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Report Highlights:

Despite deteriorating political and economic conditions, U.S. food and agricultural exports through the first nine months of 2021 exceeded \$300 million – shattering previous annual records – driven by strong commodity prices and increased demand for U.S. feed grains. Continued export success in 2022 is not certain, as the economic and business ramifications of November 2021 sham elections unfold and as persistent global logistical challenges contribute to higher shipping costs for consumer-oriented products.

Market Fact Sheet: NICARAGUA

Executive Summary

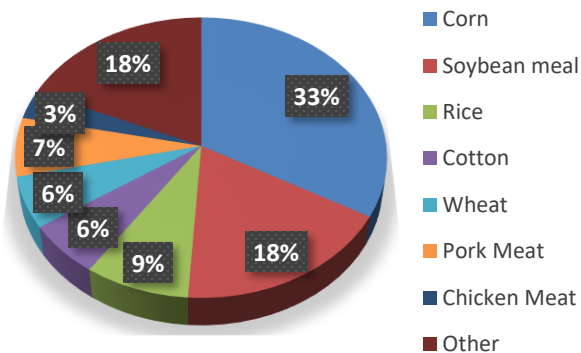
Independent analysts anticipate economic stagnation in 2022 following a Presidential election in November 2021, widely regarded as lacking democratic legitimacy. As a net importer of food, Nicaragua will continue to offer opportunities for U.S. food and agricultural exports.

Through September 2021, imports of agricultural goods from the United States were up 84 percent to more than \$330 million – the highest level in at least 50 years. Higher prices for feed grains and continued expansion of the Nicaraguan livestock sector along with risk averse behavior amid deteriorating political conditions throughout 2021 helped drive growth. Global logistical challenges and increased shipping costs have reinforced U.S. suppliers’ advantages in the market.

Imports of Consumer-Oriented Products

Nearly all U.S. products have duty free access to Nicaragua under the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). Remaining tariff rate quotas (TRQs) on rice, chicken meat, and dairy products will phase out by January 1, 2025. Among the best prospects for export growth are feed grains and soybean meal as well as rice, chicken meat, pork, and snack foods, but deteriorating economic conditions or terms of trade could diminish prospects.

U.S. Agricultural Exports to Nicaragua January – September 2021



Source: Trade Data Monitor, LLC.

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 more than 100 supermarket stores and thousands of much smaller ‘mom and pop’ retailers.

Food Processing Industry

Most Nicaragua food processors import ingredients directly from exporters.

Quick Facts CY 2020	
Imports of U.S. Consumer-Oriented Products	\$88 million
List of Top 10 Growth Products in Nicaragua	
1) Corn	6) Prepared Foods
2) Soybean Meal	7) Chicken Meat
3) Rice	8) Condiments & Sauces
4) Pork	9) Bakery Goods, Cereals, & Pasta
5) Dairy Products	10) Essential Oils
Top Retailers	
1) Walmart (La Union, MaxiPali, & Pali)	4) Porta’s
2) La Colonia (Mantica Group)	5) AM/PM
3) Pricesmart	
U.S. Food & Beverage Exports to Nicaragua	\$273 million
Population	6.6 million
Unemployment rate	6%
GDP (billions USD)	\$12.6
GDP (per capita)	\$1,905
Exchange rate	34.8 cordobas : \$1 USD

Source: Central Bank of Nicaragua

Strengths / Weaknesses / Opportunities / Challenges	
Strengths	Weaknesses
U.S. products are well-known and perceived as high quality.	U.S. products are often undercut by regional competitors on price.
U.S. products largely enter duty free and quota free.	U.S. product formats may be too large for the average consumer.
Opportunities	Challenges
Export-oriented cattle and growing domestic livestock sectors rely on imported feed.	Deteriorating political and economic conditions create significant structural impediments to U.S. exports.
Remaining CAFTA-DR TRQs on chicken, dairy, and rice will phase out by 2025.	Nicaraguan consumer purchasing power is mismatched to higher-value U.S. consumer-oriented products.

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SECTION I. MARKET OVERVIEW

With a gross domestic product (GDP) of \$12.6 billion and a per capita income of \$1,905 in 2020, Nicaragua is the second-poorest country in the Western Hemisphere. More than 40 percent of Nicaraguans live in poverty.

Mired in political crisis since April 2018, political conditions in Nicaragua deteriorated throughout 2021 ahead of general elections in November, widely regarded by the international community as illegitimate. With the prospect of international economic sanctions and a lack of support from international financial institutions, Nicaragua's overall economic outlook is expected to remain in doubt until political conditions improve.

Agriculture, however, has been a consistent performer, accounting for 15 percent of Nicaragua's GDP and roughly two-thirds of national employment. Agricultural production is focused on primary commodities including coffee, cattle, sugarcane, peanuts and beans. Although Nicaragua is one of the largest food producers in the region, the food processing sector is underdeveloped and production lags consumer demand for a variety of products. As such, Nicaragua imports large quantities of primary products, including rice to supplement local production and feed grains for livestock, and a wide range of processed products, mostly from regional suppliers.

The United States is the largest supplier of agricultural products to Nicaragua, providing more than 25 percent of total imports by value. U.S. exports to Nicaragua through the first 9 months of 2021 were up 84 percent to more than \$330 million, far surpassing the record high export value for all previous years. Bulk commodities, like corn and soybean meal, comprise the vast majority of U.S. exports and have been significantly less affected by global logistical challenges during the pandemic than containerized shipments of consumer-oriented goods.

Despite those challenges, exports of certain U.S. high-value products, especially pork and chicken meat, have been growing briskly as the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) has continued to create new export opportunities; tariffs on U.S. pork were eliminated in 2020 and tariffs on chicken leg quarters fell by a third in 2021. Tariff rate quotas (TRQs) for rough and milled rice as well as chicken leg quarters will be completely phased out by January 1, 2023, and remaining TRQs for dairy products will be phased out on January 1, 2025. Under the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA), most U.S. agricultural products enter Nicaragua duty free.

Overall Business Climate

Weak public institutions and rule of law as well as corruption, bureaucratic inefficiency, and extensive control by the executive branch 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 during the ongoing civil crisis. Though the Government of Nicaragua did not take national measures to control the spread of COVID-19, many private businesses and individuals implemented

measures to combat the pandemic, which slowed economic activity. Relative to the region, Nicaragua's economy has remained relatively 'open' during the pandemic, supporting recent economic growth.

Lacking international political legitimacy and burdened by a considerable fiscal deficit, lagging investment, and unserviceable commitments under the national social security system, Nicaragua's economy faces considerable structural challenges. Nicaraguan importers have reported increased inspections by Nicaraguan custom authorities, delays at the port and/or border, additional fees, and the use of bureaucratic instruments to extract additional rents from routine business transactions.

Despite the ongoing social political crisis, Nicaragua still relies on food imports to complement and supplement local production, creating opportunities for U.S. food exports. Supermarket chains have continued to expand and modernize, supporting increased distribution of imported high-value perishable products (like pork and chicken meat) as well as consumer-packaged goods. Expansion of supermarket infrastructure has also driven growing demand for and popularity of retailers' own private label branded products.

Among shelf-stable products, the best export prospects are: food preparations, non-alcoholic and alcoholic beverages, snack foods (including cookies and crackers), rice, dry beans, canned goods, and breakfast cereals. Relative to other Central American countries, Nicaragua's food processing sector is limited, but there are still export opportunities for ingredients and raw materials in food processing. However, if the Nicaraguan economy continues to deteriorate, FAS/Managua anticipates reduced demand for high value, consumer-oriented foods.

Consumer Profile

With a median age of twenty-six years, Nicaragua is a country of young people, to whom consumer-oriented products are attractive. Consumption of processed foods – sweetened-flavored soft drinks, processed sweets, and snacks – has grown in urban areas as growing numbers of supermarkets and more sophisticated supply chains have contributed to demand for convenient processed products. In general, Nicaraguan consumers can be divided into two categories:

- a) **Low-medium income consumers** are price-driven and purchase smaller format products on a more frequent basis. With limited cash flow (associated with informal employment) and transportation options, they tend to shop at 'mom & pop' retail stores (known as *pulperías*) in their neighborhoods, often using informal credit terms from the stores. These consumers prioritize accessibility, low prices, and ease of preparation.
- b) **Medium-high income consumers** with higher purchasing power tend to seek higher quality, trendy, and healthier foods. These consumers shop less frequently, purchase larger format products, and often shop at several different stores to find what they want. They are influenced by culinary trends, including gluten-free and organic, and also purchase higher-end value-added products.

Table 1. Advantages and Challenges for U.S. Exporters

Advantages	Challenges
Nicaraguan importers trust the quality and wholesomeness of U.S. products	Limited purchasing power and uncertain economic outlook.
Preferential access and reduced tariff rates under the CAFTA-DR trade agreement.	Weak rule of law and arbitrary rulings by customs agents may result in delays, fees, and/or rejections.
Proximity to Nicaragua provides lower shipping costs and shorter shipping times.	Without an Atlantic port, shipments must cross Honduras overland or transit the Panama Canal.

SECTION II. EXPORTER BUSINESS TIPS

Market Entry Strategy

Imported U.S. products generally rely on a Nicaragua’s network of distributors to drive sales of through wholesale, modern retail (supermarkets and convenience stores), and ‘mom & pop’ retail (*pulperías* 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 also have the capacity to provide logistics needed to supply smaller ‘mom & pop’ stores, which are an important component of the retail sector.

The following points are critical to successfully accessing the Nicaraguan market:

1. Exporters should make sure their legal representatives and/or importers are registered as taxpayers in Nicaragua.
2. Provide importers with the bill of lading, commercial invoice, packing list and the certificate of origin (to determine applicability of CAFTA-DR and other benefits) **for every shipment.**
3. Make sure shipping companies send merchandise in clean containers to avoid multiple inspections at the border.
4. Be prepared to provide additional information regarding the values of the commercial invoice and the origin of the product to support importers engagement with customs officials.
5. Merchandise exported **must exactly** match the product / quantity listed on the commercial invoice; discrepancies can create major delays at port of entry and result in fines to the importer.
6. Make sure labels are correct; minor mistakes may result in substantial fines.

7. Exporters and importers may consider hiring a custom broker to expedite procedures, as the customs process can be slow, and businesses benefit from the expertise and existing working relationships of a broker.

Market development strategies regularly include advertising in local newspapers as well as on radio, television, and roadside billboards. Since most of the population is considered poor- to middle-income, radio advertisements reach large populations in urban neighborhoods and in rural areas. Digital marketing is a relatively new strategy that grew significantly during the pandemic, as consumers navigate social media (mostly Facebook and Instagram) on smartphones to find new services and products. In addition to advertising directly on social media platforms, companies are promoting products through influencers, some of which have 80,000 or more followers. E-commerce is a relatively small but growing segment of the retail market. According to Nicaraguan Chamber of Telecommunications (CANITEL), there are more cell phones (8.3 million) than people in Nicaragua and internet access is less expensive than in any other Central American country, resulting in the vast majority of the population having internet access through their mobile phones.

General Consumer Tastes and Preferences

Nicaraguan consumers are generally familiar with U.S. products and brands, viewing them as trendy and high quality. 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. An average Nicaraguan family's typical grocery basket would include rice, beans, eggs, sugar, oil, coffee, and processed foods such as sauces, pasta, and sardines as well as cereal grain (often oats, corn, or wheat) flour. The main sources of animal protein are eggs, chicken, and pork meat, with eggs the lowest cost source of protein for Nicaraguan consumers. In spite of its higher price, pork meat is still widely popular in local markets. Even though Nicaragua produces large volumes of beef, consumption lags chicken and pork considerably due to the higher price. Hotels, restaurants, and wealthier consumers generate a small but growing demand for premium quality imported beef cuts.

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 an import permit from MINSa and the Nicaraguan Institute of Agricultural Protection and Health (IPSA), and
- 3) a copy of the commercial invoice, sanitary or phytosanitary certificate (if needed), and certificate of origin must be presented to the competent authorities.

FAS/Managua highly recommends U.S. exporters consult the latest [Food and Agricultural Import Regulations and Standards \(FAIRS\) report](#) for the current requirements.

General Import and Inspection Procedures

IPSA is responsible for the inspection of agricultural products at the border. The agency implements a risk management system that classifies imported animal, plant, and processed food products according to sanitary and phytosanitary risk. Category “A” / red / highest risk products must be inspected at the border, whereas category “B” / yellow / medium risk and “C” / green / lowest risk products are subject to random inspection corresponding to imported product volume, frequency, and risk profile. Industry sources report a significantly higher percentage (close to 95 percent by some estimates) of imported products are being categorized as highest risk, leading to increased delays, costs, and detentions.

When shipments arrive at the border, importers must present the following documentation to IPSA: import permit; sanitary or phytosanitary certificate; certificate of origin certified by a chamber of commerce; copy of the commercial invoice; bill of lading; packing list; original invoice; and import permit to the Nicaraguan Customs Authority (DGA).

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Hotel, Restaurant, and Institutional

The hotel, restaurant, and institutional (HRI) sector has been hardest hit since the social political crisis in 2018 discouraged international tourism, which had been growing. The COVID-19 pandemic caused many hotels and restaurants to close temporarily in the first half of 2020, and international tourism only began to recover (albeit tentatively) in summer 2021. Businesses and employees along the supply chains associated with tourism have been severely affected by the pandemic. As vaccination rates around the world continue to rise, the HRI sector looks forward to the Government easing airline travel restrictions (among the most strenuous in Latin America) to support tourism recovery. As of December 2021, commercial flights to/from Nicaragua were well below pre-pandemic levels, though Avianca, which has been transporting 8,000 passengers monthly, plans to increase flights to Managua as soon as possible.

According to the Nicaraguan Chamber of Restaurants (CANIRES), 70 percent of restaurants closed in 2020 due to the pandemic. However, during 2021 the sector has been recovering more rapidly than the hotel sector, serving almost exclusively local customers with social distancing and other COVID-response measures. The loss of formal jobs due to the crisis and the pandemic, has contributed to a significant increase in informal economic activity, including HRI businesses like food trucks, which are becoming more popular in urban areas. A number of delivery service providers have also emerged from the pandemic – including Hugo, Piki, Jumpers, Get my food, Aventon, Yolo, and Pedidos Ya – offering not just restaurant meals, but also groceries and home goods.

Retail

More than 1,000 wholesalers, retailers, and distributors operate in Nicaragua. Supermarkets with a wider variety of products are increasingly popular and expanding. Walmart operates 92 supermarkets under several banners (Walmart, La Union, Maxi Pali, and Pali), serviced by a national distribution center. The Pali and Maxi Pali banners are discount supermarkets targeting smaller cities and towns as well as populous neighborhoods in Managua; customers generally seek the lowest prices and typically express

low levels of brand loyalty. La Union and La Colonia cater to a more upscale segment, offering a variety of innovative and imported products. U.S.-based PriceSmart offers bulk-format products, making it attractive for companies and restaurants, and sells a wide variety of imported products. Three additional stores target higher-end consumers in Managua with a variety of imported products: Porta’s, Stop-n-Go, and Economart. Convenience chains AM/PM and Super Express operate more than 100 locations combined across the country, featuring a variety of imported snack foods and confections, with regional suppliers more common than U.S. brands.

Table 2. Retail Grocery Outlets

Banner	# of Outlets
Pali	65
Maxi Pali	17
La Union	8
Walmart	2
PriceSmart	2
Porta’s	1

Food Processing

Nicaragua’s food processing sector is largely focused on primary processing of meat and sugar for export. Apart from a small number of snack foods and confections, there are few locally produced consumer-oriented products. Cost competitive regional suppliers have established recognizable brands and comprised 80 percent of Nicaraguan snack food imports in 2020. Relative underdevelopment and little anticipated investment in the food processing sector will continue to provide opportunities for U.S. suppliers prepared to navigate the challenges of the Nicaraguan market.

Table 3. Output for Selected Industries (Million USD)

Industries	2018	2019	2020
Meat and Fish	529	528	513
Beverages	221	213	211
Dairy Products	164	156	168
Sugar	168	157	130
Other Processed Foods	374	337	347

Source: Central Bank of Nicaragua

SECTION V. 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 lower priced processed products. The best prospects for 2022 are

yellow corn, rice, soybean meal, pork meat, chicken leg quarters and a wide variety of lower priced processed products. Despite a surge in imports of U.S. wheat in 2021, FAS/Managua would not classify wheat as a best prospect in Nicaragua. A 2011 arrangement between Nicaragua and Russian has practically displaced all wheat from other origins, except when Russian exportable supplies are tight – as in 2021.

Table 4. Best Prospects for Export Growth

Product	2020 Imports (Million USD)	5-Yr Import Growth (by value)	5-Yr Avg. Annual Import Growth (by value)
Corn	68	25%	5%
Soybean Meal	48	4%	1%
Rice	33	3,200%	640%
Pork	24	118%	24%
Dairy Products	14	133%	27%
Chicken Meat	10	92%	18%

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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Attachments:

No Attachments