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Ecuador

Oilseeds and Products

Annual

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Report Highlights:

Local soybean production is insufficient to satisfy demand of soybean meal and soy oil. Ecuador is a net importer of soybean and soy oil. Consumption of soybean meal has increased at the same pace as the production of poultry. The government of Ecuador on August 2002 imposed a safeguard tariff of 29 percent against refined soy oil originating in the Andean region.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Local soybean production is insufficient to satisfy the demand of soy oil for blending with African palm oil to produce a blended cooking oil. Consumption of soybean meal has increased at the same pace as the production of poultry meat over the past six or seven years. The FAS office has estimated that the current demand for soybean meal as a source of vegetable protein for feeding is on average 250,000 MT to 270,000 MT yearly. The United States is the major soybean meal provider to the Ecuadorian feed meal industry followed by Colombia, Argentina and Bolivia. Argentina is the major provider of soybean oil. Total domestic consumption of soy oil is forecasted at 72,000 MT for MY2003/04.

For Ecuador, the major restriction on imports from the U.S. is the Andean Price Band System (APBS), which imposes high variable duties on soybeans, soybean meal and soy oil imported from outside Andean Country Nations (CAN). Ecuador applies a safeguard tariff of 20 percent for refined soy oil products originating in the Andean countries, as do Colombia and Venezuela. In addition, Ecuador provides preferential treatment to products coming from other countries under bilateral and /or multilateral agreements. Advisory Committees for products sometimes act negatively against importation in order to protect domestic interests.

Oilseed, Soybean

Production

Soybean production for MY2003/04, is forecasted at 75,000 MT, from 50,000 harvested hectares, down from the estimated data for MY 2002/03 production of 97,000 MT tons and harvested area of 60,000 hectares. According to reliable information, farmers are encouraged to plant soybeans with the expectation of selling beans to Colombia, where the product is better priced. However, scarce rainfalls during the current rainy season may affect the upcoming soybean planting season in July and August this year, which will result in a decreased production for the upcoming market year. We have revised upward production figures for MY 2001/02 to 67,000 MT and also for MY 2002/03 from 56,000 MT to 97,000 MT, which are in accordance with the official data from the Ecuadorian Ministry of Agriculture. However, local soybean production is insufficient to satisfy the demand for soy oil for blending with African palm oil to produce a blended cooking oil. Soy oil imports have become a normal practice to meet industrial demand for producing blended cooking oil with African Palm oil.

Consumption

The consumption of soybeans in Ecuador is limited to the industry of feed meal compounder for poultry. However, a small amount is targeted to the feed industry to produce a complete feed for bovine or swine. Ecuador does not have a soybean industry for human consumption. Whatever there is, is very incipient, mainly being used as an ingredient for producing special crackers or biscuits for feeding programs as a source of nutrients.

Trade

Ecuador normally does not import soybeans, except when the government provides tax exemptions, as occurred last year. Ecuador allowed the duty free entry imports of 70,000 MT of soybeans. However, only 37,947 MT was actually imported, mainly from the United States. One of the reasons is that the crushing capacity is very limited from 10,000 to 11,000 MT monthly only for local production. During the last two or three years soybeans locally produced were exported under bartered arrangements or commercially marketed to Colombia. In turn, Ecuador imported soybean meal or crude soy oil from Colombia. Our estimation of soybean exports to Colombia is about 62,000 MT for MY2002/03 and probably 45,000 MT for the upcoming year 2003/04. More than 70 percent of the soybeans locally produced are aimed at the Colombian market.

PSD Table						
Country	Ecuador					
Commodity	Oilseed, Soybean				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	Old	New	Old	New	Old	New
Market Year Begin		06/2001		06/2002		06/2003
Area Planted	40	45	40	60	0	50
Area Harvested	38	43	38	58	0	47
Beginning Stocks	1	1	1	1	2	1
Production	56	67	56	97	0	75
MY Imports	50	38	20	3	0	0
MY Imp. from U.S.	50	31	20	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	107	106	77	101	2	76
MY Exports	51	51	0	62	0	45
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	50	50	70	33	0	30
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	5	4	5	5	0	0
TOTAL Dom. Consumption	55	54	75	38	0	30
Ending Stocks	1	1	2	1	0	1
TOTAL DISTRIBUTION	107	106	77	101	0	76
Calendar Year Imports	50	50	20	4	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	51	51	0	72	0	50
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Meal, Soybean

Production

Available soybeans for crushing are estimated to reach 33,000 MT for the market year 2002/03 equivalent to 24,000 MT of soybean meal production. For the upcoming market year 2003/04 a slight decrease of 3,000 MT of soybeans for crushing and a reduced production of meal to 21,000 MT is forecasted. Ecuador has only a small crushing industry, generally dependent on local soybean production. In recent years much of the crushing machinery has been dismantled due to the dramatic reduction in production, resulting from reduced areas devoted to soybeans. This in turn, is a consequence of the presence of the white fly, other agricultural pests and lack of financing for the agricultural sector, which has led to the decrease competitiveness of the soybean sector with yields of 1.5 to 1.7 MT/hectare versus 2.5 MT/hectare in the United States and 2.2 MT/hectare of Bolivia and Argentina.

Consumption

Consumption of soybean meal has increased at the same pace as the production of poultry meat over the past six or seven years. The demand for soybean meal for feed consumption was 110,000 MT in 1995 and reached an estimated 270,000 MT by 2002. Post forecasts a slight increase in production for the coming market year 2003/04 to 275,000 MT. From this quantity 74 percent is consumed by the poultry industry, 18 percent by the shrimp industry, 4 percent by the bovine sector, 3 percent by the swine industry and the remaining 1 percent for feeding trout and tilapia. Ecuador is currently producing 224,000 MT of poultry meat and 95,000 MT of eggs per year. If the trend in poultry production continues upwards, Ecuador will be more dependant on soybean meal imports.

Trade

Most of Ecuador's protein meal imports are soybean meal. Imports of soybean meal have been tied to the sustained growth of Ecuador's poultry industry, and to a certain extent to shrimp production and to a lesser extent to bovine and pork production, where there is still room for improving modern practices of feeding animals. Imports of soybean meal are expected to continue at a level of 250,000 MT for MY 2003/04, similar to the previous year, which includes 17,000 MT under Tariff Rate Quotas which is bound with a 25 percent tariff duty.

Ecuador has become a very good market for U.S. soybean meal over the past several years. The U.S. market share has remained more than 50 percent of the total Ecuador's soybean meal imports. For the last marketing year 2001 (June 2001-May 2002) meal imports originating in the United States have been favored due to the program implemented by the government of Ecuador, in which the government granted the local soybean industry permission to temporarily import soybean and soybean meal with zero tariff rates. Ecuador bought under this program 120,000 MT of soybean meal originating in the United States. The U.S. maintains a freight and quality advantage over Bolivia, although the meal from that origin generally costs less. Colombia and Argentina are the main competitors for the United States. For the Market Year 2002 Ecuador did not receive either concessional sales nor donations of soybean meal.

Post foresees a tiny import of 20,000 MT of soybean meal from the United States but does not foresee any U.S. soybean meal imports for the upcoming MY 03/04. Instead Uruguay, Argentina and Bolivia will be the soybean meal suppliers because these countries have bilateral agreements with Ecuador.

PSD Table						
Country	Ecuador					
Commodity	Meal, Soybean				(1000 MT)(PERC ENT)	
	2001	Revised	2002	Estimate	2003	Forecast
	Old	New	Old	New	Old	New
Market Year Begin		06/2001		06/2002		06/2003
Crush	50	50	70	33	0	30
Extr. Rate, 999.9999	0.7	0.7	0.7	0.727273	ERR	0.7
Beginning Stocks	12	12	7	12	6	11
Production	35	35	49	24	0	21
MY Imports	200	232	200	245	0	250
MY Imp. from U.S.	110	131	80	20	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	247	279	256	281	6	282
MY Exports	0	4	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	240	263	250	270	0	275
TOTAL Dom. Consumption	240	263	250	270	0	275
Ending Stocks	7	12	6	11	0	7
TOTAL DISTRIBUTION	247	279	256	281	0	282
Calendar Year Imports	186	208	170	239	0	240
Calendar Yr Imp. U.S.	87	120	80	20	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Oil, Soybean

Production

Soybean oil production in Ecuador is limited by the availability of soybeans for crushing, which is the same quantity for soybean meal production. Local soy oil production does not meet local demand for producing blend cooking oil. The local soy oil production is about 8 to 12 percent of the total demand, which reaches 70-72 thousand MT per year. The percentages of vegetable oils for the industry are 74 percent crude African palm oil, 24 percent crude soybean oil, and 2 percent of other vegetable oils, including cotton oil and peanuts oil.

Consumption

Total domestic production of edible oils is estimated at 250,000 MT during MY2002/03 and a forecasted figure of 255,000 MT for the upcoming Market Year. The annual growth rates for the last five years of cooking oil and related products were about 5 percent, surpassing the population growth rate of 2.4 percent. Consumption of edible oils has been increasing in the last two years, encouraged in part by the exportation of refined cooking oil to the Colombia and Venezuela under barter arrangements. For calendar year 2002 Ecuador exported 4,728 MT of refined soybean oil to Colombia and Venezuela.

Trade

Soybean oil imports for MY2003/04 are forecasted to reach 65,000 MT, almost the same quantity imported in previous market year MY 2002/03. We have revised downwards imports for the MY2001/02 from 84,000 MT to 58,000 MT in light of more accurate information obtained from cooking oil companies and official data. Argentina is the main crude soybean oil supplier with at least 65 percent of the market, followed by Colombia and Venezuela. Imports of soybean oil from the United States are reported to be nonexistent. For calendar year 2002, Ecuador is exporting small quantities of refined soy oil to Venezuela 2,500 MT and Colombia 2,228 MT and importing crude soy oil from these countries: 1,900 MT from Venezuela and 5,200 MT from Colombia.

Policy

The major restriction in Ecuador for importing soybeans and by-products from the U.S. is the application of the Andean Price Band System (APBS). Ecuador established the Ecuadorian Price Band System (EPBS), previous to its accession to WTO in 1995, which affected more than 60 percent of imports coming from the U.S., among them soybeans, soybean meal and soy oil. This system (the EPBS) was supposed to be phased out by the year 2001. However, due to the fact that Ecuador abandoned the EPBS and adopted the APBS no steps have been taken to comply with the WTO's commitment.

The APBS assesses variable duties on soybeans, soybean meal, and soy oil imports from outside the Community of Andean Nations (CAN). The current outsider tariff rate for soybeans and soybean meal is 15 percent, and for soybean oil 20 percent. Currently, soybeans and products are assessed only ad-valorem tariff rates and the variable levy of zero percent since referential prices fall between ceiling and floor prices.

The government of Ecuador through an Executive Decree (ED) in November 2001 granted the local soybean industry permission to temporarily import soybeans and soybean meal with zero tariff rates, with the condition that local soybean crushers and feed meal compounder industry buy the local soybeans and soybean meal production. This program became effective on November 14, 2001 and was in effect until August 31, 2002. The volume of the program did not exceed 182,000 MT of soybean meal or its equivalent, i.e., maximum 128,000 MT of soybean meal and 70,000 MT of beans, equivalent to 54,000 MT of soybean meal. However, this measure was abandoned after the decision made in the Presidential Summit in Santa Cruz, Bolivia not to allow any exceptions to import soybeans and soybean meal with zero tariff rates.

For the year 2002, soybean producers, soybean crushers and feed meal producers came into an agreement which stated that crushers would buy all the available soybeans crop priced at US\$11.50 per hundredweight and feed meal consumers would buy soybean meal at US\$250 per metric ton. In order to follow the market rules, soybeans and soybean meal will be traded then supply and demand will play in the Commodity Exchange in Guayaquil.

There is a concern in the oil sector regarding the distortions resulting from not applying the Andean Common External Tariff (CET) which prevents the entrance of oil products from third countries and obligates the application of APBS for products to protect local industry. The application of the CET is far from becoming a normal practice among the Andean countries, since each country has a commitment to the ALADI and has several bilateral trade agreements which grant varying tariff preferences depending on the country and the product.

There are also additional unresolved problems in each of the Andean countries such as special regimes for importing and exporting, different tariff rate quotas, and different tariff bindings under the WTO, all which riddle the system with holes. All these problems could lead Andean countries to protect themselves and likely assess compensatory tariffs, safeguard measures and requirements for certification of origin of the product, which would lead to greater transparency in the market and open market practices. In this regard Colombia, in order to protect its oil industry, on July 19, 2002 imposed a safeguard tariff of 29 percent for refined soy oil products originating in the Andean Region, which in turn was a reaction to the same measure of a 29 percent safeguard tariff by Venezuela in October 2001. Finally, Ecuador on August 23, 2002 imposed the same safeguard tariff of 29 percent against refined soy oil products originating in the Andean region. As of today, Colombia and Ecuador have reduced the safeguard tariff to 20 percent, but in spite of the CAN resolution to abandon this safeguard measure, no one wants to quit this measure.

PSD Table						
Country	Ecuador					
Commodity	Oil, Soybean				(1000 MT)(PERC ENT)	
	2001	Revised	2002	Estimate	2003	Forecast
	Old	New	Old	New	Old	New
Market Year Begin		06/2001		06/2002		06/2003
Crush	50	50	70	33	0	30
Extr. Rate, 999.9999	0.18	0.18	0.171429	0.181818	ERR	0.2
Beginning Stocks	13	15	15	12	14	12
Production	9	9	12	6	0	6
MY Imports	86	58	84	65	0	65
MY Imp. from U.S.	8	0	7	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	108	82	111	83	14	83
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	93	70	97	71	0	72
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	93	70	97	71	0	72
Ending Stocks	15	12	14	12	0	11
TOTAL DISTRIBUTION	108	82	111	83	0	83
Calendar Year Imports	62	62	65	55	0	60
Calendar Yr Imp. U.S.	9	0	5	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Ecuador		
Commodity	Oilseed, Soybean		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Colombia	51017	Colombia	72994
Total for Others	51017		72994
Others not Listed			
Grand Total	51017		72994

Import Trade Matrix			
Country	Ecuador		
Commodity	Meal, Soybean		
Time period	Jan-Dec	Units:	Metric Tons
Imports for:	2001		2002
U.S.	86542	U.S.	119552
Others		Others	
Colombia	39867	Colombia	9936
Peru	21750	Argentina	25994
Bolivia	5670		
Total for Others	67287		35930
Others not Listed	55000		83347
Grand Total	208829		238829

Import Trade Matrix			
Country	Ecuador		
Commodity	Oil, Soybean		
Time period	Jan-Dec	Units:	
Imports for:	2001		2002
U.S.	8505	U.S.	53
Others		Others	
Argentina	37967	Argentina	47560
Colombia	8074	Colombia	5200
Venezuela	6748	Venezuela	1900
Total for Others	52789		54660
Others not Listed	4		
Grand Total	61298		54713