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Report Highlights:

During 2019, El Salvador continued strengthening its commercial ties with the United States as it imported about \$567 million of agricultural products, which is 4 percent more than in 2018. Undoubtedly, the COVID-19 pandemic has impacted the upward trend reflecting a drop of about 10 percent in the January-October 2020 period. Consumer-oriented products with focus on health benefits are good sellers as Salvadorans have become concerned about their health as a result of the pandemic. Other best performing categories during 2019 were: processed foods, dairy, processed vegetables, fresh fruits, chocolate, condiments and sauces, snack foods and wine/beer.

Market Fact Sheet: El Salvador

Executive Summary

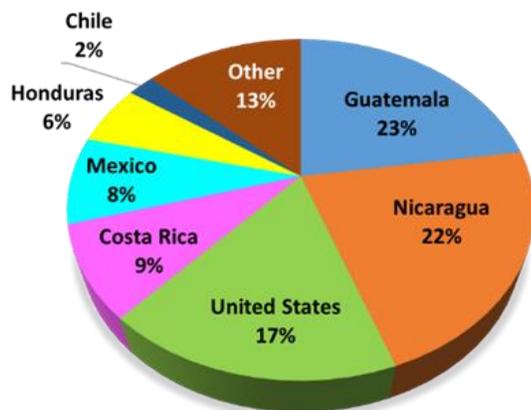
El Salvador suffers persistent low levels of economic growth. In 2019, the economy grew 2.3 percent. However, due to the COVID-19 pandemic, the International Monetary Fund recently forecasted a GDP collapse of -9 percent for 2020 and a gradual recovery for 2021 of 4 percent, which despite being double the 2019 rate, will not compensate for the losses in 2020.

In 2019, El Salvador's main trading partner continued to be the United States, which supplied 30 percent of total imports and received 42 percent of Salvadoran exports.

Imports of Consumer-Oriented Food Products

In 2019, the United States was the third largest supplier of consumer-oriented food products to El Salvador with exports valued at \$212 million.

El Salvador Imports of Consumer-Oriented Products 2019



Source: Trade Data Monitor, LLC

Food Processing Industry

El Salvador reported global imports of intermediate agricultural products valued at \$387 million in 2019, a 3 percent increase from 2018. Although the food manufacturing sector is less developed than in neighboring countries, El Salvador has been the regional leader in the production and export of snacks, juices, and carbonated beverages. Local manufacturers are starting to pay closer attention to global trends to be able to compete with international suppliers.

For more details please see our [Food Processing Industry GAIN](#) report.

Food Retail Industry

There are two main 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 and safer, and because they typically offer special promotions that are not offered in open-air markets.

Quick Facts CY 2019

Imports of Consumer-Oriented Food Products from World: \$1.3 billion

List of Top 10 U.S. Ag Products in El Salvador during 2019:

- 1) Food Preparations
- 2) Corn
- 3) Soybean oilcake
- 4) Meat of bovine
- 5) Wheat
- 6) Cheese
- 7) Palm oil
- 8) Sauces and preparations
- 9) Other Non-Alcoholic beverages
- 10) Rice

Trade:

El Salvador Ag. exports to the world: \$1.1 billion
 El Salvador Ag. imports from the world: \$2.2 billion
 El Salvador Ag. imports from the U.S.: \$567 million
 El Salvador Ag/ exports to the U.S.: \$233 million

GDP/Population

Population: 6.5 million (July 2020 est.)
 GDP (USD): \$27 billion (2019)
 GDP per capita (USD): \$8,000 (2017 est.)

Top Five Food Global Imports with higher growth in 2019

Description	2018	2019	2019/2018 Change (%)
Chocolate And Other Food Preparations Containing Cocoa Neso, In Bars, Blocks, Slabs Or Other Bulk Form In Containers Etc. Of A Content Exceeding 2 Kg	\$489,153.00	\$ 2,681,091.00	448%
Prepared Foods Obtained From Unroasted Cereal Flakes Or From Mixtures Of Unroasted Cereal Flakes And Roasted Cereal Flakes Or Swelled Cereals	\$980,509.00	\$ 2,180,655.00	122%
Birds' Eggs, Not In Shell, Fresh, Cooked By Boiling Or Steaming In Water, Molded, Frozen Or Otherwise Preserved Except Dried, Whether Or Not Sweetened	\$336,481.00	\$ 669,902.00	99%
Flakes, Granules And Pellets Of Potatoes	\$354,472.00	\$ 691,757.00	95%
Fruit, Dried, Neso, Other Than That Of Headings 0801 To 0806	\$157,113.00	\$ 300,011.00	91%

Source: Trade Data Monitor, LLC., World Bank, CIA-The World Fact Book, "Multiple Purposes Home Survey-2019" from El Salvador's Ministry of Economy

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SECTION I: MARKET SUMMARY

El Salvador is the smallest country in Central America. Its population is an estimated 6.5 million inhabitants, and approximately 62 percent of people live in urban areas, with about 1.8 million living in the capital, San Salvador.

El Salvador has long-suffered persistent low levels of economic growth, and in 2019 the economy grew 2.3 percent. However, due to the COVID-19 pandemic, the International Monetary Fund recently forecasted a collapse for GDP of -9 percent for 2020 and a gradual recovery for 2021 of 4 percent, which despite doubling the 2019 numbers, will not be enough to offset losses in 2020. In fact, given the consecutive negative GDP figures for the first two quarters of 2020, economists have declared El Salvador is already in recession.

Economic sectors that have been hit the hardest with the pandemic are tourism and services, which includes hotels and restaurants. It has been estimated that the hotel sector will lose around \$440 million by the end of 2020. The Restaurant Association of El Salvador has reported that so far, at least 150 establishments (which represent 30% of their associates) have closed because they were not able to adapt their operations during the quarantine or cannot continue their business given the high operational expenses. For more detailed information on the hotel and restaurant sector please see our [GAIN-Food Service - Hotel Restaurant Institutional 2020](#) report.

Despite the pandemic, the influx of remittances has continued, and this has a direct and strong influence the economy and the purchase of imported food products. As of October 2020, total remittances received reached \$571.5 million, which is a historic record and the highest figure in 2020. This positive performance of remittances is due to a variety of factors, such as the economic and employment rate recovery in the United States, as well as the economic stimulus programs granted to U.S. residents. About 95 percent of remittances come from Salvadorans living in the United States. Remittances are expected to keep the same pace during 2021 as Salvadorans were granted an extension of their work permits under the Temporary Protected Status (TPS) until October 2021.

The Government of El Salvador (GOES) promotes an open, free market economy and the current administration has been working on efforts to facilitate trade by creating working commissions that include government and private sector representatives, such as the reactivation of the CIFACIL group in 2019. Their focus is to identify and propose solutions to bottlenecks in the main trade-related government offices, and therefore ease the import/export processes for companies.

Salvadoran eating habits are highly influenced by a faster-paced lifestyle. With the reopening of the economy in August 2020, commuting times have returned to pre-pandemic levels where people are required to leave their homes earlier in the morning to avoid traffic and therefore seek food on-the go or take-out options. Salvadorans spend an average of \$88 per month on meals outside the home. This

figure is high relative to both average monthly income, which is approximately \$620, and the cost of staple foods, which averages \$242 for a family of four.

Consumer-oriented products with a health benefit focus are currently selling well as Salvadorans are more concerned about their health as a result of the pandemic. Other best performing categories during 2019 were: processed foods, dairy, processed vegetables, fresh fruits, chocolate, condiments and sauces, snack foods and wine/beer. For more information on Salvadoran food trends, please see our [Retail Foods GAIN Report](#) and the [Food Processing Ingredients GAIN Report](#).

Advantages and Challenges for Exporting Agricultural products to El Salvador:

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.
Major retailers are developing increasingly sophisticated distribution systems, which will provide more space and better cold chain technology for high-value imports	Importers tend to buy small quantities to test the market. In general, U.S. companies are not interested in exporting small quantities.
The implementation of CAFTA-DR lowered or eliminated duties for most U.S. food products.	High marketing costs (advertising, discounts, sampling, etc.) make it difficult to promote new products.
With the recent boom in urban developments and expansion of shopping centers, new retail outlets are available to sell more U.S. food products.	Security issues along with increasing costs of distribution, limit the ability of stores to promote products at the national level.
Exposure to U.S. media as well as language, culture, and commercial ties to the United States, contributes to positive attitudes toward U.S. products.	El Salvador’s drastic drop in GDP due to the pandemic(-9 percent forecasted by International Monetary Fund) directly affects family income, limiting consumption of higher value, imported food products.

SECTION II. EXPORTER BUSINESS TIPS

Successful introduction of products into the Salvadoran market depends on local representation and personal contacts. The advantages of local representation include market knowledge, up-to-date information, guidance on business practices, import policies, sales contacts, and market development expertise.

El Salvador is a business-card society and it is important to exchange business cards at the first meeting. 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. Use the formal Señor (Mr.) or Señora (Mrs.) before the last name (i.e. Señor Gomez, Señora Ramirez).

It is highly recommended that U.S. exporters reach out to Salvadoran buyers that attend U.S. trade shows or Cooperators focused Trade Missions, which have started to be carried under the virtual environment with successful results.

Other considerations:

- Support local importers for in-store promotion activities and point of sale materials.
- Most importers prefer shipments from the Miami area and consolidation is the best option when shipping small volumes.
- Establish a collaborative relationship with the importer to facilitate the product registration process and subsequent entry of the product.
- Personal visits to El Salvador are highly encouraged in order to see trends and understand Salvadoran consumer preferences.

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS AND IMPORT PROCEDURES

- **Customs Clearance**

Usually when clearing a product through Customs, a Customs inspector, a Customs officer, and a Ministry of Health (abbreviated MINSAL in Spanish) inspector are involved in the process. English is the commercial language used on 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 clearing procedures as much as possible. Currently, there is no appeal procedure in place for disputed product rejections.

- **Documents Generally Required by the Country Authority for Imported Food:**

The GOES requires importers to be registered with MINSAL. Importers must also register each product and size presentation that will be imported to ensure the product is fit for human consumption. Registration of a product, once granted, is valid for five years. MINSAL has

created a new procedure to request an online import permit and it is the only authorized method to request permits for food and beverages. The new system minimizes the processing time for import permits to 3 minutes or less. In general, most products are subject to lab tests performed by MINSAL when undergoing routine controls and when the product is registered.

Certificates of Free Sale are also required for imported products. A Certificate of Free Sale (CFS), 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 which is freely sold and consumed in the country of origin. In the case of meat and meat products the Ministry of Health accepts the Food Safety Inspection Service (FSIS) 9060-5 certificate in lieu of the Certificate of Free Sale. For other U.S. food and beverage products, the Ministry of Health will accept the Export Certificate issued by an official U.S. government institution. See our [Food and Agricultural Imports Regulations and Standards \(FAIRS\) GAIN Report](#) and our [FAIRS Export Certificate Report](#) for complete guidance on CFS and other specific import requirements.

- **Country Language Labeling Requirements**

The Salvadoran Body for Technical Regulations (OSARTEC) is working on labeling regulations based on Codex. Currently, food products with U.S. labels are common throughout the distribution chain. However, the GOES requires 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.

For processed products, expiration dates are required. For higher value and fresh products, both the manufacturing and expiration date is required. A country of origin certificate for products coming in under a free trade agreement is required for all products imported into El Salvador.

Nutritional labeling is not required by the Ministry of Health at this time. However, the U.S. nutrition label needs to be reviewed 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 Dominican Republic-Central America- United States 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 on the label by U.S. manufacturing companies and could therefore be misled.

- **Tariffs and FTAs**

El Salvador remains committed to free markets and a diversified export-oriented economy. It is a member of the World Trade Organization (WTO) and is a signatory to [10 free trade agreements](#). On August 20, 2018, El Salvador officially joined the Guatemala-Honduras Customs Union. Except for sensitive agricultural products such as white corn, rice, poultry and dairy, most U.S. food products have duty free access to the Salvadoran market under the CAFTA-DR agreement. Sensitive products are managed under a Tariff Rate Quota (TRQ) system that is managed by the

Ministry of Economy's Free Trade Administration Division (DATCO). Poultry TRQ's are managed by the U.S. and Salvadoran poultry industries under the Central America Poultry Export Quota (CAPEQ) system.

- **Trademarks and Patents Market Research**

An individual can acquire exclusive trademark rights by registering a branded product with the National Registry Center (CNR). Trademark registrations are granted for a period of 10 years and can be renewed indefinitely for similar periods.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

The retail sector continues to be a key growth area of the Salvadoran economy, fueled by increasing purchasing power, mainly due to the constant influx of remittances and a steady expansion of consumer credit.

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. There is a boom in coffee shops where recognized international and local franchises compete with independent or family-owned coffee shops. Salvadorans usually get together at coffee shops or small restaurants for breakfast and/or informal meetings. The boom in this sector brings more demand for bakery products, dairy products, cocktails, smoothies, milk shakes, fresh fruits and fruit juices.

Another trend that offers growth potential for restaurants/hotels, and therefore increases consumption of U.S. food products, is the construction of multi-use facilities. In 2019 these multi-purpose buildings that feature retail and restaurants combined with office space have opened in San Salvador. Bambu City Center is a prominent example. This innovative concept has spread to other cities like San Miguel, where the very first multiple-use complex, Garden Mall, is being built with a Walmart and a movie theater as its main anchors.

Despite the pandemic, large retailers continued their expansion plans, and Walmart opened a new supercenter in the West region of El Salvador, totaling 6 such stores in the country. The retailer is also in the final construction details for a new Despensa Familiar, which is Walmart's discount store format aimed to attract lower income consumers.

Competitive Situation

Other Central American countries, Mexico, and Chile are the main trade competitors for the United States regarding 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. Generally, Salvadoran food manufacturers rely on imports of ingredients. High food safety standards, excellent quality and technical support or assistance in the development of new products all give U.S. food ingredients a competitive advantage.

SECTION V. AGRICULTURAL AND FOOD IMPORTS

El Salvador's food and beverage market is estimated to be \$8.4 billion in size and has had a compound annual growth rate of 2% over the past 5 years. This positive trend in imports is a competitive advantage for U.S. food products, especially for niche products. In 2019, the United States exported a total of \$591 million of Agricultural products, registering record export levels in the following categories: prepared food, pork & pork products, dairy, processed vegetables and condiments/sauces.

Salvadoran consumers in general are very receptive to new food brands, mainly specialty/international foods, but education on health benefits and cooking demos with tastings are key.

Best High Value, Consumer Oriented product prospects:

Based on a very recent consumer-oriented study contracted by our office revealed that these are currently the Top-Ten best products prospects, which have had a Compound Annual Growth Rate (CAGR) for the past 10 years of 5 percent or higher:

1. Non-Alcoholic Beverages: No-sugar juices or sodas, low sugar beverages, drinks with natural ingredients, rehydration beverages.
2. Fresh cheese including “whey” cheese and curd: fat-free cheese, cheese without artificial ingredients.
3. Frozen, boneless meat or plant based meat: meat with no fat, plant based meat for hamburgers
4. Bread, pastry, cakes, biscuits and other bakers wares: biscuits, low-carb or with no sugar, gluten-free bread, healthy snacks, portioned and convenient bakers.
5. Fresh or chilled deboned beef

6. Processed cheese, not grated or powdered
7. Preparations for sauces and prepared sauces: natural sauces, low-fat sauces, exotic flavors, convenient preparations for sauces.
8. Sweet biscuits: low sugar, natural and healthy ingredients, sustainable packages
9. Milk and cream in solid forms; food preparations of flour: fat-free brands, fortified with minerals and vitamins, Paleo Diet.
10. Malt extract; food preparations of flour, groats, meal, starch or malt extract.

Top Five Food Global Imports with higher growth in 2019

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SECTION VI. POST CONTACT AND FURTHER INFORMATION

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Agency:	Ministerio de Agricultura y Ganadería (Ministry of Agriculture and Livestock)
Division:	Dirección General de Ganadería- DGG (Livestock General Direction Office)
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Attachments:

No Attachments