

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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

Required Report - public distribution

Date: 12/29/2017

GAIN Report Number: ES-1709

El Salvador

Retail Foods

Annual Report 2017

Approved By:

Todd Drennan,
Regional Agricultural Counselor

Prepared By:

Elvy Huezo,
Agricultural Marketing Assistant

Report Highlights:

El Salvador continues increasing its U.S. consumer-oriented food imports at a steady pace, reporting a record of \$169.5 million in sales in 2016. Increased consumption of U.S. food products is related to higher purchasing power fueled by remittances from Salvadorans living in the United States. Best performing categories for 2016 were: prepared foods, processed vegetables, non-alcoholic beverages, condiments/sauces, and dog and cat food.

Post:

San Salvador

SECTION I. MARKET SUMMARY

Country Snapshot

- El Salvador, located in Central America, shares borders with Guatemala and Honduras. With a total area of 13,074 square miles (21,041 km²), and a population of approximately 6.4 million people, El Salvador has one of the highest population densities in the region. It is the smallest country in Central America. El Salvador is divided into 14 departments and the capital city is San Salvador.
- The U.S. dollar is the official currency. El Salvador is the fourth largest economy in Central America, with a gross domestic product (GDP) of \$26.8 billion in 2016.
- The United States is the most important trading partner, with 45 percent of exports and 37 percent of imports with El Salvador.
- Total U.S. consumer oriented food product imports in 2016: \$169.5 million.
- Imports from regional/neighboring countries (Guatemala, Mexico, Nicaragua, Honduras, and Costa Rica) include a large variety of products such as fresh fruit and vegetables, dairy products, meats, cereals and beans. Other major suppliers that seek to increase their exports to El Salvador include China, Canada, South Korea and Brazil.
- El Salvador's economy continues to suffer persistent low levels of growth. According to the World Bank, economic growth between 2010 and 2016 averaged 1.9 percent. This performance has turned El Salvador into the country with the slowest growth in Central America. However, it is expected that for 2017, El Salvador's economy will grow 2.3 percent.
- El Salvador's tourism industry has become a key sector for the country's economy, with over 2 million visitors in 2017 that generated an income of about \$1.2 billion. Such dynamism in this sector creates greater demand for imported food products providing excellent opportunities for U.S. food and beverage exporters.

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. The trend is to continue their geographical expansion.	A good number of consumers opt to trade down to less expensive options of basic products due to economic difficulties.
Information and technology have become strong tools for food marketing/selling. Product bar codes and scanners at point of sales are great tools to increase profitability and stock control. 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. Investment also includes state of the art technology, logistics, remodeling and improving service areas.
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 U.S.	High marketing costs (advertising, discounts, sampling, etc.) are necessary to promote new market products.
The hotel and restaurant sector is growing and are dynamic sectors for U.S. exports. Specifically, convention events are increasing, so foreign business travelers are usually looking for brand names of imported foods with which they are familiar.	Overall, the Salvadoran economy remains very susceptible to the world economy and events that may disrupt tourism and investment.
Major retailers are developing increasingly sophisticated distribution systems, which will provide more space and better cold chain infrastructure for high value frozen and refrigerated imports.	Security is a major concern in El Salvador and the local authorities need to improve security programs.
Supermarket chains have gained greater negotiating power with manufacturers, giving them access to continuous price promotions and marketing activities.	Category management practices include charging slotting fees for products, which are shared with the supplier.
Private labeling of food products is rapidly growing in supermarkets. Therefore there is high potential for U.S. companies that can provide private labeling for food products and/or ingredients.	A growing number of customs and non-tariff barriers being implemented by government employees resulting in a lack of consistency with customs procedures.
U.S. food safety is highly regarded. For instance, FDA norms are being used by government health authorities as a reference to enforce more efficient regulations to safeguard consumers.	Lack of local interagency communication/ coordination causes interruptions to trade, as new regulations are imposed on imports without prior notification.

As El Salvador becomes more a service provider economy, new office buildings are under construction, thus making these office workers potential consumers for high quality U.S. food products.	
--	--

II. ROAD D

MAP FOR MARKET ENTRY

A. SUPERMARKETS, SUPERSTORES, HYPERMARKETS, CLUB AND WAREHOUSE OUTLETS

Entry Strategy

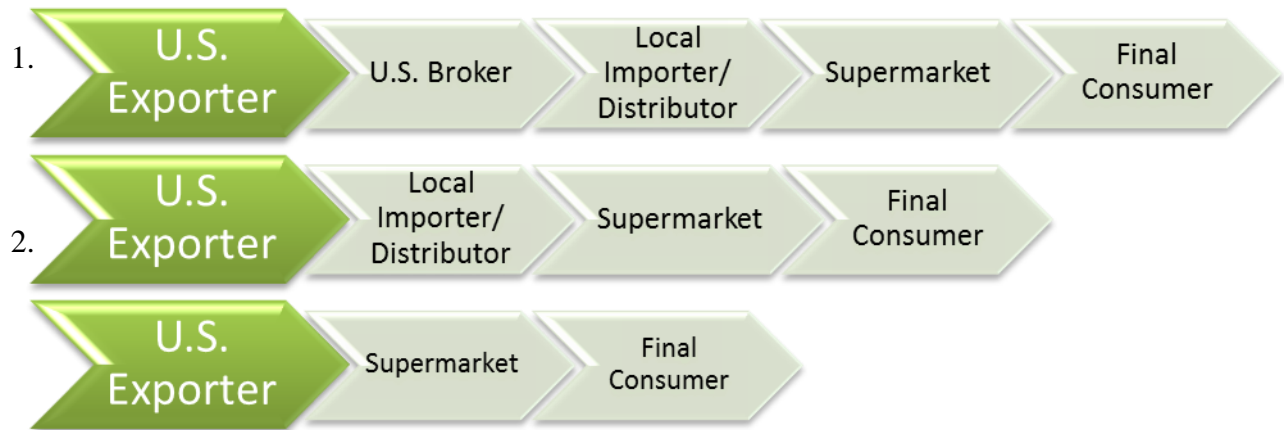
El Salvador has a dynamic food import sector that is constantly looking for new foreign products. There is a wide array of products that are competitive in both price and quality.

In order to better penetrate this market, these are important suggestions to take into account:

- To reach consumers, there are different approaches that can be undertaken. Through a direct importer such as a supermarket chain, a wholesaler/distributor or through a specialized importer.
- Regardless of strategy, U.S. exporters need a local partner to inform and update them about consumer trends and development, product registration procedures, and business practices.
- To appoint a local distributor/importer, a U.S. firm has to make sure that the local distributor has good credit standing (the U.S. Department of Commerce offers a Gold Key service that provides information about local importers), and sign a contract through a local lawyer.
- Wholesalers/distributors and importers play an important role with Salvadoran supermarket retailers, since the bulk of supplies come either from local agents or importers. However, more and more, large supermarket retailers prefer to import directly from U.S. suppliers.
- Point of Sale (POS) giveaways and product sampling are important ways to promote food in this market. In addition, advertising through newspapers, radio, and television is recommended.
- Attend U.S. food trade shows to meet Salvadoran buyers. Marketing managers attend U.S. trade shows regularly and believe that this is the best way to find new products to introduce to this market.
- To get an idea about who are the main importers/distributors in El Salvador, U.S. exporters are highly encouraged to use the webpage of ADES- Salvadoran Distributors Association: (www.ades.org.sv). This association manages relationships of its members with local retailers, wholesalers, and supermarkets and can provide a good starting point of contact to enter the market.

Distribution Channels

Three distribution trends operate in the Salvadoran market:



Supermarket Profile:

Supermarkets in El Salvador are reluctant to release exact sales information. Therefore, sales have been categorized as follows:

- A: Less than 10 million
- B: \$11 - \$25 million
- C: \$26-\$75 million
- D: \$76 - \$100 million
- E: \$101 - \$150 million
- F: More than \$150 million

Owner Group	Supermarkets, Hypermarkets and Club Outlets	Current Stores	Estimated annual sales	Purchasing Agent Type
Calleja, S.A. de C.V.	Super Selectos	98	F	U.S. Broker/Importers/Direct
Walmart Mexico y Centroamerica	Walmart Supercenter	4	F	U.S. Broker/Importers/Direct
	Despensa de Don Juan	20	E	U.S. Broker/Importers/Direct
	Despensa Familiar 1/	63	E	U.S. Broker/Importers/Direct
	Maxi Despensa	10	F	U.S. Broker/Importers/Direct
Price Smart	Price Smart	2	F	U.S. Broker/Importers/Direct
TOTAL		197		

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

1/ Smaller, popular area stores

Retail Sector

Retail outlets have become the preferred venue for food items for consumers, resulting in a key growth sector for the Salvadoran economy. El Salvador showed an increase in purchasing power, mainly due to a growth in remittances (10.3 % by October 2017), and the steady expansion of consumer credit, all resulting in increased employment opportunities.

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.

Super Selectos supermarket is owned by the Calleja Group. This local supermarket chain currently has 98 stores, and uses the slogan “The Salvadorans’ supermarket” (“El Super de los Salvadoreños”). It is a strong competitor to other retailers.

In 2008, Grupo Calleja, along with seven other supermarket chains from the Central American region joined in a strategic alliance named SUCAP (Panama and Central American Supermarkets). SUCAP groups 8 different supermarket chains that make up 330+ stores in the region. SUCAP negotiates and buys in large volume for the region helping them obtain lower prices which can be transferred to consumers. The members of SUCAP are La Colonia (Honduras), Super Selectos (El Salvador), La Torre (Guatemala), La Colonia (Nicaragua), Súper 99, El Machetazo (Panama), Gessa and Automercado (Costa Rica).

Although SUCAP is one of the procurement methods for Super Selectos, they also use other sourcing methods such as buying from local importers, distributors and importing directly from international suppliers.

Walmart Mexico y Centroamerica is the largest retailer in the region with over 600 stores. In El Salvador, it has 97 stores. In order to reach different consumer segments, Walmart has stores in 4 different formats: Walmart Super Centers, Despensa de Don Juan, Maxi Despensa and Despensa Familiar.

Walmart entered the region in 2005 and became Walmart Centroamerica in 2006. In 2009, Walmart Mexico acquired Walmart's operations in Central America from Walmart Stores, Inc. and two minority partners. In 2010, Walmart Mexico became “Walmart de Mexico y Centroamerica”.

Walmart is positioning itself as the place where “You always find everything and pay less”, promising low prices and deep discounts, as well as offering a wide range of products from food to electronics and, more recently, a tire shop. In 2017, Walmart invested about \$19.4 million to open 5 new retail outlets, and has revamped many stores in order to provide a better shopping experience: larger aisles, modern and attractive displays and energy and water-saving equipment.

PriceSmart El Salvador, S. A. de C. V., is based in San Diego, California and 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, apparel, electronics, household goods, and automotive parts. PriceSmart's first chosen location (1999) was in the upscale Santa Elena area, and it initially focused on two market segments: the growing upper middle class seeking imported goods, and restaurants looking for a source of premium ingredients/products alongside known staples and local brands. As PriceSmart became more popular, its offerings appealed to the larger middle class and the second store opened a few blocks away from the popular Metrocentro shopping mall. It is more accessible than the Santa Elena location and it has made American products available to consumers that are familiar with them via firsthand migration or by proxy through family members in the United States.

One of the latest trends of the two major food retailers, Super Selectos and Walmart, is the development of a wide range of private label products, since a good number of their clients are constantly looking for high quality products at more competitive (inexpensive) prices.

In this regard, Super Selectos currently has 10 private label brands with a total of 2,200 products. In 2017, the store focused on promoting the “Selectos” brand which is found in about 90 product categories. It started developing this brand two years ago and the goal is to offer high quality products at an affordable price resulting in greater consumer demand.

Walmart, on the other hand, currently has six local private label brands, which offer 385 products in total. According to its Corporate Relations Manager, Walmart offers a product for every type of consumer so those who prefer private label products are usually consumers with lower income, not brand loyal, but need to optimize their spending, therefore private label products let them save between 10 to 20 percent in their supermarket purchases.

B. CONVENIENCE STORES, GAS MARTS

Convenience stores at gas stations are becoming more active players in the retail sector. Some of these stores are offering more than light refreshments and ready-to-eat heated products. In some cases, food offerings include home-made style meals and specialty coffee drinks available throughout the day, making this trend a good opportunity for higher quality food products and/or ingredients from the United States. Main clients for these stores are truck drivers and other workers who travel across the country on business. In response to these clients' demands, another trend that is developing in these stores is having other services, such as banking transactions, pharmacy, cell phone services and free Wi-Fi connectivity, making these stores convenient for casual business meetings.

In 2017, Ministry of Economy records show there are 343 gas stations in El Salvador belonging to four different companies: Chevron El Salvador (Texaco), Grupo Terra (UNO), Puma Energy (Puma) and Alba Petroleos. Each company has its own chain of convenience stores:

- Puma- Super 7
- Texaco-Food Mart
- UNO- Pronto/Flashmart
- Alba Petroleos- El Camino

However, in addition to the above major companies, there are 103 more gas stations that are known as “White Flag”, meaning they are independently owned, not carrying a specific foreign petroleum company brand. Most of these independent gas stations have a convenience store as well.

Distribution Channels

- Sourcing and distribution is mainly through local distributors/importers. Direct imports are minimal.

Entry Strategy:

- Convenience stores at gas stations are potential markets for new products.
- New products must be presented to the purchase manager of each chain and a local distributor must be appointed.
- Purchasing managers should be invited to major U.S. food tradeshow and any local exhibitions of U.S. food products.
- Customers need to be familiar with products; therefore, new products have to be introduced with a promotional campaign that includes sampling/tasting.

Sub-Sector Profile:

- Store sizes vary; the largest is approximately 1400 square feet and, the smallest 430 square feet.
- Product variety at these stores is significant, as they sell not only food or beverage items, but also personal care items, toys and cleaning products.
- Beer purchases are important at convenience stores. Recent statistics show Salvadoran consumer preferences for beer to be: about 81 percent of beer sales are domestic product, 7 percent from the United States, 5 percent from Mexico, and the rest from Europe.

- As in the case with supermarkets, sales have been categorized as follows:
 - A: Less than 10 million
 - B: \$11 - \$25 million
 - C: \$26-\$75 million
 - D: \$76 - \$100 million
 - E: \$101 - \$150 million
 - F: More than \$150 million

Retail Name and Outlet Type	Ownership	No. of Outlets	Locations (city/region)	Estimated Sales (\$Mil)
FlashMart / Pronto (8 stores)	Grupo Terra/Terra Petroleo	91	Nationwide	D
Super 7	Puma Energy	98	Nationwide	D
Food Mart	Chevron El Salvador/Texaco U.S.	99	Nationwide	D
El Camino	Alba Petroleos de El Salvador/PDV Caribe, S.A.	55	Nationwide	C

C. TRADITIONAL MARKETS: “MOM AND POP” SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

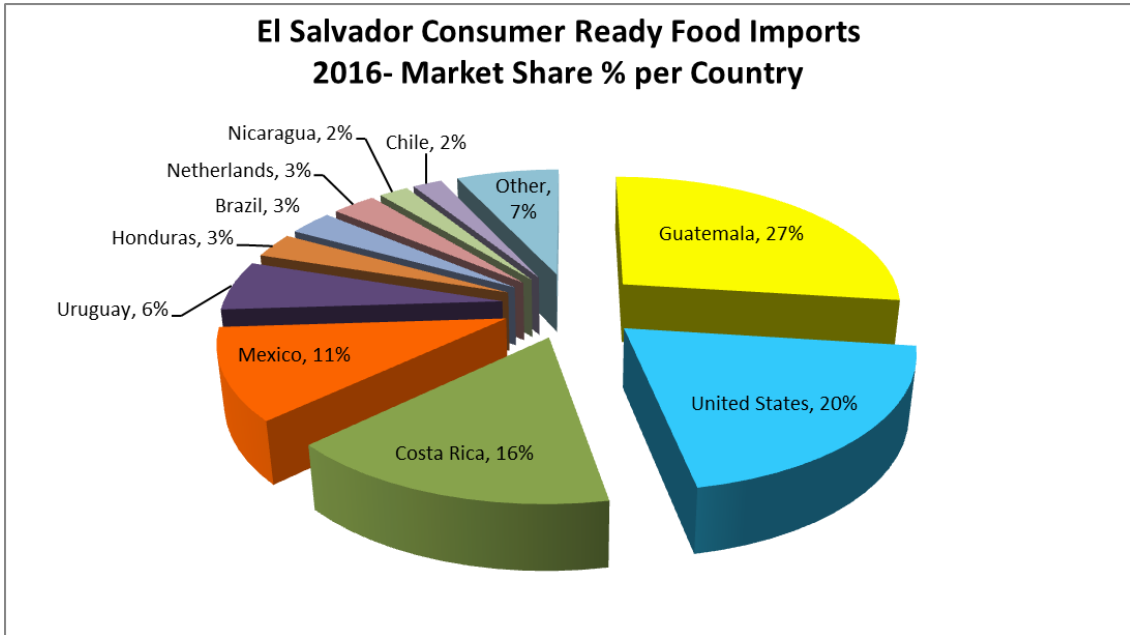
- Traditionally, wet markets have been the most popular places to find fresher and less expensive fruits, vegetables, red meat, poultry, eggs, pork, and fish.
- There are nine public markets in San Salvador city, and at least one in each small town or municipality.
- Security has become an important issue when determining where to make food purchases. Supermarkets offer a more secure and comfortable environment for shopping than public/open air markets.
- The growing trend is to purchase in supermarkets, especially for the upper and middle classes. Lately, there has been a substantial increase of supermarket customers from the working class and dominant supermarket chains are opening in lower income areas.
- Few U.S. food products are sold at open-air markets. However, U.S. fruits are very popular.
- The majority of food products sold are locally produced or come from other Central American countries.
- The number of small “mom and pop”, independent grocery stores in each neighborhood varies depending on the size of the neighborhood, although distributors think that there could be about 70,000 of these across the country, but this is difficult to quantify due to the informal nature in which these stores operate. These are not designed for the customer to easily see the product and select what they need. Sales are made mostly by product name or category,

therefore, it is not recommended to develop a strategy to enter this market. The same applies to the rest of the markets reviewed in this section.

III. COMPETITION, CONSUMER-READY PRODUCTS

- El Salvador is a signatory to 10 Free Trade Agreements with the following regions/countries: Central America, the United States, European Union, México, Colombia, Dominican Republic, Chile, Panama, China-Taiwan and South Korea. The latter was signed on December will be subscribed on February 2018 for final ratification by the Legislative Assembly. Expectations to start negotiations between the Central American countries with the United Kingdom are in the agenda for 2018.
- The Central American countries, Mexico, and the Republic of China are the main trade competitors for the United States in El Salvador.
- In 2016, the U.S. share in the consumer-ready market reached 20 percent. Main suppliers for this category continue to be Guatemala with 27 percent, followed by Costa Rica with 16 percent and Mexico with 11 percent.
- Powdered milk is mostly imported from New Zealand, Costa Rica and Australia. Fluid milk is locally produced and also imported from Costa Rica, Honduras and Mexico in UHT long-life packaging.
- Grupo Calleja (Super Selector supermarkets owner) started to implement a very aggressive expansion plan of \$30 million in 2017. This investment included the building and inauguration of their store 98th store in February 2017, which stands out from the other 97 stores due to its unique design and concept of having international food offerings at the “Our Kitchen” restaurant area inside the supermarket. Part of the investment included shifting to cost efficient and environmental friendly refrigeration equipment, as well as the implementation of solar panels used at their stores as a way of reducing costs. Plans are to surpass the 100 store-count across the country by 2018.
- Livsmart Americas, one of the strategic business partners of the Central American Bottling Corporation (CBC), was founded in 2009 targeting the healthy drinks segment. Its main production plant is located in El Salvador making about \$160 million in 2015. It leads the juice/healthy beverages market and is currently implementing a \$25 million investment to expand its manufacturing plant, in order to improve its R&D area as well as to increase production and storage capacity for final products.
- Another important industry in this sector is meat processing. There are approximately 10 companies which are members of the Salvadoran Meat Processors Association (ASICARNE). Imports of U.S. pork and pork products reached \$11.2 million in 2016, a 35% increase from the previous year. This result is the response from consumers to several promotion and education efforts, which have focused on highlighting the excellent quality and wholesomeness that U.S. pork offers.

- The Salvadoran market may be significantly larger than portrayed by U.S. export data. A high percentage of El Salvador’s imports of consumer-oriented products are registered as imported by Guatemala. Many imports come through Guatemala’s Santo Tomas de Castilla port and even though they are in-transit to El Salvador, local customs officials tally them as Guatemalan imports. Particularly close links with the United States are evident by the strong commercial relationship between both countries.



Source: Global Trade Atlas

IV. BEST PRODUCT PROSPECTS

Top 10 Best Consumer Oriented Prospect Imports from the United States

Category	Calendar Years (In Millions of U.S. dollars)		
	2015	2016	% Change 2015/2016
Prepared Foods	37.4	46.2*	23.5
Eggs & Products	1.0	1.9	90
Processed Vegetables	11.4	12.9*	13
Non-Alcoholic Beverages (ex. Juices)	7.6	8.5*	11.8

Vegetable Oils (ex. Soybean)	2.3	2.6	13
Condiments and Sauces	8.3	9.0*	8.4
Snack Foods	5.7	6.3	10.5
Dog & Cat Food	3.5	3.55*	1.5
Processed Fruit	1.2	1.7	41.7
Breakfast Cereals	0.9	0.95	5.5

Source: USDA/FAS BICO REPORT

*Denote Highest Export Levels Since at Least CY 1970

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

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

- Organic foods and beverages
- Non-Dairy Drinks: soy milk, 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
- Little processing bread and/or seeds-base products: granola bars, flaxseed products, etc.
- Artisan made and special sauces and condiments
- Energy boosters: shakes, juices, energy bars, natural juices, both regular and reduced sugar content (targeted at kids)
- Specialty dairy products (herbal butter, European-style cheeses, etc.)
- Sugar free and gluten free cookies, candy, baking mixes, etc.
- Deli meats ready to serve platters.
- Ready-to-eat heated meals- demand is growing due to a larger younger workforce looking for convenience. Examples of these are Ramen style soups, sandwiches, canned soups, etc.

V. POST CONTACT 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
 Phones: (503) 2501-2999 exts. 3414/3412
 E-mail: agsansalvador@fas.usda.gov
 Website: www.fas.usda.gov

SUPER SELECTOS
 (Calleja, S. A. de C. V.)

Prolongación 59 Ave. Sur entre Avenida
Olímpica y Calle El Progreso
San Salvador, El Salvador
Contact: Mr. Jose Alberto Corpeño, Purchasing and Categories Director
Tel.: (503) 2267-3628/ 2267-3600
E-mail: jcorpeno@superselectos.com.sv

PRICESMART

Boulevard Sur, Calle Cortez Blanco,
Avenida El Pepeto, Urb. Madre Selva,
Antiguo Cuscatlán, El Salvador
Contact: Mr. Luis Rivera- Purchasing Manager
Tel.: (503) 2246-7400
E-mail: lurivera@pricesmart.com

WALMART MEXICO Y CENTROAMERICA

Alameda Roosevelt y 65 Ave. Sur
Centro Financiero Gigante
Torre E, Nivel 8, San Salvador, El Salvador
Contact: Mrs. Claudia Ibañez- Corporate Relations Manager
Tel: (503) 2523-6800
E-Mail: claudia.ibanez@walmart.com