Required Report: Required - Public Distribution **Date:** April 04, 2022

Report Number: NU2022-0003

Report Name: Oilseeds and Products Annual

Country: Nicaragua

Post: Managua

Report Category: Oilseeds and Products

Prepared By: Evan Mangino

Approved By: Evan Mangino

Report Highlights:

FAS/Managua expects 2022 peanut and oil production to remain flat from the previous year, with the vast majority of peanuts and virtually all peanut oil exported overseas. However, rising input prices, high tax rates, and tighter access to credit following sham elections in late 2021 could result in less productive lands being withdrawn from production in 2022.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

OILSEEDS

Area Planted

Despite higher input costs and reduced access to financing, FAS/Managua expects MY 2022/23 area planted to remain at 45,000 hectares (ha), as sources indicate farmers have sufficient capital ahead of the May - July planting season to sustain MY 2021/22 production area.

International pressure on the Ortega government in response to its human rights abuses and undemocratic actions have reduced overall economic growth projections for 2022 amid increased political instability in Nicaragua. Independent economists anticipate farmers' access to credit will decline along with overall economic prospects, following a pattern similar to that which followed 2018 civil unrest and associated capital flight. MY 2019/20 area planted fell 15 percent following the 2018 social political crisis that fueled significant economic contraction and capital flight from Nicaragua.

The continued effects of the COVID-19 pandemic on global supply chains have increased the cost of pesticides, compounding the impact of 2020 tax policy changes that raised some input costs by as much as 27 percent. Surging oil prices through March 2022 represent another significantly higher cost in farmers' profit calculations, while tighter credit terms would make farm equipment investment, maintenance, and repair considerably more expensive. If input cost increases or reduced financing availability result in lower than expected area planted in 2022, then FAS/Managua anticipates farmers would leave less productive lands fallow, as they did in 2019, which could help to drive total average yields higher in MY 2022/23.

More than 90 percent of peanut production is concentrated in the departments (akin to U.S. states) of Leon and Chinandega on the West coast of the country, where volcanic soils support high peanut yields. The remainder of production occurs on the South-Central Pacific Coast in Managua and Masaya departments. Peanut production and harvest are fully mechanized. Relatively fewer, larger, and better-capitalized independent farm operations account for more than 90 percent of total planted area. The two main shellers in Nicaragua are private companies that also grow peanuts, but their combined plantings typically account for less than five percent of total annual production.

Peanuts compete with sugar cane for arable land along the West coast, limiting the potential for significant production expansion through added area. Some farmers rotate peanuts with sugar cane, noting a yield benefit to both crops, but require at least four years of sugar production to justify the rotational investment.

Production

With estimated area planted sustained at 45,000 ha, FAS/Managua forecasts MY 2022/23 production to remain at 200,000 metric tons (MT) on an in-shell basis. Fuel prices for operating farm equipment and insufficient access to pesticides and/or to affordable financing could all negatively affect crop yields and total production in MY 2022/23.

The Nicaraguan peanut industry reported MY 2021/22 production at 200,000 MT, an increase of 5 percent, supported primarily by expanded production area as access to finance improved. Although the

MY 2021/22 growing season was considered 'neutral,' with neither El Niño nor La Niña weather phenomena, farmers in primary growing areas around Leon and Chinandega reported lacking moisture during critical kernel development periods in September and October, dragging national yields down 2 percent to 4.4 MT/ha in MY 2021/22.

Farmers will begin preparing production areas in April, before putting seeds in the ground in May through July, depending on local conditions. Harvest generally starts in November and concludes by early January, though harvesting can be delayed or paused if excess precipitation prevents equipment from accessing fields.

Nicaragua produces runner type peanuts, with more than 90 percent of the crop and its coproducts destined for export. Although relatively small in scale, Nicaragua's peanut industry has made significant investments to improve production and processing, including adding value through blanching capacity and genetic research to improve crop performance. The peanut industry supports more than 10,000 workers along the value chain, adding over $100 million to the Nicaraguan economy in 2021.

Consumption

As edible grade peanuts command economically significant pricing premiums above so-called 'oil stock' peanuts, crushing for oil is a residual activity in Nicaragua.

A very small percent of the total peanut crop is consumed as food in the Nicaraguan market, appearing in snack foods, processed desserts, and prepared for informal market consumption.

Farmers retain approximately five percent (about 10,000 MT) of total crop production every year for planting seeds.

Trade

According to the Nicaraguan Export Procedures Center (CETREX), calendar year 2021 peanut exports were approximately 115,000 MT on an in-shell basis.[1] The top destinations for Nicaraguan peanuts have historically been the United Kingdom and the European Union, as well as Mexico, Colombia, Russia, and Central American neighbors. Following the implementation of "Brexit" in 2021, MY exports to the European Union fell by more than half, as the United Kingdom itself claimed a 25 percent share of total Nicaraguan peanut exports. Having formalized diplomatic relations with China in 2021, industry sources expect exports to China could grow at the expense of other countries' share of Nicaraguan exports, despite China leading global peanut production by a large margin.

Stocks

FAS/Managua anticipates a small percentage of annual production (less than five percent) is held in stocks by shellers.

[1] USDA converts shelled peanut volumes to an in-shell basis using a conversion factor of 1.33.

OILS

Production
According to industry sources, approximately 20 percent of the peanut crop was crushed for oil in MY 2021/22.

Consumption
Industry sources indicate that virtually none of the peanut oil produced in Nicaragua is consumed in the domestic market.

Trade
Practically all Nicaraguan oil production is exported as 'crude' peanut oil, with the European Union and China as leading destinations. Shipments of peanut oil leave Nicaragua in lined containers holding 18-20 MT per container as well as bulk volumes aboard tanker shipping vessels.

Stocks
Nicaraguan crushers generally do not hold appreciable volumes of stocks (if any) at the end of the marketing year.

Production, Supply and Distribution:

Oilseed, Peanut	2020/2021		2021/2022		2022/2023	
Market Year Begins	Aug 2020		Aug 2021		Aug 2022	
Nicaragua	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1,000 HA)	40	42	45	45	0	45
Area Harvested (1,000 HA)	40	42	45	45	0	45
Beginning Stocks (1,000 MT)	0	0	3	0	0	0
Production (1,000 MT)	180	189	205	200	0	200
MY Imports (1,000 MT)	1	0	1	0	0	0
MY Imp. from U.S. (1,000 MT)	0	0	0	0	0	0
MY Imp. from EU (1,000 MT)	0	0	0	0	0	0
Total Supply (1,000 MT)	181	189	209	200	0	200
MY Exports (1,000 MT)	100	149	120	160	0	140
MY Exp. to EU (1,000 MT)	50	60	55	70	0	30
Crush (1,000 MT)	70	40	75	40	0	40
Food Use Dom. Cons. (1,000 MT)	6	0	6	0	0	5
Feed Waste Dom. Cons. (1,000 MT)	2	0	2	0	0	10
Total Dom. Cons. (1,000 MT)	78	40	83	40	0	55
Ending Stocks (1,000 MT)	3	0	6	0	0	5

Total Distribution (1,000 MT)	181	189	209	200	0	200
CY Imports (1,000 MT)	1	0	1	0	0	0
CY Imp. from U.S. (1,000 MT)	0	0	0	0	0	0
CY Exports (1,000 MT)	100	0	120	0	0	145
CY Exp. to U.S. (1,000 MT)	0	0	0	0	0	5
Yield (MT/HA)	4.5	4.5	4.5556	4.4444	0	4.4444
(1,000 HA), (1,000 MT), (MT/HA)						

Oil, Peanut	**2020/2021**		**2021/2022**		**2022/2023**	
Market Year Begins	**May 2020**		**May 2021**		**May 2022**	
Nicaragua	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Crush (1,000 MT)	70	40	75	40	0	40
Extr. Rate, 999.9999 (PERCENT)	0.3429	0.325	0.3333	0.325	0	0.325
Beginning Stocks (1,000 MT)	0	0	1	0	0	0
Production (1,000 MT)	24	13	25	13	0	13
MY Imports (1,000 MT)	0	0	0	0	0	0
MY Imp. from U.S. (1,000 MT)	0	0	0	0	0	0
MY Imp. from EU (1,000 MT)	0	0	0	0	0	0
Total Supply (1,000 MT)	24	13	26	13	0	13
MY Exports (1,000 MT)	18	13	19	13	0	13
MY Exp. to EU (1,000 MT)	9	0	9	0	0	0
Industrial Dom. Cons. (1,000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1,000 MT)	5	0	5	0	0	0
Feed Waste Dom. Cons. (1,000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1,000 MT)	5	0	5	0	0	0
Ending Stocks (1,000 MT)	1	0	2	0	0	0
Total Distribution (1,000 MT)	24	13	26	13	0	13
(1,000 MT), (PERCENT)						

Attachments:

No Attachments