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Dominican Republic

Sugar Annual

2013

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Report Highlights:
During MY 2011/2012, sugar production reached 553,000 Metric Tons (MT) and Post estimates overall yields to be approximately 565,000 MT during MY 2012/2013. For CY 2011, exports of raw cane sugar totaled 206,514 MT, while imports for the same period totaled 49,000 MT. During CY 2012, Post estimates that imports totaled around 48,000 MT, with exports at 225,000 MT (final data are not yet available). Similarly, for CY 2013, Post expects imports to remain stable at around 48,000 MT, with exports at approximately 225,000 MT. Finally, the Dominican Republic is not expected to fill the U.S. annual sugar tariff-rate quota (TRQ) for FY 2013 due to the current supply situation in the U.S. market. Instead, the country is expected to export around 30-40,000 MT to the EU, under the EU-CARIFORUM Economic Partnership Agreement (EPA).

Note: Post was unable to access the GAIN system from April 8-21, 2013.

Production:

According to recent statistics provided by the Dominican Sugar Institute (INAZÚCAR is the acronym in Spanish), total sugar production reached 553,717 Metric Tons (MT) during Marketing Year 2011/2012 (MY 2012), comprised of 378,794 MT raw and 174,923 refined. For MY 2013, Post expects overall yields to increase to approximately 565,000 MT, due to adequate rainfall and other favorable weather conditions during this production cycle, coupled with an expected production increase of 5-10,000 MT from one of the four major mills.

At the present time, the two largest private producers, Central Romana and the Vicini Group, continue to dominate the Dominican sugar market and are expected to produce more than 438,000 MT in MY 2013, which are consistent with production patterns from last year. The third private producer, Consorcio Azucarero Central (Central Barahona) is expected to add an additional 70-75,000 MT, coupled with another 20-22,000 MT from Ingenio Porvenir. This latter mill represents the newest addition to the group of Dominican producers and this year marks the first time that it has been included in the annual tariff-rate quota (TRQ) allocation for the United States.

To date, INAZÚCAR has indicated that production patterns for refined sugar in MY 2013 should remain at similar levels as in MY 2012. At the present time, only one mill (Central Romana) is producing refined sugar. Nonetheless, Post expects that the DR will have to import additional sugar to meet domestic demand (most likely from South America), particularly if the country comes close to filling its TRQ in the U.S. during fiscal year 2013 and continues exports to the European Union (EU), as recently announced.

With respect to estimates for MY 2013/14, very little preliminary data have been made available. Specifically, many parts of the DR have been experiencing severe drought conditions beginning in late 2012. Consequently, Post expects such adverse weather conditions to affect the country's crop for 2013/14, reducing expected yields to about 550,000 MT. Additional details and annual programming data will be released in the coming months to have a better sense of production estimates for 2013/14.

Consumption:

According to Dominican officials, annual domestic consumption has grown in recent years and remains stable at around 380,000 MT. Last year (2012), the country experienced a widespread food safety incident involving tainted raw cane sugar imported from Brazil. Specifically, in July 2012 around 15,000 MT were imported from Brazil and found to be adulterated with a sand and silica-type substance. Within a matter of months, Post was informed that all of the sugar had been recalled from the domestic market and the importer was proceeding accordingly with the Brazilian supplier. To date, Post understands that the case has not yet been resolved in its entirety and it is not clear if the local importer will again use the same Brazilian supplier during the current year.

Based on a population of approximately 10 million inhabitants, per capita consumption is just over 80 pounds of sugar per person/per year. While not formally registered, the DR regularly exports sugar informally with neighboring Haiti. In this regard, said exports are not necessarily reflected in their entirety under the consumption or export figures.

Trade:

For calendar year 2011 (CY 2011), INAZÚCAR indicates that exports of raw cane sugar totaled 206,514 MT, while imports for the same period totaled 49,000 MT. While data for CY 2012 have not yet been finalized, INAZÚCAR estimates that imports again totaled 48,000 MT. This would be slightly less than Post's initial estimates of 49,000 MT and we expect exports of raw cane sugar to have totaled around 225,000 MT. For CY 2013, Post expects imports to total around 48,000 MT, with exports around 225,000 MT. Looking forward to the 2013/14 cycle, Post expects exports to fall slightly below 220,000 MT, with imports around 40-45,000 MT.

During fiscal year 2012 (FY 2012), the Dominican Republic again received the largest single-country allocation for the U.S. annual sugar tariff-rate quota (TRQ). It was divided accordingly among the three sugar mills. Specifically, the amount allocated to the DR for FY 2012 totaled 218,908 Metric Tons Raw Value[1] (MTRV; equivalent to 209,732 MT) and according to the annual report from FAS/W, the DR's allocation was 99.4 % filled.

FY 2012 TRQ Allocation

Mill	*Allocation of U.S. TRQ*
Central Romana	62.8%
Grupo Vicini	27.2%
Consorcio Azucarero Central	10%

More recently, the U.S. announced allocations for FY 2013 and once again, the DR received the largest single-country allocation, representing close to 17% of the entire TRQ.

Initial FY 2013 TRQ Allocation for the Dominican Republic (Raw Cane Sugar)

Country	*Metric Tons Raw Value (MTRV)*	*Metric Tons Commercial Value (MTCV)***
Dominican Republic	188,908	180,990
Total	1,117,195	1,070,366

** Metric tons commercial value= MTRV/1.04375.

In this regard, it is worth noting that beginning in FY 2013, the annual U.S. TRQ will be allocated among the four Dominican mills currently in operation. The fourth mill, *Porvenir*, had to operate for a period of three consecutive years before being eligible for part of the quota.

FY 2013 TRQ Allocation

Mill	*Allocation of U.S. TRQ (%)*	*Share in Quantity (MTRV)*
Central Romana	62.84	118,710

[1] Please note this figure includes the initial allocation of 188,908 MTRV plus the additional 30,000 MTRV announced in April 2012.

Grupo Vicini	25.20	47,605
Consorcio Azucarero Central	10	18,891
Ingenio Porvenir	1.96	3,702

Source: INAZÚCAR, Resolution No. 656-12, http://inazucar.gov.do/2012/Decreto%20656-12%20Zafra%202012-2013.pdf.

In accordance with comments and feedback received by Post in recent meetings, the Government of the Dominican Republic (hereafter GoDR) has expressed its intention to come close to filling the assigned quota for FY 2013. In addition, the Dominican authorities have also noted that the country will continue to export sugar to the EU during the present MY, possibly 30-40,000 MT in total. To date, 20,000 MT have already been exported to the EU, with an additional 10-20,000 MT possible during the current year.

It should be noted that until 2013, the DR had not exported sugar to the EU since 2009, despite having preferential access as a member of the EU-CARIFORUM Economic Partnership Agreement (EPA). Historically, the DR has consistently given priority to filling the U.S. quota and only then exporting to the EU when supplies allow. Given the current supply situation in the United States, however, and the corresponding price differentials between the two markets, this year might be an exception in that the DR could continue exporting sugar to the EU instead of filling the U.S. quota.

Post also notes that in the context of the CAFTA-DR framework, an additional 3,066 MT were allocated to the DR for sugar goods during the current calendar year 2013.[2] Since the implementation of the Agreement, the DR has qualified for the additional access in some years, but has not filled the annual quotas. Based on the country's historical performance, however, and despite the modest amount allocated for CY 2013, Post does not expect the DR to fill this quota before December 31, 2013.

With respect to trade policy, current import duties for raw and refined sugar are 14% and 20%, respectively, plus an 18% value-added tax (VAT).[3] As part of its WTO commitments under the Technical Rectification following the Uruguay Round, the GoDR established a TRQ of 30,000 MT for sugar (with the corresponding in-quota rates cited above), coupled with an out-of-quota tariff of 85%. Following these negotiations, the DR has often issued (and continues to issue) import permits for amounts in excess of 30,000 MT annually in order to cover shortfalls in domestic production. Generally, these additional amounts pay only the in-quota rate, although the country could apply the out-of-quota rate without breaching its commitments. The Dominican Sugar Institute (INAZÚCAR) is the entity responsible for administering the tariff quota for sugar and is a dependency of the Ministry of Agriculture.

Product and HS2012 heading	***Applied MFN tariff rate (%)***		***Bound tariff rate (%)***		***Bound quota volume (in MT)***	***Trading partners with reserved access***
	In-	**Out-of-**	**In-**	**Out-of-**		

[2] 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.

[3] The DR's value-added tax or VAT is referred to locally as the *ITBIS*. The Spanish acronym stands for the "*Impuesto a la Transferencia de Bienes Industrializados y Servicios*" and was previously set at 16%. Since the fiscal reform entered into force at the beginning of 2013, however, there has been a two-percentage-point rise in the value-added tax, as well as several excise tax increases on other products.

	quota	quota	quota	quota		
Sugar 1701.13.00, 1701.14.00, 1701.91.00, 1701.99.00	**14** **20**	**85** **85**	**20** **20**	**85** **85**	**30,000**	**MFN**

Source: Adapted from the Dominican Republic's Third Trade Policy Review at the WTO, WT/TPR/S/207, 2008; https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=(@Symbol=%20wt/tpr/s/*)%20and%20((%20@Title=%20dominican%20republic%20)%20or%20(@CountryConcerned=%20dominican%20republic))&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true#.

Under the CAFTA-DR, Annex 3.3 of the Agreement establishes that the DR will phase out its sugar tariffs over a 15-year period[4], beginning from the base rate of 85%:

> (d) duties on goods provided for in the items in staging category D in a Party's Schedule shall be removed in 15 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 15;

As of 2013, the eighth year of the Agreement, the current tariff rate is 39.67%. Similarly, tariffs on High Fructose Corn Syrup (HFCS) will also be phased out during the liberalization period, albeit in accordance with a different liberalization schedule.

Other products

In addition to raw sugar exports, other sugar related products are produced for both the local and international markets. For example, both molasses and furfural represent important sources of revenue for the industry, as well as hard currency for the country due to export volumes.

As well, Post also notes that there are a few agroindustry companies operating under the country's special Free Trade Zone regime, using sugar as a raw material. These companies produce items for the export market and are authorized to import and re-export several metric tons sugar annually. Post's import estimates in this report do not include the free trade zone sugar.

Stocks:

Generally, producers hold the sugar stocks, although middlemen and wholesalers also maintain them. Typically, stocks range from 20,000 to 56,000 MT, but occasionally fluctuate. As production is expected to increase this year, while consumption is expected to remain the same, stocks should rise slightly, but remain more or less in the same range.

Policy:

[4] The rates will be at zero as of January 1, 2020.

Several laws regulate the sugar sector in the DR. Law 491 controls the relationship between private cane producers and processors and sets the price for cane based on sugar content. Similarly, Law 619 assigns regulatory functions to INAZÚCAR and also governs marketing (domestic and export), price schedules, and statistics.

Overall, alternative use of sugar cane for other purposes appears to be moving forward. For example, in 2011, one of these initiatives was a joint venture arrangement between two processors and the GoDR, whereby the government leased 25,000 HA of sugar cane land for a 30-year period, from the non-operating mills, Consuelo, Quisqueya and Monte Llano. In principle, the leased land would be used for sugar, ethanol and forest initiatives, initially focusing on recuperating the sugarcane fields for sugar production and later on, engaging in ethanol and biomass production.

In recent years, government plans for biofuels have received a great deal of press and ethanol appears to be the first option, although legislation continues to move slowly. For many years, the central government has been promoting the use or development of an ethanol-gasoline blend, previously authorized by an old law (2071) and reactivated by Decree No. 556-05 in 2005. Subsequently, the regulations outlined in the 2005 legislation were enacted in Law No. 57-07 (promulgated in May 2007), which seeks to encourage the development of renewable sources of energy and their special regimes.

Currently, the effort to establish a mandate that would include a requirement of 10 percent ethanol for an ethanol-gasoline blend and one of 20 percent biodiesel for a diesel blend has encountered several obstacles. Specifically, the start date has been postponed several times and, as the GoDR still does not have a calculation for the cost of the ethanol, both local and foreign investors remain hesitant to support this plan under such uncertainties.

In the meantime, there also appears to be plans for another separate project that seeks to dehydrate ethanol from either imported hydrated ethanol sources and/or from that which is locally produced. As it stands now, the necessary legislation and investors are simply not available, and ultimately, foreign market prices will determine the viability of this project.

Marketing:

The Ministry of Industry and Commerce and INAZÚCAR establish the base price for both raw and refined sugar. As a result, prices generally remain stable and producers sell directly to wholesalers and large companies that use sugar in their product formulations. As of April 2012, the official sugar prices were as follows:

Official Prices for Sugar (April 2012)

Type of sugar	*Retailer (RD$ per lb.)*	*Retailer (US$/lb.)*
Raw	16.00*	0.39
Refined	18.00*	0.44
Exchange rate	41.11/US$	41.11/US$

Source: * INAZUCAR, Resolution No. 04-2011; http://inazucar.gov.do/resolucion_Precios%20004-2011.pdf.

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal, Dominican Republic	2011/2012		2012/2013**		2013/2014**	
	Market Year Begin: Nov 2011		Market Year Begin: Nov 2012		Market Year Begin: Nov 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	235	235	235	235		235
Area Harvested	226	226	225	227		225
Production	4,700	4,700	4,650	4,750		4,600
Total Supply	4,700	4,700	4,650	4,750		4,600

Utilization for Sugar	4,700	4,700	4,650	4,750		4,600
Utilization for Alcohol	0	0	0	0		0
Total Utilization	4,700	4,700	4,650	4,750		4,600

**Estimated, based on preliminary programming data.
Units: 1000 HA; 1000 MT

Sugar, Centrifugal Dominican Republic	**2011/2012**		**2012/2013****		**2013/2014****	
	Market Year Begin: Nov 2011		**Market Year Begin: Nov 2012**		**Market Year Begin: Nov 2013**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	34	34	43	49		55
Beet Sugar Production	0	-	0	-		-
Cane Sugar Production	553	553	555	565		550
Total Sugar Production	553	553	555	565		550
Raw Imports	48	49	48	48		40
Refined Imp.(Raw Val)	0	-	0	-		-
Total Imports	48	49	48	48		40
Total Supply	635	636	646	662		645
Raw Exports	209	205	212	225		220
Refined Exp.(Raw Val)	3	2	3	2		2
Total Exports	212	207	215	227		222
Human Dom. Consumption	380	380	380	380		380
Other Disappearance	0	-	0	-		-
Total Use	380	380	380	380		380
Ending Stocks	43	49	51	55		43
Total Distribution	635	636	646	662		645

**Estimated, based on preliminary data.
Units: 1000 MT