

FOOD MILES/SUSTAINABILITY MARKET INTELLIGENCE

April 2009 Quarterly Report

The growing importance of sustainability as a market driver in some of New Zealand's food and beverage export markets has led the Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise to prepare a quarterly report for business people highlighting trends and issues in key markets.

FRANCE

IN SUM:

- Greater emphasis on price: Consumers' greater emphasis on price given current economic conditions is seeing falls in both sales volumes and retail prices, and takes priority over sustainability concerns.
- Fast food, price and pleasure winning out: Price concerns are also seeing fast food options win out over traditional restaurants, and lower price range foods, pleasurable foods, and ready-made meals win out over more nutritious foods.
- Purchasing not matching concern for the environment: Recent surveys suggest that French concern for the environment is not matched by buying patterns with the average household spending only €46 per year on environmentally-friendly/organic/fair-trade products.
- Organic sales continue to grow and fair trade viewed positively: On the other hand, organic sales continue to grow, and 82% of French consumers are aware of fair trade, and view it positively.
- Economic conditions reinforce chefs' "buy local" message, but limitations acknowledged: French chefs have reinforced their "buy local" message while France goes through tough economic times, but commentators acknowledge the limitations.
- Supermarket carbon footprinting, green supply chains and European retail forum on sustainability: More supermarkets are bringing out environmental initiatives such as carbon footprinting, greener supply chains, and membership of a European Commission initiated retail forum to promote sustainability.
- Legislation flowing from environment stakeholder summit progressing: Environmental legislation flowing from last year's "Grenelle" (stakeholder summit) is moving through the Parliamentary process and has implications for: organic farming; transportation of goods; pesticide usage; voluntary environmental certification for farms; sustainable fishing eco-labelling; and mandatory carbon emissions labelling by 2011.
- Stakeholders discuss sustainability of marine resources: The Ministry of the Environment has launched a "Grenelle de la mer" consultation process to develop a strategy for the sustainability of marine resources.

- Genetically modified organisms: Despite the European Food Safety Agency's rejection of scientific evidence presented in support of France's ban on the production of GM corn, EU member states voted in favour of France retaining its moratorium. The controversy is, however, far from over.

CONSUMER TRENDS

Greater emphasis on price

Strong inflation followed by the economic crisis triggered a greater emphasis on price by French consumers in 2008. The food sector appears to be doing slightly better than other sectors with multinational groups like Danone and Pernod-Ricard publishing good results. On the other hand, volumes are dropping; marketing surveys reveal a 2% drop in the total volume of sales for 2008 and Unilever announced a 1.6% drop in volume in the last quarter of 2008. Retail prices have also dropped and according to Georges Ferronière, Marketing Director of Nielsen, prices are expected to continue falling in March 2009 (LSA Magazine, n°2081, 12/3/09).

Consumers are focusing on the goods they consider essential (*Le Monde*, 26/3/09). Isabelle Kaiffer, Marketing Director, market research company TNS, notes that price is "what the consumer looks at, first and foremost. If the decision taken is also compatible with a sustainable way of living, so much the better, but the environment alone is not a decisive criterion". Consumers are less inclined to buy products in single packages, or which are both costly and place an extra burden on the environment (e.g. sales of bottled water and wipes have dropped 7.5% in the past year).

Fast food winning out over traditional restaurants

A survey by market research company NPD shows that the French are now neglecting traditional restaurants (eating there in only 17.5% of cases) in favour of less expensive fast food options (*Le Figaro*, 25/02/09). Traditional baguette sandwiches still outsell hamburgers by a ratio of 8:1 and the economic crisis has spurred even greater growth in this market: since September 2008, sales of sandwiches have increased by 11%, as compared to 5-8% in previous years. Overall, French consumers spent €34.1b eating out in 2008, an average of €6.46/meal/person. They spent €4.3 for a take-away meal and €12.2 in a restaurant.

Price and pleasure prioritised over nutrition

"Consumers are prioritising price over the quality of a balanced diet" was the conclusion of a nutritionist participating in a colloquium on "Food and Purchasing Power" (*Le Monde* 26/3/09). The quality of food purchased by a household was found to depend on levels of education and social status. As the economic situation worsens, consumers are shifting to lower product ranges. And instead of giving priority to healthy products, pleasure is now an important factor in troubling economic times. Sales of 'charcuterie', chocolate and alcohol have either remained steady or shot up. Preference for ready-made meals and take-away food was another trend cited: profits of frozen-food chain Picard and fast-food restaurants have risen this year.

Purchasing not matching concern for environment

When Boston Consulting Group surveyed 9,000 people in nine countries in North America, Europe, China and Japan, it found that people bought more “green” products in 2008 than 2007. In Europe, 34% of consumers declared themselves to be actively researching green products (vs. 32% in 2007). In France, 76% of the survey sample (the highest among countries surveyed) agreed with the statement that “the planet is in a very bad shape”. French consumers’ environmental consciousness, however, is in stark contrast to their buying behaviour - only 11% declared that they bought green products in 2008, the lower end of the survey sample (*Libre Service Actualités* (LSA) Magazine, n°2079, 26/2/09).

A TNS survey on the habits of French households found that while four out of five households claim to be careful about conserving natural resources in their everyday life, an average household spends only €46 per year on environmentally-friendly/organic/fair-trade products (*Le Figaro*, 13/1/09). This amount represents just 1.7% of annual expenditure on everyday goods and produce. While consumers might be inclined to buy such products, their cost and the current economic crisis are disincentives. Furthermore, apparently two thirds of consumers buying such products doubt their impact.

Organic sales continue to grow

Despite overall price pressure, organic food purchases in France continue to see growth. According to a survey by marketing company CSA for Agence Bio (the public agency for the promotion of organic agriculture and products), 44% of French consumers eat at least one organic product a month and 71% intend to increase their consumption within the next six months. €3m of public funding per year for five years has been made available to develop various projects. The current organic farming area in France is insufficient to provide for domestic consumption and retailers will continue to import organic products (MOCI Magazine, n°1836, 19/2/09). Most organic produce is purchased in hyper and supermarkets. Organic wine is a key growth product. Ultra-fresh organic sales (e.g. organic desserts) grew by 33% in 2008 (LSA Magazine, n 2080, 5/3/09).

Fair trade viewed positively, so long as claims are supported

According to a survey by global research company IPSOS, 82% of French consumers are aware of fair trade, and view it positively. To date, despite the economic crisis, the price difference with non-fair trade products (plus 5-20%) is accepted because consumers feel they are acting equitably towards producers from developing countries, and because fair trade products are considered of high quality. Consumers, however, have become watchful of product origin. Key issues include which cooperative made the product? Which farmer will benefit from the purchase? Where will this money be spent? The French consumer is prepared to pay more for a fair trade product if information to support the fair trade claim is available (www.novethic.fr).

PRIVATE SECTOR ACTIVITY

Economic conditions reinforce chefs' "buy local" message, but limitations acknowledged

At the January SIRHA (International Hotel, Food and Catering) Trade Show famous chefs Thomas Keller, Anne-Sophie Lepic and Joel Robuchon repeated the message that while France is going through tough economic times, they are even more inclined to buy local and regional products. *Le Monde* of 2 April carried a special eight page supplement on "Sustainable Consumption" covering many of the themes of this report and noting the growing desire on the part of French consumers to be good environmental citizens. The perceived advantages of eating local products and the steady trend of supermarkets to offer "bio" products is noted but also the fact of price constraints and that eating "local" could lead to a very unvaried diet (in the greater Paris region "apples, pears and salad"). A marketing director of Semmaris, the group which manages the huge Rungis fresh produce market outside Paris, is reported as saying that "in terms of carbon footprint, an apple from Chile that had passed one month in a ship is better than a French apple that has spent six months in the cooler".

Supermarket carbon footprinting and green supply chains

Following the example of Casino, supermarkets Leclerc, Intermarché and Ecomarché now each have their own carbon footprint measure. None of the three uses the same calculation system and this is a source of confusion for consumers (*L'Espresso* online, 9/1/09). *Le Figaro* also reported on the potential of the multiplication of eco-labels to disorientate customers (20/1/09). Companies reluctant to comply with EU, national and independent labels (e.g. AB (*Agriculture Biologique*) for organic produce), are lobbying to lower the qualification standards for these labels, and some are even creating their own dubious eco-labels using unverified and unverifiable criteria. Experts are calling on the government to increase the control of such labels.

Retailers are working to make their supply chains greener and realise cost savings. For instance, Carrefour in Nimes (South of France) generates its own electricity using solar panels. Since 2007, Monoprix has been using a train to transport goods from its warehouse in Seine et Marne to Bercy in Paris. After a year and a half, Monoprix calculates that it has reduced carbon emissions by 75% for supply of its Parisian stores (www.novethic.fr).

Supermarkets join European retail forum to promote sustainability

On 3 March the European Commission and the European retail sector together launched a retail forum to promote sustainability. The forum is voluntary and open to all retailers. 24 professional organisations decided to join the forum, including French supermarkets Auchan, Carrefour and Metro.

Wine industry carbon footprint

The Bordeaux wine growers association has announced that members will reduce their carbon emissions by 20% by 2020. To this end, they are planning to lighten the weight of bottles and improve the efficiency of transport. They have calculated current carbon emissions to be equivalent to 203,000 carbon tonnes (*Les Echos*, 9/2/09).

“Quick lamb” launched to counter falling sales

Sales of lamb declined by 7% in 2008 while sales of other meats have been more resistant to the economic crisis. Sales representatives blame price as well as the image of lamb among young people, who see it as taking too long to prepare. “Agneau presto” (“quick lamb”), a joint French, Irish and British initiative launched in January 2008, has been advertising new, easier-to-cook lamb products (e.g. minced meat, cubes) through website and on-site promotions. Results have so far been mixed.

Milk price lobbying

French producers of dairy products such as cheese are lobbying to lower the price of milk for the second quarter of 2009, claiming to have lost some €600 million last year due to high prices. For the first quarter, milk producers and industry had agreed an average price of €321 for 1000L, but the latter are complaining that other EU prices are more competitive (€255 in Germany , €250 in the Netherlands , €235 in Belgium and €210 in Poland). So far, negotiations have stalled, as dairy product producers fear retaliation by milk producers who blame the smaller size of their farms for their lack of competitiveness.

GOVERNMENT ACTIVITY

Legislation flowing from environment stakeholder summit progressing

Environmental legislation flowing from last year’s “Grenelle” (stakeholder summit) is still moving through the Parliamentary process. Bill Grenelle 1 covering organic farming, transportation of goods and reduction of the use of pesticides, received almost unanimous support at the Senate on 10 February. The amended text now needs to be approved by the National Assembly.

Bill Grenelle 2 is only in the preliminary phase of the legislative process. Of particular interest in Grenelle 2 are:

- A voluntary certification process for farms as being of “high environmental value” (article 42);
- Creation of eco-labelling for sustainable fishing (article 63);
- Introduction of mandatory environmental labelling from 2011 on all products to indicate the carbon emissions associated with the various cycles of the product, including production and transportation (article 85). The calculation mode has not yet been determined.

Stakeholders discuss sustainability of marine resources

The Ministry of the Environment has launched a “Grenelle de la mer”, a process to develop a strategy for the sustainability of marine resources, complementary to the existing Grenelle Environment process. The reach of this initiative will be considerable given the 11 million square kilometres maritime area under French jurisdiction, including in the South Pacific. The first workshops were held at the end of March and brought together various stakeholders such as NGOs, business representatives and local authorities. Areas of focus are:

- Knowledge of the marine environment and resources;
- Development and sustainable management of marine and waterfront activities, taking into consideration future human needs (energy, food, pharmaceutical resources and trade);
- Protection of the sea against environmental damage and restoration of damaged environment;
- Environmental transition of maritime and waterfront activities.

Genetically modified organisms

On 16 February EU member states voted in favour of France retaining its moratorium on GMOs (specifically MON 810 GM maize) despite EC efforts. Opposition between the Commission and France, nevertheless, is far from over. The European Food Safety Agency (EFSA) has already rejected the scientific evidence presented by France to support its decision. This is expected to prompt the EC to launch a new procedure asking France to renounce its safeguard clause as soon as possible. Controversy in France over the ban was also spurred in February after the daily *Le Figaro* revealed the contents of a report issued by the French Food Safety Agency (Afssa) which concluded that the MON 810 maize represented the same level of health safety as conventional crops. Minister for the Environment, Jean-Louis Borloo, dismissed these results, claiming that the environmental risks that had triggered the French ban were not tackled by the Afssa report, which focused on short-term health risks.

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