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France

FOOD PROCESSING SECTOR REPORT

1999

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Report Highlights:
The French food processing sector is Europe's number one and takes the lead in food processing technology. Increasing demand for dietetic/health/organic foods and developments in functional foods has triggered a rise in demand for food ingredients. The U.S.'s biggest competitors are Germany, Belgium, the United Kingdom, Italy and the Netherlands.

Includes PSD changes: No
Includes Trade Matrix: No
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I. MARKET SUMMARY

France offers excellent opportunities for the food processing sector. Domestic sales of processed foods continue to rise. Growing demand for processed food among restaurants and ordinary consumers has led to increasing demand for food ingredients. Today, France has 23 major food processors in an industry consisting of over 4,200 companies. The French Food Industry Association (ANIA) reports that the food processing sector's consumption of processed food accounts for almost 45 percent of processed food total sales, which are estimated to be FF 800 billion in 1998 ($139 billion). This figure represents an increase of 1.4 percent from the 1997 figures and makes the French food processing industry number one in Europe before Germany.

The food industry is one of the most important sectors of the French economy. It accounts for 15% of the economy's added value, making it the country's leading added value sector. With 10% of the world's market share, it is also the world's most competitive player. In 1998, French food exports amounted to FF 173 billion ($30 billion) while imports amounted to FF 118 ($20 billion).

French Food Processing Industry Sub-Sectors

Sub-Sectors	Percentage of Sub-Sectors as Percent of Total Processing Industry
Meat and meat products	30.8
Dairy products	22.5
Beverages (including wines and Spirits	15.5
Fruits and vegetables industry	5.3
Processed tea and coffee	5.2
Sugar	3.9
Chocolate and confectionery	3.2
Bakery, pastry products & canned foods	2.9
Bread and fresh pastry	2.3
Fish and seafood	2.3
Fats and Oils industry	2.1
Petfood	2.0
Milling industry	2.0

Source: AGRESTE/French Ministry of Agriculture and Fisheries

The Ministry of Agriculture and Fisheries divides the food processing industry into 13 sub-sectors: (1) meat, (2) dairy products, (3) beverages, (4) fruits and vegetables, (5) processed tea and coffee, (6) sugar, (7) chocolate and confectionery, (8) bakery and pastry products, (9) bread and fresh pastry, (10) fish and seafood, (11) oils, (12) petfood, and (13) the milling industry. Industry experts forecast continued yearly growth of 4% until 2000. Imports are mainly from Belgium, the United States, the United Kingdom and Germany.

France ranks third, behind Germany and the United Kingdom, among the European Union's largest consumers of ingredients. Progress in food technology, more stringent sanitary requirements, marketing innovations, and French exports of finished food products contribute to the increasing demand for food ingredients. Food ingredients in general are imported freely into France, but some face phytosanitary and other food safety issues. Additives are subject to special authorization if not on the list of the EU additive regulation, implemented by French decree of October 2, 1997. Tariffs and other labeling requirement may cause problems for some U.S. ingredients exporters. U.S. exporters should contact their French/European importer or the Office of Agricultural Affairs at the American Embassy in Paris for advice.

Advantages and Challenges Facing U.S. Products in France

Advantages	**Challenges**
France is a major producer and exporter of finished processed food products	Food safety and phytosanitary restrictions affect imports of fresh produce and certain food ingredients
Growing popularity of U.S. fast food chains and theme restaurants in France gives rise to higher demand for U.S. food ingredients.	Certain food ingredients are banned or restricted from the French market.
Food technology developments and marketing innovations spur higher demand for food ingredients	The U.S.'s biggest competitors are Germany and the United Kingdom. French manufacturers are also competitors.

Average Exchange rate: CY 1997:$1.00 = FF 5.84
CY 1998: $1.00 = FF 5.75
Source: FMI

II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

While there is no one-size-fits-all strategy to enter the French market, having local representation and personal contacts are essential entry factors. Depending on the exporter and the products, local representatives range from importers/distributors, to agents, and to supermarket buyers. Local representatives give up-to-date 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.

American companies should carefully study the representative or contact's reputation before making any permanent legal arrangements. The Office of Agricultural Affairs (OAA) in Paris has lists of reputable representatives and contacts for U.S. suppliers who wish to explore market opportunities in France.

B. Market Structure

The food ingredients market has a direct buyer-supplier structure. Product moves from the U.S. food ingredient exporter to the foreign processor, buyer, or importer.

Most French processors buy their food ingredients through brokers and local wholesalers. Some of the larger companies have direct relationships with larger foreign suppliers. French food processors supply to French retail and food service industries, which account for roughly 70 and 30 percent, respectively, of the sector's overall sales. The most common entry strategy for small and medium-sized U.S. companies is dealing either directly with a local wholesaler or broker, or indirectly through an export agent or consolidator.

C. Company Profiles

Today, approximately 4,200 companies make up France's food processing sector. Their products include processed meats and fish, canned foods, bakery and cereals, dairy, confectionery, animal feed, ingredients, and beverage processors. The following table profiles the 23 largest French food processing companies cites their sales, number of employees, processing methods, and production location. These food processors' end-use channels are the retail sector as well as HRI/food service, which can buy directly or go through wholesalers. This table also includes U.S. food companies with foreign direct investment in France.

Profiles of Major Food Processing Companies

Company Name and Type of Food Processor	**Food Sales, CY 97 ($ million)**	**Number of Employees**	**Production Location (domestic v. off-shore, JV)**
Danone (bakery & cereals, dairy products, beverages, ready meals, sauces & dressings)	17,970	80,630	*France* (headquarters of French owned multinational enterprise)
Eridania Beghin-Say (animal food, ingredients, oils, sauces & dressings, sugar & products)	13,050	20,760	*France* (headquarters of French owned multinational enterprise)
Arcadie Industry (fresh and processed meat)	1,730	2,880	*France* *Germany (JV)* (French company)
Bonduelle S.A. (Canned vegetables	970	4,120	*France* *Western Europe* (French company)
Brossard France (Cakes and dough products)	120	660	*France* (Parent company of Sara Lee (U.S.A.)
Cecab Groupe (canned & frozen vegetables, egg products, pet food and ready meals)	1,300	4,500	*France* (French company)
Compagnie Laitiére Européenne (animal feed, butter, cheese, ingredients and milk products)	2,930	3,600	*France* *Belgium & Spain* (French company)
Groupe Cana (cheese, fresh and processed meat, milk products and wine)	1,590	3,760	*France* (French company)

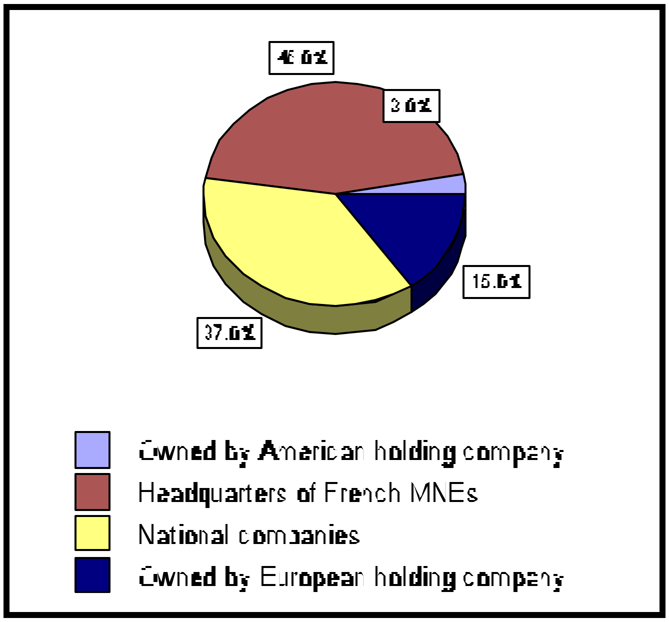
Lactalis S.A. (butter, cheese, flavorings, ingredients and milk products)	5,250	15,190	*France* *Western & Eastern Europe* (French company)
Miko S.A. (frozen food, ice cream & ready meals)	580	2,300	*France* (French company)
NH Guyomarc'h (animal food, ingredients, pet food and ready meals)	1,530	4,970	*France & worldwide* (French company)
Panzani William Saurin S.A. (pasta, ready meals and sauces & dressings)	940	2,100	*France* (French company)
Roullier S.A. (bakery and fresh & processed fish and meats)	1,110	3,700	*France* (French company)
Socopa S.A. (fresh & processed meats)	2,150	5,210	*France* (French company)
Sodiial (animal feed, butter, cheese, ingredients and milk products)	3,570	6,160	*France* (French company)
Unicopa (cheese, fresh & processed meat, frozen food, milk products and ready meals)	1,200	3,100	*France* (French company)
Best Foods France (bakery & cereals, food drinks, ready meals, sauces & dressings, soup)	580	1,400	*France* (Parent company of Best foods International - U.S.A.)
Kraft Jacobs Suchard France S.A. (chocolate, coffee and sugar confectionery)	1,080	1,700	*France* (Parent company of Philip Morris - U.S.A.) Owned by American holding company

Mars Alimentaire S.A. (chocolate, ice cream and sugar confectionery)	470	730	*France* (Parent company of Mars Inc. - U.S.A.) Owned by American holding company
Andros S.A. (biscuits, canned fruit, fruit juice, jam, sugar confectionery)	920	470	*France* *Germany* (Parent company of Terranova Pic - U.K.) Owned by European holding company
Ferrero France S.A. (chocolate and sugar confectionery)	590	590	*France* (Parent company of Ferrero SpA - Italy) Owned by European holding company)
Nestlé France S.A. (bakery & cereals, canned food, chocolate & sugar confectionery, coffee, dairy products, ice cream, frozen food, pasta, pet food, processed fish & meat, ready meals, sauces & dressings)	5,100	1,280	*France* (Parent company of Nestlé S.A. - Switzerland) Owned by European holding company
Unilever France S.A. (cheese, frozen food, ice cream, oils, processed meat, sauces & dressings, soup and tea)	3,500	8,790	*France* *Netherlands/U.K.* (Unilever) Owned by European holding company

Source: Datamonitor database

D. Sector Trends

Main Company Types and their Percentage of Sales



The following graph illustrates the strong presence of French national companies and French owned multinational enterprises (MNE). 45% of these companies'sales come from headquarters of French-owned multinational enterprises (Danone and Eridania Beghin-Say); 37% from French national companies (Arcadie Industry, Bonduelle, Brossard France, Cecab Groupe, Compagnie Laitiere Européenne, Groupe Cana, Lactalis, Miko, NH Guyomarc'h, Panzani William Saurin, Roullier, Socopa, Sodiaal and Unicopa); 15% from European-owned multinational enterprises offices or subsidiaries (Andros, Ferrero France, Nestle France and Unilever France); 3% from American-owned multinational enterprises offices or subsidiaries (BestFoods France, Kraft Jacobs Suchard France and Mars Alimentaire). Several factors explain the competitiveness of French national and privately-owned companies: (1) state-of-the-art techniques in food processing, packing, and packaging; (2) a tradition of high quality, and (3) high productivity levels. In turn, the competitiveness of these companies explain the whole industry's international competitiveness. Over the next ten years, industry and market growth will depend on restructuring efforts among the largest companies–considered essential for international competitiveness--and govenrment support of exporters.

Greater health consciousness and advancements in biotechnology will continue to influence the development of functional foods and their ingredients. Trends show growing consumer preference for fresh consumer-ready products to frozen food. In Europe, functional foods are expected to grow 30 percent between 1999 and 2003, while organic foods should represent 10 percent of food sales in 2006.

The heightened popularity of dietetic/health food and food supplements has triggered a corresponding growth in the production and marketing of natural aromas, food coloring, spices, plant extracts, and fat and sugar substitutes. Similarly, rising consumer preference for organic food products has led to a corresponding rise in demand for organic ingredients.

III. COMPETITION

In the French market, the U.S.'s main competitors in food ingredients are Germany, Belgium, the United Kingdom, Italy, and the Netherlands. Major imports are meat, fish, milk and dairy products, chocolate and confectionery, oils and oil meals, and prepared fruits and vegetables. The United States holds a six percent share of the food ingredient import market.

IV. BEST U.S. PRODUCT PROSPECTS

A. Products Present in the Market which have Good Sales Potential

Best product prospects among basic food ingredient inputs are almonds, pistachios and dried fruits (dates, apricots, prunes) which are primarily used for industrial baking by the major food processors. The main competition for U.S. suppliers are lower priced products from Iran and Turkey for nuts and North African countries for other dried fruits. Processed food products such as confectionery, sauces and dressings and soft drinks are developing at a fast rate and the U.S. presence for these products is well developed. U.S. company Sara Lee acquired premium bakery manufacturer Brossard France.

B. Products Not Present in Significant Quantities but which have good sales potential

Processed food manufacturers will find sales potential in such food additives as thickeners, stabilizers, food supplements, and spices. Familiarity with French taste and texture preferences gives Belgium, the United Kingdom and Germany competitive advantage in the market.

French consumers' growing health consciousness is putting pressure on French manufacturers to come up with new products. So long as they meet French industry standards and regulations, functional food and their product inputs will hold significant growth potential.

C. Products not present because they face significant barriers

The French Government has banned or restricted concentrations of certain food additives. Please contact our office to see if your additive is banned or restricted.

V. POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance in exporting high value food products to France, please contact the Office of Agricultural Affairs in Paris at the following address:

Office of Agricultural Affairs
American Embassy
2, avenue Gabriel
75382 Paris Cedex 08
Tel: (33-1) 43 12 2264
Fax: (33-1) 43 12 2662
Email: fasparis@compuserve.com
homepage: http://www.amb-usa..fr/fas/fas.htm

For more information on exporting U.S. food products to France, visit our homepage. The OAA homepage includes information on the HRI and Retail food sector, Food Agricultural Import Regulations and Standards, product briefs on the market potential for U.S. products, upcoming promotional trade shows and fairs in France. Importer lists are available from our office to exporters of U.S. food products.

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: http://www.fas.usda.gov.