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Report Name: Closure of Haiti Dominican Republic Border Impacts Food Security-Bilateral Trade and US Agricultural Exports

Country: Dominican Republic

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Report Highlights:

The closure of the Haiti-Dominican Republic border on September 14 due to a binational dispute over the construction of a canal on the Haitian side of the Dajabon River has exacerbated the food security situation in Haiti and caused mounting losses for Dominican farmers. In the North area of Haiti, Post sources confirm shortages and a spike in prices for food products such as eggs, poultry, wheat flour, and other items. On the Dominican side, as of October 3, Post estimates that Dominican farmers have incurred losses on exports to Haiti totaling approximately US\$21 million. U.S. agricultural exports to the DR, including wheat, soybean and vegetable oils, soybean meal, corn, and pork and poultry meat, could also be impacted by this situation. While current actions from both governments do not offer promising prospects for a quick resolution of the conflict, interventions such as the upcoming UN-endorsed international security mission in Haiti, could provide opportunities for bilateral discussion to resume.

1. A Border River Canal Creates a Dispute

A binational dispute between Haiti and the Dominican Republic (DR) over the construction of a canal on the Haitian side of the Massacre River (or Dajabon River) has escalated drastically over the last month. On September 14, the DR closed all commercial trade to Haiti over land, sea, and air. Additionally, the Dominican government stopped issuing Dominican visas, of all types, to Haitians; announced it would start drawing water from further upstream to ensure sufficient supply for Dominican agricultural producers; and authorized the launch of a dam project along the river.

2. Border Closure Impacts Food Security in Haiti and Dominican Food Exporters

After 19 days of border closure, it is evident that the commercial shutdown has had a significant impact on both countries. Haiti holds the position of being the second-largest export destination for Dominican products, and it relies heavily on the DR for a variety of essential commodities, including food.

According to Post estimates, the DR exports approximately US\$430 million worth of food products to Haiti annually, encompassing both formal and informal exports¹. When factoring in cotton, the value of Dominican agricultural exports to Haiti rises to US\$566 million. Haiti serves as a crucial market for various Dominican goods, including wheat flour and related products, such as pasta, cookies, and crackers, as well as roots and tubers, oils (including soybean oil), eggs, and rice. Specifically, Dominican exports of wheat flour and related products amount to an estimated US\$123 million per year, roots and tubers at US\$56 million, edible oils at US\$50 million, eggs at over US\$12 million annually, and rice at US\$17 million.

Dominican exports of cotton to Haiti are estimated at US\$137 million annually. Despite not being a cotton-producing country, the DR essentially sources cotton from the United States and other markets to supply inputs to textile free trade zones located in the border region with Haiti. This underscores the intricate economic ties between the two nations.

¹ *Informal exports refer to sales of products that are made in the binational markets established at several points along the Haiti-DR border and that are not reflected in exports or import statistics of either country.*

Table 1. Dominican Republic Agricultural Exports to Haiti and Estimated Export Losses as of 10/03/2023 (US\$)

HS Code	Product Description	5-Year Average			DR Export Losses as of 10/03/23
		Formal Exports	Estimated Informal Exports	Total	
19	Preparations of cereals, flour, starch or milk	36,270,083	26,264,543	62,534,627	3,126,731
11	Products of the milling industry	52,348,482	8,521,846	60,870,328	3,043,516
07	Edible vegetables and certain roots and tubers	6,213,928	50,276,327	56,490,256	2,824,513
15	Animal or vegetable fats and oil	44,167,884	5,458,952	49,626,836	2,481,342
21	Miscellaneous edible preparations	30,349,466	6,216,156	36,565,622	1,828,281
22	Beverages, spirits and vinegar	19,355,206	10,422,034	29,777,240	1,488,862
03	Fish and crustaceans, mollusks and others	7,910,097	11,382,823	19,292,921	964,646
10	Cereals	4,338,571	13,015,714	17,354,286	867,714
01	Live animals	4,232,680	11,443,913	15,676,593	783,830
20	Preparations of vegetables, fruit, nuts or other parts of plants	7,880,466	6,988,337	14,868,803	743,440
16	Preparation of meat, of fish or of crustaceans	5,147,622	9,559,869	14,707,491	735,375
04	Dairy produce; bird's eggs; natural honey; edible products of animal origin	2,529,148	9,514,412	12,043,560	602,178
02	Meat and edible meat offal	2,228,561	8,914,243	11,142,804	557,140
	Other products	15,878,279	12,679,886	28,558,165	1,427,908
	SUBTOTAL	238,850,474	190,659,056	429,509,530	21,475,477
52	Cotton	136,739,497	NA	136,739,497	6,836,975
	TOTAL	375,589,971	190,659,056	566,249,028	28,312,451

Source: Built by Post with data from the DR's General Directorate of Customs (DGA); Informal exports estimated based on information from the "Dominican-Haitian Border Market Study 2014-2018" augmented by the DR Central Bank.

As of October 3, 2023, Dominican farmers and exporters have incurred export losses to Haiti totaling an estimated US\$21 million. When considering cotton, the overall losses surge to US\$28 million. Among the most affected sectors, wheat flour and products manufacturers have suffered losses of approximately US\$6 million; producers of roots and tubers have faced losses of US\$3 million; and oil refiners have experienced losses amounting to US\$2 million. These figures highlight the significant economic impact that the border closure has had on various sectors within the DR.

The mounting losses in sales have led to eroding support for the border closure, after most Dominican sectors had initially supported the government in taking this action. Several companies are now pressing for a quick resolution of the dispute. In particular, Dominican egg producers have held protests, [depositing thousands of cases of eggs at a farmers monument](#) located in the Moca Province, while calling for reopening of the border. According to Ministry of Agriculture figures, the price of eggs at the

retail level has declined 8 percent since the border closure, from US\$0.14/unit to US\$0.13/unit. Other groups, such as manufacturers of processed products have not been as publicly vocal due to their ability to store products and mitigate the impact of the border closure.

The ongoing closure continues to worsen the food security situation in Haiti, particularly in the North region. Post sources have confirmed shortages of several agricultural products in the North, including eggs, poultry, sausage, herring, wheat flour, pasta, fruits, and vegetables. This shortage has begun to impact local bakeries, some of which have been forced to shut down due to the wheat flour scarcity in the area. In an effort to address this demand, local millers are working to fill the gap, with 15,000 metric tons of wheat flour currently being shipped to Cap-Haitian. This shipment marks the second delivery since the onset of the border crisis. In Port-au-Prince, the effects of the border closure are evident in the egg market, where prices have surged by 64 percent, rising from US\$0.28 per unit to US\$0.46 per unit.

The textile sector remains severely affected due to its reliance on imported cotton from the DR. Several sources report that more than 10,000 workers, which represent half of CODEVI industrial park workers, are expected to be placed on furlough by October 20, 2023. To mitigate this impact, companies are implementing alternative routes for importing raw materials through the Cap-Haitian seaport. This shift aims to reduce Haiti's dependence on Dominican raw materials, providing some resilience in the face of the actions taken by Dominican authorities.

3. Alleviation Measures from Both Governments

The Dominican government announced several [alleviation measures](#) for different sectors affected by the border closure. The measures included:

1. Acquiring perishable products destined for Haiti and distributing them through Dominican government social programs such as the Prices Stabilization Institute (INESPRE) and the Students Wellbeing Institute (INABIE). Purchases will include eggs and other products;
2. Establishing government funded cafeterias (comedores economicos) in different border locations to distribute purchased products;
3. Providing free financing to agricultural producers in the border region through the Agricultural Bank;
4. Reviewing loans of border region Small and Medium Enterprises (SME's) and providing refinancing options through the National Council of Promotion and Support of SME's (PROMIPYME);
5. Dispersing special bonuses to low-income families in main municipalities that depend on the binational markets.

After persistent complaints from egg producers during the last week, the Ministry of Agriculture of the Dominican Republic (MOA) [reaffirmed the government decision to purchase eggs](#) from farmers affected by the border closure, including those who are not certified as government suppliers. To date, the government has committed to [purchase 10 million eggs](#).

In Haiti, the Ministry of Trade is discussing proposals with the Haitian Chambers of Commerce to alleviate the negative impacts of the border closure and find sustainable measures to reduce Haiti's dependence on Dominican products. In addition, the Association of Industries of Haiti has pressed the government to come up with a short-term development plan to reinforce Haiti's ability to become more commercially independent. The plan will likely be developed in conjunction with various stakeholders, including the private sector, employer associations, chambers of commerce, agricultural associations and members of civil society.

4. Impact on U.S. Agricultural Exports

The DR holds a significant position as one of the primary markets for U.S. agricultural products in the Western Hemisphere. In 2022, U.S. agricultural exports reached a value of US\$2.2 billion. A notable portion of these exports undergo further processing within the DR, where they are transformed into consumer-oriented or intermediate products. These processed goods are then exported to Haiti. However, with the ongoing border closure preventing these Dominican products from reaching the Haitian market, there is a risk that demand for specific U.S. agricultural products will diminish. For example:

- **Wheat:** The United States exported US\$126 million in wheat grain to the DR in 2022. Wheat grain is processed and converted into flour and wheat products. Haiti is the largest market for Dominican wheat flour and products.
- **Soybean and vegetable oil:** In 2022, the United States exported US\$82 million in soybean and vegetable oil to the DR. A portion of those oils were refined and processed into edible oils for cooking purposes and shipped to Haiti.
- **Soybean meal and corn:** The United States exported US\$401 million in soybean meal and corn to the DR. The country is a large producer of poultry, fed mostly by U.S. ingredients. Haiti is a large consumer of Dominican eggs and, on a much smaller scale, chicken parts. It is estimated that the DR exports 45,000 eggs to Haiti every month.
- **Pork and poultry meat:** The United States exported more than US\$315 million in pork and poultry meats and products to the DR in 2022. Although most of that meat is consumed in the DR, a percentage of it is further processed into meat products, such as salami, that are highly demanded in Haiti.

As highlighted above, a portion of the US\$924 million in U.S. agricultural exports could suffer from a prolonged closure of the border between Haiti and the DR in the short term. However, this situation may also lead to an increase in Haitian demand for U.S. agricultural products in the medium and long term, potentially offsetting losses in the DR. For instance, nearly all Haitian food retailers are currently selling U.S. eggs. As demand for imported agricultural products grows in Haiti due to the border closure, there could be opportunity for U.S. suppliers to benefit. Nevertheless, it is essential to acknowledge that logistical and security challenges in Haiti could pose significant bottlenecks to U.S. producers' satisfying this increased demand.

5. A Solution or an Escalation on the Horizon?

With neither Haiti nor the DR signaling a desire to reengage in discussions regarding the disputed canal, the two countries have chosen divergent paths in response to the conflict.

Haiti has continued construction of the canal, and although it initially began as a community-funded project, the Haitian government has [publicly expressed its support for continuing the initiative](#). In contrast, the Dominican government has recently stated [its intention to keep the border closed](#) for the foreseeable future and has initiated the rehabilitation of an abandoned canal known as "La Vigia". This canal project aims to divert water upstream on the Massacre River on the Dominican side. The consequence of this initiative will be a reduction in the water flow of the river on the Haitian side, rendering the Haitian canal effectively useless. This move is likely to further escalate the conflict.

Despite the entrenched positions of both governments, a ray of hope emerged from the recent United Nations (UN) Security Council meeting. On October 2, the UN Security Council granted [authorization for the deployment of an international security mission](#) aimed at assisting Haiti's national police in addressing the escalating gang violence and restoring security throughout the country.

This decision, which has garnered support from the Dominican government and is being promoted as a diplomatic achievement for the DR, has the potential to create new opportunities for engagement and concessions between both governments regarding this dispute over water use.

Attachments:

No Attachments.