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Israel

HRI FOOD SERVICE SECTOR 2017

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Report Highlights:

The Israeli Hotel Restaurant Institutional (HRI) sector is stable. Sales in hotels and resorts are growing, in spite of the dip in tourism starting in 2015. The restaurant sector is evolving. The number of full service restaurants is stable, though they are facing financial strains due to high fixed costs. Concurrently, the number of restaurants with low-fixed costs, like street vendors and kiosks, are growing. Institutional sales are strong and steady, as a few large firms vie for control of a limited market.

SECTION I. MARKET SUMMARY

Israel is a parliamentary democracy of approximately 8.75 million people (September 2017 estimate). Of that population, around 75 percent are Jewish and 25 percent are non-Jewish, mostly Arab (Muslims and Christians). The country's area is 20,330 square kilometers, making it slightly smaller than the U.S. state of New Jersey. Current population growth is 1.8 percent per annum. Israel is a sophisticated, industrialized free-market economy, with a diversified manufacturing sector. Israel's main export market is the European Union (EU).

Israel's gross domestic product (GDP) growth in recent years has ranged from two to five percent per annum. Israeli GDP increased by four percent in 2016. Israel experienced deflation of 0.6 percent in 2015 and 0.5 percent in 2016. Deflation was due to a slowdown in global commodity prices and relatively low economic activity. Inflation over the past year was 0.3 percent. The country's unemployment rate decreased significantly in recent years, reaching 4.1 in September 2017; the lowest rate in twenty years. This is down from 4.8 percent in 2016 and 5.3 percent in 2015. Current projections expect it to decrease to 3.5 percent in the coming year.

In 2016, Israeli imports increased by 9.4 percent, while the country's export increased by a mere 2.5 percent. The Bank of Israel forecasts a 2.6 percent increase in Israeli imports and a 3.1 percent increase in exports in 2017.

Table 1: Israel, Key Trade and Demographic Information

| | |
|--|---|
| Total Population (millions) | 8.75 |
| Annual Growth Rate (%) | 1.8% |
| Per Capita Gross Domestic Product (U.S. dollars) | \$37,292 |
| Unemployment Rate (%) | 4.1% |
| Per Capita Annual Food Expenditures (U.S. dollars) | \$2,868 |
| Exchange Rate Average exchange rate in 2016, \$1.00 = ~NIS 3.84 | Average exchange rate in 2017 \$1.00 = ~NIS 3.6 |

Source: Israeli Central Statistics Bureau and Bank of Israel, FAS Tel Aviv office research.

Israel has a 120-member unicameral legislature, known as the Knesset. For the fourth consecutive time, Prime Minister Benjamin Netanyahu's Likud Party won a plurality in the March 2015 elections. The Likud Party was able to form a government with 30 of the 120 parliamentary seats. The party's primary rival, the center-left Zionist Union Alliance, won 24 seats. The government coalition holds only a one seat majority in the Knesset (61 seats), and may face challenges in the passage of legislation.

Currently, there are heightened tensions in Israel with regard to security. There is concern that the war in Syria could spill over, posing a threat to Israel and other neighboring countries. Concurrently, the protracted peace process with the Palestinian Authority remains at an impasse, creating potential for ongoing security concerns.

The U.S. Department of State recently published the [2017 Investment Climate Statement](#). That report contains additional information on Israeli economics, politics, legal and regulatory systems, dispute resolution, corruption, labor, and intellectual property rights.

Hotels, Restaurants, and Institutions

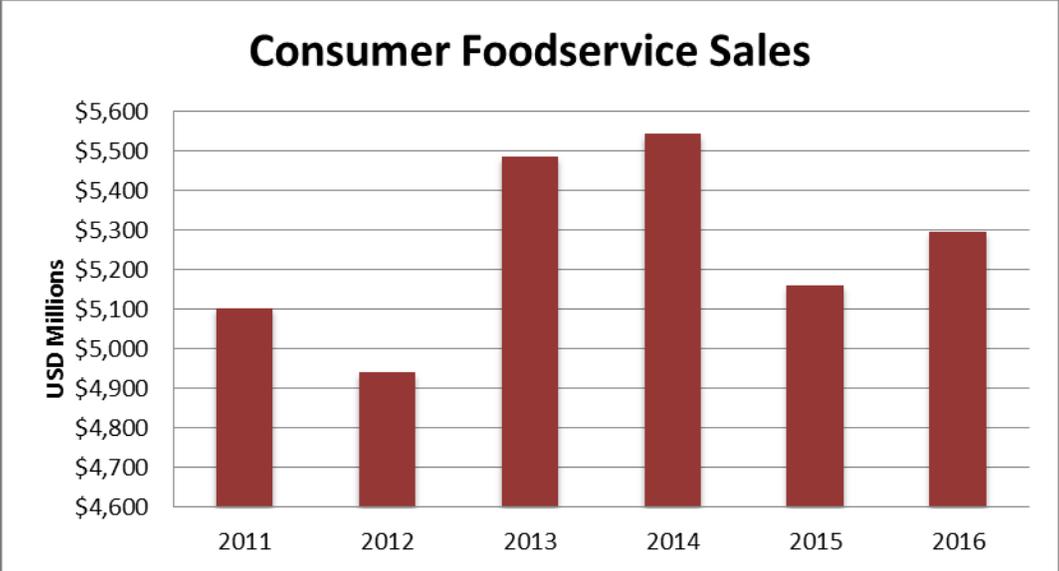
Hotels and Resorts

The Israeli hotel sector is comprised of 383 hotels, with a total of around 51,316 rooms. The rural lodging sub-category adds an additional 6,434 to the total. In 2015, the total revenue of the hotel sector was \$2.7 billion. Approximately 40 percent of the hotel sector’s income was from the food and beverage sales. The Israeli Ministry of Tourism reports that some 2.7 million tourists visited Israel in 2015. The total number of tourist arrivals increased in 2016 by 3.5 percent, to reach around 2.9 million. The United States, France, and Russia were the top three sources of tourists to Israel, together representing around 41 percent of total arrivals.

Restaurants

Tel Aviv is the hub of restaurant and culinary trends in Israel. In Israel there are approximately 13,951 businesses that belong to consumer foodservice sales sector, which includes restaurants, cafés, bars, and street vendors. In 2016, the number of outlets increased by two percent. During the same period, consumer foodservice sales increased by 2.6 percent, reaching about \$5.3 billion (New Israeli Shekel - NIS 20.3 billion).

Figure 1: Israel, Consumer Foodservice Sales, \$ millions (2011-16)

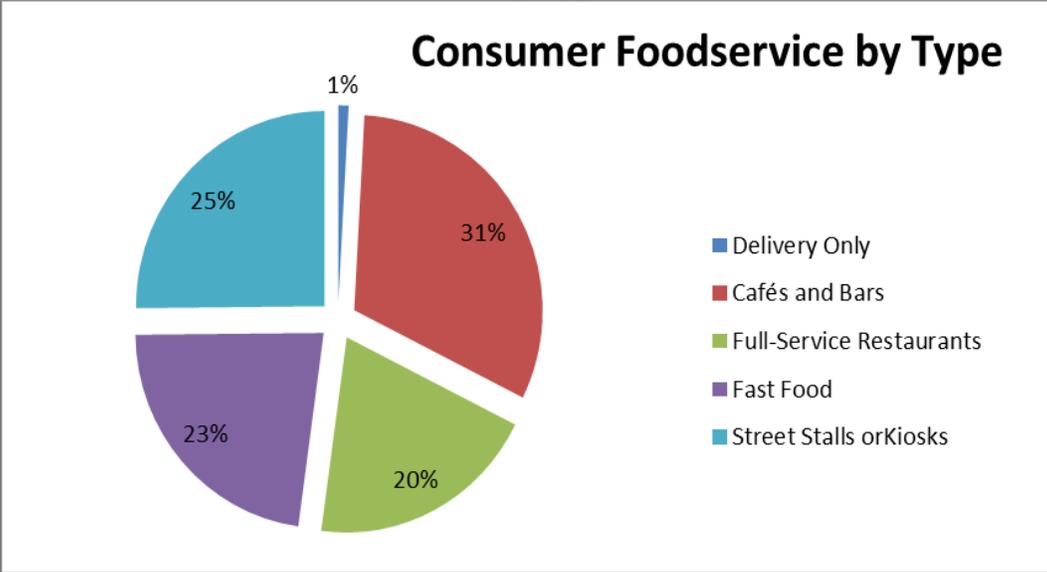


Source: Euromonitor, FAS office research.

According to the Israeli Restaurant Association, 80 percent of the restaurants opened in Israel close within their first five years of business. In addition, the association estimates that between 2014 and 2015 there was a six percent decrease in restaurant, café and bar revenue; decreasing from \$2.9 billion in 2014 to \$2.7 billion in 2015. While the association attributed the decrease in revenue to the tense security situation, restaurants continue to struggle today even though the security situation has improved. High operational and fixed costs, especially in high-end restaurants, make it difficult for

restaurants to maintain positive margins. As such, the sector is opening more small locales offering high quality street food.

Figure 2: Israel, Consumer Foodservice by Type (2016)



Source: Euromonitor, FAS office research.

According to Israel’s Central Bureau of Statistics, in 2015, families spent on average \$195 monthly on prepared food outside of the home (i.e., at restaurants, fast food, coffee shops, etc.).

Institutional

Institutional catering companies’ services are used by public institutions, government agencies, high-tech industry, the Israel Defense Forces (IDF), and the insurance and financial sectors among others. The industry is characterized by fierce competition, which is reflected by low pricing and tight margins. Nevertheless, the industry is relatively stable, and consists mainly of medium and large companies that have been operating in this sector for many years. In recent years some schools started to supply hot meals to the students through catering companies.

The largest institutional catering companies in terms of sales are: ISS Catering Services Ltd, Schultz, Shefa Sodexo, Zer-mahadanim, Nir Ezion, Tamam, Moav and Tefen Quality Food Ltd.

Table 2: Israel, Value of the HRI Food Service Sales (2013-16)

| Subsector | 2013 | 2014 | 2015 | 2016 |
|---------------------|----------------|----------------|---------------|---------------|
| Hotels and Resorts* | \$1.04 billion | \$1.04 billion | \$1.1 billion | N/A |
| Restaurants** | \$5.5 billion | \$5.5 billion | \$5.2 billion | \$5.3 billion |
| Institutional*** | \$710 million | N/A | N/A | N/A |

*Source: Based on 40 percent of the annual revenue published by the Israeli Central Bureau of Statistics

**Source: Euromonitor

***Source: BDI-COFACE Israel

The Israeli HRI sector is stable. Sales in hotels and resorts are growing, in spite of the dip in tourism in 2015. The restaurant sector is evolving. The number of full service restaurants is stable, though they are facing financial strains due to high fixed costs. Concurrently, the number of restaurants with low fixed costs, like street vendors and kiosks, are growing. Institutional sales are strong and steady, as a few large firms vie for control of a limited market.

Key Demand Drivers

- Economic growth drives retail food and beverage sales
- Growth in tourism creates opportunities for hotels and restaurants
- Full service restaurants face high fixed costs and a rising minimum wages, creating opportunities for unique, new outlets and vendors
- Social networking (i.e., Facebook, Grouper/ Groupon) and the expansion of consumer food service internet sales. Lifestyle purchasing groups, with daily discount offers, continue to boost full-service restaurant sales
- Healthier eating is gaining even greater traction among the HRI sector
- Kosher food products offer the greatest potential
- Mergers and acquisitions in the HRI sector leading to expanded product offerings

Table 3: Advantages and Challenge for U.S. Exporters to Israel

| Advantages | Challenges |
|--|---|
| Israel’s economy is stable, GDP is expected to continue to grow, and consumers are prosperous | Israel is a small market |
| U.S.-Israel Free Trade Agreement trade preferences | Potential for regional security to impact consumer behavior |
| The standard of living in Israel is expanding rapidly, increasing the demand for away-from-home dining | Low-cost competition from Eastern Europe, the former Soviet Union, Turkey, and the Asia is fierce |
| The majority of the HRI sector buys only kosher food products and many U.S. food products are already kosher certified | For most markets, a U.S. kosher certification is sufficient though many supermarkets and institutional customers demand also a local Israeli certification. |
| Strong consumer interest in new food products | |

SECTION II: A ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

After identifying a market opportunity, FAS Tel Aviv recommends that the U.S. exporter contact an importer or agent with experience in the sector. Exporters are advised to research options for distribution and sales channels thoroughly. Visits by U.S. exporters to meet with Israeli importers and investors strengthen confidence with local partners. The Israeli agent or importer will be responsible for facilitating custom clearance procedures and advising the exporter on product specific regulations, such as labeling, packaging, import duties, and sanitary and phytosanitary regulations. Additionally, the local partner will have knowledge of tariff rates and will be able to apply for quotas for the relevant products if necessary.

Most Israeli food distributors acquire imported products through an importer or an agent. Specialized importers and agents are often also distributors who count with warehouse and transportation operations. However, some supermarket and large HRI chains have their own purchasing or importing division to handle food imports directly. Suppliers from the United States should initially contact the purchasing or importing divisions of these large hotel and restaurants chains. The [Federation of Israeli Chamber of Commerce](#) or FAS Tel Aviv can assist on identifying the correct point of contact.

The majority of consumer food service outlets are operated through franchisees. Increasingly local players are opting for the franchise model to expand firm presence, profits, and bargaining power. Franchising is widely used in the Israeli consumer food service by both foreign and local players. The majority of franchisees of major international brands are corporate entities that often run other name brand outlets as well. Franchisees of Israeli brands tend to be smaller individual franchise holders. Foreign consumer food service operators normally enter the in Israeli market through franchise agreements. Major global brand owners such as Domino's Pizza Inc., McDonald's Corp., and Burger King Holdings Inc., operate in Israel through local franchisees.

Israel does not have specific regulations applicable exclusively to foreign companies. Nevertheless there are important cultural and religious factors which foreign firms must consider, including kosher and Sabbath regulations. Sources indicate that Starbucks and Dunkin' Donuts have met with limited success in Israel due to differences in consumer tastes and pricing issues. We understand that Locale ambiance is extremely important. An establishment's management and product variety must be tailored to blend in with the local environment and consumers' preferences.

Additional Means of Entry:

- Direct marketing (phone and video calls, emails, and meetings)
- Direct marketing through the mail with brochures and corporate press kits
- Israeli food companies often attend the main European food shows (i.e., ANUGA, SIAL)
- [ISRAfood](#) is Israel's biggest food and HRI show. Takes place in Tel-Aviv each year at the end of November or early December
- Social networking and the use of internet marketing are gaining greater acceptance by local importers and HRI buyers
- Franchising and manufacturing under licensing agreements

Importer Tips for Market Entry:

- Most importers seek a brand name that they can develop
- Importers will ask for exclusive rights to a brand name for a number of years
- Importers believe that promotion is essential for increased sales. They will often ask the exporter to partially fund promotional campaigns

Market Requirements

Except for meat, kosher certification is not an obligatory requirement for importing food into Israel. However, non-kosher products have a much smaller market share as the large supermarket chains, hotels and most of banquet halls refuse to carry them. Roughly 35 percent of the food service businesses are kosher certified. Nevertheless many of the non-kosher certified restaurants utilize only kosher ingredients. More details on market requirements are in the FAIRS - Israel 2017 report (available late December 2017).

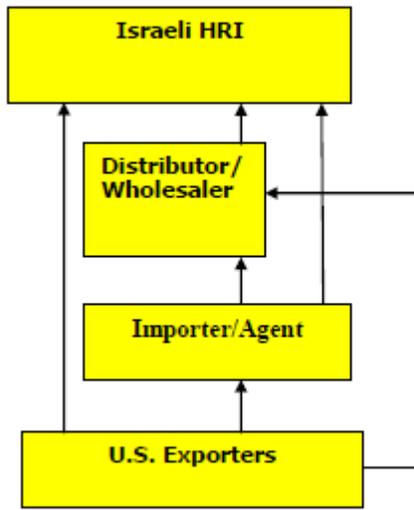
B. Market Structure

Large hotel chains have central purchasing offices. These offices would normally purchase from Israeli importers or local wholesalers. Exporters interested in gaining market share with large chains should consider approaching hotel purchasing offices with their Israeli partner. Smaller hotel chains and independent hotels purchase directly from the local market or from local wholesalers. In these cases, exporters will have to place additional marketing resources in clearly defining the supply chain whereby the customer can access the imported U.S.-origin goods.

Similarly, large restaurant chains may also have centralized purchasing offices. As with the hotels, U.S. exporters and their Israeli partners should be approached these offices in order to market imported U.S. goods. Smaller restaurants, bars and cafes will likely purchase goods directly from wholesalers or on the local market. Smaller restaurants account for around 70 percent of total food service outlets. Most beverages are bought through distributors.

The Israeli Defense Forces, police, and prison service have their own purchasing sections. All three issue public tenders to purchase food products. Israeli law however gives priority to Israeli firms in tender awards. Exporters interested in participating in public tenders should seek further information from the tendering agency.

Figure 3: Israel, Distribution Channel for Imported Food Products



C. Sub-Sector Profiles

Hotels and Resorts

Average hotel rates in Israel are above \$200 per night, making it an expensive destination in comparison to other Mediterranean countries. There was a dip in the number of tourists arriving to Israel in 2015, as a result of deteriorating security and military actions in the region. Since that time, tourist arrivals have begun to recover, reaching 2.9 million in 2016.

Of all Israeli destinations, the Red Sea city of Eilat registered the most bed nights in 2016; representing 30 percent of all hotel night stays nationwide. Eilat was followed by Jerusalem and Tel Aviv, making up 16 and 14 percent respectively of hotel night stays. NFAS Tel Aviv finds that the resorts near Eilat cater more to domestic tourists than international ones.

The Israel Hotel Association estimates that 40 percent of total revenues are a result of food and beverage sales. Reportedly the Israeli hotel sector’s food sales reach an estimated \$1.1 billion in 2015. Note that U.S. hotel chains (operating in Israel) generally assume around 30 percent of their revenues to be derived from food and beverage sales.

Table 4: Israel, Major Hotel Chains (2016)

| Name of Hotel Chain | 2015 Revenue (\$ million) | Purchasing Agent | Number of Hotels | Number of Rooms | Location |
|---------------------|---------------------------|---------------------|------------------|-----------------|--------------------|
| Fattal | 776.3 | Importer and Direct | 35 | 17,200 | Nationwide |
| Isrotel | 326.9 | Importer and Direct | 19 | 3,723 | Nationwide |
| Dan Hotels | 308.1 | Importer and Direct | 14 | 3,830 | Nationwide |
| Hilton | 403.8 | Importer and Direct | 2 | 1,063 | Tel Aviv and Eilat |
| Crowne Plaza | 106.3 | Importer and Direct | 8 | 2,227 | Nationwide |
| Rimolim Hotels | 329.3 | Importer and Direct | 9 | 2,078 | Nationwide |
| Tamara Hotels | 86.6 | Importer and Direct | 5 | 662 | Nationwide |
| Club Hotel | 50 | Importer and Direct | 3 | 1,184 | Eilat and Tiberias |
| Atlas Hotels | 31.8 | Importer and Direct | 15 | 866 | Nationwide |

Source: BDI-COFACE Israel, FAS Tel Aviv office research.

Restaurants

In Israel there are nearly 14,000 businesses that belong to consumer foodservice sales sector; which includes restaurants, cafés, bars, and street vendors. As with hotels, the sector faced a significant downturn in 2015 due to a deteriorating security situation in the country. In fact, 2015 saw a 6.9 percent decrease in consumer foodservice sales as well as a decrease in the number of outlets. In 2015, some 3,700 outlets reportedly closed while only 3,100 new ones opened. Sales in 2016 increased by 2.6 percent; still sales remained below 2014 levels.

Israeli restaurants face high-fixed costs with tight margins. This is especially true of high-end, standalone restaurants with high locale rent costs. As a result of this situation, growth in full-service restaurants is slow, registering only 2.1 percent growth from 2011 to 2016. During the same period growth of outlets with low-fixed costs, such as delivery services and street stalls, was higher. Delivery only outlets increased in number 61 percent from 2011 to 2016, while street stalls increased by 13.9 percent. This trend is expected to continue as restaurateurs continue to struggle with high input costs.

The Israeli restaurant sector is still dominated by independently owned operations, reportedly numbering 11,591 in 2016. Local and international chains, however, are growing in number and popularity. Between 2011 and 2016, chain restaurants grew from only 12 percent of outlets to 17 percent.

Table 5: Israel, Restaurant Company Profiles (2015)

| Company Name | Sales (2015) (\$ millions/year) | Outlet name, types, and Number of Outlets | Location | Purchasing Agent (s) |
|-----------------------------|--|--|-----------------|---------------------------------|
| McDonald's Israel | 160.3 | McDonald's (fast food) (183) | Nationwide | Importer, Direct |
| Orgad Holding | 39.5 | Burger Ranch (fast food) (63) | Nationwide | Importer, Direct |
| Shefa Franchisers Ltd | N/A | Aroma Espresso Bar (fast food) (134) | Nationwide | Importer, Direct |
| Domino's Pizza | 55.8 | Domino's Pizza (fast food) (53) | Nationwide | Importer, Direct |
| Reshet Cafe Ltd | 200 | Cafe café (casual dining) (150) | Nationwide | Importer, Direct |
| Greg Coffee Shops (2000) | N/A | Greg café (casual dining) (105) | Nationwide | Importer, Direct |
| Cofix Group | 33.9 | Cofix (fast food) (148) | Nationwide | Importer, Direct |
| BBB Burgus Burger Bar | 92.1 | BBB Burgus Burger Bar (fast food) (3) | Nationwide | Importer, Direct |

Source: BDI-COFACE Israel, FAS Tel Aviv office research, and industry sources.

Current Restaurant Trends:

- Consumers are seeking a low-cost alternative, value for money
- Shift away from traditional restaurants toward delivery and vendor-style outlets
- Slow growth in traditional standalone restaurants, high growth in delivery and street stalls
- Growth in chain restaurants as compared to independently owned operation.

Institutional

Institutional catering companies' services are used by public institutions, government agencies, high-tech industry, and the insurance and financial sectors. Fierce competition is the norm, which is often reflected in lower pricing and a decrease in profits. Nevertheless, the industry is relatively stable, and consists mainly of medium and large companies that have been operating in this sector for many years.

The Israeli Defense Force (IDF), the Israeli police, and the Israeli prison service are a significant component of the HRI food service sector and have their own central purchasing offices. The latest published data indicates that institutional sector's food sales stood at around \$710 million in 2013.

Table 6: Israel, Largest Institutional Catering Companies

| Name of Company | 2015 Sales (\$ million/ year) | Parent Company |
|------------------------------|----------------------------------|--|
| ISS Catering Services Ltd | 111 | ISS Israel Comprehensive Business Services |
| Shultz Quality Catering 1997 | 78.9 | Shultz Yehiel Holdings |
| Sodexo Israel | 40 | SODEXO SA |
| Zer-mahadanim | 36.3 | Zer-mahadanim |
| Nir Ezion | 33 | Nir Ezion |
| Tamam | 31.8 | El Al Israel Airlines |
| Moav | 27.4 | Bitan Wines Holdings |
| Tefen Quality Food Ltd | 19.2 | Tefen Quality Food Ltd |

Source: BDI-COFACE Israel, FAS Tel Aviv office research.

SECTION III: COMPETITION

After two decades of absence, U.S.-origin beef returned to the Israeli market in November 2016. Consistent, long-term, efforts by FAS Tel Aviv and Embassy Tel Aviv yielded the removal of sanitary and technical barriers to trade, as well as the successful matching of a U.S. kosher beef exporter and an Israeli importer. FAS Tel Aviv estimates that U.S. chilled beef exports to Israel could reach \$16 million in 2017. This high-quality, U.S.-origin beef competes with domestic chilled beef in high-end restaurants and hotels. Brazil, Uruguay, Paraguay, and Argentina export beef to Israel, though generally frozen and of lower quality.

The U.S. food industry has a very positive image in Israel from the aspect of reliability and food safety. Exporters need to be competitive in their pricing or present products of excellent quality. Israel has a large food production industry of its own. There is also strong price competition among food importers seeking to maintain or enlarge their market share. Nearby EU countries supply sophisticated foods and beverages to the Israeli market, while operating with relatively low transportation costs (due to closer proximity to market).

Local and European Union suppliers remain U.S. exporters' main competitors. The U.S. industry's main advantage is supply reliability, product quality, and the recognition of its high food safety standards. On the other hand, high shipping costs, adoption of EU standards, import duties, and import licensing requirements remain major market barriers for U.S.-origin products.

Table 7: Israel, Competitive Situation in the Food Service Market

| Product Category | Major Supply Sources* | Strengths of Key Supply Countries | Advantage and Disadvantages of Local Suppliers |
|---|--|--|---|
| Fresh/Chilled Beef Imports 6,390 MT CIF \$52.8 million | 1. Poland 64.2% 2. Argentina 15.4% USA – Minor Supplier 0.8% share. The market opened in 2015, growing in 2017 | Both Poland and Argentina are competitive in cost of production as it is lower than the cost of production in Israel. | Local cost of production is higher than the cost of imports. The sector is protected by trade barriers such as tariffs and restriction to only kosher meat is allowed to be imported. |
| Frozen Beef Imports 81,222 MT CIF \$486 million | 1. Uruguay 29.8% 2. Paraguay 19.9% USA – Minor Supplier 0.001% share. The market only opened in 2015 and has grown substantially in 2017 | Uruguay and Paraguay can offer large quantities, availability and lower prices. Local importers have a long term working relationship with the two countries. | Local supply of frozen beef is not available. |
| Fish, Crustaceans and Mollusks Imports N/A CIF \$403 million | 1. Norway 38% 2. China 15% USA – Minor Supplier 1% share | Norway is a large provider of Salmon, located closer to Israel than the USA. China is a large provider of frozen fish. China's advantage is relatively low prices. | Local production can accommodate only 15-20% of the local demand. |
| Milk and Cream, Concentrated or Containing Added Sugar or other Sweetening Matter Imports 8,199 MT CIF \$23.7 million | 1. Germany 30.8% USA – Small Supplier 9.5% share | Strong German brands favorable locally | Good local quality and quantity, readily available to the consumer and milk production industry. |
| Cheese and Curds Imports 8,494 MT CIF \$46.3 million | 1. Poland 37.2% 2. Netherlands 14.6% 3. France 11.8% 4. Italy 7.4% USA – Small Supplier 5.8% share | Poland, France, Netherlands and Italy offer prices and types of cheese that are not produced locally. | Israel's cheese production strength is in soft cheese. Most of the high quality hard cheese is imported. |
| Other Nuts, Fresh or Dried, Whether or Not Shelled or Peeled (Excl. Coconuts, Brazil Nuts and Cashew Nuts) Imports 17,314 MT CIF \$132.2 million | 1. China 11.8% 2. Turkey 9.6% USA – Major Supplier 69.8% share | Good quality and availability. | Local production of tree nuts is relatively small compared to demand. |

Table 7: Israel, Competitive Situation in the Food Service Market (continued)

| Product Category | Major Supply Sources* | Strengths of Key Supply Countries | Advantage and Disadvantages of Local Suppliers |
|---|--|--|--|
| Apples, Pears and Quinces, Fresh Imports 33,405 MT CIF \$43.9 million | 1. Spain 32.0 % 2. France 18.6% 3. Italy 14.9% USA – Large Supplier 19.6% | Availability and varieties that are not grown in Israel. | Local production does not cover local demand. |
| Dried Fruits (Excluding Nuts) Imports 3,586 MT CIF \$15.7 million | 1. Turkey 38.5% 2. Argentina 14.8% USA – Large Supplier 28.9% | Pricing and availability. | Local production does not cover local demand. |
| Preparations of Cereals, Flour, Starch or Milk Import quantity N/A CIF \$275.0 million | 1. Italy 20.4% 2. Netherlands 10.6% USA – Mid size Supplier 7.4% | Italy is a strong producer of pasta. Netherlands is a large supplier of food preparations for infant use. | Raw material is imported and manufacturing cost in Israel is expensive. |
| Beer Imports 40,195 liters CIF \$48 million | 1. Belgium 19.2% 2. Germany 17.9% 3. Netherlands 11.1% USA- Small Supplier 0.4% | Provide types of beer that are not produced in Israel. | In local production there is no need for overseas transportation. |
| Wine Imports 6,880 MT CIF \$29.7 Million | 1. Italy 27.0% 2. Spain 17.6% 3. France 15.7% USA – Mid Size Supplier 7.7% | Provide types of wine that are not produced in Israel | Big and good wine industry though consumers are always looking for new tastes. |

*When import quantity is not available (N/A), the market share is calculated according to value market share otherwise the market share is calculated by quantity. Metric tons = MT. Cost-insurance-freight = CIF.

Source: Israeli Central Bureau of Statistics, FAS Tel Aviv office research.

SECTION IV: BEST PRODUCT PROSPECTS

Table 8: Israel, Products Present in the Market That Have Good Sales Potential

| Product Category | 2016 Market Size (Volume) | 2016 Imports (\$ millions) | 5-YR Avg. Annual Import Growth | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for USA |
|-------------------------|----------------------------------|-----------------------------------|---|--|---|--|
| Ice Cream HS 210500 | 2,769 MT | \$8.4 | Growth of 18% per annum in terms of value, 21% in terms of quantity | <u>U.S.</u> TRQ of 113 tons. Above the quota the tariff is no less than NIS 0.55/kg. | Local ice cream industry is very strong. | There is a growing demand for high quality ice cream. The US is a good source for special quality ice cream products |
| Wine HS 2204 | 6,880 thousand liter | \$29.7 | Growth of 5% per annum in terms of value, 4% in terms of quantity | <u>U.S.</u> TRQ of 200,000 liters. Sparkling wine is not included in the TRQ. Sparkling wine 75% of general duty. U.S. duty over the TRQ; “Containers holding 2 liters or less” 12%+ , NIS 1.35/liter, no more than 50%, “Other grape must” 12%+ NIS 1.15/liter, no more than 50%. | 80% of consumption is from local production, and the rest is mainly from France, Italy, Spain, and the United States. | This market is likely to become more dynamic |

| Product Category | 2016 Market Size (Volume) | 2016 Imports (\$ millions) | 5-YR Avg. Annual Import Growth | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for USA |
|---|----------------------------------|-----------------------------------|---|--|---|--|
| Grape Juice HS 20096 | 6,310 MT | \$6.2 | Growth of 14% per annum in terms of value, 35% in terms of quantity | <u>U.S.</u> Duty 85% of general duty. The Israeli Government annually opens voluntary TRQs to the US, in 2016 the voluntary TRQ stood | High tariffs | There is a big demand for grape juice from the US (the US grape juice is considered better in quality than the juice from competing sources). Local production is very small and part of it is based on imported |
| Frozen fish (excluding fish fillets and other fish meat of heading 0304) HS 0303 | 12,775 MT | \$53.7 | Growth of 7% per annum in terms of value, 2% in terms of quantity | U.S. duty 85%-90% of general duty rate, and various TRQs depending on the product. | | The US is Israel's largest exporter of frozen fish livers and roes |
| Cheese and Curd HS 0406 | 8,493 MT | \$46.4 | Growth of 25% per annum in terms of value, 33% in terms of quantity | U.S. Limited TRQ of 649 tons. Over TRQ 90% of general duty. | High tariffs and limited TRQs. The Israeli Ministry of Economy is now allocating voluntary TRQs based on maximum consumer prices, as a result there has been a significant increase in the importation of inexpensive hard cheese from Poland | In the U.S. there are a number of dairies that produce Kosher cheese |

| Product Category | 2016 Market Size (Volume) | 2016 Imports (\$ millions) | 5-YR Avg. Annual Import Growth | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for USA |
|--------------------------------|----------------------------------|-----------------------------------|---|--|--|---|
| Beef- fresh or chilled HS 0201 | 6,391 MT | \$52.8 | The increase between 2015 and 2016 in term of value and quantity was over 300 percent. Prior to | <u>U.S.</u> TRQ of 1,424 tons, over TRQ 90% of general duty. | The market's willingness to pay a premium for a quality product. Has to be certified as kosher by the Israeli rabbinate. Same as with the TRQ cheese allocation, the | In 2016 the Israeli veteran services opened the market to U.S. beef. U.S. beef is considered superior and of better quality. The Ministry of Agriculture is promoting the transition from |
| Fresh Apples HS 08081000 | 26,254 MT | \$22.2 | Growth of 30% per annum in terms of value, 37% in terms of quantity | <u>U.S.</u> TRQ of 4,000 tons, over TRQ 90% of general duty. | Low TRQs. The EU enjoys 3,280 tons TRQ and shipping costs are lower compared to the U.S. In 2014 a fungi disease was discovered in U.S. apples and pears by the Israeli Plant and Protection Services. | Israeli importers like U.S.-origin apple varieties. |

NOTE: Exporter must be aware that voluntary TRQs change periodically and must be checked with importer. Metric tons = MT. Tariff Rate Quota = TRQ.

Sources: Central Bureau of Statistics, Israel; Israel Dairy Board; Israel's Tax Authority; FAS Tel Aviv office research.

SECTION V: POST CONTACT AND ADDITIONAL INFORMATION

U.S. Embassy Israel, Foreign Agricultural Service (FAS) Office of Agricultural Affairs
Physical Address: 71 Hayarkon Street, Tel Aviv, Israel 63903
agtelaviv@fas.usda.gov

For additional information, see www.fas.usda.gov. See also to our Food and Agricultural Import Regulations and Standards (FAIRS) reports, FAIRS Export Certificate, Food Processing Ingredients Sector, and HRI Food Service Sector GAIN reports.

Ministries and Government Agencies

Food Control Administration, Israeli Ministry of Health

12-14 Ha'Arba'a Street, 64739 Tel Aviv, Israel
Telephone: 972-3-6270100, Fax: 972-3-5619549
Website: www.health.gov.il

Israel Veterinary and Animal Health Services (IVAHS), Israeli Ministry of Agriculture

P.O. Box 12 50250, Bet Dagan, Israel

Plant Protection and Inspection Service (PPIS), Israeli Ministry of Agriculture

P.O. Box 78 50250, Bet Dagan, Israel
Telephone: 972-3-9681560, Fax: 972-3-9681582

Standards Institution of Israel

42 H. Levanon Street 69977, Tel Aviv, Israel
Telephone: 972-3-6465154, Fax: 972-3-6419683
Website: www.sii.org.il

Newspapers, Trade Associations, and Chambers of Commerce

Israel Hotel Association

29 Hamered St, P.O Box 50066, Tel Aviv, Israel, 61500
Telephone: 972-3-5170131, Fax: 972-3-5100197

Major Newspapers and Business Journals

The Jerusalem Post (daily newspaper) <http://www.jpost.com>
Globes <http://www.globes.co.il/serveen/>
The Marker <http://www.themarker.com/>

Federation of Israeli Chambers of Commerce

84 Hahashmonaim St. P. O. Box 20027, Tel Aviv, Israel, 67132
Telephone: 972-3-563-1020, Fax: 972-3-561-9027
Website: <https://www.chamber.org.il/en/Chamber@chamber.org.il>