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El Salvador

Exporter Guide

Annual

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Report Highlights:

In 2017, El Salvador imported over \$465 million worth of food and agricultural products from the United States, down eight percent from the 2016 level. Stagnate economic growth and increased competition negatively affected U.S. agricultural export values, which have been in constant fluctuation since 2011. To help facilitate trade, the Central Reserve Bank of El Salvador will launch a new online import permit processing system, called “Single Window for Foreign Trade” in 2019, which will connect to the Ministries of Health and Agriculture online platforms to issue import permits for foods and beverages. The new system should reduce processing time to obtain an import permit from over 1 hour to under 3 minutes.

Post: San Salvador

Market Fact Sheet: El Salvador

Executive Summary

El Salvador's main trading partner is the United States with 32 percent of total imports coming from the United States and 45 percent of exports going to the United States.

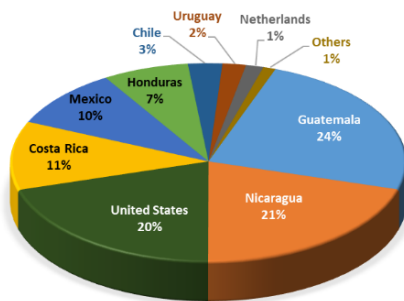
The food and beverage-manufacturing sector plays a key role in the Salvadoran economy, contributing over 6 percent to GDP, and it comprises 26 percent of the manufacturing sector.

Salvadoran consumers constantly demand new food products. Although consumers look for variety they are also very sensitive to price. In 2017, total import value of agricultural products reached \$1.9 billion.

Imports of Consumer-Oriented Products

In 2017, El Salvador imported about \$1.1 billion of consumer-oriented products. The United States was the third largest supplier of this category with exports valued at approximately \$160 million and opportunities to increase.

EL SALVADOR-CONSUMER ORIENTED AGRICULTURAL IMPORTS 2017
(MAIN SUPPLIERS % SHARE)



Source: Global Agricultural Trade System (BICO)/ Global Trade Atlas

Food Processing Industry

El Salvador's food industry is less developed than in neighboring countries. However, 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. In 2017, food ingredients imports reached \$715.5 million, a four percent increase from 2016. For more details please see our [Food Processing Industry GAIN report](#).

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 carry special promotions that are not offered in other retail outlets like the open-air markets. Discount stores, such as Dollar City and Dollar Store are quickly spreading across the country and have become a new outlet for retail food sales.

Quick Facts CY 2017

Imports of Consumer-Oriented Products from the U.S.: \$160 million

Trade

El Salvador Ag. Exports to the world: \$1.1 billion

El Salvador Ag. Imports from the world: \$1.9 billion

El Salvador Ag. Imports from the U.S.: \$465.5 million

GDP/Population

Population (millions): 6.2 million

GDP (billions USD): \$56.9

GDP per capita (USD): \$8,000 (2017 est.)

Top Ten Growth Categories for Ag. Products:

Description	2016	2017	2017/2016 Change (%)
Milling Industry Products; Malt; Starches; Inulin; Wheat Gluten	\$ 1,318,778.58	\$ 4,753,161.14	260%
Miscellaneous Edible Preparations	\$ 1,183,796.53	\$ 3,577,117.56	202%
Lac; Gums; Resins And Other	\$ 243,113.80	\$ 709,028.88	192%
Vegetable Saps And Extracts	\$ 243,113.80	\$ 709,028.88	192%
Animal Or Vegetable Fats And Oils And Their Cleavage Products	\$ 243,113.80	\$ 709,028.88	192%
Cereals	\$ 4,020,008.50	\$ 9,801,094.23	144%
Fish And Crustaceans, Molluscs And Other Aquatic Invertebrates	\$ 14,336,684.85	\$ 33,293,695.00	132%
Sugars And Sugar Confectionary	\$ 2,443,442.76	\$ 4,820,566.24	97%
Meat And Edible Meat Offal	\$ 135,032.18	\$ 251,004.39	86%
Cocoa And Cocoa Preparations	\$ 739,034.72	\$ 1,351,986.03	83%
Oil Seeds And Oleaginous Fruits; Miscellaneous Grains, Seeds	\$ 598,160.23	\$ 1,072,892.54	79%

Source: Global Agricultural Trade System, Global Trade Atlas, CIA-The World Fact Book, El Salvador's Central Reserve Bank

Advantages	Challenges
U.S. agricultural and food products are sought after by El Salvador's HRI sector, as they have an excellent reputation among consumers and are known for their high quality and food safety standards.	U.S. agricultural and food products are more expensive than some regionally available food products. Guatemala, Canada, Mexico, and Chile are strong competitors.
Major retailers are developing increasingly sophisticated distribution systems, which will provide more space and better cold chain technology for high-value imports.	Importers tend to buy small quantities to test the market. In general, U.S. companies are not attracted to sell small quantities.
The implementation of CAFTA-DR has lowered or eliminated duties for most U.S. food products.	High marketing costs (advertising, discounts, sampling, etc.) make it difficult to promote new products.

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SECTION I: MARKET SUMMARY

El Salvador's economy is starting to show slow recovery signs as real GDP grew 2.6 percent last year and is expected to stay the same in 2019. The Salvadoran economy is very susceptible and highly dependent upon the economic performance of its trading partners.

For El Salvador, the positive indicators of the U.S. economy throughout 2018 had a positive impact, specifically in the banking sector, which, according to data from the Central Reserve Bank, total deposits increased 4 percent, which provided additional financial resources to attract more investment.

Another factor that had a direct and strong influence on the Salvadoran economy and purchasing power in 2018 was remittances. As of October 2018, total remittances received reached \$4.5 billion and the volume of monthly transactions in 2018 was the highest in the last six years, according to the Salvadoran Central Reserve Bank.

The Government of El Salvador (GOES) promotes an open, free market economy and recently signed a reform to the Law of Regulatory Improvement in an effort to reduce government bureaucracy in administrative procedures, which includes international trade. In addition, the Ministries of Education and Health launched a new regulation for school cafeterias, which aims to promote healthier foods among students. This new regulation prohibits the sale of sodas and any foods or snacks that are high in fats, sugar or sodium. This new regulation opens opportunities to promote innovative and healthier snacks and beverages to children.

Trade is important to El Salvador, and during 2018, its main trading partners were the United States, Popular Republic of China, Guatemala, Mexico, Honduras, Spain, Nicaragua and Costa Rica. These eight countries supplied 77 percent of total imports to El Salvador in 2018 through October. China became the second largest trading partner in 2018, displacing Guatemala.

Although El Salvador is the smallest country in Central America, it is densely populated with 6,187,271(est. July 2018) inhabitants. Approximately 67 percent of people live in urban areas with about 1.8 million people living in the capital, San Salvador. Migration to the capital accelerated in the 1980's because of civil conflict, and continued thereafter due to natural disasters, a shrinking agricultural sector and gang related violence.

Salvadoran eating habits are highly influenced by a faster-paced life style; therefore, consumers are looking more for convenient, ready-to eat or semi-cooked food options. Best performing categories in 2017 for U.S. consumer-oriented exports to El Salvador were pork and pork products, dairy, snack foods, processed vegetables and condiments/sauces. For more information on Salvadoran food trends, please see our [Retail Foods GAIN Report](#) and the [Food Processing Ingredients GAIN Report](#).

Advantages and Challenges for Exporting Agricultural products to El Salvador:

Advantages	Challenges
U.S. agricultural and food products are sought after by El Salvador's HRI sector, as they have an excellent reputation among consumers and are known for their high quality and food safety standards.	U.S. agricultural and food products are more expensive than some regionally available food products. Guatemala, Canada, Mexico, and Chile are strong competitors.
Major retailers are developing increasingly sophisticated distribution systems, which will provide more space and better cold chain technology for high-value imports.	Importers tend to buy small quantities to test the market. In general, U.S. companies are not interested in exporting small quantities.
The implementation of CAFTA-DR lowered or eliminated duties for most U.S. food products.	High marketing costs (advertising, discounts, sampling, etc.) make it difficult to promote new products.
With the recent boom in urban developments and expansion of shopping centers, new retail outlets are available to sell more U.S. food products.	Security issues along with increasing costs of distribution, limit the ability of stores to promote products at the national level.
Exposure to U.S. media as well as language, culture, and commercial ties to the United States, contributes to positive attitudes toward U.S. products.	El Salvador's high unemployment rate (5.5 percent) directly affects family income, limiting consumption of higher-value, imported food products.

SECTION II. EXPORTER BUSINESS TIPS

Successful introduction of products into the Salvadoran market depends upon acquiring local representation and making personal contacts. The advantages of local representation include market knowledge, up-to-date information, and guidance on business practices, trade laws, sales contacts, and market development expertise.

El Salvador is very much a business-card society and it is important to exchange business cards at the first meeting. Initially, Salvadoran business relationships and meetings are formal. You are expected to use proper titles, shake hands before and after your meeting, and not use a person's first name until a relationship has been solidified. Use the formal Señor (Mr.) or Señora (Mrs.) before the last name (i.e. Señor Gomez, Señora Ramirez).

Culturally speaking, Salvadorans have adopted much of U.S. culture such as music, sports, fashion, and fast foods. Therefore, most large U.S. fast food franchises have outlets in El Salvador. Food courts located in shopping malls are popular and viewed as a place to socialize. Home/office delivery service has caught on quickly in this market as well.

It is highly recommended that U.S. exporters reach out to Salvadoran buyers that attend U.S. trade shows, such as the Americas Food and Beverage, National Restaurant Association Show, International Dairy-Deli-Bakery Show and Fancy Food Summer Show.

Other considerations to take into account:

- Support local importers for in-store promotion activities and point of sale materials.
- Most importers prefer shipments from the Miami area and consolidation is the best option when shipping small volumes.
- Establish a collaborative relationship with the importer to facilitate the product registration process and subsequent entry of the product.
- Personal visits to El Salvador are highly encouraged in order to see trends and understand Salvadoran consumer preferences.

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS and IMPORT PROCEDURES

○ Customs Clearance

Usually when clearing a product through Customs, a Customs inspector, a Customs officer, and a Ministry of Health (abbreviated MINSAL in Spanish) inspector are involved in the process. English is the commercial language used on import documents. On average, it takes approximately three to five days to clear a product through customs. Most importers use a customs agent to expedite clearing procedures as much as possible. At this time, there is no appeal procedure in place for disputed product rejections.

○ Documents Generally Required by the Country Authority for Imported Food:

The Government of El Salvador (abbreviated GOES) requires importers be registered with MINSAL. Importers must also register each product and size presentation that will be imported to ensure the product is fit for human consumption. Registration of a product, once granted, is valid for five years. MINSAL has created a new procedure to request an online import permit that will be the only authorized method to request permits for food and beverages. The new system will minimize the processing time for import permits from 1 hour to 3 minutes or less. In general, most products are subject to lab tests performed by MINSAL when undergoing routine controls and when the product is registered.

Certificates of Free Sale are also required for imported products. A Certificate of Free Sale, ideally, is a certificate from an official, public health agency, stating that the product to be imported meets all health and sanitary requirements of that agency, and which is freely sold and consumed in the country of origin. For U.S. products, the Ministry of Health will accept the Certificate of Free Sale issued by an official U.S. government institution, including local and state government agencies.

FAS/USDA negotiated with the Ministry of Health the acceptance of the Food Safety Inspection Service (FSIS) 9060-5 certificate for meat and meat products in lieu of the Certificate of Free Sale.

○ Country Language Labeling Requirements

The Salvadoran Body for Technical Regulations (OSARTEC) is working on labeling regulations based on Codex. Currently, food products with U.S. labels are common

throughout the distribution chain. However, the GOES is requiring that a sticker in Spanish that includes a list of ingredients, manufacturing method, and expiration date be used until the requirement of Spanish-English labels is fully implemented.

The requirement for shelf life of a processed product is the expiration date. For higher value and fresh products, the manufacturing and expiration date is required. A country of origin certificate for products coming in under a free trade agreement is required for all products imported into El Salvador.

The Ministry of Health does not require nutritional labeling at this time. However, the U.S. nutrition label needs to be reviewed by the Nutrition Department of the Ministry of Health in order to be accepted. Some locally produced products at the retail level have nutrition facts in English to comply with U.S. regulations due to expectations of exporting to the U.S. market under the Central America – Dominican Republic - U.S. Free Trade Agreement (CAFTA-DR). Local health officials say that since most Salvadorans do not speak English, they could be basing their opinion on the picture that is used on the label by U.S. manufacturing companies and could therefore be misled.

- Tariffs and FTA's

El Salvador remains committed to free markets and a diversified export-oriented economy. It is a member of the World Trade Organization (WTO) and the Central American Common Market and a signatory to the CAFTA-DR agreement since March 1, 2006. El Salvador also has trade agreements with Mexico, Chile, Panama, Colombia, Taiwan, the Dominican Republic, Venezuela and the European Union. In August 20, 2018, El Salvador officially joined the Guatemala-Honduras Customs Union.

With the exception of sensitive agricultural products such as white corn, rice, poultry and dairy, most US food products have duty free access to the Salvadoran market under the CAFTA-DR agreement. Sensitive products are managed under a Tariff Rate Quota (TRQ) system that is managed by the Ministry of Economy's Free Trade Administration Division (DATCO). Poultry TRQ's are managed by the US and Salvadoran poultry industries under the Central America Poultry Export Quota (CAPEQ) system.

- Trademarks and Patents Market Research

An individual can acquire exclusive trademark rights by registering a branded product with the National Registry Center (CNR). Trademark registrations are granted for a period of 10 years and can be renewed indefinitely for similar periods.

For further information, please refer to our GAIN [FAIRS 2018 Country report](#) and [FAIRS Export Certificate Report](#).

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

The retail sector continues to be a key growth area of the Salvadoran economy, fueled by increasing purchasing power, mainly due to increasing remittances and a steady expansion of consumer credit.

The GOES views foreign investment as crucial for economic growth and development and has taken numerous steps in recent years to improve the investment climate. U.S. food franchises have increased their presence in El Salvador rapidly. There has also been a boom in coffee shops/restaurants over the last five years. With some capital injection, small, independent, family-owned coffee shops are converted into little restaurants. Salvadorans usually get together at these restaurants for breakfast and/or for informal meetings and socializing after work. The boom in this sector brings more demand for bakery products, dairy products, cocktails, smoothies, milk shakes, fresh fruits and fruit juices. The hotel sector is seeing important investments that include new business players that are purchasing existing hotels, such as the Spanish chain Barcelo that acquired the Hilton Princess, the Fairfield by Marriott which began operations in late 2017, and the Hyatt Hotel, which is scheduled to open in the first quarter of 2019.

Competitive Situation

The Central American countries, Mexico, and Chile are the main trade competitors for the United States in regards to 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. Generally, Salvadoran food manufacturers rely on imports of ingredients.

High food safety standards, excellent quality and technical support or assistance in the development of new products, give U.S. food ingredients a competitive advantage.

SECTION V. AGRICULTURAL and FOOD IMPORTS

In 2017, the United States exported a total of \$463 million of agricultural products, registering the highest export levels since at least 1970 in the following categories: Pork & Pork products, Processed Vegetables, Snack Foods, Condiments & Sauces and Dog & Cat Food.

Salvadoran consumers are receptive to new food brands, mainly specialty/international foods, but education on health benefits and cooking demos with tastings are key to lure them to make a purchase.

Top Ten U.S. Agricultural & Related Products to El Salvador

2016/2017

(in million of dollars)

Product	2016	2017	% Change
Soybean Oil	0.3	6.9	2,089.20
Wheat	43.1	69.5	61.2
Planting Seeds	0.5	0.8	46.4
Meat Products NESOI	0.4	0.6	44.9
Fresh Vegetables	0.5	0.8	38.9
Fish Products	0.9	1.1	27.2
Pork & Pork Products	11.2	13.9	24.5
Dairy Products	13.9	16.7	19.8
Dog & Cat Food	3.5	4	13.1
Cotton	21.2	23.9	12.8

Source: U.S. Census Bureau Trade Data (BICO)

Best High Value, Consumer Oriented product prospects:

- Organic foods and beverages
- Dairy substitutes
- Ancient grains (i.e. quinoa, amaranth, chia, etc.)
- Lactose-free/gluten-free/sugar-free beverages.
- Artisan-made and/or special sauces and condiments
- Energy boosters
- Deli meats and ready to serve platters.

SECTION VI. POST CONTACT AND FURTHER INFORMATION

Office of Agricultural Affairs

USDA/FAS

U.S. Embassy El Salvador

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Antiguo Cuscatlán, La Libertad, El Salvador

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Agency:	Ministerio de Agricultura y Ganadería (Ministry of Agriculture and Livestock)
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