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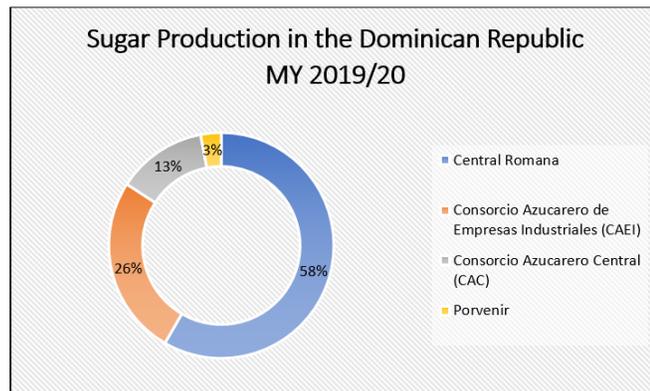
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Report Highlights:

With sugar production zones recovering from the drought that affected the country in the past years, Post forecasts an increase in sugar production to 610,000 metric tons (MT) during Marketing Year (MY) 2021/2022 (October/September). During MY 2020/21, Post estimates sugar production of 600,000 MT, a slight increase from the 592,748 MT produced during MY 2019/20, as a return to normal rainfall patterns continues to increase yields in the Dominican production zones. Additionally, for MY 2021/22, Post projects exports to remain stable at 190,000 MT. Exports are expected to fill the annual U.S. sugar tariff-rate quota (TRQ) due to price premiums in the U.S. market.

1. Production

For MY 2021/22 (October 2021/September 2022), Post forecasts total sugar production will increase to 610,000 MT, as production zones fully recover from the drought that affected the country during MY 2018/19. For MY 2020/21, Post estimates production at 600,000 MT as a return to normal rainfall patterns continues to increase yields in Dominican production zones. For MY 2020/21, the average industrial yield, which is not impacted greatly by climate conditions, is estimated to remain at approximately 11 percent.



Source: INAZUCAR and Post research.

According to the Dominican Sugar Institute (INAZUCAR, under the Ministry of Agriculture) and Post research, total sugar production was 592,748 MT during MY 2019/20, comprised of 461,738 MT of raw sugar and 131,010 MT of refined sugar. The largest private producer (Central Romana) continues to dominate the Dominican sugar market, supplying approximately 58 percent of total production. Central Romana and Consorcio Azucarero de Empresas Industriales (CAEI) are the only producers of refined sugar in the country.

2. Consumption

For MY 2021/22, Post forecasts consumption of sugar to increase to 395,000 MT, from the 393,000 MT projected for MY 2020/21. The increased consumption forecast is due to an expected full recovery in: 1) the small and medium processing companies that had to limit their operations due to the COVID-19 pandemic; and 2) the expected increase in the number of tourists visiting the country, which also declined during the pandemic. Additionally, the forecast takes into consideration expected normal population growth.

During MY 2019/20, local consumption of sugar remained strong at 390,000 MT, for an estimated per capita consumption of 83 pounds per person per year, in spite of the COVID-19 pandemic. Government-imposed lockdown measures to control the spread of the coronavirus resulted in a higher demand for sugar in Dominican households, which offset diminished demand from the tourism sector. Of this total, the Dominican market consumed approximately 54 percent raw sugar and 48 percent refined.

3. Trade

For MY 2021/22, Post forecasts exports to remain strong at 190,000 MT, assuming normal demand patterns from the United States and subject to U.S. import quota allocations for that period. For MY 2020/21, Post projects exports to remain at 190,000 MT, down from the 211,538 MT exported during MY 2019/20. The decreased projection is due to expected lower additional U.S. quota allocations for the DR in the current fiscal year (FY).

The United States remains the most important market for Dominican sugar. During MY 2019/20, according to INAZUCAR and Post research, exports of raw cane sugar totaled 211,540 MT, of which 100 percent was exported to the United States.

On July 9, 2020, the United States announced TRQ allocations for FY 2021. Once again, the DR received the largest single-country allocation, representing 17 percent of the entire TRQ. The allocation was distributed by the Dominican government as follows:

FY 2021 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 |
| Consorcio Azucarero de Empresas Industriales (CAEI) | 27.16 | 50,337 | 48,227 |
| Consorcio Azucarero Central (CAC) | 10.00 | 18,533 | 17,756 |
| TOTAL | 100.00 | 185,335 | 177,566 |

*MTRV: Metric Tons Raw Value; MTCV: Metric Tons Commercial Value.
Source: INAZUCAR.

According to INAZUCAR and private sector contacts, the industry intends to fill its U.S. TRQ allocations during FY 2021, and believes that a high utilization rate is important to maintaining the DR's position as the largest quota-holder. According to Post data, nearly six months into MY 2020/21, the DR has exported 83,265 MT to the United States.

In the context of the CAFTA-DR framework, an additional U.S. quota exists for products containing sugar. That quota is allocated to CAFTA-DR signatory countries each calendar year, based on the country's having a positive trade surplus in sugar and syrup goods¹ and availability. For FY 2021, the Dominican Republic did not receive an allocation of this quota.

Smaller quantities of raw sugar 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 significantly per year depending on the relative price levels in Haiti and the DR. With attractive local prices and availability of the raw sugar TRQ to the United States, the quantity of exports to Haiti are expected to be limited in the short term.

In FY 2020, the Dominican Republic also received the largest single-country allocation for the annual U.S. TRQ: 185,335 MT, out of a total of 1,117,195 MT assigned. The country also received additional allocations during the year that brought the final total allocation to 231,732 MT. The DR filled 97 percent of its assigned TRQ. Allocations and execution per individual mill in FY 2020 were:

¹ 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

FY 2020 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 | 145,620 | 131,499 | 14,121 |
| Consorcio Azucarero de Empresas Industriales (CAEI) | 27.16 | 62,939 | 61,040 | 1,899 |
| Consorcio Azucarero Central (CAC) | 10.00 | 23,173 | 19,000 | 4,173 |
| TOTAL | 100.00 | 231,732 | 211,538 | 20,194 |

*(MTRV): Metric Tons Raw Value.

Source: INAZUCAR, Decree No. 393-19, <http://www.inazucar.gov.do/transparencia/index.php/base-legal/category/323-decretos?download=41:decreto-353-19-zafra-ano-2019-2020>; FAS CQI files.

The Dominican Republic imports limited quantities of sugar every year from various countries, including Guatemala, Mexico, Brazil, and Colombia. With higher domestic production levels and reduced exports, Post forecasts import levels during MY 2021/22 at 10,000 MT, similar to the total projected for MY 2020/21.

Current in-quota import duties for raw and refined sugar are 14 percent and 20 percent, respectively, plus an 18 percent value-added tax (VAT)². As part of its World Trade Organization (WTO) commitments under the Technical Rectification following the Uruguay Round, the Dominican 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 percent.

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 rate quota for sugar.

Under CAFTA-DR, as of January 1, 2020, U.S. sugar and High Fructose Corn Syrup (HFCS) exported to the Dominican Republic became tariff-free.

4. Other products

In addition to raw sugar exports, other sub-products are produced for both local and international markets, representing important revenue sources for the industry. For example, for MY 2019/20, the industry produced 38 million gallons of molasses for industrial (rum) and livestock use. Molasses is sold locally and exported.

Another important product is furfural, which is used by oil refineries as a dissolving agent and is processed out of cane fiber. Furfural is only produced by Central Romana, and according to INAZUCAR, their exports totaled 20,927 MT in MY 2019/20.

² The DR's value-added tax (VAT) is referred to locally as the "Impuesto a la Transferencia de Bienes Industrializados y Servicios" (ITBIS).

5. Stocks

Producers hold the lion's share of stocks. For MY 2021/22, Post forecasts increased ending stocks of 130,000 MT with higher production levels and reduced exports. During MY 2020/21, Post projects ending stocks at 95,000 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 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 a long-standing 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. Both local and foreign investors remain hesitant to establish a mandate under such uncertainties. None of the major mills currently plan to install ethanol production facilities or are advocating for implementation of the blending mandate.

Additionally, imported ethanol is subject to the taxing scheme applied to alcohol for human consumption, including the value added tax (VAT) payment plus an ad valorem tax depending on the percentage of alcohol and weight. This taxing scheme basically prices imported alcohol out of the local market.

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 CAEI and CAC, continue to be interested in supplying energy to the national matrix (co-generation) to gain additional income.

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. In November 2018, both base prices were updated since the latest base price was established (April 2016). The prices remain unchanged. The chart below presents the established prices at current U.S. dollar value:

OFFICIAL PRICES FOR SUGAR IN THE DOMINICAN REPUBLIC

| Type of Sugar | Prices (US\$/pound) | | |
|---------------|------------------------|----------------------|--------------------|
| | Producer to wholesaler | Wholesaler to retail | Retail to consumer |
| Raw | 0.38 | 0.42 | 0.46 |
| Refined | 0.45 | 0.48 | 0.52 |

**Average exchange rate on 03/25/2021, according the Central Bank: RD\$57.75=US\$1.*

Source: INAZUCAR, Resolution No. 001/2018; <http://www.inazucar.gov.do/transparencia/index.php/base-legal/category/324-resoluciones?download=50:resolucion-de-precios-001-2018>

At the retail level, since January 2016, sugar has been taxed with an 18 percent VAT.

8. Statistics

| Sugar Cane for Centrifugal | 2019/2020 | | 2020/2021 | | 2021/2022 | |
|--|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| Market Year Begins | Nov 2020 | | Nov 2021 | | Nov 2022 | |
| Dominican Republic | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted (1000 HA) | 110 | 110 | 115 | 115 | 0 | 117 |
| Area Harvested (1000 HA) | 110 | 110 | 115 | 115 | 0 | 117 |
| Production (1000 MT) | 5400 | 5400 | 5800 | 5800 | 0 | 5900 |
| Total Supply (1000 MT) | 5400 | 5400 | 5800 | 5800 | 0 | 5900 |
| Utilization for Sugar (1000 MT) | 5400 | 5400 | 5800 | 5800 | 0 | 5900 |
| Utilization for Alcohol (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Utilization (1000 MT) | 5400 | 5400 | 5800 | 5800 | 0 | 5900 |

(1000 HA) ,(1000 MT)

| Sugar, Centrifugal | 2019/2020 | | 2020/2021 | | 2021/2022 | |
|---|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| Market Year Begins | Oct 2019 | | Oct 2020 | | Oct 2021 | |
| Dominican Republic | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks (1000 MT) | 58 | 58 | 54 | 68 | 0 | 95 |
| Beet Sugar Production (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production (1000 MT) | 593 | 593 | 610 | 600 | 0 | 610 |
| Total Sugar Production (1000 MT) | 593 | 593 | 610 | 600 | 0 | 610 |
| Raw Imports (1000 MT) | 15 | 19 | 10 | 10 | 0 | 10 |
| Refined Imp.(Raw Val) (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Imports (1000 MT) | 15 | 19 | 10 | 10 | 0 | 10 |
| Total Supply (1000 MT) | 666 | 670 | 674 | 678 | 0 | 715 |
| Raw Exports (1000 MT) | 222 | 212 | 190 | 190 | 0 | 190 |
| Refined Exp.(Raw Val) (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Exports (1000 MT) | 222 | 212 | 190 | 190 | 0 | 190 |
| Human Dom. Consumption (1000 MT) | 390 | 390 | 395 | 393 | 0 | 395 |
| Other Disappearance (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Use (1000 MT) | 390 | 390 | 395 | 393 | 0 | 395 |
| Ending Stocks (1000 MT) | 54 | 68 | 89 | 95 | 0 | 130 |
| Total Distribution (1000 MT) | 666 | 670 | 674 | 678 | 0 | 715 |

(1000 MT)

Attachments:

No Attachments