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**Country:** Ecuador

**Post:** Quito

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**Report Highlights:**

Ecuador's sugar production in marketing year (MY) 2023/24 is forecast to remain at 530,000 MT, the same as the previous year's estimate, despite a significant increase in planted area of sugar cane. Domestic consumption is forecasted to remain stable. Improvement in ethanol production and an potential increase in the ethanol blend rate to 10 percent, could help to absorb some excess sugar supply.

## Executive Summary:

Ecuador's sugar production in marketing year (MY) 2022/23 is estimated at 530,000 metric tons (MT), a slight decrease from the previous year. Sugar production for MY 2023/24 is forecasted to remain the same as MY 2022/23. FAS Quito attributes the decrease in sugar production to adverse weather and increased costs and lower availability of fertilizers and pesticides, despite increases in planted area in both MY 2022/23 and 2023/24. Yields range from 70 MT to 83 MT per hectare in areas planted for sugar production, whereas yields in areas for ethanol and "panela" production range from 60 - 70 MT.

Total domestic consumption in MY 2023/24 is forecast to remain stable at 560,000 MT. Annual per capita consumption of sugar in Ecuador is estimated at 32 kilograms (Kg).

Sugar imports in MY 2023/24 are forecast to increase by 50 percent to 60,000 MT due to facilitation of import procedures, increasing demand for specialty sugars for the confectionery and chocolate industries, as well as demand for organic sugar, directly imported by mills.

Sugar exports in MY 2023/24 are forecast at 35,000 MT, 10,000 MT higher than in MY 2022/23. This is based on Ecuador's increasing focus on trade and ability to take full advantage of reallocations of U.S. sugar quotas. In MY 2022/23, Ecuador fully filled its U.S. sugar tariff rate quota plus reallocations for fiscal years (FY) 2022 and 2023.

## Sugar Cane for Centrifugal

Table 1. Sugar Cane for Centrifugal

Sugar Cane for Centrifugal Market Year Begins	2021/2022		2022/2023		2023/2024	
	Jun 2021		Jun 2022		Jun 2023	
Ecuador	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	82	82	83	83	0	100
Area Harvested (1000 HA)	78	78	79	79	0	99
Production (1000 MT)	6550	6550	6500	6500	0	7415
Total Supply (1000 MT)	6550	6550	6500	6500	0	7415
Utilization for Sugar (1000 MT)	5570	5570	5525	5525	0	6515
Utilization for Alcohol (1000 MT)	980	980	975	975	0	900
Total Utilization (1000 MT)	6550	6550	6500	6500	0	7415

(1000 HA), (1000 MT)

## Production:

Planted area for sugar cane in MY 2023/24 is forecast at 100,000 hectares, a 20 percent increase over the previous year. The increase in planted area is concentrated in farms owned by mills in Guayas province. There exists a continued trend of small farmers in the coastal region switching from sugar cane to other, export-oriented crops or to sugar cane for ethanol production.

Despite a 25 percent increase in area harvested, sugar cane production in MY 2023/24 is forecasted to only increase by 14 percent, reaching just over 7.4 million metric tons. Estimated yields are forecast at about 75 MT per hectare, a decrease of 10 percent from MY 2022/23. This is more in line with historical yields. Productivity per hectare has decreased due to bad weather conditions, which are expected to

continue throughout the year, and high costs of fertilizers and pesticides. Ecuador's Ministry of Agriculture has recently established a new program that subsidizes 50 percent of the cost of urea for small farmers, which has been a factor in the increase in area planted. Production areas around the three principal mills are using more productive local varieties, like CC85-92, ECU-01 and ECU-02.

Total sugar cane production in MY 2022/23 is estimated at 6.5 million metric tons (MMT), roughly the same as MY 2021/2022, this new estimate includes sugar cane for ethanol and sugar production. Utilization of sugar cane for sugar production in MY 2022/23 is estimated at 5.5 MMT.

**Figure 1: Mechanized Sugar Cane Harvest at San Carlos Mill.**



Mechanized sugar cane harvest. San Carlos, Guayas. Source: San Carlos Mill.

Sugar cane production for centrifugal is mainly produced in Guayas province, accounting for 81 percent of production. Other provinces with production are the coastal areas of Cañar (14 percent), Imbabura (2 percent), Loja (2 percent), and Los Rios (1 percent).

FAS Quito estimates that up to 30,000 hectares may be dedicated to sugar cane for juice production, which is utilized for making “panela”, (unrefined cane sugar derived from the boiling of sugar cane juice to form a solid block of sucrose), molasses, and traditional sweets. Small farmers located in the sugar production areas of the Ecuadorian highlands commonly produce these products using rudimentary processes and old local varieties such as Calena, Black POJ, Cenizosa, and Puerto Rico.

### Figures 2 and 3: “Panela” Production:



Source: FAS Quito files

Ethanol production has become more formal recently, under the management of the Ecuadorian Biofuels Association “APALE”. According to this association, there are nearly 17,000 ha. of sugar cane that deliver around 100 million liters of ethanol per year for the “ECOPAIS” fuel (5 percent blend rate). FAS Quito continues monitoring developments in ethanol production and use.

Sugar cane production for ethanol, “panela”, and other products is located across Ecuador’s 23 provinces in areas that receive between 600-1,200 millimeters of rainfall per year (the majority of which falls during the January-April period).

### Figure 4: Ecuador’s Main Sugar Producing Regions



Source: SIPA information program. Ecuador Ministry of Agriculture

Ecuador's sugar production in MY 2022/23 is estimated at 530,000 MT, down 30,000 MT or 6 percent from MY 2021/22. Sugar production in MY 2023/24 is forecast to remain at 530,000 MT. The sucrose content is expected to remain similar to the previous year.

Ecuador's domestic wholesale sugar prices experienced a continuous decline between 2011 to 2017. Although prices have remained stable in recent years, retail prices increased during calendar year (CY) 2021 due to the post-pandemic economic recovery.

Mill gate prices in CY 2022 ranged between \$0.75-0.81/kg. The spread between wholesale and retail prices is attributable to the intermediary's markup, speculation, storage, distribution, and advertising costs, which could range from \$1.10 to \$1.25 per Kg. During CY 2022, retail stores faced a shortage in the distribution of 50 Kg. bags, commonly used to sell sugar by weight. Instead, mills distributed mainly 1 and 2 Kg. bags, presentations that also saw the highest price increase.

The Ministry of Agriculture signed Agreement No. 0447 in June 2022, which set the price of cut sugar cane for MY 2022/23 at \$35.05/MT, the first increase in over seven years. However, the National Federation of Sugarcane Producers (FENAZUCAR) presented a legal complaint, requesting a return to the previous price of \$31.70/MT. After two months of legal negotiations, FENAZUCAR won the complaint, and the new official price was rejected. The mills now are buying sugarcane for centrifugal sugar based on quality, with prices that range from \$33.00 to \$36.00 per MT.

During the harvest season from June to December, Ecuador's sugar industry generates an estimated 30,000 direct and 80,000 indirect jobs. However, recent mechanization has reduced the number of workers significantly.

## Centrifugal Sugar

**Table 2. Centrifugal Sugar**

Sugar, Centrifugal Market Year Begins	2021/2022		2022/2023		2023/2024	
	May 2021		May 2022		May 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Ecuador</b>						
<b>Beginning Stocks</b> (1000 MT)	324	324	359	359	0	342
<b>Beet Sugar Production</b> (1000 MT)	0	0	0	0	0	0
<b>Cane Sugar Production</b> (1000 MT)	560	560	530	530	0	530
<b>Total Sugar Production</b> (1000 MT)	560	560	530	530	0	530
<b>Raw Imports</b> (1000 MT)	9	0	8	0	0	0
<b>Refined Imp. (Raw Val)</b> (1000 MT)	35	30	35	40	0	60
<b>Total Imports</b> (1000 MT)	44	30	43	40	0	60
<b>Total Supply</b> (1000 MT)	928	914	932	929	0	932
<b>Raw Exports</b> (1000 MT)	16	15	18	15	0	20
<b>Refined Exp. (Raw Val)</b> (1000 MT)	8	10	10	10	0	15
<b>Total Exports</b> (1000 MT)	24	25	28	25	0	35
<b>Human Dom. Consumption</b> (1000 MT)	545	530	560	562	0	560
<b>Other Disappearance</b> (1000 MT)	0	0	0	0	0	0
<b>Total Use</b> (1000 MT)	545	530	560	562	0	560
<b>Ending Stocks</b> (1000 MT)	359	359	344	342	0	337
<b>Total Distribution</b> (1000 MT)	928	914	932	929	0	932
(1000 MT)						

**Consumption:**

Sugar consumption in MY 2023/24 is forecast to remain at 560,000 MT, despite an increase in the minimum salary from \$425 to \$450 per month for 2023. Ecuador is expected to follow the worldwide consumption forecast for sugar, which is currently set at 1.4 percent per year to 2029.

Per capita sugar consumption in Ecuador since 1996 has been over 30 Kg per year. During 2022, the per capita consumption was 32 Kg, similar to 2021. Sugar mills do not promote the consumption of sugar, but “panela” and brown sugar producers continually promote the benefits of these artisan products.

Domestic nutritional food labeling and fiscal policies (i.e., sugar taxes) are still affecting sugar consumption. In response to these policies, and to find alternative uses for sugar, mills have increasingly used sugar cane and sugarcane subproducts for alcohol and energy production in recent years. Currently, about 15 percent of total sugar cane production goes to alcohol production.

During CY 2022, sugar production destined for direct sales represented 75 percent of utilization. Of this, 45 percent (or 34 percent of total human consumption) is sold in 50 Kg sacks by wholesalers. Supermarket chains, traditional wet markets, and small retailers such as neighborhood, family-owned stores represent 55 percent of direct distribution to consumers (about 41 percent of total consumption).

The remaining 25 percent of total consumption corresponds to industrial uses. Sugar is used in the manufacturing of sweetened beverages, bread, cookies, frozen snacks, confectionery, and jarred goods. In recent years, industrial sugar use has gone from over 40 percent to less than 30 percent of total consumption, as the industry has switched to artificial sweeteners due to domestic nutrition policies.

**Figure 5: Ecuadorian Refined Sugar**

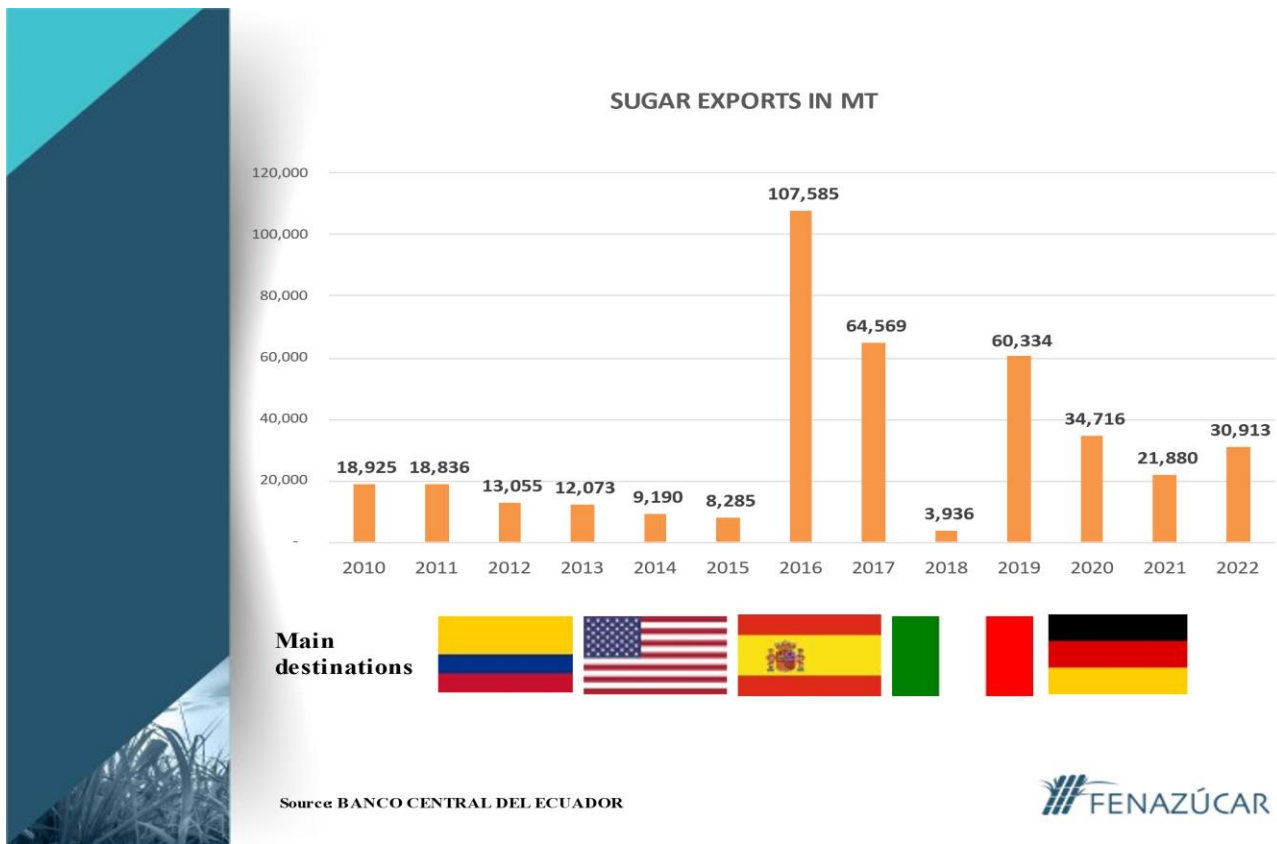
Source: FAS Quito files

**Trade:**

Post estimates sugar exports in MY 2022/23 at 25,000 MT. Exports in MY 2023/24 are forecast to reach 35,000 MT, as Ecuador has increased focus on trade to the European market and is taking full advantage

of U.S. sugar quotas and reallocations. This follows a trend of large swings in Ecuador’s sugar exports in recent years, which reached a peak in MY 2016/17 of 107,000 MT, then subsequently fell to 60,000 MT the following year. This most recent increase can be attributed to several factors, such as recovery of international demand and slightly better prices in importing countries. Ecuador consistently fulfills its U.S. tariff rate quota (TRQ) for sugar. FAS Quito does not expect any change in Ecuador’s ability to meet the TRQ in the next few years, as the U.S. quota amount represents a small percentage of Ecuador’s total production (roughly three percent). Ecuador has also easily fulfilled the reallocated quota amounts.

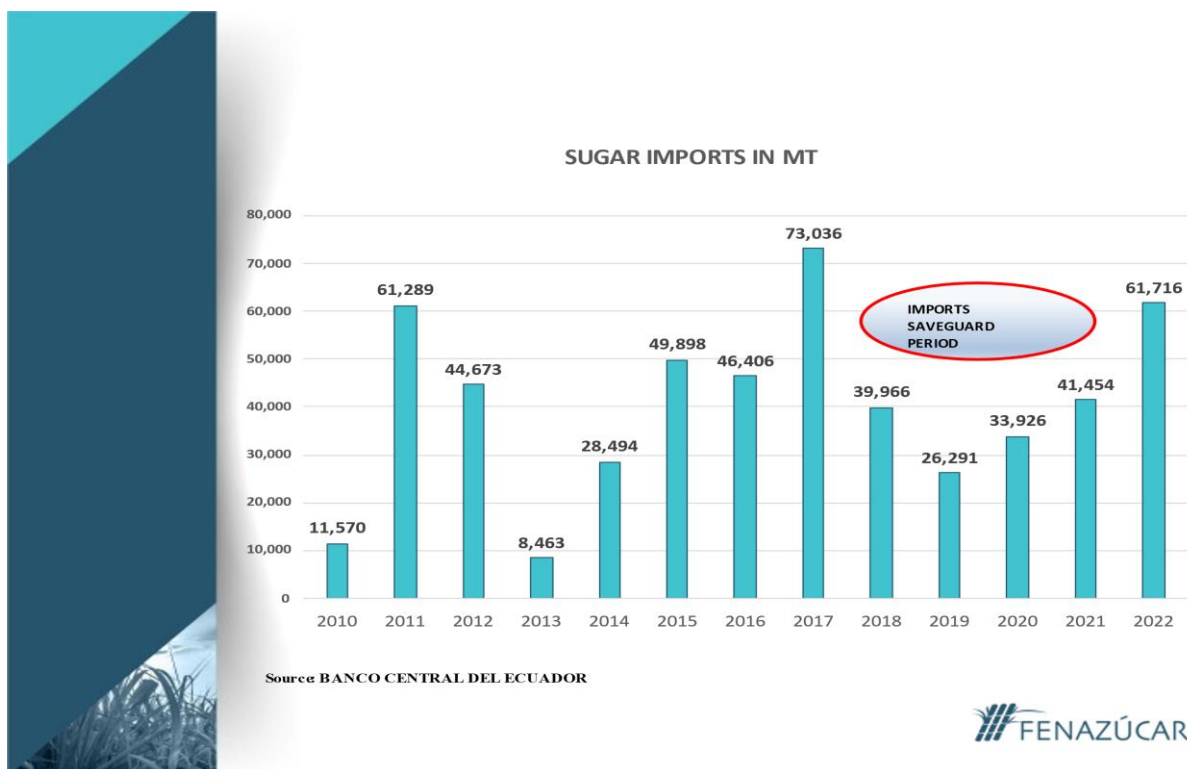
**Figure 6: Ecuadorian Sugar Exports: 2010 - 2022**



Ecuador is largely self-sufficient in raw sugar production. Imports have historically ranged between 25,000 MT and 40,000 MT per year, according to Ecuador’s National Federation of Sugar Producers (FENAZUCAR). MY 2022/23 imports are estimated at 40,000 MT. Sugar imports in MY 2023/24 are forecast to increase to 60,000 MT, up 20,000 MT, or 50 percent, over MY 2022/23. This forecast is based on an increase in imports for special confectionery products, mainly for the chocolate industry, and organic sugar directly imported by the mills. Ecuador has also recently been more open to facilitating imports of sugar for these specialty purposes.

Ecuador’s surplus sugar production is partly diverted for export to the United States, which during CY 2021 represented 53 percent of the exports. Colombia was the second destination, representing 33 percent. Other destinations are mainly European countries which represent 13 percent of total exports. Nearly all the U.S. bound sugar is exported under the U.S. Quota Eligibility System.

**Figure 7: Ecuadorian Sugar Imports: 2010 - 2022**



Local and international sugar prices determine whether exports to Colombia and other countries occur. The export numbers from the Ecuadorian Central Bank do not account for informal cross-border trade with neighboring countries such as Colombia and Peru, which are negligible.

**Stocks:**

The Government of Ecuador does not maintain a strategic sugar reserve. Private sector sugar mills have invested in sugar storage facilities. Warehouses are in Guayaquil and in the Guayas and Cañar provinces. Storage capacity is sufficient to absorb production and a six-month reserve. For MY 2023/2024, ending stocks are forecast at 333,000 MT, driven by stable local consumption.

**Policy:**

Domestic sugar prices remain artificially high due to Ecuador’s protection of the sugar value-added chain from international trade. An example of government intervention in favor of Ecuador’s sugar producers includes COMEX Resolution 030-2017 from December 2017, which effectively stops the preferential treatment (zero tariffs) granted to sugar imports from Andean Community members Colombia, Peru, and Bolivia. This Resolution established a quota for Colombian imports, with zero



tariffs, up to 30,000 MT. All sugar imports from other Andean Community countries were made subject to the Andean Price Band System. In November 2018, Resolution 030-2017 was replaced with COMEX Resolution 020-2018. Resolution 020 further restricted access to the Ecuadorian market by reducing the quota for Colombian exports to 17,229 MT. Prior to the enforcement of these COMEX Resolutions, Ecuador's sugar imports from the Andean Community benefited from duty-free treatment. Andean Community sugar imports nonetheless required prior government authorization.

All-origin raw and refined sugar imports are assessed a 15 percent base tariff. In addition, countries levied the Andean Price Band System's variable tariff. The variable levy for raw and refined sugar during the first half of April 2021 was set at 15 percent. Sugar imports have a World Trade Organization approved bound tariff rate of 45 percent, which includes price band-related duties.

Three policy changes have affected domestic consumption of sugar in Ecuador over the last few years. First, a 2014 law mandated labeling of all processed food products and beverages sold in Ecuador with a traffic light-type label highlighting sugar, salt, and fat content (Ministry of Public Health's Food Labeling Resolution Number 4522 of November 2013). Second, Ecuador's Ministry of Industries issued Resolution 156-17 in April 2017, which mandates the addition of the following warning for sugar for food packed for retail sale: "For your health reduce the consumption of this product". Third, the Organic Law to Balance Public Finances (April 29, 2016, published in the Official Record 744) established the following tax scheme for sugared drinks: soft drinks with a sugar content less than or equal to 25 grams per liter of beverage and energy drinks are levied a 10 percent ad-valorem tax. Non-alcoholic drinks and soft drinks with a sugar content greater than 25 grams per liter of beverage, except for energy drinks, are levied a charge of \$0.18 per each 100 grams of sugar.

**Figure 8: Image of Ecuador's Dietary Warning Labels**



Source: Ecuador Ministry of Public Health

Industry sources report that these three policies have affected consumer patterns and increased production costs. Subsequently, food and beverage manufacturers have increasingly replaced sugar with low-calorie sugar substitutes in food and beverage manufacturing.

Sugar is a key component of the basic basket of goods utilized by the government to track inflation. Neither farmers nor mills receive domestic or export subsidies. Sugar cane farmers, like other farmers, are eligible for agricultural loans at preferential rates from BanEcuador and the National Finance Corporation.

Ecuador enjoys associate status with the Southern Common Market (MERCOSUR), but it has yet to commence sugar tariff negotiations. Under the Ecuador-European Union Free Trade Agreement that took effect on January 1, 2017, Ecuador benefits from a 25,000 MT tariff rate quota for sugar and products. The TRQ is composed of 15,000 MT of raw sugar and a 10,000 MT component mix of products such as high-content sugar and cocoa powder. Ecuadorian sugar producers did not claim this quota benefit in 2021 or 2022 due to domestic supply and freight cost considerations.

In CY 2022, the Ecuadorian government set an ethanol blend rate of ten percent in certain areas. Right now, gasoline blended with ethanol “ECOPAIS” is sold in half of the country (lowland and coastal areas) at the same price as “EXTRA” gasoline (85 octane). There is currently an effort to expand the 10 percent blend rate to the rest of the country. If this happens, small sugar cane producers and millers may start producing more sugar cane-based alcohol and it would open the possibility to import ethanol to cover the deficit.

**Attachments:**

No Attachments

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