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Dominican Republic

Sugar

Annual

2000

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Report Highlights:
Dominican sugar production began recovery from an all time low in MY 1999. With production estimated at 440,000 mtrv in MY 2000, and the state owned mills in hands of the private sector, the future looks promising. Refined sugar remains limited and will require about 50,000 mtrv of imported sucrose, half of the quantity imported the year before.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santo Domingo [DR1], DR

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Executive Summary

Sugar production for MY 2000 is estimated at 440,000 metric tons. This increase from an all time low is mostly attributable to the PRIVATIZATION of the state owned mills (Consejo Estatal de Azucar - CEA), increase production by the two largest private mills and damage to the cane fields by hurricane Georges in late 1998.

Domestic sugar consumption is fairly stable at 300,000 - 315,000 metric tons and somewhat evenly divided between raw and refined consumption. Sugar, mostly in raw form, is consumed by the general public and industry, while refined sugar is primarily used in the industry by the soft drink and confectionary manufacturing industries. Refined sugar production at Central Romana is not expected to meet the country's demand and the other refining mills are not functioning. To compensate, 50,000 mt of refined sugar imports are envisaged to meet demand in MY 2000.

The Dominican Republic is the largest holder of U.S. sugar quota for MY 2000 with an allocation of 185,346 metric tons.

Production

The Dominican Republic was a strong sugar producer a decade ago when total output surpassed a million metric tons. Production gradually fell to a record low of 371,000 metric tons in MY 1999. This production decline was mainly due to technical, administrative and financial difficulties with CEA, the major producer. During CEAs golden years, they operated twelve mills producing almost two thirds of the country's output. Through a joint venture arrangement, most of the mills are now administered by private enterprises and production is expected to show an increase for MY 2000 as well as in the out year projections.

The two largest private producers, Central Romana and the Vicini group, are expected to produce 370,000 MT in MY 2000. The other mills combined could produce as much as 120,000 MT. Both Vicini and Central Romana regularly renovate their transport and milling facilities and adjust their production schedules to maximize harvest operations and increase total output. However, production is not anticipated to be sufficient to meet local consumption plus export demand. A shortage of refined sugar is anticipated.

After almost two years of discussions, which concluded in September 1999, the Government of the Dominican Republic concluded the capitalization of the state owned sugar mills. During MY 1999 these mills barely contributed fourteen percent to total production and debts exceeded US$250 million. The actual transfer of the administration of the mills to private hands took place in early CY 2000.

The capitalization process concluded with a 30 year rental agreement with private firms. CONAZUCAR (Consorcio Azucarero del Caribe), a Zurcamex subsidiary (from Mexico), contracted five mills (Rio Haina, Ozama, Boca Chica, Quisqueya and Consuelo). A second company, fully Dominican, Consorcio Agroindustrial Caña Brava (CACB) was appointed two of the smallest mills (Monte Llano and Amistad). A third local enterprise, the Pringamosa group (Central Azucarera del Este and Pringamosa Mill) acquired the rights for two mills (Santa Fe and Porvenir), owning a third mill currently being installed. Finally a Dominico-American group owned by AMEROP, represented by the Consorcio Azucarero Central (CAC), was appointed the administrator of the last mill (Barahona). In addition to a basic fee, all the companies agreed to an additional payment of two percent of their gross sales. This rental agreement is already in place.

As a result of the privatization of the state sugar industry and the current installation of a new private mill (Pringamosa) which is expected to begin operations next year, it is anticipated that production will begin to show considerable growth.

Details of official data on cane milled and sugar output by producer group follows for reference only:

CANE MILLED AND SUGAR PRODUCTION BY COMPANY
CY 1997 - CY 1999

	CY 1997		CY 1998		CY 1999	
	Cane	Production	Cane	Production	Cane	Production
Mills	(000 MT)	(MT)	(000 MT)	(MT)	(000 MT)	(MT)
CEA	2,373	229,802	721	56,145 1/	778	50,530
C. Romana	3,067	386,297	2,511	301,250	2,558	242,184
Vicini	822	66,512	746	67,400	1,082	78,609
Total	6,262	682,621	3,978	470,000 1/	4,418	371,323

1/ Sources estimate CEA's sugar production was lower.
Source: Dominican Sugar Institute (INAZUCAR) and post estimates.
Note: CY data may differ from MY data in P,S & D table.

Central Romana generally begins its harvest in late November or early December, while the others begin in late December and January. As a result, Central Romana is able to process more cane before the rainy season interrupts the harvest. CONAZUCAR, CAC and CAE have opened some of their mills very late because a need to conduct some repairs. The other two CCB mills, located in the northern part of the island, normally operate after the others conclude harvest, from June/July through August/September.

The semi-refined sugar ("azucar afinada") produced at the state owned Ozama mill has been reduced from 42,000 MT in 1988 to zero in MY 1999 for the third year in a row.

At 100,000 metric tons, refined sugar production represents only two thirds of the country's total needs. Therefore, refined imports are required to satisfy consumption. In addition, refined sugar represents about half of domestic sugar consumption.

Molasses, inverted sugar syrups and furfural (a liquid aldehyde used as a solvent or for furan or phenolic resins) also represent important sources of revenues for the industry. According to preliminary INAZUCAR statistics for CY 1999, the sugar industry produced 38.6 million gallons of molasses and 34,353 MT of furfural.

Rainfall patterns, fertilization and labor are the main factors which determine sugar yield. Industry sources indicate that fertilizer application has shown little change in the last five years, due to its high costs. While most fertilizer is applied manually, Central Romana, and sometimes CEA, do minimal amounts of aerial spraying. More than half of the land devoted to cane production is not irrigated and, as a consequence, is subject to stress, particularly during dry spells.

The sugar industry requires both full time and seasonal workers, about 35,000 full time and an additional 20,000 during the harvest. About half of the regular work force is said to earn about US$100 per month plus a small subsistence allowance for lodging, in the case of field workers. About ten to fifteen percent of sugar cane is harvested mechanically. Mechanization is expected to play a more prominent role in the future of all producers, only if labor costs increase or the availability of cane workers decreases.

Cane yields vary between 30 MT and 80 MT/hectare, depending upon location, rainfall patterns, available transport resources, cane varieties and fertilizer use. Some producers incorporate modern management procedures and spend more on inputs to obtain higher yields. During the last ten years, the sugar recovery rate averaged 10.6 percent, but has been lower during the past five years. In CY 1999, sugar recovery rates averaged 8.4 percent.

The following table shows the average yields by producers:

ANNUAL PRODUCTION AND AVERAGE YIELD BY PRODUCER
CY 1997 - CY 1999

Mills	Cane milled	Ave. yield	Cane Milled	Ave. yield	Cane milled	Ave. yield
	(000MT)	(Percent)	(000MT)	(Percent)	(000MT)	(Percent)
	CY 1997		**CY 1998**		**CY 1999**	
CEA	2,373	9.8	721 1/	8.3	778	6.5
C.Romana	3,067	12.6	2,511	12.0	2,558	9.5
Vicini	822	8.1	746	9.0	1,082	7.3
Total	6,262	9.1	3,978 1/	10.5	4,418	8.4

1/ Sources in the industry do not believe CEA was able to reach these values in MY (CY)1998.
Source: Dominican Sugar Institute (INAZUCAR).

For decades, sugar cane producers have been devoting time and monetary resources to develop improved cane varieties. Sugar rates have varied widely, however, between 8 and 12.5 percent. Sugar content also fluctuates between 7 and 13 percent, depending on variety, level of plant maturity, time spent on the ground or in transport after cutting, etc. Local cane varieties are resistant to all of the major diseases currently identified in the Dominican Republic. Some of the sugar cane crosses used in the DR are CR6101, PR63-488, RD7511 and B76-78.

Costs of production vary substantially from company to company, from more than US$0.22 pound, to the most efficient averaging US$0.14-0.15 pound. INAZUCAR, the Government agency responsible for developing and implementing sugar policies, and the Secretariat of Industry and Commerce determine price and import policy and have pegged retail prices for raw sugar at US$0.24 per pound (RD$3.20/lb.); US$0.31 per pound (RD$4.10) for local refined sugar and US$0.32 per pound (RD$4.30) for refined imported sugar.

Retail prices for sugar have remained stable during the last twelve months. As of March, 2000, prices for crude sugar ranged from US$0.18 to US$0.24 per pound (RD$2.50-3.50). Refined sugars ranged from US$0.24 to US$0.37 per pound (RD$4.00-6.00). Supermarkets generally sell raw sugar in two and five pound packages while small neighborhood stores (colmados) sell any amount which meets the consumer's requirements.

Consumption

Domestic sugar consumption is fairly stable at 300,000 metric tons and pretty evenly divided between raw and refined consumption. Sugar, mostly in raw form, is consumed by the general public, while refined sugar is primarily used by the soft drink and juices and confectionary industries.

Limitations and inefficiencies (i.e. a conversion ratio of 1.4:1) of the state owned sugar refinery at Porvenir (now transferred to the Pringamosa Group) have led Central Romana to optimize and expand the capacity of its refinery set at 125,000 short tons in MY 1999. Refined sugar was imported in MY 1999 and will probably be imported in MY 2000. A new mill being constructed at Pringamosa is expected to produce an off-white sugar very similar to the current refined. The following table is derived from INAZUCAR data and shows the pattern of local sugar sales, although imported sugar is not reflected in this table.

LOCAL SUGAR SALES BY PRODUCERS in MT

Sugar type	CY 1995	CY 1996	CY 1997	CY 1998	CY 1999
Raw	161,289	140,378	175,715	171,399	122,917
Refined	147,897	164,039	127,552	111,055	84,151
Semi refined	331	7,119	0	0	2,003
Total	309,502	311,536	303,267	282,454	209,971

Source: INAZUCAR

Stocks

Official data on stock levels is not available as an unknown amount rests with middle men and users. Information on in-country sugar stocks is subject to a great deal of contradiction, as speculation and hoarding are elements commonly used to inflate prices. Because of endemic cash shortages and a policy of forward sales, CEA did not maintain adequate stocks and often fell short in meeting its sale commitments. Private producers try to keep relatively higher stock levels to allow them to respond to market needs and also to put them in a position to take advantage of any inability by CEA to meet its quota allocation.

Trade

The Dominican Republic is the largest holder of the U.S. tariff rate quota (TRQ) and has received 16.4% of the MY 1999 allocation. The DR's initial TRQ allocation for MY 2000, at 185,346 metric tons, was down three percent from the previous year.

Considerable quantities of raw and refined sugar were imported during CY 1999 in order to avoid speculation and refined sugar shortages. As a result of a production shortfall in MY 1999, another over 100,000 tons of imports were needed to meet the demand for sugar and satisfy the needs of the tourism sector, soft drinks, juices, preserves and confectionary industries.

Most exports are now moving to the United States because of price and proximity. The following table presents monthly sugar exports to the United States, for the last five marketing years:

DOMINICAN MONTHLY SUGAR EXPORTS TO THE UNITED STATES
MY 1996 - MY 2000

Month	95/96	96/97	97/98	98/99	99/00
January	0	50	17,628	422	2/
February	0	10,958	11,447	629	
March	18,668	27,328	0	11,361	
April	14,826	28,987	15,800	27,812	
May	39,188	45,402	31,545	17,054	
June	34,544	61,989	26,991	12,004	
July	55,001	22,312	36,017	12,248	
August	51,617	71,738	23,193	30,924	
September	62,731	14,107	54,937	17,331	
October	33,356	52,666	339	0	
November	12,510	10,000	39,505	1,070	
December	51	0	14,181	0	
Total	322,512	345,358	253,953	130,855	
Quota 1/	350,940	321,324	268,350	190,657	185,346

Note: Values have not been adjusted to 98 degrees pol.
1/ Extended months 1992/94.
2/ No data available.
Source: INAZUCAR and post.

There is a basic import duty of 15% for raw sugar and 20% for refined sugar, plus an 8% ITBIS. Imports of sugar and sugar based products still require permits from INAZUCAR (decree 576-96). With the WTO rectification in mind, the GODR has stated that it will issue permits for up to 23,000 MT imports on a first-come, first-serve basis, and in CY 1999 the Secretary of Industry authorized additional imports. With the 20% tariff and 8% ITBIS, refined sugar imports have difficulty competing with local sugar when available.

In addition to raw sugar exports, other sugar related products are produced for the local and international markets. Molasses, inverted sugar syrups and furfural (a liquid aldehyde used as a solvent or for furan or phenolic resins) also represent important sources of revenues for the industry. According to preliminary INAZUCAR statistics for CY 1999, the sugar industry produced 38.6 million gallons of molasses- 9.3 million by Vicini, 8.1 million by CEA and 20.9 million by CR. Of this amount, 8.0 million were used for local consumption and 24.8 million gallons (valued at $9.2 million) were exported. In addition to molasses, 34,353 MT of furfural was produced and 31,548 MT was exported, valued at US$14.3 million.

Policy

Several laws regulate the sugar sector. Law 491 controls the relationship between private cane producers and processors and sets the price for cane based on sugar content. Law 619 assigns regulatory functions to INAZUCAR and also governs marketing (domestic and export), price schedules, statistics, etc.

For over thirty years, the U.S. sugar quota has been divided among the three producers according to a formula which was established when CEA was the dominant producer. According to the formula, CEA was allocated 59.78 percent of the quota; Central Romana, 32.33 percent; and Vicini, 7.97%. In 1997, the Government announced a change in sugar policy, and began to establish quota allocations on more current production levels. In MY 1998, the allocations are CEA, 45%; CR, 45%; and Vicini, 10%. Beginning MY 2000 a new distribution pattern has been revised: Central Romana 43.5%, Consorcio Azucarero del Caribe 26.6%, Grupo Vicini 9.5%, Central Pringamosa 7.6% Consorcio Pringamosa 6.1%, Consorcio Caña Brava 3.7% and Consorcio Azucarero Central 3.0%. In the future, the allocations will be revised based on performance and should eventually be determined by a formula which averages the each producer's production over the most current three year period. The GODR hopes that this will provide an incentive for producers, to optimize production as access to the U.S. sugar TRQ represents potential earning power.

As part of its WTO rectification agreement the Dominican Government established an in-quota tariff level for sugar of 20 percent for 23,000 MT imports, gradually increasing to 30,000 MT by the year 2004. Maximum out-of-quota tariffs were established at one hundred percent decreasing to 85% in 2004.

Statistical Tables

PSD Table						
Country	Dominican Republic					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		11/1998		11/1999		11/2000
Beginning Stocks	93	93	63	63	73	48
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	395	371	440	440	0	480
TOTAL Sugar Production	395	371	440	440	0	480
Raw Imports	45	50	0	0	0	0
Refined Imp.(Raw Val)	35	55	50	50	0	30
TOTAL Imports	80	105	50	50	0	30
TOTAL SUPPLY	568	569	553	553	73	558
Raw Exports	188	189	188	183	0	183
Refined Exp.(Raw Val)	2	2	2	2	0	2
TOTAL EXPORTS	190	191	190	185	0	185
Human Dom. Consumption	310	310	290	316	0	315
Feed Dom. Consumption	5	5	0	4	0	5
TOTAL Dom. Consumption	315	315	290	320	0	320
Ending Stocks	63	63	73	48	0	53
TOTAL DISTRIBUTION	568	569	553	553	0	558

PSD Table						
Country	Dominican Republic					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		11/1998		11/1999		11/2000
Area Planted	230	230	0	230	0	230
Area Harvested	210	200	0	210	0	220
Production	4763	4566	0	5000	0	5500
TOTAL SUPPLY	4763	4566	0	5000	0	5500
Utilization for Sugar	4763	4566	0	5000	0	5500
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	4763	4566	0	5000	0	5500

Export Trade Matrix			
Country	Dominican Republic		
Commodity	Centrifugal Sugar		
Time period	MY 1999	Units:	MTVC
Exports for:			1
U.S.	191000	U.S.	
Others		Others	
Total for Others	0		0
Others not Listed	0		
Grand Total	191000		0

Import Trade Matrix			
Country	Dominican Republic		
Commodity	Centrifugal Sugar		
Time period	MY 1999	Units:	MTRV
Imports for:			1
U.S.	2700	U.S.	
Others		Others	
Brazil	80000		
Guatemala	22300		
Total for Others	102300		0
Others not Listed			
Grand Total	105000		0