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**Report Name:** Food Processing Ingredients

**Country:** Ecuador

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**Report Category:** Food Processing Ingredients

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**Report Highlights:**

The food processing industry is a large component of Ecuador's manufacturing sector. In 2018 the sector contributed, \$6.2 billion to Ecuador's gross domestic product and grossed \$11.5 billion in net sales. Excellent sales prospects exist for U.S. food ingredient products to supply this industry. This report provides a road map for exporters wishing to enter the market. It provides information on the key channels of distribution for food ingredients and highlights growing product segments including industrially processed foods, beverages, and edible fisheries products.

**Executive Summary**

The food processing industry is a huge component of Ecuador’s manufacturing sector. In 2018 it contributed \$6.2 billion to the national gross domestic product (GDP). Excellent sales prospects exist for U.S. food ingredient products to supply this industry.

**Imports of Consumer Oriented Products**

Imports of Consumer Oriented Food and Agricultural Products in 2018 reached \$787 million. Major suppliers include Chile, Colombia, and United States.



**Food Processing Industry**

The food-processing sector is one of the strongest performing sectors in Ecuador’s economy. It makes up 45 percent of the manufacturing sector’s contribution to the GDP. In 2019, it totaled \$1.5 billion and represented 11 percent of Ecuador’s \$13.6 billion in non-oil export earnings.

Food processing companies are distributed by size as follows: 45 percent microenterprises, 24 percent small companies, 14 percent medium companies, and 16 percent large companies.

**Food Retail Industry**

The Economist Intelligence Unit forecasts retail food sales for 2020 at \$24.4 billion and consumer expenditures for food, beverages, and tobacco at \$16.1 billion. Retail food sales have grown over the past five years at an average rate of 0.85 percent.

**Quick Facts CY2018 –CY2019**

Import of Consumer Oriented Products: \$787 million

Top Imported Agricultural Products to Ecuador:

- |              |                   |
|--------------|-------------------|
| Soybean Meal | Animal Feed       |
| Wheat        | Food Preparations |
| Soybean Oil  | Deciduous Fruits  |
| Sucrose      | Corn              |

2018 Food and Agriculture Product Contribution to GDP: \$15.8 billion

Top 5 Ecuador Retailers:

- Corporación Favorita (Supermaxi, Megamaxi, Aki)
- Corporación El Rosado (Mi Comisariato)
- Supermercados TIA
- Supermercados Santa Maria
- Hypermercados Coral

Population: 17,510,643 (2020 est.)

Nominal GDP: \$107.5 billion (2019 est.)

GDP per capita: \$11,700 (2019 est. at PPP)

Total Food & Beverage Processors in country: 1,228

Sources: Ecuadorian Central Bank, CIA Factbook, The Economist Intelligence Unit, Ecuador Central Bank, Trade Data Monitor, FAS Quito

**Strengths/Weaknesses/Opportunities/Challenges**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• The United States remains Ecuador’s main agricultural trading partner.</li> <li>• U.S.-origin products are well regarded for their high quality and value.</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. products are disadvantaged by the absence of a trade agreement with Ecuador.</li> <li>• U.S. origin products tend not to be price competitive.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Local food processing industry struggles to offer competitive market prices.</li> <li>• The U.S. dollar is the local currency.</li> </ul>	<ul style="list-style-type: none"> <li>• Slow economic growth.</li> <li>• Cumbersome import procedures</li> <li>• Trade Agreements with Europe and other regions</li> </ul>

## SECTION I. MARKET SUMMARY

Ecuador offers U.S. food and agricultural product exporters a number of excellent possibilities, particularly in the food-processing sector. This is in spite of slow economic growth, forecast at 0.5 percent in 2020. The food-processing sector is one of the strongest performing sectors in Ecuador’s economy. The sector is a huge component of the nation’s manufacturing sector, accounting for about 45 percent of the sector’s contribution to the country’s gross domestic product (GDP). In 2018, the food-processing sector represented 11 percent of Ecuador’s \$13.6 billion in non-oil export earnings, or \$1.5 billion. Spurring the sector’s growth is increased acceptance and consumption of processed food products, which are now a well-established part of the national food culture due to the changing lifestyles of new generations. The Economist Intelligence Unit forecasts retail food sales for 2020 at \$24.4 billion and consumer expenditures for food, beverages, and tobacco at \$16.1 billion.

Ecuador’s domestic food processing industry’s main food and beverage sub-sectors include:

- Meat, meat products and sub-products
- Processed shrimp
- Fish and other processed aquatic products
- Crude and refined animal and vegetable oils
- Processed dairy products
- Milling and bakery products, noodles and pasta
- Sugar and sugar cane products
- Processed cocoa products, chocolates, and confectionery products
- Foodstuffs various
- Beverage products

**Table 1: U.S. Supplier Advantages and Challenges in Ecuador**

Advantages	Challenges
<ul style="list-style-type: none"> <li>• New opportunities are developing for exporters of unprocessed, raw materials and food ingredients, due to import restrictions on a number of processed food products.</li> <li>• The United States remains Ecuador’s main agricultural trading partner.</li> <li>• U.S.-origin products are well regarded for their high quality and value.</li> <li>• Local food processing industry struggles to offer competitive market prices.</li> <li>• The U.S. dollar is the local currency in Ecuador</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. food and agricultural products (including food ingredients) are disadvantaged by the absence of a free trade agreement with Ecuador.</li> <li>• Slow economic growth that is expected to remain in coming years.</li> <li>• Cumbersome import procedures.</li> <li>• U.S. foodstuffs exporters are less aggressive than other regional trade partners (e.g., Chile) in tracking Ecuadorian sales.</li> <li>• A quarter of the population is below the poverty line, lacking the financial means to afford imported products.</li> <li>• U.S. origin products tend not to be as price competitive as those from neighboring countries and China.</li> </ul>

The Central Bank of Ecuador (BCE) estimates that food and agricultural products (including livestock, fisheries, aquaculture, and forestry) contributed to at least \$15.8 billion of the country’s GDP in 2018. The food and beverage subsector alone accounted for about \$6.1 billion. The fisheries-processing sector exhibited particularly strong growth in 2018 (up 28 percent), the meat processing sector is up 10 percent and the dairy processing sector is up 3.5 percent. The sugar and sugar cane products and the coffee processing sector shrank about 38 percent and 26 percent, respectively. Food and beverage processing remains largely concentrated in Ecuador’s major urban centers of Quito, Guayaquil, and Cuenca.

According to 2018 information from the Superintendencia de Compañías, the entity in charge of the registration of all companies in Ecuador, there are 1,228 food and beverage manufacturers in the country. These companies are distributed by size as follows: 45 percent microenterprises, 24 percent small companies, 14 percent medium companies, and 16 percent large companies.

## **SECTION II. ROAD MAP FOR MARKET ENTRY**

### **A. Entry Strategy**

- U.S. food ingredient producers and exporters seeking to enter the Ecuadorian market should contact local food processors directly or work with representatives, agents or distributors to define the application and product type best suited to meet end user needs. Large companies usually import directly from foreign suppliers. Small and medium-sized enterprises, lacking the ability to purchase large volumes, deal primarily with a representative or distributor. In the case of large volumes, the establishment of a local subsidiary to guarantee services and quality to clients is often advisable.
- U.S. food processing ingredients are well regarded for their high quality and value. To compete with local competitors, U.S. exporters need to offer a combination of quality, competitive pricing, and additional services (i.e., warranties and packaging suited to the local market's standards).
- U.S. exporters should build relationships with importers and distributors through visits to Ecuador. Constant monitoring, support, and ongoing communications with the importer can help offset freight and tariff advantages of neighboring country exporters.
- Creditworthiness is always a concern. U.S. exporters are advised to avoid offering direct credit lines until their client's creditworthiness is well established. If letters-of-credit are utilized, it is advisable that these be confirmed and that they are irrevocable letters-of-credit.

FAS Quito can provide U.S. exporters with valuable market information, key import contacts, and local legal and business information. Exporters contemplating sales to Ecuador should contact FAS Quito (contact information in Section V) and review our [Exporter Guide](#).

### **B. Import Procedure**

In order to import ingredients and food products for the processing industry, these items must first be classified into different categories: raw materials, processed ingredients, or processed products. The second step is to determine the channel of commercialization since some products need sanitary notifications prior to importation. Depending on the classification, the importer needs to obtain an import permit. Once the import permit is issued, the product can be shipped and proceed through the Ecuadorian customs process. For more information, please review our [Exporter Guide](#), [Food and Agricultural Import Regulations and Standards Country Report](#), and [Food and Agricultural Import Regulations and Standards Export Certificate Report](#).

### **B. Distribution Channels**

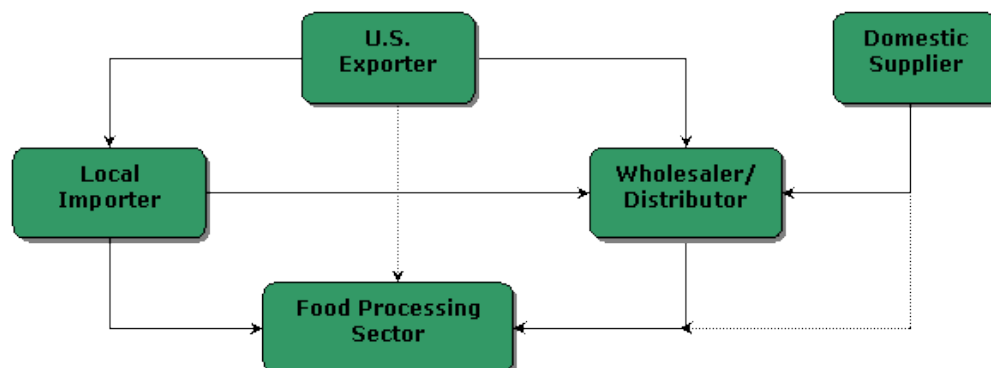
One way for new market entrants to build sales in Ecuador is by offering a combination of competitive pricing along with profit sharing, cost support of promotions, and by engaging in joint product promotions. If it is not possible to penetrate existing distribution channels, exporters can attempt to

establish their own distribution channels. Distribution channels in Ecuador will vary between those for domestic and imported products.

FAS Quito estimates that raw material and food ingredients represent a significant portion of the final purchase price of locally manufactured food products. To maximize returns, local food processors will often seek out more affordable, locally sourced food ingredients. Local food processors tend to purchase directly from foreign suppliers, foregoing the use of brokers. Local companies with low sales volumes often face higher import related costs. To compensate for these expenses, many of these companies will source imported food ingredients from wholesalers who act as importers.

Local food processors sell their products in supermarket chains throughout Ecuador. Based on sales, the main supermarket chains in Ecuador, representing approximately 60 percent of the sector, are *La Favorita (Supermaxi)*, and *El Rosado (Mi Comisariato)*. *Tiendas Industriales Asociadas*, *Mega Santa Maria*, and *Hipermercados Coral* are fast growing medium-sized supermarket chains. These same supermarket chains sell imported food products targeting middle- and high-income consumers.

#### D. Market Structure



#### E. Company Profiles & Company Products

Ecuador’s food processing sector is one of the most successful components of the national economy. The sector benefits from stable and consistent demand for its products. Food and beverage processing companies are ramping up production output in response to increased product demand driven by population and income growth. Local processing companies are attempting to capitalize on this growth by lobbying the government for support at the expense of imported processed products.

**Table 2: Ecuador, Food and Beverage Manufacturing Subsectors, (\$ millions)**

Products	Total Companies (2018)	Net Sales 2018 (\$ millions)	Market Share
Meat, meat products, and sub products	97	\$ 1,781.43	15.4%
Fish and other processed aquatic products	119	\$ 2,167.70	18.8%
Fruits and vegetables products	177	\$ 533.27	4.6%
Animal and vegetable oils	40	\$ 1,321.04	11.5%
Dairy products	102	\$ 779.64	6.8%
Milling products	72	\$ 294.29	2.6%

Starch and starch products	3	\$ 5.99	0.1%
Bakery Products	89	\$ 356.52	3.1%
Sugar and sugar cane products	13	\$ 304.69	2.6%
Cacao, chocolate, and confectionary products	73	\$ 270.75	2.3%
Macaroni, noodles, couscous, and similar farinaceous products	25	\$ 227.56	2.0%
Prepared meals and dishes	39	\$ 8.91	0.1%
Foodstuffs various	105	\$ 850.87	7.4%
Pet food and Animal Feed	84	\$ 961.71	8.3%
Alcoholic Beverages	60	\$ 98.00	0.8%
Wine	9	\$ 16.35	0.1%
Beer	26	\$ 562.14	4.9%
Non-Alcoholic Beverages	95	\$ 992.08	8.6%
<b>Total</b>	<b>1228</b>	<b>\$ 11,532.97</b>	<b>100%</b>

Source: Superintendencia de Compañías.

## F. Sector Trends

Ecuador's larger food and beverage processors have achieved a high degree of industrialization and technical sophistication and represent 83 percent of the sector's net sales. Small processors rely primarily on less efficient, traditional production methods. Spurring the sector's growth is increased acceptance and consumption of processed food products, which are now a well-established part of the national food culture.

Exchange rate fluctuations between the U.S. dollar and neighboring Latin American currencies often result in Ecuadorian importers sourcing food-processing ingredients from more affordable origins such as Colombia, Chile, and Mexico. Best U.S. product prospects include processed sugar, concentrated ingredient flavors, juice concentrates and mixtures, colorants, cereals, meats, flours, and food extracts. FAS Quito recommends an Ecuador sales strategy that includes targeting food manufacturers with diversified product lines. One leading food manufacturer alone maintains a portfolio of over 800 products and 26 brands. The fastest growing processed food products in the Ecuadorian market are pre-cooked or easy to prepare meals that utilize a high proportion of imported food ingredients and seasonings.

## SECTION III. COMPETITION

U.S. food ingredients face strong competition from Latin American producers. Exports from neighboring countries, benefitting from a closer proximity, are more competitive due to lower shipping costs. Import tariffs levied on U.S. food ingredients are higher than those levied against neighboring countries and European products that benefit from free trade agreements.

Domestic food manufacturers rely heavily on local food ingredients. Ecuador's government is attempting to restrict imports in order to stimulate local production and increased domestic use. The government is also aiming to increase production for regional export. Ecuadorian companies tend to import specialized food ingredients such as flavoring agents, colorants, preserving agents, and

emulsifiers. Food processors import these products from the United States and the European Union as Ecuador lacks the means to manufacture these products in sufficient volumes.

Ecuador is heavily dependent on imported wheat, soybean oil, and soybean meal. It is also an importer of fish products, crustaceans, and mollusks for further processing and commercialization. Additionally, it imports pre-mix ingredients for pet food and related products.

**Table 3: Competitive Situation Facing U.S. Suppliers**

<b>Product Category</b>	<b>Major Suppliers in 2019 (volume)</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
<b>Seafood</b> Net imports: 220,763MT US\$132.6 million	International Waters 69% Peru: 17% Spain: 4%	Peru is a major supplier of anchovies representing about 50% of imports.	Ecuador is a major Latin American tuna fish processor.
<b>Fruit and Vegetable Juices</b> Net imports: 1,399 MT US\$3.2 million	United States: 31% Brazil: 21% Mexico: 15%	Brazil and Mexico's products are price competitive.	Growing product diversification by importing bulk and bottling locally.
<b>Sugars and sugar confectionery</b> Net imports: 99,001 MT US\$68.2 million	Peru: 40% Colombia: 39% Guatemala 8%	Colombian and Peruvian sugar products are tariff exempt.	Domestic production is less competitive than imported product.
<b>Dairy products</b> Net imports: 10,042 MT US\$55.7 million	Mexico: 30% Chile: 21% United States: 15%	Suppliers offer a number of products not produced locally.	Domestic production is protected by the government.
<b>Milling products</b> Net imports: 64,430 MT US\$36.2 million	Chile: 45% Colombia: 26% Argentina: 10%	Colombia, an Andean Community member, is tariff exempt.	A local oligopoly controls pricing.
<b>Meats &amp; Offals</b> Net imports: 4,773 MT US\$9.3 million	Chile: 70% United States: 27% Uruguay: 2%	Chile is highly price competitive in cattle offals.	Quality concerns with informal sector production.
<b>Prepared fruit, vegetables and nuts</b> Net imports: 51,590 MT US\$75.0 million	Chile: 39% Peru: 15% Netherlands: 14%	Chilean products are price competitive.	Year round domestic production is limited by lack of technology.
<b>Prepared animal food residues and waste from the food industry; prepared animal feed</b> Net imports: 1,549,470 MT US\$824.6 million	United States: 38% Bolivia 20% Peru: 17%	Main suppliers offer a number of products not produced locally.	Local industry is diversifying and offering competitive pricing.
<b>Preparations of food miscellaneous</b> Net imports: 29,765MT US\$234.8 million	Colombia: 24% Peru: 14% United States: 14%	Suppliers produce ingredients that do not exist in the country.	National production is small and deficient.

Source: Trade Data Monitor and FAS Quito

## SECTION IV. BEST PRODUCT PROSPECTS

Excellent prospects exist for high quality U.S. food ingredient products (e.g., artificial flavorings, colorants, preservatives, and spices). Wheat, soybean flour, yellow corn, fruit juices and concentrates, glucose syrup, whey, and lactose also offer good prospects.

### Category A: Products Present in the Market That Have Good Sales Potential

Product Category	2019 Imports (US\$ Millions)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints for Market Development	Market Attractiveness for the United States
Preparations of food, miscellaneous	\$234.8	4%	10% - 30%	Colombia and Peru dominate imports. Products require sanitary notification.	Domestic production is limited. Opportunities exist for high quality U.S. products.
Cereals and milling products	\$419.3	5%	20% - 30%	Local oligopoly controls the industry, including price fixing. Some products may require sanitary notification.	The United States and Canada supply 36% and 53% of Ecuador's cereal needs. Insufficient domestic production.
Fruit and vegetable juices	\$3.2	0.5%	30%	Brazil and Mexico are highly price competitive. Some products may require a sanitary notification.	Domestic production is slow to launch new brands. Local production costs are high so most companies import bulk to bottle locally.
Meat and meat products	\$9.3	-0.4%	20% - 85%	Import licenses are required. Some products may require sanitary notification.	U.S. products are recognized for their quality. Many products are commonly used in the deli meats industry.
Dairy products	\$55.7	3%	25% - 30%	National production is promoted. Regional suppliers are main suppliers. Some products may require sanitary notification.	Specialty U.S. products are not available in the region.

Source: Trade Data Monitor and FAS Quito



**Category B: Products Not Present in Significant Quantities, but with Good Sales Potential**

<b>Product Category</b>	<b>Import Tariff Rate</b>	<b>Key Constraints for Market Development</b>	<b>Market Attractiveness for the United States</b>
Basic chemical products for the preparation of food	0% - 5%	Lack of accurate market information.	Tariffs are minimal.
Crude and refined oil and fat	0% - 20%	Domestic manufacturing is diversified. Some products may require sanitary notification.	Consumers are increasingly demanding healthier corn and canola oil. Ecuador mainly produces palm oil.
Seeds and dry fruits	0% - 10%	Chile is major supplier that benefits from competitive pricing and shipping cost advantages. Some products may require sanitary notification.	Importers prefer U.S. product based on taste preferences.

**Category C: Product Not Present Because They Face Significant Barriers**

<b>Product Category</b>	<b>Import Tariff Rate</b>	<b>Key Constraints for Market Development</b>	<b>Market Attractiveness for the United States</b>
Poultry Meat	45%-85%	Poultry sector is protected and import licenses are usually denied.	Local production cost is high.
Cheeses	20%-25%	Dairy sector is protected and import licenses are usually denied.	Local cheese production is not diversified.
Whey	5%-30%	Dairy sector is protected and import licenses are usually denied.	Small local production.

**SECTION V. KEY CONTACTS AND FURTHER INFORMATION**

For additional information, see [www.fas.usda.gov](http://www.fas.usda.gov) or e-mail the Foreign Agricultural Service Quito at: [agquito@fas.usda.gov](mailto:agquito@fas.usda.gov). See also FAS Quito's [Exporter Guide](#), [FAIRS Country Report](#), and [FAIRS Export Certificate Report](#) for Ecuador, where you will find contact information for Ecuador's regulatory agencies, a list of ministries responsible for food policies, a graph of import policies, and other valuable contact information

**Attachments:**

No Attachments