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Post: Santo Domingo

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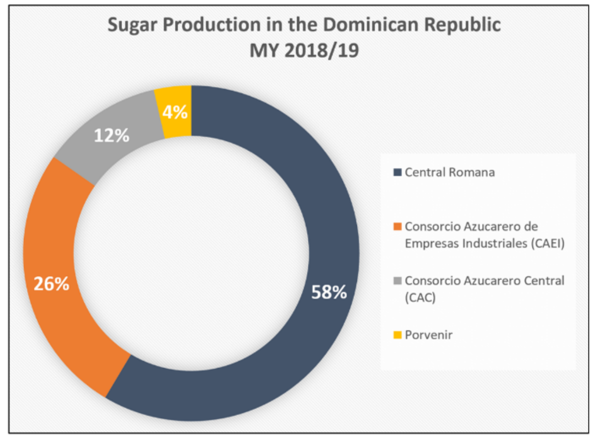
Report Highlights:

With sugar production zones recovering from the drought that affected the country in the past year, Post forecasts sugar production of 580,000 metric tons (MT) during Marketing Year (MY) 2020/2021 (October/September). During MY 2019/20, Post estimates sugar production of 565,000 MT, a significant increase from the 545,515 MT produced during MY 2018/19, as a return to normal rainfall patterns continue to increase yields in the Dominican production zones. Additionally, for MY 2020/21, Post projects exports to remain stable at 185,000 MT. The total amount of exports is expected to fill the U.S. annual sugar tariff-rate quota (TRQ) due to price premiums in the U.S. market.

1. Production

For MY 2020/21 (October 2020/September 2021), Post forecasts total sugar production will increase to 580,000 MT, as production zones are expected to continue recovering from the drought that affected the country during MY 2018/19. For MY 2019/20, Post estimates production at 565,000 MT as a return to normal rainfall patterns continue to increase yields in the Dominican production zones. For MY 2019/20, the average industrial yield, which is not impacted greatly by climate conditions, is estimated to remain at approximately 11 percent.



Source: Built by Post with information from INAZUCAR and Post research

According to the Dominican Sugar Institute (INAZUCAR, which is part of the Ministry of Agriculture) and Post research, total sugar production was 545,515 MT during MY 2018/19, comprised of 395,305 MT raw and 150,210 MT refined sugar. The largest private producer (Central Romana) continues to dominate the Dominican sugar market, producing approximately 58 percent of the total production. Central Romana and Consorcio Azucarero de Empresas Industriales (CAEI) are the only producers of refined sugar in the country.

2. Consumption

For MY 2020/21, Post forecasts consumption of sugar to increase slightly to 393,000 MT, from the 390,000 MT projected for MY 2019/20. The increased forecast is due to an expected recovery in: 1) the small and medium processing companies that are currently limiting their operations due to the COVID-19 pandemic; and 2) the current decrease in number of tourists visiting the country also due to the pandemic. Additionally, the forecast takes into consideration the expected normal growth in the population.

During MY 2018/19, local consumption of sugar increased to 393,000 MT, for an estimated per capita consumption of 83 pounds per person per year. Of this total, the Dominican market consumed approximately 54 percent raw sugar and 48 percent refined.

3. Trade

For MY 2020/21, Post forecasts exports to decrease to 185,000 MT, assuming normal demand patterns from the United States and subject to U.S. import quota allocations for that period. For MY 2019/20, Post projects exports to increase to 210,000 MT with the additional U.S. quota allocations received by the country for the current Fiscal Year (FY) detailed below.

The United States remains the most important market for Dominican sugar. During MY 2018/19, according to INAZUCAR and Post research, exports of raw cane sugar totaled 179,089 MT, of which 100 percent was exported to the United States.

On June 27, 2019, the United States announced TRQ allocations for FY 2020. Once again, the DR received the largest single-country allocation, representing 17 percent of the entire TRQ. The allocation was distributed by the Dominican Government as follows:

FY 2020 U.S. TRQ ALLOCATION AND LOCAL DISTRIBUTION

Mill	**Allocations of U.S. TRQ**		
	Share (%)	***Quantity (MTRV)****	***Quantity (MTCV)****
Central Romana	62.84	116,465	111,583
Consorcio Azucarero de Empresas Industriales (CAEI)	27.16	50,337	48,227
Consorcio Azucarero Central (CAC)	10.00	18,533	17,756
TOTAL	***100.00***	***185,335***	***177,566***

**MTRV: Metric Tons Raw Value; MTCV: Metric Tons Commercial Value.*
Source: INAZUCAR, Decree No. 353-19, http://www.inazucar.gov.do/transparencia/index.php/base-legal/category/323-decretos?download=41:decreto-353-19-zafra-ano-2019-2020.

On February 7, 2020, and then on April 8, 2020, the Office of the United States Trade Representative (USTR) announced additional quotas for the Dominican Republic during FY 2020 of 16,397 MT and 30,000 MT respectively, increasing the total assigned quota to 231,732 MT.

According to INAZUCAR and private sector contacts, the industry intends to fill its U.S. TRQ allocations during FY 2020, and believes that a high utilization rate is important to maintaining the DR's position as the largest quota-holder. According to Post data, almost halfway into MY 2019/20, the DR has exported 196,732 MT to the United States.

In the context of the CAFTA-DR framework, an additional quota exists for products containing sugar. That quota is allocated to CAFTA-DR signatory countries each calendar year, based on the country's having a positive trade surplus in sugar and syrup goods[1] and availability. For FY 2020, the Dominican Republic received an allocation of this quota of 4,250 MT[2]. However, with a higher allocation of the WTO raw sugar TRQ for FY 2020, the DR is not expected to use this provision.

Smaller quantities of raw sugar are informally exported to neighboring Haiti in response to disparities in market prices. However, these quantities are not necessarily reflected in official export figures. According to Post sources, quantities may vary significantly per year depending on the relative price levels in Haiti and the DR. With attractive local prices and availability of the raw sugar TRQ to the United States, the quantity of exports to Haiti are expected to be limited during MY 2019/20 and MY 2020/21.

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[1] *In the Final Text of the CAFTA-DR Agreement, please see Appendix I to the Schedule of the United States to Annex 3.3 for more details:* http://www.ustr.gov/sites/default/files/uploads/agreements/cafta/asset_upload_file971_3958.pdf

[2] *For more details:* https://www.federalregister.gov/documents/2019/12/06/2019-26365/determination-of-trade-surplus-certain-sugar-and-syrup-goods-and-sugar-containing-products-of-chile

During FY 2019, the Dominican Republic also received the largest single country allocation for the annual U.S. TRQ: 185,335 MT, out of a total of 1,117,195 MT assigned. The DR filled 97 percent of its assigned TRQ. Allocations and execution per individual mill in FY 2019 were:

FY 2019 U.S. TRQ ALLOCATION AND EXECUTION

Mill	Allocations of U.S. TRQ		Execution of U.S. TRQ	
	Share (%)	***Quantity (MTRV)***	***Quantity (MTRV)***	***Non-executed (MTRV)***
Central Romana	62.84	116,465	111,960	4,505
Consorcio Azucarero de Empresas Industriales (CAEI)	27.16	50,337	48,629	1,708
Consorcio Azucarero Central (CAC)	10.00	18,533	18,500	33
TOTAL	***100.00***	***185,335***	***179,089***	***6,246***

**(MTRV): Metric Tons Raw Value.*
Source: *INAZUCAR, Decree No. 393-18, http://www.inazucar.gov.do/transparencia/index.php/base-legal/category/323-decretos?download=42:decreto-393-18-zafra-ano-2018-2019; FAS CQI files.*

The Dominican Republic imports limited quantities of sugar every year from various countries, including Guatemala, Mexico, Brazil, and Colombia. With higher production levels and reduced exports, Post projects import levels during MY 2020/21 at 10,000 MT, down from the 40,000 MT forecast to be imported during MY 2019/20. The increased forecast for MY 2019/20 is due to expected imports to supply local demand and, at the same time, supply increased export demand from the United States.

Current in-quota import duties for raw and refined sugar are 14 percent and 20 percent, respectively, plus an 18 percent value-added tax (VAT)[3]. As part of its World Trade Organization (WTO) commitments under the Technical Rectification following the Uruguay Round, the DR Government established a TRQ of 30,000 MT for sugar (with the in-quota rates cited above), coupled with an out-of-quota tariff of 85 percent. Following these negotiations, the DR has often issued import permits for amounts in excess of 30,000 MT annually in order to cover shortfalls in domestic production. Generally, these additional amounts are assessed only the in-quota tariff rate. INAZUCAR is the entity responsible for administering the tariff quota for sugar.

Under the CAFTA-DR, as of January 1, 2020, U.S. sugar and High Fructose Corn Syrup (HFCS) exported to the Dominican Republic is tariff rate free.

4. Other products

In addition to raw sugar exports, other sub-products are produced for both local and international markets, representing important revenue sources for the industry. For example, for MY 2018/19, the industry produced 37 million gallons of molasses for industrial (rum) and livestock use. Molasses is sold locally and exported.

[3] The DR's value-added tax (VAT) is referred to locally as the "Impuesto a la Transferencia de Bienes Industrializados y Servicios" (ITBIS).

Another important product is furfural, which is used by oil refineries as a dissolving agent and is processed out of the cane fiber. Furfural is only produced by Central Romana, and according to INAZUCAR, their exports accounted for 28,000 MT in MY 2018/19.

5. Stocks

Producers hold the lion's share of stocks. For MY 2020/21, Post forecasts increased ending stocks of 81,000 MT with higher production levels and reduced exports. During MY 2019/20, Post projects stocks at 69,000 MT.

6. Policy

Several laws regulate the sugar sector in the Dominican Republic. Law 491 controls the relationship between private cane producers and millers and sets prices for raw cane based on sugar content. Similarly, Law 619 assigns regulatory functions to INAZUCAR and governs marketing (domestic and export), TRQ assignment, price schedules, and statistics.

For a number of years, the government has been promoting the use or development of an ethanol-gasoline blend, previously authorized by a long-standing law (2071) and reactivated by Decree No. 556-05 in 2005. Subsequently, the regulations outlined in the 2005 legislation were enacted in Law No. 57-07 (promulgated in May 2007), which seeks to encourage the development of renewable sources of energy and their special regimes. The effort to establish a mandate that would include a requirement of 10 percent ethanol in an ethanol-gasoline blend, and one of 20 percent biodiesel for a diesel blend, has stagnated. Both local and foreign investors remain hesitant to establish a mandate under such uncertainties. None of the major mills currently plan to install ethanol production facilities or are advocating for implementation of the blending mandate. Additionally, imported ethanol is subject to the taxing scheme applied to alcohol for human consumption, including the Value Added Tax (VAT) payment plus and an ad valorem tax depending on the percentage of alcohol and weight. This taxing scheme basically prices out imported alcohol from the local market.

All of the major mills are, or soon will be, self-sufficient in energy production, and look to boost co-generation capacity from the incineration of sugar cane bagasse. Some of the mills, especially CAEI and CAC, continue to be interested in supplying energy to the national matrix (co-generation) to generate additional income.

7. Marketing

The Ministry of Industry and Commerce and INAZUCAR establish the base price for both raw and refined sugar based on historical prices and production estimates. In November 2018, both base prices were updated since the latest base price establishment (April 2016). The prices have not been updated since. The chart below, presents the established prices at current dollar value:

OFFICIAL PRICES FOR SUGAR IN THE DOMINICAN REPUBLIC

Type of Sugar	Prices (US$/pound)		
	Producer to wholesaler	Wholesaler to retail	Retail to consumer
Raw	0.36	0.39	0.43
Refined	0.42	0.45	0.49

**Average exchange rate on 04/06/2020, according the Central Bank: RD$54.03=US$1.*
Source: INAZUCAR, Resolution No. 001/2018; http://www.inazucar.gov.do/transparencia/index.php/base-legal/category/324-resoluciones?download=50:resolucion-de-precios-001-2018

At the retail level, since January 2016, sugar has been taxed with an 18 percent VAT.

8. Statistics

Sugar Cane for Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Nov 2019		Nov 2020		Nov 2021	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	110	110	110	110	0	115
Area Harvested	110	110	110	110	0	115
Production	5000	5000	5300	5300	0	5700
Total Supply	5000	5000	5300	5300	0	5700
Utilization for Sugar	5000	5000	5300	5300	0	5700
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	5000	5000	5300	5300	0	5700
(1000 HA), (1000 MT)						

Sugar, Centrifugal	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
Beginning Stocks	74	74	58	64	0	69
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	546	546	565	565	0	580
Total Sugar Production	546	546	565	565	0	580
Raw Imports	16	16	20	40	0	10
Refined Imp.(Raw Val)	0	0	0	0	0	0
Total Imports	16	16	20	40	0	10
Total Supply	636	636	643	669	0	659
Raw Exports	185	179	185	210	0	185
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	185	179	185	210	0	185
Human Dom. Consumption	393	393	396	390	0	393
Other Disappearance	0	0	0	0	0	0
Total Use	393	393	396	390	0	393
Ending Stocks	58	64	62	69	0	81
Total Distribution	636	636	643	669	0	659
(1000 MT)						

Attachments:

No Attachments