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Dominican Republic

Sugar

Annual

2001

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Report Highlights:
Dominican sugar production continues to recover from the effects of Hurricane Georges. However, some of the state owned mills operating under private sector management are experiencing some start up problems.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Santo Domingo [DR1], DR

Table of Contents

Executive Summary.......... . 1

Production.......... . 2
Consumption.......... . 4
Trade.......... 5
Stocks.......... . 7
Policy.......... . 7
Marketing.......... . 7
Statistical Data.......... . 8
Centrifugal Sugar.......... . 8
Sugar Cane.......... 9

Executive Summary

Sugar production for MY 2001 is estimated at 468,000 MT. This increase from an all time low two years ago is attributable to the initial privatization process of the state owned mills (Consejo Estatal de Azucar - CEA), increased production by the two largest private mills and considerable cane field recuperation from the effects of Hurricane Georges in late 1998.

Domestic sugar consumption is fairly stable at 300,000 - 307,000 metric tons and somewhat evenly divided between raw and refined consumption. Sugar, mostly in raw form, is consumed by the general public and industry, while refined sugar is primarily used in industry by the soft drink and confectionary manufacturing industries. Refined sugar production at Central Romana is not expected to meet the country's demand although a second mill (Pringamosa) is expected to produce a semi refined sugar. To satisfy the market requirements, an additional 20,000 MT of refined sugar imports are envisaged to meet the country's needs in MY 2001.

The Dominican Republic is the largest holder of U.S. sugar quota for MY 2001 with an allocation of 185,346 MT.

Production

The Dominican Republic was a strong sugar producer in the late seventies when total output surpassed 1.2 million metric tons. Production gradually fell to a low of 371,000 metric tons in MY 1999. This production decline was mainly due to technical, administrative and financial difficulties with the state owned sugar mills (CEA), the major producer. During CEAs golden years, they operated twelve mills producing almost two thirds of the country's output. Through a joint venture arrangement, most of the mills are now administered by private enterprises. As a result, production is expected to show an increase for MY 2001 and 2002.

The two largest private producers, Central Romana and the Vicini group, are expected to produce 383,000 MT in MY 2001. The other mills combined could produce as much as 78,000 MT. Both Vicini and Central Romana regularly renovate their transport and milling facilities and adjust their production schedules to maximize harvest operations and increase total output. However, production is not anticipated to be sufficient to meet local consumption plus export demand. Once again, a shortage of refined sugar is anticipated though, probably not as much as MY2000.

After long discussions, which concluded in September 1999, the Government of the Dominican Republic concluded the capitalization of the state owned sugar mills. During that year, these mills barely contributed fourteen percent to total production and debts exceeded US$250 million. The actual transfer of the administration of the mills to private hands took place during CY 2000.

The capitalization process concluded with a 30 year rental agreement with private firms. The Consorcio Azucarero del Caribe (CACA), a Zurcamex subsidiary (from Mexico), invested in five mills (Rio Haina, Ozama, Boca Chica, Quisqueya and Consuelo). A second company, Dominican owned Consorcio Agroindustrial Caña Brava (CACB) invested in two of the smallest mills (Monte Llano and Amistad). A third local enterprise, the Pringamosa group [PG] invested in two mills: Santa Fe and Porvenir, owning a third mill Pringamosa which began operations in March 2001. Finally a Dominico-French-American group owned by AMEROP, represented by the Consorcio Azucarero Central (CACE) is administrating the last mill (Barahona).

After the first year of the capitalization, the CACA group has stopped operations of its five mills.. Evidently, negotiations are taking place in the private sector concerning operations of the capitalized state owned mills.

Details of official data on cane milled and sugar output by producer group follows for reference only:

CANE MILLED AND SUGAR PRODUCTION BY COMPANY
CY 1997 - CY 2000

	CY 1997		CY 1998		CY 1999		CY 2000		
	Cane	Production	Cane	Production	Cane	Production		Cane	Production
Mills	(000MT)	(MT)	(000MT)	(MT)	(000MT)	(MT)	Mills	(000MT)	(MT)
CEA	2,373	229,802	721	56,145 1/	778	50,530	CACA	824	58,361
							CACB	166	12,838
							CACE	202	11,210
							CP	0	0
							CAE	296	26,498
CR	3,067	386,297	2,511	301,250	2,558	242,184		2,535	286,953
Vicini	822	66,512	746	67,400	1,082	78,609		744	65,115
Total	6,262	682,621	3,978	470,000 1/	4,418	371,323		4,767	460,975

1/ Sources estimate CEA's sugar production was lower.
Source: Dominican Sugar Institute (INAZUCAR) and post estimates.
Note: CY data may differ from MY data in P,S & D table.

A semi-refined sugar ("azucar afinada") is expected to be manufactured at the Pringamosa mill. No details are available since the mill has just begun operating. This semi processed sugar may help the current refined suga deficit. Refined sugar production is estimated at 115,000 MT for MY 2001 and represents two thirds of the country's total needs. Therefore, refined imports are required to satisfy demand. This type of sugar represents about half of domestic needs and is only manufactured at Central Romana (CR).

Molasses, inverted sugar syrups and furfural (a liquid aldehyde used as a solvent or for furan or phenolic resins) also represent important sources of revenue for the industry. According to the Dominican Sugar Institute (INAZUCAR) statistics for MY 2000, the sugar industry produced about 38 million gallons of molasses and over 35,000 MT of furfural.

Central Romana generally begins its harvest in late November to early December, while the others begin in late December and January. As a result, Central Romana is able to process more cane before the rainy season interrupts the harvest. The newly consolidated Pringamosa Group has begun operations very late due to acquisitions of the new mills and start-up problems with the new mill, while the two CACB mills, located in the northern part of the island, normally operate after the others conclude harvest, from June/July through August/September. The CACE mill is running normally.

Rainfall patterns, fertilization and labor are the main factors which determine sugar yield. Industry sources indicate that fertilizer application has shown little change in the last five years, due to its high costs. While most fertilizer is applied manually, Central Romana, and sometimes other groups do minimal amounts of aerial spraying. More than half of the land devoted to cane production is not irrigated and, as a consequence, is subject to stress, particularly during dry spells.

The sugar industry requires both full time and seasonal workers, about 35,000 full time and an additional 20,000 during the harvest. About half of the regular work force is said to earn about US$100 per month plus a small subsistence allowance for lodging, in the case of field workers. About ten to fifteen percent of sugar cane is harvested mechanically. Mechanization is expected to play a more prominent role in the future of all producers, only if labor costs increase or the availability of cane workers decreases.

Cane yields vary between 30 MT and 80 MT/hectare, depending upon location, rainfall patterns, available transport resources, cane varieties and fertilizer use. Some producers incorporate modern management procedures and spend more on inputs to obtain higher yields. During the last ten years, the sugar recovery rate averaged 10.6 percent, but has been lower during the past five years. In CY 2000, sugar recovery rates averaged 9.7 percent. Estimates for MY 2001 are higher.

For decades, sugar cane producers have been devoting time and monetary resources to develop improved cane varieties. Sugar rates have varied widely, however, between 8 and 12.5 percent. Sugar content also fluctuates between 7 and 13 percent, depending on variety, level of plant maturity, time spent on the ground or in transport after cutting, etc. Local cane varieties are resistant to all of the major diseases currently identified in the Dominican Republic. Some of the sugar cane crosses used in the DR are CR6101, PR63-488, RD7511 and B76-78.

Costs of production vary substantially from company to company, from more than US$0.22 pound, to the most efficient averaging US$0.14-0.15 pound. INAZUCAR, the Government agency responsible for developing and implementing sugar policies, and the Secretariat of Industry and Commerce determine price and import policy and have pegged retail prices for raw sugar at US$0.24 per pound (RD$3.20/lb.); US$0.31 per pound (RD$4.10) for local refined sugar and US$0.32 per pound (RD$4.30) for refined imported sugar.

Consumption

Domestic sugar consumption is fairly stable at 300,000 metric tons and pretty evenly divided between raw and refined consumption. Sugar, mostly in raw form, is consumed by the general public, while refined sugar is primarily used by the soft drink and juices and confectionary industries.

Central Romana is the only local refiner. It is currently producing about 115,000 MT. Additional imported refined sugar to satisfy local requirements is anticipated for MY 2001 and MY 2002.

The Pringamosa mill is expected to produce a semi refined sugar, possibly during the next harvest. The following table is derived from INAZUCAR data and shows the pattern of local sugar sales, although imported sugar is not reflected in this table.

LOCAL SUGAR SALES BY PRODUCERS in MT

Sugar type	CY 1995	CY 1996	CY 1997	CY 1998	CY 1999	CY 2000
Raw	161,289	140,378	175,715	171,399	122,917	160,825
Refined	147,897	164,039	127,552	111,055	84,151	115.150
Semi refined	331	7,119	0	0	2,003	0
Total	309,502	311,536	303,267	282,454	209,971	275,975

Source: INAZUCAR and Industry.

Trade

The Dominican Republic is the largest holder of the U.S. tariff rate quota (TRQ) for sugar and has received 16.4% of the MY 2001 allocation. The DR's initial TRQ allocation for MY 2001, at 185,346 metric tons, was the same as the previous year.

Considerable quantities of refined sugar were imported during MY 2000 in order to avoid speculation and refined sugar shortages. As a result of a production shortfall in MY 2000, about 25,000 tons of imports were needed to meet the demand for sugar in the tourism sector, soft drinks, juices, preserves and confectionary industries. The out year needs are anticipated to be lower as production increases.

Most exports are now moving to the United States because of price and proximity, except for small quantities to Puerto Rico. The following table presents monthly sugar exports to the United States, for the last five marketing years:

DOMINICAN MONTHLY SUGAR EXPORTS TO THE UNITED STATES
MY 1996 - MY 2001

Month	95/96	96/97	97/98	98/99	99/00	00/01
January	0	50	17,628	422	0	366
February	0	10,958	11,447	629	159	6,473
March	18,668	27,328	0	11,361	182	17,943
April	14,826	28,987	15,800	27,812	11,849	1/
May	39,188	45,402	31,545	17,054	24,602	
June	34,544	61,989	26,991	12,004	32,436	
July	55,001	22,312	36,017	12,248	38,018	
August	51,617	71,738	23,193	30,924	56,223	
September	62,731	14,107	54,937	17,331	16,546	
October	33,356	52,666	339	0	19,958	
November	12,510	10,000	39,505	1,070	3,800	
December	51	0	14,181	0	183	
Total	322,512	345,358	253,953	130,855	203,956	
Quota	350,940	321,324	268,350	190,657	185,346	185,346

Note: Values have not been adjusted to 98 degrees pol.
1/ No data available.
Source: INAZUCAR and post.

Import duties are 15% for raw sugar and 20% for refined sugar, plus an 8% ITBIS (Value added tax). Imports of sugar and sugar based products still require permits from INAZUCAR (decree 576-96). With the WTO rectification in mind, the GODR has stated that it will issue permits for up to 23,000 MT imports on a first-come, first-serve basis, and in MY 2001 the Secretary of Industry authorized additional imports if needed. With the 20% tariff and 8% ITBIS, refined sugar imports have difficulty competing with local sugar.

In addition to raw sugar exports, other sugar related products are produced for the local and international markets. Molasses, inverted sugar syrups and furfural (a liquid aldehyde used as a solvent or for furan or phenolic resins) also represent important sources of revenues for the industry.

According to preliminary INAZUCAR statistics for MY 2000, the sugar industry produced 37.9 million gallons of molasses - 6.5 million by Vicini, 16.9 by Central Romana and the rest by the other smaller producers. About 8.0 million were used for local consumption and about 30 million gallons (valued over $9 million) were exported. In addition to molasses, 35,274 MT of furfural were produced and over 32,000 MT were exported, valued at about US$15 million.

Stocks

Stock are held not only by the major producers but also by middle men and end users.

Policy

Several laws regulate the sugar sector. Law 491 controls the relationship between private cane producers and processors and sets the price for cane based on sugar content. Law 619 assigns regulatory functions to INAZUCAR and also governs marketing (domestic and export), price schedules, statistics, etc.

For over thirty years, the U.S. sugar quota has been divided among the three producers according to an established formula. According to the formula, CEA was allocated 59.78 percent of the quota; Central Romana, 32.33 percent; and Vicini, 7.97%. In 1997, the Government announced a change in sugar policy, and began to establish quota allocations on more current production levels. In MY 2000, the allocations were: Central Romana, 43.5%; Vicini, 9.5%, Consorcio Azucarero del Caribe, 26.6%; Consorcio Azucarero del Este, 7.6%; Consorcio Caña Brava 3.7%; Consorcio Azucarero Central 6.1% and Central Pringamosa 3.0%. In the future, the allocations will probably be revised based on performance and should eventually be determined by a formula which averages the each producer's production over the most current three year period. The GODR hopes that this will provide an incentive for producers to optimize production.

As part of its WTO rectification agreement the Dominican Government established an in-quota tariff level for sugar of 20 percent for 23,000 MT imports, gradually increasing to 30,000 MT by the year 2004. Maximum out-of-quota tariffs were established at one hundred percent decreasing to 85% in 2004.

Marketing

The Secretary of Industry and INAZUCAR establish the base price of raw, semi refined and refined sugar. As a result, prices are stable. Producers sell directly to wholesalers and to large companies that use sugar in their product formulations.

Retail prices for sugar have remained stable during the last twelve months. As of March, 2001, prices for crude sugar ranged from US$0.18 to US$0.24 per pound (RD$2.50-3.50). Refined sugars ranged from US$0.24 to US$0.37 per pound (RD$4.00-6.00). Supermarkets generally sell raw sugar in two and five pound packages while small neighborhood stores (colmados) sell any amount which meets the consumer's requirements.

Statistical Data

Centrifugal Sugar

PSD Table						
Country	Dominican Republic					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		11/1999		11/2000		11/2001
Beginning Stocks	58	58	34	26	39	20
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	426	426	460	461	0	480
TOTAL Sugar Production	426	426	460	461	0	480
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	25	25	20	20	0	10
TOTAL Imports	25	25	20	20	0	10
TOTAL SUPPLY	509	509	514	507	39	510
Raw Exports	183	183	183	183	0	183
Refined Exp.(Raw Val)	2	2	2	2	0	2
TOTAL EXPORTS	185	185	185	185	0	185
Human Dom. Consumption	290	298	290	302	0	305
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	290	298	290	302	0	305
Ending Stocks	34	26	39	20	0	20
TOTAL DISTRIBUTION	509	509	514	507	0	510

Sugar Cane

PSD Table						
Country	Dominican Republic					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		11/1999		11/2000		11/2001
Area Planted	230	230	230	230	0	245
Area Harvested	205	205	220	220	0	225
Production	4800	4800	5600	5050	0	5100
TOTAL SUPPLY	4800	4800	5600	5050	0	5100
Utilization for Sugar	4800	4800	5600	5050	0	5100
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	4800	4800	5600	5050	0	5100