

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Ecuador

Sugar Annual

Ecuador's Sugar Production Remains Unchanged

Approved By:

Mariano J. Beillard

Prepared By:

Henry Vega and Mariano J. Beillard

Report Highlights:

Ecuador's sugar production in marketing year (MY) 2014/15 is estimated at 625,000 metric tons (MT), unchanged from 2013/14 levels. Sugar production for MY 2015/16 is forecast to drop to 620,000 MT, down 5,000 MT from the 2014/15 estimate as a consequence of lingering high stock numbers carrying over from MY 2014/15's and MY 2013/14's unusually high production. Total human domestic consumption in MY 2014/15 is estimated at 599,000 MT, unchanged from 2013/14's level, but is forecast in MY 2015/16 to grow by almost two percent to 610,000 MT. Sugar exports in MY 2014/15 are estimated at 13,000 MT; a similar volume is forecast for MY 2015/16.

Executive Summary:

FAS Quito estimates Ecuador's sugar production in marketing year (MY) 2014/15 at 625,000 metric tons (MT), unchanged from MY 2013/14 levels. Ecuador's sugar production for MY 2015/16 is forecast to drop to 620,000 MT, down 5,000 MT from our MY 2014/15 estimate as a consequence of lingering high stock numbers carrying over from MY 2014/15's and MY 2013/14's unusually high production.

FAS Quito estimates Ecuador's total human domestic consumption in MY 2014/15 at 599,000 MT, unchanged from 2013/14's level. Ecuador's total human domestic consumption is however forecast in MY 2015/16 to grow to 610,000 MT, up 11,000 MT or almost two percent compared to the MY 2014/15 estimate due to natural population growth.

FAS Quito estimates Ecuador's sugar exports in MY 2014/15 at 13,000 metric tons. We forecast a similar volume of roughly 13,000 MT for MY 2015/16. Ecuador is largely self-sufficient in raw sugar production, making occasional limited imports to compensate for shortfalls. In MY 2014/15, Ecuador for example only imported an estimated 22,000 MT; during MY 2015/16 no sugar imports are forecast.

**Commodities – Sugar, Centrifugal
Production:**

PSD TABLE, ECUADOR, CANE SUGAR, CENTRIFUGAL

Sugar, Centrifugal Market Begin Year Ecuador	2013/2014		2014/2015		2015/2016	
	May 2013		May 2014		May 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	328	328	296	363	0	398
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	577	625	615	625	0	620
Total Sugar Production	577	625	615	625	0	620
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	2	22	2	22	0	0
Total Imports	2	22	2	22	0	0
Total Supply	907	975	913	1,010	0	1,018
Raw Exports	12	13	13	13	0	13
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	12	13	13	13	0	13
Human Dom. Consumption	599	599	604	599	0	610
Other Disappearance	0	0	0	0	0	0
Total Use	599	599	604	599	0	610
Ending Stocks	296	363	296	398	0	395
Total Distribution	907	975	913	1,010	0	1,018
1000 MT						

Ecuador, Wholesale and Retail Sugar Prices, 2012-14

Month/Year	Wholesale Price			Retail Price		
	\$ per kg			\$ per kg		
	2012	2013	2014	2012	2013	2014
January	0.86	0.83	0.79	1.05	1.07	1.05
February	0.85	0.82	0.80	1.05	1.06	1.05
March	0.85	0.82	0.80	1.05	1.06	1.05
April	0.85	0.83	0.79	1.04	1.06	1.06
May	0.85	0.83	0.78	1.03	1.06	1.05
June	0.85	0.82	0.78	1.03	1.06	1.05
July	0.85	0.81	0.78	1.05	1.06	1.05
August	0.85	0.80	0.78	1.04	1.07	1.05
September	0.86	0.79	0.78	1.09	1.08	1.03
October	0.86	0.77	0.77	1.07	1.05	1.05
November	0.85	0.76	0.76	1.05	1.05	1.04
December	0.84	0.75	0.76	1.08	1.06	1.04
Average	0.85	0.80	0.78	1.05	1.06	1.05

Source: Ministry of Agriculture, Trade Studies Directorate, FAS Quito office research.

FAS Quito estimates Ecuador's sugar production in marketing year (MY) 2014/15 at 625,000 metric tons (MT), unchanged from MY 2013/14's higher than average levels. Ecuador's sugar production for MY 2015/16 is forecast to drop to 620,000 MT, down 5,000 MT from our MY 2014/15 estimate as a consequence of lingering high stock numbers carrying over from MY 2014/15's and MY 2013/14's unusually high production. Production surpluses and deficits usually fall within three percent of industry targeted amounts. Ecuador currently does not produce beet sugar.



Source: FAS Quito office research.

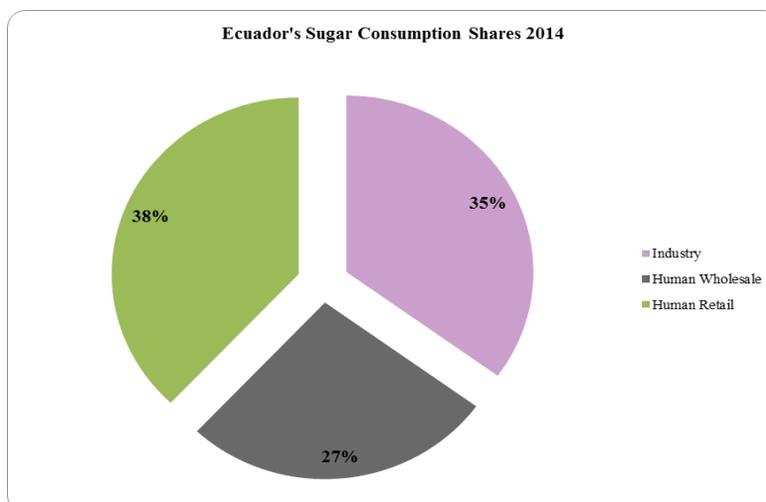
Total sugarcane planted area is estimated at 76,800 hectares in MY 2014/15. Ninety-one percent of total area, or about 69,600 hectares, is allocated to cane sugar production. Estimated yields are roughly 8.9 metric tons per hectare. Some 7,200 hectares are dedicated to sugarcane juice production, which is utilized for making *panela* (solid blocks), molasses, and ethanol. Around ninety percent of Ecuador's sugar production is concentrated in the Guayas and Cañar provinces, areas with 2,500-2,800 centimeters of rainfall per annum (some 2,000 centimeters alone falls during the January-May period).

Ecuador's domestic sugar prices since 2011 have remained fairly stable, with only a slight downward tendency, despite world prices having dropped by 60 percent. Mill prices in MY 2014/15 fall in range of \$37-\$40 per 50-kilogram sack. FAS Quito understands that farmers are being paid about \$30.75 per metric ton for cut sugarcane, up one percent from 2013/14 levels. During the harvest season some 20,000 low-skilled laborers are employed by the country's three largest sugar mills; preserving employment is a priority for the government and the industry.

The wholesale price for a one-kilogram bag of refined sugar averaged about \$0.78 in 2014. The average retail price for a one-kilogram bag of refined sugar averaged roughly \$1.05 in 2014. The spread between wholesale and retail prices is attributable to the intermediary markup and merchandizing costs (which includes advertising costs).

Consumption:

FAS Quito estimates Ecuador's total human domestic consumption in MY 2014/15 at 599,000 MT, unchanged from 2013/14's level. Ecuador's total human domestic consumption is forecast in MY 2015/16 to grow to 610,000 MT, up 11,000 MT or almost two percent compared to the MY 2014/15 estimate largely due to natural population growth (1.37 percent, Central Intelligence Agency – 2014 estimate).



Source: FAS Quito office research.

We estimate per capita refined sugar consumption at 39 kilograms per person based on a population of 15.6 million (Central Intelligence Agency, July 2014 estimate). Sixty-five percent of local production is for direct consumption in the form of white, brown, and specialty sugars.

Trade:

FAS Quito estimates Ecuador's sugar exports in MY 2014/15 at 13,000 metric tons. We forecast a similar volume of roughly 13,000 MT for MY 2015/16. Ecuador is largely self-sufficient in sugar production, making occasional limited imports to compensate for shortfalls. In MY 2014/15, Ecuador for example only imported an estimated 22,000 MT; and for MY 2015/16 no sugar imports are forecast.

Export/Import Trade Matrix (Metric Tons – Raw Value)		
Commodity: Sugar		
Time Period	CY 2013	CY 2014
Exports To:		
United States	12,114	12,125
Others	805	985
TOTAL EXPORTS	12,919	13,110
Imports From:		
Colombia	1,390	22,340
Nicaragua	428	
Bolivia	284	
Peru	128	
Others	31	1,553
TOTAL IMPORTS	2,261	23,893
BALANCE (TE-TI)	10,658	-10,783

Note: Unrecorded (contraband) cross-border trade is not included.

Source: Central Bank of Ecuador and FAS Quito office research.

Ecuador's surplus sugar production is largely earmarked for export to the United States, and to a lesser extent to fellow Andean Community (CAN) members Colombia and Peru. About ninety-nine percent of U.S. bound sugar is exported under the U.S. Quota Eligibility System. Local and international sugar prices determine whether exports to Colombia and Peru occur.

Ecuador exports more heavily during the harvest season. Producers reportedly are not anticipating either a production deficit or surplus in MY 2014/15 and MY 2015/16; exports largely go toward filling the U.S. Quota Eligibility System allocation volume.

Ecuador imports sugar on occasion; usually during the last quarter of the calendar year (CY) and through the first half of April in the following year. In the past import volumes have averaged roughly 15,000 MT, which is low compared to total domestic consumption. FAS Quito understands that imports reached nearly 24,000 MT in CY 2014 driven up as a consequence of lower domestic stocks.

Stocks:

Although the government does not maintain a strategic sugar reserve, private sector sugar mills have invested in sugar storage capabilities. Warehouses are located in vicinity of Guayaquil and in the Guayas and Cañar provinces. Storage capability is sufficient to absorb production plus carry a reserve during the other six months of the year when there is no sugar production.

Policy:

Sugar is a key component in the basic basket of goods utilized by the government to track inflation. Domestic sugar prices remain artificially high due to the sugar value-added chain being insulated from international trade.

While there is no government-set retail price for refined sugar products, there is a \$30.75 per metric ton minimum price that must be paid to local sugarcane farmers. Neither farmers, nor cane sugar millers are receiving domestic or export subsidies at this point. Sugarcane farmers, like other farmers in Ecuador, are eligible for Agricultural Development Bank and National Finance Corporation loans at preferential rates.

Sugar imports from the Andean Community (i.e., Bolivia, Colombia, and Peru) benefit from duty-free treatment. Andean Community sugar imports nonetheless require prior government authorization. Non-Andean Community-origin raw and refined sugar imports are assessed a 15 percent base tariff in addition to the Andean Price Band System (APBS) variable levy. The levy for raw and refined sugar is set at 30 percent. Sugar imports have a World Trade Organization (WTO) approved bound tariff rate of 45 percent, which includes price band-related duties.

Sources inform that Ecuador's cane sugar mills have an agreement with the government to supply the U.S. market in order to safeguard the sugar allocation quota. These exports normally occur in between June and September, however in 2015 Ecuador exported its quota in February.

Ecuador enjoys associate status with the Southern Common Market (MERCOSUR) since 2004; however, it has yet to commence sugar tariff negotiations. Ecuador and the European Union in 2014 finalized trade liberalization negotiation. Once the trade agreement is ratified (by 2016), Ecuador will benefit from a 25,000 MT export quota (composed of 15,000 MT of raw sugar and a 10,000 MT component mix of products such as high-content sugar and cocoa powder).