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OECD Food price formation project

Working Party on Agricultural Policies and Markets (APM)

Response to Questionaire – Israel

"The OECD Secretariat is preparing a report on food price formation for the November 2014 Working Party on Agricultural Policies and Markets (APM). A scoping paper (TAD/CA/APM/WP(2014)16) describing this project was presented at the May 2014 APM. In that context we are seeking some direct input from your delegation on the activities undertaken in your country to look at food price formation issues.

We are looking for information concerning the role of institutions in providing food price formation data and analysis.

Case studies based on countries' experiences will be presented in the paper.

To prepare the case studies, would you please provide information on the following set of questions?"

NB: If you answer positively to question 1, please answer question 2 to 6. If not, please answer question 7. In all circumstances, please answer questions 8 and 9 ."

1. Is there a monitoring entity of food prices, food price transmission and/or of contractual arrangements along the chain in your country? What is its name? When was it established? Does it look specifically at certain products/sectors?

There is no specific monitoring entity in Israel. (There are mandatory prices for some basic food products, for more details see answer to question 7).

2. What is the rationale behind the existence of this monitoring entity? What does it add to what was done in the past in terms of monitoring food prices in your country?

3. Can you identify three key objectives of this institutional initiative? Have they been reached? Did you set up an assessment process? Can you describe experiences that were not as successful?

4. Who are the "clients" of this monitoring entity: government, specific stakeholders along the chain, consumers? How do they use the tool to your knowledge?

5. What is the cost of getting this monitoring entity up and running in terms of:

- Involvement of ministries, statistical offices, stakeholders along the chain

- Financial implications for its regular functioning

6. What are the future plans for this entity?

7. If you do not have such a monitoring entity, are data on food prices at different levels of the chain available publicly? Is food price transmission or transparency an important issue for your government, for consumers and for stakeholders along the chain? Is there a plan to set up a monitoring entity? Did you have one in the past and why did it stop operating?

Monthly retail prices of food products are published by the Israeli Central Bureau of Statistics (CBS). Wholesale prices of fruit and vegetables are collected and published daily by the Ministry of Agriculture and Rural

Development. The Plant Board also surveys daily wholesale prices for vegetables and publishes them. The Ministry of Agriculture and Rural Development publishes a weekly report with wholesale and retail prices (based on supermarket checkout data collected by a commercial company) for main fruit and vegetables.

There are mandatory retail prices for some basic food products. Consumer prices are regulated for eggs, some basic milk products, basic bread and salt. Maximum consumer prices and selling prices to retailers for all food products under price regulation are published at the website of the Ministry of Economy, consumer prices for regulated milk products and eggs are also published by the Ministry of Agriculture and Rural Development. The milk price received by producers is mandatory and available at the website of the Israel Dairy Board.

Food price transmission and transparency are important issues for the government and the public, especially in recent years since the social protests in 2011 against high living costs. The Ministry of Agriculture and Rural Development is in a process of improving its data collection of wholesale prices for fruit and vegetables, and plans to establish a system for collecting prices of main fruit and vegetables from a sample of farmers. The Ministry of Finance, in cooperation with the Ministries of Agriculture and Rural Development and Economy, is in the process of collecting data and analysing retail chains marketing costs for all food products with price regulation. Processing costs for regulated milk products were collected recently by the Ministry of Agriculture and Rural Development, in cooperation with the Ministry of Finance.

In the moment there are no plans to establish a specific food price monitoring entity.

8. Does the private sector have a demand for and willingness to provide greater transparency regarding price formation along the food chain according to your experience?

Based on discussions with farmers and farmer representatives we think that farmers are interested in greater price transparency, based on the impression that marketing margins might be too high. Therefore we assume that they will cooperate with the planned collection of farmers' prices for fruit and vegetables. We have doubts that food processing companies or commercial wholesalers are interested to cooperate to provide more transparency.

9. Have you identified impediments to price transmission along the food chain? What policies do you think might help mitigate those impediments? Have policy actions been taken? For example, have measures been taken to ensure that food markets are competitive and integrated in your country? What is your assessment of their effectiveness? Are any future policy initiatives affecting relationships along the food chain in the pipelines?

The market share of retail chains in food sales is increasing over years, raising concerns with regard to competition. As a result of the small Israeli market and ecomomies of scale also the food processing industry is very concentrated (e.g. for most dairy products the two main dairies have a market share of more than 80%).

The "Law for enhancement of competition in the food sector" addresses competition issues in the food industry and food marketing. The law regulates the relationship between suppliers and retailers and includes special restrictions for large suppliers and large retailers, for example with regard to the recommendation of resale prices and allocation of shelf space. The law empowers the General Director of the Antitrust Authority to intervene in geographical areas with high retail concentration. In addition, large retailers will be required to publish on the

internet up-to-date prices of all goods sold by them, for all of their branches. The law was approved by the Knesset in March 2014 and enters into force on January 2015.

In March 2014 the Knesset approved an amendment to antitrust regulation, abolishing the exemption from restrictive arrangements for wholesalers of agricultural products. Growers are still allowed to use restrictive arrangements in producing and marketing their agricultural products. The change in regulation is expected to enhance competition among wholesalers of agricultural products, including wholesalers owned by retailers.

In addition, the Ministry of Agriculture and Rural Development and the Finance Ministry are in the process of publishing a tender for the establishment of a new and modern wholesale market for fruit and vegetables which will replace the main existing outdated wholesale market. It is expected that a new efficient wholesale market will provide farmers with an attractive alternative to direct sales to retail chains and strengthen farmers and independent retailers.

A private law proposal proposing to control the marketing margin of fruit and vegetables was submitted to the Knesset in June 2014. The proposal was initiated by the Israel Consumer Council and one of the organizations representing farmers. Because of the volatility of fruit and vegetable prices, and substantial price differences as result of quality differences it is difficult to imagine how such a law can be implemented.

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"We would also like to ask you to respond to a survey of activities in food price formation, transparency and monitoring along the chain that was submitted to OECD member countries in the context of the 3rd Food Chain Analysis Network (FCAN) meeting in 2011. The questionnaire is attached."

Survey of activities in food price formation, transparency and monitoring along the chain

I Are price formation, transmission and transparency issues along the food chain important and if so for which stakeholders and why?

See anwers to questions 7 and 8 above.

II. What are the three most important issues with respect to food prices that have raised concern over the recent period?

- Food price increase: food prices in Israel increased more than food prices in other OECD countries,

- Relatively high prices for animal products, e.g. milk products.

- Concerns with regard to marketing margins for fruit and vegetables which are deemed too high.

III. Have you undertaken any institutional initiatives in recent years to improve your understanding of impacts of price formation, transmission and transparency on stakeholders in the food chain? Do these involve more than one ministry or units in a ministry, and if so which? These should include new working groups, new statistical units and special government offices and how they are administratively set up and operate. Any cross department activities in this area would be of particular interest.

Institutional activities include the efforts of the Ministry of Agriculture and Rural Development to improve the collection of wholesale prices for fruit and vegetables and establish a system for collecting grower prices. The Ministry subscribed for retail check-out data of fruit and vegetables provided by a commercial company, and recently extended its subscription to fresh meat and fresh fish retail sales data. A report including retail check out prices and wholesale prices for main fresh fruit and vegetables is published on a weekly basis. In the moment the Ministry is working on a report investigating costs and prices along the value chain of fresh fruit and vegetables. In addition, recently the Ministry requested the Poultry Board to collect wholesale prices of chicken and chicken pieces on a monthly basis.

The unit responsible for these activities is the "Research, Economy and Strategy Division" of the Ministry. The Ministry is examining if the collection of wholesale prices (as well as the collection of farmers' prices) can be outsourced to a private company, in cooperation with the "Wholesale Market Company", a governmental company which was founded to oversee the establishment of the new wholesale market and to be responsible for its regulation.

IV. Are there non-governmental institutions which are involved in the same activities? Please include trade unions, co-operatives, consumer groups or business associations

The Israel Consumer Council and one of the organizations representing farmers are collecting farmers' prices for some fruit and vegetables on an ad-hoc basis which provide the basis for some of the articles on high marketing margins of fruit and vegetables published in the media.

V. Please describe briefly statistical and analytical activities undertaken on a regular or ad hoc basis. Please include special studies and research projects, database development, statistical analyses and other relevant activities

Activities undertaken by the Division of Research, Economy and Strategy of the Ministry of Agriculture and Rural Development:

- Publication of a weekly report including wholesale prices for fresh fruit and vegetables and retail prices.

- Ad-hoc studies, e.g. a study comparing wholesale prices from fruit and vegetables collected by different entities, a study examining the development of prices for main milk products and the processing and marketing margin, and a study examining costs and prices along the value chain for fruit and vegetables (in process).

Ministry of Agriculture and Rural Development and Ministry of Finance (based on the "Law on Price Control of Products and Services"): An examination of processing costs of milk products (outsourced to an accountant), and an examination of retailers' costs of marketing food products under price regulation (in process, in cooperation with the Ministry of Economy).