## Danish industry adapting to new challenges

Denmark has traditionally been the main supplier of imported pig meat to the UK market, particularly in the form of bacon. Although its market share has diminished over time, from over 40% in the late 1990s to about a quarter now, it retains its leading position. Therefore, developments in Denmark will inevitably have an impact on the UK market.

Danish pig production is becoming increasingly concentrated, with far fewer farms keeping pigs (just 3,600 in 2014, down from 10,000 a decade before and 22,700 in 1994). Nearly 80% of Danish sows are now kept on large-scale farms with 500 or more sows each. There were 900 farms of this size in 2014. A decade ago just 40% of sows were on such large farms (and less than 10% were in 1994).
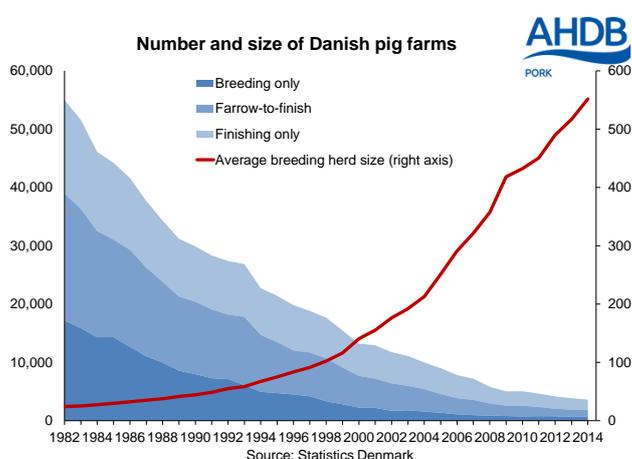
This makes the typical Danish farm larger than in most other EU countries. While that has advantages in terms of efficiency and productivity, it also makes it harder for producers to respond to market conditions. That might help explain why the Danish breeding herd is so stable, with sow numbers never more than 10% above or below 1.1 million in quarterly records back to the start of 1998.

Efficient and productive breeding is, of course, what the Danes are best at. The recent AHDB Pork report comparing production costs across Europe shows the Danes are now weaning over 30 pigs per sow per year, four more than the EU average and 6½ more than GB producers. This means that Denmark can produce weaners at lower cost than most other EU countries. And Danish weaners are in high demand. Exports continue to grow, with the long established trade to Germany and steadily expanding shipments to Poland supplemented by rising sales to Italy.

Based on quotes published by the EU Commission, Danish weaner prices have held up better than those elsewhere over the last year. This has given Danish breeders some protection from the negative margins seen across Europe and the Danish sow herd has held up better than some, with

only a marginal fall recorded in the year to 1 October. Given steady improvements in productivity, that should mean no reduction in the number of piglets in the short-term, at least.

The fact that more and more of those piglets are destined for finishers outside Denmark continues to create issues for the processing industry, however. Danish pig slaughterings have declined by nearly a fifth over the last decade, even though piglet production was up by a similar amount.

This has left over capacity in the processing sector, which has meant change for the major players in the industry. The market leader, co-operative Danish Crown, has focused its expansion outside Denmark and now owns slaughterhouses in Germany, Sweden, Poland and, of course, the UK. Most Danish piglets still end up in its plants, just not always in Denmark. The company has also recently gone into partnership with German co-operative Westfleisch to process sows for the German market.

Denmark's other major co-operative, Tican, has also been through a period of change. A proposed merger with Danish Crown was ultimately prevented by competition authorities and the company has been taken over by German processor Tönnies. Tican also has a presence in the UK, including through subsidiaries Direct Table Foods and Pro-Pak Foods.

The co-operative structure means that weekly pig prices are usually lower than in many other EU countries. However, as reported in the last edition of PMT, the true price is closer to its competitors, once annual bonus payments are taken into account. Danish prices are also generally less volatile than those in its neighbour, Germany, another factor protecting producers from the worst of the market conditions this year.
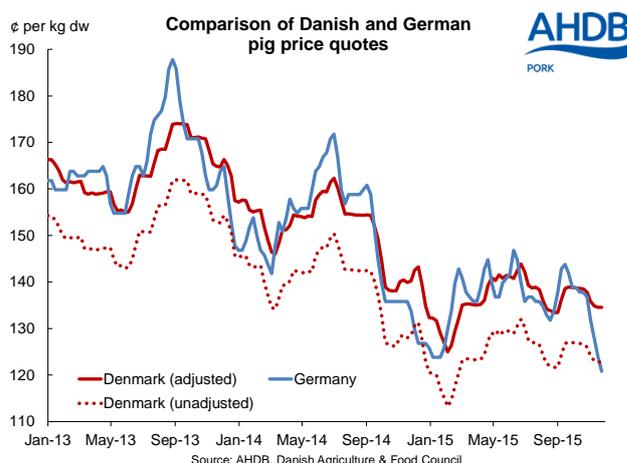
The diversity and success of Denmark's pork exports, up another 7% year on year in the first ten months of 2015, also provides some protection from volatility. Therefore, despite experiencing plenty of change, it seems likely that the Danish industry will adapt and maintain the stability which has become its hallmark.