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**Report Highlights:**

U.S. food and agricultural exports through the first nine months of 2022 were nearly \$500 million – outpacing record highs in 2021 by 30 percent – on higher commodity prices and sustained demand for U.S. feed grains. Nicaragua’s response to high pathogenicity avian influenza in the United States and continued deterioration of political and economic conditions in Nicaragua injected additional uncertainty into already challenging conditions for U.S. exporters in 2022. Nicaragua will continue to rely on imported products to complement and supplement local production in 2023, creating opportunities for U.S. exporters amid record-setting rates of outward migration and increased sanctions against the Ortega-Murillo regime.

# Market Fact Sheet: NICARAGUA

## Executive Summary

Independent analysts anticipate slower economic growth in 2023 due to the ongoing political crisis, increased migration, and the threat of a global recession which could negatively impact Nicaraguan exports. As a net importer of food, Nicaragua will continue to offer opportunities for U.S. food and agricultural exports.

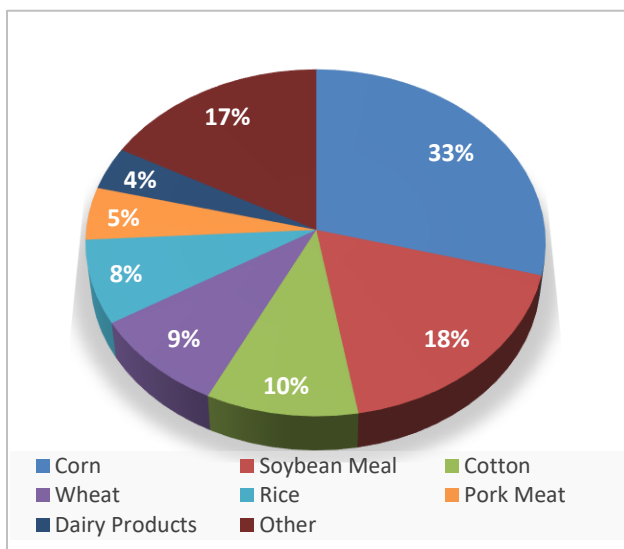
Through October 2022, imports of agricultural goods from the United States were up 30 percent to \$483 million, already above record-setting 2021 total exports. Higher prices for feed grains, continued expansion of the Nicaraguan livestock sector, and risk averse behavior favoring consumable imports over longer-term investments in local production helped drive U.S. export growth in 2022. Global logistical challenges and increased shipping costs complicated trade, but 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). Chicken meat as well as rough and milled rice will enter duty free and quota free in 2023, while remaining tariff rate quotas (TRQs) on dairy products will phase out on 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 2022



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.

| <b>Quick Facts CY 2021</b>                           |                                   |
|--|-----------------------------------|
| <b>Imports of U.S. Consumer-Oriented Products</b>    | <b>\$107 million</b>              |
| <b>List of Top 10 Growth Products in Nicaragua</b>   |                                   |
| 1) Corn  | 6) Pork Meat                      |
| 2) Soybean Meal                                      | 7) Chicken Meat                   |
| 3) Rice  | 8) Condiments & Sauces            |
| 4) Cotton  | 9) Bakery Goods, Cereals, & Pasta |
| 5) Wheat   | 10) Dairy products                |
| <b>Top Retailers</b>                                 |                                   |
| 1) Walmart (La Union, MaxiPali, & Pali)              | 4) Porta's                        |
| 2) La Colonia (Mantica Group)                        | 5) AM/PM                          |
| 3) PriceSmart  |                                   |
| <b>U.S. Food &amp; Beverage Exports to Nicaragua</b> | <b>\$438 million</b>              |
| Population   | 6.6 million                       |
| Unemployment rate                                    | 6%                                |
| GDP (billions USD)                                   | \$14.1                            |
| GDP (per capita)                                     | \$2,045                           |
| Exchange rate  | 34.8 cordobas : \$1 USD           |

Source: Central Bank of Nicaragua, The World Bank

| <b>Strengths / Weaknesses / Opportunities / Challenges</b>                         |  |
|--|--|
| <b>Strengths</b>   | <b>Weaknesses</b>  |
| 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.                            |
| <b>Opportunities</b>   | <b>Challenges</b>  |
| Export-oriented cattle and growing domestic poultry sectors rely on imported feed. | Deteriorating political and economic conditions create significant structural impediments. |
| Remaining CAFTA-DR TRQs on dairy will phase out by 2025.                           | 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 \$14 billion and GDP per capita just over \$2,000 in 2021, Nicaragua was the second-poorest country in the Western Hemisphere. More than 40 percent of Nicaraguans live in poverty. After three years of recession, Nicaragua's economy rebounded in 2021 on global demand for gold, higher remittances from the Nicaraguan diaspora, and generous credits from international financial institutions. Official and independent sources estimate GDP growth in 2022 was less than 3 percent, with slower growth expected in 2023. Formal employment has yet to recover to levels preceding the 2018 political crisis that continues to drag on the economy, and average household incomes were 15 percent lower in 2021 than in 2018.

The ongoing political and economic crises in Nicaragua began in April 2018 – when President Daniel Ortega and Vice President Rosario Murillo led a violent repression of peaceful demonstrations – and has since deepened beyond the rigged 2021 Presidential election as the regime continues to jail political opponents and shutter independent civil society organizations. The regime's authoritarian rule has fueled corruption and impunity, increased investment risk, eroded investor confidence, and driven record high outbound migration, with Nicaragua exceeding all other sources of Central American migrants bound for the United States in late 2022. Rising inflation has exacerbated economic hardships, as Nicaragua faces some of the highest food prices and among the most expensive energy costs in Latin America. In September 2022, the price of Nicaragua's basic basket of goods and services, a key measure of inflation's impact on the general population, rose to a record high of \$500 per month, while the minimum wage was just \$200. Remittances through September 2022 were \$2.3 billion, representing 16 percent of GDP and preventing thousands of families from falling further into poverty.

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. Nicaragua imports large quantities of primary products, including rice and feed grains, as well as 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. Bulk commodities, like corn and soybean meal, comprise the vast majority of U.S. exports and have been significantly less affected by global logistics challenges during the pandemic than containerized shipments of consumer-oriented goods. Exports of certain U.S. high-value products, especially pork and chicken meat, have grown under the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), which eliminated TRQs on pork in 2020 and on chicken meat in 2023.

Inadequate rule of law, political instability, reputational risk, and the arbitrary enforcement of government regulations are top challenges facing U.S. companies in Nicaragua. The regime's crackdown since mid-2021, including the arrests of prominent business leaders, presents additional challenges and has driven many in the private sector into exile or acquiescence. The Nicaraguan Customs Authority (DGA) regularly subjects shipments of goods to bureaucratic delays, arbitrary valuations, and excessive fines. In some cases, shipments have been held for weeks or months without justification. The Nicaraguan Tax Authority (DGI) has increased the frequency, duration, and scope of audits on businesses. In some cases, these audits have taken several months and required businesses to

dedicate office space and support staff to the auditors. Some businesses have reported that up to eight different Nicaraguan government entities – including labor authorities, social security authorities, and city and regional tax authorities – have simultaneously conducted audits. Nicaragua’s extremely weak legal environment and rule of law limit options to address these issues.

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

| Advantages   | Challenges  |
|--|---|
| Nicaraguan importers trust the quality and value 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

Imported U.S. products generally rely on Nicaragua’s network of distributors to drive sales 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. Ensure importers obtain official import permits required by the Nicaraguan Food Safety Authorities *before* shipping products from the United States.
3. 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.
4. Make sure shipping companies send merchandise in clean containers to avoid multiple inspections at the border.
5. 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.

6. 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.
7. Make sure labels are correct; minor mistakes may result in substantial fines.
8. Exporters and importers may consider hiring a customs broker to expedite procedures, as the expertise and existing working relationships of an established broker can facilitate the process.
9. Exporters should consider discussing liability terms with importers prior to finalizing any business transactions due to the increased risks of container rejections in Nicaragua. Importers commonly expect exporters to absorb losses.

## **Marketing**

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, and consumers increasingly 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.

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

FAS/Managua highly recommends U.S. exporters consult the latest [Food and Agricultural Import Regulations and Standards Country Report](#) for current requirements. Further, U.S. exporters must follow these key steps before shipping to Nicaragua:

- 1) ensure that food products are registered with the Ministry of Health (MINSa),
- 2) the importer needs to request import permits from MINSa and the Nicaraguan Institute of Agricultural Protection and Health (IPSA) depending on the product, 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.

### **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.

### **Import Challenges to Pork and Poultry Products**

U.S. exporters have faced multiple container rejections since 2021 due to Nicaragua’s application of a ‘zero-tolerance’ requirement for salmonella. Shipments rejected by Nicaragua have been successfully re-exported to the United States, re-inspected by U.S. regulators, and re-exported to other Central American countries that operate under the same regional technical regulation. U.S. poultry meat and genetics exporters have expressed concerns that Nicaragua has denied import permits for U.S. poultry products, citing the presence of high pathogenicity avian influenza (HPAI) – including in wild and non-commercial flocks of birds – in the U.S. state where the product was produced. USDA continues to engage IPSA to resolve these challenges to U.S. exporters.

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

### **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-value products.

Nicaraguan consumers are generally familiar with U.S. products and brands, viewing them as 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 grains (often oats, corn, or wheat) flour. The main sources of animal protein are eggs, chicken, and pork meat, with eggs the lowest cost source. 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.

### **Hotel, Restaurant, and Institutional**

The hotel, restaurant, and institutional (HRI) sector had been hard hit by the 2018 social political crisis, which discouraged international tourism, even before COVID-19 pandemic caused many hotels and restaurants to close temporarily in the first half of 2020. International tourism only began to recover (albeit tentatively) in summer 2021 and has been slowly increasing as more airlines have resumed flights to Nicaragua in 2022. The loss of formal jobs due to the 2018 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, Avention, Yolo, and Pedidos Ya – offering not just restaurant meals, but also groceries and home goods.

### **Retail**

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. However, if the Nicaraguan economy continues to deteriorate, FAS/Managua anticipates reduced demand for high value, consumer-oriented foods.

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 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. Bulk-format products from U.S.-based PriceSmart, which carries a wide variety of imported products, are attractive to smaller businesses and restaurants. Two additional stores target higher-end consumers in Managua with a variety of imported products: Porta's 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, though regional suppliers more common than U.S. brands.

**Table 2. Retail Grocery Outlets**

| <b>Banner</b> | <b># of Outlets</b> |
|---------------|---------------------|
| 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 2021. Relative underdevelopment and little anticipated investment in the food processing sector will continue to provide opportunities for U.S. processed products suppliers prepared to navigate the challenges of the Nicaraguan market.

**Table 3. Output of Selected Industries (Million USD)**

| Industries            | 2019  | 2020  | 2021  |
|-----------------------|-------|-------|-------|
| Meat and Fish         | 1,002 | 1,002 | 1,002 |
| Beverages             | 411   | 411   | 411   |
| Dairy Products        | 303   | 327   | 358   |
| Sugar                 | 295   | 254   | 290   |
| Other Processed Foods | 677   | 677   | 677   |

Source: Central Bank of Nicaragua

Note: The numbers included in Calendar Year (CY) 2021 are an estimate from the Nicaraguan Central Bank, while the numbers in CY 2020 and CY 2019 are preliminary. The Central Bank is now publishing the data in millions of Córdobas (Nicaragua’s currency) based on the average U.S. dollar exchange rate of Calendar Year 2006.

## 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 2023 are yellow corn, rice, wheat, soybean meal, pork meat, chicken meat, and a wide variety of lower priced processed products.

After a decade of Russian dominance in the market, U.S. wheat exports to Nicaragua continued to climb in 2022, due primarily to shipping disruptions following the Russian invasion of Ukraine. At 130,000 metric tons, U.S. wheat shipments to Nicaragua through September 2022 were nearly 10-times greater than pre-COVID levels in 2019. However, this export success could prove temporary, as Nicaragua is increasingly a Russian client state.

The latest balance of trade statistics can be found on the Foreign Agricultural Service [Global Agricultural Trade System](#) (GATS). [BICO Reports](#) (aka Bulk, Intermediate, and Consumer-Oriented) provide an excellent high-level snapshot of category performance, updated monthly.



**Table 4. Best Prospects for Export Growth**

| <b>Product</b> | <b>2021 Imports<br/>(Million USD)</b> | <b>5-Yr Import Growth<br/>(by value)</b> | <b>5-Yr Avg. Annual<br/>Import Growth<br/>(by value)</b> |
|----------------|---------------------------------------|--|--|
| Corn           | 143                                   | 232%                                     | 46%  |
| Soybean Meal   | 75                                    | 122%                                     | 24%  |
| Rice           | 44                                    | 1,366%                                   | 273%   |
| Pork           | 32                                    | 128%                                     | 26%  |
| Cotton         | 27                                    | 2,600%                                   | 520%   |
| Wheat          | 19                                    | 375%                                     | 75%  |
| Dairy Products | 15                                    | 50%                                      | 10%  |
| Chicken Meat   | 15                                    | 150%                                     | 30%  |

*Source: U.S. Census Bureau Trade Data*

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

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

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### **Attachments:**

No Attachments