

ISRAELIS PAY 50% TOO MUCH FOR THEIR BANANA

Local producers are protected by import restrictions that reduce competition and drive the price higher.



Executive Summary

- **According to the Central Bureau of Statistics households survey, Israeli families spend 408 million shekels a year buying bananas,**
- **Local producers are protected by import restrictions that reduce competition and drive the price higher. Almost no import reaches Israel, and export from Israel is minimal.**
- **Israeli producers might not have a comparative advantage in producing bananas. Their production price is 3.5 times higher than other exporters of the fruit and 1.5 more expensive than the wholesale price in the UK, which is a net importer of bananas.**
- **Because of import restrictions, in 2018, the consumers transferred almost 120 million shekels to the producers.**
- **On average from 2014 to 2018, Israelis paid an extra 90% for their fruit due to price distortions caused by protectionist policies.**



How many bananas do we consume?

Banana is a relatively popular fruit in Israel. According to the Central Bureau of Statistics households survey, Israeli families spend 408 million shekels a year buying bananas, an average of 170 shekels per household, a little less than 1% of the total food expenditures.

Table 1: Monthly consumption expenditure of bananas by households quintiles - CBS Israel

	Banana % total food expenditures	Banana as % fruit expenditures	Household Expenses(Year)	National expenses on bananas (Year)	Banana % total food expenditures	Banana as % fruit expenditure
All	0.67%	10.62%	₪170	₪408,960,000	0.67%	10.62%
Quantile 1	0.68%	11.52%	₪149	₪71,424,000	0.68%	11.52%
Quantile 2	0.67%	11.19%	₪155	₪74,304,000	0.67%	11.19%
Quantile 3	0.70%	10.69%	₪169	₪81,216,000	0.70%	10.69%
Quantile 4	0.67%	10.62%	₪170	₪408,960,000	0.67%	10.62%
Quantile 5	0.68%	11.52%	₪149	₪71,424,000	0.68%	11.52%

Are we getting the best price?

Local producers are protected by import restrictions that reduce competition and drive the price higher. Almost no import reaches Israel, and export from Israel is minimal. The local demand is supplied exclusively by local producers, mainly from the Jordan Valley. They are also the ones that fix the wholesale price for banana countrywide. This insulated market leads to high priced bananas, seasonal availability, poor variety, and at times lower quality.

According to the Food and Agriculture Organization (FAO), Israeli produced almost 140,000 tons of bananas in 2018, harvested on 2,500 hectares. The producer price was \$1,307 in 2017 for Israel. Few countries produce bananas; the leading net exporters are Ecuador, Costa Rica, Colombia, and the Philippines. The producer price for those exporters was in 2017 \$365, 3.5 times lower than the Israeli producer price.

In 2017, according to the UK Department for Environment, Food & Rural Affairs, the national average price for bananas at wholesale markets in Birmingham and London was 74 pence for a kilo in 2017 and .78 pence in 2018.

Those numbers show us that Israeli producers might not have a comparative advantage in producing bananas. Their production price is 3.5 times higher than other exporters of the fruit and 1.5 more expensive than the wholesale price in the UK, which is a net importer of bananas.

Table 2: Producer Price per metric tons of banana

Years	Producer Price Israel	Producer Price for leading exporters	Wholesale Price UK
2017	\$1,307	\$365	\$840
2018	N/A	N/A	\$1,040



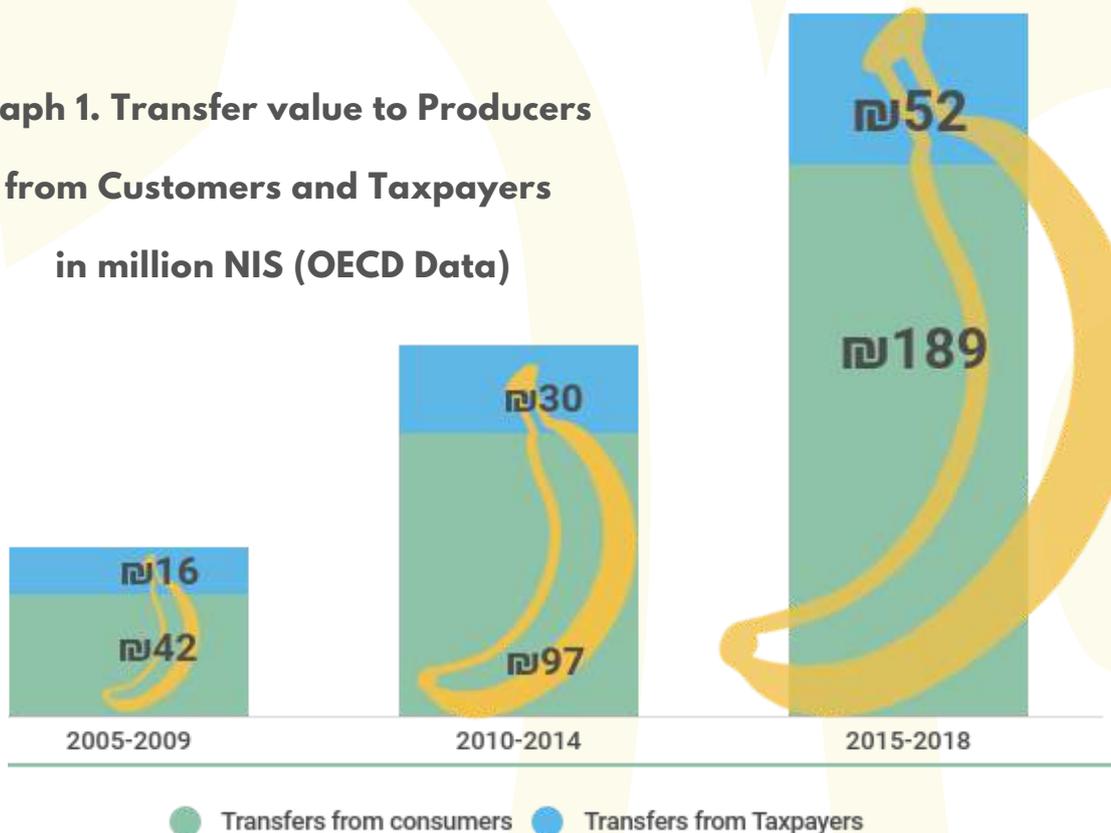
Production prices are 3.5 X higher than leading exporters

How much does it cost us?

In 2018, consumers and taxpayers transferred 150 million NIS to banana's producers

Graph 1 shows the total transfer of value from customers and taxpayers to the producers of bananas in Israel. It is interesting to note that within the last three years (2015 to 2018), the amount transferred doubled in comparison to the five years prior (2010 to 2014). In 2018, alone, the consumers transferred almost 120 million shekels to the producers and the taxpayers transferred another 31 million in 2018.

Graph 1. Transfer value to Producers from Customers and Taxpayers in million NIS (OECD Data)

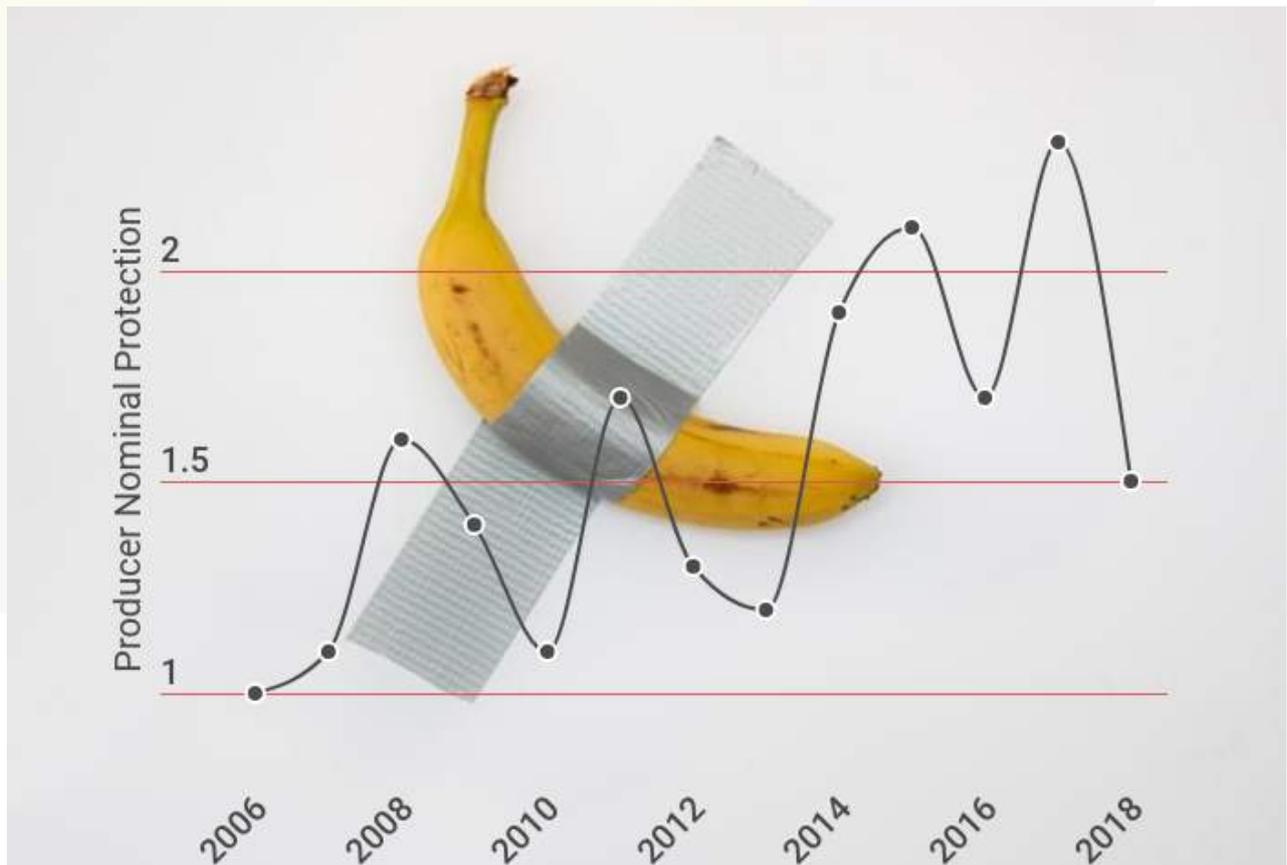


How much we will pay in an open market?

Government policies that restrict imports allow local producers to prop up domestic prices above the open market price. This difference in pricing is an extra cost paid by the consumers and transferred to the producers.

The economic impact of such policies is measured annually by the OECD. To estimate the monetary impact of the agricultural policies, the OECD calculates the annual monetary value of transfers to agriculture from consumers and taxpayers for a single commodity.

Graph 3. Banana Producer Nominal Protection (OECD Data)

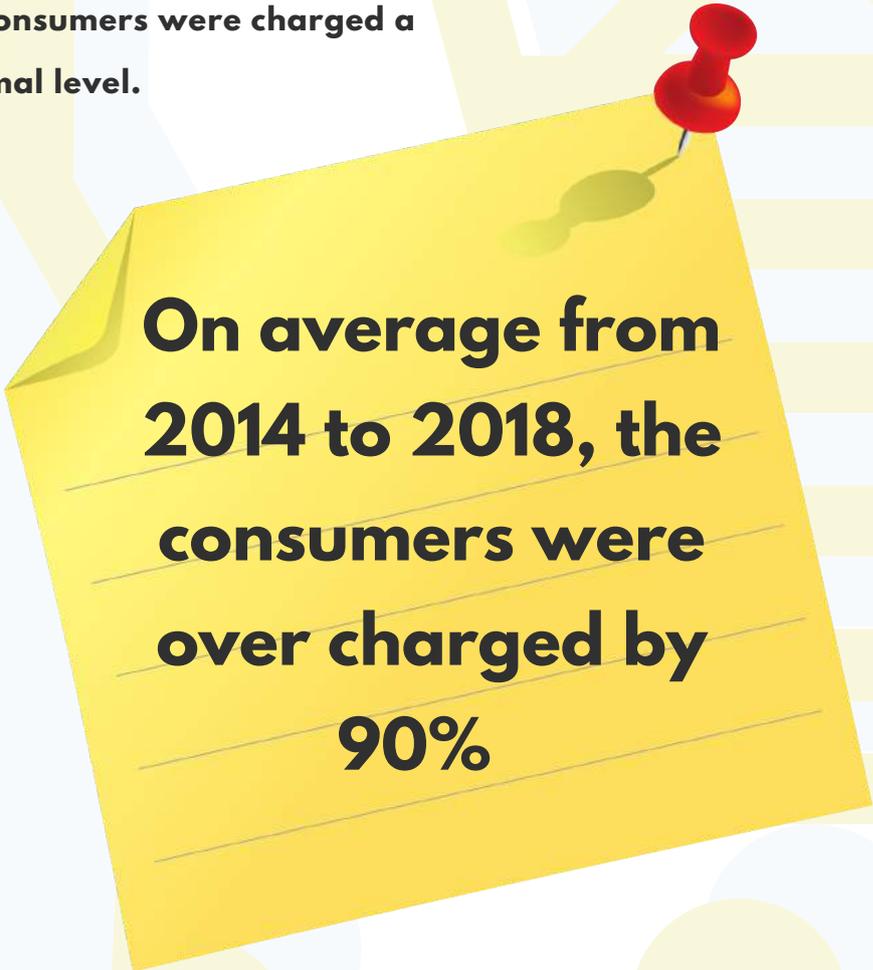


The OECD calculates the producer protection defined as the ratio between the average price received by producers (measured at the farm gate), and the border price (measured at the farm gate). For instance, a coefficient of 1.50 suggests that farmers, overall, received prices that were 50% above international market levels.

Graph 2 shows the producer protection ratio in Israel from 2006 to 2018. The coefficient was always above 1, implying that banana producers are charging prices above their market value to Israeli Consumers.

In 2017, this ratio reached a record high of 2.3, meaning Israelis paid more than twice the fair market value for their bananas.

In 2018, the situation improve and the consumers were only charged an extra 50%. On average from 2014 to 2018, the consumers were charged a price 90% above its normal level.

A yellow sticky note is pinned to the page with a red pushpin. The note contains the following text:

**On average from
2014 to 2018, the
consumers were
over charged by
90%**