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Country: El Salvador

Post: San Salvador

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Report Highlights:

During 2020, FAS El Salvador contracted a market research study to update Salvadoran consumer preferences in the Consumer-Oriented food/beverages category. This report summarizes key findings of the study combined with FAS insight that provides guidance of market opportunities. In 2019, the United States exported about \$211 million of Consumer-oriented products to El Salvador, ranking third in the supplier list and as shown by this study, it still has good potential to increase market share in different categories. Among the trends found is that with the COVID-19 pandemic, people are certainly more concerned about their health, and therefore foods/beverages that help boost the immune system are winning market share.

A. FOOD AND BEVERAGE SECTOR: OVERVIEW

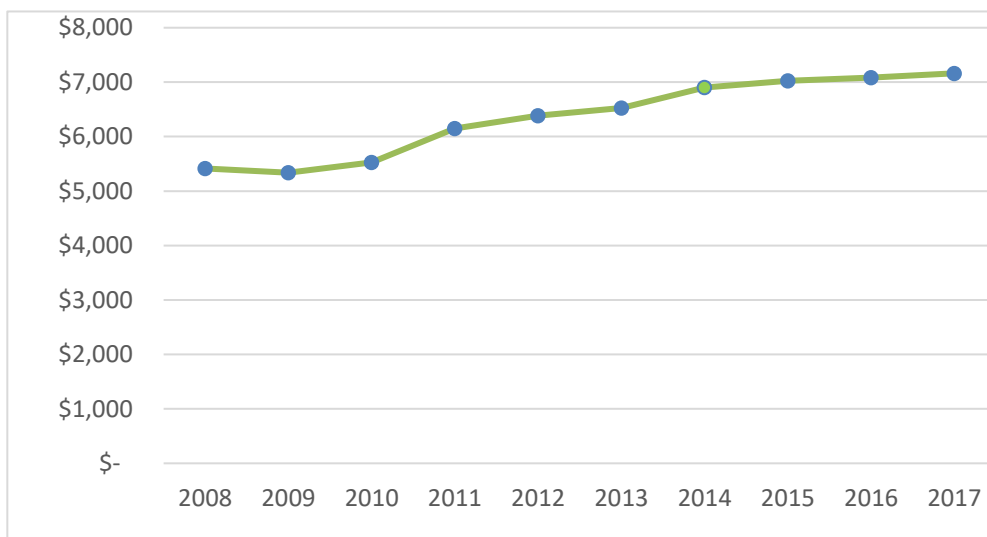
FAS El Salvador contracted CentroAmerica Research to conduct an in-depth market study to learn about the current state of the Salvadoran market for the consumer-oriented foods/beverages category, as well as to update import requirements and key players for the food industry sector. FAS El Salvador is glad to share the study’s highlights in the summary below.



El Salvador is the smallest country in Central America, and even though its food manufacturing industry is less developed than in neighboring countries, it has been the regional leader in the production and export of snacks, juices, and carbonated beverages. Factors that have contributed to this competitive advantage include better infrastructure and available land for construction of production and distribution centers. Salvadoran food manufacturers rely on imports of intermediate products because of a lack of availability or local production. The United States is the number one supplier in this category with a market share of 36%. U.S. ingredients for food manufacturing that continue to show export growth to El Salvador are soybean and vegetable oils, sugars and sweeteners, and ingredients for the dairy industry.

Based on the most recent information available, the quantitative analysis of the food and beverage industry in El Salvador showed that gross food and beverage production for 2017 was estimated at \$7.16 billion, which represents approximately 28% of that year's Gross Domestic Product (GDP).

**Gross production: Food and Beverages Sector in El Salvador (2008-2017)
In USD millions**



Source: Central Reserve Bank

The Compound Annual Growth Rate (CAGR) over the past 10 years has been 3%. The sector has grown at a slow pace, with the exception of 2011 and 2014 when the annual rates were higher than 5% (11.3% and 5.8% respectively). However, in the last three years, this rate has been less than 2%. This may be due to El Salvador's low overall economic growth in recent years.

This table shows the primary activities (processes that generate fresh or raw food products) that in 2017 accounted for **31.5%** of total production, equivalent to \$2.25 billion. This category includes activities such as agriculture, livestock and fishing.

Primary activities	Gross production 2017	Percentage
Poultry and egg production	\$485.7	21.5%
Cattle rising and raw milk production	\$448.8	19.8%
Cultivation of cereals, legumes and oil seeds	\$432.2	19.1%
Other crops	\$324.7	14.3%
Sugar cane	\$191.3	8.4%
Coffee growing and processing	\$133.6	5.9%
Fishing and aquaculture	\$130.9	5.8%
Pig breeding	\$56.1	2.5%
Agricultural support and post-harvest activities	\$37.4	1.7%
Breeding of other animals and animal products	\$16.4	0.8%
Total	\$2,257.1	100%

In addition, secondary activities, which are related to food and beverage processing, account for **68.5%** of total production. In 2017, these activities were valued at \$4.91 billion.

Secondary production activities	Gross production 2017	Percentage
Preparation of bakery products, macaroni and flour derivatives	\$855.2	17.4%
Meat processing and preservation	\$821.1	16.7%
Preparing other food products	\$732.9	14.9%
Production of alcoholic and non-alcoholic beverages and mineral water	\$645.8	13.2%
Sugar manufacturing	\$540.6	11.0%
Preparation of milling products, starches and by-products	\$528.5	10.8%
Dairy	\$472.7	9.6%

Preparation and conservation of fish, seafood and similar	\$205.3	4.2%
Preparation of oils and fats (vegetable and animal procedure)	\$103.5	2.1%
Total	\$4,905.5	100%

B. Estimated market consumption

For this study, local production data (actual and projected) and the amounts of imports and exports in the food and beverage industry were used to estimate market consumption. Below is the formula used:

$$\text{Consumption [C]} = \text{Local Production (P)} + \text{Imports (I)} - \text{Exports (X)}$$

The Following are estimates of market consumption in the last five years.

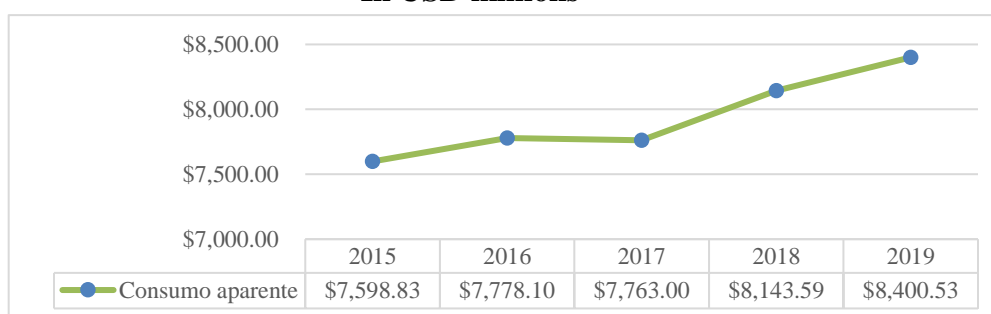
Estimated consumption in the food and beverage sector for El Salvador (2015-2019) In USD millions

Year	Production	Imports	Exports	Estimated Consumption
2015	\$7,025.4	\$1,619.9	\$1,046.5	\$7,598.83
2016	\$7,082.8	\$1,647.0	\$951.7	\$7,778.10
2017	\$7,162.6	\$1,647.4	\$1,047.0	\$7,763.00
2018	\$7,377.1	\$1,775.1	\$1,008.6	\$8,143.59
2019	\$7,523.1	\$1,970.4	\$1,092.9	\$8,400.53

Source: Central Reserve Bank

In 2019, the estimated consumption of the food and beverage industry was **\$8.4 billion**, which reflects El Salvador's trade deficit in the food and beverages sector of approximately 25%. The estimated consumption value for 2019 grew by 3.2% compared to the previous year. However, in the last five years, the Compound Annual Growth Rate (CAGR) has been 2%. The estimated growth in consumption is mainly explained by increased food and beverage imports, as local production levels have grown at very low rates. An interesting finding is that Salvadoran consumers prefer foreign products rather than local production, since imports have grown steadily year after year.

Estimated consumption in the food and beverage industry for El Salvador (2015-2019) In USD millions



C. QUANTITATIVE ANALYSIS OF DEMAND

In this section, the Top 20 imported Consumer-Oriented products are shared, along with the main U.S. competitors for each product type. The ranking is based on the cumulative import amounts for the period of 2010-2019. It is important to note that this Top 20 includes some tariff codes that are not "ready-to-eat", but mainly for Foodservice, which in some instances are sold as ingredients to final consumers that like to buy in wholesale clubs, such as Pricemart.

Top 20 products with higher import values in food & beverages industry: El Salvador Years: 2010-2019

POSITION	TARIFF CODE	DESCRIPTION	IMPORTED VALUE (2010-2019)	Main Suppliers
1	0201300000	Fresh or chilled bovine meat, boneless	\$ 580,778,748	Nicaragua, Honduras, Costa Rica, USA
2	2202100000	Waters, including mineral and aerated, with added sugar or other sweetening matter of flavoured, and other non-alcoholic beverages (excluding fruit or vegetables juices and milk)	\$ 360,696,334	Guatemala, Honduras, USA
3	0406300000	Processed cheese, not grated or powdered	\$ 358,092,651	Nicaragua and Honduras
4	2103900000	Preparations for sauces and prepared sauces; food preparations consisting of finely homogenised mixtures of two or more basic ingredients such as meat, fish, vegetables or fruit, put up for retail sale as infant food or dietetic purposes	\$ 351,008,303	Costa Rica, USA, Guatemala
5	0406909000	Cheese (excluding fresh cheese, include whey cheese, curd, processed cheese, blue-veined and other cheese containing veins produced by "penicillium roqueforti" and grated or powdered cheese	\$ 333,588,803	Nicaragua, USA, Honduras and Costa Rica
6	2106909900	Food preparations n.e.s.	\$ 301,376,394	USA, Mexico, Guatemala, Costa Rica
7	1905900000	Bread, pastry, cakes, biscuits and other bakers wares, whether or not containing cocoa; communion wafers, rice paper, empty cachets	\$ 261,303,367	Guatemala, Honduras, USA, Costa Rica, Nicaragua and Mexico
8	2101110000	Extracts, essences and concentrates, of coffee	\$ 257,891,652	Brazil, Mexico, Nicaragua, Colombia and USA
9	0713334000	Dried, shelled bambara beans, whether or not skinned or split	\$ 227,460,065	Nicaragua, Honduras, Ethiopia & Eritrea, USA
10	2202999000	Non alcoholic beverages (excl. Water, fruit or vegetable juices, milk and beer) / Coffee beverages with mocha flavor, coffee with milk and malted milk	\$ 207,939,089	Guatemala, USA, Costa Rica, Austria, South Korea, Honduras, Mexico

POSITION	TARIFF CODE	DESCRIPTION	IMPORTED VALUE (2010-2019)	Main Suppliers
11	2104100000	Soups and broths and preparations therefor	\$ 200,027,355	Guatemala, USA, Honduras, Mexico and Canada
12	1905319000	Sweet biscuits	\$ 191,707,866	Costa Rica, Guatemala, Honduras, Mexico and Peru
13	0406101000	Fresh cheese "unripened or uncured cheese" including whey cheese and curd	\$ 175,671,109	Nicaragua, USA, Costa Rica, Guatemala
14	1904109000	Prepared foods obtained by swelling or roasting cereals or cereal products, e.g. corn flakes	\$ 165,957,334	Mexico, Guatemala, USA, Honduras
15	0402212200	Milk and cream in solid forms, of a fat content by weight of > 1.5% unsweetened	\$ 153,024,691	Australia, New Zealand, Costa Rica
16	0808100000	Fresh apples	\$ 149,513,418	USA, Chile, France, Guatemala
17	1704900000	Sugar confectionery not containing cocoa, incl. White chocolate (Excluding chewing gum)	\$ 147,085,088	Guatemala, Mexico, Colombia, Honduras and USA
18	0202300000	Frozen, boneless meat of bovine animals	\$ 145,483,099	Nicaragua, USA, Guatemala, Panama
19	0702000000	Tomatoes, fresh or chilled	\$ 139,718,010	Honduras, Guatemala, Nicaragua
20	1901909000	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing <40% by weight of cocoa	\$ 130,313,501	Guatemala, Mexico, Honduras and USA

Source: Central Reserve Bank

Note the prominence of imported dairy products and ingredients, which confirms this category is an important part of Salvadoran daily meals. In addition, there are 4 tariff codes belonging to Chapter 19 which refers to "Preparations based on cereals, flour, starch and pastry products", another fundamental element in the diet of the Salvadoran population; examples include "tortillas", breakfast cereals and "sweet bread" (pastry). Although global trends show a preference for healthier and more natural products, in El Salvador there is still a strong demand for foods with dairy ingredients and prepared with corn or wheat flours.

As the summary table below shows, right now Guatemala and Nicaragua are the main suppliers of Consumer-Oriented products to El Salvador, which is logical considering their geographic proximity and their competitive advantage in the production of vegetables, fruits, meats and dairy products, along with a more developed food manufacturing industry in the case of Guatemala.

The United States is the third largest supplier; and as the in-depth research showed, the main Consumer-oriented products imported by El Salvador from the U.S. are: beverages, powdered soft drinks, dairy products, frozen foods, and food preparations.

**Top-10 countries exporting consumer-oriented products to El Salvador (2010-2019)
In USD**

Ranking	Country	Amount exported	TCMA
1	Guatemala	\$2,109,143,978.4	4.7%
2	Nicaragua	\$1,788,840,758.3	7.7%
3	United States (U.S.A.)	\$1,247,376,388.3	5.7%
4	Mexico	\$704,411,629.1	5.3%
5	Costa Rica	\$642,455,862.6	2.3%
6	Honduras	\$488,070,384.1	5.0%
7	Chile	\$209,346,241.4	4.4%
8	New Zealand	\$146,755,743.6	-4.1%
9	Brazil	\$128,260,942.5	-5.8%
10	Ireland	\$106,857,360.8	-47.6%
	Total	\$7,733,681,187.1	

Source: Central Bank of El Salvador

D. Best prospects for consumer-oriented products in El Salvador



As we all know, the pandemic in 2020 affected global economies, which has a direct impact in consumption. In El Salvador, despite the gradual re-opening of the tourism sector, food and beverage consumption has decreased substantially, which has affected the national food service sector. Although the Salvadoran government has not imposed new regulations that impede the operation of restaurants, hotels and other related businesses (referred as the HRI sector), it is important to keep monitoring

consumer's demands, which continue to include requests for home/office delivery services. In some cases, responding to these changing demands may require implementation of innovative business models like the newly popular "Chef-in-a-Box" concept available for delivery.

One clear side-effect of the pandemic in El Salvador is a growing preference for healthy foods, especially those that are low in sugar and fat; Salvadorans are now looking for products with natural ingredients, fortified with vitamins and without artificial ingredients. Sustainability is also a factor that is taking on a greater value with the consumer, especially in regards to packaging.

El Salvador tends to follow rather than generate new consumption patterns due to its size and the relatively low purchasing power of its residents.

Below are the Top Ten products with the highest annual growth in imported values for the 2010-2019 period. This list sheds some light on some of the most promising prospects.

**Top-10 products with the highest CAGR in imported values to El Salvador
Period: 2010-2019**

POSITION	DESCRIPTION	TARIFF CODE	ANNUAL AVERAGE GROWTH RATE
1	Non-alcoholic beverages (excluding water, fruit or vegetable juices, milk and beer) / Mocha-flavored coffee drinks, coffee with milk and malted milk	2202999000	18.2%
2	Fresh "unripened or uncured cheese" including whey cheese and curd	0406101000	17.1%
3	Frozen and deboned bovine meat	0202300000	13.2%
4	Bread, cakes, cookies and other bakery wares whether or not containing cocoa; communion wafers, rice paper, empty cachets	1905900000	10.7%
5	Fresh or chilled deboned beef	0201300000	9.5%
6	Processed cheese, not grated or powdered	0406300000	7.5%
7	Preparations for sauces and gravies; food preparations consisting of finely homogenized mixtures of two or more basic ingredients	2103900000	5.7%
8	Sweet biscuits	1905319000	5.2%
9	Milk and cream in solid forms, with a fat content by weight of > 1.5% unsweetened	0402212200	5.1%
10	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing <40% by weight of cocoa	1901909000	5.0%

Source: Central Bank of El Salvador

After analyzing all data obtained through statistics and final consumer surveys, CentroAmerica Research recommended the following categories as Best Prospects in Consumer-Oriented products for El Salvador:

PRODUCT CATEGORY	PRODUCTS THAT WOULD BE OF INTEREST
Natural drinks	<ul style="list-style-type: none"> • No-sugar juices or sodas • Low sugar beverages • Drinks with natural ingredients • Rehydration beverages
Cheese snacks	<ul style="list-style-type: none"> • Fat-free cheese • Cheese without artificial ingredients • Appetizer presentation • Organic cheese
Frozen, boneless meat of bovine animals	<ul style="list-style-type: none"> • Meat with no fat • Plant based meat for hamburguers, such as the Impossible Foods brand
Bread, pastry, cakes, biscuits and other bakers wares	<ul style="list-style-type: none"> • Biscuits low-carbs or with no sugar. • No-gluten bread • Healthy snacks • Portioned and convenient baked goods
Preparations for sauces and prepared sauces	<ul style="list-style-type: none"> • Natural sauces • Low-fat sauces • Exotic flavors • Convenient preparations for sauces
Sweet biscuits	<ul style="list-style-type: none"> • Low sugar. • Natural and healthy ingredients • Sustainable packages
Milk and cream in solid forms; food preparations of flour	<ul style="list-style-type: none"> • Fat-free brands. • Fortified with minerals and vitamins. • Paleo Diet products

If you would like further information about the Salvadoran market, please review these other GAIN reports that offer more specific details on how to do business and interact with Salvadoran importers:

- [El Salvador: Exporter Guide 2020](#)
- [El Salvador: Retail Foods 2020](#)
- [El Salvador: Food Service- Hotel Restaurant Institutional](#)

If you have any other question not addressed in any of our reports, please do not hesitate to contact our office at agsansalvador@usda.gov

Attachments:

No Attachments.