



FRANCE

Synopsis

France is the world's eighth largest economy, and Alberta's sixth most important agri-food market in the European Union, purchasing over \$23.7 million from the province in 2007. France is Alberta's most important export market for horse meat (C\$16.5 million in 2007) and Other meats (Bison cuts, Chicken and capon cuts, except livers, meat and edible meat offal, fresh, chilled or frozen,) with exports worth C\$2.5 million in 2007, ahead of Switzerland and the US. In addition, France offers potential for increased beef exports. Alberta accounted for more than 19% of Canada's total agri-food exports to France in 2007.¹

Market Overview

The French economy is the world's eight largest and its GDP (in PPP terms) is \$2.047 trillion (2007 est.). On a per capita basis the country's GDP is comparable to that of Canada (\$33,200 for France vs. \$38,400 for Canada in 2007).² As a strong agri-food producer and member of the EU, much of France's consumption is met through domestic production or through imports from other EU states. However, it is a large, diverse and wealthy market, and affords ample opportunities for exporters of both commodities as well as unique, innovative products.

The leader of the Union for a Popular Movement, Nicolas Sarkozy, was elected President of France in May 2007, defeating the socialist candidate, Segolene Royal. Sarkozy was elected on a platform stressing economic reform, but has gradually backed away from a freer market agenda in the face of political opposition.

French Population: 64,057,790 (July 2008 est.). *Note:* 60,876,136 in metropolitan France.
0-14 years: 18.6% (male 6,091,571/female 5,803,127)
15-64 years: 65.2% (male 20,884,919/female 20,849,989)
65 years and over: 16.2% (male 4,335,996/female 6,092,189) (2008 est.)³

At 80.87 years, France has one of the highest life expectancies in the EU, with a median age of 39.2 years. The population is aging, with 20% of the population over the age of 60.⁴

¹ Alberta Government, Agri-food trade On-line

² CIA, World Factbook

³ Idem 2

⁴ Idem 2

France has a Gini coefficient of 28 (2005), reflecting one of the fairest income distributions in the western world. Over 27.81 million residents make up the French labour force, of which 71.5% work in the service sector, with approximately 40% of women now employed outside the home. Unemployment is relatively high in France, and currently stands at 8.3%.⁵

The average French daily calorie intake is 2,200 calories, comparable to North America. Since 1990, the proportion of obese people has more than doubled to reach 14.3% of the population aged 15 or more, and the same trend applies in the child population.⁶ About 42% of the French population is either overweight or obese.⁷ A steady rise in the number of obesity related illnesses is leading to an increase in the development and consumption of health and wellness products.

Accounting for 13.7% of household spending, food purchases are the third largest expenditure in the average French household, following housing and transportation. In 2006, French households spent €166.5 billion on food, drink and tobacco, of which 126.7 billion were spent on food only. With a population of 61.1 million, that would mean the French spent €2,071.41 on food per capita in 2006.⁸

Although France is not a closed market, regulations exist in France and the EU which limit market access for specific Canadian agricultural exports. The ongoing harmonization of EU import regulations, as well as the implementation of the Uruguay Round commitments under the World Trade Organization (WTO), may result in the elimination of those French regulations that are inconsistent with the WTO, as well as the conversion of quotas, variable levies and restrictive licensing to tariffs, which are to be reduced over time. Products which are subject to restrictive regulations include: enriched flour, genetic material, "exotic meats" such as alligator and buffalo, pet food and certain fruits and vegetables. These products are subject to EU quality norms and must be inspected at the point of entry.⁹

Agriculture and Food Trade Overview

Alberta's agri-food exports to France were valued at over \$23.7 million in 2007 and accounted for over 19% of Canada's total agri-food exports to that country. France is Alberta's sixth largest export market for agri-food products in the EU. In 2007, the province's top agri-food exports to France were horse meat (\$16.5 million), other meat (\$2.5 million), other beverages (\$2.43 million) and other dried beans (\$1.3 million).¹⁰

⁵ CIA, World Factbook

⁶ Euromonitor, France, Consumer Lifestyles report, 2007

⁷ The New York Times, France Battles a Problem That Grows and Grows: Fat, January 2006

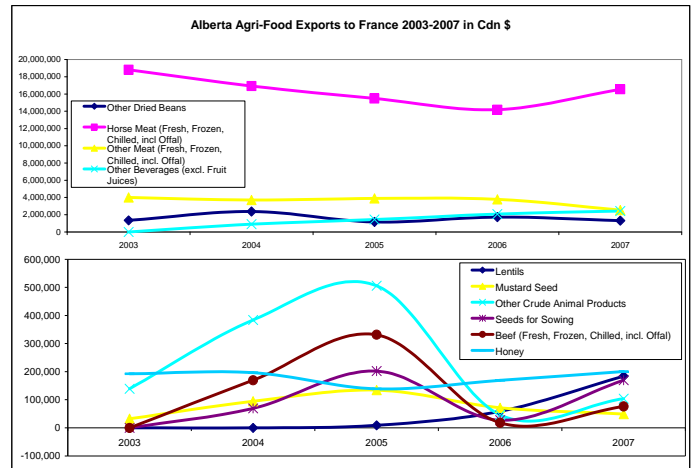
⁸ Mintel, France Food Retailing Report, 2007

⁹ France Food and Agricultural Import Regulations and Standards Annual, USDA, 2007

¹⁰ Alberta Government, Agri-food trade On-line

Alberta's Top agri-food exports to France in 2007 (millions of CDN\$)

| Alberta's Top Exports to France in 2006 | Value in Millions |
|---|-------------------|
| 1-Horse Meat | 16.5 |
| 2-Other Meat | 2.5 |
| 3-Other Beverages | 2.43 |
| 4-Other Dried Beans | 1.3 |
| 5-Honey | 0.2 |
| 6-Lentils | 0.18 |
| 7-Seeds for Sowing | 0.16 |
| 8- Other Crude Animal Products | 0.1 |
| 9-Beef | 0.07 |
| 10-Mustard Seed | 0.04 |



Alberta exports recovered in 2007 after a period of steady decline. Whiskey exports stopped in 2005, and Wheat exports slumped 97% in 2007 compared to 2003. However, overall exports to France grew 6% in 2007, driven by Other Beverages (+17%), Horse Meat (+16%), Honey (+18.3%), Seeds for Sowing (+522%), Other Crude Animal products (+125%) and Lentils (+214%).¹¹

Despite market interruptions, Alberta beef is still penetrating the market and research suggests there may be opportunities to increase Alberta's trade in this area. France is one of 84 markets effectively open to Canadian beef. Exports of Albert beef to France grew 327% in 2007, albeit from a small base.¹²

France is Canada's sixth largest export market in the EU, after Belgium, Italy, the UK, the Netherlands, and Germany. Canadian agri-food exports to France totaled \$119.1 million in 2007. Alberta accounted for almost one fifth of Canadian agri-food exports to France. Major exports include Other Oilseeds, Oilnuts/Kernels (26.4 million), Horse meat (\$25.8 million), followed by Fruits and Vegetables (\$13.5 million), Foods and Food Materials (6.42 million) and Sugar and Sugar Preparation (\$5.6 million).¹³

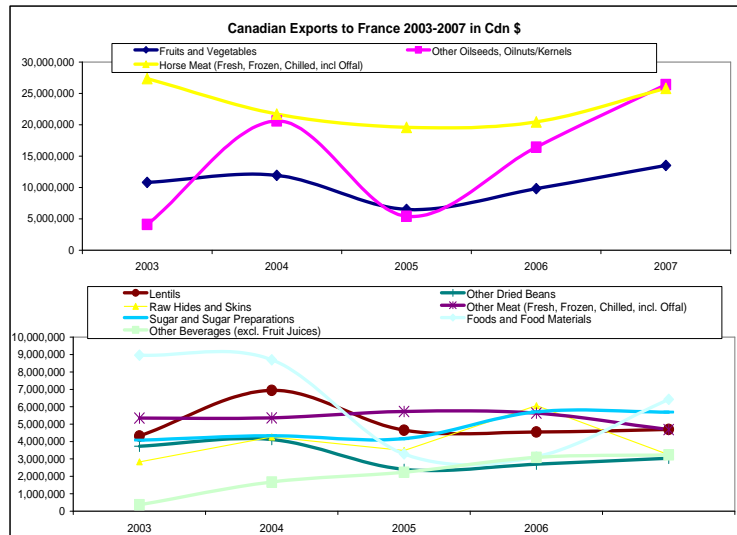
¹¹ Alberta Government, Agri-food trade On-line

¹² Idem 11

¹³ Idem 11

Canada's Top agri-food exports to France in 2007 (millions of CDN\$)

| Alberta's Top Exports to France in 2006 | Value in Millions |
|---|-------------------|
| 1- Other Oilseeds, Oilnuts/Kernels | 26.4 |
| 2- Horse Meat | 25.8 |
| 3-Fruits and Vegetables | 13.5 |
| 4- Foods and Food Materials | 6.4 |
| 5-Sugar and Sugar Preparations | 5.6 |
| 6- Lentils | 4.7 |
| 7- Other Meat | 4.6 |
| 8-Raw Hides and Skins | 3.2 |
| 9- Other Beverages (excl. Fruit Juices) | 3.2 |
| 10- Other Dried Beans | 3.0 |



Being a strong agri-food producer itself, much of France's agri-food needs are met domestically.

Competitors gain an advantage through their close proximity and the strong relations they share under their EU and other trade agreements. In 2006, almost 65% of total imports came from European Union members, including Germany 18.9%, Belgium 11.3%, Italy 8.4%, Spain 7.1%, Netherlands 7%, and the UK 5.6%. US exports accounted for 4.4% of French imports, and Chinese exports accounted for 4% of total French imports.¹⁴ These countries, along with Brazil and France itself, are Canada's biggest competition in this market.

Most of France's meat and offal, canned food, grocery products, snack foods, beverages and condiments are supplied by Germany and Belgium. Tobacco, dairy and horticultural products are supplied primarily by the Netherlands.¹⁵

Market Sector Structure and Trends

Convenience is often the most important factor influencing French consumer purchase decisions, suggesting they are likely to either shop at the closest or the easiest outlet to get to. The offer of a good loyalty card or the stocking of high quality own brand goods is likely to influence the choice of retailer, and low prices are also a definite attraction, a reflection of current economic uncertainty.¹⁶ Hypermarkets account for 33.1% of food

¹⁴ CIA, World Factbook

¹⁵ Agri-Food Trade Service, Agri-Food Past, Present and Future Report France, August 2005

¹⁶ Mintel France Food Retailing Report, 2007

sales, while 33.1% is sold in supermarkets, 16.8% in traditional stores and 8.5% in small self-service and freezer centers. Miscellaneous sources comprised of open-air markets,

sales from producers, catalogues and e-commerce account for the remaining 8.5%. Consumers generally prefer local, French food products to imports because of their freshness and high quality standards.¹⁷

In 2005, the size of the French hotel, restaurant and institution (HRI) food service sector was valued at over \$90.7 billion and commercial catering (restaurants, hotels and resorts, cafeterias, brasseries, cafes and fast foods) represented about 77% of the market, while institutional catering (education, healthcare, business catering, schools, hospitals, air and sea catering) accounted for the other 23%. Frozen foods represent 20% of products used in the food service industry.¹⁸

Exporter Business Tips

Considering the variety of distribution options available in France, it is important for the new-to-market exporter to select the method best suited to his or her product. Since differences in language, customs and business practices make entering the French market a very difficult task, the preferred route is generally to find a French partner, who knows the market and understands local requirements and expectations. Also, French buyers generally prefer to purchase through an intermediary, making direct sales to the end-user a rare practice.

Agri-food exporters should be aware of the following:

1. Customs clearance: Done by a person or a company able to present to Customs Authorities at the port of entry in the country the imported goods as well as the necessary accompanying documents for these food products (i.e., commercial invoice, bill of lading, the certificate of origin, the import and sanitary/phytosanitary certificate if need be). The Canadian exporter should have the customs clearance done by a forwarding agent, importer/distributor, or agent in the country of destination.
2. Customs clearance should be done in a Customs Office at the port of entry or at the airport. All shipping documents must be in French. Also, some products are subject to veterinary or health inspection upon arrival in France, in which case the Agencies or Ministries responsible for these products are the Direction générale de la concurrence, de la consommation et de la répression des fraudes (DGCCRF) or the Veterinary Services of the French Ministry of Agriculture and Fisheries (MINAG). Representatives of both Ministries are present in each port/airport of entry. The entire customs clearance procedure is rapid, provided the Canadian exporter has furnished all the necessary documentation with the shipment. Also, it is recommended that the exporter be fully aware of the necessary shipping documents required for the product. Most often this information is provided by the importer.

¹⁷ USDA, France Retail Food Sector Annual report, 2007

¹⁸ USDA, HRI Food Sector Annual report, 2007

3. When foodstuffs enter France, customs duties, ad valorem, have to be paid. The amount of these duties differs according to product. In addition, a value added tax (VAT), has to be paid (5.5 percent for all food products, except for alcoholic beverages, chocolate and candies where the TVA tax is 19.6 percent).¹⁹

Market Opportunities

The largest and fastest growing categories of imported retail products include exotic/tropical/passion fruits, fish and seafood, horse meat, 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, teas, coffee and sauces.

The best opportunities for Canadian frozen foods in the food service sector are for meat, fruits, vegetables, frozen deserts, ready-to-eat meals and bison meat. There is also a growing demand for salad dressings, tomato sauces and spices.

Health concerns and tax increases on alcoholic beverages have resulted in decreased French consumption of alcoholic beverages while increasing demand for non-alcoholic beverages such as mineral water and fruit juices.

Demand is also rising for organic, health, and diet foods among the increasingly health-conscious French consumers. A return to tradition is raising demand for soups. 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, kosher and halal foods, for which demand has been rising for several years.²⁰

Alberta Advantages and Challenges

Alberta and Canada have some great advantages in their pursuit of market share in France, one of which is Canada's pristine image with both consumers and the French food processing industry. This advantage is not limited to image and the Canadian standard for safety and quality is generally perceived as high.

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¹⁹ USDA, France Food and Agricultural Import Regulations and Standards Annual report, 2007

²⁰ Idem 19

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