Scheduled Report - public distribution

Date: 11/18/1999

GAIN Report #FR9081

France

RETAIL FOOD SECTOR REPORT

1999

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Report Highlights:
France's dynamic market for consumer-ready and high value foods offers lucrative opportunities for U.S. exporters in a number of niche products. Hypermarkets, supermarkets and city center stores account for almost 80 percent of food retail sales. Consolidation of suppliers increased with the recent merger of Carrefour/Promodes, creating the world's second largest retail chain after Wal-Mart. Products with the best prospects include fish and seafood; beverages, including wines and spirits; dried fruits and nuts; frozen foods (ready-to-eat meals and specialty products); snack foods; tree nuts; ethnic products; innovative dietetic/health and organic foods; soups; breakfast cereals; tropical fruits; and pet foods.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Paris [FR1], FR

RETAIL FOOD SECTOR REPORT

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SECTION I. MARKET SUMMARY

Note: Average exchange rates used in this report:

1994: U.S. 1 = FF 5.55
1995: U.S. 1 = FF 4.99
1996: U.S. 1 = FF 5.11
1997: U.S. 1 = FF 5.83
1998: U.S. 1 = FF 5.90

1. France Socio-Economic Facts:

Total population: *over 60 million*
Total number of households*:* *23.5 million*
Revenue per capita*:* *Approximately $15,300*
Percentage of total household budget spent on food*:* *18 percent*
Inflation rate 1998/97*:* *1 percent*
Cities with over 500,000 inhabitants: 8

2. Trends and French Food Retail Distribution Channels:

Diverse and comprehensive, France's retail network is beginning to resemble that of the United States. French food retailers fall under six principal formats: hard-discounters, hypermarkets, supermarkets, city center stores, department stores, and traditional outlets. The first five account for 75 percent of the country's food distribution; the sixth, which includes neighborhood and specialized food stores, for about 25 percent.

Developments in the last several years have altered the country's retail food distribution system. First, the Government of France passed legislation that limits the number of store openings among hyper/supermarkets. While the new law has limited the number of new establishments, it has prompted hyper/supermarkets to expand their existing surface areas. Second, mergers and alliances among major hyper/supermarkets have formed the country's 8 largest retailers with five central buying offices that represent 80 percent of total food purchases.

Several months ago, Carrefour and Promodès announced an alliance that would create the world's second largest retail chain after Wal-Mart, Inc. Insiders estimate that the alliance will create a company with over $51 billion in sales and 8,800 stores. In 1998, Wal-Mart's total sales at 3,600 stores reached $111 billion.

With an eye to capturing market share from the restaurant and fast-food sectors, hyper/supermarkets have begun to sell ready-to-eat products such as roasted meats, fresh-baked bread, and pastries.

Formats of Major French Food Retailers:

- ***Hypermarkets and supermarkets****:* These are technically defined as stores with a minimum selling area of 2,500 square meters for hypermarkets and between 400 and 2,499 square meters for supermarkets. These stores currently represent a total of about 9,125 stores

- ***Hard discounters:*** Compared to hyper/supermarkets, hard discount stores offer a smaller range of goods for lower prices. There are about 2,200 hard discount stores in France.

- ***City Center Stores/Department Stores:*** City center stores are smaller than regular supermarkets and are usually located in town centers that offer a wide selection of food and non-food products. Some department stores in Paris such as Galleries Lafayette, Au Printemps and Bon Marché have gourmet food sections. Although they do not account significantly for total food sales in France they set the quality standard for product presentations. City center and department stores represent a total of about 21,800 outlets.

Hard discounters, hyper/supermarkets and city center/department stores represent as much as 80 percent of total food sales in France in value.

- *Convenience Stores, Gas-Marts and Kiosks:*

Convenience stores are generally located in city centers of small- to medium-size towns. They are self service stores run by one or two independent operators, i.e., individuals not paid by the distribution group. These stores have a total of 1,500 outlets representing no more than 3 percent of total food sales.

Gas-Marts linked with gasoline stations account for less than one percent of total food sales and represent about 400 outlets in France.

- ***Traditional outlets:*** Traditional outlets include a broad array of establishments from corner grocery stores, bakeshops, and neighborhood butcher shops, to open air markets, to frozen and gourmet food stores. The aggressive expansion of mass distribution outlets threatens traditional outlets, which account for 20 percent of the country’s total retail food distribution and represent a total of about 50,000 stores. To survive, these outlets must have flexible store hours, product variety, and special services such as home delivery. A small neighborhood store chain offers U.S. suppliers entry into the French market.

3. Total Retail Food and Beverage Sales in France during the period 1994-1998
(in billion $)

	1994	**1995**	**1996**	**1997**	**1998**
Total Food and Beverages	120	123	124	127	131
Of which is Food only	107	110	111	114	117

Source: INSEE (National Institute for Statistics and Economic Studies)

4. Total French Household Food and Beverage Expenditures, per Type of Foods during 1994-1998, (in million $)

	1994	1995	1996	1997	1998	Avg Compound Growth 1994-98
Bread & Cereals	14,875	15,096	15,627	15,984	16,156	+2.1
Meat & Poultry	32,251	32,947	33,179	34,170	34,948	+2.0
Fish & Seafood	7,664	7,369	7,667	7,914	8,366	+2.2
Dairy Products	15,168	15,435	15,223	15,489	15,990	+1.3
Oils and Fats	3,022	3,013	3,090	3,146	3,152	+1.1
Fruits	7,056	7,255	7,109	7.449	7,583	+1.8
Vegetables	10,540	10,294	10,894	10,915	11,468	+2.1
Sugar, Chocolate and Confectionery	7,356	7,618	7,588	7,833	8,058	+2.3
Other products, incl. Spices	2,716	2,876	2,980	3,088	3,187	+4.1
Non-alcoholic beverages	6,652	7,508	7,609	8,038	8,223	+5.4
Alcoholic Beverages	12,424	12,705	13,048	13,255	13,775	+2.6
TOTAL	119,724	122,116	124,014	127,281	130,906	+2.3

Source: INSEE - Household Consumption

5. Total French and Agricultural Food Products Imports and U.S. Market Share During 1995-1997 - (in million $)

	1995		1996		1997		1998	
	Total	**From U.S.**	**Total**	**From U.S.**	**Total**	**From U.S.**	**Total**	**From U.S.**
High Value Products:								
Meat & Offals	3,892	47	3,309	52	2,982	34	2,872	29
Dairy & Eggs	2,200	2	2,046	1	1,931	2	2,114	2
Coffee, Tea & Spices	1,377	1	1,112	1	1,267	1	1,179	1
Man. Tobacco	1,544	1	1,585	-	1,564	-	1,610	7
Prepared Meat	311	-	310	-	269	-	265	-
Fish & Seafood, Fresh/frozen	2,408	98	2,417	101	2,330	102	2,638	107
Prepared Fish & Seafood	779	4	770	5	698	4	792	7
Processed Grains	206	7	211	1	206	2	222	1
Sugar & Confectionery	786	4	835	2	588	4	561	5
Cocoa & Chocolate	1,467	1	1,478	1	1,389	2	1,465	3
Prepared Grain Products	1,474	5	1,574	4	1,468	7	1,498	11
Fresh & Dry Vegetables	1,642	31	1,587	29	1,406	27	1,499	29
Fresh & Dried Fruits	2,783	114	2,729	143	2,473	128	2,537	118
Processed Fruits & Veg. (1)	1,868	72	1,824	52	1,653	68	1,759	81
Misc. Food Preparations	851	19	848	19	841	26	957	31
Beverages (except Spirits)	1,128	12	1,123	19	1,154	10	1,262	14
Spirits	N/A	N/A	644	32	465	27	510	29
Subtotal High Value Products	25,239	443	24,401	464	22,687	445	23,740	475
Subtotal Bulk Products (*)	8,524	554	8,783	506	6,988	433	7,803	505
TOTAL HIGH VALUE PLUS BULK PRODUCTS	**33,763**	**997**	**33,184**	**970**	**29,675**	**878**	**31,543**	**980**

(*) Includes live animals & animal products, nursery products, grains, oilseeds and seeds, plants for weaving, vegetable extracts, fats and oils, protein meals and other feeds, wood, unmanufactured tobacco and raw products (i.e., cotton, silk, wool and other animal hair, raw hides and skins)
– Means nil or insignificant
1/ Including fruit juices
N/A: Not available

Source: French Customs

In 1998, U.S. food and agricultural exports made up about three percent or $980 million of France's $31 billion in imports, an increase of 12 percent from 1997. Such U.S. high value food products as fresh, dried or processed fruits and vegetables; fish and seafood; beverages; wine and spirits; and meat and offal for animal feed only have good prospects in the French market. Similar opportunities exist for bulk products such as oilseeds and seeds, protein meals and other feeds, and grains.

Advantages and Challenges for US Exporters in France

Advantages:
- France's per capita income is close to that of the United States.
- Food selection and consumption is a major component of the local culture.
- Consumers value food safety and quality.
- Foreign cuisine and food products are experiencing a boom.
- 75 percent of total retail food sales come from mass distributors.
- A single referencing in one of France's five major hyper/supermarket buying centers can generate significant sales volume.
- Wholesalers and importers cluster within an area or region to enhance their efficiency.
- The number of specialized wholesalers and importers of frozen products, fruits and vegetables, seafood, and meat and poultry is growing
- Traditional outlets are flexible with wholesalers.

Challenges:
- The household budget for food has been shrinking.
- There are mandatory, stringent customs duties, sanitary inspections and labeling requirements.
- France is the world's leading producer and manufacturer of high-value food products.
- The on-going debate over the safety of such U.S. exports as GMOs, hormone treated beef, and others has made consumers more wary of imported food in general.
- U.S. exporters need to modify their products to suit the French palate and to meet the country's stringent regulations on food.
- Price competition is fierce and there is heavy pressure to observe suppliers' norms and to meet ISO certification requirements.

- Distributors/importers want to realize quick sales and profit margins from imported products.
- Large distribution groups have their own import channels.
- Wholesalers and importers tend to be conservative in their purchases, screening out new or untried products.
- U.S. exporters seldom have influence on the local marketing of their products.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Hard Discounters, Hyper and Supermarkets, City Center and Department Stores

Entry Strategy

To succeed in introducing products to the market, U.S. exporters must have local representation and personal contacts. Local representatives can provide up-to-date-date information on business practices, trade related laws, sales leads, and marketing and distribution strategies. Some local representatives are also importers and distributors. The Office of Agricultural Affairs in Paris has listings of potential importers and distributors.

Depending on their products, U.S. exporters can penetrate the market through:
- a central buying office
- specialized importers/distributors

Producers of new-to-market and niche products usually enter through importers/distributors. The U.S. company must:
- Submit product descriptions and price quotations.
- Submit products to laboratory testing.
- Obtain sanitary/health certificates and other import documents.

Once a product meets all import requirements, the Central Buying Office will include it in its referencing list and offer it to supermarket buyers who will order the product directly.
OAA recommends that small- to medium-size U.S. exporters deal through importers/distributors familiar with the operations of central buying offices and supermarkets, which often require financing for referencing and share the management and advertizing costs of positioning products in the market.

French consumers' growing openness to foreign foods as well as mergers among large supermarket groups has led to greater referencing of imported products, including those from North America.

Market Structure

- Products are imported through an importer/distributor or a central buying office. They are then dispatched to regional warehouses and distribution centers.

- Central buying offices reference products from suppliers, apply tariffs and impose controls to make sure products comply with French regulations.

- Warehouse and distribution centers coordinate the delivery of products using appropriate means of mass distribution.

Major Hyper/Supermarket Profile

Name of Retailer and Type of Outlet	Ownership	Food Sales in France for CY 98 ($billion)	Number of Outlets	Location	Central Buying Office
INTER MARCHE Supermarket	French Group of Independents (ITM Enterprises)	25	1653	Nationwide (outside towns)	ITM Enterprises
CAREFOUR/ ED Hyper and hard discount	French Carrefour Group (ED for hard discount	17.25	907	Nationwide (outside towns)	Carrefour France
SHOPI City Center	French Promodes Group	N/A	636	Nationwide (city center)	Promodes Group (CAP)
HYPER U SUPER U Hyper & Supermarkets	French Group of independent (Systeme U)	9.3	580	Nationwide (outside towns)	SystemeU/ Lucie
CHAMPION Supermarket	French Promodes Group	N/A	574	Nationwide (city center and rural)	Promodes Group (CAP)

STOC Supermarket	French Comptoirs Modernes Group (Carrefour 23%)	0.33	490	Nationwide (city center and outside towns)	Comptoirs Modernes attached to COMETCA
CASINO Supermarket	French Casino Group	13.6	531	Nationwide (city center and rural)	Opera Group
FRANPRIX & LEADER PRICE Supermarket/ hard discount	French Baud (Casino group)	2.4	736	Nationwide (city center)	Baud attached to Casino/Opera
CENTRE LECLERC Hypermarket	French (Independent group)	24.6	537	Nationwide (outside towns)	Lucie
ATAC City Center	French (Auchan group)	N/A	322	Nationwide (city center outside town)	Auchan Group
ECO MARCHE City center	French (Independent group ITM Enterprises/Intermarche)	N/A	316	Nationwide (city center and outside towns)	ITM Enterprises
MARCHE U City center	French (Independent group Systeme U)	1	200	Nationwide (city center)	LUCIE
MONOPRIX PRISUNIC City center & Department Stores	French MONOPRIX SA (Galleries Lafayettes 72.83% and CASINO 21.4%)	3.5	321	Nationwide (city center)	Monoprix SA affiliated Casino/Opera

SUPER MARCHE MATCH Supermarket	French CORA group	N/A	146	North/East (city center and outside town)	OPERA
AUCHAN Hypermarket	French (Auchan Group)	18.6	119	Nationwide (outside town)	Auchan Group
CONTI NENT Hypermarket	French (Promodes Grup)	N/A	94	Nationwide (outside town)	Promodes Group (CAP)
CORA Hypermarket	French (Cora group)	5.6	63	North/East/ Paris area (outside towns)	OPERA
LIDL Hard discount	French Independent	1.6	705	Nationwide (outside town)	N/A
ALDI Hard discount	French Independent	1.3	385	Nationwide (outside town)	N/A
CDM Hard discount	French (Independent group ITM Enterprises/Int ermarche)	N/A	180	Nationwide (outside towns)	ITM Enterprises
LE MUTANT Hard discount	French (Affiliated to Casino)	N/A	202	Nationwide (outside towns)	Opera Group

N/A: Not Available
Source: LSA/Lineaires

Note: In November 1999, Carrefour and Promodès are merging to become the world’s second largest retail group after Wal-Mart.

French Central Buying Offices and Total Retail Food Market Share

Groups/Buying Offices	Total Retail Food Market Share (in value)	
CARREFOUR + PROMODES	**25.4%**	
CARREFOUR		12.0%
STOC		3.4%
CONTINENT		5.2%
CHAMPION		3.9%
PROXIMITE PROMODES		0.9%
LUCIE	**25.4%**	
LECLERC		16.6%
SYSTEME U		8.8%
INTERMARCHE	**13.8%**	
AUCHAN	**13.1%**	
AUCHAN		10.9%
ATAC		2.2%
OPERA (1)	**12.5%**	
GEANT		4.0%
CASINO		1.3%
PETIT CASINO		0.3%
CORA		3.1%
MATCH		0.8%
MONOPRIX-PRISUNIC		1.9%
FRANPRIX		1.1%
Others		9.8%
TOTAL SALES IN FRANCE		**100%**

Source: ConsoScan-Secodip/LSA
(1) Excluding hard discount outlets
(2) ALDI, LIDL, NORMA, ED, LEADER PRICE

B. Convenience stores, gas-marts, kiosks:

Entry Strategy

Local representatives who supply the supermarkets also supply convenience stores. As mentioned above, U.S. exporters need local representation and personal contacts. Local representatives must have up-to-date information on business practices, trade related laws, potential buyers, and marketing and distribution strategies. Some local representatives are also importers and distributors. The Office of Agricultural Affairs in Paris maintains listings of potential importers/distributors.

Market Structure

- Convenience stores are linked to large distribution groups and central buying offices

- Their logistical operations are identical to those of supermarkets: they rely on warehouses and central buying offices for the delivery of their products.

- Gas station mini-marts are often affiliated with the large distribution groups or with companies formed by gasoline companies and distribution groups. They operate like convenience stores: central buying offices reference their products which are then distributed through warehouse and distribution centers.

- Most roadside stalls do not sell imported products.

Major Convenience Type Store Profile

Retailer's Name	Ownership	Food Sales CY 98 ($ million)	Number of Outlets	Type of Purchasing Agent
8 à Huit	French: Promodes Group	N/A	662	Central Buying Office
Eco Service	French: Auchan	N/A	600	Central buying office
Coccinelle	French: Various owners	N/A	293	Francap Buying Offices

Source: Atlas LSA

C. Traditional Outlets (neighborhood, specialized food stores and open air markets):

Entry Strategy

Products entering the traditional markets must be relatively non-perishable low cost items. The importers/distributors are the same local representatives that supply supermarkets and convenience stores. The major difference is that wholesalers serve as intermediaries between importers/distributors and individual vendors. The Office of Agricultural Affairs in Paris maintains listings of potential importers/distributors.

Market Structure

- Traditional outlets obtain most of their products from farmers, small wholesalers (one- or two-truck operations) and large produce wholesalers.

- Wholesalers specialize in certain product categories or retailer types. Some wholesalers are subsidiaries of large retailers such as Promodes or of independent groups such as Aldis, Francap, Sugro, Magec, Patisfance, Prodirest and Proxiservice.

- Traditional grocers include gourmet stores (Fauchon, Hediard, Benoist-Guyard in Lyon). Gourmet food stores carry a wide range of imported products, are located in large and medium-sized cities and attract high-income consumers. Approximately 200 gourmet stores in France offer U.S. exporters easy market access at lower rates. Their only drawback is their tendency to buy in smaller quantities than supermarkets do.

- Fruits and vegetables are traditionally sold in open air markets.

Traditional Outlets Market Profile

In urban areas, supermarkets and convenience stores have supplanted some small stores and even open air markets. Economies of scale and other sources of efficiency enable supermarkets and convenience stores to offer lower prices. However, a law banning the construction of new supermarkets has helped some traditional outlets survive.

SECTION III. COMPETITION

With its highly developed food sector, France is the European Union's (EU) most competitive producer, processor, and exporter of agricultural and other food products. However, in 1998, the Netherlands, Belgium-Luxembourg, Germany, Spain, the United Kingdom and Italy provided 68 percent of France's total agricultural imports and were the main competitors to U.S. imports. Outside of the EU, Brazil is the largest supplier to France, mainly of bulk products, as well as orange juice and orange juice concentrates.

Most exporters from EU countries conduct some form of market promotion in France. Products such as fresh or preserved fruits and vegetables, wine, beer, fish and meats are commonly promoted in trade shows, advertisements, and supermarkets. Other non-EU countries promoting food products in France include Norway, Israel, Morocco, South Africa, Argentina, Brazil and Canada.

IV. BEST PRODUCT PROSPECTS

Large U.S. and other multinational companies have been in the European and French market for a long time. Their products have been adapted to the French market. U.S. exporters will find existing and new market opportunities for high value products in France.

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

The largest and fastest growing categories of imported retail products are tropical fruits, fish and seafood, horse meat and pork, frozen foods (both ready-to-eat meals and specialty products such as pizza and ice cream), wines, fruit juices and soft drinks, canned fruits, biscuits/cookies and chocolates, tea, coffee and sauces. Health concerns and constant tax increases on alcoholic beverages have decreased French consumption of alcoholic beverages while increasing demand for non-alcoholic beverages such as mineral water and fruit juices.

French consumers' growing receptiveness to new tastes is opening doors for tree nuts and for ethnic products which feature distinctive themes such as Tex-Mex, Cajun or California-style cuisine.

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

Demand is rising for health/dietetic and organic food products among increasingly health-conscious French consumers. Opportunities also exist in the baby food sector due to rising birth rates in France. A desire to return to tradition is drumming up demand for soup. The growing number of domestic animals has stimulated demand for conventional and organic pet foods. In addition, niche markets exist in France for candies, chocolate bars, wild rice and kosher foods for which showed demand has been rising for several years.

C. Products Not Present Because They Face Significant Barriers

A 1962 French decree prohibits poultry and egg products from countries that use arsenic, antimony, and estrogen in poultry feed compounds. French regulation prohibit also imported products made with vitamin-enriched flour, since vitamins may not be added in food products, except for dietetic/health foods. Currently a topic of on-going debate between the United States and the French veterinary services, alligator meat is prohibited in France.

V. POST CONTACT AND FURTHER INFORMATION

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

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Please contact our home page for more information on exporting U.S. food products to France, including "The Exporter Guide", "The HRI Food Service Sector Report", "Food Agricultural Import Regulations and Standards," product briefs on the market potential for U.S. products, including organic and functional foods, and a complete listing of upcoming trade shows and activities designed to promote your product in France. Importer and supermarket buyer 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