

Required Report: Required - Public Distribution

Date: December 15, 2021

Report Number: IS2021-0015

Report Name: Exporter Guide

Country: Israel

Post: Tel Aviv

Report Category: Exporter Guide

Prepared By: Jessica Shay, Agricultural Marketing Specialist and Elizabeth Mello, Senior Agricultural Attaché

Approved By: Kurt Seifarth, Agricultural Minister Counselor for Agricultural Affairs

Report Highlights:

Israel is an advanced, market-oriented economy. However, its limited land and water resources preclude agricultural self-sufficiency, affecting local production costs and consumer prices. The country is a net food importer; in 2020, food and agricultural product imports were valued at \$7.1 billion while exports totaled \$2.2 billion. Demand for organic, healthy or natural foods is increasing. Niche products that target a specific health issue like diabetes or celiac disease (gluten-free food) are experiencing growth in demand, as well as vegetarian and vegan products. This report provides an overview of Israeli market dynamics and trends, as well practical tips for doing business in Israel. The COVID-19 pandemic has shaken the Israeli economy and Israel's GDP decreased by 2.61 percent in 2020. According to Israel's Central Bank forecast, GDP is expected to grow by 7 percent in 2021 and by 5.5 percent in 2022.

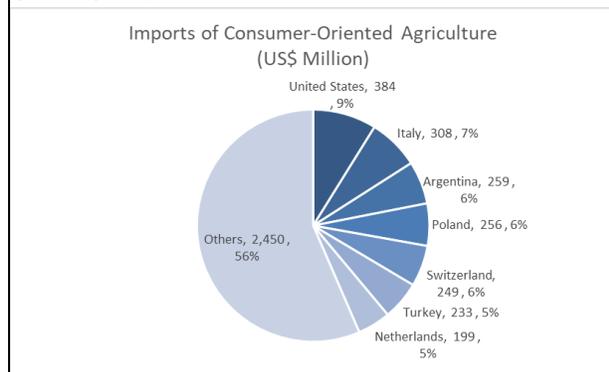
Market Fact Sheet: Israel

Executive Summary

Israel is a technologically advanced, market-oriented economy. However, the COVID-19 pandemic has shaken the Israeli economy, and Israel's GDP contracted by 2.61 percent in 2020. According to Israel's Central Bank, Bank of Israel (BoI), Israel's current GDP is \$42,900 (Q2/2021). According to BoI's forecast, GDP is expected to grow by 7 percent in 2021 and by 5.5 percent in 2022.

Imports of Consumer-Oriented Products

In 2020, Israel's import of consumer-oriented agriculture¹ stood at \$3.84 billion. The United States is the largest supplier, approximately 9 percent of imports were sourced from the United States.



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 thousands of 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. Four groups dominate the local food processing industry: Tnuva, Osem-Nestlé, Unilever, and Strauss.

In 2019², Israeli food processors' annual revenue stood at \$18.6 billion while the beverage and tobacco industry's annual revenue was \$2.47 billion. Main sub-sectors include bakery products, prepared meals, dairy products and the processing and preserving of meat. The sector represents approximately 17.5 percent of the total manufacturing industry's revenue. In 2020, Israel imported \$2.91 billion in raw food products for the food processing industry.

Food Retail Industry

Israeli fast-moving consumer goods (FMCG) 2020 sales recorded a significant growth of 9.2 percent, reaching \$15.08 billion, \$12.41 billion were from food and beverages products. 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. In 2020, over 65 percent of the sales of the total retail market were from supermarket chains. While the top three leading supermarket retailers accounted for over half of the market.

Food Service- Hotel Restaurant Institutional (HRI)

In 2020, the Israeli HRI food service sector included approximately 426 hotels, with a total of around 55,000 rooms, 13,000 consumer foodservice outlets, and the institutional sector. Based on the Israeli Central Bureau of Statistics (CBS), the total revenue of the hotel sector in 2020 was \$1.13 billion, a sixty-six percent decrease from the previous year. Isrotel's, one of Israel's top hotel chains, 2020 financial report attributed 26 percent of the hotel's income to food and beverages. Reportedly, the Israeli hotel sector's food sales reached an estimated \$0.29 billion in 2020. According to CBS, accommodation and food service activities declined by forty percent in 2020.

Quick Facts

Trade Overview (\$ billion) 2020

	Total	U.S. Share
Food and Agricultural Products ³ Exports	\$2.2	20%
Food and Agricultural Products ³ Imports	\$7.1	11%
Consumer-Oriented Agriculture Imports	\$3.84	9%

Top Trends

Milk alternatives, Protein-enriched products, Vegan, Premium, Home cooking and baking, Online food shopping, Home delivery and Private label.

Top Food Service Trends

Demand for healthier dishes, Demand for plant-based dishes, Demand for high-quality, higher end food products, and Shift towards takeaway and delivery orders.

Top Consumer Foodservice Chains

McDonald, Reshet Cafe Cafe Ltd., Greg Coffee Shops Ltd. and Aroma Israel (Shefa Franchisers Ltd)

Top Institutional Catering Companies

Schultz, Sodexo, Idit Food Logistics, and L. Eshel Food Services

Top Hotel Chains

Fattal Hotels, Isrotel Hotel Management, and Dan Hotels

Top Host Country Food Retailers

Shufersal, Rami Levi – Hasikma Distribution, Merav-Mazon Kol/Osher Add, Dor Alon Retail Sites Management, Victory, Yochananof, Chazi Hinam Kol-bow, Freshmarket and Tiv Taam.

Top Manufacturers in Israel

Tnuva Ltd., Strauss Group Ltd., Osem, Unilever, and the Central Company for Beverages Distribution (Coca-Cola).

GDP/Population 2021(CBS and BoI estimate)

Population (millions): 9.39 (August 2021)
 GDP (billions USD): \$458 (calculated value)
 GDP per capita (USD): \$42,900 (Q2/2021)

¹Consumer Oriented Agriculture - BICO-HS6

² Latest available data

³ Harmonized Tariff Schedule Chapters 1-24

SECTION I – MARKET OVERVIEW

Israel is a parliamentary democracy of over 9.39 million people (Israel Central Bureau of Statistics, August 2021), growing at 1.6¹ percent annually. Nearly 75 percent of the population is ethnically Jewish, with 25 percent being non-Jewish and mainly of Arab descent. Israel's area is approximately 20,330 square kilometers, making it about the U.S. state of New Jersey. Roughly 40 percent of Israel's population is concentrated in the greater Tel Aviv metropolitan area, Israel's commercial and financial center. Other major population centers include Jerusalem and the Haifa metropolitan area, a major port city and center for the petrochemical and high-tech industries.

Israel's annual per capita GDP in purchasing power parity terms is \$43,000 (Israel's Central Bank Q2/2021). In 2019, Israel's annual GDP increased by 3.5 percent and reached \$394.8 billion. COVID-19 shook the Israeli economy and Israel's GDP decreased by 2.61 percent in 2020. According to Israel's Central Bank forecast², GDP is expected to grow by 7 percent in 2021 and by 5.5 percent in 2022.

Israel is a technologically advanced, market-oriented economy. The country is an industrialized, free-market economy, with a diversified manufacturing sector. Israel's main export market is the European Union (EU). Consumers are sophisticated and enjoy cosmopolitan food tastes. Although there have been street protests recently over food prices and the high cost of living, Israelis remain willing to pay more for high-value products. Currently, over 16 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.

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 routinely posts sizeable trade deficits in food and agricultural products, importing large volumes of feed grains and sizable volumes of consumer-oriented products.

For more in-depth information about Israel's economy, see the Bank of Israel's [Research Department Publications](#), the U.S. Department of State's Israel [Investment Climate Statement](#), and the U.S. International Trade Administration's [Israel Country Commercial Guide](#).

Israel and the United States benefit from a free trade agreement (FTA). The [United States-Israel Free Trade Agreement](#) (FTA) entered into force in 1985 and holds the unique distinction of being the United States' first FTA partner. The FTA continues to serve as the foundation for expanding trade and investment between the United States and Israel by reducing barriers and promoting regulatory transparency.

¹ The sharp decline in the annual growth rate is due to the decrease in the number of immigrants, declines in birth rates, as observed in the last two years, and a rise in death rates. The decrease in the number of immigrants was due to the outbreak of COVID-19 and the closure of Israel's borders.

² [Bank of Israel Forecast, October 2021](#)

Table 1: Advantages and Challenges Facing U.S. Supplier Strengths

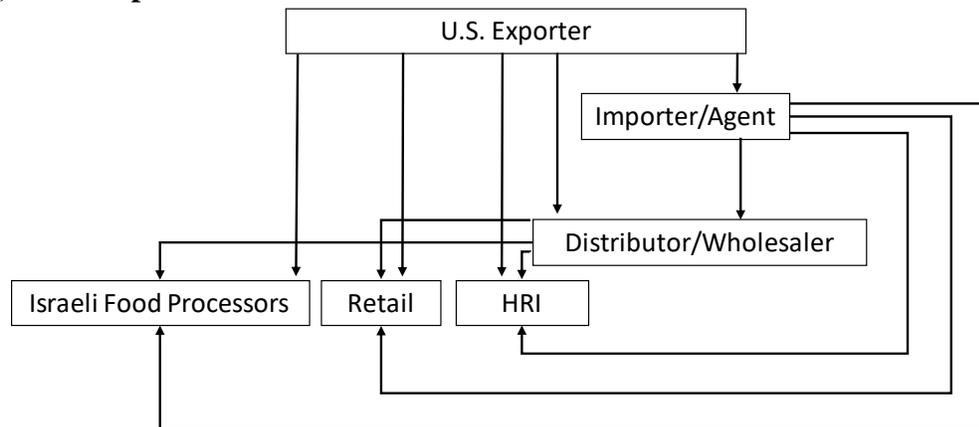
Advantages	Challenges
The U.S.-Israel FTA offers the United States tariff rate quotas for some products, while reducing duties on other products.	Fresh produce lacking a risk assessment cannot enter Israel.
Kosher products have a high market share in Israel; large supermarket chains and hotels buy only kosher products. Over 10,000 American companies produce kosher products; U.S. products have a comparative advantage.	Many U.S. firms are unresponsive to Israeli requests to do business.
Israel is almost completely dependent on imports to meet its grain, oilseeds, and feed needs. The United States is one of the largest worldwide suppliers.	Israel is adopting EU-27 standards, which, in many cases, are more restrictive than international standards.
High living costs are forcing a reconsideration of tariffs and quotas.	The EU-27 is Israel’s main trading partner
After a 13-year ban on U.S. beef, the Israeli veterinary services lifted the ban in February 2016.	Most frozen beef imported by Israel originates from South America and Eastern Europe, both of which have strong price advantages over U.S. beef products.
The Israeli consumer is already familiar with U.S. products and is receptive to new and emerging products from the U.S.	Kosher requirements are strict; consumers are demanding high-level kosher certification for their food products.
Israel’s and Palestine’s economies are linked. Exporters can use Israel as a gateway to the Palestinian market.	Import requirements are strict; new-to-market products are often detained at port.
Israel’s per capita consumption of fresh fruits and vegetables is high.	The hotel, restaurant, and institutional sector generally prefers imports from nearby countries.
Israelis are health-conscious, preferring to eat a balanced diet. Supermarkets are carrying products that were once only available at specialty stores. U.S. products are known for their high quality and wholesomeness.	Many Israeli traders consider the Black Sea region a natural source for grains due to its proximity and the convenience of small- and medium-sized cargoes.
	In order to boost the local economy post-COVID-19, the government may lead a call for private consumers to support local industry products. Consumers may develop a solidarity with the local industry.

SECTION II – EXPORTER BUSINESS TIPS

Market Research: U.S. exporters should establish business relationships with reliable and efficient Israeli importers and distributors. These will help identify the appropriate distribution and sales channels. Exporters are encouraged to meet with Israeli importers in person to explore business opportunities. Face-to-face meetings tend to build confidence and facilitate communication. FAS Tel Aviv (Post) can facilitate exchanges of U.S. exporters to Israel or of Israeli buyers to U.S. food shows or conventions.

Market Structure: U.S. Exporters able to supply reliably in large quantities should approach large Israeli food retail chains. Food retailers like Shufersal and Rami Levi have their own purchasing and importing divisions. Suppliers should contact the purchasing or importing divisions of these large food chains, especially for new-to-market food products as they have the most experience with branding and distribution. Post can provide lists of local importers and facilitate contact information. Exporters should consider customers’ price sensitivity, product requirements, purchasing policies, and volumes.

Chart 1: Israel, Food Import Distribution Channel



General Consumer Tastes and Trends: Israeli consumers tend to demand kosher products and many of the larger supermarket chains only carry kosher foods. Similarly, many hotels, restaurants and industrial buyers only source kosher products. At the same time, as Israeli incomes have increased, consumers have also become more health-conscious thereby further shifting food demand toward products considered wholesome or healthy. Most consumers prefer to buy their products at supermarket chains, instead of open markets and small grocery stores.

Marketing Tips:

- Direct marketing is common through mail, phone, and email.
- The internet is widely used in Israel, and a growing direct marketing avenue.
- For first-time U.S. exporters, it is important to note that distinct cultural differences between Israel and the United States may in some cases dictate changes in selling, advertising, and marketing. Although many strategies used by firms in the United States can be equally effective in Israel, U.S. companies should understand that selling in Israel is not the same as selling in the U.S. market.
- [Israel's tariff classification](#) is based on the Harmonized Tariff System (HS). Israel's Customs and Purchase Tax Tariff is the main instrument used for the classification of goods. The correct classification of goods is the key to determining tax rates, as well as obtaining various authorizations, permits and licenses. It is recommended to contact a professional customs broker prior to exporting.
- Almost all goods are imported through Israel's two Mediterranean ports, Haifa in the north and Ashdod in the south. Ben Gurion International Airport is also an important port of entry. These ports have good transportation links to the rest of the country. While most companies are headquartered in the Tel Aviv or Haifa metropolitan areas, a growing number of firms maintain branches, showrooms, or service facilities in Jerusalem and Be'er Sheva.
- Israel has an extensive road network that connects the entire country, as well as advanced inland and international transport facilities. Rental cars, taxis, and limousines with drivers are readily available for visitors.
- A visa is not required for U.S. citizens traveling for tourism or short-term business projects.

- U.S. travelers should refer to the Department of State's [International Travel Information](#) for the most up-to-date information on Travel Warnings and Visa Requirements for Israel.

Local Business Practices and Customs

Hebrew and Arabic are the two official languages of Israel. English is the third and principal foreign language, although the use of Russian is also prevalent. Many signs in public places are in all three languages and most Israelis are multilingual. Business hours are Sunday through Thursday from 8:00 a.m. to 5:00 p.m. for most businesses and government offices. Occasionally, businesspeople will be willing to hold meetings on Friday mornings. Most business and restaurants close on the Jewish Sabbath, which is Friday sundown until Saturday sundown.

Jewish Holidays in Israel are mainly in September, October, and April. Exporters should take note of Israeli holidays, as their Israeli counterparts are closed on those dates. Additionally, there is no public transportation on the Jewish Sabbath and on some Jewish holidays.

Recommendations for U.S. Food and Agricultural Product Exporters

Exporters that adhere to the following recommendations stand a better chance of success in accessing the Israeli agricultural and food market:

- A U.S. Certificate of Free Sale, obtained from the U.S. Food and Drug Administration (FDA), facilitates the Israeli Ministry of Health's import licensing procedures.
- Given that Israel is adopting EU-27 standards, U.S. exporters already familiar with EU-27 import requirements will have better success in gaining entry to the Israeli market.
- Products certified as being manufactured under Good Manufacturing Practices (GMP) or Hazard Analysis and Critical Control Points (HACCP) will have greater ease of access to the Israeli market.
- Being included on the FDA's list of registered facilities is viewed favorably by Israel's import licensing authority. It provides confirmation that the exporting manufacturer's facility has been inspected by the FDA and or U.S. Department of Agriculture.
- Products must have a minimum shelf life of six months upon arrival at port.

SECTION III – IMPORT FOOD STANDARDS AND REGULATIONS AND IMPORT PROCEDURES

Israel Import Documentation and Requirements and Food Standards and Regulations

For detailed information regarding standards and regulations for importing food and agricultural products into Israel, see [GAIN-Israel – \(IS2020-0024\) Food and Agricultural Import Regulations and Standards – FAIRS Israel 2020 report](#)).

Customs Procedures - Valuation and the Value Added Tax

Customs Valuation and Tax: Israel has implemented the World Trade Organization (WTO) Customs Valuation Agreement. Under the WTO regulations, the basis for valuation is the

transaction value. In most cases the cost, insurance, and freight (CIF) price are included. Israel's tariff classification is based on the Harmonized Tariff System. Israel's Customs and Purchase Tax Tariff is the main instrument used for classifying imports. The correct classification of goods is the key to determining correct duty rates. It is utilized for obtaining authorizations, permits, licenses, and meeting all other conditions for the import of goods.

Value Added Tax: The value added tax (VAT) is 17 percent. The tax is imposed on all products and services, excluding fresh fruit and vegetables.

Tariffs and Free Trade Agreements: Israel is a member of the World Trade Organization (WTO) and party to free trade agreements (FTA). The United States-Israel Free Trade Agreement is the United States' first trade agreement (1985). Following the 1985 U.S.-Israel FTA, a bilateral Agreement on Trade in Agricultural Products (ATAP) was signed in 1996. Since then, annual extensions have been issued to allow the parties to negotiate a permanent agreement.

Under the current FTA-ATAP regime, virtually any product produced in Israel that can be competitive in the U.S. market can enter the United States duty-free. In contrast, U.S. products continue to face high tariffs in many sectors limiting their access to the Israeli market. The current ATAP regime provides U.S. food and agricultural products access to the Israeli market under one of three different categories: 1) unlimited duty-free access; 2) duty-free tariff rate quotas (TRQ); or 3) preferential tariffs set at least 10 percent below Israel's Most Favored Nation (MFN) rates. The U.S. government and industry continue to seek more favorable permanent agreement in agricultural products.

Israel's tariff profile for some agricultural products (i.e., dairy, meat, eggs, and some fruit and vegetables) continues to remain prohibitively high on many product lines. Indicative of the uneven nature of Israel's tariff profile are the low tariffs, even sometimes duty-free status, for specific products not produced in Israel. This is true for certain coarse grains and oilseeds. For further information see Israel's Customs and Purchase Tax Tariff website.

SECTION IV: MARKET SECTOR STRUCTURE AND TRENDS

Key Developments for Top Sectors:

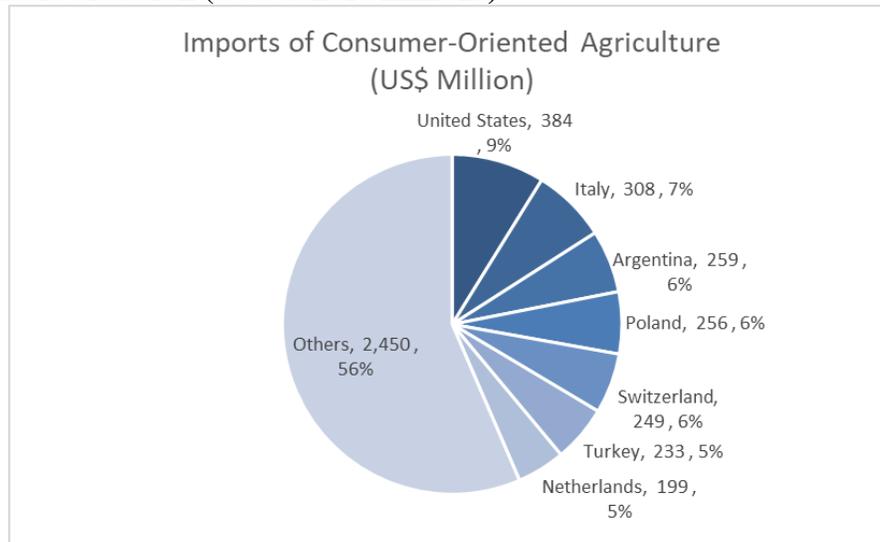
Protein enriched products	2019 to 2020- 16.8 percent growth in sales
Premium products (quality foods such as high-end chocolate, desserts and cheeses)	2019 to 2020- 12.8 percent growth in sales
Milk alternatives	2019 to 2020 – 36 percent growth in sales Milk alternatives include soy, oat, rice and almond
Meat alternatives	Israeli hamburger restaurants are selling U.S. meatless hamburgers Increase in the number of products available at food retailers Meat alternatives include soy hamburgers, mushroom lentil and quinoa hamburgers, seitan, and tofu
Cooking and baking	2019 to 2020- 20.6 percent growth in sales
Readymade / fast preparation food	2019 to 2020-14.3 percent growth in sales
Private label (PL)	Growth in the PL market share of Fast-Moving Consumer Goods (FMCG), 6.8 percent in 2020 compared to 5.6 percent in 2015

Source: StoreNext, Israeli Press, and FAS Tel Aviv office research.

Best Consumer-Oriented Product Prospects:

In the Israeli market already and have good sales potential	Not present in the Israeli market in significant quantities, but have good sales potential
Nuts	Chilled kosher beef
Processed fruit	Frozen cherries and berries
Dairy products	Premium dessert products such as premium chocolate bars, cookies, ice cream, and cheese
Alcohol	Frozen kosher appetizers
Grape juice	Vegan and vegetarian products
Pears and apples	Organic food
Sauces	Gluten free products
	Maple syrup

Key Competitors Situation (U.S. dollars millions)



Best High-Value, Consumer-Oriented Product Prospect Categories: The trend in the Israeli food market is healthy foods, demanding products that have reduced fat, reduced salt, and reduced sugar component. However, despite the growing health conscious trend among consumers, there is growing demand for quality-foods such as high-end chocolate, desserts, and cheeses. Gluten-free products are also experiencing significant growth rates. Israeli food manufacturers, importers, retailers, and restaurants are adjusting their product lines and menu offerings to meet the demand of a growing number of vegans, vegetarians, and gluten-sensitive consumers. At the same time, consumers are seeking out more organic and natural products.

Supermarket chains are touting private labels that guarantee product quality at lower retail prices than branded products, as a growth engine. Today there is also an upswing in online shopping, as retailers improve their product quality offerings alongside more user-friendly website.

Prior to the COVID-19 outbreak, Israelis were prone to eat out more frequently than ever before. When doing so, they demanded high-quality beef and seafood products – opening possibilities for greater amounts of U.S. kosher products.

SECTION V – AGRICULTURAL AND FOOD IMPORTS

Israel is a net food importer. In 2020, Israel's agricultural imports (HS 01-24) stood at \$7.1 billion and exports at \$2.2 billion. Approximately eleven percent of the imports were from the United States.

Israel is a good export market destination for U.S. food and agricultural products; particularly for dried fruits, nuts, fresh apples and pears, cheese, and other food products. Niche products that target a specific health issue like diabetes or celiac disease (gluten-free food) are experiencing growth in demand, as well as vegetarian and vegan products. - Demand for high-end food products is also growing.

Table 2: Israel, Consumer Food & Edible Fishery Product Imports (U.S. dollars million)

Product HS Code	Product Label	Israel's Imports from the world			Israel's Imports from the United States			U.S. Share		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
2	Meat and edible meat offal	572.4	671.8	646.2	8.8	20.1	10.0	1.5%	3.0%	1.5%
3	Fish and crustaceans, mollusks and other aquatic invertebrates	497.9	529.0	474.7	1.6	3.6	1.8	0.3%	0.7%	0.4%
4	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere	144.7	150.0	196.9	8.4	8.1	9.6	5.8%	5.4%	4.9%
7	Edible vegetables and certain roots and tubers	145.2	157.1	188.3	5.6	6.5	5.6	3.8%	4.1%	3.0%
8	Edible fruit and nuts; peel of citrus fruit or melons	317.9	351.6	362.4	142.7	166.6	167.6	44.9%	47.4%	46.3%
9	Coffee, tea, mate and spices	169.1	163.8	187.1	0.5	0.3	0.9	0.3%	0.2%	0.5%
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	159.4	139.1	134.0	7.8	10.7	9.1	4.9%	7.7%	6.8%
17	Sugars and sugar confectionery	224 .6	233.2	234.2	4.0	4.1	4.9	1.8%	1.7%	2.1%
18	Cocoa and cocoa preparations	218.9	233.0	245.6	6.6	7.8	8.2	3.0%	3.3%	3.3%
19	Preparations of cereals, flour, starch or milk; pastry cooks' products	358.2	383.5	414.8	25.2	35.7	37.2	7.0%	9.3%	9.0%
20	Preparations of vegetables, fruit, nuts or other parts of plants	318.2	322.1	334.1	44.5	43.7	44.2	14.0%	13.6%	13.2%
21	Miscellaneous edible preparations	396.3	431.1	435.7	64.0	63.9	66.3	16.2%	14.8%	15.2%
22	Beverages, spirits and vinegar	373.8	404.1	456.9	9.5	10.4	15.1	2.5%	2.6%	3.3%
	Total	3,896.6	4,169.4	4,310.7	329.2	381.2	380.4	8.4%	9.1%	8.8%

Source: Israeli Central Statistics Bureau, FAS Tel Aviv office research.

SECTION VI – KEY CONTACTS AND FURTHER INFORMATION

Links to government sources

- Israel Tax Authority - [Customs Tariff Book](#)
- Israel Central Bureau of Statistics (CBS) - [Exports and Imports](#)
- [The Standard Institution of Israel \(SII\)](#)
- Ministry of Economy and Industry- [Foreign Trade Administration \(FTA\)](#)
- [Ministry of Agriculture](#)
- Ministry of Health- [Food Control Administration](#): Telephone: +972-3-6270100

Foreign Agriculture Service – Tel Aviv

71 Hayarkon Street

Tel Aviv, Israel 63903

agtelaviv@fas.usda.gov

<http://www.fas.usda.gov>

For questions or comments regarding this report, or assistance exporting to Israel, please contact the Foreign Agricultural Service in Tel Aviv. Importer listings are available from the Foreign Agricultural Service for use by U.S. exporters of U.S. food and beverage products.

FAS Tel Aviv Market Reports:

- [GAIN ISRAEL – Israel Retail Foods 2021 Annual](#)
- [GAIN ISRAEL – Israel Food Service – Hotel, Restaurant & Institutional 2021 Annual](#)
- [GAIN ISRAEL – Israel Food Processing Ingredients 2021 Annual](#)

Attachments:

No Attachments