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FAS Quito's Intervention Ensures USD 250 Million U.S. Soybean Meal Trade

Report Categories:

Agriculture in the News

Export Accomplishments - Other

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Trade Policy Monitoring

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Report Highlights:

Ecuador's Foreign Trade Committee (COMEX) resolved on November 26, 2014, to extend the current tariff and duty exemption for soybean meal imports from all origins (including the United States). The exemption extension is effective January 1, 2015. FAS Quito's unceasing intervention with Government of Ecuador authorities on behalf of U.S. exporters, as well as coordination with the U.S. Soybean Export Council and Ecuador's animal feed industry resolved a situation that could have jeopardized \$200 million to \$250 million in future U.S. soybean meal shipments. U.S.-origin soybean meal exports in CY 2014 (Jan-Sept) at \$130 million are already up 7.5 percent compared to the previous year and we estimate these could reach \$198 million by year's end at the current pace.

General Information:

Ecuador's Foreign Trade Committee (COMEX) resolved on November 26, 2014, to extend the current tariff and duty exemption for soybean meal imports from all origins (including the United States). [COMEX Resolution 040-2014](#), impacting soybean meal (Harmonized Tariff System – HS 2304.00.00.00), stipulates 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, 2016. The exemption extension is effective January 1, 2015.

Ecuador first implemented the current longer term exemption extension on March 1, 2013 (COMEX Resolution 103). Previous extensions were shorter in duration and offered only to allow the completion of specific purchases. But high-level sources informed FAS Quito that the exemption renewal would be eliminated this year due to the government's need to tap into additional revenue sources as a result of anticipated softer petroleum prices in 2015. Oil revenues account for half of the Ecuador's export earnings and quarter of its public sector revenues.

FAS Quito's unceasing intervention with Government of Ecuador authorities on behalf of U.S. exporters, as well as coordination with U.S. Soybean Export Council and Ecuador's animal feed industry, resolved a situation that could have jeopardized future soybean meal shipments. The levy exemption will level the competitive field. For example, Bolivia, one of Ecuador's Andean Community (CAN) members, stood to gain the most due to not being subject to the variable levy.

Without this COMEX exemption extension, U.S.-origin soybean meal imports would have been subjected to a 15 percent *ad valorem tax* and the Andean Price Band's variable levy (currently set at nine percent, but potentially as high as 23 percent). This levy would have priced U.S. product out of the Ecuadorian market and reduced overall U.S. food and agricultural product exports to Ecuador by at least 42 percent (based on calendar year 2013 figures). The United States already has significant trade deficit in agricultural products, and in calendar year (CY) 2014 (through September) the deficit is \$1.4 billion, up \$243 million or 21 percent compared to CY 2013.

U.S. soybean meal exports to Ecuador have grown with a compound annual growth rate of over 57 percent during 2009 to 2013, with a record high in CY 2012 of almost \$258 million. U.S. soybean meal exports in CY 2014 are already up 7.5 percent compared to the previous year and we estimate these could reach close to \$198 million by year's end.

Ecuador's animal feed industry prefers U.S.-origin soybean meal. Poultry, swine, and aquaculture producers report that the higher protein content U.S. soybean meal results in better conversion rates and lower mortality. Ecuador lacks commercially significant soybean crushing capabilities. It is also deficient in soybean production, meeting only six percent of the local animal feed industry's needs. Domestic soybean production in 2014 is estimated at 45,000 metric tons (MT), down 10,000 MT or 18 percent compared to 2013 levels.

FAS Quito and the U.S. Soybean Export Council collaborate to train Ecuador's animal feed manufacturers on the proper usage and quality advantages of U.S. origin soybean meal. Cooperative engagement extends to collaborating with public sector counterparts and educational institutions on the merits of using soy products for feed, aquaculture and in human consumption.

