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Israeli Farmer's Federation Warns of Agricultural Crisis

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Report Highlights:

A report that was prepared and released earlier this month by the Israeli Farmer's Federation, warns of an upcoming crisis for local farmers. As food inflation soars at the retail level, the profit margins for producers shrink. Debate regarding new support programs leaves many farmers uneasy about the future.

General Information:

The Israeli Farmer’s Federation published a report earlier this month in *The Marker*, a local financial gazette, on the sector’s precarious economic situation. The report highlights the low farm-gate prices and tight profit margins impacting farmers, at a time of increasing food inflation in the retail market. The report refers to Israeli farmers as the punching bag for the high food and commodity prices.

During the last year Israeli farmers and retailers have directed blame at each other over the increasing prices of those agricultural commodities that are not price regulated by the government. The main commodities which are still price regulated by the government are table eggs, milk, and some dairy products. Farmers claim that they are selling to retailers almost at cost, sometimes not even covering production costs. In spite of this, the retail price for these products remains high, especially during the holiday seasons.

Israeli farmers historically relied on exports; however, export markets are more challenging today due to general macroeconomic shifts, increasing competition, and limited productivity gains. The report raises questions regarding the efficacy of the present government’s agricultural policies, and whether or not these policies will be adequate to preserve agricultural exports, as well as resolve the sector’s problems.

With increasing local food prices, there is public pressure for the government to reduce the cost of living. The Israeli government is looking for ways to deal with the situation. In the past year the government began a pilot project to temporarily open markets to agricultural imports. The program allowed duty free imports and the opening of new import quotas for several items including beef, yellow cheese and frozen fish; all within a limited timeframe. In spite of this momentary market liberalization, retail prices changed little or none. Anecdotally, sources note that importers, distributors, and retailers managed supplies such that retail prices were not impacted.

The farm organization’s report provides examples of the discrepancy between farm and retail prices. For example, the average revenue received by growers for fresh fruits decreased by 1.8 percent, while the average retail price increased by 1 percent. Similarly, farm-gate prices of milk decreased 3.7 percent, while retail milk prices decreased only 1.8 percent.

Furthermore, the report also discusses the negotiations between farmers and state over the shift from indirect to direct support programs. In the past, farmers were protected from imported products by a system of import quotas and custom duties, while production controls and price supervision steered prices. The proposed policy shift would remove these protections in exchange for direct support to producers.

Israeli farmers fear that opening the market to imports will drive them out of work. They are concerned that the low costs of production abroad will leave them uncompetitive, and that the new support program will not provide an adequate, stable security net.