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El Salvador

EXPORTER GUIDE ANNUAL

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Report Highlights:

Growth in the retail and HRI sectors continues to bolster consumption of U.S. food/beverage products. However, over the last few months, this growth has been hampered by the effects of the global crisis on the Salvadoran economy. Ongoing free trade agreements such as CAFTA-DR are also providing new opportunities for Salvadoran exports which in turn help increase foreign revenue and purchasing power of the local consumer. U.S. exporters should take advantage of the local consumer's perception that U.S. food products are of higher quality and safer to consume. The processing sector is continuously demanding food ingredients which provides an excellent opportunity for U.S. manufacturers.

Post:

San Salvador

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I. MARKET OVERVIEW

A. Current Economic Situation

Although El Salvador is the smallest country in terms of area in Central America, it is its third largest economy with a Nominal GDP of US\$22,115 Million in 2008. The Government of El Salvador (GOES) has historically been committed to an open-market economy and has recently pursued economic diversification into new sectors such as non-traditional agricultural production, processed food, distribution, telecomm services, and tourism. Entrance in these areas follows a 30-year evolution in the economy from being agriculture based to one of commercial/retail and financial services. A glance into sector distribution in recent years confirms the importance of services in the overall economy:

Sector Breakdown: % share of Real GDP					
	2004	2005	2006	2007	2008
Agriculture	9.6	9.8	10.0	10.8	11.2
Industry	30.8	30.4	30.1	30.8	24.7
Services	59.6	59.9	59.9	58.5	64.1

Source: Economist Intelligence Unit

The last three years have seen interesting developments. In terms of distribution, the building of a new US\$115 million port in the eastern province of La Unión will not only boost the economy in that region but will also complement the Acajutla port in the west. As for telecomm, following the 1998 privatization of the sector, player dynamics have provided for interesting statistics. In December 2008, for example, 100% penetration of mobile telephones was reached. Internet and fixed line penetration still lag behind. Last, tourism has seen activity since the creation of the Ministry of Tourism in 2004. According to the institution, in the last ten years a rise of 183% has been observed.

It is important to note that an element that has allowed for a growth in services has been internal demand which has been positively affected by the remittances of more than 2.5 million of Salvadorans living in the U.S. Central Bank figures for 2008 report remittances totaling US\$3.79 billion for 2008, an amount that surpasses El Salvador's income from exports by over 52%. Moreover, trade is highly important to El Salvador, demonstrated by its free trade agreements with Mexico, Chile, Panama and Taiwan, as well as its membership in the Central America Dominican Republic Free Trade Agreement, CAFTA-DR. With the reduction of import tariffs and removal of almost all non-tariff trade barriers, doing business in El Salvador has improved significantly over the last few years. The privatization of the banking system in the early

1990's resulted in a financial sector that is recognized as one of the most efficient in Latin America, and which has created an array of financing option for local importers. In addition, good standing credit with foreign suppliers complements the availability of funds to carry out business transactions. In 2001, this country adopted the U.S. dollar as its currency, eliminating foreign exchange risks for investors.

B. Current Political Situation

Four parties dominate the political arena, with the first two being the strongest players: the National Republican Alliance (ARENA), a conservative party, the Farabundo Marti Liberation Front (FMLN), a left/left-of-center party, the National Conciliation Party (PCN), a centrist party, and the Christian Democratic Party (PDC), also centrist. ARENA was created in the early eighties and declares itself as business friendly and conservative. The FMLN is a party constituted by former guerrilla organizations and other groups which oppose ARENA. This party came into being after the country's peace accords were signed in 1992.

On March 15, 2009, El Salvador held presidential elections within a framework of democracy, transparency and full respect for the Constitution and the rule of law. The winning candidate is former journalist and CNN correspondent Mauricio Funes of the FMLN (52%). His opponent was former Police Chief Rodrigo Avila of ARENA (49%). For the last four terms, ARENA had held the presidency, so the FMLN win marks the first time the opposition was able to secure the central government in the post war period. Mr. Funes has expressed that free markets dynamics, past trade policies and amicable relations with the US will continue. Additionally, he has stated there will be an emphasis in social programs and in economic stimulus policies. The Economist Intelligence Unit points out the following challenges for the new president and the FMLN:

- Moving past lingering perceptions of radicalism for the FMLN, as well as party divisiveness.
- Its legislative minority and an opposition that has already stated it will be strong.
- Relations with the media and private sector.
- The current economic global recession.

Mr. Funes took office on June 1st. 2009.

C. Market Size

El Salvador is densely populated, with population growth averaging 1.69% during the last seven years. Of its 5.9 million people, nearly 61% are estimated to live in urban areas and the average growth of urban population has been 3% in the last 30 years. According to the government's 2007 census, the capital city of San Salvador accounts for approximately one-third of the country's population. This figure is understandable when considering that migration patterns to this city began during the 1980's as a result of civil conflict, and

continued thereafter due to natural disasters and decreasing agricultural industry. Other than San Salvador, there are three other major cities: San Miguel, in the eastern part of the country; and Santa Ana and Sonsonate, both in the western side. Recent government efforts have been targeted on the impoverished eastern and northern regions, both of which were affected by the civil conflict. The focus in the eastern region has been on foreign direct investment, with the building of the aforementioned seaport in the province of La Unión. The focus on the northern region has been on a US\$416 million revitalization project under the Millennium Challenge Corporation, which includes job development, public services and agriculture.

El Salvador in Facts and Figures:

- Area 21,040 km²/8,124 sq ml
- Time Zone: UTC - 6
- Population: 5.9 million
- Population under 18 years of age: 2.7 million
- Population under 5 years of age: 800,000
- Unemployment/Underemployment: 6.4 percent / NA percent.
- Inflation: 8.1 percent
- Nominal GDP: US\$22,115MM (2008)
- Distribution of Income or Consumption

Gini Index	52.4
Percentage Share of Income or Consumption	
Lowest 10%	.7
Lowest 20%	2.7
Second 20%	7.5
Third 20%	12.8
Fourth 20%	21.2
Highest 20%	55.9
Highest 10%	38.8
Source:2007 World Development Indicators, World Bank	
R/P 10%: Richest 10% to poorest 10%; R/P 20%: Richest 20% to poorest 20%	

- Major Agricultural Products: Coffee, sugar, corn, rice, beans, oilseed, cotton, sorghum; tuna; dairy products.
- Leading Agricultural Exports: Coffee, sugar, tuna, frozen tropical fruit and processed ethnic foods such as corn tamales.
- Leading Agricultural Imports: Wheat, yellow corn, rice, soybean meal, cotton, dairy products, and consumer-ready products.
- U.S. Agricultural, Fish and Forestry Exports to El Salvador: US\$453.4 million (record)

- U.S. Agricultural, Fish and Forestry Imports from El Salvador: US\$249 million
- Total imports C.I.F.: US\$9.7 billion
- Imports from U.S.: US\$3.5 billion
- Total exports F.O.B.: US\$4.5 billion
- Total Exports to U.S.: US\$2.3 billion

Source: Salvadoran Central Bank (BCR), CIA World Fact book on-line, USDA-FAS, BICO Reports, the State of the World's Children/UNICEF 2009, 2007 World Development Indicators, World Bank.

The Salvadoran market may be significantly larger than portrayed by U.S. export data. A high percentage of El Salvador's imports of consumer-oriented products are actually registered as imported by Guatemala. The main reason is that many containers come through Guatemala's Santo Tomas port and even though they are in-transit to El Salvador, local customs officials tally them as Guatemalan imports. Particularly close links with the United States are evident by the strong commercial relationship between both countries.

A. Advantages and Challenges in the Market

Advantages	Challenges
U.S. agricultural and food products are sought after by Salvadoran's HRI sector, as they enjoy an excellent reputation among Salvadoran consumers and they are renowned for being of high quality and food safety standards, as well as healthy and nutritious.	U.S. agricultural and food products are more expensive than some regionally available food products. Guatemala, Canada, Mexico, Chile Mexico are strong competitors of U.S. food products.
In general, El Salvador in its implementation and application of regulations is transparent and open, as it follows and adopts WTO and Codex guidelines for food safety.	Lack of awareness of new technologies for food products, such as biotechnology.
Exposure to US media as well as language, cultural, and commercial ties with the United States all contribute to consumers having a positive attitude toward U.S. products	High marketing costs (advertising, discounts, sampling, etc) are necessary to promote new market products.
The tourism and restaurant sectors are growing and dynamic sector for U.S. exports.	Overall, Salvadoran economy remains very susceptible to any world event that may disrupt tourism and investment (i.e. the world economy), and Salvadorans are very price sensitive.
The major retailers are developing increasingly sophisticated distribution systems, which will provide more space and	Security is a concern in El Salvador and the local authorities still need to improve their security programs.

better cold chain technology for high value imports	
The implementation of CAFTA-DR has lowered or eliminated duties for most U.S. food products	Tariff rate quotas of sensitive products continue to protect local producers of products such as poultry, and dairy.
Most of the products stocked on the shelves of Salvadoran retail stores are imported.	The economic condition of the country limits gourmet products imports.

Most large importers/distributors are members of the Salvadoran Distributors Association (ADES; <http://www.adess.org.sv>). This association manages the relationship of its members with local retailers, wholesalers and supermarkets and can provide a good starting contact to enter the market.

II. EXPORTER BUSINESS TIPS

A. Business Customs

The success in introducing products into the Salvadoran market depends of acquiring local representation and making personal contacts. The advantages of local representation include market knowledge, up-to-date information and guidance on business practices and trade laws, sales contacts, and market development expertise.

Salvadoran business relationships and meetings are, at first, formal. One is expected to use proper titles, shake hands before and after you meeting, and not use a person's first name until a relationship has been solidified. Salvadorans commonly use titles such as Licenciado(a) (title acquired after completing a BA or law degree), Ingeniero (title acquired after completing an engineering degree or BS), or Doctor(a) (title acquired after completing a medical degree or a PHD). These are followed by the person's last name (i.e. Licenciado Gómez). El Salvador tends to be very much a business card society and it is important upon first meeting someone to exchange business cards with him or her. It is an excellent practice to have a ready supply of business cards in Spanish.

Breakfast meetings are common and begin about 7:30 a.m. Lunches and dinners can become lengthy affairs (2-3hours), so it is advisable to not plan a tight schedule around them. Dinners start late by U.S. standards, frequently at 8:00 or 9:00 p.m. Lunch is usually at 12:30 p.m. and is the largest meal of the day.

B. Customer Taste

The four basic foods for the vast majority of the population in order of importance are: tortillas from white corn, beans, eggs, and rice. Bread, meat, fruit, vegetables (fresh, canned and frozen), snacks and juices are readily consumed in varying quantities depending upon income level. Generally, people living in the city consume more bread and meat and less tortillas and beans.

Salvadoran consumers are very familiar with U.S. style food. Most U.S. fast food franchises have outlets in El Salvador. Food courts located in shopping malls are popular and viewed as a perfect place to socialize. Delivery service has caught on quickly in this market.

As more women join the labor force, there is less time for meal preparation at home. In addition, domestic servants are finding better-paying jobs in the growing maquila (cut and sew) industry. As a result, the average housewife is changing her preference towards ready-to-eat or easy preparation meals.

U.S. foods such as hot dogs and hamburgers are preferred by the younger generation. Ramen-style soups have fulfilled a niche in the construction and maquila sector. These soups are a quick and inexpensive lunch for thousands of laborers who can't afford to pay for a regular cafeteria meal.

Culturally speaking, Salvadorans have adopted much of the U.S. culture such as music, sports, fashion and fast foods.

C. Food Standards and Regulations

El Salvador does not have a specific Food Law that applies to imported foodstuffs. Instead, the Health Code is the most widely used instrument to enforce local food safety. The Ministry of Public Health and Social Assistance (MPHSA) is in charge of all registrations and authorizations to import, manufacture, and sell foodstuffs and beverages, as well as any raw materials used in the production process. The most pertinent regulation used to enforce proper health safety when importing foodstuffs is Section 12/Article 88 of the Salvadoran Health Code. This particular article states that in order to import any food or beverage, its use must be authorized by a Certificate of Free Sale and Consumption issued by the Environment Safety Department (DSA) of the MPHSA. Each respective certificate must include the name of the product and its components. Other products such as fresh produce and products of animal origin are regulated by the Plant and Animal Health Division (DGSVA) of the Ministry of Agriculture (MAG). For U.S. products, the Ministry of Health will accept the Certificate of Free Sale issued by the producer or distributor signed and sealed by a U.S. attorney.

The Government of El Salvador (GOES) has not yet designed a program geared towards the implementation of food safety laws and their proper enforcement. The main problem has been attributed to limited resources due to other important needs such as public infrastructure and social programs. However, local policy makers are beginning to react to criticism by unsatisfied consumers regarding food safety and quality control. A Consumer Protection Law was ratified by the National Assembly and has been in effect since April 1996. According to the law, the Ministry of Economy through the Consumer Protection Agency (DGPC) is the entity in charge of enforcing all the dispositions stated in this law. The National Assembly has ratified an updated Consumer Protection Law. Under the revised law, the Consumer Protection Agency (DC) has been designated as the sole entity in charge of safeguarding consumers from unsafe products.

Most food products are inspected for safety at the port of entry. However, the MPHSA carries out random testing at the retail and wholesale level to make sure that foodstuffs comply with all the required health and quality standards. Nevertheless, many unchecked products manage to reach their final destinations due to lack of human resources and appropriate infrastructure to control illegal distribution channels.

The trend in food safety in El Salvador is for tighter control and more efficient regulations. The tendency is leaning towards the use of Codex Alimentarius norms. Meanwhile, Central American Norms and in some instances FDA norms are being used until Codex norms are revised and adopted.

- Labeling Requirements

The MPHSA requires the following labeling information for all products sold in El Salvador:

1. The label should express the nature of the product, composition, quality, origin and general processing method.
2. Name of the product: must be the specific name.
3. Net Content: It must be expressed in decimal metric system units.
4. Ingredients: They should be listed with their proper names, in decreasing order, according to their importance in the composition of the product. It is not necessary to identify the percentage of each ingredient.
5. Additives: Must be mentioned by the group it belongs to (for example: antioxidant), followed by its specific name and its concentration in the final product.

6. Lot identification and manufacturing date: in order to identify the lot, a code can be used, which must be provided and clarified to the Health authorities. To identify the manufacturing date, 6 digits must be used (year, month, and day).
7. Expiration date: When a product has limited shelf life, it must be declared on the label. Labels for food products whose shelf life is between 3 and 18 months must include the statement “PREFERABLY CONSUME BEFORE”, followed by the day and month. Labels for food products that expire in shorter periods should state “Expiration Date”, with the day and month.
8. Storage instructions.
9. Manufacturer’s name: The label must include the manufacturer, importer, dealer, distributor or legal representative of the product, and their respective addresses.
10. Sanitary Registry: The label must declare the number of Sanitary Registry (Reg. No. D.G.S. El Salvador), issued by the Environmental Health Department, Section of Food Safety of the Ministry of Health.
11. Country of Origin.
12. The product must contain the name and address of the supplier in El Salvador in the form of a sticker, which is usually provided by the supplier or distributor.

El Salvador’s labeling law requires that the product description be in Spanish. There is no enforcement at this time. However, major retail outlets are requiring stickers with product description in Spanish to comply with the law. GOES is working on a new regulation that will begin enforcement of labels only in Spanish for all food products sold in this market.

In order to define if a product can be imported with only the standard U.S. label, it would be necessary to examine U.S. labeling norms and compare them to the general norms of the Codex Alimentarius for labeling of foodstuffs. The National Council for Science and Technology (CONACYT) is currently working on labeling regulations based on the Codex. Due to lack of resources, the GOES has not enforced this policy and food products with U.S. labels can be seen throughout the distribution chain. However, the GOES is currently requiring that a sticker in Spanish that includes a list of ingredients, manufacturing method, and

expiration date be used while the requirement of Spanish-English labels can be fully implemented.

The MPHSA/DSA and the Ministry of Economy/DGCP enforce local labeling regulations. All products should be properly labeled prior to distribution for human consumption.

Sample-size product labeling requirements are identical to those listed above. However, local authorities are a bit lenient with this type of product due to the small quantities that are imported.

Bulk packed or institutional size products are required to visibly display the contents and ingredients either in the container or package.

Nutritional labeling is not required by the MPHSA. The U.S. nutrition label needs to be analyzed by the Nutrition Department of the MPHSA 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 Central America – U.S. – Dominican Republic (CAFTA-DR) Free Trade Agreement. According to local health officials the possibility of consumers being misled by U.S. labels exists. Since most Salvadorans do not speak English, local health officials fear they could be basing their opinion on the picture that is used in the label by U.S. manufacturing companies.

The only requirement for shelf life of a product is the expiration and manufacturing date. The DGSA requires a country of origin certificate for all products that are imported to El Salvador.

The GOES does not grant any exceptions under the labeling law. However, in extreme cases the MPHSA can analyze a product in order to guarantee consumer health and decide whether that particular product can be imported for human consumption.

Both Uniform Code Council (UCC) and EAN bar codes are acceptable in El Salvador. Bar coding is rapidly becoming an important instrument in the food business. Currently all local supermarket chains require that products sold throughout their stores is coded.

When alcoholic beverages are being imported, the label must read: "The excessive consumption of this product is harmful and creates addiction. Sales to consumers under the age of 18 are prohibited". This is based upon article 26 of the Regulatory Law for the Provision and Commercialization of Alcohol and Beverages. In the case of tequila, the following is also required: area of production, alcohol grade and manufacturing process.

2. Product Registration

According to the Health Authorities in El Salvador, the following information is required for an exporter to register a product:

- An application must be filed at the Environmental Health Department of the Public Health and Social Assistance Ministry (Departamento de Sanidad Ambiental, Ministerio de Salud Publica y Asistencia Social), which shall include the following information:
 - Petitioner's name and address.
 - Description of the product. Name, address and telephone number of the establishment or factory where the product is manufactured.
 - Product use.
 - Name, address and telephone of the supplier in El Salvador.
 - Type of packaging material.
 - Net content.
 - Commercial brand name.
- This application must be filed with the following documents:
 - Power of attorney granted in favor of the Salvadoran attorneys or the company representative in the country, duly notarized at the nearest Consulate of El Salvador in the U.S. or by notary public.
 - The product Registration Certificate of the exporting country duly notarized at the nearest consulate of El Salvador or by notary public.
 - Product samples: the Environmental Health Department requires for solid products 3 samples of the product weighing 200 grams each. For liquid products, the Ministry of Health requires 3 samples of the product weighing 200 milliliters each.
 - For alcoholic beverages, 2 samples of 200 milliliters each must be presented.
 - For bottled water, 3.785 liters (one gallon) for the physical-chemical analysis and 1 sample of 500 milliliters for the microbiological analysis.
 - A Certificate of Free Sale of the product, issued by the Health Authorities of the country of origin, duly notarized at the nearest Salvadoran Consulate or by Apostille. It must contain the product's

registration number and the manufacturing state of country.

- Functioning license of the local warehouse where the product will be stored . Usually the local distributor obtains this license.
- Five labels of the product, which shall specify the ingredients and the expiration date.

3. Import and Inspection Procedure

Usually when clearing a product through customs, a Customs inspector, a Customs Policeman, and a MPHSA inspector are involved in the process. English is the commercial language used for 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 the clearing procedures. At this time, there is no appeals system in place for disputed product rejections.

The steps in custom clearance for a prepackaged foodstuff are:

1. Request Import Permit from DGSVA.

Once the import permit has been granted by DGSVA, the importer must take the sanitary registration, packing list, bill of lading, insurance policy, airway bill, shipping information and product invoices to the Revenue Department at the Ministry of Finance to get the policy for payment of import tariff.

The import policy has to be cleared by Customs, Customs Police and the Regional Organization for Agricultural Sanitation (OIRSA).

Customs Police conducts a product inspection.

Once product has been cleared by Customs Police it can be withdrawn by the importer.

The Ministry of Hacienda has implemented a system called “Teledespacho” designed to expedite customs procedures. This system uses satellite technology to allow importers and exporters to send their commercial invoices, bills of lading, and airway bills through an electronic link or web to the Salvadoran Customs office to be processed. All customs agents have access to this satellite system through an individual Personal Identification Number that enables them to get in contact with Customs. This system is also available to import/export companies that have offices outside El Salvador. These companies can purchase the software to hook up with the Customs satellite system to send their product invoices. The Teledespacho system makes it possible for merchandise to clear customs 24 hours a day, seven days a week.

In addition to Teledespacho, the GOES uses an "auto liquidation" process that allows the presentation,

assessment, calculation and payment of duties directly by the importer, without physical inspection of the merchandise in 85 percent of the cases. Local businesses, importers and shippers have noticed a big improvement in the operation of Salvadoran customs since the initiation of the above mentioned reforms.

MAG recently created an online system to process import permits for dairy, meat and fresh produce called Agricultural Food Safety Information System (SISA). Importers have access to this system with an authorized PIN and no longer have to visit MAG offices to request import permits. According to MAG, this new procedure is part of a GOES process to expedite import as well as export procedures. These procedures are due to increased trade as a result of El Salvador’s continued negotiations of free trade agreements. This system can be accessed at MAG’s website www.mag.gob.sv.

The Ministry of Health also has an online system to request import permits for food products. This system can be accessed at the following website: www.gaisa-mspas.gob.sv. Information of costs for different services such as import permits and product registrations can also be found at this website.

For additional information please refer to the FAIRS Report 2008 ES8010 at www.fas.usda.gov/scripts/attacherep/default.asp

D. Opportunities and Challenges after the Implementation of CAFTA-DR

PRODUCT		OPPORTUNITY
WHEAT - Bulk Wheat – DNS, SRW and HRW varieties	Most of the wheat processed by Salvadoran mills comes from the United States, although some Canadian wheat is imported. Average annual imports of U.S. wheat are 240,000 metric tons. In calendar year 2008, U.S. wheat imports reached a record US\$78 million. Some of the increase is attributed to high international commodity prices.	Bakery consumption has increased tremendously, mainly due to the availability of fresh bakery centers in all major supermarket chains. Growth in convention tourism is also helping boost consumption of bakery products at hotels; due to the increase of business events. Bakery manufacturers are very optimistic about free trade and believe that the Central America – Dominican Republic – United States Free Trade Agreement (CAFTA-DR) is providing growth opportunity. Ethnic bakery products exported to the U.S. are growing due to the high demand of these

		products by the Salvadoran community residing in the U.S.
RICE - Rough rice - Milled parboiled rice	<p>El Salvador is not self sufficient in rice production and needs to import from other countries, especially the United States, to meet demand. Actual local demand is estimated at approximately 115,000 metric tons of rough rice, of which 27 percent is covered by local production. Typically, El Salvador imports rough rice to keep rice mills operating throughout the year. However, small quantities of imported milled rice have recently reached local supermarket chains to fulfill upscale consumer demand. El Salvador has officially abolished the use of a price-band mechanism to assess import duties for basic grains. CAFTA-DR established Tariff Rate Quotas (TRQs) for rice (see Opportunities).</p>	<p>Rice production is decreasing at a fast pace, not only in El Salvador but also in the rest of the region. Under CAFTA-DR, tariffs will be eliminated and TRQ established as follows: 18-year duty phase-out, initial TRQ of 61,000 metric tons (MT) for rough rice, growing by 2% per year and initial TRQ of 5,250 MT for milled rice, growing by 375 MT per year for the first five years, 1,000 MT increase in year 6, and an annual 325 MT increase thereafter.</p>
CORN - Yellow corn - #2 for animal feed and Hard Endosperm for snack manufacturing	<p>Since the 1960's, El Salvador has been an important market for U.S. yellow corn, used almost exclusively by the poultry and animal feed industries. The snack processing industry is also a major importer of hard endosperm corn. Imports of yellow corn from the United States cover almost all local demand.</p>	<p>The food-processing sector in El Salvador is not as developed as it is in Guatemala or Costa Rica. However, snack food production is at the top of the list in this sector. Yellow corn is a main ingredient in the snack manufacturing process. The DIANA and Bocadeli snack brands produced in El Salvador offer respectable quality for the price, and have roughly 75 percent of the market. In addition, DIANA is the largest snack producer in Central America and is already exporting certain products to ethnic markets in the United States. The poultry and dairy sectors are also major users of yellow corn for feed mix. CAFTA-DR provides for a yellow corn Tariff Rate Quota (TRQ) of</p>

		350,000 metric tons (MT) with a 5 % growth per year with a 15-year duty phase-out. A fixed part of the TRQ will be subject to a performance requirement, which will be eliminated in 15 years. White corn was also granted a TRQ of 35,000 MT under CAFTA. There is a growing market for white corn flour to make tortillas.
SOYBEANS - Soybean meal	El Salvador does not produce any soybean meal, thus, all demand must be met with imports. The poultry and livestock sectors use the product as feed. Commercial trade is growing quickly due to the high demand for poultry products. In calendar year 2008, soybean meal imports reached US\$52 million. El Salvador's poultry industry is the most developed in the region and is quickly increasing production to supply demand by other Central American neighbors, particularly Honduras.	Dairy production is increasing due to government incentives and sanitary regulations that provide protection against contraband cheese from Nicaragua and Honduras. Soybean meal is an important ingredient used in cattle feed mix. CAFTA provides immediate access for soybean meal.

III. MARKET SECTORS

A. Retail Sector

The market expectations for retailing remain positive as it continues to be a key area of the Salvadoran economy, supported by employment, financial stability and expansion of consumer credit.

Hypermarkets/supermarkets, convenience stores, coexist with the traditional corner grocery stores and open-air markets.

There are three dominant supermarket chains in El Salvador: Supermercado Selectos, Walmart El Salvador and Europa.

Selectos Supermarket is owned by the Calleja Group. This local supermarket chain is made up by 78 stores,

with its slogan “Nobody knows you better” (“Nadie te conoce tanto”) provides fierce competition to other retailers. In 2008, Calleja, together with nine Central American and Panama companies joined in a strategic alliance - Supermercados de Centroamerica y Panama - SUCAP (Panama and Central American Supermarkets). SUCAP groups 16 different supermarket chains which together, constitute 281 stores in the region, with annual sales of more than US\$2.2 billion dollars, according to Carlos Lemus, SUCAP's Executive Director.

SUCAP plans to buy bulk all those products which the companies have in common, as a way to get better prices and benefit the consumer. The members of SUCAP are: Panama: El Rey, El Machetazo, Super 99; Guatemala: Unisuper/La Torre; Costa Rica: Perimercados, Automercados; Nicaragua: La Colonia; Honduras: La Colonia, and El Salvador: Selectos

Wal-Mart Central America, is the largest retailer in the region with more of 450 stores. In El Salvador there are 78 stores in three different formats: Despensa de Don Juan, Despensa Familiar, and Hiper Paiz. In September 2005, Wal-Mart Stores Inc, acquired 33 1/3 percent interests in Central American Retail Holding Company (CARHCO) from the Dutch retailer Royal Ahold NV. In March 2006, Wal-Mart increased its interests to 51%, and CARHCO was changed to Wal-Mart Central America.

Supermercados Europa, the smallest supermarket chain is also designing strategies to compete with giants. They procure most of their products directly from suppliers in the U.S. and South America to avoid local importers, assuring lower prices and gaining a competitive edge over large supermarkets. They are planning to open two more stores in 2009.

Owner Group	Supermarkets, Hypermarkets and Club Outlets	Current Stores	New Stores 2009-2010 (Estimate)
Calleja, S.A.	Selectos	68	2
	De Todo 1/	6	0
	Selectos Market 2/	4	4
Wal-Mart Stores	Hiper Paiz	2	0
	Despensa de Don Juan	30	0
	Despensa Familiar 1/	46	2
Saca Group	Hiper Europa	1	0
	Supermercados Europa	4	2
Joint Venture U.S./Salvadoran business	Price Smart	2	0

TOTAL		157	10
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1/ Smaller popular area stores

2/located in gas station store

A. HRI Food Service Sector

The Government of El Salvador 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 during the last eight years, including McDonalds, Burger King, Wendy's, Pizza Hut, Kentucky Fried Chicken, Bennigan's, Tony Roma's, Chili's, Asia Grill, China Wok and T.G.I. Fridays. Grupo Piramide is a Salvadoran franchising operator that manages U.S. franchises also in Guatemala and Panama.

There has also been a booming increase in cafeteria style outlets over the last five years. With some capital injection, small, independent, family-owned coffee shops are being converted in nice little restaurants. Salvadorans usually get together at cafeterias for breakfast in the morning and/or for social gatherings after work. The boom in this sector translates into more demand for bakery products, dairy products, and more sophisticated drinks like cocktails blends, milk shakes, fresh fruits and fruit juices.

The hotel sector has also grown, and four and five-star hotels have enjoyed a high occupancy rate. Also there has been a significant increase in small hotels nationwide. Given a 10% average growth rate in tourism, the demand for food products, especially high quality of U.S. foods should continue to grow.

A. Food Processing Sector

- The food processing industry in El Salvador is relatively small compared to Guatemala and Costa Rica.
- Snack food production is at the top of the list in this sector.
- The DIANA brand produced in El Salvador offers respectable quality for the price, and has roughly 80% of the local market and 40% of the regional market . In addition, this company is the largest snack producer in Central America and is already exporting its products to ethnic markets in the U.S.
- Other local snack producers are BOCADELLI and IDEAL. These companies are working hard to increase market share and offer a wide variety of snacks.
- U.S. suppliers can take advantage of the need for ingredients from these snacks producers.
- There is also some joint venture investments in food processing by U.S. companies such as Del

Monte, Clamato and Badia Spices which produce locally for the Central America region.

- CAFTA-DR has also attracted foreign investment to El Salvador including companies such as CALVO tuna processor from Spain.
- On February 2009, with an investment of US\$20 million, the Mexican juice group Jumex inaugurated a beverage plant in Nejapa. They expect that 50% of the production will be exported to Panama and Dominican Republic.
- Sigma Alimentos a large Mexican company meat and deli company has invested in a pork processing plant to cover local demand and export to other Central American countries.
- Another important industry in this sector is meat processing. There are approximately 10 companies which are members of the Salvadoran Meat Processors Association (ASICARNE). Imports of U.S. pork meat by this sector have grown tremendously over the last five years, due to the fact that the Salvadoran population is a large consumer of sausage products.
- On October 2008, the new meat processing plant of Wal-Mart Centro America was inaugurated.
- Another significant sector is dairy industry. Dairy processors in the market offer a wide variety of products which include cheese, yogurt, and sweet cream. The dairy industry also has an association called APPLE (Salvadoran Association of Milk Processing Plants). This sector is already exporting fresh cheeses to the US
- The bakery industry is the last component of the food processing sector. Bakery consumption has increased tremendously, mainly due to the availability of fresh bakery centers in all major supermarket chains and coffee shops demand.

IV. BEST PRODUCT PROSPECTS

Top 10 Salvadoran Agricultural Product Imports from The United States			
(Millions of U.S. dollars)			
Product Description	2007	2008	% Change 2007/2008
Wheat	31,729	77,887	0.59
Coarse Grains	87,897	102,014	0.14
Rice	26,987	34,077	0.21
Soybean Meal	46,232	51,755	0.11

Soybean Oil	10,428	16,792	0.38
Snack Foods (excl nuts)	6,903	8906	0.22
Breakfast Cereals and Pancake Mix	2,000	2,747	0.27
Red meats, Fresh/Chilled/Frozen	3,544	4,365	0.19
Fresh Fruits (Apples, Grapes and Pears)	10,102	12,453	0.19
Feeds & Fodders (excl pet foods)	8,324	10,145	0.18

V. Key Contacts and Further Information

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11. Other Import Specialist Contacts

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APPENDIX - STATISTICS

TABLE A. Key Trade And Demographic Statistics

Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)	831,919/ 47.18%
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	332,484/ 56.81%

Total Population (Millions)/Annual Growth Rate %	5.9/1.63%
Urban Population (Millions)/Annual Growth Rate (%)	61%/1.9%
Number of Major Metropolitan Areas	3
Per Capita Gross Domestic Product (U.S. Dollars)	\$3,812
Unemployment Rate (%)	6.4
Percent of Female Population Employed	40.1
Exchange Rate (US\$1 = X.X local currency)	US\$1

Source: FAS' Global Agricultural Trade System, Salvadoran official data.