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Nicaragua

Sugar

NICARAGUA: SUGAR ANNUAL REPORT

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Report Highlights:

Nicaragua produced 4.0 million tons of cane sugar in 1997/98 and is expected to produce 3.8 million tons in 1998/99. This is equivalent to 358,000 tons and 334,000 tons, respectively, of centrifugal sugar. Nicaragua exported 168,000 tons of sugar in CY 1998 and is expected to export 171,000 tons in CY 1999.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Sugar cane production for the 1997/98 crop reached 4 million tons equivalent to 357,840 MTRV of centrifugal sugar. Estimated production for the 1998/99 sugar crop is 3.8 million tons, roughly 333,525 tons of centrifugal sugar. Production in 1999/2000 is expected to increase slightly, although excess rainfall, as currently predicted, could affect sugar plantations again.

Nicaraguan domestic use is expected to total around 174,000 tons.

For the 1998/99 season, Nicaragua will export an estimated 171,000 tons, of which 153,000 tons will be raw sugar, and 18,000 tons refined. For FY97 the U.S. quota allocation for Nicaragua was 41,163 tons. For FY98 the initial U.S. quota allocation was 22,749 tons, but ended with a final total allocation of 32,019 tons. For FY99, the sugar quota allocation is estimated at 22,749 tons raw value.

Production

Preliminary data for the 1998/99 crop year, indicate that total sugar cane output will reach an estimated 3.8 million tons (333,525 tons of centrifugal sugar), compared to production in 1997/98 of 4.0 million tons of sugar cane (357,400 tons of centrifugal sugar). (Note - the sugar harvesting season begins in November and ends in May.) The production fall was due to Hurricane Mitch that hit Nicaragua in late October 1998.

The industry has plans to increase production by 2-4 percent annually, depending on the availability of financial resources and weather conditions. Normally, international sugar buyers finance farming activities of the mills. One of the major buyers of sugar in Nicaragua is the ED&FMAN Group with offices in the United States, United Kingdom, and other parts of the world.

Table 1: Sugar Cane Production, Supply and Demand

PSD Table						
Country	Nicaragua					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	0	53	0	53	0	55
Area Harvested	0	53	0	53	0	55
Production	0	4015	0	3800	0	3900
TOTAL SUPPLY	0	4015	0	3800	0	3900
Utilization for Sugar	0	4015	0	3800	0	3900
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	0	4015	0	3800	0	3900

Crop Area

Most of the former cotton area has been switched to sugar plantations. During the 1998/99 season, area planted to sugar cane remained unchanged at 53,000 hectares. About 76-80 percent of the sugar area is irrigated by "Central Pivot and Conventional" systems.

Yields

In the 1998/99 crop year, average sugar cane yield is estimated to be 70.35 MT/ha, with an industrial yield of 88.65 kg/ton, being the break-even point. In spite of rodent problems and the effects of hurricane Mitch, yields appear good enough to allow the growers and mills a profit margin.

Since 1993, industrial yields have improved significantly due to investments of about US \$65 million in mill infrastructure. The industry has its own experimental station, which tests sugar varieties and other inputs like fertilizers and rodenticide to improve productivity.

Table 2: Evolution of Nicaraguan Sugar Production

	1994/95	1995/96	1996/97	1997/98	1998/99
Area Harvested (ha)	41,730	44,426	51,182	53,354	53,000
Raw Sugar (million MT)	2.8	3.5	3.9	4.0	3.8
Centrifugal Sugar (MT)	251,547	306,383	354,272	357,000	333,525
Yield (MT/ha)	67.1	78.8	76.2	74.9	70.4
Industrial Yield (lbs/MT)	195.7	193.0	196.6	198.2	195.1

Table 3: Centrifugal Sugar Production, Supply and Demand

PSD Table						
Country	Nicaragua					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Beginning Stocks	47	11	61	18	58	6
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	360	357	355	333	0	342
TOTAL Sugar Production	360	357	355	333	0	342
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	407	368	416	351	58	348
Raw Exports	155	151	163	153	0	155
Refined Exp.(Raw Val)	17	17	21	18	0	16
TOTAL EXPORTS	172	168	184	171	0	171
Human Dom. Consumption	174	182	174	174	0	175
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	174	182	174	174	0	175
Ending Stocks	61	18	58	6	0	2
TOTAL DISTRIBUTION	407	368	416	351	0	348

Employment

The Nicaraguan sugar industry generates direct employment for 10,000 families and indirect employment for 25,000 people in activities such as private transportation service for sugar and molasses, port work, input sales (fertilizer and agrochemicals), aerial pesticide service, brokers, etc. In addition, about 1,660 "colonos" (private sugar growers) benefit directly from sugar mills.

Crop Quality

The local industry produces a good quality sugar containing a high fructose content. For the 1998/99 season, according to the National Committee for Sugar Producers (CNPA), Nicaraguan sugar has a minimum quantity basis of 96 degree polarization and an average yield of 195.09 lbs/ton, which are acceptable standards both internationally and domestically markets. Also, the sugar mills employ highly skilled professionals to provide technical assistance to producers and to supervise the harvest.

Inputs

Machinery and equipment are imported, and agrochemicals such as fertilizers (UREA 46% Nitrogen, and N-P-K compound formula) and rodenticides are imported by private sector distributors. For rodent control, growers use an average of two kg/hectare of rodenticide on the sugar plantations.

Production Policy

During the 1980's, the former Sandinista government nationalized the Nicaraguan sugar industry which led to lower production and yields. The Chamorro Administration (1990-1996) privatized six sugar mills, which have formed the National Committee for Sugar Producers (CNPA). CNPA enforces sugar mill compliance with the U.S. sugar quota, monitors exports to other destinations and monitors domestic consumption needs. CNPA also regulates local prices to avoid speculation by wholesalers. Some of the mills are located on the dry, northwestern and southwestern side of the country in the Pacific Region. Cuckra Hill, a seventh mill located on the Atlantic Coast, has a very small production capacity with its output only supplying that area of the country.

The Government of Nicaragua (GON) does not provide subsidies to the sugar industry and does not have an official production policy. Nevertheless, CNPA plans to expand production area by 3-5 percent annually, assisted by the availability of foreign funding sources. The mills, in return, provide technical assistance in planting, labor support, harvesting, local transportation, and marketing. These agreements appear to work well for all parties involved.

Consumption

Nicaragua consumption will reach 174,000 tons in 98/99, with an average annual per capita consumption of about 41.66 kilograms. Domestic consumption accounted for 52.55 percent of local production during the 98/99 season.

The CNPA has marketing and distribution channels across the country. In addition, the industry has an agreement with government-owned ENABAS (Nicaraguan Enterprise of Basic Foods) to supply it with lesser quantities of sugar to cover the local market.

Table 4: Prices (U.S. \$ per pound)

	1996/97	1997/98	1998/99
To Wholesale	\$0.18	\$0.20	\$0.19
To Retailer	0.20	0.22	0.21
To Consumer	0.23	0.24	0.24

Stocks

The industry estimates about 6,000 tons as stocks available at the end of the 1998/99 sugar crop.

Trade

Table 5: 1998 Sugar Exports

Export Trade Matrix			
Country	Nicaragua		
Commodity	Centrifugal Sugar		
Time period	FY 1998	Units:	MT
Exports for:			1
U.S.	57618	U.S.	
Others		Others	
Russian Fed.	23000		
Chile	17475		
Rumania	14700		
Haiti	11175		
Costa Rica	9960		
Jamaica	8000		
Total for Others	84310		0
Others not Listed	26439		
Grand Total	168367		0

According to data from the Central Bank of Nicaragua, sugar exports, including that sent to the United States under the tariff-rate quota, reached \$51.4 million in calendar year 1997 and \$32.9 million in 1998 (preliminary figures). The industry expects 1999 exports to be similar to 1998 levels.

The total allocation to Nicaragua under the FY97 U.S. sugar tariff-rate quota was 41,163 tons, compared to 32,019 tons allocated for FY98. The allocation for FY99 is currently 22,749 tons, raw value.

For the 1997/98 season, CNPA exported 137,389 tons of sugar under Market Contract No. 11 to several destinations and 30,979 tons under the U.S. tariff-rate quota (Market Contract No.14). CNPA expects to export 171,000 tons of sugar during 1998/99, and a similar quantity in 1999/2000.

Nicaragua, which has no restrictions on sugar trade, has not had to import sugar since 1993.

Table 6: FY 1998 Sugar Shipments under U.S. Tariff-Rate Quota

Commodity	Quantity (tons)	Vessel's Name	Buyer
Raw Sugar	10,110	CETI	ED&FMAN
Raw Sugar	13,849	Helen M	ED&FMAN
Raw Sugar	4,120	Christos M	ED&FMAN
Brown Sugar	2,900	Chios Fighter	ED&FMAN
TOTAL MT	30,979		

Table 7: FY 1998 Other Sugar Shipments

Commodity	Quantity (tons)	Vessel's name	Destination	Buyer
Refined Sugar	9,960	via land	Costa Rica	LAICA
Raw Sugar	4,000	Soveja	Haiti	ED&FMAN
Refined Sugar	17,475	Atlantic Queen	Chile	ED&FMAN
Raw Sugar	3,194	Helen M	USA	Czarnikow Rionda
Raw Sugar	2,800	Nora	Haiti	ED&FMAN
Raw Sugar	14,700	Nopporn Naree	Rumania	ED&FMAN
Raw Sugar	12,500	Limnia	Russian Fed.	ED&FMAN
Raw Sugar	10,500	Limnia	Russian Fed.	Czarnikow Rionda
Raw Sugar	2,925	Andrea	Haiti	ED&FMAN
Brown Sugar	1,510	Chios Fighter	USA	ED&FMAN
Raw Sugar	16,429	Christos M	USA	ED&FMAN
Raw Sugar	5,506	Christos M	USA	Czarnikow Rionda
Raw Sugar	5,000	Balsa 56	Trinidad	ED&FMAN
Raw Sugar	8,000	CETI	Jamaica	ED&FMAN
Raw Sugar	5,000	VOLA	Venezuela	ED&FMAN
Raw Sugar	6,190	Skvortsov Ste	Africa	ED&FMAN
Raw Sugar	1,450	Daysi	Haiti	ED&FMAN
Raw Sugar	3,106	Adriatic	unknown	ED&FMAN
Raw Sugar	7,143	Moonlight-1	Africa	ED&FMAN
TOTAL TONS	137,388			

Source: CNPA

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