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Post: Tel Aviv

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Report Highlights:

Israel's planted citrus area in marketing year (MY) 2023/24 is forecast to be 16,200 hectares (ha), the same as MY 2022/23. The production area is estimated at 15,850 ha due to low profitability and water shortages, which has disincentivized farmers to plant new citrus crops. In recent years, weather conditions, market prices, and logistics were the main challenges for citrus farmers and exporters; this year, shipping logistics and prices were the main challenges. MY 2022/23 shipping prices for most destinations decreased except for some destinations mainly to Japan, China and Korea. Weather conditions throughout the season were favorable, which led to high yields supporting the local market because of export challenges. Additional factors affecting exports this season will be the prolonged Russian war in Ukraine. Impacts from the conflict between Israel and Hamas on citrus production and trade are too early to determine.

Overview:
The market analysis for Israeli citrus production, supply, and demand is representative of pre-October 7, 2023, figures. It is too early to determine the magnitude and effect of the conflict between Israel and Hamas on the supply and demand of the Israeli citrus industry, as the impact will be contingent upon the length of the crisis. Moreover, situational changes along the Gaza periphery and the northern border with Lebanon (where some citrus plots are located) should be monitored, as well as sea trade routes along the Red Sea.

Post estimations made prior to October 7, 2023, forecast MY 2023/24 to be characterized by an average citrus production of 457 thousand metric tons (TMT) due to favorable weather conditions during the growing season and no reduction in the growing area. Israeli farmers commonly face extreme heatwaves and rainstorms, uneven distribution of winter rainfall, and some weeks of high temperatures with no rainfall. MY 2022/23 had an extreme heat wave in the beginning of the season, and despite a longer rain season and heavier rainfall, there were no effects on yields.

In MY 2022/23, Israeli citrus production was six percent higher than initial 2022 estimates of 496 TMT. Producers reported higher production in oranges and tangerines, as well as a reduction in yields for grapefruits and lemons. Post is increasing its MY 2022/23 production estimates for oranges and tangerines and decreasing the figures for lemons and grapefruit.

The citrus industry has also faced several export and logistical issues:
1. Limited or no availability of chilled sea containers for exporters (mainly from east Asia).
2. Continued port delays in vessel arrivals (mainly from China) due to several cases of closures related to COVID-19 (which led to delayed shipments and caused high demurrage costs).
3. Soaring costs of sea shipments to Japan, China, and Korea (which were still high despite reduction of sea fright costs to other destinations). This also challenged exporters which caused some cancelations of shipments to Japan at the beginning of the season due to high freight costs and a lack of profitability.

Crop Area:
Israeli citrus production is located throughout the country, except for areas south of Beer-Sheva in the North Negev region. Currently, 27 percent of citrus is grown in northern Israel, 34 percent in the central areas, and 36 percent in the south (of which 29 percent is grown in the Gaza periphery). The remaining products are grown along the eastern border of the country (See Picture 1). Post estimates the total planted area in MY 2023/24 at 16,200 ha, which reflects no change in the overall planted area of MY 2022/23.

Picture 1: Map of Citrus Plots in Israel

Source: Israeli Ministry of Agriculture, geographic information system (GIS), 2023

In recent years, the main challenge for Israeli farmers has been longer summers and shorter winters, with a severe decrease of rainfall. Farmers find themselves also having to irrigate in the wintertime, a practice that was rare in the past. Israeli farmers receive an allocation of water in the beginning of the year and are prohibited from using more as all water rights are owned by the government. Therefore, farmland for irrigated crops is limited and farmers are incentivized to plant high-value cash crops or those that use less water. In the future, Post expects that Israel's citrus planted area will decrease and be replaced by grapes, olives, and figs (which are more heat tolerant and demand less water). In 1970, the planted area for citrus was 42,000 ha, most of which were oranges. In MY 2022/23, only six percent of the total cultivated land in Israel was occupied by citrus orchards (versus 38.5 percent of the total area in 1970).

Oranges – In MY 20223/24, Post forecasts production to be average but below MY 2022/23 yields, with area totaling 3,500 ha. Demand from the institutional sector was expected to stay high due to the continuous recovery of the Hotel, Restaurant and Industrial (HRI) sector following the ease of Covid-19 restrictions (which will need to be monitored given the conflict). The bulk of Israeli orange production will continue to find its way to the local market and to the domestic processing industry as international market prices are still less attractive and face high competition from Southern Europe and North Africa. Post estimates MY 2023/24 orange production to reach 80 TMT, which reflects a 23 percent decrease from the current MY. Oranges now represent 22 percent of the total area for citrus.

In MY 2022/23, orange production was 73 percent higher than MY 2021/22 estimations, mainly due to good whether which did not cause falling of fruit and allowed a timely harvest. Post is revising MY 2022/23 production upward to 104 TMT, which is five percent higher from MY 2021/22 production. The updated production numbers are based on industry-reported data and mainly reflect the effects of good weather conditions. Due to strong competition for oranges in the EU (Israel's largest export market) and good domestic prices, Post is also revising upwards domestic consumption and decreasing exports for MY 2022/23. Post is also revising upwards processing supply to 38 TMT, 27 percent above previous figures, due to high production which caused more oranges to be sent for processing.

Production, Supply, and Distribution:

Oranges, Fresh	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Oct 2021**		**Oct 2022**		**Oct 2023**	
Israel	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted (HECTARES)	3500	3500	3500	3500	0	3500
Area Harvested (HECTARES)	3400	3400	3400	3400	0	3400
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total No. Of Trees (1000 TREES)	0	0	0	0	0	0
Production (1000 MT)	58	99	99	104	0	80
Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	58	99	99	104	0	80
Exports (1000 MT)	3	1	1	1	0	1
Fresh Dom. Consumption (1000 MT)	27	55	55	65	0	40
For Processing (1000 MT)	28	43	43	38	0	39
Total Distribution (1000 MT)	58	99	99	104	0	80
(HECTARES), (1000 TREES), (1000 MT)						

Mandarin/Tangerine – In MY 2023/24, Post forecasts total mandarin and tangerine production to reach 160 TMT, due to good weather conditions throughout the growing season, thus far.
Post is revising upwards MY 2022/23 tangerine production estimates based on industry-reported data. Mandarin and tangerine production in MY 2022/23 is revised up to 195 TMT, 25 TMT above previous estimates. Post is also increasing export numbers and decreasing processing numbers and raising fresh domestic consumption figures for MY 2022/23 by 42.5 percent. The processing sector received smaller quantities of tangerines this year due to high demand and stronger prices in the international and domestic markets. Exports were higher due to the decrease in sea shipment costs, as well as the good prices in the international markets. Furthermore, the local market was willing to pay higher prices, which made increased production more incentivizing for farmers.

Israel grows more than 15 varieties of mandarins and tangerines. However, Israeli growers mainly focus on one variety of tangerine—the *Or/Ori* variety. The Or variety was 64 percent of total citrus export this season. *Or* maintains high demand and strong prices in both local and export markets. Areas planted in other tangerine varieties are decreasing as farmers switch to the *Or* variety. Currently, there are no new varieties with better characteristics being propagated that could potentially replace the *Or* soon. Mandarins and tangerines now represent 41 percent of the total area for citrus.

Production, Supply, and Distribution:

Tangerines/Mandarins, Fresh	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Oct 2021**		**Oct 2022**		**Oct 2023**	
Israel	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted (HECTARES)	6700	6700	6700	6700	0	6700
Area Harvested (HECTARES)	6600	6600	6600	6650	0	6650
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total No. Of Trees (1000 TREES)	0	0	0	0	0	0
Production (1000 MT)	160	159	159	195	0	160
Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	160	159	159	195	0	160
Exports (1000 MT)	90	79	79	100	0	78
Fresh Dom. Consumption (1000 MT)	40	56	56	57	0	58
For Processing (1000 MT)	30	24	24	38	0	24
Total Distribution (1000 MT)	160	159	159	195	0	160
(HECTARES), (1000 TREES), (1000 MT)						

Grapefruit – In MY 2023/24, grapefruit production is expected to slightly decrease to 150 TMT to average production quantities, increasing demands, mainly for red, but also for white grapefruits in both the international and domestic markets due to good market prices for growers this season. Previously, farmers were decreasing their plantings of grapefruit due to low demand; however, in the last few years, there have been growing markets for the product in Asia, especially for red grapefruit. Japan, Korea, and China have also increased their imports of grapefruits from Israel in the past few years. However, logistical challenges prevented most of the exports to Japan this season. Israel intends to focus on these Asian markets because of limited competition and favorable prices.

In line with production reports of the citrus growers, Post is decreasing MY 2022/23 grapefruit production estimates by 18.4 percent, from 190 TMT to 155 TMT. For MY 2022/23, Post is lowering export figures from 80 TMT by 36 TMT because of lower production. Post is revising upwards processing numbers by 16 TMT and decreasing the fresh consumption figures by 50 percent to 15 TMT. The grapefruit processing sector received higher quantities of produce this year due to good prices, with no export costs. In the current marketing season, there were also difficulties in shipping grapefruit to Asian markets due to disruptions in sea freight, particularly with seaports in China.

Production, Supply, and Distribution:

Grapefruit, Fresh	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Oct 2021**		**Oct 2022**		**Oct 2023**	
Israel	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted (HECTARES)	4000	4000	4000	4000	0	4000
Area Harvested (HECTARES)	3500	3500	3500	3950	0	3950
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total No. Of Trees (1000 TREES)	0	0	0	0	0	0
Production (1000 MT)	130	175	175	155	0	150
Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	130	175	175	155	0	150
Exports (1000 MT)	63	62	62	44	0	40
Fresh Dom. Consumption (1000 MT)	7	16	16	15	0	15
For Processing (1000 MT)	60	97	60	96	0	95
Total Distribution (1000 MT)	130	0	175	155	0	150
(HECTARES), (1000 TREES), (1000 MT)						

Lemons – In MY 2023/24, production is expected to be 60 TMT, 2 TMT lower than MY 2022/23. Despite good weather in MY 2022/23, yields were 2 TMT lower than anticipated, possibly due to limited harvest as a result of stagnant demands for exports and in the domestic market. In MY 2022/23, low demands for lemons stopped nearly all lemon exports as well as a decrease in local consumption. Post is decreasing MY 2022/23 export estimates of 3 TMT to 0 TMT. Post is also decreasing domestic consumption estimates to 60 TMT. There were also smaller demands from the industry, and processing figures are also updated downwards from 4 TMT to 2 TMT.

Production, Supply, and Distribution:

Lemons/Limes, Fresh	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Oct 2021**		**Oct 2022**		**Oct 2023**	
Israel	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted (HECTARES)	2000	2000	2000	2000	0	2000
Area Harvested (HECTARES)	1850	1850	1850	1850	0	1850
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total No. Of Trees (1000 TREES)	0	0	0	0	0	0
Production (1000 MT)	70	63	63	62	0	60
Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	70	63	63	62	0	60
Exports (1000 MT)	2	0	0	0	0	0
Fresh Dom. Consumption (1000 MT)	63	60	60	60	0	58
For Processing (1000 MT)	5	3	3	2	0	2
Total Distribution (1000 MT)	70	63	63	62	0	60
			2000			
(HECTARES), (1000 TREES), (1000 MT)						

Consumption:

Post expects local consumption of all fresh citrus for MY 2023/24 to decrease to 177 TMT, as was previously averaged in the last decade. (See Table 1)

Local fresh citrus consumption in MY 2022/23 was 23 percent higher than previous reported estimates of 167 TMT. This growth in fresh citrus consumption was mainly due to attractive local market prices (which were similar to overseas market prices) and higher quality fruit, coupled with some logistical challenges and high shipping costs that made the domestic market much more appealing to producers as well as higher demands from the HRI sector.

The Israeli fresh citrus market is price sensitive. When international prices drop, exporters tend to shift sales back to the domestic market, where prices tend to remain high, and demand frequently outstrips supply.

Table 1: Fresh Citrus Consumption by the Israeli Market (TMT)

Product	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Oranges	46	42	42	30	45	55	65	40
Grapefruit	8	8	8	6	7	16	15	15
Easy Peelers	68	42	54	44	60	56	57	58
Lemons/Limes	60	60	68	66	48	60	60	58
Others	6	6	6	6	6	6	9	6
Total	**188**	**158**	**178**	**152**	**166**	**193**	**206**	**177**

Source: Israeli Citrus Board, Media

Processing Sector

The Israeli citrus processing industry is highly consolidated, as are many other sectors of Israeli food and agriculture production. In the case of citrus, two large firms control the country's local production. The primary producers are Gan-Shmuel (Pri-Mor) and Pri-Niv. These plants produce mainly liquid products for both the local market and exports. A plant called Pri-Gat also produces frozen juice that is sold locally and exported.

Farmers see the domestic processing industry as their last resort. In general, prices paid by domestic processors would not support an orchard as they tend to be lower than the actual production cost. In MY 2022/23 larger quantities of fruit were sent to processors as this industry has become a perfect escape for the high production yields and for fruit that was not exported. As MY 2022/23 weather conditions were good, citrus groves produced higher quantities unlike past years. In MY 2022/23, there was an increase of 20 TMT of total citrus delivered to the processors, over earlier projections. (See Tables 2 and 3)

Table 2: Citrus Delivered for Processing (TMT)

Processing	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Oranges	30	30	23	28	8	42	38	39
Grapefruit	80	68	77	78	60	97	96	95
Easy Peelers	55	32	42	40	33	24	38	24
Lemons/Limes	4	4	6	9	3	3	2	2
Total	**169**	**134**	**148**	**155**	**104**	**167**	**174**	**160**

Source: Israeli Citrus Board and Israeli media

Table 3: Total Citrus Utilization (TMT)

Period	Total exports		Delivery to processors		Local fresh market	
MY	**Quantity**	**%**	**Quantity**	**%**	**Quantity**	**%**
2014/15	163	30	199	36	186	34
2015/16	158	31	160	31	195	38
2016/17	189	35	168.5	31	188	34
2017/18	163	36	134	30	152	34
2018/19	161	34	148	31	164	35
2019/20	159	34	155	33	152	33
2020/21	136	34	104	25	166	41
2021/22	142	28	167	34	187	38
2022/23	146	28	174	33	206	39
2023/24	120	26	160	35	177	39

Source: Israeli Citrus Board, Israeli local media, and Israeli Central Bureau of Statistics

Frozen Orange Juice

As Israel is an importer of frozen orange juice (FOJ), its world price has a direct effect on the prices paid by the industry to growers. As global prices of FOJ increase, the domestic industry will demand higher volumes, impacting procurement prices. In MY 2022/23, 38 TMT of oranges were delivered to the processors, down by 9.5 percent of MY 2021/22 figures. Post expects these figures to be similar with 39 TMT in the coming marketing year.

Consumption of local fresh citrus is driven by sales at coffee shops and hotels, as well as supermarket chains and open-air markets. While the former is a new and developing market, the latter remains highly competitive and sensitive to international price fluctuations.

Production, Supply, and Consumption:

Orange Juice	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Oct 2021**		**Oct 2022**		**Oct 2023**	
Israel	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Deliv. To Processors (MT)	24000	43000	43000	38000	0	39000
Beginning Stocks (MT)	100	100	100	100	0	100
Production (MT)	2400	4300	4300	3800	0	3900
Imports (MT)	14500	13700	13700	12900	0	13500
Total Supply (MT)	17000	18100	18100	16800	0	17500
Exports (MT)	11400	12400	12400	9900	0	11800
Domestic Consumption (MT)	5500	5600	5600	6800	0	5600
Ending Stocks (MT)	100	100	100	100	0	100
Total Distribution (MT)	17000	18100	18100	16800	0	17500

Trade: Post forecasts that Israel's exports of citrus in MY 2023/24 will reach 119 TMT (not including niche varieties captured as "others" in Table 4 below). This is down 18.5 percent from MY 2022/23 exports. The decrease in exports is explained by anticipated high competition from other exporting countries around the Mediterranean Sea.

Table 4: Citrus Exported (TMT)

Export	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Oranges	7	4.5	4	3	2	4	1	1	1
Grapefruit	61	61	68	54	59	54	62	44	40
Easy Peelers	87	119	88	102	98	76	79	100	78
Lemons/ Limes	3	3	1	2	0	2	0	0	0
Others	NA	1.5	2	1.5	NA	2	2	1	1
Total	**158**	**189**	**163**	**162.5**	**159**	**138**	**144**	**146**	**119**

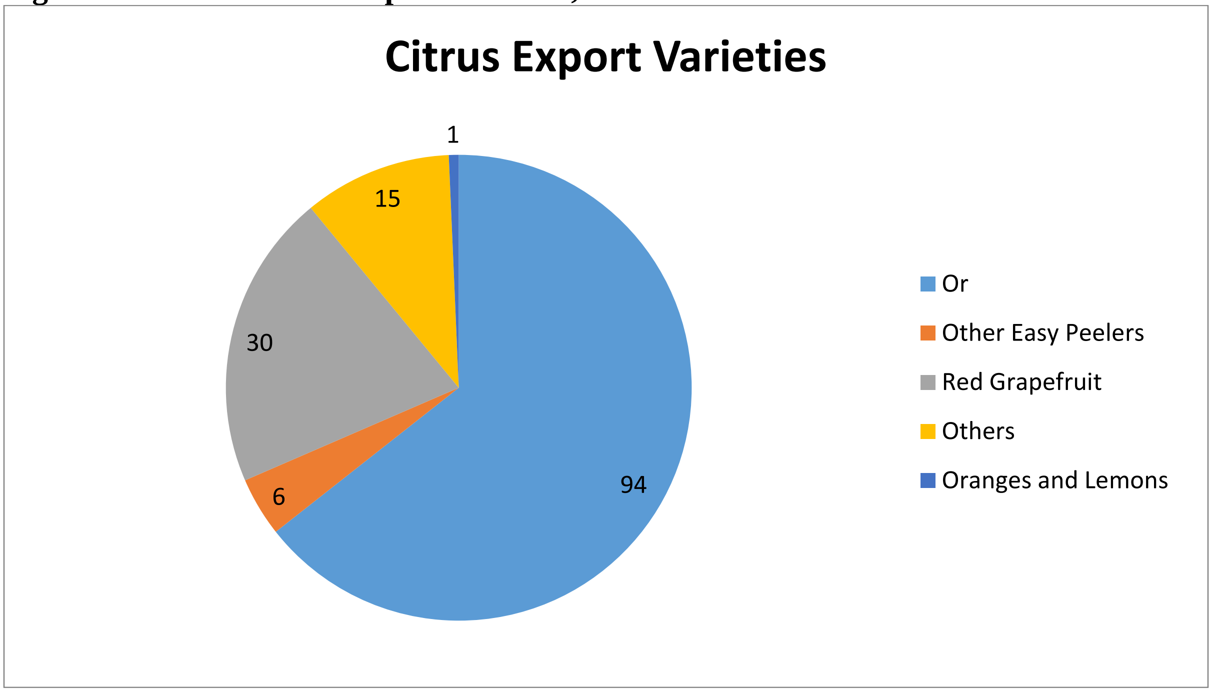
Source: Israeli Citrus Board, Central Bureau of Statistics

Israel is seeking new export markets that will be able to absorb its produce with little competition from other countries. Currently, the aim is to increase exports of grapefruit mainly to Asian markets due to the lack of competition and favorable prices. These markets give a higher dollar value for the product compared to closer markets such as Europe where Israeli produce faces stiff competition from other exporting countries such as Morocco, Turkey, and Spain. Also, elongated export seasons of the southern hemisphere compete with the early yield of Israeli citrus.

The Israeli citrus industry intends to expand shipments to China, Japan, and South Korea, as well as gain access to other markets, such as Australia and India. Currently, these two markets are closed for Israeli citrus exports due to sanitary and phytosanitary issues and recently there were reports of detection of Lime Butterfly (*papilio demoleus*), an invasive pest in Israel. However, it is too soon to predict how this insect could affect citrus production in Israel and if it will have any impact on international trade.

Two varieties make up 85 percent of citrus exports from Israel in 2022/23 – red grapefruit with 30 TMT and the *Or* mandarin variety with 72 TMT. (See Figure 1)

Figure 1: Distribution of Exports in TMT, MY 2022/23



Source: Israeli Citrus Board

Policy:

Exports of U.S. fresh citrus to Israel are currently not permissible, as are exports from other countries. A Pest Risk Assessment (PRA) has not been conducted for U.S. citrus. Diseases such as *citrus greening* are not found in Israel and are considered a quarantine pest, automatically blocking imports from any country in which *citrus greening* is found. Indications are that even if Israel's Plant Protection Inspection Services conducted a PRA for U.S. citrus, high shipping costs would limit the commercial viability. In addition, Israel does not import any fresh citrus fruit, and from a conversation made with the head of the Israeli Plant Protection Services, they do not expect to do so in the coming years.

Attachments:

No Attachments