

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Ecuador

Post: Quito

FAS Quito Intervention Protects US Market Share in Wheat Market

Report Categories:

Trade Policy Monitoring

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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 wheat imports from all origins (including the United States). The three-year exemption extension is effective January 1, 2017. The outcome resulted from FAS Quito's collaboration with the Government of Ecuador, combined with advocacy by the U.S. Embassy, the U.S. Wheat Associates, and the Ecuadorian Association of Wheat Millers (ASEMOL). As a result of the extension, FAS Quito forecasts \$65 million in U.S. wheat sales to Ecuador in 2017.

General Information:

On December 23, 2016, 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 (including the United States). Wheat and wheat products benefitting from the resolution include harmonized tariff system (HS) codes 1001.19.00.00, 1001.99.10.00, 1101.00.00.00, and 1103.11.00.00. [COMEX Resolution 040-2016](#) 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 covered a maximum two-year period. Ecuador's Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) supported the extension. 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 and Ecuador's Association of Wheat Millers (ASEMOL), resolved a situation that jeopardized future U.S. wheat shipments. Without this COMEX exemption extension, Ecuadorian wheat imports would have been subject to a 36 percent tariff – a combination of an ad-valorem tax plus the Andean Price Band's variable levy. These levies would have resulted in an increase in the price of wheat in the Ecuadorian market, jeopardizing Ecuador's domestic food security needs and input costs for the export aquaculture sector, while also reducing total U.S. food and agricultural exports to Ecuador. U.S. wheat exports totaled \$52 million in 2016. The United States already has a significant trade deficit in agricultural products with Ecuador, reaching \$1.8 billion in calendar year (CY) 2015.

FAS Quito estimates Ecuador's human consumption of wheat in CY 2016 at nearly 630,000 metric tons (MT) based on a per-capita consumption of 39 kilograms/annum and a population of ~ 16.080 million (Central Intelligence Agency, July 2016 population estimate). Ecuador's CY 2016 feed wheat use is estimated at 270,000 MT, of which 150,000 MT is for shrimp production destined to foreign markets. For CY 2017, FAS Quito forecasts the value of U.S. sales of wheat to Ecuador at \$65 million. Wheat is the United States' second largest agricultural export to Ecuador.

Ecuador's domestic wheat production has declined steeply since the 1970's. FAS Quito estimates the planted wheat area in Ecuador at 5,000 hectares with an average yield of 0.8 MT/hectare. Government incentives in place since 2008 to increase cultivation, namely through the provision of subsidized fertilizers, government-backed loans, and improved seed varieties, have not yielded expected results. Central and northern highland farmers have opted instead to switch to more profitable crops such as quinoa. FAS Quito assesses Ecuador's annual wheat production at less than 5,000 MT. Therefore, FAS Quito foresees that Ecuador will remain an insignificant producer of wheat and will rely on imports to satisfy domestic human and animal feed consumption as well as export aquaculture consumption needs.

FAS Quito, U.S. Wheat Associates, and the Ecuadorian Association of Wheat Millers (ASEMOL) collaborate on the promotion of wheat of U.S.-origin wheat in Ecuador. Local millers have benefited from capacity building assistance and training on the quality advantages of U.S.-origin wheat and its proper usage.

