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Nicaragua: Coffee production plummets 11 percent in MY2019/2020

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Report Highlights:

The lack of access to credit due to Nicaragua's current political crisis and low international coffee prices have reduced Nicaraguan producers' ability to properly maintain coffee plantations. Harsh economic conditions have led to a sharp reduction in coffee production. The Nicaraguan coffee industry reports marketing year (MY) 2019/2020 production reaching 2.3 million 60-kilogram (KG) bags, down 11 percent from the previous cycle. For MY 2020/2021, coffee associations project an additional five percent decline. Producers do not anticipate improvements in access to credit. In addition, they face a ten percent increase in agrochemical costs.

Production

Coffee is produced mainly in the North Central Region of Nicaragua with a range of altitudes from 365 to 1,500 meters above sea level. According to the most recent agricultural census, 87 percent of the coffee plantations are located in the North Central Region of the country, in the cities of Jinotega, Matagalpa and Nueva Segovia. Thirteen percent of the plantations are located in other municipalities. There are approximately 140,000 hectares planted with coffee.

Common varieties include Caturra (72 percent) and Borbons, Paca, Catuai, Catimore, Maragogype and Pacamara (28 percent). More than 97 percent of coffee producers are small, with an average farm size of less than 14 hectares. In the last five years, farmers have renovated more than 20,000 hectares of coffee. In 2013, Nicaragua allowed the cultivation of Robusta coffee in non-traditional coffee regions, including the Atlantic Coast Region. There are about 2,100 hectares planted with Robusta coffee in the South Autonomous Caribbean Coast (RACS). Robusta production is approximately 80,000 60 kg bags (less than three percent of total production). Most of the Robusta production is used domestically with very little exported.

The Nicaraguan coffee industry reports a total production of 2.3 million 60KG bags in MY 2019/2020, down 11 percent from the previous cycle. The lack of access to credit due to Nicaragua's current political crisis and low international coffee prices in the last two years have reduced Nicaragua producers' ability to properly maintain their coffee plantations. Harsh economic conditions have led to a sharp reduction in coffee production. Also, producers partially blame the reduction in production to an irregular rainy season in 2019, with lack of rains during the growing stage of the beans and excessive rainfall during the harvest, which runs from November through early February. The irregular weather negatively impacted yields and the quality of the coffee beans.

For MY 2020/2021, coffee associations project a further decline in production that could be between 5 and 10 percent. Farmers do not anticipate any changes that will allow them to improve their access to credit. Another challenge to coffee producers is an increase in agrochemical costs of between 10 and 20 percent due to a tax reform adopted in 2019. Agrochemicals are no longer tax exempt. This additional cost for essential inputs has raised concerns that the tax reform will make the Nicaraguan agricultural sector less competitive.

Yields

Nicaragua has the lowest average yields in Central America, with approximately 15 60KG bags per hectare. The Nicaraguan coffee sector is challenged by limited access to long term credit for the maintenance of coffee plantations, lack of validation and adoption of good agricultural practices, and the volatility of international prices. In MY 2019/2020, farmers did not report significant problems with pests. However, they faced excessive rainfall during the harvest season that affected yields and the quality of the coffee beans. Some farmers also reported a high presence of fermented grains. On the other hand, coffee rust, which had caused serious damage in recent years, has been under control.

Consumption:

Although Nicaragua has a long history in the production of coffee, the level of consumption is not high when compared with other countries in the region. According to the International Coffee Association, the average coffee consumption in Nicaragua is about two KG per capita. Total coffee consumption in Nicaragua in MY 2019/2020 was approximately 170,000 60KG bags of which 50 percent was soluble and 50 percent roasted.

MY 2018/2019 Coffee Exports by country

Country	60 Kg Bags
United States	1,370,635
Belgium	207,327
Germany	200,255
Italy	100,367
Spain	88,601
Canada	87,118
Sweden	50,469
United Kingdom	48,413
France	47,489
Mexico	38,624
Other	341,217
Total	2,580,515

Source: Center for Exports and Investments (CETREX)

Stocks:

Nicaragua does not manage large coffee stocks. The stocks that coffee exporters manage vary between 120,000 and 140,000 60KG bags, which is the amount of coffee that Nicaragua exports between October and December, when the coffee harvest is starting. The market year in Nicaragua starts in October and ends in September.

Policy:

Nicaragua has two main laws that regulate coffee production: Ley del Café (Law 368) or the Coffee Law, which was published in December 2000 and provides a number of tax exonerations for coffee growers; and the law of the transformation and development of the coffee sector (Law 853), which was passed in 2013 and aims to renovate and transform the Nicaraguan coffee sector through the creation of a fund to renovate old coffee plantations. Coffee farmers estimate the amount of money collected is around \$23 million and have complained about the slow implementation. For 2020, the Government of Nicaragua is expected to invest \$2 million in a coffee lab and \$2.5 million on soil fertilizers to support small farmers.

In August 2013, the Government of Nicaragua issued a Ministerial Decree 012-2013 that approved the cultivation of Robusta along the Caribbean Coast, where there is no Arabica production. In December 2016, through a new Ministerial Decree 187-2016, the Government of Nicaragua extended the approved areas to six new departments in the Pacific Coast. At this time, there are more than 2,100 hectares of Robusta Coffee with an estimated production of 80,000 60KG bags.

PRODUCTION, SUPPLY, AND DISTRIBUTION

Coffee, Green Market Year Begins Nicaragua	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	140	0	140	0	140
Area Harvested (1000 HA)	0	140	0	140	0	140
Bearing Trees (MILLION TREES)	0	0	0	0	0	0
Non-Bearing Trees (MILLION TREES)	0	0	0	0	0	0
Total Tree Population (MILLION TREES)	0	0	0	0	0	0
Beginning Stocks (1000 60 KG BAGS)	142	142	122	112	0	122
Arabica Production (1000 60 KG BAGS)	2600	2640	2300	2300	0	2185
Robusta Production (1000 60 KG BAGS)	40	80	40	80	0	80
Other Production (1000 60 KG BAGS)	0	0	0	0	0	0
Total Production (1000 60 KG BAGS)	2640	2720	2340	2380	0	2265
Bean Imports (1000 60 KG BAGS)	10	0	10	0	0	0
Roast & Ground Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Soluble Imports (1000 60 KG BAGS)	30	0	30	0	0	0
Total Imports (1000 60 KG BAGS)	40	0	40	0	0	0

Total Supply (1000 60 KG BAGS)	2822	2862	2502	2492	0	2387
Bean Exports (1000 60 KG BAGS)	2410	2580	2100	2200	0	2135
Rst-Grnd Exp. (1000 60 KG BAGS)	15	0	15	0	0	0
Soluble Exports (1000 60 KG BAGS)	100	0	100	0	0	0
Total Exports (1000 60 KG BAGS)	2525	2580	2215	2200	0	2135
Rst,Ground Dom. Consum (1000 60 KG BAGS)	90	85	90	85	0	85
Soluble Dom. Cons. (1000 60 KG BAGS)	85	85	85	85	0	85
Domestic Consumption (1000 60 KG BAGS)	175	170	175	170	0	170
Ending Stocks (1000 60 KG BAGS)	122	112	112	122	0	82
Total Distribution (1000 60 KG BAGS)	2822	2862	2502	2492	0	2387
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Attachments:

No Attachments