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Report Name: Food Service - Hotel Restaurant Institutional

Country: Dominican Republic

Post: Santo Domingo

Report Category: Food Service - Hotel Restaurant Institutional

Prepared By: LISA AHRAMJIAN; MAYRA CARVAJAL

Approved By: ELIZABETH AUTRY

Report Highlights:

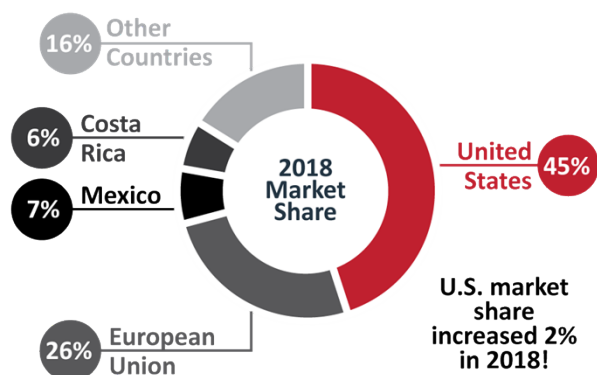
With U.S. consumer-oriented product exports reaching a record \$569 million in 2018, the Dominican Republic represents the fifth-largest market for such products in Latin America. Driven by a dynamic tourism industry, an increasing gastronomy focus, and solid domestic consumer demand, excellent opportunities exist for U.S. exports to the Dominican Republic's food service sector. Following wide-reaching negative media coverage involving U.S. tourists in the DR, tourist bookings and food and beverage purchases at resorts are down 30 percent. However, growth in the hotel and restaurant sector in Santo Domingo and other urban areas has compensated for these losses. Leading U.S. products for distribution in hotels and restaurants include premium red meat cuts, pork, poultry parts, seafood, cheeses, frozen potatoes and vegetables, fresh fruit, wine, and craft beer. A strong preference for U.S. products exists in the sector, which incentivizes promotions under the SaborUSA branding.

Market Fact Sheet: Dominican Republic

Executive Summary

The Dominican Republic (DR) is an upper middle-income country with low and stable inflation. It is the second-largest economy in the Caribbean, just behind Cuba, and the third-largest country in terms of population (behind Cuba and Haiti). In 2018, the DR's GDP reached approximately \$80 billion, a 7.0 percent increase from 2017. The DR's major export growth has shifted away from its traditional products (raw sugar, tobacco, green coffee, and cacao) to gold, Ferro-nickel, sugar derivatives, free-trade zone products, vegetables, and other agricultural products. Major imports include consumer-oriented products and livestock feed, with the United States as a primary partner.

Imports of Consumer-Oriented Products



Food Processing Industry

The DR's food processing industry was valued at \$2.2 billion as of September 2018 (\$2.8 billion in CY 2017) in activities categorized as "food industry," with an additional \$605 million for processed beverages and other products during the same period (\$794 million in CY 2017). The United States has a strong history of supplying meat, edible meat offal, and animal and vegetable fats for the Dominican meat processing industry; this is expected to continue. There is potential for increased exports of U.S. ingredients for the milling, dairy, and confectionary industries, especially since CAFTA-DR will be fully implemented by 2025.

Food Retail Industry

The Dominican modern retail sector offers a wide variety of U.S. products, is dominated by locally owned companies, and is growing rapidly. However, despite the prominence and growth of local supermarket chains, they only account for 20-25 percent of retail sales. The majority of sales are

still in the traditional channel, which includes neighborhood stores (colmados) and warehouses, which offers largely local products.

Quick Facts CY 2018

List of Top 10 Growth Products

- | | |
|------------------|-----------------------|
| 1) Cheese | 6) Meat (Beef) |
| 2) Wine | 7) Flour |
| 3) Craft Beer | 8) Baking Ingredients |
| 4) Pork | 9) Spices |
| 5) Chicken Parts | 10) Candies |

Consumer-Oriented Trade (\$billions) 2018

DR Imports (all sources)	1.25
DR Imports (from U.S.)	0.57
DR Exports (all dest.)	0.49
DR Exports (to U.S.)	0.32

Top 10 DR Retailers

- | | |
|--------------------------|----------------|
| 1) La Sirena | 6) Mercatodo |
| 2) Pola Supermarkets | 7) Plaza Lama |
| 3) Jumbo | 8) Pricesmart |
| 4) Nacional Supermarkets | 9) Carrefour |
| 5) Bravo | 10) Superfresh |

GDP/Population

Population: 10.6 million
 GDP: 80.0 billion USD
 GDP per capita: 7.55 USD

Sources: GATS; ONE DR (2016); World Bank, DR Central Bank

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products	Higher cost of some U.S. products compared to competitors
Proximity to the United States and strong demand for U.S. products	Import sensitivity of several products
Opportunities	Threats
Additional trade liberalization through the full implementation of CAFTA-DR by 2025	Limited cold chain capacity
Growth potential for U.S. consumer-oriented products, livestock feed, and ingredients for the food processing industry	Competition from other CAFTA-DR signees and the DR's other free trade agreement partners

Contact: OAA Santo Domingo
agsantodomingo@fas.usda.gov +1 809-368-7654

Section I. Market Summary

In the Dominican Republic (DR), the hotel, restaurant, and institutional (HRI) sector experienced a cumulative growth of 4.1 percent from January to June 2019. As reported in the Central Bank’s Economy Preliminary Data Report, the sector achieved these gains despite wide-reaching negative media coverage involving U.S. tourists in the DR. Industry sources indicate that, as a result of this negative media coverage, tourist bookings and food and beverage purchases at resorts are down approximately 30 percent. This is expected to continue throughout the hurricane season (June 1 to November 30), but several industry sources are optimistic that tourism rates will rebound during the holiday season. However, growth in the hotel and restaurant sector in Santo Domingo and other urban areas reportedly compensated for the tourism-based losses. Nevertheless, tourism continues to be very important to the DR’s economy and a key driver of trends and demand in the food service sector.

According to the World Travel & Tourism Council, the DR’s travel and tourism contributed 5.4 percent to the DR’s total GDP in 2017, and forecasted an increase of 4.4 percent in 2018. The average tourist spends approximately \$136.5 per day. A record 6.6 million tourists arrived in the DR in 2018, representing a 6.2 percent increase. Approximately 34 percent of tourists were from the United States and nearly 54 percent (3.6 million) of visitors arrived through the Punta Cana Airport, the most important tourism area of the DR. Most of the hotels located in Punta Cana, Puerto Plata, and La Romana operate under the “all inclusive” business model, serving nearly 3 million foreigners every year.

In addition to demand from the tourist sector, the DR’s solid economic growth is increasing consumer purchasing power, which is fueling its growing gastronomy sector. Increased local demand fuels continuous growth, innovation, and creativity among leading independent and franchise restaurants. This growth in turn leads to continued expansion and interest in premium red meat cuts, pork, poultry parts, seafood, cheeses, frozen potatoes and vegetables, fresh fruit, wine, and craft beer.

ADVANTAGES AND CHALLENGES

Advantages	Challenges
<ul style="list-style-type: none">• The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products• A large and growing tourist population, which demands high value food products• An increasingly modern HRI sector, which seeks new, high quality products• A growing number of consumers demanding higher quality and healthier products• Proximity between the countries and strong commercial and cultural ties• Efficient food distribution channels	<ul style="list-style-type: none">• Competition from other CAFTA-DR signees and the DR’s other free trade agreement partners• Spanish language labeling requirements• Delays for import permits and sanitary registration, which can affect the availability of imported products• Cold chain limitations• 18 percent VAT and high logistical costs• Corruption and lack of transparency• Decrease in tourist arrivals and food purchases following negative media coverage

Section II. Road Map for Market Entry

A. Key Factors for Market Access

The first step to importing new food products into the Dominican Republic is product registration. Importers register new food products with the Ministry of Public Health. The Ministry issues a certificate to the importer or the local legal representative with a Sanitary Registration Number, which must be printed on the label of the product or as an additional sticker. For more information, please refer to Post’s 2018 Food and Agriculture Import Regulations and Standards (FAIRS) report, <https://www.fas.usda.gov/data/dominican-republic-fairs-country-report-1>, and the Exporter Guide, <https://www.fas.usda.gov/data/dominican-republic-exporter-guide-3>.

Note: The DR Customs Authority’s electronic system, One Stop Shop of External Trade (or VUCE in Spanish), is currently being used for approximately 80 percent of agricultural commodities. The system increases transparency for traders, who are able to view the status of their approvals and reasons for any rejections.

B. Marketing Channels

In the DR, most food service importers prefer to purchase directly from U.S. manufacturers. However, for smaller volumes, and to capitalize on logistical and transportation advantages, many importers purchase consolidated shipments from distribution centers in Miami or other east coast locations. For meat, buyers also frequently purchase combined product shipments, including mixing meat and seafood products in the same container. Local providers, working as distributors, can also be found in the meat and seafood supply chains. They usually focus on a smaller number of end users (hotels and restaurants) and buy from the larger importers.

Typical Distribution Channel:



Fruit, especially apples and pears, have a simpler distribution channel, with a few major importers directly supplying outlets:



Some of the best opportunities for U.S. products are with the large hotels (including U.S. franchises such as Hard Rock Café, JW Marriott, Hilton, and Holiday Inn) and the all-inclusive resorts in the eastern DR. However, these resorts are highly price-sensitive. Similarly, hundreds of restaurants include U.S. imported products in their menus, creating additional opportunities for U.S. agricultural products. Post has put together a list of these potential clients that can be provided upon request.

Local products predominantly supply the institutional portion of the HRI sector. Nevertheless, catering is a growing niche that is creating additional opportunities for U.S. products. In addition, U.S. products are increasingly being purchased to supply school feeding programs.

C. Market Composition

There are nearly 2,000 hotel, restaurant, or cafeteria establishments in the DR. Cafeterias and restaurants represent about 88 percent of this total, although they do not account for the same percentage of total business volume. Restaurants focus more on new foods and promotions, while hotels are more interested in sales volume. As a result, hotels have higher sales volumes than independent restaurants.

There are approximately 21 fast food restaurant chains, with an estimated 129 outlets in the DR. Most of them are U.S. franchises. There are also approximately 333 medium and large restaurants in the country, with 167 of them located in Santo Domingo (of which 50 are considered high-end restaurants), 61 in Santiago, 60 in Bávaro, 23 in La Romana, and 22 in Puerto Plata. The most important U.S. products for these outlets include meat cuts, seafood, cheese, fruits, and frozen potatoes. In addition, some of the key retail establishments distribute wines, craft beer, and other products to these restaurants.

Section III. Competition

The United States has the largest market share in consumer-oriented products, representing 45 percent in 2018 (2 percent increase from previous period). The European Union is our largest competitor, with a 26 percent market share in this category. Major product categories are described further below:

Beef: The United States exported \$58.5 million (5.5 percent increase from 2017) of beef and beef products to the DR in 2018, representing a 99 percent market share. The United States benefits from its geographic advantage and product quality, as well as the DR's preference for Certified Angus Beef in both food service and retail establishments. The DR's recent introduction of domestic Brangus cattle provides limited competition.

Cheese: In 2018, the United States exported \$31 million in cheese and curds to the DR, with a 43 percent market share (and 2 percent increase from the previous year). The dominant competitor is the European Union (especially the Netherlands), with a 56 percent market share. Both U.S. and European suppliers benefit from product quality and meeting tourist expectations of familiar products. While all cheese imports face several policy-related barriers in the DR, the local market does not produce comparable products due to quality and sanitary factors and a limited number of cheese types.

Wine and beer: The DR's young wine market holds a lot of potential for the U.S. wine industry. In 2018, the United States exported \$12.8 million of wine to the DR, which represented a quarter of Dominican wine imports. The dominant competitor is still the European Union (especially Spain), which accounts for nearly 70 percent of total wine imports. The DR's demand for U.S. craft beer continues to increase, with exports increasing 20 percent to reach \$10 million in 2018. In addition, the growing local craft beer industry sources U.S. grain and hops.

Potatoes: In 2018, for fresh and chilled potatoes, U.S. exports were valued at \$4 million in 2018, representing a 65 percent market share. Competitors include Canada (23 percent) and the European Union (12 percent). However, there is a high level of protection to local producers. The best opportunities in this category are for U.S. baby and/or multi-colored potatoes that are not produced locally and are increasingly popular in the DR's food service.

Apples: In 2018, the United States exported \$20.7 million in fresh apples to the DR, representing more than 93 percent market share. The United States' quality and geographical position is a major advantage, with Chile

entering the market counter-seasonally. Given the tropical climate, local production is not competitive, and the DR is dependent on imports.

SECTION IV. Best Product Prospects

Leading U.S. products for distribution in hotels and restaurants include premium red meat cuts, pork, poultry parts, seafood, cheeses, frozen potatoes and vegetables, fresh fruit, wine, and craft beer. U.S. beef (including specialty meat cuts) is growing in popularity at high-end restaurants, especially in Santo Domingo. While the DR has substantial domestic poultry and pork sectors, the growing food service sector creates additional demand for specific cuts. The DR's food service sector is largely dependent on imported seafood products, which creates opportunities for U.S. lobster, salmon, shrimp, crabmeat and other seafood products in this price-sensitive market. Cheeses, whether served individually or as ingredients (especially cheddar, mozzarella, and provolone), are widely used in the food service sector. In addition, frozen potato products continue to be very popular. While fruits were previously available on a seasonal basis, pears, grapes, and several varieties of apples are now present throughout the year, which creates additional opportunities. There is currently interest in other deciduous fruits, such as nectarines, peaches and apricots, to enter the market. U.S. wines, mainly from California, are gaining market share despite fierce competition from the European Union. There is also increasing demand for U.S. craft beer, especially among young Dominican consumers. U.S. turkey has high potential during peak holiday periods, especially from November to December, but sliced turkey is increasingly popular for sandwiches. Duck can be found on occasion as a specialty product in some upscale restaurants, hotels, and resorts throughout the year.

SECTION V. Post Contact and Further Information

Foreign Agricultural Service (FAS/ USDA)*

United States Embassy in the Dominican Republic

Ave. República de Colombia # 57, Santo Domingo, Dominican Republic

Telephone: 809-368-7654; 7770

E-mail: agSantoDomingo@fas.usda.gov

Web page: www.fas.usda.gov

**Please contact this office for more detailed information about the Dominican food service sector, major players, and any other related questions.*

ASONAHORES (National Hotel & Restaurant Association)

C/Presidente González esq. Av. Tiradentes 8vo. piso, Edif. La Cumbre, Naco

Santo Domingo, Dominican Republic

Telephone: 809-368-4676

Contact: Ms. Sheyly Viuque, Marketing Director

E-mail: mercadeo@asonahores.com

Web site: www.asonahores.com

CDCT (Dominican Consortium for Touristic Competitiveness)

C/ Porfirio Herrera # 23, Piazza Dei Fiori, Ens. Piantini

Santo Domingo, Dominican Republic

Telephone: 809-872-0001

E-mail: info@turismocdct.org

World Travel and Tourism Council

Economic Impact 2018 for The Dominican Republic

Contact: Mr. Rochelle Turner, Research Director

E-mail: Rochelle.turner@wttc.org

Web site: www.wttc.org

Attachments:

No Attachments