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Report Name: Retail Foods

Country: El Salvador

Post: San Salvador

Report Category: Retail Foods

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Report Highlights:

The Salvadoran retail sector, valued at approximately \$4.5 billion, continues to show positive signs of growth as supermarkets and discount stores have expanded. Imports of U.S. consumer-oriented products rose to \$211 million in 2019, a 13 percent increase over 2018. Super Selectos is the largest supermarket chain, followed by Walmart. Wine/Beer, prepared food, processed vegetables, condiments/sauces and dairy products are the best performing categories.

Market Fact Sheet: El Salvador

Executive Summary

Food Retail Industry

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

El Salvador is the fifth largest economy in Central America and suffers persistent low levels of economic growth. In 2019, it registered economic growth of 2.3 percent. According to data from the Central Reserve Bank, in 2019 imports of consumer goods grew 5 percent.

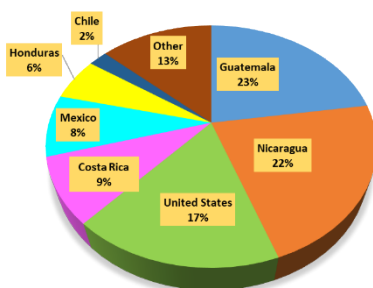
According to the latest data available, El Salvador's GDP was \$26.1 billion in 2018. In 2019, its main trading partner continued to be the United States with 30 percent of imports coming from the United States and 42 percent of Salvadoran exports going to the United States.

Employed Salvadorans spend an average of \$88 monthly on lunch and dinner away from home. These numbers are high considering that the average monthly income is approximately \$620, and the cost of the basic food basket is \$242 for a family of four. In 2019, imports of agricultural and related products reached \$2.2 billion. The United States remains the leading supplier, with a 31 percent market share.

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, 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 its food manufacturing industry is less developed than in neighboring countries, El Salvador has been the regional leader in the production and export of some 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.

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 usually carry special promotions that are not offered in other retail outlets like the open-air markets.

Quick Facts CY 2019

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

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

- | | |
|----------------------|----------------------------------|
| 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): \$26.1 billion (2018)
 GDP per capita (USD): \$8,000

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

Strengths	Challenges
Information and technology have become strong tools for food marketing/selling. Product bar codes and scanners at point of sale are great tools to increase profitability and control stock. In addition, major supermarket chains have launched online stores to reach millennials and the Salvadoran diaspora.	Security is a major concern in El Salvador and retailers have high distribution costs.
As El Salvador becomes a more service-based economy, increasing numbers of office workers make for potential consumers for high quality U.S. food products.	Registration of new products is burdensome and takes too long due to government-centralized lab analysis process. Lack of consistency and transparency in import and customs procedures.
Major retailers have expanded the number of stores and floor space. The trend is to continue expansion.	The market is highly price-sensitive, and oftentimes lower quality products are more competitive due to pricing.
The hotel and restaurant sector is growing and offer markets for U.S. exports. Specifically, business conventions are increasing, and foreign business travelers look for familiar imported foods.	High cost of marketing (advertising, discounts, sampling, etc.) to promote new products.

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SECTION I: MARKET 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. However, convention/business tourism is booming as El Salvador is becoming a hub for Central American business due to its logistical convenience for regional events.

The latest available data from the International Center of Conventions and Tradeshows (CIFCO by its Spanish name), show that during 2018 approximately \$100 million was generated through a little over 1,000 events, including conventions, concerts, tradeshows, etc. The recent growth in the larger tourism sector is also notable. During 2019, there were over 2.6 million visitors, generating around \$1.8 billion. In addition, there have been openings of new boutique hotels, restaurants, and office buildings, which all contribute to higher demand for U.S. food products.

Due to increased internet access and consumers' time constraints, ordering products online for pickup or delivery is a growing trend. In El Salvador, Super Selectos, the largest supermarket chain, and smart phone apps such as HUGO and UBER are offering delivery services. The average online shopper is usually a higher income consumer.

Another way that consumers are using the online grocery delivery services is in place of remittances. Rather than sending money home from overseas, some Salvadorans are sending food delivered through these local apps. This new channel also offers an opportunity for retailers to launch new products, special promotions and/or reward clients for brand loyalty.

Supermarket Profile:

According to a recent study by a local marketing firm, supermarkets in El Salvador account for approximately 40 percent of all food retail sales in El Salvador, valued at \$1.7 billion. It is difficult to obtain specific data as supermarkets are reluctant to release exact sales information. Sales are estimated as follows:

Owner Group	Supermarkets, Hypermarkets and Club Outlets	Current Stores	Estimated annual sales
Grupo Calleja, S.A. de	Super Selectos	101	>\$150 million
Walmart Mexico y Centroamerica	Walmart Supercenter	5	>\$150 million
	Despensa de Don Juan	17	\$100-150 million
	Despensa Familiar 1/	63	\$100-150 million
	Maxi Despensa	15	>\$150 million
Price Smart	Price Smart	2	>\$150 million
TOTAL:		203	

Source: Estimate of sales calculated by FAS, San Salvador.

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

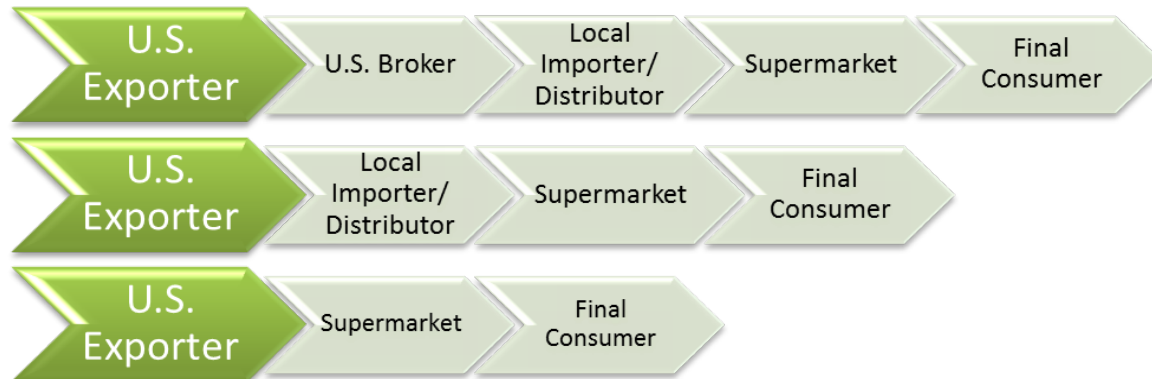
Advantages	Challenges
Major retailers have expanded the number of stores and floor space during the last few years, with plans to continue this expansion.	The market is highly price-sensitive, and lower quality products are often more competitive due to pricing.
Information and technology have become strong tools for food marketing/selling. Product bar codes and scanners at points of sale increase profitability and control stock. In addition, major supermarket chains have launched online stores to reach millennials and the Salvadoran diaspora.	Market leaders are investing in construction of modern shopping centers in which supermarkets are the anchor points. This usually requires higher investment in marketing for in-store promotions to promote U.S. brands.
A more educated, bilingual (English/Spanish), and younger population is looking for American products/brands/franchises in order to achieve a more “American” lifestyle due to ties with relatives living in the United States.	Registration of new products is burdensome and takes too long due to government-centralized lab analysis process. In addition, there is a lack of consistency and transparency in import and customs procedures.
The hotel and restaurant sector is growing and they are dynamic sectors for U.S. exports. Specifically, business conventions are increasing, and foreign business travelers look for familiar imported foods.	Overall, the Salvadoran economy remains very susceptible to the world economy and outside events that can disrupt tourism and investment.
As El Salvador becomes a more service-based economy, increasing numbers of office workers become potential consumers for high quality U.S. food products.	Security is a major concern in El Salvador and increases costs of distribution.

SECTION II. ROAD MAP FOR MARKET ENTRY

Retail Sector

Retail outlets are the preferred venue for food items for consumers. Hypermarkets/supermarkets and convenience stores coexist with the traditional small grocery stores (mom-and-pop) and open-air markets. There are two dominant supermarket chains in El Salvador: Super Selectos and Walmart Mexico y Centroamerica.

Market Structure



As shown above, there are at least three ways to reach the Salvadoran consumer. Supermarkets, for instance, may use the three import methods to ensure better prices for their clients. In the case of most importers, they usually prefer to deal directly with manufacturers so they can offer prices that are more competitive.

Transportation costs are key, therefore the preferred method of shipping is from Miami to Guatemalan ports mainly, although some may come through Panama, and then move via ground transportation to El Salvador. Due to an increase in corporate social responsibility programs, local sourcing of mainly fresh produce and other perishable products is growing, and supermarkets have different programs to assist farmers to deliver high quality products.

Company Profiles

Super Selectos is a Salvadoran-owned retailer, currently with 101 stores and an aggressive plan of expansion that includes opening 15 more stores in the next 3 years. They plan to achieve this by partnering with commercial developments across the country to be an anchor store in those shopping centers. Super Selectos store layouts have evolved to lure consumers in and provide a more comfortable shopping experience by redesigning their stores to include wider aisles, cafeterias, and energy-efficient technologies. Super Selectos online store is gaining wider acceptance, with an increasing client base among local working people from middle-high class and Salvadorans, especially women.

<https://www.superselectos.com>

Walmart Mexico y Centroamerica is the largest retailer in the region with over 600 stores. In El Salvador, it has 100 stores under different formats: Walmart Super Centers (5), Despensa de Don Juan (17), Maxi Despensa (15) and Despensa Familiar (63). Their main competitive advantage is their large and diverse offering of non-food products such as apparel, electronics and housewares at affordable prices, functioning as a “one-stop shop” for busy people.

<https://www.walmart.com.sv>

PriceSmart El Salvador, S. A. de C. V: with headquarters in San Diego, California, Pricesmart has two stores in El Salvador—both of which are located in the capital city of San Salvador. Similar to membership warehouse clubs in the United States, it carries a mixture of groceries (especially large sized items), apparel, electronics, household goods, and automotive parts. It is one of the preferred food retailers for large families and restaurant owners.

<https://shop.pricesmart.com/es/sp/>

Approximately 60% of food/beverages sales still occur at mom-and-pop stores, open-air markets, discount stores (dollar stores), and more increasingly at gas station convenience stores.

There are around 70,000 “mom-and-pop” stores in El Salvador, and a recent study by a local marketing firm estimates their sales at approximately \$2.8 billion. Lower-income consumers are their main customers, and they prefer small-sized packages.

Dollar, or discount stores are expanding their shelves to offer a wider portfolio of food items, mainly ready to eat products such as ramen soups, candy, cookies, and beverages. However, pancake mixes, sauces, and other products to cook are being offered as well.

Convenience stores at gas stations are now offering more than light refreshments and ready-to-eat products. In some cases, food offerings include homemade style meals and specialty coffee drinks available throughout the day, making these stores a good opportunity for higher quality food products and/or ingredients from the United States.

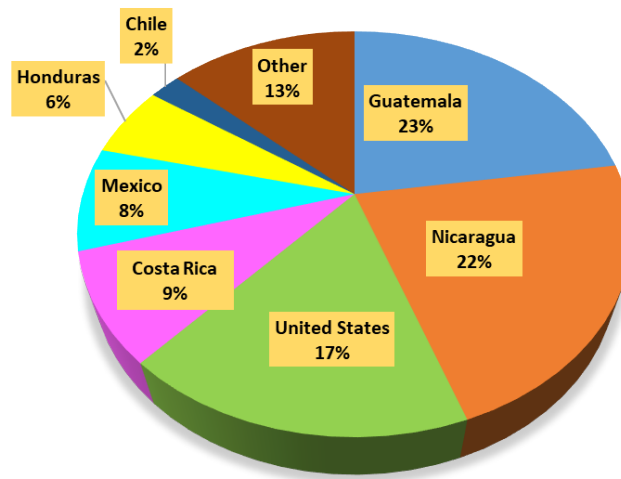
Open-air, or wet markets have traditionally been the most popular places to find fresh and less expensive grocery items like fruits, vegetables, red meat, poultry, eggs, pork, and fish. However, since security has become an important issue when determining where to make food purchases, people with higher incomes tend to go only to supermarkets, which offer a more secure and comfortable environment for shopping.

III. COMPETITION

El Salvador is a signatory to 10 free trade agreements. The Central American countries, Mexico, and Chile are the main trade competitors for the United States regarding 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. Salvadoran food manufacturers rely on imports of ingredients.

El Salvador Imports of Consumer-Oriented Products 2019



Source: Trade Data Monitor, LLC

Products not present in significant quantities, but which have good sales potential:

Health and nutrition are a main concern for most higher-income consumers; therefore, there is a stronger demand and potential for products that are fat free/low fat, gluten free, unsweetened or reduced calories (including beverages).

Following the healthy eating trend, many people are joining running/cycling clubs and are looking for foods and beverages that help them prepare better for competitions.

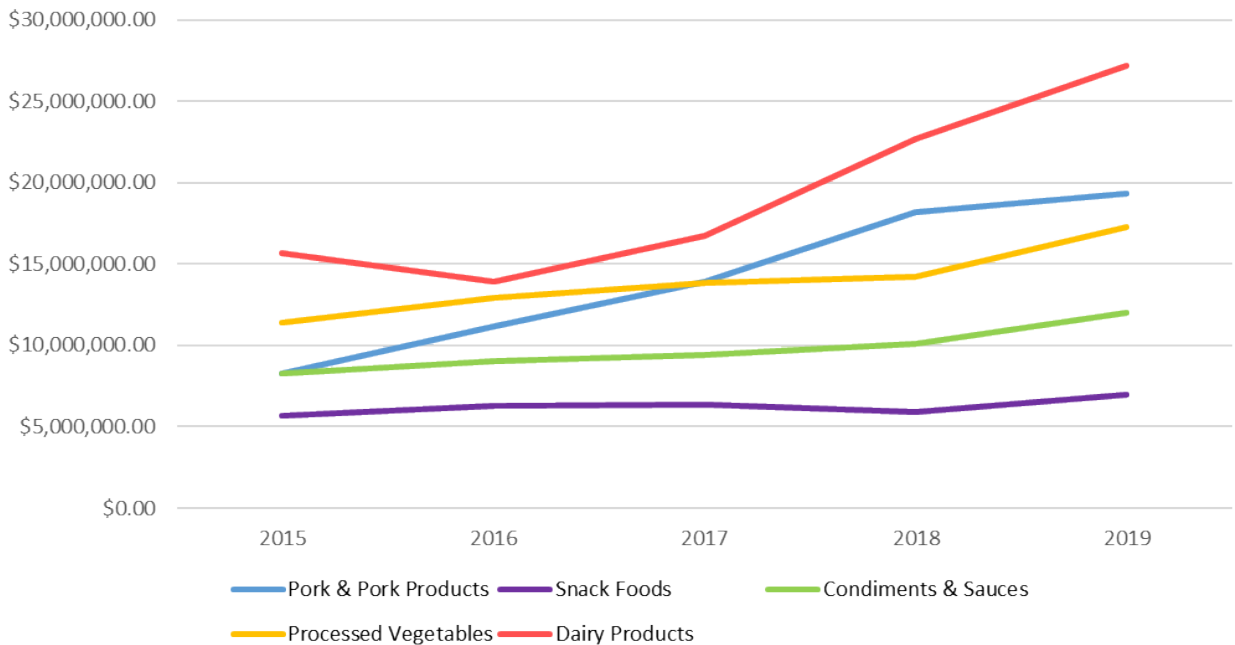
Categories of interest are:

- Organic foods and beverages
- Dairy substitutes: soymilk, almond milk (unflavored and flavored varieties).
- Cereal or oatmeal with ancient grains such as quinoa, chia, and amaranth.
- Lactose-free/gluten-free/sugar-free beverages.
- Whole wheat bread and/or seeds-base products: granola bars, flaxseed products,
- Artisan-made and special sauces and condiments
- Energy boosters: shakes, juices, energy bars, natural juices, both regular and reduced sugar content (targeting children)
- Specialty dairy products (herbal butter, European-style cheeses, etc.)
- Sugar-free and gluten-free cookies, candy, baking mixes, etc.
- Deli meats and specialty seafood (100% U.S. origin) and ready to serve platters.

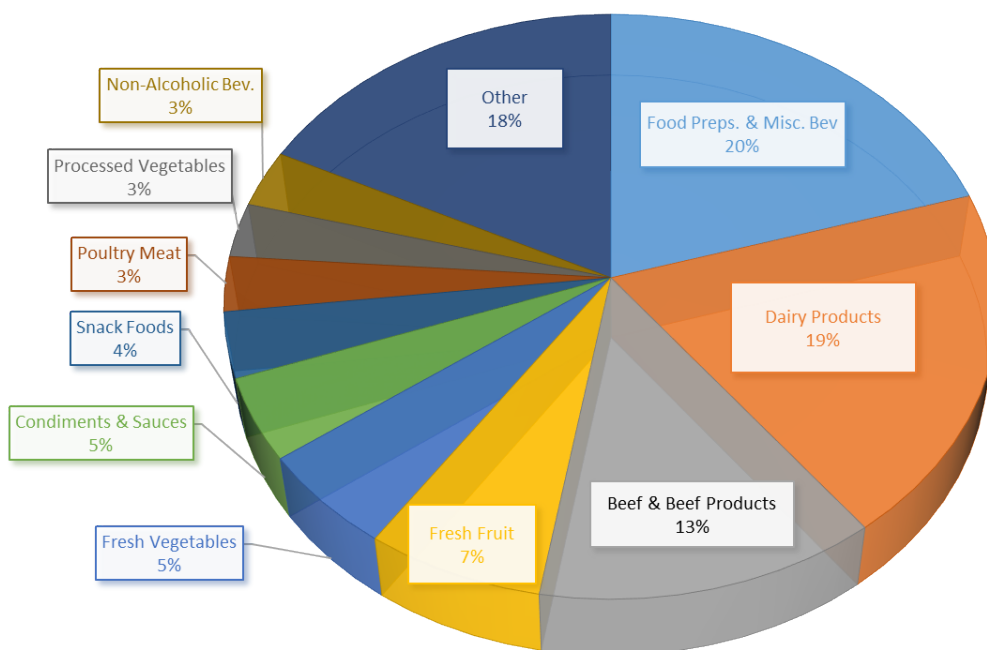
El Salvador Top 5 Consumer oriented imports from main U.S. competitors: 2019			
Product Category	Ranking	Country	US\$
Food Preps. & Misc. Bev	1	Guatemala	\$ 60,753,879.00
	2	United States	\$ 56,387,984.00
	3	Costa Rica	\$ 50,576,497.00
Dairy Products	1	Nicaragua	\$ 126,628,525.00
	2	New Zealand	\$ 26,987,232.00
	3	United States	\$ 19,756,590.00
Beef & Beef products	1	Nicaragua	\$ 147,066,460.00
	2	United States	\$ 8,893,597.00
	3	Guatemala	\$ 7,308,560.00
Fresh Fruit	1	Guatemala	\$ 29,017,998.00
	2	United States	\$ 15,394,795.00
	3	Mexico	\$ 15,080,178.00
Fresh Vegetables	1	Guatemala	\$ 58,998,534.00
	2	Honduras	\$ 8,832,219.00
	3	China	\$ 1,889,359.00

Source: Trade Data Monitor

Top 5 U.S. Consumer-Oriented Products with Upward Trend 2015-2019 (USD\$)



2019 EL SALVADOR TOP CONSUMER-ORIENTED PRODUCTS GLOBAL IMPORTS



Source: Trade Data Monitor, LLC

V. POST CONTACT AND FURTHER INFORMATION

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Attachments:

No Attachments