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Report Highlights:

With over 1,800 facilities, the Israeli food processing sector is an important player in the domestic economy. In 2020, Israeli food processors' annual revenue stood at \$19.26 billion while the beverage and tobacco industry's annual revenue was \$2.42 billion. The sector currently represents over 19.1 percent of the total manufacturing industry's revenue and employs over 61,000 workers. With limited land and resources and a growing population, demand for ingredients by the Israeli food processing sector represent an excellent opportunity for U.S. exporters of food ingredients. In 2021, Israel imported \$3.54 billion in raw food products for the food processing industry. For the first time since the start of the COVID-19 crisis, Israel's GDP level crossed the pre-crisis trend. According to Israel's Central Bank, real GDP grew by 8.1 percent in 2021, beyond the forecast growth, and per capita GDP grew by 6.3 percent.

Executive Summary

Israel is a technologically advanced, market-oriented economy. For the first time since the start of the COVID-19 crisis, the GDP level crossed the pre-crisis trendline. According to Israel's Central Bank¹, Israel's real GDP grew by 8.1 percent in 2021, beyond the forecast growth, and per capita GDP grew by 6.3 percent. In 2020, Israel's annual GDP reached \$407.1 billion.

Consumers are sophisticated and enjoy cosmopolitan food tastes. 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. In 2020, imports of agricultural products² reached \$7.09 billion.

Israel's limited land and water resources preclude a high level of agricultural self-sufficiency which 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.

Food Processing Industry

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 2020, Israeli food processors' annual revenue stood at \$19.26 billion while the beverage and tobacco industry's annual revenue was \$2.42 billion. Main sub-sectors include bakery products, prepared meals, dairy products and the processing and preserving of meat. The sector represents approximately 19.1 percent of the total manufacturing industry's revenue.

With limited land and resources, as well as a growing population, demand for ingredients by the Israeli food processing sector represents an excellent opportunity for U.S. exporters of food ingredients. In 2021, Israel imported \$3.54 billion in raw food products for the food processing industry.

Quick Facts CY 2021

Top Trends:

Organic, Milk alternatives, Vegan, Premium, Gluten-free, Protein-enriched, Home cooking, Natural ingredients

Food Industry Data (U.S. billion) 2021

Food Processing Industry Revenue	\$19.26 (2020 data)
Beverage and Tobacco Industry Revenue	\$2.42 (2020 data)
Food and Agricultural Products Exports	\$2.17(2020 data)
Food and Agricultural Products Imports	\$7.09(2020 data)
Food and Agricultural Products Imports from the USA	\$0.50(2020 data)
Raw Food Products* Imports	\$3.54

* Broad Economic Categories

Top Manufacturers in Israel

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

GDP/Population 2021

Population (*millions*): 9.46 (as of January 2022)

GDP (*billions USD*): \$407.1 (2020)

GDP per capita (*USD*): \$47,100 (as of Q4/2021, according to PPP exchange rate, Bank of Israel publication)

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 [Based on Bank of Israel press release](#) ² Harmonized Tariff Schedule Chapters 1-24

SECTION I: MARKET SUMMARY

The Israeli food and beverage processing industry consists of more than 1,800 food processing facilities and 162 beverage and tobacco plants. The industry employs over 61,000 workers. In 2020, the Israeli food processing industry's annual revenue was \$19.26 billion¹ (66.27 billion New Israeli Shekels (NIS)) while the beverage and tobacco industry's annual revenue was \$2.42 billion (NIS 8.32 billion). The sector currently represents approximately 19.1 percent of the total manufacturing industry's revenue.

Israel's food and beverage processing industry is centralized, and a small number of large local companies supply most of the food sold in Israel. The largest food companies are Tnuva Ltd., Strauss Group Ltd., SodaStream, Frutarom Industries, Neto, Osem, Unilever, and the Central Company for Beverages Distribution (Coca-Cola).

In April 2020, due to Covid-19, the industrial production of the industry decrease due to the decline in demand for food products and beverages from the institutional market (hotels, restaurants, and food services). In 2021, industrial production of food and beverages returned to the pre-crisis trend. Excluding 2020, the Israeli food production has been stable for the past few years, indicating that manufacturers are not expanding to keep up with increasing demand driven by population growth. Some of the gap between growing demand and current supply is being filled by imports. For some products, Israel is fully dependent on imports; soybeans, rice, sugar, coffee, and tea are examples of commodities not produced in Israel. Other commodities such as wheat, corn, apples, and almonds are produced, but production does not meet market demand, creating an opportunity for imports. The import of raw materials for processing is an important link in Israel's food supply chain.

Ingredients are imported directly by the processors or by importers that later supply processors. Based on Israel's Central Bureau of Statistics, in 2021, Israel imported \$3.54 billion in raw food products for the food processing industry.

Current market trends:

- Greater focus on healthy foods, reduced fat, reduced salt, reduced sugar;
- The Israeli food processing industry is focused on improving the nutritional value of its products, in order to promote healthy eating habits and lifestyles among the local population;
- Although consumers remain health-conscious, the consumption of quality foods such as high-end chocolate, desserts and cheeses is growing as well;
- Gluten-free products have experienced significant growth rates;
- Rise in protein-enriched products;
- Rise in home cooking following COVID-19;
- More consumers are seeking organic, natural products;
- Rising consumption of milk alternatives.

¹ Note: \$1 USD: NIS 3.44 exchange rate has been applied for 2020

Table 1: Advantages and Challenges for U.S. Exporters to Israel

Advantages	Challenges
U.S. products are perceived as better products.	High shipping costs.
The Israeli consumer appreciates U.S. products and they are in demand.	Low-cost competition from Eastern Europe, Turkey, former Soviet Union, South America, and Asia.
Many U.S. suppliers are kosher certified.	Restricted food ingredients, for example non-kosher meat, poultry and pork.
Free trade agreement between the United States and Israel.	Israeli buyers unfamiliar with U.S. suppliers and products.
Israel has the potential to be a bridge to the Palestinian Authority with its rapidly growing population.	U.S. exporters lack knowledge of the Israeli market and are unaware of new opportunities.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Food ingredient suppliers from the United States should focus on establishing their business relationship with a reliable and efficient importer and distributor. Identify the appropriate distribution and sales channels. Commissioned agents are generally used for raw materials and commodities. Visits by U.S. exporters and manufacturers to Israel to explore opportunities and meet with Israeli importers would strengthen the relationship and market potential.

Large food processors like Strauss group, Osem, and Sugat have their own purchasing and importing division to handle ingredient imports directly. Major food processors are increasingly importing directly from foreign suppliers in order to reduce costs. Suppliers should initially contact the business development, as well as purchasing or importing divisions of large food manufacturers, especially for new-to-market ingredients. A listing of contacts for Israel’s major food processors is available from FAS Tel Aviv upon request.

Exporters should consider the price sensitivity of their customers, their product requirements, purchasing policies, and expected purchase volumes. Further details on product standards and regulations are available in the [Israel FAIRS Country Report](#).

Additional Entry Options:

- Direct marketing (phone/video calls, emails, meetings);
- The internet is widely used in Israel and increasingly a direct marketing avenue;
- Manufacturing under licensing agreements is also common in Israel;
- The government of Israel encourages both joint ventures and licensing;
- Participating or visiting [ISRAFOOD](#), an international food and beverages exhibition in Tel Aviv for professionals of the catering and food wholesale, retail, restaurants, hotels, institutional and food shops. This is the largest trade exhibition of its kind in Israel.

B. Import Procedure

Details on import procedures are available in the [Israel FAIRS Country Report](#).

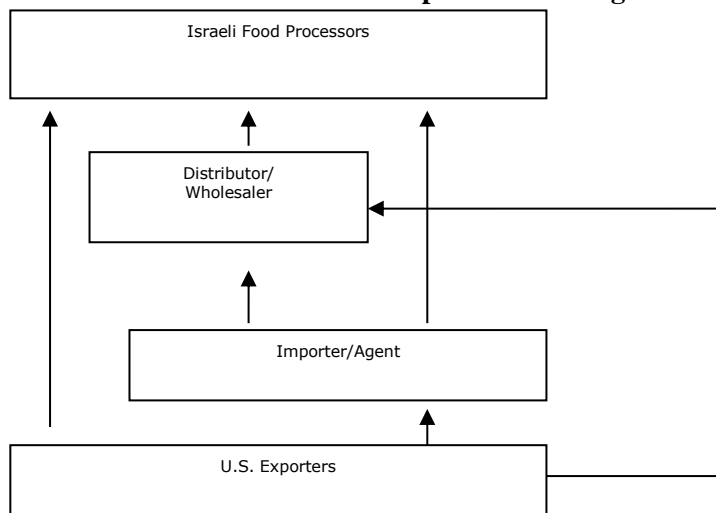
C. Market Structure

Raw food materials are imported either directly by food manufacturers, through importers, or agents. Importers and agents sell directly to food manufacturers or via distributors. Local producers of raw food materials generally sell directly to food manufacturers, but will use distributors to supply smaller food manufacturers.

Large food processing companies and some large distributors prefer to source their food ingredients directly from overseas suppliers. By removing local agents from the distribution chain, they can save costs and are able to buy bulk and repack as needed. The majority of large food processing companies in Israel have their own import departments.

Smaller Israeli food processors tend to prefer to purchase from agents because they can obtain better service from local agents. The local agents normally buy large quantities from overseas and distribute to smaller buyers. Small food processors are able to use local suppliers to protect themselves from some risk and better manage contract terms, quality issues, etc.

Figure 1: Distribution Channel for Imported Food Ingredients



Food processors sell their products to a variety of sectors, including hotel, restaurant, institutional food service sector, retail, and wholesale. More information on specific sectors is available in the [Israeli HRI Food Service sector](#) and the [Israeli Retail Food Market](#) reports.

D. Company Profiles

Company profiles are available on [Dun's 100 Food Manufacturers 2020 ranking list](#).

E. Sector Trends

- A. The Israeli food industry is highly centralized. Approximately 40 percent of all the retail sales are products coming from the four of the largest companies: Tnuva Ltd., Strauss Group Ltd., Osem, and the Central Company for Beverages Distribution (Coca-Cola). Israeli companies produce some foreign brands of food products under license with the rights to market within specific geographical regions. Though small

firms have been largely pushed out of the market, recent regulation designed to deconsolidate the market is giving them more favorable treatment.

- B. The Israeli government is trying to bring new players into the market by issuing import permits and duty-free quotas to smaller companies and importers. Policymakers hope that increased competition will put downward pressure on prices and reduce the cost of living.
- C. An ecosystem of start-up incubators and investment funds focused on health and food technologies from the farm-to-the-fork (agriculture, processing, packaging, consumer products) has developed in Israel in the last few years. [The Kitchen](#) and [Foodlab Capital](#) are two examples of Israeli private sector start-up incubators and venture capital that help support the commercialization of new technologies and companies.
- D. Multinational companies (Nestle, Danone, Uniliver, PepsiCo, and others) are often in joint investments with Israeli investments.
- E. Israeli manufacturing companies export kosher food products to Jewish and Israeli communities worldwide. In 2020, only 4 percent of the Israeli food processors' annual revenue was from export, while only 3 percent the beverage and tobacco industry's annual revenue was from export.

SECTION III: COMPETITION

The U.S. food industry has a positive image in Israel in terms of reliability and food safety. Exporters need to be competitive in their pricing or focus on high-end products, which tend to be less price sensitive. Israel has a large food production industry of its own. There is also strong competition among food importers seeking to maintain or enlarge their market share. Nearby EU countries operate with relatively low shipping costs.

Local and EU suppliers remain U.S. exporters' main competitors. The U.S. industry's primary advantage is supply reliability, product quality, and the recognition of its high food safety standards. Conversely, high shipping costs, adoption of EU standards, import duties, and import licensing requirements remain major market barriers. The U.S. exporter needs also to consider the longer freight time to Israel and the higher transport costs.

Advantages of U.S. products include:

- The Israeli consumer considers U.S. products to be better products;
- There are many products in the United States which already hold a Kosher certificate, thus they do not have to face the hurdle of obtaining a certificate;
- There is a free trade agreement (FTA) between the United States and Israel which gives an advantage for some products to be imported to Israel with lower tariffs and custom rates than from other countries;
- Israel and the Palestinian Authority (PA) are almost one market. Products imported to Israel may be destined for the [PA food and beverage manufacturing sector](#), with its market of over three million people.

SECTION IV: BEST PRODUCT PROSPECTS

Category A: Products Present in the Market which have Good Sales Potential

- Israel is almost completely dependent on imports to meet its grain and feed needs. As a result, U.S. feed corn, wheat and soybeans are present in the market and have good market potential. However, the U.S. grain market share is being replaced by regional suppliers who have increased production and greatly improved quality in recent years.
- Nuts and dried fruits from the United States are present in the Israeli market and have good sales potential. Many nut products can be exported from the United States to Israel without tariffs.

Category B: Products Not Present in Significant Quantities but Have Good Sales Potential

- There is a market demand for frozen cherries and berries. Prices for these products are high and local production does not meet demand.
- Maple syrup

Category C: Products Not Present Because They Face Significant Barriers

- Non-kosher meats are not allowed for importation.
- Kosher barriers on crustaceans and mollusca. They are not kosher and most supermarkets and retailers do not offer them.
- Bananas, fresh cherries and citrus are not allowed for importation due to plant protection restrictions.
- Natural honey faces high duties.

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

U.S. Embassy Branch Office Israel, Foreign Agricultural Service (FAS) Office of Agricultural Affairs

Physical Address: 71 Hayarkon Street, Tel Aviv, Israel 63903

Email: agtelaviv@fas.usda.gov

FAS Regional Head Office, Office of Agricultural Affairs, U.S. Embassy Cairo

Email: AgCairo@fas.usda.gov

For additional information, see www.fas.usda.gov. See also our Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate, Food Processing Ingredients Sector, Retail Foods, and HRI Food Service Sector GAIN reports.

GOVERNMENT REGULATORY AGENCY CONTACTS

Food Control Service (FCS), Israeli Ministry of Health

12 Ha'arba'a St., Tel Aviv, Israel 64739

Telephone: 972-3-6270112 - Fax: 972-3-6270126

Website: www.health.gov.il/english/

Israel Veterinary and Animal Health Services, Israeli Ministry of Agriculture

Chief Import & Export Veterinary Officer

Veterinary Services and Animal Health

PO BOX 12, Beit Dagan, Israel 50250

Telephone: 972-3-968649 - Fax: 972-3-9605194

Email: shlomoga@moag.gov.il

Plant Protection & Inspection Service (PPIS), Israeli Ministry of Agriculture

P.O. Box 78, Bet Dagan, Israel 50250

Telephone: 972-3-9681561 - Fax: 972-3-9681582

Standards Institution of Israel (SII)

42 H. Levanon St., Tel Aviv, Israel 69977

Telephone: 972-3-6465154 - Fax: 972-3-6419683

Website: <http://www.sii.org.il/14-he/SII.aspx>

The Central Bureau of Statistics (CBS)

66 Kanfei Nesharim Street P.O. Box 34525, Jerusalem, Israel 91342

Telephone: 972-2-6592666 - Fax: 972-2-6521340

Website: http://www.cbs.gov.il/reader/?Mival=cw_usr_view_Folder&ID=141

Attachments:

No Attachments