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Ecuador

Oilseeds and Products

Annual Report

2005

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Report Highlights:

Ecuador's production of soybeans is insufficient to cover the domestic demand. Imports of soybean meal are fairly stable averaging 240,000 MT per year in the period 2000-2004. Soy oil imports are also stabilized at 95,000 MT per year. Through the CAN-Mercosur agreement, Ecuador grants preferences to imports of soybean meal and oil from Mercosur partners.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Quito [EC1]
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EXECUTIVE SUMMARY

Domestic production of soybeans is insufficient to meet local demand of both soybean meal for the animal feed industry, and soy oil used to produce blended cooking oil. Ecuador does not import soybeans to meet domestic demand, but imports important volumes of soybean meal and soy oil. In turn, Ecuador exports soybeans to Colombia. Soybean meal imports are fairly stable, averaging to 240,000 MT in the period 2000-2004. Ecuador imported 93,000 MT of soy oil in CY 2004, and is forecasted to import 92,000 MT and 95,000 MT in marketing years 2005/2006 and 2006/2007 respectively. Argentina, Uruguay and Bolivia are the main suppliers of soybean meal. Argentina provides 99.9 percent of crude soy oil to Ecuador. The CAN-Mercosur free trade negotiation entered into force in March of 2005. Through this negotiation, Argentina, Brazil, Paraguay and Uruguay, important producers of oilseeds & products, obtained significant tariff preferences to enter Ecuador.

OILSEED SOYBEANS

PSD Table

Country	Ecuador						
Commodity	Oilseed, Soybean						
					(1000 HA) (1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		06/2004		06/2005		06/2006	MM/YYYY
Area Planted	57	55	53	59	0	61	(1000 HA)
Area Harvested	57	53	53	56	0	58	(1000 HA)
Beginning Stocks	1	1	1	1	1	1	(1000 MT)
Production	94	86	86	90	0	92	(1000 MT)
MY Imports	0	0	20	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	95	87	107	91	1	93	(1000 MT)
MY Exports	50	60	56	30	0	25	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	40	26	46	29	0	30	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed,Seed,Waste Dm.Cn.	4	0	4	31	0	36	(1000 MT)
TOTAL Dom. Consumption	44	26	50	60	0	66	(1000 MT)
Ending Stocks	1	1	1	1	0	2	(1000 MT)
TOTAL DISTRIBUTION	95	87	107	91	0	93	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	60	0	0	0	60	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Export Trade Matrix

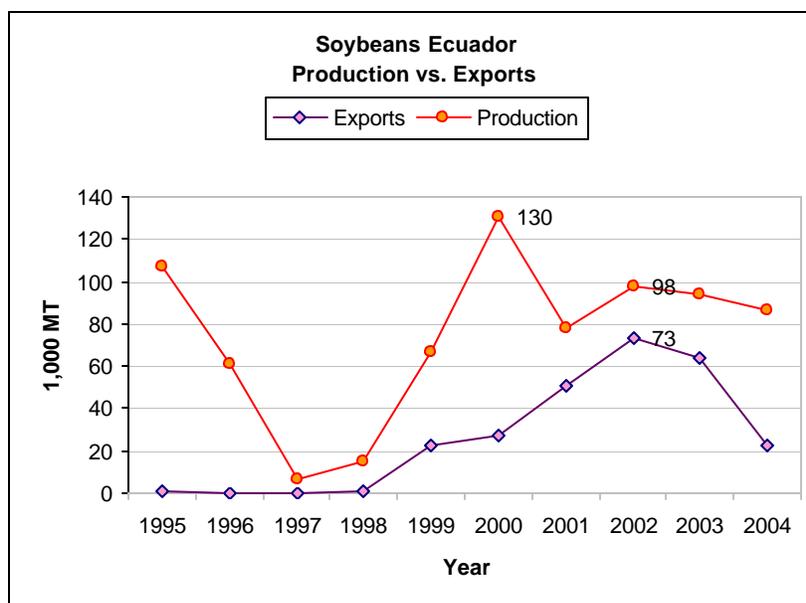
Country	Ecuador		
Commodity	Oilseed, Soybean		
Time Period	CY	Units:	MT
Exports for:	2003		2004
U.S.	0	U.S.	0
Others	Others		
Colombia	63600	Colombia	22000
Total for Others	0		22000
Others not Listed			
Grand Total	0		22000

Production

Soybean production in Ecuador is forecasted to increase slightly to 90,000 MT on 56,000 harvested hectares during MY 2005/2006. For the Marketing Year beginning in June 2006, an additional growth in production of 2,000 MT is expected. The 7,000 Ha increase in the planted area compared to MY 2004/2005 is explained by the Ministry of Agriculture's pressure over the feed meal industry to purchase 100% of Ecuador's soybean production at \$286/MT. Farmers are encouraged by this fact to plant a larger area of soybeans. Some farmers are also encouraged to plant soybeans in the hope to export it to Colombia. In the period 2000-2004, Colombia purchased 47,000 MT/year of Ecuadorian soybeans on average.

For the upcoming planting season, it is estimated that 59,000 Ha will be planted. However, it is also estimated that some 3,000 Ha will be lost as a consequence of low remnant moisture of the soil due to abnormal rainfalls during January through April. Soybeans are planted around July and August, and harvested between October and December.

Although Ecuador has an important demand for soybean meal and oil, local soybean production is not profitable or competitive, with yields averaging 1.60 MT per hectare. This crop is usually limited by lack of improved seeds, lack of technology, and high production and crushing costs.



Consumption

Local soybean consumption in Ecuador depends on whether or not part of the harvest is exported to Colombia. For MY 2005/2006, it is expected that Ecuador will export approximately 30,000 MT to Colombia, thus leaving an estimated 60,000 MT for domestic consumption.

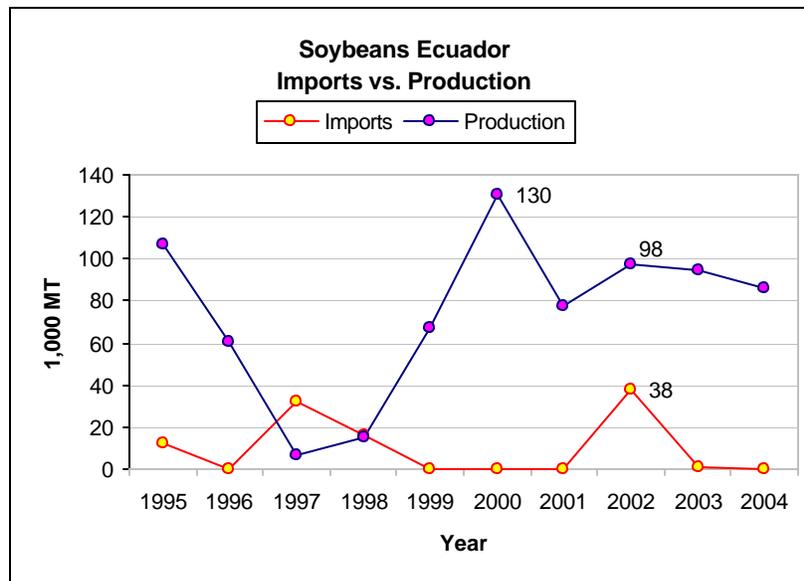
Given the rapid growth of the feed meal compound industry, Ecuador currently demands the equivalent of 480,000 MT of soybeans in soybean meal and oil. The local soybean production

is used in equal percentages for FFSM and for crushing. Ecuador has a very small crushing capacity of roughly 10,000 MT/month with a high processing cost, thus half of the feed industry has opted for processing the seeds themselves to produce FFSM for feed. For MY 2005/2006, it is estimated that 29,000 MT of soybeans will be directed to crushing (which would take three months), and 31,000 MT will be used as FFSM.

Trade

Ecuador is expected to export roughly 30,000 MT of soybeans to its traditional market of Colombia in MY 2005/2006. Exports usually take place during the months of November and December each year, at the peak of the harvest season. Given the higher price of Ecuadorian soybeans in 2004, and the commitment of the local industry to absorb the harvest, exports to Colombia were reduced to 22,000 MT.

Ecuador does not have a history of having imported soybeans on a regular basis. Imports have taken place when and if the local production is very low, or have bottomed out due to very adverse weather conditions, such as El Niño during 1997 and 1998. The only exception was 2002, when Ecuador registered record exports of 73,000 MT to Colombia because of the highest price obtained by farmers in that market. During this year, Ecuador imported 38,000 MT of soybeans, 82 percent from the United States. Posts forecasts that there will be no soybean imports during MY 2005/2006.



SOYBEAN MEAL

PSD Table

Country Ecuador

Commodity Meal, Soybean (1000 MT)(PERCENT)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		06/2004		06/2005		06/2006	MM/YYYY
Crush	40	26	46	29	0	30	(1000 MT)
Extr. Rate, 999.9999	0.725	0.730769	0.73913	0.73913	0	0.73913	(PERCENT)
Beginning Stocks	11	25	8	29	8	15	(1000 MT)
Production	29	19	34	21	0	22	(1000 MT)
MY Imports	325	270	350	330	0	345	(1000 MT)
MY Imp. from U.S.	0	0	0	20	0	150	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	365	314	392	380	8	382	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	357	285	384	365	0	370	(1000 MT)
TOTAL Dom. Consumption	357	285	384	365	0	370	(1000 MT)
Ending Stocks	8	29	8	15	0	12	(1000 MT)
TOTAL DISTRIBUTION	365	314	392	380	0	382	(1000 MT)
Calendar Year Imports	240	260	0	340	0	350	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	18	0	130	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix

Country Ecuador

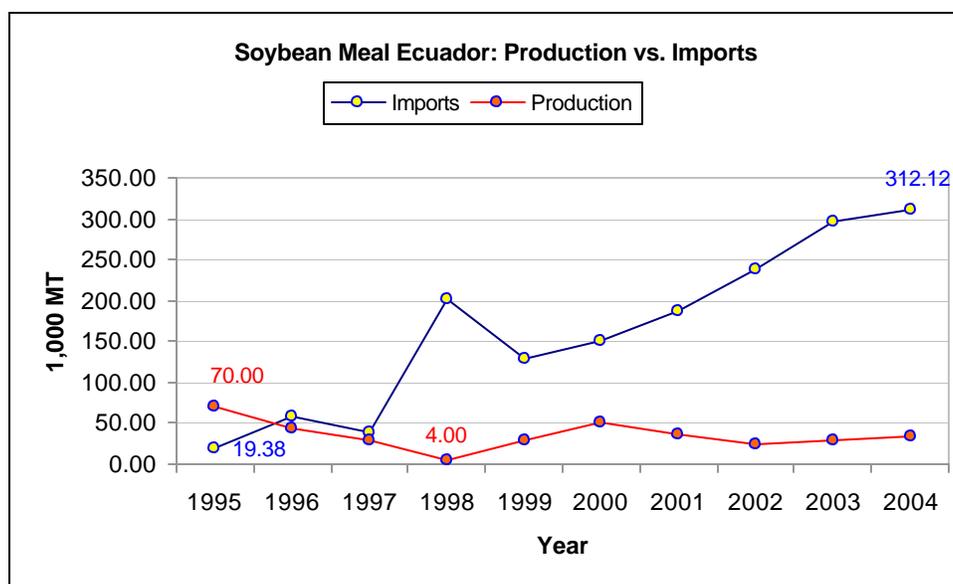
Commodity	Meal, Soybean		
Time Period	CY	Units:	MT
Imports for:	2003		2004
U.S.	26874	U.S.	0
Argentina	92600	Argentina	165948
Uruguay	89333	Uruguay	109543
Bolivia	34462	Chile	27394
Peru	28265	Peru	8164
Chile	22000	Colombia	1065
Colombia	4000		
Total for Others	270660		312114
Others not Listed	0		0
Grand Total	297534		312114

Production

Soybeans for crushing are forecasted to reach 29,000 MT for the upcoming MY 2005/2006, yielding approximately 21,000 MT of soybean meal. The crushing industry is dependant on local soybean production, and as it has reduced in recent years, much crushing machinery has been dismantled. By the same token, crushing costs are too high, and the market for oils is highly competitive in price and remains stagnant. For this reason, the animal feed industry has shifted towards an increased use of Full Fat Soybean Meal.

Consumption

Soybean meal consumption is forecasted at 365,000 MT for MY 2005/2006. Soybean meal consumption in Ecuador is directly linked to animal feed production, as the overall animal feed industry in Ecuador uses approximately 18 percent of soybean meal in feed formulations. The poultry and pond-raised shrimp industries have been the most active in the last decade, and currently demand approximately 1.38 million MT of feed per year. This represents approximately 92 percent of the total feed production of 1.5 million MT/year. Also, an increased consumption of pet foods is driving a higher demand for additional soybean meal for pet food formulation. Chicken meat has become a staple product in the Ecuadorian diet; however, per capita consumption of poultry meat (15.5 kg/year) is still below the average consumption of other countries in the region, such as Peru (17 kg.) and Brazil (24 kg.).



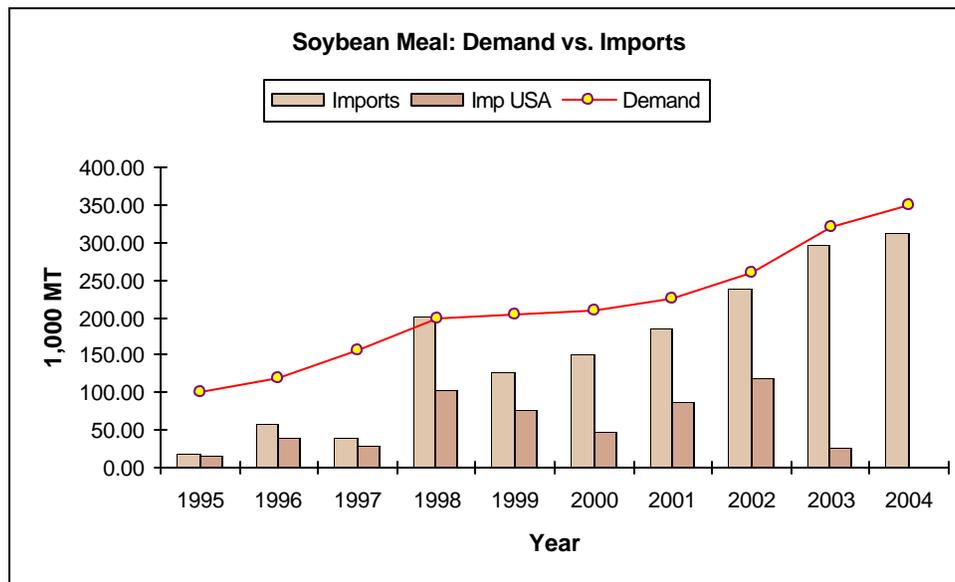
Trade

Soybean meal imports are expected to continue to grow to 330,000 MT in MY 5005/2006 and to 345,000 MT in MY 2006/2007. Imports of soybean meal are directly tied to the sustained growth of Ecuador's poultry industry, and are also driven by an ongoing higher demand by the shrimp and pet food industries. Ecuador imported 312,000 MT of soybean meal in CY 2004.

Another factor influencing imports of soybean meal is the instability of local production, accompanied by a very small and inefficient crushing capacity. Soybean meal imports have

shown continual growth since 1999, the year after Ecuador was hit by abnormal weather conditions derived from El Nino. In 1998, Ecuador produced only 15,000 MT of soybeans and roughly 4,000 MT of soybean meal. In that year, Ecuador imported some 200,000 MT of soybean meal. It is expected that this growth tendency will continue.

The origin of soybean meal imports is a price-driven issue. Being a product under the Andean Price Band System, soybean meal's prices are a strong factor in purchase decisions. The United States has usually supplied Ecuador with soybean meal: 54,000 MT/year on average in the period 1995-2003. In 2004, due to higher soybean reference prices under the price band, tariff remained zero for most of the year. Given that Bolivia and Argentina offered better prices in the same period, 88 percent of Ecuador's soy meal imports were shipped from ports of either Argentina or Uruguay, both countries through which Bolivia exports its soybean meal.



SOYBEAN OIL

PSD Table

Country	Ecuador						
Commodity	Oil, Soybean (1000 MT)(PERCENT)						
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		06/2004		06/2005		06/2006	MM/YYYY
Crush	40	26	0	29	0	30	(1000 MT)
Extr. Rate, 999.9999	0.175	0.192308	0	0.181218	0	0.181218	(PERCENT)
Beginning Stocks	12	11	0	14	0	16	(1000 MT)
Production	7	5	0	5	0	5	(1000 MT)
MY Imports	65	76	0	92	0	95	(1000 MT)
MY Imp. from U.S.	6	0	0	0	0	20	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	84	92	0	111	0	116	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	73	78	0	95	0	100	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	73	78	0	95	0	100	(1000 MT)
Ending Stocks	11	14	0	16	0	16	(1000 MT)
TOTAL DISTRIBUTION	84	92	0	111	0	116	(1000 MT)
Calendar Year Imports	0	75	0	93	0	97	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	22	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix

Country	Ecuador		
Commodity	Oil, Soybean		
Time Period	CY	Units:	MT
Imports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Argentina	73000	Argentina	93000
Peru	500	Colombia	300
Total for Others	73500		93300
Others not Listed			
Grand Total	73500		93300

Production

Soybean oil production in Ecuador is limited by the availability of soybeans for crushing, and a small, 10,000 MT/month crushing capacity. Local soy oil production does not meet the domestic demand, and is estimated around 5,000 MT/year.

The cooking oil industry depends on crude soy oil imports to produce blended cooking oil with African palm oil. There is a preference by the Ecuadorian industry to utilize palm oil to produce refined oils for cooking, thus participation of vegetable oils in the overall industry is 65 percent crude African palm oil, 33 percent crude soybean oil, and 2 percent of other vegetable oils (cotton, corn, peanut).

Consumption

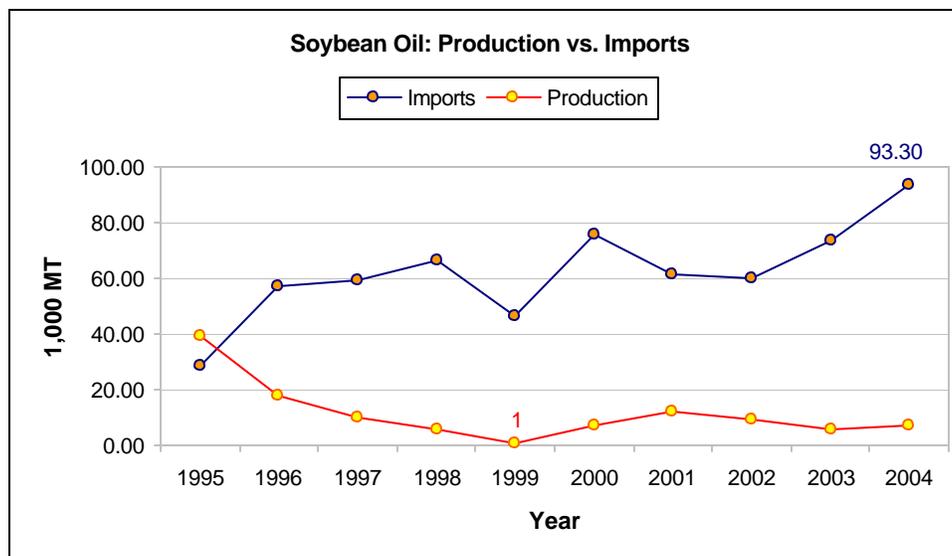
Ecuador's production of edible oils, such as vegetable cooking oil, lards and margarine is currently estimated at 260,000 MT/year. Ecuador's industry consumption of crude soybean oil for the upcoming MY 2005/2006 is forecasted at 95,000 MT. Given an average annual growth of 3-4 percent in consumption of edible oils, post forecasts that Ecuador will likely demand 100,000 MT of crude soybean oil in MY 2006/2007.

An additional factor driving an increased demand for soybean oil is its generalized use by the canned fish and tuna industries. Currently, only the canned tuna industry demands approximately 8,000 MT/year of soybean oil. Exports by this industry registered 96,000 MT and 81,000 MT in 2003 and 2004 respectively. Another factor that drives demand for soybean oil is the growth of the market located in the highlands of Ecuador. Once bottled, refined palm oil tends to form precipitations in colder temperatures. To avoid this and improve presentation, cooking oil manufacturers in Ecuador are forced to include soybean oil in the mix. This is the main reason why Ecuador consumes and imports soybean oil.

Trade

Soybean oil imports for MY 2005/2006 are forecasted to reach 92,000 MT. Imports in CY 2004 were 93,200 MT, and post forecasts imports of 95,000 MT for marketing year 2006/2007.

Argentina was the main and practically only supplier of soybean oil to Ecuador reaching 93,001 MT in CY 2004. Higher imports of crude soy oil for the current marketing year result from an increased demand of cooking oil for domestic consumption, and an additional use of soy oil for canned tuna and sardines. In addition, Ecuador imported 1,900 MT of refined soy oil in CY 2004, with Chile and Brazil as main suppliers (this imports do not show in the PS&D table). Crude oil imports from the United States have represented small percentages since 2000, when its market share was only 4 percent. In 2004, soy oil imports from the U.S. were zero. This is due to higher prices of American soy oil by about 20 percent when compared to Argentina and Bolivia.



POLICY BRIEFING FOR THE SECTOR

The major restriction to import soybeans and by-products from the U.S. is the application of the Andean Price Band System (APBS). Ecuador established the APBS in 1995, and it affects some 60 percent of all U.S. agricultural exports to Ecuador. Among these exports are soybeans, soybean meal and soy oil. Upon WTO accession, Ecuador committed to eliminate the APBS by the year 2001. However, Ecuador has not complied with this commitment.

The APBS assesses variable duties on soybeans, soybean meal, and soy oil imports from outside the Andean Community of Nations (CAN), depending on international reference prices. When international reference prices are higher or lower than ceiling and floor prices established by CAN for each commodity, the final duty goes up or down. In addition, Ecuador provides a 17,000 MT TRQ for soybean meal at a tariff of 25 percent. The average variable levy for soybeans (to which soy meal is linked) in CY 2004 was -11.4 percent, which gave for an average final price-band duty of 3.6 percent. This is the reason why the soybean meal TRQ was not used in 2004. In the case of soybean oil, the average variable levy for 2004 was -12 percent, for an average final tariff of 7.2 percent.

The government of Ecuador does not provide any formal subsidy or assistance program to promote soybeans production. However, the Ministry of Agriculture, through the Consulting Committees, requires agreements between soybean producers and the feed meal industry to encourage soybeans production by assuring farmers both a high price and the absorption of the local soybeans harvest. Often, soybeans, soybean meal, and soy oil prices paid to local farmers are higher than CIF-base prices of imported commodities. In March of 2005, the Ministry of Agriculture set absorption prices for 44%-protein soybeans at 286 per MT.

Finally, Ecuador has bilateral and multilateral trade agreements for soybeans, crude soy oil, and soybean meal imports. The most important right now is the Andean Community-Mercosur Agreement that entered into force at the end of March 2005. Through this agreement, imports of soybean meal and soy oil originating in Mercosur countries are granted tariff reductions as follows:

Country	Product (duty %)	2005 to 2010	2011 to 2018
Argentina	Soybeans (15)	20% tariff preference	10% annual preference increase. 0% in 2018
	Soybean Meal (15)	Ibid.	Ibid.
	Soybean Oil (20)	Ibid.	Ibid.
Brazil	Soybeans (15)	20% tariff preference	10% annual preference increase. 0% in 2018
	Soybean Meal (15)	Ibid.	Ibid.
	Soybean Oil (20)	Ibid.	Ibid.
Paraguay	Soybeans (15)	30% tariff preference at perpetuity starting in 2005. Tariff does not go to 0%.	
	Soybean Meal (15)	20% tariff preference at perpetuity starting in 2005. Tariff does not go to 0%.	
	Soybean Oil (20)	Initial 22,000 MT TRQ at 0% tariff. TRQ increases annually to 30,000 MT in 2010.	13% duty, decreasing annually until 0% in 2018. No volume restrictions.
Uruguay	Soybeans (15)	No preference	No preference
	Soybean Meal (15)	50% tariff preference at perpetuity	
	Soybean Oil (20)	No preference	No preference

Imports of these products from Colombia, Venezuela and Bolivia are duty free under CAN regime. Imports from any other origin are subject to the APBS.