Required Report: Required - Public Distribution **Date:** June 30, 2021

Report Number: IS2021-0006

Report Name: Retail Foods

Country: Israel

Post: Tel Aviv

Report Category: Retail Foods

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Report Highlights:

COVID-19 shook the Israeli economy. As a result, Israel's GDP contracted by 2.6 percent in 2020. Though thanks to a very high rate of inoculation and the reopening of the economy since mid-February, Israel's GDP is projected to grow by 6.3 percent in 2021 and 5 percent in 2022. The Israeli food retail sector, unlike the majority of sectors, benefited from the pandemic and 2020 was a record year with an increase in revenues and profits. Israel is a net importer of all major categories of food products. Israeli food prices are 19 percent higher than the OECD average. Israeli citizens spend more than 16 percent of their income on food and beverages. Over 60 percent of consumers buy their food at supermarkets.

Market Fact Sheet: Israel

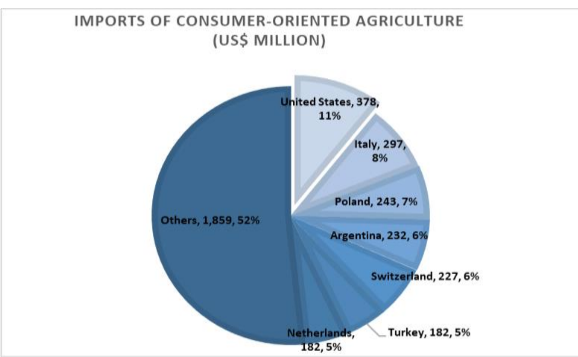
Executive Summary

Israel is a technologically advanced, market-oriented economy. 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 contracted by 2.6[1] percent in 2020. Though, thanks to a very high rate of inoculation and the reopening of the economy since mid-February, Israel's GDP is projected to grow by 6.3 percent in 2021 and 5 percent in 2022.

Consumers are sophisticated and enjoy cosmopolitan food tastes. Currently, over 16 percent of household expenditures are dedicated to food products.

Imports of Consumer-Oriented Agriculture

In 2019, Israel's import of consumer-oriented agriculture[3] stood at $3.6 billion (revised figure). The United States is the largest supplier, approximately 11 percent of imports were sourced from the United States.



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. The leading retail supermarkets in Israel are: Shufersal, Rami Levi and Merav-Mazon Kol/Osher Add.

Quick Facts CY 2020

Imports of Consumer-Oriented Agriculture[3] *($million)* $3,598 (2019 data)

Top Trends:

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

Top Host Country Food Retailers

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

GDP/Population 2020

Population *(millions)*: 9.34 (as of April 2021)
GDP *(billions USD)*: $385 (calculated value)
GDP per capita[4] *(USD)*: $40,800

Data and Information Sources: Israeli Central Bureau of Statistics (CBS), Storenext, Euromonitor, Bank of Israel, FAS Tel Aviv office research, UN Comtrade Database, Company Financial Reports, CofaceBdi, Israeli Restaurant and Café Association

[1] Bank of Israel Forecast, April 2021 [2] Harmonized Tariff Schedule Chapters 1-24 [3] Revised Consumer Oriented Agriculture - BICO-HS6 [4] Bank of Israel publication, PPP exchange rate

SECTION I. MARKET SUMMARY

Israel is a net importer of all major categories of food products. Israel's limited land and water resources precludes a high level of agricultural self-sufficiency; this affects local production, costs, and consumer prices. The country posts sizeable trade deficits in food and agricultural products, importing large volumes of feed grains and sizable volumes of consumer-oriented products. In 2020, imports of agricultural products[1] reached $7.09 billion, while exports reached only $2.17 billion. In 2019 (latest available data), imports of consumer-oriented agricultural products[2] totaled $3.6 billion.

Israeli food prices are 19 percent higher than the OECD average and Israeli citizens spend more than 16 percent of their income on food and beverages. A few large companies control a majority of the market, limiting competition and putting upward pressure on prices. As a result, the government of Israel is pursuing lower custom fees, increasing import quotas for specific food products, and implementing new regulations to promote competition in the sector and mitigate the high cost of living.

The Israeli food retail sector, unlike the majority of sectors, has benefited from the pandemic. The year 2020 was a record year for food chains, with an increase in revenues and profits. Israeli fast-moving consumer goods 2020 sales recorded a significant growth of 9.2 percent, reaching $15.08 billion and $12.41 billion was from food and beverages products.

Israel has seen growth in the high-quality food sector, including specialty cheeses, chocolates, high-protein drinks, and imported snacks. While many consumers are very price sensitive, others are willing to pay a premium for high quality products.

In general, consumers choose to shop at supermarkets over neighborhood grocers due to competitive prices and longer hours of operation. Over 65 percent of consumers buy their food at supermarkets. Though due to the COVID-19 pandemic, this trend changed for part of 2020, with movement restrictions and the fear of being infected from others, consumers were driven to then shop in more expensive neighborhood stores and convenience stores. However, on an overall annual level, there was no change.

[1] Note: HS code 1-24
[2] Note: Consumer Oriented Agriculture - BICO-HS6

Table 1: U.S. Supplier's Advantages and Challenges Facing the Israeli Retail Food Sector

Advantages	Challenges
Israeli consumers are paying higher than global average prices for food and agricultural products.	Cost of transportation from the United States is high.
The Ministry of Economy is determined to open the market for more imports in order to lower the cost of living.	Israel's standards tend to follow EU standards and not U.S. standards.
Products certified as being manufactured under Good Manufacturing Practices (GMP) or HACCP will have greater ease of access to the Israeli market.	Many products are yet to be approved for entry by local entities. For example, U.S. gluten-free products are not always considered gluten-free in Israel.
The U.S. Food and Drug Administration's (FDA) list of registered facilities is viewed favorably by Israel's import licensing authority as it provides confirmation that the exporting manufacturer's facility has been inspected by U.S. regulators.	Registration fees and procedures adding to product cost.
Kosher certification is an advantage in the local market and many U.S. manufacturers are already koshered certified.	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.
U.S. products offer high quality.	Low-cost competition from Eastern Europe, Turkey, former Soviet Union, South America, and Asia.

For a general overview of Israeli economics, politics, legal and regulatory systems refer to the Investment Climate Statement and Israel Country Commercial Guide published by the U.S. Department of State and the U.S. Department of Commerce, respectively.

SECTION II: ROAD MAP FOR MARKET ENTRY

Entry Strategy

U.S. exporters should review FAS Tel Aviv policy and market reports and private sector analyses.

Find a Local Partner

Exporters should establish business relationships with reliable, experienced, and professional importers or distributers. They will offer advice on issues related to the product positioning, packaging, labeling, and custom clearance procedures. Face-to-face meeting or visits of U.S. firms to Israeli facilities will build relationships and create opportunities to explore business opportunities firsthand.

Exporters able to supply sufficient quantities should consider approaching large Israeli food retail chains. Large supermarket chains have their own purchasing and importing divisions to handle food imports. U.S. suppliers should first 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. FAS Tel Aviv has a list of local importers and can help with contact information. U.S. exporters should consider the price sensitivity of their customers, product requirements, purchasing policies, and purchase volumes.

Learn Regulations and Market Requirements

Israeli regulations, standards, and market requirements have to be considered (see FAIRS - Israel Country Report). Exporters need to consider kashrut or kosher certification. Certification is not a legal requirement for importing food into Israel (except for meat and meat products); however, non-kosher products have a smaller market. Most supermarkets and hotels refuse to carry them.

Market Structure

There are three main retail food channels in Israel – supermarkets, convenience stores, and neighborhood grocers. In addition, there are wet markets that mostly sell fresh produce and food/drink/tobacco specialty shops.

Supermarkets

- In 2020, three large supermarket chains dominated the Israeli market, accounting for over half of the market. The leading supermarket chains are: Shufersal, Rami Levi and Merav-Mazon Kol/Osher Add. In 2019, Yenot Bitan, formerly the third largest supermarket, encountered financial problems and sold branches.
- Many of the supermarket chains operate in various formats. For instance, the supermarket chain Shufersal operates larger discounted stores in the outskirts of cities, while in the center of the cities, Shufersal operates smaller and more expensive neighborhood supermarkets. Large supermarket facilities are generally located in the outskirts of the major cities near major highways, in order to service multiple geographic locations. Smaller neighborhood supermarkets located in cities tend to carry many of the same goods at higher prices.

- Most supermarkets are open only six days a week, with Saturday being a mandatory day of rest. Tiv Taam is the only supermarket chain open seven days per week. It is also the only large supermarket selling non-kosher products.
- Large food retail chains have their own purchasing or importing division to handle food imports. Major supermarkets are now importing directly from foreign suppliers to reduce costs.

Convenience Stores

- Convenience stores are normally located on major thoroughfares or in gas stations. Convenience stores inside cities tend to cater to the local neighborhood residents, as parking is difficult or unavailable. Convenience stores within gas stations typically offer parking for commuting consumers. The top eight chains have over 890 outlets.

Neighborhood Grocers

- These small grocers offer a narrower product selection than supermarkets. Similarly, they have shorter hours then the supermarkets and convenience stores. Based on the latest estimates, there are approximately 5,000 outlets.

Large supermarket chains import directly, as well as buy from importers or wholesalers. Others usually buy only through importers or wholesalers. In addition to large supermarket chains, which import directly, there are about 300 importers.

Distribution Channel Flow Diagram

Company Profiles & Top Israeli Retailers

Israel's top food retailers have been ranked by two separate entities, BDi Code and DUN'S 100. See BDi Code's 2019 Supermarket Chains Rankings and DUN'S 100 2020 Food Retail Rankings.

Trends in Retail Food

Trends in Distribution Channels

- Supermarkets chains are increasing their activity and presence in the center of cities. In many cases, this is being done through acquiring smaller chains.

- Supermarket chains are increasing their focus on online retailing, as internet retail sales continue to increase. Consumers enjoy the ease and convenience of shopping from their homes.
- As a result of social distancing measures and quarantine restrictions, food retailers – including convenience stores and neighborhood grocery stores – were forced to adapt and innovate with e-commerce and delivery platforms. Online shopping increased 60 percent in May 2020 compared to the same month in 2019.
- As a result of the COVID-19 pandemic, local suppliers/distributors to food retailer stores increased/developed e-commerce/online platforms to reach consumers directly.
- Israeli food manufacturers are attempting to enter online retailing. Tnuva, Israel's largest food company, opened an online store selling food products directly to consumers, thereby bypassing supermarkets. Tnuva's new platform does not sell single products, but rather enables consumers to order home kits for preparing recipes. The kits include ingredients produced by the group's dairy and food departments.

Trends in Services by Retailers

- Online food purchasing continued to expand as retailers improved their websites, providing a more user-friendly and smarter shopping experience. All the leading grocery retailers have entered the online channel with designated online stores and even apps.
- Organic foods and perceived healthier options are on the rise. Increasingly, Israeli consumers are willing to pay a premium for organic food items. As a result, supermarkets are giving greater priority to organic foods. Organic products are gaining larger shares of shelf space than in the past and the variety of products is expanding. In some cases, supermarkets have opened organic sections, or specialty health stores within supermarkets.
- More supermarket chains are offering private label branded products. Many of the large chains offering private label products are importing directly to access prices that are more competitive.
- Fruits and vegetables remain a staple in the Israeli diet. Even with growth in other retail sectors, supermarkets are still dedicating a large portion of their sales area to fruits and vegetables. Most are grown locally, with limited imports during the September and April holiday seasons.
- Sales of vegetarian and vegan products are on the rise and sales of milk substitutes are showing rapid growth. In 2020, sales reached $ 123.8 million dollars, a 36 percent increase from the previous year. Following the trend, some specialty supermarkets are establishing vegan departments in branches throughout Israel.
- In order to save on labor costs, a number of the supermarket chains are closing their butcher counters and are beginning to sell packaged cut meat.

SECTION III: COMPETITION

In 2019, Israel's import of consumer-oriented agriculture stood at $3.6 billion (revised figure). Approximately 11 percent of imports were sourced from the United States. The main competitors for U.S. suppliers are EU member states. The U.S. industry's advantages include a good reputation for consistent quality and stable supply. The main advantages of competitors are proximity and price.

Table 2: Israel's Top Ten Imported Consumer-Oriented Product Groups, 2019

Product Group	**Total Imports ($ millions)**	**Percent of Total Imported Consumer-Oriented Products**	**Main Suppliers in percentage**
Beef & Beef Products	$630	17.5%	1. Argentina 30.9% 2. Paraguay 21.3% 7. U.S 3.2%
Bakery Goods, Cereals, & Pasta	$299	8.3%	1. Italy 23.7% 2. U.S. 10.6% 3. Turkey 8.2%
Soup & Other Food Preparations	$253	7.0%	1. Ireland 35.4% 2. U.S. 15.4% 3. Netherlands 6.1%
Tree Nuts	$251	7.0%	1. U.S 57.5% 2. Vietnam 18.3% 3. Turkey 6.8%
Dairy Products	$249	6.9%	1. Netherlands 17.7% 2. Ireland 15.2% 8. U.S. 3.9%
Chocolate & Cocoa Products	$233	6.5%	1. Italy 21.2% 2. Germany 12.7% 11. U.S. 3.3%
MFG Tobacco	$225	6.2%	1. Switzerland 71.1% 2. Turkey 14.9% 12. U.S. 0.2%
Processed Vegetables	$186	5.2%	1. Belgium 13.1% 2. U.S 12.8% 3. Netherlands 10.9%
Distilled Spirits	$160	4.5%	1. United Kingdom 45.1% 2. France 13.7% 6. U.S. 3.1%
Coffee, Roasted and Extracts	$147	4.1%	1. Switzerland 28.9% 2. Italy 20.7% 19. U.S. 0.1%
Consumer Oriented Agricultural Total	$3,598	100%	1. U.S. 10.5% 2. Italy 8.2% 3. Poland 6.7%

Notes:

1. Data Source: United Nations Commodity Trade Statistics, United Nations Statistics Division
2. Product Group : BICO-HS6

SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES

Israel is a net food importer. It is a good market for U.S. food exports, such as dried fruits, nuts, fresh apples and pears, cereal products, cheese, powdered milk, butter and milk spreads, frozen and canned fruit and vegetable, food ingredients, and other prepared food products.

Consumers are seeking healthier food options. As a result, the demand for natural and organic foods is increasing. Oils such as sesame, avocado, grape seed, flax seed, hemp and walnut are also gaining popularity rapidly. Sales of such oils are expected to remain niche. Additional niche products that are experiencing growth in demand include products that target a specific health issue like diabetes or celiac disease (gluten-free food), as well as vegetarian and vegan products. An additional growing food category is high quality, higher end food products. Due to COVID-19, there is an expected rise in the demand for products with ingredients that boost the immune system.

Table 3: Top Ten Consumer-Oriented Products Imported from the World

	HS Code	**Product**	**Total Imports ($ millions)**			
			2016	**2017**	**2018**	**2019**
1	020230	Frozen Beef (Boneless)	$476	$441	$388	$443
2	210690	Food Preps, Nesoi	$205	$233	$232	$253
3	240220	Cigarettes	$212	$206	$201	$198
4	020130	Fresh Beef (Boneless)	$52	$90	$120	$152
5	180690	Chocolate, Nesoi	$89	$99	$108	$113
6	230910	Dog Or Cat Food	$67	$76	$92	$97
7	220830	Whiskies	$51	$64	$68	$76
8	090121	Coffee, Roasted	$56	$66	$74	$76
9	190590	Other Bakers Wares	$40	$48	$59	$69
10	210111	Coffee Extracts	$50	$58	$59	$66

Table 4: Top Ten Consumer-Oriented Products Imported from the United States

	HS Code	Product	Total Imports ($ millions)			
			2016	2017	2018	2019
1	210690	Food Preps, Nesoi	$36	$35	$39	$39
2	080251	Pistachios, In Shell	$21	$36	$25	$38
3	080232	Walnuts, No Shell	$28	$34	$34	$32
4	080212	Almonds, No Shell	$24	$21	$20	$32
5	080290	Nuts Edible, Nesoi	$17	$29	$26	$28
6	190590	Other Bakers Wares	$6	$7	$10	$18
7	230910	Dog or Cat Food	$16	$15	$17	$16
8	080810	Apples, Fresh	$8	$11	$18	$14
9	20130	Bovine Boneless Frozen/Chilled	$0.23	$3.8	$3.9	$12
10	200290	Tomatoes Nesoi, Prepared	$6	$5	$10	$11

Notes:
1.Data Source: United Nations Commodity Trade Statistics, United Nations Statistics Division
2. Nesoi- Not Elsewhere Specified or Indicated

Table 5: United States Products Presence

In the market and have good sales potential	Not present in significant quantities, but which have good sales potential	Not present because they face significant barriers
• Nuts • Processed fruit • Dairy products • Alcohol • Grape juice • Pears and apples • Snacks • Sauces • Pet food	• Chilled kosher beef • Frozen cherries and berries • Premium dessert products such as premium chocolate bars, cookies, ice cream, and cheese • Functional drinks • Frozen kosher appetizers • Vegan and vegetarian products • Organic food • Gluten free products	• Non-kosher meats are not permitted for importation • Kosher barriers on crustaceans and mollusks. They are not kosher and most supermarkets will not sell them as well as the major hotels and restaurants • Bananas, fresh cherries and citrus are not allowed for importation due to phytosanitary restrictions

SECTION V: 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) – SII Shop
Ministry of Economy and Industry- Foreign Trade Administration (FTA)
Ministry of Agriculture
Ministry of Health- Food Control Administration: Telephone: +972-3-6270100

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.

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Attachments:

No Attachments