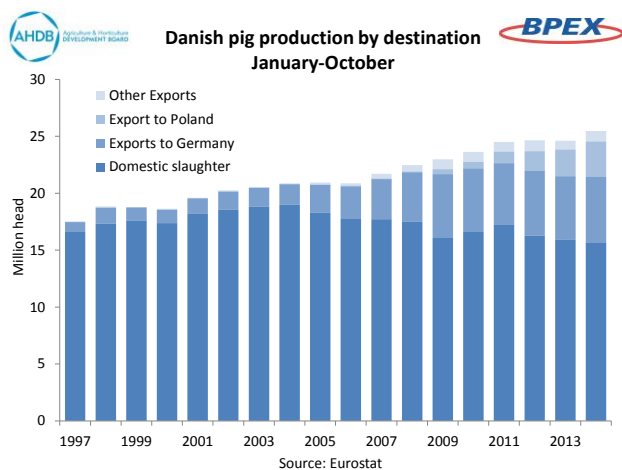


Danish industry having to adapt to new challenges

With the Danish pig industry focused almost entirely on exports, its strategies undoubtedly affect other countries, including the UK – the largest importer of Danish bacon. For the first ten months of 2014, Denmark's pork production decreased but both pork and live pig exports increased. The latter, in particular continues to present a challenge for parts of the Danish industry, while price, disease, environmental and animal welfare pressures are also prominent.

Improved breeding success, achieved by industry-wide initiatives and research investment, has kept Danish pig producers at the top of the EU productivity list, weaning 30 pigs per sow in 2013 for the first time. The cost of production is among the lowest in the EU, at €1.68 per kg in 2013. As a result, Danish piglet production has increased steadily over the years. Yet ever increasing weaner exports are risking the future of finishers, abattoirs and processing stakeholders.



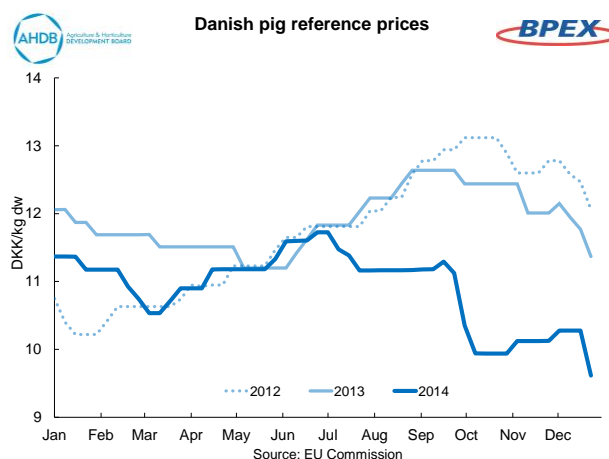
Investment needs have been identified for improving these stages of the supply chain, so that Denmark can process more of its own pigs. This would allow it to retain a greater share of income and would buffer it from variables in its market partners. Despite this, slaughterings dropped another 2% on the year in the first 10 months of 2014 due to a further increase in the number of weaners being exported for finishing. These pigs are still primarily going to Germany, where finishing costs are cheaper but demand growth comes mainly from Poland, where labour and land are cheap and the domestic herd needs supplementing.

As well as the long-standing issues that the weaner trade generates, it now poses a threat in the form of disease risk. Poland is one of the four EU countries which have confirmed cases of African Swine Fever (ASF) and returning lorries could bring the disease back with them. To minimise this risk, Denmark has invested in state of the art lorry washing facilities at border crossings. With Russia not the only export market which would restrict shipments if ASF hit Denmark, the industry knows it can't take any chances with biosecurity.

In light of recent identification of high MRSA levels in Danish pigs, alongside a phased plan to halve antibiotic use, there is no room for mistakes. The issue has received a lot of media attention in Denmark, although the strain of MRSA involved has only caused a small number of human infections, in people coming into regular contact with animals. Even so, as a country vocally committed to raising welfare standards, the pig sector is often under the spotlight. Agriculture minister Dan Jørgensen has also challenged the industry over pig welfare. This led to an agreement to reduce piglet mortality, increase use of free farrowing and phase out castration, among other things. All will require innovative solutions if the Danish industry is going to remain competitive.

Environmental constraints also remain an issue, particularly for finishers. The requirement that producers have enough land to dispose of the slurry they generate, or contracts with other landowners to do so, is limiting investment and contributing to production declines. In such a small country, land is expensive and financing investment has been difficult. Planning permission is also becoming harder to obtain.

All of these challenges come at a time when pig prices are low, in common with the rest of the EU. The Danish reference price for grade E pigs dropped below DKK10 per kg in late 2014 for the first time since early 2011. Overall though, exports have remained favourable, increasing 1% on the year in January-October 2014 despite the Russian ban. Denmark previously sent around 7% of its pork to Russia but the ban has had more of an effect on by-products such as fats, where it was a more significant market.



Despite all the challenges it faces, the Danish industry has been resilient and adaptable in the past and will no doubt deal with the current situation too. Although the present difficulties suggest expansion is unlikely, the herd probably won't contract dramatically either. This should mean the upward trend in piglet numbers continues, although whether this will translate into more domestic production or whether German and Polish slaughterhouses will benefit most is uncertain. Either way, Denmark will remain influential.