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Report Highlights:

FAS/Managua anticipates a drop in sugarcane production in marketing year 2024/25, as increased precipitation, which could be exacerbated by a La Niña weather cycle in the second half of 2024, brings agricultural and industrial yields closer to historical levels. Nicaragua produced a record sugarcane crop in marketing year 2023/24 in spite of hotter and drier conditions in the prevailing El Niño weather cycle, which contributed to below average precipitation across much of the country. Extensive irrigation, optimal conditions for fertilization, and increased solar hours drove higher than average agronomic yields, even as untimely precipitation late in the cycle more than offset anticipated industrial yield gains.

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Sugarcane Production

MY 2024/25

FAS/Managua projects marketing year (MY) 2024/25 sugarcane production at 7.3 million metric tons (MT), down two percent from MY 2023/24, with precipitation levels expected to be above the historical average. Sugar producers expect a transition from an El Niño weather cycle into a La Niña weather cycle before the end of 2024. La Niña cycles are associated with higher than average precipitation and humidity, which could negatively impact sugarcane agricultural and industrial yields in MY 2024/25. Although the higher precipitation levels would reduce the need to irrigate and improve production on non-irrigated area planted, higher moisture levels are associated with increased losses to pests and disease as well as less sunlight and less effective applications of fertilizer, all of which would negatively affect plant growth.

FAS/Managua estimates sugarcane area harvested in MY 2024/25 at 74,00 hectares (ha), up slightly from MY 2023/24. One sugar mill is planning to increase area planted by 900 ha in MY 2024/25 to generate additional biomass to improve utilization of its biomass electrical power plant capacity. FAS/Managua does not anticipate any significant rotation of area planted out of sugarcane (typically into peanut) in MY 2024/25, given relatively high world sugar price offers (above $0.22/pound as of April 10, 2024). FAS/Managua expects financing will be readily available at relatively competitive rates in MY 2024/25, as sugar exports continue to be among the most reliable export revenue generating activities and as deposits at the Nicaraguan Central Bank reached a record high of $5.4 billion in February 2024.

FAS/Managua anticipates MY 2024/25 agronomic yields to drop to 99 MT/ha, down 3 percent on higher precipitation. Preliminary forecasts from the U.S. National Oceanic and Atmospheric Administration (NOAA) indicate that conditions are likely to shift from an El Niño weather cycle to El Niño-Southern Oscillation (ENSO) neutral by April-June 2024, with the odds of La Niña cycle developing in June-August rising to 55 percent as of April 2024.

Roughly half of Nicaraguan sugarcane farms have integrated irrigation – drip or sprinkler-based systems – into their operations, making efficient use of limited water resources and improving sugarcane yields in drier years. Widespread planting of drought-tolerant sugarcane varieties, like the Guatemala-developed CG02-163 variety, further raises the expected floor for sugarcane agronomic yields in drier production cycles, like those associated with an El Niño system.

MY 2023/24

Preliminary data from the Nicaraguan Sugar Commission (CNPA) estimate total MY 2023/24 sugarcane production at 7.5 million MT, the second largest crop ever recorded by CNPA and up 7 percent from the previous cycle. CNPA projects industrial yields falling two percent due to rains reported just before the harvest, which caused plants to redirect energy into increased growth. MY 2023/24 agronomic yields were above average, in spite of the El Niño cycle, according to sugarcane farmers. The combination of effective irrigation on the majority of planted area, optimal fertilizer penetration and retention, and above average solar hours associated with lower precipitation and cloud cover contributed to near-optimal plant growth.

FAS/Managua estimates Nicaragua will remain the third-largest sugarcane producer in Central America, after Guatemala and El Salvador in MY 2023/24. Sugarcane is produced along the Pacific Coast and harvested from November through May. Four sugar mills produce approximately 60 percent of total sugarcane on company-owned plantations, with roughly 600 independent farmers producing the remainder. Up to 40 percent of sugarcane is still harvested by hand, where smaller-sized plots have prevented the introduction of mechanized harvesting and where rockier, lower quality soils that damage harvesting equipment make manual labor more cost-effective.

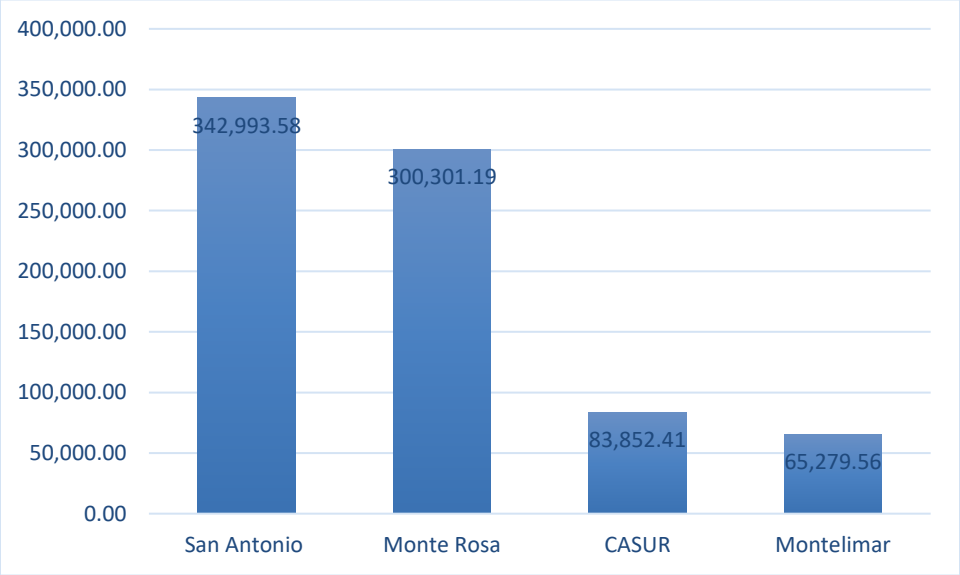
The high rate of sugar harvest mechanization – more than 95 percent of the harvest is mechanized in some of the most productive areas – has largely insulated the sector from the negative effects of high levels of migration on the labor supply. Harvest mechanization provides further benefits in the form of environmental services, as mechanized harvesting is predominantly 'green' (i.e., without burning), which reduces soil degradation and erosion and prevents the release of large amounts of carbon dioxide and harmful pollutants into the air.

Sugar Production

FAS/Managua projects MY 2024/25 sugar production to reach 760,000 MT, down 5 percent from MY 2023/24, assuming a moderate La Niña developing in the latter half of 2024. FAS/Managua projects processing yields in MY 2024/25 to remain flat at 230 pounds of raw sugar per MT of sugarcane on lower sugar concentration associated with increased rains.

Preliminary CNPA data estimate MY 2023/24 sugar production reaching a record of 792,000 MT, up 5 percent from MY 2022/23 on a 7 percent increase in agronomic yields and a 2 percent drop in industrial yields. Based on estimated sugar and sugarcane production, FAS/Managua estimates MY 2023/24 sugar processing yields at approximately 230 pounds of raw sugar per metric ton of sugarcane, down 2 percent from the previous year.

Figure 1. MY 2023/24 Centrifugal Sugar Production by Sugar Mill (MT)



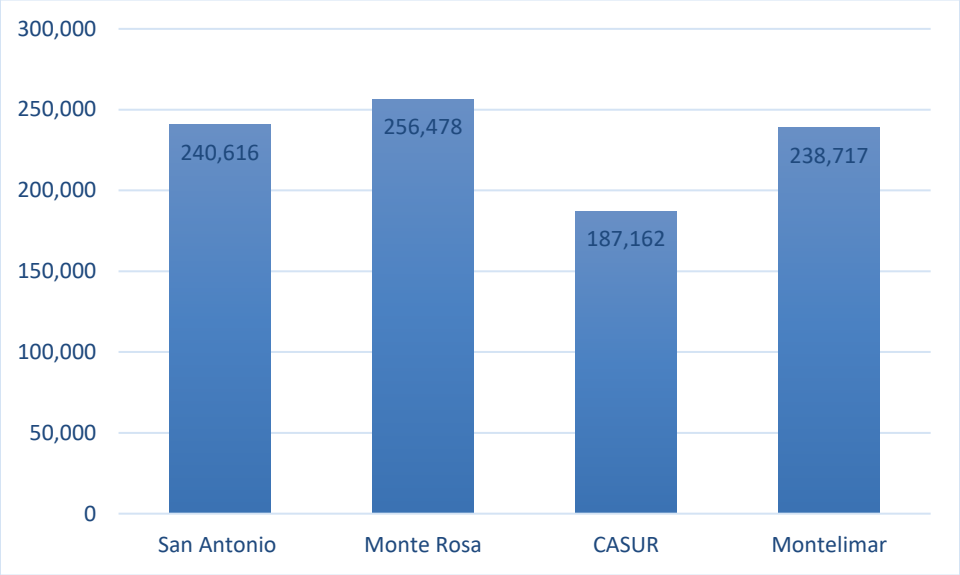
Source: Nicaraguan Sugar Producers' Association (CNPA)

Sugar prices in Nicaragua have been relatively stable in the last five years, with a slight increase in the white plantation sugar price and a more marked increase in the refined sugar price dating back to 2019, when the Nicaraguan government began applying the 15 percent value added tax to sugar sales. Refined sugar prices at wholesale and retail were estimated at $0.42 and $0.49 per pound in March 2024, while white plantation sugar for wholesale and retail were estimated at $0.37 and $0.41 per pound. CNPA anticipates modest domestic price increases in 2024, due to increasing production costs and broader inflation.

Co-Production

Besides sugar production, the four sugar mills operate biomass power plants capable of generating over 120 megawatts of electricity per hour for approximately 9 months each year, using bagasse and other crop residue for feedstock. Power generation has become an indispensable revenue stream, vital to the industry's economic stability and profitability. Power generation at one innovative mill constituted just over a third of total revenues in MY 2023/24.

Figure 2. MY 2023/24 Energy Production by Sugar Mill (megawatts/hour)



Source: Nicaraguan Sugar Producers' Association (CNPA)

Nicaraguan sugar mills did not produce ethanol in MY 2023/24 despite relatively high gasoline prices. Only one of Nicaragua's four sugar mills has ethanol production capacity, but that equipment was not operational in MY 2023/24 due to the lack of a national policy to promote fuel ethanol.

Consumption

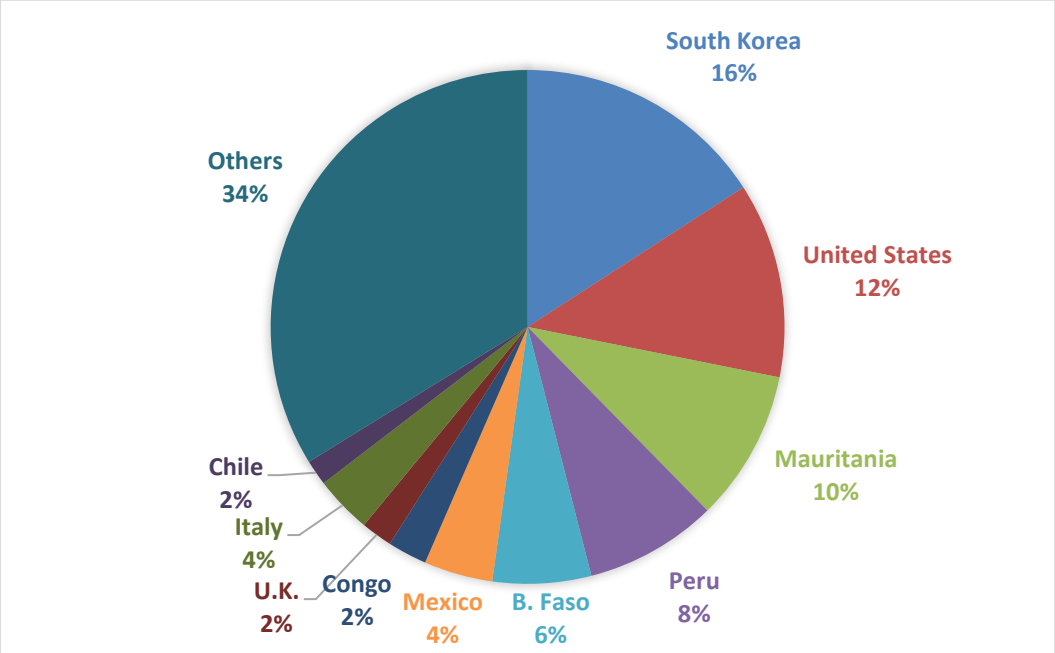
FAS/Managua projects MY 2024/25 sugar consumption to remain mostly flat at 275,000 MT as outbound migration continues to be high – approximately ten percent of the total population has left the country since 2018 due to the political instability. Although there are no prospects for a significant increase in domestic sugar consumption, in recent years, sugar mills reported increases in sugar demand from local softdrink manufacturers expanding production to avoid paying the 15 percent selective consumption tax (ISC) on imported beverages. [Note: In 2019, the Government of Nicaragua revised taxes on several imported goods, including carbonated beverages, driving ISC up from 9 to 15 percent. End note.] Increased demand for softdrink production – largely fueled by increased consumption of store-bought softdrinks with increased remittances from migrant family members – has offset lower direct sugar consumption by consumers, of which there are fewer and which are opting more often for store-bought softdrinks instead of homed.

Generally, about 40 percent of total sugar production is consumed domestically in the Nicaraguan market, with the remaining 60 percent exported. White plantation sugar accounts for 75 percent of all sales in the domestic market, while the rest is refined sugar. All sugar in Nicaragua is enriched with vitamin A to combat nutrient deficiency.

Trade

FAS/Managua projects total sugar export volumes at 485,000 MT in MY 2024/25, down 5 percent from MY 2023/24, an anticipated lower sugarcane production and reduced industrial yields. According to the Nicaraguan Central Bank, total calendar year 2023 sugar exports were 404,864 MT, with South Korea, the United States, and Mauritania as the top three destinations totaling more than 50 percent of export shipments.

Figure 3. 2023 Centrifugal Sugar Export Destinations (by volume**)**



Source: Nicaraguan Central Bank

Table 1: Centrifugal Sugar Export Volume in MT (Oct/Sep Marketing Year)

Destination	2020/2021	2021/2022	2022/2023
United States	105,389	74,366	50,222
South Korea	93,169	128,919	64,237
Peru	5,377	44,576	44,361
Haiti	31,496	38,699	21,270
Mauritania	12,038	0	43,549
Mexico	375	0	12,847
Burkina Faso	0	0	25,080
Congo	8,026	0	22,093
U.K.	7,960	10,742	20,457
Chile	3,245	6,465	6,465
Colombia	11,681	7,844	7,956
Taiwan	11,975	0	0
Other Markets	91,048	81,935	149,068
Total	**381,779**	**393,546**	**467,605**

Source: Nicaraguan Central Bank.

Sugar Quotas

Nicaragua continues to benefit from preferential market access arrangements under several free trade agreements, including for refined sugar under the Dominican Republic-Central American Free Trade Agreement (29,880 MT in 2024), the Association Agreement with the European Union (26,879 MT), the Association Agreement with the United Kingdom (8,665 MT), and with South Korea (preferential access without quota allocations).

Nicaragua made use for the first time in 2024 of its 50,000 MT sugar quota granted by the People's Republic of China, after signing a free trade agreement with Nicaragua in 2023. Nicaraguan exporters pay a 15 percent duty for in-quota sugar exports and 50 percent for out of quota exports.

When Nicaragua diplomatically recognized the People's Republic of China in December 2021, Taiwan ended a preferential sugar quota of 70,000 MT previously set aside for Nicaraguan exporters. The U.S. Government has not included Nicaragua in its World Trade Organization (WTO) sugar tariff-rate quota allocations or re-allocations since April 2022.

Stocks

FAS/Managua expects stocks to remain unchanged in MY 2024/25 at approximately 40,000 MT. The Nicaraguan sugar industry typically maintains ending stocks to guarantee domestic and exportable supplies ahead of the out-year harvest. These stocks mitigate risks associated with possible supply shortfalls originated from natural disasters such as earthquakes and from the Atlantic hurricane season (September through December).

Policy

The Government of Nicaragua does not set sugar prices, nor does it provide subsidies nor special credit programs for sugar production or export. However, the sugar industry does benefit from relatively high domestic prices compared to world sugar prices as a result of high tariffs on imported sugar. Domestic sales at higher than world prices in Nicaragua, stable exports to the United States, and revenue from biomass energy production have helped insulate Nicaragua's sugar industry from fluctuations in international sugar pricing. Nicaragua does not have a law to promote production and/or use of fuel ethanol.

Table 2: Sugarcane for Centrifugal Sugar: Supply and Utilization

Sugar Cane for Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	Oct 2022		Oct 2023		Oct 2024	
Nicaragua	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	72	73	73	73	0	74
Area Harvested (1000 HA)	72	73	73	73	0	74
Production (1000 MT)	7053	7000	7300	7500	0	7300

Total Supply (1000 MT)	7053	7000	7300	7500	0	7300
Utilization for Sugar (1000 MT)	7053	7000	7300	7500	0	7300
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	7053	7000	7300	7500	0	7300
(1000 HA),(1000 MT)						

Table 3: Centrifugal Sugar: Production, Supply and Distribution

Sugar, Centrifugal	**2022/2023**		**2023/2024**		**2024/2025**	
Market Year Begins	**Oct 2022**		**Oct 2023**		**Oct 2024**	
Nicaragua	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1000 MT)	40	40	40	40	0	40
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	748	751	800	792	0	760
Total Sugar Production (1000 MT)	748	751	800	792	0	760
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	788	791	840	832	0	800
Raw Exports (1000 MT)	306	309	340	324	0	310
Refined Exp.(Raw Val) (1000 MT)	164	164	186	190	0	175
Total Exports (1000 MT)	470	473	526	514	0	485
Human Dom. Consumption (1000 MT)	278	278	274	278	0	275
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	278	278	274	278	0	275
Ending Stocks (1000 MT)	40	40	40	40	0	40
Total Distribution (1000 MT)	788	791	840	832	0	800
(1000 MT)						

Attachments:

No Attachments