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## Israel

**Post:** Tel Aviv

### *Large Israeli Harvest will Reduce Apple Imports*

**Report Categories:**

Fresh Fruit

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**Report Highlights:**

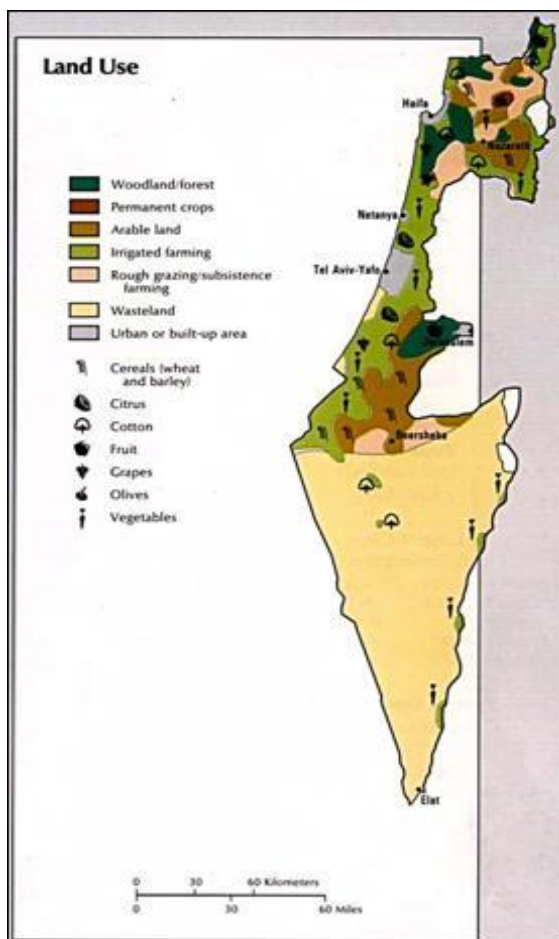
Thanks to favorable weather, Israel's 2012 apple harvest is estimated to reach 125,000 metric tons (MT) or up by 25 percent compared to 2011 levels. Israel's imports of U.S. and EU (mainly Italian) apples hit a record high of 14,500 MT in MY 2012 (November 2011- July 2012). The United States accounted for 52 percent of this volume. Post however anticipates a 25 percent drop in apple import volumes in MY 2013 due to this season's good weather and the larger than expected domestic apple harvest. Continued unrest in Syria may also disrupt apple exports by Druze farmers, adding supply to the domestic market and further reducing apple imports.

## Production:

Thanks to favorable weather, Israel's 2012 apple harvest is estimated to reach 125,000 metric tons (MT), up by 25 percent compared to 2011 levels. Over the past 5 years, Israel's annual apple production averages 115,000 MT per annum. Israel's total annual consumption is 120,000 MT. Apple per capita consumption in Israel averages 16 kilograms per annum.

Israel has approximately 4,000 hectares of fruit bearing apple orchards. Most of these orchards are located in northern Israel. Israeli apple production is concentrated in the hills of Galilee and the Golan at 600 meters elevation. The main apple varieties cultivated in Israel include: Golden (green - yellow), Starking (red), Grannysmith (green), Gala (red - yellow), Pinklady (red - yellow), Jonathan (red) and Ana (red - green). Ana is a local variety adapted to grow under the hot climate conditions of southern Israel.

With the exception of Ana and Pink Lady varieties, all other apple varieties are harvested during the late summer (August-September). The Ana apples are harvested in June, while the Pink Lady variety is harvested at the end of October. Most apple varieties are available year-round. The size of Israeli apples normally range about 5.5 to 7.5 cm. Israeli consumers perceive larger sized apples to be of better quality and taste. The 2012 apple season is producing a larger than expected harvest accompanied by larger sized than usual apples.



## Trade:

### Exports

Israel normally does not export apples. However, the Israeli Druze community residing in the Golan Heights exports by way of the Quneitra crossing to neighboring Syria thanks to a special export arrangement. These apples are packaged and stored in modern cold storage facilities on the Israeli side of the ceasefire line. Syria lacks similar packaging and storage facilities. Israeli Druze apple farmers/ exporters benefit from Israeli infrastructure improvements which allow them to export year round to Syria.

Israeli Druze grown apples are exported in unmarked crates and cross the border into Syria under the auspices of the International Red Cross. This is currently the only commercial exchange between Israel and Syria. The Israel Defense Forces report that each year since 2006 there have been Israeli Druze apple shipments to Syria. On average some 10,000 MT of high-quality Israeli Druze grown apples (mainly the Starking variety) are exported. In MY 2012 (November 2011-July 2012), 30 trucks, carrying about 12,000 MT of Israeli Druze grown apples transited the Quneitra crossing. These exports are utilized to balance production surpluses.

Due to the ongoing civil insurrection against the Syrian government, it is unknown if there will be any apple exports to Syria in MY 2013 (November 2012-July 2013). If Israeli Druze apple exports are suspended, or if only small amounts are shipped, the Israeli apple market will face higher stocks leading to lower domestic apple prices. This will adversely impact U.S.-origin apple export possibilities in Israel.

## **Imports**

Israel imports apples from the United States and the EU (mainly from Italy). Israel's MY 2012 apple imports hit a record high of 14,500 MT, of which about half or 7,500 MT are U.S.-origin apples. Import of U.S.-origin apples in MY 2012 grew by almost 38.5 percent compared to the 2010 level of 5,200 MT. Apples from the United States originate in Washington State and in the North East. The European Union accounts for the balance of Israel's apple imports.

Post finds that record Israeli imports in MY 2012 are due to that year's harvest shortage of larger sized apples. However, Post is anticipating a 25 percent drop in Israeli apple import volumes in MY 2013 due to this season's good weather and the ensuing larger than expected domestic apple harvest.

Post expects a drop in Israeli import demand for U.S.-origin apples in MY 2013 also as a consequence of smaller U.S. crop in 2012 and the strength of the U.S. dollar. With production shortfalls in the United States driving up export prices, combined with a strong dollar, the competitiveness of U.S.-origin apples in the Israeli market may suffer in MY 2013.

**The Agreement on Trade in Agricultural Products (ATAP):** The ATAP provides U.S. food and agricultural products access to the Israeli market under one of three different categories: unlimited duty free access, duty free tariff-rate quotas (TRQs), or preferential tariffs, which are set at least 10 percent below Israel's Most Favored Nation (MFN) rates. Approximately 90 percent of U.S. agricultural exports (by value) enter Israel duty and quota free as a result of Israel's implementation of its commitments under the World Trade Organization (WTO), the U.S.-Israel Free Trade Agreement (FTA), and the ATAP.

Under the ATAP framework the United States is granted a duty-free TRQ of 4,000 MT for fresh apples. This TRQ has been fully filled in recent years. For amounts above the TRQ, U.S. exporters face a 10 percent discount on the general import tariff, which is NIS 2/kg (\$0.5/kg). This means that U.S. exporters face a tariff of NIS 1.8/kg above the TRQ. The European Union also has a TRQ for 3,280 MT of apples, and above the TRQ level they pay the general import tariff.

Post sources indicate that the Israeli Plant and Protection Services may soon grant China permission to export fresh apples into Israel. We anticipate that lower cost China-origin apples will increase competition for U.S.-origin apples. However, fresh apples from China will be subject to the general import tariff of NIS 2/kg (\$0.5/kg).

**Table 1: Imports of U.S. Fresh Apples into Israel, tons '000, MY (Nov-July)**

	2006	2007	2008	2009	2010	2011	2012
Total Imported Apples	5.0	4.7	3.8	7.7	8.8	9.7	14.5
U.S. Imported Apples	3.9	3.5	2.7	4.8	5.7	5.3	7.5
U.S. market share (%)	78.3	74.1	71.1	62.1	64.3	54.6	52.0

Note: Post data reflect Post's assessments and are NOT official USDA

## Marketing:

Retail distribution drives Israeli domestic apple consumption. Retail sales account for 80 percent of domestic apple consumption. The food service and food processing industries, as well as institutional channel account for the other 20 percent.

The retail channel provides Israeli apple growers and distributors higher margins. Growers and distributors seek to sell the largest possible share of the apple crop through retail channels whenever possible.

The food service and food processing industries are high volume purchasers of apples. These absorb poor quality apples at discounted values. In 2012, and whenever production exceeds local demand, a larger share of local production is utilized by the food service and food processing industries and institutional channels.