

## MARKET REPORT

November 2020

### Beverage trends: Beer

- Channelling creativity to cope with the crisis
- Global beer market projected to see a sharp fall in sales in 2020

Worldwide beer production increased slightly for the first time in five years in 2019, according to the BarthHaas report Hops 2019/2020. Production edged 0.5 per cent higher to 1.913 million hectolitres. But it is already clear that Covid-19 will prompt a sharp decline in sales in 2020. Plato Logic currently believes that the global beer market will suffer a slump between 6.5 and 11.2 per cent this year.

The market research institute predicts that worldwide per capita beer consumption will reach just 24.2 litres (2019: 26.2 litres per capita) in 2020, primarily since tourism and restaurants were shut down for a time and because of a sluggish recovery in these sectors of the economy. Broken down by region, Plato Logic forecasts the highest per capita consumption of 56.4 litres (2019: 59.4 litres) in the Americas. Europe will take next place with 52.6 litres per capita (2019: 56.2 litres per capita), followed by Asia-Pacific with 16 litres per capita (2019: 17.4 litres per capita) and Africa and the Middle East with 8.3 litres per capita (2019: 9.8 litres per capita). Within Europe, the Czech Republic is the frontrunner by quite some margin with 144.1 litres per capita (2019: 155.3 litres per capita). The market research firm lists Germany in second place with 102.9 litres per capita (2019: 106.4 litres per capita). Austria will likely take third place with 99.2 litres per capita (2019: 110.9 litres per capita), ahead of Romania and Poland. In all likelihood, this year will bring little change in the ranking of the biggest beer producing countries. BarthHaas and Plato Logic both believe that China is the leader followed by the US, Brazil, Mexico, Germany, Russia, Japan, Vietnam and the UK. BarthHaas lists Poland in tenth place, a spot that Plato Logic gives to Spain.

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### **Top 40 brewing companies account for around 90 per cent of global beer production**

The predictions suggest that the ten biggest brewing companies will keep the same rankings as last year. According to BarthHaas, the global number one, AB InBev, was responsible for 29.3 per cent of worldwide beer production in 2019. The top five – AB InBev plus the next-placed companies of China Res. Snow Breweries, Carlsberg and Molson Coors – had a 58.6 per cent share. The world's top 40 brewing companies in terms of sales accounted for 90.1 per cent of world beer production last year with 1.723 million hectolitres.

### **Craft beer offers potential**

Craft breweries had a roughly four per cent share of the global market in 2019 with 77.1 million hectolitres, according to Plato Logic. Just a small increase occurred in Europe (2019: 30.7 million hectolitres) compared with the previous year (2018: 30.6 million hectolitres). The Africa/Middle East market (2019: 0.25 million hectolitres) showed no change. At the same time, production grew throughout the Americas from 37.6 to 39.1 million hectolitres, with a decent increase reported in the Asia-Pacific region as well to 7.1 million hectolitres last year (2018: 5.6 million hectolitres).

2019 was another year of growth for craft beers in the US, the country where this movement began. While total beer sales were down two per cent, craft beer sales climbed by four per cent to 26.3 million barrels (ca. 30.9 million hectolitres). Revenues from craft beer were six per cent higher at US\$29.3bn. Craft beer had a 13.6 per cent share of the US beer market in volume terms and a 25.2 per cent share in value terms. A total of 8,275 craft breweries contributed to these numbers. While 942 new breweries entered the business, 294 companies closed their doors last year. One interesting fact is that the top 50 US craft breweries, headed by market leaders D.G. Yuengling and Son, Boston Beer Company and Sierra Nevada Brewing Company, were responsible for 53.6 per cent of US craft beer sales (2018: 55.5 per cent). These numbers confirm that there was significant interest in microbreweries, which often have taprooms on the premises.

### **Fresh thinking helps**

The 2020 statistics will likely not show such a positive trend. Paul Gatza, Senior Vice President of Professional Brewing Division at the Brewers Association, expects that restaurant and bar closures caused by the

pandemic will erode sales by at least 20 per cent. Mr Gatza notes that “2020 will be the first year in the history of craft brewing since 1968 when sales figures point lower.” Nonetheless, Mr Gatza is optimistic about the future for US craft breweries. “Craft brewers have always been open to new ideas and are both creative and agile. These characteristics are an enormous help in the current situation. For instance, a few craft brewers are already extremely busy offering alternative trendy alcoholic drinks, such as hard seltzers.” According to Mr Gatza, craft breweries will have to prepare for consumers wanting more direct deliveries in the future. “People are now accustomed to online shopping and we anticipate that consumers will want to keep using this convenient buying option, even after Covid-19 restrictions are lifted.”

Craft breweries around the globe, which were especially hard hit by restaurants shutting down during the lockdown, are showing imagination. One such example comes from Australia where one brewery launched ‘Plan: C Simple Ale – The Brew to get you Through’ in April for just a few months. Its motivation was to offer a craft beer at a lower price point than usual to allow people who had lost income because of the pandemic to enjoy craft beers and keep money in their pockets. An 18-pack of cans was priced at AUD40. According to Mintel, six-packs of craft beer usually cost between AUD19 and AUD24 in Australia. Like many other breweries around the globe, this company is also offering free delivery to offset the downturn in the restaurant business. Craft breweries are frequently urging their local communities to support them by buying beer from them at the moment. In many instances, consumers are also being offered the chance to invest in crowdfunding projects.

### **Trend towards regional brews**

German breweries are not having an easy time of it at the moment, either. Beer sales by breweries and beer storing establishments based in Germany were already 1.9 per cent lower than in the previous year at 92 million hectares in 2019, according to the German Federal Statistical Office. The German Brewers Federation (Deutsche Brauer-Bund, DBB) believes that the coronavirus pandemic has devastating consequences for its members. According to a DBB survey, beer sales were 16 per cent lower in the first six months of 2020, while revenues were down 19 per cent on average in a year-on-year comparison. The DBB’s member breweries believe that 2020 as a whole will end with a drop in sales of at least 14 per cent and an average 16

per cent dive in revenues compared with last year. Marc-Oliver Huhnholz, Press Spokesperson for DBB, noted that “the economic ramifications of the coronavirus pandemic for Germany’s brewing industry are reaching levels not seen since the establishment of the Federal Republic of Germany in terms of the collapse in beer sales.” Stefan Stang, Managing Director of the Bavarian Private Breweries’ Association (Private Brauereien Bayern), feels that one positive development is the trend towards regional beer brands, which he believes has tended to intensify in Germany during the crisis and will continue to strengthen.

### **Seeing opportunities in the crisis**

Identifying opportunities and bringing new ideas to fruition in the midst of the crisis is a notion that a few German breweries are also embracing. For instance, the first two HopfenFrucht drinks, a new category of beverage made out of non-alcoholic beer and freshly squeezed juice, were rolled out in mid-March. In early April, a brewery in Hesse launched a beer-apple wine hybrid, which combines lager with apple wine. Another brewery brought another equally successful idea to life for the launch of a new speciality beer. It arranged a tour that allowed visitors to drive around a brewery in their own car in May.

### **Non-alcoholic and low-alcohol beers catering to health-conscious and sober-curious consumers**

The crisis might also be inspiring a few breweries to think even more about non-alcoholic and low-alcoholic beer. According to Plato Logic, global consumption in this segment increased from 44.8 million hectolitres (2018) to 47.5 million hectolitres in 2019. Within Europe, non-alcoholic and low-alcohol beverage consumption climbed from 28 million hectolitres to 29.8 million hectolitres in the same period. These types of beer also cater to health-conscious and ‘sober-curious’ consumers, the latter a trend originating in the US. In one example, Scottish craft brewers recently demonstrated how in fashion non-alcoholic beverages can be, opening a bar only serving non-alcoholic craft beer in central London at the start of this year.

# BrauBeviale2020

## Special Edition

Nürnberg, Germany

10. - 12. November

### **Beviale Family: International expertise in the beverage industry**

NürnbergMesse Group is proving its expertise in the beverage industry on the international stage: the BrauBeviale in Nuremberg is one of the most important capital goods trade fairs for the beverage industry worldwide. The Beviale Family also has activities in some 10 countries around the globe with various event formats and marketing partnerships tailored to the respective target market. The network's family members and partners are active in key growth markets. The international sponsor of the global network for the beverage industry are Doemens Akademie and the VLB (Versuchs- und Lehranstalt für Brauerei), a Berlin-based research and teaching institute for brewing. Additional projects are in the pipeline. More details and dates can be found at: [www.beviale-family.com](http://www.beviale-family.com)

### **Save the date: BrauBeviale 2022 – 2024**

Note the dates of the next BrauBeviale three-year cycle now:

**BrauBeviale 2022:** 8 to 10 November 2022

**BrauBeviale 2023:** 14 to 16 November 2023

**BrauBeviale 2024:** 12 to 14 November 2024

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