

Prepared by the New Zealand Embassy in Paris.

RĀPOPOTO - SUMMARY

- The French food service industry has been severely impacted by COVID-19 due to long periods of closure, while food retail and processing sectors have performed well, benefitting from their essential nature during a pandemic.
- The pandemic has spurred a marked consumer trend towards healthy, safe, sustainable and local food choices, including organic, and strong government messaging around shortening food supply chains and supporting local and French producers. Price wars are a dominant feature of the current French retail food sector, as well as a shift to delivery and click & collect services.
- Overall, New Zealand food and beverage exports to France held up well in 2020, although with winners and losers due to the COVID conditions. Strong performers were typically price competitive, traded through successful retail supply channels, and corresponded to consumer trends. Barriers to exporters remain, however, including around the promotion of New Zealand products.

PŪRONGO – REPORT

The COVID-19 pandemic has affected the French food & beverage (F&B) sector in quite different ways depending on the part of the sector. The effective closure of the hospitality industry for 8 of the last 12 months has severely impacted France's food service sector, with flow-on effects for French food retail and processing. Government messaging and support, as well as consumer habits and trends, have also evolved during the COVID-19 crisis.

Food service

Due to COVID-19 restrictions, French restaurants, cafes and bars were closed from mid-March until June 2020, and again for on-site dining from end-October 2020 until the present. Restaurant turnover was estimated at €35.6 billion in 2020, a decline of 38% on 2019. Fast food outlets, notably the larger chains, were able to resist some of this loss through an increase in takeaway and home delivery sales, the latter which increased by 25% in 2020. Restaurant delivery, in particular, is a relatively underdeveloped part of the market in France compared to countries like the UK.

Many wholesalers and distributors usually supplying the food service industry were able to shift sales to retail channels during the closure period, to make up for some lost revenue. Total sales of fresh food in France in 2020 were estimated to have fallen by 1.3%, due to retail growth balancing the decline in food service demand. Sales of fish, seafood and red meat, in particular, fell sharply in 2020 as these products are more frequently consumed in restaurants than at home.

Food Retail

The French food retail sector had an estimated value of around €325 billion in 2019. With the closure of restaurants and cafes, and a strict lockdown from mid-March to mid-May 2020, consumers spent more time at home and prepared more meals at home, which boosted retail food sales. Retail volume sales of fresh food rose an estimated 7% in 2020, while retail value sales of packaged foods rose by an estimated 3.3% in 2020, as consumer demand for non-perishable goods jumped

especially during lockdown periods. Chilled and frozen products sold well, given the convenience, and consumers tended to prioritise essential goods.

While French consumer spending has held up relatively well due to ongoing government support measures to business and households, price sensitivity of consumers in the food retail market has generally increased during the pandemic. Competition amongst food retailers, already fierce and with tightly controlled negotiations between producers and the big players, has further intensified to the current “price war” situation.

In terms of trends, the pandemic has spurred a heightened focus on health and wellness, with French consumers buying more healthy and organic foods, as well as a sense of food nationalism, with consumers focusing more on local products, both out of greater trust in the quality and safety of local rather than imported goods, but also in solidarity with French producers in a time of crisis. There has been high-profile “Buy French” messaging from the government and in the media, with President Macron highlighting the importance of food sovereignty in several speeches. In January, the Ministry of Food and Agriculture, in partnership with Chambers of Agriculture, launched a new website “Fresh and Local”, which allows consumers to find local producers and their retail outlets.

In a survey conducted by Ipsos and the Nestlé Foundation, respondents increasingly favouring more “responsible” food – with 51% saying that recently, or more frequently, they prefer buying local or French-produced food, and 45% favouring organic products. Another survey conducted by the national organic association found that 90% of respondents identified buying French produce locally as a reason to buy organic, as well as the restriction of additives. For organic consumers, eight in ten said that it was “very important” to ensure that producers were paid fairly, and that animal welfare was respected.

Another consumer trend is the boom in online sales, with food the fastest growing category in e-commerce in France in 2020. This has mainly been dominated by big retail players and chains, offering click & collect and delivery services. With less time physically in supermarkets, consumers have also tended to resort to known brands and products, rather than trying novelty items.

Food processing

The French food processing industry is one of the world’s largest, with a turnover of €213 billion in 2017 (according to latest statistics from the French Agriculture and Food Ministry), requiring a huge range of locally-produced and imported ingredients. France is also one of the world’s top food exporters. The food processing sector was deemed an essential industry by the government during the pandemic and most companies in the sector have continued to operate. A number of French food processors recorded growth in 2020 and planned or carried out investment, including participating in the government’s call for re-localisation projects as part of its recovery package.

How have New Zealand exporters fared?

Food and beverage products accounted for around 40% of New Zealand’s total exports of nearly NZ\$450 million to France in 2020 (a lower proportion than usual due to a spike in ventilator equipment exports last year). Overall exports held up relatively well, with some particular winners and losers, and strongly linked to access to existing or new retail supply channels.

Exports of red meat, essentially lamb, were valued at NZ\$110.6 million in 2020, which was up 3.7% on 2019, and represented New Zealand’s most valuable food export to France by a large margin. Lamb exports performed well due to the fact that sales are mainly through retail channels, including via big frozen retail chains, and New Zealand lamb continued to be competitive in the context of an acutely price competitive market. Shortages of French lamb in 2020 also provided an opportunity for New Zealand to strengthen its market share in a difficult year.

New Zealand wine exports also held up well, totalling NZ\$32 million in 2020, down only slightly from 2019. While actual sales of New Zealand wine in France are considerably less than this, given a lot of wine is imported from French companies in New Zealand and then re-exported elsewhere in Europe and the UK, the figures still point to a solid performance in a

market where the overall volume of wine consumption has been steadily declining for the last 15 years, and where wine sales were down an estimated 37% in food service and 5% in retail in 2020 due to COVID-19 restrictions. This is partly due to the growing trend of French consumers towards higher value and higher quality wine, rather than volume, and strong growth in organic wine sales, which represents an opportunity for New Zealand. Low awareness of New Zealand as a wine producer, however, is a challenge.

Sales of Zespri kiwifruit performed well in France in 2020 in line with the overall trend of greater fruit and vegetable consumption, and benefitting from Zespri's successful access to French retail giants Carrefour and Monoprix. While official data reports a decline in New Zealand fruit exports to France in 2020, the majority of Zespri's exports come to France via Belgium as the first entry point. Zespri also supplies the market from contract growers in France (and Europe), which is beneficial in the context of increased focus on provenance. The strength of brand recognition for Zespri is a particular advantage, with customers trusting the quality, while the counter-seasonality aspect allows Zespri product to be on retail shelves all year round, providing visibility and further strengthening brand recognition.

Fish and shellfish – New Zealand's third largest food export category to France by value – dropped by 15.4% to NZ\$20.4 million in 2020, reflecting the fall in hospitality sector demand, but also sharply reduced retail sales of seafood in France in 2020, as consumers tend to eat less seafood at home than in restaurants. The value of New Zealand dairy exports to France also declined in 2020, including niche products such as luxury yoghurts, which struggled in a year where consumers resorted to trusted brands in a crowded market. Meanwhile sales of Manuka honey performed well, given the stronger focus on health and well-being.

Challenges and Opportunities

The French hospitality sector will be focused on re-opening and recovery in 2021 (beginning gradually from mid-May) and the food retail sector on maintaining its performance and continuing to respond to COVID-related and other consumer trends. Price competition is likely to remain acute in the short to medium term, as businesses fight for market share and survival in a challenging economic environment, and as government support inevitably tapers off with the full re-opening of the economy. In this context, competitively priced New Zealand products are likely to continue to perform well, even if their provenance is not something that buyers will actively be looking to promote.

Promotion and communications about New Zealand in the French F&B sector, however, continues to be an issue, including raising consumer awareness. French retailers have often been reluctant to promote imported products in a strongly 'buy French-made' market, and even more in the current climate, which limits opportunities for New Zealand branding and promotion. This makes it more difficult to combat negative food miles perceptions (e.g. New Zealand salmon has a lower carbon footprint than Norwegian), and to tell the positive New Zealand story around sustainable food production (e.g. pasture-fed sheep farming), and indeed even more difficult to find vocal French champions of New Zealand.

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