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Dominican Republic

Grain and Feed

Rice Production Update

2003

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Report Highlights:
Dominican rice production has surged in the past three years, creating a situation of over supply, reducing rice imports to almost zero and putting pressure on the government to export at subsidized prices.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Santo Domingo [DR1]
[DR]

After averaging 245,000 metric tons per year from 1997 to 2000, Dominican rice production levels increased sharply to 324,000 metric tons in 2001, 347,000 metric tons in 2002, and an estimated 330,000 metric tons for 2003. These increases were the result of a concerted Dominican policy to become self-sufficient in rice and eliminate rice imports.

The earlier production levels resulted in yearly imports in the range of 30,000 to 70,000 tons to meet domestic demand of 315,000 to 325,000 tons per year. As recently as MY 2000, the Dominican Republic imported 35,000 metric tons of rice from the Untied States along, with some informal cross the border movement of rice from Haiti. By the end of MY 2002, production increases had generated surplus stock levels of rice exceeding 60,000 metric tons. This in turn led to pressure to export rice at subsidized prices.

Over the past several years, rice producers have been able to convince the Dominican Government to recognize higher and higher production cost levels, which are the basis for setting producer rice prices through negotiations between producer groups and the Ministry of Agriculture. In addition, during MY 2000 and 2001, President Mejía (a former Secretary of Agriculture) instructed the Government-owned Agricultural Bank (*Banco Agricola*) to provide additional support to the rice sector in the form of subsidized loans, in an effort to increase rice production and eliminate the need for imports. In effect, the Agricultural Bank provides loans to producers at an interest rate lower than the prevailing bank rate, providing an indirect subsidy to rice production.

In addition to the above, the Government through the Agricultural Bank, millers associations and individual millers subsidize the excess crop through a staging procedure called "pignoracion". This procedure allows the millers to purchase rice from the producers at a set market price for storage (Winter 2002 crop: RD$ 725/fanega, equivalent at current exchange rate to US$ 305.80 per metric ton polished rice). The miller stores the rice and places it in the market when needed but with a four-month maximum storage period. At the end of the storage period, the Government covers the financial costs of the purchase operation and the storage costs to the miller. According to recent information, the main harvest of 204,500 metric tons (4.5 million quintals) was "pignorized". After all expenses were calculated, the Dominican Government paid about RD$400 million or about US$56 per metric ton in this way.

Apparent consumption has remained stagnant for several years. In the early 1990's, when rice production costs were relatively low, annual consumption levels were close to 350,000 metric tons. As prices increased, due to increased producer prices and import restrictions, consumption patterns of some consumers have changed to include less expensive alternative sources of carbohydrates, such as, bread, pasta and other staple foods like, plantains, cassava and dasheen. The current inflation levels including currency devaluations will only allow consumption to remain around 325,000 metric tons with marginal increases during MY 2003 and into the out year.

Although the frequent reference is made to zero rice imports, in fact over 7,000 metric tons of rice were apparently imported from the United States in the first half of 2003. A tariff rate quota agreement from the Uruguay round sets a minimum access amount for rice of 13,700 tons, at a tariff rate of 20 percent. Even with the tariff applied and other import costs, the local wholesale price of over US$500 at the current exchange rate, would make rice importations very profitable for the companies granted import permits.

There was a lot of press coverage and discussion in the local government and trade groups in December 2002 and the first quarter of 2003 about exporting some of the rice surplus to Venezuela. Although a 20,000 tons sale was announced, apparently only 20 metric tons moved by air in December 2002. Government officials later in the year indicated that

30,000-metric-ton had been placed in other markets. Dominican January-May trade data show sales of 21,000 metric tons to Spain, 420 metric tons to Belgium, and 9,462 metric tons to Haiti, with all sales being made at subsidized prices. The sales to Spain and Belgium were reported at US$160 and US$168 per metric tons, respectively, less than half of the current domestic price.

Statistical Data

PSD Table

Country **Dominican Republic**

Commodity **Rice, Milled** (1000 HA)(1000 MT)

	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [	Estimate [	A Official [	Estimate [	A Official [	Estimate [New]	
Market Year Begin		01/2001		01/2002		01/2003	MM/YYYY
Area Harvested	99	104	100	111	100	100	(1000 HA)
Beginning Stocks	43	24	63	38	48	63	(1000 MT)
Milled Production	310	324	318	347	320	320	(1000 MT)
Rough Production	477	498	489	534	492	492	(1000 MT)
MILLING RATE (.9999)	6500	6500	6500	6500	6500	6500	(1000 MT)
TOTAL Imports	35	9	0	0	50	7	(1000 MT)
Jan-Dec Imports	0	9	50	0	25	7	(1000 MT)
Jan-Dec Import U.S.	0	9	0	0	0	7	(1000 MT)
TOTAL SUPPLY	388	357	381	385	418	390	(1000 MT)
TOTAL Exports	0	0	0	0	0	31	(1000 MT)
Jan-Dec Exports	0	0	20	0	0	31	(1000 MT)
TOTAL Dom. Consumptior	325	319	333	322	333	325	(1000 MT)
Ending Stocks	63	38	48	63	85	34	(1000 MT)
TOTAL DISTRIBUTION	388	357	381	385	418	390	(1000 MT)