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Report Name: Food Processing Ingredients

Country: El Salvador

Post: San Salvador

Report Category: Food Processing Ingredients

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Report Highlights:

El Salvador has been dependent on food imports for many years, and food ingredients are no exception. According to the Salvadoran Industrialists Association's latest industry statistics (2019), food imports registered a total of \$882.6 million, which is 17.6% more than in 2018. It is notable that despite the pandemic, which hit most economic sectors hard, El Salvador's food industry continued steady operations and vegetable oils, flours and starches were the most demanded ingredients, a shift driven by the pandemic.

Market Fact Sheet: El Salvador

Executive Summary

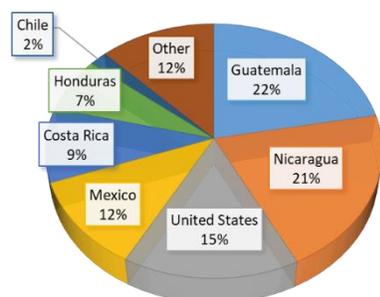
El Salvador is the fifth largest economy in Central America and suffers persistent low levels of economic growth. As a result of the COVID-19 pandemic, the International Monetary Fund recently forecasted a 9 percent GDP reduction in El Salvador for 2020, followed by a recovery of 4 percent in 2021. The predicted recovery, while stronger than typical GDP growth, will not compensate for the losses in 2020.

In 2020, El Salvador's main trading partner continued to be the United States, which supplied 26 percent of total imports and received 39 percent of Salvadoran exports.

Imports of Consumer-Oriented Products

In 2020, the United States was the third largest supplier of consumer-oriented products to El Salvador with exports valued at about \$240 million.

EL SALVADOR IMPORTS OF CONSUMER-ORIENTED FOOD PRODUCTS
2020



Source: Trade Data Monitor

Food Processing Industry

El Salvador reported global imports of agricultural intermediate products valued at \$439 million in 2020, a 10 percent increase from 2019. Although a few food manufacturing companies may have closed temporarily during the strict confinement due to the COVID-19 pandemic, most factories continued operations.

El Salvador has been the regional leader in the production and export of snacks, juices, and carbonated beverages, and is in a good position to grow in these sectors because of better infrastructure and available land for the construction of production and distribution centers.

According to industry publications, the leading snack company is Diana, and the leading beverage company is Livsmart Americas. Categories with potential growth for the manufacturing industry in El Salvador are flours, baked products (mainly traditional pastries that are exported for the Salvadoran diaspora), prepared foods, 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 2020 with a market share of 30 percent. Market share was down 9% year over year primarily due to increased imports from Mexico, which supplied foods to be included in the solidarity food baskets that the government delivered to the population during the confinement.

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 offer/brands than open-air markets.

Quick Facts: 2020

Imports of Consumer-Oriented Products: \$1.6 billion

Top Intermediate/Ingredients Products:

- Soybean oilcake
- Vegetable fats/oils
- Palm oil
- Wheat or meslin flour
- Soybean oil
- Glucose Dextrose and syrup
- Odoriferous substances
- Meats (bovine, pork and chicken)
- Corn (maize) flour
- Dairy

Source: Trade Data Monitor / Salvadoran Industrial Association.

Food/Beverage Industry Exports 2019:
\$648 million (Latest data available from Salvadoran Industrial Association)

GDP/Population

Population: 6.5 million (July 2021 est.)
GDP (USD): \$27 billion (2019 est.)
GDP per capita (USD): \$8,776 (2019 est.)
Source: The CIA World Factbook/ World Bank

Contact:

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SECTION I: MARKET SUMMARY

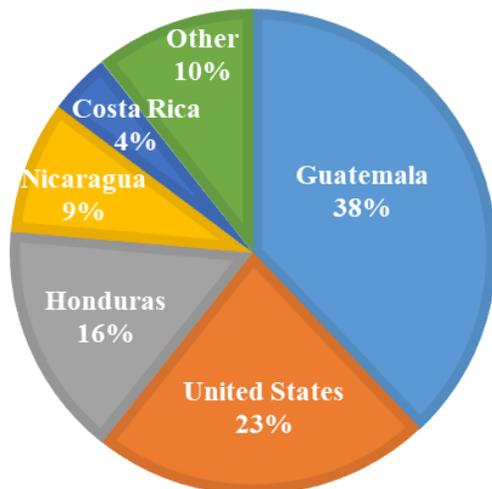
With over 10,800 processing facilities, the food and beverage industries play a key role in the Salvadoran economy, representing 39 percent of the manufacturing sector. As per latest data available from the Salvadoran Industrialists Association (ASI in Spanish), in 2019 the food and beverage industry provided over 33,207 direct jobs, representing 18 percent of all manufacturing employment.

El Salvador is a major importer of agricultural products, including food ingredients and a wide variety of consumer-oriented products. In 2020, El Salvador imported approximately \$2.4 billion in agricultural products. According to ASI, the top products used by the food and beverage manufacturing industry were dairy, bovine meat, sauces/condiments, special creams, and food preparations, which were collectively valued at \$882.6 million. The United States is the top supplier of agricultural products to El Salvador.

According to the RANKING® of Industrial Exporters/2020 report published by ASI, El Salvador is currently the regional leader in the production and exportation of snacks, juices, and carbonated beverages. 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.

The production of flours and baked goods continues to increase, and during 2019 this sub-sector registered an increase of 12.4 percent, mainly due to the increase of flour exports to Honduras. Among some of the competitive advantages of the Salvadoran Food Manufacturing industry are its good transportation infrastructure and available land for construction of production and distribution centers.

**2020 EL SALVADOR TOP FIVE EXPORT MARKETS
CONSUMER-ORIENTED PRODUCTS (US\$ MILLIONS)**



**2020 EL SALVADOR TOP PROCESSED FOODS
EXPORTS**

PRODUCT	VALUE
Baked Snack Foods (Pastries, Pretzels, etc.)	\$ 96,776,447
Bottled Drinks (Incl. Soda, Juice Mixes, etc.)	\$ 86,154,199
Prepared/Packaged Fish & Seafood	\$ 77,308,995
Other Processed Foods, Ingredients & Bvg Bases	\$ 54,442,464
Baking Inputs, Mixes & Doughs (Incl. Pudding)	\$ 54,320,241
Breakfast Cereals & Other Breakfast Products	\$ 46,668,107
Molasses	\$ 38,034,075
Cheese	\$ 33,692,376
Sugar Confectionery	\$ 32,084,840
Table Condiments (Incl. BBQ, Excl. Ketchup)	\$ 24,090,407

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.	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.

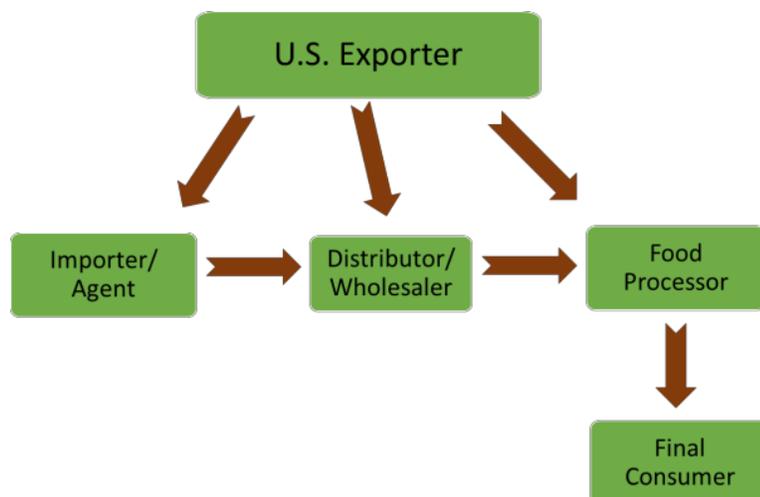
Import Procedure

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. Imports of U.S. pork and pork products reached a record \$25.7 million in 2020, and such growth is expected to continue as tariffs applied to U.S. pork meat imports were phased-out in 2020 under the CAFTA-DR agreement.

Craft beer is growing in El Salvador. There are three major breweries leading this trend: Cadejo Brewery, Premio, and Santo Coraje. The United States has been increasing its exports to supply Salvadoran craft breweries. During 2020, despite the pandemic, total exports of hops cones still registered an increase of 15 percent, reaching to a total of \$220,848.

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 many people have started to cook/bake more at home given the long quarantine and teleworking.

III. Competition

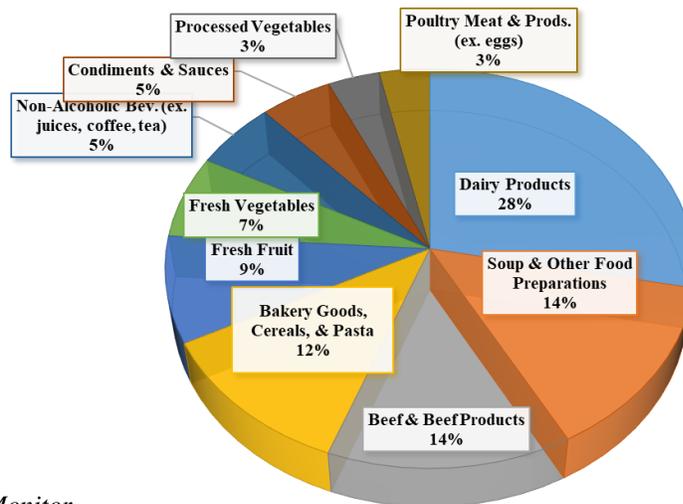
In 2020, El Salvador’s total agricultural imports reached \$2.4 billion, a 7 percent increase from 2019.

As the chart below shows, in 2020, dairy products accounted for 28 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.

In 2020, the United States continued to be the #1 supplier of Intermediate Agricultural products shipped to El Salvador, with a market share of 30 percent.

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 suppliers a competitive advantage.

2020 EL SALVADOR TOP 10 CONSUMER-ORIENTED FOOD IMPORTS FROM WORLD



Source: Trade Data Monitor

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

El Salvador Intermediate Agricultural Products Imports from the World (Values in U.S. Dollars)		
Partner Country	2019	2020
United States	\$ 142,065,490	\$ 129,844,711
Guatemala	\$ 95,196,548	\$ 121,996,656
Honduras	\$ 62,072,430	\$ 70,209,199
Mexico	\$ 20,387,855	\$ 31,985,267
Uruguay	\$ 15,317,495	\$ 14,587,761
Nicaragua	\$ 8,850,128	\$ 10,950,508
Costa Rica	\$ 8,781,189	\$ 9,675,881
Spain	\$ 6,386,922	\$ 6,124,341
Brazil	\$ 3,824,783	\$ 5,347,601
Sweden	\$ 5,708,291	\$ 5,282,805
Other	\$ 31,441,460	\$ 33,099,481
Total:	\$ 400,032,591	\$ 439,104,211

Source: Trade Data Monitor

Table 3. El Salvador's Main Suppliers of Top 5 Food Products/Ingredients and Supplier Market Share in 2020

Product Category	Top supply sources market share (in ranked order)	Strengths of competitor supplier countries
Dairy Products Total import value: \$350 million	1) Nicaragua: 45 percent 2) Mexico: 11 percent 5) United States: 7 percent	Pricing and availability of cheese to make “pupusas” according to consumer taste.
Soup & Other Food Preparations Total import value: \$174 million	1) Costa Rica: 27 percent 2) United States: 25 percent 3) Guatemala: 12 percent	Proximity lowers shipping costs and custom-made flavor availability .
Beef & Beef Products Total import value: \$170 million	1) Nicaragua: 85 percent 2) Honduras: 5 percent 3) United States: 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: \$146 million	1) Guatemala: 35 percent 2) Mexico: 18 percent 3) United States: 12 percent	Guatemala and Mexico offer lower prices, and shipping costs from Guatemala are less expensive given the proximity.
Fresh Fruit Total import value: \$107 million	1) Guatemala: 26 percent 2) Mexico: 18 percent 3) United States: 17 percent	Guatemala has been the main supplier of fruits and vegetables to El Salvador for decades, given their availability all year round and low (and more expensive) domestic production.

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 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
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La Libertad, El Salvador
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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

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e-mail: aurbina@salud.gob.sv

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Dirección de Ganadería (Livestock Division)

Contact: Mr. Mariano Alfredo Tejada

Address: Final 1 Ave. Norte, Santa Tecla, La Libertad, El Salvador Phone: (503) 2210-1763

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Private Sector Associations Contacts:

Asociación Salvadoreña de Industriales (Salvadoran Industrials Association)

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Attachments:

No Attachments