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Jordan

Grain and Feed Annual

U.S. Rice and Corn Exports to Reach 100,000 MT each in MY2017/18

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Report Highlights:

In MY2017/18 wheat imports are forecast to reach 1.3 MMT. Barley consumption is expected to decrease by eight percent to 845 TMT, as ranchers reduce their herds due to a slowdown in demand of their prized “awasi” sheep in the Gulf countries.

MY2017/18, corn imports are forecast to drop to 600,000 MT, as the poultry industry undergoes a painful correction. U.S. corn and rice will each supply 100,000 MT.

Executive Summary:

The Hashemite Kingdom of Jordan is among the poorest water resources countries on earth. Water scarcity is the limiting factor of the country's ability to grow crops. As a result, Jordan's domestic production of cereals is negligible.

In MY2017/18, Jordan's wheat consumption is forecast to reach 1.3 million metric tons (MMT); none is expected to be imported from the U.S. Barley consumption will decrease to 845TMT from 910 TMT in MY2017/18, as ranchers reduce their herds due to a slowdown in demand of their prized "awasi" sheep in the Gulf countries. The key suppliers of wheat and barley will be Black Sea sources, mainly Romania, Russia, and Ukraine.

In MY2017/18, corn imports are forecast to drop to 600,000 MT, with U.S. origin corn expected to supply 100,000 MT. The drop in imports and consumption is due to the poultry sector's painful correction after a period of rapid growth, leading to huge losses as persistent low prices took hold for most of MY2015/16 and MY2016/17.

Rice imports will amount to 210,000 MT, of which the US will be the top supplier with 100,000 MT.

Commodities:**Wheat****Production:**

Production of wheat is negligible in Jordan. In MY2016/17, due to average rainfall production remained stable at 25,000 MT, providing close to one week of the country's annual consumption needs and is expected to remain unchanged in MY2017/18.

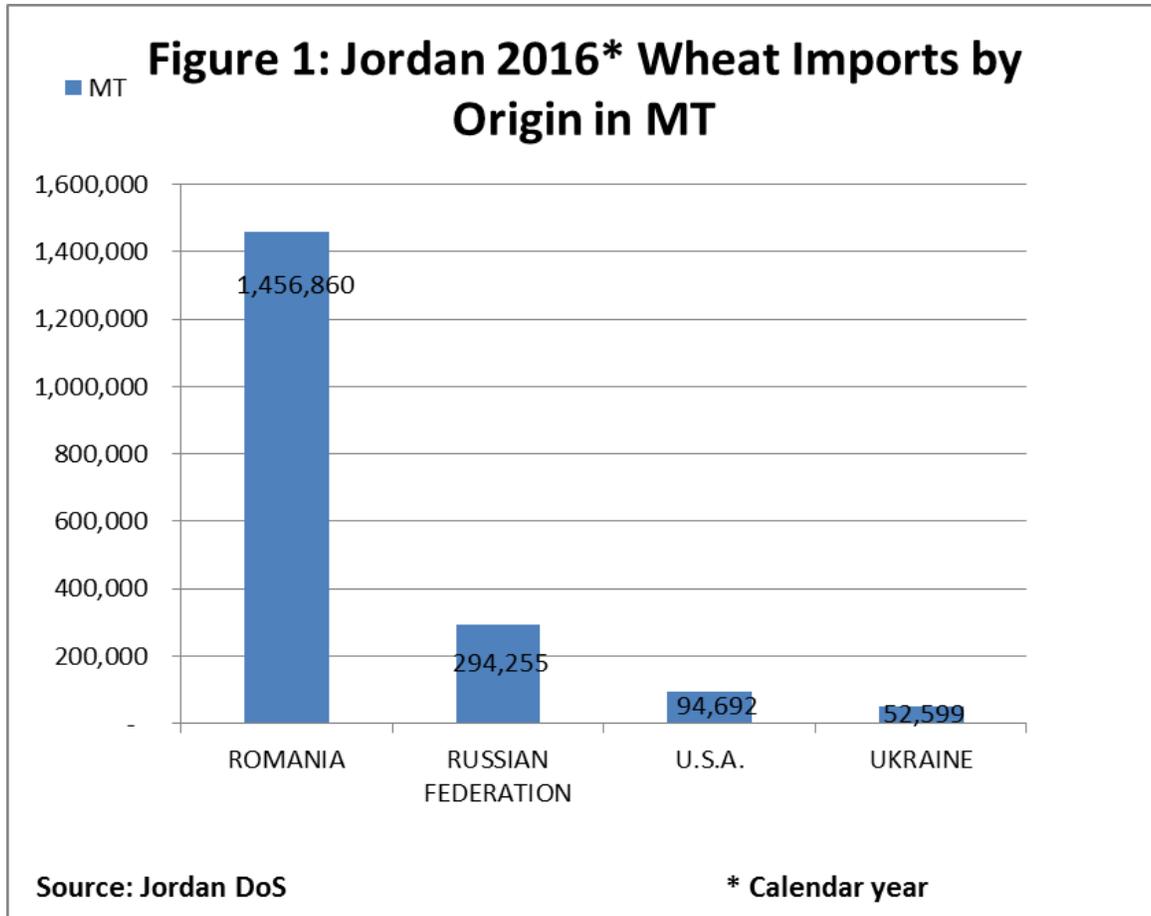
Consumption:

In MY2017/18, FAS/Amman forecasts consumption at 1.3 MT, same as MY2016/17. A stark contrast from previous years, which witnessed unprecedented growth in consumption, due to the influx of Syrian refugees and a testing economic environment. Although the challenging economic environment endures, the refugee influx has ended, furthermore some refugees have begun to return on their own to Syria.

Trade:

In MY MY2017/18, wheat imports are forecast at 1.3 MMT. The top wheat origin is expected to remain unchanged from MY2016/17 with Romania as the lead, followed by Russia, and Ukraine. U.S. wheat imports are not expected in MMY2017/18, however, in MY2016/17, U.S. imports are expected to account for 100 TMT, all of it under the fourth FAS Food for Progress program with the GoJ.

In CY2016, prevailing low international prices prompted the GoJ to increase its wheat purchases in an attempt to hedge its bets against future price increases, setting an unprecedented record of wheat imports at 1.43 MMT.



DoS=Jordan Department of Statistics

Stocks:

In MY2017/18, Post forecasts beginning stocks at 760 TMT in addition to 200 TMT that have been purchased and making their way to Jordan. An inventory that meets close to 10 months of consumption, in line with the GOJ’s policy.

MY2016/17 ending stocks are revised up to 760 TMT from USDA’s official forecast of 675 TMT as low international prices and an increase in storage space prompted the government to purchase larger-than-normal stocks of wheat.

The GoJ finalized its silo expansion project by increasing its storage capacity by an extra 225 TMT, plus an additional 100 TMT that is currently in construction, alleviating the tight storage capacity that affects all commodities, and ensuring food security. The new port in Aqaba, where the new silos are

located, received the first Panamax wheat vessel carrying 48,000 MT of Romanian wheat during the first week of March 2017.

Policy:

Jordan’s wheat bread, known as “unified bread” (in Arabic as *mowahad*), is fully subsidized by the government and all consumers are entitled to it. The GOJ sets the price of subsidized wheat flour so that bakeries are able to sell the bread at US\$ 0.22 per kg. To do so, the GOJ provides bakeries wheat flour extracted at a milling rate of 80 percent at US\$50 per MT, while the market price can attain a price of up to US\$350 per MT. Whenever there is an increase in the cost of an input used for making bread, such as fuel, the GOJ lowers the flour price to compensate for the increase. There are indications that the GOJ has plans to change its policy, as it recognizes that it’s a costly program fraught with market anomalies.

Marketing:

The Ministry of Industry and Trade (MIT) is the sole wheat importer in Jordan, selling its wheat to mills at the government’s set price, which is based on a moving average of the inventoried wheat’s cost, including purchasing, storage, and transportation costs. The mills subsequently sell the flour to bakers under MIT’s supervision.

The flour is sold to bakers at two prices: the all-purpose flour sold at a market price, which is the markup cost on milling fees from the wheat sold by the government (ranging between \$250-\$350 per MT), and the subsidized flour sold at a price that goes as low as \$50 per MT. MIT subtracts the cost of subsidy from the subsidized flour upon invoicing the mills. The difference between the two prices accounts for at least \$100 million in losses due to the program’s mismanagement and abuse, a well-known issue acknowledged by many stakeholders. Subsidized flour accounts for up to 90 percent of the country’s total wheat consumption, therefore, wheat milling and processing is a tightly regulated activity.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
Jordan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	20	20	20	20	0	20
Beginning Stocks	499	499	675	636	0	760
Production	25	25	25	25	0	25
MY Imports	1376	1337	1300	1427	0	1300
TY Imports	1376	1337	1300	1427	0	1300
TY Imp. from U.S.	143	95	0	100	0	0
Total Supply	1900	1861	2000	2088	0	2085
MY Exports	10	10	10	10	0	10
TY Exports	10	10	10	10	0	10
Feed and Residual	15	15	15	18	0	20
FSI Consumption	1200	1200	1300	1300	0	1300
Total Consumption	1215	1215	1315	1318	0	1320
Ending Stocks	675	636	675	760	0	755
Total Distribution	1900	1861	2000	2088	0	2085

(1000 HA) ,(1000 MT)

Commodities:**Barley****Production:**

Production of barley is negligible. Most barley is used for animal fodder during its early growth stages.

Consumption:

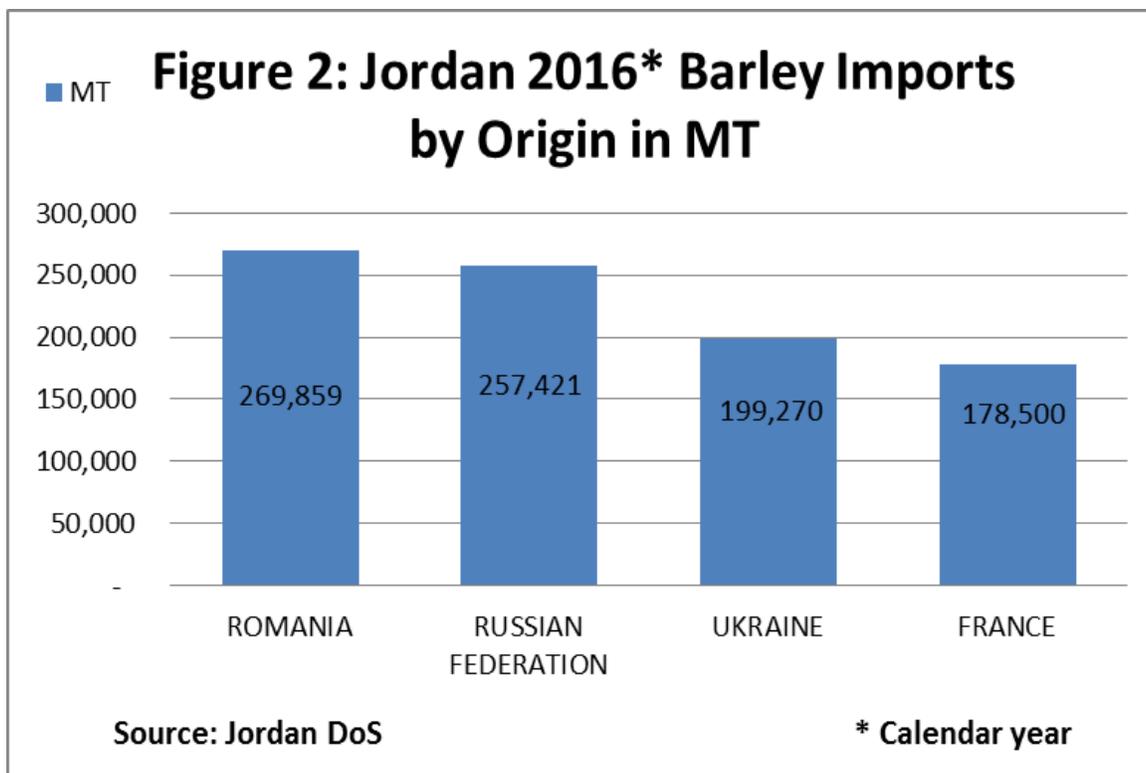
Post expects barley consumption to decrease in MY2017/18 to 845 TMT a drop of 7percent from Post's new forecast of 910 TMT in FY2016/17. The contraction in consumption is a direct result of sheep herders' declining returns, forcing them to downsize their flocks. The lower returns on sheep production are driven by the slowdown in economic growth in the Gulf Cooperation Council (GCC) countries, which is the key market for the prized "awasi" sheep. Jordan exported only 0.42 million head in 2016 compared to more than 0.6 million head of sheep to GCC countries in 2015.

The local "awasi" sheep characterizes itself for its exquisite palatability, fetching high prices in the GCC countries that have the purchasing power to pay a premium for it. Consequently, Jordan depends on lower priced imported sheep mainly from Australia, New Zealand and Romania to meet its domestic needs.

Most of the barley is used for sheep feed and to a lesser extent in dairy cattle and poultry rations. Barley use has dropped significantly after the GOJ adopted an animal tag system five years ago. Each shepherd receives subsidized barley according to the actual number of tagged animals, which is limited to up to 10 heads of sheep per herder. To circumvent this limit, farmers split their herd amongst family members to capitalize on the subsidy.

Trade:

In MY2017/18, total imports are expected at 825 TMT. A decrease in MY2017/18 to 825 TMT a drop of 3 percent from Post's new forecast of 850 TMT in FY2016/17. The decrease is a response to a drop in demand of "Awasi" sheep from local and foreign markets. Barley suppliers are Black Sea basin countries with Romania being the top supplier, followed by Russia, and Ukraine (figure 2). No barley imports from the U.S. have been recorded for a decade.



The GOJ is the main importer of barley and sets the selling price, which is usually an average of different origins and delivery dates, plus storage and handling costs, minus the subsidized discount, which is usually in the order of \$10-50 per MT. The system allows for arbitrage when significant price swings occur, as traders can quickly take advantage and profit by offering a lower price than the government's set price, effectively undercutting the program.

Stocks:

In MY 2017/18, Post expects, beginning and ending stocks to stay at 375,000 MT, a 6 percent increase from Post's new forecast of 353 TMT in MY2016/17.

Imports and consumption are expected to drop due to the drop in the regional prices of sheep meat, and a drop of local demand due to economic hardship, many famers have got rid of their herds or downsized them.

Barley's inventory amount is within the GOJ's policy of strategic stocks that requires meeting 10 months of consumption needs.

Policy:

Only sheep and goat owners receive subsidized barley in the form of a discounted price. This program excludes cattle and poultry farmers from receiving subsidized barley as these two agricultural subsectors are considered industries. The GOJ animal tagging project has created a reliable database on all ruminant animals in Jordan, replacing the questioned animal census.

Marketing:

The Ministry of Industry and Trade (MIT) is the predominant barley importer in Jordan. MIT solicits bids through traders that meet the stipulated standards. Once it purchases the barley, MIT distributes and sells the barley at the subsidized price to herders on the basis of the number of tagged animals that are recorded in the database with up to 10 heads per herder.

Production, Supply and Demand Data Statistics:

Barley Market Begin Year Jordan	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25	30	25	25	0	25
Beginning Stocks	505	505	433	405	0	375
Production	30	30	20	30	0	20
MY Imports	798	800	800	850	0	825
TY Imports	902	800	800	850	0	825
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1333	1335	1253	1285	0	1220
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	900	930	900	910	0	845
FSI Consumption	0	0	0	0	0	0
Total Consumption	900	930	900	910	0	845
Ending Stocks	433	405	353	375	0	375
Total Distribution	1333	1335	1253	1285	0	1220

(1000 HA) ,(1000 MT)

Commodities:**Corn****Production:**

Jordan's corn production is negligible, with annual production totaling less than 10,000 MT. Corn that is domestically produced is used for human consumption as corn on the cob.

Consumption:

In MY 2017/18, corn consumption is forecast at 635 TMT, a drop of a six percent from Post's revised MY2016/17 figure of 676 TMT. This is a direct result of the poultry industry's severe correction after record losses in CY2016 and CY2015, due to the sector's explosive growth in CY2014 and CY2013. This explosive growth has resulted in two consecutive years of oversupply with persistent low prices, putting many small and medium sized farmers out of business. Even the large integrators are being forced to curb production, as they rid themselves of their excessive supplies, which, in many cases, are sold below production costs.

This is a huge setback for Jordan's poultry industry, as it is considered the biggest agri-business sector in Jordan with an investment value of around \$ 3-4 billion. Local broiler production is currently around 200 TMT per year, while egg production increased more than 60 percent over the last two years,

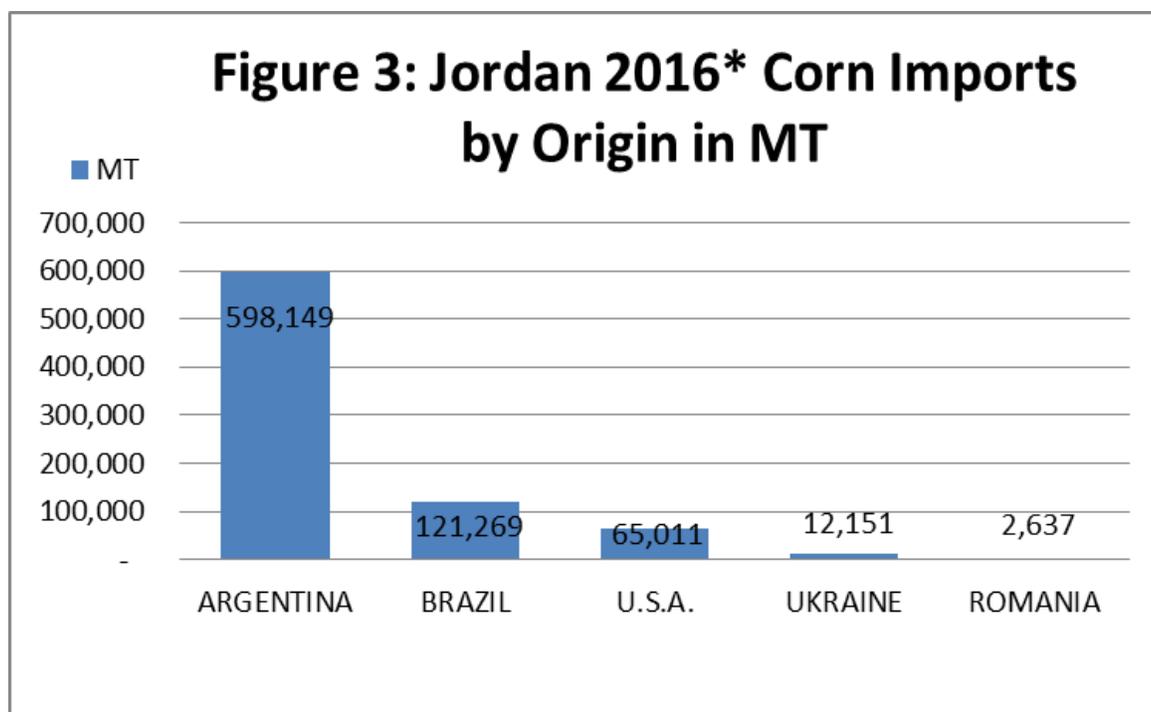
currently producing almost a billion eggs. It is expected that production will be reduced by 10-15 percent in the short term, and is expected to normalize by middle to late CY2018.

Trade:

In MY 2017/18 imports are expected at 600 TMT, compared to 680 TMT in MY2016/17, a 12 percent drop. The reduction in imports is a natural market response as the poultry market regains its equilibrium, as many small and medium sized farmers go out of business due to excessive losses.

In MY 2017/18, similar to MY2016/17, U.S. origin corn imports are expected at 100,000 MT a significant surge from 28,000 MT in MY2015/16. The increase in imports of U.S. corn is due to its competitive prices vis-a-vis its South American competitors.

The market is still dominated by Argentina and Brazil, supplying 90 percent of all imports, with the US coming in third with 7 percent of the market share (figure 3). The Jordan-U.S. Free Trade Agreement no longer provides an advantage for U.S. corn, as all imported corn is exempt from tariffs. Additionally, Argentinian and Brazilian importers are more versatile, accommodating shipments of 10,000-15,000 MT that the market requires.



Stocks:

Only a nominal amount of corn is stored on-farm by poultry farmers to meet their monthly needs, as no adequate storage system has been developed in Jordan. The latter is the reason why traders prefer to source small shipments of 10,000-15,000 MT.

Policy:

There are no restrictions on corn trade in Jordan, and specifications for corn are similar to U.S. standards. Issues that have arisen in the past are excessive broken kernels - consignments above 7.5 percent may face rejections- and corn that exceeds the established maximum residue limits for aflatoxins, which are equivalent to U.S. standards.

Marketing:

Corn in Jordan is imported and distributed through private sector traders, which is usually unloaded directly to trucks that deliver it immediately to dairy and poultry farms.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year Jordan	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1	0	1	1	0	1
Beginning Stocks	61	61	56	67	0	45
Production	10	0	10	10	0	10
MY Imports	820	817	675	680	0	600
TY Imports	820	817	675	680	0	600
TY Imp. from U.S.	29	28	0	100	0	0
Total Supply	891	878	741	757	0	655
MY Exports	25	40	25	36	0	0
TY Exports	25	40	25	36	0	0
Feed and Residual	800	771	670	671	0	630
FSI Consumption	10	0	10	5	0	5
Total Consumption	810	771	680	676	0	635
Ending Stocks	56	67	36	45	0	20
Total Distribution	891	878	741	757	0	655
(1000 HA) ,(1000 MT)						

Commodities:

Rice, Milled

Production:

Being one of the driest countries in the world, Jordan does not produce rice at all due to the crop’s high water demands.

Consumption:

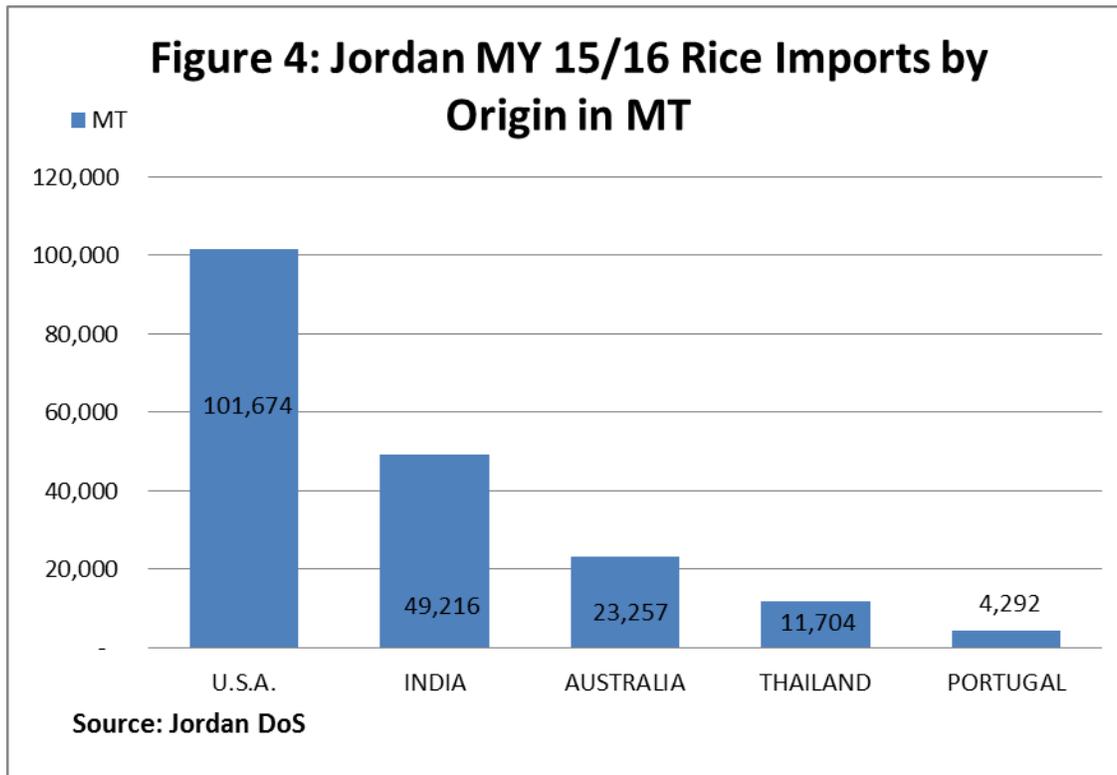
MY2017/18 consumption is expected to be 210,000 MT an increase of one percent from MY2016/17 209,000 MT, which is in line with the country’s population growth.

Rice is a staple of the Jordanian diet widely used in one of the country’s traditional dish called “mansef”, with an average annual consumption of about 24 kg per person. The preferred variety is medium grain (camolino), which constitutes over 50 percent of imports, followed by long grain white rice, and basmati and jasmine rice. The consumption of rice usually goes up during parliamentary elections, as contestants tend to sponsor big feasts of Mansaf to lure their constituents.

Trade:

In MY2017/18, imports are expected to reach 210,000 MT, unchanged from MY2016/17. U.S. market share for rice is expected to remain steady at nearly 50 percent supplying 100,000 MT. Although the price is relatively higher, the U.S. industry’s market development efforts have paid off, generating loyalty among Jordanian consumers who have developed a strong preference for U.S. origin rice.

Other major rice suppliers include the India, Thailand and Australia (figure 4). Most Asian rice is long grain that lies into two categories; long grain white rice, which is of lower price and constitutes most of the Asian imports. The second category is the aromatic and basmati rice that commands a premium over the medium rice, however its less preferred in the local recipes. The long grain’s market share has grown from less than 25 to almost 30 percent over the last five years.



Stocks:

Since rice trade is done by the private sector and there is no government policy on strategic stocks for this commodity, therefore minimal stocks are maintained for this commodity.

Policy:

There are no restrictions on rice trade in Jordan, and specifications are similar to U.S. standards.

Since the tariff duty on rice is zero for all origins, there are no any advantages offered by the free trade agreement with the US.

Marketing:

Rice in Jordan is imported and distributed through private sector traders that package and provides a continuous supply to retailers as soon as it is discharged from the vessels.

Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year Jordan	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	17	17	16	20	0	20
Milled Production	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0
Milling Rate (.9999)	0	0	0	0	0	0
MY Imports	200	205	210	210	0	210
TY Imports	200	205	210	210	0	210
TY Imp. from U.S.	102	102	0	100	0	100
Total Supply	217	222	226	230	0	230
MY Exports	0	1	0	1	0	1
TY Exports	0	1	0	1	0	1
Consumption and Residual	201	201	208	209	0	210
Ending Stocks	16	20	18	20	0	19
Total Distribution	217	222	226	230	0	230
(1000 HA) ,(1000 MT)						