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Dominican Republic

Oilseeds and Products

Report

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Report Highlights:

The estimates for MY 2007 imports of soybean meal have been revised downwards from 450,000 to 368,000 MT based on U.S. trade data. We understand that poultry production is reduced due to higher input prices and lower demand. The forecast for MY 2008 soybean meal imports reflect this decline. MY 2007 soybean oil imports have been revised downward to reflect industry reports and U.S. trade data. Our forecast for MY 2008 is at the same level. As a result, competitive pricing, U.S. market share of soybean oil reached almost 50% in MY 2007. Argentina and Brazil usually have the bulk of the market. The DR-CAFTA implemented in March 2007, locked a zero duty for soybean meal and crude degummed oil and phases out duties on refined oil over 15 years.

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

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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. 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.

In MY 2007, an overproduction of poultry occurred which depressed local prices. Producers in turn, were forced to begin reducing their inventories and as a consequence consumption estimates for MY 2007 were lowered. In the mean time, higher international prices also forced local producers to decrease the poultry and swine population.

Soybean meal remains with a zero import duty under the new DR-CAFTA free trade agreement implemented on March 1, 2007. The agreement locks in a zero duty for U.S. crude oil, and phases out duties on refined oil over 15 years.

Domestic vegetable oil production in MY 2007 remained flat with 16,500 metric tons of crude palm oil (plus a small volume of palm kernel oil) including about 2,000 metric tons of coconut oil. Local production of oil represented less than 12 percent of the total supply.

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY 2007 was about 128,600 metric tons. This total includes about 51,000 MT of crude degummed soybean oil from Argentina and Brazil; 42,700 MT from the United States, including an additional 2,000 of U.S. refined soybean oil imported directly by the grocery importers. In addition, 4,430 MT of crude sunflower oil from Argentina; 6,430 MT of crude corn oil from the United States and 7,259 MT of crude palm oil from Colombia. Total consumption is not expected to grow much more in MY 2008.

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 types of oilseed production in the Dominican Republic, such as copra and peanut, have gradually decreased, as a result of lower prices of other vegetable oils in the international market.

Consumption and Trade

Several years ago, the two major producers merged to become MERCASID, which now processes about 75 percent of Dominican oilseeds and imported crude degummed soybean, sunflower and corn oils. However, La Fabril and Cesar Iglesias are also in operation and are only refining imported crude degummed oils, mostly soybean, sunflower and palm.

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 are 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 MY 2006, yielding less than 2,000 metric tons of crude oil and 1,000 metric tons of meal. Industry estimates the consumption in MY 2008 will remain the same.

Stocks

Stocks levels are insignificant.

Policy

The Dominican Republic formally maintains no tariff, nor tariff rate for oilseeds. However, no whole soybeans are imported. The Dominican Republic does not subsidize or restrict the trade of oilseeds. Nonetheless, 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 less than 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. No animal meals are imported because of BSE concerns. In spite of the increasing world prices for soybean meal, the United States has remained the Dominican Republic's major supplier, because of quality, price, and proximity.

Consumption and Trade

Higher prices in MY 2007, forced Dominican traders to reduce imports by almost 18% over the previous year, as international credit was reduced, commodity costs increased and Dominican poultry producers decreased production. MY 2007 estimates have been revised based on trends and industry information. All imports of soybean meal in MY 2007 came from the United States, reaching 368,480 MT, down from a historical high of 448,720 MT the year before. In addition to price, the overproduction of poultry depressed local prices. Producers in turn, reduced their inventories. Post anticipates not only a decrease in imports for MY 2007, but a continued decrease into MY 2008. The elevated soybean inventories with high costs are just starting to disappear. Import volumes in MY 2008 will move downward below last year's level, anticipating a reduction in local poultry production.

Most of the soybean meal imported services the Dominican poultry and swine industry (at a 65:25 ratio) with some rice and wheat bran supplement. The balance is used for cattle and other specialty feeds.

Major soybean meal 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 more than half of the poultry and swine in the country, supply the Dominican livestock sector with most of its protein requirements (poultry, pork and eggs). In addition, there is only one protein meal importer that formulates feed, AGRIFEED. This company prepares, in addition to some poultry and swine feed for small and mid-size producers, specialized feed formulations for other animal breeds. They (AGRIFEED) also export to the near-by islands and some formulated feed also moves to the Haitian market through informal trade.

Soybean meal has no import tax and remains at zero with the DR-CAFTA free trade agreement implemented since March 1, 2007.

Stocks

Industry sources indicate that stocks levels vary between 25-30,000 MT. MY 2008 anticipate slightly lower stock levels.

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 are protected through a TRQ system and a phase out period up to 20 years. Currently 2009 corresponds to the fourth year of the agreement.

Marketing

The American Soybean Board representatives visit the Dominican Republic regularly to service the market through seminars and technical assistance to the poultry, swine, dairy and aquaculture sectors using consultants to service the country. They also service Haiti when possible.

TOTAL OILS

Production

Domestic vegetable oil production in MY 2007 continued to decrease and is limited to 14,600 metric tons of crude palm oil (plus a small volume of palm kernel oil), in addition to about 2,000 metric tons of coconut oil. Most of the palm oil is processed further (fractionated) into the edible fraction (used for margarine and oil) and the inedible fraction (for soap). Local production of oil represented about 10-12 percent of the total supply last year and is expected to continue at this level for now. There was significant competition in the Dominican market from oils from South America in MY 2007, including soybean and sunflower oil from Argentina and palm oil from Colombia, although the proportion of soybean oil from the United States increased because of proximity and price. Perhaps, this trend will continue into MY 2008.

Coconut oil production is limited to copra 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 for cosmetic industry use.

Consumption and Trade

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY 2007 is about 128,600 metric tons, considerably lower than the year before. This includes 112,568 MT of imported oils and 16,600 MT of locally produced palm (14,600 MT) and coconut (2,000 MT). The total consumption is not expected to grow in MY 2008.

Total imported soybean oil in MY 2007 includes about 93,800 MT of imported crude degummed soybean oil from Argentina and Brazil (58%), including 42,778 MT of the United States. The extremely high international prices for most commodities in MY 2006 and MY 2007, including for soybean oil, forced processors to reduce imports. Other vegetable oils, such as crude sunflower (4,430 MT) were also purchased in Argentina. About 7,250 MT of crude degummed Colombian palm oil were imported for further processing and 6,430 MT of crude corn oil from the United States. Smaller quantities of refined soybean, corn, rapeseed and canola oils were purchased abroad by the grocery wholesalers from the United States.

Consumption pattern showed an overall decrease in volumes but not towards more expensive oils. U.S. market share has increased in MY 2007 over the year before as a result of proximity and price when compared to other sources in South America. MY oil imports have been revised based on industry data. Consumption of imported sunflower and corn oils in MY 2007 has decreased as a result of higher domestic prices which restrained direct consumers. Import data for MY 2008 is not expected to show major improvement.

In the case of soybean oil, price has been the most important consideration dictating the source of imports. Because of the lower Argentinean and Brazilian 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 MY 2007.

In the mid-nineties there were five edible oil processors in the Dominican Republic, but currently, there are only three in operation. In MY 2007, the largest processor MERCASID controlled approximately 78 percent of the total oil market share; LA FABRIL in Santiago has quickly gained over 13 percent and "Cesar Iglesias" the remaining 9 percent.

There are others such as Cortes Hermanos, Nestle Dominicana and Promind Agroindustrial which use small quantities of oil in their industrial processes. Estimated overall oil processing capacity exceeds 180,000 metric tons.

A summary of Dominican vegetable oil imports is presented below:

Dominican Imports of Vegetable Oils MY 2005 - MY 2007

Marketing Year	Oil type	Quantity (MT)	% U.S. Share
MY 2005	Soybean	127,800	17
	Sunflower	12,775	0
	Corn	7,197	100
	Palm	17,250	0
	Coconut	N/A	N/A
	Total MY 2005	165,022	16
MY 2006	Soybean	114,570	11
	Sunflower	12,124	0
	Corn	7,595	100
	Palm	18,671	0
	Coconut	N/A	N/A
	Total MY 2006	153,140	13
MY 2007	Soybean	93,807	42
	Sunflower	4,430	0
	Corn	6,430	100
	Palm	7,259	0
	Coconut	N/A	N/A
	Rapeseed	595	100
	Canola	47	100
	Total MY 2007	112,568	44

Source: Industry

Exports of Dominican edible oils to nearby islands are almost non-existent. Small quantities of soybean oil have been exported to Haiti (less than 1,000 MT).

Stocks

Stocks fluctuate throughout the year and are estimated at about twenty 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. In Calendar Year 2008, crude degummed oils have a basic three percent tax, while refined has a 20 percent basic duty. The 16 percent Value Added Tax (VAT or ITBI) 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 new DR-CAFTA free trade agreement implemented in 2007, locks in a zero duty for U.S. crude oils, and phases out duties on refined oils over 15 years (2020). It is interesting to note that the U.S. refined olive oil had a 20% basic tax that has been reduced to zero under the implemented agreement with the United States.

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), Mazola (with corn) and Wesson (canola, corn, sunflower and soybean oils) 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.

TRADE DATA

PSD Table										
Country	Dominican Republic									
Commodity	Meal, Soybean									
							(1000 MT)(PERCENT)			
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009	MM/YYYY
Crush	0	0	0	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	0	0	0	(PERCENT)
Beginning Stocks	28	0	28	28	0	28	28	0	28	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	446	0	448	450	0	368	0	0	360	(1000 MT)
MY Imp. from U.S.	435	0	448	445	0	368	0	0	360	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	474	0	476	478	0	396	28	0	388	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	446	0	448	450	0	368	0	0	360	(1000 MT)
Total Dom. Cons.	446	0	448	450	0	368	0	0	360	(1000 MT)
Ending Stocks	28	0	28	28	0	28	0	0	28	(1000 MT)
Total Distribution	474	0	476	478	0	396	0	0	388	(1000 MT)
CY Imports	446	0	424	450	0	449	0	0	368	(1000 MT)
CY Imp. from U.S.	436	0	424	445	0	449	0	0	368	(1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
SME	446	0	448	450	0	368	0	0	360	(1000 MT)

PSD Table										
Country	Dominican Republic									
Commodity	Oil, Soybean									
							(1000 MT)(PERCENT)			
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2007	12/2007		01/2008	12/2008		01/2009	12/2009	MM/YYYY
Crush	0	0	0	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	0	0	0	(PERCENT)
Beginning Stocks	14	0	14	14	0	14	14	0	10	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	156	0	115	165	0	94	0	0	100	(1000 MT)
MY Imp. from U.S.	14	0	13	20	0	43	0	0	25	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	170	0	129	179	0	108	14	0	110	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	156	0	115	165	0	98	0	0	98	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Cons.	156	0	115	165	0	98	0	0	98	(1000 MT)
Ending Stocks	14	0	14	14	0	10	0	0	12	(1000 MT)
Total Distribution	170	0	129	179	0	108	0	0	110	(1000 MT)
CY Imports	156	0	115	165	0	94	0	0	96	(1000 MT)
CY Imp. from U.S.	14	0	14	20	0	43	0	0	25	(1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)