

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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El Salvador

Food Processing Ingredients

Annual

Approved By:

Todd Drennan, Regional Agricultural Counselor

Prepared By:

Elvy Huezo, Agricultural Marketing Assistant

Report Highlights:

El Salvador continues to increase its agricultural imports from the world, especially raw materials and semi-processed diverse food preparation. In 2018, El Salvador imported almost \$2 billion of agricultural products. It continues to be regional leader in the production of juices, carbonated beverages and corn-based snacks. As the HRI sector continues to grow, the food service market is key for local food/beverage manufacturers, but it is also a great opportunity for U.S. suppliers of ingredients.

Post:

San Salvador

Market Fact Sheet: El Salvador

Executive Summary

El Salvador is the fourth largest economy in Central America with an economic growth of 2.6 percent in 2018, a small recovery from 2017 due an increase of the private and public consumption, as well as Nicaragua's recent political crisis that

allowed El Salvador to be an alternate market for trade that was going to Nicaragua.

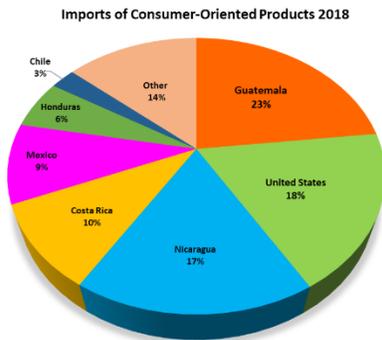
El Salvador's GDP was \$24.81 billion in 2017. Its main trading partner is the United States with 32 percent of imports coming from the United States and 44 percent of Salvadoran exports going to the United States.

The food and beverage-manufacturing sector plays a key role in the Salvadoran economy, contributing over 6 percent to GDP and comprising 26 percent of the manufacturing sector. Salvadoran consumers are in a constant search for new food products. Although consumers are also very price sensitive. In 2018, global imports of agricultural products reached almost \$2 billion.

Imports of Consumer-Oriented products

In 2018, the United States

was the second largest supplier of consumer-oriented products to El Salvador with exports valued at US\$187 million.



Source: Global Trade Atlas/ Global Agricultural Trade System

Food Processing Industry

El Salvador reported global imports of agricultural intermediate products valued at \$386 million in 2018, a 4.6 percent increase from 2017. Although its food manufacturing industry is less developed than in neighboring countries, El Salvador is the regional leader in the production and export of snacks, juices and carbonated beverages.

El Salvador is in a good position to grow in this sector because of better infrastructure and available land for construction of production and distribution centers.

According to industry publications, the leading snack company is Diana and the leading beverage company is Livsmart. Other growth categories are flours, baked products (mainly traditional pastries that are exported for the Salvadoran diaspora), prepared foods and confectionery products.

Salvadoran food manufacturers rely on imports of intermediate products because of a lack of availability or local production.

The United States is the number one supplier in this category with a market share of 36 percent. U.S. ingredients with the highest export growth to El Salvador are soybean oil, mixtures of odoriferous substances for food/beverages and corn (maize) oil.

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 their perception that they are cleaner and safer. Supermarkets often have better quality products and special promotions that cannot be offered by other retail outlets, such as the open-air markets.

Quick Facts CY 2018

Food Retail Industry

Top Growth Intermediate/Ingredients Products:

- Corn flour/oil
- Soybean flour/oil
- Wheat flour/baking inputs
- Vegetable oils
- Condiments and sauces
- Odoriferous substances
- Pork meat
- Poultry meat
- Meats
- Dairy

Source: Global Trade Atlas/Global Agricultural Trade System/Salvadoran Industrial Association.

Food Industry Gross Sales 2018

Food/Beverage Industry Exports: \$496 million (Salvadoran Industrials Association, October 2018 data)

Leading Retailers: Super Selectos and Walmart Mexico y Centroamerica.

GDP/Population

Population (millions): 6.2 million GDP

(billions USD): \$24.81

GDP per capita (USD): \$8,000

Source: The CIA World Factbook

Contact:

U.S. Embassy San Salvador /Foreign Agriculture Service
Boulevard Santa Elena, Antiguo Cuscatlan, La Libertad El Salvador. Email: agsansalvador@fas.usda.gov

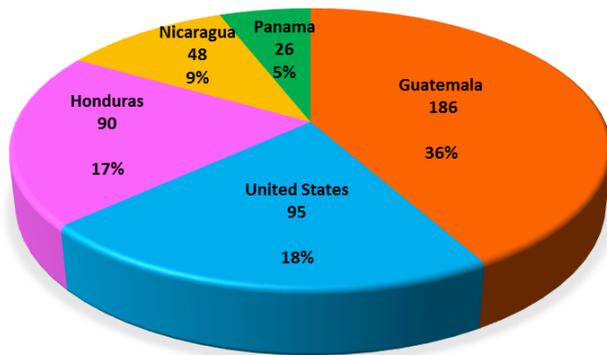
SECTION I: MARKET SUMMARY

With over 10,800 processing facilities, the food and beverage-manufacturing sector plays a key role in the Salvadoran economy, contributing over six percent to GDP and 26% to the manufacturing sector. The food and beverage industry provides almost 34,000 direct jobs, representing 18 percent of manufacturing employment.

El Salvador is a major importer of agricultural products, including food ingredients and a wide variety of consumer-oriented products. In 2018, El Salvador imported approximately \$2 billion of agricultural products from the world. Food preparations, cereals and dairy products were the top imports valued at \$795 million, representing 56 percent of total agricultural imports. The United States was the top supplier in those three categories.

El Salvador is currently the regional leader in the production and exportation of snacks, juices and carbonated beverages as reported in the Industrial Ranking Report 2018, published by the Salvadoran Industrial Association. However, there is also an increase in the production of baked goods, not only for export but also for local consumption. El Salvador stands in a good position to continue growing in these sectors because of better transportation infrastructure than neighboring countries and available land for construction of production and distribution centers. The leading snack company is Diana and the leading beverage company is Livsmart.

2018 EL SALVADOR TOP FIVE EXPORT MARKETS FOR CONSUMER-ORIENTED PRODUCTS (US\$ MILLIONS)



Source: El Salvador’s Central Reserve Bank/ Global Trade Atlas

2018 EL SALVADOR TOP PROCESSED FOODS EXPORTS (US\$ Millions)	
PRODUCT	VALUE
Non-alcoholic Beverages	112,338,683
Bread, Pastry, Cakes, Etc Nesoi & Puddings	73,720,025
Sugar Confection (Incl Wh Choc), No Cocoa, Nesoi	36,015,370
Prep Food, Swelling/Roasting Cereal/Cereal Product	34,229,693
Food Preparations Nesoi	33,790,183
Cookies (Sweet Biscuits)	19,480,494
Sauces Etc. Mixed Condiments And Seasonings Nesoi	15,727,036
Cheese Of All Kinds, Grated Or Powdered	14,993,961
Fruit & Edible Plant Parts Nesoi, Prep Etc. Nesoi	14,437,199
Juice Of Single Fruit/Veg, Not Fortified Etc Nesoi	11,475,032

Market Trends:

Salvadoran consumers are in constant search for new products and flavors, looking for innovative products that are convenient and affordable. Similar to the United States, the current trends are in organics, healthy, less artificial flavors and reduced sugar options, gluten and dairy free, energy drinks, and specialty dairy products.

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 rice and beans.
The food service industry is growing and demand for ingredients is increasing.	High turnover of Customs agents leads to a lack of consistency with customs procedures and delays to clear shipments.
Consumers demanding healthier options creates a potential for growth in ancient seeds and nuts.	The Salvadoran economy is characterized by low growth, and manufacturers are reluctant to make large investments.
Food exports that contain U.S. ingredients, especially meat products, dairy, confectionery and baked goods are top categories with steady growth.	Security is a major concern for Salvadoran companies, and many have closed operations in high-crime areas.
Private labels are rapidly growing in supermarkets creating an opportunity for U.S. companies to supply a diverse offer of products and/or ingredients.	Product registration is still burdensome, delaying the entry to the market up to six months or longer depending on the product.
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 opens opportunities for U.S. ingredients such as soybeans as 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, or 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/development or production areas regarding the introduction of a new-to-market product.

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

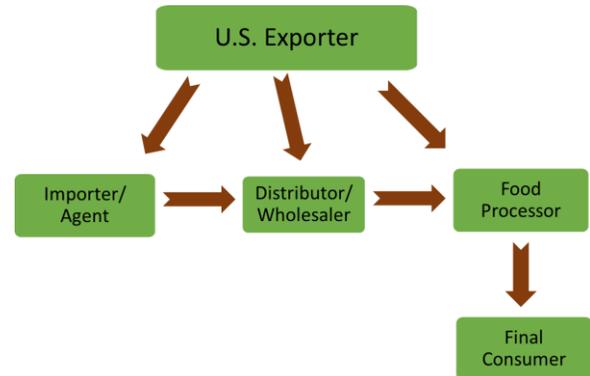
Import Procedure

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

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 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, large food and beverage multinationals also have manufacturing operations for export in El Salvador such as McCormick, Livsmart, Bimbo and Coca-Cola.

Other large food processing companies in El Salvador include 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. Diana is the leader of this industry, supplying not only the domestic market but also exporting to Central America and the United States.

Meat processors are using more U.S. pork to produce deli meats and sausages. They are also offering seasoned and plain pork cuts at many supermarkets. Imports of U.S. pork and pork products reached a record \$18.2 million in 2018, a 31 percent increase from 2017.

Craft beer is growing in El Salvador. There are three major breweries leading this trend: Cadejo Brewery, Premio and Santo Coraje. The United States has been increasing its exports to supply Salvadoran craft breweries. For example, in 2018 there was an increase in the exports of hops, reaching \$136,004, a 19 percent increase over 2017.

Ready-to-eat or ready-to-cook meals are in growing in demand, and food manufacturers are focusing on creating a portfolio with these products, which also involves importing ingredients, flavors or sauces not available in the local market. Ramen-style soups have fulfilled a niche for many workers. These soups are a quick and inexpensive lunch for thousands of laborers who cannot afford to pay for a regular cafeteria meal.

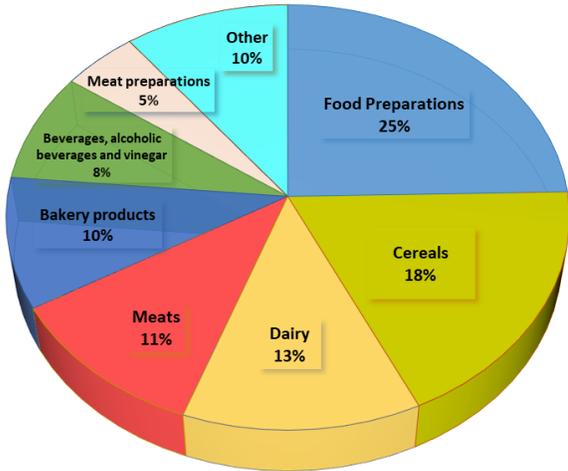
III. Competition

In 2018, El Salvador’s total agricultural imports reached almost \$2 billion, a ten percent increase from 2017.

As the adjacent chart shows, in 2018 food preparations accounted for 25 percent of food imports, which is consistent with the growth of the HRI sector. Cereals and dairy products are the other main ingredients imported 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, see 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 pesto, special cream cheeses or dips and other tropical fruit jams/jellies.

Central America and Mexico remain 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 a competitive advantage.

EL SALVADOR'S MAIN FOOD PRODUCTS IMPORTS 2018



Source: El Salvador’s Central Reserve Bank

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

In 2018, the United States continued to be the #1 supplier for Intermediate Agricultural products shipped to El Salvador, increasing its share to 36%, up 3% from 2017.

**El Salvador Intermediate Agricultural Products
Imports from the World**
(Values in Thousands of U.S. Dollars)

Partner Country	2017	2018
United States	123,496,926.00	137,867,843
Guatemala	100,317,486.00	94,466,657
Honduras	65,197,005.00	66,084,219
Mexico	21,488,086.00	21,524,785
Costa Rica	7,399,468.00	7,453,373
Spain	6,699,080.00	7,185,653
Nicaragua	4,527,683.00	6,303,619
Belgium	3,414,055.00	6,172,312
Uruguay	3,340,082.00	6,008,493
Canada	4,096,413.00	5,146,027
Other	29,021,775	27,738,518
Total:	368,998,059	385,951,499

Source: Global Trade Atlas

Product Category	Ranking of supply sources (share in value %)	Strengths of competitor supplier countries
Food Preparations Total import value: U.S. \$353 million	<ol style="list-style-type: none"> 1) Costa Rica 19% 2) United States 16% 3) Guatemala 11% 	Products developed to meet local consumer's taste, low shipping costs due to proximity.
Dairy Total import value: U.S.\$179 million	<ol style="list-style-type: none"> 1) Nicaragua 53% 2) United States 11% 3) Costa Rica 9% 	Pricing and availability of cheese to make "pupusas" according to consumer taste preference.
Meats Total import value: \$158 million	<ol style="list-style-type: none"> 1) Nicaragua 60% 2) United States 28% 3) Guatemala 6% 	Lower shipping costs and price.
Milling Industry Products; Malt; Starches; Inulin; Wheat Gluten Total import value: U.S.\$141 million	<ol style="list-style-type: none"> 1) Honduras 10% 2) Guatemala 5% 3) Belgium 4% 	New suppliers, mainly from Europe, have started competing with lower prices. Central American suppliers are the best option considering their proximity and distribution availability.
Beverages, alcoholic beverages and vinegar Total import value: \$120 million	<ol style="list-style-type: none"> 1) Guatemala 54% 2) United States 11% 3) Mexico 8% 	Good quality and large offering of tropical fruits flavors at low prices.

Source: Global Trade Atlas

SECTION IV- BEST PRODUCT PROSPECTS

Products present in the market, which have Good Sales Potential:

As shown in Table 2 there is still potential for many U.S. ingredients to increase market share in El Salvador, specifically baking inputs, dairy, fruit and vegetable juices, and beef.

Products Not Present in Market but which have Good Sales Potential:

With the recent opening of the market for U.S.-origin seafood, there are great opportunities to introduce Alaskan seafood to the Salvadoran market. In addition, the baking industry has a growing demand for preserved fruits and large fresh strawberries. 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. Ministry of Agriculture requires plant-by-plant inspection for those products.

SECTION 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 extensions: 3414/3412
E-mail: agsansalvador@fas.usda.gov

Government Regulatory Agency Contacts:

Ministerio de Salud Pública (Ministry of Public Health).

Departamento de Saneamiento Ambiental (DSA-Food Safety Division)

Contact: Ing. Arnoldo Cruz

Address: Alameda Roosevelt, Edificio Laboratorio Central Dr. Max Bloch, San Salvador.

Phone: (503) 2205-1614

e-mail: arcruz@salud.gob.sv

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección de Ganadería (Livestock Division)

Contact: Victor Torres

Address: Final 1 Ave. Norte, Santa Tecla, La Libertad, El Salvador

Phone: (503) 2210-1764/63

e-mail: victor.torres@mag.gob.sv

Private Sector Contact:

Salvadoran Industrials Association

Karla Dominguez

Industrial Intelligence Manager

Address: Colonia Roma, Calles Roma y Liverpool Edificio ASI, San Salvador

Phone: (503) 2267-9200/ 2267-9223

Email: karla.dominguez@asi.com.sv / Website: www.industriaelsalvador.com

El Salvador's Restaurant Association

Leonardo Guzman

President

Address: Alameda Roosevelt y 35 Avenida Sur #1909, Colonia Flor Blanca

San Salvador, El Salvador

Phone: (503) 2279-3610/ 2298-3357

Email: dondeleoguzman@gmail.com