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Report Name: Food Service - Hotel Restaurant Institutional

Country: El Salvador

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Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

International tourism is one of the most dynamic components of El Salvador's economy, and has been a cornerstone of El Salvador's hotel and restaurant industries. However, the COVID-19 pandemic has devastated the tourism sector in 2020. Hotels estimate losses at over \$440 million, and reports indicate that at least 235 restaurants (30% of the formal sector) have closed across the country. Despite the somber scenario, many hotels and restaurants have successfully adapted their marketing and services strategies to continue operations.

Market Fact Sheet: El Salvador

Executive Summary

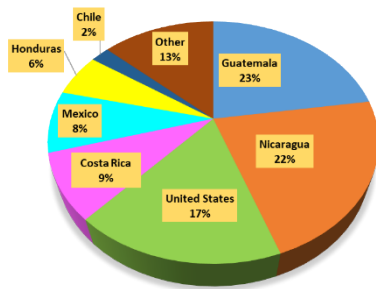
El Salvador is the fifth largest economy in Central America and suffers persistent low levels of economic growth. In 2019, the economy grew 2.3 percent. However, due to the COVID-19 pandemic, the International Monetary Fund recently forecasted a collapse for GDP of -9 percent for 2020 and a gradual recovery for 2021 of 4 percent, which although it's double of the 2019 numbers, still it will not compensate the losses.

Employed Salvadorans spend an average of \$88 per month on meals outside the home. This figure is high relative to both average monthly income, which is approximately \$620, and the cost of staple foods, which averages \$242 for a family of four.

Imports of Consumer-Oriented Products

In 2019, the United States was the third largest supplier of consumer-oriented food products to El Salvador with exports valued at \$212 million.

El Salvador Imports of Consumer-Oriented Products 2019



Source: Trade Data Monitor, LLC

Food Processing Industry

El Salvador reported global imports of intermediate agricultural products valued at \$387 million in 2019, a 3 percent increase from 2018. Although the food manufacturing sector is less developed than in neighboring countries, El Salvador has been the regional leader in the production and export of snacks, juices, and carbonated beverages. 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.

Food Retail Industry

There are two main 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 and safer, and because they typically offer special promotions that are not offered in open-air markets.

Quick Facts CY 2019

Imports of Consumer-Oriented Food Products from World: \$1.3 billion

List of Top 10 U.S. Ag Products in El Salvador during 2019:

- | | |
|----------------------|----------------------------------|
| 1) Food Preparations | 6) Cheese |
| 2) Corn | 7) Palm oil |
| 3) Soybean oilcake | 8) Sauces and preparations |
| 4) Meat of bovine | 9) Other Non-Alcoholic beverages |
| 5) Wheat | 10) Rice |

Trade

- El Salvador Ag. exports to the world: \$1.1 billion
- El Salvador Ag. imports from the world: \$2.2 billion
- El Salvador Ag. imports from the U.S.: \$567 million
- El Salvador Ag/ exports to the U.S.: \$233 million

GDP/Population

Population: 6.5 million (July 2020 est.)

GDP (USD): \$27 billion (2019)

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

Source: Trade Data Monitor, LLC., World Bank, CIA-The World Fact Book, "Multiple Purposes Home Survey-2019" from El Salvador's Ministry of Economy

Strengths	Challenges
The hotel and restaurant sectors are growing. Currently there are 784 registered restaurants in El Salvador, and thousands of small/informal cafeterias that are channels of distribution for U.S. food brands. From large hotel chains to small/ boutique guest houses, it is estimated that the national lodging capacity is 10,000.	El Salvador is a highly price-sensitive market, and thus, lower quality products may be in higher demand if sold at lower prices.
Corporate/Convention/Medical tourism attracts travelers from all over the world who usually look for a high-end eating and lodging experiences.	Bureaucratic and tedious product registration procedures that can delay the importing of more U.S. consumer-ready foods/beverages.
Salvadorans that are frequent travelers are familiar with American brands and have a perception of higher quality and value for U.S. products.	Foodservice suppliers from Mexico and other Central American countries offer lower prices due to lower shipping costs, and a greater understanding of local cultural needs.

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SECTION I: MARKET SUMMARY

El Salvador is the smallest country, by size, in Central America, with an estimated population of 6.5 million inhabitants. The country suffers persistent low levels of economic growth, which registered 2.3 percent in 2019. However, in 2020 due to the COVID-19 pandemic, the International Monetary Fund recently forecasted a collapse for GDP of -9 percent and a gradual recovery for 2021 of 4 percent, which will not compensate for the losses in 2020.

Convention/Business Tourism was booming in 2019 as El Salvador has become a Hub for Central American business due to its logistical convenience for regional events. The recent growth in the broader tourism sector is also notable. During 2019, there were over 2.6 million visitors, generating around \$1.8 billion. Two major surfing competition events in the second half of 2019 contributed a little more than \$8 million to this figure, and helped to position El Salvador as one of the top surfing destinations in the world. In addition, there have been openings of new boutique beach hotels, restaurants, and office buildings.

Obviously, with the COVID-19 pandemic, growth projections for hotels and restaurant sectors plunged, directly impacting the food service companies as well, which are main importers of U.S. food/beverages. It has been estimated that the hotel sector will lose around \$440 million by the end of 2020. The Restaurant Association of El Salvador has reported that so far, at least 235 establishments (which represent 30% of those formally registered) have closed because they were not able to adapt their operations during the quarantine.

Starting March 18 2020, the restaurant sector was among the first to paralyze and reduce its operations because it could not provide table services anymore. Those able to offer take-out and delivery service continued to operate, but many had to close completely.

Hotels also stopped the restaurant dining-in services, but some of them agreed to work with the government by providing lodging services for front-line health personnel and also many served as quarantine centers for travelers that came into the country during the strict quarantine period and those violating it.

After the total reopening of the economy on August 24 2020, restaurants have started operations to offer table services for up to 50% of their capacity. It has been interesting to see that some restaurant owners took the closing period as an opportunity to remodel or beautify their facilities. All restaurants have to follow strict biosafety protocols and in some cases they have implemented additional measures to avoid physical contact, such as QR coded menus for customers to download them on their cellphones.

Hotels, on the other hand, have started to open their restaurants and have re-designed their catering services to hold events with the appropriate social distancing measures. During the strict quarantine, many hotels continued their restaurant operations to service their guest, but also by delivering to hospitals and other institutions, and most recently offering delivery to general consumers, but targeting

those with high purchasing power in exclusive areas, for their “Chef-in-a-Box” concept meals.

With the international airport reopening on August 19, the flow of tourists has slowly started and according to the Ministry of Tourism, it is expected that 812,000 tourists come to El Salvador for the remainder of 2020, mainly coming from Guatemala and Honduras.

As Salvadorans get used to the “new-normal”, other lodging options, such as Air BnB, will continue the growth trend the platform had before the pandemic. Since beginning operations in El Salvador in 2019, AirBnB has gained popularity among both visitors and locals. Even though it is not considered a formal hotel option, it contributes to a wide range of lodging alternatives, from luxurious apartments to small rooms in family homes. High-end listings offer amenities that include food and beverage products, which may present an opportunity for U.S. food products/brands.

Although teleworking is still widely used, there are many companies and institutions that have started rotative schedules, and therefore traffic has returned back to pre-pandemic levels. Quite often these commuting times in El Salvador are a couple of hours for many, and therefore people need to leave their homes earlier in the morning, which also means they are eating out more often. According to the “Multi-Purpose Homes Survey” conducted by the Ministry of Economy in 2019, working Salvadorans spend a monthly average of \$51 on lunches in restaurants/cafeterias and another \$25 in snacks. According to Euromonitor, in 2019, Salvadorans’ annual per household expenditures in eating out for an average worker from different economic sectors was \$1,325, or approximately \$110 monthly.

Salvadorans Annual Expenditure on Hotels and Catering by Economic Status of Household Head (in USD per household)	
Categorization Type	2019
Employer and Self-	\$ 1,615.70
Employee	\$ 1,325.10
Other	\$ 939.10
Unemployed	\$ 769.60

Source: Euromonitor

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

Advantages	Challenges
The hotel and restaurant sectors are growing. Currently there are 784 registered restaurants in El Salvador, and thousands of small/informal cafeterias that are channels of distribution for U.S. food brands. From large hotel chains to small/ boutique guest houses, it is estimated that the national lodging capacity is 10,000.	El Salvador is a highly price-sensitive market, and thus, lower quality products may be in higher demand if sold at lower prices.
Corporate/Convention/Medical tourism attracts travelers from all over the world, who usually look for a high-end eating and lodging experience.	Bureaucratic and tedious product registration procedures that can delay the importation of more U.S. consumer-ready foods/beverages.
Salvadorans are frequent travelers, are familiar with U.S. brands, and have a perception of higher quality and value for U.S. products.	Foodservice suppliers from Mexico and other Central American countries offer lower prices due to lower shipping costs and have a greater understanding of local cultural needs.
A fast-paced living style and longer commuting times are driving consumers to look for convenient, ready-to-eat meal options, as well as eating out almost daily.	Overall, the Salvadoran economy remains very susceptible to the world economy and outside events that can disrupt investment.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Market Entry Strategy

El Salvador has a very dynamic import sector that is educated in consumer trends, attends tradeshows, and is open to supplying new products in order to meet the demand of the HRI sector. The government of El Salvador signed in 2016 the World Trade Organization Trade Facilitation Agreement, which included a protocol to amend the law pertaining to facilitating trade. However, it wasn't until July 2019 that the government reactivated the National Committee for Trade Facilitation, which to date has been consolidated as the public-private dialogue forum to promote all initiatives related to trade facilitation, thereby contributing to increase the competitiveness of companies and eliminate bureaucratic barriers for trade. Expectations are that, among other things,

this committee will develop proposals to help expedite the registration of food and beverage products.

Most hotels and restaurants buy through a variety of distribution channels, and some import food products directly. El Salvador does not produce enough food to meet demand. In fact, in 2019 El Salvador imported a total of \$2.1 billion of agricultural products, and despite its tropical climate, El Salvador does not meet demand for fruits and vegetables and therefore relies heavily on imports.

For U.S. exporters that want to sell in the Salvadoran market, having a local partner is highly recommended.

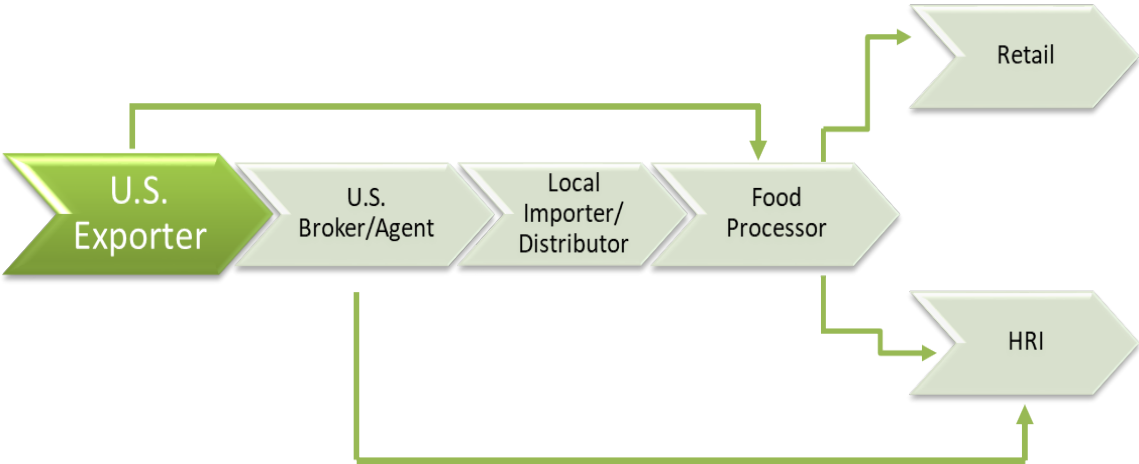
Effective partners are typically either importers/agents or distributor companies that provide insight into local consumer trends and business practices. The Foreign Agricultural Service (FAS) in San Salvador can provide a list of companies that are currently importing different products and have direct access to buyers in the HRI sector.

B. Market Structure

The HRI sector in El Salvador, as in most places, values fast service and high quality at the lowest price. Local food manufacturers are adapting to package sizes and specific flavor profiles required by the HRI sector, and competing with long-time suppliers from Mexico and neighboring Central American countries. In addition, the HRI sector is working to increase direct import volume of raw materials to reduce costs.

C. Distribution

The diagram below shows the basic distribution flow for imported foods/beverages for the HRI sector in El Salvador:



D. Sub-sector Profiles

- **Hotels**

Historically, this sector has not grown at high rates; however, in recent years El Salvador has received important investment from both foreign and local firms, with more development in coastal regions and exclusive areas of San Salvador. According to the Salvadoran Hotel Association, there are approximately 500 registered hotels nationwide. The goal is to expand room availability to over 1,000 in the San Salvador area to capture more business travelers. There are also a quite a few small hotels in rural areas, specifically in the coffee-producing regions and mountains, which attracts not only foreigners but also hundreds of Salvadorans for internal tourism. For more information about the hotel chains/brands present in El Salvador, please check the Salvadoran Hotel Association's website: <http://hotelesdeelsalvador.com/>

El Salvador is increasingly becoming a top destination for surfers from around the world, providing many opportunities for the HRI sector. For example, there were two important surf events in 2019: Surf City El Salvador Alas Latin Pro 2019 6 Estrellas Prime and the ISA World SUP and Paddleboard Championship, which opened a unique opportunity for El Salvador to rank among the top surfing destinations in the world. According to the Ministry of Tourism, these two events generated an estimated income of \$8 million, which confirms the great potential this sector offers to increase consumption of U.S. food/beverages.

Most hotels in El Salvador purchase their food products through local importers, distributors, wholesalers and large open-air markets. Chefs are key to making purchasing decisions, so it is recommended to showcase new products to them before offering them to Purchase Managers whenever possible. In this regard, the FAS office regularly carries out promotional events, such as our Sabor USA themed activities, where, with the support of USDA Cooperators and local importers, we offer a venue to showcase and provide tastings of U.S. foods/ingredients for the HRI sector, as well as providing an opportunity to test the market with new products.

- **Restaurants**

In 2019, the Salvadoran Restaurant Association launched the very first study on the important role that restaurants play in the Salvadoran economy. They reported a total of 784 formally registered restaurants that generate \$709 million in the local economy, representing 2.86 percent of El Salvador's GDP. In addition, there are other dining options for Salvadoran consumers, ranging from small cafeterias to traditional food stands, and more recently, food trucks. The latter trend started in 2015 with two food trucks, and now consists of over 25 brands that offer high quality and/or gourmet food options at more affordable prices.

Depending on the format, either specialty or franchise, most restaurants purchase fresh produce from local suppliers and large open-air markets. Franchises and other international restaurants usually import directly or purchase from local importers/distributors, or wholesalers such as PriceSmart, that sell the ingredients/products they need in large size packages.

Home/office delivery service is widely available now for restaurants, including fine gourmet and international cuisine options, through apps such as HUGO, UberEats and the newest, eLUNCH. A local entrepreneur, One Kitchen Company, has also taken advantage of these platforms to create the “virtual restaurants” niche in El Salvador, currently offering four different restaurant options that compete with physical establishments.

To see a detailed list of main restaurants registered in El Salvador, please check the Salvadoran Restaurant Association website: <http://ares.sv/>

- **Institutional**

In El Salvador, many institutions offer unique opportunities to sell imported food products, specifically for hospitals –public and private- as well as traditional government agencies that are responsible for their own food purchases. Be aware that in doing business with the Salvadoran government, there is no electronic contracting platform, only an electronic notification system for companies registered online as providers at COMPRASAL (www.comprasal.gob.sv). This registry is open to U.S. companies, regardless of whether the company has a local representative. Public announcements are made through print media and are posted on the government procurement website.

Institutional Sector Markets with best opportunities are:

- Public and private hospitals
- Penitentiaries
- Public schools under the “Healthy School” program

III. COMPETITION

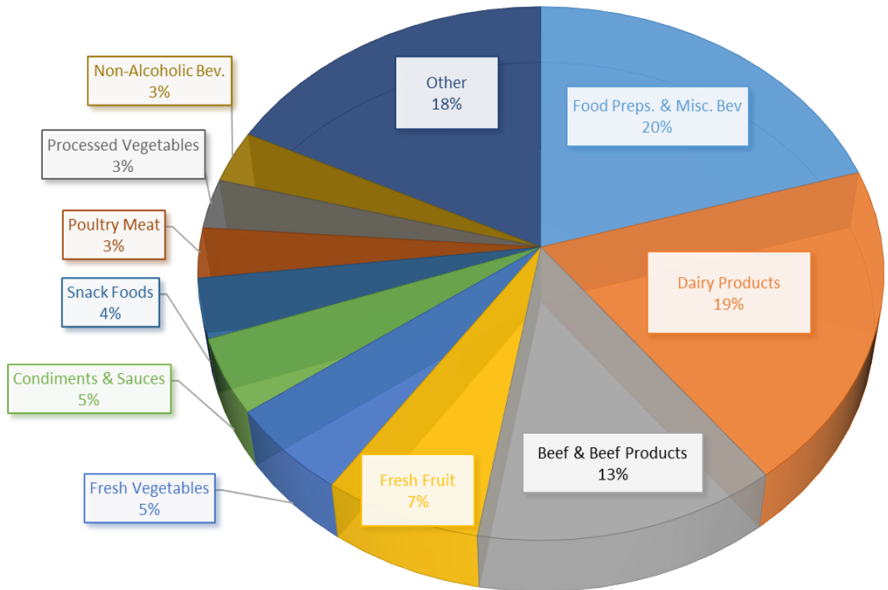
Although the Salvadoran food industry is not as developed as in other Central American countries, it is currently the regional leader in the production and export of snacks, juices, and carbonated beverages. As such, Salvadoran food manufacturers rely heavily on imports of food ingredients. El Salvador is a signatory to [10 free trade agreements](#), and its Central American neighbors, Mexico, and Chile are the main competitors for the United States’ consumer-oriented and food ingredient products.

Proven 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 Top 5 Consumer oriented imports from main U.S. competitors: 2019

Product Category	Ranking	Country	US\$
Food Preps. & Misc. Bev	1	Guatemala	\$ 60,753,879
	2	United States	\$ 56,387,984
	3	Costa Rica	\$ 50,576,497
Dairy Products	1	Nicaragua	\$ 126,628,525
	2	New Zealand	\$ 26,987,232
	3	United States	\$ 19,756,590
Beef & Beef products	1	Nicaragua	\$ 147,066,460
	2	United States	\$ 8,893,597
	3	Guatemala	\$ 7,308,560
Fresh Fruit	1	Guatemala	\$ 29,017,998
	2	United States	\$ 15,394,795
	3	Mexico	\$ 15,080,178
Fresh Vegetables	1	Guatemala	\$ 58,998,534
	2	Honduras	\$ 8,832,219
	3	China	\$ 1,889,359

2019 EL SALVADOR TOP CONSUMER-ORIENTED PRODUCTS GLOBAL IMPORTS



Source: Trade Data Monitoring, LLC.

SECTION IV- BEST PRODUCT PROSPECTS

Products present in the market, which have good sales potential:

- El Salvador is a heavy baked products consumer, so there is still potential for baking inputs, as well as dairy products, fruit/vegetable juices, premium beef cuts, and deli meats.

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

- Lamb meat: Many restaurant owners have expressed their interest in offering U.S. lamb meat as there is basically no competition for New Zealand which is the main exporter of this product to El Salvador.
- Bakeries are the main requestor for specialty fresh fruit such as kiwi and the large size varieties of strawberries for cakes, but hotels and restaurants with baking operations are also a source of demand.
- Another trend is a rise in health-conscious consumers who seek natural, reduced sugar, or fat free products. Potential product categories are natural sweeteners, assorted juices, and fruit extracts.
- U.S. seafood is a promising sector, as the market has recently opened for lobster and crab meat.

Products not present because they face Significant Barriers:

- Seafood produced in a foreign country but packed in the United States, as current regulations from Ministry of Agriculture require plant-by-plant inspection at the manufacturing origin. FAS has been working with NOAA and El Salvador's Ministry of Agriculture to overcome this barrier, so please contact our office for the latest updates.

SECTION V- POST CONTACTS AND FURTHER INFORMATION

Office of Agricultural
Affairs USDA/FAS

U.S. Embassy El Salvador

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Government Regulatory Agency Contacts:

Ministerio de Salud Pública (Ministry of Public Health).

Departamento de Salud Ambiental (DSA-Food Safety Division)

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Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección de Ganadería (Livestock Division) Contact: Carlos Jesus Argueta

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Attachments:

No Attachments