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Dominican Republic
Sugar Annual
2016

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Report Highlights:
Post forecast overall sugar production of 510,000 MT during Marketing Year 2016/17 (MY 2016/17). During MY 2015/16 Post projects sugar production of 500,000 Metric Tons (MT), similar to the 495,979 MT produced during MY 2014/15. Additionally, for MY 2015/16 Post projects exports to remain steady at 185,000 MT and imports at 78,000 MT. Based on expected return to normal rainfall patterns and a rebound in production yields, Finally, the Dominican Republic is estimated to fill the U.S. annual sugar tariff-rate quota (TRQ) for MY 2016 due to price premiums for the U.S. market.

Commodities:
Sugar, Centrifugal

1. Production

During MY 2016/17 Post forecast overall sugar production of 510,000 MT due to expected modest increase in plantings and a return to normal rainfall and yield patterns.

For MY 2015/16, Post projects overall production at 500,000 MT as persistent drought continues in Dominican production zones. For MY 2015/16 the average industrial yield is estimated at 11%; similar to previous years. According to the Dominican Sugar Institute (INAZUCAR) and Post research, total sugar production reached 495,979 MT during MY 2014/15, comprised of 319,903 MT raw; 166,011 MT refined; and 10,065 MT of direct white[1].

The largest private producer (Central Romana) continues to dominate the Dominican sugar market, producing approximately 64% of total production. Post projects Central Romana to maintain their production at 320,000 MT during MY 2015/16. Persistent drought and disappointing international market prices affected their production during MY 2014/15. Although Central Romana produced 319,000 MT during MY 2014/15, that represented an 11% decrease in their total sugar production compared to MY 2013/14. Central Romana is the only mill currently producing refined sugar, and is expected to remain so in the short term.

The second largest producer (Ingenio Cistobal Colon/ INICIA Group, formerly the VICINI Group) is projected to produce 104,000 MT of raw sugar during MY 2015/16. During MY 2014/15, Cristobal Colon produced 100,500 MT of raw sugar, a 9% decrease from MY 2013/14. Consorcio Azucarero Central (CAC), which is the third largest producer, is projected to produce approximately 57,000 MT of raw sugar during MY 2015/16. During MY 2014/15, CAC produced 63,281 MT, a 13% decrease from MY 2013/14. Finally, Ingenio Porvenir is projected to produce 16,000 MT during MY 2015/16, a slight increase from the 13,612 MT produced during MY 2014/15.

2. Consumption

Post does not forecast any important increase in consumption during MY 2016/17 or MY 2015/16. During MY 2014/15 the local consumption of sugar was 390,000 MT for an estimated per capita consumption of 83 pounds per person/per year. Of this total, the Dominican market consumed approximately 53% raw sugar and 47% refined.

3. Trade

The U.S. market remains the most important one for the DR. During MY 2016/17 Post forecasts exports at 200,000 MT. This forecast will depend on U.S. import quota allocations and the behavior of international market prices. Similarly, for MY 2015/16 Post projects exports at 185,000 MT due to a rebound in US demand and prices. During MY 2014/15, according to INAZUCAR and Post research, exports of raw cane sugar totaled 186,236 MT, down from 208,000 MT in MY 2013/14. The decrease in exports was due mainly to decreased demand and lower prices in the E.U. market.

The U.S. announced allocations for Fiscal Year 2016 (FY 2016) and once again, the DR received the

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[1] *Direct white is raw sugar with an altered color; not submitted to the refinement process. This sugar is mostly consumed locally by pastry shops and non-alcoholic beverage producers. Currently, this process is only used by Ingenio Cristobal Colon (Vicini Group). Ingenio Barahona will probably start implementing it during MY 2015.*

largest single-country allocation, representing 17% of the entire TRQ. The allocation was distributed by the Dominican Government, as follows:

FY 2016 U.S. TRQ ALLOCATION AND LOCAL DISTRIBUTION

Mill	Allocations of U.S. TRQ		
	Share (%)	*Quantity (MTRV)*	*Quantity (MTCV)***
Central Romana	62.84	116,465	111,583
Grupo Vicini	25.20	46,704	44,746
Consorcio Azucarero Central	10.00	18,533	17,756
Ingenio Porvenir	1.96	3,633	3,480
TOTAL	***100.00***	***185,335***	***177,566***

**MTCV: Metric Tons Commercial Value.*
Source: INAZUCAR, Decree No. 324-13 http://www.inazucar.gov.do/DECRETO%20ZAFRA%202014-2015%20(1).pdf.

According to comments by INAZUCAR, and private sector contacts, the industry intends to fully use the U.S. TRQ during FY 2016, and believes that a high utilization rate is important to maintaining the DR's positions as the largest quota-holder. However, according to Post data, almost half way into MY 2015/16, the DR has only exported 44,010 MT to the U.S. (24% fill rate). The DR is not expected to ship sugar to the EU in the short term.

Smaller quantities are informally exported to neighboring Haiti in response to disparities in market prices. However, these quantities are not necessarily reflected in official export figures. According to Post sources, quantities may vary between zero and 50-60,000 TM per year depending on the relative price levels in Haiti and the DR.

During FY 2015, the Dominican Republic also received the largest single country allocation for the annual U.S. tariff-rate quota (TRQ): 185,335 MT, out of a total of 1,117,195 MT assigned. The DR filled 99.7% of the assigned TRQ . Allocations and execution per individual mill in FY 2015 were:

FY 2015 U.S. TRQ ALLOCATION AND EXECUTION

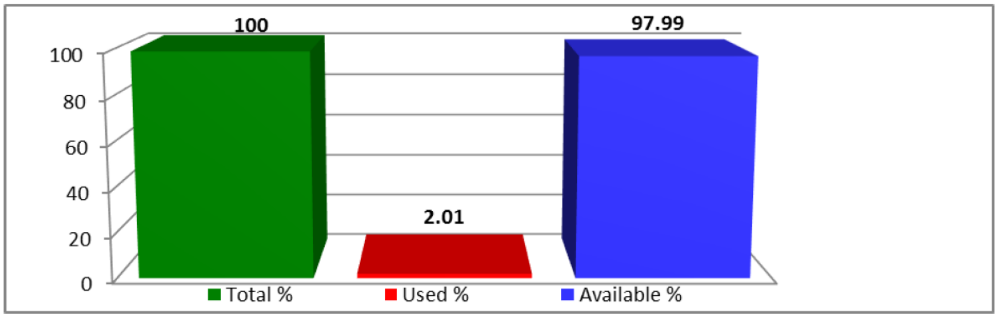
Mill	Allocations of U.S. TRQ		Execution of U.S. TRQ	
	Share (%)	*Quantity (MTRV)*	*Quantity (MTRV)*	*Non-executed (MTRV)*
Central Romana	62.84	116,465	116,274	191
Grupo Vicini	27.16	50,337	49,163	1,175
Consorcio Azucarero Central	10.00	18,533	19,309	-776
TOTAL	***100.00***	***185,335***	***184,746***	***590***

**(MTRW): Metric Tons Raw Value.*
Source: INAZUCAR, Decree No. 656-12, http://www.inazucar.gov.do/DECRETO%20324-13.pdf ; FAS CQI files.

Additionally, on March, 8, 2016 the Office of the United States Representative (USTR) announced an additional quota of 15,897 MT for the Dominican Republic, increasing the total assigned quota to 201,232 MT for FY 2016.
In the context of the CAFTA-DR framework, an additional quota exists for products containing sugar. That quota is allocated to CAFTA-DR signatory countries each calendar year, based on the country's

performance[2] and availability. For FY 2016 the Dominican Republic received an allocation of 12,000 MT of this quota, and so far has only used 2.01% of it:

Heading:	AGRIC - CAFTA - 98 USN 25b - Dominican Republic, Sugar/Sugar Containing Products 9822052000/DO						
Period:		01/01/2016		Through:	12/31/2016		
Country	Dominican Republic			Date/Time Filled:	Open		
UOM:	KG	Q Level:	12,000,000	Ent-Qty:	240,811	% Filled:	2.01



Source: http://www.cbp.gov/sites/default/files/assets/documents/2016-Mar/QuotaReport03212016_085753.pdf

The Dominican Republic imports limited quantities of sugar every year. With current levels of sugar production and stocks, post projects imports levels during MY 2015/16 at 78,000 MT, similar to the 75,000 MT imported during MY 2013/14. The Government approved the importation of this raw sugar total to satisfy local demand from processors (Resolution 02/2015 from INAZUCAR).

Current in-quota import duties for raw and refined sugar are 14% and 20%, respectively, plus an 18% value-added tax (VAT)[3]. As part of its World Trade Organization (WTO) commitments under the Technical Rectification following the Uruguay Round, the DR Government established a TRQ of 30,000 MT for sugar (with the in-quota rates cited above), coupled with an out-of-quota tariff of 85%. Following these negotiations, the DR has often issued import permits for amounts in excess of 30,000 MT annually in order to cover shortfalls in domestic production. Generally, these additional amounts are assessed only the in-quota tariff rate. INAZUCAR is the entity responsible for administering the tariff quota for sugar and is a dependency of the Ministry of Agriculture.

Under the CAFTA-DR, Annex 3.3 of the Agreement establishes that the DR will phase out its sugar tariffs over a 15-year period, beginning from the base rate of 85%. The rates will be at zero as of January 1, 2020.
As of 2016, the ninth year of the Agreement, the current tariff rate is 22.67%. Tariffs on High Fructose Corn Syrup (HFCS) will also be phased out during the liberalization period, in accordance with a different liberalization schedule.

4. Other products

In addition to raw sugar exports, other sub-products are produced for both local and international

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[2] *In the Final Text of the CAFTA-DR Agreement, please see Appendix I to the Schedule of the United States to Annex 3.3 for more details: http://www.ustr.gov/sites/default/files/uploads/agreements/cafta/asset_upload_file971_3958.pdf*
[3] *The DR's value-added tax or VAT is referred to locally as the "Impuesto a la Transferencia de Bienes Industrializados y Servicios" (ITBIS).*

markets representing important revenue sources for the industry. For example, for MY 2014/15 the industry sold locally 2.2 million gallons of molasses for industrial and livestock use. Another 18.1 million gallons of molasses were exported during the same period.

Another important product is furfural which is used by oil refineries as a dissolving agent and is processed out of the cane fiber. Furfural is only produced by Central Romana and, according to INAZUCAR, their exports accounted for 18,000 MT—valued at $11.4 million-- in MY 2014/15.

5. Stocks

Producers hold the lion's share of stocks, which typically range from 20,000 to 50,000 MT. For MY 2016/17, as exports and production slightly increases, stocks are forecast at 45,000 MT. During MY 2015/16stocks are projected at 55,000 MT.

6. Policy

Several laws regulate the sugar sector in the Dominican Republic. Law 491 controls the relationship between private cane producers and millers and sets prices for raw cane based on sugar content. Similarly, Law 619 assigns regulatory functions to INAZUCAR and also governs marketing (domestic and export), TRQ assignment, price schedules and statistics.

For a number of years, the government has been promoting the use or development of an ethanol-gasoline blend, previously authorized by an old law (2071) and reactivated by Decree No. 556-05 in 2005. Subsequently, the regulations outlined in the 2005 legislation were enacted in Law No. 57-07 (promulgated in May 2007), which seeks to encourage the development of renewable sources of energy and their special regimes. The effort to establish a mandate that would include a requirement of 10 percent ethanol in an ethanol-gasoline blend and one of 20 percent biodiesel for a diesel blend has stagnated. The start date has been postponed several times and, and both local and foreign investors remain hesitant to support this plan under such uncertainties. None of the major mills currently plan to install ethanol production facilities or are advocating for implementation of the blending mandate.

All of the major mills are, or soon will be, self-sufficient in energy production, and look to boost co-generation capacity from the incineration of sugar cane bagasse. Some of the mills, especially Ingenio Cristobal Colon and CAC, continue to be interested in supplying energy to the national matrix (co-generation) to generate additional income. However, the lack of legal framework for commercial sales of that energy injects an element of uncertainty into those plans.

7. Marketing

The Ministry of Industry and Commerce and INAZUCAR establish the base price for both raw and refined sugar, based on historical prices and production estimates. The prices set as of January 2014 continue to be the official prices in the local market, as follows:

OFFICIAL PRICES FOR SUGAR (JANUARY 2014)

Type of Sugar	Prices (US$/pound)		
	Producer to wholesaler	Wholesaler to retail	Retail to consumer

Raw	0.30	0.33	0.37
Refined	0.35	0.38	0.42

**Average exchange rate of January 2014, according the central Bank: RD$42.86=US$1.*
Source: INAZUCAR, Resolution No. 001/2014; http://www.inazucar.gov.do/RESOLUCION%20N0.001-2014.pdf.

At the retail level, sugar is taxed with an 18% VAT since January, 2016, a slight increase from the 16% tax applied during CY 2015.

8. Statistics

Sugar Cane for Centrifugal	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2016		Nov 2017	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	105	105	110	113	0	115
Area Harvested	105	105	110	113	0	115
Production	5000	4535	5100	5000	0	5400
Total Supply	5000	4535	5100	5000	0	5400
Utilization for Sugar	5000	4535	5100	5000	0	5400
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	5000	4535	5100	5000	0	5400
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal	2014/2015		2015/2016		2016/2017	
Market Begin Year	Oct 2014		Oct 2015		Oct 2016	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	57	57	53	52	0	55
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	496	0	500	500	0	510
Total Sugar Production	496	0	500	500	0	510
Raw Imports	0	0	0	78	0	70
Refined Imp.(Raw Val)	75	0	70	0	0	0
Total Imports	75	0	70	78	0	70
Total Supply	628	57	623	630	0	635
Raw Exports	185	0	185	185	0	200
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	185	0	185	185	0	200
Human Dom. Consumption	390	0	390	390	0	390
Other Disappearance	0	0	0	0	0	0
Total Use	390	0	390	390	0	390
Ending Stocks	53	0	48	55	0	45
Total Distribution	628	0	623	630	0	635
(1000 MT)						