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## **El Salvador**

### **Retail Foods**

#### **Annual Report 2018**

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**Report Highlights:**

The Salvadoran retail sector is growing, and increasingly offering innovative and affordable products for consumers. However, challenges and delays in registering processed products has a negative effect on the amount of different products that are imported. In 2017, El Salvador imported \$160 million of U.S. consumer-oriented food, a decrease of six percent from 2016. Super Selectos continues to be the largest supermarket chain with 99 stores across the country. Best performing categories in 2017 for U.S. consumer-oriented imports to El Salvador were pork/pork products, dairy, snack foods, processed vegetables and condiments/sauces.

**Post:** San Salvador

# Market Fact Sheet: El Salvador

## Executive Summary

El Salvador continues a pattern of persistent low economic growth (1.9% average 2010- 2016). However, as local production of foods has decreased, El Salvador strongly relies on imports. A recent study from the Salvadoran Government reported that about 93% of vegetables are imported, as well as 66% of basic grains, 55% of fresh fruits and 46% of meats.

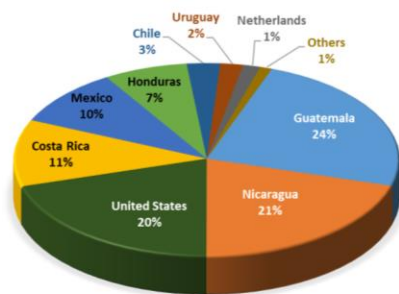
Salvadorans spend about 50% of their income on food. A recent study by the Ministry of Economy shows that Salvadorans are increasing their spending for out-of-home meals, mainly because people are spending more time away from home. Monthly expenditures for lunch average \$48 and \$36 for dinner. These numbers are high considering that monthly income is \$544 and the cost of basic food basket is \$185 for a family of four members.

In 2017, imports of agricultural products reached \$1.9 billion. The main trading partner is the United States with 40% of imports and 45% of exports.

## 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.

EL SALVADOR-CONSUMER ORIENTED AGRICULTURAL IMPORTS 2017 (US\$ MILLION)



Source: Global Trade Atlas

## Food Processing Industry

El Salvador's food industry is less developed than in neighboring countries. However, it is currently the regional leader in the production and export of snacks, juices and carbonated beverages. Salvadoran food manufacturers rely on imports of ingredients. In 2017, food ingredients imports reached \$715.5 million, a four percent increase from 2016.

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

### Quick Facts CY 2017

**Imports of Consumer-Oriented Products from the U.S.:** \$205 million

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

- |                   |                               |
|-------------------|-------------------------------|
| 1) Corn           | 6) Pork & pork products       |
| 2) Soybean meal   | 7) Processed vegetables       |
| 3) Prepared food  | 8) Chocolate & cocoa products |
| 4) Rice           | 9) Condiments & sauces        |
| 5) Dairy products | 10) Beef & beef products      |

#### Trade

El Salvador Ag. exports to the world: \$1.1 billion  
 El Salvador Ag. imports from the world: \$1.9 billion  
 El Salvador Ag. imports from the U.S.: \$578 million  
 El Salvador Ag/ imports to the U.S.: \$200 million

#### GDP/Population

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

Source: Global Trade Atlas, CIA-The World Fact Book

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

## SECTION I: MARKET SUMMARY

El Salvador continues to suffer persistent low levels of growth. According to the World Bank, economic growth between 2010 and 2016 averaged 1.9 percent, the slowest in Central America. However, there are potential business opportunities or development areas that would lead to higher demand for U.S. food products, such as the tourism industry. In 2017, over 2 million visitors generated around \$1.2 billion. Tourism creates greater demand for imported food products and provides excellent opportunities for U.S. food and beverage exporters.

Due to increased internet access and consumers' time constraints, ordering products online for pickup or delivery is a growing trend. In El Salvador, Super Selectos, the largest supermarket chain, and smart phone apps such as HUGO are offering delivery services. The average online shopper is usually a higher income consumer. Another way that consumers are using the online grocery delivery services is in place of remittances. Rather than sending money home from overseas, some Salvadorans are sending food delivered through these local apps. This new channel also offers an opportunity to launch new products, special promotions and/or rewarding clients to increase brand loyalty.

### Supermarket Profile:

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

Owner Group	Supermarkets, Hypermarkets and Club Outlets	Current Stores	Estimated annual sales
Calleja, S.A. de C.V.	Super Selectos	99	B
Walmart Mexico y Centroamerica	Walmart Supercenter	5	B
	Despensa de Don Juan	17	A
	Despensa Familiar 1/	63	A
	Maxi Despensa	12	B
Price Smart	Price Smart	2	B
<b>TOTAL</b>		<b>198</b>	

- A: \$100- \$150 million
- B: More than \$150 million

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

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

Advantages	Challenges
Major retailers have expanded the number of stores and floor space during the last few years. The trend is to continue this expansion.	The market is highly price-sensitive, and oftentimes, lower quality products are more competitive due to pricing.
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. This usually requires higher investment in marketing for in-store promotions to promote U.S. brands.
A more educated, bilingual (English/Spanish), and younger population is looking for American products/brands/franchises in order to achieve a more “American” lifestyle due to ties with relatives living in the United States.	A lack of consistency and transparency in import and customs procedures.
The hotel and restaurant sector is growing and they are dynamic sectors for U.S. exports. Specifically, business conventions are increasing, and foreign business travelers look for familiar imported foods.	Overall, the Salvadoran economy remains very susceptible to the world economy and outside events that can disrupt tourism and investment.
As El Salvador becomes a more service-based economy, increasing numbers of office workers make for potential consumers for high quality U.S. food products.	Security is a major concern in El Salvador and increases costs of distribution.

## SECTION II. ROAD MAP FOR MARKET ENTRY

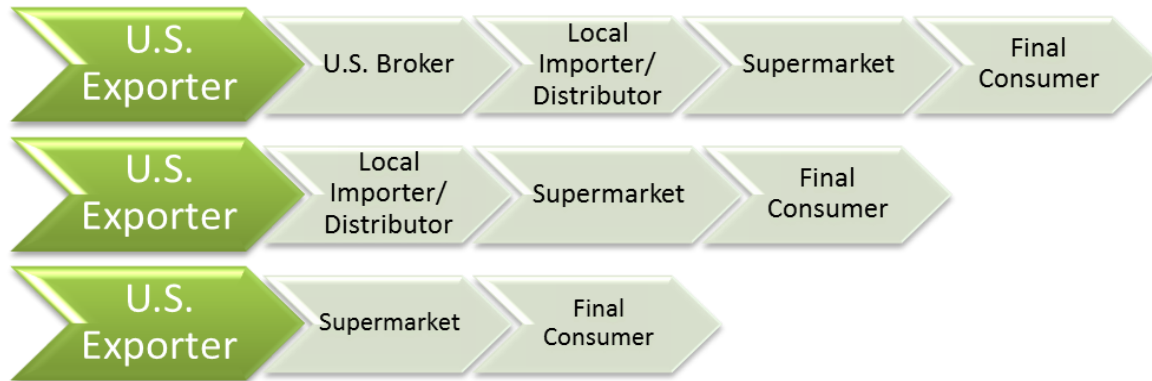
### Retail Sector

Retail outlets are the preferred venue for food items for consumers.

Hypermarkets/supermarkets and convenience stores coexist with the traditional small grocery stores (mom-and-pop) and open-air markets.

There are two dominant supermarket chains in El Salvador: Super Selectos and Walmart Mexico y Centroamerica.

## Market Structure



As shown above, there are at least three ways to reach the Salvadoran consumer. Supermarkets, for instance, may use the three import methods to ensure better prices for their clients. In the case of most importers, they usually prefer to deal directly with manufacturers so they can offer prices that are more competitive. Transportation costs are key, therefore preferred method of shipping is from Miami to Guatemalan ports mainly, although some may come through Panama, and then using ground transportation to El Salvador. Due to an increase in corporate social responsibility programs, local sourcing of mainly fresh produce and other perishable products is growing, and supermarkets have different programs to assist farmers to deliver high quality products.

## Company Profiles

**Super Selectos** is the largest supermarket chain in El Salvador, currently with 99 stores and plans to open new stores throughout the country. Recently, Super Selectos started a large revamping project at many of its stores. It included renewing the logo, installing energy-efficient technologies, and creating more spacious aisles. Super Selectos online store is among its priorities, as they would like to motivate local customers to use it more.

<https://www.superselectos.com>

**Walmart Mexico y Centroamerica** is the largest retailer in the region with over 600 stores. In El Salvador, it has 97 stores under different formats: Walmart Super Centers (5), Despensa de Don Juan (17), Maxi Despensa (12) and Despensa Familiar (63). Their main competitive advantage is their large and diverse offering in non-food products such as apparel, electronics and housewares at affordable prices, functioning as a “one-stop shop” for busy people.

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

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

In addition, there are other players in the foods retail sector such as open-air markets, corner-stores and convenience stores at gas stations.

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

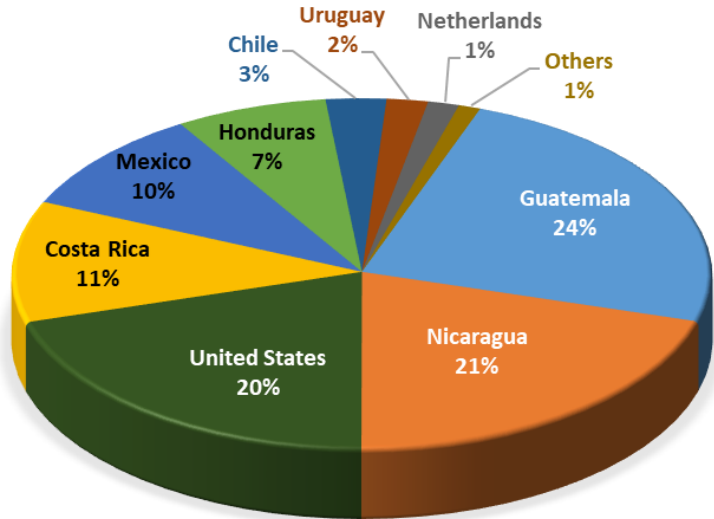
Open-air or wet markets have been traditionally the most popular places to find fresher and less expensive grocery items like fruits, vegetables, red meat, poultry, eggs, pork, and fish. However, since security has become an important issue when determining where to make food purchases, people with higher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

The number of small “mom and pop” or corner stores is estimated to be around 70,000 across the country, but this is difficult to quantify due to the informal nature in which these stores operate. Lower-income consumers are their main customers and small packages are preferred.

**III. COMPETITION**

El Salvador is a signatory to 10 free trade agreements. The Central American countries, Mexico, and Chile are the main trade competitors for the United States in regards to consumer-oriented products. Although the Salvadoran food industry is less developed than in other Central American countries, it is currently the regional leader in the production and export of snacks, juices and carbonated beverages. Salvadoran food manufacturers rely on imports of ingredients.

**EL SALVADOR-CONSUMER ORIENTED AGRICULTURAL IMPORTS 2017  
(US\$ MILLION)**



Source: Global Trade Atlas

#### IV. BEST PRODUCT PROSPECTS

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

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

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

Categories of interest are:

- Organic foods and beverages
- Dairy substitutes: 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.
- Whole wheat 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 and ready to serve platters.

<b>El Salvador Top 5 Consumer oriented imports from main U.S. competitors 2017</b>				
<b>Product Category</b>	<b>Ranking</b>	<b>Country</b>	<b>US\$</b>	<b>%</b>
Food preparation & misc. beverages	1	Guatemala	\$ 57,671,324.00	23%
	2	Costa Rica	\$ 47,884,694.00	19%
	3	Mexico	\$ 25,015,246.00	10%
Dairy Products	1	Nicaragua	\$ 106,565,721.00	52%
	2	Costa Rica	\$ 18,185,485.00	9%
	3	Honduras	\$ 17,462,889.00	9%
Pork & Pork products	1	Guatemala	\$ 2,373,304.00	11%
	2	Mexico	\$ 461,199.00	2%
	3	Costa Rica	\$ 217,821.00	1%
Processed Vegetables	1	Guatemala	\$ 6,030,132.00	16%
	2	Costa Rica	\$ 3,085,297.00	8%
	3	Honduras	\$ 2,059,097.00	6%
Snack Foods	1	Guatemala	\$ 13,539,681.00	31%
	2	Mexico	\$ 9,024,770.00	21%
	3	Costa Rica	\$ 7,035,432.00	16%



<b>El Salvador Top Ten Consumer-Oriented Product Imports from the World: 2017</b>			
<b>No.</b>	<b>HS Code</b>	<b>Product</b>	<b>Value</b>
1	210690	Food Preparations Nesoi	\$ 135,343,373.00
2	20130	Meat Of Bovine Animals, Boneless, Fresh Or Chilled	\$ 63,555,430.00
3	40630	Cheese, Processed, Not Grated Or Powdered	\$ 52,177,337.00
4	40690	Cheese, Nesoi, Including Cheddar And Colby	\$ 42,177,409.00
5	210390	Sauces Etc. Mixed Condiments And Seasonings Nesoi	\$ 38,113,738.00
6	220299	Nonalcoholic Beverages, Nesoi	\$ 31,127,780.00
7	190590	Bread, Pastry, Cakes, Etc Nesoi & Puddings	\$ 30,751,573.00
8	160100	Sausages, Similar Prdt Meat Etc Food Prep Of These	\$ 27,613,481.00
9	230910	Dog And Cat Food, Put Up For Retail Sale	\$ 25,799,663.00
10	40610	Cheese (Unrpd/Uncurd) Frsh Incl Whey Cheese Curd	\$ 25,731,362.00

Source: Global Trade Atlas

<b>El Salvador Import Statistics From United States Consumer-Oriented Agricultural Total- 2015 to 2017</b>				
<b>Commodity</b>	<b>Description</b>	<b>United States Dollars</b>		
		<b>2015</b>	<b>2016</b>	<b>2017</b>
210690	Food Preparations Nesoi	\$32,531,134.00	\$33,318,154.00	\$29,968,228.00
200410	Potatoes, Prepared Etc., No Vinegar Etc., Frozen	\$10,434,108.00	\$11,557,260.00	\$12,697,745.00
210390	Sauces Etc. Mixed Condiments And Seasonings Nesoi	\$ 7,098,039.00	\$ 7,072,854.00	\$10,613,306.00
20329	Meat Of Swine, Nesoi, Frozen	\$ 6,937,964.00	\$ 7,837,864.00	\$ 8,871,990.00
20714	Chicken Cuts And Edible Offal (Inc Livers), Frozen	\$11,457,821.00	\$ 8,985,333.00	\$ 8,791,159.00
220299	Nonalcoholic Beverages, Nesoi	\$ 6,118,856.00	\$11,840,075.00	\$ 8,789,518.00
210410	Soups And Broths And Preparations Therefor	\$ 8,638,270.00	\$ 8,628,967.00	\$ 7,875,039.00
80810	Apples, Fresh	\$10,339,518.00	\$ 8,761,816.00	\$ 7,799,523.00
190120	Mixes & Doughs For Prep Of Bakers Wares Hdg 1905	\$ 6,360,938.00	\$ 7,000,033.00	\$ 6,447,825.00
80610	Grapes, Fresh	\$ 7,142,204.00	\$ 5,388,875.00	\$ 6,177,529.00

Source: Global Trade Atlas



## **V. POST CONTACT AND FURTHER INFORMATION**

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