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## **Ecuador**

### **Sugar Annual 2016**

#### **Ecuador's Sugar Production Affected by El Niño**

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**Report Highlights:**

Ecuador's sugar production in marketing year (MY) 2015/16 is estimated at 576,000 metric tons (MT), down 49,000 MT or over seven percent lower than in MY 2014/15. Production in MY 2016/17 is forecast to grow to 600,000 MT, up 24,000 MT or increasing over four percent compared to the MY 2015/16 estimate. We attribute the increase to sugar production returning to more normal levels following abatement of the El Niño Southern Oscillation (ENSO) phenomena's weather-disrupting effects. We estimate total domestic consumption in MY 2015/16 at 619,000 MT, up 20,000 MT or increasing three percent from MY 2014/15's level as result of natural population growth. Total domestic consumption in MY 2016/17 is forecast to reach 627,000 MT, up some 8,000 MT or increasingly slightly over one percent from the MY 2015/16 estimate. Sugar exports in MY 2015/16 are estimated at 13,000 MT, largely unchanged from MY 2014/15's level. Exports in MY 2016/17 are however forecast to grow by 2,000 MT or 15 percent to reach 15,000 MT.

## **Executive Summary:**

Ecuador's sugar production in marketing year (MY) 2015/16 is estimated at 576,000 metric tons (MT), down 49,000 MT or over seven percent lower than in MY 2014/15. Production in MY 2016/17 is forecast to grow to 600,000 MT, up 24,000 MT or increasing over four percent compared to the MY 2015/16 estimate. We attribute the increase to sugar production returning to more normal levels following abatement of the El Niño Southern Oscillation (ENSO) phenomena's weather-disrupting effects.

We estimate total domestic consumption in MY 2015/16 at 619,000 MT, up 20,000 MT or increasing three percent from MY 2014/15's level as result of natural population growth. Total domestic consumption in MY 2016/17 is forecast to reach 627,000 MT, up some 8,000 MT or increasingly slightly over one percent from the MY 2015/16 estimate.

Sugar exports in MY 2015/16 are estimated at 13,000 MT, largely unchanged from MY 2014/15's level. Exports in MY 2016/17 are however forecast to grow by 2,000 MT or 15 percent to reach 15,000 MT. Ecuador is largely self-sufficient in raw sugar production. The country however does on occasion import sugar. These imports occur towards the last quarter of the calendar year, extending through the first half of April in the following year. Imports average roughly 50,000 MT. In MY 2015/16, Ecuador imported an estimated 55,000 MT anticipating possible El Niño related production shortfalls. Sugar imports in MY 2016/17 are forecast to drop to 35,000 MT, down by 20,000 MT or 36 percent compared to MY 2015/16.

**Commodities – Sugar, Centrifugal  
Production:**

**PSD TABLE, ECUADOR, CANE SUGAR, CENTRIFUGAL**

Sugar, Centrifugal Market Begin Year	2014/2015		2015/2016		2016/2017	
	May 2014		May 2015		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Ecuador						
Beginning Stocks	363	363	398	398	0	397
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	625	625	620	576	0	600
Total Sugar Production	625	625	620	576	0	600
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	22	22	0	55	0	35
Total Imports	22	22	0	55	0	35
Total Supply	1010	1010	1018	1029	0	1032
Raw Exports	13	13	13	13	0	15
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	13	13	13	13	0	15
Human Dom. Consumption	599	599	610	619	0	627
Other Disappearance	0	0	0	0	0	0
Total Use	599	599	610	619	0	627
Ending Stocks	398	398	395	397	0	390
Total Distribution	1010	1010	1018	1029	0	1032

(1000 MT)

**Ecuador, Wholesale and Retail Sugar Prices, 2013-15**

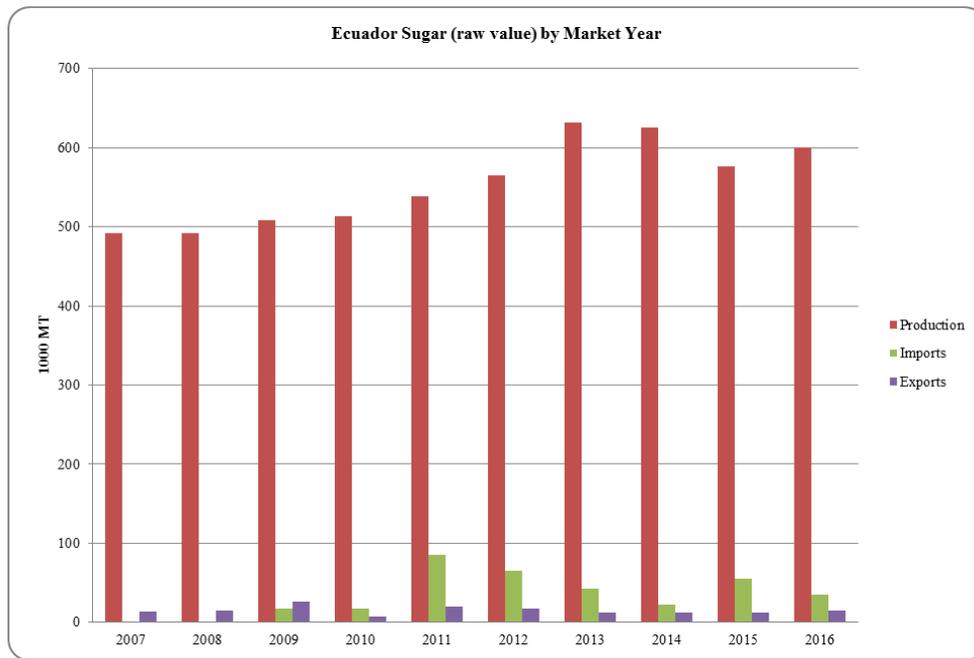
Month/Year	Wholesale Price \$ per kg			Retail Price \$ per kg		
	2013	2014	2015	2013	2014	2015
January	0.83	0.79	0.75	1.07	1.05	1.08
February	0.82	0.80	0.75	1.06	1.05	1.08
March	0.82	0.80	0.72	1.06	1.05	1.02
April	0.83	0.79	0.72	1.06	1.06	1.02
May	0.83	0.78	0.72	1.06	1.05	1.02
June	0.82	0.78	0.73	1.06	1.05	1.02
July	0.81	0.78	0.73	1.06	1.05	1.02
August	0.80	0.78	0.73	1.07	1.05	1.02
September	0.79	0.78	0.73	1.08	1.03	1.08
October	0.77	0.77	0.73	1.05	1.05	1.04
November	0.76	0.76	0.73	1.05	1.04	1.03
December	0.75	0.76	0.72	1.06	1.04	1.02
<b>Average</b>	<b>0.80</b>	<b>0.78</b>	<b>0.73</b>	<b>1.06</b>	<b>1.05</b>	<b>1.04</b>

Source: Ministry of Agriculture, Trade Studies Directorate, FAS Quito office research.

Ecuador's sugar production in marketing year (MY) 2015/16 is estimated at 576,000 metric tons (MT), down 49,000 MT or over seven percent lower than in MY 2014/15. While production in MY 2014/15 was exceptionally high, persistent rains from the El Niño Southern Oscillation (ENSO) weather phenomena delayed the MY 2015/16 harvest driving production downward.

Sugar production in MY 2016/17 is forecast to grow to 600,000 MT, up 24,000 MT or increasing over four percent compared to the MY 2015/16 estimate. We attribute the increase to sugar production

returning to more normal levels following abatement of El Niño’s weather-disrupting effects. FAS Quito finds that production surpluses and deficits usually fall within three-to-four percent of industry targeted amounts. Ecuador does not produce beet sugar.



Source: FAS Quito office research.

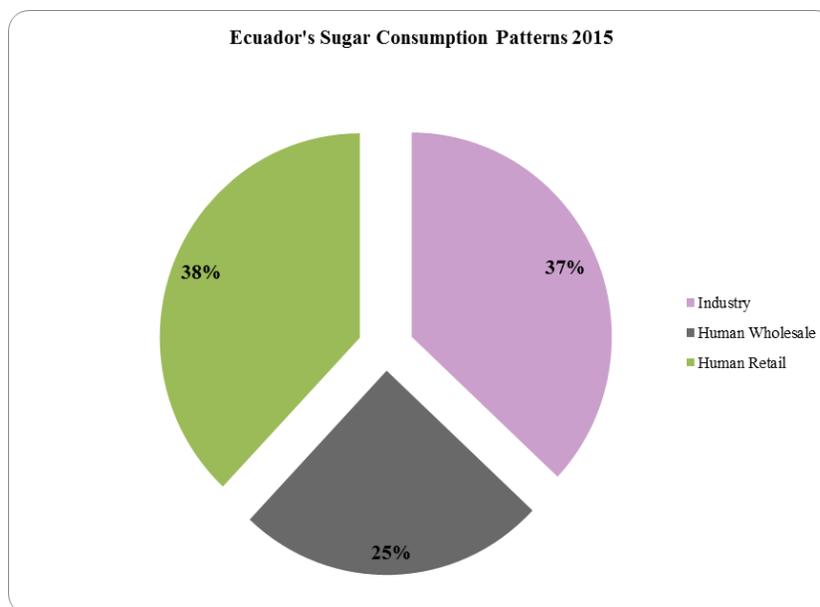
Total sugarcane planted area in MY 2015/16 is estimated at 78,000 hectares; roughly 82 percent of total area, or some 64,000 hectares, has been harvested. Estimated yields are about 90 MT per hectare. Some 8,000 hectares are dedicated to sugarcane juice production, which is utilized for making *panela* (solid blocks), molasses, and ethanol. Ninety percent of Ecuador’s sugar production is concentrated in the Guayas and Cañar provinces, areas with 600-1200 millimeters of rainfall per annum (the majority of which falls during the January-April period).

Ecuador’s domestic sugar prices since 2011 have remained stable, with only a slight downward tendency, despite world prices having dropped by about 50 percent. Average mill prices in calendar year (CY) 2015 ranged from \$35.60 per 50-kilogram sack in January to \$33.00 in December. The average price per kilogram was \$0.69 at the mill gate in CY 2015. FAS Quito understands that farmers were paid \$31.70/MT for cut sugarcane in MY 2015/16, up three percent from 2014/15 levels. We understand that the price adjustment is related to an increase in polarity due to the increasing use of improved sugarcane varieties. During the harvest season some 20,000 low-skilled laborers are employed by the country’s three largest sugar mills; promoting employment remains a priority for the government and industry.

The wholesale price for a one-kilogram bag of refined sugar averaged about \$0.73 in CY 2015. The average retail price for a one-kilogram bag of refined sugar averaged roughly \$1.04 in CY 2015. The spread between wholesale and retail prices is attributable to the intermediary markup and merchandizing costs (which includes advertising costs).

## Consumption:

FAS Quito estimates total domestic consumption in MY 2015/16 at 619,000 MT, up 20,000 MT or increasing three percent from MY 2014/15's level as result of natural population growth. Total domestic consumption in MY 2016/17 is forecast to reach 627,000 MT, up some 8,000 MT or increasingly slightly over one percent from the MY 2015/16 estimate. Ecuador counts with a population of approximately 15.8 million inhabitants, growing at a rate of 1.35 percent per annum (Central Intelligence Agency – July 2015 estimate).



Source: FAS Quito office research.

Per capita consumption of refined sugar is estimated at 39 kilograms. We find that 63 percent of local production is for direct consumption in the form of white, brown, and specialty sugars. FAS Quito understands that 38 percent of Ecuadorian consumers buy sugar at grocery stores, neighborhood family-own stores, and wet markets. Twenty-five percent of consumers however purchase sugar at wholesale markets in the form of 50 kilogram sacks. The other 37 percent of consumption corresponds to industrial uses, mainly in the form of sugared drinks.

## Trade:

FAS Quito estimates sugar exports in MY 2015/16 at 13,000 MT, largely unchanged from MY 2014/15's level. Exports in MY 2016/17 are forecast to grow by 2,000 MT or 15 percent to reach 15,000 MT. Ecuador is largely self-sufficient in raw sugar production.

The country however does on occasion import sugar. These imports occur towards the last quarter of the calendar year, extending through the first half of April in the following year. Imports average roughly 50,000 MT. In MY 2015/16, Ecuador imported an estimated 55,000 MT anticipating possible El Niño related production shortfalls. Sugar imports in MY 2016/17 are now forecast to drop to 35,000 MT, down by 20,000 MT or 36 percent compared to MY 2015/16. Sugar will continue to be imported mainly for industrial use.

<b>Export/ Import Trade Matrix (Metric Tons)</b>		
<b>Commodity: Sugar</b>		
<b>Time Period</b>	<b>CY 2014</b>	<b>CY 2015</b>
<b>Exports To:</b>		
United States	12,125	11,875
Others	985	1,172
<b>TOTAL EXPORTS</b>	<b>13,110</b>	<b>13,047</b>
<b>Imports From:</b>		
Colombia	22,340	36,231
Guatemala		16,939
Bolivia		
Peru		
Others	1,553	221
<b>TOTAL IMPORTS</b>	<b>23,893</b>	<b>53,391</b>
<b>BALANCE (TE-TI)</b>	<b>-10,783</b>	<b>-40,344</b>

Note: Unrecorded, cross-border trade is not included.

Source: Central Bank of Ecuador and FAS Quito office research.

Ecuador's surplus sugar production is largely earmarked for export to the United States, and to a lesser extent to fellow Andean Community (CAN) members Colombia and Peru. About ninety-nine percent of U.S. bound sugar is exported under the U.S. Quota Eligibility System. Local and international sugar prices determine whether exports to Colombia and Peru occur. Ecuador exports heavily during its harvest season. Producers reportedly are anticipating a small supply surplus in MY 2015/16, along with balanced supply-demand for MY 2016/17.

### **Stocks:**

The Government of Ecuador does not maintain a strategic sugar reserve. Private sector sugar mills however have invested in sugar storage capabilities. Warehouses are located in the vicinity of Guayaquil and in the Guayas and Cañar provinces. Storage capability is sufficient to absorb production plus carry a six-month reserve.

### **Policy:**

Sugar is a key component of the basic basket of goods utilized by the government to track inflation. Domestic sugar prices remain artificially high due to the sugar value-added chain being insulated from international trade.

While there is no government-set retail price for refined sugar products, FAS Quito understands that farmers were paid a minimum of \$31.70/MT for cut sugarcane in MY 2015/16. Sources indicate that a government-set minimum price for cut sugarcane drives up prices. Neither farmers, nor mills receive domestic or export subsidies. Sugarcane farmers, like other farmers, are eligible for agricultural loans from BanEcuador and from the National Finance Corporation at preferential rates.

Sugar imports from the Andean Community (i.e., Bolivia, Colombia, and Peru) benefit from duty-free treatment. Andean Community sugar imports nonetheless require prior government authorization. Non-Andean Community-origin raw and refined sugar imports are assessed a 15 percent base tariff in addition to the Andean Price Band System (APBS) variable levy. The levy for raw and refined sugar is set at 30 percent. Sugar imports have a World Trade Organization (WTO) approved bound tariff rate of 45 percent, which includes price band-related duties.

Sources inform that Ecuador's sugarcane mills have an agreement with the government to supply the U.S. market in order to safeguard the sugar allocation quota. These exports normally occur between June and September. Ecuador in 2016 however exported its quota in January.

Ecuador enjoys associate status with the Southern Common Market (MERCOSUR) since 2004; however, it has yet to commence sugar tariff negotiations. Ecuador and the European Union in 2014 finalized trade liberalization negotiation. Once the trade agreement is ratified (in 2016), Ecuador will benefit from a 25,000 MT export quota (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).