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GAIN Report

Global Agricultural Information Network

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Ecuador

Grain and Feed Annual

Record Imports of Wheat, Increased Consumption of Rice, and Another Uncertain Year for Corn

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Report Highlights:

As Ecuador's economy recovers and domestic corn prices remain high, consumption of wheat and rice increased in 2017/18. Ecuador is forecast to import a record level of wheat in 2018/19. Rice imports will decrease as domestic production has recovered from low yields in 2016/17. Yellow corn production in 2018/19 is forecast to decrease due to uncertainties in domestic agricultural policy and prices. Feed manufacturers continue the use of corn substitutes in animal diets.

Executive Summary:

FAS Quito forecasts Ecuador's wheat production in marketing year (MY) 2018/19 (July-June) to reach 4,000 metric tons (MT), the same level of production as in MY 2017/18. Ecuador is an insignificant producer of wheat, dependent almost entirely on foreign imports. Ecuador's wheat imports in MY 2018/19 are forecast at a record 1.3 MMT, up 100,000 MT or eight percent compared to the MY 2017/18 estimate of 1.2 MMT. This increase is attributed to sustained internal demand driven by low world prices and modest economic growth. This estimate assumes that demand by the country's animal feed industry will continue to increase.

FAS Quito forecasts Ecuador's corn production in MY 2018/19 (May-April) at 855,000 MT, down from the MY 2017/18 estimate of 900,000 MT. This downward trend in production is attributed to decreased planting by farmers due to uncertainty of government policy on minimum prices. Ecuador's corn imports in MY 2018/19 are forecast at 200,000 MT, up some 50,000 MT compared to the MY 2017/18 estimate of 150,000 MT. While a new government took office in May 2017, the policy of protecting small corn farmers continues to be a priority despite the lack of specific policy announcements. Previous national policies included mandatory minimum corn prices paid to farmers or the provision of production inputs.

FAS Quito forecasts Ecuador's milled rice production in MY 2018/19 (April-March) at 840,000 MT, down 42,000 MT, or 4.8 percent compared to the MY 2016/17 revised estimate of 882,000 MT. We attribute this drop in production to a decline in area planted and marginally lower yields following MY 2017/18, a year with high production. The peak of this year's first harvest (MY 2018/19) will likely occur towards the end of April, and yields are expected to be about 4.3 metric tons/hectare. In MY 2018/19, FAS Quito forecasts that total imports will decline to 50,000 MT (taking into account official and gray trade). Imports of rice into Ecuador from neighboring countries are estimated at 100,000 MT in MY 2017/18.

The government's official price for corn delivered in March 2018 is set at \$329/metric ton. Animal feed producers reported in November 2017 that the price they effectively paid for a metric ton of domestically-grown corn was between \$385 and \$450. This level of prices would be well above the estimated price of U.S. corn, before tariffs, placed in Ecuador of about \$210/metric ton.

Wheat:

Wheat Market Begin Year Ecuador	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4	5	5	5	0	5
Beginning Stocks	216	216	267	264	0	257
Production	7	4	4	4	0	4
MY Imports	1171	1171	1100	1230	0	1330
TY Imports	1171	1171	1100	1230	0	1330
TY Imp. from U.S.	297	297	0	400	0	440
Total Supply	1394	1391	1371	1498	0	1591
MY Exports	2	2	5	1	0	1
TY Exports	2	2	5	1	0	1
Feed and Residual	400	400	375	480	0	530
FSI Consumption	725	725	725	760	0	800
Total Consumption	1125	1125	1100	1240	0	1330
Ending Stocks	267	264	266	257	0	260
Total Distribution	1394	1391	1371	1498	0	1591
Yield	1.75	0.8	0.8	0.8	0	0.8
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production:

FAS Quito forecasts Ecuador's wheat production in marketing year (MY) 2018/19 (July-June) to reach 4,000 metric tons (MT), the same level of production as in MY 2017/18. Ecuador is an insignificant producer of wheat, dependent almost entirely on foreign imports.

Ecuador's domestic wheat production has declined steeply since the 1970s due to a scarcity of arable land, soil quality problems, and reduced yields. Throughout the 1990s, the country still managed to produce 28,000 MT of wheat per year on about 30,000 hectares.

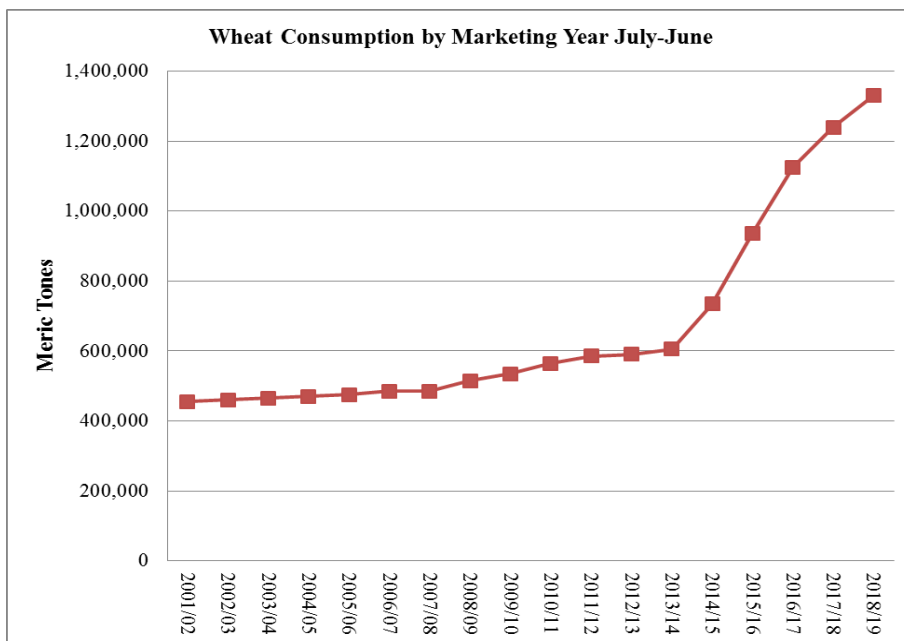
The government's subsidization of wheat imports during the inflationary oil boom years of the 1970s also resulted in a sharp drop in the consumption of domestic wheat in favor of more affordable imports. FAS Quito estimates that 5,000 hectares are currently in wheat production. Ecuador's wheat yields in MY 2017/18 are forecast at 0.8 MT/hectare.

Since 2008, government incentives aimed at increasing wheat cultivation have not produced the intended results. These incentives include the provision of subsidized fertilizers, government-backed loans, and improved seed varieties. Central and northern highland farmers have opted instead to switch to more profitable crops such as quinoa.

FAS Quito estimates that of the 4,000 MT of domestically produced wheat in MY 2017/18 only 3,000 MT makes its way to millers. Nearly half of the local production is consumed in small towns near the area of production. Millers question the sustainability of government efforts to increase production given the market's size and bakers' preferences for higher-quality imported flour milled from higher-protein-content wheat.

Consumption:

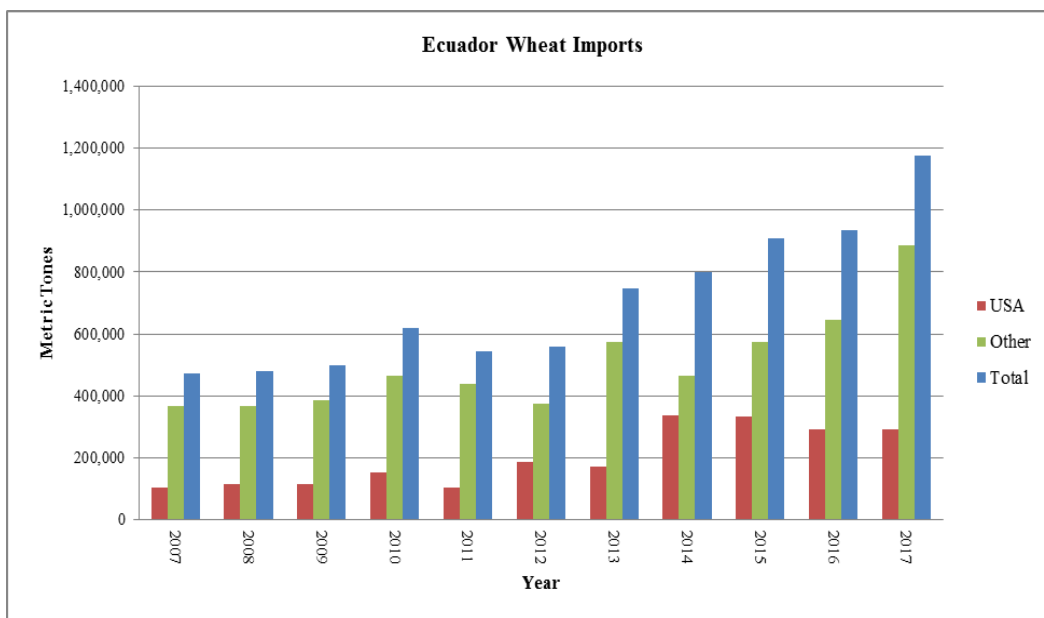
FAS Quito forecasts Ecuador’s wheat consumption in MY 2018/19 at 1.3 MMT, increasing 90,000 MT or seven percent compared to the MY 2017/18 revised estimate of 1.2 MMT. We attribute increased consumption in MY 2017/18 to population growth and increases in levels of wheat consumption for human and animal diets. There exists potential for continued increases through 2019 as long as world prices remain low. Ecuador’s economic slowdown has come to a halt due in part to a recovery of oil revenues (the country’s main export). This development, combined with a solidification of the Ecuadorian shrimp industry (an important consumer of wheat) in foreign markets, and the increasing utilization of wheat in animal diets are main drivers of wheat consumption. In addition, people have also continued to increase their consumption of bread rolls (an Ecuadorian staple priced at \$0.12 since 2011) and of bakery and pasta products.



The quantity of per capita wheat consumption in MY 2017/18 is estimated at 47 kilograms/annum (Ecuador has a population of ~16.3 million – U.S. Census Bureau, July 2017 estimate). We estimate FSI consumption at 760,000 MT of wheat MY 2017/18. Feed and Residual consumption is estimated at 480,000 MT in MY 2017/18. Ecuador’s MY 2018/19 feed wheat use is forecast at 530,000 MT, of which 230,000 MT will be absorbed by shrimp farmers seeking to boost production to meet growing global shrimp demand. Ecuador is one of the world’s largest shrimp producers, with exports of over \$3 billion in calendar year (CY) 2017. Over the years Ecuador has strengthened its position as a supplier of high-quality shrimp to Asian countries. The shrimp industry in Ecuador has not been affected by the outbreak of early mortality syndrome (EMS – *necrotizing hepatopancreatitis*) in Southeast Asia. In MY 2017/18 Ecuador’s poultry and pork producers significantly increased the use of wheat in animal diets as a substitute for corn due to cost considerations. FAS Quito estimates this usage increase in at least 80,000 MT, or 20 percent, with respect to MY 2016/17 levels.

Trade:

FAS Quito forecasts Ecuador’s wheat imports in MY 2018/19 at a record 1.3 MMT, up 100,000 MT or eight percent compared to the MY 2017/18 revised estimate of 1.2 MMT. We attribute the increase to sustained growth of internal demand of wheat for human consumption and animal diets. Low international prices for wheat have favored imports of this commodity into Ecuador. This estimate assumes that demand by the country’s animal feed industry will continue to increase.



Until 2015 Ecuador utilized imported wheat primarily in bread and pasta manufacturing. More recently, Ecuador incorporated more wheat into animal feeds led primarily by shrimp production.

Imports of hard wheat are greater than soft wheat. In CY 2017, the ratio of hard to soft wheat imports was 1.80 to one, up from 1.72 to one in CY 2016. Import market share of U.S.-origin wheat in CY 2017 dropped to 25 percent, down from 31 percent in 2016. U.S. import market share has remained stable due to increased demand by Ecuador’s animal feed industry, as well as from the adoption of new technologies that allow a better utilization of U.S. wheat in different flour blends. Canada remained Ecuador’s main supplier of wheat in CY 2017. The United States fell to the number three position, as Argentina’s exports grew more than four-fold in CY 2017 occupying the number two position. The uncertainty surrounding import tariffs for U.S.-origin wheat at the end of CY 2016 favored imports from Argentina, which as a MERCOSUR member benefits from lower import tariffs in Ecuador.

Policy:

Ecuador promotes a policy of self-sufficiency in wheat, but production levels have not yet risen to meet demand. 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. Wheat and wheat products benefiting 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 was the first

time that the Government granted a three-year tariff suspension, as previous extensions covered a maximum two-year period.

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. 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 European Union (EU). The Agreement entered into effect 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. The European Union exported a record amount of wheat and wheat products to Ecuador in CY 2017, totaling about \$5 million.

**Imported Wheat Tariffs under the Andean Price Band Applied By Ecuador
February 1-15, 2018**

HTS	MARKER PRODUCT	FLOOR PRICE	CEILING PRICE	REFERENCE PRICE 1/	AD- VALOREM TARIFF (%)	CURRENT VARIABLE LEVY	TOTAL TARIFF %	WTO BOUND TARIFF	EFFECTIVE APPLIED TARIFF
1001.10.90	WHEAT	282	342	270	0%	0%	0%	36%	0% *

1/ Average Reference Price for the specified period.

Ecuador has granted tariff exemptions to wheat imports through December 2019.

Corn:

Corn Market Begin Year	2016/2017		2017/2018		2018/2019	
	May 2016		May 2017		May 2018	
Ecuador	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	280	280	275	250	0	250
Beginning Stocks	155	155	78	128	0	88
Production	1350	950	820	900	0	855
MY Imports	158	158	400	150	0	200
TY Imports	161	161	400	150	0	200
TY Imp. from U.S.	49	49	0	60	0	50
Total Supply	1663	1263	1298	1178	0	1143
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1500	1050	1150	1000	0	950
FSI Consumption	85	85	75	90	0	95
Total Consumption	1585	1135	1225	1090	0	1045
Ending Stocks	78	128	73	88	0	98
Total Distribution	1663	1263	1298	1178	0	1143
Yield	4.8214	3.3929	2.9818	3.6	0	3.42
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production:

FAS Quito forecasts Ecuador's corn production in MY 2018/19 (May-April) at 855,000 MT, down from the MY 2017/18 revised estimate of 900,000 metric tons. This downward trend in production is attributed to decreased planting by farmers due to uncertainty of government corn policies. A new government took office in May 2017 and appointed two Ministers of Agriculture and Livestock since

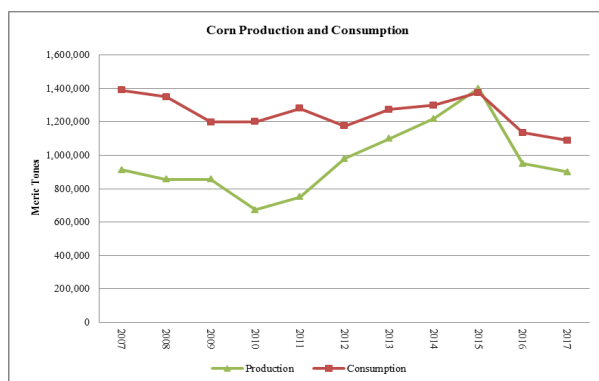
then. Fiscal constraints reduced the Ministry’s ability to implement its policy of providing production kits to help small farmers, a long-standing rural development policy.

Ecuadorian corn consumers continue to pay significantly higher prices for domestically-produced corn. This has forced many in the agro-industrial sector to turn to substitutes in order to remain competitive and keep animal protein affordable to consumers. The government’s official price for corn delivered in March 2018 is set at \$329/metric ton. Animal feed producers reported in November 2017 that the price they effectively paid for a metric ton of domestically-grown corn was between \$385 and \$450. This level of prices would be well above the estimated price of U.S. corn, before tariffs, placed in Ecuador of about \$210/metric ton. FAS Quito sources have reported that Ecuador’s corn prices are either the highest or second highest in the world.

FAS Quito estimates yields of 3.6 MT/hectare in MY 2017/18. We forecast a lower yield of 3.4 MT/hectare for MY 2018/19. Corn yields have improved following a downward trend that ended in MY 2016/17 triggered by the expansion of higher-yield seeds and favorable weather.

Consumption:

FAS Quito forecasts Ecuador’s total corn consumption at 1.0 MMT in MY 2018/19, down year-to-year from the MY 2017/18 revised estimate of 1.1 MMT. We forecast MY 2018/19 total corn consumption down four percent compared to the previous marketing year. Ecuador’s agro-industrial sector has changed its consumption habits and increased its consumption of corn substitutes. As a result, the overall decline in corn consumption in MY 2018/19 can be attributed to the increased inclusion of wheat, and other grains such as rice and rice byproducts, in animal diets as substitutes for high-priced corn.



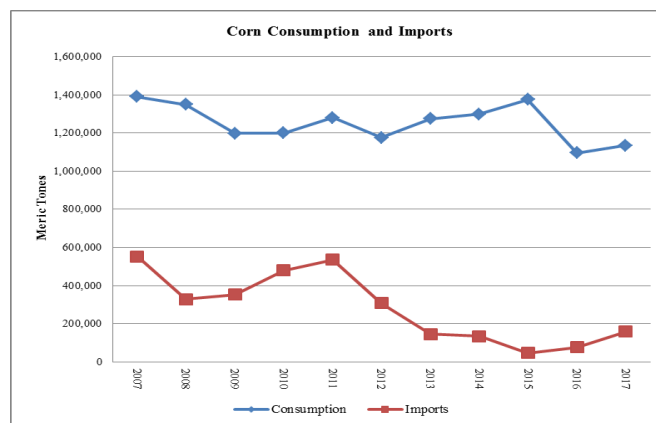
FAS Quito estimates that feed consumption of corn and wheat combined will remain stable in MY 2018/19. Total wheat and corn feed use combined is forecast to remain at the same levels of MY 2018/19 in MY 2017/18, 1,480,000 metric tons. The additional supply needed for feed ingredients will be supplied by other commodities. Trade sources have reported that in addition to wheat, animal feed producers are increasingly experimenting with and using other corn alternatives such as rice byproducts that are available domestically and imported distiller grains. Reportedly, animal feed producers might have to include higher proportions of rice and rice products, due to bottlenecks in the management of strategic rice reserves and the need to empty storage capacity to receive the upcoming new harvest. FAS Quito sources have indicated that feed producers do not rely as much as in the past on corn as an irreplaceable feed ingredient. FAS Quito estimates that 70 percent of local feed production is utilized by

the national poultry industry, 15 percent in turn is absorbed by the aquaculture sector (mainly shrimp farmers), and 15 percent taken up by other livestock production (primarily pork). FSI corn consumption is estimated to increase slightly in MY 2018/19. Total corn consumption is expected to continue to decrease slightly through MY 2018/19 following better than expected production in MY 2017/18 and MY 2018/19.

Ecuador’s yellow corn consumption is dependent on the demands of the animal feed sector, along with the availability of lower-priced corn substitutes. The poultry sector is forecast to grow modestly in 2018. Per capita consumption of poultry meat is estimated at 35 kilograms/annum. FAS/Quito estimates that in 2017, the poultry flock reached 265 million birds, up 7 million from 2016 levels. The national flock is composed of 12 million layers and 253 million broilers.

Trade:

Ecuador’s corn imports in MY 2018/19 are forecast at 200,000 MT, up some 50,000 MT compared to the MY 2017/18’s estimate of 150,000 MT. Persistent low corn prices in the world market continue to discourage users and producers from taking advantage of domestic import-substitution policies. In the past, imports filled about half of Ecuador’s corn needs. According to Ecuador’s national statistics, the country imported about 88,000 MT of corn in CY 2017, of which 49,000 MT came from the United States and 39,000 MT came from Argentina.



Corn exports from Argentina come to Ecuador by sea through the Panama Canal. Ships are usually loaded at the ports of San Lorenzo or Rosario. The shipping time from Argentine to Ecuadorian ports is approximately 18-19 days. Attempts to ship via Puerto del Hambre and Cape Horn are sometimes feasible in the summer months of the Southern Hemisphere (December –February). This timeframe benefits exports from South America as it coincides with the time of the year when corn stocks are lowest in Ecuador. Shipping rates are usually more competitive for Argentina than out of the Gulf of Mexico.

Ecuador is a minor exporter of corn, primarily shipping small amounts of white and yellow corn for human consumption to neighboring Colombia. With farmers receiving higher than normal prices on the domestic market, there is little incentive for them to shift production to exports.

**Imported Yellow Corn Tariffs under the Andean Price Band Applied By Ecuador
February 1-15, 2018**

HTS	MARKER PRODUCT	FLOOR PRICE	CEILING PRICE	REFERENCE PRICE 1/	AD- VALOREM TARIFF (%)	CURRENT VARIABLE LEVY	TOTAL TARIFF %	WTO BOUND TARIFF	EFFECTIVE APPLIED TARIFF
1005.90.11	CORN	249	312	184	15%	30%	45%	45%	45% *

1/ Average Reference Price for the specified period.

* Import permits are not issued automatically and require government approval

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 set floor and ceiling prices for yellow corn are currently at \$249/MT and \$312/MT, respectively. The variable levy for corn remains at 30 percent. Foreign corn faces import duties of 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, has not been announced in many years. The Andean Price Band System currently increases duties beyond 25 percent (i.e., 15 percent *ad valorem* plus a variable levy of 30 percent).

Rice, Milled:

Rice, Milled Market Begin Year	2016/2017		2017/2018		2018/2019	
	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Ecuador						
Area Harvested	357	357	325	325	0	310
Beginning Stocks	213	213	268	243	0	307
Milled Production	1080	800	882	882	0	840
Rough Production	1714	1270	1400	1400	0	1333
Milling Rate (.9999)	6300	6300	6300	6300	0	6300
MY Imports	50	130	50	100	0	50
TY Imports	40	100	50	100	0	50
TY Imp. from U.S.	0	1143	0	0	0	0
Total Supply	1343	1143	1200	1225	0	1197
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	1075	900	1025	918	0	940
Ending Stocks	268	243	175	307	0	257
Total Distribution	1343	1143	1200	1225	0	1197
Yield (Rough)	4.8011	3.5574	4.3077	4.3077	0	4.3

(1000 HA) ,(1000 MT) ,(MT/HA)

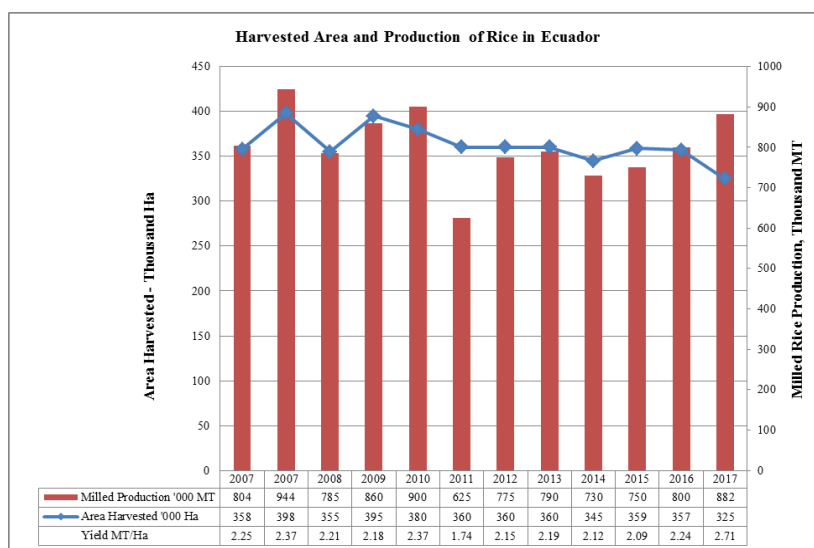
Production:

FAS Quito forecasts Ecuador's milled rice production in MY 2018/19 at 840,000 MT, down 42,000 MT or 4.8 percent compared to the MY 2017/18 revised estimate of 882,000 MT. We attribute this drop in production to a decline in area planted and marginally lower yields following MY 2017/18, a year with high production. We consider this marginal drop in yields normal. The assumption made to justify the decrease in area harvested by 4.6 percent in MY 2018/19 compared to MY 2017/18 is related to farmers' hesitation to bear higher production costs in areas with irrigation due to depressed domestic prices. Overall, MY 2017/18 saw a significant recovery in production due to favorable weather conditions.

Ecuador’s milled rice production in MY 2017/18 is estimated at 882,000 MT, up 82,000 MT or 10 percent compared to production levels in MY 2016/17.

To some extent, phytosanitary problems such as infestations of apple snails first introduced in 2010 continue to make rice production challenging and a high-cost agricultural activity. Rice production will remain profitable in Ecuador only for as long as the government continues its policy of minimum prices for rice and blocks imports from third countries. The availability of improved rice varieties, however, has increased productivity and more than offset losses due to 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.

The peak of this year’s (MY 2018/19) first harvest will likely occur toward the end of April. Yields are expected to be very marginally lower than those of MY 2017/18 (4.3 MT/hectare, rough rice). Yields in milled production terms are included in the chart below. The right amount of rain is expected to enhance production and quality. Approximately 45 percent of Ecuador’s rice production is harvested between April and June.



Rice production is concentrated in Ecuador’s coastal lowlands. This area floods during the November-April rainy season, but remains humid throughout the rest of the year. Production varies with rainfall, with the larger harvest occurring towards the end of the rainy season (i.e., May-June). Only a third of the acreage is planted during the summer months, and limited only by access to irrigation. While large-scale farmers can afford expensive irrigation and equipment, 75 percent of Ecuador’s poorer rice farmers (five hectares or less) cannot afford these costs.

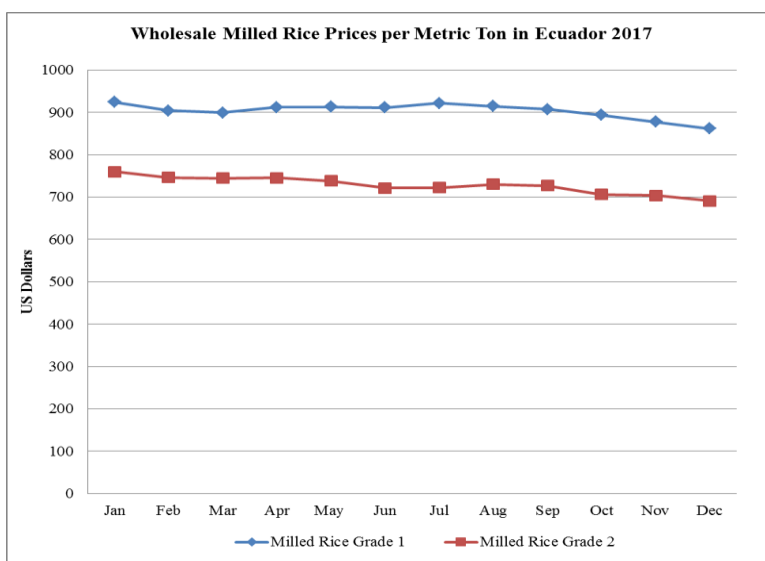
Consumption:

Rice is a staple in Ecuador. Almost all local production is consumed domestically. Total consumption in MY 2018/19 is forecast at 940,000 MT, up 22,000 MT or 2.4 percent from the MY 2017/18 revised estimate of 918,000 MT. We attribute the increase in consumption to population growth and increased per capita consumption triggered by lower prices. Per capita consumption is trending upwards at about

55~56 kilograms/annum. This estimate takes into consideration losses due to spoilage of old stocks and an increase in the consumption of rice and rice byproducts in the production of animal feed.

Ecuador’s Ministry of Agriculture and Livestock (MAG) set farm gate rice prices of \$35.50 per 200 pound (90.76-kilogram) sack of paddy rice (~\$392/MT) in 2017. Trade sources and news articles report that farmers effectively received prices as low as \$26.00 per 200 pound (90.76-kilogram) sack of paddy rice in MY 2017/18. It is speculated that domestic prices are trending downwards due to competition from gray trade; i.e., lower-priced, and better quality, rice coming from Peru.

Domestic rice is marketed through wholesalers in 100 pound (45.36-kilogram) sacks, with small vendors selling to consumers by the kilogram. In CY 2017, it is estimated that the average wholesale price of a 100 pound (45.36-kilogram) sack of milled rice grade one (maximum five percent broken) was \$40.98 (~\$924.26/MT) and \$33.02 (~\$728.00/MT) for grade two (maximum ten percent broken). At the retail level consumers paid on average \$1.04/kilogram (\$1040/MT). With the expansion of the modern supermarket sector, sales of two-to-five kilogram branded rice sacks are increasingly popular, and account now for 15-20 percent of rice sales. Overall, rice prices declined from July-August through December.



Trade:

Although Ecuador’s Ministry of Agriculture has publicly announced potential exports of rice to Colombia and Venezuela, FAS Quito does not expect that such exports will take place. The price of Ecuadorian rice in public stocks is higher than world prices and is not export quality.

The numbers in the PSD Table for this report have been adjusted to account for border trade (i.e., paddy rice of foreign origin that is milled in Ecuador). FAS Quito sources have stated that unless Ecuadorian mills are currently processing foreign rice, observed consumption levels of milled rice would not correspond to domestic production of paddy rice. In the context of increased domestic production for MY 2018/19, total imports (taking into account official and unofficial sources) are forecast to decline to 50,000 MT. Imports of rice into Ecuador from neighboring countries are estimated at 100,000 MT in MY 2017/18.

Rice imports from countries outside the Andean Community (Colombia, Ecuador, Peru and Bolivia) require a cumbersome inter-agency approval process. Concerns with Ecuador’s balance-of-payments have been used to justify import-restricting measures. Currently, rice imports from outside the Andean Community are subject to a combined 68 percent import tariff.

Ecuador has exported at times rice to Colombia, Peru, Venezuela, and Cuba, dependent mostly on geopolitical considerations. Ecuadorian agriculture and grain storage authorities, however, have been unable to export rice in recent years due to differences between paid prices and export prices. According to Ecuadorian law, government agencies are banned from selling a good, or exporting it (e.g., rice) at a price lower than what the agency paid.

Stocks

The PSD table is updated to reflect observed stock levels. FAS/Quito assumes that private millers, government silos and consumers maintain two to three months of consumption in stock at any given time. The Ministry of Agriculture issues export and import permits, and acts as the authorized exporter of reserves. The government has established, but not always enforced, an emergency stock of 80,000 MT of rice to ensure national food security. Currently, however, due to high production in FY 2017/18 and accumulated stocks owned by the government, it is estimated that stocks (307,000 MT) have experienced a significant increase of 64,000 MT or 26 percent compared to MY 2016/17 levels (243,000 MT).

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 official minimum price at the farm gate is currently set at ~\$392/MT of paddy rice, 20 percent humidity, 5 percent foreign material. The Andean Price Band System currently sets a floor price of \$467/MT and a ceiling of \$557/metric ton. The Andean Price Band System is recalculated twice a month: at the beginning and middle of the month. 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 ALADI, but they are still assessed the Andean Price Band System variable levy.

Ecuador’s Negotiated Tariffs for Rice with Trade Partners

HTS	Description	United States and World	CAN	Peru	Chile	ALADI				
						Paraguay	Uruguay	Argentina	Brazil	Mexico
1006.1090	Rice, Paddy	20%	Zero	Zero	15%	15%	7.5%	15%	15%	15%
1006.2000	Rice, Brown	68%	Zero	Zero	20%	20%	10%	20%	20%	20%
1006.3000	Rice, Milled	68%	Zero	Zero	20%	12%	10%	20%	20%	20%
1006.4000	Rice, Broken	25%	Zero	Zero	20%	20%	10%	20%	20%	20%

Note: Although Peru is part of the Andean Community (Colombia, Ecuador, Peru and Bolivia), it has signed a bilateral agreement with Ecuador that includes preferences on rice. Similarly, Chile has also negotiated a bilateral trade agreement with Ecuador.
 Source: FAS OAA Quito office research.

**Imported Rice Tariffs under the Andean Price Band Applied By Ecuador
February 15-28, 2018**

HTS	MARKER PRODUCT	FLOOR PRICE	CEILING PRICE	REFERENCE PRICE 1/	AD- VALOREM TARIFF (%)	CURRENT VARIABLE LEVY	TOTAL TARIFF %	WTO BOUND TARIFF	EFFECTIVE APPLIED TARIFF
1006.30.00	RICE 10% SPLIT GRADE	467	557	479	20%	47.5%	67.5%	68%	67.5% *

* Authorized by a 2008 Executive Order. Presidential decree 1458, 2008, authorized levying a higher tariff than that established by the Andean Community.