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Report Highlights:

The Government of Ecuador continues defining the yearly minimum price for local production of corn, rice, and wheat. The Minister of Agriculture supports the reduction of corn area and the shift to other crops that are mainly focused on the export market. Corn consumption remains similar to 2021 levels, based on high poultry and aquaculture production. Wheat imports continue increasing in direct relation to shrimp and poultry production. Other sectors, such as bread and pasta production, maintain the consumption of this grain. Rice production remains similar due to a slight increase in planted area and a reduction in yield. The closure of the Colombia border, due to trade disputes, has negatively affected rice exports and suppressed local prices due to larger supplies in-country.

Table 1: Production, Supply and Distribution, Wheat

Wheat	2020/2021		2021/2022		2022/2023	
Market Begin Year	Jul-22		21-Jul		22-Jul	
Ecuador	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7	4	6	5	0	7
Beginning Stocks	142	66	267	50	0	43
Production	15	5	11	7	0	14.7
MY Imports	1430	1300	1350	1368	0	1589
TY Imports	1430	1300	1350	1368	0	1589
TY Imports from US	336	475	0	500	0	500
Total Supply	1587	1371	1628	1425	0	1647
MY Exports	2	0	5	0	0	0
TY Exports	2	0	5	0	0	0
Feed and Residual	650	681	600	702	0	795
FSI Consumption	670	640	660	680	0	800
Total Consumption	1320	1321	1260	1382	0	1595
Ending Stocks	267	50	368	43	0	52
Total Distribution	1589	1371	1633	1425	0	1647
Yield	2.1429	1.25	1.8333	1.25	0	2.1

(1000 HA), (1000 MT), (MT/HA)
 MY= Marketing Year, begins with the month listed at the top of each column
 TY= Trade Year, which for wheat begins in July for all countries. TY 2022/2023 = July 2022 - June 2023

Production:

Wheat production in marketing year (MY) 2022/23 (July-June) is forecast to increase to over 14,000 metric tons (MT) due to use of new, higher-yielding local varieties. Wheat production in Ecuador is insignificant, with less than 7,000 hectares in production focused on the bread and pasta industries. The feed and milling industries are entirely dependent on imports.

The government of Ecuador continues implementation of a program to encourage wheat production in the Highlands region by providing higher-yielding local varieties developed by the Ministry of Agriculture's National Agricultural Research Institute, INIAP. The milling industry has maintained a wheat production program since 2016, with an average of 4,600 to 5,000 hectares (ha) planted per year. This program has helped small farmers to increase their yields from 0.7 MT/ha to 2.20 MT/ha, by providing them with more productive local varieties. Last year the local harvest reached over 14,600 MT, a record high since 2002.

Wheat production ranks 21st place among the 40 main crops produced in Ecuador, based on planted area.

Consumption:

Wheat stocks are generally based on local production and depend on the quality and quantity of the harvest. Stocks in Ecuador continue to be estimated and forecasted lower due to increased use of existing stocks in the market. Wheat has been increasingly used by the animal feed sector, largely for shrimp production, as well as due to higher consumption of carbohydrates (pasta and bakery) during 2021.

Wheat consumption in MY 2022/23 is forecast at 1.6 million metric tons (MMT), based on a 13-percent increase in demand per year. This increase is based on population growth and use in the feed industry. Additionally, bread and pasta are the cheapest and most consumed carbohydrate in Ecuador's highlands after potatoes. Wheat consumption in Ecuador is almost equally divided between feed (48 percent) and human consumption (52 percent), which is represented by 22 percent for pasta production and 30 percent for bread and bakery. Wheat as a feed input is principally used for the shrimp and poultry industries. Wheat has become an important input for shrimp feed, which is expected to displace corn in up to 15 percent in the formula and has less legal difficulties to import (approval of import permits) than corn.

Ecuadorian per capita wheat consumption in MY 2022/2023 is estimated at 46 kilograms/annum (30 kg. pasta and bakery, 16 kg. feed industry). In 2022, the pasta and bakery industries expect an increase in consumption compared with 2021 due to recovery of the economy.

Photo 1:



Carchi province wheat field Source: El Universo newspaper

Trade:

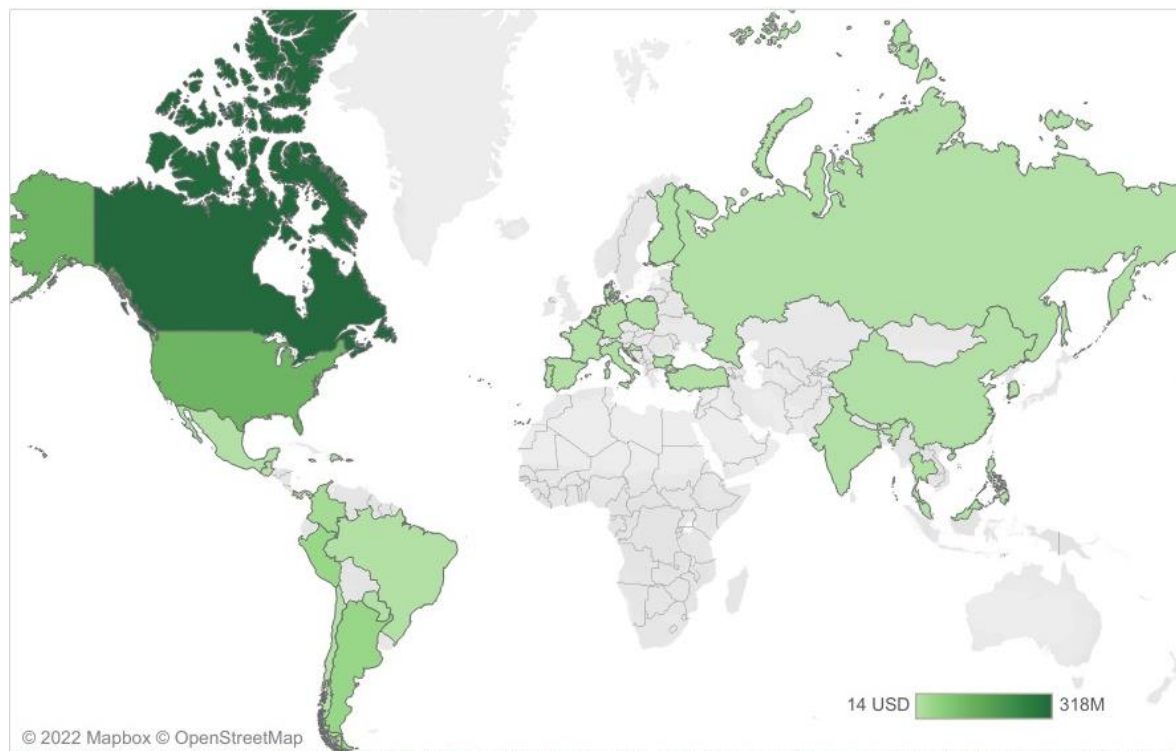
Wheat imports in MY 2022/23 are forecast at a record of nearly 1.6 MMT, up 205,000 MT from the previous year. Until 2015, Ecuador utilized imported wheat primarily in bread and pasta manufacturing. Ecuador has incorporated more wheat into animal feeds, which is fueled primarily by shrimp production, 73 percent of imported wheat for feed is used in shrimp feeding. This estimate assumes that demand by the country's animal feed industry will continue to increase.

Major wheat suppliers in calendar year (CY) 2021 were Canada with 64 percent of the market share, followed by the United States with 24 percent. The United States' wheat exports to Ecuador decreased 18 percent in CY 2021 reaching 376,194 MT. Overall average imported wheat price increased during 2021 to nearly \$400 per MT.

In recent years, U.S. wheat has been considered the second option after Canadian wheat, due to a limited availability of wheat varieties used by Ecuador's bread industry and recently shipping vessel shortages. In addition, Argentinian wheat imports have been rising due to lower prices, averaging \$292 per MT in 2021. FAS Quito will monitor this trend as the Russia-Ukraine conflict will affect the international prices from all sources. Wheat from different sources is blended to reduce the average final price per metric ton for the bakery, pasta, and bread industries, according to ASEMOL, the Ecuadorian Millers Association.

During 2021, the Ecuadorian government granted requests for import licenses based on the demand of the industry. The Ministry of Agriculture now considers this grain a "priority" product due to its high consumption for animal feed and bread, which facilitates the import licensing process. Wheat is no longer considered a "sensitive" product, which previously provided protections from imports in the form of a more difficult import licensing process. The pasta, bread, and feed industries absorb 100 percent of local production.

Figure 1: Ecuador's principal suppliers of wheat in 2021 (U.S. Dollars)



Fuente: Banco Central del Ecuador (BCE)

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 of Ecuador granted a five-year tariff suspension, as previous extensions covered 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 members from reduced import tariffs. In 2014, Ecuador concluded trade liberalization negotiations with the European Union. The EU-Ecuador agreement entered into effect on January 2, 2017. Under that Agreement, Ecuador will gradually eliminate tariffs from the Andean Price Band System (SAFP) in six equal stages, beginning on the date the agreement entered into force.

Ecuador grants tariff preferences on the total duty, which is comprised of the *ad valorem* (basic) duty plus the SAFP's variable levy. The SAFP is a mechanism adopted to stabilize the import cost of a special group of agricultural products, characterized by a marked instability in their international prices. Stabilization is achieved by increasing the ad-valorem tariff when the international price is below the floor level, and by lowering that tariff, down to zero, when that price is above the ceiling.

Stocks:

Wheat stocks are generally based on local production and depend on the quality and quantity of the harvest. FAS Quito made a considerable reduction to beginning stock levels for TY 2020-2021 due to additional consumption of wheat by the shrimp feed industry and consumption of flour for the pasta and bakery industries. Stocks are revised lower than previous estimates also due to consumption by the growing animal feed sector.

Table 2: Production, Supply and Distribution Table, Corn

Corn Market Begin Year	2020/2021		2021/2022		2022/2023	
	May-19		May-20		May-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Ecuador						
Area Harvested	305	270	335	270	0	340
Beginning Stocks	85	85	28	65	0	15
Production	1150	1350	1375	1512	0	1462
MY Imports	80	70	75	63	0	250
TY Imports	80	70	75	63	0	250
TY Imp. From the U.S.	0	20	0	15	0	100
Total supply	1315	1505	1478	1640	0	1727
MY Exports	0	0	5	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1200	1350	1350	1555	0	1610
FSI Consumption	85	90	80	70	0	75
Total Consumption	1285	1440	1430	1625	0	1685
Ending Stocks	30	65	43	15	0	42
Total Distribution	1315	1505	1473	1640	0	1727
Yield	3.77	5	4.1045	5.6	0	4.3
(1000 HA), (1000 MT), (MT/HA)						
MY= Marketing Year, begins with the month listed at the top of each column						
TY= Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023						

Production:

Corn production in MY 2022/23 (May-April) is forecast at 1.4 MMT, less than the MY 2021/22 estimate of 1.51 MMT. This forecast is based on an additional 70,000 planted hectares and a reduction of yield to 4.3 MT per hectare, 23 percent lower than last year due to reduced use of fertilizers in response to much higher prices. In some farms mechanization and the use of advanced technology has been implemented, but corn is produced mostly by small and semi-subsistence farmers with less than five hectares and who are now hesitant to plant due to uncertainty about government corn policies that currently just determine the official price. There is a trend of small corn growers retiring or switching to other crops, such as cacao, pitahaya, or cattle, this production share now is filled by medium size producers of up to 50 hectares each.

The current administration took power in May 2021. The Ministry of Agriculture (MAG) has been facing a reduced budget due to fiscal constraints. MAG's resources are now focused on supporting small and semi-subsistence farmers, in general. The current Minister of Agriculture has publicly mentioned his interest in reducing the planted area of corn due to high production costs and yields below international standards. However, MAG still maintains trade policies that limit corn imports, resulting in slowed approvals for import licenses, according to Post contacts.

Ecuadorian corn consumers continue to pay significantly higher prices for domestically produced corn. As of March 3, 2022, MAG has not set the official corn price for 2022. However, based on information provided by MAG's Undersecretary of Commercialization, the official price will be higher than the 2021 price of \$14.60 per hundred-pound bag (\$321.78 per MT). This has forced many in the agro-industrial sector to turn to substitutes, mainly wheat, even though the international price of this grain has increased during 2021.

Photo 2:



Corn producer in Manabí province. Source: Manabí University

Consumption:

Corn consumption in Ecuador is forecast at nearly 1.7 MMT in MY 2022/23, a 5 percent increase compared to the MY 2021/22 estimate. These estimates are based on an expected rebound in pork and poultry production after declines in MY 2020/21. However, Ecuador's agro-industrial sector continues to change consumption patterns by increasing the use of corn substitutes that are easier to import. In addition, the increased use of wheat and the experimentation with sorghum and other grains such as rice and rice byproducts could cause a reduction in consumption in future years. Trade sources report that animal feed producers are increasingly using those corn alternatives that are available domestically, as well as imported distillers' dried grains with soluble (DDGS) which is now widely used in the shrimp industry. FAS Quito sources estimate that 85-90 percent of corn is utilized by the national poultry industry and 10-15 percent for other livestock production, primarily swine. Ecuador's yellow corn consumption is dependent on the demand for animal feed and the availability of lower-priced corn substitutes. The poultry sector is forecast to continue growing in 2022. Per capita consumption of poultry has increased to 28 kilograms and 200 eggs per year. Ecuador's poultry producers' association, CONAVE, statistics show that in 2021 the poultry flock reached 263 million birds, an increase of three percent from the previous year.

Trade:

Despite the shift to alternatives, Ecuador's corn imports in MY 2022/23 are forecast to reach 250,000 MT. In order to meet demand and to reduce hoarding and subsequent increases in local prices of the grain, MAG has allowed the import of 150,000 MT to date. According to the feed industry, it will allow an additional import of 100,000 MT to cover the annual deficit.

Ecuador imported 71,000 MT of corn in CY 2021. The United States became the leading supplier, representing 43 percent of market share, followed by Argentina, which accounted for 38 percent, and Colombia with a market share of 9 per cent.

Figure 2:

Ecuador's main corn suppliers 2021 - US\$ - MT

PRINCIPALES DESTINOS DE IMPORTACION ENE de 2021 - DIC de 2021			
No,	País	Valor (USD)	Peso (t)
1	ESTADOS UNIDOS	7.740.299 USD	30.356
2	ARGENTINA	7.576.114 USD	27.033
3	COLOMBIA	4.614.584 USD	6.164
4	CHINA	2.318.151 USD	3.038
5	CHILE	381.510 USD	720
6	TURQUÍA	376.891 USD	664
7	BÉLGICA	319.655 USD	339
8	BRASIL	257.298 USD	387
9	MÉXICO	217.445 USD	276
10	UCRANIA	196.090 USD	335
11	PERÚ	129.429 USD	140
12	POLONIA	45.311 USD	45
13	FRANCIA	36.055 USD	6
14	RUSIA	25.706 USD	48
15	INDIA	14.185 USD	24
16	ITALIA	2.617 USD	0
17	ALEMANIA	1.053 USD	0
18	HUNGRÍA	284 USD	0

Source: Ministry of Agriculture SIPA program

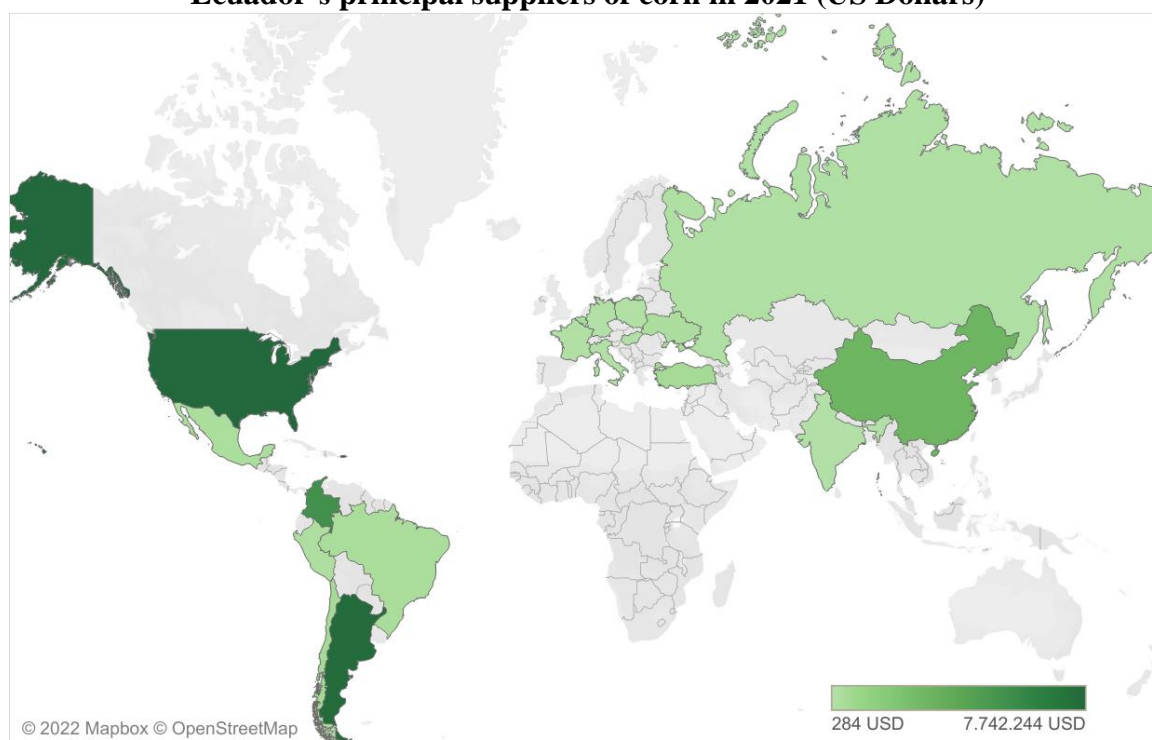
Ecuador is an associate state to the Southern Common Market, MERCOSUR, and member of the Andean Community of Nations, CAN, which includes the elimination of tariffs on intra-regional trade. Those alliances give advantages to Argentina and Colombia for the export of corn to Ecuador.

Stocks:

Corn stocks are based on local production and depend on the quality and quantity of the harvest. FAS Quito increased beginning stocks for TY 2020-21 based on information received from feed industry contacts. Ending stocks for TY 2022-23 are forecast higher than last year due to local production stocks held by intermediaries that are available at prices higher than the official price. Additionally, the Ministry of Agriculture's decision to allow the import of 150,000 MT of corn to cover the feed industry deficit and to regulate the internal price helped bolster stocks.

Figure 3:

Ecuador's principal suppliers of corn in 2021 (US Dollars)



Fuente: Banco Central del Ecuador (BCE)

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's set floor and ceiling prices for yellow corn are currently at \$255/MT and \$270/MT, respectively. The variable levy for corn remains at seven 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, was announced for 2021 and FAS Quito is still waiting for the TRQ announcement for 2022. The

Andean Price Band System currently increases duties beyond 25 percent (i.e., 15 percent *ad valorem* plus a variable levy of 30 percent).

The amount of imported corn is determined by the yearly deficit stated by the Ministry of Agriculture, which is managed through the granting of import permits and can depend on the absorption of local production by the importing company.

Table 3: Production, Supply and Distribution Table, Rice, Milled

Rice Milled Market Begin Year Ecuador	2020/2021		2021/2022		2022/2023	
	Apr-19		Apr-20		Apr-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	313	330	300	295	0	315
Beginning Stocks	211	57	132	60	0	145
Milled Production	873	1,023	863	1,059	0	992
Rough Production	1,337	1,624	1,370	1,682	0	1,575
Milling rate (.9999)	6,300	6,300	6,300	6,300	0	6,300
MY Imports	50	0	50	1	0	1
TY Imports	50	0	50	1	0	1
TY Imp. From U.S.	1	0	0	0	0	0
Total supply	1,134	1,080	1,045	1,120	0	1,138
MY Exports	21	20	30	40	0	25
TY Exports	21	20	30	40	0	25
Consumption and Residual	950	1,000	950	935		950
Ending Stocks	132	60	65	145	0	163
Total Distribution	1,103	1,080	1,045	1,120	0	1,138
Yield	4.2716	4.92	4.5667	5.7	0	5

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

MY= Marketing Year, begins with the month listed at the top of each column

TY= Trade Year, Rice is January to December TY 2022/2023 = January 2022 - December 2023

Production:

Rough rice production in MY 2022/23 is forecast at nearly 1.6 MMT, based on the actual planted area which increased 6 percent compared with MY 2021/22, and the expected recovery in consumption during 2022 to 50 kilograms/person. Given positive weather conditions for production, but a slight decrease in yields caused by lower use of fertilizers – mainly urea due to increasing prices – FAS Quito foresees milled rice production slightly lower than MY 2021/2022.

Phytosanitary problems continue to make rice production challenging and a high-cost agricultural activity. Additionally, the higher cost and reduced availability of fertilizers and pesticides have increased production costs and turned the situation more difficult and uncertain for farmers. Rice production will remain profitable in Ecuador as long as the government continues its policy of minimum prices for rice and limiting imports from third countries. The use of improved rice varieties has increased productivity and reduced losses due to phytosanitary problems, but the increase in fertilizer prices and drop in usage is causing a reduction in yields. Ecuador's farmers can cultivate more than two harvests per year in irrigated fields. Farmers are reluctant to leave fields fallow, and it is common to see rice fields at different vegetative stages all year round in Ecuador's lowlands.

Average rough rice yields reduced in MY 2022/2023 to 5 MT per hectare, a reduction of 13 percent compared to the previous year. 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.

Photo 3:



Farmer in Guayas province. Source: CORPCOM

Consumption:

Rice is a staple in Ecuador. Almost all local production is consumed domestically. Total consumption in MY 2022/23 is forecast at 950,000 metric tons. Per capita consumption is estimated at 50 kilograms per annum, the pre-COVID-19 consumption level. Rice is the most consumed carbohydrate in the entire coastal region and is commonly eaten three times a day. This estimate takes into consideration losses due to spoilage of old stocks and an increase in the consumption of rice and rice by-products in the production of animal feed.

Ecuador's Ministry of Agriculture and Livestock sets farm gate rice prices using a national price band system. In 2021, the rice price was set at \$32 per 200-pound (90.76-kilogram) sack of paddy rice (\$352 per MT). However, these prices are very difficult to enforce due to informal trade from neighboring countries, mainly Peru, which could be as much as 40 percent cheaper and of better quality. The milled rice average price ranges between \$525 to \$580 per MT.

MY 2022/23 ending stocks are revised at considerably higher than previous estimates due to a reduction in exports to Colombia, which fell by more than 50 percent, compared with MY 2021/22.

Trade:

Ecuador's Ministry of Agriculture has announced, since 2019, the intention to export large amounts of rice to other Latin American countries. In CY 2020, Ecuador exported 43,782 MT to Colombia which is its largest market. However, exports to Colombia during CY 2021 dropped to 18,072 MT, caused mainly by bilateral trade disputes. The ban imposed on Colombian cattle and dairy products due to FMD outbreaks, and the difficulties to export onions and potatoes to Ecuador, resulted in the reduction of Ecuadorian rice exports.

Colombia imports 83 percent of Ecuador's rice exports, followed by Guatemala, with whom Ecuador has a Free Trade Agreement, and then the United States, to where Ecuador exported 46 MT during 2021. Rice exports to Central American countries have increased considerably, based on positive trade negotiations. For MY 2022/23, Post forecasts 25,000 MT of rice exports, assuming that the bilateral disputes with Colombia will be solved.

Registered imports of rice are insignificant, but the Ecuadorian Central Bank and the Ministry of Agriculture reported imports of 650 MT in 2020. The United States was the largest supplier, exporting 343 MT; Peru was second largest, supplying 214 MT. Other countries with lesser rice exports to Ecuador include Italy, Spain, and Argentina, and are based on the preferences granted by the free trade agreements with the EU and separately with MERCOSUR. Rice from the United States is a high-quality product for sushi, as well as U.S. wild rice, which is mainly used in restaurants.

Figure 4:

Main exporters of rice to Ecuador 2021 PRINCIPALES DESTINOS DE IMPORTACION ENE de 2021 - DIC de 2021			
No,	País	Valor (USD)	Peso (t)
1	ESTADOS UNIDOS	413.625 USD	314
2	ITALIA	109.583 USD	60
3	PERÚ	80.417 USD	214
4	ESPAÑA	33.946 USD	11
5	ARGENTINA	22.625 USD	22

Source: Ministry of Agriculture SIPA program

Post estimates informal imports from Peru at around 40,000 MT per year, a 57 percent reduction due to supplies remaining in Ecuador after a drop-off in exports to Colombia. These shipments pass through unofficial paths and dry rivers along the border with Peru.

Stocks:

FAS Quito revised beginning and ending stocks downward for MY 2020/21, based on information that unofficial exports to Colombia decreased significantly. Rice stocks are estimated higher for MY 2022/23 than previous estimates. The largest rice producers' association, CORPCOM, forecasts stocks of 165 MMT due to difficulties exporting to Colombia.

Figure 5:



Policy:

Rice imports are politically sensitive. The government has promoted rice self-sufficiency by setting farm gate prices that rice millers must pay. These prices are significantly higher than prices in the world market and in neighboring countries. This is done to maintain the Andean Price Band System, and through further limiting imports using Presidential decrees. The Andean Price Band System is recalculated twice per month: once at the beginning and again in the middle. Andean Community members (Colombia, Ecuador, Peru, and Bolivia) are assessed a zero-tariff and are not subject to the Andean Price Band System. 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. In the case of U.S. rice exports, Ecuador has established a consolidated tariff of 67.5 percent to protect local production.

Attachments:

No Attachments