

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Israel

Exporter Guide

Annual 2018

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Report Highlights:

Israel is a technologically advanced, market-oriented economy. The country is an industrialized, free-market economy, with a diversified manufacturing sector. Israel's main export market is the European Union. 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.

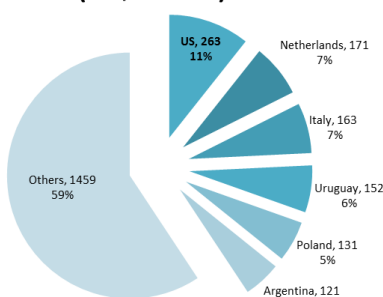
Executive Summary

Israel is a technologically advanced, market-oriented economy. The Israeli Central Bureau of Statistics (CBS) calculated Israel's GDP at market prices at US\$350.8 billion in 2017, a 3.4 percent growth in real GDP (percentage change at 2015 prices). Consumers are sophisticated and enjoy cosmopolitan food tastes. Currently, over 16 percent of household expenditures are dedicated to food products. Producers, food processors, wholesalers, retailers, food service operators, and food importers are all part of a well-developed agribusiness sector, contributing to a domestic scenario that is competitive and dynamic. In 2017, imports of agricultural products reached US\$6.1 billion.

Imports of Consumer-Oriented 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. According to CBS in 2016, Israel's import of consumer-oriented agriculture stood at US\$2.5 billion. Approximately 11 percent of imports were sourced from the United States.

Imports of Consumer-Oriented Agriculture (US\$ million)



Food Processing Industry

With over 1,800 facilities, the Israeli food-processing sector is an important player in the domestic economy. Multi-national food manufacturers like Nestlé, Unilever, Danone, and Pepsi collaborate with well-known Israeli food companies such as Osem and Strauss. Four groups dominate the local food processing industry: Tnuva, Osem-Nestlé, Unilever, and Straus.

With limited land and resources, as well as a growing population, the ingredients demanded by the Israeli food-processing sector represent an excellent opportunity for U.S. exporters of food ingredients. In 2016, Israel imported US\$2.3 billion in raw food products for the food processing

Food Service – Hotel Restaurant Institutional

industry.

Israeli fast-moving consumer goods (FMCG) sales reached US\$11.89 billion in 2017. Of which, US\$8.9 billion were from food products. Over 60 percent of the sales of the total retail market are from supermarket chains. The food retail market is made up of supermarket chains, as well as urban convenience stores and gas stations, neighborhood grocery stores, and wet markets.

The Israeli Hotel, Restaurant, and Institutional (HRI) food service sector includes approximately 14,000 consumer foodservice outlets, 407 hotels, with a total of around 52,867 rooms, and the institutional sector. In 2017, the sales in consumer foodservice grew by 0.8 percent in constant prices and reached a total of US\$5.96 billion. While the total revenue of the hotel sector was US\$3.09 billion, a 9.5 percent increase from the previous year.

The Israel Hotel Association estimates that 40 percent of total revenues are a result of food and beverage.

Quick Facts

Top Trends

Organic, Vegan, Gluten-free, Online Food Shopping, Home Delivery and Private Label

Top 10 Host Country Retailers

Shufersal, Yenot Bitan, Rami Levi – Hasikma Distribution, Merav-Mazon Kol/Osher Add, Tiv Taam, Chazi Hinam Kol-bow, Victory, Yohanannov Super Shuk, Machsaneh Hashuk, and Coop Israel-Jerusalem.

Top Consumer Foodservice Chains

McDonald, Aroma Israel (Shefa Franchisers Ltd) and Reshet Cafe Cafe Ltd.

Top Institutional Catering Companies

ISS Catering Services Ltd, Schultz, Shefa Sodexo

Top Hotel Chains

Fattal Hotels, Isrotel Hotel Management, Dan Hotels

Trade Overview (U.S. billion) 2017

Food and Agricultural Products* Exports	\$2.1
Food and Agricultural Products* Imports	\$6.1
Consumer Oriented Agriculture** Imports (2016)	\$2.5

*Harmonized Tariff Schedule Chapters 1-24

** Consumer Oriented Agriculture - BICO-HS6

GDP/Population (CBS) 2017

Population (millions): 8.79

GDP (billions USD): \$350.8

GDP per capita (USD): \$40,285

Strengths/Weaknesses/Opportunities/Challenges

Strengths

- U.S. products are perceived as high quality products;
- The Israeli consumer values US products;
- Many U.S. suppliers are kosher certified.

Opportunities

- Free trade agreement between the U.S. and Israel;
- The Israeli Ministry of Economy is determined to open the market for more imports in order to lower the cost of living;
- Israel has the potential to be a bridge to the Palestinian Authority with its rapidly growing population.

Data and Information Sources: Israeli Central Bureau of Statistics, Storenext, Euromonitor, Bank of Israel, FAS Tel Aviv office research, UN Comtrade Database

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Market Fact Sheet: Israel

SECTION I: MARKET OVERVIEW

Overall Business Climate

Israel is a parliamentary democracy of approximately 8.87 million people (September 2018 estimate). Current population growth is 1.9 percent per annum. Around 75 percent of the population is Jewish and 25 percent is non-Jewish, most of Arab descent. The country's area is 20,330 square kilometers, making it slightly smaller than the U.S. state of New Jersey. Roughly, 40 percent of Israel's population is concentrated in the greater Tel Aviv metropolitan area, Israel's commercial and financial center. Other major population centers include Jerusalem and the Haifa metropolitan area, a major port city and center for the petrochemical and high tech industries.

Israel's per capita gross domestic product (GDP) in purchasing power parity terms is approximately US \$40 thousand. Israel's GDP growth in recent years has ranged from two to five percent per annum. The Bank of Israel is projecting that in 2018 the GDP will increase by 3.7 percent and in 2019 to 3.6 percent. The current prime rate is 0.1 percent, though the Bank of Israel is expected to increase to 0.25 percent in the first quarter of 2019, and to increase again, to 0.5 percent, in the third quarter of 2019. The inflation rate over the next year is expected to be 1.4 percent. Israel's unemployment rate decreased significantly in recent years, reaching 4.1 percent as of September 2018 estimate.

Israel is a technologically advanced, market-oriented economy. The country is an industrialized, free-market economy, with a diversified manufacturing sector. Israel's main export market is the European Union. 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.

For more in-depth information about Israel's economy, see the following reports: the Bank of Israel's [Research Department Staff Forecast, October 2018](#), the U.S. Department of State [2018 Investment Climate Statement](#) report and the World Trade Organization [Israel Trade Review Report June 2018](#).

Currently, there are heightened tensions in Israel with regard to security. The protracted peace process with the Palestinian Authority remains at an impasse, creating potential for ongoing security concerns.

Table 1: U.S. Supplier Strengths and Weaknesses

Advantages	Challenges
The U.S.-Israel FTA offers the United States tariff rate quotas for some products and reduced duties for a number of others.	Most quotas are for products for which the United States has no comparative advantage or for which Israel has no import needs. The average U.S. quota fill use is only 32 percent. Some fresh produce lacking risk assessments cannot enter Israel.
Kosher products have a high market share in Israel; large supermarket chains and hotels buy only kosher products. Over 10,000 American companies produce kosher products; U.S. products have a comparative advantage.	Many U.S. firms are unresponsive to Israeli requests to do business.
Israel is almost completely dependent on imports to meet its grain, oilseeds, and feed needs. The United States is one of the largest suppliers.	Israel is adopting EU-28 standards, which, in many cases, are more restrictive than international standards.
High living costs are forcing a reconsideration of tariffs and quotas. Temporary duty-free quotas for some fresh fruits, vegetables, and dairy products, are possible.	The EU-28 is Israel's main trading partner; a new agricultural agreement was signed in November 2009, resulting in greater market access on both sides.
After a 13 year ban on U.S. beef, the Israeli veterinary services lifted the ban in February 2016.	Most frozen beef imported by Israel originates from South America and Eastern Europe, both of which have strong price advantages over U.S. beef products.
The Israeli consumer is already familiar with U.S. products and is receptive to additional products.	Kosher requirements are strict; consumers are demanding high-level kosher certification for their food products.
Israeli and Palestine's economies are linked. U.S. exporters can use Israel as a gateway to the Palestinian market.	The recent upsurge in violence could hurt trade.
Israel's per capita consumption of fresh fruits and vegetables is high.	Import requirements are strict, new-to-market products are often detained at port.
Israelis are health-conscious, preferring to eat a balanced diet. Supermarkets are carrying more products that were once only available at specialty stores. U.S. products are known for their high quality and wholesomeness.	The hotel, restaurant, and institutional sector generally prefers imports from nearby countries.
	Many Israeli traders consider the Black Sea region a natural source for grains due to its proximity and the convenience of small- and medium-sized cargoes.

SECTION II: EXPORTER BUSINESS TIPS

Potential U.S. exporters should establish business relationships with reliable and efficient Israeli importers and distributors. These will help identify the appropriate distribution and sales channels. Exporters are encouraged to meet with Israeli importers in person to explore business opportunities. Face-to-face meetings tend to build confidence and facilitate communication. FAS Tel Aviv can facilitate exchanges of U.S. exporters to Israel or of Israeli buyers to U.S. food shows or conventions.

Exporters able to supply in large quantities should approach large Israeli food retail chains. Food retailers like Shufersal and Rami Levi have their own purchasing and importing divisions. Suppliers should 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. Exporters should consider customers' price sensitivity, product requirements, purchasing policies, and volumes.

Additional Marketing Tips:

- Direct marketing is common through mail, phone, email, etc.
- The internet is widely used in Israel, and a growing direct marketing avenue.
- For first-time exporters, it is important to note that distinct cultural differences between Israel and the United States may in some cases dictate changes in selling, advertising, and marketing. Although many strategies used by firms in the United States can be equally effective in Israel, U.S. companies should understand that selling in Israel is not the same as selling in the U.S. market.
- [Israel's tariff classification](#) is based on the Harmonized Tariff System (HS). Israel's Customs and Purchase Tax Tariff is the main instrument used for the classification of goods. The correct classification of goods is the key to determining tax rates, as well as obtaining various authorizations, permits and licenses. It is recommended to contact a professional customs broker prior to export.
- Almost all goods are imported through Israel's two Mediterranean ports, Haifa in the north and Ashdod in the south. Ben Gurion International Airport is also an important port of entry. These ports have good transportation links to the rest of the country. While most companies are headquartered in the Tel Aviv or Haifa metropolitan areas, a growing number of firms maintain branches, showrooms, or service facilities in Jerusalem and Be'er Sheva.
- Israel has an extensive road network that connects the entire country, as well as advanced inland and international transport facilities. Rental cars, taxis and limousines with drivers are readily available for visitors.
- A visa is not required for U.S. citizens traveling for tourism or short-term business projects.
- U.S. travelers can refer to the Department of State's [International Travel Information](#) for the most up-to-date information on Travel Warnings and Visa Requirements for Israel.

Local Business Practices and Customs

Hebrew and Arabic are the two official languages of Israel. English is the third and principal international language; the use of Russian is also prevalent. Many signs in public places are in all three languages and most Israelis are multilingual.

Business hours are Sunday through Thursday from 8:00 a.m. to 5:00 p.m. for most businesses and government offices. Occasionally, business people will be willing to hold meetings on Friday mornings. Most business and restaurants close on the Jewish Sabbath, which is Friday sundown until Saturday sundown.

Jewish Holidays in Israel are mainly in September, October, and April. Exporters should take note of Israeli holidays, as their Israeli counterparts are closed on those dates. Additionally, there is no public transportation on the Jewish Sabbath and some Jewish holidays.

General Consumer Tastes and Preferences

- Israeli consumers tend to demand kosher products and many of the larger supermarket chains only carry kosher foods. Similarly, many hotels, restaurants, and industrial buyers only source kosher products.
- As Israeli incomes have increased, consumers have also become more health-conscious thereby further shifting food demand toward products considered wholesome or healthy.

- The majority of consumers prefer to buy their products through supermarket chains, instead of through the traditional channels of open markets and small grocery stores.

Recommendations for U.S. Food and Agricultural Product Exporters

Exporters that adhere to following recommendations will stand a better chance of success in accessing the Israeli agricultural and food market:

1. A U.S. Certificate of Free Sale, obtained from the U.S. Food and Drug Administration (FDA), facilitates the Israeli Ministry of Health's import licensing procedures.
2. Given that Israel is adopting EU-28 standards, U.S. exporters already familiar with EU-28 import requirements will have better success in gaining entry to the Israeli market.
3. Products certified as being manufactured under Good Manufacturing Practices (GMP) or Hazard Analysis and Critical Control Points (HACCP) will have greater ease of access to the Israeli market.
4. Being included on the FDA's list of registered facilities is viewed favorably by Israel's import licensing authority. It provides confirmation that the exporting manufacturer's facility has been inspected by the FDA and/or U.S. Department of Agriculture.
5. Products must have a minimum shelf life of six months upon port arrival.

SECTION III: IMPORT FOOD STANDARDS & REGULATIONS/IMPORT PROCEDURES

Israel's Trade Agreements

Israel is a member of the World Trade Organization (WTO) and party to a number of free trade agreements (FTA). The United States–Israel Free Trade Agreement was the United States' first trade agreement and was signed in 1985. Following the 1985 U.S.-Israel FTA, a bilateral Agreement on Trade in Agricultural Products (ATAP) was signed in 1996. Since then, annual extensions have been issued to allow the parties to negotiate a permanent agreement. Under the current FTA-ATAP regime, virtually any product produced in Israel that can be competitive in the U.S. market can enter the U.S. duty-free. In contrast, U.S. products continue to face high tariffs in many sectors limiting their access to the Israeli market. The current ATAP regime provides U.S. food and agricultural products access to the Israeli market under one of three different categories: 1) unlimited duty-free access; 2) duty-free tariff rate quotas (TRQ); or 3) preferential tariffs set at least 10 percent below Israel's Most Favored Nation (MFN) rates. The U.S. government and industry continue to pursue negotiation of a permanent agreement in agricultural products.

Tariffs

FAS Tel Aviv finds that Israel's tariff profile for some agricultural products (i.e., dairy, meat, eggs, and some fruits and vegetables) continues to remain prohibitively high on many product lines. Indicative of the uneven nature of Israel's tariff profile are the low tariffs, even sometimes duty-free status, for specific products not produced in Israel. This is true for certain coarse grains and oilseeds.

Customs Procedures: Valuation and the VAT

1. **Customs Valuation and Tax:** Israel has implemented the WTO Customs Valuation Agreement. Under WTO regulations, the basis for valuation is the transaction value. In most cases the cost, insurance, and freight (CIF) price are included.

Israel's tariff classification is based on the Harmonized Tariff System. Israel's Customs and Purchase Tax Tariff is the main instrument used for classifying imports. The correct classification of goods is the key to determining correct duty rates. It is utilized for obtaining authorizations, permits, licenses, and meeting all other conditions for the import of goods.

2. **Value Added Tax:** The value added tax (VAT) is 17 percent. The tax is imposed on all products and services, with the exception of fresh vegetables and fruits.

Israel Import Documentation and Requirements and Food Standards and Regulations

For detailed information regarding standards and regulations for importing food and agricultural products into Israel, please refer to Israel's Food and Agricultural Import Regulations and Standards reports available through the USDA-FAS [website](#). Specifics on Israel's import documentation requirements are in the latest [FAIRS – Israel 2017](#) report.

SECTION IV: MARKET SECTOR STRUCTURE AND TRENDS

FAS Tel Aviv Market Reports

The following detailed market reports are available through the USDA-FAS [website](#):

- [Israel Retail Foods 2018](#)
- [Israel Food Service – Hotel, Restaurant & Institutional 2018](#)
- [Israel Food Processing Ingredients 2018](#)

Israeli Market Trends

Current market trends:

- Greater focus on healthy foods, reduced fat, reduced salt, reduced sugar;
- Although consumers remain health-conscious, the consumption of quality foods such as high end chocolate, desserts and cheeses is growing as well;
- Gluten-free products have experienced significant growth rates;
- Local food manufacturers, importers, retailer and restaurants are adjusting product lines and menus for a growing population of vegans, vegetarians, and the gluten-sensitive;
- Rise in protein enriched products;
- More consumers are seeking organic, natural products;
- Rising consumption of milk alternatives;
- Israelis are dining out more frequently;
- Israelis are increasingly demanding high-quality beef and seafood products when dining out;
- Adoption of private labels is increasing as consumers demand lower retail prices with guarantees of product quality;
- Supermarket chains tout private labeling as a growth engine and as a way to compete with well-known brands;
- Online shopping is continuing to gain popularity, as retailers improve websites and create more user-friendly platforms.

SECTION V: AGRICULTURAL AND FOOD IMPORTS

Israel is a net food importer. In 2017, Israel's agricultural imports (HS 1-24) stood at US\$6.1 billion and exports at US\$2.12. Approximately eight percent of the imports were from the U.S.

Israel is a good market for U.S. food exports, such as dried fruits, nuts, fresh apples and pears, cheese, and other food products. Demand for organic, healthy or natural foods is increasing. Niche products that target a specific health issue like diabetes or celiac disease (gluten-free food) are experiencing growth in demand, as well as vegetarian and vegan products. An additional growing food category is higher end food products.

Table 2: Israel, Consumer Food & Edible Fishery Product Imports (\$ million)

HS Code	Product label	Israel's imports from the world				Israel's imports from the United States				U.S. Share	
		2014	2015	2016	2017	2014	2015	2016	2017	2016	2017
02	Meat and edible meat offal	428.7	455.2	577	586	0	0.5	0.44	8.81	0.08%	1.5%
03	Fish and crustaceans, mollusks and other aquatic invertebrates	368.7	355.7	403	489.9	4	3.1	4	4.25	0.99%	0.87%
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere	104.9	106.7	107.3	121.78	15.4	11	7.91	7.39	7.37%	6.07%
07	Edible vegetables and certain roots and tubers	103.4	145.8	140.3	140.97	3.7	5.9	5.85	5.47	4.17%	3.88%
08	Edible fruit and nuts; peel of citrus fruit or melons	271.3	267.1	260.4	305.07	143.7	143.3	119.52	152.05	45.89%	49.84%
09	Coffee, tea, mate and spices	133.1	146.8	145.4	162.24	2.3	1.8	2.06	2.29	1.41%	1.42%
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	104.5	80.2	97.4	133.06	6.9	6.6	7.27	6.67	7.46%	5.01%
17	Sugars and sugar confectionery	293	246.4	276.8	248.49	3.9	4.9	4.9	4.75	1.77%	1.91%
18	Cocoa and cocoa preparations	182.9	185.4	200.3	210.74	2.7	3.5	3.76	3.65	1.88%	1.73%

19	Preparations of cereals, flour, starch or milk; pastry cooks' products	251.3	245	275	291.38	15.6	20	20.22	21.28	7.35%	7.30%
20	Preparations of vegetables, fruit, nuts or other parts of plants	216.4	224.5	256.4	287.42	36.2	40.1	35.29	38.6	13.76%	13.43%
21	Miscellaneous edible preparations	362.5	337	335.6	382.19	51.8	51.7	52.81	57.38	15.74%	15.01%
22	Beverages, spirits and vinegar	252.3	273.6	298.8	346.6	9.5	9.2	14.49	16.9	4.85%	4.88%
	Total	3,073	3,069	3,374	3,706	295.7	301.6	278.52	329.49	8.26%	8.89%

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

SECTION VI: KEY CONTACTS AND FURTHER INFORMATION

Links to government sources

Israel Tax Authority - [Customs Tariff Book](#)

Israel Central Bureau of Statistics (CBS) - [Exports and Imports](#)

The Standard Institution of Israel (SII) – [SII Shop](#)

Ministry of Economy and Industry- [Foreign Trade Administration](#) (FTA)

[Ministry of Agriculture](#)

Ministry of Health- [Food Control Administration](#): Telephone: +972-3-6270100

For questions or comments regarding this report, or assistance exporting to Israel, please contact the Foreign Agricultural Service in Tel Aviv. Importer listings are available from the Foreign Agricultural Service for use by U.S. exporters of U.S. food and beverage products.

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