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Report Name: Citrus Annual

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Post: Tel Aviv

Report Category: Citrus

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Report Highlights:

Israel's area planted in citrus in MY 2019/20 is estimated at 17,763 hectares (ha), 80 ha less than the planted area in MY 2018/19. The productive area is estimated at 17,000 ha, with the remaining 763 ha being young orchards, which have not yet reached maturity. The total area has decreased mainly due to uprooting easy peeler varieties that are less in demand and replacing them mainly by grapefruits. Total citrus production in MY 2018/19 was extremely low, compared to the past years and well below 2018 estimates. Post is decreasing production estimates for MY 2018/19 for all citrus varieties. Production is expected to return to normal levels in MY 2019/20 with a total production of 525 TMT if no extreme weather conditions occur.

Overview

Israeli citrus production in MY 2018/2019 is falling well below 2018 estimates. Producers reported decreased production across all citrus varieties. Post is decreasing MY 2018/19 production estimates across all citrus varieties. During MY 2019/20, post anticipates production to return to levels more in line with previous years, and to be close to the average production of 525TMT.

Industry has identified the weather as the main cause for the reduced production; heavy rainfalls with a total of 130 percent precipitation over the average across the country led to reduction in harvest days, late harvest and to quality issues. High percentage of the fruits were damaged and diverted to the industry. Farmers also reported that some plots were not harvested due to flooding and the yields were destroyed. As in other parts of the world, regional climate patterns are changing. More extreme weather conditions are affecting citrus production practices and yields.

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 rest are located along the eastern border of the country. Post estimates the total planted area in MY 2019/2020 at 17,842 ha, which is almost the same as the figures of the past season of 17,843 ha. There is almost no change in the total citrus area, but there are some changes in planted area of the different varieties: 65.2 ha, of mainly easy peelers were uprooted and replaced by 64.4 ha of mainly grapefruit varieties.

In recent years, the main challenge for Israeli farmers has been the longer summers and shorter winters with a severe decrease of rainfall and rain days. Farmers find themselves having to irrigate during the winter, a phenomena that was rare in the past. Israeli farmers are receiving an allocation of water in the beginning of the year and prohibited from using more than their allocation. Farmland for irrigated crops is limited and farmers are incentivized to plant high-value cash crops or those that use less water. Even though this year there was almost no decrease in the planted area of citrus, the area planted in citrus will likely decrease and be replaced by grapes, olives, and figs. In 1970, planted area for citrus was 42,000 ha, most of which were oranges. In MY 2018/19 the land occupied by citrus orchards is only 57.5 percent of the area in 1970.

Oranges – In MY 2018/19, orange production fell below 2018 estimates. Post is revising production downward to 67.8TMT, which is a 10.8 percent decrease from MY 2017/18. The updated production numbers are based on industry-reported data and reflect the climactic and production changes outlined above. Due to the decreased production numbers in MY 2018/19, post is also revising downward exports, domestic consumption, and processing estimates. Exports fell to 2.5 TMT, domestic consumption was 42 TMT similar to MY 2017/18, and oranges sent for processing dropped to 23.3 TMT.

In MY 2019/20, post expects production trends to return to normal with the average production area reaching 4,100 ha. High demand and strong prices are expected to continue in the local market, which might be driving a small growth in orange production. The bulk of Israeli orange production will find its way to the local market and domestic processing industry as prices are less attractive in international

markets. Post estimates that MY2019/20 orange production to reach 76 TMT, 12 percent increase over the current year. This increase reflects stable weather conditions throughout the growing season. Oranges now represent 23 percent of the total area for citrus.

Oranges, Fresh Market Begin Year Israel	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	4000	0	4100	4100	0	4100
Area Harvested	3750	0	3800	3700	0	3800
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	76	0	90	68	0	76
Imports	0	0	0	0	0	0
Total Supply	76	0	90	68	0	76
Exports	4	0	5	3	0	4
Fresh Dom. Consumption	42	0	46	42	0	44
For Processing	30	0	39	23	0	28
Total Distribution	76	0	90	68	0	76
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Mandarin/Tangerine – Post is revising downward MY 2018/19 tangerine production estimates based on industry-reported data, which reflect climactic and production changes impacting all Israeli citrus. Mandarin and tangerine production in MY 2018/19 was 198 TMT, 22 TMT below 2018 estimates. These production levels are slightly higher than those of MY2017/18, which were the lowest in a decade in Israeli mandarins and tangerines. In line with decreased production, post is also lowering domestic consumption and export numbers and increasing by five percent the processing figures. The processing sector received bigger quantities this year due to low quality related to weather conditions.

In MY 2019/20, post forecasts total mandarin and tangerine production to reach 200 TMT, which is similar to the past MY production figure.

Over the past 13 years, the average yields of the Or/Ori variety of tangerine was around 24.5 MT/ha of A class (export quality). [Note: These are data collected from trees over five years old, producing export-quality fruit.] These production levels are profitable for farmers and sustainable. In the past few years, yields have dropped below the average making production non-economic for the growers. This year, production per ha was 18.2 MT of A class, which led to a change in the trend of planting new plots of easy peelers and the total planted area of easy peelers decreased by 65 ha.

Israel grows more than 15 varieties of mandarins and tangerines; however, Israeli growers are focusing today mainly on one variety of tangerine: the Or/Ori variety. The Or variety maintains high demand and strong prices in both local and export markets. Areas planted in other tangerine varieties are decreasing as farmers switch to the Or variety. Currently, there are no new varieties with better characteristics being propagated that could potentially replace the Or in the near future. The Or variety is estimated to make

up 61 percent of the total tangerine production in MY 2019/20. Today, the Or variety holds 57 percent of the total exports of the Israeli citrus and 90 percent of the total mandarin/tangerine exports. Israeli growers are facing strong international competition in European markets, mainly from producers of tangerines from North Africa and Spain.

Tangerines/Mandarins, Fresh Market Begin Year Israel	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	8385	0	8100	8100	0	8135
Area Harvested	7850	0	7850	7600	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	162	0	220	198	0	200
Imports	0	0	0	0	0	0
Total Supply	162	0	220	198	0	200
Exports	88	0	110	102	0	110
Fresh Dom. Consumption	42	0	70	54	0	55
For Processing	32	0	40	42	0	35
Total Distribution	162	0	220	198	0	200

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

Grapefruit – In line with other production decreases, post is decreasing MY2018/19 grapefruit production estimates 10 percent, from 155 TMT to 139 TMT. As shipments of grapefruit to certain Asian markets remain strong, post is raising grapefruit exports by 12 TMT. Consumption decreases are expected in the processing sector, which are estimated to decrease to 68 TMT as produced quality is expected to be better this season.

In MY 2019/20, grapefruit production is expected to return to its normal levels at 155 TMT. This year, 325 ha of new plots of red and white grapefruit were planted as farmers responded to export demand from Asian markets. In the recent past, farmers were decreasing their plantations of grapefruit due to low demand; however, in the last few years there have been growing markets for the product in Asia, especially for red grapefruit. Japan, Korea and China are all increasing imports. Israel intends to continue focusing on these markets because of limited competition and good prices.

Red grapefruit remain the most popular in international markets. The biggest market for red grapefruit was France with a share of 24 percent (8.6TMT) followed by Japan with a share of 15 percent. The red grapefruit exported in MY 2018/19 was 36 TMT, which represents 67percent of the total grapefruit exported.

Grapefruit, Fresh	2017/2018	2018/2019	2019/2020
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Market Begin Year Israel	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2850	0	2950	2950	0	3275
Area Harvested	2750	0	2800	2700	0	3000
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	144	0	155	139	0	155
Imports	0	0	0	0	0	0
Total Supply	144	0	155	139	0	155
Exports	68	0	75	54	0	75
Fresh Dom. Consumption	8	0	8	8	0	8
For Processing	68	0	72	77	0	72
Total Distribution	144	0	155	139	0	155
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Lemons – In MY 2018/19, post is decreasing lemon and lime production estimates from 75 to 68 TMT in line with overall citrus decreases. Lower domestic consumption is expected as result of the decreased production.

In MY 2019/20, post forecasts lemon and lime production to increase to 75 TMT. Domestic demand for lemons and limes remains high and fresh domestic use absorbs most of the supply. Post expects domestic consumption to increase to 67 TMT in MY 2019/20 as production rebounds and prices stabilize.

Lemons/Limes, Fresh Market Begin Year Israel	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2100	0	2150	2150	0	2150
Area Harvested	1800	0	1850	1750	0	1850
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	65	0	75	68	0	75
Imports	0	0	0	0	0	0
Total Supply	65	0	75	68	0	75
Exports	1	0	3	2	0	3
Fresh Dom. Consumption	60	0	67	60	0	68
For Processing	4	0	5	6	0	4
Total Distribution	65	0	75	68	0	75
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Consumption:

Local consumption of fresh citrus in MY 2018/19 was extremely low due to tight supply. Additionally, the quality of the fruit supplied to the local market was lower than usual and prices were relatively high, likely also associated with the decreased production. Local fresh consumption in MY 2018/19 was 14 percent lower than anticipated in the previous marketing year of 2017/18. MY 2018/19 figures were slightly higher than the previous MY, which was also slow due to diversion of easy peelers that were not exported. The tight supply and continued domestic demand for fresh citrus put upward pressure on domestic prices.

The Israeli fresh citrus market is price sensitive. When international prices drop, exporters tend to shift sales back to the domestic market, where prices tend to remain high and demand frequently outstrips supply. The tight supply situation in MY 2018/19 created this dynamic.

Post expects local consumption of fresh citrus for MY2019/20 to increase to 181 TMT, a slight increase of almost two percent over the 2018/19 marketing year.

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

Product	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Oranges	45	60	46	42	42	44
Grapefruit	8	10	8	8	8	8
Easy Peelers	67	63	68	42	54	55
Lemons/Limes	60	55	60	60	68	68
Others	6	7	6	6	6	6
Total	186	195	188	158	178	181

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.

Farmers look at the domestic processing industry as their last resort. In general prices paid by the domestic industry would not support an orchard, but this year the prices paid by the domestic industry were a perfect escape for the low-quality fruit harvested by the farmers. Unfavorable weather conditions this year led to increased low-grade production in the citrus groves. 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 Market Begin Year Israel	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	30000	30000	39000	23000	0	30000
Beginning Stocks	100	100	100	100	0	100
Production	3000	3000	3900	2300	0	3000
Imports	24516	24516	24000	22700	0	22700
Total Supply	27616	27616	28000	25100	0	25800
Exports	17116	17116	17400	16500	0	15900
Domestic Consumption	10400	10400	10500	8500	0	9800
Ending Stocks	100	100	100	100	0	100
Total Distribution	27616	27616	28000	25100	0	25800

(MT)

Table 2: Citrus Delivered for Processing (TMT)

Processing	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Oranges	35	46	30	30	23	28
Grapefruit	117	92	80	68	77	72
Easy Peelers	45	40	55	32	42	35
Lemons/Limes	2	2	4	4	6	4
Total	199	160	169	134	148	139

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	%
2014/15	163	30	199	36	186	34
2015/16	158	31	160	31	195	38
2016/17	189	35	168.5	31	188	34
2017/18	163	36	134	30	152	34
2018/19	161	34	148	31	164	35
2019/20	192	38	139	27	175	35

Trade:

Post forecasts that Israel’s exports of citrus in MY 2019/20 will reach 194 TMT. This is up 19 percent from the 2018/19 marketing year. The increased exports are explained by higher production due to good climatic conditions. Total citrus exports in MY 2018/19 were 162.5 TMT, almost the same as in the previous year.

Table 4: Citrus Exports (TMT)

Export	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Oranges	6	7	4.5	4	3	4
Grapefruit	61	61	61	68	54	75
Easy Peelers	93	87	119	88	102	110
Lemons/Limes	3	3	3	1	2	3
Others	NA	NA	1.5	2	1.5	2
Total	163	158	189	163	162.5	194

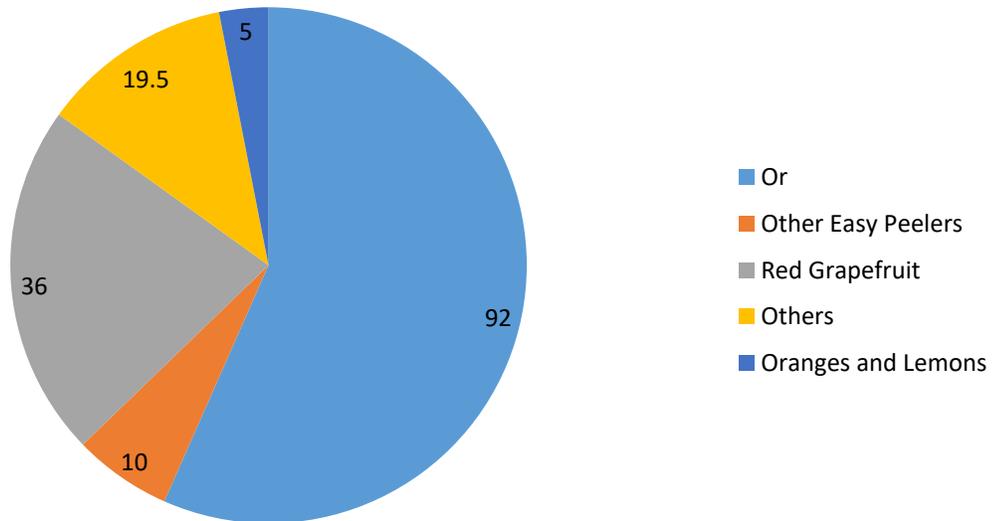
Israel is seeking out new export markets that will be able to absorb its produce with little competition from other countries. Currently, the aim is to increase the exports of grapefruit to Far Eastern market such as Japan, S. Korea and China as well as to open the Indian market for Israeli produce. The Israeli citrus industry intends to expand shipments to China, Japan and South Korea, as well as gain market access to other markets, such as India. Israel faces stiff competition in Europe from exporters in Morocco and Spain. Also elongated export seasons of the southern hemisphere compete with the early yield of Israeli citrus.

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. Israeli citrus exports to these destinations grew steadily, but exports decreased this season mainly due to the low quality. Meanwhile Israel continues to explore new markets for its products, such as Australia and India. Currently, these two markets are closed for Israeli citrus exports due to SPS issues.

Two varieties make up 79 percent of citrus exports from Israel: red grapefruit with 36 TMT and the Or mandarin variety with 92.4 TMT. mandarins and tangerines are the most exported at 102 TMT, which makes up 63 percent of all citrus exports.

Figure 1: Distribution of Exports, MY 2018/19

Citrus Export Varieties



Policy:

Exports of US citrus to Israel are not currently permissible. A Pest Risk Assessment (PRA) has not been conducted for US citrus. Indications are that even if Israel's Plant Protection Inspection Services (PPIS) conduct a PRA for US citrus, high shipping costs would limit the commercial viability. In addition, Israel does not import any fresh citrus fruit and is not expected to do so in the coming years.

Attachments:

No Attachments