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Date: 12/21/2010

GAIN Report Number: FR9057

France

Food Processing Ingredients

Food Processing Ingredients Sector

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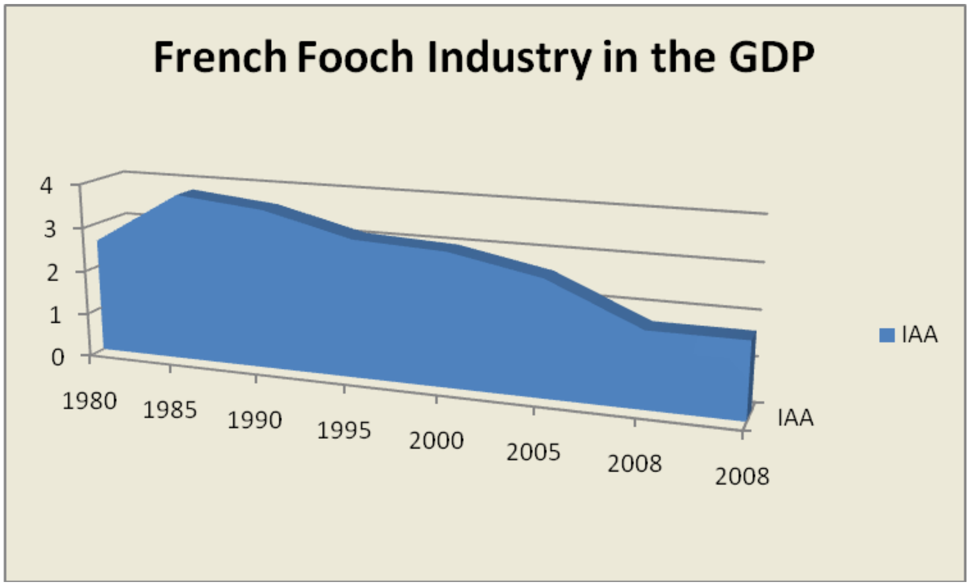
Report Highlights:
With more than 3,000 processors, the French Food Processing Sector is valued at $207 billion dollars. Innovative product ingredients that can be promoted as beneficial for diet and health offer the best new opportunities for U.S. exports to France. The main imported ingredients for processing are meat products, fish and seafood, fruits and vegetables based products, beverages, wine and alcohols, milk and dairy products, and cereal based products.

Post:
Paris

SECTION I. MARKET SUMMARY

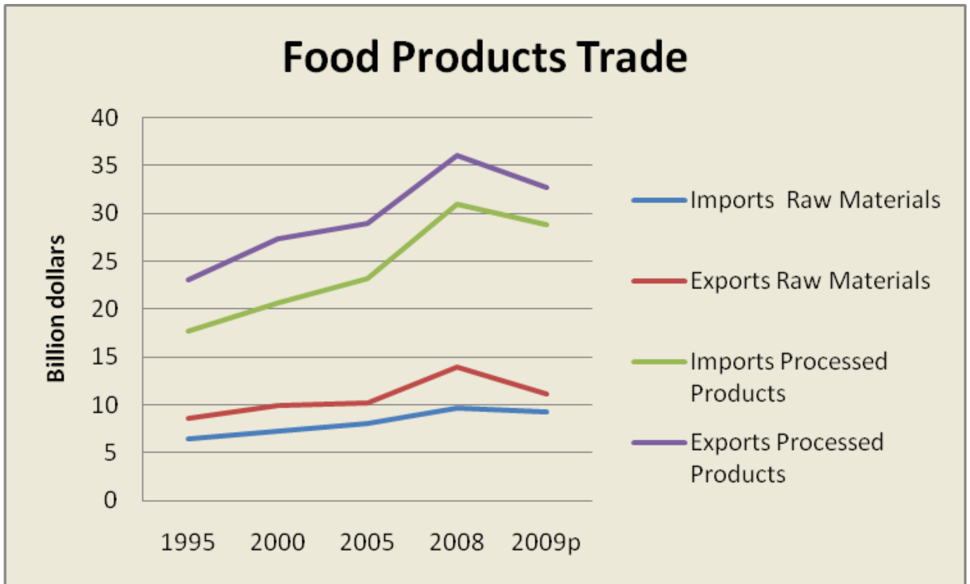
France's food processing sector offers U.S. food processing ingredients an excellent export market, as there is strong growth in consumption of processed food products. In 2008, there were 3,076 food processing companies. The French Ministry of Agriculture estimates the general turnover at $207 billion dollars. Exports in the food industry sector are ahead of the ones for the leading industrial sector, automobile manufacturing. This places France's food industry among the top three in the European Union. In 2008, the French food processing represented 1.7 percent of the gross domestic product (GDP); however, the share has steadily decreased since 1980 when it represented 2.6 percent.



Source: Agreste/ commerce extérieur agroalimentaire

In 2009, processed food product production rose .8 percent. The productivity of fruit and vegetable based products contributed 4 percent to this growth. Products which included fats soared by 8 percent, due to a good oilseed crop and because of biofuels demand. In contrast, for dairy products, production declined 4 percent, due to the drop in milk prices milk paid to producers. In conjunction with this decline, animal food products production fell 7 percent. Despite the expanding production of soft drinks and beer, the external demand for wine and alcohol dropped sharply.

The trading surplus for the food industry declined in 2009, falling from $7.9 billion in 2008 to $5.3 billion in 2009; falling 21 and 18 percent, respectively, for milled grain products and beverages.



Years		1995	2000	2008	2009
		Billion $			
Exports	Raw Products	7.8	9.08	19.8	15.6
	Processed Products	21.1	25.1	51.9	46.0
	Total	28.9	34.2	72.6	61.6
Imports	Raw Products	5.8	6.6	14.1	13.0
	Processed Products	16.2	18.9	44.8	40.5
	Total	22.1	26.1	59.2	53.8
Balance	Raw Products	2.0	2.3	5.8	2.2
	Processed Products	4.7	6.1	7.7	5.4
	Total	6.7	8.5	13.6	7.8

Source: Agreste/ commerce extérieur agroalimentaire

French Food Processing Industries, 2008

Industries	Number of Companies	Turnover (M$)
Meat and Meat Products	811	46,260
Fish and Seafood	106	4,330
Fruits and Vegetables	185	11,461
Fats and Oils	30	5,188
Dairy Products	305	37,747
Mill Industry	109	9,475
Bakery Products	358	14,961

Miscellaneous Food Products	483	34,570
Animal Feed	215	16,955
Food Industry Products	2,602	183,952
Beverages	474	32,885
Total Food Processing Industry	3,076	216,838

Source: French Ministry of Agriculture

Progress in food technology, marketing innovations, and exports of finished food products have all contributed to France's increasing demand for food ingredients. Innovative products, low fat, organic, and healthy products are in high demand. Food ingredients in general are imported freely by the private sector into France, but some face phytosanitary and other food safety restrictions at the EU level. 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. Please refer to the FAIRS report FR9021 at the following website http://www.fas.usda.gov/scriptsw/AttacheRep/legacy.asp and to the FAS U.S. Mission to the European Union website http://www.fas.usda.gov/posthome/useu/.

Advantages and Challenges facing U.S. Products in France

AVANTAGES	CHALLENGES
Consumers demand for innovative, low fat, healthy, 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	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 theme restaurants gives rise to higher demand for U.S. food ingredients.	Government subsidies help competitiveness and innovation

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

To enter the French market it is important, indeed essential to have local and personal contacts; these are key factors for market entry. According to the exporter and the products, a local representative can assist the importers/buyers, distributors, and agents. Local representatives provide 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. The Health Ingredient

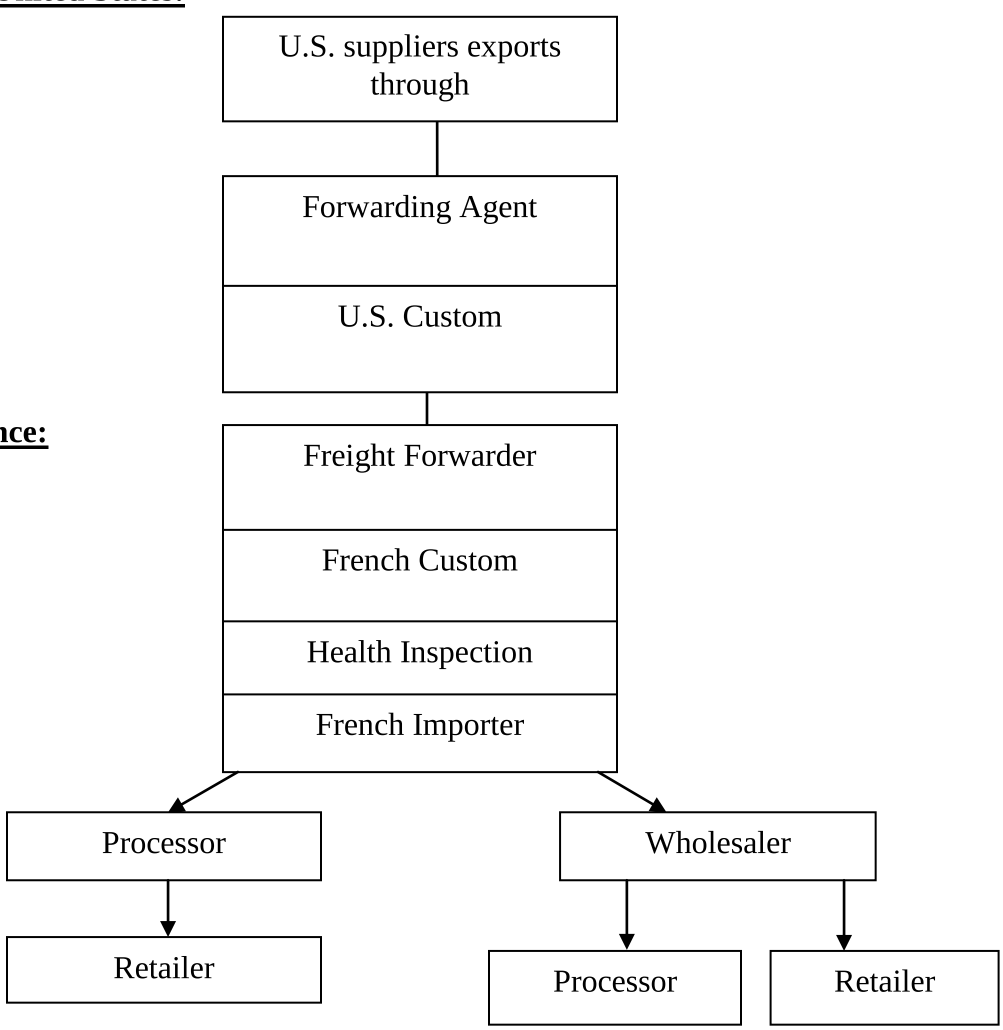
Show http://hieurope.ingredientsnetwork.com/ and the Food Ingredient Show http://fieurope.ingredientsnetwork.com/ are held periodically in Paris. The next Food Ingredient show will be held November 29 – December 1, 2011.

B. 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 to France’s 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.

In the United States:

In France:



C. Company Profile

In 2008 there was 3,076 food processing companies in France. The products ranged from processed meats and fish, canned foods, bakery and cereals, dairy, confectionery, animal feed, ingredients, and beverages. These food processors' end-use channels are the retail sector, as well as the hotel, restaurant, and industrial (HRI)/food service, which buy directly or through wholesalers. This table also includes U.S. food companies that have foreign direct investments in France.

France's Major Food Processing Companies, 2009

Company Name & Type of Food Processor	Food Sales (billion $)	Number of Employees	Production Location
Danone (production and marketing of fresh dairy products, packaged water, baby food and clinical nutrition)	21,101	86,976	France
Lactalis (dairy products)	11,971	36,000	France
Pernod Ricard (manufacturing and distribution of wines and spirits)	10,145	19,000	France
Bigard (meat processor)	N/A	10,000	France
Terrena (distribution, agricultural supply, animal and plant production)	4,907	11,264	France
Tereos (specializes in processing beet, cane and grain)	4,801	14,000	Spread over three continents of Europe, America and South Africa (French brand)
Cargill France (food, agricultural, financial, industrial and services)	4,647	131,000	Across Europe, North and South America, and Asia (U.S. group)
Bongrain SA (milk)	4,618	N/A	France
Nestlé France (products and beverages for human consumption and animal feed)	4,370	N/A	Switzerland
Soufflet (collection of plant materials and transforms them for the food industry)	4,250	N/A	France
IMT Entreprises (French retailer)	4,084	N/A	France
Moët Hennessy (luxury industry, wine, spirits…)	3,859	77,302	France
Champagne Céréales (Grain processor)	3,538	750	France
Sodiaal (milk production)	3,501	3,487	France
Unilever France (consumption of hygiene, personal care and nutrition)	3,161	N/A	U.K-Netherlands
Fromagerie Bel (cheeses baked or half-cooked)	3,128	11,500	France

Agrial (Food and agricultural cooperative group)	3,057	7,715	France
Kraft Food France (coffee and chocolate)	3,028	N/A	USA
LDC (poultry)	2,908	N/A	France
Coca-Cola Entreprise (soft drinks)	2,816	2,400	
Entremont Alliance (dairy products, hard cheese, milk powder, butter)	N/A	4,185	France
Heineken France (brewer)	2,295		Netherlands
Coopagri Bretagne (cooperative agro-supply, food and special distribution)	2,285	6,000	France
Cooperl Arc Atlantique (specialized in the production and slaughter pigs)	2,166	N/A	France
Bonduelle (vegetable processing)	2,146	N/A	France

Source: RIA Magazine

D. Sector Trends

The following factors help to explain the competitiveness of French companies internationally:

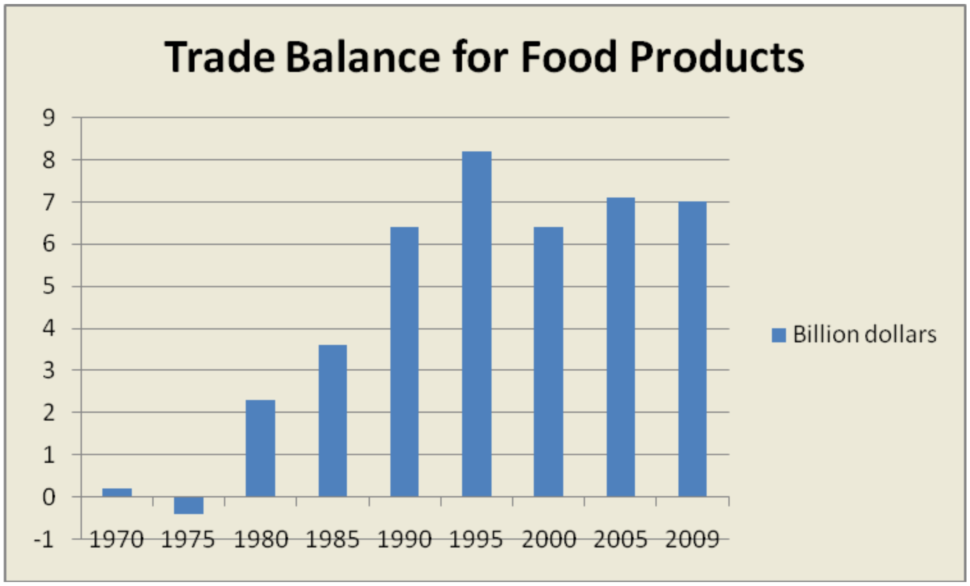
- Advanced technology in food processing has influenced the food processing sector, allowing large changes in areas such as design, manufacturing, packaging, management, and control quality.
- A high level of productivity has kept companies competitive.
- High brand and quality recognition, gourmet reputation.

For new food trends, we note a strong growth in consumption of processed products. Consumer expectations are increasingly oriented to health, fad diets, and nutrition. The food model, as we have seen, is in evolution. In recent years, there have been a sharp decrease in time spent preparing the meals, a significant decrease in the duration of meals for lunch, and a growing amount of television watching during meal time.

III. COMPETITION

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. Familiarity with French consumers' taste and texture preferences, as well as proximity to the market, give Belgium, the United Kingdom, and Germany competitive advantage.

In 2009, France generated the second largetst surplus for the food industry in the EU, valued at 5 billion dollars.



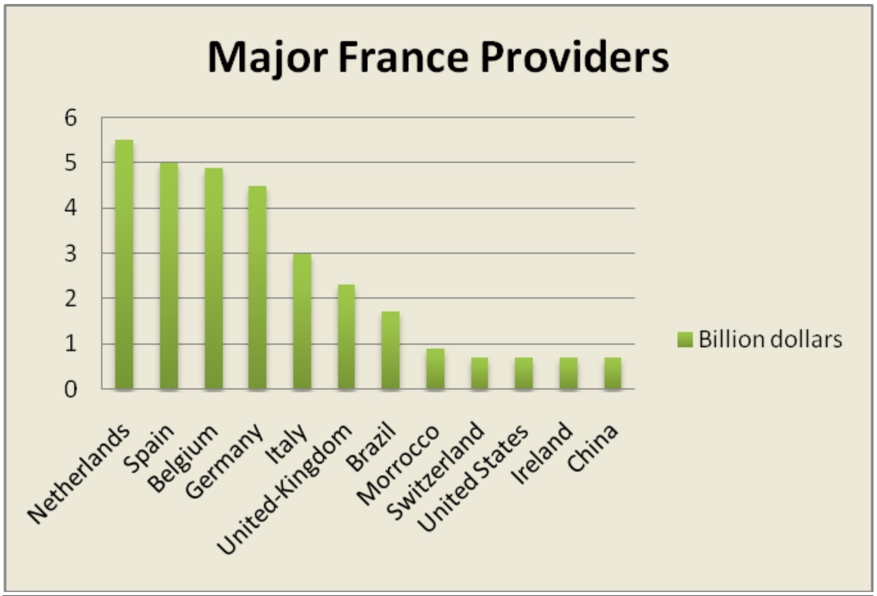
Source: Agreste/ commerce extérieur agroalimentaire

Trade Balance Deficit

	1990	2000	2008	2009
	in million $			
Fish and Seafood	-1,000	-1,561	-2,842	-3,036
Fruits	-1,033	-904	-2,801	-2,432
Fruit and Vegetable Based Products	-544	-793	-2,132	-2,057
Tobacco	-649	-1,059	-1,569	1,549
Floriculture	-488	-701	-1,394	-1,346
Coffee, Tea, Spices	-444	-645	-1,332	-1,321
Animal and Vegetal Oils and Fats	-277	-380	-1,994	-1,269
Meat and Meat Products	-676	248	-804	-1,050

Source: Agreste/commerce extérieur agroalimentaire

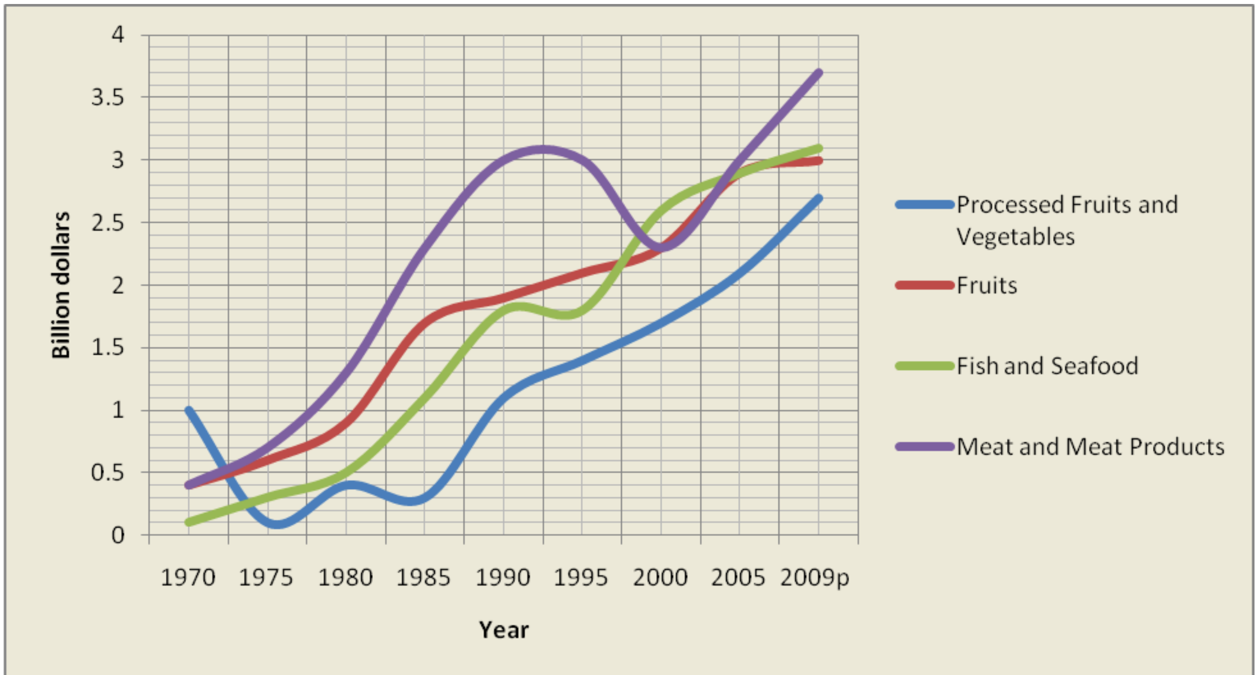
In 2009, ranking behind Germany, the Netherlands, and the United States, France became the fourth largest exporter of food products in the world; it was the largest exporter in the early 2000s.



Source: Agreste/commerce extérieur agroalimentaire

The main imports are fruits, fish, crustaceans, feed or grains and nuts.

World French Imports



Years	1990	2000	2008	2009
Total (Billion in $)	**18,590**	**25,718**	**59,192**	**53,964**
including				
Meat and Meat Products	2,743	2,637	5,582	5,266
Fish and Seafood	1,651	2,377	4,470	4,300
Fruits	1,875	2,138	4,954	4,278
Vegetable and Fruit Based Products	267	1,691	4,072	3,849
Beverages, Wine and other Alcohols	1,011	1,549	3,900	3,630
Milk and Dairy Products	863	1,977	3,627	3,318
Cereal Based Products	820	1,307	3,529	3,250
Vegetables	1,105	1,396	2,320	2,949

Source: agreste/commerce extérieur agroalimentaire

IV. BEST PRODUCTS PROSPECTS

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

According to industry sources, despite the growth in the use of soybeans, wheat maintains its wide preference, particularly in catering products. Gluten and wheat proteins remain among the most widely used vegetable proteins. Wheat proteins are versatile and can be found in 44 percent in of the bakery goods products, 16 percent in catering products, and 12 percent in cookies and snacks. As for soybeans, there is a specialization of soya protein and 65 percent of processed meat products contain soybean ingredients, while 13 percent go into bakery products, and 11 percent in diet products.

Best product prospects are almonds, pistachios and dried fruits (dates, apricots, prunes) which are primarily used for industrial baking by the major food processors.

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

There is less use of other types of vegetable protein products, such as peas. Proteins are used in the lupine diet (43 percent), bakery products (32 percent) and meat (25 percent). As for the pea protein, it is mainly used with meat products.

Processed food manufacturers will find sales potential in such food additives as thickeners, stabilizers, food supplements, and spices. French consumers' growing interest in products beneficial to the health and diet craze, are putting pressure on French manufacturers to come up with new products. Functional foods and their ingredients will hold significant growth potential.

C. Products not present because they face significant barriers

The French government has banned or restricted the concentrations of certain food additives. Three European directives apply in all member states, which establish a list of food additives (dyes, sweeteners and other additives) that can be used for human consumption. To determine if an additive can be included in this list, three criteria are taken into account: the technological need, the consumer utility and safety of the substance in question. Please contact the FAS US Mission to the European Union for additional information on EU food addititve regulations: http://www.fas.usda.gov/posthome/useu/.

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
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75382 Paris Cedex 08
Tel: (33-1) 43 12 2245
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