

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 5/2/2014

Israel

Post: Tel Aviv

Tel Aviv Tidbits -Developments in Israel's Agriculture and Food Sector

Report Categories:

Agriculture in the News

Approved By:

Ron Verdonk (Minister-Counselor)

Prepared By:

Yossi Barak & Gilad Shachar

Report Highlights:

The following developments in Israel's Agriculture and Food Sectors are summarized in this report:

- Israeli Government Further Opens Meat and Dairy Markets to Imports
- U.S. Corn is Back in Israel!
- Competition in Kashruth Certification

Israeli Government Further Opens Meat and Dairy Markets to Imports – On April 23, 2014, a team led by the Ministries of Economy, Agriculture and Finance proposed steps which should increase competition and lead to a decrease in dairy and meat retail prices and these measures will be submitted to the Israeli Government for approval this month, May 2014. Among the measures: eliminating tariffs on imports of live calves and opening a duty-free quotas for fresh beef, fresh hard cheeses, yogurt and cream. The committee said that dairy & meat markets are characterized by higher prices compared to corresponding foreign markets due to market failure, import barriers, regulatory requirements, such as kosher rules, and the lack of competition in links in the production chain in Israel. Proposed changes include:

Live calves & beef meat – Calves below/above 250 kg/head will enter Israel duty-free. In addition, Israel will issue a duty-free quota of 5,700 tons for fresh beef.

Dairy Sector - A comparison of prices with other countries was conducted and revealed that local dairy product prices are significantly higher compared to prices in OECD countries, and this is mainly due to a lack of competition for major dairies as reflected in retail prices and additional costs due to the highly expensive kosher process. In consequence, a duty-free import quota is recommended for a variety of dairy products which constitute about 20% of the total local dairy consumption including 6,500 tons for hard cheese, 1,250 tons for butter & cream and 1,500 tons for yogurt. In addition, new procedures will be decided in terms of the quota allocation process in order to increase the quota utilization percentage.

U.S. Corn is Back in Israel! – As a result of the uncertainty in Ukraine which is the largest feedstuff supplier to Israel, Ukraine's feed prices have increased including for corn and, as a result, Israeli importers have started to purchase U.S. corn. At the end of March 2014, Israeli importers purchased 85,500 MT of US corn and post estimates that U.S. corn imports will further expand in Israel in the coming months. In the past two years, the U.S. corn share in Israel was basically 0%. Israeli importers may buy South American sourced corn, but if Israeli importers need supplies for on-time arrival and thus good inventory to make feed, they will buy at least some corn from the US. Ukraine has been able to ship corn, even during this period of problems with Russia/Crimea through March, but everyone is concerned with their ability to ship in a timely manner for May-June. So even with the freight advantage, Ukrainian corn has become more expensive of late. Plus, there are growing complaints about the quality of Ukrainian corn as we get further along in the crop year. As a result, we have seen recent US corn sales to Egypt, Tunisia, Algeria, Morocco and now Israel. We don't see Ukrainian corn or other Black Sea origins disappearing, but they won't dominate the Eastern Mediterranean market like they have in the past few years.

Competition in Kashruth Certification - Among [other efforts by the Government of Israel](#) to lower customs duties on some imported foods in order to increase competition in the local food sector so as to lower food prices, the Finance Ministry is currently in talks with the Deputy Religious Services Minister, in an attempt to reach a groundbreaking agreement that would liberalize the requirements regarding the recognition of food imported into Israel as kosher. Strict standards imposed by the Israeli Chief Rabbinate concerning recognition of food as kosher, meaning that it complies with Jewish dietary practice, are considered a major obstacle to the importation of cheaper food. Currently, the Chief Rabbinate insists on recertifying imported food that has kashrut certification from rabbis abroad, meaning that without such approval, the merchandise will not be sold in kosher supermarkets. Although non-kosher food is also sold around the country, the largest supermarket chains sell only kosher merchandise. In the current contacts between the finance and religious services ministries, the possibility is being explored of enabling the Chief Rabbinate to accept foreign kashrut certification without requiring that the Rabbinate

itself confirm that products are kosher.

A team dealing with the cost of food, headed by the Finance Ministry's Director General, recommended last week that imports of dairy products and fresh meat be allowed into the country duty-free (see article above). Officials at the finance and economy ministries are placing great hope in the proposed move but concede that it also requires the removal of import barriers due to the current system of kashrut supervision.