



An online review of Foreign Agricultural Service initiatives and services

## Market and Trade Data

### Stake Out the Pet Food Market in the Dominican Republic

*By Wagner A. Mendez*

Five years ago, almost all the pet foods imported into the Dominican Republic came from the United States. That changed in Calendar 2003 when financial woes led to a disruption in the market and imports dropped dramatically. What was a \$3.4 million export market for U.S. pet foods bottomed out at \$914,000 in 2004.

However, with economic stability now in place, U.S. imports are on the rise. Sales were up to \$1.6 million in 2005, 40 percent of the total imported by the Dominican Republic. U.S. exports in 2006 may have reached \$3.9 million.

#### **Central American Countries Stepped Into Breach**

Despite a preference for premium U.S. brands, many pet owners have begun buying low-cost imports from Central America, mainly from Costa Rica. Other competing countries include Argentina, Brazil, France, and Mexico.

Several market conditions support these imports. Pet foods from Central America have a zero-percent tariff, set by a free trade agreement with the Dominican Republic. When the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) comes into force this year, the tariff on U.S. pet food imports will still be 20 percent, with a phase-out scheduled over 10 years.

Besides high tariffs, other barriers include restrictions on beef ruminant products—only poultry products can be imported—and strict documentation requirements. Since Central American countries do not export cat food, sales of these U.S. products have not been affected.

#### **Dominican Republic Finances On Track**

The economic situation in the Dominican Republic is now good, following the launch of an economic adjustment and stabilization program in 2004 aimed at restoring macroeconomic stability, particularly for the public finance and banking sectors. The government worked with the International Monetary Fund to enforce certain standards, which have worked well.

The gross domestic product is expected to have grown 8.5 percent in 2006, and to maintain a 4.5-percent rate in 2007 and 2008. Inflation, after peaking at 43 percent in 2003, is back in the single digits.

#### **Market Entry Through Importers**

The best way to enter the Dominican market is through one of the few local pet food importers. They are familiar with the market, business practices and related laws, and have sales contacts. Getting legal advice before making a formal commitment is important. These importers sell to retailers and also to end consumers. While

supermarkets are the major distribution channel for low-price brands, veterinarians and specialty pet food stores distribute premium brands. Some larger supermarkets also import low-price brands directly. ■

*Wagner A. Mendez is an agricultural marketing specialist with the FAS Office of Agricultural Affairs at the U.S. Embassy in Santo Domingo, the Dominican Republic. E-mail: [AqSantoDomingo@usda.gov](mailto:AqSantoDomingo@usda.gov)*

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