

Required Report: Required - Public Distribution

Date: April 18, 2022

Report Number: ES2022-0002

Report Name: Food Processing Ingredients

Country: El Salvador

Post: San Salvador

Report Category: Food Processing Ingredients

Prepared By: Elvy Huezo

Approved By: Andrew Hochhalter

Report Highlights:

El Salvador's food manufacturing sector has kept a fast pace in terms of increasing production levels. Food manufacturers took the challenging environment caused by the pandemic as an opportunity to evolve and add new items to their food lines. According to the latest data available for the sector, published by the Salvadoran Industrialist Association, a total of \$987.4 million value of ingredients was imported in 2020, which is about 12 percent more than in 2019. Cheese, cottage cheese, bovine meat, and sauce preparations were among the main products imported by the food industry in the same period. During 2021 global imports of agricultural products accounted for \$2.8 billion, most of which is used by the food industry.

Market Fact Sheet: El Salvador

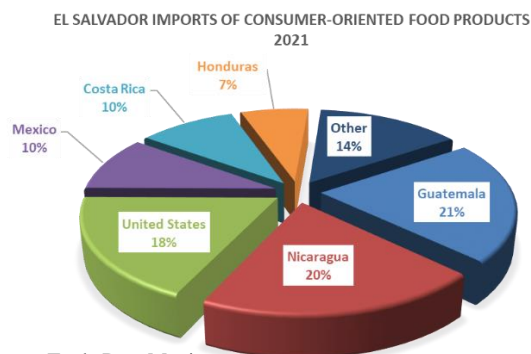
Executive Summary

According to Central Reserve Bank's data released on March 31, 2022, El Salvador's economy registered a growth of 10.3% during 2021, a recovery that surpassed production levels observed before the start of the COVID-19 pandemic. For 2022, the International Monetary Fund has forecasted a growth of 3.2%, mainly driven by an increased external demand and the country's response to the pandemic, where over 60% of the population has completed their vaccination scheme.

In 2021, El Salvador's main trading partner continued to be the United States, which supplied 27 percent of total imports and received 39 percent of Salvadoran exports.

Imports of Consumer-Oriented Products

In 2021, the United States was the third largest supplier of consumer-oriented products to El Salvador with exports valued at about \$322 million.



Source: Trade Data Monitor

Food Processing Industry

El Salvador's global imports of agricultural intermediate products reached \$566 million in 2021, a 29 percent increase from 2020. Due to the COVID-19 pandemic, the government enacted some measures that stopped operations of snacks and carbonated beverage factories, but all other food manufacturers continued operations. El Salvador has maintained its reputation of being the regional leader in the production and export of snacks, juices, and carbonated beverages, and is in a good position to continue a steady growth in this sector given the ongoing revamping of old highways and the building of new ones to increase connectivity.

Categories with potential growth for the manufacturing industry in El Salvador are flours, baked products and prepared foods targeted to the Salvadoran diaspora, and confectionery products. Salvadoran food manufacturers rely on imports of intermediate products because of a lack of availability or local production. The United States was the number one supplier in this category in 2021 with a market share of 31 percent.

Food Retail Sector

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 have more diverse offerings than open-air markets.

Quick Facts 2021

Imports of Consumer-Oriented Products: \$1.8 billion

Top Intermediate/Ingredients Products:

- Palm oil
- Soybean meal
- Soybean oil
- Other feeds and fodder
- Milled grains
- Vegetable fats/oils
- Edible mixtures prep. of animal
- Glucose Dextrose and syrup
- Meats
- Dairy

Source: Trade Data Monitor / Salvadoran Industrial Association

Food/Beverage Industry Exports 2020:

\$547.7 million (source: Salvadoran Industrial Association)

GDP/Population

Population: 6.6 million (2022 est.) GDP (USD): \$27 billion (2019 est.)

GDP per capita (USD): \$8,100 (2020 est.)

Source: The CIA World Factbook/ World Bank/ SIA

Contact: U.S. Embassy San Salvador /Foreign Agriculture Service,
Boulevard Santa Elena, Antigua Cuscatlan, La Libertad El Salvador.
Email: agsansalvador@usda.gov

SECTION I: MARKET SUMMARY

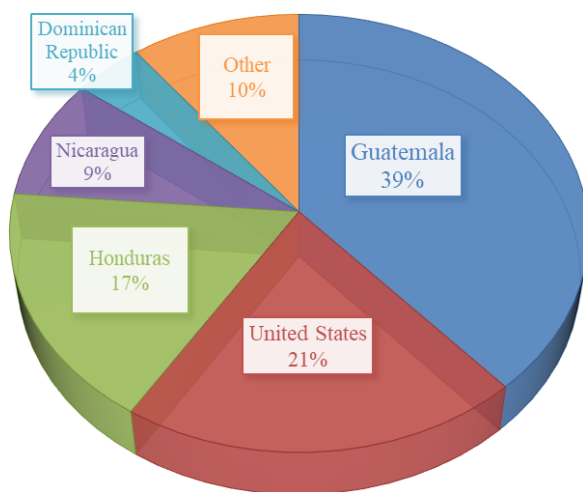
With over 10,800 processing facilities, the food and beverage industries play a key role in the Salvadoran economy, representing 30 percent of the manufacturing sector. El Salvador is a major importer of agricultural products, including food ingredients and a wide variety of consumer-oriented products. In 2021, El Salvador imported approximately \$2.8 billion in agricultural products.

According to the RANKING® of Industrial Exporters/2021, a report published by the Salvadoran Association of Industrials (ASI in Spanish), in 2020 due to a temporary decree that prohibited operations of certain food/beverage factories to reduce the spread of COVID-19, total exports numbers for the beverage sector dropped about 30 percent. Carbonated drinks were the hardest hit with a drop of 46 percent or \$60 million less than 2019. A similar scenario was experienced in the food sector, where snacks lost about \$28.4 million in total exports.

According to the same report, the top products used by the food and beverage manufacturing industry were meats, dairy, bakery inputs, sauces/condiments, and other food preparations, which were collectively valued at \$987 million. During 2020, Nicaragua was the main supplier for food ingredients (dairy) to the food manufacturing sector, followed by Guatemala and the United States.

The report highlights the Top Ten food/beverage exporting companies and for 2020, Grupo Calvo, a Spanish tuna processing company maintained its position as the #1 regional exporter and the second place was for snack manufacturer Diana. For beverages, Livsmart Americas was the top exporter.

2021 EL SALVADOR TOP FIVE EXPORT MARKETS FOR CONSUMER-ORIENTED PRODUCTS (US\$ MILLIONS)



2021 EL SALVADOR TOP PROCESSED FOODS EXPORTS	
PRODUCT	VALUE
Bottled drinks (incl. soda, juice mixes, etc.)	\$ 126,587,351.00
Baked snack foods (pastries, pretzels, etc.)	\$ 111,552,886.00
Prepared/package fish & seafood	\$ 82,235,757.00
Other processed foods, ingredients & bvg bases	\$ 58,091,218.00
Baking inputs, mixes & doughs (incl. pudding)	\$ 55,876,096.00
Breakfast cereals & other breakfast products	\$ 55,373,448.00
Sugar confectionery	\$ 41,953,207.00
Molasses	\$ 38,177,490.00
Cheese	\$ 35,948,321.00
Table condiments (incl. bbq, excl. ketchup)	\$ 22,862,933.00

El Salvador's economy has been directly affected by the ongoing global supply chain crisis that started as consequence of the COVID-19 pandemic, as well as registering a record high inflation level of 6.7 percent, which creates pressure on food manufacturers to increase their consumer prices. The challenge is bigger for micro and small companies, who must maintain quality and price-competitiveness. Many are rapidly adapting their ingredients content or product size so that they can lower costs and satisfy consumer demand.

Despite the challenging macro-economic environment, El Salvador continues to be attractive for the Food Manufacturing industry because it still offers competitive advantages, such as the good transportation infrastructure and available land for construction of production and distribution centers. New highways have made possible the opening of new industrial parks where companies can build larger facilities.

Market Trends:

El Salvador tends to follow rather than generate new consumption patterns due to its size and the relatively low purchasing power of its residents. 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. Non-allergen foods (gluten-free, egg-free, dairy-free, lactose-free, etc) are increasingly demanded.

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

Advantages	Challenges
Salvadoran consumers perceive U.S. food products to be of excellent quality and consistency.	Strong competition from neighboring countries exporting meats, dairy and grains such as corn, rice, and beans.
The food service industry is growing and demand for ingredients is increasing. For example, there are new hotels recently built as well as new office buildings with restaurants or food courts.	High turnover of customs agents leads to a lack of consistency in customs procedures and delays in clearing
Consumers demanding healthier options creates a potential for U.S. innovative food products.	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.	Product registration is still burdensome due to the government's centralized lab analysis operation, which delays a product's entry to market by 6 months or longer depending on the product.
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 open opportunities for U.S. ingredients such as soybeans as a healthier option.	

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, and 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 and development and/or production areas regarding the introduction of any new-to-market product.

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

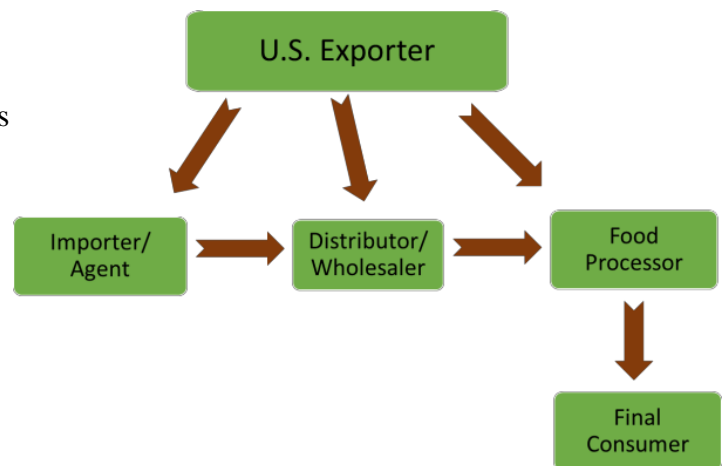
Import Procedure

For a detailed outline of import procedures, please refer to the latest FAIRS Country Report and the FAIRS Export Certificate Report for El Salvador.

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 or Cooperator 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, some large food and beverage multinationals also have manufacturing operations for export in El Salvador. Some examples are Calvo, McCormick, Livsmart, Bimbo and Coca Cola.

Other large food processing companies in El Salvador include Diana, Harisa, Lactolac, Molinos de El Salvador (MOLSA), Sabores Cosco de Centroamerica, and Eco Foods. Snack manufacturing is a large segment of the food-processing sector. Diana is the leader in this industry, supplying not only the domestic market but also exporting to Central America 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 and independent grocers. Imports of U.S. pork and pork products reached a record high of \$45 million in 2021, which is 76 percent more than in 2020.

Another manufacturing sector that is registering increases despite the pandemic is beer manufacturing, not only in the craft beer segment but also the commercial lines. There are three major craft breweries leading this trend: Cadejo Brewery, Premio, and Santo Coraje. For the commercial lines, La Constancia ranked second in the Beverage sector exporters list for the RANKING® 2021. The United States is steadily increasing its exports to supply Salvadoran beer breweries. During 2021, total exports of hops cones registered an increase of 36 percent, reaching a total of \$300,745.

Ready-to-eat or ready-to-cook meals are in growing demand, and food manufacturers are focusing on creating portfolios of these products, which involves importing ingredients, flavors, or sauces not available in the local market. Ramen-style soups have filled a niche for many workers. These soups are a quick and inexpensive lunch for thousands of workers who cannot afford to pay for a regular cafeteria meal. Tree nuts of all kinds are trendy as a result of the pandemic, where more people have shifted to healthier snacking as a way of boosting their immune system

III. Competition

In 2021, El Salvador's total agricultural imports reached \$2.8 billion, a 17 percent increase from 2020.

In 2021, the manufacturing industry maintained a similar to 2020 trend in imports of ingredients, where dairy products accounted for 21 percent of global food imports, followed by soups/food preparations and beef/beef products. These are key products used as ingredients by the food manufacturing sector, not only to meet local demand but also to export products to the region.

New product development/research departments within manufacturing companies have become more proactive in attending international trade shows to learn about consumer trends, new food ingredients or additives, and bring new ideas to develop products mainly in the specialty/gourmet category. Some of the added-value products being produced are pesto, special cream cheeses or dips, and other tropical fruit jams/jellies and beverages.

Central America, Mexico and Chile are the main competitors to the

In 2021, the United States continued to be the #1 supplier of Intermediate Agricultural products shipped to El Salvador, with a market share of 30 percent.

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 suppliers a competitive advantage.

2021 EL SALVADOR TOP 10 CONSUMER-ORIENTED FOOD IMPORTS FROM WORLD

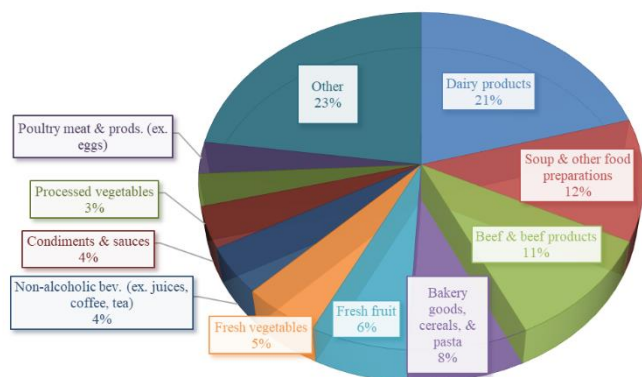


Table 2. Competitive Situation for Key Intermediate Agricultural Export to El Salvador

2021 El Salvador Intermediate Agricultural Products Imports from the World		
(Values in U.S. Dollars)		
Partner Country	2020	2021
United States	\$ 129,844,711.00	\$ 173,473,274.00
Guatemala	\$ 121,996,656.00	\$ 165,766,927.00
Honduras	\$ 70,209,199.00	\$ 79,315,034.00
Mexico	\$ 31,985,267.00	\$ 30,477,191.00
Uruguay	\$ 14,587,761.00	\$ 18,298,890.00
Nicaragua	\$ 10,950,508.00	\$ 15,725,384.00
Argentina	\$ 2,241,032.00	\$ 11,322,993.00
Costa Rica	\$ 9,675,881.00	\$ 11,127,365.00
Spain	\$ 6,124,341.00	\$ 7,447,822.00
Russia	\$ 184.00	\$ 7,269,424.00
Other	\$ 41,488,671.00	\$ 46,139,880.00
Total:	\$ 439,104,211.00	\$ 566,364,184.00

Source: Trade Data Monitor

Table 3. El Salvador’s Main Suppliers of Top 5 Consumer-Oriented Food Products/Ingredients and Supplier Market Share in 2021

Product Category	Top 3 supply sources market share (in ranked order)	Strengths of competitor supplier countries
Dairy Products Total import value: \$368 million	Nicaragua: 49 percent Costa Rica: 12 percent 5) United States: 9 percent	Pricing and availability of cheese to make “pupusas” according to consumer taste.
Soup & Other Food Preparations Total import value: \$208 million	Costa Rica: 26 percent United States: 24 percent Uruguay: 14 percent	Proximity lowers shipping costs, willingness to offer custom-made flavor and consolidate small shipments.
Beef & Beef Products Total import value: \$190 million	Nicaragua: 82 percent United States: 6 percent Guatemala: 4 percent	Salvadorans tend to make purchase decisions based on price, and rarely distinguish between different cuts. Nicaragua offers very low prices.
Bakery Goods, Cereals, & Pasta Total import value: \$142 million	Guatemala: 37 percent Mexico: 16 percent United States: 14 percent	Guatemala and Mexico offer lower prices, and shipping costs from Guatemala are less expensive given the proximity.
Fresh Fruit Total import value: \$115 million	Guatemala: 25 percent Mexico: 19 percent Chile: 15 percent	Guatemala has been the main supplier of fruits and vegetables to El Salvador for decades, given their availability all year round at lower production costs.

Source: Trade Data Monitor

SECTION IV- BEST PRODUCT PROSPECTS

Products present in the market, which have good sales potential:

As shown in Table 3 there is still potential for many U.S. ingredients to increase market share in El Salvador, specifically dairy, beef, bakery ingredients/goods, fresh fruits and vegetables.

Products not present in the Market, but which have good sales potential:

There are great opportunities to introduce U.S. seafood to the Salvadoran market. In addition, the baking industry has a growing demand for preserved fruits, large and sweeter fresh strawberries, almonds, and other nuts for healthy snacks or baked goods. Another trend is for healthy, reduced sugar foods and beverages, creating a potential market for natural sweeteners, assorted flavor juices, and fruit extracts.

Products not present because they face significant barriers:

Seafood from third countries exported to the United States and then re-packed for export to El Salvador is currently blocked. The Ministry of Agriculture requires plant-by-plant inspection for those products.

SECTION V- POST CONTACTS AND FURTHER INFORMATION

Office of Agricultural Affairs USDA/FAS

U.S. Embassy El Salvador

Bldv. Santa Elena Sur y Calle Conchagua Antiguo Cuscatlán, La Libertad, El Salvador

Phone: (503) 2501-2999, extensions: 3414/3412 E-mail: agsansalvador@fas.usda.gov

Government Regulatory Agency Contacts:

Ministerio de Salud Pública (Ministry of Public Health)

Departamento de Atención al Medio Ambiente (Environment Attention Office)

Contact: Mrs. Ana Lila de Urbina

Address: Alameda Roosevelt, Edificio Laboratorio Central Dr. Max Bloch, San Salvador, El Salvador

Phone: (503) 2594-8559 / 2205-1613

e-mail: aurbina@salud.gob.sv

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección de Ganadería (Livestock Division)

Contact: Mrs. Eva María Díaz de Molina

Address: Final 1 Ave. Norte, Santa Tecla, La Libertad, El Salvador

Phone: (503) 2210-1763 e-mail: eva.diaz@mag.gob.sv / isabel.flores@mag.gob.sv (secretary)

Private Sector Associations Contacts:

Asociación Salvadoreña de Industriales (Salvadoran Industrials Association)

Contact: Karla Domínguez, Industrial Intelligence Manager

Address: Colonia Roma, Calles Roma y Liverpool Edificio ASI, San Salvador

Phone: (503) 2267-9200/ 2267-9223

Email: karla.dominguez@asi.com.sv / Website: www.industriaelsalvador.com

Asociación de Restaurantes de El Salvador- ARES (El Salvador's Restaurant Association)

Contact: Leonardo Guzmán, President

Address: Alameda Roosevelt y 35 Avenida Sur #1909, Colonia Flor Blanca San Salvador, El Salvador

Phone: (503) 2279-3610/ 2298-3357

Email: dondeleoguzman@gmail.com

Attachments:

No Attachments