

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Nicaragua

Coffee Annual

Nicaragua Coffee Annual Report

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Report Highlights:

In 2014/2015, coffee production reached over 2 million 60 kg bags, a 14 percent increase compared to the previous cycle. One of the main problems reported in 2014/2015 was the irregular flowering of the coffee trees as a result of the drought that affected Nicaragua in 2014. In some areas, the lack of rain during the flowering season caused the falling of small fruits and delayed the coffee harvest season which increased the harvesting costs due to the irregular ripening of coffee beans. Based on USDA analysis, the 2015/2016 coffee harvest is expected to reach 2.1 million 60 kg bags, a slight increase compared to the previous cycle. The expected increase is attributed to an excellent flowering of the coffee trees in 2015 and the inclusion of new coffee plantations that were renovated in the past years and are beginning to produce.

Background:

Coffee is the most important crop in Nicaragua due to its economic, social and environmental impact. In the last three years, coffee exports have reached over US\$ 1.2 billion. 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 to 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.

Commodities:

Coffee, Green

Production:

Based on USDA analysis, the 2015/2016 coffee harvest is expected to reach 2.1 million 60 kg bags, a slight increase compared to the previous cycle. The expected increase is attributed to an excellent flowering of the coffee trees in 2015 and the inclusion of new coffee plantations that were renovated in the past years and are beginning to produce. In 2014/2015, coffee production reached over 2 million 60 kg bags, a 14 percent increase compared to the previous cycle which was negatively affected by the coffee rust. One of the main problems reported in 2014/2015 was the irregular flowering of the coffee trees as a result of the drought that affected Nicaragua in 2014. In some areas, the lack of rain during the flowering season caused the falling of small fruits and delayed the coffee harvest season which increased the harvesting costs due to the irregular ripening of coffee beans.

Different coffee associations reported that the coffee rust was not a significant problem in 2014/2015 when compared to the previous cycle. Medium-size and large farmers were able to control the coffee rust through the application of fungicides and fertilizers. The drought that Nicaragua experienced in 2014 was also beneficial to control the propagation of the coffee rust fungus.

Yields:

Nicaragua has the lowest average yields in Central America. Average yields are close to 11 bags per hectare. According to a research conducted by the local Foundation for Economic and Social Development (FUNIDES), some of the problems that have negatively affected the Nicaraguan coffee sector are 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 the profitability of the business in the last years. In 2013/2014, Nicaragua faced an outbreak of coffee rust and anthracnose, a fungal disease that affects coffee leaves, which reduced coffee production in about 25 percent. To counteract this problem, the Government of Nicaragua in coordination with the private sector passed a law in

December 2013 (Law 853) that intends 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 the years to come. 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.

Crop Area:

According to the Nicaraguan Ministry of Agriculture, the total cultivated area in Nicaragua is close to 126 thousand hectares out of which 95 percent are being harvested. Most of Nicaragua's coffee production is Arabica and there is a small production of Robusta coffee for the domestic market. Among the common varieties are 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 last Nicaraguan Agricultural Census in 2011, 35 percent of the coffee plantations are located in Jinotega, 28 percent in Matagalpa, 24 percent in Las Segovias and 13 percent in other municipalities. The coffee plantations in the North Central Region are located in areas with a range of 365 and 1500 mts above sea level, in las Segovias between 490 and 1550 meters and on the Pacific between 420 and 933 mts.

Consumption:

Even though Nicaragua has a long history in the production of coffee, the level of 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.

Exports in 2013/2014

Country	60 kg bags
United States	887,363
Germany	110,436
Venezuela	107,349
Belgium	103,305
Canada	94,586
Others	467,004
Total	1,770,043

Source: CETREX

Policy:

Nicaragua has two main laws that regulate coffee production: Ley del Café (368) or coffee law published in December 2000. This law provides a series of fiscal exonerations to coffee producers on investments related to coffee production. The organization in charge of the implementation of this law is the Nicaraguan Coffee Council (CONACAFE). The second law, Ley para la Transformación y Desarrollo de la Caficultura (Law 853), was passed in December 2013. This law intends to renovate and transform the Nicaraguan coffee sector through the creation of a fund that will be used to renovate the old coffee plantations. Farmers will pay a small fee per each bag exported that will vary from U\$ 1 to 4 U\$ based on the international prices of coffee. Farmers will pay U\$ 1 when the coffee price is close to U\$ 140, U\$ 2 when the price is between U\$ 140 and U\$ 165, U\$3 when the price is between U\$ 165 and U\$185 and U\$ 4 when the price is above U\$ 185. 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, will be in charge of administering the fund.

Production, Supply and Demand Data Statistics:

Coffee, Green Market Begin Year Nicaragua	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
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	17	17	7	14	0	17
Arabica Production	1,850	1,852	1,850	2,038	0	2,132
Robusta Production	0	10	0	10	0	10
Other Production	0	0	0	0	0	0
Total Production	1,850	1,862	1,850	2,048	0	2,142
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	1,867	1,879	1,857	2,062	0	2,159
Bean Exports	1,750	1,720	1,750	1,900	0	1,986
Rst-Grnd Exp.	0	0	0	0	0	50
Soluble Exports	50	50	50	50	0	0
Total Exports	1,800	1,770	1,800	1,950	0	2,036
Rst,Ground Dom. Consum	50	80	50	80	0	85
Soluble Dom. Cons.	10	15	5	15	0	15
Domestic Use	60	95	55	95	0	100
Ending Stocks	7	14	2	17	0	23
Total Distribution	1,867	1,879	1,857	2,062	0	2,159

1000 HA, MILLION TREES, 1000 60 KG BAGS

