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## Dominican Republic

### HRI Food Service Sector

### Annual

### 2008

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**Report Highlights:**

The Dominican Republic is one of the main tourist destinations in the Caribbean region, with over three million tourist arrivals in 2007. Over one million of these tourists were from the United States. The number of hotel rooms in the country in 2007 was 64,868 and new projects will add about 8,648 rooms. Total food consumption in the HRI sector is estimated over US\$900 million. Around 40 percent of the total food and beverage consumption in the country is imported, with 30 to 35% of total coming from the United States. Beef, poultry meat, dairy products, and wine are some of the products with the highest potential for the HRI sector.

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Annual Report  
Santo Domingo [DR1]  
[DR]

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## HOTEL, RESTAURANT, INSTITUTIONAL (HRI) FOOD SERVICE SECTOR REPORT

### I. MARKET OVERVIEW

#### A. The Economic Situation

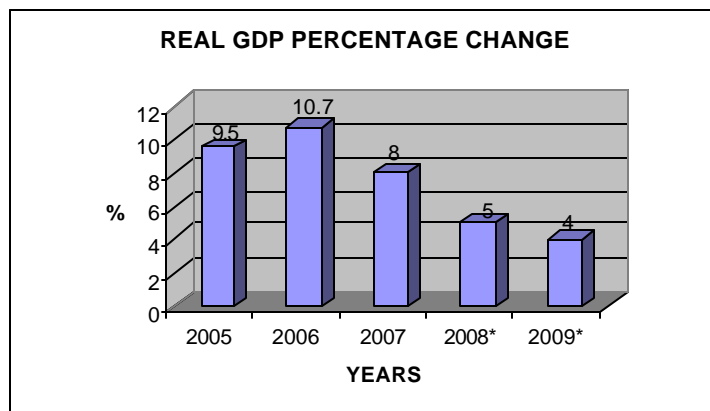
The Dominican economy is currently stable although it slowed down at the end of 2007. The country will have presidential elections in May 2008. According to the Economist Intelligence Unit (EIU), it is expected that President Fernandez remain in power (The EIU web page, February 26, 2008).

The Dominican Republic had a standby agreement with The International Monetary Fund (IMF), which expired at the end of last January. The government has not yet announced whether it will renew the agreement. The agreement has emphasized fiscal consolidation, strengthening the financial sector, improving the health of the energy sector, and improving governance.

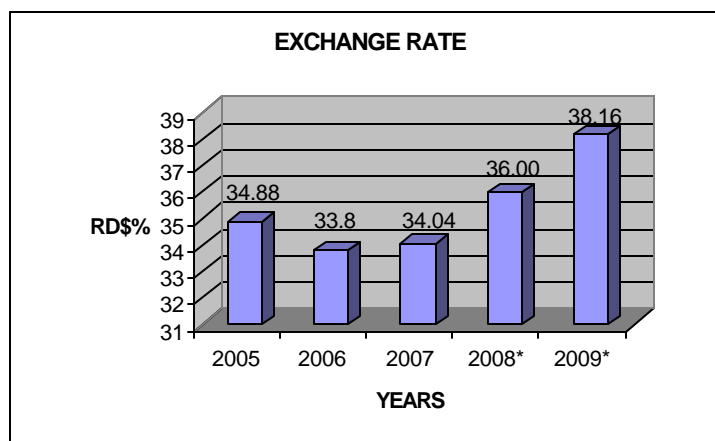
The Real Gross Domestic Product (GDP) decreased from 9.5% in 2005 to 8% in 2007. The EIU forecast it to grow 5% by the end of 2008 and 4% in 2009 (The EIU web page 2008)

The exchange rate has slightly decreased from 2005 to 2007 from 34.88 to 34.04, and it is expected to increase to 36.00 in 2008 and 38.16 in 2009.

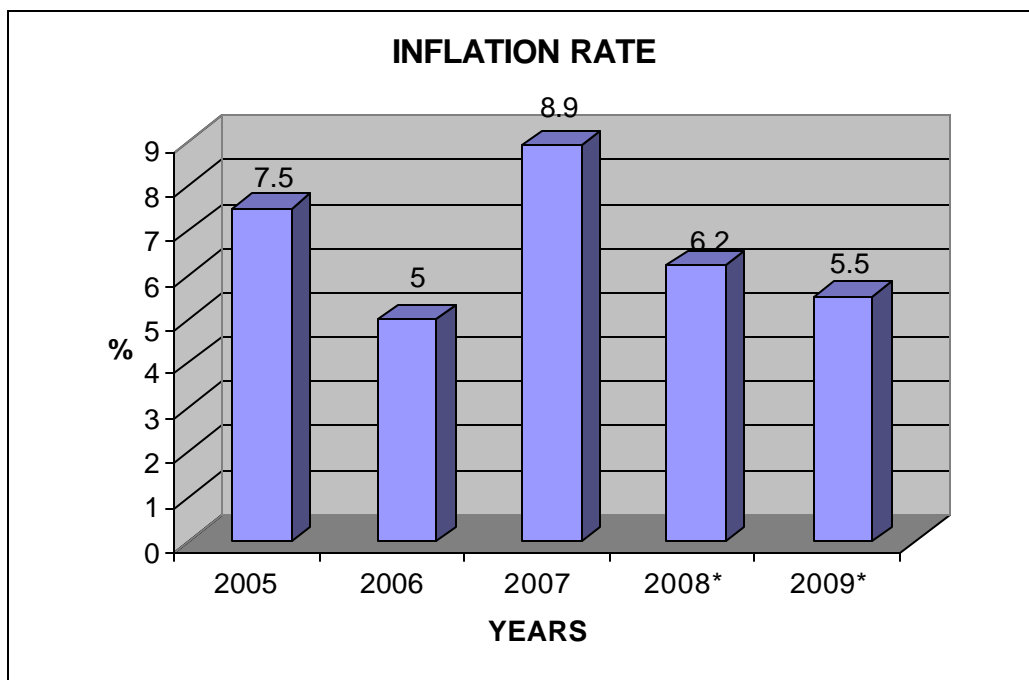
The inflation rate increased from 7.5 in 2005 to 8.9 % in 2007. For 2008 and 2009 it is expected to drop to 6.2 and 5.5, respectively.



**Source:** Central Bank of the Dominican Republic and The Economist Intelligence Unit.  
Data for 2007 and 2008 is a forecast made by The Economist Intelligence Unit's



**Source:** Central Bank of the Dominican Republic, 2007

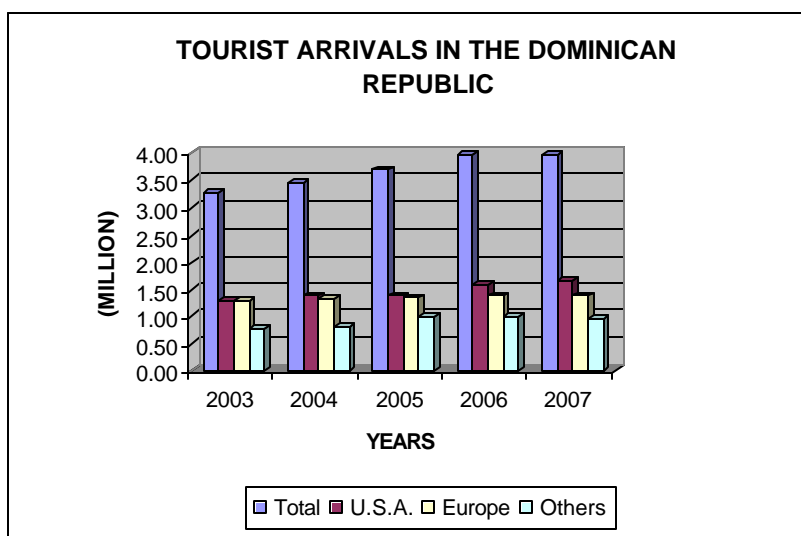


**Source:** Central Bank of the Dominican Republic and The Economist Intelligence Unit. 2008  
Data for 2008 and 2009 is a forecast made by The Economist Intelligence Unit

## B. Overview of the HRI Food Service Market

The Dominican Republic is currently one of the main tourist destinations in the Caribbean region, with over three million tourist arrivals in 2007. Over one million of these tourists were from the United States. The supply of hotel rooms at the end of last 2007 was 64,868 rooms. New hotels investments in the tourist sector will add 8,648 rooms. The average occupancy rate dropped from 73% in 2006 to 72.2% in 2007. The Dominican Republic's tourism industry has grown steadily, with an average foreign tourist arrivals increase of 5% from 2003 to 2007. In 2007, the breakdown of tourist origin was as follows: 42.36% from North America, 34.30% from Europe, and 23.33% from other countries, such as South America, Central America, and other countries in the Caribbean. The percentage from the United States was

27% (1.08 million).



Source: Central Bank and ASONAHORES, 2008.

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN THE HRI SECTOR IN THE DOMINICAN REPUBLIC	
Advantages	Challenges
<ul style="list-style-type: none"> <li>American culture has a great influence on the Dominican Republic, driven by the large number of Dominicans living in the United States and domination of U.S. mass media, such as cable TV.</li> <li>The growth of tourism in the country is increasing demand for imported products in that sector.</li> <li>The DR-CAFTA agreement makes U.S. products competitive with local ones, which are the most demanded by the all-inclusive resorts.</li> <li>Fast food chains and other types of restaurants from the U.S. are very popular in the country.</li> <li>The perception of consumers is that U.S. suppliers can provide products with consistent and reliable quality and quantity, which helps reduce overall food service costs.</li> <li>There are new and more frequent flights from the Dominican Republic to the United States.</li> <li>The government has invested \$150 millions in the tourist sector to improve infrastructure, such as beaches and roads.</li> </ul>	<ul style="list-style-type: none"> <li>The local Dominican food industry is becoming more efficient and more competitive, as is integrating new technologies into production to take advantage of the DR-CAFTA.</li> <li>Globalization and the influence of the mass media have given Dominicans access to other cultures, e.g., Europe, Asia, and South America. These different cultures influence consumption habits here and increase demand for food from those countries.</li> <li>The prices of products offered in fast food restaurants of U.S. origin are relatively high.</li> <li>The Dominican Republic signed a free trade agreement with the other Central American countries, which may increase trade within this area, possibly at the expense of United States.</li> <li>The Dominican Republic signed a cooperation agreement with the European Union, which includes free trade and support for development projects.</li> <li>High taxes and an overvalued exchange rate are restricting the tourist sector from being more competitive.</li> </ul>

### C. Recent Development and Trends in the HRI Sector

The Dominican Republic continues to strengthen its image as one of the premier tourist locations. The Center for Export and Investment (CEI-RD), the National Competitiveness Council (CNC), and the Ministry of Tourism (SETUR), and the National Hotels and Restaurants Association (ASONAHORES) are leading this project. These organizations are working on improving services and infrastructure to attract tourists with a higher purchasing power.

New projects focusing on building boutique hotels and the strategic plan developed by the Dominican Republic are expected to increase the flow of tourists, the average stay, and the amount of money spent. The country is also increasing the budget to promote the tourist

sector in international trade shows, and it is also giving special incentives to investors building hotels to attract high class tourists.

This year, the Dominican Republic is the guest of honor or official partner country at the 2008 ITB Berlin, which is the largest tourism fair in the world. With the promotion strategy, the Minister of Tourism estimates that the sector will grow more than 3% during 2008.

Another development to support the tourist sector is the new road from Santo Domingo to Samaná the government expects to finish this year. Samana was one of the tourist areas with the highest growth rate in 2007. This new road will shorten the driving time from about four hours to only one and a half.

The country will have a new airline this year. This new Dominican airline would contribute to increase tourist arrivals.

U.S. suppliers need to keep up with the trends in the sector and take advantage of the new developments to increase their market share. The FAS office in Santo Domingo will continue to monitor the trends in the sector and the demand for specific imported products to continue to provide sound advice to U.S. suppliers.

<b>INVENTORY OF HOTEL PROJECTS IN 2008</b>	
<b>NAME OF THE PROJECT</b>	<b>No. OF ROOMS</b>
<b>BAYAHIBE</b>	
La Rosa de Bayahibe	212
Complejo Turistico Sol Dominicus	178
<b>TOTAL BAYAHIBE</b>	<b>390</b>
<b>SAMANA-LAS TERRENAS</b>	
Bonita Village	179
Puerto Bonito Marina & Hotel	590
Apart-Hotel Vta Mare	140
<b>TOTAL SAMANA-LAS TERRENAS</b>	<b>909</b>
<b>BAVARO PUNTA CANA</b>	
Cap Cana (Juanillo)	711
Melia - Gran Melia Punta Cana (Baigua)	410
Majestic Colonial (Macao)	134
Hotel Yara Ri (Uvero Alto)	9
Wirds Bay Spa & Resort (Macao)	381
Hotel Altabela & Fishing Lodge (Cap Cana)	100
Hotel Moon Palace (Uvero Alto)	1,750
Hotel Port Uvero Beach Spa (Uvero Alto)	526
Hotel Carmen (Uvero Alto)	450
Hotel Coony Bay Resort (El Salado)	320
Hotel Colony Bay Resort (Uvero Alto)	215
Hotel Westin Rõco Ki Beach and Golf	788
<b>TOTAL BAVARO PUNTA CANA</b>	<b>5,794</b>

<b>SANTIAGO</b>	
Gran Hotel Cibao	398
<b>TOTAL SANTIAGO</b>	<b>398</b>
<b>PUERTO PLATA</b>	
Sun Village Resort	464
<b>TOTAL PUERTO PLATA</b>	<b>464</b>
<b>GRAND TOTAL</b>	<b>8,648</b>

Source: National Hotels and Restaurant Association (ASONAHORES), 2008

## II. ROAD MAP FOR MARKET ENTRY

### A. ENTRY STRATEGY

**All-Inclusive Resorts:** The majority of all-inclusive resort facilities import through in-house central buying entities. In some cases, central buying entities are located in other countries, such as the United States, Mexico, and Spain. Some products are purchased from local importer/distributors especially when items need to be sourced immediately. Purchasing managers have had some flexibility to source products to control costs. They purchase from domestic producers and local importer/distributors as product quality, price, and necessity dictate. Products like meat, cheese, seafood, and wine are sourced through local importers who usually buy these products in the United States, Europe, or other countries. Other products such as vegetables, milk, coffee, vegetable oil, and cocktail mixes are usually sourced from local producers.

**Business Hotels/Restaurants:** Dominican business hotels and upscale restaurants source almost all of their food products from importer/distributors. To introduce new products, it is useful to approach the food and beverage managers at hotels and restaurant owners directly. If there is interest on the product, it will be turned over to an established supplier to source. We consider that the most efficient manner to enter this segment of the HRI market is through an established importer/distributor. It is also advisable that U.S. companies hire a local representative to promote the products to the major importer/distributors and the purchasing departments of major hotel chains.

**Fast Food:** Usually, fast food chains from the United States import their own products and ingredients through established franchise channels. Dominican fast food restaurant serve traditional foods, which are almost exclusively sourced domestically.

### B. MARKET STRUCTURE

There have been major changes in the food operations in resorts over the past five years. Around 80 percent of hotels in the country are now all-inclusive. Offering a relatively low all-inclusive price means that hotels must control food costs, while meeting their guests' expectations for quality and variety. Tour operators have sharply increased demands on hotels to improve the quality and safety of the foods they offer to the point of wielding influence over the type of supplier used. At times they require that specific firms be contracted to ensure that quality control practices are met. Local competition has also increased substantially, due to increases in domestic product quality. There is also a trend towards using semi-processed products to reduce costs.

Usually, intermediaries who handle products for this sector are specialized. As a result, there are suppliers that only handle specific products, such as meats, seafood, frozen vegetables, ice creams, fruit juices, and alcoholic beverages. However, there are also some suppliers who deal with a variety of these categories. Most of these intermediaries function as wholesale importers, who handle other types of products to sell to supermarkets and to the country's traditional mom n' pop stores. Also, some intermediaries belong to local processing businesses that round out their product line with other imported products. Furthermore, some local processors are trying to strengthen their distribution system, including imported products.

Local products are mostly handled through the same distribution channels as imported ones. Some local producers have approached distributors or intermediaries that are specialized in this market to try to introduce their products. However, some of the country's largest businesses prefer to sell directly to this sector, avoiding having to depend on intermediaries to introduce new products.

The main tourist beach resort areas in the country are indicated on the map below. Although the Dominican Republic is a small country, each tourist region is different. Bavaro-Punta Cana is currently the place where a large amount of resources are being invested. The hotels and tourist complex that are located in the area try to cater a high-class tourist that is able to stay more days in the area and spend more money than average. Even within the northern region of Puerto Plata there are differences from one place to another. Playa Dorada, which used to be the number one tourist destination in the region, is now introducing the boutique-hotel concept and is developing differently than Susua and Cabarete, which are only a few miles away. Cabarete is being promoted as a paradise for tourists who like extreme sports; therefore hotels promote themselves differently and pursue a different tourist than the one that is being targeted by the hotels in Punta Cana. Because of these differences in each region the food and beverages served, the sizes of the hotels, the rates and services offered will vary.





## C. SUB-SECTOR PROFILES

### 1. All-Inclusive Resorts

The resort/hotel sector is the largest market segment in this area. The Dominican Republic is receiving increasing worldwide recognition as a premier vacation destination, which has made it an attractive venue for fairs, conferences, conventions, and international events. These factors contribute to an increasing flow of business people to the country.

Name of Resort	Locations	Number of Hotels	Total Rooms
Barceló Hotels	Santo Domingo/ Juan Dolio/ Punta Cana/Bávaro, Barahona,	16	4,323
RIU	Punta Cana/Arena Gorda/ Bávaro/Puerto Plata	8	3,490
Occidental Hotels/Allegro	Santo Domingo/ Las Pascualas/Sosua / Las Terrenas/Punta Cana/ Bavaro/Puerto Plata/Samana	9	3,486
Iberostar	Arena Gorda/ Puerto Plata/ Bayahibe/Punta Cana / Bávaro	5	2,401
Bahia Principe	Samana/Las Terrenas	4	989
Fiesta Hotels	Santo Domingo/Bávaro	2	880
AMHSA HOTELS	Playa Dorada/Sosua/ Cabarete/Samana/ Las Terrenas/ Bávaro / Punta Cana/Juan Dolio	8	2,431

LTI	Punta Cana/Sosua/ Bávaro	3	1,680
Oasis (Former Coral by Hilton)	Bayahibe/Juan Dolio/ Boca Chica/Puerto Plata	4	2,002
Hotetur	Boca Chica/Puerto Plata	3	847
Princess Hotels	Punta Cana/ Bávaro	3	1,415
Sol Melia	Punta Cana/Bavaro/ Santo Domingo	3	1,789
Super Clubs	Sosua/Punta Cana/Bavaro	2	1,169
Premier Hotels Casa de Campo	La Romana	1	300

## 2. Business Hotels

Most of the hotels listed below are in the capital city, Santo Domingo. They are basically business hotels but are used by tourists interested in the Colonial City and other tourist attractions in Santo Domingo. Most are affiliated with international hotel chains.

The Hilton Santo Domingo, located at a prestigious location on the waterfront, was inaugurated in 2005. Malecon Center, where the hotel is located, is a landmark 194,000 square meter residential, commercial, and high-rise hotel complex has three 30-story towers and an ocean view terrace. The Malecón Center features five movie theatres, 175 store locations, office space, and restaurants. The Hilton operates a 22-floor, 228 room hotel in the complex, with gymnasium, casino, and meeting rooms with a capacity for 1,300 persons.

DOMINICAN BUSINESS HOTELS			
Name of Hotel	Locations	Number of Hotels	Total Rooms
Hilton	Santo Domingo	1	228
Renaissance Jaragua	Santo Domingo	1	293
V Centenario Intercontinental	Santo Domingo	1	
Melia Santo Domingo	Santo Domingo	1	245
Hotel Embajador	Santo Domingo	1	286
Hotel Santo Domingo	Santo Domingo	1	215
Hotel Hispaniola	Santo Domingo	1	165
Dominican Fiesta	Santo Domingo	1	331
Hotel Naco	Santo Domingo	1	106
Hotel Clarion (Plaza Naco)	Santo Domingo	1	213
Barcelo Gran Hotel Lina	Santo Domingo	1	217
Hotel Courtyard (Marriott)	Santo Domingo/Santiago	2	206
Hotel El Gran Almirante	Santiago	1	156

### 3. Restaurants

Santo Domingo has an extensive up-scale restaurant sector, which caters to the wealthier classes, businesses, and tourists. High taxes are hurting the sector. Some restaurants have closed or are not doing very well. However, some well-known traditional restaurants continue to be profitable because of their high reputation, good customer service, and food quality. The list below is only the main upscale restaurants in Santo Domingo. There are many others. All of them have international menus and individual specialties. Ethnic restaurants include German, Arabic, Argentine, Spanish, French, Italian, Mediterranean, Mexican, and Chinese.

Restaurants offer good opportunities for exporters from the United States. Since these restaurants do not function as chains and purchases are small, they source almost all products through importer/distributors. A few import some products directly. To meet the needs for international dishes, they import beef, fish and seafood, pasta, and pork products.

The lower purchasing power has led to the opening of small restaurants, independent cafeterias, cafeterias located inside businesses, and in supermarkets, which focus mainly on serving lunch for the working population. These establishments provide local food, sandwiches, and snacks at affordable prices.

DOMINICAN UPSCALE RESTAURANTS		
Name of Restaurant	Locations	Type of Cuisine
La Bricciola	Santo Domingo	International
David Crockett	Santo Domingo	Steak House
Fellini	Santo Domingo	Italian
Outback Steakhouse	Santo Domingo	Australian
Scherezade	Santo Domingo	Mediterranean
Taboo Bamboo	Santo Domingo	Asian
Bella Cristal	Santo Domingo	Cantonese
Juan Carlos	Santo Domingo	Spanish/French
Toscana	Santo Domingo	Italian
Tony Roma's	Santo Domingo	Steak House
Samurai	Santo Domingo	Japanese
Pepperoni	Santo Domingo	Pastas
Seasons	Santo Domingo	Creative Foods
Vesuvio I & II	Santo Domingo	Italian
Porterhouse	Santo Domingo	International
Rancho Steak House	Santo Domingo/Santiago	Steak House

#### 4. Fast Food

Foreign fast food chains, mostly from the United States, started in the Dominican Republic in 1994 and have been very well received by Dominicans. Over 48 of these establishments have been opened, mostly in Santo Domingo and Santiago. The entry of foreign fast food chains has spurred the development of local businesses, although they tend to specialize in local popular foods. Many of them import their own products, primarily in the case of hamburger, meat, poultry, potatoes, sauces, and ice cream. Fresh vegetables and bread are procured domestically.

FAST FOOD RESTAURANT PROFILES		
Name of Restaurant	Locations	Number of Outlets
Burger King	Santo Domingo, Santiago, San Francisco, La Vega, Puerto Plata, Boca Chica, La Romana, Punta Cana	27
Kentucky Fried Chicken	Santo Domingo	4
Domino's Pizza	Santo Domingo, Santiago	6
Pizza Hut	Santo Domingo, Santiago	6
Taco Bell	Santo Domingo, Santiago	8
McDonalds	Santo Domingo, Santiago	3
Wendy's	Santo Domingo	1
<b>Total</b>		<b>55</b>

#### 5. Institutions

Many large businesses have cafeterias in order to offer food to their employees. These are independently run. Some free trade zones and industrial parks have also begun to install cafeterias, with the objective of offering inexpensive food of an acceptable quality. These cafeterias are more oriented to serving traditional dishes, with over 90 percent of ingredients being produced domestically. In this category there is limited opportunity for U.S. exporters, except for basic items and condiments offered at cut-rate prices. The handling of food in prisons and public hospitals has not been privatized and most inputs are sourced domestically.

### III. COMPETITION

The level and types of competition faced depends on the sector of the food service industry. The DR-CAFTA free trade agreement places the United States in a better competitive position. However, the imminent Economic Cooperation Agreement of the Dominican Republic with the European Union and a possible agreement with Canada are some challenges the United States face.

**Resorts:** A number of resort chains have European ownership, cater to European tourist groups, and therefore, have a strong bias toward European products. However, the all-inclusive style requires that attractive food be served with a close eye on price. This does provide openings for many U.S. food and beverage products, because of competitive U.S. prices and lower transportation costs. Produce and fruit are generally sourced domestically,

as well as ingredients for bread and pastry products.

**Business Hotels/Restaurants:** Although there is a European bias in many up-scale restaurants, the United States has a strong presence. Wine has been especially difficult for U.S. suppliers, mainly because of the bias toward European wines for the perception of quality and from Chilean wines because of their lower price. However, the free trade agreement has lower duties on U.S. wines 20 percent to zero, which should increase interest in this sector.

#### IV. BEST PRODUCTS PROSPECTS

Dominican importers and consumers have shown high interests in the following products:

U.S. EXPORTS TO THE DOMINICAN REPUBLIC (THOUSAND OF DOLLARS)	
PRODUCT	2007
1. Dairy Products	25,807
2. Red Meats, Fresh/Chilled/Frozen	24,947
3. Fresh Fruit	14,542
4. Snack Foods	13,244
5. Poultry Meat	12,229
6. Processed Fruit and Vegetable	9,958
7. Breakfast Cereals and pancake mix	7,133
8. Fruit and Vegetable Juices	5,740
9. Wine and Beer	3,631
10. Low Carb and Light Foods	N/A

Source: FAS BICO Report

#### Products Not Present in Significant Quantities with Good Sales Potential

Usually, the Dominican Republic follows trends in the United States. Diet/healthy products, although not present in large quantities, are increasing in demand.

#### Products Not Present Because They Face Significant Barriers

The Free Trade Agreement DR-CAFTA has contributed to open the market for products that were facing significant barriers, such as beef and dairy products. Under the agreement, a percentage of those products is imported without paying any duty. In addition, after the allocation of the quota, for the products included in this regime, people may continue to import paying the established duty.

For more detailed information on those products, please refer to the DR-CAFTA text, which can be found at [http://www.ustr.gov/Trade\\_Agreements/Bilateral/CAFTA/Section\\_Index.html](http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/Section_Index.html) and also at [http://www.dga.gov.do/dgagov.net/uploads/file/Calendario\\_Desgravacion\\_DR-CAFTA.pdf](http://www.dga.gov.do/dgagov.net/uploads/file/Calendario_Desgravacion_DR-CAFTA.pdf)

The main import barrier faced in the market is the difficulty and arbitrariness in obtaining the non-objection certificates (import permits) for products such as meat, poultry, dairy, etc., (Please see Exporter Guide DR7020)

## **VI. KEY CONTACTS AND FURTHER INFORMATION**

If you have any questions or comments regarding this report or need assistance exporting to the Dominican Republic, please contact us at:

### **OFFICE OF AGRICULTURAL AFFAIRS**

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For more information on the on the HRI sector in the Dominican Republic, you can also contact ASONAHORES, which is the leading organization in the sector.

### **NATIONAL ASSOCIATION OF HOTELS AND RESTAURANTS, INC. (ASONAHORES)**

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