

Required Report: Required - Public Distribution

Date: October 01,2019

Report Number: DR2019-0006

Report Name: Sugar Semi-annual

Country: Dominican Republic

Post: Santo Domingo

Report Category: Sugar

Prepared By: VIRGILIO MAYOL

Approved By: ELIZABETH AUTRY

Report Highlights:

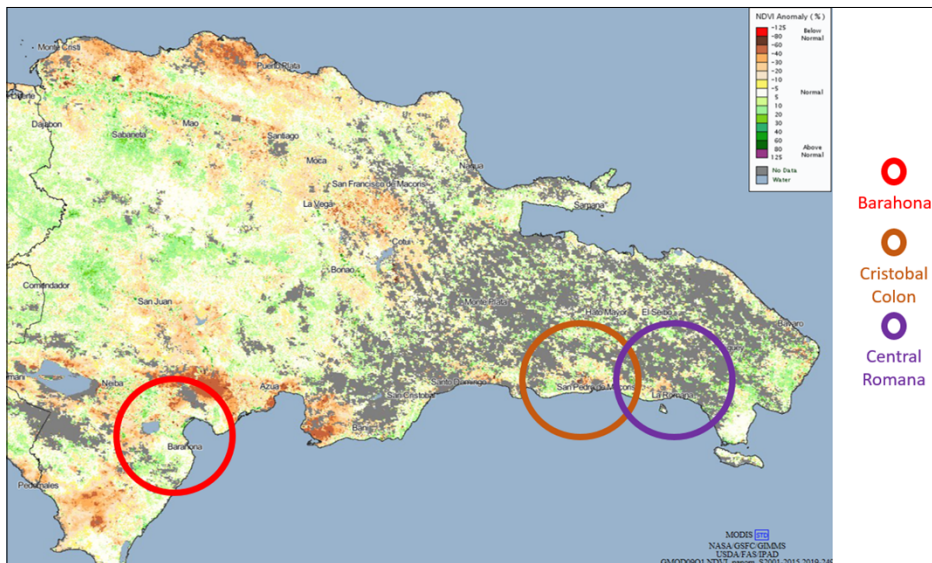
For Marketing Year October 2019 / September 2020 (MY 2019/20), Post forecasts overall production to increase to 565,000 metric tons (MT) due to favorable weather conditions. During MY 2018/19, total sugar production reached 545,515 MT, an 11 percent decrease from MY 2017/18 due to a severe drought that affected agricultural yields. For MY 2019/20, Post forecasts exports of raw cane sugar at 185,000 MT. Since the United States is currently the only major export market for Dominican Republic (DR) sugar, this volume is similar to the DR's country allocation for the U.S. tariff-rate quota (TRQ) for Fiscal Year 2020 (FY 2020). During MY 2019/20, Post forecasts imports will slightly increase to 20,000 MT to offset lower stock levels from the previous MY.

1. Production

For MY 2019/20, Post forecasts overall production to be higher than MY 2018/19, at 565,000 MT. This forecast is based on an expected return to favorable weather conditions that should bring normal rainfall patterns over the production zones, resulting in increases of agricultural yields compared to MY 2018/19. Due to those expected weather conditions, the largest sugar producer in the country (Central Romana) is expected to increase its total output by nine percent in MY 2019/20.

As shown in the graphic below, the main production zones of the country (the two eastern circles of San Pedro de Macoris and La Romana and the west circle of Barahona) currently show a mostly normal or below normal Normalized Difference Vegetation Index (NDVI). This is due to an unexpected, severe drought through the country, which affected the production zones during MY 2018/19.

NDVI IN MAIN SUGAR PRODUCTION AREAS OF THE DR



Source: <https://glam1.gsfc.nasa.gov/>. Consulted on 09/20/19.

As a result of the drought, according to the Dominican Sugar Institute (INAZUCAR) and Post research, total sugar production declined to 545,515 MT in MY 2018/19, comprised of 395,305 MT raw and 150,210 MT refined sugar. This represents an 11 percent decrease in total sugar production compared to MY 2017/18.

**SUGAR PRODUCTION IN DR MY 2017/18 AND MY 2018/19
MT**

Mill	MY 2017/18		MY 2018/19	
	Raw	Refined	Raw	Refined
Central Romana	218,566	170,918	173,851	145,589
CAEI (Cristobal Colon)	147,784	809	138,272	4,621
Consortio Azucarero Central (Barahona)	48,946	0	63,604	0
Azucarera Porvenir	28,951	0	19,578	0
TOTAL	444,247	171,727	395,305	150,210

Source: Boletín Cierre Zafra Azucarera 2018-2019 (INAZUCAR)

**Market year begins in October and ends in September.*

As shown in the chart above, an 18 percent (70,044 MT) decrease in total sugar production from the largest private producer (Central Romana) was a key factor in the overall decrease in production. The second largest producer, CAEI (Cristobal Colon), had a production decrease of 4 percent (5,700 MT). However, as mentioned in Post’s previous sugar annual report, CAEI expanded its refined sugar operation, resulting in a 471 percent increase in its refined sugar production (3,815 MT). The third largest sugar producer in the country (Consortio Azucarero Central [CAC]) was the only producer able to increase its production output during MY 2018/19, by 30 percent (14,658 MT). This increase was due to availability of irrigation water. Finally, Azucarera Porvenir’s output decreased by 32 percent (9,375 MT).

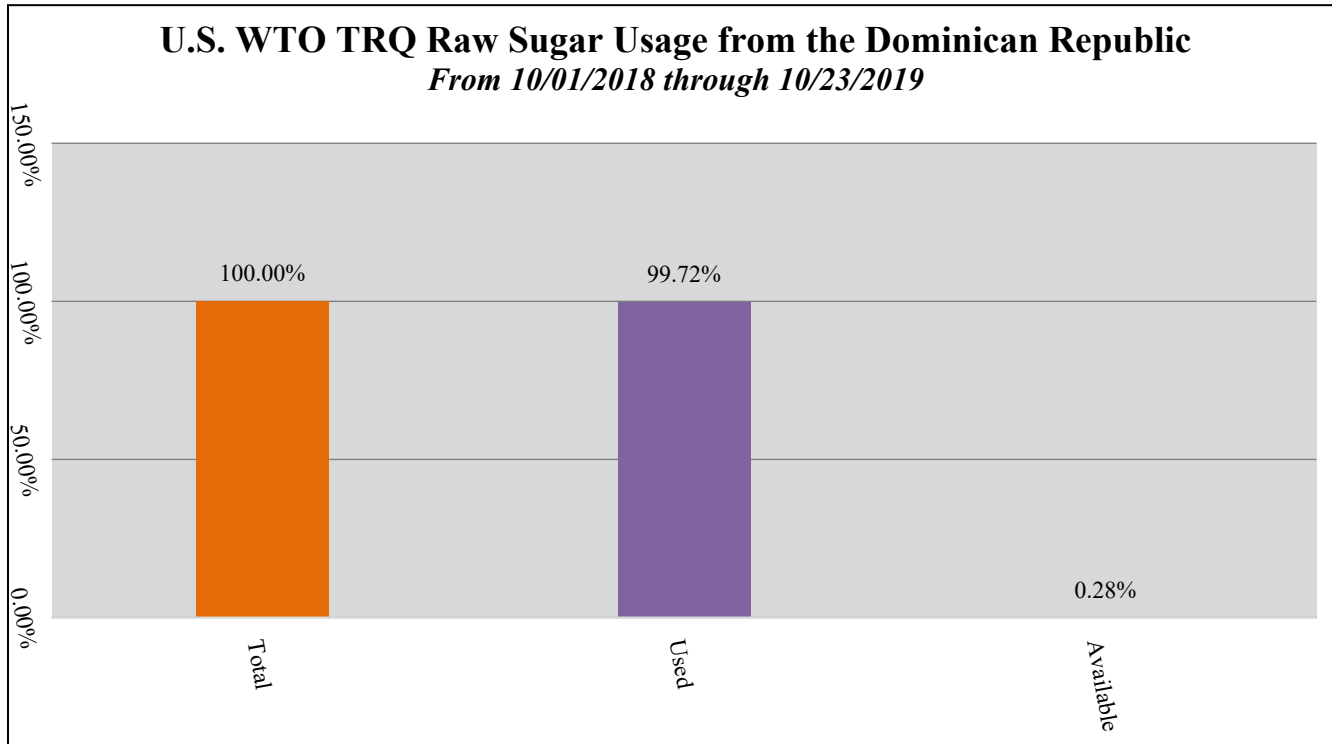
2. Consumption

For MY 2019/20, Post forecasts consumption of sugar at 396,000 MT based on expected normal population growth. During MY 2018/19, annual per capita consumption remained stable, reaching an estimated 393,000 MT. Of this total, the Dominican market consumed approximately 52 percent raw sugar and 48 percent refined.

3. Trade

For MY 2019/20, Post forecasts exports of raw cane sugar at 185,000 MT, up slightly from the 184,815 MT (final data not yet available) exported during MY 2018/19. This forecast is based on the U.S. WTO tariff-rate quota (TRQ) available to the DR during Fiscal Year 2020 (FY 2020) and much smaller quantities of Dominican sugar exports to other markets. Post does not expect the DR to ship sugar to the European Union (EU) during the upcoming MY due to lower prices compared to the U.S. market. Prices of sugar are expected to remain low in the EU due to changes that took place in their trade regime, with the abolishment of national sugar production quotas.

The United States remains the most important market for Dominican sugar, and was the main destination for Dominican sugar exports during MY 2018/19. Smaller quantities are exported to Haiti and other Caribbean islands in response to disparities in market prices, usually between 3-5,000 MT per year.



Source: Built by Post with data from: https://www.cbp.gov/sites/default/files/assets/documents/2019-Sep/Quota%20Status%20Report%20SEP%2023%202019_0.pdf

During FY 2019, the DR continued to receive 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 country did not receive additional allocations during the year. According to the latest U.S. Customs and Border Protection (CBP) report, the DR has filled 99.72 percent of its assigned TRQ.

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 performance¹ and availability. For Calendar Year 2019 (CY 2019), the DR did not receive an allocation.

For MY 2019/20, Post forecasts increased imports of 20,000 MT in order to offset lower stock levels from the previous MY. The expected imports will be made under special regimes for the food processing industry. During MY 2018/19, the main suppliers of sugar were Guatemala, with 88 percent of total imports (13,760 MT), and Colombia, with 11 percent (1,642 MT).

4. Stocks

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

For MY 2019/20, Post forecasts stocks to reach 62,000 MT, slightly higher than the 58,000 MT estimated for MY 2018/19. Producers hold the lion's share of stocks, which typically range from 30,000 to 60,000 MT.

5. Production, Supply and Demand Data Statistics

Sugar Cane for Centrifugal Market Begin Year Dominican Republic	2017/2018		2018/2019		2019/2020	
	Nov 2017		Nov 2019		Nov 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	115	115	115	110	110	110
Area Harvested	115	115	115	110	110	110
Production	5800	5800	5500	5000	5200	5300
Total Supply	5800	5800	5500	5000	5200	5300
Utilization for Sugar	5800	5800	5500	5000	5200	5300
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	5800	5800	5500	5000	5200	5300

(1000 HA) ,(1000 MT)

Sugar, Centrifugal Market Begin Year Dominican Republic	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	16	16	74	74	66	58
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	616	616	560	546	530	565
Total Sugar Production	616	616	560	546	530	565
Raw Imports	16	16	10	16	30	20
Refined Imp.(Raw Val)	0	0	0	0	0	0
Total Imports	16	16	10	16	30	20
Total Supply	648	648	644	636	626	642
Raw Exports	184	184	185	185	185	185
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	184	184	185	185	185	185
Human Dom. Consumption	390	390	393	393	396	396
Other Disappearance	0	0	0	0	0	0
Total Use	390	390	393	393	396	396
Ending Stocks	74	74	66	58	45	62
Total Distribution	648	648	644	635	626	642

(1000 MT)

Attachments:

No Attachments