

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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El Salvador

Food Processing Ingredients

El Salvador 2018 Food Processing Ingredients

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Report Highlights:

El Salvador is the regional leader in the production and export of snacks, juices and carbonated beverages. There are about 10,800 processing facilities, and the food and beverage-manufacturing sector plays a key role in the Salvadoran economy, contributing over 6 percent to GDP. El Salvador stands in a good position to increase growth in this sector because of better transportation infrastructure than neighboring countries, and available land for construction of production and distribution centers. Growing market segments include meats, dairy, condiments, and sauces.

Market Fact Sheet: El Salvador

Executive Summary

El Salvador is the smallest country in Central America with persistent low economic growth (1.9% average 2010- 2016). El Salvador’s gross domestic product (GDP) was \$56.9 billion in 2017.

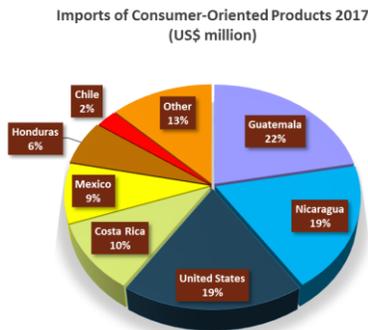
Its main trading partner is the United States with 31.4% of imports coming from the United States and 43.6% of exports.

The food and beverage-manufacturing sector plays a key role in the Salvadoran economy, contributing over 6 percent to GDP .and comprising 26 percent of the manufacturing sector.

Salvadoran consumers are in constant demand for new food products. Although consumers looking for innovation are also very sensitive to price. In 2017, imports of agricultural products reached \$1.9 billion.

Imports of Consumer-Oriented Products

In 2017, the United States was the third largest supplier of consumer-oriented products to El Salvador with exports valued at US\$205 million.



Source: Global Trade Atlas

Food Processing Industry

El Salvador’s food industry is less developed than its neighbors are. However, it is currently the regional leader in the production and export of snacks, juices and carbonated beverages. El Salvador stands in a good position to increase growth in this sector because of better transportation infrastructure than neighboring countries and available land for construction of production and distribution centers. The leading snack company is Diana and the leading beverage company is Livsmart. Tuna processing increased 15 percent in 2017 and the leading company in this area is Spanish company Calvo.

SECTION I: MARKET SUMMARY

Other growth categories are flours, baked products (mainly traditional pastries that are exported for immigrant communities abroad (the nostalgic market) and confectionery products.

Salvadoran food manufacturers rely on imports of ingredients because of a lack of availability or local production that does not meet demand. In 2017, food ingredients imports reached \$715.5 million, a four percent increase from 2016. Beef and dairy products were the top imports at \$447 million and representing 62 percent of total food imports.

Food Retail Industry

There are two leading supermarket chains in El Salvador: Super Selectos and Walmart Mexico y Centroamerica. Most consumers prefer to shop at supermarkets because of the perception that they are cleaner, safer and with better prices than other retail outlets, such as the open-air markets.

Quick Facts CY 2017

Imports of Consumer-Oriented Products : \$1.1 billion

List of Top Growth Ingredients Imports

- | | |
|------------------------------|------------------|
| 1) Meat: beef and pork | 6) Confectionery |
| 2) Dairy | 7) Soups |
| 3) Wheat flour/baking inputs | 8) Pasta |
| 4) Snacks | 9) Jellies |
| 5) Sauces | |

Source: Industrial Exporters Ranking 2018- Salvadoran Industrials Association

Top Trends- Consumer Oriented Products:

Organic, healthy, less artificial flavors and reduced sugar options, gluten and dairy free, energy boosters, specialty-gourmet dairy products.

Food Industry Gross Sales (US \$Million) 2017

Food/Beverage Industry Exports: \$416 million- (Ministry of Economy, March 2018 data)

Leading Retailers: Super Selectos and Walmart Mexico y Centroamerica.

GDP/Population

Population (millions): 6.5 million
 GDP (billions USD): \$56.9
 GDP per capita (USD): \$8,900

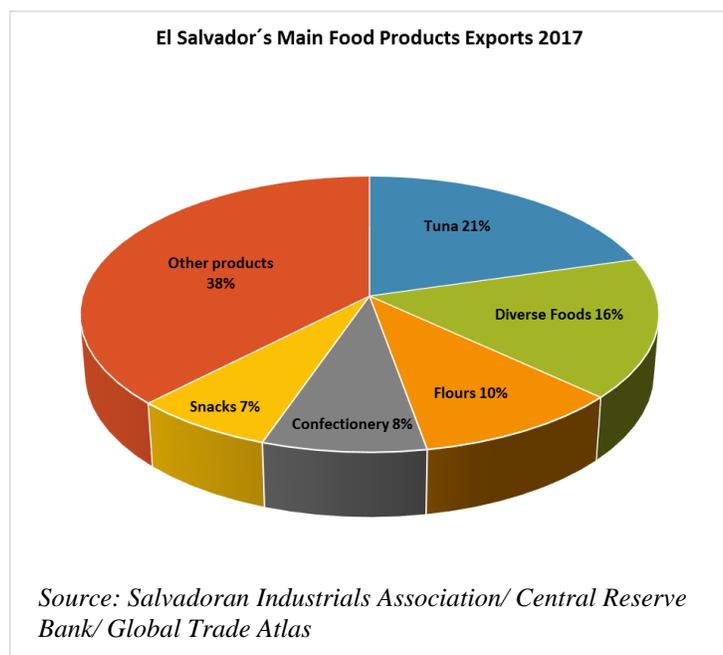
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Over 10,800 processing facilities, and the food and beverage-manufacturing sector plays a key role in the Salvadoran economy, contributing over 6 percent to GDP and 26.19% to the manufacturing sector. The food and beverage industry provides almost 34,000 direct jobs, representing 18 percent of manufacturing employment.

El Salvador is a major importer of agricultural products, including food ingredients and a wide variety of consumer-oriented products. In 2017, total imports of food ingredients were \$715.5 million, an increase of four percent from 2016. Beef and dairy products were the top imports at \$447 million and representing 63 percent of total food imports. In 2017, imports of agricultural products reached \$1.9 billion, and consumer-oriented products made up \$1.1 billion of that total.

El Salvador is currently the regional leader in the production and exporting of snacks, juices and carbonated beverages as reported in the Industrial Ranking Report 2018 prepared by the Salvadoran Industrials Association. El Salvador stands in a good position to increase growth in this sector because of better transportation infrastructure than neighboring countries and available land for construction of production and distribution centers. The leading snack company is Diana and the leading beverage company is Livsmart. Tuna processing increased 15 percent in 2017 and the leading company in this area is Spanish company Calvo.



El Salvador Top 5 Export Markets Processed Food Products 2017:

1. Guatemala	35%
2. United States	19%
3. Honduras	17%
4. Nicaragua	10%
5. Panama	5%

Market Trends:

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

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

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

SECTION II- ROAD MAP FOR MARKET ENTRY

Entry Strategy

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

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

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

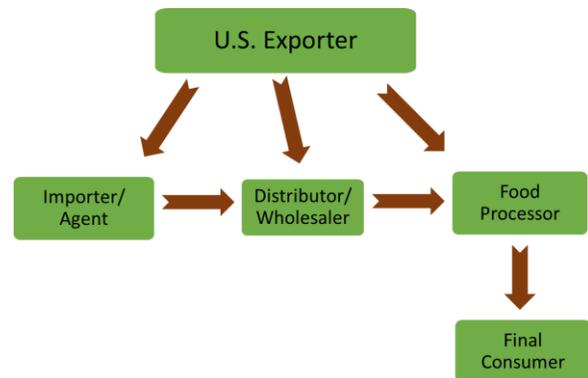
Import Procedure

For a detailed outline of import procedures, please refer to the latest [El Salvador's FAIRS Country Report](#).

Market Structure

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

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



Sector Trends

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

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

Meat processors are using more U.S. pork to produce deli meats and sausages. They are also offering

seasoned and plain pork cuts at many supermarkets.

Imports of U.S. pork and pork products reached \$13.9 million in 2017, a 25 percent increase from 2016.

Craft beer is growing in El Salvador. There are three major breweries leading this trend: Cadejo Brewery, Premio and Santo Coraje.

Ready-to-eat or ready-to-cook meals are in growing in demand, so food manufacturers are focusing on creating a portfolio with these products, which also involves importing ingredients, flavors or sauces not available in the local market.

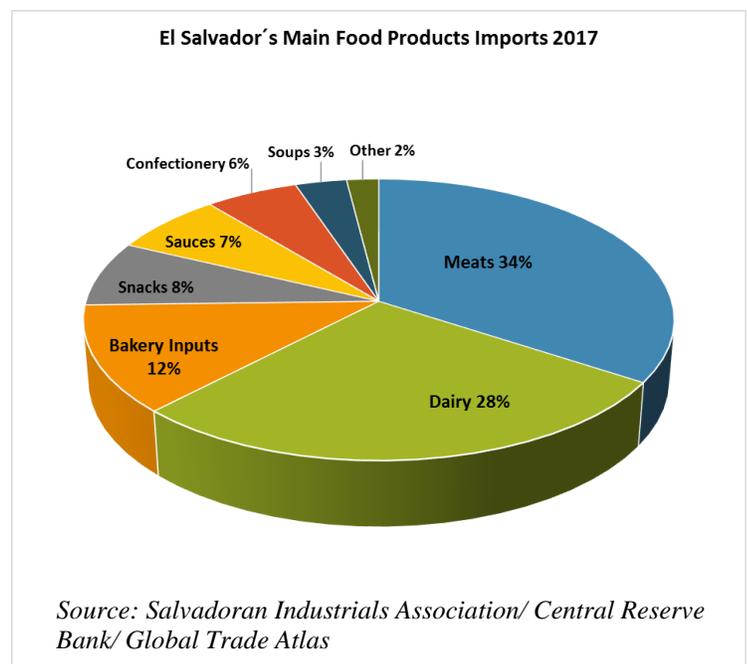
Ramen-style soups have fulfilled a niche for many workers. These soups are a quick and inexpensive lunch for thousands of laborers who cannot afford to pay for a regular cafeteria meal.

III. Competition

In 2017, El Salvador’s total food imports reached a US\$715.5 million, an increase of 3.8 percent from 2016.

As the adjacent chart shows, in 2017 over 34 percent of food imports were meats, mainly beef, either refrigerated or frozen. Dairy is the second largest food product/ingredient imported with powder milk increasing its share within the category, representing a market of \$20 million.

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



El Salvador Intermediate Agricultural Products Imports from the World		
Partner Country	Value in Thousands of U.S. Dollars	
	2016	2017
World	366,459,691	368,998,059
United States	126,006,590	123,496,926
Guatemala	94,233,869	100,317,486
Honduras	67,446,946	65,197,005
Mexico	21,117,546	21,488,086
Costa Rica	6,391,356	7,399,468
Spain	5,434,233	6,699,080
Brazil	2,780,760	4,576,019
Nicaragua	5,592,266	4,527,683
Canada	5,789,228	4,096,413
Switzerland	5,319,436	3,880,036
Other	26,347,462	27,319,855

In 2017, the United States was the #1 supplier for Intermediate (semi-processed) Agricultural products to El Salvador with a market share of 33% followed by Guatemala with 27%

Source: Global Trade Atlas

Table 2. Competitive Situation for key Intermediate Agricultural Exports to El Salvador- 2017 Data

Product Category	Major supply sources (share in value %)	Strengths of competitor supplier countries
Beef and beef products Total import value: U.S.\$106 million	1) Nicaragua 76% 2) U.S. 10% 3) Guatemala 7%	Pricing and low shipping costs due to proximity.
Dairy Total import value: U.S.\$206 million	1) Nicaragua 52%, 2) Costa Rica 9%, 3) Honduras 8% 4) U.S. 6%	Pricing and availability of cheese to make “pupusas” according to consumer taste preference.
Condiments and Sauces Total import value: U.S.\$51 million	1) Costa Rica 36%, 2) U.S. 28% 3) Guatemala 21%	Costa Rican and Guatemalan manufacturers are very familiar with Salvadoran consumers’ preferences and develop products in accordance. Low prices and local distribution availability.
Milling Industry Products; Malt; Starches; Inulin; Wheat Gluten Total import value: U.S.\$33 million	1) Honduras 32% 2) Guatemala 28% 3) Switzerland 10% 7) U.S. 2%	Pricing and distribution availability.
Fruit and vegetable juices Total import value: U.S.\$ 26 million	1) Guatemala 56% 2) Honduras 17% 3) Mexico 9% 6) U.S. 4%	Good quality and large offering of tropical fruits flavors at low prices.

Source: Global Trade Atlas

SECTION IV- BEST PRODUCT PROSPECTS

Products present in the market, which have Good Sales Potential:

As shown in Table 2 there is still potential for many U.S. ingredients to increase market share in El Salvador, specifically baking inputs, dairy, fruit and vegetable juices, and beef.

Products Not Present in Market but which have Good Sales Potential:

Specialty fresh fruit such as kiwi and the large size varieties of strawberries for the baking industry. Another trend is for healthy-reduced sugar foods and beverages, so there is potential growth for natural sweeteners, assorted flavor juices and fruit extracts.

Products not present because they face Significant Barriers:

Fresh fish and sub products as current regulations from Ministry of Agriculture require plant-by-plant inspection.

SECTION V- POST CONTACTS AND FURTHER INFORMATION

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