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## Dominican Republic

### Grain and Feed Annual 2015

**Approved By:**

Morgan Perkins, Agricultural Attaché

**Prepared By:**

Virgilio Mayol, Agricultural Specialist

**Report Highlights:**

Based on market trends and production limitations on wheat products in Haiti, **Wheat** consumption in the Dominican Republic during MY 2015/16 is forecast at 390,000 MT, with imports remaining strong at 520,000 MT. Post forecasts imports of **Corn** to remain steady at 1,100,000 MT during MY 2015/16. US corn regained its leadership position in the local market, supplying nearly 60% of total imports during MY 2013/14. Post expects this trend to continue. **Rice** continues to be one of the most important agricultural products grown in the D.R. Production of milled rice for MY 2014/15 is estimated at 531,000 MT and is expected to remain stable in MY 2015/16.

## Commodities:

# Wheat

### Production:

The Dominican Republic does not produce wheat; the country is completely dependent on imports to supply the domestic market.

### Consumption:

The Dominican Republic continues to have one of the highest per capita wheat and wheat products consumption rates in the Latin America and Caribbean Region: approximately 90 pounds per year. The apparent consumption (Total Supply, less formal exports and ending stocks) rate has averaged approximately 404,000 MT over the last five Calendar Years (CY), with an average annual growth of 1.65%. Nonetheless, the substantial fluctuation in the amount of wheat processed for the domestic market is a strong indicator that large volumes of unofficial exports are likely flowing across the border into Haiti, in addition to officially-registered exports.

#### Wheat and wheat products consumption in the Dominican Republic, CY 2009-2014 (MT)

Year	Imports	Production	Exports	Apparent consumption
2010	581,607	0	152,894	432,041
2011	576,823	0	188,718	393,465
2012	555,526	0	129,760	430,241
2013	479,338	0	142,951	337,292
2014	573,969	0	142,927	431,042

*\*HS classification codes included: 1001, 1101, 190219, 190230, 190240, using a conversion factor of 1.368 for wheat flour (1101), pasta and couscous (190219, 190230 and 190240).*

*Sources: GTA, National Statistics Office of the Dominican Republic (ONE), National Directorate of Customs (DGA) GATS/USDA.*

Based on these factors and input from industry contacts, Post forecasts MY 2015/16 Dominican wheat consumption of 390,000 MT. That would represent no change from projected 2014/15 consumption levels.

The country is home to a large milling industry and imports almost all of its wheat from the United States. Currently, the DR boasts a daily milling capacity of around 3,320 MT with an average utilization of 70%, divided among six different processors:

### **Mills currently operating in the Dominican Republic**

Molinos Modernos*	Molinos Valle del Cibao (Grupo Bocel)
Grupo J. Rafael Núñez	COOPROHARINA
Molinos del Higuamo	César Iglesias

\* Also owns *Molinos del Caribe*.

Molinos Modernos (45%) and Molinos Valle del Cibao (34%) process nearly 80% of all wheat grain imports.

Generally, the wheat flour produced is used for bread-making, crackers, cookies, cakes, pastries, and pasta. 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*. This item is consumed regularly by a broad spectrum of the population, but is more heavily consumed in urban areas. The product is typically produced by industrial bakers, along with small and medium-sized bakeries and subsequently distributed to a variety of supermarkets, “mom-and-pop” stores, markets and/or other bakeries.

In addition, wheat flour is also used for many of the products distributed in the Dominican Government’s feeding program. Bread, cookies and muffins are included in the meals that reach approximately 1.5 million school children in public schools throughout the country.

It is also worth noting that the demand for wheat flour has increased in recent years due to the growth in the HRI sector and tourism. Hotels consume large amounts of flour to make breads, cakes, pastries and other wheat-based products for four million visitors to the DR annually.

While the majority of flour production is destined for the domestic market, the DR also exports considerable quantities of wheat flour and other finished products (e.g., crackers, pasta) to neighboring Haiti. To a lesser extent, the DR has increased its exports of wheat products to Venezuela, Puerto Rico, the United States and other markets throughout the region.

Overall, millers’ storage capacity is limited, but varies considerably by processor. Among the six mills operating in the country, collective storage capacity is estimated to be around 155,400 MT.

### **Trade:**

During MY 2015/16, Post forecasts total wheat imports of 520,000 MT, a slight increase from projected 2014/15 imports of 515,000 MT, which represent an increase over the 508,177 MT imported during MY 2013/14. Even though milling capacity in Haiti has increased, Dominican exports of wheat flour and wheat products to Haiti (both official and unrecorded) remain strong.

The earthquake that struck Haiti in January 2010 had a direct impact on the export growth for wheat and wheat products from Dominican Republic. The only mill in Haiti at that time, *Les Moulins d’Haiti* (LMH), was destroyed and Dominican mills immediately increased output to supply the neighboring market. Haiti’s annual wheat imports prior to the earthquake totaled approximately 200,000 MT, with the U.S. enjoying around 80% market share. The Dominican milling industry augmented its output

between 40-50% (approximately 200,000 MT) in 2010 as a direct consequence of unmet demand in Haiti.

In December 2011, the LMH reopened. Additionally, since 2012 two other mills have started operating. However, neither one of the Haitian mills is working at full capacity. Therefore the DR continues to supply the Haitian market with substantial amounts of wheat flour. For MY 2015/16 and MY 2014/15, Post forecasts exports of wheat flour from the DR to Haiti through formal trade channels at around 120,000 MT; similar to the 132,000 MT exported during MY 2013/14. Dominican millers recognize that over time, they will have more difficulty competing once the Haitian mills are operating at full capacity. However, they are confident in their ability to compete in that market, since it's a very price sensitive one.

Post projects imports of US wheat to the Dominican Republic at 440,000 MT during MY 2014/15 (approximate 97% market share). This will represent an 11% decrease from MY 2013/14 when the Dominican Republic imported all of its wheat grain from the US (494,754 MT). The projected decrease is mainly due to increased competition from Canadian wheat imports.

On average from 2010 to 2014, the DR imported approximately 96% of its wheat (HS 1001) from the United States. Smaller amounts were supplied by Canada (an average of 3% during the same time period), along with Germany and France.

#### **Dominican Republic Wheat Grain Imports by Partner, MY 2010-2014 (MT)**

Country	Years				
	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
United States	433,700 <sup>#</sup>	533,326	548,341	491,488	494,754
Germany	0	0	0	0	0
Guatemala	0	0	0	81	0
Canada	10,435	16,600	9,001	12,400	0
France	8,000	0	0	0	0
<b>Total</b>	<b>452,135</b>	<b>549,926</b>	<b>557,342</b>	<b>503,969</b>	<b>494,754</b>

*\*HS heading 1001*

*#Includes 25,000 MT of monetized wheat.*

*Source: GTA, GATS/USDA*

Currently, the majority of Dominican wheat imports are comprised of Hard Red Winter (HRW), Hard Red Spring (HRS) and Soft Red Winter (SRW). During MY 2013/ 14, the Dominican Republic imported 43% HRW, mainly for bread production; 36% HRS; and 21% SRW, primarily used for cakes and pastry.

During MY 2013/14, according the National Directorate of Customs (DGA) the Dominican Republic exported 142,927 MT of wheat flour and wheat products. Haiti continues to be the most important export market for Dominican wheat products, accounting for 77% of total exports. Other markets for Dominican exports include the U.S., Venezuela and some Caribbean Islands.

## Stocks:

The wheat milling industry in the Dominican Republic is mostly a “just in time” operation. Wheat shipments from the US generally arrive on a reliable schedule with short shipping times, reducing the need to assume storage costs. Stocks are held by the private millers.

For Marketing Year 2014/2015 (MY 2014/15) Post forecasts ending stocks levels between 50-60,000 MT, and will likely remain similar for MY 2015/16.

## Policy:

The DR applies no tariffs on the importation of wheat, but there are duties in place on wheat flour (4.67%) and pasta products classified under 1902.19 and 1902.30 (6.67%), along with a value-added tax or VAT<sup>1</sup> of 18% on the latter. In the case of couscous (1902.40), the DR currently applies no tariff, but the product is subject to a VAT of 18%.

## Production, Supply and Demand Data Statistics:

Wheat Dominican Republic	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		Market Year Begin: Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0		0	0		0
Beginning Stocks	80	80	108	51		56
Production	0	0	0	0		0
MY Imports	508	508	470	515		520
TY Imports	508	508	470	515		520
TY Imp. from U.S.	499	494	0	440		500
Total Supply	588	588	578	566		576
MY Exports	75	132	75	120		120
TY Exports	75	132	75	120		120
Feed and Residual	0	0	0	0		0
FSI Consumption	405	405	410	390		390
Total Consumption	405	405	410	390		390
Ending Stocks	108	51	93	56		66
Total Distribution	588	588	578	566		576
Yield	0.	0.	0.	0.		0.
TS=TD		0		0		0
Comments						

## Commodities:

### Corn

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<sup>1</sup> The DR's value-added tax or VAT is referred to locally as the ITBIS.

**Production:**

Corn production in the Dominican Republic continues to be limited. On average, annual production totals 40-45,000 MT mostly produced in the southwest region of the country, and those levels are not expected to change in the near future. Generally, domestic production represents about 3% of total import volume and consumption. No substantial changes are anticipated in 2015/16 production levels.

The DR also has very little sorghum production (around 3,000 MT annually, according to the Ministry of Agriculture) and imports very little as well. The DR's imports of coarse grains are essentially comprised of yellow corn #2 or its equivalent.

**Consumption:**

Corn is an important ingredient for the animal feed used in the DR poultry, egg and pork industries. Livestock producers import significant volumes of yellow corn for animal feed, typically around 1.0 million MT on an annual basis. According to trade sources, close to 75% of the corn supply is consumed in broiler and layer production, while swine consume about 20%. The remaining 5% is consumed by cattle, mostly from the dairy sector.

Each year, the country produces nearly 1.2 billion eggs<sup>2</sup> and 190 million chickens. On a per capita basis, the DR consumes a staggering 70 pounds per year of chicken meat, coupled with approximately 16 pounds per year of pork (83,000 MT in total).

Corn is purchased by a small number of companies and buying groups composed by producers associations. The most important ones are: ASODEP, Pollo Cibao, Consejo, JUPROPE and MERCASID. Nearly 80% of all corn is imported by these 5 companies.

Given relatively low levels of population growth, ongoing liberalization of markets for finished meat products under the CAFTA-DR agreement, and limits on potential expansion of the local livestock sector, Post forecasts Dominican corn consumption to hold steady in 2015/16 at 1.1 million MT.

**Trade:**

During MY 2014/15 Post forecasts imports at 1,100,000 MT, slightly lower than the 1,010,288 MT imported during MY 2013/14. This reduction is a result of the Porcine Epidemic Diarrhea (PED), that will continue to affect the swine population in the country. Historically, the United States has dominated the corn market in the Dominican Republic, enjoying close to 100% market share until MY 2008/09. Since that year, persistent complaints concerning dust levels, grain cracking, availability and shipping challenges and relatively higher prices led many importers to source South American supplies, specifically from Brazil and Argentina. However, during MY 2013/14 this trend reversed and the United States regained leadership in the local market, supplying nearly 60% of imported corn. Post expects this trend to continue during MY 2014/15 due to lower prices and higher quality on the latest US corn harvest.

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<sup>2</sup> It should be noted that while official statistics are not available, it is estimated that approximately one-quarter (25%) of egg production continue to be exported to Haiti informally, in spite of formal restrictions to imports from the Haitian Government on poultry and eggs with Dominican origin.

### DOMINICAN REPUBLIC CORN IMPORTS BY PARTNER, MY 2010-2014 (MT)

Country	MY 09/10	MY 10/11	MY 11/12	MY 12/13	MY 13/14
Reporting Total	1,098,024	999,402	1,054,155	1,045,623	1,010,288
Brazil	75,608	163,921	528,895	503,275	328,551
United States	952,786	718,302	328,641	85,090	600,145
Argentina	25,798	117,166	173,596	319,555	66,500
Australia	0	0	0	0	
Uruguay	16,632	0	0	0	
Canada	0	13	2	0	
Chile	0	0	0	0	
China	0	0	0	0	
Colombia	0	0	0	0	
Germany	0	0	0	0	
Guatemala	0	0	0	0	
Mexico	0	0	0	2	
Paraguay	27,200	0	23,019	137,700	15,000
Spain	0	0	2	1	
India	0	0	0	0	92

\* HS heading 1005.

\* Source: GTA, GATS-USDA

Brazil continues to be the strongest competitor for corn to the DR market. During MY 2013/14 Brazil exported 33% of the total Dominican import volumes. Post forecast similar exports from Brazil during MY 2014/15 and further. Argentina reduced considerably their volume of corn exports to the DR, exporting just 66,500 MT during MY 2013/14, down from 319,555 MT.

Dominican exports of corn are not significant. According to the National Office of Statistics (ONE), the Dominican Republic exported approximately 2,000 MT of corn during MY 2013/14; 98% of that total was destined for Haiti. Imported yellow corn that is not used in the production of animal feed is milled to produce corn meal and corn grits for both domestic consumption and export. The export total for both products (HS 1102 and 1103) during MY 2013/14 was approximately 5,000 MT. Some Dominican companies export these products to Haiti (through both formal and informal channels) and other markets throughout the region. Similarly, there are small amounts of corn-based animal feed products being exported to Cuba and other islands in the Caribbean.

#### Stocks:

Storage facilities are limited and vary considerably among feed producers. Their collective storage capacity is estimated to be around 120,000 MT, while utilization of storage capacity is normally estimated at around 65-70%.

#### Policy:

As corn (along with soybean meal) constitutes one of the primary inputs in feed formulations, it is exempt from import duties in order to reduce costs for producers. Additionally, corn imports are not subject to the value-added tax (VAT).

As part of the DR's commitments at the World Trade Organization (WTO), the country included corn among the agricultural products comprising the Technical Rectification (TR). Specifically, as part of its WTO commitments under the TR following the Uruguay Round, the Government of Dominican Republic established an initial tariff-rate quota (TRQ) of 703,000 MT for corn that increased gradually to 1,091,000 MT as of 2004. Although the DR has a bound out-of-quota tariff rate of 40%, this tariff is not applied. According to the Decree 569-12 the Government will not apply the out-of-quota rate in corn imports.

The Decree 569-12 also included corn in the Automatic License System for the adjudication of the quota; which means that the import process is expedited for importers.

At the present time, the DR has legislation in place which requires every corn importer to purchase locally produced sorghum. Specifically, the National Corn and Sorghum Commission (CNMS is the Spanish acronym) requires the purchase of 5% of national sorghum production in exchange for the importation of corn. According to officials at the Ministry of Agriculture, the 5% figure applies regardless of the amount of corn imported.

Finally, it is worth noting that the DR does not currently restrict imports of GE commodities. Although the country has signed and ratified the Cartagena Protocol, the country's regulatory framework still awaits congressional approval and has not yet been implemented. Similarly, for imports the DR does have a rule in place that requires that the phytosanitary certificate accompanying a corn shipment state that said product "does not contain GMO material". This requirement was not enforced in the country until later in CY 2014, when the Ministry of Agriculture of the Dominican Republic (MoA) stopped two US corn shipments requiring a certification stating that the product "does not contain GMO material". After complaints from private industry, the Ministry permitted the entry of the product and will work on removing this requirement from the general corn import requirements.

## Production, Supply and Demand Data Statistics:

Corn Dominican Republic	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	29	29	29	29		29
Beginning Stocks	93	93	83	60		100
Production	45	45	45	45		45



MY Imports	1,100	1,010	1,200	1,100		1,100
TY Imports	1,100	1,010	1,200	1,100		1,100
TY Imp. from U.S.	600	600	0	800		700
Total Supply	1,238	1,148	1,328	1,205		1,245
MY Exports	5	5	5	5		5
TY Exports	5	5	5	5		5
Feed and Residual	1,050	983	1,100	1,000		1,000
FSI Consumption	100	100	100	100		100
Total Consumption	1,150	1,083	1,200	1,100		1,100
Ending Stocks	83	60	123	100		140
Total Distribution	1,238	1,148	1,328	1,205		1,245
Yield	2.	1.5517	2.	1.5517		1.5517
TS=TD		0		0		0

### Commodities:

## Rice, Milled

### Production:

Rice is one of the most important agricultural products in the Dominican Republic due to its political, economic and social impact on Dominican society. According to national estimates, the country has

approximately 30,500 rice producers, nearly 500,000 people are involved in the production, processing and marketing of rice, and the sector contributes approximately 5% to Agricultural Gross Domestic Product.

Post forecasts a slight decrease in MY 2015/16 harvested area for rice, falling to 160,000 HA from 162,000 HA during MY 2014/15. According to MoA, the harvested area in Dominican Republic during CY 2014 was 162,000 HA; essentially unchanged from CY 2013 (161,000 HA). Rice is produced in two cycles during the year and recently, due to the use of short cycle varieties, a growing share of production is harvested in the May secondary crop (now almost 25% of total harvest).

Most Dominican rice is produced under irrigation. According to Post sources, rice under irrigation accounts for 99% of the total area.

For MY 2015/16 Post forecasts rice production of 776,000 MT (paddy basis) down from 793,000 MT during the current marketing year, while milled production is forecast at 520,000 MT; down from current estimated productions of 531,000 MT. While production will remain stable in the short term, the continuous high level of stocks represents an ongoing threat to price stability. During MY 2013/14, rough production totaled an estimated 800,000 MT and milled production 531,746 MT, with a milling rate of 67%.

#### **DOMINICAN REPUBLIC RICE AREA HARVESTED, PRODUCTION AND YIELD, CY 2009-2014**

Year	Area Harvested (HA)	Production (MT)		Yield (MT/ HA)
		Rough	Milled	
2009	182,000	822,925	551,360	4.52
2010	178,419	846,752	567,324	4.75
2011	174,727	822,602	551,143	4.71
2012	160,893	734,079	491,833	4.56
2013	160,360	800,032	536,022	4.99
2014	162,000	800,000	531,746	4.93
<b>Average</b>	<b>169,733</b>	<b>804,398</b>	<b>538,238</b>	<b>4.74</b>

*Source: Ministry of Agriculture of the Dominican Republic, ONE, Central Bank.*

The average yield has varied between 4-5 MT/HA over the last ten years. Post sources expect yields to remain similar in coming years, due to lack of development of new varieties and/or production technologies.

#### **Consumption:**

Rice is one of the most important products in the basic consumer basket. CY 2014 consumption is estimated at 539,000 MT, with an annual average of 535,000 MT during the period CY2010-2014. Consumption is relatively stable, although in CY2014 demand fell by 0.5% versus the prior year due to relatively higher prices.

### DOMINICAN REPUBLIC RICE APPARENT CONSUMPTION, CY 2010-2014

Year	Population (millions)	Production (1000 MT)	Initial Stocks (1000 MT)	Imports (1000 MT)	Exports (1000 MT)	Ending Stocks (1000 MT)	Consumption (1000 MT)	Per capita (Pound / habitant)
2010	9,980.00	567	251	23	44	313	484	107
2011	10,129.70	551	313	17	13	318	550	120
2012	10,190.50	491	318	8	40	218	560	121
2013	10,322.90	536	218	12	10	214	542	116
2014	10,436.40	531	214	19	17	208	539	114
<b>Average</b>	<b>10,212</b>	<b>535</b>	<b>263</b>	<b>16</b>	<b>25</b>	<b>254</b>	<b>535</b>	<b>116</b>

*Source: Ministry of Agriculture of the Dominican Republic, ONE, Central Bank.*

In per capita terms, Dominicans consumed 114 pounds each in CY 2014, slightly less than the average consumption of 116 pounds per capita during CY 2010-2014. No significant changes in the rice consumption trends are expected in the near future.

#### Trade:

Both imports and exports by the Dominican Republic are limited. The country has been self-sufficient in rice in the last several years, and most rice imports come from the US (92% of the CY 2014 total) thanks to a TRQ established in the CAFTA-DR agreement. Since rice is included in Basket V of the DR-CAFTA agreement (explained in section 3.5 below), out-of-quota rice imports would not be price-competitive. For CY 2014, imports totaled approximately 13,000 MT, with an annual average of 15,000 MT for CY 2010-2014. Post forecasts similar behavior for CY's 2015 and 2016.

Dominican rice is exported on rare occasions; mainly to Haiti. For CY 2014 the total exports were approximately 8,000 MT. Occasional spikes in exports occur due to saturation of the local market and price decreases.

#### Stocks:

Post forecasts stock levels to maintain between 200-210,000 MT during CY 2015 and further. The ending stock levels of rice during CY 2014 were 208,000 MT, significantly lower than the 5-year annual average of 263,000, but still equal to 40% of consumption. Storage facilities are owned by both private processors (factories) and the Government.

Stock levels tend to be high as a result of the GoDR *Pignoracion* Program; according Post sources, 80% of stocks are maintained under that program, which is further explained in section 3.5 (below).

### Policy:

Under the CAFTA-DR, the Dominican Republic negotiated that rice be placed in Basket V, which concedes a longer-term tariff reduction period-- 20 years—as well as establishing a 99% out-of-quota tariff rate. This non- quota tariff rate will remain unchanged during the first 10 years of the Agreement, until 2015. From 2016 to 2020 the non- quota tariff rate will be reduced by 8% annually, and from years 2021 to 2025 by 12% annually. Additionally, the DR negotiated a special safeguard with an additional tariff rate. This special safeguard can be applied until the end of the tariff reduction period.

Price controls are established via the *Pignoracion* Program, which operates during 8 months of the year. The National Rice Commission (CONA) establishes a yearly price band (for paddy rice, FOB mill). The CONA is composed of the MoA, producers, processors, retailers and other public institutions. Price bands are established both annually and for each of the two harvest periods (May and September), based on historic prices, varieties and production estimates. For millers, purchasing according to CONA price bands is not obligatory, but it is a requirement for participation in the *Pignoracion* Program.

In general terms, the *Pignoracion* Program is a financial services program benefiting rice producers and processors. Under the program, processors (factories, cooperatives, etc.) or producers buy or produce rice, then mill and either market the rice or hold it in storage. If held in storage, this rice can be pledged as collateral for loans from commercial or public lending institutions. For participants in the *Pignoracion* Program the cost of storage, interest and insurance costs are covered by the Government (MoA).

As rice constitutes one of the primary feed sources for the population, it is exempt from value-added tax (VAT).

For more information on the *Pignoracion* Program, please review our 2014 Report: “Dominican Republic Governmental Support for the Rice Sector” available on <http://gain.fas.usda.gov/>.

### Production, Supply and Demand Data Statistics:

Rice, Milled Dominican Republic	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		Market Year Begin: Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	160	162	162	162		160
Beginning Stocks	34	213	30	208		203
Milled Production	536	536	552	531		520
Rough Production	800	800	824	793		776

Milling Rate (.9999)	6,700	6,700	6,700	6,700		6,700
MY Imports	15	13	15	19		15
TY Imports	15	13	15	19		15
TY Imp. from U.S.	0	12	0	17		12
Total Supply	585	762	597	758		738
MY Exports	0	8	0	17		10
TY Exports	0	8	0	17		10
Consumption and Residual	555	546	560	538		533
Ending Stocks	30	208	37	203		195
Total Distribution	585	762	597	758		738
Yield (Rough)	5.	4.9383	5.	4.8951		4.85
TS=TD		0		0		0
Comments						