

New Variables in Ecuador's Exporting Equation

By *Rene A. Alarcon*

Ecuador is currently attempting to shake off the effects of an economic crisis that hit during 1999 and part of 2000. So disastrous was the crisis that it resulted in the collapse of the banking sector and the dollarization of the national currency.

"Dollarization" means that the U.S. dollar has been substituted for Ecuador's currency, the sucre.

It appears that the corner is being turned. Since the fourth quarter of 2000, when dollarization took full effect, the economy has begun to improve and imports have grown. The "new money" seems to have cast a stabilizing spell across the economy that is reflected in rising imports.

During 2000, Ecuador's GDP grew slightly, reaching \$14 billion. Optimistic projections suggest that GDP may attain \$19.7 billion by the end of 2001, a figure not seen since 1998.

At the same time, persistent low wages are a fact of life in Ecuador; most of the population simply cannot afford to buy imported food.



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Inflation was a primary worry in the recent past, and continues to bear watching. Although dollarization was intended to reduce inflation, it caused and is expected to continue causing further price increases. While inflation is expected to gradually diminish, the anticipated annual rate of 25 percent for 2001 may present an oblique opportunity for U.S. products to become more price competitive.

As things currently stand, the United States enjoys a 16-percent market share of consumer-oriented product imports in Ecuador. Total U.S. agricultural market

What Ecuador Adores

Based on import statistics, Ecuadorian consumer preferences and market trends, the following products offer outstanding U.S. export opportunities:

- Fresh fruit: apples, peaches, pears and grapes
- Snack foods
- Pet foods
- Poultry
- Wine, beer and soft drinks
- Processed and canned vegetables, including frozen french fries
- Milk powder and dairy products
- Breakfast cereals and pancake mixes
- Canned fruits
- Dried nuts
- Salsas and spices
- Meat Products
- Fruit and vegetable bases
- Confectionery items and chocolate candy
- Baby foods
- Nursery products



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share, including forest products and seafood, is just over 30 percent.

During the past 3 years, though, these sales took it on the chin, before beginning to rebound.

While in 1998, food imports from the United States reached \$26 million, they were pounded back to \$11.7 million in 1999, following a startling devaluation of the former Ecuadorian currency. It is estimated that they rose 12 percent in 2000 and are poised to spring forward again.

In 2000, Ecuador's top five suppliers of consumer-oriented foods were Chile, Colombia, the United States, Mexico and Venezuela.

Make it Spicy, Fried and Fast

Although Ecuadorians are more nutrition-conscious than ever before, those who insist on eating healthy remain in the minority. Most like their food spicy, fried and fast. Mexican, Italian and American foods find plenty of flavor favor.



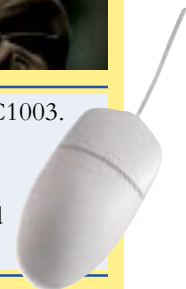
ECUADOR'S GDP MAY ATTAIN \$19.7 BILLION BY THE END OF 2001, A FIGURE NOT SEEN SINCE 1998.

Business Tips for Exporters

- The best way to enter this sector is through direct contact with supermarkets and commissaries, or using local importers and distributors who usually ask for exclusive representation.
- Stay in close contact with your consolidator and import agent. They can pass you important information about your customers' needs.
- Large importers, such as wholesalers and supermarket chains, tend to buy directly from the manufacturer or producer, while smaller importers often work with distributors and representatives.
- Try to deal directly with local brand representatives, who can manage marketing strategies, training, advertising, promotion, and market reporting.



For details, see FAS report EC1003. To find it on the web, start at www.fas.usda.gov, select **attache reports** and respond to the dialogue boxes.



And what's on the typical table? Mayonnaise and ketchup are ubiquitous, and rice is a staple. Potatoes usually accompany lunch or dinner.

Fast foods are dominated by roasted chicken, hamburgers, hot dogs and sandwiches, washed down with soft drinks, fruit juices and beer.

Riding the Retail Roller Coaster

In 1998, the size of Ecuador's retail food sector market was \$2 billion. However, during troubled 1999, it contracted by 20 percent. While reports from 2000 are anecdotal, opinions from food importers reveal that in most cases, sales of food products increased an average of 50 percent during the second half of 2000.

Ecuador's retail food outlets fall into the following categories:

- supermarkets and commissaries
- retail warehouses
- small neighborhood stores
- convenience stores

- delicatessens and specialty food stores
- gas station mini-marts.

Supermarkets and commissaries import around 10 percent of their items from the United States, 90 percent of them food and beverages.

As elsewhere in the world, gas station mini-marts generally offer imported and specialty products such as cigarettes, liquors, snacks (sweet and salty), and soft drinks.

The good news is that the number of supermarkets and self-service stores is increasing as people turn to these outlets for a wider variety of products in a better organized and cleaner setting. U.S. exporters should look to large, modern venues for the retail sales opportunities of tomorrow. ■

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