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Local Grains Market Situation

Report Categories:
Grain and Feed

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Report Highlights:

In crop year 2010, wheat production in Israel totaled 93,000 tons, a 9 percent increase from the previous year. However, it is below the last 10-year average for Israel wheat crop (110,000-120,000 ton). The below average production is due to continued drought conditions in the Negev region, which is the largest wheat growing area in the country.
Israel is almost completely dependent on imports to meet its grain and feed needs. Due to the recent ban on grain exports from Russia, combined with Ukraine's customs service imposing additional checks and difficulties on grain exports, and rumors that Ukraine might introduce quotas on grain export, the Israeli feed milling industry is shifting from barley and feed wheat to corn and sorghum. As a result, it is expected that the U.S. market share of sorghum and corn in Israel will increase in CY 2010 to about 85 percent and 35 percent, respectively. In addition, since two of Israel’s main milling wheat suppliers are Russia and Ukraine, it is estimated that the U.S. market share of milling wheat in Israel will increase. It should reach about 40 percent in CY 2010, compared to 33 percent in CY 2009.

General Information:

Local Production

The most recent Israeli estimates place the 2010 crop year harvest at 93,000 metric tons, below the last 10-year average for Israel wheat crop (110,000-120,000 ton) but 9 percent up from last crop year's harvest.

The below average production is due to the continued drought conditions mainly in the southern part of the country. As a result of the drought conditions in MY 2009/10, the Ministry of Finance declared a drought year in the southern part of the country (Negev region) for a third consecutive year.

The quality of the current wheat crop was good and the entire crop reached protein levels of at least 12 percent.

Trade

Sorghum imports: *CY 2010 Outlook* - Due to Russia's decision to ban grain exports combined with high prices of barley and feed wheat and restricted sorghum supplies from Ukraine, it is estimated that until the end of CY 2010 Israeli importers will continue to purchase American sorghum and corn on the account of Ukraine sorghum and barley and Russian grains. As a result, it is estimated that sorghum imports in CY 2010 will increase by about 65 percent compared to the previous CY, and will reach about 105,000 MT. Post estimates that the U.S. market share of sorghum in Israel will increase to about 85 percent in CY 2010.

Data for the first six months of CY 2010 show sorghum imports have decreased significantly from the same period one year ago (from 51 tmt to 18 tmt - 65 percent down), however post is expecting that pace will increase significantly during the rest of CY 2010 and reach about 105,000 MT.

Sorghum imports: *CY 2011 Outlook* - The Israeli feed milling industry shifts easily from corn, barley and sorghum to feed wheat, depending on price relationships. If Russia could extend a grain export ban into next year (CY 2011) combined with limited supplies of feed wheat, barley and sorghum from Ukraine, the imports of sorghum will not change dramatically from CY 2010 level and will total about 110,000 MT and the U.S. share is likely also to remain at the same level as in CY 2010 (85 percent share).
On the other hand, if feed wheat, barley and sorghum supplies will increase from the BSB, sorghum imports into Israel will decrease to about 60,000 MT and the U.S. share is likely also to decrease to about 30 percent, with Eastern Europe supplying the remainder.

Barley imports: *CY 2010 Outlook* : Due to Russia's decision to ban grain exports combined with high prices of barley and Ukraine's customs service imposing additional checks and difficulties on grain exports, it is estimated that in the forthcoming months Israeli importers will decrease significantly barley imports. Post estimates that barley imports in CY 2010 will decrease by about 50 percent compared to the previous CY, and will reach about 235,000 MT.

Data for the first six months of CY 2010 show barley imports have increased by 16 percent from the same period one year ago (from 176 tmt to 204 tmt); however, post is expecting the pace to decrease significantly during the rest of CY 2010 due to the fact that barley prices are not competitive compared to sorghum and corn.

Barley imports: *CY 2011 Outlook* - The Israeli feed milling industry shifts easily from corn, barley and sorghum to feed wheat, depending on price relationships. If Russia could extend a grain export ban into next year (CY 2011) combined with limited supplies of barley from Ukraine, barley imports will likely remain the same (235 tmt) or below CY 2010 level by about 15 percent (200 tmt).
On the other hand, if barley supplies will increase from the BSB, barley imports into Israel will increase to about 270,000.

Corn imports: *CY 2010 Outlook* - The Israeli feed milling industry shifts easily from corn, barley and sorghum to feed wheat, depending on price relationships. As a result of shifting from barley and feed wheat to corn and sorghum, post estimates that the corn import pace will increase during the rest of CY 2010 and reach about 1.20 million tons, a 35 percent jump from CY 2009 levels. As a result of the shifting to corn, it is estimated that the U.S. market share of corn in Israel will increase from 10 percent in CY 2009 to about 35 percent in CY 2010. By the end of CY 2010, corn will be imported mainly from the U.S. and Ukraine.

Data for the first six months of CY 2010 show corn imports have not changed compared the same period one year ago (516 tmt); however, post estimates that the pace will increase during the rest of CY 2010 since corn prices are competitive.

Corn imports: *CY 2011 Outlook* - If Russia to keep grain export ban in CY 2011 combined with limited **s**uppli**es** of barley and feed wheat from Ukraine, in addition to the assumption that world corn production will not decrease, corn imports into Israel will increase to 1.3-1.4 million tons and the U.S. share is likely also to increase to about 40-60 percent, with Eastern Europe and Argentina supplying the remainder.
On the other hand, if feed wheat, barley and sorghum supplies will increase from the BSB, corn imports into Israel will likely to decrease by about 15 percent compared to CY 2010 to about 1.1 million tons.

Feed wheat imports: *CY 2010 Outlook*: Due to high prices of wheat combined with the temporary ban on grain exports from Russia**,** feed wheat imports are expected to decrease in the forthcoming months. Feed wheat imports are estimated to be at about 550,000 million tons in CY 2010, nearly a 40 percent decrease compared to previous year level.

Data for the first half of CY 2010 show feed wheat imports increased by nearly 9 percent from the same period one year ago (from 401 tmt to 436 tmt). Post is expecting the pace to decrease dramatically during the rest of CY 2010 due to the above mentioned reasons.

Feed wheat imports: *CY 2011 Outlook* - If Russia to keep grain export ban in CY 2011 combined with limited **s**upplies of feed wheat supplies from Ukraine, in addition to the assumption that world corn production will not decrease, feed wheat imports into Israel will decrease further to about 480,000.
On the other hand, if feed wheat supplies will increase from the BSB, feed wheat imports into Israel will likely to increase to about 670,000 MT.

Milling wheat imports: *CY 2010 Outlook:* Local human consumption is steady at about 900,000 tons annually, and although imports of milling wheat have experienced a decrease during the first half of CY 2010 compared to the same period one year ago, the pace is expected to increase and reach the multi-annual import average (840 tmt).

Israel imports milling wheat mainly from Russia, Ukraine, Kazakhstan and the US. However, as a result of the ban on grain exports from Russia, combined with Ukraine's customs service imposing additional checks and difficulties on grain exports, and rumors that Ukraine might introduce quotas on grain export**,** it is estimated that during the forthcoming months milling wheat will be imported mainly from the **U.S.**

All in all, in CY 2010 it is estimated that the U.S. market share of milling wheat in Israel will increase, compared to the previous year from 33 percent in CY 2009 to about 40 percent in CY 2010. Milling wheat imports are expected to total about 850 tmt in CY 2010.

Milling wheat imports: *CY 2011 Outlook:* Local human consumption is steady at about 900,000 tons annually, therefore milling wheat imports are not expected to change compared to CY 2010 level (840 tmt).

Table 1: Grains Imports to Israel, CY, Thousand Metric Tons

CY	Milling Wheat	Feed Wheat	Total Wheat	Barley	Corn	Sorghum	DDGs & Gluten Feed	Total Import
2006	827	533	1,360	303	1,149	52	117	2,981
2007	725	478	1,203	187	1,484	131	352	3,357

200	945	879	1,824	438	893	63	266	3,484
200 (till June)		401		176	520	51	128	1,7
2010 (till June)		436	8	203	516	17	169	1,7
2010 % Change Compared to 2009 (till June)	-15.2%	**8.7%**	-4.8%	15.**3%**	**-0.8%**	**-66.7%**	**32.0%**	**-0.8%**
2010 est.	**850**	**550**	**1,400**	**235**	**1,200**	**105**	**370**	**3,310**

Source: Ministry of Agriculture, Office of Prices and Supply

Table 2: Import Share of Total Import Quantity, Percent, CY

CY	Milling Wheat	Feed Wheat	Total Wheat	Barley	Corn	Sorghum	DDGs & Gluten Feed	Total Import
2006	27.7	17.9	45.6	10.2	38.5	1.7	3.9	100.0
2007	21.6	14.2	35.8	5.6	44.2	3.9	10.5	100.0
2008	24.1	20.2	44.3	6.9	34.2	3.1	11.5	100.0
	27.1	25.2	52.3	12.6	25.6	1.8	7.6	100.0
2009 (till June)	28.9	22.3	51.2	9.8	29.0	2.8	7.1	100.0
2010 (till June)	24.7	24.5	49.2	11.4	29.0	1.0	9.5	100.0
2010 % Change Compared to 2009 (till June)	-14.5	**9.9**	-3.9	**16.3**	**0**	-64.3	**33.8**	**------**
2010 est.	**25.7**	**16.6**	**42.3**	**7.1**	**36.2**	**3.2**	**11.2**	**100.0**

Source: Ministry of Agriculture, Office of Prices and Supply

Table 3: U.S. Market Share of Total Import Quantity, Percent, CY

CY	Milling Wheat	Feed Wheat	Barley	Corn	Sorghum	DDGs & Gluten Feed	Total Import
2006							38.2
2007							46.2
2008							46.5
2009	33	0	0	10	0	97	23.3
2009 (till June)	37	0	0	4	0	93	22.3
2010 (till June)	13	1	4	9	0	100	21.2
2010 est.	40	1	3	35	85	98	43.7

Source: Ministry of Agriculture, Office of Prices and Supply