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A faint, light gray outline map of the world is centered in the background of the page, showing the continents and major country borders.

## **Market Brief - Product**

### **El Salvador : Pet Food Market**

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## **Table of Contents**

<b>EXECUTIVE SUMMARY</b>	<b>2</b>
<b>MARKET OVERVIEW</b>	<b>3</b>
<b>COMPETITORS</b>	<b>3</b>
<b>DISTRIBUTION</b>	<b>4</b>
<b>LEGAL REQUIREMENTS</b>	<b>4</b>
<b>TAXES AND OTHER IMPORT LOGISTICS</b>	<b>5</b>
<b>CONSTRAINTS</b>	<b>5</b>
<b>ANNEX 1</b>	<b>6</b>
<b>ANNEX 2</b>	<b>9</b>

## **Executive Summary**

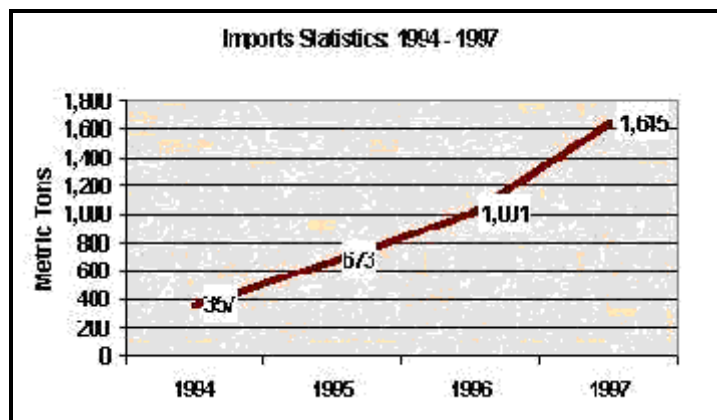
Salvadorans are now acquiring more goods, both national and foreign, indulging themselves with products they were not capable of buying before. Pet food imports have grown in 360% in four years, from 357 metric tons in 1994 to 1,645 in 1997. The United States' and Guatemala's position as number one and number two remains: during the same four year period, they have possessed a market share of 59.2% and 37.2%, respectively. Price consciousness and health restrictions are the only two factors which represent barriers in this market.

## Market Overview

El Salvador's recently acquired economic stability and income growth, has brought a change in consumer behavior. Salvadorans are now acquiring more goods, both national and foreign.

Pet food imports have grown in 360% in four years, from 357 metric tons in 1994 to

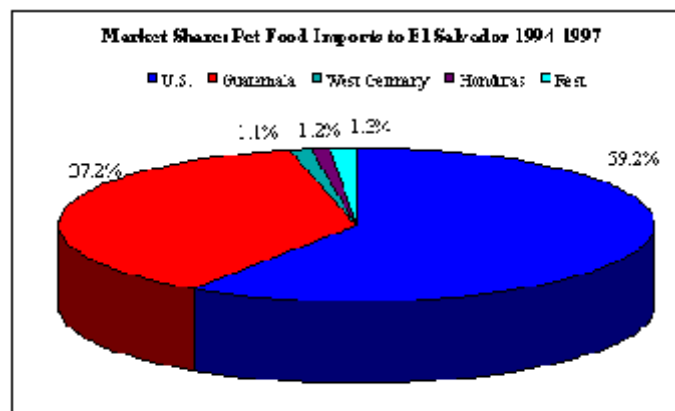
1,645 in 1997. With the entrance of new competitors, the United States and Guatemala are not the sole owners of El Salvador's pet food market anymore.



Even so, the latter countries' position as number one and number two remains: during the same four year period, they have possessed a market share of 59.2% and 37.2%, respectively.

Still, it must be said that income limitations and little awareness of its benefits, makes pet food a product marketed primarily to medium and high classes, since lower income groups are not able to dedicate part of their expenses to this type of product. In fact, in these households, it is common for pets to be fed leftovers and buying pet food is not even considered.

Also, activities involving pet aficionados (i.e. dog shows) are not very common, and only experts or those with enough buying power choose a particular brand expressly for what it offers. Others lean towards brands, which offer the best combination of price and quality.



## Competitors

American pet foods are positioned as premium products in comparison with others. For example, the differences in prices between US brands and local and regional ones range from \$0.60 to \$4 for sizes 4.4-5 lb. A list of brands available in the market, with the average prices and country of origin is presented in annex 1.

## Distribution

The market's characteristics greatly affect this product's distribution. Pet foods are found in four places: supermarkets, vet offices, pet shops (which are scarce and very rare) and sometimes in drugstores. For some brands, the importer is also the distributor.

Because of the income factor mentioned before, the product is also found mostly in urban areas.

Annex 2 provides a list of the major pet food importers/ distributors in El Salvador. This list is furnished with the understanding that no discrimination is intended and no guarantee of reliability is implied.

## Legal Requirements

By law, pet food products are required to be registered at the Ministry of Agriculture, and to be maintained under quarantine until samples of the lot prove that it is in accordance with the country's zoosanitary laws. The importer must present an expert's report stating that the product is in compliance with the laws, inspections cost approximately \$ 205 per container, regardless if its full or not. A copy of the form which is asked to be filled out by the Ministry of Agriculture, and other relevant documentation, is presented in annex 3.

Being registered in the Ministry of Health is a must for importers too. Also, US products are required to present their export certificate, as well as free sale and origin certificates.

The following information is required on labels:

Name of the product	Name of the manufacturer or responsible party
Net content	Sanitary registration number
Stage in which it must be fed to the animal and other instructions	Origin
Expiration date	Lot ID and date of manufacturing
	List of ingredients

Labels must be in Spanish.

## Taxes and Other Import Logistics

The product's final price is determined after being subject to

Duty + CIF = X + Other Expenses + Sales Tax

El Salvador's duty tax for pet foods was set at 20%, but due to the tariff reduction program this level is lowered every year until 1999:

	12/96	7/97	1/98	7/98	1/99	7/99
Capital Goods	0%					
Raw Materials	0%					
Intermediate with DAI ( 10% )		9%	8%	7%	6%	5%
Intermediate with DAI (15%)		14%	13%	12%	11%	10%
Final Goods with DAI ( 20% )		19%	18%	17%	16%	15%

Source: CENTREX , El Salvador

The "other expenses" mentioned are related to the fact that, apart from health standards, imports are subject to other requirements:

\$2 per Commercial invoice

Bill of lading: \$1 for every \$500 of the shipment's value, until a maximum of \$30

\$ 10 must be paid per certificate to customs. Total amount paid is usually \$30, for sanitary, purity (export certificate ) and free sale. No payment has to be made for origin certificates.

## Constraints

Price consciousness leads to limited distribution, as well as a tendency for the middle class' lower strata to purchase those products produced locally or regionally, since they are the ones with more accessible prices.

Health restrictions present themselves as a tedious barrier to overcome because of time factors, and distribution channels are discouraged to purchase a brand which has no local representation to take care of import logistics.

## Annex 1

<i>Type</i>	<i>Brand/ Origin</i>	<i>Size</i>	<i>Average Price ( in US\$)</i>
<b>Snacks/ Biscuits</b>			
<b>DOG</b>	<b><i>Milk Bone/ U.S.</i></b>		
	Biscuits, Puppies	10oz	1.54
	Treats, Dog	10oz	1.75
	Biscuits, Puppies	16oz	0.78
	Snacks, Med/ Small Dogs	1lb	2.77
	Biscuits, Large Dogs	1lb 10 oz	3.38
	Biscuits, Small Dogs	1 lb 8 oz	3.10
	<b><i>Pedigree/ U.S.</i></b>		
	Marrowbone	17.6 oz	2.93
	Multi Biscuit	17.6oz	3.42
	<b><i>Hartz/ U.S.</i></b>		
	Dog Cookies	8oz	3.26
	<b><i>Alpo/ U.S.</i></b>		
	Dog Treats	6oz	1.34
	Dog Treats	10oz	1.42
	<b><i>Trail Blazer/ U.S.</i></b>		
	Treats	7oz	1.65
	Biscuits, Large Dogs	1lb 10oz	2.58
<b>CAT</b>	None		
<b>FOOD</b>			
	<i>1. Box / Bag</i>		
<b>DOG</b>	<b><i>Pedigree/ U.S.</i></b>		
	Mealtime	4.4lb	4.85
	Puppy	4.4lb	4.85
	Mealtime	8.8lb	8.89
	Puppy	8.8lb	9.80
	Mealtime	17.6lb	18.41
	Mealtime	22lb	10.48
	Mealtime	35.2lb	32.33
	Puppy	44.1 lb	20.16

Mealtime	44.1lb	38.47
<b>Alpo/ U.S.</b>		
Puppy	4lb	6.05
Dog	8lb	10.65
<b>Trail Blazer/ U.S.</b>		
Dog Food: Gravy Flavor	4lb	3.62
Dog Food: Chunky Flavor	4lb	3.62
Dog Food: Premium	4lb	3.62
Puppy	4lb	3.62
Dog Food: Chunky Flavor	16lb	0.00
Dog Food: Chunky Flavor	18lb	12.71
<b>Alican/ Guatemala</b>		
Dog	4lb	2.98
Puppy	4lb	4.51
Dog	8lb	5.85
Dog	20lb	13.42
Dog	40lb	23.43
<b>Chispa &amp; Chispita/ Honduras</b>		
Chispa	5lb	6.05
Chispa	10lb	3.19
Chispita	5lb	4.07
Chispita	10lb	7.83
<b>Starpup</b>		
Dog	5lb	5.93
<b>Dog Chips/ El Salvador</b>		
Dog	2lb	1.37
Dog	5lb	3.16
Puppy	5lb	4.36
Dog	10lb	5.72
Dog	25lb	12.98
<b>Purina/ U.S.</b>		
Dog Chow	4lb	3.68
Hi Pro	4.4lb	5.62
Puppy Chow	4.4lb	5.73
Puppy Chow	8.8lb	10.55



	Puppy Chow	17.6lb	19.60
	Dog Chow	17.6lb	17.36
	Hi Pro	20lb	18.11
	<b>Dogui/ Honduras by U.S.</b>		
	Dog	3.3lb	3.11
	Puppies	3.3lb	3.71
	Dog, Premium	6.6lb	6.45
	Puppies	8.8lb	8.74
	Dog	22lb	13.71
	<b>Rambocan/ Guatemala</b>		
	Dog, Fortified	4lb	2.56
<b>CATS</b>	<b>Whiskas/ U.S.</b>		
	Original	17.6lb	1.99
	Seafood	17.6lb	1.99
	<b>G Whiskers/ U.S.</b>		
	Cat Food	16oz	1.60
	<b>Gati/ Honduras by U.S.</b>		
	Chicken, Fish	2.2lb	3.48
	<b>2. Can</b>		
<b>DOG</b>	<b>Pedigree/ U.S.</b>		
	Dog	13.2oz	1.19
	Puppy	13.2oz	1.19
	<b>Purina/ U.S.</b>		
		13.2oz	0.97
<b>CAT</b>	<b>Purina/ U.S.</b>		
		5.5oz	0.63
	<b>Whiskas/ U.S.</b>		
		5.5oz	0.65
	<b>Misingo/ Costa Rica</b>		
		5.82oz	0.35
	<b>Kal Kan/U.S.</b>		
		5.20 oz.	0.63

## Annex 2

	<i>Importer</i>	<i>Brand</i>
<b>DOG</b>	<p><i>Nabisco Royal ( Pasbinc )</i> Calle L-3 #6 Ciudad Merliot Antiguo Cuscatlán, Nueva San Salvador Tel (503) 2785322/2785966 Fax (503) 2780921 Contact: Mr. John Beener General Manager</p>	Milk Bone/ U.S.
	<p><i>D'Casa</i> Km. 10-4 carretera al Pto. De la Libertad Santa Tecla, La Libertad El Salvador Tel (503)2783300 Fax (503) 2783364 Lic. Carlos Araujo</p>	Pedigree/ U.S.
	<p><i>Nestlé</i> Kilometro 11, Carretera al Puerto de la Libertad, Santa Tecla Departamento de la Libertad, El Salvador. Tel (503) 2284943/0557 Fax (503) 2281049 Ing. Rodolfo López</p>	Alpo/ U.S.
	<p><i>Walton &amp; Post Representatative</i></p>	Trail Blazer/ U.S.
	<p><i>Veterinaria Los Heroes</i> Blvd. Los Heroes, Pasaje Unión y 21 Calle Pte. #212, San Salvador, El Salvador</p>	Alican/ Guatemala
	<p><i>Calleja S.A. de C.V.</i> Prolongación 59 Avenida Sur y Calle el Progreso Tel (503) 2233660/2794310 Fax (503) 2781241 Mr. Francisco Calleja President</p>	Dogui/ Honduras by U.S.

	<p>Veterinaria Los Heroes Blvd. Los Heroes, Pasaje Unión y 21 Calle Pte. #212, San Salvador, El Salvador</p>	<p>Rambocan/ Guatemala</p>
<b>CAT</b>	<p>D' Casa Km. 10-4 carretera al Pto. De la Libertad Santa Tecla, La Libertad El Salvador Tel (503)2783300 Fax (503) 2783364 Lic. Carlos Araujo</p>	<p>Whiskas/ U.S.</p>
	<p>Calleja S.A. Prolongación 59 Avenida Sur y Calle el Progreso Tel (503) 2233660/2794310 Fax (503) 2781241 Mr. Francisco Calleja President</p>	<p>Gati/ Honduras by U.S.</p>