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Lowering the Cost of Living

Report Categories:

Agriculture in the Economy

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Report Highlights:

In an additional move aimed at lowering the cost of living, the Israeli Minister of Agriculture and Rural Development (MARD), Uri Ariel, disclosed at a press conference on July 12, 2015 a series of reforms that are expected to lower consumer food prices, including a gradual reduction of egg prices of approximately 15 percent, the opening of the fish market to competition, elimination of the production quota of sheep milk, ease of regulations on foreign workers, and a draft law to control the retail margin/marketing gap.

General Information:

1) Egg Sector – Targeting a 15 Percent Price Decrease in Five Years

The reforms in the egg sector are aimed at reducing costs throughout the production chain by upgrading to more efficient husbandry systems through government financial assistance. In addition to increasing production, the new production systems will improve animal welfare conditions and contain a biosafety component that will reduce disease spread including of avian influenza.

According to the Minister, the reforms will save \$260mil for the market by the end of the reform/program, translating to a reduction in costs of 15 percent in five years.

2) Fish Sector- Increasing Competition and Sustainable Fisheries

The reforms in the fish sector will focus on increasing competition in the sector by a gradual reduction in customs duties on imported fish and opening the market to importation of chilled and frozen fish including fillets. The reforms are also aimed at creating more efficient and sustainable fishing systems. The MARD will directly support the domestic aquaculture industry, by providing a green reform package of about \$8 million/year and other initiatives at \$2.6million/year. Additionally, it will work on its fisheries' resource restoration. Direct support to local fish growers creating more efficient and sustainable fishing systems will also be offered. In all, the cost of the program will total about \$21million/year.

3) Sheep Milk Sector- Elimination of Production Quotas

The reforms in the sheep milk sector include a gradual elimination of production quotas and an increase in the number of sheep milk producers. The reforms will provide incentives to expand production operations and support for retirees from the industry. Financial support will also be provided for the transport of milk from the periphery (about \$0.5million/year).

The Ministry plans to prevent industry concentration by determining the maximum production size of a manufacturer. It will also monitor prices, and if the consumer does not benefit from price transmission from the costs reduction in sheep milk production, then the Ministry of Agriculture will regulate its price. The total cost is about \$5.2million per year for the next 5 years.

4) Reducing the Agricultural Sector's Production Costs

The reforms will ease regulations on foreign workers in agriculture, and will phase out the employers' tax for employment of foreign workers in agriculture. It will resume the tax credit in the amount of 2.25 points for the employment of foreign agricultural workers, which was canceled at the beginning of the year. MARD will continue to support Israeli workers in agriculture. As a result of this program, the

Government of Israel will lose revenue from the employers' tax in the amount of about \$39 million.

5) Reducing the Pricing Gap of Fruit and Vegetables

MARD will submit a draft law in August, which aims to reduce the price gap of vegetables and fruits between the price the farmer sells and the price the consumer pays. MARD will require retailers to report profitability and apply the supervision to ensure an appropriate retail profit margin. The Ministry expects that this measure will reduce expenditures on fruit and vegetables by \$395 million/year.