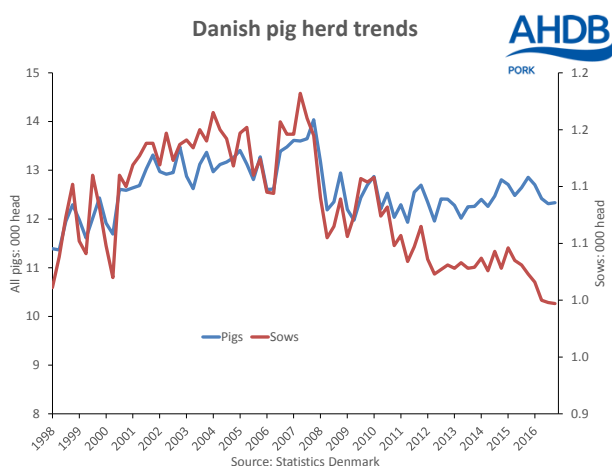


## Danish pork sector feeling the effects of low prices

As the UK's leading supplier of imported pig meat, developments in Denmark are always of interest to the domestic industry. In common with the rest of Europe, Danish pig producers experienced a period of very low prices in late 2015 and early 2016. The impact of this is apparent in a drop in the Danish breeding herd and reduced output from the sector. Nevertheless, exports have held up so far this year, boosted by strong sales to China.

In late 2015, the Danish pig reference price dipped below 90p/kg for the first time in many years. Although this understates the true price, due to the annual bonus payments received by co-operative members, prices at this level meant producers were losing significant sums. Indeed, losses were large enough to mean that even the traditionally resilient Danish industry was adversely affected. As a result, the number of sows reported in the Danish pig census dropped below 1 million head in the final two quarters of this year, for the first time in nearly two decades.

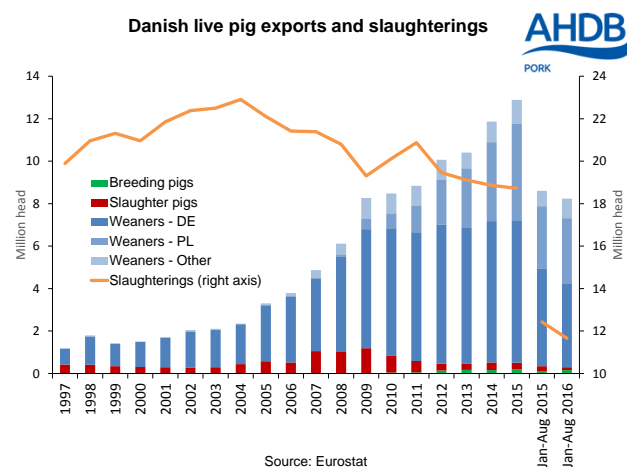
since 2010. Instead, most of the recent growth has been driven by Poland. Therefore, while Danish piglet production grew in all but three of the last 15 years (and even in those three years the decline was less than 1%), slaughterings rose in just two of the years since 2004.



Until last year, the Danish breeding herd had been stable for a number of years, despite the ups and downs of the market, although it did contract between 2007 and 2011. Improved productivity means that the total number of pigs in the country has been stable over the last decade, despite the falling breeding herd and rising weaner exports. However, there are signs that the Danish herd may now be starting to decline, with a 4% drop in the year to 1 October.

Danish slaughterings have actually been declining slowly for a decade or more, fuelled by a rapid expansion in exports of live weaners. At the peak of Danish slaughterings in 2004, 22.9 million pigs were slaughtered and just 1.9 million were exported, almost all of them for finishing in Germany. By last year, Danish slaughterings had fallen below 19 million head but as many as 12.4 million weaners were exported.

While Germany is still the leading buyer, it now accounts for only around half of weaner exports, with its purchases stable



However, this year the growth trend in piglet production appears to have stalled. In the first nine months of the year, slaughterings were down again, by 3%, compared with a year earlier. This time, though, weaner exports were also lower, with 15% fewer pigs shipped to Germany and 4% fewer overall in January to August 2016 than in the same period last year.

So far, this doesn't seem to have had much impact on pig meat exports overall, partly because of the strong demand from China. Total exports, including offal, were down just 2%, compared with a year earlier, in January to August 2016. Shipments to the EU were back 11%, though. Within this, fresh/frozen pork exports were virtually unchanged, as a near trebling of sales to China offset a 10% drop in EU volumes and stagnant trade elsewhere. The reduced production did affect offal exports, though, which were down 4%, with only a modest rise in shipments to China.

Denmark remains the largest supplier of imported pig meat to the UK, although Danish data don't show the sharp rise in shipments apparent in the UK figures since May. Pork exports to the UK were up 11% year on year in the first eight months of 2016 but this was offset by a fall in bacon shipments. This is thought to be due to a rise in the amount of Danish pork exported for curing in the UK as Danish curing capacity has reduced. With sausage imports also up but processed ham sales lower, the total volume of pig meat exported to the UK was little changed from a year earlier.

Although it hasn't happened yet, a sustained reduction in Danish production could eventually lead to lower exports to the UK, adding to the tight supply situation on the domestic market. However, with the UK representing a lucrative market for Denmark, particularly for loins and legs, it will undoubtedly continue to be a major and influential supplier.