Jordan Food Security Update

Implications of COVID-19

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Acknowledgments

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I. Executive Summary

While the government in Jordan maintained its efforts to keep COVID-19 pandemic spread under control, the pressure on food security has increased in Jordan as COVID-19 spillover effects expose structural challenges in the economy. Among Jordanians, 53 percent are vulnerable to food insecurity– corresponding to around 3 million individuals– and around 3 percent (219 186 Jordanians) of households are food insecure. Among all governorates, rural governorates are most susceptible to food insecurity, with Al-Tafilah by far the most food insecure region with 20 percent of households being food insecure.

With an economy already in crisis, COVID-19 has pushed 17 percent of Jordanians to permanently lost their jobs with unemployment skyrocketing to 26 percent in 2020. This is leading Jordanian households to adopt livelihood-coping strategies to adapt to food insecurity. Up to 42 percent of households are resorting to harmful livelihood coping strategies (crisis or emergency level) to address essential needs, compromising future household coping and productive capacities. While the vast majority among Jordanian households show an acceptable food consumption (96 percent), the economic impact of the COVID-19 pandemic has forced households to economize with food, with 55 percent of household using consumption-based coping strategies (as compared to 34 percent in 2014).

The food insecurity extends to the refugee community, as Jordan hosts one of the highest numbers of refugees globally. Data from July/August 2020 show that 21 percent of refugee households in host communities are food insecure, corresponding to 131 613 individuals [1]. These households have extreme food consumption gaps or rely on potentially irreversible coping strategies that will compromise future household productivity. Another 67 percent of households are vulnerable to food insecurity, equivalent to 417 293 individuals. Only 12 percent are food secure.

The Jordanian economy continues to be under stress from the unfolding implications of COVID-19. While the Jordanian government has introduced exceptional measures to protect formal sector workers, temporarily suspending some clauses of the Labor Law and introducing measures to prevent layoffs in the formal private sector, COVID-19 continued adding immense pressure on the jobs market during the second quarter of 2020. The formal sector constitutes around 56 percent of employment sector, including both public (34 percent) and formal private sector (22 percent). This leaves 44 percent of employees who work in the informal sector – and which includes most of labor in agriculture –left exposed to the shutdowns and economic crisis without any labor protections.

The latitude of government intervention, including to stabilize food security, will only become more limited. The fiscal stress will not be relieved by any economic growth and any increased government revenue, as the Jordanian private sector takes a heavy toll as the whole economic cycle falters. While the economy is opening up, only half of private sector enterprises – with a majority working on the food and beverages industry – were confident that they would weather the economic crisis resulting from COVID-19 and resume profitability.

Food and agriculture import costs are rising as Jordan seeks alternative sources for specific commodities being restricted for export, such as rice and pulses. With Jordan being highly import dependent, and with exports of key staples such as corn, wheat, and rice being highly concentrated among top-50 countries most affected by COVID-19, Jordan's food supply will only grow more volatile as a new wave of COVID-19 unfolds.

"Building Back Better" (BBB) needs to start immediately for Jordan[2]. The government, development partners, private sector, NGOs and social enterprises need to come together to hack solutions for the implications of COVID-19 on food security at the local. BBB measures on high priority as COVID-19 unfolds in Jordan include trade diversification, digitization, and enabling social enterprises, which can create innovative approaches to value chain efficiency and inclusion, which are greatly needed to roll back the negative implications on Jordan's food security.

[1] WFP mobile Vulnerability Assessment and Mapping (mVAM) July/August 2020.

Policy Recommendations

A focused policy effort towards "Building Back Better" is much needed to be integrated into a national food security and nutrition strategy for Jordan. Targeting low hanging fruits in boosting the agro-sector production, integrating digitization and entrepreneurship into agriculture, and providing a solid ground for boosting agriculture exports will help Jordan to respond the food security challenges unfolding with COVID-19.

1. Maximizing the potential contributions of Jordan's agri-food sector: Agro-food is a main source of income, employment and livelihoods for a large share of the population, especially in rural areas. The overall agri-food sector contributes to the livelihoods of about a quarter of the population in Jordan. The sector is labor- intensive and has a relatively strong long-term value-added elasticity of employment, which is much needed as unemployment grows. For every percentage point of growth in the value added of the agriculture sector, employment can increase by 0.36 percentage points while the corresponding employment increases for 31 industry and service sectors would be 0.30 and 0.20 percentage points[3].

2. Agricultural transformation to boost entrepreneurship: Harnessing the power of digitization and mobilizing finance for young entrepreneurs in the agro-food sector is needed, both in rural and urban areas. The agri-food sector offers business opportunities to many small and medium investors. As agriculture is less capital intensive than many other sectors, it offers investment opportunities to small and medium scale entrepreneurs who may not be able to enter other sectors dominated by larger companies.

3. Supporting the agriculture export industry: Jordan has a significant comparative advantage for exporting high-value fresh products to premium markets and there is room to expand agricultural production. The Jordan Valley, with its exceptional climate at 300 meters below sea level, is uniquely suited for production and export of early season fruits and Jordan's location, with close proximity to Arab, European and Russian markets, and year round climatic growing conditions allow Jordan to export to large nearby markets. Facilitating the adoption of quality and food safety standards and providing the necessary infrastructure (packaging facilities, cold stores and quality inspection labs) and diagnostic tools through digitization will help the Jordanian farmer increase their exports.

2 BBB is an approach to post-disaster recovery aimed at increasing the resilience of nations and communities to future disasters and shocks. The BBB ap- proach integrates disaster risk reduction measures into the restoration of physical infrastructure, social systems and shelter, and the revitalization of liveli- hoods, economies and the environment. It was adopted by UN member states as one of four priorities in the Sendai Framework for disaster recovery, risk reduction and sustainable development.

3 See http://documents1.worldbank.org/curated/en/325551536597194695/pdf/Agricultural-Sector-Note-Jordan-and-Lebanon.pdf

II. Macro Drivers of Food Insecurity

Global Commodity Prices

Global food prices continued to rise for the third consecutive month in August, after five months of decline between January and May 2020, led by vegetable oils, sugar and cereals. The FAO Food Price Index (FFPI) averaged 96.1 points in August 2020, up 1.8 points (2.0 percent) from July and 2.1 points (2.2 percent June) higher than its level in the corresponding month last year. The August FFPI, the highest since February 2020, represented an increase for the third consecutive month. While a weaker U.S. dollar provided support to international prices of most agricultural commodities, in August the price increases were more pronounced for sugar and vegetable oils with cereal prices also increasing, though more modestly. By contrast, meat and dairy values kept steady near their July levels.

The FAO Cereal Price Index averaged 98.7 points in August, up 1.8 points (1.9 percent) from July and 6.5 points (7.0 percent) above its value in the corresponding month last year. Among the major cereals, barley, maize, and rice prices rose the most. Barley prices also picked up strength, increasing by 3.2 percent month-on-month, reflecting a faster pace in exports from Argentina to China. Concerns over production prospects in the US following recent crop damages in the US Midwest pushed maize prices up by a further 2.2 percent in August. International rice prices also rose, after two months of successive declines, underpinned by seasonally tight availabilities and increasing African demand. In wheat markets, export prices rose, albeit slightly, as lower production prospects in Europe and increased buying interest started to push up prices towards the end of the month.

The world cereal production in 2020 is estimated at around 25.0 million tonnes, while the expected global cereal output still stands at 2 765 million tonnes, an all-time high and 58 million tonnes above the 2019 production. The world coarse grains forecast, now pegged at 1 496 million tonnes, down 23.5 million tonnes from the previous report in July, a decline due to a 26.3 million tonnes downward revision to the maize production forecast in the United States of America (USA), where plantings, albeit still up year-on-year, are lower than earlier expectations and recent storm damage in the Midwest caused crop losses and impaired yield prospects.

Overall, however, cereal crop yields are still expected to recover from the previous year's low level and the country's output is forecast at 380 million tonnes, 10 percent higher than in 2019. Production forecasts were also lowered in the European Union (EU) and Ukraine, due to adverse weather that diminished yield prospects, and in Indonesia, where the historical production estimates as well as the 2020 forecast were revised downwards in line with recently released official statistics. These reductions more than offset upward revisions to the maize production forecasts in Argentina and Brazil, with both countries expecting record-high harvests. The forecast for global barley production in 2020 has been trimmed by 1.2 million tonnes, driven by lower yield prospects in the EU, and now stands at 154.2 million tonnes.

Global wheat production has been reduced by 1.4 million tonnes since July, which puts this year's output at 760.1 million tonnes, marginally below the good outturn of 2019. The recent decrease is mostly the result of cuts to production forecasts in Argentina, the EU and the USA by 1.3 million, 4.0 million, and 1.1 million tonnes, respectively, which outweighed upward revisions for Brazil, Canada, the Russian Federation, and Ukraine. By contrast, small area-based increases to July forecasts of rice production in Colombia, the Philippines and the USA compensated for more downbeat expectations of output in the Laos and Vietnam. As a result, global rice production in 2020 is still projected at an all-time high of 509 million tonnes (milled basis), up 1.7 percent from the 2019 reduced level.

The forecast for world cereal utilization in 2020/21 has been increased by 11.0 million tonnes since July, now amounting to 2 746 million tonnes, up 63.1 million tonnes (2.4 percent) from the 2019/20 level. The projected growth and upward revision this month mostly reflect a foreseen increase in total utilization of coarse grains, revised up by 8.4 million tonnes since July and now surpassing the 2019/20 level by 51.5 million tonnes (3.6 percent). An anticipated increase in feed use of coarse grains, especially maize, up 31.4 million tonnes (3.8 percent) from 2019/20 levels, is the biggest driver of the expected annual growth. However, the recovery of industrial use from last year's slump, now seen increasing by 16.4 million tonnes (4.2 percent), as ethanol demand regains ground, also contributes to the anticipated expansion.

Global Trade

Global trade of major cereal commodities has not been largely affected by the COVID-19 pandemic. By end of August, the world trade in cereals in 2020/21 is estimated at 441.4 million tonnes, 6.3 million tonnes (1.6 percent) above the 2019/20 level. The forecast for world wheat trade in 2020/21 (July/June) has been raised to 181.5 million tonnes, marginally (0.3 percent) above the 2019/20 record level. The more robust wheat import demand in 2020/21 will likely be met by larger shipments from Australia and the Russian Federation, offsetting an anticipated cut in exports by the European Union. The forecast for world trade in coarse grains in 2020/21 (July/June) has been estimated at 201 million tonnes, likely pointing into a trade expansion of nearly 4.0 million tonnes (1.9 percent) from the 2019/20 level and marking a new record. On the other hand, ample exportable supplies and rekindling African demand are expected to sustain a 6 percent annual expansion in international rice trade going into 2021 to 47 million tonnes.

Nevertheless, as COVID-19 unravels, all food commodities value chains continue to be under risk from trade disruptions and price volatility. The World Bank has been monitoring the relationship between the number of COVID-19 cases and the control and resolution of food supply chain issues and challenges, particularly as more markets around the world enter the[4] recovery phase or second wave phase. Global trade has continued albeit some temporary shocks as trade restrictions have been lifted or reversed (see Figure 1), with demand picking up as countries started emerging from lockdowns post the initial first wave of COVID-19 from March to May 2020. Countries most affected by the COVID-19 pandemic are also top exporters of food products. A new World Bank database[5] shows that top 50 countries most affected by COVID-19, export on average 66 percent of the world's food supply. Their share of world exports goes from 38 percent in stimulant crops to more than 75 percent in vegetable and animal oils, fresh fruits, and meat (see Figure 1).

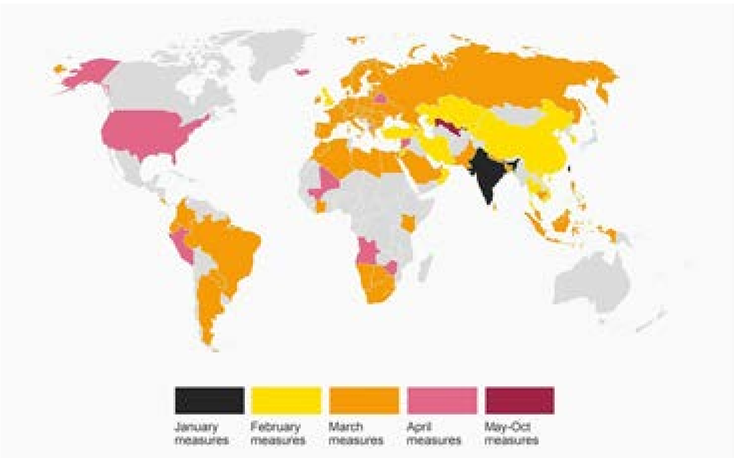

Figure 1: Agriculture and food export restrictions imposed due to COVID-19. 31 jurisdictions have imposed (?)_49 export controls since the beginning of 2020 (updated on 7 August 2020; Source: Global Trade Alert, European University Institute and the World Bank

Exports of key staples such as corn, wheat, and rice are highly concentrated among top-50 countries most affected by COVID-19. The European Union, Canada and Australia, (which are among the top-10 economies most affected by COVID- 19) represent 91 percent of world exports of oats, 66.1 percent of rye, 62.6 percent of barley and 42.1 percent of wheat. The United States of America represents more than 70 percent in world exports of flour (75.9) and grain sorghum (77.1). Other large exporters of cereals include Thailand, representing 24 percent of world supply of rice; the Russian Federation, with shares of world exportst of wheat, rye and barely ranging between 14 and 21 percent; and Brazil, whose exports of corn represent 13.9 percent of total exports. The United States of America, the European Union and China also represent more than 25 percent of global export supply of other food products such as meat, cheese, milk, and fish. Other affected countries such as Brazil, Ecuador, Malaysia and Indonesia also represent a significant share of world supply of respectively citrus fruit (48.7), bananas (30.4), and palm (cooking) oil (31.8).

[4] https://voxeu.org/article/covid-19-and-food-protectionism

[5] Espitia, A, N Rocha and M. Ruta (2020b), "Database on COVID-19 trade flows and policies", Washington DC: World Bank.See https:// www.worldbank.org/en/data/interactive/2020/04/02/database-on-coronavirus-covid-19-trade-flows-and-policies

Economic and Fiscal Pressure

The Jordanian economy continues to be under stress from the unfolding implications of COVID-19. Jordan is forecasted to register higher unemployment rate, starting in the second quarter of 2020 and well into 2021 (up to around 26 percent). This will be the result of the effects of a strict lockdown on an already fragile economy, mainly based on tourism, informal labor – which together employ more than 52 percent of the Jordanian workforce – and small and medium-sized enterprise (SME) – which accounts for approximately 95 percent of private sector businesses [6]. Jordan's travel and tourism sector — constituting around 13.8 percent of GDP in 2019 — saw a 56.5 percent drop in revenues in the month of March, rising up to an estimated 90 percent by August.

Figure 2. World imports from top-50 countries most affected by COVID-19 (Source: Espitia et al. (2020), "Database on COVID-19 trade flows and policies")

As international travel remains constrained, the flow of new foreign reserves will be hampered as the tourism industry struggles to get back on track. Furthermore, Gulf Cooperation Council (GCC) countries experiencing similar weak prospects for growth during the second quarter of 2020 will cause lower foreign direct investment and reduced remittance flows (around USD3.7 billion per annum). These combined factors will weigh substantially on Jordan's economic outlook and further strain public debt at USD42 billion—about ninety-seven percent of GDP, in addition to lowering government revenue, which decreased by USD849 million within the first four months of the year and is continued to slide, with lower prospects for the annual cash-in from taxation by December, increasing the likelihood of a higher-than- anticipated budget deficit for 2020.

In order to effectively combat the COVID-19 pandemic and continue funding the government, Jordan made major forays into the debt market. In July, Jordan raised USD1.75 billion from a double tranche eurobond at competitive rates to help the country cope with the economic fallout of the COVID-19 pandemic. A tranche of USD500 million at 4.95 percent over a 5- year maturity and another of USD1.25 billion at 5.85 percent over a 10-year maturity, were

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