

**Press release:
French agri-food industry: foreign companies welcome**

Paris, October 18th, 2010 – The Agri-food international fair (SIAL), one of the world's major events in the agri-food business, is taking place in Paris (October 17th-21st), proving that France's expertise is renowned and sought after by manufacturers worldwide. Those already established in France enjoy a significant competitive advantage from their location, drawing notably on a qualified, flexible and highly productive workforce.

A mix of SMEs and global leaders for a solid industrial base

The agri-food industry is the first business sector in France with a turnover of €139 billion in 2009. Until 2008, the annual growth was from 5 to 7%.

The French agri-food industry is the second-largest in Europe and the 4th in the world after Germany, the Netherlands and the United States, employing 399 251 people in over 10,282 companies.

The sector comprises a large number of SMEs (97% of the sector) located throughout the country, alongside several major French groups which are international leaders of their respective markets¹:

- Danone, ranked 1st in the world for fresh dairy products and 2nd for bottled water and child food
- Lactalis, 2nd in the world for dairy products ;
- Bongrain, 1st in the world for cheese-based specialties ;
- Bel, 1st in Europe for processed cheese ;
- Pernod Ricard, 2nd in the world for wines and spirits ;
- LVMH, with its wines and spirit division.

"France also fosters large retail networks, such as Carrefour, and offers a wide range of hypermarkets and supermarkets, which can leverage foreign investors' sales", Rémy Blain, partner at WSA law firm, adds.

France, an attractive location for foreign investors

Foreign companies are highly active in the agri-food sector in France, where they account for almost 30% of agri-food output².

The main leaders include Coca Cola, Heineken, Ferrero, General Mills, Haribo and many others who have chosen France as their production and logistics hub for the European market and as a base for further international expansion. France is the biggest market for Kraft Foods outside the United States. After receiving authorization in 2008 to sell its energy drink in the French market, the Austrian manufacturer Red Bull has also opened its headquarters in Paris, creating 80 jobs.

Other foreign companies have chosen France to set up their business activities.

- Pasta & Company, the Italian company specializing in producing fresh pasta, has chosen Gap (Provence-Alpes-Côte-d'Azur, Southeastern France) as the location of its new production facility entirely dedicated to bio-food products. The project amounts to a €4.5 million investment overall.
- As well, Cinquième Saison (salad and fresh products), a subsidiary of Icelandic group Bakkavör, Sakata Seeds, Moy Park (poultry based intermediate products), Ebly / Masterfoods (cereals), McCormick (condiments) and Ajinomoto (seasoning and cooking oils) have also established their presence on the French market.

¹ Source: French National Association of Agri-food industry, 2009

² Source: Invest in France Agency, 2009

“French law encourages open commercial negotiations between agri-food manufacturers and retail networks, which can be an asset for international investors”, Rémy Blain explains.

Agri-food international players also settle in France for successful research and innovation activities:

- Unilever and Nestlé have both set up international R&D centers in France, focusing on health foods.
- More recently, Kraft Foods has announced the opening of a biscuit R&D center in Saclay (Paris region) in 2011. The company has invested €15 million in that project: Kraft Food is hoping to boost its capacity for innovation in product design, nutrition, packaging and sustainable development.
- In May 2009, Danish food ingredients manufacturer Danisco inaugurated an R&D center specializing in fermentation products in the center of France.

French consumers are very demanding and aware of nutrition issues. The products that succeed in France are likely to succeed in other countries. France can also be a pioneer in terms of regulation: it is the only country in the European Union to have allowed the testing of the natural sweetener stevia. Therefore, France has become an innovation testing platform for agri-food giants: Coca-Cola’s new Fanta Still with stevia, Nestlé’s coconut milk beverage Nesfluid and McDonald’s salad were first launched in France. Pascale Hebel, director of the retail department of research center Credoc, explains that “Most of the nutrition departments of agri-business major corporations were born in France a decade ago, before spreading into neighboring countries”³.

Highly skilled engineers and financial support boosting R&D

The French agri-food industry operates in an environment which fosters innovation transfer thanks to 10,000 highly-skilled engineers, researchers and technicians. France’s agri-food industry had an R&D budget of around €1.5 billion in 2008⁴.

The main interface between public-sector research and industry is provided by a network of technical centers led by the French Association for Technical Coordination in the Agri-Food Industry (ACTIA), and by nine specialist innovation clusters.

Among them, the European Cluster for Fruits and Vegetables Innovation seeks to boost the competitiveness of the sector, the quality of the products and the sustainability of the production. Other clusters include Valorial (Bretagne), which develops “ready-to-use” food for the future, and Aquimer (Nord-Pas-De-Calais), which aims at expanding the seafood market.

Agri-food research draws high-level public research. In addition to the French National Institute for Agricultural Research (INRA), several other organizations work on food-related topics:

- the French National Center for Scientific Research (CNRS),
- the Agricultural and Environmental Engineering Research Institute (CEMAGREF),
- the Agricultural Research Center for International Development (CIRAD),
- the Research Institute for Development (IRD).

They can rely on several universities and schools, such as Agro Paris Tech’ or Montpellier Sup Agro, which contribute to boost R&D by educating highly-skilled engineers and researchers. France also hosts the top campus in Europe for research and higher education with Agropolis International, based in Montpellier (Languedoc-Roussillon). This leading center of excellence “Agronomy Research and Sustainable Development” is certified as part of France’s “Specialized Networks for Advanced Research” (RTRA).

The Invest in France Agency (IFA) is the national agency responsible for promoting and facilitating international investment in France. It also coordinates initiatives to promote France’s economic attractiveness. The IFA network operates worldwide, with offices in France as well as in North and South America, Europe, the Middle East and Asia. In France, the IFA works in partnership with regional development agencies to offer international investors outstanding business opportunities and customized services. For further information, please visit www.investinfrance.org

³ Source : *La Tribune*, October 15th 2010.

⁴ Source: Invest in France Agency, 2009