

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Nicaragua

Coffee Annual

Coffee Production Reaches Record High in MY 2017/2018

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Report Highlights:

Coffee production in MY 2017/2018 reached a record high of 2.54 60-Kilogram (KG) bags, a five percent increase compared to the previous year. Despite abnormal rainfall in some areas during the harvest season (November through February), Nicaragua had a good coffee harvest. However, for MY 2018/2019, FAS/Managua anticipates a decline in coffee production to 2,420 60 KG bags, a decrease of approximately 5 percent. The drop is due to producer's limited access to credit and low international coffee prices. Other independent analysts anticipate a more severe drop of at least 10 percent.

Executive Summary:

Coffee farmers are facing one of the worst crisis in the last decade due to low international prices, which fell to \$ 118 per 60KG in June 2018 and could continue to decrease. Although international coffee prices are below production costs (approximately \$ 140 per 60 KG bags), many Nicaraguan farmers received an average price of \$ 145 per 60KG bags in MY 2017/2018 due to future contracts.

Coffee production in the 2017/2018 cycle reached over 2.54 million 60 KG, a five percent increase compared to the previous year. Despite abnormal rainfall in some areas during the harvest season (November through February), Nicaragua had a good coffee harvest.

For MY 2018/2019, FAS/Managua anticipates a decline in coffee production to 2,420 KG bags, a decrease of approximately 5 percent. The drop is due to producer's limited access to credit and low international coffee prices. Other independent analysts anticipate a more severe drop of at least 10 percent.

Commodities:

Coffee, Green

Production:

Coffee production in MY 2017/2018 reached over 2.54 million 60 KG, a five percent increase compared to the previous year. Despite abnormal rainfall in some areas during the harvest season (November through February), Nicaragua had a good coffee harvest. The increase is mainly due to the renovation of old coffee plantations in 2013 in response to the coffee rust outbreak and the adoption of good agricultural practices.

Coffee farmers are facing one of the worst crisis in the last decade due to the low international prices, which reached over \$ 118 per 60KG in June 2018 and could continue to decrease. Although international coffee prices are below production costs (approximately \$ 140 per 60 KG bags), a good percentage of Nicaraguan farmers received an average price of \$ 145 per 60KG in MY2017/2018. They received higher prices due to the future contracts as well as the high quality of Nicaraguan coffee.

The Nicaraguan social political crisis has negatively affected farmers' access to credit, putting at risk future crops and the long-term sustainability of the coffee sector.

For MY 2018/2019, FAS/Managua has a conservative estimate of 2.42 million 60KG bags, a five percent decrease compared to the previous year, due to producer's limited access to credit as a result of the social-political crisis and low international coffee prices. In addition, there is a likelihood that El Niño will negatively affect production.

Coffee sector background

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 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 the coffee producers are small (having farms that go from less than a hectare up 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.

In 2013, Nicaragua allowed the cultivation of Robusta Coffee in no-traditional coffee areas, including the Atlantic Coast of Nicaragua. There are about 2,100 hectares planted with Robusta Coffee in the South Autonomous Caribbean Coast (RACS). Robusta production is close to 30,000 60 kg bags (less than 2 percent of total production) and only used for the domestic market.

Crop Area:

Total cultivated area in Nicaragua is just over 140,000 hectares of which 90 percent is being harvested. The common varieties include Caturra (72 percent) and Borbons, Paca, Catuai, Catimore, Maragogype and Pacamara (28 percent)

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

Distribution of Coffee Plantations



Note: This does not include Robusta Plantations, which represent two percent of total production and are located in the South Atlantic Autonomous Caribbean Region (RACS).

Input supplies:

There are approximately 35 input supply companies in Nicaragua, with five companies controlling 80 percent of the market. Input supply companies sell more than 40 percent of all agricultural input supplies to farmers on credit. Due to low international coffee prices and limited access to credit, coffee farmers are not able to spend as much as usual on the maintenance of the coffee plantations.

Yields:

Nicaragua has the lowest average yields in Central America with 11 bags per hectare.

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.

Consumption:

Even though Nicaragua has a long history in the production of coffee, the level of consumption is not as high as that of other countries in the region. The average per capita consumption is close to 2 KG. Total coffee consumption in Nicaragua is close to 160,000 60KG bags out of which 50 percent is soluble and 50 percent roasted.

Trade:

Coffee Exports by Country (in 60KG bags)

MY 2017/2018

United States of America	1,196,880
Germany	232,251
Belgium	223,884
Italy	109,660
Canada	76,345
Sweden	54,362
Other	489,952
Total	2,383,334

Source: Nicaraguan Central Bank.

Stocks:

Nicaragua does not manage large coffee stocks. Coffee exports usually occur from October through December.

Policy:

Nicaragua has two main laws that regulate coffee production: Ley del Café ([Law 368](#)) or the coffee Law, which was published in December 2000 and provides a series of fiscal exonerations for coffee growers; and the law of the transformation and development of the coffee sector ([Law 853](#)) which was passed in 2013 and aims to renovate and transform the Nicaraguan coffee sector through the creation of a fund to renovate the old coffee plantations.

| 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. 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.

Production, Supply and Demand Data Statistics:

Coffee, Green Market Begin Year Nicaragua	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	142	0	142	0	142
Area Harvested	0	125	0	125	0	125
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Tree Population	0	0	0	0	0	0
Beginning Stocks	37	37	72	0	147	0
Arabica Production	2600	2384	2800	2513	2500	2380
Robusta Production	25	30	25	30	25	40
Other Production	0	0	0	0	0	0
Total Production	2625	2414	2825	2543	2525	2420
Bean Imports	10	0	10	0	10	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	30	0	20	0	20	0
Total Imports	40	0	30	0	30	0
Total Supply	2702	2451	2927	2543	2702	2420
Bean Exports	2340	2291	2500	2383	2300	2250
Rst-Grnd Exp.	20	0	20	0	15	0
Soluble Exports	100	0	100	0	75	0
Total Exports	2460	2291	2620	2383	2390	2250
Rst,Ground Dom. Consum	80	80	80	80	70	85
Soluble Dom. Cons.	90	80	80	80	70	85
Domestic Consumption	170	160	160	160	140	170
Ending Stocks	72	0	147	0	172	0
Total Distribution	2702	2451	2927	2543	2702	2420

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)