

Voluntary Report – Voluntary - Public Distribution

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Report Name: Ecuador eliminates Value Added Tax on DDGS

Country: Ecuador

Post: Quito

Report Category: Grain and Feed, Export Accomplishments - Market Access, Agricultural Situation

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Report Highlights:

Ecuador's National Customs Service (SENAE) announced on February 2, 2023, that Distiller's Dried Grains with Solubles (DDGS) will no longer be subject to a 12 percent value added tax. Like other grains used for animal feed, DDGS will now face zero value added tax following import. This comes after years of efforts by FAS Quito, U.S. Grains Council, and importers to facilitate the trade of DDGS.

On February 2nd, 2023, Ecuador's National Customs Service (SENAE) informed Ecuadorian grain and feed importers that Distiller's Dried Grains with Solubles (DDGS) will now be subject to a new tax code which will eliminate the 12 percent value added tax (IVA) currently placed on imported DDGS.

This culminates five years of effort by FAS Quito, the Ecuadorian feed millers' association, and U.S. Grains Council who have worked to promote DDGS in Ecuador. This included educating shrimp, pork, and poultry producers on the benefits of DDGS while simultaneously working to remove the IVA. For years, DDGS have been subject to the additional 12 percent tax due to product misconceptions and political pressures, as other grains used for animal feeds are exempt from IVA. This issue reduced the competitiveness of imported DDGS, increasing feed prices and the cost of animal proteins.

As part of the communication, SENAE indicated that Ecuador's Internal Revenue Service (SRI) will create and release tax code 0640 for a zero percent IVA for Harmonized System subheading 2303.30.00.12 with the following description, *"ONLY FOR DRY DISTILLERS GRAINS WITH SOLUBLES (DDGS), USED FOR ANIMAL FEED THAT ARE RAISED FOR HUMAN FOOD, DETERMINED BY THE COMPETENT AUTHORITY."*

During 2022, the United States exported 92,000 metric tons (MT) of DDGS to Ecuador, all for the shrimp industry. FAS estimates actual demand for DDGS for the Ecuadorian shrimp industry to be between 150,000-180,000 MT per year. With this change, it will now be more viable to use DDGS in the pork and poultry industries, adding another estimated 100,000 MT of demand per year, bringing total estimated demand to 250,000-280,000 MT annually.

In consultation with local and U.S. industry, FAS Quito forecasts 2023 U.S. exports of DDGS to Ecuador could range between 140,000-180,000 MT, depending on the prices of other grains such as corn and wheat. At current prices, this would represent an additional \$10-20 million in U.S. exports to Ecuador.

Attachments:

No Attachments.