

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Dominican Republic**

### **Exporter Guide**

## **Opportunities Abound for U.S. Consumer-Oriented Products**

**Approved By:**

Lisa Ahramjian, Agricultural Attaché

**Prepared By:**

Luis C. González B., Agricultural Specialist

**Report Highlights:**

The Dominican Republic (DR) is the fifth-largest market for U.S. agricultural products in the Western Hemisphere, valued at a record \$1.45 billion in 2018. CAFTA-DR has improved the competitiveness of U.S. products, achieving a 43 percent market share in consumer-oriented products in 2017. Product exports in this category have quintupled since the implementation of CAFTA-DR in 2007, reaching a record \$569 million in 2018. Driven by a dynamic tourism industry (6.2 million visitors in 2017), the growing hotel and restaurant sector continues to fuel the demand for U.S. dairy products, pork, poultry, beef, prepared food, and other consumer-oriented products.

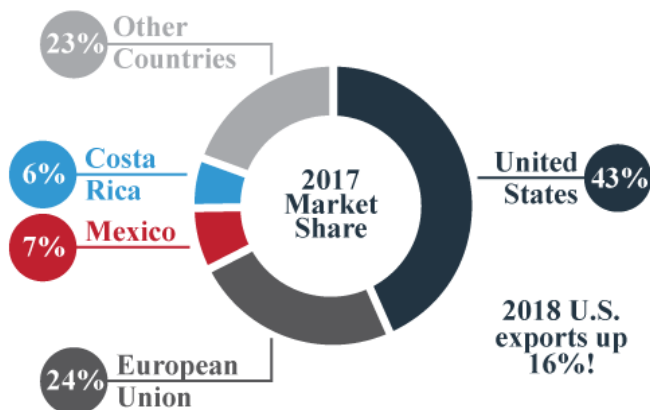
**Post:**

Santo Domingo

# 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 \$80.0 billion, a 7.0 percent increase from 2017. The DR's major export growth has shifted away from its traditional products (raw sugar and tobacco, green coffee, and cacao) to gold, Ferro-nickel, sugar derivatives, free-trade zone products, vegetables and other agricultural products. Major imports include consumer-oriented products and livestock feed, with the United States as a primary partner.

## Imports of Consumer-Oriented Products



Source: GTIS and GATS.

## Food Processing Industry

The DR's food processing industry was valued at \$2.2 billion as of September 2018 (\$2.8 billion in 2017) in activities categorized as "food industry," with an additional \$605 million for processed beverages and tobacco during the same period (\$794 million). The United States has a strong history of supplying meat, edible meat offal, and animal and vegetable fats for the Dominican meat processing industry; this is expected to continue. There is potential for increased exports of U.S. ingredients for the milling, dairy, and confectionary industries, especially since CAFTA-DR will be fully implemented by 2025.

## Food Retail Industry

The Dominican modern retail sector offers a wide variety of U.S. products, is dominated by locally-owned companies, and is growing rapidly. However, despite the growth of supermarkets, they only account for 20-25 percent of retail sales. The majority of sales are still in

the traditional channel, which includes neighborhood stores (colmados) and warehouses, and offer largely local products.

## Quick Facts CY 2017

### List of Top 10 Growth Products

- |                  |                        |
|------------------|------------------------|
| 1) Cheese        | 6) Meat (Beef)         |
| 2) Wine          | 7) Seafood             |
| 3) Craft Beer    | 8) Baking Ingredients  |
| 4) Pork          | 9) Frozen potatoes/veg |
| 5) Chicken Parts | 10) Fresh fruit        |

### Consumer-Oriented Trade (U.S. billion) 2017

DR Imports (all sources)	1.14
DR Imports (from U.S.)	0.49
DR Exports (all dest.)	0.64
DR Exports (to U.S.)	0.23

### Top 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: 10.6 million  
GDP: 80.0 billion  
GDP per capita: 7.55

Sources: GTIS; ONE; World Bank, Central Bank of the DR

## 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	Competition from other CAFTA-DR signees and the DR's other free trade agreement partners
Growth potential for U.S. consumer-oriented products, livestock feed, and ingredients for the food processing industry	Limited cold chain capacity

Contact: OAA Santo Domingo

[agsantodomingo@fas.usda.gov](mailto:agsantodomingo@fas.usda.gov) | +1 809-368-7654

## SECTION I. MARKET OVERVIEW

The Dominican Republic's (DR) economy continues to experience positive development. The 2017 GDP is \$76.0 billion with a 5.0 percent growth from 2016, reaching a per capita GDP of approximately \$7.5 thousand according to the DR's Central Bank. Average inflation in October 2018 was 3.97 percent, which was an increase of 21 percent from the 3.28 average by the end of 2017.

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 \$1.45 billion, an 11 percent increase from 2017. Representing 30 percent of total U.S. agricultural and related exports to CAFTA-DR countries, the DR is the largest market for U.S. agricultural products and represents the largest trade surplus in the region.

Since the signing of CAFTA-DR in 2007, U.S. exports of consumer-oriented products have quintupled. The DR is the fifth-largest market for such products in the Western Hemisphere. The United States is the primary supplier of consumer-oriented products, capturing 43 percent market share (valued at a record \$492 million in 2017) of that total. Top U.S. products in this category include dairy products, pork, poultry, beef, and prepared food. In 2018, U.S. consumer-oriented exports reached a record \$569 million, a 16 percent increase from 2017. Key growth products include cheese, pork, wine, and beer.

Driven by a dynamic tourism industry (6.2 million visitors in 2017), an increasing gastronomy focus, and solid domestic consumer demand, the growing hotel, restaurant, and industrial sector continues to fuel the demand for U.S. consumer-oriented products. The DR's HRI sector experienced a cumulative growth of 6.7 percent in 2017 and it is estimated to grow 5.4 percent in 2018. This sector was the largest contributor to the GDP growth in 2017 and tourism continues to be very important to the DR's economy and a key driver of trends and demand in the food service sector. This growth in turn leads to continued expansion and interest in premium red meat cuts, pork, poultry parts, seafood, cheeses, frozen potatoes and vegetables, fresh fruit, wine, and beer. For additional information on the HRI sector, please see <https://go.usa.gov/xEYgB>.

### Key market drivers and consumption trends

#### *1.1. Advantages and challenges in the market*

<b>1.</b> The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products	<b>1.</b> Competition from other CAFTA-DR signees and the DR's other free trade agreement partners
<b>2.</b> A large and growing tourist population, which demands high value food products	<b>2.</b> 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 and perceiving that U.S. products meet their requirements	3. The requirement that U.S. products must have a label in Spanish that must be placed at origin
4. Efficient food distribution channels (new highways, modernized seaports/airports)	4. Cold chain limitations
5. Consumers greatly influenced by U.S. culture, with a positive perception of U.S. products	5. 18 percent VAT and high internal logistic costs
6. The proximity of the DR to the United States and strong bilateral relationships throughout the public and private sectors, which facilitates trade	6. Lack of transparency and corruption, which continue to earn the DR relatively low scores in international comparison tables, such as ranking 99 <sup>th</sup> 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 United States of approximately one million persons, clustered primarily in the northeastern states and Florida, whose remittance payments help support the Dominican economy	

## 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. 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. Especially due to the DR's proximity to the United States and low air travel costs, personally visiting buyers is highly recommended. U.S. exporters should also be prepared to provide all promotional materials in Spanish. The Office of Agricultural Affairs in Santo Domingo can provide contact information for major buyers, tariff and customs charges, and other resources (see Section VI).

### 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, please refer to Post's 2018 Food and Agriculture Import Regulations and Standards (FAIRS) Narrative report, DR1820.

#### **Customs Clearance**

The General Directorate of Customs office (DGA) requires the importer to present the following documents to release all shipments valued over \$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 (MoA)
- *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 24 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. The system is currently being used for approximately 80 percent of imports, with exceptions including animal and cheese products. This system has increased 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 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.

### **Country Language Labeling Requirements**

Imported products must have a label in Spanish. This can be a sticker applied to the packaging, but it must be applied at origin. For more information, please refer to Labeling Requirements section of Post's 2018 FAIRS Narrative report DR1820.

### **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, under CAFTA-DR is available at [http://www.ustr.gov/sites/default/files/uploads/agreements/cafta/asset\\_upload\\_file732\\_5848.pdf](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. For more information, please refer to Post's 2018 FAIRS Narrative report, DR1820.

## **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 quintupled. The DR is the fifth-largest market for such products in the Western Hemisphere. The United States is the primary supplier of consumer-oriented products, capturing 43 percent market share (valued at a record \$492 million in 2017) of that total. Top U.S. products in this category include dairy products, pork, poultry, beef, and prepared food. In 2018, U.S. consumer-oriented exports reached a record \$569 million, a 16 percent increase from 2017. Key growth products include cheese, pork, wine, and beer.

**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. 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. seafood products in this price-sensitive market. U.S. cheddar, mozzarella, and provolone are widely used in the food service sector. In addition, U.S. wines and craft beer are gaining market share.

**Retail Foods:** The DR’s modern retail sector is dominated by locally owned companies, is growing rapidly, and offers a wide variety of U.S. products. However, despite the prominence and growth of local supermarket chains, they only account for 20-25 percent of retail sales. Most sales are still occurring through the traditional channel, which includes neighborhood stores (colmados) and warehouses and offers largely local products. Some products have managed to integrate well into both channels. For example, the DR is now the third largest market for U.S apples in the Western Hemisphere, valued at \$19 million in 2017. Approximately 35 percent of apples are sold via informal street vendors. For additional information, please refer to Post’s 2018 Retail Foods report: <https://www.fas.usda.gov/data/dominican-republic-retail-foods>

**Food Processing Ingredients:** The DR’s food processing industry was valued at \$2.2 billion as of September 2018 (\$2.8 billion in 2017) in activities categorized as “food industry,” with an additional \$605 million for processed beverages and tobacco during the same period (\$794 million). The United States has a strong history of supplying meat, edible meat offal, and animal and vegetable fats for the Dominican meat processing industry; this is expected to continue. There is potential for increased exports of U.S. ingredients for the milling, dairy, and confectionary industries, especially since CAFTA-DR will be fully implemented by 2025. For additional information, please refer to Post’s 2018 Food Processing Ingredients report: <https://www.fas.usda.gov/data/dominican-republic-food-processing-ingredients>

## Section V. Agricultural and Food Imports

Intermediate Products (\$millions)						
Items	2013	2014	2015	2016	2017	2018
Soybean Meal	174	203	190	224	174	189
Soybean Oil	44	124	87	84	140	107
Other	86	84	79	89	88	86
<i>Total</i>	<i>304</i>	<i>411</i>	<i>356</i>	<i>397</i>	<i>403</i>	<i>382</i>

<b>Bulk Products (\$millions)</b>						
Items	2013	2014	2015	2016	2017	2018
Corn	27	136	86	87	95	167
Wheat	153	153	93	82	82	66
Pulses	23	21	38	32	19	20
Other	108	99	109	92	64	117
<i>Total</i>	<i>311</i>	<i>409</i>	<i>326</i>	<i>293</i>	<i>306</i>	<i>370</i>
<b>Consumer Oriented Products (\$millions)</b>						
Items	2013	2014	2015	2016	2017	2018
Pork & Pork Products	43	47	53	56	71	93
Dairy Products	87	86	78	76	78	87
Poultry Meat & Products (ex. Eggs)	46	46	52	64	61	74
Beef and Beef Products	34	55	59	57	53	58
Other	279	250	209	231	229	257
<b>Total</b>	<b>489</b>	<b>484</b>	<b>451</b>	<b>484</b>	<b>492</b>	<b>569</b>

**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 \$189 million in 2018, fuel substantial domestic poultry and pork industries. In addition, U.S. soybean oil exports, valued at \$107 million in 2018, are widely distributed in the HRI and retail sectors.

**Bulk products:** While U.S. corn exports reached a record \$251 million in 2008, quality concerns contributed to a loss of market share to South American suppliers. In 2018, U.S. corn exports reached \$167 million, a 76 percent increase from 2017. 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 harvest. The DR is entirely dependent on imports for wheat, which is processed locally. The average U.S. market share is 85 percent, with increasing competition from Canada. U.S. wheat exports were valued at \$66 million in 2018.

**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 primary supplier, representing a 43 percent market share. Competitors include the European Union, Mexico, and Costa Rica.

For additional trade data, please visit <https://apps.fas.usda.gov/gats/default.aspx>.



## **SECTION VI. ON KEY CONTACTS AND FURTHER INFORMATION**

### Foreign Agricultural Service (FAS/USDA)

U.S. Embassy in Santo Domingo

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

Telephone: 809-368-7654

E-mail: [agsantodomingo@fas.usda.gov](mailto:agsantodomingo@fas.usda.gov) | Web page: [www.fas.usda.gov](http://www.fas.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 further description of import requirements and Government of the DR contacts, please refer to Post's 2018 FAIRS Narrative report, DR1820.