Required Report - public distribution

Date: 2/14/2019
GAIN Report Number: FR1902

France

Food Processing Ingredients

2019

Approved By:
Kate Snipes
Prepared By:
Laurent J. Journo

Report Highlights:
The French food processing sector is valued at $203 billion and has over 18,000 food processors from small-scale to some of the largest food companies in the world. Progress in food technology, marketing innovations, and exports of finished food products contribute to France's increasing demand for food ingredients. Exports in the food industry sector are ahead of other leading industrial sectors, which places France's food industry among the top three in the world.

Post:
Paris

Market Fact Sheet: France

Executive Summary

With a gross domestic product (GDP) of approximately $2.57 trillion in 2017, France is the world's sixth largest industrialized economy and the European Union's third largest economy after Germany and the United Kingdom. It has substantial agricultural resources and maintains a strong manufacturing sector. France's dynamic services sector accounts for an increasing share of economic activity and has been responsible for most job creation in recent years. France is a member of the G-8 and G-20, the European Union, the World Trade Organization, and the OECD.

Imports of Consumer-Oriented Products

From January-July 2017, France's trade surplus in agriculture and food products fell about 20 percent from 2016. Additional imports from outside the EU were oilseeds, fruits, and distilled alcohols from China and the United States. Imports from the EU were primarily dairy, meat, and tobacco products. In total, the trade surplus for agricultural and food products during the period Jan-July 2017, reached $484 million.

Food Processing Industry

In 2018 France had over 18,000 food processing companies with sales of $203 billion. The value of processed food imports increased by 5.6 percent last year. Exports in the food industry sector are ahead of other leading industrial sectors, which places France's food industry among the top three in the European Union. In 2018, the French food processing sector represented 1.8 percent of the gross domestic product (GDP).

Food Retail Industry

In 2017, sales within hyper/supermarket and discounters represented 75 percent of the country's retail food market. Different types of retailers have experienced growth and success over the last eighteen months. In 2017, the largest French retailers continued investing in smaller stores in city centers. The overall retail food sales in France were estimated to $309 billion, and specialized food stores such as frozen food stores, organics and open-air markets had sales of $26 billion.

Exchange rate:
2017: 1 USD = 0.885 Euro
2018: 1 USD = 0.847 Euro

Quick Facts CY 2017

Imports of Consumer-Oriented Products *(USD million)*
40,499

List of Top 10 Growth Products in Host Country

1) Almonds	2) Pet food
3) Pistachios	4) Grapefruit
5) Wine	6) Peanuts
7) Food preparations	8) Beer
9) Sweet Potatoes	10) Sauces and seasonings

Food Industry by Channels (USD billion) 2017

Food Industry Output	203
Food Exports	41.8
Food Imports	40.5
Retail	309
Food Service	102

Food Industry Gross Sales (USD Billion) 2017
Food Industry Revenues
Food (Domestic market) USD 83.4

Top 10 Host Country Retailers

1)	**Carrefour**	**6)**	**Systeme U**
2)	**Auchan**	**7)**	**Lidl**
3)	**E. Leckerc**	**8)**	**Cora**
4)	**ITM Entreprises**	**9)**	**Aldi**
5)	**Casino**	**10)**	**Schiever**

GDP/Population
Population *(millions)*: 67.2
GDP *(billions USD)*: 2.57
GDP per capita *(USD)*: 42,567

Sources: GTA, World Bank, Linéaires

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
France is one of the biggest markets in Europe with high-income levels.	U.S. exporters face competition from tariff-free products from other EU member states and FTA partners.
Opportunities	**Threats**
A large, well-developed food-processing industry requiring a wide range of ingredients, from low-value, unprocessed foods to high-value, highly processed ingredients.	Non-tariff barriers such as phytosanitary restrictions and traceability requirements can make exporting to France complicated.

Data and Information Sources:
Global Trade Atlas (GTA), INSEE, Linéaires, French Customs

Contact:
FAS Paris, France
AgParis@fas.usda.gov

I. MARKET SUMMARY

Overall Market Summary
The French food industry is under stress because costs are rising due to regulations and labor rules, and competition is increasing. Over the last ten years, France's food processing industry was overtaken in sales by Germany and the United States. Nevertheless, France's food industry sales increased by 3.9 percent in 2017 and the trade surplus increased by $8.6 billion compared to previous year reaching $53.2 billion. Most exported products are beverages, dairy products and processed grain products.

The French Ministry of Agriculture reports there were over 18,000 food processing companies generating revenue of $203 billion in 2018. The value of processed food imports increased by 5.6 percent last year. In 2018, the French food processing sector represented 1.8 percent of the gross domestic product (GDP).

Processed Food Industry
In 2017 the processed food product production decreased by 0.5 percent as compared to 2016, reaching its lowest level since 2013 although exports grew. In 2017, sectors of the production offering most opportunities for U.S. products were grain, bakery and pastry industries, and the beverage industry.

FRENCH FOOD INPUT AND PRODUCT TRADE
Calendar 2017 and 2018 (in Million Dollars)

Products	**Imports**		**Exports**		**Trade Balance 2017**	**Trade Balance 2018**
	2017	**2018**	**2017**	**2018**		
European Union (EU)						
• Raw Products	7,675	7,731	10,843	11,112	3,169	3,383
• Processed Products	32,297	32,709	29,410	29,665	-2,886	-3,043
TOTAL	**39,972**	**40,440**	**40,253**	**40,777**	**283**	**340**
Non EU Countries						
• Raw Products	7,217	6,638	3,500	3,933	-3,717	-2,368
• Processed Products	10,524	10,436	19,768	19,662	9138	9,303
TOTAL	**17,741**	**17,074**	**23,268**	**23,595**	**5,421**	**6,943**
World						
• Raw Products	14,891	14,367	16,540	14,343	-548	1,014
• Processed Products	42,821	43,145	50,979	49,404	6,252	6,260
TOTAL FOOD PRODUCTS	**57,712**	**57,512**	**67,519**	**63,747**	**5,704**	**7,274**

Source: Agreste/French Customs

Note: At an aggregate level 2018 statistics are available for trade. For production and more detailed product figures, 2017 is the most recent data available.

FRENCH FOOD PROCESSING INDUSTRIES
Calendar Year 2017

Food Sector	Number of Companies	Turnover (without tax) Million Dollars
Meat and Meat Products	2,548	41,200
Fish and Seafood	354	4,497
Fruits and Vegetables	1,373	9,659
Fats and Oils	237	9,462
Dairy Products	1,777	15,189
Grain Industry	467	9,392
Bakery Industry	1,734	12,823
Miscellaneous Food Products	5,292	32,788
Animal Feed	466	17,107
Beverages	3,399	38,780
Total Food Processing Industries	**17,647**	**190,847**

Source: French Ministry of Agriculture

France's demand for food ingredients has increased due to progress in food technology as well as finished food product exports. Products in high demand are new products designed to be convenient and healthy for consumers, low fat, and organic. The food processing industry is focused on improving nutrition in its final products.

Since December 2016, EU Regulation requires that the nutritional information is detailed on product labels. French consumers are also very sensitive to food safety and quality. In response the food processing industry is more active removing ingredients from products that have been associated with safety concerns. Food ingredients are usually imported without problems but they do face phytosanitary and other food safety regulations. Additives are subject to special authorization if they are not on the EU's list of approved additives. Tariffs and other labeling requirements may cause problems for some U.S. exporters so please refer to the latest Post FAIRS report at the following website, and to the FAS U.S. Mission to the European Union's website.

Key Market Drivers
Key market drivers for the food processing sector:

- Over the past decade processors have focused on finding lower-cost food inputs, as well as for international processing options to remain competitive in the global market.
- Increasing interest in health and functional foods with an emphasis on the increasing aging population.
- Increasing emphasis on convenience, ready-to-eat, and lower priced processed foods.
- Continued diversification of French culinary options.
- Greater focus on young consumers.
- Stronger food safety concerns among consumers and retailers.

U.S. Involvement in the Industry

In order to sustain its processing sector, France became a net importer of agricultural products. The EU remains France's most important trading partner with top five suppliers: Spain, Belgium, Germany, The Netherlands, and Italy. Outside of the EU, the United States is France's third largest supplier after Switzerland, and Brazil. U.S. exports to France represented 2 percent of all imported value in 2018. This is a ten percent increase in comparison with 2017. Major products imported from the United States are fish and seafood, dried fruits and nuts, pulses, canned and prepared meat, beverages, wine, spirits and grains.

MAJOR FOOD EXPORTERS TO FRANCE

France (Customs) Import Statistics Commodity: Agricultural & Related Total							
Year To Date: January – December 2018							
Partner Country	**United States Dollars**			**% Share**			**% Change**
	2016	**2017**	**2018**	**2016**	**2017**	**2018**	**2018/2017**
World	62,327,699,073	66,288,754,703	69,509,422,896	100.00	100.00	100.00	4.86
Spain	8,138,353,792	8,802,218,307	9,247,050,528	13.06	13.28	13.30	5.05
Belgium	7,464,397,439	7,878,196,035	8,606,374,421	11.98	11.88	12.38	9.24
Germany	6,710,254,023	6,933,526,529	7,327,410,373	10.77	10.46	10.54	5.68
Netherlands	6,125,011,150	6,846,272,037	7,171,267,852	9.83	10.33	10.32	4.75
Italy	4,452,924,117	4,952,944,358	5,388,580,845	7.14	7.47	7.75	8.80
United Kingdom	2,876,026,497	3,079,091,872	3,154,357,271	4.61	4.64	4.54	2.44
Switzerland	1,851,279,826	2,072,883,206	2,125,169,072	2.97	3.13	3.06	2.52
Poland	1,560,214,857	1,682,368,670	1,960,022,822	2.50	2.54	2.82	16.50
Ireland	1,584,945,904	1,662,653,363	1,629,598,129	2.54	2.51	2.34	- 1.99
Brazil	1,442,119,785	1,421,545,554	1,507,994,054	2.31	2.14	2.17	6.08
United States	**1,341,576,544**	**1,291,807,301**	**1,425,639,667**	**2.15**	**1.95**	**2.05**	**10.36**

Source: Global Trade Atlas

Key Advantages and Challenges facing U.S. Products in France

Growth in tourism to France has helped boost French food manufacturers' sales to HRI. U.S.-style food has become more popular among young-urban consumers, a growing sector, and a benefit for potential U.S. inputs into food processing. Additionally, more products from the United States are recognized by French industry for quality and healthy aspects. Key advantages and challenges for U.S. food products are:

Advantages	**Challenges**
Consumers demand for innovative, low fat, healthy, and organic products.	Food safety and phytosanitary restrictions affect imports of fresh produce and certain food ingredients.
France is a major producer and exporter of finished processed food products driving ingredient demand.	Lack of awareness of U.S. food ingredients by processors.

Food technology developments and marketing innovations spur higher demand for food ingredients.	Germany, the United Kingdom, as well as French manufacturers are main competitors to U.S. products.
Growing popularity of specialty and regional themed restaurants, such as Cajun or U.S. barbeque stimulates demand for U.S. food ingredients.	Government subsidies help French domestic suppliers compete against imports.

II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

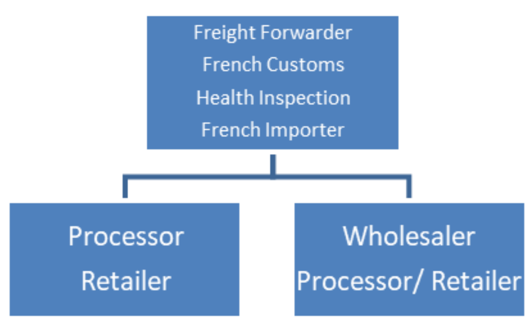
U.S. suppliers need French partners to enter the market. Local representatives provide additional market information and guidance on business practices and trade laws. In general, French food processing industry players attend regional and international food ingredient trade shows. The Health Ingredient Show, and the Food Ingredient Show are held periodically in Paris. The next Food Ingredient Show will be held December 3-5, 2019 at Paris-Nord Villepinte.

Market Structure

Most French processors buy their food ingredients through brokers and local wholesalers. Some of the larger companies have direct relationships with larger foreign suppliers. Food processors supply France's retail and food service (HRI) industries, which account for roughly 70 and 30 percent, respectively, of the sector's overall sales. The common entry strategy for small and medium sized U.S. companies is dealing directly with a local wholesaler or broker or indirectly through an export agent or consolidator. The following illustration is a basic flowchart showing how U.S. products would enter and move through the French distribution system:

In the United States:

In France:



Company Profile
In 2018, there were over 18,000 food processing companies in France. The processed products are meat, fish, fruits and vegetables, canned foods, bakery and cereals, dairy, confectionery, animal feed, ingredients, and beverages. The table below also includes U.S. food companies having foreign direct investments in France.

FRANCE'S MAJOR FOOD PROCESSING COMPANIES, 2017

Company Name and Type of Food Processor	Sales in France (million $)	Number of Employees	End-Use Channels	Production Location	Procurement Channels
Danone (production, processing and marketing of fresh dairy products, packaged water, baby food and clinical nutrition)	27,727	102,401	Retail and HRI	France & Europe North America Asia/Middle East & Africa	Importers; Direct
Lactalis (dairy products)	19,438	75,000	Retail and HRI	France, Europe, North, Central and South America, Asia, Africa	Importers; Direct; Distributors
Pernod Ricard (manufacturing and distribution of wines and spirits)	10,301	18,421	Retail and HRI	France & Europe USA	Importers; Distributors; Direct
Sodiaal (milk production)	7,548	9,400	Retail and HRI	France, China and Switzerland	Direct; Importers
Nestle France (products and beverages for human consumption and animal feed)	5,032	13,000	Retail and HRI	France and all over the world	Importers; Direct
Terrena (distribution, agricultural supply, animal and plant production)	6,297	13,998	Retail, HRI (own plant production supply chain)	France & Europe	Importers; Direct
Soufflet (grain processor)	5,324	7,441	Industry and Retail	France, Europe, Asia and South America	Direct; Importers
Vivescia (producer, grain and vegetable processor)	6,123	8,322	Industry	France and Europe	Direct
Mondelez International (Kraft Foods France coffee and chocolate)	6,045	5,000	Retail and HRI	France (snacking, chocolate and coffee brands) Branch of Kraft Foods created for the French and European markets	Importers, Direct
Agrial (food and agricultural cooperative group)	5,843	14,000	Retail and HRI	France	Importers; Direct
Moët-Hennessy (luxury industry, wine, spirits)	5,763	N/A	Retail and HRI	France, Switzerland, USA	Direct
Savencia Fromage & Dairy (formerly Bongrain SA) (milk processor)	4,964	19,307	Retail and HRI	France. Subsidiaries in Europe, North and South America	Direct; Importers

Bigard (meat processor)	4,831	14,000	Retail, HRI	France	Direct
Tereos (sugar manufacturer, process raw materials in sugar)	5,415	23,000	Food and non-food industry and retail	France and Europe, South America, Africa	Importers; Direct
Agro Mousquetaires (French retailer)	4,719	11,000	Retail	France	Direct
Axereal (agricultural and food cooperative group)	3,596	3,200	Retail, HRI and Industry	France, Europe and Algeria	Direct; Importers
Cargill France (food, agricultural, financial, industrial and services)	2,518	199	Industry, Retail and HRI	France and internationally across Europe, North and South America, and Asia (U.S. Group)	Direct; Importers
Roullier (plant fertilizers, animal feed and nutrition)	2,921	8,000	Industry, Retail and HRI	France , Brazil, Poland, Austria, Uruguay, Paraguay, Mexico, Ukraine, Egypt	Direct; Importers
LDC (poultry producer and processor)	3,357	16,200	Retail and HRI	France, Poland and Spain	Direct; Importers
Fromageries Bel (cheeses baked or half-cooked)	3,258	13,000	Retail and HRI	France, Europe, Americas, Asia, Africa, Middle East	Direct
Unilever France (hygiene, personal care and nutrition)	2,546	2,000	Retail and HRI	U.K., The Netherlands	Direct; Importers
Coca Cola Enterprise (soft drinks)	2,513	2,600	Retail and HRI	USA – France	Direct; Importers
Limagrain (vegetable and grain seeds)	2,921	10,000	Retail, HRI and Industry	France and Europe – Subsidiaries in North America, Asia and Australia	Direct; Importers
Triskalia (cooperative, agrosupply, food and special distribution)	2,135	4,800	Retail and HRI	France	Direct; Importers
Roquette Freres (starch and starch based products manufacturer)	2,282	3,600	Industry, Retail and HRI	France, North America, Europe and Asia	Direct; Importers
Cooperl Arc Atlantique (production and Slaughter pigs)	1,809	600	Retail and HRI	France	Direct

N/A = Not Available
Source: RIA Magazine

Sector Trends
France is a major exporter of processed foods. In 2017, the total French exports of processed foods were valued at $53.2 billion, an increase of 9 percent from 2016. In order to reduce and consolidate costs, more French food processors are also importing and processing food ingredients.

For example, Danone, the world's dairy products leader, number two packaged water and baby food, and number one in Europe for clinical nutrition, and has over 140 overseas manufacturing plants. Another company, Sodiaal, is the French leader in milk production and number four in Europe, and has joint ventures in Switzerland and China. Some French companies invest in Asia to produce dairy, sugar, and sugar-based products, beverages and grains. Some companies such as Moët-Hennessy and Pernod Ricard and also developing presence outside of France and have a strong presence in the United States.

French companies invest heavily in research and development. In addition, French consumers' quality, food safety, and health concerns have pushed the French food processing industry to look for new healthier products and increased their demand for organics. Environment and sustainable development, sorting and recycling packaging waste, food waste, and energy efficiency are major aspects of the competitive French food industry.

The decrease of the French household purchasing power did not affect most of French consumer demand for quality, innovative, and healthy products. Nevertheless, the lowest social classes are primarily driven by price. Also, change in lifestyles and in demographics resulted in a strong growth of processed products' consumption.

III. COMPETITION

Many countries conduct market promotion activities in France. Third countries promoting food and processed food products in France include Norway, Israel, Morocco, South Africa, Argentina, Brazil, Canada, and the United States.

Iran, Turkey and North Africa, which can supply lower-priced dried fruits and nuts, have competitive advantage over U.S. products, even though French consumers recognize high U.S. quality. Norway, The United Kingdom and China are major competitors for U.S. fish and seafood products. The new trade agreement with Canada (CETA) entered into force in September 2017. This new trade agreement may have an impact on U.S exports to the EU and France. Processed food products, such as confectionery, sauces and dressings, and soft drinks, are developing at a fast rate, and the United States remains in a good position to continue to benefit from the market demand. That said, familiarity with French consumer tastes and texture preferences, as well as proximity to the market in some cases give Belgium, the United Kingdom, and Germany competitive advantage for these products. Please also see the Retail Food Report, section Competition.

IV. BEST PRODUCT PROSPECTS

In 2017, the United States is the second largest supplier of soybeans to France after Brazil and before Canada. In 2018, because of the price differential the United States became the largest supplier of soybeans and soybean meal to France. Most of the soybeans imported into France enter as soybean meal for animal feed use. Below are U.S. products present in the market that have good sales potential.

PRODUCTS PRESENT IN THE MARKET WITH GOOD SALES POTENTIAL

Product Category	2017 Total Imports (in million dollars)	Average Percentage Import Change (2017-2016)	Key Constraints over Market Development	Market Attractiveness for USA
Fish and Seafood	$5,410	8.2%	Competition from other suppliers, particularly Canada with CETA in force.	Demand for seafood products will continue to rise because domestic production is significantly lower than demand. Health benefits and quality of US products offer opportunities for US suppliers mainly for frozen Alaska Pollock fillets, fresh and frozen scallops, frozen surimi base, live lobster and frozen salmon.
Citrus fruits and nuts	$3,884	6.3%	Competition from key established suppliers	U.S. products are considered as quality and safety products. France is the leading European market for U.S. grapefruits. Most popular nuts sold in France are almonds, cashews, pecans, hazelnuts and pistachios. Most sales from the US are bulk and for the processing industry.
Coffee, tea and spices	$3,413	17.5%	Lack of awareness for US products	The market remains a niche for US suppliers but opportunities exist to compete with other countries origin present in the market for coffee and teas.
Sauces, condiments and seasonings	$675	3.5%	Competition from key established multinational suppliers. Products to be GMOs and Bisphenol A free.	U.S. suppliers to provide new exotic and natural flavors for the processing industry.
Salted and sweet snacks	$443	3.7%	High tariff and competition from large multinationals.	Snacking is on the rise, and demand is for new flavors so U.S. ingredients are in demand.
Sugar, chocolate, and confectionery	$1,031	3.9%	High tariff, adapt to European and French regulations. Also, competition with key established multinationals.	Niche opportunities for sugar-free, gluten free, low-carb and functional value-added products and the U.S. could supply the industry
Pulses	$118	11.4%	Competition from key established suppliers, particularly Canada with CETA in force.	U.S. suppliers carry high quality products and should continue valorizing the nutritional aspect of their pulses.

Source: INSEE/GTIS – World Trade Atlas

PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WITH GOOD SALES POTENTIAL

Product Category	2017 Total Imports (In Million Dollars)	Average Percentage Import Change (2017/2016)	Key Constraints Over Market Development	Market Attractiveness for USA
Tropical fruits	$842	11.5%	Competition with French overseas department and territories producers (banana and pineapple) High transportation costs	French consumers are open to different flavors. U.S. suppliers may find a niche to offer tropical fruits and sale to specialized gourmet stores.
Sweet potatoes	$40	36.2%	Knowledge of this product is increasing. Competition from Honduras, Nicaragua, Israel, Spain and at a less extent Egypt.	This market is likely to become more dynamic as consumers gain product understanding. Opportunities will exist for development by U.S. sweet potato suppliers and relevant trade associations.
Dietary products including nutraceuticals	N/A	N/A	Strict EU and French regulations apply to these products.	This is a fast growing and lucrative market attractive for the numerous US suppliers
Organic foods	N/A	N/A	Strict EU regulations on production and countries equivalency apply for imported products from third countries. The U.S. has an equivalence arrangement with the EU.	Increasing health-concern and various food crises boosted this market segment. The growing success of organic food products in France could lead to increased imports if farmers do not increase their acreage and yields faster to meet this growing demand. In 2016, France imported more than half of the fruits, beverages and organic groceries it consumed, more than a quarter of vegetables and less than 10% of dairy products. On the other hand, France was self-sufficient in organic eggs, as in organic wine, where imports accounted for only 1% of consumption. Latest data say that France is currently the world's third largest organic market, with sales growing by almost 13% to 8 billion euros in 2017.
Kosher foods	N/A	N/A	Competition from local wholesalers and Israeli suppliers. Products to be certified Kosher by religious authorities.	Religious and health concerns boost sales of kosher products beyond the community. In France, the kosher market is estimated to increase at a yearly rate between 10-15%, offering opportunities for US suppliers.
Halal foods	N/A	N/A	Competition from	A large Muslim population in France

			multinational groups and key suppliers. Products to be certified Halal by religious authorities.	generates approximately 10% annual increase in Halal foods offering opportunities for US suppliers.

N/A = Not Available
Source: INSEE/GTIS World Trade Atlas

V. POST CONTACT AND FURTHER INFORMATION

For further information contact:

Office of Agricultural Affairs
American Embassy
2, avenue Gabriel - 75382 Paris Cedex 08
Tel: (33-1) 43 12 2245
Fax: (33-1) 43 12 2662
Email: agparis@fas.usda.gov
Homepage: http://www.usda-france.fr

For information on exporting U.S. food products to France, visit our homepage.