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Dominican Republic

Food Service - Hotel Restaurant Institutional

Opportunities for U.S. Products in DR's Growing HRI Sector

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Report Highlights:

The Dominican Republic is one of the most dynamic economies in the Caribbean region. With U.S. consumer-oriented product exports reaching \$494 million in 2017, the country represents the fifth-largest market for such products in Latin America. Driven by a dynamic tourism industry, an increasing gastronomy focus, and solid domestic consumer demand, excellent opportunities exist for U.S. exports to the Dominican Republic's food service sector. Leading U.S. products for distribution in hotels and restaurants include premium red meat cuts, pork, poultry parts, seafood, cheeses, frozen potatoes and vegetables, fresh fruit, wine, and craft beer. A strong preference for U.S. products exists in the sector, which incentivizes a wide range of promotions under the Sabor USA and other U.S. (state or regional) branding.

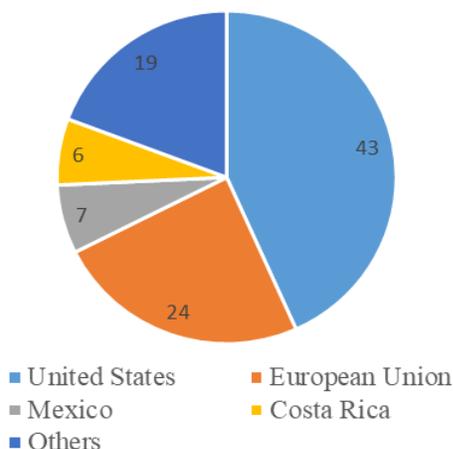
Market Fact Sheet: Dominican Republic

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.

Imports of Consumer-Oriented Products

Market Share (%) by Country:



Food Processing Industry

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.

Food Retail Industry

The Dominican modern retail sector offers a wide variety of U.S. products. It 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.

Quick Facts CY 2018

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 10 DR Retailers

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

GDP/Population

Population: 10.6 million
GDP: 71.2 billion USD
GDP per capita: 6.72 USD

Sources: GTIS; ONE DR (2016); World Bank; DR Central Bank

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

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Section I. Market Summary

In the Dominican Republic (DR), the hotel, restaurant, and institutional (HRI) sector experienced a cumulative growth of 6.7 percent in 2017, representing the sector with the largest contribution to the GDP. Tourism continues to be very important to the DR's economy and a key driver of trends and demand in the food service sector. According to the World Travel & Tourism Council, the DR's travel and tourism contributed 5.4 percent to the DR's total GDP in 2017 and is forecast to increase 4.4 percent in 2018. The average tourist spends approximately US\$130 per day. A record of 6.2 million tourists arrived in the DR in 2017, despite the low visitation experienced after hurricanes Irma and Maria. Approximately 35 percent of tourists are from the United States and nearly 67 percent (3.4 million) of visitors arrive through the Punta Cana Airport, the most important tourism area of the DR. Most of the hotels located in Punta Cana, Puerto Plata, and La Romana operate under the "all inclusive" business model, serving nearly 3 million foreigners every year. Nearly 6.5 million tourists are expected to visit the DR by the end of 2018, which would be a new record.

In addition to demand from the tourist sector, the DR's solid economic growth is increasing consumer purchasing power, which is fueling its growing gastronomy sector. Increased local demand fuels continuous growth, innovation, and creativity among leading independent and franchise restaurants. This growth in turn leads to continued expansion and interest in premium red meat cuts, pork, poultry parts, seafood, cheeses, frozen potatoes and vegetables, fresh fruit, wine, and craft beer.

ADVANTAGES AND CHALLENGES

Advantages	Challenges
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. A large and growing tourist population, which demands high value food products.	2. Delays for import permits and sanitary registration, which can affect the availability of imported ingredients.
3. A growing number of consumers demanding higher quality and healthier products; they generally perceive that U.S. products meet their requirements.	3. Requirement that U.S. products must comply with Spanish language labeling requirements.
4. Efficient food distribution channels (new highways, modernized seaports/airports).	4. Cold chain limitations.
5. Consumers greatly influenced by U.S. culture, with a positive perception of U.S. products.	5. 18 percent VAT and high internal logistic costs.

Advantages	Challenges
6. The proximity of the DR to the United States and strong bilateral relationships throughout the public and private sectors, which facilitates trade.	6. Lack of transparency and corruption, which continue to earn the DR relatively low scores in international comparison tables. (DR was 99 th out of 190 countries in the World Bank’s 2018 “Ease of Doing Business” ranking.)
7. Growing population in urban centers and increased rate of employment.	7. A lack of institutional continuity across changes in government administrations.
8. A Dominican diaspora in the U.S. of approximately one million persons, clustered primarily in the northeastern states and Florida, whose remittance payments help support the Dominican economy.	

Section II. Road Map for Market Entry

A. Key Factors for Market Access

The first step to importing new food products into the Dominican Republic is product registration. Importers register new food products with the Ministry of Public Health. The Ministry issues a certificate to the importer or the local legal representative with a Sanitation Registration Number, which must be printed on the label of the product or as an additional sticker.

For more information, please refer to Post’s 2017 Food and Agriculture Import Regulations and Standards (FAIRS) report, DR1714 (<https://www.fas.usda.gov/data/dominican-republic-fairs-country-report-0>) and the exporter guide (<https://www.fas.usda.gov/data/dominican-republic-exporter-guide-2>).

Note: In September 2017, the Ministry of Agriculture started to implement the Customs Authority’s electronic system, One Stop Shop of External Trade (or VUCE in Spanish) to digitize their agricultural imports authorizations process. The system is currently being used for a some commodities, including apples, grapes, citrus, vegetables, and meats. Once fully implemented, the system is expected to increase transparency for traders, who will be able to view the status of their approvals and reasons for any rejections.

B. Marketing Channels

In the DR, most food service importers prefer to purchase directly from U.S. manufacturers. However, for smaller volumes, and to capitalize on logistical and transportation advantages, many importers purchase consolidated shipments from distribution centers in Miami or other east coast locations. For meat, buyers also frequently purchase combined product shipments,

including mixing meat and seafood products in the same container. Local providers, working as distributors, can also be found in the meat and seafood supply chains. They usually focus on a smaller number of end users (hotels and restaurants) and buy from the larger importers.

Typical Distribution Channel:



Fruit, especially apples and pears, have a simpler distribution channel, with a few major importers directly supplying outlets.

Fruit Distribution Channel:



Some of the best opportunities for U.S. products are with the large hotels (including U.S. franchises such as Hard Rock Café, JW Marriott, Hilton, and Holiday Inn) and the all-inclusive resorts in the eastern DR. However, these resorts are highly price-sensitive. Similarly, hundreds of restaurants include U.S. imported products in their menus, creating additional opportunities for U.S. agricultural products. Post has put together a list of these potential clients that can be provided upon request.

Local products predominantly supply the institutional portion of the HRI sector. Nevertheless, catering is a growing niche that may provide opportunities for U.S. products in the future. In addition, school food programs may provide opportunities for U.S. grains and other products not produced locally.

C. Market Composition

There are nearly 2,000 hotel, restaurant, or cafeteria establishments in the DR. Cafeterias and restaurants represent about 88 percent of this total, although they do not account for the same percentage of total business volume. Restaurants focus more on new foods and promotions, while hotels are more interested in sales volume. As a result, while only consisting of 12 percent in terms of the number of establishments, hotels have higher sales volumes than independent restaurants.

There are approximately 21 fast food restaurant chains, with an estimated 129 outlets in the DR. Most of them are U.S. franchises. There are also approximately 333 medium and large restaurants in the country, with 167 of them located in Santo Domingo (of which 50 are considered high-end restaurants), 61 in Santiago, 60 in Bávaro, 23 in La Romana, and 22 in Puerto Plata. The most important U.S. products for these outlets include: meat cuts, seafood, cheese, fruits, and frozen potatoes. In addition, some of the key retail establishments distribute wines and other products to these restaurants.

Section III. Competition

The United States has the largest market share in consumer-oriented products (43 percent in 2017). The European Union is our largest competitor, with a 24 percent market share in this category. Major product categories are described further below:

Beef: The United States exported US\$53 million of beef and beef products to the DR, representing a 99 percent market share. The United States benefits from its geographic advantage and product quality, as well as the DR's preference for Certified Angus Beef in both food service and retail establishments. New domestic production of Brangus cattle may provide competition in the medium- to long-term.

Cheese: In 2017, the United States exported US\$29 million in cheese and curds to the DR, which represented 41 percent of such imports. The dominant competitor is the EU (especially the Netherlands), with a 56 percent market share. Both U.S. and European suppliers benefit from product quality and meeting tourist expectation of familiar products. While all cheese imports face several policy-related barriers in the DR, the local market does not produce comparable products due to quality and sanitary factors and a limited number of cheese types.

Wine: The DR's young wine market holds a lot of potential for the U.S. wine industry. In 2017, the United States exported US\$11.7 million of wine to the DR, which represented 25 percent of Dominican wine imports. The dominant competitor is the European Union (especially Spain), which represented 71 percent of wine imports.

Potatoes: In 2017, the United States exported US\$4.6 million in frozen potatoes, with almost total market share. For fresh and chilled potatoes, the U.S. exports were valued at US\$3 million in 2017, representing a 65 percent market share. Competitors include Canada (23 percent) and the European Union (12 percent). However, there is a high level of protection to local producers. The best opportunities in this category are for U.S. baby and/or multi-colored potatoes that are not produced locally and are increasingly popular in the DR's food service.

Apples: The United States exported \$18.7 million in fresh apples to the DR, representing a 93 percent market share. United States' quality and geographical position is a major advantage, with Chile entering the market counter-seasonally. Given the tropical climate, local production is not competitive, and the DR is dependent on imports.

SECTION IV. Best Product Prospects

Leading U.S. products for distribution in hotels and restaurants include premium red meat cuts, pork, poultry parts, seafood, cheeses, frozen potatoes and vegetables, fresh fruit, wine, and craft beer. U.S. beef (including special meat cuts) is growing in popularity at high-end restaurants, especially in Santo Domingo. While the DR has substantial domestic poultry and pork sectors, the growing food service sector creates additional demand for specific cuts. The DR's food service sector is largely dependent on imported seafood products, which creates opportunities for U.S. lobster, salmon, and other seafood products in this price-sensitive market. Cheeses, whether served individually or as ingredients (especially cheddar, mozzarella, and provolone), are widely

used in the food service sector. In addition, frozen potato products continue to be very popular. While fruits were previously available on a seasonal basis, pears, grapes, and several varieties of apples are now present throughout the year, which creates additional opportunities. There is now interest for other deciduous fruits, such as nectarines, peaches and apricots, to enter the market. U.S. wines, mainly from California, are gaining market share despite fierce competition from the European Union. There is also increasing demand for craft beer. U.S. turkey has high potential during peak holiday periods, especially from November to December. Duck can be found on occasion as a specialty product in some upscale restaurants, hotels, and resorts throughout the year.

SECTION V. Post Contact and Further Information

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**Please do not hesitate to contact this office for more detailed information about the Dominican food service sector, major players, and any other related questions.*

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