

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Ecuador

### FOOD PROCESSING SECTOR

#### Ecuador's Food Processers Seeking U.S. Quality Ingredients and Bulk Products

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**Report Highlights:**

The food processing industry is a huge component of Ecuador's manufacturing sector, grossing \$5.9 billion in 2016. Excellent sales prospects exist for U.S. food ingredient products to supply this industry. This report provides a road map for exporters wishing to enter the market and who want to understand the key channels of distribution for food ingredients, as well as growth areas for industrially processed foods, beverages and edible fisheries products.

**Post:**

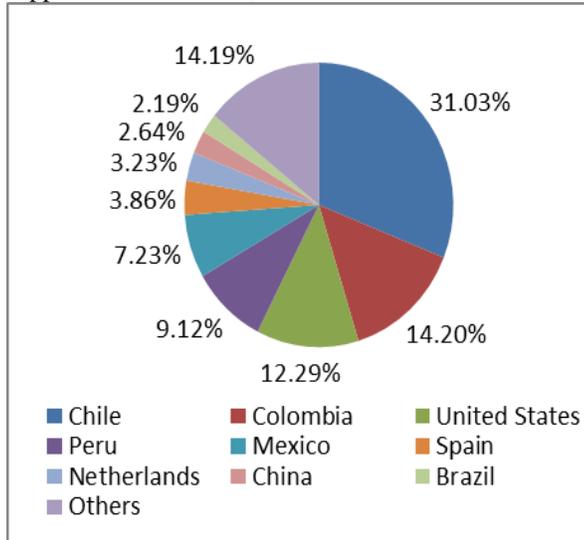
Quito

**Executive Summary**

The food processing industry is a huge component of Ecuador’s manufacturing sector, grossing \$5.9 billion in 2016. Excellent sales prospects exist for U.S. food ingredient products to supply this industry.

**Imports of Consumer Oriented Products**

Imports of Consumer Oriented Food and Agricultural Products in 2017 reached US\$ 671 million. Major suppliers include Chile, Colombia and United States.



**Food Processing Industry**

The food processing sector is one of the strongest performing sectors in Ecuador’s economy. The sector is a huge component of the country’s manufacturing sector, accounting for about 43 percent of the sector’s contribution to the gross domestic product (GDP). In 2017, the food processing sector represented 15.5 percent of Ecuador’s \$12.2 billion in non-oil export earnings, or \$1.9 billion.

According to 2012 information from the Superintendencia de Compañías, the entity in charge of the registration of all companies in Ecuador, there are 779 Food and Beverage Manufacturers in Ecuador. These companies are distributed by size as follows: 17 percent are microenterprises, 22 percent small companies, 18 percent medium companies, 21 percent large companies and 22 percent not classified.

**Food Retail Industry**

The Economist Intelligence Unit forecasts retail food sales for 2018 at \$25.4 billion and consumer expenditures for food, beverages, and tobacco at \$15.4 billion. Retail food sales have grown over the past five years at an average rate of 2.6 percent.

**Quick Facts CY2016 –CY2017**

Import of Consumer Oriented Products: US\$671 millions

Top Imported Agricultural Products to Ecuador:

Soybean Meal	Animal Feed
Wheat	Food Preparations
Soybean Oil	Deciduous Fruits
Sucrose	Corn
Barley	Oats

Food and Agriculture Products Contribution to GDP in 2016: US\$15.5 billion

Top 5 Ecuador Retailers:

- Corporacion Favorita (Supermaxi, Megamaxi, Aki)
- Corporacion El Rosado (Mi Comisariato)
- Supermercados TIA
- Supermercados Santa Maria
- Hypermercados Coral

GDP/Population

- Population: 16,290,913 (July 2017 est.)
- GDP: \$188.5 billion (2017 est.)
- GDP per capita: \$11,200 (2017 est.)

Total Food Processors in country: 779

Sources: Ecuadorian Central Bank, CIA Factbook, The Economist Intelligence Unit, Ecuador Central Bank, FAS Quito

**U.S. Supplier Advantages and Challenges in Ecuador**

Advantages	Challenges
<ul style="list-style-type: none"> <li>• New opportunities are developing for exporters of unprocessed raw materials and food ingredients.</li> <li>• The United States remains Ecuador’s main agricultural trading partner.</li> <li>• U.S.-origin products are well regarded for their high quality and value.</li> <li>• Local food processing industry struggles to offer competitive market prices.</li> <li>• U.S. Ingredients are known for high quality.</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. food and agricultural products are disadvantaged by the absence of a trade agreement with Ecuador.</li> <li>• Ecuador’s economy has been experiencing slow growth in recent years.</li> <li>• Ecuador’s import procedures are cumbersome.</li> <li>• U.S. foodstuffs exporters are less aggressive than other regional trade partners (e.g., Chile) in tracking Ecuadorian sales.</li> <li>• U.S.-origin products tend not to be as price competitive as those from neighboring</li> </ul>

<ul style="list-style-type: none"> <li>• The U.S. Dollar as local currency in Ecuador.</li> </ul>	<p>countries.</p>
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**SECTION I. MARKET SUMMARY**

Ecuador offers U.S. food and agricultural product exporters a number of excellent possibilities, particularly in the food-processing sector, despite slow economic growth. Ecuador’s economic growth in 2018 is forecast at one percent. The food-processing sector is one of the strongest performing sectors in Ecuador’s economy. The sector is a huge component of the nation’s manufacturing sector, accounting for about 43 percent of the sector’s contribution to the country’s gross domestic product (GDP). In 2016, the food-processing sector represented 12 percent of Ecuador’s \$11.3 billion in non-oil export earnings, or \$1.4 billion. Spurring the sector’s growth is increased acceptance and consumption of processed food products, which are now a well-established part of the national food culture due to the changing lifestyles of the new generations. The Economist Intelligence Unit forecasts retail food sales for 2018 at \$25.4 billion and consumer expenditures for food, beverages, and tobacco at \$15.4 billion.

Ecuador’s domestic food processing industry’s main food and beverage sub-sectors include:

- Meat, meat products and sub-products
- Processed shrimp
- Fish and other processed aquatic products
- Crude and refined animal and vegetable oils
- Processed dairy products
- Milling and bakery products, noodles and pasta
- Sugar and sugar cane products
- Processed cocoa products, chocolates, and confectionery products
- Foodstuffs various
- Beverage products

**Table 1: U.S. Supplier Advantages and Challenges in Ecuador**

Advantages	Challenges
<ul style="list-style-type: none"> <li>• New opportunities are developing for exporters of unprocessed, raw materials and food ingredients, due to import restrictions on a number of processed food products.</li> <li>• The United States remains Ecuador’s main</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. food and agricultural products (including food ingredients) are disadvantaged by the absence of a free trade agreement with Ecuador.</li> <li>• Ecuador’s economy has experience a slow growth in last year and is expected</li> </ul>

<p>agricultural trading partner.</p> <ul style="list-style-type: none"> <li>• U.S.-origin products are well regarded for their high quality and value.</li> <li>• Local food processing industry struggles to offer competitive market prices.</li> <li>• U.S. ingredients considered to be of high quality.</li> </ul>	<p>to maintain similar growth rates in coming years.</p> <ul style="list-style-type: none"> <li>• Ecuador’s import procedures are cumbersome.</li> <li>• U.S. foodstuffs exporters are less aggressive than other regional trade partners (e.g., Chile) in tracking Ecuadorian sales.</li> <li>• A quarter of the population is below the poverty line, lacking the financial means to afford imported products</li> <li>• U.S.-origin products tend not to be as price competitive as those from neighboring countries.</li> </ul>
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The Central Bank of Ecuador (BCE) estimates that food and agricultural products (including livestock, fisheries, aquaculture, and forestry) contributed at least \$15.5 billion to the country’s GDP in 2016. The food and beverage subsector alone accounts for about \$5.9 billion. The shrimp and fish processing sector exhibited particularly strong growth in 2016 (up 25.2 and 89.7 percent respectively), the alcoholic beverage sector is up 13.6 percent and the sugar and sugar cane products sector is up 13.3 percent. The processed cocoa products, chocolates, and confectionery products and the non-alcoholic beverage sectors shrank about 6.2 percent and 4.4 percent, respectively. Food and beverage processing remains largely concentrated in Ecuador’s major urban centers of Quito, Guayaquil, and Cuenca.

According to 2012 information from the Superintendencia de Compañías, the entity in charge of the registration of all companies in Ecuador, there are 779 Food and Beverage Manufacturers in Ecuador. These companies are distributed by size as follows: 17 percent microenterprises, 22 percent small companies, 18 percent medium companies, 21 percent large companies, and 22 percent not classified.

## **SECTION II. ROAD MAP FOR MARKET ENTRY**

### **A. Entry Strategy**

- U.S. food ingredient producers and exporters seeking to enter the Ecuadorian market should contact local food processors directly or work with representatives, agents or distributors to define the application and product type best suited to meet end user needs. Large companies usually import directly from foreign suppliers. Small and medium-sized enterprises, lacking the ability to purchase large volumes, deal primarily with a representative or distributor. In the case of large volumes, the establishment of a local subsidiary to guarantee services and quality to clients is often advisable.
- U.S. food processing ingredients are well regarded for their high quality and value. To compete with local competitors, U.S. exporters need to offer a combination of quality, competitive pricing, and additional services (i.e., warranties and packaging suited to the local market’s standards).
- U.S. exporters should build relationships with importers and distributors through visits to Ecuador. Constant monitoring, support, and ongoing communications with the importer can help

offset freight and tariff advantages of neighboring country exporters.

- Creditworthiness is always a concern. U.S. exporters are advised to avoid offering direct credit lines until their client's creditworthiness is well established. If letters-of-credit are utilized, it is advisable that these be confirmed and that they are irrevocable letters-of-credit.

FAS Quito can provide U.S. exporters with valuable market information, key import contacts, and local legal and business information. Exporters contemplating sales to Ecuador should contact FAS Quito (contact information in Section V) and review our [Exporter Guide](#).

## **B. Import Procedure**

In order to import ingredients and food products for the processing industry, these items must first be classified into different categories: raw material, processed ingredients, or processed products. The second step is to determine the channel of commercialization since some products need sanitary notifications prior to importation. Depending on the classification, the importer needs to obtain an import permit. Once the import permit is issued, the product can be shipped and proceed through the Ecuadorian Customs process. For more information, please review our [Exporter Guide](#) and [FAIRS reports](#).

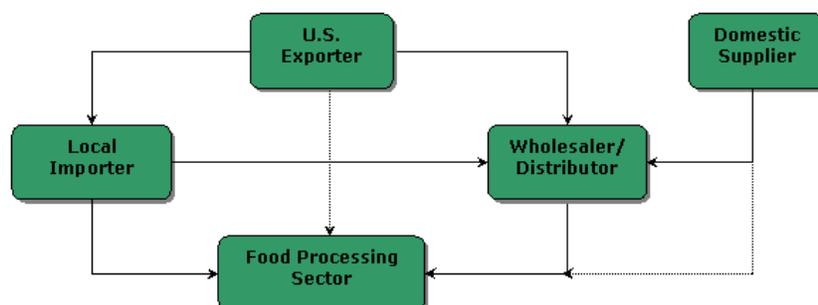
## **C. Distribution Channels**

One way for new market entrants to build sales in Ecuador is by offering a combination of competitive pricing along with profit sharing, promotion cost support, and by engaging in joint product promotions. If it is not possible to penetrate existing distribution channels, exporters can attempt to establish their own distribution channels. Distribution channels in Ecuador will vary between those for domestic and imported products.

FAS Quito estimates that raw material and food ingredients represent a significant portion of the final purchase price of locally manufactured food products. To maximize returns, local food processors will often seek out more affordable, locally sourced food ingredients. Local food processors tend to purchase directly from foreign suppliers, forgoing the use of brokers. Local companies with low sales volumes often face higher import related costs. To compensate for these expenses, many of these companies source imported food ingredients from wholesalers who act as importers.

Local food processors sell their products in supermarket chains throughout Ecuador. Based on sales, the main supermarket chains in Ecuador, representing approximately 60 percent of the sector, are *La Favorita (Supermaxi)*, and *El Rosado (Mi Comisariato)*. *Tiendas Industriales Asociadas*, *Mega Santa Maria*, and *Hipermercados Coral* are fast growing medium-sized supermarket chains. These same supermarket chains sell imported food products targeting middle- and high-income consumers.

## **D. Market Structure**



## E. Company Profiles & Company Products

Ecuador's food processing sector is one of the most successful components of the national economy. The sector benefits from stable, consistent demand for its products. Food and beverage processing companies are ramping up production output in response to increased product demand driven by population and income growth. Local processing companies are attempting to capitalize on this growth by lobbying the government for support at the expense of imported processed products.

**Table 2: Ecuador, Food and Beverage Manufacturing Subsectors, (\$ millions)**

Products	Total Companies (2012)	Net Sales 2012 (\$ millions)	Market Share
Meat, meat products and sub products	62	\$ 1,191.8	13.9%
Fish and other processed aquatic products	98	\$ 1,856.5	21.6%
Fruits and vegetables products	70	\$ 337.9	3.9%
Animal and vegetable oils	36	\$ 982.5	11.4%
Dairy products	74	\$ 543.0	6.3%
Milling products, starch and starch products	46	\$ 248.0	2.9%
Foodstuffs various	209	\$ 1,714.5	19.9%
Pet food and Animal Feed	61	\$ 433.0	5.0%
Alcoholic Beverages	34	\$ 70.4	0.8%
Wine	11	\$ 5.9	0.1%
Beer	3	\$ 430.8	5.0%
Non-Alcoholic Beverages	75	\$ 789.2	9.2%
<b>TOTAL</b>	<b>779</b>	<b>\$ 8,603.5</b>	<b>100.0%</b>

Source: Superintendencia de Compañías.

## F. Sector Trends

Ecuador's larger food and beverage processors have achieved a high degree of industrialization and technical sophistication. Small processors rely primarily on less efficient, traditional production methods. Spurring the sector's growth is increased acceptance and consumption of processed food products, which are now a well established part of the national food culture.

Exchange rate fluctuations between the U.S. dollar and neighboring Latin American currencies often result in Ecuadorian importers sourcing food processing ingredients from more affordable origins such as Colombia, Chile, and Mexico. Best U.S. product prospects include processed sugar, concentrated ingredient flavors, juice concentrates and mixtures, colorants, cereals, meats, flours, and food extracts.

FAS Quito recommends an Ecuador sales strategy that includes targeting food manufacturers with diversified product lines. One leading food manufacturer alone maintains a portfolio of over 800 products and 26 brands. The main processed food products in the Ecuadorian market are pre-cooked or easy to prepare meals that utilize a high proportion of imported food ingredients and seasonings.

**SECTION III. COMPETITION**

U.S. food ingredients face strong competition from Latin American producers. Exports from neighboring countries, benefitting from a closer proximity, are more competitive due to lower shipping costs. Import tariffs levied on U.S. food ingredients are higher than those levied against neighboring countries and European products that benefit from free trade agreements.

Domestic food manufacturers rely heavily on local food ingredients. Ecuador’s government is attempting to restrict imports in order to stimulate local production and increased domestic use. The government is also aiming to increase production for regional export. Ecuadorian companies tend to import specialized food ingredients such as flavoring agents, colorants, preserving agents, and emulsifiers. Food processors imports these products from the United States and the European Union as Ecuador lacks the means to manufacture these products in sufficient volumes.

Ecuador is heavily dependent on imported wheat, soybean oil, and soybean meal. It is also an importer of fish products, crustaceans, and mollusks for further processing and commercialization. Additionally, it imports pre-mix ingredients for dog and cat pet food and related products.

**Table 3: Competitive Situation Facing U.S. Suppliers**

<b>Product Category</b>	<b>Major Import Supply Sources in 2017</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
<b>Seafood</b> Net imports: 59,295MT US\$82.2 million	Peru: 8% Chile: 5% Micronesia: 5%	Peru is the major supplier of seafood products in South America.	Ecuador is a major Latin American tuna fish producer.
<b>Fruit and Vegetable Juices</b> Net imports: 1,725 MT US\$4.5 million	Costa Rica: 32% Brazil: 21% United States: 17%	Costa Rica products are more price competitive.	Growing product diversification by importing bulk and bottling locally.
<b>Sugars and sugar confectionery</b> Net imports: 137,503MT US\$91.7 million	Colombia: 68% China: 8% Guatemala: 7%	Colombian sugar meets quality certifications and is tariff exempt.	Domestic production is less competitive than imported product.
<b>Dairy products</b> Net imports: 10,604 MT	Mexico: 46% Chile: 10%	Suppliers offer a number of products	Domestic production is protected by the

US\$54.8 million	Argentina: 8%	not produced within Ecuador.	government.
<b>Milling products</b> Net imports: 56,843 MT US\$30.7 million	Chile: 47% Colombia: 16% Argentina: 8%	Andean Community member, Colombia is tariff exempt.	A local oligopoly controls pricing.
<b>Meats</b> Net imports: 4,107 MT US\$6.9 million	Chile: 50% United States: 39% Uruguay: 7%	Main suppliers provide advance sanitary certifications.	Quality concerns with informal sector production.
<b>Prepared fruit, vegetables and nuts</b> Net imports: 36,649 MT US\$46.0 million	Chile: 41% Peru: 11% Netherlands: 10%	Chilean products are highly price competitive.	Year round domestic production is limited by lack of technology.
<b>Prepared animal food residues and waste from the food industry; prepared animal feed.</b> Net imports: 1,161,388 MT US\$666.2 million	Peru: 34% United States: 17% Argentina 16%	Main suppliers offer a number of products not produced locally.	Local industry is diversifying and offering competitive pricing.
<b>Preparations of food miscellaneous</b> Net imports: 26,715 MT US\$204.6 million	Chile: 35% Colombia: 14% United States: 13%	Suppliers produce ingredients that do not exist in the country.	National production is small and deficient.

Source: FAS Quito

#### SECTION IV. BEST PRODUCT PROSPECTS

Excellent prospects exist for high quality U.S. food ingredient products (e.g., artificial flavorings, colorants, preservatives, and spices). Wheat, soybean flour, yellow corn, fruit juices and concentrates, glucose syrup, whey, and lactose also offer good prospects.

#### Category A: Products Present in the Market That Have Good Sales Potential

Product Category	2017 Imports (US\$ Millions)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints for Market Development	Market Attractiveness for the United States
Preparations of food, miscellaneous	\$204.6	2.4%	10% - 30%	Chile and Colombia dominate imports. Some products may require a Certificate of Conformity.	Domestic production is limited; opportunities exist for high quality U.S. products.
Cereals and	\$379.3	-0.8%	20% -	Local oligopoly	The United States

Milling products			30%	controls the industry, including price fixing. Some products may require a Certificate of Conformity	and Canada supply 32% and 50% of Ecuador's cereal needs; insufficient domestic production.
Fruit and Vegetable Juices	\$4.5	4.1%	30%	Costa Rica dominates imports. Some products may require a Certificate of Conformity.	Domestic production is slow to launch new brands; local production costs are high so most companies import bulk to bottle locally
Meat and meat products	\$6.9	-21.8%	20% - 85%	Some products may require a Certificate of Conformity.	U.S. products are recognized for their quality and are commonly used in the deli meats industry.
Dairy products	\$54.8	1.4%	25% - 30%	National production is promoted. Regional suppliers are main suppliers. Some products may require a Certificate of Conformity.	Specialty U.S. products are not available in the region.

Note: For more information about the required "Certificate of Conformity," please see FAS Quito's [2017 FAIRS Report](#).

**Category B: Products Not Present in Significant Quantities, but with Good Sales Potential**

Product Category	Import Tariff Rate	Key Constraints for Market Development	Market Attractiveness for the United States
Basic Chemicals products for the preparation of food	0% - 5%	Lack of accurate market information.	Tariffs are minimal.
Crude and refined oil and fat	0% - 20%	Domestic manufacturing is diversified. Some products may require a Certificate of Conformity. Safeguards applied for products in this category.	Consumers are increasingly demanding healthier corn and canola oil; Ecuador mainly produces palm oil.
Seeds and dry	0% -	Chile is major supplier that benefits	Importers prefer U.S.

fruits	10%	from competitive pricing and shipping cost advantages. Some products may require a Certificate of Conformity. Safeguards applied for products in this category.	product based on taste preferences.
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Note: For more information about the required “Certificate of Conformity,” please see FAS Quito’s 2017 FAIRS Report.

**Category C: Product Not Present Because They Face Significant Barriers**

<b>Product Category</b>	<b>Import Tariff Rate</b>	<b>Key Constraints for Market Development</b>	<b>Market Attractiveness for the United States</b>
Poultry Meat	45%-85%	Poultry sector is protected and import licenses are usually denied	Local production cost high
Cheeses	20%-25%	Dairy sector is protected and import licenses are usually denied	Local cheese production is not diversify
Whey	5%-30%	Dairy sector is protected and import licenses are usually denied	Small local production

**SECTION V. KEY CONTACTS AND FURTHER INFORMATION**

For additional information, see [www.fas.usda.gov](http://www.fas.usda.gov) or e-mail the Foreign Agricultural Service Quito at: [agquito@fas.usda.gov](mailto:agquito@fas.usda.gov). See also FAS Quito’s [Exporter Guide](#), [Food and Agricultural Import Regulations and Standards \(FAIRS\)](#), and [FAIRS Export Certificate GAIN reports](#) for Ecuador, where you will find contact information for Ecuador’s regulatory agency, a list of ministries responsible for food policies and a graph of import policies, as well as other valuable contact information.