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Report Highlights:

Ecuador's wheat imports for MY 2005 are forecasted at 445,000 MT, a slight reduction over the past year due mainly to a slow replacement of wheat products with local staples. Post has revised production and trade data for corn and rice to match with actual figures.

Ecuador's corn consumption is estimated at 700,000 MT for MY 2005/2006; 55 percent of which will be imported. It is likely that Ecuador will need to import 50,000 MT of paddy rice in MY 2005 to cover for reduced stocks. Production of rice has been forecasted at 513,000 MT for the same period.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Wheat is a minor crop in Ecuador. Production for MY 2005 is projected at 9,000 MT, roughly 2 percent of the annual consumption. Wheat imports for MY 2005 are forecasted at 445,000 MT, a slight decrease over last year's estimation due to price-provoked decreased consumption of wheat products, and increased replacement with other staples. Total imports in CY 2004 reached 405,000 MT, of which imports from the U.S. reached 135,000 MT (33 percent). Canada continues to be the main supplier of wheat to Ecuador with 270,000 MT (66 percent) in CY 2004.

Corn production is estimated at 360,000 MT in 120,000 Ha for MY 2005/2006, a significant increase over the past year explained by higher production yields (because of improved seeds), and by government-sponsored absorption programs. Annual consumption is estimated at 700,000 MT for MY 2005/2006 due to the rapid growth of the feed meal compound industry and a greater production of poultry, eggs and pork. Post forecasts corn imports for MY 2005 at 400,000 MT. In CY 2004, corn imports reached 384,000 MT, 91 percent of which originated in the U.S. Post expects that the U.S. will continue to dominate Ecuador's corn import market. Finally, figures for MY 2004 have been revised to reflect the reality of the sector and new available statistics.

Rice production is forecasted at 513,000 MT for MY 2005 on 230,000 Ha, a sharp increase over the past year due to better weather conditions and wider access to improved seeds. A late start of the planting season this year, along with zero imports of rice during MY 2004, have determined that Ecuador is likely to be short in rice by the second quarter of 2005. Post forecasts that Ecuador will need to import some 50,000 MT of paddy rice. In addition, informal trade with Peru has decreased drastically in the past year. Black market with Colombia continues despite higher prices of Ecuadorian rice. Post forecasts 20,000 MT of milled rice will be smuggled into Colombia in MY 2005.

WHEAT

PSD Table

Country	Ecuador						
Commodity	Wheat	(1000 HA) (1000MT)					
	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		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	19	19	18	18	0	15	(1000 HA)
Beginning Stocks	50	68	86	75	88	82	(1000 MT)
Production	12	12	12	12	0	9	(1000 MT)
TOTAL Mkt. Yr. Imports	514	450	450	455	0	445	(1000 MT)
Jul-Jun Imports	514	450	450	455	0	445	(1000 MT)
Jul-Jun Import U.S.	104	180	0	250	0	165	(1000 MT)
TOTAL SUPPLY	576	530	548	542	88	535	(1000 MT)
TOTAL Mkt. Yr. Exports	20	0	20	0	0	0	(1000 MT)
Jul-Jun Exports	20	0	20	0	0	0	(1000 MT)
Feed Dom. Consumption	40	15	40	15	0	20	(1000 MT)
TOTAL Dom. Consumption	470	455	440	460	0	456	(1000 MT)
Ending Stocks	86	75	88	82	0	80	(1000 MT)
TOTAL DISTRIBUTION	576	530	548	542	0	535	(1000 MT)

Import Trade Matrix	
Country	Ecuador
Commodity	Wheat
Time Period	CY 2004
Units	MT
Imports for:	
U.S.	135000
Others	
Canada	270000
Argentina	292
Total for Others	270292
Others not Listed	0
Grand Total	405292

Source: Central Bank of Ecuador

Production

Ecuador's production of wheat is insignificant compared to its demand. Production for MY 2005 is projected at 9,000 MT, roughly 2 percent of Ecuador's annual consumption. Wheat production continues to decrease, and this trend is expected to continue. Farmers are replacing wheat with more profitable crops such as white corn, potatoes, and legumes. In addition, repetitive drought during planting season and lack of irrigation systems has discouraged farmers from producing wheat.

Most wheat produced in Ecuador grows in the central and northern highlands under adverse geographic and weather conditions. Rudimentary production techniques and lack of improved seeds result in yields averaging 0.6 MT per hectare. The final product is high in price, low in quality and not suitable for milling. Most local wheat is consumed in rural areas as an ingredient of soups or purees. A small percentage is used by the feed meal compound industry and the remaining is stored as seeds or given to animals as feed.

Consumption

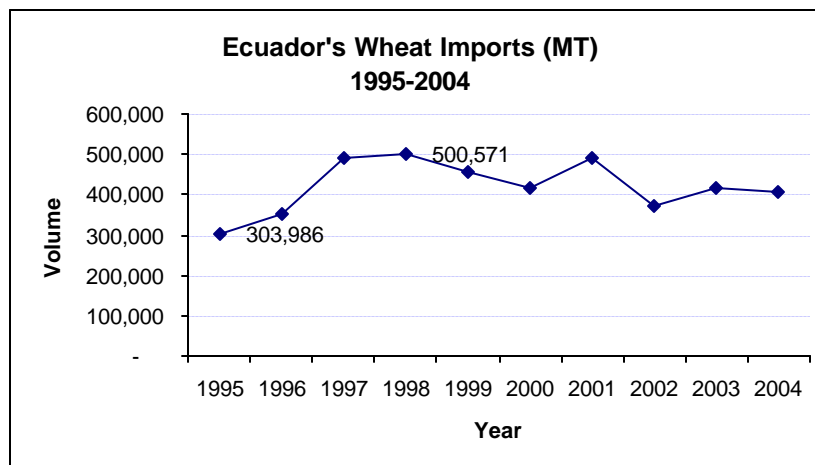
Ecuador's total domestic consumption of wheat is expected at 456,000 MT in MY 2005, roughly 38,000 MT per month. The slight decrease compared to MY 2004 is explained by higher prices for flour and bread in the local market, thus consumers tend to replace these products with alternative local staples such as potatoes, plantains or rice. Flour for bread-making represents 70 percent of Ecuador's use of wheat for human consumption, followed by pasta (15%), nutritional products (10%) and crackers.

Consumption of wheat for animal consumption is expected to grow by 30 percent to 20,000 MT due to a recovery of the shrimp and tilapia industries, which use important quantities of wheat for their feed formulations. Despite higher import duties for shrimp (1.97%-4.42%) imposed by the United States to Ecuador after anti-dumping investigations, reduced production due to recent natural disasters in Asia would provide opportunities for increased Ecuadorian shrimp exports. In addition, an important growth in Ecuador's tilapia exports marks a trend for increased consumption of wheat for feed purposes.

Stocks are calculated over the basis of two-and-a-half months worth of consumption, which the milling industry generally keep in storage every month. As the financial cost of stocks is high, the industry will tend to reduce its levels of stocks in coming years, ideally down to two months of consumption, roughly 80,000 MT for MY 2005.

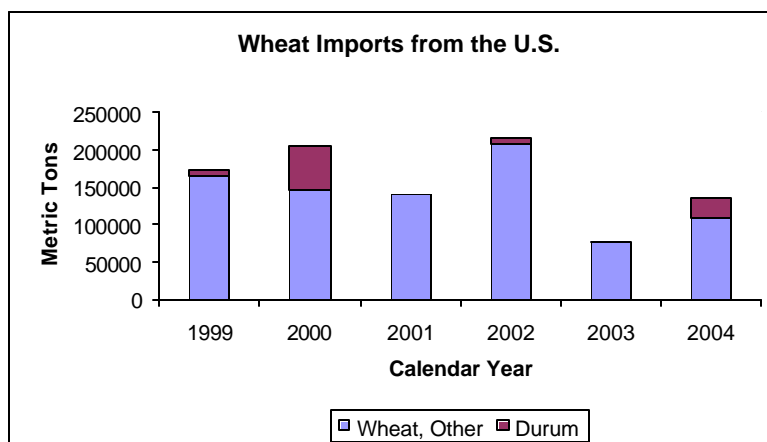
Trade

Ecuador's wheat imports for MY 2005 are forecasted at 445,000 MT. Imports in CY 2004 reached 405,000 MT. This is slightly lower than the average for the past nine years, given its minimum of 303,000 MT in 1995 and maximum of 500,500 MT in 1998. Imports from the U.S. have varied in the past five years, averaging 161,000 MT in the period 1999-2003. In CY 2004, imports from the U.S. reached 135,000 MT, roughly 33 percent of the market. Canada continues to be the main supplier of wheat to Ecuador; this year with 270,000 MT or 66 percent market share. Ecuadorian millers perceive Canadian wheat as more reliable in its milling quality. According to buyers, when they purchase from Canada, they can always expect something better than what was previously agreed. For the same price, Canada provides wheat with higher protein content and gluten, as well as lower rates of foreign materials and damaged kernels. This is explained by aggressive marketing carried over by the Canadian Wheat Board, careful pre-shipment inspection, and economic support of the Canadian Commercial Corporation to Ecuadorian importers.



The US Wheat Associates is currently providing technical assistance to selected Ecuadorian millers on use of U.S. wheat varieties to obtain quality products at lower costs. These activities aim at increasing the preference of U.S. wheat. However, while quality standards of U.S. wheat shipped to Ecuador remain lower than Canadian wheat, Ecuador will continue to prefer Canadian wheat.

Problems in the current Canadian harvest may tend to increase U.S. wheat exports to Ecuador in CY 2005. Also, Argentina is expected to make an inroad in the Ecuadorian market given that its prices are considerably lower than U.S. wheat. Ecuadorian millers sometimes use low-protein Argentine wheat to blend with high protein American or Canadian wheat.



Policy

Wheat is a marker product under the Andean Price Band System, with basic duty of 10 percent plus an additional variable levy, depending on the reference price. In July of 2001, the Government of Ecuador phased-out wheat from the price band system as part of its WTO commitments. However, Ecuador reinstated the price band for wheat in August of 2003 arguing an obligation to do so by Andean Community commitments. For the period April, 2004-March, 2005, floor and ceiling prices were set at \$150 and \$168 respectively. The variable levy has ranged between 0 and -10 percent as a consequence of higher prices in the international markets, thus wheat paid average tariffs of 3 percent for most of CY 2004.

Ecuadorian wheat millers support immediate tariff reduction of wheat to zero, and exclusion from the price band system under the current Free Trade Agreement. This, according to the industry, would boost imports of U.S. wheat by making it more price competitive.

In addition, Ecuador has bilateral trade agreements with Peru and Chile, and multilateral trade agreements with ALADI (Latin American Association of Integration). Recently, The Andean community and Mercosur reached an agreement for tariff liberalization, but implementation date is still uncertain for Ecuador. Wheat received tariff reductions under ALADI and CAN-Mercosur and pays ad-valorem duties as follows:

HTS	Product	Paraguay	Uruguay/1	Argentina/2	Brazil/1	Mexico	U.S.
10011090	Wheat	10.0%	1.0%	9.0%	9.2%	9.2%	10.0%
10019020	Wheat, except Durum	10.0%	1.0%	9.0%	9.2%	9.2%	10.0%

/1 Under ALADI only

/2 Under both, ALADI and CAN-Mercosur

CORN

PSD Table

Country Ecuador

Commodity Corn

(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		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	110	110	150	113	0	120	(1000 HA)
Beginning Stocks	48	107	153	107	133	83	(1000 MT)
Production	250	250	300	300	0	360	(1000 MT)
TOTAL Mkt. Yr. Imports	475	360	300	380	0	385	(1000 MT)
Oct-Sep Imports	475	360	300	380	0	385	(1000 MT)
Oct-Sep Import U.S.	0	250	0	350	0	360	(1000 MT)
TOTAL SUPPLY	773	717	753	787	133	828	(1000 MT)
TOTAL Mkt. Yr. Exports	50	70	50	34	0	40	(1000 MT)
Oct-Sep Exports	50	70	50	34	0	40	(1000 MT)
Feed Dom. Consumption	550	530	550	650	0	680	(1000 MT)
TOTAL Dom. Consumption	570	540	570	670	0	700	(1000 MT)
Ending Stocks	153	107	133	83	0	88	(1000 MT)
TOTAL DISTRIBUTION	773	717	753	787	0	828	(1000 MT)

Import Trade Matrix			
Country	Ecuador		
Commodity	Corn		
Time Period	Jan-Dec	Units:	MT
Imports for:	2003		2004
U.S.	206717	U.S.	353000
Others		Others	
Argentina	124803	Argentina	31000
Total for Others	124803		31000
Others not Listed	0		0
Grand Total	331520		384000

Source: Central Bank of Ecuador

Production

Corn production in Ecuador is estimated at 360,000 MT in 120,000 Ha for MY 2005/2006 (October/September), a significant increase compared to MY 2004/2005. Post has also revised data for MY 2004/2005 to reflect the real situation regarding production and local consumption.

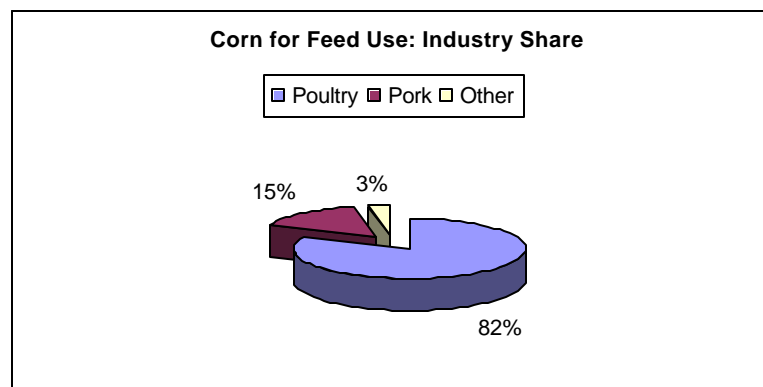
The important increase in production for MY 2005/2006 is firstly explained by greater production yields. This is due to increased farmer access to certified and improved seeds, mainly through private sector initiatives. According to producers, new certified seed varieties are reaching production yields ranging 4.0 to 6.5 MT/Ha, and at least 20 percent of producers are starting to use them despite their higher cost. Improved varieties developed by the government reach up to 3 MT/Ha, to which another 20 percent of producers have access. The remaining 60 percent of the production is made up of smaller farmers, who continue to use recycled seeds producing roughly 1.5 to 2 MT/Ha. In average, Ecuador's production yield is currently estimated at 2.7 to 3.0 MT/Ha.

The second explanation for increased corn production in Ecuador is the Ministry of Agriculture's assurance that local production will be purchased by the local feed industry –at prices higher than international- prior to allowing any imports of corn. Domestic absorption requirements are WTO-illegal, and are being debated in the current Free Trade Agreement negotiations.

Consumption

Ecuador's corn domestic consumption is estimated at 700,000 MT for Marketing Year 2005/2006. The increased demand is explained by the feed industry's 7 percent annual growth rate, along with a foreseen increased production of eggs and higher per capita consumption of poultry meat (18 Kg/year) due to its lower cost compared to fish and beef. The feed meal compound industry has had an important growth in production in the past 12 years, from 600,000 MT to 1.5 million MT in 2005.

Consumption figures have been revised for MY 2004/2005 to reflect the reality of the feed meal compound industry, which currently uses at least 97% of the total annual demand of corn. The remaining 3%, roughly 20,000 MT/year is used for human consumption in the form of snack foods or tortillas.

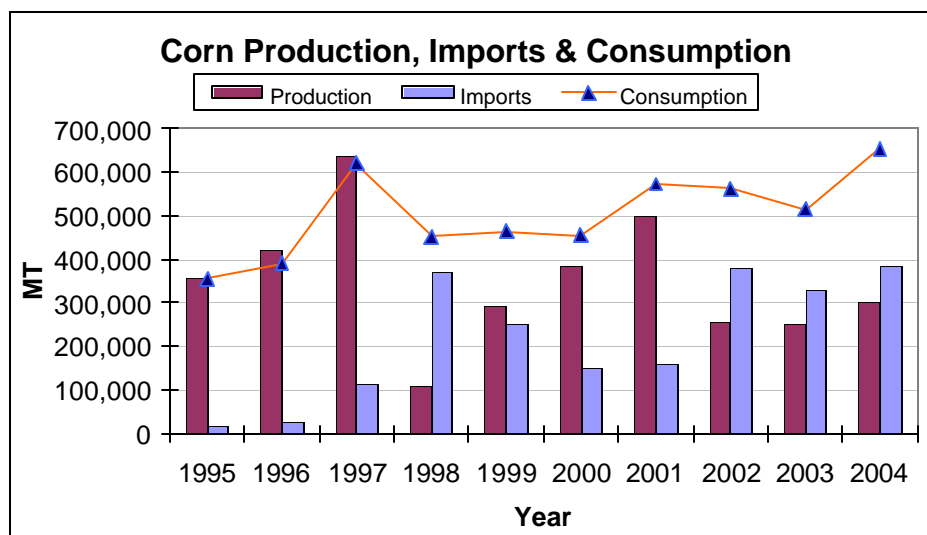


The poultry industry, with total population of 120 million chickens per year, and annual sales growth rate ranging 5-10%, consumes 82% of the feed corn every year. This industry produces 175,000 MT of poultry meat, and approximately 65,000 MT of eggs. Another sector showing interesting growth is pork, with a population of 1.7 million pigs per year, and which now consumes 100,000 MT/year in average. Other animal feed industries, such as tilapia, trout and even cattle, consume the remaining 3 percent of feed corn.

Trade

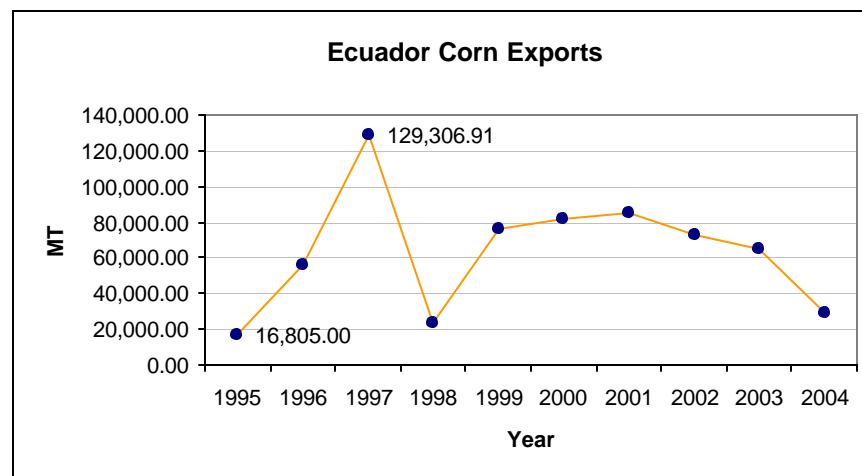
Ecuador imported 384,000 MT of yellow corn in CY 2004, of which 91 percent originated in the United States and 9 percent in Argentina. Despite higher prices of U.S. corn compared to Argentina, Ecuador prefers to import U.S. corn because of its lower foreign material content, and a faster delivery to Ecuadorian ports.

Ecuador has imported on average 37 percent of its corn supply since 1995, with a minimum of 15,400 MT registered in that year, and a maximum of 384,000 MT in CY 2004. Although Ecuadorian corn is considered as of better quality than both the U.S. and the Argentine in terms of higher protein, lower humidity and harder kernels (???dureza...harder kernels?), local production does not meet the demand since CY 1997, when major corn imports started. It is not likely that Ecuador will meet its demand in the short term, thus current import levels are likely to continue or even increase.



Post forecasts corn imports of 385,000 MT for Marketing Year 2005-2006 (October-September), and at least 400,000 MT for CY 2005, most of it from the United States.

Due to high demand and good prices of corn in Colombia during Ecuador's harvest season peak (May and June), an average of 63,000 MT of corn have been exported to Colombia in the past nine years. Ecuadorian corn is used in Colombia for human consumption in the form of "arepa" or tortilla due to its good quality for such purposes. Exports to Colombia in CY 2004 were 29,000 MT, and post forecasts exports of additional 40,000 MT in MY 2005/2006.



Policy

Corn imports are assessed 15 percent ad-valorem duty (over CIF), plus a variable levy applied under the Andean Price Band System (APBS). Under this system, the ad-valorem tariffs are adjusted (increased or reduced) according to the relationship between international reference prices at the time of import, and established floor and ceiling prices. Floor and ceiling prices for corn for the period April 2004 to March 2005 are set at \$120 and \$129 per MT. Upon accession to the WTO, Ecuador bound its tariffs (including the additional APBS tariffs) for corn at 45 percent. In addition, Ecuador maintains a 19,600 MT TRQ for corn at 25 percent tariff, which is usually filled when international corn prices drop and the APBS increases corn duties beyond 25 percent.

The government of Ecuador does not provide any formal subsidy or economic assistance program to promote yellow corn production. However, the Ministry of Agriculture encourages corn production by implementing absorption programs, and import bans during the corn harvest season. These absorption programs guarantee the total purchase of the local production at usually high prices. In September of 2004, the Ministry of Agriculture implemented an absorption program by which the feed industry was obliged to purchase at least 100,000 MT of local corn at \$183 per MT, when the import cost would have been \$146 per MT.

RICE

PSD Table

Country Ecuador							
Commodity Rice, Milled				(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		01/2003		01/2004		01/2005	MM/YYYY
Area Harvested	230	230	210	215	0	230	(1000 HA)
Beginning Stocks	297	138	262	98	152	47	(1000 MT)
Milled Production	420	420	390	430	0	513	(1000 MT)
Rough Production	677	677	629	694	0	827	(1000 MT)
MILLING RATE (.9999)	6200	6200	6200	6200	0	6200	(1000 MT)
TOTAL Imports	10	120	5	5	0	50	(1000 MT)
Jan-Dec Imports	5	120	5	5	0	50	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	50	(1000 MT)
TOTAL SUPPLY	727	678	657	533	152	610	(1000 MT)
TOTAL Exports	55	130	85	21	0	30	(1000 MT)
Jan-Dec Exports	85	130	85	21	0	30	(1000 MT)
TOTAL Dom. Consumption	410	450	420	465	0	490	(1000 MT)
Ending Stocks	262	98	152	47	0	90	(1000 MT)
TOTAL DISTRIBUTION	727	678	657	533	0	610	(1000 MT)

Production

Post forecasts milled rice production for MY 2005 (January-December) at 513,000 MT on 230,000 Ha with the first harvest starting one month late, in May. The sharp increase is explained by better weather conditions this year, and by wider access to improved seeds. It is estimated that 140,000 Ha are being planted with new seed varieties for the 2005 winter crop. New seeds produce yields up to 5 MT/Ha, which compensates low productivity levels in the remaining 40 percent of the planted area where yields reach only 2.5 MT per hectare.

Despite the high production cost –approximately \$600 per hectare- reduced informal rice trade with Peru, and import licensing controls by the Ministry of Agriculture; farmers are encouraged to producing more rice this year as prices are expected to increase due to possible rice shortages by the second quarter of 2005.

Production figures for MY 2004 have been revised and set at 430,000 MT, milled basis. Initial assumptions that lack of rain would have produced losses were compensated by higher yields during the 2004 summer harvest, in which 30,000 hectares were planted with a production of 120,000 MT, paddy basis.

Consumption

Rice is a staple food of Ecuadorians for two meals a day. Monthly consumption is estimated at 41,000 MT per month for MY 2005, roughly 490,000 MT. The MY 2004 production figure has been revised to 465,000 MT due to increased per capita consumption. Current consumption is calculated at 40-41 Kg. per month, and this is explained by higher prices of alternative staples, such as bread or pasta. Rice is also replacing other traditional staples in the highlands, such as quinoa and even potatoes. Traditionally, rice is sold by wholesalers in one hundred pound sacks (45 Kg) priced at average \$24.50 per sack. Some 80 percent of rice sales are made in sacks or by the pound, at 28 to 32 cents per pound. In addition, as a result of supermarket expansion in the main cities of Ecuador, purchasing habits have shifted towards buying presentations of 2 or 5 kg, with a brand name. It is estimated that 15 percent of total rice sales are now made through supermarkets under these presentations.

Trade

Ecuador has imported minimal quantities of rice in the period 2001 –2004. However, post estimates that Ecuador will be forced to import 50,000 MT of paddy rice in the second quarter of MY 2005 to cover shortages. Increased consumption in 2004, along with zero legal imports of rice as well as decreased informal trade with Peru (some 5,000 MT in 2004), has caused for stocks to be minimal at the end of 2004. As Ecuador is currently planting rice for the winter harvest season, these stocks are being consumed, and the country will likely be short in rice by March or April of 2005.

Due to higher prices of Ecuadorian rice compared to Colombia, a traditional export market, legal exports to Colombia in MY 2004 were only 1,000 MT. It is estimated that 20,000 MT of Ecuadorian rice were smuggled into Colombia in 2004 to cover consumption of population groups located in southern areas of that country, and which pay for purchases in cash. Post estimates that additional 30,000 MT of rice will be informally marketed to Colombia in MY 2005.

Policy

Rice imports are very sensitive issue in Ecuador. The Government of Ecuador is pushing a self-sufficiency program for rice by continuing to implement the Andean Price Band System and by controlling imports. APBS floor and ceiling prices for the period April 2004-March 2005 have been set at \$238 and \$280 per MT.

In addition, the Ministry of Agriculture's Consultative Committee on rice, consisting of producers, millers and government officials decide on the timing and quantity of rice imports. The Ad-valorem duty for paddy rice is set at 15 percent, and 20 percent for all other types of rice. Andean Community Nations (CAN) are assessed zero tariffs, and other Latin American countries have certain tariff preferences under ALADI, as follows:

HTS	Description	U.S. & World	CAN	Peru	Chile	ALADI *				
						Paraguay	Uruguay	Argentina	Brazil	Mexico
10061090	Rice, Paddy	15.0%	0.0%	0.0%	15.0%	15.0%	7.5%	15.0%	15.0%	15.0%
10062000	Rice, Brown	20.0%	0.0%	0.0%	20.0%	20.0%	10.0%	20.0%	20.0%	20.0%
10063000	Rice, Milled	20.0%	0.0%	0.0%	20.0%	12.0%	10.0%	20.0%	20.0%	20.0%
10064000	Rice, Broken	20.0%	0.0%	0.0%	20.0%	20.0%	10.0%	20.0%	20.0%	20.0%

* ALADI stands for Latin American Integration Association.

For full information on Ecuador's trade policy for grains, please see the 2005 Grain Trade Policy report for Ecuador at:

<http://www.fas.usda.gov/grain/policy/southAmerica/EcuadorPolicy.pdf>