Analysis of the competitiveness of the pork industry in Denmark

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Abstract

Now days in the pig industry as well as in other agro food sectors is the competitiveness that declare the success or failure on the global market. In the case of the pig industry, to be competitive it means to be able to offer a product of higher quality than rivals, but at similar price. The Danish pig industry has reached this level of competitiveness mainly thanks to its forward vertical integrated production chain. This specific coordination, besides than to reduce the transaction costs, push toward a production of excellent quality, that can be promptly adjusted according to the consumers demand.

Keywords: Competitiveness, Danish Pork Industry, Vertical Integration

1 Introduction

Recently, many articles have been written about the Danish pork industry, this attention was justified from the fact that such a small country could have a pig production of five times its population and at the same time could be the world biggest exporter of pork.

The purpose of the previous studies carried out, was that to describe the characteristic coordination between the several stages of the production chain and through what mechanisms the vertical integration in the industry could affects the transaction costs and their consequent reduction. In this paper instead our attention will focus on other aspects, mainly the macro environment of the Danish pork industry. We also evaluate the industry's internal aspects like resources capabilities and competitive strength vis-à-vis its rivals.

2 Methodology

The methodology used to carry out the complete analysis of the competitive environment is derived from Porter's five forces, while to describe the industry's resources strength and capabilities we have used the SWOT analysis as analytical technique.

3 Porter’s five forces

To make a complete analysis of the environment where the Danish pork industry operates we need to asses those forces that work in it and see how these forces are shaping the competitive environment. The forces taken into consideration normally are: the available technology and its development, the economy at large, the competitiveness, governmental legislation, population demographics, societal values and lifestyles. Even if some of these forces can not be directly influenced from the industry is anyway important to evaluate each one of them to fully understand the forces behind the pork industry dynamics.

Porter suggests competitiveness as the force that most probably has the biggest impact on the industry and it can very much affect the environment where companies move their steps. The competitiveness generates pressure on the players of the industry and this pressure is captured by Porter’s forces. Porter’s framework suggested the following five forces as components of industry competition:

The competition among current industries or countries that carry out their activities in the same area

The threat from new potential entrants

The threat from substitute products

The bargaining power stemming from suppliers

The bargaining power stemming from buyers

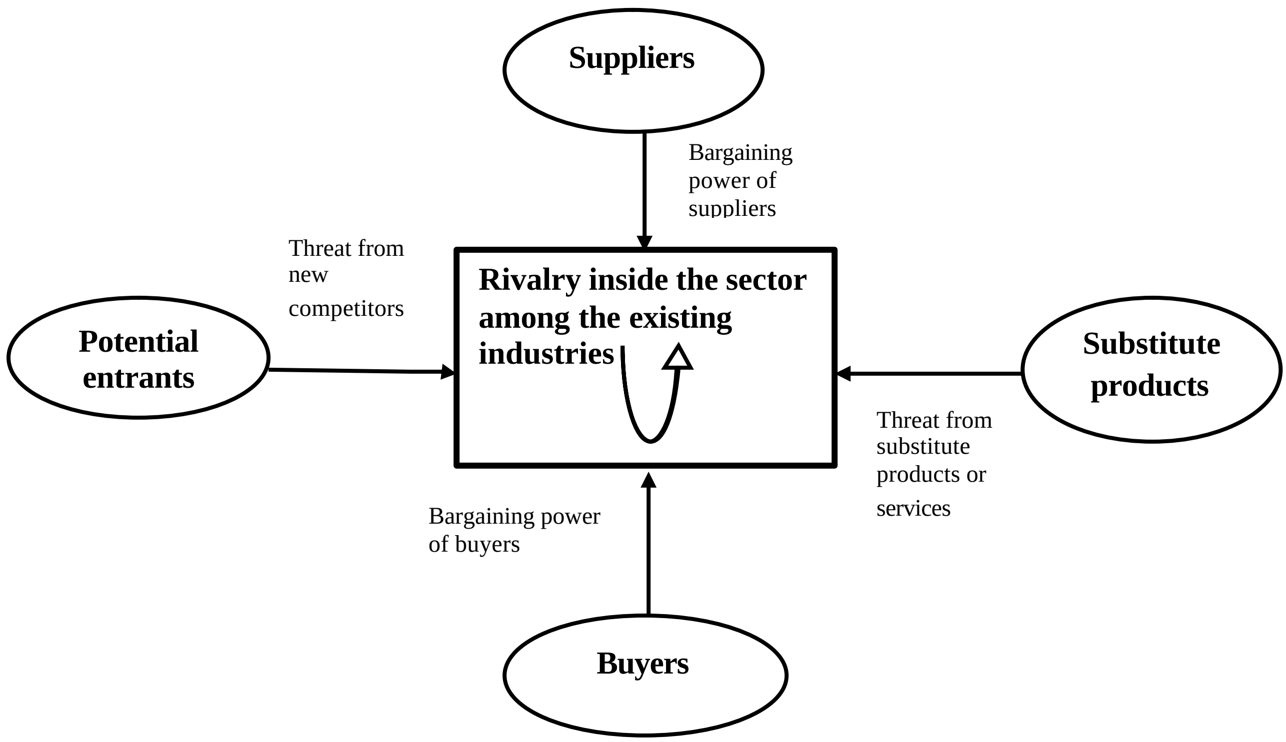

Figure 1**.** The Five Factors or Forces Affecting Competition in an Industry, modified from (Porter, 1980).

3.1 The competition among existing industries or countries that carry out their activities in the same area

This competitive force is probably the strongest of the five, the rivalry increase both because one or more industries feel threaten from other companies and because some industries foresee the opportunity to increase their market share to the detriment of others.

Competition in the case of pork meat is based on prices of sale, on the quality of products and on the public image of producer (Van Gaasbeek, et al., 1993). This kind of competition is the result of interaction of several factors:

The competition intensifies as the number of rivals increases and when some competitors, dissatisfied with their market position, launch moves that threat rival's profitability.

This situation very well describes what has recently happened in the rich japans market. In this country the price for pork is higher then in the rest of the world and that is why everybody is trying to enter or increase their market share. Until few years ago the competition among Denmark, USA and Canada was lukewarm in Japan, since each country had their own share of the market and none of these countries were undertaken particular moves to threat rival's profitability. American were supplying mostly fresh pork (the US share for this kind of meat was about 65%) while the Danes were selling mainly frozen meat with the 40 per cent of the market (Jetro, 2004). In the last few years instead, especially Canadian producers have tried to enter in the frozen market and this has consequently heated up the competition.

The Danish Crown is the main Danish slaughterhouses with almost 90 per cent of the total pig production and in Europe has as main competitors: the Dutch Dumeco and the French Socopa both cooperatives, the German Westfleisch, the English Malton Foods and Swedish Meat. Both Italian and Spanish slaughterhouses even though have increased of dimension in the last years, still remain too small to be considered potential rivals. On a world wide level instead Danish Crown's rivals are the North American and global leader Smithfield and Tyson, this latter even if is ranking third after Danish Crown in the pig production, it is the biggest slaughterhouse of chicken and beef meat (Gira, 2003).

Rivalry is stronger when demand for the product is growing slowly.

This situation is occurring both in Japan and Europe where the demand for consumption of pork is slacking off.

Rivalry is stronger when customer's costs to switch brand or product are low.

Pork meat even though became a more differentiated food as it was in the past, still remain a rather homogeneous and generic product, a sharp distinction between Danish and Canadian pork meat for example it is not easy to do and therefore is neither easy to build customer loyalty. As consequence all pork producers can be potential rivals and therefore are rare the cases of collusion behaviours among producers to keep unaltered their market share or to set up a cartel.

Rivalry increase when industry conditions tempt competitors to use price cuts to boost the export and when there are attempts from foreign producer assert their self in other national markets, especially if the new entrants have lower prices or products with more attractive features.

An example of price cut to erode market to rivals has occurred in Russia. In this market characterized by low price and import of low quality cuts, the Brazilian industry has rapidity increased its share exploiting its low production costs and this especially to the detriment of Danish export.

A constant characteristic for Danish export in all countries is that consumers, independently from quality, prefer their own domestic meat that is most of the time also cheaper. To boost extremely the competition with the national pork is disadvantageous for the Danish pork industry that will never be able to substitutes its products for the domestic meat. The target for Danish pork remains therefore to be the most imported meat but at the same time the second choice.

The competition inside Denmark, it is among Danish Crown and other slaughterhouses. TiCan is the second biggest cooperative slaughterhouse with about 6 per cent of the Danish pig production (Tican, 2003). The competition on the flow of members from one coop to the other is today very weak. The practice to move from one coop to another according to the yearly dividend was very common until the Eighties, since at that time there were many slaughter cooperatives.

Now with only two slaughterhouses left, are very few the farmers that pass from DC to TiCan and vice versa. Now days a low or high dividend does not lead anymore to a loss or increase in coop's members, and the meaning of dividend is mainly to show the competitiveness of the slaughterhouse. Even if we would have a big difference between DC and TiCan dividend, the transfer of members from one company to the other would not be easy. At the moment TiCan is using its only slaughterhouse at the maximum production capacity and this make not possible for the coop to accept new members. Furthermore TiCan is not even considering the possibility to increase its production, not to face those difficulties already met from Steff-Houlberg, that is of being too big to sell the entire production to only high price markets, and to be too small to compete with Danish Crown. A possible alternative for disappointed Danish Crown's members could be that to deliver their pigs to German slaughterhouses, but these since are not cooperatives will not share out the yearly dividend, that still remain an important attraction for farmers.

Regards to the sell of fresh meat on the domestic market, Danish Crown is competing more with the private slaughterhouses than with TiCan, the competition at the moment is quite weak and DC has not any intention to heat it up. The rivalry will not increase because the private slaughterhouses are very competitive, they are able to sell high quality of products at low price and furthermore because the Danish domestic market is small and not very profitable for the slaughterhouses.

The competition on the domestic market from foreign meat is low, other countries are not boosted to export in Denmark, both because the internal competition is already high and also because they would not have big profit margin.

The competition between TiCan and Danish Crown is instead strong on the export of pork. The advantage that has TiCan compare with DC is that, having such a small production, they manage to sell all their cuts to very profitable markets as Japan, England, and USA. The Danish Crown instead has a huge production and it can not sell all its cuts to those countries, but it is forced to sell part of it to Russia and other east European countries where prices are low. Although the competition for the export between the two slaughterhouses is strong, it is not likely in the future a merge between the two coops. TiCan is having good profits, it is financially reliable, the members are very satisfied and DC's members want to keep a parameter with which they can compare and measure the profitability of their coop. Theoretically a merge between the two slaughterhouses would be difficult to carry out, because would be strongly hindered from Danish National Authority for Competition, which would moves to avoid a monopoly of Danish Crown (Flemin, 2003).

3.2 The threat of new potential entrants

Normally new entrants to a market bring an increment of production capacity and the desire to gain new market share. To evaluate how serious is the threat from new entry we should consider two classes of factors: barriers to entry and the expected reactions of firms already present in the market.

There are several types of entry barriers:

Barriers generated by economies of scale. The presence of scale economy deter new entries because they force potential competitors either to enter in at large scale, bearing therefore higher risks, or to come on a smaller scale, but accepting cost disadvantage and consequently lower profitability. A way to overcome the barrier could be that to differentiate the production supplying mainly to niche markets, in this case the new entrant should not be considered anymore a direct competitor and this would allow him to keep higher prices. In case the new entrant decide, having sufficient resources, to enter on large scale, he will probably face other difficulties like not finding enough customers and therefore risk overcapacity problems, or an aggressive reaction from existing firms, that to maintain their position could carry out price cuts.

Barriers generated by vertical integration. An industry could be made of rivals who have established strong integration bonds, in this case the new entrants or will come already vertically integrated, or will bear higher costs. These costs are due to the difficulty in finding suppliers and buyers, since many are already tied up with the existing integrated company (Porter, 1985).

Barriers generated from the difficulty to have access to distribution channels. The new entrant has the need to secure channels for the distribution of its products and this is not always easy, especially if the product lacks of buyer recognition.

Often to persuade retailer chains to give to a new brand ample space on shelves or only an adequate trial period, the entrant is forced to offer better margin to distributors and therefore his margins will be squeezed. This situation could be dangerous for the entrant, especially because happen in a critical moment, namely at the beginning of company's life. Smaller is the number of retail channels, higher are barriers, these increase also in case of exclusive trade relationship between existing competitors and wholesalers. Other costs and disadvantages that new entrants could face are:

Established firms may have tied up binding agreements with suppliers of raw material, their processing plants, even if with older technology, may have been built years ago when cost were lower. Existing firms are able to keep low their production costs, mostly thanks to their greater experience. Newcomers often face a significant cost disadvantage since they have lower skills and know-how accumulated. Experience is not readily available and existing firms are aware of it.

The lasts major sources of entry barriers may stem from government policy or other trade restrictions.

Trade barriers for pig meat are set up in countries like Japan, Russia, and China where national governments commonly use tariffs, quotas and antidumping rules to protect the domestic firms from foreign competition. Other governmental restrictions may include controls on health and safety of pork traded, all these are entry barriers because they raise the capital and therefore costs needed to enter in foreign markets. Although the barriers listed till now may sound extremely restrictive, and somehow new entrants could overcome them, they would anyway face the reaction and competition of well established firms. To understand whether is strong or weak the threat from potential entrants, we should asses if the production and trade of pork could give high profits for the future and if the whole pork industry may sound attractive enough to induce additional entry. If we assume so, then the threat from new producers is real and the several barriers can delay but not stop this process (D'Aveni, Richard 1994).

Here it follows a brief outline of the main entrant countries, namely those nations where pig production is quickly increasing and developing. These new coming producers if until few years ago were not consider at all, today they represent a real threat for the main exporters such as USA and Denmark. In Europe the new entrant is certainly Spain, its pig production has rapidly increased from 24 millions in 1990 to 40 millions of pigs per year in 2002. In the same period Spanish pork export is risen from 25.000 tons to 540 thousand (USDA International, 2002). Most of the Spanish export is sold in Europe and the main markets are: Portugal, France, Germany and Italy, while outside the Union the main importing countries are Russia and China. The strengths of Spanish pig production are: the low costs and the large availability of land that is supporting the steadily expansion of production. From the Danish point of view, Spain represents undoubtedly the main threat within the European Union and may become a hard competitor, much stronger than how was Holland in the past. Spanish pig production during last years became very professional, today this industry employ the most updated technologies available and pig farming is properly supported by an high cereal productivity. The framework of recent established farms is similar to the American style, with farms of huge dimension (about 100 thousand pigs) and low production costs. Vertical integrators in this case are mills and fodder companies that own also animals. Farmers are producing under specific contracts and they are bound to feed their pigs with meal supplied by mill firms. The mill and fodder companies have vertical integrated also the following stage of chain that is the slaughtering of animals; moreover they are differentiating the business into cattle and poultry production, taking the idea from the Tyson model (AICE, 2002).

Countries like Poland and Hungary that have just entered in the European Union should not be, at least for the next years, considered as a big threat for the Danish export. This for two main reasons: their national production is still based on farms and slaughterhouses of small dimension, it is backward and most of the production is consumed domestically. Besides many small-medium pig farmers could substitute their animals with dairy cattle, since like the other European colleagues, they will start to receive aids for this production. As the situation is now we should not therefore be surprised if the Danish export toward these countries will increase, especially thanks to the reduction of trade barriers that these nations have till now used to protect their domestic production (Tinggaard, 2003).

China is seen as a big uncertainty, most of analysts agree saying that in the next future either Chinese production and consumption will increase, but the dimension of these increments is still not clear. If production and consumption will increase of equal size, then the situation will remain as it is now, but if it does not, the pork world price will be heavily affected. If we look on data available at the moment they foresee a major increment of consumption in comparison with production for several reasons: population and GDP per capita will increase, it will decrease instead the number of people living in the countryside. Cities will steadily extend their borders, taking away land for agriculture; farmland used for rice production can not excessively decrease since this crop is an essential food for Chinese population. All these factors lead to the conclusion that, if from one side the consumption will increase, equally can not do the production because the limiting factor will be given by farmland available for wheat and barley, necessary cereals for pig production. Obviously Danish pig industry hopes that such event will happen, because in this case, being Danish firms already positioned in the Chinese market, they will take benefits from it.

Brazil represents a real threat that should not be under valuated, especially for the future. As we said its production and export have quickly increased during the last few years, for the moment Brazil can be seen as a dangerous competitor only for the Russian market. Till today Brazilian pork has been characterized for its price unbelievably low, but at the same time also its quality was pretty poor. The practice to use hormones and antibiotics in the Brazilian pig farming is still very common and this is the reason why Europe, North America and Japan have banned the import of this meat. But the situation could soon change, tendency is toward a reduction of these practices and the improvement of quality and health standards of pork could lead to a repeal of bans and this would create a stronger competition also in high price markets.

3.3 Competitive pressures from substitute products

Pork is in a close competition with other kind of meat like poultry and beef meat. These can be considered good substitutes since they perform the same function than pig meat. Just how strong the competitive pressure is from substitute products depends on three factors: whether attractively priced substitute are available; whether buyers view the substitute as being satisfactory in terms of quality, whether buyers can switch to substitutes easily and other relevant attributes; (Thompson e Strickland, 2001).

In the Danish market the main competitive pressure on pork stems from poultry meat. During the last 15 years the consumption of pork is slightly decreased, while that of poultry meat has doubled (Danske Statistik, 2003). This growth in poultry meat consumption has several reasons: cheap price of the product; the healthy and epidemic problems that have affected beef and pork during the last few years; the nutritional features of poultry meat that fulfils the requirements of new consumers (lean meat). Danish consumers, especially those young are very careful to their diet and for this reason they prefer to choose poultry meat; besides there are less and less people attached to the traditional Danish dishes, which are based mainly on pork.

Danske Slagterier has started few years ago, but only in Denmark, to promote pork. The purpose of this campaign is to convince people that some pork cuts are equally lean than poultry, and they are more tender and tasty. Danish Crown instead is not going to carry out any specific strategies to hinder pressure from substitute products, both because the cooperative is also the biggest slaughterhouse of cattle in Denmark and because Tulip is processing and selling many products made out of poultry meat (Tinnggard, 2003).

3.4 Competitive pressures stemming from suppliers

Whether suppliers represent a weak or strong competitive force depends essentially on two factors: whether suppliers can exercise sufficient bargaining power to influence the terms and condition of supply in their favour, and on the existence and extent of any kind of suppliers-seller collaboration in the industry.

Suppliers have little bargaining power or leverage over rivals whenever the items they provide are commodities easily available on the open market and there is the presence of numerous suppliers. In such case it is quite simple for rivals to obtain whatever is needed from any of the several capable suppliers, also dividing their purchases among several suppliers, to promote lively competition between them.

This is exactly what happens in Denmark for the supply of pig feed. Although DLG and DLA have about the 75 per cent of market share in this sector, they don't have a strong bargaining power on farmers (Hundebøll, 2003). The first reason is that pig feed is rather homogeneous commodity, if one of the two suppliers would increase the prices, for farmers would be relatively easy to switch or to find other private Danish or German suppliers, that would offer similar feed, of good quality and at similar prices. The second reason is that the two main suppliers are two cooperatives and many buyers are at the same time also members, that is why DLG and DLA have a certain interest to keep prices reasonably low (Flemin, 2003).

There is to underline the fact that in such fully vertical integrated structure like the Danish, the pressure stemming from suppliers is really moderate, let's take as example the competitive pressure that may exist between farmers and slaughterhouse. Farmers wouldn't have any interest to ask for an unreasonable high price for their pigs or not to supply animals of best quality, since they will take advantage of an higher profit of the slaughterhouse. The same thing may happen, even if indirectly, with the supply of the genetic and breeding material. SEA, Hatting and SPF that are the main players in this sector belong to Danske Slagterier, largely controlled by Danish Crown. The coop is itself controlled by pig farmers, namely the main customers of the breeding and genetic suppliers.

The only stage where we don't find a real vertical integration is on the sale of piglets. In this situation Danske Slagterier has anyway tried to coordinate the transaction, to avoid the birth of a potential pressure stemming from piglets suppliers. The National Pork Production Committee actually provides a weekly guide price that is taken as reference in the transaction, this price is calculated in a way that tries to make happy all parties, both when prices are high and in periods of low prices. This is the reason why 70 percent of the transactions are made following such guide price. Normally farmers draw up a contract with piglets suppliers for more years, where both commit their self to follow the price guide. Suppliers wouldn't have any advantage to rescind the contract in case of raise of price in the Danish or German spot market. First of all because as price may raise above the guide price, it can also falls below, and also because by not following the guide price suppliers would loose farmer's trust. Piglet suppliers are many and pig farmer wouldn't meet any difficulties to find another one that would respect the prearranged price (Gravensen et al., 2002).

3.5 Competitive pressures stemming from buyers

Buyers have substantial bargaining leverage in a number of situations, the most obvious and common is when buyers are large and purchase a sizeable percentage of the industry's output. Purchasing in large quantities actually gives a buyer enough leverage to obtain price concession and other favourable terms.

In the pig industry a strong competitive pressure stems from large retail chains. Meat processing companies need a good exposure and favourable shelf space for their products, and retailers may not stock many brands at the same time. This it means that the competition among rival processing companies for the business of popular or high volume retails is very high and this gives to such supermarket chains significant bargain leverage to require lower prices for processed products and deferred payments.

Buyers even if they do not purchase in large quantities may still have a high degree of bargaining leverage if buyers cost to switch supplier is relatively low and this is the case of pork that being a quite homogeneous commodity give a certain flexibility and negotiating room for all the buyers.

Danish supermarket chains, like in the rest of Europe have high bargaining power both over slaughterhouses and meat processing companies and this involves a possibility for retailers to influence the terms and condition in their favour. In the Danish domestic market the presence of several brands in the sector of fresh pork was a requirement that principally stemmed from retail chains and not from consumers how would be normal to think; in fact supermarkets thanks to this wide differentiation may sell the meat at a higher price. Danish slaughterhouses have been pushed to diversify their production in organic, free range pigs ecc., to be able to supply retailers with the products they needed; on the other hand if this would not have happened, the supermarkets would not have had big problems to buy pork from the German market.

In England for example the strict laws on animal welfare were mainly required by supermarket chains and processing companies. Both needed these new rules to advertise and sell their products as animal welfare respectful and to improve their image for the final customers. Such a sudden change of pig farming systems has caused relevant problems for farmers that to continue their productions have been forced to bear high costs for new investments.

At the same time also import-export companies are trying to make pressure on slaughterhouses and processing firms, both to reduce their prices and to defer payments. That is why Danish Crown when is possible, prefers to sell the meat to its export subsidiaries companies like ESS, DAT International and Emborg (Tinggaard, 2003).

4 SWOT analysis

Once we have discussed the main features of the external environment where the Danish pork industry is set, in this second section of the paper, we will carry out a general evaluation of the company's internal resource capabilities and competitive advantages versus rivals. To explore these factors we will be using the analytical technique of SWOT (acronym of Strength, Weakness, Opportunity ant Threats). This technique serves to highlight a company's resources strengths and deficiencies, its best market opportunities and the external threats to the industry future profitability.

4.1 Identifying company strengths

Company holds strength if is good at doing something or hold some specific characteristic that allow it to enhanced its competitiveness (Collis et al., 1995). Identifying what a company is good at doing and what capabilities it has to compete is undoubtedly a critical stage of assessing a company's situation. A company **competence** is most of the time the product of experience and it can be considered as an accumulation of learning and developing ability over the time (Zack, 1999). Competence has to be consciously build up and developed, it does not just happen by a lucky chance, indeed competence is originated by a deliberated effort to improve a certain ability in doing something, since ability on itself can also be imperfect or not efficient. Mostly thank to the experience, a company can reach a good level of ability in producing at acceptable costs, and it is at this point that the ability begin the translation into a true competence. A company competence become a meaningful **competitive capability** when customers consider such competence valuable, when it helps to differentiate a company from its rivals or also when it enhances its competitiveness. It is however important to understand that the competitive capabilities of a company are not all equal. Some are just able to make survive the company since they are in common to most of competitors, while others competitive capabilities are potentially able to change the basis of competition, this because they can be unique, proprietary, or of high value added for those specific customers. It is anyway useful to consider a company as a whole of capabilities, some difficult to distinguish from one another, others stronger and with a higher competitive value.

One of the most important resources for a company it is the ability to perform a competitive activity, but if this activity is performed better than other internal operations, only then, this activity can be termed as **core competence**.

What distinguish a core competence from a simple competence is that the first is fundamental to a company's competitiveness and profitability, while the latter is secondary. A company between its resources might have more than one core competence, but seldom these are more than two or three. In most of the cases the core competence for a company resides in its employees and in its intellectual capital and not in its assets or on the balance sheet.
A core competence may represent a **distinctive competence** depending on rivals capacity, if one company is able to do something better in comparison to its competitors, then this competence can be termed as distinctive. Almost every companies has at least one core competence, because is quite normal to have an activity that can be done better than other activities made internally, but this competence does not always translate into a distinctive competence, unless the company performs this activity better than rivals and therefore can claim a competitive superiority on this process. As consequence, a core competence can be the base for a competitive advantage only when it is also a distinctive competence (see figure 2). It is relatively easy to build a competitive advantage when a company has a distinctive competence that is particularly appreciated on the market, especially if rivals are not able to offset these competences because they are costly, difficult to imitate and time consumino. A distinctive competence become thus a potential resource for a company's success (Thompson e Strickland, 2001).

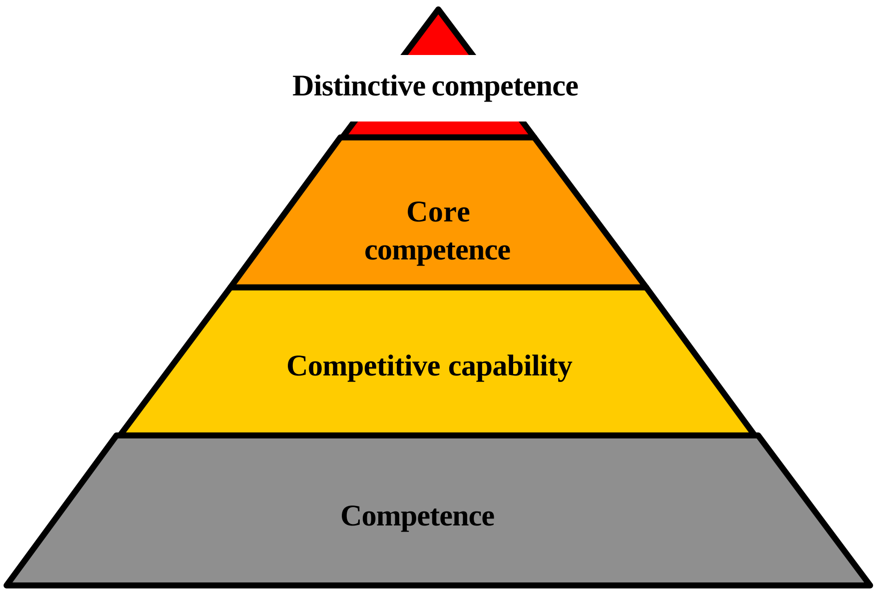

Figure 2. Classification of company resources, modified from (Thompson e Strickland, 2001).

Considering the several scientific articles read and the interviews carried out at various important representatives working in the Danish pig production chain, we will try to classify the different strengths of the Danish pig industry, sorting them in the those categories of resources just above contemplated.

Strengths not directly referable to the Pig Danish Industry:

Strategic geographical position, Denmark is a natural bridge between the Scandinavian and the other European markets

Climate fairly mild without atmospherical excesses

Competencies:

Well developed communications and transportation systems

Dimension of family running pig farms, bigger than the European average

Low inflation rate

Competitive capabilities:

In spite of the strong impact on the environment, Danish pig industry still maintain the backing of the greater part of the people and politicians

The educational system has plenty of financial resources to fund the technical training both for the farmers and for the skilled workers employed at the slaughterhouses or at the meat processing companies

The scientific research is well coordinated; it is fairly well funded and involves the whole chain, from the breeding improvement to the marketing

High efficiency and productivity of pig farms

Good productivity and availability of cereals as support of pig production

Pig breeds with high genetic value, that are able to give cuts of excellent quality

Good efficiency of slaughterhouses and processing plants, which works at high utilization capacity

High speed and agility to respond to the new market trends according to the consumers´ requirements

Good image of the meat in the markets where it is advertised with the certification mark "DANISH", and high reputation of the pork industry

Core competences:

High quality and homogeneity of meat cuts that makes easier the further process for the manufacturing companies

High health and veterinary standards, excellent food safety and good traceability

Good ability to differentiate the products according to the demands, both of final consumers and processing companies

Distinctive competence *:*

Strong vertical integration of the industry through its cooperative structure.

4.2 Identifying company weaknesses

A weakness is something that a company lacks or does poorly in comparison to its rivals or it is a condition that puts the company in a disadvantage position. A weakness makes vulnerable a firm according to how much it weigh upon its profitability and whether this weakness can be overcome by other resources or strength in the company's possession. Likewise between the strengths there are some more important that other, also between weaknesses there are some that can be very dangerous if not remedied, while others are inconsequential, easy to correct or offset by company strengths (Thompson e Strickland, 2001). For the Danish pig industry the main weaknesses are:

The asset land is very expensive cause of a high request against its scarcity

Danish laws concerning environmental conservation are limiting the increment of production

The Danish pig production costs, cause of several factors, are higher than the European average, this on a market where the final price is still playing a main role, lead to a shrink of profits

The slaughterhouses are still lacking in the production of pre packed cuts that are more and more demanded from retailers

The Danish pork industry is essentially based on export and for this reason is more vulnerable than other country that can also counts on their wide domestic market

The Danish pork cuts traded on the European markets where is not used the label DANISH are not recognized as such, this imply low switching costs for consumers and for processing companies as well

Long distance from Japan; Danish ships take 6 weeks to arrive to the final destination, instead from Vancouver, Canadian and US ships take only 12 days. For this reason Denmark can mainly sell to Japan frozen meat that has a lower price than the fresh

Danish pork export is suffering because of some trade retaliations that Asiatic countries and USA have adopted against European Union

The relative strength of the European currency doesn't push the export toward Japan and USA

4.3 Identifying company's market opportunities

Also when we analyze opportunities we should consider several variables that depend from the features of the system. A company can be plenty or scarce of opportunities and these can range from highly attractive (that are a must to pursue) to marginal and little interesting. In evaluating and ranking company's opportunities we should guard against view every existing possibility for the industry as an opportunity for the company; in fact not every company in an industry is equipped with those specific resources to pursue all the industry opportunities. The most relevant market opportunities for a company are: those that lead toward profitability growth, those where the company can make the most of its competitive advantage and those that are achievable considering the company's financial and organizational resources (Thompson e Strickland, 2001).

The main opportunities for the Danish pork industry are:

The future policy dictate from WTO should lead to a further pulling down of those trade barriers that still many countries are keeping to defend their domestic production, this will bring an unquestionable advantage to the Danish export

The Danish industry has good selling outlook in those countries so far not completely exploited as China, South Korea, Philippine and PECO countries. In these markets and in the short term the Danish industry has the advantage to be able to supply to chains retailer big pork stock that could not be supplied from the small and fragmented local production. The future buyers in these countries will be the multinational retailer chains as the German Metro, Rewe and Tengelman, the English Tesco, the Dutch Ahold, the Portuguese J. Maertins, and the French Carrefour, Auchan, Cora and Casino. All these retailers will look at Danish Crown as their most natural supplier (Gira, 2003).

There is an increasing demand from supermarkets for small dimension and already pre packed cuts, these products are sold to a higher price and this will increase the slaughterhouses profits

The Danish pig industry is able to offer very high standard quality products that are more and more demanded from the market

4.4 Identifying of the threats to a company's profitability

Often there are some industrial external factors that bring threats for the competitiveness and profitability of an industry. In the particular case of the Danish pork industry these threats may stem from:

General increasing of competitiveness for what concern the export, in Europe and in the short term, these threats might come from the Spanish, French and Dutch meat. The export of Canadian and US frozen pork toward Japan is more and more fearful. In the US market the Danish pork is suffering because of the competitive pressure coming from the Canadian and Mexican meat, while in the low price markets a dangerous rival is Brazil

In the long term also the east European countries could become a threat for the Danish pork industry, their strengths are: wide availability and low price of land, lower labor cost and less environmental limitations. The national wealth of these countries is destined to increase and with it also their meat consumption, these prospective could push foreign and local slaughterhouses to invest in facilities that are at the present missing, with a consequence growth of the domestic pork production

After several food scandals like BSE, foot and mouth disease and dioxin in chickens, most of the people is becoming more and more nationalistic when is time to buy meat and this could be a strong limit for the pork export in general, but particularly dangerous for the Danish.

The main threat for the Danish pork industry stems from a possible epidemic outbreak. This would lead to heavier consequences than those seen in UK, because there the production was mainly addressed to the domestic market and once the alarm was withdrawn the production could start again. If such epidemic would happen in Denmark, countries like US and Japan would immediately ban the import of Danish pork for at least a year and most of the meat would be dumped to the European market with a slump of the price. Even if the epidemic would be eradicated, the Danish export will not be able to reach the same level again, due to a negative image created and of the strengthening of rival countries during the Danish absence, especially in those more profitable markets.

5 Conclusion

The particular organization of the Danish pork industry, vertical coordinated through the cooperative structure of the production chain, is unique if compared with that of other countries and unlikely can be copied. This characteristic together with the higher production efficiency, assure to the whole system a high level of competitiveness, this is the key to fully understand the success of the Danish pig industry.

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