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Report Name: Retail Foods

Country: El Salvador

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Report Category: Retail Foods

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Report Highlights:

The retail sector in El Salvador has remained strong and stable, with new outlets opening and new online shopping options. Super Selectos is the largest supermarket chain, followed by Walmart which in January 2022 announced it is considering the sale of its outlet stores in El Salvador. Imports of U.S. consumer-oriented products reached a record-high of \$267 million in 2021. Food preparations was the number one product for the Consumer-Oriented category, registering a 20 percent increase with exports valued at \$42 million, followed very closely by pork and pork products with an export value of \$39 million, which is an 88 percent increase over 2020.

Market Fact Sheet: El Salvador

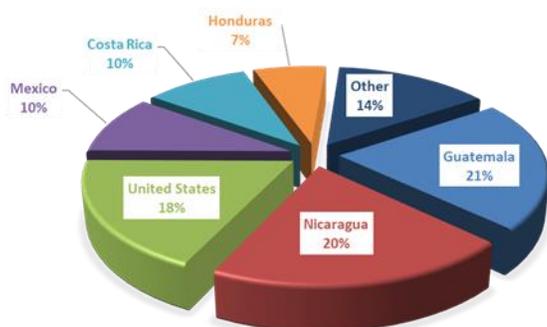
Executive Summary

El Salvador is the smallest country in Central America and its economy has grown slowly in recent decades. According to the latest report by World Bank, the Salvadoran GDP is expected to grow only 2.9 percent in 2022 and 1.9 percent in 2023. The high vaccination rate (66 percent as of March 2022) among the population helped productivity levels to stay stable. In 2021 the United States continued to be the main trading partner, 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.

EL SALVADOR IMPORTS OF CONSUMER-ORIENTED FOOD PRODUCTS 2021



Source: Trade Data Monitor

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 dictated some measures that temporarily stopped operations of snacks and carbonated beverage factories, but it continues to be the regional leader in the production of these categories.

The food manufacturing industry in El Salvador is growing in categories such as baked goods, prepared foods, and confectionery products.

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 brands than open-air markets.

Quick Facts CY 2021

Imports of Consumer-Oriented Products from World: \$1.8 billion

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

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

Trade

El Salvador Ag. imports from the world: \$2.8 billion
 El Salvador Ag. imports from the U.S.: \$828 million

GDP/Population

Population: 6.6 million (2022 est.)
 GDP (USD): \$27 billion (2019 est.) /
 GDP per capita (USD): \$8,100 (2020 est.)

Source: The CIA World Factbook/ World Bank

Strengths	Challenges
Information technology has become strong tool for food marketing/sales. Not only major supermarkets have revamped their online stores, but there are new "online supermarket" options through apps.	Registration of new products is burdensome and takes too long due to government-centralized lab analysis process. Lack of consistency and transparency in import and customs procedures.
Despite the pandemic and the economic contraction, major retailers have continued their expansion plans and have opened new stores.	Security is a major concern in El Salvador and retailers have high distribution costs.
Tourism has started to reactivate and thus new venues are open to sell/promote U.S. consumer-oriented food products.	The market is highly price-sensitive, and often lower quality products are more competitive due to pricing.

Contact: U.S. Embassy San Salvador /Foreign Agriculture Service.
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SECTION I: MARKET SUMMARY

El Salvador is the fifth largest economy in Central America and suffers persistent low levels of economic growth. According to the latest report by World Bank, it is forecasted that the Salvadoran GDP will grow only 2.9 percent during 2022 and 1.9 percent in 2023. The inflation rate reached 7.8 percent in June 2022, a 26 year high.

According to a news article by La Voz de America, food prices in El Salvador are now double the level of 20 years ago. Retailers and even street vendors are raising prices and/or reducing package sizes. The cost of the “basic basket” of food in urban areas was about \$128 in 2001, and now is \$227. Some consumers have expressed that there is no longer a price difference between supermarkets, open-air markets, or mom & pop stores.

Undoubtedly, the COVID-19 pandemic contributed to the way retailers and grocery stores sell their products to Salvadorans. They were pressured to adapt and offer Salvadoran consumers different options to purchase their foods and beverages. Super Selectos, the largest supermarket chain, revamped its existing online store and made alliances with delivery companies to be able to meet demand. Walmart on the other hand had to create its online store and launched it in the middle of the “confinement” when people’s mobility was restricted.

Before the pandemic, higher income Salvadorans were already using apps to order food and products online for pickup or delivery, and companies such as HUGO and UBER were well-known. But this boom in e-commerce has also driven companies that started as delivery services to expand their portfolio to become their own “marketplaces” where people can buy anything from groceries to toys or pet food. And more recently, social media platforms have become a preferred method of shopping for younger consumers, who even sell to each other.

Interestingly, online grocery delivery services have in some cases become channels for remittance payments. Rather than sending money home from overseas, some Salvadorans are sending food delivered through these local apps. This new channel also offers an opportunity for retailers to launch new products, special promotions and/or reward clients for brand loyalty.

Supermarket Profile:

According to a recent study by a local marketing firm, supermarkets in El Salvador account for approximately 40 percent of all food retail sales in El Salvador, valued at \$1.7 billion. It is difficult to obtain specific data as supermarkets are reluctant to release exact sales information.

Therefore, sales are estimated in ranges as follows:

Owner Group	Supermarkets, Hypermarkets and Club Outlets	Current Stores	Estimated annual sales
Grupo Calleja, S.A. de	Super Selectos	106	>\$150 million
Walmart Mexico y Centroamerica	Walmart Supercenter	6	>\$150 million
	Despensa de Don Juan	17	\$100-150 million
	Despensa Familiar 1/	63	\$100-150 million
	Maxi Despensa	15	>\$150 million
Price Smart	Price Smart	2	>\$150 million
TOTAL:		209	

Source: Estimate of sales calculated by FAS, San Salvador.

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

Advantages	Challenges
Major retailers have expanded the number of stores and floor space during the last few years, with plans to continue this expansion.	The market is highly price-sensitive, and lower quality products are often more competitive due to pricing.
Information and technology have become strong tools for food marketing/selling. Retail options have increased with the boom of e-commerce during the COVID-19 pandemic, where not only major supermarkets have revamped their online stores, but there are new “online supermarkets” options through independent apps and social media platforms, including Whatsapp.	Market leaders are investing in construction of modern shopping centers in which supermarkets are the anchor points. This usually requires higher investment in marketing for in-store promotions to promote U.S. brands.
A more educated, bilingual (English/Spanish), and younger population is looking for American products/brands/franchises in order to achieve a more “American” lifestyle due to ties with relatives living in the United States.	Registration of new products is burdensome and takes too long due to government-centralized lab analysis process. In addition, there is a lack of consistency and transparency in import and customs procedures.
Tourism has fully reopened operations, and thus new venues are open to sell/promote U.S. consumer-oriented food products.	Overall, the Salvadoran economy remains very susceptible to the world economy, especially the United States, where negative events can disrupt remittances flow, tourism and investment in El Salvador.

As El Salvador becomes a more service-based economy, increasing numbers of office workers become potential consumers for high quality U.S. food products.	Security is a major concern in El Salvador and increases costs of distribution.
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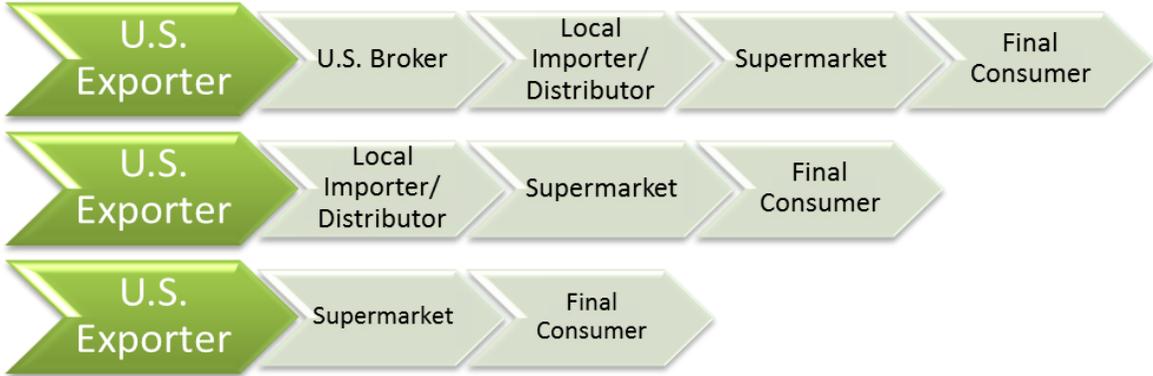
SECTION II. ROAD MAP FOR MARKET ENTRY

Retail Sector

Retail outlets are the preferred venue to purchase food items for Salvadorans, mainly because is a more comfortable shopping experience, and offer special promotions that are not available at other food shopping venues. Hypermarkets/supermarkets and convenience stores coexist with the traditional small grocery stores (mom-and-pop) and open-air markets.

There are two dominant supermarket chains in El Salvador: Super Selectos and Walmart Mexico y Centroamerica.

Market Structure



As shown above, there are at least three ways to reach the Salvadoran consumer. Supermarkets, for instance, may use the three import methods to ensure better prices/offers for their clients. In the case of most importers, they usually prefer to deal directly with manufacturers so they can offer prices that are more competitive.

Transportation costs are key, therefore the preferred method of shipping is from Miami to Guatemalan ports mainly, although some may come through Panama, and then move via ground transportation to El Salvador. Due to an increase in corporate social responsibility programs, local sourcing of mainly fresh produce and other perishable products is growing, and supermarkets have different programs to assist farmers to deliver high quality products.

Company Profiles



Super Selectos is a Salvadoran-owned retailer, currently with 106 stores and an aggressive plan of expansion to open at least five new stores per year until 2024. They plan to achieve this by partnering with commercial developments across the country to be an anchor store in those shopping centers. Super Selectos store layouts have evolved to lure consumers in and provide a more comfortable shopping experience by redesigning their stores to include wider aisles, cafeterias, and energy-efficient technologies. The Super Selectos online store was revamped during the pandemic and reported sales skyrocketed during the confinement, registering a growth of 1,200%.

<https://www.superselectos.com>

Walmart Mexico y Centroamerica is the largest retailer in the region with over 600 stores. In El Salvador, it has 101 stores under different formats: Walmart Super Centers (6),



Despensa de Don Juan (17), Maxi Despensa (15) and Despensa Familiar (63). Their main competitive advantage is their large and diverse offering of non-food products such as apparel, electronics and housewares at affordable prices, functioning as a “one-stop shop” for busy people.

On January 24, 2022 Walmart announced it is evaluating whether to sell its El Salvador stores, although there has not been further information published since then. In the press release, the company mentioned that the idea is to create strategic alliances or even sell their operations in El Salvador, Honduras and Nicaragua, which could help accelerate their business in Costa Rica, Guatemala and Mexico.

<https://www.walmart.com.sv>



PriceSmart El Salvador, S. A. de C. V.: with headquarters in San Diego, California, Pricesmart currently has two stores in El Salvador—both of which are located in the capital city of San Salvador. However, very recently they announced on social media the construction of a third store, although the

location is still unknown. Similar to membership warehouse clubs in the United States, it carries a mixture of groceries (especially large sized items), apparel, electronics, household goods, and automotive parts. It is one of the preferred food retailers for large families and restaurant owners.

<https://shop.pricesmart.com/es/sp/>

Approximately 60% of food/beverages sales still occur at mom-and-pop stores, open-air markets, discount stores (dollar stores), and increasingly at gas station convenience stores.

It is estimated that there are around 70,000 “mom-and-pop” stores in El Salvador, and according to the most recent data available by a local marketing firm, it is estimated that their sales are approximately \$2.8 billion. Lower-income consumers are their main customers, and they prefer small-sized/individual packages.

Discount stores (i.e. Dollar City and other) are expanding their shelves to offer a wider portfolio of food items, mainly ready-to-eat products such as ramen soups, candy, cookies, and beverages. However, the product portfolio has increased and now there are different food preparations available such as pancake mixes, sauces, pasta, oils and similar.

Convenience stores at gas stations are now offering more than light refreshments and ready-to-eat products. In some cases, food offerings include homemade style meals and specialty coffee drinks available throughout the day, making these stores a good opportunity for higher quality food products and/or ingredients from the United States.

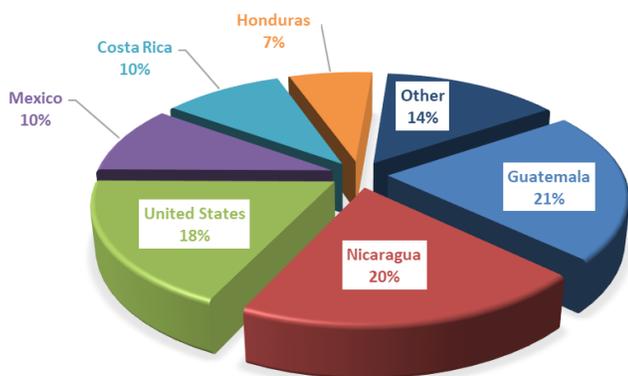
Open-air or wet markets have traditionally been the most popular places to find fresh and less expensive grocery items like fruits, vegetables, red meat, poultry, eggs, pork, and fish. However, current inflation levels and the narrower gap in pricing between supermarkets and wet markets are influencing consumers in their shopping venue choice, which is based on the less expensive option available.

SECTION III. COMPETITION

El Salvador is a signatory to 10 free trade agreements. The Central American countries, Mexico, and Chile are the main trade competitors for the United States regarding consumer-oriented products.

Although the Salvadoran food industry is less developed than in other Central American countries overall, it is currently the regional leader in the production and export of snacks, juices and carbonated beverages. Salvadoran food manufacturers often rely on imported ingredients.

EL SALVADOR IMPORTS OF CONSUMER-ORIENTED FOOD PRODUCTS
2021



Source: Trade Data Monitor, LLC / BICO Report

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products not present in significant quantities, but which have good sales potential:

Health and nutrition are no longer a main concern for only higher-income consumers. With the pandemic, more Salvadorans have become more health conscious and are seeking food based products to boost their immune systems. Therefore, there is a stronger demand and potential for products that are made with more natural ingredients, organic, fat free/low fat, gluten free, high antioxidant/vitamin content, unsweetened or reduced calories (including beverages)

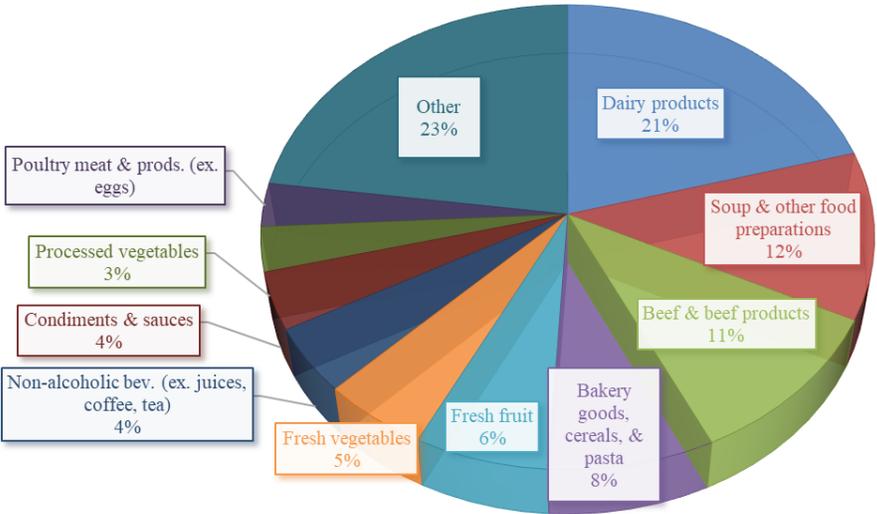
Following the healthy eating trend, many people are joining running/cycling clubs and are looking for foods and beverages that help them prepare better for competitions.

Categories of interest are:

<ul style="list-style-type: none">• Organic foods and beverages	<ul style="list-style-type: none">• Energy boosters: shakes, juices, energy bars, natural juices, both regular and reduced sugar content (targeting children)
<ul style="list-style-type: none">• Dairy substitutes: vegetable “milks” (almond, soy and coconut, in both unflavored and flavored varieties)	<ul style="list-style-type: none">• Specialty dairy products (herbal butter, European-style cheeses, etc.)
<ul style="list-style-type: none">• Cereal or oatmeal with ancient grains such as quinoa, chia, and amaranth	<ul style="list-style-type: none">• Sugar-free and gluten-free cookies, candy, baking mixes and similar.
<ul style="list-style-type: none">• Lactose-free/gluten-free/sugar-free beverages	<ul style="list-style-type: none">• Deli meats and specialty seafood and ready-to-serve platters.
<ul style="list-style-type: none">• Whole wheat bread and/or seeds-base products: granola bars, flaxseed products	<ul style="list-style-type: none">• Artisan-made and special sauces and condiments

El Salvador Top 5 U.S. Consumer-Oriented imports and its main competitors: 2021			
Product Category	Ranking	Country	US\$
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

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



Source: Trade Data Monitor

SECTION V. POST CONTACT AND FURTHER INFORMATION

Office of Agricultural Affairs USDA/FAS

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Attachments:

No Attachments