

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary  Public

**Date:** 8/19/2015

**GAIN Report Number:** SZ-15-01

## Switzerland

**Post:** Geneva WTO Mission

### **U.S. Bovine Semen Exports Grow with Removal of Trade Barriers**

**Report Categories:**

Trade Policy Monitoring

Export Accomplishments - Market Access

**Approved By:**

Suzanne Heinen

**Prepared By:**

Oliver Flake

**Report Highlights:**

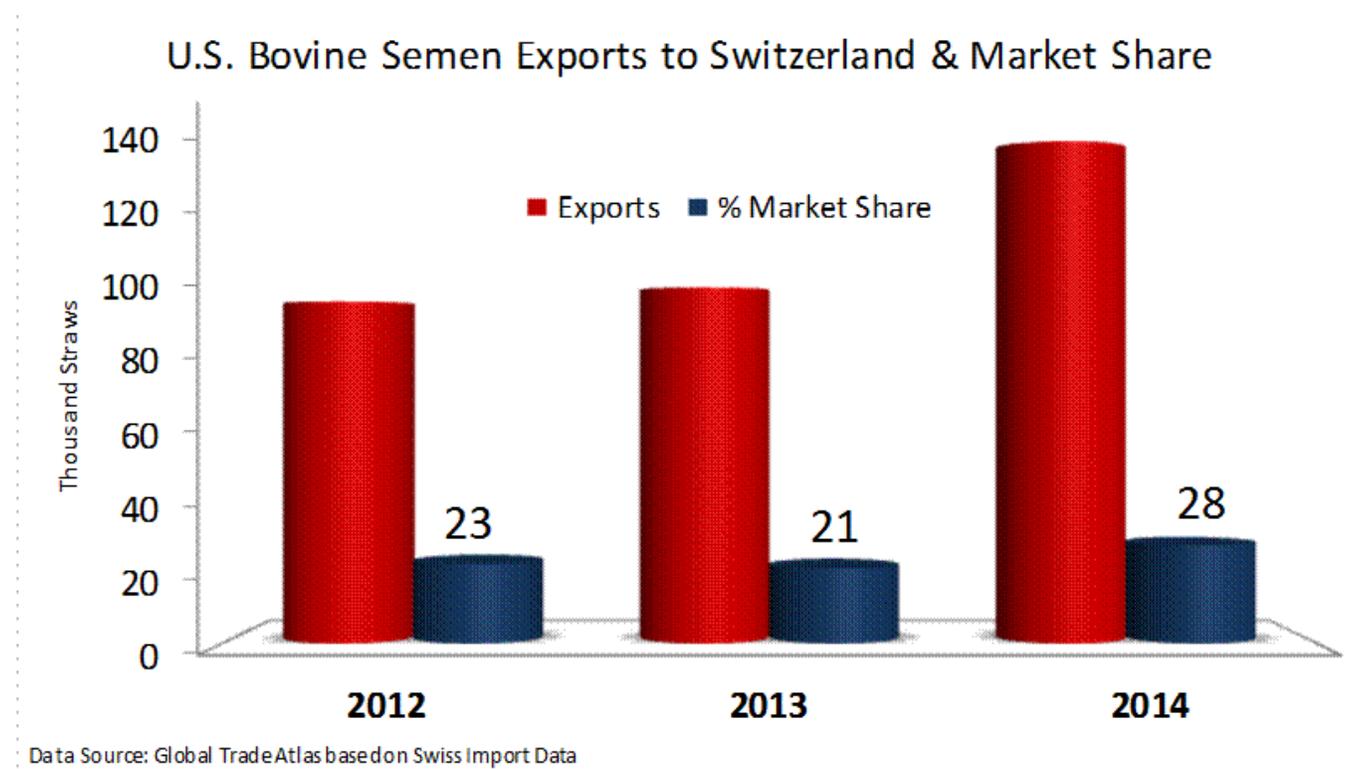
**With the removal in January of 2014 of a 5 CHF duty per straw, U.S. bovine genetic exports to Switzerland have been on the rise. Though the total value of exports is still relatively low, U.S. bovine genetics are capturing a larger share of the market with significant potential for further growth. Although barriers to greater exports continue as Swiss suppliers seek to limit imports, the outlook is bright.**

**General Information:**  
**Trade Barrier Removed:**

Switzerland maintains a tariff rate quota (TRQ) on the importation of bovine semen. The in-quota tariff rate is 0.10 CHF and out-of-quota rate is 5 CHF per unit (about 5.50 US dollars). Switzerland's administration of this tariff rate quota discriminated against imports by limiting access to the lower in-quota duty rate to establishments (production centers) that produced in Switzerland and could prove that their sales were at least 50 percent from domestic origin. Consequently, U.S. subsidiary companies, which imported and distributed bovine semen from the United States, were required to pay the higher 5 CHF per unit duty compared to their Swiss competitors. The 5 CHF duty was significantly restrictive given that straws of semen typically range from 10 to 15 CHF.

Post worked with a Swiss subsidiary and distributor of U.S. livestock genetics and with the U.S. Ambassador in Bern to urge the Swiss government to revise this tariff quota administration. Post also addressed this with Swiss officials in Geneva since the measure was believed to be WTO inconsistent on grounds of national treatment. The result of these efforts was that the Swiss government removed the 5 CHF per unit duty in January of 2014.

**Exports Hit a Record in 2014:**



Unencumbered by the duty, U.S. bovine semen exports (primarily dairy breeds) climbed to a record

value in 2014. In fact, 2014 exports at \$2.5 million were 60 percent greater than the previous record. Though not a record, the volume of exports also experienced strong growth increasing more than 40 percent from 2013 to reach 142,343 straws. In 2014, the U.S. surpassed France to become the top supplier to Switzerland. Furthermore, at 28 percent, the U.S. volume share in 2014 was the largest in several years and up from 21 percent in 2013. France, Italy, and Germany are the primary U.S. competitors in the Swiss market.

While Switzerland remains a relatively small market for U.S. bovine genetics, it jumped to be the 12<sup>th</sup> largest market [1] in 2014, up from the 17<sup>th</sup> largest the previous year. For the first half of 2015, the value of Swiss imports from all sources is down, but U.S. share is up slightly. The general fall in demand is due to lower milk prices across Europe with the end of EU milk quotas. Furthermore, dry conditions across Switzerland have pressured producers' margins through the first half of the year. Overall, Swiss imports are expected to increase in the second half of the year and the United States should remain the top supplier.

These impressive export figures greatly underreport the actual volume of U.S. bovine genetics arriving in Switzerland. Traders indicate that U.S. shipments are increasingly imported by other European countries and then shipped to Switzerland. Bovine genetic companies often keep all their European stock in one country and then slowly ship small batches out to satellite distribution centers throughout the continent. Therefore, U.S. exports to the UK, for example, may end up several months later in Switzerland. Export figures appear to confirm this trend. For example, exports to Switzerland from France, Germany, and the UK all increased in 2014 at the same time that U.S. exports to these European markets grew substantially. Though it is not possible to precisely quantify, distributors of U.S. bovine genetics in Switzerland report that 50 percent or more of their U.S. imports come through EU countries.

### **Swiss Dairy Industry Pushes Quality Semen Demand**

Switzerland is estimated to have roughly 600,000 pedigree cattle including both dairy and beef breeds. Genetic imports are primarily of dairy breeds led by traditional Holstein as well as Red and White Holstein. While Brown Swiss is a major dairy breed, little semen is imported by producers.

Dairies tend to be quite small in Switzerland and are highly dependent on government support and protection from dairy product imports. Due to the small size of dairies combined with high milk and product prices, producers tend to seek top quality genetics to maximize profits. Therefore, total demand for dairy genetic imports is on the rise with more than 500,000 semen straws imported in 2014 at a record \$7.8 million.

### **Despite Remaining Obstacles, The U.S. Export Outlook is Bright:**

While the removal of the 5 CHF duty has been a major boost to U.S. exports, some hurdles in Switzerland remain. Currently, Swiss breed associations charge 8.0 CHF for registration of bulls from the United States while domestic bulls are only charged 3 CHF. Furthermore, domestic breed federations receive significant levels of government funding (estimated at 23 million CHF) to promote use of their bulls. Despite these hurdles, growing demand for sexed semen and high quality dairy genetics should continue to push Swiss dairy producers to U.S. genetics. Though it will be difficult to track the actual level of exports, due to the quality of U.S. Holstein genetics and growing

demand for this breed from dairies, double digit growth in U.S. shipments is possible.

<sup>[1]</sup>The European Union is counted as a single market