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Grain and Feed

Annual

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Approved by:

Lawrence D. Fuell

U.S. Embassy

Prepared by:

Carlos M. Yugcha

Report Highlights:

Imports of wheat for MY 2000/2001 are forecasted at 480,000 MT, virtually unchanged over the past three marketing years. The market share of U.S. wheat remains strong, over 50 percent.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Quito [EC1], EC

TABLE OF CONTENTS

Executive Summary 1

Production 2

Consumption 2

Trade 3

Policy 4

Executive Summary

Imports of wheat for MY 2000/2001 (July-June) are forecasted at 480,000 MT, virtually unchanged over the past three marketing years. The market share of the U.S. wheat remains strong over 50 percent. Suspension of USDA's Commodity Credit Corporation GSM -102 Credit Guarantee lines since 1998 has further weakened the U.S. wheat position in Ecuador, where price rather than quality is the more dominant factor in wheat purchase decisions.

Production

Ecuador produces very little wheat; about 15,000 MT a year, which is less than 5 percent of annual consumption. Wheat production in Ecuador is not profitable due to geographical and weather conditions which result in yields of between 600 and 750 kg per hectare. Wheat planted area is currently at 25,000 hectares and is more likely to decline than increase in the future, not withstanding occasion discussions of planting tropical wheat in the coastal regions. Half the local production is for self consumption and the remainder is traded to miller and feed compounders.

Consumption

PSD Table						
Country:	Ecuador					
Commodity:	Wheat					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	25	25	25	25	0	25
Beginning Stocks	123	123	128	126	0	131
Production	15	15	15	15	0	15
TOTAL Mkt. Yr. Imports	490	493	490	490	0	480
Jul-Jun Imports	490	493	490	490	0	480
Jul-Jun Import U.S.	200	127	250	200	0	200
TOTAL SUPPLY	628	631	633	631	0	626
TOTAL Mkt. Yr. Exports	30	30	30	20	0	30
Jul-Jun Exports	30	30	30	20	0	30
Feed Dom. Consumption	95	75	95	80	0	75
TOTAL Dom. Consumption	470	475	475	480	0	480
Ending Stocks	128	126	128	131	0	116
TOTAL DISTRIBUTION	628	631	633	631	0	626

Wheat consumption has been stagnant in recent years, forecast at 480,000 MT for MY2000/2001, virtually

unchanged over the past three marketing years. Most consumption is for humans which, on a per capita basis, has probably declined in recent years. Small but potentially growing consumption is occurring in the shrimp (used as agglutinant), and feed (poultry) industries. However, Post forecasts a slightly decrease in for feed wheat consumption as a result of the increased prices of feed wheat compared with international corn prices and decreased demand for wheat to feed pond raised shrimp, due to the presence of white pot disease.

In January 200, after the decision of the government of Ecuador to dollarize the economy, fixing an exchange rate of 25,000 Sucre per one US dollar, wheat flour prices start sky rocketing in terms of Sucre. According to industry sources wheat millers are selling flour at US\$16.50/bags (50 kg), just covering their production costs.

Trade

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Dec		
Imports for	1998		1999
U.S.	151,517	U.S.	163,522
Others		Others	
Canada	210,269	Canada	192,988
Australia	15,865	Australia	0
Argentina	7,676	Argentina	15,300
Uruguay	72,088	Uruguay	53,397
Total for Others	305898		261685
Others not listed			
Grand Total	457415		425207

Ecuador's wheat imports are forecast to decline slightly in MY2000/2001, due to large carryover stocks from the preceding year. Economic instability, in general, since last year, has depressed consumer power. Imports of U.S.

wheat in MY1999/2000 have been revised downward from 250,000 MT to 200,000 MT. However, the market share of U.S. wheat remains strong, over 50 percent. Pressure on US wheat is coming from Canada, Argentina which have offered lower prices and, on some occasions, credit terms. The suspension of USDA's GSM-102 Credit Guarantee Program since 1998 has further weakened the U.S. wheat position in Ecuador where price rather than quality, especially in today's economic circumstances, is the more dominant factor in wheat purchase decisions.

While no official date on border trade is available, Post believes that exports to Colombia and Peru have decreased as a result of relative prices for wheat flour on the border similar to internal prices in these countries. According to wheat millers and pasta industry representatives, the size of this trade is estimated to be no more than 20,000 MT in MY1999/2000 border sales have diminished significantly over the past three or four years. Current export figures for MY 1999/2000 were revised to 20,000 metric tons, which in turn will be reflected in import figures. It is forecasted 30,000 MT for the upcoming MY/2000, this latter explained by the devaluation of sucre against Colombian Peso.

Policy

Ecuador officially acceded to the WTO in January 1996. Under the terms of its accession, Ecuador is obligated to comply with a Tariff Rate Quota (TRQ) system for several products, including wheat. The within-quota tariff rate for wheat is 19 percent. The effective rate on wheat imported outside the quota is around 40 percent, including a 10 percent minimum tariff, a 5 percent safe guard tax and additional variable levies that increases the price of imported wheat equal to an internal reference price. Wheat for human consumption is imported at the within-quota rate but wheat imports for feed uses have to pay the higher tariff rate.

Under bilateral agreements with its neighbors, Ecuador provides and receives tariff preferences. In the case of Argentina, Ecuador grants a 50 percent exception to the wheat tariff and 90 and 40 percent exceptions to wheat from Uruguay and Paraguay, respectively. However, these exemptions do not apply to imports of wheat flour. Negotiation of further concessions between the Andean Community and Argentina are still going on. In the meantime, the above bilateral agreements will be in effect until March 31, 2000. If the Andean Community (AC) signs a new agreement with Mercosur, it is likely that Ecuador will negotiate these bilateral agreements as "Historical Patrimonium". i.e., Ecuador will provide preferences of tariffs already in effect. Mercosur will be looking for additional preferences for wheat and wheat flour, not only from Ecuador but from other Andean countries.

The only requirement that wheat importers face in Ecuador is that they obtain a phytosanitary certificate issued by the Ministry of Agriculture before they can obtain an import permit. However, lately SESA (office of the Ministry of Agriculture which deals with Phytosanitary issues) has raised the issue of all imported agricultural products being free of genetically modified organisms (GMO). Post has discussed this issue with the new Minister of Agriculture and believes that this requirement will be lifted.