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The NFU represents 55,000 members across England and Wales. In addition, we have 20,000 NFU Countryside members with an interest in farming and rural life.

NFU position for an enhanced trade deal with Israel

1. Introduction

The UK and Israel already have a preferential trade agreement, the “UK-Israel Trade and partnership Agreement (TPA)¹”, in place which was “rolled-over” from our membership of the EU. However, the NFU supports the government’s ambition to negotiate a new and more ambitious trade deal for the future, with talks due to commence in 2022. We agree that removing and lowering tariffs for UK exports of food & drink, making it easier for UK companies to do business with Israel and deepening our bilateral relationships in important shared policy areas, should all be key priorities and objectives of UK negotiators.

Israel has a population of 9.39 million compared to the UK’s 66.3 million. It has an advanced market-based economy with a GDP per capita of \$44,168 (USD) which is similar to the UK’s GDP per capita of \$41,059². Israeli consumers are sophisticated and enjoy a cosmopolitan diet. They are willing to pay more for high quality products,³ making it an excellent partner for further developing our trading links and selling high value British products to the mutual benefit of both parties. Demand for organic, healthy or “natural” foods is increasing, with niche products targeting specific health issues like gluten free food, as well as vegetarian and vegan products, growing in demand. The UK is well placed to supply such markets with its highly respected food safety and traceability rules, as well as trusted brand recognition.

Israel’s limited land and water resources means that it routinely posts sizeable trade deficits in food and agricultural products, importing large volumes of feed grains and consumer orientated finished

¹ [UK-Israel trade and partnership agreement - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/uk-israel-trade-and-partnership-agreement)

² <https://data.worldbank.org/>

³ USDA GAIN report 15th December

products. On average over the past 5 years, Israel has imported more than \$5billion worth of agri-food annually, with the US as its largest supplier (with approximately 11% of imports sourced from the US)⁴.

2. Current Context: Agri food (imports / exports)

Israel accounts for 0.36%⁵ of the UK's total combined trade in agri-food and drinks products. In 2021 we exported £109 million and imported £142 million worth of agri-food & drink products to and from Israel respectively⁶. Ranking it the UK's 33rd largest export destination and our 47th largest import partner.

Leading export products for the UK (table 1.) are Scotch Whisky (£46m or 42% of total value), chocolate (£12.7m (12%)) and cereal preparation (£9m (8%), including £6.5m worth of breakfast cereals.) We also exported £4.5m products of the milling industry (such as rolled, hulled, flaked cereal grains and flours), £2.75m day old poultry, £2.5m dairy products including £2.15m cheese & curd and £1.4m malt.

Table 1. UK exports to Israel (£) 2021

UK exports to Israel 2021	£
01 Live animals	3,030,148
02 Meat and edible meat offal	13,541
03 Fish and crustaceans, molluscs and other aquatic invertebrates	1,835,591
04 Dairy produce; birds' eggs; natural honey; edible products of animal origin,	2,530,985
05 Products of animal origin not elsewhere specified or included	302,147
06 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	31,087
07 Edible vegetables and certain roots and tubers	1,821,814
08 Edible fruit and nuts; peel of citrus fruits or melons	539,055
09 Coffee, tea, mate and spices	639,090
10 Cereals	391,982
11 Products of the milling industry; malt; starches; inulin; wheat gluten	4,572,699
12 Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medical plants; straw and fodder	443,345
13 Lacs; gums, resins and other vegetable saps and extracts	408,275
14 Vegetable plaiting materials; vegetable products not elsewhere specified or included	1,169
15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	2,066,881
17 Sugars and sugar confectionery	1,840,276
18 Cocoa and cocoa preparations	12,745,937
19 Preparations of cereals, flour, starch or milk; pastrycooks' products	9,034,150
20 Preparations of vegetables, fruit, nuts or other parts of plants	825,045
21 Miscellaneous edible preparations	6,691,416
22 Beverages, spirits and vinegar	58,394,215
23 Residues and waste from the food industries; prepared animal fodder	1,226,683
Total export	109,385,531

⁴ USDA Exporter Guide 15/12/21

⁵ Agriculture in UK data set

⁶ HMRC extract 090321

Meanwhile, of the total £142million worth of imports from Israel (table 2), leading categories comprise £93m worth of fresh fruit & vegetables, including more than £53m worth of avocados and dates, £10m worth of potatoes and £8.75m peppers and chillies. The UK also imports around £11.8m of preparations of vegetables, fruits, nuts etc, predominantly comprising fresh prepared mixed vegetables (£7.9m).

Table 2. UK imports from Israel (£) 2021

Imports from Israel	£
01 Live animals	836,306
03 Fish and crustaceans, molluscs and other aquatic invertebrates	2,948,783
04 Dairy produce; birds' eggs; natural honey; edible products of animal origin,	8,315
06 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	2,535,057
07 Edible vegetables and certain roots and tubers	26,178,403
08 Edible fruit and nuts; peel of citrus fruits or melons	66,838,664
09 Coffee, tea, mate and spices	848,764
10 Cereals	317,688
11 Products of the milling industry; malt; starches; inulin; wheat gluten	1,059,137
12 Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medical plants; straw and fodder	1,821,836
13 Lacs; gums, resins and other vegetable saps and extracts	3,285,963
14 Vegetable plaiting materials; vegetable products not elsewhere specified or included	7,423
15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	2,137,220
16 Preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates	1270756
17 Sugars and sugar confectionery	1,615,118
18 Cocoa and cocoa preparations	1,395,454
19 Preparations of cereals, flour, starch or milk; pastrycooks' products	7,160,316
20 Preparations of vegetables, fruit, nuts or other parts of plants	11,799,687
21 Miscellaneous edible preparations	7,108,634
22 Beverages, spirits and vinegar	3,054,431
23 Residues and waste from the food industries; prepared animal fodder	234,972
Total	142462927

3. Offensive interests

99.5% of the value of UK exports to Israel on average between 2018 and 2020 are already liberalised, with a very limited number of agricultural products either subject to a Tariff Rate Quota (TRQ) or are excluded from any tariff reduction altogether. ⁷ The UK Government should seek to negotiate the

⁷ CFI Information note- Israel

removal of all the remaining Israeli tariffs, particularly relating to UK exports of dairy products, wheat and horticulture products including apples and pears, cherries and peas.

Dairy products: Israel is around 85% self sufficient in dairy products and its MFN tariffs remain prohibitively high across many categories of dairy products (see Table 3.).⁸ Despite this, UK exports of dairy to Israel has been on an upward trend.

Table 3. Israel tariffs and TRQs on dairy products

Product	TRQ available to UK	Out of Quota Tariff
0402 Milk powders	297t – 602t* ⁹	162-212%
0405 (butter)	89t	140-160%
0406 (cheese)	113t	7.84- 8.35 ILS/ kg = £1,803-£1,920 / tonne
0404 (whey)	191t	40%

The UK exported £2.5million worth of dairy products in 2021 to Israel. The UK has access to very limited TRQs, for example an 89t duty free quota for butter and 113t duty free quota for cheese. Trade in both butter and cheese exceeded those quotas in 2021.

UK negotiators should seek to remove remaining tariffs and quotas on UK dairy products entering the Israeli market. Kosher certification is not a legal requirement for importing dairy products to Israel, however non-Kosher products have a much smaller market share as most retail and hospitality outlets demand the products to be Kosher. If the remaining tariff barriers are sufficiently addressed, it is felt that there would be potential incentive to further grow our dairy exports to Israel.

Cereals: The vast majority of Israeli tariff lines for cereals are already liberalised. Duty free TRQs remain in place for imports of durum wheat (1,449t), other wheat and meslin (25,992t) and feed wheat (40,860t). The out of quota duties on these products are 50%. Negotiators should seek to build on the existing quotas and remove the remaining tariffs of relevance to the UK cereals sector. The UK is a significant supplier of worked cereal grains, predominantly oats, to Israel. This trade benefits from duty free access. We also have a healthy growing trade in malt, flours and other products of the milling industries.

⁸ HMRC and non adv calculated on Dairy UK information

⁹ *depending on product composition

Sugar: Israel is amongst the UK's top 3 (non-EU) customers for our sugar (HS code 1701). In recent years, volumes have fluctuated, but in 2018 we exported almost £7.5m worth of sugar to Israel. Maintaining access to this market should be a top priority for UK negotiators.

Meat and meat products: Israel maintains a ban on all imports of non-kosher meat and meat products (Kosher Meat Import Law of 1994). Given the limited supply of Kosher certified red meats produced in the UK, it is unlikely that our exporters would be able to significantly expand the supply to grow our share of exports to Israel.

Horticulture: Israel maintains a number of significant tariff protections across the horticulture sector. A number of products were excluded from the Israeli commitment to reduce or remove tariffs under the terms of the current bilateral agreement. For example, we see prohibitive tariffs covering products such as cabbages, cauliflowers, kale and other brassicas (75%), carrots, turnips salad beetroot and similar edible roots (213%), cucumbers (170%) and fresh strawberries (94%.) There are a number of TRQs in place (see Table 4.) Utilisation rates by UK growers of the outbound TRQs are limited, with the notable exception of the shelled or unshelled peas quota. In 2020, we exported over 1700t worth, more than £1m, of shelled or unshelled peas to Israel. Negotiators should seek a reciprocal outcome for the horticulture sector that will lead to the removal all Israeli tariff and quota barriers within the horticulture sector.

Table 4. Outbound TRQs in horticulture sector

Product	TRQ available to UK	Out of Quota Tariff
070190 (potatoes, excluding seed & new)	869t	1.75ILS/kg up to 230%
070310 (onions and shallots)	313t	1.07 ILS/kg, but not more than 298%
071021 (Shelled or unshelled peas)	148t	12%, but not less than 1.18 ILS/kg
080810 Apples	447t	1.81 ILS/kg, but not more than 553%
080830 Pears	291t	2.02 ILS/kg, but not more than 438%
080920 cherries fresh	14t	3.61 ILS/kg, but not more than 81%

0811 20 Raspberries (frozen)	22t	8%
0812 9010 Strawberries (unsuitable for immediate consumption)	14t	30%

4. Defensive interests

If the UK secures a comprehensive commitment to remove all remaining Israeli tariffs and TRQ barriers, the NFU accepts that the UK Government will be asked to reciprocate with a similarly comprehensive offer. Enhanced market access to the UK's horticulture sector will likely be a key priority for Israel and it's vital that our entire agri-food sector can access reciprocal gains if concessions are to be granted to our prized markets.

Under the terms of the roll over agreement we continue to apply full UKGT protection on a number of products from Israel that we do not produce here. For example, tariffs on Israeli oranges are 6%, melons 4.4% and olive oil has tariffs of £104/100kg. We also maintain tariff protections on a limited number of products produced in the UK including products such as sugar, dried egg products, garlic and mixtures of frozen vegetables. Offering Israel enhanced market access to the remaining products the UK protects should only be made if similar concessions are granted to those products of most interest to our food & farming sectors as outlined previously.

Israel also has limited market access to the UK via a series of inbound TRQs. Of most interest to the NFU are the TRQs for imports of new potatoes (9689t), sweet peppers (2349t), dried tomatoes (1663t), prepared turkey (681t) and prepared meat (272t). Israel utilises the TRQs for all of these, with quite significant fill rates of the new potatoes and sweet peppers quotas. Similarly, the NFU believes that further market access commitments should only be made to Israel for these products if the Israeli Government fully reciprocates and makes a balanced offer in return.

Table 4. Inbound Quota utilisation

		Average (2018-2021) £	Average (2018-2021)	Peak
07019050 (TRQ exists of 9689t)	New potatoes from 1 Jan to 30 June, fresh or chilled	£2.87m	7320t	2018 = 12042t
07096010 (TRQ exists of 2349t), plus duty reduced by 40% out of quota	Sweet peppers, fresh or chilled	£3.8m	2177t	2021=4034t

07129030 (TRQ exists of 163t)	dried tomatoes	£291k	101t	2018= 147t
16023119 (TRQ exists 681t)	Prepared turkey inc offal	£481k	67t	2021=97t
16023219 (TRQ exists of 272t)	Prepared chicken meat inc offal	£364k	59t	2019=95t

5. Geographical indicators (GIs)

The UK Israel TPA replicates the “Common Declaration on Geographical Indications” made by the EU and Israel in 2009 which states “*The Parties agree to come back at appropriate time, in order to discuss a possible agreement on the protection of geographical indications for agricultural products and other foodstuffs.*”

The NFU believes that UK negotiators should seek to address this long running and hugely unsatisfactory situation on the status of GI protection within the Israeli market. There are now 93 protected geographical food and drink names registered in the UK , and the number is growing with the introduction of the UK’s own scheme. The use of GIs allows the UK to differentiate our product from the world market and would certainly give UK exporters an advantage when placing goods on the Israeli market. Evidence published by the European Commission in 2012 found that GI products sold for 1.55 times as much as non-GI products for the same volume. Given that 25% of UK food and drink exports (by value) are generated by GI sales, worth £5bn in 2018¹⁰ we believe that ensuring protection for iconic UK GI products, particularly from within our dairy sector, must be a priority for negotiators.

6. Rules of Origin

The NFU supports outcomes on Rules of Origin (RoO) that facilitate trade and supports the use of domestically produced raw materials. We believe that the UK Government should apply a high degree of rigour in negotiating all trade deals, to ensure that the goods that benefit from trade preferences are those that originate in the parties to that FTA. However, we do recognise that there is a need in food manufacturing to include imported materials alongside those produced domestically, especially when considering the use of non-indigenous products. We note that the UK Israel agreement currently allows for EU (and other country) bilateral cumulation of product that goes beyond insufficient processing. We accept that this is the status quo and reflects existing supply chains which are heavily integrated with the EU as a legacy of our membership. We do not believe that the UK should seek to extend the existing bilateral rules of origin beyond what is facilitated today, for example by allowing additional

¹⁰ https://gpfoods.inparliament.uk/sites/appg_gpfoods.inparliament.uk/files/2021-06/APPG Minutes - GP Food 03.03.2021_0.pdf

content to be considered as originating in either party. There is a careful balance to be struck and we believe any agreement on RoO should not encourage the substitution of UK raw materials for imported alternatives.

7. Technical Barriers to Trade

The UK Government has already identified a number of non-tariff barriers to trade with Israel¹¹ (outlined below). The NFU agrees that diplomatic efforts, either within the context of enhanced trade talks or in parallel should be made to address these concerns.

In January 2020, a new food labelling system was introduced by the Minister of Health in Israel. This requires businesses to 'traffic light label' their food products (red/yellow/green), according to their contents of trans fats, sugar, and salt. This information needs to be printed on the front of packaging produced in the country or exported to the country, which could be an additional cost to UK businesses to produce and apply stickers to their already packaged goods.

The Standards Institute of Israel (the statutory body in Israel that develops and establishes standards) regularly adopts standards developed by Israeli regulators that are not in line with international standards. For example, high standards for labelling requirements may discriminate against products exported to the market due to the increased packaging and labelling costs. In addition, the Standards Institute of Israel conducts tests on imports, which has resulted in many import checks, long waiting periods for standard import permits, and high-test costs.

¹¹ [Trade barriers: what you need to know - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/trade-barriers-what-you-need-to-know)