



# Agri-Food Past, Present & Future Report

*France*

*August 2005*



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# Past Present & Future Report

## August 2005

### Overview

France is a highly industrialized country with the fifth largest economy in the world, and a population of nearly 62 million consumers. With its attention to innovation and technology, France is a world leader in the areas of transportation, telecommunications, banking and agri-food. This leadership is warranted and essential for a country classified as one of the world's trillion dollar economies.

As an involved participant in the international community, France is a member of the European Union (EU), the G-8 and the United Nations Security Council. This high level of participation is mirrored in their international trade involvement. France is the world's fifth largest exporter of goods and fourth largest exporter of services.

### Canada - France Relations

A long-standing and well-built relationship between Canada and France has become increasingly dynamic in recent years. The two countries continue to build on their mutual declaration of Enhanced Partnership signed in 1997 and their Canada France Action Program signed in 1998. More recently joint economic, cultural and scientific commissions have sought to facilitate high level exchanges between both countries.

France is considered a key diplomatic ally to Canada, and a country that shares similar values and standpoints on the international scene. The two countries consult and cooperate on major foreign policy issues through a number of organizations including La Francophonie, an institutional community spanning five continents.

<b>Canada-France Bilateral Trade (2004)</b>	
<b>France Total Trade</b>	<b>US\$838.7 billion</b>
Exports	US\$419 billion
Imports	US\$419.7 billion
Trade balance	US(\$700 million)
<b>Canada- France Trade</b>	<b>\$7.7 billion</b>
Exports	\$2.4 billion
Imports	\$5.3 billion
Trade balance	(\$2.9 billion)
<b>Canada- France Ag Trade</b>	<b>\$742.3 million</b>
Exports	\$110.9 million
Imports	\$631.4 million
Trade balance	(\$520.5 million)

- France is the 2<sup>nd</sup> largest foreign investor in Canada, behind the United States.
- France is Canada's 3<sup>rd</sup> largest European trading partner and 7<sup>th</sup> largest in the world.
- France is a major market for Canadian high tech and value-added finished products.
- Total France/Canada trade was valued at \$7.7 billion in 2004, a number that increased from 2003's value of \$7.25 billion.
- Top Canadian exports to France are uranium and its compounds, as well

- as parts and machinery for planes/helicopters.
- Top French imports into Canada are aircraft and medicines.

### Agricultural Trade

With a highly developed food sector, France is a chief producer, processor and exporter of agricultural and other food products in the EU. France is a direct competitor to Canada as both countries produce similar products, this fact does not dedcut from a Canadian

exporter's ability to find a potential market within France. Niche markets exist, and with a large population base with specific tastes imported goods are required to fill gaps in demand and domestic supply.

- Total France/Canada agricultural trade was valued at over \$740 million in 2004, a value that has dropped nearly \$12.3 million since 2003. This overall change in total trade was caused by a \$14.5 million dollar increase in Canadian exports to France and a \$26.8 million dollar decrease in Canadian imports of French products.
- Canadian agri-food exports to France were valued at \$110.9 million in 2004, while agri-food imports from France were valued at \$631.4 million.
- Top Canadian agricultural exports to France were horse meat valued at \$21.7 million and accounting for nearly 20% of total ag-trade, and soybeans at \$20.6 million and accounting for 19% of total ag-trade.
- 2004 bulk exports to France totaled \$26.2 million, in the same year intermediate exports totaled \$25 million and consumer oriented exports totaled \$59.6 million. More importantly one must note that consumer oriented products account for nearly 54% of all agri-food exports destined for France.
- Top Canadian agricultural imports from France were grape wines valued at \$278 million and accounting for 44% of all ag-imports, while specialty cheeses and spirits each represent 6% of the import or \$38 million respectively.
- The main opportunities identified in the French food and beverage industry are in the product categories of wine, seafood, meats, fruits and vegetables (particularly in off seasons) as well as processed foods.
- Besides these over-branching opportunities there are niche market opportunities for dried fruits and nuts, snack foods, tree nuts, ethnic foods, kosher foods, diet/health foods, organic foods, soups, breakfast cereals and pet foods.
- The organic market is expected to present opportunities in the following food categories: baby food, tropical fruit juices, herbal teas, dried fruits, sauces, soups, dressings and ready-to-eat frozen food items.

<b>Canada's Top 5 Agricultural Exports to France (2004)</b>	
Horse Meat	\$21.7 million
Soybeans	\$20.6 million
Lentils (dried, shelled)	\$6.9 million
Fruits and edible nuts	\$6.3 million
Beef, boneless	\$4.8 million

Complete statistical summary available: [http://www.ats.agr.gc.ca/stats/france\\_e.pdf](http://www.ats.agr.gc.ca/stats/france_e.pdf)

## **Economy**

France holds the status of the fifth largest economic power in the world; it is an attractive economy due to its geographical location and the size of its domestic market. Not only does France house a healthy domestic market, but it continues to attract upwards of 75 million visitors a year, this adds to an already substantial consumer market.

Despite these advantageous economic contributors, France continues to operate approximately half a point below its growth potential. To reach such potential from year to year will require continued transition between an economy with extensive government ownership and involvement, to one that is open to economic expansion and relies on fair competition and the sway of the market.

The French government is alert to the country's growth potential and continues the necessary decentralization measures which will lead to the elimination of redundancy and an increase in productivity at regional and local levels. France seeks to remain competitive through reforms, as well as constant research and innovation to ensure they are on the edge of advancement in all sectors.

<b>Gross Domestic Product (2004)</b>	
GDP	US\$2 trillion (2004)
GDP growth	1.6% (2005) 1.9% (2006 est.)
GDP/ capita	US\$37,963 (2005)

Current:

- France's GDP growth rate increased in 2004 to a rate of 2% despite a weakening Euro.
- GDP has been steadily increasing in recent years from a value of US\$1.7

- trillion in 2003 to US\$2 trillion in 2004.
- France's GDP value in 2004 was the second largest in the EU.

Forecast:

- Real GDP growth is expected to slow from the 2% recorded in 2004, to just 1.6% in 2005, this value is forecast to rebound slightly to 1.9% in 2006.
- France's trade balance is expected to stay in a deficit for the 2005-2006 year.
- The government plans to postpone income tax cuts in 2006, this will be the second year in a row this reform has been delayed.
- Despite high oil prices, inflation is anticipated to fall through the duration of 2005 and 2006 for a multitude of reasons including a widening output gap.
- Unemployment will continue to be a problem; however, the 2004 rate of 9.8% is expected to drop to 9.2% in 2005.

### **Consumer Market**

There are a multitude of trends and changes in France's consumer market that impact an exporter's approach to the marketplace. French consumers are changing their daily eating patterns, looking for alternatives that compliment a busier lifestyle, and are adjusting to an aging population, not to mention a labor market now comprised of nearly 40% women. Though the French people still in most cases eat three proper meals a day, individuals are often replacing meals with snacks, takeaway and fast food.

- Consumer expenditure on food and non alcoholic beverages reached a value of US\$162 billion dollars in 2004 making this a market of great potential and widespread spending.<sup>1</sup>
- The French population is aging with 20% of the population over the age of 60, this segment of older consumers are increasingly health-conscious.
- Younger consumers prefer ethnic foods such as Chinese, Tex-Mex, North African and Indian foods with more diverse and experimental tastes these consumers are willing to branch away from standard French meals and tastes.
- A French preference for home cooked meals meant this country was slow to demand pre-prepared meals compared to countries such as the US and the UK; but growing demand for time saving meal preparation options, as well as overall improvement in the quality/taste of chilled ready-meal products is prompting France's demand for gourmet-to-go foods to outpace the rest of Europe's.
- French consumers are alert to health issues and their connection to certain foods thanks to various government health studies/campaigns implemented throughout

<sup>1</sup> Consumer expenditure on food and non-alcoholic beverages : Euromonitor International

2003 and 2004; they are also increasingly interested in the quality standards and traceability of food products.

- French consumers are willing to pay a premium price for high quality food products, or products that satisfy particular health or nutritional needs.
- With food consumption patterns gradually changing, vegetables are expected to record poor performance in 2004 with consumption volume growing less rapidly than in previous years; such a drop is a result of a trend towards snacking. Regardless, vegetables still remain the most important food group in France, accounting for 32% of fresh/unpackaged food sales in volume in 2004.<sup>2</sup>
- Fresh/unpackaged fruit and meat are expected to record growth of 3-4% in 2004, with the country recovering from BSE scares, beef still remains the most popular meat.<sup>3</sup>
- Consumption of fish is anticipated to remain static with growth of no more than 1% in volume sales for 2004.<sup>4</sup>

### **Retail Market**

- The leader in revenues for the French food retail market in 2004 was the hypermarket sector. This sector accounted for nearly 35% of all retail food sales, and 75% of total food distribution - a testament to consumers seeking time saving one-stop shopping methods.
- Small-medium sized family owned and run food retail outlets traditionally accounted for the majority of food retail sales, hypermarkets are beating out such formats due to their large size and wide variety of products at discounted prices.
- Despite the hypermarket domination of the food retail outlet, with government limiting the amount of space that can be purchased or leased for commercial use, as well as the number of stores opening in the hypermarket sector; smaller store formats will always remain competitive to a certain degree within the market.
- Organic supermarkets are taking advantage of health conscious consumers; domestic organic food producers market are gradually expanding to capture this market as the production of organic foods in France has increased at a rate of approximately 25% annually in recent years. This fast paced growth also represents opportunity for Canadian exporters as this market continues to rely on imports from other countries to satisfy nearly 60% of total organic food demand.

### **Competitors**

Being a member of the EU and a strong agri-food producer itself, means much of France's agri-food needs are served either domestically or via EU connections. That being said, such a large domestic and tourist consumer base, with particular tastes and quality demands means there is always opportunity for international exporters to make a successful venture into the French agri-food market. Generally speaking, niche markets experiencing high rates of growth offer the greatest opportunity for exporting success.

- Nearly 65% of France's food imports come from joint European Union members such as the Netherlands, Belgium, Luxembourg, Germany, Spain the United Kingdom and Italy; as a result these countries along with the United States, Brazil and France itself, are considered Canada's main competition within this market.

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<sup>2</sup> Consumer Lifestyles in France: Euromonitor

<sup>3</sup> ibid

<sup>4</sup> ibid

- Germany and Belgium provide France with much of its meat and offal, canned food, grocery products, snack foods, beverages and condiments. The Netherlands is France's premier EU supplier of Tobacco, dairy and horticultural products.

### **Access Issues**

It is rare for French retailers to buy directly from overseas exporters. Suppliers within France are generally responsible for the logistical aspects of international commodity trade. To succeed in France, it is recommended that Canadian exporters contact a reputable local agent or representative, or to partner with a distributor who is well established in the market.

- Local representatives are able to provide up-to-date information on business practices trade laws and regulations, sales leads and marketing and distribution strategies. Often, these representatives also serve as importers and distributors. The only other way to gain such up-to-date connections is to or to send a staff member to the market to look after logistics first hand.
- All food regulations, tariffs, and quotas employed by the EU are enforced in France, as a result all food imported into France must comply with these regulations. EU regulations cover ingredients, packaging and label requirements and all applicable veterinary and phytosanitary requirements.
- For relevant and up to date information on regulations, market access and the Food Safety Authority in the European Union consult the following Agri-Food Trade Service Report: Situation Update on Regulations, Market Access and the Food Safety Authority in the European Union (January 2005) [http://www.ats.agr.gc.ca/europe/4015\\_e.htm](http://www.ats.agr.gc.ca/europe/4015_e.htm).
- Animal products must come from establishments that are approved by the EU. These products would include seafood, meat-based products as well as dairy products.
- Pet foods must come from factories approved by France. Products of this nature must come with sanitary certificates.
- Tobacco and alcoholic beverages can be imported only by approved commercial import operators.
- Detailed information on tariffs and other important access issues is available from French Customs <http://www.douane.gouv.fr/> or can be provided by the Canadian Embassy in France <http://www.infoexport.gc.ca>.
- For specific assistance in developing a Canadian presence in the EU agri-food market visit Agri-Food Canada in the European Union [http://ats.agr.gc.ca/eu/home\\_e.htm](http://ats.agr.gc.ca/eu/home_e.htm).

### **Agriculture Sector & Policies**

The French food industry ranks as a leader in the world as it draws on its reputation for innovation, product development and quality. France is second only to the US in producing and exporting agricultural and agri-food products, and is the world's largest producer of processed food. France's agriculture sector contributes significantly to the EU, which places particular emphasis on agricultural trade and is the world's biggest importer and second biggest exporter of agricultural products. Nearly one third of all agricultural land in the EU is located in France.

France is home to the world's largest wholesale market. Rungis which is located about 13 miles south of Paris offers a full range of food products and services. It is estimated that 18 million European consumers are supplied from this wholesale market, including 12 million within a 150 km radius of the city of Paris. This market alone achieved sales of 72.4 million Euros in 2004.

Despite its size and importance, the agricultural sector accounts for only 3% of France's Gross Domestic Product composition. It employs approximately 4% of the labor force in France, a force made up of nearly 30 million individuals. Though these numbers seem inconsequential, 3% of a GDP value that extends into the trillions is a significant market value.

- French agriculture employs nearly 1.2 million people on approximately 700,000 farms.
- Principal agricultural products in France include sugar beets, wine, milk, beef and veal, cereals, and oilseeds.
- Rising competition, costs and standards, combined with modernization requirements are expected to cause the industry to continue streamlining itself over the next 5 years.
- The Minister of Agriculture launched a vast program to promote organic food in early 2004, as the country still lags behind some of its European neighbors in organic production. Approximately 50 million Euro have been set aside to promote the French organic label "AB" and provide financial assistance to this niche sector from 2004-2009.
- There is a great deal of political power and opinion tied up within the agricultural sector. It is not uncommon for strikes and protests to occur among labor groups in an effort to raise interest and awareness; likewise, these delays tamper with the overall success of the industry as they add undertones of instability.

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