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**Report Highlights:**

The Salvadoran HRI sector is having a better performance in 2022 as the tourism sector is recovering. Euromonitor reports that Salvadorans spent about \$2.1 billion in the Hotels/Catering category during 2021. According to recent reports by the Ministry of Tourism, El Salvador received 1.1 million foreign visitors in the first half of 2022, representing a 92 percent recovery compared to the same period in 2019. The hotel/restaurant sector has been reported by the Central Reserve Bank as the best performing economic activity for the first quarter of 2022, contributing 2.4 percent to the growth of GDP.

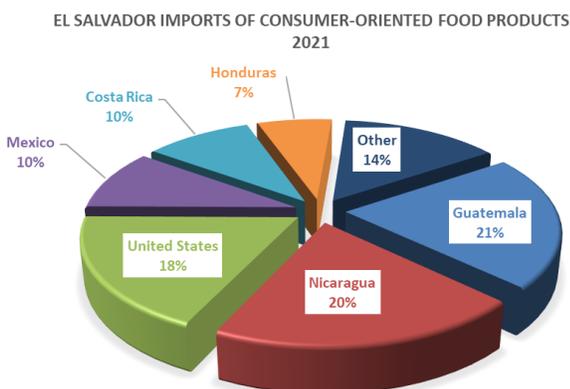
# Market Fact Sheet: El Salvador

## Executive Summary

El Salvador is the smallest country by size in Central America, with an estimated population of 6.6 million inhabitants. According to El Salvador’s Central Reserve Bank, GDP grew 2.4% in the first quarter of 2022. In 2021 El Salvador’s main trading partner continued to be the United States, which supplied 27 percent of total imports and received 39 percent of Salvadoran exports.

## Imports of Consumer-Oriented Products

In 2021 the United States was the third largest supplier of consumer-oriented products to El Salvador with exports valued at about \$267 million.



Source: Trade Data Monitor, LLC

## Food Processing Industry

El Salvador reported global imports of agricultural intermediate products valued at \$566 million in 2021, a 29 percent increase from 2020. Due to the COVID-19 pandemic, the Salvadoran government enacted measures that temporarily stopped operations of snacks and carbonated beverage factories. However, El Salvador continues to be the regional leader in the production of these categories and is a major exporter.

The food manufacturing industry in El Salvador is growing in categories such as baked goods, prepared foods, and confectionery products. The Salvadoran diaspora abroad is a main consumer, especially of the traditional sweet breads.

## 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 CY 2021

El Salvador Global Ag. imports: \$2.8 billion

El Salvador Ag. imports from the U.S.: \$828 million

Global Consumer-Oriented imports: \$1.8 billion

### Top 10 U.S. Ag Products in El Salvador

1. Corn
2. Soybean Oilcake
3. Wheat
4. Food Preparations
5. Rice
6. Meat
7. Chicken cuts
8. Sauces
9. Non-alcoholic beverages
10. Potatoes

### GDP/Population

Population: 6.6 million (2022 est.)

GDP (USD): \$27 billion (2019 est.)

GDP per capita (USD): \$8,100 (2020 est.)

Source: Trade Data Monitor, LLC., World Bank, CIA-The World Fact Book

Strengths	Challenges
There are 784 registered restaurants in El Salvador and thousands of small/informal cafeterias: all potential channels of distribution for U.S. food brands. Estimated national lodging capacity is 10,000.	Foodservice suppliers from Mexico and other Central American countries offer lower prices due to more competitive shipping costs, and a greater understanding of local cultural needs.
Corporate/Convention/Medical tourism attracts travelers from all over the world who usually look for a high-end eating and lodging experiences. The “Surf City” concept is contributing to a better image of El Salvador abroad.	Bureaucratic and tedious product registration procedures that can delay the importation of more U.S. consumer-ready foods/beverages.
Salvadorans that are frequent travelers are familiar with American brands and have a perception of higher quality and value for U.S. products.	Security costs incurred by distributors increase final prices of all food products.

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## **SECTION I: MARKET SUMMARY**

El Salvador is the smallest country, by size, in Central America with an estimated population of 6.6 million inhabitants. According to El Salvador's Central Reserve Bank, GDP grew 2.4% in the first quarter of 2022 and the restaurant/hotel sector was among the best performing economic areas. Continuous growth may be affected by the high inflation rate, which reached 7.8 percent in June 2022, the highest level in 26 years.

The tourism sector is showing a good recovery according to the Ministry of Tourism, which stated that El Salvador received 1.1 million foreign visitors in the first half of 2022, representing a 92 percent recovery compared to the same period in 2019, when 1.2 million visitors were registered. These numbers and percentages have placed El Salvador as the most visited country in Latin America during the first quarter of 2022 according to the tourism industry experts, Forward Keys.

Since the reopening of the country on August 24, 2020, restaurants started a gradual recovery process and are getting a boost from the recent opening of new shopping and commercial buildings in higher-income San Salvador neighborhoods. One example is Plaza Millennium, a complex that includes Millennium Residences (a 10-story building and a Penthouse), a hotel with about 180 rooms, a convention center and sports arena, and the Millennium Tower office building of 110 meters (or 3601 feet) tall, which will make it the tallest building in El Salvador so far. All these projects represent venues to promote imported foods and beverages.

Hotels have also seen a greater demand for room reservations and in-person events. Many hotels re-designed their services, going from delivering to hospitals and other institutions, to offering options directly to consumers, like the "Chef-in-a-Box" concept meals, that was an innovative way that hotels created a new business niche.

Other lodging options, such as AirBnB, will continue the growth trend the platform had before the pandemic. Since beginning operations in El Salvador in 2019, AirBnB has gained popularity among both visitors and locals. Even though it is not considered a formal hotel option, it contributes to a wide range of lodging alternatives, from luxurious apartments to small rooms in family homes. High-end listings offer amenities that include food and beverage products, which may present an opportunity for U.S. food products.

Although teleworking has been implemented by many employers, there are many companies and educational institutions that have returned to in-person schedules, and therefore traffic has returned to pre-pandemic levels. Quite often these commuting times in El Salvador are a couple of hours, and therefore people need to leave their homes earlier in the morning, which also means they are eating out more often. According to the "Multi-Purpose Homes Survey" conducted by the Ministry of Economy in 2021, working Salvadorans spent a monthly average of \$50 on lunches and \$38 for dinner, most of this is spent at small cafeterias or street food establishments. According to Euromonitor, in 2021 the annual per household expenditures in eating out for an average Salvadoran worker from different economic sectors was \$1,454 or approximately \$121.17 monthly.

**Table 1.**

<b>Salvadoran Annual Expenditure on Hotels and Catering (USD\$ per household)</b>	
<b>Categorization Type</b>	<b>2021</b>
Employee	\$1,454.1
Employer and Self-Employed	\$1,774.7
Unemployed	\$846.7
Other	\$1,033.2

Source: Euromonitor

**Table 2.**

**Advantages and Challenges Facing U.S. Products in El Salvador**

<b>Advantages</b>	<b>Challenges</b>
Currently there are 784 registered restaurants in El Salvador, and thousands of small/informal cafeterias that are channels of distribution of American food brands. From large hotel chains to small/ boutique guest houses, the lodging capacity of 10,000 rooms is expected to expand.	Foodservice suppliers from Mexico and other Central American countries offer lower prices due to lower shipping costs, and have a greater understanding of local cultural needs.
Corporate/Convention/Medical tourism attracts travelers from all over the world who usually look for a high-end eating and lodging experiences. The “Surf City” concept is contributing to a better image of El Salvador abroad.	Bureaucratic and tedious product registration procedures that can delay the importation of more U.S. consumer-ready foods and beverages.
Salvadorans are frequent travelers, are familiar with U.S. brands, and have a perception of higher quality and value for U.S. products.	Security costs incurred by distributors increase final price of all food products, which impacts imported foods competitiveness.
A fast-paced living style and longer commuting times are driving consumers to look for convenient, ready-to-eat meal options, as well as eating out almost daily.	Overall, the Salvadoran economy remains very susceptible to the world economy and outside events that can disrupt investment.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. Market Entry Strategy

El Salvador has a very dynamic import sector that is educated in consumer trends, attends tradeshows, and is open to supplying new products to meet the demand of the HRI sector. The government of El Salvador signed in 2016 the World Trade Organization Trade Facilitation Agreement, which included a protocol to amend the law pertaining to facilitating trade. However, it was not until July 2019 that the government reactivated the National Committee for Trade Facilitation, which to date has been consolidated as the public-private dialogue forum to promote all initiatives related to trade facilitation.

Most hotels and restaurants buy through a variety of distribution channels, and some import food products directly. El Salvador is highly dependent on food imports; in fact, in 2021 El Salvador imported a total of \$2.8 billion of agricultural products. Despite its tropical climate, El Salvador does not meet demand for fruits and vegetables, thus it relies heavily on imports, mainly from neighboring countries such as Guatemala and Honduras.

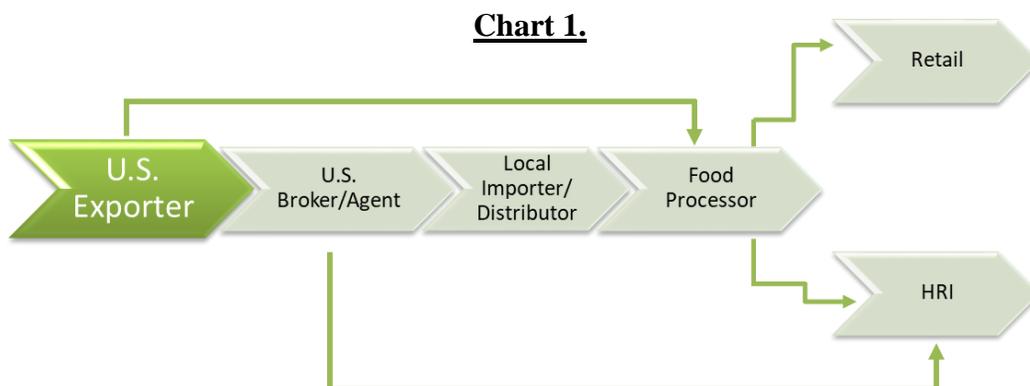
For U.S. exporters that want to sell in the Salvadoran market, having a local partner is highly recommended. Effective partners are typically either importers/agents or distributor companies that provide insight into local consumer trends and business practices. The Foreign Agricultural Service (FAS) in San Salvador can provide a list of companies that are currently importing different products and have direct access to buyers in the HRI sector.

### B. Market Structure

The HRI sector in El Salvador, as in most places, values fast service and high quality at the lowest price. Local food manufacturers are adapting to package sizes and specific flavor profiles required by the HRI sector and competing with long-time suppliers from Mexico and neighboring Central American countries. In addition, the HRI sector is working to increase direct import volume of raw materials to reduce costs.

### C. Distribution

The diagram below shows the basic distribution flow for imported foods/beverages for the HRI sector in El Salvador:



## **D. Sub-sector Profiles**

- **Hotels**

Historically, this sector has not grown at high rates. However, in recent years El Salvador has received important investments from both foreign and local firms, with more development in coastal regions and exclusive areas of San Salvador. According to the Salvadoran Hotel Association, there are approximately 500 registered hotels nationwide. The goal is to expand room availability to over 1,000 in the San Salvador area to capture more business travelers. There are also a quite a few small hotels in rural areas, specifically in the coffee-producing regions and mountains, which attract not only foreigners but also hundreds of Salvadorans for internal tourism.

Most hotels in El Salvador purchase their food products through local importers, distributors, wholesalers, and large open-air markets. Chefs are key to making purchasing decisions, so it is recommended to showcase new products to them before offering them to Purchase Managers whenever possible. In this regard, the FAS office regularly carries out promotional events, such as our Sabor USA themed activities, where, with the support of USDA Cooperators and local importers, we offer a venue to showcase and provide tastings of U.S. foods/ingredients for the HRI sector, as well as providing an opportunity to test the market with new products. For more information about the hotel chains/brands present in El Salvador, please check the Salvadoran Hotel Association's website: <http://hotelesdeelsalvador.com/>

- **Restaurants**

The most recent statistical data from the restaurant sector is a study from 2019, which was the very first study sponsored by the Salvadoran Restaurant Association and provides a good review of the sector. They reported a total of 784 formally registered restaurants that generate \$709 million, representing 2.86 percent of El Salvador's GDP. In addition, there are other unofficial dining options for Salvadoran consumers, ranging from small cafeterias to traditional food stands, and more recently, food trucks. The latter trend started in 2015 with two food trucks, and now consists of over 25 brands that offer high quality gourmet food options at more affordable prices.

Depending on the format, either specialty or franchise, most restaurants purchase fresh produce from local suppliers and large open-air markets. Franchises and other international restaurants usually import directly or purchase from local importers/distributors, or wholesalers such as PriceSmart, that sell the products they need in large-sized packages.

Home/office delivery service is widely available now for restaurants, including fine gourmet and international cuisine options, through apps such as HUGO, UberEats and the newest, eLUNCH. A local entrepreneur, One Kitchen Company, has also taken advantage of these platforms to create the "virtual restaurants" niche in El Salvador, currently offering four different restaurant options that compete with physical establishments.

To see a detailed list of main restaurants registered in El Salvador, please check the Salvadoran Restaurant Association website: <http://ares.sv/>

- **Institutional**

In El Salvador many institutions offer unique opportunities to sell imported food products, specifically for hospitals -public and private- as well as traditional government agencies that are responsible for their own food purchases. Be aware that in doing business with the Salvadoran government, there is no electronic contracting platform, only an electronic notification system for companies registered online as providers at COMPRASAL ([www.comprasal.gob.sv](http://www.comprasal.gob.sv)). This registry is open to U.S. companies, regardless of whether the company has a local representative. Public announcements are made through print media and are posted on the government procurement website. Institutional Sector Markets with best opportunities are:

- ✓ Public and private hospitals
- ✓ Penitentiaries
- ✓ Public schools under the “Healthy School” program

### SECTION III. COMPETITION

Although the Salvadoran food industry is not as developed as in other Central American countries, it is currently the regional leader in the production and export of snacks, juices, and carbonated beverages. As such, Salvadoran food manufacturers rely heavily on imports of food ingredients. El Salvador is a signatory to [10 free trade agreements](#). El Salvador’s Central American neighbors, plus Mexico, and Chile are the main competitors for the United States consumer-oriented and food ingredient product exporters.

Proven food safety standards and excellent quality, as well as technical support and assistance in the development of new products, give U.S. food ingredients a competitive advantage.

**Table 4.**

**Competitive Situation for Key Intermediate Agricultural Exports to El Salvador**

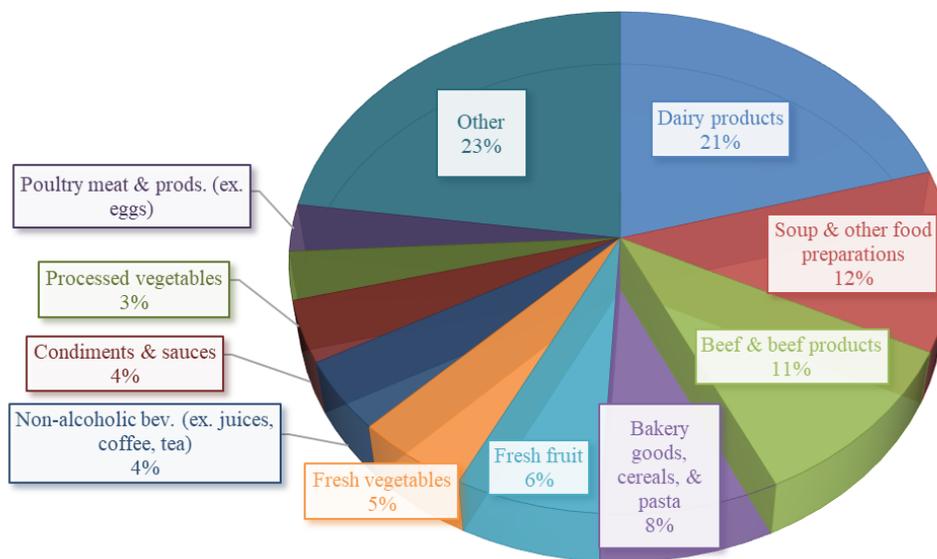
<b>2021 El Salvador Intermediate Agricultural Products Imports from the World</b> (Values in U.S. Dollars)		
Partner Country	2020	2021
United States	\$ 129,844,711.00	\$ 173,473,274.00
Guatemala	\$ 121,996,656.00	\$ 165,766,927.00
Honduras	\$ 70,209,199.00	\$ 79,315,034.00
Mexico	\$ 31,985,267.00	\$ 30,477,191.00
Uruguay	\$ 14,587,761.00	\$ 18,298,890.00
Nicaragua	\$ 10,950,508.00	\$ 15,725,384.00
Argentina	\$ 2,241,032.00	\$ 11,322,993.00
Costa Rica	\$ 9,675,881.00	\$ 11,127,365.00
Spain	\$ 6,124,341.00	\$ 7,447,822.00
Russia	\$ 184.00	\$ 7,269,424.00
Other	\$ 41,488,671.00	\$ 46,139,880.00
<b>Total:</b>	<b>\$ 439,104,211.00</b>	<b>\$ 566,364,184.00</b>

**Table 5.**

<b>El Salvador Top 5 U.S. Consumer-Oriented imports and its main competitors: 2021</b>			
<b>Product Category</b>	<b>Ranking</b>	<b>Country</b>	<b>US\$</b>
Soup & Other Food Preparations	1	Costa Rica	\$54,157,486.00
	2	United States	\$50,379,911.00
	3	Uruguay	\$29,074,520.00
Pork & Pork Products	1	United States	\$45,277,411.00
	2	Guatemala	\$2,364,383.00
	3	Honduras	\$2,190,414.00
Dairy Products	1	Nicaragua	\$179,321,901.00
	2	Costa Rica	\$43,825,124.00
	3	United States	\$33,952,182.00
Poultry meat & prods. (ex. eggs)	1	United States	\$30,722,470.00
	2	Guatemala	\$19,481,306.00
	3	Chile	\$1,578,015.00
Processed vegetables	1	United States	\$23,582,561.00
	2	Guatemala	\$6,560,956.00
	3	Honduras	\$5,816,222.00

**Chart 2.**

**2021 EL SALVADOR TOP 10 CONSUMER-ORIENTED FOOD IMPORTS FROM WORLD**



Source: Trade Data Monitor, LLC

## **SECTION IV- BEST PRODUCT PROSPECTS**

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

El Salvador is a major consumer of baked-products, so there is still potential for baked items and inputs. Other products with high demand are dairy, fruit and vegetable juices, premium beef cuts, and deli meats.

Allergen related products such as gluten-free and lactose-free are present, but a wider selection of products and brands would be well accepted.

### **Products not present in market but which have good sales Potential:**

- Lamb meat: Many restaurant owners have expressed their interest in offering U.S. lamb meat as there is basically no competition for New Zealand which is the main exporter of this product to El Salvador.
- Bakeries are the main customers for specialty fresh fruit such as kiwi and the large size varieties of strawberries for cakes, but hotels and restaurants with baking operations are also a source of demand.
- Another trend that has become even stronger with the pandemic is a rise in health-conscious consumers who seek natural, reduced sugar, or fat-free products. Potential product categories are natural sweeteners, assorted juices, and fruit extracts.
- U.S. seafood is a promising sector and foodservice suppliers are constantly looking for better options to offer their clients.
- Table eggs

### **Products not present because they face significant barriers:**

- Third-country seafood packed in the United States, as current regulations from the Ministry of Agriculture require plant-by-plant inspection at the manufacturing origin. FAS has been working with NOAA and El Salvador's Ministry of Agriculture to overcome this barrier, so please contact our office for the latest updates if interested.

## **SECTION V- POST CONTACTS AND FURTHER INFORMATION**

Office of Agricultural Affairs

U.S. Embassy El Salvador

Bldv. Santa Elena Sur y Calle Conchagua Antiguo Cuscatlán, La Libertad, El Salvador

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## **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

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### **Ministerio de Agricultura y Ganadería (Ministry of Agriculture)**

Dirección de Ganadería (Livestock Division)

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## **Private Sector Associations Contacts:**

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

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### **Asociación de Hoteles de El Salvador (El Salvador's Hotels Association)**

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## **Attachments:**

No Attachments