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External Shocks and Weather Conditions Challenging Citrus Revenues

Report Categories:

Citrus

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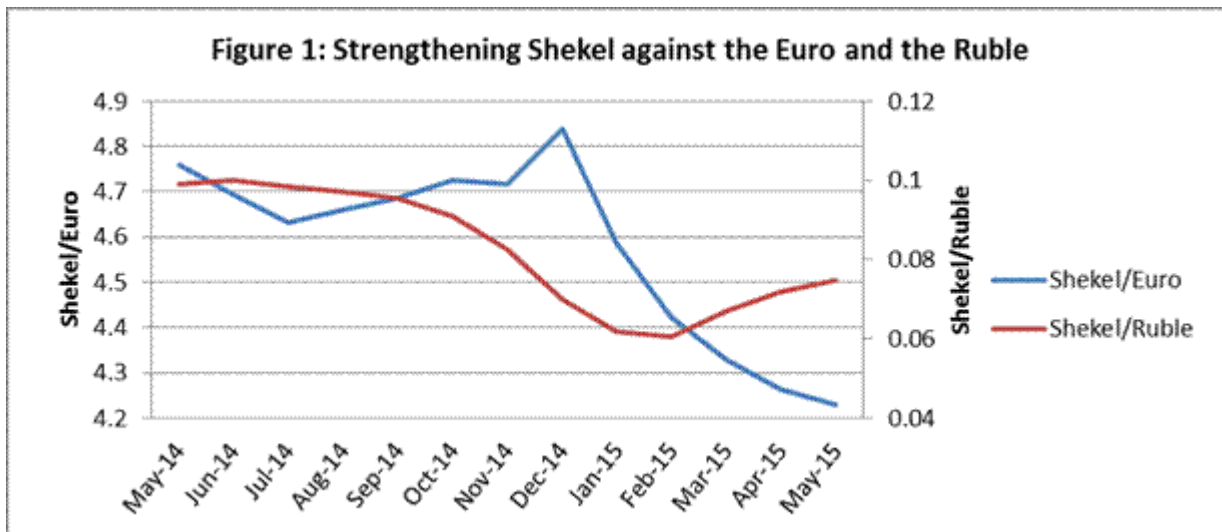
Report Highlights:

The Israeli citrus market in terms of export value has been negatively affected by external shocks and unfavorable weather conditions as follows:

1. A weaken Euro versus the shekel, as two-thirds of citrus exports go to the EU.
2. The Russian financial crisis with a rapid depreciation of the ruble against the shekel which has resulted in trade coming to a standstill since February.
3. Adverse weather conditions which damaged about 6,000 ha of citrus.

General Information:

Israeli citrus growers have had to contend with external shocks and adverse weather this season. Moreover, the current euro exchange rate has resulted in Israeli citrus exports to the EU becoming less profitable compared to the previous season (in the last 12 months the Israeli shekel strengthened by about 10 percent against the Euro). Additionally, the financial crisis in Russia is significantly hurting Israeli citrus exports (Figure 1).



In previous marketing seasons, European markets accounted for close to 90 percent of Israel's citrus exports with Western Europe importing 66 percent, while Russia and the Ukraine took in 23.5 percent. Exports to Japan have also experienced a drop due to its economic slowdown. As a result, Israel is increasing its exports to long distance markets, mainly South Korea, the US, and Canada. However, these markets remain small with the US and the Canadian markets capturing 3-4 percent of the total Israeli citrus exports.

The Orri clementine is Israel's best seller and is going mainly to the EU market. Orri exports capture about 40 percent of Israeli citrus export (64,478 tons) in MY 2014/15. Orri is still profitable, but it's just less profitable per unit than it could be and this is due to the weakened Euro.

In January 2015, about 6,000 ha. of citrus were damaged due to hailstorms and winds. The quantity affected could have been greater but was partly mitigated by protective nets used in groves. Despite the weather disturbances, export quantity was not affected significantly and this is mainly to a good crop and that made up for the weather.

The Kanat Agricultural Insurance Fund estimates the total damage to Israeli agriculture due to hailstorms and wind at NIS 70 million (\$17.7 mil). Kanat said that most of the damage was to crops and infrastructure in the central and northern regions, affecting thousands of acres of avocado and citrus crops and some row crops in the south.

Russia - The rapid depreciation of the Russian ruble since October of last year and its economic slowdown have resulted in an estimated decrease in revenues of about 30 percent compared to the same

period in the previous marketing year. Things are not promising as no citrus exports have been recorded since February 2015.

The unfolding financial crisis in Russia threatens all of Israel's agricultural exports as this market accounts for 30 percent of all Israeli agricultural exports. The Israeli Farmers Association has requested compensation from the government for losses of \$51 million for all agricultural exports to Russia, stating that the severity of the situation requires immediate government intervention.

Figure 2: Fresh Citrus Exports by Varieties, as of May 15, 2015, metric tons

	2012/13	2013/14	2014/15	2014/15 % Chg. vs. 2013/2014
Oranges	7,369	6,880	4,930	-28%
Grapefruit	78,537	76,229	60,155	-21%
Mandarins	78,933	71,021	88,507	25%
Lemon and Limes	788	3,199	3,169	-1%
Pomelo and others	1,890	2,784	1,718	-38%
Grand Total	167,517	160,113	158,479	-1%

Source: The Plants Production and Marketing Board, Citrus Division, Israel

Orange exports in MY 2014/15 have declined marginally compared to the previous two years because of strong domestic demand (see table). The decrease in grapefruit exports in MY 2014/15 is mainly due to the fact that about 1,100 ha of red grapefruit (star ruby and Rio-red varieties) were uprooted in the last 3 years due to low profitability.