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## **Dominican Republic**

## **Livestock and Products**

## **Annual**

## **2000**

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### **Report Highlights:**

**Dominican dairy and beef cattle population remain stagnant. Domestic milk production continues to require large amounts of imported NFDM to meet the population requirements. The increasing demand for beef in the country has created an excellent opportunity for U. S. beef exports.**

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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 longer cyclical dry periods in recent years. The 1999 drought, combined with the damaging effects of a hurricane on the trees in 1998 of forestry, high input costs, and high financing costs, has not allowed the sector to grow. Analysts say that the lack of growth will continue throughout 2000 and into 2001. This climatic development translates into lower beef production. Beef consumption will also go into decline as growing imports do not compensate for production shortfall and consumers may shift to other meat products such as pork and poultry.

Some marketing opportunities exist for suppliers of both dairy and beef bovine genetics because of relatively high milk and beef prices which, to some extent, create producer incentive to rebuild herds. Demand for high quality beef from the tourist sector should also create opportunities for suppliers of U.S. meat 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.

## **ANIMAL NUMBERS, Cattle**

### **MEAT, Beef and Veal**

#### **Production**

The cattle population in the Dominican Republic continues declining as a result of three factors: 1) a cyclical drought which affects 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 late 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) 1999 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 46,000 MT for CY 2000, slightly below previous estimates. Unless some dramatic changes occur in the marketplace in the near future (such as exceptionally good weather, drastic shifts in the prevailing livestock policies with financial assistance or massive live animal imports), the output year CY 2001 will remain at current levels. It is important to note that the newly elected president, being a prior Secretary of Agriculture, promised during his campaign to devote special resources to this sector. PS&Ds will be adjusted as changes begin to occur.

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 since 1998. No exports are anticipated for the rest of CY 2000 nor 2001. 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). Very few animals (14 head) were imported in CY 1999, down from 30 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, but a major dairy producer and processor is expanding its herd with new genetics coming in from the United States. According to industry officials, over 200 head of dairy cows will be imported in the second half of 2000 for this project. 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, therefore 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. Calendar year 1999, the year after the hurricane was not a good year for U.S. semen imports. Industry indicates US\$88,000 were imported, down from US\$170,700 the year before. There has been some embryo transfer (less than a dozen), but is not commonly practiced. Smaller animals such as goats and sheep during the last two years, exceeding 2,000 head in 1999.

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. Current trials using better grasses promise to improve the quality of the animals, without moving into confined and intensive feeding feed-lot operations which are more expensive to operate.

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 with minimal changes at 350,000 million liters per year throughout 1999. The producer incentive to use high energy feed supplements in high protein rations is entirely determined by the market price of meat and to a lesser extent on milk. The continuing availability of competitively priced imported milk powder produced, reduces the potential contribution of milk 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 2000, corn imports could reach 900,000 MT, more than fifty percent higher than two years ago.

## Consumption

High current beef prices are supported by limited production and a strong demand from the tourism sector. On a similar note, local beef consumption is hampered by the prevailing high prices and problems with insufficient electrical power generation, which restricts refrigeration and storage capacities. As a result of lower prices, 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 consumption, especially to meat processors. The alternative source of pork trimmings and turkey has helped local processors to compensate for the limited availability of pork. Poultry meat (3,500 MT in 1999) remains low, due to non tariff barriers (applied to poultry parts) to protect industry. About 3,675 MT of beef, 2,940 MT of pork & processed products were imported from the United States in 1999. Reviewing the U.S. trade data for 1999, red meats (fresh/preserved) has reached a historical high valued at US\$14.9 million, up from US\$8 the year before. In addition, low value offal imports for beef reached 1,331 MT and pork 539 MT during 1999.

## 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 World Trade Organization (WTO) signatory, the Dominican Government (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 2.2 million visitors in 1999, generating about \$2,400 million in revenues. As indicated in the prior section, calendar year 1999 and the first four months of CY 2000 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. A brief shortage of poultry occurred in 1999 and again in mid 2000. All pork and poultry imports must be approved by the Secretary of Agriculture. This permit obligation 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 1995, 54 MT of fresh, chilled and frozen beef were imported from the United States, valued at

US\$150,000 compared to 3,673 MT valued US\$6 million in 1999. Pork products have also increased from an insignificant volume to 2,940 MT valued at US\$4.6 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 (e.g., McDonalds, Burger King and 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 meat and nuggets and turkey meat has created a new market with great growth potential. These imports surpassed a combined value of US\$12 million in 1999. Imports of whole chicken and pork, require special import permits which continue to be difficult to obtain. In mid 2000 some limited quantities of whole frozen poultry are expected to be imported from the United States and Brazil to cover a production shortfall that occurs during the summer months.

GODR Secretary of Agriculture information, confirmed by the U.S. Dept. of Commerce data indicate that over 1,300 MT of bovine liver, stomach and tripe were imported in 1999, 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. A total exceeding 250 dairy cows is expected to arrive from the United States during the second half of 2000.

## **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 1999, the government appropriated over RD\$2,000 million (US\$130 million) for the Agricultural Secretariat. However, in actuality, about 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 a 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\$16.30 per US\$1. The current administration is discussing an increase of the basic tax to 40% and of the VAT to 10 percent. The current administration is concluding its term and new authorities (mid August 2000) will take over next months. The results can not be predicted yet.

## **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 FAS support, ASA continues its efforts hosting seminars in the Dominican Republic to help support livestock development. Some guests from Haiti also participated. FAS participated actively in the livestock show by setting up a booth with technical literature from a number of U.S. cooperators. 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.

In close collaboration with post, the U.S. Meat Export Federation has devoted time and effort to further develop the beef and pork market in the region. These efforts included a recent beef and pork BBQ at the U.S. Ambassador's 4<sup>th</sup> of July celebration in Santo Domingo which included the use of a special smoker and beef from the state of Texas, pork ribs from Tennessee and pork from North Carolina. Other market activities will follow in the future using the Texas smoker to continue our promotional efforts.

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 bovine slaughterhouse wastes is commercialized by the individual butcher 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.

## **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 the local market.



## STATISTICAL SECTION

### Average Feed Prices

(RD\$/CWT)					
	1996	1997 1/	1998 1/	1999 1/	2000 1/
Wheat Bran (120 lbs.)	105.00	110.00	120.00	125.00	136.00
Molasses (18.3 gal.)	151.00	151.00	155.00	161.00	165.00
Corn	174.00	125.00	112.00	117.00	117.00
Beginners Ration	189.00	174.00	165.00	172.00	177.00
Steer	167.00	162.00	154.00	160.00	165.00
Cow Normal	167.00	162.00	154.00	160.00	165.00
High production	185.00	169.00	165.00	172.00	177.00
High Energy	196.00	165.00	160.00	166.00	171.00
Exchange Rate RD\$ per US\$	13.80	14.35	15.35	15.96	16.30

1/ June prices.

Source: Industry and Central Bank.

### Average Meat Prices

Type	1996	1997 1/	1998 1/	1999 1/	2000 1/
Beef Retail (RD\$/lb.)	18.64	19.33	22.00	22.90	24.10
Beef wholesale (RD\$/CWT)	1,254.26	1,331.83	1,515.80	1,676.80	1,770.00
Pork Retail (RD\$/lb.)	17.99	18.53	21.05	21.89	22.75
Pork wholesale (RD\$/CWT)	1,266.37	1,336.27	1,523.00	1,683.65	1,790.00
Poultry Retail (RD\$/lb.)	7.47	11.42	12.50	13.00	12.75
Poultry wholesale (RD\$/CWT)	N/A	860.00	N/A	N/A	N/A
Exchange Rate RD\$ per US\$	13.80	14.02	15.35	15.96	16.30

1/ June prices.

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

**PS&D, Cattle**

PSD Table						
Country	Dominican Republic					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Total Cattle Beg. Stks	1960	1960	1923	1923	1918	1918
Dairy Cows Beg. Stocks	152	152	150	150	0	150
Beef Cows Beg. Stocks	246	246	240	240	0	240
Production (Calf Crop)	370	370	366	366	0	368
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	2330	2330	2289	2289	1918	2286
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	58	58	55	55	0	55
Calf Slaughter	47	47	43	43	0	43
Other Slaughter	215	215	210	210	0	210
Total Slaughter	320	320	308	308	0	308
Loss	87	87	63	63	0	60
Ending Inventories	1923	1923	1918	1918	0	1918
TOTAL DISTRIBUTION	2330	2330	2289	2289	0	2286
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**PS&D, Beef**

PSD Table						
Country	Dominican Republic					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	320	320	308	308	0	308
Beginning Stocks	2	2	2	2	2	2
Production	47	47	47	46	0	46
Intra EC Imports	0	0	0	0	0	0
Other Imports	1	1	3	2	0	3
TOTAL Imports	1	1	3	2	0	3
TOTAL SUPPLY	50	50	52	50	2	51
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	48	48	50	48	0	49
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	48	48	50	48	0	49
Ending Stocks	2	2	2	2	0	2
TOTAL DISTRIBUTION	50	50	52	50	0	51
Calendar Yr. Imp. from U.S.	1	1	3	2	0	3
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0