

V. A Plan for Agricultural Development 2000 Ministry of Agriculture

General Situation

The situation of agriculture in Israel is fairly bleak. Up to the current year (1991), agriculture has consumed some 70% of annual water allocation, the debt of the sector represents 20% of the balance of the major banks, and yet it only represents 2.8% of the NGP. By any economic measure, agriculture is the least viable sector of the Israeli economy.

To change this situation, there is a need to define the goals of agriculture in national life. There are two major goals: 1) to produce maximum food in Israel; 2) to preserve Jewish control of land and to prevent its transfer to others.

Both goals are a function of the unique geo-political situation in Israel.

There are three major obstacles in fulfilling this goal: water and land. The shortage of water means that agriculture in the future would be less extensive, and thus there is a need to find ways to keep the land in use. As a result there is a need to plan for two types of agriculture: 1) intensive but localized, i.e. greenhouses etc. 2) extensive, i.e. using up major tracks of land, i.e. pasture and forestation, but little water (mostly brackish and other marginal).

The limitation of capital stems from the national priorities at the end of the century: security and absorption of immigrants. Agriculture would have to compete for the remainder of the national budget with other legitimate priorities such as education, welfare and the road infrastructure. As a result, it is impossible to expect the Finance Ministry to pay for the transition to the "agriculture of the future".

The Parameters for Shaping the Agriculture of the Future

There are three elements involved:

1. Water

Because of the expected increase in the population and the expected increase in the standard of living of this population, the natural water resources are not adequate. There is a need to add to these resources:

1) water purification would become an important element in future water supply. The capital for building sewage reclamation plants should be raised through a fee from the local authorities that produce sewage. There are also many corporations that could operate sewage purification plants on the basis of the own and operate principle.

2) desalination is the only way to create a water resource that actually **adds** to the water potential of Israel. There are two modes for achieving this goal. Some desalination can be underwritten by the government, if the government would commit itself to buying the water and pay real prices. The desalination plants can be build alongside the extant utility plants. An additional way would be through private initiative.

3) water import is not a highly feasible alternative because it includes countries that are political not stable. However, some private initiative can be encouraged.

2. Water Prices

The past pricing policies have come under enormous criticism. In response, the government in its decision of Nov. 17, 1990, has decided to bring the prices of water in line with its production costs. The price increase has two goals: to reduce water use and to provide investment capital badly needed to develop and maintain the system. There is also the public perspective: to achieve an equitable sharing of the costs of water productions.

3. Capital

Today the government provides incentives that amount to 20-40% of the total capital for any agricultural project that aims at producing for export. This means, among others, that every project has to be scrutinized and approved that the relevant ministries. This system is not compatible with the goals of agricultural production outlined in this plan. Since the goal is to produce the maximum amount of food in the country, there is no logic in subsidizing food exports. Instead, the plan proposes to adopt the system used in industry: for every shekel spent on an agricultural project by a farmer, the government will provide loan guarantees for two shekel in every new project. The guarantee will be given after the investor pays a small fee and commit himself to use the credit in a responsible way. This system would eliminate the bureaucracy needed to approve all new plans. It was also mean that the capital to start a new venture will be lower than currently needed (33.5%). Also the proposed system would mean that select regions can be encouraged.

The new system would mean creating new **cooperatives**.

One of the problems of agriculture is the a lack of capital for investment, because the sector can not provide for guarantees. The answer to this problem is to establish a system of **buying guarantees** which would be used, together with the agricultural product, as a collateral for the loans. It should be emphasized that this system would give an advantage to the more successful farmers who would be considered as less of a risk by the banks.

Under the current plan the only direct government capital layout for agriculture would be used for R&D and the dissemination of agricultural know-how, especially new technologies.

Solving the Agricultural Debt

In order to succeed in "future agriculture" it is imperative to solve the debt problem. The debt that the moshavim and the kibbutzim accumulated would not allow a transition to the agriculture of the future. The base for solving the problem is refinancing. The resolutions authority would estimate how much each individual farm unit contribute to the special fund. In the second state, a specially appointed body of bank representatives, Finance Ministry and Ministry of Agriculture, would decide upon the interest to be paid for the historical debt and on a time framework for the total repayment of the debt.

The debt of the kibbutzim would have to be solved against the changing background of the special kibbutz mission. The "golden age" of the kibbutz movement is over, as the unique missions that the kibbutz fulfilled in the past - settlement and security - have been overtaken by the society at large. The kibbutz today can still play an important role in a number of fields: to help to preserve Jewish control over the land and develop the extensive agriculture mentioned above, to build a national network of roads, and to invest in developing water projects like sewage purification and desalination plants. In order to finance all the projects, there would be a need to create special consortiums in which the banks, the government and the kibbutzim would participate. The capital would come from the banks and government, the debts of the kibbutzim would be forgiven proportionally to their contribution.

Conclusion: The Characteristics of the Future Agriculture

In order for the agricultural sector to overcome its present crisis and be successful in the future, it needs extensive reorganization. It is most important to create larger units of production in the moshav sector. Larger units can save on overhead costs and thus decrease the cost of production for a variety of costs. In order to achieve this, some social goals have to be sacrificed, i.e. dispersion of population and providing jobs for large numbers of people.