What perspectives for French agri-food businesses in 2017?

After a year of mixed results in 2016 and with the 2017 context more than ever underscored by uncertainties, agri-food businesses will need to focus on innovation and internationalisation if they are to succeed.

A mixed bag for the French agri-food sector

While the global environment remains difficult, some important positive factors including sustained household consumption and a swing upmarket, continuing low prices for raw materials, energy and agricultural produce, low borrowing rates, a stronger dollar and measures to alleviate tax and social charges, boosted the activity of agri-food companies in 2016. Nonetheless, insufficient competitiveness and the persistent price war between the big names in retail continue to weigh on the overall performance of agri-food companies. There are, however, contrasts from one company to another with, on the one hand, 'standout' SMEs and internationalised companies benefiting from strong dynamics and, on the other, middle-market companies making mass-produced goods and private label manufacturers facing more difficult conditions.

2017 more than ever underscored by uncertainties

Whether from a political, geopolitical, economic, financial, commercial, climatic or health point of view, agri-food businesses find themselves facing a context of unprecedented uncertainty.

While the United States looks set to take the lead when it comes to world growth, Europe remains paralysed by the major challenges ahead (the Brexit impact, the outcome of this year's elections in France, Germany and the Netherlands, and the inadequacy of structural reforms). There are signs of improvement in the emerging economies, mainly due to the upswing in oil, mineral and metal prices. However, numerous global uncertainties reduce short-term visibility, the biggest concern being the potential actions of the new American administration. In addition, while world growth is recovering, many countries are tempted to turn inward, which poses a threat to the recovery in international trade. Looking at rates and currencies, we are less concerned with uncertainties about a continued upturn in long-term rates or the strengthening of the dollar seen in late 2016, but more with their scope. Finally, the acceleration in climate and health crises recorded over the last few years, affecting crops and animals alike, could have a considerable and unforeseeable impact on the profits of agri-food businesses.

Uncertainties over the potential actions of the new American administration reduce short-term visibility

Study

A need to keep in step with consumers' demands and with international growth

Against this background, the overall balance of current risk factors is neutral-negative for agri-food firms in 2017. Despite increasing uncertainties and domestic economic sluggishness (in France), there are some opportunities for growth. These mainly mean refocusing on structural values, such as tracking changes in consumer demand, now oriented towards healthier eating, wellness and togetherness.

First and foremost, however, supporting growth elsewhere in the world, through export or international subsidiaries, is a requirement for our French companies in a still fragile domestic context. If the international market is now a natural outlet for big businesses, the finest hours are yet to come beyond our borders for SMEs.

KEY INDICATORS

TREND FROM 2016 TO 2017	Risk
The French economy	🔴
Post-election economic policy measures	🟡
Domestic food consumption	🟡
European trade	🔴
International trade outside Europe	🟢
Interest rates	🔴
Euro/dollar parity	🟢
Emerging currencies	🟡
Agricultural commodities	🟡
Energies	🔴
Volatility of agricultural commodities	🟡
Contingencies	🔴

🔴 Negative risk; 🟡 Neutral risk; 🟢 Positive risk

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