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Report Name: Food Service - Hotel Restaurant Institutional

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Report Highlights:

The Salvadoran Hotel and Restaurant sectors continue to improve their performance in 2022 as the tourism sector shows a full recovery. The latest statistics by Euromonitor show that Salvadorans increased their spending to \$2.5 billion in the Hotels/Catering category during 2022. Recent data provided by the Minister of Tourism shows that El Salvador received 2.2 million foreign visitors as of August 2023, representing 25 percent more than in the same period of 2019. Income generated by tourism was \$1.6 billion as of June 2023, and the tourism sector contributed about 10 percent to the GDP, which is double to what it contributed previous to the pandemic. For the first time, El Salvador registered 100,00 visitors from the United States, mainly Salvadorans returning to visit along with their second or third generations. Many from the diaspora have returned to invest by starting new hotel/restaurant operations in the eastern region of the country.

Market Fact Sheet: El Salvador

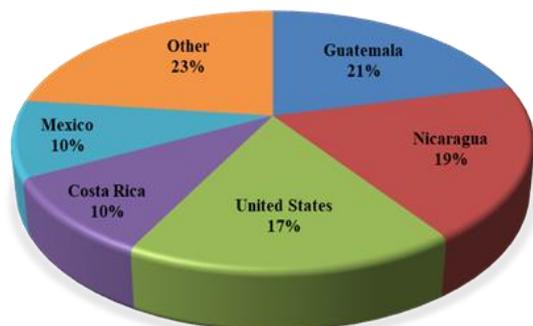
Executive Summary

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 percent in 2022. The International Monetary Fund forecasts that El Salvador will have economic growth of 1.7 percent for 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 products to El Salvador with exports 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 \$715 million in 2022, a 26 percent increase from 2021. The snack industry has helped El Salvador to keep its regional leadership status, as well as the production of juices and carbonated beverages. The manufacturing of sweet bread targeted to Salvadorans living abroad has positively impacted the growth of 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

List of Top 10 U.S. Ag. Products exported to El Salvador:

- | | |
|----------------------|---------------------------------------|
| 1) Corn | 6) Meat of swine |
| 2) Soybean oilcake | 7) Wheat and meslin (not durum wheat) |
| 3) Cotton | 8) Brewing or distilling dregs |
| 4) Durum Wheat | 9) Potatoes, including french fries |
| 5) Food Preparations | 10) Milk and cream |

Trade

El Salvador Ag. Imports from the World: \$3.4 billion

El Salvador Ag. Imports from the U.S.: \$973 billion

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

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.
Salvadorans are frequent travelers and have a perception of higher quality for U.S. food products.	Bureaucratic product registration processes delay the importing of new U.S. food products.

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SECTION I: MARKET SUMMARY

El Salvador is the smallest country in Central America and for over two decades its economic growth has oscillated between 2 and 3 percent. For 2023, according to the International Monetary Fund, El Salvador's GDP is expected to grow 1.7 percent and 1.5 percent in 2024, which will be the lowest growth rate in Latin America. On the other hand, according to the Central American Monetary Council, the Consumer Prices Index in El Salvador registered an improved variation of 3.34 percent in July 2023 when compared to the same period in the previous year (interannual inflation), a result that is notably lower than the 7.42 percent registered last year.

Tourism continues to be a strong sector in 2023. According to the latest data available, El Salvador received 2.2 million foreign visitors as of August 2023, surpassing government expectations. In this regard, the World Travel and Tourism Council (WTTC) has forecasted that the tourism industry in El Salvador will surpass prepandemic levels, with income above \$3.6 billion (including external and internal tourism). This industry includes various sectors, such as lodging, gastronomy, tour operators and tourist guides. According to the WTTC, this industry will contribute 12.3 percent to GDP in 2023, being the third largest contributor after remittances and exports. (Source:<https://diario.elmundo.sv/economia/turismo-dejo-1600-millones-en-ingresos-a-la-economia-en-el-primer-semestre>).

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 premises and have benefited of many international events such as the Central American and Caribbean Games held from June 23 to July 8th 2023. According to the Ministry of Tourism, the upcoming Miss Universe contest scheduled for November 2023 will also attract between 15,000 to 20,000 visitors to highlight hotels statistics even further.

Other lodging options will also benefit of this boom, such as AirBnB. 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 Euromonitor, in 2022 the annual per household expenditures in eating out for an average Salvadoran worker from different economic sectors was \$1,709 or approximately \$142.42 monthly.

Table 1.

Salvadoran Annual Expenditure on Hotels and Catering (USD\$ per household)	
Categorization Type	2022
Employee	\$ 1,709.70
Employer and Self-Employed	\$ 2,086.30
Unemployed	\$ 996.50
Other	\$ 1,215.80

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Research Sources:

Consumer Expenditure on Hotels and Catering: Euromonitor International from national statistics/Eurostat/UN/OECD

Note: The data is at current prices and converted using year-on-year exchanges rates.

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

Advantages	Challenges
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 2022 El Salvador imported a total of \$3.4 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.

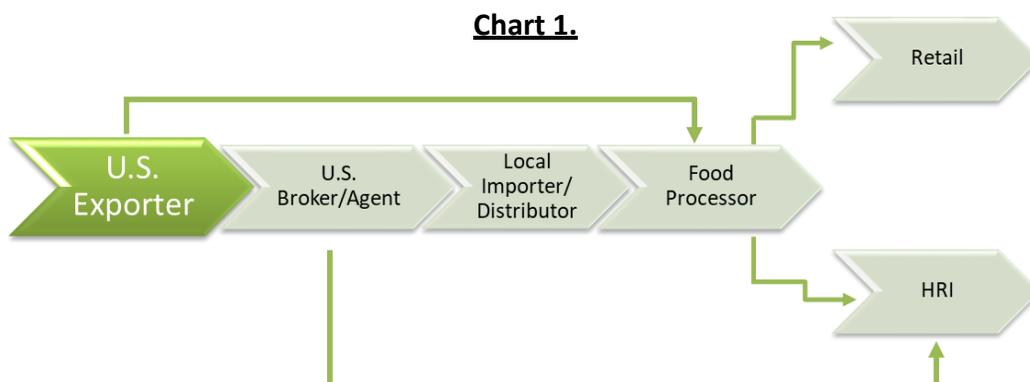
For U.S. exporters that want to sell in the Salvadoran market, having a local partner is highly recommended. Effective partners are typically either importers/agents or distributor companies that provide insight into local consumer trends and business practices. The Foreign Agricultural Service (FAS) 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 Pedidos Ya, that acquired the Salvadoran brand HUGO, and UBER Eats. 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). 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

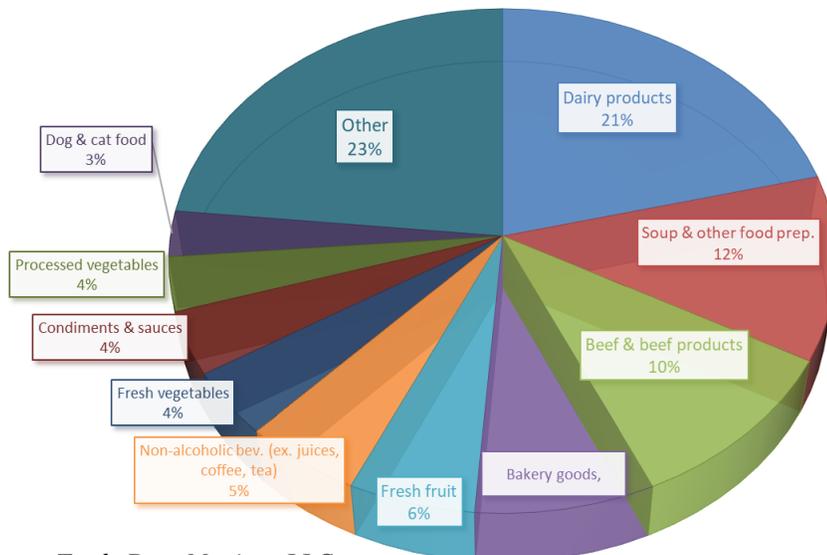
2022 El Salvador Intermediate Agricultural Products Imports from the World		
(Values in U.S. Dollars)		
Partner Country	2021	2022
Guatemala	\$ 165,766,927.00	\$ 213,583,643.00
United States	\$ 173,473,274.00	\$ 202,813,116.00
Honduras	\$ 79,315,034.00	\$ 108,288,784.00
Mexico	\$ 30,477,191.00	\$ 32,637,378.00
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

Table 5.

El Salvador's Top 5 U.S. Consumer-Oriented Imports and its main Competitors: 2022			
Product Category	Ranking	Country	U.S.\$
Soup & other food preparations	1	Costa Rica	\$ 54,512,649.00
	2	United States	\$ 48,332,559.00
	3	Uruguay	\$ 38,869,459.00
Dairy products	1	Nicaragua	\$ 194,836,259.00
	2	Costa Rica	\$ 49,678,949.00
	3	United States	\$ 46,460,081.00
Pork & Pork products	1	United States	\$ 45,287,304.00
	2	Guatemala	\$ 2,776,467.00
	3	Honduras	\$ 2,460,370.00
Processed vegetables	1	United States	\$ 31,047,019.00
	2	Guatemala	\$ 7,904,796.00
	3	Honduras	\$ 6,852,901.00
Poultry meat & products (ex. eggs)	1	United States	\$ 21,617,800.00
	2	Guatemala	\$ 21,702,723.00
	3	Honduras	\$ 5,414,095.00

Chart 2.

2022 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 after 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

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Phone: (503) 2501-2999 extensions: 3414/3412

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
e-mail: aurbina@salud.gob.sv

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección de Ganadería
(Livestock Division) Mrs. Eva María Díaz de Molina
Address: Final 1 Ave. Norte, Santa Tecla, La Libertad, El Salvador Phone: (503) 2210-1763 e-mail: eva.diaz@mag.gob.sv / isabel.flores@mag.gob.sv (secretary)

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