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Dominican Republic

Sugar Semi-annual 2017:

A Sweet Year Expected for the Dominican Sugar Industry

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Report Highlights:

For Marketing Year 2017/2018 (MY17/18), Post forecasts overall production to be higher than MY16/17, at 590,000 MT due to favorable weather conditions. During MY 16/17, total sugar production reached 542,122 MT. For MY 17/18, Post forecasts exports of raw cane sugar at 185,000 MT, similar to MY 16/17. Since the United States is the only major export market for Dominican Republic (DR) sugar, this volume is similar to the DR's country allocation for the U.S. tariff-rate quota (TRQ) for Fiscal Year 2018 (FY 2018). During MY 17/18, Post forecasts imports of 20,000 MT, slightly less than the 25,000 MT imported during MY 15/16.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

1. Production

For Marketing Year October 2017/ September 2018 (MY 17/18), Post forecasts overall production to be higher than MY 16/17, at 590,000 metric tons (MT), based on expectations of normal rainfall patterns resulting in increases in agricultural yields compared to MY 2016/2017.

According to the Dominican Sugar Institute (INAZUCAR) and Post research, total sugar production reached 542,122 MT during MY 16/17, comprised of 364,678 MT raw and 177,444 MT refined sugar. This represents a 43 percent increase in total sugar production compared to MY 15/16 (378,871 MT).

SUGAR PRODUCTION IN DR MY 15/16 AND MY 16/17 MT

Mill	MY 15/16*		MY 16/17	
	Raw	Refined	Raw	Refined
Central Romana	102,345	130,213	167,039	177,444
Grupo Vicini (Cristobal Colon)	96,521	0	131,816 [#]	0
Consorcio Azucarero Central (Barahona)	35,739	0	42,069	0
Azucarera Porvenir	13,983	0	23,754	0
TOTAL	248,658	130,213	364,678	177,444

Source: Dossier Zafra Azucarera 2016-2017 (INAZUCAR)

**Market year begins in October and ends in September.*

#Includes 3,812 MT of direct white. Direct white is raw sugar with an altered color, which is not submitted to the refinement process. This sugar is mostly consumed locally by pastry shops and non-alcoholic beverage producers.

During MY 15/16, the country suffered the climax of the worst drought in several years. With a return to normal rainfall patterns, sugar producers achieved their plans to increase their production during MY 16/17 compared to the previous MY.

As shown in the chart above, a 48 percent (111,925 MT) increase in total sugar production from the largest private producer (Central Romana) was key to the overall increase in production. Grupo Vicini (Cristobal Colon) had a 37 percent (35,295 MT) increase in raw sugar production. Apart from having better climate conditions in their production areas, Cristobal Colon also started using its new energy co-generation plant. This has increased the plant's availability of energy and steam, hence increasing its daily grinding capacity. Also, Consorcio Azucarero Central had an 18 percent (6,330 MT) increase in raw sugar production. Finally, Azucarera Porvenir continued to increase its production, in this case by 70 percent (9,771 MT).

During the month of September, Hurricanes Irma and Maria passed through the North side of the Dominican Republic. The Hurricanes did not affect sugar production areas in the country. Instead, the additional rainfall is expected to benefit the agricultural yields.

2. Consumption

No important changes in consumption are expected for MY 17/18. During MY 16/17, annual domestic consumption remains stable at an estimated 390,000 MT. Of this total, the Dominican market consumes approximately 52 percent raw sugar and 48 percent refined.

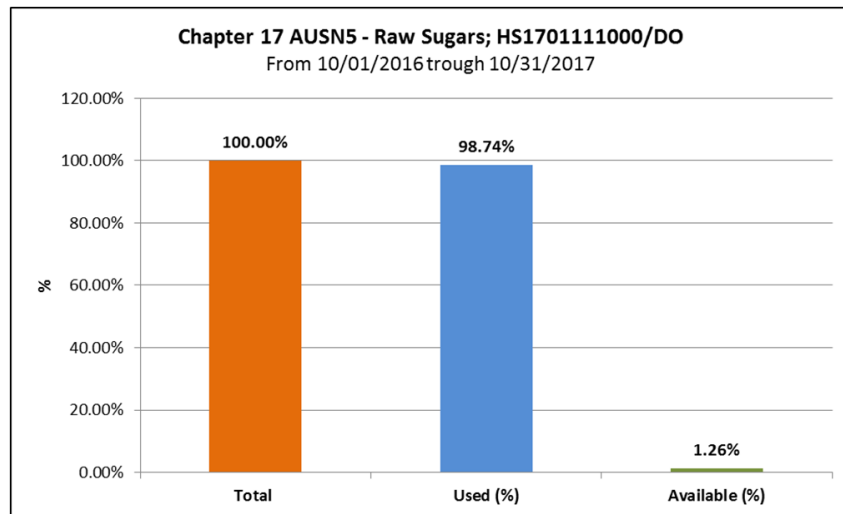
3. Trade

For MY 17/18, Post forecasts exports of raw cane sugar at 185,000 MT, similar to MY 16/17 and similar to the U.S tariff-rate quota (TRQ) level of the past years. The forecast is based on expected increases in overall production and needed stock levels for local consumption. Post does not expect the Dominican Republic to ship sugar to the European Union (EU) during the upcoming MY due to lower prices compared to the U.S. market. Prices of sugar are expected to remain low in the EU due to changes that will take place this October in their trade regime, with the abolishment of national sugar production quotas.

During MY 16/17, total exports of raw cane sugar totaled approximately 185,136 MT (final data not yet available), down slightly from the 186,000 MT exported during MY 15/16.

The United States remains the most important market for Dominican sugar, and was the only destination for Dominican exports during MY 16/17. Smaller quantities are informally exported to neighboring Haiti in response to disparities in market prices. However, these quantities are not necessarily reflected in official export figures.

During FY 2017, the Dominican Republic received the largest single country allocation for the annual U.S. TRQ: 185,335 out of a total of 1,117,195 assigned. The country did receive additional allocations during the year. According to the latest U.S. Customs and Border Protection (CBP) report, the Dominican Republic has 98.74 percent of the total assigned TRQ.



Source: Build by Post with the report from: www.cbp.gov/trade/quota/commodity-graph-report

MT,
MT
not
filled

In the context of the CAFTA-DR framework, an additional quota exists for products containing sugar. That quota is allocated to CAFTA-DR signatory countries each calendar year, based on the country's performance¹ and availability. For Calendar Year 2017 (CY 2017) the Dominican Republic did not

¹ 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

receive this allocation. However, Post expects this quota to be available for the Dominican Republic during CY 2018.

During MY 17/18, Post forecasts reduced imports of 20,000 MT, since local production is expected to supply local demand and the U.S. TRQ. The expected imports will be made under special regimes for the food processing industry. During MY 16/17, when production increased by 41 percent, sugar imports decreased to 25,000 MT (20,000 MT of raw sugar and 5,000 MT of refined), an 85 percent decrease from the quantity imported during MY 15/16. During MY 16/17, main suppliers for sugar were Guatemala with 42 percent of total imports (6,906 MT), El Salvador with 23 percent (3,830 MT), and Brazil with 13 percent (2,104 MT). Apart from those countries, Mexico has historically been an important sugar supplier for the DR.

4. Stocks

For MY 17/18, Post forecasts stocks to reach 51,000 MT, higher than the 16,000 MT estimated for MY 16/17. Producers hold the lion's share of stocks, which typically range from 20,000 to 50,000 MT.

5. Production, Supply and Demand Data Statistics

Sugar Cane for Centrifugal	2015/2016		2016/2017		2017/2018	
Market Begin Year	Nov 2016		Nov 2017		Nov 2018	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	113	0	110	110	115	115
Area Harvested	113	0	110	110	115	115
Production	4000	0	5000	5400	5200	5900
Total Supply	4000	0	5000	5400	5200	5900
Utilization for Sugar	4000	0	5000	5400	5200	5900
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	4000	0	5000	5400	5200	5900
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Dominican Republic	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	52	52	24	24	39	16
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	379	379	520	542	530	590
Total Sugar Production	379	379	520	542	530	590
Raw Imports	112	112	80	20	60	15
Refined Imp.(Raw Val)	57	57	5	5	0	5
Total Imports	169	169	85	25	60	20
Total Supply	600	600	629	591	629	626
Raw Exports	186	186	200	185	200	185
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	186	186	200	185	200	185
Human Dom. Consumption	390	390	390	390	390	390
Other Disappearance	0	0	0	0	0	0
Total Use	390	390	390	390	390	390
Ending Stocks	24	24	39	16	39	51
Total Distribution	600	600	629	591	629	626
(1000 MT)						