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Market Access for U.S. Beef and Offal

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Report Highlights:

Importers are opening import permit requests for U.S. beef and offal shipments. U.S.-origin tenderloin, sirloin, and rib-eye cuts evidence the best prospects for the Ecuadorian market; there is also good potential for U.S. hamburger patties. Ecuador also represents a good export destination for U.S.-origin offal (i.e., stomachs, tripe, hearts and livers). At current consumption levels, Ecuador is a \$1.7 billion animal protein market (includes beef, pork, and poultry).

SECTION I. Market Summary

A. Market Overview

Ecuador's economy remains vulnerable to oscillations in international metal and petroleum prices, as well as fluctuations in the country's currency (i.e., the U.S. dollar). It is estimated that the country's 2013 gross domestic production (GDP – real growth rate) will grow about 4 percent compared to 2012, reaching roughly \$66 billion (at constant 2000 prices). Growth in 2014 is being forecast at a slightly better 4.2 percent, but nonetheless still down from the 4.9 percent compound annual growth rate (CAGR) achieved throughout the 2009-13 period.

Although this country of 15.6 million (Central Intelligence Agency, July 2014 est.) inhabitants has the region's smallest retail market, FAS Quito finds that it nevertheless offers U.S. beef and beef product exporters good possibilities. With improved macro-economic stability there has been a commensurate rise in real income levels, leading to increased consumers' purchasing power over the past 10 years. However by international standards, personal income at about \$10,000 (in purchasing power parity terms) is low; forcing Ecuadorians to devote a high portion of their disposable income to food purchases. Private consumption per head in 2013 is roughly \$3,700. We believe that U.S. beef and beef products are best targeted at middle- to upper-income consumers.

Ecuador's food processing industry is a key player within the country's manufacturing sector. By some estimates the food processing sector accounts for about 45 percent of the manufacturing sector's contribution to the country's gross domestic product. The food processing sector in 2013 accounted for about one-third of Ecuador's estimated \$25 billion export earnings. The country is the world's largest exporter of bananas, as well as a major supplier of cut flowers, fruits, cocoa, coffee, tuna, and shrimp.

B. Beef Consumption in Ecuador

At FAS Quito, we find that younger, middle-class consumers have benefitted substantially from Ecuador's macro-economic stability. These have seen their purchasing power over the past decade improve; increasing their access to and acceptance of imported foods. The population's median age in 2014 is estimated at 27.3 years.

We understand that on average, Ecuadorians consume about 11 kilograms of beef and beef products per year. Although pork meat consumption at 10 kilograms per annum is similar, poultry meat consumption at 36 kilograms is by far significantly greater. According to the National Institute of Statistics and Census, Ecuadorians on average spend about \$9.00 per month (or \$108 per year) on beef, poultry, and pork meats purchases; making this a nearly \$1.7 billion animal protein market.

C. Local Beef Production versus Imports

The Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) indicates that the annual production of (local) beef and beef products reaches about 140,000 metric tons (MT). Some projections however indicate a number closer to 180,000 MT based on the 903,812 animals slaughtered in 2013. Ecuador imported some 669 MT, or \$4 million in beef and beef products in 2013. Fresh and frozen beef imports account for about \$853,000, while processed beef products are tallied at just under \$3.3

million. Beef offal imports at 337 MT (or \$371,000) represent the bulk of imports in volume-terms. FAS Quito finds that in 2013 Ecuador sourced beef and beef products mainly from Chile (\$2.9 million), Uruguay (\$583,000), Argentina (\$172,000), and Bolivia (\$103,000).

At FAS Quito, we understand that imported beef and beef products are levied tariffs ranging between 20-30 percent (depending on the Harmonized System – HS code number). Imports are also assessed a value-added tax of 12 percent.

SECTION II. Import Requirements

Ecuador's import requirements for beef and beef products vary depending on the HS code number of the specific product. For products classified under HS codes 0201, 0202 and 0206 import documentation includes:

- A Sanitary Permit issued by AGROCALIDAD (Agro-Quality Assurance Agency, equivalent to USDA's Animal and Plant Health Inspection Service).
- A non-Automatic Import License issued by the Ministry of Agriculture, which will require a technical report issued by the Office of the Undersecretary for Livestock.

To obtain the necessary import permission, the importer must file an import request with Customs' (automated) "*Ventanilla Unica*." This request is forwarded to the Offices of the Undersecretaries of Commerce and Livestock (at the MAGAP) and to AGROCALIDAD. The Office of the Undersecretary for Livestock issues a technical report confirming whether the proposed import will or will not affect local Ecuadorian production. AGROCALIDAD for its part verifies whether the importer is registered. If so, it will issue the corresponding sanitary permit; stating that the U.S. food safety authority certifies compliance with the following requirements:

For Beef and Beef Products

1. *The United States has been free of FMD for at least 12 months without vaccination, and has been free from rinder pest and CBPP for at least 24 months without vaccination. The United States is free of Rift Valley fever for 24 months.*
2. *The United States have an active BSE surveillance that meets or exceeds international standards set by the World Organization for Animal Health-OIE.*
3. *The meat comes from animals that were born and raised in the United States or raised in the United States for at least 60 days prior to slaughter and that the feeding of ruminants with ruminant origin meat-and-bone meal and greaves is prohibited in the United States, and this prohibition has been effectively enforced.*
4. *The meat or meat products were derived from animals that passed ante mortem and post mortem inspection by Food Safety and Inspection Service (FSIS) official.*
5. *The beef and beef products were not contaminated with the following specified risk materials: the brain, skull, eyes, trigeminal ganglia, spinal cord, vertebral column (excluding the vertebrae of the tail, the transverse processes of the thoracic and lumbar vertebrae, and the wings of the*

sacrum) and dorsal root ganglia of cattle 30 months of age and older, and the tonsils and distal ileum of the small intestine from all cattle.

6. *The meat or meat products were produced and handled in a manner that ensures that such products do not contain and are not contaminated with mechanically separated meat from the skull and vertebral column from cattle over 30 months old.*
7. *The competent authority of the country of origin, certifying that the meat or edible parts of cattle being are exported, is fit for human consumption and is freely sold in USA.*
8. *The product comes from cattle that have not been stunned prior to slaughter, with a device injecting compressed air or gas into the cranial cavity, or by pithing.*
9. *The meat and meat products come from slaughter or processing establishments operating under the supervision of the FSIS.*
10. *The slaughtering and processing plant where the meat was processed has an established Hazard Analysis and Critical Control Points (HACCP) system and is officially approved for export by the competent official authorities of USDA, FSIS.*
11. *The meat products were packed in authorized containers which have the mark of inspection that includes the number of the plant and a label that includes the product name, lot number, net weight and the pack date.*
12. *The means of transport, handling and loading conditions meet the hygiene requirements of the United States.*
13. *The meat and its products are transported in containers or thermo refrigerated vehicles and are monitored to ensure that they maintain proper temperatures cooling or freezing.*
14. *The feeding of ruminants with meat and bone meal and greaves of ruminant origin has been banned in the United States and the ban has been effectively enforced.*
15. *The meat and meat products were not derived from animals imported from Canada for immediate slaughter.*

For Offal and By-Products

1. *The United States has been free of foot-and-mouth disease (FMD) for at least 12 months without vaccination, and have been free from rinder pest and chronic bovine pleuropneumonia (CBPP) for at least 24 months without vaccination. The United States is free of Rift Valley fever for 24 months.*
2. *The United States has a program for surveillance and control of bovine spongiform encephalopathy (BSE) which complies with or exceeds the standards established within the Terrestrial Animal Health Code of the World Animal Health Organization (OIE).*
3. *The beef by-products come from animals that were born and raised in the United States or were raised in the United States for at least 60 days prior to slaughter and that the feeding of ruminants with ruminant origin meat-and-bone meal and greaves is prohibited in the United States, and this prohibition has been effectively enforced.*
4. *The beef by-products come from cattle that have not been stunned prior to slaughter, with a device injecting compressed air or gas into the cranial cavity, or by pithing.*
5. *The beef by-products were derived from animals that passed ante mortem and post mortem inspection by Food Safety and Inspection Service (FSIS) official.*
6. *The beef by-products were not contaminated with the following specified risk materials: the brain, skull, eyes, trigeminal ganglia, spinal cord, vertebral column (excluding the vertebrae of the tail, the transverse processes of the thoracic and lumbar vertebrae, and the wings of the*

sacrum) and dorsal root ganglia of cattle 30 months of age and older, and the tonsils and distal ileum of the small intestine from all cattle.

7. *The slaughtering and processing plant where the meat was processed has an established Hazard Analysis and Critical Control Points (HACCP) system and is officially approved for export by the competent official authorities of FSIS, USDA.*
8. *The competent authority of the country of origin certifies that the meat or edible parts of cattle being exported are fit for human consumption and are freely sold in USA.*

At FAS Quito, we are aware that AGROCALIDAD will likely require that the plant from where the product is being sourced to be inspected and registered in accordance with Resolution 178. FAS Quito and AGROCALIDAD are discussing processing plant registration procedures.

For those products classified under HS code 1602.50, imports of these require prior sanitary registration with the National Sanitary Regulation and Control Agency (ARCSA). For additional information on this issue, see our [GAIN – Ecuador Exporter Guide 2013](#).

SECTION III. Best Prospects

FAS Quito's sources indicate that U.S.-origin tenderloin, sirloin, and rib-eye cuts evidence the best prospects for the Ecuadorian market. We also believe that there is good potential for U.S. hamburger patties. Ecuador represents a good export destination for U.S.-origin offal (i.e., stomachs, tripe, hearts and livers).

With local hamburger patty production expected to be ramped up in the short-term, we see opportunities for trimmings. These will be needed by local patty manufacturers in order to make production economically feasible given the leanness of local animals. Under this scenario we expect some 70 MT per month of beef trimmings would be required to meet local beef patty manufacturing demand.

At FAS Quito, we are hearing that importers are opening import permit requests for both U.S. beef and offal shipments.