

**Required Report:** Required - Public Distribution

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## **Report Name:** Sugar Annual

**Country:** Ecuador

**Post:** Quito

**Report Category:** Sugar

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### **Report Highlights:**

Ecuador's sugar production in marketing year (MY) 2024/25 is forecast to recover to 530,000 metric tons (MT), the same as the MY 2022/23 estimate, due to a rebound in harvested area after a difficult El Niño weather cycle during the second half of 2023. Domestic consumption is forecast to remain stable with gradual increases expected in the coming years. Ethanol production is not expected to increase in the near to mid-term but an official increase in the ethanol blend rate to 10 percent across Ecuador would increase demand for imported ethanol.

## Sugar Cane for Centrifugal

**Table 1. Sugar Cane for Centrifugal**

Sugar Cane for Centrifugal Market Year Begins	2022/2023		2023/2024		2024/2025	
	Jun 2022		Jun 2023		Jun 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Ecuador</b>						
<b>Area Planted</b> (1000 HA)	83	83	100	100	0	100
<b>Area Harvested</b> (1000 HA)	79	79	99	74	0	99
<b>Production</b> (1000 MT)	6500	6500	7415	5116	0	6930
<b>Total Supply</b> (1000 MT)	6500	6500	7415	5116	0	6930
<b>Utilization for Sugar</b> (1000 MT)	5525	5525	6515	4378	0	5891
<b>Utilization for Alcohol</b> (1000 MT)	975	975	900	738	0	1039
<b>Total Utilization</b> (1000 MT)	6500	6500	7415	5116	0	6930
(1000 HA), (1000 MT)						

### Production:

Planted area for sugar cane in marketing year (MY) 2024/25 is forecast at 100,000 hectares (HA). Of this area, 82 percent represent farms owned by mills located in Guayas, Imbabura, and Loja provinces. The rest is made up of land owned by small producers of artisanal sugar cane products. According to the National Federation of Ecuadorian Sugar Mills, (FENAZUCAR), their planted area will remain between 82,000 - 83,000 HA in the coming years, with fluctuations based on weather conditions. The trend of small farmers in the coastal region moving from sugar cane to other crops is expected to continue. In addition to general adverse weather conditions that have affected the coastal region in recent years, MY 2023/24 saw the impacts of the El Niño weather phenomenon. This heavily impacted cane production, making it impossible to harvest 31 percent of the planted area belonging to FENAZUCAR companies.

For sugar cane production in MY 2024/25, 99 percent of the total planted area is expected to be harvested, reaching 7.9 million metric tons (MMT). Estimated yields are forecast around 70 metric tons (MT)/HA, a decrease of 7 percent from MY 2023/24. Productivity in lands belonging to sugarcane mills see yields of over 80 MT/HA. Areas around the three main mills located in Guayas province, by far the top production region, are using more productive local varieties, like CC85-92, ECU-01, and ECU-02.

Ecuador's sugar production in MY 2023/24 is estimated at 420,000 MT, down 110,000 MT, or 21 percent, from MY 2022/23. Sugar production in MY 2024/25 is forecast to recover back to 530,000 MT. The sucrose content is expected to remain similar to the previous year.

FAS Quito estimates that up to 20,000 hectares may be dedicated to sugar cane for juice production, which is utilized for making "panela" (unrefined cane sugar derived from the boiling and evaporation of sugar cane juice to form a solid block of sucrose), molasses, and traditional sweets. Small farmers located in the sugar production areas of the Ecuadorian highlands commonly produce these products using rudimentary processes.

**Figure 1: Mechanized Sugar Cane Harvest at Ingenio Azucarero del Norte.**



Mechanized sugar cane harvest. Imbabura. Source: Ingenio Azucarero del Norte Mill.

The ethanol production sector is based on a contract with Petroamazonas, a state-owned oil company, to supply up to 100 million liters of ethanol per year. The members of FENAZUCAR allocate a steady 15 percent of their production to ethanol. Artisan mills provide up to 4 percent of the yearly contract, up to four million liters. FAS Quito continues monitoring developments in ethanol production and use.

Sugar cane production for artisanal ethanol, panela, and other products is located across the 24 provinces of Ecuador, in areas that receive 600-1,200 millimeters of rainfall per year (the majority of which falls during the January-April period). Sugar cane is produced as part of subsistence production practices that includes plantain, cassava, corn, and other crops.

**Figures 2-3: Local Alcohol production:**



Source: FAS Quito files

Ecuador’s domestic wholesale sugar prices experienced a continuous decline between 2011 to 2017. Although prices have remained stable in recent years, retail prices increased during calendar year (CY) 2023 due to post-pandemic recovery and the disruption of the harvest that created price speculation.

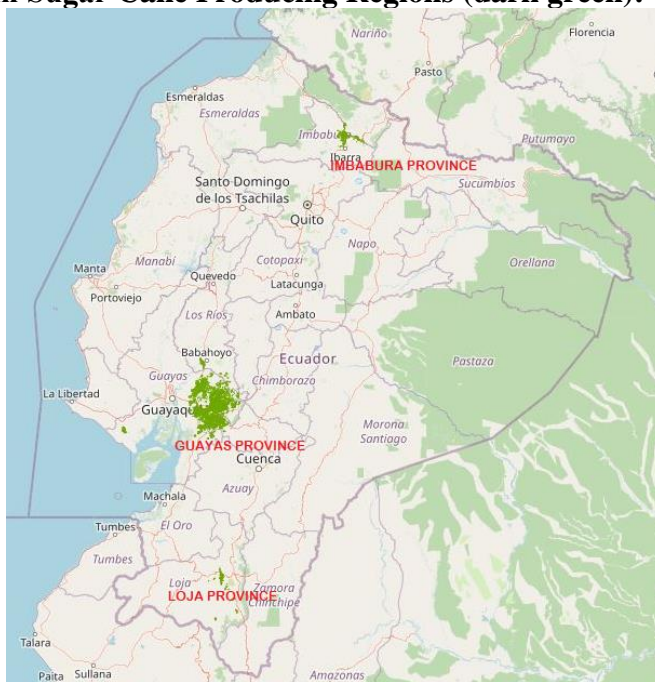
Mill gate prices in CY 2023 ranged between \$0.76-0.82/kg. The spread between wholesale and retail prices is attributable to intermediary markup, speculation, storage, distribution, and advertising costs, which could range from \$1.06 to \$1.18/kg. During CY 2023, retail stores faced sugar shortages, which were resolved via a record level of imports, bought and distributed by FENAZUCAR.

The Ministry of Agriculture issued Agreement No. 0447 in June 2022, which set the price of cut sugar cane for MY 2022/23 at \$ 35.05/MT. FENAZUCAR then filed a legal complaint and won the suit, keeping the official price at \$31.70/MT. However, the Ministry of Agriculture successfully appealed, eventually resetting the official price of \$35.05/MT for CY 2023 and 2024.

According to Ecuador’s Biofuels Association, APALE, around 15 percent of the country’s sugarcane planted area is for ethanol production. Currently, about 100 million liters of ethanol are produced annually for “ECOPAIS” fuel, with a blend rate of up to 10 percent ethanol in certain regions.

During the harvest season that runs from June to December, the sugar industry (sugarcane and sugar production) generated 40,000 direct employs. Ecuador’s sugar industry includes 3,146 producers, 58 percent of them with less than 5 hectares.

**Figure 4: Ecuador’s Main Sugar Cane Producing Regions (dark green):**



Source: SIPA information program: Ministry of Agriculture

## Centrifugal Sugar

**Table 2: Centrifugal Sugar**

Sugar, Centrifugal Market Year Begins Ecuador	2022/2023		2023/2024		2024/2025	
	May 2022		May 2023		May 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b> (1000 MT)	359	359	344	385	0	392
<b>Beet Sugar Production</b> (1000 MT)	0	0	0	0	0	0
<b>Cane Sugar Production</b> (1000 MT)	530	530	530	420	0	530
<b>Total Sugar Production</b> (1000 MT)	530	530	530	420	0	530
<b>Raw Imports</b> (1000 MT)	0	6	0	0	0	0
<b>Refined Imp.(Raw Val)</b> (1000 MT)	40	77	60	170	0	40
<b>Total Imports</b> (1000 MT)	40	83	60	170	0	40
<b>Total Supply</b> (1000 MT)	929	972	934	975	0	962
<b>Raw Exports</b> (1000 MT)	15	15	20	18	0	15
<b>Refined Exp.(Raw Val)</b> (1000 MT)	10	10	15	10	0	15
<b>Total Exports</b> (1000 MT)	25	25	35	28	0	30
<b>Human Dom. Consumption</b> (1000 MT)	560	562	560	555	0	555
<b>Other Disappearance</b> (1000 MT)	0	0	0	0	0	0
<b>Total Use</b> (1000 MT)	560	562	560	555	0	555
<b>Ending Stocks</b> (1000 MT)	344	385	339	392	0	377
<b>Total Distribution</b> (1000 MT)	929	972	934	975	0	962
(1000 MT)						

### Consumption:

Total domestic consumption in MY 2023/24 is now estimated at 555,000 MT, the same as the forecast for MY 2024/25. This is to compensate for the slight reduction in the population made by the Ecuadorian Institute for Statistics and Census (INEC). In February 2024, INEC adjusted the population of Ecuador to 17.9 million for CY 2024. INEC's official population in CY 2022 was just over 18 million. In 2023, the per capita annual consumption of sugar was 31 kilograms (kg) per person.

Sugar mills do not promote the consumption of sugar, but panela and brown sugar producers carry out constant promotions of the benefits of these artisanal products.

Domestic nutritional food labeling and fiscal policies (i.e., sugar taxes) are still affecting sugar consumption. In response to these policies, and to find alternative uses, mills have increasingly used sugar cane and sugarcane subproducts for alcohol and energy production in recent years.

During CY 2023, sugar production destined for direct sales represented 75 percent of utilization. Of this, 45 percent (or 34 percent of total human consumption) is sold in 50 kg by wholesalers that are sold countrywide and commonly by weight at destination. Supermarket chains, traditional wet markets, and small retailers such as neighborhood, family-owned stores represent 55 percent of direct distribution to consumers (about 41 percent of total consumption) sugar could be sold in different presentations: 0.5 kg, 1 kg, 2 kg, and by weight.

The remaining 25 percent of consumption corresponds to industrial uses. Sugar is used in the manufacturing of sweetened beverages, bread, cookies, frozen snacks, confectionery, and jarred goods. In recent years, industrial sugar use has gone from over 40 percent to less than 30 percent of total consumption as the industry has switched to artificial sweeteners due to domestic nutrition policies.

**Figure 5: Refined and Other Sugar Presentations**



Source: San Carlos Mill

### **Trade:**

Post estimates sugar exports in MY 2023/24 at 28,000 MT, a 11 percent increase from MY 2022/23. Exports in MY 2024/25 are forecast to reach over 30,000 MT, as weather conditions in the coastal region improve after the El Niño weather cycle during CY 2023. This follows a trend of large swings in Ecuador's sugar exports in recent years, which reached a peak in MY 2016/17 of 107,000 MT, then subsequently fell to 60,000 MT the following year.

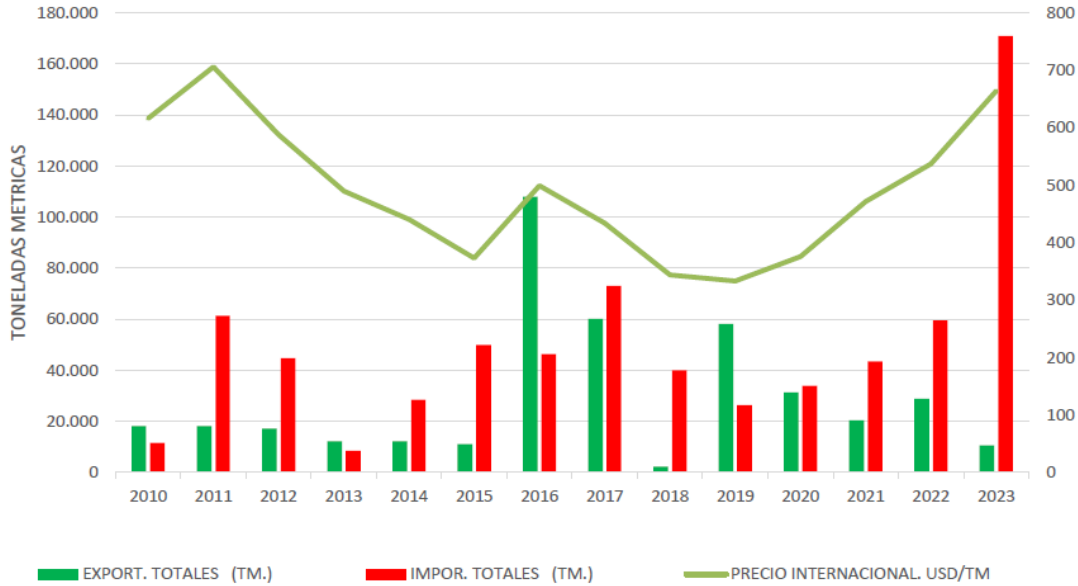
Ecuador consistently fulfills its U.S. tariff rate quota (TRQ) for sugar. FAS Quito does not expect any change in Ecuador's ability to meet the TRQ in the next few years, as the U.S. TRQ represents a small percentage of Ecuador's total production (roughly three percent). In addition, Ecuador has fulfilled reallocated amounts without issue.

Ecuador is largely self-sufficient in raw sugar production. Imports have historically ranged between 25,000 MT and 40,000 MT per year, according to Ecuador's National Federation of Sugar Producers (FENAZUCAR). MY 2023/24 imports are estimated at 170,000 MT to compensate for the harvest reduction during CY 2023. Sugar imports in MY 2024/25 are forecast to fall to 40,000 MT (average yearly imports), down 130,000 MT from MY 2023/24, which was an atypical year.

Ecuador's surplus sugar production is partly diverted for export to the United States, which during CY 2023 represented 61 percent of exports. Spain was the second destination, representing 10 percent, and Colombia came in third with four percent. Other destinations are mainly European and Latin American countries which represent 25 percent of total exports. Nearly all U.S. bound sugar is exported under the U.S. Quota Eligibility System.

Local and international sugar prices determine whether exports to Colombia and other countries occur. The export numbers from the Ecuadorian Central Bank do not account for informal cross-border trade with neighboring countries such as Colombia and Peru, which are negligible.

**Figure 6: Ecuador Sugar Imports and Exports (MT), 2010 – 2023**



Source: FENAZUCAR

**Stocks:**

The Government of Ecuador does not maintain a strategic sugar reserve. Private sector sugar mills have invested in sugar storage facilities. Warehouses are mainly in Guayaquil and in Guayas province. Storage capacity is sufficient to absorb production and a four-month reserve, during the inter-harvest period. Ending stocks for MY 2024/2025 are forecast at 377,000 MT.

**Policy:**

Domestic sugar prices remain artificially high due to Ecuador’s protection of the sugar value-added chain from international trade. An example of government intervention in favor of Ecuador’s sugar producers includes COMEX Resolution 030-2017 from December 2017, which effectively stops the preferential treatment (zero tariffs) granted to sugar imports from Andean Community members Colombia, Peru, and Bolivia. This Resolution established a tariff-free quota for imports from Colombia of up to 30,000 MT. All sugar imports from other Andean Community countries were made subject to the Andean Price Band System. In November 2018, Resolution 030 was replaced with COMEX Resolution 020-2018. Resolution 020 further restricted access to the Ecuadorian market by reducing the quota for Colombian exports to 17,229 MT. Prior to the enforcement of these COMEX Resolutions, Ecuador’s sugar imports from the Andean Community benefited from duty-free treatment. Andean Community sugar imports nonetheless required prior government authorization.

All-origin raw and refined sugar imports are assessed a 15 percent base tariff. In addition, countries are levied the Andean Price Band System’s variable tariff. The variable levy for raw and refined sugar during the first half of April 2021 was set at 15 percent. Sugar imports have a World Trade Organization approved bound tariff rate of 45 percent, which includes price band-related duties.

Three policy changes have affected domestic consumption of sugar in Ecuador over the last few years. First, a 2014 law mandated labeling of all processed food products and beverages sold in Ecuador with a traffic light type label highlighting sugar, salt, and fat content (Ministry of Public Health’s Food

Labeling Resolution Number 4522 of November 2013). Second, Ecuador’s Ministry of Industries issued Resolution 17-156 in April 2017, which mandates the addition of the following warning for sugar for food packed for retail sale: “For your health reduce the consumption of this product”. Third, the Organic Law to Balance Public Finances (April 29, 2016, published in the Official Record 744) established the following tax scheme for sugared drinks: soft drinks with a sugar content less than or equal to 25 grams per liter of beverage and energy drinks are levied a 10 percent ad-valorem tax. Non-alcoholic drinks and soft drinks with a sugar content greater than 25 grams per liter of beverage, except for energy drinks, are levied a charge of \$0.18 per each 100 grams of sugar.

**Figure 5: Image of Ecuador’s Dietary Warning Labels:**



Source: Ecuador Ministry of Public Health

Industry sources report that these three policies have affected consumer patterns and increased production costs. Subsequently, food and beverage manufacturers have increasingly replaced sugar with low-calorie sugar substitutes in food and beverage manufacturing.

Sugar is a key component of the basic basket of goods utilized by the government to track inflation. Neither farmers nor mills receive domestic or export subsidies. Sugar cane farmers, like other farmers, are eligible for agricultural loans at preferential rates from BanEcuador and the National Finance Corporation.

Ecuador enjoys associate status with the Southern Common Market (MERCOSUR), but it has yet to commence sugar tariff negotiations. Under the Ecuador-European Union Free Trade Agreement that took effect on January 1, 2017, Ecuador benefits from a 25,000 MT TRQ for sugar and products. The TRQ is 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. Ecuadorian sugar producers did not claim this quota benefit in 2021 due to domestic supply and freight cost considerations.

In CY 2022, the Ecuadorian government set an ethanol blend rate of 10 percent. For now, gasoline blended with ethanol is known as “ECOPAIS” and is sold in half of the country (lowlands and coastal areas) at the same price as “EXTRA” gasoline (85 octane). There is currently an effort to expand the 10 percent blend rate to the rest of the country. This would create an estimated increased demand of 300 million liters of ethanol, which Ecuadorian producers won’t be able to supply.



**Attachments:**

No Attachments