CHAPTER X

AGRICULTURE

1. Main Developments

After holding steady in 1967/68,[1] the real agricultural product, calculated at producer prices, rose by 5 percent in the following year. Compared with the strong expansion of the national product during the past two years, this was a moderate increase, and it continued the declining growth trend evident in particular since the mid-sixties.

The expansion in the year reviewed can be attributed to three main factors. First, in 1966/67 overproduction depressed producer prices by more than 2 percent, and this undoubtedly induced farmers to curtail supplies in the following year. But when prices rose by 4 percent that year, they were encouraged to expand production in 1968/69. Nevertheless, demand continued to outpace supply in 1968/69, with the result that consumer prices rose. This in turn led to a greater volume of farm marketings, reflected both by a decrease in the quantity of "surpluses"[2] removed from the market and by the expansion of output in branches with a short growing season, such as vegetables, melons, flowers, broilers, etc.

Secondly, damage by pests and from other natural causes was less serious than in 1967/68. For instance, the drought in 1968/69 affected only part of the southern region of the country, whereas in 1967/68 a much bigger area had been hit. The incidence of Newcastle disease in the poultry branch was also less severe than in 1967/68, as was the loss sustained from hail (by fruit growers) and other natural factors. These losses were not accurately reflected by the amount of indemnities paid farmers, since some time generally elapses between the date on which a claim is filed and the date on which it is paid. Part of the payments made in 1968/69 were therefore for losses incurred in the previous year.

Thirdly, favorable weather conditions and better production methods led to higher per dunam yields in a long list of crops, particularly olives, wine grapes, sunflowers, bananas, cotton, and groundnuts. This factor was responsible for expanding total agricultural output by about 2 percent.

[1] This chapter refers to agricultural years, beginning in October and ending in September.

[2] The withdrawal of "surpluses" from the market affects not only the volume of farm marketings but also the agricultural output, for the latter is measured according to the constant-price value of the commodities. The value of a ton of marketed output is greater than that of a ton of produce destroyed or removed as a "surplus".

The impact of the above influences was partly offset by decreases in certain crop yields due to natural damage, as well as by a cyclical decline in fruit yields. The drought in the southern part of the country reduced the output of cereals and pulses by nearly 10 percent. Citrus output was down 4 percent in quantitative terms, the outcome of a 7 percent fall in yields (due mainly to a cyclical decline in the Shamuti orange crop), which was partly offset by a decrease in the proportion of culls. Sugar beet output also fell off, owing to the diminished profitability of this crop; as regards fish, an oversupply in 1967/68 led to a deliberate cutback in output in 1968/69.

The output of capital goods dropped by 14 percent following the reduction of new plantings. The latter was due to marketing constraints and the smaller volume of afforestation carried out because of the curtailment of relief projects

Table X–1

CURRENT ACCOUNT OF AGRICULTURE, 1967/68 AND 1968/69

(IL million)

	Value at current prices		Percent annual increase or decrease (–) in 1968/69		
	1967/68[a]	1968/69	Value	Quantity	Price
1. Total output at producer prices	1,818.1	1,933.2	6.3	3.4	2.8
2. Less: Agricultural intermediates	149.8	160.1	6.9	5.7	1.1
3. Agricultural output at producer prices	1,668.3	1,773.1	6.3	3.2	3.0
4. Less: Subsidies on output	117.2	109.3	–6.7	–2.4[b]	–4.5[b]
5. Agricultural output at market prices	1,551.1	1,663.8	7.3	3.6	3.5
6. Less: Purchased input	666.4	690.1	3.5	0.0	3.5
7. Gross agricultural product at market prices	884.7	973.7	10.1	6.3	3.5
8. Less: Depreciation	120.3	132.6	10.2	7.1	3.0
9. Net agricultural product at market prices	764.4	841.1	10.0	6.2	3.6
10. Plus: Subsidies on output	117.2	109.3	–6.7	–2.4[b]	–4.5[b]
11. Net agricultural product at producer prices	881.6	950.4	7.8	5.1	2.6
12. Plus: Drought compensation, etc.	9.4	10.3	9.6	—	—
13. Total income from agriculture	891.0	960.7	7.8	—	—
14. Less: Wages of hired labor	208.0	213.6	2.7	—	—
15. Less: Interest and rent	58.0	63.0	8.6	—	—
16. Income of farm owners from agriculture	625.0	684.1	9.5	—	—

[a] Revised figures.
[b] The change in quantity reflects the real change in subsidized output; the change in price reflects the change in the average subsidy rate per unit of subsidized output.
SOURCE: Central Bureau of Statistics.

employment and the stronger demand for labor in the economy, which made employment in other sectors more profitable. The production of capital goods has been drifting steadily downward for several years, and this is undoubtedly one of the factors decelerating the growth of agricultural output.

From the above, it is apparent that most of the incremental output of 1968/69 was in crops other than citrus, cereals, and pulses. The output of livestock and livestock products increased by only 1.7 percent, as compared with a rise of 3.4 percent in total agricultural output.[1] Most of the output growth in this branch was accounted for by poultry-meat and cow's milk, and was made possible by the enlargement of quotas and an improvement in subsidy arrangements.

The 5 percent real increase in the net agricultural product at producer prices was accompanied by a 3 percent price rise; this approximated the rate of increase in the price of farm output, including the value of intermediate goods consumed. The purchased input went up to a slightly higher extent. Most of the rise in output prices occurred in fruit, including citrus, and eggs (following the curtailment of exports). Farmers also received more for milk, chiefly because of the larger subsidies paid, and for beef, following the reduction of supplies.

As to purchased inputs, the steepest price rises were in imported fodder, pesticides and veterinary preparations, packing materials, spare parts, and repairs.

The real decrease of 14 percent in the output of capital goods reduced the proportion of output retained on the farms while bringing up the proportion marketed. This continued a trend that has persisted almost uninterruptedly during the past decade: the share of the marketed output rose from 74 percent of total annual output at the beginning of the sixties to 84 percent in 1968/69, and that of output retained on the farms dropped from 26 to 16 percent. All of the additional marketed output in the year reviewed went to meet the demand for direct domestic consumption and for exportation, while the quantities supplied to industry were slightly smaller than in the previous year. The latter development is attributable to the fact that domestic demand exceeded the supply, as a result of which prices went up by 3.9 percent, after rising 7.9 percent in 1967/68. Prices received by growers for noncitrus exports dipped slightly, but those for citrus sold abroad were up 4 percent. The larger return on citrus exports in the year reviewed resulted from the higher prices fetched abroad, whereas the 8 percent increase in producer prices in 1967/68 was due to the devaluation of the Israeli pound, which more than offset the fall in overseas prices.

The quantity of inputs purchased from other sectors in 1968/69 remained unchanged, after going up by 3 percent in 1967/68. This stability was due to a

[1] Defined as the agricutural product at producer prices, plus agricultural intermediates and inputs purchased from other sectors.

lower input of packing materials and transportation (because of smaller yields and reduced exports of citrus), a smaller input of fertilizers, and a 5 percent decrease in water consumption (owing to plentiful precipitation in the north of the country). These decreases were offset by a moderate increase in purchases of imported fodder (the output of livestock and livestock products expanded, though more slowly than in the previous year).

Since the start of the decade there has been an almost uninterrupted decline both in the number of persons employed in agriculture and in their weight within total employment. The downward trend carried over through 1968/69, when there was a further decrease of 2.5 percent in the number of employed.[1] According to the manpower surveys of the Central Bureau of Statistics, the labor input dropped even more sharply: besides the decrease in the number of employed, the number of man-hours per employed declined by some 2 percent, with both hired workers and self-employed being affected.

Agricultural productivity rose by about 3 percent in 1968/69, after holding steady in 1967/68. This can be credited to the larger yields in the year reviewed and a qualitative improvement, which made it possible to reduce the input of labor and increase output per worker,[2] with a consequent gain in the total volume of production.

Income of farm proprietors from agriculture increased by 9 percent, after advancing 6 percent in 1967/68. This exceeded the rate of increase in total income from agriculture, since wage payments to hired labor rose less than total income from agriculture. Net income per nonhired worker moved up by 12 percent, as their numbers decreased by more than 2 percent.

The volume of farm subsidies was pared by 11 percent in 1968/69, after a 2 percent increase in the preceding year. Subsidies on output were cut by 7 percent and factor subsidies by 26 percent, while compensation payments for drought and other natural damage were enlarged by 10 percent.

The smaller factor subsidization was connected with a change in the agreement governing purchased fodder—a shift from a factor subsidy to the subsidization of livestock output, with the subsidy being paid only if the output cannot be sold at the agreed minimum prices. Under this agreement the agreed minimum prices were raised to a level more or less compensating producers for the higher cost of fodder.

Along with the upping of fodder prices, there was a larger income in the equalization fund for imported fodder; this led to a net decrease of 63 percent in the total subsidy on imported fodder.

The 7 percent decline in output subsidies in 1968/69, after an increase of 13

[1] However, according to a rough estimate, some 2,000 additional workers from the administered areas were employed in Israeli agriculture in 1968/69. If this figure is correct, then the estimates of productivity and income of farm owners from agriculture are obviously biased upward.

[2] *For a more detailed explanation see the section on productivity, pp. 195 ff.*

percent in 1967/68, resulted from the trimming of subsidy rates per unit of output for most commodities, as well as from a 2 percent decrease in the quantity of subsidized output.[1] Only a minority of the branches were less heavily subsidized in the year surveyed. In eggs, the reduction stemmed from the smaller export, which enjoyed an especially high subsidy, while in the case of beef the causes were a cutback in production and a rise in meat prices. Fruit and vegetable growers received less in the year reviewed because of smaller surpluses, while in sugar beet the decline was due to poorer yields and the partial abolition of the subsidy, with farmers being allowed to charge the sugar refinery a higher price instead. The steepest increase occurred in milk, following an increase in both the subsidy rate and the quantity subsidized.

From the viewpoint of the producers, most subsidy arrangements were improved in 1968/69; however, the more favorable terms were not reflected in the volume of payments, since there were no production surpluses during the year. Should output be expanded in the future, the arrangements made in 1968/69 will lead to a much larger volume of payments.

Real gross investment in agriculture was up 7 percent in 1968/69, after declining by 2 percent in 1967/68 and at varying rates in previous years. Most of the growth in the year reviewed stemmed from a 27 percent larger outlay on machinery and equipment (three-fourths of this investment, however, was for the replacement of items scrapped); a 9 percent increase in land reclamation and conservation, drainage, etc.; and a substantial expansion of the livestock inventory. These increases were partly offset by an 18 percent reduction of fruit acreage due to limitations encountered in the marketing of deciduous fruit and citrus in Israel and abroad. Real investment in afforestation was down 32 percent, owing to the contraction of unemployment relief projects and the mounting general demand for labor, which created more rewarding employment opportunities elsewhere.

The gross stock of capital assets in this sector expanded by 2 percent in the year reviewed, i.e. at about the same rate as in 1967/68. The moderate growth of the capital stock reflects the large volume of scrapping, attributable to the appreciably higher level of investment during the first half of the sixties than in the second half.

Institutional farm credit increased by IL 213 million in 1969, as compared

[1] Subsidized output is defined as that on which a subsidy is actually paid and not the quantity produced. For most commodities the quantity of subsidized output is primarily a function of the price situation in the market. The subsidy rate per unit of output is obtained by dividing the total subsidy paid by the quantity of subsidized output. In most cases the arrangements provide for a subsidy based on "deficiency payments", designed to repay to producers any deficiency between the current market prices in different months or for different destinations and the standard prices. Under these arrangements, it is possible for the total volume of price supports to increase without any increase in the quantity of subsidized output or without a change in the subsidy rate per unit of output. For this reason, greater importance should be attached to the overall subsidy than to the rates of subsidy per unit of subsidized output or its quantity.

with IL 178 million the year before. This was equal to over three-fourths of the growth of agricultural output and investment, excluding afforestation and land reclamation. Most of the additional credit was provided by financial institutions and the Jewish Agency (IL 95 million and IL 90 million respectively in 1969, compared with IL 91 million and IL 79 million in 1968).

The incremental credit from financial institutions was granted mainly from earmarked Government deposits or from the resources of the Government-owned Israel Bank of Agriculture. The additional financing supplied by the Jewish Agency was intended chiefly for the consolidation of border and economically weak settlements and for the establishment of new villages.

In 1969, IL 28 million more credit was received through the banking system than in the previous year; this compares with an increase of IL 8 million in 1968. Directed credit was IL 8 million larger in the year reviewed, as contrasted with a rise of IL 28 million in 1968. The additional directed credit in 1969 reflected the expansion of the export funds and heavier borrowing by growers of cotton and other priority crops.

2. Output

(a) *Value of output*

Total agricultural output (including the value of intermediates consumed) rose in 1968/69 by 3.4 percent (at producer prices), as compared with 0.9 percent in the previous year.

The increase in the total farm value of agricultural output came to 6.3 percent, as against 7.9 percent in 1967/68, while that in producer prices amounted to 2.8 and 6.9 percent respectively. The more sluggish rise of producer prices was due to the expansion of supplies, which resulted in meat and vegetable prices remaining stable and those of potatoes and industrial crops declining somewhat. On the other hand, a much higher average price was received for eggs (owing to the contraction of exports, on which farmers sustained heavy losses), as well as for milk and noncitrus fruit (owing to smaller surpluses); the prices fetched by citrus in the overseas market were up 4 percent.

(b) *Destination of output*

The value of marketed output rose more slowly in 1968/69—7 percent as against 10.7 percent the year before. This was due entirely to the slower price increase—3.1 percent as against 7.5 percent in 1967/68.

The weight of marketed output within the total edged up from 83.8 percent in 1967/68 to 84.4 percent. This continued a trend evident since the early sixties and which can be attributed to a decline in the output of capital goods and a moderate increase in own consumption (by farm households). In 1968/69, 94 percent of the incremental output was marketed and 6 percent retained on farms.

Table X-2

TOTAL AGRICULTURAL OUTPUT, BY DESTINATION, 1967/68 AND 1968/69

(IL million)

	Value at current prices		Percent annual increase or decrease (–) in 1968/69		
	1967/68[a]	1968/69	Value	Quantity	Price
Output marketed					
Direct domestic consumption[b]	641.0	721.0	12.5	8.2	4.0
Industry	476.4	482.9	1.4	–1.6	3.0
Direct export	401.5	424.2	5.7	4.0	1.6
Total	**1,518.9**	**1,628.1**	**7.2**	**4.0**	**3.1**
Output retained on farms					
Own consumption	82.4	87.3	5.9	2.3	3.6
Capital goods	67.0	57.7	–13.9	–14.2	0.3
Agricultural raw materials (intermediates)	149.8	160.1	6.9	5.7	1.1
Total	**299.2**	**305.1**	**2.0**	**0.3**	**1.7**
Grand total	**1,818.1**	**1,933.2**	**6.3**	**3.4**	**2.8**

NOTE: Rates of change have been calculated from unrounded figures.
[a] Revised figures.
[b] Including the value of output destroyed: IL 4.3 million in 1967/68 and IL 2.3 million in 1968/69.
SOURCE: Central Bureau of Statistics.

The value of output retained on farms rose by 2 percent, after falling off 4.1 percent in 1967/68. Prices of this output moved up by only 1.7 percent in 1968/69, as against 4.3 percent the year before. The stronger rise in 1967/68 was a concomitant of the faster rise in the prices of marketed output that year. There was no quantitative increase in output retained on farms: a 14 percent decline in capital goods offset increases of 2 percent in the quantity of farm products consumed directly in farm households and of 6 percent in the quantity of agricultural intermediates consumed.

Most of the 4 percent quantitative gain in marketed output stemmed from an 8.2 percent rise in output sold for direct domestic consumption, following a decline of 3.6 percent in 1967/68. Topping the list of items in rate of growth were groundnuts and sunflowers (up 33 percent), followed by vegetables, potatoes, citrus, other fruit, and eggs—where gains ranged from 11 to 14 percent. Output of milk for direct local consumption was up 5 percent, that of meat for this destination remained stable, while the quantity of fish contracted by approximately 10 percent.

Output sold to industry was down 1.6 percent, compared with an 8 percent rise in 1967/68. The mild decline in the year reviewed is explained by a 9.7 percent smaller output of cereals and pulses because of drought in the southern part of the country, and by a 15 percent decline in the quantity of citrus supplied industry owing to the lower yield and the smaller percentage of culls. These decreases were largely offset by gains in other crops. Another factor checking the growth of supplies for processing was the stronger demand for direct consumption.

Output marketed abroad expanded by 4 percent in quantitative terms, as compared with 8.1 percent in 1967/68. Exceptionally high increases were recorded for such items as melons[1] (700 percent), cotton (162), flowers (65), noncitrus fruit (40), poultry-meat (10), and vegetables (11). On the other hand, there was a drop of 4 percent in citrus, 56 percent in fish, and 67 percent in eggs. Egg exports were deliberately curtailed because of their unprofitableness to producers and the economy alike.

The stability of output retained on farms was the resultant of a 14.2 percent decrease in capital goods and offsetting increases of 5.6 percent in intermediate products and of 2.3 percent in home consumption on farms.

Most of the decline in capital assets is explained by a 32 percent decrease in afforestation due to the curtailment of relief work and the better job opportunities available elsewhere during the year. In addition, the area of new plantings was reduced, mainly because of administrative restrictions introduced as a result of marketing limitations.

Table X-3

OUTPUT OF AGRICULTURAL CAPITAL GOODS, 1967/68 AND 1968/69

(IL million)

	Value at current prices		Percent annual increase or decrease (–) in 1968/69		
	1967/68[a]	1968/69	Value	Quantity	Price
Livestock	4.1	6.8	65.9	65.9	0.0
Orchards	24.6	20.4	–17.1	–17.9	0.9
Land reclamation and conservation, drainage, pasturage, etc.	11.0	12.0	9.1	9.1	0.0
Afforestation	27.3	18.5	–32.2	–32.2	0.0
Total	**67.0**	**57.7**	**–13.9**	**–14.2**	**0.3**

[a] Revised figures.
SOURCE: Central Bureau of Statistics.

Producer prices of marketed output went up by 3.1 percent, compared with 7.5 percent in 1967/68. The slower increase in the year reviewed was due mainly to the very sluggish rise in direct export returns—1.6 percent only as contrasted with 8.7 percent in 1967/68. The 1968/69 increase resulted largely from the higher prices obtained in the overseas market; in 1967/68, on the

[1] In this chapter data on melons also include watermelons and pumpkins.

other hand, citrus prices abroad slipped by 9 percent, but the devaluation of the Israeli pound by 17 percent in November 1967 boosted earnings. The rise of producer prices in 1968/69 thus reflected—in contrast to the preceding year—a genuine improvement in citriculture's terms of trade from the viewpoint of the national economy.

Prices of output marketed for direct local consumption rose more slowly than in 1967/68—by 4 percent as against 9.4 percent. This was due to an 8.2 percent expansion of supplies, following a contraction of 3.7 percent in 1967/68.

Prices paid by industry were up 3 percent, slightly below the 4 percent increase in 1967/68.

(c) *Output, by type of farming*

1. Livestock

Real output of livestock and livestock products expanded in 1968/69 at about the same rate as in the preceding year—by 1.7 percent. This low growth rate reflected a moderate rise in the output of poultry and cattle farming and a 4.3 percent quantitative decrease in the output of other livestock products.

(i) Cattle farming

Cattle farming showed an output gain of only 1.6 percent in 1968/69, after advancing 8.3 percent the year before. Whereas in 1967/68 most of the increase was in meat production while that of milk was only moderately larger, in the year reviewed milk output went up by 3.7 percent and meat output was down 1.7 percent. The smaller meat production in 1968/69 followed a particularly high level in 1967/68—a result of the heavier slaughter of cows and young stock after producers' expectations of larger milk quotas failed to materialize. In 1968/69 the value of the increment to the livestock inventory was 66 percent greater than in the previous year, thanks to the fewer number of heifers and calves slaughtered. Since the increased slaughtering in 1967/68 had reduced the number of calvings, meat output could not be stepped up despite a 3.3 percent rise in producer prices.

The real increase in the current output of cattle farming was accompanied by an advance of some 2.6 percent in producer prices, as compared with 5.2 percent in 1967/68. Meat prices rose by 3.3 percent, and those of milk by 2.2 percent. The higher prices received for cow's milk were due chiefly to the raising of the subsidy rate and to the larger proportion of milk sold for drinking and for processing into high-earning products at the expense of those yielding a low return to farmers. This development was made possible thanks to much heavier sales of hard cheeses and fermented milk—up 7.8 and 7 percent respectively. On the other hand, the quantity of butter marketed declined steeply. The 3.3 percent advance in beef prices in 1968/69, following a decrease of 0.8 percent in the preceding year, was due to the smaller supply of fresh meat; the rise might

Table X-4

CURRENT AGRICULTURAL OUTPUT,[a] BY TYPE OF FARMING, 1967/68 AND 1968/69

(IL million)

	Value at current prices		Percent annual increase or decrease (–) in 1968/69		
	1967/68[b]	1968/69	Value	Quantity	Price
Livestock					
Poultry					
Eggs	146.5	158.0	7.8	1.2	6.5
Meat	198.3	205.3	3.5	5.0	–1.4
Miscellaneous	8.8	10.2	15.9	14.8	1.0
Total	**353.6**	**373.5**	**5.6**	**3.7**	**1.9**
Cattle					
Milk	160.6	170.2	6.0	3.7	2.2
Meat	102.6	104.2	1.6	–1.7	3.3
Miscellaneous	12.8	13.3	3.9	0.0	3.9
Total	**276.0**	**287.7**	**4.2**	**1.6**	**2.6**
Other livestock					
Milk	23.7	22.9	–3.4	–2.5	–0.9
Meat	40.2	43.1	7.2	0.0	7.2
Fish	45.8	41.8	–8.7	–9.2	0.5
Miscellaneous	7.1	6.6	–7.0	–2.8	–4.3
Total	**116.8**	**114.4**	**–2.1**	**–4.3**	**2.3**
Total livestock	**746.4**	**775.6**	**3.9**	**1.7**	**2.2**
Crops					
Citrus	382.5	384.4	0.5	–3.6	4.3
Other fruit	170.0	213.1	25.4	13.1	10.8
Vegetables	123.0	148.6	20.8	16.9	3.3
Potatoes	28.5	28.8	1.1	4.6	–3.4
Cereals and pulses	71.3	65.6	–8.0	–9.7	1.9
Industrial crops	125.8	137.0	8.9	15.9	–6.0
Fodder	56.8	62.5	10.0	8.1	1.8
Flowers, seedlings, and decorative plants	12.0	18.2	51.7	42.5	6.4
Miscellaneous	34.9	41.8	19.8	15.8	3.5
Total	**1,004.8**	**1,100.0**	**9.5**	**5.9**	**3.4**
Total current output	**1,751.2**	**1,875.6**	**7.1**	**4.1**	**2.9**

[a] Marketing, on-farm consumption, and intermediate goods (agricultural raw materials).
[b] Revised figures.
SOURCE: Central Bureau of Statistics.

have been greater still had the supply of frozen meat not been stepped up by more than 20 percent and that of poultry-meat by 5 percent.

(ii) Poultry farming

After falling off approximately 5.6 percent in 1967/68, the real output of poultry farming grew by 3.7 percent in the year reviewed because of a 1.2 percent gain in egg output (compared with a decrease of 12.3 percent in 1967/68) and a 5 percent larger production of poultry-meat (compared with a 0.5 percent rise in the preceding year). The moderate upswing in egg output is explained by a sharp contraction in unprofitable egg exports (by 65 percent), though Newcastle disease limited the expansion of production. The larger poultry output was due to increased supplies of broilers and turkeys, while the supply of laying hens decreased for the reasons listed above.

Producer prices of poultry output rose by an average of 1.9 percent, compared with 15.6 percent in 1967/68; this reflected an increase of 6.5 percent in egg prices and a 1.4 percent decrease in those of poultry-meat. The higher prices received for eggs were due to the contraction of exports and the much larger share marketed for domestic consumption. Local marketing reached a new record of 311 eggs per capita, with 63 million eggs being imported to bridge the gap between demand and supply. The stronger demand can be partly attributed to the stability of consumer prices at a time when most other produce became more expensive. The higher return to farmers led to a much larger supply of eggs in the last months of 1968/69.

The 1.4 percent lower prices received by farmers for poultry-meat resulted from a 6 percent decline in the wholesale price for broilers, which was not quite offset by a much heavier subsidization by way of deficiency payments and the reimbursing of producers for the dearer cost of feed.

2. *Crops*

Real output of crops increased by 5.9 percent in 1968/69, compared with 2.5 percent in the previous year. A breakdown of the increment by individual major crops shows an opposite picture from that in 1967/68. In the latter year citrus output had increased by 13 percent and industrial crops by only 5 percent, while the output of noncitrus fruit had declined by 11 percent. By contrast, in 1968/69 citrus was down 3.6 percent, other fruit went up by 13.1 percent, and industrial crops gained 15.9 percent. Moreover, in the year reviewed vegetables, flowers, and melons recorded much faster growth rates.

Producer prices averaged 3.4 percent higher in 1968/69 (compared with a 4.5 percent rise the year before), chiefly because of the higher prices obtained for fruit, including citrus.

(i) Citriculture

The output of this branch decreased by 4 percent in 1968/69, as contrasted with an increase of approximately 13 percent the year before (see Table X-5). The smaller output was due to a drop of some 7 percent in yields, which was partly offset by the improved quality of the fruit and a consequent smaller percentage of culls.

The lower yields are attributable to adverse weather conditions, but it should also be noted that in the previous year there had been an 11 percent rise in the yield per dunam of fruit-bearing area. The decline was particularly pronounced for Shamuti oranges and lemons, while the output of Valencias advanced considerably. Shamutis were down 15 percent, while Valencias gained 33 percent, on top of a 56 percent increase in the previous year. The much higher output of Valencias was achieved thanks partly to the expansion of the fruit-bearing area, but primarily to an improvement in the quality of the fruit, which was reflected by a 46 percent gain in output marketed abroad and a 47 percent drop in the quantities supplied to local canneries. The 15 percent decline in Shamutis was due mainly to lower yields and to the poorer quality of the fruit, which resulted in a decrease of 18 percent in export volume and of 5 percent in domestic marketing.

Producer prices of citrus rose by 4 percent, following an advance of 7 percent in 1967/68. Whereas the 1967/68 increase was due chiefly to the devaluation and to the higher prices obtained for fruit sold for direct consumption in the local market, the increase in 1968/69 was the result of a 4 percent rise in prices fetched abroad and a 10 percent hike in those paid by local industry. Prices of fruit sold for direct local consumption slipped somewhat. These changes, along with an increase in the export incentive paid to growers from IL 0.30 per dollar in 1967/68 to IL 0.35 in 1968/69, boosted their income for the year.

Table X-5

CITRUS OUTPUT, BY ECONOMIC DESTINATION, 1967/68 AND 1968/69

	Quantity ('000 tons)		Value at current prices (IL million)		Percent annual increase or decrease (–) in 1968/69		
	1967/68	1968/69	1967/68	1968/69	Value	Quantity	Price
Direct export	738.0	697.5	312.9	313.7	0.3	–3.9	4.3
Industry	420.8	359.9	35.5	33.2	–6.5	–14.9	9.9
Organized domestic marketing	69.7	82.7	20.3	23.4	15.3	16.3	–0.8
On-farm consumption and private sales	37.0	38.0	13.7	14.2	3.6	2.9	0.7
Total	**1,265.5**	**1,178.1**	**382.4**	**384.5**	**0.5**	**–3.6**	**4.3**

SOURCE: Central Bureau of Statistics.

(ii) Other fruit

Real output of noncitrus fruit was up 13.1 percent in 1968/69, after dropping 11 percent in 1967/68. There were particularly strong increases in olives, wine grapes, bananas, and subtropical fruit. The changes in the last three years were caused primarily by the fact that fruit yields naturally tend to fluctuate somewhat, a good year being followed by a poor year, and also by changes in the area under certain crops. The expanded output of noncitrus fruit was accompanied by a rise of 11 percent in producer prices, following an advance of 12 percent in 1967/68. This can be ascribed to the increase of more than 22 percent in the prices received for stone and pome fruit and the almost complete disappearance of surpluses.

The olive crop, which had shrunk by 58 percent in the preceding year, expanded by 115 percent, the biggest real increase recorded for any item in this category. This can be ascribed to the above-mentioned yield cycle. Prices received by growers fell off only 3 percent despite the much bigger output, since marketing is regulated *inter alia* by the building-up of stocks during good years. Output of wine grapes expanded by 21 percent, owing to higher per dunam yields and to the planting of additional vineyards.

Despite the curtailment of the area under bananas, output was up 18 percent, as compared with a decrease of 13 percent in 1967/68. This substantial expansion was accompanied by a drop of only 7 percent in producer prices.

Output of stone and pome fruit other than grapes increased by 5 percent, though the volume marketed was considerably smaller than in 1967/68. The higher output value can be credited to an improvement in quality and to the almost complete disappearance of surpluses (down from 8,750 tons in 1967/68 to less than 500 tons), since nearly all of the crop was supplied to the market. The contraction of supplies was caused by a reduction of the area under apricots, Japanese plums, quinces, and table grapes, as well as by much lower per dunam yields of apricots, pears, plums, apples, and certain other fruit. Prices of nongrape stone and pome fruit rose by some 22 percent as a result of the smaller supplies and much heavier demand. The real output of subtropical varieties rose by about 6 percent, owing mainly to the extension of the fruit-bearing area. Since most of the output increment was exported, the stronger domestic demand drove up prices by 16 percent.

(iii) Industrial crops

Real output of industrial crops was up 15.9 percent in 1968/69, compared with 5 percent the year before. The more rapid rise in the year reviewed was an outcome of the increased relative importance of cotton, reflected by a rise of 18.6 percent in fiber output and of 15.4 percent in cottonseed—faster growth rates than in 1967/68. The larger output in 1968/69 was achieved thanks to the expansion of the irrigated area under cotton by 9 percent and of the unirrigated area by 5 percent, as well as to the higher per dunam yields. Prices received by farmers slipped 6.6 percent, owing to the larger proportion of exports, but cottonseed prices held steady. The irrigated area reached 290,000 dunams in 1968/69, or 65 percent of the total area under industrial crops. This large proportion would seem to indicate that any further expansion of cotton output can be attained only by boosting per dunam yields and expanding unirrigated cotton acreage.

The sugar beet crop was down 15 percent in 1968/69, continuing the steeply declining trend begun in the previous year. In 1968/69 the decrease was due to a 17 percent cutback in acreage and poorer per dunam yields. Despite the 4.5 percent higher base price received by growers during the year, their returns did not go up because of the lower sugar content of the beet.

The reduction of acreage is apparently explained by the diminished profitability of this item in comparison with other industrial crops, especially cotton. From the standpoint of the national economy, the production of sugar from local beet involves a very high cost per dollar saved.

Output of sunflowers increased by 87 percent, and their prices fell by 42 percent. The tobacco crop expanded by 15 percent, but prices held firm.

(iv) Vegetables

Vegetable output gained 17 percent in 1968/69, as compared with 11 percent the year before. Despite the much larger supplies, prices not only did not fall in 1968/69 but even rose by 3 percent, mainly because a large percentage of the incremental output was sold to industry, the administered areas, and abroad. The big increase in quantities sold to local canneries was mainly due to the doubling of tomato deliveries following the introduction of strains especially suited for processing and which are therefore profitable to grow. Overseas vegetable shipments soared by over 80 percent in physical terms, thanks to the stepped-up production of high-earning export items.

Potatoes showed a 5 percent real rise in output, accompanied by a 3 percent drop in producer prices. The smaller prices received did not affect the profitability of this crop, since a new marketing and subsidy arrangement, introduced by the Vegetable Marketing Board and the Ministry of Finance, brought up the net return to the grower while slightly reducing the price to the consumer. Exports of potatoes, which earn growers only a very small profit, fell by 60 percent, for any slight change in domestic marketing conditions leads to the diversion of large quantities from the overseas to the home market.

(v) Cereals and pulses

Cereals were hardest hit by the drought of 1968/69. Most of the decrease in output occurred in wheat, which contracted by 9 percent; barley was off 17 percent and sorghum by 19 percent. Prices of cereals and pulses were up 2 percent; this came on top of a 7 percent rise in 1967/68, due to the increase in the official prices paid for wheat, which accounted for about three-fourths of the total output of cereals and pulses. The official price for local wheat was revised upward after the devaluation of November 1967, which made imported wheat dearer in terms of Israeli pounds.

The output of fodder crops went up 8 percent in physical terms, while prices rose by 3 percent. Most of the increase in fodder output resulted from a 23 percent expansion of the hay crop, after the drought forced farmers to try to salvage part of their stricken grain crops by using them for fodder.

(vi) Miscellaneous

Output of melons was up 24 percent in physical terms, with prices rising by 3 percent. Fowers showed an increase of 43 percent in physical terms and over 6 percent in prices. This appreciable gain was achieved thanks to the introduction of new transport and marketing methods abroad, which has made it possible to considerably step up the cultivation of flowers, highly profitable to the producer and the economy alike.

3. Input

Inputs purchased from other sectors in 1968/69 remained stable, following a rise of 3 percent the year before (see Table X–6). Several reasons can be advanced for the deceleration in the year reviewed, the most important of which are listed below.

The 5 percent quantitative decrease in purchases of packing materials and that of 3 percent in transportation were caused by the contraction of citrus exports. The moderate 2 percent gain in output of livestock and livestock products necessitated only a very small increase in imported fodder. Purchases of fertilizer were down 1 percent.

Despite the drought in the southern part of the country, 5 percent less water was consumed. The irrigated area was expanded by 2.5 percent, but water consumption per dunam of irrigated land declined by 7 percent, thanks to the heavy rains in the northern part of the country and the greater use of water-saving irrigation techniques (see Table X–7).

The prices of inputs purchased from other sectors rose by an average of 3.5 percent, as compared with 11.6 percent in 1967/68. The much slower increase in the year surveyed reflected the influence of the devaluation of November 1967, which drove up the price of imported fodder by 14 percent in 1967/68 (compared with less than 6 percent in the following year) and that of packing materials (which have a high import component) by 8 percent as against 3 percent in 1968/69.

Imported fodder was responsible for most of the increase in input prices in 1968/69. Under an agreement with the farmers, the price of imported fodder began to be raised in 1967/68, in the wake of the devaluation and the con-

Table X-6

INPUT OF MATERIALS AND SERVICES IN AGRICULTURE,[a] BY SOURCE, 1967/68 AND 1968/69

(IL million)

	Value at current prices		Percent annual increase or decrease (–) in 1968/69		
	1967/68[b]	1968/69	Value	Quantity	Price
Purchases from other sectors					
Fodder	262.3	280.8	7.1	1.3	5.6
Fertilizers	39.4	38.5	–2.3	–1.3	–1.1
Seeds, etc.	4.2	4.7	11.9	9.5	2.2
Pesticides and veterinary preparations	42.7	44.5	4.2	4.0	0.2
Water	62.4	59.5	–4.6	–4.8	0.2
Packing materials	82.0	80.4	–2.0	–4.8	3.0
Transportation	54.8	56.7	3.5	–2.9	6.6
Spare parts, repairs, etc.	44.1	45.4	3.0	0.0	3.0
Fuel and electricity	21.8	22.9	5.0	0.9	4.1
Services	18.3	21.2	15.8	12.6	3.0
Taxes	17.9	18.4	2.8	2.2	0.5
Miscellaneous	16.5	17.1	3.6	3.6	0.0
Total	666.4	690.1	3.5	0.0	3.5
Wages of hired labor	208.0	213.6	2.7	–2.3[c]	5.1
Interest and rent	58.0	63.0	8.6	—	—
Total purchased input	932.4	966.7	3.7	—	—
Intermediate goods	149.8	160.1	6.9	5.7	1.1
Depreciation	120.3	132.6	10.2	7.1	3.0
Grand total	1,202.5	1,259.4	4.7	—	—

[a] Excluding capital and labor of farm owners.
[b] Revised figures.
[c] The change in the average number of hours worked per week by hired labor, according to manpower surveys of the Central Bureau of Statistics. The estimate may be biased owing to the noninclusion in the manpower surveys of the inhabitants of the administered areas working in Israeli agriculture.
SOURCE: Central Bureau of Statistics.

sequent dearer cost of imported fodder in IL terms. This was a phased price rise, implemented over the past two years.

Pesticides, veterinary preparations, and water did not become any dearer in 1968/69. Transportation prices rose by 7 percent, and those of spare parts and services by 3 percent; the price of fertilizers edged down by 1 percent, chiefly because of a drop in the international price of urea.

Since the beginning of the sixties, there has been an almost unbroken decline both in the number of persons employed in agriculture and in their weight within total employment in the economy. This downtrend persisted in

Table X-7

WATER INPUT IN AGRICULTURE, 1958/59 TO 1968/69

	Unit	Average for dry years[a]	Average for rainy years[a]	1966/67	1967/68[b]	1968/69
Irrigated area	'000 dunams	—	—	1,615	1,645	1,685
Quantity of water	million m^3	1,139	1,065	1,115	1,267	1,220
Water consumption per dunam of irrigated area						
Actual consumption[c]	m^3	785	709	690	770	724
Index (1963/64=100)		115	104	101	113	106

[a] Dry years—1958/59, 1959/60, 1961/62, 1962/63, 1965/66, and 1967/68; rainy years—1960/61, 1963/64, 1964/65, and 1966/67.
[b] Revised figures.
SOURCE: Central Bureau of Statistics and Bank of Israel.

1968/69, the number of hired[1] and nonhired workers dropping by a total of 2.5 percent. According to manpower survey data, the decrease in the labor input was even greater, since there was also a decline of 2 percent in the number of man-hours per employed.

The wage bill for hired labor was up 2.7 percent in 1968/69, as compared with a 3.5 percent rise the year before. Because of the smaller number of hired workers in the year reviewed and the fewer man-hours per worker, the hourly wage bill per hired farm worker averaged some 5 percent higher in 1968/69, as compared with an 8 percent rise in the previous year. The actual increase in 1968/69 may have been somewhat smaller, owing to the tendency to substitute workers from the administered areas for Israelis, a development for which no reliable data are available.

4. Productivity

Total agricultural productivity[2] increased by 3.3 percent in 1968/69, after remaining unchanged in the previous year. Purchased input and the stock of fixed assets went up moderately, while the labor input was down 4 percent. This decline can be attributed to the much heavier investment in implements and machinery and to lower yields in labor-intensive crops like citrus and most varieties of deciduous fruit. The better quality of the fruit kept output value from slipping as much as yields, so that the resulting saving in variable costs led to a rise in productivity. Greater per dunam yields in cotton, wine grapes, bananas, olives, and certain other crops also boosted total productivity.

[1] See note [1] on p. 182.
[2] Obtained by dividing the index of real change in total output (including agricultural intermediates) by the weighted index of changes in input.

Factor productivity[1] went up by 6–7 percent in 1968/69, after remaining unchanged in the previous year. The disparity between the change in factor productivity and that in total productivity may indicate an above-average rise of productivity in agricultural intermediates and a saving on purchased input, although lack of data preclude confirmation of these assumptions.

The index of factor productivity is more sensitive to errors in estimating changes in the labor input than is the index of total productivity. Since no reliable data are available on the degree of substitution of workers from the administered areas for Israeli workers, the estimated decrease in the agricultural labor input presumably was greater than the actual decrease, and therefore both productivity indexes are probably biased, with the bias being greater for the index of factor productivity. The latter, however, has the advantage of being more comparable with the productivity indexes used in other economic sectors.

Owing to the strong influence of natural factors on agricultural productivity, greater importance should be attached to trends than to annual changes. Between 1963/64 and 1967/68 total productivity averaged about 2 percent higher per annum and factor productivity about 5 percent, with annual fluctuations around the trend being fairly sharp.

5. Incomes

Income originating in agriculture (i.e. the net agricultural product at producer prices) went up during 1968/69 by about IL 68 million (8 percent), compared with 41 million the year before. The increase in 1968/69 stemmed from a 5 percent real growth in the net product and a rise of under 3 percent in its price. By contrast, in 1967/68 the increment was due entirely to higher prices, the net product itself holding steady.

Total income from agriculture (i.e. the net agricultural product at producer prices, plus compensation payments for drought and other natural damage) rose by approximately IL 71 million, or 8 percent, as contrasted with some IL 46 million (6 percent) in 1967/68. Compensation payments were 10 percent greater in 1968/69, after soaring 313 percent the year before. The marked difference in rate of increase stemmed from the fact that 1967/68 was a drought year following very favorable weather conditions in 1966/67, whereas in 1968/69 only certain parts of the country were hit by drought, but the volume of compensation was increased because of payments made on account of damage incurred in the preceding year.

Income of farm owners from agriculture was up IL 59 million, or 9 percent, as compared with a rise of IL 36 million (6 percent) in 1967/68. That the growth of such income lagged behind that in total income from agriculture

[1] Obtained by dividing the index of change in the real product by the weighted index of changes in the labor and capital inputs.

Table X-8

AGRICULTURAL SUBSIDIES,[a] 1967/68 AND 1968/69

(IL million)

Item or type of subsidy	1967/68[b]	1968/69	Percent annual increase or decrease (–) in 1968/69: Total subsidy	Physical output or input	Subsidy per unit of output or input
Citriculture	2.9	2.5	–13.8	–14.5	0.8
Eggs	24.1	21.5	–10.9	4.0	–14.3
Poultry	5.0	6.4	29.0	–14.2	50.3
Cow's milk	36.0	43.0	19.2	7.2	11.2
Beef	6.8	1.7	–75.2	–54.3	–45.7
Sheep's milk	0.3	—	—	—	—
Mutton	0.2	0.3	107.8	0.0	107.7
Fish	1.6	1.8	14.5	–6.9	23.0
Cotton	5.5	6.3	14.5	15.0	–0.4
Vegetables and potatoes	5.4	4.9	–18.9	12.8	–28.1
Wine grapes	1.3	1.6	27.8	20.9	5.7
Other fruit	4.6	3.4	–26.1	11.9	–34.0
Groundnuts	2.4	0.6	–75.0	3.8	–75.9
Sugar beet[c]	7.1	3.0	–57.7	–13.3	–51.2
Tobacco	0.7	0.7	0.0	6.4	–6.0
Wheat	10.1	9.7	–4.0	–13.4	10.9
Miscellaneous	—	0.2	—	—	—
Subsidies by the Jewish Agency Settlement Department	3.2	1.7	–46.9	—	—
Total subsidies on output	**117.2**	**109.3**	**–6.7**	–2.4	–4.5
Fodder	21.9	8.2	–62.6	–6.5	–60.0
Water	17.0	19.0	11.8	–3.7	16.1
Fertilizers	4.1	4.6	12.2	–1.0	13.3
Total factor subsidies	**43.0**	**31.8**	**–26.1**	**–4.7**	**–22.4**
Drought compensation, etc.	9.4	10.3	9.6	—	—
Total subsidies	**169.6**	**151.4**	**–10.7**	—	—

Note: Rates of change have been calculated from unrounded figures.
[a] Actual amounts paid, unless otherwise stated.
[b] Revised figures.
[c] Figure budgeted by the Ministry of Finance.
SOURCE: Ministry of Finance, Ministry of Agriculture, Ministry of Commerce and Industry, Jewish Agency, and Central Bureau of Statistics.

during the year reviewed is explained by the relatively moderate rise of under 3 percent in wage payments to hired labor. Average income per nonhired worker went up by nearly 12 percent, compared with less than 8 percent in 1967/68; the increase was made possible by a decline of more than 2 percent in the number of self-employed.

Agricultural subsidies were 11 percent smaller in 1968/69, after increasing by 2 percent in the preceding year. The drop was most pronounced in factor subsidies; these were down 26 percent following the paring of the imported fodder subsidy by 63 percent. In the year reviewed the equalization fund for imported fodder showed a much larger gross revenue (originating from payments of the differential between the international price and the higher price charged Israeli farmers during part of the year); the buildup of balances in this fund enabled the Government to trim its net subsidy payments. To compensate farmers for the dearer cost of this input, they were allowed to charge more for their livestock and livestock products. The larger volume of compensation for drought and other natural damage included, as stated, payments on account of the previous year, when heavy losses were sustained because of Newcastle disease and hail.

The total volume of output subsidies dropped by 7 percent, as compared with a rise of 13 percent in 1967/68. The decline was due to the reduction of the subsidy rates per unit of subsidized output for most items, as well as to a 2 percent contraction in the quantity of subsidized output. Only a comparatively few branches and products were affected. In the case of eggs the price support was trimmed because of smaller exports, in beef because of the smaller output and higher prices, in fruit and vegetables because of smaller surpluses, and in sugar beet because of lower yields and the partial abolition of the subsidy, with farmers being permitted to charge the refinery a higher price instead. Some subsidy payments were enlarged; the biggest rise was in that on cow's milk, where both the rate and quantity of subsidized output increased.

6. Investment and Financing

(a) *Investment and capital stock*

Real gross investment in agriculture was up 7 percent in 1968/69, after falling off 2 percent the year before (see Table X–9). Most of the increase was in machinery and equipment (up 27 percent); land reclamation and conservation, drainage, pasturage, etc.; and the livestock inventory. Investment in orchards and afforestation declined to an appreciable extent—by 18 and 32 percent respectively.

The 27 percent increase in machinery and equipment came on top of a similar rise in 1967/68—25 percent. These strong growth rates are explained by the fact that in farm settlements opposed to the use of hired labor the imputed

Table X-9

ESTIMATED GROSS INVESTMENT IN AGRICULTURE, 1968–69

(IL million)

	Value at current prices		Percent annual increase or decrease (–) in 1969		
	1968[a]	1969	Value	Quantity	Price
Orchards	24.6	20.4	–17.1	–17.9	1.0
Livestock	4.1	6.8	65.9	65.9	0.0
Farm installations[b]	33.7	38.7	14.8	7.1	7.2
Machinery and equipment	68.2	89.9	31.8	26.5	4.1
Land reclamation and conservation, drainage, natural pasture, etc.	11.0	12.0	9.1	9.1	0.0
Afforestation	27.3	18.5	–32.2	–32.2	0.0
Total investment in agriculture	**168.9**	**186.3**	**10.3**	**6.5**	**3.6**
Water projects	58.4	43.3	–25.9	–30.0	5.9
Total investment in agriculture and water projects	**227.3**	**229.6**	**1.0**	**–2.9**	**4.0**

NOTE: Data on investment from agricultural output are for the end of agricultural years; other data are for the end of calendar years.
[a] Revised figures.
[b] Farm buildings, fish ponds, and local irrigation networks.
SOURCE: Central Bureau of Statistics.

price of labor[1] went up faster than average expenditure per man-hour in agriculture, and also by the devaluation expectations prevailing during the year. But it should be noted that over three-fourths of the gross investment was for replacing scrapped equipment. After edging down about 1 percent in 1967/68, real investment in farm installations rose 7 percent in the year reviewed; this was due in part to the extension of local irrigation networks in border settlements so as to permit the irrigation of crops with only a minimum of labor.

The land reclamation program was stepped up by about 9 percent (following a decrease of 3 percent in 1967/68), in order to prepare land for new settlements and to consolidate border and mountain villages. Real investment in orchards contracted by 18 percent; this came on the heels of a 22 percent decline in 1967/68, and was in response to the limitations on the marketing of citrus and deciduous fruit in Israel and abroad. On the other hand, the area under subtropical fruit was enlarged, since the domestic and foreign demand within the prevailing price range still does not impose any constraint on their production. Expenditure on afforestation was cut back by 32 percent in real terms, after having declined sharply in 1967/68 as well. The factors responsible for this

[1] In cooperative farm settlements (kibbutzim, moshavim, etc.).

development were the curtailment of relief work and the mounting demand for labor in the economy, which created more attractive employment opportunities elsewhere.

Investment prices moved up 4 percent in 1968/69, following a rise of 5 percent in the previous year. The milder increase in the year under review is explained by the fact that the devaluation of November 1967 made investments in implements, machinery, and farm installations 8 percent more expensive in 1967/68, whereas in 1968/69 their prices rose by only 4 percent.

Table X–10

GROSS STOCK OF FIXED ASSETS IN AGRICULTURE,[a] 1968–69

(IL million, at current replacement values)

	Value		Percent annual increase or decrease (–) in 1969		
	1968[b]	1969	Value	Quantity	Price
Orchards	1,108	1,128	1.8	0.8	1.0
Farm installations[c]	1,831	1,940	6.0	2.4	3.5
Machinery and equipment	408	445	9.1	4.7	4.1
Livestock[d]	306	313	2.3	2.3	0.0
Total	**3,653**	**3,826**	**4.7**	**2.1**	**2.5**

[a] Excluding land and financial assets. Data on investments from agricultural output (orchards and livestock) are for the end of agricultural years; other data are for the end of calendar years.
[b] Revised figures.
[c] Farm buildings, local water projects, irrigation networks, afforestation, land reclamation and conservation, drainage, natural pasture, etc.
[d] Excluding broilers and fish.
SOURCE: Based on estimates of A. L. Gaathon (Bank of Israel) and Central Bureau of Statistics data.

The gross capital stock of agriculture rose by 2 percent in real terms, i.e. at about the same rate as in 1967/68 (see Table X–10). This comparatively moderate growth reflected the small annual expansion of agricultural investment during the past five years and the increase in discards. The latter can be attributed to the much heavier investment in agriculture during the first half of the sixties than in the second half, so that in the latter period a larger proportion of total current investment has been for replacing obsolescent assets.

(b) *Financing*

The main sources of farm credit are institutional, the most important being the banking system, financial institutions, the Government, and the Jewish Agency. Like other sectors, agriculture also resorts to social insurance funds, insurance companies, and private noninstitutional sources—suppliers' credit, bill brokerage, etc.

Reliable data on agricultural financing are available only for institutional credit. But the various suppliers of credit do not use identical criteria for classifying credit by sector of destination; in fact, the definition used by a single institution may vary from year to year. Since the legal maximum debitory rate of interest on farm credit is lower than that charged other economic sectors, during periods of excess demand for credit there is a tendency to classify farm credit as that granted to other sectors, while the opposite is true when there is an excess supply of credit. For these reasons, it is almost impossible to distinguish between credit granted to agriculture and that to farmers, and consequently all credit data based on official statistics should be treated with reserve.

In 1969 the growth of institutional farm credit amounted to IL 213 million, as compared with IL 178 million the year before (see Table X–11). This

Table X–11

OUTSTANDING INSTITUTIONAL CREDIT TO AGRICULTURE, 1967–69

(IL million)

	1967[a]	1968[a]	1969	Annual increase or decrease (–)			
				1968		1969	
				IL m.	%	IL m.	%
Banking system							
Directed credit	149.7	178.1	186.0	28.4	19.0	7.9	4.4
From resources of banking institutions	159.3	163.5	186.4	4.2	2.6	22.9	14.0
Against Government deposits	20.0	23.0	23.8	3.0	15.0	0.8	3.5
Bill brokerage[b]	69.0	41.2	37.6	–27.8	–40.3	–3.6	–8.7
Total	**398.0**	**405.8**	**433.8**	**7.8**	**2.0**	**28.0**	**6.9**
Financial institutions							
Agricultural credit funds[c]	387.8	474.0	566.1	86.2	22.2	92.1	19.4
Other financial institutions	11.6	16.2	19.3	4.6	39.7	3.1	19.1
Total	**399.4**	**490.2**	**585.4**	**90.8**	**22.7**	**95.2**	**19.4**
Total institutional credit, excl. the Jewish Agency	**797.4**	**896.0**	**1,019.2**	**98.6**	**12.4**	**123.2**	**13.8**
Credit from the Jewish Agency	—	—	—	79.0	—	90.0	—
Total institutional credit, incl. the Jewish Agency	—	—	—	**177.6**	—	**213.2**	—

[a] Revised figures.
[b] Assuming that the weight of outstanding bill-brokerage credit to agriculture in total bill-brokerage credit was the same in December as in June.
[c] The overwhelming share of the credit under this head was granted by the Israel Bank of Agriculture, and a smaller part by the Ya'ad Agricultural Development Bank, Nir Ltd., and various funds and other financial institutions.

increase is equal to three-fourths of the incremental agricultural output and investment, exclusive of afforestation and land reclamation. Institutional financing of the sector's economic activity on such a scale probably testifies to an improvement in the sector's liquidity position as a result of agricultural operations, unless the distinction between credit granted to agriculture and that to farmers has become more blurred. Also pointing to an improvement in liquidity in 1968/69 was the 9 percent decline in the volume of bill-brokerage credit granted to the sector, which came on top of a 40 percent drop in the previous year. This stands out all the more when it is recalled that bill brokerage in the economy as a whole was on a considerably larger scale in 1969.

Most of the additional credit in 1969 was granted by financial institutions and the Jewish Agency—up IL 5 million and IL 90 million respectively, as compared with increases of IL 91 million and IL 79 million in 1968.

The incremental credit from financial institutions was provided out of earmarked Government deposits and from resources of the Israel Bank of Agriculture, which is Government-owned. In contrast to previous years, a sizable proportion of the funds from financial institutions in 1968 and 1969 was provided to agricultural settlements in the form of short-term supervised credit.

Jewish Agency credit was stepped up mainly to permit the consolidation of border settlements, to aid economically weak settlements, and for the founding of new agricultural villages.

The banking system provided IL 28 million more farm credit in the year reviewed, compared with an increase of only IL 8 million in 1968. Most of the additional financing was in the form of undirected credit to citrus growers and to agricultural settlements for unspecified purposes. The incremental directed credit reflected primarily the expansion of the export funds and heavier borrowing by growers of cotton and other priority crops.