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Dominican Republic

Grain and Feed Annual

2018

Approved By:

Elizabeth Autry, Senior Agricultural Attaché

Prepared By:

Virgilio Mayol, Agricultural Specialist

Report Highlights:

Wheat consumption in the Dominican Republic (DR) during Marketing Year (MY) 2018/2019 (July 2018/ June 2019) is forecast at 410,000 metric tons (MT), with imports remaining strong at 540,000 MT. Post forecasts imports of **Corn** to slightly decrease to 1,250,000 MT during MY 2018/19 (October 2018/ September 2019). During MY 2016/17, U.S. corn market share increased to 60 percent of total imports. Post expects this trend to continue during MY 2017/18 and beyond. **Rice** continues to be one of the most important agricultural products grown in the DR. Production of milled rice for MY 2018/19 (July 2018/ June 2019) is forecast at 580,000 MT and is expected to remain stable.

Commodities:

Wheat

Corn

Rice, Milled

1. WHEAT

1.1. Production

The Dominican Republic (DR) does not produce wheat; the country is completely dependent on imports to supply the domestic market.

1.2. Consumption

The DR continues to have one of the highest per capita wheat and wheat products consumption rates in the Latin America and Caribbean Region at approximately 95 pounds per person per year. The apparent consumption (Total Supply, less formal exports and ending stocks) rate has averaged approximately 449,000 MT over the last four Calendar Years (CY). Nonetheless, substantial fluctuations in the amount of wheat processed for the domestic market is a strong indicator that large volumes of unrecorded exports are flowing across the border into Haiti, in addition to officially-registered exports.

For MY 2018/19, Post forecasts consumption of wheat and wheat products to remain stable at 410,000 MT. This forecasts takes into account informal exports, explained in the trade section below.

The country is home to a large milling industry and imports almost all of its wheat from the United States and Canada. Currently, the DR boasts a daily milling capacity of around 3,320 MT, with a current average utilization of 60 percent, divided among six different processors:

MILLS CURRENTLY OPERATING IN THE DOMINICAN REPUBLIC

Molinos Modernos*	Grupo Bocel
Grupo J. Rafael Núñez	COOPROHARINA
Molinos del Higuamo	César Iglesias

* Also owns Molinos del Caribe.

Molinos Modernos and Molinos Valle del Cibao process nearly 80 percent of all wheat imports.

Generally, the wheat flour produced is used for bread-making, crackers, cookies, cakes, pastries, and pasta. According to trade estimates, more than half of the wheat flour available in the DR is used to make a popular type of bread known as *pan de agua*. This item is consumed regularly by a broad spectrum of the population, but is more heavily consumed in urban areas. The product is typically produced by industrial bakers, along with small and medium-sized bakeries, and subsequently distributed to a variety of supermarkets, “mom-and-pop” stores, markets and/or other bakeries.

In addition, wheat flour is used for many of the products distributed in the Dominican Government’s feeding programs, especially school feeding. Bread, cookies and muffins are included in the meals that reach more than 1.5 million school children in public schools throughout the country.

It is also worth noting that the demand for wheat flour has increased in recent years due to growth in the HRI sector and tourism. Hotels consume large amounts of flour to make breads, cakes, pastries and other wheat-based products for approximately four million visitors to the DR annually.

While the majority of flour production is destined for the domestic market, the DR also exports considerable quantities of wheat flour and other finished products (e.g., crackers, pasta) to neighboring Haiti. To a lesser extent, the DR has increased its exports of wheat products to Venezuela, Puerto Rico, the United States and other markets throughout the region.

1.3. Stocks

The wheat milling industry in the Dominican Republic is mostly a “just in time” operation. Wheat shipments from the United States generally arrive on a reliable schedule with shipping times of around five days, reducing the need to assume storage costs. Shipments from Canada also arrive on reliable schedules, although with shipping times of approximately 10 days. Stocks are held by the private millers.

Overall, millers’ storage capacity is limited and varies considerably by processor. Among the six mills operating in the country, collective storage capacity is estimated to be 155,400 MT.

For MY 2018/19, Post forecasts ending stocks at 81,000 MT, similar to the levels estimated for MY 2017/18, due to expected strong exports and a stable local demand.

1.4. Trade

Imports

For MY 2018/19, Post forecasts imports of wheat and wheat products to the DR at 545,000 MT, slightly above the 540,000 MT estimated to be imported during MY 2017/18. Although traditional export markets for Dominican wheat products, such as Haiti (which regularly restricts imports of wheat products from the DR) and Venezuela (which has lower demand due to its economic crisis), have decreased during the last two years, Dominican exports are expected to slightly increase. The Dominican Government is currently working on implementing an aggressive strategy to increase exports to the Caribbean islands, and local millers are aiming to expand their exports to those markets.

Imports of wheat grain

The DR imported 517,354 MT of wheat during MY 2016/17, a slight decrease from the 526,503 MT imported during MY 2015/16. The decrease in imports is explained by lower demand for wheat flour and wheat products from Haiti and Venezuela.

**DOMINICAN REPUBLIC WHEAT GRAIN IMPORTS BY PARTNER,
MY 2013-2017 (MT)***

Country	Years				
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
United States	491,488	494,754	456,723	309,718	414,090

Guatemala	81	0	0	0	0
Canada	12,400	0	100,368	191,785	103,264
Russia	0	0	0	25,000	0
Total	503,969	494,754	557,091	526,503	517,354

*HS heading 1001

Source: Built by Post with reports from GTA, GATS/USDA

During MY 2016/17 the DR imported approximately 80 percent of its wheat from the United States (414,090 MT) and 20 percent from Canada (103,264 MT).

On average from 2013 to 2017, the DR imported approximately 83 percent of its wheat grain (HS 1001) from the United States. Smaller amounts were supplied by Canada (an average of 16 percent during the same time period), Russia and Guatemala.

Currently, the majority of Dominican wheat imports are comprised of Hard Red Winter (HRW), Soft Red Winter (SRW) and Hard Red Spring (HRS). During MY 2016/17, the DR imported 38 percent HRW, mainly for bread production; 32 percent SRW, primarily used for cakes and pastry; and 30 percent HRS.

Exports

For MY 2018/19, Post forecasts total exports of wheat and wheat products from the DR to increase slightly to 135,000 MT. Anecdotal reports from industry sources and comparative analysis of local consumption versus imports and mill throughput all indicate informal trade with Haiti of 30-35,000 MT per year in wheat and wheat products.

Haiti continues to be the most important export market for Dominican wheat products, accounting for 97 percent of total official exports during MY 2016/17. Other markets for Dominican exports include the United States, Venezuela and some Caribbean Islands.

DOMINICAN REPUBLIC WHEAT EXPORTS DURING MY 2016/17

HS Code	Quantity (MT)	Grain Quantity (MT)*
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1001	65	65
Haiti	43	43
Others	22	22
1101	50,975	69,734
Haiti	50,337	68,861
Others	638	873
190219	2,913	3,985
Haiti	1,930	2,640
Others	983	1,345
190230	74	101
Haiti	57	78
Others	17	23

Source: Customs General Directory of the DR (DGA).

*Using a conversion factor of 1.368 for wheat flour (1101), pasta and couscous (190219 and 190230).

For MY 2018/19, Post forecasts exports of wheat and wheat products from the DR to Haiti through formal trade channels at around 85,000 MT, slightly more than the 74,000 MT forecast to be exported during MY 2016/17. In May 2015, Haiti imposed import restrictions on Dominican wheat flour due to: 1) alleged content of potassium bromate in the flour composition; and, 2) the need to establish a more formal transportation channel for the flour, requiring Dominican shipments to be delivered by sea and/or containers. In the near term, Haiti is not expected to lift these restrictions.

The earthquake that struck Haiti in January 2010 had a direct impact on the export growth for wheat and wheat products from the DR. The only mill in Haiti at that time, *Les Moulins d'Haiti* (LMH), was destroyed, and Dominican mills immediately increased output to supply the neighboring market. Haiti's annual wheat imports prior to the earthquake totaled approximately 200,000 MT, with the United States enjoying around 80 percent market share. The Dominican milling industry augmented its output between 40-50 percent (approximately 200,000 MT) in 2010 as a direct consequence of unmet demand in Haiti.

In December 2011, the LMH reopened. Additionally, since 2012, two other mills have started operating. However, Dominican contacts claim that none of the Haitian mills are working at full capacity. Further, those contacts claim that Haitian mills continue to deal with logistical challenges in distributing wheat products outside of Port au Prince. Therefore, the DR continues to supply the Haitian market with substantial amounts of wheat flour and products.

1.5. Policy

Within the CAFTA-DR, the DR applies no tariffs on the importation of wheat, but there are duties in place on wheat flour (1.87 percent) and pasta products classified under 1902.19 and 1902.30 (2.67 percent), along with a value-added tax (VAT¹) of 18 percent on the latter. In the case of couscous (1902.40), the DR currently applies no tariff, but the product is subject to a VAT of 18 percent.

¹ The DR's value-added tax, or VAT, is referred to locally as the ITBIS.

1.6. Statistics

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	86	86	77	81	0	81
Production	0	0	0	0	0	0
MY Imports	536	535	550	540	0	545
TY Imports	536	535	550	540	0	545
TY Imp. from U.S.	419	419	0	425	0	420
Total Supply	622	621	627	621	0	626
MY Exports	130	130	130	130	0	135
TY Exports	130	130	130	130	0	135
Feed and Residual	0	0	0	0	0	0
FSI Consumption	415	410	420	410	0	410
Total Consumption	415	410	420	410	0	410
Ending Stocks	77	81	77	81	0	81
Total Distribution	622	621	627	621	0	626
Yield	0	0	0	0	0	0

(1000 HA) ,(1000 MT) ,(MT/HA)

2. CORN

2.1. Production

Corn production in the Dominican Republic continues to be limited. On average, annual production totals 40-45,000 MT, mostly produced in the southwest region of the country. Those levels are not expected to change in the near future. Generally, domestic production represents about 3 percent of total consumption.

The DR also has very little sorghum production (around 1,000 MT annually, according to the Ministry of Agriculture) and imports very little as well. The DR's imports of coarse grains are essentially comprised of yellow corn #2 or its equivalent.

2.2. Consumption

Corn is an important ingredient for the animal feed used in the DR poultry, egg and pork industries. Livestock producers import significant volumes of yellow corn for animal feed, typically around 1.0 million MT on an annual basis. According to trade sources, close to 70 percent of the corn supply is consumed in broiler and layer production, while swine consume about 15 percent, and the food processing industry consumes around 11 percent. The remaining five percent is consumed by cattle, mostly from the dairy sector.

Every year, the government and local producers set informal production quotas of chicken and egg production, setting minimum prices through the distribution chain. The country produces nearly 1.2 billion eggs² and 190 million chickens annually. On a per capita basis, the DR consumes a staggering 70 pounds per year of chicken meat, coupled with approximately 16 pounds per year of pork (83,000 MT in total).

According to Post sources, the DR increased its production of chickens by 13 million units in the past year, from 192 million chickens during CY 2016 to 205 million during CY 2017. This output was necessary to meet increased demand from the tourism sector and the Government's Public Schools Feeding Program. This Program serves more than 2,800 public schools with extended schedule classes. Local producer associations are lobbying to add egg consumption in the Feeding Program.

Corn is purchased by a small number of companies and buying groups composed of producer associations. The most important ones are: JUPROPE, Consejo, ASODEP, APROAMOLI, and Pollo Cibao. Nearly 80 percent of all corn is imported by these groups.

For 2018/19, Post forecasts total consumption of corn at 1,300,000 MT, slightly less than the 1,350,000 MT forecast for 2017/18, due to expected declines in the local production "quotas" of chicken and egg production.

2.3. Stocks

Storage facilities are limited and vary considerably among feed producers. The collective storage capacity is estimated to be around 120,000 MT, while utilization of storage capacity is normally estimated at around 65-70 percent.

2.4. Trade

For MY 2018/19, Post forecasts imports of 1,250,000 MT, slightly down from the 1,300,000 MT forecasted for MY 2016/17. As mentioned above, the Government's Public Schools Feeding Program

² It should be noted that while official statistics are not available, it is estimated that approximately one-quarter (25 percent) of egg production continues to be exported to Haiti informally, in spite of formal restrictions on imports of Dominican poultry and eggs by the Haitian Government.

will continue to increase its demand for chicken meat and will possibly start demanding eggs. However, Post expects a decline in the local production “quotas” of chicken and egg production to ensure producer profits.

Historically, the United States has dominated the corn market in the Dominican Republic, enjoying close to 100 percent market share until MY 2008/09. Since that year, persistent complaints concerning dust levels, grain cracking, mycotoxins, availability and shipping challenges, color, milling yields and relatively higher prices led many importers to source South American corn, specifically from Brazil and Argentina. Even though this trend continued through MY 2015/16, U.S. market share increased significantly during MY 2016/17 to 60 percent of imported corn. Post expects U.S. market share to increase during MY 2017/18 and MY 2018/19 due to lower U.S. prices and increased availability.

DOMINICAN REPUBLIC CORN IMPORTS BY PARTNER, MY 2013-2017 (MT)

Country	MY 12/13	MY 13/14	MY 14/15	MY 15/16	MY 16/17
Reporting Total	1,045,623	1,010,288	1,201,537	1,349,793	1,293,900
Brazil	503,275	328,551	457,803	662,073	406,546
United States	85,090	600,145	575,969	291,187	768,713
Argentina	319,555	66,500	135,896	310,687	118,600
Others	137,703	15,092	31,869	85,846	41

* HS heading 1005.

* Source: GTA, GATS, USDA

Brazil continues to be the strongest competitor for corn to the DR market. During MY 2016/17, Brazil supplied 31 percent of total Dominican imports. Post forecasts lower exports from Brazil during MY 2017/18 due to Brazil being late in the harvest for the year and logistical challenges.

In MY 2016/17, Argentina decreased its volume of corn exports to the DR, exporting 118,600 MT, down from 310,687 MT during MY 2015/16.

Dominican exports of corn have not been significant. According to the National Directorate of Customs (DGA), the DR exported approximately 2,226 MT of corn during MY 2016/17; 25 percent of that total was destined for Haiti. Imported yellow corn that is not used in the production of animal feed is milled to produce corn meal and corn grits for both domestic consumption and export. The export total for both products (HS 1102 and 1103) during MY 2016/17 was approximately 40,000 MT. Some Dominican companies export these products to Haiti (through both formal and informal channels) and other markets throughout the region. Similarly, there are small amounts of corn-based animal feed products being exported to Cuba and other islands in the Caribbean.

2.4. Policy

As corn (along with soybean meal) constitutes one of the primary inputs in feed formulations, it is exempt from import duties in order to reduce costs for producers. Additionally, corn imports are not subject to the value-added tax (VAT).

As part of the DR’s commitments at the World Trade Organization (WTO), the country included corn among the agricultural products comprising the Technical Rectification (TR). Specifically, as part of its

WTO commitments under the TR following the Uruguay Round, the Government of the DR established an initial tariff-rate quota (TRQ) of 703,000 MT for corn that increased gradually to 1,091,000 MT by 2004. Although the DR has a bound out-of-quota tariff rate of 40 percent, this tariff is not applied. According to Decree 569-12, the Government will not apply the out-of-quota rate on corn imports.

Decree 569-12 also included corn in the Automatic License System for the adjudication of the quota, which means that the import process is expedited for importers.

At the present time, the DR has legislation in place which requires every corn importer to purchase locally produced sorghum. Specifically, the National Corn and Sorghum Commission (CNMS is the Spanish acronym) requires the purchase of five percent of national sorghum production in exchange for the importation of corn. According to officials at the Ministry of Agriculture, the five percent figure applies regardless of the amount of corn imported.

Finally, it is worth noting that the DR does not currently restrict imports of Genetically Engineered commodities. For imports of corn used as propagation material, the DR does have a rule in place that requires that the phytosanitary certificate accompanying the shipment state that said product “does not contain GMO material³”.

2.5. Statistics

Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25	0	26	0	0	0
Beginning Stocks	185	185	171	172	0	164
Production	42	45	44	44	0	45
MY Imports	1294	1294	1400	1300	0	1250
TY Imports	1294	1294	1400	1300	0	1250
TY Imp. from U.S.	769	769	0	900	0	1000
Total Supply	1521	1524	1615	1516	0	1459
MY Exports	0	2	0	2	0	2

³ For more information on Biotechnology products in the Dominican Republic, please review our latest Biotechnology Annual Report at:

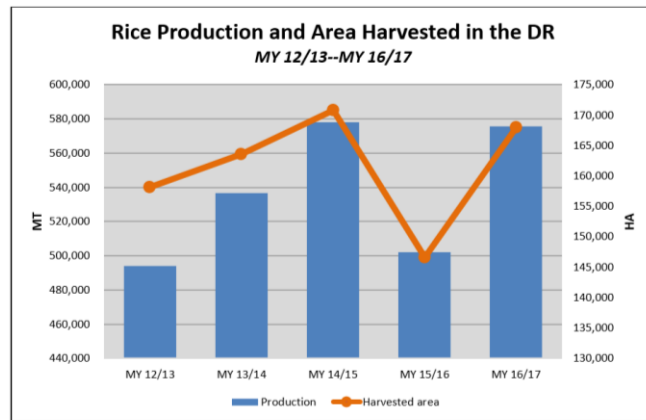
https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agricultural%20Biotechnology%20Annual_Santo%20Domingo_Dominican%20Republic_11-20-2017.pdf

TY Exports	0	2	0	2	0	2
Feed and Residual	1250	1250	1350	1250	0	1200
FSI Consumption	100	100	100	100	0	100
Total Consumption	1350	1350	1450	1350	0	1300
Ending Stocks	171	172	165	164	0	157
Total Distribution	1521	1524	1615	1516	0	1459
Yield	1.68	0	1.6923	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

3. RICE

3.1. Production

Rice is one of the most important agricultural products in the DR due to its political, economic and social impact on Dominican society. According to national estimates, the country has approximately 30,500 rice producers, nearly 250,000 people are involved in the production, processing and marketing of rice, and the sector contributes approximately five percent annually to the Agricultural Gross Domestic Product.



Source: Built by Post with reports from the Ministry of Agriculture.

Post forecasts a harvested area for rice of approximately 170,000 HA during MY 2018/19, similar to the 174,000 HA projected for MY 2017/18. This forecast represents an important increase over the area harvested during MY 2016/17 (155,000 HA), when the country was affected by “La Niña”. This effect caused the destruction of production areas due to increased rainfalls. Rice is produced in two cycles during the year: 1) spring (April-May); and 2) winter (October-November).

Most Dominican rice is produced under irrigation. According to Post sources, irrigated rice accounts for 99 percent of the total area.

During MY 2018/19, Post forecasts “rough” rice production to be 866,000 MT and milled production at 580,000 MT. Production is expected to remain high due to improved yields after a return to normal climate patterns.

The average yield has varied between 4-5 MT/HA over the last ten years. Post sources expect yields to remain in this range in the coming years, due to lack of development of new varieties and production technologies.

3.2. Consumption

Post does not forecast any significant increase in consumption during MY 2018/19 or MY 2017/18. For MY 2018/19, consumption is forecast to remain stable at 555,000 MT.

Dominicans consumed 115 pounds of rice per capita in MY 2016/2017, slightly more than the average consumption of 114 pounds per capita during MY’s 2013-2016.

3.3. Stocks

Post forecasts stock levels to increase to 259,000 MT during MY 2018/19. This forecast is similar to the annual market year average of approximately 40-45 percent of annual consumption. Storage facilities are owned by both private processors (mills) and the Government.

Stock levels tend to be high as a result of the GoDR Pignoracion Program; according to Post sources, 80 percent of stocks are maintained under that program, which is further explained in section 3.5 (below).

3.4. Trade

Both imports and exports by the DR are limited. The country has been self-sufficient in rice in the last several years, and most rice imports come from the United States (99 percent of the MY 2016/17 total) thanks to a TRQ established under the CAFTA-DR agreement. Since rice is included in Basket V of the DR-CAFTA agreement (explained in section 3.5 below), out-of-quota rice imports currently pay a duty of 75.2 percent, effectively pricing them out of the market.

For MY 2018/19, Post forecasts imports of 30,000 MT, higher than the 20,000 MT projected for MY 2017/18, due to CAFTA-DR TRQ increases.

Dominican rice is exported on rare occasions, mainly to Haiti in the form of broken rice. For MY 2018/19, Post forecasts exports to remain stable at 10,000 MT.

3.5. Policy

Under the CAFTA-DR, the DR negotiated that rice be placed in Basket V, which concedes a longer-term tariff reduction period -- 20 years -- as well as establishing a 99 percent out-of-quota tariff rate. This out-of-quota tariff rate remained unchanged during the first 10 years of the Agreement, until 2015. From 2016 to 2020 the out-of-quota tariff rate is reduced by 8 percent annually, and from years 2021 to 2025 by 12 percent annually. Currently, the out-of-quota tariff rate for rice is 75.2 percent. Additionally, the DR negotiated a special safeguard with an additional tariff rate. This special safeguard can be applied until the end of the tariff reduction period.

Price controls are established via the Pignoracion Program, which operates during eight months of the year. The National Rice Commission (CONA) establishes a yearly price band (for paddy rice, FOB mill). The CONA is composed of the Ministry of Agriculture, producers, processors, retailers and other public institutions. Price bands are established both annually and for each of the two harvest periods (May and September), based on historic prices, varieties and production estimates. For millers, purchasing according to CONA price bands is not obligatory, but it is a requirement for participation in the Pignoracion Program.

In general terms, the Pignoracion Program is a financial services program benefiting rice producers and processors. Under the program, processors (factories, cooperatives, etc.) or producers buy or produce rice, then mill and either market the rice or hold it in storage. If held in storage, this rice can be pledged as collateral for loans from commercial or public lending institutions. For participants in the Pignoracion Program, the cost of storage, interest and insurance costs are covered by the Government (MoA).

As rice constitutes one of the primary food sources for the population, it is exempt from value-added tax (VAT).

For more information on the Pignoracion Program, please review our 2014 Report: “Dominican Republic Governmental Support for the Rice Sector” available at http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Dominican%20Republic%20Governmental%20Support%20for%20the%20Rice%20Sector%20_Santo%20Domingo_Dominican%20Republic_4-2-2015.pdf

3.6. Statistics

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	164	155	174	174	0	170
Beginning Stocks	184	184	237	173	0	214
Milled Production	577	510	588	588	0	580
Rough Production	861	761	878	878	0	866
Milling Rate (.9999)	6700	6700	6700	6700	0	6700
MY Imports	41	44	20	20	0	30
TY Imports	41	44	20	20	0	30
TY Imp. from U.S.	41	44	0	20	0	30
Total Supply	802	738	845	781	0	824
MY Exports	10	10	10	12	0	10
TY Exports	10	10	10	12	0	10
Consumption and Residual	555	555	555	555	0	555
Ending Stocks	237	173	280	214	0	259
Total Distribution	802	738	845	781	0	824
Yield (Rough)	5.25	4.9097	5.046	5.046	0	5.0941

(1000 HA) ,(1000 MT) ,(MT/HA)