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OECD's Review of Agricultural Policies in Israel

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Agriculture in the Economy

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Report Highlights:

On June 29, 2010, the Economic Co-operation and Development Organization (OECD) published a comprehensive review of Israeli agricultural policies during the last two decades. According to the first OECD Review of Agricultural Policies in Israel, government support to Israeli farmers has fallen over recent years but a number of market distorting policies are still in place. The report says further reforms to Israel's agricultural and water policies are needed to reduce costs to consumers and taxpayers, and improve agriculture's environmental performance, including the need for: 1) Lowering and simplifying import tariffs; 2) Reducing administrative costs linked to farmland transactions; 3) Improving enforcement of labor market laws; and 4) Allowing water quota trading.

General Information:

This is the first OECD review of Israeli agricultural policies. It assesses Israel's agricultural policy performance over the last two decades, looks at achievements and remaining challenges, and provides a set of recommendations for continuing the reform process.

A special theme of the review is the environmental performance of Israeli agriculture with respect to water resources and pollution, soils, biodiversity, air emission and climate change.

OECD's Press release [1] :

Israel's farm reforms showing results, but environmental challenges and market distortions remain.

Government support to Israeli farmers has fallen over recent years but a number of market distorting policies are still in place, according to a new OECD report. More efficient water resource management remains a critical challenge, the report adds.

The OECD's first Review of Agricultural Policies in Israel says government support to farmers accounts for 17 percent of total farm receipts, below both its 24 percent share in the mid 1990s and the current OECD average of 23 percent. However, high border protection for a number of agricultural commodities is keeping domestic prices above international market levels.

Recent reforms in Israel have substantially increased efficiency of agriculture and its environmental performance, especially water use efficiency, but have nevertheless left a large part of the production planning system intact. In particular, the state remains strongly involved in the allocation of key factors of production such as land, labor and water.

The report says further reforms to Israel's agricultural and water policies are needed to reduce costs to consumers and taxpayers, and improve agriculture's environmental performance, including the need for:

- Lowering and simplifying import tariffs
- Reducing administrative costs linked to farmland transactions
- Improving enforcement of labor market laws
- Allowing water quota trading

The report adds that Israel has achieved self-sufficiency in many agricultural products that can be produced within the country and has successfully promoted exports of some higher value products, such as fruits and vegetables. Israeli agriculture has benefited from high levels of investment in research and development and is a world leader in certain technologies linked to farming in arid conditions, especially drip irrigation.

A key challenge for Israeli agriculture will be reconciling the growing pressures of climate change and population on already scarce land and water resources.

OECD's Position paper:

<http://www.oecd.org/dataoecd/53/0/45189389.pdf>

[1] http://www.oecd.org/document/9/0,3343,en_2649_37401_45518473_1_1_1_1,00.html

