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Report Highlights:

Despite the cold spell that hit Israel in mid-January 2008, which destroyed about 30,000 tons of citrus, citrus production in Israel is forecast at 570,000-590,000 tons in 2008/09, a 2-5 percent increase from the previous year. The expected slight increase in production is due to an increase in local orange (mainly Shamouti) and red grapefruit production. Citrus exports are expected to increase about 3 percent from the previous year, and delivery to processing plants is expected to increase about 10-15 percent.

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Executive Summary

In 2008/09, total citrus production is forecast at 570,000-590,000 tons, a 2-5 percent increase compared to the previous year. Out of the total production, approximately 170,000 tons is expected to be exported, 252,000 processed, and the remainder consumed fresh.

In 2008/9, due to competition from other grapefruit suppliers combined with high shipping costs and unfavorable exchange rates of the Euro and the Dollar against the Israeli Shekel, exports of the Sweetie variety to Japan is expected to reach a nine-year record low (273,360 cases in 2008/9). On the other hand, demand for sweetie in S. Korea and China is increasing.

In 2007/08, citrus exports and deliveries to the processing industry decreased 6 and 22 percent, respectively, compared to the previous year. The decrease in exports and deliveries to the processing industry was due to a decrease in local production combined a cold spell that hit Israel mid January 2008, which destroyed about 30,000 tons citrus, mainly lemons (20,000 tons), navels, red grapefruit and late easy peelers varieties.

In September 2008, planted area totaled 20,000 ha, unchanged from the previous year.

In 2008, the Israeli citrus industry used about 140 million cubic meters, of which million cubic meters (percent) were purified waste water and the rest were freshwater. Due to the worst water supply crisis in Israel, the Water Authority announced that in 2009 and 2010 the freshwater supply to the citrus industry will decrease by 14 million cubic meters, and as a result it is estimated that about 1,000 ha of citrus trees will be uprooted or replanted with young citrus orchards (old citrus orchard consumes about 7,000 cubic meters per ha annually, while young citrus orchard consumes about 1,000 and 2,000 cubic meters per ha in the first and second two years, respectively).

PRODUCTION

The forecast for 2008/9 is for a total production of about 570,000-590,000 MT, a 2-5 percent increase compared to the previous year. The increased harvest of the oranges (mainly Shamouti) is a result of the "fluctuations phenomenon", an exceptional high/low yield that occurs once in 2 years.

Due to the cold spell that hit Israel in mid January 2008, which destroyed about 30,000 tons citrus, mainly lemons (20,000 tons), Valencia, and late easy peelers varieties, it is estimated that this year's lemons and Navels crops will decrease slightly.

Table 1: Citrus Production by Varieties, Thousand Tons

MY	Total Production	Orange	Easy Peelers	Lemon	Grapefruit	Other Citrus ¹
2003/4	513.0	133.0	88.0	45.0	237.0	10.0
2004/5	638.0	172.0	141.0	42.0	271.0	12.0
2005/6	566.0	143.5	118.0	28.5	265.0	11.0
2006/7	634.0	188.0	140.0	51.0	242.0	13.0
2007/8	560.0	125.0	145.0	35.0	242.0	13.0
2008/9*	590.0	170.0	139.0	30.0	238.0	13.0

Source: The Plants Production and Marketing Board, Citrus division, Israel

*Forecast: Based on information collected

¹ Other Citrus- Kumquat, Ethrog (Citron), Red & White Pomelo, Limquat.

Table 2: Species Share Out of Total Production, Percent

MY	Oranges	Easy Peelers	Lemon	Grapefruit	Other Citrus	Total
2003/4	25.9	17.2	8.8	46.2	1.9	100
2004/5	27.0	22.1	6.6	42.5	1.9	100
2005/6	25.4	20.8	5.0	46.8	1.9	100
2006/7	29.7	22.1	8.0	38.2	2.1	100
2007/8	22.3	25.9	6.3	43.2	2.3	100
2008/9*	28.8	23.6	5.1	40.3	2.2	100

Table 3: Citrus Disposition, by Destination, Tons

Period	Total Exports		Delivery to Processors		Local Fresh Market		Total Percent
	Quantity	%	Quantity	%	Quantity	%	
2003/4	139,000	28.4	190,000	38.9	160,000	32.7	100
2004/5	178,000	27.9	290,000	45.5	170,000	26.6	100
2005/6	141,000	24.9	265,000	46.8	160,000	28.3	100
2006/7	175,800	27.7	283,000	44.7	175,000	27.6	100
2007/8	166,000	29.6	220,000	39.2	175,000	31.2	100
2008/9*	170,000	28.8	252,000	42.7	168,000	28.5	100

Source: The Plants Production and Marketing Board, Citrus division, Israel

*Forecast: Based on information collected

Planted Area

In September 2008, planted area totaled 20,000 ha, unchanged from the previous year. Increasing demand for citrus in Europe and Russia has stimulated new demand for citrus seedlings. However, due to the fact that crop year 2007/08 marked the beginning of the "sabbatical" year in Israel, when Jews are not supposed to consume the crops produced in that year and new plantings were not allowed, new plantings were resumed only in fall 2008 and about 150 ha of fresh citrus were planted and the forecast for CY 2009 is for an additional increase of 1,400 ha, mainly easy peelers (Or and Mor varieties) and red grapefruit.

Water Shortage

Recently Israel Water Authority announced that Israel is currently facing the worst water supply crisis in 80 years, ever since they started keeping records. Israel consumes about 1.8 billion cubic meters of water each year. The average annual gap between available drinking water and actual consumption is presently 100 million cubic meters per year. As a result of the water crisis many wells on the coastal plain now contain salt water due to penetration of salinated ground water from the direction of the Mediterranean. Dozens of other wells are showing an increase in the percentage of chlorides in the water.

Israel Water Authority published a short-term emergency plan to stem the "worst water crisis in the nation's history." The plan will raise prices on water used for gardening to reduce usage and will pump water from tributaries that flow into the Sea of Galilee. In addition, the Water Authority plans to invest NIS 12 billion (\$3.1 billion) in infrastructure, desalination, sewage treatment and conservation education over the next five years.

Israeli agriculture requires about 450-500 million cubic meters of water each year. Israel is a global leader in the recycling and purification of wastewater. During the past few decades, many agricultural branches have begun using purified waste water from urban sewage systems rather than drinking water. The data regarding the use of purified waste water for agriculture in Israel show that 45 percent of all water used in agriculture is purified water that reaches the fields through special supply systems throughout the country.

In 2008, the Israeli citrus industry used 140 million cubic meters, of which million cubic meters (percent) were purified waste water and the rest were freshwater. Israel Water Authority announced that in 2009 and 2010 the freshwater supply to the citrus industry will decrease by 14 million cubic meters, and as a result it is estimated that about 1,000 ha of citrus trees will be uprooted or replanted with young citrus orchards (old citrus orchard consumes about 7,000 cubic meters per ha annually, while young citrus orchard consumes about 1,000 and 2,000 cubic meters per ha in the first and second two years, respectively).

Table 4: Planting of Fresh Citrus, by Areas and Water Resources, Ha, 2008/9

	Freshwater	Recycled Water	Total, By Areas
Northern Part	95	155	250
Interior Valleys	30	0	30
Central Part	140	900	1,040
Southern Region	0	230	230
Total	265	1,285	1,550

Source: The Plants Production and Marketing Board, Citrus Division, Israel

CONSUMPTION

In 2008/9, it is estimated that local consumption of fresh citrus will total about 168-170 tmt, a 2-3 percent decrease from the previous year.

The Processing Industry

The forecast for 2008/9 is for deliveries of about 235,000-252,000 MT to the processing plants, 10-15 percent increase compared to the previous year. The expected increase is a result of a higher domestic supplies combined with expected higher prices for grapefruit paid by the Israeli industry in 2008/9.

Due to decreased yields of oranges combined with low prices for grapefruit paid by the Israeli industry in 2007/8, citrus deliveries to processors decreased by 22 percent compared to 2006/7 (from 283 tmt to 220 tmt).

Table 5: Delivery to the Processing Plants, MY, Tons

Variety	2007/8		2006/7		2005/6		2004/5	
	Tons	%	Tons	%	Tons	%	Tons	%
Oranges	41,150	18.7	83,750	29.6	58,850	22.5	77,000	26.6
Grapefruit	146,000	66.4	156,750	55.4	165,200	63.2	160,000	55.2
Easy Peelers	30,350	13.8	38,500	13.6	33,000	12.6	47,000	16.2
Lemons	2,500	1.1	4,000	1.4	4,400	1.7	6,000	2.1
Total	220,000	100	283,000	100	261,450	100	290,000	100

Source: The Plants Production and Marketing Board, Citrus Division, Israel

Table 6: Average Local Prices Paid by the Israeli Citrus Industry, 2007/8

	\$/ton
Shamouti	140
White Grapefruit	80
Sunrise	80-90
Sweetie	70
Minneola	130
Suntina	130
Or	120

Source: Mehadrin, Local Citrus processing Plant

TRADE

Exports are forecast to increase about 2-4 percent compared to the previous year (table 3). The expected slight increase in exports is mainly due to the increase in local orange production.

Although data shows that citrus exports have decreased by 17 percent compared to the same period one year ago (see table 9), post is expecting the pace to increase during the rest of the year as local supplies increase.

In 2008/9, due to competition from other grapefruit suppliers combined with high shipping costs and unfavorable exchange rates of the Euro and the Dollar against the Israeli Shekel, exports of the sweetie variety to Japan are expected to reach a nine-year record low and will total about 275,000-300,000 cases (422,696 cases in MY 2007/8). However, exports of sweetie to the EU, S. Korea and China are expected to increase compared to the previous year. In conclusion, exports of sweetie are forecast to total about 14,500 tons in 2008/9, unchanged from the previous year.

Due to competition from China, post estimates that exports of the pomelo variety to Japan and Europe will decrease in MY 2008/9.

Growers' revenues from exports in MY 2008/9 are projected to decrease due to unfavorable exchange rate of the euro and the U.S. dollar.

Out of total citrus exports in 2007/8, 48.8 percent and 30.0 percent were the grapefruit and easy-peelers varieties, respectively. On the other hand, the market share of oranges has decreased by 28 percent, from 20.8 percent market share in 2006/7 to 14.9 percent market share in 2007/8. This was due to the decrease in local orange production in 2007/8.

In 2007/8, out of the total Sweetie exports, about 43 percent were exported to the Far-East, and demand in S. Korea and China is increasing. In 2007/8, Or variety was exported mainly to Western Europe (42% market share).

Table 7: Fresh Citrus Exports by Varieties, Tons and Market Share, MY

Variety	2007/8		2006/7		2005/6	
	Tons	%	Tons	%	Tons	%
Oranges	24,700	14.9	36,500	20.8	22,548	15.9
Grapefruit	81,000	48.8	80,600	45.8	75,096	53.0
Easy Peelers	49,900	30.	50,200	28.6	35,328	.
Other Citrus	10,400	6.3	8,500	4.8	8,633	6.1
Grand Total	166,000	100	175,800	100	141,605	100

Source: The Plants Production and Marketing Board, Citrus Division, Israel

Table 8: Main Export Markets, By Varieties, Market Share, 2007/8

	England	Other Western Europe Countries	Eastern Europe	Scandinavia	Far-East
Shamouti	30%	0%	12%	58%	0%
White Grapefruit	35%	51%	6%	8%	0%
Sunrise	18%	52%	22%	8%	0%
Sweetie	0%	38%	15%	4%	43%
Minneola	18%	60%	7%	15%	0%
Suntina	19%	73%	0%	8%	0%
Or	23%	42%	14%	21%	0%
Mandor	0%	5%	95%	0%	0%

Source: The Plants Production and Marketing Board, Citrus Division, Israel

Table 9: Fresh Citrus Exports by Varieties, Tons, MY 2008/9 – Till November 29

Variety	2006/7	2007/8	2008/9	2008/9 Percent Change Compared to 2007/8	2008/9 Percent Change Compared to 2006/7
Shamouti	0	0	0	----	----
Valencia	0	0	0	----	----
Navels	233	198	54	-72.7	-76.8
Total Oranges	233	198	54	-72.7	-76.8
White Grapefruit	4,012	5,522	4,961	-10.2	23.7
Sunrise	12,848	18,907	17,134	-9.4	33.4
Ray Ruby	0	0	0		
Sweetie	11,394	11,784	9,026	-23.4	-20.8
Total Grapefruit	28,254	36,213	31,121	-14.1	10.1
Topaz	0	0	0	----	----
Minneola	315	43	586	1262.8	86.0
Suntina	1,381	1,016	707	-30.4	-48.8
Admoni	0	142	0	-100.0	----
Chasuma	1,029	968	169	-82.5	-83.6
Winnola	0	0	0	----	----
Merav	0	17	0	-100.0	----
Mor	0	0	0	----	----
Or	0	0	0	----	----
Michal	421	929	574	-38.2	36.3
Rishon	487	543	220	-59.5	-54.8
Total Easy Peelers	2,114	2,393	868	-38.3	-37.9
Lemon	0	41	10	-75.6	----
Lime	357	246	0	-100.0	-100.0
White Pomelo	82	127	14	-89.0	-82.9
Red Pomelo	2,392	2,664	2,211	-17.0	-7.6
Limquat	16	26	10	-61.5	-37.5
Kumquat	317	316	293	-7.3	-7.6
Total Other Citrus	3,004	3,230	2,441	-25.8	-19.8
Grand Total	35,284	43,489	35,969	-17.3	1.9

Source: The Plants Production and Marketing Board, Citrus Division, Israel

PSD TABLES:

Oranges, Fresh Israel

Oranges, Fresh Ha 1000 trees 1000 tons	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct. 2006			Market Year Begin: Oct. 2007			Market Year Begin: Oct. 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan Data
	Official	Post	Data	Official	Post	Data	Official	Post	Data
Area Planted	5920	5920	5920	5940	5940	5920			6000
Area Harvested	5506	5506	5506	5540	5540	5540			5650
Bearing Trees	0	0	0	0	0	0			0
Non-Bearing Trees	0	0	0	0	0	0			0
Total No. Of Trees	0	0	0	0	0	0			0
Production	188	188	188	162	162	125			170
Imports	0	0	0	0	0	0			0
Total Supply	188	188	188	162	162	125			170
Exports, Fresh	35	35	37	30	30	25			34
Fresh Dom. Consumption	69	69	67	60	60	59			75
For Processing	84	84	84	72	72	41			61
Total Distribution	188	188	188	162	162	125			170

Tangerines/Mandarins, Fresh Israel

Tangerines, Fresh Ha 1000 trees 1000 tons	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct. 2006			Market Year Begin: Oct. 2007			Market Year Begin: Oct. 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan Data
	Official	Post	Data	Official	Post	Data	Official	Post	Data
Area Planted	5,632	5,632	0	5,660	5,660	5,632			6,232
Area Harvested	5,295	5,295	0	5,320	5,320	5,320			5,340
Bearing Trees	0	0	0	0	0	0			0
Non-Bearing Trees	0	0	0	0	0	0			0
Total No. Of Trees	0	0	0	0	0	0			0
Production	140	140	0	160	160	145			139
Imports	0	0	0	0	0	0			0
Total Supply	140	140	0	160	160	145			139
Exports, Fresh	50	50	0	50	50	50			52
Fresh Dom. Consumption	51	51	0	53	53	65			53
For Processing	39	39	0	57	57	30			34
Total Distribution	140	140	0	160	160	145			139

Grapefruit, Fresh Israel

Grapefruit, Fresh Ha 1000 trees 1000 tons	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct. 2006			Market Year Begin: Oct. 2007			Market Year Begin: Oct. 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
	Official	Post	Data	Official	Post	Data	Official	Post	Data
Area Planted	5,730	5,730	5,700	5,575	5,575	5,700			6,170
Area Harvested	5,329	5,329	5,300	5,370	5,370	5,340			5,360
Bearing Trees	0	0	0	0	0	0			0
Non-Bearing Trees	0	0	0	0	0	0			0
Total No. Of Trees	0	0	0	0	0	0			0
Production	242	242	242	245	245	242			238
Imports	0	0	0	0	0	0			0
Total Supply	242	242	242	245	245	242			238
Exports, Fresh	80	80	81	77	77	81			79
Fresh Dom. Consumption	5	5	4	7	7	15			5
For Processing	157	157	157	161	161	146			154
Total Distribution	242	242	242	245	245	242			238

Lemons, Fresh Israel

Lemons, Fresh Ha 1000 trees 1000 tons	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct. 2006			Market Year Begin: Oct. 2007			Market Year Begin: Oct. 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
	Official	Post	Data	Official	Post	Data	Official	Post	Data
Area Planted	1,853	1,853	0	1,878	1,878	1,853			1,900
Area Harvested	1,700	1,700	0	1,735	1,735	1,700			1,660
Bearing Trees	0	0	0	0	0	0			0
Non-Bearing Trees	0	0	0	0	0	0			0
Total No. Of Trees	0	0	0	0	0	0			0
Production	49	49	0	50	50	35			30
Imports	0	0	0	0	0	0			0
Total Supply	49	49	0	50	50	35			30
Exports, Fresh	2	2	0	3	3	4			2
Fresh Dom. Consumption	43	43	0	41	41	28			25
For Processing	4	4	0	6	6	3			3
Total Distribution	49	49	0	50	50	35			30

Other Citrus, Fresh Israel

Citrus, Other, Fresh Ha 1000 trees 1000 tons	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct. 2006			Market Year Begin: Oct. 2007			Market Year Begin: Oct. 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
	Official	Post	Data	Official	Post	Data	Official	Post	Data
Area Planted	688	688	0	695	695	688			700
Area Harvested	639	639	0	650	650	650			655
Bearing Trees	0	0	0	0	0	0			0
Non-Bearing Trees	0	0	0	0	0	0			0
Total No. Of Trees	0	0	0	0	0	0			0
Production	13	13	0	17	17	13			13
Imports	0	0	0	0	0	0			0
Total Supply	13	13	0	17	17	13			13
Exports, Fresh	7	7	0	6	6	6			6
Fresh Dom. Consumption	6	6	0	11	11	7			7
For Processing	0	0	0	0	0	0			0
Total Distribution	13	13	0	17	17	13			13