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Report Highlights:

Increasing demand for beef in the Dominican Republic has created excellent opportunities for U.S. beef exports as the production levels are unable to keep pace with internal consumption and export demand.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Santo Domingo [DR1], DR

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EXECUTIVE SUMMARY

Livestock production in the Dominican Republic has been adversely affected by the yearly drought cycle. This year's drought, combined with the effects of a hurricane in 1998, high input costs, and high financing costs, have resulted in negative growth in the sector and analysts say that the decline will continue throughout 1999 and into 2000. This climatic development translates into lower beef production. Beef consumption will also go into decline as imports do not compensate for production shortfall and costumers will shift to other meat products such as pork and poultry.

Marketing opportunities exists for suppliers of both dairy and beef bovine genetics because high milk and beef prices create producer incentive to rebuild herds. Demand for high quality beef from the tourist sector should also create opportunities for suppliers of U.S. beef products as local production remains low and beef imports increase. Imports of products such as pork and poultry are only permitted when there is a production shortfall.

Inedible tallow is used for the manufacture of soap and yellow grease is used in poultry and hog feed formulations. Local tallow and grease production is minimal and the country relies almost exclusively on imports from the United States.

ANIMAL NUMBERS, CATTLE

MEAT, BEEF AND VEAL

Production

The cattle population is going into a decline as a result of three factors: 1) a drought in recent years which continues to affect calf output and weight gain; 2) a higher demand for beef from the growing tourism population which is drawing down inventories and 3) the devastating effects of hurricane Georges in 1998. Other problems facing the livestock sector include high prices, limited government support and high financial costs. The overall cattle population remains at over 1.9 million head for Calendar Year (CY) 1998 which is very close to the average of the last ten years, however analysts see this growth stagnation turning into a decline in the near future. Beef and veal outputs have stagnated during the last twenty months to a preliminary 47,000 MT for CY 1998. Unless some dramatic changes occur in the market place in the near future (such as exceptionally good weather, drastic shifts in the prevailing livestock policies or massive live animal imports), the estimates for CY 1999 will continue decreasing. If no special resources are invested, the trend will continue in the out year.

Because of the limited availability of beef and the increasing demand from tourism, average prices remain high. With higher domestic prices, Dominican beef exports to the United States (through FSIS certified plants) have completely stopped with no exports in 1998. No exports are anticipated for the rest of CY 1999 nor 2000. Practically all production is now consumed domestically. Prevailing domestic prices have not provided enough margin to producers to overcome the high financial costs needed for herd quality and size improvements. This lack of funds prevents investments in pasture and land enrichment which are further limited by the weather and the high costs of land and other inputs.

The last census statistics indicate that the bovine population remains divided between beef (60 percent) and dairy (40 percent). The dairy population is stable and is comprised of both pure dairy and dual purpose animals (dairy and beef). Approximately 220 head of cattle were imported in CY 1998, up from 36 head the year before. According to some producers, the dairy sector has not improved in spite of the upward adjustments in the prices for milk. At the same time, powder milk imports continue to reduce prices at the consumer level.

The cattle breeds most common in the Dominican Republic include Brahman, Brown Swiss, and Holstein. All three are routinely crossed with the domestic "criollo." About a thousand head of U.S. Jersey cattle became part of the national herd several years ago for adaptation trials. The results were not as good as expected and no additional animals have been imported.

Genetic improvements are usually achieved through artificial insemination using local and imported semen from the United States and Canada, and through importing quality breeding bulls. Embryo transfer is not commonly practiced.

There are about 2.7 million hectares used for livestock related activities and out of that total, almost half are pasture lands. Some reports indicate that pasture has been improved with more nutritious grass varieties, including Pangola, Bermuda (*Cynodoa dactylon*), African Star, Melao (*Melinis minutiflora*), Merker and King Grass.

Official figures indicate that production of fluid milk prior to CY 1995 grew at 2.6 percent/year but has recently decreased almost twenty percent and has remained at 350,000 million liters per year in 1996, 1997 and 1998. The producer incentive to use high energy feed supplements in high protein rations is entirely determined by the market price of meat, milk and hides. The continuing availability of competitively priced imported milk powder and the poor quality of hides produced, minimizes the potential contribution of hides and skins to the value of domestic cattle.

Feed prices have been stable during the last 10-12 months and livestock sector consumed about 20,000 MT during that period. Pre-mixed cattle feeds account for a very small percentage of the total feed market. More than 90 percent of the manufactured feed is used by poultry and swine producers. Based on historical data and trends for the first quarter of CY 1999, corn imports could reach 730,000 MT, more than twenty percent higher than last year.

Consumption

High current beef prices are supported by limited production and a strong demand from the tourism sector. On the same coin local beef consumption is hampered by the prevailing high prices and problems with insufficient electrical power generation which restricts refrigeration and storage capacities. Because of a lower price average local consumers still prefer pork and poultry.

Pork has also encountered problems with availability. The presence of Classical Swine Fever in the swine population has somewhat diminished pork availability, especially to meat processors. Consumption of poultry meat (169,300 MT in 1998) remains high, probably because it is the least expensive source of meat protein available in the market. About 1,751 MT of beef, 3,274 MT of pork & processed products were imported from the United States in 1998. Reviewing the U.S. trade data for January-May 1999, there is an over 60 percent increase in fresh and preserved beef and pork trade while poultry imports have slightly decreased from a record high in 1998. It appears that local production is not sufficient to satisfy the current demand. Although there are no trade data for offal imports, there have been sporadic purchases by the Government (GODR) for their food programs.

Trade

In CY 1991, the Dominican Republic exported a record 16,400 metric tons (22,800 CWE "carcass-weight-equivalent") of chilled and frozen beef to the United States. Meat exports have declined since 1991 and there have been no exports since 1996.

Prices continue to be the most important constraint facing U.S. exports of beef and veal to the Dominican Republic. Other significant trade factors are the impact of other import requirements and a non-transparent customs system designed to protect domestic producers. As a WTO signatory, the GODR has agreed to eliminate these restrictions and to allow tariffs to control import levels. Full WTO implementation is proceeding slowly.

According to private sources, tourism has increased from 900,000 visitors in 1989 to over 2 million visitors in

1998, generating about \$2,000 million in revenues. The first four months of CY 1999 show U.S. exports of fresh and processed meats increasing dramatically. This sector presents opportunities for the promotion of high quality U.S. beef products even though high tariffs and problems clearing Dominican customs have discouraged some potential suppliers. The all-inclusive lodging/food packages purchased by most tourists to the island discourage many hotels from using anything but the lowest priced meats (most often domestic). However, U.S. beef products appear to have become attractive to a small, but growing, sector of the market which is more quality conscious.

A few major companies (Provi, Cisamal and Congelados, A&B) handle over seventy five percent of the beef imports. In the case of chicken, imports are made directly by the state trading enterprise, INESPREE, or by a major poultry producer.

When there are production shortfalls, pork and poultry imports are authorized. Shortages occurred in 1998 and again in 1999. All pork imports must be approved by the Secretary of Agriculture. This permit requirement is inconsistent with WTO requirements and as a result a presidential decree was issued authorizing pork imports with the intention of meeting the WTO commitments. However, the decree is not being enforced. It is interesting to note that CARICOM negotiations with the Dominican Republic are advancing towards a free trade agreement. Eleven products which include poultry, but not pork, have been excluded. Pork producers are currently trying to include pork as a protected item in the agreement.

Over 90 percent of Dominican meat imports come from the United States. Some specialty cuts and specially cured products are imported from Spain and some industrial meat come from Central America. Five years ago, in CY 1993, 22 MT of fresh, chilled and processed beef were imported from the United States, valued at US\$61,400 compared to 1,751 MT valued US\$3 million in 1998. Pork products have also increased from an insignificant volume to 3,274 MT valued at US\$4.5 million last year. With trade barriers for beef reduced there is room for potential growth in the Dominican market. Industry representatives predict, with support from trade data, that meat imports should continue to increase.

Imports of hamburger patties are increasing with the growing number of fast-food restaurants (McDonalds, Burger King, Wendys). Dominican companies are making an effort to improve the quality and consistency of their products and to convince the chains to replace the imports with local meats. The increased consumption of poultry nuggets, turkeys and chickens has created a new market with great growth potential. These imports are expected to surpass a combined value of US\$1.5 million in 1999. Imports of whole chicken and pork, require special import permits which continue to be difficult to obtain. In 1998 large quantities of whole frozen poultry were imported from the United States and Brazil to cover a production shortfall and the increasing demand for less expensive meat.

GODR Secretary of Agriculture data indicates that over 353 MT of bovine liver, stomach and tripe were imported in 1998, mostly from the United States.

No trade matrixes have been prepared for either live animals (five-year average = 275 head) or meat products because of the small quantities involved.

Policy

The central Government of the Dominican Republic supports programs designed to generate foreign exchange, meaning it will support only those industries capable of earning hard currency. The current administration has tried to shift attention and funds to support the agriculture sector and its development with little success.

There is no price support program for the livestock industry. In CY 1998, the government appropriated over RD\$2,100 million (US\$131 million) for the Agricultural Secretariat. However, in actuality, less than half of the appropriation was disbursed. The Dominican Government allows beef and beef product imports. However, there are a number of import constraints designed to protect the domestic industry, particularly on pork and poultry. The constraints have effectively blocked importation of the majority of these two products.

Tariffs

Imports of fresh, chilled or frozen beef (boned or deboned) are covered by tariff schedule put into effect in October 1993. Tariff Numbers 2.01.10.00 through 2.10.90.00 for beef, fresh, chilled, or frozen (boned or deboned), including offal, all have a basic tax of 25 percent of the CIF value, in pesos at the current exchange rate. They also have an additional Value Added Tax (ITBI) of 8 percent of the CIF value, all taxes are based on a RD\$15.96 per US\$1. The current administration is discussing an increase of the VAT to 10 percent.

Marketing

U.S. market development programs covering livestock in the Dominican Republic are minimal and focus on increasing milk and beef production through herd improvement. These efforts are expected to create market development opportunities for U.S. exporters of dairy and beef cattle and related livestock products, especially quality genetics (e.g., live animals, semen and possibly embryos), and specialty feeds and concentrates.

The Office of Agricultural Affairs, the Animal and Plant Health Inspection Service (APHIS), and local livestock organizations (including the National Agriculture and Livestock organization (PATRONATO)) continue to collaborate on technical issues. Organizations such as the American Holstein, Brown Swiss and Brahman associations continue to assist the PATRONATO with its annual livestock show held in Santo Domingo, by providing MPP financing for some of the judges for animal competitions and seminars. With ASA support, FAS hosted two seminars in the Dominican Republic to help support livestock development. Some guests from Haiti also participated. The strengthened relationship between the U.S. and Dominican associations, and our continuing involvement in the national show, are important steps in maintaining a solid foothold in this market.

The main competitor in the livestock market, particularly in dairy cattle, are the Canadians who provide judges for the fair every second year. Dominican dairy cattle breeders have increased their visits to Canada in recent years, usually in conjunction with the U.S. dairy cattle show, returning occasionally with Canadian animals in hand. According to insider sources, Canadian Holsteins are sold at very competitive prices.

The marketing system for cattle and meat products operates on at least three levels: (1) producer with middleman or broker; (2) broker with slaughter house for product processing (processors are both wholesalers and exporters), and (3) slaughter houses that deal directly with retail customers or indirectly via butchers and supermarkets. There is little vertical integration, with the exception of some supermarket chains which own and operate ranches to produce beef specifically for their customers.

Because of a limited market for both pork and bovine offal prices for these products are consistently low. Locally produced offal is commercialized by the individual slaughter houses. Some livestock by-products are used to produce salami and other processed meat. These are also sold directly to the consumer as an inexpensive source of protein which can be easily marketed in local markets, butcher shops, supermarkets, etc. The preferred parts in order of importance are: liver, stomach or tripe, heart, tail, tongue and kidney. Pork offal, including feet, pigtails, ears and stomach (salted bellies) are also popular, particularly with lower income groups. Tripe (locally known as mondongo) is commonly offered in many restaurants.

BY-PRODUCTS, TALLOW AND GREASE

Production

Slaughter houses, which serve as a source of tallow are scattered throughout the country, and it is difficult to accurately estimate domestic production. For a number of years industry sources have estimated tallow production at about 2,000 MT, less than ten percent of the total requirement. Using the industry's rule of thumb of 15 lbs. of tallow and grease per animal, local production could be running as high as 2,200 MT (based on a total slaughter population of 328,000 in CY 1998). The balance of the DR's and to a great extent Haiti's grease needs are imported from the United States.

Consumption

Practically all tallow processed in the Dominican Republic is used for soap manufacture and is imported from the United States. Import volumes vary from one year to the next depending on tallow prices, local production of stearin from crude palm oil, local and international prices for palm products, and the demand for soap for both the domestic and the informal export (mainly Haitian) markets. Since Hurricane Georges damaged the palm plantations, it is expected that tallow imports will return minimally in CY 1999 to the 1997 levels of 28,000 MT.

The industry has indicated that domestic soap requirements were relatively stable since 1995 and that small volumes move to the nearby islands. Imports of tallow apparently grew in 1997 and decreased more than ten percent in 1998 as the weather destroyed part of the palm plantations. Industry contacts indicate that larger volumes of imported tallow will continue to be required as Haiti's imports shifted to the Dominican market for processing.

Yellow grease is not produced in the Dominican Republic but still provides an economical source of fat for the feed industry. It is mainly used for hog and poultry rations. Fluctuations in this market have been of importance as modern breeds of poultry and swine require more fat in their feed formulations. Since local production is minimal, the industry depends almost entirely on imported product with imports from the U.S. ranging between 10,400 and 10,800 MT per year.

Trade

The quantity of U.S. tallow imports in CY 1998 lagged far below the record levels achieved in CY 1994 (39,087 MT), while the Haitian embargo was in place. The low amount of US\$9.7 million of tallow imported in 1998 was in part due to the effects of the hurricane on the bird and hog population. Estimates for 1999 based on the first four months indicate that imports will return to 27,000 MT which were the levels reached in 1997. However, tallow and its products continue to face pressure from alternative products, mainly detergents and vegetable oils, which are periodically price competitive. A strong demand for low price soap should maintain present demand levels for soap (and tallow imports), despite the growing detergent market.

Tallow, fats and grease imports have historically been of U.S. origin because of proximity and price. The U.S. price of tallow & grease averaged US\$0.18/lb. during CY 1998. The local price of tallow, which has been stable over the last three years and remains around RD\$3.75 (US\$0.24/lb.), slightly higher than the previous year. Imports of tallow and grease from the United States are shown in the statistical section.

Policy

There have been no changes in GODR production or consumption policies for tallow in recent years. In 1992, government price controls were eliminated except for a few agricultural items which did not include tallow and grease. There is no price support program or incentives for local producers.

Tariffs

Animal by-products are not listed as controlled import items under the country's current tariff schedule. However, all imported animal by-products are subject to the provisions of the code with the following assessments: 15.01.00.00 Lard, 30%; 15.02.00.00 Tallow, 10%; 15.03.00.00 Lard stearin, 20%; 15.06.00.00 Other animal fats & oils and other fractions, 20% of the CIF value at the current exchange rate of RD\$15.96/US\$1.

Marketing

Tallow is primarily used for soap production. The market remains strong for soap production for the lower income population. Although, according to industry sources, detergents are more efficient cleaners, in addition to being easier to handle and manufacture. As a result, detergents have been capturing the most market growth. Future growth in the tallow market will be determined almost exclusively by tallow prices and the competitiveness of tallow-based soaps with other cleansers and their primary ingredients. All other conditions being equal, detergents are expected to continue to slowly gain ground.

The large feed manufacturers generally import yellow grease as an important source of energy in their feed formulations. They also resell small amounts of grease to cooperatives and other animal producers which produce their own feed. The market for yellow grease and lard has been constant in recent years. Future growth will remain dependent on the demand for energy supplements from the poultry and swine sectors.

At the present time, United States tallow suppliers are not faced with any significant foreign competitor activity in the Dominican market. Assuming U.S. prices remain competitive, the Dominican Republic will continue to import its tallow and grease requirements from the United States.

STATISTICAL SECTION

Average Feed Prices

(RD\$/CWT)					
	1995	1996	1997 1/	1998 1/	1999 1/
Wheat Bran (120 lbs.)	100.00	105.00	110.00	120.00	125.00
Molasses (18.3 gal.)	115.00	151.00	151.00	155.00	161.00
Corn	114.00	174.00	125.00	112.00	117.00
Beginners Ration	170.00	189.00	174.00	165.00	172.00
Steer	142.00	167.00	162.00	154.00	160.00
Cow Normal	139.00	167.00	162.00	154.00	160.00
High production	145.00	185.00	169.00	165.00	172.00
High Energy	147.00	196.00	165.00	160.00	166.00
Exchange Rate RD\$ per US\$	13.55	13.80	14.35	15.35	15.96

1/ June prices.

Source: Industry and Central Bank.

Average Meat Prices (beef, pork & poultry)

Type	1995	1996	1997 1/	1998 1/	1999 1/
Beef Retail (RD\$/lb.)	18.93	18.64	19.33	22.00	22.90
Beef wholesale (RD\$/CWT)	1,264.42	1,254.26	1,331.83	1,515.80	1,576.80
Pork Retail (RD\$/lb.)	17.82	17.99	18.53	21.05	21.89
Pork wholesale (RD\$/CWT)	1,244.70	1,266.37	1,336.27	1,523.00	1,583.65
Poultry Retail (RD\$/lb.)	7.72	7.47	11.42	12.50	13.00
Poultry wholesale (RD\$/CWT)	N/A	N/A	860.00	N/A	N/A
Exchange Rate RD\$ per US\$	13.55	13.80	14.02	15.35	15.96

1/ June prices.

Source: Sec. of Agriculture, Operational Plan 1998 and Agricultural and livestock Annual 1998, Feb. 1999.

Tallow and Other Fats and Oil Imports

(Metric Tons)

Type	1995	1996	1997	1998	1999
Lard	42	350	145	1,309	1,400
Lard, Stearin oil	20	0	0	0	0
Tallow, edible	0	0	0	0	0
Tallow, inedible	27,674	24,249	27,722	24,057	26,000
Yellow Grease	9,433	6,431	6,110	394	6,600
Other	1,752	882	4,327	10,403	4,500
Total	30,253	31,918	38,304	36,163	38,500

1/ Post Estimates.

Source: U.S. Department of Commerce.

Marketing Channels for beef

Beef production originates in the slaughter house. The deboned beef and/or carcass is then sold to the processors (sausage makers), butcher shops and supermarkets where it is further packed for retail.

The wholesale market services hotel and restaurant (H&R) sector. In addition, the importers are also gaining market share in the H&R sector supplying specialty cuts of beef.

There are some slaughter houses who separate tallow for soap manufacture and prepare hides for the tanneries. This sector is also serviced by the importers who supply better quality hides and skins to the local market.

Cattle

PSD Table						
Country:						
Commodity:						
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Total Cattle Beg. Stks	1980	1971	1975	1960	0	1923
Dairy Cows Beg. Stocks	154	153	154	152	0	150
Beef Cows Beg. Stocks	250	248	246	246	0	240
Production (Calf Crop)	386	384	375	370	0	366
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	2366	2355	2350	2330	0	2289
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Cow Slaughter	57	57	56	58	0	55
Calf Slaughter	47	47	47	47	0	43
Other Slaughter	224	224	215	215	0	210
Total Slaughter	328	328	318	320	0	308
Loss	60	67	62	87	0	63
Ending Inventories	1978	1960	1970	1923	0	1918
TOTAL DISTRIBUTION	2366	2355	2350	2330	0	2289
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Beef PSD

PSD Table						
Country:	Dominican Republic			0.19	<-Conversion factor for CWE	
Commodity:	Cattle					
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Slaughter (Reference)	328	328	318	320	0	308
Beginning Stocks	2	2	2	2	0	2
Production	47	47	47	47	0	47
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	1	0	3
TOTAL Imports	0	0	0	1	0	3
TOTAL SUPPLY	49	49	49	50	0	52
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	47	47	47	48	0	50
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	47	47	47	48	0	50
Ending Stocks	2	2	2	2	0	2
TOTAL DISTRIBUTION	49	49	49	50	0	52
Calendar Yr. Imp. from U.S.	0	0	0	1	0	3
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

By-Products, Tallow and Grease

PSD Table						
Country:	Dominican Republic					
Commodity:	By-Products,Tallow & Grease					
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	3	3	3	3	0	3
Production	2	2	2	2	0	2
Intra EC Imports	0	0	0	0	0	0
Other Imports	31	24	28	28	0	28
TOTAL Imports	31	24	28	28	0	28
TOTAL SUPPLY	36	29	33	33	0	33
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	33	26	30	30	0	30
Ending Stocks	3	3	3	3	0	3
TOTAL DISTRIBUTION	36	29	33	33	0	33
Calendar Yr. Imp. from U.S.	31	24	28	28	0	28
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0