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Report Name: Food Processing Ingredients

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Report Highlights:

The food processing industry an important sector for France. In general, it has successfully managed the Covid-19 crisis by adapting to cost increases and more stringent sanitary measures. Food processing industry statistics have not yet released for 2020, but in 2019, the sector was valued at $212 billion with over 17,000 food processors, from small family-owned businesses 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 of processed foods are higher than other large industrial sectors in France and its food industry is the third largest in the world behind Germany and the United States.

Market Fact Sheet: France

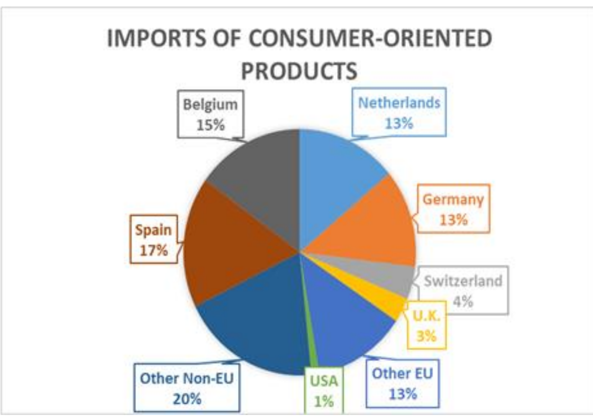
EXECUTIVE SUMMARY

The Covid-19 pandemic continues to weigh on the economy. In 2020 its gross domestic product (GDP) contracted 8.3 percent from 2019 to $2.28 trillion.

France is the world's seventh largest industrialized economy and the EU's second largest economy after Germany. 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

Primary imports from outside the EU were oilseeds, fruits, and distilled alcohols from the United States and China. Imports from the EU were primarily dairy, meat, and vegetables. In 2020, the trade balance for France's agricultural and food products reached $14.4 billion. France's imports from the U.S. in 2020 were valued at $1.3 billion, led by tree nuts, alcoholic beverages and seafood.



FOOD PROCESSING INDUSTRY

The sector has about 17,700 food processing companies with sales of $215 billion. The value of processed food imports increased 0.1 percent in 2020 compared to 2019, and the exports decreased by 4.5 percent during same period. However, exports in the food industry sector remain ahead of other leading industrial sectors, placing France's food industry among the top three in the world. Its food processing sector represented around 1.6 percent of France's gross domestic product (GDP).

FOOD RETAIL INDUSTRY

In 2020, sales of 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 previous year, especially in e-commerce food sales, that increased over 40 percent compared to 2019, and represented 7.8 percent of total retailers food sales. The largest French retailers continued investing in smaller stores in city centers. Overall retail food sales in France were estimated at $394 billion, including specialized food stores such as frozen food stores, organics and open-air-markets with sales estimated at $35 billion.

Quick Facts CY 2020

Imports of Consumer-Oriented Products *(USD million)*
42**

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 Potatoes10) Sauces and seasonings

Food Industry by Channels (USD billion)

Food Industry Output	212
Food and Ag. Exports	70.6
Food and Ag. Imports	63.4
Retail	394
Food Service	62

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)*: 67.4
GDP *(billions USD)*: 2.28
GDP per capita *(USD)*: 33,804

**This figure does not include U.S. products exported to France transshipped through other EU countries. This would double the figure.
Sources: TDM, World Bank, Linéaires

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	**Challenges**
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:
INSEE, Trade Data Monitor, Linéaires, French Customs
Note: At an aggregate level 2019 statistics are available for trade. For production and more detailed product figures, 2019 is the most recent data available.

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COVID-19

The data in this pandemic period shows a significant economic contraction across sectors due to the Covid-19 pandemic. The 8.3 percent contraction in GDP in 2020 from 2019 make it the worst recession since World War II. French Ministry of the Economy reports government debt at about 11 percent of GDP for 2020. The World Trade Organization forecast a decline in world trade volume of 9.2 percent for 2020, and a 7.2 percent rise in 2021 (although growth is be subject to high degree of uncertainty). President Macron faces a challenging situation as he begins his campaign for re-election in early 2022. The current situation has tempered his major economic and structural reforms.

Food processing was considered an essential industry by the government and most firms continued to operate but with slightly lower capacity because of limitations on labor and new distancing precautions in factories. Trucking also increased costs for the industry as there were fewer drivers and foreign drivers departed the country. Cost increases of agricultural raw materials, cleaning and protection equipment for employees due to health crisis also impacted the sector, especially the small to medium-sized agro-businesses. Many importers have noted that they have slowed or stopped their purchases from outside the EU (including the United States) while they assess future demand.

I. MARKET SUMMARY

Overall Market Summary

The food processing industry an important sector for France. In general, it has successfully managed the Covid-19 crisis by adapting to cost increases and more stringent sanitary measures. Over seventy percent of France's food industry reported a sales decrease in 2020. The most impacted sectors were confectionary, beverages, processed meats and dairy products. The closing of cafes and restaurants resulted in sales decrease for food companies supplying the food service sector. Processed grain products and processed fruits and vegetable products, and beverages were the sectors that maintained significant exports. However, alcoholic beverages exports dropped four percent in 2020 from 2019.

The French Ministry of Agriculture reports there were over 17,700 food processing companies generating revenue of $215 billion in 2019. The value of processed food imports increased 0.1 percent in 2020 over the previous year. In 2020, the French food processing sector represented about 1.6 percent of the gross domestic product (GDP).

Processed Food Industry

As a result of Covid-19 crisis, the sector reorganized while continuing to produce. It adapted well to the changing demand shift from HRI to retail sector. However, the sanitary crisis affected the food processing industry and French Food Industry Association (ANIA) reported a one percent decrease in food production and 14.4 percent for beverages. INSEE (National Institute of Statistical and Economic Information) reports in 2020 production reached its lowest level since 2009. In 2020, the food processing sectors offering the most opportunities for U.S. products were grain, bakery and pastry industries and the beverage industry.

FRENCH FOOD INPUT AND PRODUCT TRADE
Calendar 2019 and 2020 (In Million Dollars)

Products	Imports		Exports		Trade Balance 2019	Trade Balance 2020
	2019	2020	2019	2020		
European Union						
• Raw Products	8620	7952	12,228	11,084	3,608	3132
• Processed Products	35,743	33,695	32,042	26,755	-3,701	-6940
TOTAL	**44,363**	**41,647**	**44,270**	**37,839**	**- 93**	**-3808**
Non EU Countries						
• Raw Products	7,560	7,967	5,352	6,424	-2,208	-1543
• Processed Products	11,238	13,752	11,282	26,324	44	12,572
TOTAL	**18,798**	**21,719**	**16,634**	**32,748**	**-2,164**	**11,029**
World						
• Raw Products	16,180	15,919	17,580	17,508	1,500	1589
• Processed Products	47,026	47,447	54,436	53,079	7,410	5632
TOTAL FOOD PRODUCTS	**63,206**	**63,366**	**72,016**	**70,587**	**8,910**	**7221**

Source: Agreste/French Customs

Note: 2020 statistics are only available at an aggregate level. For production and more detailed product figures, 2019 is the most recent data available.

FRENCH FOOD PROCESSING INDUSTRIES
Calendar Year 2019

Industries	Number of Companies	Turnover ($ Million)
Meat and Meat Products	2548	40,055
Fish and Seafood	354	4,340
Fruits and Vegetables	1373	9,688
Fats and Oils	237	9,413
Dairy Products	1777	16,030
Grain Industry	467	9,423
Bakery Industry	1734	12,873
Miscellaneous Food Products	5292	32,725
Animal Feed	466	17,189
Beverages	3399	38,797
Total Food Processing Industries	**176 47**	**190.861**

Source: French Ministry of Agriculture

France's demand for food ingredients has increased over the past decade (excluding 2020) 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 proactive in removing ingredients from products that have been associated with safety concerns even if they are permitted, and the concerns are unsupported by science. Food ingredients are usually imported without problems but they do face phytosanitary and other food safety regulations that require strict adherence. 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 to 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:

- Finding lower-cost food inputs, and international processing options to remain competitive in the global market.
- Increasing interest in health and functional foods with an emphasis on the growing aging population.
- Increasing emphasis on convenience, ready-to-eat, and value-priced foods.
- Continuing diversification of French culinary options.
- Focusing on young consumers.
- Addressing 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 and Spain, Belgium, Germany, the Netherlands, and Italy are its top suppliers. Outside of the EU, the United States is France's fourth largest supplier after the United Kingdom, Switzerland, and Brazil. U.S. exports to France represented two percent of the value of imports in 2020. 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 2020

Partner Country	USD (Millions)		% Share		% Change
	2019	2020	2019	2020	2020/2019
World	68,595	68,577	***100.00***	***100.00***	-0.03

Spain	9,001	9,460	13.12	13.79	5.10
Belgium	8,442	8,254	12.30	12.03	-2.23
Germany	7,195	7,292	10.49	10.63	1.35
Netherlands	7,143	6,644	10.41	9.69	-6.99
Italy	5,367	5,606	7.82	8.17	4.45
United Kingdom	3,086	2,825	4.50	4.12	-8.46
Switzerland	2,103	2,173	3.07	3.17	3.34
Poland	1,990	2,050	2.90	2.99	3.01
Ireland	1,646	1,609	2.40	2.35	-2.25
Brazil	1,435	1,333	2.09	1.94	-7.11
United States	**1,374**	**1,314**	**2.00**	**1.92**	**-4.37**

Source: Trade Data Monitor/French Customs (Agricultural Total, Group 2)

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

Because of the pandemic and sanitary measures taken by Government, restaurants closed, tourism decreased dramatically, as did food manufacturers' sales to HRI. Typically U.S.-style food is popular among young-urban consumers, who are growing in economic strength and this will benefit U.S. sales once restaurants re-open. Additionally, more products from the United States are recognized by French industry for their quality and healthy attributes. 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	Certain food ingredients (such as enriched flour) are banned or restricted from the French market
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 theme 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.

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 either 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:

U.S. suppliers
export through

↓

Forwarding Agent
U.S. Customs

↓

In France:

Freight Forwarder
French Customs
Health Inspection
French Importer

↓ Processor ↓ Retailer

↓ Wholesaler Processor/ Retailer

Company Profile

In 2019, there were **17,723** 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, 2019

Company Name and Type of Food Processor	Sales (million $)	Number of Employees	End-Use Channels	Production Location	Procurement Channels
Danone (production, processing and marketing of fresh dairy products, packaged water,	28,363	102,401	Retail and HRI	France & Europe North America Asia/Middle East &	Importers; Direct

baby food and clinical nutrition)				Africa	
Lactalis (dairy products)	22,421	80,000	Retail and HRI	France, Europe, North, Central and South America, Asia, Africa	Importers; Direct, Distributors
Pernod Ricard (manufacturing and distrib bution of wines and spirits)	9,471	18,914	Retail and HRI	France & Europe And USA	Importers; Distributors; Direct
Soufflet Group (grain processor)	5,527	6,851	Industry and Retail	France, Europe, Asia And South America	Direct; Importers
Terrena (distribution, agricultural supply, animal and plant production)	5,446	13,838	Retail, HRI (own plant production supply chain)	France & Europe	Importers ; Direct
Nestle France (products and beverages for human consumption and animal feed)	5,230	13,000	Retail and HRI	France and all over The world	Importers; Direct
Tereos (sugar manufacturer, process raw materials in sugar, alcohol and starch)	5,045	9,100	Food and non-food industry and retail	France and Europe South Amrica Africa Asia	Importers; Direct
Vivescia Group (producer, grain and vegetable processor)	3,587	7,500	Industry	France and Europe	Direct
Mondelez International (Kraft Foods France coffee and chocolate)	3,381	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)	6,839	22,000	Retail and HRI	France	Importers: Direct
Moet-Hennessay (luxury industry, wine, spirits)	7,502	999	Retail and HRI	France, Switzerland, USA	Direct
Savencia Fromage & Dairy (formerly Bongrain SA) (milk processor)	5,613	19,888	Retail and HRI	France, Subsidiaries in Europe, North and South America	Direct; Importers
Bigard (meat processor)	5,077	14,000	Retail, HRI	France	Direct
Agro Mousquetaires (French retailer)	4,758	11,000	Retail	France	Direct
Axereal (agricultural and food cooperative group)	3,778	3,200	Retail, HRI and Industry	France/Europe and Algeria	Direct; Importers
Cargill France (food, agricultural, financial, industrial and services)	1,892	500	Industry, Retail and HRI	France and I nternationally across Europe, North and South America, and Asia (U.S. Group)	Direct; Importers
Roullier	2,242	8,500	Industry,	France	Direct;

6,851

(plant fertilizers, animal feed and nutrition)			Retail and HRI	Brazil, Poland, Austria, Uruguay, Paraguay, Mexico, Ukraine, Egypt	Importers
LDC (poultry producer and processor)	4,933	22,700	Retail and HRI	France, Poland and Spain	Direct Importers
Fromageries Bel (cheeses baked or half-cooked)	3,815	13,000	Retail and HRI	France, Europe, Americas, Asia, Africa, Middle East	Direct
Unilever France (hygiene, personal care and nutrition)	2,467	869	Retail and HRI	U.K. – The Netherlands	Direct Importers
Coca-Cola Enterprise (soft drinks)	2,541	2,000	Retail and HRI	USA – France	Direct; Importers
Limagrain (vegetable and grain seeds)	2,130	500	Retail, HRI and Industry	France and Europe – Subsidiaries in North America, Asia and Australia	Direct; importers
Triskalia (cooperative agrosupply, food and special distribution)	2,345	4,800	Retail and HRI	France	Direct Importers
Roquette Freres (starch and starch based products manufacturer)	2,354	3,600	Industry, Retail and HRI	France, North America, Europe and Asia	Direct; Importers
Cooperl Arc Atlantique (production and slaughter pigs)	1,965	2,000	Retail and HRI	France	Direct

N/A = Not Available

Source: RIA Magazine

Sector Trends

France is a major exporter of processed foods. In 2020, the total French exports of processed foods were valued at $53.08 billion, a decrease of 2.5 percent from 2019. In order to reduce and consolidate costs, more French food processors are also importing food ingredients from their partners and subsidiaries around the world.

For example, Danone, the world's dairy products leader, the second largest packaged water and baby food producer has over 140 overseas manufacturing plants. Another company, Sodiaal, is the French leader in milk production and the 4th largest in Europe with 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 Moet Hennessy and Pernod Ricard are also developing presence outside of France including 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 important selling points in the competitive French food industry. The decrease of French household’s purchasing power did not affect the French consumer’s demand for quality, innovative, and healthy products. Nevertheless, there are many less affluent consumers that buy based on price.

Despite Covid-19 crisis, the food industry continued to be a major contributor to the French economy activity. However, many small to medium size companies (98 percent of the French food industry) have been severely impacted both in activity and sales, suffering by number from the shut down of bars, restaurants and food service sectors. Government will have to continue to provide these businesses the financial support to help them invest in research and development, assure environment and sustainable development, update packaging, and handle food waste while improving energy efficiency so they remain competitive at the European and international level.

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 U.S. dried fruit and nuts have a superior 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 2017 and has impacted U.S. exports to the EU and France for many products including seafood. Processed food products, such as confectionery, sauces and dressings, and soft drinks, continue to develop at a fast rate, and the United States remains in a good position to continue to benefit from this 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, in the section on competition for additional information.

IV. BEST PRODUCT PROSPECTS

In 2020, the United States is the second largest supplier of soybeans to France after Brazil and before Canada. In 2020, 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	2020 Total Imports (in million dollars)	Average Percentage Import Change (2020 -2019)	Key Constraints over Market Development	Market Attractiveness for USA
Fish and Seafood	$5,012	-5.9%	Competition from other suppliers	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 primarily for frozen Alaska Pollock fillets, fresh and frozen scallops,

				frozen surimi base, live lobster and frozen salmon.
Citrus fruits and nuts	$6,273	8.7%	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	$3,427	3.3%	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	$724	0.03%	Competition from key established multinational suppliers. Products to be GMOs free.	U.S. suppliers to provide new exotic and natural flavors and attractive packaging.
Salted and sweet snacks	$444	5.7%	High tariff and competition from large multinational.	Snacking is on the rise, and demand is for new flavors, healthy content and easy to eat packaging. U.S. products are considered for private labels.
Sugar, chocolate, and confectionery	$963	1.05%	High tariff, adapt to European and French regulations. Also, competition with key established multinationals.	Niche opportunities for sugar-free, low-carb and functional value-added products.
Pulses	$108	4.8%	Competition from key established suppliers.	U.S. suppliers carry high quality products and should continue valorizing the nutritional aspect of their pulses.

N/A = Not Available

Source: INSEE/TDM – Trade Data Monitor

PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WITH GOOD SALES POTENTIAL

Product Category	2020 Total Imports (in Million Dollars)	Average Percentage Import (2020/2019)	Key Constraints Over Market Development	Market Attractiveness for USA
Tropical fruits	$1,580	10.7%	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	$53	-3.6%	Knowledge of this product is increasing.	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 crisis boosted this market segment. Attractiveness for US organic food suppliers with innovative products.
Kosher foods	N/A	N/A	Competition from local wholesalers and key suppliers. Products to be certified Kosher by religious authorities.	Religious and health concerns boost sales of kosher products beyond the community offering opportunities for US suppliers.
Halal foods	N/A	N/A	Competition from multinational groups and key suppliers. Products to be certified halal by religious authorities.	A large Muslim population in France generates a 10% annual increase in halal foods offering opportunities for US suppliers.

N/A = Not Available

Source: INSEE/TDM – Trade Data Monitor

V. POST CONTACT AND FURTHER INFORMATION

For further information regarding exporting U.S. food products to France, please contact the Office of Agricultural Affairs:

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.

Attachments:

No Attachments