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Israel

Food Processing Ingredients

Israel 2018 Food Processing Ingredients

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Report Highlights:

With over 1,800 facilities, the Israeli food processing sector is an important player in the domestic economy. In 2016, Israeli food processors' annual revenue stood at \$15.9 billion while the beverage and tobacco industry's annual revenue was \$2.1 billion. The sector currently represents over 18 percent of Israel's total manufacturing industry's revenue. With limited land and resources, as well as a growing population, the ingredients demanded by the Israeli food processing sector represent an excellent opportunity for U.S. exporters of food ingredients. In 2016, Israel imported \$2.3 billion in raw food products for the food processing industry.

Market Fact Sheet: Israel

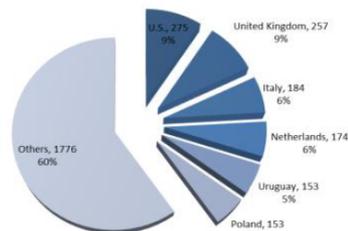
Executive Summary

Israel is a technologically advanced, market-oriented economy. In 2017, the Israeli Central Bureau of Statistics (CBS) estimated Israel's GDP at US\$352 billion. Consumers are sophisticated and enjoy cosmopolitan food tastes. Currently, 16.7 percent of household expenditures are dedicated to food products. Producers, food processors, wholesalers, retailers, food service operators, and food importers are all part of a well-developed agribusiness sector, contributing to a domestic scenario that is competitive and dynamic. In 2016, imports of agricultural products reached US\$5.6 billion.

Imports of Consumer-Oriented Products

Israel's limited land and water resources preclude a high level of agricultural self-sufficiency; this affects local production costs and consumer prices. The country posts sizeable trade deficits in food and agricultural products, importing large volumes of feed grains and sizable volumes of consumer oriented products. In 2016, Israel's import of consumer oriented products stood at US\$2.97 billion. Approximately nine percent of imports were sourced from the U.S.

Imports of Consumer-Oriented Products (US\$ million)



Food Processing Industry

With over 1,800 facilities, the Israeli food processing sector is an important player in the domestic economy. The Israeli food processing industry is innovative; marketing approximately 5,000 new products per year. Multi-national food manufacturers like Nestlé, Unilever, Danone, and Pepsi partner with well-known Israeli food companies such as Osem and Strauss. The local food processing industry is dominated by four groups: Tnuva, Osem-Nestlé, Unilever, and Straus.

In 2016, Israeli food processors' annual revenue stood at \$15.9 billion while the beverage and tobacco industry's annual revenue was \$2.1 billion. The sector currently represents over 18 percent of Israel's total manufacturing industry's revenue. With limited land and resources, as well as a growing population, the ingredients demanded by the Israeli food processing sector represent an excellent opportunity for U.S. exporters of food ingredients. In 2016, Israel imported \$2.3 billion in raw food products for the food processing industry.

Food Retail Industry

Israeli fast-moving consumer goods (FMCG) sales reached US\$11.89 billion in 2017. Of which, US\$8.9 billion were from food products. Over 60 percent of the sales of the total retail market are from supermarket chains. The food retail market is made up of supermarket chains, as well as urban convenience stores and gas stations, neighborhood grocery stores; and wet markets. Large supermarket facilities are located in the outskirts of the large cities near major roads, while smaller neighborhood supermarkets are conveniently located.

There are ten leading supermarket retailers. The leading retail supermarkets in Israel are: Shufersal, Yenot Bitan, Rami Levi, Hasikma Distribution, and Osher Add. Israel's largest retail producer and seller of non-kosher products is Tiv Ta'am.

Quick Facts CY 2017

Imports of Consumer-Oriented Products (US \$million)
\$2.971 (2016 data)

List of Top Growth Products

- 1) Espresso capsules
- 2) Premium popsicles and ice cream
- 3) Specialty cheeses
- 4) Premium dark chocolate 70% cocoa
- 5) Milk alternatives
- 6) Protein enriched products

Top Trends:

Organic, Vegan, Premium, Gluten-free

Food Industry by Channels (U.S. billion) 2017

Food Processing Industry Revenue	\$15.9 (2016 data)
Food and Agricultural Products* Exports	\$1.67(2016 data)
Food and Agricultural Products* Imports	\$5.6(2016 data)
Private Food Consumption Expenditure (not including drinks)	\$27.63(2016 data)
Bar-coded Retail Food Market	\$8.9
Bar-coded Retail Drinks Market	\$1.25
Consumer Foodservice	\$5.9

*Harmonized Tariff Schedule Chapters 1-24

Top 10 Host Country Retailers

Shufersal, Yenot Bitan, Rami Levi – Hasikma Distribution, Merav-Mazon Kol/Osher Add, Tiv Taam, Chazi Hinam Kol-bow, Victory, Yohanannov Super Shuk, Machsanei Hashuk, and Coop Israel-Jerusalem.

GDP/Population 2017 (CBS estimate)

Population (millions): 8.78

GDP (billions USD): \$352

GDP per capita (USD): \$40,100

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<p>U.S. products are perceived as better products; The Israeli consumer appreciates U.S. products and they are in demand; Many U.S. suppliers are kosher certified.</p>	<p>Cost of shipping from the U.S. is high; Israel's standards tend to follow EU standards and not U.S. standards; U.S. exporters lack knowledge of the Israeli market and are unaware of new opportunities.</p>
Opportunities	Challenges
<p>Free trade agreement between the U.S. and Israel; The Israeli Ministry of Economy is determined to open the market for more imports in order to lower the cost of living; Israel has the potential to be a bridge to the Palestinian Authority with its rapidly growing population.</p>	<p>Low-cost competition from Eastern Europe, Turkey, former Soviet Union, South America, and Asia; Israel is a small market</p>

Data and Information Sources: Israeli Central Bureau of Statistics, Storenext, Euromonitor, Bank of Israel, FAS Tel Aviv office research, UN Comtrade Database

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SECTION I: MARKET SUMMARY

The Israeli food and beverage processing industry is made up of more than 1,800 food processing facilities and 132 beverage plants. The industry employs over 64,000 workers. In 2016, the Israeli food processing industry's annual revenue was \$15.9 billion [60.4 billion New Israeli Shekels (NIS)] while the beverage and tobacco industry's annual revenue was \$2.1 billion (NIS 8 billion). The sector currently represents over 18 percent of Israel's total manufacturing industry's revenue.

Israel's food and beverage processing industry is centralized, and a small number of large local companies supply most of the food sold in Israel. The five largest food companies are Osem, Strauss, Unilever, Tnuva, and the Central Beverage Company.

Israeli food production has been stable for the past few years, indicating that manufacturers are not expanding to keep up with increasing demand driven by population growth. Some of the gap between increasing demand and current supply is being filled by imports, which expanded by six percent during 2016. For some products Israel is fully dependent on imports; soybeans, rice, sugar, coffee and tea are examples of commodities not produced in Israel. Other commodities such as wheat, corn, apples and almonds are produced, but production does not meet market demand, creating an opportunity for imports. The import of raw materials for processing is an important link in Israel's food supply chain.

Ingredients are imported directly by the processors or by importers that later supply processors. Based on Israel's Central Bureau of Statistics, in 2016 Israel imported \$2.3 billion in raw food products for the food processing industry.

Current market trends:

- Greater focus on healthy foods, reduced fat, reduced salt, reduced sugar;
- The Israeli food processing industry is focused on improving the nutritional value of its products, in order to promote healthy eating habits and lifestyles among the local population;
- Many firms are currently reformulating products as a result of [new labeling regulation](#) impacting retail products. Opportunities may exist for ingredient exporters to take advantage of that reformulation.
- Although consumers remain health-conscious, the consumption of quality foods such as high end chocolate, desserts and cheeses is growing as well;
- Gluten-free products have experienced significant growth rates;
- Rise in protein enriched products;
- More consumers are seeking organic, natural products;
- Rising consumption of milk alternatives.

Table 1: Advantages and Challenges for U.S. Exporters to Israel

Advantages	Challenges
U.S. products are perceived as better products.	High shipping costs.
The Israeli consumer appreciates U.S. products and they are in demand.	Low-cost competition from Eastern Europe, Turkey, former Soviet Union, South America, and Asia.
Many U.S. suppliers are kosher certified.	Restricted food ingredients, for example non-kosher meat, poultry and pork.
Free trade agreement between the U.S. and Israel.	Israeli buyers unfamiliar with U.S. suppliers and products.
Israel has the potential to be a bridge to the Palestinian Authority with its rapidly growing population.	U.S. exporters lack knowledge of the Israeli market and are unaware of new opportunities.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Food ingredient suppliers from the U.S. should focus on establishing their business relationship with a reliable and efficient importer and distributor. Identify the appropriate distribution and sales channels. Commissioned agents are generally used for raw materials and commodities. Potential U.S. exporters can expand trade if confidence between them and their Israeli partners is strengthened. Visits by U.S. exporters and manufactures to Israel to explore opportunities and meet with Israeli importers would strengthen the relationship and market potential.

Large food processors like Strauss group, Osem and Sugat have their own purchasing and importing division to handle ingredient imports directly. Major food processors are increasingly importing directly from foreign suppliers in order to reduce costs. Suppliers should initially contact the research and development, as well as purchasing or importing divisions of large food manufactures, especially for new-to-market ingredients. A listing of contacts for Israel's major food processors is available from FAS Tel Aviv upon request.

Exporters should consider the price sensitivity of their customers, their product requirements, purchasing policies, and expected purchase volumes. Further details on product standards and regulations are available in the [Israel FAIRS Country Report](#).

Additional Entry Options:

- Direct marketing (phone/video calls, emails, meetings);
- The internet is widely used in Israel, and increasingly a direct marketing avenue;
- Manufacturing under licensing agreements is also common in Israel;
- The government of Israel encourages both joint ventures and licensing;
- Participating or visiting the [ISRAFOOD](#) an international food and beverages exhibition in Tel Aviv for professionals of the catering and food wholesale, retail, restaurants, hotels, institutional and food shops. It is the largest trade exhibition of its kind in Israel.

B. Import Procedure

Details on import procedures are available in the [Israel FAIRS Country Report](#).

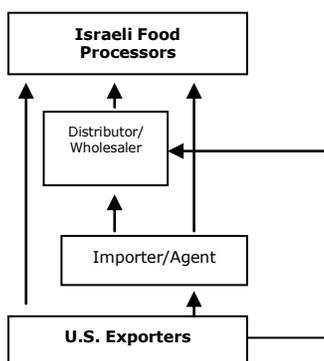
C. Market Structure

Raw food materials are imported either directly by food manufacturers, through importers, or agents. Importers and agents sell directly to food manufacturers or via distributors. Local producers of raw food materials generally sell directly to food manufacturers, but will use distributors to supply to smaller food manufacturers.

The large food processing companies, as well as some large distributors, prefer to source their food ingredients directly from overseas suppliers. By removing local agents from the distribution chain, they can save costs and are able to buy bulk and repack as needed. The majority of the big food processing companies in Israel have their own import departments.

Smaller Israeli food processors tend to prefer to purchase from agents because they can obtain better service from local agents. The local agents normally buy large quantities from overseas and distribute those to smaller buyers. Small food processors are able to use local suppliers to protect themselves from some risk and better manage contract terms, quality issues, etc.

Figure 1: Distribution Channel for Imported Food Ingredients



Food processors sell their products to a variety of sectors, including hotel, restaurant, institutional food service sector, retail and wholesale. More information on specific sectors is available in the [Israeli HRI Food Service sector](#) and the [Israeli Retail Food Market](#) reports.

D. Company Profiles

Company profiles can be found in Table 3 (page 8) of [Israel Food Processing Ingredients 2017](#).

E. Sector Trends

- A. The Israeli food industry is highly centralized, 40 percent of all the retail sales and 65 percent of the major suppliers are products coming from the four largest companies: Tnuva Group, Coca-Cola, Osem-Nestle and Strauss-Elit. Israeli companies produce some foreign brands of food products under license with the rights to market within specific geographical regions. Though small firms have been largely pushed out of the market, recent regulation designed to deconsolidate the market is giving them more favorable treatment.
- B. The Israeli government is trying to bring new players into the market by issuing import permits and duty free quotas to smaller companies and importers. Policymakers hope that increased competition will put downward pressure on prices and reduce the cost of living.

- C. An ecosystem of start-up incubators and investment funds focused on health and food technologies from the farm-to-the-fork (agriculture, processing, packaging, consumer products) has developed in Israel in the last number of years. The Kitchen and Foodlab Capital are two examples of Israeli private-sector start-up incubators and venture capital that help support the commercialization of new technologies and companies.
- D. The Israeli government is implementing new labeling regulation that will require warning labels on foods deemed high in sodium, fat, and sugar. Specified products will be marked with a red front of pack label.
- E. Multinational companies (Nestle, Danone, Unilever, PepsiCo and others) are often in joint investments with Israeli investments.
- F. Israeli manufacturing companies export kosher food products to Jewish and Israeli communities worldwide. In 2016, Israel exported roughly one billion dollars in food and beverages.

SECTION III: COMPETITION

The U.S. food industry has a positive image in Israel in terms of reliability and food safety. Exporters need to be competitive in their pricing or focus on high-end products, which tend to be less price sensitive. Israel has a large food production industry of its own. There is also strong competition among food importers seeking to maintain or enlarge their market share. Nearby EU countries operate with relatively low shipping costs.

Local and EU suppliers remain U.S. exporters' main competitors. The U.S. industry's primary advantage is supply reliability, product quality, and the recognition its high food safety standards. Conversely, high shipping costs, adoption of EU standards, import duties, and import licensing requirements remain major market barriers.

Israel is a small country with a limited market, due to the political situation in the Middle East, products that are imported to Israel cannot later be re-exported to neighboring countries. The U.S. exporter needs also to consider the longer freight time to Israel and the higher transport costs. Advantages of U.S. products include:

- The Israeli consumer considers U.S. products to be better products;
- There are many products in the U.S. which already hold a Kosher certificate, thus they do not have to face the hurdle of obtaining a certificate;
- There is a free trade agreement (FTA) between the U.S. and Israel which gives an advantage for some products to be imported to Israel with better tariffs and custom rates than from other countries;
- Israel and the Palestinian Authority (PA) are almost one market. Products imported to Israel may be destined for the [PA food and beverage manufacturing sector](#), with its market of over three million people.

Table 2: Competitive Situation for Intermediate Agricultural Exports to Israel

Product Category	Major Supply Sources (Share in value %)	Strengths of Key Supply Countries
Fish and Crustaceans, Mollusks and Other Aquatic Invertebrates HS03 Import N/A CIF \$403 million	1. Norway 38% 2. China 15.2% 15. USA 1%	Norway is a large provider of salmon, located closer to Israel than the USA. China is a large provider of frozen fish. China's advantage is relatively low prices.
Milk and Cream, Concentrated or Containing Added Sugar or Other Sweetening Matter HS0402 Imports 8,199 MT CIF \$23.7 million	1. Germany 53.9% 2. USA 17.9% 3. Netherlands 14.2%	
Cheese and Curd HS 0406 Imports 8,494 MT CIF \$46.4 million	1. Poland 26.1% 2. France 17.1% 3. Netherlands 15.9% 5. USA 5.7%	Pricing and availability.
Other Nuts, Fresh or Dried, Whether or Not Shelled or Peeled (Excluding Coconuts, Brazil Nuts and Cashew Nuts) HS0802 Imports 17,314 MT CIF \$132 million	1. USA 72.3% 2. Turkey 11.3%	Good quality and availability.
Dried Fruits and Nuts HS0813 Imports N/A (estimated at 3,979 MT) CIF \$15.7 million	1. Turkey 35.8% 2. USA 29.5% The U.S. market share has suffered a large decline over the past 5 years, from 58.6% in 2012.	Pricing and availability.
Cereals HS10 Imports N/A CIF \$766 million	1. Black Sea suppliers 3. USA 5% A decade ago the USA was in 3rd place with a market share of 20%	The U.S. market share is being replaced by regional suppliers who have increased production and greatly improved quality in recent years.
Soybeans, Whether or Not Broken HS1201 Imports 451,001 MT CIF \$181 million	1. USA 48.6%	
Fruit Juices (Including Grape Must) and Vegetable Juices, Unfermented and Not Containing Added Spirit, Whether or Not Containing Added Sugar or Other Sweetening Matter HS 2009 Imports 34,542 MT CIF \$64.9 million	1. Brazil 16.1% 2. South Africa 8% 3. USA 9.5% In 2015 the USA held a record high market share of 21.1%, the USA average market share in the last five years is 13.26	Pricing and availability.

Metric tons = MT. Cost-insurance-freight = CIF.

Source: CBS, Foreign Trade Statistics; FAS Tel Aviv office research.

SECTION IV: BEST PRODUCT PROSPECTS

Category A: Products Present in the Market which have Good Sales Potential

- Israel is almost completely dependent on imports to meet its grain and feed needs. As a result, U.S. feed corn, wheat and soybeans are present in the market and have good market potential. Though, the U.S. cereal market share is being replaced by regional suppliers who have increased production and greatly improved quality in recent years.
- Nuts and dried fruits from the U.S. are present in the Israeli market and have good sales potential. Many nut products can be exported tariff free quota from the United States.

Category B: Products Not Present in Significant Quantities But That Have Good Sales Potential

- There is a market demand for frozen cherries and berries and clear sales potential. Prices for these products are high and local production does not meet demand.
- Maple syrup

Category C: Products Not Present Because They Face Significant Barriers

- Non-kosher meats are not allowed for importation.
- Kosher barriers on crustaceans and mollusca. They are not kosher and most supermarkets and retailers do not offer them.
- Pineapple, banana, cherries and citrus are not allowed for importation due to plant protection restrictions.
- Natural honey faces high duties.

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

U.S. Embassy Israel, Foreign Agricultural Service (FAS) Office of Agricultural Affairs

Physical Address: 71 Hayarkon Street, Tel Aviv, Israel 63903

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FAS Regional Head Office, Office of Agricultural Affairs, U.S. Embassy Cairo

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For additional information, see www.fas.usda.gov. See also to our Food and Agricultural Import Regulations and Standards (FAIRS) reports, FAIRS Export Certificate, Food Processing Ingredients Sector, and HRI Food Service Sector GAIN reports.

GOVERNMENT REGULATORY AGENCY CONTACTS

Israel WTO-TBT Enquiry Point, Israeli Ministry of Industry, Trade and Labor

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Food Control Service (FCS), Israeli Ministry of Health

12 Ha'arba'a St., Tel Aviv, Israel 64739

Telephone: 972-3-6270112 - Fax: 972-3-6270126

Website: www.health.gov.il/english/

Israel Veterinary and Animal Health Services (IVAHS), Israeli Ministry of Agriculture

Chief Import & Export Veterinary Officer

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PO BOX 12, Beit Dagan, Israel 50250

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