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Ecuador Cocoa Update and Outlook

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Report Highlights:
Ecuador's cocoa bean production is estimated to reach 255,000 metric tons (MT) in calendar year (CY) 2015 (up over six percent compared to 2014) and forecast to reach 300,000 MT in 2016. Planted area in 2015 is estimated at 565,000 hectares (up 35,000 hectares or almost seven percent), of which 450,000 hectares will be harvested (up 30,000 hectares or over seven percent). Planted area in 2016 is forecast to grow to 650,000 hectares (up 85,000 hectares or 15 percent), of which some 520,000 hectares will be harvested (up 70,000 hectares or 15.5 percent). Yields of 0.57MT/hectare are anticipated in 2015, while yields in 2016 should grow to 0.58MT/hectare on average. Ecuador's cocoa exports reached over 236,000 MT ($775 million) in CY 2014; exports in 2015 are estimated at around 250,000 MT and forecast to grow to 300,000 MT in 2016. Ecuador exported to the United States in 2014 a record $236 million (up 42 percent) in cocoa beans and $20.5 million (up 17 percent) in cocoa paste and butter.

General Information:

Ecuador's cocoa bean (also cacao bean or simply cocoa) production is estimated to reach 255,000 metric tons (MT) in calendar year (CY) 2015 (up six percent compared to 2014) and forecast to reach 300,000 MT in 2016. Ecuadorian cocoa production is rising over time due to the combination of better international prices, increased cultivation of higher quality/value fine aroma cocoa (the *Arriba* variety), and strong government promotion.

Planted area in 2015 is estimated at 565,000 hectares (up 35,000 hectares or almost seven percent), of which 450,000 hectares will be harvested (up 30,000 hectares or over seven percent). Planted area in 2016 is forecast to grow to 650,000 hectares (up 85,000 hectares or 15 percent), of which some 520,000 hectares will be harvested (up 70,000 hectares or 15.5 percent). Yields of 0.57MT/hectare are anticipated in 2015, while yields in 2016 should grow to 0.58MT/hectare on average.

Ecuador's cocoa bean exports reached over 236,000 MT ($775 million) in CY 2014. Exports to the United States (42 percent) followed by the European Union (27 percent) and Mexico (11 percent) account for the bulk of 2014 shipments by volume. Ecuador's exports in 2015 are estimated at around 250,000 MT and forecast to grow to 300,000 MT in 2016. Ecuador exported to the United States in 2014 a record $236 million (up 42 percent) in cocoa beans and $20.5 million (up 17 percent) in cocoa paste and butter. Although the bulk of Ecuador's cocoa exports are in the form of beans (89 percent by volume), it also exports modest amounts of semi-processed (i.e., cocoa paste and butter) and consumer-oriented cocoa products (namely finished chocolates).

Production:

The Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) reports that total area planted in CY 2014 reached 530,000 hectares, of which 420,000 hectares were harvested. Planted area in 2015 is estimated at 565,000 hectares (up 35,000 hectares or almost seven percent), of which 450,000 hectares will be harvested (up 30,000 hectares or over seven percent). Planted area in 2016 is forecast to grow to 650,000 hectares (up 85,000 hectares or 15 percent), of which some 520,000 hectares will be harvested (up 70,000 hectares or 15.5 percent).

Ecuador's cocoa bean production is estimated to reach 255,000 MT in CY 2015 (up six percent compared to 2014) and forecast to reach 300,000 MT in 2016. Ecuadorian cocoa production is rising over time due to the combination of better international prices, increased cultivation of higher quality/value fine aroma cocoa (the *Arriba* variety), and strong government promotion. Yields of 0.57MT/hectare are anticipated in 2015, while yields in 2016 should grow to 0.58MT/hectare on average.

Table 1: Ecuador Cocoa - Area, Production and Yields (metric tons); 2008-16

Year	Area (hectares)		Production (MT)	Yields (MT/hectare)	Production Growth
	Planted	Harvested			
2008	455,414	376,604	94,300	0.25	
2009	468,840	398,104	120,582	0.30	28%
2010	470,054	360,025	149,730	0.42	24%
2011	521,091	399,467	203,702	0.51	36%
2012	521,091	400,000	192,369	0.48	-6%
2013	525,000	402,434	224,170	0.56	17%
2014	530,000	420,000	240,000	0.57	7%
2015*	565,000	450,000	255,000	0.57	6%
2016*	650,000	520,000	300,000	0.58	18%

Sources: National Institute of Statistics and Census (INEC), Encuesta de Superficie y Producción Agropecuaria Continua (ESPAC), Ministry of Agriculture, and FAS Quito office research.

Coastal cocoa bean production is concentrated in the Manabí, Los Ríos, and Guayas provinces, and accounts for about 80 percent of overall production. Cocoa cultivation in the Amazon provinces accounts for around seven percent of total area planted. Thanks to higher prices and government incentives, Ecuador is anticipated to become the world's fourth largest cocoa bean producer by 2016.

Ecuador utilizes the *Arriba* cocoa bean variety (a native/national variety) along with CCN-51 (a higher producing, but lower organoleptic quality clone). Industry sources estimate that *Arriba Superior Época* (ASE) accounts for 37 percent of production followed by *Colección Castro Naranjal* (CCN-51) with 36 percent. Other *Arribas* cultivated include *Arriba Superior Selecto* (ASS) (20 percent) and *Arriba Superior Summer Selecto* (ASSS) (seven percent).

Small farmers (working one to five hectare farms) account for upwards of 90 percent of Ecuador's cocoa bean production. The majority of these farmers employ rudimentary, traditional production methods. The inability to access modern fertilizers, as well as crop protection products (i.e., insecticides and fungicides), often limits production output. To address such concerns, along with the need to plant new trees, MAGAP in 2013 launched the National Cocoa Program geared toward revitalizing production

among small producers.

Ecuador is a larger producer (240,000 MT) of cocoa beans than neighboring Colombia (45,000 MT) and Peru (70,000 MT). In the western hemisphere, Ecuador's main competitor is Brazil (180,000 MT). Ecuador will overtake Nigeria by 2016 to become the world's fourth largest cocoa producer trailing only Ivory Coast, Ghana, and Indonesia in production output.

Photo Credits: Mariano Beillard.
Cocoa pods (fruit) for sale along the road outside of Santo Domingo, Ecuador.

Consumption:

Domestic cocoa bean consumption at about 10,000 MT per year is small compared to total production. However, the number of local chocolate manufacturers is growing.

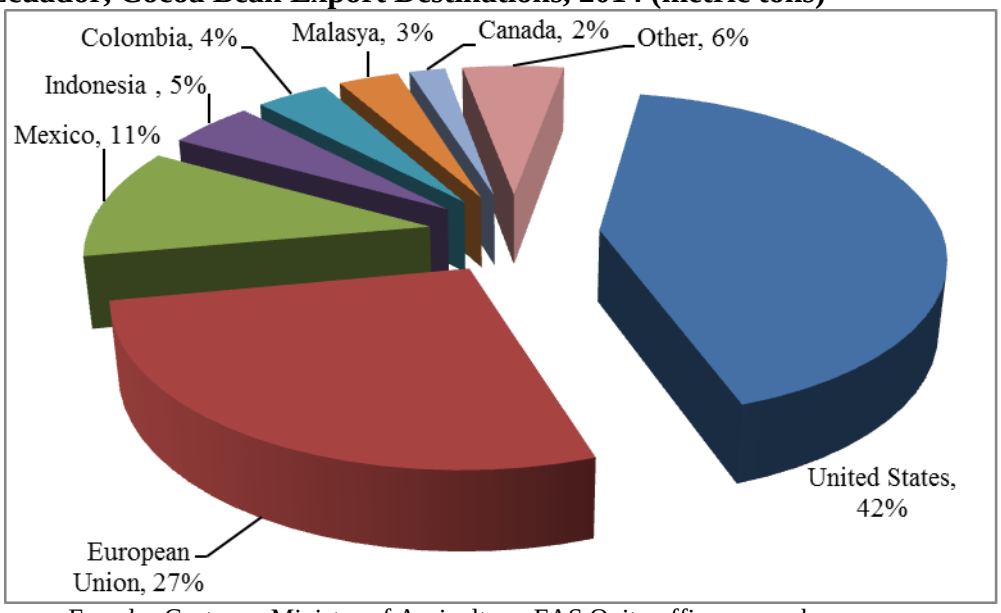
Trade:

Exports

Ecuador's cocoa bean exports reached over 236,000 MT ($775 million) in CY 2014. Exports to the United States (42 percent) followed by the European Union (27 percent) and Mexico (11 percent) account for the bulk of 2014 shipments by volume. Ecuador exported to the United States in 2014 a record $236 million (up 42 percent) in cocoa beans and $20.5 million (up 17 percent) in cocoa paste and butter.
Cocoa bean exports in 2015 are estimated at 250,000 MT and forecast to grow to 300,000 MT in 2016. Although the bulk of Ecuador's cocoa exports are in the form of beans (89 percent by volume), it also

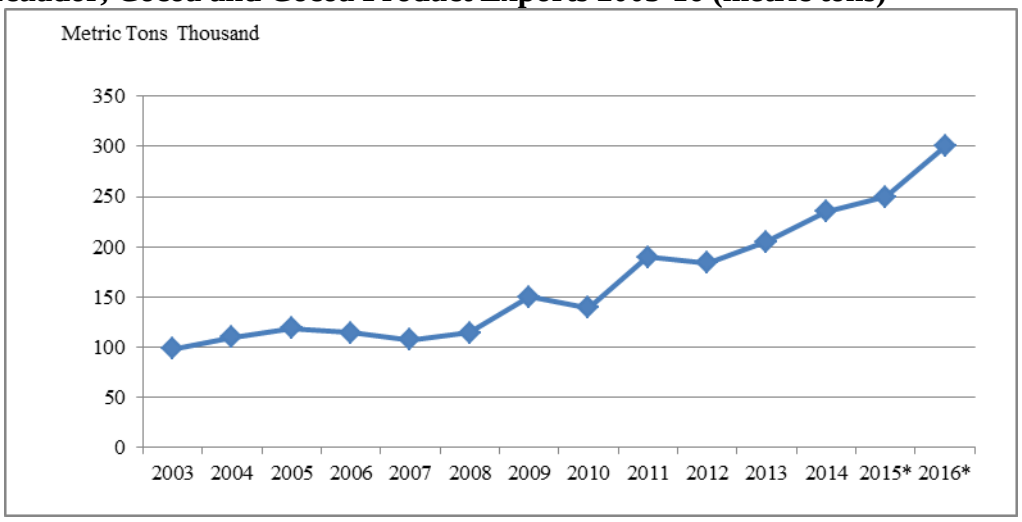
exports modest amounts of semi-processed and consumer-oriented cocoa products.

Ecuador, Cocoa Bean Export Destinations, 2014 (metric tons)



Source: Ecuador Customs, Ministry of Agriculture, FAS Quito office research.

Ecuador, Cocoa and Cocoa Product Exports 2003-16 (metric tons)



Source: National Cocoa Exporters Association (ANECOCOA), FAS Quito office research.

Ecuador's cocoa export sector views the United States as a mature market for cocoa beans. It does however see the U.S. market as having strong potential for semi-processed products, as well as for finished chocolates. Ecuador-origin cocoa beans and products enter the United States duty-free. The United States is the main export destination for Ecuador's cocoa beans and products.

A development in recent years is the increasing demand for organic and Fairtrade cocoa, helping to improve small producers' income. The volume of Fairtrade and organic specialty cocoa exports are however low if compared to total export levels.

Table 2: Ecuador Cocoa, Exports by Product (FOB $millions); 2012-14

H.S. Heading	Description	2012		2013		2014	
		MT	Value FOB	MT	Value FOB	MT	Value FOB
1801	Cocoa beans	147,054	345,306	178,273	433,272	210,863	645,962
1802	Cocoa shells	1,247	448	544	503	420	637
1803	Cocoa paste	8,189	27,108	9,749	27,279	11,019	37,317
1804	Cocoa butter	7,651	23,666	6,545	30,504	6,752	48,989
1805	Cocoa powder	6,508	29,417	4,907	17,811	5,781	14,450
1806	Chocolate and preparations	1,530	26,212	1,296	21,800	1,908	28,166
Total		**172,179**	**452,157**	**201,314**	**531,169**	**236,743**	**775,521**

OBS: Harmonized tariff system (HS) code. Freight-on-Board (FOB).
Sources: Ecuador Customs, Central Bank of Ecuador, Ministry of Agriculture, FAS Quito office research.

Imports

Ecuador imports roughly $40 million in finished cocoa products on an annual basis. About 80 percent of these imports originate in South American countries (i.e., Brazil, Chile, Colombia, and Peru), with which Ecuador maintains preferential market access agreements. Ten percent of its cocoa product imports originate in the EU, with the balance (about nine percent) coming from the United States (a record $7.1 million in CY 2014).

Table 3: Ecuador Cocoa, Consumer-Oriented Imports (CIF $millions)

H.S. Code	Description	2012		2013		2014	
		MT	Value CIF	MT	Value CIF	MT	Value CIF
1806.10.00	Sweetened cocoa powder	760	3,499	727	3,015	249	1,022
1806.20.10	Other preparations, tablets, unsweetened	1	4	0	0	0	0
1806.20.90	Other	747	2,785	663	2,468	751	3,039
1806.31.10	With filling, unsweetened	34	262	660	3,583	641	3,978
1806.31.90	Other, sweetened	533	2,903	16	58	0	0
1806.32.00	Without filing	522	3,124	970	5,029	1,431	7,480
1806.90.00	Other	3,790	18,683	4,215	22,872	4,648	24,863
TOTAL		**6,387**	**31,261**	**7,250**	**37,024**	**7,721**	**40,382**

OBS: Harmonized tariff system (HS) code. Cost-Insurance-Freight (CIF).
Sources: Ecuador Customs, Central Bank of Ecuador, Ministry of Agriculture, FAS Quito office research.

Industry Outlook

Ecuador's cocoa sector faces many of the same challenges faced by the sector in other producer countries. A key concern remains cocoa plantations susceptibility to disease. To help address this concern, MAGAP in 2013 launched the National Cocoa Program aiming revitalize production among small producers. The program's objective is to increase cultivation of fine aroma cocoa through increased pruning and new plantation establishment. According to the MAGAP about 20 million trees have now been pruned. Around 20,000 families in 15 provinces have benefitted from this program.

The Ministry of Agriculture is providing assistance in the form of cocoa seeds and plants to small- and medium-size farmers. It is also assisting with the establishment of production infrastructure and nursery certification.

Internal Challenges	External Challenges
• Low productivity • Plantations in need of renovation • Outdated cocoa policy, not meeting farmers' need for financial resources • Lack of consensus on focusing production on Arriba or CNN-51 cultivation • Inefficient production systems, lack of extension service	• Lack of clarity on market trends (how long will the market pay a premium for Arriba varieties?) • Food safety concerns • Growing demand for social and environmental certification required by foreign buyers.

Cooperation:

The U.S. Department of Agriculture (USDA) worked with Ecuador in 1943 to establish the country's first cocoa germplasm banks. In 1978, USDA assisted Ecuador's National Institute for Agricultural and Livestock Research (INIAP) with the production of a number of new, high-yield cocoa clones. Throughout the 1980s USDA worked with INIAP to create additional varieties, as well as shared information on witches' broom disease and frosty pod rot. USDA collaborated with Ecuador through 2014 in the development of new varieties and sustainable growing techniques, which benefit Ecuadorian farmers to this day.