

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Israel

### Retail Foods 2017

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**Report Highlights:**

There are some 2.49 million households in Israel, averaging 3.3 persons. The annual average household food expenditure (including fresh fruits and vegetables) in 2016 reached \$8,429. Large food retail chains have their own purchasing or importing division to handle food imports. Major supermarkets are now importing directly from foreign suppliers to reduce costs. Over sixty-one percent of consumers buy their food at supermarkets. Israel has passed a number of regulations concerning food consumption. The Protection of Public Health Regulations (Food), "known as the "Cornflakes Law," opens up of the food import market to importers that do not have direct contact with foreign food manufacturers. The Protection of Public Health Regulations (Food) (Nutritional Labeling encourages healthier food consumption (effective January 2020).

## 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-28).

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. The deflation was due to a slowdown in global commodity prices and relatively low economic activity. The 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: Key Trade & 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 2017 \$1 = ~NIS 3.6
Average exchange rate in 2016, \$1.00 = ~NIS 3.84	

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.

### Israel's Market Characteristics

Israel is a technologically advanced, market-oriented economy. Consumers are sophisticated and enjoy cosmopolitan food tastes. Despite recent popular protests over food prices and the high cost of living, Israelis remain willing to pay more for high-value products.

Israel's limited land and water resources preclude a high level of agricultural self-sufficiency; this affects local production costs and consumer prices. The country posts sizeable trade deficits in food and agricultural products, importing large volumes of feed grains and sizable volumes of consumer oriented products.

### Cost of Living

In 2011 Israeli consumers began to protest the high cost of living, which was well above average for countries in the Organization for Economic Cooperation and Development (OECD). The Israeli government responded by creating a number of committees to study the issue and make policy recommendations. One specific set of recommendations impacting dry food imports approved in 2014 (but entered into force September 30, 2016). The new policy, known as the "Cornflakes Law," opened up some food imports to independent traders operating outside of the manufacturer's distribution system. These are referred to as *parallel imports*. Products such as pasta, breakfast cereals, cookies, crackers, snacks, rice and beans are now imported into Israel by independent traders, increasing competition and decreasing prices (see, [FAIRS – Israel 2016](#)).

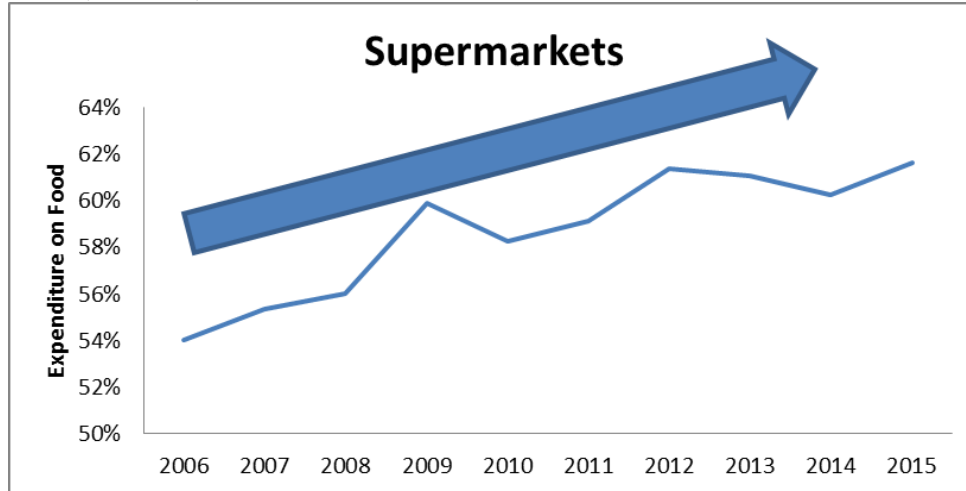
In 2015, the Israeli Ministries of Agriculture and Economy began to take significant steps to reduce the prices of staple food for Israeli consumers. Duty-free quotas and reduced import fees for a number of food products, such as fish and cheese, were put in place. A number of the quotas are being allocated through a competitive process based on a maximum consumer price; aiming to ensure that the benefit from duty-free imports is carried from importers to consumers.

### Food and Agricultural Product Consumption

According to the latest Israeli Household Expenditure Survey, there were 2.49 million households in Israel with an average of 3.3 people per household. The monthly average household expenditures in 2016 totaled about New Israeli Shekels (Shekel – NIS) 15,805 (approximately \$4,160), up 2.6 percent from 2015. Of total expenditures in 2016, 16.7 percent were allocated to food and agricultural products, making a total of \$8,336 annually spent on food and agricultural products per household. This is up 0.4 percent from 16.3 percent in 2015. Food, excluding fruit and vegetables, accounted for 13.4 percent of purchases. Fruits and vegetables accounted for the remaining 3.3 percent. The largest single expenditure in 2015 on food was meals away from home, at 2.8 percent, followed by meats and poultry, at 2.6 percent.

The Israeli Household Expenditure Survey reveals that during the last decade, an increasing share of consumers preferred to buy their products through supermarket chains rather than through small grocers or traditional markets. Over 61 percent of purchases in 2015 were made at modern supermarket chains.

**Figure 1: Israel, Expenditure on Food (excl. meals away from home) in Supermarkets, Percent (2006-15)**



Source: Household Expenditure Surveys 2006- 2015, Israeli Central Bureau of Statistics, FAS Tel Aviv office research.

### The Three Main Subsectors in the Retail Food Market

There are three main retail food subsectors in Israel, supermarkets, traditional markets, and convenience stores. A few large companies control a majority of the market, limiting competition and negatively impacting consumers. The subsectors are as follows:

- **Supermarkets:** Ten large supermarket chains dominate the Israeli market. Large supermarket facilities are generally located in the outskirts of the major cities near major highways, in order to service multiple geographic locations. Smaller neighborhood supermarkets located in cities tend to carry many of the same goods at higher prices. Most supermarkets are open only six days a week, with Saturday being a mandatory day of rest. Only one supermarket chain is open seven days per week, Tiv Taam. Tiv Taam is also the only large supermarket that sells non-kosher products.
- **Convenience stores:** Convenience stores are normally located on major city streets or in gas stations. Convenience stores inside cities tend to cater to the local neighborhood residents, as parking is difficult or unavailable. Convenience stores within gas stations typically offer parking for commuting consumers.
- **Traditional markets:** Small independent neighborhood grocery stores still dominate the market in terms of number of outlets. These small grocers offer a narrower product selection than supermarkets. Similarly, they have shorter hours than the supermarkets and convenience stores.

### Number and Type of Retail Outlets

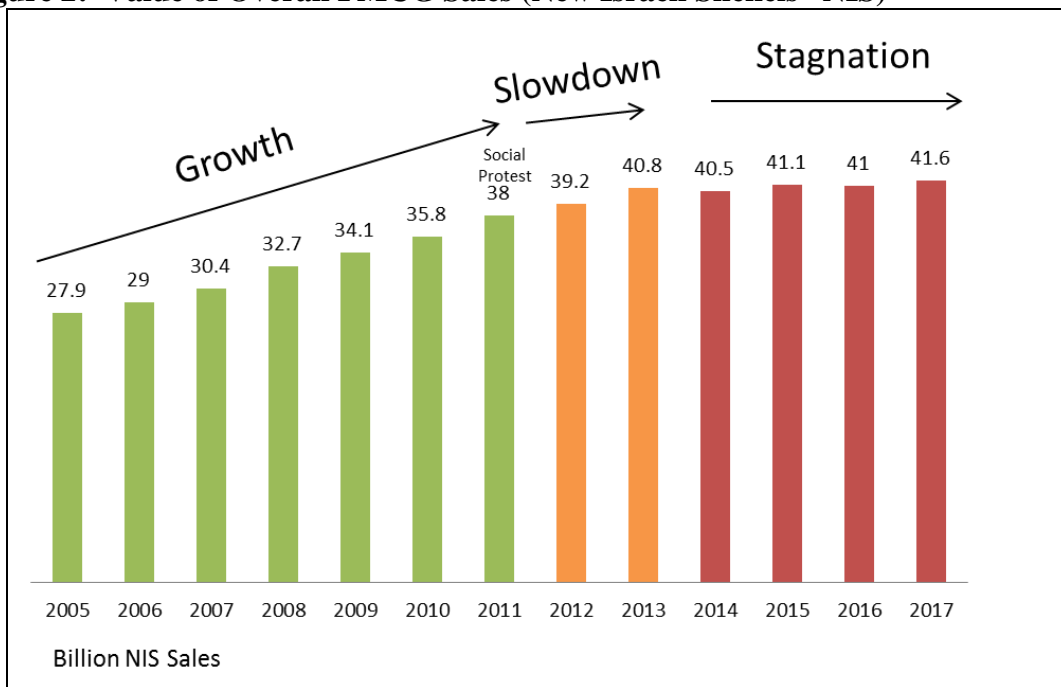
- Supermarkets – the top 10 chains have over 700 outlets
- Convenient stores – the top 8 chains have over 890 outlets
- Traditional markets- over 7,500 outlets

### Value of Consumer Sales

According to Storenext, Israel's largest consumer market database, the Fast-Moving Consumer Goods (FMCG) segment is in its fourth year of sales stagnation. Sales in 2017 are estimated at 41.6 billion shekels (\$11.5 billion), while 2016 sales were 41 billion shekels (\$10.8 billion), a marginal increase of 1.4 percent. The marginal increase in sales is well below the annual population increase of 1.8 percent. Retailers are registering a clear decrease in sales per capita.

The sales in food products are the primary cause for the decline in FMCG sales. The stagnation is explained both by changes in the composition of the products purchased by the consumer and by the transition to private labels. Facing high food costs since 2011, Israeli consumers are opting for more affordable products.

**Figure 2: Value of Overall FMCG Sales (New Israeli Shekels –NIS)**

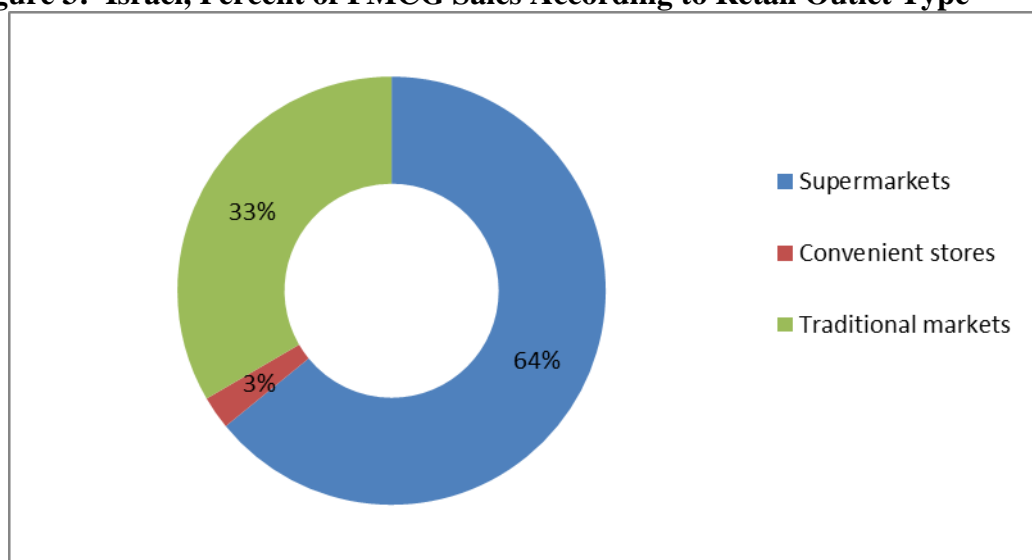


Source: Storenext Data, FAS Tel Aviv office research.

### Sales According to Retail Outlet Type

Independent small grocery stores struggle to compete with the supermarkets. In general, consumers choose to shop at supermarkets over traditional markets due to more competitive prices and longer operating hours. Supermarkets account for 64 percent of FMCG sales, followed by traditional markets at 33 percent and convenience stores at mere three percent.

**Figure 3: Israel, Percent of FMCG Sales According to Retail Outlet Type**



Source: Based on data from Storenext, FAS Tel Aviv office research.

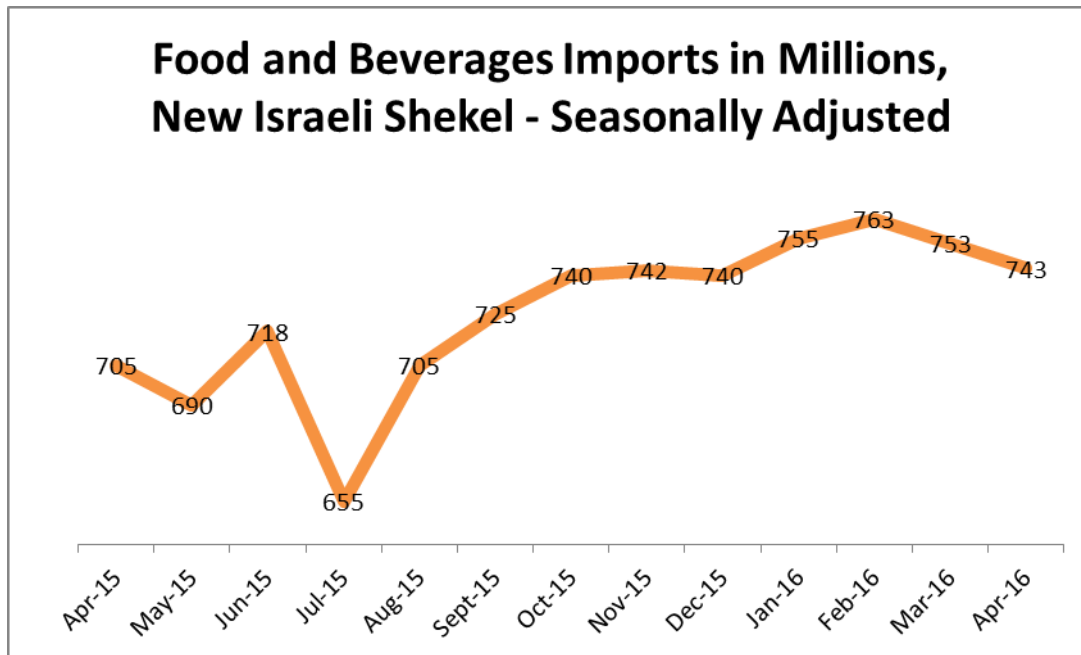
### Growth in Food Imports

Israel is experiencing an increase in food and beverage product imports. From April 2015 to April 2016, there was a six percent increase in imports. The growth in imports is explained by a strong Shekel, as well as the new policies designed to increase imports while expanding the number of importers.

The Government of Israel is pursuing lower custom fees and increasing import quotas for specific food products, with the goal of increasing competition to help mitigate a high local cost of living. This initiative is supported through the Protection of Public Health Regulations (Food), known as the "Cornflakes Law." The measure allows firms to import food products to Israel without having direct contact with the manufacturer. This channel is termed *parallel imports*, and functions much as a shipping consolidator would in other markets. The new measure eases importation of a variety of dried foods, such as breakfast cereals, crackers, biscuits, pasta, and rice. More details on the measure are in the [FAIRS - Israel 2016](#) report.

Major supermarkets are increasingly importing directly from foreign suppliers in order to reduce costs. Although this growth is noticeable, Israel is still behind its OECD peers in terms of food imports. In Israel food imports account for 11 percent household food expenditures. The OECD average is near 30 percent. The high market concentration of food importers and distributors explains the low percentage of imports.

**Figure 4: Food and Beverages Imports to Israel April 2015 – April 2016**



Source: Leumi Bank, FAS Tel Aviv office research.

#### Government Regulation to Encourage Healthier Products

The new food regulation, Protection of Public Health Regulations (Food) (Nutritional Labeling) 5777-2017 is designed to encourage healthier eating habits. The new regulation requires products considered high in sugar, saturated fats and sodium to carry a red label on the front of the packaging. Industry groups vehemently opposed the measure; however, it easily passed in the Knesset, in late 2017. The new regulations will take effect in January 2020.

#### Government Regulation to Promote Competition between Food Retailers

The Israeli government promotes competition between food retailers. The Protection of Public Health (Food), known as the "Cornflakes Law" notes the following in regards to the food retailer section:

1. Transparency: food retail chains with sales in excess of \$66 million must advertise online, hourly.
2. Small vendor protection: suppliers with more than annual \$263 million in revenues will be limited to 50 percent of shelf space in retail chain stores, limiting their ability to push out smaller suppliers.
3. Fair competition: the antitrust commissioner will be able to order distributing chains to refrain from opening or closing branches in geographic areas with limited competition.
4. Large suppliers will not be able to state a recommended consumer price or interfere with shelf location of products.
5. Conditional pricing is prohibited: selling a product below cost or linking the purchase of an unpopular product to that of a popular product is prohibited.

## Trends in Distribution Channels

- Supermarkets are gaining efficiencies over small stores. In the past few years, large retail food chains are focusing on expansion through acquisitions. Multiple small retail chains sold to larger retail chains as they became less profitable. For example, the Israel chain, Mega, recently sold to a larger competitor. In an increasingly competitive market, retailers are seeking efficiencies and opportunities to gain market share. Acquisition of competitors and added scale offers increasing efficiencies.
- Convenience stores are growing. Convenience stores in gas stations have become common food and beverage providers. According to consumer behavior experts, the number of convenience stores is expected to grow as consumption behavior continues to change. Israelis households are shrinking and consumers are increasingly pressed for time. As such, Israeli consumers are buying less, more frequently, and closer to their homes, making convenience stores a convenient option.
- E-commerce is expanding. Internet retailing sales continued to increase as consumers enjoy the ease and convenience of shopping from their homes. E-commerce in Israel had an annual growth of 25 percent, during the past 3 years. Food products sold online reached \$631 million in the last year, making online food sales the largest online market in Israel. The Israeli online food market is expected to grow by an annual rate of 20 percent through 2020.

## Trends in Services by Retailers

- Online food sales are gaining popularity. During 2016, online food purchasing continued to expand as retailers improved their websites, providing a more user-friendly and smarter shopping experience.
- Delivery areas are expanding. With the increase in online shopping, retailers are expanding the areas where grocery delivery is available.
- Healthy and organic foods are on the rise. Increasingly, Israeli consumers are willing to pay a premium for organic and healthier food items. As a result, supermarkets are giving greater priority to healthy and organic foods. Organic products are gaining larger shares of shelf space than in the past and the variety of products is expanding. In some cases, supermarkets have opened healthy and organic sections, or specialty health stores within supermarkets.
- Sales in private label products are growing. More supermarket chains are offering private label branded products. In the case of Israel's largest food retailer, Shufersal, the share held by private label products increased by five percent in 2016, accounting for 20 percent of all retail sales. This is compared to only 15 percent in 2015. Another leading food retailer, Rami Levi, introduced a private label brand in 2015, which accounted for 12 percent of sales by the end of 2016. Many of the large chains offering private label products are importing directly to access prices that are more competitive.
- Fruits and Vegetables remain a staple in the Israeli diet. Even with growth in other retail sectors, supermarkets are still dedicating a large portion of their sales area to fruits and vegetables. Most are grown locally, with limited imports during the September and April holiday seasons.

**Table 2: Advantages (Sector Strengths and Market Opportunities) and Challenges Sector Weaknesses and Competitive Threats)**

Advantages	Challenges
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<b>Advantages</b>	<b>Challenges</b>
Israeli consumers are paying higher than global average prices for food and agricultural products	Cost of U.S. transportation fees are high
The Ministry of Economy is determined to open the market for more imports in order to lower the cost of living	Israel's standards tend to follow EU standards and not U.S. standards
Products certified as being manufactured under Good Manufacturing Practices (GMP) or HACCP will have greater ease of access to the Israeli market	Many products are yet to be approved for entry by local entities, for example U.S. gluten-free products are not always considered gluten-free
The U.S. food and Drug Administration's (FDA) list of registered facilities is viewed favorably by Israel's import licensing authority as it provides confirmation that the exporting manufacturer's facility has been inspected by the FDA and or the U.S. Department of Agriculture.	Registration fees and procedures adding to product cost
Products must have long shelf life	Local market may not be sufficiently educated to recognize the quality and thus willingness to pay higher price
Kosher certification is an advantage in the local market and many U.S. manufacturers are already koshered certified	
American products offer high quality	

## SECTION II: ROAD MAP FOR MARKET ENTRY

### Entry Strategy

U.S. exporters should review [FAS Tel Aviv policy and market reports](#) and private sector analyses.

#### Find a Local Partner

U.S. exporters should establish business relationships with reliable, experienced and professional importers and distributors. These will offer advice on issues related to the product positioning, packaging, labeling, and custom clearance procedures. Face-to-face meeting or visits of U.S. firms to Israeli facilities will build relationships and explore business opportunities firsthand.

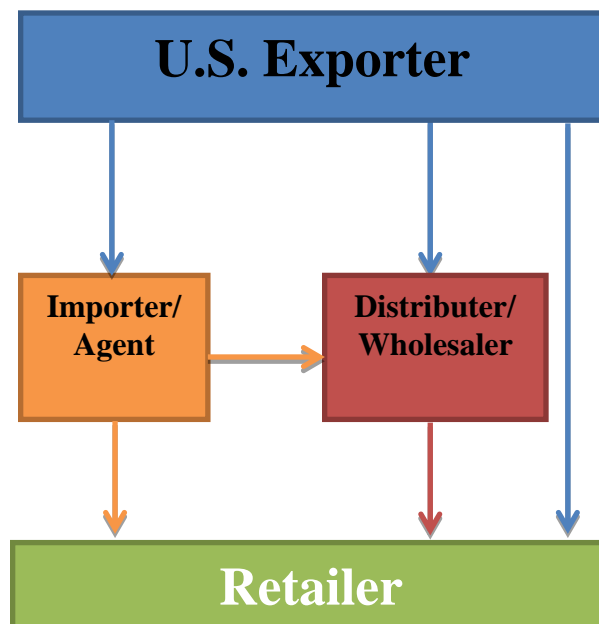
Exporters able to supply sufficient quantities should consider approaching large Israeli food retail chains. Food retailers like Shufersal and Rami Levi have their own purchasing and importing divisions to handle food imports. U.S. suppliers should first contact the purchasing or importing divisions of these large food chains, especially for new-to-market food products as they have the most experience with branding and distribution. FAS Tel Aviv has a list of local importers and can help with contact information. U.S. exporters should consider the price sensitivity of their customers, product requirements, purchasing policies, and purchase volumes.

#### Learn Regulations and Market Requirements

Israeli regulations, standards and market requirements have to be considered (see, [FAIRS - Israel Country Report](#)). Exporters need to consider kashrut or kosher certification. Certification is not a legal requirement for importing food into Israel (except for meat, and meat products). However, non-kosher products have a smaller market; most supermarkets and hotels refuse to carry them.

### Market Structure

**Figure 5: Distribution Channel Flow Diagram**



The large supermarket chains import directly, as well as buy from importers or wholesalers. Others usually buy only through importers or wholesalers. In addition to large supermarket chains, which import directly, there are about 300 importers. These food importers buy kosher and non-kosher food products.

## A. SUPERMARKETS

The country's largest retail chain stores in 2016 reported a turnover of \$8.3 billion (FMCG and durable goods). Shufersal, Israel's leading food retailer reported a turnover of \$3.1 billion. This is a three percent increase over its 2015 sales. Israel's second largest food retailer Yenot Bitan acquired the MEGA supermarket chain.

**Table 1: Israel, Top 10 Retail Food Chains (2016)**

<b>Retailer Name</b>	<b>Owner-ship</b>	<b>Sales (\$Mil)/Year*</b>	<b>No. of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
Shufersal	Local	\$3,116.0	272	Nationwide	Direct Buyer, Agent, Importer, Wholesaler, Private Label
Yenot Bitan	Local	\$1,395.0	188	Nationwide	Direct Buyer, Agent, Importer, Wholesaler
Rami Levi – Hasikma Distribution	Local	\$1,194.0	44	Nationwide	Direct Buyer, Agent, Importer, Wholesaler, Private Label
Merav-Mazon Kol / Osher Add	Local	\$687.0	16	Nationwide	Direct Buyer, Agent, Importer, Wholesaler (focus on Kosher products to serve religious sectors)
Tiv Taam Chains	Local	\$381.0	47	Nationwide	Direct Buyer, Agent, Importer, Wholesaler
Chazi Hinam Kol-bow	Local	\$316.0	7	Central part of the country	Direct Buyer, Agent, Importer, Wholesaler
Victory Supermarket Chain	Local	\$368.0	46	Nationwide	Direct Buyer, Agent, Importer, Wholesaler, Private Label
Yohanannov Super Shuk	Local	\$316.0	18	Nationwide	Direct Buyer, Agent, Importer, Wholesaler
Machsanei Hashuk	Local	\$316.0	25	Nationwide (heavily present in the south)	Direct Buyer
Coop Israel - Jerusalem	Local	\$216.0	49	Nationwide	Direct Buyer, Retail Corp and Democratic Organization
<b>Total</b>		<b>\$8,304.0</b>	<b>712</b>		

Note: \* Calculated according to 1 USD= 3.8 Shekel currency exchange rate

Source: Bdi-code, FAS Tel Aviv office research.

### Shufersal

Shufersal is Israel's largest supermarket chain with 272 branches, benefitting. The retailer has stores in cities and in suburbs, changing its format according to location. Shufersal has large stores in suburbs and smaller neighborhood market stores in cities its prices and products vary according to outlet and neighborhood.

**Table 4: Shufersal Different Store Formats**

<b>Format</b>	<b>Number of stores</b>	<b>Description</b>
Shufersal Deal	113	A nationwide chain located mainly outside of the cities centers, characterized by discount prices, offering a wide range of products.
Yesh	24	Offers a range of products at discounted prices. The chain is aimed at the ultra-orthodox community
Shufersal Sheli	82	Neighborhood retail stores in city centers, providing convenience
Shufersal Express	48	Located in the heart of the neighborhoods
Organic Market	5	There are 5 independent stores offering organic food and toiletries and an additional 62 shops in Shufersal branches
<b>Total</b>	<b>272</b>	

Source: DUN'S 100, FAS Tel Aviv office research.

### Yenot Bitan

Yenot Bitan is the second largest supermarket chain with 188 stores. The chain has many larger facilities outside of central Tel Aviv that offer parking. In addition to the larger stores, the company also operates smaller neighborhood Yenot Bitan stores, a number of recently acquired Mega locations, the orthodox Medhadrin stores, and two online shopping platforms.

### Rami Levi

Rami Levi is the third largest supermarket chain with 44 stores. Rami Levi is branded as an affordable discount supermarket. The distributor offers lower prices for fruits and vegetables as well as low cost private label brands.

## **B. CONVENIENCE STORES**

Israel's convenience store segment reached an annual growth rate of 7.4 percent in 2016. These stores follow one of two formats: stand-alone urban shops and attached to gasoline stations. Of the hundreds of stores in gas stations, most are owned by the four largest gas stations: Paz, Delek, Sonol, and Dor Alon.

### Growth in Convenience Stores

Previously mainly purveyors of tobacco and drinks, convenience stores over the past decade have added food and beverage products (e.g., dairy products, snacks, sandwiches, coffee, and other food products). Israelis are having fewer children, and maintaining smaller households. High costs of living often require two wages, shrinking the amount of time that individuals have to dedicate to shopping. So long as these trends continue, convenience store sales will grow.

**Table 5: Israel, Top Convenience Stores (2016)**

<b>Retailer Name &amp; Market Type</b>	<b>Ownership</b>	<b>In gas stations</b>	<b>Outlets</b>	<b>Location</b>	<b>Sales (\$Mil)/Year*</b>	<b>Purchasing Agent Type</b>
AM:PM	Dor Alon Israel Ltd		44	Central Israel in various city centers	\$127	Direct
Alonit standalone convenience stores; Alonit Bakebutz Alonut Bamoshav Super Alonit	Dor Alon Israel Ltd		30	Central locations		
Super Cofix	Cofix Group Ltd		30	Nationwide	\$34	Direct
Yellow	Paz Oil Co Ltd	+	235	Nationwide	\$208	Direct
Menta	Delek Group Ltd	+	202	Nationwide	\$115	Direct
So Good	Sonol Israel Ltd Israel Oil & Gas Fund LP	+	187	Nationwide	N/A	Direct
Alonit	Dor Alon Israel Ltd	+	144	Nationwide	\$75	Direct
Ten +	Ten-Petroleum Co Ltd	+	20	Nationwide	\$10	Direct

\* Calculated according to \$1.00 = 3.8 Shekel currency exchange rate. Not available = N/A.

Source: FAS Tel Aviv office research.

### **C. TRADITIONAL MARKETS**

There are approximately 7,500 independent traditional grocery stores in Israel. Independent small grocers struggle to compete with modern grocery retailers. Due to the intensive competition in the Israeli retail food sector, these stores operate within very tight profit margins.

The traditional retailer category is important for some product types, primarily for the purchase of small basic items (e.g., milk and eggs) that do not require a substantial shopping trip. In traditional outlets, the range of products is likely to be much more limited, as are stock levels. Similarly, independent small grocers have shorter hours than the large retail chains. The traditional retailers' category continues to see declines in share as shopping habits change and the public seeks a more sophisticated shopping experience.



## SECTION III: COMPETITION

**Table 6: Imports Competition, CY 2016**

<b>Product Category</b>	<b>Major Supply Sources*</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantage and Disadvantages of Local Suppliers</b>
<b>Fresh/Chilled Beef</b> Imports 6,390 MT  CIF \$52.8 million	1. Poland 64.2% 2. Argentina 15.4%  USA 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.
<b>Frozen Beef</b> Imports 81,222 MT  CIF \$486 million	1. Uruguay 29.8% 2. Paraguay 19.9%  USA 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.
<b>Fish, Crustaceans and Mollusks</b> Imports N/A  CIF \$403 million	1. Norway 38% 2. China 15%  USA 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.
<b>Milk and Cream, Concentrated or Containing Added Sugar or other Sweetening Matter</b> Imports 8,199 MT  CIF \$23.7 million	1. Germany 30.8%  USA Supplier 9.5% share	Strong German brands favorable locally	Good local quality and quantity, readily available to the consumer and milk production industry.
<b>Cheese and Curds</b> 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 Supplier 5.8% share	Poland, France, Netherland 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.
<b>Other Nuts, Fresh or Dried, Whether or Not Shelled or Peeled (Excl. Coconuts, Brazil Nuts and Cashew Nuts)</b> Imports 17,314 MT  CIF \$132.2 million	1. China 11.8% 2. Turkey 9.6%  USA Supplier 69.8% share	Good quality and availability.	Local production of tree nuts is relatively small compared to demand.

<b>Product Category</b>	<b>Major Supply Sources*</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantage and Disadvantages of Local Suppliers</b>
<b>Apples, Pears and Quinces, Fresh</b> Imports 33,405 MT  CIF \$43.9 million	1. Spain 32.0 % 2. France 18.6% 3. Italy 14.9%  USA Supplier 19.6%	Availability and varieties that are not grown in Israel.	Local production does not cover local demand.
<b>Dried Fruits (Excluding Nuts)</b> Imports 3,586 MT  CIF \$15.7 million	1. Turkey 38.5% 2. Argentina 14.8%  USA Supplier 28.9%	Pricing and availability.	Local production does not cover local demand.
<b>Preparations of Cereals, Flour, Starch or Milk</b> Import quantity N/A  CIF \$275.0 million	1. Italy 20.4% 2. Netherlands 10.6%  USA 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.
<b>Beer</b> Imports 40,195 liters  CIF \$48 million	1. Belgium 19.2% 2. Germany 17.9% 3. Netherlands 11.1%  USA Supplier 0.4%	Provide types of beer that are not produced in Israel.	In local production there is no need for overseas transportation.
<b>Wine</b> Imports 6,880 MT  CIF \$29.7 Million	1. Italy 27.0% 2. Spain 17.6% 3. France 15.7%  USA 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.

#### **SECTION IV: BEST PROSPECTS**

Israel is a net food importer. It is a good market for U.S. food exports, such as dried fruits, nuts, fresh apples and pears, cereal products, cheese, powdered milk, butter and milk spreads, frozen and canned fruit and vegetable, food ingredients, and other prepared food products.

Demand for healthy/natural foods is increasing, such as organic food. Niche products that target a specific health issue like diabetes or celiac disease (gluten-free food) are experiencing growth in demand. An additional growing food category is premium food products (see, Appendix I for tariff rates and quotas).



**Category A: Products Present in the Market That Have Good Sales Potential**

**Table 7: Products with Good Sales Potential**

<b>Product Category</b>	<b>2016 Market Size (Volume)</b>	<b>2016 Imports (\$ millions)</b>	<b>5-YR Avg. Annual Import Growth</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness for USA</b>
Pistachios (Shelled & in shell) HS 08025	3,204 MT	\$31.5	Growth of 8% per annum in terms of value, 3% in terms of quantity	Pistachios from the U.S face no import duties.	Competition mainly from Turkey.	Demand for U.S.-pistachios is strong due to Turkish imports facing high import levies. U.S. pistachios enter duty free.
Almonds (Shelled & in shell) HS 08021	3,577 MT	\$27.6	Growth of 76% per annum in terms of value, 65% in terms of quantity	U.S. duty on shelled “others” is NIS 6.91/kg. The U.S duty in shell almonds “others” is NIS 5.21/kg.	Local production is protected by high duties	Lower duties than worldwide duties, U.S almond production industry is strong
Cashew (Shelled & in shell) HS 08031	3,805 MT	\$29.3	Growth of 7% per annum in terms of value, 7% in terms of quantity	Duty-free for U.S. product	Competition mainly from Vietnam and India.	U.S. cashew enter duty free
Walnuts (Shelled & in shell) HS 08023	5,921 MT	\$33.2	Growth of 2% per annum in terms of value, 13% in terms of quantity	U.S. walnuts enter duty-free.		U.S. walnuts enter duty free
Raisins HS 08062	2,393 MT	\$6.71	Growth of -3% per annum in terms of value, 1% in terms of quantity	90% of general duty for HS 08062030. US TRQ of 1,294 MT for HS 08062090. Over the U.S TRQ no	Local production is protected by high duties	

<b>Product Category</b>	<b>2016 Market Size (Volume)</b>	<b>2016 Imports (\$ millions)</b>	<b>5-YR Avg. Annual Import Growth</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness for USA</b>
				less than NIS 2/kg.		
Prunes HS 08132	2,154 MT	\$7.6	Growth of 13% per annum in terms of value, 2% in terms of quantity	U.S. TRQ 2,000 MT applies to all prunes. Over the U.S TRQ 90% of general duty.	Argentina and Chile are offering significantly lower prices	
Ice Cream HS 210500	2,769 MT	\$8.4	Growth of 18% per annum in terms of value, 21% in terms of quantity	U.S. 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.S. 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 U.S.	This market is likely to become more dynamic

<b>Product Category</b>	<b>2016 Market Size (Volume)</b>	<b>2016 Imports (\$ millions)</b>	<b>5-YR Avg. Annual Import Growth</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness for USA</b>
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

<b>Product Category</b>	<b>2016 Market Size (Volume)</b>	<b>2016 Imports (\$ millions)</b>	<b>5-YR Avg. Annual Import Growth</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness for USA</b>
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.

**Category B: Products Not Present in Significant Quantities but That Have Good Sales Potential**

Chilled kosher beef from the United States has good sales potential in Israel. U.S. beef is considered superior to other sources. To date, there is only one certified slaughter house in the U.S. to export kosher beef to Israel.

There is market demand for fresh and frozen cherries and berries. Prices for these products are high and local production does not meet demand. The import of many of the fresh cherries and berries is restricted due to phytosanitary barriers. As part of the trend, Sunfrost, a leading food processor in Israel, recently launched a new line of frozen berries and tropical fruit. A much smaller company, Mama Meri, also sells frozen berries sourced from the United States.

**Blackberries, Blueberries and Cherries sold in Israel, of U.S. origin**



Premium products such as premium chocolate bars, cookies, ice cream (high percentage of cream) and cheese (high in fat) have experienced an increase in sales. These products could have good potential.

### **Category C: Products Not Present Because They Face Significant Barriers**

- Non-kosher meats are not permitted for importation.
- Kosher barriers on Crustaceans and Mollusks. They are not kosher and most supermarkets will not sell them as well as the major hotels and restaurants.
- Pineapple, banana, cherries and citrus are not allowed for importation due to phytosanitary restrictions.
- Almonds, apples, pears, cheese, dairy products, wine, grape juice importation face quotas tariffs and custom tax.

## **SECTION V: POST CONTACT AND FURTHER INFORMATION**

### **FAS Tel Aviv Contacts:**

U.S. Embassy Tel Aviv  
Foreign Agriculture Service  
71 Hayarkon Street  
Tel Aviv, Israel 63903  
[agtelaviv@fas.usda.gov](mailto:agtelaviv@fas.usda.gov)

### **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: <http://www.health.gov.il/english/>

### **The Central Bureau of Statistics (CBS)**

66 Kanfei Nesharim Street  
Jerusalem, Israel 91342  
P.O. Box 34525  
Telephone: 972-2-6592666  
Fax: 972-2-6521340  
Website: [www.cbs.gov.il](http://www.cbs.gov.il)



## Appendix I: Israel, Tariff Rate Details

Product Category	Import Tariff Rate
Pistachios (Shelled & in shell) HS 08025	Pistachios from the U.S face no import duties. Turkey has a 100 ton TRQ, above the TRQ it faces a 23% duty of not less than NIS 3.45/kg. Turkey imports above their TRQ.
Almonds (Shelled & in shell) HS 08021	<ul style="list-style-type: none"> <li>• <u>General Duty HS 08021110 and 08021210</u> “Almonds regarding which the director general of the ministry of industry and trade has approved them to be intended for the manufacture of chocolate, confectionary” are duty free for all countries.</li> <li>• <u>General Duty HS 08021190</u> In shell “others”: NIS 8.52/kg though no more than 102%.</li> <li>• <u>General Duty HS 08021290</u> Shelled “others”: NIS 15.14/kg though no more than 102%.</li> <li>• <u>U.S.</u> U.S. duty on shelled “others” is NIS 6.91/kg. The U.S duty in shell almonds “others” is NIS 5.21/kg,</li> <li>• <u>WTO</u> TRQ of 1,700 MT for shelled almonds where a 100% duty is paid on the first container and 0% on the second.</li> </ul>
Cashew (Shelled & in shell) HS 08031	General duty is 4%. The U.S, EU, Brazil, Uruguay, Paraguay and Argentina are exempt from duty
Walnuts (Shelled & in shell) HS 08023	General duty is 4%. U.S. walnuts enter duty free.
Raisins HS 08062	<ul style="list-style-type: none"> <li>• <u>General Duty HS 08062030</u> “Raisins in packages whose weight exceeds 200 kg for which the director general of the ministry of agriculture has approved that they are intended for processing and manufacture of raisins”: NIS 6.62/ kg but no more than 340%.</li> <li>• <u>General Duty HS 08062090</u> “Others NIS 6.62/ kg but no more than 340%.</li> <li>• <u>U.S.</u> 90% of general duty for HS 08062030. US TRQ of 1,294 tons for HS 08062090. Over the U.S TRQ no less than NIS 2/kg.</li> <li>• <u>EU</u> TRQ 120 tons applied to all raisins. Over EU TRQ NIS 5.67/ kg but no more than 340% for HS 08062030 and NIS 6.91/ kg but no more than 150% for HS 08062090.</li> <li>• <u>WTO</u> TRQ 600 tons for HS 08062030.</li> </ul>
Prunes HS 08132	<ul style="list-style-type: none"> <li>• <u>General Duty HS 08132010</u> “Prunes that their moisture level is lower than 24% in packages that contain 30 kg or more and approved by the director general of the ministry of agriculture”: NIS 0.98/ kg but no more than 30%.</li> <li>• <u>General Duty HS 08132090</u> “Others”: NIS 4.17/kg but no more than 102%.</li> <li>• <u>U.S.</u> TRQ of 2,000 tons which applies to all prunes. Over the U.S TRQ 90% of general duty.</li> <li>• <u>EU</u> TRQ 730.96 tons which applies to all prunes. Over EU TRQ 100% of general duty.</li> <li>• <u>WTO</u> TRQ 1,500 tons which applies to “others”, over the TRQ NIS 2/kg.</li> </ul>
Ice Cream HS 210500	<ul style="list-style-type: none"> <li>• <u>General Duty</u> General duty is 4%.</li> <li>• <u>U.S.</u></li> </ul>

Product Category	Import Tariff Rate
	<p>TRQ of 113 tons. Above the quota the tariff is no less than NIS 0.55/kg.</p> <ul style="list-style-type: none"> <li>• <u>EU</u></li> </ul> <p>TRQ of 500 tons though above the TRQ the applied tariff depends on the ice cream's fat content.</p>
<p>Wine HS 2204</p>	<ul style="list-style-type: none"> <li>• <u>General Duty HS 22041000</u> "Malt extract sparkling wine": 12%, no less than NIS 3.59/liter.</li> <li>• <u>General Duty HS 22042100</u> "Containers holding 2 liters or less": 12%+ , NIS 1.39/liter, no less than NIS 5/liter</li> <li>• <u>General Duty HS 22042900</u> "Other": 12%+ , NIS 1.39/liter, no less than NIS 5/liter</li> <li>• <u>General Duty HS 22043000</u> "Other grape must": 12%+ NIS 1.2/liter, no less than NIS 2.54/liter.</li> <li>• <u>U.S.</u></li> </ul> <p>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%.</p> <ul style="list-style-type: none"> <li>• <u>EU</u></li> </ul> <p>TRQ 430,000 liters</p>
<p>Grape Juice HS 20096</p>	<ul style="list-style-type: none"> <li>• <u>General Duty</u> 12% for under brix value of 30 percent and 30% for over brix value of 67 but no less than NIS 1.53/kg</li> <li>• <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 at 200,000 liters.</li> <li>• <u>EU</u></li> </ul> <p>TRQ 230 tons.</p>
<p>Frozen fish (excluding fish fillets and other fish meat of heading 0304) HS 0303</p>	<ul style="list-style-type: none"> <li>• <u>General Duty</u> Between NIS 0-6.3/kg depending on product.</li> <li>• <u>U.S.</u> U.S. duty 85%-90% of general duty rate, and various TRQs depending on the product.</li> </ul>
<p>Cheese and Curd HS 0406</p>	<ul style="list-style-type: none"> <li>• <u>General Duty</u> Between NIS 4.17/kg-13.49/kg depending on product.</li> <li>• <u>U.S.</u> Limited TRQ of 649 tons. Over TRQ 90% of general duty.</li> <li>• <u>WTO</u> TRQ of 6,000 tons.</li> <li>• <u>EU</u> TRQ of 830 tons. Uruguay and Jordan have product specific TRQs.</li> </ul>
<p>Beef- fresh or chilled HS 0201</p>	<ul style="list-style-type: none"> <li>• <u>General Duty</u> 12% + NIS 9.75/kg.</li> <li>• <u>U.S.</u> TRQ of 1,424 tons, over TRQ 90% of general duty.</li> <li>• <u>Other TRQs:</u> WTO 10,000 tons, EU 1,120 tons, Uruguay 400 tons, and Paraguay 600 tons.</li> </ul>