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18 February 1948

UNITED NATIONS PALESTINE COMMISSION

Communication from Mr. Fletcher-Cooke of
the United Kingdom Delegation enclosing a
copy of an Economic Report for December 1947

The following communication, enclosing a copy of an Economic Report
(No. 47) for December 1947, has been received from Mr. Fletcher-Cooke of
the United Kingdom Delegation

COPY/ks
18 February 1948

UNITED KINGDOM DELEGATION TO THE UNITED NATIONS
Empire State Building
New York 1 N.Y.

17th February, 1948.

My dear Ralph,

The Commission may be interested to have the enclosing copy of an
Economic Report for December 1947.

Yours ever,

J. Fletcher-Cooke (signed)

Dr. Ralph J. Bunche,
Principal Secretary to the United Nations
Commission on Palestine,
United Nations,
Lake Success.

COFY/ks
18 February 1948

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T E L E G R A M

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From: High Commissioner
for Palestine

To: British Middle East Office,
C a i r o

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ECONOMIC REPORT NO.47 - DECEMBER, 1947

I. FOOD SUPPLY

Winter Crops

Jewish farmers in the north sowed their winter crops following a wet spell at the end of November. Towards the end of the month of dry weather that followed, the seedlings were suffering severely. In the Haifa and Galilee districts it was estimated that some 40,000 dunams of wheat, barley and hay crops had failed completely, and the survival of the rest of the planted area depended on rain falling in a matter of days. Even given adequate rain, the question of seed supplies to re-sow the stricken area will be extremely difficult.

Generally speaking, the Arab farmers delayed their sowing until the heavier rain fell towards the end of December. In the central hill region a smaller area than usual was sown 'Afir (before the rains) and this culture did not suffer to the same extent as the rain-sown crop in the north. In the hill region the difficulty is that by reason of the short rainfall, the hardness of the soil, the weakness of the ploughing animals and the shortage of good seed, considerable areas of the eastern foothills may remain unsown. If the late rainfall is sufficient, these areas will be planted to summer crops.

In the contrast to last year, the important cereal area in the Gaza district is the most promising for 1948. The rains came just in time, and have so far been just sufficient to keep the crops growing normally. If this happy state of affairs continues, the Beerabeta crop may compensate for what appears to be an inevitable loss of yield in the north.

Potatoes

2. The autumn crop was satisfactory; yields averaged $1\frac{1}{2}$ tons per dunam and the retail price was 40 mills per kg.

The winter crop is being planted. Supplies of United Kingdom seed potatoes were only about one-third of the total requirements; the remaining demand is being met as far as possible by imports of less satisfactory seed from Denmark and Holland, and of some 500 tons from Canada.

Preparations are in hand for the spring crop.

Vegetables and Fruits

3. Winter vegetables are in abundant supply and prices are satisfactory to the growers. The hills and coastal plain produce cauliflowers, cabbages, spinach, and root crops such as carrots, beets, and turnips. From the Jordan Valley comes the main supply of winter tomatoes, egg-plants and peppers.

Onions, garlic, peas, and broad beans are being planted.

Ample supplies of good quality bananas are reaching most markets; the average retail price fell from 75 to 60 mills per kg.

Supplies of fresh fruit and vegetables do not appear to be adversely affected by the import restrictions. However, on account of the disturbances the Jewish and Arab markets have become completely separated with a marked decrease in the availability and increase in prices on the former and a reverse effect on the latter.

Tobacco

4. The satisfactory disposal of stocks of local tobacco has justified an increase of 50 per cent in the area to be licensed for tobacco growing during 1948. The total area to be licensed is 13,500 dunams, and of this, 13000 dunams will be allocated to the northern region.

Livestock

5. At the beginning of the month, with the onset of the present disturbances, the flow of smuggled cattle from Syria to Haifa and other market centres in Palestine was interrupted. The ensuing shortage of cattle forced livestock prices up, necessitating the raising of maximum retail prices for beef by 80 mills per kg. Subsequent developments affected also the supply of stock from Iraq, resulting in a general shortage of cattle and exorbitant beef prices. Following the advice of the Standing Committee on Meat, the Food Controller has prohibited the slaughter of cattle and sale of beef and veal, except to hospitals, as from the end of the month until further notice.

The first shipment of frozen beef from Denmark arrived, but has not yet been marketed. The import of sheep and goats has also fallen off, and retail prices for mutton have increased in accordance with the short supply.

Fodder and Grazing

6. Irrigated crops of Berseem musgawi are yielding heavily, but un-irrigated fodder crops are poor. In parts of the north rain-sown Berseem and mangolds are expected to be a total failure.

Natural grazing is still very scanty throughout the country. The growth that started after the November rains was soon grazed off, and further growth was retarded by the ensuing drought. Lambing and kidding have begun, but both mothers and young are in poor condition.

Poultry

7. The industry is still hampered by the shortage and the high cost of feeding-stuffs. Egg production, and the price of eggs and the table poultry, have remained high except in Arab areas.

Fisheries

8. The total weight of fish landed during November was 290 tons compared with 326 tons in October. This total was made up of 168 tons from the sea, 19 tons from the lakes, and 103 tons from fish ponds.

Standard Flour

9. As in the previous month Palestine Standard Flour was produced from wheat, the only cereal available, milled to 90%. A shipment of Argentine barley arrived towards the end of the month and a mixture of barley flour will be resumed in January.

Dairy Produce

10. Seasoned increase in milk production in the Jewish sector continues through difficulties of transport owing to the disturbances have rendered it impossible to maintain full milk supplies in the towns, particularly in Jerusalem. It is anticipated that the supply of oriental milk products will be below average during 1948. Small assignments of tinned milk reached Palestine from Holland and Denmark.

The balance of the 1947 quota of butter is due to arrive at Haifa in the middle of January. Orders are being placed for the first portion of the 1948 quota of butter and cheese.

Oil Seeds

11. Margarine production rose slightly to 450 tons and soap production was maintained unchanged at 500 tons.

Sugar

12. In view of the difficulties at present prevailing in Palestine, it was decided to issue sugar allocations to industry for January, February, and March, 1948, in advance. Issues will be of raw sugar as stocks of white sugar have been exhausted.

Considerable difficulty is being experienced at present by the manufacturers of alcohol and yeast in obtaining supplies of molasses from Egypt and in order to ensure continuity of production it has been decided to issue a quantity of sugar sweepings, adequate quantities being available.

Cocoa Beans

13. The Cocoa and Spices Committee of the International Emergency Food Council have agreed to grant Palestine an allocation of 200 tons cocoa beans from French West Africa but as suppliers are insisting on payment in hard currency, acceptance is dependent on further negotiation.

Prices of Grain and Fodder

14. In addition to the hoarding of foodstuffs as a consequence of security conditions, the December drought was responsible for a further rise in the already very high prices of grain and fodder. The demand for seed grain to re-sow the failed areas was not anticipated, and farmers normally expect that natural herbage will replace the need for some fodder supplies by December.

The average increases in the wholesale price of the principal grains and roughages during December were as follows: -

Wheat	from LP 80 to LP 90 per ton
Barley	from LP 52 to LP 55 per ton
Millet	from LP 50 to LP 58 per ton
Pulses	from LP 47 to LP 50 per ton
Bran	from LP 30 to LP 33 per ton
Hay	from LP 25 to LP 27½ per ton
Straw	from LP 24 to LP 25 per ton

The price of wheat and barley at the end of 1947 was 100 per cent higher than at the end of 1946. The price of straw in December 1947 was about four times the normal figure.

III. CITRUS

15. The season's exports up to December 31st totalled just under 4 million cases, of which some 3.3 million cases went to the United Kingdom. The export target was 4½ million cases by the end of 1947, but the disturbances and the non-arrival of vessels to schedule hampered the export programme. Export continued from all three ports, with only slight interference due to rough weather. During the second half of the month Petah Tiqva railway station was closed owing to the disturbances.

Approximately a thousand cases of fruit per day were rejected by the inspection service at the ports, principally on account of lack of care by the picking and packing teams. Reports of cut-turn on arrival have shown a gradual deterioration as the season proceeds, but this should be checked by the use of di-phenyl wraps (from about mid-December by many exporters) and of the nitrogen trichloride plants. Heavy wastage figures, (as high as 50 per cent in some small consignments), have on several occasions this season been the result of packing fruit from old, disease-infested groves, or from groves which owing to soil conditions produce fruit of "weak" shipping quality. These losses could have been reduced considerably by improved methods of picking, wilting, selecting and packing; and by the use of di-phenyl wraps, nitrogen trichloride gassing, and other available modern methods of fruit disinfection and protection.

In general, however, cargoes are turning out with well under 10 per cent over-all wastage, and the Fruit Inspection Service is now enforcing the use of di-phenyl wraps in all instances where "weak" fruit has been rejected for re-selection at the ports

Fifteen nitrogen trichloride generating units were in use during the greater part of December by the larger co-operative exporting organisations. These units were installed at the railway stations at Behevot, Petah Tiqva, Hadera and Binyamina, and at Haifa and Tel Aviv ports. Additional installations at some of these points, and at Jaffa port, are almost completed and a total of 30 units (with a capacity of some 200,000 cases of citrus each 24 hours) will, it is hoped, be in use before the end of January. In addition, a complete "Brogdex" packing plant for the borax disinfection, cleaning, drying, waxing and sizing of citrus is now in use by a private firm. This plant has a capacity of 1,000 cases per day.

III. LABOUR

16. One strike of short duration came to notice during December, 1947.

The number of unemployed or underemployed workers registered with the General Jewish Labour Exchange during November, 1947, was practically the same as in the preceding month, (2,300 wholly unemployed Jewish workers at end of November), although the average daily registration of applicants in November was somewhat lower than in October.

The return of the Employment Register for ex-servicemen and women in respect of November, 1947, showed a decrease in the number of applicants on the 'live' register, from 980 in October to 689 in November. Placements of ex-servicemen in permanent and temporary jobs during November were also higher than in the preceding month.

IV. INDUSTRY AND COMMERCE

General Industrial and Commercial Position

17. The disturbed state of the country had repercussions on its economic life. In the Tel-Aviv--Petaq Tiqa area it resulted only in a general slowing down, but in Jerusalem and the surrounding area it entirely dislocated and brought to a standstill all external economic activities; because of a general reluctance to use the roads, Jerusalem had very little contact with the other parts of the country. Haifa, also, was considerably affected by the disturbances. Importers are unwilling to take the risk of clearing goods and there is considerable congestion in the sheds and stores in the port area, and delay in the unloading of ships.

While November was characterized by a very low unemployment figure, the number of unemployed rose in December. This was mainly due to the slowing-down of building activities which were adversely affected by difficulties in the supply of raw materials. A number of other branches of industry, such as the textile and food industries, also had to dismiss some of their workers. There is, however, full employment in the metal industry.

The general uneasiness resulting from the disturbances has also had its effect on internal commerce, there having been a considerable reduction both in wholesale and retail transactions, and the reduced turnover is carrying in its wake the lack of liquid funds.

The business community, however, realizing that the present difficult spell may be of longer duration is considering ways and means of overcoming these difficulties.

Textiles

18. The textile trade and industry were labouring under the double disadvantage of disturbances and an unusually mild winter.

The recent announcement of the Egyptian Government banning all exports to Palestine, except under special licences to cover Arab requirements, was the cause of some concern to the Jewish spinning industry which, at present, operates 34,000 out of the country's 40,200 spindles. The more important spinners are, however, already taking steps to overcome this difficulty.

The weaving industry, for which a good season had been anticipated, was obliged to decrease its production and the making-up industry, which is usually very busy until the end of December, had to slow down at the end of November, for lack of buyers of their products. It seems that a considerable portion of the goods produced for sale during this winter season will have to be left over for next winter in spite of the fact that "end of season" sales were inaugurated at an earlier date than usual.

The knitting industry is still working to capacity except for the manufacture of artificial silk stockings which is facing serious competition from the Nylon stocking.

The "Malay" Palestine Textile Distribution Centre which was recently established and comprises 18 textile producers placed orders with the member firms for 1,200,000 metres of cotton, woolen, and silk piece goods.

Diamonds

19. With the deterioration of the security position, the handling of the diamonds by the Post Office had to be discontinued. In order to overcome these difficulties arrangements were made for the despatch and transport of diamonds by private airlines. These arrangements have, however, the disadvantage of increasing the cost of transport and insurance.

The supply position of rough diamonds is considered satisfactory, there being enough roughs in the country to cover the needs of the industry for three months.

Citrus-By-Products

20. Messrs. Priman Ltd. commenced during the second half of December the production of pasteurized citrus juices, some of which have already been exported to the U.K. Messrs. Yakhin and Ashdot Yacov commenced the production, of concentrates, whilst Messrs. Rimon, Jaf-Oru, Assis and Gat Rimon are shortly to commence production. When the other factories, which are still "working-in" their new machinery, will have started production on a larger scale it is anticipated that 11 enterprises will be producing citrus by-products for export.

Metal Sanitary Ware

21. An agreement was reached, after negotiations extending over several months, between the importers of sanitary metal ware and the metal section of the Manufacturers' Association. This agreement, which is intended to regulate imports and to protect the local industry, precludes the importation of such goods for the use of the Jewish market and places an obligation on the manufacturers to market their goods at prices which must not exceed those of the imported equivalents by more than 15-20%. The agreement covers, water tanks, nickel and chrome-plated syphons, sinks, wash basins, bath tubs, pipes, fittings, etc.

Building Materials

22. The Isaac Mandelblit Ltd. artificial marble and brick works in Haifa Bay are now being operated, under contract by Messrs. Solel Boneh, the largest users in Palestine of building materials.

Chemicals

23. The chemical plant at Kiryat Arish has, after several months of enforced idleness, now resumed production at a rate of 1200 tons of phosphate per month. The superphosphate works at Bat Shlomo have also started production, but their monthly output, so far, reaches only 200 tons per month. There are only small stocks of imported phosphate in the country. The price of the imported material is £P.13. per ton whilst the locally manufactured product now sells at £P14.500 per ton.

Electrical Appliances

24. Tests made by the Standard Institutes show that locally manufactured electrical appliances are satisfactory.

Electricity

25. The price of electricity as supplied to the Jerusalem area by the Jerusalem Electric and Public Service Corporation has been increased because, on existing tariffs, the corporation cannot meet increasing costs of materials and labour and adjust its Capital Amortization Fund. Despite heavy increases in costs during the war years the Corporation hitherto refrained from requesting approval for a rise in the price of electricity, and this is the first increase since 1936.

As regards the lighting tariff, no increase has been made on a monthly consumption of 20 KWH or less. However a general charge of 30 mils per KWH is now being made in place of the former charge of 25 mils per KWH for consumption between 20-30 KWH per month and 20 mils per KWH above 30 KWH. A surcharge of 20% is now being made on all monthly bills in respect of domestic and commercial power, whilst a surcharge of 15% is also being made on all monthly bills in respect of the domestic "two-part" tariff.

V. EXTERNAL TRADE

26. The value of imports and exports during the month of September, 1947, amounted to EP8,640,215 and EP1,841,400 respectively as compared with EP6,504,835 and EP1,839,623 respectively in the previous month.

PRINCIPAL IMPORTS OF FOOD

	Quantity in tons	Value EP
Barley	141	4,980
Rice	1,301	60,386
Wheat flour	18,697	666,586
Milk powder	161	14,745
Sugar	2,235	93,698
Cattle (No.)	2,530	84,154
Sheep and lambs (No.)	3,785	25,129
Cheese, other	849	117,392
Coffee beans, raw	291	23,881
Eggs (1000)	9,708	125,176
Bananas	584	25,344
Apples	2,088	127,148
Fish, fresh or frozen, dried or in brine and in tins	238	41,509
Wheat, hard	940	45,606

PRINCIPAL EXPORTS

Solar	136,450	728,427
Diamonds, polished (carats)	2,547	79,997
Potash	22,901	295,367
Kerosene (1000 litres)	40,450	215,721
Benzine (1000 litres)	47,632	288,912

VI. WAGES AND PRICE INDEX

27. Owing to the general interruption of economic relations between Arab and Jewish markets and the dislocation of distributive services in the main towns in the month of December it has not been possible to arrive at fair and representative average prices for many commodities. The Wages Committee Index of the cost-of-living could not therefore be compiled for the month of December.

The wholesale price index for December, was 368.2 (base June 1936 = 100) as compared with 356.5 in the previous month and 334.9 in December 1946).

VII. FINANCE

Currency

28. Currency in circulation at the end of December, 1947, was EP42,132,805 (notes: 40,613,764) as compared with EP 40,951,805 in November, 1947, an increase of EP 1,181,000. This is the first month since August 1947 which shows an increase in currency circulation.

Deposits

29. Total deposits of banks and credit cooperative societies at the end of October, 1947, amounted to LP 94,977,780 (excluding balances held by banks for credit co-operative societies amounting to LP 4,179,245), as compared with LP 97,463,170 at the end of September 1947 (a decrease of LP 2,485,390).

Credit

30. Total credit outstanding amounted to LP 45,979,058 as compared with LP 45,209,917 at the end of September 1947 (an increase of LP 769,141).

Customs and Excise Revenue

31. Customs and Excise Revenue returns for 1947 reveal a downward trend in the last quarter, with December showing the lowest monthly return of the year. Monthly receipts during 1947 were: -

<u>1947</u>	<u>Customs</u> <u>LP</u>	<u>Excise</u> <u>LP</u>	<u>Total</u> <u>LP</u>
January	943,000	202,000	1,145,000
February	963,000	189,000	1,152,000
March	1,070,000	198,000	1,248,000
April	1,048,000	174,000	1,222,000
May	1,195,000	199,000	1,394,000
June	1,121,000	198,000	1,319,000
July	1,109,000	219,000	1,328,000
August	1,052,000	196,000	1,248,000
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	184,000	1,124,000
Total	12,895,000	2,350,000	15,205,000

However, receipts in 1947 were well above those for the previous year (by approximately LP 3-1/4 million). The 1939, 1945 and 1946 returns are given below for comparison.

	<u>Customs</u> <u>LP</u>	<u>Excise</u> <u>LP</u>	<u>Total</u> <u>LP</u>
1939	2,040,943	328,526	2,378,469
1945	4,490,900	2,033,275	6,524,175
1946	9,740,976	2,217,217	11,958,193

(Mr. Heathcote).

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EL.