CHAPTER IX

AGRICULTURE

NET AGRICULTURAL product, at constant prices, was 16 per cent higher in 1957/58[1] than in the preceding year. Owing to lower producer prices, the national income originating in agriculture rose by 11 per cent only, totalling IL. 320 million, as compared with IL. 290 million in 1956/57[2] (see Table IX–1).

Gross output reached IL.716 million, reflecting a real increase of 13 per cent, while real gross input rose by 10 per cent, totalling IL.397 million. The labour input is estimated to have risen by 8 per cent only. Thus, there was a considerable increase in average productivity, which was due to structural changes in production, agro-technical improvements and the higher vocational standard of farmers.

Allowing for the rise in consumer prices, the real daily income in agriculture remained unchanged.

During the last two years, price fluctuations kept the weight of the net product (i.e., the added value) stable—at 45 per cent of total agricultural output. The net income of farm owners from agricultural production, in the form of remuneration for their work or of profits, is estimated at about IL. 200 million in 1957/58—i.e., 10 per cent more than in the preceding year.

The value of gross investments in agriculture and irrigation is assessed at IL. 210 million, as against IL. 162 million in 1956/57. This 30 per cent increase includes an estimated price rise of 2.5 per cent. Investments in agricultural farms accounted for 68 per cent of the total, as compared with 61 per cent in 1956/57. The value of investments in basic public utilities (such as water projects, afforestation, etc.) remained unchanged.

Some 65 per cent of the financing of gross investments in agricultural farms, i.e., over IL. 90 million, came from the farmers' own resources. The remaining

[1] The agricultural year 1957/58 began on 1st October, 1957 and ended on the 30th September, 1958.

[2] The figures on national income originating in agriculture cited in this chapter differ from those appearing in Chapter II—"Resources, Product and the National Income" as: A. They refer to the agricultural year 1957/58, while Chapter II refers to the calendar year 1958 (January to December); B. They include an estimate of real depreciation, while the Chapter II statistics assess depreciation on the basis of "historical" values, thus yielding a figure some IL.26 million smaller.

TABLE IX–1

Estimated Net Agricultural Product and Income, by Factor Share (current prices), 1956/57–1957/58

(millions of IL.)

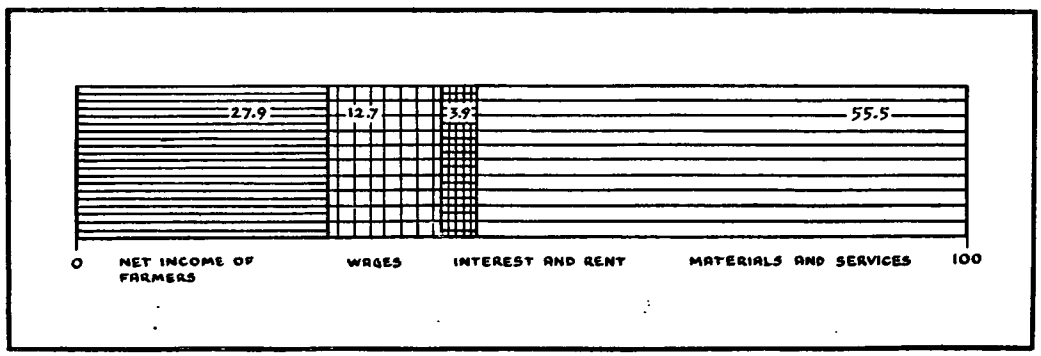
	millions of IL.		Percentage increase or decrease (–) from 1956/57 to 1957/58		
	1956/57[a]	1957/58	value	quantity	price
Output[b]	639	716	12	13	–1
Less: Input of materials and services[c]	352	397	13	10	2
Equals: Net agricultural product (national income originating in agriculture)	287	319	11	16	–5
Less: Interest and rent payments	25	28	12	—	—
Wage payments	80	91	14	7	7
Net income of farm owners	182	200	10	7[d]	3

[a] Revised figures.
[b] Including consumer goods (amount marketed + own consumption), raw materials for agriculture (intermediate products) and industry, and investment goods produced in agriculture, such as livestock, plantations, afforestation, land reclamation, etc.
[c] Including raw materials and services purchased from other agricultural branches or imported, and intermediate agricultural products. Excluding wages, interest payments, rent and profits.
[d] The real value of net income, after deflation by the rise in consumer prices.
SOURCE: See Tables IX–2, IX–4 and IX–7.

DIAGRAM IX–1

The Composition of Agricultural Input, 1957/58

(Percentages)



IL. 50 million were appropriated from the Jewish Agency budget and the Government Development Budget, in the form of long-term loans.

Two-thirds of the farmers' share in the financing of these investments originated from depreciation funds, while the remaining third was probably partly financed from current savings and partly reflects an increase in short-term obligations. In the period under review, as in former years, the practice of financing investments in fixed assets from short-term credit continued, though there are indications that it is becoming less widespread. Bank credit and credit from suppliers of agricultural raw materials continued to exceed turnover capital requirements for the financing of current production by approximately the same amount as in 1956/57. However, additional short-term liabilities to suppliers of building materials and equipment were incurred, as the volume of investments in buildings for livestock—not usually eligible for Development Budget loans—expanded considerably.

As regards the structure of agricultural output, there was a comparatively big expansion in the weight of poultry and dairy farming, caused by their higher profitability. On the other hand, the weight of fodder, grains and industrial crops (tobacco, cotton, etc.) declined, owing to the drought and—in the case of industrial crops—also to their relatively low profitability. The output of poultry-farms expanded, in real terms, by about 50 per cent and that of dairy-farms by 21 per cent, whereas the increase in other major branches of agriculture was less than 10 per cent.

These trends in agricultural development do not permit the efficient use of resources at the disposal of the economy, conducive to an improvement in the balance of payments.

1. Output

(a) *The structure of agricultural output and the factors affecting it*

The 13 per cent real increase in agricultural output was caused by a real expansion of 30 per cent in the livestock branches, while the output of crops increased only by some 4 per cent. Consequently, the weight of livestock within total output rose from 38 to 42 per cent, while the share of crops declined correspondingly.

Though this development was partly due to the excessive profits reaped by livestock producers in former years, these profits were further increased by certain measures introduced during the period under review. As a result, the structure of agricultural output was markedly altered.

The expansion of poultry and dairy farming contributes less to the improvement of the balance of payments than that of citrus, groundnuts, cotton and some other exportable crops, as the local cost of one dollar of added value is higher in the case of egg or dairy produce exports than when crops are exported. Had the local production factors diverted to the poultry and dairy branches

been channelled to "export crops", the state's foreign currency income would have risen, or alternately imports could have been reduced. Thus, the balance of payments would have been improved.

Another advantage of export crops over the dairy and poultry branches is that less capital is required to produce the same value of output. The capital-output ratio is higher in the livestock branches chiefly because of the high degree of mechanization applied to these branches during the last few years, which in turn was largely due to the relatively low price of investment capital for agriculture. Part of the latter has often been made available from public funds on easy terms. On the other hand, the prevailing wage level in the economy is high, and there is a manpower shortage in agricultural settlements which refrain from hiring labour for ideological reasons or are unable to do so owing to their remote geographical location. Moreover, the technological possibilities of exchanging labour for capital are greater in the livestock branches,—another factor contributing to the situation. However, the interests of the individual farmer in this case clash with the national interest, since the cost of investment capital to the economy is high, being dependent on imports of equipment and

TABLE IX–2

Estimated Gross Agricultural Output, by Branches, 1956/57–1957/58

(*percentages*)

Branch[a]	*Percentage in total output*		*Percentage increase or decrease(–) from 1956/57 to 1957/58*		
	1956/57	*1957/58*	*value (current prices)*	*quantity*	*price*
Livestock					
Poultry	16.3	18.2	30.6	48.6	–12.1
Cattle	14.9	16.3	27.6	21.1	5.4
Sheep	3.2	3.2	13.8	7.9	5.5
Miscellaneous	3.6	3.9	24.2	16.2	6.9
Total livestock	38.0	41.6	27.4	30.0	– 2.0
Crops					
Fruit plantations	25.6	25.1	13.0	6.8	5.8
Vegetables	10.1	10.3	18.0	6.8	10.5
Fodder and grains	12.3	10.1	–4.7	–4.7	0.0
Industrial crops	8.0	6.8	–2.9	–4.5	1.7
Miscellaneous	6.0	6.1	14.1	11.7	2.1
Total crops	62.0	58.4	8.3	3.6	4.5
Grand total	100.0	100.0	12.1	13.1	– 0.9

[a] Including marketing, own consumption, intermediate products and increase in the value of agricultural assets.

SOURCE: Bank of Israel, based on data from the Central Bureau of Statistics, the Ministry of Agriculture and other sources (see Table IX–7).

raw materials, whereas the use of labour is cheaper—particularly in development and border areas, where a large proportion of the working population suffers from open or hidden unemployment.

Nevertheless, the following factors affected the considerations of agricultural producers, causing an expansion of dairy output:

a. When all available land and water resources have been fully exploited, dairy farming and other livestock branches offer a further opportunity of expanding output through fodder imports. In the year under review, a large number of farms—particularly among those initially planned as "dairy-farms"—reached this stage.

b. Most farmers tend to regard investment in cows as convenient and readily convertible into money, unlike investments in land and plantations. The development of the dairy branch is thus also influenced by the level of farmers' savings. In 1957/58, the income of established farmers rose considerably, and was partly channelled to increase savings.

c. Higher productivity increased the average milk output per cow, encouraging the expansion of dairies. This factor was of special significance as regards new settlements.

d. Employment in dairy-farming is relatively stable and is spread over the whole year. This is an advantage for settlements which do not hire labour or seek outside work for social reasons or because of their remoteness from labour markets.

e. Owing to the short production period (after the cow reaches the milk-yielding age) the turnover capital required in this branch is relatively small.

f. In many farms, and particularly where the number of milch cows is small, profitability can be increased by a certain expansion of production. During the last two years, many dairy farms, based on a relatively small number of cows, were set up in new settlements.

Most of these factors are likely to exert their influence even when output is adjusted to the level of domestic demand. Hence, the long-term tendency to expand the dairy branch at a faster rate than other branches may persist, even should its profitability decline somewhat. In 1957/58 this trend was further encouraged by the raising of the average subsidies granted on milk (they were subsequently reduced at the beginning of 1958/59); by Development Budget loans (albeit on a smaller scale), for the mechanization of dairies, which increases profitability and permits the expansion of output; by restrictions on the marketing of cheaper imported butter, cheese and meat; and by financing the large-scale storage of dairy products. As a result, the profitability of dairy farming was maintained or even increased, despite the larger supplies reaching the local market.

Whereas in previous years the limited scope of production had caused the Government to subsidize milk, so as to prevent a rise in its retail price, while

encouraging the expansion of output by assuring a higher price to the producers, in 1957/58 the quantity of milk marketed could meet local demand at reasonable prices, since output increased due to the granting of subsidies and the high prices of meat. Thus, the granting of milk subsidies during the past year, and their even higher level (in comparison with 1956/57) stimulated the expansion of milk production at a rate exceeding marketing possibilities, at prevailing prices. As the marketing of milk and dairy products is concentrated in the hands of a few marketing organizations, large surpluses of dairy produce accumulated, reaching a peak in the first half of 1958/59, after which subsidies were reduced and profitability began to decline.

In the poultry branch, the Government concluded an agreement with egg marketing concerns, ensuring fixed rates of profit through subsidies and the supply of fodder at stable low prices. This was done with the object of bringing about an immediate decline in the consumer prices of eggs, which had risen following a temporary reduction in the scope of production. Somewhat later, hoping to limit the expansion of the poultry branch caused by its resultant high profitability, the Government imposed quantitative restrictions on its liabilities under the agreement. However, these were apparently not strictly adhered to, and though the fixed quota was exceeded, almost the entire quantity of eggs marketed benefited from subsidies.

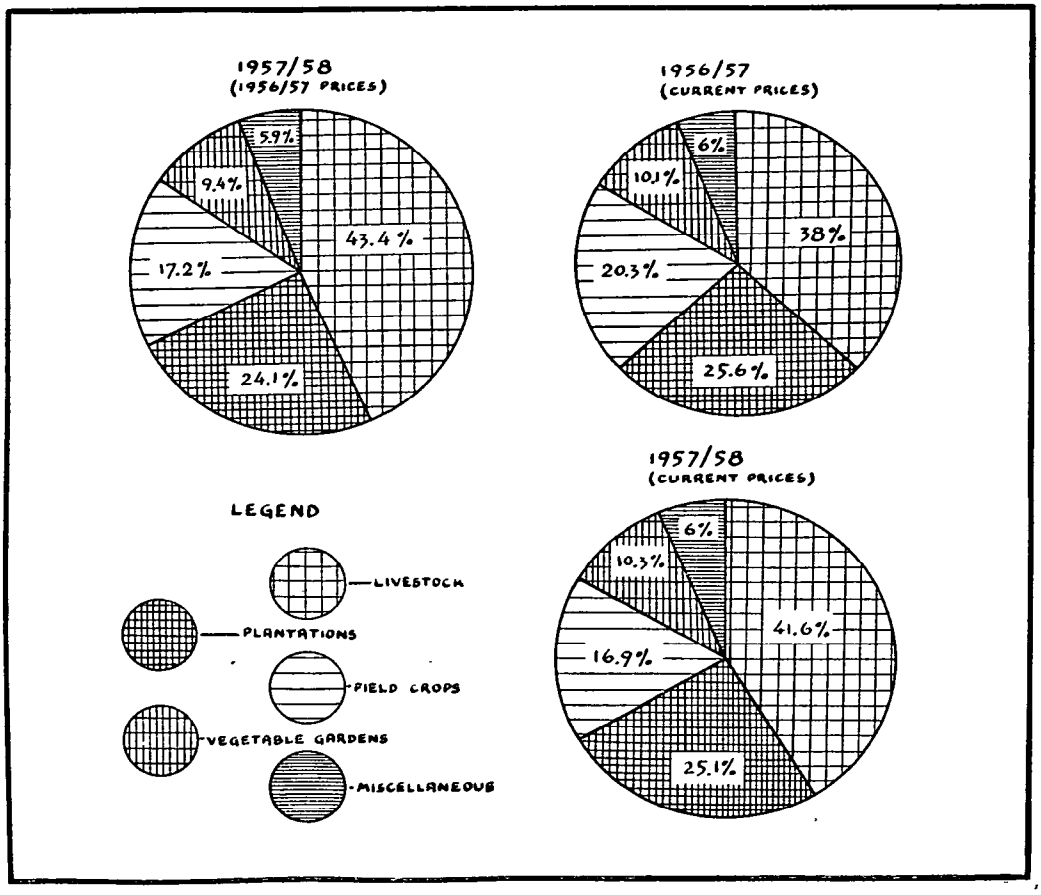
Still later, yet another provision was added to the agreement, guaranteeing stable profits on egg exports—though in this case at a lower level. Since export markets can absorb large quantities of eggs—if producers are willing to sell them at, and even below, prevailing prices—the heavily subsidized egg exports were rapidly expanded. Before renewing the agreement for 1959/60, however, the Government limited its liabilities in respect of the quantities exported, hoping to prevent further expansion in the now highly profitable branch. All the above-mentioned measures were apparently officially regarded as strengthening agricultural settlements.

Two types of difficulties have arisen in connection with agricultural production: On the one hand, there is an urgent need for adjusting the profitability of the various agricultural branches from the viewpoint of the producer to their beneficial effect on the Israel economy as a whole. On the other hand, there must be planning to prevent excessive fluctuations in output and prices of locally-produced agricultural commodities, regardless of whether such fluctuations are caused by nature or by the expectations of farmers. Recent developments underline the urgency of planning the production of livestock in addition to that of vegetables.

The importance of ensuring stability as regards livestock production is even greater than in the case of vegetables, since these branches require large initial investments, which take a long time (up to three years in dairy farming) to bear fruit.

DIAGRAM IX–2

Agricultural Output, 1956/57–1957/58
(percentages)[1]



(b) *Developments in agricultural branches*

Poultry farming. This branch showed the largest quantitative increase—almost 50 per cent (see Table IX–2)—due largely to the "Poultry Agreement", which ensured a high profit on eggs, thus stimulating egg production.

The upturn in poultry-farming began already in the second half of 1956/57, when the import of fodder grains was disrupted by the Sinai Campaign. Consequently, output declined and the prices of eggs soared, increasing profitability considerably, and giving farmers and incentive to restore or even exceed the original production level. However, the Government was interested to lower egg prices immediately, so as to prevent a rise in the consumer price index. An agreement was, therefore, concluded with egg marketing concerns, reducing egg prices forthwith to a reasonable level. The Government, in return, under-

took to subsidize eggs, thus insuring farmers against any possible future price reductions, and to supply fodder grain—the main raw material required in this branch—at stable prices, lower than those prevailing at the time. As the original agreement did not include any quantitative restrictions, large-scale investments were made in the branch, and by 1957/58 the number of laying hens totalled 5.5 million, 35 per cent more than in the preceding year. Investments in buildings, equipment and various installations required for this expansion totalled an estimated IL. 32 million, an additional IL. 4 million being invested in laying hens.

Since output expanded considerably, the agreement was amended a few months later, the Government limiting its subsidy to the average monthly quantity of eggs marketed up to the end of February 1958. Between the inclusion of this provision in the agreement and the "determining date", the number of eggs marketed rose from 45 million in October 1957 (this being considered a sufficient quantity to meet local demand, at a reasonable price level) to 60 million in January 1958,—i.e., by 33 per cent. Yet, it seems that the limiting clause was not rigorously enforced, and the number of eggs marketed in July 1958 reached 64 million. Fearing that expanding supplies might cause a breakdown of the agreement, the marketing concerns cooperated to channel part of the egg output to exports, first at their own expense and later with Government participation. Later, the Government included exports in the agreement, reducing subsidies on locally marketed eggs by 10 pruta per egg. Moreover, exporters were refunded the duties paid on fodder imported for export purposes. Profits on local marketing were thus somewhat reduced, but a far steeper decline in overall profitability was prevented, since the exported eggs commanded low prices abroad. When the agreement was renewed for 1959/60, the Government's liability for export subsidies was limited to 250 million eggs a year.

The agreement caused the average prices of eggs and poultry meat received by producers to decline by about 13 per cent, as compared with 1956/57. However, fodder prices fell steeply and productivity improved, so that the profitability of the branch was not significantly reduced.[1]

Dairy farming. The total real output of this branch was 21 per cent higher in 1957/58 than in 1956/57. The biggest increase occurred in the number of cows and calves, which rose by 56 per cent. Milk production also expanded considerably—by 18 per cent. Despite the larger quantity of milk produced and marketed, the farmers received better prices for milk,[2] since both average

[1] The only factor likely to reduce the profitability of poultry farming further is the decline in poultry meat prices, as the supply of this commodity continues to increase. The expansion of poultry farming was checked towards the end of 1958—largely for this reason.

[2] The difference between the fluctuations in prices obtained by producers as cited in this chapter and consumer prices appearing in Chapters IV ("Private Consumption") and VI ("Prices") represents changes in trade margins and Government subsidies.

Government subsidies and the consumer price of milk were raised. Prices of meat likewise rose, as demand increased, probably because less imported meat was marketed.

The expansion of dairy farming was made possible by investments in heifers during the two previous years, following the considerable rise in meat prices, which had raised the overall profitability of the branch. Additional milch herds were mainly acquired by new settlements, many of which lack adequate means of production to ensure a reasonable income. As irrigation arrangements in farms initially planned as "crop farms" were limited, and livestock farming was in any case more profitable than raising crops, the increase in agricultural output was mainly concentrated in poultry and dairy farming. The expansion of dairy farms might have proceeded more slowly this year, since the larger supplies would have reduced profitability, but for the following development: Higher subsidies were paid on milk with the shift from powdered milk to fresh milk products; the marketing of cheap imported meat and dairy produce was reduced; and long-term loans were granted for investments and improvements in dairies and milk transportation, at comparatively low interest rates.

Sheep farming. This branch expanded more slowly in 1957/58 than in the preceding year, the increase in herds being about half as large as in 1956/57. This was the result of the considerable increase (over 20 per cent) in the marketing of mutton, following higher demand. Despite the bigger supply, however, the average price obtained by producers rose. Consequently, the output of sheep milk, which is partly consumed by non-Jewish farmers and partly used for cheese production, did not increase. A certain rise in the demand for such milk raised prices paid to producers by about 7 per cent.

Fish. The real output of fish expanded by about 7 per cent, mainly because of the larger output of sea-fish. Pond fishing remained at its previous level. Though the amount of imported fresh and canned fish increased somewhat, local fish were in greater demand and prices received by fishermen rose by some 7 per cent.

Miscellaneous. The output of other livestock products, including other kinds of meat and honey, was also considerably expanded. Prices rose significantly, indicating an increase in demand.

Fruit plantations. The real output of fruit plantations increased by approximately 7 per cent. The increase affected all types of orchards: The output of olives rose by 170 per cent (owing to favourable climatic conditions), of bananas—by 43 per cent and of deciduous fruit—by 14 per cent, since new orchards began to bear fruit.

However, no expansion took place in citrus, the dominant fruit in this branch. Nor did the production of young plantations, reflected in their higher value, increase.

The output of citrus did not increase mainly because the new groves planted

in previous years had not yet begun to bear fruit. (They began to do so only in the 1958/59 season). Fewer new orchards were planted in 1957/58 than in the preceding year, since fruit prices were expected to decline as a result of the large areas planted with fruit trees during the last few years. This applies particularly to deciduous fruit.

The average prices received by planters rose by 6 per cent, due to a 12 per cent rise in citrus export prices, caused by higher world market prices, and a 250 pruta per dollar premium granted on the added value of these exports. On the other hand, the prices of deciduous and other fruit declined, as supplies increased. There was also an increase of some 4 per cent in orchard prices, estimated on the basis of the rise in wages—the major component of production costs in this branch.

Vegetable Gardens. Average vegetable production was 10 per cent higher in 1957/58 than in 1956/57. The real output of potatoes increased to a lesser extent, while that of melons and watermelons declined by about 11 per cent. Despite the larger output, the average prices received by farmers rose by 14.5 per cent, as higher subsidies were granted by the Government with a view to lowering the consumer price index. These subsidies, which totalled IL. 21 million in the year under review, as against IL. 11 million in the preceding year, were usually accompanied by the fixing of maximum market prices. However, in quite a number of cases price controls were not effective, so that the prices received by many producers (inclusive of subsidies) were higher than those they should have obtained on the market.

Up to the middle of 1957/58, the Government used to adjust the consumer prices of vegetables by granting temporary subsidies during periods when these prices were driven up by seasonal factors, natural causes or the deliberate reduction of supplies following the receipt of low prices by producers in the previous season. The subsidies were usually granted through the "Vegetable Minimum Price Fund", either after the limited volume of production had been established, or in advance, when the minimum price to be paid the producer had been fixed, in order to influence output. However, these methods involved considerable expenditure, and their effectiveness gradually lessened. The big subsidies were not fully reflected in consumer prices, while the fixing of prices in advance, often at too high a level, caused gluts and marketing difficulties.

In the summer of 1957, the Government signed an agreement with the Vegetable Production and Marketing Board,[1] in which it undertook to put at the Board's disposal, during the fiscal year 1958/59 an amount of up to IL. 4.5 million for the planning of vegetable production, so as to ensure sufficient quantities to meet local demand at adequate and stable prices. The method adopted by the Board was to contact producers concerning the planned scope of

[1] A body in which producers, marketing organizations and the Government participate.

production, on the basis of seasonal prices fixed in advance for each type of vegetable.

This planning, however, depended not on quantities but on areas planted,[1] which yield different quantities of produce in accordance with natural conditions, know-how, the input of water and fertilizers, and the quantity and quality of labour. Consequently, supplies exceeded the planned level during the peak season, and surpluses were created, which in part had to be destroyed owing to marketing difficulties and the Council's deliberate policy of preventing further price decreases. On the other hand, Government expenditure on subsidies increased.

Industrial crops. The average output of industrial crops was 5 per cent lower in 1957/58 than in 1956/57, due to the drought, which reduced the yields of unirrigated wheat, oil seeds and tobacco. The decline in groundnut production was caused by smaller areas planted—probably because of the higher profitability of alternative irrigated crops, especially fodder and cotton. The area under cotton was increased, and output rose by about 20 per cent. However, average yields per dunam fell by 10 per cent. Sugar beet cultivation underwent considerable agrotechnical improvements, particularly in new settlements in the South and the Negev. As a result, the area under this crop was expanded, average yields per dunam rose, and the average sugar content was higher. The prices received by producers, which are based on the percentage of sugar in the beets, rose accordingly. Sugar beet production is limited by the capacity of existing sugar factories.

Fodder and grains. The output of grains and green fodder declined by about 5 per cent, owing to lower average yields and the loss of harvests in certain unirrigated areas due to the drought. On the other hand, the production of irrigated pasture, green fodder and silage crops increased. Despite the smaller output of grains, their prices did not rise, the excess demand being met through imports. The considerable volume of the latter caused a big expansion of grain stocks on the farms, as well as a reduction in the output of summer grains on both irrigated and unirrigated land.

The real output of *afforestation, land reclamation, pasture improvement* and *drainage* is estimated to have risen by 20 per cent. In this case, the volume of output was mainly determined by fluctuations in relief works, and prices—by the rise in wage rates.

(c) *The destination of agricultural output*

1. *Quantitative changes*

The largest quantitative increase was in the output of consumer goods, which rose by 18 per cent. Their local marketing expanded by 24 per cent,

[1] The agreement provides that producers failing to fulfil their obligations in connection with the area under crops, stand to forfeit their right to the prices guaranteed for their entire output.

absorbing most of the increment. Most of the remainder was consumed by the farmers themselves,[1] only a small portion being diverted to exports (see Table IX–3).

The larger scale of local marketing was chiefly the result of increased poultry production and the higher vegetable output. The production of bananas and deciduous fruit was likewise considerably expanded, as investments made in previous years in new plantations had matured. With the expansion of poultry

TABLE IX–3

Estimated Gross Agricultural Output, by Destination, 1956/57–1957/58
(millions of IL.)

Destination	*Value at current prices (millions of IL.)*		*Percentage increase or decrease (–) from 1956/57 to 1957/58*		
	1956/57[a]	*1957/58*	*value (current prices)*	*quantity*	*price*
Consumer goods					
Own consumption	53.5	59.8	11.7	16.2	–3.9
Local marketing	189.6	220.3	16.2	23.9	–6.2
Export	85.3	98.4	15.3	8.6	6.2
Total	328.4	378.5	15.3	18.4	–2.6
Raw materials					
For agriculture	109.1	105.9	–2.9	–4.3	1.5
For industry[b]	121.5	135.0	11.1	12.8	–1.5
Total	230.6	240.9	4.5	4.6	–0.1
Investment goods	79.6	96.7	21.5	17.5	3.4
Grand total	638.6	716.1	12.1	13.1	–0.9

[a] Revised figures.
[b] Including milk, meat (except poultry meat), honey, olives, wine grapes, cotton, fruit, vegetables, sugar beet, various oilseeds, and a part of the groundnut crop.
[c] Including the increment in the value of orchards and livestock, as well as investments in afforestation, soil conservation and reclamation, drainage and the laying of pipelines in irrigated areas.
SOURCE: Central Bureau of Statistics and Bank of Israel, on the basis of data from the Ministry of Agriculture and various sources (see Table IX–7).

[1] Own consumption tends to expand together with output. It is encouraged by inferior quality products and disruptions of marketing.

farming, exports of eggs increased rapidly (they were 5 times larger than in 1956/57). Citrus exports rose more moderately.[1]

On the other hand, plantations were extended at a slower rate, since fruit prices declined. Nevertheless, some additional investments were made, which raised the value of young groves planted in previous years.

The output of raw materials increased by some 5 per cent, as the drought reduced the output of raw materials for agriculture (intermediate products) from unirrigated areas by 4 per cent, while the output of raw materials for industry rose by 13 per cent. The latter include milk and meat (other than poultry meat), the production of which rose with the expansion of dairies and the fattening of calves and sheep for the meat market. The output of sugar-beet and cotton likewise increased significantly, in contrast to the steep decline in groundnut production.

2. *Changes in prices*

The average level of prices received by farmers for agricultural produce during the period under review was the same as in the previous year (see Table IX–3). Consumer prices declined slightly, the prices of products channelled to the local market (which fell by an average of 6 per cent) being most affected. The prices of poultry-meat and eggs dropped sharply, while fruit prices also declined somewhat, since subsidies were reduced. On the other hand, higher subsidies caused a rise in vegetable prices.

Prices obtained for citrus exports were 12 per cent higher than in 1956/57, partly because world prices rose, but mainly owing to the granting of export premiums. The export prices of eggs declined, as the big expansion in egg production caused some of these exports to be made at inappropriate seasons and to unprofitable markets.

The average prices received for raw materials remained stable. As regards fodder grain, this was due to larger imports. The prices of raw materials for industry remained unchanged. though sugar-beet prices rose owing to the beet's higher sugar content. The prices of milk and mutton were raised by the increased demand and the higher subsidies.

The 3 per cent rise in the prices of investment goods was caused by the higher prices of livestock and by the rise in other production costs, roughly corresponding to the rise in wages.

3. *Export*

In 1957/58[2], the value of agricultural exports, at the prices paid to producers, totalled IL. 98 million, as compared with IL. 85 million in the preceding year.

[1] See discussion of agricultural exports below.

[2] Data on agricultural exports appearing in Chapter III—"The Balance of Payments and Foreign Trade"—refer to the calendar year 1958.

This was due to a 6 per cent rise in prices and a real increase of 9 per cent. The proportion of citrus exports within total exports reached 85 per cent, as against 89 per cent in the year 1956/57, the difference being due to bigger exports of eggs. Eggs accounted for about half the value of all agricultural exports, except citrus.

Citrus exports. In 1957/58, 306,000 tons (or 8 million boxes) of citrus fruit were exported. Though the citrus crop was smaller, these figures represent a certain increase over the preceding year, as there were fewer "windfalls". The prices received by producers were 12 per cent higher, world market prices of citrus increasing by 1.3 per cent and export premiums by 11 per cent (250 pruta per dollar of added value). Foreign prices were higher mainly owing to the poor supply of deciduous fruit on the main European markets and to the weaker competition of Spanish and Californian citrus. Another factor enabling Israel citrus to fetch higher prices in foreign markets was its improved quality, caused by natural conditions and by the completion of a network of modern packing houses, permitting better selection and packing of the fruit.

Other exports. The rapid expansion of agricultural exports other than citrus is prevented by several factors, the most important being the low export prices received by farmers in comparison with those received on the local market. Other difficulties are of a technical and organizational nature. They are connected with sea and air transport, and particularly with the need to coordinate shipments of fresh, quickly perishable produce, with the departure dates of refrigerator ships, which increases the gap between f.o.b. export and local prices.

Most agricultural exports, such as fruit and vegetables, remained in the experimental stage during the 1957/58 season.

Exports of hard wheat declined by 25 per cent during the year under review owing to the drought. However, exports of eggs increased five-fold. In the main European markets there is a tendency to strive towards self-sufficiency as regards eggs, so keen competition is to be expected there in the future. Prices in these markets rise in autumn and winter, with the seasonal decline in European egg production. Yet, most of the egg exports in 1957/58 were effected in summer, which impaired their quality. This, together with the difficulties of coping with the rapidly expanding volume of exports, caused a fall in the average prices obtained.

Exports of grapes, bananas and melons increased considerably; while experimental consignments of vegetables, deciduous fruit, fish, flowers and some other products were likewise sent abroad during the year.

Production for export is encouraged by long-term loans from the Development Budget for the cultivation of crops still in an experimental stage (such as flower bulbs), and by short-term bank credit for land tillage and the financing of storage (e.g., of groundnuts and most fruit and vegetables). The Government

guarantees products which are still being experimented with against any possible losses.

Most agricultural exports (excluding citrus) consisted, in fact, of surpluses created on the local market and were only partly based on planning and adjustment to the requirements of export markets. Hence, the prices received for these exports were low—owing to seasonal maladjustments, the inadequate organization of marketing, and the difficulties of effectively establishing and safeguarding goodwill in foreign markets.

2. Input

(a) *Quantitative changes*

The volume of inputs of raw materials and services (excluding wages, interest and rent) was 10 per cent higher in 1957/58 than in the preceding year. Input from other sectors (which excludes intermediate products) increased by 14 per cent. On the basis of fixed labour input norms,[1] the labour input is estimated to have risen by some 8 per cent. As according to the manpower survey the average number of workers gainfully employed in agriculture increased by 10 per cent, the average number of days worked by each worker in agriculture seems to have declined somewhat. This applies particularly to wage-earners. In new settlements, however, a contrary trend was in evidence.

In 1957/58, as in 1956/57,[2] the difference between the rate of increase in the input of labour and that of other production factors was due to changes in the structure of agricultural output, resulting from the big expansion of the dairy and poultry branches, where the weight of labour is relatively low and that of equipment and raw materials relatively high. (This is particularly true of poultry farming.) An additional factor operative in 1956/57 and even more important in 1957/58 was the general trend towards greater mechanization, i.e., the substitution of comparatively cheap capital goods for expensive or scarce labour. This happened especially in settlements remote from labour markets or unwilling to hire labour for ideological reasons. Mechanization vastly increased the profitability of dairy- and sheep-farming and contributed to raising their output. This was particularly evident in kibbutzim, where modern milking equipment was installed at a rapid rate, permitting more cows and sheep to be milked without additional manpower.

The total *cultivated area* expanded by 3 per cent, i.e., less than in 1956/57. The area of *unirrigated crops* remained unchanged, while the area of land prepared for irrigation expanded, though the land use was somewhat different, the

[1] This method tends to exaggerate the volume of work, by the rate of decline in average labour input per dunam or per cattle head (sometimes erroneously identified with increased productivity). It may, however, be assumed that it reflects the effects of the greater use of other production factors and of changes in production structure on the volume of work.

[2] See Bank of Israel Annual Report for 1957.

TABLE IX–4

Estimate of Agricultural Input (excluding Added Value), by Origin, 1956/57–1957/58

(millions of IL.)

Origin	Value at current prices		Percentage increase from 1956/57 to 1957/58		
	1956/57	1957/58	value (current prices)	quantity	price
Intermediate agricultural products*	107.3	108.7	1.3	1.1	0.2
Industry	91.1	106.4	16.8	14.7	1.8
Transportation	12.7	14.7	15.7	15.7	0.0
Public utilities (water and electricity)	21.6	27.6	27.8	20.7	5.9
Investments (depreciation)	51.0	61.0	19.6	17.3	2.5
Taxes	7.6	8.7	14.5	9.0	5.0
Services	3.5	4.2	20.0	15.6	3.8
Imports	57.5	65.5	13.9	8.9	4.6
Total	352.3	396.8	12.6	10.3	2.1

* Less changes in inventories and drought subsidies.

SOURCE: Central Bureau of Statistics and Bank of Israel, based on data from the Ministry of Agriculture and other sources.

area under winter crops increasing slightly, while that under summer crops declined by about 50,000 dunams owing to the drought.

The areas under certain industrial crops contracted somewhat, and those under sorghum and grain declined considerably. However, the increase in the area of green fodder more than compensated for this. The area under melons was considerably reduced.

The *irrigated area* was increased by 90,000 dunams (about 8 per cent), i.e., rather less than in previous years. This was due to the limited water supplies available to farmers. The situation will improve with the completion of the national water project (which will carry water from the Jordan to southern Israel) and of various regional water projects based on expensive drillings and reservoirs.

The main increase in the irrigated area was due to the expansion of fruit plantations by 40,000 dunams. Most of the additional area was planted with citrus, the areas under irrigated grain (mainly maize) declining considerably in comparison with last year (the decline is even greater as against the areas planned), owing to the large supplies of imported fodder-grain, which ensured a stable low price of this commodity over a long period.

TABLE IX–5

The Cultivated Area, 1956/57–1957/58

(thousands of dunams)

	1956/57[a]	*1957/58*	*Percentage increase or decrease (–) from 1956/57 to 1957/58*
Unirrigated area			
Industrial crops	126.1	102.6	–18.6
Fodder and grains	2,174.0	2,218.6	2.0
Vegetables, potatoes and melons	88.9	71.9	–19.1
Fruit plantations	228.0	235.0	3.1
Miscellaneous	73.0	68.0	– 6.9
Preparation for irrigation	30.0	50.0	67.0
Total	2,720.0	2,746.1	1.0
Irrigated area			
Citrus groves	246.0	275.0	11.5
Other fruit plantations	117.0	128.0	9.4
Fodder and grains	304.9	331.3	8.6
Vegetables, potatoes and melons	190.4	207.0	8.7
Industrial crops	117.4	120.8	2.9
Fish ponds	41.0	42.0	2.4
Miscellaneous	76.3	78.0	2.2
Total	1,093.0	1,182.1	8.1
Grand total	3,813.0	3,928.2	3.0

[a] Revised figures.

SOURCE: Central Bureau of Statistics.

The area under vegetables subject to planning by the Vegetable Production and Marketing Board remained unchanged, while the area under potatoes, melons and watermelons was extended. The 3 per cent increase in the area under industrial crops was due to a big increase in the area under sugar-beet and cotton, which more than offset a sizeable contraction of the area under groundnuts.

(b) *Price changes*

The level of gross input prices (excluding labour, interest and rent) rose by 2 per cent. The prices of input purchased from other sectors (i.e., total input *less* intermediate products) rose by 3 per cent.

In comparison with former years, these prices were relatively stable. This was due to the general stability of prices and wages in the economy (particularly as regards purchases from other sectors) and to the Poultry Agreement, which ensured larger supplies of imported fodder at fixed prices.

(c) *Input components*

The largest increase occured in the input of *water,* the consumption of which rose by about 20 per cent (167 million cubic metres), as a result of the longer irrigation period caused by the drought, and of the greater water requirements of new plantations. Both these factors raised the average water consumption per dunam.

TABLE IX-6

Estimated Breakdown of Gross Agricultural Input (excluding Added Value), 1956/57–1957 58

Product	Weight (in per cent)		Percentage increase or decrease (-) from 1956/57 to 1957/58		
	1956/57	1957/58	value (current prices)	quantity	price
Intermediate products from agriculture [a]	30.4	27.4	1.3	1.1	0.2
Purchased fodder	21.5	23.6	23.3	19.6	3.1
Fertilizers	3.8	3.8	14.4	7.5	6.4
Grains	1.0	0.9	–2.9	–3.9	1.0
Insecticides	2.1	2.0	10.8	3.8	6.6
Water	6.1	6.9	27.9	20.7	6.0
Packing materials	5.8	5.1	0.0	0.9	–0.6
Transportation	3.6	3.7	15.7	15.7	0.0
Spare parts and repairs	3.2	3.4	19.5	11.9	6.5
Fuel and electricity	1.9	1.9	11.9	4.7	7.1
Services	1.0	1.1	20.0	15.6	3.8
Taxes	2.2	2.2	14.5	9.0	5.0
Depreciation	14.5	15.4	19.6	16.7	2.5
Pipes and irrigation equipment	2.4	2.0	–9.3	–9.3	0.0
Miscellaneous	0.5	0.6	47.1	41.7	3.8
Total	100.0	100.0	12.6	10.3	21

[a] Less changes in inventories and drought subsidies.

SOURCE: Central Bureau of Statistics and Bank of Israel, based on data from the Ministry of Agriculture and other sources.

Most of the additional water was supplied by "Mekorot" (whose output capacity, however, was not fully utilized) and from newly completed local water schemes. Owing to higher production costs, the average price of water rose by 6 per cent.

Depreciation increased to the considerable extent of 17 per cent, as a result of the large-scale investments made during the last few years—particularly in farm buildings, irrigation installation and mechanization.

Transportation costs were also higher, rising by 16 per cent, in pace with the larger quantities of agricultural products marketed. Average transportation prices remained stable.

The expenditure on various *services* rose steeply—by 16 per cent. This includes bigger outlays on insurance and veterinary services. Purchases from industry increased quantitatively by 15 per cent, as more feeding stuffs were bought for the expanded livestock branches, and the expenditure on spare parts was higher owing to the greater degree of mechanization.

The prices of services were approximately 5 per cent higher, mainly owing to the rise in wages. The prices of purchases from the industrial sector rose by less than 2 per cent: the prices of fertilizers, insecticides, spare parts, fuel, and certain other items rose, while those of packing materials fell slightly. The prices of pipes and fodder remained stable.

The expenditure on imported raw materials increased by 9 per cent: Imports of fertilizers, grain and spare parts (the latter following the expansion of local production) declined steeply, but this was more than compensated by the 25 per cent increase in the imports of fodder grain, which was substituted for locally produced grain damaged by the drought. As a result of these large imports, the stocks of grain held by farmers are estimated to have expanded by IL. 6 million. Import prices paid by farmers rose by about 5 per cent, as higher duties were imposed on certain categories of agricultural imports.

3. Income

Gross income originating in agriculture[1] totalled IL. 380 million in 1957/58, as compared with IL. 338 million in the preceding year—an increase of 12 per cent.

Net income[2] originating in agriculture rose by about 11 per cent, totalling IL. 319 million, as against IL. 287 million in 1956/57. After allowing for the rise in consumer prices,[3] the real increase amounted to 8 per cent. As the volume of work expanded at a similar rate, no changes occurred in average real income per working day.

Payments of interest and rent by farmers to other sectors are estimated to have reached IL. 28 million in 1957/58, as against IL.25 million in the preceding year. The net income of the agricultural sector rose from IL. 260 million to IL. 290 million. The income of wage earners was assessed at IL. 90 million, and that of farm owners at IL. 200 million.

[1] Income originating in agriculture is calculated by deducting the input of services and raw materials from the value of output at producer prices. It is the income accruing to agricultural factors of production (capital, land and labour) in the form of interest, rent, wages and profits. "Gross" income includes depreciation, while "net" income excludes it.

[2] After deduction of real depreciation.

[3] See Chapter VI—"Prices".

According to the "Survey of Established Family Farms",[1] net average income per farm unit rose from IL.7,300 in 1956/57 to IL.8,500 in 1957/58—an increase of 16.4 per cent.[2] The labour input of the owner and his family increased by 5.6 per cent. Net daily earnings, at current prices, thus rose from IL.16.3 to IL.18.0 —i.e., by 10 per cent. Net income per farm, after deduction of imputed wages for work performed by the farmer and his family, rose from IL. 2,600 to IL. 3,300,—i.e., by 27 per cent, whereas the value of farm assets increased by less than 5 per cent.

The above-mentioned survey did not cover a representative sample, and no far-reaching conclusion concerning changes in income on family farms or in the agricultural sector as a whole should be drawn from it. It would seem, however, that the surveyed farms were characteristic of agriculture as a whole insofar as they showed increased profitability accompanied by structural changes in production and a larger weight of the livestock branches in total output.

Not all the net income of farm owners was available for consumption. A considerable part (amounting to IL. 97 million in 1957/58 and IL. 80 million in 1956/57) represents the value of capital goods produced and re-invested in the planting and maintenance of new plantations, in the raising of calves for meat, etc. These activities were thus partly financed from the current savings of farmers, though also in part by loans. Some capital assets were produced because no alternative employment was available for farmers. This applies particularly to new settlements.

According to the above-mentioned "Survey of Established Family Farms", cash income—excluding the output of re-invested capital goods—rose by 11 per cent, averaging IL. 6,800, as against IL. 6,100 in the preceding year. On adding the value of the farmers' own consumption, the income will be found to have increased from IL. 6,900 to IL. 7,700.

4. Investments

(a) *The volume of investments*

Gross investment in agriculture[3] (including irrigation) is estimated at approximately IL. 210 million in 1957/58, as compared with IL. 160 million in 1956/57 (See Table IX–7). Net investment (after deducting depreciation[4]) is assessed at IL. 135 million, as against IL. 95 million in the preceding year. This

[1] A research sponsored by the Faculty of Agriculture at the Hebrew University and conducted by Dr. Y. Lowe, T. Gans and I. Remer.

[2] The net income of farms ranged between IL.4,400 and IL.15,400 per annum.

[3] The computation of investment is not always consistent: Whereas euipment, buildings, water-projects, etc. have been calculated in gross terms, figures for livestock and certain fruit plantations are net.

[4] Including the depreciation of irrigation projects, estimated at IL. 15 million, which is excluded from current input.

TABLE IX-7

Estimates of Investments in Agriculture (current prices), 1956/57–1957/58

(millions of IL.)

	1956/57[a]		1957/58		Percentage increase or decrease(–) from 1956/57 to 1957/58		
	millions of IL.	percentages	millions of IL.	percentages	value (current prices)	quantity	price
Investments in farms							
Plantations	32.5	20	34.3	16	5.5	1.6	3.8
Installation of irrigation network	11.7	7	10.9	5	–6.8	–7.7	1.0
Other investments[b]	54.9	34	98.7	47	79.8	76.1	2.1
Total	99.1	61	143.9	68	45.2	41.7	2.5
Investments in public development projects							
Irrigation and drainage	42.8	26	41.8	20	–2.3	–4.2	2.0
Afforestation, land reclamation and conservation, and natural pastures	20.2	13	25.3	12	25.2	21.0	3.5
Total	63.0	39	67.1	32	6.5	3.9	2.5
All investments	162.1	100	211.0	100	30.2	27.0	2.5

[a] Revised figures.

[b] Including investments in farm buildings, equipment, livestock and fishing.

General note: Data included in this table refer to agricultural years, whereas those appearing in Chapter V—"Investments"—refer to the calendar years 1957 and 1958.

SOURCE: Central Bureau of Statistics and Bank of Israel, based on data from the Ministry of Agriculture, the Jewish National Fund, the Ministry of Labour, "Mekorot" and the Accountant General (Ministry of Finance).

30 per cent increase is quantitative to the extent of 27 per cent only, 2.5 per cent being due to the rise in investment prices. The value of investment in farms increased by 42 per cent, but investment in public projects, such as irrigation, afforestation, etc., expanded by 4 per cent only. Consequently, investments in farms represented 68 per cent of the total investment in agriculture during the year under review, as against 61 per cent in the preceding year.

Investments in farms. The value of investments in farms totalled approximately IL. 145 million, as compared with IL. 100 million in 1956/57. The largest increase occurred in investments in farm buildings, which rose steeply from IL. 18 million to IL. 46 million, this being due to the expansion of the livestock branches. The number of milch cows on Jewish farms is estimated to have risen from 44,000 at the end of 1957 to 55,000 at the end of 1958. Moreover, there was a significant increase in the number of calves, both for milk production and for the meat market. Approximately 1.8 million additional laying hens accrued to poultry farms during 1957/58, bringing the total number up to 5.5 million. Investments in livestock totalled IL. 30 million. Furthermore, most of the new investments in farm buildings (more than IL. 30 million) were diverted to hen-roosts and to structures improving the distribution of chicken-feed and egg collection. Farms in older settlements were able to utilize the excess capacity of existing hen-roosts and installations. In new settlements, hen-roosts and poultry-farming installations were somewhat expanded, but since these investments were made too late, only a small percentage of the new output capacity was exploited.

Investment in new buildings connected with the expansion in dairy farming is estimated at over IL. 12 million.

The expansion of investments was further stimulated by the larger stocks of farm produce and imported fodder grain, which necessitated the construction of new storage installations.

The extension of the irrigation network proceeded more slowly than in 1956/57, owing to the limited quantities of water available.

The area of orchards increased by 55,000 dunams in 1956/57 and by a further 47,000 dunams in 1957/58. Some 60 per cent of the latter were planted with citrus; the area under citrus increased by 29,000 dunams (as compared with 33,000 dunams in 1956/57). The rate of planting was somewhat slowed down by the shortage of water and the reduced profitability of certain types of fruit.

Investments in citrus packing houses declined in 1957/58, after considerable funds had been invested in the erection of modern packing houses during previous years. Investment in machinery, however, increased, both because of higher depreciation, and in substitution for labour.

Investments in public projects. Publicly financed investments in national and regional water projects, afforestation, drainage, land reclamation and pasture

improvement totalled IL. 67 million,—an increase of IL. 4 million over 1956/57, or 4 per cent in real terms.

Investments in afforestation, land reclamation, etc., were expanded owing to the stepping up of unemployment relief works by the Government. Investments in irrigation declined somewhat, the funds allocated for this purpose being used for the continued planning and execution of the national water project, and for the completion of regional projects.

(b) *The financing of investment*

In 1957/58, as in 1956/57, some 56 per cent of agricultural investments were financed from public sources. The additional funds were provided from the Development Budget and from the Jewish Agency budget and used for the consolidation of new settlements through irrigation projects, the planting of orchards (mainly citrus) and the construction of farm buildings. About half of these Development Budget funds were granted as loans to farmers, the remaining half being used to finance investments in public projects.

TABLE IX–8

Sources of Agricultural Investment Funds, 1956/57–1957/58
(millions of IL.)

	1956/57[a]		1957/58[b]	
	millions of IL.	*percentages*	*millions of IL.*	*percentages*
Public institutions[c]	93	57	118	56
Other sources[d]	69	43	93	44
Total	162	100	211	100

[a] Revised figures.
[b] Estimates.
[c] The Government, the Jewish Agency, the Jewish National Fund and the Israel Bank of Agriculture.
[d] Including current savings of farmers, depreciation funds and short-term bank and commercial credit.
SOURCE: The Jewish Agency Settlement Department and the sources specified in Table IX–7.

Investments totalling IL. 93 million (i.e., IL. 24 million more than in 1956/57) were financed from the farmers' own resources. About two-thirds of this figure represents depreciation, the remainder reflecting additional short-term credit and the farmers' current savings. The exact share of the two latter sources cannot be established, owing to lack of sufficient data. The farmers' current savings were, to a great extent, the product of their own labour.

Investments financed from the farmers' own resources were mainly channelled

to the poultry and livestock branches, while Development Budget funds were used to expand the irrigation network, to plant citrus and other orchards, and for certain other purposes.

5. Turnover Capital

The average turnover capital requirements of the agriculture sector for the financing of current production in 1956/57 are estimated at IL. 105 million. This estimate is based on the monthly cash expenditure norms in the various branches, which cover outlays on labour, water, fertilizers and adequate stocks. The lowest balance required—IL. 92 million—was registered in February, and the highest—IL. 122 million—in June.[1]

Table IX-9

Outstanding Balances of Bank Credit to Agriculture, 1957–1958
(millions of IL.)

(End of period)

Source of credit	*1957*[a]	*1958*	*Increase or decrease (–) from end of 1957 to end of 1958*	
			millions of IL.	*percentages*
(1) *Controlled credit*				
(1.1) Banking institutions	45.2	59.9	14.7	32.5
(1.2) Bank of Israel re-discounts				
In local currency	8.4	4.4	–4.0	–47.6
In foreign currency	2.2	0.1	–2.1	–95.5
(1.3) Government deposits in banking institutions —				
Credit for turnover capital	12.5	12.5	0.0	0.0
Total	68.3	76.9	8.6	12.6
(2) *Uncontrolled credit*				
Banking institutions	46.5	50.1	3.6	7.7
Total outstanding balance of credit to agriculture (1) + (2)	114.8	127.0	12.2	10.6
of which: from banking institutions (1.1) + (2)	91.7	110.0	18.3	20.0

[a] Revised figures.

[1] Dr. I. Kadishay and L. Sha'ashua: "The Turnover Capital Requirements of Jewish Farms in Israel"—a survey presented to the Committee of Inquiry into the Situation in Agriculture.

These fluctuations were due to the seasonal nature of output. The estimates include an amount of IL. 35 million for the financing of permanent raw material stocks—mainly for the livestock branches.

Other branches with large turnover capital requirements are vegetables and potatoes (averaging IL.20 million) and field crops (averaging IL.19 million). In addition, some IL. 15 million were required in 1956/57 and IL. 22.5 million in 1957/58 for the financing of stocks of finished products (cotton, dairy produce, etc.). Assuming that the demand for turnover capital increased at the same rate as output, the 1957/58 requirements may be estimated at IL. 140 million.

Turnover capital was financed from the farmers' own means, as well as by credit from suppliers, private persons and banks.

The average balance of short-term agricultural credit in 1957/58[1] was assessed at IL. 120 million, about IL. 15 million more than in 1956/57.

TABLE IX–10

Outstanding Balances of Controlled Credit, by Destination, 1957–1958

(millions of IL.)

(End of period)

Destination	*1957*[a]		*1958*	
	millions of IL.	*percentages*	*millions of IL.*	*percentages*
Cotton fibres	8.1	11.9	9.4	12.2
Citrus groves	11.3	16.5	17.7	23.0
Buyers' organizations	7.1	10.4	7.6	9.9
Field crops	7.5	11.0	8.0	10.4
Groundnuts	5.2	7.6	4.1	5.3
Miscellaneous	23.5	34.4	24.5	31.9
Loans to new settlements[b]	5.6	8.2	5.6	7.3
Total	68.3	100.0	76.9	100.0

[a] Revised figures.
[b] For a period of one to three years.

Farmers obtained credit both from banking institutions and from various suppliers—generally at the legal rate of interest. Such credit totalled IL. 36 million at the end of 1957/58, as against IL.30 million in the preceding year. The volume of short-term loans obtained from various private sources, usually at high interest exceeding the legal rate, is unknown.

Between the end of 1957 and the end of 1958, short-term bank credit to agriculture was expanded by IL.12 million (from IL.115 million to IL.127

[1] Between the end of 1957 and the end of 1958.

million), i.e., by 10 per cent. The entire increment was supplied from the resources of the banking institutions, liquidity exemptions being substituted for credit formerly extended in the form of Bank of Israel rediscounts. Credit for turnover capital, which is granted from Government deposits in banking institutions, was not expanded.

Of the additional IL.18 million loaned to agriculture by the banking institutions, IL. 15 million (i.e., some 80 per cent) were granted under Bank of Israel supervision. The destination of these funds was somewhat altered, the share of citrus rising from 17 to 23 percent, through the extension of a further IL.6.4 million to replace credit formerly received in foreign currency. On the other hand, the share of groundnuts declined from 8 to 5 per cent, owing to the smaller crop. Credit for cotton was expanded by IL.1.3 million, as larger quantities had to be stored due to the bigger harvest and slower marketing.

Thus, though the turnover capital requirements of agriculture (including the financing of stocks of finished products) rose from IL.120 million in 1956/57 to IL.140 million in 1957/58, they were fully covered by credit from the banking system and from agricultural suppliers.

The demand for agricultural credit was further met by credit from private sources, the volume of which, however, is unknown. This was usually extended at a rate of interest higher than that fixed by law. The farmers themselves owned considerable funds, which were chiefly concentrated in established family farms and utilized for turnover capital purposes. The excess short-term credit was invested in various assets and constitutes a source of monetary tension.