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Nicaragua

Sugar Annual

Good Sugar Harvest in MY 2018/2019

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Report Highlights:

Nicaragua had a good sugar harvest in Market Year 2018/2019. Total sugar production reached over 803,000 Metric Tons (MT), which is a slight increase compared to the previous year. Despite the social-political crisis that started in April 2018, sugar production in 2018/2019 was not affected. The Nicaraguan Sugar Association does not anticipate any growth in planted areas in 2019/2020.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Executive Summary:

Nicaragua had a good sugar harvest in Market Year 2018/2019. The harvest of over 7.6 million MT of sugar cane resulted in total sugar production of 803,000 MT, which is a slight increase compared to the previous year.

Planted area in 2018/2019 increased modestly, by about 1,000 hectares. This expansion took place mainly around the city of Chinandega where the two largest sugar mills are located. A key factor contributing to the sector's growth is the sugar industry's diversification into the generation of energy.

In addition, some areas that were planted with peanuts shifted to sugar cane due to the volatility of peanut prices.

Despite the social-political crisis that has afflicted the country since April 2018, sugar production in 2018/2019 was not affected. Nonetheless, some sugar cane farmers anticipate as much as a five percent potential drop in yields for the 2019/2020 sugar harvest. Such decrease would be a consequence of a tax reform that the Nicaraguan government passed on February 27, which targets a wide variety of basic need goods, including agricultural input supplies. Farmers fear this tax reform will increase production costs and so negatively affecting the maintenance of sugar cane plantations. Also, Nicaragua did not produce ethanol in MY 2018/2019 due to low oil prices in the international markets.

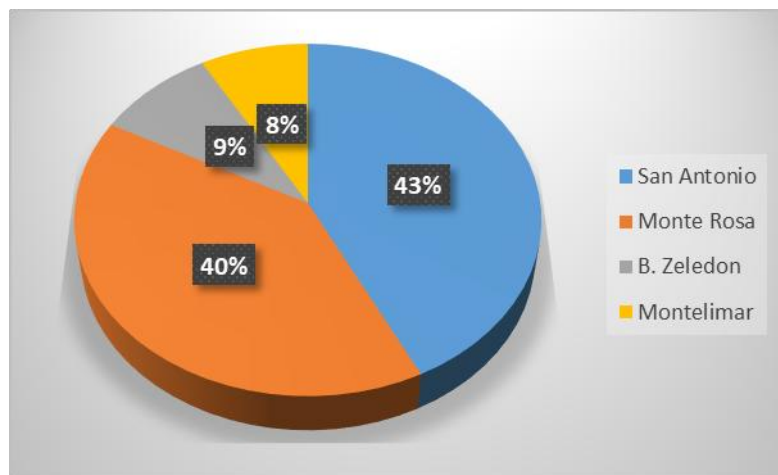
The Nicaraguan Sugar Association does not anticipate any growth in planted areas in 2019/2020. FAS has a conservative estimate of 785,000 MT of sugar for 2019/2020, down 2 percent from the current market year.

Production:

Sugarcane is produced along the Pacific Coast of Nicaragua and the sugarcane harvest runs from November through May. The main sugar mills are San Antonio, Monte Rosa, Benjamin Zeledon, and Montelimar.

Distribution of Sugar Production among Sugar Mills

Total production in 2018/2019 reached 803,000 MT



The harvest of over 7.6 million metric tons (MT) of sugar cane resulted in total sugar production of 803,000 MT, which is a slight increase compared to the previous year.

Planted area reached 77,600 hectares, a two percent increase compared to the previous year. This increase is driven in part by the need of the sugar mills to increase biomass production for their energy plants. Most of the increase on planted areas in 2018 took place in Chinandega where the two largest sugar mills are located. In addition, Chinandega is an area where peanuts are cultivated. Last year, some farmers switched from peanuts to sugar cane due to the volatility of the international prices of peanuts. For MY 2019/2020, the Nicaraguan Sugar Association reports that it doesn't anticipate any growth on sugar plantations due to Nicaragua's current social political crisis.

Average productive yields reached over 93.22 metric tons per hectare; this represents a two percent decrease compared to the previous cycle. While production yields decreased this cycle, industrial yields actually increased by two percent due to optimal weather conditions. In this year's rainy season, which runs from May through November, it rained sufficiently during the first months and then there was a small drought before the harvest, which increased the concentration of sugar in the plants. Moreover, Sugar cane farmers did not report any significant problems with pests in 2018/2019.

Consumption:

In recent years, sugar consumption has increased at a rate of two percent per year. The increase in consumption was driven by the Nicaraguan economy, which had experienced a positive economic growth. The beverage industry and the small, mom-and-pop stores expanded through the country making processed beverages easily available to a larger number of consumers. Due to the social political crisis that started in April 2018, however, sugar consumption declined by around two percent in 2018. The decrease in sugar demand comes principally from the drop in demand by the beverage industry. Nicaragua's domestic consumption was 250,000 MT and with a per capita consumption of 40 Kg. The Nicaraguan Sugar Association does not anticipate any increase in sugar demand in 2019.

Trade:

In calendar year 2018 (CY2018), Nicaragua exported 421,632 MT of sugar, an eight percent increase compared to the previous year. Besides sugar exports, Nicaragua exports about 120,000 MT of sugar confectionary products that are shown in the category “Other Disappearance” of the Production, Supply and Demand table that can be found at the end of this report.

From Nicaragua’s total sugar production, about 65 percent went to the export market and 35 percent remained in the country. The top export markets in 2018 were China, United States, Cote d Ivoire, Taiwan, Haiti, and Canada.

Sugar exports to China in CY2018 were due to special circumstances. In May, 2017, China’s Ministry of Commerce announced new tariff measures on sugar imports from major supplying countries, raising rates from 50 percent to 95 percent. The ruling was meant to impact top growers the most, such as Brazil and Thailand, while smaller countries and regions including producers like Nicaragua were exempt. Nicaragua’s first sugar exports to China began in June of 2017, in small quantities, and began in earnest at the beginning of 2018. Sugar accounted for 85 percent of Nicaraguan exports to China in 2018.

CY 2018 Exports in Metric Tons by destination:

Country	MT
China	152453.5
United States	95172.86
Cote d Ivoire	36887.66
Taiwan	27016.86
Haiti	26567.55
Canada	26199.97
Mauritania	15048
United Kingdom	14562.54
New Zealand	11330
Others	16393.15
Total	421,632

Source: Global Trade Atlas

Sugar Quotas

Nicaragua has several tariff rate quotas (TRQs) with the United States under the WTO (22,114MT) and CAFTA-DR (27,720), the European Union (25,167 MT), and Taiwan (35,000 MT of raw sugar and 25,000 of refined sugar). Mexico also allocates an export quota to Nicaragua to buy only when there is a shortage of sugar in that country.

Stocks:

The Nicaraguan Sugar Mills stock about 40,000 MT of sugar annually to maintain supply until the new harvest arrives. The total sugar domestic consumption reaches over 250,000 MT.

Policy:

The Government of Nicaragua does not set sugar prices, nor does it provide subsidies or special credit programs for sugar production or export. However, the sugar industry does benefit from relatively high domestic prices compared to sugar prices in the international markets. On the other hand, Nicaragua lacks a legal framework that would support the consumption of bio-fuels, inhibiting the commercialization of ethanol domestically.

Marketing:

The Nicaraguan private sector buys and sells all sugar produced. Sugar for national consumption is fortified with vitamin A and packaged in bags of 0.4, 0.8 and 2kg. Nicaragua's Sugar Association reported the following wholesale and retail prices for refined and white plantation sugar in CY 2018.

Whole Sale Prices for Refined and white Sugar in CY2018

Sugar prices per Pound (U.S. dollars)	Jan.	Feb.	Mar.	Apr.	May.	June.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
White Plantation Sugar	0.30	0.30	0.30	0.30	0.30	0.31	0.31	0.31	0.31	0.31	0.31	0.31
Refined Sugar	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33

Retail Prices for Refined and White Sugar in CY2018

Sugar prices per Pound (U.S. dollars)	Jan.	Feb.	Mar.	Apr.	May.	June.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
White Plantation Sugar	0.35	0.35	0.35	0.35	0.35	0.38	0.37	0.37	0.37	0.37	0.37	0.37
Refined Sugar	0.39	0.39	0.38	0.38	0.38	0.41	0.41	0.41	0.41	0.41	0.41	0.41

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2018		Oct 2019		Oct 2019	
Nicaragua	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	76	76	78	77	0	77
Area Harvested	76	76	78	77	0	77
Production	7400	7330	7480	7239	0	7094
Total Supply	7400	7330	7480	7239	0	7094
Utilization for Sugar	7400	7330	7480	7239	0	7094
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	7400	7330	7480	7239	0	7094
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal Market Begin Year Nicaragua	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	39	39	40	41	0	44
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	787	802	800	803	0	785
Total Sugar Production	787	802	800	803	0	785
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	826	841	840	844	0	829
Raw Exports	351	194	370	211	0	210
Refined Exp.(Raw Val)	130	194	130	210	0	210
Total Exports	481	388	500	421	0	420
Human Dom. Consumption	280	250	285	250	0	250
Other Disappearance	25	162	15	129	0	119
Total Use	305	412	300	379	0	369
Ending Stocks	40	41	40	44	0	40
Total Distribution	826	841	840	844	0	829
(1000 MT)						

Author Defined: