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Report Name: Food Processing Ingredients

Country: El Salvador

Post: San Salvador

Report Category: Food Processing Ingredients

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Report Highlights:

El Salvador's food manufacturing sector has been able to successfully adapt to a challenging environment and has provided signals of a rapid recovery, despite facing a continuous crisis generated by the COVID-19 pandemic and the supply chain shortages that increased the costs of raw materials and other inputs needed to produce food. According to the latest data available for the sector, published by the Salvadoran Industrialist Association, a total of \$1.3 billion value of ingredients was imported in 2021, which is about 13 percent more than in 2020. Meat products, animal fats and vegetable oils were among the main products imported by the food industry in the same period. The United States was the second supplier of intermediate food products to El Salvador during 2022.

Market Fact Sheet: El Salvador

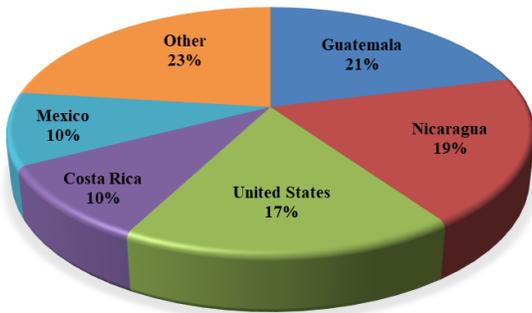
Executive Summary

El Salvador is the smallest country by size in Central America, with an estimated population of 6.6 million inhabitants. According to the latest available report from El Salvador’s Central Reserve Bank, GDP grew 2.6% in 2022. The International Monetary Fund has forecasted that El Salvador will have GDP growth of 1.7 percent in 2023, the lowest figure in the region. In 2022, El Salvador’s main trading partner continued to be the United States, which supplied 29 percent of total imports and received 39 percent of Salvadoran exports.

Imports of Consumer-Oriented Products

In 2022, the United States was the third largest supplier of consumer-oriented agricultural products to El Salvador, valued at about \$349 million.

EL SALVADOR IMPORTS OF CONSUMER-ORIENTED FOOD PRODUCTS 2022



Source: Trade Data Monitor

Food Processing Industry

El Salvador’s global imports of agricultural intermediate products reached about \$715 million in 2022, a 26 percent increase from 2021. The food manufacturing industry has evolved and is now facing new challenges that will require further development such as the proposed front labeling of products. The snack industry has helped El Salvador keep its regional leadership status, as has the production of juices and carbonated beverages. The manufacturing of sweet bread targeted to Salvadorans living abroad has boosted baking inputs import numbers.

Food Retail Industry

There are two leading supermarket chains in El Salvador: Super Selectos and Walmart Mexico y Centroamerica. Most consumers prefer to shop at supermarkets because of the perception that they are cleaner, safer, and have more diverse offerings than open-air markets.

Quick Facts 2022

Global Imports of Consumer Oriented Food Products:
\$2 Billion

Top 10 Intermediate/Ingredients Products:

1) Palm oil	6) Essential oils
2) Vegetable oils	7) Soybean oil
3) Soybean meal	8) Distillers grains
4) Milled grains & products	9) Other intermed. products
5) Other feeds & fodders	10) Sugars & sweeteners

Food and Beverage Industry Exports 2021 (latest data available):
\$681.6 million

Population/GDP Data:
Population: 6.6 million (2023 est.)
GDP (official exch. Rate: \$27 billion (2019 est.)
Real GDP Per Capita: \$9,100 (2021 est.)

Source: The CIA World Factbook, Trade Data Monitor LLC, Salvadoran Industrial Association

Advantages and Challenges for U.S. Exporters to El Salvador	
Advantages	Challenges
Salvadoran consumers perceive U.S. food products to be of higher quality.	Strong competition from neighboring countries exporting meats, dairy and grains such as corn, rice, and beans.
Consumers demanding healthier options creates a potential for U.S. innovative food products.	The Salvadoran economy is characterized by low growth, and manufacturers are reluctant to make large investments.
Private labels are rapidly growing in supermarkets creating an opportunity for U.S. companies to supply a diverse offer of products and/or ingredients.	High turnover of customs agents leads to a lack of consistency in customs procedures and delays in clearing.

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SECTION I: MARKET SUMMARY

With over 10,800 processing facilities, the food and beverage industries play a key role in the Salvadoran economy, representing 30 percent of the manufacturing sector. El Salvador is a major importer of agricultural products, including food ingredients and a wide variety of consumer-oriented products. In 2022, El Salvador imported approximately \$3.4 billion in agricultural products.

According to the RANKING® of Industrial Exporters/2022, a report published by the Salvadoran Industrialists Association (ASI in Spanish), the food manufacturing sector exported a value of \$527.2 million during 2021, a growth of 12.3% compared to 2020, where the sector lost about \$14.3 million due to the COVID-19 confinement.

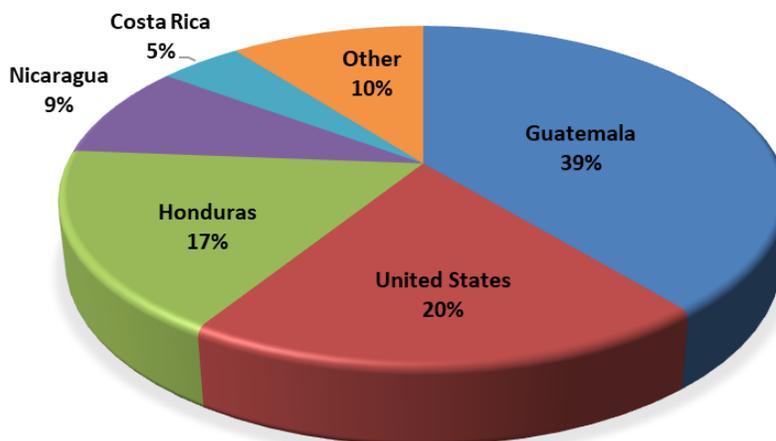


Photo from the RANKING® 2022 report.

A highlight of the report is that the snacks and meat products (tuna mainly) categories led the food manufacturing export sector contributing 28.1% and 19.7% respectively. Snacks manufacturers have also innovated to meet consumer demands, and have developed healthier products, for instance, substituting fried for baked chips, using more natural ingredients such as cassava, potatoes, corn, and plantain, as well as using less artificial colors and condiments.

The ASI reviews the performance of exporting companies and selects the Top Ten of different categories of the industrial sector. For the food/beverage categories in 2021, Grupo Calvo, a Spanish tuna processing company maintained its position as the #1 regional foods exporter, and the second place was for snacks manufacturer Diana. For beverages, Livsmart Americas was the top exporter and about 65 percent of the total exports of this category were carbonated beverages.

2022 EL SALVADOR TOP FIVE EXPORT MARKETS FOR CONSUMER-ORIENTED PRODUCTS (US\$ MILLIONS)



Source: Trade Data Monitor, LLC

2022 EL SALVADOR TOP PROCESSED FOODS EXPORTS	
PRODUCT	VALUE
Bottled drinks (incl. soda, juice mixes, etc.)	\$ 142,654,520.00
Baked snack foods (pastries, pretzels, etc.)	\$ 136,494,012.00
prepared/packaged fish & seafood	\$ 100,896,001.00
Baking inputs, mixes & doughs (incl. pudding)	\$ 70,015,541.00
Other processed foods, ingredients & bvg bases	\$ 64,851,236.00
Breakfast cereals & other breakfast products	\$ 54,301,099.00
Sugar confectionery	\$ 47,930,064.00
Cheese	\$ 45,640,612.00
Molasses	\$ 33,867,151.00
Table condiments (incl. bbq, excl. ketchup)	\$ 24,951,313.00

Source: Trade Data Monitor, LLC

According to the RANKING® report, during 2021, cheese and cottage cheese were the best performers for the food imported products with a value of \$204.7 million which is 15.5% more than in 2020. The second-best performer was bovine meat, fresh and refrigerated valued at \$134 million and in third place was palm oil with \$119 million.

El Salvador's economy has been directly affected by the ongoing global supply chain crisis that started as consequence of the COVID-19 pandemic, as well as registering high inflation rates that as of February 2023 registered 6.82 percent. However, the food/non-alcoholic beverages category rose to 12.6 percent during the same period and it's now creating additional pressure on food manufacturers to increase their prices.

In this regard, the March 2023 [survey](#) carried out by Fundaungo (Fundación Dr. Guillermo Manuel Ungo), revealed that the low purchasing power to buy food products is one of the most alarming situations that Salvadorans are currently facing. According to the survey, in the last

three months, 73 percent stopped buying some food items; 58.3 percent reduced the amount of food per meal; 69.9 percent stopped buying, at least once, meat, chicken or fresh fish; 53.7 percent stopped buying fruits or vegetables; 37.8 percent basic grains and 18.2 percent of households expressed they were unable to have all mealtimes at least once.

The challenge is bigger for micro and small companies, who must maintain quality and price-competitiveness. Many are rapidly adapting their ingredients content or product size so that they can lower costs and satisfy consumer demand.

Despite the challenging macro-economic environment, El Salvador continues to be attractive for the Food Manufacturing industry because it still offers competitive advantages, such as the good transportation infrastructure and available land for construction of production and distribution centers. New highways have made possible the opening of new industrial parks where companies can build larger facilities.

Market Trends:

El Salvador tends to follow rather than generate new consumption patterns due to its size and the relatively low purchasing power of its residents. One clear side-effect of the pandemic in El Salvador is a growing preference for healthy foods, especially those that are low in sugar and fat; Salvadorans are now looking for products with natural ingredients, fortified with vitamins and without artificial ingredients. Non-allergen foods and beverages (gluten-free, egg-free, dairy-free, lactose-free, etc) are increasingly demanded.

Table 1. Advantages and Challenges for U.S. Exporters to El Salvador

Advantages	Challenges
Salvadoran consumers perceive U.S. food products to be of excellent quality and consistency.	Strong competition from neighboring countries exporting meats, dairy and grains such as corn, rice, and beans.
The food service industry is growing and demand for ingredients is increasing. For example, there are new hotels recently built as well as new office buildings with restaurants or food courts.	High inflation rate in food products directly affects purchasing power of imported goods. Consumers substitute with lower price local options.
Consumers demanding healthier options creates a potential for U.S. innovative food products.	The Salvadoran economy is characterized by low growth, and manufacturers are reluctant to make large investments.
U.S. ingredients, especially meat products, dairy, confectionery, and baked goods are top categories with steady growth.	Product registration is still burdensome due to the government’s centralized lab analysis operation, which delays a product’s entry to market by 6 months or longer depending on the product.

Private labels are rapidly growing in supermarkets creating an opportunity for U.S. companies to supply a diverse offer of products and/or ingredients.	High turnover of customs agents leads to a lack of consistency in customs procedures and delays in clearing.
The baking sector is growing as new coffee shops open across the country. Major supermarkets also have their own bakeries.	
New regulations from the Salvadoran Government banning fatty/salty snacks and carbonated beverages at schools open opportunities for U.S. ingredients to offer a healthier option.	

SECTION II- ROAD MAP FOR MARKET ENTRY

Entry Strategy

The Salvadoran food-processing sector is dynamic and in search of innovative ingredients to increase quality, improve yields, and lower production costs.

U.S. exporters and suppliers should have a local partner to stay updated on consumer trends and development, product registration procedures, and business practices. However, a direct connection is possible. In that case, it is important to be in contact with the research and development and/or production areas regarding the introduction of any new-to-market product.

Attending U.S. or regional trade shows is another option to meet Salvadoran buyers. Many attend large trade shows, such as the Institute of Food Technologies (IFT) show.

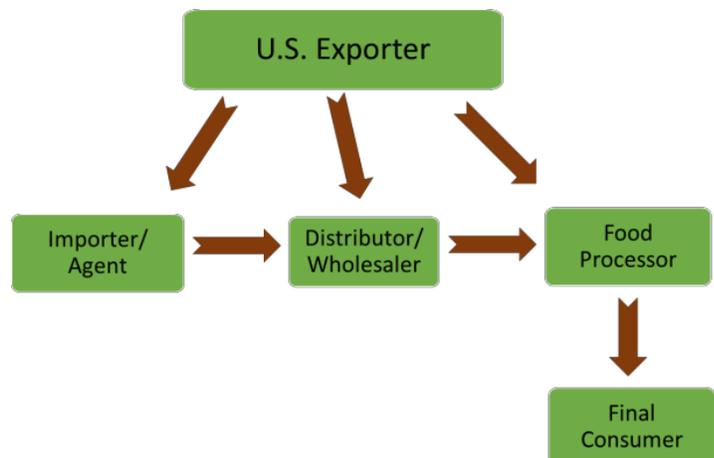
Import Procedure

For a detailed outline of import procedures, please refer to the latest [FAIRS Country Report](#) and the [FAIRS Export Certificate Report for El Salvador](#).

Market Structure

There are three main channels to export food ingredients to El Salvador:

1. U.S. exporter sells to an importer/agent that uses a local distributor to reach the food manufacturers.
2. U.S. exporter sells to a distributor/wholesaler that sells to the food manufacturer. Small and medium-sized food processors prefer this method to avoid quality control management and large inventory handling.



3. U.S. exporter sells directly to the food manufacturer. This method is becoming more popular as Salvadoran manufacturers attend U.S. tradeshows or participate in FAS or Cooperator Trade Missions. Multinationals are usually direct importers for most of their raw materials.

Sector Trends

Most food processors are small-to-medium sized, serving the domestic market only. However, some large food and beverage multinationals also have manufacturing operations for export in El Salvador. Some examples are Calvo, McCormick, Livsmart, Bimbo and Coca Cola.

Other large food processing companies in El Salvador include Diana, Harisa, Lactolac, Molinos de El Salvador (MOLSA), Sabores Cosco de Centroamerica, and Eco Foods.

Snack manufacturing is a large segment of the food- processing sector, as it accounted for 28 percent of the total foods exported in 2021. Diana is the leader in this industry, supplying not only the domestic market but also exporting to Central America and the United States.

Ready-to-eat or ready-to-cook meals are in growing demand, and food manufacturers are focusing on creating portfolios of these products, which involves importing ingredients, flavors, or sauces not available in the local market. This trend has benefited U.S. dairy, which has been steadily gaining market share, registering a value of \$44 million according to the latest BICO report, a 30 percent increase compared to 2021.

Processed vegetables have also registered a 16 percent increase, which goes along the trend of the increasing manufacturing of ready-to-eat and food preparation products.

Ramen-style soups have filled a niche for many workers. These soups are a quick and inexpensive lunch for thousands of workers who cannot afford to pay for a regular cafeteria meal. Tree nuts of all kinds are trendy because of the pandemic, where more people have shifted to healthier snacking as a way of boosting their immune system.

III. Competition

In 2022, El Salvador's total agricultural imports reached \$3.4 billion, a 20 percent increase from 2021. According to the RANKING® report, in 2021, imports of ingredients shifted a little where meat products topped the list accounting for \$365.6 million, and dairy products ranked second with \$325 million. These are key products used as ingredients by the food manufacturing sector, not only to meet local demand but also to export products to the region.

New product development/research departments within manufacturing companies have become more proactive in attending international trade shows to learn about consumer trends, new food ingredients or additives, and bring new ideas to develop products mainly in the specialty/gourmet category. Some of the added-value products being produced are yogurt, sauces, special cream

cheeses or dips, and other tropical fruit jams/jellies and beverages. Central America, Mexico and Chile are the main competitors to the United States in most ingredient categories. However, high food safety standards and excellent quality, as well as technical support and assistance in the development of new products, give U.S. food ingredients suppliers a competitive advantage.

2022 EL SALVADOR TOP 10 INTERMEDIATE FOOD IMPORTS FROM WORLD

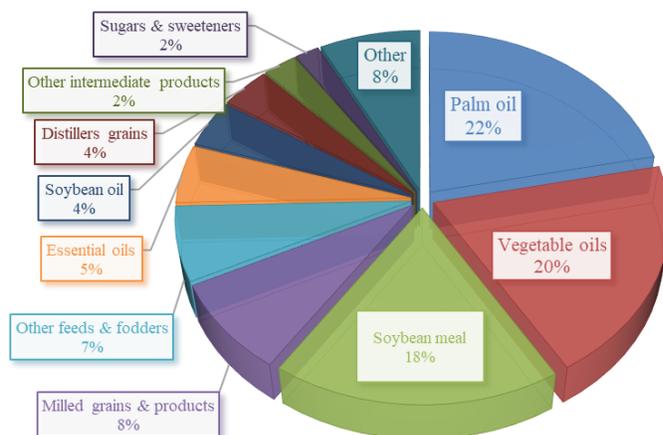


Table 2. Competitive Situation for Key Intermediate Agricultural Export to El Salvador

2022 El Salvador Intermediate Agricultural Products Imports from the World		
(Values in U.S. Dollars)		
Partner Country	2021	2022
Guatemala	\$ 165,766,927.00	\$ 213,583,643.00
United States	\$ 173,473,274.00	\$ 202,813,116.00
Honduras	\$ 79,315,034.00	\$ 108,288,784.00
Mexico	\$ 30,477,191.00	\$ 32,637,378.00
Uruguay	\$ 18,298,890.00	\$ 23,801,809.00
Costa Rica	\$ 11,127,365.00	\$ 18,428,178.00
Nicaragua	\$ 15,725,384.00	\$ 17,789,001.00
Russia	\$ 7,269,424.00	\$ 17,561,508.00
Spain	\$ 7,447,822.00	\$ 11,006,811.00
Brazil	\$ 6,279,156.00	\$ 9,136,295.00
Other	\$ 51,183,717.00	\$ 59,890,282.00
Total:	\$ 566,364,184.00	\$ 714,936,805.00

Source: Trade Data Monitor, LLC

Table 3. El Salvador’s Main Suppliers of Top 5 Consumer-Oriented Food Products/Ingredients and Supplier Market Share in 2022

Product Category	Ranking	Top 3 supply sources market share	Strengths of competitor supplier countries
Dairy Products	1	Nicaragua --- 46 percent	Pricing and availability of cheese to make “pupusas” according to consumer taste.
	2	Costa Rica --- 12 percent	
	3	United States --- 11 percent	
Soup & Other food preparations	1	Costa Rica --- 23 percent	Proximity lowers shipping costs, willingness to offer custom-made flavor and consolidate small shipments.
	2	United States --- 21 percent	
	3	Uruguay --- 16 percent	
Beef & Beef products	1	Nicaragua --- 80 percent	Salvadorans tend to make purchase decisions based on price, and rarely distinguish between different cuts. Nicaragua offers very low prices.
	2	United States --- 6 percent	
	3	Guatemala --- 5 percent	
Bakery goods, cereals & pasta	1	Guatemala --- 44 percent	Guatemala and Mexico offer lower prices, and shipping costs from Guatemala are less expensive given the proximity.
	2	Costa Rica --- 14 percent	
	3	United States --- 13 percent	
Fresh fruit	1	Guatemala --- 22 percent	Guatemala has been the main supplier of fruits and vegetables to El Salvador for decades, given their availability all year round at lower production costs.
	2	Mexico --- 17 percent	
	3	Chile --- 17 percent	

SECTION IV- BEST PRODUCT PROSPECTS

Source: Trade Data Monitor

Products present in the market, which have good sales potential:

As shown in Table 3 there is still potential for many U.S. ingredients to increase market share in El Salvador, specifically dairy, beef, bakery ingredients/goods and fresh fruits.

Products not present in the Market, but which have good sales potential:

There are great opportunities to introduce U.S. seafood to the Salvadoran market. In addition, the baking industry has a growing demand for preserved fruits, large and sweeter fresh strawberries, almonds, and other nuts for healthy snacks or baked goods. Another trend is for healthy, reduced sugar foods and beverages, creating a potential market for natural sweeteners, assorted flavor juices, and fruit extracts.

Products not present because they face significant barriers:

Seafood from third countries exported to the United States and then re-packed for export to El Salvador is currently blocked. The Ministry of Agriculture requires plant-by-plant inspection for those products.

V- POST CONTACTS AND FURTHER INFORMATION

Office of Agricultural Affairs USDA/FAS
U.S. Embassy El Salvador
Blvd. Santa Elena Sur y Calle Conchagua Antiguo Cuscatlán,
La Libertad, El Salvador Phone: (503) 2501-2999
E-mail: agsansalvador@usda.gov

Government Regulatory Agency Contacts:

Ministerio de Salud Pública (Ministry of Public Health)

Departamento de Atención al Medio Ambiente (Environment
Attention Office) Contact: Mrs. Ana Lila de Urbina
Address: Alameda Roosevelt, Edificio Laboratorio Central Dr. Max Bloch, San Salvador,
El Salvador Phone: (503) 2594-8559 / 2205-1613
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Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección de Ganadería
(Livestock Division) Contact:
Mr. Néstor Avendaño
Address: Final 1 Ave. Norte, Santa Tecla, La Libertad, El Salvador
Phone: (503) 2210-1764/63
e-mail: nestor.avendano@mag.gob.sv / isabel.flores@mag.gob.sv (secretary)

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección General de Sanidad Vegetal (Plant Health Division)
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Private Sector Associations Contacts

Asociación Salvadoreña de Industriales (Salvadoran Industrials

Association) Contact: Karla Dominguez, Industrial Intelligence
Manager
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2267-9223
Email: karla.dominguez@asi.com.sv / Website: www.industriaelsalvador.com

Asociación de Restaurantes de El Salvador- ARES (El Salvador's Restaurant Association)

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Attachments:

No Attachments