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TELEGRAM

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ECONOMIC REPORT NO. 48 - JANUARY 1948.

I. FOOD SUPPLY

Rainfall

In the hill region and the south the rainfall was generally adequate. In the coastal plain and in the north the total rainfall to the end of January was less than half the normal. In parts of Galilee district January 1948 was the driest January for 25 years. But in the first half of February, heavy rains have fallen generally throughout the country.

Winter Crops

2. Sowing has now been completed and prospects are somewhat brighter than they were at the end of December.

In the north, timely showers temporarily revived large areas on which the wheat and barley were about to perish. The area on which these crops failed completely was much smaller than was anticipated and most of this land has been re-sown. Nevertheless, cereal crops in the north are thin, patchy and backward. Their further development depends upon the amount and distribution of the rainfall during February and March, but a considerable reduction in yield is inevitable.

In the central Coastal plain the crops are fair to good on the heavy soils and poor on the light ones. The warm weather in the middle of January was responsible for the premature earing of early varieties of wheat and barley.

In the hills the situation improves in progression from east to west. In the eastern foothills, either the rainfall was deficient, some 20 percent of the normal area remained unsown and growth on the rest is stunted. In the central region the development of rain-sown crops is fair. The western slopes which face the Mediterranean received the highest rainfall and in this area the growth of winter crops is excellent.

Warm days and intermittent rains provided ideal growing weather for cereal crops in the Gaza and Beersheba sub-districts. Late-sown areas are developing rapidly and prospects there are satisfactory.

For the second year in succession the hay crop in the Jewish settlement is likely to be poor. Areas that failed could not be re-sown because of the lack of vetch seed. The crop is nearing maturity and even heavy rain now will not add much to the yield.

Summer Crops

3. Dependant, as they are, upon the conservation of winter rainfall, prospects for summer crops are poor in the north and coastal plain, and fair to good in the hills and in the south. Ploughing and manuring of lands continues. Arab farmers will probably now more dura (because of the shortage of wheat and barley seed) and less water-melons (in view of anticipated difficulties in disposing of the surplus)

Potatoes

4. The planting of the winter potato crop continues. In most districts there has been a reduction in the area planted on account of the shortage of United Kingdom seed potatoes. Small supplementary shipments were obtained from Canada and from the Continent, and some growers used artificially-sprouted local seed from the autumn crop.

Vegetables

5. The mild January weather promoted the early maturity of winter vegetable crops and over most of the country, particularly in Arab areas, fresh vegetables are plentiful and cheap. Most abundant are cabbages, cauliflowers, spinach, lettuce; and root crops such as carrots, turnips, radishes and beets. But in the Jewish urban centres, vegetables are scarce and expensive. Deliveries to these centres by Arab growers have been cut off, whilst consumption has tended to rise on account of the meat shortage.

Jewish farmers are endeavouring to increase, and Arab farmers are tending to reduce the areas which they devote to vegetables.

Livestock and Meat Supplies.

6. Owing to the disturbances, the import of cattle from adjacent territories into Palestine has ceased completely, and only small numbers of culled dairy cows and male calves were offered by local farmers. The prohibition of slaughter of cattle and sale of beef and veal, except to hospitals, in order to build up a reserve, continued throughout the month.

The first shipment of frozen beef from Denmark was distributed to the public at a retail price of 100 mils per kilo boneless. Additional licences were issued for the import of 1,500 tons of frozen beef from Australia, 900 tons of which represent part of the quota of 2,400 tons allocated to Palestine in respect of 1948. A quota of 560 tons of tinned meat, received as part allocation for 1948, will be imported from Australia and the U.S.A. one third in the form of tinned kosher meat.

No sheep were imported from adjacent territories during the month, but approximately 10,000 goats were imported from Turkey; about half normal monthly requirements. While the shortage of mutton is not yet as complete as that of beef, there is a serious shortage even in this commodity, accompanied by high prices to the consumer.

Grazing and Fodder

7. Natural grazing is poor in the north, barely adequate in the hill region, and plentiful in the south. Range stocks are still in a pitiful condition. Lambing and kidding are nearly over but the progeny are very weak. Draught animals and milch cows are still being hand-fed. There is an acute shortage of fodder grains and roughage; the price of stack feed no longer bears any relation to its true value. The Government distributed 7,000 tons of poor quality imported maize for livestock feeding is proceeding.

Eggs and Poultry

8. Egg-production is increasing, but the insecurity in transport of foodstuffs and produce has added to the difficulties of Jewish poultry farmers. The price of eggs has increased to over 30 mils each, largely on account of the meat shortage. Eggs are scarce in the Jerusalem area.

In Arab districts the feeding problem has been eased by the growth of natural herbage and the prices of eggs and poultry have fallen because such districts no longer sell to Jewish markets.

A considerable number of licenses have been issued for the import of frozen poultry from Denmark and Australia to make up for the present shortage of meat. The first large consignments are expected to arrive within the next fortnight.

Fisheries

9. Landing of fish during December, 1947 totalled 325 tons (compared with 290 tons in November). 103 tons came from the sea, 63 tons from the lakes and 159 tons from fish ponds. Carp breeders increased their production by 53 tons to take advantage of improved fish prices consequent upon the meat shortage.

A large number of applications for the importation of tinned, smoked and frozen fish from Norway have been received and licences were issued.

Standard flour

10. The production of Palestine Standard flour was maintained at the December level (about 12,500 tons) but owing to disturbed conditions the transport of flour to outlying districts and to Jerusalem was greatly hampered. With the arrival of barley shipments the composition of Palestine Standard flour resorted to 70% imported flour and 30% barley.

Dairy Produce

11. The supply of fresh milk has fallen considerably below normal requirements owing to increasing transport difficulties. Jerusalem and area are particularly affected, while in the coastal plain and in rural districts the situation is better. There has been a marked increase in the production cost of milk, mainly due to the heavy rise in fodder prices. Milk powder and tinned milk continue to arrive in small quantities, the former from Australia and U.S.A. and the latter from Holland and Denmark. Prices for both show an upward trend.

Arrangements have been completed for the supply from Australia of the butter and cheese quota for 1948. 750 tons of butter and 500 tons of cheese are being ordered, and attempts are being made in view of possible difficulties in transport from Jewish packing houses, to import a part of the butter in time for the Arab sector.

Oil Seeds

12. The production of margarine (450 tons) and soap (500 tons) unchanged at December level.

Jam

13. Following numerous representations by the jam manufacturers for an increase in the price of standard jams, it was agreed with the Price Controller to increase the price of standard jams by 6 mils per kgr.

Markets

14. The combination of last year's drought and this year's disturbances has created market conditions that are entirely artificial. The local money values of feedingstuffs remained at the extremely high level indicated in paragraph 14 of the report for December, but the quotations are largely fictitious since supplies are no longer offered for sale.

II. CITRUS

Exports of citrus up to the 7th February, 1948, totalled 6,673,000 cases of which 5,800,000 cases went to the United Kingdom. Of the exports to the United Kingdom, 4-3/4 million cases were Jaffa oranges, and the rest grapefruit and lemons, principally grapefruit. Approximately 3 1/2 million cases were shipped from Haifa, 2 1/4 million from Jaffa and 3/4 million from Tel Aviv. Considering the distributed state of the country, the transport and shipment of fruit has proceeded remarkably smoothly and is not very much behind schedule.

During the first half of January a satisfactory standard of selection and packing was maintained. In the latter half of the month the standard deteriorated. Packing teams were upset by the disturbances and some exporters sought to clear their fruit while they could regardless of quality. The Jewish central packing houses are operating satisfactorily; they facilitate the maintenance of even standards and the use of modern methods of disinfection.

The over-all wastage on out-turn remains well under 10 per cent, but individual consignments in which the wastage exceeds this figure are becoming more frequent.

Concerning the shipping quality of fruit from individual groves, the importance of good selection, disinfection, and suitable rapid transport, growers and exporters may learn much of value from an intelligent study of out-turn reports.

Diphenyl-impregnated wrapping paper is in short supply and Arab packers are shipping a proportion of their fruit without any form of disinfection. For Jewish exporters, satisfactory wastage control was obtained in the 3/4 million cases of fruit treated with nitrogen trichloride gas.

The present intention of the British Ministry of Food is to continue the shipment of Jaffa oranges until March 31st and of Valencia oranges until the third week in April.

LABOUR AND EMPLOYMENT

16. One strike of short duration, in a tile factory, came to notice during January, 1948.

The return of the General Jewish Labour Exchange showed a total of 9,850 workers registered as unemployed or under-employed during December 1947, (the August 1947 figure was 9,606). The number of unemployed, as well as the average daily registration, was the highest in the last five years. The number of wholly or nearly wholly unemployed was 1,610.

It should, however, be borne in mind that the number of Jewish wage earners has been steadily increasing in the last five years, from about 137,000 at the end of 1942 to about 185,000 at the end of 1947.

The number of applicants in the "live" index of the Employment Register for ex-servicemen at the end of December, 1947, was 252, as compared with 699 in the preceding month. It is possible, however, that this big decrease was merely apparent, as a number of applicants did not report for registration at the appointed dates, probably on account of the disturbed general conditions.

Employment generally decreased, both among Arabs and Jews, particularly in the building industry and in service installations. Employment increased in the citrus industry and in the transportation of fruit.

The Central Committee of the Clerks and Office Workers Union, affiliated to the General Federation of Jewish Labour, decided to form two autonomous unions: a union of clerks in industrial undertakings and a union of employees in municipalities and local councils.

IV. INDUSTRY AND COMMERCE

17. The continued disturbed state of the country has brought about further deterioration in the economic sphere. Turnover was reduced by as much as 30% - 50% in some branches of trade; even winter seasonal sales did little to alleviate the situation. This situation is attributable in part to the increase in the cost of essential foodstuffs, which left the average consumer with a smaller balance to expend on other goods, and a natural reluctance to purchase non-essentials in the "hard times".

There has been also a reluctance by credit institutions to allow traders the credits they require to finance larger-scale imports of goods. Negotiations are in progress between the manufacturers' associations and banking institutions for a solution of the credit problem.

Industry had to cope with similar difficulties and was, in addition, faced with a general shortage of fuel (the fuel supply position, however, began to improve towards the end of the month).

Fuel and Power

18. Following serious disturbances at the Consolidated Refineries at Haifa on 30th December, 1947, work in the Refineries was interrupted for three weeks. This resulted in an acute shortage of fuel supplies which brought some industries to a standstill and confronted the economy of the country with the imminent possibility of a serious breakdown in rail and road transport and supplies of electric current and water. This critical situation was alleviated by the partial resumption of work at the Refineries on

22nd January. Since then the position has improved considerably and the Refineries are gradually getting into full production. At the time of writing this report (third week in February) the Refineries are working almost at normal again, and they will now be able by degrees to rebuild exhausted stocks in addition to supplying nearly normal requirements.

The fuel problem is now one of supply and distribution rather than production, in view of the difficulties of transporting and distributing fuel supplies because of the disturbed state of the country. Distribution of kerosene, on which most housewives rely for both cooking and heating purposes, was disrupted considerably, though gradually a more or less satisfactory system of distribution is being evolved, to meet present conditions.

Textiles

19. The textile industry was more seriously handicapped than other branches of industry and most textile enterprises are now working on a half-time basis with others reducing the number of their workers to one-third or even a quarter of normal. The same considerations apply to the out-fitters industry.

Leather

20. Leather manufacturers generally are meeting the same difficulties as other industrial enterprises, but the closing-down of the largest local tannery, producing upper leather, is attributed to competition of imported leather and labour disputes.

Building

21. Shortages in the supply of building materials remain acute as a result of transport difficulties and building activities are hampered. Lime and silicate bricks are in short supply. The price of building materials such as iron and timber decreased generally due to the slackening in building but increased in certain areas such as Jerusalem, where transport difficulties accounted for the increased cost.

Machinery

22. This industry which has passed through a crisis since the end of the war when large-scale imports became available, is now reviving as the difference in price between imported machinery and the locally produced equivalent has considerably decreased, whilst the quality of the local product has much improved.

Matches

23. The largest local match factory, the Jewish owned "Nur" factory had to discontinue production due to its situation in an Arab area. As a result there is a shortage of matches.

Insurance

24. Jewish institutions have recently been conducting negotiations in connection with a scheme for the payment of benefits in cases of personal injury through war and riot risks.

V. PORTS

25. Some 1,400 tons of Jewish cargo still remain in Jaffa port and some 600 tons of Arab cargo still remain in Tel Aviv Port. Security and labour conditions in these ports have so far made it impossible for the goods to be taken out of the sheds. An attempt is being made by the District Commissioner, Lydda, to get the Jaffa and Tel Aviv Chambers of Commerce to agree to arrange mutually for the goods to be extracted peacefully from the sheds; but so far without success.

Haifa port still remains congested principally owing to reluctance of merchants to take their goods away, owing to general insecurity and fear of loss of their goods through arson, theft or damage. Notwithstanding the burden of accumulating storage charges, they feel that the goods are safer to the custody of the port than in their own stores; but there has been a marked improvement in clearance of goods since the commencement of February.

VI. TRANSPORT

26. Throughout the month the operation of all forms of motor transport was severely restricted owing to the political and security situation. In parts of the country, Jewish transport operates under a voluntary convoy system for essential purposes despite frequent attacks on the roads.

The registration, disposal and acquisition of all motor vehicles with the exception of those of U.S.A. origin which have been imported into Palestine since 31.12.1945, has now been decontrolled.

During January, 54 passenger cars were imported from the U.S.A.

VII. EXTERNAL TRADE

27. The value of imports and exports during the month of October, 1947 amounted to LP 8,465,050 and LP 1,808,080 respectively as compared with LP 8,640,215 and LP 1,841,400 respectively in the previous month.

PRINCIPAL IMPORTS OF FOOD

	<u>Quantity in tons</u>	<u>Value LP.</u>
Barley	8,092	218,838
Rice	325	14,797
Wheat Flour	670	29,149
Milk powder	139	14,321
Sugar	1,801	77,854
Cattle (No.)	3,987	108,081
Sheep and lambs (No.)	2,337	8,686
Coffee beans, raw	210	24,391
Eggs (1000)	9,920	151,277
Bananas	482	2,081
Apples	2,079	133,162
Fish, fresh or frozen, dried or in brine and in tins	746	118,888
Wheat, lard	19,374	448,798

PRINCIPAL EXPORTS

	<u>Quantity in tons</u>	<u>Value LP.</u>
Solar	105,403	562,470
Diamonds, polished (carats)	6,201	189,548
Potash	14,207	170,691
Kerosene (1000 litres)	27,483	146,791
Benzine (1000 litres)	62,540	380,373

VIII. WAGES AND PRICE INDEX

28. The wages committee index has not been compiled for the months of December, 1947, and January, 1948, because of the interruption of relations between Jewish and Arab markets. This question is receiving separate consideration.

The cost of living index for Arab markets on the base year 1942 = 100 was 179 for January, 1948 as compared with 167 in December and 166 in November, 1947.

The cost of living index for Jewish markets on the base year 1942 = 100 was 174 for January 1948 as compared with 164 in December and 155 in November, 1947.

IX. FINANCE

Currency

29. Currency in circulation at the end of February, 1948, was LP 43,417,605 (notes: 41,933,464) as compared with LP 42,132,805 in December, 1947, an increase of LP 1,345,000.

December 1947 showed an increase of LP 1,181,000 over the November 1947 figure.

Bank deposits and Bank credit (not including deposits and credit of credit co-operative societies).

30. Total deposits of banks at the end of November, 1947, amounted to LP 82,861,287 (excluding balances held by banks for credit to operative societies amounting to LP 4,169,563) and total bank credit outstanding amounted to LP 39,865,678.

Customs and Excise Revenue

31. Customs and Excise Revenue returns for January follow the downward trend of the last quarter of 1947 but are almost the same as the December 1947 figures:-

<u>1947</u>	<u>Customs</u> LP.	<u>Excise</u> LP.	<u>Total</u> LP.
September	1,190,000	190,000	1,380,000
October	1,133,000	210,000	1,343,000
November	1,111,000	191,000	1,302,000
December	940,000	194,000	1,124,000
<u>1948</u>			
January	910,000	164,000	1,074,000

However, in view of the disturbed state of the country and especially having regard to congestion at the ports and transport difficulties, the custom and excise revenue for January is better than might have been expected.

The 1939, 1945 1946 and. 1917 returns are given below for comparison:-

	LP.	LP.	LP.
1939	2,040,943	328,000	2,378,469
1945	4,490,900	2,033,275	6,524,175
1946	9,740,976	2,217,217	11,958,193
1947	12,855,000	2,350,000	15,205,000

(Mr. Brown)

20th February, 1948.

G. M.

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