

# Swiss voters say no to proposed ban on speculation

As first highlighted in the March 2016 issue of *C&CI*, on 28 February Swiss voters participated in a referendum that saw them vote, among other things, on a proposal from the Young Socialist Party in the country to ban speculation on foodstuffs. The proposal was comfortably rejected by Swiss voters, with 59.9 per cent of them voting 'no.' The proposal was defeated in all of Switzerland's cantons with the exception of Jura and the city of Basel.

The proponents of the initiative wanted to restrict institutions from speculating on food and agricultural commodities, believing that speculation has increased the cost of basic foodstuffs in many parts of the world. Opponents of the initiative argued that it was unrealistic and – if passed – would be damaging to Switzerland, which is a European 'super hub' for numerous commodity firms.

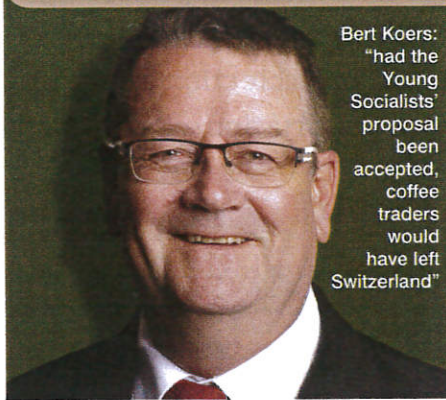
After the result of the referendum was known, Switzerland's Economics Minister, Johann Schneider-Ammann, said he believed that the Swiss economy would have suffered had the Young Socialists' proposal been agreed. He said development aid "was the right means to fight poverty and hunger," and in reference to Swiss efforts in this direction he said that "what we do is not nothing."

## Pro-farmer policy enjoys support

Fabian Molina, President of the Young Socialists, called for the Swiss cabinet to stick to promises it has made and not reduce development aid. He also called on the government to limit the number of trades one person can make on a food commodity. Referring to the fact that around 40 per cent of the Swiss electorate had voted in favour of the Young Socialists' proposal, an alliance of 40 groups that supported it said: "This shows that the fight against world hunger and support for pro-farmer policies enjoys great backing in Switzerland."

Voters participating in the referendum could, it was claimed, have been swayed by the fact that there are already concerns about the Swiss economy and the fact that Swiss companies have been badly affected by the strong franc. "We risked the departure of certain companies if wanted to make this type of trading impossible,"

**A proposal to ban speculation on foodstuffs that could have had significant consequences for coffee trading companies in Switzerland has been rejected by Swiss voters**



Bert Koers: "had the Young Socialists' proposal been accepted, coffee traders would have left Switzerland"

said Dominique de Buman of the centrist Christian Democratic Party, which opposed the initiative. "There was fear of losing an entire financial sector."

The outcome of the referendum has undoubtedly come as a relief to numerous commodity companies based in Switzerland such as ADM, Cargill and Louis Dreyfus. Some analysts had predicted an exodus of Swiss-based commodity trading multinationals had the vote gone in favour of the Young Socialists' proposal.

As highlighted in the March 2016 issue of *C&CI*, the referendum vote was the end point in a process that started several years ago when the Young Socialist Party launched an initiative colloquially known as 'Don't play with food,' or 'No speculation with foodstuffs.'

Interviewed for the March 2016 issue of *C&CI*, Bert Koers, director of futures at Blaser Trading in Bern, who is closely involved with the community of interest (CI) Coffee Switzerland, an umbrella organisation of the main associations in the Swiss coffee market, told *C&CI* that he believed a vote in favour of the Young Socialists proposal would have had wide-ranging effects. He said he believed that multinationals would have left the country if they weren't allowed to continue trading in the way that they always had.

In the last couple of years, the Swiss cabinet has discussed reforms to over-the-counter (OTC) trade in derivatives, which take place without the supervision of an exchange, but no changes have been proposed. "If there had been a 'yes' vote

in favour of the Young Socialists' proposal we would still have been allowed to hedge, and use the usual hedging tools available to a coffee trader, but we would incur a huge administrative burden from doing so," Mr Koers told *C&CI*. "A Swiss-owned company such as Blaser would be hit by a wave of extra administrative work under this proposal." ■ *C&CI*

## Pods playing growing role

Euromonitor says that in 2015, as in many other countries, coffee culture in Switzerland saw continued growth in the use of coffee pods. "These products are the most common way of consuming coffee in Swiss homes, even outperforming fully automatic machines," said Euromonitor in a March 2016 report on the Swiss coffee market. Euromonitor noted that single-origin coffee pods are growing in popularity among Swiss consumers, who are increasingly interested in knowing where their coffee comes from.

"With a combined retail value share of 65 per cent Nestlé Suisse and retail chain Migros dominated the competitive landscape in Switzerland in 2015," said Euromonitor. "Leading in fresh ground coffee with a value share of 46 per cent and in fresh ground coffee pods with 68 per cent thanks to its successful Nespresso brand, Nestlé Suisse SA remained the category leader with an overall value share of 38 per cent in 2015. The whole bean market – which plays a more significant role in Switzerland than in many other European countries – is led by Migros, which had an overall value share in coffee of 28 per cent in 2015.

"With a per capita coffee consumption of 4kg, the coffee market in Switzerland is saturated," said Euromonitor, which expects consumers to pay more attention to single origin coffee and to the growing number of smaller, local roasters, who are able to provide them with a better understanding of where their coffee comes from.