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Report Name: Retail Foods

Country: El Salvador

Post: San Salvador

Report Category: Retail Foods

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Report Highlights:

During 2019, the Salvadoran retail sector, valued at approximately \$4.5 billion, continues to show positive signs of growth as supermarkets and discount stores have expanded operations. Imports of U.S. consumer-oriented products rose to \$187 million in 2018, reversing the downward trend from 2017, and confirming Salvadoran consumers' preference for U.S. premium quality products. Walmart and Super Selectos are the largest supermarket chains, with 100 stores each. Both have signaled plans for expansion using new commercial developments in highly populated cities. Food preparations, dairy products, and pork meat cuts and sub-products are the best performing categories for this period, and demand is expected to continue this upward trend.

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 supply cannot meet demand, and El Salvador remains import dependent. A recent study from the Salvadoran Government reported that about 93 percent of vegetables are imported, as well as 66 percent of basic grains, 55 percent of fresh fruits, and 46 percent of meats.

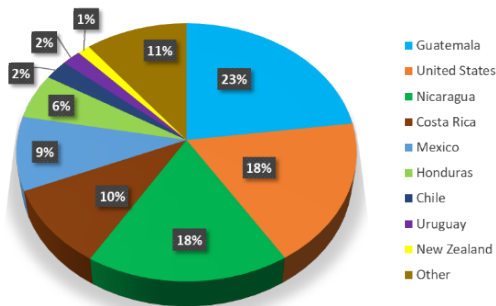
Salvadorans spend about half of their income on food. Per capita monthly expenditures for out of home lunch and dinner are \$84 on average. These numbers are high considering that average monthly income is approximately \$584, and the cost of the basic food basket is \$185 for a family of four.

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 \$750.3 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 like the 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*): 6.6 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
Information and technology have become strong tools for food marketing/selling. Product bar codes and scanners at point of sale are great tools to increase profitability and stock control. In addition, major supermarket chains have launched online stores to reach millennials and the Salvadoran diaspora.	Security is a major concern in El Salvador and retailers have high distribution costs.
As El Salvador becomes a more service-based economy, increasing numbers of office workers make for potential consumers for high quality U.S. food products.	A lack of consistency and transparency in import and customs procedures.
Major retailers have expanded the number of stores and floor space. The trend is to continue expansion.	The market is highly price-sensitive, and oftentimes lower quality products are more competitive due to pricing.
The hotel and restaurant sector is growing and they are dynamic sectors for U.S. exports. Specifically, business conventions are increasing, and foreign business travelers look for familiar imported foods.	High marketing costs (advertising, discounts, sampling, etc.) are necessary to promote new market products.

SECTION I: MARKET SUMMARY

El Salvador is slowly recovering economic dynamism, with 2.4 percent projected growth according to the most recent World Bank publication. Convention/Business Tourism is booming as El Salvador is becoming a Hub for Central American business due to its logistical convenience for regional events. According to Management from the International Center of Conventions and Tradeshows (CIFCO by its Spanish name), during 2018 approximately \$100 million was generated through a little over 1,000 events, including conventions, concerts, tradeshows, etc. The recent growth in the larger tourism sector is also notable. During 2018, there were over 2.5 million visitors, generating around \$1.5 billion. In addition, there have been openings of new Boutique hotels, restaurants, and office buildings, which all contribute to higher demand for U.S. food products.

Due to increased internet access and consumers' time constraints, ordering products online for pickup or delivery is a growing trend. In El Salvador, Super Selectos, the largest supermarket chain, and smart phone apps such as HUGO are offering delivery services. The average online shopper is usually a higher income consumer. Another way that consumers are using the online grocery delivery services is in place of remittances. Rather than sending money home from overseas, some Salvadorans are sending food delivered through these local apps. This new channel also offers an opportunity to launch new products, special promotions and/or rewarding clients to increase brand loyalty.

Supermarket Profile:

According to a recent study by a local marketing firm, supermarkets in El Salvador account for approximately 40 percent of all food retail sales in El Salvador, valued at \$1.7 billion. It is difficult to obtain specific data as supermarkets are reluctant to release exact sales information. Sales are estimated as follows:

Owner Group	Supermarkets, Hypermarkets and Club Outlets	Current Stores	Estimated annual sales
Grupo Calleja, S.A. de C.V.	Super Selectos	100	>\$150 million
Walmart Mexico y Centroamerica	Walmart Supercenter	5	>\$150 million
	Despensa de Don Juan	17	\$100-150 million
	Despensa Familiar 1/	63	\$100-150 million
	Maxi Despensa	15	>\$150 million
Price Smart	Price Smart	2	>\$150 million
TOTAL:		202	

Source: Estimate of sales calculated by FAS, San Salvador.

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

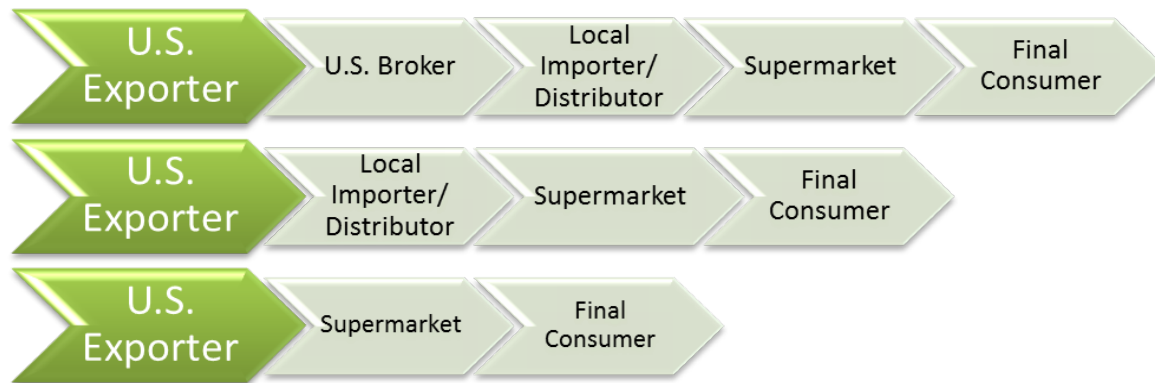
Advantages	Challenges
Major retailers have expanded the number of stores and floor space during the last few years, with plans to continue this expansion.	The market is highly price-sensitive, and lower quality products are often more competitive due to pricing.
Information and technology have become strong tools for food marketing/selling. Product bar codes and scanners at points of sale increase profitability and stock control. In addition, major supermarket chains have launched online stores to reach millennials and the Salvadoran diaspora.	Market leaders are investing in construction of modern shopping centers in which supermarkets are the anchor points. This usually requires higher investment in marketing for in-store promotions to promote U.S. brands.
A more educated, bilingual (English/Spanish), and younger population is looking for American products/brands/franchises in order to achieve a more “American” lifestyle due to ties with relatives living in the United States.	A lack of consistency and transparency in import and customs procedures.
The hotel and restaurant sector is growing and they are dynamic sectors for U.S. exports. Specifically, business conventions are increasing, and foreign business travelers look for familiar imported foods.	Overall, the Salvadoran economy remains very susceptible to the world economy and outside events that can disrupt tourism and investment.
As El Salvador becomes a more service-based economy, increasing numbers of office workers make for potential consumers for high quality U.S. food products.	Security is a major concern in El Salvador and increases costs of distribution.

SECTION II. ROAD MAP FOR MARKET ENTRY

Retail Sector

Retail outlets are the preferred venue for food items for consumers. Hypermarkets/supermarkets and convenience stores coexist with the traditional small grocery stores (mom-and-pop) and open-air markets. There are two dominant supermarket chains in El Salvador: Super Selectos and Walmart Mexico y Centroamerica.

Market Structure



As shown above, there are at least three ways to reach the Salvadoran consumer. Supermarkets, for instance, may use the three import methods to ensure better prices for their clients. In the case of most importers, they usually prefer to deal directly with manufacturers so they can offer prices that are more competitive. Transportation costs are key, therefore preferred method of shipping is from Miami to Guatemalan ports mainly, although some may come through Panama, and then using ground transportation to El Salvador. Due to an increase in corporate social responsibility programs, local sourcing of mainly fresh produce and other perishable products is growing, and supermarkets have different programs to assist farmers to deliver high quality products.

Company Profiles

Super Selectos is a Salvadoran-owned retailer, currently with 100 stores and an ongoing expansion plan by partnering with commercial developments across the country. Super Selectos stores layout has evolved to lure consumers and provide a more comfortable shopping experience by redesigning their stores concept that includes ample aisles, cafeteria, and installing energy-efficient technologies. Super Selectos online store is getting wider acceptance, with an increasing client base among local working people from middle-high class and Salvadorans, women specifically, living abroad. <https://www.superselectos.com>

Walmart Mexico y Centroamerica is the largest retailer in the region with over 600 stores. In El Salvador, it has 100 stores under different formats: Walmart Super Centers (5), Despensa de Don Juan (17), Maxi Despensa (15) and Despensa Familiar (63). Their main competitive advantage is their large and diverse offering of non-food products such as apparel, electronics and housewares at affordable prices, functioning as a “one-stop shop” for busy people. <https://www.walmart.com.sv>

PriceSmart El Salvador, S. A. de C. V. with headquarters in San Diego, California, Pricesmart has two stores in El Salvador—both of which are located in the capital city of San Salvador. Similar to membership warehouse clubs in the United States, it carries a mixture of groceries, apparel, electronics, household goods, and automotive parts. It is one of the preferred food retailers for large families and restaurant owners. <https://shop.pricesmart.com/es/sp/>

Approximately 60% of food/beverages sales occur at mom-and-pop stores, open-air markets, discount stores (dollar stores), and increasingly at gas stations' convenience stores.

There are some 70,000 "mom-and-pop" stores in El Salvador, and a recent study by a local Marketing firm estimates their sales at approximately \$2.8 billion. Lower-income consumers are their main customers, and small packages are preferred.

Dollar, or discount, stores are expanding their shelves to offer a wider portfolio of food items, mainly ready to eat products such as ramen soups, candy, cookies, and beverages. However, pancake mixes, sauces, and other products to cook are being offered as well.

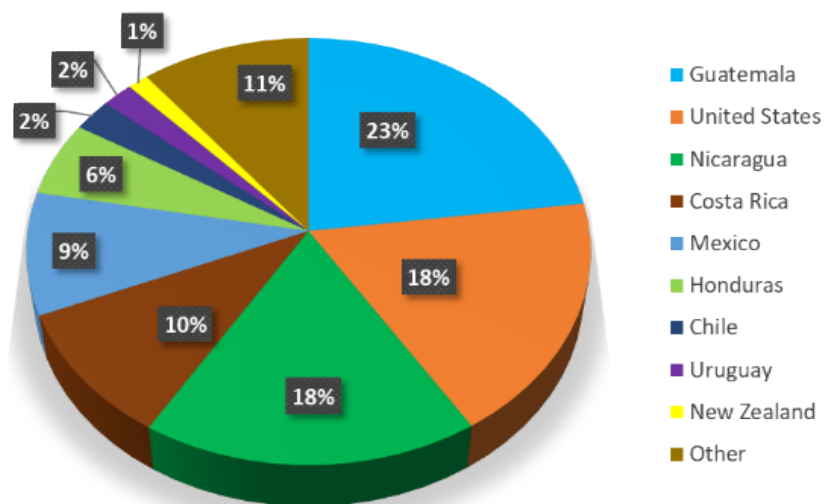
Convenience stores at gas stations are offering more than light refreshments and ready-to-eat products. In some cases, food offerings include homemade style meals and specialty coffee drinks available throughout the day, making these stores a good opportunity for higher quality food products and/or ingredients from the United States.

Open-air, or wet markets have traditionally been the most popular places to find fresh and less expensive grocery items like fruits, vegetables, red meat, poultry, eggs, pork, and fish. However, since security has become an important issue when determining where to make food purchases, people with higher incomes tend to go only to supermarkets, which offer a more secure and comfortable environment for shopping.

III. COMPETITION

El Salvador is a signatory to 10 free trade agreements. The 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. Salvadoran food manufacturers rely on imports of ingredients.

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



Products not present in significant quantities, but which have good sales potential:

Health and nutrition are a main concern for most higher-income consumers; therefore, there is a stronger demand and potential for products that are fat free/low fat, gluten free, unsweetened or reduced calories beverages.

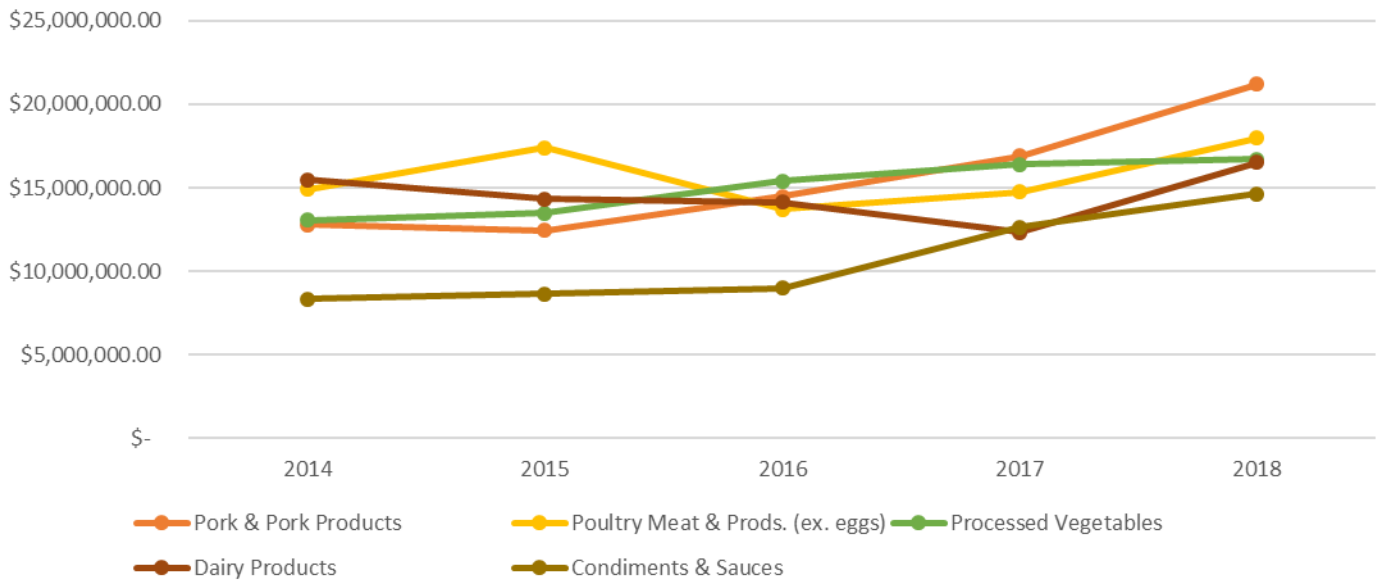
Following the healthy eating trend, many people are joining runners/biker clubs and are looking for foods and beverages that help them prepare better for competitions.

Categories of interest are:

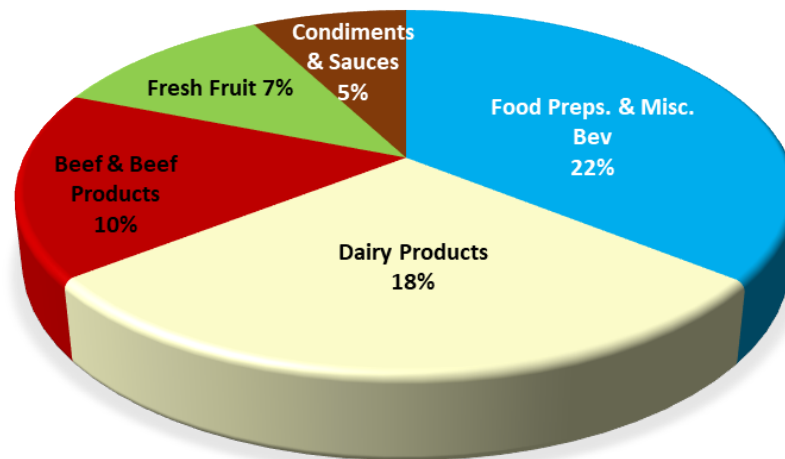
- Organic foods and beverages
- Dairy substitutes: soymilk, almond milk (unflavored and flavored varieties).
- Cereal or oatmeal with ancient grains such as quinoa, chia, and amaranth.
- Lactose-free/gluten-free/sugar-free beverages.
- Whole wheat bread and/or seeds-base products: granola bars, flaxseed products,
- Artisan-made and special sauces and condiments
- Energy boosters: shakes, juices, energy bars, natural juices, both regular and reduced sugar content (targeted at kids)
- Specialty dairy products (herbal butter, European-style cheeses, etc.)
- Sugar-free and gluten-free cookies, candy, baking mixes, etc.
- Deli meats and specialty seafood (100% U.S. origin) and ready to serve platters.

El Salvador Top 5 Consumer oriented imports from main U.S. competitors: 2018			
Product Category	Ranking	Country	US\$
Food Preps. & Misc. Bev	1	Guatemala	\$ 55,765,487.00
	2	Costa Rica	\$ 51,422,433.00
	3	Mexico	\$ 25,896,580.00
Dairy Products	1	Nicaragua	\$ 93,666,355.00
	2	Costa Rica	\$ 17,039,352.00
	3	New Zealand	\$ 14,601,442.00
Beef & Beef products	1	Nicaragua	\$ 94,097,961.00
	2	Guatemala	\$ 6,326,067.00
	3	Honduras	\$ 2,896,845.00
Fresh Fruit	1	Guatemala	\$ 21,428,544.00
	2	Mexico	\$ 17,009,671.00
	3	Chile	\$ 9,772,853.00
Condiments& Sauces	1	Costa Rica	\$ 18,519,908.00
	2	Guatemala	\$ 11,584,240.00
	3	Mexico	\$ 4,377,282.00

Top 5 U.S. Consumer Oriented Imported products with upward trend 2014-2018 (US\$ Millions)



EL SALVADOR TOP FIVE CONSUMER ORIENTED FOOD IMPORTS FROM THE WORLD: 2018



Source: Trade Data Monitor, LLC

V. POST CONTACT AND FURTHER INFORMATION

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Attachments:

No Attachments