Country Market Profile: The Dominican Republic

Market Overview

Euromonitor reports that the economy in the Dominican Republic expanded in real terms in 2022, driven by increasing public and private consumption, capital investment and external demand. However, in 2023, global economic slowdown, elevated inflationary pressures and tightening financial conditions only raised uncertainty and weighed on the country's economic outlook.

- Following real growth of 4.9% in 2022, the Dominican Republic's economy was expected to expand at an average annual real gross domestic product (GDP) rate of 3.1% in 2023 and 4.6% in 2024.
- Inflation in the Dominican Republic was forecasted to slow down to 5.7% in 2023 from 8.8% in 2022.
- While the Dominican Republic's merchandise exports increased by 12.5% and imports rose by 31.2% during 2022, the country remained a net importer of goods.
- Gross fixed capital formation (GFCF) continued to increase over 2022, accounting for 32.3% of GDP.
- The public debt-to-GDP ratio in the Dominican Republic fell to 57.9% in 2022, standing below the regional average of 67.1%

USDA's Office of Agricultural Affairs (OAA) in Santo Domingo, hereinafter referred to as FAS Post Santo Domingo, reports that the Dominican Republic is an upper middle-income country characterized by low and stable inflation. In 2022, the country experienced year-on-year inflation of 8.8%. As of November 2023, the inflation rate fell to 4.8%. The Dominican Republic is ranked as the fourth largest economy in the Caribbean, and the third largest country in terms of population (behind Cuba and Haiti). The Dominican Republic's major export growth has shifted away from its traditional products like raw sugar, green coffee, and cacao. Instead, there has been an increase in exports of gold, tobacco, medical instruments, circuit breakers for voltage, jewelry items, and ferronickel. Notably, the country's major agricultural imports are comprised of consumer-oriented products and livestock feed, with the U.S. as the primary supplier.

The Dominican Republic is the third largest country in terms of population (behind Cuba and Haiti) The population totaled 10.7 million in 2023, (CIA World Factbook Est.), an increase of 2.1 million since 2000. The median age in 2023 was 28.9 years, 6.4 years greater than in 2000. Although a modest ageing process is underway, the number of those less than 20 years will still make up a significant portion of the total in the medium term. Only 7% of the population is over 65 years.

Since the signing of U.S. Central America – Dominican Republic "CAFTA-DR" Free Trade Agreement (FTA), U.S. exports of processed food have increased by more than 267% from 2007 to 2023. The Dominican Republic is the third-largest market, in 2023, for such products in the Western Hemisphere and ranks 13th overall. Among CAFTA-DR signatories, the U.S. is the primary supplier of consumer-oriented agricultural products to the Dominican Republic, capturing 47% market share in 2022.

FAS Post Santo Domingo reports that the Dominican Republic is the largest export market for U.S. exports of processed foods to the Caribbean. In 2022, it totaled US$638.1 million. This represented an increase of 15% from that of 2021 and another record high level. In 2023 U.S. exports of processed foods to the Dominican Republic were US$560.1 million, a decrease of 12%. This equates to US$78 million which goes against the U.S. trade deficit in food and agricultural products.

Top U.S. processed product exports in 2023 included:
- Processed/Prepared Dairy Products – down 12%.
- Food Preparations & Ingredients – up 2%.
- Alcoholic Beverages – down 9%.
- Non-Alcoholic Beverages – down 29%.
- Prepared/Preserved Meats – up 11%.
- Snack Foods – up 34%.
- Condiments, Sauces Jams and Jellies – up 5%.

Market Opportunities and Key Issues for U.S. Processed Food Exporters to the Dominican Republic

Market Opportunities:
- The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80% of products.
- A large and growing tourist population, which demands high-value food products.
- 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 hotel, restaurant, institutional (HRI) sector which also seeks new, high-quality products.
- Consumers greatly influenced by U.S. culture, with a positive perception of U.S. products.
- Efficient food distribution channels (new highways, modernized seaports/airports).
- The proximity of the Dominican Republic to the U.S. and a strong bilateral relationship throughout the public and private sectors, which facilitates trade.
- Growing population in urban centers and increased rate of employment
- 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.

Key Issues:
- The ongoing and incoming negative impact of the COVID-19 pandemic over the HRI sector and the overall purchasing power of Dominican consumers.
- Competition from other CAFTA-DR signees and the Dominican Republic’s other free trade agreement partners.

- Delays for import permits and sanitary registration, which can affect the availability of imported products.
- Requirement that imported products must have a label in Spanish that must be placed at origin or in the Dominican Republic.
- Remaining cold chain limitations, which have been reduced through USDA technical and financial support.
- 18% Value Added Tax (VAT) and high internal logistical costs.
- A lack of institutional continuity across changes in government administrations.

Retail Sector Highlights:
Euromonitor has reported that the retail sales value in the packaged food market in the Dominican Republic was US$3.4 billion in 2023. That represents a 35.2% period growth rate from 2019, or US$693.7 million. The forecast growth rate is estimated with packaged food sales at over US$4.8 billion by 2028, and 31.7% growth or US$1.1 billion from 2024.

Top growth categories in the forecast include:
- Baby Food
- Dairy (e.g., Cheese)
- Ready Meals
- Savory snacks
- Sweet Biscuits, Snack Bars and Fruit Snack
- Confectionery

FAS Post Santo Domingo reports that the Dominican retail sector can be divided into two distinct 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% to 25% of retail sales derive from the modern retail channel.

The traditional retail channel is subdivided into three main components: neighborhood stores known as "colmados," walk-in food warehouses known as "almacenes," and public markets known as "mercados," which are 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% to 80% of retail food sales are through traditional retail channels.

Supermarket Chains: The number of Dominican modern supermarkets has doubled over the last 20 years. Supermarkets are concentrated in the greater Santo Domingo metropolitan area and other large urban centers. There are currently more than 160 supermarkets nationwide, which is a 30% increase in new stores over the past two years.

Independent Supermarkets: The second component of the modern food retail channel is made up of independent supermarkets. With more than 40 points of sale, the majority 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: The last component of the modern food retail channel is comprised of convenience stores, which are mainly located in gas stations and focus on pre-packaged and ready-to-eat foods and beverages. They offer a large selection of U.S. brands (some produced outside the U.S.), including snacks, sodas, other non-alcoholic beverages, rum, wine, and beer. Customers generally only purchase food and beverages to consume onsite in this inexpensive and social environment. There are no regional or national chains in this sub-segment.

Best Product Prospects:
FAS Post Santo Domingo reports that industry sources indicate that the best product prospects in the Dominican retail sector include U.S. dairy products (e.g., cheese, yogurt, and powdered milk), although they continue to face onerous and time-consuming import regulations. Other top categories are poultry, beef and beef products, flour and other baking ingredients, spices, candies, fresh fruit, processed vegetables, prepared foods, condiments and sauces, snacks, eggs and egg products, and fruit and vegetable juices. There is also growth potential for existing and new alcoholic beverage products within the distilled spirits, wine, and craft beer categories.

Foodservice Sector Highlights:
FAS Post Santo Domingo reports that in the Dominican Republic, the hotel, restaurant, and institutional (HRI) sector remains resilient. Over 20% of foreign direct investment (FDI), which topped more than US$3.8 billion in 2022 and 23% higher year over year, is dedicated to the tourism industry. The U.S. is the largest direct investor to the Dominican Republic.

According to the World Travel & Tourism Council (WTTC), in 2022, the tourism industry contributed more than US$16.7 billion, or nearly 15%, to the Dominican economy, up 26% compared to the previous year and 3.8% higher than 2019, the year before the start of COVID-19 pandemic closures. In his latest State of the Union address, President Luis Abinader highlighted that the Dominican Republic witnessed a banner year in tourism for 2022, welcoming more than seven million passengers by air and 1.3 million by cruise ships.

President Abinader further stressed that hotel occupancy rates reached historic levels, averaging close to 75% in 2022, and those short-term rentals (e.g., Airbnb) rose to 35%, 40% higher than 2021. He also underscored that the HRI sector accounts for nearly 30% of the GDP growth. In addition to the normal demand from the tourism sector, the Dominican Republic's economic growth fueled local consumer purchasing power, which has led to a growing gastronomy sector. Greater consumer purchasing power has led to expansion and interest in premium red meat cuts, such as beef and pork, poultry, seafood, cheeses, frozen potatoes and vegetables, and craft beer.

While the Dominican Republic has substantial domestic poultry and pork sectors, the growing foodservice sector creates additional demand for specific cuts. The Dominican Republic's foodservice 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.

Some of the best opportunities for U.S. products are with the large hotels (including U.S. franchises such as Hyatt, Hard Rock Café, JW Marriott, Hilton, and Holiday Inn) and the all-inclusive resorts in the eastern Dominican Republic. However, these resorts are highly price sensitive. Similarly, hundreds of restaurants include U.S. imported products in their menus, creating additional opportunities for U.S. agricultural products. Local products predominantly supply the institutional portion of the HRI sector. Nevertheless, catering is a growing niche that is creating additional opportunities for U.S. products. In addition, U.S. products are increasingly being purchased to supply school feeding programs.

There are more than 22 fast-food restaurant chains registered, with an estimated 129 outlets in the Dominican Republic. Most of them are U.S. franchises. There are also over 333 medium and large restaurants in the country, with 167 of them located in Santo Domingo (of which approximately 50 are considered high-end restaurants), 61 in Santiago, 60 in Bávaro, 23 in La Romana, and 22 in Puerto Plata. The most important U.S. products for these outlets include meat cuts, seafood, cheese, fruits, and frozen potatoes. In addition, some of the key retail establishments distribute wines, craft beer, and other products to these restaurants.

In the Dominican Republic, most foodservice importers prefer to purchase directly from U.S. manufacturers. However, for smaller volumes, and to capitalize on logistical and transportation advantages, many importers purchase consolidated shipments from distribution centers in Miami or other east coast locations. For meat, buyers also frequently purchase combined product shipments, including mixing meat and seafood products in the same container. Also, local providers, working as distributors, are found in the meat and seafood supply chains. They usually focus on a smaller number of end users (hotels and restaurants) and buy from larger importers.

Best Product Prospects:
The leading U.S. products for distribution in the growing HRI sector include premium beef 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 Dominican Republic has substantial domestic poultry and pork sectors, the growing foodservice sector creates additional demand for specific cuts.

The Dominican Republic's foodservice sector largely depends 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 foodservice sector. In addition, frozen potato products continue to be 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.

Food Processing Sector Highlights:
FAS Post Santo Domingo reports that the Dominican Republic´s food processing industry was valued at US$4.9 billion during calendar year (CY) 2022 in activities categorized as "food industry," with an additional US$1.1 billion for processed beverages and other products over the same period. They reported in their January 2024 Exporter Guide that as of June 2023, the Dominican Republic's food processing industry totaled US$2.4 billion.

Meat processing, wheat milling, bakery products, and dairy processing continue to lead the domestic food processing sector. There are more than 1,000 companies classified as agro-industrials and processors in the Dominican Republic.

In 2022, the U.S. led the imported meat products category in the Dominican Republic, valued at US$430 million. This category grew by 50% in comparison to calendar year (CY) 2021. In 2022, following the spread of African Swine Fever (ASF), the meat processing industry saw large declines as the widespread animal disease outbreak continued to stymie local production, but boost pork imports to the Dominican Republic. U.S. competitors include Brazil, Spain, and Canada. Main ingredient exports include pork and beef trimmings, ham, turkey, and soy protein. Meat processors are key users of the pork CAFTA-DR tariff rate quota.

Wheat milling is another significant sector in the local food processing industry, despite that the fact that the Dominican Republic does not produce wheat but imports nearly all wheat from the U.S. and Canada. In 2022, the country imported US$276 million in wheat, up 42% from the previous year. The U.S. dominated the market supplying 52% (US$145 million) of the total market, while Canada supplied 37% (US$102 million). Such growth in the wheat sector is partially attributable to the reopening of the hotel, restaurant, and institutional (HRI) sector as well as the record level of tourists. According to the Central Bank, the hotel, bar, and restaurant sector grew 24% year-over-year in CY 2022, a figure that undoubtedly contributed to the country's economic recovery post COVID-19.

The Dominican dairy processing industry has expanded its capacity over the past several years, focusing on cheese, shelf-stable milk, and yogurt. Over 50% of domestic fluid milk is processed into cheese and less than 5% into yogurt. Most of these cheeses are produced by more than 400 small- and medium-sized rural processing facilities. These manufactured products are not comparable to U.S. products due to differences in variety, quality, and sanitary factors. However, larger local companies, such as Sigma Alimentos and Mejia Arcalá, offer products comparable to U.S. cheeses.

Local cheese production rebounded as COVID-19-related restrictions eased in 2021. The retail value of cheese sold in the Dominican Republic in 2022 is estimated at US$122 million. The retail value of drinking milk products grew nearly 10% compared to CY 2021 sales, driven by demand for shelf-stable milk and milk alternatives. Depending on local conditions, milk processors import powdered milk from the European Union and the U.S. for reconstitution. The leading local company in this category is Pasteurizadora Rica. For imported powdered milk, Mejia Arcalá is the largest player. The retail value of drinking milk products sold in the Dominican Republic in 2022 totaled approximately US$336 million.

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Best Product Prospects:

FAS Post Santo Domingo reports that the U.S. 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 with full implementation of CAFTA-DR on the horizon by 2025. FAS anticipate this growth to materialize within products already present in the market. However, onerous and time-consuming import requirements for U.S. dairy ingredients may constrain growth opportunities for other U.S. ingredients.