



Foreign Agricultural Service

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Dominican Republic

Grain and Feed

Wheat Update

2002

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Report Highlights:

The overall economic slowdown in the Dominican Republic and the increase in the international prices for wheat reduced wheat consumption in MY 2001 and anticipates further decrease in MY 2002.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Santo Domingo [DR1], DR

Executive Summary

Although international prices have recently moved towards the all time high achieved during the late eighties, these new prices inevitable will lead to lower consumption levels in the Dominican market. Millers anticipate a 5-10% reduction in demand as a result of not only the higher international prices anticipated for the current year but also the reduction of buying power of the Dominican peso.

The Dominican Republic does not produce wheat due to climatic limitations. As a non producing country, it has been a traditional buyer of high protein content U.S. wheat (14%) for decades. All imports in MY 2001 originated from the United States. In spite of the efforts from other suppliers, quality and price of the U.S. products will assure the Dominican millers of a high quality and stable product for consumers.

After the 1998 hurricane, USDA donated 100,000 MT of wheat to assist the Dominican Republic's agricultural sector through a 416 (b) program and wheat consumption increased over ten percent. Two years later, an additional fifty thousand metric tons were donated by USDA to support the Global Food for Education Program. Although consumption was expected to continue this growing trend, it did not. Overall economic situation in the Dominican Republic has slowed down it economic growth rate. As part of that development, local currency has lost strength and the higher wheat prices pushed bread prices up by thirty percent at the end of MY 2001.

The continued increase of the international prices of wheat in recent months have added pressure on local bread prices. By early September 2002 the retail prices for bread had increased 50%. Meanwhile the wholesale price for wheat flour increased twenty percent (RD\$350 [US\$19.44] to RD\$420 [US\$23.33] per 120 lb. bag). With the current price trend, processors anticipate an additional 15 percent hike before the mid MY 2002. Consumption decreased in MY 2001 and is expected to decrease even further in MY 2002. Wheat flour imports have averaged about 1,500/year over the last three years, while minimal quantities (30-40 MT/year) of Bulgur wheat have averaged during the same period.

Although the implementation of a free trade agreement with Central America (CA) is already in effect, pasta and cracker/cookie manufactures do not perceive much competition of the CA products with the local industry.

The Dominican Republic does not subsidize or restrict the trade of wheat. However, the government prefers that all trade be conducted through a registered Dominican agent. Non objection certificates are readily available through the Secretariat of Agriculture. There was a fifteen percent basic tax on wheat imports which was reduced to 0 in 2001. As a basic food item, wheat flour pays no VAT.

Statistical Data

PSD Table						
Country	Dominican Republic					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	0	0	0	0	0
Beginning Stocks	20	20	20	20	20	20
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	340	275	350	270	0	265
Jul-Jun Imports	340	275	350	270	0	265
Jul-Jun Import U.S.	0	275	0	270	0	265
TOTAL SUPPLY	360	295	370	290	20	285
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	340	275	350	270	0	270
Ending Stocks	20	20	20	20	0	15
TOTAL DISTRIBUTION	360	295	370	290	0	285