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Israel

Citrus

Semi Annual

2000

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Report Highlights:

MY 1999 citrus production is estimated at 912,000 mt, of which 244 was for export. Sweetie exports rose by 16 percent but total production increased by 30 percent. For the first time Israeli growers shipped 10 thousand cartons of Sweetie to Korea.

Israel's citrus sector continues to suffer economic setbacks which have plagued growers for an entire decade.

Includes PSD changes: Yes
Includes Trade Matrix: No

Semi-Annual Report
Tel Aviv (IS)], IS

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Executive Summary

Estimated citrus production in marketing year (MY)1999 (October 1999 – September 2000) is approximately 912 tmt, thirty percent higher than in MY 1998 (which was exceptionally low). Unlike MY1998, when Israel's competitors (mainly Spain and Morocco) lacked fruit, MY1999 is characterized by plenty of Spanish and Moroccan citrus in the European market, mainly oranges and easy peelers. Although the season began well, unfavorable (from the Israeli grower's point of view) relative movements of currencies between the EURO, the dollar and the sheqel have resulted in a 10-12 percent drop in Israeli producer prices. Combined with rising labor and other domestic costs, all but the most efficient growers lost money from citrus again this year. The winter of 1999/00 was the second successive winter with lower than long term average precipitation. The lateness in the rains retarded ripening, especially of Shamouti. Cold temperatures and hale during the month of January reduced average quality of the fruit, especially the Shamouti. Many growers who had begun the season with 30 percent culls, were only able to pack 50 percent or less for export after the hail.

Lack of citrus concentrates in international markets has increased the processing industry's demand for fruit. The price of grapefruit concentrate almost doubled and orders grew by some 20 percent. Thus, grapefruit growers and processors can be expected to increase their total income from processed fruit by more than double that of the previous year and by more than 85 percent over MY 1997.

Increased quantities of Sweetie from plantations coming into bearing weighed on the market. While Sweetie exports in MY 1999 grew by 16 percent over MY 1998, total production increased by more than 30 percent. Sales efforts in Europe were not fully successful but shipments to Japan rose by 12 percent over the previous year. For the first time, after 4 years of intense effort, 10 thousand boxes of Sweetie were shipped to Korea. The Citrus Marketing Board of Israel (CMBI) anticipates a very slow development of the Korean market.

The U.N. International Atomic Energy Agency is leading a regional cooperation project for the eradication of the Mediterranean Fruit Fly in Jordan, Israel and the Palestinian Authority. The citrus sectors of the three cooperators will be major beneficiaries. The project is based on male sterilization and dispersion techniques.

Summary Table of Citrus Production and Disposition: MY 1997 – MY 2000
Thousands of Metric Tons

Species	Year	Production	Exports	Processing	Fresh Consumption
Oranges	1997	394	142	142	110
	1998	277	103	64	110
	1999	385	85	150	150
Grapefruit	1997	303	107	184	12
	1998	281	101	160	20
	1999	305	90	190	25
Easy Peelers	1997	118	47	41	30
	1998	82	29	18	35
	1999	135	35	55	45
Lemons	1997	17	1	1	15
	1998	15	1	1	13
	1999	18	2	1	15
Sweetie	1997	46	27	18	1
	1998	44	20	23	1
	1999	60	25	32	3
Other	1997	8	6	0	2
	1998	6	5	0	1
	1999	9	7	0	2
Total Citrus	1997	886	330	386	170
	1998	695	259	261	175
	1999	912	244	428	240

Production

Weather conditions in spring and summer 1999 produced a promising crop. Winds and heavy hale during January 2000 caused damage to 5 percent of the fruit on the trees. The main production constraint in the coming years will be the water shortage, as well as the aging groves. Planted area totals 25,000 hectares, 18,000 ha of which are in central Israel. Of this, 3,000 hectares are non bearing: mainly Sweetie, lemons and easy peelers. Israel's Citrus marketing Board (CMBI) thinks that the area planted to white grapefruit fits market demands and uprooting of this variety can be expected to stop. Low profitability for the grower, increasing water problems and the need for investments in replanting in the near future places many growers in a position which requires critical investment decisions. The less efficient can be expected to abandon citrus as a main source of income.

MOA together with CMBI plan to replant 2,000 hectares of old orchards in each of the next five years: The above plan suits the state program for development of water recycling systems, which is also designed to take five years. Water consumption of young plantations is 1,000 cubic meters/ hectare, while that of mature plantations averages 8,000 per hectare. The consumption of the maturing orchards will increase in tandem with the growing recycled water supply.

Consumption

Domestic consumption is difficult to estimate, since direct delivery to the markets and to wholesalers by the growers is becoming increasingly common. CMBI sources assume that the local market is growing steadily but citrus prices are also affected by supply. Smaller exports in MY 1999 and increased delivery to the local markets depressed retail prices and increased fresh citrus consumption by 35 percent. Between 20 and 50 tmt of fresh citrus are sold annually to the Palestinian Authority.

Deliveries to the processing industry generally amount to some 40 percent of annual production. In 1999 they rose by 63 percent over 1998 and by 12 percent over 1997. Growing demand for fresh citrus by the processing industry is a consequence of lack of citrus products in international markets and depleted processor stocks of concentrate.

Trade

In MY 1999 Spain and Morocco shipped large quantities of citrus, mainly oranges and easy peelers to European markets. Prices dropped and reduced the profitability of Israeli fresh exports. Total exports from September 1999 to the beginning of April 2000 were 11 percent below the same period in MY 1998. Orange exports suffered more than others from the competition in the European markets. The Shamouti, which is identified with the trade label "Jaffa" is encountering serious market difficulties. From exports of 6 million boxes for the period discussed, shipments have dropped to 3.4 million. According to the industry, orange exports beneath 3 million boxes will not be able to maintain the necessary supporting services such as packing houses, cold storage and ships, and will turn the Shamouti into an insignificant factor in export markets.

For many years shipments to Western Europe constituted 70 percent of total citrus exports. Recently they have trended downwards, now representing only 55 percent of the total. Sales to Eastern and Central Europe, the FSU and Japan have grown at Europe's expense. Shifting from Western European markets is a strategic decision by Israeli exporters who are attempting to escape the increasing competition from Spain and Morocco in EU markets. Their search for new markets is directed especially to the Far and Middle East, so far without significant results.

Both Palestinian and Israeli growers are investigating the market potential for shipping fresh citrus in cooled containers through Jordan to neighboring countries of the Middle East. For the moment this is not feasible because of a combination of technical and political problems.

Fresh Citrus Exports by Main Groups – October 1998 – First week of April 2000
Thousand of Boxes

Shipments to April 8, 2000				% change in 1999	
Variety	**MY 1999**	**MY1998**	**MY1997**	**on 1998**	**on 1997**
Oranges:					
Shamouti	**3,413**	**4,915**	**6,327**	**-31**	**-46**
Valencia	**222**	**892**	**908**	**-75**	**-76**
Navels, Trovita	**197**	**251**	**468**	**-21**	**-58**
Total Oranges	**3,832**	**6,058**	**7,703**	**-37**	**-50**
Grapefruit					
White	**1,481**	**1,678**	**1,793**	**-12**	**-17**
Red Blush	**32**	**45**	**55**	**-29**	**-42**
Sunrise	**3,598**	**3,598**	**4,271**	**0**	**-16**
Ray Ruby	**33**	**46**	**157**	**-28**	**-79**
Total Grapefruit	**5,144**	**5,367**	**6,276**	**-4**	**-18**
Sweetie	**1,648**	**1,426**	**1,953**	**+16**	**-16**
Easy Peelers	**2,629**	**2,219**	**3,874**	**+19**	**-32**
Lemons	**43**	**29**	**72**	**+48**	**-40**
Others	**717**	**716**	**833**	**0**	**-14**
Total	**14,013**	**15,815**	**20,711**	**-11**	**-32**

Source: Citrus Marketing Board of Israel.

Citrus Exports to the European Union
September 1999 – April 2000
Metric Tons

	Total	**Of which:**	**EU as % of Total**	
Variety	**Exports**	**To EU**	**in MY 99**	**in MY 98**
Oranges	57,485	43,256	75	74
Grapefruit				
White	21,180	10,068	48	54
Red	55,350	23,424	42	54
Total	76,530	33,492	44	54
Sweetie	22,905	5,615	25	34
Easy Peelers	31,020	18,855	61	66
Lemons	457	251	55	62
Others	6,456	3,744	58	51
Total	194,853	105,213	54	62

Source: Citrus Marketing Board of Israel.

Prices

Prices for Israeli oranges and easy peelers, in the local currencies of the importers, dropped by some 8 percent while prices for red grapefruit were 6 percent lower than in the same period of MY1998. White grapefruit can be expected to end the marketing year with a slightly higher average price than in the previous season. The strengthening of the US dollar vis a vis the EURO led to a decline in the growers' income in MY 1999, for most exported varieties. Farm gate income in sheqels is estimated to be 10 - 12 percent lower than in MY 1998. Income from the Sweetie sales to Japan was 10 percent higher than in 1998. This is a result of a more favorable ratio between the Japanese yen and the US dollar, and the Japanese wholesalers' demand for larger (more expensive) fruit.

Wholesale Prices in New Covent Garden, London
Week 15, April 12, 2000

Variety	Origin	$/kg	Pence/kg	% change from week 14	Pence/kg in 1999*	Pence/kg in 1998*
Grapefruit Pink/Red	U.S. Turkey	0.92 0.64	58.1 40.7	0 0	51.6 40.7	61.3
Grapefruit White	Cyprus Turkey	0.44 0.64	27.8 40.7	11 22	33.3	
Oranges	Shamouti Morocco Spain	0.44 0.58 0.47	28.3 36.7 30.0	-23 -4 0	 46.7 43.3	35.0 36.7 35.0
Fortune	Spain	0.59	37.5	-12		
Ortanique	Morocco	0.47	30.0	0		40.0
Rate of Exchange - pence/$ =			63.2		62.0	60.0

***** Comparison with same week in previous years.

Wholesale Prices in Germany

Prices on April 10, 2000

Variety	Origin	$/kg	Marks/kg	% change from week 14	Marks/kg in 1999*	Marks/kg in 1998*
Grapefruit Pink/Red	Florida	0.84	1.71	-1	1.52	1.52
	Israel	0.76	1.56	-1	1.49	1.58
	Turkey	0.50	1.03	-4	1.02	
Grapefruit White	Israel	0.63	1.29	-1	1.46	1.30
Oranges:						
Valencia	Morocco	0.56	1.14	3	1.34	1.05
Navel	Spain	0.58	1.18	2		1.31
Navel	Spain	0.46	0.94	-3		0.99
Navelette	Spain	0.66	1.34	-1	1.66	
Fortune	Spain	0.89	1.81	-2		2.01
Mineola	Israel	0.74	1.50	-3		
Rate of Exchange - marks/$ =			2.04		1.81	1.84

Average of 7 markets * Comparison with same week in previous years.

Wholesale Prices in Rangisse, Paris
Prices for April 3 - 8, 2000

Variety	Origin	$/kg	ff/kg	% change from week 14	ff/kg in 1999	ff/kg in 1998
Grapefruit Pink/Red	Florida	0.70	4.80	0	4.92	5.00
Oranges: #						
Valencia 4 count	Morocco	0.61	4.20	0	4.30	3.60
Navel 3-4 count	Spain	0.46	3.20	0		3.20
Navelette 4 count	Spain	0.70	4.80	-1	6.00	
Navelette 5 count	Spain	0.59	4.00	-1		
Maltaise 5 count	Tunisia	0.76	5.20	-2	5.40	4.80
Maltaise 6 count	Tunisia	0.74	5.04	-1	5.06	
Maltaise 7 count	Tunisia	0.69	4.74	-1	4.26	4.30
Ortanique	Morocco	0.39	4.00	-7		
Rate of Exchange - ff/$ =					6.08	6.17

* Comparison with same week in previous years. # Refers tp EU size standards.
Source: Market Intelligence Department, Ministry of Agriculture, Bet Daga, Israel.

Policy

The citrus industry as a whole has suffered losses in most of the years of the last decade. They resulted from bad weather and natural disasters as well as economic and marketing problems. In an attempt to solve some of the most urgent problems, the Citrus Grower Organization (CGO) and the CMBI:

1. are encouraging growers to sell most of their produce at the farm gate and not on consignment as is the present practice.
2. are negotiating with the government to recognize Shamouti and grapefruit plantings in central Israel as suitable for governmental grants, as is the case in the outlying regions. This would involve government grants ranging from 10 to 40 percent of the investment cost and make investors eligible for low interest loans.
3. have developed a 5 year plan for renewal of 10,000 hectares. The Minister of Agriculture has approved the plan and is negotiating with the Ministry of Finance to obtain financial assistance from the development budget.

Marketing

The main marketing problem of Israel's citrus industry is the competition from Spain and Morocco who take full advantage of their shorter distances to the European markets. Israel's only advantage over it's competitors - higher quality has also suffered from the Noxane phenomenon which has hit some of the varieties. It manifests itself in the fruit about 14 days after picking, i.e. in destination ports or storage and makes it unfit for sale.

Israeli growers lack modern varieties, mainly of easy peelers. Two new late season peelers: Orr and Mor are in their initial market penetration states. Maintenance of the Jaffa trade mark is an important goal of the CMBI.

Increased Sweetie production is forcing shippers and the CMBI to develop new markets, mainly in the Far East (Hong Kong, China and even Australia), since attempts to expand demand in the markets of Europe and Japan are not successful. After four years of efforts to enter the Korean market in MY 1999, 10 thousand boxes were exported, with hope for a ten-fold increase next year. In 1999, for the first time, a yellow Sweetie called "Golden Sweet" (it is the same fruit, left on trees for ripening) was offered in Europe, after it was found that the Europeans identify citrus with yellow or orange colors.

Experimental shipments of "Chandler" (pink grapefruit), White Pomelo, Pink Pomelo, Sunrise grapefruit, two kinds of easy peelers and lemons have been exported to Japan. First reactions were positive, which raises hopes for new markets for these varieties and helps remove market pressures from Israeli fruit confronted with the stiff competition from Morocco and Spain in the markets of the EU.

PSD Table						
Country:	Israel					
Commodity:	Fresh Citrus,Other					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	1800	1800	1700	1700	1400	1400
Area Harvested	1200	1200	1100	1270	1200	1200
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	8	8	6	6	7	7
Imports	0	0	0	0	0	0
TOTAL SUPPLY	8	8	6	6	7	7
Exports	6	6	5	5	5	5
Fresh Dom. Consumption	2	2	1	1	2	2
Processing	0	0	0	0	0	0
TOTAL DISTRIBUTION	8	8	6	6	7	7

PSD Table						
Country:	Israel					
Commodity:	Fresh Lemons					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	1300	1300	1100	1100	1100	1200
Area Harvested	1000	1000	900	1050	1000	1150
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	17	17	14	15	17	18
Imports	0	0	0	0	0	0
TOTAL SUPPLY	17	17	14	15	17	18
Exports	1	1	1	1	1	2
Fresh Dom. Consumption	15	15	12	13	15	15
Processing	1	1	1	1	1	1
TOTAL DISTRIBUTION	17	17	14	15	17	18

PSD Table						
Country:	Israel					
Commodity:	Fresh Grapefruit					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	7700	7700	7600	7500	6100	7500
Area Harvested	7000	7000	7200	7200	5700	7200
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	304	304	281	281	280	305
Imports	0	0	0	0	0	0
TOTAL SUPPLY	304	304	281	281	280	305
Exports	107	107	101	101	95	90
Fresh Dom. Consumption	13	13	20	20	20	25
Processing	184	184	160	160	165	190
TOTAL DISTRIBUTION	304	304	281	281	280	305

PSD Table						
Country:	Israel					
Commodity:	Fresh Tangerines					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	5700	5700	5100	5700	5200	6350
Area Harvested	4100	4100	4600	4100	4800	4400
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	118	118	82	82	125	135
Imports	0	0	0	0	0	0
TOTAL SUPPLY	118	118	82	82	125	135
Exports	47	47	29	29	50	35
Fresh Dom. Consumption	30	30	35	35	32	45
Processing	41	41	18	18	43	55
TOTAL DISTRIBUTION	118	118	82	82	125	135