

Craft Beer, New Leader Product in Mexican Exports?



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Image. Cottonbro Studio in Pexels 2023.

THE BEER INDUSTRY

Beer is a thousand-year-old drink that originated from the classic Mediterranean culture. It was the French and the Germans who perfected its manufacturing technique.[Ⓢ] (Deloitte, 2017)

In international statistics, beer is included as a drink made mainly from four ingredients: water, hops, malt, and yeast with an alcohol content over 0.5%, as well as beer mix drinks. In 2021, 1.86 billion hectoliters of beer were produced in the world, mainly in the Americas, Asia, and Europe.

Although due to COVID-19 the sales forecast for the beer segment was 14.6% lower in 2020, beer sales are supposed to increase

Image. Mehran B in Pexels, 2023.



Based on volume sales, AB InBev Company is the leader of the beer market with 31.3% of market share, the second one, Heineken, accounts for 12.6%, and the third, Carlsberg, for 6.4%. (Statista 2022)

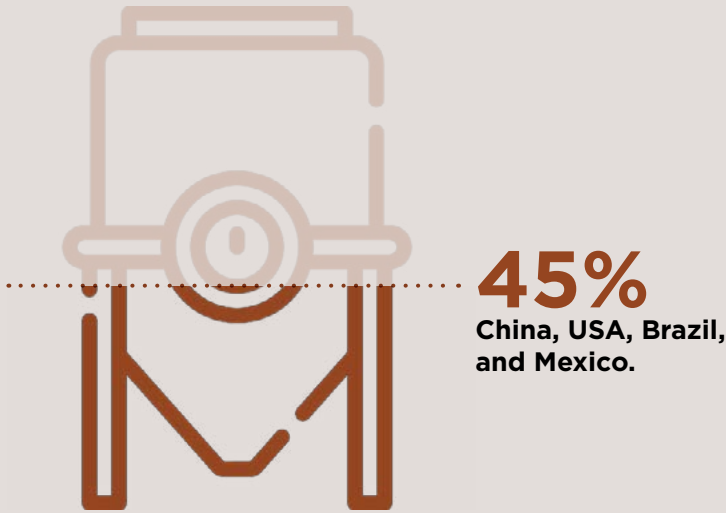
from 2019 to 2025 at a compound annual growth rate of 4.9%. In 2019, China was the country with the highest revenue in the beer segment, followed by the United States, Brazil, UK, Mexico, and Germany. (Statista 2020)

In the beer foreign trade Mexico is the global export leader. In 2021, Mexico exported

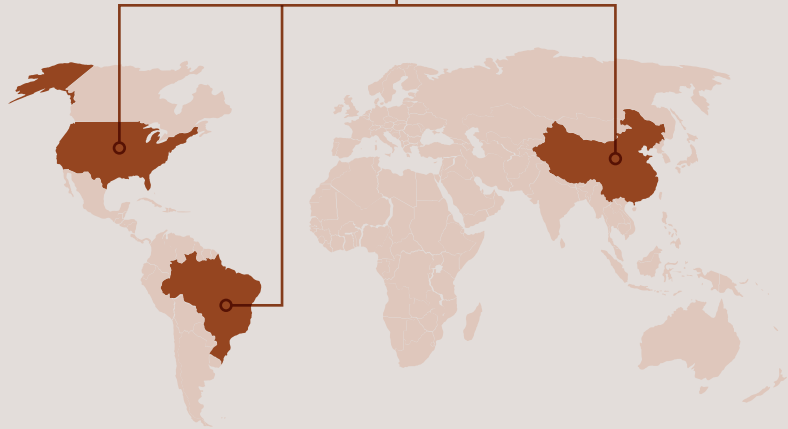
3.64 billion liters of beer worth 5.02 billion U.S. dollars. The Netherlands, Belgium, Germany, the United States, the United Kingdom, and the Czech Republic are the other important exporting countries. In imports, USA is the main importing country. In 2021, they imported 4.63 billion liters worth 6.63 billion U.S dollars. (Statista 2022)



LEADER WORLDWIDE
BEER PRODUCERS IN 2021



Leading consumer countries



Source: Global Beer Market, Statista 2022



7%
Cider, Perry
& Rice Wine



40%
BEER



23%
Wine

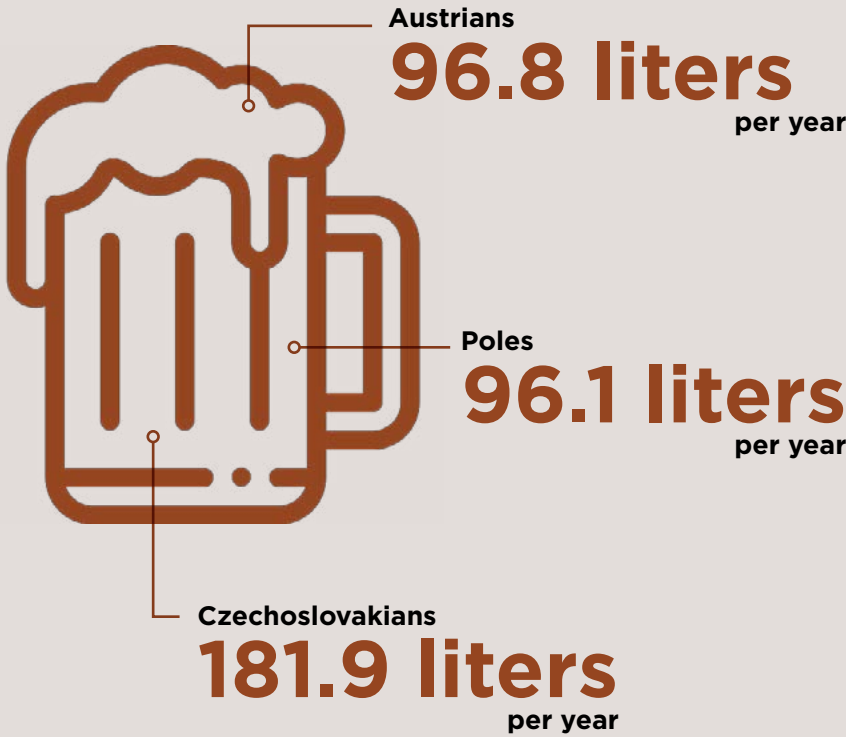
WORLDWIDE
REVENUE SHARE OF
ALCOHOLIC DRINKS
IN 2019



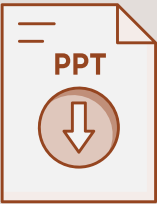
30%
Spirits

Source: Beer Report 2020, Statista

PER CAPITA BEER
CONSUMPTION IN 2020



Source: Global Beer Market, Statista 2022



Craft Beer

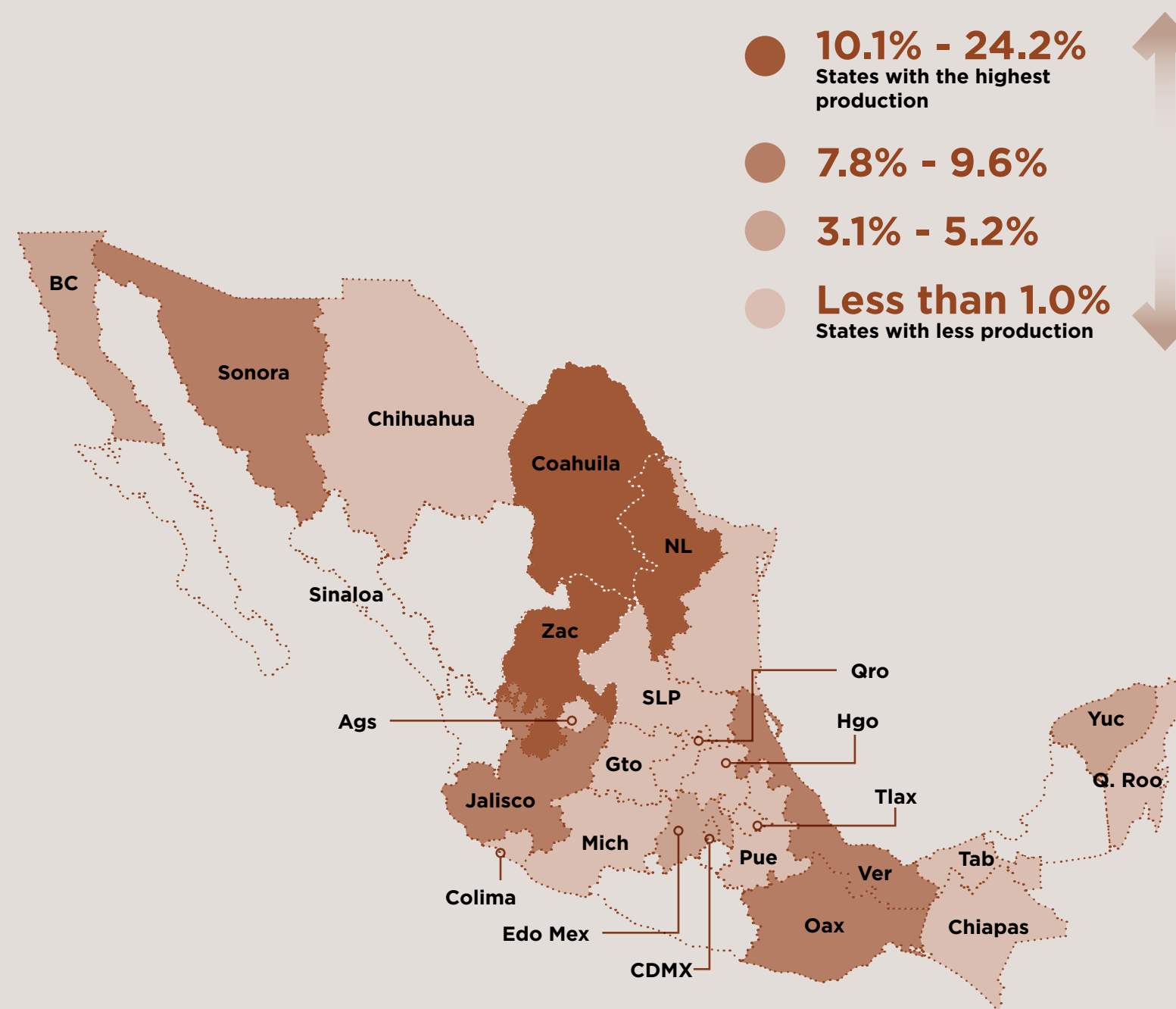
THE BEER INDUSTRY IN MEXICO

The Mexican position as a leader in beer exports is due, among other things, to the country's long history in the production of this beverage, which began in colonial times in New Spain in the Valley of Mexico and then moved to Monterrey, where its boom began in 1890. Nowadays, beer is the one that dominates the alcoholic beverages market, representing 80% of the value of alcoholic beverages sold. In this sector, 99% of sales are concentrated in industrial beer and divided between two multinational companies. (Deloitte, 2017)

In Mexico, the beer industry occupies the 19th place in the list of the most important manufacturing industries. Almost 56.2% of its production is concentrated in four Mexican states only: Zacatecas, Coahuila, Nuevo Leon, and Sonora. The total production of the beer industry mainly supplies the final demand of 97.3% and within this demand, 70.2% is for individual consumption, 28.0% for exports and the rest varies in stocks. (INEGI, 2020)

BEER PRODUCTION IN MEXICO

Total Production (percentages)



Source: Inegi, 2020

THE CRAFT BEER INDUSTRY

The history of craft beer begins in the 70s in the United Kingdom. It is related to a generation of small breweries (*microbrewery* or *brewpub*) that focused on the traditional production of top-fermented beer. The concept of craft beer is based on the German Purity Law, according to which, beer must be composed of water, barley malt, hops, and yeast. The size of its production must be less than 7 million barrels per year and the businesses must be family-based, that means, not part of a multinational company. (Deloitte, 2017)

Craft beer is different from industrial beer in several elements. Among them, the production[⊕] process, bottle design,



There are a lot of different varieties of craft beer, the most preferred and popular among them are: pale ale, Indian Pale Ale (IPA), dark lager, chocolate beer, amber ale, amber lager, barrel-aged beer, and herb & spice beer. (Grand View Research, 2017)

Image. Wirestock in Freepik, 2023.

label originality, name originality, and marketing. There are more than a thousand craft beer producers in the world, 86% of them are in the United States and Europe. Australia, Belgium, Germany, the

United States, and New Zealand are the main countries producing this beverage, together they generate over 65% of the total beer production in terms of value as well as volume. (Deloitte, 2017).

It is difficult to quantify craft beer, exports and imports, in official statistics because it is classified under the same tariff number as industrial beer: 22030001. Therefore, it can be concluded that the main producers are at the same time the main exporters of this type of beer, while the countries with the highest beer consumption are at the same time the main importers of craft beer.

Major companies manufacturing craft beer include D.G. Yuengling & Son, Inc.; The Boston Beer Company; The Gambrinus Company; Lagunitas Brewing Company; Sierra Nevada Brewing Co. (USA); Vagabund; (Germany); Feral Brewing Company and Stone & Wood Brewing Co (Australia); and Chimay and Brouwerij Omer Vander Ghinste (Belgium). (Grand View Research, 2017)



Source: Grand View Research, 2017

PRINCIPAL TRENDS

Up to now, North America, Europe, and Australia were regarded as potential markets due to their climate conditions, food habits, and financial well-off consumer base. However, this market has saturated developing economies such as China and India along with Central and South American countries targeted as new markets. Although the sales of industrial beer are flat, the sales and revenue of the craft beer industry is increasing on account of increasing consumer awareness towards low alcohol content and a shift in the taste. Due to customer requirements, the craft brewing industry concentrates its efforts on creating new products with innovations in the raw materials to offer the consumers a variety of flavors. The craft beer manufacturers are entering in the distribution market by involving self-distribution facilities and connecting with distributors to expand their market. Craft beer companies also have their own retail stores and a separate shelf space in them. (Grand View Research, 2017)

Image. Aleksandar littlewolf in Freepik, 2023.



The craft beer market is influenced by several factors including the high cost & availability of raw materials such as barley and wheat, hops, and a large amount of pure water.

CRAFT BEER IN MEXICO

Craft beer in Mexico is an emerging sector, appearing in the mid-1990s in Mexico City with the opening of the first restaurant brewery that offered the first top-fermented beer. Since that date, the production of top-fermented beers has shown sustained growth, making Mexico not only a producer but also an important exporter of craft beer. (Deloitte 2017). According to Acemex (Association of Craft Brewers of Mexico) craft beer in Mexico accounts for only 0.8% of the total national beer production. (Expansión 2022). The State of Jalisco is the main producer in the craft beer industry, followed by Nuevo Leon, Mexico City, and Michoacan. The most popular styles are Stout, Porter, and Pale Ale. (Mundi, 2022)

THERE ARE 3 MAIN TYPES OF CRAFT BEER PRODUCERS IN MEXICO.

1 Brewpubs or restaurants-breweries that manufacture their own beer to be consumed in their bar or restaurant, and which constitutes 9% of the production.

2 Craft beer with outsourced production, manufactured by a third party. They are distributors of well-known brands of craft beer, representing 8% of the market.

3 Craft beer with own production; it is manufactured in their own plant, and they are directly in charge of their distribution in bars and restaurants. They hold the largest market share (83%).

Acemex confirms that 443 brands of craft beer are registered in the national market. In 2020 Mexico exported 20.4 thousand hectoliters of craft beer, of which, 81.82% were sold to the United States, 9.09% to Asia, and 9.09% to Europe. Only 20 Mexican craft beer brands are exported, among them one can find: *Cervecería Allende*, from San Miguel de Allende, Guanajuato, that exports to Japan, Germany, and the United States, *La Cerveza*

Fauna, from Mexicali in Baja California, with exports to the United States, Japan, Canada, and China, and *Cervecería Rrëy*, from Monterrey, Nuevo Leon, with sales to the United States. (Expansión, 2022)

Although much of the craft beer production remains within family businesses, some of the brands were absorbed by AB InBev (Cucapá, Bocanegra) and Heineken (Primus). (Deloitte, 2017).



Image. Kamran Aydinov in Freepik, 2023.

THE DECISION

The main challenge that craft beer faces in Mexico is the way it is consumed: unlike industrial beer which is drunk at a temperature of -2 °C, craft beer must be drunk from a temperature of 4.6 or 8 °C to room temperature. The next challenge is related to the tax burden since the taxes paid by craft beer are three to four times higher compared to those paid by industrial beer. In the same way, access to production inputs (malt, yeast, or hops) is more expensive because they are imported from Germany, France, or the United States, as national raw materials are committed to the production of industrial beer. The last challenge is represented by the distribution process, as the large breweries sign exclusive contracts with bars, canteens, and restaurants. (Deloitte, 2017)

- Which are the competitive advantages of the Mexican beer and craft beer industries? Are they the same?
- Can the Mexican craft beer industry be considered internationally competitive?
- Which are the best markets to expand the Mexican craft beer exports?
- Is there any kind of craft beer in which Mexico should concentrate its exports?

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