

# Annual review 2022/23





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# A turbulent year for Friland

## Friland CEO Claus Hein describes 2022/23 as a year marked by a supply and demand imbalance.

As we close the books on 2022/23, we cannot but note that the past year was a turbulent one and one impacted by very difficult market conditions, for organic pigs in particular, with supply exceeding demand in nearly all markets. As a result, delivering the intended settlement prices proved a major challenge for us.

However, looking at the year as a whole, we did better than we had feared despite the tough market conditions. I say this as humbly as I can, well aware that our settlement prices, for organic pigs in particular, were less than satisfactory.

In many respects, the past year was marked by uncertainty and inflation. Spending has not improved as much as we would have liked – neither in our domestic market nor in export markets. Supply exceeded demand in nearly all markets, and this imbalance only started to wear off in the final months of the financial year.

Overall, we note that our revenue performance lost momentum compared with last year.

Declining sales of both high-quality products and organic products affected many companies. Demand will recover, but stability for consumers and in society at large is key. At a time when many consumers are struggling to pay their bills while


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**We aim to have more of our products carried by existing and future customers, while at the same time lifting settlement prices for our owners. We are working relentlessly to make that happen.**  
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also putting a little aside, high-end products – which is our sphere of activity – suffer.

That said, we're confident that demand for our products will rekindle. Our strategy, which assumes that consumers prioritise organic products, high animal welfare and sustainability when they shop, is the right one.

The challenging market situation has been a restricting factor and has put several of our strategic initiatives on hold. We aim to have more of our products carried by existing and future customers, while at the same time lifting settlement prices for our owners. We are working relentlessly to make that happen.

Best regards,



Claus Hein, CEO







# A tough year for suppliers

**The past year failed to meet the expectations of Friland's Chairman, Peter Fallesen Ravn. While the company's suppliers are going through a rough patch, he sees a light at the end of the tunnel.**

Looking back at the past financial year, we cannot but notice that it was a tough year for our suppliers and a year marked by difficult market conditions for the company. That said, I admit that we had hoped for better settlement prices, especially for our organic pig suppliers.

I can therefore reassure you all that we're working hard to improve settlement prices. Farmers depend on it for a sustainable financial performance.

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**Even in the darkest of times, the tides have always turned. Things will look up for us at Friland as well.**  
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Rising costs at the farms are weighing on our suppliers, and when production costs exceed the prices we pay, farmers suffer. The costs of feed, interest and energy are some of the factors that have put suppliers most under pressure. This means we're all affected when settlement prices and costs don't balance. For pig suppliers of FRILANDSGRIS® and for organic cattle suppliers, the past year was slightly better than for organic pig suppliers, and it's my impression that prices and costs are better balanced for those two groups of suppliers.

We need consumers – in export markets as well as in our domestic market – to step up and get back in the game, as they've done before. Many of the consumers who support animal welfare and organic products have cut back on their spending, and we need them to step up their organic purchases. I'm confident that spending will rekindle.

We believe in a future for Friland. Perhaps that's easy to say when things haven't really begun to look up. I've been a part of the agricultural industry in good times and bad. Even in the darkest of times, the tides have always turned. Things will look up for us at Friland as well.

We're already seeing bright spots on the horizon in some areas. And while that gives us a different outset, our belief in the future has not changed at all. Our direction and strategy remain the same, and we will drive progress together.

Best regards



Peter Fallesen Ravn, Chairman of Friland











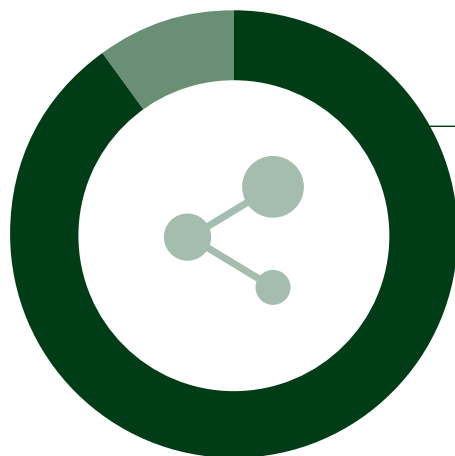
# Financial review

Friland's overall revenue dropped from DKK 1,059.9 million in 2021/22 to DKK 918.8 million in 2022/23 – a year-on-year decline of 13%. Most of our revenue is generated by Friland Økologi, which covers the concepts of Friland Økologi, pigs and Friland Økologi, cattle. Combined, these concepts account for 92% of Friland's overall revenue, while the remaining 8% of Friland's 2022/23 revenue was generated by the FRILANDSGRIS® concept.



**918,8 mio. DKK**  
**1.059,9 mio. DKK**

● 2022/23 ● 2021/22



**92%**

FRILAND ØKOLOGI

- FRILAND ØKOLOGI 92%
- FRILANDSGRIS® 8%

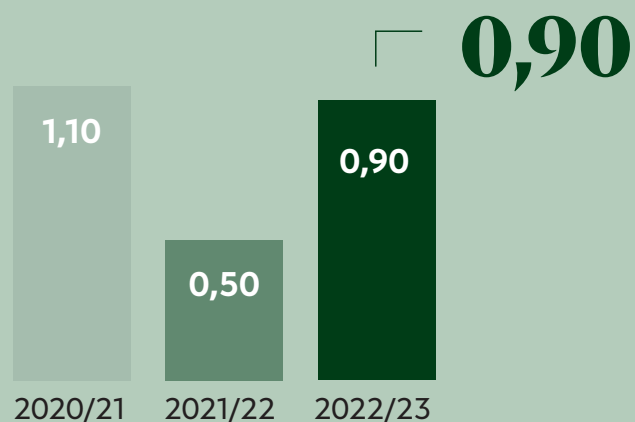


## Residual supplements

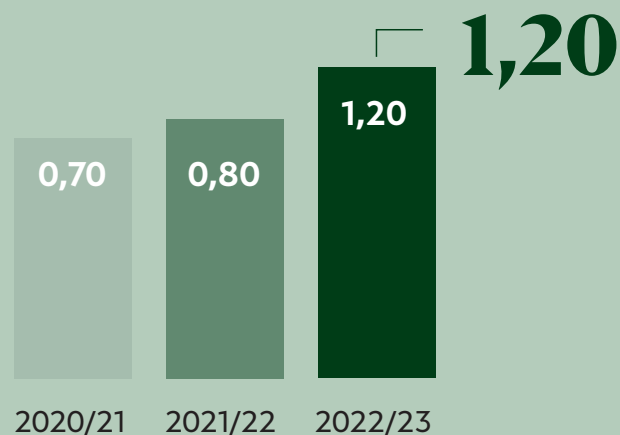
As always, it should be emphasised that accumulating a buffer for residual supplements is not a criterion for success in itself. However, Friland's business model entails a need to maintain a buffer to be able to absorb any unforeseen movements in the market. FRILAND ØKOLOGI pig suppliers receive a residual supplement of 0.90 DKK/KG per slaughtered kilo.

FRILAND ØKOLOGI cattle suppliers receive a residual supplement of 1.20 DKK/KG per slaughtered kilo. FRILANDSGRIS® suppliers receive a residual supplement of 1.10 DKK/KG per quality-approved kilo. Overall, Friland paid supplements of DKK 207 million in financial year 2022/23.

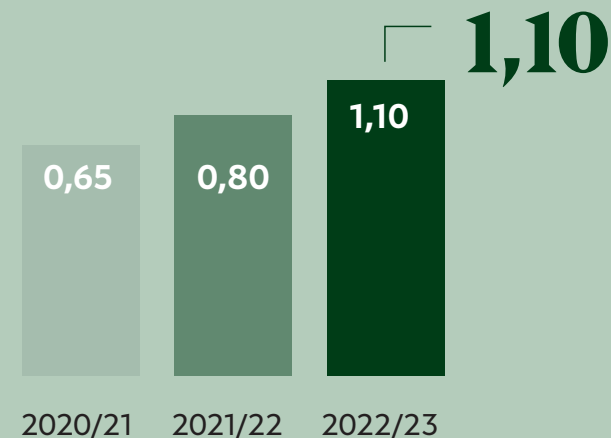
**FRILAND ØKOLOGI**  
DKK/KG PER SLAUGHTERED KILO  
Pigs 



**FRILAND ØKOLOGI**  
DKK/KG PER SLAUGHTERED KILO  
Cattle 



**FRILANDSGRIS®**  
DKK/KG PER SLAUGHTERED KILO  
Pigs 







## Not all markets of Friland Økologi, pigs declined

Friland Økologi, pigs reported a year-on-year drop in revenue for financial year 2022/23. The decline was driven mainly by an imbalance between demand and supply. Both domestic and foreign consumers cut back on purchases of organic products or chose lower-priced organic cuts.

In terms of sales, it is worth noting that Friland grew sales of organic pigs to the North American market – a market that continues to hold growth potential, in line with a number of other export markets.

A total amount of DKK 164.7 million, including residual supplements, was paid to this group, which corresponds to 10.85 DKK/KG against 16.38 DKK/KG last year. Including quotations from Danish Crown, an average amount of 23.69 DKK/KG was paid against 26.27 DKK/KG last year. To these numbers should be added supplementary payments from Danish Crown.



## Increased revenue from organic cattle

Friland Økologi, cattle reported a year-on-year increase in revenue in 2022/23. The increase was driven mainly by a higher utilisation rate, which contributed to maintaining supplements paid to organic cattle suppliers at a stable level through 2022/23.

However, sales remained affected by the fact that the most expensive cuts are the most difficult to sell. We successfully increased export sales of organic beef, which helped drive revenue for this concept.

A total amount of DKK 23.6 million, including residual supplements and other supplements, was paid to this group, which corresponds to 3.69 DKK/KG against 5.94 DKK/KG last year. Including settlement prices paid by Danish Crown Beef, an average amount of 31.73 DKK/KG was paid against 33.50 DKK/KG last year. To this should be added, where relevant, supplementary payments from Danish Crown.



## Strong collaborative partners for FRILANDSGRIS®

The FRILANDSGRIS® concept reported a decline in revenue for 2022/23. The decline was driven primarily by weakening consumer demand for premium products such as FRILANDSGRIS®.

Despite the lower sales, suppliers to the concept received higher settlement prices in the year, partly because FRILANDSGRIS® is sold in MENY stores across the country and Friland works closely with MENY on raising awareness of the concept – as it does with 7/Eleven, which sells sausages made from FRILANDSGRIS® in their nationwide chain of convenience stores. Last but not least, FRILANDSGRIS® is also sold to a number of foodservice customers and butchers.

A total amount of DKK 18.7 million, including residual supplements, was paid to this group, which corresponds to 4.62 DKK/KG, in line with last year. Including quotations from Danish Crown, an average amount of 16.51 DKK/KG was paid against 13.65 DKK/KG last year. To these numbers should be added, where relevant, supplementary payments from Danish Crown.



# Marketing at Friland



During the past year, Friland focused on aligning its marketing activities with the market situation facing consumers in Denmark and in export markets. Accordingly, marketing activities have been centred around product activation and

even stronger communication of the classic values behind Friland's three product concepts. At the same time, Friland's suppliers have continued to play a key role in communicating animal welfare, organic products and nature in relation to the concepts. In our Friland Økologi campaigns, we have endeavoured to strengthen communications concerning biodiversity and nature in relation to the organic concepts for both pork and beef. The emphasis placed on these two values in our campaign material was instrumental in elevating our engagement with consumers on social media.

- From insights gained, we know that consumers want to prioritise biodiversity and nature, and that's what we're trying to communicate in our consumer campaigns. Also, our suppliers have shared a lot of examples of how they work with biodiversity and nature, and we can use that for our marketing approach, says Maria Bast, head of marketing at Friland.



With the two annual campaigns for FRILANDSGRIS® building on 11 local concept suppliers, consumers can easily recognise and find information about the farmers behind the products

at Friland.dk. The campaign was also visible at MENY stores, where making farmers and FRILANDSGRIS® recognisable was a big part of the in-store material. Friland has also launched a range of FRILANDSGRIS® retail products for MENY stores. In the urban environment, FRILANDSGRIS® was advertised very potently on bus rears, store outdoor posters and, not least, on the radio. The FRILANDSGRIS® collaboration with 7/ Eleven has resulted in increased marketing of the FRILANDSGRIS® concept in towns and cities, at train stations and on 7/ Eleven shop fronts.

In addition, Friland was present at the Aarhus Food Festival, Denmark's largest food fair, and at Organic Day 2023 and Sofari, supporting the hosting suppliers. We also successfully developed both our social media and our newsletter communications, increasing the number of Danish consumers receiving Friland news on a monthly basis to more than 30,000. All the while, social media interest in and engagement concerning our concepts continues to grow.





# Friland marketing activity stepped up in 2023

## FRI campaign FRILAND ØKOLOGI Winter



## Open Farm Organic Day



## F FRIL



## Biofach 2023 Winter



## FRILANDSGRIS® campaign Spring



## Developing new recipes Easter

### FRILAND ØKOLOGI campaign Easter



### New FRILAND ØKOLOGI UNIQUE site Spring



### Food Festival Autumn



..and much more



### Open Farm event Sofari



### Summer site at friland.dk Summer



# The year as told by the Board of Directors

## Nicolaj Pedersen: A rough year for organic pig suppliers



— Nicolaj Pedersen, Friland Økologi

The past year was a rough one for organic pig suppliers. We were challenged, in particular, by high feed prices, which brought us to our knees.

At the same time, inflation left its mark on interest rates and costs, which affected us as well.

All of this knocked the wind out of our budgets and took a heavy toll on farm capitals. And even though Friland has tried, to the best of their ability, to compensate by way of quotations, it hasn't been enough. Right now, contribution margins are hovering around zero. You can live with that for a short period of time, but not in the long term. We're in the same predicament as our conventional colleagues, and the price simply just isn't good enough. Something needs to be done. I really hope that consumers start realising that they need to support

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**I really hope that consumers start realising that they need to support organic products now. If they don't, a number of producers will have to shut up shop.**  
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organic products now. If they don't, a number of producers will have to shut up shop. It can't be helped.

As for our professional achievements, I'm extremely proud of the efficiency and productivity gains we've seen for both sows and slaughter pigs. Even though there's a lot of things we can't do when we keep free-range animals, we're still proving that we can be efficient. Breeding, in particular, has made significant progress. I'm really proud of my colleagues,

and we owe a lot of our progress to knowledge sharing within networking groups and with consultants. This is really efficient. Projects involving trees in farrowing areas are also beginning to show results, and it makes an impact when suppliers are firstmovers.

## Esben Møller Xu: A stable year for organic cattle suppliers



— Esben Møller Xu, Friland Økologi

In my opinion, the past year was quite good for organic cattle suppliers compared with what we might have feared or envisaged. Cattle settlement prices were stable for beef, whereas we've seen massive fluctuations in milk prices, which admittedly were very high last year.

Also, thanks to a strong 2021/22, many suppliers have been able to pay off debt. That we as an industry have been able to pay off debt at a time of galloping interest rates is a huge

achievement. For many suppliers, rising interest rates account for most of the increase in costs. On the other hand, we note that the current supplement for organic milk is not sufficient to cover costs.



### **We need to find a model for shifting animal supplies so Friland and, by extension, farmers can make more money.**

A key issue in our working group is to develop a new model that will allow us to move a greater share of animal supplies to the summer period. We've tried contract production, but suppliers were strongly against it. We need to find a model for shifting animal supplies so Friland and, by extension, farmers can make more money. This is absolutely essential. We need to have the goods available when consumers need them. I would also like to point out that the past year has shown that the Friland brand represents huge value and is a great asset for the group. While this is positive, it also means we need to protect and guard the brand. That's a job for the Board of Directors.

Professionally, I'm particularly pleased to note that the heart labelling programme has really had an impact on the interaction between cow and calf. This has made a significance difference for animal welfare, and we need to continue our progress in this field. We need to give even more priority to animal welfare, and I believe Friland is making a huge effort to that end. We just need to carry on. We need to step up if we want our beef to obtain three hearts under the Bedre Dyrevelfærd programme.

### **Bo Bejer: A fairly good year for suppliers of FRILANDSGRIS®**



— Bo Bejer, FRILANDSGRIS®

Looking at the past year in an overall perspective, being a supplier of FRILANDSGRIS® was quite good. We've always wished for higher supplements, but if we put together quotations and supplements, we received fair payment overall. That we as farmers have seen the costs of feed, energy and interest go up is also a factor to be taken into account. Costs have increased all round, and this naturally poses a challenge.

As suppliers, we hope the rate of utilisation for FRILANDSGRIS® improves, and I know that efforts are being made to achieve this. Strategic partnerships for the concept could help us achieve just that. We need to unite our forces to ensure the concept matches the needs and wishes of customers.

The most recent example of this was the work to adjust the meat ratio. As farmers, we've shown that we're prepared for change and ready to embrace the wishes of Friland and the customers. We need to keep demonstrating this, and we have the support of the group of producers.

For the producers, the uncertainty of the past year about the future of the concept and our ability to meet requirements as FRILANDSGRIS® attracts new customers also took a lot of attention. I'm happy to note that the concept enjoys the full support of the Friland Board of Directors and that, like last year, there's a seat on the Board for a FRILANDSGRIS® supplier. That says a lot about the long-term confidence in the concept.







# New projects with the focus on feeding, environment and biodiversity

**The focus of Centre for Free Range Livestock was mainly on biodiversity, feeding and climate in the past year. Our projects produced good results, and we will build on those achievements in the coming year.**

At Centre for Free Range Livestock, which is owned by Friland and Animal Protection Denmark, we were engaged in a wide array of projects in relation to organic pigs and cattle in the past year. We devoted a lot of time and energy to biodiversity projects, in particular, and we'll continue to do so in the coming year, says Simme Eriksen, Senior Manager at Centre for Free Range Livestock, who explains that the centre has participated in two pilot projects, one with twenty and another with ten pig suppliers.

- Common to these projects is the wish to promote biodiversity based on conditions at the individual farm. The first test project focused on special nature, while the second focused on nature across the farm. We'll be working on a conclusion and a plan for the future over the winter, and we hope to be able to study biodiversity among other groups of organic producers, says Simme Eriksen.

The ENTRANCE project studying the effects of feeding fresh grass and grass pulp to organic pigs continued in the past year. One of the results of the project is the development, in collaboration with industrial designer Kent Laursen, of a feed rack that was tested by an organic slaughter pig supplier in 2023.

During the autumn of 2023, Centre for Free Range Livestock was also engaged in a project to study cattle grazing of catch crops. The first tests have shown that cattle grazing of catch crops makes for both quality feed and sound finances. In the course of the winter, the centre will present the results of more visits to organic cattle suppliers.

The ROBUST project focused on cattle behaviour and feeding. During the summer of 2023, Centre for Free Range Livestock studied whether leaves from shelter belts could be used as a supplement to coarse fodder, which was in scarce supply because of the drought. Next year, Centre for Free Range Livestock will launch a two-year project intended to help pig suppliers experiencing tail biting.



**- Tests showed that barren cows ate the leaves from shelter belts. It's our hope that ROBUST can help create and inspire more robust systems. Next year, the project will test whether cows will eat fresh and ensiled willow, says Camilla Kramer, manager of the project.**

— Camilla Kramer, project manager

Read more about the current projects of Centre for Free Range Livestock at [www.frilandsdyr.dk](http://www.frilandsdyr.dk)



# Share your thoughts

Friland has asked two members of the Board of Directors, Mette Schacht Færch and Marie-Louise Boisen Lendal, to share their views on consumer preferences in the past year and going forward.



— Mette Schacht Færch, Vice President, Categories, Marketing & Innovation

The past year saw a lot of change, including for Danish consumers, who adjusted their habits. In terms of consumer preferences, “value for money” or “price” topped the list.

Luckily, other factors affect consumers’ purchases of fresh meat as well, such as locally produced, produced in Denmark and animal welfare. This shows that Friland justifiably plays an important role in the lives of Danish consumers.

Due to inflation and rising costs in many households, consumer habits have changed, with many looking to buy cheaper products, which involves cutting back on organic products.

During the 12 months to July 2023, volume sales of organic products dropped by 10%. Sales of organic meat, fish and poultry fell by 21%, while sales of organic pork dropped by 26%, so the market has definitely been affected. At Friland, developments were less grave as we experienced somewhat smaller declines.

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**Friland justifiably plays an important role in the lives of Danish consumers.**  
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In my view, this was due to our strong efforts in the Danish market where, thanks to effective sales and marketing initiatives, we managed to retain consumers. Friland is not only for those who always buy organic products. We also need to cater to those who mostly buy organic products and to consumers who buy organic products from time to time.

This also applies to FRILANDSGRIS®, where we’ll also need to work hard to retain consumers.

As I see it, there’s an ongoing battle to win the hearts of consumers, and we are and will remain a part of that battle. Being and staying noticed by consumers requires dedicated efforts. Being a factor when consumers plan a meal or their purchases and when they do their actual shopping is essential. This means that we need to be where the consumer is.

This is the reason why Friland is highly visible on social media, in campaigns, in stores and in advertising leaflets. We need to tell the good story, and this is even more important in times when price is top of mind.



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Consumers should feel it in their hearts, in their minds and in their stomachs when they choose Friland’s products. It’s important that it feels good, but it should also make sense financially. This goes hand in hand with Friland’s products because it’s all about eating less but higher quality meat.

So, Friland enjoys a strong position with consumers, but we need to fight hard to retain our market share. We’re ready for that battle.

**Marie-Louise Boisen Lendal shares her thoughts on sustainability from the perspective of consumers. Marie-Louise has served on Friland's Board of Directors since 2022 – appointed by Danish Crown. She is a co-founder and the CEO of Tænketanken Frej, a think tank working to promote sustainable food through dialogue, knowledge sharing and co-operation.**



— Marie-Louise Boisen Lendal, CEO and co-founder of Tænketanken Frej

Denmark is among the 10% of the countries in the world that eat the most meat, and the official Danish dietary guidelines suggest that we should eat less meat than we do today. This is because meat production takes up large areas of land and stresses nature and climate. Sustainability is about ensuring that the food system does not transgress planetary boundaries, i.e. pollutes and impacts the planet beyond its ability to recover.

The current food system is not sustainable. One of the reasons is the very high level of meat consumption in the Western world. It's still okay to eat meat, but meat needs to go back to being a luxury that we indulge in on special occasions. Like it was a few generations back.

The meat we eat should be of high quality, and the animals should have lived good, natural lives. Friland is an exemplary brand in this context and one we should be proud of. My personal hope is that it becomes a goal to increase the number of Friland suppliers.



**The meat we eat should be of high quality, and the animals should have lived good, natural lives.**

Several studies show that the majority of Danish consumers want to reduce their meat intake. This is a huge opportunity for Friland – an opportunity to ensure that whatever meat is still purchased is of a better quality and that the money Danish consumers save by eating less meat is not spent on more travel, flat screens and mobile phones – but on better and more expensive meat. On Friland products.

We're looking to a future in which we need to consume less but better. We need to buy less fast fashion, for example, and buy good quality that lasts longer instead. We need to buy less mass-produced furniture that goes to pieces after two years and to buy oak furniture from the recycling shop instead. Friland is directly in line with that trend. Less but better.

We know that policy-makers are contemplating climate labeling and a tax on farming emissions. This will have an impact on Friland's products as well, but we don't know the final

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result yet. I believe that Friland should support, very actively, a greenhouse gas emissions tax on consumption. That would significantly reduce the price gap between conventional imported meat and Friland meat. In Norway, consumers buy wine of a much better quality after the introduction of an alcohol tax.





**Friland A/S**  
Danish Crown Vej 1  
8940 Randers SV  
Denmark

+45 89 19 27 60  
frilandinfo@friland.dk  
www.friland.dk