

## Last wave' of China NY demand, EU buying sees Ecuador shrimp prices firming

Last ditch buying for China for the upcoming Lunar New Year celebrations and European buyers looking to secure 0% duty raw vannamei shrimp is causing prices from Ecuador to firm, after they took a tumble at the end of 2014.

European buyers are looking to secure shrimp in the window of 20,000 metric tons at the 0% tariff, before the rate reverts to 3.6%, [under the Generalized System of Preferences \(GSP\) scheme](#). At the same time, a scramble has ensued for product to ship in time for Chinese New Year on Feb. 15, with the 15 days preceding this a holiday for many.

"It's the last wave of buying before Chinese New Year," said one Spain-based shrimp source, the main European market for Ecuador, which is expected to report production of between 300,000 metric tons to 320,000t, [a dramatic increase](#).

"After the Chinese come back from holiday, we will see what demand is like and what happens with prices, around the Boston seafood show. Maybe prices will come back a bit," told *Undercurrent News*. "Depending on Asian production, prices could also go up, we shall see."

Now is the low season for Asian shrimp, whereas Ecuador is producing all year-round. The outlook on prices for the rest of the year will depend on the recovery, or lack of, of Thailand and China from early mortality syndrome (EMS).

"I don't have a crystal ball," said another source buying from Ecuador and Asia, source A, on the price outlook. He confirmed the picture in Ecuador at the moment, however. This has been accentuated by plants in Ecuador holding off on buying as prices declined, hoping for lower levels, he said.

"Prices in Ecuador are moving, as farmers did not harvest and various big factories were waiting for prices to go further down, which means that there were regular orders not served," said source A.

"It also happens that it was the last possible tide [harvest] for loading for China. So, there were more orders on this tide, combined with an order backlog," he said.

"In addition, Europe needs darker colors and wants goods to arrive within the duty free quota they have. This means many European customers buy goods now, even if they do not need the goods, just to avoid higher duties," said source A.

"So, all four factors together means higher prices," he said.

The free on board (FOB) Guayaquil prices in Ecuador for head-on, shell-on (HOSO) shrimp, mainly sold to Europe and China, are up dramatically in the last few weeks, albeit from low levels.

Prices for 40/50 HOSO FOB Guayaquil are now at around \$8/kg, according to source in Europe and South America, with 30/40 at around \$9/kg.

The previous week, 40/50 were at \$7.80/kg FOB and 30/40 at \$8.80/kg and had been around \$0.40/kg lower a few weeks before.

For head-less, shell-on (HLSO), sources gave FOB prices of \$5.40-\$5.50/lb for 26/30; \$4.40/lb for 31/35; \$4.10/lb for 36/40; and \$3.60/lb for 41/50.

Prices for 26/30 are up \$0.40/lb in the last week, driven by strong demand in Europe, with the other sizes up about 0.20/lb higher this week. "Prices are going up as demand for HOSO is so strong that no farmer wants to make HLSO," said one Ecuador-based source.

A US-based shrimp buyer noted prices are rising for HLSO, but said demand is still sluggish in the US market.

### **2014 price dive**

Prices in Ecuador are still a long-way off the levels seen last year, driven by the global shortage that ensued following the EMS crisis in Thailand, China, Vietnam and Malaysia.

At the end of November last year, after the China Fisheries and Seafood Expo, [prices in Ecuador dived sharply](#).

One US-based source dealing with Latin America said prices from Ecuador dropped \$0.70-\$1 per pound, depending on the size, at the time.

He gave November 2014 prices for 41/50 HLSO of \$3.50/lb FOB Ecuador, down from \$4-4.20/lb in October.

An Ecuadorian shrimp processor said 41/50 HLSO is at \$3.80/lb, but said he had heard \$3.50/lb, "but not sold at this level".

Last November, prices for HOSO, which mainly goes to Europe and China, also dived between \$0.60-\$1/kg, with 30-40 at \$9/kg; 40-50 at \$8/kg; 50-60 at \$7.50/kg; 60-70 at \$6.70/kg; 70-80 at \$6.35/kg; and 80-100 at \$6.20/kg, a buyer in Europe said.

### **GSP boost**

Part of the cause of the price dive was the uncertainty over Ecuador's GSP tariffs for sale to the EU.

On Jan. 5, *Undercurrent* reported Ecuadorian tuna and shrimp sellers [will continue to have the preferential tariffs](#), however.

Under the EU's GSP system, Ecuador will continue to have preferential duties at the GSP+ rate in 2015, as Thailand loses its GSP tariff rate on raw shrimp, following the loss of the tariff on cooked and processed shrimp at the start of 2014.

This means Ecuadorian shrimp sellers will continue to enjoy a 3.6% tariff on raw shrimp after the 0% quota on 20,000t is exceeded. If Ecuador had not been granted GSP+ again, the tariff would have gone to 12%.

Ecuadorian raw, head-on shrimp is a vital ingredient for shrimp cookers in Europe, because of its high quality. For cooked shrimp, the tariff will continue at 0%, instead of going to 18%. For tuna, the duty is also zero, rather than 24%.

“The new regulation was published on Dec. 31 in the EU’s official gazette. The document was approved by the EU parliament two weeks ago,” said Jose Antonio Camposano, executive president of Ecuador’s National Chamber of Aquaculture.

“This is very good news for Ecuadorian seafood exporters and for European importers and distributors. We will work towards the consolidation of our exports to the EU market, which is the most prominent destination for Ecuadorian shrimp. At the same time we will try to reach new markets. It is an ongoing task,” he told *Undercurrent*.

The situation is really the best-case scenario the Ecuadorian industry had been hoping for.

Next, negotiations are underway for Ecuador to re-join the free trade agreement with Peru and Columbia, having dropped out before the negotiations were concluded.

There is hope in the Ecuadorian industry that a full agreement can be in place by 2016, or even before, if both parties push for this.

Source : <http://www.undercurrentnews.com/2015/01/15/last-wave-of-china-ny-demand-eu-buying-sees-ecuador-shrimp-prices-firming/>