

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Dominican Republic

### Food Processing Ingredients

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**Report Highlights:**

The processed Food Industry (PFI) had a challenging year in 2009 due to increased costs associated with higher prices for international commodities. Higher costs had to be passed on to the consumer at the retail level. As a result, both volume and value performance in 2009 and 2010 were slightly constrained as consumers chose to be more cautious in terms of their current spending habits. Producers have been using their creativity to increase interest and sales of their products. Based on a health and wellness trend in consumers' tastes and habits, some producers started to introduce more "healthy" options in their portfolios, such as fat free, lactose free, sugar- free, probiotic and whole wheat variants.

The Dominican Republic (DR) is the largest democratic country in the Caribbean, with a population of 9.6 million (World Factbook). Per capita income was estimated at US\$4,975 (EIU) in 2009 with half the population less than 25 years old. GDP growth was 8.5% 2007, 5.3% in 2008, 3.5% in 2009.

The Dominican Republic is a food deficit country and despite trade liberalization, local production is protected with non-tariff barriers such as import permits and domestic price quotas for products such as dairy and meat products, beans, rice, sugar, chicken and pork. The protected products are usually priced significantly higher than in the world market, leading to non-competitiveness in the dairy, bean, and rice sectors as examples. The DR-CAFTA agreement allows a tariff rate quota (TRQ) regime for the currently protected products for a period of five to twenty years.

Producers have noticed a health and wellness trend in consumers taste and habits, and some of them have started to introduce more “healthy” options in their portfolios such as fat free, lactose free, sugar- free, probiotic and whole wheat variants.

No official data is available, but it is estimated that the food-processing sector has a three percent share of the GDP. The sectors that reported the highest growth in 2009 were dairy (4.7%), meat (4%), edible oils (10.5%).

Imports of raw materials for the food processing industry were estimated at approximately US\$500 million in 2009; the United States supplies over 50% of raw material imports to the Dominican Republic.

Some of the advantages and challenges confronting products from the United States in the food processing market in the Dominican Republic are the following:

Advantages	Challenges
DR-CAFTA agreement offers preferential tariffs for a long list of U.S products. Most non dairy and animal protein ingredients enter with no or low duties,	Some of the high volume ingredients will have to pay significant duties for 15 or 20 years and are subject to tariff rate quotas, <b>such as</b>
Food processors in the DR generally see U.S. suppliers as a reliable source, in terms of volume, standards and quality.	<b>Globalization</b> has increased competition from other regions, such as South America and Europe.
A continued rural-urban migration, and increase females working outside the home, children attending school is increasing the demand for processed food.	Low consumer purchasing power. Workers unfamiliar with quality and food safety.
The D.R has a viable and relatively untapped food processing sector.	Electricity instability and frequent rotation of personnel in storage facilities increases problems with cold chain management.

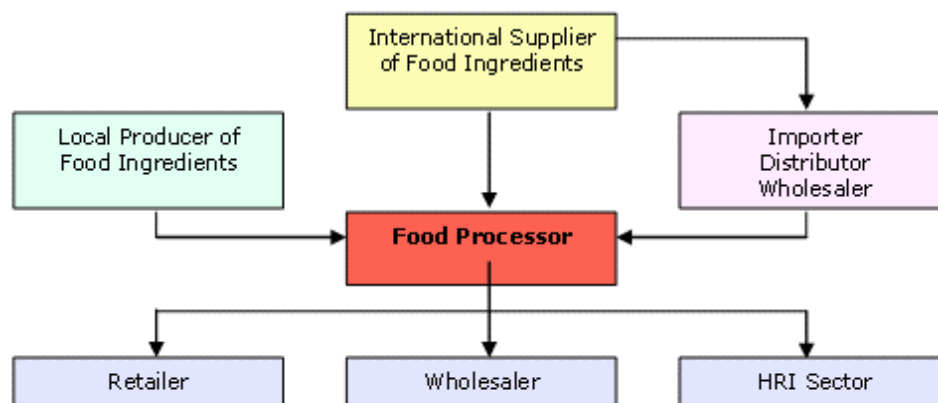
## SECTION II. ROAD MAP FOR MARKET ENTRY

### II.a Entry Strategy

The best way to successfully enter this market is to visit importers and local processors, since most of them are also importers. Many processors buy at least some of their ingredients from local importers who are not processors.

It is recommended that U.S. companies know their representatives, importers, agents, or distributors well before reaching a permanent legal agreement. They should know the market and key contacts. They also need to be familiar with local laws and business practices. We recommend that you read the Exporter Guide for the Dominican Republic for more details on exporting to the D.R. **LINK**. The Agricultural Affairs Office in Santo Domingo has updated listings of potential importers, and can provide this information to suppliers wishing to explore opportunities in the Dominican Republic.

### *Main Distribution Channel*



Some processors are vertically integrating their operations by either producing or contracting local producers to source their ingredients. In some cases, they have agreements with producers or producer associations. By these agreements, processors, in addition to buying the products, may provide financing and technical assistance to their contractors, for example, Frito Lay contracts with local producers and works with the farmers to ensure they can meet their specifications. Frito Lay also buys chipping potatoes from the U.S. because not enough product is available locally.

After the implementation of CAFTA-DR, many processors started taking advantage of the Tariff Rate Quotas System and started bringing limited quantities of products from the U.S., which before the agreement had high duties. Since 2007, when the agreement entered into force, we have seen a 25% increase in the quantity of exports of U.S Fish Forestry and Agricultural products to the Dominican Republic.

Food processors sell their products to supermarket chains and wholesalers, who then sell to Mom and Pop stores known as "colmados" and to small supermarkets. The largest processors have direct distribution systems and strive to be as close as possible to the end consumer.

### **II.c Company/Sub-Sector Profiles**

The following table lists some of the largest food processors in the Dominican Republic. It includes information about the kinds of products they process, the final use of their products and the channels that they use to buy imported ingredients.

<i>PROFILES OF MAJOR FOOD PROCESSING COMPANIES</i>		
<b>Company Names (Product Types)</b>	<b>End-Use Channels</b>	<b>Procurement Channels</b>
INDUVECA (meat products)	Retail and HRI	Direct
Sigma Alimentos - Procesadora de Carnes Checo and Productos Sosua (meat and Dairy products)	Retail and HRI	Importers, Direct
Productos Chef (meat products)	Retail and HRI	Direct
Agrocarnes (meat products)	Retail and HRI	Direct, Importers
Pasteurizadora Rica (dairy products and juices)	Retail and HRI	Direct
Parmalat Dominicana (dairy products and juices)	Retail and HRI	Direct
Nestle Dominicana (dairy products, )	Retail and HRI	Direct
Bon Agroindustrial (fruit juice, marmalades)	Retail and HRI	Direct
Molinos del Ozama (wheat flour, pasta, crackers and cookies)	Bakeries and Retail, HRI	Broker, Direct
Molinos Valle del Cibao (wheat flour, pasta)	Bakeries and Retail, HRI	Broker, Direct
Mercasid (edible oil, margarines)	Retail and HRI	Importer, Direct
La Fabril (edible oil, margarines)	Retail and HRI	Importer, Direct
Victorina Agroindustrial (canned fruit and vegetables, ketchup, seasonings)	Retail and HRI	Importers, Direct
Baltimore Dominicana (ketchup, seasonings)	Retail and HRI	Importers, Direct
Productos JaJa (canned fruit and vegetables, ketchup, seasonings, sausages)	Retail and HRI	Importers, Direct
La Famosa (concentrated juice, tomato paste, canned vegetables, ketchup)	Retail and HRI	Importers, Direct
Cervecería Nacional Dominicana (beer)	Retail and HRI	Importer, Direct
Ambev Dominicana (beer, sodas, bottled water)	Retail and HRI	Importer, Direct
Refrescos Nacionales (sodas, bottled water)	Retail and HRI	Direct
Barcelo & Cia. (rum)	Retail and HRI	Direct
Bermudez & Cia. (rum)	Retail and HRI	Direct

**Company data is difficult to obtain, and country official statistics for the food-processing sector is non-existent. The data below is Posts estimates based on DR Customs Office data and industry sources.**

## **Food Processing Sectors**

### **Sugar**

The Dominican sugar industry produces, imports and exports sugar depending on local production and world market prices. When world market prices are high, the DR will export, either directly or through filling its U.S sugar quota. Sugar is a sensitive basic commodity and the government and sugar producers strive to buffer consumers from large servings in the world market. Production is estimated at 520,000 metric tons for MY 2010. Total production for the out year MY 2011 is anticipated to be lower, around 500,000 MTRV as a result of a current drought that may affect next harvest. The two largest private producers, Central Romana and the Consorcio Azucarero Central, are expected to produce 87 percent of local production.

Domestic sugar consumption is fairly stable with close to 335,000 MT. About half 150,000 MT is refined and the rest is consumed as brown sugar. The general public consumes sugar mostly in raw form, while the soft drinks and juices and confectionary industries primarily use refined sugar. The country's total refined sugar needs are currently met and no imports are anticipated. This is not the case for raw sugar. (Refer to Post's Report #: Sugar annual 2010)[LINK](#)

### **Dairy Products**

In 2009, the DR produced 648 million liters of milk and imported 36,600 MT of powdered milk for reconstitution equivalent to 292,800 liters. Total milk consumption was 1,140,800,000 liters. Imported milk powder, whey, butter oil, milk protein concentrate (MPC), enzymes (for lactose free milk) are the main inputs in this sub-sector. Total dairy products imports allowed under TRQ's are 5,000 MT. Of this amount 300 MT are for liquid milk and 4,050 MT for powdered milk. The major players in milk sector are: Pasteurizadora Rica, Parmalat, Ledom and Nestlé.

The Ice Cream industry imports most of their inputs. Main inputs sourced internationally by this industry are: flavors, mostly from Italy and the U.S; sweet whey 12% and 34% (WPC 12 and WPC 34), from the U.S; chocolate cover, from the U.S; Ice cream base, from Poland and powdered milk from the U.S. Sugar is sourced locally. This industry requires suppliers to be able to sell small shipments of some flavors.

### **Meat Products**

Meat products play a substantial role in the Dominican diet, they figure strongly at breakfast (ham), lunch and dinner (chicken and pork dishes). The market for meat products in the DR is estimated at about 80,000 MT. Mechanically deboned meat (MDM) from chicken and turkey, and pork trimmings and fat are the basic inputs in this sub-sector. Imports of the inputs above-mentioned are controlled by the government and subject to the issuance of import permits. The biggest players are Induveca and Sigma.

### **Beverages**

#### **Nectars/Fruit Juice Concentrate**

The DR's demand for fruit juice from concentrate and nectars was estimated at 72 million liters for 2009. The major juice producers are Pasteurizadora Rica; Parmalat and Bon Agroindustrial. These producers import most of the flavors used for their juices from concentrate from the United States, and the nectars from Chile and Ecuador. In the case of Orange juice, the oranges are purchased locally, since the Dominican Republic is a steady producer of quality oranges, in case of shortage oranges are imported from Brazil. The nectars and concentrates being imported from South America are: pear, strawberry, kiwi, cherry, and apple. Other main inputs for this sector are: emulsifiers, sodium benzoate, and citric acid, imported mostly from China. The reason why producers source some of these products from countries other than the U.S is mainly price. Due to the recent earthquake in Chile, nectars such as peach and pear are scarce, so the demand is substituted with orange juice from concentrate imported from Brazil.

#### **Beer**

In 2009, beer market size in the Dominican Republic was 3,685,255 Hl. and per capita consumption is estimated at 54.4 lts. (population over 18). Main imported inputs for this sector are: malted barley sourced from the US (70%) and Canada (30%), caramel Malt (U.S) and hops (U.S). The industry sources locally brown sugar, syrup and corn meal. The Cerveceria Nacional Dominicana (CND) is the largest beer producer in the country, and produced in 2009 a little over 300 million liters. Cerveceria's leading brand, "Presidente" has over 90% of the market share. Other beer companies are Ambev, with it's leader brand Brahma and Cerveceria Vegana with it's brand "Quisqueya". The

D.R is currently exporting US\$ 27 million of beer.

### **Edible oils/ Fats**

Soybeans are not produced in the Dominican Republic. Therefore, imported soybean products satisfy all local market requirements. 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. Under the CAFTA- DR agreement there is a zero duty for U.S. crude oil, and on refined oil duties phase out over a period of 15 years.

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.

The largest processor MERCASID, controls approximately 71% of the market; LA FABRIL in Santiago has gained over 20% and “Cesar Iglesias” has the remaining eight percent. The estimated overall oil processing capacity exceeds 175,000 metric tons. In the case of soybean oil preference is dictated by price. Because of the lower Argentinean prices, the industry generally imports South American oil.

### **Baking Ingredients**

The bakery sector in the Dominican Republic is very traditional, basically the same products can be found in most bakeries, although a new generation of bakers emerged in the late 1990's, and new trends are visible, this phenomenon is mostly affecting upper class neighborhoods. These new trends have affected positively imports from the U.S and other countries, since new baking ingredients are being integrated with the traditional products. Products showing potential from this sector are: bread mixes, frozen bread, dried fruits, nuts, butter, chocolate, whole grain bread and light or healthy products are starting to grow.

The largest player of this sector is “Levapan”, a joint venture with Dominican and Colombian capital. Levapan supplies more than 95% of bakeries nationwide. Nutz Trading Dominicana (NTD), is also a big player, and imports most of the high-end bakery and pastry products. NTD imports most of its products from Europe and the United States.

## **II.d Sector Trends**

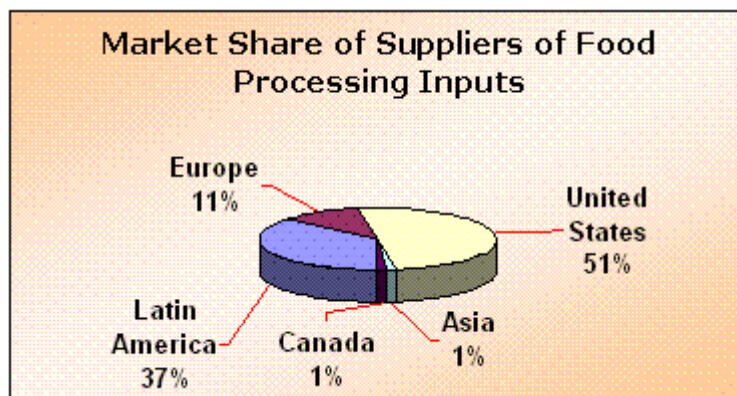
Despite of Increased costs associated with higher prices for international commodities, raw material inputs, oil and energy that are affecting world economy, a major feature of 2009 was new product development. Local producers, due to the health and wellness concern that local consumers adopted in recent years, started to focus on further market segmentation, which led to the introduction of value-added products within their portfolios such as fat-free, lactose-free, organic, sugar-free, probiotic and whole wheat variants, among others.

Many factors have influenced the food processing industry in the Dominican Republic. On the go lifestyle boosted the food service sector, and frozen or ready to eat meals. Most of these types of products are imported. Imports of consumer-oriented products have grown and as a result we have a more educated and demanding consumer that expects higher quality. The HRI sector also has grown significantly over the last few years and demands high quality products, but has price limitations, since the market being served are tourists attracted to all-inclusive packages.

Another factor that is influencing the sector is the DR-CAFTA agreement. Companies from other Latin American countries, which are not part of this free trade agreement, are starting to invest in food processing plants in the Dominican Republic to take advantage of the treaty and the strategic position of the country. Sigma Alimentos from Mexico bought Productos Sosua and Productos Checo, two of the largest dairy and meat products manufacturers in the Dominican Republic. Also, the Brazilian Company, Ambev has installed a new brewery in Santo Domingo and has also acquired a major share of Embotelladora Dominicana, the local authorized Pepsi Cola and Seven Up bottler.

Many businesses in the food-processing sector have invested a lot of resources in new technology for the modernization not only of the production process, but also for distribution systems and marketing, information systems and the restructuring of the organizations. Also, some companies have expressed their interest in establishing Hazard Analysis and Critical Control Point (HACCP) systems. As mentioned above, some businesses have developed strategic partnerships with international companies aimed at strengthening local food processing technologies, diversifying product lines, assuring the supply of raw materials and ingredients, and taking advantage of the distribution networks of local businesses.

### SECTION III. COMPETITION



The largest competitors to the United States supplying raw materials to the Dominican Republic are Spain, The Netherlands, Venezuela, Canada and Chile. However, over 50% of the imported raw materials and ingredients for the food processing sector come from the United States. Dominican food processors generally perceive U.S. suppliers of food ingredients as a reliable source, in terms of volume, standards and quality.

Analysis of selected sub-sector ingredients, markets and sizes as well as competition are described as follows:

PRODUCT	TOTAL IMPORTS FOR 2005 (US\$ Millions)	IMPORTS FROM THE US (US\$ Millions)	US's MARKET SHARE	COMPETING COUNTRIES

<b>Chicken MDM</b>	1.35	1.33	98%	Canada
<b>Turkey MDM</b>	2.41	2.31	96%	Canada
<b>Pork Trimmings</b>	0.83	0.83	100%	None
<b>Pork Fat</b>	0.66	0.58	88%	Canada and Chile
<b>Powder Milk</b>	11.98	4.03	34%	Poland, New Zealand, Ireland, Netherlands, Chile, Brazil, Argentina, Germany
<b>Whey and Milk Protein Concentrate</b>	5.05	1.73	34%	Germany, Canada, Netherlands, Ireland, New Zealand, Switzerland
<b>Wheat</b>	69.2	92.84	99%	Canada, Mexico
<b>Concentrated Juice</b>	2.25	0.52	23%	Germany, Argentina, Brazil, Chile, China, Colombia, Costa Rica, Cuba, El Salvador, Spain, Guatemala, Italia, Mexico, United Kingdom, Singapore, Switzerland
<b>Butter Oil</b>	1.52	0.11	7%	Germany, Belgium, France, Netherlands, Italy
<b>Soy Bean Oil</b>	44.48	33.84	43%	Argentina, Brazil
<b>Barley Malt</b>	10.6	9.5	90%	Germany, Belgium, Canada, Holland, Denmark, France

<b>PRODUCT</b>	<b>TOTAL IMPORTS FOR 2005 (US\$ Millions)</b>	<b>IMPORTS FROM THE US (US\$ Millions)</b>	<b>US's MARKET SHARE</b>	<b>COMPETING COUNTRIES</b>
<b>Artificial and Natural Flavors</b>	10.77	10.38	96%	Chile, Colombia, Costa Rica, Spain, France, Guatemala, Ireland, Mexico, Trinidad & Tobago
<b>Other Products Used in the Food Processing</b>	1.75	0.90	51	Germany, Belgium, Chile, China, Colombia, Costa Rica, Denmark, El Salvador, Spain, France,

<b>Sector</b>				Guatemala, Netherlands, Israel, Italy, Mexico, Poland, Switzerland
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## **SECTION IV. BEST PRODUCT PROSPECTS**

### **IV.a Products Present in the Market Which Have Good Sales Potential**

Flour, pasta and bakery goods will remain important to the Dominican diet. Inputs used in the production of dairy products, edible oils, beer, juice, and soft drinks also continue to show strong potential.

### **IV.b Products Not Present in Significant Quantities but Which Have Good Sales Potential**

Butter, chicken MDM, turkey meat, pork trimmings and fat, and rice have excellent sales potential, but local production of such products is protected and imports are subject to permits, which are controlled by the Government.

## **SECTION V. FURTHER CONTACTS AND INFORMATION**

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

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