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Report Highlights:

The Government of Ecuador has fully eliminated the support program for corn production, but continues to define the yearly minimum price for producers. This has contributed to the continuing decrease in corn area as farmers retire from non-productive areas or shift to other crops. Corn consumption remains similar to 2020, as the livestock and aquaculture sectors have recovered from an initial reduction due to COVID-19. Wheat imports continue to increase as aquaculture and other sectors such as pasta production and bakeries have increased their consumption. Rice production remains similar due to a slight reduction in planting area, an increase in yields, better production practices, and good weather conditions.

WHEAT

Wheat Market Year Begins Ecuador	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	4	4	4	4	0	5
Beginning Stocks (1000 MT)	113	113	137	66	0	50
Production (1000 MT)	5	5	5	5	0	7
MY Imports (1000 MT)	1222	1213	1300	1300	0	1368
TY Imports (1000 MT)	1222	1213	1300	1300	0	1368
TY Imp. from U.S. (1000 MT)	531	531	0	475	0	500
Total Supply (1000 MT)	1340	1331	1442	1371	0	1425
MY Exports (1000 MT)	3	0	3	0	0	0
TY Exports (1000 MT)	3	0	3	0	0	0
Feed and Residual (1000 MT)	550	635	600	681	0	702
FSI Consumption (1000 MT)	650	630	660	640	0	680
Total Consumption (1000 MT)	1200	1265	1260	1321	0	1382
Ending Stocks (1000 MT)	137	66	179	50	0	43
Total Distribution (1000 MT)	1340	1331	1442	1371	0	1425
Yield (MT/HA)	1.25	1.25	1.25	1.25	0	1.4
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Wheat begins in July for all countries. TY 2021/2022 = July 2021 - June 2022						

Production

Wheat production in marketing year (MY) 2021/22 (July-June) is forecast to increase slightly to 7,000 metric tons (MT) on 4,500 hectares (ha) harvested. Wheat production in Ecuador is insignificant and the milling industry is entirely dependent on imports.

The government of Ecuador continues to implement programs to encourage wheat production in the Highlands region, providing certified local seeds. Those programs have been mostly unsuccessful to date. However, the milling industry has maintained a wheat production program since 2016, with an average of 4,600 to 5,000 ha planted per year. This program has helped small farmers increase their yields from 0.7 MT/ha to 1.7 MT/ha according to the Ecuadorian Association of Millers (ASEMOL), who also claim that with continued technical and irrigation improvements, yields could reach up to 2.5 MT/ha.

By planted area, wheat production ranks 31 out of 40 among the principal crops produced in Ecuador.

Consumption

Wheat consumption in MY 2021/22 is forecast at nearly 1.4 million metric tons (MMT), up almost five percent from the previous year and driven primarily by the seven percent increase in feed consumption. Wheat as feed is principally used for the shrimp industry and in calendar year (CY) 2020, Ecuador's shrimp production was estimated to have grown by 19 percent, overtaking India as the world's largest shrimp producer by volume. Wheat consumption in Ecuador is almost equally divided between feed (45 percent) and human consumption (55 percent), with human consumption divided as follows: 60 percent for bread and bakery production, 26 percent for pasta production, and 14 percent for cookie/cracker production.

Ecuadorian per capita wheat consumption in MY 2021/2022 is estimated at 45 kilograms (kg)/year (bread 27 kg, 11.7 kg pasta and 6.3 kg bakery/cookies). For the pasta and bakery industries, 2021 consumption is expected to increase compared to 2020 by five percent due to higher demand for bakery and pasta products in the Ecuadorian diet and on continued demand from the growing shrimp sector. Additionally, ASEMOL recently launched a strong campaign to increase the consumption of bakery products that has increased the sales of frozen, oven-ready breads, doughs, and other similar products, which are new for the Ecuadorian market and are expected to stay.

Trade

Wheat imports in MY 2021/22 are forecast at a record of nearly 1.4 MMT, up 68,000 MT from the previous year. Until 2015, Ecuador utilized imported wheat primarily in bread and pasta manufacturing, but as mentioned before, wheat is now a key feed ingredient for the local shrimp industry. Wheat as feed is also used in small amounts in the pork and poultry industries. For feed uses, U.S. wheat is generally preferred and utilized for its higher protein content. Wheat from the United States is currently able to enter Ecuador duty-free under a five-year tariff exemption but is still subject to Ecuador's stringent import license regime, which is overseen by the Ministry of Agriculture (MAG).

Major wheat suppliers in CY 2020 were Canada with 54 percent of the market share, followed by the United States with 36 percent. The United States' wheat exports to Ecuador increased 3 percent in CY 2020 reaching 428,723 MT. Average imported wheat prices remained stable at \$260 per MT. Average Canadian wheat prices fell slightly to \$262 per MT, while average prices for U.S. wheat were \$256 per MT, also a minor increase compared to the previous year.

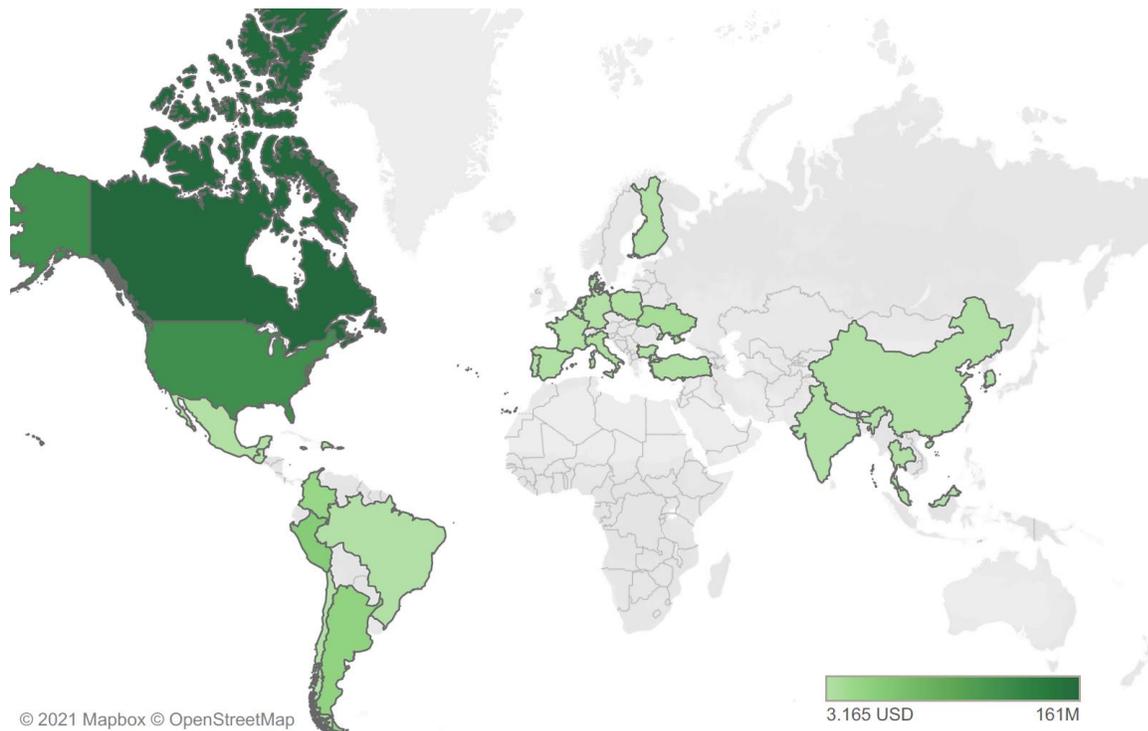
In recent years, U.S. wheat has been considered as the second preferred option after Canadian wheat within the bakery and pasta industry, reportedly due to shipping problems and some preferred characteristics of Canadian wheat. In addition, Ukrainian wheat imports have been rising due to lower prices, which averaged \$229 per MT in 2020, and is used to reduce the average final price per metric ton, according to ASEMOL. According to industry information, the current preferred blend for bakery and pasta products is 80-85 percent Canadian wheat and 15-20 percent U.S. wheat. Furthermore, despite larger exports to Ecuador in previous years and lower costs, Argentine wheat is less preferred by the local industry due to lower protein content and overall quality. Argentine wheat is primarily used to lower the average price of flour for lower income consumers.

During 2020 and due to COVID-19, the Ecuadorian government requested importers divide wheat shipments into smaller quantities in order to control the flow of product coming into the country. After extensive local pressure, this measure was relaxed due to its potential to cause a direct increase in the prices of pasta and bread, which are politically sensitive.

Stocks

Wheat stocks are generally based on local production and depend on the quality and quantity of the harvest. Stocks in Ecuador have been estimated and forecasted much lower than previous estimates due to increased use of available supplies in the market by the growing animal feed sector and the higher demand of bread and pasta during 2020 caused by COVID-19.

Ecuador's Principal Suppliers of Wheat, 2020 (U.S. Dollars)



Fuente: Banco Central del Ecuador (BCE)

Policy

Ecuador promotes a policy of wheat self-sufficiency, but production levels have not yet risen to meet demand. In addition, there exists several economic and import-restriction dynamics, such as government prioritization of the use of all local production and importers having difficulty in receiving import licenses for additional wheat shipments. In December 2019, Ecuador's Foreign Trade Committee passed the extension of the current tariff and duty exemption for wheat, wheat semolina, and wheat flour imports from all origins. Wheat and wheat products benefiting from the resolution include harmonized tariff system (HS) codes 1001.19.00.00 and 1001.99.10.00. COMEX Resolution 029-2019 states that Ecuador will extend the application of the current zero percent ad valorem exemption and suspend the application of the Andean Price Band (variable levy) until December 31, 2024. This was the first time that the Government granted a five-year tariff suspension, as previous extensions covered only two or three-year periods.

Ecuador maintains bilateral trade agreements with Peru and Chile, as well as regional trade agreements with the Latin American Integration Association (ALADI), and the European Union (EU). In 2004, Ecuador reached a tariff liberalization agreement with the Southern Common Market (MERCOSUR) and started implementing the agreement in April 2005. Wheat benefits from special treatment within MERCOSUR.

Ecuador grants tariff preferences on the total duty, which is comprised of the *ad valorem* (basic) duty plus the Andean Price Band System's variable levy. In 2014, Ecuador concluded trade liberalization

negotiations with the EU. The Agreement entered into force on January 2, 2017. The country will gradually eliminate tariffs under the Andean Price Band System in six equal stages, beginning on the date the agreement entered into force.

CORN

Corn	2019/2020		2020/2021		2021/2022	
	May 2019		May 2020		May 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins Ecuador						
Area Harvested (1000 HA)	323	300	305	270	0	270
Beginning Stocks (1000 MT)	36	36	85	85	0	65
Production (1000 MT)	1480	1500	1150	1350	0	1512
MY Imports (1000 MT)	59	60	80	70	0	63
TY Imports (1000 MT)	66	60	80	75	0	63
TY Imp. from U.S. (1000 MT)	18	15	0	20	0	15
Total Supply (1000 MT)	1575	1596	1315	1505	0	1640
MY Exports (1000 MT)	5	5	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	1400	1421	1200	1350	0	1555
FSI Consumption (1000 MT)	85	85	85	90	0	70
Total Consumption (1000 MT)	1485	1506	1285	1440	0	1625
Ending Stocks (1000 MT)	85	85	30	65	0	15
Total Distribution (1000 MT)	1575	1596	1315	1505	0	1640
Yield (MT/HA)	4.58	5	3.77	5	0	5.6
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Corn begins in October for all countries. TY 2021/2022 = October 2021 - September 2022						

Production

Corn production in MY 2021/22 (May-April) is forecast at 1.5 MMT, up from the MY 2020/21 estimate of 1.35 MMT. This increase is attributed to an increase in the yields to 5.6 MT per hectare, 11% higher than last year. Mechanization and improved technical capacity in some established planted areas and expansion into more suitable areas have improved the average yields. Corn is produced mostly by small and subsistence farmers who are now hesitant to plant due to uncertainty of government corn policies and price control mechanisms. There is a trend of small corn growers retiring or switching to more profitable crops, such as cacao, mainly in Los Rios province.

The current government took office in May 2017 and fiscal constraints, plus the COVID-19 pandemic, have significantly reduced MAG's resources. Resources are now focused on supporting small and subsistence farmers in general. Three years ago, the government suspended the corn support program, which included a profitable minimum price and a "technical package" with seeds, fertilizers, and pesticides for every farmer. This subsidy program allowed farmers located in difficult and remote areas and/or topographically not suitable lands for corn production to achieve profits despite inefficient production conditions. However, MAG still maintains trade policies which limit corn imports.

Ecuadorian corn consumers continue to pay significantly higher prices for domestically produced corn. On February 14, 2021, the Ecuadorian government, through MAG, established the official corn price for

2021 at \$14.60 per hundredweight (\$322 per MT), same as 2020. This has forced many in the agro-industrial sector to turn to substitutes, mainly wheat, to remain competitive and keep animal protein affordable for consumers.

Consumption

Corn consumption in Ecuador is forecast at 1.6 MMT in MY 2021/22, an increase of thirteen percent over the MY 2020/21 estimate of 1.4 MMT, and on an anticipated recovery after a pandemic induced reduction. This is mainly due to the expected rebound of the pork and poultry industries, the latter of which is focused on broiler and turkey production, which was reduced by 8 percent and 5 percent, respectively, during 2020. Ecuador's agro-industrial sector continues to change its consumption habits and increase the use of corn substitutes. As a result, the overall decline in corn consumption in MY 2020/21 could be attributed to COVID-19 during the first semester of 2020, from which it has recovered lately. In addition, the increased use of wheat and experimentation with sorghum and rice products as feed substitutes for high-priced corn has caused a slight reduction in consumption already and could further reduce corn use in the future.

Trade sources reported that in addition to wheat, animal feed producers are increasingly experimenting with and using other corn alternatives such as imported sorghum (considered by the government as a direct substitute to corn), rice byproducts that are available domestically, and imported distillers' dried grains with soluble (DDGS). FAS Quito sources estimate that 85-90 percent of local feed production is utilized by the national poultry industry and 10-15 percent taken up by other livestock production, primarily swine. Ecuador's yellow corn consumption is dependent on the demand of the animal feed sector and the availability of lower-priced corn substitutes. The poultry sector is forecast to increase modestly in 2021. Per capita consumption of poultry meat is estimated now at 27 kg/year. FAS/Quito estimates that in 2020, the poultry flock reached 253 million birds, a reduction of eight percent from the previous year.

Trade

Ecuador's corn imports in MY 2021/22 are forecast to reach 63,000 MT. This is based on two considerations: the MAG forecast of the local production deficit and the industry requests made to MAG as part of the import license process, under which each importer must submit annual or semi-annual import projections for import permit considerations. Due to increased local production and the replacement of corn with other grains in feed production, FAS Quito lowers the MY 2020/21 import estimate by 10,000 MT, with a further reduction into the next year for similar reasons.

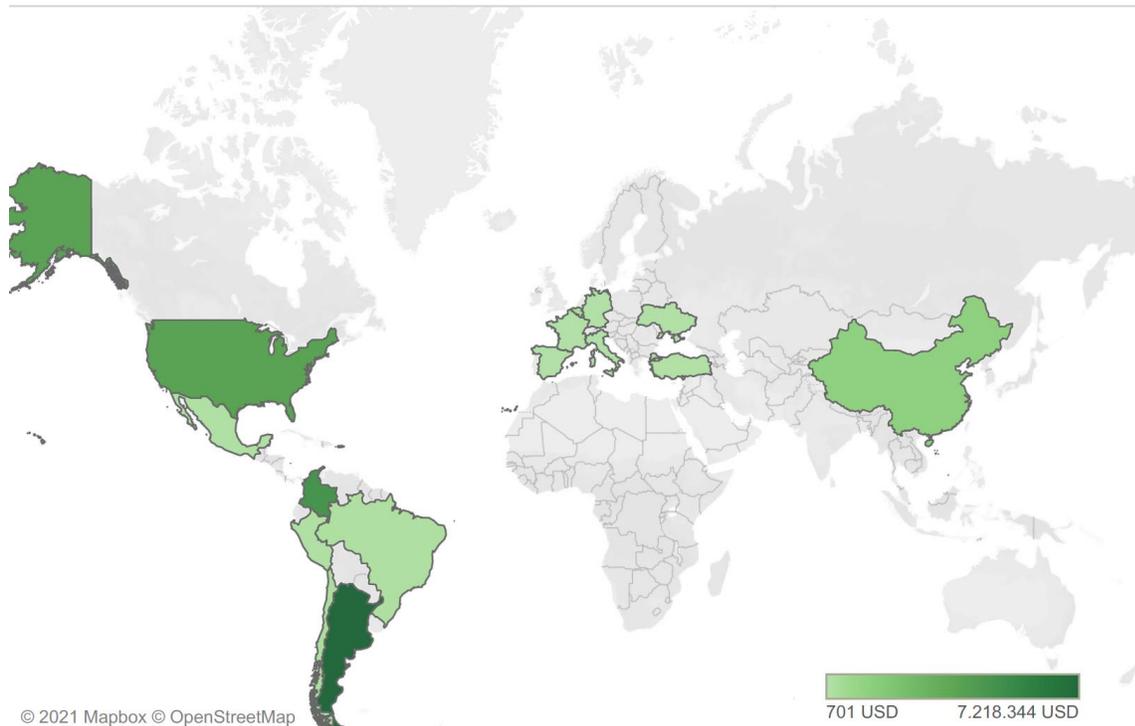
Ecuador imported 66,000 MT of corn in CY 2020. Argentina became the number one source, representing 65 percent of market share, followed by the United States which accounted for 27 percent.

Ecuador is an associate state to the Southern Common Market (MERCOSUR) and member of the Andean Community of Nations (CAN) which includes the elimination of tariffs on intra-regional trade, giving advantages to Argentina and Colombia for the export of corn to Ecuador.

Stocks

Corn stocks, as for wheat, are based on local production and depend on the quality and quantity of the harvest. Stocks have been estimated and forecasted much lower than previous estimates due to sources indicating increased use of nearly all available supplies in the market at cheaper prices, especially with current international prices 42 percent higher than last year. If necessary, the Ministry of Agriculture could allow some imports of wheat or corn to cover a deficit, should it arise. However, the government prioritizes the use and consumption of as much local production as possible and would prefer to limit imports until absolutely necessary.

Ecuador's Principal Suppliers of Corn, 2020 (US Dollars)



Policy

White and yellow corn imports are assessed a 15 percent *ad valorem duty* (based on the CIF value), plus the Andean Price Band System variable levy. The Andean Community floor and ceiling prices for yellow corn are currently set at \$255/MT and \$270/MT, respectively. The variable levy for corn remains at seven percent. Foreign corn faces import duties of up to 45 percent. Upon accession to the World Trade Organization (WTO), Ecuador bound its tariffs (including the additional Andean Price Band System levy) for corn at 45 percent. Ecuador also maintains a worldwide corn tariff-rate quota (TRQ) of 19,600 MT at a 25 percent tariff rate. This TRQ, which normally fills whenever international corn prices drop, was announced for 2020 and FAS Quito is still waiting for the TRQ announcement for 2021. The Andean Price Band System currently increases duties beyond 25 percent (i.e., 15 percent *ad valorem* plus a variable levy of 30 percent).

The amount of imported corn is determined by the yearly deficit stated by the Ministry of Agriculture, which is managed through the granting of import permits and can depend on the incorporation of local production by the importing company.

RICE, Milled:

Rice, Milled Market Year Begins Ecuador	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	315	300	315	330	0	295
Beginning Stocks (1000 MT)	196	196	147	57	0	60
Milled Production (1000 MT)	870	930	873	1023	0	1059
Rough Production (1000 MT)	1381	1476	1386	1624	0	1681
Milling Rate (.9999) (1000 MT)	6300	6300	6300	6300	0	6300
MY Imports (1000 MT)	80	0	50	0	0	1
TY Imports (1000 MT)	80	0	50	0	0	1
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1146	1126	1070	1080	0	1120
MY Exports (1000 MT)	44	44	30	20	0	40
TY Exports (1000 MT)	44	44	24	20	0	40
Consumption and Residual (1000 MT)	955	1025	950	1000	0	935
Ending Stocks (1000 MT)	147	57	90	60	0	145
Total Distribution (1000 MT)	1146	1126	1070	1080	0	1120
Yield (Rough) (MT/HA)	4.38	4.92	4.4	4.92	0	5.7
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022						

Production

Milled rice production in MY 2021/22 is forecast at one MMT. Given positive weather conditions for production, an increase in yields, and improved income expectations compared to other alternative crops, FAS Quito foresees a milled rice production slightly higher than MY 2020/2021.

Phytosanitary problems continue to be a challenge; apple snail infestations and a variety of viruses and bacteria continue to make rice production difficult and a high-cost agricultural activity. Rice production will remain profitable in Ecuador as long as the government continues its policy of minimum prices for rice and blocks imports from third countries. The use of improved rice varieties has increased productivity and reduced losses due to these phytosanitary problems. Ecuador's farmers are able to crop more than two harvests per year in irrigated fields. Farmers are reluctant to leave fields fallow. It is common to see rice fields at different stages of development all year round in Ecuador's lowlands, without crop rotation.

Average rough rice yields increased during MY 2021/2022 to 5.7 MT per hectare, following continued surveillance activities by the Ecuadorian Plant Health Service, AGROCALIDAD, to reduce the presence of snails and diseases. In addition, AGROCALIDAD has continued the implementation of training programs on rice production best practices, which has further helped to increase yields. Rice production is concentrated in Ecuador's coastal lowlands. This area floods during the November-April rainy season

and remains moist throughout the rest of the year. Production varies with rainfall, with the larger harvest occurring towards the end of the rainy season (May-June). Only a third of the acreage is planted during the summer months and is limited only by access to irrigation. While large-scale farmers can afford expensive irrigation and equipment, 75 percent of Ecuador's rice growers are subsistence farmers (owning five hectares or less) who cannot afford these costs.

Consumption

Rice is a staple in Ecuador. Almost all local production is consumed domestically. Total consumption in MY 2021/22 is forecast at 935,000 metric tons, a reduction of 6 percent. Per capita consumption is estimated now at 47 kilograms per annum based on a consumption reduction due to the COVID-19 situation. Rice is typically the most consumed carbohydrate in the entire coastal region and is commonly eaten three times a day. However, despite a slight increase in rice purchases at the start of the pandemic, as the lockdowns continued and the economic situation worsened, a significant number of households reduced their daily rice consumption in order to save money and extend their household supplies. In addition, many lower-income households turned to plantains as an even cheaper carbohydrate staple, which is also very versatile for a variety of consumption uses. Some sources even indicated that plantains, not rice, saved lower income households from starvation conditions in 2020. As waves of outbreaks and a struggling vaccination program limit the economic rebound into 2021, this a trend we expect to continue. This estimate takes into consideration some losses due to spoilage of old stocks and a small increase in the use of rice and rice byproducts in the production of animal feed, which remains in an experimental stage.

Ecuador's Ministry of Agriculture and Livestock sets farm gate rice prices using a national price band system. In 2020, the rice price was set at \$35 per 200-pound (90.76 kg) sack of paddy rice (\$385 per MT). However, these prices are very difficult to enforce due to informal trade from neighboring countries, mainly Peru, which could be as much as 40 percent cheaper and of better quality. The milled rice average price ranges between \$570 and \$630 MT.

Trade

Ecuador's Ministry of Agriculture has announced since 2019 the intention to export large amounts of rice to other Latin American countries. In CY 2019, the country exported 29,000 MT to Colombia, which is its main market, and increased the exports to Colombia during CY 2020 to 44,063 MT. Since 2017, Ecuador has been negotiating with Colombia to increase rice exports as part of a larger export package, which also includes potatoes and onions. Colombia now represents 99 percent of Ecuador's rice exports and it needs to import rice outside of its harvest season. Ecuador's second market is Guatemala, with whom Ecuador has a Free Trade Agreement, and then the United States, to where Ecuador exported 26 MT during 2020. The exports to the United States and European countries in lesser amounts is focused on the Ecuadorian immigrants in those countries, commonly called "nostalgic markets". For MY 2021/2022, Post forecasts 40,000 MT in rice exports.

Registered imports are insignificant, but the Ecuadorian Central Bank and the Ministry of Agriculture reported imports of 833 MT in 2020, with the United States as the second largest supplier with 223 MT and Peru being the largest with 504 MT. Other countries with lesser rice exports to Ecuador include Italy, Spain, and Argentina and are based on the preferences granted by the free trade agreements with

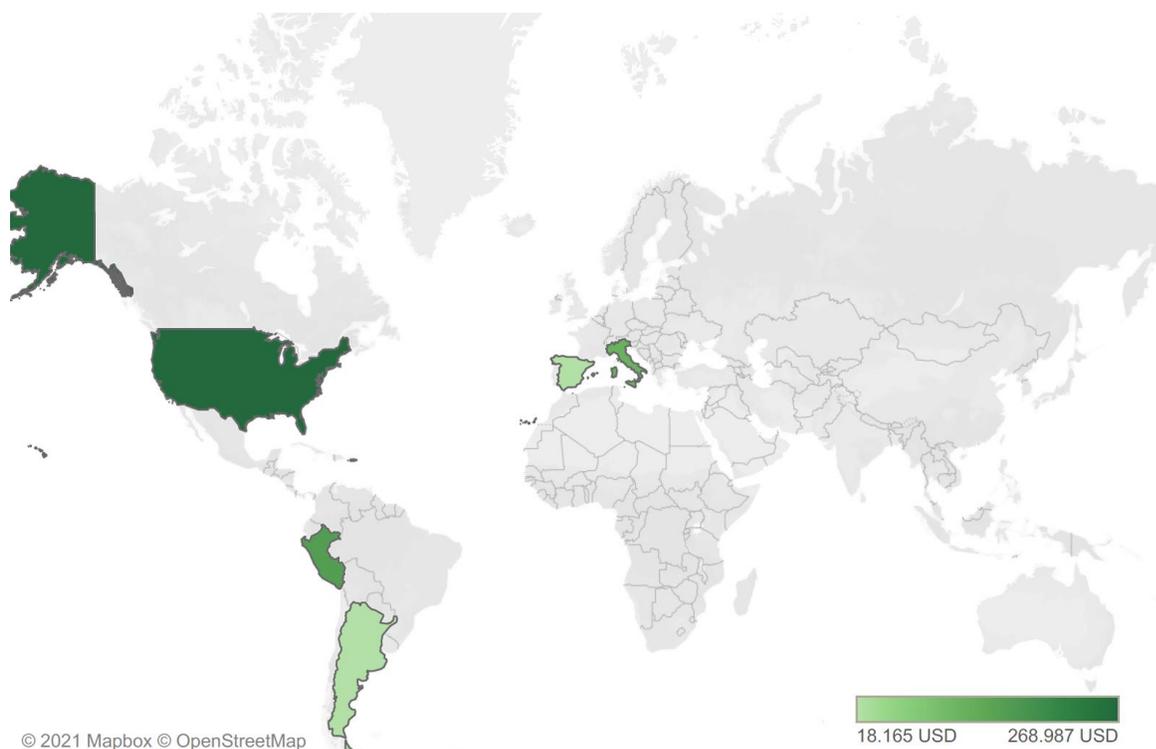
the EU and separately with MERCOSUR. Rice from the United States is a high-quality product for sushi, as well as is wild rice mainly used in restaurants.

Post estimates informal imports from Peru at around 70,000 MT per year. These shipments pass through unofficial paths and dry rivers along the border with Peru.

Stocks

Rice stocks have been forecasted much higher for MY 2021/2022 than previous estimates, accordingly with the principal rice industry corporation, CORPCOM, which forecast stocks of 145 MMT due to an increase of 4 percent in production and a reduction in consumption. Stocks are now held at mill warehouses since the Ministry of Agriculture's National Storage Unit no longer holds rice stocks.

Ecuador principal suppliers of rice 2020 (U.S. Dollars)



Fuente: Banco Central del Ecuador (BCE)

Policy

Rice imports are politically sensitive. The government has promoted rice self-sufficiency by setting farm gate prices at levels significantly higher than prices in the world market and in neighboring countries, maintaining the Andean Price Band System, and further trying to limit imports using Presidential decrees. The Andean Price Band System is recalculated twice a month: at the beginning and middle. Andean Community members (Colombia, Ecuador, Peru, and Bolivia) are assessed a zero-tariff and are not subject to the Andean Price Band System. A ministerial decree is nonetheless necessary before an import permit is issued. Other Latin American countries have been granted *ad*

valorem tariff preferences under the Latin America Integration Association - ALADI, but they are still assessed the Andean Price Band System variable levy. In the case of U.S. rice exports, Ecuador has established a consolidated tariff of 67.5% to protect the local production. In addition, Ecuador establishes domestic minimum support prices that rice mills must pay to farmers.

Attachments:

No Attachments