

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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POLICY

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## Israel

**Post:** Tel Aviv

### Israel Dairy Reform

**Report Categories:**

Dairy and Products

Trade Policy Monitoring

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**Report Highlights:**

On October 28 2018, the Israeli ministries of Finance and Agriculture, together with the Israeli Farmers Association, the Association of Israeli Cattle Breeders and the Israeli Dairy Association signed an agreement of principles for the dairy reform. The reform included the gradual reduction of a number of tariffs and increases in a number of quotas. Some industry groups are currently opposing the reform. The date of implementation will depend on the level of opposition and any potential legal challenges.

The Israeli Government maintains a significant role in agricultural production, particularly in the dairy sector. The overall policy objective is to protect the domestic industry and encourage self-sufficiency, including in dairy products. Under the Dairy Sector Planning Law of 2011, the dairy industry is closely regulated and production is controlled through production quotas, farm-gate target prices for milk, and regulated retail prices for a variety of dairy products.

The government uses high tariffs to protect the industry. Tariff protection on dairy products is particularly high, with an average of 65.6 percent of the Most Favored Nation (MFN) rate. However, in an effort to lower the cost of living, the Israeli Government is slowly liberalizing dairy trade. On October 28 2018, the Israeli ministries of Finance and Agriculture, together with the Israeli Farmers Association, the Association of Israeli Cattle Breeders and the Israeli Dairy Association signed an [agreement of principles for dairy reform](#). The reform includes the gradual reduction of a number of tariffs and increases in a number of quotas. The changes in the tariffs and quotas are contingent on their effects on the Israeli dairy farmers. If the milk production in Israel is negatively affected, the process will likely be halted. Certain industry actors are currently opposing the reforms and it is unclear when they will be implemented.

The following table presents the agreed upon gradual tariff changes.

HS Code	Description	Current	2019	2020	2021	2022	2023	2024	2025	2026
04.01.1000	Milk and cream, not concentrated not exceeding 1%	40%	24%	22%	21%	19%	18%	17%	16%	15%
04.01.2000	Milk and cream, not concentrated exceeding 1% but not exceeding 6%	40%	24%	22%	21%	19%	18%	17%	16%	15%
04.02.9000	Milk and cream, concentrated - other	40%	24%	22%	21%	19%	18%	17%	16%	15%
04.04.1090	Whey- other	40%	24%	22%	21%	19%	18%	17%	16%	15%
04.04.9000	Whey- products consisting of natural milk constituent	40%	24%	22%	21%	19%	18%	17%	16%	15%
04.05.2000	Dairy spreads	140%	83%	78%	73%	68%	64%	59%	55%	51%
19.01.9022	Cheese substitutes with vegetable fat	25%	15%	14%	13%	12%	11%	11%	10%	9%
21.06.9020	Cheese substitutes (soy, etc.)	25%	15%	14%	13%	12%	11%	11%	10%	9%
04.01.4000	Milk and cream, not concentrated of a fat content exceeding 6 % but not exceeding 10%	₪5.50	₪3.27	₪3.07	₪2.87	₪2.67	₪2.50	₪2.33	₪2.17	₪2.00
04.01.5000	Milk and cream, not concentrated of a fat content exceeding 10 %	₪5.50	₪3.27	₪3.07	₪2.87	₪2.67	₪2.50	₪2.33	₪2.17	₪2.00
4.03	Yogurt and others	₪5.50	₪3.27	₪3.07	₪2.87	₪2.67	₪2.50	₪2.33	₪2.17	₪2.00
04.06.9030	*Cheese of the kind Jimeed	₪4.05	₪6.82	₪5.05	₪5.40	₪6.05	₪6.45	₪7.05	₪7.59	₪8.05
04.06.2090	Grated or powdered cheese , of all kinds, other	₪8.25	₪4.90	₪4.60	₪4.30	₪4.00	₪3.75	₪3.50	₪3.25	₪3.00
04.06.3000	Processed cheese, not grated or powdered	₪8.25	₪4.90	₪4.60	₪4.30	₪4.00	₪3.75	₪3.50	₪3.25	₪3.00
04.06.4000	Blue veined cheese	₪8.25	₪4.90	₪4.60	₪4.30	₪4.00	₪3.75	₪3.50	₪3.25	₪3.00
04.06.9020	Halomi cheese	₪8.2	₪4.9	₪4.6	₪4.3	₪4.0	₪3.7	₪3.5	₪3.2	₪3.0

		5	0	0	0	0	5	0	5	0
04.06.10 90	Fresh cheese, other	₪7.9 5	₪4.9 0	₪4.6 0	₪4.3 0	₪4.0 0	₪3.7 5	₪3.5 0	₪3.2 5	₪3.0 0
04.06.90 90	Cheese, other	₪7.9 5	₪4.9 0	₪4.6 0	₪4.3 0	₪4.0 0	₪3.7 5	₪3.5 0	₪3.2 5	₪3.0 0

Rates are in New Israeli Shekels per metric ton, unless otherwise specified.

\*Initial announcements include a tariff **increase** for HS04069030

In addition, to the table above the following reforms will occur:

- Tariffs on powdered cheese and curd, intended for animal feed, (HS 04062020/5) will decrease to zero percent beginning in 2020.
- Annual WTO quotas on lowfat (<1.5%), concentrated, powdered milk (HS 040210) will increase five to ten percent annually, from 2019 quota levels. The 2018 WTO quota level is 1,200 MT. HS 04021020/5 is not included in the quota reduction. The annual reduction rates are as follows:

2020	2021	2022	2023	2024	2025
10%	20%	30%	40%	50%	75%

- Annual WTO quotas on lowfat (<1.5%), concentrated, powdered milk used for manufacturing (HS 04021020/5) will increase annually, from 2018 quota levels. The 2018 WTO quota level is 1,200 MT. The annual reduction rates are as follows:

	2018	2019	2020	2021	2022	2023	2024	2025
Change	-	20%	30%	40%	60%	80%	100%	150%
MT	1,200	1,440	1,560	1,680	1,920	2,160	2,400	3,000

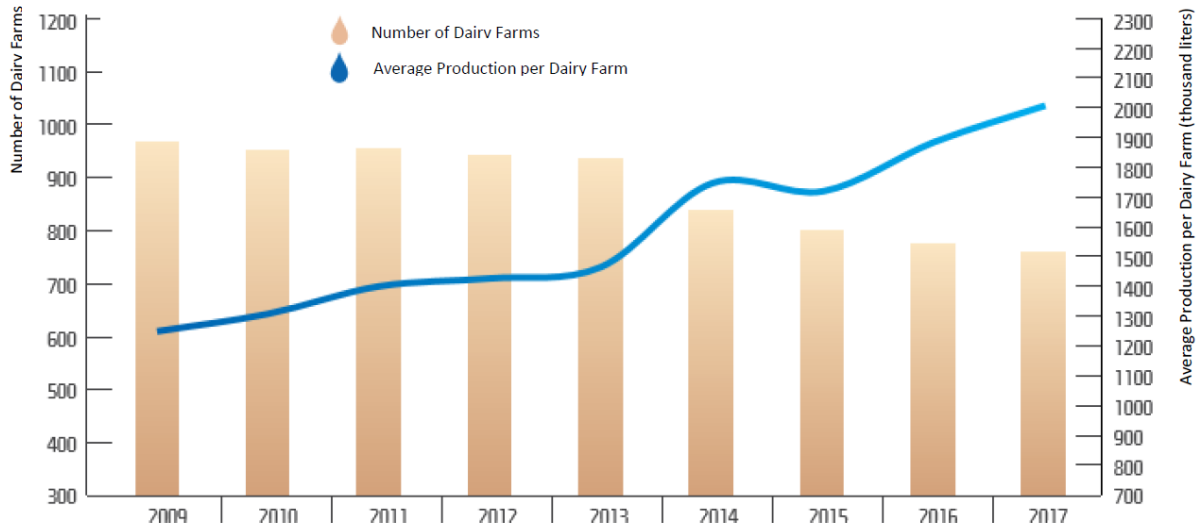
- Annual WTO quotas butter (HS 04051039/8 and 04051099/2 are set to increase. Increases will be evaluated in 2021 and may be raised to 2023 levels at that time. The increases are as follows:

Butter HS	Current	2019	2020	2021	2022	2023
04021020/ 5	1,000 MT	1,750 MT	1,751 MT	1,752 MT	1,753 MT	2,250 MT
04051099/ 2	1,250 MT	1,250 MT	1,251 MT	1,252 MT	1,253 MT	1,752 MT

## Annex 1: Israel's Dairy Production

According to the Israeli Dairy Board, in 2017 there were 760 dairy farms producing an annual total of 1,513 million liters, an annual average of 1,991 liters per dairy farm. The 2017 average annual milk production per cow stood at 12,025 kg/per cow.

Figure 1: Dairy Farms and Average Production, 2009-2017



Source: Israeli Dairy Board

## Annex 2: Israel Dairy Produce Trade Data

**Table 1: Top Ten Dairy Imports into Israel, 2012-2017**

HS Code 6 Digits	Description	Value (thousand USD)						Quantity (Kg)						Top exporting countries
		2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2017
<b>040690</b>	CHEESE AND CURD- OTHER CHEESE	15,956	16,836	28,407	30,388	39,242	47,001	2,258,528	2,139,565	3,578,273	5,458,727	7,312,268	8,145,917	Poland, Netherlands, Italy,
<b>040221</b>	MILK AND CREAM, CONCENTRATED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER- IN POWDER, GRANULES OR OTHER SOLID FORMS, OF A FAT CONTENT, BY WEIGHT, EXCEEDING 1.5%:-NOT CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER	13,922	13,634	13,806	11,801	11,825	16,914	2,913,882	2,425,333	2,685,308	3,389,804	3,701,459	4,139,388	Germany, Netherlands, Poland
<b>040210</b>	MILK AND CREAM, CONCENTRATED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER- IN POWDER, GRANULES OR OTHER SOLID FORMS, OF A FAT CONTENT, BY WEIGHT, NOT				11,065	11,464	12,379				3,614,118	4,186,562	2,856,605	Germany, USA, Ukraine

	EXCEEDING 1.5%													
<b>040510</b>	BUTTER AND OTHER FATS AND OILS DERIVED FROM MILK; DAIRY SPREADS- BUTTER		7,411	5,692	6,071	10,69 4	11,95 1		1,418,8 81	1,032,0 57	1,399,9 05	2,566,0 10	2,328,5 39	Germany, Belgium, France
<b>040630</b>	CHEESE AND CURD- PROCESSED CHEESE, NOT GRATED OR POWDERED	2,268	2,333	2,820	3,545	3,235	3,895	384,412	385,423	458,665	615,761	574,038	607,119	France, Egypt, Poland
<b>040610</b>	CHEESE AND CURD-FRESH (UNRIPENED OR UNCURED) CHEESE, INCLUDING WHEY CHEESE, AND CURD	885	876	758	1,485	2,136	2,473	738	160,111	159,132	313,707	323,319	372,989	France, USA, Denmark
<b>040410</b>	WHEY, WHETHER OR NOT CONCENTRAT ED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER; PRODUCTS CONSISTING OF NATURAL MILK CONSTITUEN TS, WHETHER OR NOT CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER, NOT ELSEWHERE SPECIFIED OR	2,676	2,691		1,884	1,596	1,871	1,869,8 47	1,641,9 95		1,665,4 80	1,719,0 29	1,655,0 63	Spain , UK, Portugal

	INCLUDED- WHEY AND MODIFIED WHEY, WHETHER OR NOT CONCENTRAT ED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER													
<b>040640</b>	CHEESE AND CURD-BLUE VEINED CHEESE AND OTHER CHEESE CONTAINING VEINS PRODUCED BY PENICILLIUM ROQUEFORTI	138	268	382	908	1,000	1,194	18,416	30,373	47,217	101,539	114,372	131,119	France, Germany, Denmark
<b>040490</b>	WHEY, WHETHER OR NOT CONCENTRAT ED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER; PRODUCTS CONSISTING OF NATURAL MILK CONSTITUEN TS, WHETHER OR NOT CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER, NOT ELSEWHERE SPECIFIED OR INCLUDED- OTHERS	73	237	956	1,577	1,164	1,148	52,000	109,061	179,340	628,577	334,375	-	France, Denmark, Germany
<b>040620</b>	CHEESE AND CURD- GRATED OR	742	1,266	1,539	912	747	915	186,893	296,790	317,471	184,461	169,950	170,907	US, Italy, France

	POWDERED CHEESE, OF ALL KINDS													
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Source: Central Bureau of Statistics, Israel

Table 2: Top dairy exports from Israel, 2012-2017

HS Code 6 Digits	Description	Value (thousand USD)						Quantity (Kg)						Top importing countries 2017
		2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	
040690	CHEESE AND CURD- OTHER CHEESE	8,050	7,594	7,750	7,582	7,225	7,694	1,125,503	25,667	228,598	1,166,314	1,119,776	1,189,845	USA, Belgium, UK
040310	BUTTERMILK, CURDLED MILK AND CREAM, YOGURT, KEPHIR AND OTHER FERMENTED OR ACIDIFIED MILK AND CREAM, WHETHER OR NOT CONCENTRATE D OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER OR FLAVOURED OR CONTAINING ADDED FRUIT, NUTS OR COCOA- YOGURT	1,213	2,487	1,072	534	471	470	533,223	884,644	278,963	148,901	167,682	165,920	USA, France, Netherlands
040590	BUTTER AND OTHER FATS AND OILS DERIVED FROM MILK; DAIRY SPREADS- OTHER	155	167	88	258	386	331	-	33,970	14,407	42,863	-	58,736	USA, Switzerland



040490	WHEY, WHETHER OR NOT CONCENTRATED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER; PRODUCTS CONSISTING OF NATURAL MILK CONSTITUENTS, WHETHER OR NOT CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER, NOT ELSEWHERE SPECIFIED OR INCLUDED-OTHERS	1,685	4,811	848	521	151	100	-	-	107,305	100,000	27,000	20,000	Netherlands
040299	MILK AND CREAM, CONCENTRATED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER-OTHER	65		1	392	361	91			365	97000	-		Egypt, UK, Kenya
040410	WHEY, WHETHER OR NOT CONCENTRATED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER; PRODUCTS CONSISTING OF NATURAL MILK CONSTITUENTS, WHETHER OR NOT CONTAINING ADDED SUGAR OR OTHER SWEETENING	3,520	165	4,352	828	731	91	433,000	17,998	538,762	-	-	12,515	Ireland, USA, Japan

	MATTER, NOT ELSEWHERE SPECIFIED OR INCLUDED- WHEY AND MODIFIED WHEY, WHETHER OR NOT CONCENTRATED OR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER													
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Source: Central Bureau of Statistics, Israel