

MARKET ANALYSIS

El Salvador Market Overview

Economic Profile:

- Population: 6.4 million
- GDP: \$34B (2023)
- GDP Growth: ~2% annual growth (2000-2023)
- Poverty Rate: 30.3% (increased post-COVID-19)
- Main Growth Drivers: public investments, exports, private consumption

Trade & Commerce:

- Key Exports: Clothes, Electrical Capacitors, Plastic Lids, Raw Sugar
- Primary Export Markets: US, Guatemala, Nicaragua, Costa Rica

Financial Inclusion:

- Overall Banking Access: 36% of adults have bank accounts
- Gender Gap: 76.5% male vs. 46.1% female labor participation
- Female Banking Access: only 29% of women have bank accounts
- Notable: First country to adopt Bitcoin as legal tender alongside USD

Development Initiatives:

World Bank Group's Country Partnership Framework (FY23-27) focuses on:

- Private sector job creation
- Human capital development
- Disaster resilience and infrastructure

Current Investment Landscape:

- World Bank Portfolio: \$1.071B across eight projects
- Focus Areas: education, health, municipal development, transportation, water infrastructure
- Key Project: \$150M Job Opportunities and Skills Development (approved Nov 2023)
 - Target: Youth/adults 18-40 from vulnerable groups
 - Components:
 - Entrepreneurship development for startups
 - Skills training and technical support
 - Infrastructure development
 - Project management via MINEC (\$9.13M)
 - BANDESAL support for benefit payments (\$1.23M)

Market Opportunities:

The combination of low banking penetration, government support for digital currency adoption, and significant development funding creates opportunities in:

- Digital financial services
- Entrepreneurship support services
- Skills development and training
- Infrastructure development projects

Risk Factors:

- High poverty rates
- Gender disparity in economic participation
- Limited banking access
- Infrastructure gaps

ICP Overview

The Internet Computer Protocol (ICP) represents a revolutionary advancement in blockchain technology, offering a decentralized computing platform that aims to transform the traditional internet infrastructure. Developed by the Swiss DFINITY Foundation, ICP distinguishes itself by enabling smart contracts to operate at unprecedented efficiency levels, running at full CPU speed with substantial memory capacity. This public blockchain network addresses fundamental issues in the current internet landscape, including service centralization, security vulnerabilities, and data privacy concerns.

ICP's architecture relies on sovereign hardware devices operated by independent parties, creating a permissionless decentralized governance structure that facilitates native cloud computing functionality. Its ambitious vision extends to replacing conventional software systems with smart contracts, positioning itself as a competitive alternative to both traditional IT infrastructure and other blockchain platforms like Solana, NEAR, and AVA.

The protocol's ecosystem has demonstrated remarkable growth, particularly in 2023, when the community committed approximately \$80 million worth of ICP tokens toward decentralization initiatives. Through its Service Nervous System (SNS) framework, ICP enables developers to transition their decentralized applications (dApps) to DAOs and secure funding through decentralization swaps. The DFINITY Foundation's 2023 ecosystem report revealed substantial progress, with over 6.5 million ICP tokens dedicated to decentralization efforts, supporting diverse projects across messaging, gaming, and social media sectors. The foundation's grant program, distributing \$6.25 million across 239 projects in 41 countries, contributed to a 121% year-over-year increase in network usage. As of early 2024, the platform's expansion into artificial intelligence development has driven ICP token prices to their highest levels in two years.

Coffee Industry: Coffee represents a significant export commodity for El Salvador, ranking as its 13th largest export at \$125 million (2021), constituting 1.95% of total exports. The country primarily cultivates the Bourbon variety, a premium arabica coffee known for its superior quality when grown in high altitudes (1,000-2,000 m.a.s.l.) and volcanic soils. El Salvadoran Bourbon coffee is particularly distinguished by its distinctive buttery, toffee-like flavor profile, though yields are relatively lower compared to other varieties. Additional varieties cultivated include Pacamara, Pacas, Catimor, and Sarchimor.

The global coffee market, valued at \$224 billion in 2023, demonstrates robust growth potential with a projected CAGR of 5.4%. This growth is primarily driven by increasing consumer demand, particularly in the Asia Pacific region, with roasted coffee commanding the larger market share compared to instant coffee. Market dynamics are increasingly influenced by growing consumer preference for specialty and gourmet coffees, organic and sustainable sourcing, and premium single-origin varieties, with customers willing to pay higher premiums for superior quality.

Market leadership remains concentrated among traditional producers, with Brazil, Vietnam, and Colombia dominating global production. According to USDA projections for 2023/24, Brazil is expected to

produce 66.4 million bags, followed by Vietnam at 31.3 million bags and Colombia at 11.6 million bags. The B2B channel dominates distribution, accounting for 62.5% of global revenue in 2023, while the rise of specialty coffee culture and e-commerce has strengthened B2C channels through various retail formats including hypermarkets, specialty stores, and online platforms.

Geographically, North America represents 23.2% of global revenue in 2023, with growth driven by premium coffee chains like Starbucks that have popularized various roast profiles and customized offerings. This market structure, combined with El Salvador's focus on high-quality Bourbon cultivation, presents opportunities for positioning within the premium and specialty coffee segments, particularly as consumer preferences continue to evolve toward higher-quality, sustainably sourced coffee products.

Market Segmentation: Web3 technology is evolving at a breakneck pace, ushering in a new era of digital innovation. As organizations begin to grasp its potential and witness positive outcomes in pilot projects, the rate of adoption is poised to surge dramatically. This emerging landscape presents a significant opportunity for forward-thinking companies to gain a competitive edge. The transformative power of Web3 lies in its ability to reshape traditional business models and create novel ways of engaging with customers and stakeholders. By decentralizing data and empowering users with greater control over their digital identities and assets, Web3 technologies such as blockchain, cryptocurrencies, and decentralized applications (dApps) are paving the way for more transparent, secure, and efficient digital ecosystems.

As the technology matures and use cases become more apparent, companies that position themselves at the forefront of this revolution stand to reap substantial benefits. These early adopters can potentially disrupt their industries, create new revenue streams, and forge deeper connections with their audience through enhanced trust and user empowerment.

Key figures of the Web3 market

- The Web3 market capitalization is currently estimated at \$27.5 billion.
- In 2021, the international Web3 market was valued at \$3.2 billion.
- It is expected that by 2030, the Web3 will have reached a worth of \$81.5 billion.
- Its value is projected to increase at a compound annual rate of 43.7%.
- Between the first quarter of 2021 and the first quarter of 2022, the growth of blockchain games skyrocketed by 2,000%.
- 46% of finance apps take advantage of Web3 technology.
- Social applications account for 8.9% of Web3 apps.
- Games are represented by 5.7% of Web3 apps.

Competition: Coffee in Guatemala which is similar. Other coffee sellers in El Salvador (Mpache Estate). Average prices for 1Lb bag. 7.05 -22.99. The president of El Salvador has his own coffee brand.

SWOT Analysis:

STRENGTHS

- Land ownership in El Salvador

- Ties to local community
- ICP integration with nodes
- ICP community ties
- Strong team expertise

OPPORTUNITIES

- We are introducing an entirely new product to the market
- DOA, Crypto and Blockchain is growing in adoption
- Coffee exports are increasing again in El Salvador
- Underserved populations and small-time farmers have potential for growth
- Crypto adoption and banking across the country is still low

WEAKNESSES:

- Most people already have a go to coffee/go to brand they are comfortable with
- Time for constructing cafe
- ICP dependency

THREATS:

- Coffee leaf rust:
- Coffee berry disease:
- Regulation changes surrounding Crypto in El Salvador and globally
- Climate Change

- Advantage
- Capabilities
- Assets, people
- Experience
- Financial reserves
- Value proposition
- Price, value, quality

- Areas to improve
- New segments
- Competitor weakness
- Industry trends
- New products
- New innovations
- Key partnerships



- Disadvantages
- Gap in capabilities
- Cash Flow
- Suppliers
- Experience
- Areas to improve
- Causes of lose sales

- Economy movement
- Obstacles faced
- Competitor actions
- Political impacts
- Environmental effects
- Loss of key staff
- Market demand

OPERATING PLAN

Our operating plan is split into phases. This phased approach ensures Cafreso grows strategically, leveraging Web3 technology, community engagement, and sustainable farming to create a unique café experience. 🚀☕🌱

- Phase 1: Community Engagement & Infrastructure Setup
 - Engage with the ICP community through airdrops and prizes, marketing Cafreso's vision
 - Establish liquidity pools for BTC (native) and ckBTC to streamline processing and onboarding.
 - Set up GLDT and ICP liquidity pools, with 50% of SNS token fees burned weekly.
 - Submit SNS proposal and obtain an operating business license.
- Phase 2: Network Expansion & Business Development
 - Develop a DApp with a dashboard to track DAO sales, facilitating seamless BTC transactions via LPs.
 - Deploy the first ICP node in El Salvador to enhance decentralization and network reliability.
 - Build the first physical café and establish a presence in the country.
 - Establish partnerships with suppliers and begin roasting coffee, designing signature blends.
- Phase 3: Community Engagement & Education
 - Open the café to the public, fostering engagement and marketing initiatives.
 - Host blockchain workshops to onboard new users to the ICP ecosystem.
 - Organize ICP events and hackathons to showcase ICP's capabilities.
 - Identify and incubate regional talent to contribute to Web3 innovation.
- Phase 4: Vertical Farming & Sustainability
 - Design and construct vertical farms adjacent to the café for other local food sourcing.
 - Implement hydroponic farming methods to produce organic, pesticide-free ingredients.
- **Sourcing and Order Fulfillment:** Our team will be purchasing green coffee beans from farmers in El Salvador and providing uniquely roasted blends of coffee to customers and providing benefits to SNS token holders within our DAO community. We will be offering our products in US and El Salvador markets to begin.
- **Payment:** Payments on our website and cafe will be taken in ICP, US Dollar, GLDT, our SNS token and bitcoin.
- **Technology:** Our point of sale application will track Cafe business statistics online and all on ICP. We will grow transparently and allow folks to own part of our business as we grow through our token.
- **Key Customers:** ICP enthusiasts and users, which is roughly 150,000 active users. As well as niche coffee drinkers who want more out of their roasters within our demographic area.

FINANCIAL PLAN

Important: As we launch our business on ICP, our initial success will rely on the funding round, while long-term value will be influenced by ICP's market price.

Tokenomics:

- o Ticker: \$CF
- o Total Supply: 100,000,000 [2.13.25, ICP = 7.04]
- o DAO Treasury: 46%
- o Decentralized Swap: 27% Distributed to the community through SNS swaps
- o Development Team: 22% Dissolving over two years to ensure continued commitment
- o Airdrops: 5% of our SNS DAO treasury will be airdropped to The Banana Company [\$nanas] with over 1M tokens. The airdrop will be done in 2 phases with two different snapshot days. We will use \$nanas as a token for upgrades on our DAPP for consuming the token and burning.
- o Token Governance Utility: ICP \$CF holders can vote on key decisions on how our DAO and café will develop over time. Such as feature development, partnerships or even proposals to purchase a cow for our farm to provide fresh milk at our café. This DAO will be the first governed farm as a community on ICP. Where our vision is to disrupt and decentralize the agriculture sector and supply our community with organic food.
- o Staking and Reward Voting: Cafresos' governance token will allow tokens to be locked as neurons on ICPs blockchain. Portion of our café revenue will be distributed to neuron holders, with more weighted profit going to our long term holders. All transactions at our café will be traced since we will be operating in El Salvador and only accepting BTC, ICP ICP or ICP CF

Projected Start-Up Costs:

Coffee Shop

START-UP COSTS		
Coffee Shop		
COST ITEMS	Low Estimate	High Estimate
Lease/Real Estate (first 6 months)	\$3,000	\$15,000
Renovations/Construction	\$5,000	\$20,000
Coffee Roaster	\$5,000	\$25,000
Grinders & Other Equipment	\$5,000	\$10,000
Green Coffee Beans (initial stock)	\$5,000	\$10,000
Staffing (first 6 months)	\$9,000	\$18,000
Utilities (6 months)	\$3,000	\$9,000
Packaging and Shipping	\$3,000	\$7,000
Marketing and Branding	\$2,000	\$10,000
Consulting	\$3,000	\$10,000
Licenses and Permits	\$500	\$2,000
Insurance	\$500	\$2,000
Miscellaneous Costs	\$5,000	\$10,000
ESTIMATED START-UP BUDGET	\$49,000	\$148,000

1. Real Estate (Lease or Purchase of a Space)

Rental costs: The cost of leasing space for a roastery will vary depending on the location and size of the space. In San Salvador, commercial rent for an industrial space could range from \$500 to \$2,500+ per month depending on the neighborhood and size of the facility.

Security deposit: Most commercial leases require a deposit, typically 1-3 months of rent.

2. Renovations and Construction

Renovations: Depending on the condition of the space, we might need to make significant renovations to make it suitable for a coffee roastery (e.g., installing ventilation systems, proper storage, or building out roasting facilities). Renovation costs could range from \$5,000 to \$20,000 or more, depending on the complexity of the work.

Permits and Licenses: We'll need to obtain the proper business licenses and permits for running a coffee roastery. Costs for licenses and permits could range from \$500 to \$2,000.

3. Equipment

Coffee Roaster: The heart of the business is the coffee roaster. The price of a commercial coffee roaster varies based on its size and capacity:

Small-scale roasters (1-2 kg batch size) can cost between \$2,500 and \$6,000. Medium-sized roasters (5-10 kg batch size) can range from \$10,000 to \$25,000. Larger industrial roasters can cost \$30,000 or more.

Grinders: Industrial coffee grinders typically range from \$1,000 to \$5,000. **Packaging Equipment:** Depending on how much automation, packaging equipment for roasted coffee (sealing, labeling) could range from \$3,000 to \$15,000. **Storage & Shelving:** Proper storage for green coffee beans and roasted beans, can cost \$500 to \$2,000 for shelving, racks, and bins.

4. Raw Materials (Green Coffee Beans)

Cost of Green Coffee Beans: Depending on the quality and the region, raw coffee beans in El Salvador typically cost between \$3 to \$8 per pound. An initial inventory of several hundred pounds of green coffee beans may cost between \$5,000 and \$10,000.

5. Labor Costs

Staffing: Employees for various roles, such as roasters, packers, and potentially retail staff. The minimum wage in El Salvador is about \$365 per month for most industries. Depending on the business size, labor costs for 3-5 employees could range from \$1,500 to \$3,000+ per month.

6. Operational Costs

Utilities: The roastery will require electricity, water, and gas (for gas-powered roasters). Monthly utility costs can range between \$500 and \$1,500 depending on the scale of production.

Insurance: Business insurance to cover property, liability, and workers' compensation could cost \$500 to \$2,000 per year, depending on the coverage.

Packaging and Shipping: Custom packaging for your roasted coffee beans and shipping expenses could range from \$2,000 to \$5,000 for initial stock.

7. Marketing and Branding

To differentiate the coffee roastery, we need to invest in marketing and branding, including logo design, website development, and social media promotion. Initial costs for marketing could range from \$2,000 to \$10,000 depending on the strategy. We will likely also need to hire Consultants to support a successful set up in the country.

8. Miscellaneous Costs

It's important to account for unexpected expenses, such as repairs, additional supplies, or consulting fees. A general buffer of around \$5,000 is advisable

Taxes:

Crypto: El Salvador is not taxed on capital gains earned from crypto trades. This also applies to all crypto-related income from taxes. Tax-Free: Income from crypto mining, staking, airdrops, and other crypto projects are all non-taxable. Crypto investment firms, crypto trading firms, crypto mining firms, or other crypto businesses can generate great margins and returns from using El Salvador's tax system.

Corporate Income Tax: In El Salvador corporate income tax (CIT) is 30%, and this rate is applicable on the total amount of the company's revenues. There is a reduced CIT rate of 25% for companies that obtain taxable income equal to or less than 150,000 United States dollars (USD) in the fiscal year.

CIT is based on the principle of territoriality, and, by general rule, taxes are paid on goods located, activities realised, and capital invested in El Salvador as well as on services rendered or utilised in the country.

Taxable income is equal to gross income net of costs and expenses considered necessary for generating and maintaining the related source of income and other deductions allowed by law. Gross income is comprised of income or profits collected or accrued, either in cash or in kind, from any sources in El Salvador. Corporations are required to follow the accrual method of accounting.

Capital gains tax

Capital gains are taxed at a flat rate of 10% of net profits, except when gains are realised within 12 months following the purchase date, in which case they are taxed as ordinary income. Capital gains for securities are also subject to capital gains tax; however, the 12-months rule described above does not apply for securities. Capital losses can only be offset against capital gains. Whenever capital losses exceed capital gains, the remaining balance may be carried forward to future capital gains within a five-year period. According to the Bitcoin Law, exchanges in bitcoins will not be subject to capital gains tax or any legal tender. The Bitcoin Law is in effect as of 7 September 2021.

Annual business tax

Companies are required to register themselves with the Registry of Commerce and pay an annual business licence fee assessed on the company's assets, as follows:

Assets (USD)	Fee (USD)
2,000 to 57,150	91.43

57,151 to 114,286 137.14

114,287 to 228,572 228.57

An additional charge for each office, branch, or agency property of a company 34.29

If the assets exceed the amount of USD 228,572, there is an additional duty of USD 11.43 for each additional USD 100,000 in assets or fraction thereof. In any case, the relevant duties are limited to USD 11,428.57.

Payroll taxes

Entities with more than ten employees must pay a payroll tax that is destined to the National Training and Formation Institute (INCAF), which promotes professional development through courses and complementary studies. The percentages are summarised below:

Monthly employee's salary (USD)	Employer's rate (%)
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0 to 1,000	1
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Over 1,000	0
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Social security contributions

Social security contributions (ISSS) are mandatory for both employee and employer and are destined to public health services. The employee's contributions are withheld from the employee's monthly salary and are transferred by the employer to the Salvadoran Institute of Social Security through monthly payrolls. The contribution amounts are summarised in the table below:

Monthly employee's salary (USD)	Employee's rate (%)	Employer's rate (%)
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0 to 1,000	3	7.50
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Note: For individuals who have salaries above USD 1,000, the social security contribution applicable is USD 30.00 for the employee and USD 75.00 for the employer.

Contributions to the pension fund (AFP) are mandatory for both employee and employer. The employee's contributions are withheld from the employee's monthly salary and are transferred by the employer. The employer's contributions are paid to the AFP. Both contributions are reported to the Pension Fund Administrator through a monthly payroll. The percentages are summarised below:

Monthly employee's salary (USD)	Employee's rate (%)	Employer's rate (%)
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On the total salary	7.25	8.75
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The Law for the Promotion of Technological and Manufacturing Innovation was recently approved and entered into force on 5 June 2023. This Law grants benefits of exemption from income tax and municipal taxes to income obtained from certain activities, which include:

- Programming, management, maintenance, consultancy, and analysis of computer systems or software.

- Development and marketing of cloud computing and data flow services, artificial intelligence, big data analysis, distributed ledger technology, and cybersecurity solutions.
- Technologies based on the manufacture of parts, materials, and equipment or facilities, or assembly, including manufacturing plants for technological equipment or hardware, semiconductors, communications technology, robotics, nanotechnology, aircraft, and unmanned vehicles.
- Engineering and systems technologies necessary to integrate basic industrial technologies into global production chains.

Withholding Tax

Payments to resident individuals with respect to services rendered, other than under a labour relationship, are subject to a 10% WHT.

Exporting

For companies exporting from El Salvador, you need to:

- Register with a Tax Identification Number (NIT) as exporters before the General Directorate of Customs as well as with the Integrated Foreign Trade System (Sistema Integrado de Comercio Exterior or SICEX). Depending on the type of merchandise to be exported (coffee, for example), additional registrations may be required.
- Verify goods to be shipped and the country of destination. Additionally, you must have all licenses, certificates or special permits needed for the commercialization of your product.
- Carry out the export operation through the FAUCA or the Declaration of Merchandise (DM). Depending on the country the merchandise is shipped to, either of the two may be used.
- Confirm and authorize the entry of the products with the customs office in the destination country

Opportunity for Additional Funding

Grants:

Name	Deadline	Link	
ICC-ITC-WTO MSME Group Small Business Champions 2025	3/28/25	https://www2.fundsforngos.org/economic-development/icc-itc-wto-msme-group-small-business-champions-2025/	

Things to look into:

Name	Deadline	Link
DINAMICA II Initiative - EU		https://www.eulaif.eu/en/news/business-development-center-and-ten-salvadoran-msmes-will-strengthen-their-business

APPENDIX I: Sources

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