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Peanut Production Down 11 Percent in MY 2019/2020

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Report Highlights:

Nicaragua peanut production fell 11 percent in marketing year (MY) 2019/2020 dropping to 158,000 metric tons (MT). The decrease was due to limited access to finance caused by Nicaragua's social political crisis as well as a 15 percent increase in the cost of agricultural inputs. Post expects production to rebound slightly in MY 2020/2021 to an estimated 168,000 MT as producers return to planting historical areas.

Production

In terms of the MY 2020/2021 forecast, although the peanut industry has not yet decided on planting intentions due to the turmoil caused by COVID 19 in the global economies as well as the uncertainty of the banks' capacity to lend, post anticipates an increase of at least five percent in planted area. This rise is because the peanut sector had a good year in MY 2019/2020 and the international peanut prices could improve which would motivate farmers to use historical areas.

Total peanut production in MY 2019/2020 reached over 158,000 metric tons (MT), down 11 percent from the previous period. The decrease in planted area was driven by a combination of a government fiscal reform that increased the cost of agrochemical input supplies by 15 percent making the sector less profitable and producers' limited access to financing due to Nicaragua's political crisis. Nicaragua has been immersed in a political crisis since April 2018 which has caused a capital flight totaling more than \$ 1 billion worth of deposits, limiting the banks' ability to lend.

In MY 2019/2020, the Nicaraguan peanut sector had to adjust its production plans and cultivate only in areas where historical yields were above average. Total yields in MY 2019/2020 reached 4.2 metric tons per hectare, up 5 percent compared to the previous period. Peanut oil production fell 41 percent from 18,000 metric tons in MY 2018/2019 to 11,885 metric tons in MY 2019/2020 due to the significant fall in peanut production.

Yields

The Nicaraguan peanut industry is very competitive in terms of production and processing. Average yields in MY 2019/2020 reached 4.2 MT per hectare or 4,200 pounds per acre, an increase of 5 percent compared to the previous cycle.

Planted area

In MY 2019/2020 peanut planted areas reached 37,000 hectares, a 20 percent decrease compared to the previous season. The main reason for the decline was limited access to credit due to Nicaragua's ongoing social political crisis. In addition, some other farmers, who had access to credit, decided not to plant due to a tax reform passed by the Government of Nicaragua in 2019 that taxed a wide variety of goods, including fertilizers and agrochemicals. The tax reform increased production costs by 15 percent, making the agricultural sector less competitive.

About 90 percent of peanut cultivation is concentrated in the northwest region of the country-in Leon and Chinandega, which offer fertile sandy soils of volcanic origin which are suitable for peanut production. The other 10 percent takes place in the southwest region of the country. The peanut industry does not forecast an expansion of historical areas in the future since the suitable lands for peanut production are limited and there is competition with sugar cane farmers.

Consumption

Less than two percent of the total peanut production stays in the domestic market. Nicaraguans do not consume many peanut based foods. Nicaragua exports more than 98 percent of the peanut production to a wide variety of markets including Mexico and Europe.

Trade

According to the Nicaraguan Association of Producers and Exporters (APEN), Nicaraguan peanut exports in 2019 reached 82,023 MT valued at \$ 98 million, a 15 percent decrease in volume compared to the previous year. Average Free On Board (FOB) prices increased 2.2 percent, from \$ 1.19 per Kilogram in 2018 to \$ 1.22 Per kilogram in 2019. The main export destinations in 2019 were United Kingdom (33.40 %), United States (10.39 %), Mexico (9.34%), El Salvador (7.69%), and the Netherlands (6.61%).

Stocks

Shellers do not keep large stocks of peanuts. Their goal is to export all the peanuts produced within the market year.

Policy

The Nicaraguan Government does not have any specific public policy for peanuts. However, one of the goals of the Nicaraguan government to promote agricultural exports to a wide range of markets, through the negotiation and enforcement of free trade agreements. Nicaragua has free trade agreements with the United States, Mexico, the European Union, Taiwan, Chile, among others. Marketing Nicaragua exports more than 99 percent of the total peanut production. Throughout the years, Nicaraguan exporters have diversified their export markets. In 2019, Nicaragua exported peanuts to more than ten countries.

Production, Supply and Demand Data Statistics:

Oilseed, Peanut	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug 2018		Aug 2019		Aug 2020	
Nicaragua	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	42	44	40	37	0	40
Area Harvested	41	44	35	37	0	40
Beginning Stocks	9	9	4	0	0	0
Production	182	176	157	158	0	168
MY Imports	1	0	1	0	0	0

Oil, Peanut Market Begin Year Nicaragua	2018/2019		2019/2020		2020/2021	
	May 2018		May 2020		May 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	55	60	45	35	0	38
Extr. Rate, 999.9999	0.3273	0.3333	0.3333	0.3429	0	0.3421
Beginning Stocks	1	1	0	0	0	0
Production	18	20	15	12	0	13
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	19	21	15	12	0	13
MY Exports	15	21	11	12	0	13
MY Exp. to EU	6	0	5	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	4	0	4	0	0	0
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	4	0	4	0	0	0
Ending Stocks	0	0	0	0	0	0
Total Distribution	19	21	15	12	0	13
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments