

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Nicaragua

### Coffee Annual

### Coffee Production Predicted to Fall 15 Percent

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#### **Report Highlights:**

The Nicaraguan coffee sector is in the middle of the worst crisis of the last decade. With coffee prices plummeting to \$89 per 45 kilogram (kg) bag in May 2019 and farmers not having access to credit, coffee exporters predict that coffee production could fall at least 15 percent in MY 2019/2020.

## **Executive Summary:**

The Nicaraguan coffee sector is in the middle of the worst crisis of the last decade. With coffee prices plummeting to \$89 per 45 kilogram (kg) bag in May 2019 and farmers not having access to credit, coffee exporters predict that coffee production could fall at least 15 percent in MY 2019/2020. Others estimate that coffee production could plummet more than 20 percent. In addition to the challenges of low international coffee prices, Nicaragua has been immersed in a social-political crisis since April 2018. This has resulted in large-scale capital flight, forcing banks to curtail credit across all economic sectors. Coffee farmers do not foresee a short term solution to the crisis and expect that production numbers will continue on a downward trend beyond the 2019/2020 coffee harvest.

The 2018/2019 coffee harvest was good. Total coffee production in 2018/2019 reached over 3.1 million 45 kg bags or 2.3 million 60 kg bags, a slight decrease compared to the previous year. Excellent climate conditions with rain well distributed throughout the year, and a homogenous ripening of the coffee beans contributed to a good harvest. Other positive factors included some farmers still having access to finance and recent renovations of 20,000 hectares of coffee plantations.

## **Commodities:**

Coffee, Green

## **Production:**

Coffee farmers anticipate at least a 15 percent drop in coffee production in MY 2019/2020. This is due to the poor management of the coffee plantations since 2018, a lack of access to finance, low international coffee prices, and the ongoing Nicaragua's social-political crisis.

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## **Crop Area**

Coffee is mainly produced in the North Central Region of Nicaragua with a range of altitudes from 365 to 1500 meters above sea level. According to the most recent agricultural census, there are approximately 140,000 hectares planted with coffee, out of which 90 percent are being harvested. Common varieties include Caturra (72 percent) and Borbons, Paca, Catuai, Catimore, Maragotype and Pacamara (28 percent). More than 97 percent of coffee producers are small with average farm size of less than 14 hectares. In the last five years, farmers have renovated more than 20,000 hectares of coffee.

In 2013, Nicaragua allowed the cultivation of Robusta coffee in non-traditional coffee regions, 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 approximately 30,000 60 kg bags (less than 2 percent of total production) and only used for the domestic market.

## 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).

According to the most recent agricultural census, 35 percent of coffee plantations are located in Jinotega, 28 percent in Matagalpa, 24 percent in Las Segovias and 13 percent in other municipalities. Please see map below.

## Yields:

Nicaragua has the lowest average yields in Central America with approximately 15 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 has 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:

Although Nicaragua has a long history in the production of coffee, the level of consumption is not as high as other countries in the region. According to the International Coffee Association, the average coffee consumption in Nicaragua is 2kg.

Total coffee consumption in Nicaragua in 2018/2019 was approximately 160,000 60kg bags, out of which 50 percent was soluble and 50 percent roasted.

#### Trade:

#### Calendar Year 2018 Coffee Exports by country (in 60kg bags)

United States of America	1,189,317
Germany	215,975
Belgium	191,804
Italy	110,499
Canada	78,372
Sweden	52,930
Other	433,910
<b>Total</b>	<b>2,272,807</b>

Source: Nicaraguan Central Bank

#### Stocks:

Nicaragua does not manage large coffee stocks. The stocks that coffee exporters manage vary between 120,000 and 140,000 Kg 60 bags, which is the amount of coffee that Nicaragua exports between October and December, when the coffee harvest is just coming out. The market year in Nicaragua starts in October and ends in 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 tax 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.

Coffee, Green 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
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

