weaknesses of full farm cooperations in 2007**



Source: ART-Bericht 692/2007: „Das Image von Betriebsgemeinschaften“ Older farmers

The federal research institute for agriculture Agroscope has evaluated some years ago the reasons that make farmers shy away from high end cooperation (see graph below): it's their fear of the human factor. Can they really trust their partners, and will they remain calm and constructive in times of strategic disagreement or under economic stress? A majority think: no. Thus they stay on their own and tackle an uncertain economic future under the burden of too high construction and machinery costs as well as of an ever increasing workload. As an expert of Agroscope put it: "The pressure of suffering (Leidensdruck) for Swiss farmers is not high enough yet to make them switch to cross-farm cooperation" (in an article published in the Neue Zürcher Zeitung).

**3.6 Field visit: How a community of 5 narrowly prevented their breakup**

Joseph Häfliger, one of the partners managing the FFC "APMB" in Alberswil, will tell the story how his community almost broke up due to growing dissent and suspicions because of declining results in their dairy branch. After searching professional help to overcome their communicative blockade, the 5 partners gained new confidence and tried to find the source of their weakening milk production together. They finally discovered: a technical problem (leaking currents in their robot milking parlour because of a deficient grounding of the rectifier of the solar system...) had almost ruined their cooperation. Now they can tackle the tricky task of how to track down and remove leakages with joint forces.

**Basic operational data of the full farm community APMB:**

**Plant production:**

Total utilised agricultural area		99.6 ha	
Cereals		24.0 ha	
Winter wheat			10 ha
Winter barley			5 ha
Oilseed rape			9 ha
Root crops		35.0 ha	
Silage maize			25 ha
Corn maize			5 ha
Sugar beets			5 ha
Open arable land		59.0 ha	
Temporary grassland			19.5 ha
Arable land		78.5 ha	
Permanent grassland		14.1 ha	
Intensive natural grassland			9.4 ha
Medium intensive grassland			4.7 ha
Eco compensation area		7.0 ha	
Extensive natural grassland			6.3 ha
Old standard fruit trees			147 Pcs
Other Eco compensation area			0.7 ha

**Animal production:**

Animal category	Average number
Milking cows	150
Cattle rearing > 2 year	4
Cattle rearing < 1 year	25
Fattening calves	120
Fattening chicken	16'000

**Buildings and facilities:**

Building	Year of constr.
Loose parlour cowshed with:	2008
- 2 milking robots	2008
- Milk supply contract for	1'200'000 kg/y
- Photovoltaic roof (leased)	1'000 m <sup>2</sup>
5 silage clamps	2000
Chicken fattening shed	2015
Machine hall	2015

**Additional information:**

Machine cooperative with thirds	Since the 1990 <sup>ies</sup>
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