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Dominican Republic

Retail Foods

Growing Opportunities for U.S. Products in Diverse Retail Sector

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Report Highlights:

The Dominican Republic is one of the most dynamic economies in the Caribbean region. With U.S. consumer-oriented product exports reaching \$494 million in 2017, the country represents the fifth-largest market for such products in Latin America. The Dominican modern retail sector offers a wide variety of U.S. products, is dominated by locally owned companies, and is growing rapidly. However, despite the prominence and growth of local supermarket chains, they only account for 20-25 percent of retail sales. The majority of sales are still in the traditional channel, which includes neighborhood stores (colmados) and warehouses, which offer largely local products.

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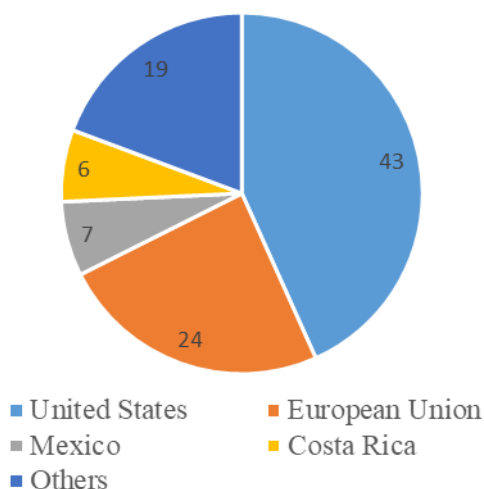
Santo Domingo

Market Fact Sheet: Dominican Republic

Executive Summary

The Dominican Republic (DR) is an upper middle-income country with low and stable inflation. It is the second-largest economy in the Caribbean, just behind Cuba, and the third-largest country in terms of population (behind Cuba and Haiti). In 2017, DR's GDP reached approximately US\$72.6 million, a 1.29 percent increase from 2016. The DR's major export growth has shifted away from its traditional products (raw sugar and tobacco, green coffee, and cacao) to gold, Ferro-nickel, sugar derivatives, free-trade zone products, vegetables and other agricultural products. Major imports include consumer-oriented products and livestock feed, with the United States as a primary partner.

Imports of Consumer-Oriented Products



Food Processing Industry

The Dominican Republic's food processing industry is valued at \$2.6 billion, with an additional \$723 million for processed beverages and tobacco. The United States has a strong history of supplying meat, edible meat offal, and animal and vegetable fats for the Dominican meat processing industry; this is expected to continue. There is potential for increased exports of U.S. ingredients for the Dominican milling, dairy, and confectionary industries, especially since CAFTA-DR will be fully implemented by 2025.

Food Retail Industry

The Dominican modern retail sector offers a wide variety of U.S. products, is dominated by locally owned companies, and is growing rapidly. However, despite the prominence and growth of local supermarket chains, they only account for 20-25 percent of retail sales. The majority of sales are still in the traditional channel, which

includes neighborhood stores (colmados) and warehouses, which offers largely local products.

Quick Facts CY 2017

List of Top 10 Growth Products

- | | |
|------------------|-----------------------|
| 1) Cheese | 6) Meat (Beef) |
| 2) Wine | 7) Flour |
| 3) Craft Beer | 8) Baking Ingredients |
| 4) Pork | 9) Spices |
| 5) Chicken Parts | 10) Candies |

Consumer-Oriented Trade (U.S. billion) 2017

DR Imports (all sources)	1.140
DR Imports (from U.S.)	0.49
DR Exports (all dest.)	0.64
DR Exports (to U.S.)	0.23

Top 10 DR Retailers

- | | |
|--------------------------|----------------|
| 1) La Sirena | 6) Mercatodo |
| 2) Pola Supermarkets | 7) Plaza Lama |
| 3) Jumbo | 8) Pricesmart |
| 4) Nacional Supermarkets | 9) Carrefour |
| 5) Bravo | 10) Superfresh |

GDP/Population

Population: 10.6 million
GDP: 71.2 billion USD
GDP per capita: 6.72 USD

Sources: GTIS; ONE DR (2016); World Bank, DR Central Bank

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products	Higher cost of some U.S. products compared to competitors
Proximity to the United States and strong demand for U.S. products	Import sensitivity of several products
Opportunities	Threats
Additional trade liberalization through the full implementation of CAFTA-DR by 2025	Competition from other CAFTA-DR signees and the DR's other free trade agreement partners
Growth potential for U.S. consumer-oriented products, livestock feed, and ingredients for the food processing industry	Limited cold chain capacity

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SECTION I. MARKET SUMMARY

The Dominican Republic (DR) is one of the largest and most stable economies in Central America and the Caribbean. With U.S. consumer-oriented product exports reaching \$494 million in 2017 the country represents the fifth-largest market for such products in Latin America. For general information on the Dominican market, please refer to Post's 2017 Exporter Guide, DR1717 <https://www.fas.usda.gov/data/dominican-republic-exporter-guide-2>

The Dominican retail sector can be divided into two distinct segments or channels; the modern and the traditional. The modern retail distribution channel is comprised of three main components: supermarket chains, independent supermarkets, and convenience stores known as “food shops.” Supermarket chains dominate this segment and offer a wide variety of U.S. products. However, despite their prominence and growth, only 20-25 percent of retail sales are via the modern retail channel.

The traditional retail channel is subdivided into two main components: neighborhood stores known as “*colmados*” and walk-in food warehouses known as “*almacenes*” located mainly in traditional street markets. In addition to direct sales to the public, *Almacenes* also serve as suppliers to *colmados*. It is estimated that 70-80 percent of retail food sales are recorded by the traditional retail channel.

Supermarket Chains: The number of Dominican supermarkets has doubled over the last 20 years. Supermarkets are concentrated in the greater Santo Domingo area and other large urban areas. There are currently approximately 120 supermarkets nationwide (see Section II below).

Independent Supermarkets: The second component of the modern food retail channel is made up of the independent supermarkets. With more than 40 points of sale, the majority are based in Santo Domingo and Santiago, the two largest cities in the country. Most of these independent supermarkets have joined forces in an umbrella group known as the National Union of Low-Cost Supermarkets (UNASE).

Convenience Stores: The last component of the modern food retail channel is comprised of convenience stores, which are mainly located in gas stations and focus on pre-packaged and ready-to-eat foods and beverages. They offer a high portion of U.S. brands (some produced outside the United States), including snacks, sodas, other non-alcoholic beverages, rum, wine, and beer. Customers generally only purchase food and drink to consume in this inexpensive and social environment. There are no regional or national chains in this sub segment.

ADVANTAGES AND CHALLENGES

Advantages	Challenges
1.The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products.	1.Competition from other CAFTA-DR signees, and other countries that have implemented free trade agreements with the Dominican Republic.

Advantages	Challenges
2. A large and growing tourist population which demands high value food products.	2. Tariff rate quotas, safeguards and other CAFTA-DR provisions that protect local producers of rice, meat (beef, poultry and pork), dairy products, beans, garlic, and onions.
3. A growing number of consumers demanding higher quality and healthier products; they generally perceive that the U.S. products meet their requirements.	3. Requirement that U.S. products comply with Spanish language labeling requirements.
4. Efficient food distribution channels, with the construction of new highways and the modernization of seaports and airports facilitating the flow of imported food products.	4. Cold chain limitations.
5. Consumers greatly influenced by U.S. culture, with a positive perception of U.S. products.	5. Required import permits for some products.
6. The proximity of the Dominican Republic to the United States and strong bilateral relationships throughout the public and private sectors, which facilitates trade.	6. 18 percent VAT and high internal logistic costs.
7. Growing population in urban centers and increased rate of employment.	7. A lack of transparency and corruption, which continue to earn the DR relatively low scores in international comparison tables (DR was 99 th out of 190 countries in the World Bank's 2018 "Ease of Doing Business" ranking).
8. A Dominican diaspora in the U.S. of approximately one million persons, clustered primarily in the northeastern states and Florida, whose remittance payments help support the Dominican economy.	8. A lack of institutional continuity across changes in government administrations.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Key Factors for Successful Entry

Given the diversity and rapid rate of change within the Dominican retail sector and the broad mix of domestically produced and imported products, there are many avenues for product entry. Several of the large (and modern) retail chains directly source products, which generally involves

few intermediaries. However, given the prevalence of low purchase volumes in some specialty products, specialization among importers, and the prominent role played by freight consolidators, it is more common that multiple intermediaries are involved in product importation and placement. Common combinations in this sector, depending on the chain and product, may include various levels, although a common model will be as follows:



Market Structure

Major Trends

Over the last three decades, the Dominican retail sector has undergone significant changes in response to sustained economic growth. During that time, supermarkets developed from average store sizes of 200-500 square meters (in the early 1990s) up to sizes of 10,000 square meters in the early 2000s. This growth in size was due to a focus on serving the expanding urban middle and upper middle classes, which were experiencing rapid increases in income. This expansion in store size and number of outlets also means a greater selection of products for consumers. Supermarkets have increased their item selections from 30,000 products in the 1990s to up to 85,000 products (during the high season) in recent years. There has also been an expansion in the availability of non-grocery goods and services for supermarket clients to facilitate “one stop-shopping.” Goods and services such as banking, household appliances, fast food, telecommunications, and pharmacies are now commonly co-located with supermarkets.

In a related development, supermarket chains now offer an increasing number of products under their own brands. Consumers have benefited from special promotions and lower prices as stores seek to attract customers for these products. While there has been a negative impact on some local product manufacturers, who have seen their revenue decrease by up to 15 percent, this development also offers an opportunity for private label manufacturers. One of the most active supermarkets in the country has recently started using U.S. products in some of their private label products.

In recent years, however, supermarket chains are turning their attention towards the lower-income sectors, which make up close to 50 percent of the population. This has resulted in the construction of smaller stores (approximately 3,000 square meters), which offer mainly perishable foods and home supplies. Meanwhile, substantial changes among smaller retail operations such as the “*Colmados* and *Colmadones*” (neighborhood stores or mom and pop stores) keep occurring, having also increased in number and product offerings, with a range of imported products on their shelves.

Top Host Country Retailers

As previously noted, there are eight main supermarket chains in the DR (links to official sites)

Grupo Ramos <http://gruporamos.com>

Centro Cuesta Nacional (CCN) <http://www.centrocuestanacional.com>

Supermercados Bravo <http://superbravo.com.do>

Plaza Lama <https://plazalama.com.do>

Supermercados La Cadena <http://supermercadoslacadena.com>

PriceSmart <https://shop.pricesmart.com/dr/sp>

Carrefour <http://www.carrefour.com>

Super Fresh <https://www.facebook.com/superfreshmarkets>

SECTION III. COMPETITION

U.S. products have the largest market share in each of the products highlighted below. However, the United States competes with the European Union for dairy products and meat; local industry for poultry, fruit, and vegetables; and a few key regional agricultural suppliers for specific products.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (Cheese)	United States: 47% Netherlands: 19% Spain: 12%	The United States is able to provide the varieties of cheese consumed in the country. Both U.S. and European suppliers benefit from meeting tourist expectation for familiar products.	While the local dairy industry largely supplies the fluid milk demand, domestic cheese is not currently comparable to imported cheese due to differences in variety, quality, and sanitary factors.
Meat of Bovine Animals, Fresh or Chilled	United States: 99% Germany and Spain: remainder	The United States benefits from its geographic advantage and high product quality, as well as the DR's preference for Certified Angus Beef in both food service and retail establishments.	Existing production is not sufficient to meet the local demand, which creates opportunities for imports. Select slaughterhouses are seeking equivalence to be able to ship products to the United States, particularly Puerto Rico.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Edible Vegetables and Certain Roots and Tubers	United States: 65% China: 14% Netherlands, Canada, European, Central and South American countries: remainder	The United States benefits from its product quality and geographical advantage.	Local suppliers are working to address pest management, food safety, and other challenges. USDA has been helping to increase the competitiveness of Dominican cacao, pineapple, avocado, greenhouse vegetable, and oriental vegetable value chains via a Food for Progress program.
Apples , Pears and Quinces	United States: 92% Chile: 8%	In apples, United States' quality and geographical advantage is a major advantage, with Chile entering the market counter-seasonally. Chile is more competitive in pears and quinces due to its climate.	The DR is dependent on imports due to the tropical climate.
Potatoes (other than Sweet Potatoes) Fresh or Chilled	United States: 65% Canada: 23% Germany: 7% Netherlands: remainder	U.S. potatoes benefit from its wide variety and quality. Potatoes USA's strong presence has increased the U.S. market share, especially in frozen fries for the food service sector.	High level of seasonal protection for local producers.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Industry sources indicate that the best product prospects in the Dominican retail sector include U.S. dairy products (cheese, yogurt, and milk powder), poultry, pork meat, beef, flour and other baking ingredients, spices, candies, fresh fruit, processed vegetables, prepared foods, condiments and sauces, snacks, eggs and egg products, and fruit and vegetable juices. There is also growth potential for existing and new alcoholic beverage brands within the distilled spirit, wine, craft beer categories.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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Please do not hesitate to contact this office for more detailed information about the Dominican food market, lists of importers, major players in the sector, and any other related questions.

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National Federation of Retailers and Food Merchants (FENACODEP)

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Dominican Institute for Quality Standards (INDOCAL)

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