Table 3.—Agricultural, animal, and vegetable products: U.S. producers' shipments, imports, exports, apparent consumption, and employment, 1979-83

Item	1979	1980	1981	1982	1983
Producers' shipments 1/					
million dollars	275,567	301,707	319,382	314,765	324,729
U.S. exports					
Total—do	34,835	40,733	43,679	37,142	36,523
To Israel—do	320	300	345	343	311
U.S. imports:					
Total—do	19,399	20,023	20,261	19,038	20,545
From Israel:					
Total—do	26	25	35	49	50
Duty free under GSP					
percent	41	43	29	33	35
Duty free under col. 1					
do	12	21	22	12	9
Dutiable—do	47	36	49	55	56
Apparent consumption					
million dollars	260,131	280,997	295,964	296,661	308,751
Ratio of—					
Imports from Israel to total U.S. imports—percent	0.1	0.1	0.2	0.3	0.2
Total U.S. imports to consumption—do	7.5	7.1	6.8	6.4	6.6
Imports from Israel to consumption—do	2/	2/	2/	2/	2/
Total employment 3/					
1,000 workers	5,066	5,056	4,835	5,014	5,000

1/ Estimated; includes the value of cut flowers, live plants, and fruits and vegetables sold on the fresh market, other crude or unprocessed agricultural sector items which are exported (grains, oilseeds, and so forth), and processed agricultural items (all food and kindred products, Standard Industrial Classification (SIC) code 20).

2/ Less than 0.05 percent.

3/ Includes all farm workers, as reported by the U.S. Department of Agriculture, and all workers in the food and kindred products sector, SIC code 20.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

made up the majority of these shipments, increasing from $236 billion to $286 billion during the period. In terms of the value of shipments for 1983, the meat, fish, and poultry industry accounted for about 26 percent of the total value of shipments of processed agricultural products; the dairy products industry, 14 percent; and the beverage and the grain and grain products industries each accounted for 12 percent. In relative terms, there was little change in the composition of shipments among the major product areas from 1979 to 1983, although health-related concerns have led to a drop in consumption of foods such as red meats and butter, and the consumption of foods such as poultry, lowfat milk, and yoghurt have increased. The increased value of shipments of agricultural products during the period was associated with growth in demand as well as with rising costs of production.

U.S. consumption of agricultural products increased steadily during 1979-83, from $260 billion to $309 billion, or by 19 percent, reflecting increased consumer demand as well as rising prices.

The U.S. balance of trade between imports and exports in the agricultural sector was positive during 1979-83, as shown in the following tabulation (in billions of dollars):

Year	Imports	Exports	Trade balance
1979	19.4	34.8	15.4
1980	20.0	40.7	20.7
1981	20.3	43.7	23.4
1982	19.0	37.1	18.1
1983	20.5	36.5	16.0

The decline in this favorable balance of trade from 1981 to 1983 reflected mostly a drop in U.S. exports (primarily grains and oilseeds) as imports in the sector showed little change during the period.

During 1979-83, the value of U.S. agricultural imports ranged from $19 billion to $20 billion and showed no discernible trend. The annual ratio of imports to consumption averaged about 7 percent during the period. The majority of imports (in terms of value) consisted of coffee, tea, cocoa, and spices (with Brazil, Colombia, Mexico, El Salvador, Uganda, Indonesia, and the Ivory Coast the major suppliers); fish and shellfish (Canada, Mexico, Equador, and Iceland); meat (Australia, New Zealand, Canada, and Denmark); fresh fruits, including juices, and vegetables (Mexico, Brazil, Costa Rica, and Honduras); sugar (the Dominican Republic and Brazil); beverages (France, the United Kingdom, and Italy); and tobacco and tobacco products (Turkey, Brazil, and Greece). In 1983, these items accounted for three-fourths of the total value of imports in the U.S. agricultural sector, and their relative importance in that year is shown in the following tabulation (in billions of dollars):

Item	Imports
Coffee, tea, cocoa, and spices	4.0
Fish and shellfish	3.3
Meat	2.1
Beverages	2.0
Fresh fruit (including juices) and vegetables	1.9
Sugar	1.2
Tobacco and tobacco products	.8
All other	5.2
Total	20.5

The value of U.S. exports in the agricultural sector increased from $35 billion in 1979 to $44 billion in 1981, but then declined to $36 billion by 1983. Two items, grains and oilseeds, together accounted for the majority

(54 percent) of the value of the 1983 U.S. agricultural sector exports. The relative importance of exports in the sector in that year is shown in the following tabulation (in billions of dollars):

Item	Exports
Grains	13.8
Oilseeds	6.2
Animal feeds	2.8
Tobacco and tobacco products	2.6
Animal and vegetable fats, oils, and greases	1.5
Meat	1.0
All other	8.6
Total	36.5

Japan, the Soviet Union, Mexico, and the Republic of Korea were the primary markets for grains; the EC and Japan for oilseeds and tobacco; the EC for animal feeds; Egypt, Pakistan, and Mexico for animal and vegetable fats, oils, and greases; and Japan was the principal market for meat.

Israel Sector Profile 1/

Israel's agricultural sector has been expanding for a number of years. The sector's expansion has been due to a combination of factors, principal of which were an increase in land brought into cultivation and an increasing share of the cultivated land being irrigated. In 1980, about 1.1 million acres were under cultivation, about 4 percent more than in 1970. Meanwhile, the area of farm land under irrigation rose by 18 percent to 0.5 million acres

1/ Data in this section are from information published by the Israel Central Bureau of Statistics (Statistical Abstract of Israel-1983); the Bank of Israel (Annual Report-1982); and unpublished data from the U.S. Department of Agriculture, Foreign Agricultural Service.

during the same period. Thus, nearly one-half of the cultivated land in 1980 was under irrigation. Improvements in yields and the raising of more than one crop per year on some irrigated land also promoted increased agricultural output.

The agricultural sector of Israel's economy accounts for only a small portion of the country's gross national product (GNP); in 1981, agriculture contributed 5.7 percent to the GNP. Some 82,500 workers were employed in agricultural jobs in 1982—about 6 percent of Israel's employed labor force. Improved production techniques and farm mechanization have resulted in a long-term decline in the number of workers.

Israel's typical farming units are of three types—(1) the moshav or cooperative settlement, where individual farms are worked separately but the output is pooled and marketed by the settlement; (2) the kibbutz, where people live in communal housing and share equally in work and profits; and (3) the private farm or settlement (moshava), where farming is practiced as a private enterprise. In the late 1970's, moshav settlements accounted for about 43 percent of Israel's total agricultural production, kibbutz farms, for about 36 percent, and private farms, for 21 percent.

The principal crops produced in Israel are citrus fruit (mostly oranges and grapefruit), vegetables, potatoes, and wheat. In 1982, total production of citrus fruit amounted to 1,804,000 metric tons, up 43 percent from that in 1970; vegetable output was 771,000 tons (up 63 percent), potato production was 207,000 tons (up 51 percent), and the wheat crop yielded 147,000 tons (up 18 percent). Poultry is the principal meat produced in Israel; in 1982,

about 229,000 tons of poultry meat were produced, more than double the output in 1970. Beef production in 1982, at 38,000 tons, was only 6 percent more than in 1970 while the fish catch rose 11 percent to 24,300 tons during the period.

Israel's agricultural sector is a highly efficient industry, securing output from limited natural resources. But Israel does have the benefit of a year-round growing season and, during some periods of the year, its food processing capacity is not fully utilized. Modern production methods employing irrigation, adequate use of chemicals for fertilizer and weed control, and quality seed and feed use have led to the improvement in output. During 1979-82, the annual growth of the gross domestic product for the agricultural sector averaged 6.8 percent, compared with an increase of 2.2 percent for the total business sector (including agriculture). During the same period, labor productivity (product per man-hour) rose by 9.0 percent per year compared with 1.8 percent for the total business sector.

Notwithstanding the relative growth of Israel's agriculture, the country continues as a net importer of agricultural products. In 1982, Israel's agricultural sector registered a negative trade balance of $122 million compared with that of $157 million in 1979.

Over the long term, the agricultural industry in Israel is faced with two natural limitations: shortages of water and land. Water utilization is at near peak capacity; sources of moisture for farming to supplement the scanty rainfall are the Jordan River (for irrigation), reprocessed sewage water, and cloud seeding. High desalination costs have precluded the use of much treated seawater in agriculture. The use of agricultural-grade land is also at near capacity; furthermore, urbanization near the major cities has contributed to the scarcity of good farm land.

Israel Exports

Exports of agricultural products from Israel to all markets increased from $722 million in 1979 to $820 million in 1981 and then declined to $783 million in 1982. The bulk of Israel's agricultural exports consisted of fresh fruit (mostly citrus), fruit juices, cut flowers, fresh vegetables, and processed vegetables. In 1982, these articles accounted for three-fourths of Israel's agricultural exports.

The EC is the principal market for Israel's exports of agricultural products, primarily because of the supplying country's proximity to Europe; furthermore, the EC has granted preferential treatment to many Israel products. Within the EC, the United Kingdom, West Germany, and France are the major purchasers from Israel. The relative importance of the EC to Israel's exports has declined in recent years—from 69 percent in 1979 to 64 percent in 1982. Meanwhile, a larger share of Israel's agricultural exports went to the United States—from 4 percent of the total in 1979 to 7 percent in 1982—and to markets in Africa—from 1 to 4 percent.

Exports to the United States

There are no major agricultural product areas where Israel is the United States' principal import supplier or where that country commands a significant portion of the U.S. market. In recent years, about 4 percent of Israel's total exports to the United States consisted of agricultural products. During 1979-83, U.S. imports of such products from Israel increased from $25.9 million to $50.0 million. These imports were equivalent to less than 0.5 percent of total agricultural imports from all sources and of apparent U.S. consumption.

The principal agricultural products imported from Israel were processed tomatoes ($20.6 million in 1983) and biscuits ($3.0 million); other imported products included dried vegetables ($1.9 million), licorice extract ($1.8 million), candy ($1.8 million), processed olives ($1.7 million), wine ($1.6 million), and apple or pear juice ($1.3 million). Imports of biscuits, licorice extract, and apple or pear juice are either free of duty or accorded GSP treatment.

Dutiable imports, as a share of the total, rose irregularly from 47 percent in 1979 to 56 percent in 1983. Imports of processed tomatoes accounted for most of the increase. In 1983, such tomatoes accounted for 74 percent of the total dutiable imports from Israel.

The bulk of the duty-free imports from Israel enter under the GSP. In 1983, such imports accounted for 35 percent of total entries from Israel, compared with duty-free imports under column 1, which accounted for 9 percent of the total.

Exports to countries other than the United States

Israel's exports of agricultural products to markets other than the United States rose from $696 million in 1979 to $786 million in 1981 and then dipped to $738 million in 1982. The principal agricultural products exported during 1979-82 were fresh fruit and fruit juice (largely citrus), fresh cut flowers, and canned fruit (principally canned citrus and processed olives). The EC was the primary market for these products.

Position of Interested Parties

Congressman Delbert L. Latta of Ohio recommended against the free-trade area proposal to lift duties on processed tomato products from Israel, stating that Ohio's tomato growers have lost contracts for sale of locally grown tomatoes, and canning plant workers have lost jobs as a result of competition from abroad and can ill afford more competition. Furthermore, he stated that the trade proposal would have a devastating effect on tomato growers throughout the country.

U.S. producers and processors of tomatoes oppose the granting of duty-free tariff treatment to products from Israel, because such treatment would accelerate the growth of canned tomato imports (which are already on the rise) and further reduce the demand for domestic products, resulting in a decline in U.S. production, sales, and employment.

Citrus fruit and fruit product producers in Florida, California, and Arizona oppose the proposed free-trade agreement with Israel, because they contend that significant adverse economic effects would follow such an arrangement. Producers fear possible trade diversions of frozen concentrated orange juice (FCOJ) from Brazil through Israel to the United States. The United States would become the only duty-free market in the world for FCOJ, according to the domestic producers. Moreover, once Spain accedes to the EC, Israel products are expected to increase sharply in the U.S. market if tariff preferences are extended to Israel.

U.S. growers and processors of various fruits and vegetables (including avocados, figs, olives, canned fruit, dehydrated garlic and onions, and processed pimientos and peppers) oppose the proposed free-trade agreement with

Israel because it could have a detrimental effect on their operations. Domestic producers state that the free-trade agreement will establish a devastating precedent for the creation of future free-trade agreements with other countries; it may permit third countries to export to the United States duty free via Israel; and it may provide the incentive for Israel to increase its pent-up agricultural base. The free-trade agreement will permit Israel to hold a tremendous advantage in domestic markets developed by U.S. producers and will not expand U.S. agricultural exports to Israel, according to the producers.

Domestic producers of milk and dairy products are opposed to the inclusion of dairy products in the establishment of a United States-Israel free-trade area, particularly if the removal of the section 22 quotas on dairy products should be included in the agreement. They believe that the removal of section 22 quotas on imports of dairy products from Israel would result in greatly expanded U.S. imports of such products. They are concerned that such imports would result from the simple device of reprocessing, in Israel, highly subsidized milk or dairy products produced in the EC, and that the cheese or other dairy products they processed therefrom would be shipped to the United States free of quotas.

U.S. growers of fresh cut roses believe that the domestic industry would be sensitive to duty-free imports, that it is faced with unfair competition from subsidized imports of roses from Israel and Colombia, and that the probable economic effect of granting duty-free treatment to fresh cut roses from Israel would be to cause or threaten substantial injury to the domestic rose growing industry.

Probable Effects of Duty-Free Imports From Israel

For the sector as a whole, the implementation of a free-trade agreement with Israel would result in only a negligible increase in the level of total agricultural imports, and such an increase would have a nil or negligible effect on the domestic industry and on U.S. consumers. Although U.S. imports of agricultural products from Israel nearly doubled from $26 million in 1979 to $50 million in 1983 (and dutiable imports rose from $12 million to $28 million), they were still equivalent to less than 0.5 percent of total U.S. imports from all sources and of apparent U.S. consumption. Israel is a small producer of agricultural products compared with the United States. Furthermore, it is a net importer of such products. In terms of U.S. trade with Israel, during 1979-83 the annual U.S. trade surplus with that trading partner averaged $287 million. U.S. imports of agricultural products from Israel consist primarily of fresh and processed fruit and vegetables. In 1983, imports of such products were valued at $30 million and accounted for 60 percent of all agricultural products imported from Israel.

Although the granting of duty-free treatment to imports from Israel would not adversely affect the U.S. agricultural sector in the aggregate, U.S. producers in five product areas within the sector could experience significant adverse effects. The affected product areas are certain dehydrated vegetables, processed tomatoes, processed olives, citrus fruit juices, and fresh cut roses. In another product area, avocados, the rate of duty (6.5 cents per pound) is relatively high (51.9 percent ad val. in 1983). Virtually all U.S. imports of avocados enter the Virgin Islands and Puerto Rico, where they are not subject to plant quarantine requirements imposed on

imports into the continental United States and Hawaii. It is unlikely that Israel, a major exporter of avocados to the EC, will initiate exports to the continental United States where plant quarantines are considered a necessity for phytosanitary reasons. Moreover, it is unlikely that duty-free treatment for Israel avocados will provide a significant advantage for them in the Puerto Rico and Virgin Islands market, because all of the present exporters of avocados to those U.S. possessions are beneficiary countries of the Caribbean Basin Initiative, and thus are accorded duty-free entry for their fruit. A brief discussion of the five affected product areas follows.

Certain dehydrated vegetables

Table 4 summarizes the column 1 rates of duty and probable economic effects of duty-free imports of certain dehydrated vegetables.

The overall effect of eliminating the current duties on imported dried garlic and onions (items 140.30, 140.60, and 140.65—35 percent ad valorem; and item 140.40—28.8 percent ad valorem) from Israel would most likely result in a significant increase in total U.S. imports of such items. During 1979-83, U.S. imports of garlic and onions from all sources trended upward, averaging 1.3 million pounds ($875,000) annually and amounting to 950,000 pounds, valued at $661,000, in 1983. Imports of such items from Israel during the period included 25,000 pounds of dried onions, valued at $13,000 (TSUS item 140.40), in 1981. In 1983, however, U.S. imports of other dried vegetables (including beans, carrots, and other vegetables dried or reduced to flour) from Israel amounted to 1.1 million pounds, valued at $1.9 million. These dried vegetables are either duty free or accorded GSP treatment. In recent years, exports of dried vegetables from Israel to the EC were valued at

Table 4.—Certain dehydrated vegetables: Present and final MTN col. 1 rates of duty, imports from Israel, 1983, and probable economic effects of duty-free imports from Israel, by TSUS items

TSUS item No.	Description	Col. 1 rate of duty		Imports from Israel, 1983	Probable economic effects on U.S.—1/
		1984	Final MTN level		
	Vegetables, dried, desiccated, or dehydrated, whether or not reduced in size or reduced to flour (but not otherwise prepared or preserved):				
	Dried, desiccated, or dehydrated:				
140.30	Garlic	35% ad val	2/	0	
140.40	Onions	28.8% ad val	25% ad val	0	
	Reduced to flour:				
140.60	Garlic	35% ad val	2/	0	
140.65	Onions	35% ad val	2/	0	

[redacted]

E.O. 13526, section 3.5(b)(6)

1/ App. F contains an explanation of the probable economic effects codes used in this table.

2/ Rate not modified in the Tokyo round of the Multilateral Trade Negotiations.

over $1 million annually, with most of the other imported supplies in the EC dried-vegetable market coming from Spain and Portugal. With the entrance of these countries into the EC, the duties on their products will be dropped, putting Israel products at a disadvantage. Dehydrators can easily shift their product lines to produce different kinds of dried vegetables.

It is believed that the low levels of U.S. imports in the past have resulted from the high rates of duty. Large duty reductions on dried garlic and onions (from 35 percent to free) coupled with potential market losses on

other dried vegetables in the EC could encourage Israel producers to shift their operations to supply the U.S. market with dried garlic and onions as well as other dried vegetables (which now are duty free or receive GSP treatment).

Industry sources state that current prices of imported products from Israel are comparable to those of domestic products. The duty-free status of certain dried vegetables from Israel could lead to rapidly rising imports of lower priced products, resulting in a significant adverse effect on domestic growers and processors. The duty of 28.8 to 35 percent ad valorem is substantial, and its elimination would result in lower c.i.f. prices to U.S. importers. Exports of dried vegetables currently shipped to the EC could be redirected to the United States; Israel is believed to have the capability to increase its output significantly. The continuing strength of the U.S. dollar contributes to the attraction of the U.S. market for imports.

In 1983, an estimated 100 farms produced fresh vegetables for dehydrating in the United States. Five dehydrators, out of a total of less than 20, account for the bulk of production of dehydrated vegetables. Domestic production fluctuated widely during 1979-83, amounting to an estimated 160 million pounds in 1983; virtually all of the output consisted of dried garlic and onions. Apparent U.S. consumption increased in recent years, with the ratio of imports to consumption estimated at 2.5 percent in 1983. An estimated four-fifths of production is used by food processors, mainly as seasonings or food flavorings; such users tend to be more concerned about price and quality and less concerned about country of origin and brand name.

Duty savings under the proposed trade agreement will most likely benefit the industrial or intermediate consumer, but the consuming public is not

expected to benefit, because the cost of the dehydrated products in processed foods is relatively small.

Table 5 briefly summarizes U.S. trade and consumption in dehydrated onions and garlic in 1979 and 1982:

Table 5.—Certain dehydrated vegetables: U.S. employment, apparent consumption, shipments, exports, and imports, 1979 and 1982

Item		1979	1982
Employment	1,000 workers	9	9
Apparent consumption	1,000 pounds	146,600	164,400
Shipments	do	181,900	196,300
Exports:			
Total	do	35,667	40,841
To Israel	do	160	137
Imports:			
Total	do	502	3,880
From Israel	do	0	0
Ratio of—			
Imports from Israel to total imports	percent	-	-
Total imports to consumption	do	0.3	2.4
Imports from Israel to consumption	do	-	-

Source: Employment and shipments, U.S. Department of Agriculture and industry sources; exports and imports compiled from official statistics of the U.S. Department of Commerce.

Processed tomato products 1/

Table 6 summarizes the column 1 rates of duty and probable economic effects of duty-free imports of processed tomato products.

1/ Commissioner Haggart did not participate in the formulation of this portion of the report.