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7 Agriculture and forestry

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A look at the primary economy in Switzerland ...and focus on the "Economic accounts for forestry"

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News on the primary economy in Switzerland

A story of milk and euros

According to first estimates for 2009, with an output reaching nearly CHF 15 billion, the primary sector in Switzerland generated CHF 6 billion in gross value added (GVA, see table T1) i.e. 1.2% of the total gross value added of the Swiss economy.

Agriculture plays a very important role, having created more than 93% of the primary sector's GVA, of which 6% came from forestry and 0.5% from fishing and fish farming.

The 8.3% decline in GVA at current prices seen in the primary sector in 2009, compared with 2008, can mainly be attributed to the sharp fall in prices for milk and pigs, following the short-lived increases of 2008 as well as falling prices for cattle. The decline in wood production also contributed to the falling GVA, due to a combination of factors within the domestic and global markets, the dynamism of the construction industry, the economic crisis and the weak euro against the Swiss franc, which increased pressure from construction timber imports and hampered exports.

The output costs made up by intermediate consumption, depreciation and taxes hardly changed between 2008 and 2009 (at current prices). However, production subsidies increased by 9.2% and have since exceeded the CHF 3 billion mark. The financial year thus registered a fall of 4.9% in income generated to pay for the production factors of labour, capital and land.

T1 From output to income 2009

Accounting sequence for the Swiss primary sector (agriculture, forestry, fishing and fish farming)	2009*, at current prices, in CHF million	Variations 2008–2009* at current prices, as %	Variations 2008–2009* at previous year's prices, as %
+ Output**	14 568	-3.8%	1.1%
– Intermediate consumption	8 604	-0.4%	1.0%
= Gross value added (GVA)	5 964	-8.3%	1.4%
– Fixed capital consumption	2 655	0.8%	-0.5%
= Net value added	3 309	-14.6%	2.7%
– Other taxes on production	213	5.8%	...
+ Other subsidies on production	3 055	9.2%	...
= Factor income	6 151	-4.9%	...
– Compensation of employees	2 632	0.8%	...
+ Interest and rents, receivable	43	-10.0%	...
– Interest and rents, payable	442	-10.4%	...
= Net entrepreneurial income	3 119	-8.6%	...

* 2008: provisional, 2009: estimate

** at basic prices: includes the subsidies on products minus the taxes on products

Focus on the "Economic accounts for forestry"

Special structure of Swiss forestry

Switzerland's landscape is to a large extent shaped by forestry, with wooded areas occupying more than 30% of the surface area. Nevertheless, in 2008 this branch represented only 0.14% of all jobs (in full-time equivalents) and generated 0.09% of the total economy's gross value added. Its evaluation in economic terms is made by dividing the branch into four major domains that reflect the situation in Switzerland (figure F1):

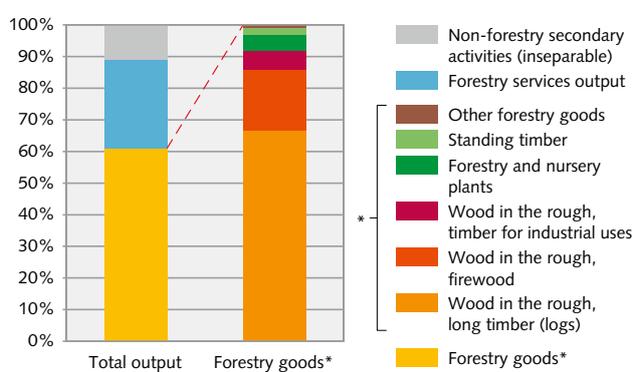
- *The public forestry enterprises* (representing approx. 3500 public owners), which manage 71% of the Swiss forests and belong to the State or to corporations. In addition to a mainly market-oriented production (raw wood and services), these units produce investment goods for their own use (roads and forestry buildings, land improvements).
- *Privately-owned forest* which is managed by approximately 245,000 private owners. Firewood for own use represents between 15–30% of its total production value.
- *Forestry services contractors* which supply contract work (logging etc) to the units in the domains of public and private forests, or which buy standing timber from them in order to sell it.
- *Forest nurseries* which produce forestry plants of which the majority is sold outside of forestry, for example for public green spaces.

Forestry production in Switzerland

In 2008 the production value (total output) of Swiss forestry was CHF 919 million: 61% was made up of forestry goods, of which 66% came from logs (long timber) and almost 20% from firewood (Graph G1). Forestry services represented 28% of total production; this proportion has increased by almost 50% since 1995, showing a trend towards greater specialisation in the processes of forestry production. The remainder, 11%, was made up mainly by secondary non-forestry activities inseparable from the main forestry activity (sawing, operation of gravel pits, construction of forest access roads and protective structures etc).

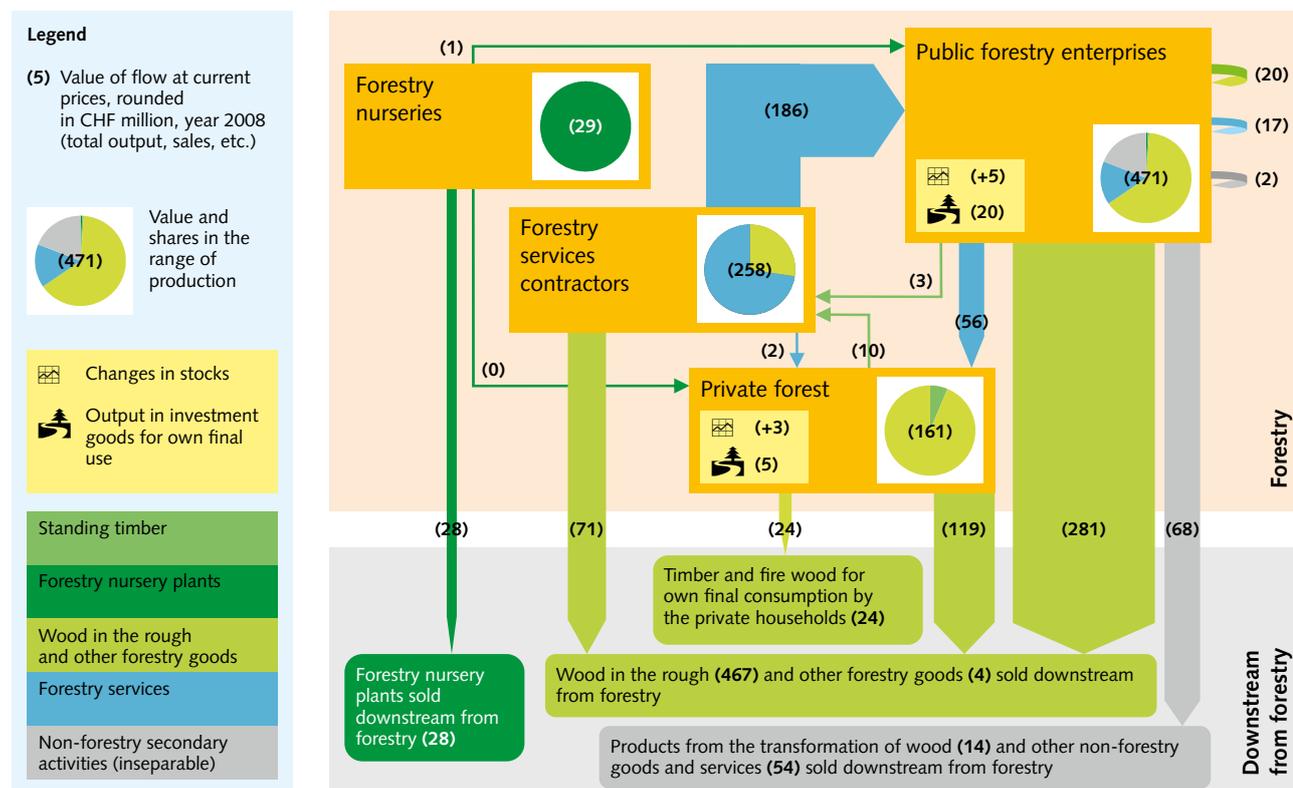
Range of forestry products, 2008

G 1



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F1 Model of Swiss forestry: domains and flows of production, in CHF million, 2008



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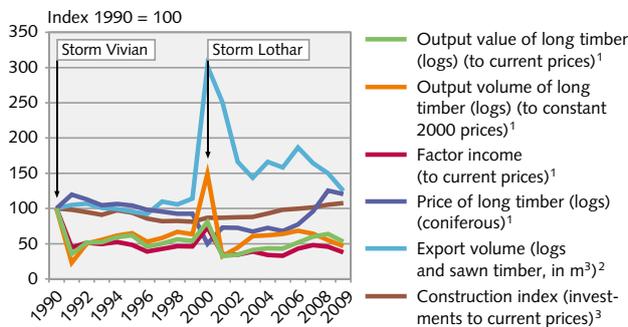
A branch at the intersection of complex issues

The United Nations organisation (UN) has declared 2011 “International Year of Forests”. This ecosystem is essential to the environmental, social and economic well-being of the planet. The forestry sector in Switzerland is at the crossroads of complex issues and influences. Over the last 20 years, forests and their management have been seriously affected by meteorological conditions such as the storms Vivian (1990) and Lothar (end of 1999) as well as the drought of 2003 and the proliferation of insects (bark beetles). Current debates are focused in particular on the flexibility of the forest area in view of the need for agriculture areas and on the balance between the utilisation of natural forestry resources and the forest’s role of carbon sinks. Timber production trends have a strong influence on forestry’s over-all economic performance (Graphs G2 and G4). This key activity is subject to economic influences in the building sector, on both the domestic and foreign markets. Lastly, the timber market has been affected by the economic crisis and subsequent recovery as well as the strong Swiss franc in relation to the euro.

Downstream from forestry, the wood transformation industry has experienced some disruptions which have affected in particular the flow of industrial wood for cellulose (pulp). In contrast, the consumption of firewood has risen over the past decade (Graph G3). This renewable energy source represented 4.1% of final energy consumption in Switzerland in 2009, encouraging this re-emerging segment of Swiss forestry.

Building timber (logs)

G 2

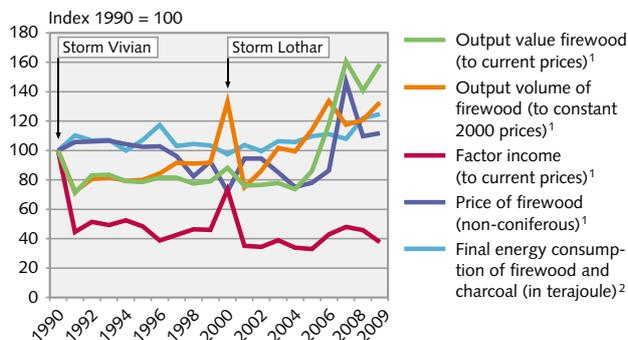


¹ Economic accounts for forestry (FSO)
² Yearbook Forest and timber 2010 (FOEN)
³ Construction and housing statistics (FSO)

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Firewood

G 3



¹ Economic accounts for forestry (FSO)
² Swiss global energy statistics (SFOE)

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Production costs and subsidies also influenced the income generated by the forestry sector. The composition of production costs has changed relatively little over recent years. The greatest shares of costs are accounted for by wages and social contributions (36%), forestry services (24%) and depreciation (18%). Costs followed production trends up until 2006 at which point they began to diverge, due in particular to the rise in wage costs and price increases for equipment and energy. Furthermore, the share of subsidies in total resources (production, subsidies, interests and rents receivable) is almost half what it was at the beginning of the 2000s, and now stands at 13%. Lastly, net entrepreneurial income has been negative since 1991 (Graph G4). On the one hand this reflects the situation of the publicly owned forest where accounting losses are diminished by almost half by investment aid, and on the other the low level of remuneration for the self-employed work supplied by private forest owners.

Economic evolution of the Swiss forestry

G 4

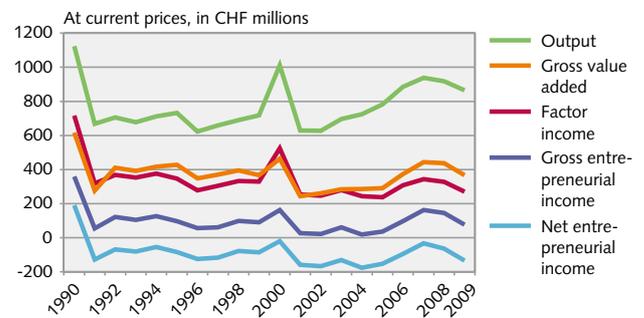


Table T1 shows the accounting sequence which leads from output to the net entrepreneurial income.

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What is not measured by the accounts

Only a part of the forest’s multiple products and services is measured by the economic accounts for forestry (EAF) which focus on the economic and commercial aspects in particular in relation to logging. The EAF also include actual monetary flows (production costs and public contributions) in connection with “off-market” collective products (care of protective forests, biodiversity promotion, maintenance of nature trails, etc.).

But the accounts do not assess the production, accumulation or heritage value for “off-market” functions in the areas of protection, recreation or biodiversity. Similarly, damage to the forest ecosystem (groundwater, soil, biodiversity, forest cover, etc.), whether caused by logging or other activities or phenomena, is not included in the EAF.

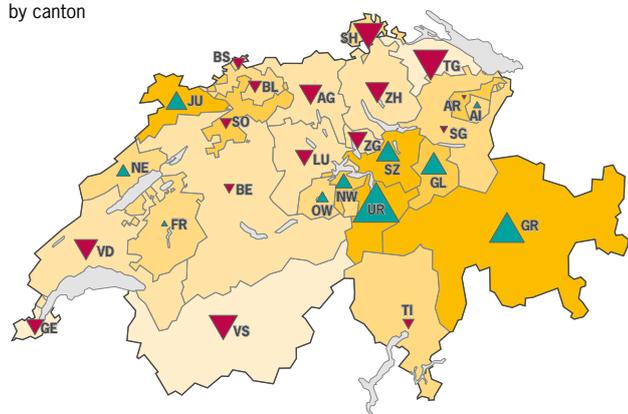
Main sources and calculation methods

Around 15 sources supplied by the federal statistical agencies and by organisations in the sector are used to produce economic accounts for forestry (EAF). The management and logging activities of public and private forests is valued by combining the forestry statistics with the detailed accounting results of the pilot forestry holding network. Forestry services are calculated based on the demand for forestry contract services and the supply of standing timber to be sold and logged.

Agriculture in the different cantons...

Factor income and direct payments M 1

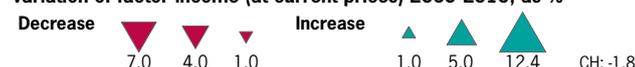
by canton



Share of subsidies (essentially direct payments) in the factor income of agriculture 2010, as %



Variation of factor income (at current prices) 2009-2010, as %



Source: FSO, Regional accounts for agriculture

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The tumultuous evolution of milk prices (rise in 2008, fall in 2009, another decline in 2010) was the main reason for the fluctuation in factor income in the Swiss agricultural sector from 2007. The saturation of the pork market and poorer harvests also contributed to the 2010 fall in income. Nevertheless, there were many complex factors affecting income at cantonal level in 2010, where the stabilising role of direct payments can be clearly seen. Indeed, it appears that the less a canton's agriculture is bound to agricultural markets – i.e. the greater the share of direct payments in income – the smaller was the decline in the income generated for the remuneration of production factors (labour, capital and land), in particular in mountain regions (map M1). The reduction in the burden of production costs (in particular intermediate consumption and fixed capital consumption) and the boom in poultry and egg production also helped to limit the erosion of income.

About the primary sector accounts

The economic and satellite accounts of the primary sector are the economic synthesis statistics for the agriculture, forestry and fishing and fish farming branches. The methodology framework is the same as that used for the national accounts. The different modules are designed according to current international standards, namely the European System of Accounts 1995 (ESA 1995) as well as the specific extensions for agriculture and forestry established by Eurostat (Statistical Office of the European Commission). Drawn up each year since 2004 by the FSO, these accounts depict the main economic realities of the primary sector in Switzerland, from the production process (creation of value added) to the renewal of the productive base (investments), as well as revenue generated for livelihood and investment.

... and in Europe

Between 2007 and 2010, the evolution in factor income in Switzerland and in its neighbouring countries – i.e. income coming from the agriculture sector to remunerate the factors of labour, capital and land – was especially affected by the output (Graph G5). With unstable international markets, agriculture prices were extremely volatile, although this was more marked in the European Union (EU) than in Switzerland where a certain time lag could be observed. High demand for raw materials caused prices to soar between 2007 and 2008. In 2008 the rise in production costs (fodder, petrol) offset that of sales (milk, cattle, cereals, etc.), in particular in the EU. The fall was even greater with the world economic crisis in 2009, when the European milk market collapsed. Overall, the price decline was curbed at the start of 2010. An increase in direct payments helped to stabilise income in Switzerland. In Germany, Austria and France, the rise in income generated by agriculture in 2010 was supported by directed payments (Common Agricultural Policy) and accentuated by a reduced increase in production costs.

Evolutions of output and factor income G 5

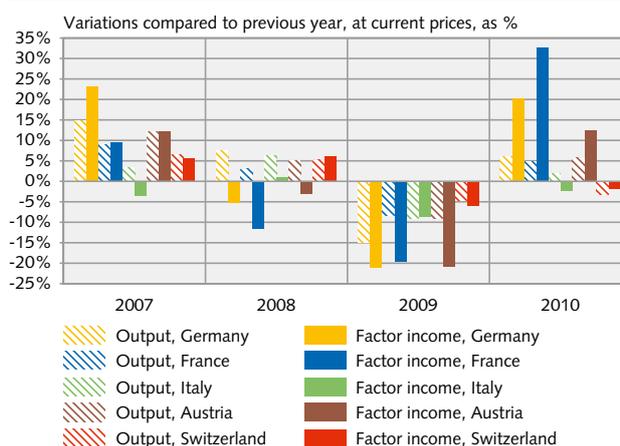


Table T1 shows the accounting sequence which leads from output to the factor income.

Sources: Eurostat, FSO

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Additional information available on the Internet

Economic and satellite accounts of the primary sector (in French and German):

<http://www.bfs.admin.ch/bfs/portal/fr/index/themen/07/02.html>

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