

Voluntary Report – Voluntary - Public Distribution

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Report Name: COVID-19 Impact on the Dominican Republic Agricultural Sector-May 2020

Country: Dominican Republic

Post: Santo Domingo

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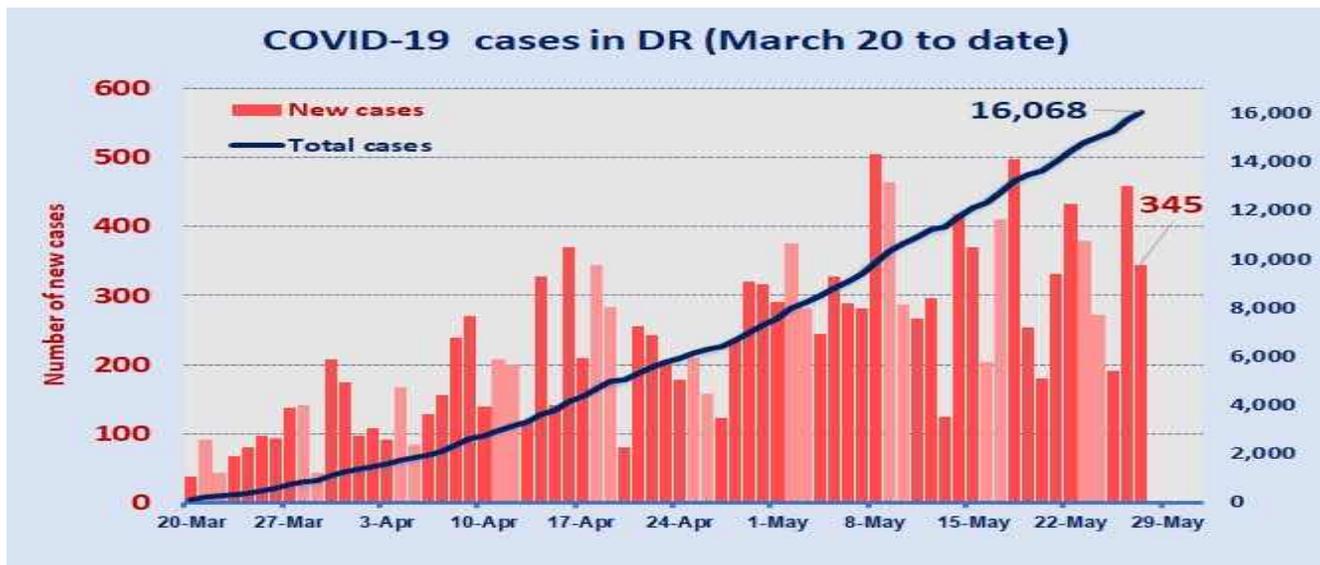
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Report Highlights:

On March 1, 2020, the Dominican Republic (DR) acknowledged its first case of COVID-19. As of May 28, the DR has 16,068 confirmed cases. The Dominican agricultural sector continues to operate under complicated circumstances, and in response, the Dominican government has implemented assistance programs to businesses and consumers to alleviate the situation. Dairy, poultry, and fruits and vegetables have been the most affected by lost markets, notably in the tourism sector, with reduced sales and lack of access to sales channels. U.S. imports continue to flow normally into the country and are expected to continue at least in the near term. Various sources indicate prices of food products have increased between 8-12 percent. On May 19, President Medina announced a four-phase plan for gradually re-opening the economy.

COVID-19 outbreak update

On March 1, 2020, the Dominican Republic (DR) acknowledged the first case of COVID-19, brought in by a man that traveled to the Dominican Republic from Italy. As of May 28, 2020, the Dominican Republic has a total of 16,068 confirmed cases of COVID-19, with 485 deaths and 8,952 recovered. Social distancing measures were implemented in the month of March, as well as other measures, including closure of airports, restaurants, shopping malls and all non-essential businesses. Supermarkets, wholesale markets and drug stores were exempt from the closure. In addition, a curfew from 5:00 p.m. to 6:00 a.m. was established for all citizens. Those measures were recently modified under a four phase de-escalation plan implemented by the Dominican government.



Source: CDC, U.S. Embassy Santo Domingo

Economic issues

- On May 19, President Danilo Medina announced a four-phase de-escalation of the health and economic measures taken in March against the COVID-19 pandemic. During the first phase (starting on May 20), the de-escalation included the partial opening of micro, small and medium enterprises and shorter hours for the previously imposed curfew, to 7:00 p.m. - 5:00 a.m. The second phase will start on June 1, during which, public and private collective transportation will re-open. The third phase will start on June 17, but details on these phase are yet to be announced by the Government. Airports, hotels and restaurants are expected to open during phase 4 of the plan, starting July 1.
- The Economic Commission for Latin America and the Caribbean (ECLAC) projects that, although the region will have an average decrease of 5.3 percent in GDP, by contrast, the DR will have a zero percent economic growth rate. ECLAC also forecasts that the Dominican unemployment rate will rise one percent, the extreme poverty level by 0.4 percent, the poverty level by 0.8 percent and the inequality level to 1.4 percent due to the effects of the pandemic.

Agricultural situation overview

- Similar to other countries in the world, the COVID-19 pandemic has had a significant impact on the Dominican agricultural sector. The decreased demand from the Hotel, Restaurant and Institutional (HRI) sector, coupled with logistical challenges to reach foreign markets, has created excess supply for several products. Some of the most affected sectors have been:
 - *Dairy products*: Slow or nonexistent demand for cheese from hotels, restaurants, cafeterias and other retail venues has driven more than 25 small and medium-sized cheese factories throughout the country to close. The demand for fresh milk is rapidly declining, creating a complicated situation for ranchers that have no market for their milk. Small and medium-sized cheese factories process around 50-55 percent of the milk produced in the DR.
 - *Poultry*: With zero demand from the tourism sector and reduced demand from the general population (due to the closure of small local outlets and reduced sales at the retail level), industry sources indicate that they are currently sitting on 11 million pounds of frozen poultry meat and nearly four million overweight chickens on farms. Although the government has started to purchase some of this excess production for distribution through its social welfare programs, local farmers continue to request government support.
 - *Fruits and vegetables*: Travel bans on flights to Europe have limited the “belly” air cargo regularly available for avocado, pineapple and vegetable exports. Exporters have access to some flights that are transshipping products through Colombia, but the cost is prohibitive. Shipping cargo is also limited. Producers of oriental and greenhouse vegetables are claiming that their products are “basically rotting on their farms.”
- The Minister of Agriculture announced that, even with the negative effects of the COVID-19 pandemic which began in mid-March, the agricultural sector experienced five percent growth in terms of GDP during the first quarter of 2020.
- The Minister of Agriculture announced that the DR will produce a record rice crop of 800,000 MT this year. The Minister did not elaborate on the reasons for this growth. However, Post estimates that rice production in the DR will be around 580-600,000 MT for the current year, due to drought conditions that will impact yields in the main production areas of the country. For more information, please consult our latest [Grain & Feed Report](#).
- In addition to the impact of COVID-19 on Dominican agriculture, the sector is also dealing with an ongoing drought that is expected to impact production. The Government recently announced the re-activation of the Dominican Commission Against the Drought and will implement actions to mitigate the drought’s effects. Under the Commission’s actions, the Ministry of Agriculture announced a work plan in the northeast region and San Juan that includes delivering 10,000 packs of corn forage for cattle producers, 2,000 packets of feed for goats and sheep producers in San Juan, and weekly delivery of water via trucks.

Market conditions

- Several sources are reporting price increases between 8-12 percent in food products in the last few weeks. These increases are largely explained by the increase in the dollar exchange rate, which has risen from US\$1=RD\$54 at the start of the pandemic in March, to US\$1=RD\$58 as of March 25.
- Supply of domestic and imported agricultural products have remained stable in local wholesale and retail markets.
- Retail chains are utilizing social distancing measures and have shorter operating hours to comply with the ongoing curfew. Because of the efforts to limit the number of clients inside the stores, long lines are witnessed outside the stores, where most customers tend to group together and not practice social distancing. The retail sector has actively tried to address the situation by implementing “online” shopping services, a new service in the market with both delivery and take-out options. However, demand significantly exceeds capacity and wait times can be several weeks for a timeslot. Some chefs are working as caterers in order to continue their businesses.
- Importers of food and agricultural products are reporting that imports are flowing normally through the logistical channels. The Ministry of Agriculture is implementing social distancing protocols for their plant and animal health inspectors, but these protocols have not affected the processing time for products coming in.
- The current president of the Dominican Tourism Operators Association stated that the DR will not be able to receive foreign tourists immediately after the risk has passed. He is recommending that a unified local tourism strategy be developed in order to stimulate a faster recovery. This may include reduced-price packages to encourage Dominican families to plan their future vacations at the various local attractions throughout the country.

Government policies

- In response to complaints from local agricultural producers, on April 15, Minister of the Presidency Gustavo Montalvo announced a commercial assistance plan for sensitive agricultural products such as poultry, cheese and vegetables (particularly greenhouse vegetables). He also announced a mid-term plan to further strengthen food security in the country. The commercial assistance plan includes:
 - The Government purchased 1,600 chickens of an average of 3.4 pounds that were in cold storage. The Government will continue to purchase chicken meat in tranches until production and demand equalize.
 - The Government is also purchasing greenhouse vegetables from the San Jose de Ocoa and Rancho Arriba districts through its social programs, implemented by the National Institute for Price Stabilization (INESPRE) and the Ministry of Agriculture and distributed to consumers.
 - On the dairy side, Grupo Rica and other large processors have offered to buy larger volumes of milk, but only if grade A standards are met. The Government will purchase 200,000 pounds of cheese through INESPRES. Additionally, the Government also

announced an agreement with the Dominican Association of Dairy Products Producers (APROLAD) to purchase 260,000 pounds of cheese and distribute to consumers through social programs.

- Additionally, during the month of May, the Dominican Government announced that the Agricultural Bank (BAGRICOLA) will renegotiate and restructure the loans of all affected bank customers, according to the customers' capacity and guarantees, providing up to 12 additional years to finance their payments.
- The Dominican Government also announced new measures to support fruit and vegetable producers from the effects of the COVID-19 pandemic. Starting the week of May 5, the state-owned wholesale market, Merca Santo Domingo, started receiving 50,000 pounds of greenhouse and open field tomatoes every day. It is also receiving 10 trucks of lettuce, cabbage and beets from producer organizations from Constanza, Jarabacoa, La Vega, Rancho Arriva, San Jose de Ocoa and other locations. The Government will also continue to improve the Free Land Preparation program for those producers, by providing additional support of seeds and fertilizers. Additionally, the Government announced their support for strawberry producers, covering their refrigeration or freezing expenses, according to their individual needs.

Attachments:

No Attachments.