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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:

The COVID-19 pandemic has highlighted the fragile nature of the tourism sector in El Salvador, which in 2020 closed with approximately \$750 million in income, which is at least \$1 million less than projections for foreign tourism and a 10-year set-back, according to some sector's analysts. Latest data available shows that about 235 restaurants closed completely in 2020 and hotels estimated their losses at about \$440 million. However, in 2021 the sector's slow recovery began. El Salvador hosted the ISA World Surfing Games 2021, which attracted close to 500 athletes, generating significant clientele for the week at beach hotels near the competition area. Although Salvadorans are dining out more than in 2020, the recent spike in COVID-19 cases across the country may influence a shift towards an increased demand for delivery options.

Market Fact Sheet: El Salvador

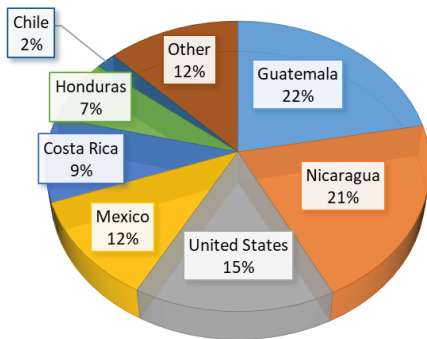
Executive Summary

El Salvador is the smallest country, by size, in Central America, with an estimated population of 6.5 million inhabitants. El Salvador’s economy contracted 9 percent in 2020 due to the pandemic. The Central Reserve Bank predicts a 9 percent recovery in 2021. In 2020, the United States supplied 26 percent of total imports and received 39 percent of Salvadoran exports, making it El Salvador’s primary trading partner.

Imports of Consumer-Oriented Products

In 2020, the United States was the third largest supplier of consumer-oriented products to El Salvador with exports valued at about \$240 million.

EL SALVADOR IMPORTS OF CONSUMER-ORIENTED FOOD PRODUCTS 2020



Source: Trade Data Monitor, LLC

Food Processing Industry

In 2020, El Salvador reported \$439 million in global imports of intermediate products, a 10 percent increase from 2019.

El Salvador has been the regional leader in the production and export of snacks, juices, and carbonated beverages, with strong growth potential due to sound infrastructure and readily available land for facility construction.

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 offerings than open-air markets.

Quick Facts CY 2020

- Global Consumer-Oriented imports: \$1.6 billion
- El Salvador Global Ag. exports: \$1 billion
- El Salvador Global Ag. imports: \$2.4 billion
- El Salvador Ag. imports from the U.S.: \$632 million
- El Salvador Ag. exports to the U.S.: \$231 million

Top 10 U.S. Ag Products in El Salvador

1. Corn
2. Soybean Oilcake
3. Wheat
4. Food Preparations
5. Rice
6. Pork
7. Chicken cuts
8. Sauces
9. Beverages
10. Potatoes

GDP/Population

- Population: 6.5 million (July 2021 est.)
- GDP (USD): \$27 billion (2019 est.)
- GDP per capita (USD): \$8,776 (2019 est.)

Source: Trade Data Monitor, LLC., World Bank, CIA-The World Fact Book

Strengths	Challenges
There are 784 registered restaurants in El Salvador, and thousands of small/informal cafeterias: all potential channels of distribution for U.S. food brands. Estimated national lodging capacity is 10,000.	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.
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.	Security costs incurred by distributors increase final price of all food products, which impacts imported foods competitiveness.

Contact: U.S. Embassy San Salvador /Foreign Agriculture Service, Boulevard Santa Elena, Antiguo Cuscatlan, La Libertad El Salvador.
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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. Like many countries, El Salvador's economy suffered a deep negative impact in its economic growth because of the COVID-19 pandemic, contracting 9 points in 2020. The International Monetary Fund forecasted a gradual recovery for 2021 of 4 percent. However, according to the latest released data from the Central Reserve Bank, during 2021 El Salvador's economy will grow 9 percent, driven mainly by a greater industrial production, exports, capital investment and an increased household consumption. Remittances are also a driver for higher consumption and as of August of 2021, El Salvador has received \$4.9 billion, which is 35 percent more than the same period in 2020.

Convention/Business Tourism was booming in 2019 as El Salvador had become a Hub for Central American business due to its logistical convenience for regional events. Two major surfing competition events in the second half of 2019 contributed to position El Salvador as one of the top surfing destinations in the world, which also allowed for the country to be chosen as the host for the ISA World Surfing Games 2021 that took place during June this year. This event attracted close to 500 athletes that stayed in hotels at the competition beach area, creating a positive economic dynamic for small hotels and restaurants in that region.

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. According to the latest data available, it has been estimated that the Hotel/Restaurant sector lost around \$440 million by the end of 2020. The Restaurant Association of El Salvador reported by mid-2020 that, 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.

Since the reopening on August 24th, 2020, restaurants started a gradual recovery process that still has not reached pre-pandemic levels. 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.

Another positive factor that is helping the restaurant sector to recover is the recent opening of different shopping/commercial buildings in higher-income San Salvador neighborhoods, which had started construction work before the pandemic hit, and despite having to stop during the strict quarantine, they resumed operations in late 2020 and most of them have opened doors during 2021. Currently, there are a few other office buildings and hotels under construction, among which is Plaza Millennium, a complex of mixed uses: Millennium Residences (a 10-story building and a Pent House) a hotel with about 180 rooms, convention center and sports court, and finally, Millennium Tower, that according to the contractor will be an office building of 110 meters (or 3601 feet) tall, which will make it the tallest building in El Salvador so far. All of these projects represent a great venue to promote imported foods/beverages.

Hotels, on the other hand, have started to get more room reservations and in-person events have increased as well. Many hotels re-designed their services offerings, going from delivering to hospitals and other institutions, to offer options for the final consumers, like the “Chef-in-a-Box” concept meals, that was an innovative approach by which hotels discovered a new business niche.

As Salvadorans get used to the “new normal”, other lodging options, such as AirBnB, 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 2020, which was carried with a limited sample given the mobility restrictions due to the COVID-19 pandemic, shows that working Salvadorans spent a monthly average of \$47 on lunches in restaurants/cafeterias, a slight decrease compared to the \$51 average reported in 2019, which may be due to teleworking. According to Euromonitor, in 2020, Salvadorans’ annual per household expenditures in eating out for an average worker from different economic sectors was \$1,181.60, or approximately \$98.50 monthly.

Salvadorans Annual Expenditure on Hotels and Catering	
Categorization Type	2020
Employer and Self-Employed	\$1,441.70
Employee	\$1,181.60
Other	\$838.70
Unemployed	\$687.30

Source: Euromonitor

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

Advantages	Challenges
Currently there are 784 registered restaurants in El Salvador, and thousands of small/informal cafeterias that are channels of distribution of American food brands. From large hotel chains to small/ boutique guest houses, it is estimated that lodging capacity of 10,000 rooms is in current expansion.	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.
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.	Security costs incurred by distributors increase final price of all food products, which impacts imported foods competitiveness.
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 2020 El Salvador imported a total of \$2.4 billion of agricultural products, and despite its tropical climate, El Salvador does not meet demand for fruits and vegetables, thus it relies heavily on imports.

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

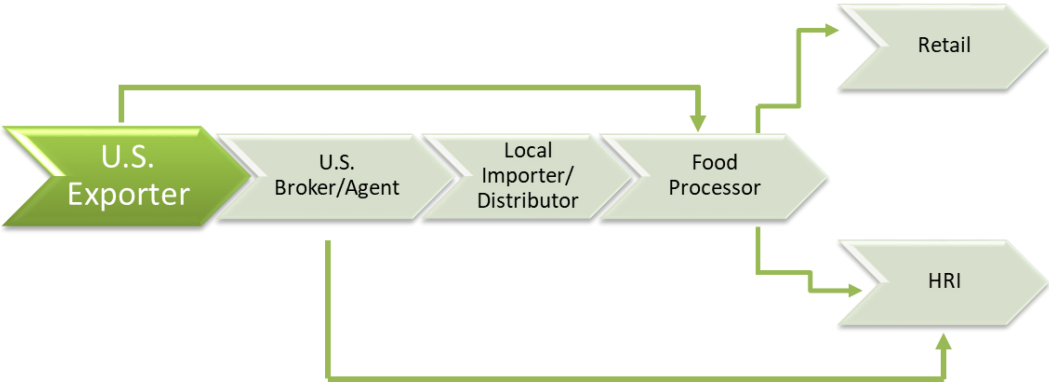
Effective partners are typically either importers/agents or distributor companies that provide insight into local consumer trends and business practices. The Foreign Agricultural Service (FAS) in San Salvador can provide a list of companies that are currently importing different products and have direct 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, 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. And in 2021, the ISA World Surfing Games highlighted El Salvador's capacity to hold a world-class event and provided lodging to the more than 500 people that attended the event.

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

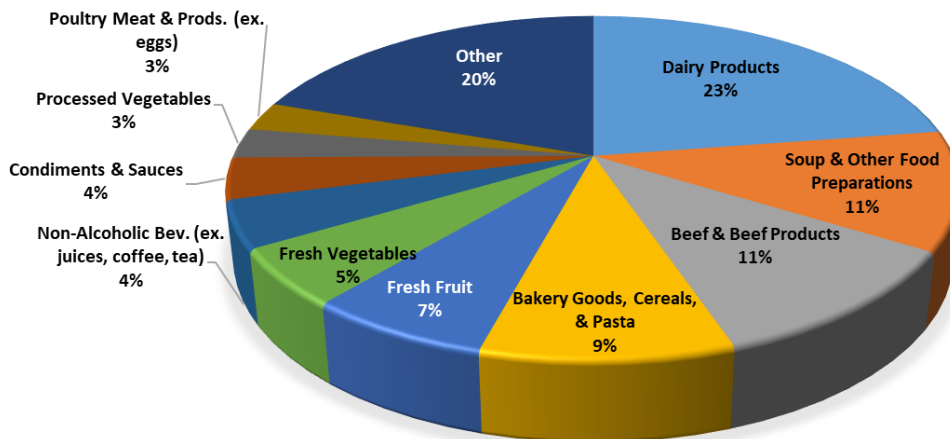
Although the Salvadoran food industry is not as developed as in other Central American countries, it is currently the regional leader in the production and export of snacks, juices, and carbonated beverages. As such, Salvadoran food manufacturers rely heavily on imports of food ingredients. El Salvador 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 U.S. Consumer-Oriented imports and its main competitors: 2020

Product Category	Ranking	Country	US\$
Soup & Other Food Preparations	1	Costa Rica	\$46,938,275.00
	2	United States	\$42,641,722.00
	3	Guatemala	\$20,253,685.00
Pork & Pork Products	1	United States	\$25,699,787.00
	2	Guatemala	\$2,917,495.00
	3	Honduras	\$2,195,322.00
Dairy Products	1	Nicaragua	\$156,085,724.00
	2	Mexico	\$39,248,936.00
	3	Costa Rica	\$35,302,199.00
Fresh Fruit	1	Guatemala	\$28,226,982.00
	2	Mexico	\$18,901,157.00
	3	United States	\$18,630,793.00
Poultry Meat & Prods. (ex. eggs)	1	United States	\$18,342,521.00
	2	Guatemala	\$17,244,733.00
	3	Mexico	\$3,830,892.00

2020 EL SALVADOR TOP CONSUMER-ORIENTED PRODUCTS GLOBAL IMPORTS



Source (both graphics): 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. Other products with high demand are dairy, fruit/vegetable juices, premium beef cuts, and deli meats.
- Allergen related products such as gluten-free and dairy/lactose-free are present, but a wider offer of products and brands would be well accepted.

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 that has become even stronger with the pandemic, 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 and foodservice suppliers are constantly looking for better options to offer their clients.
- Fresh/table egg is a recently category opened for U.S. suppliers

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

Blvd. Santa Elena Sur y Calle Conchagua Antiguo Cuscatlán, La Libertad, El Salvador Phone: (503) 2501-2999 extensions: 3414/3412 E-mail: agsansalvador@fas.usda.gov

Government Regulatory Agency Contacts:

Ministerio de Salud Pública (Ministry of Public Health)

Departamento de Atención al Medio Ambiente (Environment Attention Office)

Contact: Mrs. Ana Lila de Urbina

Address: Alameda Roosevelt, Edificio Laboratorio Central Dr. Max Bloch, San Salvador, El Salvador

Phone: (503) 2594-8559 / 2205-1613

e-mail: aurbina@salud.gob.sv

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección de Ganadería (Livestock Division)

Contact: Mr. Mariano Alfredo Tejada

Address: Final 1 Ave. Norte, Santa Tecla, La Libertad, El Salvador Phone: (503) 2210-1763

e-mail: mariano.tejada@mag.gob.sv / direccion.ganaderia@mag.gob.sv

Private Sector Associations Contacts:

Asociación de Restaurantes de El Salvador- ARES (El Salvador's Restaurant Association)

Leonardo Guzman, President

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Phone: (503) 2279-3610/ 2298-3357

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Asociación de Hoteles de El Salvador (El Salvador's Hotels Association)

Morena Torres, Executive Director

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Attachments:

No Attachments