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Dominican Republic

Food Processing Ingredients

Opportunities for U.S. Ingredients in Growing Sector

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Report Highlights:

The Dominican Republic's food processing industry is valued at \$2.6 billion, with an additional \$723 million for processed beverages and tobacco. The United States has a strong history of supplying meat, and edible meat offal, and animal and vegetable fats for the Dominican meat processing industry; this is expected to continue. There is potential for increased exports of U.S. ingredients for the Dominican milling, dairy, and confectionary industries, especially since CAFTA-DR will be fully implemented by 2025.

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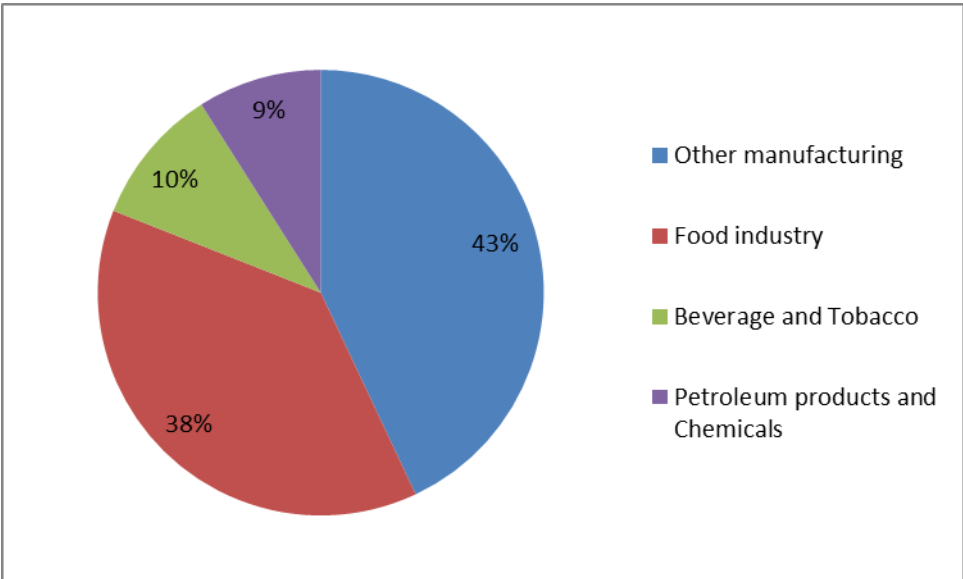
Santo Domingo

SECTION I. MARKET OVERVIEW

1.1. Market size

According to the Central Bank of the Dominican Republic, local agricultural product-related food processing was valued at \$2.6 billion in activities categorized as “food industry,” with an additional \$723 million for processed beverages and tobacco. These two categories combined were 48 percent of the total value added for all manufacturing in the DR. The key products include processed meat, oils and vegetable-origin fats, dairy products, milling products, and sugar confectionary.

Composition of local manufacturing value added by products in 2016



Source: Vice-Ministry of Industrial Development/ Ministry of Industry and Commerce with DR Central Bank data

These activities have substantially contributed to employment and growth in the Dominican economy. Since the implementation of the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), U.S. ingredients have had an increased role in the DR’s food processing sector. For general information on the Dominican market, please refer to Post’s 2017 Exporter Guide, DR1717.

1.2. Advantages and challenges in the market

Advantages	Challenges
1. The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products (which can serve as ingredients).	1. Competition from other CAFTA-DR signees, and other countries that have implemented free trade agreements with the Dominican Republic.
2. The proximity of the Dominican Republic to the United States and strong bilateral relationships throughout the public and private sectors, which facilitates trade.	2. Tariff rate quotas, safeguards and other CAFTA-DR provisions that protect local producers of rice, meat (beef, poultry and pork), dairy products, beans, garlic, and onions.
3. Efficient food distribution channels, with the construction of new highways and the modernization of seaports and airports facilitating the flow of imported ingredients.	3. Delays for import permits and sanitary registration, which can affect the availability of imported ingredients.
4. Improved quality standards and their enforcement.	4. Insufficient number of qualified technicians.
5. Industry growth of 5.4 percent in the past 25 years.	5. High costs and inefficient electricity service, which increase production costs.

SECTION II. MARKET STRUCTURE AND ENTRY

While some raw materials are available locally, many processed products contain imported ingredients, many from the United States.

An important part of the DR's food processing sector is meat processing, which includes cold cuts and sausages. Key U.S. ingredients include pork and beef trimmings, chicken mechanically deboned meat, turkey, soy protein, and packaging materials for processed products. One of the top products, salami, is consumed by more than 90 percent of the Dominican population. The meat processors are key users of the pork CAFTA-DR tariff rate quota (8,500 MT in 2016). More than 67 percent of processed meats are sold through the retail distribution channel; the remainder is sold in mom and pop shops and butchers.

Additionally, the Dominican dairy sector has expanded its processing capacity over the past several years, focusing on cheese, yogurt, and shelf-stable milk. Approximately 50 percent of the fluid milk is processed into cheese and less than 5 percent into yogurt; these small, rural processing facilities produce products that are not comparable to U.S. products due to differences in variety, quality, and sanitary factors. The largest milk producers in the DR include Nestle, Parmalat, and Grupo Rica. Depending on local conditions, milk processors import powdered milk, mainly from the European Union and to a lesser extent the United States, for reconstitution. The dairy processors utilize the dairy CAFTA-DR tariff rate quota (5,940 MT in 2016).

Milled products are another important part of the food processing industry. Key products include pasta, crackers, and cookies and provide opportunities for U.S. grains. There is also a large sugar

confectionary sector in the DR. While most sugar, cacao, and dairy products are sourced locally or from non-U.S. sources, other confectionary products, such as nuts, are imported.

Imported products enter the DR by one of two channels: direct purchase by the food processing companies or via large importers and distributors. Final processed products are then distributed to retail, food service, and institutional channels.

SECTION III. MARKET SECTOR

3.1. *Company Profiles*

Based on an analysis of tax data, there are more than 1,000 companies classified as agro industrials and processors. Key processing companies are described below.

Company	Main activity
Nestlé Dominicana S.A.	Production of products for internal sales and exports to the Caribbean and Latin-America region, including milk (powder, whole, condensed, evaporated), cereals, dehydrated soups, powder seasoning, liquid seasoning, and dog and cat food. Buys local and imported products for processing.
Molinos del Ozama S.A.	Production of wheat and corn flour, pastas, and cookies using mainly imported raw material. Molinos del Ozama is owned by the Molinos Modernos company located in Guatemala and has a processing capacity of 1,200 MT of wheat per day.
Industrias Banilejas S.A.	Purchase and processing of coffee using mainly local products; imports if needed.
Frito-Lay Dominicana S.A.	Production of snacks from plantains, cassava, potatoes and spices; local raw materials. Frito-Lay is a brand of the PepsiCo group.
Quala Dominicana S.A.	Production of seasoning cubes, juices from powder, oat products, and other products. This Colombian multinational established operations in DR in 1998.
Molinos Valle del Cibao S.A.	Production of 4 brands of wheat flour (Princesa, Famosa, Príncipe and Princesita) using mainly imported raw material. This company is part of the Bocel Group and is one of the DR's biggest importers of wheat flour.
Unilever Caribe S.A.	Production and importation of more the 70 widely-consumed products, including seasoning products, corn flours, detergents, deodorants and soaps.
Sanut Dominicana S.A.	Production of yellow corn, soybean meal, wheat, soybean oil, yellow fat, fertilizers. This Dominican company also provides veterinary services.
Molinos Modernos S.A.	See Molinos del Ozama.
La Dominicana Industrial SRL	Production of pastas. This company is part of the Bocel group.

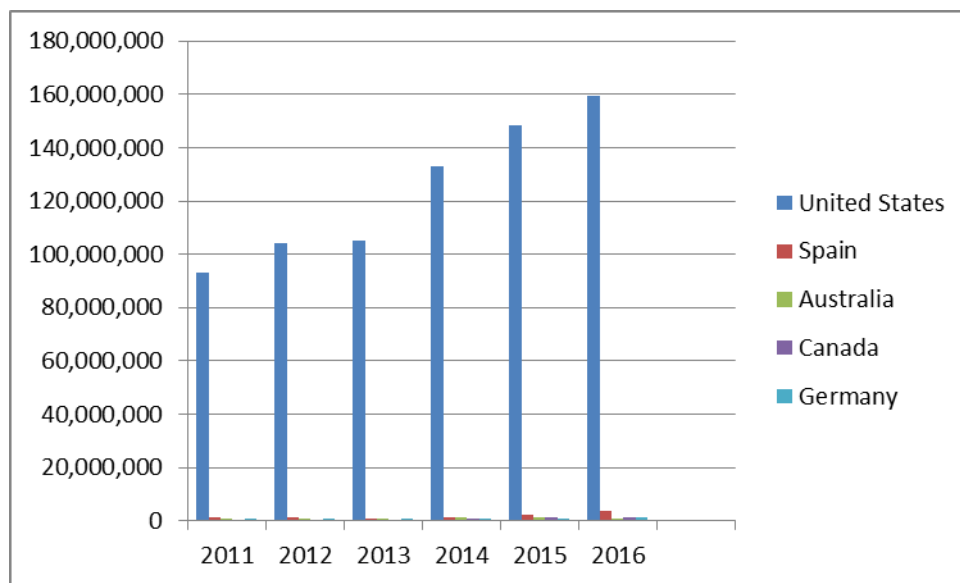
Companies Focused on Meat and Dairy Processing

Company	Main activity
Induveca/ Mercasid	Meat processing, including cold cuts, sausages, hams, smoked meat. Dairy production, including white cheese, cheddar, and yogurt. Buys local and imported products, including oils, vegetable fats, and margarines.
Productos Chef	Meat processing, including ham, sausages, and pork and beef cold cuts. Utilizes locally and imported ingredients.
Sigma Alimentos	Production of both meat and dairy products, including cold cuts, sausages, hams, smoked products, cheese (Danish, gouda, Dutch, and cheddar styles), butter, and yogurt. Buys local and imported products as food ingredients.
Agrocarne (Central Romana Corporation)	Meat processing, including pork cold cuts, sausages and hams. Dairy production, including buffalo mozzarella cheese. This is a joint venture with CCN, one of the largest retailers in the country, and distributes products under the “Higueral” brand (unique in the DR).
Grupo Rica	Dairy production, including Grade A whole, shelf-stable milk; is the largest dairy processing company in the DR (also has an operation in the United States, which exports to the region). Fruit juice production, using imported fruit concentrates.

3.2 Competition & Market Share

For meat products, the United States supplies more than 95 percent of imports and the value of U.S. meat exports continue to grow each year. The remainder is sourced from the United Kingdom, Spain, Australia, and Canada.

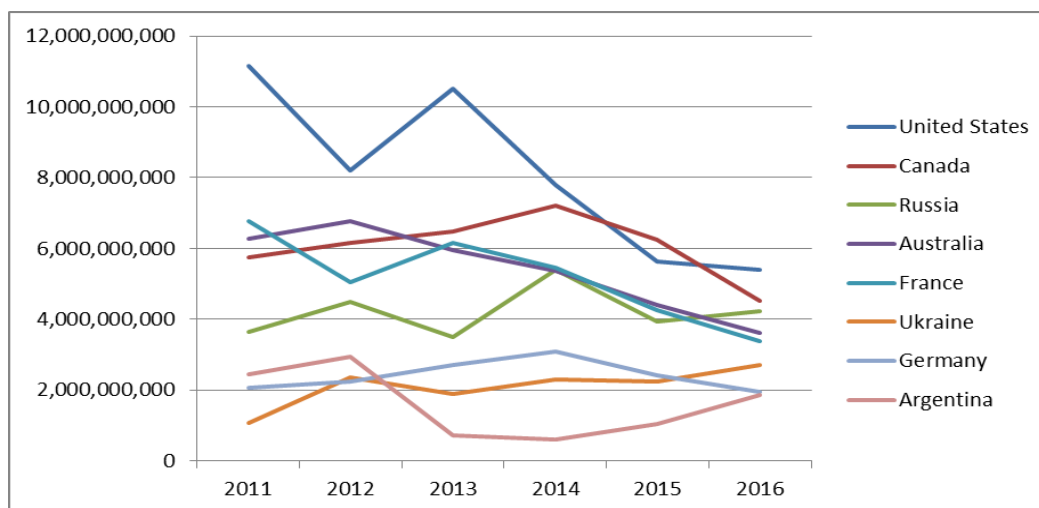
Value (\$USD) of Meat and Edible Meat Offal (HS 02) Exports to the DR, 2011 - 2016



Source: Global Trade Atlas/GTIS

The United States faces competition from Canada for wheat products, the majority of which are used in the local processing industry. Seasonal competitors include Russia, Australia, France, Ukraine, Germany, and Argentina.

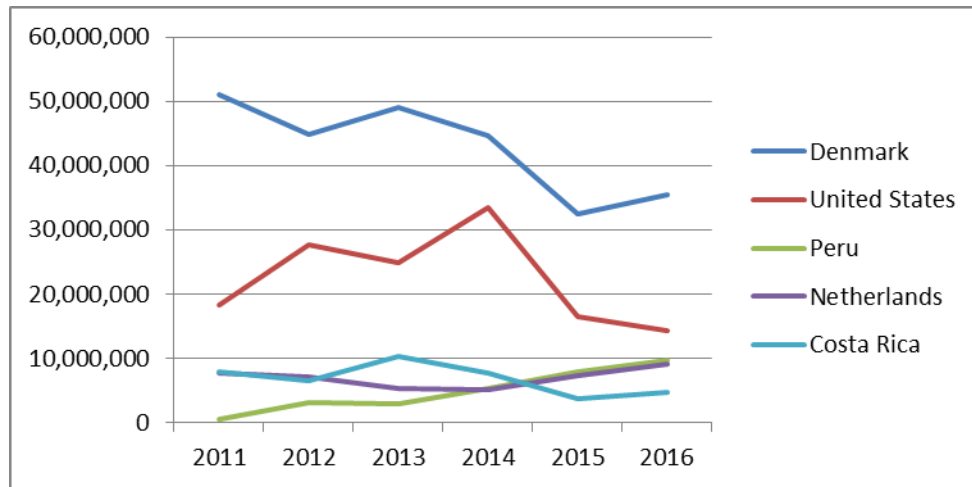
Value (\$USD) of Wheat and Meslin (HS 1001) Exports to the DR, 2011 to 2016



Source: Global Trade Atlas/GTIS

U.S. concentrated dairy products (e.g., milk powder) faces competition from Denmark, Peru, the Netherlands, and Costa Rica as demonstrated below. The top U.S. product in this category exported to the DR is non-fat dry milk.

Value (\$USD) of Milk And Cream, Concentrated Or Containing Added Sweetening (HS 0402) Exports to the DR, 2011 to 2016



Source: Global Trade Atlas/GTIS

SECTION IV. BEST HIGH VALUE PRODUCTS PROSPECTS

The United States has a strong history of supplying meat, and edible meat offal, and animal and vegetable fats for the Dominican meat processing industry; this is expected to continue. There is potential for increased exports of U.S. ingredients for the Dominican milling, dairy, and confectionary industries, especially since CAFTA-DR will be fully implemented by 2025. They export data for selected commodities is provided in the table below.

**Value (1,000 of \$USD) and Quantity (MT) of U.S. Exports
of Selected Commodities to the DR**

		2014		2015		2016	
HS	Product	Value	Qty	Value	Qty	Value	Qty
2	Meat And Edible Meat Offal	132,091	45,810	147,013	57,577	158,315	65,154
15	Animal Or Vegetable Fats	151,094	174,342	109,516	138,516	110,938	133,647
19	Cereal, Flour, Starch Or Milk Prep.	78,869	21,966	40,515	15,559	42,699	17,921
16	Preparations Of Meat Or Fish	20,042	17,318	19,095	14,258	22,400	17,100
12	Oil Seeds And Oleaginous Fruits	6,915	8,912	6,160	9,265	5,412	11,647
11	Milling Products	5,467	6,845	4,698	6,001	5,130	5,990
17	Sugars And Sugar Confectionery	8,066	7,107	6,895	3,667	7,282	3,323

Source: U.S. Census Bureau Trade Data

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Foreign Agricultural Service (FAS/ USDA)

República de Colombia Av. #57, Arroyo Hondo, Santo Domingo, Dominican Republic.

U.S. Embassy in Santo Domingo, DR.

Telephone: 809-368-7654

E-mail: agsantodomingo@fas.usda.gov

Web page: www.fas.usda.gov

Comment: Please contact this office for more detailed information about the Dominican food market, lists of importers, major players in the sector, questions, etc.

*Dominican Institute for Quality Standards (INDOCAL)**

(Ministry of Industry and Commerce)

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Juan Pablo Duarte, Piso 11 (Edif. El Huacal), Santo Domingo, Dominican Republic

Contact: Dr. Manuel Guerrero, Executive Director

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Web page: <http://www.digenor.gob.do>

** This bureau is part of the Ministry of Industry and Commerce and issues and enforces the application of NORDOM 53, which requires Spanish labeling and the sanitary registration number on all pre-packed retail food products. Also, Indocal is where the Standard Committees (composed by both, the private and the public sector) convey the update on the industry on a regular basis. FAS is invited to participate for all U.S. standards related issues.*

General Directorate of Customs (DGA)

Av. Abraham Lincoln No. 1101, Ens. Serrallés

Santo Domingo, Dominican Republic

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Telephone: 809-547-7070

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Comment: The official entity in charge of customs and the local regulations related to it.