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Prepared By: Elvy Huezo

Approved By: Andrew Hochhalter

Report Highlights:

U.S. Consumer Oriented products continue to feature prominently in Salvadoran retail outlets, registering a new record-high of \$281.5 million of imports in 2022. The leading supermarket chain, Super Selectos still has most of the retail market share, followed by Walmart. However, smaller retail stores have increased number of outlets, taking some of the market share. That is the case of Dollar City, convenience store Road Market and online supermarket stores such as KIP and Superea. In 2022, dairy topped the list of U.S. Consumer-Oriented products with 30 percent growth and a value of over \$43 million. Processed vegetables and condiments/sauces followed in the ranking showing a growth that is coherent with the boost in the hotel/restaurant sector that has recovered, mainly thanks to the vibrant tourism industry that reported income of over \$1.4 billion between January and May 2023.

Market Fact Sheet: El Salvador

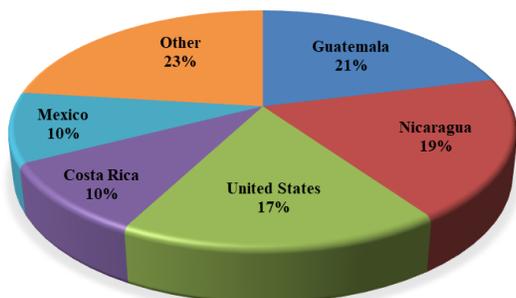
Executive Summary

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 1.7 percent of economic growth 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 about \$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.

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

Advantages and Challenges for U.S. Exporters to 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.	Strong competition from neighboring countries exporting meats, dairy and grains such as corn, rice, and beans.
Tourism has emerged after the pandemic as a strong source of income for El Salvador, and thus new venues are open to sell/promote U.S. consumer-oriented food products.	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.
Private labels are rapidly growing in supermarkets creating an opportunity for U.S. companies to supply a diverse offer of products and/or ingredients.	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.

Contact: U.S. Embassy San Salvador
Blvd. Santa Elena, Antiguo Cuscatlan, La Libertad, El Salvador
Email: agsansalvador@usda.gov

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. In fact, for 2023 the forecasted growth is 2 percent, according to the Economic Commission for Central America (CEPAL in Spanish). The inflation rate has improved in general terms, from 6.06 percent in March 2023 to 5.44 percent in April 2023. The improvement has also been perceived in the area of food and non-alcoholic beverages that in April presented a year-on-year variation of 10.36 percent, a lower figure, than that of March when it was 11.62 percent, although the population assures that prices did not vary and remained on the rise.

According to a news article by La Voz de America, price of food in El Salvador is now double if compared to 20 years ago. 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.

Interestingly, neither the inflationary crisis nor logistics slowed the growth of **Dollar City**, a Salvadoran origin retail brand and subsidiary of the Canadian Dollarama. By the close of the third quarter of 2022, they closed with almost 400 stores in the four markets where the brand has a presence. In El Salvador there are currently 61 stores, and their model is based on the premise of a low-price offer, with a rotating inventory that includes processed foods, kitchen, decoration, cleaning, health and beauty, pets, as well as office and stationery, plastics, glassware, hardware and toys. It has become now a popular option for one-stop shopping for Salvadorans, and given there are many outlets strategically located, close to call-centers or inside shopping malls, many prefer going to Dollar City than a regular supermarket.



A general view of the ample aisles of one Dollar City with a large offer of food items, primarily snacks, candy and grocery items such as sauces and spices./ Photo by FAS San Salvador

Before the pandemic, higher income Salvadorans and younger consumers 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 “marketplaces” where people can buy anything from groceries to toys or pet food. There are other relatively new players in the online supermarket sector,

such as KIP (app-based) and Superea (<https://superea.sv/>), which took the pandemic as an opportunity to grow and become an affordable and practical option for consumers, offering their regular supermarket products, but also some added value items such as pre-cut vegetables, fruits or ready to eat salads and cheese/deli meats platters, among other products.

An interesting fact to mention is that online grocery delivery services have 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 the latest study available from 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	107	>\$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	16	>\$150 million
Price Smart	Price Smart	3	>\$150 million
TOTAL:		212	

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, 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.

Advantages	Challenges
A more educated, bilingual (English/Spanish), and younger population is looking for American products/brands/franchises 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 emerged after the pandemic as a strong source of income for El Salvador, and thus new venues are open to sell/promote U.S. consumer-oriented food products.	Strong competition from neighboring countries exporting meats, dairy and grains such as corn, rice, and beans.
The baking sector is growing as new coffee shops open across the country. Major supermarkets also have their own bakeries.	High inflation rate in food products directly affects purchasing power of imported goods. Consumers substitute with lower price local options.

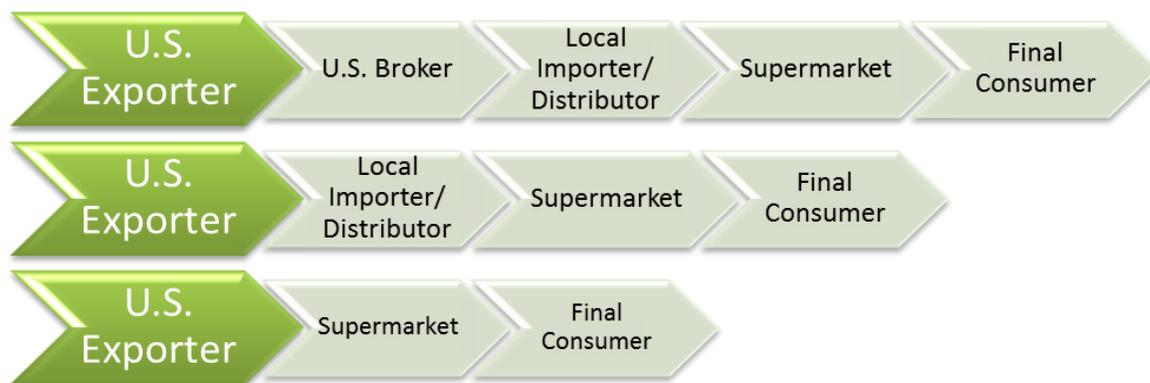
SECTION II. ROAD MAP FOR MARKET ENTRY

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.

Company Profiles



Super Selectos is a Salvadoran-owned retailer, currently with 107 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 102 stores under different formats: Walmart Super Centers (6),



Despensa de Don Juan (17), Maxi Despensa (16) 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 they are evaluating to sell their stores in El Salvador, although there has not been further information 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 opened their third stores in El Salvador, this time in the city of San Miguel to the East region of the country and they have started the construction work of

their fourth store at the West region, in the city of Santa Ana. With the addition of these two stores, Pricemart will now cover the entire country as they have two stores located in the capital city of San Salvador. 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.pricemart.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.

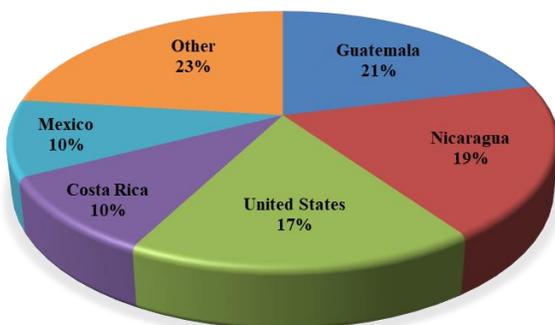
Open-air, or wet markets have traditionally been the most popular places to find fresh and less expensive grocery items like fruits, vegetables, red meat, poultry, eggs, pork, and fish. However, current inflation levels and the narrower gap in pricing between supermarkets and wet markets, are influencing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

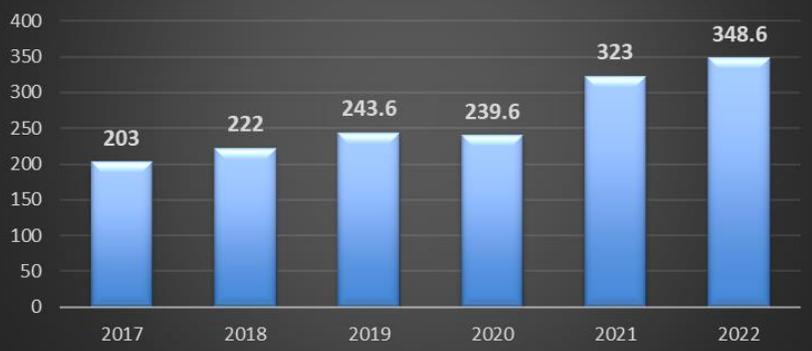
Although the Salvadoran food industry is less developed than in other Central American countries, it is currently the regional leader in the production and export of snacks, juices and carbonated beverages. Salvadoran food manufacturers rely on imports of ingredients.

EL SALVADOR IMPORTS OF CONSUMER-ORIENTED FOOD PRODUCTS 2022



El Salvador Imports of U.S. Consumer Oriented Foods

2017-2022 (in US\$ million)



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 became conscious of their health and are seeking products to boost their immune system through good eating habits. 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.

In addition, many Salvadorans are looking for U.S. specialty seafood products such as salmon, king crab and lobster, for which there is a very limited offer with expensive price tags from Chile.

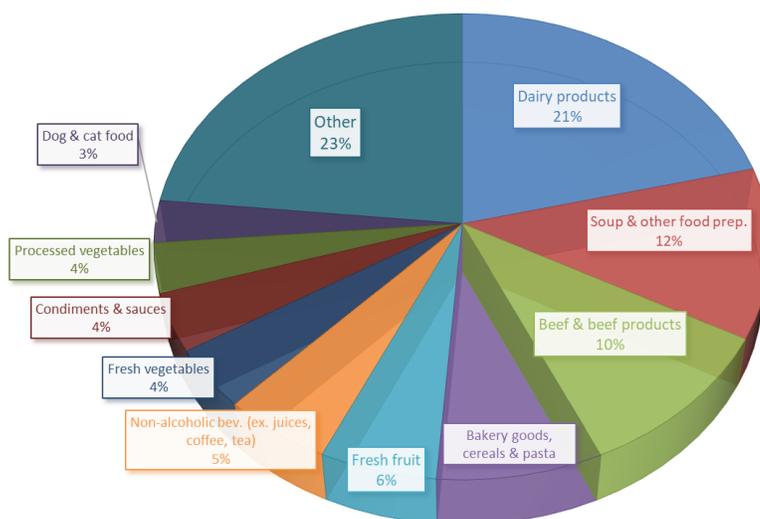
Categories of interest are:

<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 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
<ul style="list-style-type: none">• Specialty-U.S. origin seafood: lobster, salmon, king crab, etc.	<ul style="list-style-type: none">• Artisan Beer

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

2022 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

U.S. Embassy El Salvador

Blvd. Santa Elena, Antiguo Cuscatlán, La Libertad, El Salvador

Phones: (503) 2501-2999 exts. 3414/3412

E-mail: agsansalvador@fas.usda.gov Website: www.fas.usda.gov

RETAIL CONTACTS:

Company:	Super Selectos (Calleja S.A. de C.V.)
Address:	Prolongación 59 Ave. Sur entre Avenida Olímpica y Calle El Progreso, San Salvador, El Salvador
Contact:	Mr. Jose Alberto Corpeño, Purchasing and Categories Director
Email:	jcorpeno@superselectos.com.sv
Telephone:	+503 2267-3628 and 2267-3600
Website:	www.superselectos.com
Company:	Walmart Mexico y Centroamerica
Address:	Alameda Roosevelt y 65 Ave. Sur Centro Financiero Gigante Torre E, Nivel 8, San Salvador, El Salvador
Contact:	Mrs. Claudia Ibañez- Corporate Relations Manager
Email:	claudia.deibanez@walmart.com
Telephone:	+503 2523-6800
Website:	www.walmart.com.sv
Company:	Pricesmart
Address:	Boulevard Sur, Calle Cortez Blanco, Avenida El Pepeto, Urb. Madre Selva, Antiguo Cuscatlán, El Salvador
Contact:	Mr. Luis Rivera- Purchasing Manager
Email:	lurivera@pricesmart.com
Telephone:	+503 2246-7400
Website:	https://www.pricesmart.com/site/sv/en

Attachments:

No Attachments