

Voluntary Report – Voluntary - Public Distribution

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Report Name: DR Rice Snapshot _Record High Production_Higher Retail
Prices and Trade Updates

Country: Dominican Republic

Post: Santo Domingo

Report Category: Agricultural Situation

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Report Highlights:

The Dominican Republic (DR) achieved a record year for rice production in calendar year 2021 (CY 2021) of 654,156 metric tons (MT) and CY 2022 is showing similar results with estimated production of 658,000 MT. The COVID-19 pandemic did not have a significant impact on production and consumption of rice; meanwhile, local retail prices have slightly risen. As of July 2022, the milled rice tariff rate quota (TRQ) has reached a 72 percent usage rate and is on track to exceed 100 percent.

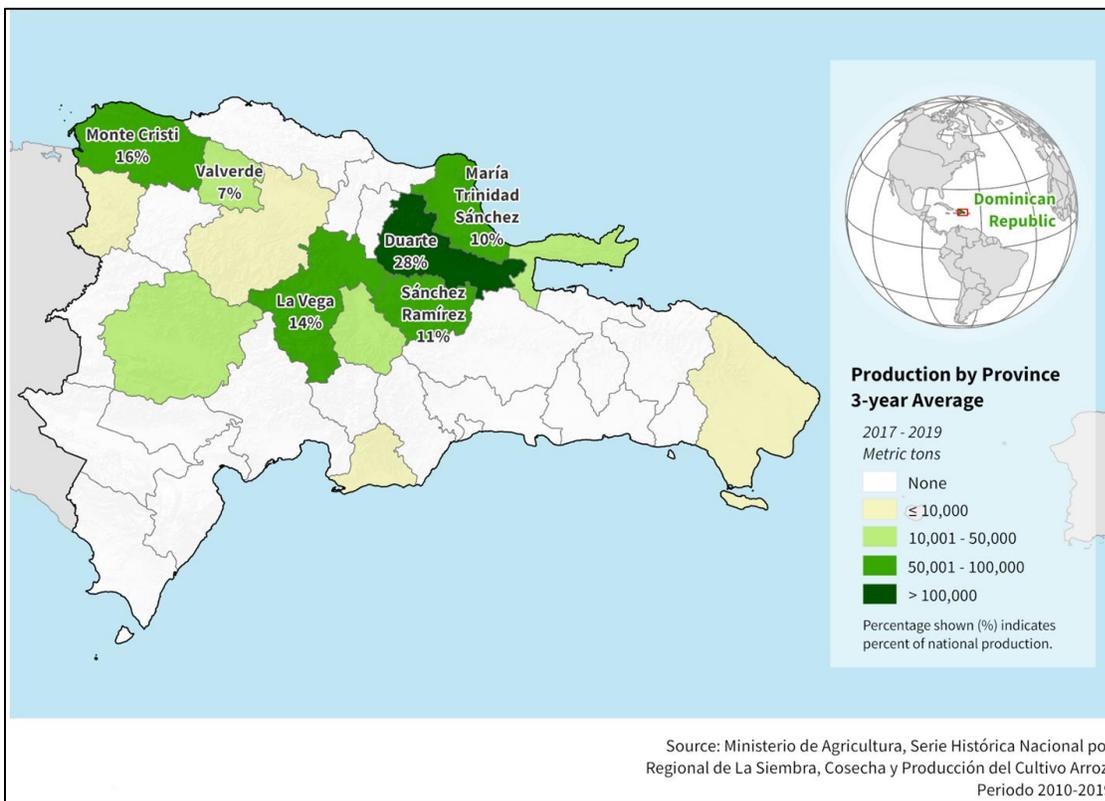
I. RICE

1. Production

Rice continues to be one of the most important agricultural products in the Dominican Republic (DR) due to its political, economic, and social impact on Dominican society. It is also a key part of the typical Dominican diet, consumed nearly every day. According to Post sources, the country has approximately 30,500 rice producers, while approximately 300,000 people are involved in the production, processing, and marketing of rice. The complete agricultural sector contributes approximately five percent annually to the agricultural gross domestic product.

Rice is normally produced in two cycles during the year: 1) spring (April-May); and 2) winter (October-November); irrigated rice accounts for 99 percent of total area. Most rice is grown in the Cibao Valley Region under irrigation provided by systems in the Rio Yuna and Yaque del Norte basins. The following picture depicts rice production areas where the Duarte province represents 28 percent of the national production, followed by Montecristi (16 percent) and La Vega (14 percent) provinces.

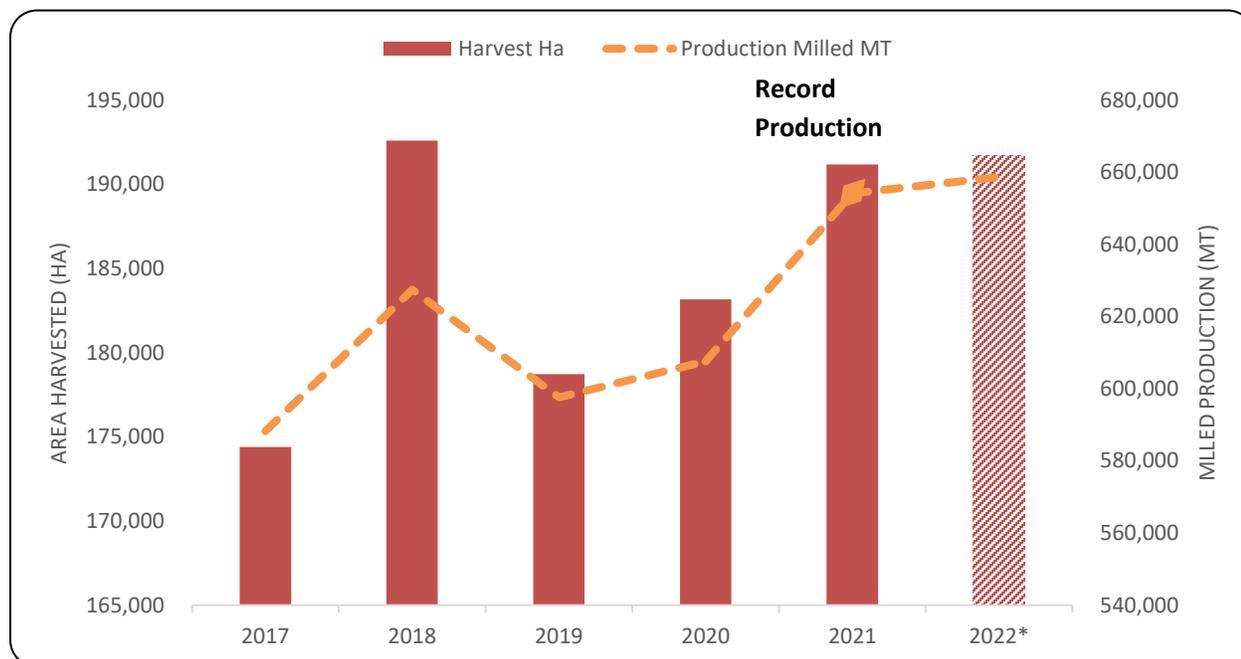
Figure 1. Rice Production by Region in Dominican Republic



The area harvested for the first six months of CY 2022 totaled 88,685 ha, while milled rice increased to 355,151 MT (3.6 percent) compared to the same period in CY2021. The Ministry of Agriculture deployed a new variety (Juma 70-22) resistant to herbicides, which has shown good yields in conjunction with favorable climate conditions contributing to these results.

The Dominican Government (GoDR) currently has no plans to promote the expansion of rice production areas.

Graph 1. Rice Production by Year



*Estimated

Source: Built by FAS/Santo Domingo with data from the Ministry of Agriculture.

The average yield has varied between 4-5 MT/Hectare (HA) over the last ten years. Post sources expect yields to remain in this range in the coming years, due to the lack of access to new varieties and production technologies. Nonetheless, DR has the highest yield in the Caribbean.

2. Consumption

Local rice consumption is estimated at 620,000 MT, increasing in line with expected population growth. The COVID-19 pandemic did not have a material negative impact on local consumption of rice, and with COVID-19-related restrictions lifted, such impact is not anticipated. The per capita rice consumption in DR is approximately 50 kilograms per year.

3. Prices

According to retail price reports from the Ministry of Agriculture, prices of rice (premium) have remained stable in the local market during the first seven months of CY2022 - at an average of US\$0.61/pound. However, prices have slightly risen compared to the same period last year.

Graph 2. Average Retail Price for Rice in DR



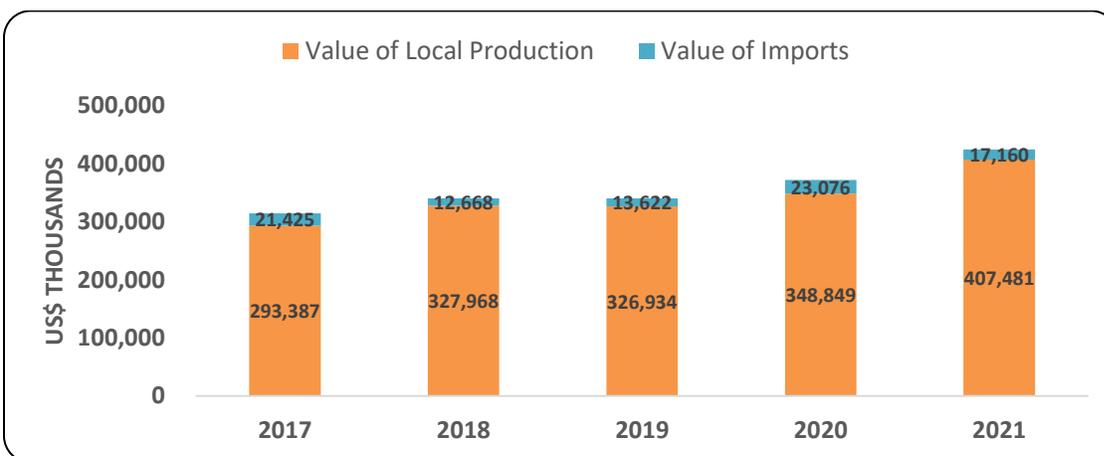
Source: Built with data from monthly retail price reports from Ministry of Agriculture, consulted on 08/22/22. Prices reported in RD\$. Exchange rate used 1US\$=55.07 RD\$ CY 2021 and 54.72 RD\$ CY 2022.

The 2021 household survey carried out by the National Bureau of Statistics (ONE) showed that the Dominican family is composed on average of three members; thus, the price increase of \$0.02 per pound adds \$0.59 per month to the basic food basket for the average family. Unsurprisingly, the rice price increase has a greater impact on lower-income households, which tend to have a higher number of family members - 80 percent of the population earns less than \$550 per month- and include more rice in their diets.

4. Trade

Both imports and exports by the DR are limited. Rice is highly protected and subsidized which restricts imports, while high production costs and low yields make it less competitive for export markets. The country has been self-sufficient in rice in the last several years, and most rice imports come from the United States (99 percent of the CY2021 total) thanks to a tariff rate quota (TRQ) established under the CAFTA-DR agreement.

Graph 3. Rice Market Value in DR

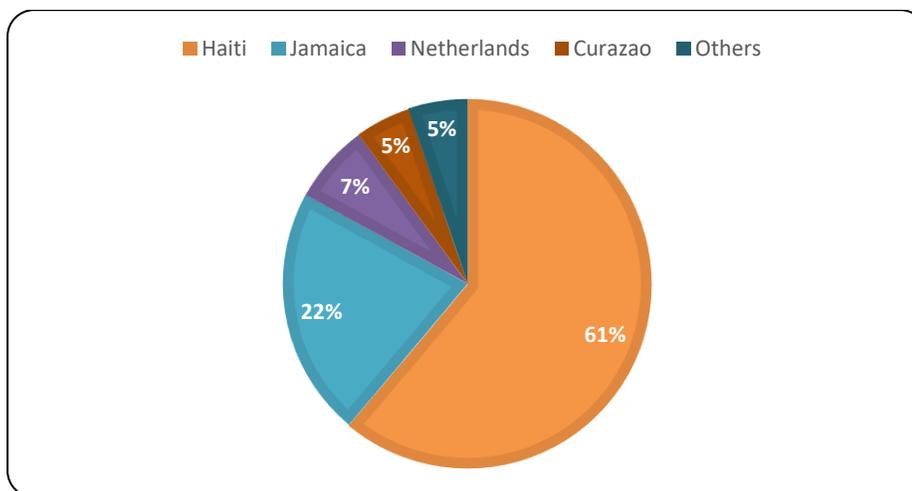


Source: Built by FAS with data from the Central Bank of the Dominican Republic and Trade Data Monitor

For CY 2021, imports totaled 37,407 MT, and projections for CY 2022 are higher due to expected increases in TRQ levels and increased competitiveness of U.S. rice with lower tariff rates.

Dominican rice is exported in minor quantities, mainly to Haiti (see chart below) in the form of broken rice. DR exports represented approximately 1,000 MT for CY 2021.

Graph 4. DR Rice Exports



Source: Built by FAS with data from the National Bureau of Statistics of DR

5. Policy

5.1 Trade Policy

Under the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), the Dominican Republic (DR) negotiated that rice be placed in Basket V, which provides a longer-term tariff reduction

period -- 20 years -- as well as establishing an initial 99 percent out-of-quota tariff rate. This out-of-quota tariff rate remained unchanged during the first 10 years of the Agreement, until 2015. From 2016 to 2020, the out-of-quota tariff rate was reduced by 8 percent annually; and from years 2021 to 2025, by 12 percent annually. For 2022, the out-of-quota tariff rate for rice is 35.6 percent. Additionally, the DR negotiated a special safeguard with an additional tariff rate. For 2022, the safeguard tariff rate, if triggered, is 83.2 percent. This special safeguard can be applied until the end of the tariff reduction period on January 1, 2025.

Also, within the framework of CAFTA-DR, the DR negotiated the establishment of Tariff Rate Quotas (TRQs) for U.S. rice, providing rice from the United States with an in-quota tariff rate of zero percent. TRQs were set for both milled and brown rice. The TRQ started at 8,560 MT for milled rice and 2,140 MT for brown rice in year 1 of the agreement (2006) and has increased to 17,520 MT and 4,380 MT, respectively as of 2022.

Table 1. CAFTA-DR Rice TRQ Usage in the DR

Year	Milled			Brown		
	TRQ (MT)	Usage		TRQ (MT)	Usage	
		MT	%		MT	%
2006*	8,560	NA	NA	2,140	NA	NA
2007	9,120	1,094	12%	2,280	16	1%
2008	9,680	2,332	24%	2,420	80	3%
2009	10,240	7,106	69%	2,560	2,903	113%
2010	10,800	10,658	99%	2,700	2,854	106%
2011	11,360	8,289	73%	2,840	2,401	85%
2012	11,920	4,280	36%	2,980	1,090	37%
2013	12,480	10,882	87%	3,120	1,547	50%
2014	13,040	13,433	103%	3,260	4,455	137%
2015	13,600	16,310	120%	3,400	0	0%
2016	14,160	17,609	124%	3,540	11	0%
2017	14,720	17,122	116%	3,680	11	0%
2018	15,280	18,998	124%	3,820	0	0%
2019	15,840	15,840	100%	3,960	0	0%
2020	16,400	19,298	118%	4,100	0	0%
2021	16,960	16,960	100%	4,240	0	0%
2022*	17,520	12,551	72%	4,380	0	0%
2023	18,080	NA	NA	4,520	NA	NA
2024	18,640	NA	NA	4,660	NA	NA
2025	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited

*TRQs were not made available in 2006 since DR implemented CAFTA-DR in 2007.

Source: Built by FAS/Santo Domingo with data from the Agricultural Trade Office (OTCA) of the Ministry of Agriculture.

As shown in the chart above, after the milled rice TRQ was underused during the first seven years of implementation, its use increased to an average of 113 percent in the last 8 years. As of July 2022, the milled rice TRQ has reached a 72 percent usage rate and is on track to reach over 100 percent. During the first years of the Agreement's implementation, the DR had many challenges in terms of TRQ management, including late issuance of the assignments, hence, affecting usage rates.

In the case of the brown rice TRQ, usage has been limited due to the DR's current phytosanitary restriction for *tilletia* on rice. According to Post sources, several cases of *tilletia* were found in brown rice imports from the United States until 2014. Since that time, the Ministry of Agriculture has unofficially allowed brown rice TRQ recipients to import milled rice instead. This also explains the overuse rates of milled rice since 2015.

5.2 Domestic Support Policy

Price controls for rice are established via the Pignoracion Program, which operates 8 months out of the year. The National Rice Commission (CONA) establishes a yearly price band (for paddy rice, FOB mill). CONA is composed of the Ministry of Agriculture, producers, processors, retailers and other public institutions. Price bands are established both annually and for each of the two harvest periods (May and September), based on historic prices, varieties, and production estimates. For millers, purchasing according to CONA price bands is not obligatory, but it is a requirement for participation in the Pignoracion Program.

In general terms, the Pignoracion Program is a financial services program benefiting rice producers and processors. Under the program, processors (factories, cooperatives, etc.) or producers buy or produce rice, then mill and either market or hold the rice in storage. If stored, the rice can be pledged as collateral for loans from commercial or public lending institutions. For participants in the program, the costs of storage, interest, and insurance are covered by the Ministry of Agriculture.

For the 2022-2023 harvesting season, the GoDR has allocated approximately [US \\$185 million](#) for the Pignoracion Program. According to MOA, from 2012-2020, the GoDR has disbursed more than US\$1 billion to the program.

As rice constitutes one of the primary food sources for the populace, it is exempt from the Value Added Tax (VAT), which is currently set at 18 percent.

Attachments:

No Attachments.