

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Agriculture in the News

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Report Highlights:

Developments in Israel's food and agriculture sector:

- Reformed reforms – delays to changes in beef support programs
- Cornflakes Reform is expanding imports, without getting soggy
- In search of healthier eating
- Israeli babies pushing for greater competition in infant formula market

A Reformed Reform Plan for the Israeli Beef Industry – Coming to a Ministry Near You!

The Israeli Ministry of Finance announced that the planned reform of the Israeli meat industry would be delayed by one year. The final implementation of the reform will occur in 2020, rather than 2019 as initially announced.

On September 22, 2016, cattle producers and the government of Israel reached an agreement to reform the beef industry. The agreement converts farm support programs for beef producers from indirect protection, using quotas and tariffs, to a direct system of subsidies. The new plan raises the quotas on beef and other imported meats allowed to enter Israel duty-free. It furthermore reduces out-of-quota tariffs on imports in excess of the quota. The quotas for duty free beef will grow annually until 2020, from 7,500 MT in 2016 to 17,500MT in 2020. In addition, the tariffs and duties for out-of-quota beef imported will decrease gradually from 12 percent plus 13 NIS today, to zero in 2020. In order to protect domestic producers, cattle and sheep growers will receive approximately US \$66.5 million in direct aid from the government of Israel over the next eight years.

The agreement will drastically change the beef sector in Israel. Currently Israel imports approximately 200,000 head of feeder cattle annually along with both frozen and chilled beef. The agreement will lead to a reduction in imports of feeder cattle, which are primarily sourced from Australia (50-60%). Additionally, an increase in chilled beef imports will also have a negative impact on feed grain imports, which are currently used for feeder cattle.

Cornflakes Reform Doesn't Have Time to Get Soggy

In response to consumer protests in 2011, the Government of Israel is considering policy reforms proposed by a number of committees and working groups. One specific set of recommendations impacting dry food imports was approved in 2014 and entered into force September 30, 2016. This reform is known as the Cornflakes Reform. The new policy opens up some food imports to independent traders operating outside of the manufacturer's distribution system. Products such as pasta, breakfast cereals, cookies, crackers, snacks, rice and beans can now be imported to Israel by independent traders, creating greater competition and decreasing prices. Thus far, the reform does not apply to *sensitive* food products, such as animal products (i.e. eggs, milk, and beef) and infant formula. Under the new system, imports of non-sensitive foods will be unrestricted, provided that they meet predetermined standards.

The Cornflakes Reform marks a new era in Israel's food industry, opening up possibilities for imports and allowing foreign businesses to explore opportunities in Israel.

Eating Yourself Healthy

As in many countries today, Israelis are looking for ways to live healthier lives. In response to this trend, Israel's Chief Scientist is researching innovative foods that contain reduced preservatives, sodium, sugar and fat. Since 2008, the Chief Scientist has invested \$255 million in R&D to promote manufacturing, including of food products. Many food companies are expressing interest in the trend. The Strauss Company, for example, invested \$2.6 million in developing hummus without preservatives. Twenty percent of the R&D funding for this project was received from the Chief Scientist.

No to Duopoly! Israeli Babies Seek to End Anti-competitive Business Practices

Shufersal Ltd., one of Israel's largest retail chains, launched a new infant formula product under the brand name Shufersal Baby. The product is manufactured by Perrigo, a US-based firm and global leader in the production of infant formula. Shufersal Ltd. seeks to end the existing duopoly in the Israeli baby formula market. Currently, Materna and Similac control 92 percent of Israeli infant formula sales. According to figures from Shufersal, the newly released baby formula is seizing market share from its two competitors. In the last week of September, Shufersal's Baby brand formula accounted for 18 percent of all formula sales at the supermarket chain, compared to just 6 percent the prior week.