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Opportunities and Challenges in the Dominican Dairy Sector

Report Categories:

Dairy and Products

Approved By:

Lisa Ahramjian, Agricultural Attaché

Prepared By:

Luis C. González B, Agricultural Specialist

Report Highlights:

While the Dominican Republic's (DR) dairy sector is a very important source of local employment, it is not able to supply the full range of dairy products consumed domestically, especially in the growing hotel, restaurant, and industrial (HRI) sector. In 2017, U.S. dairy exports to the DR totaled \$78 million (a 27 percent market share), including cheeses and non-fat dry milk (NFDM). In 2018, U.S. dairy exports increased 11 percent (\$87 million) from 2017. While the United States continues to be the dominant supplier of NFDM to the DR, it is facing increasing competition from the European Union (EU) under its Economic Partnership Agreement with CARIFORUM. The DR remains a promising sector for U.S. dairy products, including cheese, yogurt and fluid milk, given its rapidly growing economy and HRI sector. However, importers regularly face a high level of uncertainty due to stringent regulations, which are reportedly causing retailers to stop importing certain lines of dairy products.

Commodities

Dairy, Fluid Milk

Dairy, Cheese

Dairy, Skimmed Milk/NFDM

Dairy, Whole Milk Powder

Dairy, Malt Extract

Dairy, Whey

Executive Summary

While the Dominican Republic's (DR) dairy sector is a very important source of local employment, it is not able to supply the full range of dairy products consumed domestically, especially in the growing hotel, restaurant, and industrial (HRI) sector. From 2014 to 2017, the DR's imports of dairy products from all sources increased approximately 0.34 percent to \$373 million. In 2017, major imports included powdered milk (\$94.5 million), cheese (\$15.5 million), whey (\$5.3 million), and butter (\$5.1 million). These imports have benefitted the local food processing and restaurant sectors. Industry sources indicate that these industrial processors source all locally produced milk that meets their sanitary and quality standards, and partner with milk collection centers to improve compliance with these standards. However, there is a gap in the availability of local milk that meets these standards and desired volumes.

The U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) has improved the competitiveness of U.S. products. Under CAFTA-DR, U.S. consumer-oriented products have quintupled, reaching a record \$492 million in 2017, with a 43 percent market share. In terms of dairy products, the DR imported from the United States an average market value of \$79.4 million of dairy products from 2014 to 2017, including cheeses, powdered milk, and whey, with an average market share of 30 percent. In 2018, U.S. dairy product exports to the DR increased 11 percent (to approximately \$89 million) from 2017.

As described in the DR's [2018 Hotel, Restaurant, and Industrial \(HRI\) Sector report](#), the DR's large and growing tourist population (6.2 million visitors in 2017 and an estimated 6.7 million in 2018) demands high value food products, including cheese. In addition, there is a growing number of consumers demanding higher quality and healthier products, and they generally perceive that U.S. products meet these requirements. Eight products represented approximately 61 percent of the total U.S. dairy product exports to the DR during the 2014-2017 period. Their dollar value and quantities are shown in Table 1 below.

Table 1: Major U.S. Dairy Exports to the DR

HS Code	Dairy Products	2014		2015		2016		2017		2018	
		Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.
	Totals	59,491	14.4	41,251	20.4	43,067	18.6	43,417	13.1	46,492	17.6
4011000	Milk. <1% fat	34	0.0	4,965	9.5	3,474	5.8	396	0.3	4,050	4.4
4021000	NFDM,<1.5% fat	31,580	8.1	12,974	5.4	11,514	5.7	13,329	6.0	10,637	5.5
4041040	Whey, Dried	6,001	1.8	976	0.7	1,130	0.8	384	0.4	792	0.7
4061000	Fresh Cheese	7,236	1.5	7,521	1.7	9,127	2.2	11,731	2.7	12,276	2.9
4062000	Cheese All Kinds	2,107	0.3	2,415	0.4	1,991	0.3	4,151	0.7	4,829	1.0
4063000	Cheese, Proc.	4,038	1.0	2,843	0.6	3,844	0.9	4,422	1.0	4,463	0.9
4069010	Cheese, Cheddar	1,887	0.3	1,460	0.3	3,516	0.9	4,522	1.2	4,962	1.3
4069095	Cheese, incl. mixt	6,608	1.3	8,097	1.8	8,471	2.0	4,482	1.0	4,483	0.8

Value: \$1,000 USD; Quantity: 1,000 MT Source: FAS/GTAS

I) Fluid Milk [HS 0401]

Production

The dairy industry has historically been one of the most important sectors in the DR. Most cows are distributed in the Northwest, Southwest and Eastern regions of the country, and it is estimated that approximately 70 percent are raised for the dual purpose of producing meat and milk. Post estimates that there were 412,500 cows in milk in 2018, for an average daily production of 4.9 liters, which reflects an estimated 10.9 percent decrease from the 5.5 daily liters obtained in 2014. This is mainly due to the prolonged drought that occurred from 2014 to 2017. In 2018, the drought continued in the northwest region, which reduced that region’s milk production by up to 30 percent, leading to a 3.2 percent reduction nationwide in 2017 and an estimated 1.3 percent decrease for 2018. The drought has worsened in 2019, leading to the reported death of over 1,000 cattle. Post estimates that production of fluid milk ranged from approximately 861 million metric tons (MT) in 2014 to approximately 762 million MT in 2018, or an 11.5 percent decrease (see Table 2 below).

Table 2: Post Estimates of Milk Production

Post Estimates of Milk Production				
Year	No. of Cows	Yearly Prod. (liters)	Yearly Production (MT) *	Daily Liters per Cow
	1	2	3	4 = [(2/1)/365]
2014	420,000	835,918,000	860,996	5.5
2015	415,000	810,000,000	834,300	5.3
2016	415,000	775,110,000	798,363	5.1
2017	413,000	750,000,000	772,500	5.0
2018	412,500	740,000,000	762,200	4.9

* Yearly Production in MT = [(liters*1.03 Kg)/1,000]

Source: Post estimate based on input from public and private sector sources

Approximately 30 percent of the current herd has improved genetics, although producers continue to seek a breed more suitable for the tropical climate. The DR’s dairy production is limited by the very warm and humid climate, which is not favorable for dairy production. Other factors affecting such reduction in milk production are the prevalence of diseases (including bovine Tuberculosis), low genetic potential for reproduction, water shortages, obsolete production systems, limited access to financing and credit, and limited access to animal health services and training. Additionally, the lack of adequate cold chain facilities, quality and hygiene limitations, and high costs reduce the competitiveness of local fresh milk compared to imported fluid and powdered milk. The prolonged droughts also reduce local feed availability, increasing the need for imports.

The DR dairy sector is mainly composed of many small (10 or less cattle) and medium (50 or less cattle) farms, which distribute their milk to small and medium processors and collection centers (see picture below). Due to the sanitary conditions on the small and medium farms and cold chain limitations, sources estimate that about 70 percent of milk produced does not meet the industrial processors’ standards. Instead, the milk is processed in small and generally less modern facilities. Enforcing the DR’s regulations, including required permits and sanitary conditions (see Policy section below), for these processors is a challenge for the government. A USDA Food for Progress program (PROGANA) is working with local producers and processors to address some of these limitations to improve the dairy (and beef) value chains in the DR.

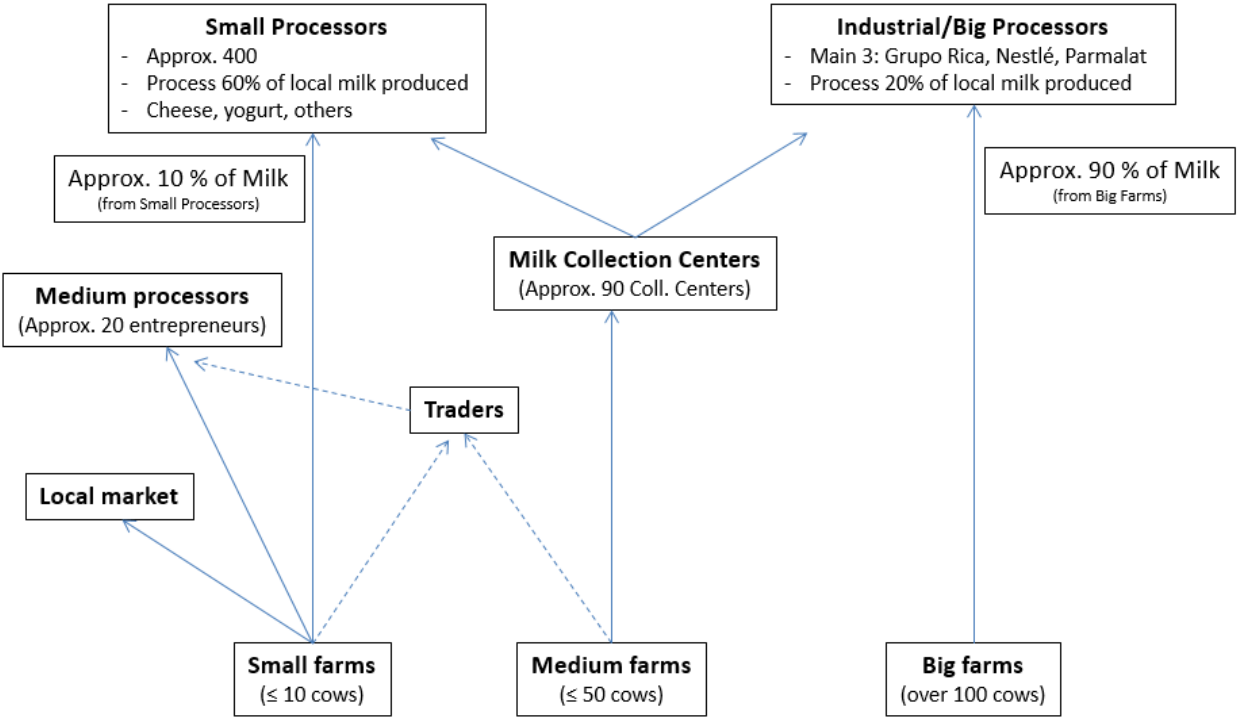


From left to right, (1) hand-milking, which is typical in small and mid-sized farms; (2) a milk collection center; and (3) a more modern cheese production facility that is typical for the small and medium processors.

In the DR, there is a very small number of large (over 100 cattle) farms. These and the better-equipped medium producers (50 or less cattle) sell their milk to industrial processors for sale in grocery stores and to the government-run national school feeding program. However, the completion of the school year in June/July leads to an annual excess supply until school begins again in the second half of August. Industry sources indicate that industrial processors source all locally produced milk that meets their sanitary and quality standards, and they partner with

milk collection centers to improve compliance with these standards. However, there is a gap in the availability of local milk that meets these standards and desired volumes. The graphic below depicts the DR’s milk value chain:

DR Milk Value Chain



Source: FAS Santo Domingo, with input from the DR’s dairy industry.

Table 3: Fluid Milk Production and Uses in the DR, 2014-2018*

YEAR	Fluid Milk Production (MT)	Uses				
		Cheese (54.1%)	Industrial Processors (16.1%)	On Farm Consumption (19.9%)	Fresh Milk Consumption (5.5%)	Yogurt & Sweets/Candy (4.4%)
2014	860,996	465,799	138,620	171,338	47,355	37,884
2015	834,300	451,356	134,322	166,026	45,887	36,709
2016	798,363	431,915	128,536	158,874	43,910	35,128
2017	772,500	417,923	124,373	153,728	42,488	33,990
2018	762,200	412,350	122,714	151,678	41,921	33,537
* Post Estimates						
Unit: 1,000 MT						

Consumption

As demonstrated in Table 3 above, an estimated 54 percent of local milk is consumed as local cheese. Sixteen percent is channeled to the industrial processors and consumed as shelf-stable, ultra-high temperature processed (UHT) milk; 20 percent is consumed on the farm by workers and their families; six percent is consumed as fresh milk; and approximately four percent is used for local yogurt and sweets/candy production.

Post estimates that the gross per capita milk consumption (in liters) steadily decreased during the 2014-2018 period, for an estimated overall reduction of 14.7 percent (see Table 4 below). Post estimates that the prolonged drought since 2014, which decreased milk production and increased prices, was the main cause for this trend. Most fluid milk consumed in the DR is local milk mixed with imported whole milk powder, and to a lesser extent imported fluid milk, and then UHT processed.

Table 4: Per Capita Consumption of Milk in the DR (Liters)

Year	Milk Production		Total Imports **	Total Supply	Total Population	Per Capita Consumption	% Inc.
	Total	Consumed as Fresh Milk (41.5%) *					
	1	2					
	3	4 = (2+3)	5	6 = (4/5)	7		
2014	835,918,000	346,905,970	29,677,670	376,583,640	9,980,243	37.7	--
2015	810,000,000	336,150,000	47,486,408	383,636,408	10,075,045	38.1	0.9
2016	775,110,000	321,670,650	39,757,282	361,427,932	10,169,172	35.5	(6.7)
2017	750,000,000	311,250,000	35,180,583	346,430,583	10,266,149	33.7	(5.1)
2018	740,000,000	307,100,000	27,499,029	334,599,029	10,358,320	32.3	(4.3)
					Overall: 2014 - 2018		(14.4)

Source: DR Min. of Economy, Planning and Development (MEPyD) & Nat'l Stat. Office (ONE)

* Only the fresh milk used by Industrial Processors (16.1%), On Farm Consumption (19.9%), and Fresh Milk Consumption (5.5%) are under the "Consumed as Fresh Milk" category.

** Only Fluid Milk (040110 + 040120), Whole Milk Powder (040221 + 040229), and 20 percent of NFDM used by the industrial processors are included under the "Total Imports" category.

Trade

Imports

The DR supplies approximately 98 percent of the domestic demand for fluid milk. It then imports different types of milk products (mainly powdered milk) and mixes it with local fluid milk to yield reconstituted shelf-stable milk sold in the market. While the DR's imports of fluid milk can vary widely, the dominant supplier is Costa Rica, which had a 55 percent (\$10.9 million) average market share over the 2014 to 2018 period. These imports are largely shelf-stable fluid milk under the Dos Pinos brand. U.S. fluid milk exports were valued at an average of \$5.6 million for same period, with an average market share of 28 percent. The European Union's (EU) average market share over this period was about 16 percent, with Peru, Honduras, and Nicaragua supplying the remainder. From 2017 to 2018, U.S. fluid milk exports were up 161 percent. Sources indicate that Dominican industrial milk processors are interested in importing more milk from Puerto Rico, but this has been difficult due to the challenge of obtaining timely import permits (see policy section below). CAFTA-DR already provides duty-free access for U.S. fluid milk. However, since 2015, fluid milk imports from all sources have decreased due to tariff liberalization on imported powdered milk, which is less expensive and is used to produce reconstituted fluid milk. Additional information on CAFTA-DR and the EU's Economic Partnership Agreement (EPA) with CARIFORUM is provided in Appendix I and II respectively.

Exports

Haiti is the DR's biggest export market for dairy products, although the unpredictable Haitian market can cause large fluctuations due to the Haitian government's import restrictions on select Dominican products. Haiti frequently closes the border, which affects both formal and informal overall trade. Of the average of \$1.022 billion in total Dominican agricultural exports to Haiti during the 2014-2017 period, dairy products represent 0.4 percent (\$4.6 million on average). For the same period, the main dairy products exported to Haiti were milk/cream concentrates (valued at an average of \$3 million, representing 65 percent of total dairy exports) and butter (valued at an average \$1.4 million, representing 31 percent of total dairy exports. See Table 5 below.

Other markets for Dominican dairy products include Aruba, Trinidad & Tobago, Guyana, France, and the United States. During the 2014 to 2017 period, Dominican cheese exports to the United States were valued at \$0.6 million on average. The large Dominican population living in New York, Miami, and surrounding areas predominantly consumes these exports. Besides the formal market, cheeses and other dairy product exports to Haiti and other Caribbean islands are often carried out informally. However, Post is not able to estimate this trade due to relatively low trade flows.

Table 5: DR Dairy Exports (formal) to Haiti (\$1,000), 2014-2017

Commodity		2014	2015	2016	2017	Total s	% Shar e	Ave.	% Increase	
									2016- 2017	2014- 2017
04	Total Dairy Products	7,507	3,442	3,992	3,323	18,264	100.0	4,566	-16.8	-55.7
0402	Milk and cream;	4,800	1,824	2,834	2,341	11,798	64.6	2,950	-17.4	-51.2
0405	Butter	2,571	1,458	939	775	5,743	31.4	1,436	-17.5	-69.8
0401	Milk and cream	79	116	82	86	363	2.0	91	4.8	9.2
0406	Cheese and curd	0	19	116	57	193	1.1	48	-50.6	13,174.3
0403	Buttermilk	58	25	21	58	162	0.9	41	178.5	1.6
0404	Whey and product	0	0	0	5	5	0.0	1	---	---

Source: COMTRADE

Note: No data available for 2018

Production, Supply and Distribution (PS&D) Statistics Table

Dairy, Fluid Milk (HS: 0404110 + 0404120)

Dairy, Milk, Fluid milk (End of Year)	2014	2015	2016	2017	2018
Dominican Republic	New Post	New Post	New Post	New Post	New Post
Cows in Milk	420.0	415.0	415.0	413.0	412.5
Cow's Milk Prod.	861.0	834.3	798.4	772.5	762.2
Other Milk Prod.	0	0	0	0	0
Total Production	861.0	834.3	798.4	772.5	762.2
United States	1.2	16.9	7.8	2.3	6.6
Other Imports	11.5	13.7	16.6	16.2	13.9
Total Imports	12.7	30.6	24.4	18.5	20.5
Total Supply	873.7	864.9	822.8	791.0	782.7
Other Exports	3.8	7.4	6.7	0.9	1.0
Total Exports	3.8	7.4	6.7	0.9	1.0
Fluid Use Dom. Cons.	222.0	217.8	209.1	197.9	195.5
Factory Consumption	647.9	639.7	607.0	592.2	586.2
Feed Use Dom. Cons.	0.0	0.0	0.0	0.0	0.0
Total Domestic Cons.	869.9	857.5	816.1	790.1	781.7
Total Distribution	873.7	864.9	822.8	791.0	782.7

(1,000 Head); (1,000 MT)

II) Cheese [HS 0406]

Production

An estimated 54 percent of local milk is used to make cheese. The volume of milk used to produce cheese decreased from 418 million MT in 2017 to 412 million MT in 2018. This 1.5 percent decrease is due to the continued 2014-2018 drought, which reduced local milk production. Therefore, Post estimates the local production of cheese decreased by 1.3 percent, or 5,573 MT, in 2018. Two local brands (one of them associated with a Mexican enterprise, Sosúa-Sigma Alimentos Dominicana) had an approximate 67 percent of market share. The majority of the local cheese is white cheese, frying cheese, cream cheese, and mozzarella.

Table 7: Cheese Production in the DR, 2014-2018

YEAR	Fluid Milk Production			Cheese (54.1% of Fluid Milk Production)			Cheese Produced		% Inc.
	In Liters	In MT	In Pounds	In liters *	In MT	In Pounds	In Pounds	In Thousand of MT	
	1	2 = (1*1.03 Kg)/l	3 = (2*2.20462)/l	4 = (1*0.541)	5 = (4*1.03 Kg)/l	6 = (5*2.20462)/l	8 = (6*1)/8.46	9 = (8/2204.62)	
2014	835,918	860,996	1,898,168	452,232	465,799	1,026,909	121,384	55.1	---
2015	810,000	834,300	1,839,314	438,210	451,356	995,069	117,620	53.4	-3.1
2016	775,110	798,363	1,760,088	419,335	431,915	952,207	112,554	51.1	-4.3
2017	750,000	772,500	1,703,069	405,750	417,923	921,360	108,908	49.4	-3.2
2018	740,000	762,200	1,680,361	400,340	412,350	909,075	107,456	48.7	-1.3
Conversions:							% Inc. 2014-2018 -->		-11.5
* Fluid Milk Production: 54.1% of fluid milk produced is used to produced cheese									
1 liter = 1.03 Kg									
1 Kg = 2.20462 Pounds									
1 MT = (lb./2,204.62)									
1 Mt = [(liters*1.03 Kg)/1,000]									
8.46 Lb. of Fluid Milk = 1 Lb. of Cheese									

Consumption

To meet the growing demand for quality cheese of different varieties (especially cheddar and mozzarella), the DR imported a record \$73.8 million of cheese in 2018. Nevertheless, mainly due to price differences, there is a preference for DR local brands (which are less expensive and produced with local milk) among most of the population at all income levels. Approximately 75 percent of cheese sold is produced locally and 25 percent is imported. There is a preference among Dominican consumers for local unpackaged hard and soft cheese, including white cheese, frying cheese, and cream cheese. It is hard for imported cheese to compete with domestically produced cheese, which is exempted from the 18 percent value-added tax (ITBIS).

Trade

Since the local cheese industry does not produce the types and quality of cheeses required by many consumers and the growing hotel, restaurant, and industrial (HRI) sector, substantial imports are required. The EU was the top supplier of imported cheese with a market share of 53 percent, followed by the United States at 45 percent. U.S. cheese exports, valued at \$31 million in 2018, represent the most significant U.S. dairy export category. In 2018, U.S. cheese exports to the DR grew six percent, including large percentage increases in blue and colby types, but in very small quantities. The main driver of this growth is the DR's growing HRI sector, which requires an increasingly wide range of cheeses, both for fine dining and in fast casual restaurants (e.g., pizza toppings). Minor suppliers include New Zealand and Mexico. In 2019, cheese imports are projected to increase due to the growing economy, continued demand growth in the HRI sector, and continued liberalization of cheddar and mozzarella cheeses under CAFTA-DR (duty-free, quota-free in 2019 and 2024, respectively). (See the policy section and Annex I below for more detailed information on the CAFTA-DR phase-out schedule for all dairy products.)

Dairy, Cheese, end of the year	2014	2015	2016	2017	2018
Dominican Republic	New Post	New Post	New Post	New Post	New Post
Beginning Stocks	3.8	3.3	3.1	2.2	1.5
Production	55.1	53.4	51.1	49.4	48.7
Other Imports	3.5	4.7	7.2	9.0	9.0
Imports from the U.S.	4.4	4.9	6.3	6.5	6.9
Total Imports	7.9	9.6	13.5	15.5	15.9
Total Supply	66.8	66.3	67.7	67.1	66.1
Other Exports	0.0	0.0	0.0	0.0	2.0
Exports to the U.S.	0.1	0.2	0.2	0.2	0.0
Total Exports	0.1	0.2	0.2	0.2	2.0
Human Dom. Consumption	63.4	63.0	65.3	65.4	62.8
Other Uses, Losses	0.0	0.0	0.0	0.0	0.0
Total Use	63.4	63.0	65.3	65.4	62.8
Ending Stocks	3.3	3.1	2.2	1.5	1.3
Total Distribution	66.8	66.3	67.7	67.1	66.1

(1,000 MT)

III) Powdered Milk [HS 0402]

In 2018, the DR imported a total of \$109.1 million of powdered milk, including non-fat dry milk (NFDM) and whole milk powder. The EU is the dominant supplier, with an average market share of 60.4 percent from 2014-2018. Its market share increased from 47.4 percent in 2014 to 69.3 percent in 2018. In contrast, the United States had a 2014-2018 average market share of 19.2 percent, which declined from 28.1 percent in 2014 to 14.1 percent in 2018. In 2018, U.S. exports of all types of powdered milk (HS 0402) were valued at \$15.4 million. Sources indicate this declining trend is mainly due to the lower tariffs on EU powdered milk, since the implementation schedule of the EU EPA with CARIFORUM is further ahead than that of CAFTA-DR. (See Annex III for a comparison of tariffs by year under CAFTA-DR and the EU EPA.) Other factors include quality differences, preference for EU branded products, and EU-DR joint ventures. In addition, many Dominican pediatricians promote infant formula from the EU. Minor suppliers include Peru, New Zealand, and Costa Rica. Powdered milk is used in the manufacture of infant formula as well as confectionery, such as chocolate and caramel candy.

a) Skimmed Milk Powder / Non-Fat Dry Milk (NFDM) [HS 040210]

Production

The DR does not produce NFDM; all supply is imported.

Consumption

Approximately 80 percent of the milk powder is sold as a final product, which is then mixed with water at home to produce a drink for the whole family, including babies, children, adults and the elderly, and consumed with cereals. It is also used as an ingredient for baking. The remaining 20 percent is used by processing plants to produce reconstituted, UHT milk or used to produce cheese, ice cream, and sweets. Domestic consumption levels vary based on the availability of local fluid milk that meets the processing company standards; when less milk is available due to drought, quality issues, and other factors, additional volumes of milk powder are imported and mixed with local milk to form reconstituted, UHT milk. The ongoing drought and reduced availability of local milk, as well as the cost advantages of imported powdered milk, explain the increased consumption of NFD. M.

Trade

Imports

In 2018, the DR imported \$41.7 million of NFD. M. While the United States used to be the dominant supplier, its market share dropped from 87.9 percent in 2014 to 25.5 percent in 2018. Over the same period, the EU's market share increased from 8.2 percent to 70 percent. In 2018, U.S. exports decreased 20 percent from 2017 to reach \$10.6 million. Sources indicate this is mainly due to price differences based on the more advanced implementation schedule of the EU EPA. This trend is expected to continue until CAFTA-DR is fully implemented in 2025, at which time U.S. NFD. M. will enter the DR duty-free and quota-free (see Annex III). Minor suppliers include New Zealand, Costa Rica, Canada, and Malaysia.

Exports

The DR exports negligible volumes of NFD. M. (less than \$0.45 million), primarily to Guatemala and the EU.

Table 9: Production, Supply and Distribution (PS&D) Statistics
Dairy, Non-fat Dry Milk_NFD. M. (HS: 040210)

Dairy, NFD. M., end of the year	2014	2015	2016	2017	2018
Dominican Republic	New Post	New Post	New Post	New Post	New Post
Beginning Stocks	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	0.0	0.0	0.0
Other Imports	1.0	2.9	1.9	4.9	16.1
Imports from the U.S.	8.1	5.4	5.7	6.0	5.5
Total Imports	9.1	8.3	7.6	10.9	21.6
Total Supply	9.1	8.3	7.6	10.9	21.6
Other Exports	0.1	0.0	0.0	0.0	0.0
Total Exports	0.1	0.0	0.0	0.0	0.0
Human Dom. Consumption	9.0	8.3	7.6	10.9	21.6
Other Uses, Losses	0.0	0.0	0.0	0.0	0.0
Total Use	9.0	8.3	7.6	10.9	21.6
Ending Stocks	0.0	0.0	0.0	0.0	0.0
Total Distribution	9.1	8.3	7.6	10.9	21.6

(1,000 MT)

b) Whole Milk Powder (WMP) [HS 040221 and 040229]

Production

The DR does not produce whole milk powder; all supply is imported.

Consumption

Since fat is less stable, WMP has a shorter shelf life than NFDM and is rarely consumed in homes. The majority of WMP is used by processing plants, which rehydrate it to make reconstituted, UHT milk. Private sector enterprises also use it for confectioneries, baked goods, and chocolate. Domestic consumption levels vary based on the availability of local milk that meets the processing company standards; when less milk is available due to drought, quality issues, and other factors, additional volumes of milk powder are imported and mixed with local milk to form reconstituted, UHT milk.

Trade

Imports

The DR imported an average of 15,853 MT of unsweetened whole milk powder (HS 040221) over the 2014 to 2017 period, valued at \$64.1 million on average. The EU's average market share for this period was 77 percent, followed by New Zealand (7 percent), Costa Rica (7 percent), Argentina (3 percent), and the United States (1 percent). Besides the lower prices due to EPA tariff reductions as stated above, industry sources indicate that some Dominican buyers prefer whole milk powder from the EU due to quality factors related to the processing equipment used. However, in 2018, U.S. exports of unsweetened whole milk powder increased 256 percent from 2017 to reach \$2.3 million.

The DR is a small but growing market for sweetened whole milk powder (HS 040229), valued at \$0.32 million in 2017. During the 2014 to 2017 period, the U.S. market share dropped from 93 (2014) percent to 41 percent (2017) while the EU's market share rose from 7 percent (2014) to 59 percent (2017). Due to tariff advantages under the EU EPA agreement, in 2018, U.S. exports of sweetened whole milk powder decreased 71 percent to reach \$38,000.

Exports

The DR's exports of whole milk powder averaged \$0.3 million from 2014 to 2017. The main destination (68 percent) was Saint Lucia.

**Table 10: Production, Supply and Distribution (PS&D) Statistics
Dairy, Whole Milk Powder_WMP (HS: 040221 + 040229)**

Dairy, WMP, end of the year	2014	2015	2016	2017	2018
Dominican Republic	New Post	New Post	New Post	New Post	New Post
Beginning Stocks	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	0.0	0.0	0.0
Other Imports	14.4	15.9	13.6	14.5	13.2
Imports from the U.S.	1.7	0.8	1.4	1.0	1.4
Total Imports	16.1	16.7	15.0	15.5	14.6
Total Supply	16.1	16.7	15.0	15.5	14.6
Other Exports	0.0	0.0	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0	0.0	0.0
Human Dom. Consumption	16.1	16.7	15.0	15.5	14.6
Other Uses, Losses	0.0	0.0	0.0	0.0	0.0
Total Use	16.1	16.7	15.0	15.5	14.6
Ending Stocks	0.0	0.0	0.0	0.0	0.0
Total Distribution	16.1	16.7	15.0	15.5	14.6

(1,000 MT)

IV) Malt Extract [HS 190110]

Production

The DR does not produce malt extract; all supply is imported.

Consumption

Dominican processing plants use malt extract for infant formula preparations and mixes for the preparation of bakery, pastry, and biscuit products. Currently, there are no detailed formal or informal estimates on the malt extract consumption by the industry.

Trade

From 2014 to 2018, the DR imported an average of \$12.4 million of malt extract. Over this period, Mexico's exports to the DR increased 75 percent, to achieve a 66 percent market share. The second-largest exporter is the EU, whose exports decreased 33 percent over the same period. The United States is the third-largest exporter of malt extract; its market share is 8.4 percent during the subject period, valued at \$5.2 million in 2018.

The DR's imports of malt extract from all sources increased approximately 30 percent from 2014 to 2018. Malt extract already enters the DR duty-free and quota-free from the United States and EU under CAFTA-DR and the EU EPA respectively. Due to geographical advantages, Mexican and U.S. malt extract exports are expected to continue to grow.

V) Whey [HS 0404]

Production

As a byproduct of its local cheese production, the DR produces whey. According to industry sources, the production of one pound of cheese yields approximately nine pounds of whey. As explained above, cheese production in the DR declined from 2014 to 2017 due to drought. Therefore, Post estimated that the local whey production declined 11.5 percent during this period to reach 439 MT in 2018.

Consumption

The domestically produced whey is mainly used for animal feed, especially for pigs and cattle. The imported whey is used by processing plants as a source of protein in reconstituted milk. Other applications are confectionery, beverages, evaporated milk, and production of yeast. In addition, the mineralized whey is used for rations for children, sausages, and pastries. Currently, there is limited data on whey consumption in the DR.

Trade

During the 2014-2017 period, the DR imported an average value of \$8.5 million of whey. The United States is the dominant supplier, with a 65 percent average market share valued at an average of \$5.5 million during this period. Post estimates that the United States maintained this market share in 2018, even though U.S. whey exports decreased slightly to \$5.3 million. The closest competitor is New Zealand, whose exports decreased 74 percent from 2014 to 2017. The EU's average market share decreased 20 percent during this same period. The DR does not export whey.

VI) Policy

The local organizations responsible for establishing dairy-related policies in the DR are described below:

The National Council for the Regulation and Promotion of the Dairy Industry (CONALECHE) is the official institution responsible for ensuring the growth and development of the dairy sector in the DR. The Council focus is on the elaboration and execution of a dairy policy that promotes self-sufficiency and improves the levels of productivity and competitiveness of the sector. It is oriented to develop and modernize the national dairy industry, encouraging the production, industrialization, commercialization, and consumption of milk and its derivatives.

The Ministry of Agriculture's General Directorate of Livestock (DIGEGA) is the official institution responsible for developing and executing the livestock policy of the Dominican Government. Its purview includes animal health, livestock improvement, and the prevention of diseases of animal origin that are transmissible to humans.

The Ministry of Public Health's (MSP, in Spanish) mission is to facilitate the health of all Dominicans and their equitable access to integrated and comprehensive health services.

Three main policy factors affect dairy imports in the DR to date:

1. Implementation of CAFTA-DR

Since the DR signed CAFTA-DR in 2007, U.S. agricultural exports to the DR have grown from \$779 million to \$1.32 billion in 2018. The U.S. agricultural trade balance surplus with the DR grew from about \$454 million to \$776 million (or 70.8 percent) in 2017. However, much of this surplus is the result of the DR's importation of products the country does not produce, such as soybean meal, soybean oil, corn,

wheat, and milk powder. The DR must import these products to maintain the viability and competitiveness of its domestic poultry and livestock sectors, as well as food processing industries. (See more detail on the CAFTA-DR agreement in Annex I.)

Tariff-Rate Quotas (TRQs): Under CAFTA-DR, sensitive agricultural products, including several dairy products, have a phased tariff liberalization schedule to allow the local industry to prepare for increased import competition. Each of these products have a TRQ, with an annually increasing volume of product that enters duty-free and an annually decreasing tariff applied to products outside of this volume. Under CAFTA-DR, three dairy products have entered duty free since 2015 (fluid milk, butter, and several cheeses), and ice cream was liberalized in 2017. Cheddar cheese tariffs will end in 2020, and powdered milk, yogurt and mozzarella cheese will enter duty-free by 2025 (see Table 11 below).

Table 11: Tariff Phase-out of Dairy Products under CAFTA-DR

Harmonized System Code (HSC)	Product	Year
		(with zero tariff and no quantity limitation to import)
04012, 04013	1. Fluid Milk	2015
040510	2. Butter	2015
04061090, 04069010, 04069030, 040690920, 04062, 04063, 04064	3. Other Cheeses	2015
2105	4. Ice Cream	2017
04069020	5. Cheddar Cheese	2020
0402	6. Powdered Milk	2025
04031	7. Yogurt	2025
04061010	8. Mozzarella Cheese	2025

2. Sanitary Registration

Dominican importers have been dealing with a high level of uncertainty since mid-2016, when health authorities began enforcing sanitary registration and labeling requirements to all food products, both domestic and imported.

Since 2001, the DR has had sanitary registration requirements for all packaged products, but had little enforcement. Since April 1, 2017, food and beverage products in the DR, both domestic and imported, must have a current sanitary registration. The sanitary registration requirements are overly burdensome and require product formulas, which normally are considered confidential business information. Importers register new products with the DR's Ministry of Public Health and Social Welfare (MSP). Once obtained, the sanitary registration number must be printed on the label of the product or affixed to the product, and it is valid for 5 years. Importers have reported delays of over a year (and as many as 3 years) in getting a product registered.

On December 28, 2017, MSP issued two resolutions, which aimed to simplify sanitary registration for specific food and beverage products, including all U.S. food products regulated by the U.S. Food and Drug Administration (FDA), alcoholic beverages, and other products identified as low-risk. Such products do not have to submit neither the certificate of free sale nor the certificate of good manufacturing

practices. Recent reports from Dominican importers indicate that this simplified procedure (for more information see the DR1801 Dominican Government Simplifies Sanitary Registration Process GAIN Report, dated 1/25/2018) has significantly reduced the wait time for sanitary registrations for new products to approximately 2-3 months. Additionally, MSP is working to simplify the renewal process for products that already have a sanitary registration. However, to date, MSP has not published specifics related to this effort.

3. Import permits

In a 2004 exchange of letters between then-USTR Ambassador Robert Zoellick and Dominican Secretary of Industry and Commerce Sonia Guzmán de Hernández, the DR pledged that it “shall not grant or deny import licenses based on sanitary or phytosanitary concerns, domestic purchasing requirements, or discretionary criteria.” This applies to all agricultural goods, including those subject to TRQs and those subject to duty-free and quota-free treatment. The side letter was incorporated into the CAFTA-DR agreement, which the DR ratified in 2007. Despite this commitment, the DR has frequently withheld or delayed issuance of import licenses for U.S. imports, including those for U.S. suppliers of dairy products.

The DR has begun to implement an automated system to issue import licenses within the Government’s one-stop shop system (VUCE; Ventanilla Única de Comercio Exterior in Spanish). While the system does increase transparency for importers, it is only a digital version of the same process, and each request still needs to be approved on a case-by-case basis by the Minister of Agriculture.

For further information, direct questions to:

Office of Agricultural Affairs (OAA)

Foreign Agricultural Services/US Department of Agriculture (FAS/USDA)

US Embassy Santo Domingo, Dominican Republic

Ave. República de Colombia # 57, Altos de Arroyo Hondo

Santo Domingo, D.N. 10605

Tel.: (809) 567-7775

Email: AgSantoDomingo@fas.usda.gov ;

ANNEX I

Dominican Republic (DR)-Central America Free Trade Agreement

The DR-Central America Free Trade Agreement (CAFTA-DR) is a comprehensive trade agreement that was implemented on a rolling basis since it first entered into force in March 2006. The parties include the United States, Costa Rica, the DR, El Salvador, Guatemala, Honduras, and Nicaragua. The DR signed the agreement and began its implementation in March 2007. Each CAFTA-DR partner has a separate schedule of commitments providing access for U.S. products, with no products excluded from the agreement. Liberalization will occur through tariff reductions and tariff-rate quota (TRQ) expansion. Tariffs on most U.S. agricultural products will be phased out within 15 years, with the remainder phased out by 2025. The DR is the largest market for U.S. agricultural and related products in the CAFTA-DR region, valued at \$1.45 billion in 2018.

Table 12: Year that U.S. Ag Exports Enter Duty Free & Quota Free

Timeline		Costa Rica	Dom. Republic	El Salvador	Guatemala	Honduras	Nicaragua
Year 13	2018						
Year 14	2019						
Year 15	2020	Pork, Fresh Potatoes, Fresh Onions	Beef, Pork, Cheddar Cheese, beans	Beef, Pork, Yellow Corn, White Corn, Sorghum	Beef, Pork, White Corn	Pork, Yellow Corn	Pork, Yellow Corn
Year 16	2021						
Year 17	2022	CLQ*	Ice Cream				
Year 18	2023			CLQ, Rice	Rice	CLQ, Rice	CLQ, Rice
Year 19	2024						
Year 20	2025	Milk Powder, Rough Rice	CLQ, Milk Powder, Fresh Cheese, Milled Rice		Cheese, Milk Powder	Milk Powder, Cheese, Rice, White Corn	Dairy, White Corn

*Chicken-Leg Quarters (CLQ)

Annex II

The EU Economic Partnership Agreement with CARIFORUM

The Economic Partnership Agreement (EPA) between the EU and the Caribbean Forum of the African, Caribbean and Pacific Group of States (CARIFORUM) was signed on October 15, 2008 and entered into force in the DR in January 2009. The EPA replaced the unilateral preference scheme granted by the EU to the Africa, Caribbean and Pacific bloc under the Cotonou Agreement. The EPA does not replace the 1998 Agreement between the Caribbean Community (CARICOM) and the DR, but complements it.

Countries that are part of the Agreement:

- CARIFORUM States: Jamaica, Barbados, Trinidad and Tobago, Guyana, Suriname, Antigua and Barbuda, Belize, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the Bahamas, Haiti and the Dominican Republic.

Montserrat (member of CARICOM) and Cuba (member of CARIFORUM) are not part of the Agreement. In addition, Haiti signed the agreement but did not ratify it, so it is not yet in force in that country.

- EU States: Austria, Belgium, Bulgaria, Cyprus, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

With respect to milk powder (HTS **040210**, **040221** and **040229**) originating from the EU, the DR will allow the importation of the quantities in metric tons indicated in **column A** of Table 13 at the ad valorem customs duty indicated in **column B** for the periods indicated in **column C**.

Table 13: EU-CARIFORUM EPA: TRQ for Milk Powder in the DR

A (MT)	B (% Tariff Rate)	C (Period)
22,400	20	July 1, 2016 - June 30, 2017
22,400	20	July 1, 2017 - June 30, 2018
22,400	18	July 1, 2018 - 30 June, 2019
22,400	16	July 1, 2019 - 30 June, 2020
22,400	11	July 1, 2020 - June 30, 2021
22,400	5	July 1, 2021 - 30 June 2022
22,400	0	July 1, 2022 - 30 June 2023
22,400	Unlimited	As of July 1, 2023

Table 14: EU-CARIFORUM EPA: Out-of-Quota Tariffs

HTS	Description	201 8	201 9	202 0	202 1	202 2	202 3	202 4	202 5	202 6	202 7
04011 0	Milk & cream, <1% milk fat	9	6	6	3	3	0	0	0	0	0
04012 0	Milk & cream, 1-6% milk fat	9	6	6	3	3	0	0	0	0	0
04021 0	NFDM	36	26	16	6	0	0	0	0	0	0
04022 1	Unsweetened WMP	36	26	16	6	0	0	0	0	0	0
04022 9	Sweetened WMP	36	26	16	6	0	0	0	0	0	0
04031 0	Yogurt	0	0	0	0	0	0	0	0	0	0
04041 0	Whey	0	0	0	0	0	0	0	0	0	0
04051 0 & 04059 0	Butter	0	0	0	0	0	0	0	0	0	0
04061 0	Fresh Cheese (incl. mozzarella)	9	6	6	3	3	0	0	0	0	0
04069 0	Cheddar	12	10	10	8	8	6	6	4	4	2

Source: Official Journal of the EU

Note: All years start January 1.

Annex III

**Table 15: Comparison of Phase-Out* for Dairy Products under
CAFTA-DR and EU-CARIFORUM EPA**

Product	Agreement	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fluid Milk (HS 0401)	CAFTA-DR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	EPA	6.0	6.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0
Cheese (HS 0406)	CAFTA-DR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	EPA	6.0	6.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0
Butter (HS 040510 & 040590)	CAFTA-DR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	EPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NFDM (HS 040210)	CAFTA-DR	33.6	28.0	22.4	16.8	11.2	5.6	0.0	0.0	0.0
	EPA	26.0	16.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
WMP (HS 040221 & 040229)	CAFTA-DR	33.6	28.0	22.4	16.8	11.2	5.6	0.0	0.0	0.0
	EPA	26.0	16.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Yogurt (HS 040310)	CAFTA-DR	12.0	10.0	8.0	6.0	4.0	2.0	0.0	0.0	0.0
	EPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mozzarella (HS 040610100)	CAFTA-DR	13.6	12.0	9.6	7.2	4.8	2.4	0.0	0.0	0.0
	EPA	6.0	6.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0
Cheddar (HS 040690)	CAFTA-DR	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	EPA	10.0	10.0	8.0	8.0	6.0	4.0	4.0	4.0	2.0

*Ad valorem Tariff out of quota

Legend: 1. NFDM = Non-Fat Dry Milk; 2. WMP = Whole Milk Powder