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POLICY

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Citrus report - Israel 2016

Report Categories:

Citrus

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Report Highlights:

EXECUTIVE SUMMARY:

Israel's citrus planted area in MY 2016/17 was 18,910 hectares (ha), 590 ha less than the planted area in MY 2015/16. Productive area was 16,410 ha, with the remaining 2,500 ha being young orchards which have not yet reached maturity. These changes are the result of area being shifted from grapefruit towards the production of oranges and certain easy peeler varieties. Area harvested in oranges and mandarin/tangerines is expected to increase in coming years as additional young orchards come into production.

Production in MY 2015/16 was down 42.4 TMT, reaching only 507.6 TMT. This decrease reflects movement away from high-yielding grapefruit, as well as damaging weather in the spring of 2015 and low yields due to alternate bearing among some mandarin/tangerine varieties. Post expects production to rebound in the MY 2016/17 harvest due to stable weather conditions.

Local consumption of fresh citrus is set to increase to 206 TMT, or by 5.6 percent, in MY 2016/17. Much of this increased demand is driven by hotels, restaurants, and cafes that are expanding sales of fresh squeezed juices. The increased domestic demand for fresh fruit is creating competition for the local processing industry.

Israel's citrus trade is stable for lemons/limes and oranges but is expected to grow for easy peeler mandarins and tangerines destined for the European market. Shipments of red grapefruit to Asian markets are also expected to expand. Total citrus exports were of 157 TMT in MY 2015/16, which was 4 percent lower than MY2014/15. Two varieties accounted for 70 percent of total citrus exports: red grapefruits 45 TMT and Orri mandarins 65 TMT. The bulk of exports were shipped to the EU, followed by Russia and Ukraine.

General Information:

Commodities:

- Oranges.
- Grapefruit
- Lemons/Limes
- Tangerines/Mandarins
- Orange Juice (FCOJ)

Crop Area:

Israeli citrus production is spread across the country with the exception of the far south, south of Beer-Sheva, in the North Negev area. Currently, 27 percent of citrus is grown in the north of the country, 34 percent in the central areas, and 36 percent in the south. The total planted area in MY 2016/17 is 18,910 ha, which is a three percent decrease from the MY 2015/16 planted area of 19,500 ha. The decrease in overall planted area is explained by the reduced grapefruit and tangerine/mandarin area. Of the total planted area, 2,500 ha are young orchards that have not yet entered into production. Post estimates the total productive area to be 16,410 ha.

Over the past four years, Israeli producers have been replacing red grapefruit with easy peeler tangerine and mandarin varieties. This year that trend changed slightly, with close to 50 percent of the new plantings being put into orange varieties. Industry contacts indicated that as much as 40 percent of grapefruit area has been uprooted in recent years. In MY 2015/16 for example, 73 ha of grapefruit orchards, representing two percent of total planted grapefruit area, were uprooted. This shift was not fully captured in previous reports. As such, post is revising downward the planted area dedicated to grapefruit significantly to reflect a shift in area to the other varieties.

Easy peeler mandarins and tangerines make up the bulk of planted area, estimated at 9,000 ha, or 48 percent of total citrus area. The Or/Orri mandarin is the most common variety planted in Israel, currently covering 5,600 ha or 29.6 percent of total planted area. Other easy peeler mandarin or tangerine varieties account for 3,400 ha. Area planted in oranges is adjusted up this year to 4,260 ha, or 23 percent of total area, while lemons, limes and other citrus remain virtually unchanged from 2014/15 estimates.

Table 1: Area of Planted Citrus Orchards by Variety, 2016 (HA and Percentage)

| | Hectares | Percent of Total |
|---------------------------------|---------------|------------------|
| Grapefruit | 2,850 | 15 |
| Oranges | 4,260 | 22.5 |
| Mandarins (easy peelers) | 9,000 | 47.5 |
| Lemons and Lime | 2,100 | 11 |
| Others | 700 | 4 |
| Total | 18,910 | 100 |

Source: Israeli Citrus Board

There was a three percent decrease in total planted area in MY 2015/16, down to 18,910 ha. This drop is

attributable to declines in grapefruit and certain mandarin/tangerine areas. Some mandarin varieties, such as Minneola (Mineola), Nova, Merav and Topaz, met with limited success in the Israeli market and were subsequently uprooted. Furthermore, producers faced low prices for all but red grapefruit from February 2016 to the end of the marketing year. This was combined with low yields attributable to weather conditions, which damaged fruit in the flowering stage, and the aforementioned shift away from high-producing grapefruit. These factors have left farmers with little profit and limited ability to expand planted area.

Production:

Production in MY 2015/16 was down 42.4 TMT, totaling 507.6 TMT. This represented a decrease of 7.7 percent over the previous season and was 25.4 TMT below the 10-year average. The stark decrease in production is explained by a shift in acreage away from high-yielding grapefruit to easy peeler varieties, damaging weather during the flowering stage in the spring of 2015, and low yields due to alternate bearing, mainly among the Or/Orri variety.

Post estimates that production will recover in MY 2016/17, reaching 583 TMT, an increase of 14.9 percent. The expanded production estimate is based on increasing area harvested among oranges and easy peeler plantations, as well as stable weather conditions. The late arrival of winter in the region will help the fruit ripen earlier and no extreme weather events have damaged the crops to date.

Table 2: Citrus production by varieties (in TMT)

| MY | Oranges | Mandarins (easy peelers) | Lemons and Lime | Grapefruit | Others ¹ | Total production |
|---------|---------|--------------------------|-----------------|------------|---------------------|------------------|
| 2013/14 | 69 | 139 | 64 | 236 | 9 | 517 |
| 2014/15 | 86 | 205 | 65 | 186 | 8 | 550 |
| 2015/16 | 86 | 190.6 | 60 | 163 | 8 | 507.6 |
| 2016/17 | 115 | 249 | 70 | 139 | 10 | 583 |

(1)- *Others* includes red and white pomelos, kumquat, limquat, ethrog (citron)

Oranges – Post expects orange production in MY 2016/17 to increase to 115,000 MT, reflecting growth of nearly 34 percent over MY 2015/16. This increase reflects stable weather conditions throughout the growing season and a marked increase in area harvested, due to production on previously planted plots that are only now reaching maturity.

Mandarin/Tangerine – Post forecasts total mandarin and tangerine production to reach 249,000 MT in MY 2016/17. While the year-over-year increase is high, at 30.6 percent, production in MY 2015/16 was unusually low. The projected increase is based in part on new area that is only now producing commercially, which will increase area harvested by 100 ha in the coming season. Additional planted area will reach maturity in the coming years, so multi-year growth in mandarin and tangerines is expected.

Grapefruit – As the area planted in grapefruit continues to decline, post expects a steady drop in production, which will be reflected in MY 2016/17 output. Current estimates put grapefruit production

at 139,000 MT, which is a decrease of 14.7 percent over the previous season.

Lemons – Production of lemons and limes in MY 2016/17 is forecast to reach 70,000 MT. This is expected due to favorable weather conditions. Both production and demand for lemons and limes are stable, leaving most supply and demand shifts to climatic conditions.

Consumption:

Post expects local consumption of fresh citrus fruit for MY2016/17 to increase to 206 TMT, a 5.6 percent increase over the 2015/16 marketing year. The increase results from rising demand for fresh citrus by the hotel and restaurant sector, which is now sourcing fruit from new distribution firms. In many cases, these buyers pay a premium and are purchasing fresh fruit for serving, as well as lower grade fruit for in-house juice production.

Table 3: Fresh Citrus Consumption by the Israeli Market (TMT)

| Product | 2014/15 | 2015/16 | 2016/17 |
|--------------|------------|------------|------------|
| Oranges | 45 | 60 | 54 |
| Grapefruit | 8 | 10 | 10 |
| Easy Peelers | 67 | 63 | 70 |
| Lemons/Limes | 60 | 55 | 65 |
| Others | 6 | 7 | 7 |
| Total | 186 | 195 | 206 |

The Israeli fresh citrus market is price sensitive. When international prices drop, exporters tend to shift sales back to the domestic market, where prices remain higher and demand frequently outstrips supply. Taking Or mandarins as an example, Table 4 illustrates the price fluctuations that could make sales to the domestic market more attractive than year-round export sales.

Table 4: Or Marketing and Price in Euro

| Marketing Month | Total Marketing (MT) | Price in Euro |
|-----------------|----------------------|---------------|
| 12/15 | 1,200 | 1.8-2.4 |
| 1/16 | 18,600 | 1.5-1.7 |
| 2/16 | 20,300 | 1.3-1.7 |
| 3/16 | 17,300 | 1.5-1.6 |
| 4/16 | 7,100 | 1.5-1.6 |
| 5/16 | 133 | 1.6-1.7 |

Processing Sector

The Israeli citrus processing industry is highly consolidated, as are many other sectors of Israeli food and agriculture production. In the case of citrus, two large firms control the country's three processing plants. The three plants are *Gan-Shmuel*, *Pri-Nir* and *Pri-Mor*.

In citrus delivered for processing, marketing year 2015/16 saw a decline of 19.6 percent as compared to the previous season. Oranges made up the largest percentage decrease, at 25.7 percent, while grapefruit decreased the most in terms of volume at 25,000 MT. The decline in the quantities supplied for processing is due to tight supply and shifting demand. New distribution companies have begun to buy

fruit from farmers for sale directly to coffee shops, restaurants and hotels for juicing in-house. These new firms are able to offer farmers a more attractive price than is the processing industry, thereby pulling supplies away from processors. Post anticipates that the increased production in MY 2016/17 will be adequate to supply traditional processors, as well as the new distributors. In MY 2016/17, delivery for processing is projected to reach 191 TMT, up 19.4 percent from MY 2015/16.

Table 5: Citrus Delivered for Processing (TMT)

| Processing | 2014/15 | 2015/16 | 2016/17 |
|--------------|------------|------------|------------|
| Oranges | 35 | 26 | 55 |
| Grapefruit | 117 | 92 | 59 |
| Easy Peelers | 45 | 40 | 75 |
| Lemons/Limes | 2 | 2 | 2 |
| Total | 199 | 160 | 191 |

Consumption of local fresh citrus is driven by sales at coffee shops and hotels, as well as supermarket chains and open markets. While the former is a new and developing market, the latter remains highly competitive and sensitive to international price fluctuations.

Table 6: Total Citrus Utilization (TMT)

| Period | Total exports | | Delivery to processors | | Local fresh market | |
|----------------|---------------|----|------------------------|----|--------------------|----|
| | Quantity | % | Quantity | % | Quantity | % |
| 2014/15 | 163 | 30 | 199 | 36 | 186 | 34 |
| 2015/16 | 158 | 31 | 160 | 31 | 195 | 38 |
| 2016/17 | 183 | 32 | 191 | 33 | 206 | 35 |

Trade:

Post forecasts that Israel's exports of citrus in MY 2016/17 will reach 183 TMT. This is up 15.8 percent from the 2015/16 marketing year. The increased exports are explained by better climatic conditions, new plots that recently reached maturity and an improved year for easy peelers which were negatively affected by alternate bearing. Though exports of oranges and lemons/limes are expected to remain stable, post anticipates exports of easy peeler mandarins and tangerines to increase by 19.5 percent, to 104 TMT. Similarly, grapefruit exports are expected to increase by 14.7 percent to 70 TMT on Asian demand.

Table 7: Citrus Exported (TMT)

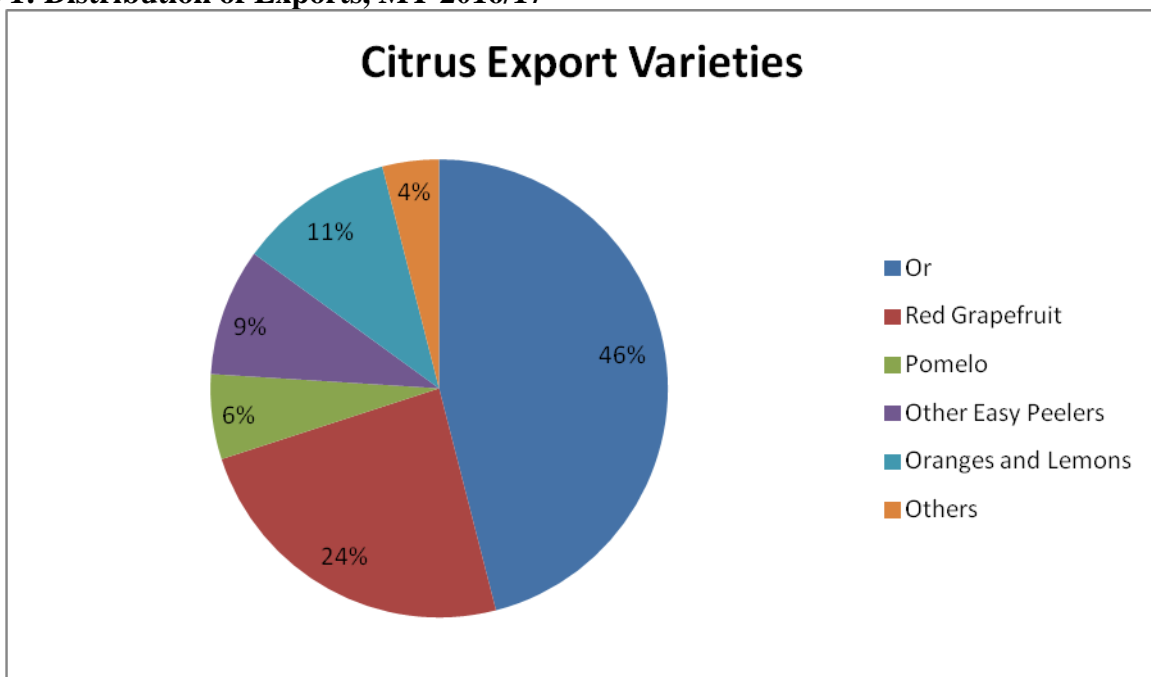
| Export | 2014/15 | 2015/16 | 2016/17 |
|--------|---------|---------|---------|
|--------|---------|---------|---------|

| | | | |
|--------------|------------|------------|------------|
| Oranges | 6 | 7 | 6 |
| Grapefruit | 61 | 61 | 70 |
| Easy Peelers | 93 | 87 | 104 |
| Lemons/Limes | 3 | 3 | 3 |
| Total | 163 | 158 | 183 |

Total citrus exports in MY2015/16 were 158 TMT, a drop of 3 percent from the previous year. This decrease is explained by tight supplies due to damaging weather during the flowering stage in the spring of 2015 and alternate bearing, mainly among the Or/Orri variety.

Two varieties make up 70 percent of citrus exports from Israel, red grapefruit with 45 TMT and the Or mandarin variety with 65 TMT. Of citrus fruit, mandarins/tangerines are the most exported at 87 TMT, which makes up 55 percent of all citrus exports.

Figure 1: Distribution of Exports, MY 2016/17



The European Union remains the largest importer of Israeli citrus, importing 96 TMT in MY 2015/16, which represents 61 percent of total exports. This is followed by Russia at 15 percent of exports, and the US at seven percent. Importantly, certain Asian markets represent a growing destination for Israeli citrus. Exports to South Korea, China, and Japan reached eight percent of the MY 2015/16 total.

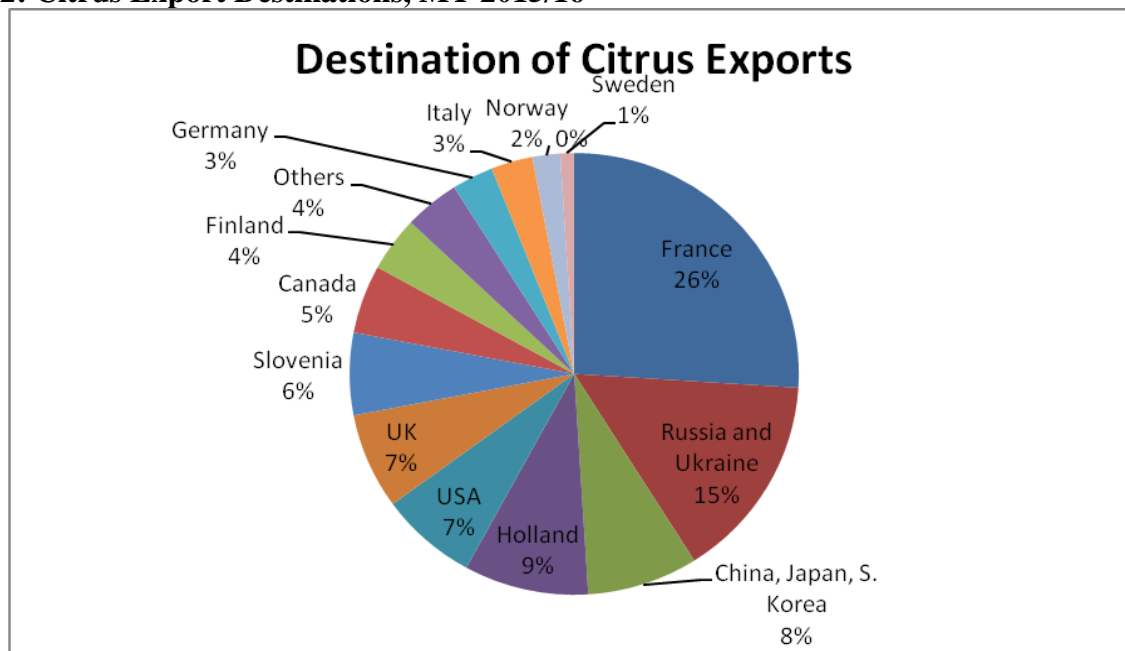
Table: Five Leading Destinations for Israeli Citrus, MY 2015/16

| Destination | Quantity (TMT) | Percent of Exports |
|-------------|----------------|--------------------|
| EU | 96 | 61 |

| | | |
|------------------------|----|----|
| Russia | 24 | 15 |
| USA | 11 | 7 |
| S. Korea, China, Japan | 13 | 8 |
| Canada | 8 | 5 |

Israel is focusing on the development of Asian markets, primarily South Korea, China and Japan, as a destination for red grapefruit. Growth in mandarin/tangerine exports will focus on European markets. Israel expects to export 140 TMT of Or to Europe by the year 2020.

Figure 2: Citrus Export Destinations, MY 2015/16



Policy:

Exports of U.S. citrus to Israel are not currently permissible. A Pest Risk Assessment (PRA) has not been conducted for U.S. citrus. Indications are that even if Israel’s Plant Protection Inspection Services (PPIS) conduct a PRA for US citrus, high shipping costs would make our fruit rather expensive. In addition, Israel does not import any fresh citrus fruit and is not expected to do so in the coming years.

Production, Supply and Demand Statistics

| Grapefruit, Fresh | 2014/2015 | 2015/2016 | 2016/2017 |
|-------------------|-----------|-----------|-----------|
|-------------------|-----------|-----------|-----------|

| Market Begin Year | Oct 2014 | | Oct 2015 | | Oct 2016 | |
|------------------------|---------------|----------|---------------|----------|---------------|----------|
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Israel | | | | | | |
| Area Planted | 3300 | 3300 | 3300 | 3300 | 0 | 2850 |
| Area Harvested | 3050 | 3050 | 3070 | 3070 | 0 | 2650 |
| Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Total No. Of Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 186 | 186 | 185 | 163 | 0 | 139 |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 186 | 186 | 185 | 163 | 0 | 139 |
| Exports | 61 | 61 | 65 | 61 | 0 | 70 |
| Fresh Dom. Consumption | 8 | 8 | 10 | 10 | 0 | 10 |
| For Processing | 117 | 117 | 110 | 92 | 0 | 59 |
| Total Distribution | 186 | 186 | 185 | 163 | 0 | 139 |
| | | | | | | |

(HECTARES) ,(1000 TREES) ,(1000 MT)

| Lemons/Limes, Fresh Market Begin Year | 2014/2015 | | 2015/2016 | | 2016/2017 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Oct 2014 | | Oct 2015 | | Oct 2016 | |
| Israel | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 2000 | 2000 | 2000 | 2000 | 0 | 2100 |
| Area Harvested | 1800 | 1800 | 1800 | 1800 | 0 | 1800 |
| Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Total No. Of Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 65 | 65 | 60 | 60 | 0 | 70 |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 65 | 65 | 60 | 60 | 0 | 70 |
| Exports | 3 | 3 | 3 | 3 | 0 | 3 |
| Fresh Dom. Consumption | 60 | 60 | 55 | 55 | 0 | 65 |
| For Processing | 2 | 2 | 2 | 2 | 0 | 2 |
| Total Distribution | 65 | 65 | 60 | 60 | 0 | 70 |
| | | | | | | |

(HECTARES) ,(1000 TREES) ,(1000 MT)

| Oranges, Fresh Market Begin Year | 2014/2015 | | 2015/2016 | | 2016/2017 | |
|-------------------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Oct 2014 | | Oct 2015 | | Oct 2016 | |
| Israel | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 4000 | 4000 | 4000 | 4000 | 0 | 4260 |
| Area Harvested | 3750 | 3750 | 3800 | 3800 | 0 | 3900 |
| Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Total No. Of Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 86 | 86 | 105 | 86 | 0 | 115 |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 86 | 86 | 105 | 86 | 0 | 115 |
| Exports | 6 | 5 | 7 | 0 | 0 | 6 |
| Fresh Dom. Consumption | 45 | 46 | 51 | 60 | 0 | 54 |
| For Processing | 35 | 35 | 47 | 26 | 0 | 55 |
| Total Distribution | 86 | 86 | 105 | 86 | 0 | 115 |
| | | | | | | |

(HECTARES) ,(1000 TREES) ,(1000 MT)

| Tangerines/Mandarins, Fresh Market Begin Year | 2014/2015 | | 2015/2016 | | 2016/2017 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Oct 2014 | | Oct 2015 | | Oct 2016 | |
| Israel | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 9400 | 9400 | 9500 | 9500 | 0 | 9000 |

