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Report Name: Food Processing Ingredients

Country: El Salvador

Post: San Salvador

Report Category: Food Processing Ingredients

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Report Highlights:

El Salvador continues to depend heavily on imports for many of the ingredients needed by the food manufacturing industry. The most recent data available from the Industrial Association of El Salvador shows that the manufacturing industry imported over \$750 million in food products accounted in 2018. Imports of soy and vegetable oils, baking inputs, meats, dairy ingredients, and sauces have the most potential for continued growth.

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, it registered an economic growth of 2.3 percent. According to data from the Central Reserve Bank, in 2019 imports of consumer goods grew 5 percent and intermediate products 1.1 percent.

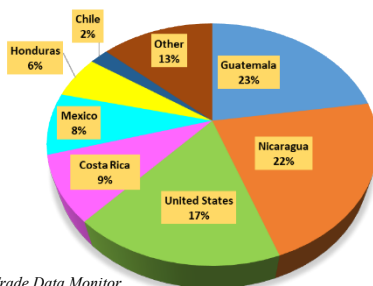
According to the latest data available, El Salvador's GDP was \$26.1 billion in 2018. In 2019, its main trading partner continued to be the United States with 30 percent of imports coming from the United States and 42 percent of Salvadoran exports going to the United States.

The manufacturing sector contribute 16.6 percent to El Salvador's GDP. The food and beverage industries comprise 39 percent of the manufacturing sector. Salvadoran consumers are in a constant search for new food products at affordable prices. In 2019, El Salvador's global imports of agricultural products reached \$2.1 billion, which was an 11 percent increase from 2018.

Imports of Consumer-Oriented Products

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

El Salvador Imports of Consumer-Oriented Products 2019



Source: Trade Data Monitor

Food Processing Industry

El Salvador reported global imports of agricultural intermediate products valued at \$387 million in 2019, a 3 percent increase from 2018. Although its food manufacturing industry 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.

El Salvador is in a good position to grow in this sector because of better infrastructure and available land for

construction of production and distribution centers.

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.

Salvadoran food manufacturers rely on imports of intermediate products because of a lack of availability locally. The United States is the number one supplier in this category with a market share of 36 percent. U.S. ingredients for food manufacturing that continue to show export growth to El Salvador are soybean and vegetable oils, sugars and sweeteners, as well as ingredients for the dairy industry.

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 more affordable than other retail outlets, such as the open-air markets.

Quick Facts CY 2019

Imports of Consumer-Oriented Products: \$1.3 billion

Top Growth Intermediate/Ingredients Products:

- Palm oil
- Vegetable oils
- Soybean oil
- Sugars/sweeteners
- Condiments and sauces
- Odoriferous substances
- Pork meat
- Poultry meat
- Meats
- Dairy

Source: Trade Data Monitor / Salvadoran Industrial Association.

Food Industry Exports 2018: \$598 million (Latest data available from Salvadoran Industrials Association)

GDP/Population

Population: 6.5 million (July 2020 est.)

GDP (USD): \$26.1 billion

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

Source: The CIA World Factbook/ World Bank

Contact:

U.S. Embassy San Salvador /Foreign Agriculture Service, Boulevard Santa Elena, Antiguo Cuscatlan, La Libertad El Salvador.

Email: agsansalvador@usda.gov

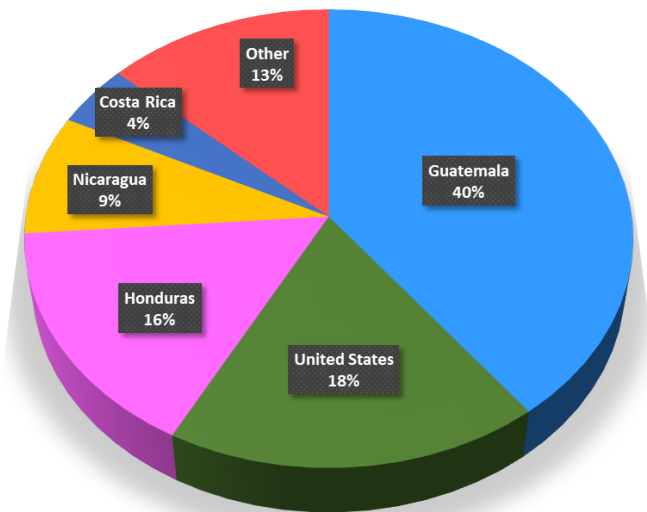
SECTION I: MARKET SUMMARY

With over 10,800 processing facilities, the food and beverage industries play a key role in the Salvadoran economy, representing 39 percent of the manufacturing sector. As per latest data available from November 2018, the food and beverage industries provide over 32,400 direct jobs, representing 17 percent of manufacturing employment.

El Salvador is a major importer of agricultural products, including food ingredients and a wide variety of consumer-oriented products. In 2019, El Salvador imported approximately \$2.1 billion of agricultural products from the world. The top products used by the food/beverage manufacturing industry were soybean oil, grains (corn, wheat, and rice), dairy, meats, sauces/condiments, and food preparations valued at \$750 million. The United States is the main supplier of agricultural products to El Salvador.

El Salvador is currently the regional leader in the production and exportation of snacks, juices, and carbonated beverages as reported in the RANKING® of Industrial Exporters/2019 report published by the Salvadoran Industrial Association. The report shows that Grupo Calvo, a Spanish tuna processing company, is the top regional exporter in 2019 for this food segment and snack manufacturer Diana is in second place. The production of baked goods continues to increase, not only for export but also for local consumption. In 2018, production increased by almost 6 percent. El Salvador is in a good position to continue growing in these sectors because of better transportation infrastructure than neighboring countries and available land for construction of production and distribution centers. This growth is shown by the large investment that lead beverage company, Livsmart, made to expand its Salvadoran facilities in 2019 to start producing Pepsi for local and international distribution.

2019 EL SALVADOR TOP FIVE EXPORT MARKETS
FOR CONSUMER-ORIENTED PRODUCTS
(US\$ MILLIONS)



Source: Trade Data Monitor

2019 EL SALVADOR TOP PROCESSED FOODS
EXPORTS

PRODUCT	VALUE
Bottled Drinks (Incl. Soda, Juice Mixes, etc.)	\$ 150,665,621
Baked Snack Foods (Pastries, Pretzels, etc.)	\$ 119,212,714
Prepared/Packaged Fish & Seafood	\$ 80,892,993
Baking Inputs, Mixes & Doughs (Incl. Pudding)	\$ 53,864,090
Breakfast Cereals & Other Breakfast Products	\$ 51,491,155
Other Processed Foods, Ingredients & Bvg Bases	\$ 45,638,189
Sugar Confectionary	\$ 35,844,859
Cheese	\$ 24,946,033
Molasses	\$ 23,986,529
Juices	\$ 21,666,975

Market Trends:

Salvadoran consumers are in constant search for new products and flavors, looking for innovative products that are convenient and affordable. Similar to the United States, the current trends are in organics, healthy, less artificial flavors and reduced sugar options, gluten and dairy free, energy drinks, and specialty dairy products.

Table 1. Advantages and Challenges for U.S. Exporters to El Salvador

Advantages	Challenges
Salvadoran consumers perceive U.S. food products to be of excellent quality and consistency.	Strong competition from neighboring countries exporting meats, dairy and grains such as corn, rice, and beans.
The food service industry is growing and demand for ingredients is increasing.	High turnover of customs agents leads to a lack of consistency with customs procedures and delays to clear shipments.
Consumers demanding healthier options creates a potential for growth in ancient seeds and nuts.	The Salvadoran economy is characterized by low growth, and manufacturers are reluctant to make large investments.
Food exports that contain U.S. ingredients, especially meat products, dairy, confectionery, and baked goods are top categories with steady growth.	Security is a major concern for Salvadoran companies, and many have closed operations in high-crime areas.
Private labels are rapidly growing in supermarkets creating an opportunity for U.S. companies to supply a diverse offer of products and/or ingredients.	Product registration is still burdensome due to the government's centralized lab analysis operation, which delays a product's entry to market by 6 months or longer depending on the product.
The baking sector is growing as new coffee shops open across the country. Major supermarkets also have their own bakeries.	
New regulations from the Salvadoran Government banning fatty/salty snacks and carbonated beverages at schools open opportunities for U.S. ingredients such as soybeans as a healthier option.	

SECTION II- ROAD MAP FOR MARKET ENTRY

Entry Strategy

The Salvadoran food-processing sector is dynamic and in search of innovative ingredients to increase quality, improve yields, and lower production costs.

U.S. exporters and suppliers should have a local partner to stay updated on consumer trends and development, product registration procedures, and business practices. However, a direct connection is possible. In that case, it is important to be in contact with the research and development and/or production areas regarding the introduction of any new-to-market product.

Attending U.S. or regional trade shows is another option to meet Salvadoran buyers. Many attend large trade shows, such as the Institute of Food Technologies (IFT) show.

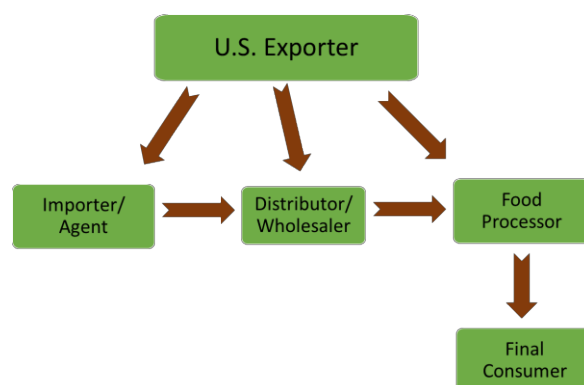
Import Procedure

For a detailed outline of import procedures, please refer to the latest FAIRS Country Report and the FAIRS Export Certificate Report for El Salvador.

Market Structure

There are three main channels to export food ingredients to El Salvador:

1. U.S. exporter sells to an importer/agent that uses a local distributor to reach the food manufacturers.
2. U.S. exporter sells to a distributor/wholesaler that sells to the food manufacturer. Small and medium-sized food processors prefer this method to avoid quality control management and large inventory handling.
3. U.S. exporter sells directly to the food manufacturer. This method is becoming more popular as Salvadoran manufacturers attend U.S. tradeshows or participate in FAS or Cooperator Trade Missions. Multinationals are usually direct importers for most of their raw materials.



Sector Trends

Most food processors are small-to-medium sized, serving the domestic market only. However, large food and beverage multinationals also have manufacturing operations for export in El Salvador such as Calvo, Diana, McCormick, Livsmart, Bimbo, and Coca-Cola.

Other large food processing companies in El Salvador include Harisa, Lactolac, Molinos de El Salvador (MOLSA), Sabores Cosco de Centroamerica, and Eco Foods. Snack manufacturing is a large segment of the food-processing sector. Diana is the leader of this industry, supplying not only the domestic market but also exporting to Central America and the United States.

Meat processors are using more U.S. pork to produce deli meats and sausages. They are also offering seasoned and plain pork cuts at many supermarkets. Imports of U.S. pork and pork products reached a record \$19.3 million in 2019 and is expected to increase more, as in 2020 tariffs applied to U.S. pork meat imports will be eliminated according to the CAFTA-DR agreement.

Craft beer is growing in El Salvador. There are three major breweries leading this trend: Cadejo Brewery, Premio, and Santo Coraje. The United States has been increasing its exports to supply Salvadoran craft breweries. For example, in 2019 the export of hop cones increased 40 percent from the year before, reaching \$168,550.

Ready-to-eat or ready-to-cook meals are in growing in demand, and food manufacturers are focusing on creating a portfolio with these products, which also involves importing ingredients, flavors, or sauces not available in the local market. Ramen-style soups have fulfilled a niche for many workers. These soups are a quick and inexpensive lunch for thousands of laborers who cannot afford to pay for a regular cafeteria meal.

III. Competition

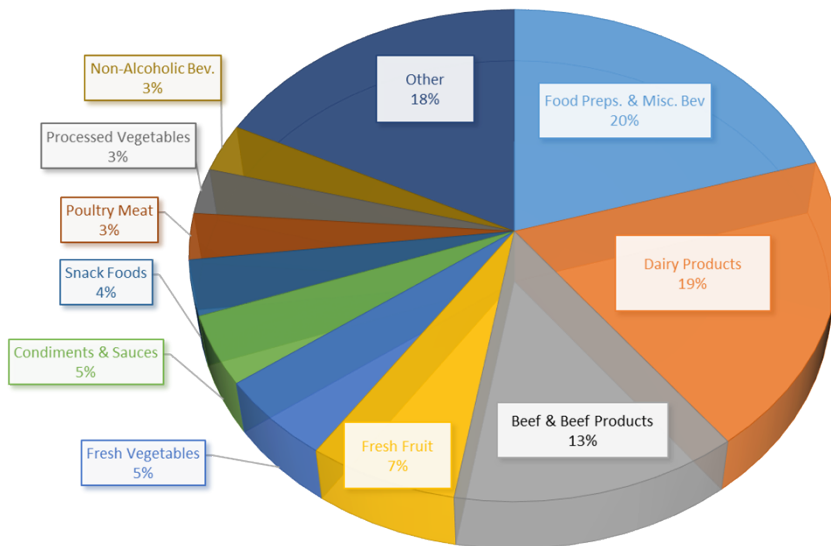
In 2019, El Salvador's total agricultural imports reached \$2.1 billion, an 11 percent increase from 2018.

As the chart below shows, in 2019 food preparations accounted for 20 percent of food imports, which is consistent with the growth of the Hotel/Restaurant/Institutional sector. Dairy and meat products are the other main ingredients imported by the food manufacturing sector, not only to meet local demand but also to export products to the region. New product development/research departments within manufacturing companies have become more proactive in attending international trade shows to learn about consumer trends, see new food ingredients or additives, and bring new ideas to develop products mainly in the specialty/gourmet category. Some of the added-value products being produced are pesto, special cream cheeses or dips, and other tropical fruit jams/jellies and beverages.

In 2019, the United States continued to be the #1 supplier of intermediate agricultural products shipped to El Salvador, maintaining its market share of 36 percent.

Central America and Mexico remain the main competitors to the United States in most ingredient categories. However, high food safety standards and excellent quality, as well as technical support and assistance in the development of new products give a competitive advantage to U.S. food ingredients suppliers.

2019 EL SALVADOR TOP FOOD PRODUCTS IMPORTS



Source: Trade Data Monitor

Table 2. Competitive Situation for Key Intermediate Agricultural Exports to El Salvador

El Salvador Intermediate Agricultural Products Imports from the World (Values in U.S. Dollars)		
Partner Country	2018	2019
United States	\$ 139,225,198	\$ 141,012,738
Guatemala	\$ 90,318,295	\$ 86,404,806
Honduras	\$ 63,064,568	\$ 59,520,908
Mexico	\$ 20,876,984	\$ 19,894,226
Uruguay	\$ 6,003,432	\$ 15,283,209
Costa Rica	\$ 7,293,439	\$ 8,898,736
Nicaragua	\$ 5,378,797	\$ 7,569,075
Spain	\$ 7,067,746	\$ 6,466,874
Sweden	\$ 1,792,130	\$ 5,521,736
Canada	\$ 5,099,706	\$ 4,712,082
Other	\$ 30,888,116	\$ 31,704,410
Total:	\$ 377,010,429	\$ 386,988,800

Source: Trade Data Monitor

**Table 3. El Salvador’s Main Suppliers of Top Food Products/Ingredients
Market Share per Supplier in 2019**

Product Category	Ranking of top supply sources (market share)	Strengths of competitor supplier countries
Food Preparations Total import value: \$267 million	1) Guatemala 23 percent 2) United States 21 percent 3) Costa Rica 19 percent	Products developed to meet local consumers’ taste, low shipping costs due to proximity.
Dairy Total import value: \$254 million	1) Nicaragua 50 percent 2) New Zealand 11 percent 3) United States 8 percent	Pricing and availability of cheese to make “pupusas” according to consumer taste preference.
Beef and Beef Products Total import value: \$172 million	1) Nicaragua 85 percent 2) United States 5 percent 3) Guatemala 4 percent	Lower shipping costs and price.
Fresh Fruit Total import value: \$90 million	1) Guatemala 32 percent 2) United States 17 percent 3) Mexico 17 percent	Guatemala has been the main supplier of fruits and vegetables to El Salvador for decades given their availability all year round and the low (and more expensive) local production.
Fresh Vegetables Total import value: \$72 million	1) Guatemala 82 percent 2) Honduras 12 percent 3) China 3 percent	Good quality, stable supply, and large offering of tropical fruits flavors at low prices.

Source: Trade Data Monitor

SECTION IV- BEST PRODUCT PROSPECTS

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

As shown in Table 3 there is still potential for many U.S. ingredients to increase market share in El Salvador, specifically dairy, fruit and vegetables, and beef.

Products not present in the market but which have good sales potential:

With the recent opening of the market for U.S.-origin seafood, there are great opportunities to introduce Alaskan seafood to the Salvadoran market. In addition, the baking industry has a growing demand for preserved fruits, large fresh strawberries, almonds, and other nuts for healthy snacks or baked goods. Another trend is for healthy, reduced sugar foods and beverages, creating a potential market for natural sweeteners, assorted flavor juices, and fruit extracts.

Products not present because they face significant barriers:

Seafood from third countries exported to the United States and then re-packed for export to El Salvador is currently blocked. The Ministry of Agriculture requires plant-by-plant inspection for those products.

SECTION V- POST CONTACTS AND FURTHER INFORMATION

Office of Agricultural Affairs USDA/FAS

U.S. Embassy El Salvador
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La Libertad, 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)
Contact: Luis Alberto Guerrero
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Phone: (503) 2205-1614
e-mail: lguerrero@salud.gov.sv

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección de Ganadería (Livestock Division)
Contact: Carlos Jesus Argueta
Address: Final 1 Ave. Norte, Santa Tecla, La Libertad, El Salvador Phone: (503) 2210-1764/63
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Private Sector Associations Contacts:

Asociación Salvadoreña de Industriales (Salvadoran Industrials Association)

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Industrial Intelligence Manager
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Email: karla.dominguez@asi.com.sv / Website: www.industriaelsalvador.com

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

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Attachments:

No Attachments