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*142, rue du Chevaleret
75013 PARIS
Tél. (1) 40 77 85 00
Fax (1) 40 77 85 09*

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**Study on the french beef market /
Corinne Chessa, Frédéric Legros
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STUDY ON THE FRENCH BEEF MARKET

(Study for the Danish Livestock and Meat Board)

Corinne CHESSA, Frédéric LEGROS, Philippe MOATI

Département "Dynamique des Marchés"

July 1993

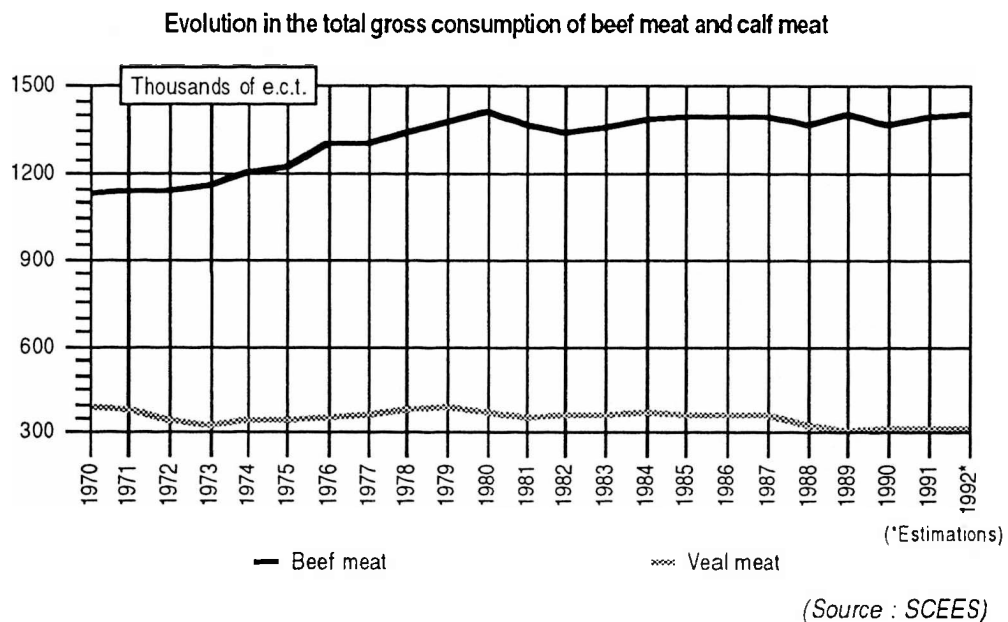
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PART ONE - THE RETAIL STUDY

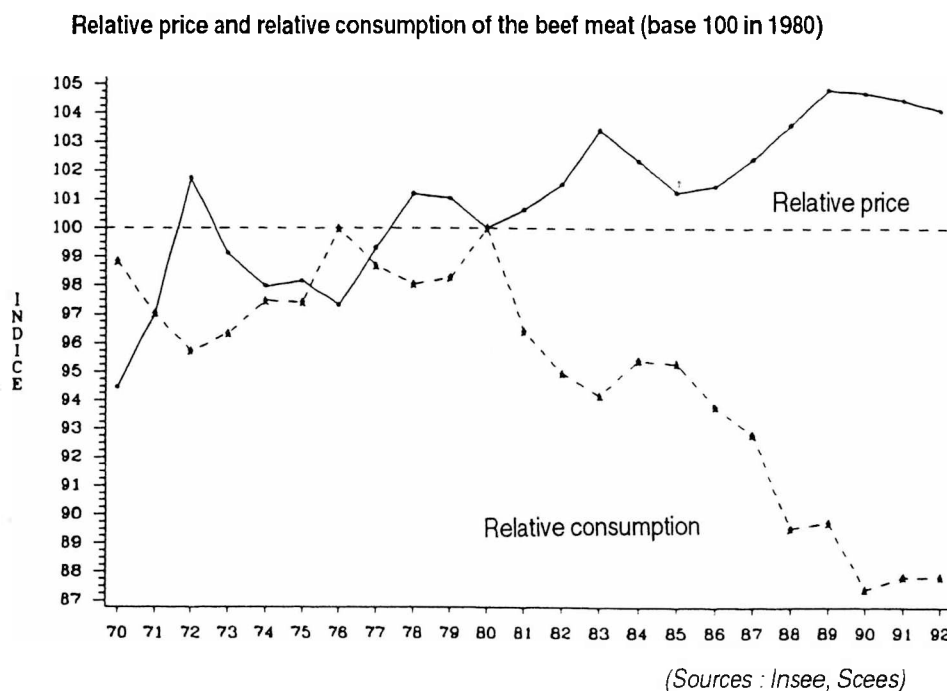
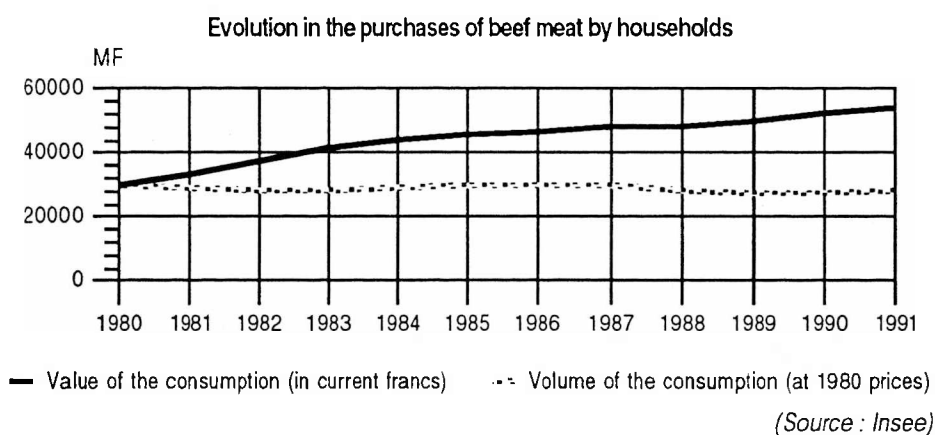
In 1992 total consumption of beef and veal rose to 1,712,000 ECT (equivalent carcass tons). Beef, when it leaves the slaughterhouse, is intended for three primary uses: the food processing industry, for which meat is an intermediary supply contributing to the composition of prepared dishes ; out-of-the-home catering (restaurants, community facilities) ; and household purchases. The latter constitute the principle market for the meat sector.



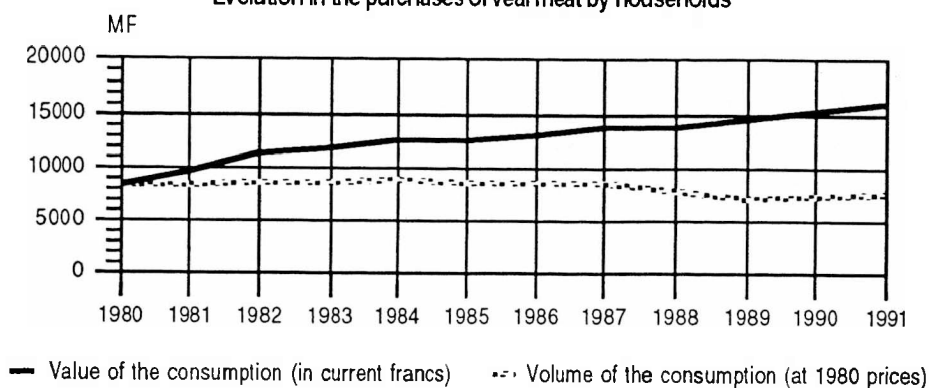
Out-of-the-home catering constitutes a considerable market which is progressing constantly. For example, in 1990, community facilities consumed 324,000 ECT of beef, i.e. approximately 20% of total final consumption. And although this sector is globally atomistic, it is in the process of becoming concentrated and with several major operators who constitute potentially attractive markets. The growing success of McDonalds in France has caused its meat supplier, Mc Key Foods, to open a new production unit in France, thereby raising its production from 260 to 550 tons per week. At present, 10% of the carcasses processed by Mc Key are imported.

During the last decade, beef and veal consumption has taken a turn downwards. Total per capita consumption of meat from large cattle peaked in 1980 (26.1 carcass equivalent kilograms). Since then it has dropped slowly (24.6 kg in 1992). Veal consumption has taken a turn downwards for an even longer time. Total per capita gross consumption dropped from 7.6 kg. in 1970 to 5.5 kg. in 1992. Between 1980 and 1991, direct household purchases of beef and veal recorded an annual average growth rate of 5.8% in value. On the other hand, consumption

in constant francs experienced a drop of 0.5% on an average per annum during the same period. The fact that beef products are easily accessible, added to changes in consumer behavior explain this phenomenon. Consumers have reduced their cattle meat consumption in favor of poultry or pork, products which are less expensive and offer a greater range of choices. Indeed, beef suffers from sales prices which exceed the prices of other meats, an aging image and a limited degree of processing. We emphasize the fact that the various cuts have not experienced the same evolution and the consumption of ground beef, for example achieves high performances due to its practicality (frozen in particular) and its low cost. Stewing beef consumption remains stable, while the consumption of grilling meat is evolving poorly because ground meat has partially replaced grill cuts. As for veal, the French consume less than they did 20 years ago, but in the past two years a resumption of retail veal sales has been observed.

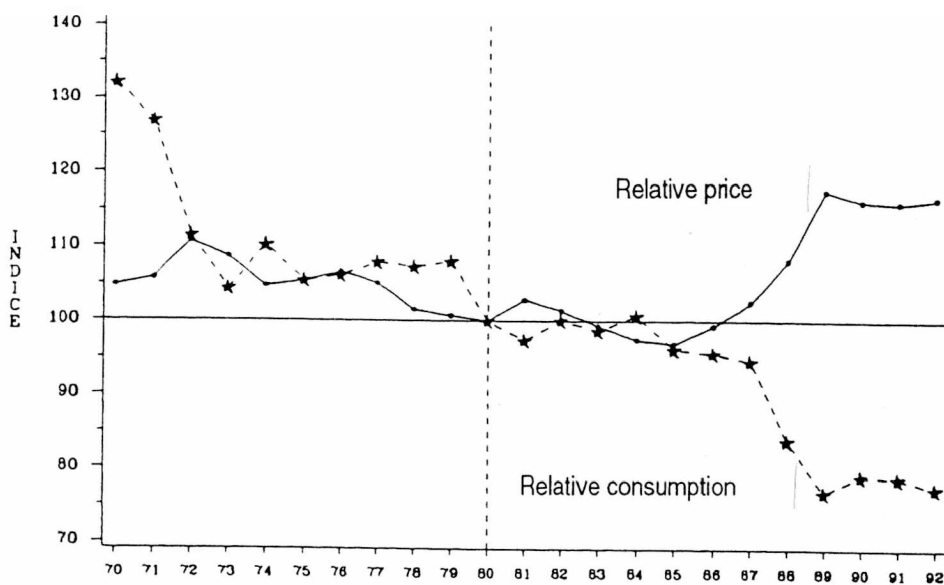


Evolution in the purchases of veal meat by households



(Source : Insee)

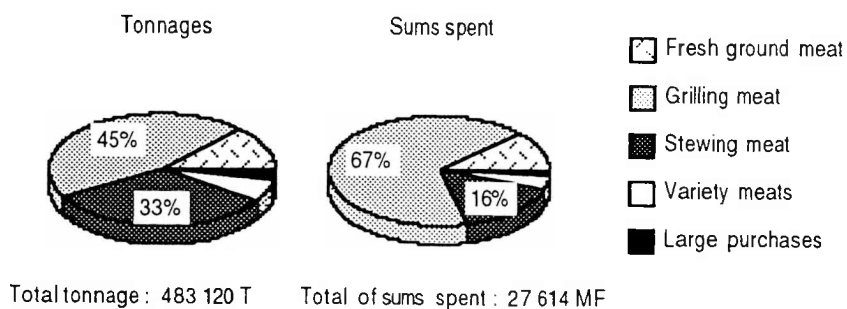
Relative price and relative consumption of the veal meat (base 100 in 1980)



(1992 estimated)

(Sources : Insee, Scees)

Breakdown of the consumption of beef meat in 1992

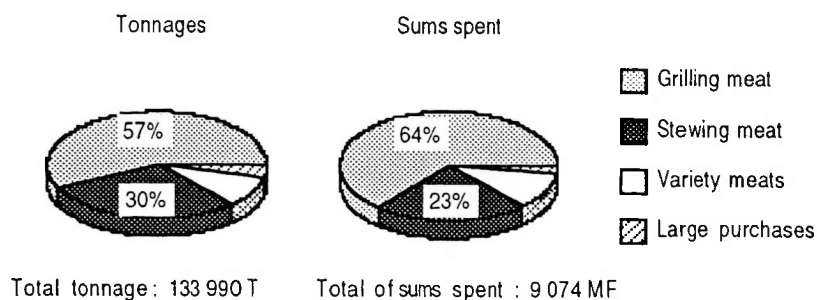


Total tonnage : 483 120 T

Total of sums spent : 27 614 MF

(Source : Codivial)

Breakdown of the consumption of veal meat in 1992



(Source : Codivial)

Today, the actors in the cattle sector are making efforts to lend new dynamism to sales of beef and veal. They are developing a product quality and consumer information strategy. And indeed, a great gap exists between the product's image and reality because, for years, beef suffered from unfavorable dietetic reports and health problems. And yet it is a meat which offers a very varied range of products which can satisfy a broad range of consumer tastes and needs (practical, convivial, up-market, dietetic...).

The valorization of beef and veal calls for the development of transformed products (ground steak, cooked meat...) and an identification of the meat. Thus, labels emphasizing the product's origin, the breeding and feeding methods...are being developed so as to reassure the public regarding the intrinsic qualities of the meat. More and more actors in this sector are also taking measures to ensure the quality of their products (conformity certification).

In an initial stage, the study will be devoted to the description of retail distribution networks for beef (large food distribution and traditional butchers shops). Part two will highlight the channel structure for beef, in an attempt to understand its functioning and the nature of the relations between the various parties involved.

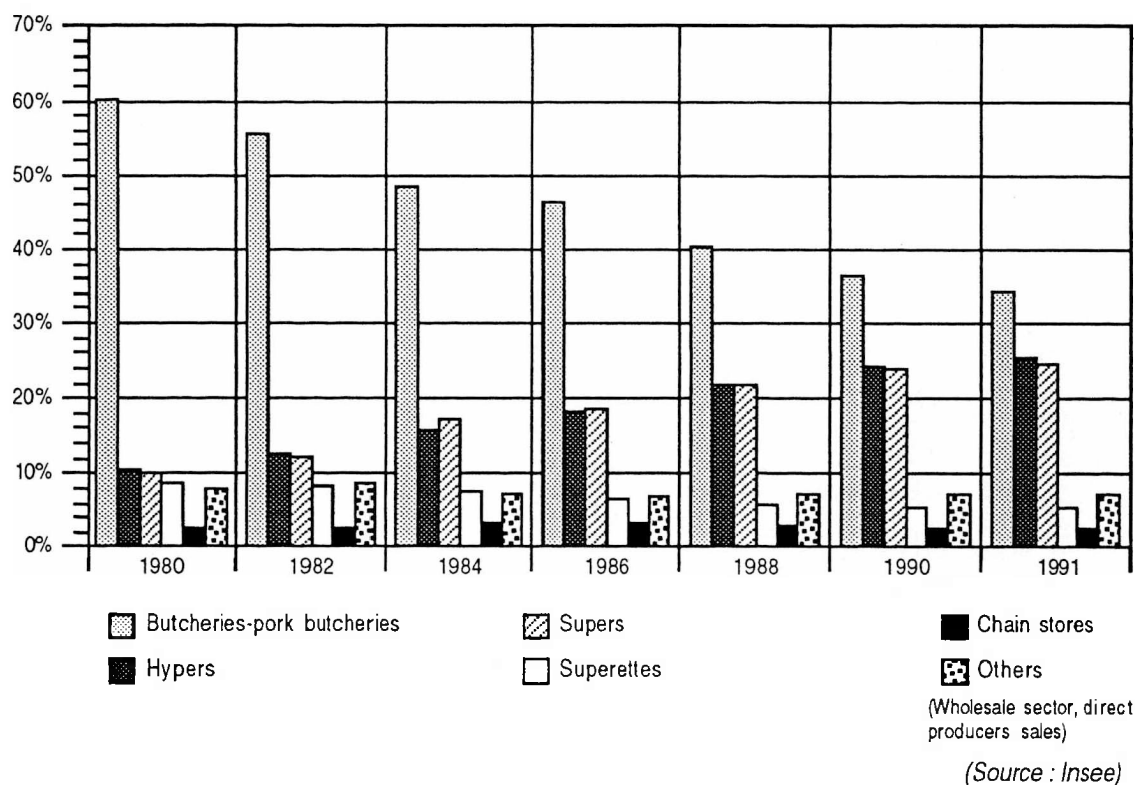
I - RETAIL DISTRIBUTION OF BEEF

During the last ten years, the sharing of meat product consumption (meats, cured meats, poultry, game and rabbits) between the various distribution circuits has changed considerably. Thus, according to the National Institute of Statistics and Economic Studies (Insee), in 1991, large food stores (hypermarkets and supermarkets) represented more than one half of meat product sales versus 20% in 1980. This evolution has occurred to the detriment of traditional

butchers' shops who have suffered a drop in their market share from 60% in 1980 to 34% in 1991.

According to CETEVIC (Technical Center for Meat and Meat Products) and Secodip figures, in 1992, large stores and supermarkets (including superettes) achieved 73% of retail butcher meat sales (beef, veal, lamb and pork) versus 42% in 1982.

The breakdown of the meat product market according to distribution network



Breakdown of the meats sales according to distribution network in 1990

	Whole France	Hypers	Supers	Superettes	Groceries	Butcheries	Markets	Others
Butchery meats*	100,00	25,4	32,9	5,2	0,8	29,3	3,6	2,7
<i>Beef</i>	100,00	25,2	33,0	5,4	0,8	30,2	2,6	2,7
- grilling meat	100,00	24,6	31,8	5,7	0,8	32,4	2,2	2,6
- stewing meat	100,00	26,8	36,1	4,9	0,7	24,8	3,8	2,9
<i>Veal</i>	100,00	19,6	30,5	5,1	0,9	37,7	3,0	3,2
- grilling meat	100,00	18,9	29,3	4,7	1,1	40,0	3,0	3,0
- stewing meat	100,00	21,1	33,0	5,8	0,6	33,0	3,2	3,4
<i>Sheep</i>	100,00	29,9	31,4	3,6	0,8	28,2	3,2	2,9
- grilling meat	100,00	29,7	30,9	3,5	0,8	28,9	3,2	2,9
- stewing meat	100,00	30,9	35,6	4,4	0,7	22,7	3,3	2,4
<i>Pork</i>	100,00	27,0	36,4	6,1	1,0	23,0	3,7	2,8
- loin	100,00	27,2	36,2	6,3	1,0	23,2	3,3	2,8
- other pieces	100,00	25,7	37,6	5,1	0,9	22,1	5,6	3,0
<i>Horse</i>	100,00	20,8	14,3	1,0	0,2	41,8	20,7	1,1
Variety meats	100,00	25,9	37,4	4,8	0,7	23,4	3,8	4,1
- beef	100,00	28,9	37,9	5,5	0,4	19,6	3,1	4,5
- veal	100,00	18,5	30,8	4,2	0,5	36,3	4,0	5,2
- sheep	100,00	20,2	28,7	1,8	0,4	35,2	7,9	5,5
- pork	100,00	27,1	44,2	5,0	0,9	17,3	2,8	2,5
Large purchases	100,00	7,2	21,9	1,7	0,2	9,5	0,1	59,4
TOTAL	100,00	24,3	32,5	5,0	0,8	27,8	3,4	6,2

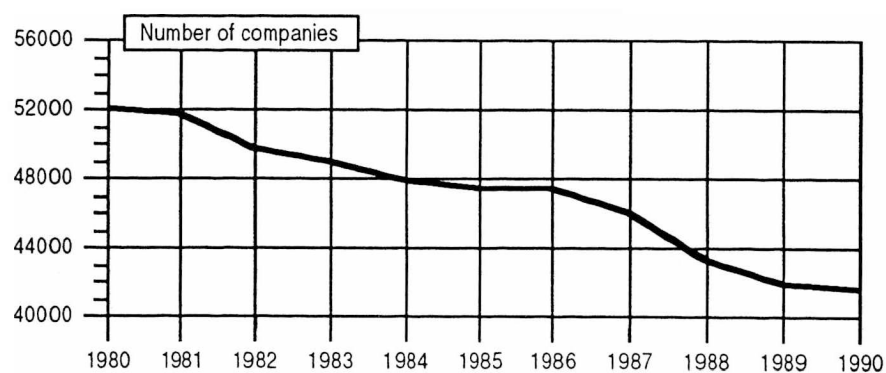
* except variety meats and large purchases

(Source : Secodip)

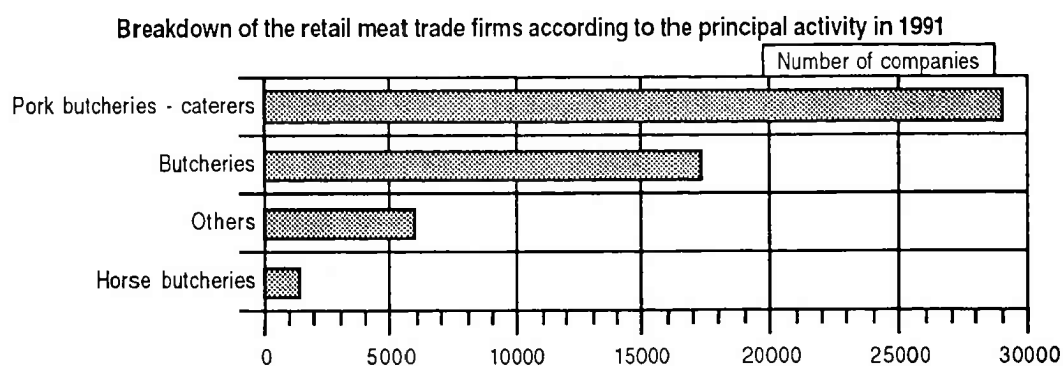
A. TRADITIONAL BUTCHERS OUTLETS

During the last decade, the number of butcher's shops/delicatessen shops diminished considerably and dropped from 51,994 to 41,664. According to the APCM (Permanent Assembly of Trade Chambers), butchers specialized in the sale of fresh meat (beef, veal, lamb, mutton, pork) represent approximately one third of this total number.

Evolution in the number of retail meat trade firms (butcheries, pork butcheries)



(Source : Insee)



(Source : APCM)

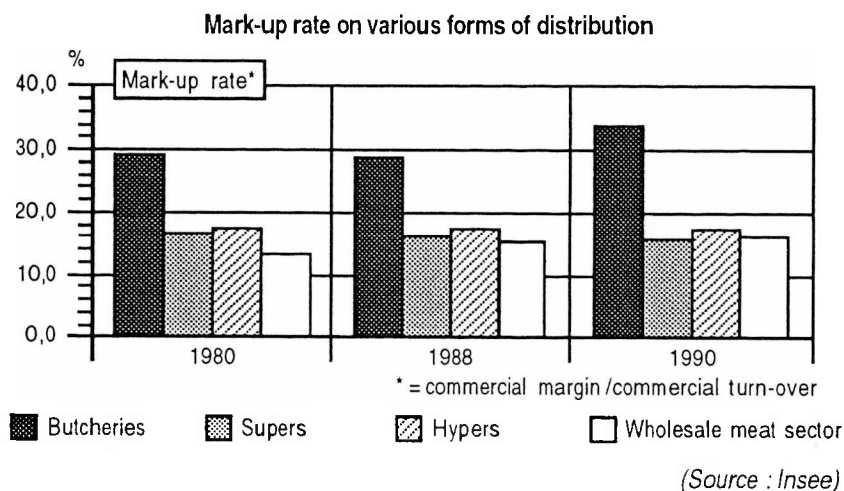
More than 90% of the stores selling meat products had a surface of under 60 square meters in 1990. Only 21 stores covered an area ranging between 400 and 2,500 square meters. These are discount butchers shops such as the Boucheries Bernard, Roger, Despinasse or the Boucheries Nivernaises. These discount butchery outlets developed on a franchise basis or belong to integrated firms. They work like traditional butchery shops but on a larger scale enabling them to control procurements.

The prevalent legal status in traditional butchers' shops is obviously that of an individual firm. Often, the butcher works alone with his wife. Their selling area is made up of customers in the close vicinity, who are very demanding regarding the quality of products and services.

Individual butchers generally procure their supplies from slaughterhouses, for those who have one close by, or from meat wholesalers. The traditional butcher purchases primarily carcasses or quarters, but very few vacuum packed muscles and processed products. The butcher's technical know-how enables him to go from the carcass stage to that of the portion requested by the consumer. Unlike supermarkets, the butcher cannot give preference to one type of product, but is obliged to market all the pieces in the carcass. Traditional butcheries sell primarily beef.

Individual butchers' shops, as they confront the advent of supermarkets, have placed emphasis on quality for consumers by proposing regional products, enabling them to guarantee natural breeding and raising, and even to boast quality labels (8 labels exist for beef and 7 for veal). The survival of a high number of traditional butchers' shops can be explained also by the diversification of their activity in several directions, such as the preparation of ready-to-eat dishes or the sale of additional products (groceries).

Compared to the other forms of distribution, traditional butchers shops have a high mark-up rate which has been progressing over the last decade. Indeed, the freeing up of prices in 1986 enabled individual butchers to reinstate their profits. Likewise, they compensate for the loss of market shares by an increase in their profits. Globally, the gross profits of traditional butchers' shops range between 30% and 40%.



Individual butchers distinguish themselves in comparison with large supermarkets by emphasizing their technical expertise and by providing numerous services to their customers (orders, deliveries, advice...). Likewise, they take maximum advantage of a brand image which is favorable in consumers' eyes, in particular through communication actions organized by their professional organization (Confédération Nationale des Bouchers Charcutiers Traiteurs de France - National Federation of Butchers, Pork Butchers, Caterers of France).

B. LARGE FOOD STORES

1. The situation in large-scale food distribution networks

In France, a hypermarket is a retail trade establishment which achieves more than one third of its sales in general foods, on a sales area of over 2,500 square meters. Supermarkets work on a sales area ranging between 400 and 2,500 square meters.

Large Food stores (hypermarkets + supermarkets) appeared in France at the beginning of the sixties, and experienced staggering success to the detriment of traditional trade. Today, large-scale food distribution represents almost 54% of the retail sales of food products, against only 23% in 1976. This success relies on discount price sales, authorized in particular by the

concentration of purchases within large purchasing units. Discount has also become the principal factor of competition between large stores. This explains the very low profits made by French firms in large-scale food distribution networks compared to their foreign counterparts.

For the past few years, companies engaged in the large-scale distribution of food products have confronted a structural change in their market which is apparent on various levels.

- *Good opening opportunities are becoming rare*

On January 1st, 1993, metropolitan France counted 945 hypermarkets and 7373 supermarkets. Despite the Royer law of 1973 (which makes the opening of any point of sales exceeding 1000 or 1200 square meters - depending on the size of the town in which it is located - subject to an administrative authorization), the store fleet continued to grow very rapidly (426 hypermarkets and 3962 supermarkets in 1980). The growth in the fleet, however, was showing signs of waning: the transformation of supermarkets into hypermarkets represented an increasingly large contribution and the number of stores to close increased. Attractive opportunities for locations were becoming rarer and the government prepared to put a freeze on authorizations to open stores in rural areas.

Evolution in the number of hypers, supers et superettes (at January 1st of each year)

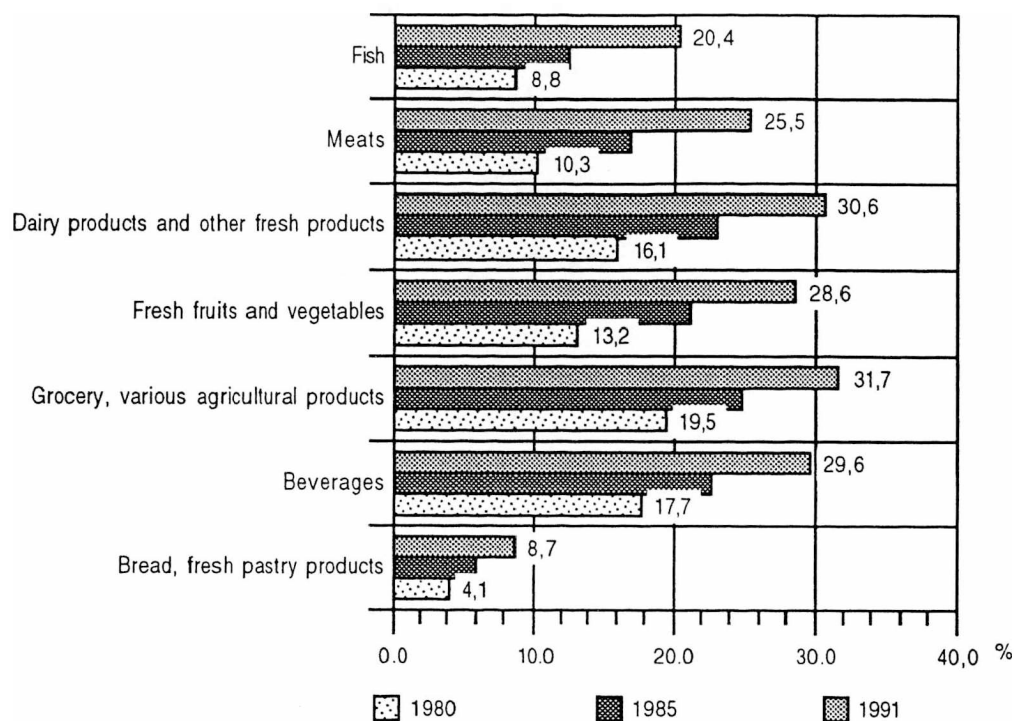
	1969	1979	1981	1983	1986	1987	1988	1989	1990	1991	1992	1993
Hypers	26	390	530	490	587	650	702	747	807	851	908	945
Supers	1212	3750	4040	4630	6009	6300	6400	6493	6757	6920	7043	7373
Superettes	-	6210	6490	6250	6240	6300	5596	5490	5744	5619	nc	nc

(Source : LSA, Interco)

- *Perspectives for winning over market shares in the food sector were beginning to look bleak*

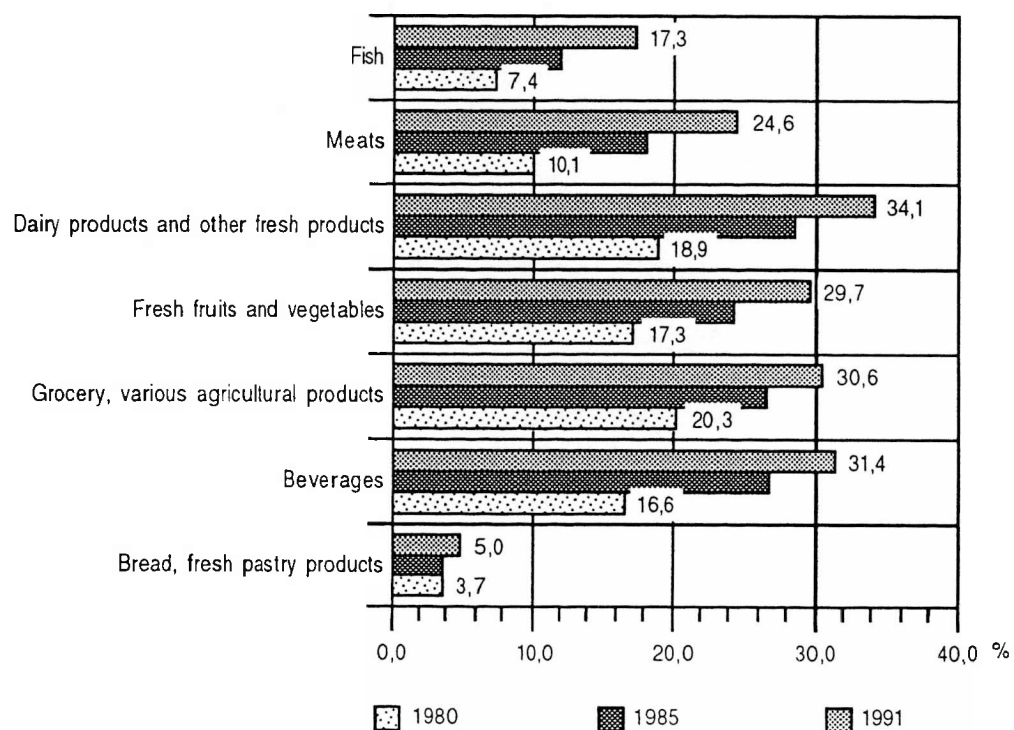
The market share held by large stores exceeded 60% for large families of food products. Mechanically speaking, it cannot continue to spread indefinitely, particularly as traditional trade has undergone a profound reorganization in order to cope with its marginal status and become more resilient. Supermarkets will increasingly have to settle for growth in the food sector which is in pace with the market (1.5% in volume per year between 1980 and 1990). It is in the fresh product sector that the penetration of large stores is the most limited. It is for these products therefore, and for meat in particular, that large stores are intensifying their efforts today.

Evolution in the share of hypermarkets in the consumption of major food product families



(Source : Insee)

Evolution in the share of supermarkets in the consumption of major food product families



(Source : Insee)

- *Penetration of the non-food market is proving more difficult*

Here hypermarkets and supermarkets are suffering from competition from large specialized stores. They are attempting to tackle new markets (jewelry, cosmetics, travel, insurance, financial products...) and to improve the product lines offered (this however meets with reticence on the part of major trademarks who are reluctant to appear on shelves).

Growth prospects for large-scale food distribution are therefore rather bleak, at a time when the economic situation of consumers is particularly morose. Firms in this sector are therefore seeking new vectors of growth and ways to improve yield. The principal axes of this research are the following:

- *Concentration*

The takeover of a competitor group enables very rapid growth in the number of stores and buying power. For the past several years, the large-scale food distribution sector has been shaken by increasingly spectacular merger-acquisition operations. In most cases, major groups take control of regional-scale firms or groups. Carrefour's acquisition of Euromarché, then the absorption of Rallye by Casino indicate that another step has been taken in the race for growth. At the beginning of 1993, eight groups or associations controlled 90% of France's hypermarkets. Leclerc, Carrefour and Casino alone control 55% of the total number. This accentuation of the concentration, which goes hand-in-hand with that of purchases, weakens suppliers even more in face of central buying agencies.

- *Strategies of segmentation and differentiation are being implemented*

Although discounting is still the essential factor of competitiveness on the large-scale distribution market, today, groups are attempting to differentiate their images to better target their customers : broadening of product selections (Auchan, Cora...), improvement in buying service and comfort (Carrefour, Mammouth...)... Fresh products (including meat) play a major role in these differentiation strategies : image of quality and freshness, animation of point of sale...

- *The sale of products bearing the distributor's trademark*

This has been a major axis in profitability research in recent years. Today, these products generate almost 20% of food product sales. Their strategic positioning has undergone a shift toward the intermediary range and they have become the label's flag-bearer. They do not exist on the meat counter where, generally speaking, the trademark factor is still hardly emphasized.

- *Improved productivity*

A major step has been made with the installation of optical reading cash registers in stores. Today, efforts are directed toward a rationalization of logistics, supplier orders, down to the actual placing of products on counters : new flow management techniques, automation of warehouses, use of telecommunication networks which provide a real time connection between stores, suppliers and all middle-men (EDI). Major modifications in relations with suppliers must be expected of this restructuring. We are witnessing a trend toward the centralized management of supplier relations (purchases, procurements) to the detriment of point of sale autonomy for orders and acceptance. Central buying offices tend to give preference to suppliers able to adapt to these new logistic methods, which implies telecommunications equipment which is compatible with that of the distributor and a capacity to deliver "just-in-time". The strategic stakes represented by fresh products mean that the logistics of these products constitute choice ground for applying these new practices.

2. Large-scale food distribution firms

The operators in this sector are heterogeneous. "Independents" prevail in number. Most have joined associations (Leclerc and Intermarché in particular) or are part of a voluntary chain organized by a wholesale company (Promodès in particular). Système U is the last co-op retail structure. Lastly, several independent stores are franchised by major names. "Integrated" companies ("Multi-shop operators" and "running hypermarket big firms") are large companies (often gathered into groups) who own a store network (branches or subsidiaries). The main integrated stores are Carrefour, Auchan, Promodès and Casino. The small integrated chains often work under the shop-sign of a major group and utilize its supply network (Guyenne et Gascogne with Docks de France - under the Mammoth sign -, Comptoirs Modernes with Carrefour). Lastly, consumer co-ops have become a marginal phenomenon.

Together, all the major actors in the sector cover all supermarkets and hypermarkets (and sometimes even superettes and grocery shops) and manage a more or less extensive portfolio of chain stores enabling them to exploit different market segments.

The leading hypermarket groups - January 1993

Companies or groups	Sales area (m2)	Outlets
1 - Leclerc	1 200 693	298
2 - Carrefour	1 042 864	116
3 - Casino (inc. CD)	672 841	115
4 - Auchan (*)	488 660	52
5 - Cora	458 508	61
6 - Promodès (*)	461 328	87
7 - Docks de France (*)	371 478	63
8 - ITM	156 959	51

(*) included affiliated and franchisees

(Source : LSA)

The leading supermark groups - January 1993

Companies or groups	Sales area (m2)	Outlets
1 - ITM	2 012 100	1641
2 - Promodès (*)	1 035 568	1260
3 - Système U	880 827	838
4 - Casino (*)	642 852	639
5 - Comptoirs modernes	373 925	372
6 - Leclerc	370 290	227
7 - Docks de France	219 294	201
8 - Baud-Franprix	223 557	365
9 - Cora	163 990	134
10 - Disco	121 979	212

(*) included affiliated and franchisees

(Source : LSA)

Food market shares (80 markets Secodip) of the principal shop signs

	1987	1988	1989	1990
Leclerc	9,8	9,9	11,3	11,7
Intermarché	9,4	9,9	10,7	11,2
Carrefour	5,3	5,2	5,2	5,1
Auchan	3,9	4,0	4,2	4,3
Système U	3,3	3,6	3,8	3,8
Euromarché	2,8	2,8	2,8	2,9
Mammoth	2,4	2,5	2,3	1,8
Casino	1,9	2,1	2,2	2,8
Cora	1,9	2,0	1,9	2,0
Continent	1,7	1,9	2,1	2,1

(Source : Secodip)

Evolution in fleet of hypermarkets according to large-scale food distribution

	1986		1990		1993	
	Number	Area	Number	Area	Number	Area
INDEPENDANTS	133	445 769	272	932 509	414	1 574 029
<i>Independant chains</i>	110	381 941	238	829 555	349	1 357 652
Leclerc	97	342 572	204	730 367	298	1 200 693
ITM (Intermarché)	11	28 669	34	99 188	51	156 959
Other chains	2	10 700	-	-	-	-
<i>Wholesalers and voluntary chains</i>	10	28 480	10	29 830	36	118 841
Promodès	3	8 430	10	29 830	29	96 191
Provencia (branch of Promodès since 1988)	2	6 100	-	-	-	-
Others	5	13 950	-	-	7	22 650
<i>Retailers cooperatives</i>	12	32 364	21	59 840	26	76 336
Système U	3	7 680	10	28 700	26	76 336
Codec (Bankruptcy in 1990. Most of the members rejoin Promodès or System U)	9	24 684	11	31 140	-	-
<i>Isolated</i>	1	2 984	3	13 284	3	21 200
MULTI-SHOP OPERATORS	154	781 662	166	868 606	217	1 188 231
Comptoirs modernes (21,9% of the capital controled by Carrefour)	5	14 337	8	22 434	11	31 678
SASM (Docks de France take 17% of the capital in 1990)	8	48 672	10	66 255	15	91 898
Docks de France	35	203 063	50	274 787	64	371 478
La Ruche méridionale (take-over by Casino in 1990)	12	54 836	19	85 551	-	-
Guyenne et Gascogne	5	15 210	6	19 700	7	25 100
Casino	35	209 988	41	250 832	107	634 853
Genty (take-over by Rallye in 1990)	9	39 200	11	45 100	-	-
As Eco (bankruptcy in 1989)	12	37 870	-	-	-	-
Disque Bleu (take-over by Rallye in 1989)	6	35 480	8	48 400	-	-
Others	27	123 006	13	55 547	13	33 224
CONSUMERS COOPERATIVES	32	150 993	30	145 819	17	95 063
Coop. de Saintes	6	26 745	8	34 374	8	35 559
Coop de Lorraine (take-over by Disco in 1991)	11	48 151	8	39 830	-	-
Coop de Champagne (Promodès takes a participation in 1991)	4	17 287	5	22 427	-	-
Coop de Picardie (merger with Coop de Normandie in 1990)	2	6 880	2	6 880	4	23 488
Coop de Normandie (merger with Coop de Picardie in 1990)	3	19 120	2	14 368	-	-
Others	6	32 810	5	27 940	5	36 016
DEPARTMENT STORES-CHAIN STORES	23	100 037	29	112 134	11	53 782
Galeries Lafayette-SCA Monoprix	13	70 570	10	56 008	8	43 921
Au Printemps-Prisunic	8	23 417	14	40 665	-	-
Others	2	6 050	5	15 461	3	9 861
BIG FIRMS RUNNING HYPERMARKETS	262	1 855 423	310	2 287 042	286	2 345 169
Continent	26	176 721	34	227 521	47	306 445
Carrefour	60	540 661	68	616 091	116	1 042 864
Auchan	37	284 117	42	400 088	52	488 660
Euromarché (take-over by Carrefour in 1991)	52	340 010	60	404 785	-	-
Arlaud (Promodès takes a participation in 1992)	7	32 910	10	48 124	11	58 692
Rallye (take-over by Casino in 1992)	23	132 445	26	150 743	-	-
Cora	46	297 259	56	369 963	60	448 508
Montlaur (take-over by Carrefour in 1991)	11	51 300	14	69 727	-	-
TOTAL	604	3333884	807	4346110	945	5256274

(Source : LSA, Crédoc)

Evolution in fleet of supermarkets according to large-scale food distribution

	1986		1990		1993	
	Number	Area	Number	Area	Number	Area
INDEPENDANTS	3 031	2 848 246	4 110	4 085 371	4 773	4 792 737
<i>Independent chains</i>	1 143	1 420 405	1 602	2 065 986	1 868	2 382 390
Leclerc	326	470 220	314	479 191	227	370 290
Intermarché	817	950 185	1 288	1 586 795	1 641	2 012 100
<i>Wholesalers and voluntary chains</i>	719	542 020	1 138	846 896	1 930	1 439 854
Disco (Departure of CD in 1992)	211	136 011	290	190 057	212	121 979
CD (alliance with Casino in 1993)	-	-	-	-	80	49 671
Promodès	225	180 181	835	643 359	1 260	1 035 568
Provincia (branch of Promodès since 1988)	29	24 866	-	-	-	-
Baud-Franprix (classified here since 1991 because of the increase of franchisees in the number)	-	-	-	-	365	223 557
Others	254	200 962	13	13 480	13	9 079
<i>Retailers cooperatives</i>	1 079	812 917	1 322	1 136 657	903	917 217
Système U	655	468 642	888	755 468	838	880 827
Codec (Bankruptcy in 1990. Most of the members rejoin Promodès or Système U)	380	315 765	371	335 919	-	-
G20	44	28 510	63	45 270	65	36 390
<i>Isolated</i>	90	72 904	48	35 832	72	53 276
MULTI STORES CHAINS	1 809	1 559 357	1 794	1 606 274	1 828	1 759 811
Comptoirs Modernes (21,9% of the capital controlled by Carrefour)	159	147 572	229	215 205	372	373 925
Docks de France	140	136 580	138	145 154	201	219 294
Economats du Centre (take-over by Docks de France in 1986)	52	40 617	-	-	-	-
Casino	188	182 437	126	134 972	492	538 114
SASM (Docks de France takes 17% of the capital in 1990)	46	42 817	50	51 604	54	58 231
La Ruche Méridionale (take-over by Casino in 1990)	17	15 974	113	106 592	-	-
Guyenne et Gascogne	21	19 638	16	14 680	16	14 600
Major-Unidis (take-over by Comptoirs Modernes in 1990)	53	54 417	77	83 576	-	-
Genty (take-over by Rallye in 1990)	146	140 959	148	146 097	-	-
Schiever	-	-	97	86 940	99	90 831
Catteau (take-over by Tesco (GB) in 1992)	65	51 370	101	98 925	102	106 389
Baud-Franprix	238	140 360	279	173 747	-	-
Société Européenne de Supermarchés (take-over by Cora in 1989)	54	57 390	-	-	-	-
Primistère (take-over by Promodès in 1988)	162	128 863	-	-	-	-
Aldi France	-	-	6	3 870	71	51 561
Lidl	-	-	4	2 700	144	102 632
Norma	-	-	-	-	57	39 062
Disque Bleu (take-over by Rallye in 1989)	46	41 036	65	52 726	-	-
Others	422	359 327	345	289 486	220	165 172
CONSUMERS COOPERATIVES	323	272 816	283	236 827	182	154 352
Coop de Saintes	57	53 025	55	51 297	53	54 833
Coop de Champagne (Promodès takes a participation in 1991)	65	60 968	72	63 105	-	-
Coop d'Alsace	64	41 494	67	44 488	62	44 452
Coop de Normandie (merger with Coop de Picardie in 1990)	34	26 498	36	30 594	67	55 067
Coop de Lorraine (take-over by Disco in 1991)	35	30 456	24	20 383	-	-
Others	68	60 375	29	26 960	-	-
BIG FIRMS RUNNING HYPERMARKETS	102	77 016	174	162 335	254	240 568
Carrefour + Erteco	28	15 520	29	16 673	120	76 578
Rallye (take-over by Casino in 1992)	57	44 196	69	64 695	-	-
Cora (Match)	1	2 000	70	72 917	134	163 990
Montlaur (take-over by Carrefour in 1991)	16	15 300	6	8 050	-	-
DEPARTMENT STORES-CHAIN STORES	456	428 493	396	389 946	336	331 675
Au Printemps- Prisunic	247	243 919	212	215 784	154	156 144
Galeries Lafayette-Monoprix	156	141 338	155	149 767	179	173 931
Nouvelles Galeries (take-over by Galeries Lafayette in 1991)	48	37 310	24	17 612	-	-
Others	5	5 926	5	6 783	3	1 600
TOTAL	5 721	5 185 928	6 757	6 480 753	7 373	7 279 143

(Source : LSA, Crédoc)

Hypermarket shop signs (including at least 3 stores) according to number of stores and sales areas, at January 1st of each year

	1993		1990		1987	
	Number	Total area (m2)	Number	Total area (m2)	Number	Total area (m2)
Centre E. Leclerc	298	1 200 693	204	730 367	104	370 116
Carrefour	109	1 010 064	68	616 091	65	578 761
Mammouth	86	498 574	59	339 380	84	463 779
Continent	65	399 108	38	246 108	28	189 021
Auchan	49	480 207	40	386 488	39	309 558
Cora	49	405 968	45	324 782	41	273 102
Géant Casino	49	319 039	41	250 832	21	136 749
Intermarché	49	146 039	29	83 138	12	31 269
Rallye	48	278 391	26	150 743	24	138 845
Hyper U	18	54 851	9	25 700	-	-
Champion	16	45 070	3	8 580	-	-
Stoc	11	31 678	8	22 434	6	16 861
Rond Point	8	56 736	16	83 208	22	104 970
Super U	8	21 485	-	-	-	-
Euromarché	7	32 800	75	490 015	67	419 979
Atac	7	23 535	-	-	-	-
L'Univers	7	28 076	19	85 551		
Super M	6	32 344	9	52 282	13	70 750
Match	6	18 015	-	-	-	-
Escale	6	20 150	14	40 665	8	23 417
Maxi Marché	5	13 750	-	-	3	8 000
Provencia	3	9 100	3	8 600	-	-
Record	3	14 025	12	76 928	13	57 240
Inno	3	15 957	3	10 487	-	-
Maxi Coop	3	7 934	3	8 194	3	10 020
Hyper Cedico	3	10 200	-	-	-	-
Montlaur			14	69 727	12	56 100
Genty			14	57 600	-	-
Lion			11	31 140	9	24 684
Super Pakbo			8	25 402	-	-
As Eco			5	16 050	13	41 870
Avenue					5	13 591
Géant					4	20 157
Genty Record					7	33 800
Sodim					4	14 199

(Sources : IFLS, LSA)

Supermarket shop signs (including at least 50 stores) according to number of stores and sales areas, at January 1st of each year

	1993		1990		1987	
	Number	Total area (m2)	Number	Total area (m2)	Number	Total area (m2)
Intermarché	1 564	1 973 777	1276	1 578 721	926	1 081 702
Super U	490	642 389	338	418 508	-	-
Champion	451	566 661	273	322 294	126	146 182
Shopi	393	197 133	230	115 731	114	58 721
Stoc	315	337 709	199	199 718	164	153 898
Casino	258	281 194	105	115 866	70	76 738
Centre Leclerc	227	370 290	314	479 191	359	517 617
Rallye Super	212	234 917	62	61 219	52	42 036
Atac	198	216 856	62	59 931	-	-
Timy	194	94 133	181	86 873	145	68 462
Unico	182	105 556	530	328 585	526	307 827
Prisunic	157	160 479	199	191 809	225	212 244
Lidl	144	102 632	-	-	-	-
Le Marché Franprix	140	85 708	92	53 244	-	-
Marché U	140	106 543	-	-	-	-
Match	131	161 434	-	-	-	-
Monoprix	130	125 205	127	121 516	129	113 447
Franprix super Discount	115	69 030	153	90 920	-	-
Bravo	100	94 220	133	125 282	109	100 889
Maxi Coop	99	110 679	69	71 910	149	163 373
Codec	84	48 229	225	136 879	286	183 659
Score	84	42 920	190	103 135	-	-
Europa Discount	84	59 244	-	-	-	-
Maxi Marché	74	77 501	127	133 319	62	63 480
Aldi	71	51 561	-	-	-	-
Cedico	70	82 055	59	67 668	-	-
G20	65	36 390	53	37 790	-	-
Le Mutant	62	35 424	-	-	-	-
Norma	57	39 062	-	-	-	-
Franprix	52	31 090	-	-	237	134 170
Lion			145	198 590	121	153 160
Genty Super			113	124 305	113	117 768
Coop			98	51 373	135	75 529
Suma			95	89 164	232	215 932
Major & Mini Major			75	79 956	57	59 790
Migros			65	66 933	51	55 306
Sodim			60	60 159	54	51 674
DB le Marché Super			59	48 295	-	-
Tigre			56	32 479	-	-
Super M					169	189 881
Europrix					77	70 915
Radax Maxi					64	63 483

(Sources : IFLS, LSA)

The supermarkets shop signs

LECLERC	<p><i>Independants chain</i> Shop sign : Leclerc Food market share of the shop sign Leclerc : 11,7% in 1990 (9,8% in 1987)</p> <p>Cumulated turn-over (Mds F VAT included) :</p> <table border="1"> <thead> <tr> <th>1985</th> <th>1986</th> <th>1987</th> <th>1988</th> <th>1989</th> <th>1990</th> <th>1991</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td>53,0</td> <td>58,9</td> <td>66,3</td> <td>74,0</td> <td>87,0</td> <td>100,0</td> <td>106,5</td> <td>113,8</td> </tr> </tbody> </table> <p>Number of hypers Leclerc (1/1/93) : 298 (average sales area : 4029 m2) Number of supers Leclerc (1/1/93) : 227 (average sales area : 1631 m2) Diversification : - <i>Retail</i> : garden centres, DIY stores, jewelries, ready to wear stores, travel agencies, furniture stores, shoes store, financial services. - <i>Food processing</i> : slaughtering and carving of meat. Internationalization : - 1 hyper in USA, 1 hyper in Spain. Project in Eastern Europe.</p>	1985	1986	1987	1988	1989	1990	1991	1992	53,0	58,9	66,3	74,0	87,0	100,0	106,5	113,8
1985	1986	1987	1988	1989	1990	1991	1992										
53,0	58,9	66,3	74,0	87,0	100,0	106,5	113,8										
ITM	<p><i>Independants chain</i> Shop signs : Intermarché, CDM (hard-discount) Food market share¹ of the shop sign Intermarché: 11,2% in 1990 (9,4% in 1987)</p> <p>Cumulated turn-over (Mds F VAT included) :</p> <table border="1"> <thead> <tr> <th>1986</th> <th>1987</th> <th>1988</th> <th>1989</th> <th>1990</th> <th>1991</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td>47</td> <td>57</td> <td>67</td> <td>85</td> <td>93</td> <td>107</td> <td>113,6</td> </tr> </tbody> </table> <p>Number of hypers (1/1/93) : 51 (average sales area : 3078 m2) Number of supers (1/1/93) : 1641 (average sales area : 1226 m2) Diversification : - <i>Retail</i> : 173 superettes (Ecomarché), 60 country grocery shops, ready to wear stores, petrol station, restaurants, DIY stores, sales to collectivities. - <i>Food processing</i> : turnover of about 8 Mds F, in tinned foods, slaughtering, delicatessen, fishing and fish processing... Internationalization : - 25 supers in Spain, 13 supers in Portugal, 3 supers in Belgium.</p>	1986	1987	1988	1989	1990	1991	1992	47	57	67	85	93	107	113,6		
1986	1987	1988	1989	1990	1991	1992											
47	57	67	85	93	107	113,6											
CARREFOUR	<p><i>Firm running hypermarkets</i> SA quoted on the stock-exchange Main shareholders : Noyange : 18,5%. March : 5%. Caisse des Dépôts et Consignations : 2,6%. Others : 74%</p> <p>Shop signs : Carrefour (hypers), Ed (supers), Europa Discount (hard-discount). Food market share¹ of the shop sign Carrefour : 5,1% in 1990 + 2,9% for Euromarché (5,3% in 1987 + 2,8%)</p> <p>Consolidated turn-over (Mds F VAT excluded) :</p> <table border="1"> <thead> <tr> <th>1985</th> <th>1986</th> <th>1987</th> <th>1988</th> <th>1989</th> <th>1990</th> <th>1991</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td>32,0</td> <td>37,6</td> <td>40,4</td> <td>42,9</td> <td>46,6</td> <td>51,3</td> <td>100,4</td> <td>117,1</td> </tr> </tbody> </table> <p>Number of hypers Carrefour (1/1/93) : 109 (average sales area : 9267 m2) Number of supers Europa Discount + Ed (1/1/93) : 119 (average sales area : 638 m2). Diversification : - <i>Retail</i> : DIY stores, furniture stores, insurance. Internationalization : - 40 hypers in Spain, 27 hypers in Brasil, 6 hypers in Argentina, 5 hypers in Taiïwan, 2 hypers in the USA, 2 hypers in Portugal, 1 hyper in Monaco.</p>	1985	1986	1987	1988	1989	1990	1991	1992	32,0	37,6	40,4	42,9	46,6	51,3	100,4	117,1
1985	1986	1987	1988	1989	1990	1991	1992										
32,0	37,6	40,4	42,9	46,6	51,3	100,4	117,1										

<p>PROMODÈS</p>	<p><i>Multi stores chain and wholesaler</i> SA quoted on the stock-exchange Main shareholders : Dismo : 21%. Halley family : 11%. Others : 67%. Shop signs : Continent (hypers), Champion (supers and hypers), Corsaire (supers and hypers), Provincia (supers and hypers), Banco (supers and hypers), 9 à huit (supers), Codec (supers), Score (supers), Shopi (supers), Super Score (supers), Bravo (supers), Timy (supers), Le Mutant (hard-discount), Dia (hard-discount)... Food market share¹ of the shop sign Continent : 2,1% in 1990 (1,7% in 1987) Consolidated turn-over (Mds F VAT excluded) 1985 1986 1987 1988 1989 1990 1991 1992 30,1 32,1 34,7 46,2 51,9 58,5 76,4 84,0</p> <p>Number of hypers Continent (1/1/93) : 65 (average sales area : 6140 m2) Number of supers Champion (1/1/93) : 451 (average sales area : 1256 m2) Number of supers Shopi (1/1/93) : 393 (average sales area : 502 m2). Diversification : - <i>Retail</i> : grocery shop (franchise), wholesale, cash and carry, sales to collectivites. - <i>Food processing</i> : bottling. Internationalization : - 48 hypers in Germany, 24 hypers in Spain, 7 hypers in Italya, 4 hypers in Portugal, 63 hypers-supers in the USA...</p>
<p>AUCHAN</p>	<p><i>Firm running hypermarkets</i> SA - Owners : Mulliez family : 84,3%. Personnel : 15,7%. Shop sign : Auchan. Food market share¹ of the shop sign Auchan: 4,3% in 1990 (3,9% in 1987) Consolidated turn-over (estimation) (Mds F) 1988 1989 1990 1991 46,0 53,3 44,5</p> <p>Number of hypers Auchan (1/1/93) : 49 (average sales area : 9800 m2) Diversification : - <i>Retail</i> : ready to wear stores, sporting goods stores, DIY stores, furniture store, household electric equipment stores, restaurants. Internationalization : - 18 hypers in Spain, 2 hypers in the USA.</p>
<p>CASINO</p>	<p><i>Multi stores chain</i> Partnership limited by shares company quoted on the stock-exchange Main shareholders : Guichard family, Rallye. Shop signs : Géant Casino (hypers), Rallye (hypers), L'Univers (hypers), Casino (supers), Rallye Super (supers, Sup'R (supers))... Food market share¹ of the Casino shop sign : 2,8% in 1990 (1,9% in 1987) Consolidated turn-over (Mds F) 1986 1987 1988 1989 1990 1991 1992 32,5 34,0 35,5 35,1 44,9 42,4 64,3</p> <p>Number of hypers Géant Casino (1/1/93) : 49 (average sales area : 6511 m2) Number of hypers Rallye (1/1/93) : 48 (average sales area : 5800 m2) Number of supers Casino (1/1/93) : 258 (average sales area : 1090 m2) Number of supers Rallye Super (1/1/93) : 212 (average sales area : 1108 m2). Diversification : - <i>Retail</i> : grocery shops, conveniences stores, auto-centres, restaurant. - <i>Food Processing</i> : bottling, delicatessen, slaughtering. Internationalization : 116 cash and carry in the USA...</p>

SYSTÈME U	<p><i>Retailer cooperative group</i></p> <p>Shop signs : Hyper U (hypers), Super U (supers and hypers), Marché U (supers)...</p> <p>Food market share¹ of the shop signs Hyper U and Super U : 3,8% in 1990 (3,3% in 1987)</p> <p>Cumulated turn-over (Mds F VAT included)</p> <table border="1"> <tr> <td>1985</td> <td>1986</td> <td>1987</td> <td>1988</td> <td>1989</td> <td>1990</td> <td>1991</td> <td>1992</td> </tr> <tr> <td>20</td> <td>22</td> <td>23</td> <td>25</td> <td>28</td> <td>32,5</td> <td>37,5</td> <td>39,7</td> </tr> </table> <p>Number of hypers Hyper U and Super U (1/1/93) : 26 (average sales area : 2936 m2)</p> <p>Number of supers Super U (1/1/93) : 490 (average sales area : 1310 m2)</p> <p>Number of supers Marché U (1/1/93) : (average sales area : 761 m2).</p> <p>Diversification :</p> <ul style="list-style-type: none"> - <i>Retail</i> : grocery shops. <p>Internationalization :</p> <ul style="list-style-type: none"> - Nothing. 	1985	1986	1987	1988	1989	1990	1991	1992	20	22	23	25	28	32,5	37,5	39,7
1985	1986	1987	1988	1989	1990	1991	1992										
20	22	23	25	28	32,5	37,5	39,7										
DOCKS DE FRANCE	<p><i>Multi stores chain</i></p> <p>SA quoted at the stock exchange</p> <p>Main shareholders : Société des anciens établissements Marcel Froger : 15,7%. Union des Assurances de Paris : 10%.</p> <p>Shop signs : Mammouth (hypers), Atac (supers).</p> <p>Food market share¹ of the shop sign Mammouth : 1,8% in 1990 (2,4% in 1987)</p> <p>Consolidated turn-over (Mds F VAT excluded)</p> <table border="1"> <tr> <td>1985</td> <td>1986</td> <td>1987</td> <td>1988</td> <td>1989</td> <td>1990</td> <td>1991</td> <td>1992</td> </tr> <tr> <td>19,7</td> <td>18,3</td> <td>24,8</td> <td>25,7</td> <td>26,8</td> <td>29,2</td> <td>32,4</td> <td>35,5</td> </tr> </table> <p>Number of hypers Mammouth (1/1/93) : 86 (average sales area : 9267 m2)</p> <p>Number of supers Atac (1/1/93) : 198 (average sales area : 1095 m2)</p> <p>Diversification :</p> <ul style="list-style-type: none"> - <i>Retail</i> : grocery shops, convenience stores, restaurant. <p>Internationalization :</p> <ul style="list-style-type: none"> - 48 supers and 1 hyper in Spain, 548 convenience stores in the USA. 	1985	1986	1987	1988	1989	1990	1991	1992	19,7	18,3	24,8	25,7	26,8	29,2	32,4	35,5
1985	1986	1987	1988	1989	1990	1991	1992										
19,7	18,3	24,8	25,7	26,8	29,2	32,4	35,5										
COMPTOIRS MODERNES	<p><i>Multi stores chain</i></p> <p>SA quoted at the stock exchange</p> <p>Main shareholders : Carrefour : 21,9%. Families : 12%.</p> <p>Shop signs : Carrefour (hypers), Stoc (supers and hypers), Comod (supers), Conquéran (supers).</p> <p>Consolidated turn-over (Mds F VAT excluded)</p> <table border="1"> <tr> <td>1985</td> <td>1986</td> <td>1987</td> <td>1988</td> <td>1989</td> <td>1990</td> <td>1991</td> <td>1992</td> </tr> <tr> <td>10,1</td> <td>11,0</td> <td>12,3</td> <td>14,1</td> <td>15,3</td> <td>20,0</td> <td>21,1</td> <td>22,6</td> </tr> </table> <p>Number of supers Stoc (1/1/93) : 315 (average sales area : 1072 m2)</p> <p>Diversification :</p> <ul style="list-style-type: none"> - <i>Retail</i> : grocery shops (franchise). <p>Internationalization :</p> <ul style="list-style-type: none"> - 10 supers in Spain. 	1985	1986	1987	1988	1989	1990	1991	1992	10,1	11,0	12,3	14,1	15,3	20,0	21,1	22,6
1985	1986	1987	1988	1989	1990	1991	1992										
10,1	11,0	12,3	14,1	15,3	20,0	21,1	22,6										

CORA	<p><i>Firm running hypermarkets</i> SA - Owners : Bourriez family. Shop signs : Cora (hypers), Record (hypers), Match (supers). Food market share¹ of the shop sign Cora : 2,0% in 1990 (1,9% in 1987) Consolidated turn-over (estimations) (Mds F)</p> <table data-bbox="471 327 675 384"> <tr> <td>1990</td> <td>1991</td> </tr> <tr> <td>32</td> <td>35</td> </tr> </table> <p>Number of hypers Cora (1/1/93) : 49 (average sales area : 8285 m2) Number of supers Match (1/1/93) : 131 (average sales area : 1232 m2) Diversification : - <i>Retail</i> : garden centres, restaurants. Internationalization : - Nothing.</p>	1990	1991	32	35
1990	1991				
32	35				

¹ 80 markets Secodip.

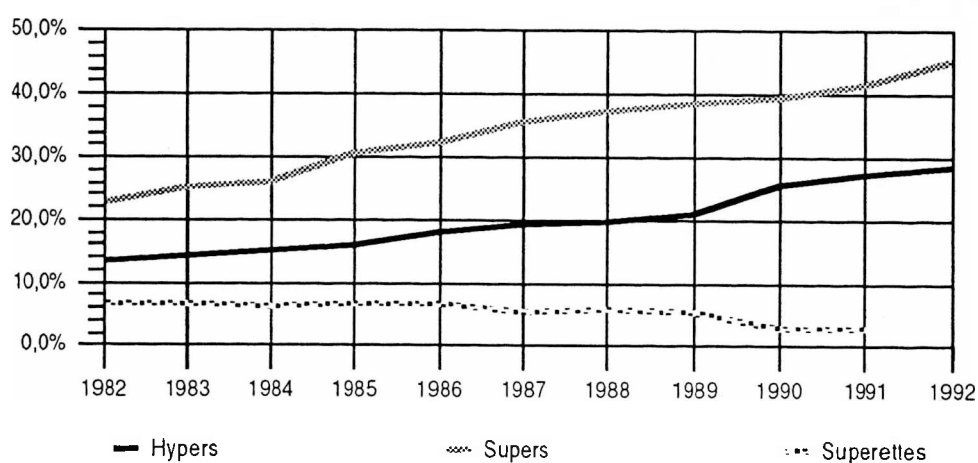
3. Large-scale food distribution on the meat market.

According to Secodip, large-scale food distribution witnessed an increase in its share in retail sales of fresh meat (beef, veal, lamb and pork) from 42% to 73% between 1982 and 1992.

The success of this type of trade is attributable to the fact that large stores and supermarkets offer consumers long open hours, parking facilities, a very broad range of products on all counters, guarantees of hygiene and freshness due to their turnover...The development of the butchery counter in these stores is also supported by a policy of low prices (15 to 20% below the prices in traditional butchers' shops).

Supermarkets, with 45% of the market in 1992, have the largest market share and have experienced the most rapid growth. Compared to hypermarkets, they benefit from the proximity factor, and compared to superettes, from a larger selection. In recent years, the progression of supermarkets is undoubtedly to be explained by a more aggressive price policy and the sale of better quality meat, in particular of up-market meats as a part of their traditional service.

Evolution in the large store/supermarket share in the retail fresh meat trade (beef, veal, lamb and pork)



(Source : Cetevic)

Superettes occupy a marginal, declining position in the fresh meat trade: they are hardly competitive in terms of price and quality and their numbers are decreasing regularly. Only approximately one third of mini-supermarkets have a fresh meat counter. This counter is often managed by a craftsman.

Large stores/supermarkets achieve the greatest penetration with pork (74.6%) and the most limited penetration with veal (61%).

Large-scale food distribution market shares according to types of meat in 1992

	Hypers	Supers	Superettes	Total
Beef	28,6	35,9	5,0	69,5
Veal	21,9	34,3	4,8	61,0
Sheep/Lamb	33,1	32,6	3,8	69,5
Pork	30,2	39,2	5,2	74,6
Average	28,4	35,4	4,7	+68,9

(Source : Secodip)

In 1992, hypermarkets absorbed over 120,000 tons of beef and almost 25,000 tons of veal. Beef and veal represented slightly less than one third of the tonnage in fresh meats (including ham) sold by hypermarkets. According to INSEE, meat products (including cured meats) represented 14% of total hypermarket sales in 1991 (a percentage which has remained roughly stable for 10 years). CETEVIC estimates that sales of fresh meat alone constituted 8.2% of hypermarket foods sales in 1992 (10.8% in 1982).

Supermarkets sold a little less than 160,000 tons of beef and 40,000 tons of veal. Beef and veal also represented approximately one third of the meat tonnage sold by supermarkets. According to INSEE, sales of meat products (including cured meats) represented 19.7% of total supermarket sales in 1991 (proportion roughly stable for past 10 years). CETEVIC estimated that sales of French meat constituted 10.7% in the food sales of supermarkets in 1992 (13.5% in 1982).

The market shares of the principal shop-signs roughly reflect their position on the food market as a whole. Auchan and Système U together represent a greater penetration of the fresh meat market than of the food market as a whole. Carrefour and Euromarché are grossly under-represented on the fresh meat market (their fleet is made up primarily of large hypermarkets), In 1990, Leclerc and Intermarché alone obtained almost 21% of the fresh meat market.

Fresh meat market shares of the principal chains in 1990

	Food market share*	Fresh meat market share**
Carrefour	5,2	4,2
Euromarché	3,0	2,2
Auchan	4,3	4,5
Leclerc	11,7	10,9
Intermarché	11,1	10,5
Système U	3,8	3,9

* 80 markets Secodip
 ** beef, veal, pork, lamb

(Source : Secodip)

All hypermarkets and almost all supermarkets have a meat counter. In most cases, these are self-serve counters offering pre-packaged consumer portions. Some stores (a minority) have a traditional butcher's counter (which is often provided in addition to the self-serve counter in hypermarkets) where meat is cut to suit the customer by a qualified butcher. Many outlets have abandoned traditional counters due to their cost.

As is the case for other products, the selection of meats proposed in large stores is very concentrated on the products in the most demand, with high turnover. Grill meats and ground steak therefore occupy the major portion of large store counters to the detriment of stewing meats. Most products are sold without trademarks. However, an increasing place is granted to labelled meats. Likewise, we find more and more transformed products bearing industrial trademarks (Charal, Cerise...), however their position on counters and their weight in sales are still marginal.

At present, large stores and supermarkets are redefining their meat counter strategies. Meat's image in large stores suffers from an association with low prices and average quality. To counter this image, distributors are attempting to increase the quality of products and are increasingly offering elaborated products. Campaigns of communication and for informing consumers on the qualities and uses of the various cuts are also being conducted. This new strategic trend provokes a certain return to traditional butcher counters in hypermarkets, at least for up-market selections of noble products and labelled meats. The switch in consumer behavior since the Persian Gulf crisis, which represents a turn toward more economic products, many nonetheless jeopardize the success of these strategies.

The gross margin achieved on the meat counter in large stores range between 20 and 33% depending on the aggressiveness of the price policy. It varies according to the product, and is

particularly low on ground meat. Intermarché, Leclerc and Cora generally display more competitive sales prices.

II - THE CHANNEL STRUCTURE FOR BEEF

The French channel structure for beef is made up of a large number of participants intervening between the breeder and the retail trade.

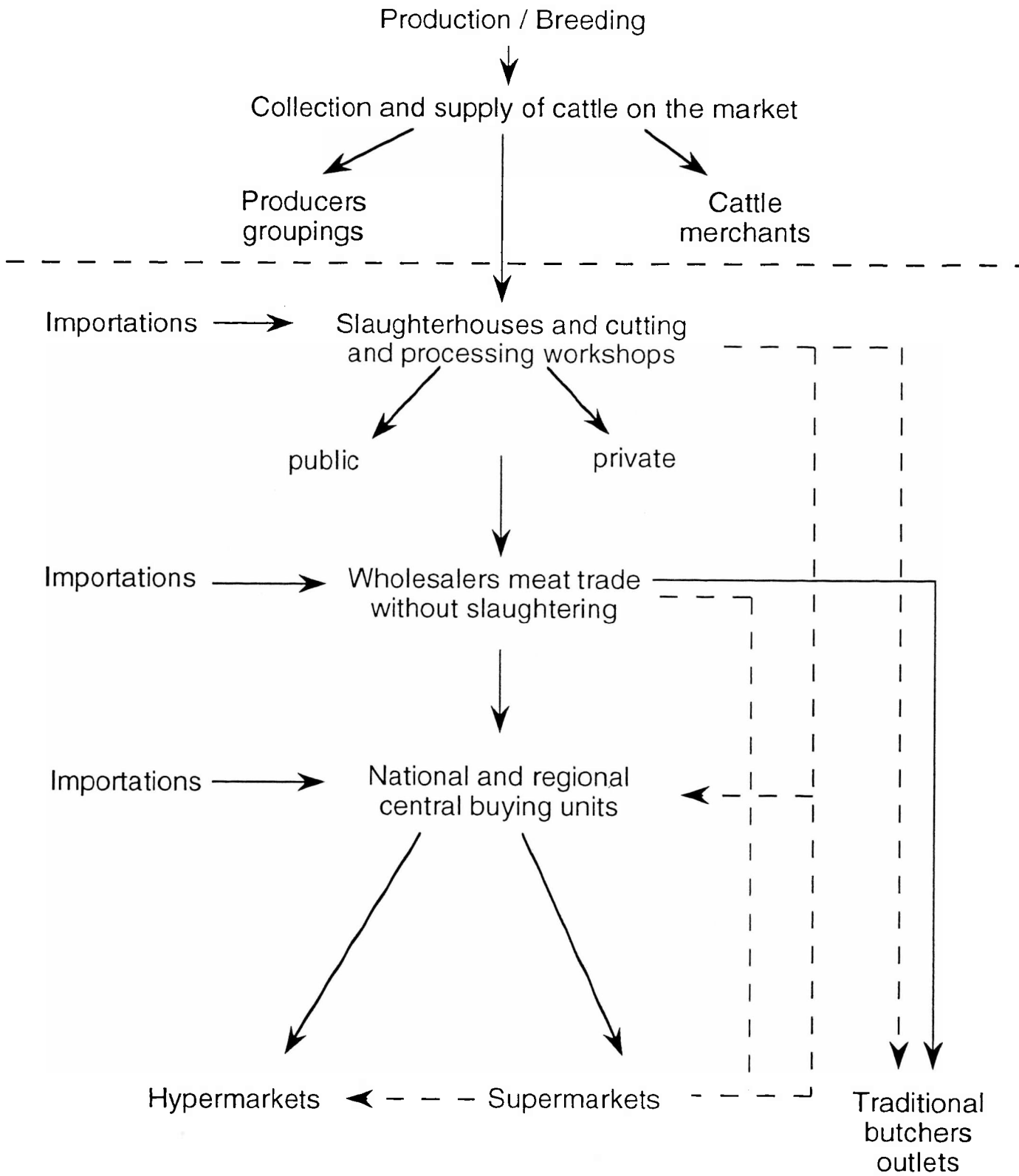
In an initial approach, one can distinguish three categories of operators: slaughterhouses, meat wholesalers and Large Store/Supermarket central purchasing units. The distribution of roles among these operator categories, as well as the routing of the cattle meat to the consumer, are often more complex than one would think judging from the simplified view given by the chart below. Slaughterhouses are very erratically involved in the cutting activity. Certain deliver entire carcasses or carcasses cut into quarters directly to the retail trade. Others offer muscles ready to be cut, and even meat cut into units fit for sale to the consumer. Certain firms devote their activity entirely to the cutting of carcasses purchased from slaughterhouses. Wholesalers can have a more or less developed processing activity. Likewise, if distributors in the retail trade purchase consumer portions directly others perform the cutting and boning themselves. One Leclerc hypermarket even apparently purchases standing cattle.

A. SLAUGHTERHOUSES AND CUTTING AND PROCESSING WORKSHOPS

The cattle slaughtering industry is relatively atomistic due to the desire on the part of the public authorities which prevailed for years, to provide each town with its own slaughterhouse. Nonetheless, in the past few years, we have witnessed a concentration of productive structures in response to developments in the distribution sector and to health requirements (European directives concerning sanitation standards in slaughterhouses).

In 1992, 2,067 firms devoting their principal activity to the slaughtering of cattle (or the cutting of meat) were counted. Many members of the profession deem that this figure is overestimated. In fact, they are primarily very small firms (almost three-quarters employ less than 10 employees). Only 9 firms employed over 500 persons. On a whole, the average size of the firms amounts to approximately 18 employees.

THE CHANNEL STRUCTURE FOR BEEF



—————> traditional routing
 - - - -> possible direct relations

Breakdown of firms in the cattle slaughtering sector according to size category - December 1992

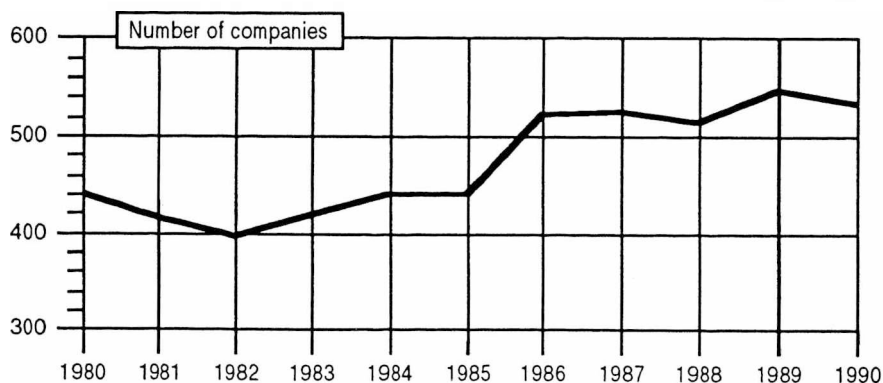
	Number of firms
Without employee	1089
from 1 to 9 employees	419
from 10 to 99 employees	492
100 employees & +	67
Total	2067

(Source : Insee)

During the last decade the number of firms employing 10 persons increased over 20%, in particular due to the impetus of the development of the cutting and processing activity. Nonetheless, small slaughterhouses (less than 10 employees), and in particular public ones, suffered a considerable drop in number due to concentration of slaughtering on a departmental, and even regional level. Public slaughterhouses no longer handle more than 35 to 40% of cattle slaughtering.

At the same time, the average size of firms has increased, testifying to a development in large size workshops, more able to meet the demands of large food stores and health requirements. This concentration is becoming more accentuated but remains moderate: the first 4 companies in this branch were responsible for 14.1% of the activity in 1990 versus 10.7% in 1985. In 1990, France counted 39 slaughterhouses for large cattle, with a capacity of over 10,000 tons; these alone represented 55% of cattle slaughtering. However large slaughterhouses are private and their weight in the activity of this sector is growing (10 private slaughterhouses of over 20,000 tons handled 23% of the slaughtering). For calves, slaughterhouses of over 5,000 tons produced 42% of total tonnage.

Growth in the number of companies (of 10 employees and more) in the cattle slaughtering sector



(Source : SCEES)

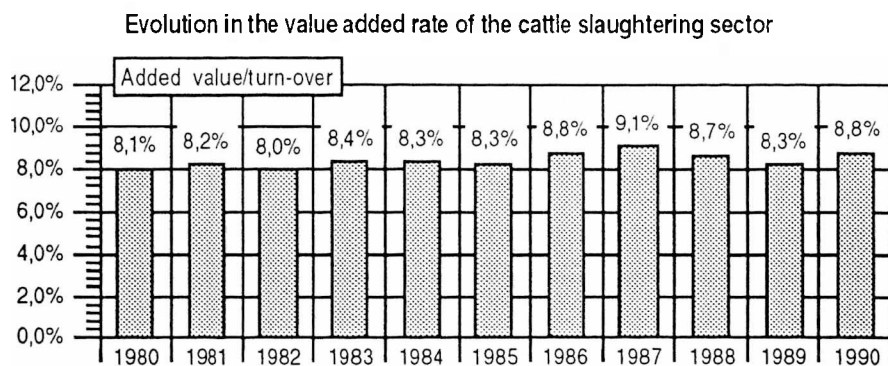
Most cattle slaughtering companies are located in the west, as close as possible to breeding centers. Almost 445 cattle slaughtering firms are individual firms and 40% are trade companies. Cooperation within the sector involves only a small number of firms.

The role played by cattle slaughtering companies varies greatly and depends in particular on the size of the company; Their activities range from simple slaughtering to the manufacturing of highly transformed products.

Slaughtering consists in killing the animal, but also in preparing the carcass, in other words in removing what is known as the "fifth quarter" (liver, kidneys, grain, intestines, skin...). Carcasses are sold directly to distributors or through meat wholesalers.

Meat cutting and boning operations are designed to produce muscles or processed products (in particular ground meat). They can even encompass the vacuum or regular consumer-portion packaging of products. This activity is increasingly practiced by slaughterhouses, in particular in large private firms. Indeed, it enables firms in this sector to valorize the products they market, but also to bolster their negotiating power with large-scale distribution. For some time, the valorization of products has also involved the development of trademarks, principally Socopa (Socopa company), Trucullus (Arcadie), Charal (Vital Sogéviande), Cerise de Boeuf (Idéa), Bon grill (Sovico), Bigard (Bigard), Soviba (Soviba)... Products sold under a manufacturer's trademark have developed primarily in the domain of ground meat (frozen and fresh) and recently in that of transformed products. These production enhancement strategies, conducted by slaughtering and processing firms, are reflected in an increase in their value added rate. On the whole, firms engaged in this type of strategy have a relatively low slaughtering rate (approximately 70%), which means that they purchase carcasses and then cut and process them.

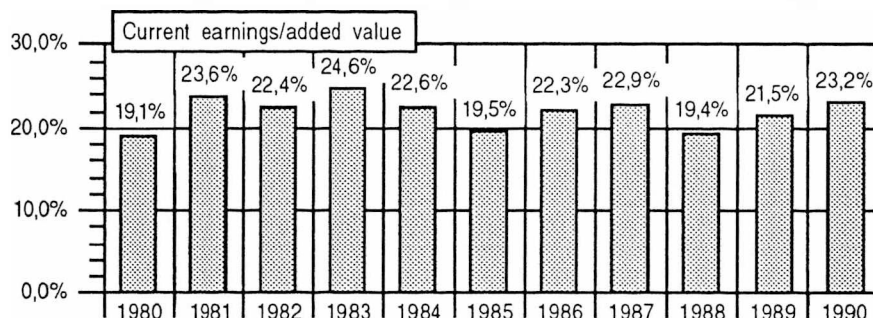
More moderate-size firms market most of their production on a regional or local level. Their cutting activity is generally hardly developed (cutting rate amounting to approximately 20 to 30%). Public slaughterhouses are often associated with a private cutting shop.



(Source : SCEES)

The industrial profit margin (current earnings/added value) of all firms in the sector is rather unstable and gravitates at around 20-22% (39% for all food-processing industries in 1990). It has been growing since 1988.

Evolution in the industrial profit rate (current earnings / added value) of the cattle slaughtering sector



(Source : SCEES)

The gross margin of slaughterhouses- processors of large cattle (calculated on the basis of a sampling of firms in the sector) represented 16% of production in 1991. It has been progressing since 1989 due to the combined effect of the greater transformation of products, increased productivity and the drop in the prices of raw materials. The net result has following an upward movement since 1990, but is still very low. (0.46% of production in 1991).

These global data conceal the higher profit level achieved by industrial processors (gross profit: 19.6% of production in 1991), while local slaughterers-cutters (14.5%) and above all regional slaughterers-cutters (11.9%) make profits which fall short of the average.

The gross margin of firms specialized in meat calves (calculated on a sampling of firms) is relatively low but has been progressing since 1989 (15% of production in 1991). The profitability of firms has increased considerably and the net result represented 1.2% of production in 1991.

B. THE WHOLESALERS MEAT TRADE WITHOUT SLAUGHTERING

At the end of 1992, firms in the wholesale meat trade without slaughtering numbered 1,555. Most are very small units with marginal activity: more than 20% of them have no employees. The average size firm employs no more than 10 persons. This atomistic structure was justified by the number of customers (retailers) and suppliers (slaughterhouses) and by their scattering over the national territory. Nonetheless, a few large firms exist (3 firms of over 200 employees) which have generally been created due to external growth by integrating activities upstream (slaughtering, cutting and processing), or by grouping together so as to negotiate on sound footing with large-scale distribution.

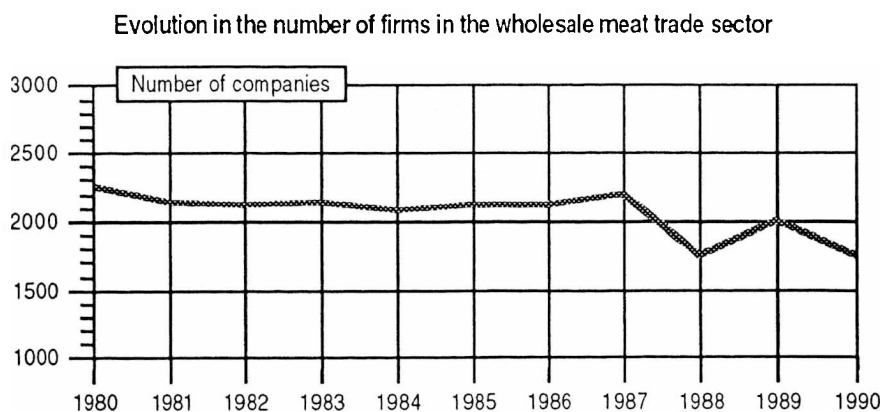
Breakdown of firms in the wholesale meat trade sector according to size category - December 1992

	Number of firms
Without employee	339
from 1 to 9 employees	806
from 10 to 99 employees	399
100 employees & +	11
Total	1555

(Source : Insee)

The legal status of these firms varies greatly, but more than 80% of them are trade companies and 17% individual firms. Small firms exercise their activity primarily on National Interest Markets or regional markets. As for the large firms, they are often located in the west of France, near production centers.

Between 1980 and 1990, almost one quarter of these firms closed. The drop in the number of traditional butchers shops, the concentration in the slaughtering sector and the rationalizing of purchases in large-scale food distribution networks contribute today to placing the activity of wholesalers as simple intermediaries on the fringe. Their function therefore has changed considerably in recent years. An increasing number of meat wholesalers market a broader range of products, from carcasses to prepared dishes, and have taken on processing activities.



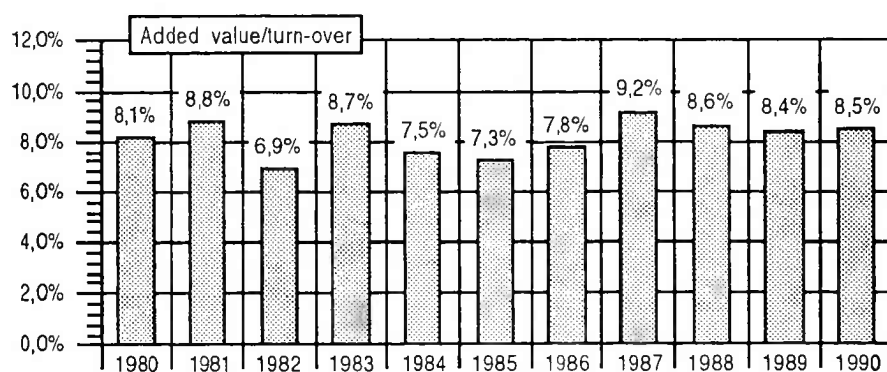
(Source : Insee)

The cutting and above all the processing of meat are generally the prerogative of large wholesalers, given the investments which such operations require. These activities enable them to valorize the products sold and to offer their customers a broad range of products (stripped muscles, semi-stripped muscles, muscles ready to be cut, ground meat, portions in consumer sales portions...) The processing of meats implies that firms pack the products which they put out.

The types of services offered to the individual shop sector and to the Large Store/Supermarket sector differ rather clearly: wholesalers generally deliver to traditional butchers carcasses or quarters ("la cheville" circuit), low added value products with reduced margins, while they sell to the large stores carcasses, but also processed products and more and more often provide services such as placing products on counters.

This evolution in the role of wholesalers tends to favor a rise in the rate of added value, which fluctuates greatly in the sector due to a sensitivity to meat price fluctuations.

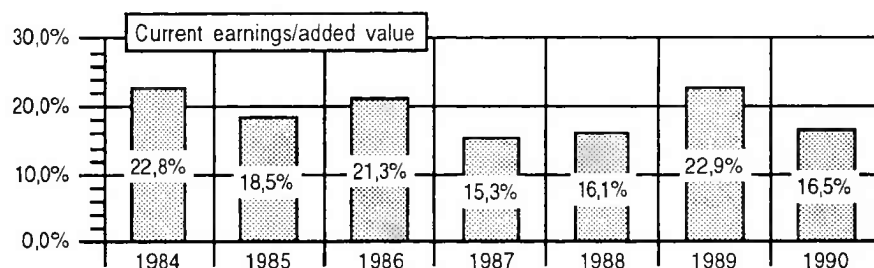
Evolution in the rate of added value in the wholesale meat trade sector



(Source : Insee)

The industrial profit margin (current earnings/added value) in the sector is also rather unstable. It amounted to 16.5% in 1990.

Evolution in the industrial profit rate (current earnings / added value) in the wholesale meat trade sector



(Source : Insee)

Firms which have the slaughtering, processing and meat trade as principal activity

SOCOPA	Turn-over in 1991 : 13 500 MF, consolidated Turn-over per employee : 4 110 kF (for a turn-over of 834 MF) Number of establishments : 9 Net result/turn-over : -1,5 % Main shareholder : Socopa France
ARCADIE INDUSTRIE	Turn-over in 1991 : 8 759 MF, consolidated Turn-over per employee : 1 538 kF (for a turn-over of 620 MF) Number of establishments : 4 Net result/turn-over : 0,6 % Main shareholders : Arcadie SA, Arcadie Holding, Unigrains
VITAL-SOGÉVIANDES	Turn-over in 1991 : 4 473 MF, consolidated Turn-over per employee : 1 772 kF (for a turn-over of 3 202 MF) Number of establishments : 10 Net result/turn-over : 0,5 % Main shareholders : Cie Financière Vital, Banexi
SOCIÉTÉ VITRÉENNE D'ABATTAGE	Turn-over in 1991 : 3 498 MF Turn-over per employee : 2 703 kF Number of establishments : 11 Net result/turn-over : 1,2 % Main shareholders : Roze family, Intermarché
SA DES ABATTOIRS IMPERATOR SABIM	Turn-over in 1991 : 3 443 MF Turn-over per employee : 5 738 kF Number of establishments : 1 Net result/turn-over : 0,7 %
KERMENE	Turn-over in 1991 : 2 062 MF Turn-over per employee : 2 185 kF Number of establishments : 1 Net result/turn-over : 1,2 % Main shareholder : Galec (Leclerc)
GROUPE ALLIANCE	Turn-over in 1991 : 3 500 MF, consolidated Main shareholders : Uni Alliance, Cobevia
SOVIBA	Turn-over in 1991 : 1 368 MF Turn-over per employee : 3 040 kF Number of establishments : 2 Net result/turn-over : 0,6 % Main shareholder : Cana Group
IDEA INDUSTRIE	Turn-over in 1991 : 1 796 MF Turn-over per employee : 1 424 kF Number of establishments : 1 Net result/turn-over : 0,5 % Main shareholders : Idéa Finance, Coop. Centrale Agricole
ETS BIGARD & CIE	Turn-over in 1991 : 1 927 MF Turn-over per employee : 1 753 kF Number of establishments : 1 Net result/turn-over : 1,0 % Main shareholder : Bigard family

Firms which have the wholesale meat trade as principal activity

SOCINTER	Turn-over in 1991 : 1 946 MF Turn-over per employee : 21 150 kF Number of establishments : 3 Net result/turn-over : 0,3 % Main shareholders : Socopa, Agripar
BIRET INTERNATIONAL	Turn-over in 1991 : 842 MF Number of establishments : 1 Net result/turn-over : 0,9 %
OVIMPEX MASSICARD	Turn-over in 1991 : 772 MF Turn-over per employee : 10 875 kF Number of establishments : 4 Net result/turn-over : 0,5 % Main shareholders : Société d'Etudes et de Commerce
SOGÉVIANDES	Turn-over in 1991 : 704 MF Turn-over per employee : 24 276 kF Number of establishments : 4 Net result/turn-over : 3,3 % Main shareholders : Gardini SRL
CED VIANDES	Turn-over in 1991 : 625 MF Turn-over per employee : 14 535 kF Number of establishments : 1 Net result/turn-over : 0,6 % Main shareholders : Cie Européenne de Distribution, Klees Franz/Pailleu Claude

Firms which have the retail meat trade as principal activity

ETS GUSTAVE TEMPE & FILS	Turn-over in 1991 : 222 MF Turn-over per employee : 556 kF Number of establishments : 17 Net result/turn-over : 1,0 %
DDV- SOCIÉTÉ DIFFUSION DESPINASSE	Turn-over in 1991 : 181 MF Turn-over per employee : 729 kF Number of establishments : 33 Net result/turn-over : 0,9 % Main shareholders : Despinasse family
SOCIÉTÉ DAVY SODAVY	Turn-over in 1991 : 145 MF Turn-over per employee : 7 275 kF Number of establishments : 2 Net result/turn-over : 0,4 % Main shareholders : Davy family
BOUCHERIES NIVERNAISES	Turn-over in 1991 : 114 MF Turn-over per employee : 1 215 kF Number of establishments : 3 Net result/turn-over : 3,3 %
ABATTOIRS DE L'OUEST	Turn-over in 1991 : 143 MF Turn-over per employee : 1 792 kF Number of establishments : 1 Net result/turn-over : 0 % Main shareholders : Leroux family, Pierre Maze

C. CENTRAL BUYING UNITS IN LARGE-SCALE FOOD DISTRIBUTION FIRMS

Each food distribution group resorts to the services of a central buying unit. This unit may be a service within the group (Auchan, Casino...) or an entire separate firm attached to a group (Galec (Leclerc), Loceda (Cora), Paridoc (Docks de France)...). The unit may reserve its services to a single group to which it belongs (Galec, Auchan...) but most offer their services to other groups within the distribution sector, which enables them to increase their buying power. Membership in a central buying unit is increasingly accompanied by the adoption of the chain of stores promoted by the unit.

Food distribution groups and their central buying units in 1993

GROUPS	BUYING GROUPS FOR OUTLETS IN FRANCE
Aldi	-
Auchan	Auchan
Baud	Baud
Carrefour	Carrefour, Cometca (food)
Casino	Casino
Catteau	Bloc (Belgium) (food), Loceda (food)
CD	Sapac (non-food), Casino (food)
Comptoirs Modernes	Cometca (food)
Coop d'Alsace	Hyperselection (non food), Loceda (food)
Coop de Normandie-Picardie	Casino
Coop de Saintes	Paridoc
Cora	Hyperselection (non-food), Loceda (food)
Disco	Disco
Docks de France	Paridoc
Erteco	Cometca (food)
Galec (Leclerc)	Galec
G20	Francap, Diapar (food)
Guyenne et Gascogne	Paridoc
ITM (Intermarché)	ITM
Lidl	-
Monoprix	Sca
Norma	-
Prisunic	Sapac
Promodès	Cim (non-food), Cap (food)
SASM	Sapac (non-food), Paridoc (food)
Schiever	Paridoc
Système U	Système U

(Source : LSA)

Principal central food buying units and their members in 1993

BUYING GROUPS	GROUPS
Bloc (Belgium)	Catteau, Schiever.
Cap (Promodès)	Promodès (Promodès, Socordis, Provençia, Continent, Scanzj), Sodial, Quercy, Coop de Champagne, Au Bon Marché, Altis, Félix Potin, Soframad, Prodivo.
Cometca (Carrefour; Comptoirs Modernes, Erteco, Métro France)	Carrefour; Comptoirs Modernes, Erteco, Métro France.
Francap	Azoulay Benhamou, Diapar, Mistral, Mariault, Nougéin, Pidou, Sodial, Sanac. G20 and several wholesalers.
Loceda (Cora)	Cora, Match, Coop. d'Alsace, Primistères Reynoird, Catteau, Migros France.
Paridoc (Docks de France : 63,6%)	Docks de France, Chareton, Guyenne et Gascogne, SASM, Coopérateurs de Saintes, PG, Schiever.
Sapac (Prisunic)	Prisunic, Bernardin, Bringer, Dompierre, Grand Bazar de Lyon, SASM, Sogéma, Trois B, Boissier.
Sca (Galeries Lafayette : 37,8%)	Monoprix, Uniprix, Inno.

(Source : LSA)

Certain central buying units are specialized in food or non-food products. They often have a structure which is decentralized on the regional level (Leclerc, Système U...), which explains the large number of firms in this sector (314 in 1990). Inversely, most major national buying units are part of "Eurocentrals".

Since 1985, the number of food buying units has been on the decline and their average size has increased (44 persons in 1990). The growth in concentration corresponds to that of retail distribution. Simultaneously, the capitalistic intensity of the activity is increasing. Tangible investments represented 13% of added value in 1990 (11% in 1988, 6% in 1980) and allowed new warehouses to be opened, the rationalization of existing facilities and the setting up of powerful data and communication systems. The share of personnel costs in added value therefore went from 78% in 1980 to 64% in 1990.

The sharing of tasks and decision processes between national buying units, regional buying units and stores varies from one organization to the other. In most cases, the national unit proceeds to a "referencing" (selection) system of suppliers of national scope and their products. If orders are rarely placed at this level, the general conditions of the transaction (amount of discounts, payment conditions) are negotiated. Regional buying units reference regional suppliers and may narrow down negotiations with national suppliers. The stores determine the quantities of referenced products purchased. More and more, the autonomy of stores in terms of suppliers and products is increasingly contained within the limits of the referencing performed by central

buying units. Sometimes they buy regional products or fresh products freely. Due to the setting up of sophisticated data processing and communication systems in central buying units, the centralization of orders from stores in the regional level before being tele-transmitted to suppliers is increasingly frequent. In the same logic, direct deliveries to stores by suppliers are diminishing considerably (even for hypermarkets) in favor of deliveries to the group's platforms or warehouses. All these changes correspond to a desire to rationalize logistics and to increase productivity.

The precise identification of the decision circuit for meat buying will constitute the second part of this study. For the moment, we shall merely recall that the supply of fresh products is generally more decentralized than others. In matters of meat buying, the trend is increasingly to deliver consumer portions directly to stores (in particular in small and average size stores which do not warrant an internal cutting workshop). Depending on the group, cutting and packaging can be performed from muscles delivered in vacuum packing, through a warehouse in the group set aside for this purpose and equipped with a MAJOR cutting workshop. Some, like Leclerc and Intermarché, have even integrated slaughtering and basic processing. At the other extreme, sales outlets can be supplied directly by suppliers.

D. POWER OF NEGOTIATION AND RELATIONS WITH RETAIL DISTRIBUTION

Within the cattle sector, the customers of intermediaries upstream from retail distribution are very diversified. Slaughterhouses and wholesalers of a local or regional size generally have a large number of customers varying in size. For example, a local slaughterhouse will supply both industrial undertakings in the food-processing sector, large food supermarkets with a decentralized buying policy, and individual butchers.

The negotiating power of these intermediary parties vis-à-vis their suppliers (breeders, groups of breeders...) relies on relations which are much more informal than contractual. Generally speaking, slaughterhouses purchase animals on a one-to-one basis with the breeder. However, on the level of cattle prices, slaughterhouses are limited by quotations which take place on cattle markets: the price of the raw material is therefore imposed upon them. Meat wholesalers demand of their suppliers (primarily slaughterhouses and cutting work shops) that they provide regular supplies and therefore have more contractual relations with slaughterhouses.

Processors in the meat sector with national coverage (Socopa, Arcadie, Vital-Sogéviandes...) deal with a limited number of large customers (the major names in food distribution). Thus, large food stores constitute the principal clients of Vital-Sogéviandes and 40% of Arcadie's production. They represent 29% of Socopa's sales. On the other hand, their sources of supplies are much more diversified. For example, a major processor in the meat sector may obtain supplies directly from breeders, but also from local slaughterhouses in order to supplement its supplies on certain production sites.

Relations with retail distribution are dominated by the strong negotiating power of large food stores, and in particular hypermarkets. Indeed, their weight in the marketing of fresh meat means that they impose their conditions upon the sector as a whole, given that whatever is required of a supplier has immediate repercussions upstream. We recall that fresh meat represents only 8.2% of foods sales in hypermarkets and 10.7% in supermarkets, while each group in the large-scale distribution sector generally represents a much larger share in its suppliers' sales. This therefore leads to an imbalance in favor of the large stores and supermarkets which appear to be in a strong position during negotiations with their suppliers.

The relations between the large stores and supermarkets and the meat industry (large companies) are based on contracts which can be negotiated for periods which vary depending on the article. Thus for choice cuts (filet, rib steak) distributors may negotiate prices with their suppliers on a monthly, or even weekly, basis. For industrial products, such as ground meat, negotiations take place once or twice per year.

Generally speaking, the large stores and supermarkets impose articles & conditions upon their suppliers, designed to specify to classified suppliers the chain's quality policy regarding various meat categories and to provide a precise technical description of the various products and services expected of the suppliers (weight of quarters, muscles, packaging...) Large scale distribution also demands of its suppliers more or less standardized products in large quantities and above all regularity in supply. This is why only the major integrated meat groups meet these classification criteria and have sufficient financial resources to enable them to accept to offer discounts and rebates granted on the basis of volumes purchased, to participate in campaigns promoting the chain store or accept delays in payment. We emphasize that part of the negotiations with suppliers are conducted very informally. These encompass the benefits granted by the supplier to the distributors which do not appear on invoices (discounts on new

products, promotion follow-up discounts, minimum order guarantee, the putting up of money prior to classification).

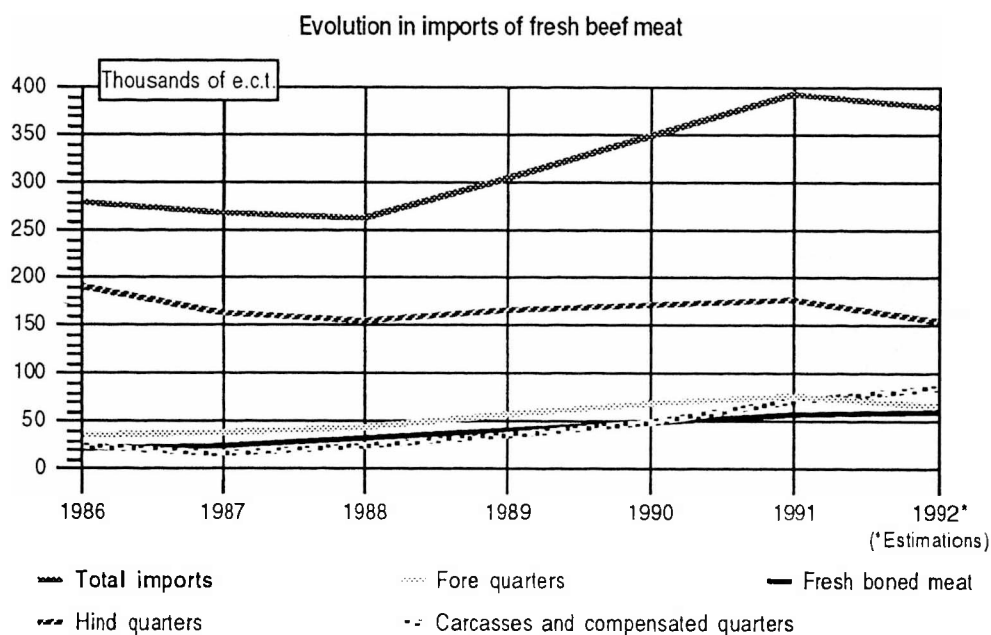
Large stores pay their meat suppliers approximately 43 days following delivery versus 19 days for individual butchers. This situation should improve with the entry into force next July 1st of the law governing payment time. Payment should be made 20 days following delivery for fresh products. Nonetheless bills can be collected several days later if a tacit agreement has been reached by both parties.

As we said above, large scale distribution procures supplies essentially from large incorporated meat groups. However, certain distributors have chosen to incorporate the slaughtering and processing sectors. Leclerc, Intermarché, Major-Unidis (Comptoirs Modernes) and the Ruche Picarde (Docks de France) have several slaughterhouses and processing workshops which supply all or a portion of their stores. This integration is justified by its protagonists due to the preoccupation with quality control and regularity in supply, but also because it enables savings on the cost of procurements. For example, in 1991, the cost of vacuum packing was 2.60 frs/kg. for beef and veal in the Major-Unidis workshops, while resorting to industry would have cost 3.5frs/kg for beef and 5 frs/kg for veal. Nonetheless the general trend is not to integrate activities upstream, because this requires major investments for which yield is not always ensured, at a time when competition in the distribution sector is imposing a concentration of resources at the core of the know-how. The Casino group moreover recently sold its subsidiary Sabin (slaughtering and processing of meat). Promodès withdrew from its subsidiary Promoviande in 1988.

At present, the trend is toward a partnership among distributors and upstream in the sector, so that production and consumer needs can strike a balance. Certain large meat groups moreover have set up merchandising think tanks so as to valorize the butchery counter in association with large supermarkets. For example, Arcadie proposes to assist distributors in organizing the meat counter taking account of their selling zone. Socopa also manages the meat counter in their stores in cooperation with distributors. Industry is also devising Point of Sale Advertising which can inform consumers regarding the origin of meats, their nutritional qualities, the manner in which they are to be cooked. Likewise, the desire to improve logistics implies closer collaboration between large stores and distributors. The partnership concept however must not conceal the reality of an asymmetrical balance of forces.

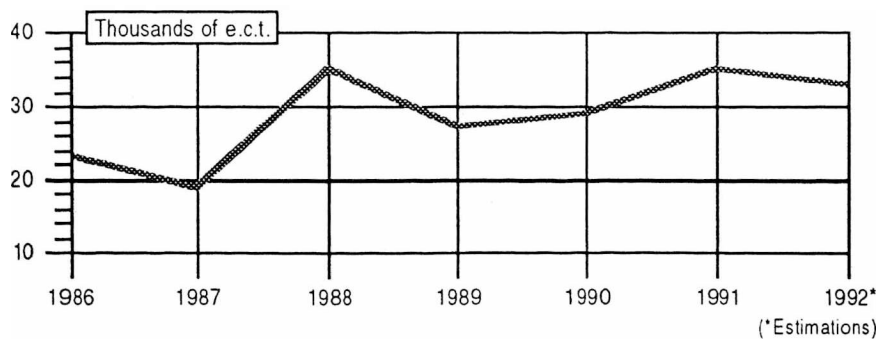
E. BEEF AND VEAL IMPORTS

According to the estimates of the Ofival (National Interprofessional Office of cattle breeding and poultry farming), France imported 380 thousand carcass equivalent tons of fresh beef and 33 thousand carcass equivalent tons of veal in 1992. This represents respectively 27% of French consumption of large cattle and 10% of that of veal in 1992. During the last six years, fresh beef imports increased considerably. The evolution is much more erratic for veal imports. However they doubled between 1980 and 1992. Compared to 1991, fresh meat imports of large cattle dropped by 3.1% and those of veal by 6.5%. This evolution can be explained by the drop in needs due to the slow-down in the French consumption of veal and beef. French beef imports involve primarily fresh rear quarters (40% of fresh meat imports in 1992) and carcasses and fresh balanced quarters (22% of imports). The rest is made up of front quarters and fresh boned meats.



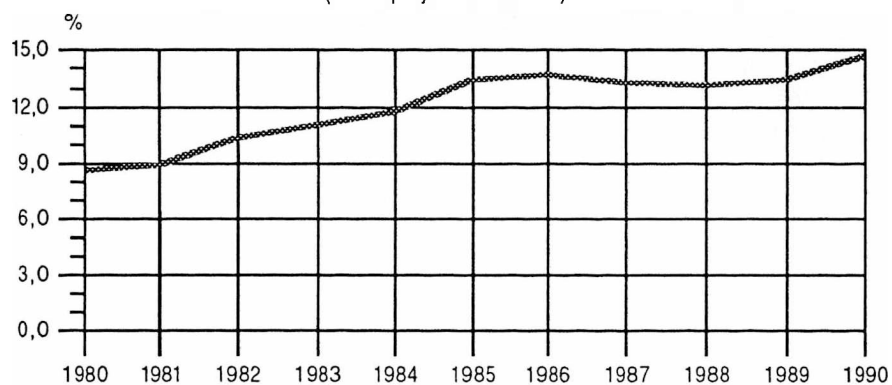
(Sources : SCEES, Douanes, Ofival)

Evolution in imports of fresh veal meat



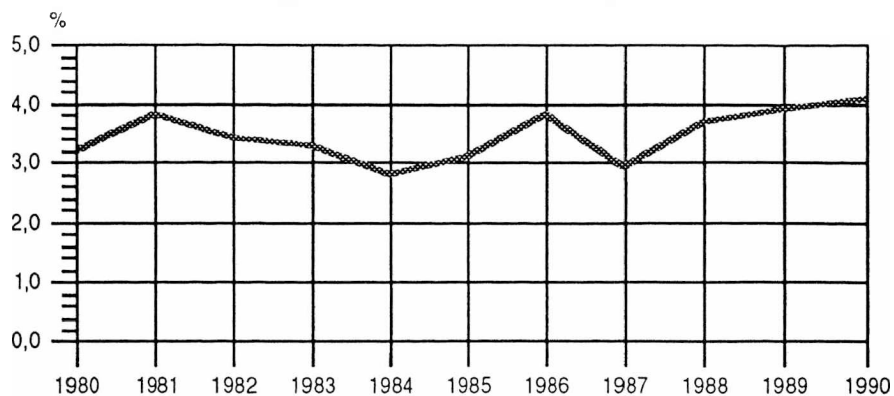
(Sources : SCEES, Douanes, Olival)

Within the cattle sector, imports of beef and veal take place primarily downstream from the slaughtering stage. Indeed, the share of imports in total purchases of cattle slaughtering firms is low (4% in 1990) and progressed very little during the last decade (3.2% in 1980). Furthermore, firms importing beef and veal represent only some 15% of the total number of the firms in this sector. Their number nonetheless increased between 1980 and 1990, due in particular to the growth in the weight of large private slaughtering firms which do not hesitate to procure supplies outside France, particularly for meats destined for processing.

Evolution in the proportion of import firms in the cattle slaughtering sector
(10 employees and more)

(Source : SCEES)

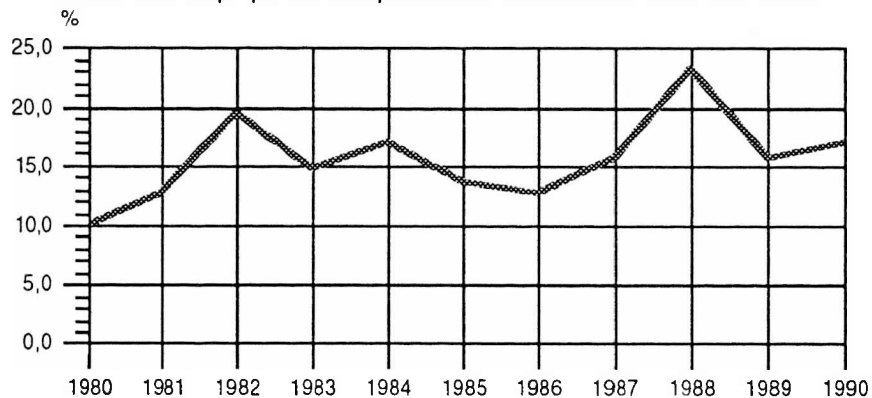
Evolution in the imports share in the cattle slaughtering sector purchases
(firms of 10 employees and more)



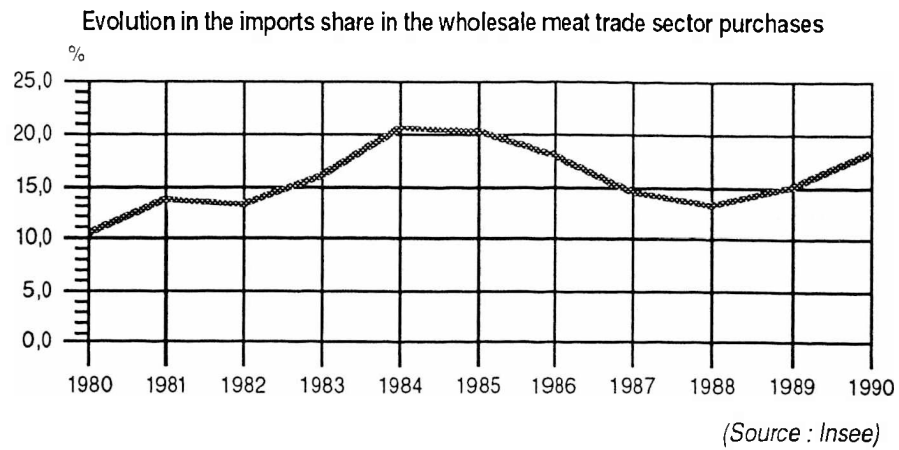
(Source : SCEES)

On the other hand, meat wholesalers have a much more developed international activity. Between 1980 and 1990, the number of firms engaged in importing progressed erratically. They represented 17% of the total number of firms in 1990 (10% in 1980). The share of imports in the total buying of wholesalers has progressed considerably since 1989 and evened out at 18% in 1990. The losses of French production on certain meat segments (veal, grilling beef...) and the competitive prices of imported meat from the countries of Eastern Europe explains this evolution.

Evolution in the proportion of import firms in the wholesale meat trade sector



(Source : Insee)



Lastly, firms engaged in large-scale distribution also play a role in beef and veal imports. Indeed, this is the principal channel of access for imports according to professional sources. The volumes handled by large food stores and their demands regarding prices sometimes make it more advantageous for them to buy meat outside France. Furthermore, foreign slaughterhouses (Irish, British, Dutch...) deal increasingly with major names in the distribution sector rather than go through traditional networks.

PART TWO - THE CONSUMER STUDY

- 1 -

REPORT OF INTERVIEWS WITH IMPORTERS,
PROCESSORS AND WHOLESALERS

1 - ARCADIE

Mr Alazard, Meat Buyer

Immeuble Concorde, 84000 Avignon

tel. (16) 90 88 13 34

GENERAL INFORMATION

The second largest slaughterer-meat processor of beef in France, Arcadie posted a 1992 turnover of FRF 8.8 billion and employs about 3000 persons. Its clientele consists for 65% of supermarkets and 35% of wholesalers and traditional butcheries.

PURCHASE DECISION

Arcadie slaughters 80% of its processed meat. The 20% meat not slaughtered by Arcadie are bought as carcasses (mainly rear quarters). Arcadie does not buy young cattle. 60% of these purchases are of French origin, 40% of foreign origin. Foreign purchases are prompted by the French predilection for rear quarters. The principal export countries are Germany and the United Kingdom.

Arcadie comprises 3 companies, each specialized in a separate business line :

- Arcadie Première is specialized in slaughtering and preparing ready-to-carve meat. It also buys hindquarters.
- Arcadie Industrie mostly buys front quarters for ground beef.
- Arcadie Distribution manages the distribution network and includes an import purchase department (about 15,000 tons of beef) which centralizes purchases.

Slaughterhouses which supply the group must meet EC standards. This is sufficient for Arcadie. Arcadie tends to call on specialists.

THE PRODUCT

Conformity of carcasses is important. Their fat depends on the breeding area. Meat from northern Germany or even Denmark with a relatively dark color is not always appreciated.

The most important purchase criterion is product regularity. It is necessary to monitor products offered to the company's customers.

Arcadie also buys vacuum-packed muscles whose preparation is stipulated by a precise specifications manual.

PRODUCTION

Arcadie does everything : slaughtering, boning, carving, packaging, storage, loading and unloading, wholesale and retail sales, transportation. Arcadie has its own truck fleet and also works a lot with carriers, notably for prepared products.

Carcass and ready-to-carve meat does not have a label. Ground beef produced by Arcadie bears the Trucculus brand.

SUPPLIER RELATIONS

Suppliers must be officially listed by Arcadie and offer a discount linked to purchase volume.

Prices are negotiated every week. They vary according to the European market. The gross trading margin is 10%. But we know that Arcadie reported a negative commercial margin rate (commercial margin/purchase of goods) of almost 19%.

For importers, the carrier gets the meat in the different countries, centralizes it and subsequently delivers it to various regional Arcadie warehouses. From the moment when the order is negotiated, slaughtering day A, delivery day C. The important thing is to minimize this time.

An order placed on day A reaches the customer on day B. Large orders are not always routed through the company's warehouses but may be delivered directly to the customer. Common products are normally left to mature at the customer's site.

Arcadie prefers long-term relations with its suppliers. Together with groups of French producers the company is actively preparing a system to trace and certify slaughtered meat.

Suppliers are listed definitively (unless a special problem occurs). Arcadie has 50 regular foreign suppliers (Germany and Ireland). In France, the company buys on opportunity and does not always buy regularly.

Arcadie's chief problem in its relations with its suppliers is product regularity. The second problem lies in the packaging of prepared products, not unified at European level.

Arcadie does not intend to develop new products in collaboration with its suppliers (Arcadie's core business is slaughtering).

ATTITUDE TOWARDS DANISH MEAT

Our contact believes that Danish beef raises a color problem. Arcadie might buy vacuum-packed muscles. Approach : make contact with Arcadie's import department to offer products and negotiate prices.

2 - CED VIANDE

Mr Nègre, Meat Buyer

152 avenue de Malakoff, 75116 Paris

tel. (1) 45 01 56 57

GENERAL INFORMATION

CED Viande is an import-export company specialized in meat trade. In 1991, the company posted a turn-over of over FRF 600 million. Its business has been declining steadily for several years (down from a turn-over of FRF 1.6 billion in 1989). CED posts 87% of its turn-over on the export market.

PURCHASE DECISION

CED buys every type of meat, from carcass to vacuum-packed meat and living cattle. However, CED buys little ground beef. The company does not have a warehouse ; it buys and sells directly.

Its suppliers are large national slaughterhouses but also foreign slaughterhouses (Germany, Ireland, South America). Its decisions to buy in other countries are motivated by prices.

Generally, its purchase criteria are quality and prices.

Beef is sold under the slaughterhouse number. CED does not intend its own brand.

SUPPLIER RELATIONS

CED does not process or treat meat. Only exceptionally will CED buy carcasses and have them carved by a slaughterhouse.

Purchase prices fluctuate according to supply and demand. Average margin : Mr Nègre informed us that FRF 0.50 to FRF 1 per kg, are rather good earnings for CED. According to another source, we know that CED reported a commercial margin rate (commercial margin/purchase of goods) of 19% in 1991.

ATTITUDE TOWARDS DANISH MEAT

CED does not work with Denmark (better known for pork). A priori the company is not interested in Danish production.

3 - CLERGEAU SA

Mr Ducout, Marketing Manager

Zone Industrielle, 17700 Surgères

tel. (16) 46 07 66 00

GENERAL INFORMATION

In 1992, the Clergeau company posted a turn-over of FRF 579 million and employed about 200 persons. Its clientele is exclusively foreign. Clergeau signs international contracts through Ofival, the Office National Interprofessionel des Viandes DE l'Elevage et DE l'Aviculture.

PURCHASE DECISION

Clergeau buys only about 10% from other suppliers, the remaining 90% comes from animals slaughtered by the company itself. The Clergeau company slaughters its own animals for two basic reasons : it owns slaughterhouses and has a high supply potential by virtue of regional resources.

Other suppliers only supply carcasses. Clergeau mainly chooses slaughterhouses on the basis of prices.

THE PRODUCT

As regards supply characteristics, the Clergeau company has no specifications. On the other hand, it demands strict regularity of meat compared with precise demands and strict regularity of prices. It also wants to improve services and logistics in order to deliver perfect meat.

The Clergeau company buys meat of young bulls, but Mr Ducout was unable to give exact annual quantities. Similarly, he was unable to supply the quantity of beef bought annually.

PRODUCTION

Clergeau's business ranges from slaughtering to vacuum packing of muscles. Clergeau does not process the meat, e.g. the company does not produce ground beef.

Clergeau's production is therefore limited to what professional jargon refers to as second and third processing, i.e. boning and vacuum packing of muscles. The techniques used by the firm are still mostly manual, as with most competitors. Robotization is very limited.

Meat is sold vacuum packed to various customers. It is sold without brand.

SUPPLIER RELATIONS

Supplier selection criteria are highly informal, but the Clergeau company buys from suppliers offering a wide range of products.

Prices are negotiated according to the weight of animals and type of classification. It's the buyer who negotiates the prices. They vary frequently, since negotiations are daily and by batch.

According to Mr Ducout, the margin on this business is 4 to 5%. But we also know that the Clergeau company posted a commercial margin of 16% in 1992 and that its net result/turn-over came to 0.2%. However, the company is not satisfied with the current state of the meat market.

Supplier delivery times are "A for C", i.e. the order is placed on day A and delivery takes place on day C. The Clergeau company has specific requirements as regards delivery times, terms of payment and above all delivery conditions, notably the cold chain. Clergeau systematically inspects temperatures and products on receipt. This inspection covers carcass weight, pH, etc. and is also visual. This set of indicators enables Clergeau to accept carcasses with greater certainty.

Clergeau obviously pays close attention to the reputation of its suppliers and generally establishes long-term relations with them. The relations are very informal. Clergeau is not interested in cooperating with suppliers to develop new products and believes that this is best done internally.

Clergeau is currently satisfied with its suppliers and for the moment Mr Ducout does not see anything that requires improvement.

ATTITUDE TOWARDS DANISH MEAT

Mr Ducout is mildly interested in Danish meat. He holds that the lax Danish product inspection law makes Danish meat unsuitable for the French market. Mr Ducout ended by saying that Denmark does not have real know-how of beef, contrary to pork, in which field it is highly efficient.

4 - COVICO

Mr Ameto, Sales Manager

123 rue Camille Pelletan, 69100 Thouars

tel. (16) 43 67 34 00

(Mr Ameto did not wish the talk to be recorded)

GENERAL INFORMATION

Covico's core business is slaughtering and meat trade. In 1992 the company posted a turn-over of FRF 491 million and employed 27 persons. 50% of sales are posted on export markets (Middle-East, Algeria, etc.). In France, traditional butcheries form 60% of its outlets, and supermarkets 40%.

PURCHASE DECISION

Covico recently ceased to buy carcasses (20% of supplies in 1992, 3% this year). Nowadays 97% of its meat comes from cattle slaughtered by Covico (47,000 bovines).

Animals are obtained for 50% from the cattle market, for 20% from groups of breeders and for 30% from independent breeders. Purchase criteria are determined according to the Europa scale : types O, R, U. Other criteria are price, type of meat (e.g. heifer) and location (traceability). This last criterion is important considering the increasing popularity of labels.

THE PRODUCT

Breeding is monitored with respect to fat (but not for young cattle). Covico demands animals without added hormones. Hormones are often difficult to check during the breeding phase but it is easy to detect hormone-enriched meat during consumption.

Required water contents : about 33%.

Covico does not bother with protein contents.

Color : the meat must be red. No pale color for the French market.

Hygiene inspections are increasingly frequent during the breeding and slaughtering phases, both in France and in other countries.

SUPPLIER RELATIONS

Prices are negotiated each week.

Annual margins range from FRF 1.50 to FRF 2 per kg. According to another source, we know that the commercial margin rate (commercial margin/purchase of goods) reached 13% in 1991 and the net result/turn-over (profitability indicator) was 1%.

Recently, there has been a wave of inexpensive meat from Eastern Europe, but it required much preparation and was difficult to package.

Meat is delivered directly from the slaughterhouses to stores. The meat matures in the store. Orders are received by fax.

ATTITUDE TOWARDS DANISH MEAT

Covico considers Irish meat the best in the world after Argentinean and Brazilian meat.

Covico does not plan to work with Denmark.

5 - KERMENE

Mr Derquer, Meat Purchase Manager

Route de Plénité, 22330 Collinée

tel. (16) 96 31 40 04

GENERAL INFORMATION

Kerméné is a subsidiary of Galec (Leclerc). In 1991, the company posted a turn-over of over FRF 2 billion. Its core business is pork meat production (18000 pigs slaughtered, 700 tons salted meat produced per week), but Kerméné also processes beef, veal and lamb (800 cattle, 1500 calves and 4000 lambs slaughtered per week).

The company sells almost all its production to Leclerc centers.

PURCHASE DECISION

Its supplies consist for 50% of animals slaughtered at Kerméné and 50% of meat bought in the form of carcasses (mainly hindquarters). Each week, the company buys 2000 hindquarters. However, Kerméné plans to increase its slaughtering capacity.

Its suppliers are slaughterhouses in France, England, Germany, Ireland and Holland.

Purchases are determined by price-quality criteria. Kerméné pays close attention to quality and prefers long-term relations with its suppliers.

Adoption of a new supplier : for regular purchases, a supplier must be able to guarantee closely monitored quality and quantity : Kerméné may also call on new suppliers for isolated purchases.

THE PRODUCT

Kerméné does not monitor the feed of the animals, breeding, slaughtering or refrigeration conditions. Its hygiene criteria are : fresh, tender, healthy, lean.

The specifications define a "pistol" cut, a maximum pH of 5.8, the weight of hindquarters (65 to 80 kg).

Kerméné does not buy young cattle as their meat is not sufficiently mature and therefore without scent or taste and is hard to preserve. It does not want hormone-treated meat and therefore does not buy in Belgium, Italy and Spain.

PRODUCTION

Kerméné's business ranges from slaughtering to preparation of ready-to-carve meat. Kerméné does not produce ground beef.

Front quarters are either sold ready-to-carve to Leclerc centers or to occasional customers. Kerméné production : 50% carcasses and 50% ready-to-carve meat.

The meat delivered to Leclerc is sold without brand.

SUPPLIER RELATIONS

Kerméné has 25 to 30 suppliers. Kerméné buys mostly but not only from beef specialists.

Prices are negotiated every week (sometimes more often) by Mr Derquer. They vary according to supply and demand. There are no long or medium-term pricing contracts.

Delivery times vary. Kerméné prepares a weekly planning. Low stocks are vital. Meat is systematically delivered to Kerméné and thence distributed to the stores. Maturation takes place half at Kerméné and half at the stores.

Supplier relations are informal, even if orders are generally confirmed by fax.

Kerméné does not cooperate with its suppliers to develop new products.

Desired improvements : better fattening of animals and better regularity of the product.

ATTITUDE TOWARDS DANISH MEAT

Mr Derquer is unfamiliar with Danish meat. He has no preconceived ideas.

The Danes should offer a good price-quality ratio and make efforts to ensure regular quality and quantity.

6 - Maison CERF & Fils**Mr Cerf, Chairman and CEO**

6 rue des Abattoirs, 57100 Thionville

tel. (16) 82 56 02 12

GENERAL INFORMATION

Cerf is specialized in slaughtering and processing meat. In 1991, it posted a turn-over of FRF 391 million. Its turn-over has declined for several years and the company is currently posting losses. At its Thionville site, Cerf converts about 9000 tons/year for fresh and frozen ground beef and meat-based preparations ; and about 5000 tons for ready-to-carve meat and vacuum-packed meat. The company has two other sites : in Saint-Maure de Touraine (Western Center) and in Fréjus (Rhône Alpes region), which only prepare ready-to-carve and vacuum-packed meat (the same tonnage as in Thionville).

Cerf sells 90% of its production to supermarkets, 10% to traditional butcheries.

PURCHASE DECISION

Slaughtering fills roughly 10% of company needs. The remaining 90% come from purchases in France or the EEC. Meat is mainly bought in the form of carcasses. The company also buys some vacuum-packed and frozen meat. Because of its business (proportion of ground beef), it mostly buys front quarters. Cerf buys low quantities of young cattle.

Meat is bought on the export market for price reasons. The company also slaughters animals at the request of certain customers who want to be sure of slaughtering conditions.

Purchase decisions are made by the sales manager, according to traditional quality and price criteria. Cerf complies with European standards, except for ground beef, which must comply with French standards, much more exacting.

THE PRODUCT

As regards carcasses, the company refuses meat which is too fat. In terms of hygiene, the company accepts the inspections carried out by veterinarians appointed by the authorities. Cerf does not conduct additional inspections.

PRODUCTION

Cerf carries out all beef processing operations right down to the preparation of hamburgers. Production techniques change little (a few marginal improvements).

Meat is generally sold under the CERF brand, sometimes under the distributor's brand.

SUPPLIER AND CUSTOMER RELATIONS

Cerf works with 30 to 40 French or EC suppliers (mainly Germany, but also England, Ireland, Belgium, Holland). Suppliers do not necessarily have a large range of products, or at least this is not a desired criterion.

Prices are negotiated weekly with suppliers, according to market conditions.

Purchases on day A are delivered on day B. Times of payment vary between suppliers and are negotiated individually.

Contracts are informal and Cerf prefers long-term supplier relations : importance of confidence.

Cerf owns warehouses. It can deliver directly to the store or to transit hubs. Cerf has a fleet of trucks.

Mr Cerf is not interested in developing a new product in collaboration with suppliers.

ATTITUDE TOWARDS DANISH MEAT

Mr Cerf is extremely familiar with Danish meat. He has close relations with Danish suppliers, having worked since 1948 with Danish cattle exporters. For the moment he does not consider them exporters of large cattle but could work with them if they became this.

7 - OVIMPEX

Mr Thieblemont, General Manager

2 rue du Charolais, Batiment V2P, 94150 Rungis

tel. 46 87 33 03

GENERAL INFORMATION

Ovimpex is a meat trading company. Its consolidated turn-over, FRF 1.2 billion in 1992, divides equally between beef and sheep meat. The parent company controls two subsidiaries : Dumo, which works at the Rungis mart, and MVS, specialized in sheep meat for supermarkets. Ovimpex sells through all distribution channels : traditional retail butchers, wholesalers, government administrations, supermarkets, semi-wholesalers. On the beef market, Ovimpex sells mostly to wholesalers, semi-wholesalers, carving shops and sometimes supermarkets and traditional butchers. In 1992, Ovimpex bought 25,000 tons of fresh beef.

PURCHASE DECISION

Ovimpex does not slaughter and only buys from other companies. The company buys carcasses, half-carcasses and boned quarters. Meat with bones still accounts for 70% of purchases but the boned portion has steadily increased in recent years. In France, Ovimpex buys mostly cow meat but also the meat of young steers.

Ovimpex has about thirty suppliers (Mr Thieblemont did not want to disclose their identity). It works with the biggest companies in Europe : English, Irish, German, Spanish and Italian. Most beef purchased by the company is of foreign origin.

Its suppliers are slaughterhouses (90% of purchases, plus a few importers and wholesalers). Ovimpex mainly uses industrial slaughterhouses (1000/1500 cattle slaughtered per week).

Ovimpex buys at the best price/quality ratio. Each day the company makes its purchase decisions. Buyers track the market hour by hour and generally stick to market prices.

Ovimpex has suppliers specialized exclusively in veal, others in beef, etc. It wants suppliers "who believe in it". It has daily contact with them, which works very well.

Mr Thieblemont looks for quality hygiene and slaughtering conditions. In fact, he accepts the verification carried out by the veterinarian inspection department at the Rungis mart. Ovimpex seems to concern itself little with breeding conditions or animal feed, as the company has little contact with upstream operations. On the other hand, it is interested in marketing highly specific products with a sort of brandname, e.g. beef of a certain race. He tries to familiarize his customers with certain products, but products must offer constant quality.

Customers serving restaurants are looking for fatter meat than those serving local administrations. It's up to Ovimpex to sort this out and give each customer what he wants. Ovimpex adapts itself to demand. It has products for every taste. It is necessary to canvass prospects and highlight the product to the right customer.

Consumer information about the origin of meat : not available from Ovimpex. There are trade organizations for this. Ovimpex does not have decision making power for this.

Breakdown of sales : traditionally, France imports more hindquarters than front quarters. For carved meat, Ovimpex prefers hindquarters, pieces for grilling rather than pieces for braising. It buys front quarters for ground beef and delivers it directly to the industry. Hindquarters are sold on the market.

PRODUCTION

The unprocessed carcass is degreased, cooled and delivered as-is in four quarters. Sometimes it is boned. Muscles are semi-trimmed or ready to carve.

Ovimpex has two carving shops but does not try to process or bone beef. Its main business is to buy and sell as-is.

At times the company carries out boning operations but this is not the rule. Nowadays, more and more slaughterhouses have carving shops. Hence, Ovimpex buys more and more prepared products from its upstream suppliers.

Ovimpex is specialized in fresh meat. It stores little but has a steady flow of products. Handling is very expensive. Labor costs are very high in the meat industry. They are minimized

wherever possible. Storage is in cold storage rooms but fresh meat remains at most 3 days at Ovimpex. 80% of all meat which arrives on day A is sold on day A. The company regularly supplies its customers several times per week with fresh meat.

The gross margin is very low. It depends on product preparation. The net margin comes to roughly 0.5% of the turn-over. In 1991, Ovimpex reported a commercial margin rate (commercial margin/purchase of goods) of almost 8%.

Ovimpex has its own warehouses. It owns trucks but only for emergencies. Most transport is handled by the carriers of its suppliers or cold-store transit hubs which can deliver within 12 hours throughout France, from Rungis.

At times Ovimpex delivers meat directly from the supplier to customer (15/20% of business).

SUPPLIER RELATIONS

Purchase prices are negotiated at practically every purchase. Each truck, each purchase has its own price. This price is negotiated very rapidly, according to the market. Ovimpex is in permanent contact with the market. It is at the heart of a market which sells 200,000 tons of meat per year. It is familiar with ongoing trends. Hence it trades at market prices. The system is based on regularity, supplier and customer confidence. Contracts with suppliers are informal but based on long-term relations. In its relations with local suppliers in very remote counties (southern hemisphere), Ovimpex commits itself to long-term relations.

Ovimpex tries to preserve exclusive supply sources. It demands a certain commercial ethic, it has a market and it is ready to invest everything to market products. In return, Ovimpex does not want its suppliers to make it compete with others. It does not work with contracts but "there are oral promises".

Ovimpex requires its suppliers to deliver vacuum packagings within maximum 8 days. For example, on Sunday evening it receives meat worked at the latest the previous Monday. Meat worked on the Friday before that is not accepted.

Ovimpex has weekly production plans of its suppliers. It knows that this or that day they will slaughter for it. It tries to inculcate regularity.

Ovimpex prefers to sell under the supplier brand. It wants to promote brands. Boned meat arriving in boxes is marked with the supplier's name. Ovimpex encourages its suppliers to sign their products.

Ovimpex is interested in collaborating with suppliers to develop new products.

Supplier aspects requiring improvement : selection of meat and muscles, regularity of quality.

ATTITUDE TOWARDS DANISH MEAT

Ovimpex buys Danish meat, which however forms only a small part of its purchases. The products are from milk cows. Denmark has a good quality and product preparation image. Mr Thieblemont believes that there are not enough quantities of Danish meat on the market.

8 - SA des Abattoirs Imperator (SABIM)**Mr Basot, Meat Purchase Manager**

Route de la Flèche, 72300 Sablé-sur-Sarthe

tel. (16) 43 95 06 71

GENERAL INFORMATION

Société des Abattoirs Imperator (SABIM) belongs to the Casino group, which accounts for 65% of its outlets. The remainder of the production is sold to all types of customers (wholesalers, distributors, retailers) in France, Germany and Italy. SABIM has 560 employees and posted a turn-over of FRF 3.5 billion in 1991. The company's principal business is slaughtering. It also carries out all downstream jobs, from boning to ground beef.

PURCHASE DECISION

The portion of meat not from animals slaughtered by SABIM, referred to as market meat, accounts for 40% of overall supplies. Ireland seems to account for a large percentage of supplies. Irish meat is appreciated for its constant price-quality ratio. SABIM runs a local office and works with an approved slaughterhouse. SABIM is also supplied by certain French slaughterhouses. In this case, SABIM works exclusively through agents. The number of meat suppliers varies according to quantities available on the market. It averages out at 18.

The desired qualities are defined precisely in a specifications manual. Market meat is bought in the form of carcasses (50%) or ready to carve (50%). Market muscles are mainly intended for catering. They may also be bought and sold without processing as part of trading operations. This makes it possible to satisfy Casino's needs when promoting certain pieces, which at such times are demanded exclusively and in large quantities, preventing the use of carcasses (as the other pieces could not be sold off).

THE PRODUCT

SABIM does not buy meat from young cattle.

With respect to market meat, SABIM does not concern itself with animal feed or breeding conditions. In buying carcasses, it refers to the Europa classification system. Animals must be slaughtered according to European standards, guaranteed by the oval EC stamp on carcasses. The inner temperature is checked on receipt and must be from 4 to 7°. The protein rate is 18 to 20%. The meat hygiene quality must comply with French regulations, among others forbidding the use of growth promoters (hormones).

PRODUCTION

SABIM's business ranges from slaughtering to shop labels and all production phases in between. With respect to vacuum-packed meat, there is a wide variety of products which differs through origin (cows, steers, etc.), quality (standard, prime) and carving. Sold products cover the entire range of carcass processing phases, from semi-ready-to-carve, to ready-to-carve meat, consumption sales units and ground beef. SABIM adapts its production to the needs of each customer (carving, preparation, packaging, etc.).

There are not many novelties in the processing phases upstream from the consumption sales unit. This also applies to animals, not expected to undergo major genetic changes in the near future. The company seems to be very active with respect to the development of new production techniques, which it keeps secret. They involve improvements in productivity and meat yield. Mr Basot told us that SABIM uses new machines developed exclusively for it by specialists.

As regards brands, meat in the form of carcasses does not bear the stamp of the slaughterer's veterinarian. Industrial meat (ready-to-carve meat, ground beef, meat for catering) bears the stamp of the shop where it was processed.

We were not told the gross margin. On the other hand, Mr Basot told us that the net result/turn-over is less than 1%. However, we know that the commercial margin rate (commercial margin/purchase of goods) reached 5% in 1992.

SUPPLIER RELATIONS

Generally, prices are negotiated every week ; however they may be adjusted more frequently according to market fluctuations.

As regards logistics, the warehouses used by SABIM belong either to the carriers or to Casino. Goods may also be delivered directly to stores. SABIM does not own a truck fleet.

Delivery time is 1 to 2 days after ordering. SABIM's desire to fill its customers' needs rapidly forces the company to adopt a highly flexible approach, which it also requires from its suppliers.

Times of payment, formerly varying widely, appear to be in the process of becoming standard, by virtue of the law which will go into effect in July 1993 and which sets this time at 30 days (this applies both to customers and to suppliers).

SABIM prefers long-term relations. These help guarantee origin and slaughtering conditions. Relations are mostly informal and do not involve written contracts. The company mainly changes suppliers when there are problems with quality.

Moreover, SABIM is carrying on a partnership strategy. This may involve audits designed to help slaughterhouses to meet SABIM's standards.

ATTITUDE TOWARDS DANISH MEAT

SABIM is relatively unfamiliar with Danish meat. However, Mr Basot explained that supply on the French market is rather saturated. Nevertheless, he has no a priori against Danish meat. SABIM's European view, as witness its excellent relations with Ireland, could induce the company to work with Denmark. In this case, the Danes are advised to follow the Irish example. The Irish began by establishing contacts with industrialists and purchase centers, remaining discrete towards the end user, and subsequently adapted themselves to specific customer requirements.

9 - SAVINOR

Mr Beloncle, Manager

22 rue du Charolais, 94150 Rungis

tel. (1) 46 87 95 55

GENERAL INFORMATION

Savinor is an import company of beef and mutton from Ireland and England. Its turn-over is FRF 330 million and it employs 3 persons. Its principal customers are the Rungis mart (sales to agents working for retailers) and wholesalers in the provinces and the region of Paris.

PURCHASE DECISION

Savinor buys whole cows, hindquarters of cows (85%), front quarters of cows and hindquarters of steers, non-degreased and non-denerved boned meat (5 to 10%).

Most suppliers are slaughterhouses or carving shops.

Purchase criteria are the price-quality ratio and regularity of supplies.

SUPPLIER RELATIONS

Savinor has 30 to 40 suppliers. Most are English or Irish but it also uses a few Dutch.

Savinor does not particularly prefer suppliers offering a large range of products.

Prices vary according to the market, per cycle :

- supply follows cycles of 4 to 5 years ;
- there are also seasonal cycles : in May, June and July, production is lower (the animals are pasturing) ; in October, November and December, production increases.

For the last 2 to 3 years, production has become more regular through the year.

We know that the commercial margin rate (commercial margin/purchase of goods) reached 2.1% in 1991 and the net result/turn-over (profitability indicator) was 0.2%.

Most supplier relations are informal.

Orders arrive by truck at Rungis for delivery in the region of Paris. Orders for the provinces do not transit through Rungis. Transport may be handled by Savinor or the customer. Savinor does not own its own truck fleet and calls on a transport company.

For this importer, innovation consists in enhancing the value of the product which it buys and sells by matching buyer and product. This is the direction in which Savinor is going.

ATTITUDE TOWARDS DANISH MEAT

Savinor works a little with Denmark for boned meat, accounting for 7 to 8 tons per week. Savinor does not buy young cattle, because the price-quality ratio is considered inadequate. If the price-quality ratio of boned meat is satisfactory, Savinor is ready to work with the Danes.

10 - SEB**Mr Lamorlette, Sales Manager**

14 rue Alfred de Musset, 52100 Saint Dizier

tel. (16) 25 56 75 75

GENERAL INFORMATION

SEB is a beef processing company which employs 220 persons. Its turn-over is about FRF 400 million, 60% frozen muscles and 40% ground beef. Its main customers are distributors of frozen foods and vacuum-packed muscles, including many wholesalers.

PURCHASE DECISION

SEB does not slaughter but works only with complete carcasses (buying 300 tons of meat per week). SEB has roughly fifteen suppliers. 80% of these are slaughterhouses, but there are also a few importers. 80% of its meat is imported (30% Germany, 30% Italy, the remainder from England or Ireland).

The purchase criterion is the meat price, taking account of exchange rate fluctuations.

SEB only works with cows for slaughtering (200 to 240 kg), which eliminates problems with residues. SEB monitors the consistency of the meat and refrigeration (the meat must arrive at a temperature from 2 to 6°C). Bacteriological tests are conducted by approved laboratories.

Prices vary according to supply and demand. There are fewer animals on the market (CAP reform, milk quotas, etc.) and prices are soaring. SEB works with inexpensive products but if the current trend persists, it may be prompted to work with young cattle or suckling cows.

SEB demands normally fattened animals which do not have a high pH factor. The color red is necessary for the French market.

Quality is a major supplier selection criterion. Suppliers must have slaughterhouses according to hygiene standards.

PRODUCTION

The company bones, carves, packages, labels, stores, loads and unloads, sells wholesale or in retail, according to the customer's request. It uses traditional production techniques.

The gross margin ranges from 18 to 20%.

60% of its production is sold under the SEB label, sometimes under the supplier's label if desired.

SUPPLIER AND CUSTOMER RELATIONS

For logistics purposes, SEB uses its own warehouses. It places a purchase order, slaughtering takes place on day A and the goods are received on day C. Orders are confirmed in writing and monitored until payment.

Long-term relations are preferred. This is important for monitoring products, delivery, etc. Prices are negotiated every week.

Processed meat is delivered directly at the wholesalers' warehouses. Delivery of vacuum-packed muscles and ground beef occurs the day after the day on which an order is placed.

Mr Lamorlette is not interested in collaboration to develop new products or an in-house label.

ATTITUDE TOWARDS DANISH MEAT

SEB has never bought Danish carcasses. Danish steers are small, too heavy, need to adapt to the European market, SEB will be interested the day when Denmark can supply cows.

Products need to be regular (weight of animal, quantity, quality of meat, etc.).

11 - SOCOPA**Mr Charrier, Commercial Manager**

RN 23, Cherré, 72400 La Ferté-Bernard

tel. (16) 43 93 05 00

GENERAL INFORMATION

Socopa is the leading French beef slaughtering and processing company with a 1992 turn-over of FRF 13.5 billion. The company has three main slaughterhouses, including the one in Cherré (1200 employees).

Socopa's commercial outlets break down as follows : 25% of turn-over from carcasses for traditional butcheries and supermarkets, 25% from vacuum-packed meat, including 80% for supermarkets (development of a market for convenience food manufacturers), 25% from frozen meat and 25% from consumption sales units, exclusively for supermarkets.

PURCHASE DECISION

Purchases from other companies (both front and hindquarters) are prompted by lack of supplies when certain pieces are more in demand than others, e.g. during a promotional campaign. It is not desirable to slaughter animals to use only part (generally the hindquarters). In this case it is more practical to buy the missing pieces.

Purchase of carcasses from Germany through importers.

Supplier selection criteria : reputation, compliance with Socopa requirements about absence of hormones, follow-up and regularity of products, hygiene, etc. Inspections are conducted very regularly at all production levels. When a supplier is doubtful, he is eliminated.

THE PRODUCT

Everything connected with feed and breeding is left to the breeder. The goods are inspected on receipt according to the Europa classification scale. Prices depend on the category of products received.

Traceability of animals is important, especially for prime quality products like Charolais.

Refrigeration should be according to European hygiene standards.

Young cattle is mainly in demand in Southern Europe (recent market for Socopa). On the French market this type of meat is not much appreciated.

Marbling of meat : differs from region to region. The South-West prefers marbled meat, while the Paris region does not particularly appreciate this (Socopa works mainly with the Paris region).

PRODUCTION

Socopa has a fully integrated business line, from slaughtering to the production of consumption sales units. As regards production techniques, Socopa is trying to increase yield but our contact acknowledged that no significant progress has been made in the last ten years.

As regards research of new products, the company is highly active in prepackaged products (Socopa brand), not yet very successful with the public. There are two distribution schools : those focusing on self-service and looking for products in the form of consumption sales units, and those preferring traditional butcheries and mostly demanding basic products (carcasses and ready-to-carve meat).

However, the introduction of new products raises problems : once the product has been launched at the supplier's cost, distributors claim a product under their own brandname, which reduces margins and slows the industrialist's return on investment.

Innovation policies should be prudent as meat industrialists remain relatively medium-size companies : even though Socopa is one of the largest companies, budgets for developing and introducing new products are very costs.

Our contact did not wish to give us information about margins.

SUPPLIER RELATIONS

Socopa tends to use beef specialists and keeps up a flow of business with a list of about 70 suppliers. Contracts are relatively rudimentary. While quantities may vary, suppliers remain the same from year to year, which makes it possible to set up a logistics organization and monitor quality. Thus, Socopa favors long-term relations.

Prices are negotiated weekly by the meat purchase manager, according to market developments.

Orders placed on day A must be delivered on day B.

Maturation takes place more and more at the supplier. This is at the request of distributors, as this facilitates their stock management.

Socopa is not interested in cooperation with suppliers to develop new products.

ATTITUDE TOWARDS DANISH MEAT

Socopa demands quality meat, compliance with its specifications and interesting prices. On these conditions, Socopa sees no reason not to be interested in Danish meat.

12 - VITAL SOGEVIANDE

Mr Pequerie, Meat Manager

Tour Sogéviande, avenue de Normandie, 94150 Rungis

tel. (1) 46 87 22 14

GENERAL INFORMATION

With a turn-over of FRF 4.5 billion, Vital Sogéviande is the third-largest French slaughterer/processor, but the leading producer of prepared meat products, before Arcadie and Socopa (fresh and frozen).

Vital processes the equivalent of 250,000 tons of carcasses per year, including 60,000 tons in the form of prepared products. Its outlets divided among supermarkets (80% of turn-over) and restaurants (20%). Vital posts 30% of its turn-over on the export market (Europe).

PURCHASE DECISION

For fresh products, Vital does most slaughtering ; for frozen products, Vital buys 50% of the supplies needed for its requirements. The reasons mentioned to explain purchases from other suppliers focus on price and quality (purchase opportunities at lower cost than can be achieved internally). Type of purchase : carcasses and "ore" (block of meat packaged, for example, in 25-kg cartons). Vital uses more front than hindquarters (between 500 to 1000 hindquarters per week, against 6000 to 8000 front quarters). Its suppliers are slaughterhouses and processors.

The purchase decision is determined mainly by economic criteria as part of a purchase policy laid down by the management committee. Part of the purchase policy is the possibility to decide between the different production zones in the EC, which are not aligned with each other.

Each plant is specialized and has a certain line of purchases. Each purchase manager is free to build up his own supply circuit. Purchases are by line of products and each buyer selects his suppliers independently from the available range of products.

The geographic origin of imported supplies is of little importance for Vital, which considers that it has already been European for a long time (German, English, Irish, Italian, Spanish suppliers, etc.).

Suppliers are chosen by the quality of their industrial facilities and their prices. Vital works on a long-term basis with its suppliers and looks for regular quality and quantity. A supplier's reputation has little importance.

THE PRODUCT

For carcasses, the bacteriological aspect is the essential criterion. For example, in the area of total flora, Vital inspects its suppliers continually. Fattening and other specific criteria are easier to control (managed with each supplier individually). Physico-chemical criteria are always linked to purchases. Vital always conducts bacteriological and physico-chemical inspections in laboratories (receipt of goods, assessment of bacteriological criteria... and acceptance of deliveries). No novelties in this phase of the business line.

Vital buys young cattle for vacuum-packed meat but this is only a small part of its purchases.

PRODUCTION

Tasks accomplished by the company : from slaughtering to packaging and labelling and transport (subcontracted but fully controlled). Meat is sold under the label of the industrialist or distributor. Mr Pequerie did not wish to inform us of margins.

SUPPLIER AND CUSTOMER RELATIONS

Vital has many suppliers, both large and small companies in the EC. Mr Pequerie did not want to give us names.

A buyer negotiates prices according to objectives determined on the basis of product studies conducted by Vital. They depend on slaughtering prices and export market prices. They are negotiated weekly.

Vital has no warehouses. The company has production units which use the just-in-time method and have nearly no buffer stocks. Supplier delivery time : for front quarters, an order placed at the end of the week is delivered the next week ; for "ore", deliveries follow the purchase planning negotiated as part of a general contract. Normally, plannings for frozen products are established for 3 months.

Vital defines its purchase conditions (prices, delivery times, terms of payment, etc.) when negotiating the contract. Relations are confirmed in writing.

In its customer relations, deliveries are made to customer warehouses and stores. Each customer has its own requirements and Vital adapts as much as possible.

Vital is extremely interested in developing new products : suppliers have already offered Vital innovative lines of prepared products, believing that the company has an interesting sales force. Vital's catalogue includes products from other companies in the EC (highly specific products sold under a distributor brand or a common brand). These represent a low part of sales in France but a larger portion of export sales.

Possible improvements : better control over regularity of supplies to reduce the inspection process.

ATTITUDE TOWARDS DANISH MEAT

The Danes are mostly known for pork meat. Mr Pequerie is familiar with Danish meat. For young cattle it is considered satisfactory but carcasses are rather light compared with French carcasses (this tends to be a criterion not to buy). As regards cow meat, the quality of hindquarters is not high enough for Vital's needs ; the quality of front quarters is as good as that of other origins. But so far the Danes have not been very effective commercially. According to our contact, the Danes consider the French market too competitive for their price objectives. They make little efforts as beef suppliers.

- II -

REPORT OF INTERVIEWS IN THE RETAIL CHAINS

1 - AUCHAN, national buying unit**Mr Nicole, Meat Purchasing Manager**

200, rue de la Recherche, 59650 Villeneuve d'Ascq

(Mr Nicole did not want to be recorded)

GENERAL INFORMATION

Auchan's national buying unit is responsible for supplying all Auchan stores with meat. The group's consolidated turn-over came to FRF 44.5 billion in 1991. Mr Nicole did not disclose the share of meat in total turn-over. The purchase center butchery department employs 5 persons.

PURCHASE DECISION

Most purchase decisions are taken at national level :

- negotiation of prices and quantities,
- preparation of specifications manuals,
- list of official suppliers.

The stores place orders with suppliers approved by the purchase center.

Auchan buys 70% of its supplies from the largest national suppliers : Vital, Socopa, Arcadie, Soviba... and the remaining 30% from regional suppliers.

Auchan exclusively buys ready-to-carve meat. The company believes that carcass meat is not suitable for its supermarkets, requiring too much work. Moreover, the quality of the ready-to-carve meat seems wholly satisfactory.

Auchan buys packaged ground beef, accounting for about 1.4th of the butchery department turn-over.

The company does not buy young cattle meat.

The national buying unit is responsible for adding or deleting products after consultation of butchery department managers and according to sales results.

THE PRODUCT

The specifications precisely define the weight, conformation and yield of the supplier carcasses used to extract the ready-to-carve pieces. Two persons inspect the production process on behalf of Auchan.

The meat colour must be bright red.

Auchan does not inspect the protein content.

The marbling is specified in the specifications manual. It depends on the season, the breeding region and the muscles.

Auchan requires meat without hormones but acknowledges that inspection is difficult. Hence, the company is keenly interested in developing certifications.

The quantity of exudation is defined in the specifications manual. The meat must generally satisfy European hygiene standards.

The meat is delivered without brand. For ground beef, certain suppliers affix their own brand.

SUPPLIER RELATIONS

The ready-to-carve meat is supplied to the stores, which carve and package it. Ground beef is sold prepackaged.

Auchan tends to call on specialized suppliers.

Prices are negotiated by the purchase center according to market fluctuations. Stores have a very limited negotiation margin, e.g. when they decide to conduct a promotional campaign.

Auchan considers that suppliers make little or no marketing efforts. Mr Nicole thinks that suppliers have not reached a truly industrial size and do not want to commit significant marketing expenditure.

For the moment, Auchan prefers to implement its own policy in this field, enabling it to distinguish itself from the competition.

Auchan has regional grouping hubs, which receive daily deliveries from its suppliers. The goods are grouped per store and delivered. There are practically no direct deliveries by suppliers to stores (except when very close).

The meat matures 50% at the supplier and 50% in the store.

As regards billings, each store inspects supplier invoices but payment is made by the national purchase center.

Auchan prefers long-term relations and always tries to solve any problems with its suppliers, warning them or helping them to adapt to the requirements of its stores. Hence, Auchan seldom abandons suppliers. Relations are based on written contracts.

The relations between suppliers and Auchan are generally dictated by the latter. Hence, Auchan takes the initiative as regards research & development, mainly as regards meat packaging. Thus, if a brand is to be affixed shortly to the products, it would in all likelihood be an Auchan brand.

ATTITUDE TOWARDS DANISH MEAT

Auchan does not buy foreign meat, mainly because of the political problems which could follow with French producers/breeders.

However, Auchan does not have anything against the quality of Danish meat. If the social climate resulting from the agricultural policy improves and if the perception of this policy by farmers changes, Auchan might plan to work with Danish suppliers.

2 - CARREFOUR

Mr Jouve, Meat Training Manager

ZAC Saint-Guenault BP 75, 91002 Evry Cedex

tel. 60 77 20 20

GENERAL INFORMATION

A company specialized in operating hypermarkets, Carrefour posted a 1992 turn-over of FRF 117 billion, making it the leading French mass distribution group. Carrefour is probably the group with the most decentralized organization. Each store has considerable independence regarding supplies and its commercial policy, notably visible in the absence of a real purchase center. This decentralization principle has gradually eroded in the last few years : in order to rationalize logistics, deliveries are more and more centralized through the group's transit hubs. Suppliers are increasingly frequently approved at national level. Lastly, Carrefour, together with Métro-France and Comptoirs Modernes, has created Cometea, a purchase center specialized in supplying entry-level products.

Carrefour is divided into 3 regions : the north of France, the east of France and the west of France. Each region has an executive management body exclusively responsible for strategy, development and training.

PURCHASE DECISION

Within each region, the department managers and sector managers of each store set up purchase commissions which receive and list suppliers, negotiate purchase and supply terms and determine the best logistics method. Once the commission has taken its decision, it has committed the region and stores must implement the approved decision.

The central structure determines the products making up the shelf assortment. It decides, for example, that a shelf should hold twenty products. The store chooses its products but cannot go over 20 products. Carrefour's priority is a clear and transparent offer. Thus, the group intentionally limits its assortments for greater visibility. During regional meetings, the central structure recommends certain products.

As regards meat, Carrefour buys 170,000 tons, including 46% beef. Suppliers are large national suppliers (Arcadie, Socopa, etc.) and a few regional suppliers.

THE PRODUCT

Carrefour mainly buys cows, either whole animals or hindquarters, and mainly vacuum packed. Meat is practically no longer bought in the form of carcasses. Carrefour no longer has a ground beef production unit and buys industrial ground beef : Carrefour products from certain suppliers and products bearing the producer's brand.

Young cattle meat is only bought for the Lyons region (local tradition : veal from Lyons).

A product must be innovative, its price must be relatively attractive and it must satisfy consumer expectations.

Carrefour primarily looks for products from animals fed with healthy feed (no growth promoters, etc.). To achieve this aim, Carrefour looks for reliable breeder associations (healthy, natural products, compliance with slaughtering standards, etc.) in which it can have confidence. Specifications are prepared nationally in collaboration with the stores.

Meat should not be too lean or too fat. It should be relatively marbled, have a bright right color, have an "ordinary" fat content and no residues (but this last aspect is difficult to inspect). That is why partnership relations with suppliers are very important.

Meat matures at least 9 days at the industrialist (up to 15 days).

Store shelves offer about 1/4th of meat under producer brands and 3/4th Carrefour products. The group's policy is to create brand loyalty for Carrefour products rather than brand products.

SUPPLIER RELATIONS

Ready-to-carve products are already highly prepared on reaching the store. The conditions are stipulated in specifications prepared in cooperation with the stores.

For beef, Carrefour buys mostly from multiproduct suppliers.

Prices are negotiated by regional purchase commissions, generally every month. Price fluctuations depend on national price fluctuations.

Our contact did not wish to discuss margins.

The group is stepping up its promotional campaigns for meat and would be extremely interested in supplier marketing efforts (on-site tasting, etc.).

As regards logistics, each region selects common service providers (carriers) and deliveries are channeled through such carriers, which have their own hubs. Delivery is generally every 2 days at the store. Times of payment are governed by current law.

Mr Jouve told us that Carrefour prefers long-term relations with its meat suppliers. It only changes suppliers in case of commercial problems (price, product quality, etc.). Contracts are concluded by fax or telex, etc. Carrefour tries to monitor the product and ensure constant quality.

ATTITUDE TOWARDS DANISH MEAT

Carrefour mainly buys French meat (but Mr Jouve recognizes that, once meat is prepared, it is difficult to say whether the meat is of a given origin). Carrefour also buys some meat from Germany, mainly because of its competitive price.

The origin of meat is important : Carrefour wants suppliers with a large production and feeding their animals on grass. Mr Jouve's model is Argentina, where the animals are raised outdoors under optimum conditions.

Mr Jouve does not know Denmark as a beef supplier. He would not be against buying Danish. In this case, the Danes should be ready to meet French buyers, determine their needs, prepare specifications, adapt themselves to the existing system, and organize promotional campaigns through interprofessional offices.

3 - National central buying unit CASINO FRANCE

Mr Murat, Supply Manager

Z.I. Molina Sud, 76 route de la Talodière, St Etienne

tel. (16) 77 45 44 42

GENERAL INFORMATION

Casino France's national central buying unit procures meat for all Casino and Rallye stores. The total turn-over of these stores came to FRF 65 billion in 1992, including FRF 3.65 billion for meat (poultry included). The organizational structure of this multi-stores chain is highly centralized. Almost all purchases are made by the national central buying unit. Suppliers deliver about 25% of supplies directly to the stores. The remaining 75% transit through the group's warehouses and hubs.

PURCHASE DECISION

Most decisions with respect to meat are taken by the "meat-poultry" business line. This comprises two national organizations, the central buying unit and the "marketing and concept organization", as well as regional organizations involved in store management. The responsibility for this business line ranges from product selection to choice of assortment, prices, purchase terms, promotion and marketing, not to forget the operation and management of supermarket meat departments.

The purchase center buys a total of 68,000 tons of meat per year. It does so through a list of official suppliers. 99% of the meat bought by the stores is bought from official suppliers. Only a few regional products escape central control and their procurement is left to the initiative of the stores.

Meat is mostly bought ready to carve. Casino has gradually withdrawn from butcher's work, seeking to limit the butcher staff in its hypermarkets and supermarkets. Hence, this work is left more and more to slaughterhouses and meat carving shops. Moreover, until 1992 Casino was much involved in upstream operations, owning 4 plants including 2 large slaughterhouses. The group has recently withdrawn from most of these activities and now owns only one

slaughterhouse in Sarthe, Sabim, which, with Soviba and Vital-Sogéviandes, is its principal national supplier. Casino also buys from a few large regional suppliers such as Bigard.

For ground beef, accounting for 10% of beef sales, Casino uses almost only large national suppliers like Arcadie (Trucculus brand), Vital (Charal), Socopa (Socopa), Sovico (Soviba).

THE PRODUCT

Casino sells two beef qualities :

- products of standard quality are obtained from 4 to 6 year old cows. Casino mostly uses the Norman race. The group does not monitor food and breeding for this type of meat.
- prime quality meat is monitored from the birth of the animal to delivery at the store. Today this quality comprises Red Label Charolais beef.

Casino buys less and less young cattle meat which, despite its beautiful appearance, remains a little dry and hard. However, cooking habits differ from region to region.

Casino pays close attention to slaughterhouse conditions, notably refrigeration, the stress of the animal and hygiene, all factors which determine the tenderness of the product. These characteristics are defined highly precisely in the group's national specifications manual.

The group also specifies : color (a beautiful bright cherry red) ; water contents, which should not be too high to prevent excessive sweating, as this makes the meat look unappetizing in trays and to prevent loss of weight through evaporation during maturation ; and the marbling (category 3 on the Europa scale).

The absence of growth promoters and microtoxins in the meat is especially important as consumers are aware of this kind of problems (cf. the boycott of calf meat or English cattle after the raging cow disease).

The parts of the carcass which are most in demand are parts for grilling (hindquarter). The front quarters are used for ground beef. Today, Casino buys 1 front quarter for 3 hindquarters.

It has to be admitted that the group offers few novelties. Mr Murat is apparently interested in products supplied in "consumer sales unit" to the stores. They would have to satisfy 3 basic

conditions : their presentation should resemble that of traditional products ; they should not be much more expensive ; and they should offer a few additional days of preservation. Thus, meat could become a real industrial product. Current novelties are mostly limited to seasoned hamburgers. This gives a product with less cholesterol (attracting the consumer's attention) and should drive down sales prices (plant proteins can account for 50% of the product, which thereby becomes less expensive).

SUPPLIER RELATIONS

To optimize its logistics, Casino buys its beef from suppliers which also provide veal, pork and even poultry. The warehouses of certain large but specialized suppliers are sometimes even used to transit other products for the group.

Prices are negotiated by the national central buying unit. Negotiations are weekly for ready-to-serve meat and carcasses and quarterly for minced meat. If we exclude seasonal variations, the change in the French cattle population is the principal source of meat price fluctuations. Mr Murat notes that the number of nursing cows is currently increasing compared with milk cows. In his opinion, this adjustment should improve quality.

Mr Murat told us that the average margin on incoming beef is 22%. It can vary significantly since differences in supply prices are rarely passed on to retail prices.

There is little effort to market beef. Mr Murat believes that this can only be done properly once meat becomes a true industrial product. Labels are one effort to achieve this. But Mr Murat believes that there is little difference with the quality of standard meat. On the other hand, the visual aspect is satisfactory (beautiful color and lean meat).

Casino's logistics are relatively decentralized. The stores place their orders directly with suppliers, which deliver directly, 3 times per week for unprocessed products, and every day for ground beef. The purchase center has only one warehouse. Meat matures in store refrigerating rooms, minimum 7 days and maximum 10 days.

Casino tries as much as possible to remain loyal to its suppliers. Relations are based on confidence and most agreements are oral. Casino's principal concern is less to find less expensive occasional suppliers than to obtain supplies of constant quality.

ATTITUDE TOWARDS DANISH MEAT

Casino is already working extensively with Ireland. Irish meat is considered to offer excellent quality for money. Mr Murat knows Denmark as a producer of pork and considers it a quality supplier in this area. If they can set up the same type of organization for beef, Casino would be ready to work with the Danish.

Meat will have to be delivered ready for carving. Logistics should guarantee rapid delivery to stores (supply hubs would be needed). Prices should be attractive. Mr Murat stresses the importance of regular quality, which he considers a vital purchase criterion. Lastly, any marketing campaign would have to focus on the product, not the country.

A last important point : Danish beef is currently light meat. Rightly or wrongly, the French consider heavy meat a guarantee of quality. According to Mr Murat, Danish suppliers should be able to adapt themselves to this requirement.

4 - COMPTOIRS MODERNES

Mr Thibault, Meat Purchase Manager

61 rue Denis Papin, 72044 Le Mans cedex

tel. (16) 43 72 50 00

GENERAL INFORMATION

In 1992, the Comptoirs Modernes multi-stores chain posted a turn-over of almost FRF 23 billion. The group comprises 5 regional companies. The group's organization is highly decentralized. Each regional company and each store manager has considerable independence.

PURCHASE DECISION

The purchase decision is made at national level for ground beef and at regional level for all other products. Each of the five regional companies negotiates its own purchases and determines its own sales strategy. Stores do not make purchase decisions with respect to beef.

Comptoirs Modernes holds monthly meetings with its purchase/sales departments. Here, regional decisions are taken for each regional company. National decisions (ground beef) are taken for the group, based on a survey of the 5 regional companies. However, there is a trend towards fewer suppliers and decisions increasingly concern all companies.

THE PRODUCT

Each year, the group buys 10,000 tons of beef. Whole carcasses (heifer U, cow U and heifer R) account for 95% of the total. Carcasses are approved by Comptoirs Modernes in the slaughterhouse (no carcass leaves for a store without the Comptoirs Modernes stamp). Comptoirs Modernes mainly buys carcasses because of its positioning as a traditional specialist. Ready-to-carve meat accounts for only 2.5% of the weight of beef and veal. Comptoirs Modernes buys very little prepackaged meat, and only for convenience stores (Comod network).

The group's companies do not buy the meet of young cows.

The group focuses on the meat of grazing animals, without anabolics, and avoids large animals from Holland and Belgium, chock-full of hormones. This is why the group's companies do not buy on the Rungis mart.

Purchases are subject to exact specifications. The specifications manual notably stipulates that meat must have a cheery red color and a pH factor of less than 6.

All ready-to-carve meat delivered to stores is approved by Comptoirs Modernes in the meat carving shop. A precise specifications manual lays down carving and packaging conditions. Meat arriving at the store is labelled with the name of the sales point. The price tag mentions the packaging date, the last preservation date and a recommended consumption date.

As regards new products, Comptoirs Modernes' policy is to wait until a product has proven itself.

SUPPLIER RELATIONS

The group's companies are mainly working with 5 regional suppliers "known at European level" for carcasses and 2 suppliers for ground beef : Socopa and Vital.

The group changes suppliers when there are quality problems. Its supplier relations are based on written contracts.

The group focuses on long-term relations with its suppliers, notably to make it easy to "trace" products and prevent delivery of "adulterated" products (hormones) from Holland or Belgium which avoid veterinarian inspections. Comptoirs Modernes is considering a partnership with breeders and industrialists to help set up a production line.

Comptoirs Modernes does not accept POS materials in its stores, no demonstration and no supplier training of its vendors, as the group has its own training schools.

Prices are negotiated once a week by regional buyers. Our contact did not tell us the size of margins.

Suppliers deliver directly to stores, twice a week for carcasses, every day for the remainder (notably ground beef). On arrival, the products are checked for weight, temperature, etc. The meat matures mainly in the store (5 days before hindquarters are marketed, although front quarters are marketed straight away).

ATTITUDE TOWARDS DANISH MEAT

Currently, the group does not buy meat in other countries. According to our contact, Danish meat is good. But he believes that Danish industrialists do not adapt themselves sufficiently to specific customer requests and try to impose their own standard, even if their quality standard is entirely satisfactory. He considers the Danes weak in commercial terms. They are good technicians, which is enough for many markets, but not the French market. By way of example Mr Thibault mentioned Socopa, which accounts for 12% of the French market and which adapts itself fully to the requests of each customer. The Danes cut up their carcasses and mainly supply ready-to-carve meat. Most of the fat is left on the meat for better preservation and maturation.

However, as these pieces are less processed they should be less expensive than more processed meat, since the added weight is not part of the produce and calls for additional work on the part of the distributor. According to Mr Thibault, if the Danes want to sell their beef in France, they need to engage in made-to-measure production. Mr Thibault is ready to offer the Danes his services and skills to give them more information about the French market and its needs.

5 - CORA

Mr Schindler, Meat Purchase Manager of the Mundolsheim store

RN 23, 67450 Mundolsheim, tel. (16) 88 20 96 96

(Mr Schindler refused to be recorded)

GENERAL INFORMATION

Firm running hypermarkets, Cora posts an annual turn-over of roughly FRF 40 billion, mostly through hypermarkets and supermarkets in the North-East of France. Cora is one of the most decentralized food distribution groups : the stores largely control their own supplies and sales policy.

PURCHASE DECISION

The group lists about 200 official meat suppliers. Mostly, these are large slaughterhouses which supply their products directly to the stores. The purchase decision is made by each store separately. Certain suppliers are listed by the group's central buying unit ; however, the final procurement decision and its price are determined by each store manager.

In all stores, meat is delivered ready to carve, in order to save on personnel expenses. Ready-to-carve meat requires less work and know-how than carcass meat. Ground beef is delivered in consumer sales units and never produced in the stores.

THE PRODUCT

The group buys heavy meat (type R on the Europa scale).

Quality and price are the key purchase criteria. A supplier's proximity is not important. On the other hand, suppliers must align with European hygiene standards.

Each store is entitled to submit its own specifications (e.g. specific carving requirements or variations in muscle weight).

In terms of hygiene inspections, Cora only checks the meat temperature on delivery.

Each store determines its own meat packaging. Store packaged meat bears the Cora tag. Meat with a quality label is bought ready for sale and therefore bears such quality label. Ground beef is delivered under the producer's trademark.

Quality labels are becoming more popular. The red label is appreciated : it accounts for 10% of beef sales at Cora.

SUPPLIER RELATIONS

Cora likes to use specialists for each type of meat. Each store manager negotiates prices once a week. Prices vary according to national fluctuations (about FRF 5 to 10/kilo/year).

The gross margin ranges from 10 to 20%, depending on the store.

Cora is interested in supplier marketing efforts. For example, our contact considered in-store tasting a good idea.

Ready-to-carve meat is delivered twice a week, while ground beef and ready-for-sale products are delivered daily. The meat matures at the supplier (7 days before arrival at the store), especially hindquarters.

Cora goes in for long-term supplier relations. The group does not use written contracts, oral agreements are enough. Cora is not really interested in pushing new products.

ATTITUDE TOWARDS DANISH MEAT

Cora basically buys only French meat, even though our contact acknowledged that it isn't always easy to establish origins when buying ready-to-carve meat.

Cora has never worked with Danish meat. Our contact would like to have more information about Danish meat and does not exclude the idea of working with Denmark.

6 - DOCKS DE FRANCE OUEST**Mr Solon, Meat Product Manager**

Z.I. du Meneton, Avenue Bedaux, 37000 Tours

tel. (16) 47 77 77 77

(Mr Solon did not want to be recorded)

GENERAL INFORMATION

Docks de France (1992 turn-over of FRF 35 billion) is a multi-stores chain comprised of 5 regional subsidiaries in France and two foreign subsidiaries (Spain and the United States). With a turn-over of FRF 5.1 billion, Docks de France Ouest is the second largest subsidiary of the group (after Docks de France-Ruche Picarde : FRF 6.4 billion) but the subsidiary with the most hypermarkets and supermarkets (13 and 33 respectively). The group's organization is generally highly centralized. Most supplies are negotiated by the national central buying unit (Paridoc). Meat and other fresh produce are the exception : here, negotiations are conducted at regional level.

THE PURCHASE DECISION

Nearly all purchase decisions are taken at regional level. Mr Solon determines orders (price, quality) for the entire Western region. The purchase center buys either whole carcasses which are delivered directly to the 34 supermarkets and 87 hypermarkets and processed in the store carving shops, or it buys half-carcasses which are transformed by the purchase center into ground beef and delivered packaged to the stores.

The group's suppliers are exclusively regional slaughterhouses, for reasons of proximity.

Products are classified according to the "Europa" scale and not seem to be subject to other criteria except for the price.

THE PRODUCT

Breeding and hygiene problems are left breeders and slaughterhouses respectively. Docks de France does little to inspect freshness in its stores.

The products are not sold under any brand. The price tag only mentions the distributor's name, as required by law. Charal beef is the only exception to this rule.

SUPPLIER RELATIONS

Docks de France Ouest has eight beef suppliers, solely regional slaughterhouses, including slaughterhouses from Tours, Blois, Lorient and Ruffec. These slaughterhouses have long-term relations with Docks de France, which both parties seem to want to continue. Relations are mostly based on oral agreements, not on written contracts.

Docks de France Ouest buys its beef, veal and lamb from the same suppliers.

The purchase center negotiates its prices once a week. The stores do not conduct any negotiations. Prices are based on supply and demand and may fluctuate up to 15% up and down per month. Seasonal fluctuations are small.

Mr Solon did not disclose his average gross margin on beef but told us that it differs little from one product to another. However, we know that the commercial margin rate (commercial margin/purchase of goods) reached 21.1% in 1991 and the net result/turn-over (profitability indicator) was 1.4%.

The group's suppliers don't engage in marketing and Mr Solon does not seem to wish this to change.

As regards logistics, supplies are delivered daily to the purchase center and three times per week to the stores. The purchase center supplies its stores every day with ground beef. A large hypermarket orders an average of 18 to 20 carcasses per week. The purchase center produces 340 tons of ground beef per year, made from front quarter pieces.

ATTITUDE TOWARDS DANISH MEAT

Although Mr Solon has nothing against Danish meat, Mr Solon seems to prefer preserving his long-standing relations with his existing suppliers. In other words, our contact does not appear very interested in changing suppliers.

7 - I.T.M. FRANCE**Mr Millet, Meat Purchase Manager**

1 rue du Chemin Blanc, 91165 Longjumeau Cedex

tel. (16) 64 54 56 00

GENERAL INFORMATION

ITM is a large consortium of independent businesses whose cumulative turn-over in 1992 came to FRF 114 billion including VAT. The consortium has a highly centralized organization, including 29 dry and fresh product buying units and 3 centers specialized in products other than food. The ITM group (which includes restaurants and businesses specialized in supplies for local authorities) distributes roughly 100,000 tons of beef.

PURCHASE DECISION

Meat purchases for regional buying units are coordinated at national level. The "meat department" is responsible for buying fresh meet (beef, veal, lamb, offal except pork) and fresh and frozen ground beef. This level determines the product catalogue and price policies and organizes logistics. But if store managers can find a better local offer they are entitled to make their own purchases. The "meat department" of the national buying unit accounts for roughly 65% of store supplies. The remaining store suppliers are small local or regional slaughterhouses and a few large national processors (Socopa, Arcadie, Vital).

The ITM group has its own slaughtering and meat processing facilities. ITM has a subsidiary for frozen ground beef and further owns a meat processing unit. For fresh meat, ITM controls Société Vitréenne d'Abattage, which supplies 95% of the group's listed products. Hence, ITM rarely calls on suppliers outside its network, at least at national level.

THE PRODUCT

Beef purchases are divided into carcasses (60%) and vacuum (40%). Ground beef accounts for 40% of sales. Meat for grilling (rib steaks, etc.) is most in demand. Meat from young cattle accounts for only 14% of supplies because of the price difference between young cattle and meat cows, formerly not in favor of young cattle. Today this is no longer the case, as there

are fewer meat cows, and their price has gone up. But young cattle is considered an unpopular product (problem with color, consistency). Mr Millet believes that ITM is not yet ready to sell young cattle outside the traditional areas where they are bought (north of France and to some extent the east).

ITM distinguishes itself from the competition by the fact that its sales points sell 65% of their meat through traditional butchery departments.

There are particular breeding specifications. On the other hand, as regards slaughtering facilities, our contact maintained that Société Vitreuse d'Abattage provides ITM with one of the best European units in terms of hygiene and recovery of the 5th quarter. The consortium has precise refrigeration and temperature reduction specifications and has prepared a set of maturation time recommendation. Carcasses are stamped with a label showing the slaughtering date and the recommended product carving date. ITM also manages an analysis laboratory which steps in to diagnose hygiene at the request of sales points.

ITM has laid down different conformation classes. Carcasses are assigned by region and specific requests from different sales points. Sales points are asked not to change products unduly, in order not to confuse their customers.

ITM sells few brand products (Charal, Cerise, etc.), although certain sales points believe such products to have a definite potential. For the moment, most beef is sold without label. In the coming months, the meat sold by ITM will get a label which highlights the chain's know-how and offers a consumer guarantee. The idea is not to promote the label or a geographic origin but the quality of an industrial brand. Ground beef is sold under a label.

SUPPLIER RELATIONS

Supplier relations are considered excellent (remember that these are mainly relations with Société Vitreuse d'Abattage, a group subsidiary). Carving and packaging are according to ITM's specifications. Purchase prices are negotiated weekly by the meat business line. Prices fluctuate according to the market. Mr Millet was embarrassed when asked about the size of the margin : the consortium provides sales points with recommended margin and price levels but cannot impose them.

Our contact considers supplier marketing efforts generally insufficient and believes that meat in general is inadequately marketed.

The supplier delivers its products twice a week directly to the stores. The delivery time is about 2 days.

ATTITUDE TOWARDS DANISH MEAT

Our contact associates Denmark with pork, not beef. He repeated that they have worked for many years with the same supplier and are satisfied. This supplier buys little carcass meat. However, it sometimes buys some live cattle in Ireland. Mr Millet declared that he might be interested in milk cows, of which there are fewer and fewer in France.

8 - INTERMARCHE (ITM)
Mr PELLETIER - Store Butchery Department Manager
Avenue Lefoll - 94 Villeneuve-le-Roi

GENERAL INFORMATION

The store's turn-over is roughly FRF 2 billion per year, including FRF 600 million from butchery operations. The store has 45 employees, including 4 in the butchery department.

PURCHASE DECISION

The purchase decision is centralized at national level. Hence, the store buys its supplies according to the directives of ITM's national purchase center, which defines the products and price policy and organizes logistics. The store's only two official national suppliers are Gréant and Socopa. However, the store is entitled to make isolated purchase decisions, e.g. during promotional campaigns.

The store buys roughly 60 tons of beef per year, mainly vacuum-packed meat, some carcasses. Sometimes it buys young cattle.

When suppliers offer new products, the store may buy without reference to the national purchase center. All Intermarché stores operate more or less the same. Some may call on local suppliers for specific products bought traditionally by their regional clientele.

THE PRODUCT

National specifications determine the features of the purchased products (cf. interview with Mr Millet of ITM France). Stores do not have special requirements concerning breeding, slaughtering, carving or packaging. Suppliers deliver products according to national specifications.

The store is interested in new products capable of satisfying consumer demand. For example, it sells Charal meat, which is a popular item. Most beef is sold without brand. Ground beef bears the supplier's label (Bigard).

SUPPLIER RELATIONS

The store buys from Gréant and Socopa, which supply beef, veal, lamb and pork. But that is not the main reason for the purchase decision. Intermarché selects its suppliers for the quality of their products, not the range of products available.

The store negotiates prices once a week, according to meat prices, as part of the pricing strategy laid down by the national center. Prices vary little for beef. Mr Pelletier says that the average gross margin on beef is about 22%.

Mr Pelletier thinks that suppliers make little marketing efforts. For Charal type products, their action is mainly limited to television commercials. Additional efforts would be desirable.

As regards logistics, meat is directly delivered from supplier to store, without going through a warehouse. Deliveries are made two to three times per week, generally day B for orders placed on day A. The meat matures in the store. There are no special supplier requirements regarding ordered quantities. On the other hand, Intermarché requires compliance with delivery dates. Relations are informal, negotiations take place by telephone.

Intermarché works on a long-term basis with its suppliers provided it is satisfied with products and services. A store may decide no longer to use a given supplier if there are difficulties with deliveries or prices.

Mr Pelletier does not know what could be improved. He is extremely satisfied with his supplier relations.

ATTITUDE TOWARDS DANISH MEAT

Mr Pelletier does not concern himself with the origin of the meat which he buys. It is simply marked EEC. He is not familiar with Danish meat and therefore cannot say anything about it.

9 - LECLERC Hypermarket in Vitruve
Mr Philippe, Store Manager, Regional Meat Product Manager
25 rue de Vitruve, 75020 Paris
tel. (1) 43 71 82 06

GENERAL INFORMATION

With a 1992 turn-over of FRF 114 billion, Leclerc is the leading independent group and the second largest French mass distributor of food. Its organization is highly decentralized. Brand product negotiations are conducted by the national buying unit. However, the 15 regional purchase centers and the stores have considerable independence. This decentralization is especially notable for fresh products in general and meat in particular.

PURCHASE DECISION

Purchase decisions are generally made by the meat store department manager. A few negotiations are conducted at national level, mostly limited to the biannual "meat fairs". Ground beef and products like "Cerise" and "Charal" steak are supplied at national level.

Leclerc owns a slaughterhouse, Kerméné, which supplies shops at national level. It covers about 30% of national beef needs, 70% for Leclerc "Vitruve". While Kerméné has major slaughtering operations, it also appears to buy carcasses from other suppliers. While Leclerc stores buy primarily from Kerméné, the limited capacity of this in-house supplier forces them to buy part of their meat from other suppliers, chosen independently by each shops, generally on the basis of prices. Prices are the prime purchase criterion. Quality for money is another important criterion.

Stores may change suppliers from one day to the next (except for Kerméné) if the meat buyer believes that he can get the same quality at a lower price from another supplier. Suppliers range from large national companies (Socopa, Sogéviande, Arcadie, etc.) and small wholesalers at the Rungis mart (enabling the buyer to choose and negotiate on site and to shorten delivery times). The number of suppliers varies from 1 to 3 per week, according to available market supplies and Kerméné's capacity.

THE PRODUCT

Stores do not bother with cattle breeding problems. Meat is delivered in the form of ready-to-carve muscles. Our contact buys exclusively hindquarters from cows (dark red meat). This choice seems to be based on a personal preference.

The store does the final carving and packages carved products. Prepackaged products (excluding ground beef) account for less than 1% of sales. There is no stock of carved products and a tray of meat put on the shelf in the morning can remain at most until the evening of the next day. Hence, meat is carved daily. Products packaged by the store are sold under the Leclerc label, which cannot be considered a true brand label. Our contact mentioned to failed attempt of an Auchan store to obtain all its products prepackaged. The store was quickly forced to resume carving again. Carved meat has a very short life, which makes it impossible to manage centrally, and preservation prolongation techniques (packaging under gas) are effective but expensive.

SUPPLIER RELATIONS

The reputation of suppliers does not seem to be a chief requirement for our contact. The price-quality ratio is the only concern. Leclerc does not appear to have a list of official suppliers. Each store chooses its own suppliers. Thus, purchase managers frequently seem to change suppliers. Apart from the Rungis mart, most suppliers are slaughterhouses, not wholesalers.

Prices fluctuate considerably according to demand, the season, competition, etc. Generally, prices are negotiated weekly. However, the pace may rise to up to twice a day. The average gross margin on beef in the shop is about 15%. Accounting for 50% of butchery department sales, beef suffers most from competition, which is cut-throat.

Generally, beef suppliers are not suppliers of pork, poultry or other.

There are no supplier marketing efforts, as they do not supply finished products. Only products like Charal or Cerise have their own promotional campaigns.

As regards logistics, deliveries take place 2 to 3 times per week. Generally, supplier contracts are not written. An oral agreement is enough for an order, a delivery, etc. Suppliers are paid

within the week. The Vitruve store has to order about 6 times (minimum) per week to keep up. The store uses the just-in-time method. When getting supplies from Rungis, the store uses a carrier. Other suppliers ensure their own deliveries, as they have their own truck fleet or work with a delivery company.

ATTITUDE TOWARDS DANISH MEAT

Our contact appears to favor French meat but also buys in Germany (good price-quality ratio). He knows Danish meat, which he considers tasty but fat. He might buy if the price were right. He noted that the Danes cut carcasses and muscles differently from the French.

He ended by explaining that :

- if the meat is less fat
- if carving is adapted to French standards
- especially if prices are interesting

he does not exclude the idea of buying Danish meat.

10 - SCA MONOPRIX
Mr Barouin, Meat Purchase Manager
3 rue Paul Cézanne, 75008 Paris
tel. (1) 40 75 15 50

GENERAL INFORMATION

A subsidiary of Galeries Lafayette (department stores), Monoprix SA has a network of popular stores (names : Monoprix, Inno, Uniprix, Super M), managed by the company itself, plus affiliated sales points. SCA Monoprix is the group's food purchase center. It supplies roughly 200 butchery departments and posts an annual butchery turn-over of FRF 1.5 billion, including 30% from beef.

PURCHASE DECISION

The system is highly centralized. Supply management is organized by two buyers, one for Paris and France north of the Loire, the other (based in Cavillon) for France south of the Loire. About one hundred of the two hundred stores supplied by the buying unit are located in the region of Paris, i.e. 60% of turn-over.

The purchase center has laid down specifications to define the type of meat wanted. Suppliers are selected at central level and assigned stores. The stores buy almost all their supplies from official suppliers, at least the stores owned by the group.

The national buying unit adds or withdraws products according to a product file analyzed once a month. Products which do not sell sufficiently are withdrawn.

THE PRODUCT

Monoprix buys roughly 8500 tons of carcasses and ready-to-carve meat and 2200 ground beef.

Most stores obtain ready-to-carve meat. For historic reasons, a few stores are supplied with carcasses (25 to 30% of beef supplies).

Monoprix buys meat from milk cows. Two qualities are bought. The first, upmarket, is sold through a traditional butchery department (carcasses). Young cattle meat is bought only for the region of Lyons (local tradition), accounting for about 5% of the total.

In Paris, Monoprix only uses specialized suppliers (Socopa, Bridel, Bigard, Vital, Arcadie). In the provinces, stores are smaller and further from each other. Buyers use suppliers for the Paris region or regional suppliers who supply stores assigned by the purchase center. Monoprix works with about 20 beef suppliers in total. Ground beef is supplied by socopa, Arcadie and Bigard.

Monoprix has sold Charal products from their inception. They are considered reliably tender, can be preserved a relatively long time and are of high quality but are about 30% more expensive than other products.

The specifications manual stipulates carcass or muscle weight. Meat which is too marbled (too fat), too dark or has too high a pH factor is eliminated. Suppliers are asked for at least one week of cold maturation to ensure tenderness. Breeding of standard meat is not monitored but Monoprix demands guarantees for upmarket meat. The specifications do not stipulate the protein contents. As regards residues, Monoprix accepts the verdict of veterinarian inspections and complies with French law (hormones forbidden). A freshness chip is affixed to the packaging of products sold under the Monoprix label, showing whether the cold chain has been broken. Thermometers equipped with recorders monitor the temperature in the butchery department.

Carving and preparation are monitored by inspecting butchers who visit the stores. Tray packagings contain a blotter to absorb exudation, which is not appreciated by consumers.

Monoprix goes in for novelties. As a down-town store, Monoprix wants to distinguish itself from the competition by offering novelties. Hence, the company is on the lookout for new products (ostrich meat, distributor brand products (ground beef) with plant proteins, marinated beef, etc.).

Basic meat is sold without label. Upmarket meat is sold under the producer's label, whose use is exclusively reserved for Monoprix ("Le Père Gourmet"). Ground beef is sold under the producer's label, except for a few Monoprix label products (about 2 to 5% less expensive).

Meat is mostly carved in the store.

SUPPLIER RELATIONS

Monoprix has long been working with national suppliers. Relations are informal, except for discount conditions.

Prices are negotiated by the buyer, who takes account of national prices in the trade press (weekly prices). An average two-week price is calculated and the buyer applies a coefficient negotiated with the supplier, so determining the price of the products bought. There are two coefficients per year, one for winter, one for summer.

The average gross margin varies according to the processing level, owing to the proportion of personnel costs involved : 13% personnel costs for traditional products, 8% for ready-to-carve meat and 2% for meat sold in consumer sales units. Our contact did not want to give more precise explanations about margins. But we know that the commercial margin rate (commercial margin/purchase of goods) was 1.5% in 1991.

Every two weeks, the prices negotiated by the purchase center are sent to the stores. All stores are granted the same purchase price for a given product. Orders from stores are forwarded to the purchase center on day A for delivery on day C (orders placed by computer). Next, the purchase center places its orders directly with the supplier. The same system is used for carcasses, ready-to-carve meat and ground beef. Unprocessed meat intended for the provinces is delivered directly to the store (by the supplier or a carrier). In the region of Paris, suppliers deliver their meat to a Rungis-based carrier, which delivers it to the stores. Meat in trays (such as ground beef) transits through Monoprix' hubs : the supplier delivers its products to the hub before 1 :00 a.m. ; the products are grouped in consumer sales units and are delivered by 7 :00 a.m. to each store (by truck).

Mr Barouin would like closer supervision of product quality. Every link in the chain can be improved : regularity of cattle quality (breeder), exudation, cooling and maturation (industrial) and carving (stores). Even the red label does not always guarantee a wholly regular product.

He also believes that supplier marketing can be improved markedly. They are way behind poultry marketing efforts ("Loué" chicken, etc.). Monoprix is interested in supplier marketing

efforts focusing on quality. Products should not be cheapened to facilitate their sale. Similarly, our contact said that he is ready to examine a partnership with industrialists to develop new products.

Monoprix only drops suppliers over quality or price problems.

ATTITUDE TOWARDS DANISH MEAT

Monoprix is not particularly looking for foreign meat and does not work directly with foreign suppliers, only with 2 import companies. Quality and price being equal, Monoprix prefers to buy French cattle.

Danish meat is considered rather fat, as it often comes from milk cows. Mr Barouin thinks that the Danes should make their products homogeneous. For example, if they offer fillet steaks, all pieces should weigh from 2.8 to 3 kg. Delivery could be directly from Denmark.

11 - PROMODES

Mr Potier, Fresh Products Marketing Manager

123 rue Jules Gesde, 92300 Levallois

tel. (1) 47 15 64 00

GENERAL INFORMATION

Promodès is a multi-stores chain and wholesaler with a 1992 turn-over of FRF 84 billion. CAP is the group's integrated national food purchase center, supported by a series of regional centers. Meat accounts for 5 to 6% of turn-over from fresh products sold by the group's stores (Continent hypermarkets and Champion supermarkets). In small sales points this percentage rises to up to 10%.

PURCHASE DECISION

The strategy is defined at national level, including products sold, number of products in the catalogue, development of quality labels, etc. Suppliers are chosen and negotiations are conducted at regional level (one manager per region and per store sign) based on specifications laid down by region (7 regions for Continent, 11 for Champion, separate management for both signs). Regional specifications differ little.

Suppliers are invited to tender (one invitation to tender per week). There are 3 to 4 suppliers per region, practically always the same. At national level, the purchase center buys 65 to 100% of ground beef for its hypermarkets from the Idéa slaughterhouse (a company which was formerly owned by the group). The suppliers (mostly of ready-to-cut meat) are regional butchers and large producers of processed products.

THE PRODUCT

Slaughtering, hygiene and refrigeration conditions are stipulated in the specifications manual, which is based on legal standards.

Store meat sales (Continent and Champion) break down as follows : 10% ground beef, 7-12% processed products, the remainder fresh pieces (including offal). Basic meat is sold under the distributor brand (mandatory label). Processed products are sold under the supplier's label.

Promodès mainly buys vacuum-packed muscles ready for cutting except for supermarkets with a traditional butchery, which buy carcasses.

The purchase of young cattle is a major business line, especially for Continent hypermarkets.

Promodès' demand focuses mostly on hindquarters (shift from RT8 to RT13). Importance of hygiene, freshness, packaging and presentation : Promodès demands high quality vacuum-packed meats, mention of limit dates, a quality outer packaging (classification and presentation of products in containers)... everything which makes it possible to trace the animal.

SUPPLIER RELATIONS

The whole line of available products is bought from Idéa. For other purchases, Promodès buys from specialists.

Prices are negotiated per week by regional managers (except Idéa). They are based on market quotations. The average gross margin varies according to the type of meat and whether or not a hypermarket or supermarket is involved (Mr Potier refused to tell us more about this).

Promodès has its own training center. POS materials are not encouraged (very marginal and one-time). Promodès prefers marketing as part of a national strategy.

Carcasses and ready-to-cut muscles are delivered directly by suppliers to stores. Processed products are shipped through regional warehouses. Deliveries are almost daily and delivery times range from one to two days, according to the products concerned. Meat with a quality label matures at the supplier. The other products mature at the stores (their cold rooms can hold a stock of 8 to 10 days).

Regional specifications clearly define terms of delivery, billing and payment, etc.

The group prefers long-term supplier relations. Promodès' purchase volume requires a number of large suppliers, such as Socopa, Vital and Arcadie. Relations with both large and small suppliers are based on written contracts.

Promodès uses a predefined system of penalties in case of problems. It may dismiss a supplier if products or their quality drop or if there are repeated logistics or price problems.

Mr Potier expects his suppliers to develop products with quality labels or official regional appellations (offering a guarantee and quality) and to make marketing efforts in order to inform the customer (currently mostly handled by the distributors). He expects processed products to be "ready for use", easy to cook, etc.

ATTITUDE TOWARDS DANISH MEAT

Promodès buys some carcasses in Ireland (through Idéa) as they offer a price-quality ratio considered attractive.

The country of origin is not really important. But like all large distribution companies, Promodès faces the problem of French suppliers. Also, the information required on labels makes it necessary to offer French products, which hampers foreign purchases. Lastly, Mr Potier believes that the French recognize only one type of meat for its quality : Charolais. Mr Potier thinks that a foreign origin wouldn't add any value at this time.

Mr Potier is not familiar with Danish meat. It would seem difficult to convey any message about the Danish origin. The work accomplished in the United Kingdom, for example, was accomplished anonymously : their efforts focused on the product rather than its origin. This is an interesting example, worth following : remain discrete about the origin of the meat, offer constantly improved products (quality) and offer competitive prices.

12 - SAPAC PRISUNIC

Mr Cano, Butchery Distribution Manager

6 rue des Tropiques, 94150 Rungis

tel. (1) 45 60 36 77

GENERAL INFORMATION

A subsidiary of Printemps (department stores), PRISUNIC SA runs over 150 superstores with an integrated super market. PRISUNIC SA manages only 40% of these stores directly ; the remainder is managed under a franchise license. In 1991, PRISUNIC SA posted an ex-VAT turn-over of FRF 5 billion. SAPAC PRISUNIC is the central buying unit of PRISUNIC SA, which supplies all PRISUNIC stores. The butchery department accounts for roughly 13% of the center's food turn-over.

There are two meat hubs : one in Trappes for the region of Paris and the north of France, and one in Cavaillon for the south and center of France. The east and west are supplied directly.

PURCHASE DECISION

The purchase decision is made at national level by the Rungis buying unit. The stores place their orders with the Trappes hub for the region of Paris and the north of France, or the Cavaillon hub for the south and center, or directly with suppliers.

All suppliers are listed by the national purchase center. Stores cannot select their own suppliers.

Suppliers must satisfy EC standard (the slaughterhouses and carving shops are regularly visited by PRISUNIC) ; they must have proper logistics. The national buying unit lays down national specifications for ready-to-carve meat and carcasses (according to the Europa scale). The same goes for suppliers. Thus, the stores have identical supplies.

Current supplies for ready-to-carve meat and carcasses : Socopa, Sovico, Soviba, Sogéviande, Brechviande, as well as a few small local slaughterhouses. For ground beef : Socopa, Soviba.

THE PRODUCT

Beef accounts for 35% of meat sales. For the Trappes hub (60% of total supplies, Prisunic buys only young cattle. For the other regions, cow meat.

Ready-to-carve meat accounts for 95% of deliveries to the hubs. The reason for this lies in the difficulty of recruiting professionals to carve carcasses in the stores and in the fact that Prisunic wanted to lower its payroll costs. Hence, most work is done upstream by the Prisunic suppliers. But Prisunic intends to work more carcasses in order to recover part of the added value realized currently by the producer. The group's stores in the east of France work for 95% with carcasses.

Meat is carved in all stores according to standards laid down by Prisunic, which has a team of supervisory butchers responsible for training store butchers. Chief butchers are regularly required to do courses.

Separate pieces of meat are sold without brand label. Ground beef bears the Prisunic brand. Prisunic wants to start mentioning the origin of meat in some of its stores.

The purchase center adds or deletes products according to demand and regional needs. New products proposed by suppliers are only accepted if they boost turn-over.

SUPPLIER RELATIONS

All suppliers are awarded the same pricing terms. Prices are negotiated weekly.

Our contact did not wish to discuss margins.

Prisunic requires its suppliers to satisfy European standards (slaughtering, hygiene, etc.). The reputation of most of Prisunic's suppliers is excellent. Currently it is difficult to control the traceability of products (specially ready-to-carve meat) but Prisunic plans to develop a partnership with breeders for certain high-quality products.

As regards supplier marketing efforts, POS materials are welcome for certain specific products (upmarket, new product). Prisunic does not wish capers or demonstrations in its stores (difficult to control).

Deliveries take place every day to the hubs and 3 times per week to the stores. The store contacts the hub or supplier on day A for delivery on day B. Maturation occurs mostly at the supplier (8 days of maturation when the meat reaches the hub).

The time for payment is 20 days, in accordance with the law.

Suppliers are taken by the year. Prisunic prefers long-term relations with its suppliers, even if certain products are temporarily less expensive elsewhere. Contracts are written, conditions specified at the start of the year.

Mr Cano's chief desire is to see homogeneous supplier-distributor marketing efforts and cooperation in the development of new products (already the case for ground beef).

ATTITUDE TOWARDS DANISH MEAT

Prisunic does not buy foreign meat and is not familiar with Danish meat. Mr Cano is afraid of the problems involved in working with other countries (public opinion, reaction of French breeders). He believes that French supplies suffice. But if the price-quality ratio is significantly higher, if the Danes are more competitive than French suppliers, collaboration is not out of the question.

13 - Central buying unit SYSTEME U Sud-Ouest**Mr Coudronnière, Meat Products Manager**

La Chataigneraie ZI, N3, Route de Villandraut, 33210 Langon

tel. (16) 67 70 50 03

GENERAL INFORMATION

Système U, a retailer cooperative, posted a cumulative 1992 turn-over of FRF 40 billion, including VAT. The cooperative consists of a national buying unit and five regional buying units. The role of the national center is to provide the stores with a basic assortment and to manage distributor brand products ("U" products).

The south-west purchase center accounts for 12% of the national Système U turn-over. It serves 3 hypermarkets, 51 supermarkets and 30 superettes.

PURCHASE DECISION

Most beef purchase decisions are made at regional level.

The Langon purchase center places orders with suppliers, which are delivered in Agen, where the warehouse is located. Here they are prepared, boxed, delivered to the sales points. The Agen center only receives prepackaged products, i.e. ground beef, skewers, vacuum-packed meat and exceptionally certain noble pieces. The lion's share is accounted for by prepackaged ground beef.

The purchase center lays down specifications for non-prepackaged meat with its large suppliers (currently Socopa, Arcadie, Scaveau), stipulating most of the supply conditions for the coming year (quality, logistics, prices). Such meat is delivered directly to stores in the form of half-carcasses, and processed by the store carving shops.

15% of all carcasses are not routed through the regional circuit but are supplied by small local suppliers, who have the advantage of nearby facilities.

Brand products are handled at national level (Vital and Arcadie - Trucculus).

Currently, Système U is negotiating to release ground beef under its own label.

THE PRODUCT

Système U does not involve itself with breeding. On the other hand, the purchase center monitors slaughtering (according to its own standards) and may request slaughterhouses to modify their facilities or production process to align with these standards and be entitled to supply Système U sales points. The purchase center also inspects the freshness of its meat (color and core temperature) on arrival at the warehouse, during transportation to the stores and on arrival at the point of sale. Moreover, Système U calls on certain laboratories to conduct isolated inspections at the sales points. A carved product put on the shelf in the morning is available for sale until the evening.

The line of prepackaged products is steadily growing. Système U Sud-Ouest has noted that its turn-over rises under the impact of this extension of its line. Thus, Système U offers more than 20 different ground beef products (onions, tomatoes, rollers, etc.). Management is always on the outlook for new products. But their development is left to the initiative of its suppliers, whose job it is.

Ground beef and vacuum-packed meat are sold under the product U label. In the case of vacuum-packed meat, the origin (slaughterhouse) is mentioned. Système U also markets specific products like Charal steak and Cerise.

SUPPLIER RELATIONS

A specifications manual, negotiated annually between the regional center and its suppliers, lays down delivery terms for half-carasses (quality, price, frequency, etc.) to sales points. The purchase center is not interesting in changing suppliers, as the specifications manual appears to be the result of long reflection (in which Mr Coudronnière has played a large part). Suppliers aren't interested either in breaking their agreements, which concern large quantities of meat. The development of a heavy logistics organization and the buying unit's meat slaughtering standards, sometimes forcing suppliers to adapt production facilities, imply long-term supplier/purchase center relations. Only repeated quality problems or an inconsistent sales policy may prompt a change in suppliers.

Each type of meat (beef, veal, pork, poultry, etc.) is bought from different suppliers. The purchase center policy is to find specialists for each product.

Supplier marketing efforts and product promotion, POS materials, store demonstrations, etc. appear to be appreciated and encouraged by our contact. He believes that this is part of supplier prerogatives and that the distributor should limit itself to supplying a sales space. Moreover, he thinks it would be good to show fantasy and to invent new methods for highlighting products. For example, he considers it worthwhile to organize tasting sessions in stores. Prices of non-prepackaged meat are negotiated as part of the specifications manual. They fluctuate markedly according to seasonal factors. Stores are not directly involved in negotiations ; however, they are entitled to select those official suppliers from whom they prefer to buy their meat. Moreover, the commission negotiated in the specifications is partly linked to store meat department managers. Our contact remained discrete about sales margins. However, he explained that products prepared in the stores offer a margin which is 8 to 10 points higher than prepackaged products (although this margin is calculated against the carcass price, without taking account of store processing costs). We know that commercial margin rate (commercial margin/purchase of goods) was 2.3% in 1991.

Suppliers deliver prepackaged meat products to Agen, whence they are shipped to the stores. Suppliers deliver daily (orders are placed at 2 :00 p.m. and deliver at 6 :00 a.m. the next morning). The warehouse delivers 3 times per week.

ATTITUDE TOWARDS FOREIGN MEAT IN GENERAL AND DANISH MEAT IN PARTICULAR

Certain Système U suppliers buy German carcasses. In case of supply problems with vacuum-packed meat, the purchase center may also buy this type of product directly from Germany. As regards Danish meat, our contact explained that he had a bad first experience with Danish vacuum-packed sirloins but believes that this may be an exception and would be ready to make another attempt at obtaining Danish supplies if needed.

III - SUMMARY

I - SLAUGHTERERS-PROCESSORS AND WHOLESALERS

Twelve slaughterers-processors and meat wholesalers were interviewed. Contacts were not easy to establish and several of the interviewees granted us little time and gave only partial answers.

Most of the leading meat processors slaughter their own animals. Some (Soviba, Idéa, Bigard) satisfy their own supply requirements entirely with their own slaughtering and do not (or hardly) buy meat from other suppliers. Large processors which buy meat are prompted by the fact that they require more hindquarters than front quarters, need emergency suppliers or respond to low prices. Two of the interviewed companies have increased or are planning to increase their internal supply rate.

Most of the interviewed companies (processors or wholesalers) buy little or no young cattle. This type of meat is not adapted to the French market.

Suppliers are basically selected according to price-quality criteria. Some companies appear to stress prices, others quality. Many companies mentioned the need for regular quality and the "traceability" of meat (precise knowledge of origin) is an increasingly important concern. Many companies declared that they demand red and rather lean meat.

As regards standards, many companies have adopted the Europa standard. In terms of hygiene, most accept European and French legal standards, even if some go further and conduct additional tests.

Supplier relations are mostly informal. Only Kerméné and Sabim mentioned a specifications manual. Relations are based on confidence acquired through long-term relations. Most of the interviewed companies stated that they prefer long-term relations with their suppliers. The

length of a relation is considered to enhance the regularity of quality and to improve the efficiency of logistics. Delivery times are short and lower stocks is a general objective.

Such long-term relations do not prevent frequent price negotiations (often every week) according to market trends. We had much difficulty obtaining information on margins. This subject is clearly taboo in the profession. However, we know that the commercial margin rate (commercial margin/purchase of goods) varies from widely from one company to the next. Thus, in 1991 it was over 15% for some and less than 5% for others.

On the whole, supplier relations remain traditional, which means that they rarely exceed the framework of commercial transactions. Most of the interviewed companies make no efforts to establish partnerships with their suppliers, notably to develop new products. The biggest processors appear most interested in this.

All interviewees import supplies (this was one of the criteria used to select companies for interviews). However, few of them have worked with Danish suppliers. Denmark is relatively unknown as a beef producer. Denmark has a rather positive image and even though some interviewees have reservations about its supplies, several companies (including large processors) seem ready to start negotiations. The main negotiation points are apparently prices, regularity of quality and adaptation of the supply to the specific features of the French market.

II - DISTRIBUTORS

Thirteen supermarket distributors were interviewed, all leading groups in the French food distribution industry.

Generally, the decision-making process with respect to mass distribution supplies differs markedly from one chain to the next, mainly depending on how centralized their organization is. Even if less obvious, this characteristic also determines meat purchasing.

The purchasing of meat is generally more decentralized than other purchases. However, stores (except Leclerc) generally have only limited decision-making power (apart from orders placed). Suppliers are generally approved at regional level. National management structures are

sometimes responsible for negotiations with leading manufacturers of brand products and frequently lay down strategies for regional management units and stores.

Most purchases are of ready-to-carve muscles, even if carcasses are still bought frequently (notably for upmarket products). Little or no young cattle is bought (except by Promodès and Prisunic).

Suppliers are selected according to their price-quality ratio. Quality seems to be becoming more important and certain groups have broken down their supplies into two quality levels. Regularity of quality is frequently mentioned as a supplier selection criterion.

As regards quality inspection, certain groups go so far as to inspect breeding conditions, while others accept regulatory hygiene standards.

The number of suppliers varies from group to group and notably depends on the centralization of decisions. These are long-term relations, governed by specifications manuals, even if they are informal in many ways. Depending on the group, prices are negotiated each week, every fifteen days or every month (or more often for ground beef). Even though our contacts didn't say so explicitly, commercial negotiations are generally very tough. French mass distributors are used to using their power to obtain maximum advantages (official or unofficial) from their suppliers, especially when they cannot supply a well-established national brand and are working on markets with cut-throat competition.

Delivery is mostly directly to the sales points, but prepared products are often routed through warehouses. Deliveries are daily for ground beef and two or three times per week for the other products. Maturation appears to take place more at the supplier than in the store.

Several groups want to develop partnership formulas with their suppliers with respect to marketing or even the preparation of products.

At the moment, when distributors are dissatisfied, it is generally with the regularity of quality and product traceability.

Here, too, it was difficult to obtain information about distributor margins, but we know that the average gross margin on meat is roughly 20%. However, this varies widely from one distributor

to the next. Distributor margins depend mostly on the brand policy (e.g. a high gross margin on one type of product but a low one on another product) and the price of supplies.

Most of the interviewed distributors were not against starting negotiations with Danish producers. However, some prefer French meat ; others are doubtful about the ability to adapt Danish products to the features of the French market. However, if they can adapt the quality of their products and offer competitive prices, Danish producers appear to have real opportunities. Quality was the most frequently mentioned factor.

