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Dominican Republic

Product Brief

Seafood Market

2006

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Report Highlights:

Due to the development of the tourism industry, the restaurant sector and the increase in local consumption the demand for seafood products is likely to grow, creating great opportunities for US companies. The market for seafood is expected to expand and could reach over \$100 million in the next five years. Imports of seafood during 2005 were estimated at \$62 million, up 12.8% when compared to 2004. In 2001 the US had a market share of 38%, however due to competition from other countries, such as China, the US currently has a market share of 6.7%. Through DR-CAFTA most seafood products from the US will be able to get into the Dominican Republic without paying custom duties, allowing the US to regain and increase the market share hold in 2001.

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SEAFOOD MARKET IN THE DOMINICAN REPUBLIC

I. Market Overview

After the sharp economic contraction in 2002 and 2003 due to building economic problems exacerbated by a spectacular bank collapse and default, with allegations of corruption, the Dominican economy showed favorable GDP performance in 2004 and 2005. The record time in which most sectors have responded in a positive way has been dramatic and while many serious problems still exist, the recovery has been due to the confidence placed by the Dominican people on the new Government officials and the close coordination of monetary and fiscal policies.

Despite being the second largest island in the Caribbean, the Dominican Republic lacks a modern and efficient seafood industry. Seafood has been part of the Dominican diet for hundreds of years, but consumption has been triggered in the last five years by tourism, development of the restaurant sector and local consumption. Imported products service 80% of the market; local products service the remaining 20%.

A free trade agreement between the Dominican Republic and the United States has been approved and will be implemented soon. Under the agreement, most seafood products from the US will be able to get into the Dominican Republic without paying custom duties. Duties for red salmon, trout, lobster, shrimp, sole and herring will be gradually reduced during a five-year period.

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

ADVANTAGES	CHALLENGES
- Proximity to the United States. Buyers can visit the suppliers more often to discuss further negotiations.	- Relatively high prices.
- Easiness of consolidation.	- Strong competition from other countries.
- Freight is less expensive.	- Lack of knowledge of US seafood products.
- Through DR-CAFTA most of the seafood coming from the US will enter the DR without paying customs duties.	

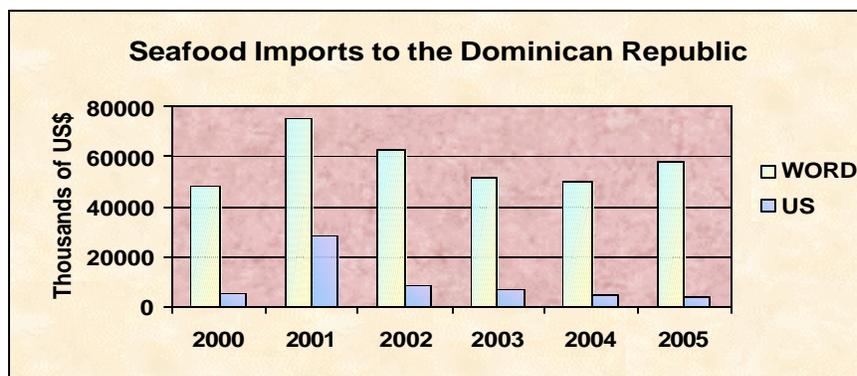
II. Consumption

Imports of seafood by the DR in 2001 were estimated at \$105 million; due to the economic crisis that followed, imports decreased more than 50%, but are starting to pick up. Imports of seafood during 2005 are estimated at \$62 million, up 12.8% when compared to 2004. In 2001 the US had a market share of 38%, by 2005 the market share was reduced to 6.7%.

Consumption has been triggered by:

1. The tourism industry. More than four million tourists visited the DR in 2005. Almost 50% of all seafood imports are sold to hotels.
2. Local consumption. Seafood has been a part of the Dominican diet for hundreds of years, but nowadays people are looking for a healthier lifestyle and are consuming more seafood. 40% of imported products are sold in supermarkets and fish shops.
3. The restaurant sector has been developing rapidly due to a general trend of eating out. 10% of the products are sold to restaurants.

Depending on the time of the year, hotels will purchase more seafood products than supermarkets and vice-versa. From September to March, high season, hotels buy more than supermarkets. From April to August supermarkets have the highest demand for seafood products, especially during Easter, because consumption of seafood is higher among Catholics.



Source: BICO Report and the UN Database

III. Competition

Seafood products from the United States face tough competition from countries like: China, Taiwan, Vietnam, South Korea, India, Indonesia, Argentina, Peru, Canada, Panama, Kenya, Bangladesh, Uganda, Thailand, Philippines and Chile. Local importers stated that these countries are competing in price and quality.

IV. Market Access

The best way to enter the Dominican market is through a local importer/distributor. These importers/distributors are familiar with the market, business practices, and related laws and have already established direct sales contacts.

Imported seafood products can easily enter the Dominican market. A good correlation between price and quality will play a decisive role in helping new companies enter the market.

V. Distribution Channels

The distribution channel is very simple. In the past two years, local importers started sourcing their products at origin to avoid buying from intermediaries.

There are currently three major importers in the Dominican Republic, as well as a couple of independent importers. These independent importers bring in containers periodically and sometimes sell their products to the larger importers.

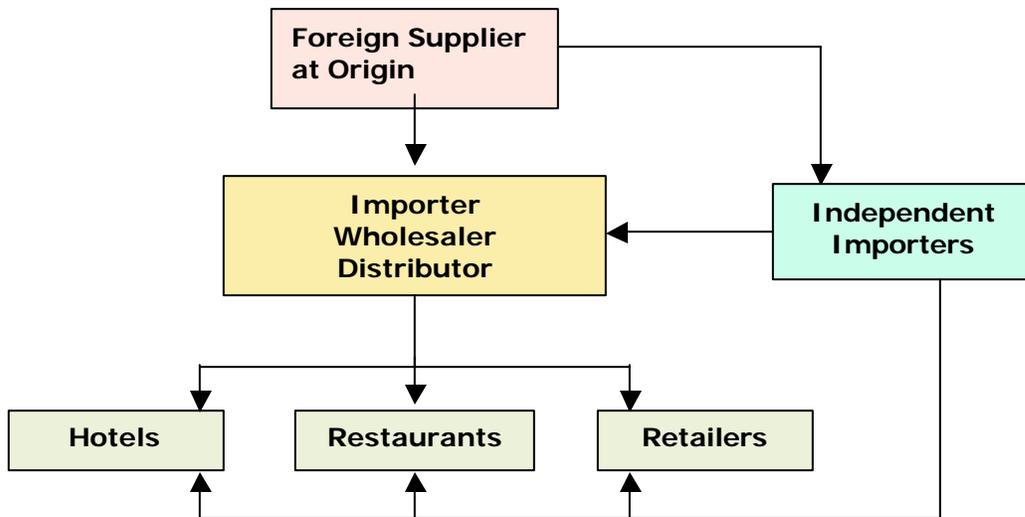
Recently, most of the importers of food and beverages that also imported fresh or frozen seafood have stop importing the product and are currently buying from the larger importers.

The three major importers of frozen and fresh seafood are:

- Congelados del Caribe. This is the biggest seafood importer in the DR; is part of a holding group called Grupo Alonzo. They also import beef from the US. Last year, this company alone imported over 200 40-foot containers of seafood.
- Logista. This company used to be called Pescaribe. They are currently importing around 80 40-foot containers of seafood a year.
- Comercial del Caribe. This company was established in March 2005. Since then they have imported 50 40-foot containers of seafood and their goal is to import 250 a year.

The importers above mentioned only import fresh and frozen seafood products. There are other companies that only import canned seafood products. Canned tuna and sardines are great sellers, especially sardines, which are mostly consumed by the lower middle and lower class (around 5.7 million people). These products are typically sourced from Canada and Asia.

MAIN DISTRIBUTION STRUCTURE



VI. Best Prospects

According to local importers, the products that have more potential are:

Pre Cooked Shrimp
Grouper (fillet)
Calamari
Calamari Tentacles
Pollock (fillet)
Hake (fillet)
Mixed Seafood
Salmon
Tilapia

VII. Key Contacts and Further Information

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