

Voluntary Report – Voluntary - Public Distribution

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Report Name: Israel Proposes Temporary Expansion of Cheese Import Quotas to Reduce Consumer Prices

Country: Israel

Post: Tel Aviv

Report Category: Dairy and Products, Agriculture in the News, Trade Policy Monitoring

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Report Highlights:

The Israeli Government has proposed a temporary order to expand the duty-free import quota for cheese (HS 04063099) by 8,000 metric tons. This measure is effective from January 1, 2026, to December 31, 2027.

Background

Israel import quotas for cheese were established in 2021 under a tariff reduction order. In 2023, a temporary order introduced a reduction in tariffs on cheese imports from World Trade Organization (WTO) members, excluding cheese made from sheep's milk. These measures aim to address the high consumer prices for dairy products, promote competition, and reduce the cost of living while maintaining support for the domestic dairy industry.

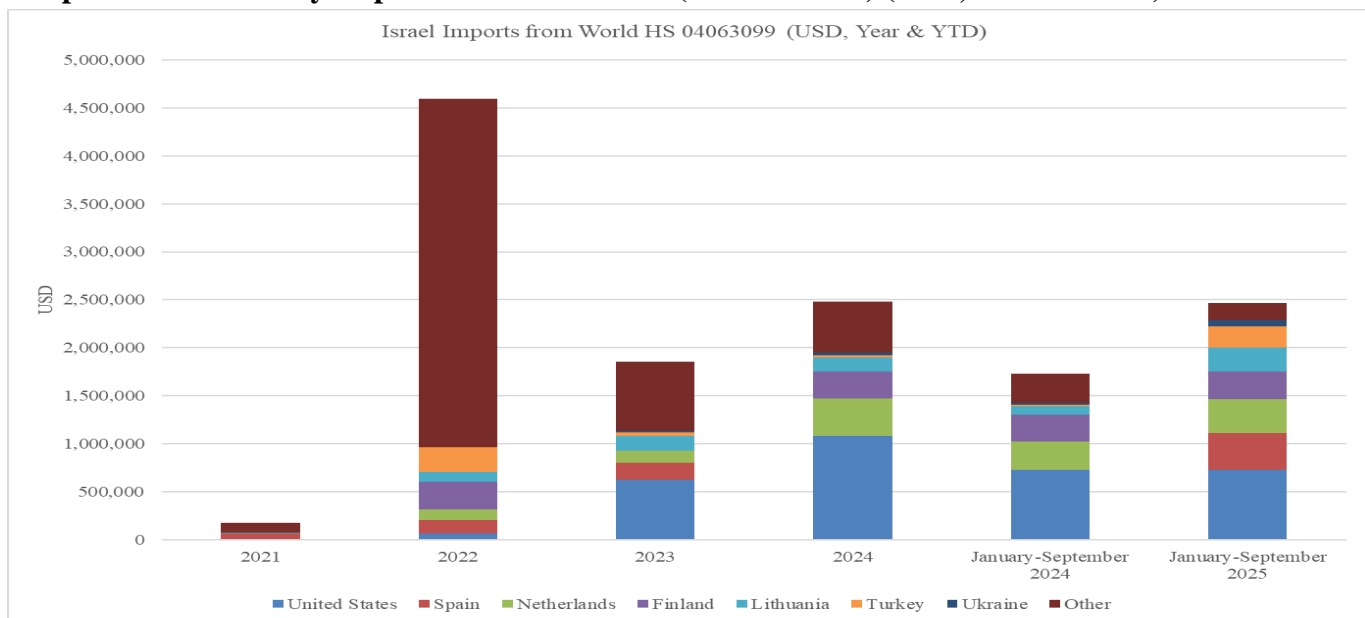
Current Situation

According to a survey conducted by the Organization for Economic Co-operation and Development (OECD) in 2023, prices of dairy products in Israel remain approximately 50 percent higher than the OECD average, with the prices of hard cheese up by 100 percent. This highlights the ongoing barriers in the dairy sector (e.g., a closed import market, a concentrated dairy market, and unique regulatory requirements). Currently, certain cheeses in Israel remain subjected to tariffs ranging from 3.34 Israeli New Shekels (ILS) to 8.63 ILS per kilogram or 8 percent.

Proposed Quota Changes

To increase competition and lower the consumer price, the Israeli Government has proposed a temporary order to expand the duty-free import quota for cheese (HS 04063099) by 8,000 metric tons (MT), increasing the total from 5,501 MT to 13,051 MT. This measure is effective from January 1, 2026, to December 31, 2027.

Graph 1 – Israeli Dairy Imports from the World (HS 04063099) (USD, Year & YTD)



Source: Trade Data Monitor ©

Impact on the Israeli Market

The proposed order is a temporary order for two years and does not completely open the market. The loss of revenue to the Israeli government from this order is estimated at 24.7 million ILS. This expansion is expected to lower consumer prices of dairy products with the introduction of more affordable imported cheese. The increased competition is also expected to drive demand, potentially benefiting both importers and local producers in the long term.

Impact on U.S. Exporters and Manufacturers

The proposed order is an opportunity for U.S. exporters and manufacturers in the dairy sector that meet Israeli regulations and labeling requirements. However, U.S. exporters will face strong competition especially from European brands. Recently, Carrefour announced that its private label dairy products are expected to enter the Israeli market. U.S. exporters will need to differentiate their products high quality, innovation and competitive pricing to capture market share. Success in this market will depend on strategic positioning and the ability to compete with both established European brands and new-to-market European brands, which benefit from logistical proximity and easier market accessibility.

Furthermore, Israel's Ministry of Finance (MoF) and Ministry of Agriculture and Food Security (MoAFS) have proposed competing reforms to address challenges in the dairy sector, each with distinct priorities. The MoF's plan emphasizes market liberalization, including the removal of production quotas and import tariffs, and a new pricing mechanism to lower consumer costs. However, critics warn it could destabilize rural communities, lead to job losses, and increase reliance on imports. In contrast, the MoAFS's "Nine-Step Program" focuses on strengthening local production through investments in technology, infrastructure, and geographic diversification, while supporting farmers with subsidies and retirement programs. The outcome of this policy discussion will have both implications and opportunities for U.S. exporters in the Israeli dairy market.

Attachments:

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