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## **Israel**

### **Citrus Annual**

#### **Tangerines Put the Squeeze on Oranges in Israel**

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**Executive Summary:**

Israel's area planted in citrus in MY 2017/18 is estimated at 18,800 hectares (ha), 110 ha less than the planted area in MY 2016/17. The productive area is 16,800 ha, with the remaining 2,000 ha being young orchards which have not yet reached maturity. Area harvested in oranges decreased this year due to shifting to easy peelers varieties, although estimations are that the total orange production will grow, due to good weather conditions. Also, the harvested area of mandarin/tangerines is expected to increase in coming years as additional young orchards come into production. Post expects continued increasing yields in these crops. Israeli growers that rely on exports are facing difficulty due to the current exchange rate and a strong Israeli Shekel.

**Commodities:**

Oranges  
 Grapefruit  
 Lemons/Limes  
 Tangerines/Mandarins  
 Orange Juice (FCOJ)

**Crop Area:**

Israeli citrus production is located throughout the country with the exception of the far south, south of Beer-Sheva, in the North Negev area. Currently, 27 percent of citrus is grown in the north of the country, 34 percent in the central areas, and 36 percent in the south. The total planted area in MY 2017/18 is 18,800 ha, which is a half percent decrease from the MY 2016/17 planted area of 18,910 ha. The decrease in overall planted area is explained by the reduced orange area. Of the total planted area, 2,000 ha are young orchards that have not yet entered into production. Post estimates the total harvested area to be 16,800 ha. This year there were very minor changes in total planted area and in land distribution of the different citrus cultivars.

**Oranges** – Of the total planted citrus area, 21 percent is occupied by orange trees. The total planted area of oranges did not change from last year. Earlier expectations of growth in planted area between MY 2014/15 and 2015/16, from 4,000 ha to 4,260 ha, did not occur as expected due to growing market preferences for other citrus varieties. Similarly, the predicted increase in orange production did not take place and yields were near the same as the previous year. Post expects orange production in MY 2017/18 to increase to 90,000 MT, growth of 11 percent over MY 2016/17. This increase reflects stable weather conditions throughout the growing season.

Israeli oranges, unlike in past years, are less attractive on the international markets with the bulk of production finding its way to the local market and to the domestic processing industry. There are almost no new plantings of orange varieties and the total area planted with this crop is expected to be stable in the coming few years. There is a slight decrease in the area planted with oranges due to the low prices they receive in the local market and the low demand for oranges for export. Out of the total of 80.6 TMT of oranges produced only 5.7 percent was exported.

Oranges, Fresh Market Begin Year Israel	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	4000	4000	4260	4000	0	4000
Area Harvested	3800	3800	3900	3750	0	3750
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	105	86	115	81	0	90
Imports	0	0	0	0	0	0
Total Supply	105	86	115	81	0	90
Exports	6	0	6	5	0	5
Fresh Dom. Consumption	52	60	54	46	0	46
For Processing	47	26	55	30	0	39
Total Distribution	105	86	115	81	0	90

(HECTARES) ,(1000 TREES) ,(1000 MT)

**Mandarin/Tangerine** – Post forecasts total mandarin and tangerine production to reach 265,000 MT in MY 2017/18, an increase of nine percent from 2016/17 production. The projected increase is based on an expansion of 150 ha in area harvested, as well as further maturation of orchards that came into production in recent years. Additional planted area will reach maturity only in the coming years, so multi-year growth in mandarin and tangerines is expected. This year's yields in mandarin/tangerine set a new production record and post expects this record to last only for one year due to even higher production quantities expected in MY 2017/18.

Israel grows more than 15 varieties of mandarin/tangerines. However, due to the very high demands in both local and export markets for the Or variety, most growers are switching to Or over other varieties. Today the Or variety holds 55 percent of the total exports of the Israeli citrus and 87 percent of the total mandarin/tangerine exports. Currently, there are no new varieties with better characteristics being propagated that could potentially replace the Or in the near future.

Tangerines/Mandarins, Fresh Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Israel						
Area Planted	9500	9500	9000	8385	0	8385
Area Harvested	7600	7600	7700	7700	0	7850
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	190	190	250	243	0	265
Imports	0	0	0	0	0	0
Total Supply	190	190	250	243	0	265
Exports	86	87	105	120	0	140
Fresh Dom. Consumption	64	63	70	68	0	70
For Processing	40	40	75	55	0	55
Total Distribution	190	190	250	243	0	265
(HECTARES) ,(1000 TREES) ,(1000 MT)						

**Grapefruit** – As the area planted in grapefruit hasn't changed in the past year, post expects a steady production for MY 2017/18. In the past few years farmers decreased their planted area of grapefruit due to low demand, but in the last few years there is a growing market for this product especially in Asian markets, primarily Japan, Korea and China. Current estimates put grapefruit production at 150,000 MT, which is a slight increase of less than one percent over the previous season.

Grapefruit, Fresh Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Israel						
Area Planted	3300	3300	2850	2850	0	2850
Area Harvested	3070	3070	2650	2650	0	2750
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	163	163	140	149	0	150
Imports	0	0	0	0	0	0
Total Supply	163	163	140	149	0	150
Exports	61	61	70	61	0	63
Fresh Dom. Consumption	10	10	11	8	0	8
For Processing	92	92	59	80	0	79
Total Distribution	163	163	140	149	0	150
(HECTARES) ,(1000 TREES) ,(1000 MT)						

**Lemons** – Production of lemons and limes in MY 2017/18 is forecast to reach 70,000 MT. This is expected due to favorable weather conditions. Both production and demand for lemons and limes are stable, leaving most supply shifts to climatic conditions.

Lemons/Limes, Fresh Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Israel						
Area Planted	2000	2000	2100	2100	0	2100
Area Harvested	1800	1800	1800	1800	0	1800
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	60	60	70	67	0	70
Imports	0	0	0	0	0	0
Total Supply	60	60	70	67	0	70
Exports	3	3	3	3	0	3
Fresh Dom. Consumption	55	55	65	60	0	65
For Processing	2	2	2	4	0	2
Total Distribution	60	60	70	67	0	70
(HECTARES) ,(1000 TREES) ,(1000 MT)						

## Consumption:

Post expects local consumption of fresh citrus for MY2017/18 to increase to 209 TMT, an 11 percent increase over the 2016/17 marketing year. The increase is expected as a result of the stable security situation with the Palestinian Authority, and the ability to send fruit to the West Bank and Gaza. Last year due to security issues trade with Gaza was slow until February. Almost 25 percent of the fresh locally consumed citrus is sold in Gaza and the West Bank.

**Table 1: Fresh Citrus Consumption by the Israeli Market (TMT)**

Product	2014/15	2015/16	2016/17	2017/18
Oranges	45	60	46	60
Grapefruit	8	10	8	8
Easy Peelers	67	63	68	70
Lemons/Limes	60	55	60	65
Others	6	7	6	6
<b>Total</b>	<b>186</b>	<b>195</b>	<b>188</b>	<b>209</b>

The Israeli fresh citrus market is price sensitive. When international prices drop, exporters tend to shift sales back to the domestic market, where prices remain higher and demand frequently outstrips supply. This year due to overproduction, the price for the fresh fruit was almost as low as the prices paid by the processing industry.

### ***Processing Sector***

The Israeli citrus processing industry is highly consolidated, as are many other sectors of Israeli food and agriculture production. In the case of citrus, two large firms control the country's local production. The primary producers are *Gan-Shmuel (Pri-Mor)* and *Pri-Niv*. These plants produce mainly liquid products both for the local market and for export. A plant called *Pri-Gat* is also producing frozen juice that is also sold locally and exported.

Post expects the total supply of processed juice to gradually decrease as the local market produces more fresh squeezed orange juice, mainly in the hotel and restaurant sector. In spite of that trend, marketing year 2016/17 showed an increase of 5.5 percent in citrus delivered for processing as compared to the previous season.

The farmers look at the domestic processing industry as their last resort. This year the prices paid by the domestic industry would not support an orchard. The increased exports left the domestic industry to absorb the remaining, often lower quality, fruit. As Israel is an importer of frozen orange juice (FOJ), the world price of frozen orange juice has direct effect on the prices paid by the industry to growers. As global prices of FOJ increase, the domestic industry will demand higher volumes, impacting procurement prices.

Orange Juice	2015/2016	2016/2017	2017/2018
Market Begin Year	Oct 2015	Oct 2016	Oct 2017

Israel	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	26000	26000	55000	40000	0	40000
Beginning Stocks	100	100	100	100	0	100
Production	2600	2600	5500	4000	0	4000
Imports	29000	29000	26000	21400	0	20400
Total Supply	31700	31700	31600	25500	0	24500
Exports	14400	14400	14000	13000	0	14000
Domestic Consumption	17200	17200	17500	12400	0	10500
Ending Stocks	100	100	100	100	0	0
Total Distribution	31700	31700	31600	25500	0	24500
(MT)						

**Table 2: Citrus Delivered for Processing (TMT)**

Processing	2014/15	2015/16	2016/17	2017/18
Oranges	35	46	30	64
Grapefruit	117	92	80	79
Easy Peelers	45	40	55	55
Lemons/Limes	2	2	4	2
<b>Total</b>	<b>199</b>	<b>160</b>	<b>168.5</b>	<b>200</b>

Consumption of local fresh citrus is driven by sales at coffee shops and hotels, as well as supermarket chains and open markets. While the former is a new and developing market, the latter remains highly competitive and sensitive to international price fluctuations.

**Table 3: Total Citrus Utilization (TMT)**

Period	Total exports		Delivery to processors		Local fresh market	
	Quantity	%	Quantity	%	Quantity	%
<b>2014/15</b>	163	30	199	36	186	34
<b>2015/16</b>	158	31	160	31	195	38
<b>2016/17</b>	189	35	168.5	31	188	34
<b>2017/18</b>	211	34	200	33	203	33

**Trade:**

Post forecasts that Israel's exports of citrus in MY 2017/18 will reach 213 TMT. This is up 12.6 percent from the 2016/17 marketing year. The increased exports are explained by higher production due to better climatic conditions and new plots that recently reached maturity. Though exports of grapefruit and lemons/limes are expected to remain stable, post anticipates exports of easy peeler mandarins and tangerines to increase by 16.7 percent, to a record of 140 TMT.

**Table 4: Citrus Exported (TMT)**

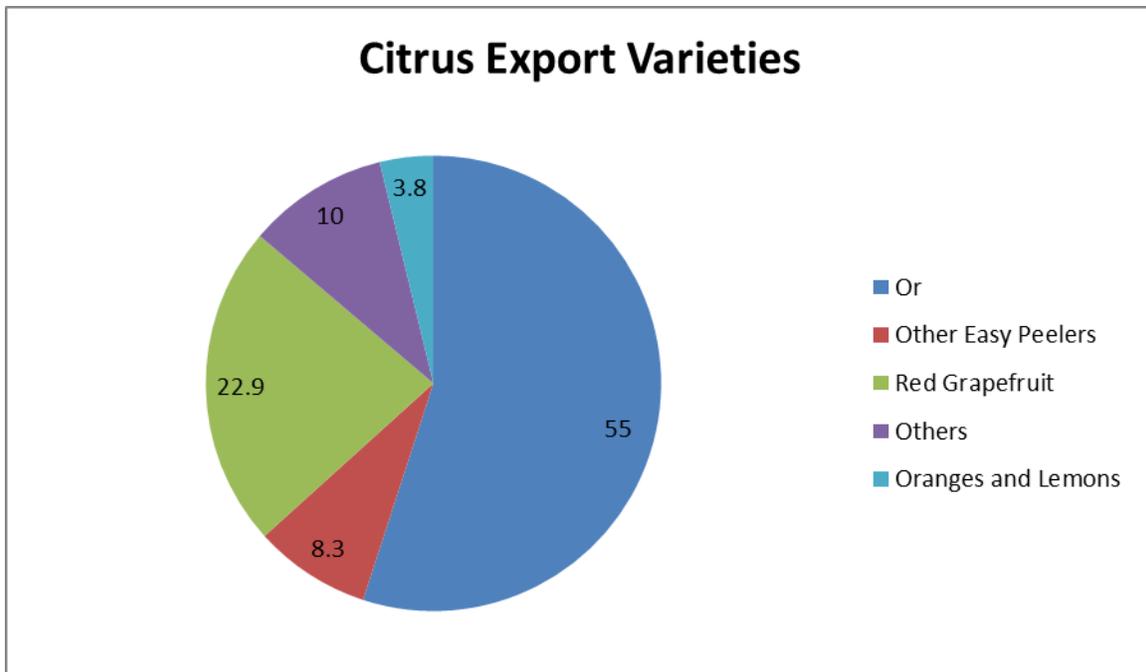
<b>Export</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Oranges	6	7	4.5	5
Grapefruit	61	61	61	63
Easy Peelers	93	87	119	140
Lemons/Limes	3	3	3	3
Others	NA	NA	1.5	2
<b>Total</b>	<b>163</b>	<b>158</b>	<b>189</b>	<b>213</b>

Total citrus exports in MY2016/17 were 189 TMT, an increase of 19.6 percent from the previous year. This increase is attributed to a good export market especially for grapefruit and easy peeler varieties. Short supplies for Israel's competitors, mainly Morocco and Spain from February till the end of the season, also attributed to increased exports. The Russian market was an exception this year as shipments there decreased. The Russian market tends to be more price sensitive, rather than focused on quality, and a high volume of low-cost Turkish product has displaced Israeli shipments. Israel's citrus exports to Russia and Ukraine accounted for 26 percent of the total citrus exports five years ago. This year Israel's exported only 11 percent to the region.

In recent years Israel has focused more on developing far away markets, such as North America, Japan, China, and Korea. These markets give a higher dollar value for the product than others. This year Israel's exports, to these destinations, were of 40 TMT compared to 28.5 TMT in 2015/16. Israel expects to have a bigger share of exports, to these markets out of its total exports in the future. Meanwhile Israel continues to explore new markets for its products, such as Australia.

Two varieties make up 78 percent of citrus exports from Israel, red grapefruit with 43.3 TMT and the Or mandarin variety with 104 TMT. Of citrus fruit, mandarins/tangerines are the most exported at 140 TMT, which makes up 65.7 percent of all citrus exports.

**Figure 1: Distribution of Exports, MY 2016/17**



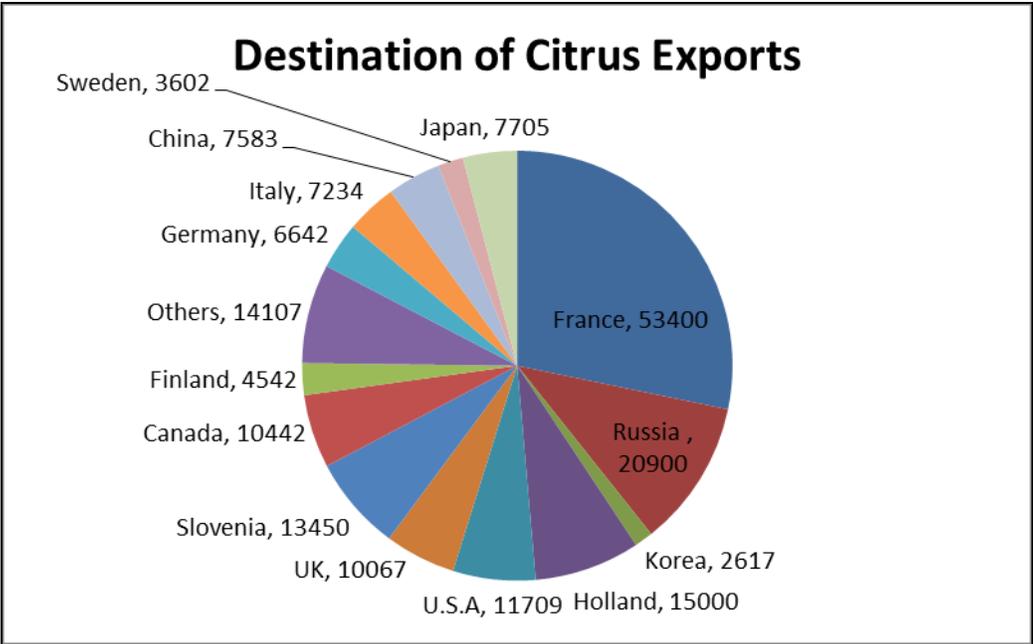
The European Union remains the largest importer of Israeli citrus, importing 114 TMT in MY 2016/17, which represents 60 percent of total exports. This is followed by Russia at 11 percent of exports, and the US at 6.3 percent. Importantly, certain Asian markets represent a growing destination for Israeli citrus. Exports to South Korea, China, and Japan reached 9.5 percent compared to eight percent of the MY 2015/16 total.

**Table 5: Five Leading Destinations for Israeli Citrus, MY 2016/17**

Destination	Quantity (TMT)	Percent of Exports
EU+ UK	114	60
Russia	21	11
USA	12	6.3
S. Korea, China, Japan	18	9.5
Canada	10.4	5.5

Israel is focusing on the development of Asian markets, primarily South Korea, China and Japan, as a destination for red grapefruit. Growth in mandarin/tangerine exports will focus on European markets. Israel expects to export 140 TMT of Or to Europe by the year 2020.

**Figure 2: Citrus Export Destinations, MY 2016/17, in MT**



**Policy:**

Exports of US citrus to Israel are not currently permissible. A Pest Risk Assessment (PRA) has not been conducted for US citrus.