Investment grants in agriculture
Evaluation of the concept, costs and effectiveness

Key facts

The Swiss Federal Audit Office (SFAO) conducted an evaluation of the concept, costs and impact of structural measures for agriculture. These measures include investment grants in the form of interest-free investment credits from federal funds (working capital) and non-repayable contributions from the Confederation and the cantons. In 2013, federal expenditure on this was CHF 139 million or 3.75% of the expenditure on agriculture and food. The evaluation concentrated on the sub-segment of the single farm investment grants in non-residential buildings from 2003 to 2013. It was based on the corresponding enforcement database, on accounting data from selected farms and on a farm manager survey.

Overall no serious shortcomings

The investment grants are based on a concept with objectives, measures and detailed criteria for financial assistance. No uncontrolled cost increases were discovered in the single farm investment grants in non-residential buildings examined. The distribution of funds is in line with the different aspects of the direction sought, for example through more support for the mountainous regions and support for structural change in favour of bigger production units. Various impact indicators in the examined building investments are also pointing in the right direction. The investment grants trigger additional investments and thereby boost the corresponding impact.

47% of the examined single farm investment credits in non-residential buildings were received by the valley regions, 16% by the upland regions and 37% by the mountainous regions. 80% of the corresponding contributions were received by the mountainous regions and 20% by the upland regions. 78% of farms with an above-average agricultural land area benefited from the investment credits, while 87% benefited from the contributions. The proportion of project costs made up of investment grants rises continually with the area of the farm whereas at the same time, the project costs and the investment grants per unit of area fall continuously. The investment grants thus support the structural shift towards bigger production units. In this way, it is more likely (and possibly in line with the objectives) that it is the structural shift in the individual zones which is being promoted as opposed to a shift in agricultural activities between the zones.

The average annual total value of the subsidies for around 1,900 subsidised investments in agricultural non-residential buildings calculated by the SFAO (consisting of non-repayable contributions and the subsidy value of the repayable investment credits) amounted to CHF 86 million or 10% of the total amount of the supported investments between 2003 and 2013. However, this proportion dropped from 15% at the start of this period to 6.5% at the end of it. Falling interest rates played a significant role here.

Room for improvement in the concept and impact areas

The support strategy is not clear enough on individual aspects. This particularly concerns the transparency of the objectives, the alignment of the measures with the objectives and the verification of whether the objectives have been met. There is a lack of more specific definitions and appropriate operational sub-objectives for the improvement sought in living conditions and the contribution to environmental objectives. This makes it difficult to verify the achievement of objectives. In contrast to other measures, the investment credits for the construction and refurbishment of residential buildings amounting to some CHF 50 million annually are ill-suited for reducing production costs. Up to now, verifying the achievement of objectives has barely been part of the concept for investment grants. The SFAO could not find any adequate concept behind extending the investment grants to additional subsidy recipients such as small commercial businesses.

According to the results of the SFAO's farm manager survey, between a quarter and one third of the subsidised investment projects would have been implemented in exactly the same way even without the investment assistance; in this respect, they had no impact. In the other cases, the investment grants above all led to investments being made earlier, more often and to a greater amount. The type of investment was influenced in less than 10% of the cases. The use of the agricultural grants are more likely to result in a quantitative expansion than in a qualitative change of the agricultural investments (including their positive or possibly negative consequences).

The farm manager survey and the examined aggregated accounting data from Agroscope's central analysis of global productivity point to the investment grants having a low to medium impact on cost reduction. In the case of other indicators of the economic conditions (income, productivity and profitability in line with accounting data), a medium to high positive impact was identified. In accordance with the farm manager survey, investments not only significantly improve working conditions but quality of life as well. Both the farm manager survey and the analysis of the accounting data point to a positive and increased impact of investments on animal protection. Moreover, investments with investment grants perform better than those without them, in particular due to the additional financial incentives for particularly animal-friendly stabling systems. The farm manager survey indicates a low to medium positive environmental impact while the analysis of the accounting data indicates practically no corresponding impact. In the environmental and animal protection domain, some of the investment grants are used to enable the business to continue after statutory requirements are raised.

Investments in residential buildings should no longer be promoted

The SFAO has formulated four recommendations for the attention of the Federal Council and the Federal Office for Agriculture. It recommends (1) reviewing the continuation of investment credits for residential buildings, (2) reducing production costs with appropriate measures and promoting cost effectiveness, (3) explaining and systematising the coherence of investment grants with direct payment instruments for the further development of agricultural policy, and (4) specifying the contribution of investment grants to environmental objectives.

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