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**Country:** Nicaragua

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**Report Highlights:**

FAS/Managua anticipates coffee production in marketing year 2024/25 to rebound to 2.6 million 60-kilogram bags, as a return to average precipitation levels should support historical average yields. However, Nicaraguan coffee growers face global structural headwinds in marketing year 2024/25 on top of tight labor supplies needed to bring in the hand-picked coffee harvest. Dry conditions, reduced production, and delayed harvesting – all associated with the 2023 El Niño weather system – reduced overall coffee production in marketing year 2023/24 by ten percent.

## **Executive Summary**

FAS/Managua projects total marketing year (MY) 2024/25 coffee production (including robusta type) at 2.6 million 60-kilogram (kg) bags as the El Niño weather system dissipates. With a La Niña system potentially emerging later in 2024, growers could face increased risk of production losses due to coffee rust, greater pest pressures, and other plant diseases associated with above average precipitation. FAS/Managua anticipates domestic structural challenges of limited access to finance and tight labor supplies – which drove production costs up by 20 percent or more in MY 2023/24 – to weigh heavily on production decisions in MY 2024/25. FAS/Managua projects higher consumption of better-quality roasted coffee in MY 2024/25 as increased remittances continue to translate into higher consumption of food and beverage products.

FAS/Managua estimates MY 2023/24 coffee production fell ten percent due primarily to El Niño-related conditions that drove down yields and crop quality. One of the largest coffee exporters in Nicaragua filed for bankruptcy just before the harvest, temporarily disrupting the export supply chain, but remaining traders stepped in to purchase available coffee at prevailing market prices. Reportedly weak demand in the international coffee market – largely on accumulated inventories – have reduced the price premium typically commanded by higher quality Nicaraguan arabica beans and helped drive prices in May 2024 down more than 15 percent from where they were in May 2023.

## **Area**

FAS/Managua projects MY 2024/25 area planted unchanged at 143,000 hectares and area harvested at 141,000 hectares on labor shortages resulting from higher outbound migration over the last 5 years. Political turmoil continues to weigh on the economy, drive outbound migration, limit available credit, and stifle investment in productive industries, particularly those with a longer horizon for recouping investments; coffee farm expansion and renovation require at least three years to generate income.

According to industry contacts, coffee growers have replanted approximately 20,000 hectares of arabica coffee area (14 percent of total area) since the MY 2013/14 coffee rust outbreak that decimated production. In theory, a coffee farm should be replanting 5 percent of total area each year to ensure a complete turnover of the area every 20 years (coffee plant productivity typically tails off after 20-25 years). However, in practice, most farms have failed to keep up with this ideal schedule, often replanting only when older plants become infected or die. Access to credit (especially on terms that account for coffee plant growth and harvest cycles) as well as to newer, rust-resistant varieties remain significant challenges to expansion and renovation in Nicaragua. Growers also face the dilemma of timing, reluctant to replace even less productive trees when prices are strong, as they were in early 2023.

According to industry sources, there were approximately 45,000 coffee growers cultivating about 143,000 hectares of coffee in MY 2023/24, of which 7,000 hectares were planted with robusta varieties. More than 85 percent of the arabica coffee farms are in North Central Nicaragua, in the departments of Jinotega, Matagalpa, and Nueva Segovia, with a range of altitude from 365 to 1,500 meters above sea level. The remaining arabica coffee is produced in the department of Carazo and on the outskirts of Managua department. Robusta production area is concentrated in the Southern Caribbean Coast Autonomous Region, in the vicinity of a major robusta mill in Nueva Guinea.

**Figure 1. Arabica Coffee Growing Regions**



Source: Home Coffee Expert.

Note: Robusta farms are indicated by the hollow red circle on this map; added by FAS/Managua.

According to the 2011 Agricultural Census (the most recent data available), 71 percent of coffee farms had less than 15 hectares of coffee and produced 37 percent of the total crop. Medium-sized farms (22 percent of farms) between 15 and 70 hectares produced 27 percent, while large farms (7 percent of farms) above 70 hectares produced 36 percent of the total crop.

## Production

FAS/Managua projects total MY 2024/25 coffee production (including robusta type) to rebound to 2.6 million 60-kg bags, recovering from challenging growing conditions in MY 2023/24. For MY 2024/25, coffee exporters are optimistic for improved weather conditions as the U.S. National Oceanic and Atmospheric Administration (NOAA) has forecast the current El Niño weather cycle ending by June – reverting to ENSO neutral – and bringing increased moisture for the MY 2024/25 growing season. The possibility of a La Niña weather cycle emerging later in 2024 could create problems for MY 2024/25 production if above average precipitation leads to higher prevalence of coffee rust or if precipitation carries into the harvest season. Climate change has also increased the frequency and intensity of severe weather events, which could also reduce MY 2024/25 production.

Unprecedented levels of outbound migration since 2018 – an estimated 600,000 people or 10 percent of the population – have reduced Nicaraguan labor available for coffee harvesting, pushing up the costs of labor for growers and leading pickers to selectively work on higher yielding farms, where piecework payments would be higher. With limited labor supplies, growers may face lower yields (leaving ripe fruit on plants), lower quality (increased pressure for limited available labor to harvest under-ripe / over-ripe fruit), or both while recording the same area harvested in MY 2024/25. Some larger firms have

invested in drying equipment to reduce dependence on post-harvest labor for drying coffee beans; traditional drying methods require beans to be raked multiple times a day under the sun for up to two weeks. However, industry sources indicate total installed dryer capacity in Nicaragua could only process 40 percent of the expected MY 2024/25 harvest volume.

Reduced access to affordable financing for smaller growers presents yet another threat to the MY 2024/25 crop. While there is broad access to commercial financing on competitive terms across the Nicaraguan economy, most financial institutions are unwilling to take on the financial risks associated with smaller agricultural operations, let alone structure financial products that reflect the longer repayment periods needed for coffee growers to make more productive investments. As a result, many small coffee growers have depended heavily on financing from social enterprises and from major coffee exporters. The 2023 bankruptcy of one major coffee exporter, which had also been a leading lender and provider of technical assistance to small growers throughout Nicaragua, could reduce available financing for key inputs (e.g., fertilizer) in MY 2024/25.

FAS/Managua estimates MY 2023/24 production fell 10 percent from MY 2022/23, largely due to insufficient precipitation associated with the 2023 El Niño weather cycle. Growers reported fruit dropping from coffee plants or failing to fill completely as a result of sustained dry periods and above average temperatures, resulting in lower yields and lower quality, including coffee beans unsuitable for export. FAS/Managua MY 2023/24 production estimates are supported by field travel observations.

Nicaraguan coffee growers have increasing access to higher-yielding varieties like Marsellesa, Parainema, Costa Rica 95, IH Cafe 90, Lempira, and other varieties. Ongoing research with World Coffee Research (WCR) to improve coffee breeding and agronomic research in Nicaragua along with the U.S. Department of Agriculture (USDA) Foreign Agricultural Service-funded Maximizing Opportunities in Coffee and Cacao in the Americas (MOCCA) project have been steadily improving the genetic diversity, quality, and consistency of nursery stock available to coffee growers. Caturra is the most common variety of arabica bean grown (72 percent of total arabica area). Other common varieties include Bourbon, Paca, Catuai, Catimore, Maragogype, and Pacamara. In 2013, the Government of Nicaragua opened non-traditional coffee-growing regions (the Atlantic Coast and lowland areas on the Pacific Coast) to robusta coffee cultivation for the first time. Nicaragua produces predominantly arabica coffee varieties; more than 95 percent of total production was arabica in MY 2023/24.

Employing more than 330,000 people along the value chain, coffee is one of the most important economic activities in Nicaragua, where the coffee marketing year runs from October to September.

## **Yield**

FAS/Managua estimates national average MY 2024/25 arabica coffee yields to recover to 18 60-kg bags per hectare, in line with historical trends, primarily due to anticipated increases in precipitation. In MY 2023/24, national average yields fell to 16 60-kg bags per hectare, largely due to weather conditions associated with the El Niño weather cycle.

As part of the MOCCA project, WCR is improving coffee breeding and agronomic research in collaboration with the Regional Cooperative Program for the Development and Modernization of the Coffee Sector (PROMECAFE) and the Nicaraguan Institute of Agricultural Technology (INTA). WCR is also evaluating and improving seed lots, certifying large coffee tree nurseries, and developing training materials for small nurseries across the country. Nicaragua hosts two WCR international multi-location coffee variety trials. In collaboration with coffee exporters, U.S.-based non-profit organization Technoserve has conducted on-farm trials in Nicaragua testing improved varieties, including Marsellese, H1, Centroamericano, Parainema, Obata, and Starmaya, which are resistant to coffee rust.

Despite ongoing efforts by WCR and others, FAS/Managua projects limited arabica yield growth over the near- and mid-term, as access to financing – a function of international coffee price volatility, political and economic turmoil in Nicaragua, and an underdeveloped agricultural financial system – will continue to hinder investments in farm renovation and adoption of good agricultural practices.

### **Policy**

One of the Government's main policies to support coffee growers is Law 853, the Law for the Transformation and Development of the Coffee Sector, which was passed in 2013 to renovate and transform the Nicaraguan coffee sector through a fund to renovate older coffee farms. Law 853 levies a fee on every 60-kg bag of coffee exported; the average fee was \$4 per 60-kg bag in MY 2023/24 when international coffee prices were above \$200 per 60-kg bag. Industry sources estimate Law 853 has collected more than \$40 million since 2013, but growers have expressed mixed opinions on the impact of the law and its effectiveness in driving investment and innovation in the sector.

Law 368, the Coffee Law, was published in December 2000 and provided several tax exonerations for coffee growers. However, in 2019, the Nicaraguan Government passed legislation taxing fertilizers and agrochemicals for the first time, with import duties of up to 30 percent for some products, reducing the profitability of coffee growers and reducing access to fertilizer and other essential inputs.

### **Consumption**

FAS/Managua estimates MY 2024/25 per capita coffee consumption to remain roughly flat at 1.5 kg, with increasing local demand for roasted products as consumers trade-up. One of the market trends in Nicaragua is increased demand for high-quality coffee, particularly among younger consumers. Coffee shops where consumers can find a wide variety of coffee drinks, including cappuccinos, frappuccinos, cold brews, espressos, and lattes, are increasingly common in larger Nicaraguan cities. Though the local purchase of roasted coffee has grown over time, industry sources do not anticipate significant increases in overall coffee consumption in MY 2024/25, as high levels of outbound migration, increased costs of basic food commodities, and continued economic headwinds work against expanded consumption.

### **Stocks**

Industry sources estimate coffee exporters typically hold year-end stocks of 120,000-140,000 60-kg bags, roughly equivalent to the volume of exports in the final quarter of the calendar year before new crop beans are available for export. MY 2023/24 coffee exports were down 30 percent in the October-March period compared to the same period in MY 2022/23. The bankruptcy of a major exporter, the

delayed harvest timing due to El Niño conditions, and relatively weak global demand for coffee have slowed MY 2023/24 exports to-date. However, shippers expect coffee export sales to pick up pace in the second half of MY 2023/24, drawing ending stocks down to more typical levels.

### Trade

FAS/Managua estimates Nicaraguan coffee exports to reach 2.2 million 60-kg bags in MY 2024/25. The United States was the largest market for Nicaraguan coffee in 2023, accounting for approximately half of all Nicaraguan coffee exports. The majority of Nicaraguan coffee exports to the United States are high-quality arabica beans, which are in high demand among specialty coffee roasters and cafés. The European Union collectively is the second largest market for Nicaragua, accounting for approximately 30 percent of all Nicaraguan coffee exports. European coffee buyers are particularly interested in organic and fair-trade coffees, which are in high demand among consumers.

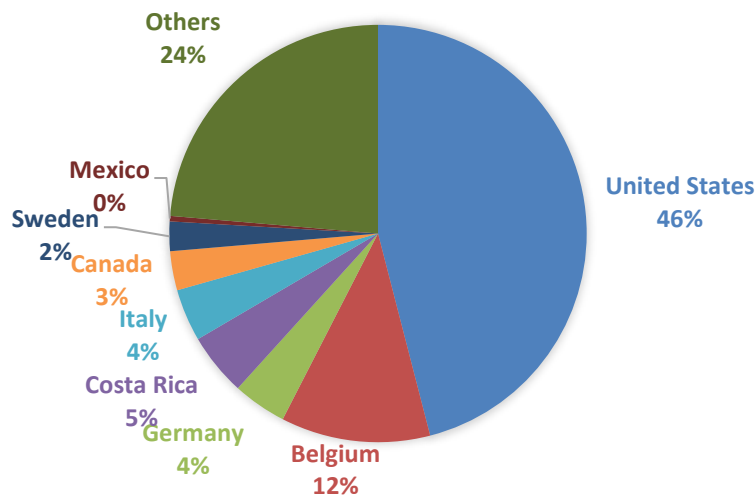
FAS/Managua expects Nicaraguan coffee exports to fall ten percent in MY 2023/24, largely due to the smaller crop size, but also in part to high accumulated stocks among the world’s major coffee traders. Coffee exporters anticipate weaker than normal demand for coffee in international markets through 2024 as global coffee inventories have rebounded from historic low levels. In March 2024, Rabobank projected a global coffee surplus of 4.5 million 60-kg bags in MY 2024/25, up from the 500,000 bag surplus projected for MY 2023/24.

**Table 1. MY 2022/23 Nicaraguan Coffee Exports** (in 60-kg bags)

Country	2020/21	2021/22	2022/23
United States	1,051,962	1,154,133	1,113,500
Belgium	327,726	320,233	280,180
Germany	187,997	110,733	101,075
Costa Rica	47,858	143,783	117,210
Italy	144,264	139,483	98,275
Canada	103,493	84,350	73,393
Sweden	81,263	73,533	55,260
Mexico	28,935	84,667	10,218
Others	461,979	546,978	572,764
<b>Total</b>	<b>2,435,477</b>	<b>2,657,893</b>	<b>2,421,876</b>

Source: Nicaraguan Central Bank (BCN)

**Figure 2. Top Export Markets in MY 2022/23**



Source: Nicaraguan Central Bank.

**Production, Supply and Demand Table:**

Coffee, Green Market Year Begins Nicaragua	2022/2023		2023/2024		2024/2025	
	Oct 2022		Oct 2023		Oct 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	143	0	143	0	143
Area Harvested (1000 HA)	0	140	0	140	0	141
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)	77	77	127	132	0	132
Arabica Production (1000 60 KG BAGS)	2500	2500	2500	2250	0	2450
Robusta Production (1000 60 KG BAGS)	160	160	160	160	0	160
Other Production (1000 60 KG BAGS)	0	0	0	0	0	0
Total Production (1000 60 KG BAGS)	2660	2660	2660	2410	0	2610
Bean Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Roast & Ground Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Soluble Imports (1000 60 KG BAGS)	25	0	25	0	0	0
Total Imports (1000 60 KG BAGS)	25	0	25	0	0	0
Total Supply (1000 60 KG BAGS)	2762	2737	2812	2542	0	2742
Bean Exports (1000 60 KG BAGS)	2400	2425	2500	2250	0	2460
Rst-Grnd Exp. (1000 60 KG BAGS)	5	0	5	0	0	0
Soluble Exports (1000 60 KG BAGS)	75	0	75	0	0	0
Total Exports (1000 60 KG BAGS)	2480	2425	2580	2250	0	2460
Rst,Ground Dom. Consum (1000 60 KG BAGS)	75	90	75	100	0	100
Soluble Dom. Cons. (1000 60 KG BAGS)	80	90	80	60	0	60
Domestic Consumption (1000 60 KG BAGS)	155	180	155	160	0	160
Ending Stocks (1000 60 KG BAGS)	127	132	77	132	0	122
Total Distribution (1000 60 KG BAGS)	2762	2737	2812	2542	0	2742
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						
OFFICIAL DATA CAN BE ACCESSED AT: <a href="#">PSD Online Advanced Query</a>						

**Attachments:**

No Attachments