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Report Highlights:

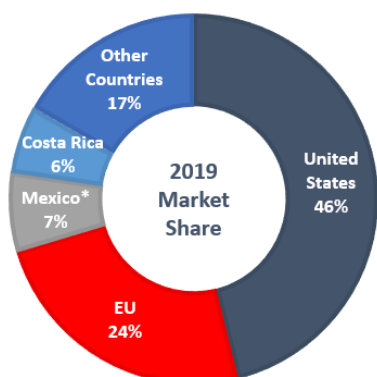
Following the new reality of the COVID-19 pandemic, the Dominican tourism sector's revenue as a whole decreased by 87.4 percent, as reported by local authorities. Prior to the pandemic and following CAFTA-DR, there was positive growth in the hotel and restaurant sectors in Santo Domingo and other urban areas. Based on this previous growth rate and the recent government incentives to promote tourism, including free health coverage for all tourists arriving in the country, industry leaders are hopeful of a full recovery of the sector in the coming 12-18 months.

Market Fact Sheet: Dominican Republic

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 2019, the DR's GDP reached approximately US\$89 billion, a 5.1 percent increase from 2018. However, due to the pandemic and subsequent measures implemented, the Central Bank reported the first quarter of 2020 had a growth rate of 0 percent.

The DR's major export growth has shifted away from its traditional products (raw sugar, green coffee, and cacao) to gold, Ferronickel, 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



*Estimated.

Source: TDM and GATS.

Food Processing Industry

The DR's food processing industry was valued at US\$8.8 billion during CY 2019, in activities categorized as "food industry," with an additional US\$2.8 billion for processed beverages and other products. According to the Central Bank, regardless of the COVID-19 situation, the food processing sector has maintained similar production levels comparing the first six months in 2019 and 2020. 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. Stores are predominately locally owned companies, and the sector is growing rapidly. Despite the growth of modern supermarkets, 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 offer largely local products.

Quick Facts CY 2019

List of Top 10 Growth Products

- | | |
|------------------|------------------------|
| 1) Cheese | 6) Meat (Beef) |
| 2) Wine | 7) Seafood |
| 3) Beer | 8) Snack foods |
| 4) Pork | 9) Frozen potatoes/veg |
| 5) Chicken parts | 10) Fresh fruit |

Consumer-Oriented Trade (U.S. billion) 2019

DR Imports (all sources)	\$1.31
DR Imports (from U.S.)	\$0.60
DR Exports (all destinations)	\$0.69
DR Exports (to U.S.)	\$0.41

Top 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: US\$89.0 billion
GDP per capita: US\$8.30

Source: TDM; ONE; World Bank, Central Bank of the DR

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
An increasingly modern HRI sector, which seeks new, high quality and healthier products	Competition from other CAFTA-DR signees and the DR's other three trade agreement partners.
Growth potential for U.S. consumer-oriented products, livestock feed, and ingredients for the food processing industry.	Limited cold chain capacity.

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SECTION I. MARKET SUMMARY

In the Dominican Republic (DR), the hotel, restaurant, and institutional sector (HRI) experienced an average growth of five percent for the months of January and February 2020, similar to the previous year. As reported in the Central Bank's *Preliminary Data Report on the Economy*, the hotel and restaurant sector grew until March 2020, then decreased by 9.4 percent, due to the COVID-19 global economic impact and the resulting government's prevention measures. The first quarter report highlighted that the Dominican government's decision to close all borders, air, sea and land, on March 19, hit the sector at unprecedented levels, leading to a suspension of all lodging services and most food service activities. At present, food service is partially operating with delivery and take-out options, while the hotel sector is running below 20 percent of normal occupancy levels according to industry leaders.

Nevertheless, tourism will continue to be very important to the DR's economy, and a key driver of trends and demand in the food service sector. The average tourist spends approximately US\$136.5 per day with 5.36 million tourists in the DR in 2019 (20 percent less than 2018, after negative media coverage involving U.S. tourists). It is important to note that approximately one third of those tourists come from the United States and nearly half of those visitors entered 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 the normal demand from the tourist sector, the DR's previous economic growth fueled consumer purchasing power, and led to a growing gastronomy sector. As well, increased local demand fueled continuous growth, innovation, and creativity among leading independent and franchise restaurants. This growth in turn has led 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 historically large 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 DR and United States, 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• Decrease in tourist arrivals and food services after COVID-19 global impact

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Market Entry Strategy

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 Sanitation 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 2019 Food and Agriculture Import Regulations and Standards (FAIRS) report, [FAS/Santo Domingo's 2019 Food and Agriculture Import Regulations and Standards \(FAIRS\) narrative report](#) and the Exporter Guide, [FAS/Santo Domingo's 2019 Exporter Guide](#)

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 commodity imports. The system increases transparency for traders, who are able to view the status of their approvals and reasons for any rejections. Post can assist with guidance and connecting with the proper authorities when necessary.

After preliminary research to determine if this market has potential for your specific product, FAS can aid in connecting with distributors and importers, or providing commercial advice if needed. In addition, many U.S. agriculture-related trade associations have in-country representatives to promote their products in the DR and can assist with information on market trends and opportunities. Finally, it is recommended to conduct either an in-country visit, participate in a trade mission coming from the United States, or attend a trade show, such as the National Restaurant Association Show, which invites Dominican buyers to connect with new products for the industry and learn about the most recent trends.

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.

Fruit Distribution Channel:



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

Due to the COVID-19 impact in the HRI sector, some hotel chains and restaurants closed temporarily or are joining with other operations to consolidate their services. As of yet, there are no official numbers from ASONAHORES, the association for hotels and tourism in the Dominican Republic, on the current number of open and operational restaurants and hotels due to the COVID-19 pandemic.

Previously, there were nearly 2,000 hotel, restaurant, or cafeteria open establishments in the DR. Cafeterias and restaurants represented 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, while only consisting of 12 percent in terms of the number of establishments, hotels have higher sales volumes than independent restaurants.

There are approximately 21 fast food restaurant chains registered, 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 AND MARKET SHARE

The United States has had the largest market share in consumer-oriented products, representing 46 percent in 2019 (three percent increase over the previous year). The European Union is the largest competitor, with an approximate 25 percent market share in this category. Major product categories are described further below:

Beef: The United States exported US\$65 million of beef and beef products to the DR, representing 96 percent market share in 2019. Due to the pandemic and subsequent closures in the hotel and restaurant

sector, in the first six months of 2020 U.S. beef sales decreased 47 percent compared to same period in 2019 from US\$42.5 in 2019 to US\$22.4 million in 2020.

The United States normally 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 introduced domestic Brangus cattle into the market, but it has offered limited competition in the last two years.

Cheese: In 2019, the United States exported \$37 million in cheese and curds to the DR, showing a very important 19 percent increase from the previous year. The dominant competitor is the EU (specifically the Netherlands), with an average 45 percent market share; however, the United States is a close competitor with nearly 42 percent share in this category. Both U.S. and European suppliers benefit from product quality and meeting tourists' demand for 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. Cheese imports from the United States have not been affected by pandemic and remained steady at US\$21.6 million for the first six months of both 2019 and 2020.

Wine and beer: The DR wine market holds a lot of potential for the U.S. wine industry. In 2019, the United States exported US\$15.8 million of wine to the DR, almost 20 percent higher than the previous year. The dominant competitor is still the European Union (specifically Spain), which has nearly a 70 percent share of total wine imports. The DR's demand for U.S. craft beer is important, considering the exports matched the previous year with US\$10 million sales. In addition, the growing local craft beer industry sources U.S. grain and hops for production. Nevertheless, the COVID-19 situation has challenged U.S. exports in this category, as sales reported in the first six months in 2020 dropped 20 percent compared to the same period in 2019 (US\$10.7 vs US\$13.5 million).

Potatoes: In 2019, for fresh and chilled potatoes, the U.S. exports were valued at US\$4.8 million, around 67 percent of the market share. Competitors include Canada at over 20 percent and the European Union with approximately 12 percent. Still a good opportunity in this category are U.S. baby and/or multi-colored potatoes that are not produced locally and were well received in the DR's food service sector last year.

U.S. industry reports expectations of low exports in the near future due to the COVID-19 impact on hotels and restaurants. The decrease in exports during the first six months of 2020 was approximately 54 percent from the sales reported in 2019 for the same period.

Apples: In 2019, the United States exported US\$23.6 million in fresh apples to the DR, a 13 percent increase from the previous year, representing over 95 percent market share. 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. A situation which is reflected in stable U.S. sales during the first six months of 2020 at US\$9.3 million, compared to US\$9.6 million for the same period in 2019.

SECTION IV. BEST PRODUCTS PROSPECTS CATEGORIES

2.1. Products Present in the Market which have Good Sales Potential

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 always present throughout the year, which creates additional opportunities. There is now interest for other deciduous fruits, such as nectarines, peaches, and apricots, to enter the market. U.S. wines, mainly from California, are still a number one product in the market, despite historical competition from the European Union. There is also a 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 brunch sandwiches anytime of the year.

2.2. Top Consumer-Oriented Products Imported from the United States

January – December Exports United States to DR 2019	
Product	Value (USD, 1000's)
Consumer Oriented Agricultural Total	\$604,162
Dairy Products	89,577
Pork & Pork Products	77,293
Food Preps. & Misc. Bev	76,517
Poultry Meat & Prods. (ex. eggs)	76,389
Beef & Beef Products	65,411
Fresh Fruit	36,412
Fruit & Vegetable Juices	29,840
Wine & Beer	27,510
Processed Vegetables	21,683
Condiments & Sauces	19,883
Chocolate & Cocoa Products	13,598
Fresh Vegetables	12,597
Non-Alcoholic Bev. (ex. juices, coffee, tea)	10,914
Tree Nuts	10,256
Processed Fruit	9,891
Snack Foods NESOI	8,005
Meat Products NESOI	6,439
Dog & Cat Food	3,779
Nursery Products & Cut Flowers	2,372
Eggs & Products	2,154
Spices	1,660
Tea	1,264

Data Source: U.S. Census Bureau Trade Data

2.3. Products Not Present in Significant Quantities but which have Good Sales Potential

Some poultry and egg category products might find a good opportunity in the Dominican market as well. For instance, duck can be found on occasion as a specialty product in some upscale restaurants, hotels, and resorts throughout the year, and more recently, an increased search for liquid and powdered eggs are among the top ingredients sought by local bakeries.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Foreign Agricultural Service (FAS/ USDA)

United States Embassy in the Dominican Republic
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Please do not hesitate to contact this office for more detailed information about the Dominican food service sector, importers' lists, or any other related questions.

ASONAHORES (National Hotel & Tourism Association)

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AGH (Gastronomy and Hostel National Association) (Created in 2020)

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CDCT (Dominican Consortium for Touristic Competitiveness)

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Attachments:

No Attachments