

## 2022 Country Market Profile: France

Euromonitor reports that the French economy bounced back in 2021, after a pandemic-induced drop in the previous year, owing to extensive fiscal support and effective virus containment. Despite the risks of new infection waves and supply bottlenecks, the recovery is set to persist, thanks to rising investment and strong consumer spending. Inflation in France soared during the year, due to supply constraints and high energy prices. While the budget deficit is set to narrow gradually, the public-debt-to-GDP ratio will remain elevated. Analysts see the economy expanding 3.8% in 2022, and 2.2% in 2023.

- Following real growth of 6.5% in 2021, France's economy is expected to expand by an annual average of 1.4% in real terms over the medium term.
- Inflation in France is forecast to increase to 2.2% in 2022, largely due to rising prices of energy and raw materials.
- The unemployment rate is expected to stand at 7.8% in France in 2022 – below the pre-pandemic level, but higher than the average of 7.4% in Western Europe in 2022.
- France's imports of goods rose by 21.2% in 2021, while exports increased by 19.4%, with the country remaining a net importer.
- Foreign direct investment (FDI) inflows into France decreased over 2020, while FDI intensity reached 0.7% of GDP.
- Public debt in France stood at 115% of GDP in 2021, one of the highest values in Western Europe.

In the longer run, the country's potential rate of growth could be dragged down by the effects of population ageing. Nonetheless, France remains the world's 13<sup>th</sup> most favored destination for foreign direct investment (FDI) and should retain its position in the global rankings in the medium term.

France's demographics, though favorable compared to several other European countries, are in need of more reforms. Without action in this field, the potential rate of growth will fall. Population has been slowly but steadily growing at the same time as French society ages. Total population was 68.3 million in 2022 (CIA World Factbook Est.), about 9.3 million more than in 2000. Meanwhile, the median age is rising. It stood at 41.7 years in 2022 and it will rise to 44.2 years by 2030. Fertility has risen slightly over the past two decades and exceeds the regional average. The average age of women at childbirth is slowly rising. The number of those over 65 years represented 20.4% of total population in 2022 and this share will rise to 24.1% by 2030.

USDA's Office of Agricultural Affairs (OAA) in Paris reports that historically, the U.S.-French commercial and economic alliance is one of the United States' oldest and closest. Relations between the United States and France have remained active and friendly. The two countries share common values and have parallel policies on most political, economic, and security issues. The United States is the top destination for French investment and the United States is the largest foreign investor in France.

Over the past few years, there has been a renewal of interest in American food products. Many restaurants offering American-themed cuisines such as BBQ, Cajun, and American style burgers have opened in the last four years, and their popularity and numbers are growing. In addition, the French food service industry is moving towards fresh consumer-ready products at the expense of frozen foods.

## Market Opportunities and Key Issues in the French Food Market

### Market Opportunities

- More than 75% of the population lives in urban areas, where there is a strong demand for international cuisine
- French per capita income is near that of the United States
- A flourishing tourism industry increases demand for hotel and restaurant products
- U.S. fast food chains, theme restaurants, and the food processing industry occasionally demand American food ingredients
- Domestic distribution systems are efficient
- American food and food products can be appealing
- US-EU organics equivalency agreement in place since 2012 has increased the market for U.S. organics

### Key Issues

- Some French consumers have irrational food fears and choose food products based on perceived rather than real food safety
- French consumers are exacting when it comes to quality and innovation; price competition is fierce
- Certain food ingredients are banned or restricted in the French market
- Marketing costs to increase consumer awareness are high
- Mandatory customs duties, sanitary inspections and labelling requirements can be onerous
- The EU biotech-labelling requirement of 0.9% excludes many U.S. processed products

In 2021 U.S. exports of consumer ready foods to France totaled US\$312.2 million, a decrease of 4% over the same period in 2020. France also imported US\$273.6 million in U.S. processed foods in 2021. That was up 8% from the previous year. Top processed foods exported to France in 2021 included:

- Alcoholic Beverages
- Prepared/Preserved Seafood
- Food Preparations And Ingredients
- Dog And Cat Food
- Condiments & Sauces, Jams And Jellies
- Processed Vegetables And Pulses And Snack Foods

## Retail Food Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in France had been estimated to reach US\$127.6 billion in 2022. That represents growth of 7.5% and US\$8.9 billion since 2018. France has the 5th largest package food market in the world. By the year 2026, the retail sales in the packaged food market in France is expected to reach US\$141 billion, growth of 11.5% or US\$13.2 billion from 2022. High growth categories in the forecast include:

- Cheese
- Savory Snacks
- Dairy Products (Ex. Cheese)
- Rice, Pasta & Noodles
- Sweet spreads
- Ice Cream & Frozen Desserts
- Ready Meals

FAS Paris reports that in 2020, almost 75% of all retail food sales in France were in the hyper-supermarket and discount store format. Non-traditional retailers have experienced significant growth and success during the COVID pandemic. E-commerce food sales increased by more than 40% compared to 2019, and now represent almost 8% of total retailer food sales. The largest French retailers are continuing to invest in smaller format urban convenience stores. Total retail food sales in France are estimated at US\$394 billion. This includes specialized frozen and organic food stores as well as open-air-markets that generate an estimated US\$35 billion annually.

France's retail distribution network is diverse and sophisticated. The food retail sector is generally comprised of seven types of establishments: 1) hypermarkets, 2) supermarkets, 3) hard discounters, 4) convenience stores, 5) gourmet centers in department stores, and 6) traditional outlets including neighborhood stores - bakeries and butcheries, 7) gas marts, as well as open-air markets and internet sales. In 2020, sales within the first four categories represented 75% of the country's retail food market. Different types of retailers have experienced growth and success in 2020, mainly boosted by the e-drive as a result of Covid crisis and the expansion of the organic food sector in retail outlets.

Generally, hyper/supermarkets remain the most popular stores, but specialized food stores, frozen food stores, and hard discounters have increased their retail sector market share in recent years. Other trends of note are that French consumers are diversifying their purchases through several stores, for example buying some products locally and others from discount stores that may be farther from their residence. Consumers are more price sensitive and demanding of high-quality products. In addition, large retailers are expanding their private labels offered, as well as continue investing in smaller stores.

Euromonitor reports that 2021 proved to be a disillusioning year for supermarkets which had enjoyed an outstanding peak in terms of consumer footfall and value sales after years of sluggish performance notably due to limited investment. During the

first half of 2020, consumers rushed to their favorite and closest supermarkets (as well as convenience stores) to the detriment of discounters and hypermarkets.

Supermarkets faced similar conditions in 2021 to the previous year that had made them a success, including the physical proximity of many of the stores in the channel to the homes of consumers, the more human scale of their outlets and a growing synergy with their rising click-and-collect operations (not included in supermarkets sales). Nonetheless, a higher price positioning of many supermarkets in comparison with discounters and even hypermarkets became their main weakness in 2021 as consumer spending power was hit hard by the pandemic and rising inflation.

Supermarkets are the core business of ITM Entreprises SA and Système U Centrale Nationale SA. Thanks to their cooperative and franchise-type management styles, both managed to take another good lead in 2021 on their competitors that focus on centralized management. With the exception of Grand Frais Gestion, these include players such as Carrefour, Casino Guichard-Perrachon and Auchan.

More particularly, Intermarché further strengthened its strong lead in 2021, despite a slower progression than in 2020 due to the aforementioned overall slowdown of supermarkets. Once again the solidarity of the three musketeers (the legendary 17th Century French literary characters that feature in the logo of the retailer's Intermarché supermarkets) proved successful. This player benefited from its flexibility and adaptability in terms of price and product assortment, particularly when consumers seek out local sourcing. It also has a reputation for low prices, an extensive private label range, increasingly positioned as organic, as well as sustainable fresh produce.

Système U has a similar business model to Intermarché (or E Leclerc in hypermarkets) and continued to make some progress in 2021, even if only slight, thanks to its improved logistics. The company suffered from a computer glitch on its supply platforms in 2020 which has since been fixed. It has also invested in staff training and has developed a more adapted offering for locavore consumers.

Euromonitor reports that there are two large specialists in convenience stores in France, namely Carrefour SA and Casino Guichard-Perrachon. Although most chains waned in 2021, the former further consolidated its strong share of half of channel value sales thanks to a larger number of outlet openings over 2019-2021 compared to Casino Guichard-Perrachon. Carrefour SA also offers a wider range of brands and therefore goods in the form of the more dynamic Carrefour City and Carrefour Express brands in urban/semi urban areas and eight à Huit and Proxi brands with their focus on suburban, rural and semirural areas.

With less than one third of value sales in 2021, Casino Guichard-Perrachon has a wide network of outlets under various fascia such as Casino Shop, Dailymonop', Vival, Petit Casino, Sherpa (in ski resorts) and Spar (only as an NBO). However, as it has failed to capture the imagination of price-sensitive consumers, its discounters/convenience store hybrid concept Leader Price Express has thus far been fairly unsuccessful in France.

### Best Product Prospects:

Products identified as opportunities for U.S. Suppliers include: Fish and Seafood: salmon, cod, lobster, scallops; Citrus Fruits and Nuts: grapefruit, almonds, pistachios, and other nuts; Salted and Sweet snacks, confectionary products; Spices, sauces, seasoning; Wine and Other Alcoholic Beverages; Carbonated Drinks, Juices; Pulses; Canned fruit/vegetables and marmalade.

### Food Service Sector Highlights:

FAS Paris reports that the French hotel, restaurant and institutional (HRI) sector is highly developed, with a wide range of establishments offering diverse choices. Most large restaurants, including chains offer local cuisine and use imported products only if local alternatives are not available. Restaurants in France that serve international cuisine are more likely to use imported food products.

However, niche opportunities for U.S. suppliers exist for a range of diverse products, such as fish/seafood, exotic meats, sauces, salad dressings, rice, wine, fruit juices and frozen ethnic/regionally focused food service meals. Trends and development for commercial catering includes a focus on healthy food, ease in preparation, and use of digital technology for ordering and delivering. Sandwich and bakery products in institutions remain popular and demand for breakfast catering is increasing.

FAS Paris reports that geographically large and regionally diverse, France has distinct local and regional food and flavor preferences. While restaurants serving local cuisines continue to dominate the market, ethnic cuisines are increasingly popular, especially in large cities. An increasing number specialize in cuisine from Asia or Africa, and the United States. In general, non-chained establishments source ingredients from local retailers and markets.

### Best Product Prospects:

FAS Paris reports that the best prospects for U.S. food exports to France are: With growing recognition and consumer demand for U.S. seafood, particularly salmon, cod, scallops and lobsters, products from Alaska and New England are gaining popularity. U.S. craft beer and distilled spirits that can combine quality with a distinct story and identity are also in demand. Other products that have market potential include fruit juices, soft drinks, flavored spring waters, dried fruit and nuts, fresh fruits and vegetables (particularly tropical), frozen foods (both ready-to-eat meals and specialty products), snack foods, tree nuts, “ethnic” products, innovative dietetic and health products, organic products, soups, breakfast cereals, and pet food. There are also some niche markets for U.S. beef, wild rice, candies, and chocolate kosher and halal foods. Demand for traditional bulk commodities including oilseeds, protein meals, feeds and grains can be strong depending on price and prevailing market conditions.

#### Food Processing Sector Highlights:

FAS Paris reports that France's food processing sector encompasses approximately 15,500 companies with total annual sales exceeding US\$215 billion. Small and medium sized enterprises (SMEs) account for almost 98% of the industry. The sector employs more than 433,000 people, indirectly supporting nearly 2 million jobs. It is a leading sector of the French economy with a strong reputation for quality and innovation.

France is a major exporter of processed foods. In 2020, the total French exports of processed foods were valued at US\$53 billion, a decrease of 2.5% 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.

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

#### Best Product Prospects:

FAS Paris reports that in 2020, the food processing sectors offering the most opportunities for U.S. products were grain, bakery and pastry industries and the beverage industry.