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**Report Highlights:**

Despite Nicaragua's ongoing social political crisis, there are still good opportunities for U.S. food exports. Total U.S. agricultural exports to Nicaragua reached \$250 million in 2019, an increase of 15 percent compared to the previous year. The increase on U.S. exports was driven by the recovery of the Nicaraguan rice import market worth \$40 million. As the Nicaraguan Economy continues a downtrend, post anticipates a decrease on imports of high value foods and an increase on imports of grains, semi-processed foods and a wide variety of low cost processed foods. Consumers are demanding more generic low-cost foods.

# NICARAGUA

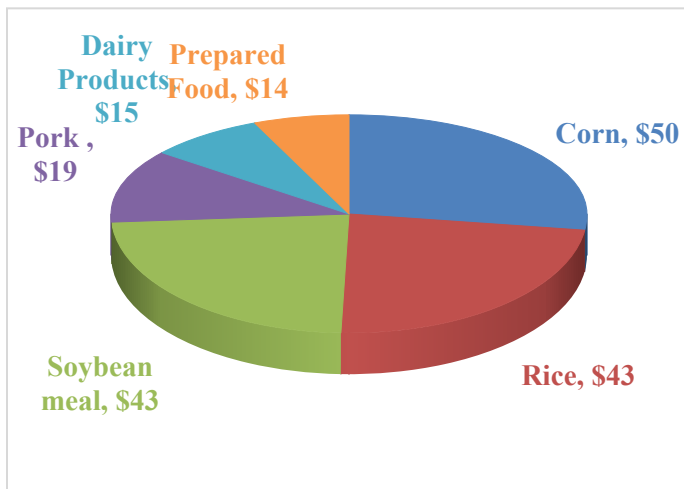
## Executive Summary

Since April 2018, Nicaragua has been immersed in a social-political crisis that has negatively impacted its economy. The Gross Domestic Product (GDP) fell 3.8 percent in 2018 and 5 percent in 2019. Despite the social political crisis, there are still good opportunities for U.S. food exporters.

In 2019, U.S. agricultural exports to Nicaragua reached over \$ 250 million, a 15 percent increase from the previous year. The growth was driven by the recovery of the Nicaraguan rice import market worth \$ 40 million with the United States again becoming the main rice supplier. In addition, there was increased demand for U.S. pork (up 23 percent) as well as steady demand for yellow corn and soybean meal from the animal feed industry.

Bulk grains such as rice, corn, soybean meal, pork and wide variety of low cost processed foods have the best prospects in 2020. Consumers demand generic low-cost food.

**Top U.S. Agricultural Exports to Nicaragua in 2019**  
(in millions of U.S. dollars)



## Food Processing Industry

Nicaragua produces very few snacks, chips, biscuits, and sugar confectionery products domestically.

Therefore, there are good opportunities for U.S. exports, especially if the market normalizes.

## Food Retail Industry

The supermarket sector in Nicaragua has more than 1,000 wholesalers, retailers, and distributors with the capacity to reach consumers without the need of other intermediaries. Businesses target both the modern supermarket chains and the traditional local markets.

### QUICK FACTS

**Top Prospects:** Rice, corn, soybean meal, soybean oil, pork meat, dairy and prepared food.

#### Agricultural Trade Flows in 2019:

U.S. Food Exports to Nicaragua \$ 250 Million

U.S. Food Imports from Nicaragua \$ 757 Million

**Retail Stores:** Walmart, La Union, Pali, La Colonia, Super Express, AM/PM.

#### Economic Indicators

Population of Nicaragua	6.1 million
GDP (billions USD)	\$13.1 billion
Per capita GDP	\$ 2,082
Exchange rate	34 Córdobas per 1 US\$
Employment in Agriculture	31 percent of labor force

Source: Central Bank of Nicaragua

Advantages	Challenges
U.S. food products have good acceptance among Nicaraguan consumers.	Due to the political crisis, analysts expect GDP to drop one percent. High unemployment and inflation limit Nicaraguan purchasing power.

## Market Overview

The United States is Nicaragua's largest trading partner. It is the source of roughly a quarter of Nicaragua's imports and the destination for approximately two-thirds of its exports (including free trade zone exports). U.S. exports to Nicaragua totaled \$1.65 billion in 2019, including computer and electronic products, textiles and fabric, food products, and machinery. Nicaraguan exports to the United States were \$3.8 billion in 2019, including knit apparel and accessories, electrical machinery, woven apparel, precious stones and agricultural products. Other important trading partners for Nicaragua include El Salvador, Costa Rica, Mexico, Venezuela, and the European Union.

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 growth from 2013-2017, following an economic crisis that began in 2018, 41 percent of Nicaraguans live in poverty (i.e., on less than \$2.20 per day per person). The rural poverty rate is 56 percent. Seventy percent of all workers earn a living in the informal sector which is neither taxed nor monitored by the government.

Nicaragua has been immersed in a social political crisis since April 2018. GDP fell 3.8 percent in 2018 and 5 percent in 2019. Independent analysts estimate an additional one percent drop in 2020. One of the few sectors that still has a favorable prospect in the medium term is agriculture. Agriculture accounts for 15 percent of GDP and 70 percent of total exports of primary products (including processed foods such as meat and sugar). The main exports include coffee (mainly smallholder producers), livestock products (meat, dairy, and live cattle), sugarcane, peanuts and beans (the basic staple of the Nicaraguan diet). Although Nicaragua is a food producer, it does not have a well-developed food industry, providing opportunities for imports.

Total agricultural imports from the United States reached \$250 million in CY 2019, an increase of 15 percent from the previous year. U.S. agricultural exports to Nicaragua include success in the rice import market worth \$40 million, which had been previously come from South America, as well as the increase on U.S. pork meat exports (up 19 percent) and steady demand for yellow corn and soybean meal by the animal feed industry. U.S. exports of consumer-oriented products to Nicaragua also increased 5 percent in 2019. The increase in pork (up 23 percent) and poultry meat exports (up 32 percent) contributed to the growth of this food category.

There is less demand for high value foods and greater demand for low cost processed foods as result of the shrinking of the Nicaraguan economy ( -3.8 percent in 2018 and -5 percent in 2019). More retailers are looking for alternative options such as generic food brands. Grains such as corn, rice and wheat, semi-processed foods such as soybean meal and wide variety of low cost processed foods are the best prospects for 2020.

## Overall Business Climate

Very weak public institutions, deficiencies in the rule of law and administration of justice, corruption, inefficiency, and extensive single-branch executive control create significant challenges for doing business in Nicaragua, particularly for smaller investors. Prior to the 2018 civil unrest, large-scale investors and firms with positive relations with the ruling party received advantages in their dealings with government bureaucracy. During 2018, Nicaragua's model of consensus and dialogue with a select few private sector and labor representatives collapsed due to the ongoing civil crisis.

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, unserviceable deficits in the social security system, and the absence of investment.

## General Perspective of Marketing Opportunities for High Value Consumer Foods/Beverages and Edible Fishery Products

Despite the deceleration of the Nicaragua economy, there are opportunities for U.S. food exports. The lack of local farmers' access to credit due to the ongoing economic crisis could impact the local food supply and increase Nicaraguan dependence on foreign suppliers. The main food and beverage suppliers to Nicaragua are the United States, Honduras, Costa Rica and Guatemala.

Supermarket chains have expanded and modernized. In comparison with other Central American countries, Nicaragua's processed food sector is very limited, which is an opportunity for U.S. exporters. Nicaragua 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.

In 2020, post anticipates a decrease in U.S. high value food exports to Nicaragua, due to the contraction of the economy which affects tourism and the food service industry. However, the country offers best prospects for U.S. grains such as corn, rice, and for semi-processed foods such as soybean meal and soybean oil and a wide variety of low cost processed foods.

## Advantages and Challenges for U.S. Exporters

Advantages	Challenges
Nicaraguan importers trust the quality and wholesomeness of U.S. consumer-oriented products	Due to the social-political crisis, the GDP economic forecast for 2019 and 2020 is negative, unemployment is on the rise and inflation is increasing, limiting the purchasing power of Nicaraguans.

U.S. food products have excellent packaging design and product information.	Some U.S. products are more expensive than substitute products available in Central America.
Freight costs and contracts from the U.S. are lower for small markets such as Nicaragua.	In some cases, shipments may experience arbitrary delays from customs agents increasing transportation costs.
Tariff rates under the CAFTA-DR trade agreement.	Product registration in Nicaragua can take between three to six months due to the limited capacity of the Ministries of Agriculture and Health.
Many U.S. food products are competitive in terms of price and quality.	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.

## 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 ask shipping companies to make sure they send their merchandise on 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 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 mistake can result in high fines for the importer.
7. Exporters and importers may consider hiring a custom broker's services to expedite procedures with the Nicaraguan Customs Authority (DGA). The paperwork 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, which are known for being high in quality. The Nicaraguan diet is traditionally high in carbohydrates and low in proteins, vegetables and fruits. More than 65 percent of the local population's daily calories are derived from carbohydrates. Consumer-oriented products are attractive to the young and rising middle class segment. Consumption of processed foods, like sweetened-flavored soft drinks, processed sweets and snacks have grown in urban areas. This is related to consumer habits, which favor convenient processed products. In the last five years, the number of supermarkets and mom and pop stores have increased.

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

U.S. exporters should be sure to follow these key steps before shipping to Nicaragua: 1) ensure that food products are registered with the Ministry of Health (MINSa), 2) have the importer request a permit from MINSa for importation, 3) present a copy of the commercial invoice, sanitary certificate and certificate of origin at the border. It is highly recommended that exporters reference our latest **Nicaragua's Food and Agricultural Import Regulations and Standards (FAIRS) report** for the latest requirements:

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

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

The HRI sector has been the hardest hit by the ongoing social political crisis. According to the Central Bank, HRI sector economic activity has fallen at least 50 percent since April 2018. The Central Bank has not updated the HRI economic activity indicator in 2019. FUNIDES, a local think tank reports that the tourism industry has lost over \$200 million since April 2018. If the crisis continues, the HRI sector will continue to further decline in 2020. In 2017, the HRI sector accounted for 14.6 percent of GDP with a total value of \$2 billion. Before the crisis, the HRI sector was growing nearly 7 percent per year and offered good opportunities for high value foods.

### **Food Retail**

Supermarket chains have expanded in the country, especially those owned by Walmart (La Union, MaxiPali and Pali). Despite the ongoing crisis, this year, Walmart opened a new super store and a new distribution center. There are 84 retail stores in Nicaragua: 8 La Union supermarkets located in Managua and in some main cities like Granada, Leon and Masaya, and 65 Pali and 11 MaxiPali throughout the country. Pali and MaxiPali are mid-range stores that target smaller cities (towns) and popular neighborhoods in Managua. Their customers seek quality at the lowest price and usually do not have a brand preference. La Union and La Colonia cater to a more upscale segment. These stores are often looking for new products to import and to learn about new product trends. La Colonia (Mantica Group) has 18 supermarkets located throughout Nicaragua and the U.S.-based PriceSmart has two stores in Managua. New convenience stores that cater to a segment with higher purchasing power such as

Porta’s, Stop and Go, and Economarket are becoming popular and opening more establishments around Managua.

### **Food Processing**

The Nicaraguan food processing industry was growing in recent years at an annual rate of 5 percent. Since the social-political crisis started in April 2018, Foreign Direct Investment has decreased significantly and new investments on the food sector are on hold due to the country’s uncertainty.

Food products processed in Nicaragua consist primarily of meats, sugar, beverages and dairy products. The local supply of various food products, especially those in the consumer-oriented groups, is very limited. The Nicaraguan food industry is mostly involved in primary processing activities of local products for the export market. Very few snacks, chips, biscuits, and sugar confectionery are produced locally. This leaves good opportunities in the domestic market 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)**

<b>Industries</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Meat and Fish	537	584	538
Sugar	163	171	167
Dairy Products	178	179	160
Beverages	226	221	214
Other food of industrial source	416	418	400

*Source: Nicaraguan Central Bank*

All food industries experienced an average decrease of 6 percent in the total output compared to the previous year as a result of the social political crisis.

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

Nicaragua has a positive balance in food trade. Food and beverage imports totaled \$620 million in 2018, while Nicaraguan food exports (various agricultural products, seafood, and processed goods) exceeded \$1.9 billion. However, domestic food production does not satisfy demand in terms of the variety needed for the average human diet. Most products found in supermarkets come from Central America and the United States. The United States is the top trading partner, followed by China, Mexico,

Honduras and Costa Rica. Nicaraguan food imports increased 20 percent in the last five years before the crisis. In 2018, Nicaraguan food imports worth \$ 620 million fell six percent due to the social political crisis. High value consumer- oriented products were hardest hit by the crisis.

### **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 common channels, retail and convenience stores known as the "modern channel" or traditional direct sales to HRI. Distributors have the capacity to operate the logistics necessary to get to smaller convenience stores within the country.

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

The Nicaraguan market is highly price oriented. 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 very common market entry strategy.

Market entry strategies include but are not limited to advertising in local newspapers, magazines, radio, television, and road billboards. Since the population is considered low to middle class, there is a lot of advertisement via radio. Radio is the number one means of reaching a broader audience. TV advertisements are also considered very effective; however, these are often directed at a higher-income segment. Advertising for higher-income segments of the population can be found in newspapers, television, cinema, and by cell phone text messaging.

Other popular means of promotion are billboards (used both in cities and rural areas), banners, printed flyers, and loudspeaker announcements. The latter appear more often in the city and are more effective when a narrower target segment is defined. Internet marketing is limited although there are a growing number of internet users.

Consumer habits vary and can be generalized into two types of buyers:

a) Low-medium income segment are price driven and purchase small quantities on a frequent basis. Because of their limited cash flow (associated with informal employment), they frequent stores and "pulperias" in their neighborhoods on a regular basis to get the products they need for the day. This



group also seeks products that are convenient in terms of accessibility (closeness and price) and in terms of rapidness and easiness to prepare.

b) Medium-high income customers who have higher purchasing power seek quality, new trends in healthy products (light, fat-free, gluten-free), and value-added products. These customers do not necessarily do their shopping at only one store. They visit multiple stores in search of a variety of products.

## SECTION V. BEST PROSPECTS

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 2020 are yellow corn, rice, soybean meal, pork, and a wide variety of low cost processed foods.

<b>Product</b>	<b>2019 Imports (Sales in millions of US dollars)</b>	<b>5-Yr Total Import Growth (% of \$ Sales)</b>	<b>5-Yr Avg. Annual Import Growth</b>	<b>Import Tariff Rate</b>	<b>Market Attractiveness / Key Constraints Over Market Development</b>
Yellow Corn	50.3	48%	9 %	Duty Free within CAFTA-DR Import quota	The import quota will be unlimited starting in 2020.
Rice	43	762%	144%	Duty Free within CAFTA-DR Import quota	The import quota will be unlimited starting in 2023. In 2019, U.S. rice exports to Nicaragua totaled \$ 34 million, an increase of 590%.
Soybean Meal	45	-4.9%	-0.98%	DAI 15%	There is good demand of soybean meal for the poultry industry

Pork and Pork Products	19	163%	32%	DAI 15%	There is growth in the demand for imported products in supermarkets.
Prepared Foods	15	33%	6.6%	DAI 15%	Slowdown in demand expected in 2020, due to economic challenges

## SECTION VI. 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@fas.usda.gov](mailto:agmanagua@fas.usda.gov)

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

### Department of Commerce – U.S. Foreign Commercial Service

Phone: (506) 2220-2454

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Email: [san.josecr.officebox@mail.doc.gov](mailto:san.josecr.officebox@mail.doc.gov)

Website: [www.export.gov](http://www.export.gov) [www.buyusa.gov](http://www.buyusa.gov)

### Ministry of Agriculture

<https://www.mag.gob.ni/>

### Institute of Agricultural Protection and Safety

<https://www.mag.gob.ni/index.php/ipsa>

### Investment and Export promotion Agency

<http://pronicaragua.gob.ni/en/>

### Ministry of Health of Nicaragua (MINSa)

Food Department & Product Registry Department

Phone: 2289-4700 Ext. 1298

[dra@minsa.gob.ni](mailto:dra@minsa.gob.ni)

**Attachments:**

No Attachments