Synopsis of Non-Tariff Measures for the Protection of Agriculture or in support of Incomes of Agricultural Producers furnished by the Government of Israel

I.

NATIONAL AGRICULTURAL POLICIES

A. General Objectives

Within the framework of the general economic development of the country, Israel strives to establish a sound, prosperous and progressive agriculture on an optimum scale consistent with available resources and overall considerations of national policy. In laying down this optimum scale for its agricultural sector, which is as yet insufficiently developed, account must be taken of a number of economic, social and other factors having a direct influence on that policy.

In the conviction that the cultivation of the soil forms the strongest bond between the people and their old-new homeland, it is the policy of the Government to encourage the pursuit of agriculture and to foster settlement on the land, both of the present population and of new immigrants. Furthermore, a rational distribution of population and other considerations require the establishment of new agricultural settlements in regions as yet only sparsely settled and in border areas.

Neglected soils and the lack of developed water resources present serious natural handicaps which necessitate the carrying out of national measures to provide the physical basis for agricultural development. To this end the Government initiates and finances large-scale irrigation projects, land improvement and reclamation schemes, and afforestation activities.

In order to ensure a sound social and professional structure of the population it is deemed essential that a growing percentage of the people engage in agriculture. At present only 15 per cent of the population derive their income from that sector.
To ensure the necessary economic incentive net income on efficient farms should not be substantially lower than income from other professions requiring comparable skills and responsibility.

Agriculture in Israel is expected to provide the basis for the supply of fresh and wholesome food in quantities adequate for a population engaged in intensive work in a hot and partly subtropical climate. Food is the major component in the determination of the cost-of-living index, which in turn determines the general level of wages and prices in the country. It is therefore important that the prices of food remain stable and do not exceed the purchasing power of the average consumer.

The needs of an expanding economy and the carrying out of major development projects have resulted in consistent deficits in the balance of trade, which in recent years have exceeded $300 million. Every branch of the economy is expected to contribute the maximum to the reduction and ultimate elimination of this deficit. Agriculture, in particular, will have to increase its export earnings on a significant scale.

Special importance is attached to a substantial reduction of the costs of production in agriculture and a determined policy aiming at an overall increase in efficiency in farm-operations has been adopted. Through the introduction of new techniques, fuller mechanization, improved seeds and varieties, increase in the scale of operations and through the gain of experience by the new farmers it is hoped to achieve significant results.

B. The Pattern of Production and Trade

Agriculture in Israel centres around the production of essential perishable foodstuffs in which it supplies virtually the whole of the domestic market. These products are fluid milk and cream, vegetables, fruit. Eggs, too must be considered in Israel's climate as perishable. These items cannot be imported from overseas, while supplies cannot be obtained from contiguous countries. As peaks of demand for milk do not coincide with pronounced seasonal peaks of production, a milk utilization scheme provides the main outlet for surpluses of skimmed milk through the production of butter and soft cheeses. For economic reasons both dairy and poultry farming have branched out into a second line of production: beef and poultry meat. Imports of beef are small as the consumption of beef is low and domestically produced poultry meat is cheap and available in sufficient quantities. Low priced margarine manufactured locally from imported raw materials takes the place of imported butter. Climate and popular preference favours consumption of locally produced soft cheeses instead of imported quality cheeses.
Two factors tend to maintain costs of agricultural production in Israel above the general level of prices: (a) the establishment of new farms where the equipment supplied is as yet insufficient for an economic scale of operations; and (b) the introduction of new lines of production which require a transition period until the necessary experience has been gained and production problems have been overcome. Within a few years the costs of production on new farms is bound to decrease and productivity of new crops will have reached accepted standards. This, together with overall efforts to increase efficiency of farm operations will result in a substantial lowering of prices. This will doubtlessly broaden the basis for exports and might, with respect to some commodities, lead to a further replacement of imports. More important, however, will be the effect on home consumption. Consumers will get their food at lower prices and consumption, per capita, of some essential foodstuffs, such as fluid milk and probably also beef, is bound to increase.

Consumption level of eggs, poultry meat, soft cheeses, vegetables and fruit are already amongst the highest in the world. Consumption of sugar and of fat is lower than in Western Europe, but higher than in other Mediterranean countries. Consumption of bread is higher than in Western Europe, but below the level prevailing in other Mediterranean countries. With the steady increase in the consumption of quality animal protein food the consumption of bread has decreased over the last few years - proof of a definite improvement in nutritional standards, which must indeed be considered as fully satisfactory. Average food consumption is high both in quantity and in quality and in relation to other Mediterranean countries, amounting to 2,650 calories per day, including 30 grams of animal protein and 80 grams of fats.

Local production covers at present about 70 per cent of consumption and the volume of imports is considerable. Imports consist mainly of bulk commodities: wheat, oilseeds (for the production of margarine and edible oils) and sugar as local production of these commodities covers only 20 per cent to 35 per cent of requirements. Other imports of foodstuffs comprise mainly low-cost sea fish, some quantities of beef and some dairy products (bought under surplus-disposal arrangements). Imports of feed grains and animal protein meals are substantial. Exports consist at present mainly of citrus fruit, the production of which is based on favourable climatic conditions and on high efficiency gained by the experience of many decades. Other agricultural exports are fairly small except for a surplus quantity of eggs and a few thousand tons of table peanuts. The main items are vegetables, melons and bananas. Imports of agricultural products will remain considerable and the balance of agricultural trade will continue to be negative. The bulk of domestic production will be absorbed by the domestic market, increasing its share of total supply. Within the foreseeable future imports of bulk foodstuffs will remain substantial and only that of livestock products is liable to decrease.
While production in most farm branches has as yet not reached the optimum volume, temporary surpluses of certain products may and do occur. Further development of such lines of production is discouraged until domestic demand increases or until a reduction in production costs increases marketing possibilities both at home and abroad. In particular, in view of surpluses, which are neither desirable nor easy to dispose of, measures have been taken to restrict the two main livestock branches: dairy and poultry.

C. Special Measures

In order to regulate production in accordance with policy targets and to ensure orderly marketing, Production and Marketing Boards have been established, on which both the Government and the producers are represented. Such boards have now been established for citrus fruit, milk and dairy products, vegetables and potatoes, ground-nuts, eggs and poultry, meat and cotton. Most of these Boards operate on the basis of statutory authority while for the others the necessary legislation has already been introduced. For other products, such as fish and fruit (other than citrus), the producer organizations already act in close liaison with the Government and Boards will be established in future.

For the bulk of commodities, (up to certain limits) supplied to the markets, farmers receive guaranteed prices. Guaranteed Price Schemes are operated in close cooperation with the Production and Marketing Boards. Insofar as the cost of these schemes are not covered by sales proceeds, they are financed from three sources: budgetary allocation by the Government, receipts of the Equalization Funds and contributions by the producers themselves. A flexible policy is maintained in order to guide production towards optimum targets.

The price level maintained under these schemes remains, for the time being, somewhat above the costs of production of fully equipped and efficiently operated farms. However, at present approximately 40 per cent of all produce is harvested by newly established farms which are not yet fully equipped and have therefore not yet attained minimum scales of economic operation. With the increase in efficiency of the older farms and the transformation of new farms into fully equipped farm units, costs of production will decrease and will permit the lowering of guaranteed prices.

Contributions to the Equalization Funds are collected on imported feeding-stuffs (feedgrains, oil-cakes and animal protein), on oilseeds, sugar, skimmed milk power and frozen fish. They are imposed in order to adjust import prices to domestic prices maintained at a level broadly covering production costs and assuring a reasonable return to the domestic producer of these products.
The Government and the Jewish Agency (a public institution devoted, inter alia, to the care of new immigrants and to their settlement on the land) have taken upon themselves to provide newly established farms with the necessary equipment, machinery, livestock and installations for irrigation. Loans are extended for this purpose on favourable terms from funds made available from the budget of the Jewish Agency and the development budget of the Government. In order to increase the income of newly established farms deficiency payments are made on certain products marketed by such farms.

In order to encourage efficiency in farm operations, the Government and the Jewish Agency operate large scale extension services, finance research work and maintain a network of agricultural schools and training establishments.

D. Scope of Special Measures

(a) Livestock Branches

The production of milk is subsidized in order to assure the supply of cheap fresh fluid milk to the population and to cover the differences between production costs and the proceeds from the sale of cream, butter and cheese. Approximately one third of gross income of dairy farming is derived from the sale of beef, which commands a fairly high (though not guaranteed) price. Special marketing arrangements are administered by the Dairy Production and Marketing Boards.

Poultry farming has developed rapidly during recent years and must now be considered as amongst the most intensive branches of farming. While domestic consumption of eggs and poultry are very high this expansion has led to over production and surpluses which had to be exported. A marketing scheme is operated by the Egg and Poultry Production and Marketing Board which fixes retail prices for the local market and supports the wholesale price of eggs, both for domestic consumption and exports, at the same level. Further expansion of poultry farming is being restrained which will gradually lead to a reduction of exports.

Fishery provides as yet only a small share of total production. Approximately 60 per cent of the total catch are carp, raised in special fish ponds, which are preferred by consumers and obtain profitable prices. The remainder is provided by sea and lake fishing. It is hoped to increase the share of sea fishing and a fund to which both the Government and the fishing industry contribute, guarantees a minimum income for every day of sailing.

(b) Field Crops

Local wheat is purchased by the Government at a fixed ratio. Farmers receive 4 tons of imported milocorn for every 3 tons of wheat delivered. This arrangement is intended to give farmers an incentive to grow wheat
rather than fodder grain. It is not compulsory, but as it is preferred by the farmers and no cash sales of local wheat takes place. Government trading comprises both domestic and imported wheat. It is sold to the flour mills below international market prices, thus maintaining the price of bread at a low level. Small quantities of local hard wheat are exported in exchange for soft wheat.

Local production of feed grains cover about 40 per cent of requirements, the balance being imported from abroad. Prices are maintained at a level which covers production costs of locally grown feed grain, and a contribution to the Equalization Fund is imposed on imports. (In order to maintain a rational price level for all feeding stuffs, such contributions are also imposed on imported oil cakes and animal protein.)

(c) Industrial Crops

The whole of the sugar beet crop is bought by the sugar refineries at a price fixed by the Government. Local production provides roughly one quarter of consumption - expansion awaits the completion of an additional sugar refinery at present under construction. Pending increased efficiency in growing and refining the price of locally produced sugar is high and contributions to the Equalization Fund are imposed on imported sugar.

The Government guarantees the purchase of all locally grown cotton at a fixed price and covers through a subsidy the difference between locally grown and imported cotton. Being relatively new to Israel farming, costs of production are as yet higher than average, but with the expansion of the crop area and gains in efficiency, certain quantities will become available for export.

Local production of oilseeds is small; the bulk being cotton seed obtained as a by-product. Locally grown groundnuts are sold as table groundnuts for domestic consumption and exports, but not for processing. The Groundnut Production and Marketing Board controls the market for locally grown groundnuts, but does not handle imports of oilseeds, which are substantial.

(d) Fruit and Vegetables

The Vegetable Production and Marketing Board administers a comprehensive guaranteed price and marketing scheme with a view to assuring a year round supply for home consumption, avoiding market fluctuations, and encouraging exports of certain vegetables and early potatoes. While part of its activities are financed by contributions of producers, Government assistance is substantial.

Until recently the supply of fruit (except citrus fruit) was insufficient and expensive. New plantations have now begun to bear fruit, providing ample supplies for the market and attempts are now being made to promote the exports of table grapes, melons and avocados. No marketing scheme is as yet in operation.
Citrus fruit remains the country's main export crop. The Citrus Marketing Board assures ample supplies for home consumption and the processing industry and acts as sole exporter of the fruit.

II.

**SUBSIDIES**

(Including all forms of Incomes and Price Support)

A. Production Subsidies

Producers' subsidies are granted in the form of deficiency payments and within the framework of guaranteed price schemes. For the agricultural year 1956/57 (i.e. October 1956 - September 1957) these amounted to £15.3 million, for 1957/58 £18.7 million and for 1958/59 £31.9 million.

After several increases in the price of milk, the earlier consumers' subsidy for milk is now considered a producers' subsidy. In 1958/59 it amounted to £19.5 million and £111.2 million have been appropriated for the current fiscal year. The guaranteed price has been fixed at 28 aguroth per litre (100 aguroth equals £1) for established farms (for a limited quantity based on sales in 1957/58) and 29 aguroth per litre for new farms (without limit as to quantity). The subsidy amounts to 1.5 aguroth per litre for bottled fluid milk, 2.5 aguroth per litre for unbottled fluid milk and 6.5 aguroth per litre for milk destined for processing.

Government contributions under the egg marketing scheme amounted to £11.4 million in 1957/58 and £111.9 million in 1958/59. These payments are considered as refund of the contributions to the Equalization Fund imposed on the feedingstuffs imported for use by poultry farms, which had resulted in artificial increase in production costs.

Contributions to the Vegetable Production and Marketing Board in order to underwrite the losses of the marketing scheme amounted to £15.0 million in 1957/58 and £16.6 million in 1958/59. This (financial) year's budget forsees an expenditure of £16.6 million for this purpose.

Cotton spinners pay the growers of cotton a price equal to that of imported cotton (£2,100 per ton of fibres), while the Government adds a deficiency payment up to the level of the cost of production of farms considered as fairly efficient (determined at £2,500 in 1959/60 and £2,520 in 1960/61). Total payments under this arrangement amounted to £11.7 million in 1957/58, £13.6 million in 1958/59 and will reach £16.5 million during the current financial year.
In order to maintain a low and stable level of prices for essential foodstuffs the Government pays consumers' subsidies. Part of these subsidies have accrued to locally produced agricultural products: £124.1 million in 1956/57; £133.1 million in 1957/58 and £16.9 million in 1958/59. Consumers' subsidies on milk, vegetables and potatoes have now been replaced by producers' subsidies. No consumers' subsidies on fruit and eggs were granted since 1957/58. In 1958/59 local meat received a subsidy of £10.7 million. A special subsidy on wheat (£13.2 million in financial year 1958/59; £13.6 million budgeted for 1959/60; and £14.1 million budgeted for 1960/61) must in this context be considered as an import subsidy.

B. Other Forms of Income Support

To encourage the use of fertilizers a subsidy amounting to approximately £13.0 million annually is paid to the fertilizer producers. In regions where the price of water is excessively high reductions are effected through a Government subsidy amounting, on the average to £11.5 million per year.

As production costs on newly established farms are higher than on those established earlier, farms established during the last ten years are assisted by Government participation in certain production costs (transport, grading, storing, spraying, etc.) or by additional payments on the products marketed by them: milk, vegetables and potatoes, fruit (from mountain regions), cotton, groundnuts, sugar beet and tobacco. Subsidies to newly established farms have averaged £13.5 million in recent years. As productivity on these farms increase such subsidies will be reduced.

C. Direct and Indirect Aids to Exports

In 1959 Israel exported agricultural products to the value of $56.8 million. The bulk of these consisted of citrus fruit: $45.4 million. The only other important items were eggs ($6.5 million), hard wheat ($1.8 million - bartered for soft wheat) and groundnuts ($1.4 million).

The balance,amounting to $1.7 million consisted mainly of experimental shipments of one-day chicks, bananas, melons, other fruits and vegetables, seeds, flowers and flower bulbs. Temporary support was given to these experimental exports through the underwriting of export losses by the Government amounting to approximately £1300,000 in 1959/60. These exports are based on a climatic advantage as produce of Israel can be marketed in the consuming countries "out of season". To the degree that the technique of these seasonal exports is being mastered and transport problems are being overcome, Government assistance will be dispensed with.
In accordance with exchange control regulations, the foreign currency proceeds of all exports must be offered for sale to the Treasury. They are converted into Israel pounds at the rate of $1 = £1.80. In addition exporters, both of industrial and of agricultural products, receive an exchange premium of up to £1.20 in respect of every dollar (or equivalent in other currency) of net added value. (Net added value is computed by deducting from export proceeds foreign exchange outlay incurred in the production of the goods exported.) It has been recognized that this premium is not aggressive and that it cannot be dispensed with as long as the present rate of exchange is being maintained.

Within the general framework of export promotion activities, agricultural exporters enjoy facilities in respect of export credit insurance, participation in advertising and promotional expenditure in new markets, reduced transport rates through Eilat port, participation in international fairs, etc.

III.

COSTS OF PROGRAMME AND FARM NET INCOME

A. Total costs of Government support programmes

The following table gives a summary of expenditure on support programmes and export premia. These figures are expressed in millions of Israel pounds. They are computed on a gross basis; it must be emphasized that nearly one-half of the support programmes is financed from contributions to Equalization Funds imposed on imported food and feedingstuffs.

<table>
<thead>
<tr>
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<th>1956/57</th>
<th>1957/58</th>
<th>1958/59</th>
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<tbody>
<tr>
<td>Producers' subsidies (direct)</td>
<td>5.3</td>
<td>8.7</td>
<td>31.8</td>
</tr>
<tr>
<td>&quot; &quot; (indirect)</td>
<td>3.2</td>
<td>4.3</td>
<td>3.7</td>
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<tr>
<td>&quot; &quot; (new farms)</td>
<td>3.5</td>
<td>3.0</td>
<td>3.6</td>
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<td>Consumers' &quot; (excluding wheat)</td>
<td>24.1</td>
<td>33.1</td>
<td>6.9</td>
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<tr>
<td>Total cost of support programmes</td>
<td>36.1</td>
<td>49.1</td>
<td>46.0</td>
</tr>
<tr>
<td>Exchange premia - Citrus</td>
<td>-</td>
<td>-</td>
<td>11.8</td>
</tr>
<tr>
<td>&quot; &quot; - Other exports</td>
<td>2.4</td>
<td>2.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Exchange premia - Total</td>
<td>2.4</td>
<td>2.5</td>
<td>15.4</td>
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</tbody>
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B. Farm net income

IV.

MIXING REGULATIONS

No mixing regulations are imposed as the whole of the domestic production of wheat, cotton and sugar beet is taken up by the millers, spinners and refineries, respectively, at fixed prices. All additional quantities needed to satisfy local demand are imported.

V.

STATE TRADING

The import and export of agricultural produce is to a large extent handled by the Food Import Division of the Ministry of Commerce and Industry and by Agricultural Marketing Boards. It is the declared policy of the Government to decrease and, if possible, to eliminate its import activities. A comprehensive survey of State-trading activities is contained in document L/1014/Add.24. Since the completion of that survey the Dairy Production and Marketing Board and the Egg and Poultry Production and Marketing Board have received statutory authority. Their activities are similar to the activities of the Vegetable Production and Marketing Board. The statistical information included in the survey refers only to products being currently handled by State-Trading Enterprises. In addition the Food Import Division has in the past effected imports of butter, cheese and skimmed milk powder, made available under agricultural surplus disposal schemes.

VI.

IMPORT RESTRICTIONS

With minor insignificant exceptions, all imports into Israel are subject to licensing. The issue of import licences in respect of food and feeding-stuffs is delegated to the Food Import Division of the Ministry of Commerce and Industry. Import licences are issued in accordance with an import programme, which is approved by the Government. In drawing up this programme consideration is given to the overall foreign exchange position of the country, estimated local demand, size of stocks, availability from local sources, etc.

Import licences in respect of food and feeding-stuffs are issued in three categories: (a) licences for State-trading imports; (b) licences under liberalization schemes; and (c) individual licensing. Licences under (b) are issued in respect of coffee, dried fruit, cube sugar, spices, condiments and other non-essential foodstuffs. They are issued to private importers, provided they undertake to import certain minimum quantities of the commodity concerned.
Every commodity to which this system applies is subject to a surcharge that keeps its internal price established by previous demand, thus ensuring operation of the price mechanism and elimination of windfall profits. Licences under (c) are issued to private importers. The main commodities under individual licensing are rice, pulses, salted herring and animal feedingstuffs (except for a quantity of feedgrain imported by the Food and Import Division to be exchanged for locally grown wheat).

Rationing of food has been abolished and licensing of imports is very liberal. Available supplies of foodstuffs, both domestic and imported are plentiful and fully meet local demand at all times.