

THE STATE OF PALESTINE NATIONAL EXPORT STRATEGY

FRESH FRUITS, VEGETABLES AND HERBS SECTOR EXPORT STRATEGY 2014-2018



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This document represents the ambitions of the private and public stakeholders who dedicated long hours to define the enhancements and future orientations for the sector to increase its export performance and growth (full list of stakeholders in Appendix 1).

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EXECUTIVE SUMMARY

Agricultural activity is a cornerstone of Palestinian culture and society, and plays an integral role since its establishment in the region 8,000 years ago. The sector's contribution to the national GDP (5.5%) understates, to an extent, the dynamism of this sector in terms of providing socioeconomic contributions to the population. Key attributes of the sector include the following:

- Approximately 1,207,061 dunum of agricultural land in 2009/2010, of which 1,029,280 dunums are cultivated (representing 30% of total land, and 85.3% of agricultural land).
- Estimated 305,250 workers in the agricultural sector, although 73.3% of them are family members who are not directly compensated. Approximately 13% of Palestinian workers are employed in this sector and it is responsible for almost one third of women's employment.
- The value of plant production in 2007/2008, the last year for which reliable data is available, was calculated to be 832 million US\$, comprising 61 % of total agricultural production. Of this, vegetables were responsible for 462.2 million US\$ (55% of plant production) and fruit trees were responsible for 264 million US\$ (32 %). Roughly 649 million US\$ of value was added through plant production, of which 71% was added in the West Bank.

CURRENT CONTEXT

Based on Ministry of Agriculture estimates, the fresh fruits, vegetable and herbs sector achieved growth of 9.3% in 2010/2011, driven mainly by the 12% annual increase in land dedicated to vegetable production. Further growth was generated through the herbs subsector, with production rising by 13% and 12% in 2009/2010 and 2010/2011 respectively. Fruit production, meanwhile, has been declining at a rate of about 4% per year due in part to the decreased activity in Gaza.

These estimates place the total value of FFWH production at US\$871 million in 2010/2011, of which US\$128 million is fruits, US\$696 million is vegetables, and US\$47 million is herbs. From 1999/2000, the entire sector has grown an estimated 56% (fruits -60%, vegetables +214%, herbs +201%).

EXPORTS PERFORMANCE

Palestine is a small player in the global fresh fruits market with a global share of less than 1%; however, sector exports have exhibited impressive growth in recent years despite starting from a low base. Palestinian exports in the fruits sector totaled US\$7.7 million in 2010. A comparison of 2007 and 2010 absolute values reveals that export growth has outperformed global import growth trends. Palestinian fresh fruit exports have grown at a rate of 52%, compared to global import growth of 21% over the same time period.

The main fruit exports from the State of Palestine are nuts, dates, grapes, strawberries and almonds. The bulk of export growth for the sector has been driven by a rise in exports of dates. Palestinian exports of dates have risen from US\$324,000 in 2007 to US\$1.2 million in 2010, reflecting an absolute growth of over 250%.

In contrast to the fresh fruits sector, the fresh vegetables sector has suffered a downturn in recent years. While global imports grew by 25% between 2007 and 2010 (in terms of absolute values), Palestinian fresh vegetables exports suffered a decline of 34%. Exports of fresh vegetables totalled US\$6.8 million in 2010. The main exported products in the sector are miscellaneous vegetables/vegetable mixtures, olives, cucumbers, chickpeas, and tomatoes, among others.

Similarly to the fruits sector, the primary destinations of exports in this sector are Israel and selected other markets such as the United Arab Emirates and the Netherlands, with Jordan and Algeria constituting the minority. The only product for which market diversification has taken place is olives, with an approximately 50/50 split between Israel and the United Arab Emirates.

The herbs subsector in the State of Palestine possesses significant export potential that is being increasingly harnessed and realized through dedicated efforts by individual farmers, cooperatives and medium-size enterprises. The increasing value and success of Palestinian herbs in international markets is highlighted by the fact that the volume of fresh herb exports from the West Bank increased by nearly 250% between 2009 and 2012.

As discussed earlier, the sector production structure is characterized by export-dedicated plantations using greenhouses and open fields. It is estimated that almost 1,200 dunums of land have been set up specifically for

exports. The vast majority of products in the herbs sub-sector – including the aforementioned dedicated plantations – are destined for export, primarily to Israel, the United States, Jordan, Russia and Europe.

The export performance of the FFFVH sector has been hampered by a number of issues such as a shortage of fertilizers, restrictions on access to fertile land in Area C, lack of quality control on agricultural inputs, limited irrigation water, lack of international accreditation for food testing laboratories in the State of Palestine results in reduced target market confidence, weak cold chain infrastructure

leads to high wastage volumes during transit, the trade information available to the sector suffers from poor content and accessibility challenges and poor sector organization is hindering export promotion and branding efforts.

OPTIONS FOR FUTURE DEVELOPMENT

In order to develop the export potential of the Palestinian FFFVH sector, the following vision has been developed towards the goal of increasing the export competitiveness.

“ To get high quality, competitive, Palestinian branded fresh produce accessing global markets. ”

To reach this vision, the sector strategy will reduce the trade competitiveness barriers identified as well as capitalized on strategic options. The strategic orientations for the next five years is to capitalize on developing key markets in the short and medium for Palestinian exporters, and facilitate structural changes in the value chain to increase its efficiency and value generation for Palestine.

The market identification was based on a combination of trade analysis and consultations with the enterprises of the FFFVH sector. In the short term, cultural affinity, bilateral geographical distances, and existing trade relationships will form the major criteria determining the markets for Palestinian FFFVH products. In the longer term, it is expected that the evolving capacities of Palestinian exporters – across multiple dimensions including quality management, supply capacities, product diversification, time to market efficiency, and marketing/branding, in conjunction with the improving business environment and export value chain improvements affected by the NES and sector PoA implementations – will allow exporters to target other markets in the medium to long term which seem hard to penetrate now.

The short term market development of the FFFVH sector will focus on selected products in such target destinations as Israel, Turkey, Italy, United Arab Emirates, The Netherlands, Germany, Sweden and Norway. In the medium term, the strategy will enable exporters to expand their export reach through the provision of new products to selected target markets such as the United Kingdom, Jordan and the United States.

The expected structural changes to the sector are based on efficiency gains identified through the four gear analysis of the sector's performance, and through the

identification of opportunities for improving the sector's capacity to add, create, retain and distribute value. The key changes to the value chain include, the develop technical competencies towards the niche organic market segment, develop a new product line of natural oils extracted from Palestinian herbs, improve the inclusion of youth throughout the sector's value chain, increase the involvement of women workers and develop agri-tourism initiatives.

ROADMAP FOR SECTOR EXPORT DEVELOPMENT

The sector strategy vision will be achieved through the implementation of the strategic plan of action (PoA) for the sector. This PoA is made up of four strategic objectives:

- Enhance the supply and quality management capacities of FFFVH producers to better respond to global target market requirements.
- Strengthen the business, legislative and regulatory framework supporting the FFFVH sector.
- Increase the sector's coordination and organization to increase its ability to operate in a challenging global environment.
- Increase the sector's capacity and ability to enter and sustain export relationships in current and emerging markets.

As detailed in the PoA of the strategy, these strategic objectives are structured around a specific set of activities intended to address the wide-range of issues and opportunities of the FFFVH sector.

A number of institutions will play a key role in the implementation of the plan of action for the FFVH sector. These are institutions that have the overall responsibility for successful execution of the strategy, as well as support institutions that are active partners but not leading institutions. Each institution mandated to support the export development of the FFVH sector is clearly identified in the strategy plan of action.

The broad range of activities, together with the complex nature of integrated intervention, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. To this end, a Palestinian Export Council (PEC) will be established in order to facilitate the public-private partnership in elaborating, coordinating, and implementing the National Export Strategy. In particular, the PEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders. Within this framework, implementation of the trade logistics and facilitation strategy also falls within the purview of the PEC.

TARGET MEASURES

The key targets of the strategy as defined by the sector exporters are to:

- Increase by 3 percent the share of total FFVH exports to Israel to capitalise on existing export relationships and distribution channels to international markets.
- Increase by 20% export to the United States because of better pests' controls in order for FFVH products to comply with SPS standards of this important market.
- Increase by 30% exports to the European Union because of better performance of exporting companies to apply best agricultural practices such as global GaP, HACCP, and IPM.
- Diversify exports to ten new markets because of increased capacity and quality of exports as well as the signing of new trade and mutual recognition agreements. For selected new destination markets, it is anticipated that total new exports to the United Kingdom will be worth US\$ 14,000,000, new exports to the UAE will equal more than US\$ 16,000,000, and new exports to the Netherlands will at the end of the strategy implementation process be worth US\$ 25,000,000.

The FFVH sector strategy holds significant promise in terms of contributing to the exports performance of the country, while also driving improvements across the sector's value chain. The achievement of these ambitious targets will require continuous and coordinated efforts from all key stakeholders from the private and public sectors as well as support from key financial and technical partners.

Box 1: Methodological note

The approach used by ITC in the strategy design process relies on a number of analytical elements such as value chain analysis, trade support network (TSN) analysis, problem tree, and strategic options selection, all of which form major building blocks of this sector export strategy document.

Value chain analysis

A comprehensive analysis of the sector's value chain is an integral part of the strategy development process. This analysis results in the identification of all players, processes and linkages within the sector. The process served as the basis for analysing the current performance of the value chain and for deliberating on options for the future development of the sector.

The analysis charts the main stages involved in the sector's export process, from 'inputs sourcing' to 'distribution in market segments'. This is followed by the identification of key stakeholders who include not just the primary players (e.g. producers, processors, distributors etc.) but also those fulfilling support functions with direct linkages to the primary players. These support services include input providers (seed suppliers, equipment suppliers etc.), transportation service providers, packaging houses, and financial service providers, among others.

Box 1: Methodological note (cont.)

TSN analysis

The trade support network comprises the support services available to the primary value chain players discussed above. It is constituted of policy institutions, trade support organisations, business services providers and civil society. An analysis of the quality of service delivery and constraints affecting the constituent trade support institutions (TSIs) is an important input to highlight gaps in service delivery relative to specific sector needs. A second analysis of TSIs assessed their *level of influence* (i.e. their ability to influence public policy and other development drivers in the country and therefore make things happen or change) and their *level of capacity* to respond to the sector's needs.

Problem tree analysis

The problem tree analysis used is based on the principles of root cause analysis and the Pareto principle. The reason for using the problem tree exercise is to gain a deeper understanding of *what* is causing the high level constraints, and *where* solution-seeking activities should be directed. This exercise involves a two-step process:

- *First*, the value chain analysis, surveys and consultations with key public and private stakeholders identify constraints affecting sector-specific export value chains. These constraints are abstract and a more thorough breakdown is required to identify the specific root causes of constraints. Multiple levels of root causes are identified for each high-level constraint.
- *Second*, the problem tree uses the Pareto principle to identify critical root causes in the problem tree. This is especially important for resource limitations that usually exist during the strategy implementation phase. Therefore focus is needed on the 20% of the root causes which result in 80% of constraints affecting the sector. Critical paths through the problem tree are charted to discover the most significant root causes constraining the sector.

These steps resulted in a comprehensive problem tree detailing the constraints affecting the sector's export value chain, along with characterisations related to the types, granularity and intensity of the root causes. The problem tree then guides the design of the solution-seeking phase of the strategy.

Defining where we want to go

The strategic options for the development of the sector are reflected in the future value chain, which is the result of consultations, surveys and analysis conducted as part of the sector strategy design process. The future perspective has two components:

- A market-related component involving identification of key markets in the short and medium-to-long term for Palestinian exporters, and;
- Structural changes to the value chain that result in either strengthening of linkages, or introduction of new linkages.

Both components are integral parts of the future value chain, which is the basis of the strategic action plan developed for the sector.

INTRODUCTION



Source: © Fadi Arouri – Jericho & Jordan Valley

The fresh fruits, vegetables and herbs (FFVH) analysis and strategy presented in this document forms an integral part of the National Export Strategy of the State of Palestine. Apart from its significant contributions to economic stability and growth, the agriculture sector has played an important role in defining and preserving national identity. The export development of the sector has mainly been oriented towards export to Israel for consumption or for re-export. A few products are now reaching new target markets in the Arab region and the European Union. The sector's future export development is currently limited owing to a variety of challenges ranging from provision of inputs and ownership structure of productions facilities. This document presents the expectations of the private and public sectors for the improvement of the fresh fruits, vegetables and herbs sector in the State of Palestine. Without concerted efforts to address critical issues and identified market development opportunities the sector's potential will remain untapped instead of leveraging its important potential and capacity. The five year plan of action of the strategy proposes realistic and achievable activities that will contribute to making FFVH a leading export sector, creating Palestinian produce of quality and variety to meet growing global needs.

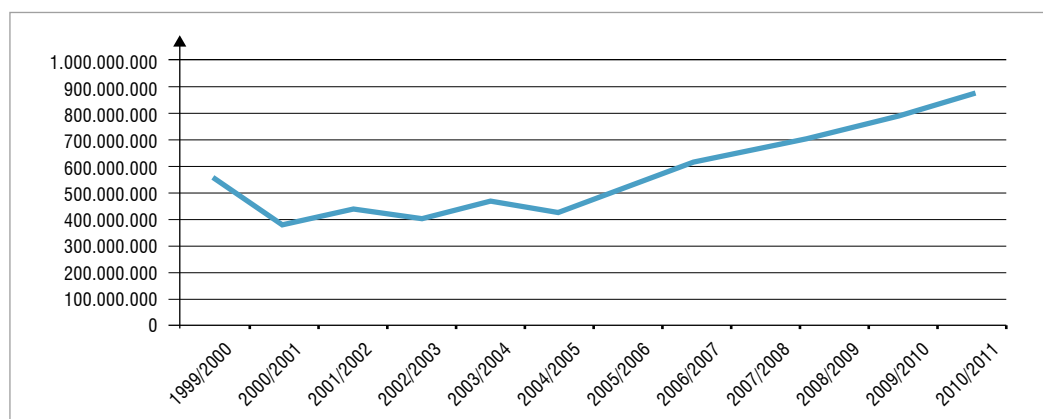
HISTORICAL OVERVIEW

Agricultural activity is a cornerstone of Palestinian culture and society, having played an integral role in the region since its establishment 8,000 years ago. The sector's contribution to the national GDP (5.5%) downplays its dynamism in providing vibrant employment for men, women, and youth.

Apart from significant contributions to economic stability and growth, agriculture has played an important role in defining and preserving national identity. Throughout the twentieth century it was a symbol of Palestinian resilience, while at the same time acting as a source of income and food security during periods of conflict and crisis.

Nonetheless, persistent conflict has continued to take a toll on agricultural commerce. Political and security stress came to a head in the second intifada, and the conflict had immense implications for sector productivity. Both the physical destruction, as well as the creation of the separation barriers and Area C, which limited access to large swathes of arable land, led to a marked decline in agricultural output. As shown in the graph below, sector production declined dramatically through 2005. Immediately following the onset of the conflict, from 1999/2000 to 2000/2001, the production of fruits, vegetables, and herbs declined by 50%, 7% and 9% respectively. It is important to note that fruit production has never fully recovered, and in 2010/2011 it was estimated to be 60% lower than pre-conflict levels. The majority of the sector's growth (in value) has been achieved in recent year by fresh herbs.

Figure 1: Palestinian fruit, vegetable, and herb production 1999/2000 to 2010/2011 (US\$)



Source: PCBS, Agricultural Statistics & Ministry of Agriculture Estimates.

Table 1: Impact of the second intifada on fruit, vegetable, and herb production 1999/2000 to 2005/2006

Year	Value of fruit trees (US\$)	Value of vegetables (US\$)	Value of herbs (US\$)	Total	% Change fruit (from 1999/2000)	% Change vegetables (from 1999/2000)	% Change herbs (from 1999/2000)	% Change total (from 1999/2000)
1999/2000	319 884 000	221 555 031	15 579 669	557 018 700	–	–	–	–
2000/2001	159 236 000	205 827 478	14 162 582	379 226 060	-50%	-7%	-9%	-32%
2001/2002	200 725 000	218 030 781	15 382 579	434 138 360	-37%	-2%	-1%	-22%
2002/2003	163 142 000	229 179 628	15 943 552	408 265 180	-49%	3%	2%	-27%
2003/2004	213 654 000	238 271 253	16 701 207	468 626 460	-33%	8%	7%	-16%
2004/2005	168 915 000	239 579 455	16 719 965	425 214 420	-47%	8%	7%	-24%
2005/2006	205 828 000	295 102 839	20 459 961	521 390 800	-36%	33%	31%	-6%

Source: PCBS, Agricultural Statistics.

Although the end of the second intifada saw a return to sector growth, more recent conflicts have continued to adversely affect production. Following Israeli aggression during the so called Operation Cast Lead in 2009¹, 46% of agricultural lands in Gaza were deemed to be inaccessible or useless because of destruction realized in the course of the conflict, blockades, and the presence of security buffer zones. Meanwhile, the expansion of Israeli settlement and the separation barrier have diminished access to resources in the West Bank, as a large portion of fertile agricultural land falls within occupied territories or has been confiscated for construction.



Source: © Fadi Aroui - Jericho & Jordan Valley

1. Israeli military operation in the Gaza strip aimed at ending rocket attacks and stopping weapons smuggling. December 27, 2008 to January 18, 2009.

WHERE ARE WE NOW?

CURRENT CONTEXT

The Palestinian territory contained approximately 1,207,061 dunums² of agricultural land in 2009/2010, of which 1,029,280 dunums are cultivated (representing 30% of total land, and 85.3% of agricultural land).³

The amount of cultivated land devoted to growing vegetables is 127,257 dunums. Of this, 100,579 dunums are located in the West Bank, while 26,678 are in Gaza. The area dedicated to horticultural crops is much larger at 542,363 dunums of cultivated land, with 501,818 dunums in the West Bank and the remaining 40,545 in Gaza.

As indicated above, the vast majority of cultivated land (90.8%) is found in the West Bank. The regions with the largest cultivation areas were Jenin (19.4% of cultivated land), Hebron (16.5%) and Nablus (12.9%), while Gaza (1.1%) and North Gaza (1.3%) had the smallest aggregate holdings. In total only 14% of cultivated land is fed by irrigation, although this figure is significantly higher in Gaza (72%) than in the West Bank (8.7%).

The Palestinian agricultural sector is dominated by small-holdings and individual farmers, and the average size of a holding is 10.84 dunums. Census data indicates that there were 111,310 agricultural holdings in 2010, of which over 80% were located in the West Bank.

Of the total enterprises in 2010, 46% worked less than three dunums of land, 21% between 3 and 5.99 dunums, and 12.1% between 6 and 9.99 dunums. Almost 74% (73.8%) of enterprises are managed by the holder, 24.1% by household members, and only 1.9% by hired managers.

Ownership structures vary as well, and although the vast majority of holdings are the property of the holder (85.5%), approximately 4.1% are rented or sharecropped. It should be noted that although women are well represented in the sector they comprise only 6.8% of holders.

Enterprises use a variety of technical and chemical aids to production, and the PCBS estimates that 60,053 (54%) agricultural holdings made use of at least one piece of

machinery. Moreover, 64.9% of plant and mixed holdings use organic fertilisers, 34.8% use chemical fertilisers, 49.7% use pesticides, 25.1% used improved agricultural assets, and only 18.4% use integrated pest management.

These holders obtain varying degrees of productivity, are supported by various cooperative systems, and tend to use methods based on traditional practices.⁴ The products of small farmers are mainly destined for household consumption, the local market, or at times the Israeli markets, and their goods tend to be of relatively low and inconsistent quality. Distribution channels are fragmented and the domestic market is comprised of retail shops, stalls and wholesale markets. A few larger enterprises, meanwhile, have invested in the necessary infrastructure to support export activity, although market penetration has thus far been slow. This fragmented production and distribution structure leads to important challenges in supply consistency.

Processing and packaging is controlled by a few large operators characterized by an underutilization of capacity. The Sinokrot Group, for example, which specializes in herb and vegetable exports, operates at around 33% capacity⁵. It should be noted, however, that small-scale processing and packaging does occur at the local level.

A further distinction should be made with regards to the herbs subsector, in which production varies greatly depending on the final destination of the goods. Those destined for export are produced by specialized large and medium-sized farms, while those for the local market are produced mainly by smallholders who have had difficulty entering export markets due to low quality and production capacities.

2. 1,000 square metres.

3. Palestinian Central Bureau of Statistics (2010). *Agricultural Census*. Ministry of Agriculture (2010). *Agriculture Sector Strategy: "A Shared Vision" 2011-2013*, p. VIII.

4. DAI Europe - Technoserve (2011). *A Roadmap for Agribusiness Development in the Occupied Palestinian Territories: An Analysis of the Vegetables & Herbs, Dairy, and Sheep & Goats Subsectors*.

5. Sinokrot Global Group (2013). Interviews with Zadona and Pal Gardens staff.

Box 2: The State of Palestine's five agro-ecological zones

According to location, rainfall and altitude, five agroecological zones can be distinguished in the Palestinian Territories. They include the Coastal Zone (the Gaza Strip), the Semi-Coastal Zone, the Central Highlands, the Eastern Slopes, and the Jordan Valley.

The Coastal Zone (Gaza Strip)

This zone is located along the eastern coastal plain of the Mediterranean Sea. The Sinai Desert surrounds this zone from the south. It has a semi-arid Mediterranean climate of long, hot summers and mild winters with fluctuating rainfall. Rainfall is relatively moderate in the north, reaching 300 mm or more, but is below 200 mm in the south.

The Semi-Coastal Zone

This is a narrow strip comprising parts of the Jenin and Tulkarm districts with altitudes of 100-300 metres above sea level and it has an average annual rainfall of 600 mm. Most of the soils are medium textured, of alluvial origin, and consist of silt and loam derived from a variety of parent materials. Less than half of the cultivated area depends on rain only. More than half is irrigated or receives some supplementary irrigation water. The rain-fed crops are cereals and grain legumes. However, fruit trees are also grown under rain-fed conditions. Irrigated crops include a wide variety of vegetables, potatoes, citrus and other irrigated fruit trees.

The Central Highlands Zone

This zone includes the highland area starting from Jenin in the north to Hebron in the south. The zone is mountainous, rising up to 1,000 metres above sea level. It is mostly hilly and rocky, and soils are often shallow. Average annual rainfall is about 400 mm. Of the total cultivated area, 95% is rain fed. The remaining 5% of cultivated land is irrigated and is used mainly for producing vegetables. The rain-fed land is about 60% fruit trees and 35% field crops. The main fruit trees are olive, grape, and almond. The main field crops are winter cereals and grain legumes.

The Eastern Slopes Zone

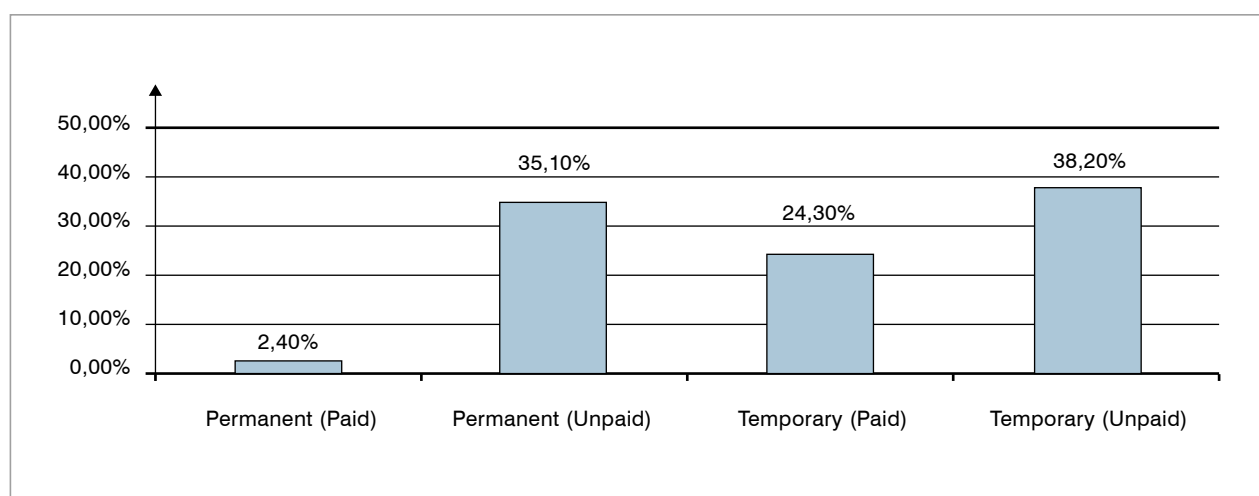
This is a transitional zone between the central highland and the desert areas of the Jordan Valley. It extends from the eastern parts of Jenin to the Dead Sea in the south. Little rainfall in this region make it an almost semi-arid to desert zone. Agricultural production is of marginal importance and is limited to rain-fed cereals such as wheat and barley. Olives are cultivated as well. Average annual rainfall ranges between 250 and 300 mm. The total area of this zone is approximately 1,500,000 dunums, with altitudes varying from 800 metres above sea level in the north to 200 metres below sea level in the south.

The Jordan Valley Zone

This is a narrow strip between the Eastern Slopes and the Jordan River. It is 70 km long and drops to about 400 metres below sea level near the Dead Sea. Rainfall is low (100-200 mm) and winters are mild while summers are hot. Soils are sandy and calcareous. This zone is the most important irrigated area in the West Bank. The availability of both springs and ground water makes this area most suitable for off-season vegetables and for semi-tropical tree plantations including banana and citrus. All strains and varieties of date palm trees are still in existence. Orchards of citrus fruits with special tastes and an early ripening season are remarkable in the Jordan Valley. Recently, early grape strains began to be used as an economical cash crop.

Source: Palestine Economic Policy Research Institute (MAS) (2011). The Comparative Advantage of Selected Crops in the West Bank Using the Policy Analysis Matrix Approach (PAM).

Figure 2: Agricultural workers chart



Source: Palestinian Central Bureau of Statistics (2010). Agricultural Census.

SOCIOECONOMIC CONTRIBUTIONS

The agricultural sector is an important source of employment, especially among women, and it contributes significantly to socioeconomic development. Moreover, the production of local foodstuffs plays an important role in mitigating food insecurity, and fruits and vegetables are vital inputs for further processing.

There are estimated to be 305,250 workers in the agricultural sector, although 73.3% of them are family members who are not directly compensated⁶. The average wage for work in the sector was \$11.71 per day in 2011⁷. Work is seasonal and the majority of paid labour (as opposed to unpaid) is casual work⁸. Approximately 13% of Palestinian workers are employed in this sector and it is responsible for almost one third of women's employment⁹. The following graph breaks down sector employment by type of position:

It is estimated that 88,523 workers are directly employed in the FFV and Herbs sectors, with 32,971 employed in fruit production; 51,358 employed in vegetable production; and 4,194 employed in herb production¹⁰. In line with

the trends of the sector, employment in the vegetable subsector is estimated to be growing by 12% per year and the herbs subsector by 7%, while employment in the fruits subsector it is declining by 4% annually.

PRODUCTION

FRUITS AND VEGETABLES

The value of plant production in 2007/2008, the last year for which reliable data is available, was calculated to be 832 million US\$, comprising 61% of total agricultural production¹¹. Of this, vegetables were responsible for 462.2 million US\$ (55% of plant production) and fruit trees were responsible for 264 million US\$ (32%). Roughly 649 million US\$ of value was added through plant production, of which 71% was added in the West Bank.

The following table illustrates the production of the various crop types by geographic area.

6. Palestinian Central Bureau of Statistics (2010). *Agricultural Census*. Using PCBS midyear population estimates, 58% of the population (of 4,048,403) is above the age of 15, of which 13% were employed in the sector.

7. Palestinian Central Bureau of Statistics (2011)

8. Palestinian Central Bureau of Statistics (2010)

9. Ministry of Agriculture, (2010); DAI Europe-Technoserve (2011)

10. Estimates of the Ministry of Agriculture

11. Palestine Economic Policy Research Institute (MAS) (2011); the most recent data calculates that agriculture contributed 5% (\$360 million) to GDP in 2010.

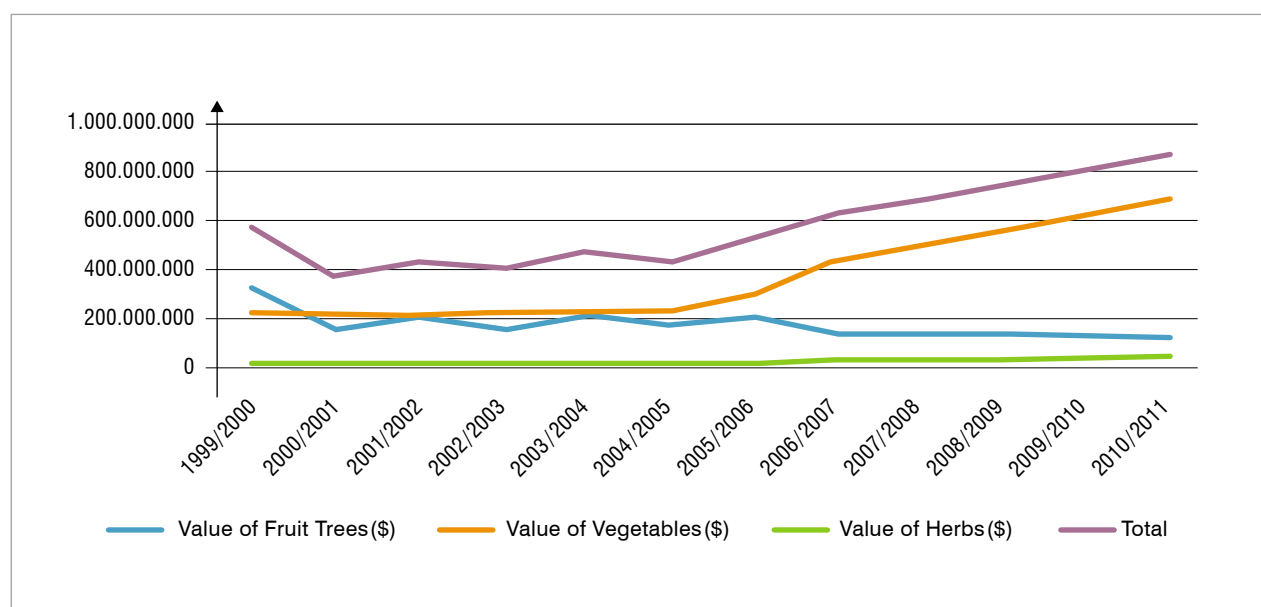
Table 2: Plant production 2007/2008

Crop types	Palestinian Territory			West Bank			Gaza Strip		
	Area	Production	Value	Area	Production	Value	Area	Production	Value
Field Crops	495.4	185.4	105.7	441.2	112.9	70.7	54.2	72.5	35.1
Vegetables	186.2	696.5	462.2	139.9	481.3	322.5	46.2	215.3	139.7
Fruit Trees	1 172.4	254.3	264	1 112.6	200.3	213.5	59.8	53.9	50.5
Total	1 854.0	1 136.30	831.9	1 693.7	794.6	606.6	160.2	341.7	225.3

Source: Palestine Economic Policy Research Institute (MAS) (2011). *The Comparative Advantage of Selected Crops in the West Bank Using the Policy Analysis Matrix Approach*

Note: Area: dunum, Production: metric ton, Value: 1,000 US\$ (Palestine Economic Policy Research Institute (2011)).

Figure 3: Trends in FFWH production 1999/2000 to 2010/2011



Source: Ministry of Agriculture estimates

Based on Ministry of Agriculture estimates, the FFWH sector achieved growth of 9.3% in 2010/2011, driven mainly by the 12% annual increase in land dedicated to vegetable production. Further growth was generated by herbs, whose production grew by 13% and 12% in 2009/2010 and 2010/2011 respectively. Fruit production, meanwhile, has been declining at a rate of about 4% per year due in part to the decreased activity in Gaza. These estimates place the total value of FFWH production at US\$ 871 million in 2010/2011, of which US\$ 128 million is fruits, US\$ 696 million is vegetables, and US\$ 47 million is herbs. From 1999/2000, the entire sector has grown an estimated 56% (fruits –60%, vegetables +214%, herbs +201%).

The aggregate plant sector relies upon over 112 plant varieties, including 38 types of vegetables and 39 types of fruit. The vegetable subsector is concentrated in Jenin and Tulkarm, which together are responsible for over 32% of vegetable production. The 2007/2008 agricultural season yielded nearly 690,000 metric tons by leveraging roughly 186,000 dunums of land. The most important vegetable crops are cucumber (30.2% of vegetable production), tomato (30.1%), eggplant (9%), squash (7%), paprika (2%), and green bean (1%). Table 3 illustrates the percentage of vegetable production, the percentage of land devoted to vegetables, the percentage of this land located in the West Bank, and the main areas of activity for these vegetables.

Table 3: *Palestinian vegetable crops 2007/2008*

Vegetable	% of veg. production	% of veg. land	% of area in West Bank	Geographic concentration
Cucumber	30.2%	17.0%	82%	Tulkarm, Jenin, Gaza Strip, Jericho, Tubas
Tomato	30.1%	13.0%	57%	Jericho, Tubas, Gaza Strip, Jenin, Qalqilia, Hebron, Ramallah, Albireh
Eggplant	9.0%	6.0%	82%	Jericho, Gaza Strip, Jenin, Tubas
Squash	7.0%	15.0%	77%	Jericho, Tubas, Gaza Strip
Paprika	2.0%	2.0%	96%	Jericho, Jenin, Tulkarm
Green Bean	1.0%	2.0%	79%	Jericho, Gaza Strip, Tulkarm

Source: Palestine Economic Policy Research Institute (MAS) (2011).
The Comparative Advantage of Selected Crops in the West Bank Using the Policy Analysis Matrix Approach (PAM).

Table 4: *Palestinian fruit production 2007/2008*

Fruit	% of fruit production	% of fruit tree land	% of area in West Bank	Geographic concentration
Olive	34.0%	81.0%	97%	Nablus, Jenin, Ramallah, Albireh, Tulkarm, Hebron
Grape	22.0%	6.0%	95%	Hebron, Bethlehem, Gaza Strip
Fig	3.0%	1.0%	96%	Nablus, Hebron, Ramallah, Albireh
Orange	2.5%	0.3%	n.a.	Gaza Strip, Qalqilia, Tulkarm
Banana	2.0%	0.1%	n.a.	Jericho, Al-Ghors
Palm tree	1.6%	0.7%	46%	Gaza Strip, Jericho
Dried Almond	1.5%	2.5%	91%	Tulkarm, Nablus, Jenin, Ramallah, Albireh, Hebron, Gaza Strip
Strawberry	0.5%	1.0%	n.a.	Gaza Strip

Source: Palestine Economic Policy Research Institute (MAS) (2011).
The Comparative Advantage of Selected Crops in the West Bank Using the Policy Analysis Matrix Approach (PAM).

The fruit subsector yielded nearly 1.9 million tons of fruit on a production area of over 1.1 million dunums in 2007/2008. The two most important regions for fruit production are Hebron (24.3% of domestic production) and Nablus (13.5%) and the main fruits grown are olives (34% of fruit production), grapes (22%), figs (3%), oranges (2.5%), bananas (2%), palms (1.6%), and dried almonds (1.5%) and strawberries (0.5%). Table 4 illustrates the percentage of fruit production, the percentage of land devoted to fruit trees, the percentage of this land located in the West Bank, and the main areas of activity for these fruits.

HERBS

Seventeen varieties of herbs are cultivated in the State of Palestine, mostly focused on fresh exports. The main products in the herb subsector are arugula, basil, chervil, chives, coriander, dill, marjoram, mint, oregano, parsley, rosemary, sage, sorrel, tarragon, and thyme.

An important feature of the herbs subsector is the length of its harvest calendar. The agronomic and climate conditions in Palestine, as well as the diversity of herb types that can be grown, result in the potential to harvest significant quantities of herbs throughout the year. This is especially important from the perspective of developing a comparative advantage in international markets.

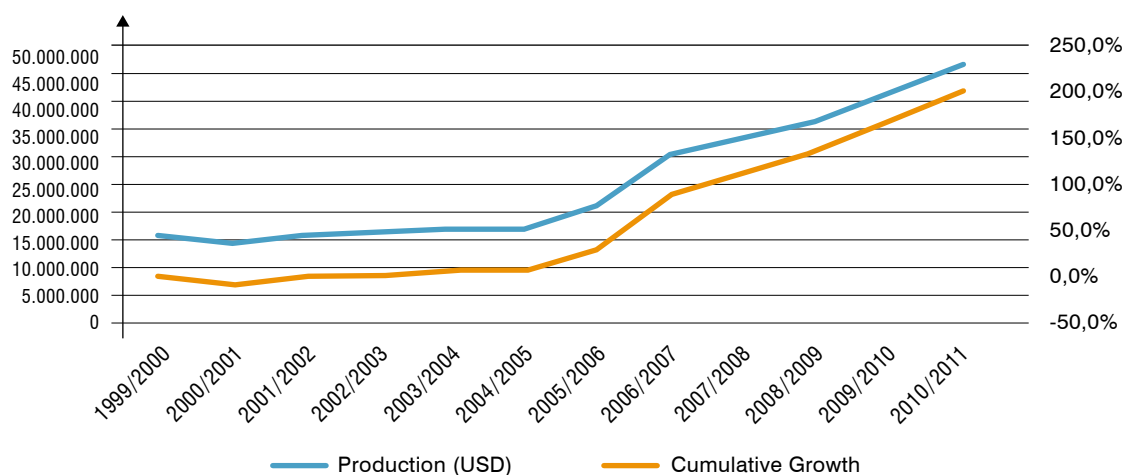
The production base comprises 30 fresh herbs producers. It is estimated that eight of these companies solely cater to the export market. The subsector is also characterized by a number of qualified and well-equipped packing houses, including two GLOBALGAP certified packing houses.

Table 5: Total herbs production in the State of Palestine 2012

	Product	Productivity – Dunum/year
1	Chives	3000 kg
2	Mint	6000kg
3	Arugula	3600kg
4	Rosemary	2600kg
5	Parsley	8000kg
6	Coriander	2200kg
7	Chervil	2200kg
8	Dill	1500kg
9 + 10	Basil (including Red Basil)	1800kg
11	Tarragon	3000kg
12	Sage	5000kg
13	Thyme	4000kg
14	Oregano	3500kg
15	Marjoram	4200kg
16	Sorrel	3000kg

Source: Data compiled through bilateral meetings

Figure 4: Trends in Palestinian herb production 1999/2000 to 2010/2011



Source: Ministry of Agriculture estimates

As noted in Figure 4, production values have exhibited growth of over 200% over the last decade, reaching US\$ 46.9 million in 2010/2011.

A prominent characteristic of the herbs subsector is the export-dedicated plantations (greenhouses and open fields) that have been set up. It is estimated that almost 1,200 dunums of land have been set up specifically for exports.

VALUE CHAIN OPERATIONS

FRESH FRUITS AND VEGETABLES

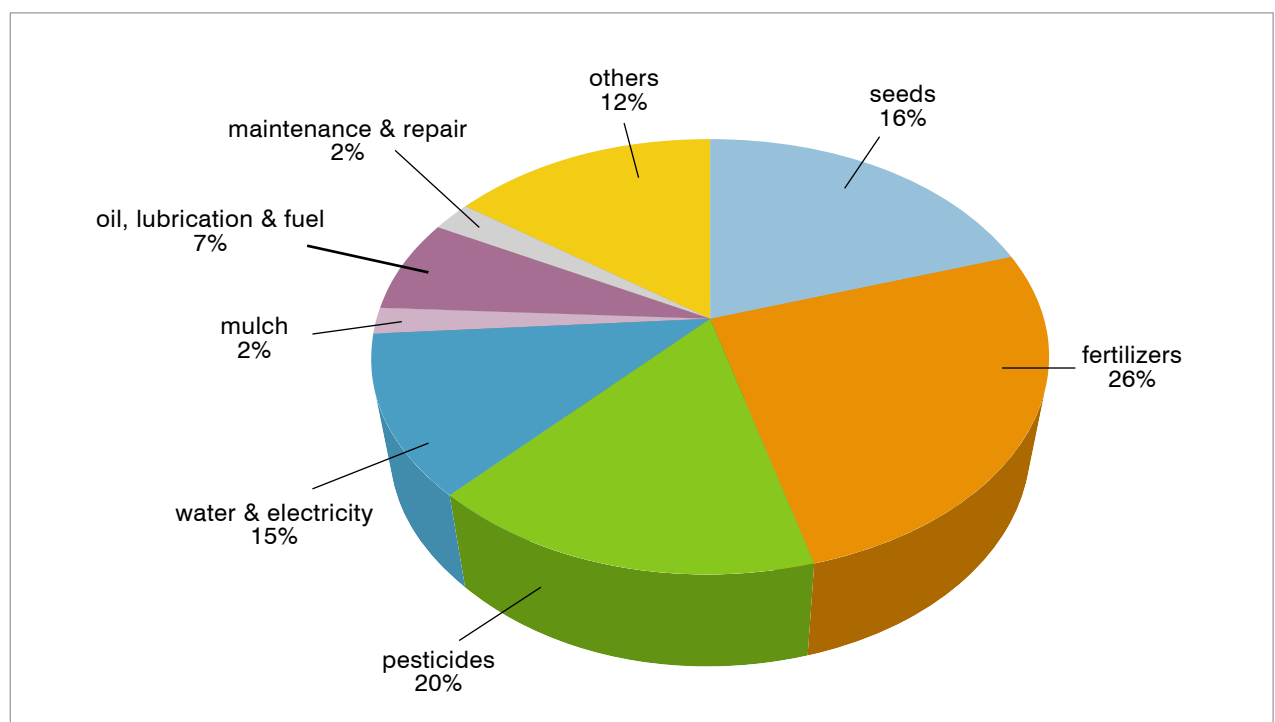
The fresh fruits and vegetables value chain in the State of Palestine revolves around a number of steps that include the provision of preliminary services including sourcing of inputs, cultivation, protection, harvesting, post-harvest processing, packaging, sales, distribution, and export delivery. Although these stages may differ according to the specific product or target market, the basic production pattern is fairly stable.

PRE-PRODUCTION AND INPUT SOURCING

The first step of the value chain is pre-production. In this stage land is prepared and crop rotations planned. It is here that the necessary financial and agricultural inputs are acquired by producers. The key actors at this stage are suppliers and the producers who commission their services. A number of service providers including financial institutions, agronomists, land workers, equipment and machinery operators, and input providers, are essential at this stage.

The main production inputs include seeds, fertilizers, pesticides, water, electricity, fuel, and farm equipment. Figure 5 shows the relative importance of each input in total production requirements.

Figure 5: State of Palestine percentage distribution of the value of plant production requirements



Source: PCBS, 2009. Agricultural Statistics, 2007/2008.



Source: © PalTrade

Input supply is often of low quality and expensive as there is a heavy reliance on imports for nearly all inputs.

PRODUCTION

The production stage includes planting, pest management, fertilization, and harvesting of crops. It may also involve the acquisition of financial services, and technical guidance from extension services. Production is performed by three types of producers: individual farmers, cooperatives and agribusinesses. A number of third party providers, including agronomists, day labourers and technical consultants, are relied upon for their services. Enterprises face a variety of input-related difficulties at this stage due to the complex trade environment and the limited quality management infrastructure.

POST-HARVEST

Post-harvest involves the sorting, washing, grading, packaging, storing, loading, and transporting of goods. At this stage, production is mainly handled by local collectors and packing houses. External support is provided by storage and transport companies, packaging suppliers, and testing laboratories (national or foreign).

DISTRIBUTION TO MARKET

Distribution and sales of FFFVH occur for both domestic and export markets. For domestic consumption, produce is channelled to wholesalers to end up in the local retail market. Various service providers such as wholesale commissioners, packing houses, and storage/transportation providers are relied upon at this stage. It should be

noted that some farmers may sell their products directly to retail outlets, thereby bypassing more organized market mechanisms. For exports, once the goods have been packed and tested they are transported in refrigerated trucks to their point of exit.

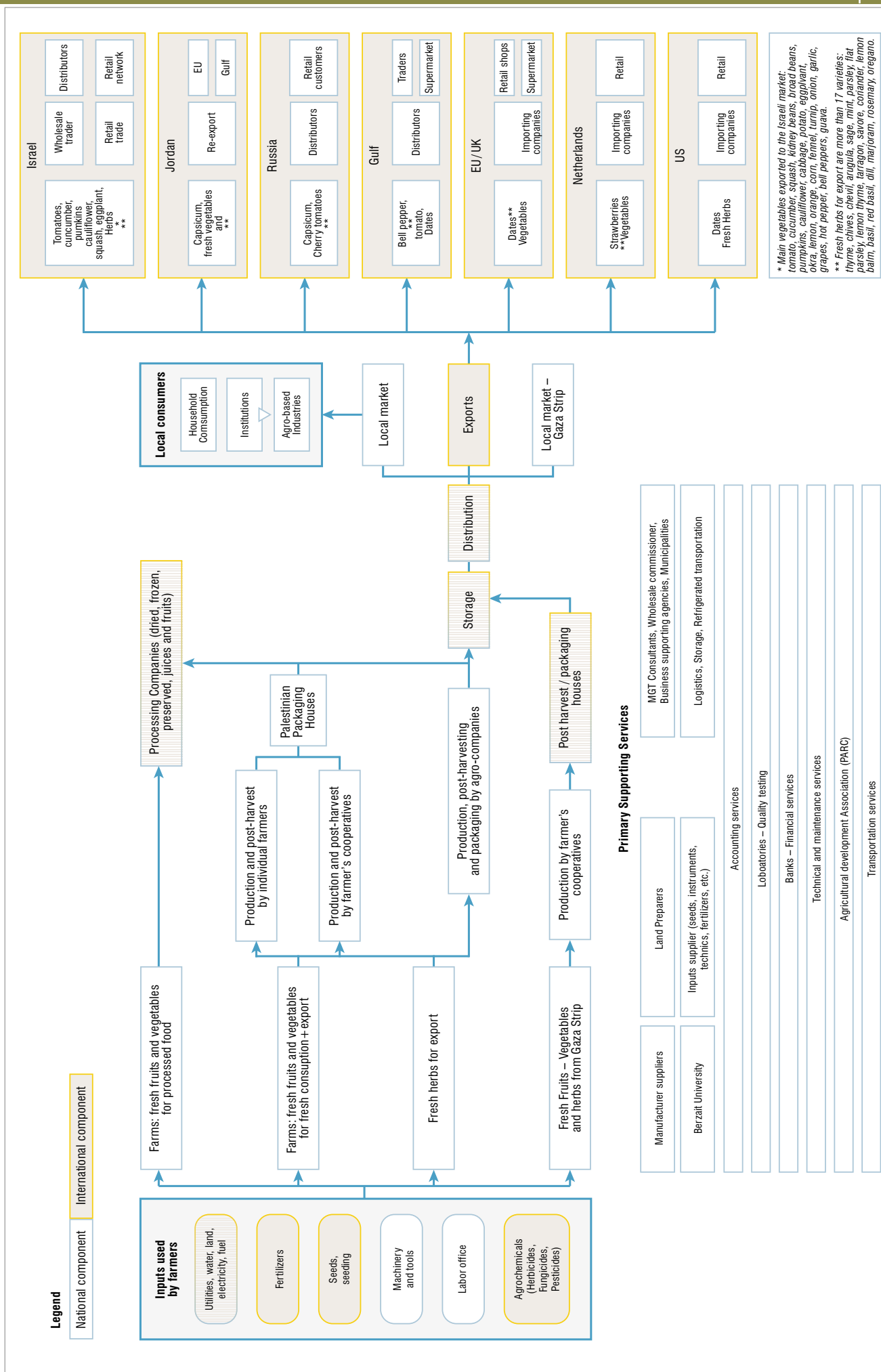
HERBS

Although the herbs subsector follows similar processes, the subsector's value chain exhibits specific characteristics. Growers fall into three categories: small-scale, medium-scale, and large-scale. These producers rely upon a number of inputs for their production and although the basic inputs such as water and land are locally available, the majority of other inputs are imported. These include phytosanitary inputs such as fertilizers, equipment, and seeds, all of which are subject to the same import and quality constraints detailed for the fresh fruits and vegetables sector. They may arrive in the State of Palestine either directly or through domestic suppliers, Palestinian distributors/importers, or Israeli distributors.

Harvested goods are transported to Palestinian packaging houses, where they are prepared for transport and sale. Goods at this stage may also be subject to laboratory testing and certification, although weak regulatory standards and infrastructure limit foreign sales potential. Following this step, the products are passed to both Palestinian distributors and exporters. While domestic distributors will forward the products to retail markets, exporters may either export directly to target markets or make use of Israeli middlemen.

The current value chain of the FFFVH sector is defined in figure 6 below:

CURRENT VALUE CHAIN



IMPORTS

Imports in the FFVH sector primarily consist of production inputs for the sector, and imports of fresh fruits and vegetables by Palestinian retailers for consumption in local markets.

IMPORTS OF PRODUCTION INPUTS

There is a heavy reliance on imports for nearly all inputs of the sector and most inputs, such as fertilizers, agrochemicals and utilities, come through an Israeli supplier or intermediary. This is because of a combination of two factors – a weak domestic supply base for these inputs and the import restrictions put in place for chemicals and other dual use items essential for the agricultural sector.

Water is another essential production input for which demand significantly outweighs supply. Producers face major difficulties in accessing water for irrigation purposes

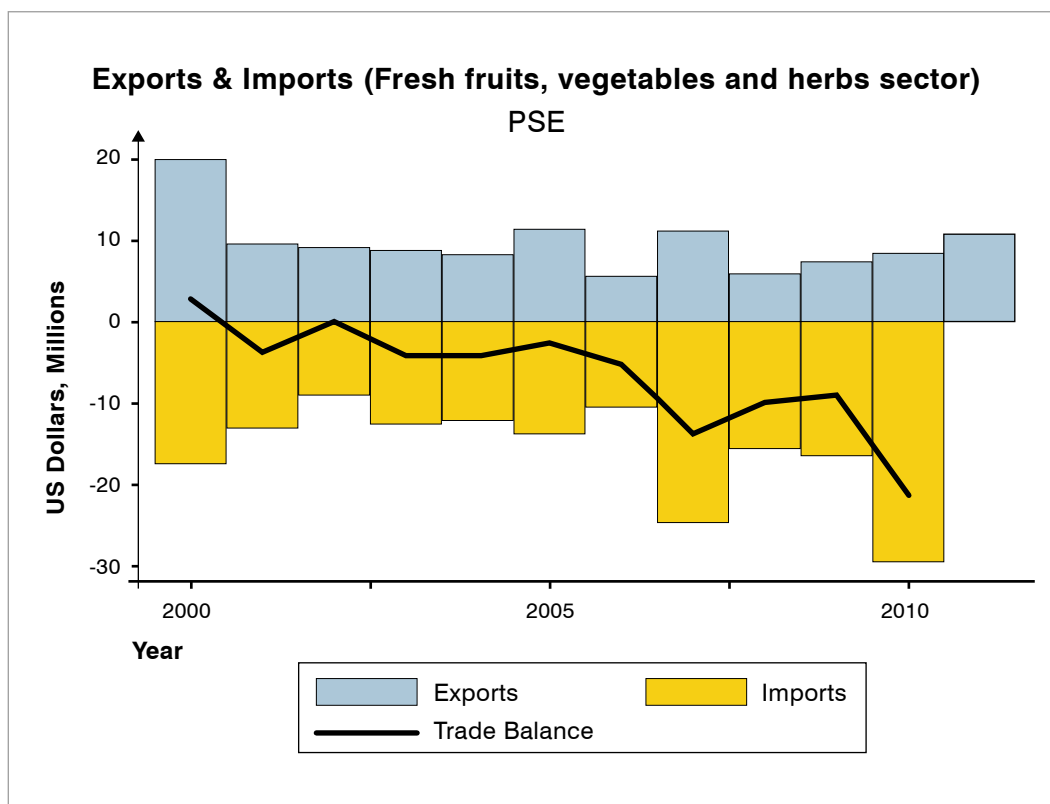
thanks to a combination of restrictions on accessing water resources, inefficient management of water resources, and rapid population growth in the State of Palestine.

IMPORTS OF FRESH FRUITS AND VEGETABLES

In theory, vegetable production in the State of Palestine is sufficient for satisfying domestic demand. In practice, however, approximately 25% of the vegetables consumed in the State of Palestine are imported – mainly from Israel. The fruits subsector also exhibits a similar trend of high imports.

Figure 6 concurs with the above assessment. As indicated, while exports have been gradually increasing in the recent past, imports are rising much faster and have amounted to 3-4 times the export levels in recent years. As a result, the sector suffers from a large trade deficit.

Figure 6: Palestinian imports for the fresh fruits and vegetables sector 2000 to 2010



Source: ITC calculations based on COMTRADE SITC Revision 3 data.

Note: The figure includes imports of herbs, which are, however, minimal thanks to the year round harvest and supply capacity of the herbs subsector.



Source: © PalTrade

The following constitute some of the important factors contributing to this trade deficit:

- In the case of fruits, the harvest cycle in the State of Palestine is short and the sector suffers from weak supply capacity except for varieties such as grape that are available in ample supply. Due to the resulting supply gap, the domestic market becomes dependent on imports. This is especially true in the case of citrus fruits, which are produced and available in the State of Palestine between November and February. Supply gaps in the remaining months are mainly covered through imports from Israel and, to a lesser extent, Jordan.
- Imports in the vegetables subsector are mainly a result of market dynamics between the Palestinian and Israeli markets. The main driver is price. Palestinian retailers typically buy high volumes of vegetables from the Israeli wholesale markets on weekends, when Israeli

wholesalers are seeking to offload lower shelf life products at lower prices than those available to retailers in the Palestinian markets. This dumping results in a significant disadvantage for Palestinian producers, who cannot compete with low Israeli prices beyond a certain point.

- Seasonality also plays an important role for vegetables. For instance, Palestinian potato produce is mainly available between January and August. During the gap months, supply is maintained through Israeli products. Even when Palestinian produce is available, pricing policies of suppliers renders Palestinian produce uncompetitive.

Table 6 confirms the trends identified above. Apart from a few instances of imports from suppliers in Turkey and Canada, the majority of imports in the State of Palestine are sourced for Israel.

Table 6: *Palestinian fruit and vegetable imports 2010*

HS code	Description	Imports in 2010 US\$ 1 000	Main suppliers
'080810	Apples, fresh	16 136	Israel (16 136)
'080300	Bananas including plantains, fresh or dried	11 359	Israel (11 359)
'080290	Nuts, edible, fresh or dried, whether or not shelled or peeled, n.e.s.	5 975	Israel (4 520) Turkey (908)
'081090	Fruits, fresh, n.e.s.	4 922	Israel (4 922)
'080450	Guavas, mangoes and mangosteens, fresh or dried	4 481	Israel (4 481)
'070700	Cucumbers and gherkins, fresh or chilled	3 417	Israel (3 417)
'080440	Avocados, fresh or dried	3 232	Israel (3 232)
'071320	Chickpeas, dried, shelled, whether or not skinned or split	2 804	Israel (2 797)
'071340	Lentils dried, shelled, whether or not skinned or split	2 642	Turkey (1 436) Canada (810)
'080930	Peaches, including nectarines, fresh	2 367	Israel (2 367)
'080820	Pears and quinces, fresh	2 315	Israel (2 315)

Source: ITC calculations based on UN COMTRADE statistics.

GLOBAL MARKETS – A SNAPSHOT

FRESH FRUITS

GLOBAL IMPORT TRENDS FOR FRESH FRUITS

The global market size for edible fruits, nuts, and peel of citrus fruits and melons (HS08)¹² stood at US\$94 billion in 2011, reflecting an annual growth rate of 7% between 2007 and 2011. Led by the United States and Germany, western markets constitute the main importing markets for these products.

Russia has exhibited a strong growth rate of 13% between 2007 and 2011 –almost double the global growth average during the same time. With the exception of the United States and Russia, the other growth leaders among the top five importers are underperforming *vis-à-vis* the global average.

GLOBAL EXPORT TRENDS FOR FRESH FRUITS

The US and Spain are the leading global exporters of fresh fruits. The United States commands almost 14% of global markets, outperforming the global growth average through an exhibited annual growth rate of 12% between 2007 and 2011.

12. Hereafter referred to as fresh fruits



Source: © PalTrade

Spain is the second largest exporter with a 9% global market share. According to official 2012 forecasts, it is anticipated that Spain's exports will continue to grow at between 5% and 7% and a value increase of 10%.

This confirms that Spain's export performance will remain strong even within a strong economic downturn environment¹³.

13. Fresh Plaza

Table 7: Leading global importers of fresh fruits

Rank	Importers	Value imported in 2011 (US\$ thousand)	Annual growth in value between 2007 and 2011 (%)	Annual growth in value between 2010 and 2011 (%)	Share of world imports (%)
	World	94 284 205	7	14	100
1	United States	10 917 900	7	9	11.6
2	Germany	9 077 157	4	10	9.6
3	Russian Federation	6 216 079	13	13	6.6
4	United Kingdom	5 428 750	-1	11	5.8
5	Netherlands	5 401 121	5	20	5.7

Source: ITC calculations based on UN COMTRADE statistics.

Table 8: *Leading global importers of fresh fruits*

Rank	Exporters	Value exported in 2011 (US\$ thousand)	Annual growth in value between 2007 and 2011 (%)	Annual growth in value between 2010 and 2011 (%)	Share of world exports (%)
	World	86 490 585	8	16	100
1	United States	11 765 634	12	16	13.6
2	Spain	8 051 353	4	12	9.3
3	Chile	4 916 856	9	16	5.7
4	Netherlands	4 660 658	6	23	5.4
5	Italy	3 987 361	0	6	4.6

Source: ITC calculations based on UN COMTRADE statistics.

Table 9: *Leading global importers of fresh vegetables*

Rank	Importers	Value imported in 2011 (US\$ thousand)	Annual growth in value between 2007 and 2011 (%)	Annual growth in value between 2010 and 2011 (%)	Share of world imports (%)
	World	62 463 578	7	9	100
1	United States	7 779 780	8	11	12.5
2	Germany	6 445 814	6	-3	10.3
3	United Kingdom	4 006 564	-3	4	6.4
4	France	3 133 703	0	0	5
5	Russian Federation	3 046 885	20	34	4.9

Source: ITC calculations based on UN COMTRADE statistics.

FRESH VEGETABLES

GLOBAL IMPORT TRENDS FOR FRESH VEGETABLES

The global market for fresh vegetables¹⁴ amounted to US\$62 billion in 2011, reflecting year on year growth of 7% (similar to the growth rate for fresh fruits) between 2007 and 2011. As is the case for fresh fruits, the United States and Germany are top consumers among global markets for fresh vegetables.

The Russian market outperformed the global growth average by a large margin - almost three times in the case of fresh vegetables. While the United Kingdom of Great Britain and Northern Ireland is still a leading consumer of fresh vegetables, it has exhibited a negative growth trend in recent years.

GLOBAL EXPORT TRENDS FOR FRESH VEGETABLES

The top five global exporters of fresh vegetables are China, the Netherlands, Spain, Mexico, and the United States. China and the Netherlands are the top global exporters of fresh vegetables, jointly commanding 26% of the global market.

China in particular is expected to maintain its lead at least in the short-to-medium term, given that it has outperformed global average rates by almost three times over the period of 2007-2011. In the period 2007-2011, Spanish exports underperformed significantly in relation to their peers and the global average.

14. HS 07, Edible vegetables and certain roots and tubers

Table 10: *Major global exporters of fresh vegetables*

Rank	Exporters	Value exported in 2011 (US\$ thousand)	Annual growth in value between 2007 and 2011 (%)	Annual growth in value between 2010 and 2011 (%)	Share of world exports (%)
	World	61 796 317	8	11	100
1	China	8 722 974	23	17	14.1
2	Netherlands	7 461 511	4	10	12.1
3	Spain	5 731 459	2	8	9.3
4	Mexico	4 944 866	8	14	8
5	United States	3 941 868	6	4	6.4

Source: ITC calculations based on UN COMTRADE statistics.

PALESTINE'S EXPORT PERFORMANCE

FRESH FRUITS

Palestinian exports in the fruits sector totaled US\$ 7.7 million in 2010. The State of Palestine is a small player in the global fresh fruits market with a global share of less than 1%; however, sector exports have exhibited impressive growth in recent years despite starting from a low base. A comparison of 2007 and 2010 absolute values¹⁵ reveals that export growth has outperformed global import growth trends. As indicated below in table

15. 2010 data is used for comparison, given the non-availability of reliable 2011 data for Palestine.

10, Palestinian fresh fruit exports have grown at a rate of 52%, compared to global import growth of 21% over the same time period.

The main fruit exports from the State of Palestine are nuts, dates, grapes, strawberries and almonds. The bulk of export growth for the sector has been driven by a rise in exports of dates. Palestinian exports of dates have risen from US\$ 324,000 in 2007 to US\$ 1.2 million in 2010, reflecting an absolute growth of over 250%.

Exports are mainly concentrated on the Israeli market, followed by the United Kingdom, Italy and the United Arab Emirates, although consumption of Palestinian fruit products in these markets is still much lower than in Israel.



Source: © Fadi Arouri - Jericho & Jordan Valley

Table 11: Major Palestinian exports in the fresh fruits sector 2007-2010

HS 4	Product label	Exported value 2010 (000)	Palestinian exports (% annual growth by value – absolute values)	World imports (% annual growth by value – absolute values)
			(2007-2010)	(2007-2010)
08	All Palestinian fresh fruits exports	7 690	52	21
HS 6	Product label	Exported value in 2010		Main target markets
'080290	Nuts, edible, fresh or dried, whether or not shelled or peeled, n.e.s.	1 968		Israel (1 460)
'080410	Dates, fresh or dried	1 194		Israel (253) United Arab Emirates (174)
'081010	Strawberries, fresh	1 028		United Kingdom (420) Netherlands (206)
'080610	Grapes, fresh	830		Israel (830)
'080212	Almonds, fresh or dried, shelled or peeled	688		Israel (688)
'080211	Almonds in shell, fresh or dried	601		Israel (449) Italy (113)
'080121	Brazil nuts, in shell, fresh or dried	337		Israel (337)
'080231	Walnuts in shell, fresh or dried	285		Israel (285)
'080232	Walnuts, fresh or dried, shelled or peeled	164		Israel (164)

Source: ITC Calculations based on COMTRADE statistics ** (2008-2010) data



Source: © PalTrade

FRESH VEGETABLES

In contrast to the fresh fruits sector, the fresh vegetables sector has suffered a downturn in recent years. While global imports grew by 25% between 2007 and 2010 (in terms of absolute values), Palestinian fresh vegetables exports suffered a decline of 34%. Exports of fresh vegetables totalled US\$ 7.69 million in 2010. The main exported products in the sector are miscellaneous vegetables/vegetable mixtures, olives, cucumbers, chickpeas, and tomatoes, among others identified in the table below.

Similarly to the fruits sector, the primary destinations of exports in this sector are Israel and selected other markets such as the United Arab Emirates and the Netherlands, with Jordan and Algeria constituting the minority. The only product for which market diversification has taken place is olives, with an approximately 50/50 split between Israel and the United Arab Emirates.

Table 12: Major Palestinian exports in the fruits and vegetables sector

HS 4	Product label	Exported value 2010 (000)	% Growth by value of Palestinian exports (absolute values)	% Annual growth by value of world imports (absolute values)
			(2007-2010)	(2007-2010)
07	All Palestinian vegetables	6 831	-34	25.2
Code	Product label	Exported value in 2010	Main target markets	
'071190	Other vegetables; mixtures of vegetables	1 545	Israel (1 544)	
'071120	Olives	1 452	United Arab Emirates (456) Israel (407)	
'071320	Chickpeas, dried, shelled, whether or not skinned or split	684	Israel (684)	
'070700	Cucumbers and gherkins, fresh or chilled	656	Israel (656)	
'070200	Tomatoes, fresh or chilled	515	Netherlands (243)	
'071340	Lentils dried, shelled, whether or not skinned or split	424	Israel (424)	
'070310	Onions and shallots, fresh or chilled	352	Jordan (340)	
'071390	Leguminous vegetables dried, shelled, whether or not skinned or split, n.e.s.	338	Israel (338)	
'071333	Kidney beans & white pea beans	233	Israel (233)	
'070960	Peppers of the genus Capsicum or of the genus Pimenta ,fresh or chilled	199	Algeria (122)	

Source: ITC Calculations based on COMTRADE statistics ** (2008-2010) data

HERBS

The herbs subsector in the State of Palestine possesses significant export potential that is being increasingly harnessed and realized through dedicated efforts by individual farmers, cooperatives and medium-size enterprises. The increasing value and success of Palestinian herbs in international markets is highlighted by the fact that the volume of fresh herb exports from the West Bank increased by nearly 250% between 2009 and 2012.

As discussed earlier, the sector production structure is characterized by export-dedicated plantations using greenhouses and open fields. It is estimated that almost 1,200 dunums of land have been set up specifically for exports. The vast majority of products in the herbs subsector – including the aforementioned dedicated plantations – are destined for export, primarily to Israel, the United States, Jordan, Russia and Europe.

Table 13 shows the main export destinations (excluding Israel) of the herbs subsector, listed according to the herb variety¹⁶. The United States constitutes the main market for Palestinian herbs and absorbs 83% of Palestinian exports. Approximately 7% of Palestinian herb exports are absorbed by other Arab countries, and 5% by the EU and Russia respectively.

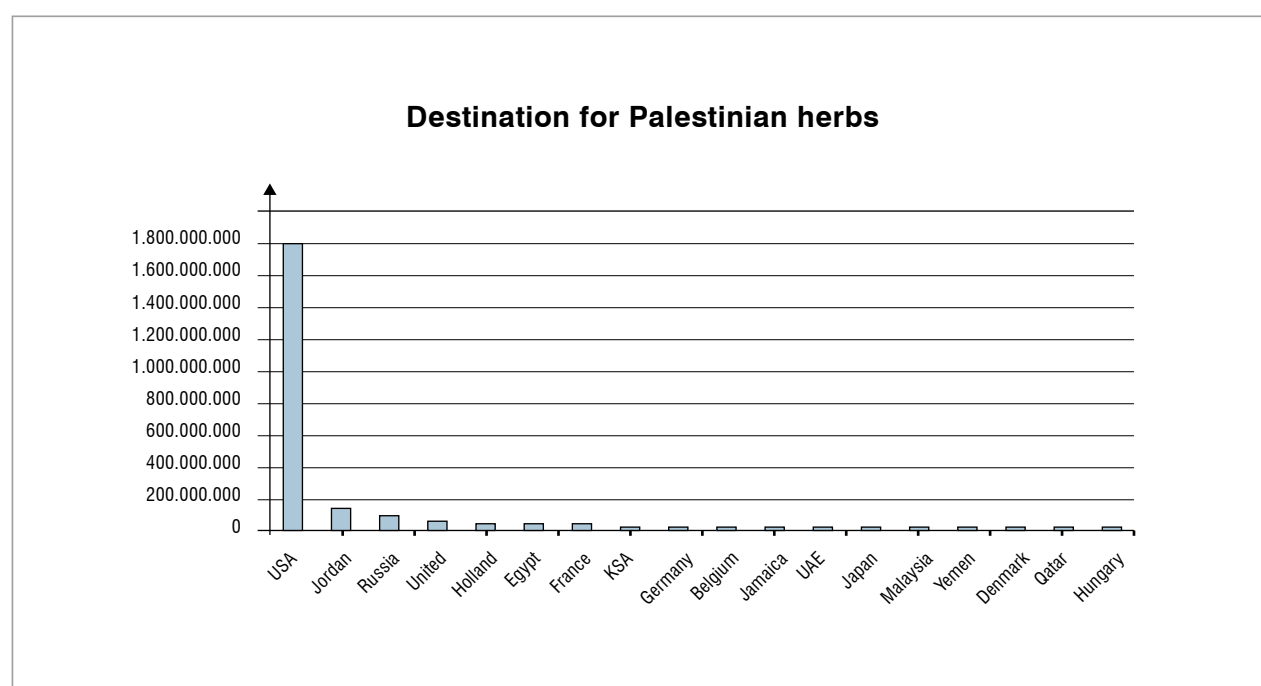
Figure 7 builds on table 13 and indicates the importance of the American market to Palestinian herb exporters.

16. The figures include Palestinian exports to Israel that are accompanied by a certificate of origin. Exports to Israel that are not accompanied by a certificate of origin are not included.

Table 13: *Palestinian herb exports with a certificate of origin*

Product	Current market	Exports%
Arugula	United States, EU	11
Basil	United States, EU, Russia	10
Chervil	United States, EU, Russia	9
Chives	United States, EU	8
Coriander	United Kingdom	8
Dill	United Kingdom	8
Marjoram	United States	8
Mint	United States, EU, Russia, Arab	7
Oregano	United Kingdom	6
Rosemary	United States, EU, Russia	5
Parsley	United Kingdom, United States, Russia	5
Tarragon	United States, EU, Russia	4
Sage	United States, EU, Russia	4
Sorrel	United States, Russia	4
Thyme	United States, EU	3

Source: Data compiled through bilateral meetings

Figure 7: *Destinations for Palestinian herbs*

Source: data compiled through bilateral meetings

COMPETITION IN TARGET MARKETS

The following indicates some of the key competition elements faced by the FFFVH sector in target markets:

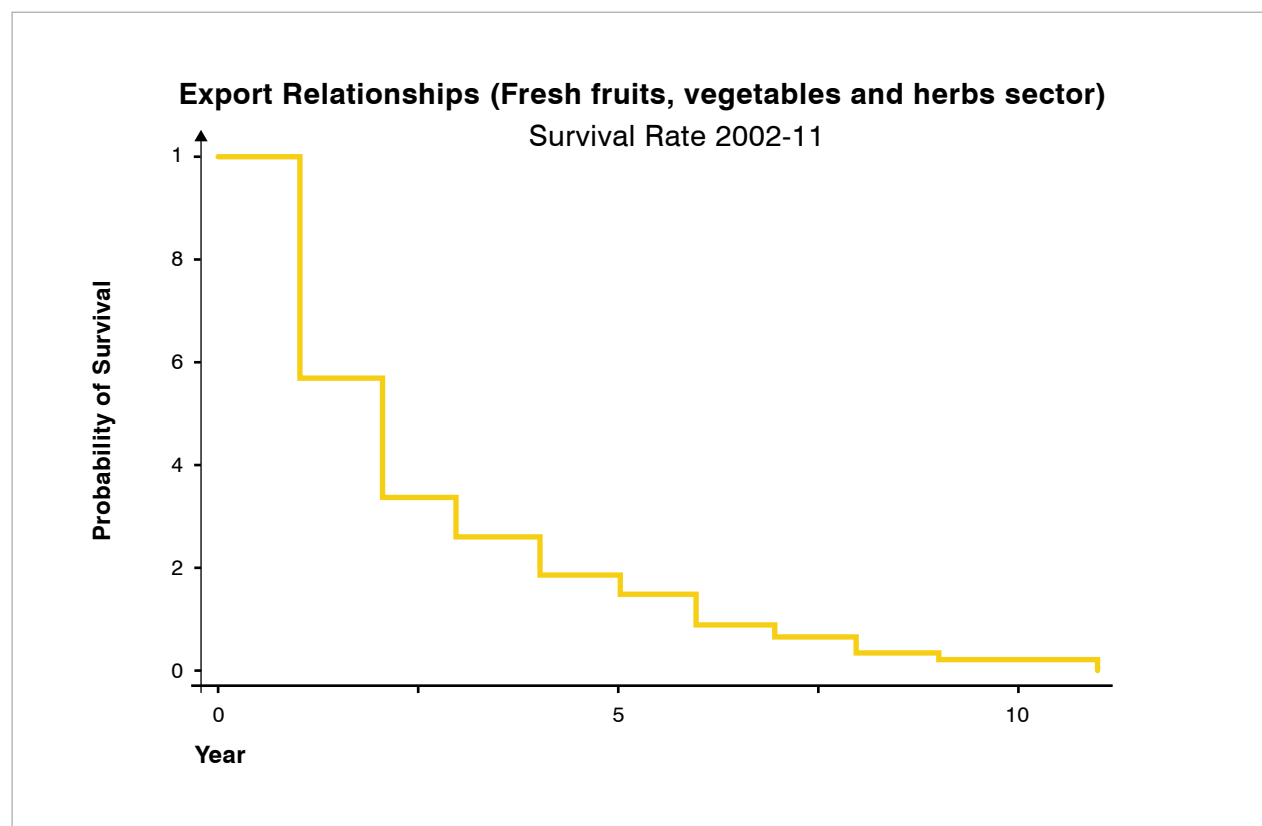
- For both fresh fruits and vegetables subsectors, the export basket is relatively diversified but the export destinations remain fairly concentrated. The main destination for both subsectors remains Israel, and Palestinian exporters have been largely unable to penetrate international markets.
- A high percentage of Palestinian herb exports to Israel are re-exported under an Israeli brand name to western and other important target markets. The majority of Palestinian exporters do not provide a certificate of origin. The Israeli re-exports typically command a higher price, with value-added packaging and better brand promotion. Palestinian exporters face significant financial challenges in terms of shipping to distant target markets such as the United States, while

Israeli exporters are less affected by this challenge. By managing supply consistency of quality herb products (originally supplied by Palestinian exporters), Israeli exporters are able to command high margins and develop a significant competitive advantage. This represents a major opportunity for Palestinian exporters to link directly with target markets.

- As discussed in the current context section, the herbs subsector possesses significant comparative advantages through its wide harvest calendar which allows the sector to supply high quality herbs almost throughout the year. This can serve as an important competitive advantage in international markets.

As indicated in figure 8, export relationships in the FFFVH sector are suffering from an average probability of survival over time. The greatest risk is during the first year of operation, at the end of which the probability of the export relationship surviving drops by 41%. By the third year, the probability of survival drops to lower than 30%.

Figure 8: Export survival rate – FFFVH sector



Source: ITC calculations based on COMTRADE SITC Revision 3 data

Many factors can explain the challenging survival rates of FFVH export relationships. The four gear section of this document provides key information for understanding the challenges to the export performance of the sector.

THE INSTITUTIONAL PERSPECTIVE

The trade support institutions (TSIs) providing important services to the Palestinian FFVH sector can be categorized according to the following support areas:

- Policy support network
- Trade services network
- Business services network
- Civil society network

Tables 14-17 identify the main TSIs whose service delivery impacts the quality management framework in the State of Palestine. An assessment of the TSIs along four key dimensions –coordination, human capital, financial sustainability, and advocacy– is provided. The ranking (high/medium/low) for each TSI was selected taking into account the service delivery of the TSI relative to the Quality Management function. In other words, the assessment was conducted based the evaluation of stakeholders in TSIs from the perspective of how well they serve the FFVH stakeholders.

POLICY SUPPORT NETWORK

The institutions in the policy support network represent ministries and competent authorities responsible for influencing or implementing policies at the national level.

Table 14: *Palestinian policy support network*

Policy support					
Name	Function/role	Coordination ¹⁷	HR/human capital ¹⁸	Financial sustainability ¹⁹	Advocacy ²⁰
Ministry of National Economy (MoNE)	<p>The Ministry of National Economy is responsible in the FFVH sector for:</p> <ul style="list-style-type: none"> • Standards and regulation enforcement • Duty draw back payments • Release of financial guarantees • Industrial licences • Renewal of industrial operating licences • Verification of names • Certification of a Certificate of Origin • Re-exporting transactions • Certified Exporter certificates 	M	L	L	L
Ministry of Agriculture (MoA)	<p>Implementation of state policy on agricultural and rural development supports the planning, development, and organization of the whole value chain of plant and animal products; supports post-harvest handling of agricultural products; and the food industry.</p>	M	L	L	L

17. Coordination with other TSIs: measures the strength of this institution's linkages with other institutions as well as the beneficiaries of their services (in particular, the private sector) in terms of collaboration and information sharing.

18. HR/Human Capital Assessment: assesses the general level of capability of this institution's staff in terms of their training, and responsiveness to the sector stakeholders.

19. Financial Resources Assessment: Assesses the financial resources/capacity available to the institution to provide service delivery in an efficient manner.

20. Advocacy: The efficacy of this institution's advocacy mechanisms, and how well/frequently this institution disseminates important information to the sector.

Policy support					
Name	Function/role	Coordination	HR/human capital	Financial sustainability	Advocacy
Ministry of Higher Education (MoHE)	MoHE has overall responsibility for supervising the education system in the State of Palestine, including schools, colleges and universities. It is also responsible for overseeing Technical Vocational Education Training (TVET), which includes vocational schools, vocational-technical training centres (VTCs), and technical colleges.	L	L	L	L
Ministry of Health (MoH)	The MoH has the mandate to ensure good governance of the health sector; leadership in policy making for and regulation of the health system; the promotion of better health; and the provision of accessible, quality health services in both the public and private sectors. For the export sector, MoH maintains quality standards for food and issues Certificates of Health.	M	M	L	L
Ministry of Labour (MoL)	MoL manages the formulation and administration of labour laws and legislation, managing and monitoring the labour market. It also support the development and organization of cooperatives.	M	M	L	L
Ministry of Finance (MoF)	The MoF is responsible for the collection and administration of customs duties, as well as following up on customs revenues from Israel to the Palestinian treasury and dealing with daily problems facing importers and exporters.	L	M	L	L
Ministry of Women Affairs (MoWA)	The MoWA is responsible for gender mainstreaming, the empowerment of women, and alleviation of the severe living conditions of Palestinian women.	L	L	L	L



Source: © Fadi Aroui - Jericho & Jordan Valley

TRADE SERVICES NETWORK

These institutions or agencies provide a wide range of trade related services to both government and enterprises.

Table 15: *Palestinian trade services network*

Trade services network					
Name	Function/role	Coordination	HR/human capital	Financial sustainability	Advocacy
PalTrade	PalTrade is the trade promotion organization of the State of Palestine with the mandate to develop exports. PalTrade's mission for the FFVH sector is improving trade competitiveness through trade promotion and capacity building; fostering international business practices and standards among professionals, firms and business organizations; and providing trade-enabling knowledge.	H	L	M	M
Palestine Standards Institution (PSI)	PSI is considered the sole body responsible for issuing Palestinian standards: by providing accreditation for labs, granting the quality mark for products, and signing cooperation and mutual recognition agreements with other countries to facilitate trade.	M	L	L	L
Palestinian Central Bureau of Statistics (PCBS)	The responsibility of PCBS for the FFVH sector is: <ul style="list-style-type: none"> • To serve the instrumental needs of businesses and their organizations for statistical information on states and trends. • To participate effectively in building the different administrative records and central registers to meet the administrative and statistical needs of the Palestinian society. • To publish a statistical yearbook annually. 	M	L	L	L
Agricultural Development Association (PARC)	The Agricultural Development Association (PARC) is a leading Palestinian non-profit, non-governmental organization involved in rural development and women's empowerment. PARC provides advice, awareness support, services, and special consultancies for individuals, groups, and institutions involved in similar domains. PARC relies on the broad and efficient participation of its beneficiaries, and moreover, on developing the qualifications of its experts to better benefit and develop a democratic Palestinian civil society	H	H	M	H
Palestinian Water Authority (PWA)	PWA acts as the regulatory authority responsible for the legislation, monitoring and human resources development in the sector. The PWA is also in charge of water resources management. It has the mandate to carry out regular inspections and to keep a register of all water related data and information	M	L	L	L

BUSINESS SERVICES NETWORK

These are associations, or major representatives, of commercial service providers used by exporters to carry out international trade transactions.

CIVIL SOCIETY NETWORK

These institutions are not explicitly engaged in trade related activities. They are often opinion leaders representing interests that have a bearing on the country's export potential and socioeconomic development.

Table 16: *Palestinian business services network*

Business services network					
Name	Function/role	Coordination	HR/human capital	Financial sustainability	Advocacy
Palestinian Farmers Union (PFU)	PFU consists of a group of Palestinian associations that aims for significantly contribution towards raising general awareness interim of economic, social political ,rights for the 3040 farmer members belongs to 75 cooperatives	M	L	L	M
Reef for Agricultural Investment and Marketing Co. (RIM)	(RIM) is a non-profit company that provides packing and logistics.	M	H	L	M
Arab Agronomists Association (AAA)	AAA is a non-profit and non-governmental organization that supports organic farming through different involvements along the value chain. AAA is involved throughout in implementing different projects and activities to maintain GAP as the benchmark for targeting the market	M	M	L	L

Table 17: *Palestinian civil society network*

Civil society network					
Name	Function/role	Coordination	HR/human capital	Financial sustainability	Advocacy
Birzait University	Institution of higher education to be established in the State of Palestine.	M	M	L	L
Applied Research Institute of Jerusalem (ARIJ)	ARIJ promotes sustainable development in the occupied Palestinian territories and the self-reliance of the Palestinian people through greater control over their natural resources. ARIJ aims to assess alternative options, policies and strategies to conserve natural resources, which can be used as the basis for formulating recommendations and informing strategic decision-making to improve the management of these resources and assist in their sustainability.	M	M	M	L
Economic & Social Development Center (ESDC)	The ESDC works to gear self-help community-based groups, including cooperatives, to become self-reliant. The ESDC believes in the values of solidarity, equality, self-responsibility, democracy and social justice.	L	L	L	L

In a resource-constrained economy such as the State of Palestine, the need to ensure coordination among TSIs is very important. In the absence of coordination, redundancies and overlaps result in wastage of effort and valuable resources, and on the other hand lead to gaps in service delivery. From the perspective of Palestinian fresh fruits, vegetables and herbs sector stakeholders, few institutions have been identified as being significantly limited in terms of coordinating their service delivery. Those identified are MoHE, MoF, MoWA and ESDC, which are not planning their interventions for the sector sufficiently in coordination with other ministries or institutions.

According to the assessment, almost all institutions suffer from significant human capital deficiencies. Either there is a need to improve the skills levels of the staff for these institutions, or there is a need for organizational alignment. The few institutions considered as having adequate human resources are MoH, MoL, MoF, PARC and the Arab Agronomist Association.

From the perspective of financial stability, PalTrade, PARC, and ARIJ are the only institutions considered as possessing adequate financial resources to complete their mandate. The fact that most institutions are considered financially constrained may stem from the economic crisis that is affecting the State of Palestine, due to which funds allocation is affected at all levels, including ministries.

Advocacy is also a very important aspect of the work of TSIs and serves to inform beneficiaries (current and potential exporting enterprises) of the services available to them and other important information. Advocacy is also important to raise awareness about certain critical issues affecting the development of trade and export. This area has been cited as a significant weakness for all institutions with the exception of PalTrade and PARC. This dire situation indicates that it is or will be very difficult for TSIs related to the FFFVH sector to actively lobby in favour of the sector.

PERCEPTION OF PALESTINIAN TRADE SUPPORT INSTITUTIONS (TSIS) IN THE FFFVH SECTOR – INFLUENCE VS. CAPACITY

The above analysis resulted in a multidimensional assessment of the capacities of TSIs to respond to the needs of FFFVH sector enterprises. This analysis can be further developed by considering another dimension: the level of influence the TSI possesses over sector stakeholders. This classification represents the sector stakeholders' perception of the level of influence and capacity to respond of each institution.

Table 14 represents this classification for trade support institutions supporting the FFFVH sector.

According to the perceived influence and capacity of TSIs, it has been considered that institutions at policy-making level have a high degree of influence due to their mandate. However, it appears that these institutions are limited in their capacity to support the sector because of their overall low levels of resources. This situation may explain why enterprises experience significant delays when applying for export permits, health certificates, etc. The high degree of staff turnover at TSIs, especially within ministries, also has a significant influence on the level of efficiency, leading to low capacities.

Only two TSIs, PalTrade and PARC, are assessed to have the desired high-high combination for FFFVH sector enterprises. This implies that these organisations are currently in the best position to contribute to the sector's development through targeted initiatives.

Two institutions which are critical to the development of the FFFVH sector, PSI and PCBS, have both been assessed to have a low level of influence as well as low capacity to respond to sector stakeholder needs. This is a significant constraint, as both institutions are critical from the perspective of export competitiveness.

Table 18: FFFVH stakeholders' perception of TSIs' level of influence and capacity

Level of influence on the sector	High	<ul style="list-style-type: none"> Ministry of Agriculture Ministry of National Economy Ministry of Health 	<ul style="list-style-type: none"> Agricultural Development Association (PARC) PalTrade
	Low	<ul style="list-style-type: none"> Ministry of Women's Affairs Palestine Standards Institution Palestinian Central Bureau of Statistics Ministry of Labour Birzeit University 	
		Low	High
Capacity of institution to respond to sector's needs			

Table 19: *Development activities in the FFVH sector*

Project	Status	Funding agency / lead implementer	Expected areas of intervention
The Compete Project	Ongoing	USAID	<ul style="list-style-type: none"> • Management and marketing capacities • Development of quality standards • Establish marketing information • Quality and safety certification
Enhancing Palestinian Farmers' Preparedness for Exports	Ongoing	The Netherlands – Centre for the Promotion of Imports from Developing Countries	<ul style="list-style-type: none"> • Good agricultural practices • Marketing capabilities • Enhance the logistics and supply chain infrastructure
Intajuna	Closed	Swiss Agency for Development and Cooperation	<ul style="list-style-type: none"> • Technical upgrading • Promotional campaigns • Advocacy
Improved Access to Markets for Female and Male Small-Scale Farmers in the West Bank	Planned	Swiss Agency for Development and Cooperation	<ul style="list-style-type: none"> • Enhance employment and income opportunities of farmer households.

SECTOR DEVELOPMENT INITIATIVES

The analysis of ongoing development activities in the FFVH sector is relevant insofar as it serves to identify the main thrusts of the various development actors and their initiatives, while also identifying duplications, gaps and areas of neglect. The latter is especially important as identified gaps will be further analysed, and addressed through specific interventions in the sector's strategic plan of action (PoA).

Having recognised the importance of the fresh fruits, vegetables and herbs sector for both employment and economic stability, a number of donors and development organisations have committed to administering programmes aimed at strengthening sector capacities. These include the official development and aid agencies of: the United States, the EU, FAO/UN, Japan, the United Kingdom, the Netherlands, Switzerland, France, Italy and Canada.

Project focus areas have included:²¹

- Technical assistance, technology transfer, capital investment and market access assistance (including GLOBALGAP compliance) for Palestinian agribusinesses,
- Grant funding for greenhouses, water management and irrigation,
- Financial access and loan guarantee funding,
- Trade facilitation and efficacy, and
- Rehabilitation and strengthening of the olive and ruminant sectors.

SELECT INITIATIVES CURRENTLY ACTIVE IN THE SECTOR

- The USAID Compete project, which ends in 2017, seeks to enhance the competitiveness of Palestinian fresh fruits and vegetables producers, while at the same time stimulating a more organised and structured agricultural sector. To this end, it will focus on enhancing capacities in management and marketing. It will also contribute to the development of quality standards, stimulate efforts to prioritize regulatory reform of the business climate, establish a marketing information system to better organize the sector, and help export-ready enterprises acquire quality and safety certification.
- The Netherlands is administering their Enhancing Palestinian Farmers' Preparedness for Exports programme through 2017, with the goal of enhancing the standards of local producers and improving the performance of Palestinian FFV producers in the global markets. The programme will promote good agricultural practices among farmers, support the marketing capabilities for both domestic and foreign sales, enhance the logistics and supply chain infrastructure, and provide partial support for physical inputs.
- The Swiss Agency for Development and Cooperation's Intajuna programme, which came to a close in 2010, contributed to technical upgrading, promotional campaigns and advocacy, while at the same time facilitating market access and linkages. As a result, over 20 new standards for fresh produce were created. An FFV committee was formed with the participation of key players and it is still working to develop new standards. The SDC is currently working on a follow-up project aimed at enhancing employment and income opportunities of farmer households.

21. TechnoServe (Oct. 2011). *A roadmap for the Agribusiness Development in the Palestinian Occupied Territories*.



Source: © PalTrade

- For the fresh herbs subsector, the USAID Compete project has been working with stakeholders to build awareness and support for a Palestinian Fresh Herbs Association. This association will provide members with a platform which they can use to leverage collective action, obtain advocacy and communication services, and align the industry to international standards. Early efforts are focused on promoting collective marketing, stimulating responsible pesticide usage, and improving environmental and sanitary/phytosanitary conditions within the sector.
- More work needs to be done to persuade smallholders of the benefits to be gained by gearing their production towards export crops, while at the same time providing them with the informational and practical tools needed to realize this production.
- Moreover, the work that has been done to increase the quality and safety management of the sector must be expanded to smallholder farmers who generally do not practice Good Agricultural Practices or Hazard Analysis and Critical Control Points. Not only do these farmers lack awareness of good agronomic practices, but there is also the need to facilitate financial access so that they can use proper equipment. Such advancements will have significant effects on the quality and safety of smallholder production, validating any investments made in export-ready crops and opening the doors to wider markets

KEY AREAS TO FOCUS ON

The work of development agencies has thus far touched upon a number of vital issues that are sure to increase both capacities and competitiveness of the sector. Efforts have, however, been targeted largely at export-ready enterprises and focused on specific areas of the value chain such as production capacities for more advanced farmers, quality and standards, and sales and marketing linkages. **There are, therefore, a number of areas that must be further addressed by the wider donor community.**

- Of particular importance is the enhancement of smallholder production that would allow new producers to penetrate export markets. Although work has already been done to increase these capacities, the vast majority of farmers perform only limited cultivation of high value goods for export. This is in part due to lack of awareness about crop profitability, but is also a result of poor information with regards to relative productivity, market trends and prices, and growing and phytosanitary practices.
- As the largest purveyor of jobs for the Palestinian population, the agricultural sector should be the focus of more interventions aiming at raising agricultural productivity, achieving larger yields and reaching economies of scale.
- Donors should also support projects aiming at fostering greater cooperation among FFVH producers and exporters including support for cooperatives, resource pooling, export clustering and labelling initiatives, in order to encourage defragmentation of the economy and achieve economies of scale.
- Specific interventions should target the role of women and youth in agricultural production and provide support aiming at a better integration of women and youth in export value chains.
- Specific support in terms of trade facilitation measures designed for the FFVH sector such as cold storage and handling facilities at commercial crossings, reduced customs clearance times and authorized traders programmes should be supported by donors as well.

Box 3: Palestinian agricultural sector strategy 2011-2013

Agriculture is an essential component of the Palestinian national, cultural, economic and social fabric. The Palestinian agricultural community, led by the Ministry of Agriculture and supported by the Food and Agriculture Organization of the United Nations (FAO), has developed the Agriculture Sector Strategy: "A Shared Vision" 2011-2013, with an evidence-based action plan. The strategy underlines broad challenges faced by the Palestinian agricultural sector including access to finance, the provision of insurance, and marketing, among others. It also carries out a SWOT analysis for the sector and evaluates the role of agriculture within the Palestinian economy, underlining its importance for national exports.

The strategy envisions sustainable agriculture that is capable of the following:

- Achieving food security,
- Being competitive in local and foreign markets through optimal use of resources, and
- Cementing the bonds and sovereignty of Palestinians over their land, towards building a state.

The strategy also proposes actions to address some of the above issues, focusing in particular on establishing a quality infrastructure and a qualified and well-trained workforce, improving production in both crops and livestock, and increasing the efficiency of natural resources management.

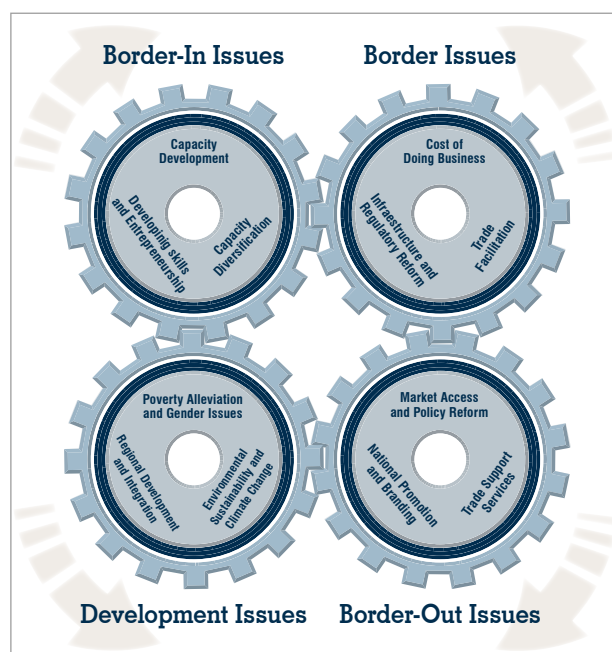
EXPORT COMPETITIVENESS ISSUES

The export constraints analysis uses a four gears framework presented below to determine the major concerns to export development.

- **Supply side issues** impact production capacity and include challenges in areas such as availability of appropriate skills and competencies, diversification capacity, technology, and low value addition in the sector's products.
- **The quality of the business environment issues** are constraints that influence transaction costs, such as regulatory environment, administrative procedures and documentation, infrastructure bottlenecks, certification costs, internet access and cost of support services.
- **Market entry issues** are essentially external to the country (but may also be manifested internally), such as market access, market development, market diversification and export promotion.

The analysis presents those major constraints that are currently main export competitiveness bottlenecks for the FFWH sector in the State of Palestine. However, the assessment also explores issues limiting socioeconomic spillovers of exports to the society at large:

- **Social and economic concerns** include poverty reduction, gender equity, youth development, environmental sustainability and regional integration.



THE BORDER-IN GEAR (SUPPLY-SIDE)

Box 4: Overview of supply-side issues related to the Palestinian FFVH sector

- The shortage of fertilizers throughout the State of Palestine adversely affects the yield and production capacity of producers.
- Restrictions on access to fertile land in Area C further affect the productivity of the Palestinian agriculture sector.
- Lack of quality control on agricultural inputs, especially those imported from Israel, adversely affects productivity.
- Shortage of irrigation water in the State of Palestine hampers agricultural activities in the West Bank.
- Fragmented and small-sized agricultural holdings lead to low and unpredictable yields.
- Traditional belief systems have contributed to the reluctance of Palestinian producers to accept cooperatives and producer associations as legitimate business entities.
- Long dependence on the domestic market has led to irregular product quality.
- Limited cultivation of high value, export variety crops results in loss of potential export income.
- Poor agronomic practices are constraining small-scale farmer operations.
- High turnover of skilled workers in the sector is adversely affecting the productivity and sustainability of the sector.

THE SHORTAGE OF FERTILIZERS AND PESTICIDES THROUGHOUT THE STATE OF PALESTINE ADVERSELY AFFECTS THE YIELD AND PRODUCTION CAPACITY OF PRODUCERS

Israeli restrictions on the import of dual-use items means there is a perennial shortage of many types of inputs, in particular fertilizers and pesticides. Accounting for the possibility that these restrictions are unlikely to be removed soon, there is a need to support the search for alternatives and promote land reclamation activities which provide rich yields with minimum fertilization requirements. Similarly, there is a need to develop support and awareness of integrated pest management approaches and use of natural fertilizers.

RESTRICTIONS ON ACCESS TO FERTILE LAND IN AREA C FURTHER AFFECT THE PRODUCTIVITY OF THE PALESTINIAN AGRICULTURE SECTOR

The Israeli military controls nearly 60% of Area C, and in the process imposes significant restrictions on access to agricultural land, water resources and infrastructure in the area. The effect on agricultural yields is tremendous given that 63% of the total arable land in the State of Palestine lies in Area C.

LACK OF QUALITY CONTROL ON AGRICULTURAL INPUTS, ESPECIALLY THOSE IMPORTED FROM ISRAEL, ADVERSELY AFFECTS PRODUCTIVITY

The Palestinian agricultural sector depends heavily on imports for agricultural inputs including seeds, seedlings, pesticides, etc. Weak monitoring and compliance mechanisms in the State of Palestine have resulted in low quality imports passing through easily and without penalty. This has significantly affected the yield and productivity in the sector. For instance, there is a proliferation of low quality organic fertilizers in the Jordan valley area which are actually recycled Israeli waste material. Some of the inputs (in particular, pesticides and fertilizers) have proven to be ineffective.

Part of the solution lies in increasing the supply of locally produced inputs and developing advocacy campaigns aimed at informing farmers about alternatives, but equally important is the need for better market regulation and surveillance in terms of technical requirements and standards. It will also be important to develop and deploy efficient systems for monitoring the quality of raw materials. The updating of quality requirements/standards for imports of inputs is also important. This extends to pesticides, for which there are existing technical regulations in the State of Palestine but no standards.

SHORTAGE OF IRRIGATION WATER IN THE STATE OF PALESTINE HAMPER AGRICULTURAL ACTIVITIES IN THE WEST BANK

Israeli restrictions on groundwater supply continue to hamper agricultural development in the State of Palestine, especially in the West Bank. This is because of the political uncertainty surrounding the joint management of water resources between Israel and the State of Palestine, as well as weaknesses in water management on the Palestinian National Authority (PNA) side.

Article 40 of the Oslo Accord calls for decisions by consensus between Israel and the State of Palestine in areas such as water management through a joint management framework. However, the actual implementation of the joint framework has led to predominance by Israel in the allocation and management of West Bank water resources²² rather than facilitating equitable distribution. In the West Bank alone, an estimated 82% of the ground water –supplied by groundwater wells and springs– is controlled by Israel for redistribution between the State of Palestine and Israel. This situation points out some of the inequities affecting supply of water to the West Bank, which consequently have an adverse impact on the Palestinian agriculture sector²³:

- Israel is the residual downstream beneficiary of the water resources in the three shared West Bank aquifers and can extract downstream the quantity it chooses without consultation. Article 40 thus allows Israeli authorities to limit the quantum extracted by the Palestinians in the West Bank, but does not conversely grant the PNA the right to limit Israeli withdrawals, neither in Israel nor in the West Bank.
- Israeli authorities have an effective veto over all PNA water resource extraction and infrastructure projects (but not vice versa) and take action by force when they choose.
- The PNA has *de facto* no control over Israeli acts within Area C. As most water infrastructure has a footprint within Area C, Israel can impose further regulation on Palestinian infrastructure, but not vice versa. Even in Area A or B, Palestinian projects require coordination with Israeli authorities to get through the Israeli-imposed import and mergers and acquisitions restrictions.

While Israeli dominance in controlling water supply undoubtedly contributes to the shortage of irrigation water in the West Bank, the PNA and individual enterprises bear responsibility for poor water management and bad agricultural practices. Countermeasures should include facilitating better waste management (to conserve valuable

water resources) and promotion of best practices for utilization of water resources. For instance, while the Tulkarm area (Al Sharawei) regularly reports excess water supply, the nearby cultivated lands in Jenin routinely face paucity of water supply for irrigation purposes. A feasible (and currently unimplemented) solution lies in diverting water from Al Sharawei to Jenin.

In general, authorities have limited resources at their disposal to manage and develop district level water resources effectively. Potential solutions such as collecting and storing rainwater as a means to alleviate the water shortage require funding and technical expertise which are both difficult to procure in the current economic climate in the State of Palestine.

FRAGMENTED AND SMALL-SIZED AGRICULTURAL HOLDINGS LEAD TO LOW AND UNPREDICTABLE YIELDS

The agriculture sector is characterized by small-scale holdings and operations. Small farmers are estimated to comprise 80% of the total number of farmers but account for less than 50% of total production²⁴. In the majority of cases, small landholdings are the sole income source and/or livelihood for the landowners and the natural consequence is widespread recourse to intensive farming practices, which in turn leads to a gradual but progressive decrease in yields and soil depletion. Relevant programmes aimed at increasing the awareness of proper land usage and encouraging crop recycling need to be developed.

TRADITIONAL BELIEF SYSTEMS HAVE CONTRIBUTED TO THE RELUCTANCE OF PALESTINIAN PRODUCERS TO VIEW COOPERATIVES AND PRODUCER ASSOCIATIONS AS LEGITIMATE BUSINESS ENTITIES

Given the historical positioning of the agriculture sector as a source of sustenance, coupled with a certain degree of isolation developed due to movement restrictions, certain practices and beliefs have become entrenched in the sector. One of these relates to the level of acceptance of cooperatives and associations as formal business entities by producers. This issue is more prevalent in the West Bank than in Gaza. A recent report by TechnoServe²⁵ notes that there is scepticism in some areas about formal registration of cooperatives and farms as businesses due to long-held beliefs that agriculture is not a business but

22. World Bank (2009). *Assessment of restrictions on Palestinian water sector development - Report No. 47657-GZ*, p. 33

23. *Ibid.*, p. 34

24. TechnoServe (2011). *A Roadmap for Agribusiness Development in the Occupied Palestinian Territories: An Analysis of the Vegetables & Herbs, Dairy, and Sheep & Goats Subsectors*, p. 10

25. *Ibid.*, p. 33

a traditional means of subsistence. Moreover, the rate of participation in cooperative activities among stakeholders involved in irrigated agriculture stands at a low 29%. This low percentage reflects the lack of confidence in these cooperatives but is also a function of the distance of these associations from zones of production.

Greater organization in the fruits and vegetables sector can have significant benefits. For instance, challenges resulting from the fragmented and small per capita yield structure in the State of Palestine can be obviated to an extent by improving producer organization levels and registering cooperatives and farms as businesses –thus leveraging the benefits of collective bargaining etc. Individual producers and exporters are largely unable to use high quality packaging facilities (few are available in the State of Palestine) as the costs are too steep. Collective bargaining can also serve to bring down average costs. Associations can also help not only in raising awareness but also in implementation of quality practices and standards such as ISO 9001, ISO 22000/HACCP, and GLOBALGAP.

Overall, there is a high level of resistance to new ideas within the producer base thanks to decades of operating in a survivalist mode, and low levels of trust in joining forces. A sustained change management strategy will be required for these cooperatives to operate successfully as businesses and in return contribute to changing perceptions.

LONG DEPENDENCE ON THE DOMESTIC MARKET HAS LED TO IRREGULAR PRODUCT QUALITY

The fruits and vegetables sector has traditionally catered to the domestic market, which is more tolerant of variable product quality levels than international markets. Consequently, product quality in the FFVH sector has tended to be irregular and lean towards the lower end. To improve quality levels, enterprises will need to invest; an unlikely proposition in the current economic climate. To an extent, the domestic sector offers a viable and low cost alternative to international markets, which will necessitate operating and investment cost increases. Therefore the export market alone does not in itself form a strong value proposition for making these investments. A recent report by TechnoServe found that, while the small size of the domestic market in the State of Palestine necessitates an export-based approach for sustainable future growth, there do exist local opportunities to improve margins for small farmers,²⁶ and for improving their value chains so that they are prepared for future market developments such as 'supermarkets, which will likely arrive

in the urban centres of the State of Palestine in the near future'.²⁷ Therefore, there may exist a viable business case for enterprises to improve quality levels while catering to the domestic sector. Over time, the strengthened value chain will allow enterprises to increase penetration in international markets as well.

LIMITED CULTIVATION OF HIGH VALUE, EXPORT VARIETY CROPS RESULTS IN LOSS OF POTENTIAL EXPORT INCOME

There is a variety of reasons for the low cultivation levels of export variety crops in the fruits and vegetables sector. One of the contributing causes is the lack of information available to producers about profitable crops. There is no available database that provides information related to growing varieties of fresh vegetable produce such as:

- Relative productivity,
- Market trends and prices per target market,
- Growing seasons and life cycles of the cultivation process,
- Irrigation requirements,
- Diseases to which the crop is susceptible.

Another reason is simply the lack of experience of Palestinian small-scale farmers in producing export-oriented varieties. Given their difficult operating environment and the small per capita farm size, they are relatively risk adverse and opt against experimentation with new crops with which they have no experience. The presence of specific information and a specialized, agriculture-dedicated financial mechanism could contribute to incentivizing producers.

POOR AGRONOMIC PRACTICES ARE CONSTRAINING SMALL-SCALE FARMER OPERATIONS

Sound agronomic practices constitute the foundation of any agricultural sector, especially one with an export-oriented dimension. In general, Palestinian small-scale farmers do not practice Good Agricultural Practices (GAP) and Hazard Analysis and Critical Control Points (HACCP). There is a need to raise awareness of good production and handling practices and impart continuous practical/vocational training programmes to farmers and workers in processing companies. Public awareness campaigns involving demonstrations of success-based case studies that highlight the correlation between improved farm management practices with increased quality yields will also help secure buy-in.

26. *Ibid.*, p. 41

27. *Ibid.*, p. 41

Government-based agricultural extension services are also underfunded, and generally inadequate for covering the entire sector. Private-sector-based (paid) extension services have not found broad acceptance by the sector.

In the Palestinian fresh fruits and vegetables sector, lack of awareness of good agricultural practices and lack of financial resources go hand in hand. As an example, greenhouses typically use very old and ineffective plastic covers. While there is a need to increase awareness of the need to discard the plastic after a certain period, this alone will not resolve the root cause: that farmers are generally cash-strapped and may not be able to make the investments in new covers even if they are aware of the need to do so.

Another contributing cause is poor documentation practices that have persisted through the decades. Farming practices in the State of Palestine are handed down from generation to generation, and there is very little documentation on lessons learned from past experience. This prevents a feedback loop –where enterprises in the sector can apply lessons learned into their existing practices– from taking shape.

HIGH TURNOVER OF SKILLED WORKERS IN THE SECTOR IS ADVERSELY AFFECTING THE PRODUCTIVITY AND SUSTAINABILITY OF THE SECTOR

The Palestinian agriculture sector is characterized by high turnover of skilled workers. Given the multitude of challenges that the sector faces and the resulting lack of

sustainability of enterprises, there are not enough incentives to retain workers.

THE BORDER GEAR (QUALITY OF THE BUSINESS ENVIRONMENT)

LACK OF INTERNATIONAL ACCREDITATION FOR FOOD TESTING LABORATORIES IN THE STATE OF PALESTINE RESULTS IN REDUCED TARGET MARKET CONFIDENCE FOR PALESTINIAN AGRICULTURAL EXPORTS

Gaining accreditation for an exporting country's food laboratory by the importing country's accreditation centre is a mechanism for building confidence for exports in target markets, and also facilitating smooth flow of goods by reducing the risk of rejection at borders. None of the food testing laboratories in the State of Palestine has any international accreditation. A network of laboratories with ISO 17025 (general requirements for the competence of testing and calibration laboratories) and other internationally recognized standards would significantly boost the competencies of testing and calibration laboratories in the State of Palestine, while boosting confidence in target markets.

Box 5: Overview of FFFVH sector business environment issues

- Lack of international accreditation for food testing laboratories in the State of Palestine results in reduced target market confidence for Palestinian agricultural exports.
- A weak sanitary and phytosanitary (SPS) framework in the State of Palestine leads to a reduction in agricultural export flows to target markets.
- Lack of compliance with the internationally recognized standards contained in the Codex Alimentarius affects conformity with best practices.
- Weak cold chain infrastructure in the State of Palestine and at border crossings leads to high wastage volumes during transit.
- Access to capital is a significant barrier to entry for enterprises in the sector.
- Weak coordination between the TSIs involved in supporting the agricultural sector leads to delays.
- Israeli middlemen as the only option for sourcing agricultural inputs weakens the bargaining power of Palestinian producers and increases their cost of doing business.
- Shipping costs incurred in sending samples to clients make it an unsustainable practice for exporters.

A WEAK SANITARY AND PHYTOSANITARY (SPS) FRAMEWORK IN THE STATE OF PALESTINE LEADS TO A REDUCTION IN AGRICULTURAL EXPORT FLOWS TO TARGET MARKETS

SPS measures are designed to protect human, animal and plant health and frequently serve as an entry barrier for exports from developing countries. Under the WTO SPS Agreement of 1995, member countries have a right to demand information on imported products and their components throughout the value chain as a means of maintaining traceability. Traceability systems require significant resources, information, and technology-based infrastructure, as well as discipline at both institutional and enterprise levels.

In the State of Palestine, traceability systems are virtually non-existent and not mandated by the authorities as a standard process to be followed by producers of fresh produce. No technical regulations are in place for selling in local or international markets. Since most farmers cater to the domestic market, agricultural practices do not include stress on documentation. This has a significant bearing on the export competitiveness of fresh produce exports from the State of Palestine, as has been evidenced by recent instances of exports being rejected at the borders. There is thus an imperative to introduce and implement tracking and labelling systems. In this regard, regulations must be passed/amended to bring domestic

traceability-based standards in line with international standards; and in parallel develop training/awareness-building programmes targeted at producers.

LACK OF COMPLIANCE WITH THE INTERNATIONALLY RECOGNIZED STANDARDS CONTAINED IN THE CODEX ALIMENTARIUS AFFECTS CONFORMITY WITH BEST PRACTICES

As part of the WTO SPS Agreement, the joint FAO/WHO Codex Alimentarius Commission (also known as the Codex) has been designated as the 'relevant standard-setting organization for food safety'.²⁸ The Codex Alimentarius is a set of international food safety standards that have been adopted by the Commission. These standards have become the de facto baseline requirements in the trade of processed, semi-processed and unprocessed agricultural products.

The Codex recommends pro-active inspections and sanctions to maintain food safety, while in the State of Palestine the opposite approach of ex-post inspections and sanctions is the norm. This stems from the lack of national legislation for food safety that adopts the international Codex as the national guiding principles.

28. World Trade Organisation

Box 6: The Codex Alimentarius Commission

In the early 1960s the Food and Agriculture Organization (FAO) of the United Nations and the World Health Organization (WHO) recognized the importance of developing international standards for the purposes of protecting public health and minimizing disruption of international food trade. The Joint FAO/WHO Food Standards Programme was established, and the Codex Alimentarius Commission was designated to administer the programme.

The founders who established the Food Standards Programme and the Codex Alimentarius Commission were concerned with protecting the health of consumers and ensuring fair practices in the food trade. They felt that both of these objectives could be best met if countries harmonized their food regulations and adopted internationally agreed standards. Through harmonization, they envisaged fewer barriers to trade and a freer movement of food products among countries, which would be to the benefit of farmers and their families and would also help to reduce hunger and poverty. They concluded that the Food Standards Programme would be a solution to some of the difficulties that were impeding free trade.

Over the years, the Codex has developed over 200 standards covering processed, semi-processed or unprocessed foods intended for sale for the consumer or for intermediate processing; developed over 40 hygienic and technological codes of practice; evaluated over 1,000 food additives and 54 veterinary drugs; set more than 3,000 maximum levels for pesticide residues; and specified over 30 guidelines for contaminants.

WEAK COLD CHAIN INFRASTRUCTURE IN THE STATE OF PALESTINE AND AT BORDER CROSSINGS LEADS TO HIGH WASTAGE VOLUMES DURING TRANSIT

A strong cold chain infrastructure is very important for the fresh fruits and vegetables sector given the high scope for perishability of the sector's products. From harvesting to the point of delivery to the customer, the cold chain serves a critical role in ensuring product quality and shelf life, thereby preventing product wastage. In the State of Palestine the cold chain infrastructure is weak, mainly due to irregular power supply and to the paucity of equipment such as freezers and generators. The high cost of fuel and electricity needed to power such equipment is another important factor.

ACCESS TO CREDIT IS A SIGNIFICANT BARRIER TO MARKET ENTRY FOR ENTERPRISES IN THE SECTOR

Producers and exporters face considerable constraints in accessing credit to offset the lack of operating and investment capital at their disposal. High interest rates charged by banks limit opportunities for small and medium producers and processors to upgrade capital equipment and make other investments. While Palestinian banks do provide loan programmes for entrepreneurs, there is a need to develop dedicated loan instruments for the agricultural sector. High collateral requirements by banks are also responsible for the low proportion of loans taken out by the agricultural sector. Collateral challenges are compounded by a slow and difficult land titling system.

WEAK COORDINATION BETWEEN THE TSIS INVOLVED IN SUPPORTING THE AGRICULTURAL SECTOR LEADS TO DELAYS

Palestinian exporters wishing to export agricultural goods must apply for and receive a Certificate of Health that complies with Palestinian export regulations. The procedure involved in applying for this certificate is onerous and involves coordination with different line ministries,

frequently resulting in delays. There is an urgent to improve the application process so it is simplified and can potentially be executed through a single office.

ISRAELI MIDDLEMEN AS THE ONLY OPTION FOR SOURCING AGRICULTURAL INPUTS WEAKENS THE BARGAINING POWER OF PALESTINIAN PRODUCERS AND INCREASES THEIR COST OF DOING BUSINESS

As discussed earlier, the Palestinian agriculture sector depends heavily on the import of inputs used in the cultivation process. There is very limited local production for most of the inputs. The importing process is structured in such a way that farmers have to use Israeli middlemen for the bulk of purchases. Palestinian producers have typically not benefited from this relationship and have occupied a weak bargaining position driven by the lack of options. The Palestinian Agricultural Strategy notes that Israeli middlemen/mediators typically add large profit margins to the inputs that they sell to Palestinians²⁹. This results in an overall increase in the cost of doing business for Palestinian producers. There is a need to support competition in the local market on one hand, and encourage new investments to produce essential agricultural inputs locally on the other hand.

SHIPPING COSTS INCURRED IN SENDING SAMPLES TO CLIENTS MAKE IT AN UNSUSTAINABLE PRACTICE FOR EXPORTERS

Palestinian exporters are often asked to send samples to international markets for testing, given the absence of internationally accredited laboratories. The shipping costs and related fees are often beyond the reach of the average Palestinian small farmer.

THE BORDER OUT GEAR (MARKET ENTRY)

29. Ministry of Agriculture (MoA) (2010). *Agriculture Sector Strategy: "A Shared Vision" 2011-2013*, p. ix.

Box 7: Overview of market entry issues for the FFBH sector

- The traditional focus of donor projects has neglected marketing in the sector.
- Trade information available to the sector suffers from poor content and accessibility challenges.
- Poor sector organization is hindering export promotion and branding efforts.

THE TRADITIONAL FOCUS OF DONOR PROJECTS HAS NEGLECTED MARKETING IN THE SECTOR

Financial support from ministries, donors and technical partners for the agriculture sector in the State of Palestine has, until recently, been restricted to areas such as infrastructure development, land reclamation and so on. Marketing has typically not been addressed as part of development initiatives, and as a result current and potential exporters in the fruits and vegetables sector have relatively low capacity in this area.

TRADE INFORMATION AVAILABLE TO THE SECTOR SUFFERS FROM POOR CONTENT AND ACCESSIBILITY CHALLENGES

Access to timely and relevant market intelligence is a prerequisite for building export competitiveness in a sector. This information includes consumer trends and target market needs. This requirement plays an even more prominent role considering that Palestinian enterprises in the FFVH sector, due to their structure, are inexperienced in market penetration and development. For the fresh fruits and vegetables sector, trade information is currently available in an ad hoc fashion, mainly through local trade associations and chambers of commerce. It is important to centralize the collection and dissemination of trade information, as well as making it easier to access.

Information on buyers' requirements – assessment of important preferences such as 'supply consistency', 'range of product varieties' and so on by target market – is not readily available. The absence of this information prevents exporters from assessing the factors that are critical to succeed in a specific target market. For instance, United States import regulations are relatively flexible in terms of allowing chemical residues in the product, while EU regulations are far more stringent on chemical residue from pesticides. In terms of buyers' requirements, this constitutes a critical success factor for exporters wishing to develop exports to the EU. In practical terms, this may involve separating production lines for the two markets. In any case, the first step is to make this information readily available to sector stakeholders.

POOR SECTOR ORGANIZATION IS HINDERING EXPORT PROMOTION AND BRANDING EFFORTS

To build export competitiveness, the fresh fruits and vegetables sector must have an established brand outside the country. Ensuring that the sector's products are of high quality and supplied with consistency is a given prerequisite in this regard. Another important dimension is developing an effective brand promotion campaign to target markets.

The small per capita size of landholdings and the low level of organization among producers in the sector have partly contributed to slow branding and promotion efforts. While there are cooperatives that bring together producers and exporters, the level of cooperation has been low. Furthermore, there is broad resistance among members towards registering cooperatives or associations of producers as business entities. Such joint commercial entities could indeed leverage collective strengths towards greater supply, quality, branding and promotion.

DEVELOPMENT GEAR

Poverty alleviation and gender inclusiveness

Despite playing a significant role in the State of Palestine's agriculture sector, women are not granted equal assets and have limited autonomy in terms of decision-making. Equity issues range from areas such as land/capital equipment ownership rights and merit-based rise to middle and upper management, to new business development and product branding. Targeted efforts at strengthening the opportunities of women in the FFVH sector would serve to generate additional employment as well as provide new growth potential.

Box 8: Overview of FFVH development issues

- Unequal rights for women in the agriculture sector



Source: © PalTrade

WHERE WE WANT TO GO:

OPTIONS FOR FUTURE DEVELOPMENT

The following vision has been developed towards the goal of increasing the export competitiveness in the Palestinian FFVH sector.

“ To get high quality, competitive, Palestinian branded fresh produce accessing global markets. ”

The scope for improvements in the FFVH sector is immense and extends along the value chain. In some cases it involves strengthening existing linkages, while in other areas structural modifications to the sector are required. Both these types of improvements must lead to *market penetration* (increasing exports in existing markets), *product development* (increasing exports of new products in existing markets), *market development* (increasing exports of existing products in new markets), and *full diversification* (increasing exports of new products in new markets).

This envisaged future state of the FFVH sector is discussed in greater detail below.

MARKET AND STRATEGIC OPTIONS

As indicated in the introduction, the envisioned future state of the FFVH sector has been developed using a combination of consultations, surveys and analyses. This future state consists of two components:

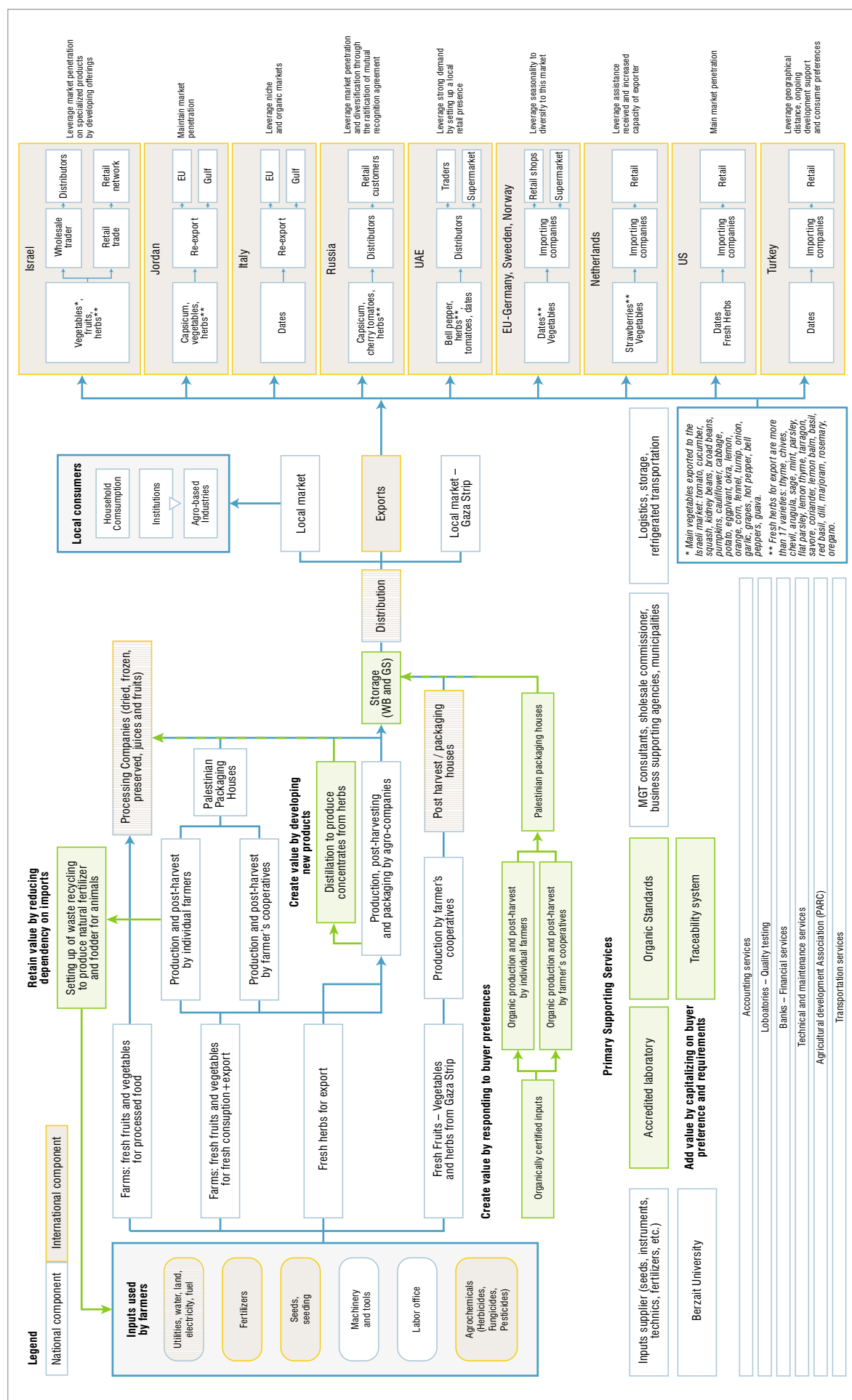
- A market-related component involving identification of key markets in the short and medium to long term for Palestinian exporters, and
- Structural changes to the value chain that result in either strengthening of linkages or introduction of new structural linkages.

The market identification was based on a combination of trade analysis conducted by PalTrade using ITC's methodology for identifying potential target markets, and consultations with the enterprises of the FFVH sector. Both short term and medium to long term target market options are assessed.

The projected structural changes to the sector are based on efficiency gains identified through the four gear analysis of the sector's performance, and through the identification of opportunities for improving the sector's capacity to *add, create, retain* and *distribute* value.

The proposed future state is presented in figure 10 below through a future value chain, which captures both the selected key market and strategic options.

FUTURE VALUE CHAIN



MARKETS IDENTIFICATION

The following analysis is divided into two broad phases: one related to the immediate, short term perspective and the other related to the mid to long term outlook, by which time it is expected that a significant portion of the NES and the FFVH sector PoA will have been implemented. This phased approach is aimed at staging interventions in alignment with the evolving capacities of the sector's trade support institutions and sector enterprises as the NES implementation moves forward.

In the short term, cultural affinity, bilateral geographical distances, and existing trade relationships will form the

major criteria determining the markets for Palestinian FFVH products. In the longer term, it is expected that the evolving capacities of Palestinian exporters – across multiple dimensions including quality management, supply capacities, product diversification, time to market efficiency, and marketing/branding, in conjunction with the improving business environment and export value chain improvements affected by the NES and sector PoA implementations – will allow exporters to target other markets in the medium to long term which seem hard to penetrate now.

Note: The products listed under the short term section will also hold export potential in the medium to long term, unless specifically mentioned.

FRUITS AND VEGETABLES

SHORT-TERM PHASE (0-3 YEARS)

Target market	Product	Distribution channel	Palestinian fresh fruit and vegetable exports to market (2010)	Annual growth of sector imports% (all suppliers) 2007-2011	Annual GDP growth estimates (%) 2013-2017 average
Israel	Tomato, cucumber, squash, kidney beans, broad beans, pumpkin, cauliflower, cabbage, potato, eggplant, okra, lemon, orange, corn, fennel, turnip, onion, garlic, grapes, hot peppers, bell peppers, guava	Wholesalers, distributors (selling to point of sales/retailers)	—	4	3.6
Turkey	Dates (HS 080410)	Wholesalers	147 000	22	4.1
Italy	Dates (080410)	Organic	116 000	9	0.6
United Arab Emirates	Dates (080410)	Distributors/ in country presence	174 000	40	3.5
	Tomatoes (070200)	Distributors	3 000	20	
The Netherlands	Tomatoes (070200)	Distributors	243 000	3	1.2
	Dates (HS 080410)	Distributors	0	10*	
Germany	Capsicum (HS 070960)	Distributors	0	2*	1.2
Sweden	Capsicum (HS 070960)	Distributors	0	1*	2.1
Norway	Capsicum (HS 070960)	Distributors	0	1*	2.2

Source: ITC calculations based on COMTRADE data

Growth rate based on IMF estimates

* 2008-2012

Israel

Products: tomatoes, cucumbers, squash, kidney beans, broad beans, pumpkins, cauliflowers, cabbages, potatoes, eggplant, okra, lemons, oranges, corn, fennel, turnips, onion, garlic, grapes, hot peppers, bell peppers, guavas.

The limited reach of Palestinian exporters has led to a heavy reliance on neighbouring Israeli markets in which the demand for Palestinian fresh produce is high. Demand is especially high for products such as okra, cucumbers and pumpkins, which involve high labour costs and are grown in low quantities in Israel. The year-on-year demand for both fresh fruits and vegetables (from all sources including the State of Palestine) has been growing since 2007 at a rate of 4%.

Palestinian fresh produce exports to Israel receive a boost every seven years when the crop fields in Israel lie fallow and cultivation of the land is prohibited. This in turn leads to higher than average imports from the State of Palestine. This opportunity could be programmed to develop new varieties to serve this specific market.

Another form of consumption of Palestinian fresh produce in Israel is converting produce into more value-added products for export and consumption in domestic markets. For instance, Israeli pickle manufacturers provide advance contracting to Palestinian fresh producers to assure supply of cucumbers and other vegetables for their factories.

The main market segments within the Israeli markets are the wholesale and retail markets, targeted through wholesalers and distributors respectively.

While it is indeed necessary for Palestinian exporters to diversify in terms of target markets, the focus on Israel will remain at least until the medium term. This focus will be important to provide financial sustenance for sector producers until the capacity of the sector and its accompanying infrastructure is improved to effectively target other markets that are geographically more distant, with much tougher buyers' requirements.

Turkey

Product: dates

Geographical distance, ongoing development support from Turkey and consumer preferences are the three key reasons making the Turkish market a viable short-term option for Palestinian fresh fruits producers. The bilateral distance between Turkey and the State of Palestine is relatively small, making it easier for Palestinian exporters to ship fresh produce. There is significant ongoing

support and cooperation from Turkish cooperative unions for building the productive capacity of Palestinian farmers. The support is primarily aimed at technology transfer (equipment) and helping producers gain certifications.

Medjool dates are the main variety of dates grown in the State of Palestine and are popular among consumers in Turkey. This variety is not grown in Turkey and thus there is limited scope for a conflict of interest between Turkish produce and imports from the State of Palestine. The potential is further highlighted by consumption trends in Turkey. Imports of dates in Turkey grew at a rate of 22% between 2007 and 2011, and this directly correlates with the significant growth rate of Medjool dates in the State of Palestine.

In the short term, it is unlikely that Palestinian exporters will be able to directly approach retailers in Turkey, and the main target segment will be wholesalers.

Italy

Product: dates

Imports of dates grew at a rate of 9% between 2007 and 2011, and demand is expected to grow in the near future. There is a significant opportunity to target the niche organic market segment in Italy for Palestinian Medjool dates.

The current production structure in the State of Palestine is well positioned towards producing organic produce, including the pest-resistant date crop which is mostly grown naturally in the absence of pesticides and other chemicals. Additionally, long-standing Italian support to the Palestinian agricultural sector has provided Palestinian producers/exporters with a certain degree of familiarity with the Italian market.

United Arab Emirates

Product: dates

Dubai is the Gulf's centre of procurement for dates. The demand for Medjool dates is increasing and they command a high price in the market, driven by the high purchasing power of the local population, expatriates, and other visitors to the city. In general, the demand for all varieties of dates in the United Arab Emirates is high, increasing at a rate of 40% between 2007 and 2011.

There is significant potential for Palestinian exporters to sell directly to end consumers by setting up a local retail presence, and procuring dates from the State of Palestine. This model depends on the level of investment available to exporters, but the most common model is exporting the produce to distributors who take on

responsibility for marketing the product to retailers. This market development effort could be linked to organized promotion efforts in the United Arab Emirates with other key priority sectors of the NES.

Product: tomatoes

The United Arab Emirates experiences a high demand for tomatoes in the summer season, during which domestic production is significantly reduced owing to high temperatures. In comparison, Palestinian agronomic and climatic conditions allow for high production levels of tomatoes during the summer season. This is a comparative advantage for Palestinian producers which can be leveraged for export growth.

Additionally, technical requirements for entering the United Arab Emirates market are relatively straightforward and not as complicated and strict as the European Union and United Kingdom markets. In the short term, the most viable option for Palestinian tomato exports to the United Arab Emirates will be distributors/agents who will be responsible for marketing the produce in the United Arab Emirates to retailers.

The Netherlands

The Dutch government has provided longstanding support to the Palestinian agricultural sector, amounting to over €30 million spread over the last ten years. A significant amount of this assistance has been geared towards developing the export competitiveness of the sector. As a result of this support both Palestinian exporters and importers in the Netherlands share a degree of familiarity with each other.

Product: tomatoes

The Netherlands is the largest consumer of Palestinian tomatoes, importing US\$243,000 worth in 2010. While this level of exports may not be large relative to the performance of other countries, it is large enough by the State of Palestine's standards and reflects the fact that exporters have been able to achieve some success in the Dutch market.

GLOBALGAP certified farms in the State of Palestine are in a good position to maintain supply consistency as well as the required degree of quality. The agronomic conditions in the country allow producers to bring produce to market with a high degree of supply consistency between November and May, which is the peak season of demand in The Netherlands.

Product: dates

The State of Palestine does not currently export dates to the Dutch market, and in this sense the introduction of Palestinian dates in the market will rely upon existing business relationships. International/Dutch companies and distributors are expected to be the main mode of market entry in the short term.



Source: ©PalTrade.

Germany, Sweden and Norway

Product: capsicums

In the short term, there is high potential for marketing capsicums to European Union countries, especially Germany, Sweden and Norway, owing to the growing demand for the product in winter (November to April) and the supply consistency and availability in the State of Palestine during this period.

Similar to countries such as the Netherlands, there has been close interaction between the Palestinian agricultural sector and development actors from these countries. The resulting familiarity and assessment of the agriculture sector's capabilities may have a positive bearing on exports from the State of Palestine. The technical entry requirements, such as certifications, are not considered to be a significant barrier in the short term, and certainly not in the long term as capacity improvements across the value chain of the Palestinian agriculture sector continue.

The most viable market entry route in the short term would involve contract marketing firms for distribution to the wholesale markets and supermarkets.

MEDIUM TO LONG TERM PHASE (3+ YEARS)

Target market	Product	Distribution channel	Palestinian FFVH exports to market (2010)	Annual growth of sector imports (%) (all suppliers) 2007-2011	Annual GDP growth estimates (%) 2013-2017 average
Israel	Tomatoes, corn, egg-plant corn, kidney beans, broad kidney beans, hot peppers, bell peppers, strawberries, carrots, melons, watermelons, grapes (greater varieties), garlic, onions	Wholesalers, distributors (selling to point of sales/retailers)	—	4	3.6
United Kingdom	Potatoes (070190)	Distributors	0	-4*	1.6
	Dates (080410)		112 000	2*	
	Cucumbers (070700)	Wholesalers/contracting companies	0	-2*	
	Grape molasses, grape juice, dry grapes, grape sheets, jams of grapes, grape paste	Distributors (selling to retailers and supermarkets)	0	2*	
	Strawberries (081010)	Distributors (selling to retailers and supermarkets)	420 000	2*	
The Netherlands	Strawberries (081010)	Distributors (selling to retailers and supermarkets)	206 000	20*	1.2
United Arab Emirates	Grapes (080610)	Marketing agents/distributors selling to wholesale markets supermarkets	0	16*	3.5
Jordan	Grapes (080610)	Marketing agents/distributors selling to wholesale markets supermarkets	0	12*	4

Source: ITC calculations based on COMTRADE data

Growth rate based on IMF estimates

* 2008-2012

Israel

Products: Strawberries, carrots, watermelons, grapes (greater varieties)

Over the long term the positive impacts of proper agricultural planning – such as cultivating high value crops, as well as more efficiently utilizing the diversity of climatic zones – will start showing effect. From that point forward, the capacity of the Palestinian agricultural sector is expected to grow to include the products listed above. Currently, producers do not have the capacity to ensure supply consistency for these products. Products such as corn

possess a comparative advance given that they are produced in the Jordan valley in two different seasons, thereby increasing availability of the product across the year.

United Kingdom

The United Kingdom market is one of the most challenging markets to enter because of strict quality-related requirements and sophisticated standards to be applied along the value chain. These include, but are not

limited to, GLOBALGAP, British Retail Consortium (BRC), and HACCP among others. The tolerance for chemical residue in the final products is much lower than other European Union markets. An added advantage of satisfying the technical requirements for the United Kingdom market is that requirements for European Union (and other) markets are automatically satisfied.

Product: dates

Medjool dates grown for the United Kingdom should be pesticide-free to satisfy the requirements of the market. In particular, the Jumbo Medjool and the Super Jumbo Medjool varieties (the largest and the second largest of the three categories) are popular among consumers in the United Kingdom.

Product: capsicums

There is high potential to export medium sized capsicums, which are available in three varieties (colours) in the State of Palestine. The demand for these varieties is high in the United Kingdom market, and offers potential for Palestinian produce.

In terms of distribution channels, the wholesale market is considered a viable option, although it is possible that exporters may later develop the capacity to source directly to retailers. The wholesale market appears to be the most feasible option. This route would use contract marketing companies that would distribute the produce to wholesale markets and supermarkets.

Product: potatoes

In the medium to long term, Palestinian exporters are expected to develop the supply and quality consistency required to enter the United Kingdom market for potatoes. There is currently a tangible increase in demand for the Maris Peer variety –which will be cultivated in the State of Palestine– in United Kingdom markets. GLOBALGAP certified farms, certified through assistance from various development actors, will play an important role in helping Palestinian producers and exporters develop export competitiveness.

Products: grape molasses, grape juice, dry grapes, grape sheets, grape jams, grape paste.

These products enjoy considerable popularity in United Kingdom markets –among end consumers as well as processors– and in the process constitute a significant opportunity for Palestinian exporters. When further processed, these products are developed into a variety of products with high nutritional content. The comparative advantage for Palestinian produce lies in the non-chemical-based production process which is strongly positioned to meet the strict requirements of United Kingdom

markets. The distribution channel is expected to be distributors who will target the retail and supermarket market segments.

Product: strawberries

Strawberry imports in the United Kingdom have been on the rise, growing from US\$ 147 million in 2010 to US\$ 192 million in 2012. In 2010 the State of Palestine exported US\$ 420,000 worth of fresh strawberry produce to the United Kingdom.

The technical competencies for cultivating, harvesting, and post-harvest handling of strawberries are of a high degree in both the West Bank and Gaza, and it is expected that United Kingdom technical requirements can be met in the medium term if the current pace of developmental activity in the sector continues. Palestinian exporters have managed to enter the United Kingdom strawberries market in some instances, albeit with small volumes. The distribution channel is expected to be distributors who will target the retail and supermarket market segments.

The Netherlands

Product: strawberries

The market for strawberries in the Netherlands is increasing: the country imported US\$ 92 million of produce in 2010 compared to US\$ 125 million in 2012. As discussed above, there is a high degree of technical competency in the State of Palestine related to the cultivation and harvest, and post-production processes, for strawberries, which can be leveraged for exports. The distribution channel is expected to be distributors who will target the retail and supermarket market segments.

Jordan

Product: grapes

There are over 15 local varieties of grapes produced in the State of Palestine. A key comparative advantage for the Palestinian grape subsector is the ability to provide the product for a significant portion of the year –from the middle of May to early January.

Given the early production between May and June of the high quality table grapes produced along the Jordan valley, which are mostly cultivated under 50 mesh netting houses, in addition to the main traditional production of grapes in the open fields in the south of the State of Palestine, (Hebron, Bethlehem) which extends between August and later January, this product has a high potential to respond to volume and quality requirement.

Target market	Product	Distribution channel	Palestinian herbs exports to market (2010)	Annual growth of sector imports (%) (all suppliers) 2007-2011	Annual GDP growth estimates (%) 2013-2017 average
Israel	Basil, mint, parsley, coriander, rosemary, dill, arugula, lemon thyme, thyme, sage, chives	Israeli distributors and exporters	n.a.	n.a	3.6
United States	Basil, rosemary, coriander, rosemary, dill, thyme, sage, arugula, chives, savory, tarragon, oregano, sage, marjoram	Israeli distributors and exporters	1 800 000	2*	3
European Union (including the United Kingdom)	Basil, parsley, coriander, rosemary, lemon thyme, sage, chives, dill, thyme, chervil	United Kingdom importers selling to processors and point of sale locations	n.a.	n.a	1
Russia	Arugula, basil, mint, parsley, coriander, rosemary, chives, dill, savory, red basil, sorrel, lemon thyme		n.a.	n.a	3.6

Source: ITC calculations based on COMTRADE data; Growth rate based on IMF estimates

* 2008-2012

The Jordanian market entry requirements are relatively straightforward and within the reach of Palestinian exporters. The expected distribution channels are marketing agents responsible for distribution to wholesale markets and supermarkets.

United Arab Emirates

Product: grapes

The long list of varieties that are cultivated in the State of Palestine make it more attainable for Palestinian producers to provide the United Arab Emirates as well as other countries with distinguished and premium quality table grapes. Given that United Arab Emirates market entry requirements are relatively flexible, this market is within the reach of Palestinian exporters.

HERBS

SHORT-TERM PHASE (0-3 YEARS)

Israel

Products: basil, mint, parsley, coriander, rosemary, dill, arugula, lemon thyme, thyme, sage, chives.

As in the case of the fruits and vegetables sector, Israel remains the main market for Palestinian herbs in the short term. The main contributing factors for this are closeness, the lower cost of labour in the State of Palestine, the advantageous growing environment and the supply consistency of Palestinian herbs suppliers. There are currently ten exporting companies in the State of Palestine that supply the Israeli market. The main distribution channel remains the Israeli distributors and exporters.

Herbs are utilized for both household consumption as well as by processors, who in turn supply processed herbs to the domestic and international markets. In the case of the latter, Palestinian suppliers constitute a reliable source of fresh herbs and there is therefore consistent demand from Israeli processors.

The United States

Products: basil, rosemary, coriander, dill, thyme, sage, arugula, chives, savory, tarragon, oregano, sage, marjoram.

The United States market for herbs is currently experiencing an increase in demand for specific herbs including rosemary, marjoram, coriander, chervil, thyme, dill and oregano. While Palestinian producers do not currently have the capability to export directly to the United States, they have been able to export to the market through Israeli distributors and exporters, and through a certificate of

origin that specifically identifies the Palestinian origin of the product.

Development support from the United States has directly helped in building sustainable business models for herbs in the West Bank. Palestinian herb producers have the capacity to supply to United States markets within the quality and supply consistency requirements, and according to customer specifications. The main challenge will lie in ensuring that exports are aligned with the strict pest control policies of the United States market.

The European Union, including but not limited to the United Kingdom

Products: basil, parsley, coriander, rosemary, lemon thyme, sage, chives, dill, thyme, chervil.

As discussed earlier in the fruits and vegetables section, the United Kingdom market is one of the most challenging markets to enter thanks to strict quality-related requirements and sophisticated standards to be applied along the value chain. These include, but are not limited to GLOBALGAP, BRC, and HACCP among others. The tolerance for chemical residue in the final products is much lower than other European Union markets. Additional buyer requirements include packaging: consumers in the United Kingdom market prefer small bunches of herbs which require delicate handling during the harvest and post-harvest cycles. It holds that if Palestinian suppliers are able to meet the United Kingdom market entry requirements, then they will be in a strong position to meet quality and buyer requirements for many other markets, including all of the European Union.

The growing supply capacity of Palestinian herb producers in the West Bank has significant bearing on supply consistency for the United Kingdom market. The State of Palestine possesses a considerable comparative advantage in this regard through its strong harvests between November and May, which are also the main periods of high demand in the United Kingdom.

There is high potential that, in the near future, Palestinian producers will be able to meet the strict quality requirements of the United Kingdom market (and consequently other European Union markets) due to significant development activity in the sector. This activity is focused on integrating global best practices and standards such as GLOBALGAP in the Palestinian agricultural sector.

In terms of distribution channels, it is likely that in the short term Palestinian companies would be able to access distributors who would then sell to processors and at point of sale locations in the United Kingdom and across the EU.

Russia

The Russian market has been experiencing an increase in demand for herbs, especially for arugula, tarragon, lemon grass, peppermint and parsley. Other herbs with high demand include sorrel, lemon thyme and lemon balm. The buyers' requirements in the Russian market are relatively flexible when compared to European markets and offer a high degree of potential to Palestinian exporters.

In the short term, it is expected that the bulk of exports to Russia will be routed through Israeli exporters and distributors, accompanied by a certificate of origin to identify the export as of Palestinian origin.

MEDIUM-LONG TERM PHASE (3+ YEARS)

Target market	Product	Distribution channel	Palestinian fresh fruits and vegetable exports to market (2010)	Annual growth of sector imports (%) (all suppliers) 2007-2011	Annual GDP Growth Estimates (%) 2013-2017 average
United Arab Emirates/Gulf Cooperation Council Markets	Arugula, basil, mint, parsley, coriander, rosemary, chives, dill, tarragon, sage, thyme	Distributors (registered company or agent in the Dubai)			
EU/United Kingdom	Basil, parsley, coriander, rosemary, chives, dill, chervil, tarragon				

Source: ITC calculations based on COMTRADE data. Growth rate based on IMF estimates
*2008-2012

** Data collected through bilateral consultations

United Arab Emirates/Gulf Cooperation Council Markets

Products: arugula, basil, mint, parsley, coriander, rosemary, chives, dill, tarragon, sage, thyme

The United Arab Emirates and Gulf Cooperation Council markets are characterized by growing demand for luxury foods, and the strong purchasing power of consumers. There is high demand for herb products including arugula, sage, mint, thyme, tarragon, and basil.

Palestinian herb producers possess the capacity to supply the United Arab Emirates and Gulf Cooperation Council markets during the summer period when domestic supply runs low in those markets. Additionally, producers are well positioned to meet buyers' requirements for these markets, which are less stringent than for EU markets. The main distribution channel in these markets is expected to be distributors who would market the product to retailers and other consumers.

EU/United Kingdom

Products: basil, parsley, coriander, rosemary, chives, dill, chervil, tarragon.

especially within the European Union and the United States. Certain Palestinian produce including dates, almonds and herbs, including sage and thyme, are resistant to pests and constitute a natural offering in this niche segment.

Moreover, multigenerational farming practices involving non-chemical based fertilizers and pesticides, as well as the perennial shortage of these chemicals in the State of Palestine, have resulted in a natural competency among producers for catering to the organic sector. Organic farming practices for the produce mentioned above is quite cost-effective in the State of Palestine due to the basic nature of the inputs required.

Interventions at the policy level would include development of a standard that incentivizes producers who dedicate a certain minimum portion of their farms to organic farming. A steering committee comprising governmental actors (ministries and technical agencies), the civil society network (involving NGOs), development actors (including international donor agencies), and the private sector as the ultimate beneficiaries, will need to be set up to launch a nationwide drive to develop the organic farming sector.

Interventions at the technical level would involve at least the following:

- Mapping organic-ready producers in the State of Palestine and segmenting producers based on their readiness levels;
- Advocacy campaigns to raise awareness among producers on how to become certified organic FFVH producers;
- Assessment and development of traceability systems across the State of Palestine for cooperatives as well individual companies; and
- Field training and advisory sessions in the field with agronomists.

STRUCTURAL IMPROVEMENTS TO THE VALUE CHAIN

DEVELOP TECHNICAL COMPETENCIES OF THE FFVH SECTOR TOWARDS THE NICHE ORGANIC MARKET SEGMENT

The development of the FFVH sector's niche organic product offerings would significantly contribute to better positioning of Palestinian products in global markets,

Box 9: Overview of structural changes to the FFVH sector

- Develop technical competencies of the FFVH sector towards the niche organic market segment
- Develop a new product line of natural oils extracted from Palestinian herbs
- Improve and creating linkages between the herbs sector and the agro-processing sector
- Improve the capacity of the FFVH sector to comply with international standards
- Link the FFVH and livestock feed value chains
- Improve inclusion of youth throughout the sector's value chain through a variety of training programmes developed through collaboration between companies and TVET institutions
- Increase the involvement of women workers in the FFVH sector value chain
- Develop agro-tourism initiatives

DEVELOP A NEW PRODUCT LINE OF NATURAL OILS EXTRACTED FROM PALESTINIAN HERBS

There is potential to develop a product line of 16-20 types of natural oils from Palestinian herbs, with promising prospects for local consumption as well as for exports. The growth and the high annual yield of the herbs subsector³⁰ are significant comparative advantages that the Palestinian herbs industry enjoys and which could be translated into competitive advantages in international markets. Moreover, these products will constitute a high revenue base for Palestinian exporters.

As an initial step, a pilot project to confirm the feasibility of extracting oils through distillation; linking areas of cultivation, packing houses and processing units; and exploring domestic and international market segments/distribution channels will be needed. As an added value creation opportunity, the by-products (waste) from the distillation process could be used for animal fodder as well as for composting purposes on agricultural land.

IMPROVE AND CREATING LINKAGES BETWEEN THE HERBS SECTOR AND THE AGROPROCESSING SECTOR

The Palestinian herbs industry primarily caters to domestic and international consumers through sale of fresh produce, and its capacity to process herbs is extremely limited. The development of capabilities in herb and spice processing would provide additional revenues for herb and spice producers and exporters.

The high demand for mixed/processed herbs, especially za'atar, in Arab countries, may hold significant opportunities for Palestinian herb exporters. Additionally, the agro-processing sector requires spice concentrates for food preparations, which could be catered for by Palestinian cooperatives.

IMPROVE THE CAPACITY OF THE FFFVH SECTOR TO COMPLY WITH INTERNATIONAL STANDARDS

A key prerequisite for building export competitiveness in the FFFVH sector lies in the ability of enterprises to meet international standards. Global standards range from moderate (Russia, Middle East) to difficult (United Kingdom), and it will be important for Palestinian producers and exporters in the FFFVH sector to be able to meet the most demanding requirements to ensure market diversification.

30. The approximate area of export-oriented herbs cultivation in Palestine is 1,100-1,200 dunums, with an average yield of 3,000 kg of herbs per dunum. Conservative estimates of total yield are approximately 3.3 million kgs annually.

Broad-ranging initiatives will be launched in order to develop and improve capacities of companies and cooperatives to commit to international voluntary standards including BRC, HACCP, GLOBALGAP, Field to Fork, SA8000, ISO 22000, SEDEX.

These initiatives will include, but not be restricted to:

- Assessments to identify the current level of compliance and key barriers that are preventing producers from committing;
- Pilot projects to support upgrading of facilities;
- Improving quality management infrastructure within enterprises;
- Developing a strong traceability infrastructure across the value chain; and
- Technical field trainings related to best practices involved in cultivation and pre/post-harvest processes, as well as support to the FFFVH TVET infrastructure to overhaul the curriculum.

LINK THE FFFVH AND LIVESTOCK FEED VALUE CHAINS

As discussed above, there is potential to use waste products resulting from herb processing activities as part of livestock feed. These waste products have a high nutritional content that can help improve overall nutrition to livestock.

An initial step would be a pilot project to explore integrated management between the FFFVH and livestock value chains and the resulting benefits. Additionally, applied research would be conducted as part of the pilot project to explore the correlation between increased use of waste products in animal feed and the overall nutritional content of the feed. Following the success of the pilot initiative, the project would require mainstreaming through the development of partnerships between processors, research institutions, and factories producing livestock feed.

IMPROVE INCLUSION OF YOUTH THROUGHOUT THE SECTOR'S VALUE CHAIN THROUGH A VARIETY OF TRAINING PROGRAMMES DEVELOPED THROUGH COLLABORATION BETWEEN COMPANIES AND TVET INSTITUTIONS

The inclusion of youth in the State of Palestine's FFFVH sector was an important consideration throughout the strategy development process. Private companies can collaborate with universities and training institutions to establish internship and apprenticeship programmes for fresh graduates, as well as providing on-the-job training for young individuals already working in the sector. Specific areas to focus on within the value chain would



Source: © Tomorrow's Youth Organization 2010.

include pre/post-harvest processes, as well as best practices involved in cultivation. The involvement of universities, agronomists and other experts, and local companies, would be essential.

The operational aspects of this proposal would involve agreements signed between selected companies and major universities in the State of Palestine that have an agronomy major as part of the curriculum. Specialized programmes (shaped as internships, apprenticeships or on-the-job training programmes) would be developed with additional specialties including business administration, marketing, quality assurance, and so on. The programme would involve practical training sessions as well as assessment through practical and theoretical exams. Unless already employed, graduates would be provided with placement guidance, as well as direct placement opportunities through participating companies.

Priority would be given to develop specific programmes tailored for the following lines of businesses:

1. Grapes (especially production and post-harvest)
2. Potatoes
3. Capsicum
4. Dates
5. Fresh herbs (especially production and post-harvest)
6. Almonds
7. Open field production
8. Greenhouse production

INCREASE THE INVOLVEMENT OF WOMEN WORKERS IN THE FFFVH SECTOR VALUE CHAIN

Significant potential exists for increasing the inclusion of women along the FFFVH sector value chain, ranging from management and marketing roles to more technical roles in the cultivation and post-harvest stages of the value chain. There are two important goals to be pursued:

1. Encouraging increased employment levels for skilled women workers within MSMEs in the FFFVH sector in a variety of technical as well as management roles; and
2. Driving growth through improvements in quality management and supply consistency levels through the increased involvement of women workers along the sector value chain.

On a technical level there is significant potential for women workers to add value in the post-harvest stage for herbs as well as high value fruits such as strawberry. There is also considerable scope to increase inclusion of women workers in the business development/marketing and management roles for the enterprises.

One of the key first steps will involve increased cooperation between key ministries (such as the Ministry of Labour, the Ministry of Women Affairs, and Ministry of Agriculture) and the Rural Women's Development Association. The RWDS is well positioned to represent women in the agricultural workforce (current and aspiring workers) and has the capacity to identify important areas of intervention and coordinate programmes.

Develop agro-tourism initiatives

Agro-tourism offers untested, yet high potential, opportunities to strengthen linkages between the FFFVH and tourism sectors and contribute to economic and social development. The middle portion of the West Bank (during spring and summer), and the Jordan Valley area (during winter) have been identified as suitable locations where pilot initiatives could be launched to test the concept. Offered packages would include one-day and multi-day guided trips for sampling natural/organic food offerings as well as participating in agricultural activities at farms.

HOW WE GET THERE

STRATEGIC OBJECTIVES

Four strategic objectives are considered necessary for realization of the sector vision.

The first strategic objective is to enhance the supply and quality management capacities of FFFVH producers to better respond to global target market requirements.

This goal will be broadly achieved through operational objectives and related activities aimed at encouraging the adoption of good agricultural practices; increasing research and development in the sector; improving producers' business management practices; ensuring effective quality management through the value chain; and increasing access to critical financial resources.

The second strategic objective is to strengthen the business, legislative and regulatory framework supporting the FFFVH sector.

This goal will involve operational objectives and related activities aimed at implementing enabling policies and legislation for the FFFVH sector, establishing marketing structures, and strengthening support services to the sector.

The third strategic objective is to increase the sector's coordination and organization to increase its ability to operate in a challenging global environment.

This goal will be reached through operational objectives and related activities meant to strengthen transparency and cooperation in the sector, and by building up cooperatives and associations in the sector.

The final strategic objective is to increase the sector's capacity and ability to enter and sustain export relationships in current and emerging markets.

This will be accomplished through operational objectives and related activities targeting the better delivery of market information for enhanced market access; improving logistics for exports of FFFVH; strengthening the capacities of SMEs to enter leverage opportunities in target

markets; and developing new, higher value agricultural products for export.

IMPORTANCE OF COORDINATED IMPLEMENTATION

The broad range of activities, together with the complex nature of integrated intervention, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. To this end, a Palestinian Export Council (PEC) will be established in order to facilitate the public-private partnership in elaborating, coordinating, and implementing the National Export Strategy. In particular, the PEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders. Within this framework, implementation of the FFFVH strategy also falls within the purview of the PEC.

Such efforts will involve directing donor, private, and public sector organizations towards the various NES priorities in order to avoid duplication and guarantee maximum impact. Responsibilities will also include monitoring the results of activities and outputs, while at the same time recommending policies that could serve to enhance realization of the strategic objectives. With a 360 degree view of progress the council will be best placed to manage funding and provide regular reports to donors and stakeholders. Moreover, the PEC will play a key role in recommending revisions and updates to the strategy so that it continues to evolve in alignment with the State of Palestine's changing needs.

IMPLEMENTATION PARTNERS – LEADING AND SUPPORTING INSTITUTIONS

A number of institutions will play a key role in the implementation of the plan of action for the FFFVH sector, as illustrated in the TSI section and the PoA. These are institutions that have the overall responsibility for successful execution of the strategy, as well as support institutions that are active partners but not leading institutions. Each institution mandated to support the export development of the FFFVH sector is clearly identified in the strategy plan of action.



Source: © Fadi Arouri – Jericho & Jordan Valley

THE STATE OF PALESTINE NATIONAL EXPORT STRATEGY

PLAN OF ACTION



Operational objectives	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs US\$
1.1. Encourage the adoption of Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP)	1.1.1 Conduct technical gap analyses at the enterprise level to assess problems related to agricultural practices.	3	VCH	Fifteen local enterprises are assessed.	Assessment reports	PalTrade	MoNE, donors	40 000 - 80 000
	1.1.2 Provide train-the-trainers trainings, through field schools and onsite trainings, to agronomists and extension workers to increase adoption of best practices, with the main focus on site management enhancement and maintaining quality along the value chain (i.e. waste management, empty chemical bottles, etc.). Trainings to be differentiated by: » Production (GAP) » Post-harvest (GAP, GMP) Trainings to be categorized based on subsectors (grapes, stone fruits, dates, herbs)	2	VCH	One hundred and twenty agronomists receive training and 4 000 farmers get the benefit.	Training attendance sheets	PARC	An Najah National University, Al-Quds Open University MoA, BECO	250 000 - 500 000
	1.1.3 Improve post-harvest practices by improving the relationship between growers and packing house owners. This could be done by supporting open communications and transparent transactions between both sides. The following are useful tools to enhance operations: packing house to promote best post-harvest practices; provide daily or weekly wholesale prices based on grades and classes; and support linking producers with services providers.	2	Growers and business owners	Thirteen hundred farmers and cooperatives members benefit from this activity.	Evaluation report for operating packing houses	MoA	MoL, PARC	100 000 - 200 000
	1.1.4 Promote approaches for improving the efficiency of agricultural inputs such as: » Land productivity (soil fertility analysis and soil properties), » Fertilizer efficiency (fertilizer optimization pilot programmes and experimental trials), » Water use efficiency (computerized irrigation system), and » Training programmes to produce skilled labour (selection of potential trainees in import expertise etc.).	3	VCH	Fifteen thousand dunums assessed. Fifteen hundred skilled labourers benefit from this activity. Percentage of production per crop budget comparison.	Documented evaluation for productivity per dunum. Evaluation reports compare results for current fertilization programmes with new ones. Training evaluation sheets as well attendance sheets.	AAA	ARIJ, UAWC, MoA	500 000 - 1 500 000
	1.1.5 Design and disseminate case studies on GAP to identified farmers and collectives in order to enhance knowledge of GAP.	1	VCH	Twenty-five elaborated and disseminated case studies per year.	Evaluation report documents the level of achievement.	MOA	PARC, ARIJ UAWC, FAO	50 000 - 100 000
	1.1.6 Launch a media campaign (TV, radio, newspapers, billboards, schools, FFVH points of sale etc.) to raise awareness of the importance of GAP, and disseminate technical best practices.	2	VCH	Launch three media campaigns per year.	Three evaluation reports for each campaign: before the start, during implementation and after implementation.	PalTrade	PalTrade	500 000 - 1 000 000
	1.1.7 Trained agronomists and extension services (activity 1.1.2) to conduct regular job trainings and monitoring of GAP to increase overall knowledge and skill levels of farmers. This activity will focus initially on selected pioneering farmers. Recommended fields of training are: soil fertility and soil problems; compost production and content quality improvement; fertilization; pest control and programme design (i.e. integrated pest management); natural enemies and utilization; harvest practices.	3	VCH	One hundred and twenty agronomists receive training.	Certificates of trainees or trainings attendance sheets	Company for Organic Agriculture in Palestine (COAP)	MoNE, MoA, PSI, PalTrade	500 000 - 700 000

Operational objectives	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs US\$
1.1. Encourage the adoption of Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP)	1.1.8 GAP trainings and awareness-raising campaigns aimed directly at farmers and business owners to address water management practices and environmental risks/degradation.	2	VCH	Sixty trainees, both business owners and staff. Another 3 000 benefit directly and indirectly from the campaign.	Certificates issued by an accredited certification body	PSI	MoNE, MoH, PFU	200 000 - 400 000
	1.1.9 Encourage the development of information management systems (paper or electronic) within enterprises in order to build accumulated knowledge based on past data, as well develop documentation practices and systems.	3	VCH	Ten MSMEs, including cooperatives, benefit.	Evaluation reports from this activity and feedback from the MSMEs	ICT	MoA, MoNE	500 000 - 1 300 000
	1.1.10 Launch an annual programme to identify best-in-class producers through a GAP panel.	2	VCH	Three annual ceremonies reward the ten best-in-class farmers.	List of rewarded farmers and documentary of success story	MoA	Local NGOs, AAA, COAP, PSI	50 000 - 150 000
	1.1.11 Develop a comprehensive awareness-raising campaign involving case study dissemination and field training on ideal production structures and specifications.	3	Enterprises	Three comprehensive awareness campaigns.	Evaluation report for each campaign	PaITrade	MoNE, MoA, Solutions For Development Consulting Co.	100 000 - 800 000
	1.1.12 Establish Memoranda of Understanding between producing enterprises and accredited labs to ensure regular soil, water, and final product residues testing for FFVH produced commercially. Results to encourage best practices, improve produce reputation and provide guidance on chemical use in production processes.	3	VCH	Ten memoranda of understanding signed between accredited labs and FFVH producing companies.	Reports document the enhanced performance of farming processes and the quality of the final produce	MoA, MoH	Local laboratories, MoNE	400 000 - 600 000
1.2. Support the sector with effective research and development (R&D) and best practices development	1.2.1 Encourage R&D activities related to: pest control; post-harvest management; and quality management of FFVH products up to the consumer level. Disseminate results through trials and demonstrations to the Agricultural associations (AAA, ACU, etc.).	2	VCH	Conduct 10 research studies on the different topics.	Published R&D results for the cooperatives or for the public	ARIJ	PARC, MoA, An Najah National University, ACU, PFU	100 000 - 300 000
	1.2.2 Apply pilot demonstration trials (field experiments) to new varieties, new crops and new production technologies	3	VCH	Five pilot demonstrations per year.	Evaluation report for each demonstration	AAA	MoA, MoNE, PSI, PARC	100 000 - 150 000
	1.2.3 Organize exchange programmes between Palestinian MSMEs, producers, agronomists, technical staff, etc. with those of other countries to encourage best practices exchange (potential internal exchange experience, e.g. from Hebron in the south - experienced in grape and stone fruit production and processing - to the north)	3	VCH	Twenty internal exchange visits per year. Twenty external exchange visits per year.	Evaluation report per exchange visit	PaITrade	Donors, PARC, AAA, MoA	150 000 - 200 000
	1.2.4 Assess comparative advantages of potential crop types and varieties through a Policy Analysis Matrix and associated coefficients, mainly the Domestic Resource Coefficient.	2	VCH	Three comparative advantage assessments are conducted.	Published reports for the assessments and validation of the results	MAS	MoA, PARC, AAA, ARIJ, ESCD, UAWC	100 000 - 300 000
	1.2.5 Conduct a pilot study to assess the costs incurred by a selected group of Palestinian farmers in terms of acquiring inputs such as water and pesticides. After these costs have been identified and analysed (as a benchmark), train farmers and enterprises to lower and control costs.	3	Management level	Four pilot studies for each product list.	Published results per study as well as attendance sheets for the trainees	ARIJ	An Najah National University, Al-Quds University	20 000 - 80 000

Operational objectives	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs US\$
1.3. Improve business management practices	1.3.1 Conduct business management assessments of companies, cooperatives and producers to confirm cost-effective and better planning practices.	2	Local enterprises	One assessment is conducted per year.	Reports of the assessment are published	PalTrade	ARIJ, Al Sahel Consultancy, Solutions Consultancy	50 000 - 500 000
	1.3.2 Implement business planning and cost/benefits trainings for small and medium-sized business owners in the FFVH sector. Farmers should be trained in proper record keeping of their farm history to enhance their financial standing should they ever apply for loans.	3	Management staff	Five trainings conducted per year.	Attendance sheets for the trainees as well as evaluation of training sessions	PARC	MoNE, PBF, PIPA, PalTrade	50 000 - 150 000
	1.3.3 Conduct refreshment trainings for enterprises, both on-site and theoretical training, to encourage better management and maintain competency.	2	Cooperatives companies	Three trainings per year.	List of trainees who attended and evaluation sheets for each session	PalTrade	ABP/individual banks	30 000 - 120 000
	1.3.4 Support the development and maintenance of internal management systems and practices for cooperatives and enterprises.	3	Agronomists and business owners	Three cooperatives and/or enterprises receive support annually.	Evaluation reports for the new internal management systems are drafted, as well as HR manuals	AAA	MoA, international donors	100 000 - 250 000
1.4. Ensure effective quality management throughout the sector	1.4.1 Conduct an awareness-raising campaign for enterprises on international standards (voluntary standards such as GLOBALGAP, HACCP, BRC, Field to Fork, SEDEX SA8000, etc.), enterprise levels, and cooperatives.	3	Across VC	Current number of local enterprises that hold these certificates or some of them. Two awareness-raising campaigns conducted per year.	Evaluation reports for each campaign	PSI	PalTrade, MoNE, MoA	50 000 - 300 000
	1.4.2 Promote rehabilitation and maintenance of GAP and GMP through increased monitoring and maintenance of processing facilities to eliminate pest development. Recommended areas of intervention are: final product storage areas; reception areas; machinery; raw materials stores; handling areas in packing houses; workers' rooms; and service areas. Use the principle of elimination of breeding environments. Assessment will include compliance and actions taken to cover the assessed fields as well as an upgrading plan for each cooperative, company, or processing facility.	3	VCH	Rehabilitation of two packing houses or facilities per year.	Evaluation report reflects results for the rehabilitated processing facilities, and the number of certified facilities up to an international global standard like BRC	PalTrade	PFU, ACU, COAP, BESCO	100 000 - 200 000
	1.4.3 Develop and create a quality-sensitive pricing mechanism (grading system) through different approaches: » Establishing a daily mechanism for pricing according to quality grades and updating the list of prices. Prices should be listed per kg instead of the current mechanism of pricing in bulk per box. » Maintaining a developed recording and operating system in the local market. » Wholesale market reorganization for the adoption of pricing and grading systems; use lobbying and advocacy as well as cooperation with local municipalities.	3	VCH	One valid quality-sensitive pricing mechanism has been developed by the third year.	Evaluation report for the mechanism	PSI	MoL, CPC, MoA, PalTrade	400 000 - 1 200 000

Operational objectives	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs US\$
1.4. Ensure effective quality management throughout the sector	1.4.4 Develop and apply traceability to the FFVH sector, starting with a small number of producing enterprises exporting fresh produce and then expanding the system. Traceability to cover inputs, production and distribution.	3	Across VC	Development and application of a national traceability system for fresh produce in the State of Palestine.	Evaluation report for the traceability system/s	PSI	MoA, MoH, MoNE	200 000 - 300 000
	1.4.5 Support Palestinian certification bodies to be accredited as certifiers of GLOBALGAP and BRC and design a three year plan to build the capacity of COAP to conduct business on its own.	3	COAP cooperatives	Get accreditation for GAP and BRC for a minimum of one Palestinian certification body.	Certificate/s of Accreditation for a Palestinian certification body has/have been issued	PARC	PS, MoA	50 000 - 150 000
	1.4.6 Harmonize local and international quality requirements for FFVH to build up quality management of FFVH enterprises across the State of Palestine by reviewing standards and conducting monitoring at production and distribution levels. Once the system is reinforced conduct sector workshops at the national level to disseminate procedures and requirements.	1	All the VCH, mainly producers	Thirty quality standards reviewed per year and initiation of more harmonized standards for fresh produce.	Drafting of harmonised quality requirements	PSI	MoA, AAA, PARC, agricultural faculties, ARIJ	50 000 - 100 000
	1.4.7 Lobby for mandatory compliance with existing technical regulations and standards through advocacy campaigns (health, food safety and minimum requirements for trading).	2	Growers	Two campaigns per year are launched for this purpose.	Evaluation reports for each campaign	Consumer Protection Committee	PSI, MoH National Media TV	30 000 - 80 000
	1.4.8 Conduct workshops to promote application and enforcement of technical regulations and standards systems.	2	VCH	Three workshops per year conducted to promote application enforcement.	Attendance sheets of participants and deliverables that came out of the workshops	PSI	UNIOS associations, MoNE	60 000 - 100 000
1.5. Develop innovative mechanisms to increase financial access for FFVH production	1.4.9 Establish a training programme to certify auditors in the State of Palestine in HACCP, ISO2000, BRC SA8000, etc. to accelerate the process of higher standardization.	3	VCH	Six new auditors certified in international voluntary standards.	List of accredited certified auditors with their certificates attached	PSI	MoH, An Najah National University, MAK	100 000 - 200 000
	1.4.10 Improve compliance levels of imported and exported products through a strengthening of quality controls by PSI.	2	Across VC	Compliance levels are improved by 30% for both imported and exported FFVH.	Reports from the MoA and MoH on exports and imports show listed products that have been rejected from entering the country due to non-compliance with local quality standards	MoH	PSI, MoNE, MoA	500 000 - 600 000
	1.5.1 Promote collective purchasing through collective procurement (pooled resources) to buy inputs, acquire agricultural loans, and support formalization of buying and selling terms (commercial contracting, etc.)	2	VCH	Six FFVH cooperatives and groups of farmers fully apply collective purchasing.	Evaluation reports for the savings and/or net profits achieved through this activity (collective purchase orders and invoice payment requests)	REEF	UAWC, ACAD, ACU	70 000 - 270 000

Operational objectives	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs US\$
1.5. Develop innovative mechanisms to increase financial access for FFVH production	1.5.2 Establish an agricultural insurance scheme in association with Palestinian insurance companies and the government. This is to be supported by an agricultural insurance law.	3	VCH	One pilot agricultural insurance scheme serves about 2 000 farmers, individuals and cooperative members.	Drafting the new insurance law, then a list of cooperatives, individuals and companies that have benefited from agricultural insurance	Palestinian Insurance Federation	Parliament, MoA ACU, Palestinian Fresh Produce Council	1 000 000 - 2 000 000
	1.5.3 Establish specific government-funded agricultural credit lines, or even an agricultural development bank, aimed at providing preferential loans and credit to organized enterprises or cooperatives.	3	VCH	Twenty successful agricultural loans per year, either through an Agricultural Bank or ACL.	Evaluation reports for agricultural loans statutes and progress in establishing an Agricultural Bank. List of business deals that result from these credit lines.	MoA	PIBA, PMA, INB, ACAD, REEF	10 000 000 - 20 000 000
	1.5.4 Lobby to enhance the efficiency of reimbursements (VAT refunds) and allow new payment options.	3	VCH	Achieve 33% enhanced efficiency of reimbursements (VAT refunds) per year to become 100% by the end of the third year.	Evaluation reports for actual reimbursed VAT funds	PFU	ACU, MoA, MoF	66 000 - 100 000
1.6. Promote involvement in agricultural production and processing	1.6.1 Support youth involvement in the production process, mainly in post-harvest activities.	2	VCH	Achieve 20% growth per year in youth involved in agricultural activities.	Evaluation report for youth involvement in agricultural activities and new businesses owned and managed by youth (new agronomists)	MoL	Local youth organizations, youth clubs, MoNE	150 000 - 250 000
	1.6.2 Support women's involvement in the fresh produce production process, mainly in the herbs subsector.	2	VCH	Thirty women involved in fresh produce processing.	Evaluation report for FFVH enterprises with regard to women's involvement in the agricultural sector	MoWA	RWDS, AAA	100 000 - 400 000

Strategic Objective 2 : To strengthen the business, legislative and regulatory frameworks supporting the FFVH sector								
Operational objective	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs
2.1 Confirm and apply enabling policies and legislation to effectively support the FFVH Sector	2.1.1 Assess current economic and social policies related to FFVH to define enabling and disabling ones. Based on this assessment, advocate for redrafting the disabling ones based on the needs of the private sector.	2	Across VC	Redraft ten disabling social and economic policies as well formulating ten new enabling policies.	Drafts of new enabling policies	Lawyers association, associations of different VC stakeholders	MoNE, MoL, MoA, SCC, or other international donors	10 000 - 50 000
	2.1.2 Enhance existing laws, bylaws, organizational procedures and regulations related to FFVH exportation to be harmonized with international regulations and to make them more flexible to fit with global requirements.	2	VCH	Ten enhanced laws, bylaws and organizational procedures related to FFVH exportation.	First an assessment report for regulations and organizational procedures related to FFVH exportation, then drafts of new laws and bylaws that are harmonized with global requirements	Agricultural unions	Donors, PSI, MoNE, federations and cooperatives, as well as local NGOs	30 000 - 50 000
	2.1.3 Develop an organic agriculture legislative framework confirming organic inputs required for production and processing, and making the effort to confirm availability of these essential inputs.	3	VCH	Develop a formal organic agriculture legislative framework.	Published organic agriculture legislative framework	MoA	PSI, PARC, COAP, AAA, ARIJ	50 000 - 80 000
2.2. Establish management and marketing structures to support the sector's growth	2.1.4 Create a policy/plan to control and monitor how support is provided to producers. Support should be based on capacity to comply with quality standards (tested), and business management.	2	VCA	Develop a manual which reflects the main selection criteria that must be considered to provide support to MSMEs.	Draft of defined policy is published after being tested and having assumptions validated	PSI	MoH, MoNE ,MoA, PARC	500 000 - 1 500 000
	2.2.1 Continue the establishment and rehabilitation of soft and hard infrastructure through encouraging/promoting investments.	2	VCH	Ten new established infrastructure projects as well as rehabilitation projects.	Progress reports and/or evaluation documents for the projects	PIPA	MoNE, PSI, MoA, private sector	1 000 000 - 1 200 000
2.3 Enhance and develop trade support services (transport, cold chains, and packaging)	2.2.2 Implement pilot export business models (marketing companies, bulk exports, financial pooling, etc.) to build market linkages and enhance practical knowledge of companies.	2	Producers mainly, but also later in the VC	Five pilot business models must be implemented within three years.	List of implemented projects and quarterly evaluation reports on status and progress	PalTrade	MoNE, private exporting companies, donors	500 000 - 700 000
	2.3.1 Promote the establishment of specialized agricultural FFVH logistics and transportation companies through a support and incentive structure for these enterprises to start and grow operations.	3	Across VC	Have new specialized FFVH ISO, BRC, and HACCP certified logistics companies (or one company with four branches) founded to serve the sector in a strong position for export.	Registration certificates of the four logistics companies or one company with four branches (north, south middle (WB) and GS)	PIPA	PSI, MoA, PalTrade, MoNE, private companies	30 000 - 50 000
	2.3.2 Promote establishment of decentralized trade support services (bodies) and empower available ones. (I.e. support rehabilitation and accreditation of decentralized MoH labs and build their capacity to collect samples.)	2	VCH	Two bodies receive the support of decentralized laboratories.	Evaluation results for the newly established support services bodies, and progress reports	PalTrade	PCBS, MoA, MoNE, PSI, PSC	40 000 - 50 000

Strategic Objective 3 : Increase the sector's coordination and organisation to increase its ability to operate in a challenging global environment								
Operational objective	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs
3.1. Strengthen transparency and cooperation	3.1.1 Conduct awareness-raising campaigns to VC actors to enhance cooperation and organization of service provision as a mean to professionalize the VC and increase supply consistency.	3	VCH	Three awareness-raising campaigns aimed at professional co-operation between key actors.	Evaluation reports before and after launching each campaign	PalTrade	MoL, MoA, MoNE	100 000
	3.1.2 Organise regular business to business meetings, conferences and workshops to build trust between the produce owners, key actors, and retailers or exporters, to ease better business performance and bridge the gap between different arms of the commercial process. Regular meetings based on the seasons; producers meeting together to enhance proper planning.	2	VCH	Two workshops and 20 B2B meetings conducted per year.	Copies of contracts signed, if any, as a result of B2B, and attendance sheets of meetings and workshops	PalTrade	MoL, MoA, MoNE	220 000 - 300 000
	3.1.3 Promote a specialized council composed of FFVH VC stakeholders in order to increase private-public dialogue and collaboration in the sector, and for its development.	2	VCH	Establishment of a strong FFVH Council to increase private-public dialogue.	Formal authorization and registration of the FFVH Council	MoA	MoNE, PARC, local NGOs, private sector, cooperatives, and unions	200 000 - 300 000
	3.1.4 Improve transparency between stakeholders through the development of legislative and monitoring frameworks to support the contractual arrangements mandatory for dealing in commercial quantities, mainly in the wholesale market.	3	Growers and business owners	Establishment of a new monitoring framework for the whole-sale market.	Evaluation reports and/or signed contracts	Agricultural and industrial Chambers of Commerce	MoNE, SCC, MoA, PARC	120 000 - 130 000
	3.1.5 Promote contractual business transactions as a way to contribute to solving liquidity issues for small producers and facilitating the business of exporting companies through forward planning in terms of varieties of produce and quantities, etc.	3	Growers and business owners	Promote 20 business transactions per year. Number of business based on pre contracts	Evaluation of business transactions and sustainability assessment reports	Fresh Produce Council	PARC, MoL, MoA	1 000 000
3.2 Strengthen cooperatives and associations operating in the sector	3.1.6 Develop, disseminate and enforce a code of ethics for sector stakeholders.	2	Across VC	Development of a code of ethics for FFVH exporting or producing parties, addressing values and criteria of business.	Draft of the code of ethics is published	PSI	MoL, MoA, PARC	50 000 - 80 000
	3.2.1 Develop a good governance manual for cooperatives and other key cooperation investments, and conduct multilevel trainings about the benefits of good governance.	2	VCH	A good governance manual is developed and 20 trainings conducted to develop and explain the manual.	Good governance manual is published –trainings attendance sheets are available.	MoL	MoL, MoA	100 000 - 120 000
	3.2.2 Ensure regular monitoring of cooperatives and associations to ensure efficient and transparent governance. This could be a key framework to secure financial lending to these associations.	2	Cooperatives sector	Twenty cooperatives and associations are regularly monitored per year.	Monthly or quarterly evaluation reports	MoL	MoA, MoNE	100 000 -150-000
	3.2.3 Review and modernize the legal framework for cooperatives and associations to ensure these groups are required to provide regular financial and governance reports as a means of increasing transparency and efficiency.	1	Cooperatives sector	Full revision of the legal framework for efficiency and transparency of cooperatives.	Draft of the new the legal framework	MoL	MoA, PARC, ACU,	50 000 - 60 000
	3.2.4 Elaborate the best practices monitoring and dissemination framework to highlight successful business models of cooperatives and associations, especially those related to cooperative investments.	3	Growers and business owners	Highlight three successful business models per year belonging to cooperatives.	Published manual of elaborated best practices and documentation of successful businesses	AAA	MoL, SCC	50 000 - 70 000

Strategic Objective 4 : Increase the sector's capacity and its ability to enter and sustain export relationships in current and emerging markets								
Operational objective	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs
4.1 Enhance access to target markets through better market knowledge and visibility	4.1.1 Complete export readiness assessments of FFVH enterprises. Define level of readiness: potential, emerging, and active.	2	Local exporting enterprises	Ten FFVH enterprises are fully assessed and their level of readiness defined.	List of beneficiary companies	PalTrade		30 000 - 60 000
	4.1.2 Based on export readiness assessments, train enterprises on how to prepare for market development and participation in trade fairs: » Preparing promotional materials in the language and culture of the host country » Presentation and visibility » Managing supply and demand » Identifying and targeting potential buyers	3	Exporting MSMEs	Ten FFVH MSMEs and cooperatives benefit from training and promotional materials as well as trained personnel.	Evaluation questionnaire for the MSMEs, attendance sheets and comparison documents for the beneficiaries before and after trainings	PalTrade	MSMEs	50 000 – 150 000
	4.1.3 For ready enterprises, assist participation in international trade fairs.	1	Producers, exporters, all the VCH	Three FFVH MSMEs per year assisted to participate in international trade fairs.	Pre- and post-performance evaluation results for each participant company, documented evaluations, and lessons learned reflecting on product development	PalTrade,	Private sector	120 000 – 140 000
	4.1.4 Develop and maintain a database providing valid and updated information on market requirements and buyers' requirements to enhance exporters' performance.	2	Exporting companies	Develop a database providing market and buyers' requirements that could serve 20 MSMEs with updated and valid data.	Publishing the database on a formal, accessible website and collecting feedback by regular evaluation reports from each participating MSME	PalTrade	MoNE, donors	100 000 – 120 000
	4.1.5 Organize B2B meetings with international clients to encourage potential international business.	3	Decision makers	Conduct three B2B meetings outside the country.	Evaluation report for the B2B meetings and follow up procedures	PalTrade	Unions, MoA,	70 000 - 90 000
	4.1.6 Establish a temporary distributor hub for Palestinian FFVH products abroad in order to achieve maximum exposure in different potential markets.	2	VCH	Establish three distributor hubs.	Evaluation reports and the progress of commercial business for FFVH exporters.	PalTrade	Donor funding USDA, SIDA	1 000 000 – 1 200 000
	4.1.7 Ensure regular and updated market information about the FFVH sector is available through a website or magazine; ensure this source of information can be trusted.	3	Producers and exporters	Officially launch a website and monthly newsletter.	Having the website functioning, and regular evaluation reports and feedback from the clients	PalTrade	MoNE, Unions	100 000 – 125 000
	4.1.8 Complete a regular full market study (fee-based or partially fee-based) for the FFVH sector to structure market segment identification (current, growing and emerging).	2	VCH	Conduct a full study that covers the sector (forming a steering committee to handle it).	Report of the study	PalTrade	Unions, private sector	1 000 000 – 1 200 000

Strategic Objective 4 : Increase the sector's capacity and its ability to enter and sustain export relationships in current and emerging markets								
Operational objective	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Estimated costs
4.2. Enhance logistics information and potential alternatives for efficient export.	4.2.1 Develop mechanisms to get better information flow about trade and logistics information (national and international) such as monthly logistics prices and basic knowhow to compare various prices for the same services.	2		Develop a mechanism to get better trade logistics information flow which will contribute to increasing the market share of five exporting companies.	Regular reporting from MSMEs and evaluation reports on the services provided	PSC	PalTrade	300 000 – 400 000
	4.2.2 Organize structured dialogue between FFVH operators and logistics companies (national and international) to enhance logistics companies' and their technical staffs' management of perishable products (special technical treatments and constant monitoring).	3	VCH	Provide 10 FFVH MSMEs with this service.	Evaluation reports on the services provided to exporting companies	PSC	PalTrade, MoNE	100 000 – 130 000
4.3. Develop small and medium FFVH producers' capabilities to take advantage of better business opportunities in the global market	4.3.1 Design case studies and promote successful business and export models of the FFVH sector on one website and monthly newspaper.	1	Across VC	Serve the FFVH sector by designing and promoting ten case studies per year.	Recorded case studies	PalTrade	PFU, MoNE, MoA	50 000 – 80 000
	4.3.2 Increase marketing capabilities of SMEs in the FFVH sector through conducting advanced trainings on best practices in marketing, developing CRM systems, and applying case studies and practical examples, etc.	2	VCH	Conduct six specialized trainings per year, aiming to benefit 90 marketing officers/managers.	Training attendance sheets and evaluation sheets for the trainings	PalTrade	PBF	200 000 – 220 000
	4.3.3 Support branding and promotion efforts of Palestinian FFVH by getting external experience to design and implement a branding campaign.	2	VCH	Have three new brands developed annually for FFVH products through cooperation with international expertise.	Published branding books for each company contributing to this activity	PalTrade	SCC, Unions, associations, international marketing companies	1 000 000 – 1 200 000
	4.3.4 Promote marketing and exporting to cooperatives to develop small and medium producers.	2	VCH	Have six cooperatives and/or joint ventures develop their FFVH market share especially for export.	List of cooperatives exporting FFVH directly to the global market, as per certificates of origin and authorized paperwork (packing lists, commercial invoices, etc.)	PARC	MoA, PalTrade	100 000 – 150 000

Strategic Objective 4 : Increase the sector's capacity and its ability to enter and sustain export relationships in current and emerging markets							
Operational objective	Activities	Priority 1=low 2=medium 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners
4.5 Market diversification and penetration options	4.5.1 Support initiation of new direct market linkages with new customers in potential markets based on higher potentiality and expected business opportunities.	3	Exporters	Support initiation of 10 new direct market linkages with new global customers for fresh herbs, vegetables and fruits.	Reports reflect the number of business deals and contracts signed with new customers as well as the amount of sales in the second and third years using commercial invoices and packing lists	PalTrade	MoNE, MoA, private sector and cooperative unions, international NGOs
	4.5.2 Promote market development initiatives that mainly focus on building Palestinian FFVH MSMEs' capacities to meet market requirements as well as to promote the market-driven approach to producers.	1	Exporters	Build the capacities of six FFVH MSMEs, including cooperatives, to meet market requirements, as well as promote the market-driven approach to producers.	Evaluation reports on the participating MSMEs and periodic feedback on progress	PalTrade	Agricultural cooperative unions, PSC, PARC, MoA, MoNE
	4.5.3 Support developing fresh exports for current global customers through making in-demand products available to desired buyer requirements.	2		Twenty fresh export growth in volumes and values.	Total amounts of exported fresh produce for current global customers as reflected in commercial invoices	PalTrade	Private exporting companies
	4.5.4 Support activities to develop new product varieties based on growing international demand for certain agricultural products such as sumac, carob, kiwi fruit, and Maris Peer potatoes; among other varieties, and maintain acceptable levels of sales from the various subsectors based on profitability and performance efficiency benchmarked to global trends.	3	VCH	Support six major producers of FFVH to develop new products; between 3-6 varieties. Amount of new crops being exported to global customers.	Evaluation reports and total volumes and values of new exported varieties as reflected in the authorized packing lists and commercial invoices of each exporter	MoA	PalTrade, PARC, AAA, UAWC, MoNE

ANNEX 1: SECTOR TEAM MEMBERS

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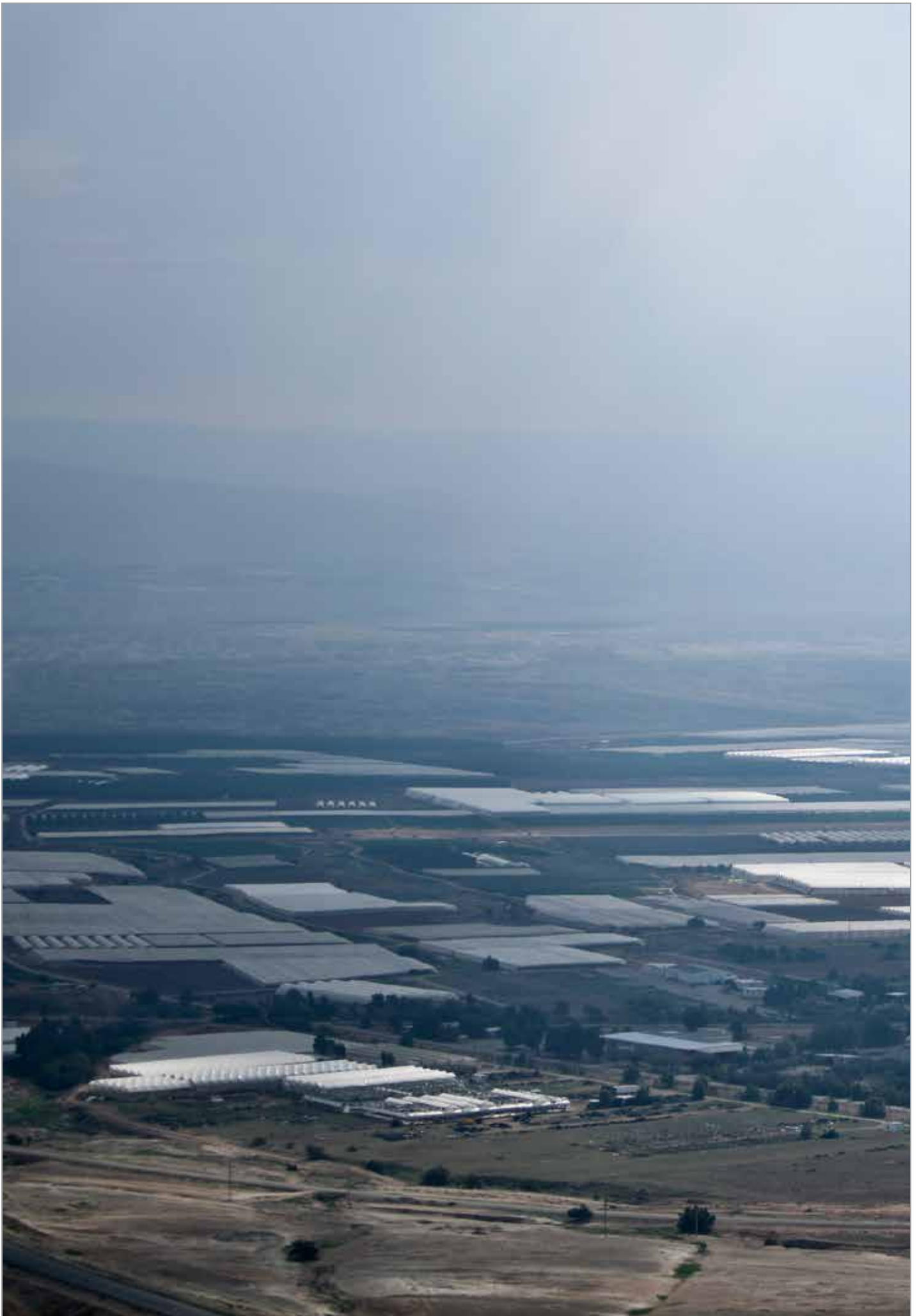
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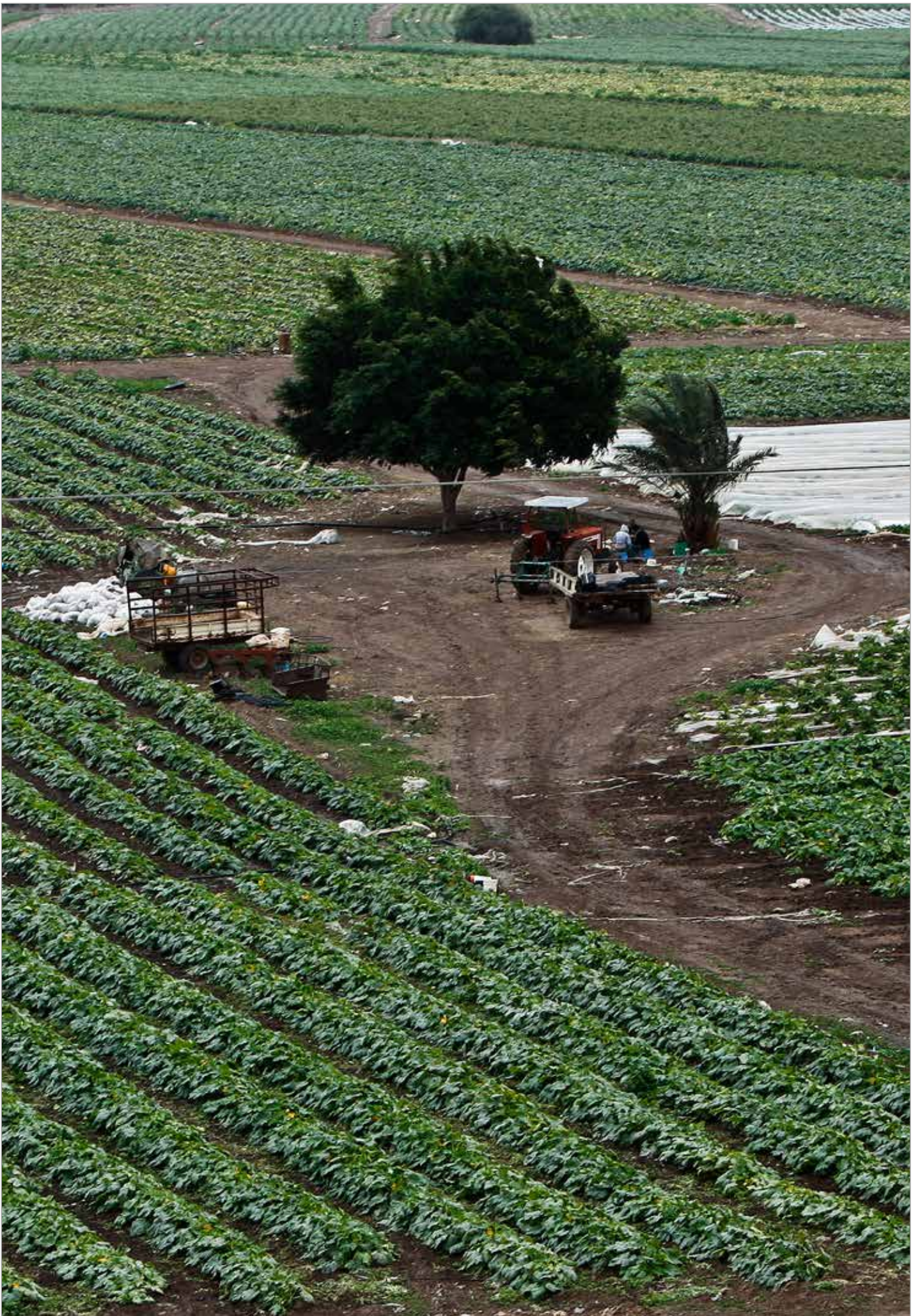
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