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France

Food Processing Ingredients

Annual Report

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Report Highlights:
The French food processing sector is valued at $191 billion and has over 17,600 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. The value of processed food imports increased by 5.6 percent in 2017. 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.

Post:
Paris

Author Defined:
Note: Average exchange rates used in this report are:
Calendar Year 2016: US Dollar 1 = 0.90 Euros
Calendar Year 2017: US Dollar 1 = 0.89 Euros
January-February 2018: US Dollar 1 = 0.81 Euros
Source: International Monetary Fund

SECTION I. MARKET SUMMARY

A. Overall Market Summary

In 2017, France's food trade surplus increased by $283 million compared to previous year reaching $954 million: Raw agricultural product exports increased by $176 million thanks to grains, and processed food increased by $107 million driven by sales of beverages and sugar-based products.

Since 2012 French processed food consumption doubled offering U.S. food processing ingredients an excellent export market, principally for meat, milk, bakery/pastry, fat and oils, and beverages. The French Ministry of Agriculture reports there were a total of 17,647 food processing companies generating revenue of $191 billion in 2017. 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 2017, the French food processing sector represented 1.7 percent of the gross domestic product (GDP).

B. 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 2016 and 2017

(In Million Dollars)

	Imports		Exports			
Products	**2016**	**2017**	**2016**	**2017**	**Trade Balance**	**Trade Balance**

					2016	2017
European Union						
• Raw Products	7,429	7,616	10,222	10,753	2,793	3,137
• Processed Products	33,063	31,978	27,646	29,216	5,417	2,754
TOTAL	**40,492**	**39,594**	**37,868**	**39,969**	**2,624**	**383**
Third Countries						
• Raw Products	6,584	7,154	4,429	3,483	2,155	3,671
• Processed Products	9,727	10,455	17,510	19,573	7,783	9,118
TOTAL	**16,311**	**17,609**	**21,939**	**23,056**	**9,938**	**12,789**
World						
• Raw Products	14,013	14,770	14,651	14,236	4,948	6,808
• Processed Products	42,790	42,433	45,156	48,789	2,366	6,364
TOTAL FOOD PRODUCTS	**56,803**	**57,203**	**59,807**	**63,025**	**7,314**	**13,172**

Source: Agreste/French Customs

French Food Processing Industries
Calendar Year 2017

Industries	Number of Companies	Turnover (without tax) In 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 all organics. The food processing industry is focused on improving nutrition in the production.

Since December 2016, the 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 issues 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.

C. 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 increasing global market place, and narrowing profit margins.
· Increasing interest in health and functional foods with an emphasis on the growing aging population.
· Increasing emphasis on convenience, ready-to-eat, and lower priced processed foods.
· Continued diversification of French culinary options.
· Larger focus on the younger populations demands.
· Stronger food safety concerns among consumers and retailers.

D. 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 fourth largest supplier after Switzerland, Brazil, and Morocco. U.S. exports to France represented 1.8 percent of all imported value in 2017. Major products imported from the United States are fish and seafood, including prepared fish and seafood, dried fruits and nuts, pulses, canned and prepared meat, beverages, including wine, spirits and grains.

Major Food Exporters to France

		USD (Millions)			% Share			% Change
Rank	**Partner Country**	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**	**2017/2016**
	World	**48,793**	**49,989**	**53,734**	**100.00**	**100.00**	**100.00**	**7.49**
1	Spain	6,950	7,179	7,874	14.24	14.36	14.65	9.68
2	Belgium	6,148	6,549	6,991	12.60	13.10	13.01	6.75
3	Germany	5,653	5,669	6,049	11.59	11.34	11.26	6.70
4	Netherlands	5,436	5,582	6,219	11.14	11.17	11.57	11.41
5	Italy	3,977	4,113	4,547	8.15	8.23	8.46	10.55
6	Switzerland	1,828	1,804	2,049	3.75	3.61	3.81	13.58
7	United Kingdom	1,552	1,524	1,622	3.18	3.05	3.02	6.43
8	Ireland	1,420	1,367	1,411	2.91	2.73	2.63	3.22
9	Brazil	1,500	1,323	1,314	3.07	2.65	2.45	-0.68
10	Morocco	955	1,007	1,128	1.96	2.01	2.10	12.01
11	United States	897	932	876	1.84	1.86	1.63	-6.00
12	France	636	660	731	1.30	1.32	1.36	10.76
13	Poland	933	1,046	1,139	1.91	2.09	2.12	8.89

14	Ivory Coast	694	793	812	1.42	1.59	1.51	2.39

Source: Global Trade Atlas (Agricultural Total)

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

The tourism industry increased demand for hotel, restaurant, and institutional products, and the popularity for American food and food products, which are on the trend since the last three years, are beneficial to U.S. ingredients. 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.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

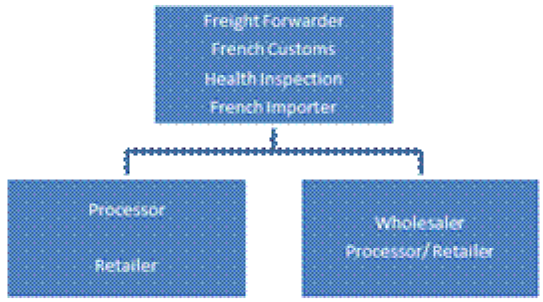
U.S. suppliers need French partners to enter the market. Local representatives provide additional market information and guidance on business practices and trade laws. In general, French food processing industry players attend regional and international food ingredient trade shows. The Health Ingredient 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.

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 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:



C. COMPANY PROFILE

In 2017, there were 17,647 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	10,301	18,421	Retail and	France & Europe	Importers;

(manufacturing and distribution of wines and spirits)			HRI	USA	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	5,415	23,000	Food and	France and	Importers;

(sugar manufacturer, process raw materials in sugar)			non-food industry and retail	Europe, South America, Africa	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,	2,135	4,800	Retail and HRI	France	Direct; Importers

agrosupply, food and special distribution)					
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

D. SECTOR TRENDS

France is a major exporter of processed foods. In 2017, the total French exports of processed foods were valued at $49 billion, an increase of 9 percent from 2016. The continuing efforts to reduce costs result in increasing the number of the French food processors looking to imports to source and even process products. 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, which 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 impact 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 high U.S. quality is recognized by French consumers. 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. 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.

A. Products Present in the Market with Good Sales Potential

Product Category	2017 Average Market Size (in Volume)	2017 Total Imports (in million dollars)	Average Percentage Import Change (2017-2016)	Key Constraints over Market Development	Market Attractiveness for USA
Fish and Seafood	3.1 million tons	$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	N/A	$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	N/A	$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	N/A	$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	N/A	$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	N/A	$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	N/A	$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.

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

B. Products Not Present in Significant Quantities but with Good Sales Potential

Product Category	**2017 Average Market Size (in Volume)**	**2017 Total Imports (In Million Dollars)**	**Average Percentage Import Change (2017/2016)**	**Key Constraints Over Market Development**	**Market Attractiveness for USA**
Tropical fruits	N/A	$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	N/A	$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	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	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	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	N/A	Competition from multinational groups and key suppliers. Products to be certified Halal by religious authorities.	A large Muslim population in France 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

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