Required Report: Required - Public Distribution **Date:** March 31,2020

Report Number: DR2020-0006

Report Name: Grain and Feed Annual

Country: Dominican Republic

Post: Santo Domingo

Report Category: Grain and Feed

Prepared By: Virgilio Mayol

Approved By: Elizabeth Autry

Report Highlights:

Wheat consumption in the Dominican Republic (DR) during Marketing Year (MY) 2020/2021 (July 2020/ June 2021) is forecast at 420,000 metric tons (MT), with imports at 560,000 MT. The increased forecast is due to an expected recovery in the number of tourists visiting the country after the current adverse impact of the COVID-19 pandemic on the HRI sector. Post forecasts imports of Corn to reach 1,450,000 MT during MY 2020/21 (October 2020/ September 2021) due to expected strong demand from the poultry sector, as the industry recovers from a current outbreak of low pathogenic avian influenza and the short term effects of the COVID-19 pandemic on the HRI sector. During MY 2018/19, U.S. corn market share decreased to 41 percent of total imports, with strong competition from Brazil. Rice continues to be one of the most important agricultural products grown in the DR. Production of rice for MY 2020/21 (July 2020/ June 2021) is forecast at 560,000 MT with expectations of return to normal rainfall patterns.

1. WHEAT

1.1. Production

The Dominican Republic (DR) does not produce wheat; the country continues to be completely dependent on imports to supply the domestic market.

1.2. Consumption

The DR continues to have one of the highest per capita wheat and wheat products consumption rates in the Latin America and Caribbean Region. For Marketing Year (MY) 2020/2021 (July 2020/ June 2021), Post forecasts an increased consumption of wheat and wheat products at 420,000 MT. The increased forecast is due to an expected recovery in the number of tourists visiting the country after the current adverse impact of the COVID-19 pandemic on the HRI sector. Additionally, the forecast takes into consideration the expected normal growth in the population. Post estimates local consumption to decrease to 417,000 MT during MY 2019/20 due to COVID-19. The number of tourists visiting the country has basically declined to zero during the last quarter of the MY. Hotels typically consume large amounts of flour to make breads, cakes, pastries and other wheat-based products for approximately 6.6 million visitors to the DR annually.

The country continues to have a large milling industry and imports almost all of its wheat from the United States and Canada. Currently, the DR boasts a daily milling capacity of around 3,320 MT, with a current average utilization of 60-65 percent, divided among six different processors:

MILLS CURRENTLY OPERATING IN THE DOMINICAN REPUBLIC

Molinos Modernos*	Grupo Bocel
Grupo J. Rafael Núñez	COOPROHARINA
Molinos del Higuamo	César Iglesias

** Also owns Molinos del Caribe.*

Molinos Modernos and Molinos Valle del Cibao process nearly 80 percent of all wheat imports. The main product is wheat flour, although some of the companies, such as Grupo Bocel, also produce crackers, cookies and pasta. Subsequently, wheat flour becomes the spearhead to a large baked goods industry.

The retail value of baked goods sold in the DR in Calendar Year (CY) 2019 is estimated at approximately US$252 million. The largest share of baked goods sold in the DR is unpackaged leavened bread, which includes the local staple breads called *"pan de agua"* and *"pan sobao".* These items are consumed regularly by a broad spectrum of the population, but are more heavily consumed in urban areas. The products are typically produced by industrial bakers, along with small and medium-sized bakeries, and subsequently distributed to a variety of supermarkets, "mom-and-pop" stores, markets and/or other bakeries.

In addition, many of these baked goods are distributed in the Dominican Government's feeding programs, especially school feeding. Bread, cookies, and muffins are included in the meals that reach more than 1.5 million school children in public schools throughout the country.

While the majority of flour production is destined for the domestic market, the DR also exports considerable quantities of wheat flour and other finished products (e.g., crackers, pasta) to neighboring Haiti. To a lesser extent, the DR has increased its exports of wheat products to Puerto Rico, the United States, and other markets throughout the region.

1.3. Stocks

The wheat milling industry in the Dominican Republic is mostly a "just in time" operation. Wheat shipments from the United States generally arrive on a reliable schedule with shipping times of around five days, reducing the need to assume storage costs. Shipments from Canada also arrive on reliable schedules, although with shipping times of approximately 10 days. Stocks are held by the private millers.

Overall, millers' storage capacity is limited and varies considerably by processor. Among the six mills operating in the country, collective storage capacity is estimated to be 155,400 MT.

For MY 2020/21, Post forecasts ending stocks at 30,000 MT, lower than the 40,000 MT levels estimated for MY 2019/20, due to increased levels of exports and local consumption.

1.4. Trade

Imports

For MY 2020/21, Post forecasts imports of wheat and wheat products to the DR at 560,000 MT, above the 545,000 MT estimated to be imported during MY 2019/20. The increased forecast is expected as consumption and exports of wheat and Dominican wheat products rebounds from the current year. For MY 2019/20, Post estimates imports will remain stable due to slower local demand of wheat and wheat products.

Imports of wheat grain

The DR imported 494,556 MT of wheat during MY 2018/19, a significant decrease from the 515,221 MT imported during MY 2017/18. The decrease in grain imports was offset by an increase in imports of wheat products, especially pasta. Local retailers are sourcing pasta products, especially from Turkey, at reduced prices; in some case, retailers are purchasing pasta with discount prices of US$18 cents/pound lower than locally produced pasta. Additionally, one of the main pasta producers in the country had a pest infestation problem in their plant, which forced them to shut down their production lines for a couple of months of the year, limiting the supply of locally produced pasta.

DOMINICAN REPUBLIC WHEAT GRAIN IMPORTS BY PARTNER, MY 2015-2019 (MT)*

Country	Years				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
United States	456,723	309,718	414,090	322,944	277,201
Canada	100,368	191,785	103,264	192,275	217,345
Russia	0	25,000	0	0	0
Germany	0	0	0	2	0
EU	0	0	0	0	10
Total	557,091	526,503	517,354	515,221	494,556

**HS heading 1001*

Source: Built by Post with reports from GATS/USDA and Trade Data Monitor (TDM)

During MY 2018/19, the DR imported approximately 56 percent of its wheat from the United States (277,201 MT) and 44 percent from Canada (217,345 MT). Good quality and lower prices steered local costumers to source more wheat from Canada. So far, for MY 2019/20, the DR has imported approximately 55 percent of its wheat from Canada (184,000 MT) and 45 percent from the United States (152,078 MT). This trend is expected to continue if the prices remain competitive.

Currently, the majority of Dominican wheat imports are comprised of Hard Red Winter (HRW), Soft Red Winter (SRW) and Hard Red Spring (HRS).

Exports

For MY 2020/21, Post forecasts total exports of wheat and wheat products from the DR to increase to 150,000 MT, with increased demand from Haiti and other markets such as Venezuela. For MY 2019/20 Post estimates total exports of wheat and wheat products to remain strong at 145,000 MT due to the same factors.

Informal trade of wheat and wheat products has reduced dramatically in the last two years, since the Haitian Government has focused its efforts on collecting taxes from those imports. Anecdotal reports from exporters indicate that those informal exports have been reduced to a minimum.

Haiti continues to be the most important export market for Dominican wheat products, accounting for 82 percent of total official exports during MY 2018/19. Other markets for Dominican exports include the United States and some Caribbean Islands. Venezuela is also re-starting its demand for Dominican pasta products as shown in the chart below.

DOMINICAN REPUBLIC WHEAT EXPORTS DURING MY 2018/19

HS Code	Quantity (MT)	Grain Quantity (MT)*
1001	**465**	**465**
Haiti	440	440
Others	24	24
1101	**78,683**	**107,638**
Haiti	78,481	107,362
Others	202	276
190219	**24,068**	**32,924**
Venezuela	20,428	27,945
Haiti	2,930	4,008
Others	710	971
190230	**105**	**144**
Haiti	26	36
Others	79	108
	TOTAL	**141,171**

Source: Customs General Directory of the DR (DGA).

**Using a conversion factor of 1.368 for wheat flour (1101), pasta and couscous (190219 and 190230).*

For MY 2020/21, Post forecasts exports of wheat and wheat products from the DR to Haiti through formal trade channels to remain strong at around 110,000 MT. Although Haiti has three milling companies currently operating, Dominican contacts claim that none of the Haitian mills are working at full capacity. Further, the current political and social crisis in Haiti has created operational challenges for those companies, such as: 1) inability of workers to consistently comply with their work schedules or even arrive to their posts; and 2) challenges sourcing wheat grain and products from other suppliers. During the last year, at least two of the main milling companies of the DR have agreed to medium term agreements to supply specific amounts of wheat flour monthly to Haiti.

In May 2015, Haiti imposed import restrictions on Dominican wheat flour due to: 1) alleged content of potassium bromate in the flour composition; and, 2) the need to establish a more formal transportation channel for the flour, requiring Dominican shipments to be delivered by sea and/or containers. In the near term, Haiti is not expected to lift these restrictions, but those are not expected to affect trade.

1.5. Policy

Within the CAFTA-DR, the DR applies no tariffs on the importation of wheat. Additionally, as of January 1, 2020, the DR applies no duties on wheat flour, pasta products, and/or couscous. These products however are subject to a value-added tax (VAT[1]) of 18 percent.

[1] *The DR's value-added tax, or VAT, is referred to locally as the ITBIS.*

1.6. Statistics

Wheat	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	72	72	72	57	0	40
Production	0	0	0	0	0	0
MY Imports	545	545	550	545	0	560
TY Imports	545	545	550	545	0	560
TY Imp. from U.S.	282	282	0	350	0	320
Total Supply	617	617	622	602	0	600
MY Exports	125	141	130	145	0	150
TY Exports	125	141	130	145	0	150
Feed and Residual	0	0	0	0	0	0
FSI Consumption	420	419	425	417	0	420
Total Consumption	420	419	425	417	0	420
Ending Stocks	72	57	67	40	0	30
Total Distribution	617	617	622	602	0	600
Yield	0	0	0	0	0	0
(1000 HA), (1000 MT), (MT/HA)						

2. CORN

2.1. Production

Corn production in the Dominican Republic continues to be limited. During MY 2018/19, local production reached 49,840 MT, and it is not expected to increase in the near future. On average, annual production totals 45-50,000 MT, mostly produced in the southwest region of the country. Generally, domestic production represents between 1-3 percent of total consumption. The DR's imports of coarse grains are essentially comprised of yellow corn #2 or its equivalent.

2.2. Consumption

For MY 2020/21 (October 2020/ September 2021), Post forecasts total consumption of corn at 1,500,000 MT, up from the 1,400,000 MT projected for 2019/20. Although the COVID-19 pandemic is expected to lower demand for poultry and egg products from the HRI sector during MY 2019/20, the demand is forecast to recover during MY 2020/21.

Corn is an important ingredient for the animal feed used in the DR poultry, egg and pork industries. Livestock producers import significant volumes of yellow corn for animal feed. According to trade sources, close to 70 percent of the corn supply is consumed in broiler and layer production, while swine consume about 15 percent, and the food processing industry consumes around 11 percent. The remaining five percent is consumed by cattle, mostly from the dairy sector.

Every year, the government and local producers set informal production quotas for chicken and egg production, setting minimum prices throughout the distribution chain. The country produces more than 2.0 billion eggs and 200 million chickens annually. On a per capita basis, the DR consumes a staggering 70 pounds per year of chicken meat, coupled with approximately 16 pounds per year of pork.

According to Post sources, the DR continues to increase its production of chickens. During the past year, the country increased its production by 4 million units, from 213 million chickens during CY 2018 to 217 million during CY 2019. The increased output continued to be necessary to meet increased demand from the local population, tourism sector and the Government's Public Schools Feeding Program. This program serves more than 2,800 public schools with extended class schedules.

2.3. Stocks

Storage facilities are limited and vary considerably among feed producers. The collective storage capacity is estimated to be around 120,000 MT, while utilization of storage capacity is normally estimated at around 65-70 percent.

2.4. Trade

For MY 2020/21, Post forecasts imports of 1,450,000 MT, up from the 1,300,000 MT projected for MY 2019/20. As mentioned above, the COVID-19 pandemic is expected to reduce the number of tourists that visit the Dominican Republic, and therefore the demand of poultry products from the HRI sector, especially during the last two quarters of MY 2019/20.

Corn is purchased by a small number of companies and buying groups composed of producer associations. The most important ones are: JUPROPE, Consejo, ASODEP, APROAMOLI, and Pollo Cibao. Nearly 80 percent of all corn is imported by these groups.

The United States lost its dominance in the local corn market back in MY 2008/09, due to persistent complaints from local consumers concerning dust levels, grain cracking, mycotoxins, lack of yellow color and milling yields. At the same time, South American suppliers, mainly Brazil and Argentina, offered a more visibly attractive product, increased their availability and made important improvements in logistics. Currently, local costumers are willing to pay a $5-10/MT premium for South American-sourced corn.

During MY 2018/19, U.S. market share declined to 41 percent, down from 52 percent in MY 17/18. Post expects U.S. market share to increase slightly during MY 2019/20 and MY 2020/21, as local customers are already buying significant quantities of mid- and end-of-CY U.S. corn futures due to logistics concerns with South American-sourced corn.

DOMINICAN REPUBLIC CORN IMPORTS BY PARTNER, MY 2015-2019 (MT)

Country	MY 14/15	MY 15/16	MY 16/17	MY 17/18	MY 18/19
Reporting Total	1,201,537	1,349,793	1,293,900	1,328,860	1,520,196
Brazil	457,803	662,073	406,546	566,591	722,151
United States	575,969	291,187	768,713	687,267	623,872
Argentina	135,896	310,687	118,600	74,895	152,046
Others	31,869	85,846	41	107	22,126

** HS heading 1005.*
** Source: TDM, GATS, USDA*

Brazil continues to be the strongest competitor for corn in the DR market. During MY 2018/19, Brazil supplied 48 percent of total Dominican imports. In the case of Argentina, during MY 2018/19, the country significantly increased its exports to the DR, from 74,895 MT in 2017/18 to 152,046 MT. So far, during MY 2019/20, Brazil continues its dominance in the market, supplying 94 percent of total Dominican imports to date.

Dominican exports of corn have not been significant. According to the National Directorate of Customs (DGA), the DR exported approximately 1,318 MT of corn during MY 2018/19; 92 percent of that total was destined for Haiti.

Imported yellow corn that is not used in the production of animal feed is milled to produce corn meal and corn grits for both domestic consumption and export. Some Dominican companies export these products to Haiti (through both formal and informal channels) and other markets throughout the region. Similarly, there are small amounts of corn-based animal feed products being exported to Cuba and other islands in the Caribbean.

2.5. Policy

As corn (along with soybean meal) constitutes one of the primary inputs in feed formulations, it is exempt from import duties in order to reduce costs for producers. Additionally, corn imports are not subject to the 18 percent VAT.

As part of the DR's commitments at the World Trade Organization (WTO), the country included corn among the agricultural products comprising the Technical Rectification (TR). Specifically, as part of its WTO commitments under the TR following the Uruguay Round, the Government of the DR established an initial tariff-rate quota (TRQ) of 703,000 MT for corn that increased gradually to 1,091,000 MT by 2004. Although the DR has a bound out-of-quota tariff rate of 40 percent, this tariff is not applied. According to Decree 569-12, the Government will not apply the out-of-quota rate on corn imports.

Decree 569-12 also included corn in the Automatic License System for the adjudication of the quota, which means that the import process is expedited for importers.

At the present time, Dominican law requires every corn importer to purchase locally produced sorghum. Specifically, the National Corn and Sorghum Commission (CNMS is the Spanish acronym) requires the purchase of five percent of national sorghum production in exchange for the importation of corn. According to officials at the Ministry of Agriculture, the five percent figure applies regardless of the amount of corn imported.

Finally, it is worth noting that the DR does not currently restrict imports of genetically engineered commodities. For imports of corn used as propagation material, the DR does have a rule in place that requires that the phytosanitary certificate accompanying the shipment state that said product "does not contain GMO material[2]".

[2] *For more information on Biotechnology products in the Dominican Republic, please review our latest Biotechnology Annual Report at:* https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agricultural%20Biotechnology%20Annual_Santo%20Domingo_Dominican%20Republic_10-26-2018.pdf

2.6. Statistics

Corn	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	26	0	26	30	0	30
Beginning Stocks	150	150	181	169	0	118
Production	45	50	45	50	0	50
MY Imports	1536	1520	1500	1300	0	1450
TY Imports	1536	1520	1500	1300	0	1450
TY Imp. from U.S.	624	0	0	0	0	0
Total Supply	1731	1720	1726	1519	0	1618
MY Exports	0	1	0	1	0	1
TY Exports	0	1	0	1	0	1
Feed and Residual	1450	1450	1500	1300	0	1400
FSI Consumption	100	100	100	100	0	100
Total Consumption	1550	1550	1600	1400	0	1500
Ending Stocks	181	169	126	118	0	117
Total Distribution	1731	1720	1726	1519	0	1168
Yield	1.7308	0	1.7308	1.6667	0	1.6667
(1000 HA), (1000 MT), (MT/HA)						

3. RICE

3.1. Production

Rice continues to be one of the most important agricultural products in the DR due to its political, economic and social impact on Dominican society. It is also a key part of the typical Dominican meal and consumed almost every day. According to national estimates, the country has approximately 30,500 rice producers, nearly 250,000 people are involved in the production, processing and marketing of rice, and the sector contributes approximately five percent annually to the Agricultural Gross Domestic Product.

Post forecasts a harvested area for rice of approximately 165,000 ha in MY 2020/21 (July 2020/ June 2021), similar to the area projected for MY 2019/20. The Government currently has no plans to promote the expansion of rice production areas.

Rice is normally produced in two cycles during the year: 1) spring (April-May); and 2) winter (October-November).

During MY 2020/21, Post forecasts "rough" rice production to increase to 836,000 MT and milled production to 560,000 MT. Production is expected to increase due to an expected return to normal climate conditions in the major production areas. For MY 2019/20, Post projects "rough" rice production to decline to 821,000 MT and milled production to 550,000 MT. The reduced projection is based on the impact of a drought that affected the major production zones, especially during the first three quarters of the MY. Anecdotal reports indicate that around 50-60,000 ha were partially or totally affected by the drought. Additionally, starting in August 2018, due to the low levels of irrigation water available in the country, the Ministry of Agriculture issued a resolution to prohibit a third rice cycle. The Resolution will continue in effect during the upcoming MY. Most rice in the country is produced under irrigation. According to Post sources, irrigated rice accounts for 99 percent of the total area.

The average yield has varied between 4-5 MT/HA over the last ten years. Post sources expect yields to remain in this range in the coming years, due to lack of access to new varieties and production technologies.

3.2. Consumption

Due to the expected impact of the COVID-19 pandemic over on the demand from the HRI sector, Post projects the rice consumption growth rate to slow during MY 2019/20, increasing total consumption marginally to 570,000 MT, but is forecasting consumption to pick up its normal growth rate for MY 2020/21 at 573,000 MT. Dominicans consumed 115 pounds of rice per capita in MY 2018/2019.

3.3. Stocks

Post forecasts stock levels to remain stable at 320,000 MT during MY 2020/21. This forecast is similar to the annual market year average of approximately 50-60 percent of annual consumption. Storage facilities are owned by both private processors (mills) and the Government.

Stock levels tend to be high as a result of the GoDR Pignoracion Program; according to Post sources, 80 percent of stocks are maintained under that program, which is further explained in section 3.5 (below).

3.4. Trade

Both imports and exports by the DR are limited. The country has been self-sufficient in rice in the last several years, and most rice imports come from the United States (99 percent of the MY 2018/19 total) thanks to a TRQ established under the CAFTA-DR agreement. Since rice is included in Basket V of the DR-CAFTA agreement (explained in section 3.5 below), out-of-quota rice imports currently pay a duty of 59.4 percent, effectively pricing them out of the market.

For MY 2020/21, Post forecasts imports of 25,000 MT, lower than the projection for MY 2019/20, due to expected increase in production levels. Higher than normal imports during MY 2019/20 were needed to compensate for a decrease in local production.

Dominican rice is exported on rare occasions, mainly to Haiti in the form of broken rice. For MY 2020/21, Post forecasts exports to remain stable at 10,000 MT.

3.5. Policy

Under the CAFTA-DR, the DR negotiated that rice be placed in Basket V, which provides a longer-term tariff reduction period -- 20 years -- as well as establishing a 99 percent out-of-quota tariff rate. This out-of-quota tariff rate remained unchanged during the first 10 years of the Agreement, until 2015. From 2016 to 2020, the out-of-quota tariff rate is reduced by 8 percent annually, and from years 2021 to 2025, by 12 percent annually. Currently, the out-of-quota tariff rate for rice is 59.4 percent. Additionally, the DR negotiated a special safeguard with an additional tariff rate. This special safeguard can be applied until the end of the tariff reduction period.

Price controls are established via the Pignoracion Program[3], which operates during eight months of the year. The National Rice Commission (CONA) establishes a yearly price band (for paddy rice, FOB mill). The CONA is composed of the Ministry of Agriculture, producers, processors, retailers and other public institutions. Price bands are established both annually and for each of the two harvest periods (May and September), based on historic prices, varietals and production estimates. For millers, purchasing

---

[3] *For more information on the Pignoracion Program, please review our 2014 Report: "Dominican Republic Governmental Support for the Rice Sector" available at*
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Dominican%20Republic%20Governmental%20Support%20for%20the%20Rice%20Sector%20_Santo%20Domingo_Dominican%20Republic_4-2-2015.pdf

according to CONA price bands is not obligatory, but it is a requirement for participation in the Pignoracion Program.

In general terms, the Pignoracion Program is a financial services program benefiting rice producers and processors. Under the program, processors (factories, cooperatives, etc.) or producers buy or produce rice, then mill and either market the rice or hold it in storage. If held in storage, this rice can be pledged as collateral for loans from commercial or public lending institutions. For participants in the Pignoracion Program, the cost of storage, interest and insurance costs are covered by the Government (MoA).

As rice constitutes one of the primary food sources for the population, it is exempt from the VAT.

3.6. Statistics

Rice, Milled	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	165	165	160	165	0	165
Beginning Stocks	288	288	312	303	0	318
Milled Production	570	570	560	550	0	560
Rough Production	851	851	836	821	0	836
Milling Rate (.9999)	6700	6700	6700	6700	0	6700
MY Imports	24	24	30	45	0	25
TY Imports	24	24	30	45	0	25
TY Imp. from U.S.	23	23	0	44	0	25
Total Supply	882	882	902	898	0	903
MY Exports	10	10	10	10	0	10
TY Exports	10	10	10	10	0	10
Consumption and Residual	560	569	565	570	0	573
Ending Stocks	312	303	327	318	0	320
Total Distribution	882	882	902	898	0	903
Yield (Rough)	5.1576	5.1576	5.225	4.9758	0	5.0667
(1000 HA), (1000 MT), (MT/HA)						

Attachments:

No Attachments