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Dominican Republic

Sugar

Sugar Semi Annual Report

1999

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Report Highlights:

Sugar production in the Dominican Republic has declined to its lowest level in history. However, the inefficient Government owned sugar mills, largely responsible for production shortfalls, are being privatized as of September 1999.

Includes PSD changes: Yes

Includes Trade Matrix: No

Semi-Annual Report

Santo Domingo [DR1], DR

Executive Summary

In addition to the anticipated low predicted earlier in the MY 1999 harvest, sugar production in the Dominican Republic is expected to further decline to its lowest level in history. Chronic financial and administrative problems in the government owned sugar industry and the effects of Hurricane Georges are responsible for the severe downturn in production.

The Dominican Sugar Institute INAZUCAR and other GODR officials have given assurances that the Dominican Republic would meet the 190,657 MT of raw sugar quota allowed under the 1998-99 allocation. As of mid September 1999, practically the whole allocation had been shipped to the United States.

Although there has been a decrease in production in the Dominican Republic as a result of the damaging effects of Hurricane Georges on sugar plantations and their infrastructure, the main reason for the decline has been the GODR owned sugar mills' inability to meet forty percent of their record low production goals of 148,000 MT. It has been already confirmed that the shortfall in production will require considerable quantities of sugar imports from the world market in order to meet local demand and to allow locally produced sugar to meet international commitments. During the current marketing year, there have been imports of 10,000 MT of semirefined sugar from Guatemala, 45,000 MT of raw sugar and 25,000 MT refined from Brazil and some sources have indicated that perhaps an additional 25,000 MT of refined sugar may be needed before the end of MY 1999.

For almost two years, discussions have taken place concerning privatizing the state owned sugar mills. These mills at one time produced as much as sixty percent of the country's total output. Contributing less than fifteen percent to total production in MY 1999 and with debts exceeding US\$250 million, the GODR began the process of re-capitalization in September 1999. The actual transfer will occur before CY 2000.

Their current financial situation includes debts to sugar cane producers (US\$24 million), suppliers (US\$13 million), sugar traders with futures contracts (US\$16 million), back salaries (US\$13 million) and severance payments (US\$44 million). This debt should be settled shortly.

The results of the re-capitalization process concluded with a 30 year rental agreement with private firms. The results were: Zurcamex, a Mexican company contracted five mills (Rio Haina, Ozama, Boca Chica, Quisqueya and Consuelo) for US\$6,395,700/year. A second company, fully Dominican, Consorcio Agroindustrial Caña Brava was appointed two of the smallest mills (Monte Llano and Amistad) for the sum of US\$450,000/year. A third local enterprise, the Pringamosa group acquired the rights for two mills (Santa Fe and Porvenir) for US\$2,350,599/year and a Dominico-French-American group, CDFA, was appointed the administrator of the last mill (Barahona) for US\$1,805,000/year. In addition to this basic fee, all the companies agree to an additional payment of two percent of their gross sales. A 20% and 10% discount in annual fees was granted to Zurcamex for the first and second year of operation. This rental agreement should take effect within the next sixty days.

As a result of the privatization of the state sugar industry it is anticipated that production will begin to show considerable growth, not only with the mills which have just being privatized, but with the current installation of a new private mill (Pringamosa) which is expected to begin operations next year.

PSD Table						
Country:	Dominican Republic					
Commodity:	Sugar					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		11/1997		11/1998		11/1999
Beginning Stocks	173	173	98	93	66	63
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	470	470	420	395	0	440
TOTAL Sugar Production	470	470	420	395	0	440
Raw Imports	0	0	15	45	0	0
Refined Imp.(Raw Val)	25	25	45	35	0	50
TOTAL Imports	25	25	60	80	0	50
TOTAL SUPPLY	668	668	578	568	66	553
Raw Exports	268	268	210	188	0	188
Refined Exp.(Raw Val)	2	2	2	2	0	2
TOTAL EXPORTS	270	270	212	190	0	190
Human Dom. Consumption	295	300	300	310	0	290
Feed Dom. Consumption	5	5	0	5	0	0
TOTAL Dom. Consumption	300	305	300	315	0	290
Ending Stocks	98	93	66	63	66	73
TOTAL DISTRIBUTION	668	668	578	568	66	553