

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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FAS Protects \$120 Million in U.S. Soybean Meal Exports

Report Categories:

Oilseeds and Products

Trade Policy Monitoring

Agriculture in the News

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Report Highlights:

On December 23, 2016, Ecuador's Foreign Trade Committee passed the extension of the current tariff and duty exemption for soybean meal imports from all origins (including the United States). The exemption extension is effective January 1, 2017. The outcome resulted from FAS Quito's intervention and coordination with the U.S. Embassy in Quito, the U.S. Soybean Export Council, Ecuador's animal feed industry and the Government of Ecuador. As a result of the extension, FAS Quito forecasts \$120 million in U.S. soybean meal sales to Ecuador during 2017.

General Information:

On December 23, 2016, Ecuador's Foreign Trade Committee passed the extension of the current tariff and duty exemption for soybean meal imports from all origins (including the United States). [COMEX Resolution 039-2016](#), impacting soybean meal (Harmonized Tariff System – HS 2304.00.00.00), 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, 2019. This is the first time that a three-year tariff suspension has been granted, as previous extensions granted covered only one-year and two-year periods. Ecuador's Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) supported the extension while representatives of other Ecuadorian agencies on the COMEX committee expressed reservations due to the government's need to raise additional revenue sources to address fiscal constraints.

Ecuador last implemented two-year term exemption extensions in 2013 and 2015.

FAS Quito's collaboration with the Government of Ecuador, combined with advocacy by the U.S. Embassy in Quito, the U.S. Soybean Export Council and Ecuador's animal feed industry, resolved a situation that jeopardized future U.S. soybean meal shipments. As a consequence of the uncertainty of the extension of the tariff and duty exemption, importers had already stopped negotiating shipments of U.S.-origin soybean meal for delivery in December 2016 and January through February 2017. FAS Quito forecasts that the exemption will keep U.S. soybean meal price competitive with soybean meal from Bolivia, one of Ecuador's Andean Community (CAN) members, and other MERCOSUR countries.

Without this COMEX exemption extension, U.S. origin soybean meal imports would have been subject to a 15 percent ad valorem tax plus the Andean Price Band's variable levy—currently set at 21 percent. These levies would have priced U.S. product out of the Ecuadorian market and reduced overall U.S. food and agricultural product exports to Ecuador by as much as 50 percent. The United States already has a significant trade deficit in agricultural products with Ecuador, reaching \$1.8 billion in calendar year 2015.

Ecuador's animal feed industry has traditionally preferred U.S. origin soybean meal due to its higher protein and amino acid content. However, as the quality of Argentine and Bolivian soybean meal improves, FAS Quito forecasts that U.S. origin soybean meal will face competitive challenges in the coming years. U.S. soybean meal exports totaled \$119 million in January-October 2016, down 1 percent from the same time period the previous year.

FAS Quito estimates the size of farm-raised animals and aquaculture production in Ecuador at \$6 billion. Aquaculture production is growing in Ecuador, and soybean meal is a key ingredient in Ecuador's growing shrimp and tilapia export industries. Between January and October 2016, Ecuador exports of shrimp reached \$2.15 billion. Animal production in Ecuador is stable, but there is the potential for expansion as the economic grows. Ecuador's total demand for animal feed fluctuates between 2.0 and 2.5 billion metric tons (BMT). Soybean meal represents approximately 750,000 MT of the ingredients that go into animal feed, according to MAGAP authorities.

Ecuador lacks a commercially-significant soybean crushing capacity. Domestic production meets only five percent of the local animal feed industry's needs. Domestic soybean production in 2016 is forecast at 40,000 metric tons (MT). With a conservative figure of \$400 per MT of soybean meal, and a U.S.

market share of 40 percent, FAS Quito estimates Ecuador's imports of U.S.-origin soybean meal at \$120 million in 2017.

Overall, FAS Quito and the U.S. Soybean Export Council collaborate on the promotion of soybeans and soybean meal in Ecuador. This includes training Ecuador's animal feed manufacturers on the proper usage and quality advantages of U.S. origin soybean meal. Collaboration also extends to educating public sector counterparts and educational institutions on the merits of using soy products for animal feed, aquaculture, and in processed products for human consumption.