

Country Market Profile: Denmark

Euromonitor reports that Denmark remains one of the most advanced economies in the world, thanks to stable public finances, high productivity and strong resilience to crises. Although COVID-19 caused a sudden contraction in Denmark's economic activity in 2020, high vaccination rates allowed the country's government to lift restrictions in 2021, boosting economic rebound. Over the medium term, the government will continue to support the economic recovery and strengthen focus on sustainable economic development.

- Following real growth at 3.5% in 2021, the Denmark's economy is expected to expand by an average annual real rate of 1.6% over the medium term.
- Inflation in Denmark is forecast to slow down to 1.5% in 2022 from 1.9% the year before.
- As Denmark's exports increased by 15.6% and imports rose by 24.2% during 2021, the country remained a net exporter.
- As the foreign direct investment (FDI) inflows into Denmark decreased over 2020, the FDI intensity reached 0.3% of gross domestic product (GDP).
- Public debt in Denmark fell to 38.8% of GDP in 2021 from 42.1% in 2020, pointing to the country's improving fiscal health.

This thoroughly modern market economy features advanced industry with world-leading firms in pharmaceuticals, maritime shipping, and renewable energy, and a high-tech agricultural sector. Danes enjoy a high standard of living, and the Danish economy is characterized by extensive government welfare measures and an equitable distribution of income.

Denmark's small open economy is highly dependent on foreign trade, and the government strongly supports trade liberalization. Denmark is a net exporter of food, oil, and gas and enjoys a comfortable balance of payments surplus, but depends on imports of raw materials for the manufacturing sector. Denmark is a member of the EU but not the Eurozone. Despite previously meeting the criteria to join the European Economic and Monetary Union, Denmark has negotiated an opt-out with the EU and is not required to adopt the euro.

The total population has been slowly rising over time, reaching 5.9 million in 2022 (CIA World Factbook Est.). This was an increase of roughly 600,000 thousand over 2000. The median age in 2022 was 42 years. The number of those over 65 years of age amounted to 1.1 million in 2022, equivalent to 19.9% of the total population. An aging population will be a long-term issue.

USDA'S Office of Agricultural Affairs "OAA" in The Hague reports that the country's small, open economy is highly dependent on foreign trade. The government supports a relatively liberal trade policy with exports and imports of goods and services accounting for 55% and 49% of GDP, respectively. In 2021, Denmark's GDP reached \$370 billion, with a very high per capita GDP of US\$56,500.

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Market Opportunities and Key Issues

Market Opportunities:

- American products are known for their good quality
- Affluent and open-minded consumers
- Growing demand for fresh and processed food products that contribute to a healthier lifestyle
- Growing demand for sustainable and organic food products
- Interest in experimenting with new and innovative products and/or concepts, e.g. healthy snacks, vegan products, etc.
- Denmark often serves as a distribution point for other markets in the Nordics and Baltics

Key Issues

- Transatlantic transportation is costly and takes time
- Fierce competition on price, quality, uniqueness and innovation
- Sustainability standards are often a requirement of the Danish food retail industry
- Competition from suppliers in EU Member States due to tariffs and non-tariff trade barriers and transportation costs
- Standard U.S. product labels often do not comply with Danish product label requirements
- Certain meat and meat products, products containing GMO derived ingredients that are not EU approved, and some seafood cannot be exported to Denmark
- Denmark's value added tax (VAT) rate of 25 percent ranks as one of the highest in the world.

The organic market in Denmark is often seen as a success model for the organic industry. Over 11% of agricultural farmland in Denmark is used for organic production. Denmark is the seventh largest organic consumer market in the EU which is impressive given the fact it only has 5.6 million consumers. As a percentage of overall food, organic products account for 12% of Danish food sales. Most of the sales of organic foods in Denmark are generated by regular food retailers, US\$1.9 million. The growing demand for organic products in Denmark, in combination with the U.S.-EU equivalency agreement, is expected to lead to more trade opportunities for U.S. exporters. There are opportunities for U.S. exporters of fresh produce, pulses, tree nuts, specialty grains, healthy snack options, confectionery products, and (alcoholic and non-alcoholic) beverages

2021 U.S. exports of agricultural products to Denmark totaled just over US\$155 million, a decline of 36% compared to the prior year. US\$100.7 million were of the consumer oriented variety or just over 65% of the agricultural total, also with a decline of 1%. U.S. exports of processed foods, totaling US\$133 million in 2021, which was down 2% from that of 2020. Top U.S. processed food exports to Denmark in 2021 included:

- Prepared/Preserved Seafood
- Alcoholic Beverages
- Food Preparations & Ingredients
- Processed/Prepared Dairy Products
- Snack Foods
- Non-Alcoholic Beverages
- Canned, Dried & Frozen Fruit

Retail Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in Denmark will reach US\$12.9 billion in 2022. That represents a growth rate of 14.2% or US\$1.6 billion since 2018. By the year 2026 the retail sales in the packaged food market in Denmark is expected to reach US\$15 billion, a growth rate of 16% and US\$2 billion from 2022. High growth products in the forecast include:

- Ice Cream
- Savory Snacks
- Sweet Biscuits, Snack Bars and Fruit Snacks
- Confectionery
- Soup
- Baby Food
- Ready Meals
- Cheese

Euromonitor reports that Danish supermarket chains (full-service supermarkets, discounters, and convenience stores) dominate the food retail landscape. In Denmark there are few independent grocery stores or large hyper-markets. In cities like Copenhagen, where shopping is quite dense, there are generally several supermarkets within walking distance anywhere in the city, many with long hours of operation. In addition to well-known A-brands, most supermarkets have their own private labels (often a low-cost brand as well as a high-end brand). The price for Danish food and non-alcoholic beverages are 30% higher than the EU average. In general, Danes are price conscious and seek out ‘value for money’ and products ‘on sale,’ which explains why discount retailers like Fakta, Netto, Kiwi, Aldi, and Lidl are faring well in Denmark.

Supermarkets continued to see solid growth in 2021, although growth was lower than in 2020 when consumers spent more time at home and ate out less during the COVID-19 crisis. The main growth in 2021 came early in the year as a new wave of COVID-19 infections resulted

in consumers again being at home and cooking more rather than eating in foodservice establishments.

Supermarkets in Denmark have a weak online presence and none of the major supermarket chains have any online store, they only use their website to show information such as shopping locations and hours as well as online catalogues. The only major supermarket e-commerce store Irma.dk was closed in 2019 before the outbreak of COVID-19, which is now part of the parent company online store coop.dk. With the strong growth in online shopping expected over the forecast period it is possible that some players will develop e-commerce stores, although none of the leading players have so far made any announcements.

In 2021, supermarkets in Denmark continued to face competition on multiple fronts and many consumers are moving away from supermarkets to other offerings. While discounters offer lower prices than supermarkets, hypermarkets offer a larger product selection and online shopping retailers offer greater convenience. Supermarkets are stuck in the middle and struggle to find an appropriate strategy to secure their place in the market.

It is likely that Danish supermarkets will continue to test different strategies over the forecast period to try to fight off the growing competition from discounters, hypermarkets and e-commerce retailers. Expected strategies include placing a greater focus on offering premium quality products, as well as focusing on offering organic products. With increased competition from online grocery retailers, as well as discounters and hypermarkets, it is expected that the number of supermarket outlets will decline over the forecast period. Players will likely focus on their most profitable locations whilst closing the ones that are struggling.

Coop Danmark should maintain its clear lead of supermarkets over the forecast period. The company operates through two major brands, SuperBrugsen and Irma. SuperBrugsen was brand-leader in 2021, with Irma in fourth place.

Following the experience of the COVID-19 crisis, it is possible that some players in supermarkets in Denmark will improve their online presence over the forecast period and may even begin to offer online grocery shopping in the coming years, although none of the leading players have so far made any announcements. If they do, however, it will still be difficult for emerging e-commerce players in supermarkets to compete with the online offerings already established by major discounters and hypermarkets in Denmark. Online-only grocery retailers such as nemlig.com also present a considerable threat to supermarkets. Convenience stores recorded solid sales growth in 2021, benefiting from the new wave of COVID-19 early in the year as consumers spent more time at home and relied on their local convenience store for supplies.

Convenience stores are popular amongst Danish consumers for purchasing a wide variety of products, including snacks and beverages, and they continue to increase their offering of fresher and more premium quality products as consumers have become more health conscious over the review period as a whole and especially since the outbreak of COVID-19.

Consumers are no longer satisfied with low quality products in convenience stores, and would rather spend their money on organic, high quality, healthy products.

Coop Danmark A/S continued to lead convenience stores in 2021 thanks mainly to the company's many Dagli'Brugsen stores. The number of Dagli'Brugsen outlets increased significantly during 2019 as Coop Danmark's remaining 26 LokalBrugsen stores rebranded to Dagli'Brugsen. The company owned 314 stores in the Brugsen chain, and during the review period closed over half of its LokalBrugsen stores. The decision to transition the last 26 LokalBrugsen stores to Dagli'Brugsen stores has enabled the company to market its stores as a unified chain. Following strong growth at the end of the review period, Dagli'Brugsen increased its value share in convenience stores once more in 2021, cementing its comfortable lead in the category even further.

The Butikskæden Nærkøb chain of convenience stores, which ranks third in the channel, continued to see strong double-digit sales growth in 2021 and opened its 500th store early in the year. Each Nærkøb store is privately owned but as a chain they work together on a number of areas to improve their combined competitiveness in the market. The voluntary structure of the chain has appealed to many convenience store owners who were either independent or part of other chains and the chain has recorded fast growth since the first store opened in 2000.

Best Prospects:

FAS reports that the average Danish supermarket has a selection of U.S. wines and a few brands of U.S. craft beer. In addition, you will find almonds, raisins, sweet potatoes, Alaska Pollack, pulses, dressings and sauces, and more from the United States.

Foodservice Sector Highlights:

After a really bad year in 2020, when consumer foodservice in Denmark lost a fifth of its value sales, the market staged a recovery in 2021, returning to positive growth again. However, due to the lockdown at the start of 2021 as well as various other COVID-19 restrictions being in place at times during the year, value sales in 2021 remained well below their 2019 pre-pandemic levels. Although the second half of September 2021 saw Denmark become one of the first EU countries to lift all the COVID-19-related restrictions (excluding the ones related to foreign travel), with third-quarter 2021 value sales exceeding their 2019 equivalent, some restrictions were reintroduced in the second half of December 2021 as cases once again spiked.

After having expanded at healthy annual growth rates prior to Covid, the Danish consumer foodservice market saw a slump in its performance in both current value sales and transaction volumes in 2020 due to the measures introduced to contain the spread of the COVID-19 virus when it arrived in this country. This included a nationwide lockdown in Denmark from 18 March to 18 May, during which all foodservice outlets were closed for in-person dining, with only takeaway and home delivery allowed. After outlets were permitted to reopen, they still had to operate at reduced capacity to facilitate social distancing. Even then, many struggled to attract consumers, not only due to public concern about community transmission of the virus but also

because the negative economic impact of the pandemic made Danes more cautious in their spending habits.

While COVID-19 restrictions were still in place or being reintroduced over the course of 2021, negatively impacting sales via consumer foodservice in this year, restaurants in Denmark were also struggling due to a shortage of labor. According to Statistics Denmark, 54% of restaurants spoke of having problems due to staff shortages in December 2021. This could affect the industry's recovery from the 2020 slump as people were switching to other jobs during the pandemic when consumer foodservice was shut down and industry players may have trouble attracting them back once restrictions are lifted. Full-service restaurants will be especially badly affected by this as the "experience" is so important for this channel, which tends to require better-qualified personnel to help achieve this.

The majority of players recorded steep value sales falls during 2020, when the pandemic negatively impacted the consumer foodservice market. However, leading player McDonald's, through its local NBO Food Folk Danmark, further strengthened its position in this year, recording a slight increase in sales and major growth in its market share during 2020. Being well-suited to takeaway, not least by being able to offer drive-through options, resulted in McDonald's having a clear competitive advantage during the earliest days of the pandemic. McDonald's has also been expanding its McCafé concept, with a lot of new outlets added in the course of 2021.

According to Statistics Denmark, the number of bankruptcies in the restaurants industry was 2% higher in 2021 than it had been in 2019. However, the figure actually declined in 2020, when players will have been protected by government financial aid packages. No major chains left the market during the pandemic, although the brands no longer present in Denmark include TGI Fridays, which had previously been operating one Danish outlet.

Aside from forcing a pivot to takeaway and home delivery, the pandemic accelerated the trend towards digitalization in consumer foodservice. Many operators sought to reduce costs, improve efficiency and reach more consumers by developing new mobile apps and online ordering systems during the year. Similarly, operators stepped up promotional activities via social media to increase brand awareness. Players also attempted to differentiate their brands and increase their appeal among consumers by adding healthier choices to their menus and adopting new socially responsible and sustainable practices, especially in areas like food waste and animal welfare.

Denmark is also seen as having a good selection of restaurants for locals as well as for international tourists seeking unique gastronomic experiences. Two Danish restaurants – Noma and Geranium – even fill the top two places in the list of "The World's 50 Best Restaurants 2021", compiled by William Reed Media. Noma has now topped this list five times since 2010.

Competition will continue to intensify across the market, with many operators that developed their takeaway and home delivery services during the pandemic keeping them in place to boost their prospects for recovery. Intense competitive pressures will also drive foodservice operators to continue updating and diversifying their offers to keep pace with the changing demands of

Danish consumers. For example, players will continue to invest in digitalization and add healthier alternatives to their menus. Operators will also pursue new sustainability initiatives to differentiate their brands, with animal welfare, food waste and environmental protection set to remain focal points in this regard. Copenhagen's 2025 climate plan has an ambitious goal of making the capital CO2-neutral.

Food Processing Sector Highlights:

There are 4.3 million hectares of agricultural land in Denmark, of which approximately 62% has been cultivated for agricultural purposes. At present, there are about 130 000 people employed in the Danish agricultural sector, with 73 000 of them in farming and 58 000 in food processing industry. Denmark can produce enough food to feed 30 million people (six times its population). As such, Denmark is an exporter of food and its annual exports of agricultural and Agri-food products currently accounts for about 20% of the Danish total annual exports.

Denmark has one of the world's most advanced food processing sectors. Some of Europe's major food and beverage companies are based in Denmark: well-known names include the two industry giants Arla Foods (dairy sector) and Danish Crown (meat processing) as well as Danisco (sugar) and Carlsberg (beer). In addition, Denmark boasts global leaders such as Novozymes (in enzymes), Christian Hansen (in food ingredients) and Royal Greenland (in fish and seafood production and processing).

A number of factors have contributed to the success of the Danish food processing industry in recent years. These include rigorous quality assurance and regulatory standards, establishment of farmer co-operatives, investment in research and development ("R&D") and training of technical staff, and a professional research environment.

Denmark exports more than two thirds of its agricultural products, so farmers have an absolute focus on the need to achieve success. This extends to their acceptance of rigorous quality assurance and regulatory standards, and understanding of the importance of maintaining a reputation for quality and safety. To support the development of the food industry, the Danish government has helped establish a comprehensive food industry cluster in the Oresund region. The Oresund region, consisting of Southern Sweden and Eastern Denmark, is one of the fastest developing food clusters in Europe. It is the bridge between eastern and western Denmark and close to Denmark's major export markets in Europe.