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Jordan Ends Bread Subsidies, Implements USDA-Style SNAP EBT Program

Report Categories:

Agricultural Situation, Agriculture in the Economy, Agriculture in the News, Climate Change/Global Warming/Food Security, Grain and Feed, SP3 - Build Demand in Developing Countries through Trade Capacity Building, Export Accomplishments – Other,

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Report Highlights:

Jordan is replacing its bread subsidy program with targeted supports starting February 1, 2018. The new mechanism will deliver cash support of \$241 million (to approximately 6.2 million Jordanians and Palestinian refugees) through a domestic hunger safety net system modeled on the U.S. Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP) and paid out through an electronic benefit transfer (EBT) card. The system is structured to reduce fraud and waste. FAS Amman and the FAS Office of Capacity Building and Development have been instrumental in coordinating and providing the technical assistance for helping reform Jordan's bread subsidy system.

General Information:

King Abdullah II bin Al-Hussein met on January 8, 2018, with Jordan's Speaker of the House of Representatives Atef Tarawneh and the presiding presidents of the lower house committees. The King reportedly stressed that the economic reforms being implemented need to take into consideration protections for Jordan's low-income citizens, as well as empower the country's middle-class. The importance of tackling the public debt, while focusing on economic growth was highlighted. The King noted that the major challenges facing Jordan's economy are poverty and unemployment. He clarified that there is the need to work hard and find different approaches to these issues in 2018.

Reportedly the country's total revenue for 2018 is set at approximately Jordanian dinar (JOD) 8.5 billion (or about \$11.9 billion at JOD 1 = \$1.41), including foreign grants of JOD 700 million (\$987 million). With an expenditure of over JOD 9 billion (\$12.6 billion), a deficit of roughly JOD 543 million (\$765 million) or around 1.8 percent of gross domestic product (including grants) is expected. The fiscal deficit (including grants) reached JOD 726 million (\$995 million) in 2017 (January-September).

The Government of Jordan announced that it is replacing on February 1, 2018, its decades-long bread subsidy program with targeted assistance; setting new bread prices in the process. Minister of Industry, Trade and Supply (MIT) Yarub Qudah during a January 8, 2018, press conference explained how the bread subsidy will be replaced by a targeted assistance regime. The ministry for decades has managed Jordan's bread subsidy; it will continue to set price caps for bread, but no longer directly subsidize the product to bakeries.

Minister Qudah confirmed the new bread prices. Bread prices are now set for small pita loaves at JOD 0.40 (\$0.56) per kilogram, up JOD 0.16 (\$0.23) or increasing 67 percent. The price for large pita loaves is now set at JOD 0.32 (\$0.45), up JOD 0.16 (\$0.23) or increasing 100 percent. The price for traditional bread is now set at JOD 0.35 (\$0.49), up JOD 0.17 (\$0.24) or increasing 94 percent. The new prices will remain in place through March 2019; Jordan has sufficient wheat (i.e., both delivered and contracted purchases) to meet current domestic supply needs. Jordan is an insignificant producer of wheat and depends on imports (see, [GAIN – JORDAN Grain and Feed Update 2017: Corn is King – U.S. Corn Exports to Jordan Hitting 150,000 MT](#)). Bakery and other non-subsidized products remain unaffected.

Sources indicate that over 35 percent of Jordan's population is composed of non-Jordanians. These however account for an estimated 40 percent of the subsidized bread consumption. By replacing the bread subsidy program with targeted assistance, the government is expected to save roughly \$106 million; in 2017 Jordan allocated approximately \$170 million for the bread subsidy program. FAS Amman understands that an estimated 25 percent of the subsidized bread, due to its lower cost goes to waste, often being used as animal feed.

Large bakeries welcome the measure. These inform FAS Amman that reform of the subsidy should help put an end to subsidized wheat flour leakages that distort the commercial market. Bakeries that traded/resold subsidized wheat flour are expected to drop out of the bread market. Minister Qudah comments that the current market price of wheat flour is about \$332 per metric ton (MT). The price at which the ministry has been subsidizing wheat flour is approximately \$71

per metric ton. The wide spread in prices has reportedly fomented a black market and illegal practices (including tax evasion).

The Government of Jordan will deliver cash supports of \$241 million in 2018. Some 6.2 million Jordanians and Palestinian refugees will receive about \$38 per person through a domestic hunger safety net system modeled on the U.S. Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP). Supports are to be paid out through an electronic benefit transfer (EBT) card. The system is structured to reduce fraud and waste.

FAS Amman and the FAS Office of Capacity Building and Development have been instrumental in coordinating and providing the technical assistance for helping to reform Jordan's bread subsidy system. A large group of Government of Jordan senior-level technical officers from the Ministries of Planning and International Cooperation, Industry, Trade and Supply, and of Finance, as well as from the Central Bank of Jordan and the National Aid Foundation gained enhanced expertise through participation in the FAS Cochran Fellowship program.

The country's lack of natural resources (namely insufficient supplies of water, petroleum, and natural gas) and the large refugee inflow and regional turmoil are hampering growth. Energy imports account for 25-30 percent of Jordan's total imports. Other economic challenges faced by the government include high rates of poverty, unemployment and underemployment (especially among the youth), budget and current account deficits, and government debt (see, [GAIN – JORDAN Exporter Guide 2017 Annual](#)).

Table A: Jordan, Key Trade and Demographic Information

Agricultural Imports From All Countries (\$Mil) / U.S. Market Share (%) ^{1/}	\$4.2 billion/ 5.8%
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%) ^{1/}	\$2.3 billion/ 5.0%
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%) ^{1/}	\$53 million/ 0.5%
Total Population (Millions) / Annual Growth Rate (%)	10.2 million/ 2.9%
Urban Population (Millions) / Annual Growth Rate (%)	8.6 million/ 1.26%
Number of Major Metropolitan Areas (over 1 Million)	Three Metropolitan Areas Amman (capital) 4.2 million Irbid 1.8 million Zarqa 1.4 million
Size of the Middle Class (Millions) / Growth Rate (%)	~2.0-2.2 million/ NA
Per Capita Gross Domestic Product (U.S. Dollars)	\$8,793 PPP
Unemployment Rate (%)	18%
Per Capita Food Expenditures (U.S. Dollars)	\$1,080 (2016)
Percent of Female Population Employed	17.7%
Exchange Rate (January 2018)	JOD 1.00 = \$1.41

Note: NA = Not available.

Sources: (1) FAS-UNTrade, Jordan Department of Statistics, Economist Intelligence Unit, Central Intelligence Agency, USDA-Economic Research Service, World Bank, FAS Amman office research.