

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/20/2011

GAIN Report Number:

Nicaragua

Sugar Annual

Report on Sugar Production Supply and Demand

Approved By:

Kevin Smith

Prepared By:

Jimmy Bolaños

Report Highlights:

Nicaragua's sugarcane and sugar production for 2010/2011 season is expected to decline 9 percent and 8 percent, respectively. The main reason for the decline is the unusually high levels of rain during the winter which caused problems for sugarcane plantations and decreased the sugar yield extraction from the sugarcane.

Executive Summary:

Nicaragua's sugarcane and sugar production for 2010/2011 season is expected to decline 9 percent and 8 percent, respectively. The main reason for the decline is the unusually high levels of rain during the winter which caused problems for sugarcane plantations and decreased the sugar yield extraction from the sugarcane. The estimated sugarcane and sugar production for the 2010/2011 season is expected to be 4,624,101 metric tons (MT) and 503,577 MT, respectively. The average cane production yield per Hectare (HA) is estimated to be 84 MT, 11 percent lower compared to 93 MT in 2009/2010. For 2010, Nicaraguan sugarcane exports reached over 279,707 M.T. The major export markets are; the United States, India, Venezuela, Russia and Mexico [1]. An increase of 12 percent in cane production and 16 percent of sugar production is forecast for the 2011/2012 season. This is in anticipation of an increase of 5 percent in the sugar production areas as well as expected higher yields for the 2011/2012 season.

^[1] CEI Report, 2010

Production:

Sugarcane is produced in the pacific coast of Nicaragua. The Nicaraguan sugarcane harvest runs from November through May. The main four sugar mills are; San Antonio, Monte Rosa, Benjamin Zeledon and Montelimar. Preliminary data from (NCSP) for 2010/2011 season indicates a total sugarcane production of 4,624,101 (MT), 9 percent lower than 2009/2010 season. NCSP also projects a decline of 8 percent in sugar production, from 545,044 MT in 2009/2010 to 503,577 MT in 2010/2011. The reduction of sugarcane production was caused by the unusually high levels of rain during the 2010/2011 season. The rain also affected the industrial yields of sugar extraction. In the 2010/2011 season, one ton of sugar yielded, 215 pounds of sugar which is 10 pounds less than the average yield obtained in previous cycles.

In relation to the production of ethanol, Nicaragua has stopped sugar ethanol production since the 2008/2009 season. This change was due to high international sugar prices. The local industry does not expect to use any sugarcane during the 2010/2011 for ethanol production.

The NCSP's cane and sugar production forecasts for 2011/2012 season are: 5,173,022 MT and 581,965 MT, respectively. This represents an increase of 12 percent in sugarcane production and 16 percent of sugar production compared to the previous cycle. This is anticipating an increase of 5 percent in production areas as well as expecting higher yields for the 2011/2012 season.

Crop Area:

During the 2010/2011 season, 54,727 hectares of sugarcane were planted. This shows a small decrease compared to 2009/2010 season, which had 54,812 hectares planted. The forecast planted area for the 2011/2012 season is 57,563 hectares, a 5 percent increase compared to the previous season. According to NCSP, one of the main constraints sugar millers face on the west side of the country, is the limited land available

to expand sugarcane production. This is because other crops such as peanuts have become very popular among producers and have expanded into production areas that would otherwise be used for sugarcane production.

Yields:

In the 2009/2010 season, the average yield of sugarcane per hectare was 93 metric tons. According to NCSP, the estimated yield for the 2010/2011 season is 84 metric tons. This shows a decline of 11 percent in yield per hectare compared to the previous season. The main factor that affected the sugar yields is the unusually high levels of rain during the winter. Assuming good weather conditions, the NCSP expects the sugarcane production yield will increase to 90 metric tons for the 2011/2012 season.

Consumption:

In the 2009/2010 season, the average yield of sugarcane per hectare was 93 metric tons. According to NCSP, the estimated yield for the 2010/2011 season is 84 metric tons. This shows a decline of 11 percent in yield per hectare compared to the previous season. The main factor that affected the sugar yields is the unusually high levels of rain during the winter. Assuming good weather conditions, the NCSP expects the sugarcane production yield will increase to 90 metric tons for the 2011/2012 season.

Trade:

Major export destinations in 2010 included the United States, India, Venezuela, Russia and Mexico (CEI, 2010). Nicaragua exported quantities reached over 279,707 MT in 2010. Please refer to table below.

Export Trade Matrix 2010

Exports for:	MT
U.S.	92,329
India	41,433
Venezuela	36,500
Russia	26,250
Mexico	24,314
Other World Destinations	58,881
Total exports	279,707

Source: Centre of Exports and Investments (CEI).

The United States allocates to Nicaragua two tariff rate quotas (TRQs) under the World Trade Organization (WTO) and CAFTA-DR commitments. The two TRQs total are approximately 44,614 MT of raw Sugar. On April 11, 2011 the U.S. Secretary of Agriculture announced an additional quota quantity for the TRQ for raw cane for the remainder of FY 2011. Nicaragua's additional sugar quota for the FY 2011 is 10,499 MT.

Policy:

The Government of Nicaragua does not set sugar prices, nor does it provide subsidies or special credit programs. Nicaragua lacks a legal framework that would support the consumption of bio-fuels, inhibiting the commercialization of ethanol domestically.

Marketing:

The private sector of Nicaragua buys and sells all sugar. Sugar for national consumption is fortified with vitamin A and packaged in bags of 0.4, 0.8, and 2 kg.

The NCSP reported the following wholesale and retail prices in *Córdoba*s for the refined and white plantation sugar in 2010. The official exchange rate from central bank was 21.88 *Córdoba*s per one U.S. dollar.

Whole Sale Prices for refined and white plantation sugar in 2010

Sugar prices in Córdoba/s/ pound	Jan.	Feb.	Mar.	Apr.	May.	June.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Refined Sugar	5.35	5.45	5.5	5.55	5.6	5.6	5.62	5.64	5.7	5.72	5.9	6.03
White Plantation Sugar	4.80	4.85	4.90	4.95	5.00	5.05	5.05	5.06	5.10	5.15	5.25	5.44

Source: NCSP, 2010.

Retail Prices for Refined and White Plantation Sugar in 2010

Sugar prices in Córdoba/s/ pound	Jan.	Feb.	Mar.	Apr.	May.	June.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Refined Sugar	6.72	6.72	6.72	7.28	6.72	6.72	6.72	6.72	6.72	6.72	7	7.28
White Plantation Sugar	6.00	6.00	6.00	6.50	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.50

Source: NCSP, 2010.

For year 2011, NCSP, expects an increase up to 15% on refined and white plantation sugar prices. This is mainly to the increase of international oil prices.

Production, Supply and Demand Data Statistics:

Table 1: Sugarcane for centrifugal sugar: Supply and Utilization.

Sugarcane for Centrifugal Nicaragua	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	67	55	0	55	0	58
Area Harvested (1000 HA)	67	55	0	55	0	58
Production (1000 MT)	6,000	5,105	0	4,624	0	5,173
Total Supply (1000 MT)	6,000	5,105	0	4,624	0	5,173
Utilization for Sugar (1000MT)	4,000	5,105	0	4,624	0	5,173
Utilization for Alcohol (1000 MT)	2,000	0	0	0	0	0
Total Utilization (1000 MT)	6,000	5,105	0	4,624	0	5,173

Source: NCSP, 2011.

Table 2: Centrifugal Sugar: Production, Supply and Demand

Sugar, Centrifugal Nicaragua	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	20	28	37	69		48	(1000MT)
Beet Sugar Production	0	0	0	0		0	(1000MT)
Cane Sugar Production	541	545	490	503		581	(1000MT)
Total Sugar Production	541	545	490	503		581	(1000MT)
Raw Imports	0	0	0	0		0	(1000MT)
Refined Imp.(Raw Val)	0	0	0	0		0	(1000MT)
Total Imports	0	0	0	0		0	(1000MT)
Total Supply	561	573	527	572		629	(1000MT)
Raw Exports	254	156	244	217		220	(1000MT)
Refined Exp.(Raw Val)	38	112	20	63		70	(1000MT)
Total Exports	292	268	264	280		290	(1000MT)
Human Dom. Consumption	232	236	241	244		254	(1000MT)
Other Disappearance	0	0	0	0		0	(1000MT)
Total Use	232	236	241	244		254	(1000MT)
Ending Stocks	37	69	22	48		85	(1000MT)
Total Distribution	561	573	527	572		629	(1000MT)

Source: NCSP, 2011.