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Dominican Republic

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Dominican Republic fulfills Haiti wheat needs after earthquake

Report Categories:

Grain and Feed

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Report Highlights:

Dominican Republic and Haiti share the island of Hispaniola. Neither country produces wheat doe to climatic limitations. In MY 2010 (July/June), Dominican imports of U.S. wheat climb to 550,000 MT over 356,000 MT in CY 2009. Haiti imports of wheat and products dropped from 239,000 in 2009 to zero in 2010, while donations of wheat products have been about 40,000 MT. Haiti's only flour mill was severely damaged in the earthquake and as a result, the Dominican mills are covering most of Haiti's demand.

Executive Summary:

Within days of the earthquake, private traders in Haiti were purchasing wheat flour in the Dominican Republic with cash and taking care of transportation back into Haiti. One of the mills even offered flour at a discount to Haitian buyers in their time of need. Haiti's only flour mill was severely damaged in the earthquake and is not expected to be open until second-half of 2011. Within weeks, the two DR flour mills had hired more staff shifts and had increased U. S. wheat imports to cover Haiti's needs. As a result, the Dominican mills can cover all of Haiti's demand. R's imports have increased to cover the needs for the rest of the year.

The Dominican mills had to stay on their toes and took risks purchasing additional wheat as they were not always informed when wheat or other competing grain donations were being made to Haiti. U.S. Government donations of wheat flour, in fact, faced temporary detentions at the port. Timing was crucial as flour has a much shorter shelf life than wheat. Third country monetization is acceptable for USG programs in Haiti.

In summary for MY 2010 (July/June), we have seen Dominican imports of U.S. wheat climb to 550,000 MT over last year's imports at this time to U.S. exports of 239,000 MT in CY 2009 to Haiti have gone to zero in 2010, while donations of flour and wheat products have been about 40,000 MT. The Dominican Republic quickly and efficiently filled the gaps left by the damaged flour mill in Haiti.

General Information:

Consumption:

Although they share the same island of Hispaniola, wheat consumption in Haiti and the Dominican Republic (DR) is very different. Neither country produces wheat due to climatic limitations. The DR, comprises two thirds of the land and has a population of 10 million and shares the island with 9 million Haitians.

Hispaniola is a great market for U.S. wheat. Practically all wheat is imported from the United States, because of quality, proximity and price. The average import pattern for the Dominican Republic has been: DNS-14 or equivalent: 50 percent; HRW: 26 percent; SRW; 17 percent and Durum: 7 percent. Historically, Haiti has imported almost exclusively the less expensive HRW with an occasional shipment of DNS from Canada.

Domestic consumption in Hispaniola is high, with an average of MY 560,000 MT for the last three marketing (MY) years. In the DR, the volume has fluctuated between 340,000 – 360,000 MT during the same period, 360,000 MT in MY 2007, 342,000 MT in MY 2008 and 356,000 MT in MY 2009. Haiti's total wheat imports reached a high of 239,000 tons in MY 2009, but averaged about 200,000 tons during the previous five years.

While solid numbers are unavailable, current industry sources indicate that flour imports from the DR ranged from an estimated 30,000 to 50,000 tons annually. Therefore, Haiti's total imports on a wheat equivalent basis were at least 250,000 tons/year. Unfortunately, the 12 January earthquake, 2010 destroyed Haiti's one and only flour mill, bringing a halt to all wheat imports. With no wheat imports in 2010, flour imports from the DR have increased significantly as have humanitarian donations.

The earthquake severely disrupted the internal market for flour products and destroyed several bakeries and related outlets, leading to a decline in overall demand for flour. Commercial flour imports from the DR and significant wheat product humanitarian donations are now meeting the rest of the demand. Through the first 9 months of CY 2010, the DR's wheat imports were up 44 percent compared to the previous year. Almost all of this increase stemmed from Haiti's demand for flour. The overall slowdown in yearly consumption is also partially due to the high international prices of wheat that moved to a maximum level in the decade when in 2008 average wheat prices reached US$395/MT. In recent months, these new prices have slowly returned to a lower level averaging US$232 for January-September 2010, although they have been increasing in recent weeks.

This average unit price in the first three quarters of 2010 has begun to recuperate in recent weeks and is not expected to go down before 2011. The demand is up due to increase in demand from Haiti and shows an apparent increase in wheat consumption levels in the Dominican market to their highest level, when domestic use estimates for CY 2010 should surpass 520,000 MT. Nonetheless, the destruction of the Haitian wheat mill as a result of the January 2010 earthquake is the main cause of this increase in apparent consumption in the DR. The DR anticipates a reduction in demand at the end of MY 2010/11 (July/June) if the Haitian mill reopens before the end of the marketing year. Nonetheless, apparent consumption in the DR is expected to be close to 520,000 MT. Expectations for the out year remain optimistic, if the Haitian mill remains closed. If it opens, consumption will equilibrate between Haitian use and the Dominican requirements and DR exports to Haiti of pre earthquake levels of 30-50,000 MT of flour will resume.

In spite of the Canadian efforts in accessing the market, Canada has shipped no more than 17,000 MT led to an occasional shipment from Canada to the DR in the past few years.

Domestic flour and bread prices have remained stable in 2010. Bread prices in the DR have remained stable in 2010. By October 2010 the retail prices for bread had not increased since the beginning of the year. Overall, the wholesale price for wheat flour has decreased 20 percent from RD$1,541 (US$43.33) to RD$1,260 (US$34.00) per 120 lb. bag, since May 2009, mainly due to the reduction in world prices. With the current price trend, processors do not anticipate an additional hike in wheat flour prices, before the end of MY 2010. Wheat flour prices on the other side of the island, Haiti have remained stable over the last year. FAS sources in Port au Price indicate that current wheat flour prices are approximately GD$23.8/kg or US$33/120 lb bag, up from US$31 a year ago. Expected increases for MY 2011 will not likely result in an increase in consumption.

Trade:

See previous section.

Policy:

Neither the Dominican Republic nor Haiti subsidize or restrict the trade of wheat. However, the governments prefer that trade be conducted through a registered Dominican or Haitian agent, depending on the country. No objection import permits are readily available through the Dominican Ministry of Agriculture. There is an official 3.5 percent import duty on wheat; a 10.8 percent VAT; and 5 percent “verification” tax on wheat imports into Haiti. Wheat is exempt from the Dominican Value Added Tax (VAT).