



Nearing a peak in globalisation?



Nobody can deny that, over the past few years, the world has developed into a “globalised” economy. World trade has quadrupled in volume since 1990 and doubled since 2000 (while at the same time, world GDP has multiplied by 2 and 0.5 respectively).

The globalisation of trade has become the inescapable reality of a worldwide revolution driven, on all five continents, by technological advances, demographic growth and the immediacy of communications. For companies, it has resulted in the opening of borders and markets, for consumers in greater accessibility to a multitude of goods, downward pressure on prices and the standardisation of demands and requirements and, for the world economy, in a decline in poverty in emerging areas and the creation of global corporate giants.

However, as it continues to expand, this globalisation of trade has also fed fears, sometimes leading to rejection. Its impact on employment, with greater competition in certain labour-intensive industries and the offshoring of some production facilities, and thus a deepening of poverty in certain societies, has started to reach the limits of acceptability in the eyes of the public. There are also direct and indirect effects on migratory movements across the world and on climate issues, and which have a direct impact in turn on agriculture.

This phenomenon of disruptive innovation, as economists call it, has led to the emergence of inward-looking attitudes among people in countries across the world. Brexit, the US elections, and past and future elections in Europe all testify to this.

We have not yet seen the impact of these reactions on world trade, which continues to grow as the interdependence of trade flows and the need to feed the planet remain firmly anchored. However, we will need to keep a sharp eye out for any early warning signs.

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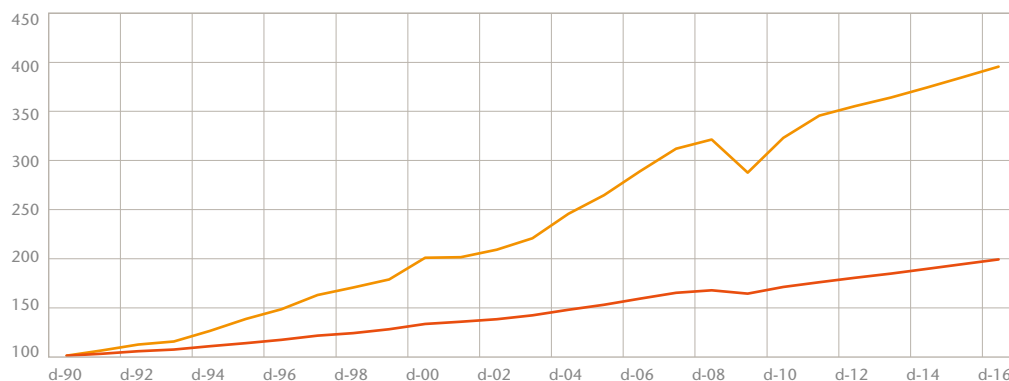
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Economic outlook

Wheat, butter, sugar,
Euro-Dollar parity, oil

WORLD TRADE AND WORLD GDP VOLUME (BASE 100 = 1990)

— World trade
— World GDP
Source: Unigrains, based on IMF



"The agri-food sector is directly concerned by what may be the start of an overall slowdown in trade."

Because of strong interconnection with agricultural output, we know that the agri-food sector is directly concerned by what may be the start of an overall slowdown in trade. Hence, after Donald Trump's election, we observed a negative reaction on the stock markets for listed agri-food companies in Europe, as shown by the IAA 80, our index tracking market trends for listed European companies, which underperformed the global stock indices at the end of the year.

We can also see the first effects in the rising distrust in the big global brands. Consumers all over the world are now favouring local brands that convey a sense of local or ethnic tradition, that are 'natural', wherever possible, and traceable.

SMEs need to keep a very close eye on these protectionist reactions as they pursue international expansion outside mature markets. Let there be no mistake, however: nothing will stop the race for technology which drives the quest for greater competitiveness and ever-increasing communication needs to bring consumer communities closer together.

In this global competition, the size of the business does not matter. All that counts is business leaders' ability to understand their environment, to rally their companies' strengths to promote their know-how, and to defend the quality and USP of their products in response to structural changes resulting in increasingly segmented demand from consumers. This demand is marked by the search for low prices, premium products, quality, naturalness, local tradition, transparent processes, health benefits and convenience.

Now more than ever, Unigrains will closely monitor all the signals that, in this changing environment, point to fundamental shifts, so that we can continue to accompany our agri-food companies in their business development.

Jean-François Laurain
Unigrains CEO

