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**Report Highlights:**

Nicaragua continued to buy grains, semi-processed foods and consumer-oriented products despite the COVID 19 pandemic. In 2020, U.S. agricultural exports to Nicaragua reached \$276 million, an 11 percent increase from 2019. U.S. corn, pork, and poultry exports had double-digit gains. However, U.S rice exports to Nicaragua fell 24 percent due high U.S rice prices. There were no changes on Nicaragua's import procedures in 2020.

# Market Fact Sheet:

## Executive Summary

Nicaragua's Gross Domestic Product is expected to fall 5% in 2020 and drop another 1% in 2021 as the political crisis that started in April 2018 continues to negatively impact the economy.

In 2020, the United States supplied almost 37 percent of the agricultural import market followed by Guatemala, Costa Rica, El Salvador and Honduras.

Despite the COVID 19 pandemic, Nicaragua continues to import U.S. grains, semi-processed foods and consumer-oriented products. In 2020, Nicaraguan imports of U.S. agricultural goods from totaled \$275 million, up 11% compared with 2019.

U.S. corn exports increased 35% while pork increased 28% and poultry 37%, respectively. Rice imports decreased 24% in 2020 due to high U.S. rice prices.

U.S. grains, semi-processed foods and consumer goods from the United States have preferential treatment under the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA).

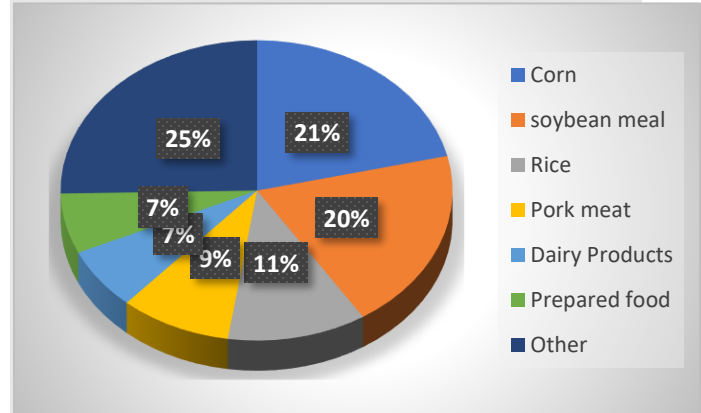
Among the best prospects are yellow corn, rice, soybean meal, pork meat, and chicken leg quarters.

## Imports of Consumer Oriented Products

Market prospects for U.S. consumer-oriented products such as poultry, pork, cereals, and snack food continue to be good.

# NICARAGUA

## U.S. Agricultural Exports to Nicaragua in 2020



## Food Retail Industry

The food retail sector in Nicaragua has more than 1,000 wholesalers, retailers, and distributors. Supermarket chains have expanded throughout the country in the last ten years. There are approximately 84 supermarket stores.

## Food Processing Industry

Most Nicaragua food processors import ingredients directly from exporters.

## QUICK FACTS 2020

### Imports of Consumer-Oriented Products:

\$87 million

**Top Prospects:** Corn, soybean meal, rice, pork meat, dairy products, prepared foods, chicken.

### Top Nicaraguan Retailers

1. Walmart (La Union, MaxiPali and Pali)
2. La Colonia (Mantica Group)
3. PriceSmart
4. Porta's
5. Stop-n-Go

U.S. Agricultural Exports	\$275 million
Population	6.5 million
GDP	\$13.5 billion
GDP:per capita	\$2,082
Exchange rate	1\$=34.8 cordobas

## Market Overview

With a gross domestic product (GDP) of \$13.1 billion and a per capita income of \$2,082 in 2018, Nicaragua is the second-poorest country in the Western Hemisphere. Despite consistent GDP growth from 2013-2017, the socio-political crisis as well as COVID-19 have been devastating to the economy. Currently, 41 percent of Nicaraguans live in poverty.

Nicaragua has been immersed in a social political crisis since April 2018. Nicaragua's GDP is anticipated to fall up to five percent in 2020 and an additional one percent in 2021. Independent analysts do not anticipate a short-term solution to the political crisis.

One of the few sectors that has a favorable prospect during this period is agriculture. Agriculture accounts for 15 percent of the GDP. The main exports include coffee (mainly produced by smallholders in agroforestry systems), livestock products (meat, dairy, and live cattle), sugarcane, peanuts, and beans (the basic staple food crop of the Nicaraguan diet). Although Nicaragua is a strong food producer, it does not have a well-developed food industry, providing opportunities for food imports.

Nicaragua imports of U.S. agricultural goods in 2020 totaled \$275 million, up 11 percent compared to 2019. Despite the pandemic, Nicaragua continued to buy grains, semi-processed foods, and consumer-oriented products. Among the U.S. products that reported an increase on sales are corn (up 35 percent), soybean meal (up 16 percent), soybean oil (up 20 percent), pork meat (up 28 percent) and chicken meat (up 37 percent).

U.S. rice imports decreased 24 percent due to high U.S. rice prices. According to the USDA Global Market Analysis Report, published in July 2020, U.S. rice export quotes remained well above those of other exporters at \$675 per metric ton (22 percent higher than South American rice quotes), as supplies remained very tight before the new crop harvest.

According to Nicaragua's Chamber of Tourism (CANATUR), the hotel and restaurant industry has lost over 100,000 jobs due to the pandemic. Hotel occupancy in Managua has fallen to 21 percent, down from 37 percent in 2019. While food-delivery services and quarantine-fatigue created a recent uptick in the restaurant industry, the National Restaurant Association estimates the industry job loss will reach 20 percent this year.

Under the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA), most U.S. agricultural products enter duty free. Tariff rate quotas for agricultural commodities have been phasing out gradually. The list includes yellow corn and pork meat which already phased out in 2020, Rough and milled rice (will phase out by 2023), chicken leg quarters (will phase out by 2023) and dairy products (powder milk, butter, cheese and ice cream) (will phase out by 2025). The liberalization of the DR-CAFTA quotas presents good opportunities to U.S. exporters.

## **Overall Business Climate**

Weak public institutions and rule of law, corruption, inefficiency, and extensive single-branch executive control create significant challenges for doing business in Nicaragua. In 2018, Nicaragua's model of consensus and dialogue with a select few private sector and labor representatives collapsed due to the ongoing civil crisis. The Government of Nicaragua has not taken counter-cyclical steps to address the economic recession, instead focusing on raising revenue by cutting the national budget, increasing taxes, and reducing benefits. The Central Bank has reduced the money supply to defend the value of the national currency.

Absent a political resolution to the crisis, the economic forecast is for continued contraction due to international isolation (including sanctions), lack of support from international financial institutions, an unsustainable fiscal deficit, and unserviceable deficits in the social security system as well as the absence of investment. Measures to contain the twin deficits come at the cost of higher taxes, deferred investment, and falling consumption. Tax revenues are declining as the government struggles to obtain financing. Despite the increasing challenges, many existing businesses are still open, hoping to get by until economic growth returns. Few new investors, however, have opted to enter Nicaragua given its high risk.

Nicaraguan importers have reported significant challenges with increased inspections by Nicaraguan Customs (DGA). Nicaragua has a risk-based inspection system based on colors of a stop light. Red represents the highest risk and all the containers in this category must be inspected. Yellow is medium risk, so that the containers are examined on a random basis. Green represents the lowest risk, so containers in that category do not require any inspections. According to several importers, in 2019 about 50 percent of all the containers fell into the green category and were released immediately. However, currently only about five percent of shipments fall into the green category with about 95 percent of all containers fall into the red category. Consequently, there are delays at the port end/or border and importers are subject to additional fees.

Another issue reported by exporters is the use of a questionnaire by DGA to verify the product's origin. Several of the questions request what industry considers proprietary business data. When several businesses did not fully complete the questionnaire, DGA initiated administrative processes to remove their preferential treatment and seek back-tariffs.

Businesses have also complained of DGA's practice of habitually questioning the declared value of goods. Businesses that contest DGA's reportedly inflated valuations face increased storage fees and supply chain delays.

## **General Perspective of Marketing Opportunities for High Value Consumer Foods/Beverages Products**

Despite the deceleration of the Nicaraguan economy, there are still opportunities for U.S. food exports. Supermarket chains have expanded and modernized. In comparison with other Central American countries, Nicaragua's processed food sector is limited, presenting opportunities for U.S. exporters in

the food ingredients sector. The Dominican Republic- Central American Free Trade Agreement (DR-CAFTA) is in its final phase of implementation in which the remaining agricultural tariff rate quotas are being phased out. These quotas include yellow corn which was phased out in 2020, rough and milled rice (will phase out by 2023), and dairy products (powder milk, butter, cheese and ice cream) (will phase out by 2025).

Good prospects for U.S. exports include frozen meats such as pork and chicken. In the 2020, U.S. pork and chicken meat exports to Nicaragua increased by 28 and 37 percent, respectively. In the case of pork meat, the pork meat tariff rate quota negotiated under DR-CAFTA phased out in 2020. Chicken leg quarters are regulated by a tariff rate quota that reached over 3,800 MT in 2020, and will continue to increase gradually, until it becomes unlimited in 2023. Chicken leg quarter imports complement local poultry production.

Nicaragua also offers good opportunities for shelf stable consumer-oriented products, primarily food preparations, non-alcoholic beverages (sweetened and flavored), snacks (including cookies and wafers), rice, dry beans, canned goods, and breakfast cereals.

If the Nicaraguan economy continues to deteriorate, post anticipates a decrease in demand for high value foods. One general trend is an increased demand for generic brands. The largest supermarket chains (Walmart and La Colonia) have generic brands that have become popular in the last two years. Best prospects include U.S. grains such as corn, wheat and rice, semi-processed foods such as soybean meal and soybean oil and a wide variety of low cost processed foods in the short and medium term.

**Advantages and Challenges for U.S. Exporters**

<b>Advantages</b>	<b>Challenges</b>
Nicaraguan importers trust the quality and wholesomeness of U.S. consumer-oriented products	Due to the social political crisis, the GDP economic forecasts for 2020 and 2021 are negative, unemployment is on the rise and inflation is increasing, limiting the purchasing power of Nicaraguans.
Freight costs and contracts from the United States. are lower for small markets such as Nicaragua.	Nicaragua does not have a port in the Atlantic, only one port in the Pacific. This forces businesses to bring in products through ports in Honduras and Costa Rica or via the Panama Canal.  Shipments may experience arbitrary delays from

	customs agents increasing transportation costs.
Reduced tariff rates under the CAFTA-DR trade agreement.	Process of registering a product in Nicaragua can take between three to six months due to the limited capacity of the Ministries of Agriculture and Health.

**SECTION II. EXPORTER BUSINESS TIPS**

1. Exporters should make sure their legal representatives and/or importers are registered as taxpayers in Nicaragua.
2. Exporters must provide importers with the bill of lading, commercial invoice, packing list and the certificate of origin (to determine applicability of CAFTA-DR and other trade agreements) for every shipment.
3. Exporters should make sure shipping companies send merchandise in clean containers to avoid any delays at the border due to multiple inspections.
4. Be prepared to provide additional information regarding the values of the commercial invoice. Customs may question the value of the commercial invoice and request additional information from the importer.
5. Make sure the merchandise exported information matches the quantity listed on the commercial invoice. Any additional merchandise in the container can create major delays at the border or port of entry and result in fines to the importer.
6. Make sure labels are correct as any mistakes may result in substantial fines.
7. Exporters and importers may consider hiring a custom broker’s services to expedite procedures with the Nicaraguan Customs Authority. The process can be slow, and businesses benefit from the expertise and existing working relationships these agents have.

**General Consumer Tastes and Preferences**

Nicaraguan consumers are familiar with U.S. products and brands. They consider U.S. products to be high in quality and trendy. The Nicaraguan diet is traditionally high in carbohydrates and low in proteins, vegetables, and fruit. More than 65 percent of the local population derives most of their daily calories from carbohydrates. A typical food purchase by an average Nicaraguan family would include rice, beans, sugar, oil, coffee, and oath, which has become a type of cereal, maize and/or maize flour and other processed foods such as sauces, pasta, and sardines, among others.

The main sources of animal protein are chicken and pork meat. Although chicken continues to be the cheapest source of animal protein, chicken consumption has fallen more than 10 percent in the last two years due to the economic crisis. In spite of its higher price, pork meat is still widely popular in local

markets. Even though there are many slaughterhouses that sell beef locally, the consumption of beef is lower since beef prices are higher than those of chicken and pork meat.

Consumer-oriented products are attractive to the young and middle-class population. Consumption of processed foods such as sweetened-flavored soft drinks, processed sweets and snacks have grown in urban areas, due to an increase in supermarkets and Mom and Pop stores, that led to new consumer habits for consuming convenient processed products.

### **SECTION III. IMPORT FOOD STANDARDS & REGULATIONS AND IMPORT PROCEDURES**

U.S. exporters must follow these key steps before shipping to Nicaragua: 1) ensure that food products are registered at the Ministry of Health (MINSa), 2) the importer needs to request a permit to MINSa and the Nicaraguan Institute of Agricultural Protection and Health (IPSA), 3) and a copy of the commercial invoice, sanitary certificate, and certificate of origin need to be presented to the competent authorities. It is highly recommended to refer to our latest *Nicaragua's Food and Agricultural Import Regulations and Standards (FAIRS)* report for the latest requirements:

[https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Country%20Report\\_Managua\\_Nicaragua\\_12-31-2019](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Country%20Report_Managua_Nicaragua_12-31-2019)

#### **General Import and Inspection Procedures**

IPSA is the agency responsible for the inspection of agricultural products at the border. The key legislation that establishes inspection procedures is COMIECO Ministerial Decree No. 338-2014 Sanitary and Phytosanitary Guidelines for the facilitation of trade in Central America. This Ministerial Decree classifies imported animal, plant, and processed food products according to the sanitary and phytosanitary risk category they represent. If the imported product falls under the "A" category, the imported product must be inspected at the border because it is considered high risk. If the imported product falls into the "B" (medium risk) or "C" (low risk) category, the imported products will be inspected randomly at the border.

This regulation also follows the traffic light color red (high sanitary risk), yellow (medium sanitary risk) and green (low sanitary risk). According to food importers, currently about 95 percent of all incoming shipments fall into the high-risk category (red color) and therefore the containers must be inspected. Importers complain that in the past only 50 percent of the containers were considered of high risk and the increased inspections lead to increased costs and food supply chain delays. For more information about the risk category regulation, please refer to the following link: <http://visar.maga.gob.gt/visar/338-2014COMieco.pdf>.

When containers arrive to the border, importers must present the following information to IPSA: import permit, sanitary or phytosanitary certificate, certificate of origin and a copy of the commercial invoice. Additionally, the importer must present the bill of lading, packing list, and original invoice, declaration of invoice authenticity, import permit and certificate of origin to the Nicaraguan Customs Authority (DGA).

Industry has raised concerns regarding Nicaraguan customs (DGA) requirements to verify the product's origin as well as the declared value of goods.

## **SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS**

### **Hotel Restaurant and Institutional (HRI)**

The HRI sector has been hardest hit by the social political crisis and COVID 19 pandemic. Many hotels and restaurants had to close temporarily due to the pandemic in the first half of 2020. According to Nicaragua's Chamber of Tourism (CANATUR), the hotel and restaurant industry has lost over 100,000 jobs. Only one airline, Avianca, is offering commercial flights, while the rest of the airlines rescheduled their flights to February 2021.

According to the Nicaraguan Chamber of Restaurants, 70 percent of restaurants closed in April due to the pandemic. However, some of them have been reopening gradually with social distancing measures, and others have been reinventing themselves by offering delivery service to their customers. While some restaurants have their own delivery service most of them have relied on new companies who offer these services. As a result, six new delivery companies have emerged (Hugo, Piki, Jumpers, Get my food, Aventon and Yolo) which offer delivery of a wide variety of goods such as food, supermarket and convenience store products, and home supplies. Each company has its own App that can be downloaded for free on mobile phones. Nicaraguans have relied on internet sales and E-commerce to make their regular purchases during the pandemic.

### **Food Retail**

More than 1,000 wholesalers, retailers, and distributors operate in Nicaragua. Supermarkets are gaining in popularity as they provide a greater variety of products. Supermarket chains have expanded, especially those owned by Walmart (La Union, Maxi Pali and Pali). Despite the ongoing crisis, Walmart opened a new super store and a new distribution center in 2019. There are 84 supermarket stores in Nicaragua: two Walmart supermarkets located in the City of Managua, eight La Union supermarkets located in Managua and in some main cities like Granada, Leon and Masaya, and 65 Pali and 11 Maxi Pali distributed throughout the country. The Pali and Maxi Pali are mid-range stores that target smaller cities (towns) as well as popular neighborhoods in Managua. Their customers seek quality at the lowest price before anything else and usually do not have a predominant preference over specific brands or products.

La Union and La Colonia cater to a more upscale segment, offering a variety of imported products. These supermarkets are often look for the latest products. La Colonia (Mántica Group) has 18 supermarkets located throughout Nicaragua and Price Smart, the US based chain, has two stores in Managua. Price Smart offers large size products, making it attractive for companies and restaurants and sells a wide variety of US imported products. There are three additional stores that target higher-end consumers: Portas, Stop and Go, and Economarket. They offer a wide variety of imported food products in Managua.



## Food Processing

Food products processed in Nicaragua consist primarily of meats, sugar, cookies, and crackers. The local supply of various food products, especially those in the consumer-oriented groups, is limited. The Nicaraguan food industry is mostly engaged in primary processing of local products for the export market. Very few snacks, chips, biscuits, and sugar confectionery are produced locally. This provides opportunities for foreign suppliers. Nicaraguan industries import high volumes of intermediate products such as additives and ingredients from foreign suppliers. The sector is still underdeveloped when compared with the rest of Central America.

### Output for Selected Industries (\$ U.S. Millions)

Industries	2017	2018	2019
Meat and Fish	560	529	528
Sugar	170	168	157
Dairy Products	179	164	156
Beverages	223.8	221	213
Other food of industrial source	384	374	337

*Source: With Statistics from the Nicaraguan Central Bank*

In 2019, the Nicaraguan food processing industry experienced a four percent decrease compared to the previous year.

### Domestic Industry Capacity vs Availability of Foreign Supplied Products

Domestic food production does not satisfy consumer demand for a variety of products. Most of the products found in the supermarkets come from Central American countries and the United States. The United States is the top trading partner, followed by China, Mexico, Honduras and Costa Rica. Food imports have increased in 20 percent in the last five years.

### Market Entry Strategy

The use of distributors is the most common way to import U.S. products. Local distributors and agents generally handle distribution and sales of imported products through wholesale, self-service (supermarkets and convenience stores), and retail ("pulperia" stores and informal vendors) channels. The Nicaraguan retail market is relatively small, but exporters may benefit from identifying

representatives with coverage in the main regions, which are divided into the Pacific, Central and Northern regions, and the Atlantic Coast. The Association for Distributors of Consumer-Oriented Products (ADIPROCNIC) represents intermediaries and distributors. Distributors have two main channels: retail and convenience stores known as the “modern channel” and direct sales to HRI. Distributors have the capacity to provide the logistics necessary to supply smaller convenience stores that are an important component of the retail sector.

### **Trends in Promotional/Marketing Strategies and Tactics**

The Nicaraguan market is highly price sensitive. It is common to find promotional products that offer more quantity (15-25 percent more or “2 for 3”) for the same price, or promotional combinations that include free samples. The sampling of new products in supermarkets is also a common market entry strategy.

Market entry strategies include but are not limited to advertising in local newspapers, radio, television, and road billboards. Since the majority of the population is considered poor to middle class, there is a lot of advertisement through radio.

Publicity through the internet is a new strategy that is helping companies survive during the pandemic. People tend to rely more on social media to find about new services and products than more traditional media. Companies are starting to create their own web pages and advertise on different social media platforms. In addition, businesses are starting to use E-commerce to sell their products and services. According to Nicaraguan Telecommunications Chamber, at 8,3 million, the number of cells phones mobile lines is greater than Nicaragua’s population of six million. Nicaragua has the cheapest internet access in Central America. As a result, 85 percent of the population has internet coverage on their mobile phones.

Consumers can be categorized into two types of buyers:

- a) Low-medium income consumers are price driven and purchase smaller size products on a frequent basis. As these buyers have a limited cash flow (associated with informal employment), they shop at stores and “pulperias” in their neighborhoods to purchase the items they need for the day. This group also seeks products that are convenient in terms of accessibility (closeness and price) and ease of preparation.
- b) Medium-high income customers who have higher purchasing power and seek quality, trendy, and healthy (light, fat-free, gluten-free), and value-added products. These customers tend to shop biweekly or monthly and they do not necessarily do their shopping at only one store. They visit multiple stores in search of a variety of products, including high-end products.

## SECTION I. AGRICULTURAL AND FOOD IMPORTS

As the Nicaraguan economy continues to contract, there will be less demand for high value foods and greater demand for basic grains and low cost processed foods. The best prospects for 2021 are yellow corn, rice, soybean meal, pork meat, chicken leg quarters and a wide variety of low cost processed foods.

<b>Product</b>	<b>2019 Imports (Sales in US\$ Million)</b>	<b>5-Yr Total Import Growth (% of \$ Sales)</b>	<b>5-Yr Avg. Annual Import Growth</b>
Corn	50	47%	9.4%
Soybean Meal	42	-19%	-3,8%
Rice	43	4,260%	852%
Pork meat	19	171%	35%
Dairy Products	14	-6.4%	0%
Chicken	7	0%	0%

## **SECTION V. KEY CONTACTS AND FURTHER INFORMATION**

### **USDA Foreign Agricultural Service (FAS) Managua**

U.S. Embassy Managua, Nicaragua

Carretera Sur, Km 5.5

Phone (505) 2252-7100 Ext.7621

[agmanagua@state.gov](mailto:agmanagua@state.gov)

[FAS homepage: http://fas.usda.gov](http://fas.usda.gov)

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### **Attachments:**

No Attachments