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Dominican Republic

Sugar

Semi - Annual

2004

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Report Highlights:

Dominican sugar production is estimated at slightly over 500,000 Metric Tons Raw Value for MY 2004. Estimates for MY 2005 are for production to remain at the same level. Domestic sugar consumption is stable at 320,000 MTRV and evenly distributed between raw and refined consumption. Amidst much controversy, a new tax has been placed on beverages, if they are manufactured with high fructose corn syrup.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Santo Domingo [DR1]
[DR]

Total sugar production in marketing year 2004 (October 2003-September 2004) is expected to be just over 500,000 metric tons raw value (MTRV), slightly higher than originally anticipated in our previous report, due to better sugar mill efficiency this year. The two largest private producers, Central Romana and the Vicini Group, produced almost 400,000 MTRV this year, about eighty percent of total output, with the other mills (Consuelo, Boca Chica, Barahona and Monte Llano) accounting for the remainder. Sugar yields averaged 100 kilograms per metric ton of sugar cane. The local price for cane paid by sugar cane producers was approximately US\$13.50 per metric ton. With no additional investments in the sugar industry and the current overall economic situation prevailing in the country, the production level in 2005 is expected to remain unchanged.

Domestic consumption has remained stable between 320,000 to 330,000 MTRV for several years and is not anticipated to change in 2005. The domestic wholesale price for raw sugar stands at approximately US\$0.26 per kilogram. Consumption of refined versus raw sugar is evenly divided. The general public consumes sugar in raw form, while the soft drink, juice, and confectionary industries primarily use refined sugar. Early in the decade, the limited refining capacity made it necessary to import some refined sugar to meet domestic needs, after filling the U.S. import quota. With refined sugar production at about 150,000 MTRV for 2004, essentially meeting the country's total refined needs, imports of refined sugar are unlikely this year. However, the Dominican government and private producers are generally authorized sugar imports at the end of the marketing year, when stocks levels fall and production of the new harvest has not begun. Import duties are 15 percent for raw sugar imports and 20 for refined sugar, plus a value added tax of 16 percent known by its Spanish acronym "ITBIS".

The Dominican Republic is the largest holder of the U.S. tariff rate quota (TRQ) for sugar, with an allocation of 185,335 metric tons or 16.4 percent of the total U.S. import quota. This figure is unchanged from last year. At the end of the current quota year (September 2004), the Dominican Republic has filled its quota allocation for the period. All Dominican sugar exports under the quota move to the continental United States, except for very small quantities that are shipped directly to Puerto Rico.

In addition to raw sugar exports, other sugar related products are produced for local market and international markets, including molasses, inverted sugar syrups and furfural (a liquid aldehyde used as a solvent for furan or phenolic resin manufacture). According to the Dominican Sugar Institute (INAZUCAR) about 37 million gallons of molasses were produced and 15 million gallons were exported, valued at US\$7 million. Molasses yields were almost 40 kilograms per metric ton sugar cane, with a domestic price of US\$0.06 per kilogram. In addition, 29,500 metric tons of furfural valued at US\$8.8 millions were exported.

In a significant policy development, the Dominican sugar industry has bitterly opposed the recently negotiated free trade agreement between the Dominican Republic and the United States. The agreement gave the Dominican Republic a 10,000 ton increase in U.S. sugar import quota, subject to it being a net exporter of sugar, and would reduce Dominican import duties on high fructose corn syrup (HFCS) to zero over a 15-year period. The group has pulled out all stops to block passage of the agreement in the Dominican congress. The most recent development is the passage of a 25 percent tax on any beverage manufactured using HFCS, which was included in a fiscal reform bill at the behest of the Dominican sugar industry. Dominican President Leonel Fernandez immediately introduced legislation to rescind the tax, but the passage of the HFCS tax endangers the approval of the agreement in the United States.

The Dominican peso underwent a severe devaluation over the past year but has strengthened sharply against the dollar over the past two months, as the newly elected government that took office in August 2004 has moved to stabilize the economy. Three months ago exchange rate peaked at RD\$54/US\$1 but by the end of September 2004 it has risen to RD\$30 pesos per US\$1. Although it is early to forecast with any certainty, many Dominicans are optimistic and expect the economy to stabilize further and perhaps show some growth in 2005.

PSD Table

Country	Dominican Republic						UOM
	Commodity						
Market Year Begin	Sugar Cane for Centrifugal (1000 HA)(1000 MT)						
	2003	Revised	2004	Estimate	2005	Forecast	
	USDA Official	Estimate [A	Official	Estimate [A	Official	Estimate [New]	
	11/2002		11/2003		11/2004	MM/YYYY	
Area Planted	250	250	250	250	0	250 (1000 HA)	
Area Harvested	240	240	242	240	0	240 (1000 HA)	
Production	5000	5070	5100	5150	0	5200 (1000 MT)	
TOTAL SUPPLY	5000	5070	5100	5150	0	5200 (1000 MT)	
Utilization for Sugar	5000	5070	5100	5150	0	5200 (1000 MT)	
Utilizatn for Alcohol	0	0	0	0	0	0 (1000 MT)	
TOTAL UTILIZATION	5000	5070	5100	5150	0	5200 (1000 MT)	

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	Commodity						
Market Year Begin	Centrifugal Sugar (1000 MT)						
	2003	Revised	2004	Estimate	2005	Forecast	
	USDA Official	Estimate [A	Official	Estimate [A	Official	Estimate [New]	
	11/2002		11/2003		11/2004	MM/YYYY	
Beginning Stocks	29	29	25	22	23	22 (1000 MT)	
Beet Sugar Production	0	0	0	0	0	0 (1000 MT)	
Cane Sugar Production	490	497	495	505	0	508 (1000 MT)	
TOTAL Sugar Production	490	497	495	505	0	508 (1000 MT)	
Raw Imports	0	0	0	0	0	0 (1000 MT)	
Refined Imp.(Raw Val)	16	0	15	0	0	0 (1000 MT)	
TOTAL Imports	16	0	15	0	0	0 (1000 MT)	
TOTAL SUPPLY	535	526	535	527	23	530 (1000 MT)	
Raw Exports	183	183	183	183	0	187 (1000 MT)	
Refined Exp.(Raw Val)	2	2	2	2	0	2 (1000 MT)	
TOTAL EXPORTS	185	185	185	185	0	189 (1000 MT)	
Human Dom. Consumpti	325	319	327	320	0	320 (1000 MT)	
Other Disappearance	0	0	0	0	0	0 (1000 MT)	
Total Disappearance	325	319	327	320	0	320 (1000 MT)	
Ending Stocks	25	22	23	22	0	21 (1000 MT)	
TOTAL DISTRIBUTION	535	526	535	527	0	530 (1000 MT)	