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Dominican Republic

Retail Foods

Expanding Presence of U.S. Products in DR Retail Sector

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Report Highlights:

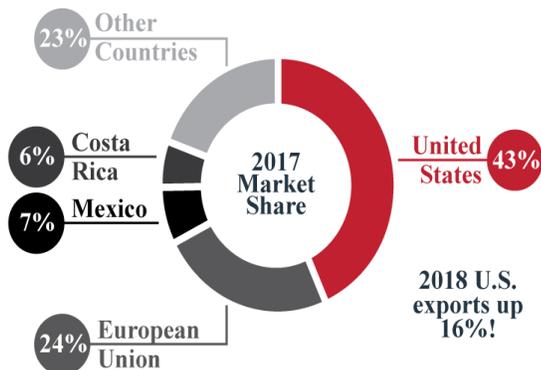
The Dominican Republic is one of the most dynamic economies in the Caribbean region. With U.S. consumer-oriented product exports reaching \$569 million in 2018, the country represents the fifth-largest market for such products in Latin America. The Dominican modern retail sector offers a wide variety of U.S. products, is dominated by locally owned companies, and is growing rapidly. However, despite the prominence and growth of local supermarket chains, they only account for 20-25 percent of retail sales. The majority of sales are still in the traditional channel, which includes neighborhood stores (colmados) and warehouses, which offer largely local products.

Market Fact Sheet: Dominican Republic

Executive Summary

The Dominican Republic (DR) is an upper middle-income country with low and stable inflation. It is the second-largest economy in the Caribbean, just behind Cuba, and the third-largest country in terms of population (behind Cuba and Haiti). In 2018, DR's GDP reached approximately \$80.0 billion, a 7.0 percent increase from 2017. The DR's major export growth has shifted away from its traditional products (raw sugar and tobacco, green coffee, and cacao) to gold, Ferro-nickel, sugar derivatives, free-trade zone products, vegetables and other agricultural products. Major imports include consumer-oriented products and livestock feed, with the United States as a primary partner.

Imports of Consumer-Oriented Products



Food Processing Industry

The DR's food processing industry was valued at \$2.2 billion as of September 2018 (\$2.8 billion in CY 2017) in activities categorized as "food industry," with an additional \$605 million for processed beverages and other products during the same period (\$794 million in CY 2017). The United States 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 since CAFTA-DR will be fully implemented by 2025.

Food Retail Industry

The Dominican modern retail sector offers a wide variety of U.S. products, is dominated by locally owned companies, and is growing rapidly. However, despite the prominence and growth of local supermarket chains, they only account for 20-25 percent of retail sales. The majority of sales are

still in the traditional channel, which includes neighborhood stores (colmados) and warehouses, which offers largely local products.

Quick Facts CY 2018

List of Top 10 Growth Products

- | | |
|------------------|-----------------------|
| 1) Cheese | 6) Meat (Beef) |
| 2) Wine | 7) Flour |
| 3) Craft Beer | 8) Baking Ingredients |
| 4) Pork | 9) Spices |
| 5) Chicken Parts | 10) Candies |

Consumer-Oriented Trade (\$billions) 2018

| | |
|---------------------------------|------|
| DR Imports (all sources) | 1.25 |
| DR Imports (from U.S.) | 0.57 |
| DR Exports (all dest.) | 0.49 |
| DR Exports (to U.S.) | 0.32 |

Top 10 DR Retailers

- | | |
|--------------------------|----------------|
| 1) La Sirena | 6) Mercatodo |
| 2) Pola Supermarkets | 7) Plaza Lama |
| 3) Jumbo | 8) Pricesmart |
| 4) Nacional Supermarkets | 9) Carrefour |
| 5) Bravo | 10) Superfresh |

GDP/Population

Population: 10.6 million
 GDP: 80.0 billion USD
 GDP per capita: 7.55 USD

Sources: GTIS; GATS; ONE DR (2016); World Bank, DR Central Bank

Strengths/Weaknesses/Opportunities/Challenges

| Strengths | Weaknesses |
|--|--|
| Implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products | Higher cost of some U.S. products compared to competitors |
| Proximity to the United States and strong demand for U.S. products | Import sensitivity of several products |
| Opportunities | Threats |
| Additional trade liberalization through the full implementation of CAFTA-DR by 2025 | Limited cold chain capacity |
| Growth potential for U.S. consumer-oriented products, livestock feed, and ingredients for the food processing industry | Competition from other CAFTA-DR signees and the DR's other free trade agreement partners |

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SECTION I. MARKET SUMMARY

The Dominican Republic (DR) is one of the largest and most stable economies in Central America and the Caribbean. With U.S. consumer-oriented product exports reaching \$569 million in 2018, the country represents the fifth-largest market for such products in the Western Hemisphere. For information on the DR market and import requirements, please refer to Post’s [2018 Exporter Guide](#) and [FAIRS narrative](#).

The Dominican retail sector can be divided into two distinct segments or 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 20-25 percent of retail sales are via the modern retail channel. The traditional retail channel is subdivided into two main components: neighborhood stores known as “*colmados*” and walk-in food warehouses known as “*almacenes*,” 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 70-80 percent of retail food sales are recorded by the traditional retail channel.

Supermarket Chains: The number of Dominican supermarkets has doubled over the last 20 years. Supermarkets are concentrated in the greater Santo Domingo area and other large urban areas. Currently, there are approximately 150 supermarkets nationwide, which is a 25 percent increase in new stores over the past two years. See Section II for major supermarket chains.

Independent Supermarkets: The second component of the modern food retail channel is made up of the 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 high portion of U.S. brands (some produced outside the United States), including snacks, sodas, other non-alcoholic beverages, rum, wine, and beer. Customers generally only purchase food and drink to consume in this inexpensive and social environment. There are no regional or national chains in this sub segment.

ADVANTAGES AND CHALLENGES

| Advantages | Challenges |
|---|--|
| <ul style="list-style-type: none"> • The implementation of CAFTA-DR, which has lowered or eliminated duties on nearly 80 percent of products • A large and growing tourist population, which demands high value food products • An increasingly modern retail sector, which seeks new, high-quality products • A growing number of consumers demanding higher quality and healthier products • Proximity between the countries and strong commercial and cultural ties • Efficient food distribution channels | <ul style="list-style-type: none"> • Competition from other CAFTA-DR signees and the DR’s other free trade agreement partners • Spanish language labeling requirements • Delays for import permits and sanitary registration, which can affect the availability of imported products • Cold chain limitations • 18 percent VAT and high logistical costs • Corruption and lack of transparency |

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Given the diversity and rapid rate of change within the Dominican retail sector and the broad mix of domestically produced and imported products, there are many avenues for product entry. Several of the large (and modern) retail chains directly source products, which generally involves few intermediaries. However, given the prevalence of low purchase volumes in some specialty products, specialization among importers, and the prominent role played by freight consolidators, it is more common that multiple intermediaries are involved in product importation and placement. Common combinations in this sector, depending on the chain and product, may include various levels, although a common model will be as follows:



Market Structure

Major Trends

Over the last three decades, the Dominican retail sector has undergone significant changes in response to sustained economic growth. During that time, supermarkets developed from average store sizes of 200-500 square meters (in the early 1990s) up to sizes of 10,000 square meters in the early 2000s. This growth in size was due to a focus on serving the expanding urban middle and upper middle classes, which were experiencing rapid increases in income. This expansion in store size and number of outlets also means a greater selection of products for consumers. Supermarkets have increased their item selections from 30,000 products in the 1990s to up to 85,000 products (during the high season) in recent years. There has also been an expansion in the availability of non-grocery goods and services for supermarket clients to facilitate “one stop shopping.” Goods and services, such as banking, household appliances, fast food, telecommunications, and pharmacies, are now commonly co-located with supermarkets.

In a related development, supermarket chains now offer an increasing number of products under their own brands. Consumers have benefited from special promotions and lower prices as stores seek to attract customers for these products. While there has been a negative impact on some local product manufacturers, who have seen their revenue decrease by up to 15 percent, this development also offers an opportunity for private label manufacturers. One of the most active supermarkets in the country has started using U.S. products in some of their private label products.

In recent years, however, supermarket chains are turning their attention towards the lower-income sectors, which make up close to 50 percent of the population. This has resulted in the construction of smaller stores (approximately 3,000 square meters), which offer mainly perishable foods and home supplies. Meanwhile, substantial changes among smaller retail operations such as the “*colmados* and *colmadones*” (neighborhood stores or mom and pop stores) keep occurring, having also increased in number and product offerings, with a range of imported products on their shelves.

Top Host Country Retailers

As previously noted, there are eight main supermarket chains in the DR (links to official sites)

[Grupo Ramos](#) (La Sirena and Pola)

[Centro Cuesta Nacional](#) (Jumbo and Nacional)

[Supermercados Bravo](#)

[Supermercados La Cadena](#)

[PriceSmart](#)

[Carrefour](#)

[Super Fresh](#)

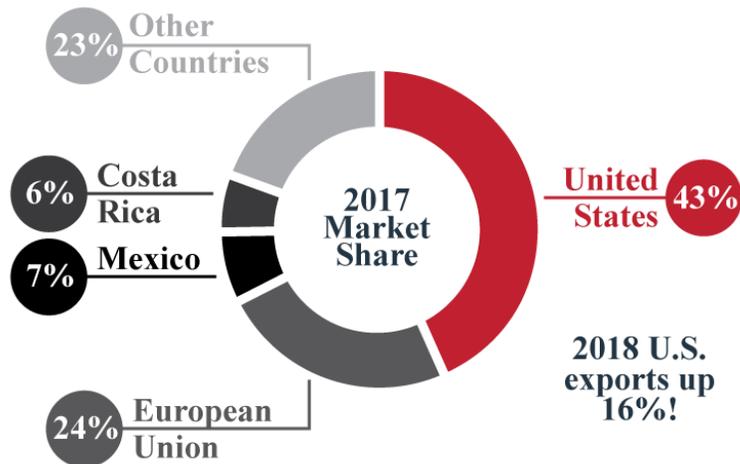
[Plaza Lama](#)

SECTION III. COMPETITION

Overall, the United States is the top supplier of products in the consumer-oriented category, achieving a 43 percent market share in 2017 (2018 data not available yet for all countries). For beef and beef products, the United States held a 96 percent market share in 2018, valued at \$58 million, benefitting from its geographic advantage and high product quality, as well as the DR's preference for Certified Angus Beef in both food service and retail establishments. In addition, U.S. pork exports increased 31 percent to reach \$93 million amidst a robust local swine industry. However, while local cheese is not currently comparable to imported cheese due to differences in variety, quality, and sanitary factors, U.S. cheese held only a 42 percent market share, underperforming the European Union. For additional information on dairy products, view [Post's 2019 dairy report](#). The United States enjoyed a strong market share for U.S. apples, pears, and quinces (97 percent) with no local competition. For potatoes and fresh vegetables, the United States was the dominant foreign supplier (70 and 64 percent respectively) but faces seasonal local competition.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Industry sources indicate that the best product prospects in the Dominican retail sector include U.S. dairy products (cheese, yogurt, and milk powder), poultry, pork and pork products, 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 spirit, wine, and craft beer categories. Finally, it is important to highlight, one primary interest for this sector is the entrance of more U.S. ingredients and ready-to-eat products at their in-store bakeries, including pies, icing, cupcakes, and bread sticks.



SECTION V. POST CONTACT AND FURTHER INFORMATION

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Please do not hesitate to contact this office for more detailed information about the Dominican food market, lists of importers, major players in the sector, and any other related questions.

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