Required Report: Required - Public Distribution **Date:** April 10, 2024

Report Number: DR2024-0003

Report Name: Sugar Annual

Country: Dominican Republic

Post: Santo Domingo

Report Category: Sugar

Prepared By: Virgilio Mayol

Approved By: Frederick Giles

Report Highlights:

Sugar production in the Dominican Republic (DR) is forecast to reach 520,000 metric tons (MT) due to favorable rainfall conditions through the first half of marketing year (MY) 2024/2025 (October - September). Production for MY 2023/2024 is estimated at 500,000 MT, compared to the previous marketing year. Despite ongoing import restrictions imposed by U.S. Customs and Border Protection (CBP) on sugar and sugar-based imports on the leading Dominican producer, Post expects that the DR will meet the U.S. sugar quota for fiscal year (FY) 2024.

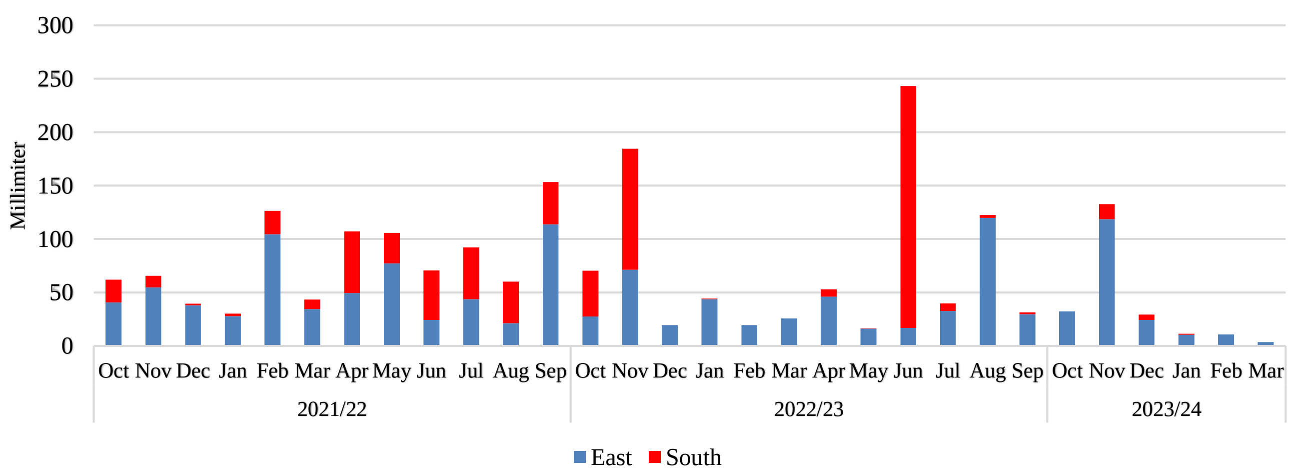
1. Production

For MY 2024/2025, Post forecasts total sugar production at 520,000 MT due to favorable weather conditions. The consensus forecast indicates improvement in rainfall patterns in the first half of MY 2024/2025, leading to improved yields. For MY 2023/2024, Post estimates production to remain stable compared to the same period last year, as lower-than-normal rainfall patterns continue affecting yields in key production areas.

The local sugar industry continues to grapple with the repercussions of the U.S. Customs and Border Protection's (CBP) Withhold Release Order (WRO) issued against Central Romana, the largest local Dominican sugar producer, due to long-standing labor issues. The CBP order, which bars the entry of sugar and sugar-based products to the United States, has prompted local producers to reshuffle distribution channels to cater to the domestic market, while smaller producers fill the overseas U.S. quota.

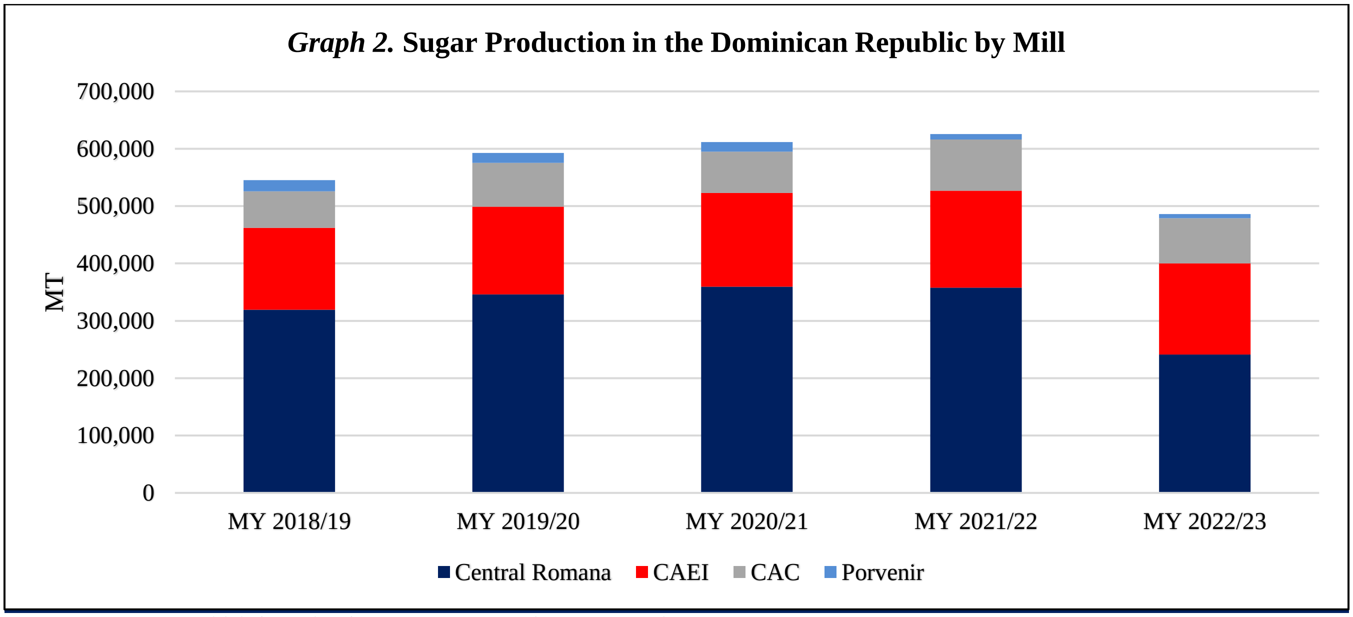
According to data from CLIMARED, a weather-tracking platform in the DR, the drought that impacted major sugar production areas in MY 2022/2023 continues into the first half of MY 2023/2024. Graph 1 illustrates a 39-percent reduction in rainfall for the eastern and southern regions of the DR between October 2023 and March 2024 compared to the same period last year. Specifically, the eastern region, where over 80 percent of local production is concentrated, received 3 percent less rainfall during the same timeframe last year.

***Graph 1.* Rainfall During MYs 2021/22, 2022/23 and 2023/24 in the Main Sugar Production Areas of the DR**



Source: Built by Post with information from CLIMARED.

According to data compiled by the Dominican Sugar Institute, INAZUCAR, and Post's research, total sugar production declined to 486,378 MT in MY 2022/2023. This figure consisted of 358,615 MT of raw sugar and 127,763 MT of refined sugar.



Source: Built by Post with information from INAZUCAR and Post's research.

Graph 2 demonstrates that the largest local private producer, Central Romana, continues to dominate the market, accounting for approximately 50 percent (241,075 MT) of total production. Following closely behind is CAEI, the second-largest producer, contributing 33 percent (159,238 MT). CAC produced 16 percent (78,796 MT) of total production during MY 2022/2023. Central Romana and CAEI are the only producers of refined sugar in the country.

2. Consumption

In MY 2024/25, Post projects sugar consumption at 403,000 MT, up nearly 1 percent from MY 2023/2024. The projection is primarily driven by a surge in tourist activity, notably in hotels and resorts across the country, where foreign visitors are consuming higher quantities of sweets and processed products. The Dominican Republic's Central Bank reported an increase in arrivals of foreign visitors, reaching 8.1 million in 2023, a 13-percent increase from the last calendar year. For 2024, the bank forecasts that the number of foreign visitors will increase even further, reaching 9 million. Additionally, the forecast period incorporates a 1-percent rise in population growth.

In MY 2022/2023, local consumption reached 397,000 MT, resulting in an estimated per capita consumption of 83 pounds per year. Of this total, approximately 55 percent was raw sugar and 45 percent was refined sugar.

3. Trade

For MY 2024/2025, Post forecasts exports will remain unchanged at 190,000 MT compared to the last MY, assuming normal demand patterns from the United States. Similarly, Post estimates exports to remain stable at 190,000 MT for MY 2023/2024, despite the U.S. ban on sugar imports from Central Romana. During the initial six months of MY 2023/2024, the Dominican Republic shipped 89,679 MT of raw sugar to the United States, a marked increase from the 76,310 MT shipped during the same period last year, indicating substantial progress toward fulfilling its annual quota.

On November 23, 2022, the U.S. CBP imposed a WRO against Central Romana, citing concerns about the use of forced labor in its operations. The WRO effectively bars the entry of locally produced raw sugar and sugar-based products from the company into the United States. Central Romana, which contributes approximately 60 percent (350,000 MT) of the Dominican Republic's total domestic sugar supply and has historically exported around 63 percent (116,000 MT) of the country's total U.S. raw sugar quota, is significantly impacted by this measure.

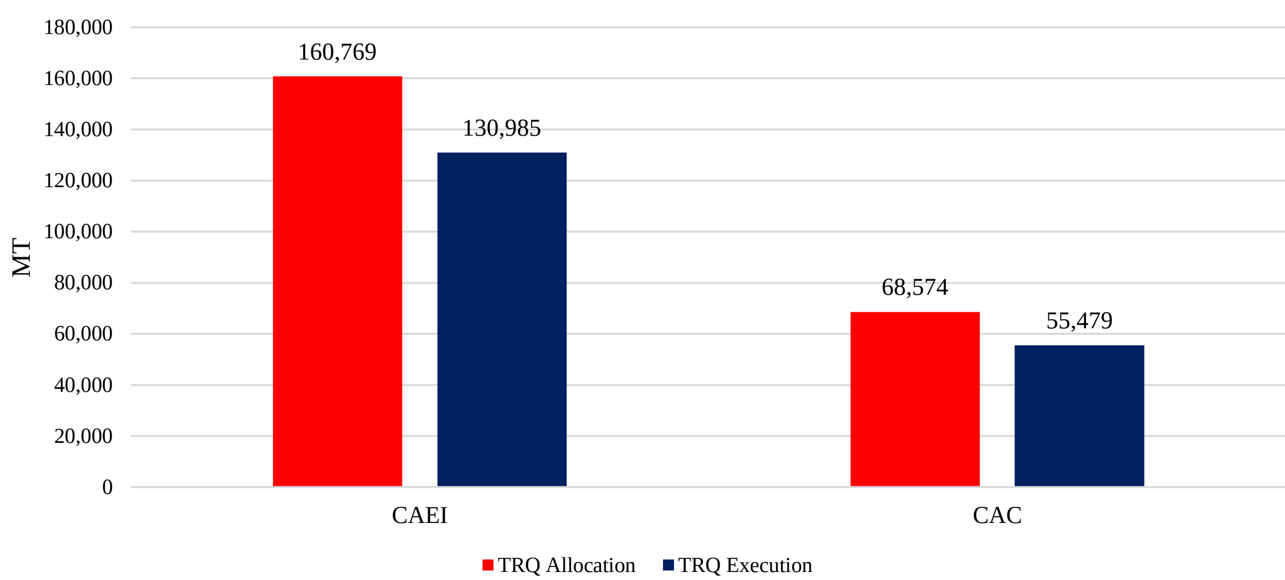
Despite the WRO, INAZUCAR has informed Post that, similar to last year, industry intends to meet its FY 2024 allocation. On July 19, 2023, the United States announced the TRQ allocations for FY 2024 here. Once again, the Dominican Republic received the largest single-country allocation, totaling 189,343 MT, out of a total of 1,117,195 MT. The allocated amount constituted 17 percent of the U.S. quota. Post expects that the Dominican Republic will be able to fill its allocation.

The United States continues to hold its position as the primary buyer of Dominican sugar. In MY 2022/2023, official exports of raw cane sugar totaled 186,464 MT, with the majority destined for the United States. Post estimates that the Dominican Republic informally exported an additional 3,000-4,000 MT to Haiti with similar volumes anticipated for the upcoming MY.

Every year, the DR exports modest quantities of raw sugar through informal channels to its neighbor, Haiti, in response to price differences. However, these quantities may not be reflected in official export figures. According to Post sources, quantities may vary widely per year.

In FY 2023, the Dominican Republic received the largest U.S. sugar allocation of 189,343 MT, out of a total of 1,117,195 MT. The country received an additional allocation in the same year that lifted its total to 229,343 MT. The DR filled 98 percent of the original quota allocated but was not able to supply any of the additional quota. The following graph illustrates the allocations and execution rate per mill in FY 2023:

Graph 3. **FY 2023 U.S. TRQ Allocation and Execution**



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

Under the Dominican Republic – Central America Free Trade Agreement (CAFTA-DR), an additional quota exists for products containing sugar, which is assigned annually based on the country's trade surplus in sugar and syrup goods[1]. However, in FY 2024, the DR did not meet the requirements to receive an additional allocation.

The Dominican Republic typically imports limited quantities of sugar every year from non-U.S. countries. With expected higher levels of production and stocks in the DR, Post forecasts imports for MY 2024/2025 to decrease to 70,000 MT, a reduction from the estimated 95,000 in MY 2023/2024. In MY 2022/2023, when production was lower, imports rose to more than 85,000 MT, which was largely sourced from Brazil (68 percent) and Guatemala (18 percent).

Currently, in-quota import duties for raw and refined sugar stand at 14 percent and 20 percent, respectively, plus an 18 percent value-added tax (VAT)[2]. In line with its World Trade Organization (WTO) commitments, the DR established a tariff-rate quota (TRQ) of 30,000 MT for sugar, which is subject to the in-quota rates, coupled with an out-of-quota tariff of 85 percent. To address production shortfalls, the DR, through INAZUCAR, authorizes imports above the TRQ, which are subject to the out-of-quota tariff rate.

Under CAFTA-DR, as of January 1, 2020, U.S. sugar and high fructose corn syrup (HFCS) exported to the Dominican Republic enjoy duty-free access.

4. Other products

Apart from exporting raw sugar, the sugar industry generates additional revenue through the production of various by-products intended for both local and international markets. For example, in MY 2022/2023, the sugar industry produced 35 million gallons of molasses for industrial (i.e., rum) and livestock use. Molasses is sold both locally and internationally.

Another notable product is furfural, which is used by oil refineries as a dissolvent agent and processed from cane fiber. Furfural production is exclusive to Central Romana, with INAZUCAR reporting production at 26,816 MT for MY 2022/23.

5. Stocks

Producers hold the predominant share of stocks. In MY 2024/2025, Post forecasts a slight decrease in ending stocks at 72,000 MT, reflecting expectations of reduced imports. In MY 2023/2024, Post projects stocks at 75,000 MT driven higher by production and import levels compared to the previous MY.

6. Policy

Several laws regulate the sugar sector in the Dominican Republic. Law No. 491 governs the relationship between private cane producers and millers; the law also sets prices for raw cane based on sugar content.

---

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

Similarly, Law No. 619 assigns regulatory duties to INAZUCAR, which are overseeing both domestic and foreign marketing, TRQ allocations, price schedules, and statistical reporting.

For several years, the government has promoted the use or development of an ethanol-gasoline blend, initially established by Decree No. 556-05 in 2005. The provisions of the decree were formalized by Law No. 57-07 (passed in May 2007), which aimed to incentivize the development of renewable energy sources. This initiative aimed to establish a mandate that would include a 10-percent requirement on ethanol in gasoline blends, and a 20- percent biodiesel requirements for diesel blends; the executive branch has yet to enact his initiative.
Amidst such uncertainties, local and foreign investors remain hesitant to enter the market. Currently, none of the major mills plan to install ethanol production facilities nor advocate for implementation of the blending mandate.

It is noteworthy to mention that imported ethanol faces taxation similar to alcohol for human consumption, including the 18 percent VAT plus and an ad valorem tax based on the percentage of alcohol and weight. This tax framework effectively discourages the importation of ethanol for the local market.

All major mills are, or soon will be, self-sufficient in energy production as they look to boost combined heat and power capacity from the incineration of sugar cane bagasse. Some of the mills, especially CAEI and CAC, supply energy to the national power grid, which serves as an additional revenue stream.

7. Marketing

The Ministry of Industry, Commerce, Trade and SME's in collaboration with INAZUCAR established the base price for both raw and refined sugar based on historical prices and production estimates. The most recent adjustments to these baseline prices were in December 2020. The chart provided below shows the established prices in current dollars.

***Table 1*. Official Prices for Sugar in the Dominican Republic**

Type of Sugar	Prices (US$/pound)		
	Producer to wholesaler	Wholesaler to retail	Retail to consumer
Raw	0.33	0.36	0.40
Refined	0.38	0.42	0.47

**Average exchange rate during calendar year 2023, according to the Central Bank: DOP$55.84=US$1.*
Source: INAZUCAR, Resolution No. 001/2020.

Since January 2016, retail sugar has been taxed with an 18 percent VAT.

8. Statistics

Sugar Cane for Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	Nov 2022		Nov 2023		Nov 2024	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	110	110	100	113	0	120
Area Harvested (1000 HA)	110	110	100	113	0	120
Production (1000 MT)	5350	5350	4800	5000	0	5500
Total Supply (1000 MT)	5350	5350	4800	5000	0	5500
Utilization for Sugar (1000 MT)	5350	5350	4800	5000	0	5500
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	5350	5350	4800	5000	0	5500
(1000 HA), (1000 MT)						

Sugar, Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	Oct 2022		Oct 2023		Oct 2024	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	87	87	71	71	0	75
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	486	486	500	500	0	520
Total Sugar Production (1000 MT)	486	486	500	500	0	520
Raw Imports (1000 MT)	75	75	80	85	0	60
Refined Imp. (Raw Val) (1000 MT)	10	10	10	10	0	10
Total Imports (1000 MT)	85	85	90	95	0	70
Total Supply (1000 MT)	658	658	661	666	0	665
Raw Exports (1000 MT)	190	190	190	190	0	190
Refined Exp. (Raw Val) (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	190	190	190	190	0	190
Human Dom. Consumption (1000 MT)	397	397	399	401	0	403
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	397	397	399	401	0	403
Ending Stocks (1000 MT)	71	71	72	75	0	72
Total Distribution (1000 MT)	658	658	661	666	0	665
(1000 MT)						

Attachments:

No Attachments