



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 12/18/2003

**GAIN Report Number:** DR3027

## Dominican Republic

### Grain and Feed

### Rice Production Update and Imports

### 2003

**Approved by:**

David G. Salmon  
Dominican Republic

**Prepared by:**

Carlos G. Suarez

---

**Report Highlights:**

Recent flooding appears to have had a minimal effect on Dominican rice production. However, rice imports of 23,000 metric tons were recently approved bringing total imports for 2003 to 30,000 metric tons.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Santo Domingo [DR1]  
[DR]

## Production

Dominican rice production averaged almost 250,000 metric tons during the period 1997-2000. As a result of policy changes, which raised producer prices, production increased in the next two years to reach an all-time high of 347,000 metric tons in 2002. This 40 percent jump in production for 2002 was 60,000-80,000 tons higher than the previous five-year average and created an oversupply situation that carried over into 2003. These high stock levels required a downward adjustment in production to a preliminary 320,000 tons in 2003. Estimates for 2004 are anticipated to increase only slightly over 2003, which will meet domestic demand until the overall economy of the country show signs of improvement, which would cause a slight increase in overall demand.

## Consumption

Apparent consumption is somewhat stagnant at about 322,000 metric tons for 2002 with a marginally higher estimate of 325,000 tons for 2003. Population growth and higher demand from the tourist sector are the main reason for the increase. With domestic consumer rice prices on the raise, mainly due to exchange rate pressure, import restrictions limiting access to higher quality rice from the United States at a lower price have forced Dominican consumers to look for alternative carbohydrate sources. This, in addition to a deteriorating local economy, will check any increase of rice consumption. As a result, consumption is not anticipated to grow in the near term and will fluctuate between 325,000 and 330,000 tons.

## Trade

Prior to 2000, yearly rice imports were exclusively from the United States and ranged from 30,000 to 70,000 metric tons. Producer prices, which are negotiated between the main rice producer organization and the Secretariat of Agriculture, are well above world price levels, which, not surprisingly, has resulted in the sharp increases in planted acreage and yield already mentioned. The oversupply situation, which began in 2002 and carried over into 2003, generated stocks, which were estimated as high as 65,000 tons. The very high cost of carrying these large stocks, lead to efforts to export some of the excess, which required export subsidies. An effort was made by the Secretariat of Agriculture to reach an agreement with Venezuela to purchase 20,000 tons at a prices that were about half of the Dominican domestic wholesale price. In the end, however, only about 20 tons reached that market by air. Nonetheless, additional attempts resulted in the sale of almost 30,000 metric tons to Haiti and the European Union (mainly Spain) at international prices, which, again, were about half the domestic price.

According to Secretariat of Agriculture and major rice producers, the recent flooding (November 2003) in the North West and North East of the country affected the rice crop significantly. Producers indicate major damage to the second crop harvested in the fall, plus damage to early-planted areas of the main crop harvested in April-May. However, our analysis indicates that the effect on rice production should be minimal. The main Dominican rice crop will only begin to be planted in January 2004 for harvest in April-May. The second, smaller rice crop, which is normally harvested in September-October, is only about 35 percent of total annual production and should have been completely harvested by the time of the flooding. In any case, the Dominican Secretariat of Agriculture has authorized rice imports of 23,000 metric tons that will likely be

imported before the end of the calendar year. In addition, although there is frequent reference made to zero rice imports in 2003, in fact, over 7,000 metric tons of rice were imported from the United States in the first half of calendar 2003. This indicates total imports for the calendar year of around 30,000 metric tons.

### Subsidies

The Government, through the Agricultural Bank, millers associations and individual millers, subsidizes production surpluses through a staging procedure referred to as “pignoracion” in Spanish. This procedure allows the millers to purchase rice from the producers, store it and place it in the market when needed, up to a maximum of four months. At the end of the period, the Government covers the financial costs of storage. According to recent information, the latest main harvest of 204,500 metric tons (4.5 million quintals) was “pignorized”. After all expenses were calculated, the Dominican Government paid about RD\$ 400 million or about US\$ 10 million to domestic millers.

In addition to the storage subsidy, about 30,000 tons of Dominican rice was sold to Spain (21,000 metric tons), Belgium (420 metric tons) and Haiti (9,462 metric tons) in the first half of 2003. The sales to Spain and Belgium were reported at US\$ 160 and US\$ 168 per metric tons, respectively, less than half of the mid-year domestic price (equivalent to about US\$ 340 per ton). The government paid producers the difference of over US\$ 4 million.

### Prices

Current Dominican prices at the wholesale level for the two higher-quality rice varieties called “selecto” and “super selecto” are in the range of US\$ 0.25-27 per pound. Retailers in turn sell it at about US\$ 0.30-0.32 per pound. The landed cost of higher-quality imported milled rice from the United States is US\$ 0.18 per pound.

### Policy

Over the past several years, rice producers have been able to convince the Dominican Government to recognize higher and higher production cost levels, which are the basis for setting producer rice prices through negotiations between producer groups and the Secretariat of Agriculture. In addition, during 2000 and 2001, President Mejía (a former Secretary of Agriculture) instructed the Government-owned Agricultural Bank (*Banco Agricola*) to provide additional support to the rice sector in the form of subsidized loans, in an effort to increase rice production and eliminate the need for imports. In effect, the Agricultural Bank provides loans to producers at an interest rate lower than the prevailing bank rate, providing an indirect subsidy to rice production.

In addition to the above, the Government through the Agricultural Bank, millers associations and individual millers subsidize the excess crop through a staging procedure called “pignoracion”. This procedure allows the millers to purchase rice from the producers at a set market price for storage (Winter 2002 crop: RD\$ 725/fanega, equivalent at current exchange rate to US\$ 310-320 per metric ton polished rice). The miller stores the rice and places it in the market when needed but with a four-month maximum storage period. At the end of the storage period, the Government covers the financial costs of the purchase operation and the storage costs to the miller. According to recent information, the main harvest of 204,500 metric tons (4.5 million quintals) was

“pignorized”. After all expenses were calculated, the Dominican Government paid about RD\$ 400 million or about US\$ 10 million.

## PSD Table

Country	Dominican Republic						UOM
	Rice, Milled						
Commodity	2002		2003	Estimate	2004	Forecast	(1000 HA)(1000 MT)
	USDA Official	Revised Estimate [1/A	Official	Estimate [1/A	Official	Estimate [New]	
Market Year Begin	01/2002		01/2003		01/2004		MM/YYYY
Area Harvested	111	111	100	97	0	100	(1000 HA)
Beginning Stocks	77	38	91	63	71	57	(1000 MT)
Milled Production	347	347	320	320	0	320	(1000 MT)
Rough Production	534	534	492	492	0	492	(1000 MT)
MILLING RATE (.9999)	6500	6500	6500	6500	0	6500	(1000 MT)
TOTAL Imports	0	0	20	30	0	15	(1000 MT)
Jan-Dec Imports	20	0	0	30	0	15	(1000 MT)
Jan-Dec Import U.S.	0	0	0	30	0	15	(1000 MT)
TOTAL SUPPLY	424	385	431	413	71	392	(1000 MT)
TOTAL Exports	0	0	20	31	0	0	(1000 MT)
Jan-Dec Exports	20	0	0	31	0	0	(1000 MT)
TOTAL Dom. Consumpti	333	322	340	325	0	328	(1000 MT)
Ending Stocks	91	63	71	57	0	64	(1000 MT)
TOTAL DISTRIBUTION	424	385	431	413	0	392	(1000 MT)