

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

With a population of 14 million people, Ecuador offers significant export opportunities for agricultural and food products due to a variety of factors, including increased purchasing power by the lower and middle classes and a natural desire for imported products. However, political uncertainty remains, as new laws in concordance to the new constitution have been proposed and analyzed. These should be taken into consideration when looking at trade prospects in this market.

Post:
Quito

Author Defined:

SECTION I. MARKET OVERVIEW

With 14 million people, Ecuador offers significant export opportunities for US food and agricultural products, as the purchasing power of the lower and middle class has noticeably increased in the past few years, leading to higher consumption and a higher demand for processed products. This increase on purchasing power by a large segment of the population also promotes the participation of local food processors in the market and increases competition for imported goods.

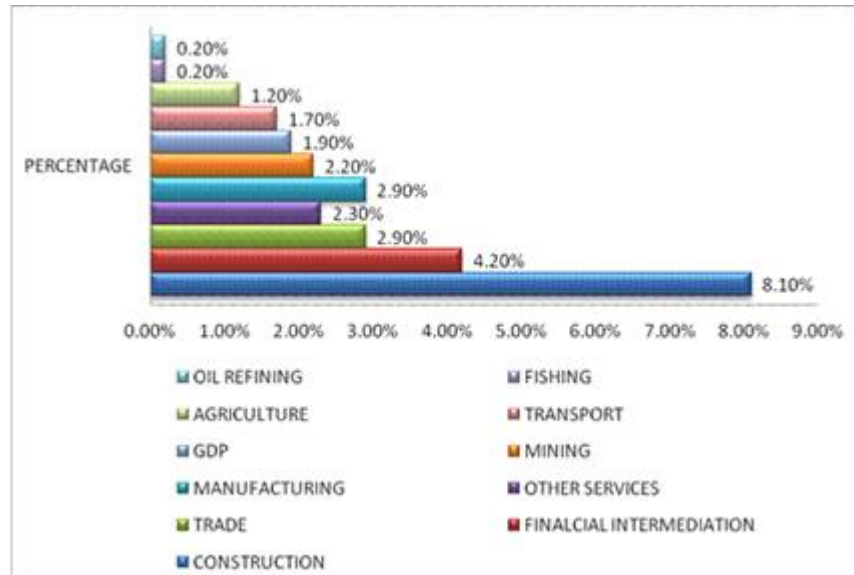
The Ecuadorian economy is based on petroleum and agricultural exports (bananas, shrimp, cut flowers, coffee and cacao). Inflation decreased from 4.31 percent in 2009 to 3.33 percent in 2010. While the official rate of unemployment is 6.1 percent, underemployment is measured at 47.1 percent (December 2010).

ECUADOR'S ECONOMIC INDICATORS

	2005	2006	2007	2008	2009	2010*
Nominal GDP (\$ billion)	36.94	41.71	45.50	54.21	52.02	56.99
Real GDP Growth (%)	5.74	4.75	2.04	7.24	0.36	3.73
GDP per capita (nominal \$)	\$ 2,795	\$ 3,110	\$ 3,345	\$ 3,961	\$3,715	4,013
Inflation (%)	2.12	3.30	2.28	8.40	4.31	3.33
Central Govt. Spending (% GDP)	23.88	23.77	27.42	40.40	N/A	N/A
Foreign Exchange Reserves (\$ Million)	2,147	2,023	3,521	4,473	3,792	2,622

* Projection based on the 2010 estimates by the Ecuadorian Central Bank.

In the first quarter of 2011, all sectors had a positive growth. The agricultural sector grew 1.2 percent, manufacturing showed a growth of 2.9 percent, the construction sector grew by 8.1 percent, trade grew 2.9 percent, mining and quarrying grew by 2.2 percent, transport grew 1.7 percent, fishing 0.2 percent, financial intermediation grew 4.20 percent, and oil refining 0.2 percent.

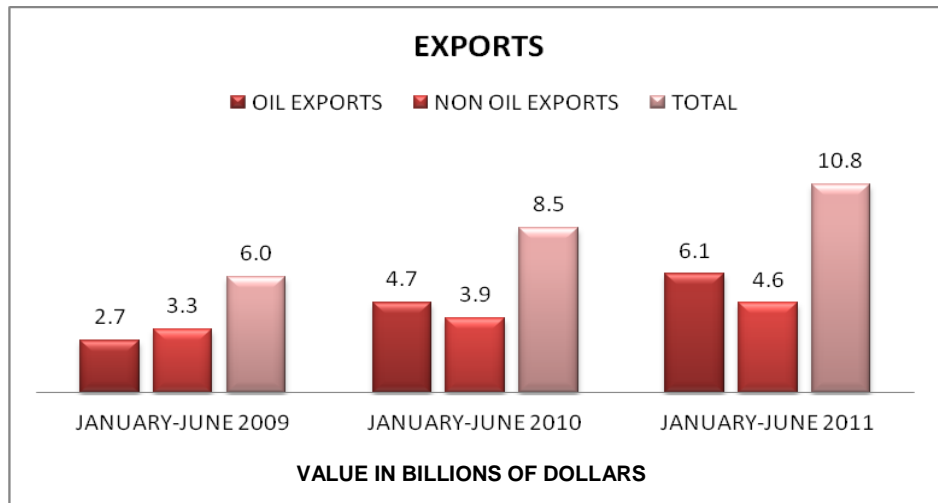


GENERAL AND AGRICULTURAL TRADE SITUATION

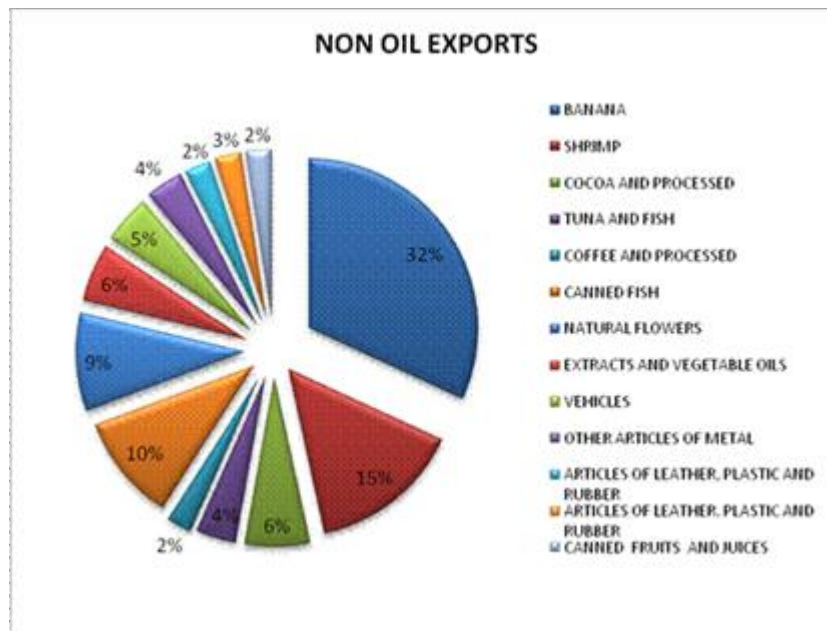
In 2010, Ecuadorian exports of all goods to the United States were \$6 billion, accounting for approximately 35 percent of its total exports, which reached \$17.3 billion in 2010. Crude Oil exports were at the top of the list, accounting for approximately 55.5 percent of total exports. Agricultural products such as bananas, shrimp, cut flowers and cacao were among the top export items and together accounted for \$3.8 billion representing almost 22 percent of Ecuador's total exports. Ecuador's total agricultural exports to the world in 2010 were \$4.97 billion, representing 29 percent of total exports. U.S. exports of all goods to Ecuador in 2010 were \$4.85 billion. The trade balance was favorable to Ecuador by \$1.15 billion in 2010.

Exports in 2011

Total exports during the period January – June 2011 were \$11 billion, accounting for an increase of 26 percent compared with foreign sales recorded during the same period of 2010, which were \$8.5 billion.



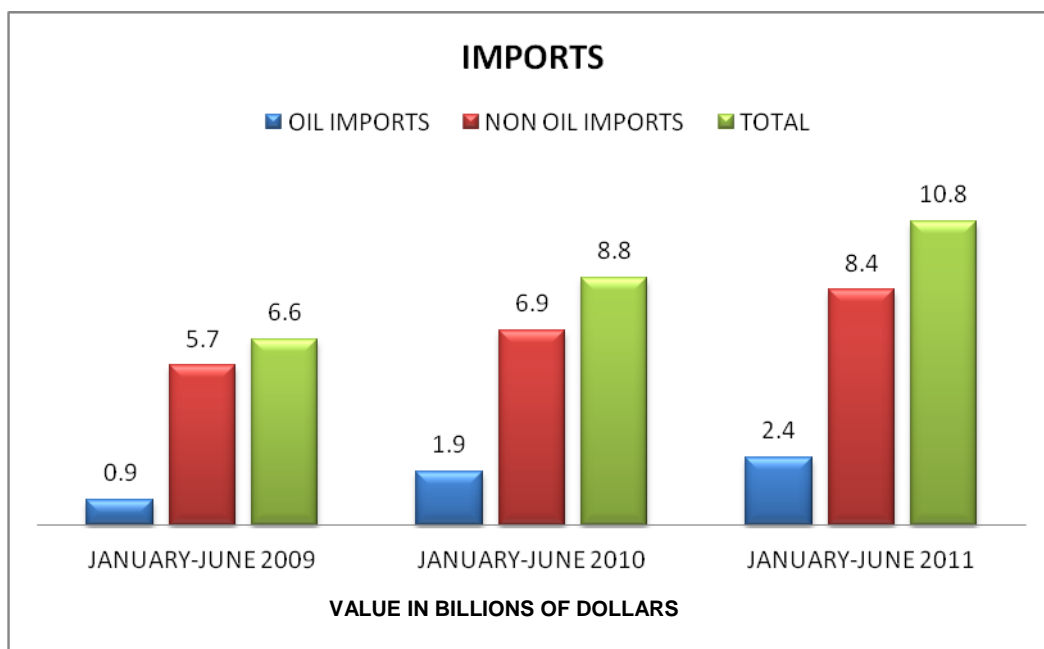
Non oil exports registered total \$4.6 billion (FOB) for the first 6 months of 2011 and showed an increase of 19.7 percent with respect to non-oil exports registered the same period in 2010, which were \$3.9 billion. Within this group of products, volume and unit prices increased by 6 percent and 12.9 percent respectively.



Ninety nine percent of Ecuador's exports to the United States receive tariff preferences under ATPDEA and/or SGP regimes. ATPDA was renewed in October 2011 and will be effective till July 2013. In 2010, non-oil exports represented \$7.8 billion, of which 21 percent were destined to the United States and 29 percent destined to the European Union.

Imports in 2011

At the end of the first half of 2011, Ecuador's total imports of all goods reached \$10.8 billion, up 22.41 percent compared with the same period in 2010 (\$8.8 billion). Both oil imports and non-oil imports grew 28 percent and 21 percent respectively.



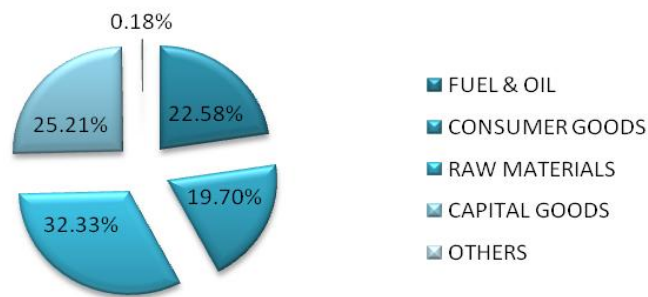
This behavior corresponds mainly to an increase in the total unit price of 18.3 percent while volumes experienced a small growth of 4 percent between the first 6 month period of 2010 and 2011. The volume of imports of capital goods increased by 16.5 percent, raw materials by 9.8 percent, and consumer goods by 7.6 percent. Fuels and lubricants and diverse products fell by 4.6 percent and 64.8 percent respectively.

Regarding prices, there was an increase in all import groups in the following order: fuels and lubricants (up 34 percent), raw materials (up 12.2 percent), consumer goods (up 8.5 percent), and capital goods (up 7.5 percent), various products (up 46.6 percent).

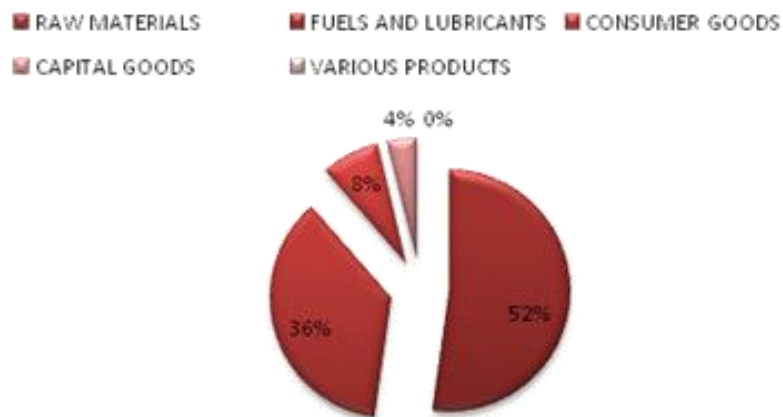
Total goods imported by destination, at FOB values between January-June 2011, of the year 2011 were: raw materials (up 32.3 percent), capital goods (up 25.2 percent), fuels and lubricants (up 22.6 percent), consumer goods (up 19.7 percent) and various products (up 0.18 percent).

Imports by volume changed as follow: raw materials (up 52.2 percent), fuels and lubricants (up 36.3 percent), consumer goods (up 7.7 percent), capital goods (up 3.7 percent), and various products (up 0.03 percent).

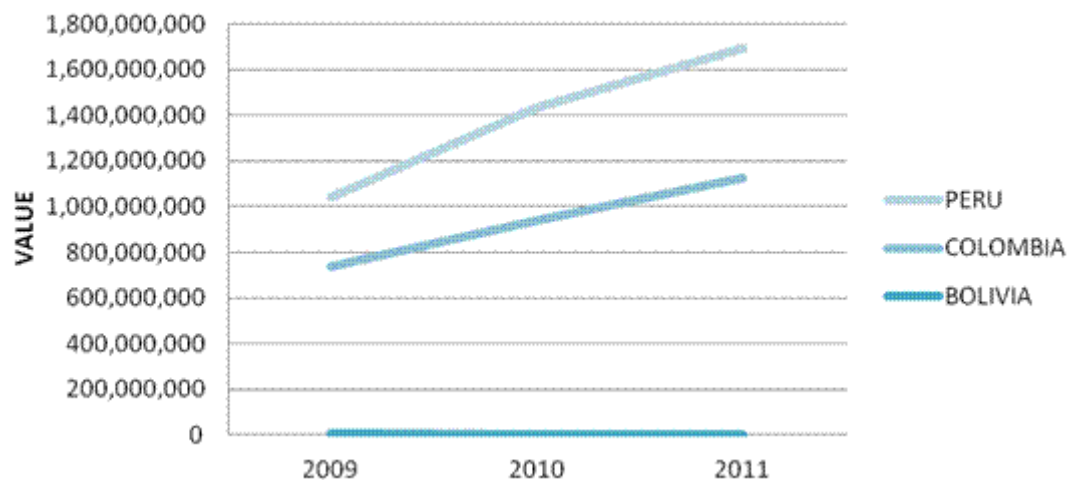
IMPORTS BY USE OR ECONOMIC DESTINATION



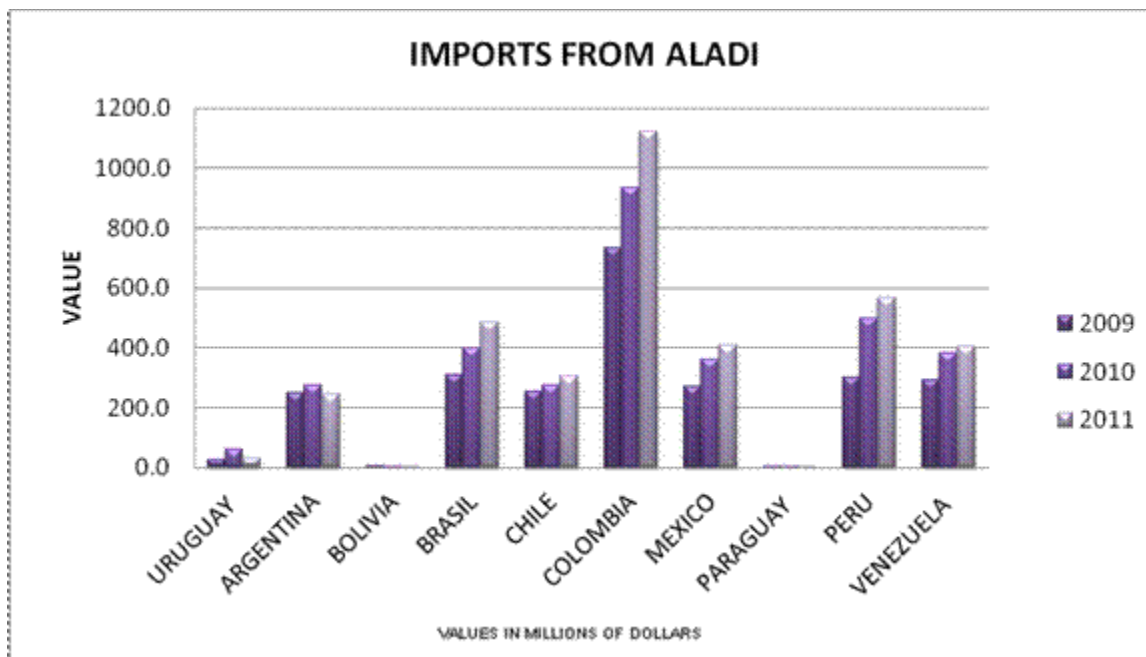
IMPORTS BY VOLUME



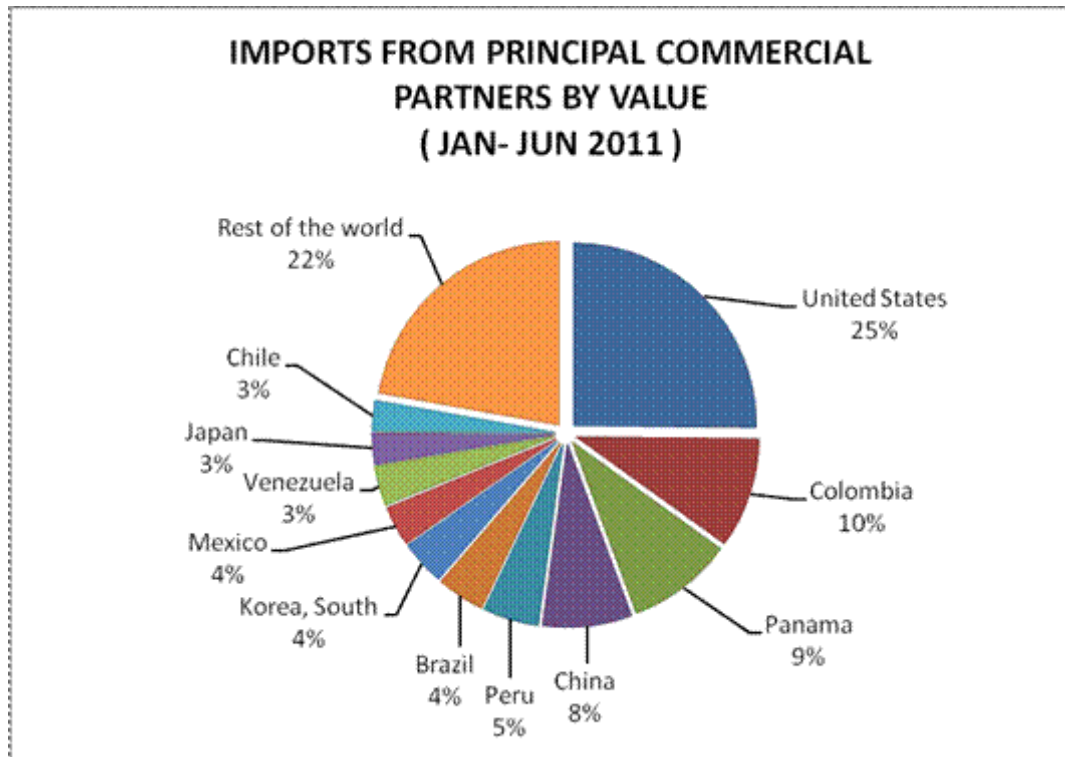
IMPORTS FROM CAN



Between January and June 2011, \$ 1.7 billion of Ecuador's imports came from Andean Community of Nations (CAN) Members (Colombia \$1.1 billion, Peru \$565.4 million, and Bolivia \$3.2 million). This represents an increase of 18 percent compared to the same period in 2010.

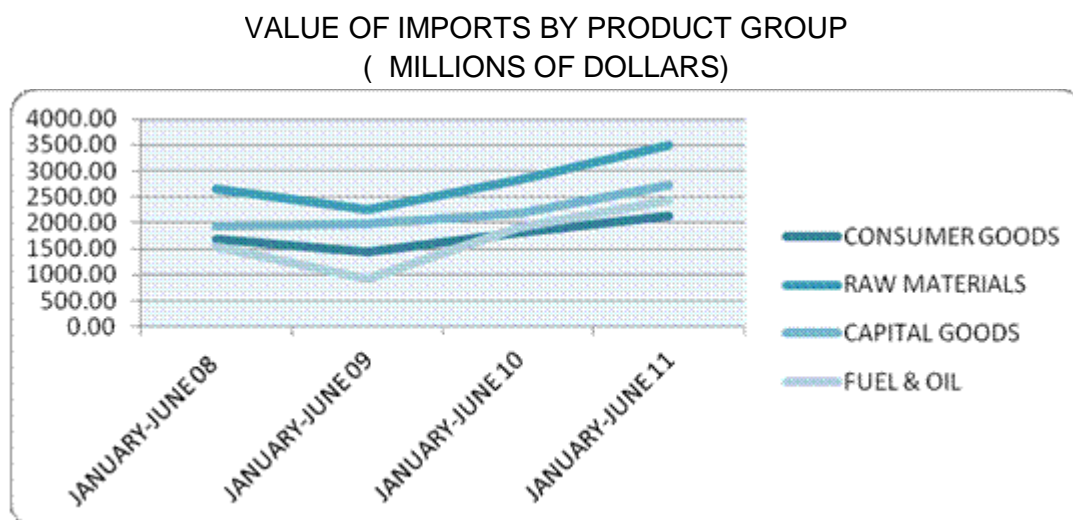


Between January and June 2010 \$3.1 billion of Ecuador's imports came from Latin American Trade Integration Association (ALADI) while in the same period in 2011 the value of imports was \$3.5 billion. Colombia is the largest supplier followed by Peru and Brazil among ALADI member countries.



For the first 6 months of 2011, Ecuador's imports of all goods from the United States were \$2.9 billion, accounting for 25 percent of the country's total imports. During the same timeframe, Ecuador imported from Panama \$1.1 billion (equivalent to 9 percent of the market share), from China \$904 million (equivalent to 8 percent of the market share) and from Brazil \$486 million (equivalent to 4 percent of the market share).

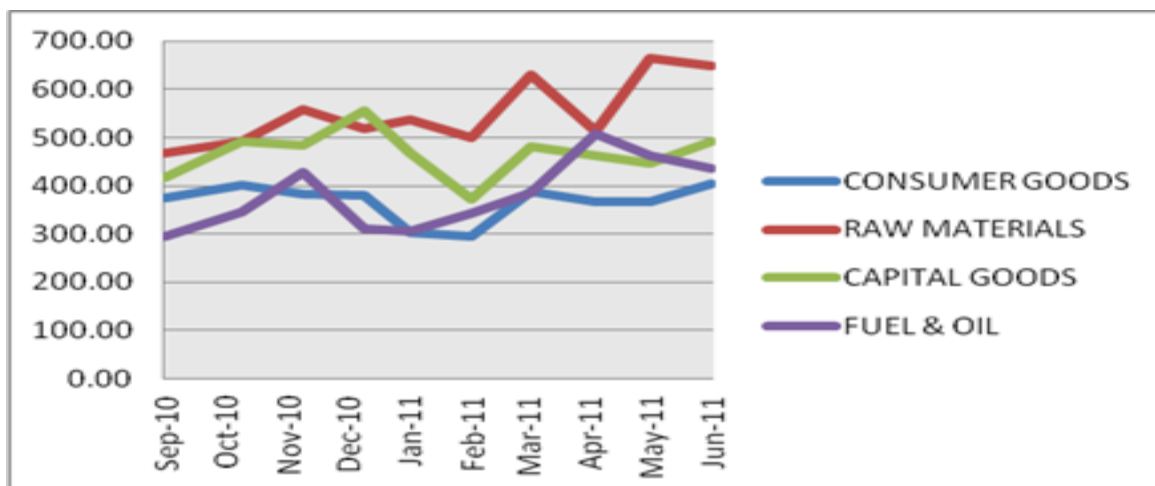
The following charts portray trends in Ecuador's import market.



Between January and June 2011, the FOB value of imports of fuels and lubricants grew by 28

percent, capital goods, 26 percent , raw materials, 23 percent, and consumer goods 16.7 percent.

**VALUE OF IMPORTS BY PRODUCT GROUP IN THE MEDIUM TERM
(MILLIONS OF DOLLARS)**



Between May and June 2011 imports of capital goods increased by 10.2 percent while those of consumer goods increased by 10.2 percent. Import of fuels and lubricants and raw materials decreased by 5.8 percent and 2.7 percent, respectively.

Imports of non-durable consumer goods between January and June 2011 had an FOB value of \$1.2 billion representing 11.6 percent of total FOB imports, an increase in value of 25.4 percent compared to the same period in 2010 and an increase in quantity of 7.9 percent.

Imports of durable consumer goods reached an FOB value of \$878 million representing 8.1 percent of total FOB imports, and an increase in value of 6.3 percent compare to the same period on 2010, accounting for an increase in quantity of 6.9 percent.

Table 1
Imports Evolution: Consumer Goods
Value, Quantity and Unit Price
January-June 2011

%Market Share		Increase (+) / Decrease (-)		
		Value	Volume	Unit Value
Totals				
19.70%	Consumer Goods	16.74%	7.63%	8.47%
11.56%	Non-Durable Consumer Goods	25.40%	7.86%	16.26%

8.14%**Durable Consumer Goods****6.31%****6.89%****-0.55%**

The table below summarizes key advantages and challenges facing U.S. products in Ecuador:

ADVANTAGES	CHALLENGES
Appreciation for US food quality and culture.	Tariffs have increased for several consumer goods.
Having a U.S. Dollar as the country currency creates economic stability for importers and gives higher purchasing power to the consumers.	Due to the redistribution of resources, there has been a decrease in income for the middle and high income groups of the Ecuadorian population, which will eventually slow the growth in consumption of imported food and beverages.
Local food processing industries do not have competitive prices for the market.	The Ecuadorian market is relatively small and a constraint for U.S. exporters seeking large volume contracts.
Consumers are increasingly changing their habits and becoming more oriented toward fast food consumption and grocery store purchases.	The weak dollar causes an increase in price for most products.
Ecuadorian emigrants have adopted foreign consumption tendencies, which have been transmitted to their families in Ecuador, creating niche markets for imported products.	U.S. companies have lost market share to companies from Peru, Colombia and Chile that have benefited from favorable exchange rates and trade agreements
Growth of tourism creates outstanding opportunities for the HRI sector, which has been growing in recent years.	Smuggling continues to affect the market for legally imported products.

SECTION II. EXPORTER BUSINESS TIPS

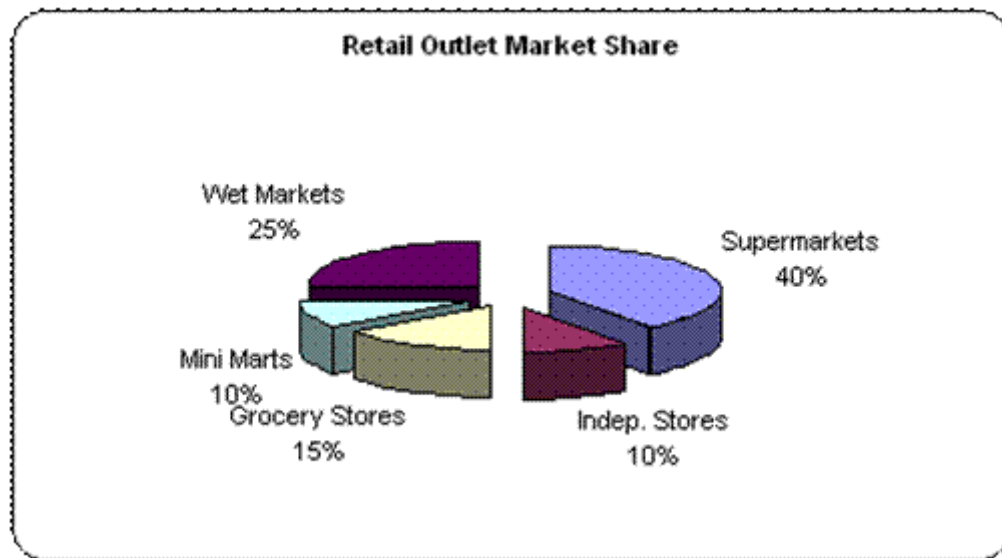
- Research information by product with shipping consolidators and with U.S. ports statistics. This information will show the preferences of Ecuadorian consumers.
- Ecuadorian supermarket chains prefer to import directly from producers. However, U.S.

companies that want to export for the first time should contact brokers to facilitate the process.

- In general, Ecuadorians prefer spicy foods accompanied by fried foods.
- The food sector in Ecuador at the retail level can be divided into five categories: supermarket chains, open or wet markets, independent groceries, small food stores, and convenience stores known as mini-marts.
- Importers for the supermarket chains require that American exporters have all permits and licenses needed as well as the logistic arrangements necessary for products at the port of departure.
- Any person or company that wants to import in Ecuador must obtain an import permit (DUI or Unique Document for Imports), and, if applicable, the importer must have authorization from the Ministry of Agriculture or the Ministry of Public Health.
- Importers usually search for competitive conditions in prices and quality. However prices are not always constrained as there are niche markets for many high value products for high-level income consumers.
- Brand loyalty is common in Ecuador. Therefore, exporters seeking to enter new markets in Ecuador will need to demonstrate the strengths of the new product through advertisement. The use of point-of-purchase (POP) material is recommended as well as promotional campaigns and samples.
- Ecuadorian eating habits have changed dramatically in recent years: there are more women working outside of the home and commute times/distances are longer, causing more consumers to choose fast food or processed food.
- There is fierce competition among distributors for new consumers. In order to gain market share, some distributors permanently place new products in discount stores where prices usually are between a 10 percent and 20 percent lower.
- A new tendency that has appeared in supermarkets, due to strategic alliances with producing companies, is supermarket branded products. This allows the stores to offer more competitive prices.
- Importers in Ecuador are mostly interested in canned products, confectionaries, and grains.
- The consumers that usually shop at grocery stores in Ecuador traditionally belong to the middle and higher classes.
- The main supermarket chains in Ecuador, which represent approximately 60 percent of the sector, are La Favorita (Supermaxi), and El Rosado (Mi Comisariato). Tiendas Industriales Asociadas, Mega Santa Maria, Supermercados Coral and Magda Espinosa are medium-sized supermarket chains that are growing fast and obtaining an important market share.
- Supermarket chains did not experience remarkable profit growth from 2010 to 2011.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail Food Sector



- Approximately 34 percent of Ecuadorians (4.5 million people) buy food in a grocery store, with an average monthly expenditure of \$250. The highest percentage of supermarket customers is found among the population with middle and high incomes, which combined reach approximately 30 percent of Ecuador's population.
- The two largest supermarket chains, Supermaxi, and Mi Comisariato account for the majority of food sales in this segment. On average, 18 percent of the available shelf space is dedicated to imported foods and beverages, such as fresh fruit, prepared or canned fruits and vegetables, frozen items, snacks, confectioneries, wine, juices, beer, and more recently, diet products.
- Mini-marts tend to offer imported and specialty products such as cigarettes, liquors, snacks, and soft drinks.
- The best way to enter this sector is through direct contact with supermarkets using local importers and distributors who usually require exclusive contracts, which tends to increase costs, thus making the product less competitive.

- Sales usually increase during special holidays such as Mother's Day, Christmas, Carnival, Valentine's Day, and Father's Day. Demand for most consumer-ready products usually peaks during the tourist season (June-September).
- The number of supermarkets and self-service stores are increasing as people turn to these stores in order to get a wider variety of products in a more organized and cleaner shopping environment. Such stores offer the best sale opportunities for imported products.

Food Processing Sector

- Due to variations in the exchange rate between the U.S. dollar and Latin American currencies, ingredients for food processing are many times imported from Colombia, Chile, and Mexico. This happens when the dollar is stronger because it is cheaper in these countries.
- The most demanded products for this sector are: processed sugar, concentrated ingredients for sugar, juice concentrates and mixtures, colorants, cereals, meats, ferments, flours, and food extracts.
- A successful sales strategy for processed food products in Ecuador is the diversification of product lines. For example, Pronaca, the leading company in this sector has a portfolio with over 800 products and 26 brands.
- The main processed food products in the market are pre-cooked or easy to prepare products for which many ingredients and seasonings are imported.
- The fishing sector in the first quarter of 2011 reported a 0.2 percent growth compared to the same period in 2010.
- Food producers are also beginning to diversify their products. For example, TecnoPesca de Manta, a fishing company, has begun to manufacture processed foods like soup and new seafood dishes.
- The beverage sector has focused on improved distribution channels to extend its coverage while simultaneously launching new products, as is the case of Sap Miller which owns the largest local brewery.

HRI Food Service Sector

- Growth in the tourism industry continues to represent a key opportunity for the HRI sector. The year 2011 began with positive results, with a total of 105,541 foreign visitors in January, accounting for an increase of 9.8 percent compare to the same month in 2010.
- Most restaurants are supplied by local producers and importers. The only exception is the big hotel chains that manage direct imports through agents in the country of origin.
- Products with the greatest demand are: meats, shell-fish, salmon, mussels, squid, wine, beer, liquor, olive oil, truffles, canned tomatoes, confectioneries, sausages, pre-cooked frozen potatoes, cheese products, and spices.

- The most important franchises in Ecuador are Pizza Hut, Burger King, McDonald's, Dunkin Donuts, Domino's Pizza, KFC, Papa Johns, Baskin Robbins, Subway, Taco Bell, TGI Fridays, Tony Roma's, Chili's, American Deli, Crepes & Waffles, Tropi Burger, Pollo Tropical, and Little Caesars.
- Most products used by franchise restaurants are imported and include: mayonnaise, ketchup, mustard, beef, poultry, spices, special ingredients, cheese, pepperoni, bacon, olives, corn oil, frozen french fries, ice cream and yogurt mixes. However, most of these products are supplied by each franchise's global supplier.
- Wine is becoming an important product in the food and beverage sector; however, the majority of wine in Ecuador is imported. The primary exporters of wine to Ecuador are Chile and Argentina, followed by the United States, the EU, and Australia. As the economy grows, there is an increasing demand for wine especially since there is considerable promotion of wine culture in the larger cities.

SECTION IV: BEST HIGH-VALUE PRODUCT PROSPECTS

Based on import statistics, as well as consumer preferences and Ecuadorian market trends, U.S. export opportunities lie in the following products:

- Soybean and sub products
- Sorghum and sub products for animal feed
- Wheat
- Corn for animal feed.
- Frozen Fish
- Fresh Fruits such as apples, pears, peaches
- Bake products and supplies for the pastry
- Mineral water and other bottled waters
- Spirits and liqueurs
- Sugar confectionery including white chocolate
- Chocolate and other food preparations containing cacao
- Malt extract
- Coffee and Tea
- Fats and Oils
- Food Waste for animal feed
- Mechanically deboned meat (MDM)
- Frozen produce
- Precooked frozen meals
- Ice cream
- Pork cuts and Pork products
- Low-calorie food products
- Specialty beers
- Soft drinks
- Energy Drinks
- Wine

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

For more information about this report, please do not hesitate to contact:

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SECTION VI: BIBLIOGRAPHY

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