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GAIN Report

Global Agricultural Information Network

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GAIN Report Number:

Ecuador

Food Processing Ingredients

Enter a Descriptive Report Name

Approved By:

Prepared By:

Andres Barahona

Report Highlights:

The Ecuadorian market for food processing ingredients offers significant opportunities for U.S. exporters. With rich agricultural resources and potential, the sector has a few larger industrial producers and many traditional processors. Consumption patterns are similar to elsewhere in Latin America with trends towards consumer ready food products and more nutritional and health awareness. Price and quality remain top considerations.

Post:

Quito

Author Defined:

Section I. Market Summary

Since the return to democracy in 1979, Ecuador has experienced a high degree of political instability. Eleven presidents have announced and sometimes implemented a wide range of economic policies aimed at improving living conditions and advancing economic progress. Some policies have worked and some have not. All economic sectors have experienced some degree of crisis. Natural disasters, from flooding to volcanic eruptions, are frequent occurrences.

In 2012, according to the Central Bank of Ecuador, Ecuador's Gross Domestic Product (GDP) is expected to grow 5.3 percent while in 2011 Ecuadorian GDP grew 7.8 percent reaching a yearly GDP of \$61.12 billion. From 2000 to 2012, GDP averaged an annual growth of 4.83 percent.

Inflationary pressure has been reduced since the dollarization of the economy in 2000 which eliminated currency risk. The annual inflation declined consistently after 2001 until it registered its lowest level in 2005 (2.1 percent), while in 2008 the inflation reached its highest level since the implementation of the dollarization, getting close to the two digit variation. The accumulated inflation in 2011 was 5.41 percent, higher than the last two years (4.31. percent for 2009 and 3.33 percent for 2010). The largest increase was in the division of alcoholic beverages and drugs (up 14.7 percent), clothing and footwear (6.99 percent) and food and non-alcoholic beverages (6.83 percent).

In the most recent years, production costs have stabilized, purchasing power of households has improved and overall confidence in the financial system has increased. There is greater access to credit that boosted consumption and investment. In addition, strong external demand has impacted positively on the growth of exports. This dynamism in economic activity was reflected in the growth of imports, which strengthened the productive sector in the form of greater inputs of fuels, raw materials, and capital goods.

GROSS DOMESTIC PRODUCT (GDP) GROWTH			
YEAR	GDP	NON OIL GDP	MANUFACTURING SECTOR GDP
2001	5,30%	6,50%	4,80%
2002	4,20%	6,00%	2,50%
2003	3,50%	2,90%	4,50%
2004	8,00%	3,70%	3,20%
2005	5,74%	7,40%	9,20%
2006	4,75%	4,70%	8,50%
2007	2,04%	4,80%	4,60%
2008	7,24%	4,00%	4,50%
2009	0,36%	0,90%	-1,50%
2010	3,73%	4,50%	6,70%
2011	7,80%	8,30%	6,90%
2012	5,30%	6,10%	9,4%
AVERAGE GROW	4,83%	4,98%	5,28%

According to the classification by economic activity during the year 2012 the sector that contributes the most to the growth of the non-oil GDP is the electricity and water sector (7 percent), followed by manufacturing sector (6.8 percent), construction sector (5.8 percent), commerce (5.5 percent) and agricultural and fisheries sector (4 percent). Within the

manufacturing sector, the production of foodstuffs and beverages in 2012 represents 54 percent, being the subsector with the largest share in the total manufacturing GDP.

One of the sectors that has experienced large growth in 2012 is the Agricultural, Livestock, and Forestry sector, which went from a 1.5 percent growth in 2009 to a decrease of 1.3 percent in 2010 and is expected to end 2012 with a growth rate of 5 percent. Within the Manufacturing sector, the food and beverage sector was the only sector that showed growth. After experiencing a slight decrease of 0.8 percent in 2009, the sector showed increases of 5.2 percent in 2010, 6.5 percent in 2011, and 10.2 percent in 2012.

According to the classification by economic activity by the Central Bank of Ecuador, the food and beverage sector is under the manufacture sector (which excludes petroleum refining).

The main subsectors of the foods and beverages sector are:

- 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 products
- Bakery products, noodles and pasta
- Sugar and sugar cane products
- Processed cocoa products
- Chocolates and confectionery products
- Foodstuffs various [1]

Participation of the sector in the Gross Domestic Product

During the period 2008-2012, the food and beverage sector has had the following participation in the GPD:

Gross Domestic Product
(Millions of dollars)

Economic Activity	2008	2009	2010	2011	2012 (Projected)
Meat and Processed Fish	1308	1201	1358	1509	1810
Cereals and Bakery	196	208	241	257	294
Sugar production	154	144	183	200	232
Foods various	584	558	578	631	714
Beverages production	252	279	333	393	517
Total Food and Beverage GDP	2494	2390	2695	2989	3566
Percentage Food and Beverage GDP Grow	3.8	-4.2	12.7	10.9	19.3

Gross Domestic Product

(Millions of dollars of 2000)

Economic Activity	2008	2009	2010	2011	2012 (Projected)
Meat and Processed Fish	1155	1163	1208	1288	1421
Cereals and Bakery	93	96	105	107	114
Sugar production	115	103	128	135	146
Foods various	350	329	321	336	355
Beverages production	120	128	150	171	210
Total Food and Beverage GDP	1832	1818	1912	2037	2244
Percentage Food and Beverage GDP Grow	3.8	-0.8	5.2	6.5	10.2

The percentage share of the sector in Total GDP, according to the same source, is reflected in the tables below.

Base on Nominal GDP
(Percentage of total GDP)

Economic Activity	2010	2011	2012 (Projected)	2013 (Prev.)
Meat and Processed Fish	2.3	2.2	2.2	2.3
Cereals and Bakery	0.4	0.4	0.4	0.4
Sugar production	0.3	0.3	0.3	0.3
Foods various	1	0.9	1	1
Beverages production	0.6	0.6	0.7	0.7

Base on GDP pass to Dollars of 2000
(Percentage of total GDP)

Economic Activity	2010	2011	2012 (Projected)	2013 (Prev.)
Meat and Processed Fish	4.8	4.6	4.7	4.7
Cereals and Bakery	0.4	0.4	0.4	0.4
Sugar production	0.5	0.5	0.5	0.5
Foods various	1.3	1.2	1.3	1.3
Beverages production	0.6	0.6	0.7	0.7

According to the Ecuadorian Central Bank statistics on the added value by the sector, the food and beverage sector contributed in 2011 with an aggregate value of \$2.96 billion, while the Agricultural, Livestock, and Forestry contributed with \$4.19 billion.

The food manufacturing industry, with an estimated growth of 10.2 percent in 2012, would have better performance than non-food manufacturing industries, which would grow by 4.7 percent. Within the food manufacturing industry, the beverage sector outstands, with an estimated growth

of 22 percent in 2012, like the last 4 years with 2 digits growth. Cereals (including bakery) is the industry with less growth, only 5.9 percent in 2012, but this sector had a considerable growth in comparison to the 1.5 percent in 2011.

Half of the food industry is in the meat and processed fish category, with an estimated growth of 10.3 percent in 2012, an acceleration compared to the 3.6 percent from 2011. (Since 2008, the Central Bank does not offer a breakdown of meat and fish sectors.)

Sugar production is estimated to increase 7.7 percent in 2012 after a 15.3 percent growth in 2011.

While the sector is national in coverage in terms of production of inputs and product markets, it should be made clear that primary products are generated in rural areas, while enterprises that produce food and beverages which have undergone a process of transformation, are mainly concentrated in the principal cities of the country.

Register Food Manufacture Companies and Sales Statistics (Millions of dollars)

Economic Activity	Number of Register Companies in 2009	Number of Register Companies in 2010	Number of Register Companies in 2011	Net Sales 2009 (\$ millions)	Net Sales 2010 (\$ millions)	Net Sales 2011 (\$ millions)
Meat, meat products and sub products	43	69	57	767,1	306,31	1086.67
Fish and other processed aquatic products	71	85	70	1357,9	910,8	938.51
Fruits and vegetables products	39	61	60	205,9	316,18	329.58
Animal and vegetable oils	38	36	29	954,5	552,53	925.86
Dairy products	146	75	78	635,3	439,4	490.71
Milling products Starch and starch products	50	49	48	196,3	229,31	229.64
Foodstuffs various	218	218	193	1803,1	1341,2	1522.25
Beverages	132	132	106	1001,5	751,61	1158.80

Information-December 2009-2011

Source: Superintendencia de Compañías – Anuario Estadístico Societario NIIF 2011, CIU 4

The table above shows the size of the food and beverage subsectors by number of companies and

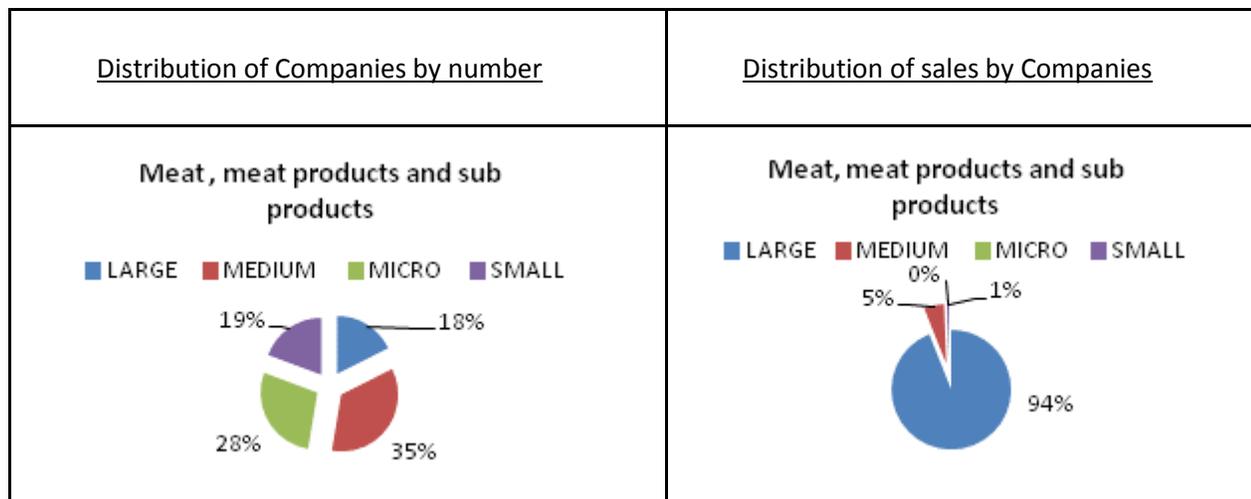
sales. The information was obtained from the Companies Bureau. Numbers may not be all reliable since the Bureau has changed the categorization of several companies in the last two years. Also, in the Bureau used the International Standard Industrial Classification of All Economic Activities – Third version in 2009, and the International Standard Industrial Classification of All Economic Activities – Fourth version in 2010 and 2011.

**NUMBER OF FOOD AND BEVERAGE MANUFACTURE COMPANIES
IN 2011 BY SIZE**

	MICRO	SMALL	MEDIUM	LARGE
Food and beverages	160	156	116	64
Meat, meat products and sub products	16	11	20	10
Fish and other processed aquatic products	19	12	15	24
Fruits and vegetables products	23	17	10	10
Animal and vegetable oils	3	2	5	19
Dairy products	36	17	12	13
Milling products, starch and starch products	16	9	10	13
Foodstuffs various	60	64	38	31
Beverages	44	28	16	18

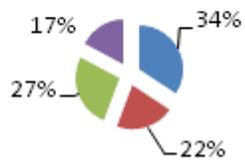
Source: Superintendencia de Compañías – CIU

DISTRIBUTION OF FOOD AND BEVERAGE MANUFACTURE COMPANIES IN 2011



Fish and other processed aquatic products

■ LARGE ■ MEDIUM ■ MICRO ■ SMALL



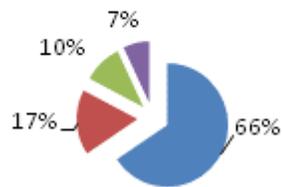
Fish and other processed aquatic products

■ LARGE ■ MEDIUM ■ MICRO ■ SMALL



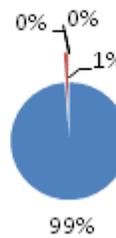
Animal and vegetables oils

■ LARGE ■ MEDIUM ■ MICRO ■ SMALL



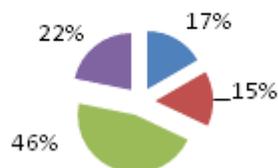
Animal and vegetables oils

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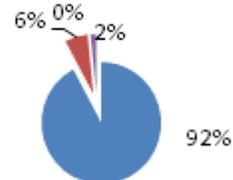
Dairy products

■ LARGE ■ MEDIUM ■ MICRO ■ SMALL



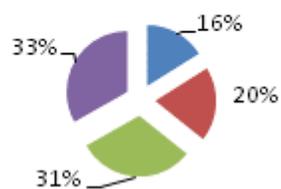
Dairy products

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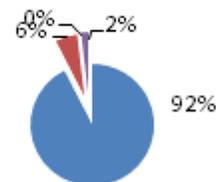
Foodstuffs various

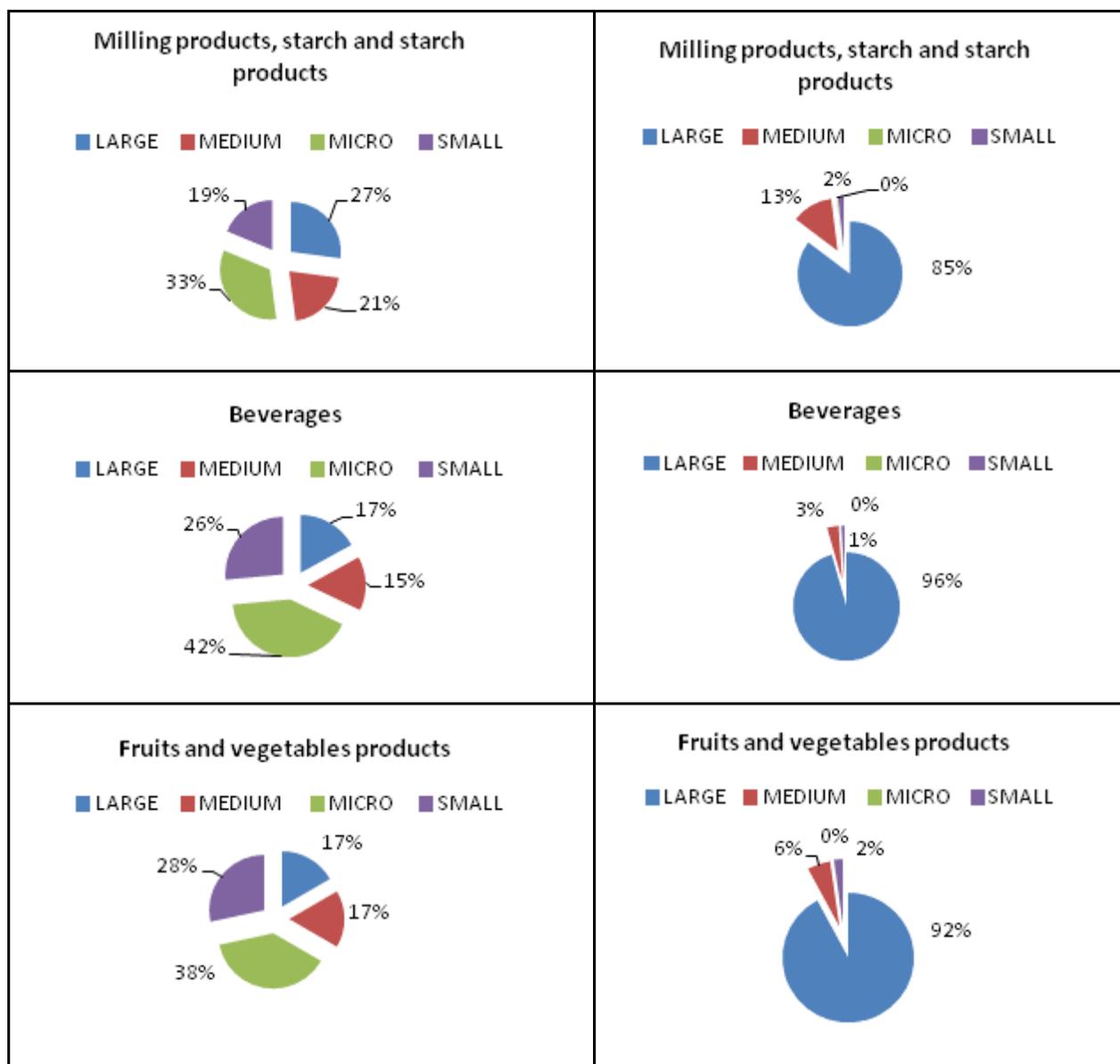
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Foodstuffs various

■ LARGE ■ MEDIUM ■ MICRO ■ SMALL





Advantages and Challenges Facing U.S. Products in Ecuador

Advantages	Challenges
<ul style="list-style-type: none"> The country's economy in 2012 will grow by 5.30 percent according to estimates from the Central Bank, and agro-industry will contribute with a 0.17percent to that expansion. Although restrictions to imports have been placed, these mainly affect 	<ul style="list-style-type: none"> Without a free trade agreement, U.S. exports face considerable tariff restrictions for access to the Ecuadorian market. The processes and procedures for import in Ecuador can be long and complicated. Exporters of foodstuffs from the United

<p>final processed products. This represents an opportunity for US exporters of raw material and ingredients for the food processing sector since it is expected an increase of local production.</p> <ul style="list-style-type: none"> • The main trading partner of Ecuador is United States. • Products that come from United States are known from their quality. • The demand for low-calorie products, energy, etc, has increased in recent years, so this industry must produce and import more. 	<p>States are not as aggressive in tracking sales as those in Chile or other supplier countries.</p> <ul style="list-style-type: none"> • According to the latest data, nearly 28.6 percent (2011) of the population belongs to the segment of low-income and may not have access to imported products. American companies should focus the issue of economies of scale, since in some cases the marketing conditions are too complicated. • Prices of US products in some cases may be higher than those of local products or nearby countries.
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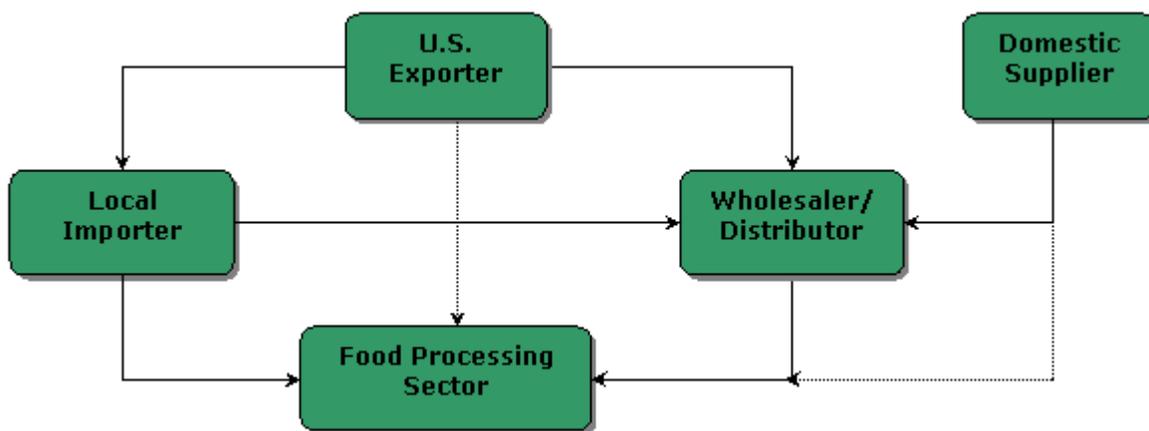
Section II. Road Map for Market Entry

A. Entry Strategy

- The producers and exporters of food ingredients from the United States who seek to enter the Ecuadorian market may contact local food processors directly or work with representatives, agents or distributors, to define the application and product type that attract end users. Usually large companies import directly from foreign suppliers; however small and medium-sized enterprises do not have the ability to purchase large volumes and therefore negotiate with a representative or distributor. In the case of large volumes, the establishment of a local subsidiary to guarantee services and quality to clients may be advisable.
- U.S. foodstuffs are known for their high quality and excellent values; however quality standards have risen in products around the world thanks to automation and technology. Therefore to compete in Ecuadorian market where the purchasing power of consumers is low, producers must also offer quality, competitive pricing or special services such as improved care, warranties, adapting products and packaging to local standards.
- U.S. exporters who wish to enter in Ecuador's food ingredient market must be very aggressive and pro-active to establish solid good relationships with their clients through personal visits or referenced by distributors or customers. This is the best way to maintain and increase sales. Additionally monitoring, support and constant communication make a difference compared to competitors in nearby countries who generally offer better prices because of their freight and tariff advantages.
- The correct payment method is important. Suppliers should avoid direct credit until the clients demonstrate creditworthiness. Also cash payments can reduce costs of imports. If letters of credit are used, it is recommended that they be confirmed and irrevocable to secure the payment.

- Exporting companies from the United States must understand the importance of knowing the market, key contacts and become familiar with local laws and business practices in Ecuador, for which the Foreign Agricultural Service (FAS) Office in U.S. Embassy/Quito keeps lists of potential importers and can provide this information to suppliers that wish to seek business opportunities in Ecuador.
- Since 2005, the Government of Ecuador has been providing credit to the agricultural sector, micro entrepreneurs, and merchants for their productive commercial activities. One of the most common programs provides up to an amount of \$ 5,000 with a rate of interest of 5 percent and a maximum term of three years. In addition, since April 2004, with funds from the National Finance Corporation, credits have been delivered to small and medium enterprises (SMEs) to the amount of \$30,000 at the annual rate of 9 percent. This variable represents an opportunity to enter or expand agribusiness, since the credit can be used to purchase raw materials and inputs.

B. Market Structure



To the extent that the distribution channels for a product are well established, new entrants must focus on the retail sector and seek to convince retailers to accept their products through lower prices and increased profit margins, sharing costs of promotion, engaging in joint promotional efforts at the point of sale, among others. When it is not possible to penetrate the existing distribution channels, the new company acquires its own cost of distribution structure and can still create new marketing systems and seize market share.

Distribution channels can be different between local and imported products and are changing all the time. The purchase of raw materials and inputs for food processing represents a significant portion of the cost of the final price of products. Local inputs can be purchased directly from producers.

In general, food processing companies make purchases directly and not through brokers, so they reach economies of scale and maximize profits but they are then responsible for the logistics. In some cases, processors have an import broker, which represents one or more foreign suppliers.

Companies with low sales volume who import directly face high costs as the conditions and procedures for importing can be difficult. Therefore, it is better to use a local wholesaler who can

take care of necessary import procedures.

The food processing companies usually have their own distribution chain which contains wholesalers, self-service, traditional retailers and to a lesser extent HRI catering. There is a small portion of companies that have outsourced the distribution to certain provinces.

C. Company Profiles

The food and beverages processing companies have increased their production levels in response to increased demand, coming from both population and income growth. Also, conditions of the global market require permanent innovation, efficiency, competitiveness and adoption of new technologies, all aimed at achieving greater efficiency and competitiveness which would enable strict adherence to quality parameters.

Subsectors Participation on the Market

Economic Activity	Number of Register Companies in 2011	Net Sales 2011 (Millions of Dollars)	Market Share
Meat, meat products and sub products	57	1086.67	16.48%
Fish and other processed aquatic products	70	938.51	14.24%
Fruits and vegetables products	60	239.58	3.63%
Animal and vegetable oils	29	925.86	14.05%
Dairy products	78	490.71	7.44%
Milling products Starch and starch products	48	229.64	3.48%
Foodstuffs various	193	1522.25	23.09%
Beverages	106	1158.80	17.58%
Total Food and Beverage Manufacturing Industry	496	6092.02	100.0%

Information - December 2011

Source: Superintendencia de Compañías

The following table shows some of the major food processors in Ecuador. It includes information on the types of products processed, the main imports performing, sales of the year 2011, the final distribution channel, places where locates its production and the channels used to purchase imported ingredients.

Profiles of Major Food Processing Companies (Thousands of dollars)

Profiles of Major Food and Beverage Companies

Company	Common Imported Products	Sales 2011 (\$ millions)	End-Use Channels	Production Location	Procurement Channels
CORPO	Specialized food ingredients and food commodities	1454	Reta	Pichin	Direct

<p>RACI3N FAVORITA (meats, bakery)</p>		<p>.13 (Note: This is the total sales at retail level and does not reflect the actual amount of sales of processed products by the company)</p>	<p>il and HRI</p>	<p>cha (33) Guayas (23) Azuay (4) Loja (1) Tungurahua (3) Imbabura (3) Manabí (7) Esmeraldas (4) Santo Domingo (2) Cotopaxi (3) Los Ríos (2) Chimborazo (2) Cañar (1) El Oro (5)</p>	
<p>PRONACA (Meats and poultry, prepared fruit and vegetables, prepared</p>	<p>Grains, live animals, soybean meal, condiments</p>	<p>728.86</p>	<p>Retail and HRI</p>	<p>Ecuador (3) Brazil (1) Colombia (1)</p>	<p>Direct</p>

animal food, dry goods, prepared meals)					
NESTLE ECUADOR (Dairy products, baked goods, confectionary, snack food, dry goods, prepared meals)	Specialized food ingredients	420.76	Retail and HRI	Ecuador (1) Chile (6) Colombia (3) Venezuela (2)	Direct
COMPAÑIA DE CERVEZAS NACIONALES C.A. (Beer)	Starch, Barley, glucose syrup	364.65	Retail and HRI	Ecuador (2)	Importers; Direct
LA FABRIL (Oilseed products)	Bean raw oil, sunflower oil, fragrances, Flavors and antioxidants	424.34	Retail and HRI	Ecuador (1)	Wholesaler; Direct
ARCA Ecuador (Beverages, refresh)	Syrup	400.87	Retail and HRI	Ecuador (2)	Direct
NEGOCIOS INDUSTRIALES	Specialized food ingredients	279.48	Retail	Ecuador (1)	Direct, Broker

RIALES REAL NIRSA (Fish, prepared meals, dry goods)					
DANEC (Oilseed products)	Animal fat, vegetable oil, corn oil, catalyst	306.2	Retail	Ecuador (1)	Direct
INDUSTRIALES (Oilseed products)	Specialized food ingredients	249.63	Retail	Ecuador (1)	Wholesaler; Direct
UNILEVER ANDINA ECUADOR (Oilseed products, ice creams, hygiene)	Animal fat, vegetable oil, corn oil, Specialized food ingredients	239.96	Retail and HRI	Ecuador (1)	Direct
SOCIEDAD AGRICOLA INDUSTRIAL SAN CARLOS S.A. (Sugar)	Specialized food ingredients	143.4	Retail	Ecuador (1)	Wholesaler; Direct
COMPANIA AZUCA	Specialized food ingredients	140.2	Retail	Ecuador (1)	Wholesaler; Direct

RERA VALDEZ S.A. (Sugar)					
ECUDOS (Sugar)	Specialized food ingredients	132.02	Retail	Ecuador (1)	Direct
ECUAJUGOS (non-alcoholic beverages)	Specialized food ingredients	103.74	Retail and HRI	Ecuador (1)	Direct
INDUSTRIAS LACTEAS TONIS S.A. (dairy products)	Specialized food ingredients	137.41	Retail	Ecuador (1)	Wholesaler; Direct
INDUSTRIAL SURINDU S.A. (Baked goods, confectionary)	Molasses	61.77	Retail and HRI	Ecuador (1)	Direct
INDUSTRIAL MOLINERA (Dry goods: powdered wheat, oats)	Wheat, Oats	80.22	Retail	Ecuador (2)	Direct
CONFIT ECA (confectionary products)	(Sugar, gums, essence)	67.36	Retail	Ecuador (1) Colombia (1), Peru (1)	Direct, broker

KRAFT FOODS ECUAD OR S.A (bevera ges, cheese and dairy, conveni ent meals, snacks and cereals, grocery)	Specialized food ingredients and food commodities	82.6 6	Reta il and HRI	Ecuad or(1), Peru (1) Colom bia (1) Venez uela (2)	Direct
PRODU CTOS NUTRIT IVOS SUPAN TIOSA (bread baking)		69.2 6	Reta il and HRI	Ecuad or (1)	Direct

Source: Direct Investigation

Food processing is one of the most successful sectors of the economy, reflecting stability and consistent demand, due to the variety of products, such as easy preparation, low in calories, special for babies, and so on.

D. Sector Trends

The Food and Beverage sector has achieved a high level of industrialization among the large processor. However, small processors continue to produce with traditional methods and the lack of technological innovation is their biggest obstacle. Consumption of processed items has become established as part of the food culture of the country. One of the main advantages of Ecuador is the diversity of agricultural resources, which allow the creation of value-added products for local consumption and for export.

SUPERMARKETS RETAIL CHAINS

In Ecuador, the big supermarket chains and hypermarkets, such as Supermercados la Favorita (Supermaxi, Megamaxi, Akí), Importadora el Rosado (Hipermarket), Tiendas Industriales Asociadas (TIA) and Supermercado Santa Isabel/Santa María, have strong bargaining power as buyers. In the period between 1999 and 2005, these companies doubled their number of stores and tripled their nationwide sales. The large volume of purchases they made and the high market share they have allow them to exert strong influence in the market to the disadvantage of small

importers and distributors.

Supermarket La Favorita: With over 60 years in the domestic market and 84 stores, Supermarket La Favorita is the leading marketer in the "retail" area and has underpinned its position in the slogan "the pleasure of buying". Supermarket La Favorita has achieved, according to the Superintendent of Companies, net sales of \$1.28 billion in 2010 and \$1.45 billion in 2011; it also participates in the industrial area with Profasa (poultry meat) Agropesa (slaughter), Maxipan (bakery), among others. Its main suppliers are Chile and the United States and the major products sale in its stores are the ones of the basic food basket, fruits and grains. This company is in constant search for foreign suppliers with experience in the market area with Ecuador.

El Rosado: This firm was founded in Guayaquil by Alfredo Czarninski, who opened a store called "Importadora El Rosado" the first self-service super market in Ecuador that nowadays is called "Mi Comisariato" and it is the second largest supermarket chain in the country. Mi Comisariato is the strongest retailer in the coastal area. According to the Superintendent of Companies Supermarket, El Rosado has achieved net sales of \$767.69 million in 2010 and \$867.83 million in 2011.

MEAT PRODUCTS AND SUBPRODUCTS

According to the national statistics, Ecuador has a population of approximately 5.5 million cattle. However, its meat production is based on the exploitation not only of cattle, but also on pigs and to a lesser extent sheep; constituting domestic supply of red meat for direct consumption and industrial production which presents an insignificant growth in relation to the demand of livestock products for the domestic market and border trade.

Even though the pork industry is nationwide, it is poorly developed due to: high production costs, competition for raw materials with the poultry industry, lack of breeding centers, little technological innovation, and lack of training to small producers. This industry is also affected by the introduction of similar products from neighboring countries, especially Peru, which has tariff preferences to import animal feed, situation that makes Ecuadorian products less competitive.

This sector had a 6.6 percent growth during 2011 according to data from the Central Bank of Ecuador.

Pronaca: With an annual growth between 12 and 20 percent, Pronaca is a leader in the market due to product innovation and presentation. In addition to the packaged meat, eggs and preserves, it is also a leader in the sale of packaged rice. Pronaca launched a consumer ready new value-added meat product called "Mr. Cook". According to the Superintendence of Companies, Pronaca has more than 45 percent of the market share of Ecuador's chicken market. Pronaca has entered the global market with palm oils and fish products which have added value and are at the stage of internationalization through its subsidiaries in Colombia and Brazil. According to the Superintendent of Companies, Pronaca's net sales in 2010 was \$649.81 million and \$728.86 million in 2011.

Agropesa: Having the most modern slaughterhouse in Ecuador, Agropesa supplies its products to its supermarket chain "La Favorita". In 2010 Agropesa's production of pork and beef reached 1.5 million kilogram and 15.8 million kilogram, respectively.

SUGAR INDUSTRY

Ecuador's sugar agro-industry's contribution to its GDP is estimated as 0.3 percent in 2012. There are six sugar mills: San Carlos, Eudos/Troncal, Valdez, Maria Isabel, IANCEM and Monterrey but the first three companies represent 90 percent of national production.

Sugar cane is used for obtaining raw sugar, white sugar, refined sugar, alcohol, and molasses. The production volumes have increased annually. The planted area has reach 110,000 hectares in the last five years and the production has grown from 75 to 85 tons per hectare on average; this growth is mainly due to large investments made by sugar mills and the sugar cane industry.

San Carlos: Founded in 1897 by Carlos Sarmiento Lora and María Cristina Palau, San Carlos produced the first sugar sack (50 kilograms. Nowadays, its production reaches over 3 million sacks annually. Currently, San Carlos produces white sugar, white special sugar, refined sugar and raw sugar.

Valdez: Valdez Sugar Mill was founded in 1884 by Rafael Valdez, in 1922. Mr. Valdez constituted "Compañía Azucarera Valdez S.A", few months later "Noboa" Corporation bought the firm and since 1996 The Consortium Nobis has been running the company. In 2011, the sugar mill produced 3.1 millions of sacks.

Eudos: Know as "Ingenio La Troncal", it was impounded in 2008 by the Ecuadorian Government. In 2011, the Gloria Group from Peru bought the sugar mill, and in July 2012, the first sugarcane harvest started under their new owners. In 2011, the sugar mill reported 132 millions of sales

CONFECTIONERY PRODUCTS

This sector has sales of about \$154 million a year. In 2009, exports reached \$67 million and local confectionery sales increased significantly to \$87 million.

Companies of the sector demand innovation and dynamism increase, their main problem is sugar price and that is why businessmen want to get the best profit margins in the purchase of raw materials.

Nestlé: It is the main food company in the world, the number one trader of powdered dry milk, condensed milk products, chocolate, confectionery and mineral water, and number three coffee traders. With the acquisition of Gerber Products of Novartis, Nestle is the world's largest manufacturer of nutritional products for small children, and provides 79 percent of its products for infants in the United States. In Ecuador, Nestle leads sales of confectionery segment. Its main competition is Confiteca, La Universal, Cadbury Adams, Ferrero, Arcor and Carozzi.

Ferrero: Ferrero Ecuador belongs to Ferrero LADM (Latin America Developing Markets). The company was founded in 1946 by Pietro Ferrero. In 1993 Ferrero opened a production plant in Ecuador, one of its 14 installed worldwide. Thus, the importance of this company to the Confectionery industry in Ecuador. Ferrero sold 67.87 million in 2011.

Confiteca: Up until 2010, Confiteca was the leading company in the sales of sweets, chewing gum and soothers in Ecuador, 30 percent of its production is exported to Colombia, 25 percent to Peru and 17 percent to 35 other countries. Confiteca has entered in the production of gourmet chocolate and expects a growth of 25 percent. Confiteca executives believe that Ecuador's image at the international level is a major limiting factor in doing business in Ecuador. Confiteca sales in

2011 reached \$67.36 million

La Universal: La Universal, S.A. operates as a confectionery and food manufacturer. The company provides chocolate and consumer cocoas, hard and soft candy, crackers, wafers and pasta. The company was founded in 1889 and is based in Guayaquil, Ecuador. Its different brands are valued \$4.53 million.

BEVERAGES PRODUCTS

According to the latest statistics, the beverages sector in Ecuador experienced an impressive 14 percent growth in 2011.

ALCOHOLIC BEVERAGES

The demand in the country for this type of beverages has increased and sales and distribution have been expanded. The products in most demand are beer, brandy, rum, vodka, tequila, whisky and champagne. According to the Central Bank of Ecuador, imports of liquor into Ecuador reached 1,363,897 tons in 2010. However, imports on this segment will likely be affected by the additional new tariff on top of the existing ones.

In the category of national alcoholic beverages, brand Zhumir accounts for 40.3 percent of the market share. Cristal, Caña Manabita, Quindiana and Frontera share 22.7 percent of the market, and Norteño, Tropico, Patito Seco, Ron Cartagena and Castillo share the remaining 37 percent of the market.

According to the World Health Organization (WHO), the annual average of consumption of beer per person in Ecuador in 2011 is 9.4 liters, the second highest in the region after Argentina. However, per capita consumption of beer in Ecuador is extremely low compared to those of Czech Republic (135 liters), France (41 liters), United States (81.6 liters), Switzerland (77 liters), Denmark (99 liters) and England (99 liters). Future growth opportunity in this market is great.

In Ecuador, the market for beer is dominated by the two large multinationals: SAB Miller and the AmBev, represented in Ecuador by National Beer Company and AmBev Ecuador respectively.

National Beer Company: Having 90 percent of market share, National Beer Company dominates Ecuador's beer market since 1922. The company generates 950 jobs in plants in Quito and Guayaquil, as well as 2,900 working places for the distribution of their products (Pilsener, Pilsener Light Club, Dorada and Chop). From year 2006, SAB Miller bought group Bavaria, capturing 94 percent of the incomes of the Ecuadorian beer market. According to the Superintendence of Companies, their sales were \$321.09 million in 2010 and \$364.65 million in 2011.

Beverage Company of the Americas AmBev: Americas AmBev began its operation in Ecuador in 2004. The company has its presence in Brazil, Uruguay, Paraguay, Argentina, the Dominican Republic, Venezuela, Peru, and Guatemala. In 2006, the company attracted 6 percent of beer consumers. It is estimated that the presence of Ambev generates 350 jobs at its plant. Moreover, its executives hope to seize 30 percent of the market with one of their star products: Brahma. They hope to produce at its maximum capacity (900,000 hectoliters/year).

Destilería Zhumir: In 1982 this family firm changed its name into "Destiliría Zhumir". Since that time Zhumir has been working with high technology standards. Nowadays it has 6 production branches in the alcohol category, and in non-alcoholic products Destilería Zhumir also produces Natural Water, Flavored Water and Mineral Water.

NON ALCOHOLIC BEVERAGES

The non alcoholic beverages market generates about \$640 million per year. The key for this sector is product diversification. Foreign firms seeking market niches in Ecuador have an opportunity to exploit.

According to business reports, this sector has positive prospects for the future due to the strong demand particularly during holidays. Additionally, the sector has the good incentive system that includes attractive pricing policies, advertising campaigns, and new products.

The market for soft drinks, which generates around \$10 million a month in Ecuador, is competed by four bottling companies: (1) Arca Ecuador, a distributor of Coca-Cola, (2) International and Ecuatoriana de Refrescos with their Pepsi product, (3) National Bottling Embona which is a producer and marketer of brands such as Tropical, Apple and Crush, and (4) Ajecuator with Big Cola and KR brands.

Although the consumer retains its preference for known brand soft drinks, the competition intensified in 2001 with the arrival of the Peruvian Ajegroup (Ajecuator), which shook the market with low-budget brands (b-brands) such as Big Cola and Kola Real.

According to Nielsen in the beverage market, 14.1 percent corresponds to sodas, 8.5 percent to bottled water, hydrating drinks 4.4 percent, artificial juices 3.1 percent, and natural juices 2.9 percent, ice tea 2.7 percent, soluble juices 1.6 percent, energy drinks 1.5 percent and the rest corresponds to alcoholic drinks.

Coca Cola: Coca Cola, which has plants in Quito, Santo Domingo and Guayaquil, dominates Ecuadorian beverage market with 60 percent market share. Star products are Coca Cola, Fanta, and Sprite. Its sales reached \$400 million in 2011.

Ajegroup: Ajegroup is present in 12 countries and started in Ecuador in 2001. The Peruvian bottler succeeded in attracting 14 percent of market, reaching sales of \$72.44 million in 2011. This forced Coca Cola, represented in the country by Arca Ecuador, and Pepsi represented by International and Ecuatoriana de Refrescos, to launch products to market that can compete with the b-brands of Ajecuator.

The trend in the consumption of soft drinks in Ecuador varies by city and region, in Esmeraldas, Quevedo, Cuenca, Riobamba and Ibarra, the highest percentage of consumers prefer Coca Cola, while in Machala where Ajecuator has a plant, Big Cola has positioned itself as the market leader. The trend in Quito is consuming traditional products, and that is why black soft drinks have half of the market.

REFRESHING AND NATURAL JUICES

In a market filled with soft drinks, energy drinks and many brands of bottled water, the segment

of juices and refreshments could not remain behind in the strong competition for attracting the Ecuadorian consumers.

The trend of consumption of the Ecuadorians aims towards the natural and light drinks that not only quench their thirst, but also meet certain food and nutrition characteristics.

According to the study conducted by Pulse Ecuador, the market of natural juices expects to catch the average consumption of bottled water that is 12.6 liters per year per person, who spends between \$ 9 and \$ 12 monthly in the purchase of non soft drinks.

Ecuajugos: Ecuajugos is a property of Nestlé and the principal company of juices in Ecuador. The company invoiced \$103.13 million in 2010 and \$103.74 in 2011. Its leading product is Natura, and the flavors of preference are peach, mango, blackberry and apple.

Quicornac: The company, which has started its operation in Ecuador in 2000, is the second largest company in this category. Its sales have doubled in the past 7 years reaching to \$33.53 million in 2011. The company is well known as a manufacturer of Sunny and recently developed another hit product, Sunny Light.

Industrias Lácteas Toni: Industrias Lacteas Toni is a manufacturer of Tampico juices in flavors such as Citrus Punch, lemonade and blackberry that have gained popularity among Ecuadorian consumers. At first, sales of around 800,000 monthly units were expected but they are now selling nearly 2 million units, which is an increase between 10 percent and 12 percent in manufacturing of hydrating and low-calorie beverages.

Sumesa: A Company once dedicated to the production of pasta, noodle and other products, in 2004, they acquired a new \$2 million processing plant. The company expected to sell 7,000 packs of lemonades but more than 21,000 were sold, reflecting both the degree of satisfaction of consumers towards natural drinks and those liquids are a market that still needs to be exploited in Ecuador.

REHYDRATING AND ENERGY DRINKS

On the Ecuadorian market a considerable increase can be observed every year in the offer of rehydrating and energy drinks that, according to their producers, were created to increase physical resistance, provide faster reactions, major concentration, provide an effect of well-being, stimulate metabolism and eliminate harmful substances to the organism.

People who practice sports consume these drinks in order to increase their performance, improve the recovery, maintain the health during the intense periods of exercise and reduce the body fat, but there is not a scientific research about these benefits.

Red Bull, V220, Cult, Jordan, Bang, Red Devil and Dynamita are some of the well known energy drink brands in Ecuador. It is necessary to differ between rehydrating and hydrating beverages. Rehydrating drinks such as Gatorade, Sporade, Powerade, Power Yus and Tesalia Sport, are products that contain glucose and electrolytes which are elements that the body loses during the physical activity or under intensive heat.

The Tesalia Springs Company: The Tesalia Springs Company is a major producer in this market with sales reaching \$ 56.38 million in 2010 and 58.63 million in 2011. The company has introduced a ready-to-drink and hydrating juices under the brand name of Tesalia ICE and Sport.

BOTTLED WATER

The marketing of water is a profitable business and there are approximately hundred brands of bottled water in Ecuador. Sixty-six percent of the bottled water consumption is in the littoral provinces in the country, and the bottled water is mainly distributed during a peak tourist season (Feb.- Apr.) in the coastal provinces.

The annual consumption of bottled water with small or individual presentations is 12, 6 liters per person, and the consumption rises annually up to 30 liters per person when water is packed in large bottles of 20 liters, which are distributed specially to companies, business and medium income households.

The existing rivalry among non-alcoholic beverage manufacturers provides an opportunity for new comers, although this is a consolidated industry where the number of competitors is very limited, due to the big investments that are needed to enter into this industry.

Recent studies show that brands that remain in the market more than five years can sell nearly two million bottles monthly. The leaders of the sector are National Brewery and Arca Ecuador.

SEAFOOD AND CONSERVES

The Ecuadorian fishing sector is the third largest contributor to the Ecuador's economy, generating \$2.74 billion in 2011. The main fishing products produced and packaged in Ecuador are tuna and shrimp. Of almost 4 million metric tons of tuna fished in the world, 2.5 millions are extracted in the Pacific; Ecuadorian ships catch 23 percent of tuna caught in the Pacific, and the country cleans and packages 44 percent of tuna caught in the Pacific. This makes Ecuador the most important country in the world in tuna fishing and processing.

In economic terms, for the last two decades, shrimp exports represent an important item in the exports of the Ecuador, in spite of the fact that the production of America represents less than 30 percent of the world production.

Ecuadorian product is recognized on international markets by its quality and freshness. The Ecuadorian production of shrimp currently exceeds 115,000 MT per year. The industry is expected to reach the pre-1998 level reflecting its recovering from the white spot disease that devastated the sector (1999-2003).

One hundred percent of the shrimp processing plants comply with the national and international quality standards that include HACCP and buyer specifications. Therefore, Ecuadorian shrimp is competitive in the international market. Nevertheless, the principal threat to the sector is potential loss of the North American market. Not having the Free Trade Agreement with the United States, Ecuador is in a vulnerable position to further expand its shrimp market in the United States.

Negocios Industriales Real (NIRSA): NIRSA began its operation in 1957 and has been considered as one of the principal producers and packagers of tuna. The company also has diversified its operation to juices, rice, conserves of fruits, shrimp products such as crispy coconut shrimp and skewered shrimp, and conserves of meat with vegetables. For its shrimp processing plant NIRSA

buys all the inputs from the United States to assure the entry of its products with value added to this country. The company seeks to increase its sales and introduce its product "beef and onion stew" to New York where there is a large Ecuadorian population.

FAT AND OIL

Since 1952, Ecuador has produced palm oil for local consumption and exportation, although this production is too risky because it requires a high investment. The total area planted with palm oil in Ecuador is 240,000 hectares, estimated that about 200,000 of them are currently in production, with a potential area for planting of 760,000 hectares according to information provided by ANCUPA census estimates based on palm and SISGAGRO.

The palm oil industry has invested more than \$1.4 billion at current value, created 176,000 jobs, and accounted for a 1.8 percent of the national economy. Approximately 7,000 farmers work on palm oil production, from which 87 percent are small producers who work in small areas (50h).

According to projections made by ANCUPA, production of palm oil will continue to grow over the next 15 years at a higher rate than domestic consumption, reinforcing the trend of higher export, unless such stocks are engaged in production of biodiesel for internal transportation needs.

Nationwide, there are 35 extractors of oil; most of them are extractors of vegetable oil and lard. At least four of these companies are dedicated to the exportation of crude palm oil for the production of biofuel and other uses. The extractors take advantage of the seed of the fruit in order to obtain a component for the elaboration of lard, margarines and vegetable oils.

The investments that require this sector are very high. Also, high risks and high price of raw materials are involved in this industry.

According to the Ministry of Industries and Productivity, the palm oil market increased their sales by 27 percent in 2011 compared with 2010. The price of the hundredweight varies by region where it is sold.

The extractor of palm "Agroindustrial Quininde (Aquisa)" was founded in 1983. The extractor takes charge of delivering raw materials to four companies that operate in the country: La Fabril, Danec, Ales, and Epacem.

Unilever: In 1996, Unilever bought a local ice cream company and entered the Ecuadorian market. Since then, they have introduced a number of new products in Ecuador, such as soap and other oil base cleaning products. Nowadays this firm is the world biggest ice cream manufacturer, margarine, tea, one of the three top producers of dry powder milk, soaps, detergents, palm, almond and olive oil. Unilever sales in Ecuador reached \$239.96 million during 2011.

La Fabril: La Fabril was founded in 1935. The company is made of 2 units of production: 60 percent is dedicated to products of mass consumption with brands such as La Favorita, Clar, Criollo; and the 40 percent is dedicated to the industrial division that manufactures 250 varieties of food and cosmetic products such as ice cream, chocolates and others with oils and special fat. The company has shown a continuous growth after the dollarization of Ecuador's currency. In 2011 the company marked record sales of \$424.34 million. The company recently made a \$20 million investment in a new refinery.

Industrias Ales: Having been in the oil business for the past 63 years, Industrias Ales is one of the main companies in the line of oils, lards and soaps. The company also has its operation bases in Venezuela, Mexico and Europe and has been a strategic alliance with Procter & Gamble since 2000. This has allowed the company to give all its products to its clients of different economic strata, achieving \$249.63 million in sales during 2011.

Danec: Dance has been in Ecuador for 32 years. The company is divided into 3 major divisions: industrial product division which provides raw materials to many industries; institutional division which services to bakeries, hotels and restaurants; and the mass consumption division which carries brands such as El Cocinero, Palma de Oro and Mazorca de Or. The company seeks to satisfy new consumer trends and produces trendy items such as soybean, corn and palm oil mixture and low calorie yet high nutritional oil such as Sioma oil. Its sales grew 47 percent during 2011 reaching \$306.22 million.

INDUSTRY OF CEREALS AND BAKERY

In 2011 this sector had a 2.6 percent growth. This industry represents a strong growth on the market of natural products and granola. The principal companies of the sector are: Molinera Manta, Molinos Champion, Molinos del Ecuador, Tiosa, and Molinos Superior.

The importance of higher nutrition and fiber is reflected in the increased consumption of whole grain breads. Accordingly, the bakery industry has diversified its products by launching new series of higher nutrition cereals with multiple flavors.

Nourishing products Supan Tiosa: Nourishing products Supan Tiosa has been in the market for 59 years. The company, which is the biggest bakery in Ecuador, carries 50 different brands of products including Supan, Di Milano, Braun and Grile, to name a few. The company is the supplier McDonald's in the country.

Grupo Moderna: Grupo Moderna has been in fresh and packaged bread business since 1954. Its production is orientated in 70 percent wholegrain bread and 30 percent white bread. The company also is a wheat flower milling business and produces cakes and creams.

Schullo: A leader in the natural product business since 1962, Schullo manufacturers cereals, granola, honey, peanut butter, and fiber cookies. Thanks to the increasing popularity for natural food products, the company's sales have skyrocketed (up 80%) from 2003 to 2010. The company expects to export its products to Europe in the near future.

DAIRY PRODUCTS

Traditionally, milk production is concentrated in the Highlands region. The use and destination of milk production in the country has had a consistent behavior with approximately 25percent of the gross production going to consumption for calves (self-consumption) with crude milk for human and industrial consumption, represents 75percent of the gross production. Fluid milk is destined in 25 percent for industrial elaboration (19percent pasteurized milk and 6percent for Dairy elaborates), 75percent among consumption and utilization of crude milk (39percent in human direct consumption and 35percent for domestic industries of fresh cheeses).

Ecuador produces approximately 4.6 million liters of milk daily with the annual consumption of approximately 100 liters per capita. According to industry estimates, less than 50 percent of the population consumes dairy products, a condition similar to other countries in South America. The dairy industry in Ecuador nowadays is influenced by the trend of consumption of the UHT milk which does not need a cold chain.

The growth potential of the Ecuadorian dairy processing industry is directly related to the expansion of consumption of processed dairy beverages. There is a big segment of Ecuadorian population still consumes raw milk. Ecuadorian dairy industry needs to focus on the quality and the price of the product.

Andina: Andina possesses one of the most advanced technologies in milk processing in Ecuador. With 25 years of experience, the company processes approximately 110,000 liters of milk per day, which are processed into UHT milk, whole milk, low-fat, light, and yogurt. The company is one of the subsidiaries of the Gloria Group from Peru which has operations in Bolivia, Puerto Rico, Argentina and Colombia.

The company has ambitious plans for the Ecuadorian market; to expand its distribution network to the high income segment of the population; to acquire the necessary permits for processing vegetable fat milk (soy bean proteins); and to offer their products to the Ecuadorian population with affordable prices.

Pasteurizadora Quito: Pasteurizadora Quito has started its operation in Ecuador 46 years ago. Its principal product is VITA PREMIUM milk which has an 80 percent market share in Quito. The company is certified under the ISO norm, and produces many different production lines (pasteurized milk, yogurt of different flavors, fresh cheese, cream, sweet of milk, UHT milk in sachet and brick, normal pasteurized milk, low-fat with fiber, without lactose, and milk flavored with chocolate, vanilla, orange and strawberry). The low-fat milk with fiber was a Light product, developed by the company to satisfy the trend of Ecuadorian people interested in consumer products with added value that benefit their health.

Rey Leche: Rey Leche is one of the biggest Ecuadorian dairy brands; Rey Leche is produced by Agrícola Ganadera Reyshaiwal S.A. This firm is not only specialized in milk production, it owns other dairy products like Rey Queso, Rey Crema, Rey Yogurt.

TONI: Toni was founded in 1978 under the Switzerland Toni's technology. This firm specialized in yogurt production not only produces dairy products like milk, cheese and cream but also produces water, juices, jelly, tea and others.

Alimec (Miraflores): This consortium was founded in 1999. It is formed by three firms; McCormick specialized in species and flavorings, Emlacmi S.A. (Miraflores Dairies) and Zanzi S.A, (Zanzibar Ice-cream). Under Miraflores brand name, it produces and commercializes Yogurt and butter.

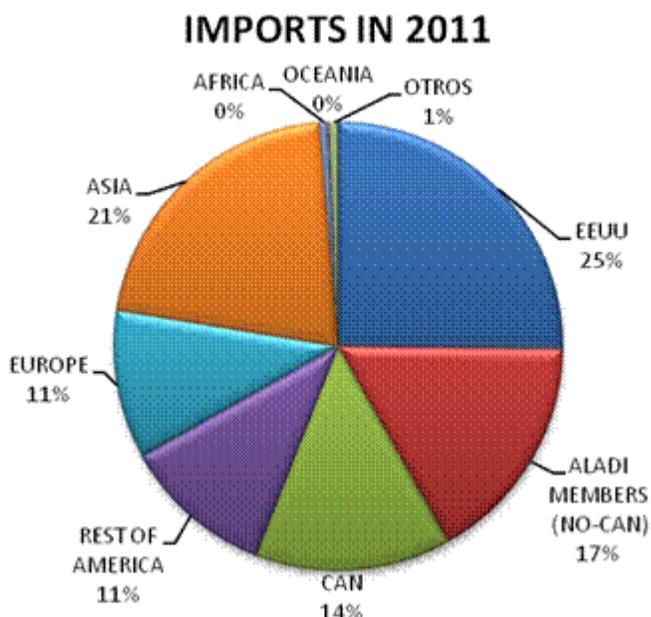
Floralp: Being established in 1964, Floralp has been producing cheese (59%), milk, cream and butter (41%). Floralp distributes its products to self-services (40%), food services (hotels, restaurants cafeterias) (49%) and supermarkets (11%).

El Ordeno: The company was created in 2002 in order to give priority to local milk production over imports. Thanks to numerous partnerships with local producers (1,700 milk suppliers in

2011), El Ordeno received 120,000 liters of milk per day, of which 95 percent was manufactured into powdered milk and the rest ultra pasteurized milk.

Section III. Competition

Trade statistics shows that the main exporter to Ecuador in 2011 was Latin American countries (ALADI) with 30.7 percent of the total FOB value, within which 14.1 percent came from Andean Community (CAN) . The second largest supplier was the United States with 25.2 percent of the market share, followed by Asia (21.1%) and Europe (10.7%).

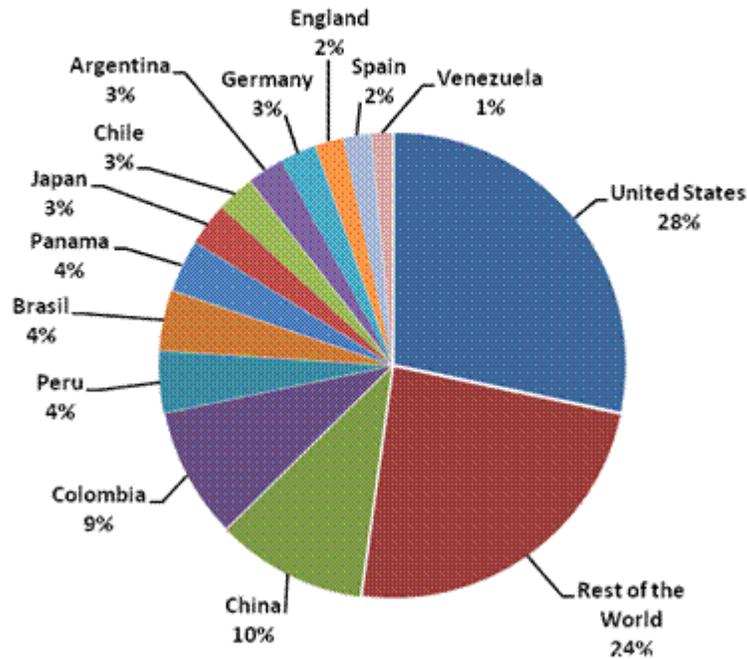


Source: BCE, Evolución de Balanza Comercial Enero-Diciembre 2011

Ecuador supports commercial agreements under free-trade zones or customs unions with the countries of the CAN, Chile, MERCOSUR, it benefits from unilateral preferences with the United States by the Law of Tariff Andean Preferences and Eradication of the Drug (ATPDEA) and General System of Preferences (SGP), the European Union and Japan. Also it supports an Agreement of Partial Scope in the frame of the ALADI with Mexico and Cuba.

The principal suppliers for the country in 2012 are:

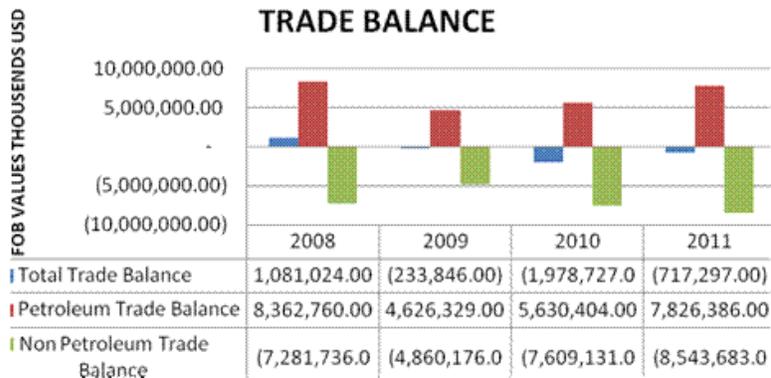
IMPORTS FROM MAIN COMMERCIAL PARTNERS 06/2012



Source: BCE

For the first 6 months of 2012, Ecuador's imports of all goods from the United States were \$3.33 billion, accounting for 28 percent of the country's total imports. During the same timeframe, Ecuador imported from China \$1.22 Billion (10.4 percent), Colombia \$1.07 billion (9 percent), Peru \$505.44 million (4 percent), and from Brazil \$494.2 million (4 percent) and from Panama \$491.17 million (4 percent).

The total trade balance during 2011 show a bigger deficit compared to the previous year and the non-petroleum trade balance shows that Ecuador is a big net importer.



IMPORTS BY USE OR ECONOMIC DESTINY
(Millions of dollars)

Period	Raw Materials	
	Agricultural	Industrial
2000	237	1,329
2001	255	1,549
2002	266	1,102
2003	289	1,746
2004	392	2,237
2005	401	2,540
2006	433	2,994
2007	580	3,515
2008	624	3,166
2009	285	1,732
2010	359	2,203

Source: Customs Unique Document

Products of major importance in Ecuador are: wheat, cakes and other residues of the extraction of soy bean oil, followed by other products of fish, by crustaceans and mollusks; and of pre mix of dog and cat food, conditioned for retail sale.

Basically, the growth in imports reflects the success of dollarization as the average consumer has acquired or perceives a purchasing power that remains stable and does not deteriorate as in the past.

The Ecuadorian agricultural sector is highly protected and uncompetitive compared with the ingredients for food processing from the United States and other countries. Due to market access restriction, however, most of the raw materials used by the food industry are domestic in origin.

Products from the United States have important advantages in quality standards, registered brands and presentation, but duties generally are higher than the products from Latin America, therefore are less competitive. Products from the CAN (Colombia, Bolivia and Peru) are competitive with regard to domestic production and do not promote trade or market growth like products from the United States.

Ecuadorian companies tend to import specialized ingredients of high technology and innovation, such as: flavors, colorings, preserving, emulsifiers and others from the United States and/or Europe, since in Ecuador there does not exist companies dedicated to the elaboration of these products.

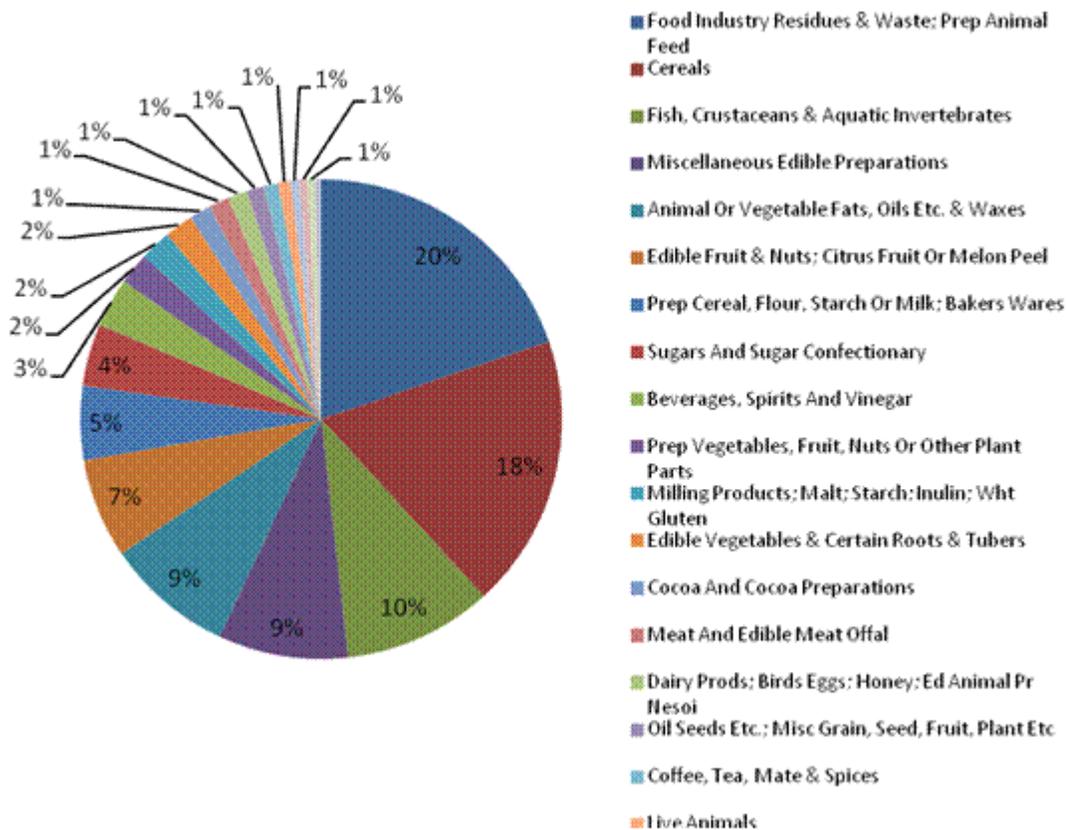
A brief review of imports by main product categories is presented below. The market shares that are indicated in this section are based in imports from Ecuador during 2010.

Competitive Situation facing U.S. Suppliers in the Food Processing Sector in 2012

Product Category	Major Import Supply Sources in 2012	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Seafood	Peru 30.63% Free trade zone (Ecuador) 7.12% Micronesia (Federated States of) 3.67%	Peru is the major supplier of sea products in South America	Ecuador is one of the most important tuna producers in Latin America
Non-alcoholic beverages	Colombia: 66.9% Germany: 11.3% Peru: 7.7%	Colombian products have more openness because their prices are accessible	The industry of drinks and refreshments has diversified for the revenue of International companies
Beer	Mexico: 31.3 % Colombia: 30% United States: 28%	Mexico offers a good variety of beers at a competitive price	The principal trend of consumers is for national Brands
Oil seed products	United States 34% Brazil 12.65% Netherlands 10.42%	Benefited by great International prices, by the double effect of high demand and low supply	National production is diverse and of high quality
Sugars and sugar confectionery	Colombia: 71.70% Peru 6.55% China 5.16%	The Colombian industry of processed sugar has quality certifications and does not pay tariffs. The Brazilian sugar industry is one of the strongest in the world.	National production of sugar is threatened by the strong imports of less price of other countries
Dairy products	Peru 66.18% United States: 11.52% Chile 8.78%	USA offers products that are not produced locally	National production is slightly competitive and is protected by the government
Baked goods	Peru: 25.87% Colombia: 20.73% Mexico 20.20%	The prices at which these 3 countries offer their products are very competitive.	Ecuador counts with the presence of big companies dedicated to production
Milling products	Canada:31.64% Colombia: 21.72% Chile:21.67%	The production of these countries is high and in the case of Colombia does not pay tariff because it is a member of the CAN	The prices of these products are governed by an oligopoly
Meat	Chile 41.56%	The main meat importer is	Exist many informal

	Brazil 27.88% United States 19.37%	swine meat. United States has technology, quality and sanitary certifications	companies that offer their products to low prices but without quality
Confectionery	Colombia: 60% Peru: 10% Argentina: 7 %	Production is massive and that is why prices are competitive	National industry is affected by high sugar prices
Prepared fruit and vegetables	Chile: 40% Colombia: 16% United States: 14%	USA products are of excellent quality, while the ones from Chile have competitive prices	The agricultural production of Ecuador is constant during all year, but the levels of technology are very low
Prepared animal food Residues and waste from the food industry; prepared animal feed.	United States 45.48% Peru 26.16% Brazil 11.34%	United States and Chile have specialized industries and offer products that are not produced locally	The industry has diversified its production and nowadays offer competitive prices
Preparations of Food Miscellaneous	Chile 33.27% Colombia 21.09% United States: 13.04%	United States produce ingredients that do not exist in the region	National production is scanty and possesses deficiencies
Alcoholic Beverages	United Kingdom: 19% Germany: 14% Chile: 17%	United Kingdom and Chile are known for the quality of their products	Ecuadorian industry concentrates in products of low prices and quality too

Section IV. Best Product Prospects for US exports to Ecuador



Source: Global Trade Atlas from January to August 2012

Products Present in the Market Which Have Good Sales Potential

In general, products for the food processing industry with the best potential in the Ecuadorian market for U.S. exporters are those that require an advance technology for processing and high quality. Those include artificial flavors, colorings and chemical products, spices and others. Also less sophisticated products have a big potential such as wheat, flour of soy bean, yellow corn, mixtures, juices and concentrates for fruit juices, syrup of glucose, some milk derivatives like whey of milk and lactose.

Food ingredients from the United States that have good market potential can be analyzed in the following table:

Product Category	Duty of Import	Limits for the development of the market	Attractions of the Market for USA suppliers
Preparations of food miscellaneous	10% -30%	- Strong competition on the part of Chile and Colombia	- Incipient industry in Ecuador - High quality of products from United States
Milling products	20% -	-Exist an oligopoly in this	-USA and Canada are the principal

and cereals	30%	industry which imposes the price	suppliers of cereals (37% and 40% respectively). National production is insufficient
Chocolate and confectionery products	30%	- Colombia is one of the most important suppliers, with competitive prices	-United States brands are recognized in Ecuador - Sugar prices in Ecuador are very high
Bakery products, noodles and pasta	20% - 25%	- Neighboring countries and members of the CAN, are the most important suppliers	- United States has specialized products that do not exist in the region. -Quality products are preferred.
Non alcoholic beverages	30%	-Colombia has an important part of the Ecuadorian market	- National production is threatened by new brands and imports of low costs
Meat and meat products	20%- 85%	-Ecuadorian production counts with sufficient technology -Restriction to Import bovine meat and bovine meat products from the United States.	- United States has products of high technology and quality
Dairy products	25% - 30%	-Ecuadorian production is protected by the Government. - Neighboring countries are the principal suppliers	-United States has a specialized industry and has products that do not exist locally. - Strong presence of international industries

Products Not Present in Significant Quantities, but Have Good Potential Sales

U.S. products that currently are not sold in big volume and relatively not well known in Ecuador yet have good sales potential are seeds or dried fruits that are not cultivated locally, energy/health food supplements, and vitamins.

Product Category	Duty of Import	Limits for the development of the market	Attractions of the Market for USA suppliers
Basic Chemicals products for the preparation of food	0% - 5%	- Information about the national market does not exist.	- The duty of import is minimal since almost national output does not exist.
Crude and refined oil and fat	0% - 20%	- National industry has diversity in the production, and excellent natural resources	-In Ecuador the production is mainly from palm oil and the customers are demanding oils from other sources of

			such as canola and corn.
Seeds and dry fruits	0% - 10%	-Chile represents the second supplier of these products after the United States	-Importers prefer almonds and pistachios of the United States because of their quality, instead of those from Chile

Section V. Post Contact and Further Information

If you have any questions or are seeking additional assistance, please contact the Foreign Agricultural Service in Quito at the following address:

Av. Avigiras E12-170 y Av. Eloy Alfaro
Embassy of the United States of America
Quito, Ecuador

Tel: (593) 2 398-5247
(593) 2 398-5323

Fax: (593) 2 398-5031

E-mail: agquito@usda.gov

www.fas.usda.gov

[1] <http://www.bce.fin.ec/documentos/Estadisticas/SectorReal/Previsiones/IndCoyuntura/EstMacroEstruc2012.pdf>
<http://www.bce.fin.ec/documentos/Estadisticas/SectorReal/Previsiones/IndCoyuntura/EstMacro092012.pdf>
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