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Report Highlights:

Total food and feed grain imports in MY 2004 amounted to approximately 4.2 million MT (same as MY 2003), of which 2.88 million MT (69 percent) were feed and milling grains. The U.S. market share for feed grains in MY 2004 decreased by 67 percent compared to MY 2003 levels. Israeli production of milling wheat in crop year 2005 totaled 180,000 MT. Wheat production in crop year 2006 is forecast at 162,000 MT.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Tel Aviv [IS1]
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Executive Summary

Israel is dependent on imports for its grain and feed needs. Wheat for milling is the main domestically produced commodity, supplying nearly 21 percent of approximately 850,000 tons consumed annually. Total food and feed grain imports in MY 2004 (October 2004-September 2005) amounted to close to 4.2 million MT (same as in MY 2003), of which 2.88 (69 percent) million MT were feed and milling grains and the remainder was soybeans, gluten, meals, oats and other substitutes. Imports of wheat for feed increased in MY 2004 and totaled 685 TMT, a 278 percent increase. The U.S. market share for feed grains in MY 2004 decreased by 67 percent compared to the previous year (from 1.9 MMT to 585 MT).

The U.S. market share for milling wheat in MY 2004 decreased by 43 percent compared to MY 2003 levels (from 673 TMT to 307 TMT). The decrease was due to a high price gap between U.S. milling wheat and other sources for milling wheat. The U.S. market share is influenced by two phenomena: imports of feed grains from new origins, mainly the Black Sea Basin, and successive droughts in Israel. The fluctuations in U.S. market share is due to the price sensitivity of Israeli feed mills and their ability to shift easily from one source to another. In MY 2004, there was an adequate supply of feed wheat. As a result, prices were lower and led to an increase in demand for feed wheat, reducing corn, sorghum and barley imports. In MY 2005, U.S. market share is forecast to be the same as in MY 2004.

In crop year 2005, local wheat production totaled 180 TMT, 40 percent higher than in the previous year, of which 135,000 MT (94 percent) were delivered to the wheat stock and the remainder was sold in the local market. The increase was due to favorable rainfall in the southern parts of the country. Ninety thousand hectares of wheat were planted in crop year 2006, of which 65,000 HA (72 percent) were planted for grain wheat and 25,000 HA for silage. Due to late rainfall in the southern parts of the country, the forecast for production in crop year 2006 is 162,000 MT, 10 percent below crop year 2005 levels.

Crop year 2005 was the second consecutive year that corn for grain (yellow corn) was grown in Israel. Approximately, 1,500 HA were planted, and production totaled 20,000 MT. In crop year 2005, yellow corn area planted increased by 200 percent compared to the previous year.

PSD Table Israel Wheat							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	70	65	75	65	0	65	(1000 HA)
Beginning Stocks	230	165	207	165	237	165	(1000 MT)
Production	128	128	180	180	0	162	(1000 MT)
TOTAL Mkt. Yr. Imports	1549	1430	1600	1420	0	1438	(1000 MT)
Jul-Jun Imports	1549	1430	1600	1420	0	1438	(1000 MT)
Jul-Jun Import U.S.	469	434	0	500	0	520	(1000 MT)
TOTAL SUPPLY	1907	1723	1987	1765	237	1765	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	800	650	850	680	0	680	(1000 MT)
TOTAL Dom. Consumption	1700	1558	1750	1600	0	1600	(1000 MT)
Ending Stocks	207	165	237	165	0	165	(1000 MT)
TOTAL DISTRIBUTION	1907	1723	1987	1765	0	1765	(1000 MT)

Wheat Production

In crop year 2005 (October 2004 – September 2005), 90,000 hectares were planted for wheat, of which 65,000 HA (72 percent) were planted for grain wheat and 25,000 ha for silage. Crop year 2005 was characterized by favorable rainfall in the southern part of the country. Production in crop year 2005 totaled 180,000 MT, of which 135,000 MT (75 percent) were delivered to wheat stock, and the rest was sold directly to the local market. Of the total wheat production, 2,000 MT (1.1 percent) were grown organically.

The quality of the 2005 crop was good: the average protein level was 12 percent, and less wheat suffered from low gluten index compared to the previous year. Of the total production, 70 percent had protein levels above 11.5 percent, and the remainder had protein levels of 10.5-11.5 percent. Of the total planted area for milling, 13,000 HA (20 percent) were planted in the north of Israel, and 52,000 HA were planted in the southern part of the country.

Planted area in crop year 2006 is the same as in the previous year. Due to late rainfall in the southern parts of the country, the forecast for production in crop year 2006 is 162,000 MT, 10 percent below crop year 2005 levels.

Table 1: Wheat Production, Thousand Metric Tons, Crop Year

Crop Year	Total Production	Percent Change Compared to Previous Year
1980	253	
1990	291	15.02
1993	217	-25.43
1994	103	-52.53
1995	242	134.95
1996	185	-23.55
1997	116	37.30
1998	155	33.62
1999	29	-81.29
2000	96	231.03
2001	162	68.75
2002	179	10.49
2003	187	4.47
2004	128	-31.55
2005	180	40.62
2006*	162	-10.00

Source: CBI, Statistical Abstract of Israel, Different Years.

*Forecast: Based on information collected from the Field Crops Organization.

Table 2: Wheat Disposition, by Destination, \$ Million¹, CY, Real Terms (2004=100)

Period	Delivery to Processors		Local Markets		Inter-Mediate Produce		Grand Total	
	Value	%	Value	%	Value	%	Value	%
2002	21.3	75.8	1.6	5.7	5.2	18.5	28.1	100.0
2003	28.2	76.0	2.2	5.9	6.7	18.1	37.1	100.0
2004	26.8	79.3	1.4	4.1	5.6	16.6	33.8	100.0

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Farm Gate Price for Locally Produced Wheat

The price paid to farmers is based on the CBOT price at harvest time (U.S. freight costs and handling costs are added to the base price to make the prices for local and imported wheat equivalent). In crop year 2005, the average base price for milling wheat was \$184 per ton, 10 percent lower than the price in the previous year (\$204). There was an incentive program for growers based on the level of protein content in the wheat. For premium wheat with protein levels between 12 and 12.4 percent a surcharge of \$1.75 per MT was added to the base price. For protein levels above 12.5 percent, the price increased by \$4.23 per MT to \$187.7. There was a second class of wheat known as "fine wheat" with lower levels of protein. Growers were penalized \$3 per metric ton for protein content within the range of 10.5 percent to 10.9 percent. Protein content less than 10.5 percent saw a \$9 ton penalty reduced from the base price. As a result of the high penalty, growers who had protein content less than 10.5 percent preferred to deliver the wheat to silage than to milling. A price protection program for wheat was put into a place in 1995 to prevent sharp decreases in prices. Of the total wheat production, 60,000 MT (33 percent) were protected. Each grower that joined the price protection system received a premium of \$2/ton.

¹ Exchange Rate, 1 USA Dollar=4.6 NIS.

Yields

In crop year 2005, the average yield totaled 2.8 tons per hectare. Considerable differences in yields have been found between fields across the country: in crop year 2005, while the average yield in the southern area of Israel was 2.5-3.0 tons per hectare, the average yield in the north totaled 4.5-5.0 tons per hectare.

Organic Wheat

In crop year 2005, 2,000 MT (5 percent less than in crop year 2004) of wheat were grown organically, originating from approximately 800 hectares. Most of the organic planted area is in the southern part of the country. The average base price for organic wheat in crop year 2005 was about \$250 per ton, 6 percent lower than the previous year; the average yield totaled 2.5 tons/ha. In the next few years, organic wheat production is expected to vary between 1,700-2,000 tons per year.

Stocks

At the beginning of October, stocks totaled 165,000 tons. However, that is expected to drop to 10,000 tons by next September, due to a shortage in wheat this cycle that occurs every year. Of the total wheat production in crop year 2005, 135,000 MT (75 percent) were delivered to stocks, and the rest was sold in the local market.

Value of Wheat Production

In CY 2004, the value of wheat production decreased by 9 percent compared to CY 2003. (from \$37.4 million to \$33.9 million). Wheat value, as a share of total value of agricultural production, also decreased during CY 2004 (see table 3). This trend is not expected to continue in CY 2005 due to higher local production.

Table 3: Agricultural and Wheat Production Value, CY, \$ Million, Real Terms (2004=100)

Agriculture Sector	2003	2004
Total for Agriculture Sector	3,504	3,804
Of Which: Field Crops	241.1	256.7
Of Which: Wheat	37.4	33.9
Wheat as Percentage of Total Agriculture Value	1.1%	0.9%
Wheat as Percentage Of Total Field Crops Value	15.5%	13.2%

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Production Policy

The continuing tension in the Middle East has convinced the government of the importance of self-sufficiency in food production. Therefore, subsidies have been put into place for wheat production. In CY 2004, the subsidy totaled \$7.9 million and represented 6 percent of all agricultural subsidies (see table 4). However, agricultural subsidies over all, and for wheat in particular, decreased by 9 and 29 percent, respectively, compared to 2003 levels.

**Table 4: Governmental Subsidies For Local Wheat, \$ Millions, CY
Real Terms (2004=100)**

Subsidies Budget	CY			CY 2004 Percent Change Compared to CY 2003
	2002	2003	2004	
Total Budget For Agricultural Subsidies	128.9	141.7	128.2	-9.5%
Of Which: Local Wheat	6.7	11.2	7.9	-29.5%
Subsidy for Local Wheat as a Percentage of Total Agricultural Subsidies	5.2%	7.9%	6.2%	

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Consumption

Wheat is consumed by the milling industry and the livestock sector, mainly poultry. In MY 2004, annual consumption totaled approximately 1.5 million tons, of which about 850,000 tons (57 percent) were consumed by humans, and the rest was consumed by the livestock sector. In MY 2004, wheat consumption per capita totaled 125 kg, same as in the previous year; the U.S. market share for milling wheat dropped by 43 percent and represented 42 percent of the market. In Israel milling wheat must be kosher. There are 16 flour mills, and their full capacity stands on 1.3-1.4 million tons. Feed wheat is imported solely from the Black Sea Basin. The Israeli feed milling industry shifts easily from corn and sorghum to feed wheat, as these crops are substitute products.

The Palestinian Authority

Almost all Palestinian wheat is imported. Wheat production is not under inspection, and the data are not reliable. The estimate for wheat consumption in the Palestinian Authority is 150-160 Kg per capita. There are approximately 3.8 million Palestinians in Gaza and the West Bank. Therefore, the annual consumption is estimated at 570,000 tons of milling wheat.

Black Sea Competition

After many years of total American domination of the feed corn and milling wheat markets, sources for these grains are now more diversified. Many Israeli traders consider the Black Sea Basin a "natural" source for grains due to its proximity and the convenience of small shipments. In previous years the price gap between American and Russian wheat was approximately \$80; however, the price gap has narrowed due to a Russian price increase. The price gap between the two sources of wheat is near \$40. In MY 2004, imports of feed wheat increased significantly compared to the previous year (In MY 2003 there was practically no import of feed wheat due to a worldwide shortage). Total imports of feed wheat in MY 2004 totaled 685 TMT, 504 TMT (up 278 percent) higher than in MY 2003. The forecast for MY 2005 is for 650-700 TMT.

The Broiler and Turkey Industries

For CY 2005, broiler production is estimated at 380,000 MT, six percent higher than that in CY 2004. CY 2005 was the fourth consecutive year that turkey production declined. Turkey production in CY 2005 totaled approximately 107,000 MT, 7 percent less than in CY 2004.

The decrease in turkey production is a result of a number of factors: 1) high demand for broiler meat, meat factories prefer to use broiler meat than turkey meat; 2) the prevalence of diseases; and 3) increasing competition with imported frozen turkey meat. All in all, in the next few years, the forecast for domestic turkey production is for a continued decline to approximately 70,000 MT.

Table 5: Monthly Average Price for Feed Mix, \$ Per Ton

Month	Feed Mix For Broilers	Percent Change Compared to Previous Month	Feed Mix For Turkeys	Percent Change Compared to Previous Month	Feed Mix For Cattle	Percent Change Compared to Previous Month
1/2005	\$266.3		\$269.4		\$196.2	
2/2005	\$264.9	-0.5%	\$264.3	-1.9%	\$193.8	-1.2%
3/2005	\$267.2	0.9%	\$266.1	0.7%	\$192.8	-0.5%
4/2005	\$273.6	2.4%	\$271.1	1.9%	\$199.8	3.6%
5/2005	\$271.6	-0.7%	\$271.3	0.1%	\$194.9	-2.5%
6/2005	\$270.6	-0.4%	\$271.4	0.0%	\$195.0	0.1%
7/2005	\$281.4	4.0%	\$283.3	4.4%	\$200.5	2.8%
8/2005	\$278.2	-1.1%	\$279.9	-1.2%	\$199.8	-0.3%
9/2005	\$270.7	-2.7%	\$272.7	-2.6%	\$194.1	-2.9%
10/2005	\$270.1	-0.2%	\$273.0	0.1%	\$194.1	0.0%
Average Price	\$271.5		\$272.2		\$196.1	

Source: Agricultural Statistics Quarterly, Israel.

Table 6: Sales² of Feed Mix, by Type, Thousand of Tons, CY

CY	For Cattle	For Poultry					For Sheep, Goats and Other Livestock	Grand Total
		Broilers	Layers	Turkeys	Other	Total		
2002	473.1	733.6	295.1	347.3	150.0	1,526.0	291.7	2,290.8
2003	490.0	723.1	306.8	329.7	174.2	1,533.8	315.0	2,338.8
2004	507.8	786.5	311.3	316.9	162.1	1,576.8	265.9	2,350.5
2005 ³	343.1	583.1	223.0	235.3	120.8	1,162.1	175.5	1,680.7

Source: Agricultural Statistics Quarterly, Israel.

Trade

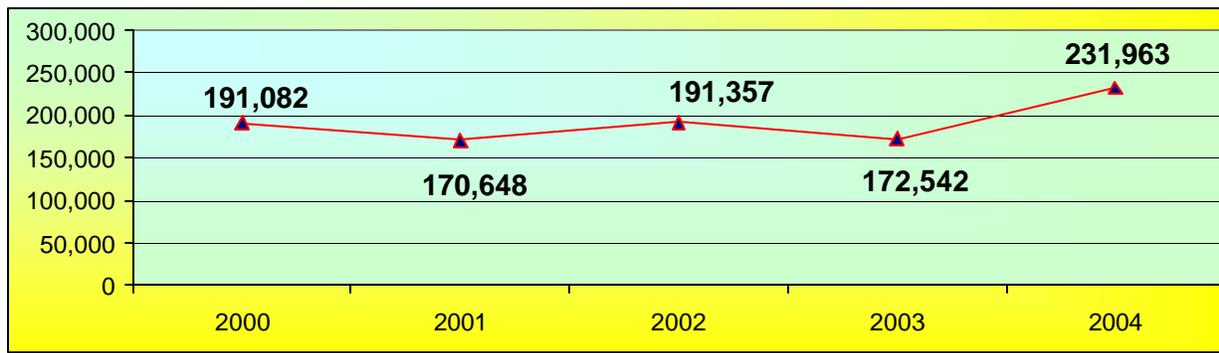
In MY 2004, total imports of wheat were 30 percent higher than in the previous year due to higher imports of feed wheat from Eastern Europe. Milling and feed wheat imports in MY 2004 totaled 730,000 MT and 685,000 MT, respectively. Milling wheat imports decreased by approximately 19 percent compared to the previous marketing year. On the other hand, total feed wheat import increased by 278 percent. Imports of feed wheat are from Russia, Ukraine, Bulgaria and Romania. The U.S. market share for milling wheat in MY 2004 decreased by 43 percent compared to MY 2003 levels (from 74 percent market share to

² Including sales to Palestinian Authority, estimated at about 7%.
Excluding sales by feeding centers.

³ Till September 2005.

42 percent market share). The decrease was due to a high price gap between U.S. milling wheat and other sources for milling wheat. For example, the price gap (\$/ton) between U.S. milling wheat and Russian, Hungarian, German, Ukrainian, Bulgarian milling wheat was \$50, \$40, \$30, \$45, \$45, respectively. In addition, there are many high quality flour wheat suppliers to Israel (Russia, Bulgaria, Ukraine, Romania, Hungary, Austria, Germany, France and Denmark). The Russian milling wheat is the most demanded wheat in Israel. In the beginning of MY 2004, the price gap was \$40-\$50, however, the price gap has narrowed due to a Russian price increase, and at present, the price gap between the two sources of wheat is close to \$25. Due to non-favorable weather conditions in Russia there will be a negative effect on next year's crop (May-June harvest). The U.S. market share of milling wheat in Israel is expected to increase to 45-50 percent. There has been no export of milling wheat from Israel in recent years, and it is not expected to change in the future.

Chart 1: Total Imports of Wheat, by Year, CY, Value (\$ Thousand)



Source: CBS, Foreign Trade Statistics, Different Years

Table 7: Imports of Wheat, Country of Purchase, CY, \$ Thousand

Country	Value (\$ Thousand)			% of Total Imports		
	2002	2003	2004	2002	2003	2004
France	4,615	7,417	8,531	2.4	4.3	3.7
Belgium	320	223	0	0.2	0.1	0.0
Netherlands	18,318	9,609	10,067	9.6	5.6	4.3
Austria	0	310	1,027	0.0	0.2	0.4
Germany	4,084	6,523	5,262	2.1	3.8	2.3
Denmark	642	0	0	0.3	0.0	0.0
U.K.	17,469	21,769	9,820	9.1	12.6	4.2
Hungary	2,039	2,983	2,204	1.1	1.7	1.0
Other EU	0	15	0	0.0	0.0	0.0
Total EU	47,487	48,849	36,911	24.8	28.3	15.9
Switzerland (Major trade center)	22,523	20,031	39,416	11.8	11.6	17.0
Total West Europe	70,010	68,880	76,327	36.6	39.9	32.9
Russia	15,133	12,302	22,090	7.9	7.1	9.5
Ukraine	9,123	12,846	652	4.8	7.4	0.3
Romania	1,035	0	0	0.5	0.0	0.0
Other East Europe	1,309	1,160	421	0.7	0.7	0.2
Total East Europe	26,600	26,308	23,163	13.9	15.2	10.0
Total Europe	96,610	95,188	99,490	50.5	55.2	42.9
U.S.	93,748	76,536	132,356	49.0	44.4	57.1
Argentina	38	186	115	0.0	0.1	0.0
Others	961	632	2	0.5	0.4	0.0
Total Outside Europe	94,747	77,354	132,473	49.5	44.8	57.1
Grand Total	191,357	172,542	231,963	100.0	100.0	100.0

Source: CBS, Foreign Trade Statistics, Different Years.

* Israel's trade statistics are based on "country of purchase" which in many cases is different from the "country of origin". UK, Netherlands and Switzerland, which are large trading centers, appear in Israel's statistics as suppliers of feed and food grains, when actually they are locations of brokers.

Import Trade Matrix			
Israel			
Wheat			
Time Period	MY	Units	1,000 MT
Imports for	2003	Imports for	2004
U.S.	673	U.S.	307
Others		Others	
Total for Others	0	Total for Others	0
Others not Listed	415	Others not Listed	1,108
Grand Total	1,088	Grand Total	1,415

Barley

PSD Table							
Israel							
Barley							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	1	0	1	0	0	0	(1000 HA)
Beginning Stocks	88	49	80	38	52	28	(1000 MT)
Production	2	0	2	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	350	374	450	390	0	400	(1000 MT)
Oct-Sep Imports	350	374	450	390	0	400	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	440	423	532	428	52	428	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	350	374	470	385	0	390	(1000 MT)
TOTAL Dom. Consumption	360	385	480	400	0	402	(1000 MT)
Ending Stocks	80	38	52	28	0	26	(1000 MT)
TOTAL DISTRIBUTION	440	423	532	428	0	428	(1000 MT)

Barley Production

All barley production is located in the south of Israel. The barley grown in the Jewish sector was planted for silage. Most of it is sold to the Arab sector for feeding livestock, mainly

sheep. Planted area is approximately 1,000 hectares. Production in crop year 2005 totaled 3,000 tons, 20 percent higher compared to the previous year. The increase is a result of favorable rainfall in the southern parts of the country. In crop year 2005, the average yield totaled 3 tons/ha. In crop year 2005, the average base price of barley for silage was \$158 per ton. In CY 2004, total production value increased by 14 percent compared to the previous year (from \$1.5 million to \$1.7 million).

Due to non-favorable rainfall in the southern parts of the country, it is expected that total production in crop year 2006 will be 2,700 tons, 10 percent below crop year 2005 levels.

Table 8: Barley Disposition, by Destination, \$ Millions, Real Terms (2004=100), CY

Period	Delivery to Processors		Local Markets		Intermediate Produce		Grand Total	
	Value	%	Value	%	Value	%	Value	%
2002	0.0	0.0	0.0	0.0	1.4	100.0	1.4	100.0
2003	0.0	0.0	0.0	0.0	1.5	100.0	1.5	100.0
2004	0.0	0.0	0.0	0.0	1.7	100.0	1.7	100.0

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Table 9: Monthly Average Price for Bulk Grain Barley, \$ Per Ton

Month	\$/Ton	Percent Change Compared to Previous Month
1/2005	\$170.2	
2/2005	\$170.2	0.0%
3/2005	\$170.2	0.0%
4/2005	\$170.2	0.0%
5/2005	\$170.9	0.4%
6/2005	\$170.9	0.0%
7/2005	\$173.5	1.5%
8/2005	\$173.5	0.0%
9/2005	\$169.8	-2.1%
10/2005	\$168.4	-0.8%
Average Price	\$170.8	

Source: Agricultural Statistics Quarterly, Israel.

Trade

In MY 2004, barley imports totaled 374 TMT, a 24 percent decrease compared to MY 2003 levels (from 493 TMT to 374 TMT). The decrease was due to a large price gap between barley and other grains. Currently the price gap between Ukrainian feed wheat and Ukrainian barley is about \$20-\$25 (\$125 feed wheat, \$145-\$150 barely). In addition, in MY 2004, some of the barley was displaced by feed rye imports from Ukraine and Russia, which are cheaper. In MY 2004, approximately, 50-60 TMT of feed rye were imported. There has been no import of barley from the United States in recent years, and it is not expected to change in the future. The forecast for imports in MY 2005 is 370-400 TMT, same as in the previous year. However, if barley prices will continue to increase or feed wheat prices will decrease, barley imports are expected to stand at 250-300 tmt.

Table 10: Imports of Barley, Country of Purchase, CY, \$ Thousand

Country	Value (\$ Thousand)			% of Total Imports		
	2002	2003	2004	2002	2003	2004
France	1,799	4,052	8,836	3.9	7.0	11.1
Netherlands	9,882	12,268	21,319	21.2	21.1	26.7
Austria	1,918	3,137	461	4.1	5.4	0.6
Germany	4,837	1,709	1,747	10.4	2.9	2.2
U.K.	10,160	6,473	6,208	21.8	11.1	7.8
Hungary	668	1,080	317	1.4	1.9	0.4
Other EU	79	1,342	501	0.2	2.3	0.6
Total EU	29,343	30,061	39,389	62.9	51.8	49.3
Switzerland	7,647	9,050	22,107	16.4	15.6	27.7
Total West Europe	36,990	39,111	61,496	79.4	67.4	77.0
Russia	4,705	11,399	12,154	10.1	19.6	15.2
Ukraine	2,221	2,979	5,018	4.8	5.1	6.3
Romania	545	0	0	1.2	0.0	0.0
Bulgaria	117	0	0	0.3	0.0	0.0
Other East Europe	216	1,196	1	0.5	2.1	0.0
Total East Europe	7,804	15,574	17,172	16.7	26.8	21.5
Total Europe	44,794	54,685	78,668	96.1	94.2	98.5
Bahamas	800	656	0	1.7	1.1	0.0
Others	1,022	2,727	1,161	2.2	4.7	1.5
Total Outside Europe	1,822	3,383	1,161	3.9	5.8	1.5
Grand Total	46,616	58,068	79,830	100.0	100.0	100.0

Source: CBS, Foreign Trade Statistics, Different Years.

* Israel's trade statistics are based on "country of purchase" which in many cases is different from the "country of origin". UK, Netherlands and Switzerland, U.S.A, which are large trading, centers, appear in Israel's statistics as suppliers of feed and food grains, when actually they are locations of brokers.

Import Trade Matrix Israel Barley			
Time Period	MY	Units	1,000 MT
Imports for	2003	Imports for	2004
U.S.		U.S.	0
Others		Others	
Total for Others		Total for Others	0
Others not Listed		Others not Listed	374
Grand Total		Grand Total	374

Sorghum

PSD Table Israel Sorghum							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	8	5	0	5	0	5	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	34	50	50	50	0	52	(1000 MT)
Oct-Sep Imports	34	50	50	50	0	52	(1000 MT)
Oct-Sep Import U.S.	27	27	0	25	0	23	(1000 MT)
TOTAL SUPPLY	42	55	50	55	0	57	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	37	45	45	47	0	48	(1000 MT)
TOTAL Dom. Consumption	42	50	50	50	0	51	(1000 MT)
Ending Stocks	0	5	0	5	0	6	(1000 MT)
TOTAL DISTRIBUTION	42	55	50	55	0	57	(1000 MT)

Sorghum Production, Consumption and Trade

All sorghum production is used for silage in the livestock sector (mainly cattle). As a result of water shortage in Israel, there were efforts to increase the planted area for sorghum due to the fact that sorghum has extremely high water use efficiency. Under local conditions, sorghum can be grown twice a season. In recent years, there has been a rise in demand from cattle growers for feed grains that contain a low level of starch, which is a key characteristic of sorghum. However, in the previous year, new research showed that the fat content in sorghum is higher compared to substitute products. As a result, sorghum production is expected to decrease in crop year 2006. In CY 2005, 3,000 hectares were planted for sorghum silage, and the area is expected to decrease to 2,400 hectares (down 20 percent) in CY 2006. The majority of sorghum production is located in the north of Israel. Production in CY 2005 totaled 45,000 MT, 22 percent above CY 2004 levels. In CY 2005, the average yield totaled 15 tons/ha. Total production value in CY 2004 increased by 21 percent compared to CY 2003 (see table 12).

Feed wheat, corn and sorghum are substitute products. Due to normal yields of feed wheat in Eastern Europe, sorghum imports in MY 2004 decreased by 74 percent compared to the previous MY (from 194 TMT to 50 TMT). Of total imports in MY 2004, 27,000 MT were imported from the U.S. and the rest was imported from Ukraine. In MY 2004, the U.S.

market share for sorghum decreased by 39 percent compared to MY 2003 (from 89 percent market share to 54 percent market share). After many years of total U.S. domination of the sorghum market, Israeli traders consider Ukraine as another source for sorghum. MY 2004 was the first time that Ukraine sorghum was imported instead of U.S. sorghum. The decrease was due to a large price gap between U.S. sorghum and Ukraine sorghum. The quality between the two sources of sorghum is the same. Currently, the price gap is \$10-\$14 (Ukraine sorghum \$123, U.S. sorghum \$136). Sorghum imports in MY 2005 are expected to remain at 50-55 TMT, and the U.S. market share is forecast to decrease to 40-50 percent. The decrease is due to the expected price gap. Israeli traders will increase imports of U.S. sorghum only if its price decreases.

Table 11: Sorghum Production for Silage, Ton and Ha, Calendar Year

CY	Ha	Yields – Ton	Ton Per Ha
2000	800	12,000	15.0
2001	1,000	13,500	13.5
2002	1,370	18,400	13.4
2003	2,340	30,200	12.9
2004	2,530	36,900	14.6
2005	3,000	45,000	15.0

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

**Table 12: Sorghum Disposition, by Destination, \$ Millions, CY
Real Terms (2004=100)**

Period	Delivery to Processors		Local Markets		Intermediate Produce		Grand Total	
	Value	%	Value	%	Value	%	Value	%
2002	0.0	0.0	0.0	0.0	2.09	100.0	2.09	100.0
2003	0.0	0.0	0.0	0.0	3.43	100.0	3.43	100.0
2004	0.0	0.0	0.0	0.0	4.15	100.0	4.15	100.0

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Table 13: Average Price for Grain Sorghum, \$, Real Terms (2004=100), CY

CY	Price Per Ton	Percent Change Compared to Previous Year
2002	139.1	7.3%
2003	114.5	-17.6%
2004	112.8	-1.5%

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Table 14: Imports of Grain Sorghum, Country of Purchase, CY, \$ Thousand

Country	Value (\$ Thousand)			% of Total Imports		
	2002	2003	2004	2002	2003	2004
France	469	0	359	13.77	0.00	4.6
Netherlands	1	263	0	0.03	1.57	0.0
U.K.	0	570	0	0.00	3.41	0.0
Total EU	470	833	359	13.80	4.98	4.6
Switzerland (Major trading center)	1,893	3,827	4,498	55.58	22.87	57.4
Total West Europe	2,363	4,660	4,857	69.38	27.85	62.0
Total East Europe	0	0	0	0.00	0.00	0.0
Total Europe	2,363	4,660	4,857	69.38	27.85	62.0
U.S.	1,040	12,071	2,978	30.53	72.14	38.0
Other	3	1	1	0.09	0.01	0.0
Total Outside Europe	1,043	12,072	2,979	30.62	72.15	38.0
Grand Total	3,406	16,732	7,836	100.0	100.0	100.0

Source: CBS, Foreign Trade Statistics, Different Years.

* Israel's trade statistics are based on "country of purchase" which in many cases is different from the "country of origin". UK, Netherlands and Switzerland, which are large trading centers, appear in Israel's statistics as suppliers of feed and food grains, when actually they are locations of brokers.

Import Trade Matrix Israel Sorghum			
Time Period	MY	Units	1,000 MT
Imports for	2003	Imports for	2004
U.S.	173	U.S.	27
Others		Others	
Total for Others	0	Total for Others	0
Others not Listed	21	Others not Listed	23
Grand Total	194	Grand Total	50

Corn

PSD Table Israel Corn							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	0	1.5	0	1	0	1.5	(1000 HA)
Beginning Stocks	97	80	97	40	97	45	(1000 MT)
Production	0	20	0	16	0	20	(1000 MT)
TOTAL Mkt. Yr. Imports	1300	1040	900	1189	0	1200	(1000 MT)
Oct-Sep Imports	1300	1040	900	1189	0	1200	(1000 MT)
Oct-Sep Import U.S.	0	251	0	345	0	400	(1000 MT)
TOTAL SUPPLY	1397	1140	997	1245	97	1265	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	1200	1060	800	1100	0	1130	(1000 MT)
TOTAL Dom. Consumption	1300	1100	900	1200	0	1200	(1000 MT)
Ending Stocks	97	40	97	45	0	65	(1000 MT)
TOTAL DISTRIBUTION	1397	1140	997	1245	0	1265	(1000 MT)

Corn Production and Consumption

Production: In CY 2005, 8,000 hectares were planted for silage corn. In addition, crop year 2005 was the second consecutive year that corn for grain (yellow corn) was grown in Israel. Approximately, 1,500 HA were planted, and production totaled 20,000 MT. In CY 2005, yellow corn planted area increased by 200 percent compared to CY 2004. Average yield totaled 13 tons per hectare. All local grain corn was non-biotech and was consumed by food manufacturers that export their products to Europe. The quality of the domestic grain corn was satisfactory. In CY 2005, the average price for yellow corn was \$135 per ton, and it is expected that the average price in CY 2006 will decrease by 15 percent (\$115) compared to CY 2005. As a result, local yellow corn production is expected to decrease by 15-25 percent. The local production volume is determined by international prices for yellow corn.

Consumption: In MY 2004, corn consumption totaled 1.06 million tons, 18 percent lower than in the previous year. The decrease was due to increased imports of feed wheat from Eastern Europe (feed wheat price was cheaper than corn price). The demand for corn feed in MY 2005 is expected to increase slightly as a result of a little price gap between Ukrainian corn and Ukrainian feed wheat. Currently the price for Ukrainian corn is cheaper than the price for Ukrainian feed wheat. In the previous year, Ukraine became a major corn feed supplier to Israel. Despite the fact that corn is considered an excellent grain for poultry, its use in broiler rations in Israel is limited. The presence of Xanthophyll 1 pigmentation in corn

has the effect of turning the broiler meat yellow. Israeli consumers refuse to buy yellow chickens, since they relate the color to poor health and fatness.

Table 15: Monthly Average Price for Bulk Grain Corn, \$ Per Ton

Month	\$/Ton	Percent Change Compared to Previous Month
1/2005	\$153	
2/2005	\$153	0.0%
3/2005	\$153	0.0%
4/2005	\$152	-0.5%
5/2005	\$153	0.5%
6/2005	\$154	0.7%
7/2005	\$159	2.9%
8/2005	\$159	0.0%
9/2005	\$156	-1.6%
10/2005	\$156	0.1%
Average Price	\$155	

Source: Agricultural Statistics Quarterly, Israel.

Trade

In MY 2004, corn imports totaled 1,040 TMT, 252 TMT (down 19.5 percent) lower than in MY 2003. In MY 2004, Argentinean, Ukrainian, Russian and Bulgarian corn replaced U.S. corn. The price gap between American corn and other corn sources is about \$10, and Argentine corn quality is preferred to U.S. corn. In addition, in MY 2004, feed wheat prices were cheaper than corn prices; therefore some corn was displaced by feed wheat imports from the Black Sea Basin. As a result, the market share for U.S. corn decreased by 71 percent compared to the previous marketing year (from 82 percent market share to 24 percent market share). Post estimates that corn imports in MY 2005 will reach 1.1-1.2 million tons. However, if feed wheat prices decrease during MY 2005, corn imports are expected to decrease to 700-800 TMT. The forecast is for a 20-30 percent U.S. market share, with Argentina and Eastern Europe supplying the remainder.

Table 16: Imports of Corn, Country of Purchase, CY, \$ Thousand

Country	Value (\$ Thousand)			% of Total Imports		
	2002	2003	2004	2002	2003	2004
France	3	5,328	3,094	0.00	4.19	1.55
Italy	72	263	14	0.07	0.21	0.01
Netherlands	357	2,513	11,593	0.35	1.97	5.82
Austria	370	863	0	0.37	0.68	0.00
Germany	428	3,208	1,338	0.42	2.52	0.67
U.K.	12,020	7,861	1,596	11.91	6.18	0.80
Other EU	0	150	144	0.00	0.12	0.07
Total EU	13,250	20,186	17,779	13.13	15.86	8.92
Switzerland (Major trading center)	24,856	52,032	115,902	24.63	40.89	58.18
Total West Europe	38,106	72,218	133,681	37.76	56.75	67.10
Russia	370	236	0	0.37	0.19	0.00
Ukraine	0	1,451	236	0.00	1.14	0.12
Romania	129	861	1,509	0.13	0.68	0.76
Other East Europe	111	129	286	0.11	0.10	0.14
Total East Europe	610	2,677	2,031	0.60	2.10	1.02
Total Europe	38,716	74,895	135,712	38.36	58.86	68.12
U.S.	57,824	47,491	52,874	57.29	37.32	26.54
Argentina	4,344	3,587	9,832	4.30	2.82	4.94
Brazil	31	1,267	0	0.03	1.00	0.00
Others	9	6	805	0.01	0.00	0.40
Total Outside Europe	62,208	52,351	63,511	61.64	41.14	31.88
Grand Total	100,924	127,246	199,223	100.0	100.0	100.0

Source: CBS, Foreign Trade Statistics, Different Years.

* Israel's trade statistics are based on "country of purchase" which in many cases is different from the "country of origin". UK, Netherlands and Switzerland, which are large trading centers, appear in Israel's statistics as suppliers of feed and food grains, when actually they are locations of brokers.

Import Trade Matrix Israel Corn			
Time Period	MY	Units	1,000 MT
Imports for	2003	Imports for	2004
U.S.	1,055	U.S.	251
Others		Others	
Total for Others	0	Total for Others	0
Others not Listed	237	Others not Listed	789
Grand Total	1,292	Grand Total	1,040

Table 17: Grains Imports to Israel, MY, Thousand Metric Tons

MY ⁴	Milling Wheat	Feed Wheat	Total Wheat	Barley	Corn	Sorghum	Total Import
2000	906	423	1,329	342	1,030	167	2,868
2001	838	739	1,577	430	1,047	31	3,085
2002	614	666	1,280	460	698	45	2,483
2003	907	181	1,088	493	1,292	194	3,067
2004	730	685	1,415	374	1,040	50	2,879
Average	799	539	1,338	420	1,021	97	2,876

Source: Ministry of Agriculture, Office of Prices and Supply

Table 18: Import Share of Total Import Quantity, Percent, MY

MY	Milling Wheat	Feed Wheat	Total Wheat	Barley	Corn	Sorghum	Total Import
2000	31.6	14.7	46.3	11.9	35.9	5.8	100.0
2001	27.2	24.0	51.1	13.9	33.9	1.0	100.0
2002	24.7	26.8	51.6	18.5	28.1	1.8	100.0
2003	29.6	5.9	35.5	16.1	42.1	6.3	100.0
2004	25.4	23.8	49.1	13.0	36.1	1.7	100.0
Average	27.7	19.0	46.7	14.7	35.2	3.3	100.0

Source: Ministry of Agriculture, Office of Prices and Supply

Table 19: U.S. Market Share of Total Import Quantity, Percent, MY

MY	Milling Wheat	Feed Wheat	Barley	Corn	Sorghum
2000	68	7	0	63	100
2001	74	0	0	73	100
2002	58	0	0	39	89
2003	74	0	0	82	89
2004	42	0	0	24	54

Source: Ministry of Agriculture, Office of Prices and Supply

⁴ October-September