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Dominican Republic

Food Processing Ingredients 2019

Approved By:

Elizabeth Autry, Senior Agricultural Attaché

Prepared By:

Virgilio Mayol, Agricultural Specialist

Report Highlights:

The Dominican Republic's food processing industry was valued at \$2.2 billion as of September 2018 (\$2.8 billion in Calendar Year [CY] 2017) in activities categorized as "food industry," with an additional \$605 million for processed beverages and other products during the same period (\$794 million in CY 2017). Meat processing, wheat milling, baked products, and dairy processing continue to lead the local food processing industry. The United States continues to be a strong supplier of meats, edible oils, fats, dairy products, wheat, and other key ingredients. There is potential for increased exports of those and additional U.S. ingredients, especially since CAFTA-DR continues to steer towards full implementation by 2025.

Post:

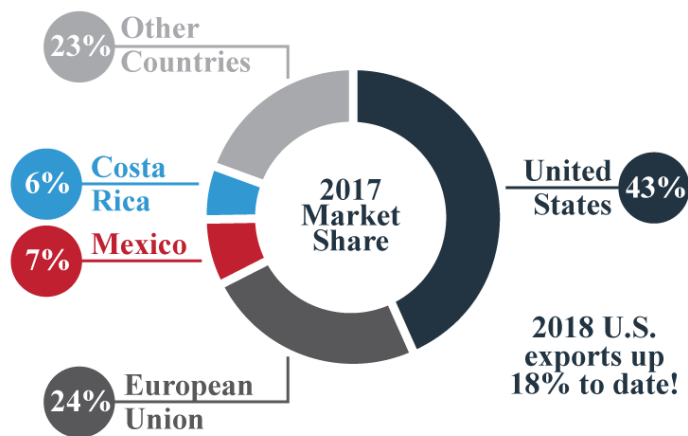
Santo Domingo

Market Fact Sheet:

Dominican Republic

The Dominican Republic (DR) is an upper middle-income country with low and stable inflation. It is the second-largest economy in the Caribbean, just behind Cuba, and the third-largest country in terms of population (behind Cuba and Haiti). In 2018, the DR's GDP reached approximately \$80.0 million, a 7.0 percent increase from 2017. The DR's major export growth has shifted away from its traditional products (raw sugar, green coffee, and cacao) to gold, Ferro-nickel, sugar derivatives, free-trade zone products, vegetables and other agricultural products. Major imports include consumer-oriented products and livestock feed, with the United States as a primary partner.

Imports of Consumer-Oriented Products



Source: GTIS and GATS.

Food Processing Industry

The DR's food processing industry was valued at \$2.2 billion as of September 2018 (\$2.8 billion in CY 2017) in activities categorized as "food industry," with an additional \$605 million for processed beverages and other products during the same period (\$794 million in CY 2017). The United States has a strong history of supplying meat, 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 milling, dairy, and confectionary industries, especially since CAFTA-DR will be fully implemented by 2025.

Food Retail Industry

The Dominican modern retail sector offers a wide variety of U.S. products, is dominated by locally-owned companies, and is growing rapidly. However, despite the growth of supermarkets, they only account for 20-25 percent of retail

sales. The majority of sales are still in the traditional channel, which includes neighborhood stores (colmados) and warehouses and offer largely local products.

Quick Facts CY 2017

List of Top 10 Growth Products

- | | |
|------------------|------------------------|
| 1) Cheese | 6) Meat (Beef) |
| 2) Wine | 7) Seafood |
| 3) Craft Beer | 8) Baking Ingredients |
| 4) Pork | 9) Frozen potatoes/veg |
| 5) Chicken Parts | 10) Fresh fruit |

Consumer-Oriented Trade (U.S. billion) 2017

DR Imports (all sources)	1.14
DR Imports (from U.S.)	0.49
DR Exports (all dest.)	0.64
DR Exports (to U.S.)	0.23

Top DR Retailers

- | | |
|--------------------------|----------------|
| 1) La Sirena | 6) Mercatodo |
| 2) Pola Supermarkets | 7) Plaza Lama |
| 3) Jumbo | 8) Pricesmart |
| 4) Nacional Supermarkets | 9) Carrefour |
| 5) Bravo | 10) Superfresh |

GDP/Population

Population: 10.6 million
GDP: 80.0 billion
GDP per capita: 7.55

Sources: GTIS; ONE; World Bank, Central Bank of the DR

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products.	Higher cost of some U.S. products compared to competitors.
Proximity to the United States and strong demand for U.S. products.	Import sensitivity of several products.
Opportunities	Threats
Additional trade liberalization through the full implementation of CAFTA-DR by 2025.	Competition from other CAFTA-DR signees and the DR's other free trade agreement partners.
Growth potential for U.S. consumer-oriented products, livestock feed, and ingredients for the food processing industry.	Limited cold chain capacity.

Contact: OAA Santo Domingo

agsantodomingo@fas.usda.gov | +1 809-368-7654

SECTION I. MARKET SUMMARY

1.1. Market Size

According to the Central Bank of the Dominican Republic, local agricultural product-related food processing was valued at \$2.2 billion as of September of 2018 (\$2.8 billion in CY 2017) in activities categorized as “food industry,” with an additional \$605 million for processed beverages and other products during the same period (\$794 million in CY 2017). Combined, these categories were 49 percent of the total value added for all manufacturing. The key products include processed meat, milling products, dairy products, oils and vegetable-origin fats, and sugar confectionary. These activities have substantially contributed to employment and growth in the Dominican Republic’s (DR) economy. Since the implementation of the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), U.S. ingredients have had an increasing role in the DR’s food processing sector. For general information, please refer to [FAS/Santo Domingo’s 2017 Exporter Guide](#).

Advantages and Challenges in the Market

Advantages	Challenges
<ul style="list-style-type: none">• The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products• A growing food manufacturing industry, which demands new, innovative, and high performance ingredients• Proximity between the countries and strong commercial and cultural ties• Efficient food distribution channels• Improved quality standards and enforcement	<ul style="list-style-type: none">• Competition from other CAFTA-DR signees and the DR’s other free trade agreement partners• Delays for import permits and sanitary registration, which can affect the availability of imported ingredients• Insufficient number of qualified technicians, which can limit production• High costs and inefficient electricity service, which increase production costs

SECTION II. ROAD MAP FOR MARKET ENTRY

2.1. Entry Strategy and Distribution Channel

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

2.2. Import Procedure

Import procedures into the DR are described in [FAS/Santo Domingo’s 2017 Food and Agriculture Import Regulations and Standards \(FAIRS\) narrative report](#).

2.3. Market Structure. Share of Major Segments in the Food Processing Industry.

An important part of the DR's food processing sector is **meat processing**. The retail value of processed meats sold in the DR in 2018 is estimated at approximately \$69 million. More than 67 percent of processed meats are sold through the retail distribution channel, including distributors and supermarkets; the remainder is sold in mom and pop shops and butchers. Dominican brands dominate the local market thanks to the variety of available products and competitive pricing strategies. Salami continues to lead total sales of meat-processed products, and it is consumed by more than 85 percent of households in the country. The company Induveca S.A./MERCASID dominates the local market for processed meat. Other important companies include Sigma Alimentos and Productos Chef. While some international brands are present in processed meat, these products have much higher prices, which are often beyond the budgets of most households. During 2017, the United States supplied 94 percent of imports of meat products to the DR, valued at \$177 million; and that value continues to grow each year. Other sources include the EU, Canada and Australia. Key U.S. ingredients exports include pork and beef trimmings, chicken mechanically deboned meat, turkey, soy protein, and packaging materials for processed products. The meat processors are key users of the pork CAFTA-DR tariff rate quota.

Another key part of the local food processing industry is **wheat milling**. As the country does not produce wheat, it imports almost all of it from the United States and Canada. During 2017, the country imported \$117 million in wheat. The U.S. supplied 71 percent (\$82 million) of that total and Canada supplied 30 percent (\$34 million). Two companies lead the local milling industry: Molinos Modernos S.A. and Grupo Bocol. Both companies process nearly 80 percent of all wheat imported into the country. The main product produced by the millers is wheat flour. This wheat flour is the foundation of a large and growing baked goods industry in the DR. The retail value of baked goods sold in the DR in 2018 is estimated at approximately \$264 million. The largest share of baked goods is unpackaged leavened bread, which includes the local staple breads called "*pan de agua*" and "*pan sobao*."

Additionally, the Dominican **dairy processing industry** has expanded its processing capacity over the past several years, focusing on cheese, shelf-stable milk, and yogurt. Over 50 percent of domestic fluid milk is processed into cheese and less than 5 percent into yogurt. Most of these cheeses are produced by more than 400 small and medium-sized rural processing facilities, creating products that are not comparable to U.S. products due to differences in variety, quality, and sanitary factors. However, larger local companies, such as Sigma Alimentos and Mejia Arcalá, produce the most comparable cheeses. The retail value of cheese sold in the DR in 2018 is estimated at approximately \$104 million. Additionally, shelf-stable milk dominates sales in drinking milk products in the DR. Depending on local conditions, milk processors import powdered milk from the European Union and the United States for reconstitution. The leading local company in this category is Pasteurizadora Rica. For powdered milk, Mejia Arcalá is the largest importer. The retail value of drinking milk products sold in the DR in 2018 is estimated at approximately \$240 million.

Finally, 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 of U.S. origin. Retail value of sugar confectionary sold in the DR in 2018 is estimated at approximately \$47 million.

2.4. Company Profiles & Company Products

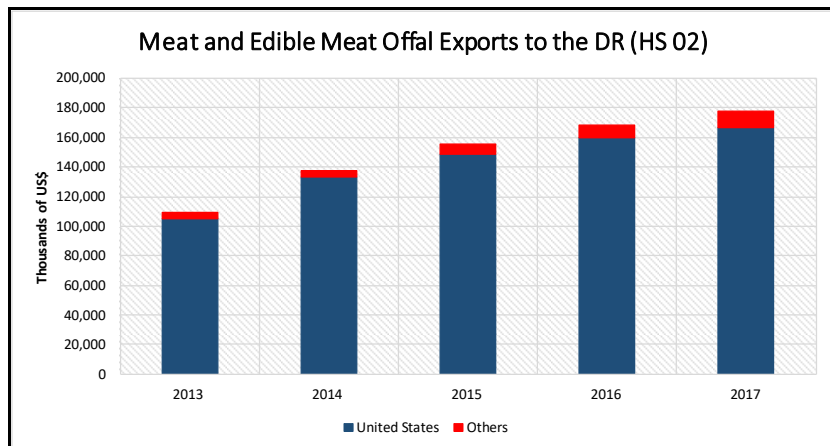
There are more than 1,000 companies classified as agro-industrials and processors in the Dominican Republic. Based on the market structure described in Section 2.3, below is a list of key processing companies:

Company	Key Products
Meat Processing	
Induveca S.A./MERCASID www.mercasid.com.do/es/empresas/induveca	Processed meat, cheese and yogurt
Sigma Alimentos www.sigma-alimentos.com	Processed meat, cheese, butter, and yogurt
Productos Chef www.productoschef.com	Processed meat
Agrocarne (Central Romana Corporation) www.centralromana.com.do/estructura-corporativa/manufactura	Processed meat
Wheat Milling	
Molinos Modernos S.A. www.molinosmodernos.com	Wheat flour, pasta and crackers
Grupo Bocel www.grupobocel.com/page/index.php	Wheat flour, pasta, cookies and crackers
Baked Goods	
Horneados Pepin S.A. www.panpepin.com.do/	Bread and pastry
Lumijor SRL www.lumijor.com.do/	Bread
Dairy Products	
Sigma Alimentos www.sigma-alimentos.com	Processed meat, cheese, butter, and yogurt
Mejía Arcalá www.grupomejiaarcala.com/en/	Cheese and powdered milk
Grupo Rica www.gruporica.com/en	Shelf-stable milk, fruit juices
Nestlé Dominicana S.A. www.nestle.do	Milk products, cereals, dehydrated soups, seasoning and pet food
OTHERS	
Frito-Lay Dominicana S.A. www.fritolay.com	Snacks from plantains, cassava, potatoes and spices
Quala Dominicana S.A. www.quala.com.do/rep-dominicana/inicio	Seasonings, powdered juice, oat products
Unilever Caribe S.A. www.unilever.com.mx	Seasoning products and corn flour

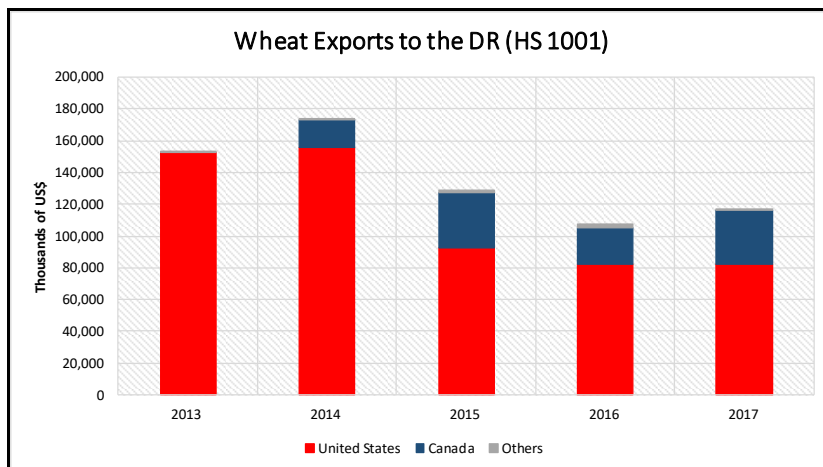
SECTION III. COMPETITION AND MARKET SHARE

Meat Products:

During the last five years, the U.S. exported an average of 95 percent of total meat exports to the DR, with an annual average value of \$143 million. These numbers continue to grow each year. Other sources include the EU, Canada, and Australia.



Source: Built by Post with data from GTIS and GATS/USDA.



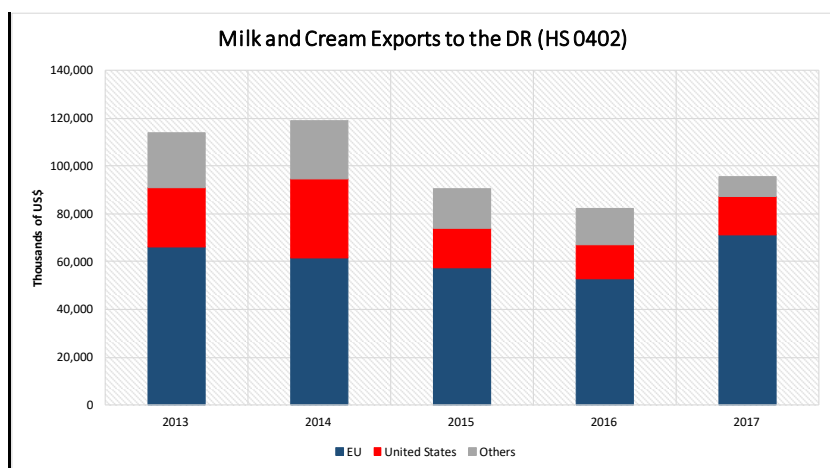
Source: Built by Post with data from GTIS and GATS/USDA.

Wheat Milling Products:

From 2013 to 2017, the United States exported an average of 83 percent of total wheat exports to the DR, with an annual average value of \$113 million. Canada is the strongest (and growing) competitor for the United States in this market, with 16 percent of total wheat exports to the Dominican market.

Dairy Products:

During the last five years, the United States exported an annual average of 21 percent of milk and cream (powdered milk, HS0402) to the DR, with an annual average value of \$21 million. The EU has the largest market share for this product, exporting an annual average of 47 percent of total Dominican imports.



Source: Built by Post with data from GTIS and GATS/USDA.

SECTION IV. BEST PRODUCTS PROSPECTS CATEGORIES

The United States has a strong history of supplying meat, 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. Post anticipates this growth will be seen within products already present in the market. However, growth opportunities for U.S. dairy ingredients may continue to be limited by onerous and time-consuming import requirements.

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)

Ave. Mexico esq. Leopoldo Navarro, Edificio de Oficinas Gubernamentales

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

Contact: Dr. Manuel Guerrero, Executive Director

Telephone: 809-686-2205

Fax: 809-686-2235

E-mail: servicioalcliente@claro.net.do

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

Comment: 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. In addition, Indocal is where the Standard Committees (composed by both, the private and the public sector) update the industry on a regular basis.

General Directorate of Customs (DGA)

Av. Abraham Lincoln No. 1101, Ens. Serrallés

Santo Domingo, Dominican Republic

Contact: Mr. Enrique Ramirez Paniagua, Director

Telephone: 809-547-7070

Fax: 809-540-5853

E-mail: info@dga.gov.do

Webpage: <http://www.dga.gov.do>

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