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Report Highlights:

FAS/Managua projects marketing year 2023/24 Nicaraguan peanut production to return to historic high levels, near 200,000 metric tons on an in-shell basis, as deteriorating political conditions and rising economic instability improve the risk-reward calculations of peanuts relative to longer-term investments in sugar or cattle. While Nicaraguan peanut production is well-capitalized and less affected by record outward migration flows, industry sources indicate the return of an El Niño weather system could reduce marketing year 2023/24 production by as much as 10 percent.

OILSEEDS

Area Harvested

FAS/Managua expects Nicaraguan marketing year (MY) 2023/24 area harvested to return to 45,000 hectares (ha), with little change in land suitable for peanut production or movement out of sugar and into peanut production. Industry sources expect runner type peanut prices to remain above \$500 per metric ton (MT) in MY 2023/24 on stable international demand. The highly mechanized peanut sector has largely escaped the ill effects of record migratory outflows from Nicaragua over the last two years, as a result of deteriorating political conditions. Economic uncertainty over the near- and medium-term, linked to ongoing political instability, has actually improved peanut farmers' access to finance, as local financial institutions have fewer, favorable short-term projects to invest in, according to independent economists. In these circumstances, FAS/Managua expects area planted to rise slightly to 45,000 ha in MY 2023/24.

Peanut farmers have expressed concerns regarding the possible return of an El Niño weather system in MY 2023/24 – National Oceanic and Atmospheric Administration meteorologists have projected a 40-50 percent chance of an El Niño developing in 2023. Previous El Niño systems have been associated with drought conditions in major peanut growing regions along the Pacific coast, where industry sources estimate droughts could reduce total area harvested in MY 2023/24 by more than 4,000 hectares.

Peanut area harvested was approximately 44,000 ha in MY 2022/23, despite abnormally high levels of precipitation that shattered precipitation records in leading growing regions of Chinandega and Leon departments (akin to U.S. states). With the average MY 2022/23 forecast at \$540 / MT, the highest marketing year average price in a decade, farmers worked hard to harvest every last hectare, even when crop quality was uncertain.

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

Production

FAS/Managua projects MY 2023/24 Nicaraguan peanut production to recover, returning to 200,000 MT on an in-shell basis, on a corresponding recovery in area harvested at 45,000 ha and absent severe weather shocks. Peanuts have become, and are expected to remain, an attractive option for well-capitalized farmers with larger holdings among the Pacific coastal lowlands, where farmers can capitalize on returns to investments in mechanization. In addition to recent favorable financing terms, peanut farmers have also been more insulated from input price swings that have beset other agricultural sectors over the last 12 months, most notably nitrogen-based fertilizer prices that rose by as much as 200 percent in Nicaragua in 2022. And despite persistently high fuel prices – Nicaraguan fuel prices are among the highest in Latin America – the International Monetary Fund and other international financial institutions forecast stable macroeconomic conditions in Nicaragua in MY 2023/24, which should

mitigate some of the operating risks for export-oriented peanut farmers navigating a turbulent domestic political landscape.

Industry sources reported MY 2022/23 production at 193,000 MT, a decline of more than 3 percent from MY 2021/22, on reduced area planted and lower yields associated with excessive moisture during growth periods and harvest. Some farmers reported over 2,500 millimeters of water in primary growing regions around Leon and Chinandega, where previous records stood at 1,800 millimeters. Other producers reported rains extending into December and January, causing harvest delays and interruptions. National average yields fell from 4.4 MT/ha to 4.3 MT/ha in MY 2022/23, with seeds cracking or rotting before harvesting equipment could access peanut fields in some regions. Some shellers reported reduced industrial yields as well, with higher than usual volumes of peanuts unsuitable for processing.

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 2022.

More than 90 percent of peanut production is concentrated in the departments 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.

Farmers typically prepare production areas in late April, May, and June, before planting the new crop in July and August, depending on local conditions. Harvest typically commences in November and concludes by early January, though harvesting can be delayed or paused if excess precipitation prevents equipment from accessing fields.

Consumption

FAS/Managua projects MY 2023/24 Nicaraguan total peanut consumption at 55,000 MT, with the vast majority of domestic consumption in the form of peanuts crushed for oil (40,000 MT or twenty percent of the total expected crop). Crushing for oil is a residual activity in Nicaragua, as edible grade peanuts command economically significant price premiums above so-called 'oil stock' peanuts. Farmers retain approximately five percent (about 10,000 MT) of the total crop every year for planting seeds. And a very small percent of the total peanut crop (approximately 5,000 MT) is consumed as food on the local Nicaraguan market, appearing in snack foods, processed desserts, and prepared for informal market sale.

Trade

FAS/Managua projects MY 2023/24 peanut exports slightly lower at 145,000 MT, on expectations of a return to recent production and trade volume trends. Peanut exporters have seen an improvement in both container availability and cargo rates in calendar year (CY) 2022, as the COVID-19 pandemic and the global supply chain disruptions continue to recede. CY 2022 peanut exports were approximately 87,678 MT on an in-shell basis, according to preliminary data from the Nicaraguan Central Bank.¹ The top destinations for Nicaraguan peanuts were the United Kingdom, Mexico, the European Union, and Central America. Nicaraguan exports to Russia fell by more than 80 percent in CY 2022, following severe disruptions to Nicaragua-Russia trade flows in the wake of Russia's invasion of Ukraine. Industry sources noted that peanut exporters were able to identify new buyers, primarily within the European Union, to offset the decline in exports to Russia in MY 2022/23.

Stocks

FAS/Managua projects that shellers will not carry stocks from MY 2023/24 into the following year. The peanut industry traditionally sells all peanuts before the next harvest season starts.

OILS

Production

FAS/Managua projects approximately 40,000 MT of 'oil stock' peanuts to be crushed for oil in MY 2023/24, in-line with historical volumes and crushing rates, generating a total of 14,000 MT of peanut oil. According to industry sources, approximately 30,000 MT of peanuts are expected to be crushed for oil in MY 2022/23, on smaller overall volumes and crop losses concentrated in the 'oil stock' segment of production.

Consumption

FAS/Managua expects less than two percent of peanut oil produced in MY 2023/24 to remain in the domestic market. Industry sources indicate that virtually none of the peanut oil produced in Nicaragua is consumed in the domestic market. African palm oil leads Nicaraguan oil consumption on the basis of lower prices and consistent supplies; peanut oil costs twice as much as competing vegetable oils in the Nicaraguan market.

Trade

FAS/Managua projects MY 2023/24 peanut oil exports to climb to 14,000 MT, on an expected return to historical crushing volumes. Practically all Nicaraguan oil production is exported as 'crude' peanut oil,

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

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 in bulk shipments aboard tanker vessels.

Stocks

FAS/Managua projects MY 2023/24 peanut oil stocks to be negligible. Nicaraguan crushers generally do not hold appreciable volumes of oil stocks (if any) at the end of the marketing year.

Production, Supply and Distribution:

Oilseed, Peanut Market Year Begins Nicaragua	2021/2022		2022/2023		2023/2024	
	Aug 2021		Aug 2022		Aug 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	45	45	45	44	0	45
Area Harvested (1000 HA)	45	45	45	44	0	45
Beginning Stocks (1000 MT)	0	0	1	0	0	0
Production (1000 MT)	200	200	200	193	0	200
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	200	200	201	193	0	200
MY Exports (1000 MT)	151	145	145	148	0	145
Crush (1000 MT)	40	40	40	30	0	40
Food Use Dom. Cons. (1000 MT)	6	5	5	5	0	5
Feed Waste Dom. Cons. (1000 MT)	2	10	10	10	0	10
Total Dom. Cons. (1000 MT)	48	55	55	45	0	55
Ending Stocks (1000 MT)	1	0	1	0	0	0
Total Distribution (1000 MT)	200	200	201	193	0	200
Yield (MT/HA)	4.4444	4.4444	4.4444	4.3864	0	4.4444
	(1000 HA), (1000 MT), (MT/HA)					

Oil, Peanut Market Year Begins Nicaragua	2021/2022		2022/2023		2023/2024	
	May 2021		May 2022		May 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	40	40	40	30	0	40
Extr. Rate, 999.9999 (PERCENT)	0.35	0.35	0.35	0.35	0.35	0.35
Beginning Stocks (1000 MT)	2	2	1	0	0	0
Production (1000 MT)	14	14	14	11	0	14
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	16	16	15	11	0	14
MY Exports (1000 MT)	14	16	13	11	0	14
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	1	0	1	0	0	0
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	1	0	1	0	0	0
Ending Stocks (1000 MT)	1	0	1	0	0	0
Total Distribution (1000 MT)	16	0	15	11	0	14
(1000 MT), (PERCENT)						

Attachments:

No Attachments