

Required Report: Required - Public Distribution

Date: December 19,2019

Report Number: ES2019-0010

Report Name: Food Service - Hotel Restaurant Institutional

Country: El Salvador

Post: San Salvador

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

Salvadoran restaurants and hotels continue to benefit from growth in the tourism sector, especially the business/convention and emerging surf sectors. In 2019, the tourism sector generated around \$1.6 billion, according to the Salvadoran Government. This year, the first restaurant sector study showed a \$709 million industry with over 700 formally established restaurants.

Market Fact Sheet: El Salvador

Executive Summary

El Salvador is slowly recovering economic dynamism, with 2.4 percent projected growth according to the most recent World Bank publication. Local food production cannot meet demand, and El Salvador depends on imports. A recent study from the Salvadoran Government reported that around 93 percent of vegetables, 66 percent of basic grains, 55 percent of fresh fruits, and 46 percent of meats are imported.

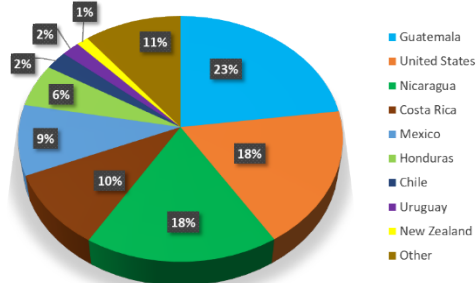
Salvadorans spend about half of their income on food. Per capita monthly expenditures for out of home lunch and dinner are \$84 on average. These numbers are high considering that average monthly income is approximately \$584, and the cost of the basic food basket is \$185 for a family of four.

In 2018, imports of agricultural and related products reached \$2 billion. The United States remains the leading supplier, with a 33 percent market share.

Imports of Consumer-Oriented Products

In 2018, the United States was the second largest supplier of consumer-oriented products to El Salvador, with exports valued at US\$187 million.

El Salvador- Consumer Oriented Agricultural Imports 2018 (Market Share)



Source: Trade Data Monitor, LLC.

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 2018, food imports reached over \$750 million, which confirms there is a constant demand for a diverse offering of food products. Local manufacturers are starting to pay closer attention to global trends to be able to compete with international suppliers.

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 such as open-air markets.

Quick Facts CY 2018

Imports of Consumer-Oriented Products from the U.S.: \$187 million

List of Top 10 U.S. Ag Products in El Salvador during 2018:

- | | |
|----------------------|----------------------------|
| 1) Corn | 6) Durum wheat |
| 2) Soybean oilcake | 7) Frozen potatoes |
| 3) Wheat | 8) Sauces and preparations |
| 4) Food Preparations | 9) Pork meat |
| 5) Rice | 10) Chicken cuts |

Trade

El Salvador Ag. exports to the world: \$1 billion
 El Salvador Ag. imports from the world: \$2 billion
 El Salvador Ag. imports from the U.S.: \$545 million
 El Salvador Ag/ exports to the U.S.: \$207 million

GDP/Population

Population (millions): 6.2 million

GDP (billions USD): \$51.2

GDP per capita (USD): \$8,000

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

Strengths	Challenges
The hotel and restaurant sector is growing and they are dynamic sectors for U.S. exports. Currently there are 784 hotels registered restaurants in El Salvador, and thousands of small/informal cafeterias that are channels of distribution of American food brands.	El Salvador is a highly price-sensitive market, and thus, lower quality products may be in higher demand if sold at lower prices.
Corporate/Convention/Medical tourism attract travelers from all over the world who usually look for a high-end eating and lodging experience.	Bureaucratic and tedious product registration procedures that delay the importing of more U.S. consumer-ready foods/beverages.
Salvadorans are frequent travelers are familiar with American brand and have a perception of higher quality and value for U.S. products.	Foodservice suppliers from Mexico and other Central American countries offer lower prices due to lower shipping costs, and greater understanding of local cultural needs.

SECTION I: MARKET SUMMARY

El Salvador is the smallest country in Central America. Its population is an estimated 6.2 million inhabitants, and it is slowly recovering economic dynamism with 2.4 percent projected growth according to the most recent World Bank predictions. The food and beverage sector in El Salvador play a key role in the economy, contributing over 6 percent to national GDP and 32 percent to the manufacturing industry's GDP. For 2018, top five export markets of this sector were Guatemala, Honduras, Nicaragua, the United States and Spain.

El Salvador offers opportunities to increase U.S. foods/beverages markets as it the tourism sector grows. In 2019, tourism generated \$1.6 billion, the largest value since 2009. Currently, El Salvador is considered the Central American leader for Tradeshows/Special Events tourism. According to the International Center for Tradeshows and Conventions (CIFCO by its Spanish name), during 2018 there were over 1,000 events such as conventions, concerts and tradeshows. According to the Ministry of Tourism, businesspeople attending a convention and/or tradeshow spend about \$300 per day compared to the \$123 of the average visitor.

As commuting times in El Salvador have increased, people are leaving their homes earlier in the morning and are eating out more often. According to the "Multi-Purpose Homes Survey" conducted by the Ministry of Economy in 2018, active working Salvadorans spend a monthly average of \$49 in lunches in restaurants/cafeterias and another \$24 in snacks. According to Euromonitor, in 2018, Salvadorans' annual per Household expenditures in eating out for an average worker from different economic sectors was \$1,316 or approximately \$110 monthly.

Salvadorans Annual Expenditure by Economic Status of Household Head	
Categorization Type	2018
Employee	\$ 1,315.90
Employer and Self-Employed	\$ 1,539.80
Unemployed	\$ 783.90
Other	\$ 895.80

Source: Euromonitor

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

Advantages	Challenges
The hotel and restaurant sector are growing, and they are dynamic sectors for U.S. exports. Currently there are 784 hotels registered restaurants in El Salvador, and thousands of small/informal cafeterias that are channels of distribution of American food brands.	El Salvador is a highly price-sensitive market, and thus, lower quality products may be in higher demand if sold at lower prices.
Corporate/Convention/Medical tourism attract travelers from all over the world who usually look for a high-end eating and lodging experience.	Bureaucratic and tedious product registration procedures that delay the importing of more U.S. consumer-ready foods/beverages.
Salvadorans are frequent travelers are familiar with American brand and have a perception of higher quality and value for U.S. products.	Foodservice suppliers from Mexico and other Central American countries offer lower prices due to lower shipping costs, and greater understanding of local cultural needs.
A fast-paced living style and longer commuting times are driving consumers to look for convenient, ready-to-eat meal options, as well as eating out almost every day.	Overall, the Salvadoran economy remains very susceptible to the world economy and outside events that can disrupt investment.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Market Entry Strategy

El Salvador has a very dynamic import sector that is educated in consumer trends, attends tradeshow and is open to bringing new products to meet the demand of the HRI sector. The government of El Salvador recently signed a Regulatory Reform Law to eliminate bureaucratic barriers throughout the government. Expectations for this reform are that it will help, among other processes, to expedite the registration of food/beverages products.

Most hotels and restaurants buy through a variety of different distribution channels available, including direct importing of food ingredients. El Salvador does not produce enough food to meet demand. According to the Salvadoran Industrial Association, in 2018, food imports accounted for \$750 million, a five percent increase over 2017, and despite its tropical climate, El Salvador does not meet demand for fruits and vegetables and therefore it heavily relies on imports.

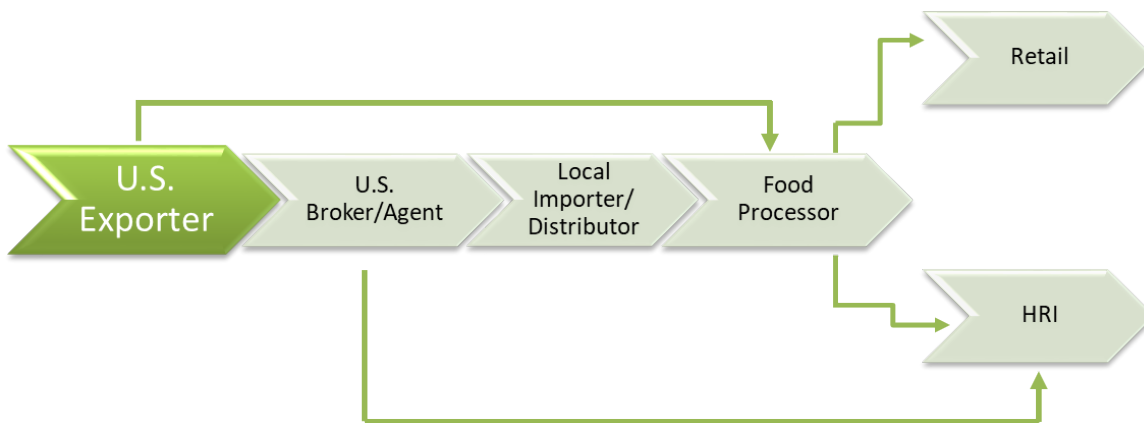
For U.S. exporters that want to sell in the Salvadoran market, having a local partner is highly recommended.

These could be either importers/agents or distributor companies that provide insight into local consumer trends and business practices. The Foreign Agriculture Service (FAS) in San Salvador can provide a list of companies that are currently importing different products and have direct access to buyers in the HRI sector.

B. Market Structure

The HRI sector in El Salvador, as in most places, values fast service and high quality at the lowest/reasonable prices. Local food manufacturers are adapting to package sizes and specific flavor profiles required by the HRI sector, promoting heavy competition with long time suppliers from Mexico and neighboring Central American countries. In addition, the HRI sector is looking to import more of its imported raw materials directly to reduce costs.

The diagram below shows the basic distribution flow for imported foods/beverages for the HRI sector in El Salvador:



C. Sub-sector Profiles

- **Hotels**

Historically, this sector has not grown at high rates; however, in recent years El Salvador has received important investment from both foreign and local firms, with more development in coastal regions and exclusive areas of San Salvador. According to the Salvadoran Hotel Association, there are about 500 registered hotels across the country, and a few others under construction. The goal is to expand room availability to over 1,000 in the San Salvador area to capture more business travelers. There are also a good number of small hotels in rural areas, specifically in the coffee-producing regions and mountains, which in the first half of 2018 attracted more than 400,000 Salvadorans for internal tourism. For more information about main hotel chains/brands present in El Salvador, please check the Salvadoran Hotel Association's website: <http://hotelesdeelsalvador.com/>

At the same time, El Salvador is increasingly becoming a favorite spot for surfers from around the world, providing many opportunities for the HRI sector. All of this opens the opportunity for foodservice suppliers to exploit a demand that is currently neglected.

Most hotels in El Salvador purchase their food products through local importers, distributors, wholesalers and large open-air markets. Chefs are key to making purchase decisions, so it is recommended to show new products to them before offering them to Purchase Managers. In this regard, the FAS office regularly carries promotional events with the support of USDA Cooperators and local importers to showcase and provide tastings of U.S. foods/ingredients for the HRI sector, and these events provide an opportunity to test the market with new products.

- **Restaurants**

In 2019, the Salvadoran Restaurant Association launched the very first study on the important role that restaurants play in the Salvadoran economy. There is a total of 784 registered restaurants that generate \$709 million to local economy, representing 2.86 percent of El Salvador's GDP.

In addition, there are other dining options for Salvadoran consumers, going from small cafeterias to traditional food stands, and more recently, food trucks. The latter has become a trend that started in 2015 with 2 food trucks, and now consists of over 25 brands that offer high quality and/or gourmet food options at more affordable prices.

Depending on the format, either specialty or franchise, most restaurants purchase fresh produce from local suppliers and large open-air markets. Franchises and other international restaurants usually import directly or purchase from local importers/distributors or wholesalers such as PriceSmart that sell the ingredients/products they need in large size packages.

Home/office delivery service is widely available now for restaurants, including fine, gourmet/international cuisine options, through apps such as HUGO, UberEats and the newest eLUNCH. A local entrepreneur, One Kitchen Company, has also taken advantage of these platforms to create the "virtual restaurants" niche in El Salvador, currently offering 4 different restaurant options that compete with physical establishments.

To see a detailed list of main restaurants registered in El Salvador please check the Salvadoran Restaurant Association website: <http://ares.sv/>

- **Institutional**

In El Salvador, many institutions offer unique opportunities to sell imported food products, specifically for hospitals –public and private- as well as traditional government agencies that are responsible for their own food purchases. Be aware that in doing business with the Salvadoran government, there is no electronic contracting platform, only an electronic notification system for companies registered online as providers at COMPRASAL (www.comprasal.gob.sv). This registry is open to U.S. companies, regardless of whether the company has a local representative. Public announcements are made through print media and are posted on the government procurement website.

Institutional Sector Markets with best opportunities are:

- Public and private hospitals
- Penitentiaries
- Public schools under the "Healthy School" program

III. COMPETITION

Although the Salvadoran food industry is not as developed as other Central American countries, it is currently the regional leader in the production and export of snacks, juices and carbonated beverages. As such, Salvadoran food manufacturers rely heavily on imports of food ingredients. El Salvador is a signatory to 10 free trade agreements and Central American neighbors, Mexico, and Chile are the main competitors for the United States in consumer-oriented and food ingredient products. In 2018, El Salvador’s total food imports, including some semi-processed or processed foods for the Food Manufacturing sector, reached \$750 million, a five percent increase over 2017.

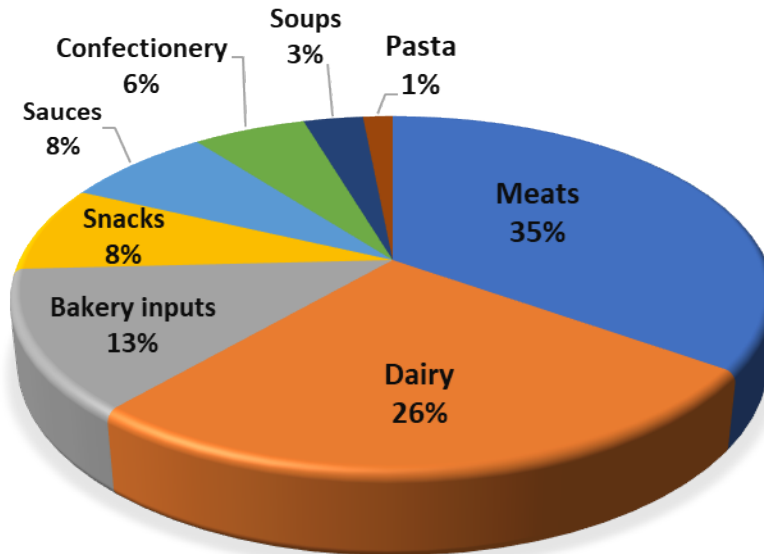
Proven high food safety standards and excellent quality, as well as technical support and assistance in the development of new products, give U.S. food ingredients a competitive advantage.

Key Suppliers of Top Five-Consumer-Oriented Agricultural Imports in El Salvador- 2018 Data

Product Category	Major Suppliers (ranking)	Supplier % share in value	Strengths of Countries Competing with the U.S.
Food Preps. & Misc. Bev	1) Guatemala	22	Pricing and low shipping costs due to proximity.
	2) Costa Rica	20	
	3) United States	20	
Dairy Products	1) Nicaragua	46	Pricing and availability of cheese to make “pupusas” (typical dish) according to consumer taste preference.
	2) Costa Rica	8	
	3) United States	8	
Beef & Beef Products	1) Nicaragua	80	Pricing and distribution are less expensive.
	2) United States	8	
	3) Guatemala	5	
Fresh Fruit	1) Guatemala	27	Pricing and distribution availability.
	2) Mexico	21	
	3) United States	20	
Fresh Vegetables	1) Guatemala	79	Good quality and varied offer of vegetables being produced in competitor countries.
	2) Honduras	14	
	3) China	2	
	5) United States	1	

Source: Trade Data Monitor, LLC.

EL SALVADOR'S MAIN FOOD IMPORTS- 2018



Source: Salvadoran Industrial Association/ Central Reserve Bank/
Trade Data Monitoring, LLC.

SECTION IV- BEST PRODUCT PROSPECTS

Products present in the market, which have Good Sales Potential:

El Salvador is a heavy baked products-consumer, so there is still potential for baking inputs, dairy, fruit/vegetable juices, and beef.

Products Not Present in Market but which have Good Sales Potential:

- Specialty fresh fruit such as kiwi and the large size varieties of strawberries for baking operations within hotels and restaurants.
- Another trend is to meet demand from healthy eating consumers who ask for natural, reduced sugars or fat free products. Potential product categories are natural sweeteners, assorted juices and fruit extracts.
- U.S. grown seafood as market has recently opened, specifically lobster and crab meat.

Products not present because they face Significant Barriers:

Seafood produced in a foreign country but packed in the United States, as current regulations from Ministry of Agriculture require plant-by-plant inspection at manufacturing origin. However, check with the FAS office for updates on this issue.

SECTION V- POST CONTACTS AND FURTHER INFORMATION

Office of Agricultural Affairs
USDA/FAS
U.S. Embassy El Salvador
Blvd. 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 Saneamiento Ambiental (DSA-Food Safety Division)
Contact: Mrs. Ana Lila de Urbina
Address: Alameda Roosevelt, Edificio Laboratorio Central Dr. Max Bloch, San 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: Carlos Jesus Argueta
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Attachments:

No Attachments