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Report Highlights:

FAS/Managua projects marketing year 2022/23 coffee production unchanged from the previous year at 2.7 million 60-kilogram bags, as political and economic turmoil in Nicaragua are expected to continue limiting investment in the sector despite strong export prices for the marketing year 2021/22 crop. Reduced fertilizer and fungicide application (due to higher prices) and lower available harvest labor (due increased outward migration) could result in lower than projected total production in marketing year 2022/23.

Executive Summary:
FAS/Managua projects total marketing year (MY) 2022/23 coffee production (including robusta type) flat at 2.7 million 60-kilogram (kg) bags, despite 2021 coffee prices above $200 per 60-kg bag. Higher input supply costs (especially nitrogen-based fertilizers), coffee farmer indebtedness exacerbated by record-low prices from MY 2017/18 to 2020/21, and political uncertainty have limited new investments in the coffee sector and diverted money away from coffee plantation maintenance.

FAS/Managua estimates total MY 2021/22 coffee production at 2.7 million 60-kg bags, up 3 percent from the previous year. Although MY 2021/22 rainy season was considered moderate, with no major climate incidents, farmers reported challenging growing, harvest, and post-harvest conditions that contributed to a lower quality crop than MY 2020/21.

Some exporters have expressed concerns that high levels of outward migration could reduce available labor supplies for coffee harvesting over the medium term. However, despite manifold current challenges, exporters believe coffee will continue to play an important role in the Nicaraguan economy and remain in high demand in international markets, where Nicaraguan coffee is recognized for smooth, consistent arabica flavor.

Area
FAS/Managua projects MY 2022/23 area planted to remain flat at approximately 140,000 hectares, as political turmoil continues to weigh on the economy, fuel outward migration, limit available credit, and stifle investment in productive industries, particularly those with a longer horizon for recouping investments – coffee plantation expansion and renovation (both of which entail new plantings) require at least three years before coffee can be harvested and income generated. FAS/Managua expects area harvested in MY 2022/23 to remain flat as well, though increased outward migration from Nicaragua could negatively affect labor availability during the MY 2022/23 coffee harvest, reducing area harvested and total production. Industry sources attributed challenges securing labor for the 2022 mango export harvest – which should have concluded in early May – to increased outbound migration levels.

According to industry contacts, coffee farmers have replanted approximately 20,000 hectares of arabica coffee area, 14 percent of total area, since the MY 2013/14 coffee leaf rust outbreak that decimated production. In theory, a coffee plantation should be replanting five percent of total area each year to ensure a complete turnover of the area every twenty years (coffee plant productivity typically tails off after 20-25 years). However, in practice, most plantations have failed to keep up with this ideal schedule, often replanting only when older plants become infected or die. Access to credit (especially on terms that account for coffee plant growth and harvest cycles) as well as to newer, rust-resistant varieties remains a significant challenge to expansion and renovation in Nicaragua.

According to Industry Sources, in MY 2021/22, there were 45,000 coffee farmers and over 140,000 hectares planted with coffee, of which 7,000 hectares were planted with robusta varieties. More than 85

percent of the Arabica coffee plantations are in North Central Nicaragua, in the departments of Jinotega, Matagalpa and Nueva Segovia with a range of altitude from 365 to 1,500 meters above sea level. The remaining is produced in the department of Carazo and the outskirts of Managua.

According to 2011 Agricultural Census (the most recent data available), 71 percent of coffee farmers are considered small with less than 15 hectares of land, 22 percent are medium sized with farms sizes between 15 and 70 hectares and the remaining are considered large-scale with farms that range between 70 and over 350 hectares. Small farmers account for 37 percent of the total production, medium-sized farmers for 27 percent and large farmers for 36 percent.

Production

FAS/Managua projects MY 2022/23 total coffee production flat at 2.7 million 60-kg bags. Political uncertainty and associated strains on the economy could continue to limit access to finance needed to purchase agrochemical inputs (including fungicides) and fertilizers, the prices of which were significantly higher early in the MY 2022/23 growing season. Meteorologists are forecasting a more active hurricane season in MY 2022/23 than in MY 2021/22, and intensity and timing of rains are two factors that contribute to higher incidence of coffee rust. Challenging weather as well as reduced applications of fungicide and fertilizer pose considerable risks for MY 2022/23 production.

Industry sources indicate that coffee rust is currently ‘under control,’ as fungicide supplies remain available and prices have not risen nearly as significantly as fertilizer prices. Although there is no official information available, coffee farmers estimate coffee rust prevalence in MY 2021/22 at under five percent. Coffee farmers have introduced rust-resistant coffee varieties, including Marsellesa, Parainema, Costa Rica 95, IH Cafe 90, and Lempira among others. The North Central region was the area most severely affected by coffee rust in MY 2012/13 and MY 2013/14, especially the department of Nueva Segovia. Other departments, such as Matagalpa and Jinotega, were reportedly less affected due to the timely application of fungicides.

Farmers reported sporadic rainfall early in the MY 2021/22 growing season resulting in multiple flowerings of the coffee trees which resulted in an irregular harvest which increased logistical costs associated with labor force since the harvest did not come out at once. According to industry sources, the MY 2021/22 harvest peaking in late November 2021, before the rainy season had ended, negatively affected the final quality of MY 2021/22 crop, as traditional outdoor drying methods were hampered by excess moisture. Industry sources estimate the percentage of the MY 2021/22 crop graded as ‘export quality’ fell from to 90 percent (down from 95 percent in MY 2020/21) as result of challenging post-harvest weather conditions.

Nicaragua’s leading coffee exporters have played a role in facilitating access to credit and promoting adoption of good agricultural practices, including production method certification programs that

generate price premiums of 5 – 10 percent. However, industry sources estimate fewer than five percent of Nicaraguan coffee plantations are enrolled in certification programs.

Employing more than 330,000 people along the value chain, coffee is one of the most important agricultural products in Nicaragua. Caturra is the most common variety of arabica bean grown (72 percent of total arabica area), with other common varieties including: Borbons, Paca, Catuai, Catimore, Maragogype and Pacamara. The coffee marketing year in Nicaragua starts in October and ends in September.

Robusta

In 2013, the Government of Nicaragua allowed the cultivation of robusta type coffee in non-traditional coffee growing regions, including the Atlantic coast region. Although robusta production accounts for less than five percent of total production volume, plantations have been growing gradually along the Southern and Northern Atlantic coastal regions as well as some low-altitude areas along the Pacific Coast in the department of Carazo and the area around the El Crucero in the department of Managua. Industry sources estimate there are approximately 7,000 hectares of robusta plantations, with 4,000 hectares harvested in MY 2021/21. Industry sources estimate total MY 2021/22 robusta production at approximately 120,000 60-kg bags, most of which is destined for domestic consumption in Nicaragua.

Yield

FAS/Managua estimates the MY 2022/23 coffee crop yield to remain at 18 60-kg bags per hectare, consistent with MY 2021/22 and previous years. Increased production of higher-yielding robusta varieties, increased adoption of good agricultural practices, and modest renovation of arabica coffee plantations since MY 2012/13 have contributed to higher yields. FAS/Managua projects limited access to long-term financing – a function of international coffee price volatility, political and economic turmoil in Nicaragua, and an underdeveloped agricultural financial system – will continue to hinder investments in plantation renovation and in adoption of good agricultural practices, limiting Nicaragua coffee yield growth in the near- and mid-term.

Policy

Nicaragua has two main laws that regulate coffee production. Law 368, the Coffee Law, was published in December 2000 and provides several tax exonerations for coffee growers.

Law 853, the Law for the Transformation and Development of the Coffee Sector, was passed in 2013 to renovate and transform the Nicaraguan coffee sector through the creation of a fund to renovate old coffee plantations. Law 853 levies a fee on every 60-kg bag of coffee exported; the average fee was $3 per 60-kg bag in MY 2021/22 when international coffee prices were above $200 per 60-kg bag. Industry sources estimate Law 853 has collected more than $40 million since 2013, but farmers have expressed mixed opinions on the impact of the law and its effectiveness in driving investment and innovation in the sector.

An August 2013 Ministerial Decree approved the cultivation of robusta coffee in Nicaragua, which produces predominantly arabica types of coffee; more than 95 percent of total production in MY 2021/22 was arabica. There are 7,000 hectares of robusta plantations, with 4,000 hectares harvested in MY 2021/21. Robusta is produced along the Northern and Southern Atlantic coastal regions as well as some low-altitude areas along the Pacific Coast in the department of Carazo and the area around the El Crucero in the department of Managua.

Consumption

FAS/Managua estimates MY 2020/21 per capita coffee consumption at about 1.5 kg, of which 50 percent was soluble and 50 percent roasted. Though local purchase of roasted coffee has grown over time, industry sources do not anticipate significant increases in consumption on MY 2022/23 or in MY 2021/22, as high levels of outward migration, increased costs of purchasing basic food commodities, and continued economic headwinds work against expanded consumption.

Stocks

Industry sources estimate coffee exporters maintain year-end stocks of 120,000 - 140,000 60-kg bags, roughly equivalent to the volume of exports in the final quarter of the calendar year, before new crop beans are available for export.

Trade

FAS/Managua estimates Nicaragua's coffee exports to reach over 2. 5 million 60 KG bags in MY 2022/2023, like MY 2021/2022. The United States and Europe continue to be the main export destinations for Nicaraguan coffee.

MY 2020/21 Coffee Exports

Country	**2018/2019**	**2019/2020**	**2020/2021**
United States	1,370,635	1,250,960	1,057,719
Belgium	207,327	277,287	329,884
Germany	200,255	190,430	192,668
Italy	100,367	108,743	144,743
Canada	87,118	111,048	104,106
Sweden	50,469	79,258	81,331
Mexico	38,624	21,452	29,162
Others	525,720	490,307	426,900
Total	**2,580,515**	**2,529,485**	**2,366,513**

Source: Center for Export Procedures (CETREX).

Production, Supply and Distribution Statistics:

Coffee, Green	2020/2021		2021/2022		2022/2023	
Market Year Begins	Oct 2020		Oct 2021		Oct 2023	
Nicaragua	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1,000 HA)	0	140	0	140	0	140
Area Harvested (1,000 HA)	0	140	0	140	0	140
Bearing Trees (MILLION TREES)	0	0	0	0	0	0
Non-Bearing Trees (MILLION TREES)	0	0	0	0	0	0
Total Tree Population (MILLION TREES)	0	0	0	0	0	0
Beginning Stocks (1,000 60 KG BAGS)	42	42	22	120	0	120
Arabica Production (1,000 60 KG BAGS)	2650	2484	2800	2580	0	2580
Robusta Production (1,000 60 KG BAGS)	80	120	80	120	0	120
Other Production (1,000 60 KG BAGS)	0	0	0	0	0	0
Total Production (1,000 60 KG BAGS)	2730	2604	2880	2700	0	2700
Bean Imports (1,000 60 KG BAGS)	5	0	5	0	0	0
Roast & Ground Imports (1,000 60 KG BAGS)	0	0	0	0	0	0
Soluble Imports (1,000 60 KG BAGS)	25	0	25	0	0	0
Total Imports (1,000 60 KG BAGS)	30	0	30	0	0	0
Total Supply (1,000 60 KG BAGS)	2802	2646	2932	2820	0	2820
Bean Exports (1,000 60 KG BAGS)	2500	2366	2600	2540	0	2520
Rst-Grnd Exp. (1,000 60 KG BAGS)	10	0	10	0	0	0
Soluble Exports (1,000 60 KG BAGS)	110	0	110	0	0	0
Total Exports (1,000 60 KG BAGS)	2620	2366	2720	2540	0	2520
Rst, Ground Dom. Consumption (1,000 60 KG BAGS)	80	80	80	80	0	80
Soluble Dom. Cons. (1,000 60 KG BAGS)	80	80	80	80	0	80
Domestic Consumption (1,000 60 KG BAGS)	160	160	160	160	0	160
Ending Stocks (1,000 60 KG BAGS)	22	120	52	120	0	140
Total Distribution (1,000 60 KG BAGS)	2802	2646	2932	2820	0	2820
(1,000 HA), (MILLION TREES), (1,000 60 KG BAGS)						

Attachments:

No Attachments