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**Country:** Ecuador

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**Report Highlights:**

Uncertainty of government corn policies and price support mechanisms contributed to decreased production with farmers retiring or shifting to more profitable crops. Corn consumption is down as the livestock and aquaculture sectors continue to look for more cost effective feed alternatives. Wheat imports are up, due to increased use in the aquaculture sector. Rice production is up due to increased planting area, good weather conditions, and improved income exceptions. Rice by-products are increasingly being used in animal feed.

## WHEAT

Wheat Market Begin Year Ecuador	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5	4	5	4	0	4
Beginning Stocks	173	173	123	20	0	10
Production	5	5	5	5	0	5
MY Imports	1102	1090	1200	1250	0	1300
TY Imports	1102	1090	1200	1250	0	1300
TY Imp. from U.S.	252	273	0	300	0	350
Total Supply	1280	1268	1328	1275	0	1315
MY Exports	7	0	0	0	0	0
TY Exports	7	0	0	0	0	0
Feed and Residual	425	638	450	635	0	655
FSI Consumption	725	610	740	630	0	640
Total Consumption	1150	1248	1190	1265	0	1295
Ending Stocks	123	20	138	10	0	20
Total Distribution	1280	1268	1328	1275	0	1315
Yield	1	1.25	1	1.25	0	1.25

(1000 HA) ,(1000 MT) ,(MT/HA)

### Production:

Wheat production in marketing year (MY) 2020/21 (July-June) is forecast to remain at 5,000 metric tons (MT). Wheat production in Ecuador is insignificant and the industry is entirely dependent on imports.

For over a decade, the government of Ecuador has unsuccessfully implemented programs to encourage wheat production. These incentives included subsidized fertilizers, government-backed loans, and improved seed varieties. However, farmers have opted for more profitable crops such as quinoa.

### Consumption:

Wheat consumption in MY 2020/21 is forecast at 1.3 million metric tons (MMT), increasing two percent compared to the previous year. Wheat consumption in Ecuador is almost equally divided between human and feed consumption. Wheat as feed is mostly used for the shrimp industry. Given the Ecuadorian economic and import restriction dynamics, wheat has become an important input for shrimp production. Ecuadorian per capita wheat consumption in in MY 2020/2021 is estimated at 45 kilograms/annum.

### Trade:

Wheat imports in MY 2020/21 are forecast at a record 1.3 MMT, up 50,000 MT from the previous year. Until 2015, Ecuador utilized imported wheat primarily in bread and pasta manufacturing. Recently, Ecuador has incorporated more wheat into animal feeds, and is led primarily by shrimp production. This estimate assumes that demand by the country's animal feed industry will continue to increase.

Major wheat suppliers in Calendar Year (CY) 2019 were Canada with 56 percent of market share, followed by the United States with 36 percent. The United States' wheat exports to Ecuador increased 108 percent in CY 2019 reaching 434,709 MT, basically replacing the Argentinean supply. Average

imported wheat prices remain stable at \$266 per MT, average Canadian wheat prices fell slightly to \$277 per MT while average prices for U.S. wheat were 250 per MT, also a minor reduction compared to the previous year.

### Policy:

Ecuador promotes a policy of wheat self-sufficiency, but production levels have not yet risen to meet demand. In December 2019, Ecuador's Foreign Trade Committee passed the extension of the current tariff and duty exemption for wheat, wheat semolina, and wheat flour imports from all origins. Wheat and wheat products benefiting from the resolution include harmonized tariff system (HS) codes 1001.19.00.00 and 1001.99.10.00. COMEX Resolution 029-2019 states that Ecuador will extend the application of the current zero percent ad valorem exemption and suspend the application of the Andean Price Band (variable levy) until December 31, 2024. This was the first time that the Government granted a five-year tariff suspension, as previous extensions covered a two or three-year periods.

Ecuador maintains bilateral trade agreements with Peru and Chile, as well as regional trade agreements with the Latin American Integration Association (ALADI), and the European Union (EU). In 2004, Ecuador reached a tariff liberalization agreement with the Southern Common Market (MERCOSUR) and started implementing the agreement in April 2005. Wheat benefits from special treatment within MERCOSUR. Ecuador grants tariff preferences on the total duty, which is comprised of the *ad valorem* (basic) duty plus the Andean Price Band System's variable levy. In 2014, Ecuador concluded trade liberalization negotiations with the EU. The Agreement entered into effect on January 2, 2017. The country will gradually eliminate tariffs under the Andean Price Band System in six equal stages, beginning on the date the agreement entered into force.

### CORN

Corn Market Begin Year Ecuador	2018/2019		2019/2020		2020/2021	
	May 2018		May 2019		May 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	325	325	265	300	0	270
Beginning Stocks	53	53	36	65	0	85
Production	1270	1460	1040	1500	0	1350
MY Imports	43	37	300	60	0	70
TY Imports	46	39	300	60	0	75
TY Imp. from U.S.	28	28	0	43	0	50
Total Supply	1366	1550	1376	1625	0	1505
MY Exports	0	5	5	0	0	0
TY Exports	4	5	0	0	0	0
Feed and Residual	1250	1400	1250	1450	0	1350
FSI Consumption	80	80	85	90	0	90
Total Consumption	1330	1480	1335	1540	0	1440
Ending Stocks	36	65	36	85	0	65
Total Distribution	1366	1550	1376	1625	0	1505
Yield	3.9077	4.4923	3.9245	5	0	5
(1000 HA) ,(1000 MT) ,(MT/HA)						

### Production:

Corn production in MY 2020/21 (May-April) is forecast at 1.35 MMT, down from the MY 2019/20 estimate of 1.5 MMT. This reduction is attributed to a reduction in area planted. Yields remain at 5 MT per hectare. Corn is produced mostly by small and subsistence farmers who are hesitant to plant due to uncertainty of government corn policies and price support mechanisms. Corn growers are retiring or switching to more profitable crops such as cacao. The current government took office in May 2017, fiscal constraints have significantly reduced the Ministry's ability to implement its policy of providing production kits, or any other type of publicly funded support, to help producers.

Ecuadorian corn consumers continue to pay significantly higher prices for domestically produced corn. On January 10, 2020, the Ecuadorian government through the Ministry of Agriculture and Livestock (MAG), established the official corn price for 2020 at \$14.60 per hundredweight (\$317 per MT), four percent less than 2019. This has forced many in the agro-industrial sector to turn to substitutes in order to remain competitive and keep animal protein affordable to consumers.

**Consumption:**

Corn consumption in Ecuador is forecast at 1.4 MMT in MY 2020/21, down year-to-year from the MY 2019/20 estimate of 1.5 MMT. Ecuador's agro-industrial sector continues to change its consumption habits and increase its consumption of corn substitutes. As a result, the overall decline in corn consumption in MY 2019/20 could be attributed to the increased inclusion of wheat, and other grains such as rice and rice byproducts, in animal diets as substitutes for high-priced corn.

Trade sources reported that in addition to wheat, animal feed producers are increasingly experimenting with and using other corn alternatives such as rice byproducts that are available domestically and imported distillers' dried grains with solubles (DDGS). FAS Quito sources have indicated that feed producers do not rely as much as in the past on corn as an irreplaceable feed ingredient. FAS Quito estimates that 80 percent of local feed production is utilized by the national poultry industry, and 20 percent taken up by other livestock production, (primarily swine).

Ecuador's yellow corn consumption is dependent on the demand of the animal feed sector and the availability of lower-priced corn substitutes. The poultry sector is forecast to grow modestly in 2020. Per capita consumption of poultry meat is estimated at 35 kilograms/annum. FAS/Quito estimates that in 2019, the poultry flock reached 273 million birds, up two percent from the previous year.

**Trade:**

Ecuador's corn imports in MY 2020/21 are forecast to increase by 10,000 MT reaching 70,000 MT. Persistent low corn prices in the world market continue to discourage users and producers from taking advantage of domestic import-substitution policies.

Ecuador imported, 42,908 MT of corn in CY 2019, of which U.S. corn accounted for 65 percent, followed by Argentina with 23 percent. Since Argentina has recently resumed taxing agricultural exports, FAS/Quito forecasts an increase in the U.S. market share.

### Policy:

White and yellow corn imports are assessed a 15 percent *ad valorem duty* (based on the CIF value), plus the Andean Price Band System variable levy. The Andean Community set floor and ceiling prices for yellow corn are currently at \$223/MT and \$278/MT, respectively. The variable levy for corn remains at 17 percent. Foreign corn faces import duties of up to 45 percent. Upon accession to the World Trade Organization (WTO), Ecuador bound its tariffs (including the additional Andean Price Band System levy) for corn at 45 percent. Ecuador also maintains a worldwide corn tariff-rate quota (TRQ) of 19,600 MT at a 25 percent tariff rate. This TRQ, which normally fills whenever international corn prices drop, has not been announced in many years. The Andean Price Band System currently increases duties beyond 25 percent (i.e., 15 percent *ad valorem* plus a variable levy of 30 percent).

### RICE, Milled:

Rice, Milled Market Begin Year Ecuador	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	330	315	315	300	0	330
Beginning Stocks	178	178	176	137	0	57
Milled Production	925	976	870	930	0	1023
Rough Production	1468	1549	1381	1476	0	1624
Milling Rate (.9999)	6300	6300	6300	6300	0	6300
MY Imports	80	0	80	0	0	0
TY Imports	80	0	80	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1183	1154	1126	1067	0	1080
MY Exports	37	37	24	20	0	20
TY Exports	29	28	24	20	0	20
Consumption and Residual	970	980	950	990	0	1000
Ending Stocks	176	137	152	57	0	60
Total Distribution	1183	1154	1126	1067	0	1080
Yield (Rough)	4.4485	4.9175	4.3841	4.92	0	4.9212

(1000 HA) ,(1000 MT) ,(MT/HA)

### Production:

Milled rice production in MY 2020/21 is forecast at 1 MMT, increasing ten percent over the previous year estimate. This increase is explained by a rebound in planted area due to good weather conditions and improved income expectations compared to other alternative crops.

To some extent, phytosanitary problems, such as infestations by apple snails, first introduced in 2010, continue to make rice production challenging and a high-cost agricultural activity. Rice production will remain profitable in Ecuador only for as long as the government continues its policy of minimum prices for rice and blocks imports from third countries. The availability of improved rice varieties, however, has increased productivity and more than offset losses due to phytosanitary problems. Ecuador's farmers

are able to crop more than two harvests per year in irrigated fields. Farmers are reluctant to leave fields fallow. It is common to see rice fields at different stages of development all year round in Ecuador's lowlands, without crop rotation.

Average rough rice yields remain low at 4.9 MT per hectare. Rice production is concentrated in Ecuador's coastal lowlands. This area floods during the November-April rainy season and remains moist throughout the rest of the year. Production varies with rainfall, with the larger harvest occurring towards the end of the rainy season (i.e., May-June). Only a third of the acreage is planted during the summer months and is limited only by access to irrigation. While large-scale farmers can afford expensive irrigation and equipment, 75 percent of Ecuador's rice growers are subsistence farmers (owning five hectares or less) who cannot afford these costs.

### **Consumption:**

Rice is a staple in Ecuador. Almost all local production is consumed domestically. Total consumption in MY 2020/21 is forecast at 1 MMT, up one percent from the previous year estimate. Per capita consumption is estimated at 59 kilograms per annum. This estimate takes into consideration losses due to spoilage of old stocks and an increase in the consumption of rice and rice byproducts in the production of animal feed.

Ecuador's Ministry of Agriculture and Livestock sets farm gate rice prices using a price band system. In 2019, rice price was set at \$29 per 200-pound (90.76-kilogram) sack of paddy rice (\$319 per MT). However, these prices are very difficult to enforce given contraband from Peru which could be as much as 40 percent cheaper and of better quality.

### **Trade:**

Although Ecuador's Ministry of Agriculture has publicly announced potentially massive exports of rice to other Latin American countries, the country only exported 29,000 MT to Colombia in CY 2019. For MY 2020/2021, Post forecasts 20,000 MT in rice exports. Registered imports are insignificant, however, Post estimates contraband from Peru at around 50,000 MT.

### **Policy:**

Rice imports are politically sensitive. The government has promoted rice self-sufficiency by setting farm gate prices at levels significantly higher than prices in the world market and in neighboring countries, maintaining the Andean Price Band System, and further trying to limit imports using Presidential decrees. The Andean Price Band System currently sets a floor price of \$443/MT and a ceiling of \$509/metric ton. The Andean Price Band System is recalculated twice a month: at the beginning and middle of the month. Andean Community members (Colombia, Ecuador, Peru, and Bolivia) are assessed a zero-tariff and are not subject to the Andean Price Band System. A ministerial decree is nonetheless necessary before an import permit is issued. Other Latin American countries have been granted *ad valorem* tariff preferences under the Latin America Integration Association - ALADI, but they are still

assessed the Andean Price Band System variable levy. Ecuador establishes domestic minimum support-prices that rice mills must pay to farmers.

**Attachments:**

No Attachments