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Ecuador

Grain and Feed Annual

Production, Consumption, Imports and Exports of Wheat, Corn and Rice and Policy Related Issues

Approved By:

Emiko Purdy

Prepared By:

Henry Vega

Report Highlights:

Higher international commodity prices are not expected to have a significant effect on consumption of wheat, corn, and rice in Ecuador: the baking industry is dependent on imported wheat while the animal raising sector is dependent on imports of corn. Increasingly higher wages in Ecuador are likely to offset changes in food prices. Domestic wheat production, traditionally a very small amount of total consumption, will remain steady. Wheat imports are expected to decrease to 580,000 MT in Market Year 2011/12. Domestic corn production is expected to increase by 10 percent while rice production is expected to increase by 3.2 percent in Market Year 2011/12. Corn imports will remain at 400,000 MT in Market Year 2011/12. The United States will likely reclaim its place as the primary source of these imports as corn quality improves.

Executive Summary:

Wheat production in Ecuador is expected to remain around 9,000 MT again this year, despite incentives to farmers by an Ecuadorian government program to substitute imports of wheat. In any event, domestic production levels are still insignificant in comparison to current demand. In Market Year 2011/12 (July 2011-June 2012), imports are estimated to decrease to 580,000 MT in response to higher international wheat prices. The market share for sourcing countries returned to a predictable scenario with Canada and the United States as the major exporters in Market Year 2010/11. Ecuador uses the U.S. dollar as its currency which tends to benefit imports from the United States due to the U.S. dollar's current depreciation.

Corn production is expected to increase by 10 percent in Market Year 2011 (May 2010-April 2011) due to Ecuadorian government's agricultural incentive programs and good weather conditions. It will be difficult for the government to continue price setting policies that support high domestic prices for the 2011 harvest and instead major users are negotiating contract with producers in an effort to hedge themselves against fluctuating world prices. Despite higher commodity prices in 2011, annual consumption is expected to remain stable at around 1.34 million MT. Imported corn is used mainly by the feed meal compound industry and related industries: poultry, eggs, and pork. Post projects that corn imports will remain at about 400,000 MT in Market Year 2011/12. The United States will likely reclaim its place as the primary source of these imports as corn quality improves.

Rice production will increase slightly, about 3.2 percent to 875,000 MT in MY 2011/12 (April 2011-March 2012). Although Ecuador has steadily been increasing rice production, uncertainty surrounding government price supports and trade relations with Colombia persists, discouraging an increase in area planted.

Commodities:

Wheat

Production:

Since the 1970s, wheat production in Ecuador has declined steeply. In 1990, Ecuador produced 30,000 MT in 37,000 harvested hectares. Since then, low yields, poor quality of soils and the lack of high quality seed, combined with low prices paid for local wheat, have contributed to a reduction of production. Local production was about 7,900 MT in Market Year (MY) 2010/11, similar to the previous year. To fulfill increasing local demand, Ecuador imports large amounts of wheat.

In response to the high international prices for wheat in 2008, and in an effort to guarantee self-supply of wheat, the Government of Ecuador (GOE) has continued to influence mills and groups of Ecuadorian farmers in the northern and central highlands through incentives to shift towards planting wheat for local consumption. These incentives have included releases of improved wheat varieties by Ecuadorian national research institutes and universities, fertilizers subsidies, government backed loans and outreach activities. In reciprocity, business groups have requested lower entry tariffs for imported wheat until domestic production starts to peak. In July 2010, Ecuador's National Agricultural Research Institute (INIAP) released wheat variety Iniap 2010 in Saraguro, Loja in the south of the country. This wheat variety was the result of traditional breeding of materials introduced from the International Maize and Wheat Improvement Center. Iniap 2010 is expected to produce about 12,000 pounds of grain per hectare, be resistant to leaf rust (brown rust) and stripe rust (yellow rust) and adaptable to weather conditions in Ecuador's highlands. Iniap has indicated that the protein content of this variety is above 13 percent.

In addition, in late 2009 the GOE started more serious efforts aimed at increasing local production of wheat in conjunction with Ecuador's National Agriculture Research Institute – INIAP and the Ecuadorian Association of Millers through a price support mechanism. The support mechanism includes a price setting of \$440.00 per metric ton of domestically produced wheat, with 13 percent humidity, 2 percent dirt and a hectoliter weight of 74 points. Supply increases have not been observed. Only about 2,000 MT of total domestic production are made available for purchase by the millers, the rest is sold locally in small towns near the production areas. The perception is that the GOE's efforts will not be sustainable due to the large size of the market and bakers' preference for imported higher-quality wheat. A requirement of the GOE to demand proof of purchase of domestic production prior the issuance of import permits was eliminated in 2010.

Consumption:

More stable international prices and stable bread prices in Ecuador started having an effect at returning consumption to pre-2008 levels in MY 2009/10. In MY 2010/11 demand for wheat has continued to increase due mainly to:

(a) Higher demand and prices for shrimp. Ecuador is a major producer and exporter of shrimp. In response to good world prices, it has increased its exports of this product. Wheat is an important ingredient in the feed needed to produce it. Post estimates that the seafood industry would consume at least 40,000 MT of wheat in MY 2010/11, out of 60,000 MT of wheat used for feed.

(b) Per capita consumption. People eat bread at least twice a day and increasingly consider pasta as a staple. Ecuadorian consumers like the convenience of being able to find bakeries that sell freshly baked bread rolls within walking distance to their homes. The price of non-specialty bread is set by the Government of Ecuador (GOE). Bread rolls known as popular bread sold for \$ 0.10 per piece. The price of a bread roll increased to \$0.12 per piece as of January, 2011 without affecting demand. (b) Government's efforts to broaden school feeding programs for over one million children.

For MY 2011/12, demand of imported wheat for feed is expected to continue increasing. Ecuadorian aquaculture production and exports experienced an increase in 2010. Despite efforts by feed producers to progressively switch to replace imported feed ingredients with locally produced ones, increased demand for aquaculture products in the world market will drive demand. Shrimp and tilapia farms are main users of wheat for feed. It is unlikely that higher world commodity prices will have a negative impact on imports of wheat for feed purposes as long as shrimp prices remain high. Imports of wheat to be used as a feed ingredient are likely to come from the United States due to their more competitive price.

Trade:

Imports for Calendar Year (CY) 2009 increased slightly more than forecasted by Post: 5.4 percent. Total imports in CY 2010 (January-December, 2010) experienced an increase of about 27,000 MT compared to the previous year. The increase in imports is explained by a trend to return to stable trade levels prior to 2009 and higher demand of wheat for animal feed. Post considers that GOE's efforts to increase domestic production of wheat will not be successful. The main reason for this is the lack of large and flat land extensions for the production of wheat that allow producers gain economies of scale and efficiency through mechanization of agricultural practices. Since Ecuador basically uses wheat for bread and pasta, imports of hard wheat are, on average, higher than those of soft wheat, usually by a 3 to 1 ratio. In CY 2010, this ratio increased to 3.8 to 1. Due to climate conditions domestic production, in the best case scenario, could only substitute imports of soft wheat. For MY 2010/11, a 2 - 3 percent increase in imports is likely. Domestic production is not expected to have an impact on supply.

The U.S. market share increased in Ecuador's imports from 22.7 percent in CY 2009 to 24 percent in CY 2010. On average, U.S. wheat exports to Ecuador had been exceeded by imports from Canada in the last decade. Canada exported 418,384 MT of wheat in CY 2010, up 102,553 MT from 315,831 MT of wheat exported to Ecuador in CY 2009 (almost 68 percent of total Ecuadorian imports). The increase in Canada's market participation is largely explained by lower prices of Canadian wheat and lower transportation costs, mainly dockage, due to more direct routes from the Vancouver Port to Ecuadorian ports. According to buyers, hard Canadian wheat is still considered more reliable for milling but they also seem willing to switch to U.S. wheat if the price is right. Ecuadorian bakers are not highly technical, still relying on high-protein wheat to produce bread with consistent quality without changing bread recipes depending on the specifications of the wheat flour. Thus, Canada is regarded by Ecuadorian bakers, and subsequently millers, by its reputation to ship wheat with higher protein and gluten, thereby explaining Ecuador's overall preference for Canadian wheat.

Ecuador's wheat imports are expected to decrease from Post's new estimation of 610,000 MT in MY 2010/11 to 580,000 MT in MY 2011/12. Decreased imports are expected in response to likely higher international prices combined with an increasing use of fats in the production of bread.

Argentina was no longer a significant origin of Ecuadorian imports of wheat. There were no newcomers in TY 2010 and Canada and the United States were the largest two sources of imports.

Policy:

In order to address a balance of payment problem, the GOE has engaged in a process to substitute imports of wheat with local production while at the same time addressing rural development issues in Ecuador's highlands. In October, 2009 a major summit gathering producers, government authorities, and millers, an agreement was reached to guarantee a minimum price for one ton of wheat equivalent to \$ 400. In 2010, the end price per ton of domestically produced wheat was set at \$ 440. The policy aims at encouraging small farmers in the provinces of Bolivar, Chimborazo, Carchi, Imbabura and Pichincha to start growing wheat. Ecuador spent \$ 162.4 million on imports of wheat and byproducts in 2010. Each year in November, a consultative committee is expected to gather to determine changes to the minimum price of wheat. Millers are required to buy domestic production in amounts

related to their individual levels of imports on a similar fashion as soybean meal imports are managed. The GOE intends to increase the harvested area to 50,000 ha in the next few years. INIAP and other research institutions have stated their interest in expanding wheat production to the warmer and flatter lands of the Ecuadorian Coast. Pilot research projects including seed development and best agricultural practices are currently underway and INIAP released a new wheat variety in 2010.

Wheat is a marker product under the Andean Price Band System (APBS), with basic duty of 10 percent plus an additional variable levy, depending on international reference prices. In July of 2001, the Government of Ecuador phased-out wheat from the price band system as part of its WTO commitments. However, Ecuador and other Andean countries included wheat in the price band in August of 2003 arguing an obligation to do so by Andean Community commitments. For the last year, the variable levy remained zero because of high world prices, thus average final APBS tariffs on wheat were 0 percent for 2009. The APBS was not activated in 2010 as world prices of wheat remained above APBS marks. The Andean Community set floor and ceiling prices of wheat at the time of writing are set at \$233 and \$308 per MT

Ecuador has bilateral trade agreements with Peru and Chile, and regional trade agreements with ALADI (Latin American Association of Integration). In 2004, Ecuador reached a tariff liberalization agreement with MERCOSUR (Argentina, Brazil, Paraguay and Uruguay). Implementation of these agreements in Ecuador started in April 2005. Wheat has special treatment under the agreements with MERCOSUR, thus tariff preferences are granted over the total duty, which is comprised of the ad-valorem (basic) duty plus the Andean Price Band variable levy. In 2007, trade partners agreed to the following tariff reductions:

HTS	Product	Paraguay/4	Uruguay/2	Argentina/3	Brasil/3	Mexico/1	U.S. and Canada
10011090	Wheat, durum	42%	99%	15%	15%	8%	0%
10019020	Wheat, other	42%	99%	15%	15%	8%	0%

/1 under ALADI

/2 Uruguay will have reached zero tariffs on wheat by January 1, 2009

/3 Argentina and Brazil will have reached zero tariffs on wheat by January 1, 2018

/4 Paraguay will have reached zero tariffs on wheat by January 1, 2015

Production, Supply and Demand Data Statistics:

Wheat Ecuador	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11	11	12	11		12
Beginning Stocks	90	90	119	97		94
Production	8	8	9	8		9
MY Imports	537	595	525	610		580
TY Imports	537	595	525	610		580
TY Imp. from U.S.	141	151	0	160		175
Total Supply	635	693	653	715		683
MY Exports	1	1	0	1		2
TY Exports	1	1	0	1		2
Feed and Residual	40	45	45	60		65
FSI Consumption	475	550	485	560		570
Total Consumption	515	595	530	620		635
Ending Stocks	119	97	123	94		46
Total Distribution	635	693	653	715		683
1000 HA, 1000 MT						

Commodities:

Corn

Production:

Since 1995, corn production has been very unstable with a record high of 913,000 MT in 2007 followed by lower production levels, and a high production level in 2010 (908,000 MT). On one hand, high international prices have encouraged farmers to increase production, while on the other hand GOE's price controls and export bands are perceived by farmers as detrimental to their finances. These different signals create confusion in the market, therefore uncertainty prevents from a stable expansion or reduction in the area planted. Post estimates that corn production will increase by 10 percent to 950,000 MT in MY 2011/12. The increase is explained by producers' expectation of higher prices due to international developments such as low corn stocks in the United States, unreliable supply from other countries such as Argentina, good weather conditions, and GOE's intervention in the market through minimum price setting. In addition, Ecuador's largest producer of poultry and pork has engaged in a technical assistance program to provide small producers with better tools to increase their production. The program includes the provision of seeds, fertilizers, plant protection products, training, credit, and purchase of the producers' harvest at a guaranteed price. A number of other initiatives by the poultry industry are supporting similar efforts to improve yields by providing certified seeds, extension services and inputs to a growing number of farmers in return for the purchase of their production at market prices. In addition, the GOE will likely continue its efforts to motivate production of corn and other commodities by subsidizing production input; e.g., fertilizers. Practices such as requiring purchase of local production before imports are allowed and a guaranteed purchase price at least equal to the corn CIF import cost are likely to continue to be enforced by the current GOE.

Yields will remain low with an average of 3.2 MT per hectare. This is because the winter planting and harvest season (80 percent of the annual production) is highly dependent on rainfalls during November through January. At the beginning of the last planting season in MY 2010/11, production areas in the coastal region benefited from enough rain which have favored a good harvest. If rainfalls are too scarce or too abundant, large cultivated areas are lost to droughts or floods in the lower altitude production areas. Another factor is the lack of irrigation systems and very limited access to credit.

Consumption:

Corn consumption depends on local demand for animal feed, basically by poultry growers and on the availability of lower-price corn substitutes. The strong annual average growth in the consumption of poultry products continue in the year 2010. Consumption of chicken meat increased by 9 percent compared to 2009 from 395,000 MT to 431,000 MT. Per capita consumption of chicken was 32 Kg (about 70.5 lb). The poultry industry, with a total population of 223 million birds per year (8 million egg laying chickens, 215 million broilers), and an annual sales growth rate ranging from 5-10 percent, consumes 75-80 percent of the feed corn every year. Total production of eggs is estimated at 2.273 billion per year.

Ecuador's corn consumption increased by about 4 percent in MY 2010/11, and it is expected to increase slightly in MY 2011/12 by about 35,000 MT. The higher demand is explained by the annual growth in the poultry and egg industry and the per capita consumption of poultry and pork meat in Ecuador. Overall, feed meal production has had an important growth in the past 15 years, from 576,000 MT in 1995 to 2.3 million MT in 2010. Annual pork production is estimated at 125,000 MT of meat. Approximately 100,000 MT of corn are destined to this sector.

Higher international prices of corn will likely be offset and have a negligible impact on imports due to slightly higher average incomes.

Trade:

In TY 2010/11, total corn imports are estimated at 371,000 MT. Ecuador exports corn to Colombia for human consumption. Nevertheless, corn imports continued to outnumber corn exports. U.S. market share decreased

from 64 to 45 percent. Low quality of US corn forced importers to import from Argentina instead. In TY 2010/11, imports from Argentina increased considerably in response to low U.S. sales due to bad quality of the harvest. Ecuador imported 192,000 MT from this country. Imports of Brazil, another considerable source of corn, decreased considerably.

Ecuador's feed industry traditionally prefers U.S. corn to others because of its lower foreign material content, faster delivery to Ecuadorian ports and lower transportation costs. Imports for MY 2010/11 are estimated to reach 400,000 MT and remain stable through the next year.

Corn imports still represent a significant percentage of Ecuador's total consumption. From 2000-2010, Ecuador imported, on average, more than 50 percent of its corn, a minimum of 150,000 MT and a maximum of 552,500 MT.

Ecuador exports corn to Colombia in order to satisfy that country's southern border demand of corn: yellow, white and other local varieties for human consumption and increasingly for animal consumption. Most exports are made by land, in trucks, and at high prices usually paid to farmers in cash. In the past ten years, exports are seen every year, although small: normally less than 25,000 MT. They usually take place during the peak of the winter harvest season (May-June). Ecuadorian corn is used in Colombia to make "arepas" due to Colombian consumer's preferences for a particular type of corn native to the Andean region. Ecuador exported about 6,900 MT of corn to Colombia in TY 2009/10. Exports to Colombia have remained restricted because of two reasons: (1) the GOE has banned exports in an effort to secure corn availability in the country of food security grounds; and (2) trade flows with neighboring Colombia have remained irregular in response to diplomatic issues between the two countries. Exports of corn to other markets are largely targeted to Ecuadorian migrants living in Spain, Italy and the United States.

Policy:

Corn imports are assessed 15 percent ad-valorem duty (over CIF), plus a variable levy applied under the Andean Price Band System (APBS). Under this system, the ad-valorem tariffs are adjusted (increased or reduced) depending on the correlation between international reference prices at the time of import, and set floor and ceiling prices. The Andean Community set floor and ceiling prices of corn at the time of writing are set at \$176 and \$223 per MT. The variable levy for corn has remained at -15 percent, thus import duties for corn have been zero during the last year. Upon accession to the WTO, Ecuador bound its tariffs (including the additional APBS levy) for corn at 45 percent. In addition, Ecuador maintains a worldwide TRQ of 19,600 MT of corn at a set tariff of 25 percent. This TRQ is filled when international corn prices drop and the APBS increases corn duties beyond 25 percent (15 percent ad-valorem + a variable levy over 10 percent).

The GOE does not provide any formal subsidy or economic assistance program to promote yellow corn production. However, the Ministry of Agriculture aggressively encourages corn production by implementing mandatory buying of all domestic production by corn importers and banning imports during the domestic corn harvest season. The GOE also sets a minimum price in accordance with feed producers and animal processing plants. These GOE's interventions seek to guarantee the complete purchase of local production at higher prices. In addition, Ecuadorian corn producers have effectively lobbied the GOE to stop imports of sorghum for many years despite efforts by the feed industry to import such grain. Ecuadorian producers claim that sorghum imports would significantly reduce demand of domestically-produced and imported corn.

Under the CAN-MERCOSUR trade talks, Ecuador has negotiated bilateral tariff reductions with Argentina, Brazil, Paraguay and Uruguay. These tariff reductions apply only to the ad-valorem duties as the Andean Price Band System is maintained for corn. The Ecuador-MERCOSUR agreement entered into effect in Ecuador on April 1, 2005 and has liberalization schedules of 14 years for most cereals, including corn, as follows:

Country of Origin	First Liberalization	Full Liberalization
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Argentina	3 year grace period 2005-2008, 10% reduction starting in January 2008.	In 2018, 100% liberalization
Brazil	In 2008: 10% reduction. 15% in 2009.	5% yearly reduction from 2009 to 100% in 2018.
Paraguay	In 2007, 40% reduction until 2012.	In 2018, 100% liberalization
Uruguay	In 2007, 50% reduction until 2013.	100% reduction in 2018.

Production, Supply and Demand Data Statistics:

Corn Ecuador	2009/2010		2010/2011		2011/2012	
	Market Year Begin: May 2009		Market Year Begin: May 2010		Market Year Begin: May 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	287	287	300	300		290
Beginning Stocks	149	149	140	127		167
Production	856	856	950	950		905
MY Imports	400	387	350	400		400
TY Imports	400	345	350	371		390
TY Imp. from U.S.	168	222	0	168		200
Total Supply	1,405	1,392	1,440	1,477		1,472
MY Exports	15	15	10	10		15
TY Exports	15	28	10	10		15
Feed and Residual	1,200	1,200	1,250	1,250		1,280
FSI Consumption	50	50	50	50		55
Total Consumption	1,250	1,250	1,300	1,300		1,335
Ending Stocks	140	127	130	167		122
Total Distribution	1,405	1,392	1,440	1,477		1,472
1000 HA, 1000 MT						

* Market Year (MY) begins in May. This is a new proposal applicable to Ecuador, different from the MY October/September that USDA currently uses. That is MY 2011, expressed as "MY 2011/12" goes from May 2011 to April 2012.

Trade Year (TY) begins in October of the previous year. That is TY 2011, expressed as "TY 2010/11" goes from October 2010 to September 2011.

Commodities:

Rice, Milled

Production:

Rice production will increase slightly by 3.2 percent to 875,000 MT in MY 2011/12. The availability of new rice varieties that allow for 2.5 to 3 harvests per year in areas under irrigation, high international prices, government subsidized inputs and sustained demand for Ecuadorian rice by the GOE, have triggered growth in production. As

of February 2011, new plantings have started and recent floods have not affected significantly the rice growing areas. Low prices of urea have also provided an incentive to producers to plant in 2011. The planting season started normally this year and Ecuador is expected to have a first harvest in late April.

Rice production takes place in the lowlands of the coastal region, on areas that flood during the rainy season (November through April) and remain humid during the summer (May-September). Therefore, lack of or excessive rainfall is a determining factor for the volume of production. The largest harvest registers at the end of the rainy season (May through June). During the summer only a third of the available area is planted because irrigation is expensive and limited to large farms and specific areas. The majority (75 percent) of rice producers in Ecuador are poor, small farmers that own and plant less than 5 hectares with yields below 2.2 MT per hectare.

Consumption:

Rice is a staple food for Ecuadorians and the majority of Ecuador's production is consumed locally. Total consumption is expected to reach 855,000 MT in MY 2011/12, in response to population growth. Estimated per capita consumption ranges between at 5.1 and 5.5 kg per month.

Rice sales are traditionally marketed through wholesalers in one hundred pound sacks (45 kg) or through small stores by the pound. Prices vary depending on the marketing channel. For example, the official wholesale price of the 100-pound sack is \$28, while sales by the pound can make the price grow to \$38 per sack. Approximately 80 percent of rice sales are made in sacks or by the pound. In addition, as a result of supermarket expansion in the main cities of Ecuador, purchasing habits have shifted towards buying branded bags of 2 or 5 kg. It is estimated that 15 to 20 percent of total rice sales are now made through supermarkets under these presentations. Locally produced parboiled rice was available in supermarkets in 2009 reflecting a shift in consumer preference toward ready-to-eat food products. Ecuador is also experiencing an increase in the range of rice varieties available for purchasing. They include basmati rice, wild rice, risotto, and sushi rice. Imported amounts are still very limited.

Trade:

Ecuador has imported minimal quantities of paddy rice in the last ten years, with the exception of 1998 when weather-related losses caused imports to grow to 140,000 MT. If Ecuador's production capacity were to continue at its current pace, it is unlikely that Ecuador would need to import rice in the future. However, there remains a small niche market that is likely to increase in the long-run for specialty rice varieties such as basmati, sushi-type rice, risotto, wild rice, parboiled rice and others.

Ecuador has typically exported rice production surpluses to neighboring Colombia. Milled rice exports to Colombia experienced a sharp decline in Trade Years (TY) 2007/08 and 2008/09 from 100,072 MT in TY 2006/07 to 5,419 MT in TY 2007/08 and to 5,031 MT in TY 2008/09. This low level of exports is explained by a ban on agricultural exports due to high commodity prices in TY 2007/08 followed by severely damaged diplomatic relations between the GOE and the Government of Colombia since the first half of the year 2008. The GOE has desperately tried to open trade with Colombia since then. Exports to Venezuela continued. In TY 2009/10, Ecuador's Central Bank registered that 12,767 MT of rice were exported to Venezuela. In addition, Post's sources have recorded that additional 46,330 MT were exported to Venezuela. These exports are not reported by the Government of Ecuador's Central Bank. Post has been informed that payment was received directly by Ecuador's Agricultural Development Bank from the Government of Venezuela.

Policy:

Rice imports are a very sensitive issue in Ecuador. The GOE is pushing a self-sufficiency program for rice by continuing to implement the Andean Price Band System (APBS) and by controlling imports and exports. APBS

set floor and ceiling prices of rice at the time of writing are set at \$394 and \$560 per MT. Imports of rice can be levied up to a 67 percent ad-valorem tariff. The GOE through Ecuador's Ministry of Agriculture, Livestock, Aquaculture and Fisheries is the only authorized issuer of export permits. It also acts as authorized exporter of existing reserves.

The GOE's position from a food security perspective is to have a permanent emergency stock of 80,000 MT. Post has been informed that there are at least 80,000 MT in stock. Trade with Colombia is expected to reopen in the third trimester of 2010 depending on the outcome of Ecuador and Colombia's efforts to re-establish diplomatic relations.

Ecuador's new Food Sovereignty Law has been approved by Ecuador's Congress. The Law stops on any exports of food products unless there are surpluses. In the best harvesting scenario, Ecuador could end up with a 150,000 MT surplus available for exporting in any given year.

In addition, the Ministry of Agriculture's Consultative Committee on rice which consists of producers, millers and government officials, decides on the timing and quantity of rice imports. The ad-valorem duty for paddy rice is set at 20 percent and is up to 67.5 percent for all other types of rice. Members of the Andean Community are assessed zero tariffs and are not assessed the Andean Price Band. Other Latin American countries have been granted ad-valorem tariff preferences under Latin American Integration Association, but they still are assessed the Andean Price Band, as follows:

HTS	Description	U.S. & World	CAN	Peru	Chile	ALADI *				
						Paraguay	Uruguay	Argentina	Brazil	Mexico
10061090	Rice, Paddy	20%	Zero	Zero	15%	15%	7.5%	15%	15%	15%
10062000	Rice, Brown	67.5 %	Zero	Zero	20%	20%	10%	20%	20%	20%
10063000	Rice, Milled	67.5 %	Zero	Zero	20%	12%	10%	20%	20%	20%
10064000	Rice, Broken	25%	Zero	Zero	20%	20%	10%	20%	20%	20%

* ALADI stands for Latin American Integration Association.

Note: Although Peru is part of CAN, Ecuador has a bilateral agreement with that nation, which includes preferences on rice. Chile has also negotiated a bilateral trade agreement with Ecuador.

Production, Supply and Demand Data Statistics:

Rice, Milled Ecuador	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	395	395	380	417		410
Beginning Stocks	174	174	154	132		68
Milled Production	860	860	900	848		875

Rough Production	1,365	0	1,429	1,346		1,389
Milling Rate (.9999)	6,300	0	6,300	6,300		6,300
MY Imports	10	0	5	0		0
TY Imports	10	0	10	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	1,044	1,034	1,059	980		943
MY Exports	40	52	100	59		60
TY Exports	60	52	100	59		60
Consumption and Residual	850	850	850	853		855
Ending Stocks	154	132	109	68		28
Total Distribution	1,044	1,034	1,059	980		943
1000 HA, 1000 MT						

* Market Year (MY) begins in April. That is MY 2011/12 goes from April 2011 to February 2012.

Trade Year (TY) begins in January of the following year of the split. That is TY 2010/11 goes from January 2011 to December 2011