

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Nicaragua

Coffee Annual

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Report Highlights:

The 2016/2017 coffee harvest in Nicaragua is a record crop with an estimated production of 2.3 million 60 kg bags, a seven percent increase compared to the previous year. The increase is attributed to a favorable rainy season that caused an early flowering of coffee trees and new plantations that are starting to bear fruit. For 2017/2018, the coffee sector forecasts very similar production numbers as the current year, assuming good weather conditions. Coffee is the most important crop in Nicaragua due to its economic, social and environmental impact. In 2015/2016, coffee exports reached over 1.9 million 60 kg bags accounting for \$400 million in value.

Executive Summary:

The coffee sector employs about 332,000 persons, equivalent to 15 percent of the labor market and 54 percent of the agricultural sector. Coffee plantations also protect the natural environment due the great diversity of medium and large-size shade trees that help to protect the soil and retain water during the rainy season. According to the Nicaraguan Ministry of Agriculture, there are about 44 thousand coffee producers in Nicaragua. About 97 percent of producers are small (having farms ranging from less than one hectare to 14 hectares) and the rest are considered medium and large (having farms above 14 and 30 hectares, respectively). Most of Nicaragua's coffee production is Arabica (shade-grown) and is concentrated in the North Central Region of the country in the municipalities of Jinotega, Matagalpa and Nueva Segovia. There is also Robusta production in the Southern Autonomous Caribbean Coast (RACS) although to a lesser scale. Current Robusta production is close to 30,000 60 kg bags (less than 2 percent of total production) and is used for the domestic market.

Commodities:

Coffee, Green

Production:

The 2016/2017 coffee harvest in Nicaraguan is a record crop with an estimated production of 2.3 million 60 kg bags, a seven percent increase compared to the previous year. The increase is attributed to a favorable rainy season that caused an early flowering of coffee trees and new plantations that are starting to bear fruit. During the coffee rust outbreak in 2012/2013, some farmers decided to replant old plantations and according to different coffee associations in Nicaragua, more than 2,000 ha were renovated. The cultivation of the Robusta variety is also becoming more popular in Nicaragua even though it represents less than 2 percent of total production. In 2016/2017, Robusta production is expected to reach over 30,000 60 kg bags with a total planted area of 2,100 hectares of which 935 will be harvested. In December 2016, the Government of Nicaragua issued a Ministerial Decree that allowed the cultivation of Robusta in some areas of the Pacific Coast, in addition to the Atlantic Coast, which was previously the only area approved for the cultivation of Robusta. The private sector sees this as an opportunity to expand Robusta plantations. Their long term plan is to establish 7,000 ha of Robusta plantations with an annual production of 500,000 60 kg bags. Some farmers identified a lack of labor as a primary concern affecting the sector in 2016/2017, especially in the months of December and early January, resulting in picking loses that reached up to 15 percent on some farms. For 2017/2018, the coffee sector forecasts very similar production numbers as the current year, assuming good weather conditions.

Crop Area:

According to the Nicaraguan Ministry of Agriculture, the total cultivated area in Nicaragua is close to 126 thousand hectares of which 95 percent are being harvested. Most of Nicaragua's coffee production is Arabica and there is limited Robusta production (around 2,100 hectares planted) for the domestic market. The common varieties include Caturra (72 percent) and Borbons, Paca, Catuai, Catimore, Maragogype and Pacamara (28 percent). Coffee is produced mainly in the North Central Region of Nicaragua. According to the most recent Nicaraguan Agricultural Census in 2011, 35 percent of coffee plantations are located in Jinotega, 28 percent in Matagalpa, 24 percent in Las Segovias and 13 percent in other municipalities. Plantations in the North Central Region are located in areas with a range of 365

and 1500 mts above sea level, between 490 and 1550 meters in las Segovias, and between 420 and 933 mts on the Pacific coast.

Yields:

Nicaragua has the lowest average yields in Central America with average yields close to 11 bags per hectare. According to the local Foundation for Economic and Social Development (FUNIDES), some of the problems negatively affecting the Nicaraguan coffee sector include limited access to long term credit for the maintenance of coffee plantations (most of the coffee plantations are old), lack of validation and adoption of good agricultural practices and technologies, and the volatility of international prices that have reduced profitability in recent years. In 2013/2014, Nicaragua faced an outbreak of coffee rust and anthracnose, a fungal disease that affects coffee leaves, which reduced coffee production by approximately 25 percent. To counteract this problem, the Government of Nicaragua, in coordination with the private sector, passed a law in December 2013 (Law 853) to transform the Nicaraguan coffee sector through the creation of a fund that will be used to finance the renovation and maintenance of coffee plantations in coming years. One of the long term goals of the Nicaraguan coffee sector is to double coffee production in the next 10 years by renovating the old coffee plantations.

Inputs:

As a result of low international coffee prices and limited access to credit, producers are not able to spend much on fertilizers. Nicaragua has a wide range of agricultural input suppliers.

Consumption:

Even though Nicaragua has a long history in coffee production, consumption is not as high as other countries in the region. “Nicaraguans have a culture of producing coffee but not a culture of consuming coffee,” Maussie Kühl, Co-Owner of Selva Negra Estate Coffee Farm, 27 March 2006. The average per capita consumption is close to 2 kg. Aside from a low cultural preference for drinking coffee, Nicaraguan consumers do not purchase the more expensive types of coffee. Most of the coffee consumed in Nicaragua is not suitable for export.

Trade:

In 2015/2016, coffee exports reached over 1,913,292 60 kg bags, an 8 percent increase compared to the previous year. Trade data is recorded based on coffee year (October through September). Historically, coffee exports reach their peak in April and May.

2015/2016 coffee exports by country

Country	60 kg bags
United States	1,107,319
Canada	135,259
Belgium	118,992
Germany	94,613
Italy	57,825
Japan	56,325
Costa Rica	43,184

Taiwan	36,574
United Kingdom	35,631
Sweden	30,615
Australia	29,353
Finland	28,347
France	17,060
Others	122,195
Total	1,913,292

Policy:

Nicaragua has two main laws that regulate coffee production. Ley del Café (368) or the Coffee Law which was published in December 2000 provides a series of fiscal exonerations on investments related to coffee production. The Nicaraguan Coffee Council (CONACAFE) is in charge of implementing this law. The second law, Ley para la Transformación y Desarrollo de la Caficultura (Law for the Transformation and Development of Coffee Growing) (Law 853), was passed in December 2013. This law aims to renovate and transform the Nicaraguan coffee sector through the creation of a fund to renovate the old coffee plantations. Farmers pay a small fee per each bag exported that varies from \$1.00-\$4.00 based on the international price of coffee. Farmers pay \$1.00 when the coffee price is close to \$140.00, \$2.00 when the price is \$140-165, \$3.00 when the price is \$165- \$185 and \$4.00 when the price is above \$185.00. The National Commission for the Transformation and Development of the Coffee Sector (CONATRADEC), which is formed by members of the Government of Nicaragua, coffee producers and exporters, is in charge of administering the fund.

Robusta: In August 2013, the Government of Nicaragua issued a Ministerial decree (012-2013) that approved the cultivation of Robusta along the Caribbean Coast where there is no Arabica production. However, in December 2016, through a new Ministerial Decree (187-2016), the Government of Nicaragua extended the approved areas to six new Departments in the Pacific Coast. The main criteria is that Robusta plantations need to be established at least 30 kilometers away from Arabica plantations and must not be cultivated in areas that are 400 mts above sea level. The private sector expects to increase production by 30 percent in 2017/2018 and in a period of ten years reach over 7,000 ha with a total production of 500,000 60 kg bags.

Production, Supply and Demand Data Statistics:

Coffee, Green Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Nicaragua						
Area Planted	0	126	0	126	0	126
Area Harvested	0	119	0	119	0	119
Bearing Trees	0	514	0	514	0	514
Non-Bearing Trees	0	26	0	26	0	26
Total Tree Population	0	540	0	540	0	540
Beginning Stocks	102	102	87	141	0	138
Arabica Production	2100	2143	2200	2320	0	2360
Robusta Production	25	23	25	30	0	39
Other Production	0	0	0	0	0	0
Total Production	2125	2166	2225	2350	0	2399
Bean Imports	10	10	10	100	0	100
Roast & Ground Imports	0	0	0	0	0	0

Soluble Imports	20	20	20	20	0	20
Total Imports	30	30	30	120	0	120
Total Supply	2257	2298	2342	2611	0	2657
Bean Exports	1910	1913	2000	2220	0	2260
Rst-Grnd Exp.	10	10	20	15	0	20
Soluble Exports	100	70	100	70	0	70
Total Exports	2020	1993	2120	2305	0	2350
Rst,Ground Dom. Consum	75	82	80	84	0	84
Soluble Dom. Cons.	75	82	80	84	0	84
Domestic Consumption	150	164	160	168	0	168
Ending Stocks	87	141	62	138	0	139
Total Distribution	2257	2298	2342	2611	0	2657
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						