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Global Agricultural Information Network

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El Salvador

Exporter Guide

Annual 2016

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Report Highlights:

Complete update of Annual Exporter Guide (with review of 2015-16) for trade in 2017.

Post:

San Salvador

Executive Summary:

I. MARKET OVERVIEW

A. Current Economic Situation

El Salvador is the smallest country in Central America and the fourth largest economy with a gross domestic product (GDP) of \$25.77 billion in 2015. Real GDP contracted by nearly 4 percent in 2009 following the global recession. The Government of El Salvador (GOES) has promoted an open, free market economy and has recently led economic diversification initiatives in new sectors such as non-traditional agricultural products (tuna, baked goods, snacks, beverages, and dairy products), processed food, distribution, telecommunication services, and tourism. Development in these areas follows a 30-year evolution in the economy from agricultural-based to commercial, retail and service-oriented. A glance into sector distribution in recent years confirms the importance of services in the overall economy:

Sector Breakdown: Percent share of Real GDP					
	2011	2012	2013	2014	2015
Agriculture	10.6	10.2	10.3	10.5	10.5%
Industry	29.1	29.1	29.5	24.7	25.1%
Services	59.3	60.7	60.1	64.8	64.4%

Source: CIA-The World Fact Book

Remittances continue to play an outsize role in the Salvadoran economy because more than 2.5 million Salvadorans live in the United States. According to data from the Central Bank, between January and October 2016, remittances reached \$3.7 billion, a 6.2 percent increase from the same period last year. Remittances represent around 16 percent of total GDP and about 20 percent of Salvadoran households receive remittances, according to a 2014 Ministry of Economy survey. In a more recent survey in January 2016, 86% of the people surveyed stated that remittances are an important component to their household income, and 6% indicated that remittances are their main source of income.

Following privatization of the telecommunications sector in 1998, coupled with the widespread adoption of mobile phones, the sector has seen huge growth. By the end of 2015, there were 9.2 million working mobile phone lines, of which 2.4 million were smartphones. The smartphone market has seen an increase of 33% from 2014 to the closing of 2015, mainly due to expanded coverage. A few multinational companies have invested heavily in 4G, or LTE, technology.

The tourism sector continues to grow, reaching around \$1.2 billion in 2016, up 3% from 2015. Part of the strategy to increase tourist visits began with the launching of a promotional campaign, “The Best Kept Secret.” The aim is to attract tourists particularly from the United States and Canada, who

represent 36 percent of tourist volume. This strategy seeks to convey the message that El Salvador is a closer destination and a “host par excellence and authentic”.

Trade is important to El Salvador, demonstrated by its free trade agreements with the Dominican Republic, Chile, Mexico, Panama, Taiwan and Colombia, as well as its membership in the Central American Dominican Republic Free Trade Agreement with the United States (CAFTA-DR) that went into effect in 2006. Recently it signed an Association Agreement with the European Union that includes the establishment of a free trade area. Free Trade Agreements with Canada, Peru, and Belize are under negotiation. A partial Scope Agreement was signed with Cuba in 2011. The latest negotiated Free Trade Agreement was with South Korea, and is expected to be signed in mid-2017, with the main objective to attract investors for the textile industry in El Salvador.

The privatization of the banking system in the early 1990s created one of the most efficient financial sectors in Latin America. The sector has created an array of financing options for local importers. In addition, a good credit standing with foreign suppliers complements the availability of funds to carry out business transactions. El Salvador uses the U.S. dollar as its official currency, eliminating foreign exchange risk for investors.

B. Current Political Situation

On March 15, 2014, former Vice-President Salvador Sánchez Cerén of the Farabundo Marti Liberation Front (FMLN), the leftist political party, was elected President of El Salvador. San Salvador Mayor Norman Quijano of the National Republican Alliance (ARENA) was the runner-up in an extremely tight election result. After winning the election by less than a quarter of a percent, the new administration is being conciliatory, but finds itself in a difficult spot due to a high fiscal deficit and slow economic growth inherited from the previous administration. Meanwhile, the country continues to cope with the residual effects of the economic crisis with a downward trend in economic activity, especially exports and foreign investment, as well as an extremely high violent crime rate.

ARENA, the right-wing, pro-business party, was founded in the early eighties and held the presidency from 1989 until 2009. The FMLN is composed of former guerrilla organizations and became a political party after the country’s peace accords were signed in 1992. They have held the presidency since 2009. National Unity Alliance (GAN) is the newest political party, embracing centrist policies.

C. Market Size

El Salvador is densely populated, with a population of 6.45 million people in 2015 and nearly 63 percent of people in urban areas. About 1.8 million people, or 27.5 percent of total population, live in the metropolitan area of the capital San Salvador. Migration to the capital accelerated during the 1980s as a result of civil conflict, and continued thereafter due to natural disasters and a shrinking of the agricultural sector. There are three major cities besides the capital: San Miguel, in the east, and Santa Ana and Sonsonate, in the west. Recent government economic development programs have targeted the impoverished eastern and northern regions, both heavily affected by the civil war. The government’s focus in the eastern region has been the building of a seaport in the province of La Unión.

In 2012, the Government of El Salvador successfully completed a \$461 million compact with the Millennium Challenge Corporation (MCC), known as FOMILENIO I, focused on economic development in the Northern zone of the country. A compact is a five-year grant awarded to countries that must meet MCC's eligible criteria. The support obtained through MCC's financing has enabled El Salvador to open the Northern zone to Guatemalan and Honduran markets and better integrate the zone with the rest of the country. Projects were divided into three main areas: Human Development, Productive Development and Road Connectivity. In September 2014, the MCC approved a \$277 million second compact, known as FOMILENIO II, to help El Salvador develop the coastal zone through investment, education and road infrastructure.

El Salvador in Facts and Figures:

- Area 20,742 sq. km. (8,008 sq. miles)
- Time Zone: UTC - 6
- Population: 6.4 million (2015)
- Unemployment/Underemployment: 5.5 percent (2015 est.)
- Inflation: -0.7 percent (2015 est.)
- Nominal GDP: US\$25.77 billion (2015)
- Distribution of Income or Consumption- Gini Index: 41.8 (2014)
- Household income or consumption by percentage share:
 - Lowest 10% : 1%
 - Highest 10% : 37%
- Population below poverty line: 36.5% (2010 est.)
- Major Agricultural Products: coffee, sugar, corn, rice, beans, oilseed, sorghum, tuna, dairy products.
- Leading Agricultural Exports: Sugar, coffee, shrimp, tuna, bakery products, dairy products, frozen tropical fruit and processed ethnic foods such as corn tamales.
- Leading Agricultural Imports: Wheat, yellow corn, soybean meal, cotton, rice, dairy products, and consumer-ready products.
- U.S. exports of consumer-oriented products reached a record US \$162 million in 2015
- U.S. Agricultural, Fish and Forestry Exports: \$499.7 million (2015)
- U.S. Agricultural, Fish and Forestry Imports: \$256 million (2015)

Source: Salvadoran Central Bank (BCR), "Multiple Purpose Household Survey 2015" (Ministry of Economy of El Salvador), CIA World Fact book on-line, BICO Reports, World Bank.

Salvadorans spend over 65 percent of their income on food. Households earning \$300 to \$1,500 per month are considered to be in middle class. As per a study in 2012 by the United Nations Development Program, about 16.8 percent of total population in El Salvador fall into middle class, and most of them live in urban areas across the country.

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.

D. Advantages and Challenges in the Market

Advantages	Challenges
U.S. agricultural and food products are sought after by El Salvador’s HRI sector, as they have an excellent reputation among consumers and are known for their high quality and food safety standards.	U.S. agricultural and food products are more expensive than some regionally available food products. Guatemala, Canada, Mexico, and Chile are strong competitors.
In general, El Salvador is transparent and open in its implementation and application of regulations, as it follows and adopts WTO and Codex guidelines for food safety.	Difficulties in obtaining a Certificate of Free Sale make it difficult to register U.S. food products.
Exposure to U.S. media as well as language, cultural, and commercial ties with the United States all contribute to positive attitudes toward U.S. products	High marketing costs (advertising, discounts, sampling, etc.) are necessary to promote new products.
As urban developments are expanding and shopping centers are booming, the tourist and restaurant sectors are growing and are a dynamic sector for U.S. exports.	Recent increase of minimum wage (December 2016) could affect employment, income and economic growth in El Salvador.
Major retailers are developing increasingly sophisticated distribution systems, which will provide more space and better cold chain technology for high value imports	Security is a major concern in El Salvador and the local authorities still need to improve security conditions.
The implementation of CAFTA-DR has lowered or eliminated duties for most U.S. food products.	Tariff rate quotas of sensitive products continue to protect local producers of products such as poultry and dairy.
Salvadoran importers are frequently searching for new-to-market products as they must update their portfolio from time to time in order to gain market share.	Importers tend to buy small quantities to test the market. In general, U.S. companies are not attracted to sell small quantities. This lack of interest can restrict entry into the market.

Most large importers/distributors are members of the Salvadoran Distributors Association – ADES (<http://www.ades.org.sv>). This association manages the relationship of its members with local retailers, wholesalers, and supermarkets and can provide good information on how to enter the Salvadoran market.

II. EXPORTER BUSINESS TIPS

A. Business Customs

The successful introduction of products into the Salvadoran market depends on acquiring local representation and making personal contacts. The advantages of local representation include market knowledge, up-to-date information, and guidance on business practices, trade laws, sales contacts, and market development expertise.

Initially, Salvadoran business relationships and meetings are formal. You are expected to use proper titles, shake hands before and after your meeting, and not use a person's first name until a relationship has been solidified. Salvadorans commonly use titles such as Licenciado(a) (title acquired after completing a BA or law degree), Ingeniero (title acquired after completing an engineering degree or BS), or Doctor(a) (title acquired after completing a medical degree or a PhD). These are followed by the person's last name (i.e. Licenciado Gómez). However, if the education degree is unknown, the formal Señor (Mr.) or Señora (Mrs.) is used before the last name (i.e. Señor Gomez, Señora Ramirez).

El Salvador is very much a business-card society and it is important upon first meeting someone to exchange business cards. It is an excellent practice to have a ready supply of business cards.

Breakfast meetings are common and begin around 7:30 a.m. Lunches and dinners can be lengthy affairs (2-3 hours), so it is advisable not to plan a tight schedule around them. Dinners follow U.S. standards, but most frequently they start at 7:00 or 8:00 p.m. Lunch is usually at 12:30 p.m., and it is the largest meal of the day.

B. Consumer Taste

The four basic foods for the vast majority of the population in order of importance are: tortillas made from white corn, beans, eggs, and rice. Bread, meat, fruit, vegetables (fresh, canned and frozen), snacks and juices are readily consumed in varying quantities depending upon income level. Generally, people living in the city consume more bread and meat and fewer tortillas and beans.

Salvadoran consumers are very familiar with U.S. style food. Most large U.S. fast food franchises have outlets in El Salvador. Food courts located in shopping malls are popular and viewed as a place to socialize. Delivery service has caught on quickly in this market as well.

As more women join the labor force, there is less time for meal preparation at home. In addition, domestic maids are finding better-paying jobs in the growing maquila (textile factory) industry. As a result, the average housewife is changing her preference towards ready-to-eat or easy preparation meals, similar to what occurred in the United States during the latter half of the last century.

U.S. foods, such as hot dogs and hamburgers, are preferred by the younger generation. Ramen-style soups have fulfilled a niche in the call center, construction and apparel sectors. These soups are a quick and inexpensive lunch for thousands of laborers who cannot afford to pay for a regular cafeteria meal.

Culturally speaking, Salvadorans have adopted much of U.S. culture such as music, sports, fashion, and fast foods.

C. Food Standards and Regulations

El Salvador does not have a specific food law that applies to imported foodstuffs. Instead, the Salvadoran Health Code is used to enforce food safety for all food products. The Ministry of Health (MH) is in charge of all registrations and authorizations to import, manufacture, and sell food and beverages, and materials used in the production process. Section 12, Article 88 of the Salvadoran Health Code relates to food imports, and states that in order to import any food or beverages their use must be authorized by a Certificate of Free Sale and Consumption issued by the competent health authority in the country of origin. Each certificate must include the name of the product and its components. In addition, Article 95 states that the Ministry of Health is in charge of product registration including imported food and beverages. Products of animal origin are regulated by the Livestock Division/Food Safety of Animal Products (DGG) of the Ministry of Agriculture (MAG). Other products such as fresh produce are regulated by the Plant Health Division of MAG.

The Government of El Salvador (GOES) has been unable to design a system of food safety and enforcement, mainly because of limited resources. However, local policy makers are beginning to react to criticism from consumers regarding food safety and quality control. The Ministry of Economy through the Consumer Protection Agency (DDC) is in charge of enforcing the Consumer Protection Law. The National Assembly has ratified an updated version of the Law that designates DDC as the sole entity in charge of safeguarding consumers from unsafe products.

Most food products are inspected for safety at the port of entry. However, the Ministry of Health carries out random testing at the retail and wholesale levels to make sure that foodstuffs comply with all required health and quality standards. Nevertheless, many products reach their final destinations without an inspection due to lack of human resources and appropriate infrastructure to control illegal distribution channels. This is most common in open air markets.

The trend in food safety in El Salvador is toward improved control and more efficient regulations, and the use of Codex Alimentarius norms. Meanwhile, Central American norms, and in some instances FDA norms are being used until Codex norms are fully revised and adopted.

1. Labeling Requirements

Based on the Central American Technical Regulation (RTCA) 67.01.07:10, the Ministry of Health requires the following labeling information for all products sold in El Salvador:

- 1) The label should express the nature of the product, composition, quality, origin and general processing method.
- 2) Name of the product: Must be the specific name.
- 3) Net Content: Must be expressed in decimal metric system units.
- 4) Ingredients: Must be listed with their proper names, in decreasing order, according to their importance in the composition of the product. It is not necessary to identify the percentage of each ingredient.
- 5) Additives: Must be mentioned by the group it belongs to (for example: antioxidant), followed by its

specific name and its concentration in the final product.

6) Lot identification and manufacturing date: in order to identify the lot, a code can be used, which must be provided and clarified to the Health authorities. To identify the manufacturing date, 6 digits must be used year, month, and day in YY/MM/DD format.

7) Storage instructions.

8) Manufacturer's name: The label must include the manufacturer, importer, dealer, distributor or legal representative of the product, and their respective addresses.

9) Sanitary Registry: The label must declare the number of Sanitary Registry (Reg. No. D.G.S. El Salvador), issued by the Environmental Health Department, Section of Food Safety of the Ministry of Health (DSA).

10) Country of Origin.

11) The product must contain the name and address of the supplier in El Salvador in the form of a sticker; this is usually provided by the supplier or distributor.

The Salvadoran Body for Technical Regulations (OSARTEC) is working on labeling regulations based on Codex. Currently, food products with U.S. labels can be seen throughout the distribution chain. However, the GOES is requiring that a sticker in Spanish that includes a list of ingredients, manufacturing method, and expiration date be used until the requirement of Spanish-English labels is fully implemented.

The Ministry of Health/Food Safety Division and the Ministry of Economy/Consumer Protection Agency enforce local labeling regulations. All products should be properly labeled prior to distribution for human consumption.

Sample-size product labeling requirements are identical to those listed above. However, local authorities are a bit lenient with this type of product due to the small quantities imported. Bulk packed or institutional size products are required to visibly display the contents and ingredients either in the container or package.

Nutritional labeling is not required by the Ministry of Health at this time. However, the U.S. nutrition label needs to be analyzed by the Nutrition Department of the Ministry of Health in order to be accepted. Some locally produced products at the retail level have nutrition facts in English to comply with U.S. regulations due to expectations of exporting to the U.S. market under the Central America – Dominican Republic - U.S. Free Trade Agreement (CAFTA-DR). Local health officials say that since most Salvadorans do not speak English, they could be basing their opinion on the picture that is used in the label by U.S. manufacturing companies and could therefore be misled.

The only requirement for shelf life of a product is the expiration and manufacturing date. The DGG requires a country of origin certificate for all products that are imported to El Salvador. The GOES does not grant any exceptions under the labeling law. However, in extreme cases, the Ministry of Health can analyze a product in order to guarantee consumer health and decide whether that particular product can be imported for human consumption.

Both Universal Product Code (UPC) and EAN bar codes are acceptable in El Salvador. Bar coding is rapidly becoming an important instrument in the food business. Currently all local supermarket chains require that products sold throughout their stores be coded.

When alcoholic beverages are imported, the label must read: "The excessive consumption of this product is harmful and creates addiction. Sales to consumers under the age of 18 are prohibited". This is based upon Article 26 of the Regulatory Law for the Provision and Commercialization of Alcohol and Beverages. In the case of tequila, the following is also required: area of production, alcohol grade and manufacturing process.

Packaging and Container Regulations:

There are no special packaging or container size requirements at this time. However, due to purchasing power constraints, consumers prefer smaller size packages at the retail level. This is especially true at the open market and mom and pop stores. Wholesale outlets offer foodservice size packaging.

Food Additives Regulations:

The list of food additives allowed by the Ministry of Health is based on the additive lists of the Central American Institution for Industrial Research and Technology (ICAITI), the Codex Alimentarius norms and in certain occasions those of the FDA.

2. Product Registration

Registration of a product, once granted, is valid for five years. The Ministry of Health is working on the development of an online import permit mechanism that will be linked to Customs to expedite food import procedures.

Certificates of free sale are required for imported products. A certificate of free sale, ideally, is a certificate from an official public health agency stating that the product to be imported meets all health and sanitary requirements of that agency and it is freely sold and consumed in the country of origin. The certificate can include more than one product and is valid for one year. The certificate must be in Spanish or be accompanied by a copy of an official translation that can be provided by the importer. For U.S. products, the Ministry of Health will accept the Certificate of Free Sale issued by an official U.S. government institution, including local and state government agencies. In addition, FAS/USDA has negotiated with the Ministry of Health the acceptance of the Food Safety Inspection Service (FSIS) 9060-5 certificate for meat and meat products in lieu of the Certificate of Free Sale. However, the Ministry of Agriculture (MAG) is also requiring an original FSIS 9060-5 certificate for U.S. meat and meat products. FAS/USDA is currently in discussions with MAG to accept a notarized copy of the original and allow importers to continue with the import process at the Ministry of Health.

Food groups such as baby food, diet foods, and health foods undergo the same required regulations as other food products. In the case of meat, sanitary regulations are required. These regulations are enforced by DGG through the Law for Sanitary Inspection of Meat (Executive Decree # 39, 07/13/71). Meat and meat products can be imported from any country whose meat inspection system is equivalent to the one established and maintained in El Salvador. Each shipment that contains meat and meat products from a foreign country must include an official certificate of meat inspection from the country of origin in Spanish.

In addition, to obtain the import permit, meat-processing plants must be inspected and certified by a DGG inspector and the importer must present a lab analysis for pesticide residue and heavy metals.

Under the CAFTA-DR agreement, El Salvador granted equivalence to the U.S. inspection system for beef, pork, poultry and dairy products and no longer requires plant-by-plant inspections.

FAS/San Salvador and APHIS negotiated with the Ministry of Agriculture a new protocol for pet foods that reflects the current U.S. status as negligible risk country for these products granted by the World Animal Health Organization (OIE). Beef import regulations, including bone-in beef, are in line with OIE specifications for U.S. negligible risk status. Dairy products also must contain a microbiological lab analysis. In addition, equivalence for U.S. table eggs is under negotiation with the Ministry of Agriculture to avoid plant by plant inspections. There are no special packaging or container size requirements in El Salvador.

In the past, while all of the above requirements were official government policy, few were actually enforced. Most products were not registered. Importers were able to import most processed products with a notarized letter from the manufacturer stating the product is fit for human consumption. However, the Ministry of Health is now enforcing the product registration requirement and does not allow any imported food product into the country without registration. Product registration at the Ministry of Health costs US\$35.00 per product plus the microbiological analysis cost that ranges from US\$50 to US\$100 per product. The local postal system is not used to send product samples to El Salvador.

According to the Health Authorities in El Salvador, the following information is required for an exporter to register a product.

- An application must be filed at the Environmental Health Department of the Ministry of Public Health and Social Assistance, which shall include the following information:
 1. Petitioner's name and address.
 2. Description of the product.
 3. Name, address and telephone number of the establishment or factory where the product is manufactured.
 4. Product use.
 5. Name, address and telephone of the supplier in El Salvador.
 6. Type of packaging material.
 7. Net content.
 8. Commercial brand name.

This application must be filed with the following documents:

- Power of attorney granted in favor of the Salvadoran attorney or the company representative in the country, duly notarized at the nearest Consulate of El Salvador in the United States or by Apostille.
- An original Certificate of Free Sale issued by the official Health Authorities of the country of origin, and Apostille. If the Certificate is in English it must be translated to Spanish duly notarized by a Salvadoran lawyer. In case the Certificate is used for a list of various products, the original will be attached to one of the product files and the others will use a photocopy. Functioning license of the local warehouse where the product will be stored. Usually the

local distributor obtains this license.

- Label of the product, which shall specify the name of the product, list of ingredients, name of manufacturer, importer and/or distributor and the expiration date. In case it is necessary usage instructions are required. If the same product is commercialized in various sizes, a label for each presentation is required.
- Product samples: the Environmental Health Department requires for solid products 3 samples of the product weighing 200 grams each. For liquid products, 3 samples of the product weighing 200 milliliters. For alcoholic beverages, 2 samples of 200 milliliters each must be presented. For bottled water, 3.785 liters (one gallon) for the physical-chemical analysis and 1 sample of 500 milliliters for the microbiological analysis.

3. Import and Inspection Procedure

Usually when clearing a product through Customs, a Customs inspector, a Customs police officer, and a Ministry of Health inspector are involved in the process. English is the commercial language used for import documents. On average, it takes approximately three to five days to clear a product through customs. Most importers use a customs agent to expedite the clearing procedures. At this time, there is no appeals system in place for disputed product rejections.

The steps in custom clearance for a prepackaged foodstuff are:

- Request Import Permit from DGG.
- Once the import permit has been granted by DGG, the importer must take the sanitary registration, packing list, bill of lading, insurance policy, airway bill, shipping information and product invoices to the Revenue Department at the Ministry of Finance to get the policy for payment of import tariff.
- The import policy has to be cleared by Customs, Customs police and the Regional Organization for Agricultural Sanitation (OIRSA-Organismo Internacional Regional de Sanidad Agropecuaria).
- Customs police conducts a product inspection.
- Once product has been cleared by Customs Police it can be withdrawn by the importer.

MAG has an online system to process import permits for dairy, meat and fresh produce called Agricultural Food Safety Information System (SISA in Spanish). Importers have access to this system with an authorized PIN and no longer have to visit MAG offices to request import permits. According to MAG, this new procedure is part of a GOES process to expedite import as well as export procedures. These procedures are due to increased trade as a result of El Salvador's continued negotiations of free trade agreements. This system can be accessed at MAG's website www.mag.gob.sv.

The Ministry of Health also has an online system to request import permits for food products. This system can be accessed at the following website:

<http://usam.salud.gob.sv/index.php/servicios/en-linea/guia-de-servicios-gaisa>

Information of costs for different services such as import permits and product registrations can also be found at this website.

To continue with trade modernization, on April 2011 the GOES created a one stop mechanism called "CIEX" (Import/Export Process Center) located at the Central Bank. This new single window mechanism is expected to expedite the import/export procedure. To be able to use the mechanism, the

first step is for the importer to register at the Imports System (SIMP in Spanish) at www.ciexelsalvador.com and step two is for the importer to make a monetary deposit at the CIEX window located in the Salvadoran Central Bank, that will be deducted every time there is an import authorization approved for each import made. Authorization time at the CIEX window is approximately 30 minutes.

U.S. exporters must always take into account that a tariff-rate quota (TRQ) system still applies to various commodities, with a 5 to 20 year phase-out period under CAFTA-DR. If you wish to look out for a particular product, you can visit: <http://apps.fas.usda.gov/agtariiftracker/Home/Search>.

For additional information please refer to the FAIRS Narrative and Certification Reports below:

[Food and Agricultural Import Regulations and Standards- Narrative-El Salvador 2015](#)

[Food and Agricultural Import Regulations and Standards- Certification-El Salvador 2015](#)

D. Opportunities and Challenges after the Implementation of CAFTA-DR

PRODUCT	CHALLENGE	OPPORTUNITY
WHEAT - Bulk Wheat – DNS, SRW and HRW varieties	Although most of the wheat processed by Salvadoran mills comes from the United States, in 2015 some imports came from Nicaragua and France. In 2015, U.S. wheat exports reached 266,642 MT, a 3% increase from	Bakery consumption continues to increase, mainly due to the availability of fresh bakery centers in major supermarket chains. Growth in business convention tourism is also helping boost consumption of bakery products at

	2014.	hotels Bakery manufacturers are very optimistic about free trade and believe CAFTA-DR is providing growth opportunities. Local bakery products exported to the U.S. are growing due to the high demand of these products by the Salvadoran community residing in the U.S.
RICE - Rough rice - Milled parboiled rice	El Salvador is not self-sufficient in rice production and needs to import from other countries to meet demand. Current local demand is estimated at approximately 107,500 MT of rough rice, of which 30 percent is covered by local production. Typically, El Salvador imports rough rice to keep rice mills operating throughout the year. However, small quantities of imported milled rice have recently reached local supermarket chains to meet upscale consumer demand. El Salvador has officially abolished the use of a price-band mechanism to assess import duties for basic grains. CAFTA-DR established tariff rate quotas (TRQs) for rice.	Rice production is decreasing quickly, not only in El Salvador but also in the rest of the region. Under CAFTA-DR, tariffs will be eliminated and TRQs established as follows: 18-year duty phase-out, initial TRQ of 61,000 metric tons (MT) for rough rice, growing by 2% per year and an initial TRQ of 5,250 MT for milled rice, growing by 375 MT per year for the first five years, 1,000 MT increase in year 6, and an annual 320 MT increase thereafter.

<p>CORN</p>	<p>Since the 1960's, El Salvador has been an important market for U.S. corn, for its poultry and animal feed industries as well as for the snack processing industry. However, import data for calendar year 2015 show Brazil and Mexico with export market shares of corn to El Salvador rising to 7 percent and 4 percent respectively, up from virtually zero market by each country in 2014. Albeit a small change, U.S. suppliers cannot take El Salvador's corn import market for granted.</p>	<p>The food-processing sector in El Salvador is not as developed as it is in Guatemala or Costa Rica. However, snack food production is at the top of the list in this sector. Yellow corn is a main ingredient in the snack manufacturing process. The DIANA and Bocadeli snack brands produced in El Salvador offer respectable quality for the price, and have roughly 75 percent of the market. In addition, DIANA is the largest snack producer in Central America and is already exporting certain products to ethnic markets in the United States.</p> <p>The poultry and dairy sectors are also major users of yellow corn for feed mix. CAFTA-DR provides for a yellow corn tariff rate quota (TRQ) of 350,000 metric tons (MT) with a 5% growth per year with a 15-year duty phase-out. A fixed part of the TRQ will be subject to a performance requirement, which will be eliminated in 15 years. White corn was also granted a TRQ of 35,000 MT under CAFTA-DR. There is a growing market for white corn flour to make tortillas.</p>
<p>SOYBEAN MEAL</p>		<p>El Salvador imports 100% of its soybean meal. The poultry, swine and livestock sectors use the product as feed. Commercial trade is growing quickly due to the high demand for poultry products.</p> <p>Dairy production is increasing due to government incentives and sanitary regulations that provide protection against contraband cheese from Nicaragua and Honduras. Soybean meal is an important ingredient used in cattle feed mix. CAFTA-DR provides immediate access for soybean meal. In 2015, soybean meal imports reached a record 180,532 MT worth US\$79,358</p>

		million. El Salvador's poultry industry is the most developed in the region and is quickly increasing production to supply demand by other Central American neighbors, particularly Honduras.
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Source: Global Trade Atlas, FAS Agricultural Tariff Tracker.

III. MARKET SECTOR STRUCTURE AND TRENDS

A. Retail

The market expectations for the retail sector remain positive, as it continues to be a key area of the Salvadoran economy, fueled by growing employment, increasing purchasing power, mainly fueled by remittances, and a steady expansion of consumer credit.

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 97 stores, and with its slogan “The Salvadorans’ supermarket” (“El Super de los Salvadoreños”) is a strong competitor for 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; therefore they get lower prices which can be transferred to the consumer. 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 all 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, there are 91 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.

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's presence became stronger, 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 imports available to consumers that were familiar with them via firsthand migration or by proxy through family members in the United States.

Supermarket Profile:

Supermarkets in El Salvador are reticent 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	83	F	U.S. Broker/Importers/Direct
	Selectos Market 2/	14	B	U.S. Broker/Importers/Direct
Walmart Mexico y Centroamerica	Walmart Supercenter	4	F	U.S. Broker/Importers/Direct
	Despensa de Don Juan	18	E	U.S. Broker/Importers/Direct
	Despensa Familiar 1/	61	F	U.S. Broker/Importers/Direct
	Maxi Despensa	8	C	U.S. Broker/Importers/Direct
Price Smart	Price Smart	2	F	U.S. Broker/Importers/Direct
TOTAL		190		

1/ Smaller popular area stores
2/ Convenience store

B. HRI Food Service

The GOES views foreign investment as crucial for economic growth and development and has taken

numerous steps in recent years to improve the investment climate. U.S. food franchises have increased their presence in El Salvador rapidly during the last eight years, including McDonalds, Burger King, Wendy's, Pizza Hut, Kentucky Fried Chicken, Bennigan's, Tony Roma's, Chili's, Asia Grill, China Wok, T.G.I. Fridays, Starbucks, Papa John's, Taco Bell, Domino's Pizza and Red Mango. Grupo Piramide is a Salvadoran franchising operator that also manages U.S. franchises in Guatemala and Panama. In 2012, they opened the first outlets of Ruth Chris Steakhouse. In 2014, Ruby Tuesday's, Longhorn Steak House, and Cold Stone Creamery were inaugurated.

There has also been a boom in coffee shops/restaurants over the last five years. With some capital injection, small, independent, family-owned coffee shops are being converted into nice little restaurants. Salvadorans usually get together at these restaurants for breakfast in the morning and/or for informal meetings and socializing after work. The boom in this sector brings more demand for bakery products, dairy products, and more sophisticated drinks such as cocktails, smoothies, milk shakes, fresh fruits and fruit juices. Salvadoran-owned franchise The Coffee Cup and U.S. chain Starbucks are major players in this sector.

The hotel sector is seeing important investments that include new business players that are purchasing existing hotels, such as Spanish chain Barcelo that acquired the Hilton Princess, and others that are building brand new hotels, aiming mainly to the business/convention tourism. In this regards, construction work for 2 new hotels, a Fairfield by Marriott and a Hyatt are at an advanced stage and they are scheduled to open during the first quarter and second half of 2017 respectively. There are other construction projects with the concept of hotel/corporate offices/shopping mall complex, which are expected to be fully completed by 2018, although partial opening could occur sooner. Small hotels nationwide are increasing along with a more diversified gastronomic offer targeting tourism during the weekends.

As per official data from the Ministry of Tourism, the daily expense average per tourist has increased 7.7%, going from \$109.90 in 2015 to \$118.40 in 2016. This trend is an important indicator as it shows an increasing demand for high quality food products where U.S. brands are often top of mind for consumers.

C. Food Processing

The food processing industry is relatively small compared to Guatemala and Costa Rica.

- Snack food production is at the top of the list in this sector.
- The DIANA brand offers respectable quality for the price, and has roughly 80 percent of the local market and 24 percent of the Central American market. Currently with a 70 products portfolio, DIANA is already exporting to ethnic markets in the United States and in the last two years has seen the need to innovate some of its products to satisfy new consumer demands, especially those looking for more spicy and intense flavors.
- Other local snack producers are Bocadeli and Ideal. These companies are working hard to increase market share and offer a wide variety of snacks.
- U.S. suppliers can take advantage of the need for ingredients from these snacks producers.
- There are also some joint venture investments in food processing by U.S. companies such as Del Monte, Clamato and Badia Spices who produce locally for the Central America region.
- CAFTA-DR has also attracted foreign investment to El Salvador including companies such as

Calvo tuna processor from Spain.

- Sigma Alimentos, a large Mexican meat and deli company, has invested in a pork processing plant to cover local demand and export to other Central American countries.
- 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 meat by this sector have grown tremendously over the last five years, due to the fact that the Salvadoran population is a large consumer of cold cuts/ sausage products.
- Walmart Centro America has invested in a meat processing plant to supply its stores nationwide.
- Another significant sector is the dairy industry. Dairy processors in the market offer a wide variety of products which include cheese, yogurt, and sour cream. The dairy industry also has an association called ASILECHE (Salvadoran Association of Milk Producers and Industrial Processors). This sector is already exporting dairy products to the United States. The Dairy sector is also a very interesting market for U.S. ingredient suppliers as the industry is looking to innovate and add new products, mainly for the specialty cheeses/yogurt categories, to diversify their portfolio and meet consumer demands.
- The bakery industry is the last component of the food processing sector. Bakery consumption has increased tremendously, mainly due to the availability of fresh bakery centers in all major supermarket chains, convention events and coffee shops demand.

IV. BEST CONSUMER ORIENTED PRODUCTS

Top 10 Best Consumer Oriented Prospect Imports from the United States

Category	Calendar Years (In Millions of U.S. dollars)		
	2014	2015	% Change 2014/2015
Food Preparations	39.209	44.062	12.38%
Processed/Prepared Dairy Products	11.595	12.503	7.83%
Processed Vegetables & Pulses	10.388	11.321	8.98%
Non-Alcoholic Beverages	7.086	9.608	35.59%
Fats and Oils	7.641	8.509	11.36%
Condiments and Sauces	7.880	8.308	5.43%
Snack Foods	5.054	5.843	15.61%
Spices	1.048	1.641	56.58%
Processed Fruit	1.020	1.257	23.24%
Pasta & Processed Cereals	0.961	1.102	14.67%

Source: USDA/FAS BICO REPORT

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