

Voluntary Report – Voluntary - Public Distribution

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Report Name: Shifting demographics and a remittances boom create opportunities for US agricultural exports to El Salvador

Country: El Salvador

Post: San Salvador

Report Category: Agriculture in the News, Agricultural Situation, Promotion Opportunities, Retail Foods

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Report Highlights:

El Salvador is the only country in the Northern Triangle region, and the only country in Central America aside from Panama, that runs a trade deficit for agricultural commodities. Contributing factors include a lack of arable land, an increasingly urban population, and a growing food processing sector in search of high-quality inputs. Since 2020, El Salvador has also experienced a sharp increase in remittances, which have raised consumer expectations and created domestic investment opportunities for businesses and the diaspora.

Demographics, Food Security, and Demand

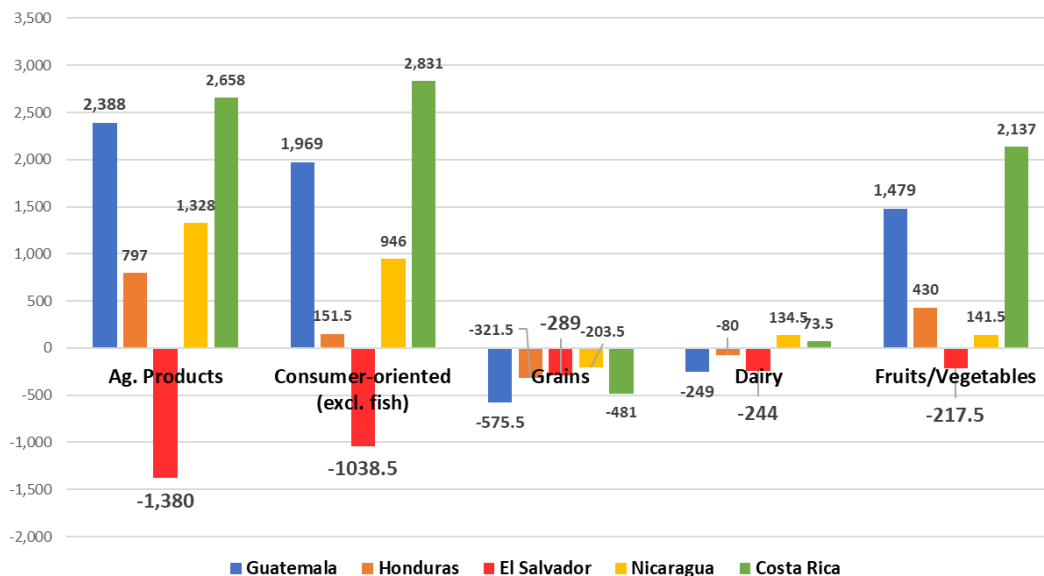
El Salvador’s agricultural sector has been transformed by broader demographic and economic trends, including migration from rural areas to growing urban centers, where workers pursue higher-paying jobs in the services, construction and energy-generation sectors, which according to the Central Reserve Bank, increased a combined 60 percent in their contribution to GDP by the end of 2022. The original report in Spanish is available with this link: <https://www.bcr.gob.sv/2022/12/23/economia-salvadorena-crecio-2-2-en-el-tercer-trimestre-de-2022-y-se-mantiene-la-proyeccion-de-2-8-para-el-cierre-del-ano/>

This labor and talent drain, coupled with structural issues that limit access to high quality genetics and new production methods, have contributed to a trend of lower agricultural production, which according to the above report, decreased its contribution to GDP by -2.2 percent at the end of 2022.

According to the newly released report [“Towards sustainable food security and nutrition in Latin America and the Caribbean, in response to the global food crisis”](#), by the Economic Commission for Latin America and the Caribbean (CEPAL), the World Food Program (WFP), and the UN Food and Agriculture Organization (FAO), El Salvador ranks in the top of the list as one of the most food insecure countries in the region. Only Panama and El Salvador have an agricultural trade deficit in Central America. Honduras, Guatemala, Costa Rica, and Nicaragua all have a trade surplus.

In addition, the report reveals that El Salvador posted a \$1.1 billion trade deficit for agricultural commodities in the period 2018-2020. In the region, only El Salvador and Panama had a deficit during this period. Including data from 2021, we see the deficit trend continued, reaching to \$1.3 billion. The highest negative trade was observed in the Consumer Oriented products category as illustrated below:

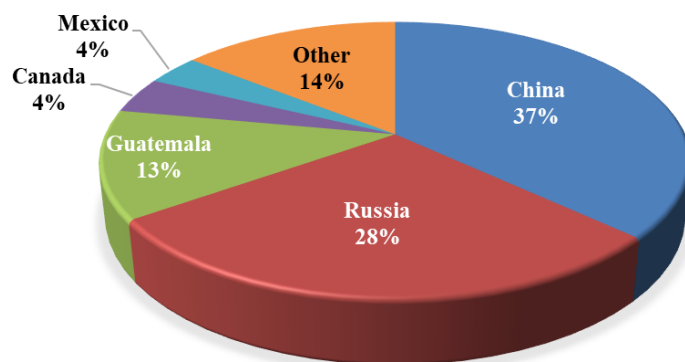
Central America Agricultural Trade Deficit 2018-2021



Source: FAS elaboration with CEPAL/FAO/PMA report and Trade Data Monitor, LLC data.

In addition to the lack of a structured long-term strategy for the agricultural sector, El Salvador is exposed to the impact of inflationary price increases for production inputs, including fertilizers that are also affected by the war in Ukraine. El Salvador imports 100% of its fertilizer needs, thus making it totally dependent on foreign sources, with Russia serving as the second largest supplier.

**EL SALVADOR TOP 5 FERTILIZER ORIGIN IMPORTS
2022**



Source: Trade Data Monitor, LLC

The role of remittances

A constant influx of remittances and the gradual recovery of the hotel/restaurant sector have been determining factors contributing to a higher demand for imported foods. As per the Central Reserve Bank's figures, remittances play a relevant role in Salvadoran economy, accounting for 25 percent of GDP.

Some 94 percent of remittances to El Salvador come from the United States. As of November 2022, El Salvador had received \$6.9 billion in remittances, a 3.4 percent increase versus 2021. In August 2022, the Salvadoran Reserve Bank and the International Organization for Migrants carried out a survey to explore demographics and use of remittances. The survey revealed that about 80% of Salvadorans in the U.S., equivalent to 1.1 million people, send remittances on a regular basis to support their families at home, representing approximately 25 percent of Salvadoran households. Ninety-five percent of respondents said that the primary use of remittances was to increase consumption at the household level.

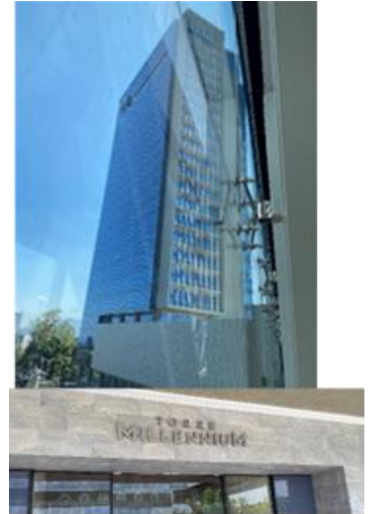
These responses help explain a recent consumption boom in the domestic tourism and restaurant sectors, both of which have recovered to near pre-pandemic levels. In-country contacts from the Food Service sector report sales increases between 25 and 30 percent compared to 2021. International Tourism in El Salvador showed a 94% recovery by October 2022, when a total of 2 million foreign visitors had entered the country, spending approximately \$2 billion in income. This figure surpassed the government's forecast of 1.9 million visitors by the end of 2022.

RETAIL AND HRI SECTOR EXPANDING SHELVES AND TABLES

Super Selectos, the largest supermarket chain in El Salvador, has opened seven new stores since the start of the pandemic. Modern grocery chains like Super Selectos import and promote a wide variety of U.S. products and baking ingredients. Retail demand has expanded to include more cooked food and baked goods. Bakeries have been improving the ingredients they use and the processes to increase shelf-life while maintaining quality.

Commercial development projects resumed pre-pandemic levels in 2022 as new and delayed projects came online. In the capital, San Salvador, mixed use commercial construction is focused on leased office space with adjacent food service and retail to serve white-collar workers during the day, and residents in surrounding areas at night.

Large projects like Millennium Plaza (pictured) offer a wide variety of restaurants, cafes, and entertainment. This market associates U.S. products with quality and value, and works with an increasingly diverse clientele of business people, local consumers with expendable income, and domestic and international tourists.



This panorama provides an opportunity for increased U.S. food and beverage sales to El Salvador. To learn more about the Salvadoran market, trends and best product prospects, please check our marketing reports:

- [Retail Foods](#)
- [Food Service: Hotel, Restaurant and Institutional](#)

Attachments:

No Attachments.