

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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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 was valued at \$2.6 billion in 2016, with an additional \$723 million for processed beverages and tobacco. 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:**  
Santo Domingo

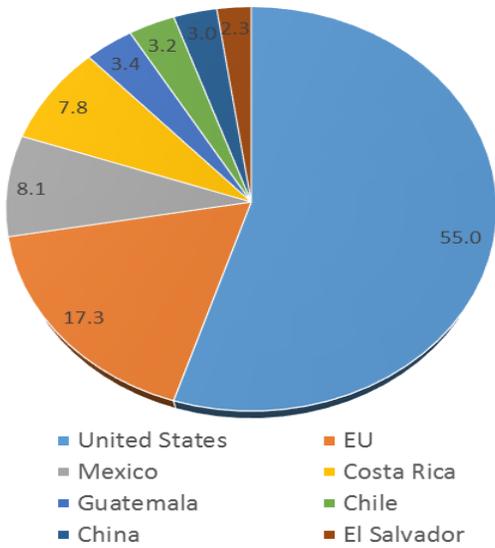
# Market Fact Sheet: Dominican Republic

## Executive Summary

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 2017, DR's GDP reached approximately US\$72.6 billion, a 1.29 percent increase from 2016. The DR's major export growth has shifted away from its traditional products (raw sugar and tobacco, 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.

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 prominence and growth of local supermarket chains, 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, which offers largely local products.

## Imports of Consumer-Oriented Products



<b>Food Exports</b>	\$0.6
<b>Food Imports</b>	\$1.1

## Food Processing Industry

Weaknesses	
High duties on nearly 80 percent of products	Higher cost of some U.S. products
High duties on certain products	Import sensitivity of several products
Threats	
Expiration of CAFTA-DR by 2025	Competition from other CAFTA-DR signees and the DR's other free trade agreement partners
High duties on livestock feed, and ingredients for the food processing industry	Limited cold chain capacity

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, 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.

## Strengths/Weaknesses/Opportunities/Challenges

Data and Information Sources: DR Central Bank

## Food Retail Industry

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**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 \$2.6 billion in 2016 (the latest available data) in activities categorized as “food industry,” with an additional \$723 million for processed beverages and tobacco. Combined, these categories were 48 percent of the total value added for all manufacturing. The key products include processed meat, oils and vegetable-origin fats, dairy products, milling products, and sugar confectionary. These activities have substantially contributed to employment and growth in the Dominican Republic’ (DR) 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, please refer to Post’s 2017 Exporter Guide, DR1717.

**Advantages and Challenges in the Market**

<b>Advantages</b>	<b>Challenges</b>
1. The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products.	1. Competition from other CAFTA-DR signees and the DR’s other free trade agreement partners.
2. The proximity of the DR to the United States and strong bilateral relationships throughout the public and private sectors, which facilitates trade.	2. Delays for import permits and sanitary registration, which can affect the availability of imported ingredients.
3. Efficient food distribution channels (new highways, modernized seaports/airports).	3. Insufficient number of qualified technicians, which can limit production.
4. Improved quality standards and their enforcement, which facilitate U.S. ingredients.	4. High costs and inefficient electricity service, which increase production costs.
5. Industry growth of 5.4 percent in the past 25 years.	

**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 are described in Post’s 2017 Food and Agriculture Import Regulations and Standards (FAIRS) narrative report, DR1714.

*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, 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 (9,000 MT in 2018). 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 domestic 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 for powdered milk for this purpose (6,210 MT in 2018).

Milled products are another important part of the food processing industry. Key products include bread, pasta, crackers, pastries and cookies and provide opportunities for U.S. grains. According to trade estimates, more than half of the wheat flour available in the DR is used to make a popular type of bread known as *pan de agua*. There is no domestic wheat production in the DR, and the country has one of the highest wheat consumption rates in Latin America and the Caribbean, at approximately 74 pounds per capita annually. The DR boasts a daily milling capacity of around 3,320 MT with an average utilization of 52 percent, divided among six processors.

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.

#### ***2.4 Company Profiles & Company Products***

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

<b>Company</b>	<b>Key Agricultural Products</b>
Nestlé Dominicana S.A. <a href="https://www.nestle.do">https://www.nestle.do</a>	Milk products, cereals, dehydrated soups, seasoning, and dog and cat food
Molinos del Ozama S.A. <a href="http://www.molinosmodernos.com">http://www.molinosmodernos.com</a>	Wheat and corn flour, pastas, and cookies
Industrias Banilejas S.A. <a href="http://www.induban.com/">http://www.induban.com/</a>	Coffee
Frito-Lay Dominicana S.A. <a href="https://www.fritolay.com">https://www.fritolay.com</a>	Snacks from plantains, cassava, potatoes; spices

<b>Company</b>	<b>Key Agricultural Products</b>
Quala Dominicana S.A. <a href="http://www.quala.com.do/rep-dominicana/inicio">http://www.quala.com.do/rep-dominicana/inicio</a>	Seasonings, powdered juice, oat products
Molinos Valle del Cibao S.A <a href="http://www.grupobocel.com/page/index.php">http://www.grupobocel.com/page/index.php</a>	Wheat flour
Unilever Caribe S.A. <a href="https://www.unilever.com.mx">https://www.unilever.com.mx</a>	Seasoning products, corn flours
Sanut Dominicana S.A. <a href="http://sanut.com">http://sanut.com</a>	Yellow corn, soybean meal, wheat, soybean oil, yellow fat
Molinos Modernos S.A. <a href="http://www.molinosmodernos.com">http://www.molinosmodernos.com</a>	Wheat and corn flour, pastas, and cookies
La Dominicana Industrial SRL <a href="http://www.grupobocel.com/page/index.php">http://www.grupobocel.com/page/index.php</a>	Pasta

### **Companies Focused on Meat and Dairy Processing**

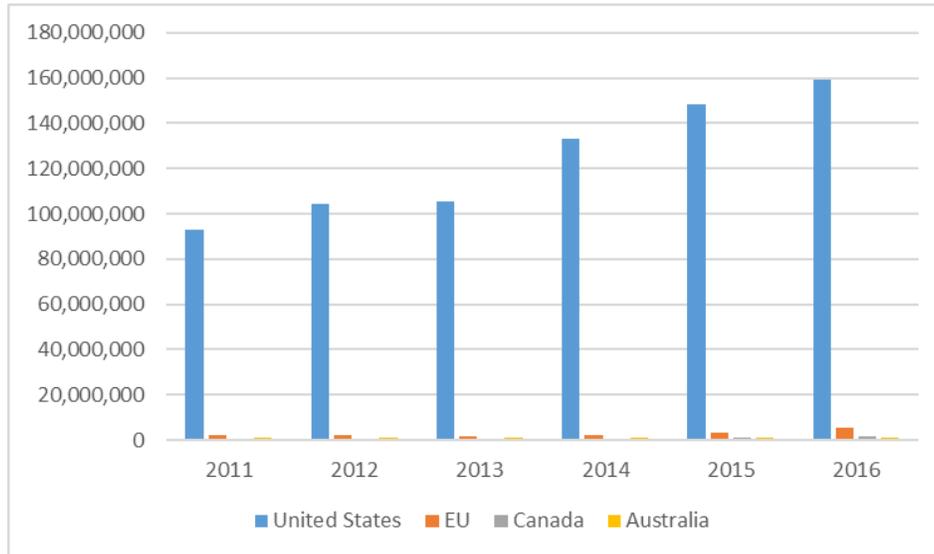
<b>Company</b>	<b>Main activity</b>
Induveca/ Mercasid <a href="http://mercasid.com.do/es/empresas/induveca">http://mercasid.com.do/es/empresas/induveca</a>	Processed meat, cheese, yogurt
Productos Chef <a href="http://productoschef.com">http://productoschef.com</a>	Processed meat
Sigma Alimentos <a href="http://www.sigma-alimentos.com">http://www.sigma-alimentos.com</a>	Processed meat, cheese, butter, and yogurt
Agrocarne (Central Romana Corporation) <a href="http://centralromana.com.do/estructura-corporativa/manufactura">http://centralromana.com.do/estructura-corporativa/manufactura</a>	Processed meat, cheese
Grupo Rica <a href="https://gruporica.com/en">https://gruporica.com/en</a>	Shelf-stable milk, fruit juices

## SECTION III

### *3.1 Competition & Market Share*

**Meat Products:** For meat products, the United States supplies more than 95 percent of imports, and the value of U.S. meat exports continues to grow each year. The remainder is sourced from the EU (Spain and Germany), Canada, and Australia.

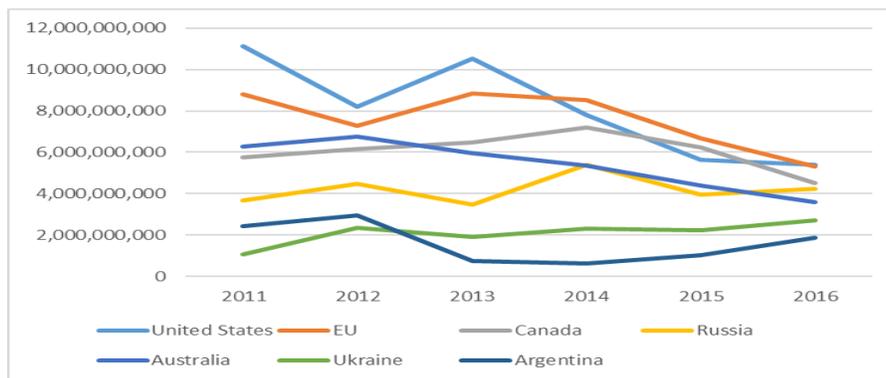
**Value (\$USD) of Meat and Edible Meat Offal (HS 02) Exports to the DR, 2011 - 2016**



Source: Global Trade Atlas/GTIS

**Wheat Products:** 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.

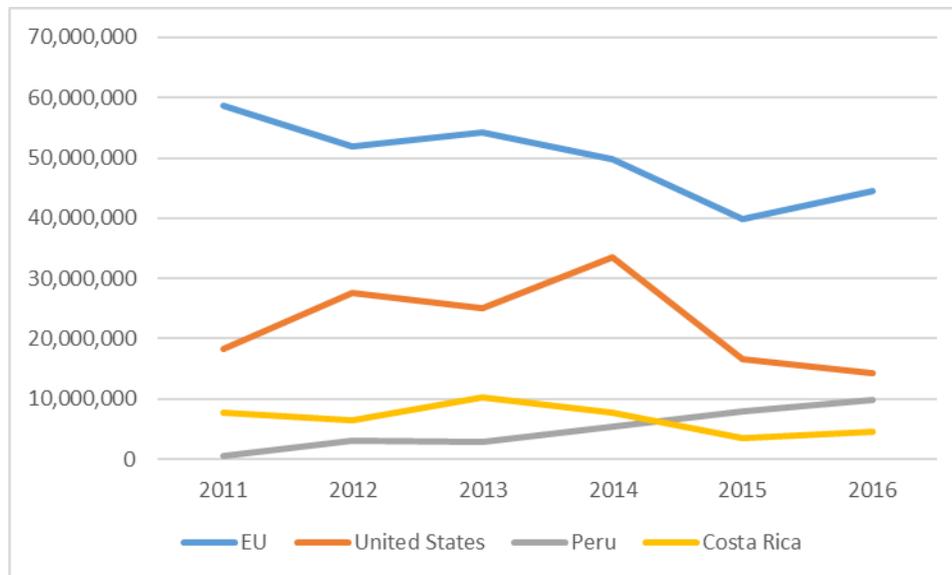
**Value (\$USD) of Wheat and Meslin (HS 1001) Exports to the DR, 2011 to 2016**



Source: Global Trade Atlas/GTIS

**Dairy Products:** U.S. concentrated dairy products (e.g., milk powder) faces competition from the EU (Denmark and the Netherlands), Peru, 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 PRODUCT 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)*

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*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

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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)*

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

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