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French foods feed a delicate imbalance

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How can the French seduce Americans with oozing triple-cream cheeses and tough-to-pronounce gourmet goodies like *rouille* -- spicy mayonnaise -- during an economic downturn?

With the dollar shrinking to record lows against the euro, this should be a great time for American firms to take advantage of the currency slide to make their products more competitive abroad, and many are. By the same token, it should spell doom and gloom for European producers.

But that's not the case with French-made foods. Instead, the continued growth in sales of French cheeses and delicacies shows the complexities of the global marketplace and the appetite of U.S. consumers for specialty products.

French food exporters are finding a potentially larger, and eager, market here for their already pricey artisanal products even as U.S. consumers cut back spending on other items.

Despite the euro gaining 9.6 percent in value, which makes it more expensive to bring products into the U.S., French cheese exports to the United States climbed 5 percent last year. Overall food and wine exports to Americans rose 5.8 percent, the French Embassy said.

"Maybe taste will beat the currency rate," said Mathieu Rouget of Riviere Midiconserves, which produces all-natural soups and prepared vegetables, one of a half-dozen producers exhibiting in Dallas last week.

Other producers attending the French food promotion exhibit suggested that Americans, while passing up big-ticket items, might be tempted to buy small indulgences like an unknown, handcrafted cheese or paté.

"Maybe they'll pass up a vacation [because of economic concerns,] but they can buy a 'luxury' cheese," said Nicolas Guize of l'Etoile du Sud, a family-owned cheese company.

And purchases by U.S. consumers, usually of the high-income variety, run counter to what they might report in market surveys.

'American paradox'

"I call it the 'American paradox,'" Guize said. "They say they want low-fat cheese, but when they try triple-cream cheeses, they love it."

His company joined with four other family-run producers to jointly market to Americans, hiring a Maryland-based "cheese educator" to promote what they call the French Cheese Club. One partner, Lincet, struck gold by securing orders for its soft white cheese from Costco, the upscale warehouse retailer.

With an apple brandy-infused Camembert retailing at \$14 for a 4-ounce round, Guize is asked whether a \$3 increase will keep Americans from buying it. He's convinced many will consider it an affordable extravagance.

And he is not alone.

The French are targeting two types of Americans -- wealthy consumers unaffected by the downturn and members of the middle class who can't afford a flat-screen TV or a new house but will pay a little extra for an expensive bottle of wine or a gourmet treat, says Julie Baker, a professor of marketing at Texas Christian University's Neeley School of Business. "They'll say, 'This isn't much money and it makes me feel good.'"


Parr Rosson, a trade expert and director of Texas A&M University's Center for North American Studies, agreed that recession-proof consumers are among those buying high-end French edibles.

Unexpected competition

But in the global marketplace, French success sometimes spawns unexpected competition in the United States.

After helping convert some American palates to *chèvre* -- goat cheese -- a French farm co-op producer called Valcrest experienced a 30 percent drop in sales of vacuum-packed cheese logs when a Wisconsin-based maker captured an entire U.S. regional market last year, said Françoise Magis, Valcrest's New York-based sales manager.

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Valcrest responded by offering a line of flash-frozen goat-cheese appetizers.

"So far, everything has increased, from the cost of raw materials to transportation," Magis said. "And the exchange rate doesn't help." The euro is now worth \$1.57, up from \$1.34 a year ago.

Like other producers, Valcrest has tried to absorb some of the higher costs and minimize price increases, which it has kept at about 3 percent. "But so far, sales are growing overall."

Guize and others visiting Dallas say they no longer see evidence of the anti-French feeling that surged in the U.S. after then-President Jacques Chirac sharply criticized the U.S. decision to invade Iraq in 2003.

French food sales remained below 2002 levels until 2005 but have grown every year since. France was the leading European food exporter to the United States in 2007, selling \$4.15 billion. Cheese accounted for \$196 million of that, the embassy said.

"A few customers canceled orders in 2003," said Gisele Oriot, whose Houston-based company, French Farm, sells 300 preserves, condiments and other delicacies to stores including Central Market and Whole Foods.

Today, she said: "Sales are up, but net profit is not. The exchange rate is killing us."

'How high can we go?'

But American consumers might accept somewhat pricier imports because U.S. domestic prices also are increasing, said Oriot, who is considering online sales, which could provide a higher profit margin. "And people are willing to pay more to try something different, something important. But how high can we go?"

Two French producers said they enjoy advantages that help mitigate the currency and transportation costs.

Traiteur de Paris' factory-door price for flash-frozen petit fours and appetizers -- made for the food-service industry -- is about half that charged by American competitors because of its scale of production and cutting-edge methods, asserted Alex Hubert, its U.S. sales manager. That means, even with air freight and currency issues, the French producer's desserts can be sold to American restaurants at competitive prices.

Thirty years ago, Charles Darbonne's father created a process to quick-freeze chopped herbs -- in two seconds. His company, Daregal Gourmet, which still has no sizable commercial rival, has made inroads in the Northeast and is little concerned about the exchange rate or other factors, he said.

Darbonne discovered that the weaker dollar has spurred U.S. exports to Europe, leading to excess shipping capacity on the return trip -- meaning cheaper rates for refrigerated containers. In 1992, the family concern established a California unit, Sup'Herb Farms, to produce and process chopped frozen herbs for the U.S. food-service industry.

Now, the Darbannes are waiting for U.S. consumer sales of the small plastic shakers of basil and parsley to reach a big enough level to economically justify switching production from France to Turlock, Calif.

"But don't tell the French Embassy people here. They may not like that."

Online: www.frenchfarm.com

www.frenchcheeseclub.com

www.daregal.com

www.valcrest.fr

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