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## Dominican Republic

### Oilseeds and Products

### Annual

### 2006

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**Report Highlights:**

The majority of oilseed products consumed in the Dominican Republic are imported. The Dominican Republic's oilseed production is limited to coconut and palm products. The U.S. is a major supplier of soybean meal (285,000 MT) and oil (43,175 MT). The market for meals and oil is very price sensitive. The U.S. lost market share in MY2002 due to relatively high U.S. soymeal prices compared to competitors in Latin America and recuperated most of it in MY2004 with 265,000 MT. The American Soybean Board's activities in the D.R. are helping to educate the livestock industry on the quality of U.S. products. Despite protection from imports for a number of years, eventually the DR-CAFTA agreement will force the swine and poultry industry to be more competitive with the world market. Seventy five percent of all the vegetable oil market (167,000 MT) is soybean oil. The U.S. currently has 35 percent share of the soybean oil. South America is our major competitor.

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Includes PSD Changes: Yes  
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Annual Report  
Santo Domingo [DR1]  
[DR]

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## Section I

**Executive Summary**

Soybeans are not produced in the Dominican Republic. Therefore, imported soybean products satisfy all local market requirements. There are also practically no oil meals produced in the Dominican Republic, with the exception of about 1,000 tons of coconut meal and small quantities of palm kernel meal.

During the 2004 marketing year (MY) (January-December 2005), consumption of soybean meal increased, as a result of the lower international prices in spite of a weak local economy. Imports of soybean meal in MY2004 were 285,000 metric tons higher than previously anticipated but lower than the four-year average of MY1999-2002. U.S. market share grew from about 40 percent in MY2003 (because of limited availability and high prices) to 93 percent (265,000 MT) in MY2004. Estimates for MY2005 are anticipated to be higher, as a result of lower prices and the larger U.S. crop and the consumption pattern during the last five years. Soybean meal has no import duty and the new DR-CAFTA free trade agreement pending implementation by both governments, would lock in this zero duty.

Domestic oilseed production for oil in the Dominican Republic is limited. In MY2004, about 2,000 metric tons of coconut oil and 20,500 metric tons of palm oil were produced and it represents thirteen percent of the country's oil requirements. Production should continue unchanged in MY2005. There was significant competition in the Dominican market from oils from South America in MY2003, including soybean oil from Argentina and Brazil, sunflower oil from Argentina, and palm and palm kernel oil from Argentina and Colombia. This pattern will continue into MY2005.

## Section II

### OILSEEDS

#### Production

Soybeans are not produced domestically, because of unfavorable climatic conditions. During the 1980s, soybeans were imported from the United States and crushed domestically to produce oil and meal. Since the crushing facility was closed, soybean products are imported to satisfy local market requirements.

Other oilseed production in the Dominican Republic, such as copra, has gradually decreased, due to lower prices of other vegetable oils in the international market and also because of competition for other higher value products derived from coconuts. As a direct consequence, there are only small quantities of copra available for oil extraction. With no new investment projects in sight for peanuts or coconuts, copra production remains flat, at about 3,000 metric tons.

Peanuts, which were once the major raw material for oil extraction, have had strong competition from less expensive oils, such as imported sunflower oil. Furthermore, the better prices offered by the snack food industry have left practically no peanuts available for oil production.

Although palm oil production declined, as a result of the damage to plantations by Hurricane George in 1998, they have gradually recovered. In marketing year (January-December) 1998, production levels dropped to less than 1,500 metric tons but recovered to 20,500 metric tons by MY2004. Expectations for increased palm oil production next year remain optimistic, particularly with the current value of the peso and the international prices for other vegetable oils.

#### Consumption and Trade

Several years ago, the two major producers merged to become MERCASID, which now processes 70 to 80 percent of Dominican oilseeds and imported crude degummed oils. However, La Fabril and Cesar Iglesias are also in operation and are refining imported crude degummed oils also, mostly soybean and palm oils (see oil section).

Palm is crushed to produce crude palm oil. Crude palm oil is normally refined or further processed as a component for other locally consumed industrial products. Two companies were devoted to palm oil production: INDUSPALMA (a MERCASID sister company and a Unilever associate), and INASCA, an independent producer.

About 3,000 metric tons of copra was processed in MY2004, yielding less than 2,000 metric tons of crude oil and 1,000 metric tons of meal. Industry estimates the consumption in MY2005 will remain the same.

#### Stocks

Stock levels are insignificant.

#### Policy

The Dominican Republic formally maintains the maximum tariff rate of 40 percent for oilseeds, which is its bound duty in the World Trade Organization (WTO). However, no whole soybeans are imported. The Dominican Republic does not subsidize or restrict the trade of

oilseeds. However, the government prefers that all trade be conducted through a registered Dominican agent. Phytosanitary no-objection permits are required but easily available through the Secretariat of Agriculture.

## **OIL MEALS**

### Production

With the exception of about 1,000 tons of coconut meal, there is practically no other oil meal produced in the country. Minimal quantities of palm kernel meal are produced when small amounts of palm kernel are available to crush. Coconut meal production has continued to decrease and currently represents less than 0.3 percent of total meal demand. Major consumers, feed processors for the local poultry and swine industries, rely entirely on imported U.S. soybean meal (48 percent protein) to satisfy their requirements. The United States has remained the Dominican Republic's major supplier of soybean meal, because of quality, price, and proximity, unless availability is limited.

### Consumption and Trade

Most of the soybean meal imported services the Dominican poultry and swine industry (at a 75:20 ratio) with some rice and wheat bran supplement. Protein meal imported into the Dominican Republic is mixed with other imported ingredients to manufacture formulated feed. The balance is used for cattle and other specialty feeds. There is only one major producer in the formulated feed industry, AGRIFEED. Other users are large poultry and swine producers, poultry and swine producer associations, and cooperatives that mix their own feed to minimize costs. These groups, particularly Cooperativa Avicola Ganadera Jarabacoa and the Consejo de Instituciones Pecuarias, which produce almost half of the poultry and swine in the country, supply the Dominican livestock sector with most of its protein requirements (poultry, pork and eggs).

Bulk soybean meal is imported by a consolidated meal producer who prepares formulated feed for the small- to medium-sized producers in the country and for export to the near-by islands. Another portion of imports is brought directly by the major poultry and swine producers and associations who prepare their own feed formulations. Some of the formulated feed also moves to the Haitian market through informal trade and to other Caribbean countries.

With a larger U.S. crop in MY 2004 when compared to MY2003, U.S. exports increased 68 percent over the previous year, as the availability of the new U.S. soybean crop yielded larger volumes of high protein soybean meal with lower prices. Most imports of soybean meal (93%) in MY2004 came from the United States, except for 20,000 MT of Argentinean meal that arrived early that year. Total imports of soybean meal reached 285,000 MT in MY2004. We anticipate increased imports in MY2005, as volumes return to the average (350,500 MT) reached in the MY1999-2002.

During MY2003, soybean meal consumption decreased, because of higher international prices (smaller crop in the United States) and the weakening of the local economy. That year, a total of 290,000 MT were imported, of which only 40 per cent came from the United States due to limited supplies. The rest was imported from Brazil and Argentine. Soybean meal has no import tax. There is a DR-CAFTA free trade agreement pending implementation. The agreement locks in duties at zero for unrefined oils and soybean meal and phase out tariffs on refined oils over 15 years.

## Stocks

Industry sources indicate that stocks levels vary between 25-30,000 MT.

## Policy

The Dominican Republic does not have a comprehensive development strategy for the feed sector. Current budgetary constraints will make any future plan difficult to achieve. While soybean imports are not restricted, there are eight commodities, which include poultry, and swine (sectors that use the majority of the soybean imports), which continue to be protected through the selective issuance of sanitary and phytosanitary permits. Soybean meal has no import duty and the new DR-CAFTA agreement would lock in this zero duty.

## Marketing

The American Soybean Board representatives visit the Dominican Republic regularly to service the market in the Dominican Republic through seminars and technical assistance and when possible to Haiti. They also use part-time consultants to service both countries.

## TOTAL OILS

### Production

Domestic vegetable oil production in MY 2004 remains flat and limited to 20,500 metric tons of crude palm oil (plus a small volume of palm kernel oil) and about 2,000 metric tons of coconut oil. Local production of oil represented less than 14 percent of the total supply last year and is expected to remain unchanged over the next two to three years. There was significant competition in the Dominican market from oils from South America in MY2004, including soybean oil from Argentina and Brazil, sunflower oil from Argentina, and palm and palm kernel oil from Colombia, Honduras and Jamaica. This will continue into MY2005.

Palm plantations have recovered from the effects of the 1998 hurricane, and production is expected to continue to slowly increase. In MY2004, locally produced palm oil accounted for 90 percent of total domestic oil production. Most of the palm oil is processed further (fractionated) into the edible fraction (used for margarine and oil) and the inedible fraction (for soap).

Coconut oil production is limited to the copra remaining from coconuts, which do not meet the quality needed for either direct export or processing (e.g., syrup for piña coladas). Occasionally, some coconut oil is exported to nearby islands, although this has not been the case during the past two marketing years. There are numerous coconut producers in the country and many of them sell their copra to the oil processors directly.

### Consumption and Trade

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY2004 is about 167,000 metric tons, slightly higher than last year's levels. This total is not expected to grow much in MY2005.

In the mid-nineties there were five edible oil processors in the Dominican Republic, but currently there are only three in operation. In MY2004, the larger processor MERCASID controls approximately 71 percent of the market, LA FABRIL in Santiago has quickly gained

over 20 percent of the market and "Cesar Iglesias" the remaining 8 percent. There are others such as Cortes Hermanos, Nestle Dominicana and Promind Agroindustrial which use small quantities of oil in their industrial processes. Revised estimated overall oil processing capacity exceeds 175,000 metric tons.

In MY2003 and MY2004 soybean oil imports showed no growth, as a result of a weak economy and consumption pattern has shown changes to less expensive oils. U.S. market share has increased, in spite of cheaper oils sourced from South America from 21 to 35 percent. MY2005 is not expected to show major improvement. Consumption of sunflower oil in MY2004 appear to have grown at the expense of corn oil and less expensive palm oil to 10,600 MT.

In the case of soybean oil, price has been the most important consideration dictating the source of imports. Because of the lower Argentinean prices, the industry generally imports South American oil. U.S. oils have had limited success in the Dominican market, since the phase out of the PL-480 program in 1989, except for emergency purchases or discount loads as it happened in MY2004.

A summary of Dominican vegetable oil imports for MY2002, MY2003 and MY2004 is presented below:

#### Dominican Imports of Vegetable Oils MY2002, MY2003 and MY2004

Marketing Year Share	Oil type	Quantity (MT)	% U.S.
MY2002	Soybean	94,525	6
	Sunflower	8,000	0
	Corn	2,700	100
	Palm	4,500	0
	Coconut	600	100
	Total MY 2002	110,325	8
MY2003	Soybean	121,200	21
	Sunflower	7,000	0
	Corn	3,000	100
	Palm	10,000	N/A
	Coconut	600	N/A
	Total MY 2003	141,800	
MY2004	Soybean	123,400	35
	Sunflower	10,700	41
	Corn	1,400	100
	Palm	12,000	0
	Coconut	400	N/A
	Total MY 2004	147,900	32

Source: Industry

Exports of Dominican edible oils to nearby islands are almost non-existent. Small quantities of soybean oil exports have been exported to Haiti (less than 1,000 MT), in addition to an undefined quantity of soybean oil. The Dominican Republic is an observer of CARICOM agreement since February 2002. The Dominican Republic-Central American Free Trade

Agreement (DR-CAFTA) has been signed and ratified by the United States and the Dominican government but is pending implementation.

#### Stocks

Stocks fluctuate throughout the year and are estimated at about ten to fifteen thousand metric tons, which is equivalent to one month's supply.

#### Policy

The DR does not have a comprehensive development strategy for the oil sector. Currently, budgetary constraints will make any future plan difficult to achieve.

The applied tariff on most agricultural items in the Dominican Republic, including oils is twenty percent. Crude degummed oils have a basic 10 percent tax, while refined has a 20 percent basic duty. The 16 percent Value Added Tax is not applied to oil imports to maintain relatively low and stable prices to the consumer. The Dominican Republic does not restrict the trade of vegetable oils. However, the DR prefers that all trade be conducted through a registered Dominican agent. The recently negotiated DR-CAFTA free trade agreement, locks in a zero duty for U.S. crude oils, and phases out duties on refined oils over 15 years.

#### Marketing

The Dominican oil market is very competitive, with an average supermarket carrying at least eight brands. In addition to local brands, the most popular brands appear to be Crisco (with canola and soybean oils) and Mazola (with corn) imported from the United States and some olive oil brands from the United States and the European Union. The major selling point of these oils is presentation and price.

#### Section III

#### **STATISTICAL DATA**

## PSD Table

Country Commodity	Dominican Republic Meal, Soybean						UOM
	(1000 MT)(PERCENT)						
Market Year Begin	2004	Revised	2005	Estimate	2006	Forecast	MM/YYYY
	USDA Official	Estimate[1]A	Official	Estimate[1]A	Official	Estimate[New]	
	01/2005		01/2006		01/2007		
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	(PERCENT)
Beginning Stocks	30	28	30	28	30	28	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	360	285	370	310	0	315	(1000 MT)
MY Imp. from U.S.	325	265	330	310	0	315	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	390	313	400	338	30	343	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consum	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consu	360	285	370	310	0	315	(1000 MT)
TOTAL Dom. Consumpti	360	285	370	310	0	315	(1000 MT)
Ending Stocks	30	28	30	28	0	28	(1000 MT)
TOTAL DISTRIBUTION	390	313	400	338	0	343	(1000 MT)
Calendar Year Imports	0	290	0	285	0	310	(1000 MT)
Calendar Yr Imp. U.S.	0	118	0	260	0	310	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

## PSD Table

Country Commodity	Dominican Republic						UOM
	Oil, Soybean						
Market Year Begin	2004		2005	Estimate	2006	Forecast	(1000 MT)(PERCENT)
	USDA Official	Revised Estimate	Official	Official	Official	Estimate	
	01/2005	01/2005	01/2005	01/2006	01/2006	01/2007	MM/YYYY
Crush	0	0	0	0	0	0	0 (1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	0 (PERCENT)
Beginning Stocks	13	14	10	14	10	14	14 (1000 MT)
Production	0	0	0	0	0	0	0 (1000 MT)
MY Imports	125	123	135	125	0	126	126 (1000 MT)
MY Imp. from U.S.	20	43	20	30	0	30	30 (1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	0 (1000 MT)
TOTAL SUPPLY	138	137	145	139	10	140	140 (1000 MT)
MY Exports	0	0	0	0	0	0	0 (1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	0 (1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	0 (1000 MT)
Food Use Dom. Consum	128	123	135	125	0	126	126 (1000 MT)
Feed Waste Dom. Consu	0	0	0	0	0	0	0 (1000 MT)
TOTAL Dom. Consumpti	128	123	135	125	0	126	126 (1000 MT)
Ending Stocks	10	14	10	14	0	14	14 (1000 MT)
TOTAL DISTRIBUTION	138	137	145	139	0	140	140 (1000 MT)
Calendar Year Imports	0	121	0	123	0	125	125 (1000 MT)
Calendar Yr Imp. U.S.	0	27	0	43	0	30	30 (1000 MT)
Calendar Year Exports	0	0	0	0	0	0	0 (1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	0 (1000 MT)