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Dominican Republic

Wine

Wine Market Brief

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Report Highlights:
CONSUMPTION OF WINE CONTINUES TO RISE IN THE DOMINICAN REPUBLIC AS WELL AS U.S. MARKET SHARE.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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WINE IN THE DOMINICAN REPUBLIC

SECTION I. EXECUTIVE SUMMARY

Consumption of wine in the Dominican Republic has been growing at an average rate of over 12% since 1994. This growth is driven primarily by television and written media which projects wine consumption as fashionable, reports of health benefits associated with wine consumption, tastes and preferences transferred to the Dominican Republic by Dominicans having lived abroad, and increasing tourism. Though U.S. market share is growing, the United States currently ranks behind Spain and Chile in supplying wine to the market. Consumers perceive U.S. wine to be a quality product but high prices are a major constraint to increase market share for the United States. In addition, competitors provide financial support to local importers. Moreover, an exporter needs to have a good local representative to succeed in this market.

The following table presents the advantages and challenges of U.S. wines in the Dominican market.

ADVANTAGES	CHALLENGES
- Consumers consider U.S. wines as high quality.	- Lack of financial support to local distributors
- Wine demand is growing	- High prices for end consumers
- The trend in the Dominican Republic is to imitate the consumption pattern of the United States	- Strong competition (mainly Spain and Chile)
- On average, the U.S. share is increasing.	

SECTION II. CONSUMPTION

Wine consumption is growing in the Dominican Republic and the variable which has the greatest impact on wine consumption is tourism. The value of total imports, including tariffs, went from DR$67.06 million in 1994 to DR$149.57 million in 1997. However, during 1996, when political instability affected tourism and 1998, when Hurricane Georges destroyed many of the major tourist resorts, wine consumption dropped significantly. The increasing trend is expected to continue during normal years (Table No.1)

Table No. 1.

WINE IMPORTS BY YEAR AND US SHARE OF TOTAL IMPORT (CIF+TARIFF IN RD$)

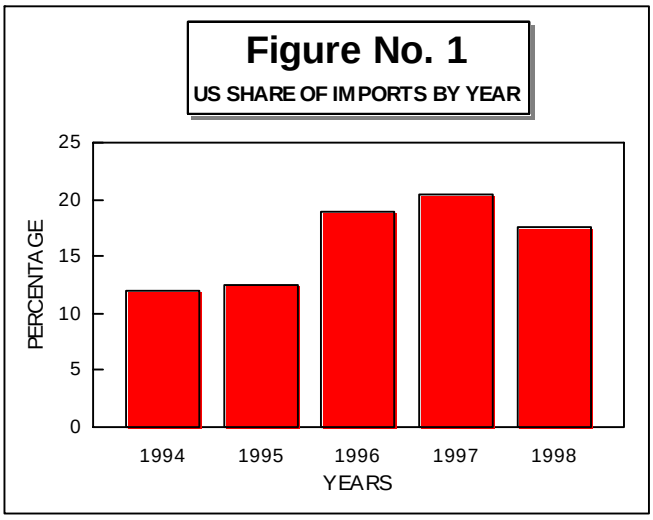
YEAR	FROM THE US	OTHER COUNTRIES	TOTAL IMPORT	US SHARE
1994	8,012,597.00	59,048,997.00	67,061,594.00	11.95
1995	12,464,684.00	86,779,469.00	99,244,153.00	12.56
1996	2,232,848.00	9,574,775.00	11,807,623.00	18.91
1997	30,480,258.00	119,089,661.47	149,569,919.47	20.38
1998	13,718,044.78	64,638,342.50	78,356,387.28	17.51

*** For 1998, there might be some missing data for the last moths of the year. However, the US ratio is a good indicator**

Source: Built by the Author based on import data from Aduanas

Some of the outstanding aspects of wine consumption in the Dominican Republic are the following:

- Most wine is consumed by the upper-middle to affluent class
- The consumption trend is increasing
- Hotels are the main distribution channel for low price wines, such as tetra pack.
- Upscale restaurants are the main distribution channel for expensive wines
- Red wines lead the market in consumption. Among these, the Cabernet Sauvignon from Chile has the highest level of consumption.
- Red wine consumption is followed by white, and rose, respectively.



The proportion of consumption is as follows: 60 to 80 % red, 20 to 30 % white, 4 to 10 % sparkling, and 2 to 5 % rose.

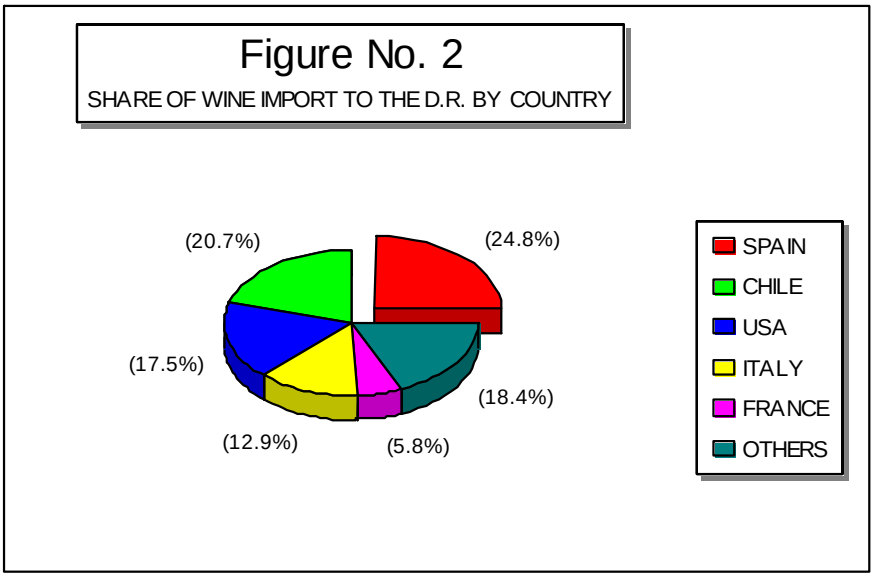
Per capita consumption of wine is still very low. An aggressive promotional campaign should create additional opportunities for wine exporters and importers, considering the size of the population and the increase in tourism.

Some of the main factors that influence wine consumption in the Dominican republic are the following:

- Social status
- Income level
- Fashionability
- Desire to imitate and relate to the more affluent
- Health aspects.
- Tourism
- Exposure to and knowledge about different wines

SECTION III. COMPETITION

U. S wine in the Dominican Republic faces tough competition from other exporting countries. Table No. 2 shows wine imports during 1998 by country. As the table shows, Spain was the leading supplier, at 24.81 %; followed by Chile, at 20.66 %; and The United States, at 17.51 % (Figure No. 2). Some of the other major supplying countries are France, Canada, and Portugal.



The major competition to The United States is Spain, Chile, Italy, and France (Table No. 2)

Table No. 2

WINE IMPORTS BY COUNTRY DURING 1998 (DR$)

COUNTRIES	CIF VALUE	TAXES	TOTAL VALUE	PERCENTAGE
SPAIN	10,159,338.00	9,282,816.74	19,442,154.74	24.81
CHILE	8,457,236.35	7,727,567.99	16,184,804.34	20.66
THE UNITED STATES	7,167,457.18	6,549,067.62	13,716,524.80	17.51
ITALY	5,268,400.52	4,813,856.63	10,082,257.15	12.87
FRANCE	2,364,330.18	2,160,341.92	4,524,672.10	5.77
CANADA	1,771,253.97	1,618,434.78	3,389,688.75	4.33
PORTUGAL	605,950.91	553,671.04	1,159,621.95	1.48
ARGENTINA	408,175.23	372,958.93	781,134.16	1.00
PANAMA	288,120.56	263,262.27	551,382.83	0.70
BRAZIL	246,349.74	225,095.33	471,445.07	0.60
OTHERS *	4,207,872.86	3,844,828.53	8,052,701.39	10.28
TOTAL	40,944,485.50	37,411,901.78	78,356,387.28	100.00

* It includes more than 15 other countries, some of them not identified by Aduanas

Source: Built by the Author based on import data from Aduanas

In the
Dominican Republic there is limited wine production. The local production is mainly a sweet wine which targets a lower income sector.

The major brands available in the market are Concha y Toro, Santa Carolina, Sant Rita, Rioja, Marqués de Cáceres, Marqués de Riscal, Robert Mondavi, Wente, Carlos Rossi, Almadem, and Costañeda.

SECTION IV. MARKET ACCESS

Although there are some tariff and non-tariff barriers, exporters can easily enter the market if they decide to commit the resources needed to introduce a new product into the market. Another factor to consider is price. Usually U.S. wines are more expensive than similar wines from competing countries. Some Dominican importers complain that wine producers from the United States do not provide the financial support needed for promotion and marketing.

Some the tariff and non-tariff barriers which affect market penetration in the Dominican Republic are the following:

- High tariff rate. The total tariff rate is almost 92 percent of the CIF value.
- Lack of market data and information. It is difficult to get reliable data to make decisions whether or not enter the market
- Poor Customs services. Some people avoid importing because the import policies are not well defined.

There are no special regulations concerning labeling requirements. The United States standards are far above the Dominican requirements. The most common package size is the bottle of 75 cl. There are no quotas.

SECTION V. DISTRIBUTION CHANNELS

The distribution channel is very simple. Importers are the distributors and they sell directly to hotels, restaurants, supermarkets, and to individuals for their direct consumption. Most of the wine (around 70 % in volume) is consumed in hotels. Usually this is not the highest quality wine as most resort hotels have all inclusive service. The highest quality wines are sold in upscale restaurants.

The best market entry for new-to-market exporters is by finding good local representatives and support them with a budget for promotion and advertisements. Table No. 3 shows the major wine importers in the Dominican Republic. Table No. 4 shows the major U.S. wine importers.

TABLE No. 3

WINE IMPORTERS DURING CY 1998

IMPORTER	PERCENTAGE
MANUEL GONZALEZ C SUCS CxA	16.59
INVERSIONES AUSTRAL S.A.	9.84
EL CATADOR, S.A	9.23
ALVAREZ SANCHEZ, CxA	7.61
VINOS, S.A.	7.55
RENI LICORES, S.A.	6.45
E D C S A	6.25
DIST. DE MARCAS PREMIUM, S.A.	4.86
IMPORTADORA OCEANICA, S.A	3.22
PASTORIZA, CxA	3.17
OTHERS *	25.24
TOTAL	100.00

* It includes more than 50 businesses and individuals

Source: Built by the Author based on import data from Aduanas

TABLE No. 4
WINE IMPORTS FROM THE U.S., 1998 BY IMPORTER

IMPORTER	PERCENTAGE
MANUEL GONZALEZ C SUCS CxA	10.60
DIST. DE MARCAS PREMIUM, S.A.	1.10
E D C S A	0.70
NEWCO, SA	0.67
SUPLITEL DOMINICANA, CxA	0.49
MERCALIA, S.A.	0.43
EL CATADOR, S.A	0.57
ALVAREZ SANCHEZ, CxA	0.43
SUAREZ HMOS CxA	0.19
SERVIZONAS, S.A.	0.12
OTHERS *	2.21
TOTAL	17.51

* It includes more than 50 businesses and individuals

Source: Built by the Author based on import data from Aduanas

Some of the main distribution points and their characteristics are the following:

1. **Hotels.** Most of the wine sold is the inexpensive wine for the all inclusive system.

2. **Supermarket**. The supermarket sells a range of wines from inexpensive to expensive.

3. **Restaurants.** They target the upper-middle to upper income level. These people usually consume high quality wines.

4. **Direct sales**. Most of the people who buy directly from the importers, which usually have a wine store, are professionals from upper middle to affluent.

SECTION VI. POST CONTACTS

Following is a listing of the major wine importers in the Dominican Republic.

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