

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Ecuador**

### **Sugar Annual 2013**

#### **Ecuador Production of Sugar, Exports, Imports, Consumption**

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**Report Highlights:**

Ecuador's sugar production will increase in MY2013/14 by 4 percent to 657,000 MT raw sugar value. This is due mainly to increased area under production and good weather conditions. Ecuador will likely decrease its current import and export levels of refined sugars in MY2013/14. Ecuadorian producers expect a production surplus of at least 50,000 MT that will need to be exported.

## **Executive Summary:**

Sugar cane production (centrifugal) for Marketing Year (MY) 2013/14 (May 2013/April 2014) will increase by approximately 4 percent mainly due to increases in the area planted and good weather conditions. Production for MY 2013/14 is forecast at 657,000 MT raw sugar value (RSV). Sugar consumption remains flat on a per capita basis, between 35 and 37 kg of refined sugar.

Total official exports remained flat at 18,000 MT RSV in MY 2012/13. In MY 2011/12, Ecuador decreased its imports of refined sugar to 43,000 MT RSV. Ecuador is self-sufficient in refined sugar production. Ecuador will decrease its current import levels of sugar in MY2013/14. It will have a production surplus of at least 50,000 MT that will need to be exported.

Sugar producers have considerably increased stocks in recent years in an effort to hedge against variations in domestic and world prices as well as currency fluctuations in neighboring Colombia and Peru.

## **Commodities:**

### **Sugar, Centrifugal**

#### **Production**

Ecuador's sugar production increased by about 12 percent from MY 2011/12 (565,000 MT) to MY 2012/13 (632,000 MT). Sugar producers increased the area cultivated in response to high prices in the domestic market and in bordering Colombia, as well as developments in the international market.

In MY 2012/13, 79,000 ha were planted with sugarcane, of which 78,000 were harvested. Byproducts of processing are used for the production of alcohol and molasses and small amounts of sugarcane juice are used to produce *panela* (solid blocks made from boiling and evaporation).

Three factors are expected to increase raw sugar production in MY 2013/14: a slight increase in area planted (1,000 ha); improved varieties; and good weather conditions.

Depending on international prices for sugar-based alcohols and Ecuadorian policies regarding biofuels, there may be shifts in area planted for alcohol production.

Approximately 90 percent of sugar cane production takes place in the provinces of Guayas and Cañar. These areas experience annual rainfalls of approximately 1000-1100 inches, of which 800 inches is usually spread between January-May.

In December 2010, prices increased in response to higher production costs. According to industry, this price adjustment was necessary to compensate for several years of low prices, and to make up for increased production costs (\$39.67 per 50 kilo bag is being charged by the sugar mill, January 2013, while in 2010 the price at the mill was about \$26 per bag) in the last four years, and other labor costs, including wage increases and mandatory social security payments to farm workers. Around 20,000 workers are employed by Ecuador's three major sugar mills during the harvest season.

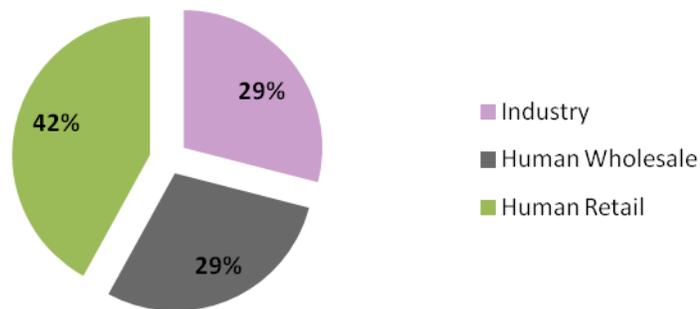
Sugarcane prices paid to the farmer increased 7.2 percent from \$27.75 per metric ton in June 2011 to \$29.75 in June 2012, mainly in response to higher labor and input costs. From 2009 to 2013, for example, the monthly wage of a farm worker increased from \$218 to \$318. The price of refined sugar at the mill increased from \$36 per bag in 2011 to an average of \$38.50 in 2012. The wholesale price of a 50-kilo bag was flat with an average of \$42.55 in 2012. The national average retail price of a kilogram of sugar was \$1.05 in 2012. Overall sugar prices were flat at the wholesale level and experienced increases at the retail level perhaps in response to higher supply chain costs.

#### **Consumption**

Approximately 70 percent of Ecuador's sugar consumption is for human use in the form of white, brown or specialty sugars, while the remaining 30 percent is for industrial utilization. Per capita consumption of cane sugar, including sugar for industrial purposes, has increased in the last few years, primarily in response to economic growth. Per capita consumption of refined sugar is estimated to be between 35 and 37 kg. Sugar consumption is affected mainly by price rather than a change in sweetener preferences. Given an Ecuadorian population of 15.75 million at the end 2013 (based on a recent national census) and a per capita consumption level of 35.6 Kg of refined sugar, Post estimates that domestic consumption of raw sugar will be about 600,000 MT in MY 2013/14.

Sugar producers have considerably increased their stocks to be hedged against variations in prices, particularly in relation to currency exchange in neighboring Peru and Colombia.

**Ecuador's Sugar Consumption Shares 2012**



## Trade

Ecuador is self-sufficient in the production of refined sugar for domestic consumption. Surpluses during the harvest season are sent to the United States and neighboring countries. Total sugar exports for MY 2012/13 were about 18,000 MT RSV. For MY 2013/14, Ecuador's exports are forecast to be at least 64,000 MT RSV plus an additional 26,000 MT RSV through informal border trade. Ecuador mainly exports raw sugar to the United States; however, depending on international prices and the price of sugar in Colombia and Peru, refined sugar is sometimes sent to these two neighboring countries. In 2012, no exports of sugar to Colombia were officially recorded. However, on occasion, sugar is smuggled across borders and not included in official trade statistics. Post estimates that Ecuador sent about 15,000 MT RSV to Colombia in MY 2012/13. The statistics shown in the table below do not take into account unrecorded border trade.

## OFFICIAL EXPORTS AND IMPORTS OF SUGAR CALENDAR YEAR – METRIC TONS

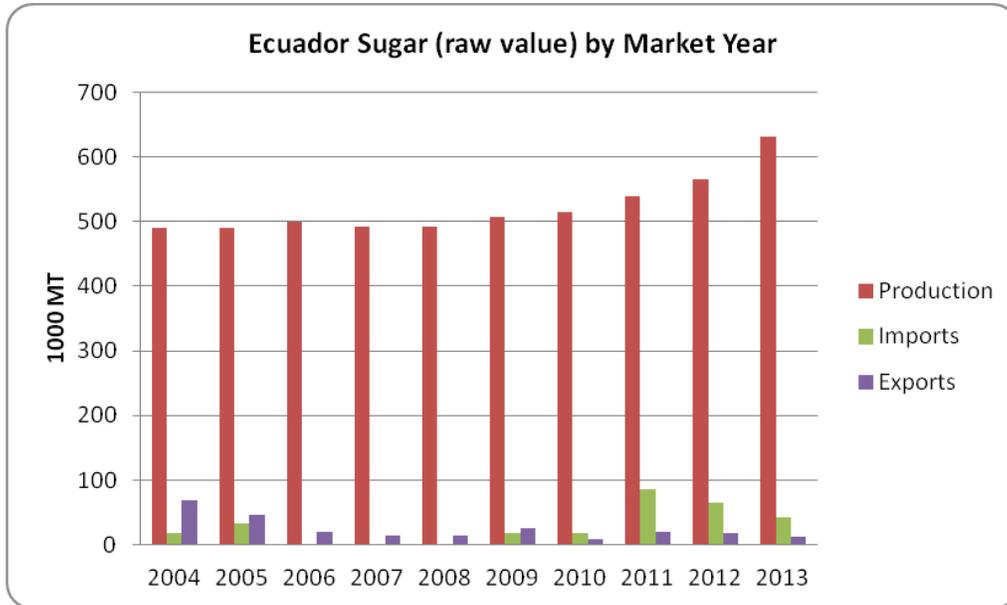
Calendar Year	2011	2012
<b>Total Exports</b>	<b>19,412</b>	<b>13,058</b>
United States	19,022	12,216
Other	390	842
<b>Total Imports</b>	<b>62,758</b>	<b>43,203</b>
Colombia	41,546	42,642
Honduras	9,848	
Nicaragua	8,636	
Guatemala	2,002	
Other	726	561
<b>BALANCE (TE-TI)</b>	<b>-43,346</b>	<b>-30,145</b>

During the harvest season, Ecuadorian mills export surpluses. Ecuador historically imports about 15,000 MT

per year during the months when sugar is scarce (last quarter of each calendar year until the first two weeks of April the following year); however, imports have increased to about 40,000 MT in recent years because of local producers' efforts to take advantage of differences in world prices as well as prices in neighboring countries.

In Calendar Year CY 2012, Ecuador reduced its sugar imports by 31 percent, from 62,758 MT RSV in 2011 to 43,203 MT RSV in 2012. Ninety-nine percent of 2012's imports originated in Colombia.

For MY 2013/2014 Ecuadorian producers are expecting a production surplus of at least 50,000 MT.



**Policy**

Sugar is considered a staple product by the Government of Ecuador and it is used in the basic basket of goods to calculate inflation indices. Because of its social significance, sugar prices used to be stable; however, in the past four years Ecuadorian's income levels have matched higher production costs and producers' pledges to increase the price of domestic sugar.

To our knowledge, there is no government-set price for sugar products. There is, however, a minimum price that must be paid per MT of sugarcane to farmers. Sugar farmers and millers receive neither a domestic nor an export subsidy. As with producers of other crops, sugarcane growers can obtain loans from Ecuador's Agricultural Development Bank at preferential interest rates.

The Government of Ecuador allows duty-free imports from fellow Community of Andean Nations (CAN) countries. Imports originating in countries other than CAN are assessed a 15 percent base tariff, and a variable "price band" levy. The variable levy for white sugar (17019900) is currently assessed at 10 percent and the current final tariffs for sugar, refined and raw, are 25 and 33 percent respectively. Sugar imports have a WTO-approved bound tariff of 45 percent, which includes any price band-related duties. Because of the U.S. TRQ, sugar mills have an agreement with the Government of Ecuador to continue supplying sugar to the United States to safeguard Ecuador's quota allocation. Sugar mills and the Government of Ecuador see the U.S. market as a potential destination for Ecuadorian surpluses. Sugar mills produce raw sugar only as necessary to fill the U.S. Sugar TRQ. Raw sugar exports are shipped between June and September.

Although sugar was a part of MERCOSUR negotiations, Ecuador excluded raw and white sugar from the 15-

year tariff liberalization process that started in April 2005. A special clause provides that sugar can start a 15-year liberalization process only when Ecuador agrees to do so with each MERCOSUR partner. Even after tariff liberalization, sugar imports would continue to be charged the variable levy under the price band system. To date, Ecuador and its MERCOSUR partners have not initiated negotiations on sugar.

**Production, Supply and Demand Data Statistics:  
PSD TABLE  
ECUADOR**

## SUGAR CANE, CENTRIFUGAL

Sugar, Ecuador	Centrifugal	2011/2012		2012/2013		2013/2014	
		Market	Year Begin: May	Market	Year Begin: May	Market	Year Begin: May
		2011	2011	2012	2012	2013	2013
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks		222	222	263	263		328
Beet Sugar Production		0	0	0	0		0
Cane Sugar Production		565	565	605	632		657
Total Sugar Production		565	565	605	632		657
Raw Imports		0	0	0	0		0
Refined Imp.(Raw Val)		65	65	43	43		5
Total Imports		65	65	43	43		5
Total Supply		852	852	911	938		990
Raw Exports		18	18	18	18		64
Refined Exp.(Raw Val)		0	0	0	0		0
Total Exports		18	18	18	18		64
Human Consumption	Dom.	571	571	578	592		600
Other Disappearance		0	0	0	0		0
Total Use		571	571	578	592		600
Ending Stocks		263	263	315	328		326
Total Distribution		852	852	911	938		990

1000 MT

## Prices Sugar

Country Ecuador

Month/Year	Wholesale Price \$ per kg			Retail Price \$ per kg		
	2010	2011	2012	2010	2011	2012
Jan	0.72	0.84	0.86	0.80	0.93	1.05
Feb	0.73	0.85	0.85	0.81	0.94	1.05
Mar	0.74	0.85	0.85	0.84	0.96	1.05
Apr	0.80	0.88	0.85	0.94	1.03	1.04
May	0.80	0.87	0.85	0.93	1.01	1.03
Jun	0.74	0.89	0.85	0.80	0.96	1.03
Jul	0.82	0.88	0.85	0.95	1.02	1.05
Aug	0.83	0.87	0.85	0.97	1.01	1.04
Sep	0.84	0.87	0.86	0.98	1.01	1.09
Oct	0.83	0.86	0.86	0.97	1.01	1.07
Nov	0.83	0.86	0.85	0.96	0.99	1.05
Dec	0.84	0.86	0.84	0.97	1.00	1.08
Average	0.79	0.86	0.85	0.91	0.99	1.05