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Dairy Report

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Dairy and Products

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Report Highlights:
Dominican imports of dairy products exhibited strong across-the-board growth in 2014. Substantial increases in imports were recorded for imports of butter (409%) followed by Nonfat Dry Milk (NFDM; 42.7%), Liquid Milk (22.5%), Ice Cream (21.1%), Margarine (12.8%), and Powdered Milk (6.6%). At the same time, there were decreases in the imports of Yogurt (-8.7%), Cheese/Including cheddar (-4.3%), and Cheeses in general (-0.1%). Dominican retailers highlight market opportunities for U.S. cheese to substitute for Dutch Gouda Cheese. Tariffs and quotas for liquid milk, butter, fresh cheese, cottage cheese, molten cheese and soft cheese are eliminated beginning in 2015 and Ice Cream in 2016. Tariff and quotas for cheddar cheese and mozzarella cheese will be eliminated in 2020 and 2025, respectively.

Production

Dominican milk is produced by approximately 59,000 dairy producers who own 1.2 million cattle distributed mainly in the Northwest, Southwest and Eastern regions of the country. A study prepared by the Oficina Nacional para el Desarrollo de los Fondos Europeos (*ONFED*) in 2002 (the latest known) indicated the following percentages and usage of locally produced milk: a) Processing Plants for packaging as UHT milk and others (30%); b) Production of cheese (40-45%); unpasteurized Raw milk (18-28%); and On-farm/local consumption (9-13%).

During the period from 2007 to 2014 the DR's production of liquid milk has ranged from 566.6 million liters (70,800 MT) to 623.9 million liters (78,000 MT), with substantial yearly variations. After increasing 7.6% in 2008, the total production began a multi-year decline that reached its lowest level in 2011, and then increased every year through 2014.

There are few sources of data on milk supply or consumption in the Dominican Republic. Post estimates the total supply of milk for 2014 at approximately 1,000 million liters which represents an 8.1% increase from the 932 million liters estimated for year 2013. The 2014 total domestic production estimated by the Consejo Nacional para la Reglamentación y Fomentación de la Industria Lechera (CONALECHE) is 623.9 million liters (61.9%) and total liquid and powdered milk imports are estimated to equal 384.2 million liters (38.1%) on a liquid milk basis. From 2007 to 2014 the local milk production represents approx. 61% on average and the above mentioned imports 39%.

Some industry sources, meanwhile, estimate that local production of liquid milk may be as low as 540,000,000 liters based on the number of dairy cows in production and prevailing production levels (per animal). Additionally, a September 2014 Euromonitor DR Country Report (http://www.euromonitor.com/dairy-in-dominican-republic/report) titled Dairy in Dominican Republic states on page 2 "…A severe drought struck the Dominican Republic during 2014, negatively impacting the agricultural industry in the country. Milk production is down as much as 50% for the year in parts of the northwest". Unfortunately, at this moment, while drought has continued to affect Dominican dairy producers in early 2015, Post does not have DR milk production data by province, and is unable to verify if production in the rest of the country was high enough to overcome the production declines reported for the NW region.

Dairy Production[1] in the Dominican Republic, 2007-2014

YEAR	Liquid Milk		Cheese[3]
	Liters (Mill. of Liters)[2]	*MT**	MT
2007	566,561,428	70,820.2	3,940
2008	609,724,607	76,215.6	4,110
2009	595,832,783	74,479.1	3,700
2010	529,569,320	66,196.2	4,200
2011	517,038,517	64,629.8	4,200
2012	573,430,010	71,678.8	4,500
2013	602,101,511	75,262.7	4,725 **
2014	623,932,373	77,991.5	4,895 **

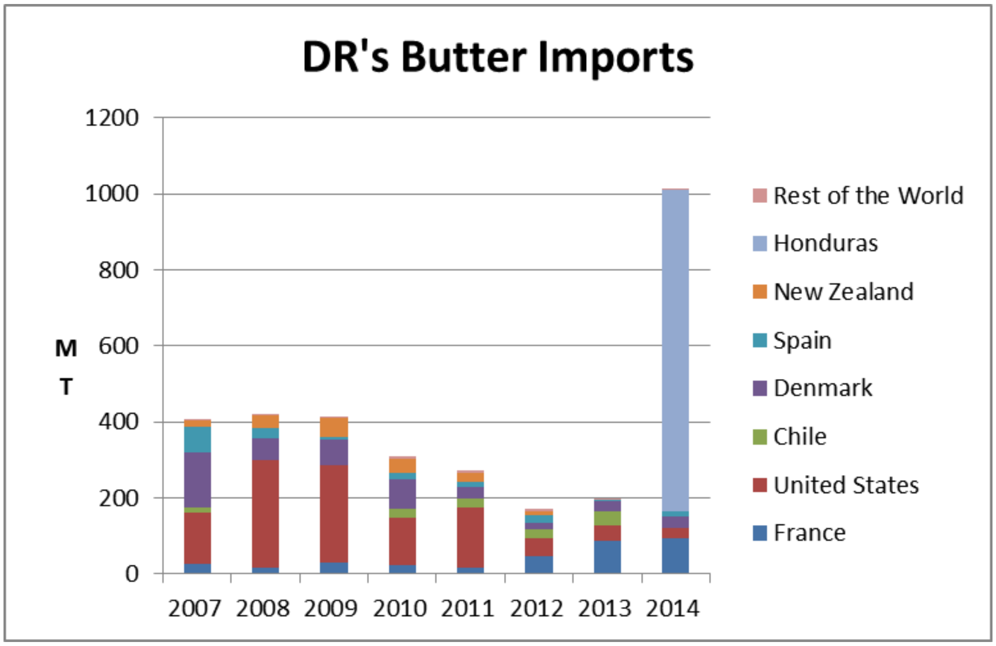
Sources: 1. It doesn't include any other dairy production besides liquid milk and cheese since data isn't available. **2.** CONALECHE & Dir. Gral. de Ganadería (DIGEGA), DR's Min. of Agric.; **3.** FAOSTAT. * Conversion to MT: (liters/8,000); ** Post estimates

Trade

Imports

Between 2007 and 2014, the DR imported an average of 49,251 MT of dairy products, including liquid milk, powdered milk, NFDM (non-fat dried milk), yogurt, butter, AMF (anhydrous milk fat), cheeses, margarine and ice cream. This represented on average a yearly market value of approximately US$181 million. For the U.S., the DR dairy market represented yearly exports ranging from $26 million in 2007 to $87 million in 2014. Export increases were led by the exports of liquid milk (up 1,296.6%), ice cream (1,252.4%), AMF (1,021.2%), NFDM (614.7%), powdered milk (545.6%), cheese (225.7%), yogurt (160.8%), and margarine (147.4%), respectively. Butter was the only category showing a decrease both in quantity (-79.6%) and in value (-32.8%) during that period.

Even though DR's imports of butter (HS: 040510) have been steadily declining during the past years, it had the greatest increase in 2014 both in quantity (409%) and in value (258.5%). Butter imports dropped from 406 MT in 2007 to 199 MT in 2013 but increased to 1,013 MT in 2014. Total 2014 butter imports represented a market value of almost US$4.0 million. France is the largest supplier of butter to the DR with 93 MT in 2014, followed by the Denmark (31 MT) and the U.S. (31 MT; $95,006). Since 2010, the U.S. has lost its previous dominant position in the DR's butter market.



Source: Global Trade Atlas (GTA)

It seems that the declining trend (down 51%, 2007-2013) in butter import has been largely compensated for by a steady increase in the importation of margarine (HS: 151710) and a significant growth in AMF (Anhydrous Milk Fat or Butterfat; HS: 040590) imports.
From 2007 to 2014 DR imports of margarine in MT increased 121% while imports from the US increased 117.5%. In the case of AMF, imports from the US have increased 1,776.2% (2008-2014) overtaking those from New Zealand which experienced a decrease of 58.3% (2007-2014). In addition to this apparent substitution of butter by margarine and AMF, according to some retailers and suppliers within the DR dairy sector industry, it seems that price factors are also driving the shift from imported butter to locally manufactured subsitutes.

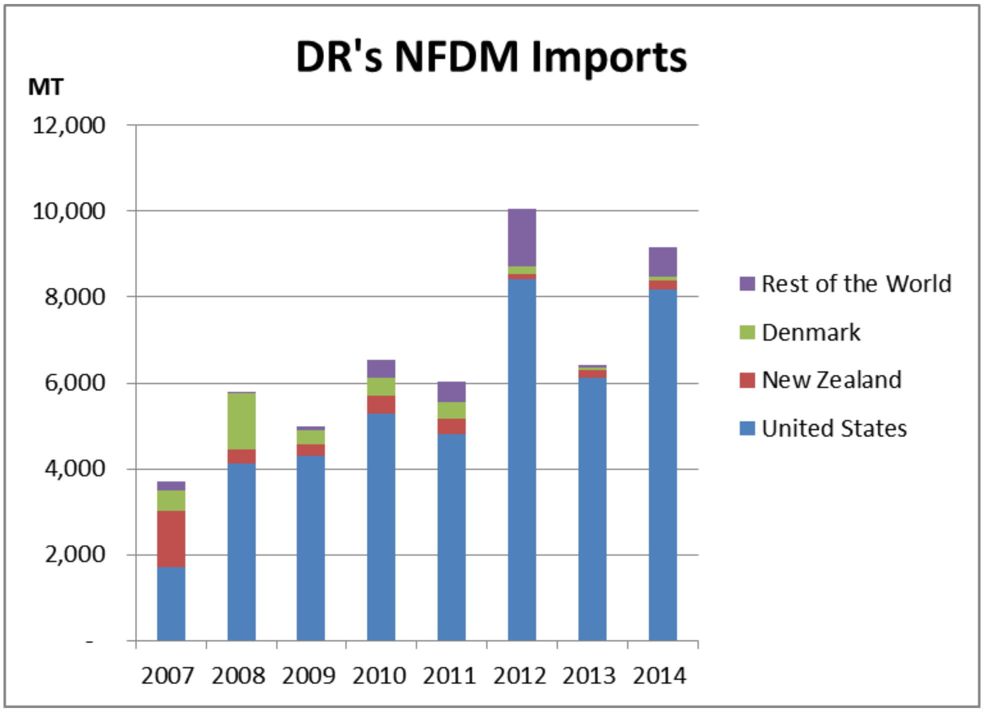
Reporting Countries Export Statistics (Partner Country: Dominican Republic)
Commodities: Butter (040510); Margarine (151710; excl. liq. Margarine) & AMF (040590)
Annual Series: 2007 - 2014, Quantity

Reporting Totals	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Grand Total**	**%**	**% Inc.**
Total Butter	406	419	412	310	274	173	199	1,013	3,206	100.0	149.5
US-Butter	137	283	257	125	159	47	39	28	1,075	33.5	-79.6
Total Margarine	462	535	713	642	844	876	907	1,023	6,002	100.0	121.4
US-Margarine	263	383	377	277	419	477	488	572	3,256	54.2	117.5
Total AMF/Butter fat	668	379	507	687	886	842	497	589	5,055	100.0	-11.8

US-AMF/Butterfat	0	21	2	270	600	498	437	394	2,222	44.0	1,776.2

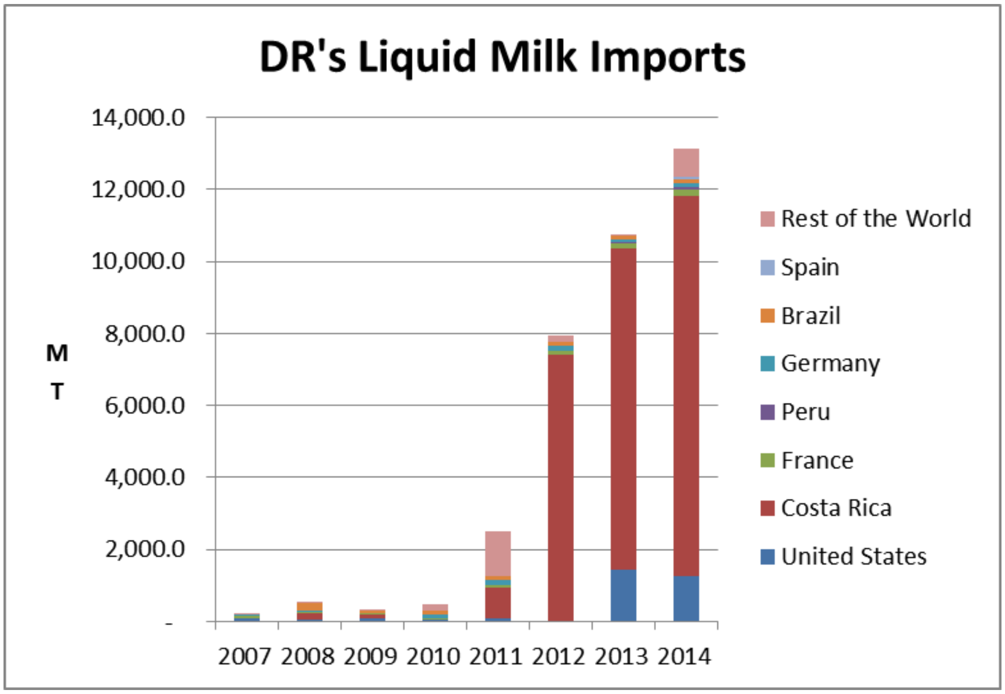
Source: Global Trade Atlas (GTA)

The U.S. is by far the DR's leading supplier of Non Fat Dried Milk (NFDM; HS: 040210). The DR imported 9,152 MT or approximately US$36 million of NFDM during 2014 and 89% of that total (both in MT & US$) was provided by the U.S.



Source: Global Trade Atlas (GTA)

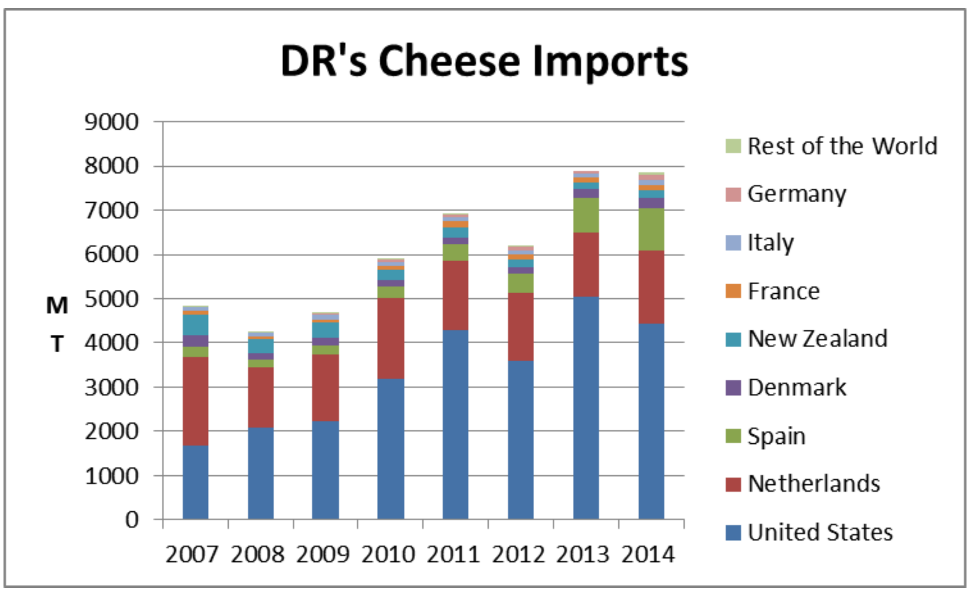
Liquid Milk (HS: 040120, 040130) imports have increased significantly since 2011. For example, in 2010, DR's imports of liquid milk were just 461 MT. Nevertheless, in 2014, those imports skyrocketed to 13,118 MT representing an US$11.2 million market value. Costa Rica has the biggest market share with 80.3% (10,530 MT in 2014): basically the Dos Pinos brand. The U.S. has a 2010-2014 average market share of 7.0% (565 MT) which reached 9.7% (1,272 MT) in 2014. It is important to note that tariffs and quotas for liquid milk, butter, fresh cheese, cottage cheese, molten cheese and soft cheese were eliminated as of January 1, 2015 and Ice Cream quotas and tariffs will be eliminated in 2016. Tariff and quotas for cheddar cheese and mozzarella cheese will be eliminated in 2020 and 2025, respectively.



Source: Global Trade Atlas (GTA)

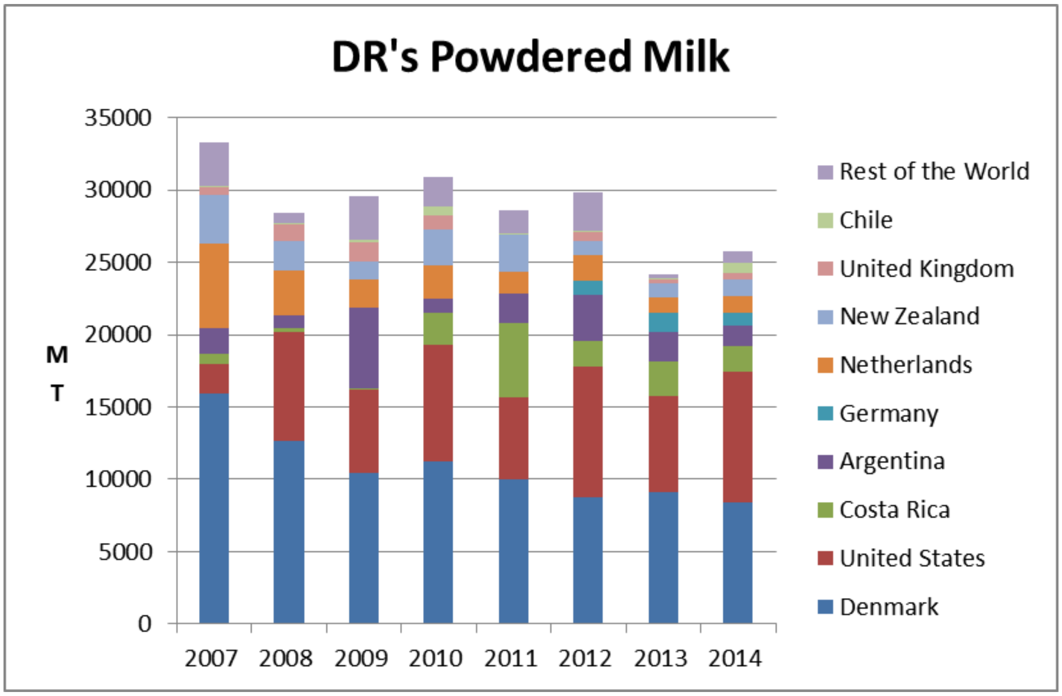
Ice cream imports totaled 1,068 MT in 2014 for a market value of US$3.2 million. The U.S. is the main supplier with an average market share of 49% (689 MT in 2014) and five other countries representing 50.1% (in order of importance, Mexico, Canada, Guatemala, France and Germany).

Cheese imports are another important segment of the DR dairy market. Total cheese imports (HS 0406) in 2014 reached 7,865 MT for a market value of US$44.9 million. The U.S. continues to dominate as the main DR cheese supplier accounting for 54.7% of market share on average (Av: 3,312 MT & 2014: 4,429 MT) of total cheese imports. The most important competitor is the Netherlands with 26.6% (Av.: 1,613 MT & 2014: 1,651 MT) market share.



Source: Global Trade Atlas (GTA)

In 2014 powdered milk represented the most important dairy import category, with 25,755 MT (22.0 %) equivalent to 206,040,000 liters of liquid milk and a market value of US$118.7 million. Between 2007 and 2014, the DR imports of powdered milk averaged 28,814 MT annually. Historically, Denmark has been the DR's major supplier of powdered milk (2007-2014/Av. 10,818 MT; 37.5%), though its share has been declining in recent years while the U.S. share (Av. 6,731 MT & 2014: 9,049 MT; 23.4%) has increased over the same period.



Source: Global Trade Atlas (GTA)

Exports

DR Dairy exports are quite limited. At the present time, the only two dairy products formally exported are cheese and margarine, both in small quantities. Most of the cheeses exported in the past were Geo cheese (yellow) and traditional 'Leaf' Cheese (*Queso de Hojas*, a soft white cheese) but the Geo cheese is no longer exported. From 2007 to 2014, Dominican cheese exports averaged 166 MT (↑31%). For 2014, this represents a market value of approximately US$0.4 million (↑ 58.8%). The U.S. is almost the sole buyer (99%). Margarine exports average of 38 MT (2011-2014) representing a market value of $41,339 on average for the same period.

Popular Dairy Product categories (information provided by retailers)

Post sources provided the following insights on the DR dairy products market:

- Most people agree that a hot/very popular product, with the fastest growing demand is yogurt. Some referred especially to the "Greek" style;

- Cheddar Cheese is a first option in the supermarkets, “a classic in DR”, and is a very competitive segment. The same is true of Mozzarella (in bars) which is considered a “market leader.” Others popular types include Cream Cheese, Swiss Cheese (in bars), American Gouda, and Edam (Europe);
- There is a market opportunity for US cheese makers to supply a substitute for the original Gouda Cheese (Dutch);
- There is some limited new demand for organic products (milk) but consumers have been very timid in demanding and paying premiums for such products;
- One company reported growing interest in “lactose free” cheese.

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