



Ministry of Foreign Affairs

Dominican Republic Agricultural Sector Report 2023

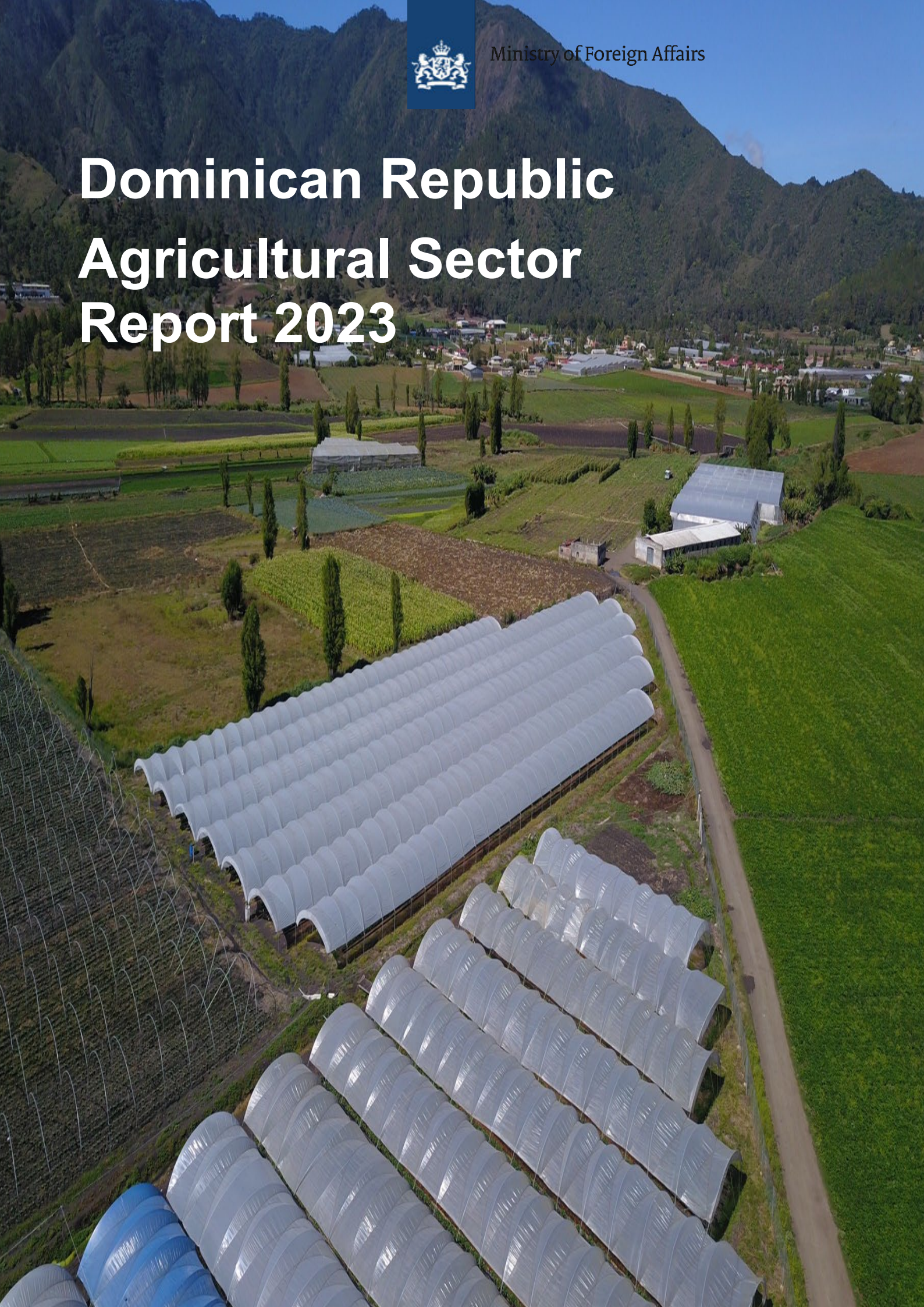
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Ministry of Foreign Affairs

Dominican Republic Agricultural Sector Report 2023



Summary

The Dominican Republic, located in the Caribbean Sea, encompasses the eastern part of the island of Hispaniola. It is the second largest island in the Antilles, with a strategic geographical location serving as a commercial hub between Europe, North America, and other Latin American countries. The excellent geographical location of the country enables it to engage in trade with important global partners. The diverse climatic conditions support a wide range of agricultural production, aided by a relative abundance of water resources and numerous dams. The Dominican Republic benefits from a well-developed communication system, an extensive network of roads and highways, and ports in all regions, facilitating overseas trade.

The country has been a major recipient of foreign direct investment (FDI) in Central America and the Caribbean, thanks to competitive advantages and favorable investment and trade policies. The Dominican Republic has experienced significant economic growth, with a strong average annual GDP expansion of 5.1% over the past 25 years. In 2022, GDP grew by +4.9%, making the country the 7th largest economy in Latin America with a total of US\$113.5 billion.

Agri-food is a significant value chain in the Dominican Republic, contributing to the country's economy. Since the mid-2000s, agri-food has accounted for 10% of the country's GDP, aligning with other Latin American and Caribbean nations. The Dominican Republic possesses a diversified and dynamic agriculture industry, with a rich agricultural tradition dating back to colonial times. The favorable tropical climate and various ecosystems enable the cultivation of diverse products, and the agricultural sector contributes 7.8% to the GDP and generates 14.2% of national employment. Notably, the country is the largest producer of chicken meat in Central America and the Caribbean and leads in organic agriculture, particularly in cocoa and bananas. The country has experienced sustained growth in agricultural exports, reaching almost US\$3 billion in 2022, primarily driven by cocoa beans, bananas, avocados, and tobacco branches.

Furthermore, the agricultural sector receives public support through policies and incentives aimed at improving productivity, competitiveness, and sustainability. According to the Inter-American Development Bank (IDB), the total support to the agricultural sector (EAT%) was 5.3% in 2019, surpassing the regional average of 3.9%. This support primarily targets general services such as infrastructure, research and development, and animal and plant health. The sector also benefits from significant public investment, amounting to RD\$20.300 million pesos in 2020, dedicated to rural development programs and projects, technical assistance, financing, irrigation, marketing, and food security. Additionally, the agricultural sector includes a free zone industry that manufactures goods such as cigars and tobacco cigarettes.

In conclusion, the agricultural sector in the Dominican Republic presents a wealth of investment and trade opportunities due to its advantageous geographical location, favorable climate, abundant water resources, and well-developed infrastructure. Additionally, the country's strategic location in the Caribbean enhances its potential as a hub for regional trade and export. With a growing global demand for high-quality agricultural products, investing in the Dominican Republic's agricultural sector can yield significant returns while contributing to the country's economic growth. Moreover, the government's commitment to creating a favorable business environment and promoting foreign investment further solidifies the attractiveness of the agriculture for trade partnerships and collaboration. As a result, the Dominican Republic stands as a promising destination for those seeking investment and trade opportunities in the agricultural industry.

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List of acronyms

CAASD	Santo Domingo Aqueduct and Sewerage Corporation
CEPAL	United Nations Economic Commission for Latin America and the Caribbean
COAARABO	Boca Chica Aqueduct and Sewerage Corporation
COAAROM	La Romana Aqueduct and Sewerage Corporation
CORAAMOCA	Moca Aqueduct and Sewerage Corporation
CORAAPPLATA	Puerto Plata Aqueduct and Sewerage Corporation
CORAASAN	Santiago Aqueduct and Sewerage Corporation
CORAAVEGA	La Vega Aqueduct and Sewerage Corporation
CORAMON	Monseñor Nouel Aqueduct and Sewerage Corporation
INAPA	National Institute of Drinking Water and Sewerage
INDOCAL	Dominican Institute for Quality
INDRHI	National Institute of Hydraulic Resources
MEPyD	Ministry of Economy, Planning and Development
MINERD	Ministry of Education of the Dominican Republic
MMARENA	Ministry of the Environment and Natural Resources
MOPC	Ministry of Public Works and Communications
MSP	Ministry of Public Health
PHN	National Hydrological Plan

Geographical and climate context

The Dominican Republic, situated in the Caribbean Sea on the eastern part of Hispaniola, shares the island with Haiti to the west. Covering 48,511.44 km², the territory of the country occupies two-thirds of the total area, making it the second largest island in the Antilles. Its strategic geographical location in the Caribbean positions the Dominican Republic as a vital commercial hub, connecting Europe, North America, and Latin American countries. The country boasts a well-developed communication system, including an extensive network of roads, highways, and ports, which facilitates international trade.



Figure 1: Dominican Republic

The country has abundant rivers, many of which are navigable, such as the Soco River, Higuamo, Romana, Yaque del Norte, Yaque del Sur, Yuna, Yuma, Bajabonico, and partially navigable Ozama River. The climate in the Dominican Republic is predominantly tropical, characterized by ample rainfall and average temperatures ranging from 25-30 °C. However, in high-altitude regions like Constanza, Jarabacoa, and Ocoa, winter temperatures can drop as low as -5 °C. The rainy season spans from May to November, with significant rainfall in May, August, and September, leading to an increased risk of landslides. The country is also prone to hurricanes, occurring approximately every 7-8 years, as well as tropical storms and floods, which happen about every 4 years.

Economic and social context

During the last decades the Dominican Republic has remained as one of the largest recipients of foreign investment directly in Central America and the main recipient of investment foreign from the Caribbean, with more than 49%, according to the indicators reflected by the Economic Commission for America Latin America and the Caribbean (CEPAL). This can be attributed to the country's competitive advantages and its implementation of policies promoting investment and international trade. Currently, foreign direct investment companies in the Dominican Republic reinvest a minimum of 50% of their earnings, which serves as a significant indicator of investor confidence in the country's business climate and their commitment to supporting its economic development.

The Dominican Republic operates under a market economy and has witnessed substantial growth in recent years, registering one of the highest rates of economic expansion in Latin America over the past 25 years, averaging 5.1% annually. By 2022, GDP grew by +4.9%, making the country the 7th largest economy in Latin America with a total of US\$113.5 billion.

With a growing middle class, a stable democratic system, and a dedication to enhancing the investment climate, the Dominican Republic is a nation that values progress. It has maintained a solid and enduring democracy for over 45 years.

Agriculture outlook

The agri-food sector, encompassing agriculture activities and food processing industries, plays a crucial role in the Dominican Republic's economy. Similar to other countries in Latin America and the Caribbean, agri-food has consistently contributed around 10% to the country's GDP since the mid-2000s. Agriculture serves as a significant source of employment, particularly for numerous small-scale producers. It stands as the second largest employer in the country, employing 9.5% of the workforce and contributing 5.6% to the total gross value added. However, its relative contribution to GDP and employment has experienced a decline in recent years. The majority of producers are smallholders, with an average farm size of 6 hectares. Approximately 71% of producers cultivate farms smaller than 4

hectares. Crop activities account for the largest share of production at 63%, followed by livestock activities at 20%, and 16.3% engage in both crop and livestock activities (INEC, 2015; ONE, 2016).

Traditionally, the main export products were sugar cane, coffee, cocoa, and tobacco. However, there has been a notable resurgence in the cultivation of fruit trees such as mango, avocado, pineapple, melon, and banana, which have become the primary export products, mainly targeting North American and European markets. As of June 2020, the agricultural sector contributed 131.8 billion Dominican pesos to the country's GDP, with farming generating approximately 90.3 billion pesos and the remaining 41.5 billion pesos attributed to livestock, forestry, and fishery. Over the past decade, the sector's total contribution to the Dominican GDP has increased by more than 95% (Statista, 2023).

Regulatory framework for trade and investment

Foreign investment in the Dominican Republic is generally regulated by the Ministry of Industry and Commerce through its agency ProDominicana. The Foreign Investment Law of the Dominican Republic No. 16-95 of November 20, 1995, and its Application Regulation No. 214-04 of March 11, 2004, regulates foreign investment in the Dominican Republic and grants the following benefits:

- **Equal treatment:** The law ensures that both national and foreign investments receive equal legal protection without any discrimination.
- **Repatriation of dividends and tax-free capital:** All invested capital, capital gains, and dividends declared each fiscal year can be sent abroad in foreign currency. The only exceptions include the elimination of toxic or radioactive waste not generated in the country, activities that impact public health or the environment, and the production of equipment and materials related to national defense, which require prior approval from the President of the Dominican Republic.
- **Simple registration procedure:** Foreign investors can obtain the Foreign Investment Registration Certificate by notifying ProDominicana of their investment within 90 days after establishing their presence in the country.
- **Free access to the foreign exchange market:** Foreign investors have unrestricted access to the foreign exchange market through local banks and currency exchange services.

The Foreign Investment Law (No. 16-95), enacted in 1995, recognizes that foreign investment contributes to the economic growth and development of the Dominican Republic. It eliminates previous barriers to the flow of capital into and out of the country. The law also allows investments not only in Dominican companies but also in branches of foreign companies and financial instruments issued by local companies.

Additionally, the law on Development in the Border Region (formerly 28-01, now 12-21), administered by the Ministry of Finance, aims to attract investment to the border region with Haiti. It declares the protection of industries in the border region as being in the national interest. Tax exemptions are granted on net income taxes, sales tax (ITBIS), customs duties, and other applicable taxes.

Free Trade Agreements

The Dominican Republic has preferential trade relations with the major economies in the world, such as the United States, the European Union, Africa, Caribbean, and Pacific region and with the Central America countries. More recently (2019), Dominican Republic Signed Economic Partnership Agreement with the United Kingdom.



Figure 2 Dominican Republic's Main Export Destinations. Source: Observatory of Economic Complexity

Dominican Republic-Central America Free Trade Agreement (DR-CAFTA)

DR-CAFTA permanently guarantees the Dominican Republic the possibility of freely exporting most of its products and services to other member states. Among the services unfettered by DR-CAFTA are financing, insurance, investment, tourism, energy, transportation, construction, government contracts, telecommunications, express messaging, electronic commerce, entertainment, professional services, computing and related services, and environmental services. On the other hand, DR-CAFTA requires member states to rigorously apply local labor and environmental standards, and to eliminate government corruption to guarantee free competition and equal conditions for all members.

Free Trade Agreement with Central America

In 1998, the Dominican Republic and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua signed a free trade agreement, which entered into force in 2001. The treaty does not constitute a true regional agreement, but rather a set of agreements. Bilateral relations between each of the Central American countries and the Dominican Republic. The agreement provides for free trade in all products originating in the region, except those registered by each country on a "negative list". It coexists with DR-CAFTA, which incorporates several of the provisions of the former, including negative lists. In the event of divergence between the two treaties regarding the treatment of a particular product or sector, the treaty with the least restrictive treatment will prevail.

Free Trade Agreement with Panama

Although the Free Trade Agreement between the Dominican Republic and Panama was signed in 1985, its entry into force was delayed until 2003 due to discrepancies that arose over its application. The treaty contains four lists of products that can be freely traded between the two countries, subject to rules of origin: (a) "two-way" products, freely traded between the two countries; (b) Dominican products that can be freely exported to Panama; (c) Panamanian products that can be freely exported to the Dominican Republic; and (d) free zone products. A Permanent Joint Commission made up of representatives from both countries can add new products to the lists.

Economic Partnership Agreement (EPA)

The Economic Association Agreement (EPA) is a free trade agreement signed in 2007 between the European Union (EU) and CARIFORUM, an organization of Caribbean nations. The agreement allows tariff-free access for Caribbean products to the 27 EU countries and provides economic assistance to the Caribbean nations with the express purpose of reducing poverty in the region, promoting its regional integration, and promoting the inclusion of its economy in the worldwide economy. The Dominican Republic has been a member of the EPA since October 15, 2008. Under the terms of the EPA, market access is asymmetric: Caribbean countries can export a large quantity of products to Europe without tariffs while there are restrictions of up to 25 years on European exports to the region in order to protect the local employment and sensitive sectors. Likewise, the EPA encourages free trade among the countries of the region. The EPA is set to change conditions after new negotiations set for 2023. By the 1st of July 2023, goods of tariff headings 040210, 040221 and 040229 originating in the EC Party, the Dominican Republic will allow the importation of unlimited quantities in metric tons.

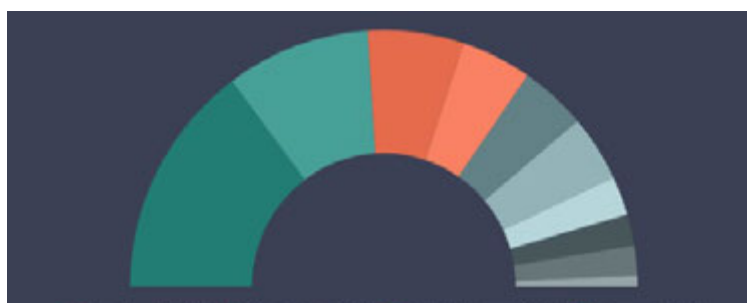


Figure 3 Dominican Republic Exports to Europe: Main commercial partners.

Source: Observatory of Economic Complexity

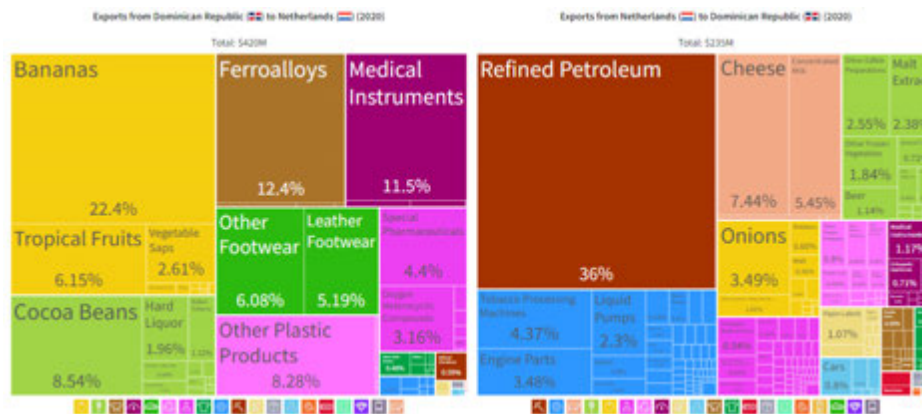


Figure 4 Dominican Republic Exports to/from the Netherlands.

Source: Observatory of Economic Complexity

Free Trade Agreement with CARICOM

This treaty, signed in 1998 and ratified by the Dominican Republic in February 2001, establishes a free trade zone between the Dominican Republic and the fourteen nations of the Caribbean (CARICOM), in accordance with the guidelines of the World Trade Organization (WTO). This agreement coexists with the EPA. In the event of divergence between the two treaties regarding the treatment of a particular product or sector, the treaty with the least restrictive treatment will prevail. Trade is carried out under conditions of equality and strict reciprocity between the Dominican Republic and the more developed Caribbean states, but asymmetries are allowed with the less developed member states, which are Antigua and Barbuda, Belize, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and Haiti.

Challenges

The increased quota of tariff-free trade poses new challenges. Trade agreements with the United States and Europe, such as CAFTA-DR and the EPA, have boosted trade, but local production still faces competitiveness issues. Quota restrictions have been gradually reduced, but some sectors struggle to increase production. The Dominican Republic's compliance with SPS measures set by the US and EU is comparatively low, impacting export opportunities.

Agriculture institutional framework: Production and trade aspects

Ministry of Agriculture

The governing body of the agricultural sector in the Dominican Republic is the Ministry of Agriculture, which formulates and directs agricultural policies in accordance with the country's general development plans. Annex 1 includes a list of the main institutions in the agricultural sector. The major services of the Ministry of Agriculture are: *National Pesticide Registry; Seed Registration Services; Agricultural Mechanization Services; Tilling Services; Pest Control Services; Promotion of Home, School, and Community Gardens; Distribution of Fruit Plants; Planting Material Distribution Services; Technical Advisory Services; Information on Procedures for the Export of Products and By-Products of Animal Origin, and the Imports of Products and By-Products of Plant.*

National Committee for the application of sanitary and phytosanitary measures (CNMSF)

The National Committee for the application of sanitary and phytosanitary measures (CNMSF) is a national body that brings together the various entities of the public and private sectors to manage in an effective and timely manner the application of the Agreement on Sanitary and Phytosanitary Measures (SPS Agreement) of the World Trade Organization (WTO), as well as those commitments assumed by the Dominican State within the framework of other Agreements and Conventions signed at the bilateral and regional level in sanitary, phytosanitary and food safety matters, designing the necessary strategies to obtain the broadest and greatest advantages derived from trade. All permits for both exporting and importing agricultural products of animal and plant origin must be processed through the Ministry of Agriculture through its different dependencies and as the case warrants.

Agribusiness Exchange of the Dominican Republic (BARD)

The Agribusiness Exchange of the Dominican Republic (BARD) is an institution with legal status, resources, and administrative structure to provide a secure platform to trade agricultural products in the Dominican Republic. The BARD is a member of the Pan American Association of Product Exchanges (PAP) of which it is Treasurer. It includes 18 countries. It is also member to the Association of Central American and Caribbean Stock Exchanges (BOLSECA). The BARD is a mediating entity, which makes it possible for sellers and buyers to converge in an organized, transparent, and concurrent market, where goods and services are traded. Negotiations take place through an electronic platform or in the presence of the members in closed auctions in a competitive environment. For more information, please visit: <https://www.jad.org.do/es/dependencias>

Risks and investment opportunities in the Dominican Republic agricultural production

Agricultural production in the Dominican Republic faces both risks and opportunities. The country is vulnerable to climate change, experiencing climate hazards such as heavy rainfall, tropical storms, floods, and droughts. Addressing these challenges requires adopting technology, utilizing precision agriculture techniques, improving genetic improvement, reducing food loss, optimizing water use, and enhancing logistics and supply chain conditions. On the other hand, there are opportunities driven by new trends in consumer demand, such as a growing global demand for sustainable and high-quality products. Furthermore, although agri-food exports have doubled since 2000, the Dominican Republic remains a net importer. The country relies heavily on imports for maize and wheat, representing a significant portion of agricultural imports. The local demand for imports is driven by the processing industries' input needs. Lastly, while the Dominican Republic's participation in agri-food global value chains (GVCs) remains relatively low, there is potential for growth. Currently, only 23% of agri-food exports are integrated into GVCs. Enhancing GVC participation requires a combination of backward integration (foreign value in total exports) and forward integration (exported domestic value embedded in other countries' exports). The Dominican Republic's cocoa beans, for example, are transformed into sophisticated products in countries like Belgium, Germany, and Italy.

Production Techniques and Infrastructure

Agricultural production under controlled environment

The controlled environment agriculture industry in the Dominican Republic began in 2002 and covers approximately 990 hectares of greenhouse space. With about 1,500 small-scale producers, cultivation under controlled environments allows for the regulation of essential climatic factors like temperature, humidity, and light, ensuring optimal vegetable growth. Peppers, tomatoes, cucumbers, strawberries, and aromatic herbs are the focus of production in controlled environments. Metallic structures are preferred over wooden ones due to their load resistance, lifespan, and reusability. Low-density polyethylene is commonly used for greenhouse covers, providing durability against UV rays. Concerns have been raised about the longevity of plastics lacking anti-UV additives. Greenhouse covers typically range from 150 to 200 microns in thickness and 6 to 8 meters in width. Different greenhouse forms and materials are utilized, including booth, tunnel, and chapel types in the Dominican Republic. Industrial materials like polyethylene with anti-UV additives and ethylene vinyl acetate (EVA) help maintain temperature and protect against frost. Other advancements include anti-drip additives that facilitate the drainage of condensed water, minimizing shading and preventing the magnifying glass effect, ultimately improving light diffusion.

Cold chain systems

The Dominican Republic had a 119.2 million of hundredweight (cwt) of perishable food in 2020 and it is estimated that only 37% of the perishable foods produced are cold chained for preservation. This represents a wide potential for investment in facilities associated with the maintenance of the cold chain of products destined for the export market and domestic. The technology applied to Dominican

agriculture improves the competitiveness of farmers, ensures productivity, contributes to guaranteeing food security and benefits the country with indirect jobs.

Aquaculture

Despite some existing challenges, aquaculture in the Dominican Republic is experiencing significant growth. Micro-producers, as well as slightly larger farms, are actively participating in tilapia production and sales. The demand for fishery products continues to expand, even with imports being made. The country produces between 18,000 and 20,000 tons of fishery products, with fishing contributing the majority and aquaculture accounting for around 2,000 to 3,000 tons. While the exact number of farms is not accurately known, estimates suggest there could be around 150 in the country. The Dominican Republic holds great growth potential in aquaculture due to its abundant natural water bodies and favorable climate for tilapia. To further support the sector, the President of the Dominican Republic has approved a \$40,000,000 trust to guarantee tilapia exports, backed by the National Export Bank and the Reserve Bank. This initiative aims to encourage tilapia production for both domestic consumption and international trade. The aquaculture industry in the Dominican Republic faces several challenges, including insufficient fry production, the absence of state aquaculture stations, and the need for improved technology, genetic material, and high-quality food. The use of floating cages is common, but there is a lack of local food production for aquaculture. This presents opportunities for other countries to provide support and expertise to address these challenges and enhance the aquaculture industry in the Dominican Republic.

Seed sourcing as production input material

The market for imported seed as an input and production material are relevant in the Dominican Republic. The country imports between USD 12-15 million yearly, and an approximate amount of 2,500 metric tons. From Spain, Argentina, India, Brazil, Canada, United States, Netherlands, and many others. There is an opportunity to source many crops: carrots, potatoes mainly that are massively consumed by the people of the Dominican Republic.

Collaborative Initiatives and Partnerships

Public - Private Alliances

The Dominican Republic signs the Regulations for the Application of Law 47-20 on Public-Private Partnerships established in Decree 434-20, with the aim of promoting investments in the country that will contribute to its economic development. For the private sector, this regulation could represent new investment opportunities, since it will allow it to obtain greater legal certainty, transparency, and speed in the contracting processes. Within the framework of this regulation, priority sectors have been highlighted to receive private initiatives: road, air and maritime transport, water, education, agriculture, energy, health, housing, tourism, international trade, urban mobility, telecommunications, citizen security and national defense. For more information, visit: <https://dgapp.gob.do/>

Thematic Agri-food Fair

At the bi-annual AGROALIMENTARIA fair, Dominican producers, and exporters, together with national and multinational companies, present the best products from the Dominican Republic. Exhibitions and information from the best national and international experts are presented on issues of quality, added value and agri-food safety, as well as from all other actors in the commercial value chain of the agri-food industry, including the infrastructure and logistics sector. Meetings and gatherings organized at the event can be very beneficial, given the nature of the fair, and the organization oversees managing the accommodation (usually in the own Hotel host of the fair) and the agendas and business rounds to be held, in accordance with the interests of each party. Since its first edition, it has been building its success through the attraction of international guest-buyers. The 2023 agri-food fair took place from 31 May to 3 June, see: <http://agroalimentaria.com.do/>.

Innovation opportunities

In the Dominican Republic the percentage of high technology applied for agriculture is still low, so it offers great opportunities for investors. When analyzing emerging technologies in the Dominican agricultural sector, The National Institute for Professional Technical Training (INFOTEP) determined that the use of technologies from the total farmers in different areas are significantly low and go as follows: the biological control of pests and diseases is ahead, with 6%. They are followed by artificial insemination of cattle and pigs, with 5.3%; biotechnology, with 4.7%, and embryo transplantation, with 4.7%. Similarly, precision agriculture and production under controlled environment (greenhouse) and international agricultural certifications only is covered only in 4%. In addition, the management of mechanical milking, drones, fertigation, and good agricultural practices, with 3.3% each, indicates the report Sectorial Consultations. Besides technology, there is a lot of potential for the development of technical schools in these areas and an open field for international recruitment. Furthermore, the Dominican agricultural sector would greatly benefit from new packaging material suppliers and opportunities to automate the packaging process in terms of machinery. It would also benefit from consulting services and/or technical advice to make the production of the largest export items in the Dominican Republic more efficient.

A quality infrastructure system

Standards and norms play an important role in the agri-food value chain. They define how products, processes, and institutions interact with each other to enhance competitiveness by offering proof that products and services adhere to national and international requirements. Their effective use facilitates international trade, contributes to technological upgrading and absorption, and protects consumers and the environment. For this reason, there is a wide field of business for quality consulting companies, certifying companies and business agents dedicated to the adaptation of new technologies that increase the productivity of local industries in the agricultural sector. Despite the progress achieved in setting up an effective NQI system, the Dominican Republic has room to improve its quality infrastructure for the agri-foods sector. In future, building on its existing institutionalality, the country needs to work on streamlining procedures and implementation.

Storage and Logistics

Optimizing Dominican Agricultural Logistics

Agricultural logistics must ensure safe transportation of perishable products to manufacturers and retailers. Due to its position in the Caribbean, the Dominican Republic's relies heavily on maritime and air transportation, impacting export competitiveness. The average cost of transportation and logistics (as a percentage of the FOB price) for oriental vegetable products and under controlled environment amounted to 69.59% within the studied sample. This makes an impact of 7.03% of the agricultural GDP and 0.54% of the total GDP. Trade with the Dutch Caribbean is particularly affected by expensive air transport and limited maritime routes. Furthermore, a big part of Dominican harvests is wasted every year because of late delivery and inappropriate transportation conditions. The UN Food and Agriculture Organization estimates that 14% of food is lost between post-harvesting and retail. That's one of the reasons why agricultural businesses lose over \$2 billion in revenue every year due to logistics safety issues. One of the most critical factors that leads to production downtime in the food industry is supply chain disruptions and irregular agricultural logistics. The weakest link in agricultural logistics is fleet management. The logistics sector presents an opportunity for foreign investment to reduce costs and improve export efficiency and the country's food chain supply can be benefited by food delivery logistics software which can play a key role in the supply of agri-food products

Management of livestock and technification of dairy production

The production of milk and beef meat in the Dominican Republic is estimated at 1,110, 222 heads of cattle that are distributed in 58,000 farms located throughout the national territory. Based on the number of animals slaughtered in 2018, the inventory of animals is estimated to be over 3.5 million, although ranchers estimate there are fewer. Cattle ranching in milk production in 2018 registered the amount of 943 million liters. However, there is a need for an agricultural and livestock census due to vague statistics. Implementing a traceability system is crucial for better control of the population, mobilization, producers, and farms, as well as combating smuggling and theft. The United States and the European

Union require traceability for livestock and food, respectively, for commercialization purposes. Family dairy farms face challenges such as low productivity, poor fodder conservation, inadequate milking practices, and suboptimal milk transport. The Netherlands' expertise and technology offer potential opportunities in the Dominican Republic's livestock sector.v

Specialty Products Markets

Organic Foods

New trends in demand are shifting consumer preferences towards more sustainable and quality production. For example, there has been significant growth in the demand for organic and fair-trade products and the Dominican Republic is already advancing in organic production. It is already an important stakeholder in the production and export of organic foods. There is scope for the Dominican Republic to replicate the success in organic production of bananas and cocoa with other fresh products (mangoes, avocados, and dragon fruits) and leverage on new niche markets. This could open opportunities in market segments such as the bean to bar or craft chocolate in which final consumers typically pay higher prices (Specialty food association, 2019).

Specialty foods

Total worldwide sales of specialty foods, i.e. products that have limited distribution with high reputation related to the use of high-quality ingredients, increased by 9.8% between 2016 and 2018, reaching USD 150 billion. This could open opportunities in market segments such as the bean to bar or craft chocolate in which final consumers typically pay higher prices (Specialty food association, 2019). In the Dominican Republic few companies are exploring the opportunities of premium markets in the cocoa value chain that relies on fair trade labelling such as the Rizek Cacao that in 2013 launched the own premium chocolate brand Kah Kow.

Functional foods

These are food products that typically provide health benefits beyond basic nutrition. In 2018 the world market value for functional food reached USD 161.5 billion and is projected to reach USD 276 billion by 2025. Food and beverage manufacturers worldwide are deploying fortification of nutritional additives such as omega-3 fatty acids, fibers, vitamins and minerals to increase the nutritional content in food items (Grand View Research, 2017). For example, the Dominican Republic has the opportunity to scale up in the avocado value chain that represents an important functional food due to its antioxidant capacity and high vitamin content. The country, with 637 000 metric tons, is the second largest producer of avocado in Latin America and Caribbean after Mexico. However, only 5% of total production is exported either directly or processed and the price accruing to Dominican producers is lower with respect to the competitors: USD 378 per metric ton for the Dominican Republic, 6 times lower compared to USD 2 463 per metric ton for Chile (Cluster Consulting, 2019).

Natural and organic cosmetics

The global market for natural and organic cosmetics was valued at USD 11.5 billion in 2018 and is projected to reach USD 24 billion by 2025. In the Dominican Republic, there is an opportunity to capitalize on both organic agricultural production and medical tourism. In 2018, health and medical tourism attracted 65,000 visitors, generating USD 265 million for the country (Turismo, 2019). This sector could provide significant business prospects in the future. However, producing and distributing such products require a high level of technical expertise and adherence to standards (USDA, 2008). While the Dominican Republic has a strong tradition and reputation in organic and fair trade practices, it is not enough to ensure future success. It is crucial to shift focus from a traditional commodity perspective to a comprehensive value chain approach. This entails developing intermediary processes like quality control and packaging to meet international standards, as well as implementing a coherent marketing, branding, and intellectual property strategy that emphasizes origin and geographical indication (Nurse, 2018).

Environmental Sustainability

Organic fertilizers and agrochemicals

Among the main products demanded by the Dominican Republic are organic pesticides and fertilizers, bio-controllers, biologicals, botanicals, and products in general for non-conventional agriculture. There is a great need for organic pesticides and fertilizers, bio-controllers, biologicals, botanicals and, in general, those products for non-conventional agriculture. The Netherlands has important opportunities to position itself in this market as an environmentally sustainable and innovative economy. Furthermore, the Netherlands can offer high quality products.

Sustainable energy

In the sustainable energy sector, numerous renewable energy projects approved or being approved by the National Energy Commission have a significant impact on the country's energy mix. The National Energy Plan 2010-2025 aims to promote greater participation of renewables in the energy mix. The Dominican Republic has made notable progress in this area, as stated by the Dominican Association of the Electric Industry (ADIE). In the year 2000, 91% of electricity generation relied on fossil fuels, while only 9% came from renewables. By 2018, the percentage of fossil fuel generation decreased to 38.1%, while renewables increased to 16.1%, demonstrating a positive shift in the country's generation mix.

Solid waste management and recycling

Unsustainable production and consumption practices persist due to a misconception of unlimited resources, lack of knowledge & awareness, and insufficient policies and market incentives to account for environmental costs. Approximately 1,127,468 kilograms of food are wasted each week, and excessive single-use plastic packaging remains prevalent. The country generates 11,400 tons of solid waste per day, resulting in a per capita production of 0.60 to 1.26 kilograms per inhabitant daily. In the tourism sector, an estimated 3.1 kilograms of waste are generated per room per day, with only 7-8% being recovered. These figures become more alarming when projected: The National Statistics Office (ONE) predicts an increase to 12,200 tons per day by 2020, 14,517 tons per day by 2030, and 16,863 tons per day by 2040 for municipal solid waste in the Dominican Republic.

Filter technology to reduce environmental emissions

The agricultural sector is responsible for 20% of total greenhouse gas emissions in the Dominican Republic. Therefore, to make agricultural production more friendly to the environment. Filter technology for the reduction of said emissions is a sector that is currently little explored and that presents a great opportunity for foreign direct investment.

Water treatment plants

To ensure food safety of agricultural products and international certification standards for good processing and packaging practices for agricultural products are met, use of good water sources for irrigating fields and livestock is essential. Only the multinational and large agribusiness has access to water treatment technologies. A good subsector opportunity is adopting affordable technologies in this field. This can generate opportunities for FDI from Netherlands, focused the sourcing WTP for small and medium farms business.

Conclusions and recommendations

As we conclude this document, it is evident that the Dominican Republic offers immense opportunities for investment and trade. These opportunities span from sourcing inputs, technology, and materials, to local investments in production and exports to nearby markets with preferential conditions in North America, Central America, and the Caribbean. Alongside the already established traditional sectors such as cocoa and its derivatives, coffee, and premium cigars, the government is actively supporting and incentivizing the development of clusters focused on fresh and processed tropical products. Our recommendation is to conduct targeted feasibility studies on a sector, product, or value chain basis. This will help identify and address specific issues and minimize associated risks. Additionally, considering collaboration with renowned producer groups can provide quicker and more effective access to markets.

Attachment 1

Institutional contacts:

Ministry of Agriculture of the Dominican Republic:
<http://www.agricultura.gob.do>
General Directorate of Livestock: <http://ganaderia.gob.do>
Dominican Council of Fisheries and Aquaculture:
<http://codopesca.gob.do>
Office for Trade Agreements in Agriculture:
<http://www.otca.gob.do>
Center for Investment and Exports of the Dominican Republic
<http://www.prodominicana.gob.do>

National Committee for Sanitary and Phytosanitary Measures:
<http://www.cnmsf.gob.do>
Agriculture Product Exchange:
<https://www.bolsaagroempresarial.com>
World Bank Group: <http://www.worldbank.org>
Food and Agriculture Organization: <http://www.fao.org>
Dominican Exporters Association: <https://adoexpo.org/es/>
General Directorate of Customs: <https://www.aduanas.gob.do/>
Dominican Agribusiness Board: <https://www.jad.org.do/es/>

Attachment 2: Other laws to invest, applicable in the Dominican Republic

Law No. 8-90 On Export Free Zones, its amendments and regulations, companies operating in free zones function in a nearly free trade environment and benefit from considerable tax exemptions for renewable 15-year periods, such as no income, goods and services, municipal or export or re-export taxes, no import duties nor related charges on raw materials, equipment, construction materials, vehicles, office equipment and other goods necessary for the preparation, construction, and operation of the business.

Law No. 56-07 declares that the sectors belonging to the textile chain, knits, and accessories, furs, leather shoe manufacture are a national priority and creates a national regulatory framework for these industries.

Law No. 480-08 On International Financial Zones, companies in special free zones can offer all types of financial and support services to persons or entities located outside the Dominican Republic without having to pay taxes for a 30-year period.

Law No. 57-07 On Incentives for Renewable Energy and Special Frameworks, investors in this area are granted, among other benefits, the following incentives: (a) no custom duties on the importation of the equipment required for the production, transmission and interconnection of renewable energy; (b) no tax on income derived from the generation and sale of electricity, hot water, steam power, biofuels or synthetic fuels generated from renewable energy sources; and (c) exemption from the goods and services tax in the acquisition or importation of certain types of equipment

Law No. 108-10 On the Promotion of Film Activity, as amended by Law 257-10, and its enabling regulation, created a legal

framework to promote the development, production, distribution and preservation of movies, TV shows, music videos, and other audiovisual productions, as well as the construction of film-making studios and movie theaters.

Law No. 392-07 On Industrial Innovation and Competitiveness, as amended by Law 542-14, creates an institutional framework to enhance the ability of Dominican industry to compete in international markets by promoting horizontal and vertical integration and granting incentives to qualified operators such as exemption from custom duties and goods and services tax on raw materials, machinery and capital goods, accelerated depreciation of goods and industrial equipment, and reimbursements of certain taxes to exporters

Law No. 171-07 On Special Incentives for Retirees and Those on a Fixed Income from Foreign Sources, grants foreign nationals who invest a minimum of \$200,000 in the Dominican Republic or meet certain criteria as retirees with special benefits such as expedited residency in the country, exemption from duty for the importation of household goods, exemption from transfer taxes for the first purchase of real estate, exemption from taxes on dividends and interest, and 50% reduction on property and capital gains taxes.

Law No. 150-97 On Customs Tariffs for Agricultural Inputs,

Machinery and Equipment

Law No. 84-99 On the Re-activation and Promotion of Exports

Law No. 158-01 On the Promotion of Tourism Development

More information

For more information and questions about specific projects or developments mentioned in this report, contact the embassy at STD-EA@minbuza.nl.

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