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Prepared By: Luis Gonzalez

Approved By: Lisa Ahramjian

Report Highlights:

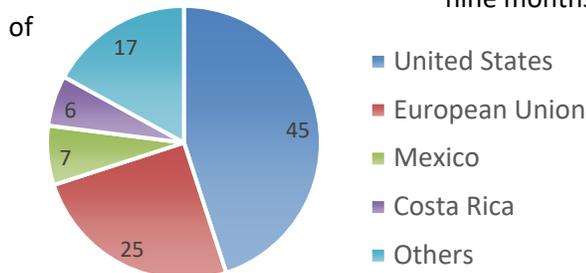
The Dominican Republic (DR) is the fourth-largest market for U.S. agricultural and related products in the Western Hemisphere, increasing 11 percent to reach a record \$1.44 billion in 2018. However, the first nine months of 2019 reflect a 2 percent decrease in this category compared to the same period in 2018. A key factor is continued loss of U.S. market share for corn to South American suppliers. In addition, tourist bookings and food and beverage purchases at resorts were down 30 percent in September following wide-reaching negative media coverage involving U.S. tourists in the DR. However, growth in the hotel and restaurant sector in Santo Domingo and other urban areas partially compensated for those losses, and tourist arrivals during the holiday period appear to be rebounding. In the first nine months of 2019, U.S. consumer-oriented exports increased 9 percent compared to the same period in 2018.

Market Fact Sheet: Dominican Republic

The Dominican Republic (DR) is an upper middle-income country with low and stable inflation. It is the second-largest economy in the Caribbean, just behind Cuba, and the third-largest country in terms of population (behind Cuba and Haiti). In 2018, the DR's GDP reached approximately \$85.5 billion. For the 2019 January-September period, the GDP grew 4.8 percent compared with the same period in 2018. The DR's major export growth has shifted away from its traditional products (raw sugar, tobacco, green coffee, and cacao) to gold, ferronickel, sugar derivatives, free-trade zone products, vegetables, and other agricultural products. Major agricultural imports include consumer-oriented products and livestock feed, with the United States as a primary partner.

Imports of Consumer-Oriented products

In 2018, the DR imported \$1.27 billion worth of consumer-oriented products. As demonstrated in the graph below, the United States was the primary supplier, capturing 45 percent (a record \$569 million) of that total. Competitors include the European Union, Mexico, and Costa Rica. Top U.S. products in this category include pork, dairy, poultry, beef, and prepared food. U.S. consumer-oriented exports increased 9 percent in the first nine months



2019 compared to the same period in 2018. Key growth products include beef, prepared food, and fresh fruit.

The DR's food processing industry is valued at \$2.6 billion as of September 2018 (\$2.2 billion in CY 2018) in activities categorized as "food industry," with an additional \$723 million for beverages and other products during the same period (\$605 million in CY 2018). The United States has a strong history of supplying meat, edible meat offal, and animal and vegetable fats for the Dominican meat

Food Processing Industry

processing industry; this is expected to continue.

The Dominican modern retail sector offers a wide variety of U.S. products, is dominated by locally owned companies, and is growing rapidly.

Food Retail Industry

However, despite the prominence and growth of local supermarket chains, they only account for 20-25 percent of retail sales. The majority of sales of local products is done through traditional channels, which include neighborhood stores (colmados) and warehouses.

Quick Facts CY 2018

List of Top 10 Growth Products

- | | |
|------------------|-----------------------|
| 1) Cheese | 6) Meat (Beef) |
| 2) Wine | 7) Flour |
| 3) Craft Beer | 8) Baking Ingredients |
| 4) Pork | 9) Spices |
| 5) Chicken Parts | 10) Candies |

Consumer-Oriented Trade (\$billions) 2018

| | |
|--------------------------|------|
| DR Imports (all sources) | 1.27 |
| DR Imports (from U.S.) | 0.57 |
| DR Exports (World) | 0.69 |
| DR Exports (to U.S.) | 0.32 |

Top 10 DR Retailers

- | | |
|--------------------------|----------------|
| 1) La Sirena | 6) Mercatodo |
| 2) Pola Supermarkets | 7) Plaza Lama |
| 3) Jumbo | 8) PriceSmart |
| 4) Nacional Supermarkets | 9) Carrefour |
| 5) Bravo | 10) SuperFresh |

GDP/Population

Population: 11.0 million

2018 GDP: \$85.5 billion; per capita: \$8,700

Sources: TDM; ONE DR (2016); World Bank, DR Central Bank

Strengths/Weaknesses/Opportunities/Challenges

| Strengths | Weaknesses |
|--|--|
| Implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products | Higher cost of some U.S. products compared to competitors |
| Proximity to the United States and strong demand for U.S. products | Import sensitivity of several products |
| Opportunities | Threats |
| Additional trade liberalization through the full implementation of CAFTA-DR by 2025 | Limited cold chain capacity |
| Growth potential for U.S. consumer-oriented products, livestock feed, and ingredients for the food processing industry | Competition from other CAFTA-DR signees and the DR's other free trade agreement partners |

Contact: OAA Santo Domingo

agsantodomingo@fas.usda.gov +1 809-368-7654

SECTION I. MARKET OVERVIEW

The Dominican Republic's (DR) economy continues to experience positive development and is a leader in the Latin America region. The 2019 GDP is projected to reach approximately USD\$89.0 billion. Also, it is estimated that the GDP grew 4.8 percent during the 2019 January-September period compared to the same period in 2018, reaching an estimated per capita GDP of approximately \$8,700 based on the DR's Central Bank data. Average inflation in October 2019 was 2.48 percent and 3.06 percent cumulative since January.

Since the DR became a member of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) in 2007, total U.S. agricultural exports have almost doubled. In 2018, U.S. agricultural and related exports to the DR reached a record \$1.44 billion, an 11 percent increase from 2017. However, the first nine months of 2019 reflect a 2 percent decrease in this category compared to the same period in 2018. A key factor is continued loss of U.S. market share for corn to South American suppliers. The DR remains the largest market for U.S. agricultural products among CAFTA-DR signatories.

In addition, tourist bookings and food and beverage purchases at resorts were down 30 percent in September following wide-reaching negative media coverage involving U.S. tourists in the DR. However, growth in the hotel and restaurant sector in Santo Domingo and other urban areas partially compensated for those losses. Nationwide, the hotel occupancy rate fell 6.3 percent, even with resorts offering steep discounts to encourage local occupancy. The tourism sector registered an increase of just 1 percent during the January-September 2019 period, compared to the 5.6 percent increase in the same period of 2018. However, tourist arrivals and hotel occupancy during the holiday period appear to be rebounding, and the DR's tourism industry is still vigorous. The hotel, restaurant, and industrial (HRI) sector continues to drive the increasing gastronomy focus and solid domestic consumer consumption. For additional information on the HRI sector, please see the September 2019 [Food Service – Hotel Restaurant Institutional report](#) for the DR.

Since the signing of CAFTA-DR in 2007, U.S. exports of consumer-oriented products have more than quintupled. In the first nine months of 2019, U.S. consumer-oriented exports increased 9 percent compared to the same period in 2018. The DR is the fifth-largest market for such products in the Western Hemisphere. Among CAFTA-DR signatories, the United States is the primary supplier of consumer-oriented agricultural products to the DR, capturing 31 percent market share in 2018 (valued at a record \$568 million) of that total. Top U.S. products in this category include dairy products, pork, poultry, beef, and prepared food. Key growth products include beef & beef products, prepared food, and fresh fruits.

Key market drivers and consumption trends

1.1. Advantages and challenges in the market

| Advantages | Challenges |
|--|--|
| 1. The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products | 1. Competition from other CAFTA-DR signees and the DR's other free trade agreement partners |
| 2. A large and growing tourist population, which demands high value food products | 2. Delays for import permits and sanitary registration, which can affect the availability of imported products |
| 3. A growing number of consumers demanding higher quality and healthier products - they generally perceive that U.S. products meet their requirements - as well as an increasingly modern HRI sector which also seeks new, high quality products | 3. Requirement that imported products must have a label in Spanish that must be placed at origin or in the DR |
| 4. Efficient food distribution channels (new highways, modernized seaports/airports) | 4. Remaining cold chain limitations, which have been reduced through USDA technical and financial support |
| 5. Consumers greatly influenced by U.S. culture, with a positive perception of U.S. products | 5. 18 percent VAT and high internal logistical costs |
| 6. The proximity of the DR to the United States and a strong bilateral relationship throughout the public and private sectors, which facilitates trade | 6. Corruption and lack of transparency, which continue to earn the DR relatively low scores in international comparison tables. (DR was 99 th out of 190 countries in the World Bank's 2018 "Ease of Doing Business" ranking) |
| 7. Growing population in urban centers and increased rate of employment | 7. A lack of institutional continuity across changes in government administrations |
| 8. A Dominican diaspora in the U.S. of approximately one million people, clustered primarily in the northeastern states and Florida, whose remittances help support the Dominican economy | 8. A temporary reduction in tourism demand following wide-reaching negative media coverage involving U.S. tourists in the DR, which affected food and beverage purchases |

SECTION II. EXPORTER BUSINESS TIPS

The DR has few but persistent market access issues, which are best navigated in consultation with Dominican importers. A common market entry option is to appoint an agent or distributor in the DR; licensing agreements and franchises can also be successful. Because of the DR's proximity to the United States and low air travel costs, the optimal market entry method is through a coordinated strategy that includes personally visiting potential partners or distributors in the DR. U.S. exporters should also be prepared to provide all promotional materials in the Spanish language. Good after-sales service is a pre-requisite of doing business successfully in the country. It is recommended that a U.S. exporter who would like to enter the Dominican market perform in-depth market research to identify potential niches and develop an effective marketing plan. The Office of Agricultural Affairs in Santo Domingo can provide contact information on the major importers,

retailers, and distributors in the DR. The office also provides information on tariff rates, import duties, and other customs charges.

Local Business Customs and Trends

Personal relationships are essential to building business relationships in the DR. In general, Dominicans attach great importance to courtesy in all business endeavors. A warm handshake combined with conversation about the person's wellbeing, family, or other similar topics prior to launching into any conversation related to business is considered a common courtesy. This communication helps Dominican buyers develop more confidence prior to any business commitment. Dominican people are genuinely warm and friendly. However, every aspect of the business transaction should be clearly stated in writing between the parties.

General Consumer Tastes and Trends

Dominicans share a lot of U.S. culture, such as sports, entertainment, and fashion. Similarly, Dominican food consumption trends are similar to trends in the United States. While U.S. trends may take a few years to arrive in the DR, CAFTA-DR has accelerated this transfer. For example, in the middle class and above, consumers routinely visit U.S. fast food chains and restaurants established in the DR. Dominican consumers perceive that products made in the United States and other developed countries are more reliable in terms of quality and safety. Additionally, higher income classes are demanding more natural and healthy products, including those with less saturated fat, cholesterol, and sugar. This creates opportunities for many U.S. products.

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS AND IMPORT PROCEDURES

Several import requirements are mentioned below. For additional information, review Post's FAIRS narrative report at www.fas.usda.gov.

Customs Clearance

The General Directorate of Customs office (DGA) requires the importer to present the following documents to release all shipments valued over US\$100:

- Bill of lading (English or Spanish)
- Commercial invoice
- Insurance certificate issued by a local insurance company
- Export certificate issued by the country of origin
- For products of animal (including dairy), plant, or fish origin only: Sanitary No-objection Certificate (import permit) issued by the Ministry of Agriculture (MoAg)
- For alcoholic beverages only: Import permit issued by the General Directorate of Internal Taxes (DGII).

When importers have all the required documents and no sanitary issues arise, the DGA clearance procedure can be completed in twenty-four hours. The process has been streamlined since September 2017, when the electronic customs systems (One Stop-shop of External Trade or VUCE in Spanish) began to be implemented. This system digitizes the agricultural import authorizations process and allows the importer to request import permits and process other transactions online. Since January 31, 2019, the system has been used for all commodities. This system increases transparency for traders, who are able to view the status of their approvals and reasons for any rejections. However, importers usually hire a knowledgeable customs agent who expedites the process. Larger importers will have a customs agent within their company. After ten days

in port, shipping lines assess a daily charge for the use of their containers. Port authorities also charge for the use of their space.

After the invoice is reviewed, DGA officials determine the duty. If it is determined that the invoice does not reflect what DGA believes is an accurate price, DGA officials will review the duty based on their own appraisal list (Lista de Valuación Aduanera, LVA). The actual product value may be lower than the one in the list, so importers sometimes need to appeal their findings. For additional information, review Post's FAIRS narrative report at www.fas.usda.gov.

Country Language Labeling Requirements

Imported products must have a label in the Spanish language. This can be a sticker applied to the packaging, which can be applied at origin or in country as a Complementary Label (sticker). For additional information, review Section V of Post's FAIRS narrative report at www.fas.usda.gov.

Tariffs and Free Trade Agreements (FTAs)

Tariffs follow commitments under the CAFTA-DR agreement, which will be fully implemented in 2025. Tariffs range from zero to 20 percent for most products, and up to 99 percent in some cases. Several products are duty free and are listed in Baskets A, B, G, W and X of the agreement. The tariffs for products in other baskets are being reduced over time. A complete list of the base tariff schedule, in Spanish only, is available at http://www.ustr.gov/sites/default/files/uploads/agreements/cafta/asset_upload_file732_5848.pdf.

Exporters also need to be aware of internal taxes applied to imported luxury products, such as wine, during the clearance process. Although the duty may be low or zero, luxury taxes may be as much as 300 percent. These taxes, charged at customs, increase the price for the end consumer significantly. Copyrights and trademarks are handled by the DR's National Office of Industrial Property (ONAPI). For additional information, review Post's FAIRS narrative report at www.fas.usda.gov.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

The DR market is price sensitive, with limited consumer buying power in the lower classes. However, a wide range of opportunities exists for U.S. agricultural products in 90 percent of Dominican consumers in the following categories:

Consumer-Oriented Products: Since the signing of CAFTA-DR in 2007, U.S. exports of consumer-oriented products have more than quintupled. The DR is the fifth-largest market for such products in the Western Hemisphere. In 2018, the DR imported \$1.27 billion of consumer-oriented products from all sources. The United States was the primary supplier, capturing 45 percent (a record \$568 million) of that total. Competitors include the European Union, Mexico, and Costa Rica. Top U.S. products in this category include dairy products, pork, poultry, beef, and prepared food. The first nine months of 2019 showed a nine percent increase compared to the same period in 2018. Key growth products include beef & beef products, prepared food, and fresh fruit.

HRI Sector: The leading U.S. products for distribution in the growing HRI sector include premium red meat cuts, pork, poultry parts, seafood, cheeses, frozen potatoes and vegetables, fresh fruit, wine, and craft beer. U.S. beef (including special meat cuts) is growing in popularity at high-end restaurants, especially in Santo Domingo. While the DR has substantial domestic poultry and pork sectors, the growing food service sector creates additional demand for specific cuts. The DR's food service sector is largely dependent on imported seafood products, which creates opportunities for U.S. lobster, salmon, and other seafood products in this

price-sensitive market. Cheeses, whether served individually or as ingredients (especially cheddar, mozzarella, and provolone), are widely used in the food service sector. In addition, frozen potato products continue to be very popular. U.S. wines, mainly from California, are gaining market share despite fierce competition from the European Union. There is also increasing demand for U.S. craft beer. U.S. turkey has high potential during peak holiday periods and duck can be found on occasion as a specialty product in some upscale hotels and restaurants throughout the year.

Retail Foods: The Dominican retail sector can be divided into two distinct segments or channels: the modern and the traditional. The modern retail distribution channel is comprised of three main components: supermarket chains, independent supermarkets, and convenience stores known as “food shops.” Supermarket chains dominate this segment and offer a wide variety of U.S. products. However, despite their prominence and growth, only 20-25 percent of retail sales are via the modern retail channel. The traditional retail channel is subdivided into two main components: neighborhood stores known as “*colmados*” and walk-in food warehouses known as “*almacenes*,” located mainly in traditional street markets. In addition to direct sales to the public, *almacenes* also serve as suppliers to *colmados*. It is estimated that 70-80 percent of retail food sales are recorded by the traditional retail channel.

Supermarket Chains: The number of Dominican supermarkets has doubled over the last 20 years. Supermarkets are concentrated in the greater Santo Domingo area and other large urban areas. There are currently approximately 150 supermarkets nationwide, which is a 25 percent increase in new stores over the past two years. See page 2 for major supermarket chains.

Independent Supermarkets: With more than 40 points of sale, the majority of independent supermarkets are based in Santo Domingo and Santiago, the two largest cities. Most of these independent supermarkets have joined forces under an umbrella group known as the National Union of Low-Cost Supermarkets (UNASE).

Convenience Stores: Most convenience stores are located in gas stations and focus on pre-packaged and ready-to-eat foods and beverages. They offer a high portion of U.S. brands (some produced outside the United States), including snacks, sodas, other non-alcoholic beverages, rum, wine, and beer. Customers generally only purchase food and drink to consume in this inexpensive and social environment. There are no regional or national chains in this sub segment. For additional information, please refer to Post’s 2019 Retail Foods report at <https://www.fas.usda.gov/data/dominican-republic-retail-foods-0>.

Food Processing Ingredients: The DR’s food processing industry is valued at \$2.6 billion, with an additional \$723 million for processed beverages and tobacco. In the first nine months of 2019, the DR’s food processing industry registered a cumulative increase of 2.7 percent. Key processing activities include the production of oils and fats of vegetable and animal origin (34.4 percent), milled products (4.9 percent), dairy products (3.6 percent), and processed meats (2.3 percent). However, sugar processing was reduced by 14.4 percent, reportedly due to higher-than-normal temperatures and humidity that affected sugar processing.

The United States has a strong history of supplying wheat, meat, edible meat offal, and animal and vegetable fats (e.g., soybean oil) for the Dominican meat processing industry and this is expected to continue. There is also potential for increased exports of U.S. ingredients for the Dominican milling, dairy, and confectionary industries, especially since CAFTA-DR will be fully implemented by 2025. For additional information, please refer to Post’s 2019 Food Processing Ingredients report at <https://www.fas.usda.gov/data/dominican-republic-food-processing-ingredients-1>.

Section V. Agricultural and Food Imports from the United States

| Consumer Oriented Products (\$Millions) | | | | Intermediate Products (\$Millions) | | | |
|---|------------|------------|------------|------------------------------------|------------|------------|------------|
| Items | 2016 | 2017 | 2018 | Items | 2016 | 2017 | 2018 |
| Dairy Products | 76 | 78 | 87 | Soybean Meal | 224 | 174 | 188 |
| Pork & Pork Products | 56 | 71 | 93 | Soybean Oil | 84 | 141 | 107 |
| Poultry Meat & Prods. (ex. Eggs) | 64 | 61 | 74 | Other | 89 | 88 | 86 |
| Other | 288 | 282 | 314 | Totals | 397 | 403 | 381 |
| Totals | 484 | 492 | 568 | | | | |

| Bulk Products (\$Millions) | | | |
|----------------------------|------------|------------|------------|
| Items | 2016 | 2017 | 2018 |
| Corn | 87 | 95 | 165 |
| Tobacco | 80 | 83 | 95 |
| Wheat | 82 | 82 | 66 |
| Other | 45 | 46 | 43 |
| Totals | 294 | 306 | 369 |

Consumer-oriented products: As noted above, consumer-oriented exports are fueling the growth of U.S. exports to the DR. Key growth products include dairy products, pork, poultry, beef, prepared food, beer, and wine. The United States is the overall primary supplier, representing a 45 percent market share. Competitors include the European Union, Mexico, and Costa Rica.

Intermediate products: The DR is entirely dependent on imports for soy products and the United States has almost total market share. U.S. soybean meal exports, valued at \$188 million in 2018 (an 8 percent increase from 2017), fuel substantial domestic poultry and pork industries. In addition, while the DR imported 38 percent less soybean oil in 2018 compared to 2017, the United States retained almost total market share (valued at \$107 million in 2018). U.S. soybean oil is widely distributed in the HRI and retail sectors.

Bulk products: While U.S. corn exports reached a record \$251 million in 2008, quality concerns have contributed to a loss of market share to South American suppliers. In 2018, U.S. corn exports were valued at \$165 million (a 74 percent increase from 2017). However, during the first nine months of 2019, U.S. corn exports to the DR dropped 50 percent compared to same period in 2018, reportedly due to quality concerns.

Largely due to trade liberalization under CAFTA-DR, the DR is the largest market in the world for U.S. pinto beans. However, local sensitivities restrict trade, especially during the local harvest.

The DR is entirely dependent on imports for wheat, which is processed locally. While the U.S. market share in 2016 was 76 percent, it has dropped steadily since then, reaching 58 percent in 2018 due to the increasing price-competitiveness of Canadian wheat. Similarly, the first nine months of 2019 reflect a four percent decrease from the same period in 2018.

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

Foreign Agricultural Service (FAS/USDA)

U.S. Embassy in Santo Domingo

57 República de Colombia Av., Arroyo Hondo, Santo Domingo, Dominican Republic

Telephone: 1+ 809-368-7654

E-mail: agsantodomingo@usda.gov | Web page: www.usda.gov

Comment: Contact our office for more detailed information about the Dominican food market, lists of importers, major players in the sector, questions, etc.

For a more detailed description of import requirements and Government of the DR contacts, please review Section V of Post's FAIRS narrative report at www.fas.usda.gov

Attachments:

No Attachments