The Contribution made by Beer to the European Economy

Full Report - December 2013

REGIOPLAN
POLICY RESEARCH

EY
Building a better working world

The Brewers of Europe

The Contribution made by Beer to the European Economy

Full Report

Bram Berkhout
Lianne Bertling
Yannick Bleeker
Walter de Wit (EY)
Geerten Kruis
Robin Stokkel
Ri-janne Theuws

Amsterdam, December 2013

A report commissioned by The Brewers of Europe and conducted by Regioplan Policy Research and EY

ISBN 978-2-9601382-2-1
EAN 9782960138221

Table of contents

Table of contents

Introduction

Introduction

Purpose of the study

This study was commissioned by The Brewers of Europe and aimed to quantify the economic impact of the brewing sector in the 28 Member States of the European Union (EU).

We have also quantified the economic impact for the brewing sector in three other European countries: Norway, Switzerland and Turkey. The results regarding these three countries are not included in the data presented in the first five chapters of the report as these chapters describe the aggregated economic impact of the brewing sector in the EU only.

The current study is the fifth edition of the economic impact research undertaken by Regioplan and EY. The first report was published in January 2006 (covering 2005), the second in September 2009 (covering 2008), the third in March 2011 (covering 2009) and the fourth in September 2011 (covering 2010).

Economic impact

Three different impacts were considered in order to provide a comprehensive picture of the economic impact of the brewing sector:

- direct impacts;
- indirect impacts; and
- induced impacts.

For more information thereon, please consult Annexes I to III of this report which talks to the methodology of the report.

Time-series coverage of the analysis

In calculating the economic impact of the brewing sector, the report provides an objective basis for evaluating the economic significance of the sector, during the period from 2008 to 2012.

Disclaimer

The report is intended for general information purposes only. The information provided was collected and compiled with care and attention by Regioplan and EY.

No rights can be derived from the information in this report. Regioplan and EY are under no circumstances liable for damages of whatever nature, in anyway resulting from the use of this report or resulting from or related to the use of information presented on or made available through this report or damages resulting from the non-availability of information in our report.

Foreword

Foreword by the President of The Brewers of Europe

It gives me great pleasure to present this important study. The Brewers of Europe, uniting national brewing associations from the European Union, Norway, Switzerland and Turkey, commissioned this report in order to make available an independent analysis of the economic impact of the brewing sector.

The study quantifies the economic impact made by brewing and provides insights into the contribution delivered by beer throughout the value chain, from suppliers of agricultural raw materials, utilities and packaging, to brewing companies and those who transport, market, retail and serve our products.

Europe's brewers are encouraged to see a few shoots of recovery after a very tough last few years and that the fruits of our efforts to adapt to 21st century challenges, including market and structural trends, are becoming visible. Following the decreases of previous years, this is reflected in the increase from 2010 to 2012 in beer production by 2 percent and consumption by 1 percent, whilst a 4 percent growth in extra-EU exports has been witnessed against the continuing tough economic backdrop.

With the numbers of breweries in Europe having increased to almost 4500, together we deliver total annual sales of around €111 billion, €51.5 billion in value-added and contribute €53 billion in tax to EU governments each year. Perhaps most impressively, beer is also responsible for 2 million European jobs.

'2 million' is one of the most important numbers in this report. While the brewing sector and beer are a key part of the EU economy, they are also a key part of Europe's social and cultural landscape. Over recent years, a major concern for brewers, who are often the main employers in their communities, has been whether they can retain employees and whether they will be able to provide new jobs for young people.

This is a big responsibility. We strongly welcome the current European political focus on youth unemployment, as seen at the June 2013 Council of the EU summit and at the meeting of Heads of States of Europe at the 'High Level Conference on Youth Employment' in November 2013. We are also very pleased to see initiatives with real potential developing at the EU level, such as the 'European Alliance for Apprenticeships' and the 'Youth Guarantee'.

As brewers, we are playing our role. Brewing is a highly skilled profession and the apprenticeship culture along the beer value chain means that we are an important source of 'first jobs'. Our sector's interdependence vis-à-vis other sectors like hospitality means that we help to support a flexible labour market, providing work for young and first time labour market entrants and those returning to the job market.

It is always worth recalling that for every 1 job in a brewery, we create 1 in agriculture, 1 in packaging and logistics, 1 in marketing and other services, 1 in retail and 11 in bars, restaurants and cafés.

Our message is that, following a period of decline, EU beer production and consumption volumes have levelled out and we are beginning to see the results of our sector's efforts to adapt to change. However, this is no time to rest on our laurels. Our sector has shown the potential to grow and adapt to new market realities and, with the kind of support that the European Economic and Social Committee (EESC) called for in its recent report 'Incentivising the growth potential of the European beer industry', we can do much more and continue to support the delivery of the Europe 2020 Growth Strategy.

Demetrio Carceller
President of The Brewers of Europe

Executive Summary

Executive Summary

In 2013, Regioplan Policy Research and EY joined forces for the fifth time to carry out a study focusing on the economic impact of the production and sale of beer in Europe. The study covers the brewing sector in 31 European countries. Consolidated data in this report however relate to the 28 Member States of the European Union (EU).

Key Developments

- The brewing sector is of major importance to the EU economy. In 2012, it was responsible for 2 million jobs. Most of the employment was generated in the hospitality sector (1.4 million jobs). However, there were also significant numbers employed by breweries (125,400 jobs), the retail sector (118,900 jobs) and the supply sectors (315,800 jobs), of which the bulk was attributable to agriculture.
- The production and sale of beer generated 53 billion Euro in revenue for EU governments. This is more than the total value added created in the supply chain for beer (51.5 billion Euro).
- The number of breweries in the EU is still growing, now reaching around 4500, and includes global leaders, regional players and 1,000's of small and medium sized companies and microbreweries.
- There were signs that, following a period of decline, production and consumption volumes had levelled out and were likely to begin to recover. However, as consumer prices were still under pressure, the value of the beer market lagged behind inflation.
- Over the last two years, government revenues generated by the production and sale of beer increased by 4 percent. In some Member States, increased excise duty and VAT rates were accompanied by a decline in employment.
- The EU brewing sector had a trade surplus amounting to 3 billion Euro in 2012.
- There was a further shift from consuming beer in bars, pubs and restaurants to drinking at home. This had a negative effect on the economic impact of the sector since beer sold in the off-trade sector generates less employment and VAT revenue per litre than beer sold in the on-trade sector.

A sector with impact

The EU is home to around 4500 breweries and enjoys a rich mix of beer cultures and a tradition that dates back thousands of years. The EU is also home to the headquarters of the world's largest brewing companies, which rank among the top consumer goods companies globally. In 2012, 390 million hectolitres of beer were produced in the EU, making the region the second largest beer producer in the world. The consumption of beer amounted to 357 million hectolitres, yielding a turnover of 111 billion Euro in hospitality and retail outlets.

Overall, this means that the brewing sector is of major importance to the EU economy. It had a considerable effect on employment (2 million jobs), value-added (51.5 billion Euro) and government revenues (53 billion Euro).

Economic impact of beer in the European Union (2008-2012)

	2008	2010	2012	Δ 2008-2012	Δ 2010-2012
Total employment (million jobs)	2.30	2.05	1.97	-14.4%	-4.1%
Value added (billion Euro)	55.17	50.24	51.45	-6.7%	+2.4%
Government revenues (billion Euro)	54.16	50.92	52.97	-2.2%	+4.0%

Source: Regioplan calculations 2013.

Approximately 125,400 workers were employed directly within the breweries in 2012. However, the brewing sector was also very important for the hospitality sector (1.4 million jobs), the retail sector (118,900 jobs) and the supply sectors (315,800 jobs). The supply sectors for the brewing sector include, inter alia, the EU can industry, where nearly half of the production was destined for the brewing sector, and the agricultural sector where 131,500 jobs were generated through purchases by brewing companies.

Fragile market recovery

Following a period of decline, it seems the sector is making a recovery – albeit a slow and cautious one. Over 2011 and 2012, the production and consumption of beer actually increased by 2 percent and 1 percent respectively, emerging from the downturn of the previous period (2009-2010). EU breweries also jointly increased beer exports outside their national borders with 2012 finishing 4 percent up compared to 2010, encompassing both inter-EU and extra-EU exports. Therefore, the EU brewing sector had a trade surplus amounting to 3 billion Euro in 2012.

It should be emphasised however, that the value of the total beer market developed negligibly. In fact, the value of the beer market increased by only 3 percent over the last two years. It is a notably lower increase than mean inflation within the EU, which amounted to almost 6 percent over the same period. This implies that in the whole supply chain, prices were still under pressure. It also suggests that the off-trade segment was gaining market share over 2011 and 2012, at the expense of the on-trade segment in which beer is usually priced higher.

Government revenues up, employment down

The performance of EU brewing companies is reflected in their economic impact. Specifically, the sector's value added saw a slight rise of 2.4 percent in 2012, compared with 2010. Government revenues from beer rose by 4.0 percent. Both figures dropped dramatically between 2008 and 2010.

Employment related to beer however continued to decline, falling by approximately 4 percent over the period 2010-2012 while total employment in the EU actually stabilised. Nonetheless, the decline is smaller than between 2008 and 2010 when beer-related employment dropped by 11 percent. The fall in beer-related employment was mainly seen in the hospitality sector. Bars, pubs and restaurants were suffering as consumers tended to drink beer more often at home as a result of the continuing economic downturn. In this respect, it is important to note that particularly younger people benefit from the employment generated by the on-trade sales of beer.

At national level, there are some indications that there is a connection between declining employment and the increased government revenues. In the Netherlands, a study[1] has shown that an increase of excise duties resulted in a loss of jobs. For other Member States, increases in excise duties also led to a drop in consumption. In Hungary and Portugal, this fall in consumption meant that excise duty revenues decreased even though the rate had gone up. Of course, this affected the employment in the brewing sector negatively in those countries, ultimately leading to additional costs for their governments in terms of social welfare.

Working to maintain impact

The sector's recovery, and thereby its continuing impact on the EU economy, can mainly be attributed to the brewing sector itself. Over the last few years, brewing companies significantly invested in developing new products and improving the beer experience in the hospitality sector. They also seized export opportunities and further optimised production processes. The sector also saw a huge rise in the number of microbreweries, contributing variety to the already diverse EU beer market.

The current 4,460 small and large breweries in the 28 EU Member States all aim to further increase their economic impact. This will benefit employees in a variety of sectors, from agriculture to packaging and the hospitality sector. It will also boost tax revenues in all the EU countries. However, to achieve this goal, a healthy and inspiring investment climate is desirable.

1 Regioplan (2013) Nog een rondje van de buren: Verdiepend onderzoek gevolgen accijnsverhoging bier

01

A sector with global presence

01 A sector with global presence

No less than 390 million hectolitres of beer were produced by breweries in the EU in 2012, an increase of 2 percent compared with 2010. That volume makes the EU the second largest beer producer in the world. Moreover, beer from within the EU is extremely popular outside the Union. This gave the EU brewing sector a trade surplus of 3.0 billion Euro in 2012.

The EU brewing sector is exceptional in its diversity. In addition to being the home to the world's largest brewing companies, there are also numerous small brewers with strong, regional characteristics. Over the last two years, there was a rapid increase in the number of breweries, with the EU counting a total of approximately 4,460 in 2012.

1.1 Home to the world's largest brewing companies

The EU is the second largest beer producer in the world. A volume of some 390 million hectolitres of beer was brewed in 2012, ahead of the United States of America (230 million hectolitres), Brazil (134 million hectolitres) and Russia (97 million hectolitres). China, with a volume of 443 hectolitres, is the largest beer producer in the world.[1] Compared to 2010, the EU production of beer increased by 2 percent in 2012.

> The European Union is the second largest beer producer in the world, ahead of countries such as the United States of America, Brazil and Russia.

The craftsmanship of brewing

The EU has a rich mix of beer cultures, which is integral to the strong traditions in each Member State. However, the basics of brewing beer have been shared across national and cultural boundaries for thousands of years. While the methods remain traditional, most brewers today encompass modern technology within their production processes.

Fast-selling across the globe

The EU's beer brands are extremely popular and fast-selling across the globe. Increasing volumes of beer brewed within the EU is exported abroad, and subsidiaries and licensees of large EU brewing companies also produce beer in locations outside the Union.

The strength of diversity

The EU is now home to around 4500 breweries, with breweries to be found in every EU country

The EU's beer sector is characterised by its huge diversity. It is not only home to the world's largest brewing companies, but also to numerous small and mid-sized, independent breweries. This diverse landscape means there is a huge variety in the range of beer brands and styles. While beer production only gradually recovered over the last two years, the number of brewing companies actually rose rapidly, with the EU counting approximately 4,460 brewing companies in 2012. In fact, it is quite likely that the total is even higher as not all Member States have been able to provide complete statistics in this area. It is estimated that small-scale breweries account for the majority of the total number.

> Small local breweries mean there is a hugely varied range of beers available

1 Kirin Beer University (2013) Global Beer Production by Country in 2012.

01

Lindemans puts local area on the map

The Lindemans brewery was established in 1822 in Vlezenbeek, a village close to Brussels. What started as a small Lambic brewery set up to keep the farm going over the winter months, has grown over 200 years into a fully professional company selling its beers worldwide. Yet the family brewery is true to its roots: the original Lambic beer is still brewed using the traditional method of spontaneous fermentation.

The 25 enthusiastic members of the brewery's team produce annually 85,000 litres of beer. The very specific method of brewing, i.e. spontaneous fermentation, means they are reliant on the local micro flora, as Dirk Lindemans, one of the brewery's directors explains: "The Pajottenland and the Senne valley create a unique composition for spontaneous fermentation that give the Lambic beer its distinctive taste. Some of our suppliers have been with us for over 30 years and that obviously creates a bond. We are very loyal to our suppliers."

> "Some of our suppliers have been with us for over 30 years and that obviously creates a bond."

The brewery's commitment to the region can also be seen in its active role promoting other regional products and the area's rich history. The brewery also provides financial support to local organisations such as the youth movement and sports clubs.

Lindemans Brewery not only puts the area on the local map, it also puts Belgium on the World map.

Although Lindemans Brewery cherishes its local character, its mission is to go beyond the region's borders. According to Lindemans, the brewery not only puts the area on the local map, it also puts Belgium on the World map.

"As a small brewery, we had difficulties keeping our head above water, so we started looking further afield towards the end of the 1970s. France was our first export market, and later on we started exporting to the USA. By applying the experience we gained in these countries, we were able to gradually tap into other markets."

Lindemans Brewery currently exports approximately 55 percent of its beers, with the fruity Lambic beers proving to be very popular abroad. Although the US and France are still the largest importers, the brewery exports to 35 other countries, including markets such as China, Japan and Brazil.

Germany: largest number of breweries

There are over 1,300 breweries in Germany

With a number of 1,339, Germany has the most breweries within the EU. Other EU Member States with over 100 breweries are the United Kingdom (1,113), France (503), Italy (425), the Czech Republic (213), Austria (171), Belgium (165), the Netherlands (165), Denmark (150), Poland (132) and Spain (132).

01

1.2 Positive trade balance

The brewing sector is of great economic importance to the EU trade balance. In 2012, extra-EU beer exports amounted to 3.2 billion Euro, while the value of beer imports from third countries into the EU was 234 million Euro. This positive result of 3.0 billion Euro for 2012 made an important contribution to the EU's trade balance which overall (all sectors combined) ended with a deficit of 105.3 billion Euro in 2012.

The European Union brewing sector had a trade surplus amounting to 3.0 billion Euro in 2012

Active market within the EU

The majority of exports takes place within the Single Market

In total, EU brewers shipped 74 million hectolitres of beer in 2012, the equivalent of some 19 percent of total EU beer production. This is an increase compared to 2010 (71 million hectolitres) and 2008 (70 million hectolitres). The majority of these shipments took place between EU Member States, involving some 45 million hectolitres of beer.

Approximately 19 percent of total European Union beer production is exported outside national borders

Open and global market

The import and export data clearly indicate the open and global nature of the EU beer sector. This is confirmed by Eurostat data.

Approximately 60 percent of the total exports are within the Single Market; the remaining 40 percent was exported to third countries. This is a striking statistic when one considers that in most Member States consumers prefer to drink a local beer. It also shows that beer produced within the EU is much appreciated worldwide. The United States of America was the most important export market in 2012, but significant volumes were also shipped to Canada, Africa, the Far East, Russia and Australia.

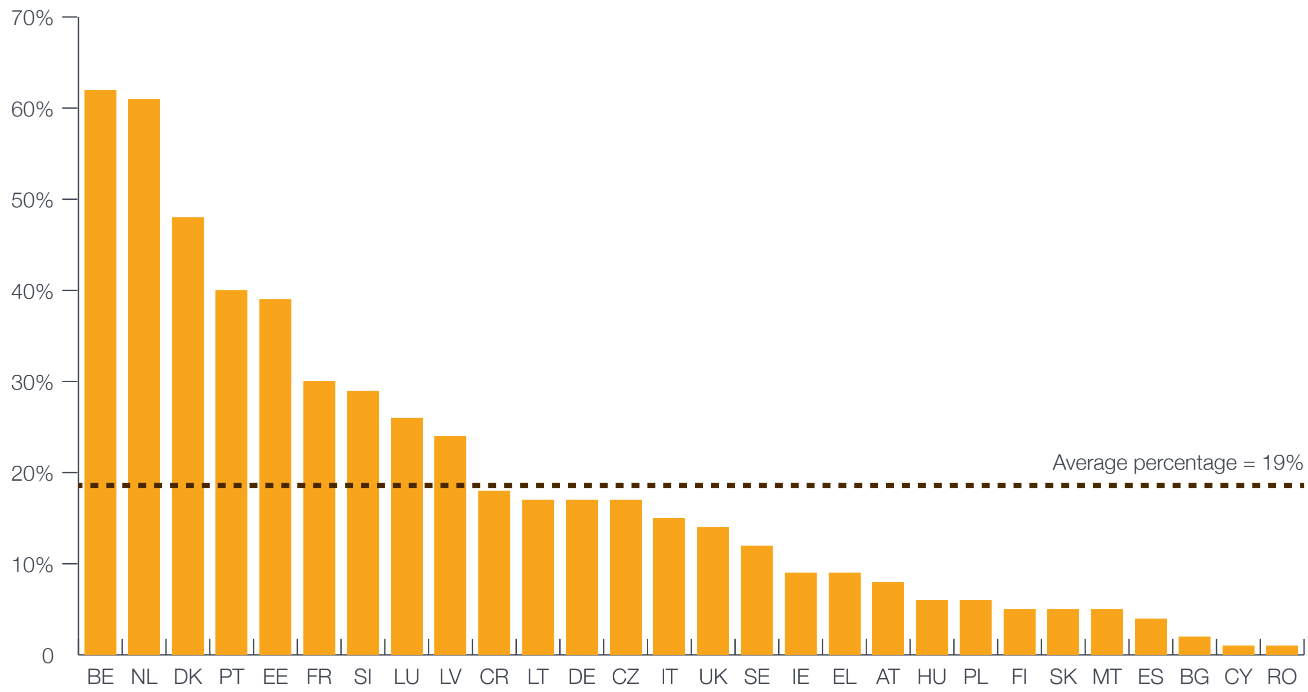
Beer produced in the European Union is appreciated worldwide

01

Member States exporting (intra-EU/extra-EU) large volumes of beer

Beer exports were particularly important from Belgium, Netherlands, and Denmark in 2012. The percentage of the total national beer production exported from these Member States was relatively high, ranging from 48 to 62 percent, and can also be accounted for by the presence of large multinational brewing companies. In absolute terms, Germany (15.7 million hectolitres), the Netherlands (14.7 million hectolitres) and Belgium (11.7 million hectolitres) were the largest EU beer exporters.

Figure 1.1
Exports (intra-EU/extra-EU) in 2012 as a percentage of total production per EU Member State



Source: Regioplan calculations (2013)

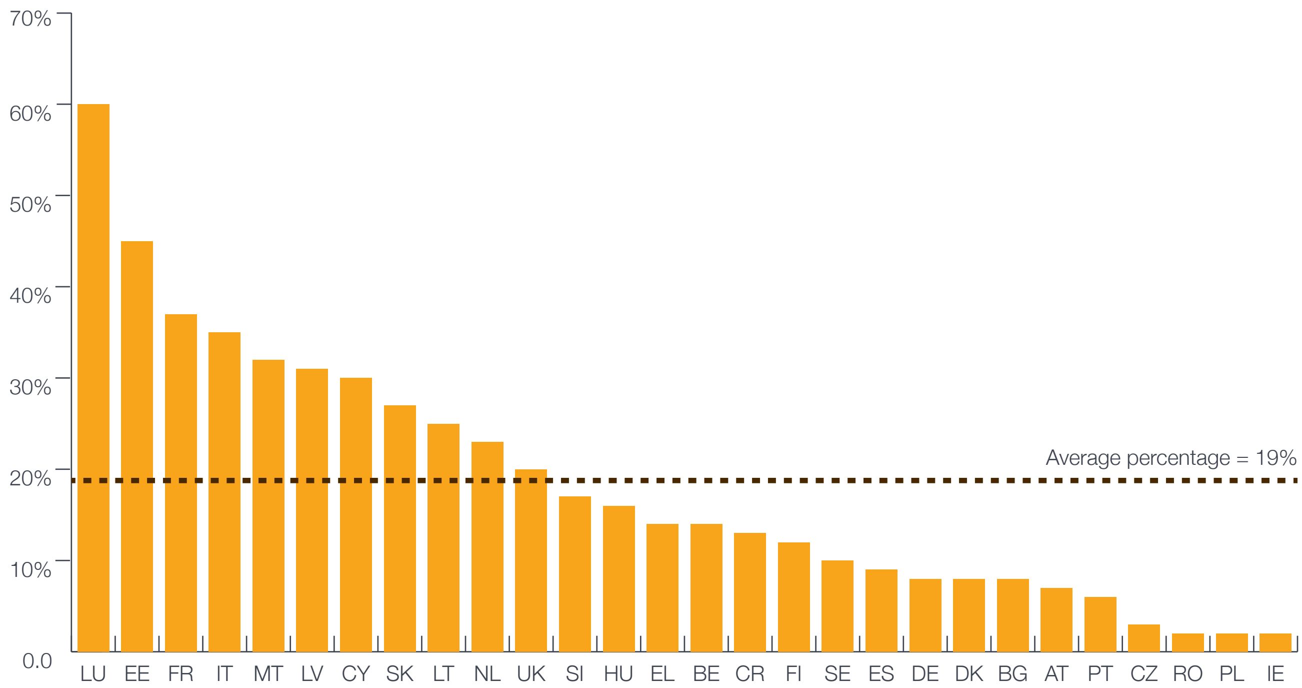
01

Slight increase in beer imports (intra-EU/extra-EU)

Within the EU, Luxembourg, Estonia, France, Italy and Malta imported the most beer

In 2012, a total of 357 million hectolitres of beer was consumed within the EU. Approximately 47 million hectolitres thereof were imported. This is an increase compared with 2010 (43 million hectolitres). Luxembourg, Estonia, France, Italy, and Malta were the largest importers, with 32 to 60 percent of total beer consumption comprising imported beer. In Luxembourg, Estonia and Malta, this percentage can be explained by the small size of the country, but for Italy and France, the explanation lies within the structure of the local brewing sector. In both countries subsidiaries of larger international brewing companies are established, delivering international brands to the local market. In absolute terms, the United Kingdom (8.8 million hectolitres), France (7.4 million hectolitres), Germany (7.3 million hectolitres) and Italy (6.2 million hectolitres) were the most important importers.

Figure 1.2
Imports (intra-EU/extra-EU) in 2012 as a percentage of total consumption per EU Member State



Source: Regioplan calculations (2013)

1.3 Investments by EU brewing companies

In addition to the rise in exports to other continents, there was also an increase in the number of breweries set up or enlarged outside the EU by EU brewing companies. Increasing investments were made in, amongst others, China and various African countries.

The European Union brewing sector is investing in new and upcoming beer markets in third countries

These developments signify that the EU brewing companies are not only important for the EU economy, but also contribute to the development of emerging economies, including developing countries. On a worldwide basis, EU brewing company operations generate a high level of local employment.

02 A sector with impact

02 A sector with impact

In 2012, almost two million EU citizens were employed directly or indirectly because of beer. This was actually 83,900 jobs less than in 2010 – primarily the effect of consumers more often drinking their beer at home than in bars, pubs and restaurants, since beer sales through the retail trade are less labour intensive than sales through the hospitality sector. The drop in employment, which also creates additional costs for governments in terms of social welfare spending, was especially significant in Western EU Member States. Some of the Eastern Member States saw a rise in beer-related employment.

Value-added as well as government revenues increased by 2 percent and 4 percent respectively compared to 2010. In terms of value-added, the production and consumption of beer generated nearly 51.5 billion Euro for the EU economy. Similarly, governments earned some 53 billion Euro from beer. Consequently, government revenues were actually higher than the total value created in the total supply chain.

Between 2011 and 2012, the value of the beer market increased by 3 percent. This increase was however much lower than the average rate of inflation within the EU Member States, which amounted to almost 6 percent over the same period.

Over the past two years, the brewing sector succeeded in maintaining its economic impact – an achievement that was mainly attributed to the sector itself. It significantly invested in product and process innovation, and EU brewing companies further increased their exports to third countries.

2.1 Economic impact in and beyond the brewing companies

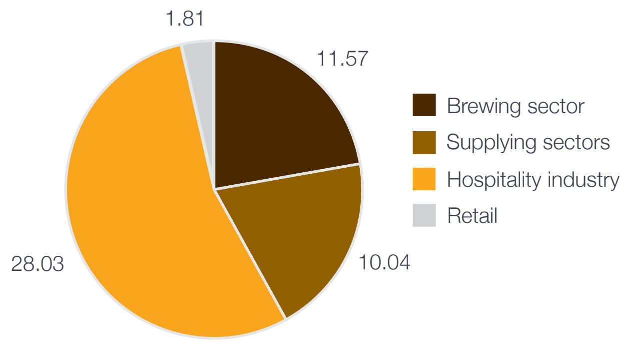
The brewing sector not only provides work in the brewing companies, but also in the supply, retail and hospitality sectors

The production and consumption of beer has a great economic significance in the 28 EU Member States. It creates value-added revenues and, more importantly, it creates jobs – not just those in the 4,460 small and large brewing companies based in the EU, but also in the supply, retail and hospitality sectors. The governments in each Member State also enjoy sizeable benefits. Each beer consumed generates tax and excise duty revenues, and the employment created brings in payroll tax and social security contributions.

Total value-added for 2012

In 2012, the value-added generated by the production and consumption of beer totalled almost 51.5 billion Euro. In the production and consumption of beer, brewing companies create value-added for themselves, their suppliers and for the retail and hospitality sectors. Added value pays employees' wages, and rewards lenders and entrepreneurs for their investments. For EU governments, it is the source of VAT revenue.

Figure 2.1
Value-added related to the production and consumption of beer in the EU Member States in 2012 (51.5 billion Euro)



Source: Calculations Regioplan (2013)

02

In 2012, the total value-added revenue from beer in the EU was actually more than the gross domestic product (GDP) of countries such as Luxembourg (44 billion Euro in 2012) and Bulgaria (40 billion Euro in 2012).[1] The GDP of the EU in 2010 was some 12,967[2] billion Euro. In other words, the brewing sector's contribution to the EU economy was approximately 0.40 percent of total EU GDP. This is a drop compared with 2010, when its contribution accounted for 0.42 percent.

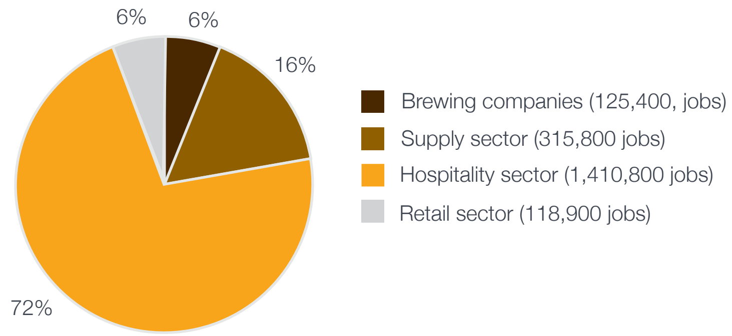
Some 2 million EU citizens have work directly or indirectly related to beer

1 job in the brewing sector creates 16 jobs in the wider supply chain

Total employment in 2012

The production and consumption of beer created a substantial number of jobs for the EU Member States' economies. The work of some 2 million EU citizens was directly or indirectly related to beer in 2012, as can be seen in the figure below.

Figure 2.2
Total employment in the EU Member States related to beer (2 million jobs) in 2012



Source: Calculations Regioplan (2013)

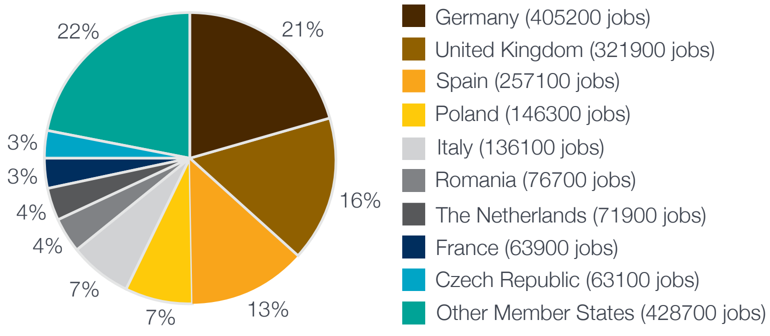
The total employment effect of the brewing sector was comparable to the total employment of Finland

Of the 217.5 million jobs[3] in the EU, approximately 1 percent could be attributed to the production and consumption of beer. The total employment effect of the brewing sector was comparable to the total employment of, for instance, Finland (2.4 million jobs) or Slovakia (2.3 million jobs).[4] Some 21 percent of all beer-related jobs were in Germany, and levels were also high in the United Kingdom, Spain, Poland and Italy. It is significant that 22 percent of the jobs created were in brewing companies themselves or at their suppliers. Much of this employment is regionally concentrated.

1 Source: Eurostat, Annual national accounts, 2011
2 Source: EY data calculation, based on Eurostat:
http://appsso.Eurostat.ec.europa.eu/nui/show.do?dataset=nama_gdp_k&lang=en, July 2011
3 Source EU figures: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_emp_a&lang=en
4 Source EU figures: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_emp_a&lang=en

02

Figure 2.3
Total employment related to beer in the EU (2 million jobs) per Member State in 2012



Source: Calculations Regioplan (2013)

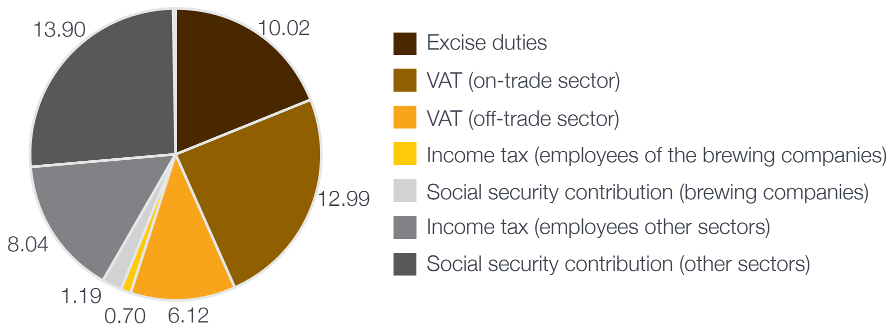
Government revenues for 2012

Nearly 53 billion Euro was generated by taxes and social security contributions in 2012

Not only entrepreneurs and employees benefitted from the production and consumption of beer, Member States' governments also did so considerably. Some 53 billion Euro was generated by taxes and social security contributions in 2012. This means that government revenue from beer was higher than the value-added created in the whole value chain of beer (51.5 billion Euro) in 2012.

In the European Union, government revenue related to the production and consumption of beer exceeded the total value-added created in the value chain

Figure 2.4
Government revenues related to the production and consumption of beer in EU Member States (53 billion Euro) in 2012



Source: Calculations Regioplan (2013)

Our calculations do not include all the possible tax revenue generated for governments by brewing companies, suppliers, retail and hospitality businesses. For instance, it was not possible to include revenue related to corporate tax. Consequently, the revenue for the Member States' governments was even higher than calculated above.

02

More than just economic impact

In addition to its substantial economic contribution, the brewing sector also had a significant social impact. Figures for 2011 show that EU brewing companies jointly spent nearly 1 billion Euro on supporting a broad range of activities.

> European Union brewing companies spent nearly 1 billion Euro on supporting a broad range of events and activities

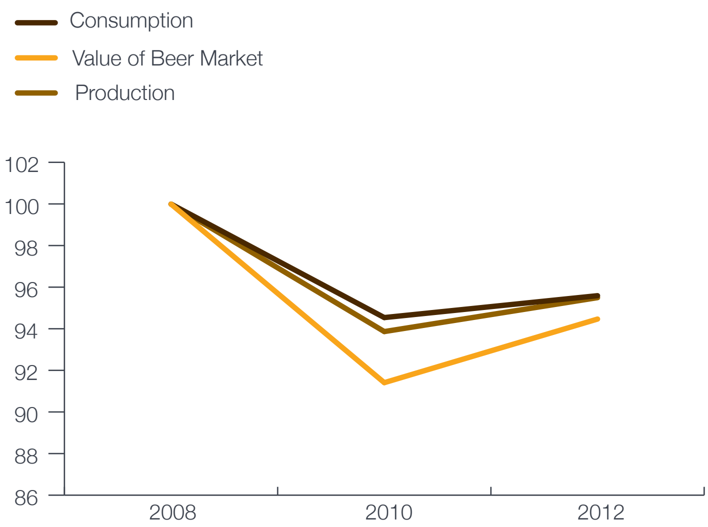
These activities ranged from major and grass root sport events, to culture and arts, charity, conservation and the environment, to shows and exhibitions and city and community events.[1] The majority of these activities take place at a local or regional level in the community of which the brewing company or brewery itself is a part. Their contributions to local projects are particularly significant, especially when local governments are cutting costs. From a local and regional perspective, it is very positive that the brewers' support did not stop in 2011, but is still continuing.

2.2 Impact under pressure

Beer production and consumption within the EU rose slightly by 2 percent and 1 percent respectively in 2012 compared with 2010. The falling trend in the period 2008-2010 was therefore halted.

On the other hand, the value of the total beer market developed less favourably. After a sharp decrease of 8 percent over the period 2008-2010, the value of the beer market increased by only 3 percent over the period 2010-2012. This increase was much lower than the mean inflation within the EU, which amounted to approximately 6 percent over this period. To some extent, this trend can be explained by the fact that beer consumers tend to drink more at home and less in the on-trade. This led to a decrease in the value of the beer market as consumer prices are usually lower in the off-trade than in the on-trade sector (see Chapter 4). Furthermore, the retail sector suffered from high pricing pressure and increasingly offered discounts on beer, lowering the overall average price of beer.

Figure 2.5
Developments in the EU brewing sector 2008-2012 (index: 2008=100)



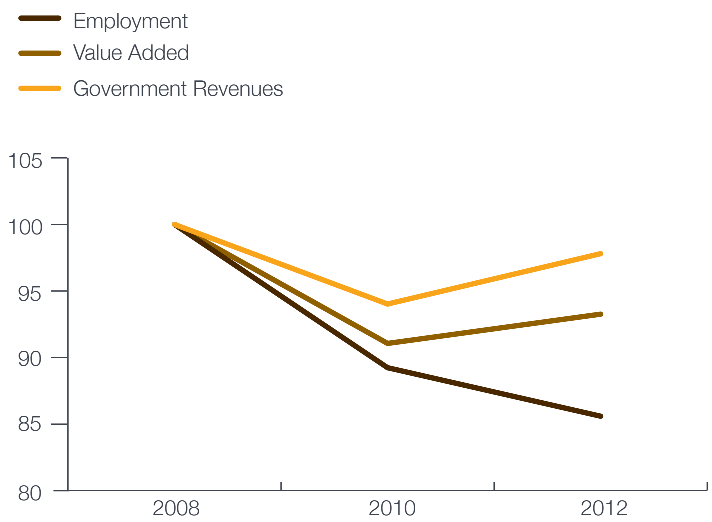
Source: Regioplan calculations (2013)

1 Supporting Local Communities: Assessing the Contribution of Europe's Brewers

02

As a result of the developments described above, employment decreased markedly over the past two years. However, government revenues increased over the same period. It can therefore be concluded that although there were some signs of recovery within the EU beer market, it was primarily government revenues that benefitted, while the impact of the sector in terms of employment and value-added fell.

Figure 2.6
Developments in the impact of the EU brewing sector 2008-2012 (index: 2008=100)



Source: Regioplan calculations (2013)

Slight increase in value-added

With the production and consumption of beer slightly recovering, the brewing sector was able to maintain its positive economic impact on the EU economy. For instance, the total value-added created directly and indirectly by the sector rose by 2 percent (+1.21 billion Euro) between 2010 and 2012. Between 2008 and 2010, value-added fell by 9 percent (-4.93 billion Euro).

Employment still suffering

The total effect of the brewing sector on employment in 2012 fell compared to 2010. There were 83,900 fewer jobs related to the production and consumption of beer, a drop of 4 percent. However, this was a substantially smaller fall in employment than seen between 2008 and 2010 when employment fell by 11 percent, some 247,800 jobs.

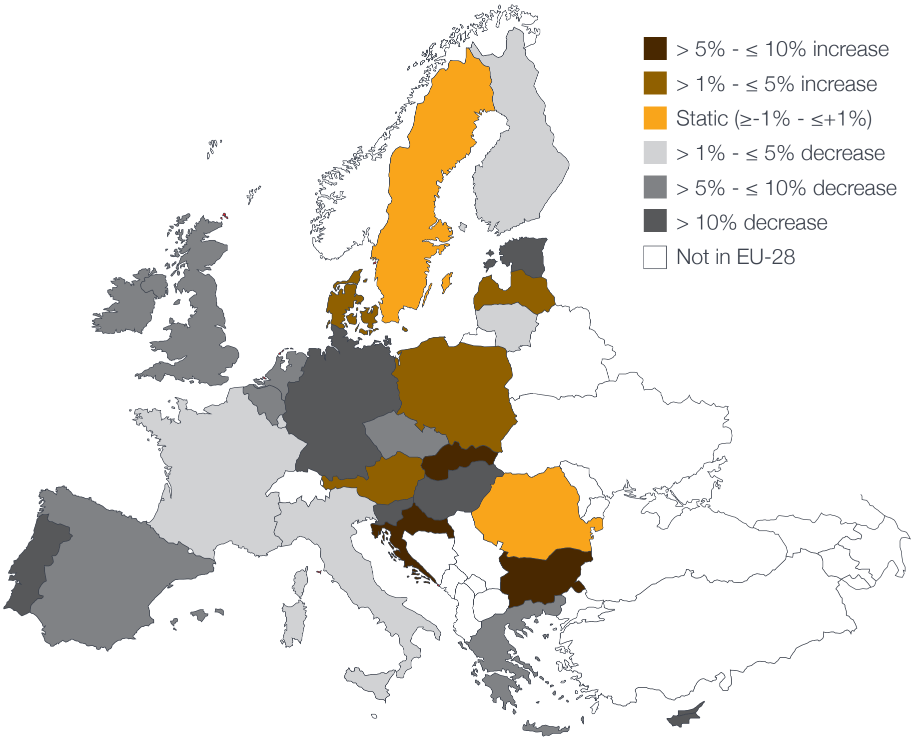
> There were 4 percent fewer jobs related to the production and consumption of beer in 2012 compared to 2010

The effect on employment was not spread evenly across the Member States. Member States in Western and Northern Europe experienced the largest drops in employment, while Eastern Member States saw employment levels stabilise or even rise. This geographic difference in developments is related to the growth, stabilisation or fall of production and consumption.

The largest losses were in Germany (-55,900 jobs), the United Kingdom (-17,100 jobs) and Spain (-17,500 jobs). The majority of those losses were in the hospitality sector. In Poland, employment rose by about 3,700 jobs. The Polish supply sectors and, in particular, agriculture benefitted substantially from increased production in the Polish brewing sector.

02

Figure 2.6
Changes in levels of employment related to the production and consumption of beer in 2012 (compared to 2010)



Source: Calculations Regioplan (2013)

An analysis of the developments per sector shows that the hospitality sector suffered in particular. Almost 85,400 jobs were lost in bars and restaurants, a fall of 6 percent. This is mainly the result of the rising trend in consumers drinking at home (see Chapter 4). The number of jobs in the brewing companies themselves only fell by 3 percent. The number of jobs in the retail sector actually rose by 9 percent.

There was a substantial rise in employment in the retail sector

02

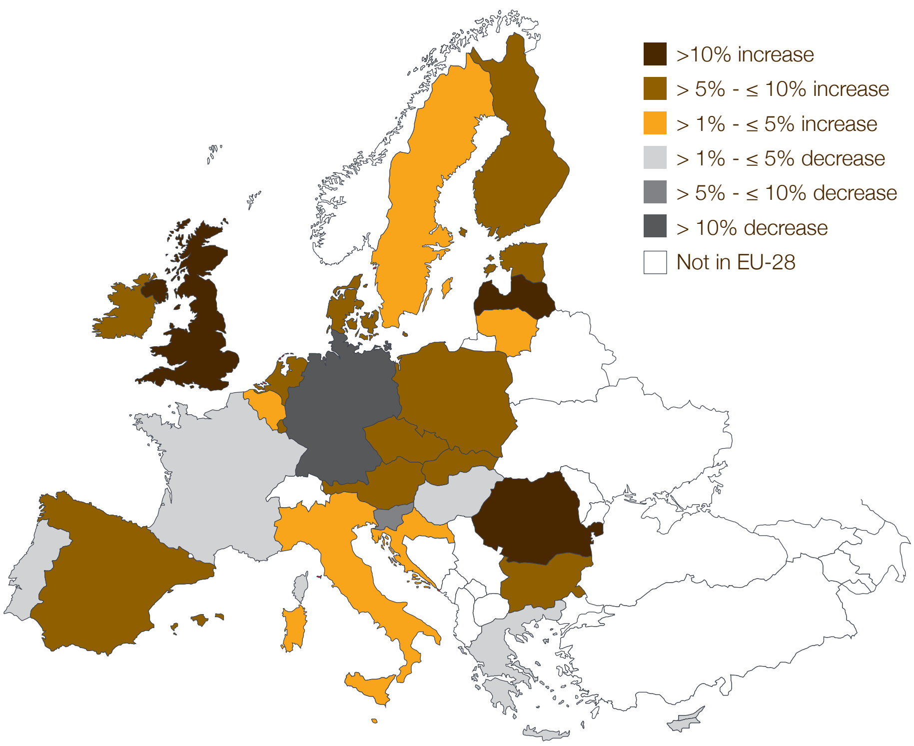
Government revenues increase further

As already indicated, the production and consumption of beer in 2012 generated 53 billion Euro for the EU Member State governments. This revenue from taxes and social security contributions increased by 4 percent compared with 2010. This is a stark contrast to the 6 percent fall in government revenue experienced between 2008 and 2010. This rise was mainly the result of the sharp increases in VAT and excise duty revenues; both 9 percent between 2010 and 2012. These rises were in turn the result of an increase in both the excise duty and VAT rates levied in many of the Member States. By contrast, revenue from income tax and social security contributions actually dropped.

> Government revenue from beer increased in most European Union Member States

As can be seen in the figure below, total government revenue from beer rose in the majority of the EU Member States. According to Figure 2.7, eight Member States, including Germany, proved to be the exception to this trend, with government revenues in these Member States falling by 2 percent or more. Chapter 5 provides more information on the changes in government revenue from beer.

Figure 2.7
Changes in levels of government revenue from beer per EU Member State in 2012 (compared to 2010)



Source: Calculations Regioplan (2013)

Higher government costs in supporting unemployed

When interpreting the increase in government revenues, it should be noted that the model does not take into account government costs related to providing support to the unemployed, previously having a job related to beer consumption and production. If this effect were taken into account, the change in government revenues would be influenced negatively, as at least a part of the job losses resulted in unemployment.

02

2.3 Sector efforts to maintain its impact

Three quarters of the national associations and brewing companies considered that in the past two years the beer market in their Member State had fallen per capita. Moreover, they saw an increase in consumption in the home. These trends were already making an impact between 2008 and 2010. However, the brewing sector succeeded in turning the impact of a downward economic trend around.

> The brewing sector succeeded in turning the impact of a downward economic trend around

Fostering product innovation

The EU brewing sector's ability to sustain a positive impact on the EU economy should be evaluated against the background of a wide range of initiatives being introduced as a means of pushing economic recovery.

Although the EU brewing sector has long been characterised by the extensive range of beers it offers the consumer, this extended significantly over the past two years in the majority (22) of Member States.

The prime reason for product innovation is to meet increased consumer demand for novel products. It should be noted in this context that the marked rise in the number of microbreweries in many Member States was an important factor in renewing an interest in the beer category as a whole and re-awakening an interest in the diversity of beer styles and their place in gastronomy. The wider brewing sector responded positively to this stimulus by developing new beer brands.

> The demand for specialist beers is being met by the increase in the number of microbreweries

It is also apparent that consumer tastes tended to polarize; on the one hand tending towards lower-strength beers and beer mixes such as Radlers (beer and lemonade) and fruit beers, while on the other hand there is a tendency towards the premium beer category. The brewer is well-placed to create new products to meet these diverse demands by using the full range of raw material specifications, process parameters and technological advances in both brewing and packaging.

It can be concluded that, over the past few years, the brewing sector responded positively to meet consumer demands for a diverse range of products and packages.

02

Coping with a swiftly changing environment

The current beer market is extremely dynamic. While valuing the handicraft and traditional nature of beer, customers are also demanding quick and responsive action towards new trends, such as the increasing interest in new beer styles and the renewed curiosity in beer brewed locally. CampdenBRI plays a pivotal role in the development of the beer sector by providing technical, analytical, regulatory, and educational support to brewing companies.

Caroline Walker, Director of Brewing at CampdenBRI, describes CampdenBRI as a non-profit organization that supports its members in reacting to current trends on the beer market. Their work mainly involves analytical research, for instance technical support; improving production processes; and practical training, such as basic malting or brewing.

According to Walker, the beer market is currently facing a lot of different obstacles. For instance, CampdenBRI is increasingly receiving requests for support in sustainability issues. “Brewers are focusing more on the sustainability of their production processes,” says Walker. “And they come to us for practical advice on how to improve the efficiency of their water and energy management.”

> “CampdenBRI is increasingly receiving requests for support in sustainability issues”

A second clearly visible trend is the higher demand for beer specialties, often characterised by a lower alcoholic content and a sweeter taste. Driven by this trend, the beer sector is being driven to act innovatively and therefore put a lot of effort into product development. This urge to innovate requires considerable research into the flavours of raw materials. CampdenBRI assists brewing companies in their hunt for the perfect balance and ensures the suitability of ingredients. Walker: “We’re seeing a lot of new raw ingredients entering beer recipes. We have a lot of in-house expertise and can help brewers overcome challenges, such as how to stop new beers from going hazy, by advising on the ideal pasteurization time.”

Today’s dynamic beer market is placing high demands on brewing companies, making them more environmentally conscious. And it means brewing companies are constantly working on developing speciality beers that will better suit the high demands of beer consumers.

Optimising processes

The sector’s ability to retain impact can also be attributed to the brewing companies’ efforts in optimising processes. This enabled them to either lower or maintain the cost price of beer while the costs of raw materials actually increased. Some larger beer producing companies that are active in several Member States also aimed to optimise processes by centralising functions and outsourcing activities. Some brewing companies also opted to close their less efficient or profitable brewing plants.

> The brewing sector’s focus on sustainability appears to be paying off

Notably, the brewing sector’s focus on sustainability appears to be paying off. A number of brewing companies stated that their environmental efforts resulted in significant savings in energy, packaging and water. This in turn led to lower production costs.

02

Stimulating exports to other continents

Exports increased by 4 percent over the past two years

The success of EU brewers abroad also played an essential role in retaining the economic impact of beer. Over the past two years, total exports increased by 4 percent. For many brewing companies, this has more than compensated for the stagnating conditions in the home market.

03
The impact on suppliers

The impact on suppliers

03

The brewing sector continued to be of considerable economic importance to its supply sectors in 2012. Brewing companies spent 23 billion Euro on goods and services in 2012, generating approximately 315,800 jobs as a result. This is a slight decrease (-1.1 percent) compared to 2010 (320,200 employees).

The employment effect of purchases by brewing companies did not decrease in all supply sectors. The number of agricultural jobs generated by the production of beer increased by 4 percent (5,400 jobs), whilst the number of beer-related jobs in the packaging industry increased by 10 percent (2,900 jobs). Eastern EU farmers particularly benefitted from the rise in agricultural employment. By contrast, the media and marketing sector suffered considerably, with beer-related employment dropping by 17 percent (13,400 jobs).

The economic importance of breweries on their local economies was substantial. Nearly 50 percent of goods and services were provided by suppliers in the local areas in 2012.

3.1 Brewery purchasing

Brewing sector expenditure is highly significant to EU suppliers in a wide variety of industries. A diversity of businesses contributes to the beer production process, ranging from the supply of agricultural products such as cereals and hops, to the provision of packaging materials. Brewing companies also spend a considerable amount on services, such as marketing and transport. Overall, the brewing sector is responsible for much of the turnover of both large and small companies across the EU.

The brewing sector spent 23.0 billion Euro on goods and services in 2012

Nearly a quarter of breweries' purchases concerned packaging

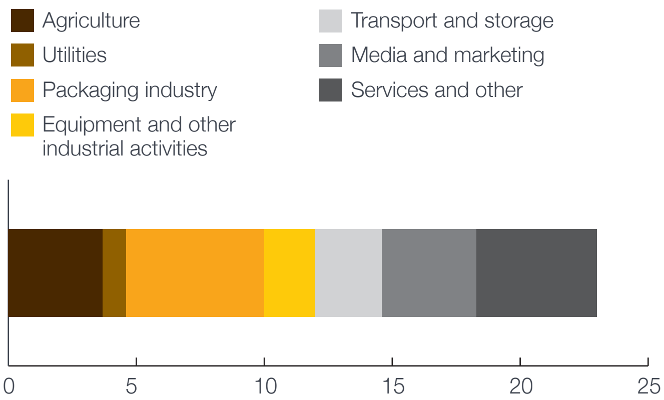
In 2012, the brewing sector spent a total of 23.0 billion Euro on goods and services. This is a rise of 5.4 percent compared to 2010, when expenditure totalled 21.8 billion Euro. This increase is almost in line with overall EU inflation in 2011 and 2012, (average at 6 percent)[1]. Brewing companies also indicated that there was a rise in the price of raw materials, resulting in an increase in production costs.

The packaging industry benefited the most from the expenditure by an average of 23 percent (5.4 billion Euro) of the total purchases by brewing companies. The agricultural sector accounted for a further 16 percent (3.7 billion Euro), media and marketing for 16 percent (3.7 billion Euro) and the transport sector for 11 percent (2.6 billion Euro). The 'services and other' category represented 20 percent (4.7 billion Euro) of the total expenditure.

1 Eurostat (2013)

03

Figure 3.1 EU purchases of goods and services by brewing sector in 2012 (23 billion Euro)



Source: Calculations Regioplan (2013)

Not all of the purchases made by brewing companies were in the countries in which they are based as some goods and services were imported. However, imported purchases were not taken into account, as there was not sufficient information available on the country of origin (i.e. whether they are from within or outside the EU). If the imported goods and services had been taken into account, the economic impact of the brewing sector would actually have been greater than shown in this study.

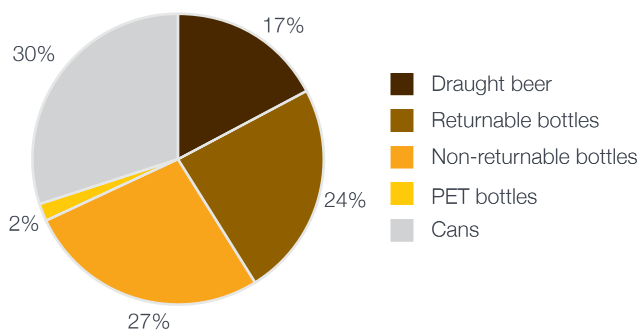
The packaging industry

24 percent of beer sold in the EU was in returnable bottles; 27 percent in non-returnable bottles

Over half of the beer sold in the EU came in glass bottles. Cans formed the second major packaging format (30 percent) followed by draught beer stored in kegs, casks and bulk tanks (17 percent). Brewing companies reported a number of developments over the past few years, including an increase in the use of plastic bottles instead of glass. There were also a number of innovative developments resulting in packaging more tailored to the needs of the consumer. Consequently, there was an increase in the diversity of beer packaging.

Over half of the beer sold in the European Union came in glass bottles

Figure 3.2 Market share of packaging types for beer in 2012



Source: Questionnaire national brewers' associations, Regioplan (2013)

03

The regional impact of a brewery

A large number of the purchases made by breweries are local, which means they make an important contribution to the economy of the region in which they are located. A good example of this is the brewery in Poznan, Poland. This large brewery has a special relationship with its packaging supplier TFP, located just a stone's throw away from Poznan.

TFP is located close to the brewery and has been supplying it with high quality printed trays and boxes for the past 15 years. "Our relationship with the brewery dates back to 1998 and it helped TFP to grow stronger each year," says Jakub Mlynarczak of TFP. The brewery is now one of the three largest customers of TFP .

The business relationship between TFP and the brewery demands time and attention from both sides. "In addition to our daily contact to manage supply activities, we have regular meetings to discuss possible improvements to our products," explains Mlynarczak. This means that besides employment and turnover, the brewery's high demands also lead to business innovation. Moreover, as other customers of TFP also benefit from these improvements, the general economic development of the region is stimulated.

"The high demands of the brewery also help us to improve our products for other regional customers"

When the brewery, for instance, asked for improvements on the construction of carton, TFP reacted by redesigning their production technology. These improvements not only led to lower costs, but also contributed towards increasing sustainability. What's more, the new technology is often used in the production processes for other customers. "The high demands of the brewery not only benefit our own activities in terms of costs and sustainability, but also enable us to improve our products for other regional customers," concludes Mlynarczak.

Glass

The EU glass manufacturing industry is the largest in the world

The EU glass manufacturing industry is an innovative and diverse one that owes a great deal to the brewing sector. It is partly through the production of beer bottles that the EU glass manufacturing industry has become the largest in the world. In 2012, the brewing sector bought 29 percent of all the glass bottles produced in the EU, an increase of 1.5 percent compared to 2011. This may be a consequence of more EU citizens drinking beer at home rather than in a bar, pub or restaurant, where the beer is more likely to be served on draught.

The glass manufacturing industry provides employment to some 46,000 workers. Based on data provided by the EU Container Glass Federation (FEVE), it was estimated that a total of 13,340 jobs were directly related to the brewing sector in 2012. Germany, France and Italy were the biggest glass producers in the EU, with Germany taking the lead.

The use of recycled glass has led to a significant decrease in CO2 emissions

03

The use of recycled glass has increased by 10 percent over the past five years

Important steps were taken in the past few years concerning the environmental aspect of glass manufacturing. The use of recycled glass has increased, resulting in a significant decrease in both energy use and production of CO2 emissions in the EU. Notable ecological improvements can therefore be seen regarding the sale of products in recycled glass, including beer.

Figure 3.3 Total European[1] sales of glass bottles

	2011		2012	
	In 1000 Tonnes	In Million Units	In 1000 Tonnes	In Million Units
TOTAL	20,153	72,725	19,882	71,368
Out of which glass bottles for beers (including cider)	4,359	20,015	4,438	20,499
% Share	22%	27,5%	22%	29%

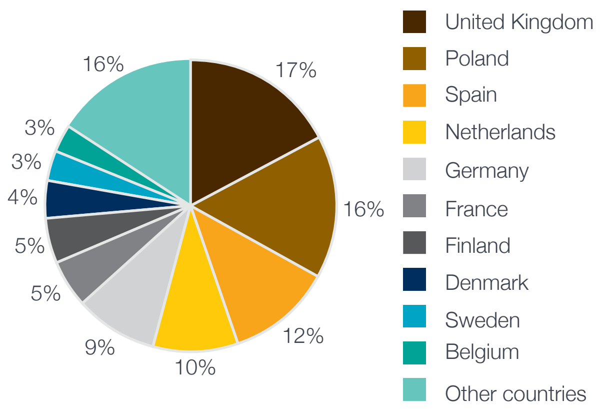
Source: European Container Glass Federation (FEVE) 2013

Cans

In 2012, nearly half of all cans produced in the EU was destined for the brewing sector. Compared to 2011, can production for beer increased by more than 3.5 percent, with a total of 24.4 billion cans being produced in 2012. The British canning industry benefitted in particular, closely followed by Poland and Spain.

Beer can production increased by more than 3.5 percent

Figure 3.4 Total EU can production for the brewing industry in 2012 (totalling 24.4 billion cans)



Source: Beverage Can Makers Europe (BCME) (2013).

1 The data in Table 3.3 include the EU Member States plus Turkey and Switzerland.

03

The agricultural sector

The main ingredients of beer are water, cereals, hops and yeast, making beer a major source of revenue for many EU farmers. Cereals are generally malted before being used to produce beer.

Barley

Barley production in the EU in 2012 totalled some 54.5 million tonnes[1], with France (11.3 million tonnes) and Germany (10.4 million tonnes) being the main barley producers. This is approximately the same weight as produced in 2010. A bad harvest in 2011 caused a slump in barley production to just 51.7 million tonnes, the year before.

In 2012, nearly a quarter of the total EU barley production was used for malting. The main producers of malting barley were the United Kingdom, Denmark, Germany, France and the Czech Republic.

Figure 3.5 Key players of malting barley in the EU (2012)

	Total barley production (tonnes)	Of which malting barley (%)	Malting barley production (tonnes)
France	11,305,000	37%	4,182,850
United Kingdom	5,531,000	39%	2,157,090
Germany	10,421,000	13%	1,354,730
Denmark	4,085,000	30%	1,225,500
Czech Republic	1,658,000	42%	696,360
EU 28	54,460,000	23%	12,664,360

Source: Euromalt (2013)

1 Source Euromalt (2013)

03

The EU has the largest malt production capacity in the world

Malt

The EU malt industry is a world leader thanks to a favourable climate and a strong domestic demand from the brewing and distilling industry. At 9.61 million tonnes, the EU has the largest malt production capacity in the world, with 94 percent of malt production being used for beer, and 4 percent for whisky. There were 187 maltings in the EU in 2012, 55 of which in Germany, 32 in the Czech Republic and 28 in the United Kingdom.

Figure 3.6 Number of maltings in the EU

Number of maltings in the EU (2012)	
Germany	55
Czech Republic	32
United Kingdom	28
France	15
Slovakia	7
Belgium/Luxembourg	6
Spain	5
Poland	5
Netherlands	4
Romania	4
Other	26
Total (EU)	187

Source: Euromalt (2013)

The EU is also the leading worldwide malt exporter, with 2.1 million tonnes of extra-EU exports over the past year. This represents a positive trade balance of 900 million Euro.

03

Beer as a 'local beverage'

The Finnish Federation of the Brewing and Soft Drinks Industry underlines the importance of locally produced malt for the brewing sector. During the event 'Opportunities in malting barley production', Elina Ussa (Managing director of the Finnish Federation of the Brewing and Soft Drinks Industry) spoke to farmers, maltings and brewing companies. She stressed that the various organisations needed to collaborate to safeguard the flow of locally produced, high-quality malt from the barley field to the bottle.

According to Ussa, it is of pivotal importance that Finland continues to produce the kinds of malting barley that are in demand. "Increased dialogue and cooperation between farmers, maltings and breweries are vital," Ussa said.

"Barley is crucial for the brewing process."

The main cereal used for malting

Barley has been malted for over 7,000 years. It is the main cereal used for malting as it produces high levels of important enzymes which are crucial for the brewing process. Barley malts are also easy to process and have the intense and pleasant flavour preferred by beer consumers.

About one in every ten hectares of cultivated agricultural land in Finland is designated for malting barley. "Beer is produced from pure, natural ingredients which are produced in Finland. You could well call it a 'local' beverage," says Ussa.

"About one in every ten hectares of cultivated agricultural land in Finland is used for malting barley."

A multi-year barley sourcing partnership

A good example of the collaboration between farmers and malt houses is the long-term cooperation agreement on the procurement of malting barley between Viking Malt and Raisio Plc. According to the terms of agreement, Raisio provides Finnish malting barley to all Viking Malt production plants in the Baltic Sea region, where they are the largest users of malting barley.

Raisio is strongly committed to the development of the Finnish grain chain and its farmers. The barley sourcing partnership between Viking Malt and Raisio stimulates the Finnish malting barley cultivation and ensures that the needs of the malting industry and brewing companies are met.

Hops

The EU also accounted for more than half of the worldwide hop production in 2011, a total of some 51,800 tonnes. A substantial share of this was for the brewing sector. The German Hop Growers Association[1] estimates that EU brewing companies and their breweries bought some 23,000 tonnes of a total value of 150 million Euro. As a growing volume of beer was produced in countries such as China, Brazil and Russia, the export of hops became increasingly important to the EU hop sector as well.

The export of hops became increasingly important

1 Verband Deutscher Hopfenpflanzerverband e.V

03

There is an increasing preference for less bitter tasting beer

Germany was the main hop producer in the EU accounting for some 18,595 hectares of arable land in 2012. However, the EU hop production fell overall since 2000, dropping 19 percent from an acreage of 33,451 hectares in 2000 to 27,226 hectares in 2012. One of the main reasons was the change in the amount of hops needed in brewing beer, due to changes in consumer preferences. In addition, the adverse weather conditions of the past few years also had a negative effect on hop harvests.

Figure 3.7 Hops acreage in the EU (ha.)

	Germany	Czech Republic	Poland	Slovenia	EU- 28
2000	18,594 (55%)	6,108 (18%)	2,250 (7%)	1,623 (5%)	33,451
2005	17,161 (57%)	5,670 (19%)	2,289 (8%)	1,511 (5%)	29,977
2012	17,124 (63%)	4,366 (16%)	1,400 (5%)	1,160 (4%)	27,226

Source: Barth Report (2013)

Mühlviertler hops organisation

The Mühlviertler hops organisation in Neufelden, Austria, was established in 1996. With a total production of 260 tonnes of hops for 50 brewing companies (and 60 home brewers) in 2012, the production of hops is of significant economic value to the region. Mr Bayer, manager at Hopfenbaugenosschenschaft Mühlviertler Hopfen explains: “Our company generates employment and ensures income for 40 of the 42 hop farmers in our region. This amounts to more than 80 percent of the total income for these hops farmers.”

Austrian brewers prefer to use regional raw materials and are willing to pay a higher price for hops produced in their own region. However, Mühlviertler also exports hops to the United States of America and several Member States of the EU, including France, Finland, Spain, Belgium and Hungary. In addition to the economic value, Mr Bayer indicates that hops are very important for tourism.

With a major trend in brewing being the increased use of local hops, the hops sector is experiencing an increase in production and an increase in acreage of about 20 percent. The Austrian hops industry is still booming business for the Genosschenschaft – and the region.

3.2 Generating work in the brewery supply industry

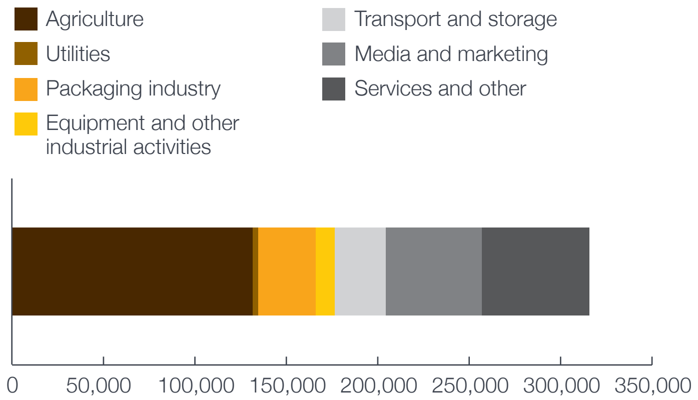
A rise in beer production in Eastern EU has led to an increase in employment

The brewing sector contributes significantly to the generation of work in its supply sectors in the EU. In 2012, nearly 315,800 employees across the EU had a job as a result of spending by the brewing sector. This is a slight decrease (-1.1 percent) compared to 2010 (320,200 employees). Although there was a drop in production in Western EU, and therefore a fall in employment, the rise in beer production in Eastern EU led to an increase in the number of jobs available. This did not fully compensate for the losses in the Western EU Member States.

Approximately 42 percent of indirect employment (131,500 jobs) was traced back to the agricultural sector. Other sectors that benefitted significantly from the brewing sector are the media and marketing sector (17 percent, 52,800 jobs), the packaging industry (10 percent, 31,400 jobs) and the transport sector (9 percent, 27,700 jobs).

03

Figure 3.8 Indirect employment related to beer in the EU (315,800 jobs) in 2012



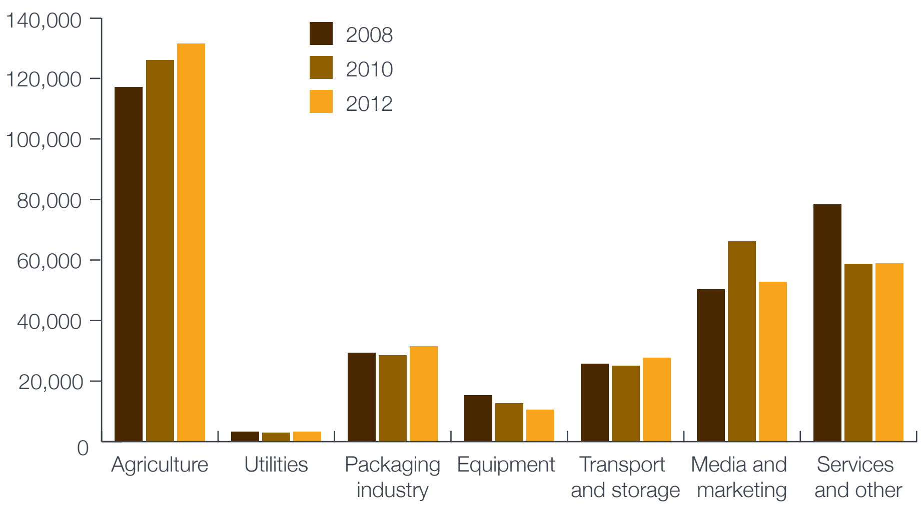
Source: Calculations Regioplan (2013)

As can be seen in figure 3.9, the most substantial increase in indirect employment was in the agricultural sector. The number of jobs generated in this sector by the production of beer increased by 5,400 jobs (4 percent), with Eastern EU farmers benefitting particularly.

Employment in the packaging industry also increased by 2,900 jobs (10 percent) as a result of consumers tending to drink more at home and less in bars, pubs and restaurants. The packaging costs for beer sold in supermarkets are considerably higher than the packaging costs of draught beer per unit volume.

The employment effect in the media and marketing sector however fell by 17 percent (a loss of 13,400 jobs). This is a result of brewing companies choosing to purchase these types of services outside their home countries.

Figure 3.9 Indirect employment in the supply sectors due to beer in the EU (development 2008-2012)



Source: Regioplan calculations (2013)

03

3.3 Benefitting local companies

Breweries are not only important for the national economy as a whole, but also for the local economy. It was estimated that no less than 36 percent of brewers' domestic spending was on goods and services from suppliers in the local area. This amounts to a value of 8.25 billion Euro. Brewers often have a long working partnership with local companies (see case studies in sections 1.1 and 3.1), such as local transport firms, packaging companies and marketing bureaus. Expenditure by brewing companies in each of these industries amounted to approximately 1.7 billion Euro in 2012.

Figure 3.9 Local area expenditure by breweries in 2012

	Local area expenditure by breweries (billion Euro)
Agriculture	1.17
Utilities	0.59
Packaging	1.69
Equipment	0.88
Transport	1.72
Media and marketing	1.66
Services and other	0.55
Total	8.25

Source: Regioplan calculations (2013)

In addition to the benefits for existing local companies, the presence of a brewery plant may also lead to new businesses in the area. For instance, Beverage Can Makers Europe (BCME) indicated that can producers often opt to open new production plants close to breweries, partly as this greatly reduces transport costs.

Brewing companies are important for local economies and communities

The employment generated by brewing companies is of course of particular importance, when their production plants are located in economically weak areas. Approximately 21 percent of the EU breweries are located in a region with a higher rate of unemployment than the EU average. It is important to note that changes in companies' expenditure and their effect on employment are more weighted in such areas. Figure 3.10 shows some examples of economically weak areas that benefit from the presence of a brewing plant. For instance, the Campania region in Italy suffered from 19.3 percent unemployment, but benefits from the work generated by the 23 breweries that are located there.

Figure 3.10 Breweries in some economically weaker regions within the EU in 2012

	Unemployment rate	Number of breweries
Východné Slovensko (Slovakia)	19.0%	7
Campania (Italy)	19.3%	23
Puglia (Italy)	15.7%	21
Lorraine (France)	12.2%	14
Comunidad Valenciana (Spain)	27.7%	15
Severoiztochen (Bulgaria)	18.2%	2

Source: Regioplan calculations (2013)

04
The impact on the hospitality sector

04 The impact on the hospitality sector

A volume of nearly 357 million hectolitres of beer was consumed in the EU in 2012. One-third of this was sold through the hospitality sector. This on-trade consumption is vital to the Member States' economies as it creates more employment than when beer is consumed at home via the retail sector.

Employment in the hospitality sector is especially important as it offers job opportunities to less-skilled and younger people, just entering the labour market. For Member States' governments, on-trade sales are important since they yield higher VAT revenues than beer sales in the retail sector.

However, the economic downturn and the increased excise duties have further enhanced the trend to drink beer at home. This is a negative development, with the employment effect of the brewing sector falling by 6 percent over the last two years, previously dropping by 12 percent in the period 2008-2010. However, the brewing companies and hospitality sector are investing to reverse this trend. Businesses in the United Kingdom and Denmark consider that they have been supported by their respective Government, through the recent lowering of the excise duty rate on beer.

4.1 Popularity of EU beer

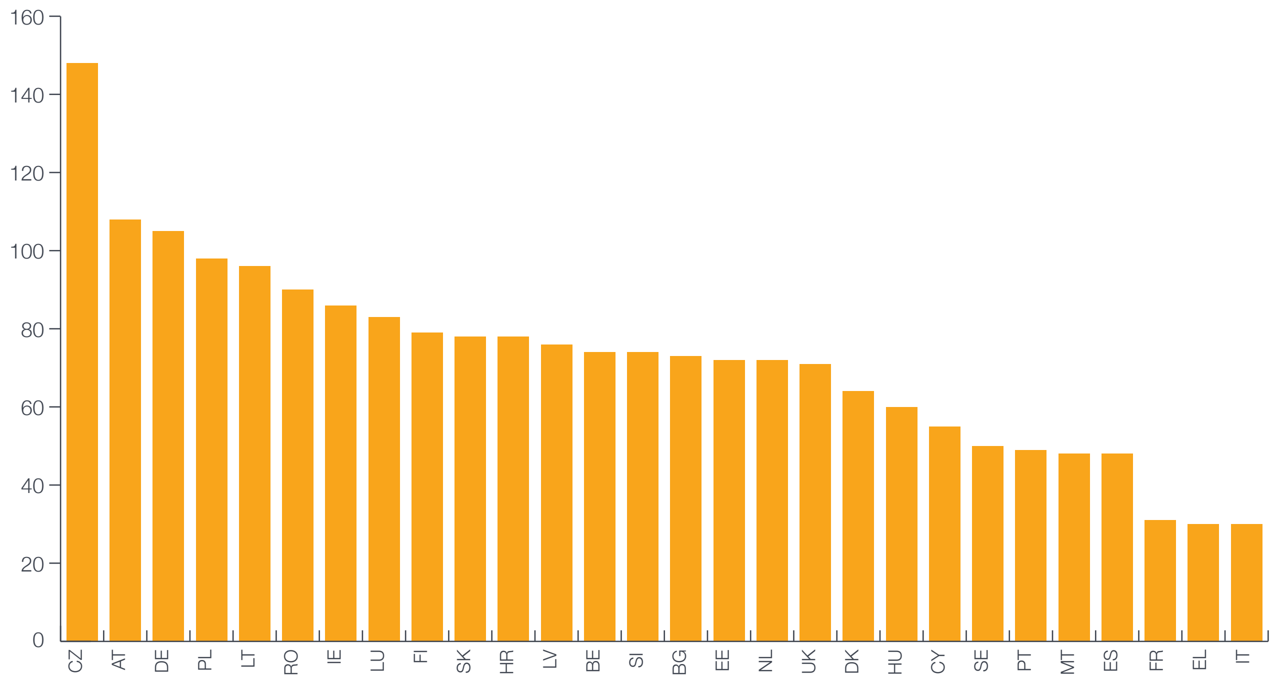
In 2012, 357 million hectolitres of beer were consumed within the EU, an increase of 1 percent compared to 2010.

Average beer consumption varies per Member State

The average EU citizen consumed 70 litres of beer a year

The average EU citizen drinks 70 litres of beer a year, with most beer being consumed in Eastern and Central EU, and the least in Southern EU. Annual consumption varied from an average of 30 litres per capita in Italy to 148 litres per capita in the Czech Republic in 2012.

Figure 4.1 Average beer consumption per capita in litres per EU Member State in 2012



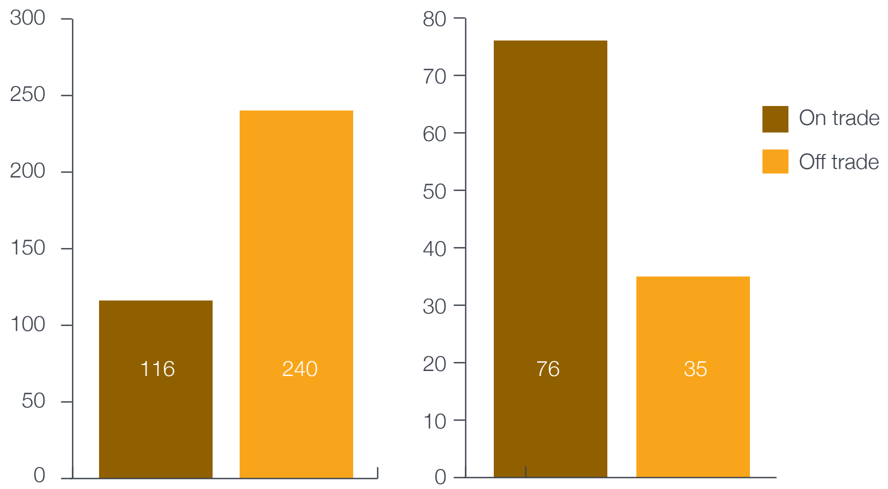
Source: National brewers' associations, complemented by Regioplan calculations (2013)

04

Retail beer sales accounted for 67 percent, while 33 percent was sold through the hospitality sector

67 percent of all beer consumed was sold through retail and 33 percent through the hospitality sector in 2012. Beer sales accounted for a total revenue of 111 billion Euro, with, most notably, revenue in the hospitality sector being higher than in the retail sector. This is due to consumer prices being higher in the former sector, as a result of higher costs incurred on sales through the on-trade channel.

Figure 4.2 Beer consumption in the EU in millions of hectolitres (left) and billions of Euro (right) in 2012



Source: Regioplan calculations (2013)

04

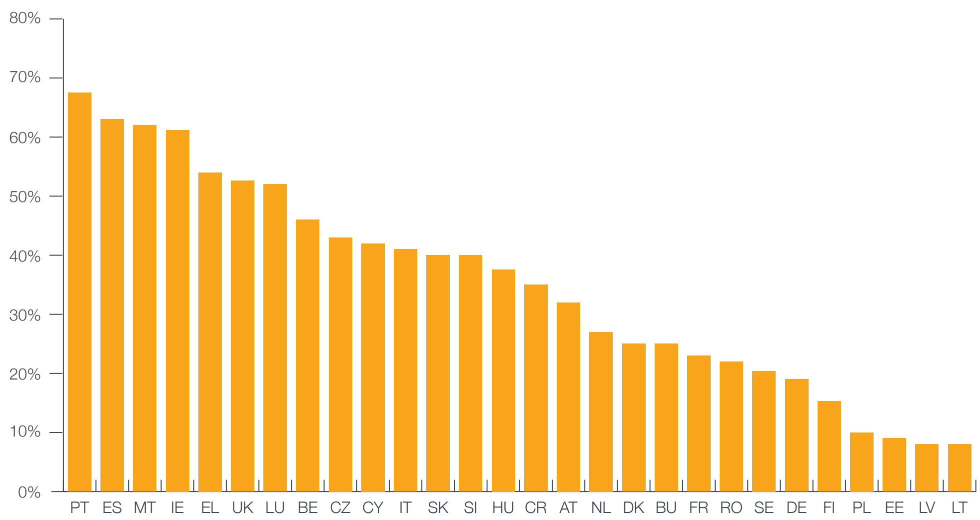
4.2 Beer in the hospitality sector

Almost one-third of the beer consumed in 2012 was sold through the hospitality sector

Nearly 357 million hectolitres of beer were consumed in the 28 EU Member States in 2012. Almost 33 percent, the equivalent of 116 million hectolitres, of this beer was sold through bars, pubs and restaurants. Figure 4.3 clearly shows that there are considerable differences between the EU Member States regarding the extent to which beer is consumed outside the home. In 2012, over 60 percent of the total beer consumption in Greece, Ireland, Malta, Portugal and Spain was consumed in bars, pubs and restaurants. In Member States such as Germany, Finland, Poland, Estonia, Latvia and Lithuania, however, relatively more beer, in fact over 80 percent of the total consumption, was consumed at home.

> Over 60 percent of the total beer consumption in Greece, Ireland, Malta, Portugal and Spain was consumed in bars, pubs and restaurants

Figure 4.3 Beer consumption in the on-trade sector, as a percentage of total beer consumption per EU Member State in 2012



Source: Questionnaire among associations, Regioplan (2013)

Total beer consumption in the EU on-trade sector accounted for a revenue of more than 76 billion Euro (including VAT). This equalled approximately 7 percent of total revenue of the hospitality sector in the EU[1].

1 This percentage was calculated using total on-trade revenue for 2010 as quoted in the EY report 'The Hospitality Sector in Europe', September 2013

04

4.3 The economic importance of hospitality sector beer sales

1 job in the brewing sector generated 11 jobs in the hospitality sector

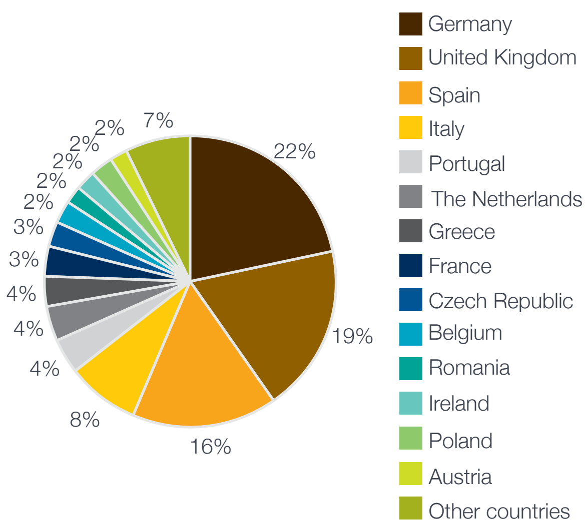
The scale of beer sales in the hospitality sector is significant to the economy. Approximately 1.4 million jobs in the hospitality sector were directly related to beer sales in 2012. In a 2010 study[1], it was estimated that direct employment in the hospitality sector totalled 10.2 million jobs. Assuming the same degree of employment for 2012, 14 percent of employment in the hospitality sector was related to beer. It is worth bearing in mind that bars, pubs and restaurants offer a relatively large number of opportunities for lower-skilled personnel; opportunities that do not generally exist in other industries. Furthermore, many younger workers are employed within the hospitality sector, granting them their first valuable experience on the labour market.

In 2012, 1.4 million jobs in the hospitality sector were directly related to beer sales

From a macroeconomic perspective, there is more benefit to be gained from beer being consumed in a bar, pub or restaurant than being bought in a supermarket and consumed at home. Beer sales through the hospitality sector are more labour intensive than retail sales, and consumers are willing to pay more for their beer in a bar, pub or restaurant than in a supermarket. In other words, beer sales in the on-trade sector create more employment and generate more value added. The total economic impact of beer sales is therefore higher in Member States where a high percentage of beer is consumed in bars, pubs and restaurants than in those where beer is mainly sold through the off-trade sector.

Figure 4.4 shows how the 1.4 million jobs in the EU hospitality sector attributed to beer were distributed across the 28 EU Member States. According to figure 4.4, in Germany, the United Kingdom and Spain, beer clearly created the most jobs in the hospitality sector.

Figure 4.4 Employment attributed to beer in the EU hospitality sector per Member State in 2012



Source: Calculations Regioplan (2013)

1 EY (2013) The Hospitality Sector in Europe - An assessment of the economic contribution of the hospitality sector across 31 countries

04

Beer sold in the on-trade sector results in more VAT revenue per litre than beer sold in the off-trade sector

VAT revenue from beer sales in the hospitality sector totalled 13.0 billion Euro in 2012 versus 6.1 billion in the retail sector, although the on-trade only represents 1/3 of the volume consumed.

The sale of beer in the hospitality sector is not only important in terms of creating employment, but also in terms of government revenue. With the average price of beer being somewhat higher in the on-trade sector than in the off-trade sector, beer consumed in the hospitality sector results in more VAT revenue per litre sold. The VAT revenue from the sale of beer in the hospitality sector totalled 13.0 billion Euro in 2012 for the 28 EU Member States. In comparison, although the sale of beer in the retail sector was much higher, it only generated 6.1 billion in VAT revenue during 2012. The total VAT revenue in the hospitality sector in 2010 amounted to 69.9 billion Euro.[1] If VAT revenue remained the same for 2012, then 19 percent[2] of VAT revenue of the hospitality sector would have been generated directly by beer.

4.4 More beer being consumed at home

A major trend over the last decade is that consumers are more often drinking beer at home than in bars, pubs and restaurants. This can be attributed partly to the rise in the average age of EU citizens and to the assumption that older people tend to go out less than younger people. However, the trend augmented since 2008 due to the economic decline. The continuing depression and related austerity measures led to a fall in consumers' disposable income in the majority of the EU Member States. This might have been caused by, for instance, unemployment or anxiety about the future.

Whatever the underlying reason may be, the trend towards more home consumption had a negative effect on beer consumption in the hospitality sector, and led to an accelerated shift from on-trade to off-trade sales. The fact that the average consumer price of beer in a bar, pub or restaurant is higher than in the retail sector is also relevant; beer drinkers can save considerably by drinking at home. In the EU as a whole, the percentage of beer enjoyed in a bar, pub or restaurant slumped from 38 percent in 2008 to 35 percent in 2010, to fall further to 33 percent in 2012.

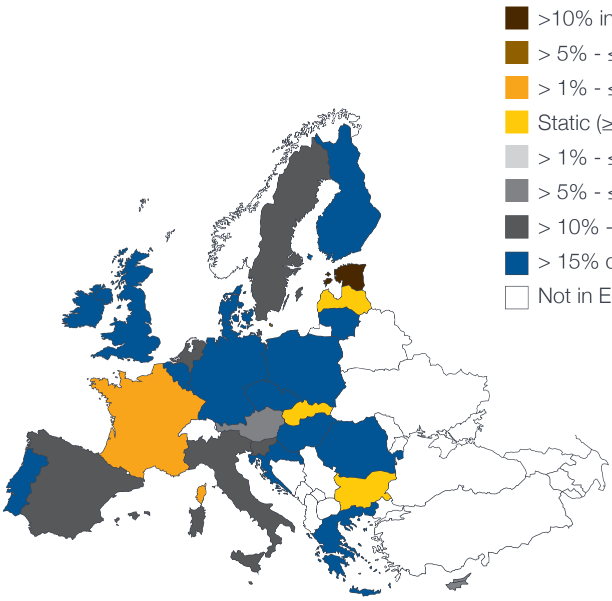
The reduction in purchasing power had a negative effect on on-trade beer consumption

In 19 EU Member States, the volume of beer consumed in the hospitality sector declined by more than 1 percent since 2010. On-trade consumption increased by more than 1 percent in only six EU Member States, namely Denmark, Sweden, Latvia, Slovakia, the Netherlands and Bulgaria, since 2010.

1 EY (2013) The Hospitality Sector in Europe - An assessment of the economic contribution of the hospitality sector across 31 countries
2 This is calculated as follows: 13.0 / 69.9 = 19%

04

Figure 4.5 Developments in the on-trade consumption of beer (volumes) per EU Member state in 2012 compared to 2008 (left) and 2010 (right)

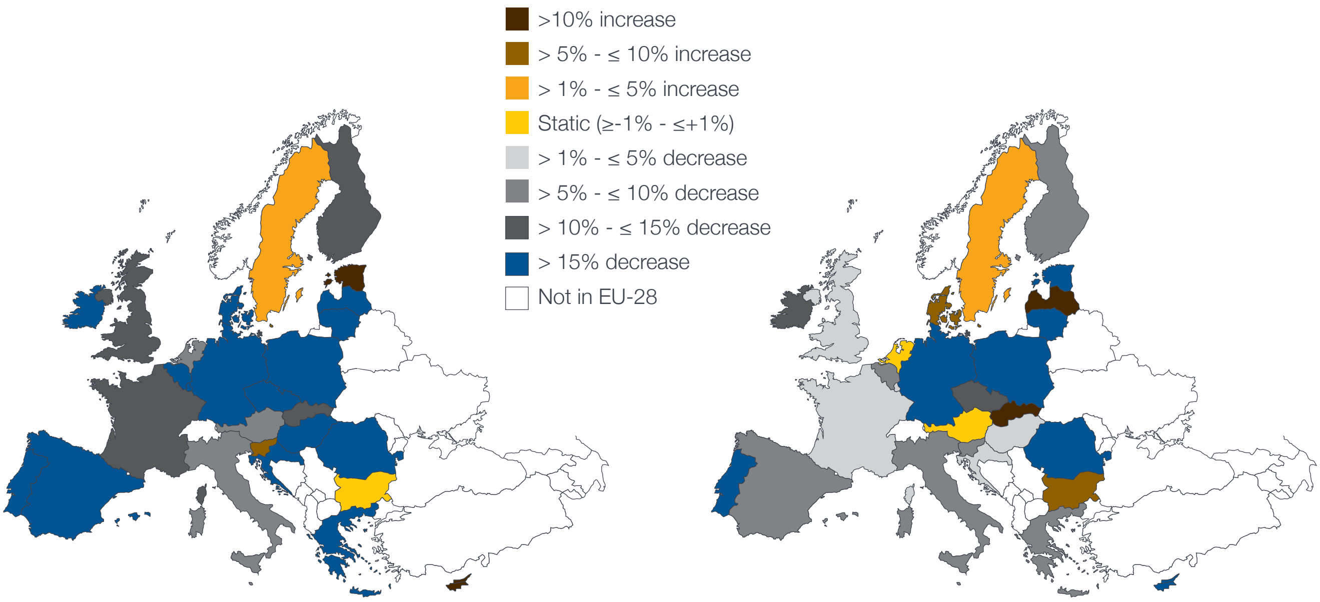


Source: Regioplan calculations (2013)

The shift to off-trade consumption had a detrimental effect on the sector's contribution to the EU economy. The number of jobs directly related to beer sales in the hospitality sector fell by 85,400 between 2010 and 2012, bringing the total number of jobs down from just under 1.5 million to 1.4 million. This drop of some 6 percent is less severe than in previous years; between 2008 and 2010 employment directly related to beer sales in the hospitality sector dropped by 12 percent. Figure 4.6 illustrates how employment in the hospitality sector developed between 2010 and 2012 as a result of the changes in beer consumption. When comparing the data on beer consumption (figure 4.5) and employment (figure 4.6) in the hospitality sector, it is clear that those Member States that suffered a substantial fall in hospitality sales (for instance Germany, Poland and Spain) also suffered the biggest employment losses in the hospitality sector. In Member States where on-trade consumption increased between 2010 and 2012, employment also rose during the concerned period.

04

Figure 4.6 Development in employment directly related to beer sales in the hospitality sector per EU Member State in 2012 compared to 2008 (left) and 2010 (right)



Source: Regioplan calculations (2013)

Despite the fall in beer sales in the hospitality sector, there was an increase of around 6 percent in VAT revenues generated by beer sales in this sector compared to 2010. This rise from 12.2 billion to 13.0 billion Euro is mainly the result of the increase of VAT rates in many Member States. In addition, there was also a rise in VAT revenue in those Member States which increased the excise duty rates on beer. As VAT is also levied on the excise duties paid by the consumer, Member States in which both excise duty and VAT rates increased, experienced a multiple rise in VAT revenue.

It is important to note that although government revenues increased as a result of the raising of the VAT rates, EU governments were confronted with the rising costs of unemployment as well. These costs include increased spending on social welfare and lower revenues from personal income taxes and social security contributions. However, as mentioned previously, the model used does not take into account the extra governmental spending on social welfare for people who lost their beer-related jobs.

04

4.5 Investing in more beer sales for the hospitality sector

Both the brewing and hospitality sectors are well aware that the trend of drinking at home needs to be reversed. A number of initiatives have been launched to encourage beer drinkers back into the bars, pubs and restaurants.

Specially trained personnel create a better beer experience for the consumer

Consumers can now choose from a wider range of beers on tap

Brewers, for instance, are investing in optimal beer experiences in the hospitality sector; initiatives whereby personnel are specially trained to improve the quality of the product's presentation and to increase the focus on service. There is also a trend towards offering more varieties of beer on draught, providing consumers with a wider choice to suit their particular taste. Whereas in the past consumers were often limited to one particular brand of beer in a bar, pub or restaurant, now there is much more variety. This wider choice means there is more contact with the consumer as they seek advice on which beer to choose. The extended range of available beers usually includes special beers from both the larger and smaller, often local breweries.

The sector can also benefit from an extended and improved range of non-alcoholic beers

In terms of increasing beer revenue, the hospitality sector can also benefit from an extended and improved range of low- and non-alcoholic beers. This enables consumers to drink beer at times when they prefer to restrict their alcohol consumption. The wider range of available special and non-alcoholic beers also provides restaurants with the opportunity to offer a beer list with their meals.

Effects of the massive increase in excise duties in France

According to Les Brasseurs de France, beer prices rose by 14 percent in the course of 2013 after excise duty rates on beer were increased by 160 percent on 1 January. This led to a fall in demand for beer by 15 percent in the hospitality sector. The fall in off-trade sales was "limited" to 4 percent in the first half of 2013.

Clearly, the brewing and hospitality sectors need to invest considerably to promote the sale of beer and subsequently to increase its economic impact. Brewing companies and the hospitality sector in both Denmark and the United Kingdom are currently benefitting from government legislation. Although excise duty rates are still relatively high compared to the other EU Member States, excise duty rates on beer were decreased by the government in both countries. Moreover, despite a rise in the standard VAT rates, beer sales in the hospitality sector in Spain are subject to a reduced VAT rate. The Spanish Government rejected plans to further increase excise duties.

04

Beer contributes largely to Spanish hospitality sector

The hospitality sector is of great importance to the Spanish economy. In 2010, the hospitality sector directly employed 1.28 million people[1]. Bars, pubs and restaurants account for almost 90 percent (over 200,000) of the hospitality enterprises. In total, Spanish bars, pubs and restaurants employ around one million people, almost 80 percent of the total direct employment in the Spanish hospitality sector. It is important to note that it is particularly the lesser-educated and young people that benefit from the employment generated in the hospitality sector.

The large number of bars, pubs and restaurants in Spain reflects the country's bar culture as well as the significance of its tourism sector. Emilio Gallego, Secretary General of the Spanish national trade association representing the hospitality sector, Federación Española de Hostelería, agrees that the Spanish culture and the large tourism sector explain why Spain is one of the few Member States within the EU where more beer is consumed in the hospitality sector than at home. Because of the high amount of bars and pubs in Spain, it is easy to find a place to drink a beer, and drinking beer is part of the Spanish culture; it is the Mediterranean way of life. Gallego also suggested that the Mediterranean climate has a positive influence, with beer being consumed in the summer months because of its low alcohol content.

> "Spain's broader bar culture and large tourism sector may explain why more beer is consumed in Spain in the hospitality sector than at home."

Mr Gallego also notes the link between food and beer in Spain: "It is important to drink beer with food. It is, for example, a common practice to drink a beer when eating tapas."

There is political consensus in Spain on the importance of beer in the hospitality sector. Beer and wine are important for the kind of tourism Spain offers. This political consensus is reflected in the fact that alcoholic beverages in Spain are subject to a reduced VAT rate in the hospitality sector. Within the EU, Spain is one of the only Member States to do so. To secure the consumption of beer in the hospitality sector, and therefore its employment, Mr Gallego stresses the importance of retaining the fiscal stability for the hospitality and the brewing sector.

1 EY (2013) The Hospitality Sector in Europe - An assessment of the economic contribution of the hospitality sector across 31 countries

05
Government revenues

05 Government revenues

Government revenues increased by 4 percent between 2010 and 2012. This increase was mainly the result of a 9 percent rise in VAT revenue, due to several increases of the VAT rates in various EU Member States. Between 2010 and 2012, excise revenues increased by 9 percent as well, while beer-related income and payroll taxes fell by 1 percent.

Despite the higher total tax revenues related to beer, governments in EU Member States are facing additional costs where higher taxation led to a fall in beer sales and subsequent job losses and unemployment. Although our study does not take into account these costs for governments, it is realistic to assume that at least a part of the higher tax revenues will be offset by the additional costs related to increased unemployment.

In terms of maximising government revenues from beer, it is highly likely that further increasing the tax burden will not be an optimum strategy. This train of thought is now understood in Denmark and the United Kingdom, where the governments recently decreased the excise duty rate on beer to stimulate employment.

5.1 More government revenue from beer

Total government revenue from the production and consumption of beer in the 28 EU Member States increased by 4 percent in 2012 compared to 2010.

Income and payroll taxes

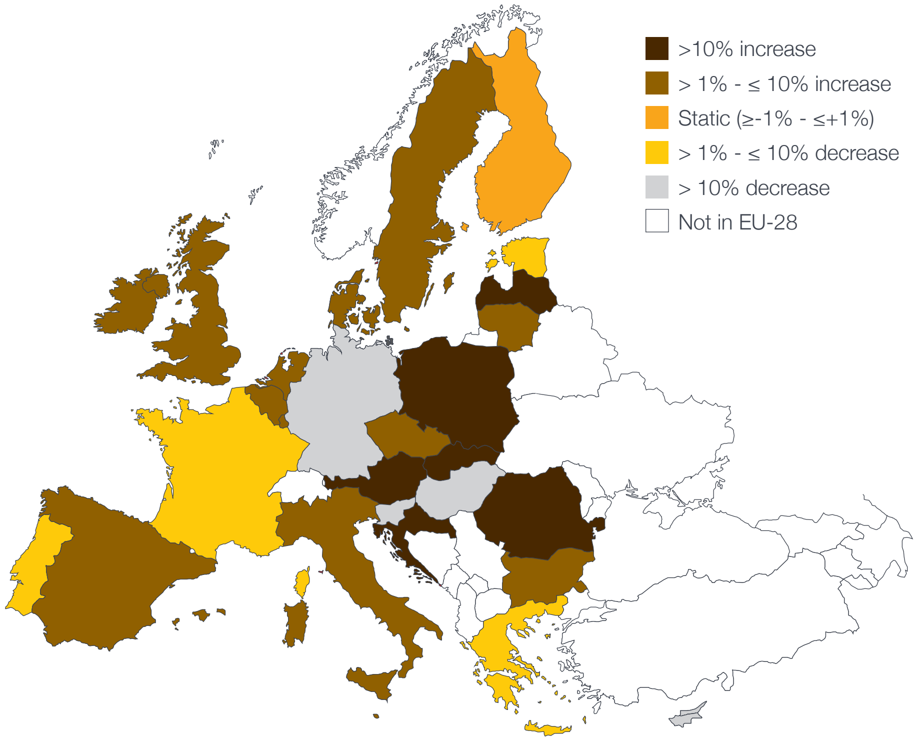
In 2012, 45 percent of all tax revenues due to the production and consumption of beer within the EU came from income, payroll taxes and social security contributions. These taxes and contributions are paid by employers and employees in the brewing sector and the supply sectors, as well as in the retail and hospitality sectors. They were estimated at 23.8 billion Euro for 2012; a slight fall (-1 percent) from 2010, when revenue was 24.2 billion.

> Some Member States saw a dramatic fall in revenue from income and payroll taxes

According to Figure 5.1, income and payroll taxes increased by more than 1 percent in 19 Member States, while 8 Member States saw a dramatic fall in revenue (more than 1 percent). These changes are not always caused by changes in employment rates (as shown in figure 2.6, in Chapter 2). Other factors that influence governmental revenues from personal income related taxes and contributions are changes in the applicable rates of direct taxes, social security contributions and payroll taxes and changes in the mean costs of personnel in all sectors.

05

Figure 5.1 Development of revenue from income and payroll taxes and social contributions related to beer per EU Member State in 2012 compared to 2010



Source: Regioplan/EY calculations (2013)

VAT revenues

Since 2010, the beer-related VAT revenues of the EU Member States increased from 17.9 to 19.2 billion Euro (+7%)

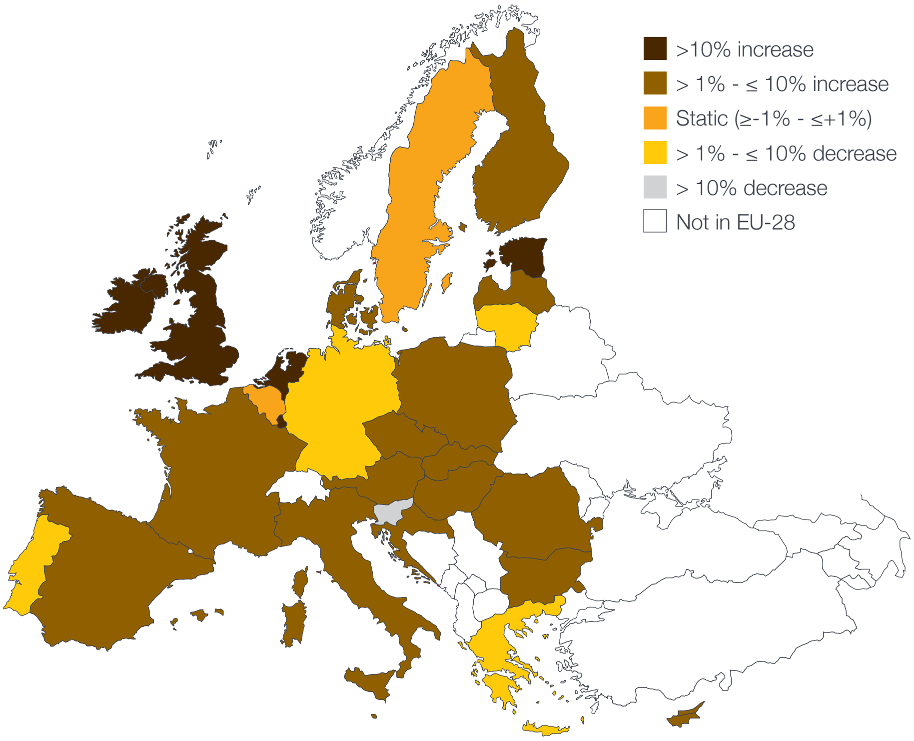
The second most important category of tax revenue due to beer is Value Added Tax (VAT). VAT is levied on the turnover of beer sales in retail and hospitality outlets. Revenue for 2012 within the EU totalled 19.1 billion Euro. Some 68 percent (13.0 billion Euro) was generated by beer consumption in bars, pubs and restaurants, while beer sales in retail outlets accounted for the remaining 32 percent (6.1 billion Euro). This is an increase of 9 percent overall, compared to 2010 when these revenues within the EU totalled 17.6 billion. Interestingly, the proportion of total VAT revenue generated by retail sales rose. The increase can most likely be attributed to the fact that more consumers drank beer at home rather than in a bar, pub or restaurant.

The proportion of total VAT revenue generated by retail sales increased

05

Compared to 2010, 21 EU Member States experienced a rise in VAT revenues of more than 1%. In Germany, Greece, Lithuania, Portugal and Slovakia on the other hand, the level actually dropped by more than 1 percent. This was mainly due to a substantial decrease in on-trade consumer spending on beer, resulting in less value-added through the hospitality sector. Although revenues from value-added increased in most Member States, this does not necessarily mean more consumption in the hospitality sector. As shown in the previous chapter, on-trade consumption declined in most of the EU Member States between 2010 and 2012, resulting in lower employment rates.

Figure 5.2 Development of VAT revenues related to beer per EU Member State in 2012 compared to 2010



Source: Regioplan/EY calculations (2013)

05

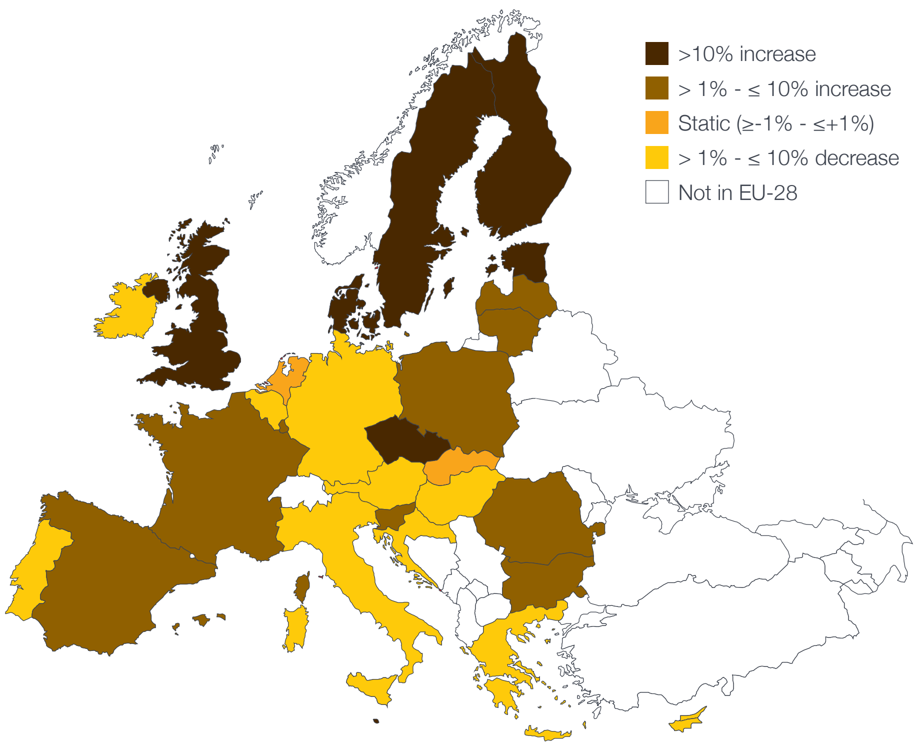
Excise duty revenues

Excise revenue accounted for 19% of total government revenues due to the production and sale of beer in 2012

Excise duties are an important source of revenue for national governments. In 2012, excise duty revenue accounted for 19 percent of the total government revenues due to the production and sale of beer[1]. In fact, it was estimated to be approximately 10.0 billion Euro in 2012. This was an increase of 9.2 percent compared to 2010, when it amounted to 9.2 billion Euro for the 27 EU Member States[2].

As indicated in Figure 5.3, excise duty revenue rose by more than 1 percent in 16 Member States. By contrast, it dropped more than 1 percent in 10 other EU Member States. The drop in excise duty revenue in those countries was far less significant than the rise in excise revenue in the 16 Member States.

Figure 5.3 Development of excise revenues per EU Member State in 2012 compared to 2010



Source: Regioplan/EY calculations (2013)

1 Excise revenues amounted to 10.0 billion euros while the total government revenues due to the production and sales of beer is 53.0 billion euros (calculations Regioplan)
2 Source: European Commission, Excise duty tables, July 2013

05

5.2 Unfavourable tax climate

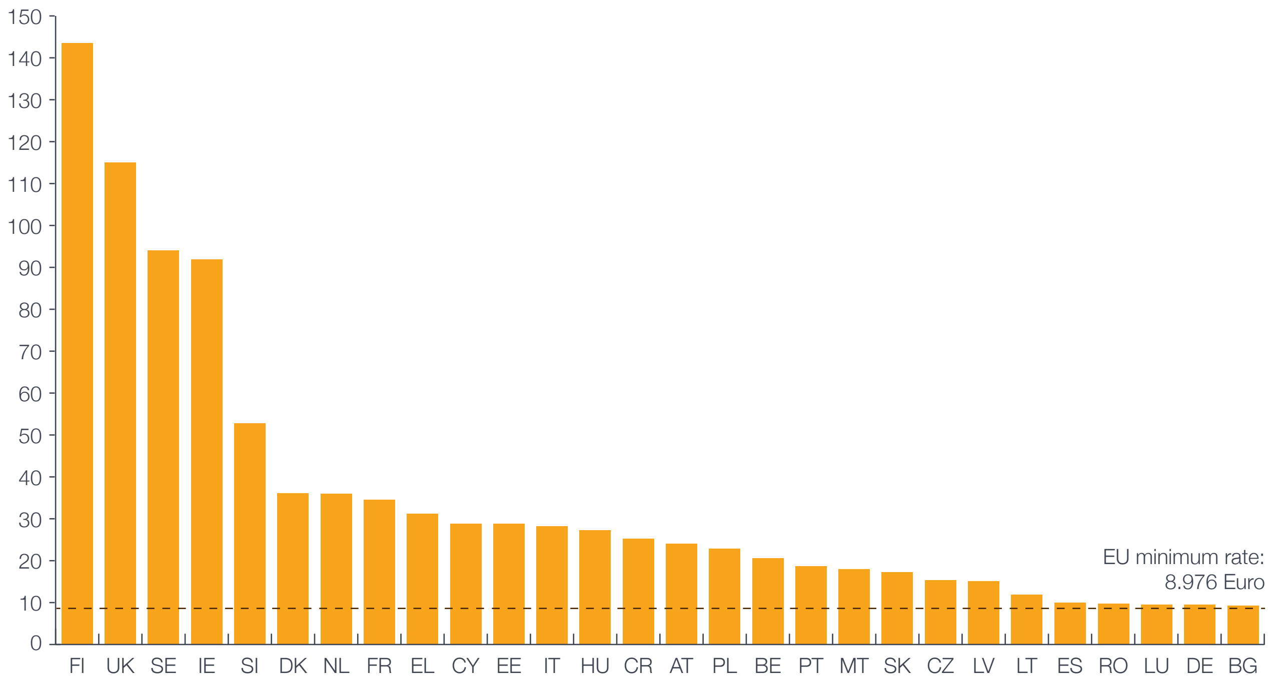
There has long been an unfavourable tax climate for beer

The increase in government revenue from beer between 2010 and 2012 was not a result of the rise in the production and consumption of beer in the EU. The recovery of the beer market was too limited to account for the entire increase in government revenues. The explanation is more likely to be the increased tax burden on beer, particularly the rise in excise duty and VAT rates in many Member States. It is a development that tallies more with the consistently unfavourable tax climate for beer.

Substantial differences in excise duties

The imposition of excise duties on beer has long been one of the largest hurdles faced by the brewing sector. Although there is an EU minimum rate, each Member State is free to set excise duties at the level it chooses. The result is substantial differences between Member States' excise duty rates on beer. Figure 5.4 illustrates these differences on 1 October 2013.

Figure 5.4 Excise duty rates per hectolitre of beer in Euro (12 degrees Plato, 4.8 percent alcohol) on 1 October 2013 in the EU Member States



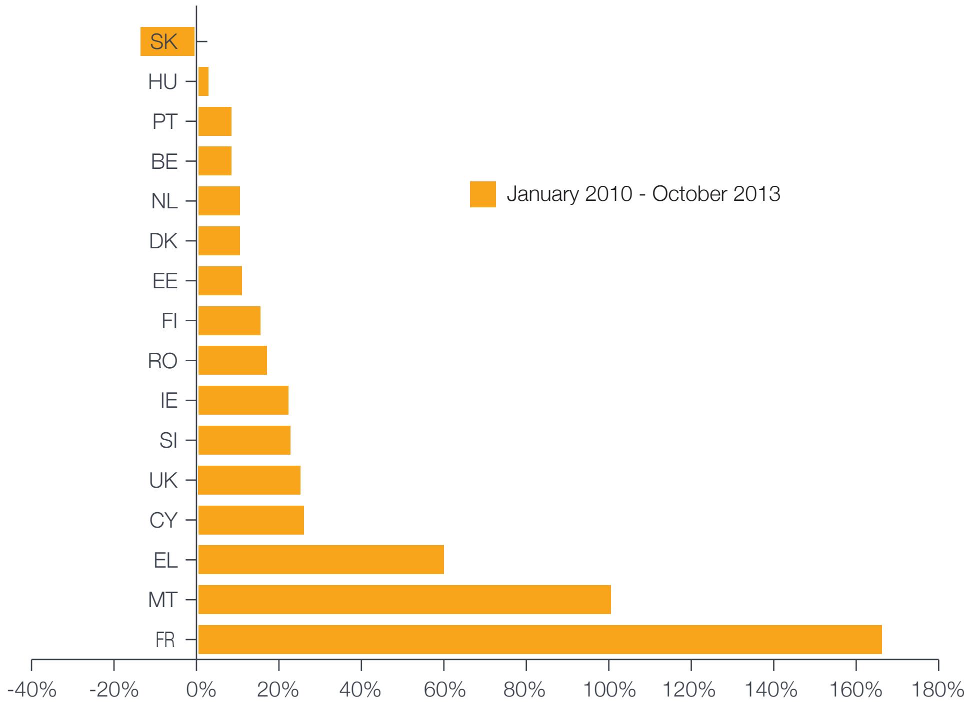
Source: European Commission and The Brewers of Europe (situation in October 2013)

05

Rising excise duties

Since 2010, fourteen EU Member States increased the level of excise duties on beer – there was a similar development between 2008 and 2010. The changes are given as a percentage in Figure 5.5 for the period January 2010 to October 2013. The degree to which duties were raised varies considerably with Malta doubling its excise duty rates and France levying an increase of 160 percent. By contrast, the excise duty rate was actually lowered in Slovakia.

Figure 5.5 Development (%) of excise duty rates per hectolitre of beer in local currency 2010-2013 (12 degrees Plato, 4.8 percent alcohol) in EU Member States (where there was a rate change)



Source: European Commission and The Brewers of Europe

The sharp increase of 160 percent set in France as of 1 January 2013 is the most notable. The United Kingdom and Denmark however decreased excise rates in 2013, to stimulate employment. Without this decrease, the difference between 2010 and 2013 would have been significantly larger for both Member States.

05

Cross border shopping in the Netherlands

Large differences between excise duties in neighbouring countries stimulate cross border shopping. Border residents regularly travel abroad to purchase cheaper beer and the brewing companies in high tax countries are reporting a rise in cross border shopping. The Netherlands, Denmark and Finland are noticing the biggest increases. Interestingly, however, it appears that high tax countries are tending to raise excise duties even further, making the differences even more evident.

For example, in the Netherlands, the brewing sector was confronted with substantial increases in excise duty rates: 30 percent in 2009, 10 percent in 2013 and a further increase of 5.75 percent is anticipated for 2014. Our research(*) for the Dutch brewers' association showed that the increase in excise duties for 2013 led to a fall in domestic sales and a strong increase in the beer purchases made by Dutch consumers in both Germany and Belgium. Based on beer sales data for the first quarter of 2013, Regioplan calculated that excise duty revenue will be lower than expected (an increase of only 27 million Euro against the Dutch Government is expected 39 million Euro).

The cross border effect of an increase of excise duties was acknowledged by the Dutch Government. Instead of a planned additional increase of 10 percent of the beer excise duties in 2014, the proposed rise is now set at 5.75 percent. It is doubtful whether this mitigation is enough to stop cross border shopping in Germany and Belgium.

(*) Regioplan (2013) Nog een rondje van de buren: Verdiepend onderzoek gevolgen accijnsverhoging bier.

05

The duty escalator in the United Kingdom

In 2008, the United Kingdom introduced an alcohol duty escalator. This meant that beer duty, as well as other alcoholic beverage duties, increased automatically by 2 percent above inflation every year. As a result, excise duties on beer increased by 42 percent since 2008. The escalator was due to stay in place until 2014 - 2015, but was scrapped for beer on 20 March 2013 and actually replaced by a cut in the duty on beer. It however remains in place for all other alcoholic beverages. Beer consumers in the United Kingdom now pay a penny less on the price of a pint of beer.

“I think what convinced me was the economic argument,” explains Osborne. ”And the fact that it was having an impact on jobs and on pub closures, and that’s not what we want our tax system to be doing. These are difficult economic times and there’s not enough money to do all the things we’d like to do. So you have to make choices and I thought this was a very straightforward way of helping a very important industry that employs a lot of people.”

> The fact that it was having a negative impact on jobs and on pub closures convinced George Osborne to put an end to the beer duty escalator

The brewing sector reacted enthusiastically to Osborne’s initiative. Brigid Simmonds, CEO of the British Beer and Pub Association, was happy to welcome “the end of a hugely damaging policy.” Moreover Michael Turner, Chairman of Fuller’s brewery, called it “excellent news for British manufacturing, British farming, British pubs and British jobs.”

> “Abolishing the duty escalator is a very straightforward way of helping a very important industry that employs a lot of people”

Before Osborne abolished the beer duty escalator, the United Kingdom was losing 26 pubs a week. With beer making up seven of every ten drinks sold in pubs, the hospitality sector was penalised every time the tax on beer increased. The British beer sector and consumers are hugely grateful to George Osborne for the new-found support for Britain’s brewers and pubs. The duty cut was a symbolic change in the way the Government was treating the industry.

> The Chancellor’s decision will lead to an additional 10,000 jobs in the sector by 2015-2016, with over 6,000 jobs already in the first year

The British Beer and Pub Association commissioned Oxford Economics to assess the changes that already occurred during 2013. An important result is the estimated boost to beer sales of approximately 280 million pints of beer per year. Subsequently, this boost is expected to lead to an increase of 10,000 jobs in the British beer sector by 2015-2016, with over 6,000 jobs already in the first year. Moreover, the Chancellor’s decision led to renewed confidence in the British brewing sector, which will feed through to investment decisions for next year and beyond.

05

The challenge of rising excise duties is exacerbated in the current climate with VAT rates also being raised in several Member States to counter budget deficits. As VAT is a percentage charged over excise duties, this has a multiplier effect.

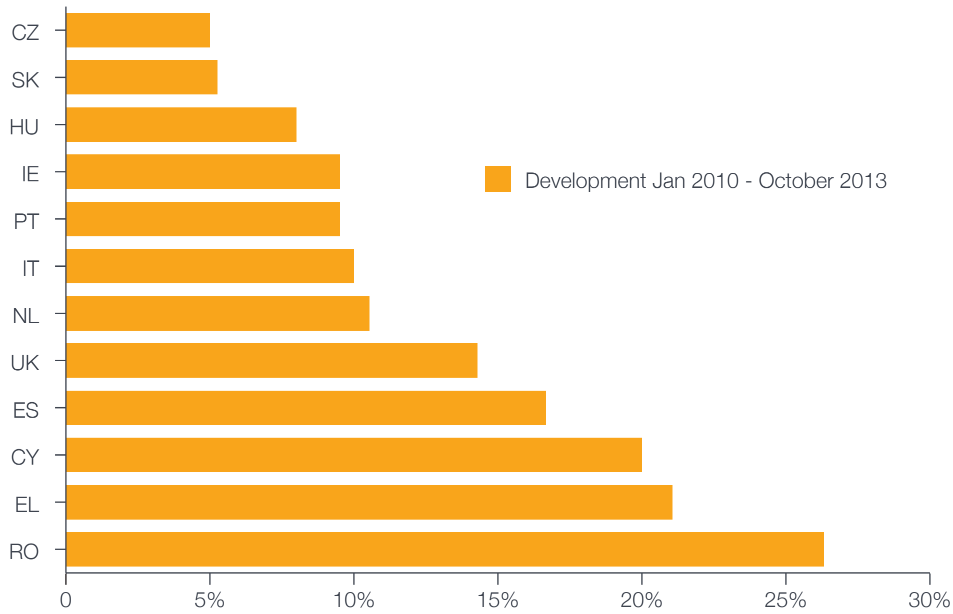
Increase in standard VAT rates

As a result of the ongoing crisis, many EU Member States are suffering from budget deficits. Several EU Member States responded to these deficits by increasing standard VAT rates. As a relatively low alcoholic beverage, beer is subject to the standard VAT rate. Increases thereof have a direct impact on beer pricing in both the retail and the hospitality sector.

> Beer is subject to the standard VAT rate, so increases have a direct impact on pricing

Twelve EU Member States increased their standard VAT rates between 2010 and October 2013. Figure 5.7 shows these changes as a percentage. In 2010, Greece raised its standard VAT rate from 19 to 23 percent and Romania from 19 to 24 percent. In 2011, Ireland raised its standard VAT rate from 21 to 23 percent, Italy from 20 to 21 percent, Hungary from 25 to 27 percent, Portugal from 21 to 23 percent, Slovakia from 19 to 20 percent and United Kingdom from 18 to 20 percent. The year after, in 2012, the Czech Republic raised its standard VAT rate from 20 to 21 percent, Cyprus from 15 to 18 percent, the Netherlands from 19 to 21 percent, Spain from 18 to 21 percent and Finland from 23 to 24 percent.

Figure 5.7 Development (%) standard VAT rates in EU Member States between 2010 and 2013 (where there was a rate change)



Source: Regioplan/EY calculations (2013)

05

Reduced VAT rates for higher demand

The future of EU VAT is a much debated subject. Discussions cover the introduction of a single VAT rate, and a substantial decrease in the number of products and services covered by the reduced VAT rates. In October 2012, the European Commission published its Consultation Paper on the existing legislation on reduced VAT rates[1]. The purpose of this document was to invite stakeholders to share their opinion on the matter. The Commission would then be able to evaluate whether the scope of the VAT reduced rates should be abolished or extended.

Lower prices in the hospitality sector lead to higher customer turnover

EU brewers benefit from a prospering hospitality sector – even when beer itself is not subject to a reduced VAT rate

According to Article 98 of the VAT Directive[2] in conjunction with points 12 and 12a of Annex iii, EU Member States may apply a reduced VAT rate to services in the hospitality sector, i.e. accommodation provided by hotels and restaurant services. These reduced rates are important for the brewing sector as they enable lower prices in the hospitality sector. This in turn leads to higher turnover. Needless to say, EU brewers benefit from a prospering hospitality sector – even when beer itself is not subject to a reduced VAT rate. Spain is an exception within the EU; it charges a reduced rate on both services and the sale of alcoholic beverages.

Some EU Member States have already implemented a reduced VAT rate on services in the hospitality sector in their national VAT legislation. The Member States that do apply a reduced rate on restaurant services are: Belgium (12 percent), Spain (10 percent), Hungary (10 percent), Ireland (9 percent), Cyprus (8 percent), Italy (10 percent), Luxembourg (3 percent), the Netherlands (6 percent), Poland (8 percent), Finland (14 percent), France (7 percent) and Sweden (12 percent)[3].

In Member States that apply a reduced VAT rate, the hospitality sector has performed better and enjoyed faster growth than the overall economy

The hospitality sector generally performed below average compared to the overall economy during the economic crisis (2008-2010)[4]. However, in the majority of Member States that apply a reduced VAT rate on services provided by the hospitality sector, performance of the on-trade was largely better than the overall economy – and it enjoyed faster growth.

One of the benefits of applying a reduced VAT rate in the hospitality sector, is that it leads to job creation. The hospitality sector involves labour-intensive services, so the greater number of consumers, the more employees that are required (see Chapter 4). The implementation of a reduced VAT rate in a labour-intensive sector is seen as an effective instrument to tackle unemployment.

1 *Review of existing legislation on VAT reduced rates* (TAXUD/C1), European Commission, DG TAXUD, 8 October 2012
2 Common system of value added tax (VAT)
3 Source: EU Commission, DG TAXUD, VAT rates applied in the Member States of the European Union, situation as of 1 July 2013, taxud.c.1(2013)2823545 – EN, 15 July 2013
4 The Brewers of Europe, *VAT reduced rates: impact on the hospitality sector, Response to the European Commission consultation: Review of existing legislation on VAT reduced rates* (TAXUD/C1), 4 January 2013

05

A reduced VAT rate in a labour-intensive sector is an effective instrument to tackle unemployment

In its Consultation Paper, the European Commission also details the downsides of reduced VAT rates. It describes cross border distortion of activity and how reduced rates may form an obstacle to the proper functioning of the internal market. The Copenhagen Economics[1] report shows that these concerns are actually not relevant in terms of reduced rates in the hospitality sector.

Cross border distortions are barely perceived in the hospitality sector

Cross border distortions will not, or will barely, be perceived in the hospitality sector, as it involves local services that are consumed immediately. As VAT is payable in the Member State where the on-trade establishment is located, there is little risk that a reduced rate will influence the functioning of the internal market.

1 Source: Copenhagen Economics, VAT in the public sector and exemptions in the public interest, 2013, 10 January 2013.

05

5.3 Optimum tax strategy

Excise revenues grew less than the percentage increase in the excise rate – in some EU Member States it even dropped

Clearly, an increase in excise duty and VAT rates has not optimised government revenue from beer. Although government revenues may have risen between 2010 and 2012, our analysis indicates that in most Member States, excise duty revenues grew less compared to the percentage increase in the excise duty rate. In some Member States, revenues even dropped. This can be explained by the fact that excise duty and VAT rates are passed on in the price of beer to the consumer, leading to higher beer prices and ultimately lower sales. This undoubtedly also explains why the governments in Denmark and the United Kingdom decided to lower excise duties.

Figure 5.8 shows the relationship between excise duty rate changes and the development of excise duty revenues per EU Member State. Statistics for Malta have been omitted. The Maltese government tried to raise excise revenues by increasing the excise duty rate on beer by 100 percent. This turned out to be unsuccessful. Since beer sales decreased, excise duty revenues did not increase at all in proportion to the duty increase.

Figure 5.8 Relationship between excise duty rate changes and the development in excise duty revenues per EU Member State between 2010 and 2012

Source: Regioplan/EY calculations (2013)

05

We also analysed the relationship between changes in VAT rates and the development in VAT revenues. However, the results of this analysis were diffuse. This is due to VAT revenues being affected by far more than just the rate of VAT. For example, changes in consumer prices and shifts in consumer preferences have a marked effect on VAT revenues as well. Since VAT is also levied on excise duties, changes in excise duty rates also influence VAT revenues. It is therefore not possible to isolate the direct effect of VAT changes on government revenue, obtained from beer-related VAT revenues.

Ultimately, higher beer prices in the hospitality sector result in a fall in demand for beer in the hospitality sector.

A combination of factors explains why government revenues were not as high as expected. Firstly, higher excise duty and VAT rates are more likely to be passed on to the customer through higher prices in the hospitality sector than through higher prices in the retail sector.[1] As demand for beer is also more price elastic in the hospitality sector, an increase in the tax burden will lead to a greater fall in on-trade consumption compared to the off-trade consumption.[2] Ultimately, higher beer prices in the hospitality sector result in a fall in demand for beer in the hospitality sector.

A drop in beer sales in the hospitality sector inevitably results in less employment – which also means less income tax revenue

Furthermore, a drop in beer sales in the hospitality sector inevitably results in less employment. In terms of government revenue, this means lower levels of income tax and social security contributions and higher unemployment compensations (see also chapter 4). All in all, government tax revenues are higher when beer is consumed in the on-trade; higher prices and lower employment in the hospitality sector will cause tax revenue to fall.

1 An explanation for this is that off-trade excise duty rises can be absorbed more easily because there are many more different product streams than in the hospitality sector

2 Source: EU Commission, DG TAXUD, VAT rates applied in the Member States of the European Union, situation as of 1 July 2013, taxud.c.1(2013)2823545 – EN, 15 July 2013

05

Low beer excise duties improve growth conditions

During the spring of 2013, the Danish Parliament adopted a comprehensive growth plan to improve the business environment in Denmark. An important goal of this *VækstPlan DK* is to create growth and employment in the retail sector by reducing excise duties on some of the goods that are most sensitive for cross border shopping, such as beer and soft drinks. High excise duties on beer and soft drinks mean numerous Danes travel to the German border to buy these drinks subject to a lower excise duty. In order to put an end to this border trade, Danish political parties, from the right to left wing, agreed to reduce the beer excise duty rate by 15 percent as of 1 July 2013. At the same time, they have abolished the indexation of beer excise duties until 2020.

Mads Rørvig, Chairman of the fiscal affairs committee at the Danish Parliament, explained the decision: “A very large share of beer consumed in Denmark is bought outside Denmark. The aim of the excise duty reductions on beer and soft drinks was to change this pattern and to pull the border trade back to Denmark, stimulating domestic growth and employment. Besides damaging the Danish society, the extensive cross border shopping also has a negative impact on the environment.”

> “The aim of the excise duty reductions was to stimulate growth and employment within our own country”

MP Nadeem Farooq from the government coalition welcomed the preliminary results of the Growth Plan: "Since the plan came into force, the domestic sales of beer and soft drinks increased considerably. In the first two months, domestic beer sales increased by 5 percent, while sales of soft drinks increased by 11 percent.”

Just before the excise duty reductions were announced, Jan Bentzen, Professor at the Department of Economics at the University of Aarhus, estimated that if the excise duties on beer and soft drinks were cut by half, it would cost the State 77 million DKK. In return, an excise duty reduction would create around 1,300 jobs. The economic benefits of these extra jobs would be much larger than the reduction in the State revenues. According to Bentzen, the reason for the relatively low costs for the State budget is that the high excise duties on beer and soft drinks generate cross border shopping with other goods as well.

> “An excise duty reduction of 50 percent on both beer and soft drinks would create 1,300 Danish jobs”

Bentzen explains: “When Danes go to the border for cheaper beer and soft drinks, they purchase other goods too. Just before the adoption of the Growth Plan, I calculated that an excise reduction of 50 percent on both beer and soft drinks would create 1,300 Danish jobs, while such a reduction is virtually without costs. The estimates do not include second round effects of a tax relief, but by creating extra activity it will provide more income taxes. Furthermore, the creation of jobs will save spending on public assistance, as the government will pay less unemployment benefits.”

06
Austria

6.1 | Country profile

Population	8,426,000
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	131

Source: Eurostat

6.2 | Highlights Austria

Table 6.1 Economic impact of beer in Austria (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	40,300	38,300	39,200	-2.7%
Value-added (million Euro)	1,428	1,366	1,493	+4.6%
Government revenues (million Euro)	1,423	1,429	1,533	+7.7%

Source: Calculations Regioplan (2013).

Figure 6.1 Development of production*, consumption*, imports** and exports** (2008-2012)[1]

*Source: * Austrian Brewers' Association (2013) ** Figures for 2012 are obtained from Austrian Brewers' Association (2013) and figures for 2008-2011 are obtained from Eurostat (2013).*

1 For this EU Member State the export and import data were obtained from the national brewers' association. These data differ from Eurostat data.

6.3| Brewing sector

Table 6.2 Basic characteristics of the Austrian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	8,937,000	8,728,000	8,670,000	8,917,000	8,927,000	-0.1%
Brewing companies	164	163	163	161	164	0.0%
Breweries (including microbreweries)	173	172	172	170	173	0.0%
Microbreweries	104	103	101	97	92	-11.5%

Source: Austrian Brewers' Association (2013)

Together with Germany, Belgium and the Czech Republic, Austria has a long history in the art of traditional brewing. In line with previous years, Austria still produces a substantial volume of beer. The 8.9 million hectolitres produced in 2012 came from 173 Austrian breweries. The 2012 numbers indicate that production levels were back to 2008 levels, hence indicating an end to a period of declining beer production. Measuring the development in Euro leads to the conclusion that, since 2010, Austrian beer production has grown strongly.

The Austrian beer market is characterised by the large market share of one single brewing company, accounting for more than half of all Austrian beer sales. The top five companies reached over 80 percent of the Austrian beer market in 2012.

6.4| Beer market

Table 6.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption in hectolitres)	9,146,000	8,905,000	8,878,000	9,105,000	9,110,000	-0.4%
Total consumer spending (in million Euro)	2,782	2,806	2,750	2,893	2,928	+5.2%
Consumption of beer per capita (in litres)	109.7	106.5	105.8	108.1	108.1	-1.5%
Beer consumption on-trade (hospitality)	34%	34%	33%	33%	32%	-2.0%
Beer consumption off-trade (retail)	66%	66%	67%	67%	68%	+2.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	6.08	6.24	6.26	6.42	6.60	+8.6%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.50	1.56	1.54	1.58	1.62	+8.0%

Source: Austrian Brewers' Association (2013)

With respect to beer consumption, Austria is among the leaders in all the EU countries. It is also one of the few countries where consumption per capita remained relatively stable. This stands in contrast with the situation in most EU Member States where consumption per capita declined over recent years. Austrian beer consumers can be described as being very loyal to their local brands and types of beer.[1]

1 Euromonitor International 'Beer in Austria' (April 2012)

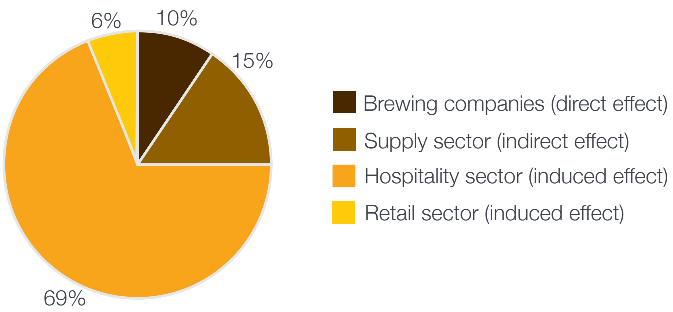
6.5 | Trends and developments

A pivotal development on the Austrian beer market is the change in consumption patterns. According to the Austrian brewers' association and a number of Austrian brewing companies, many new products are entering the market. These innovations meet the demands of consumers, as is indicated by increasing sales of beer specialities such as Radler (beer mixed with non-alcoholic beverages). Although this development is clearly part of the current Austrian beer market, it also a trend seen in beer markets of other EU Member States.

6.6 | Employment related to beer

For 2012, the employment impact of the production and sales of beer was estimated at 39,200 jobs. As can be seen in figure 6.2, approximately 3,800 people were employed in Austrian brewing companies. Alongside this direct employment, the production of beer in Austria also created indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, beer generated around 5,800 jobs in the supply sectors. Moreover, beer contributed 27,000 jobs in the hospitality sector and 2,300 jobs in the retail sector.

Figure 6.2 Total employment because of beer in 2012: 39,200 jobs

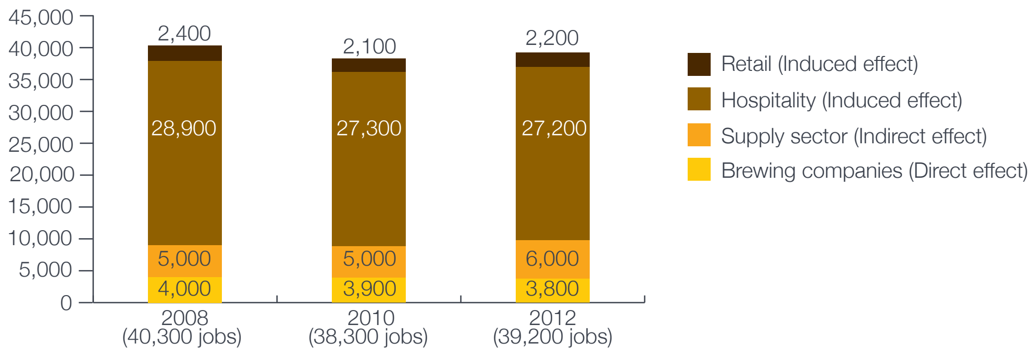


Source: Calculations Regioplan (2013)

In comparison to 2008, the total employment impact of beer production and sales declined. Given that the sale of beer in the hospitality sector is more labour-intensive than in the retail sector, the main reason for this is that beer is increasingly consumed at home instead of in bars, pubs and restaurants. Furthermore, the direct employment contributed by brewing companies has decreased over the time period considered.

The finding that the number of jobs increased slightly in 2012 compared to 2010 might be an indication that the trend is reversing.

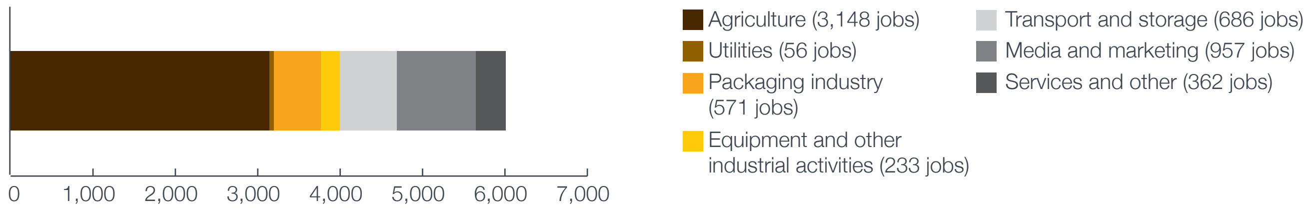
Figure 6.3 Development of employment (Δ2008-2012 = -2.7%)



Source: Calculations Regioplan (2013)

Austria has a large, strong and well-developed cluster of brewing sector supply sectors. Even though the country is relatively small in terms of population, a large proportion of purchases by brewing companies were made domestically. From these supply sectors, the one that benefitted most from the production of beer was agriculture.

Figure 6.4 Indirect employment in 2012: 6,000 jobs



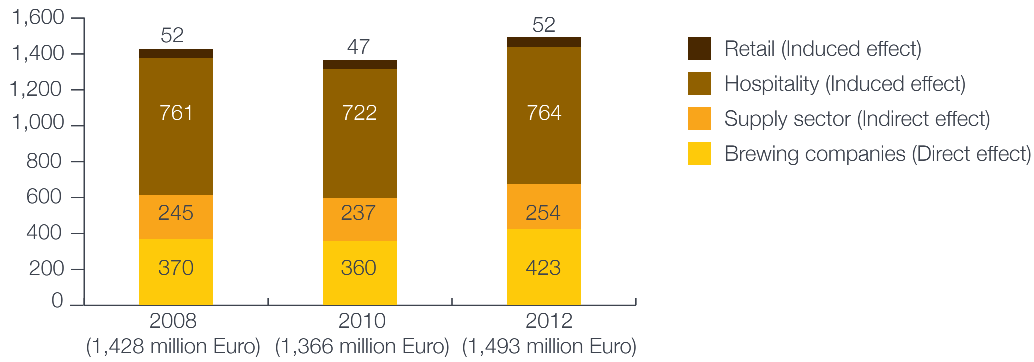
Source: Calculations Regioplan (2013)

6.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Austrian economy can also be expressed in terms of value-added. In 2012 the total value-added related to the production and sale of beer was estimated at 1.366 billion Euro.

Since 2008, the total value-added increased. This is primarily caused by the increase in the value-added generated directly by the brewing sector itself.

Figure 6.5 Development of value-added (Δ2008-2012 = +4.6%)

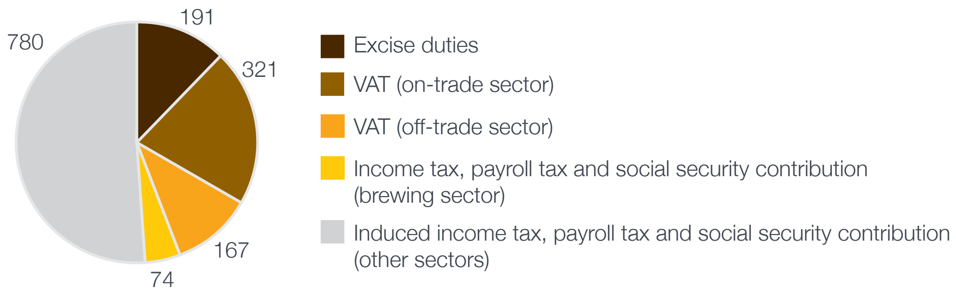


Source: Calculations Regioplan (2013)

6.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Austrian beer production and sales were estimated at 1.5 billion Euro. This means that the amount of government revenues has increased by 7.7 percent since 2008.

Figure 6.6: Government revenues related to the production and sale of beer in 2012: 1.5 billion Euro



Source: Calculations Regioplan (2013)

Table 6.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	190	198	191	+0.7%
VAT (on-trade) (million Euro)	314	306	321	+2.3%
VAT (off-trade) (million Euro)	150	153	167	+11.4%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	65	68	74	+13.5%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	705	705	780	+10.6%
Total government revenues (million Euro)	1,423	1,429	1,533	+7.7%

Source: Calculations Regioplan (2013)

07
Belgium

7.1 | Country profile

Population	11,000,368
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	119

Source: Eurostat

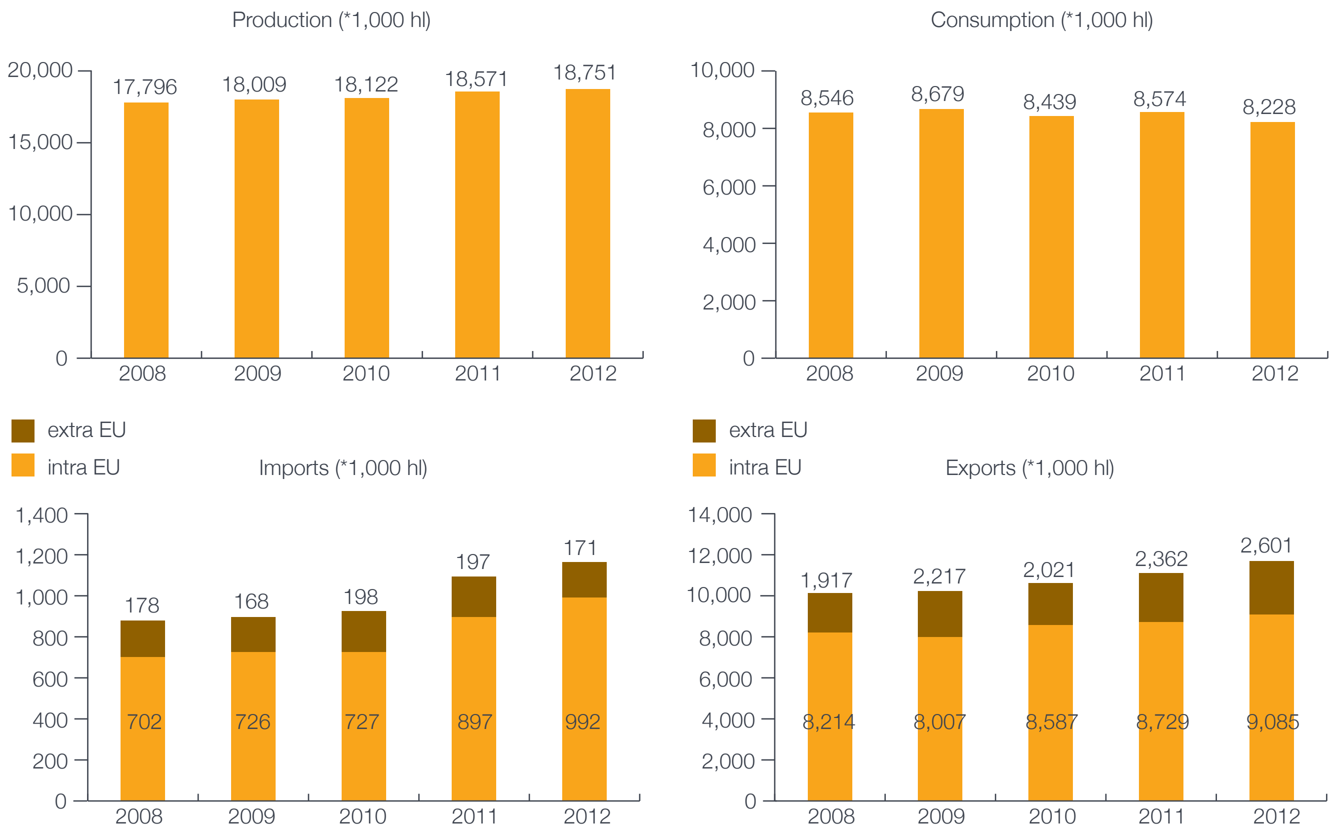
7.2 | Highlights Belgium

Table 7.1 Economic impact of beer in Belgium (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	54,100	48,700	45,800	-15.3%
Value-added (million Euro)	2,214	2,066	2,115	-4.5%
Government revenues (million Euro)	1,936	1,851	1,883	-2.7%

Source: Calculations Regioplan (2013)

Figure 7.1 Development of production, consumption, imports and exports (2008-2012) [1]



Source: Belgian Brewers (2013)

1 For this EU Member State the international trade data were obtained from the national brewers' association. These data differ from Eurostat data.

7.3 | Brewing sector

Table 7.2 Basic characteristics of the Belgian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	17,796,000	18,009,000	18,122,000	18,571,000	18,751,000	+5.4%
Brewing companies	-	-	-	-	60	-
Breweries (excluding microbreweries)	135	127	135	123	150	+11.1%

Source: Belgian Brewers (2013)

With a production of 18,751,000 hectolitres, Belgium was the sixth largest producer of beer in the EU in 2012. Production increased steadily between 2008 and 2012. Belgium exported a significant volume of beer to EU Member States as well as to third countries. In 2012, 62 percent of the total Belgian beer production was destined for other countries. This made Belgium the second largest exporter within the EU, after the Netherlands.

Lager still makes up the major share of Belgian beer production. However, Belgium is famous for its production of a significant number of traditional specialty beers. These beers, such as Gueuze, Trappist and Wheat beer, are popular throughout the World.

7.4 | Beer market

Table 7.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	8,546,000	8,679,000	8,439,000	8,574,000	8,228,000	-3.7%
Total consumer spending (in million Euro)	3,783	3,664	3,590	3,664	3,625	-4.2%
Consumption of beer per capita (in litres)	82	81	78	78	74	-9.8%
Beer consumption on-trade (hospitality)	51.2%	49.0%	48.0%	46.4%	46.0%	-5.2%
Beer consumption off-trade (retail)	48.8%	51.0%	52.0%	53.6%	54.0%	+5.2%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	6.71	7.04	7.26	7.50	7.70	+14.8%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.44	1.51	1.48	1.48	1.60	+11.1%

Source: Belgian Brewers (2013)

As mentioned previously, beer was consumed increasingly at home instead of in bars, pubs and restaurants. In the case of Belgium, this has resulted in a shift from the on-trade sector as the most significant place of beer consumption to consumption of beer at home over recent years.

Another important trend was the decreasing consumption per capita. This trend was observed in most EU countries.

7.5 | Trends and developments

As a result of the fact that relatively more beer was consumed at home, the hospitality sector has been under considerable pressure. In common with many other brewing companies in the EU, Belgian breweries responded by providing more support to their hospitality partners. Considerable effort also was placed on the development of novel beers.

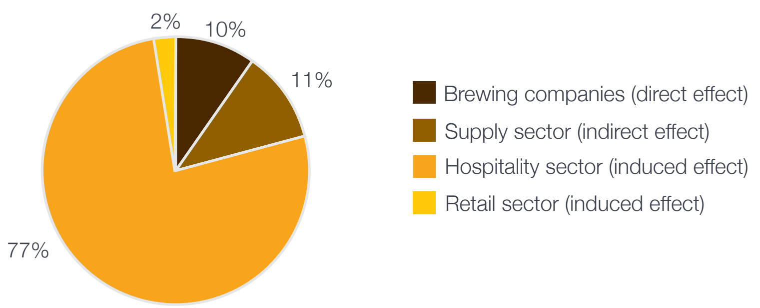
Additionally, whereas brewing companies in many other EU Member States also faced declining consumption patterns, in Belgium this was associated with a trend away from drinking mainstream lagers towards local premium brands, consumed in lower volumes. One reason for this shift was a large number of TV shows pairing specialty beers with cooking[1].

7.6 | Employment related to beer

The total employment generated by beer was estimated to be approximately 46,000 jobs in 2012. This includes employment within the brewing companies, amongst suppliers and in the hospitality and retail sector. The majority of jobs generated by beer were located in the hospitality sector. The number was around 35,000 jobs, followed by the supply sector with 5,000 jobs. Almost equally important was the employment in brewing companies (4,600 jobs). In retail, the total number of jobs generated by beer was 900 in 2012.

These numbers show that the declining share of beer consumed in the hospitality sector (-17 percent), as mentioned above, had a major impact on overall employment (-15 percent). Even more pressure on the hospitality sector will affect employment in Belgium negatively in the future.

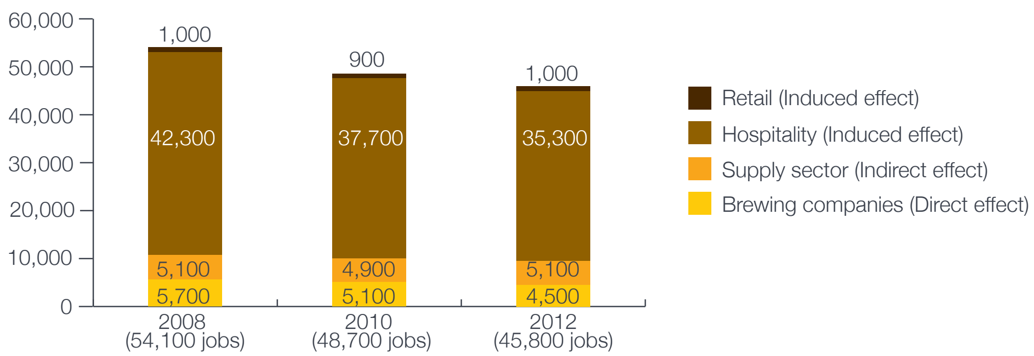
Figure 7.2 Total employment because of beer in 2012: 45,800 jobs



Source: Calculations Regioplan (2013)

The relevance of the hospitality sector for Belgian employment is also shown clearly in figure 7.3.

Figure 7.3 Development of employment (Δ2008-2012 = -15.3%)

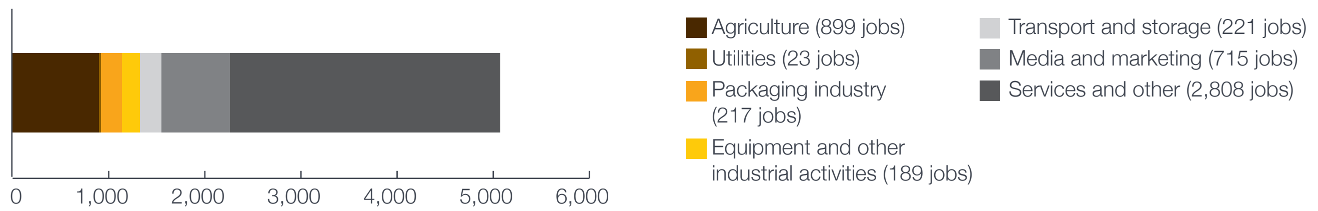


Source: Calculations Regioplan (2013)

1 Euromonitor International "Beer in Belgium" (April 2012)

The indirect employment (employment generated by beer in the supply sectors) comprised approximately 5,100 jobs. Of these sectors, the largest employment impact occurs in the services sector. Other relevant sectors were agriculture and media and marketing. An illustration of the indirect employment effects can be found in figure 7.4.

Figure 7.4 Indirect employment in 2012: 5,100 jobs

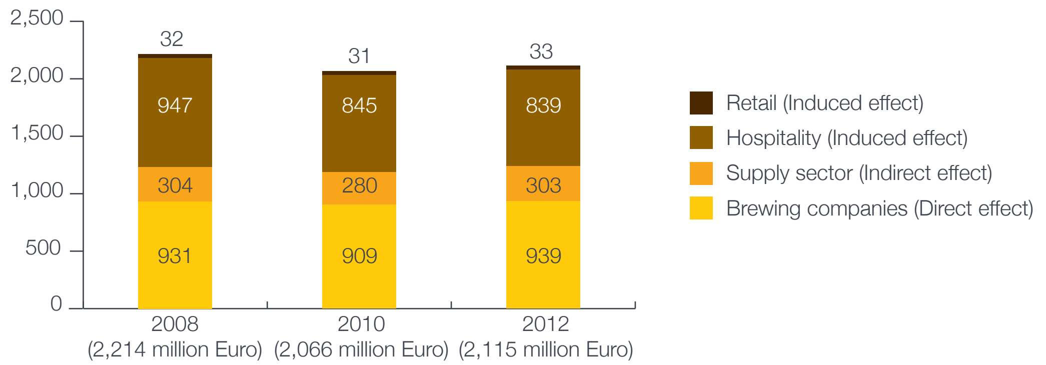


Source: Calculations Regioplan (2013)

7.7 | Value-added related to beer

Another relevant aspect of the economic impact of beer is the value-added. In 2012, the total value-added related to beer was estimated at around 2.1 billion Euro. After a decrease in the value-added in 2010, the level seems to be back at the 2008 level.

Figure 7.5 Development of value-added (Δ2008-2012 = -4.5%)



Source: Calculations Regioplan (2013)

7.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions of the Belgian brewing sector were estimated at 1.8 billion Euro. This means that total government revenues decreased by 2.7 percent. The most important reason for this was the relatively low revenue stemming from the hospitality sector. The revenues from excise duties and VAT decreased due to the decline in consumption. Payroll taxes increased as a result of the automatic indexation of wages.

Figure 7.6: Government revenues related to the production and sale of beer in 2012: 1.8 billion Euro

Source: Calculations Regioplan (2013)

Table 7.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	185	188	181	-2.2%
VAT (on-trade sector) (million Euro)	545	510	506	-7.2%
VAT (off-trade sector) (million Euro)	111	113	123	+10.8%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	140	146	146	+4.3%
Income tax, payroll tax and social security contribution (other sectors) (million Euro)	955	895	928	-2.8%
Total government revenues (million Euro)	1,936	1,851	1,883	-2.7%

Source: Calculations Regioplan (2013)

08
Bulgaria

8.1 | Country profile

Population	7,364,570
Currency	Lev
GDP per capita in PPS (2012, EU28 = 100)	61

Source: Eurostat

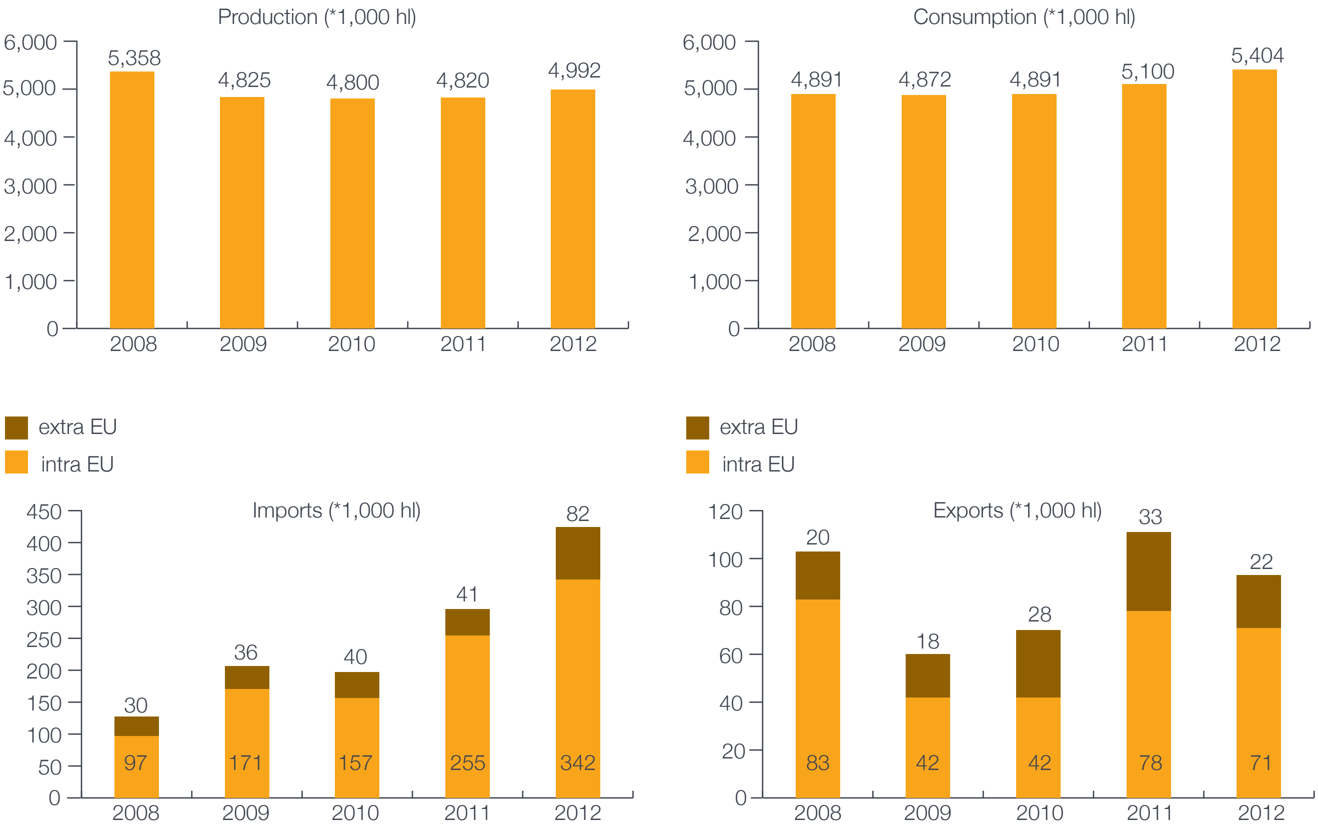
8.2 | Highlights Bulgaria

Table 8.1 Economic impact of beer in Bulgaria (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	29,100	27,100	28,900	-0.7%
Value-added (million Euro)	120	112	126	+4.9%
Government revenues (million Euro)	154	152	163	+6.0%

Source: Calculations Regioplan (2013).

Figure 8.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * Union of Brewers in Bulgaria (2013) ** Figures for 2012 are obtained from Union of Brewers in Bulgaria (2013) and figures for 2008-2011 are obtained from Eurostat (2013)*

8.3 | Brewing sector

Table 8.2 Basic characteristics of the Bulgarian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	5,358,000	4,825,000	4,800,000	4,820,000	4,992,300	-6.8%
Brewing companies	9	9	10	11	11	+22.2%
Breweries (including microbreweries)	9	8	8	13	13	+44.4%
Microbreweries	3	3	4	5	5	+66.7%

Source: Union of Brewers in Bulgaria (2013)

Until the political transition to democracy in 1989, all Bulgarian brewing companies were owned by the State. The brewing sector was the subject of a rapid privatisation which led to the entry of many foreign investors modernising the sector tremendously. This has led to more production, consumption and exports both to EU Member States and to third countries.

However, since 2008 the Bulgarian brewing sector has witnessed a marked decline in the production and consumption of beer. Although production levels are still not back where they were in 2008, production increased by more than 4 percent in 2012 compared to 2010.

Moreover, the consumption of beer has increased steadily by more than 10 percent since 2010. As the total imports of beer to Bulgaria has increased dramatically by more than 215 percent, the rise in consumption has been heavily driven by imported beers.

As can be seen in table 8.2, in 2012, Bulgarian beer was produced in 13 breweries that are part of 11 brewing companies. Of these 11 companies, five are microbreweries (breweries that produce 1,000 hectolitres or less).

8.4 | Beer market

Table 8.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	5,373,000	4,872,000	4,891,000	5,100,000	5,403,900	+10.5%
Total consumer spending (in million Euro)	579	479	481	487	515	-10.3%
Consumption of beer per capita (in litres)	73	67	67	69	73	0.0%
Beer consumption on-trade (hospitality)	30%	28%	26%	26%	25%	-5.0%
Beer consumption off-trade (retail)	70%	72%	74%	74%	75%	+5.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	1.80	1.48	1.54	1.54	1.55	-11.8%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	0.77	0.79	0.79	0.75	0.75	-2.0%

Source: Union of Brewers in Bulgaria (2013)

In line with the observed dip in consumption, consumer spending also declined and then recovered once more since 2008. However, whereas in 2012 the consumption in terms of hectolitres was back at the 2008 level, total consumer spending still lagged behind. This was because the prices in both the hospitality and retail sectors decreased significantly.

In line with the general trend in most other EU Member States, the share of beer consumed in the hospitality sector declined strongly. Inevitably, the share of beer sold in the retail sector increased. This is often explained as a result of the harsh macro-economic environment leading to a more economical behaviour of consumers.

Another important observation is the increasing consumption per capita. After a decrease in 2009 and 2010 compared to 2008, the consumption per capita in 2012 was again equal to the consumption per capita in 2008. This trend is highly remarkable since it stands in sharp contrast with the general trend within the EU.

According to the Bulgarian brewers' association, this is due to the increasing consumption of imported beer brands, supermarkets' and discounters' cheaper private labels, fruit beer mixes and an increase in tourists visiting Bulgaria. In 2012 there was a tourism increase of 5.6 percent compared to 2011.

8.5 | Trends and developments

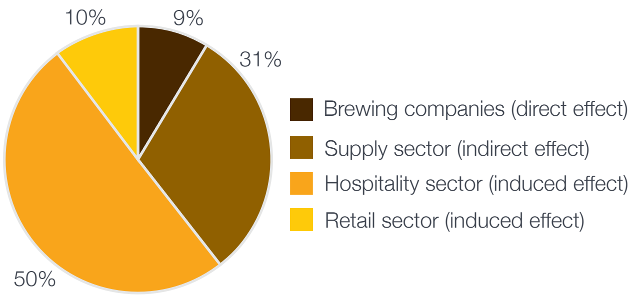
The Union of Brewers in Bulgaria (UBB) states that the move of beer consumption from bars, pubs and restaurants to home consumption is particularly notable in the increase in beer sold in PET bottles.

In order to give a stimulus to the development of the sector, members of the UBB invested over 34 million Euro in innovation, equipment, logistic facilities, marketing and packaging. From these investments, new products have arisen. These products included new beer specialities such as fruit beers or low-alcohol mixes.

8.6 | Employment related to beer

In general, the total number of jobs declined slightly from 29,100 in 2008 to 28,900 in 2012. This is a decrease of 0.7 percent. Although the share of beer consumed in bars, pubs and restaurants decreased, the larger part of employment generated by beer was still located in the hospitality sector (14,600 jobs). Another important part was located in the supply sector (8,900 jobs). Bulgarian brewing companies provided 2,500 jobs whereas 2,900 jobs were generated in the retail sector.

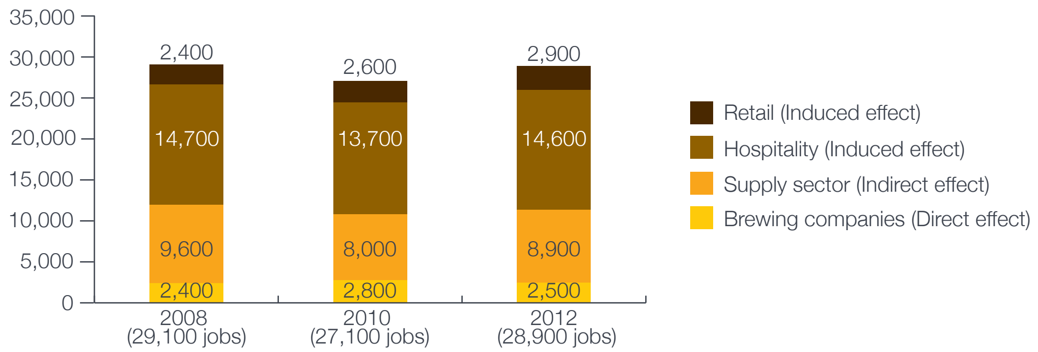
Figure 8.2 Total employment because of beer in 2012: 28,900 jobs



Source: Calculations Regioplan (2013).

As previously mentioned, in Bulgaria the total employment impact generated by beer remained relatively stable over recent years. There was a minor dip in 2010, but numbers recovered in 2012.

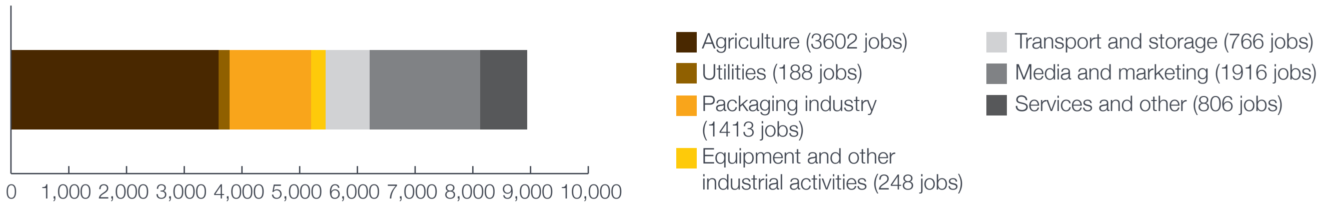
Figure 8.3 Development of employment (Δ2008-2012 = -0.7%)



Source: Calculations Regioplan (2013).

As can be derived from figure 8.4, the agricultural sector benefitted considerably from the presence of the Bulgarian brewing sector. More than 50 percent of the agricultural purchases were made domestically. Alongside this, the Bulgarian beer sector generated a lot of indirect employment in the media and marketing sector, and the packaging industry.

Figure 8.4 Indirect employment in 2012: 8,900 jobs

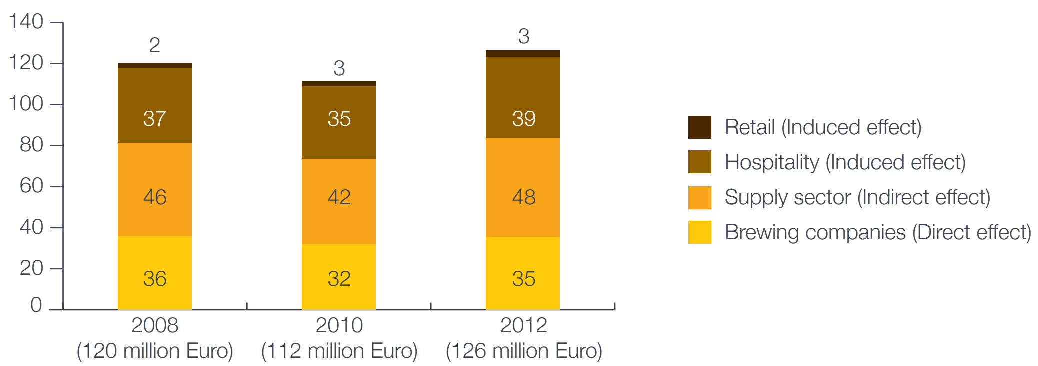


Source: Calculations Regioplan (2013).

8.7 | Value-added related to beer

Besides the impact on employment, the Bulgarian brewing sector also contributes to the economy in terms of value-added. The value-added contributed by the Bulgarian brewing sector involved 126 million Euro. Compared to 2008, the value-added increased by 6 million Euro or 5 percent.

Figure 8.5 Development of value-added (Δ2008-2012 = +5.0%)

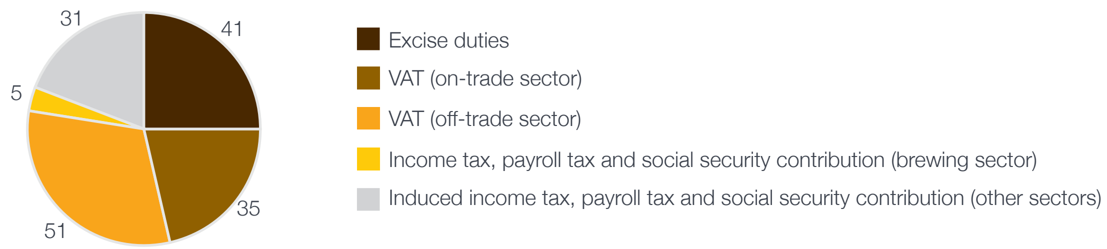


Source: Calculations Regioplan (2013).

8.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Bulgarian beer production and sales were estimated at 163 million Euro. Compared to 2008, total government revenues increased gradually by 6 percent. The most substantial increase involved VAT revenues generated by beer sales in the retail sector. Compared to 2008, excise duty revenues decreased; according to the Bulgarian brewers' association, this was due to the increasing share of sales of beer mixes, low-alcohol private labels and low-alcohol beers imported from other EU Member States.

Figure 8.6: Government revenues related to the production and sale of beer in 2012: 163 million Euro



Source: Calculations Regioplan (2013).

Table 8.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	43	38	41	-4.9%
VAT (on-trade) (million Euro)	34	33	35	+3.0%
VAT (off-trade) (million Euro)	44	47	51	+16.0%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	4.7	5.2	5.4	+14.2%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	28	29	31	+9.6%
Total government revenues (million Euro)	154	152	163	+6.0%

Source: Calculations Regioplan (2013).

09
Croatia

9.1 | Country profile

Population	4,398,150
Currency	Kuna
GDP per capita in PPS (2012, EU28 = 100)	47

Source: Eurostat

9.2 | Highlights Croatia

Table 9.1 Economic impact of beer in Croatia (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	26,400	21,700	23,000	-12.9%
Value-added (million Euro)	332	287	327	-1.5%
Government revenues (million Euro)	294	258	266	-9.6%

Source: Calculations Regioplan (2013)

Figure 9.1 Development of production*, consumption*, imports** and exports** (2008-2012)

*Source: * Croatian Brewers' Association (2013), ** Eurostat (2013)*

9.3 | Brewing sector

Table 9.2 Basic characteristics of the Croatian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	3,886,554	3,673,088	3,438,132	3,737,926	3,634,205	-6.5%
Brewing companies	7	7	7	7	6	-14.3%
Breweries (including microbreweries)	7	7	7	7	6	-14.3%
Microbreweries	n/a	n/a	n/a	n/a	n/a	n/a

Source: Croatian Brewers' Association (2013)

From 2008 to 2011, Croatia had seven brewing companies and an equal number of breweries. In 2012, one of the companies had to close its doors. The remaining six produced more than 3.6 million hectolitres of beer in 2012. This was 6.5 percent less than the production volume in 2008, but higher than in 2010.

Croatia imported 438,000 hectolitres of beer from EU Member States and third countries in 2012, a slight increase compared with the 413,000 hectolitres in 2008. There was a high peak in 2011: 510,000 hectolitres of beer entered the country. There was also a slight growth in the total export data, which went up from 582,000 hectolitres in 2008 to 646,000 hectolitres in 2012.

9.4 | Beer market

Table 9.3 Basic characteristics of the Croatian beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	3,754,571	3,514,230	3,321,184	3,546,538	3,411,105	-9.1%
Total consumer spending (in million Euro)	892	961	784	805	776	-13.1%
Consumption of beer per capita (in litres)	85	79	74	86	78	-8.2%
Beer consumption on-trade (hospitality)	39.0%	40.0%	36.0%	37.0%	35.0%	-4.0%
Beer consumption off-trade (retail)	61.0%	60.0%	64.0%	63.0%	65.0%	+4.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	€ 3.70	€ 3.88	€ 3.75	€ 3.51	€ 3.61	-2.4%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	€ 1.53	€ 1.61	€ 1.58	€ 1.54	€ 1.55	+1.5%

Source: Croatian Brewers' Association (2013)

Although beer is the most popular alcoholic beverage in Croatia, total consumption declined by 9.1 percent from 3.8 million hectolitres to 3.4 million hectolitres between 2008 and 2012. In line with the total consumption, Croats consumed on average 7 litres less beer in 2012 than in 2008. This was a decline of 9.0 percent.

Croats have a so-called 'café culture'. This means that the bars and pubs are filled with people the entire day. In the mornings they usually serve hot beverages (coffee and tea), while in the evenings beer and spirits are most popular[1]. Beer or wine is typically consumed with meals at least once a week (often every day), and drinking often takes place in bars, pubs and restaurants. On-trade consumption followed the EU trend and decreased to 35 percent in 2012, compared to 39 percent in 2008. Nevertheless, compared to 2010, the volumes of beer consumed in the hospitality sector remained stable at 1.2 million hectolitres.

The on-trade beer price declined in 2009 and 2010 and grew in 2011 and 2012. Compared to 2008, the on-trade price was still 2.4 percent lower in 2012. Off-trade beer prices had an opposite development with an increase in 2009 and 2010, a decrease in 2011 and again a very small growth in 2012, ending 1.5 percent higher than the 2008 price.

9.5 | Trends and developments

In 2011, mixed beers (Radlers) were introduced on the Croatian market. They are beer mixed with soft drinks. These new products led to a significant increase in the production and consumption of beers and halted the decline in the market. In that year, Radlers had a share of 8 to 9 percent of the Croatian beer market. The market went back into decline in 2012.

The Croatian Brewers' Association and various Croatian brewers also noticed another trend in the local market: a continuing popularity of beer packaged in PET (plastic bottles made of recycled material). They were generally priced lower than regular beers.

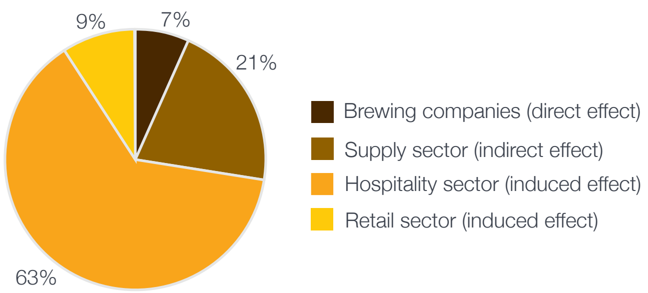
This trend went hand in hand with the trend for more people to consume beer at home rather than in the hospitality sector. Some people want cheaper beers, for example the popular PET-bottled beers, and often choose to drink at home instead of in bars, pubs and restaurants. As mentioned above, on-trade consumption declined by 4 percent.

All of the Croatian brewers approached stated that they are innovating products. They want to produce more varieties of mixed beers, but also wish to gain a share in the economy segment of the market with PET-bottled beers.

9.6 | Employment related to beer

In 2012, approximately 1,600 people were employed in Croatian brewing companies. Alongside this direct employment, the production of beer in Croatia also created indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, beer generated more than 4,800 jobs in the supply sectors. Moreover, beer contributed almost 14,600 jobs in the hospitality sector and 2,100 jobs in the retail sector.

Figure 9.2 Total employment because of beer in 2012: 23,000 jobs



Source: Calculations Regioplan (2013)

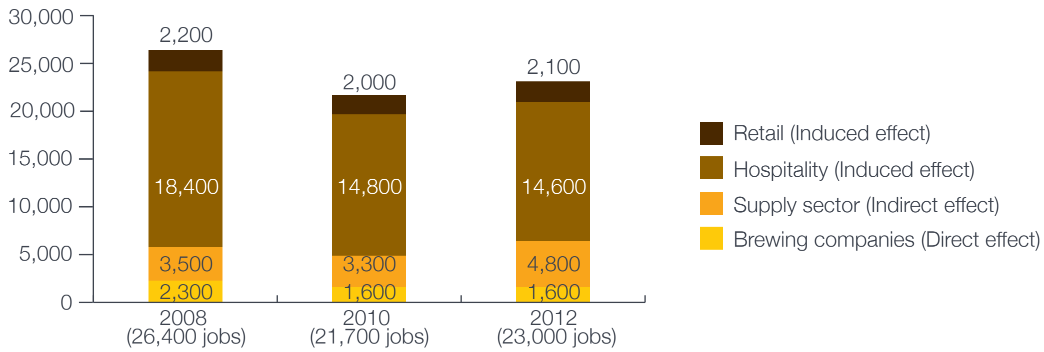
Compared to 2008, total employment decreased significantly by 3,400 jobs (-13 percent) in 2012. A reduction in jobs was seen in all sectors, except for the supply and retail sectors. Compared to 2008, in 2012 the supply sector gained approximately 1,300 new jobs because of beer.

1 Based on: Agri-Food Trade Service, The Hotel, Restaurant and Institutional Market, Market Brief-Croatia, November 2007, http://www.ats-sea.agr.gc.ca/europe/4553_e.htm; Royal Danish Embassy Zagreb, Food & Retail market in Croatia, Prepared for Landbrugsraadet, 2007; CanadeanCanadian, Global Beer Trends 2008, Country Profile – Croatia.

Between 2008 and 2012, employment in the supply sector was declining, but this turned into a significant increase between 2010 and 2012. Compared to 2010, the number of jobs within the brewing companies remained the same.

The significant loss of jobs in the hospitality sector is most likely because of lower consumption within bars, pubs and restaurants.

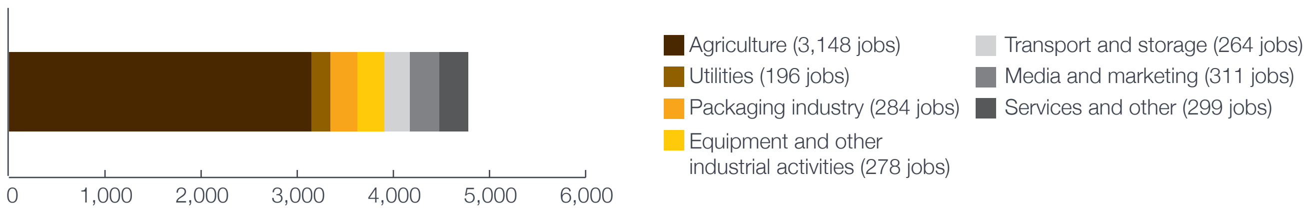
Figure 9.3 Development of employment (Δ2008-2012 = -12.9%)



Source: Calculations Regioplan (2013)

Of the 4,800 jobs that beer generated in the supply sector, agriculture benefitted the most. Almost two-thirds of the indirectly generated jobs were created in this sector. The smallest number of jobs was generated in the utilities sector. The other five industries divided the remaining jobs roughly equally, with 250-300 jobs in each sector.

Figure 9.4 Indirect employment in 2012: 4,800 jobs



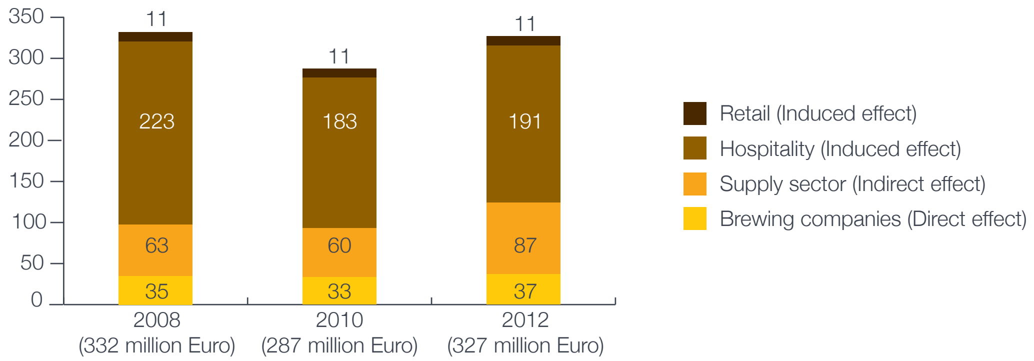
Source: Calculations Regioplan (2013)

9.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Croatian economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer was estimated at 327 million Euro, a decline of 1.5 percent compared to 332 million Euro in 2008.

The decline in the total value-added was caused by the drop in value-added by the hospitality sector. All other sectors managed to increase the value-added between 2008 and 2012. The supply sector and brewing companies added less value in 2010 compared to 2008, but grew very substantially between 2010 and 2012.

Figure 9.5 Development of value-added (Δ2008-2012 = -1.5%)



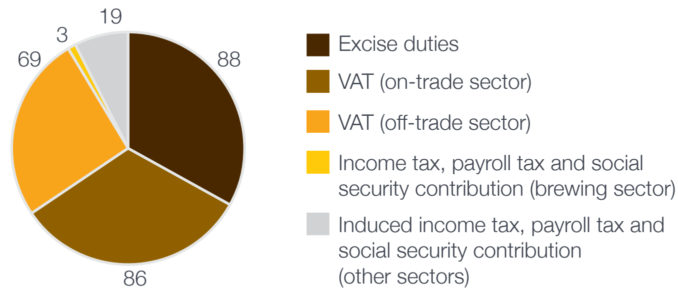
Source: Calculations Regioplan (2013)

9.8 | Government revenues related to beer

The government also benefitted from the brewing sector by receiving various types of taxes. In 2012, the revenues from excise duties, VAT and income-related contributions related to Croatian beer production and sales were estimated at 266 million Euro. This was a drop of almost 10 percent compared to the 294 million Euro of revenues in 2008. The largest share of government revenues, more than 90 percent, came from excise duties and VAT paid on beer. The Croatian Government lowered the excise duty rates in 2009. This may be one of the causes for the drop in revenues, together with the decline in on-trade consumption.

Even though the government raised VAT rates in 2009 and 2010, the total income from these taxes declined between 2008 and 2012. Where the government gained 161 million Euro in 2008 from VAT, the yield was only 155 million Euro in 2012.

Figure 9.6: Government revenues related to the production and sale of beer in 2012: 266 million Euro



Source: Calculations Regioplan (2013)

Table 9.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	110	91	88	-19.8%
VAT (on-trade sector) (million Euro)	98	84	86	-11.7%
VAT (off-trade sector) (million Euro)	63	63	69	+9.0%
Income tax, payroll tax and social security revenues (brewing companies)(million Euro)	4	3	3	-20.3%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	19	17	19	+0.3%
Total government revenues (million Euro)	294	258	266	-9.6%

Source: Calculations Regioplan (2013)

10
Cyprus

10.1 | Country profile

Population	862,011
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	91

Source: Eurostat

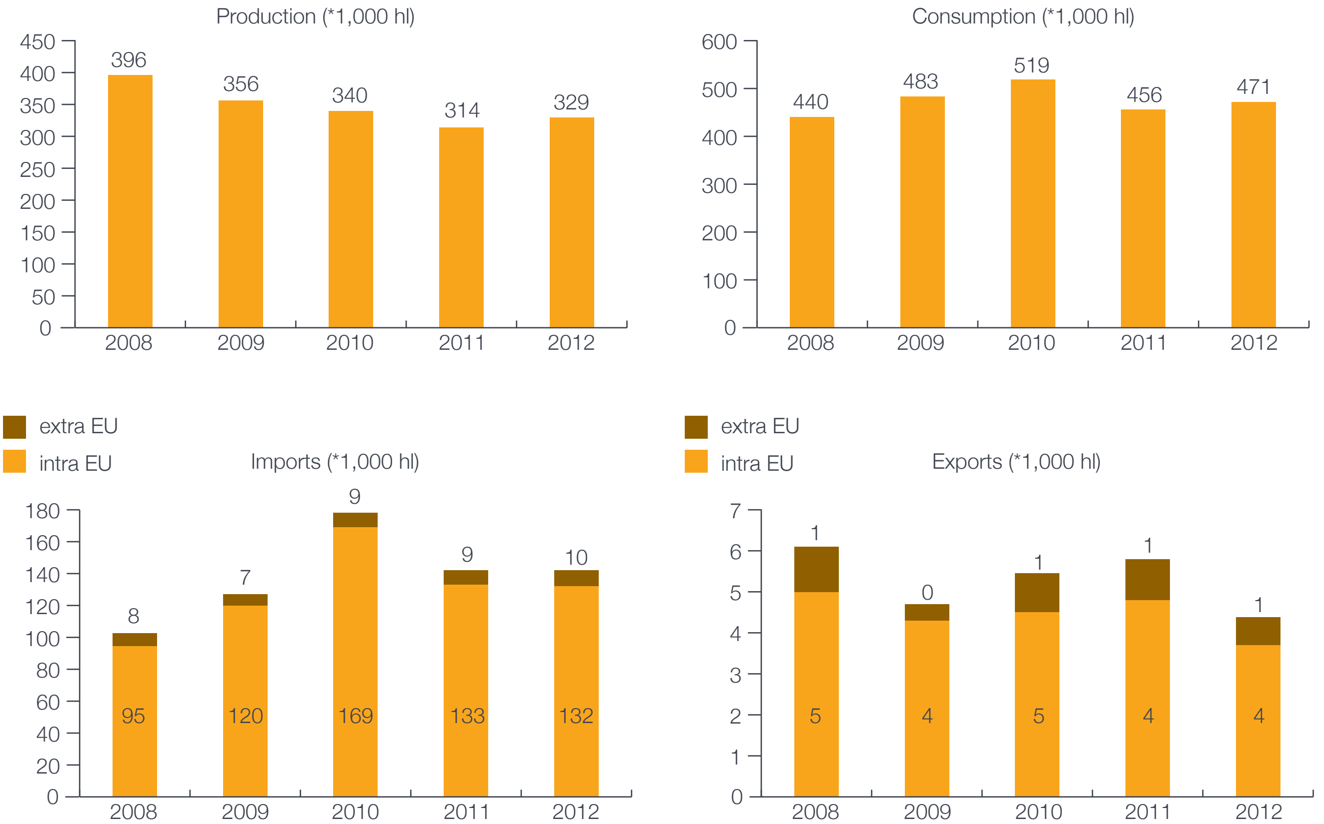
10.2 | Highlights Cyprus

Table 10.1 Economic impact of beer in Cyprus (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	3,400	4,900	3,900	+14.7%
Value-added (million Euro)	85	121	107	+26.1%
Government revenues (million Euro)	48	74	71	+48.2%

Source: Calculations Regioplan 2013.

Figure 10.1 Development production, consumption, imports and exports (2008-2012)



Source: Eurostat and Cyprus Brewers' Association (2013).

10.3 | Brewing sector

Table 10.2 Basic characteristics of the Cypriot brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	395,589	355,773	339,605	314,407	329,049	-16.8%
Brewing companies	2	2	2	2	2	0%
Breweries (including microbreweries)	2	2	2	2	2	0%

Source: Cyprus Brewers' Association (2013)

Beer production in Cyprus has been declining over recent years. In 2008 the total production in the country was 395,589 hectolitres and in 2012 it dropped to 329,049 hectolitres; a decrease of 16.8 percent. 2011 was the worst year in production terms, with a total output of 314,407 hectolitres. The number of brewing companies and breweries remained stable.

According to the Cyprus Brewers' Association, the drop in production was mainly a result of the growing beer imports from principally EU Member States. These imports increased significantly since 2009, with a peak in 2010 of 170,000 hectolitres, mainly of cheaper brands. In 2011, the purchases from within the EU market decreased to 133,000 and remained stable in 2012.

The volume of Cypriot beer exported or sold within the EU market was at 6,000 hectolitres in 2008, dropping to just over 4,000 in 2012.

10.4 | Beer market

Table 10.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	440,000	482,965	518,522	456,454	471,249	+7.1%
Total consumer spending (in million Euro)	160	191	261	237	236	+47.5%
Consumption of beer per capita (in litres)	58	51	52	51	55	-5.2%
Beer consumption on-trade (hospitality)	49.0%	49.0%	48.0%	45.0%	42.0%	-7.0%
Beer consumption off-trade (retail)	51.0%	51.0%	52.0%	55.0%	58.0%	+7.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	5.33	8.00	8.00	8.20	7.90	+48.3%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	2.00	2.20	2.30	2.75	2.90	+45.0%

Source: Cypriot Brewing Cyprus Brewers' Association (2013)

In Cyprus, the total consumption of beer increased significantly between 2008 and 2010 to 518,522 hectolitres. It then dropped back to 456,454 hectolitres in 2011, after which it slightly grew again in 2012, resulting in a growth of 7.1 percent over the total period.

However, average consumption of beer per capita declined over these years by 3 litres to 55 litres in 2012. This difference in the development of total consumption and consumption per capita may be explained by the fact that a substantial number of consumers in the beer market are tourists.

Both on-trade and off-trade beer prices increased, by 48.3 percent and 45.0 percent respectively. The on-trade price dropped slightly from the peak price in 2011, but remained far above the price in 2008. Beer prices inflated because of Cyprus's entry into the Eurozone.

10.5 | Trends and developments

The Cyprus Brewers' Association and the brewing companies noticed an increase in discount brands and cheaper beers.

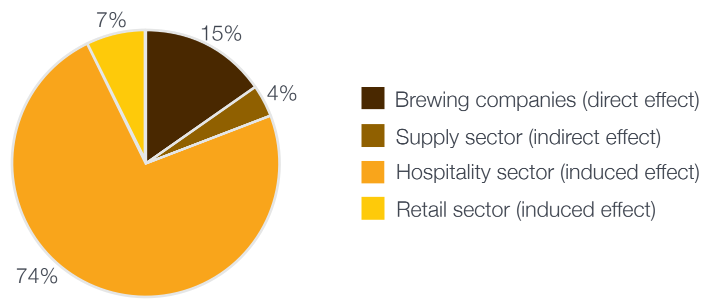
They considered that export markets (within the EU, as well as outside the EU) needed to be focussed on in order to identify possible new markets.

There was also a noticeable change in marketing. In 2011 and 2012, the marketing focused more on niche consumer groups and products. There was a switch in media: marketing went from using classical media to the digital media for their campaigns.

10.6 | Employment related to beer

In 2012, approximately 600 people were employed in Cypriot brewing companies. Alongside this direct employment, the production of beer in Cyprus also created indirect employment via a number of supply sectors and the retail and hospitality sectors. Our calculations show that in 2012, beer generated around 100 jobs in the supply sectors. Moreover, beer contributed almost 2,900 jobs in the hospitality sector and 300 jobs in the retail sector.

Figure 10.2 Total employment because of beer in 2012: 3,900 jobs

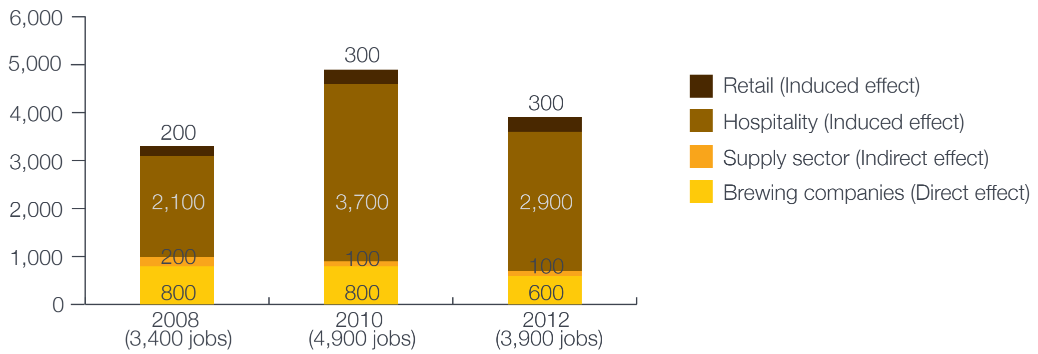


Source: Calculations Regioplan (2013)

Compared to 2008, total employment increased by approximately 300 jobs (14.7%) up to 2012. Growth in employment was seen in the hospitality and retail sectors. Compared to 2008, the supply sector of the brewers lost approximately 100 jobs up to 2012. The brewing companies also had to cut 200 jobs.

After Cyprus entered the Eurozone in 2008, tourism increased. There was a significant rise in employment in the hospitality sector between 2008 and 2010. Mainly due to the financial crisis, after 2010, there was a cutback in employment, losing 800 jobs. The hospitality sector was affected the most.

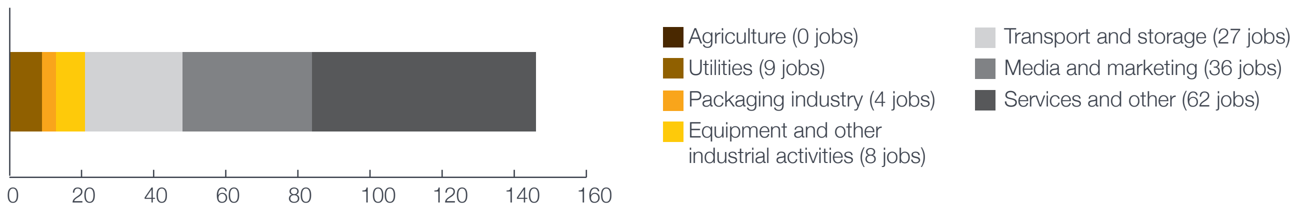
Figure 10.3 Development of employment (Δ2008-2012 = +14.7%)



Source: Calculations Regioplan (2013)

Of the 146 jobs that beer generated, most were generated in services and other, and media and marketing, as shown in figure 10.4. Purchases of agricultural products for beer production were all from other countries. Marketing and media were the biggest beneficiaries from the beer sector in Cyprus. Because all transport and storage and utility expenses were made domestically, these sectors also benefitted from beer production.

Figure 10.4 Indirect employment in 2012: 146 jobs



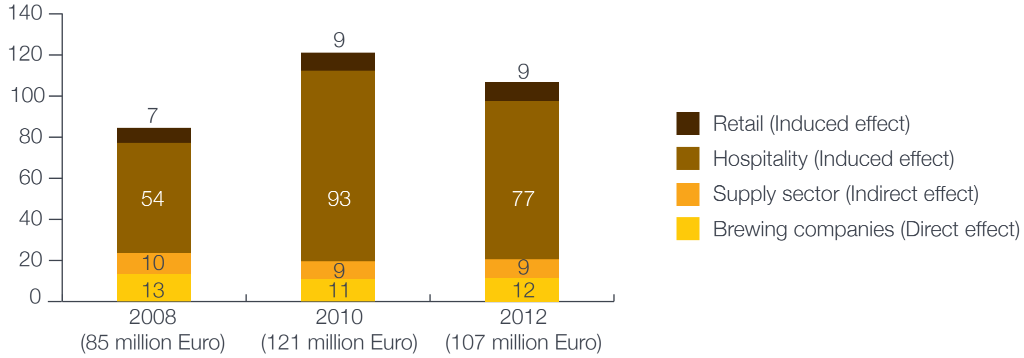
Source: Calculations Regioplan (2013)

10.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Cypriot economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer was estimated at 107 million Euro, a substantial increase of 25.6 percent compared to 85 million Euro in 2008.

The value-added showed similar developments to the developments in employment. The hospitality sector added more value through its services between 2008 and 2012, with a peak of 93 million Euro in 2010. Conversely, the brewing companies added most value in 2008, the least in 2010, and ended with 12 million Euro of value-added in 2012. The supply sector added less value between 2008 and 2010, remaining stable thereafter. The retail sector added more value to its services between 2008 and 2010, and, again, remained stable thereafter.

Figure 10.5 Development of value-added (Δ2008-2012 = +25.6%)



Source: Calculations Regioplan (2013)

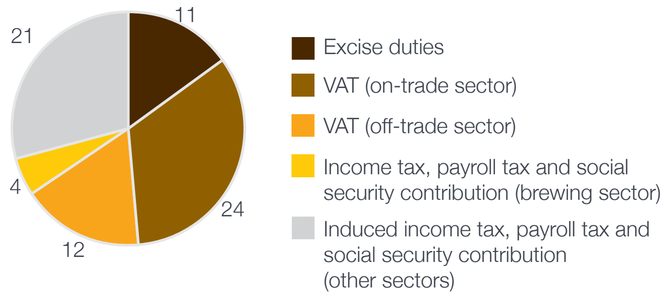
10.8 | Government revenues related to beer

The government also benefitted from the brewing sector by receiving various tax revenues. In 2012, the revenues from excise duties, VAT and income-related contributions related to Cypriot beer production and sales were estimated at 71 million Euro. This was an increase of more than 48 percent to the 48 million Euro in revenues in 2008. All revenue streams increased between 2008 and 2012, except for the revenues from excise duties and those from income and payroll taxes and social security revenues in the brewing sector. Both decreased slightly while the other revenue sources achieved substantial growth.

The largest share of government revenues came from VAT paid for beer in the hospitality sector (24 million Euro).

In 2013, the Cypriot Government introduced a large rise of excise duties on beer to increase its revenues thereon.

Figure 10.6: Government revenues related to the production and sale of beer in 2012: 71.3 million Euro



Source: Calculations Regioplan (2013)

Table 10.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	11.0	11.1	10.9	-1.1%
VAT (on-trade sector) (million Euro)	15	26	24	+59.2%
VAT (off-trade sector) (million Euro)	6	8	12	+106.5%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	4	5	4	-2.8%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	12	24	21	+67%
Total government revenues (million Euro)	48	74	71	+48.2%

Source: Calculations Regioplan 2013.

11

Czech Republic

11.1 | Country profile

Population	10,505,445
Currency	Czech Koruna (CZK)
GDP per capita in PPS (2012, EU28 = 100)	79

Source: Eurostat

11.2 | Highlights Czech Republic

Table 11.1 Economic impact of beer in Czech Republic (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	73,000	67,400	63,100	-13.6%
Value-added (million Euro)	1,147	1,051	1,091	-4.9%
Government revenues (million Euro)	1,094	1,067	1,133	+3.6%

Source: Calculations Regioplan 2013.

Figure 11.1 Development of production, consumption, imports and exports (2008-2012) [1]

Source: Czech Brewing Association (2013)

1 For this EU Member State the export and import data are obtained from the national brewers' association. These data differ from Eurostat data.

11.3 | Brewing sector

Table 11.2 Basic characteristics of the brewing sector of the Czech Republic (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	19,806,107	19,292,447	17,549,845	18,042,403	18,497,660	-6.6%
Brewing companies	115	116	135	177	197	+71.3%
Breweries (including microbreweries)	128	133	151	191	213	+66.4%
Microbreweries	57	51	65	90	20*	-64.9%

** Between 2011 and 2012 many microbreweries increased their volume and jumped into a higher category.*

Source: Czech Brewing Association (2013)

Beer production in the Czech Republic has long-term traditions and it is an inseparable part of the Czech culture and historical heritage. Following the onset of the economic downturn and the increase in excise duties (by 33 percent), beer production showed a substantial decrease in 2010 as compared with 2008. The recovery process was slow. Domestic beer production in 2012 still did not reach the 2009 level. Alongside Estonia, beer production in the Czech Republic is proportionately the largest in the EU. Consumers' preferences changed in the last five years; in line with this development, the number of medium and small (micro) breweries and brewing companies has risen remarkably. In 2012, the Czech Republic had 213 brewery plants compared to 151 in 2010. With a production volume of over 18.5 million hectolitres of beer in 2012, it was the seventh-largest beer-producing country.

As a result of the economic turndown, total imports of low-cost beer into the Czech Republic increased substantially after 2008, with a peak of 1.0 million hectolitres of imported beer in 2010. Since then, imported volumes dropped by 50 percent to 0.5 million hectolitres in 2012. On the contrary, beer exports to both EU Member States and third countries decreased to 2,981,000 hectolitres in 2010, as a result of the economic difficulties in some EU markets. In 2011 and 2012 the levels were above 3 million hectolitres. It should however be noted that this was lower than the exported volumes in 2008.

11.4 | Beer market

Table 11.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	16,456,872	15,586,204	15,568,846	15,543,437	15,445,390	-6.1%
Total consumer spending (in million Euro)	2,112	1,442	3,080	3,231	3,151	+49.2%
Consumption of beer per capita (in litres)	158	159	144	145	148	-6.3%
Beer consumption on-trade (hospitality)	51.0%	50.0%	48.0%	48.0%	43.0%	-8.0%
Beer consumption off-trade (retail)	49.0%	50.0%	52.0%	52.0%	57.0%	+8.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	2.50	2.52	2.54	2.67	2.69	+6.8%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.44	1.45	1.46	1.53	1.55	+7.6%

Source: The Czech Brewing Association (2013)

The first record of beer brewing in the Czech territory dates back to the year 993. In 1842, the first Pilsner was brewed in the Czech Republic, the birth of the most popular beer category worldwide. Czech people consider beer as a national beverage and are very proud of it. In 2012, with an annual consumption of 15.4 million hectolitres, the Czech beer market was one of the largest in the EU. Beer consumption per capita was actually the highest in the EU in 2012 (148 litres per year). The trend of downward consumption, seen between 2008 and 2010, seems to have bottomed out with consumption rates increasing thereafter to approximately 145 litres per year per capita.

The majority of beer consumed in the Czech Republic is produced locally. The share of imported beer in the market was only 3.3 percent in 2012.

11.5 | Trends and developments

A pivotal development in the Czech beer market is the change in consumption patterns. According to the Czech brewers' association and many Czech brewing companies, a new category of lower-alcohol beer mixtures has entered the market. This innovation is to meet consumer demands, as evidenced by increasing sales of beer specialities such as flavoured beer mixes with a lower alcohol percentage. While this development has also occurred in beer markets of other EU Member States, it is a particular characteristic in the current Czech beer market.

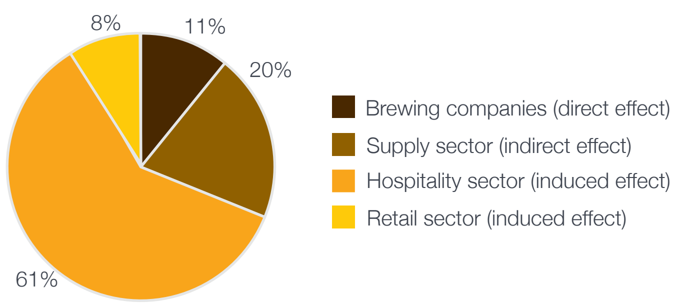
The Czech brewers' association also notes another trend on the local market: resilience of popularity of beer in PET bottles. These are plastic bottles made of recycled material, with a higher volume of 1.3 to 2 litres.

This aligns with the trend towards home consumption and away from consumption in the hospitality sector. Consumers prefer more economic solutions because of the recession, resulting in a decline of the on-trade consumption from 48 percent in 2010 to 43 percent in 2012. A new style of life also supports this trend.

11.6 | Employment related to beer

In 2012, approximately 7,000 people were employed in Czech brewing companies. Alongside this direct employment, the production of beer in the Czech Republic also created indirect employment in various supply sectors such as agriculture, the packaging industry and logistics, as well as in the retail and hospitality sectors. It is estimated that in 2012 beer generated approximately 12,800 jobs in the supply sectors. Moreover, beer contributed almost 38,200 jobs in the hospitality sector and 5,200 jobs in the retail sector.

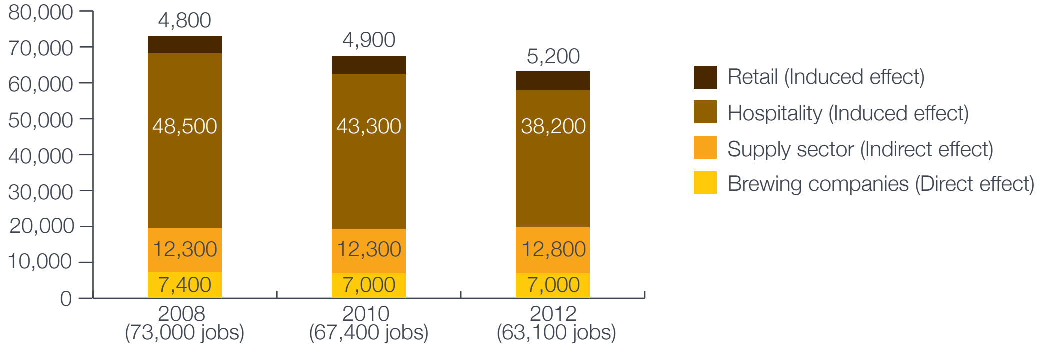
Figure 11.2 Total employment because of beer in 2012: 63,100 jobs



Source: Calculations Regioplan (2013)

Compared to 2010, total employment remained relatively stable in 2012. In the hospitality sector a reduction of almost 10 percent in employment was seen between 2010 and 2012. This was due to an 8 percent decrease in consumption in the on-trade sector as a result of the economic recession and changing consumer preferences. Growth in jobs in the retail and supply sector over this period created the stability in the number of total jobs.

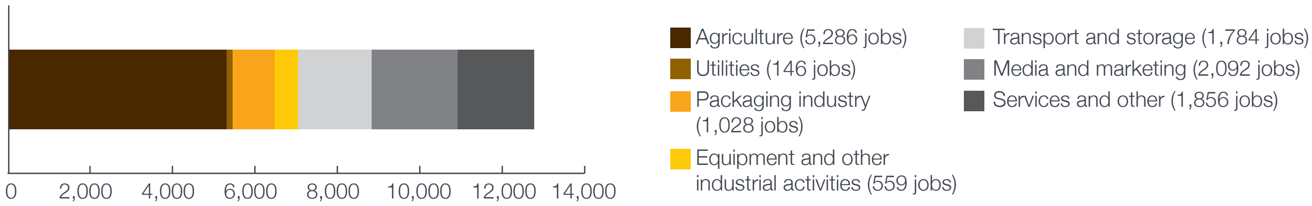
Figure 11.3 Development of employment (Δ2008-2012 = -13.6%)



Source: Calculations Regioplan (2013)

In 2012, almost one-fifth of the total employment resulting from the Czech beer sector consisted of jobs in the supply sector. Most of the supplies bought by the beer sector are purchased within the Czech Republic. This was especially true for purchases of raw materials such as barley and hops. The EU registered the Czech beer category as a Geographical Protected Indication, which requires that all raw materials should be purchased within the Czech Republic, guaranteeing a stable Czech agricultural market and securing the jobs for almost 5,300 farmers. The beer sector gave a significant financial impulse to the agricultural sector as well as to the media and marketing sector as one of the biggest advertising users in the country. As shown in the figure below, most jobs are created in the agriculture, media and marketing, transport and services sectors.

Figure 11.4 Indirect employment in 2012: 12,800 jobs



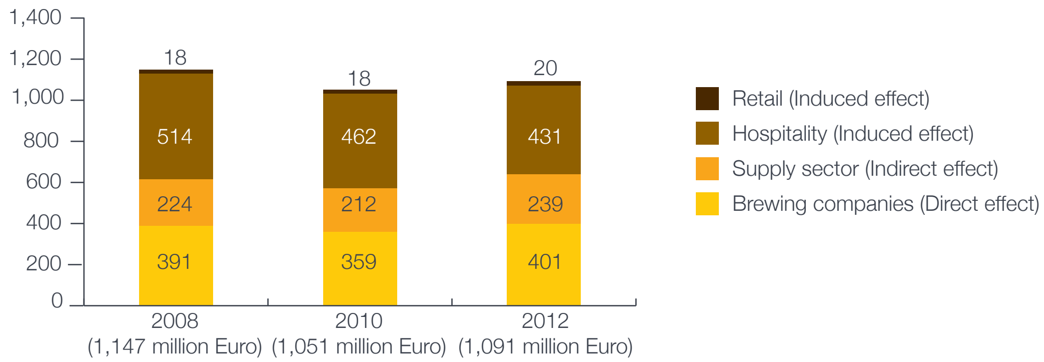
Source: Calculations Regioplan (2013)

11.7 | Value-added related to beer

Besides the impact on employment, the contribution of the brewing sector to the Czech economy can be expressed in terms of value-added. In 2012 the total value-added related to the production and sales of beer was estimated at 1,091 million Euro, close to the 2008 level.

Between 2010 and 2012, the brewing sector generated the largest growth in value-added. The Czech supply and retail sectors also increased their value-added.

Figure 11.5 Development of value-added (Δ2008-2012 = -4.9%)



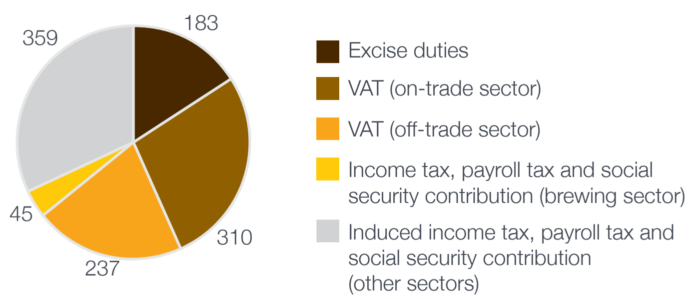
Source: Calculations Regioplan (2013)

11.8 | Government revenues related to beer

The government also benefits from the brewing sector by receiving a range of tax revenues. In 2012, revenues from excise duties, VAT and income-related contributions related to Czech beer production and sales were estimated at approximately 1,133 million Euro. This is a substantial increase compared to the 1,094 million in revenues in 2008. A two percent rise in the VAT rate may have contributed to this. Revenues from VAT accounted for almost half of the total government revenues related to the beer sector.

Income tax, payroll tax and social security revenues from other sectors made the biggest contribution to the total revenues.

Figure 11.6: Government revenues related to the production and sale of beer in 2012: 1.1 billion Euro



Source: Calculations Regioplan (2013)

Table 11.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	135	163	183	+35.2%
VAT (on-trade sector) (million Euro)	334	316	310	-7.3%
VAT (off-trade sector) (million Euro)	185	197	237	+27.9%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	47	48	45	-4.9%
Income tax, payroll tax and social security contribution (other sectors) (million Euro)	392	342	359	-8.5%
Total government revenues (million Euro)	1,094	1,067	1,133	+3.6%

Source: Calculations Regioplan (2013)

12
Denmark

12.1 | Country profile

Population	5,573,894
Currency	Danish Krone (DKK)
GDP per capita in PPS (2012, EU28 = 100)	125

Source: Eurostat

12.2 | Highlights Denmark

Table 12.1 Economic impact of beer in Denmark (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	27,400	21,400	21,900	-20.1%
Value-added (million Euro)	980	762	824	-16.0%
Government revenues (million Euro)	819	659	710	-13.3%

Source: Calculations (Regioplan 2013)

Figure 12.1 Development of production*, consumption*, imports** and exports* (2008-2012)

*Source: * Danish Brewers' Association (2013) ** Eurostat (2013)*

12.3 | Brewing sector

Table 12.2 Basic characteristics of the brewing sector of Denmark (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	6,474,000	6,046,000	6,335,000	6,590,000	6,080,000	-6,1%
Brewing companies	120	120	120	120	120	0.0%
Breweries	-	-	-	150	150	-

Source: Danish Brewers' Association (2013)

Danish beer production decreased between 2008 and 2012. As shown in Figure 12.1, consumption figures dropped significantly over the previous four years. This may have been due to the 25 percent increase in excise duties on beer over that time and the increased cross border sale.

Both imports and exports from and to EU Member States and third countries saw a decline in recent years. Imports decreased markedly from 363,000 hectolitres in 2010 to 287,000 hectolitres in 2012. The drop in export beer was slightly less steep. Whereas 3,530,000 hectolitres beer were exported in 2008, in 2012 this figure was 2,930,000 hectolitres.

12.4 | Beer market

Table 12.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)*	4,298,000	3,946,000	3,586,000	3,654,000	3,437,056	-20.0%
Total consumer spending (in million Euro)	1,628	1,392	1,282	1,305	1,369	-15.9%
Consumption of beer per capita (in litres)	78	72	69	68	64	-17.9%
Beer consumption on-trade (hospitality)	27.0%	22.5%	22.6%	23.0%	25.0%	-2.0%
Beer consumption off-trade (retail)	73.0%	77.5%	77.4%	77.0%	75.0%	+2.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	€ 9.70	€ 10.00	€ 10.11	€ 10.00	€ 10.65	+9.8%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	€ 1.60	€ 1.65	€ 1.67	€ 1.65	€ 1.76	+10.0%

* *These data do not include beer sold in border trade*

Source: Danish Brewers' Association (2013)

The consumption of beer per capita in Denmark declined by almost 18 percent over the period 2008-2012: from 78 litres per capita a year in 2008 to 64 litres in 2012.

Following a general trend in Europe, beer was consumed less in bars and restaurants, and more at home. On-trade consumption in Denmark has decreased by 2 percent since 2008 to 25 percent. According to Danish brewing companies, this decline was (mainly) due to the economic crisis which hit the hospitality sector hard.

Sales were also moving to discount retailers. The preference for more economic products may be seen in a shift from consumption in the hospitality sector to consumption at home.

The Danish brewers' association also pointed out that the consumption data do not include the (extensive) private cross border shopping of Danish residents in Germany. A trend that has been increasing in recent years.

12.5 | Trends and developments

A pivotal development in the Danish beer market was the rise of excise duties by the government. In 2012, the beer duties were raised by 25 percent - from 50.90 to 63.60 DKK / litre / °alc. Before 2012, excise duty had been stable for several years. As a consequence of these high beer excise duties, a proportionally large volume of consumption took place abroad, predominantly in Germany.

According to the Danish brewers' association and Danish brewers, new products have entered the market. Consumer demand for new products has increased in recent years. To meet this demand, brewers are constantly innovating new products.

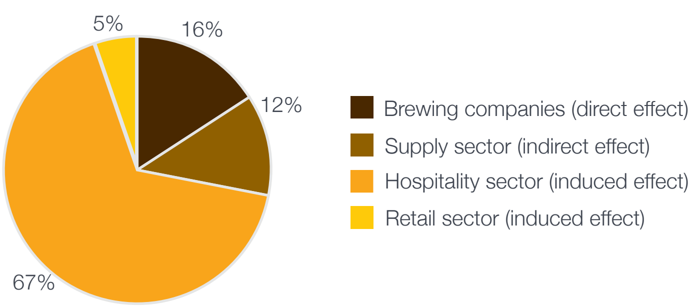
The demands are expressed not only in terms of the types of beers but also in the types of packaging. Different sizes of packaging are being introduced by the brewers, again, to meet consumer demands.

Another trend mentioned earlier in this chapter is that people consumed more beer at home than in the hospitality sector. People want value for money and often choose to drink beer at home rather than in bars and restaurants. On-trade consumption declined from 27 percent in 2008 to 25 percent in 2012.

12.6 | Employment related to beer

In 2012, approximately 3,500 people were employed in Danish brewing companies. In addition to this direct employment, the production of beer in Denmark also generates indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, beer generated approximately 2,700 jobs in the supply sectors. Moreover, beer contributed to almost 14,600 jobs in the hospitality sector and 1,100 jobs in the retail sector.

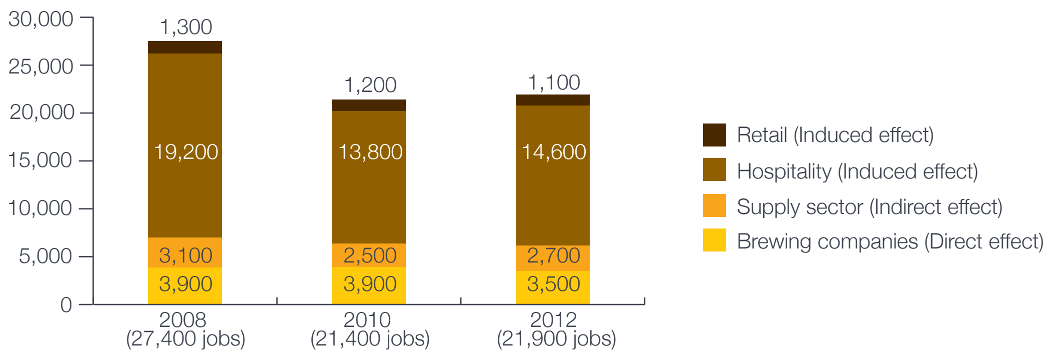
Figure 12.2 Total employment because of beer in 2012: 21,900 jobs



Source: Calculations Regioplan (2013)

Compared to 2008, total employment decreased significantly in subsequent years. Some 5,500 jobs were lost in the same time period. A reduction in jobs was seen in all sectors, but the reduction was the most significant in the hospitality sector. This is likely to be because less beer was consumed in the on-trade sector.

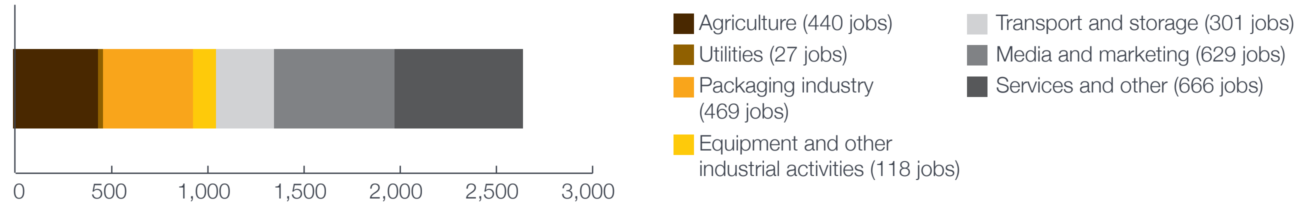
Figure 12.3 Development of employment (Δ2008-2012 = -20.1%)



Source: Calculations Regioplan (2013)

Most of the supplies purchased by the beer sector are from within Denmark: in particular utilities, transport and media and marketing. Equipment and other industrial products or services are more often purchased from other countries. Thus the brewing sector generated most jobs in domestic supply sectors. For example, 630 of the 2,700 jobs were within the media and marketing sector.

Figure 13.4 Indirect employment in 2012: 2,700 jobs



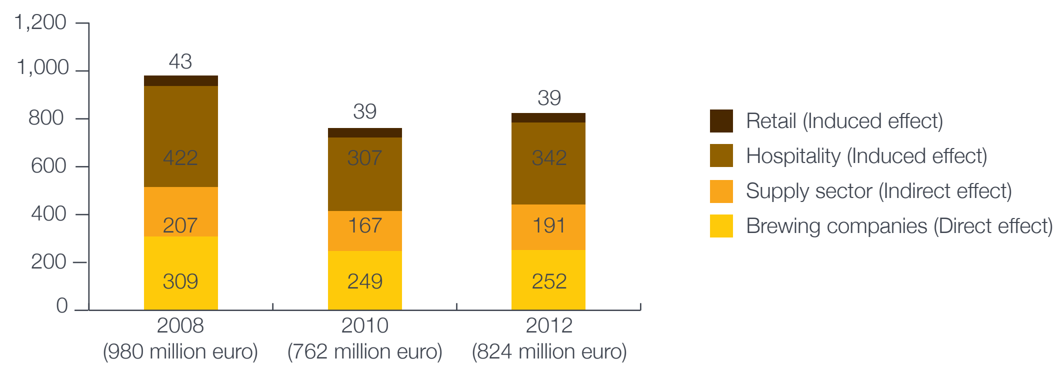
Source: Calculations Regioplan (2013)

12.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Danish economy can also be expressed in terms of value-added. In 2012 the total value-added related to the production and sales of beer was estimated at 824 million Euro, a significant loss of about 16 percent compared to 980 million Euro in 2008.

This drop in total value-added can mainly be ascribed to the decline in consumption in the hospitality sector. This sector also showed the biggest reduction in value-added. All other sectors equally showed a diminution in value-added, but none as substantial as in the hospitality sector.

Figure 13.5 Development of value-added (Δ2008-2012 = -15.9%)

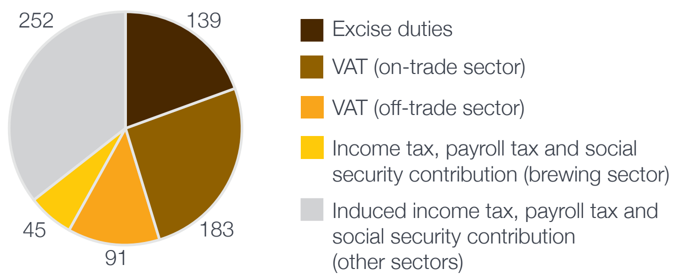


Source: Calculations Regioplan (2013)

12.8 | Government revenues related to beer

The Danish Government also benefits from the brewing sector by receiving various tax streams. In 2012, revenues from excise duties, VAT and income-related contributions related to Danish beer production and sales were estimated to be 710 million Euro. This is a substantial decrease from the 819 million in revenues in 2008. The income tax, payroll tax and social security revenues from other sectors made the biggest contribution to the total revenues.

Figure 12.6: Government revenues related to the production and sale of beer in 2012: 710 million Euro



Source: Calculations Regioplan (2013)

Table 12.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	138	121	139	+0.7%
VAT hospitality (million Euro)	225	164	183	-18.7%
VAT retail (million Euro)	100	93	91	-9.6%
Income tax, payroll tax and social security revenues brewing sector (million Euro)	50	51	45	-9.5%
Income tax, payroll tax, and social security revenues other sectors (million Euro)	305	230	252	-17.5%
Total government revenues (million Euro)	819	659	710	-13.3%

Source: Calculations Regioplan (2013)

13 Estonia

13.1 | Country profile

Population	1,294,486
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	69

Source: Eurostat

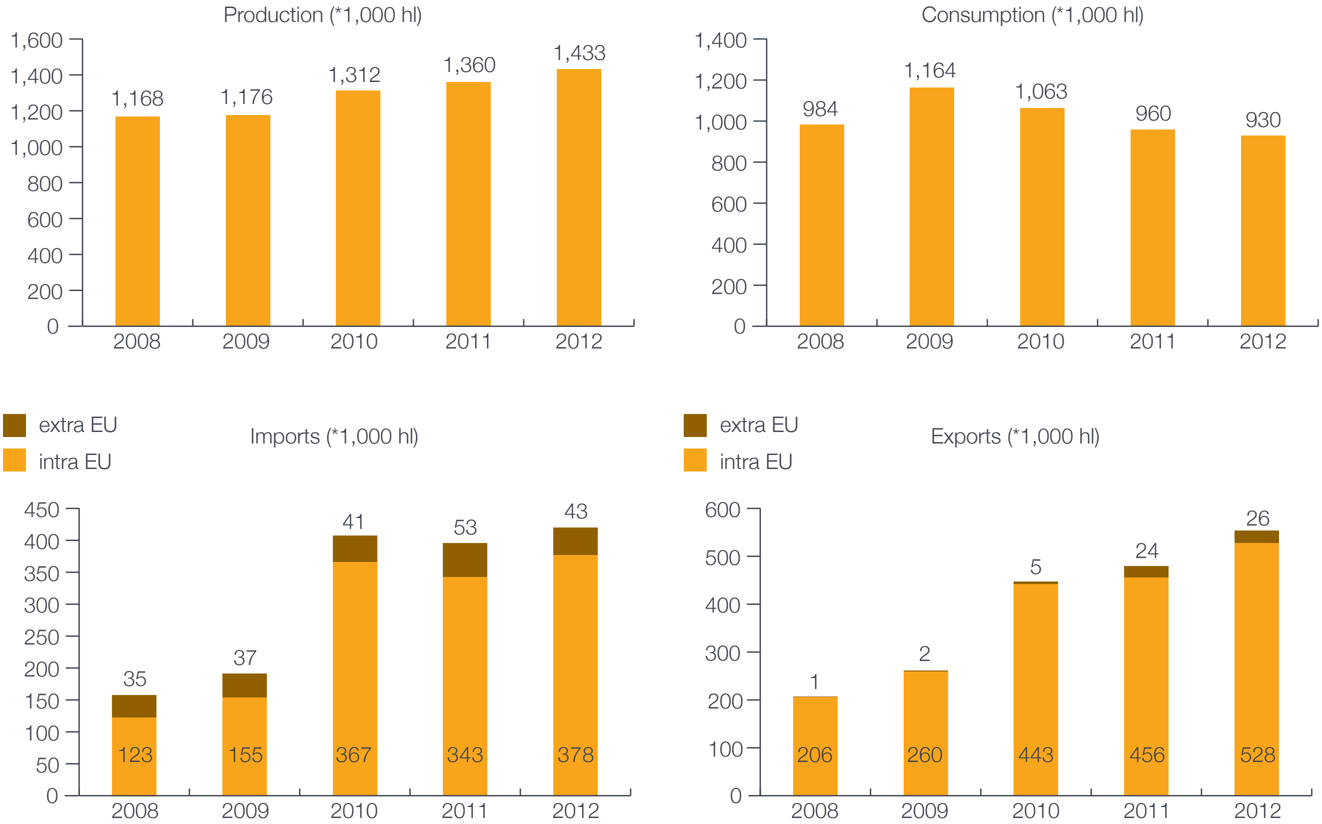
13.2 | Highlights Estonia

Table 13.1 Economic impact of beer in Estonia (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	4,300	4,500	3,900	-9.3%
Value-added (million Euro)	80	90	94	+17.8%
Government revenues (million Euro)	73	81	88	+20.1%

Source: Calculations Regioplan 2013.

Figure 13.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * Estonian Brewers' Association (2013) ** Eurostat (2013)*

13.3 | Brewing sector

Table 13.2 Basic characteristics of the brewing sector of Estonia (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	1,168,000	1,176,000	1,312,000	1,360,000	1,433,000	+22.7%
Brewing companies	6	6	6	6	7	+16.7%
Breweries (including microbreweries)	6	6	6	6	7	+16.7%
Microbreweries	3	3	3	3	4	+33.3%

Source: Estonian Brewers' Association (2013)

Beer production in Estonia showed a substantial increase since 2008, with an expansion of almost 300,000 hectolitres (23 percent). Together with the Czech Republic, this increase in production was proportionately the largest in the EU. This was due to growth in the total export market.

Additional to the production, 421,00 hectolitres of beer were imported, from both EU Member States and third countries, in 2012 and the quantity shipped out of Estonia that year was 553,00 hectolitres. Total export volumes tripled since 2008. According to the Estonian brewers' association, this was due to increased border trade with Finland.

13.4 | Beer market

Table 13.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	984,000	1,164,000	1,063,000	960,000	930,000	-5.5%
Total consumer spending (in million Euro)	185	132	173	-	194	+4.9%
Consumption of beer per capita (in litres)	88	85	78	72	72	-18.2%
Beer consumption on-trade (hospitality)	5.0%	7.8%	9.0%	-	9.0%	+4.0%
Beer consumption off-trade (retail)	95.0%	92.2%	91.0%	-	91.0%	-4.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	4.50	4.80	4.85	5.00	5.00	+11.1%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.40	1.35	1.31	1.80	1.80	+28.6%

Source: Estonian Brewers' Association (2013)

Consumption of beer in Estonia declined between 2010 and 2012 by almost 13 percent. According to the Estonian brewers' association, this might have been due to the declining purchasing power of consumers as a result of the economic crisis and high inflation. Consumers drank less beer in 2012 than in previous years: the consumption of beer per capita saw a decline of 18.3 percent in the period 2008-2012.

The share of on-trade beer consumption almost doubled over that period. The off-trade price of a litre of beer took a big jump up to 1.80 Euro, compared to 1.31 Euro in 2010 and 1.40 Euro in 2008.

13.5 | Trends and developments

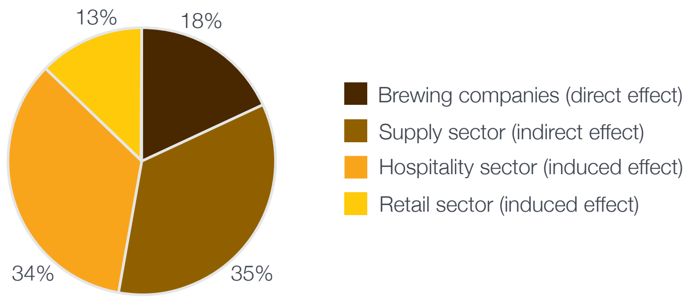
An important development in the Estonian market was the increase in the excise duty rate on beer. In 2008, excise duties were at 19.60 Euro/hl/°alcohol of the finished product and in 2012, this was 27.36 Euro, an increase of 40 percent. According to the Estonian brewing companies, this increase in excise duties, combined with the economic crisis in the EU was the most important reason for the reduction in consumption. These factors weakened the purchasing power of the consumer, resulting in less beer being purchased.

With respect to the packaging of beer in Estonia, there was a noticeable increase in the use of plastic PET bottles, usually containing cheaper beers than glass bottles. Estonian brewers reported a decline in the use of glass bottles.

13.6 | Employment related to beer

In 2012, approximately 700 people were employed in Estonian brewing companies. Alongside this direct employment, the production of beer in Estonia also generated indirect employment via a number of supply sectors, the retail and hospitality sectors. In 2012, beer generated approximately 1,300 jobs in the supply sectors and another 1,300 jobs in the hospitality sector. Moreover, beer contributed almost 500 jobs in the retail sector. In total, the employment impact of the production and sale of beer in Estonia was estimated to be 3,900 jobs.

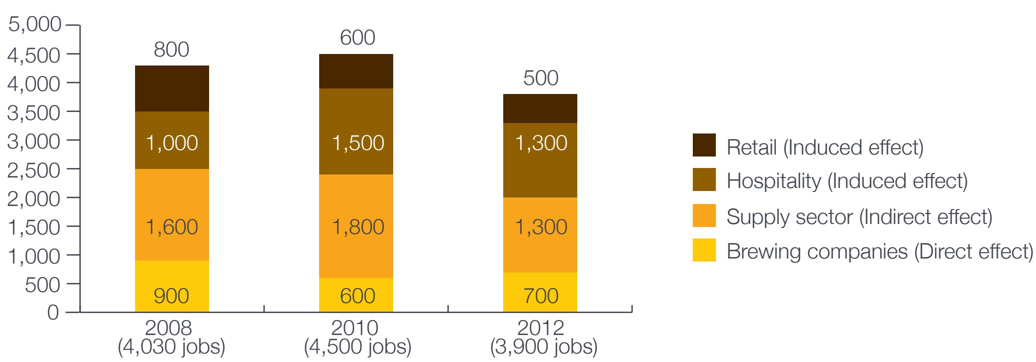
Figure 13.2 Total employment because of beer in 2012: 3,900 jobs



Source: Calculations Regioplan (2013)

Compared to 2008, the total employment effect decreased in 2012. This reduction in jobs was seen in all sectors, except for the on-trade sector. However, if the 2012 figures are compared to those from 2010, the beer-related employment in the hospitality sector actually decreased. Employment in the brewing companies themselves grew since 2010. This may be (partially) due to a new brewing company being established in 2012 and the growing market of intracommunity supplies.

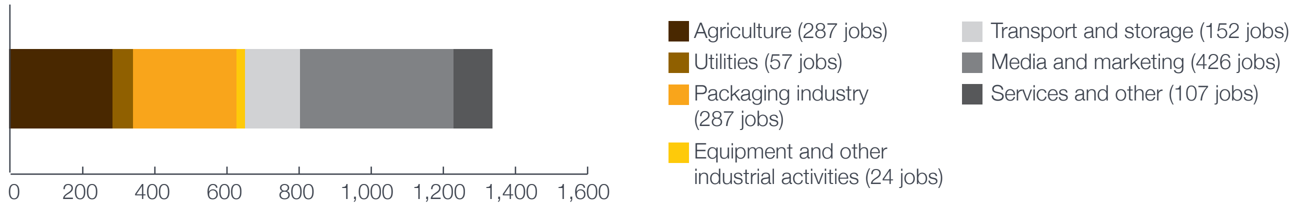
Figure 13.3 Development of employment (Δ2008-2012 = -9.3%)



Source: Calculations Regioplan (2013)

From the 1,300 jobs that beer generated in the supply sector in 2012, the media and marketing sector benefited the most. Agriculture and the packaging industry were the second and third biggest beneficiaries, generating 287 jobs.

Figure 13.4 Indirect employment in 2012: 1,300 jobs



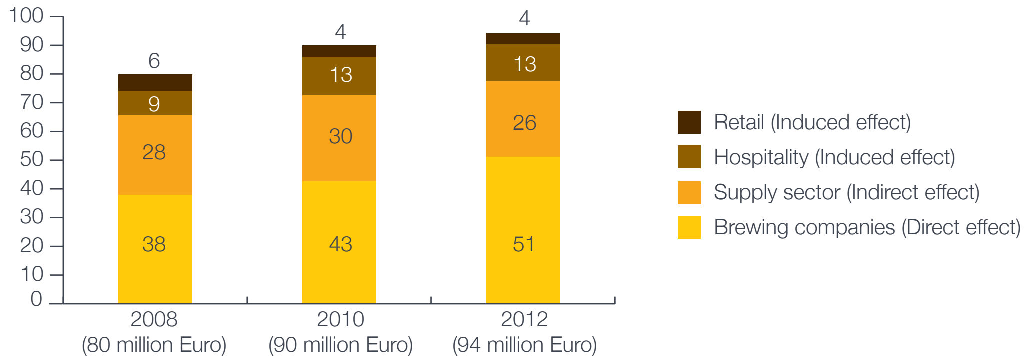
Source: Calculations Regioplan (2013)

13.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Estonian economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer was estimated at 94 million Euro, a significant increase of almost 18 percent compared to 80 million Euro in 2008.

This increase in value-added was primarily caused directly by the brewing companies. The value-added they created in 2012 was worth 13 million Euro more compared to 2008.

Figure 13.5 Development of value-added (Δ2008-2012 = +17.8%)

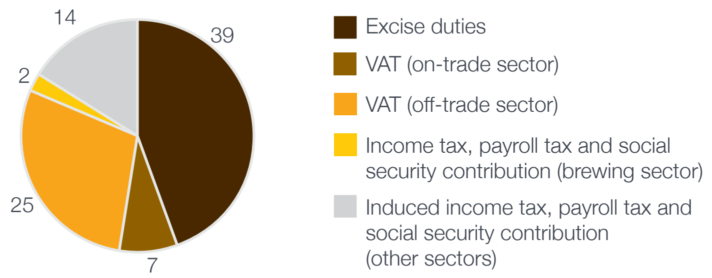


Source: Calculations Regioplan (2013)

13.8| Government revenues related to beer

The government also benefitted from the brewing sector by receiving taxes. In 2012, the revenues from excise duties, VAT and income-related contributions related to Estonian beer production and sales were estimated at 88 million Euro. This was a substantial gain of more than 20 percent over the 73 million in revenues in 2008. The largest part of these revenues (39 percent) came from excise duties paid on beer. The increase in revenues from excise duty taxes was mainly due to the increase in the excise duty rate, which went from 26.10 Euro in 2010 to 28.80 Euro in 2012.

Figure 13.6: Government revenues related to the production and sale of beer in 2012: 88 million Euro



Source: Calculations Regioplan (2013)

Table 13.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	31	35	39	+25.7%
VAT (on-trade sector) (million Euro)	4	8	7	+70.8%
VAT (off-trade sector) (million Euro)	24	21	25	+5.2%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	2.21	2.81	2.24	+1.3%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	11	15	14	+22.1%
Total government revenues (million Euro)	73	81	88	+20.1%

Source: Calculations Regioplan (2013)

14

Finland

14.1 | Country profile

Population	5,401,267
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	115

Source: Eurostat

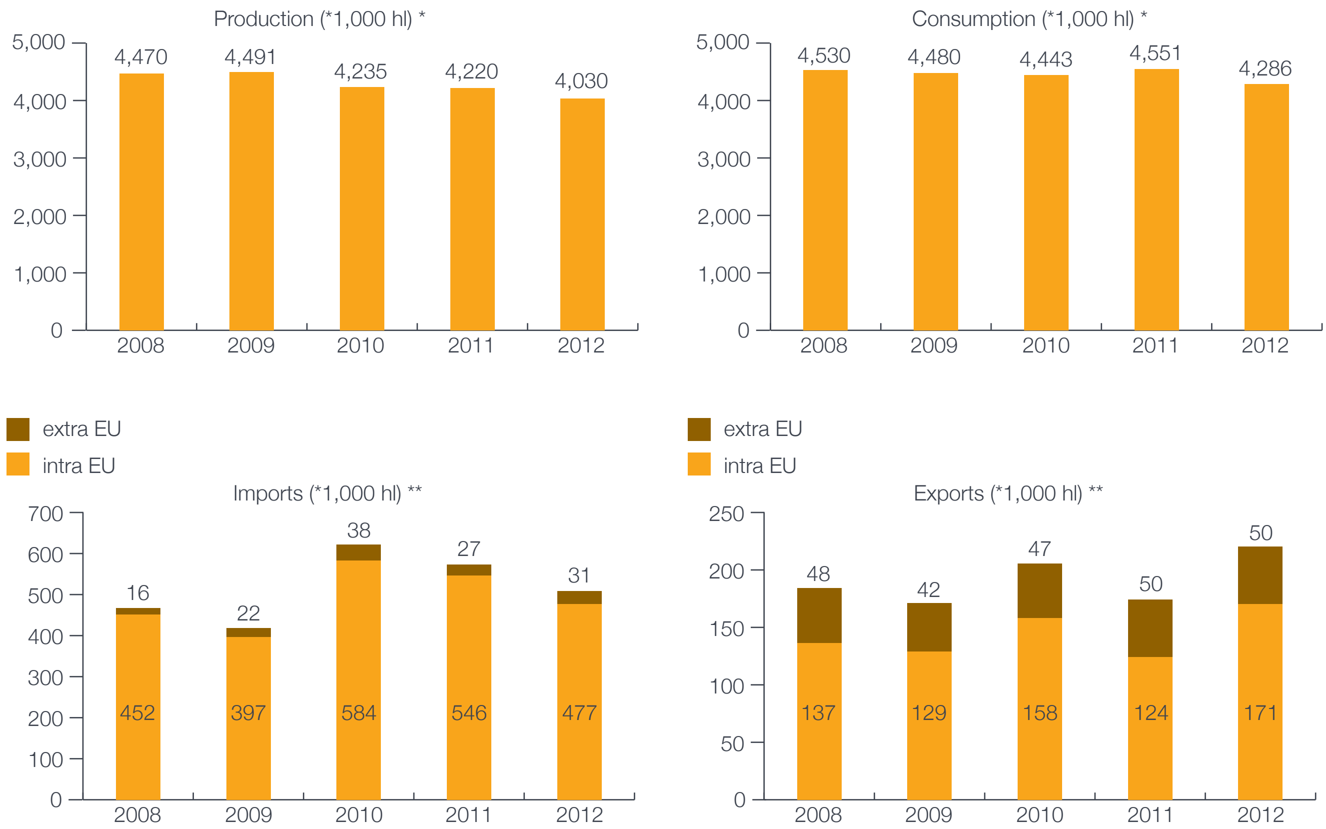
14.2 | Highlights Finland

Table 14.1 Economic impact of beer in Finland (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	17,500	16,800	16,300	-6.9%
Value-added (million Euro)	843	768	749	-11.2%
Government revenues (million Euro)	1,163	1,296	1,375	+18.2%

Source: Calculations Regioplan 2013.

Figure 14.1 Development of production, consumption, imports and exports (2008-2012)



*Source: * Finnish Brewers' Association (2013) ** Eurostat (2013)*

14.3 | Brewing sector

Table 14.2 Basic characteristics of the brewing sector of Finland (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	4,470,000	4,491,000	4,235,000	4,220,000	4,030,000	-9.8%
Brewing companies	18	18	25	25	30	+66.7%
Breweries (including microbreweries)	18	18	25	25	30	+66.7%
Microbreweries	13	14	22	22	27	+107.7%

Source: Finnish Brewers' Association (2013)

In 2012, total beer production in Finland declined by almost 10 percent as compared with 2008 whereas the number of brewing companies grew substantially over the same period. In total, 12 new brewing companies were established in Finland. All these were microbreweries. According to the Finnish brewers' association, this was due to a favourable tax revenue system at that scale. In 2012, the 27 microbreweries in total held a market share of approximately 3 percent.

Between 2008 and 2012, export to both EU Member States and third countries increased by approximately 37,000 hectolitres. The imports from EU Member States and third countries grew slightly from 468,000 hectolitres in 2008 to 508,000 hectolitres in 2012, with a peak of 622,000 hectolitres in 2010.

14.4 | Beer market

Table 14.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	4,530,000	4,480,000	4,443,000	4,551,000	4,286,000	-5.4%
Total consumer spending (in million Euro)	2,200	2,334	2,226	-	2,281	+3.7%
Consumption of beer per capita (in litres)	85	84	83	85	79	-7.1%
Beer consumption on-trade (hospitality)	17.4%	16.3%	15.6%	15.1%	15.3%	-2.1%
Beer consumption off-trade (retail)	82.6%	83.7%	84.4%	84.9%	84.7%	+2.1%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	10.62	11.40	11.58	-	12.37	+16.4%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	3.48	3.73	3.79	-	4.05	+16.4%

Source: Finnish Brewers' Association (2013)

The consumption of beer in Finland decreased between 2010 and 2012. In this period, beer sales dropped by 3.5 percent. Following the general trend in the EU beer was consumed less in bars, pubs and restaurants, and more at home. Since 2008, the percentage of on-trade beer consumption in Finland declined by 2.1 percent. Meanwhile, on-trade and off-trade prices of beer rose significantly since 2008. Both increased by 16.4 percent.

14.5 | Trends and developments

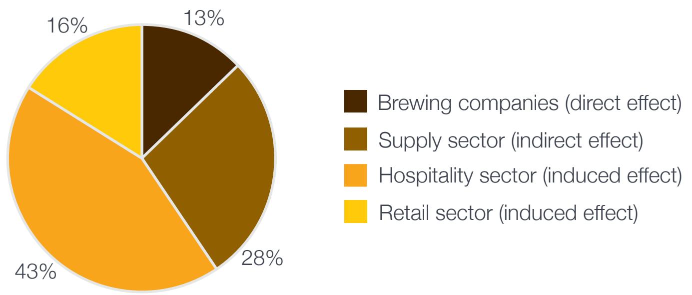
An important development in the Finnish beer market was the government's increase of excise duty rates. In 2008, the excise duty amounted to 21.40 Euro per hectolitre per degree alcohol, and in 2012 this was increased by almost 40 percent to 29.90 Euro. According to the Finnish brewing companies and the Finnish brewers' association, these increases were accompanied by an increase in Finnish consumers buying their beer in neighbouring countries such as Estonia.

Finnish brewing companies are becoming increasingly efficient in their production processes and logistics. There have also been developments in the innovations of new types of beers. Mixed beers, such as Radlers, and other beers with a low alcohol percentage, have entered the market successfully.

14.6 | Employment related to beer

In 2012, approximately 2,100 people were employed in Finnish brewing companies. Alongside this direct employment, the production of beer in Finland also generated indirect employment via a number of supply sectors, the retail and hospitality sector. In 2012, beer generated approximately 7,100 jobs in the hospitality sector, 4,500 jobs in the supply sector and 2,600 in the retail sector.

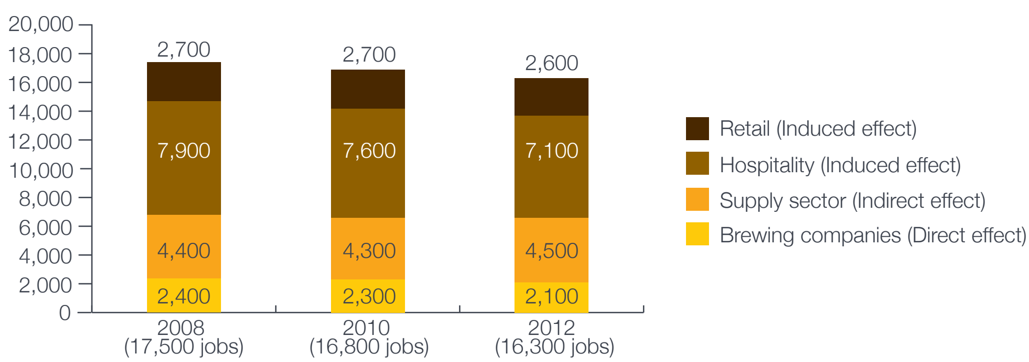
Figure 14.2 Total employment because of beer in 2012: 16,300 jobs



Source: Calculations Regioplan (2013)

Compared to 2008, the total employment effect decreased by 1,200 jobs. This was mainly due to a reduction in the number of jobs in the hospitality sector. Since 2008, Finnish bars, pubs and restaurants lost some 800 jobs related to the production and sale of beer. This was caused by a decrease in on-trade beer sales. Furthermore, the number of jobs in the brewing companies themselves and the number of jobs in the retail sector also declined. According to the Finnish brewers' association, this was the result of a growth in private imports. The only sector which did not experience a job loss was the supply sector. Since 2008, Finnish suppliers actually generated 200 new jobs related to the production and sale of beer.

Figure 14.3 Development of employment (Δ2008-2012 = -6.9%)

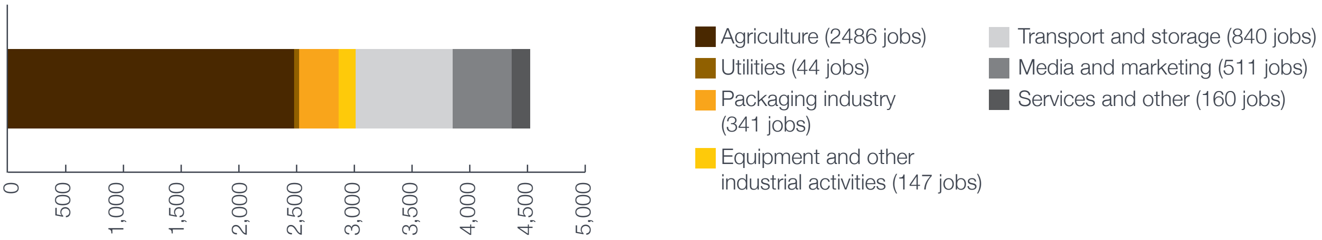


Source: Calculations Regioplan (2013)

Of the 4,500 jobs that beer generated in the supply sector in 2012, agriculture benefited the most. More than half of the indirect employment effect consisted of jobs generated in that sector. According to the Finnish brewers' association, one-tenth of all agricultural land is used for growing malting barley.

The employment effects in the transport and storage and the media and marketing sector were also substantial. In 2012, Finnish brewing companies spent more than 36 percent of their total expenditure on packaging. Only 45 percent of that expenditure was within Finland, while the other 55 percent was purchased abroad.

Figure 14.4 Indirect employment in 2012: 4,500 jobs

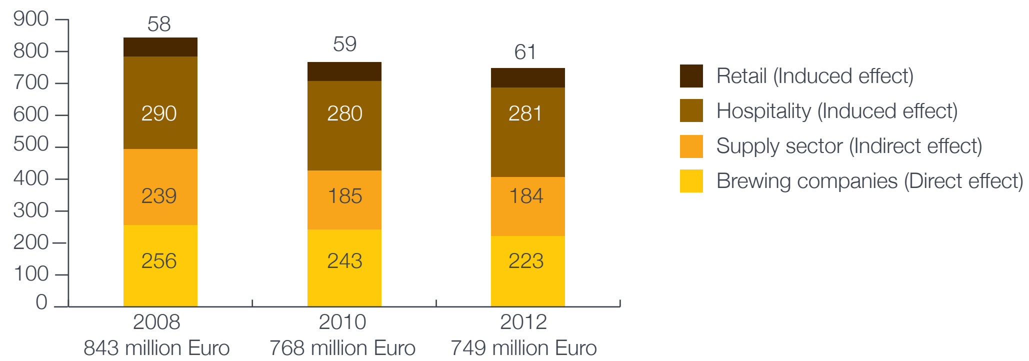


Source: Calculations Regioplan (2013)

14.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Finnish economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer was estimated to be 749 million Euro. This means a substantial decrease of more than 11 percent compared to 2008, when the total value-added amounted to 843 million Euro. The biggest loss occurred in the value-added generated by the supply sector.

Figure 14.5 Development of value-added (Δ2008-2012 = -11.2%)



Source: Calculations Regioplan (2013)

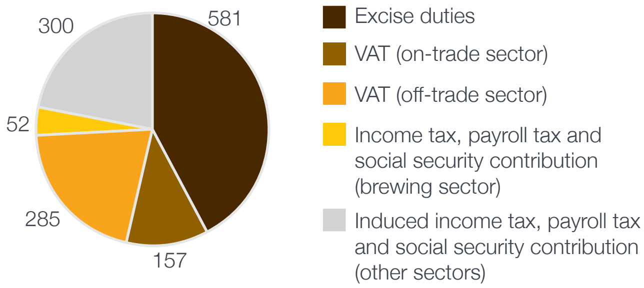
14.8 | Government revenues related to beer

The government benefits from the brewing sector by receiving various taxes. In 2012, the revenues from excise duties, VAT and income-related contributions related to beer production and sales in Finland were estimated at 1,375 million Euro. This was a substantial gain of almost 18 percent since 2008, when total government revenues amounted to 1,163 million Euro. The largest share of these revenues (42.2 percent) came from excise duties paid on beer. The Finnish government increased beer excise duty rates in 2008, 2009 (twice) and 2012.

There was also an increase in VAT in 2010. VAT rates went from 22 to 23 percent. This is a possible cause of the increase in VAT revenues in the retail sector.

While the gains of the Finnish government increased in 2012, the beer sector produced less beer, generated fewer jobs and added less value.

Figure 14.6: Government revenues related to the production and sale of beer in 2012: 1.4 billion Euro



Source: Calculations Regioplan (2013)

Table 14.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	431	528	581	+34.9%
VAT (on-trade sector) (million Euro)	154	150	157	+2%
VAT (off-trade sector) (million Euro)	243	266	285	+17.2%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	52	58	52	-1.3%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	277	294	300	+8.4%
Total government revenues (million Euro)	1,163	1,296	1,375	+18.2%

Source: Calculations Regioplan (2013)

15

France

15.1 | Country profile

Population	65,327,724
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	108

Source: Eurostat

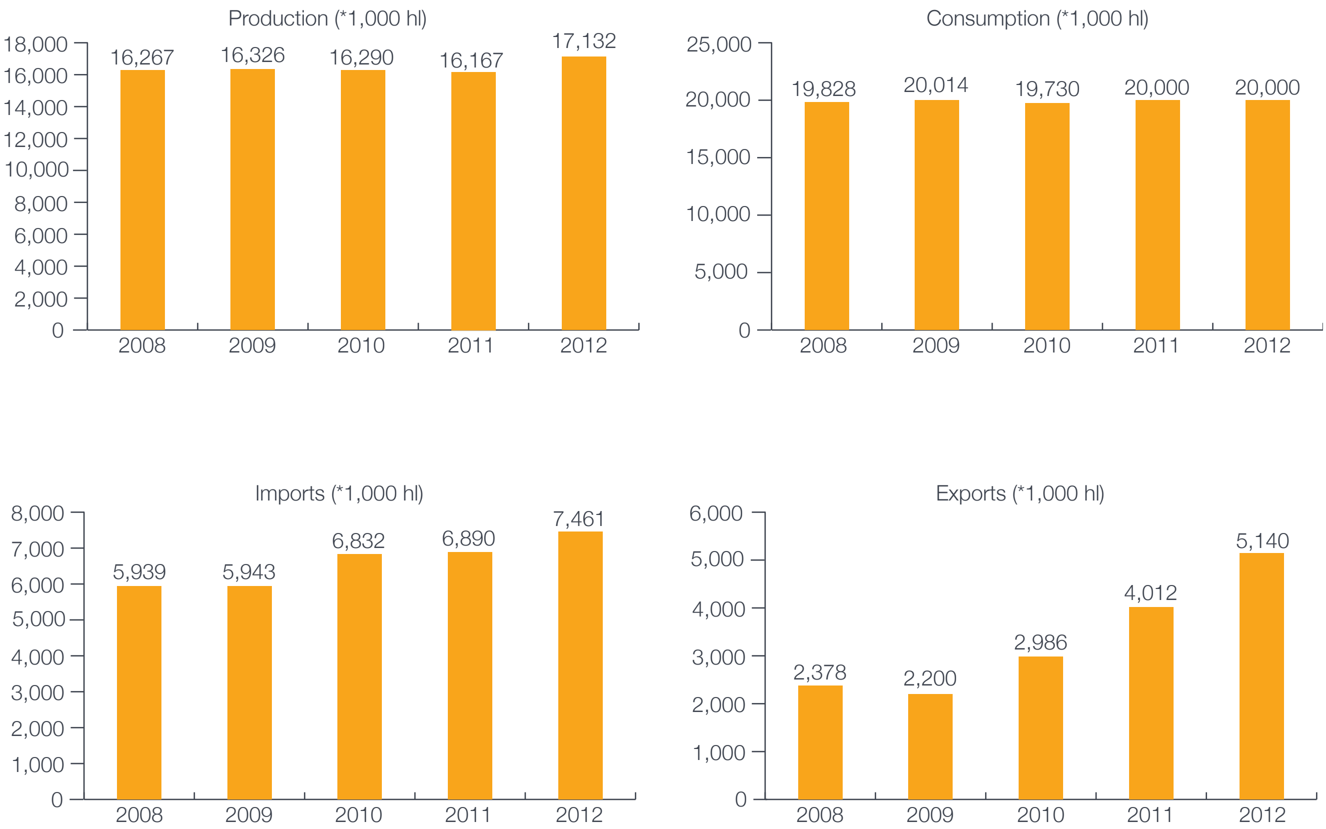
15.2 | Highlights France

Table 15.1 Economic impact of beer in France (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	71,500	65,400	63,900	-10.6%
Value-added (million Euro)	3,293	2,936	3,010	-8.6%
Government revenues (million Euro)	2,583	2,582	2,552	-1.2%

Source: Calculations Regioplan 2013.

Figure 15.1 Development of production, consumption, imports, exports (2008-2012) [1]



Source: France Brewing Association (2013)

1 For this EU member the export and import data were obtained from the French administration (Direction générale des Douanes) . These data differ from Eurostat figures.

15.3 | Brewing sector

Table 15.2 Basic characteristics of the brewing sector of France (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	16,267,000	16,326,000	16,290,000	16,166,806	17,131,920	+5.3%
Brewing companies	130	320	385	440	501	+285.4%
Breweries (including microbreweries)	132	322	387	442	503	+281.1%
Microbreweries	-	263	322	373	435	-

Source: French Brewing Association (2013)

Beer production in France grew significantly in 2012. Compared to 2008, there was a 5.3 percent increase. According to the French brewers' association, this can be explained by brewers increasing production in anticipation of the 160 percent increase in excise duties on beer in January 2013.

The number of brewing companies increased substantially due to the substantial growth of the number of small breweries which produce specialty beers. Two brewing companies, both belonging to one of the five major brewing companies in the EU, represented almost three-quarters of the French beer market in 2012. France also had a large group of artisan producers of beer in small quantities. Premium beers and speciality beers accounted for 77 percent[1] of the sale value.

Total exports of beer more than doubled in 2012 compared to 2008. France exported 2,762,000 hectolitres more in 2012 compared with 2008, reaching a total volume of 5,140,000 hectolitres. France's main export markets in 2012 were Spain, the United Kingdom and Germany. Total import data also grew by more than 25 percent over the same period. The main import markets for France were Belgium, Germany and the Netherlands in 2012.

15.4 | Beer market

Table 15.3 Basic characteristics of the beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	19,828,000	20,014,000	19,730,000	20,000,000	20,000,000	+0.9%
Total consumer spending (in million Euro)	6,534	7,240	7,007	6,877	7,195	+10.1%
Consumption of beer per capita (in litres)	31	31	31	31	31	0.0%
Beer consumption on-trade (hospitality)	24.0%	25.0%	24.0%	22.0%	23.0%	-1.0%
Beer consumption off-trade (retail)	76.0%	75.0%	76.0%	78.0%	77.0%	+1.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	9.84	9.96	10.08	10.24	10.52	+6.9%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.47	1.49	1.49	1.52	1.53	+4.1%

Source: Calculations Regioplan 2013.

1 Source: Nielsen "Rayons Boissons"

As mentioned in the previous section, both the total export and total import figures of beer rose between 2008 and 2012. Consumption remained relatively stable between 2008 and 2012. There was a 0.9 percent increase in consumption during this period.

France is traditionally a wine-drinking country. However, with an annual production of about 20 million hectolitres, the French brewing sector is also substantial. Per capita beer consumption remained stable over the past three years: between 30 and 31 litres. Following a general trend in the EU, beer was consumed less in bars, pubs and restaurants and more at home. On-trade sales in France have declined by 1.0 percent since 2008.

15.5 | Trends and developments

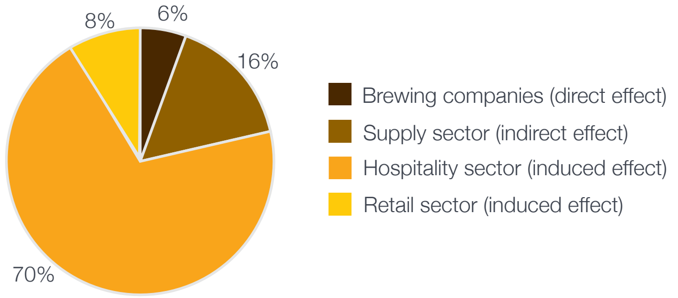
An important development has been the increase of the excise duty rate on beer by the French government. In 2013, the excise duty rate increased dramatically by 160 percent. In the current political and economical climate, the French brewing sector is facing a continuing threat of further tax increases and possible new taxes.

French brewing companies introduced new innovative varieties of beers in recent years. According to the French brewers' association, there were approximately 1,600 beer brands produced in France in 2012. A higher percentage of premium beers was produced in France as compared with other EU Member States . Brewers reported the introduction of new beers with lower alcohol levels in response to the higher excise duties and the changing consumer demand.

15.6 | Employment related to beer

In 2012, approximately 3,600 people were employed in French brewing companies. Additional to this direct employment effect, the production of beer in France generated indirect employment via a number of supply sectors, the retail and hospitality sectors. Our calculations showed that in 2012, beer generated some 44,800 jobs in the on-trade sector, 10,200 jobs in the supply sectors and 5,400 in the off-trade sector.

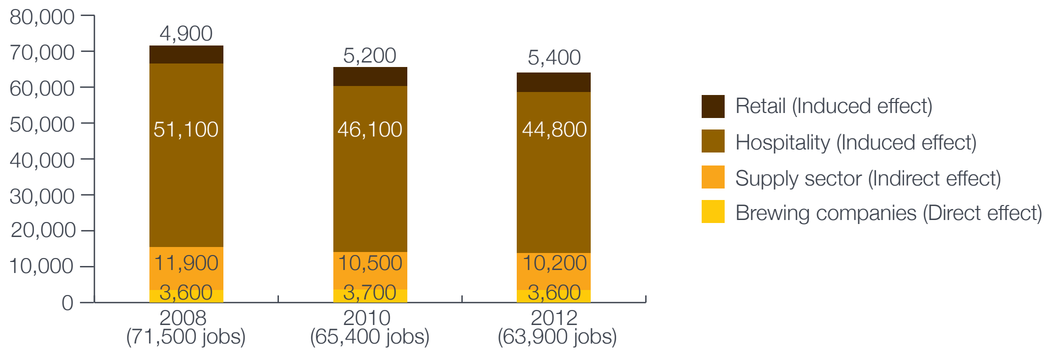
Figure 15.2 Total employment generated by beer in 2012: 63,900 jobs



Source: Calculations Regioplan (2013)

Compared to 2008, total employment decreased by 7,600 jobs in 2012. Reduction in jobs occurred in the supply and the retail sectors. The number of jobs in brewing companies remained generally stable over recent years. In the retail sector, 500 more jobs were generated because of an increase in off-trade sales in 2012. Conversely, jobs were lost in the hospitality sector, as on-trade consumption declined.

Figure 15.3 Development of employment (Δ2008-2012 = -10.6%)

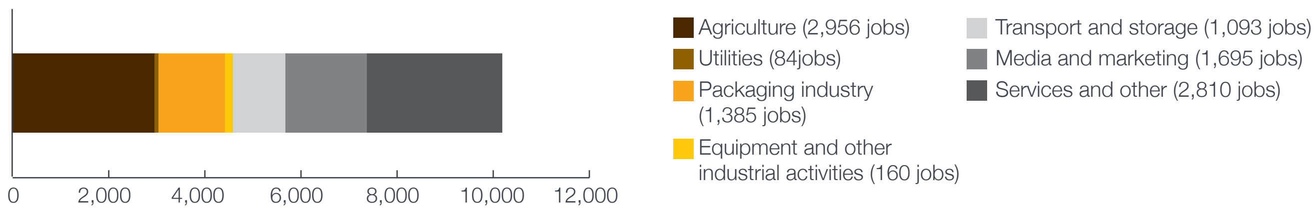


Source: Calculations Regioplan (2013)

Of the 10,200 jobs that beer generated in the supply sector, the agricultural sector benefitted to the greatest extent. Almost 30 percent of the indirect jobs were generated in this sector, almost the same number as created in the services sector.

36 percent of the French purchases consisted of packaging material. However, only 51 percent of the purchases were made within France. Because of this, the French brewing sector was also important for packaging companies situated abroad.

Figure 15.4 Indirect employment in 2012: 10,200 jobs



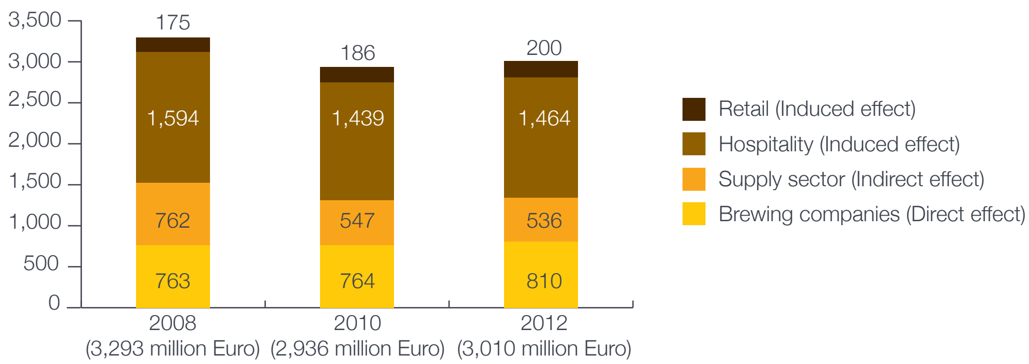
Source: Calculations Regioplan (2013)

15.7 | Value-added related to beer

As well as employment-related impact, the contribution of the brewing sector to the French economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer was estimated at 3,010 million Euro, a decrease of almost 9 percent compared to 3,293 million Euro in 2008.

The supply sector and the hospitality sector added less value in 2012 than in 2008 although, compared to 2010, the value-added related to the hospitality sector in 2012 increased by 1 percent. The biggest loss in terms of value-added was in the supply sector. Where in 2008 the added value of the products and services was 762 million Euro, in 2012 this number was only 536 million Euro.

Figure 15.5 Development of value-added (Δ2008-2012 = -8.6%)

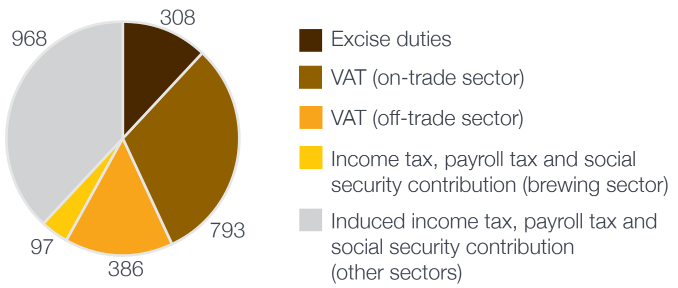


Source: Calculations Regioplan (2013)

15.8 | Government revenues related to beer

The government also benefits from the brewing sector by receiving various kinds of taxes. In 2012, the revenues from excise duties, VAT and income-related contributions related to the French beer production and sales, were estimated at 2,552 million Euro. This number was slightly lower compared with 2,583 million Euro in 2008. The revenues from income and payroll taxes and social security revenues declined since 2008, while the revenues from VAT and excise duties increased over the same period.

Figure 15.6 Government revenues related to the production and sale of beer in 2012: 2.6 billion Euro



Source: Calculations Regioplan (2013)

Table 15.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	303	304	308	+1.6%
VAT (on-trade sector) (million Euro)	727	782	793	+9.1%
VAT (off-trade sector) (million Euro)	344	366	386	+12.2%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	116	118	97	-16.0%
Income tax, payroll tax and social security contribution (other sectors) (million Euro)	1,093	1,011	968	-11.4%
Total government revenues (million Euro)	2,583	2,582	2,552	-1.2%

Source: Calculations Regioplan (2013)

16

Germany

16.1| Country profile

Population	81,843,743
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	122

Source: Eurostat

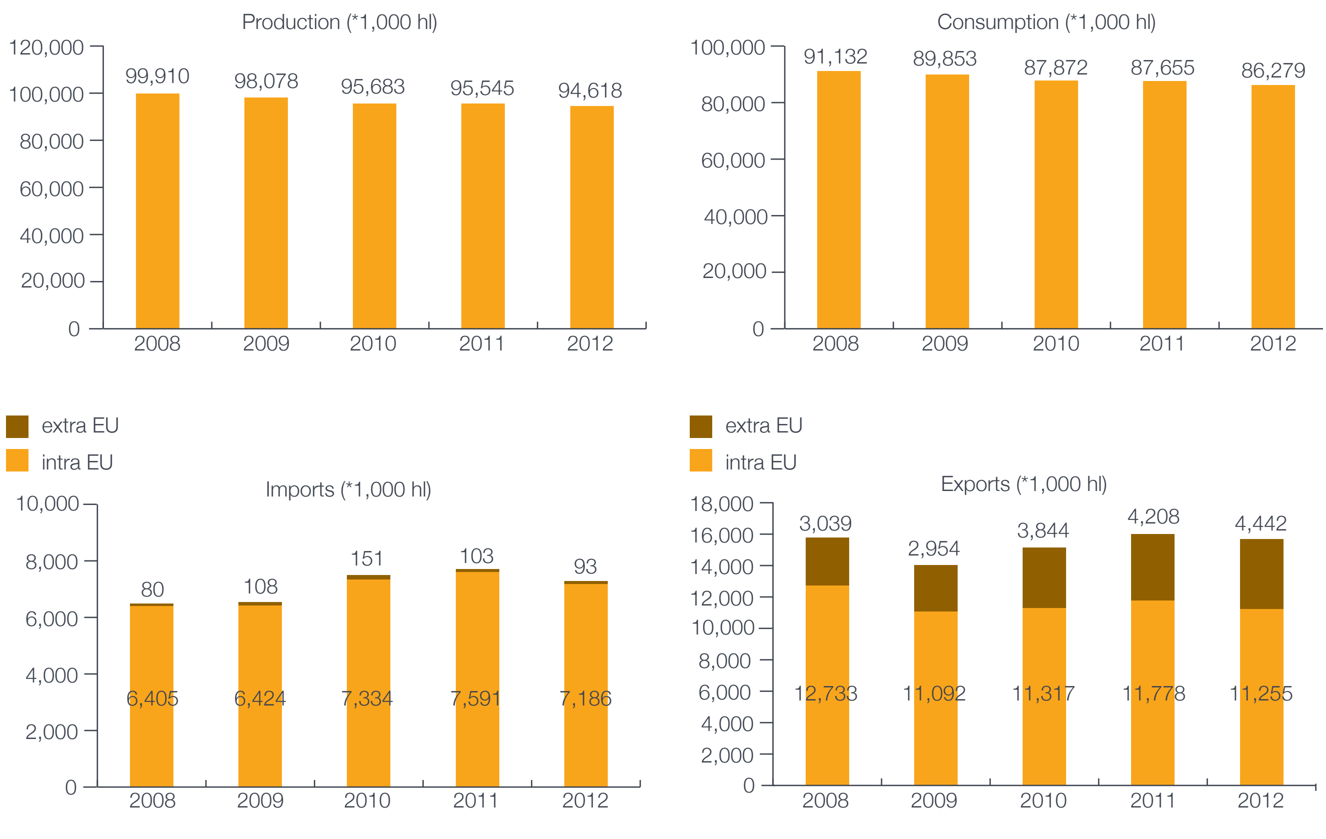
16.2 | Highlights Germany

Table 16.1 Economic impact of beer in Germany (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	521,200	461,100	405,200	-22.3%
Value-added (million Euro)	13,283	11,950	11,435	-13.9%
Government revenues (million Euro)	12,815	11,419	10,267	-19.9%

Source: Calculations Regioplan (2013)

Figure 16.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * Deutscher Brauer-Bund (2013) ** Eurostat (2013)*

16.3 | Brewing sector

Table 16.2 Basic characteristics of the German brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	99,910,000	98,078,000	95,683,000	95,545,000	94,618,000	-5.3%
Breweries (including microbreweries)	1328	1331	1333	1347	1339	+0.8%
Microbreweries	594	628	646	659	667	+12.3%

Source: Deutscher Brauer-Bund (2013)

German beer production is substantially higher than that of the other EU Member States. In 2012, 1339 German breweries produced a total of 94,618,000 hectolitres of beer. Total beer production in 2012 was 5.3 percent lower than in 2008. The number of breweries increased between 2008 and 2011, but this trend stopped in 2011 and then declined by 8 in 2012.

16.4 | Beer market

Table 16.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	91,132,000	89,853,000	87,872,000	87,655,000	86,279,000	-5.3%
Total consumer spending (in million Euro)	24,934	23,867	20,430	19,635	19,141	-23.2%
Consumption of beer per capita (in litres)	111.1	109.6	107.4	107.2	105.0	-5.5%
Beer consumption on-trade (hospitality)	29.0%	27.3%	22.0%	20.0%	19.0%	-10.0%
Beer consumption off-trade (retail)	71.0%	72.7%	78.0%	80.0%	81.0%	+10.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	7.00	7.20	7.20	7.20	7.20	+2.9%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.00	0.95	0.95	1.00	1.05	+5.0%

Source: Calculations Regioplan (2013)

Germany had one of the highest beer consumptions per capita in the EU in 2012: only in the Czech Republic and Austria was the beer consumption higher per capita. Germany's total beer consumption and per capita consumption both decreased by approximately 5 percent since 2008. The average consumer price for beer increased in both the on-trade and off-trade sectors. The latter had a higher increase in price. Beer consumption in bars and restaurants showed a decrease of 10 percent since 2008. It is important for the sector that beer in Germany remained a significant tourist attraction as a result of major events, such as the Oktoberfest, the beer festival held in Munich each year.

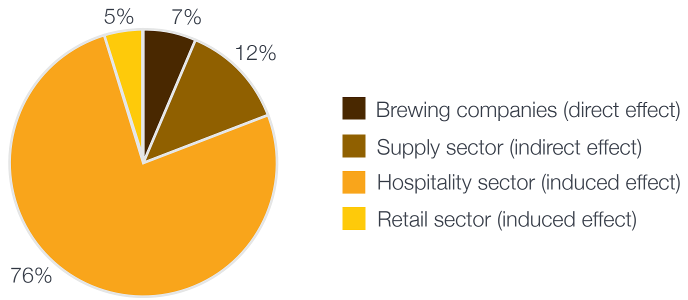
16.5 | Trends and developments

In line with many other EU Member States, per capita beer consumption in Germany decreased and relatively more beer was consumed at home. The German brewers' association indicated that this development had been seen for several years, affected by demographical effects. In response to the decrease in beer consumption, German brewers introduced several product innovations. They offered a wider range of products, including beer mixes, non-alcoholic beers, traditional lemonade (Fassbrause) and vintage beers. Digital media was used for marketing purposes. Another development in the German beer market was the increasing demand for specialty beers incorporating a higher percentage of hops. The exports both to EU Member States and third countries for specialty beers increased.

16.6 | Employment related to beer

In 2012, approximately 26,900 people were employed in German brewing companies. A total of 405,200 jobs were related to the production and sale of beer. These data include employment in brewing companies, the supply sector and the hospitality and retail sectors. The on-trade sector generated a large part of this employment: around 309,000 of the jobs in this sector can be attributed to the sale of beer. This represented 76 percent of the total employment related to beer in 2012.

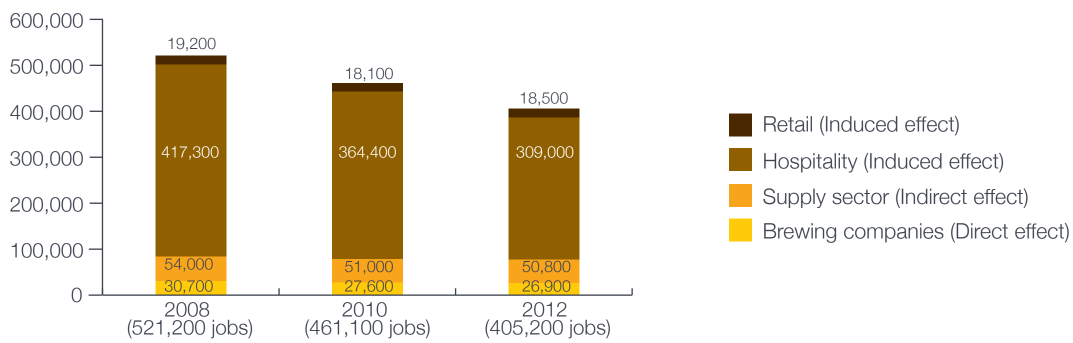
Figure 16.2 Total employment because of beer in 2012: 405,200 jobs



Source: Calculations Regioplan (2013)

Total employment related to the German beer industry is declining. Between 2008 and 2012, there was a 22.3 percent reduction in employment. The hospitality sector showed the largest decline as more beer was consumed at home. Only employment in the retail sector showed a slight increase since 2010.

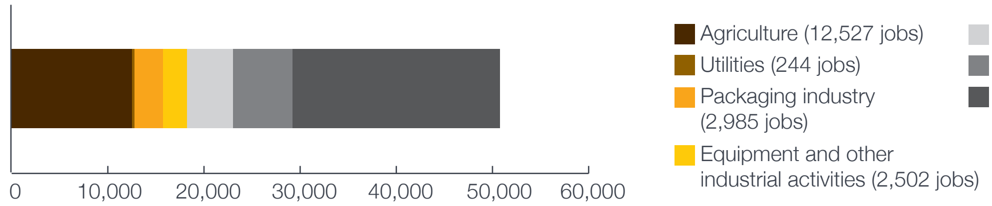
Figure 16.3 Development of employment (Δ2008-2012 = -22.3%)



Source: Calculations Regioplan (2013)

The majority of indirect employment related to beer was created in the services sector. Almost half of the indirect employment was generated within this sector. Another substantial effect can be seen in the agricultural sector, where around 12,500 jobs were indirectly related to beer.

Figure 16.4 Indirect employment in 2012: 50,800 jobs



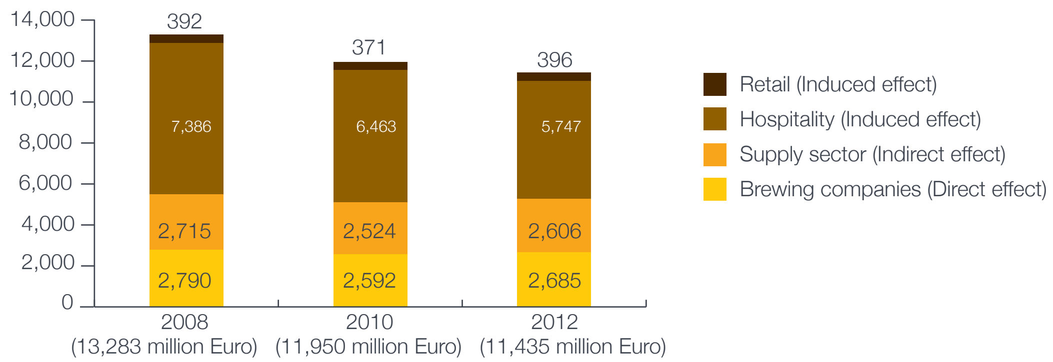
Source: Calculations Regioplan (2013)

16.7 | Value-added related to beer

Besides the impact on employment, the German brewing sector also contributes to the economy in terms of value-added.

In 2012, the total value-added related to the production and sale of beer in Germany was estimated at 11,435 million Euro. This had decreased by almost 14 percent as compared with 2008. All sectors, except the retail sector, added less value. But if one compares the value-added in 2012 to that in 2010, only the value-added generated by the hospitality sector declined; for the other sectors there was a slight increase.

Figure 16.5 Development of value-added (Δ2008-2012 = -13.9%)

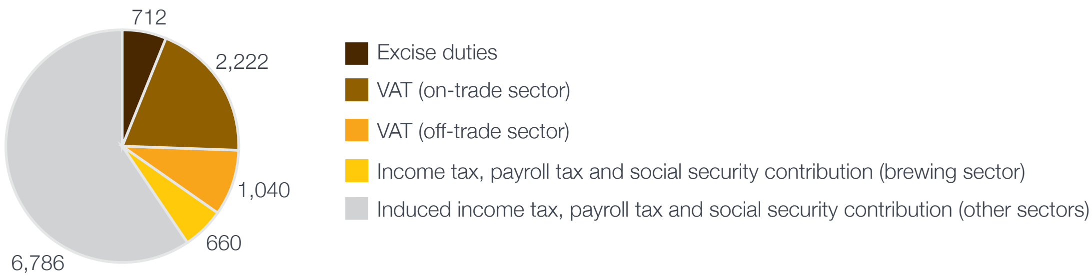


Source: Calculations Regioplan (2013)

16.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to German beer production and sales were estimated to be 10.3 billion Euro. Despite the increase in VAT revenue in the retail sector, the total amount of government revenues decreased by almost 20 percent compared to 2008.

Figure 16.6: Government revenues related to the production and sale of beer in 2012: 10.3 billion Euro



Source: Calculations Regioplan (2013)

Table 16.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	736	712	688	-6.5%
VAT (on-trade sector) (million Euro)	2,949	2,222	1,885	-36.1%
VAT (off-trade sector) (million Euro)	1,032	1,040	1,172	+13.6%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	656	660	586	-10.7%
Income tax, payroll tax and social security contribution (other sectors) (million Euro)	7,443	6,786	5,937	-20.2%
Total government revenues (million Euro)	12,815	11,419	10,267	-19.9%

Source: Calculations Regioplan (2013)

17

Greece

17.1 | Country profile

Population	11,290,067
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	75

Source: Eurostat

17.2 | Highlights Greece

Table 17.1 Economic impact of beer in Greece (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	70,400	59,600	55,600	-21.0%
Value-added (million Euro)	1,235	1,084	1,104	-10.6%
Government revenues (million Euro)	1,041	997	979	-6.0%

Source: Calculations Regioplan (2013)

Figure 17.1 Development of production*, consumption*, imports** and exports** (2008-2012)

Source: Estimates based on data provided by a Greek brewing company (2013) ** Eurostat (2013)*

17.3 | Brewing sector

Table 17.2 Basic characteristics of the Greek brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	4,500,000	4,177,000	3,940,000	3,700,000	4,059,453	-9.8%
Brewing companies	9	9	9	15	20	+122.2%
Breweries (including microbreweries)	11	11	11	17	20	+81.8%

Source: The Brewers of Europe and estimates based on data provided by a Greek brewing company (2013)

It is estimated that total beer production in Greece was around 4 million hectolitres in 2012. This means that the production in 2012 remained relatively stable as compared with 2008. It was noted that between 2010 and 2012, there was a slight increase in total beer production, despite a fall in production in 2011.

More brewing companies became active in the Greek beer market, launching Greek beer brands in particular. Greek products are becoming more favoured. In line with this trend, local brewing companies are becoming more popular. In 2012, a total of 20 brewing companies were active in the Greek beer market, of which five were key players.

The two largest brewing companies (both foreign) together held a market share of 75 percent. Their lagers made up approximately 90 percent of the beer sold in the Greek market.

In 2012, imports from both EU Member States and third countries decreased by 85,000 hectolitres compared to 2011. By contrast, the exports to both EU Member States and third countries increased by around 24,000 hectolitres between 2011 and 2012.

17.4| Beer market

Table 17.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	4,600,000	4,329,000	4,092,000	4,092,000	4,326,545	-5.9%
Total consumer spending (in million Euro)	2,778	2,591	2,547	2,491	2,480	-10.7%
Consumption of beer per capita (in litres)	41	39	36	35	30	-26.8%
Beer consumption on-trade (hospitality)	65.0%	62.0%	62.0%	59.8%	54.0%	-9.0%
Beer consumption off-trade (retail)	35.0%	38.0%	38.0%	40.2%	46.0%	+9.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	8.07	8.23	8.56	8.56	8.56	+6.1%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	2.27	2.32	2.41	2.41	2.41	+6.1%

Source: The Brewers of Europe and estimates based on data provided by a Greek brewing company (2013)

Since 2008, beer consumption in Greece dropped by almost 6 percent. From 2008 to 2011 there was an annual decline in beer consumption. In 2012, this declining trend halted.

Beer consumption in Greece remains highly seasonal, with peaks in summer.

Greece featured a high proportion of value sales through the hospitality channel, where it accounted for around 54 percent in 2012. This was partly due to the annual influx of tourists, who generate a considerable proportion of on-trade sales. However, as in many other countries in the EU, the trend over the period 2008 to 2012 in Greece was that relatively more beer was consumed at home and less in bars, pubs and restaurants.

17.5 | Trends and developments

The beer market experienced significant pressure due to the ongoing financial crisis in Greece. More beer is now being consumed at home. As a response to the decline in consumption and the rise of the off-trade market, promotions in supermarkets is increasing, and innovative brands are being launched.

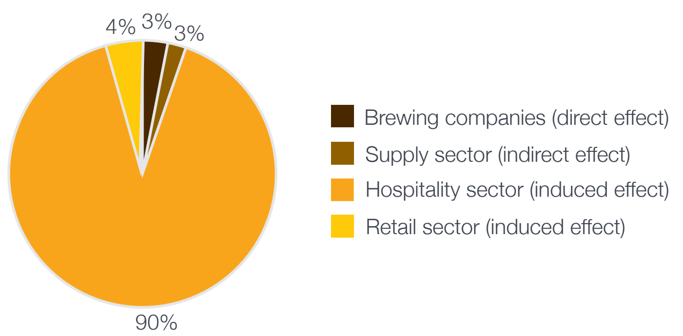
Another trend seen in the Greek beer market is that consumers tend to prefer beer perceived as 'Greek', i.e. products produced locally, by local companies, as opposed to foreign or multinational brands.

In Greece, the recent economic crisis has caused a sharp escalation of the government deficit, which turned into a severe public debt crisis. Faced with the need to bring public debt under control, the Greek government was forced to raise revenues and lower their expenditures. These decisions led to substantial increases in the beer excise duty rate in recent years.

17.6| Employment related to beer

In 2012, approximately 1,700 people were employed in Greek brewing companies. Alongside this direct employment, the production of beer in Greece also generated indirect employment via a number of supply sectors, retail and the hospitality sector. Hospitality was the sector generating by far the most jobs because of beer, creating approximately 50,200 jobs. In 2012, beer contributed around 1,400 jobs in the supply sectors and 2,300 jobs in the retail sector. The total employment impact of the production and sale of beer was estimated at approximately 55,600 jobs.

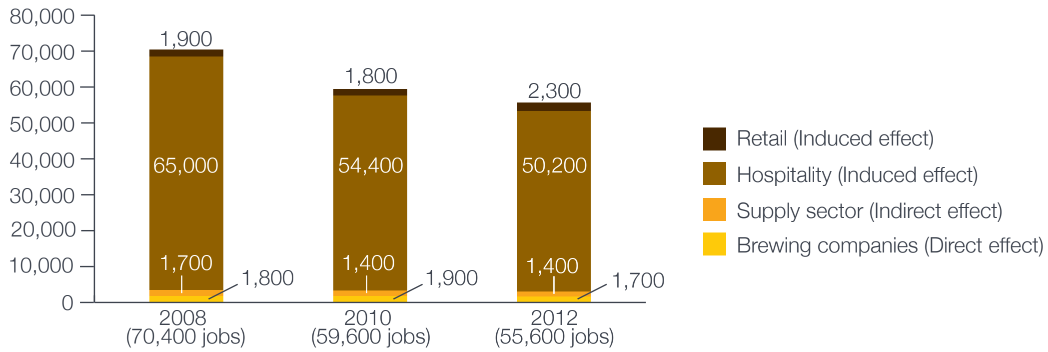
Figure 17.2 Total employment related to beer in 2012: 55,600 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of beer production and sales decreased by 21 percent, from 70,400 jobs in 2008 to approximately 55,600 in 2012. Job reductions can be seen in all sectors, except for the off-trade sector, where beer-related employment increased over the period of study. The biggest loss was seen in the hospitality sector, with a decline of around 15,000 jobs.

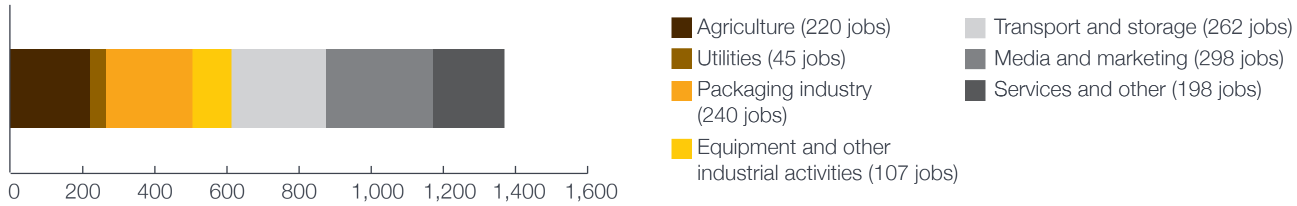
Figure 17.3 Development of employment (Δ2008-2012 =-21%)



Source: Calculations Regioplan (2013)

Greek brewing companies created around 1,400 jobs in the supply sectors. Most jobs were created in the packaging industry, transport and the media and marketing sector. The Greek agricultural sector also benefitted significantly from the brewing sector in Greece.

Figure 17.4 Indirect employment in 2012: 1,400 jobs



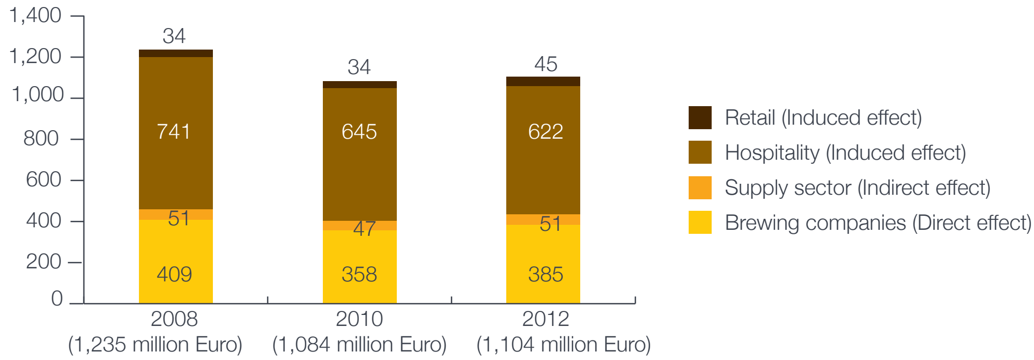
Source: Calculations Regioplan (2013)

17.7 | Value-added related to beer

Besides the impact on employment, the Greek brewing sector also contributes to the economy in terms of value-added. In 2012 the total value-added related to the production and sale of beer in Greece was estimated at 1,104 million Euro. This was a decrease of approximately 10 percent compared to 1,235 million Euro in 2008. This was due to the significant downturn in the Greek economy over the past three years that directly affected the disposable income of consumers, consequently resulting in a drop in the production and sale of beer in Greece.

Currently, the Greek GDP is at 80 percent of its value five years ago[1], while the European Union recovered to its 2007 level. Additionally, unemployment grew from 8 percent to over 24 percent over the same period.

Figure 17.5 Development of value-added (Δ2008-2012 = -10.6%)



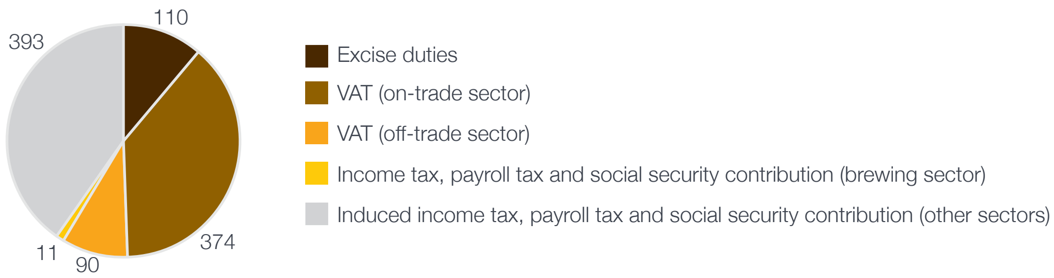
Source: Regioplan calculations (2013)

1 Eurostat (2013), National accounts and labour market statistics.

17.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Greek beer production and sales were estimated at 979 million Euro. This means that the amount of government revenues related to beer were 6 percent lower than the 1,041 million Euro in 2008. This was despite the hugely increased VAT and excise duty revenues. This was due to the fall in consumption volume, related to the significant reduction in disposable income. The losses were both on taxes and on contributions on employment.

Figure 17.6: Government revenues related to the production and sale of beer in 2012: 979 million euro



Source: Calculations Regioplan (2013)

Table 17.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	61	117	110	+80.7%
VAT (on-trade sector) (million Euro)	385	406	374	-2.9%
VAT (off-trade sector) (million Euro)	58	70	90	+53.6%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	14	12	11	-17.1%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	523	391	393	-24.7%
Total government revenues (million Euro)	1,041	997	979	-6.0%

Source: Calculations Regioplan (2013)

18
Hungary

18.1 | Country profile

Population	9,932,000
Currency	Hungarian Florint (HUF)
GDP per capita in PPS (2012, EU28 = 100)	66

Source: Eurostat

18.2 | Highlights Hungary

Table 18.1 Economic impact of beer in Hungary (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	33,900	28,300	24,300	-28.3%
Value-added (million Euro)	330	317	327	-0.9%
Government revenues (million Euro)	483	492	469	-2.9%

Source: Calculations Regioplan (2013)

Figure 18.1 Development of production*, consumption*, imports** and exports** (2008-2012)

*Source: * Association of Hungarian Brewers (2013) ** Eurostat (2013)*

18.3 | Brewing sector

Table 18.2 Basic characteristics of the Hungarian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	7,049,000	6,348,000	6,295,000	6,249,000	6,312,000	-10.5%
Brewing companies	-	-	-	24	50	-
Breweries (including microbreweries)	-	-	-	24	50	-
Microbreweries	-	-	-	20	46	-

Source: Calculations Regioplan (2013)

In 2012, Hungarian brewing companies produced 6,312,000 hectolitres of beer. Compared to 2008 this was a substantial fall in production of 10.5 percent. Despite the decline, the number of breweries and brewing companies grew substantially between 2011 and 2012.

18.4 | Beer market

Table 18.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	7,181,000	6,500,000	6,100,000	6,249,000	5,958,000	-17.0%
Total consumer spending (in million Euro)	893	889	900	920	878	-1.7%
Consumption of beer per capita (in litres)	71.8	65.0	61.0	60.0	59.5	-17.1%
Beer consumption on-trade (hospitality)	40.0%	40.0%	38.0%	38.0%	37.6%	-2.4%
Beer consumption off-trade (retail)	60.0%	60.0%	62.0%	62.0%	62.4%	+2.4%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	1.69	1.84	2.09	2.05	2.02	+19.8%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	0.97	1.05	1.10	1.12	1.14	+17.7%

Source: Calculations Regioplan (2013)

In 2012, the total consumption of beer in Hungary was 5,958,000 hectolitres, a decrease of 17 percent, compared to consumption in 2008. The Hungarian brewers' association indicated that this decline was due to the economic crisis.

In line with many other countries, beer consumption in the on-trade sector declined in Hungary, whereas there was an increase of consumption in the off-trade sector. More people consumed beer at home, while less beer was consumed in bars, pubs and restaurants. The hospitality sector encountered difficulties because of consumers' purchasing power.

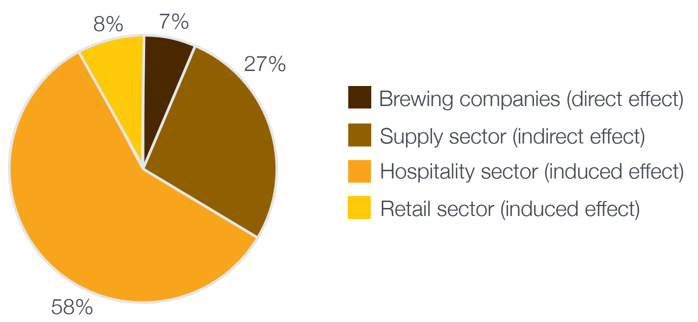
18.5 | Trends and developments

The Hungarian beer market is a very competitive one. The Hungarian brewers' association indicated that the regulations governing the brewing sector were becoming more restrictive each year. Excise duties were increased twice and new duties and taxes appeared under the Hungarian tax regulations. As a response to developments in the Hungarian beer sector, new products such as Radlers and ciders were being launched by Hungarian brewing companies. Sales of Radlers continued to grow, although the growth slowed. Another trend in the Hungarian beer market was the increasing investment in green projects.

18.6 | Employment related to beer

In 2012, the Hungarian brewing sector generated 24,300 jobs. This included employment in brewing companies, the supply sector, the hospitality and retail sectors. In 2012, approximately 1,600 people were employed in Hungarian brewing companies. The hospitality sector created the most jobs related to the sale of beer; around 14,000 jobs could be attributed to the sale of beer. After the hospitality sector, the supply sector, with around 6,500 jobs, also had a strong influence on employment related to beer.

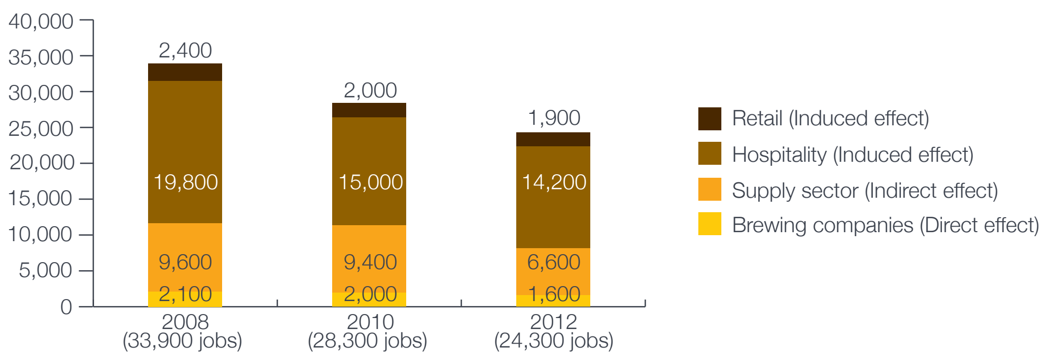
Figure 18.2 Total employment because of beer in 2012: 24,300 jobs



Source: Calculations Regioplan (2013)

Total employment related to the Hungarian brewing sector is declining. Between 2008 and 2012, there was a decrease of around 28 percent. A decrease in employment was seen in all sectors, but the largest decline was shown in the supply sectors.

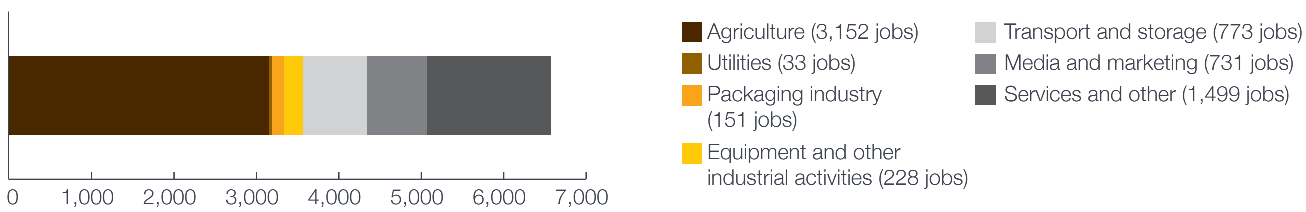
Figure 18.3 Development of employment (Δ2008-2012 = -28.3%)



Source: Calculations Regioplan (2013)

Total indirect employment related to the brewing sector consisted of around 6,600 jobs. Agriculture accounted for half of all the employment related to beer. Other substantial effects could be found in the services, the media and marketing and the transport sectors.

Figure 18.4 Indirect employment in 2012: 6,600 jobs



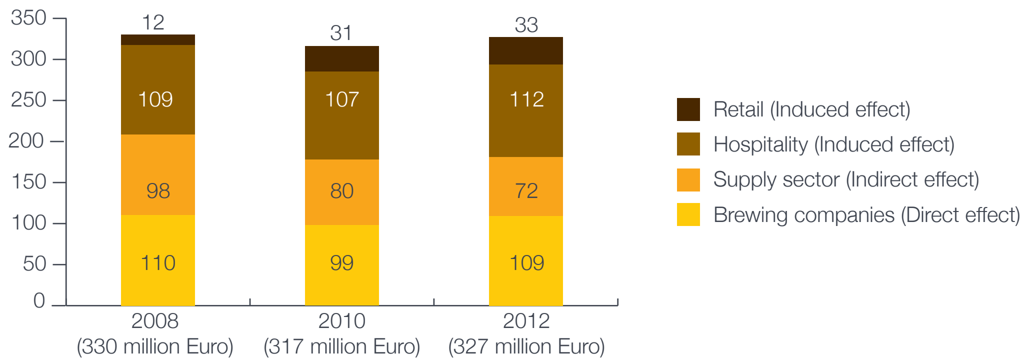
Source: Calculations Regioplan (2013)

18.7 | Value-added related to beer

Besides the impact on employment, the Hungarian brewing sector also contributes to the economy in terms of value-added.

There was little change between the total value-added in 2012 (327 million Euro) and the total value-added in 2008, although this masks a fall from 2008 to 2010 followed by an increase of 10 million Euro between 2010 and 2012.

Figure 18.5 Development of value-added (Δ2008-2012 = -0.9%)

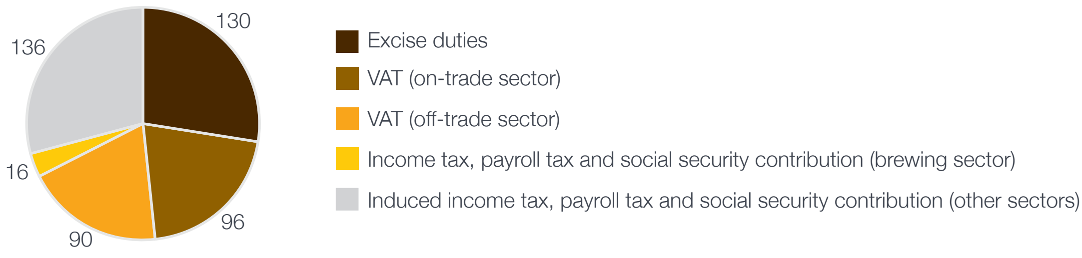


Source: Regioplan calculation (2013)

18.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Hungarian beer production and sales were estimated at 469 million Euro. Total governmental revenues decreased by almost 3 percent between 2008 and 2012, despite the increase of 20.5 percent in VAT revenues in the hospitality sector and a 31 percent increase in VAT revenues in the retail sector.

Figure 18.6: Government revenues related to the production and sale of beer in 2012: 469 million Euro



Source: Calculations Regioplan (2013)

Table 18.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	150	139	130	-13.2%
VAT (on-trade sector) (million Euro)	80	97	96	+20.5%
VAT (off-trade sector) (million Euro)	69	83	90	+31.0%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	17	19	16	-10.0%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	164	153	136	-17.0%
Total government revenues (million Euro)	483	492	469	-2.9%

Source: Calculations Regioplan (2013)

19
Ireland

19.1 | Country profile

Population	4,582,707
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	130

Source: Eurostat

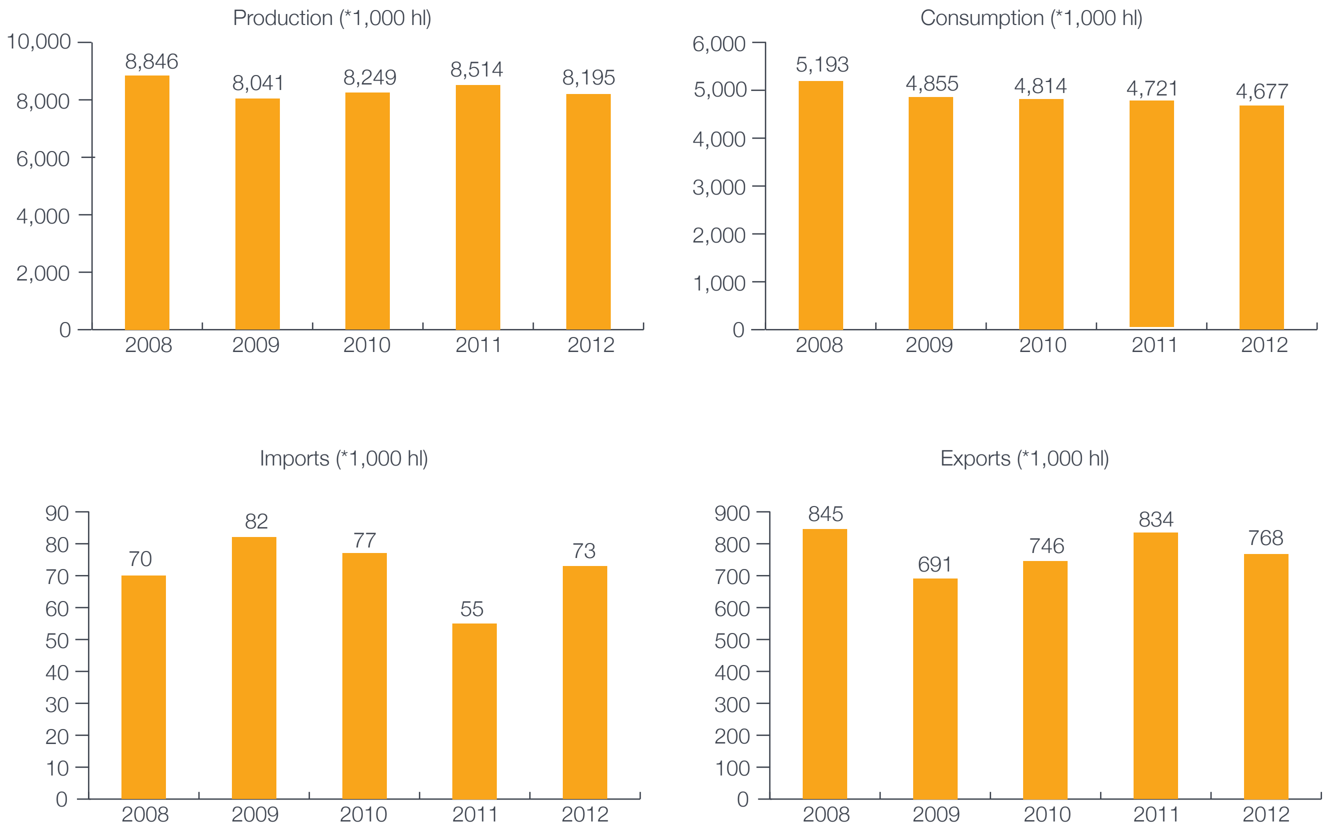
19.2 | Highlights Ireland

Table 19.1 Economic impact of beer in Ireland (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	52,400	44,500	40,800	-22.1%
Value-added (million Euro)	1,687	1,370	1,324	-21.5%
Government revenues (million Euro)	1,485	1,144	1,225	-17.5%

Source: Calculations Regioplan (2013)

Figure 19.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * Irish Brewers' Association (2013) ** Eurostat (2013)*

19.3 | Brewing sector

Table 19.2 Basic characteristics of the Irish brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	8,846,000	8,041,000	8,249,000	8,514,000	8,195,000	-7.4%
Brewing companies	24	24	24	24	24	0.0%
Breweries (including micro-breweries)	26	26	26	26	26	0.0%

Source: Irish Brewers' Association (2013)

Irish brewing companies produced 8,195 million hectolitres of beer in 2012, more than 7 percent less than in 2008. The total imports and exports of beer remained relatively stable, except for 2011-2012 where an increase of approximately 18,000 hectolitres in total imported beer was seen, while there was a decrease of 66,000 hectolitres of total exported beer.

The Irish beer market is mature and highly competitive. There are two large brewing companies in Ireland with a market share of up to three-quarters.

19.4 | Beer market

Table 19.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	5,193,000	4,855,000	4,814,000	4,721,000	4,677,000	-9.9%
Total consumer spending (in million Euro)	3,628	3,256	3,016	3,154	3,089	-14.9%
Consumption of beer per capita (in litres)	98.6	91.0	90.0	86.0	85.6	-13.2%
Beer consumption on-trade (hospitality)	69.3%	71.1%	66.0%	64.5%	61.2%	-8.2%
Beer consumption off-trade (retail)	30.8%	28.9%	34.0%	35.5%	38.8%	+8.2%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	8.54	7.94	7.67	8.42	9.08	+6.3%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	3.49	3.67	3.54	3.52	3.52	+0.9%

Source: Irish Brewers' Association (2013)

In 2012, beer was the most popular alcoholic beverage among the Irish people. However, over the last few years, consumption has been shifting from beer to wine. Between 2008 and 2012 the consumption of beer decreased from 5,193 million hectolitres to 4,677 million hectolitres, a decline of almost 10 percent. This was also apparent in the consumption per capita. Whereas individuals on average consumed 98.6 litres beer per year in 2008, in 2012 this had fallen to 85.6 litres.

The greater part of beer consumption is still located in the hospitality sector (61.2%). However, there is an ongoing trend towards off-trade consumption. This is partly due to the economic crisis that hit Ireland hard. People have less money to spend and subsequently switch to drinking at home. The fact that Ireland has one of the highest excise duty rates on beer in the EU has also led to higher prices.

19.5 | Trends and developments

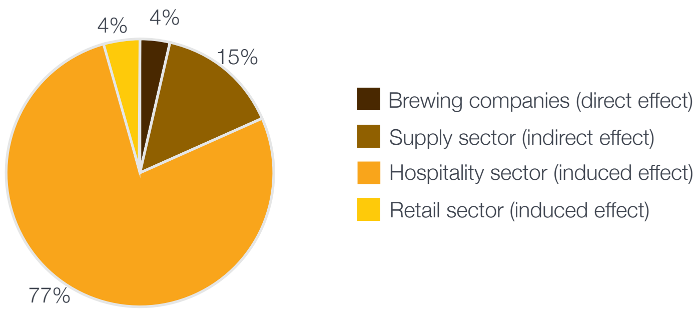
As previously mentioned, in 2011 and 2012 Irish brewing companies noticed an ongoing switch in beer consumption from the on-trade to the off-trade sector.

The Irish brewing sector has worked impressively on turning around the impact of a downward economic trend. Its brewing companies have been developing a range of innovative products in response to the changing preferences of the Irish beer consumer. This is evidenced by the fact that brewing companies are enlarging their available beer portfolios in all segments of the market.

19.6 | Employment related to beer

In 2012, approximately 1,500 people were employed in Irish brewing companies. Alongside this direct employment, the production of beer in Ireland also creates indirect employment via a number of supply sectors and the retail and hospitality sectors. Our calculations show that in 2012, beer generated almost 6,000 jobs in the supply sectors. Moreover, beer contributed almost 32,000 jobs in the hospitality sector and around 1,600 jobs in retail. In total, the employment impact of the production and sale of beer was estimated to be approximately 40,800 jobs.

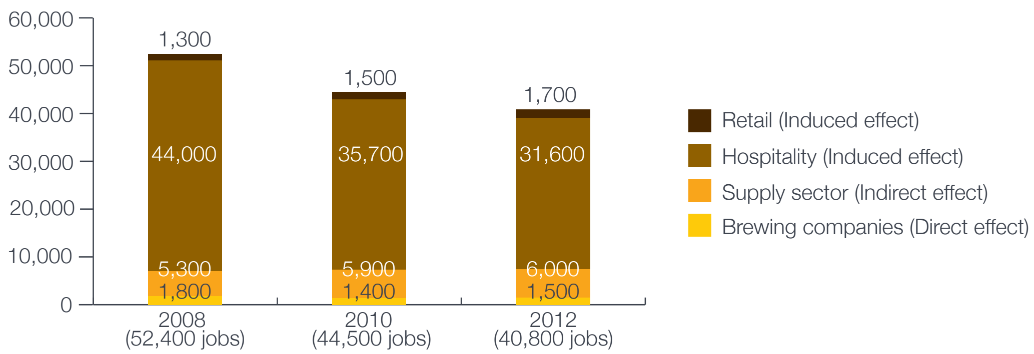
Figure 19.2 Total employment because of beer in 2012: 40,800 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of beer production and sales has decreased by approximately 22 percent. The increase in beer-related employment in the supply sector and the retail sector did not compensate for the loss of jobs in brewing companies and in the hospitality sector. A beer consumed in the hospitality sector creates more jobs than a beer bought in the retail sector, so the decrease in on-trade sales was an important reason for the loss of beer-related jobs.

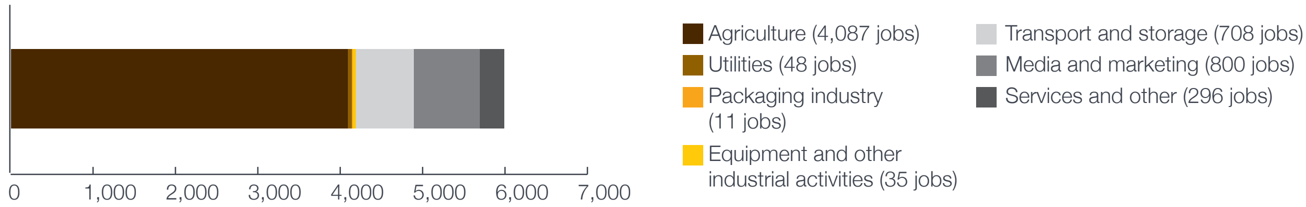
Figure 19.3 Development of employment (Δ2008-2012 = -22.1%)



Source: Calculations Regioplan (2013)

In 2012, the brewing sector created almost 6,000 jobs in supply sectors. By far the largest proportion of those jobs were created in agriculture, namely 68 percent.

Figure 19.4 Indirect employment in 2012: 6,000 jobs

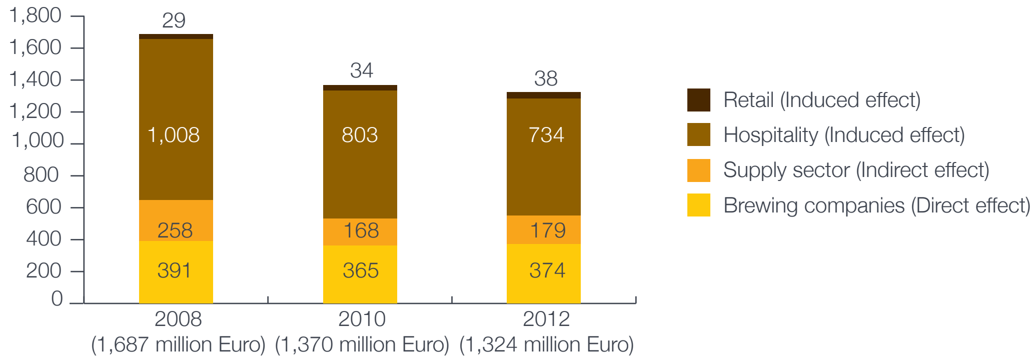


Source: Calculations Regioplan (2013)

19.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Irish economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer was estimated at 1,324 million Euro. Since 2008, the total value-added has fallen by 22.5 percent.

Figure 19.5 Development of value-added (Δ2008-2012 = -22.5%)



Source: Calculations Regioplan (2013)

19.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Irish beer production and sales were estimated at 1,225 million Euro. This means that the amount of government revenues were approximately 20 percent lower than in 2008.

Figure 19.6: Government revenues related to the production and sale of beer in 2012: 1,225 million Euro

Source: Calculations Regioplan (2013)

Table 19.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	427	320	308	-27.9%
VAT (on-trade sector) (million Euro)	543	423	486	-10.6%
VAT (off-trade sector) (million Euro)	99	101	119	+21.1%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	11	12	14	+23.0%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	317	289	298	-5.9%
Total government revenues (million Euro)	1,485	1,144	1,225	-17.5%

Source: Calculations Regioplan (2013)

20
Italy

20.1 | Country profile

Population	59,394,207
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	99

Source: Eurostat

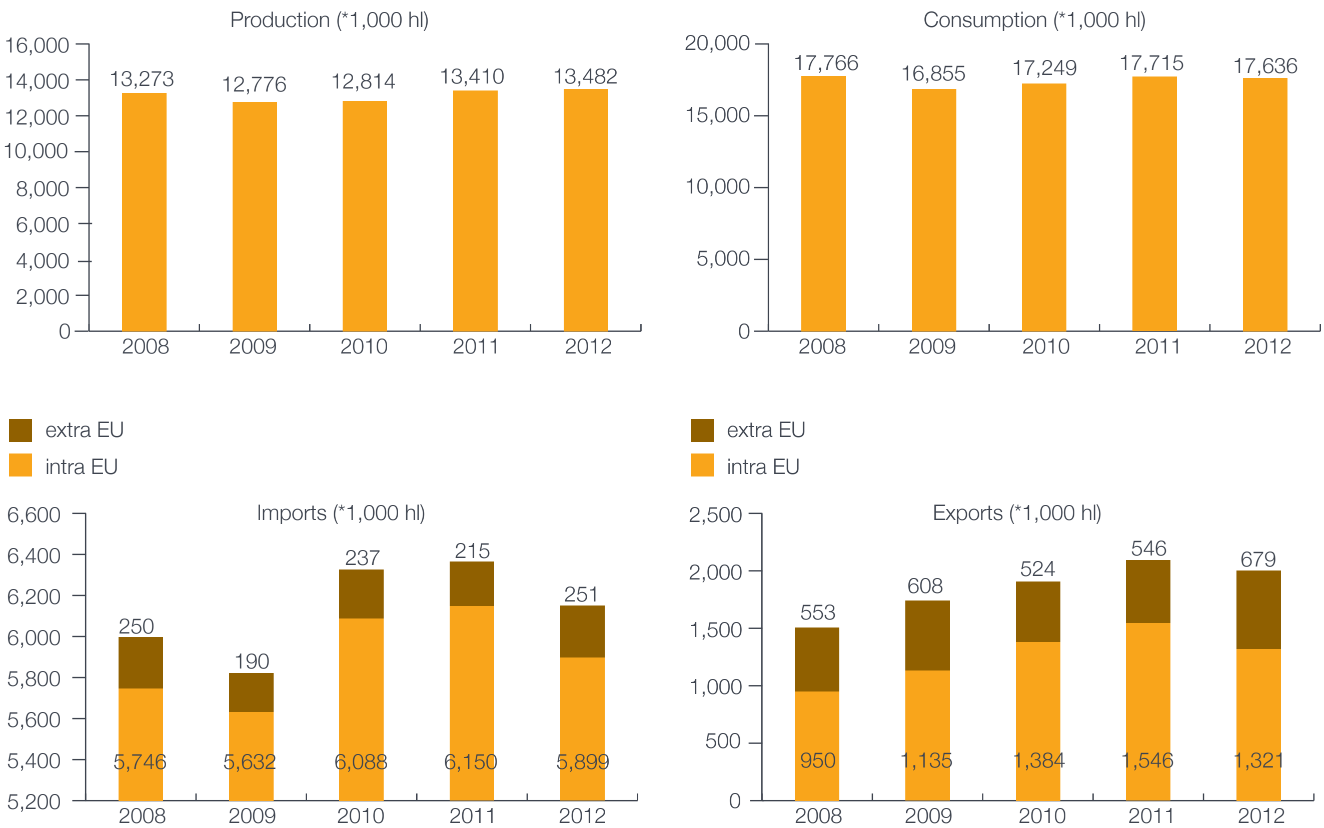
20.2 | Highlights Italy

Table 20.1 Economic impact of beer in Italy (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	143,800	139,400	136,100	-5.4%
Value-added (million Euro)	3,253	3,157	3,233	-0.6%
Government revenues (million Euro)	4,038	3,975	4,165	+3.1%

Source: Calculations Regioplan (2013)

Figure 20.1 Development of production*, consumption*, imports** and exports** (2008-2012) [1]



*Source: * Assobirra (2013) ** Eurostat (2013)*

1 Import and export figures for 2008 and 2009 were estimated on the basis of historical Eurostat data.

20.3 | Brewing sector

Table 20.2 Basic characteristics of the Italian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	13,273,000	12,776,000	12,814,000	13,410,000	13,482,000	+1.6%
Brewing companies	214	250	302	344	415	93.9%
Breweries (including microbreweries)	220	256	308	350	421	+91.4
Microbreweries	206	242	294	336	407	+97.6%

Source: Assobirra (2013)

In 2012, Italian brewing companies produced a total of 13,482,000 hectolitres of beer. Production has remained relatively stable over recent years, with a slight increase of 1.6 percent.

Italian brewing companies in total exported 2 million hectolitres of beer in 2012. Since 2008, there has been a significant increase of the total of exported beer, mainly because of the growth of one of the major brewing companies' brands. A considerable rise was shown in the number of breweries in 2012; compared to 2008 the number almost doubled.

20.4 | Beer market

Table 20.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	17,766,000	16,855,000	17,249,000	17,715,000	17,636,000	-0.7%
Total consumer spending (in million euro)	9,731	9,125	9,488	9,849	9,725	-0.1%
Consumption of beer per capita (in litres)	29.4	28.0	28.6	29.8	29.5	+0.3%
Beer consumption on-trade (hospitality)	44.0%	44.0%	43.0%	41.8%	41.0%	-3.0%
Beer consumption off-trade (retail)	56.0%	56.0%	57.0%	58.2%	59.0%	+3.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	9.87	10.10	10.30	10.60	10.60	+7.4%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.81	1.85	1.88	1.94	1.98	+9.4%

Source: Assobirra (2013)

As with production, the total consumption of beer in Italy and the total consumer spending remained relatively stable over recent years, at around 17 million hectolitres. In 2012, the consumption of beer per capita was at almost the same level as in 2008, with a slight increase. Compared with other EU countries, the consumption per capita was low, at 30 litres.

20.5 | Trends and developments

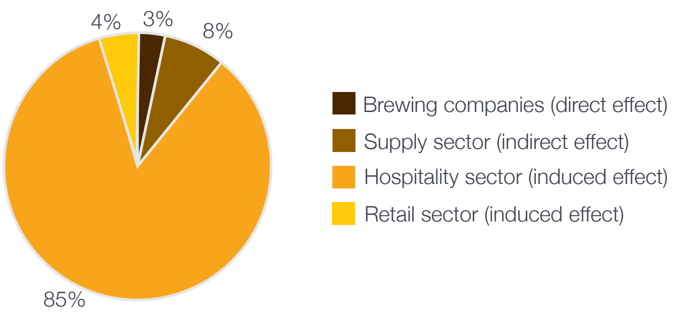
The hospitality sector is suffering from the economic crisis, while the trend for more beer to be consumed at home is, as in many other European countries, also seen in Italy. Nevertheless the consumption of beer per capita in Italy remained stable. To enhance positive developments, Italian brewing companies have been developing new and innovative products. The Italian beer market has a major influence on the economy, and Italian brewing companies are focusing on innovation, sustainability and responsible consumption.

According to the Italian brewers' association, the economic crisis increased the market share of cheaper beers and private-label beers, while the market share of mainstream and premium beers decreased. At the same time, super premium beers and speciality beers gained market share due to the curiosity of Italian consumers towards craft food and beverage products, and 'new beer styles' have gained in popularity. Moreover, consumers with higher purchasing power shifted from super premium to specialty beers while other consumers shifted from cheaper beers and wine (with a higher alcohol content) to more specialty beers because of stricter BAC controls. This led to drinking less and spending the same amount of money on speciality beers which are more expensive. Consumers were drinking smaller volumes, but spending the same money on more expensive products.

20.6 | Employment related to beer

In 2012, approximately 4,700 people were employed in Italian brewing companies. Alongside this direct employment, the Italian brewing sector also generated indirect employment via a number of supply sectors, the retail and the hospitality sectors. The hospitality sector had by far the largest share, with around 115,000 jobs.

Figure 20.2 Total employment because of beer in 2012: 136,100 jobs

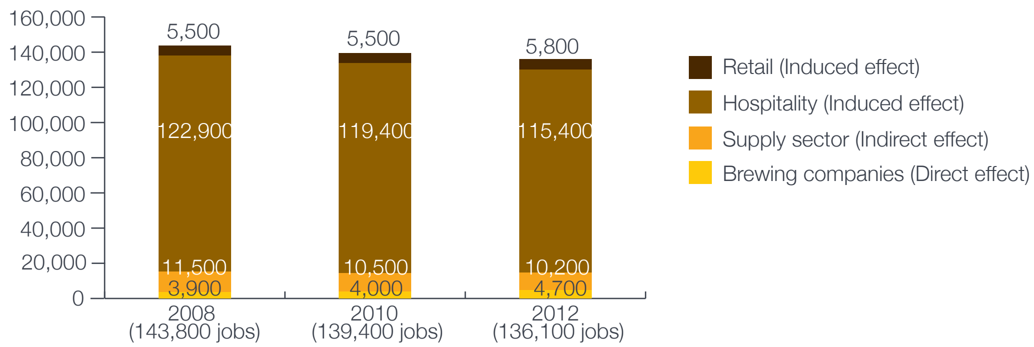


Source: Calculations Regioplan (2013)

Compared to 2008, total employment generated by the production and sale of beer in Italy decreased by 5.4 percent. This decline was almost exclusively in the hospitality sector which showed a decline of around 4,000 jobs between 2010 and 2012, since more beer was consumed at home. Despite the reduction in the hospitality sector, direct employment in the brewing sector increased by 800 jobs compared to 2008.

Particularly due to the fast growth of microbreweries, the super-premium and speciality beer segment grew significantly. Microbreweries have a substantially lower productivity, so the market share they gained translated into greater employment compared to the same volume previously produced by the larger brewing companies. Due to the growing popularity of beer brewed by microbreweries, the employment in these larger companies decreased slightly. The development of employment in the other sectors remained relatively stable.

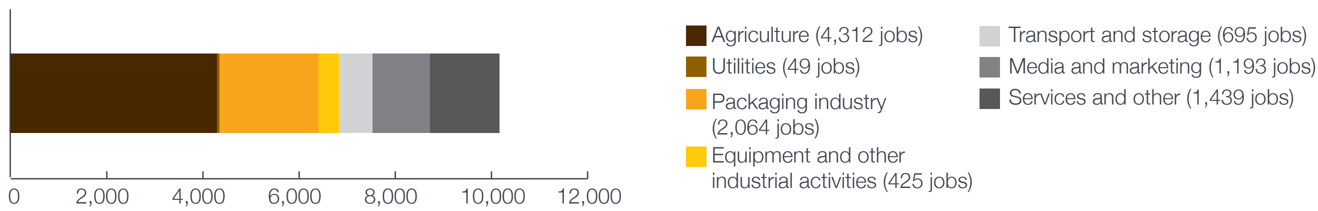
Figure 20.3 Development of employment (Δ2008-2012 = -5.4%)



Source: Calculations Regioplan (2013)

The largest share of indirect employment due to beer was created in the agricultural sector. Almost half of the indirect employment was generated within this sector. In September 2010, the Italian Parliament enacted a law declaring beer to be an agricultural product, provided that 51 percent of the raw material was self-produced. This had consequential fiscal advantages. Other substantial effects of indirect employment could be seen in the packaging industry and the services sector.

Figure 20.4 Indirect employment in 2012: 10,200 jobs

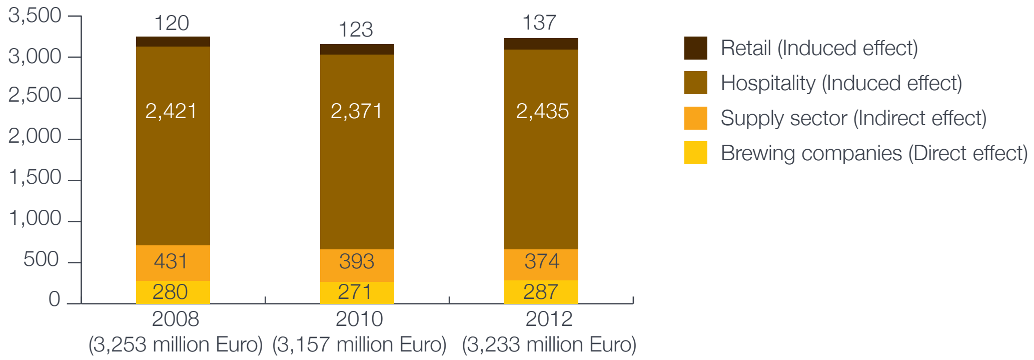


Source: Calculations Regioplan (2013)

20.7 | Value-added related to beer

Besides the impact on employment, the Italian brewing sector also contributes to the economy in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Italy was estimated to be 3,233 million Euro, about the same amount as in 2008. Compared to 2010, all services, except the supply sector, added more value to their services and products.

Figure 20.5 Development of value-added (Δ2008-2012 = -0.6%)

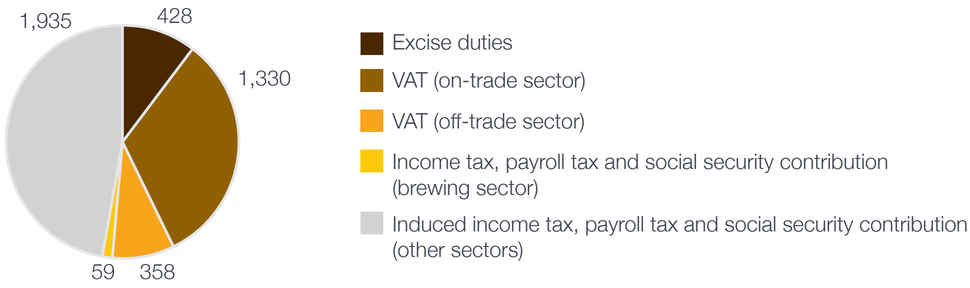


Source: Calculations Regioplan (2013)

20.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Italian beer production and sales were estimated to be around 4 million Euro. This was a growth of approximately 3 percent compared to the total government revenues in 2008. This total increase was mainly the result of a substantial 22.4 percent increase in VAT revenues in the retail sector.

Figure 20.6: Government revenues related to the production and sale of beer in 2012: 4,165 million Euro



Source: Calculations Regioplan (2013)

Table 20.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	466	439	428	-8.2%
VAT (on-trade sector) (million Euro)	1,330	1,273	1,330	+0,0%
VAT (off-trade sector) (million Euro)	292	308	358	+22.4%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	62	66	59	-5.3%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	1,850	1,885	1,935	+4.6%
Total government revenues (million Euro)	4,038	3,975	4,165	+3.1%

Source: Calculations Regioplan (2013)

21
Latvia

21.1 | Country profile

Population	2,041,763
Currency	Latvian Lats (LVL)
GDP per capita in PPS (2012, EU28 = 100)	62

Source: Eurostat

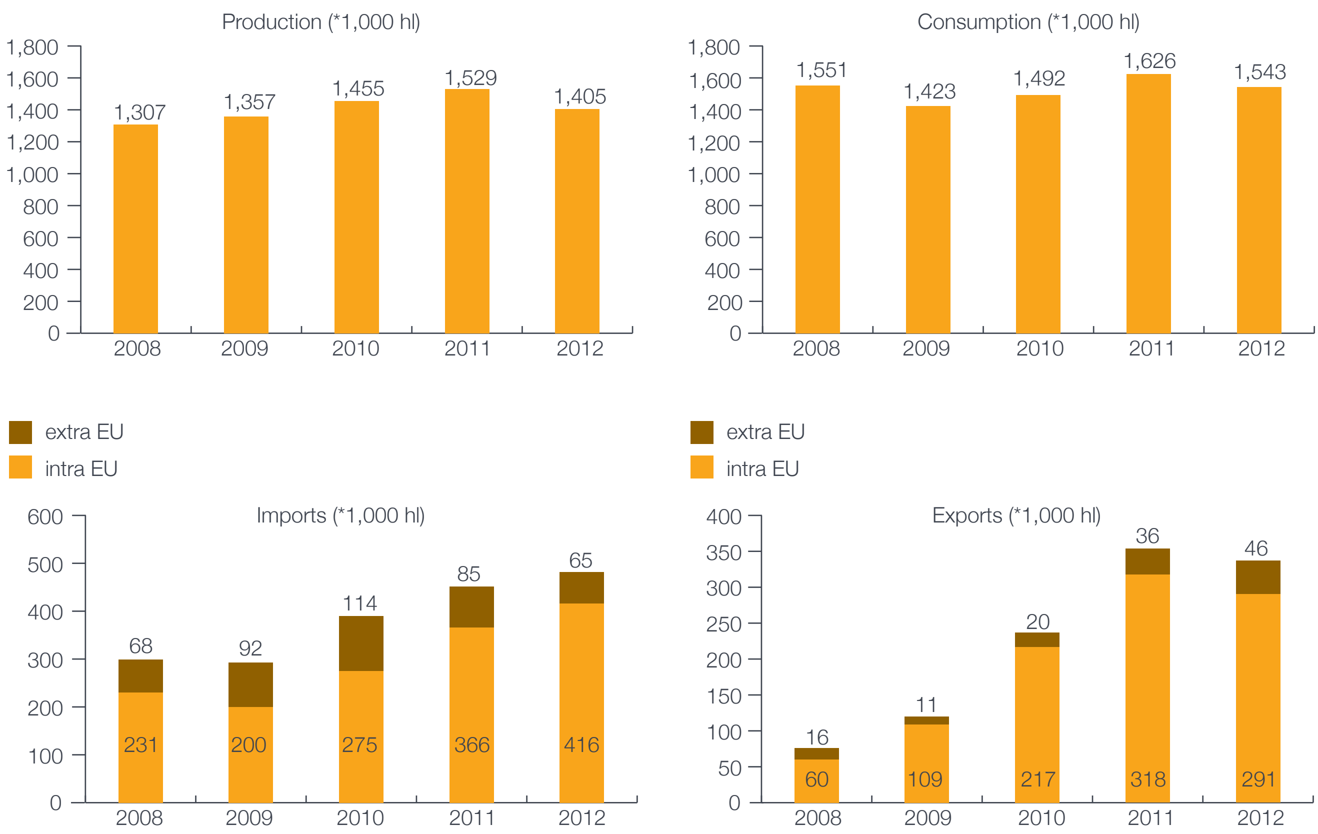
21.2 | Highlights Latvia

Table 21.1 Economic impact of beer in Latvia (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	4,900	4,500	4,800	-2.0%
Value-added (million Euro)	76	79	85	+11.8%
Government revenues (million Euro)	63	71	80	+25.9%

Source: Calculations Regioplan (2013)

Figure 21.1Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: *Brewers' Association of Latvia (2013) **Eurostat (2013)*

21.3 | Brewing sector

Table 21.2 Basic characteristics of the Latvian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	1,307,000	1,357,400	1,455,000	1,529,000	1,405,200	+7.5%
Brewing companies	17	17	15	16	16	-5.9%
Breweries	17	17	15	16	16	-5.9%

Source: Brewers' Association of Latvia (2013)

Although Latvia is a relatively small country, it has a substantial brewing sector. Sixteen breweries are located within the Latvian borders.

There are three big brewing companies with a total market share of 80 percent. Private labels account for approximately 8 percent market share. All the other breweries have a market share of less than 3 percent.

After a period of growth, Latvian beer production decreased in 2012 to 1.4 million hectolitres. The period of growth can be explained by increased exports of Latvian beer to other EU Member States as well as to third countries in the period 2008 to 2011. The decreased production in 2012 is the result of a fall in consumption.

21.4 | Beer market

Table 21.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	1,551,000	1,423,400	1,492,350	1,626,000	1,542,700	-0.5%
Total consumer spending (in million Euro)	194	132	180	203	199	+2.4%
Consumption of beer per capita (in litres)	68.3	69.0	69.8	74.0	76.0	+11.3%
Beer consumption on-trade (hospitality)	7.0%	6.0%	6.0%	8.0%	8.0%	+1.0%
Beer consumption off-trade (retail)	93.0%	94.0%	94.0%	92.0%	92.0%	-1.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	3.00	2.90	2.62	2.15	2.87	-4.4%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.19	1.17	1.11	1.17	1.15	-3.4%

Source: Brewers' Association of Latvia (2013)

After a period of severe economic downturn, the purchasing power of Latvians is growing again. As a result, beer consumption peaked at 1.6 million hectolitres in 2011. However, in 2012 the consumption dropped again. The vast majority of Latvian beer sales was through retail. Approximately 92 percent of the beer sold was consumed at home.

21.5 | Trends and developments

According to the Latvian brewers' association, a couple of developments are occurring in the national beer market. Just like other EU countries, Latvian brewers saw their sales decrease substantially during the economic downturn. However, the premium beer segment and the market share of microbreweries were increasing. In recent years Latvian brewing companies tried to enhance their importance to the economy by introducing innovative products into the market.

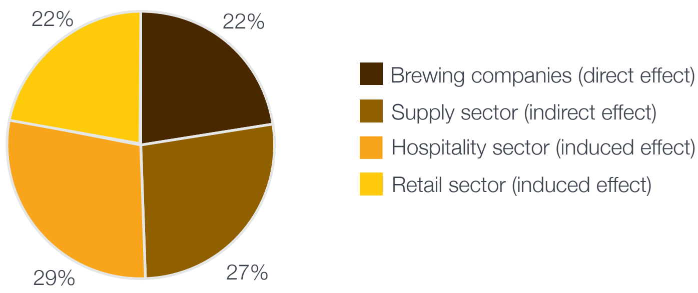
In Latvia, the PET share was almost 50 percent of the total market. However, the segment was decreasing, while branded beer and craft beers were increasing.

The association commented that important developments for the near future were the imposition of a higher beer excise duty rate in 2014 and a restriction of the rules for advertising beer. An example of newly imposed restrictions on the beer trade was a plan to introduce a ban on outdoor beer sales.

21.6 | Employment related to beer

The Latvian brewing sector generated 4,800 jobs in 2012, of which 1,100 people were employed directly in the Latvian brewing companies. Besides this direct employment in brewing companies, Latvian beer production also creates a substantial amount of indirect employment in supply sectors. In 2012, the indirect employment related to the production and sale of beer in Latvia consisted of more than 1,300 jobs. The brewing sector also creates employment in the hospitality and retail sectors. In 2012, the Latvian beer sector generated almost 1,100 jobs in the retail sector and more than 1,400 jobs in the hospitality sector.

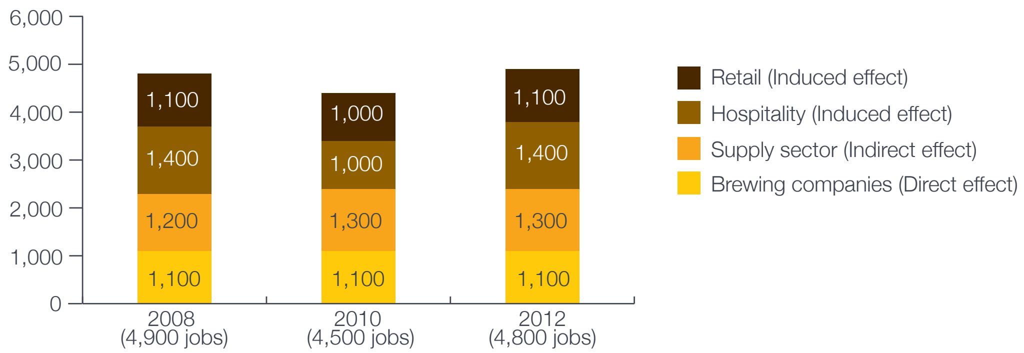
Figure 21.2 Total employment because of beer in 2012: 4,800 jobs



Source: Calculations Regioplan (2013)

The total employment effect related to the production and sale of beer increased over recent years and was similar in 2012 to the 2008 level.

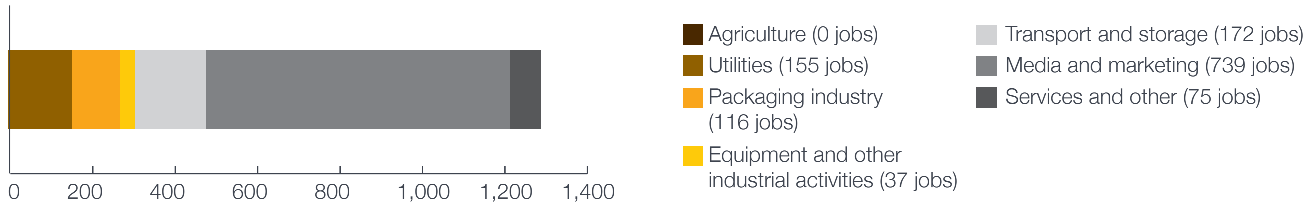
Figure 21.3 Development of employment (Δ2008-2012 = -2.0%)



Source: Calculations Regioplan (2013)

The employment effect related to the purchases of brewing companies was especially large in the media and marketing sector.

Figure 21.4 Indirect employment in 2012: 1,300 jobs

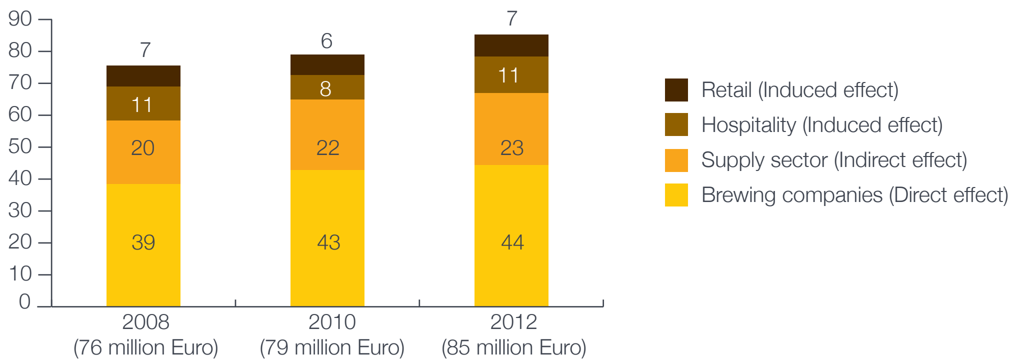


Source: Calculations Regioplan (2013)

21.7 | Value-added related to beer

On top of the employment related to the sector, Latvian beer consumption and sales also contribute to the economy in terms of value-added. While the value-added remained relatively stable during the period 2008-2010, over the last two years there was an increase from 79 to 85 million Euro. This was caused partly by the small increase in the employment effect. Because of this, more employees were generating value for the Latvian economy. The remaining increase in value-added could be explained by inflation.

Figure 21.5 Development of value-added (Δ2008-2012 = +11.8%)

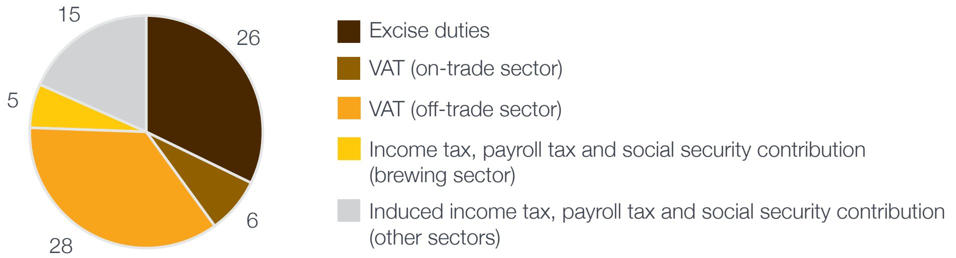


Source: Calculations Regioplan (2013)

21.8 | Government revenues related to beer

It can be concluded that the Latvian national treasury benefitted significantly from the brewing sector. The revenues from excise duties, VAT and income-related contributions related to Latvian beer production and sales in 2012 were estimated at 80 million Euro. This means that government revenues have increased by 25.9 percent since 2008. There were two broad developments that caused this increase. Firstly, the excise duty rate applicable to beer was increased sharply in 2009. Secondly, the revenues from personal income related taxes and contributions increased considerably.

Figure 21.6: Government revenues related to the production and sale of beer in 2012: 80 million Euro



Source: Calculations Regioplan (2013)

Table 21.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	15	25	26	+71.1%
VAT (on-trade sector) (million Euro)	6	4	6	+8.7%
VAT (off-trade sector) (million Euro)	28	27	28	+1.2%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	3	4	5	+44.8%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	11	11	15	+29.5%
Total government revenues (million Euro)	63	71	80	+25.9%

Source: Calculations Regioplan (2013)

22 Lithuania

22.1 | Country profile

Population	3,003,641
Currency	Litas
GDP per capita in PPS (2012, EU28 = 100)	70

Source: Eurostat

22.2 | Highlights Lithuania

Table 22.1 Economic impact of beer in Lithuania (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	14,600	13,000	12,600	-13.7%
Value-added (million Euro)	162	141	147	-9.4%
Government revenues (million Euro)	160	152	154	-4.1%

Source: Calculations Regioplan (2013)

Figure 22.1 Development of production*, consumption*, imports** and exports** (2008-2012)

*Source: * Lithuanian Brewers' Association (2013) ** Eurostat (2013)*

22.3 | Brewing sector

Table 22.2 Basic characteristics of the Lithuanian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	3,074,000	2,794,000	2,925,000	2,922,000	2,840,600	-7.6%
Brewing companies	54	48	42	73	73*	+35.2%
Breweries	55	49	41	73	73	+32.7%

** 73 Is the official number of companies with a license to produce beer; approximately 50 of them produced beer in 2012.*

Source: Lithuanian Brewers' Association (2013)

In 2012, 2.8 million hectolitres of beer were produced by 73 breweries based in Lithuania, mainly produced by ten large brewing companies. The production of beer in Lithuania declined by almost 8 percent since 2008.

The brewery landscape changed over the years. The number of active brewing companies in Lithuania increased by approximately a third between 2008 and 2012. This indicates that although the volume of beer produced declined, the diversity of the market substantially increased. Lithuania is home to a large number of small and microbreweries producing beer for the national market. With a population of only 3 million individuals, 73 brewing companies are located within Lithuanian borders. Many of them are small or medium enterprises.

22.4 | Beer market

Table 22.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	3,040,000	2,794,000	2,924,806	2,932,000	2,878,500	-5.3%
Total consumer spending (in million Euro)	371	358	358	346	344	-7.3%
Consumption of beer per capita (in litres)	91.3	83.4	90.0	95.6	95.8	+4.9%
Beer consumption on-trade (hospitality)	10.0%	10.0%	9.0%	9.0%	8.0%	-2.0%
Beer consumption off-trade (retail)	90.0%	90.0%	91.0%	91.0%	92.0%	+2.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	2.30	2.41	2.59	2.58	2.61	+13.3%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.10	1.15	1.09	1.04	1.07	-2.6%

Source: Lithuanian Brewers' Association (2013)

Beer has always been a popular drink for Lithuanians. Although domestically brewed beer is still the most popular in Lithuania, imported beers, both from inside and outside the EU, are gaining in popularity. Until 2003, only 2 percent of the beer consumption was imported, whereas it was 10 percent in 2012.

Traditionally, the majority of the beer sales occurred in the retail sector. In 2012, 92 percent of beer was consumed at home; in 2010 this figure was 90 percent.

Total beer consumption in Lithuania declined by over 5 percent. According to the Lithuanian brewers' association, the drop in consumption could be attributed to the migration of Lithuanians for economic reasons.

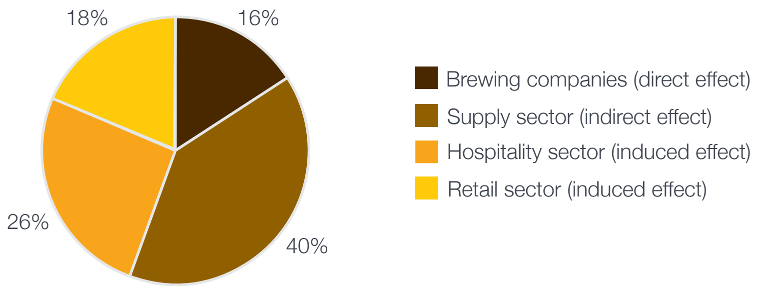
22.5 | Trends and developments

Over the last years, per capita beer consumption increased. This rise can partly be explained by demographic developments. The number of beer consumers decreased due to economic migration: Lithuanians searched for (better) employment opportunities in the other EU Member States. Over two years, the population of Lithuania declined from 3,244,601 to 3,003,641.

22.6 | Employment related to beer

In 2012, approximately 2,000 people were employed in Lithuanian brewing companies. Alongside this direct employment, the production of beer in Lithuania also created indirect employment within a number of supply sectors and the retail and hospitality sectors. In 2012, beer generated more than 5,000 jobs in the supply sectors. Moreover, beer contributed almost 3,250 jobs in the hospitality sector and around 2,300 jobs in the retail sector. In total, the employment impact of the production and sale of beer was estimated to be approximately 12,600 jobs.

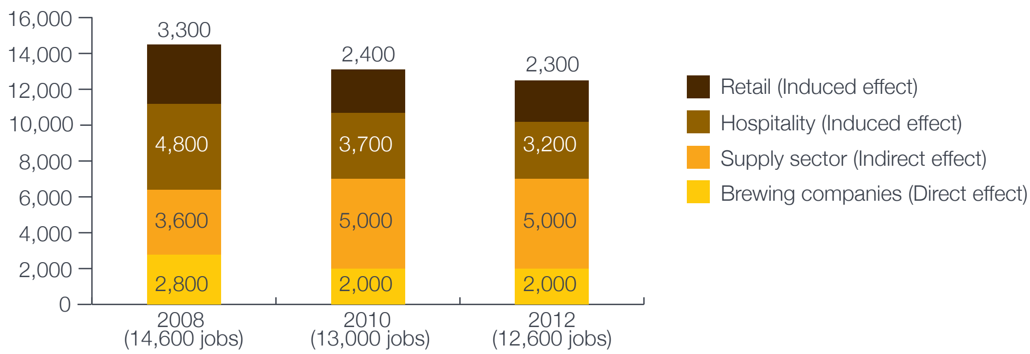
Figure 22.2 Total employment because of beer in 2012: 12,600 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of beer production and sales decreased by almost 14 percent. Employment by brewing companies, hospitality and retail decreased sharply, whilst more jobs were created in the supply sector. This could be explained by the fact that new and existing brewing companies buy relatively more goods and services within Lithuania.

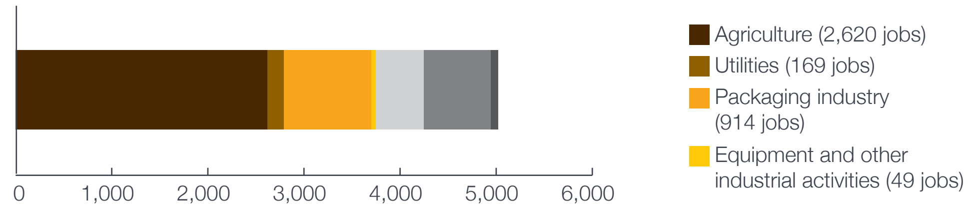
Figure 22.3 Development of employment (Δ2008-2012 = -13.7%)



Source: Calculations Regioplan (2013)

In 2012, the brewing sector created more than 5,000 jobs via the supply chain, with by far the majority being in agriculture (52 percent of the total supply sector).

Figure 22.4 Indirect employment in 2012: 5,000 jobs



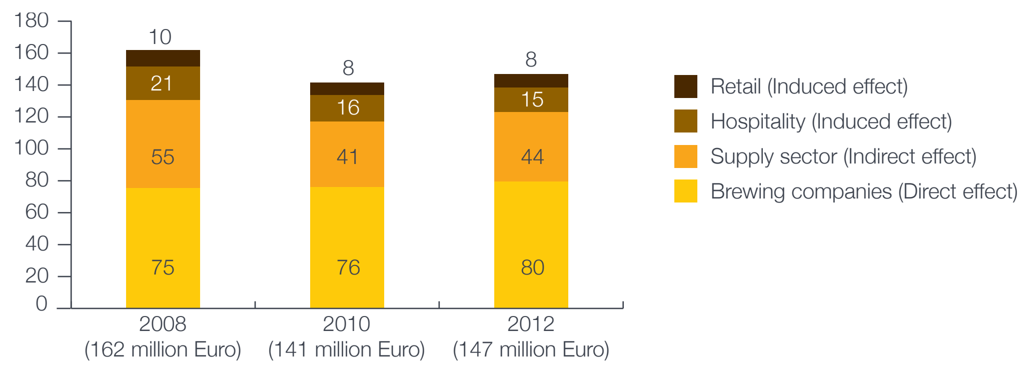
Source: Calculations Regioplan (2013)

22.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Lithuanian economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Lithuania was estimated to be 147 million Euro.

Since 2008, the total value-added decreased by more than 9 percent. We note that this was primarily caused by the decrease of value-added generated within the hospitality sector.

Figure 22.5 Development of value-added (Δ2008-2012 = -9.3%)



Source: Calculations Regioplan (2013)

22.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Lithuanian beer production and sales were estimated at 154 million Euro. This means that the amount of government revenues was almost 4 percent lower than in 2008. Excise duties increased over the years, while income tax and social contributions decreased.

Figure 22.6: Government revenues related to the production and sale of beer in 2012: 154 million Euro

Source: Calculations Regioplan (2013)

Table 22.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	40	44	46	+15.4%
VAT (on-trade sector) (million Euro)	11	12	10	-2.3%
VAT (off-trade sector) (million Euro)	46	50	49	+7.3%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	8	9	10	+25.0%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	55	37	37	-32.7%
Total government revenues (million Euro)	160	152	154	-4.1%

Source: Calculations Regioplan (2013)

23
Luxembourg

23.1 | Country profile

Population	524,853
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	272

Source: Eurostat

23.2 | Highlights Luxembourg

Table 23.1 Economic impact of beer in Luxembourg (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	2,100	1,700	1,600	-23.8%
Value-added (million Euro)	87	78	81	-7.5%
Government revenues (million Euro)	60	57	61	+2.0%

Source: Calculations Regioplan (2013)

Figure 23.1 Development production, consumption, imports and exports (2008-2012) [1]

Source: Luxembourgish Brewers' Association (2013)

1 For this EU member the exports and imports data are obtained from the national beer association. These data differ from Eurostat figures.

23.3 | Brewing sector

Table 23.2 Basic characteristics of the Luxembourgish brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	312,000	308,000	310,000	302,000	293,000	-6.1%
Brewing companies	5	6	7	7	7	+40.0%
Breweries (including microbreweries)	5	6	7	7	7	+40.0%
Microbreweries	2	3	4	4	4	+100.0%

Source: Luxembourgish Brewers' Association (2013)

The Luxembourgish brewing sector has seven active brewing companies. Two of them are relatively large with an annual production of over 140,000 hectolitres. A third company has an annual production of around 16,000 hectolitres. Besides these three brewing companies, there are four microbreweries. Altogether the brewing companies produced 293,000 hectolitres of beer in 2012, 6 percent less than in 2008.

Foreign brewing companies also play a substantial role in the Luxembourgish beer market, and many international brands can be purchased in Luxembourg.

23.4 | Beer market

Table 23.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	346,000	320,000	317,000	325,000	319,000	-7.8%
Total consumer spending (in million Euro)	160	133	146	152	163	+1.4%
Consumption of beer per capita (in litres)	93.7	85.7	85.0	85.0	83.4	-11.0%
Beer consumption on-trade (hospitality)	60.0%	60.0%	55.0%	55.0%	52.0%	-8.0%
Beer consumption off-trade (retail)	40.0%	40.0%	45.0%	45.0%	48.0%	+8.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	6.66	5.85	6.50	6.70	7.50	+12.6%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.60	1.65	2.32	2.20	2.50	+56.3%

Source: Luxembourgish Brewers' Association (2013)

Although Luxembourg is one of the EU' smaller countries, beer sales are relatively high. In 2012, the consumption of beer in Luxembourg entailed 319,000 hectolitres, whilst the total population is slightly over 500,000. Next to this, a substantial volume of beer (approximately 100,000 hectolitres) is part of the cross-border sales, leading to an actual total consumption of approximately 415,000 hectolitres in 2012. Due to its size and the way it is situated between Germany, Belgium and France, cross-border commerce, mainly to Belgium, is very important for the Luxembourg economy.

This economy cannot be considered as standing alone, it should be perceived as part of the regional market. Prominent examples of this are that 56 percent of the active population (workforce) lives abroad and 45 percent of the inhabitants are foreign.

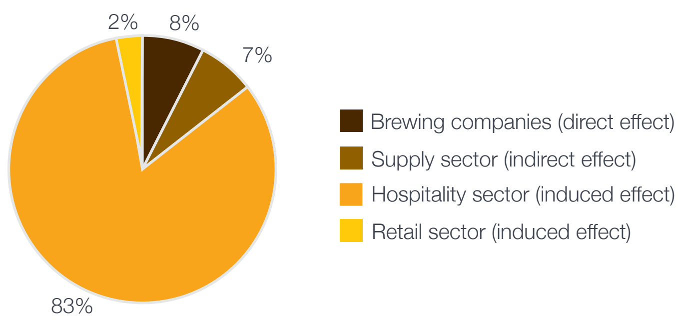
23.5 | Trends and developments

Consumer preferences for beer in Luxembourg have changed over time. Consumers are interested in a greater variety of beers, although lager beer represents approximately 90 percent of the total beer consumption. The brewing sector has worked hard to adapt its beer range to changing consumer tastes.

23.6 | Employment related to beer

In 2012, approximately 125 people were employed in brewing companies in Luxembourg. Alongside this direct employment, the production of beer in Luxembourg also creates indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, beer generated more than 100 jobs in the supply sectors. Moreover, beer contributed almost 1,400 jobs in the hospitality sector and around 40 jobs in the retail sector. In total, the employment impact of the production and sale of beer was estimated to be approximately 1,600 jobs.

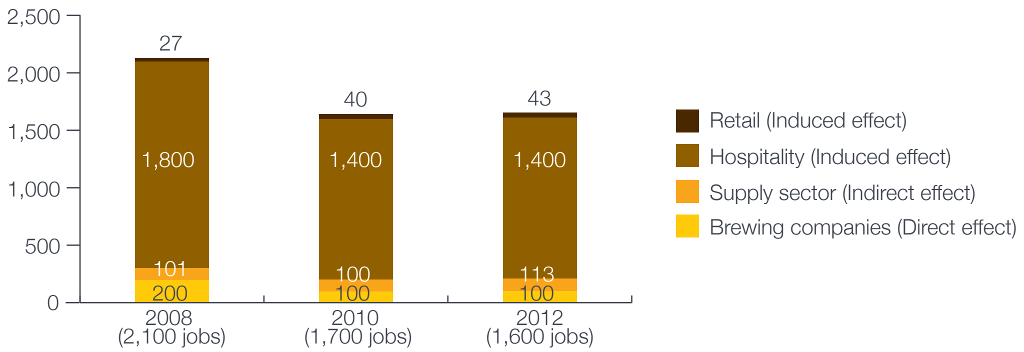
Figure 23.2 Total employment because of beer in 2012: 1,600 jobs



Source: Calculations Regioplan (2013)

Between 2008 and 2012, the total employment impact of beer production and sales decreased by over 20 percent. Most jobs were lost in the hospitality sector because of a sharp decrease in the percentage of beer consumed in the on-trade sector. In 2008, 60 percent of total beer consumption was sold by hospitality outlets. By 2012, the percentage had dropped to 52 percent. Given that selling beer in the hospitality sector is more labour-intensive than in the retail sector, a negative employment effect occurred.

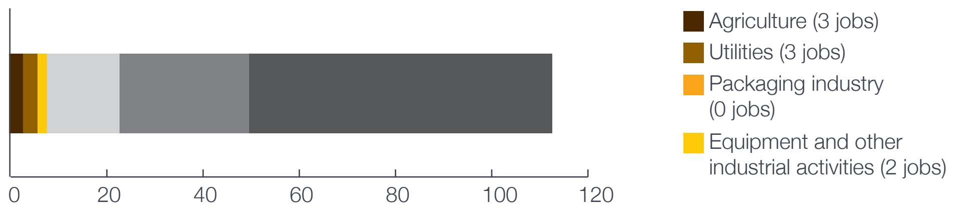
Figure 23.3 Development of employment (Δ2008-2012 = -24.0%)



Source: Calculations Regioplan (2013)

In 2012, the brewing sector created some 110 jobs via the Luxembourgish supply chain, mostly in services. The media and marketing sector also benefitted from the brewing companies.

Figure 23.4 Indirect employment in 2012: 110 jobs



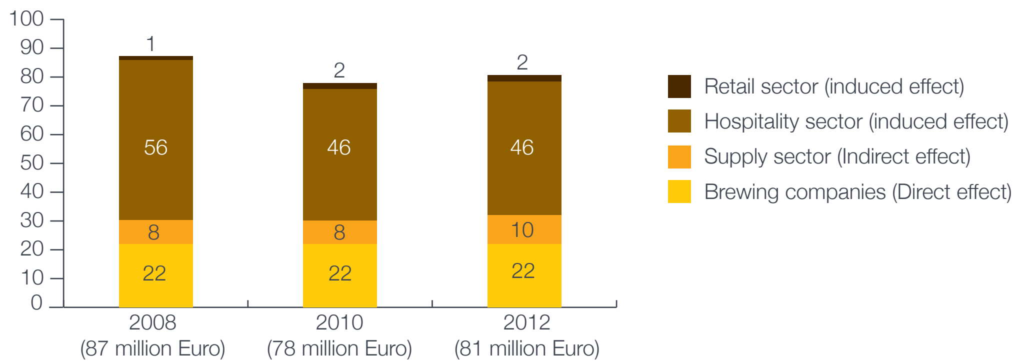
Source: Calculations Regioplan (2013)

23.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Luxembourgish economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Luxembourg was estimated to be 81 million Euro.

Since 2008, the total value-added has decreased by 7 percent. This was primarily caused by the decrease in value-added generated within the hospitality sector.

Figure 23.5 Development of value-added (Δ2008-2012 = -7.0%)

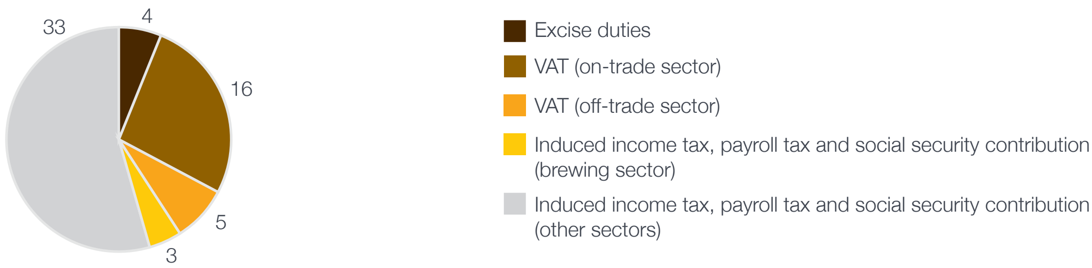


Source: Calculations Regioplan (2013)

23.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Luxembourgish beer production and sales were estimated to be approximately 61 million Euro. This means that the amount of government revenues has been relatively stable since 2008. The greatest loss in government revenues was those taxes collected in the hospitality sector.

Figure 23.6: Government revenues related to the production and sale of beer in 2012: 61.1 million Euro



Source: Calculations Regioplan (2013)

Table 23.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	3	4	4	+28.3%
VAT (on-trade sector) (million Euro)	18	15	16	-10.0%
VAT (off-trade sector) (million Euro)	3	4	5	+72.9%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	3	3	3	+5.9%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	33	31	33	-0.3%
Total government revenues (million Euro)	60	57	61	+2.0%

Source: Calculations Regioplan (2013)

24

Netherlands

24.1 | Country profile

Population	16,730,348
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	129

Source: Eurostat

24.2 | Highlights the Netherlands

Table 24.1 Economic impact of beer in the Netherlands (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	84,300	77,100	71,900	-14.7%
Value-added (million Euro)	3,135	2,791	2,716	-13.4%
Government revenues (million Euro)	2,037	2,161	2,246	+10.2%

Source: Calculations Regioplan (2013)

Graph 24.1 Development of production, consumption, imports and exports (2008-2012) [1]

Source: Nederlandse Brouwers (2013)

1 For this EU Member State the export and import data were obtained from the national brewers' association. These data differ from Eurostat data. Import figures for 2008 and 2009 were collected in a different way by the Nederlandse Brouwers than the recent import figures.

24.3 | Brewing sector

Table 24.2 Basic characteristics of the Dutch brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)*	27,180,868	25,376,000	24,218,000	23,644,000	24,271,000	-10.7%
Brewing companies	68	-	-	120	160	+135.3
Breweries (including microbreweries)	72	-	-	125	165	+129.2

* *Figures concern only the production volume of members of Nederlandse Brouwers*

Source: Nederlandse Brouwers (2013)

At the end of 2012, the Dutch brewing sector consisted of 165 active breweries, including 42 new small breweries, of which 22 had an annual production of no more than 1,000 hectolitres. In 2012, the largest eight Dutch brewing companies represented 95 percent of the total beer production in the Netherlands. One of the world's largest brewing companies is also Dutch. The larger companies traditionally have a strong international orientation and are among the most efficient in the EU.

Of all beer produced in the Netherlands, more than 60 percent is exported to both EU Member States and third countries. With a share of 1.6 percent in world beer production, Dutch beer exports accounted for 16 percent of world beer exports. That makes the Netherlands one of the largest beer exporters in the world. The majority of the extra-EU exports are to North America, while Dutch beer is also widely supplied within the European Union. The United Kingdom and Spain are the EU Member States which consume most Dutch beer. Rising export markets for Dutch beer are on the African and Asian continents.

In recent years, the number of microbreweries and craft brewers has grown rapidly. Local beers are becoming more popular. This resulted in a wide variety of Dutch beers becoming available in the market. Dutch consumers are becoming more interested in different beer styles. As a result, more and more events, such as festivals, are organised around beer throughout the year.

24.4 | Beer market

Table 24.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	12,910,101	12,036,000	11,956,000	11,974,000	12,122,000	-6.1%
Total consumer spending (in million Euro)	4,428	4,233	4,555	4,369	4,597	+3.8%
Consumption of beer per capita (in litres)	79	73	72	72	72	-8.9%
Beer consumption on-trade (hospitality)	28.5%	26.3%	27.0%	26.0%	27.0%	-1.5%
Beer consumption off-trade (retail)	71.5%	73.7%	73.0%	74.0%	73.0%	+1.5%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	8.75	9.42	9.51	10.05	10.45	+19.5%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.46	1.60	1.41	1.40	1.33	-8.9%

Source: Nederlandse Brouwers (2013)

Beer consumption dropped by more than 6 percent in 2009, following a 30 percent excise duty increase. Because of this increase, more consumers have been buying beer in Belgium and Germany where excise duty rates are much lower. According to a publication by Regioplan earlier this year, this is harming the Dutch economy substantially in terms of employment and government revenues.[1] Tax revenues are leaking to Germany and Belgium, and Dutch retailers and hospitality entrepreneurs in the border region also suffer from cross-border shopping. In the years following the excise duty increase, beer consumption remained more or less stable in the Netherlands.

In terms of consumer preferences, the low-price segment is growing at the expense of the premium brands.

Other trends are the ongoing rise in alcohol-free/low-alcohol beer consumption, a further decrease in regular pilsner-consumption and the rising consumption of 'specialty' beers.

As can be seen in table 24.3, over recent years the market share of the off-trade segment increased slightly at the expense of the on-trade segment. In the off-trade, there was strong pressure on beer prices, because of intense competition between retailers. Beer is used as a traffic builder for other groceries. The shift from off-trade to on-trade, as well as the price pressure in the retail sector, are the result of the economic crisis, as a consequence of which consumers are down-trading.

24.5 | Trends and developments

Due to increasing differentials between excise duty rates applicable to beer in the Netherlands, Germany and Belgium, cross border beer shopping between these countries is growing. In the Netherlands, the brewing sector has been confronted with substantial increases in excise duties: 30 percent in 2009, 10 percent in 2013 and a further increase of 5.75 percent is anticipated for 2014.

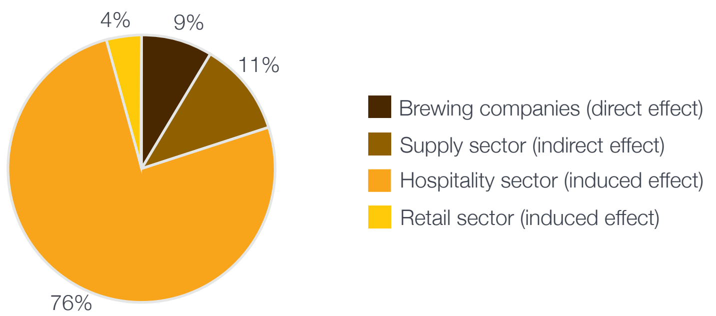
In reaction to the changing preferences of Dutch beer consumers, brewers have been developing a range of innovative products. These new varieties are mostly non-alcoholic beers or flavoured mixed beers. As a result there is a wider variety of beers available in both the on-trade and off-trade sectors nowadays.

Dutch brewers are also trying to grow the export of beers to third countries by defending current positions in foreign markets and seeking new opportunities in emerging markets in Africa and Asia.

24.6 | Employment related to beer

The Dutch brewing sector is a major contributor to the Dutch economy. Beer is mostly produced locally in the Netherlands, generating many jobs in the Netherlands. In 2012, approximately 6,300 people were employed in Dutch brewing companies. Alongside this direct employment, the production of beer in the Netherlands also creates indirect employment via a number of supply sectors and the retail and hospitality sectors. Our calculations show that in 2012 beer generated more than 8,300 jobs in the supply sectors. Moreover, beer contributed almost 54,700 jobs in the hospitality sector and around 2,700 jobs in the retail sector. In total, the employment impact of the production and sale of beer in the Netherlands is estimated to be approximately 71,900 jobs.

Graph 24.2 Total employment because of beer in 2012: 71,900 jobs

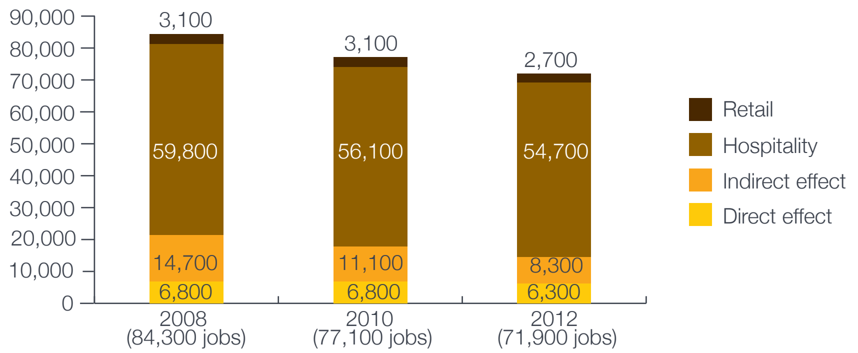


Source: Calculations Regioplan (2013)

1 Regioplan (2013) Nog een rondje van de buren: Verdiepend onderzoek gevolgen accijnsverhoging bier.

Since 2008, the total employment impact of beer production and sales has declined by approximately 15 percent. The main reason for this is that beer is increasingly consumed at home rather than in bars and restaurants. Besides the decrease in the beer-related employment in the hospitality sector, the other categories of beer-related employment also declined over the years. This decrease followed a 30 percent excise duty increase in 2009. In that year, beer sales decreased by 6 percent, resulting in a loss of employment and putting brewing companies under increased pressure. Other developments that influenced the employment effect negatively were fierce competition between brewing companies due to the saturated market, strong price competition in the off-trade segment and the smoking ban that was introduced in the hospitality sector in 2009.

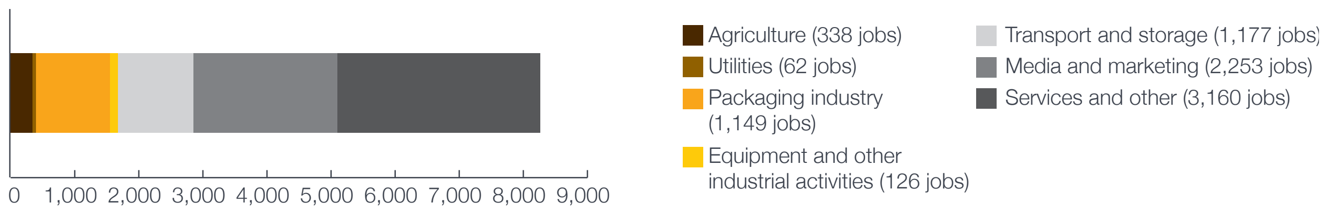
Graph 24.3 Development of employment (Δ2008-2012 = -14,7%)



Source: Calculations Regioplan (2013)

As previously mentioned, in 2012 the Dutch brewing sector created some 8,300 jobs via the supply chain. The Dutch services sector and the media and marketing sector benefitted the most from the brewing sector.

Graph 24.4 Indirect employment in 2012: 8,300 jobs



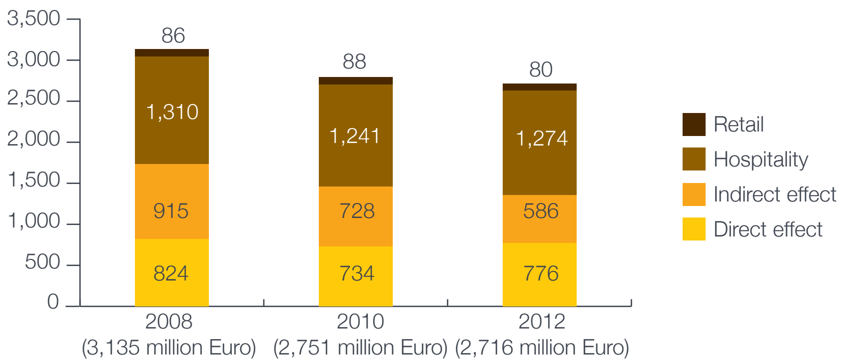
Source: Calculations Regioplan (2013)

24.7 | Value-added related to beer

Apart from the employment-related impact, the contribution of the brewing sector to the Dutch economy can also be expressed in terms of value-added. In 2012 the total value-added related to the production and sale of beer in the Netherlands was estimated to be 2.7 billion Euro.

Compared to 2008, the total value-added in 2012 decreased by almost 14 percent. This was primarily caused by the decrease in the value-added generated by the supply chain. The development of value-added by the brewing sector was primarily influenced by excise duty increases and price pressure in the retail segment.

Graph 24.5 Development of value-added (Δ2008-2012 = -13,4%)



Source: Calculations Regioplan (2013)

24.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions associated with Dutch beer production and sales were estimated to be 2.2 billion Euro. This means that government revenues were more than 10 percent higher than in 2008. This increase can be explained by the huge increase in excise duties and VAT revenues. Overall, it can be said that beer was a growing contributor to the Netherlands's State budget.

In 2009, the excise duty rate applicable to beer increased by 30 percent and in 2013 by another 10 percent. An increase of 5.75 percent is planned for 2014. This resulted in slightly increased government revenues, but on the other hand volumes and employment in the brewing sector were under pressure. Research by Regioplan[1] showed that the 10 percent beer excise duty increase in January 2013 resulted in the loss of more than 300 jobs. Thus there were reduced revenues for the government, due to reduced revenues from income tax and social contributions. Overall the 10 percent excise duty increase would cost the government more than it would generate.

Graph 24.6: Government revenues related to the production and sale of beer in 2012: 2,246 million Euro

Source: Calculations Regioplan (2013)

1 Regioplan (2013) Nog een rondje van de buren: Verdiepend onderzoek gevolgen accijnsverhoging bier.

Table 24.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	318	388	387	+21.5%
VAT (on-trade sector) (million Euro)	514	502	594	+15.5%
VAT (off-trade sector) (million Euro)	193	225	204	+5.8%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	105	119	96	-8,8%
Income tax, payroll tax and social security contribution (other sectors) (million Euro)	907	927	965	+6.4%
Total government revenues (million Euro)	2,037	2,161	2,246	+10.2%

Source: Calculations Regioplan (2013)

25 Norway

25.1 | Country profile

Population	5,051,275
Currency	Norwegian Krone
GDP per capita in PPS (2012, EU28 = 100)	196

Source: Eurostat and Norwegian Beer and Soft Drink Producers

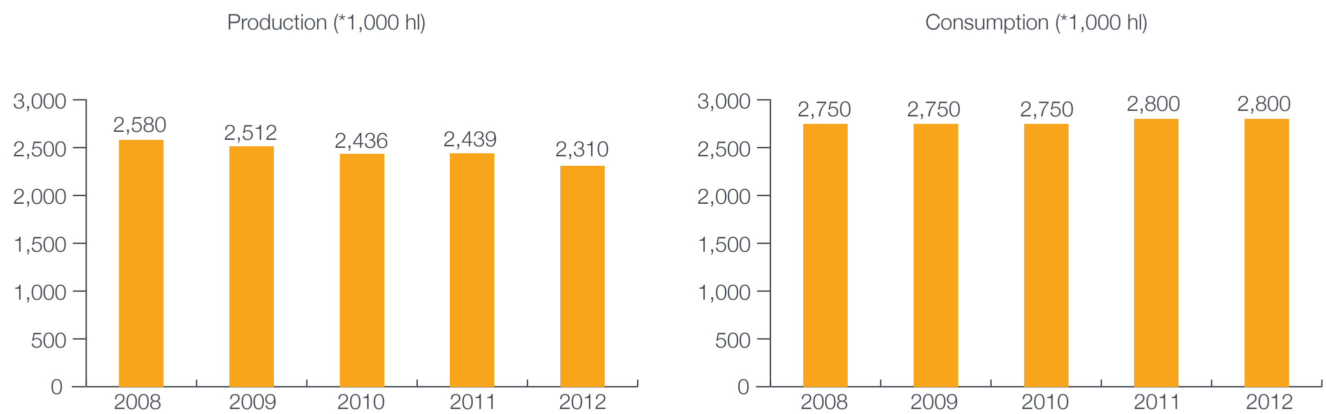
25.2 | Highlights Norway

Table 25.1 Economic impact of beer in Norway (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	14,200	16,300	16,200	+14.1%
Value-added (million Euro)	457	526	536	+17.3%
Government revenues (million Euro)	1,180	1,413	1,683	+42.6%

Source: Regioplan calculation (2013)

Figure 25.1 Development of production and consumption (2008-2012)



Source: Norwegian Beer and Soft Drink Producers (2013)

25.3 | Brewing sector

Table 25.2 Basic characteristics of the Norwegian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	2,580,000	2,512,000	2,436,000	2,439,000	2,310,000	-10.5%
Brewing companies	16	19	27	30	37	+131.3%
Breweries	19	22	30	33	40	+110.5%
Microbreweries	10	13	21	24	31	+210.0%

Source: Norwegian Beer and Soft Drink Producers (2013)

Between 2008 and 2012, Norwegian beer production declined by more than 10 percent, leading to a total production of approximately 2.3 million hectolitres in 2012. Over the same period the number of brewing companies and breweries increased sharply. This was mainly related to an increase in the number of microbreweries.

25.4 | Beer market

Table 25.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	2,750,000	2,750,000	2,750,000	2,800,000	2,800,000	+1.8%
Total consumer spending (in million Euro)	1,687	1,886	2,294	2,539	2,580	+52.9%
Consumption of beer per capita (in litres)	54	55	56	56	55	+1.9%
Beer consumption on-trade (hospitality)	21.0%	25.0%	25.0%	25.0%	25.0%	+4.0%
Beer consumption off-trade (retail)	79.0%	75.0%	75.0%	75.0%	75.0%	-4.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	13.88	14.44	15.39	16.80	16.99	+22.4%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	5.43	5.83	5.99	6.49	6.62	+21.9%

Source: Norwegian Beer and Soft Drink Producers (2013)

The total consumption of beer in Norway has been stable for the past few years. As total Norwegian production was declining (table 25.2), this suggests an increase in imports and cross border shopping. This cross border trade is driven by high alcohol taxes in Norway, compared to neighbouring countries.

Not only are Norwegian beer prices high compared to Sweden, for instance, but they are also still increasing. Both on-trade and off-trade prices rose by 22 percent between 2008 and 2012. As a result, consumer spending increased sharply.

25.5 | Trends and developments

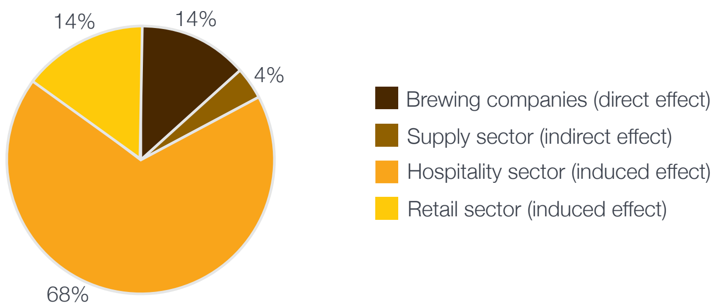
As in several other countries, the Norwegian consumer is showing an increasing interest in craft and premium beers. The number of microbreweries is increasing, as is their market share. This has stimulated innovation among larger brewing companies to develop more specialty beers and to focus more on brand building.

High and increasing alcohol taxes are seen as an issue. As there are large differences with tax levels in neighbouring counties, especially Sweden, this encourages consumers to buy beer on the other side of the border.

25.6 | Employment related to beer

In 2012, approximately 2,200 people were employed in Norwegian brewing companies. Alongside this direct employment, the production of beer in Norway also creates indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, beer generated more than 600 jobs in the supply sectors. Moreover, beer contributed almost 11,000 jobs in the hospitality sector and around 2,400 jobs in retail. In total, the employment impact of the production and sale of beer in Norway was estimated to be 16,200 jobs.

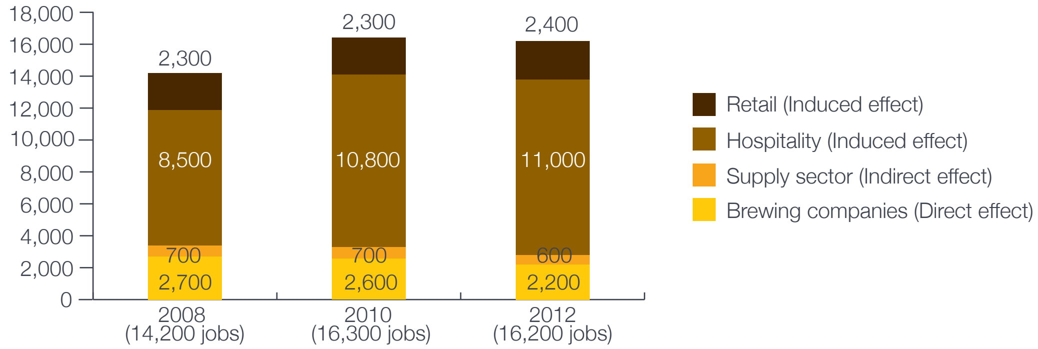
Figure 25.2 Total employment because of beer in 2012: 16,200 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of beer production and sales in Norway has increased by 14 percent. Between 2010 and 2012 the employment impact remained largely stable. There were two small increases in employment in the hospitality and retail sectors. Employment in brewing companies declined. According to the Norwegian Beer and Soft Drink Producers, this was due to automation of the production processes in major brewing companies. The number of jobs in the supply sector also decreased slightly. This was in line with the decline in total production.

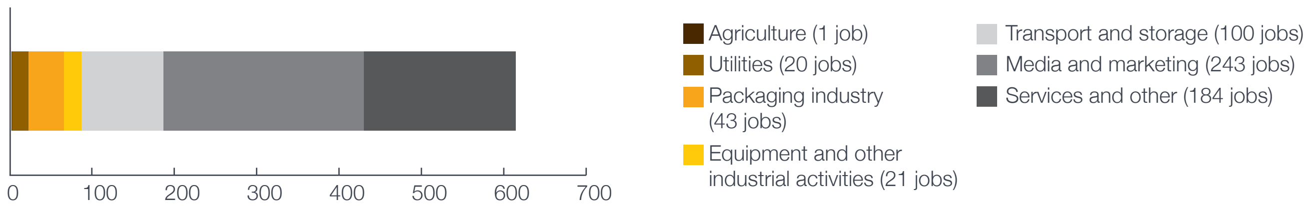
Figure 25.3 Development of employment (Δ2008-2012 = +14.1%)



Source: Calculations Regioplan (2013)

In 2012, the Norwegian brewing sector created more than 640 jobs for the supply chain. The majority of those jobs were created in the media and marketing sector and in the services sector.

Figure 25.4 Indirect employment in 2012: 640 jobs

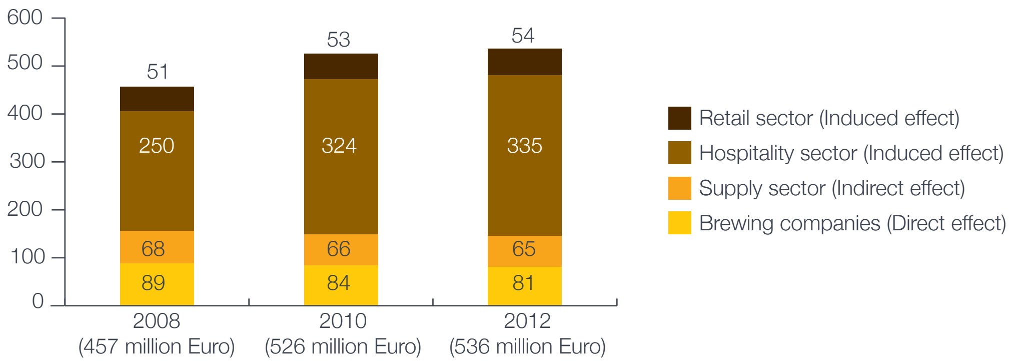


Source: Calculations Regioplan (2013)

25.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Norwegian economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Norway was estimated to be 536 million Euro. This was an increase of approximately 17 percent since 2008. The largest increase in value-added was seen in the hospitality sector. According to the Norwegian Beer and Soft Drink Producers, this could be explained partly by government measures to stop illegal trade. Subsequently, those actions had a positive influence on legal beer sales.

Figure 25.5 Development of value-added (Δ2008-2012 = +17.3%)



Source: Calculations Regioplan (2013)

25.8 | Government revenues related to beer

In 2012, the revenues of excise duties, VAT and income-related contributions related to Norwegian beer production and sales were estimated to be 1.7 billion Euro. This means that the amount of government revenues was 36 percent higher than in 2008. This was mainly due to the rise in excise duty revenues and revenues from VAT in the hospitality and retail sectors.

Figure 25.6: Government revenues related to the production and sale of beer in 2012: 1.7 billion Euro

Source: Calculations Regioplan (2013)

Table 25.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	514	570	761	+48.0%
VAT (on-trade sector) (million Euro)	150	212	238	+59.1%
VAT (off-trade sector) (million Euro)	188	247	278	+47.9%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	59	59	65	+11.2%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	240	288	297	+23.4%
Basic taxes on non refillable packaging (cans)	29	37	44	+51.7%
Total government revenues (million Euro)	1,180	1,413	1,683	+42.6%

Source: Calculations Regioplan (2013)

26
Poland

26.1 | Country profile

Population	38,538,447
Currency	Polish Zloty (PLN)
GDP per capita in PPS (2012, EU28 = 100)	66

Source: Eurostat

26.2 | Highlights Poland

Table 26.1 Economic impact of beer in Poland (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	159,700	142,600	146,300	-8.4%
Value-added (million Euro)	2,232	2,193	2,241	+0.4%
Government revenues (million Euro)	2,615	2,340	2,561	-2.0%

Source: Calculations Regioplan (2013)

Figure 26.1 Development of production*, consumption*, imports** and exports** (2008-2012)

*Source: * Brewing Sector Employers in Poland (2013) ** Eurostat (2013)*

26.3 | Brewing sector

Table 26.2 Basic characteristics of the Polish brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	37,107,000	36,236,000	36,647,000	38,067,000	39,605,000	+6.7%
Brewing companies	43	-	69	-	87	+102.3%
Breweries (including microbreweries)	86	89	103	117	132	+53.5%
Microbreweries	39	42	55	-	50	+28.2%

Source: Union of the Brewing Sector Employers in Poland (2013)

Polish beer production has enjoyed a substantial increase since 2010, with an expansion of almost 3 million hectolitres. In line with this development, many new breweries were established. In 2012, Poland had 132 breweries, which together produced more than 39.6 million hectolitres of beer. This makes Poland the third largest beer-producing country of all EU Member States.

Although there are also many small and medium brewing companies in Poland, the major brands accounted for the majority of beer sales in 2012: the three largest brewing companies accounted for more than 85 percent of all Polish beer sales.

26.4 | Beer market

Table 26.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	35,861,000	34,384,000	34,484,000	36,236,000	38,142,000	+6.4%
Total consumer spending (in million Euro)	5,996	5,434	5,202	5,340	5,342	-10.9%
Consumption of beer per capita (in litres)	94	91	91	95	98	+4.3%
Beer consumption on-trade (hospitality)	20.0%	15.0%	15.0%	13.5%	10.0%	-10.0%
Beer consumption off-trade (retail)	80.0%	85.0%	85.0%	86.5%	90.0%	+10.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	2.86	2.85	2.69	2.83	2.84	-0.5%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.38	1.36	1.30	1.26	1.24	-9.9%

Source: Union of Brewing Sector Employers in Poland (2013)

Since 2010, Polish beer consumption has increased by almost 11 percent. This is the second-largest increase of all the EU Member States studied. Total beer consumption in 2012 was 38.1 million hectolitres of which 90 percent was sold through the off-trade channel.

Poland is one of the few countries where consumption per capita showed an increase over recent years. Consumption per capita peaked at 98 litres in 2012, one of the highest in the EU.

26.5 | Trends and developments

The Polish beer sector benefitted from favourable weather conditions in the first half of 2012. At the same time, the excitement around sporting events organised in Poland also influenced beer consumption positively. However, in the second half of 2012 Poland experienced a very long and severe winter which had an adverse effect on beer sales.

A pivotal development in the Polish beer market in 2012 was market polarisation. The Polish beer sector experienced strong growth in the super premium segment, accompanied by a significant increase in economy brands and private labels. A revival of small and medium-sized (local) brewing companies with new niche brands also took place, while beer sales from big brewing companies declined.

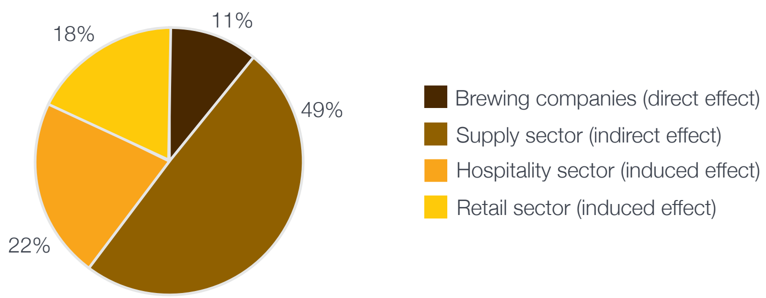
Another important development in the Polish beer market was a wider diversity in beer styles. Polish brewers started massive innovation efforts to follow the growing interest among consumers for new flavours and new beer experiences. These efforts led to many new products on the market, such as beer mixes, specialty beers and non-pasteurised beers.

Compared to other EU Member States, a relatively large share of beer in Poland is consumed at home. According to the Union of Brewing Sector Employers in Poland, beer sales in bars, pubs and restaurants decreased even further in recent years. In 2012, hospitality sales accounted for only 10 percent of the Polish beer market. The brewing sector responded to this decrease by starting an intensive promotion of beer culture and beer categories. Both small and big brewers paid more attention to the serving, selling and marketing of the product and provided training for bartenders and pub owners to improve the quality of service. Polish brewers also provided the hospitality sector with educational packages to increase consumer awareness.

26.6 | Employment related to beer

The Polish brewing sector generated 146,300 jobs in 2012, of which 16,000 people were employed in Polish breweries. Besides this direct employment, Polish beer production also created a substantial amount of indirect employment in supply sectors. In 2012, the indirect employment related to the production and sales of beer in Poland consisted of almost 72,300 jobs. The beer sector also creates employment in the hospitality and retail sectors. In 2012, the Polish beer sector generated more than 25,600 jobs in the retail sector and more than 32,400 jobs in the hospitality sector.

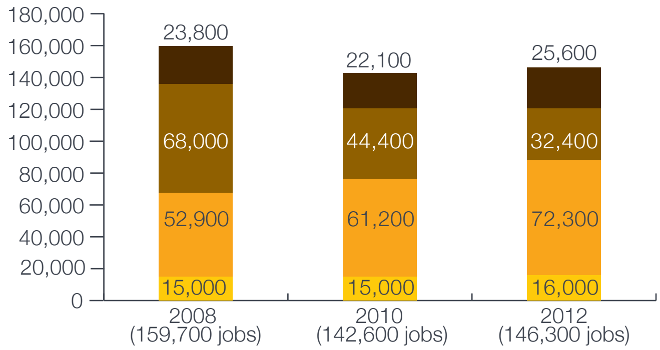
Figure 26.2 Total employment because of beer in 2012: 146,300 jobs



Source: Calculations Regioplan (2013)

In the 2008-2012 period, the total number of jobs related to the Polish brewing sector decreased by 8.4 percent. The main cause for this trend was the dramatic decline in the number of jobs in the hospitality sector since 2008. This was primarily caused by a considerable shift from the on-trade to the off-trade segment. According to the Union of the Brewing Sector Employers in Poland, only 10 percent of beer sales in 2012 took place in hospitality outlets, whereas in 2008 this figure amounted to 25 percent. The number of jobs in the retail sector consequently increased.

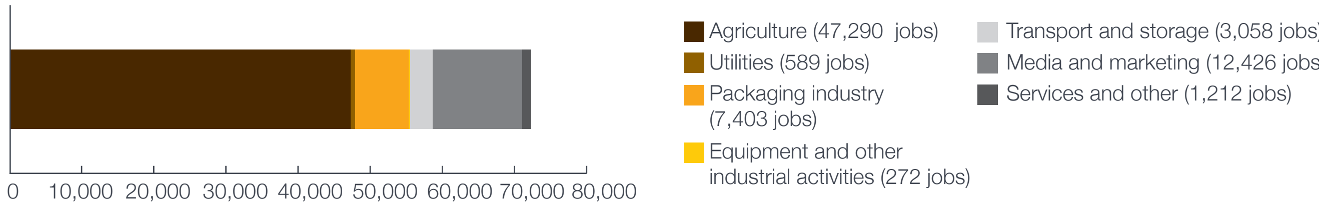
Figure 26.3 Development of employment (Δ2008-2012 = -8.4%)



Source: Calculations Regioplan (2013)

In 2012, nearly half of the total employment effect related to the Polish beer sector consisted of jobs in the supply sectors. A large proportion of the purchases by brewing companies were made domestically, with an exception being services, equipment and other industrial activities. The services from these two categories mostly came from foreign countries. The supply sector that benefitted most from the production and sale of Polish beer was agriculture.

Figure 26.4 Indirect employment in 2012: 72,300 jobs

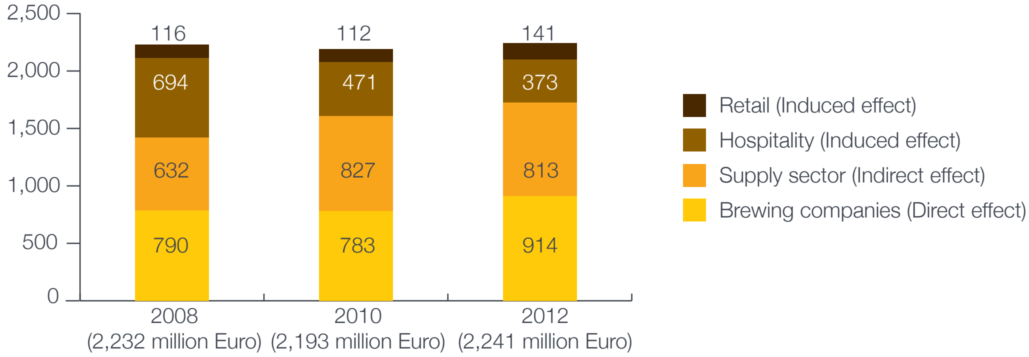


Source: Calculations Regioplan (2013)

26.7 | Value-added related to beer

Besides the impact on employment, the Polish brewing sector also contributes to the economy in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Poland was estimated at 2.24 billion Euro. This means a slight increase of 2.2 percent since 2010. This was primarily caused by the increase in the value-added generated directly by the brewing companies. This development is in line with the increase in total production. At the same time, the value-added generated in the hospitality sector declined. Again, this was primarily caused by the fact that there was a considerable shift from the on-trade segment to the off-trade segment, leading to an increase in the value-added generated in the retail sector.

Figure 26.5 Development of value-added (Δ2008-2012 = +0.4%)

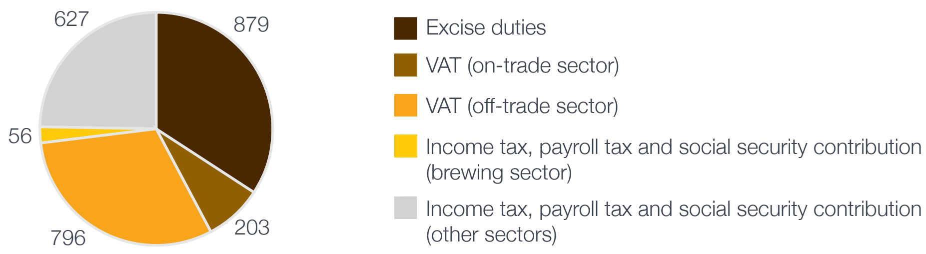


Source: Calculations Regioplan (2013)

26.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Polish beer production and sales were estimated to be 2.6 billion Euro. This means that government revenues had increased by 9.5 percent compared to 2010. The main reason for this increase was the higher production and sales levels of beer. The three largest sources of income are excise duties, VAT on retail sales and income tax related revenues from the supply, hospitality and retail sectors. Together these three sources contributed 2.3 billion Euro to the government in 2012.

Figure 26.6: Government revenues related to the production and sale of beer in 2012: 2.6 billion Euro



Source: Calculations Regioplan (2013)

Table 26.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	829	804	879	+6.0%
VAT (on-trade sector) (million Euro)	370	251	203	-45.1%
VAT (off-trade sector) (million Euro)	712	687	796	+11.9%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	54	56	56	3.7%
Income tax, payroll tax and social security contribution (other sectors) (million Euro)	651	542	627	-3.6%
Total government revenues (million Euro)	2,615	2,340	2,561	-2.0%

Source: Calculations Regioplan (2013)

27

Portugal

27.1 | Country profile

Population	10,542,398
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	75

Source: Eurostat

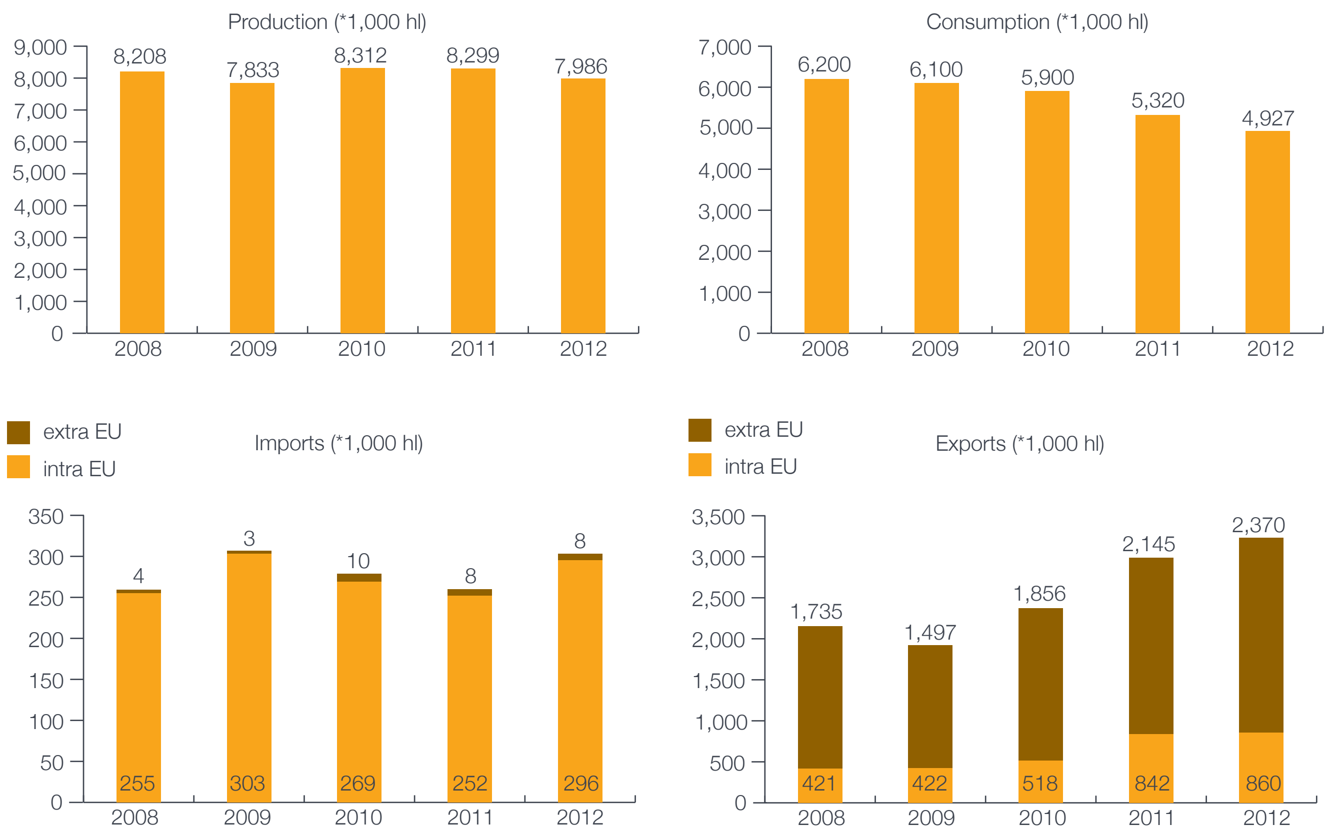
27.2 | Highlights Portugal

Table 27.1 Economic impact of beer in Portugal (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	74,300	73,300	60,500	-18.6%
Value-added (million Euro)	1,218	1,123	1,024	-15.9%
Government revenues (million Euro)	1,020	984	937	-8.2%

Source: Calculations Regioplan 2013.

Figure 27.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * Associação Portuguesa dos Produtores de Cerveja (2013) ** Eurostat (2013).*

27.3 | Brewing sector

Table 27.2 Basic characteristics of the Portuguese brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	8,208,000	7,833,000	8,312,000	8,299,000	7,986,000	-2.7%
Brewing companies (excluding microbreweries)	6	6	6	6	5	-16.7%
Breweries (including microbreweries)	7	7	7	8	9	+28.6%
Microbreweries	0	0	0	1	3	-

Source: Associação Portuguesa dos Produtores de Cerveja (2013)

Between 2008 and 2012, the production of beer in Portugal fell by 2.7 percent, resulting in a total production of nearly 8 million hectolitres in 2012. Due to a merger, the number of active brewing companies decreased. In 2011 and 2012, the Portuguese beer market welcomed its first microbreweries.

27.4 | Beer market

Table 27.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	6,200,000	6,100,000	5,900,000	5,320,000	4,927,000	-20.5%
Total consumer spending (in million Euro)	2,687	3,133	3,001	2,808	2,636	-1.9%
Consumption of beer per capita (in litres)	61	60	59	53	49	-19.7%
Beer consumption on-trade (hospitality)	70%	70.0%	69.0%	69.0%	67.5%	-2.5%
Beer consumption off-trade (retail)	30%	30.0%	31.0%	31.0%	32.5%	+2.5%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	6.00	6.60	6.60	6.85	7.04	+17.3%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.56	1.72	1.72	1.78	1.84	+18.3%

Source: Associação Portuguesa dos Produtores de Cerveja (2013)

The negative macro-economic environment had a strong impact on the private consumption of beer in Portugal. According to the Portuguese brewers' association as well as the Portuguese brewing companies, the financial crisis was the key reason for the drop in consumption per capita in recent years. Furthermore, almost one in every ten beer consumers in Portugal stated that they drank less beer than before because they "had less money". Although a decrease in the consumption per capita was also noted in other EU Member States, the decrease in the Portuguese consumption rate was relatively large.

In line with many other EU Member States, another important trend in Portugal was the increasing share of beer being consumed at home. However, whereas beer consumption in the hospitality sector suffered heavily in terms of volume, it managed to maintain its importance in terms of value. Off-trade sales grew to almost one-third of the premium beer segment.

Besides the fact that the Portuguese beer market suffered from a decrease in consumption per capita the number of beer consumers also dropped. In 2012, 40 percent of the total population in Portugal consumed beer, compared to 46 percent in 2009.

27.5 | Trends and developments

In 2012, the Portuguese government increased the VAT rate on consumer spending in the hospitality sector from 13 to 23 percent. This increase in VAT had a negative influence on the sales of beer in the on-trade sector. As a result, employment in this sector showed a pronounced decrease.

The Portuguese brewing sector has shown impressive work to turn around the negative impact of a downward economic trend. Brewing companies focussed more on the export of their beers to third countries, by defending positions in leading markets in Africa, and by seeking new opportunities in other international markets.

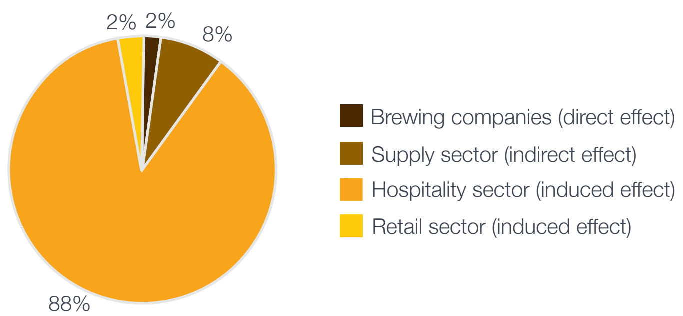
In the national beer market, Portuguese brewing companies developed a range of innovative products in response to the changing preferences of Portuguese beer consumers. In many cases, these new varieties were non-alcoholic beers or flavoured mixed beers.

Another new trend in the Portuguese beer market was the rise of microbreweries. Since the first microbrewery opened its doors in 2011, every year more have entered the market.

27.6 | Employment related to beer

In 2012, approximately 1,400 people were employed in Portuguese brewing companies. Alongside this direct employment, the production of beer in Portugal also creates indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, the production of beer in Portugal generated almost 4,700 jobs in supply sectors. Moreover, beer contributed approximately 53,000 jobs in the hospitality sector and more than 1,400 jobs in retail. In total, the employment impact of the production and sale of beer was estimated to be approximately 60,500 jobs.

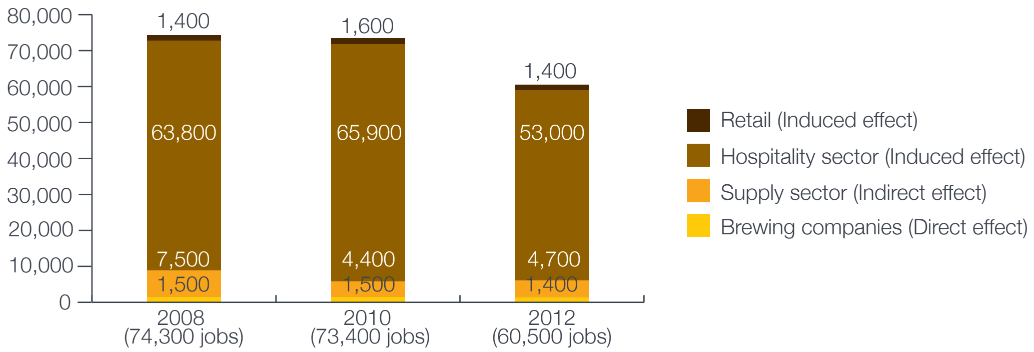
Figure 27.2 Total employment because of beer in 2012: 60,500 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of the production and sale of beer in Portugal declined by 19 percent. The main reason for this decline was the increased beer consumption at home instead of in bars, pubs and restaurants. Direct employment contributed by brewing companies and employment in the retail sector also decreased. However, the employment that was created in the supply sectors grew slightly since 2010. The main reason for this increase was that brewing companies purchased more goods and services in Portugal instead of abroad.

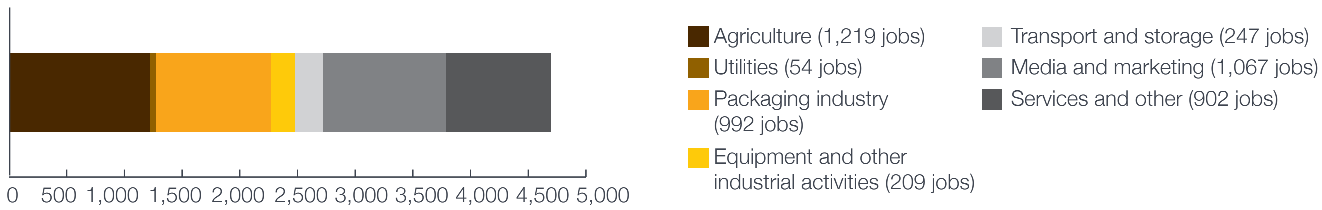
Figure 27.3 Development of employment (Δ2008-2012 = -18.6%)



Source: Calculations Regioplan (2013)

In 2012, the brewing sector created almost 4,700 jobs in the supply sectors. The majority of these jobs were created in agriculture and in the media and marketing sector. The Portuguese packaging industry also benefitted substantially from the brewing sector.

Figure 27.4 Indirect employment in 2012: 4,700 jobs

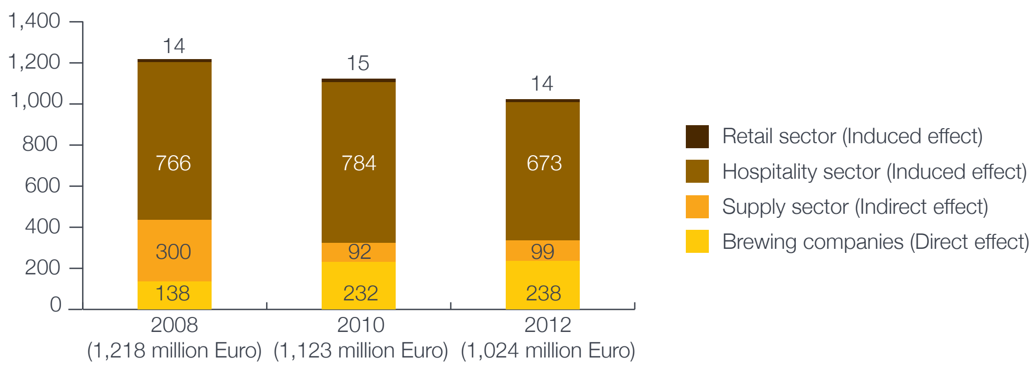


Source: Calculations Regioplan (2013)

27.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Portuguese economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Portugal was estimated at 1.02 billion Euro. As a consequence of the downward trend in consumption, the value-added has decreased by 16 percent since 2008.

Figure 27.5 Development of value-added (Δ2008-2012 = -15.9%)



Source: Calculations Regioplan (2013)

27.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to the production and sale of beer in Portugal were estimated to be 937 million Euro. Despite a general increase of the standard VAT rate from 21 to 23 percent in 2011, also on beer, and an increase of the VAT rate on beer applicable in the hospitality sector from 13 to 23 percent since 1 January 2012, total government revenues remained approximately the same as in 2008. Total government revenues decreased by 47 million Euro in 2012 compared to 2010. According to the Portuguese brewers' association, this was a result of the harsh economic situation in Portugal. The internal market declined due to austerity measures and tax rises.

Figure 27.6: Government revenues related to the production and sale of beer in 2012: 937 million Euro

Source: Calculations Regioplan (2013)

Table 27.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	85	76	70	-18.0%
VAT (on-trade sector) (million Euro)	434	466	438	+0.9%
VAT (off-trade sector) (million Euro)	48	55	55	+14.3%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	21	18	18	-11.2%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	432	369	356	-17.7%
Total government revenues (million Euro)	1,020	984	937	-8.2%

Source: Calculations Regioplan (2013)

28
Romania

28.1 | Country profile

Population*	20,121,641
Currency	Romanian Leu (RON)
GDP per capita in PPS (2012, EU28 = 100) **	49

*Source: * Romanian Statistical Office ** Eurostat*

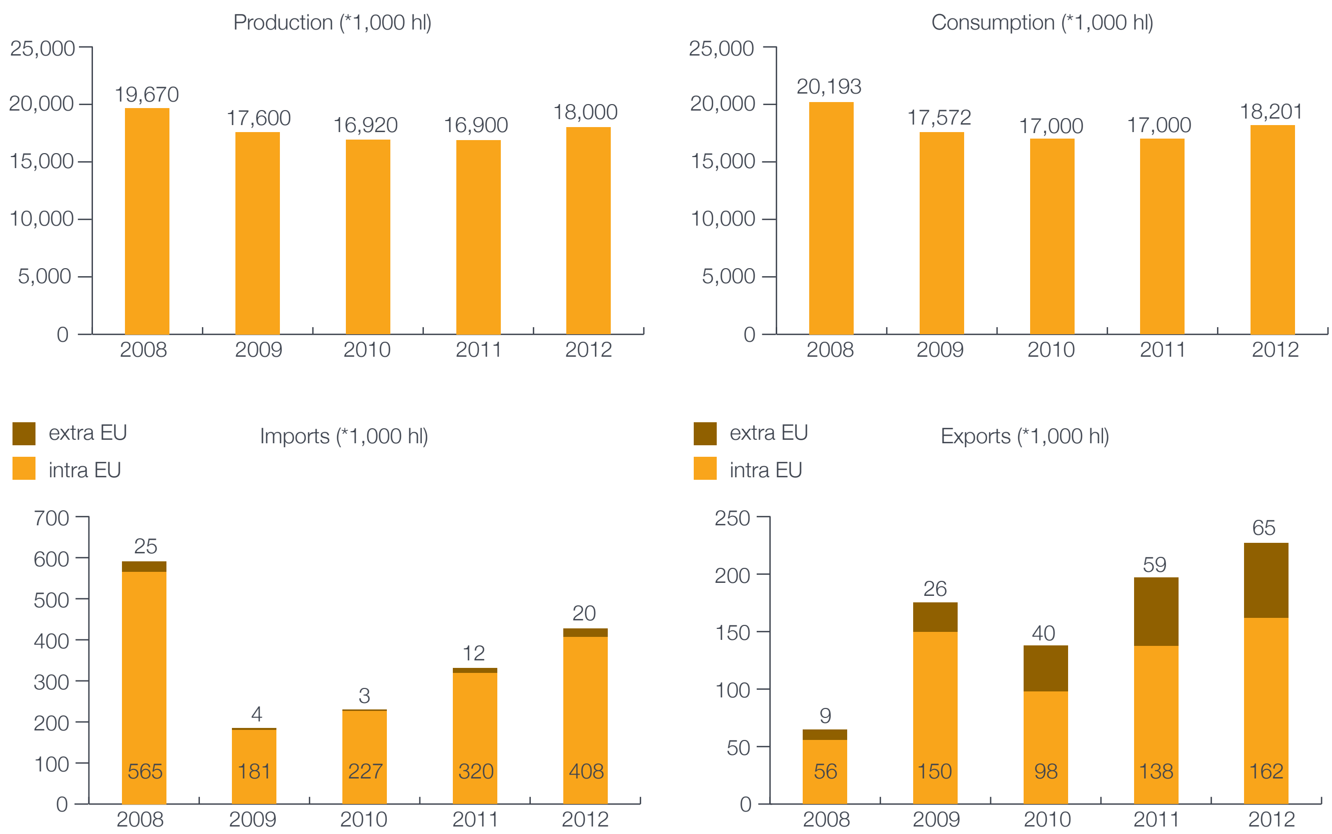
28.2 | Highlights Romania

Table 28.1 Economic impact of beer in Romania (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	89,800	76,000	76,700	-14.6%
Value-added (million Euro)	705	509	571	-19.1%
Government revenues (million Euro)	667	651	728	+9.1%

Source: Calculations Regioplan (2013)

Figure 28.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * Brewers of Romania Association (2013) ** Eurostat (2013).*

28.3 | Brewing sector

Table 28.2 Basic characteristics of the Romanian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	19,670,000	17,600,000	16,920,000	16,900,000	18,000,000	-8.5%
Brewing companies	13	13	13	12	12	-7.7%
Breweries (including microbreweries)	21	21	18	17	17	-19.0%
Microbreweries	0	0	0	2	2	-

Source: Brewers of Romania Association (2013)

In 2012, the Romanian brewing sector consisted of 17 breweries including 2 microbreweries, which belonged to 12 brewing companies. Some of the major EU brewing companies have subsidiaries in Romania.

Although it is still not back to the level of 2008, total beer production in Romania has increased since 2010. It is important to note that the brewing sector is one of the few sectors in Romania that still has a thriving local production. More than 95 percent of the total beer consumption in Romania is produced within its borders. This is also shown by the imports data from both EU Member States and third countries, which are relatively low.

28.4 | Beer market

Table 28.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	20,193,000	17,572,000	17,000,000	17,000,000	18,200,722	-9.9%
Total consumer spending (in million Euro)	1,972	1,724	1,687	1,732	1,715	-13.1%
Consumption of beer per capita (in litres)	99	88	87	84	90	-9.1%
Beer consumption on-trade (hospitality)	35.0%	30.0%	28.0%	25.0%	22.0%	-13.0%
Beer consumption off-trade (retail)	65.0%	70.0%	72.0%	75.0%	78.0%	+13.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	1.42	1.67	1.68	1.77	1.68	+18.4%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	0.83	0.77	0.81	0.85	0.81	-2.4%

Source: Brewers of Romania Association (2013)

Beer is a popular alcoholic beverage in Romania. Nevertheless, the consumption of beer decreased significantly between 2008 and 2012, by almost 10 percent This also had a strong influence on the consumption of beer per capita. A study in 2010 showed that the relatively low consumption per capita was mainly caused by the winter season. It was shown that Romanians preferred wine or other alcoholic beverages during those times of the year.

In 2012, beer consumption at home continued to increase. This led to a long-awaited enlargement of the total beer market. Some brewing companies gained new consumers with the launch of new types of beer in the summer of 2012. The growing retail market led to a further decline in the percentage of beer consumed in bars, pubs and restaurants. The decrease in this percentage was a trend also seen in many other EU Member States.

28.5 | Trends and developments

With a decline in their purchasing power, Romanian consumers changed their buying habits to choosing less expensive beer, which has become a pronounced trend. As bottles are generally more expensive than cans, the sale of beer in bottles has also been declining markedly since 2008. Brewing companies also pointed out that the price difference between lower and higher beer segments is shrinking. By selling large PET bottles, the lower segment is gaining space at the expense of the higher one. Alongside this, there is a slight increase in the draught beer segment.

As in other EU Member States, a trend in the national beer market is that brewing companies have been developing a range of innovative products in response to the changing preferences of the beer consumer. Mixes of beer with lemonade or fruit juices are examples of new products launched in the last few years.

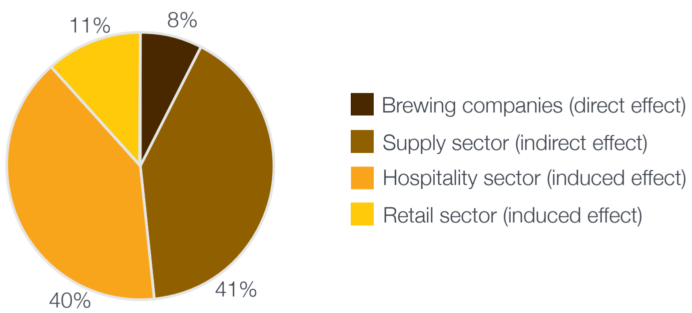
A negative trend in the beer market was the result of enhanced competition, leading to a loss of margins and pressuring brewing companies to promote their own brands. The brewing companies were also confronted with a rise in the cost of raw materials, energy and utilities needed to produce beer. This also affected the margins on beer.

The Romanian brewing sector also has to deal with a constant threat of increased taxation given the permanent budget deficit of the Romanian government.

28.6 | Employment related to beer

In 2012, approximately 5,900 people were employed in Romanian brewing companies. Alongside this direct employment, the production of beer in Romania also created indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, beer generated more than 31,000 jobs in the supply sectors. Moreover, beer contributed almost 31,000 jobs in the hospitality sector and around 8,900 jobs in the retail sector. In total, the employment impact of the production and sale of beer in Romania was estimated to be approximately 76,700 jobs.

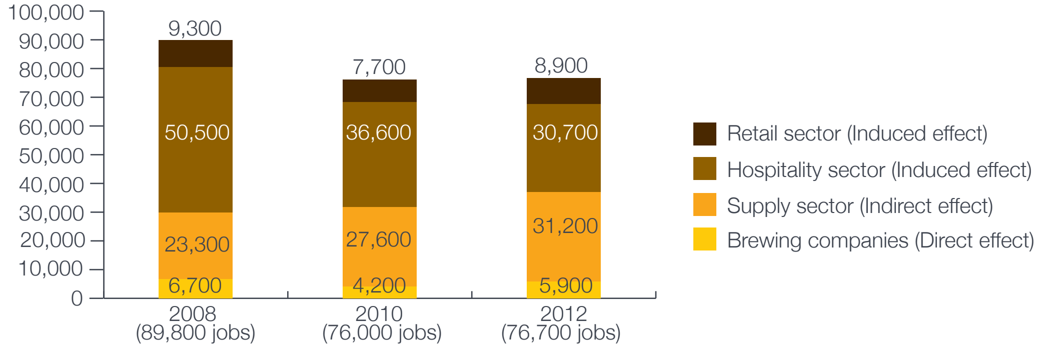
Figure 28.2 Total employment because of beer in 2012: 76,700 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of beer production and sales has declined by almost 15 percent. The main reason for this was the increased consumption at home rather than in bars, pubs and restaurants. The direct employment contributed by brewing companies and the employment created by its suppliers and in the retail sector grew between 2010 and 2012. The increase in indirect employment can be explained by the larger production in 2012. The fact that Romanian brewing companies bought more goods and services domestically also had a positive influence on indirect employment.

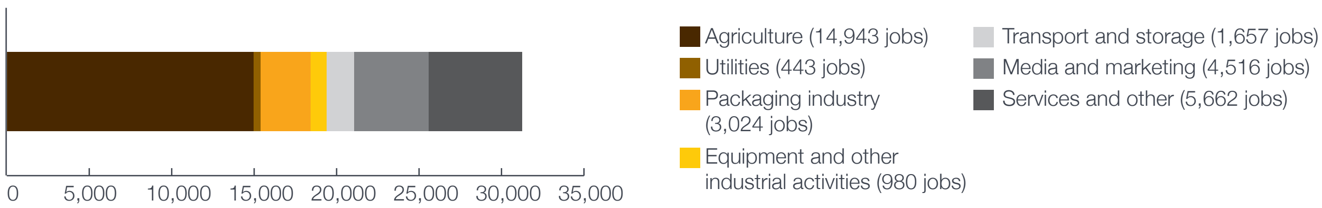
Figure 28.3 Development of employment (Δ2008-2012 = -14.6%)



Source: Calculations Regioplan (2013)

In 2012 the Romanian brewing sector spent 585 million Euro on the purchase of intermediate goods and services. Of this amount, 501 million euro were spent within Romanian borders. This stimulus had a significant economic impact on the industries outside the brewing sector, most substantially on agriculture. In 2012 approximately 31,200 jobs were created via the supply chain. Notably, the Romanian agricultural sector benefitted the most from the activities of the brewing companies. 48 percent of the jobs created in the supply chain were in agriculture. The Romanian service sector was also a key beneficiary of the brewing sector.

Figure 28.4 Indirect employment in 2012: 31,200 jobs



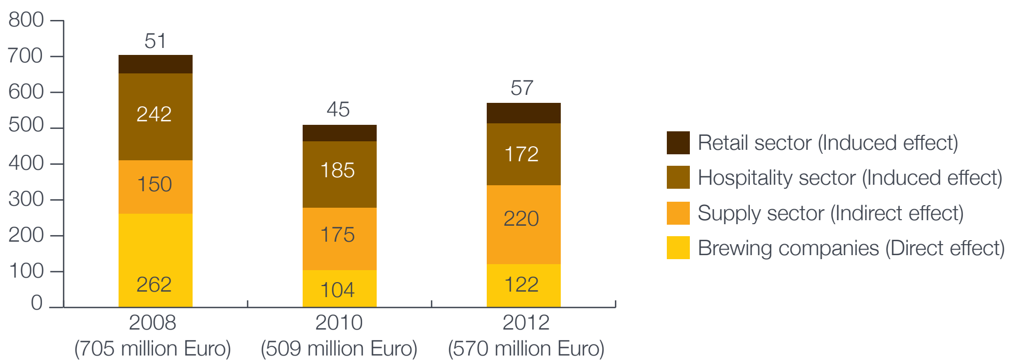
Source: Calculations Regioplan (2013)

28.7 | Value-added related to beer

As well as the jobs created, the contribution of the brewing sector to the Romanian economy can be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Romania was estimated at 571 million Euro.

Since 2008, the total value-added has decreased by 19 percent although, compared to 2010, the value-added increased by 12 percent. This is primarily the result of increased value-added by the supply sector. The value-added generated directly in the brewing sector and the value-added generated in the retail sector also increased since 2010.

Figure 28.5 Development of value-added (Δ2008-2012 = -19.2%)

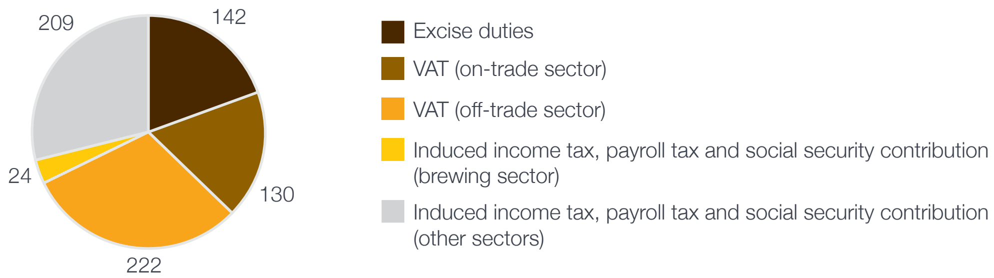


Source: Calculations Regioplan (2013)

28.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions resulting from Romanian beer production and sales were estimated to be 728 million Euro. This means that the amount of government revenues was 9 percent higher than in 2008. This increase can be explained by the huge rise in the revenues from income and payroll taxes and from VAT in the retail sector. The other categories of government revenues related to beer decreased over the years. In general, it can be stated that beer was an important contributor to the State budget of Romania, providing a predictable revenue stream and facilitating other economic sectors' contributions to this budget.

Figure 28.6: Government revenues related to the production and sale of beer in 2012: 728 million Euro



Source: Calculations Regioplan (2013)

Table 28.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	156	131	142	-9.0%
VAT (on-trade sector) (million Euro)	160	155	130	-18.7%
VAT (off-trade sector) (million Euro)	174	192	222	+27.5%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	18	20	24	+33.3%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	159	154	209	+31.5%
Total government revenues (million Euro)	667	652	727	+9.1%

Source: Calculations Regioplan (2013)

29

Slovakia

29.1 | Country profile

Population	5,404,322
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	75

Source: Eurostat

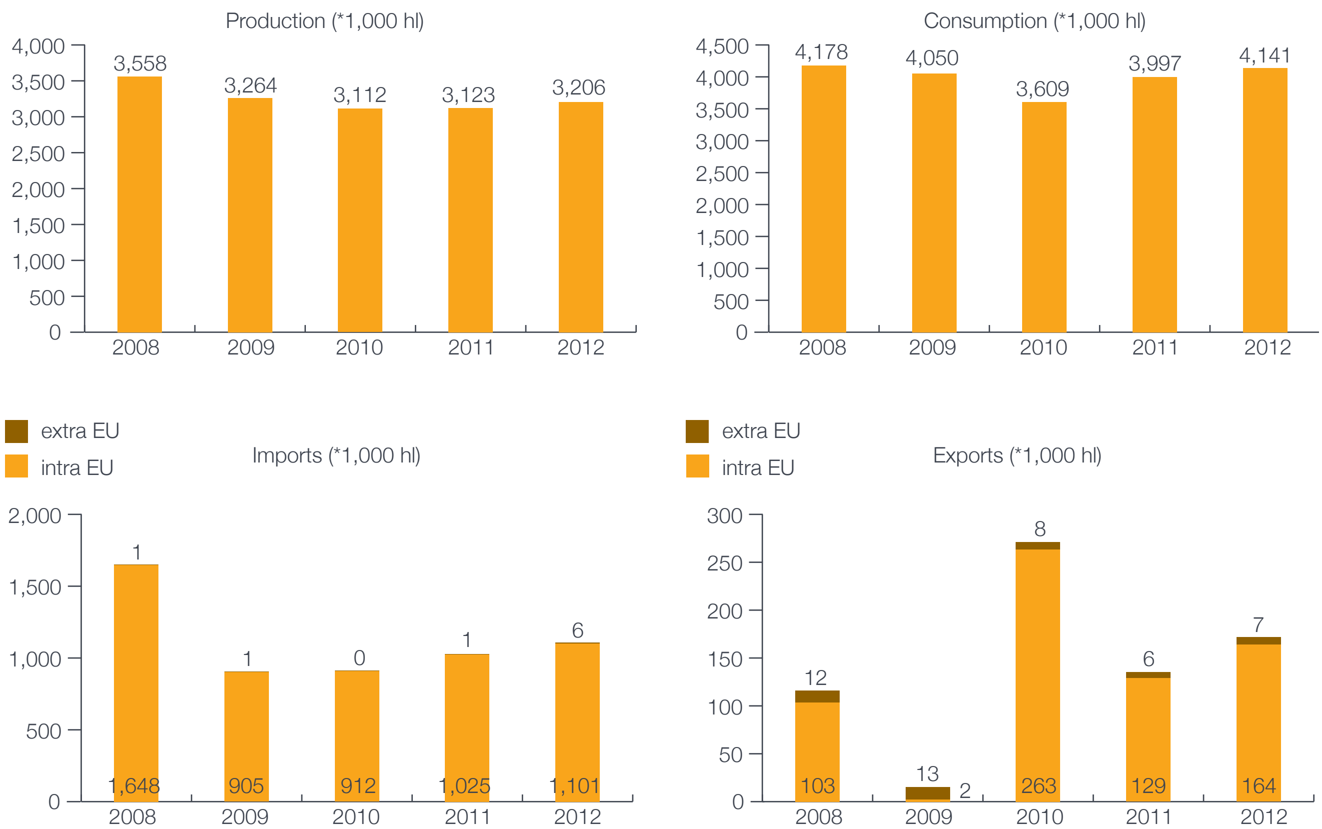
29.2 | Highlights Slovakia

Table 29.1 Economic impact of beer in Slovakia (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	20,800	16,500	17,600	-15.4%
Value-added (million Euro)	234	191	222	-5.2%
Government revenues (million Euro)	216	211	228	+5.7%

Source: Calculations Regioplan (2013)

Figure 29.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * Slovak Beer and Malt Association (2013) ** Eurostat (2013)*

29.3 | Brewing sector

Table 29.2 Basic characteristics of the Slovak brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	3,558,000	3,264,000	3,111,701	3,123,000	3,206,000	-9.9%
Brewing companies	13	15	19	25	30	+130.8%
Breweries (including microbreweries)	13	15	19	25	30	+130.8%
Microbreweries	7	9	14	20	26	+271.4%

Source: Slovak Beer and Malt Association (2013)

Since 2008, the number of active breweries in Slovakia increased from 13 to 30. The main reason for this substantial increase was the growth in the number of microbreweries.

As in most Eastern EU Member States, foreign companies entered the Slovak beer market. Most of the large breweries in Slovakia are owned by multinational brewing concerns. The two largest multinational brewing companies together account for a market share of 73 percent (one company holds 45 percent and the other 28 percent). They made large investments to modernise their Slovak breweries, which resulted in higher productivity.

After a period of stagnation between 2008 and 2010, national beer production increased in 2011 and 2012. In 2012, Slovak brewers produced approximately 3.2 million hectolitres of beer, 3 percent more than reported for 2010. According to the Slovak Beer and Malt Association, the emergence of a new kind of gastro business influenced the national beer market and enhanced the Slovak beer culture.

29.4 | Beer market

Table 29.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	4,178,000	4,050,000	3,608,546	3,997,000	4,140,746	-0.9%
Total consumer spending (in million Euro)	585	599	606	574	610	+4.2%
Consumption of beer per capita (in litres)	81	79	79	73	78	-3.7%
Beer consumption on-trade (hospitality)	40.0%	40.0%	40.0%	40.0%	40.0%	0.0%
Beer consumption off-trade (retail)	60.0%	60.0%	60.0%	60.0%	60.0%	0.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	1.82	1.90	2.10	2.00	2.06	+13.2%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.12	1.20	1.40	1.06	1.08	-3.6%

Source: Slovak Beer and Malt Association (2013)

Until 2010, the consumption of beer in Slovakia had declined markedly each year. However, in 2011 the consumption of beer started to slowly grow again. In 2012, Slovakians consumed more than 4.1 million hectolitres of beer, an increase of 15 percent compared to the 2010 consumption level. It is believed this boost in consumption was caused by the introduction of innovative products such as mixed beer drinks (Radlers).

In 2012, the average annual consumption per capita was higher than in 2011. Before 2011, consumption per capita was decreasing, mainly because the popularity of beer was falling, particularly amongst men.

29.5 | Trends and developments

An ongoing trend in the Slovak beer market, which was driven by the financial crisis, was the fact that consumers tended to look for price promotions on the brands they normally buy.

In the off-trade sector, the use of PET bottles grew at the expense of glass bottles. This could be perceived as an indication of consumers focussing more on convenience.

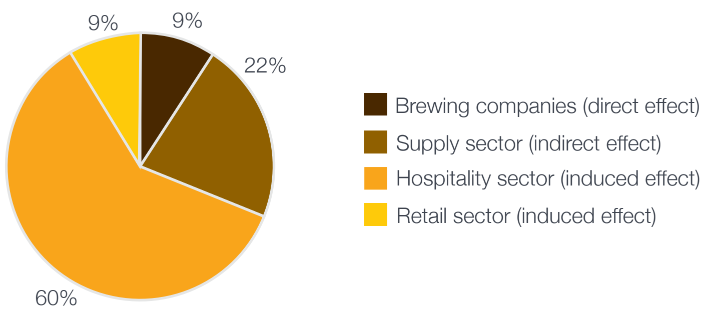
When it comes to the hospitality sector, the demand for premium and specialty beer became stronger. Slovak brewing companies responded to this demand by focusing on quality.

Like many other EU brewing companies, Slovak brewing companies noted a decline in the consumption of beer in the hospitality sector. This was mainly caused by the economic situation and by the increase in prices, which was a result of increased costs of raw materials.

29.6 | Employment related to beer

In 2012, almost 1,700 people were employed in Slovak breweries. Alongside this direct employment, the production of beer in Slovakia also creates indirect employment via a number of supply sectors and the retail and hospitality sector. In 2012, the production and sale of beer in Slovakia generated more than 3,800 jobs in the supply sectors. Moreover, beer contributed approximately 10,600 jobs in the hospitality sector and around 1,500 jobs in retail. In total, the employment impact from the production and sale of beer in Slovakia was estimated to be in excess of 17,600 jobs.

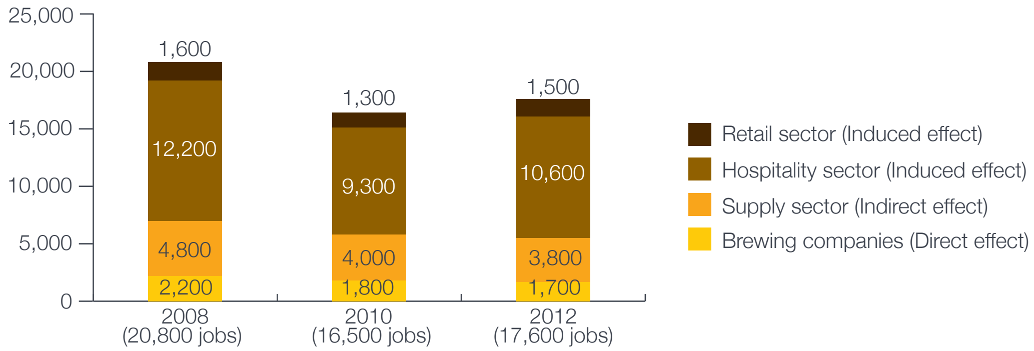
Figure 29.2 Total employment because of beer in 2012: 17,600 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of the production and sale of beer in Slovakia has declined by approximately 15 percent. This decline was the direct result of the decreases in the production and sales of beer. However, from 2011 onwards, production and sales increased again. Consequently, employment related to beer also improved in most sectors. While most EU Member States saw a decline in the beer-related employment in the hospitality sector since 2010, the number of jobs in the Slovak on-trade sector increased by 1,300.

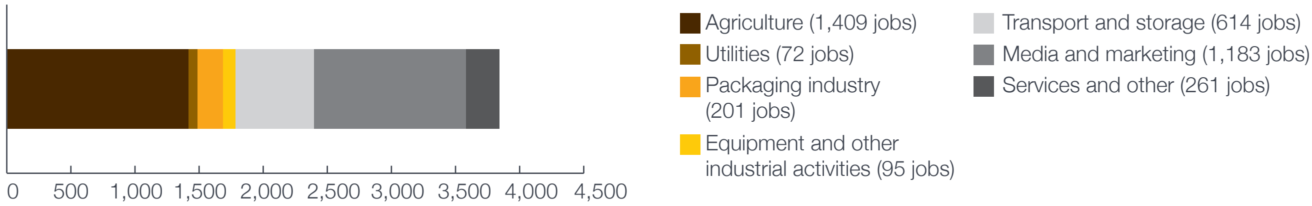
Figure 29.3 Development of employment (Δ2008-2012 = -15.4%)



Source: Calculations Regioplan (2013)

As previously mentioned, the Slovak brewing sector created 3,800 jobs in the supply chain in 2012. Of all supply sectors, agriculture benefitted the most (37 percent). The Slovak media and marketing sector was also a main beneficiary of the brewing sector.

Figure 29.4 Indirect employment in 2012: 3,800 jobs



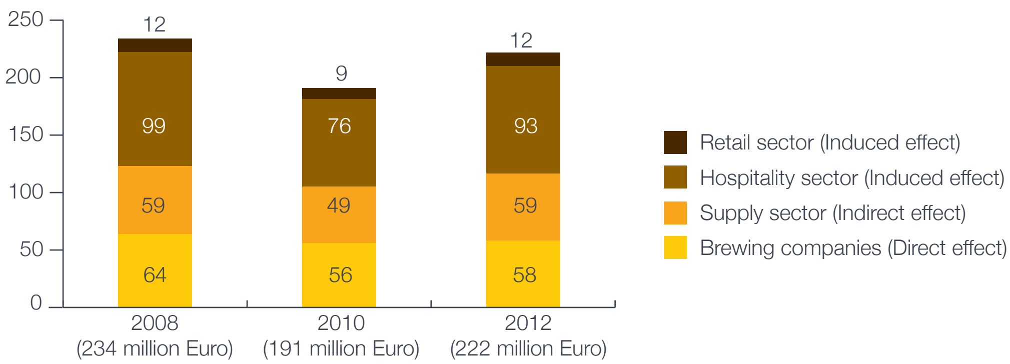
Source: Calculations Regioplan (2013)

29.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Slovak economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Slovakia was estimated at 222 million Euro.

Since 2008, the total value-added has decreased by 5 per cent but, compared to 2010, it has increased by 16 percent. This was primarily caused by the increase in the value-added generated by the hospitality sector.

Figure 29.5 Development of value-added (Δ2008-2012 = -5.1%)



Source: Calculations Regioplan (2013)

29.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Slovak beer production and sales were estimated to be 228 million Euro. This means that the amount of government revenues has increased by 6 percent since 2008. That increase can be explained by the huge rise in revenues from income and payroll taxes paid by the brewing sector itself, and by the increase in revenues from VAT in the hospitality sector. Excise duty revenues for the Slovak government have declined by 3.5 percent since 2008.

Figure 29.6: Government revenues related to the production and sale of beer in 2012: 228 million Euro

Source: Calculations Regioplan (2013)

Table 29.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	58	56	56	-3.5%
VAT (on-trade sector) (million Euro)	49	48	57	+17.1%
VAT (off-trade sector) (million Euro)	45	48	45	-0.2%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	7	8	9	+28.4%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	57	51	61	+7.1%
Total government revenues (million Euro)	216	211	228	+5.7%

Source: Calculations Regioplan (2013)

30
Slovenia

30.1 | Country profile

Population	2,055,496
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	82

Source: Eurostat

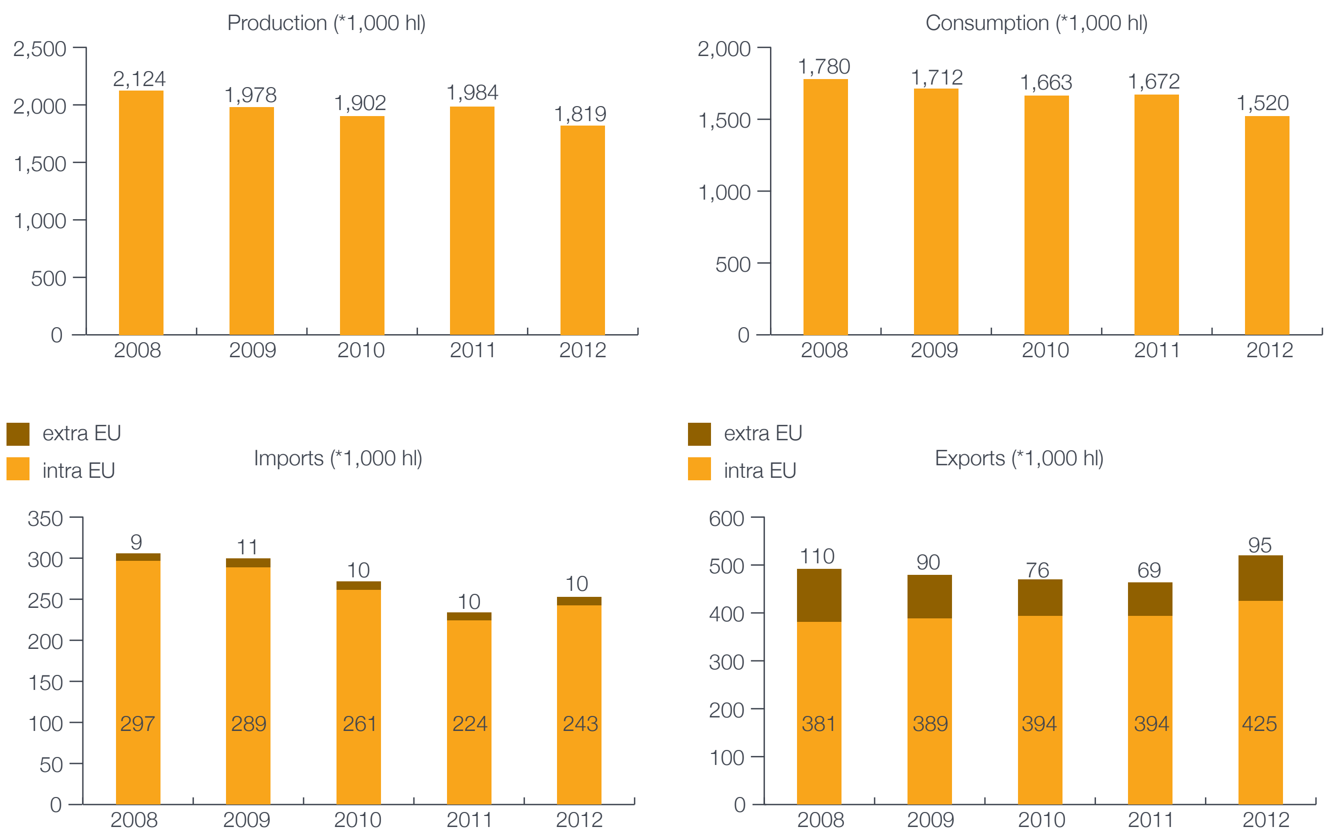
30.2 | Highlights Slovenia

Table 30.1 Economic impact of beer in Slovenia (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	7,800	9,000	7,400	-5.1%
Value-added (million Euro)	172	190	182	+6.1%
Government revenues (million Euro)	205	242	220	+7.3%

Source: Calculations Regioplan (2013)

Figure 30.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * Association of Slovene Brewers (2013) ** Eurostat (2013)*

30.3 | Brewing sector

Table 30.2 Basic characteristics of the Slovenian brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	2,124,000	1,978,000	1,902,000	1,984,000	1,819,000	-14.4%
Brewing companies	22	22	22	22	30	+36.4%
Breweries (including microbreweries)	22	22	22	-	-	-
Microbreweries	20	20	20	20	28	+40.0%

Source: Association of Slovene Brewers (2013)

In 2012, total beer production in Slovenia decreased by 4.4 percent when compared to 2010. Although there was a slight recovery in 2011, this was not sustained. The total production level of 1.8 million hectolitres in 2012 was the lowest in five years. According to the Association of Slovene Brewers, the main reason for this decrease was the decline in domestic beer consumption. In particular, there was a pronounced decrease in the consumption of Radlers in 2012. Nevertheless, the number of brewing companies in Slovenia increased with the emergence of microbreweries. Since 2010, 8 microbrewing companies have been established.

For years, the Slovene beer market has been dominated by two national brands. One of them has been brewed for more than 175 years in Lasko and the other has 140 years of brewing history in Ljubljana. Slovenes did not have their own beer before the founding of those brewing companies. Since then, the number of brewing companies has grown substantially. Over recent years, discounters have taken a substantial part of the retail market share from the two major breweries.

Because of the economic crisis, Slovene beer consumers have less money to spend, resulting in an increase in private label brands.

30.4 | Beer market

Table 30.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	1,780,000	1,712,000	1,663,000	1,672,000	1,520,000	-14.6%
Total consumer spending (in million Euro)	446	557	529	532	456	+2.3%
Consumption of beer per capita (in litres)	93	89	82	81	74	-20.4%
Beer consumption on-trade (hospitality)	40.0%	40.0%	40.0%	40.0%	40.0%	0.0%
Beer consumption off-trade (retail)	60.0%	60.0%	60.0%	60.0%	60.0%	0.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	3.80	4.21	4.80	4.80	4.50	+18.4%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.64	1.82	2.10	2.10	2.00	+22.0%

Source: Association of Slovene Brewers (2013)

While Slovenia is one of the relatively smaller central EU countries, it has a substantial beer market. However, in line with the decrease in the total beer production, total consumption also declined in 2012. The small increase that was seen in 2011 was followed by a substantial decrease in 2012, resulting in a total consumption of only 1.5 million hectolitres. While most Member States of the EU saw a decline in on-trade consumption, this was not the case in Slovenia where on-trade and off-trade consumption patterns have not changed since 2008.

30.5 | Trends and developments

The substantial decreases in beer production and consumption in Slovenia can be explained by the economic situation. Due to the economic crisis, the decrease in consumption per capita continued in 2012.

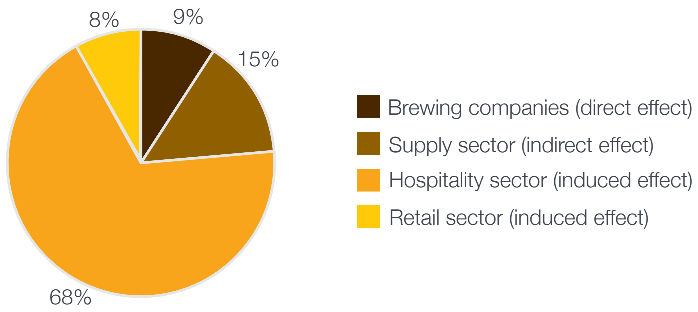
Another result of the harsh economic situation was the rise of more low-budget beers on the Slovene beer market. Brewing companies in Slovenia responded to this trend by focussing on exports within the EU to replace lost domestic sales.

Since 2010, Slovene brewing companies have innovated in a number of ways. The most important achievements in 2011 and 2012 were the development of beer mixed drinks, research and development at the technological level, and innovative energy supply solutions.

30.6 | Employment related to beer

In 2012, approximately 690 people were employed in Slovene brewing companies. Besides this direct employment, the production of beer in Slovenia also creates indirect employment in various supply sectors and in the retail and hospitality sectors. In 2012, the production and sale of beer generated almost 1,100 jobs for suppliers and 600 jobs in retail. The sector that benefitted most from Slovene beer production was the hospitality sector, with more than 5,050 jobs in 2012. In total, the employment impact of the production and sale of beer in Slovenia in 2012 was estimated to be 7,400 jobs.

Figure 30.2 Total employment because of beer in 2012: 7,400 jobs



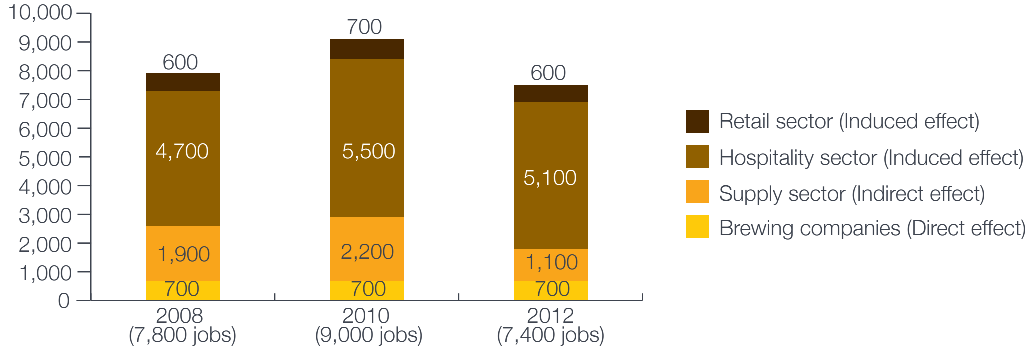
Source: Calculations Regioplan (2013)

The total number of jobs due to the production and sale of beer in Slovenia peaked at 9,000 in 2010 and has since declined. The main reasons for this decline were the decreases in production and consumption levels. The lower production level in 2012 went hand in hand with a lower volume of goods and services purchased by brewing companies. In line with this development, the Slovene brewing sector generated fewer jobs for suppliers.

This decrease in domestic purchases was the result of a financial restructuring and a growing orientation towards international bidding and supply chain synergies.

Furthermore, the decline in consumption influenced employment in the hospitality and retail sectors. Employment in the on-trade sector suffered most, with a decrease of 400 jobs.

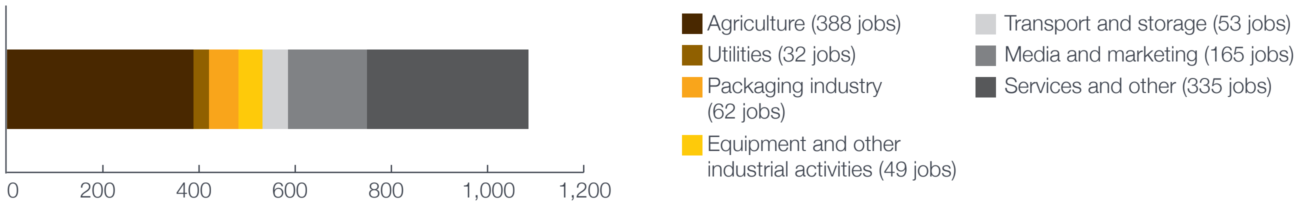
Figure 30.3 Development of employment (Δ2008-2012 = -5.1%)



Source: Calculations Regioplan (2013)

Slovene brewing companies made their purchases involving utilities, transport and storage, media and marketing and other services mainly within Slovenia. With respect to packaging and equipment and other industrial activities, Slovene brewing companies mainly chose foreign suppliers. The two supplying sectors that benefitted most from the production and sale of beer in Slovenia in 2012 were agriculture and services.

Figure 30.4 Indirect employment in 2012: 1,100 jobs

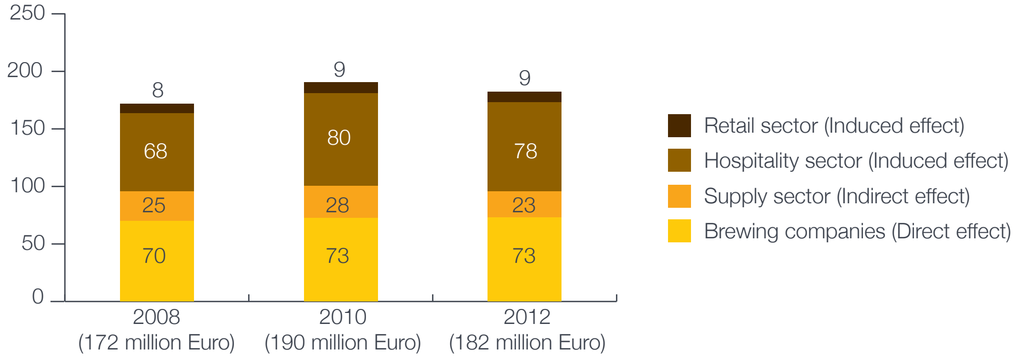


Source: Calculations Regioplan (2013)

30.7 | Value-added related to beer

Besides the impact on employment, the Slovene brewing sector also contributes to the economy in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Slovenia was estimated at 182 million Euro. While this means an increase of almost 6 percent since 2008, the total value-added actually decreased since 2010. This was primarily caused by the decrease in the value-added generated in the supply sector. The value-added generated in the hospitality sector also decreased, while the value-added generated in the retail sector and directly by breweries has remained stable since 2010. According to the Association of Slovene Brewers, the purchasing power has shifted from suppliers to purchasers of beer.

Figure 30.5 Development of value-added (Δ2008-2012 = +5.8%)



Source: Calculations Regioplan (2013)

30.8 | Government revenues related to beer

In 2012, revenues from excise duties, VAT and income-related contributions related to the production and sale of beer in Slovenia were estimated to be 220 million Euro. This means that despite an increase of 3.8 percent in excise duty revenues, total government revenues have decreased by 9 percent since 2010. The main reason for this decrease was the lower consumption level of beer. In 2012, the two largest sources of income were excise duties and induced income tax, payroll tax and social security contributions from other sectors. Together, these sources generated 137 million Euro for the government.

Figure 30.6: Government revenues related to the production and sale of beer in 2012: 220 million Euro

Source: Calculations Regioplan (2013)

Table 30.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	62	70	73	+17.4%
VAT (on-trade sector) (million Euro)	45	53	46	+1.1%
VAT (off-trade sector) (million Euro)	29	35	30	+4.2%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	8.8	9.3	7.8	-11.7%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	60	75	64	+5.8%
Total government revenues (million Euro)	205	242	220	+7.3%

Source: Calculations Regioplan (2013)

31
Spain

31.1 | Country profile

Population	46,196,276
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	97

Source: Eurostat

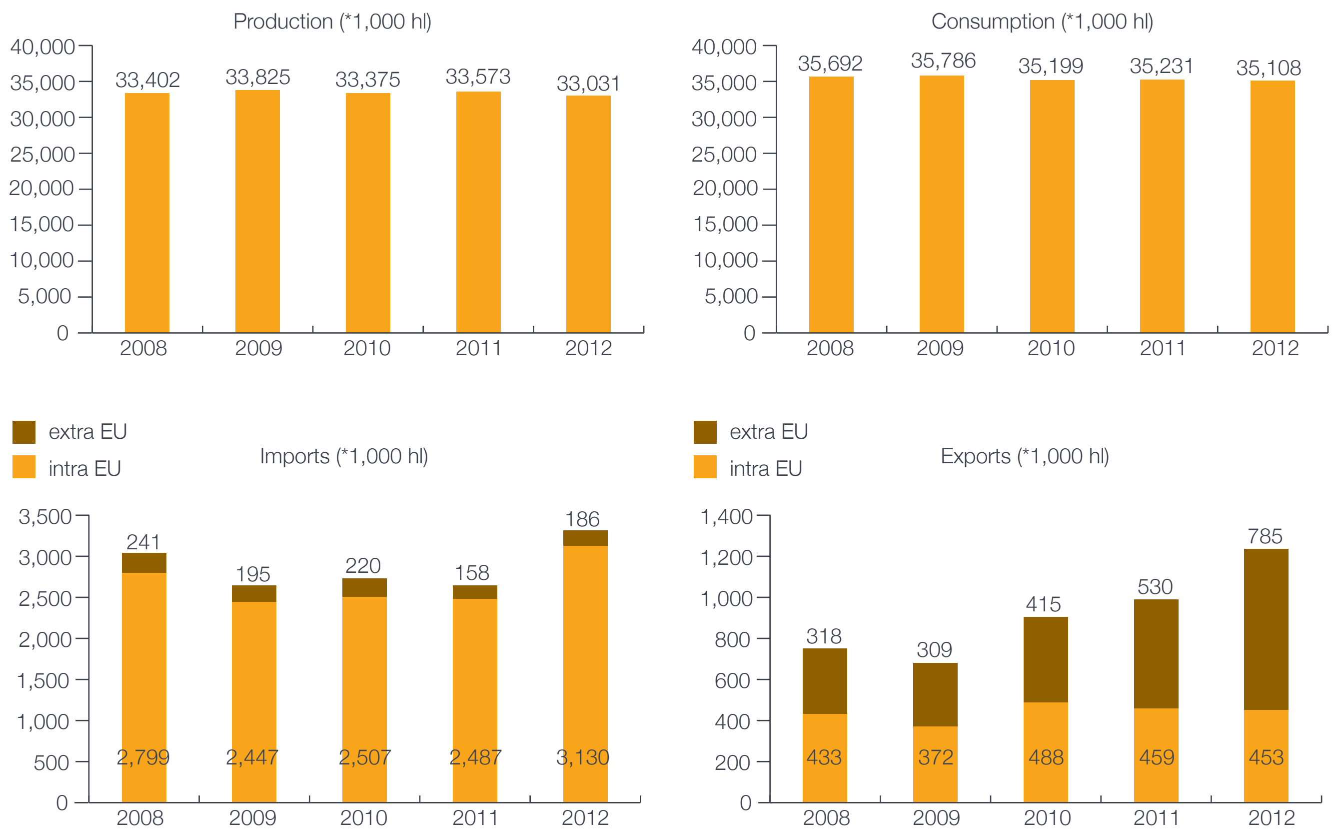
31.2 | Highlights Spain

Table 31.1 Economic impact of beer in Spain (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	282,900	274,600	257,100	-9.1%
Value-added (million Euro)	7,066	6,987	7,010	-0.8%
Government revenues (million Euro)	5,096	5,359	5,682	+11.5%

Source: Calculations Regioplan (2013)

Figure 31.1 Development of production, consumption, exports and imports (2008-2012)[1]



Source: Cerveceros de España (2013)

1 For this EU Member State the export and import data were based on official statistics (Ministry of Commerce and Ministry of the Treasury). These data differ from Eurostat data.

31.3 | Brewing sector

Table 31.2 Basic characteristics of the Spanish brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	33,402,305	33,825,148	33,375,361	33,573,292	33,031,003	-1.1%
Brewing companies (including microbreweries)	27	33	52	76	120	+344.4%
Breweries (including microbreweries)	41	47	65	88	132	+222.0%
Microbreweries	21	27	46	70	114	+442.9%

Source: Cerveceros de España (2013)

In 2012, total beer production in Spain decreased by 1 percent compared to 2010. The total production level of 2011 showed a small increase, but this positive development did not continue. The total production level of 33.0 million hectolitres in 2012 was the lowest in five years. According to the Spanish brewers' association (Cerveceros de España), this decrease in production was mainly caused by the economic downturn. Nevertheless, Spain was still the fourth-largest beer producing country in the EU.

In contrast with the decreased production level, the number of brewing companies and breweries rose, with a substantial increase in microbreweries. The Spanish brewing sector is very dynamic. Over the past few years, beer culture has improved and brewing has become fashionable. More specifically, microbrewing presents an interesting opportunity for people wishing to start a new business.

31.4 | Beer market

Table 31.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)*	35,691,973	35,786,102	35,199,280	35,230,869	35,108,331	-1.6%
Total consumer spending (in million Euro)	15,264	13,117	15,143	14,684	14,638	-4.1%
Consumption of beer per capita (in litres) **	52.1	50.7	48.3	48.2	47.5	-8.8%
Beer consumption on-trade (hospitality) **	69.0%	67.0%	66.0%	65.0%	63.0%	-6.0%
Beer consumption off-trade (retail) **	31.0%	33.0%	34.0%	35.0%	37.0%	+6.0%
Average consumer price in on-trade (1 litre, including taxes) (in Euro) ***	5.65	5.98	5.90	5.75	5.89	+4.3%
Average consumer price in off-trade (1 litre, including taxes) (in Euro) ***	1.22	1.25	1.20	1.23	1.24	+1.6%

*Sources: * Cerveceros de España (2013); ** Ministry of Agriculture, Foodstuffs and Environment); *** Estimate based on PWC studies for Cerveceros de España and several data from the National Statistics Office on evolution of prices.*

With a total beer consumption of almost 35.1 million hectolitres, Spain was the fourth largest beer consuming country in the EU. However, in line with the decrease in production levels, total beer consumption in Spain also fell in 2012.

Spanish beer consumers prefer to drink their beer in bars, pubs or restaurants. However, in line with most EU countries in this study, the on-trade consumption is losing ground while off-trade consumption is growing. This is mainly the result of the economic downturn.

According to a recent study by Quote Research, beer consumers in Spain love to combine beer with food. Almost 84 percent of total beer consumption is accompanied by some food. It is estimated that a quarter of the income of Spanish bars, pubs and restaurants is related to beer sales and may even reach 40 percent in establishments under 10 employees. This figure increases even further if the combination of beer and food is considered.

The brewing sector in Spain has considerable benefits from foreign tourism. A significant share of total beer consumption is purchased by foreign tourists, which explains why the consumption per capita by Spaniards, according to the official data of the Ministry of Agriculture, Foodstuffs and Environment, is much lower than the consumption per capita obtained by dividing apparent consumption (production plus imports minus exports) by registered population (74.3 litres per capita). Furthermore, according to the study by Quota Research, almost 90 percent of foreign visitors consumed beer during their stay in Spain. The majority from this beer consumption (87 percent) was in bars, pubs or restaurants.

31.5 | Trends and developments

Like most EU countries, Spain has seen a decrease in on-trade beer consumption since the economic downturn started. Along with a decreased consumption level, this negative trend has led to an increased price competitiveness in the Spanish beer market, both on-trade and off-trade. In the off-trade sector, there has been a fast development of distributors' own brands, which cost half the price of brewers' brands. In the on-trade sector on the other hand, there is an increasing trend for on-trade chains to sell beer of the best bidder (lowest price).

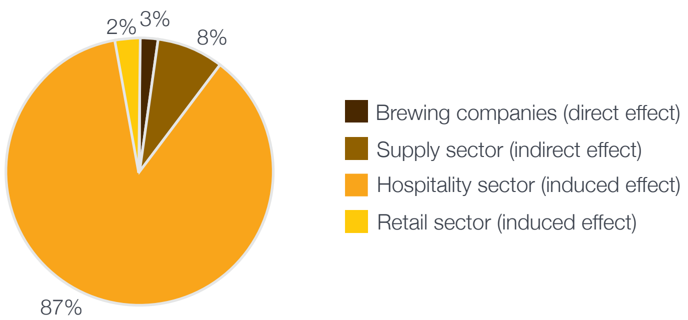
Brewing companies in Spain try to enhance positive developments by investing in new products and by focussing on customers' wishes. Spanish brewers have also put more effort into promotions to try to reactivate on-trade beer consumption. Alongside these promotions, they have also improved their business structures and renewed their strategies and policies in both distribution channels.

The most important innovations in the Spanish beer market in 2011 and 2012 were innovations related to product packaging (e.g. new bottles), production processes (e.g. energy savings and quality assurance implications), improvement of the distribution process, the launch of new products and finally, production for an international market.

31.6 | Employment related to beer

In 2012, approximately 6,000 people were employed in Spanish brewing companies. Besides this direct employment, the production of beer in Spain also creates indirect employment in various supply sectors and in the retail and hospitality sectors. In 2012, the production and sale of beer generated 20,900 jobs for suppliers and 5,900 jobs in the retail sector. The sector that benefitted most from Spanish beer production was the hospitality sector, with more than 224,300 jobs in 2012. In total, the employment impact of the production and sale of beer in Spain in 2012 was estimated at 257,100 jobs.

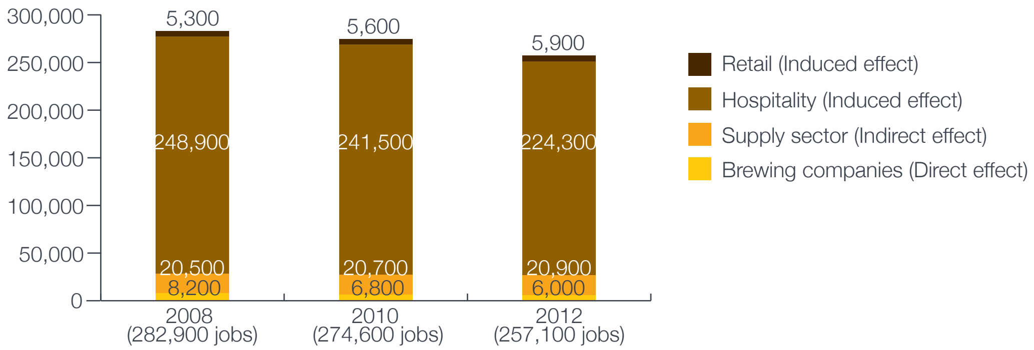
Figure 31.2 Total employment because of beer in 2012: 257,100 jobs



Source: Calculations Regioplan (2013)

The total number of jobs related to the production and sale of beer in Spain decreased by 9.1 percent as compared with 2008. Most of this decrease took place after 2010. This was mainly due to the declines in production and consumption levels. The two sectors that suffered the largest losses of jobs were the hospitality sector and the brewing companies themselves. As shown in Figure 31.3, the on-trade sector suffered a massive loss of 17,200 jobs since 2010. As a result of the increase of off-trade beer consumption, employment in the retail sector increased by 300 jobs. However, this increase cannot compensate for job losses in the hospitality sector. Indirect employment in the supply sectors also increased a little since 2010, having gained 200 jobs.

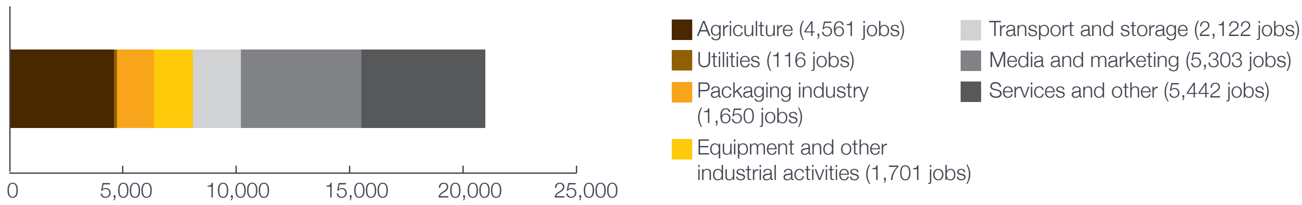
Figure 31.3 Development of employment (Δ2008-2012 = -9.2%)



Source: Calculations Regioplan (2013)

In 2012, a large proportion of the purchases by Spanish brewing companies were made domestically. For purchases concerning utilities, transport and storage and media and marketing in particular, Spanish brewing companies rarely chose suppliers in foreign countries. The three supply sectors that benefitted most from the Spanish brewing sector were the services sector (26 percent), the media and marketing sector (25 percent) and agriculture (22 percent).

Figure 31.4 Indirect employment in 2012: 20,900 jobs

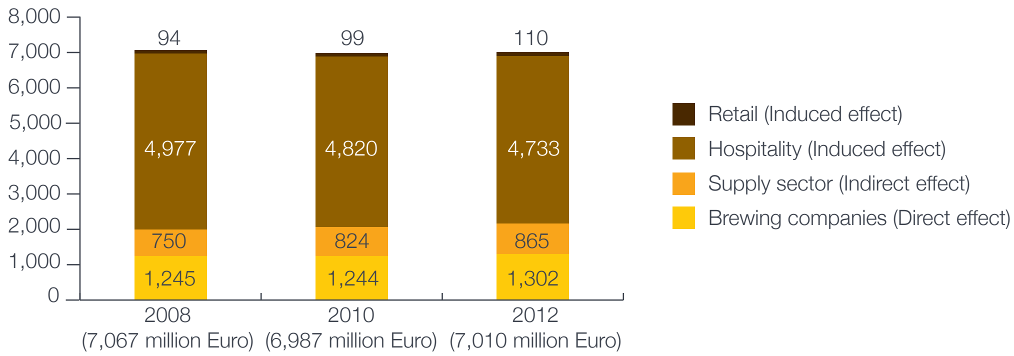


Source: Calculations Regioplan (2013)

31.7 | Value-added related to beer

Besides the impact on employment, the Spanish brewing sector also contributes to the economy in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Spain was estimated at 7 billion Euro. This means a decrease of 0.8 percent since 2008. This decrease was caused by the value-added generated by the hospitality sector, which declined over this period, because of the decrease in on-trade beer consumption. The value-added generated by the retail sector, the supply sectors and the brewing companies themselves actually increased over this period. The increase in value-added generated by brewing companies was the result of innovations in the production processes, which have led to higher productivity.

Figure 31.5 Development of value-added (Δ2008-2012 = -0.8%)



Source: Calculations Regioplan (2013)

31.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions from Spanish beer production and sales were estimated at 5.7 billion Euro. This means that the government revenues have further increased since 2010. This was for a large part due to the substantial rise in revenues from VAT in the hospitality sector, which contributed almost 2.3 billion Euro in 2012. Since 2010, the VAT rate in Spain has increased by 3 points.

While the present government in Spain recently increased the excise duty rate on alcoholic beverages by 10 percent, the rates for beer, wine and other fermented beverages remained the same. According to the Spanish Ministry of Finance, “the hospitality sector should not be damaged.” Moreover, the Ministry stated that “some products have more negative externalities than others.”

Figure 31.6: Government revenues related to the production and sale of beer in 2012: 5.7 billion Euro

Source: Calculations Regioplan (2013)

Table 31.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	311	305	310	-0.5%
VAT (on-trade sector) (million Euro)	1,919	2,091	2,261	+17.8%
VAT (off-trade sector) (million Euro)	186	219	280	+50.2%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	165	173	172	+4.6%
Income tax, payroll tax and social security contribution (other sectors) (million Euro)	2514	2573	2659	+5.8%
Total government revenues (million Euro)	5,096	5,361	5,682	+11.5%

Source: Calculations Regioplan (2013)

32
Sweden

32.1 | Country profile

Population	9,482,855
Currency	Swedish Krona
GDP per capita in PPS (2012, EU28 = 100)	129

Source: Eurostat

32.2 | Highlights Sweden

Table 32.1 Economic impact of beer in Sweden (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	17,200	18,400	18,300	+6.4%
Value-added (million Euro)	740	755	782	+5.6%
Government revenues (million Euro)	914	982	1,027	+12.3%

Source: Calculations Regioplan (2013)

Figure 32.1 Development of production, consumption, imports and exports (2008-2012)[1]

Source: Brewers of Sweden.

1 For this EU Member State the export and import data were obtained from the national brewers' association. These data differ from Eurostat data.

32.3 | Brewing sector

Table 32.2 Basic characteristics of the Swedish brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	4,288,000	4,455,000	4,349,000	4,491,000	4,537,240	+5.8%
Brewing companies	20	30	45	66	75	+275.0%
Breweries (including microbreweries)	20	30	45	65	75	+275.0%
Microbreweries	15	21	33	50	60	+300.0%

Source: Brewers of Sweden (2013)

Swedish beer production has shown a substantial increase since 2008. Although there was a small decrease in production in 2010, this was followed by increases in both 2011 and 2012. At more than 4.5 million hectolitres, the total production of beer in 2012 was the highest in five years.

In line with this development, the number of breweries in the Swedish beer market exploded. According to the Brewers of Sweden, every month a new brewery opened its doors, leading to 75 active breweries in 2012. Compared to other EU Member States, Swedish brewing companies are rather small. All brewing companies, except for one multinational, are owned by Swedes, often families. This is very unusual compared to the other Nordic countries. They are not situated in big cities, but in the countryside around the coasts.

Swedish brewing companies may only sell their beer to the hospitality sector and to the Swedish monopoly (Systembolaget). Groceries only sell beer containing less than 3.5 percent alcohol.

32.4 | Beer market

Table 32.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	4,900,000	4,884,000	4,894,000	4,806,000	4,692,000	-4.2%
Total consumer spending (in million Euro)	1,713	1,746	2,017	2,005	2,012	+17.4%
Consumption of beer per capita (in litres)	51.6	51.9	50.1	50.6	49.5	-4.1%
Beer consumption on-trade (hospitality)	20.0%	19.1%	19.1%	19.0%	20.4%	+0.4%
Beer consumption off-trade (retail)	80.0%	80.9%	80.9%	81.0%	79.6%	-0.4%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	8.00	8.22	8.37	8.49	8.57	+7.1%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	2.37	2.48	3.12	3.16	3.19	+34.6%

Source: Brewers of Sweden (2013)

By contrast to the trend of increasing production, total consumption of beer in Sweden has actually decreased since 2008. This discrepancy can be explained by cross border shopping. Swedish tax rates and excise duty levels on beer are amongst the highest in the EU. As a result, beer prices in Sweden are high compared to most other EU Member States. This has led to an increase in cross border shopping.

It is important to note that the total consumption figure does not capture beer that is either smuggled or bought just across the border in neighbouring countries. According to the Brewers of Sweden, border trade was even bigger than the beer sales in the Swedish hospitality sector. The Association estimated that the actual total consumption of beer in Sweden in 2012 was about 1 million hectolitres higher.

In 2012, most EU Member States witnessed a decline in on-trade beer consumption. Sweden however, showed the opposite trend. Since 2010, the on-trade consumption has increased by 1.3 percent. Nevertheless, Swedish beer consumers still preferred to drink their beer at home instead of in a bar, pub or restaurant.

32.5 | Trends and developments

A pivotal development in the Swedish beer market in 2012 was the microbreweries boom. As a result of all these new breweries, Swedes are drinking more varied beers. According to the Brewers of Sweden, interest in beer has never been higher. All breweries developed beers with novel tastes and there was a growing interest in local craft beer and speciality beers among the Swedish beer consumers. At the same time, there was an increase in the production of non-alcoholic beer.

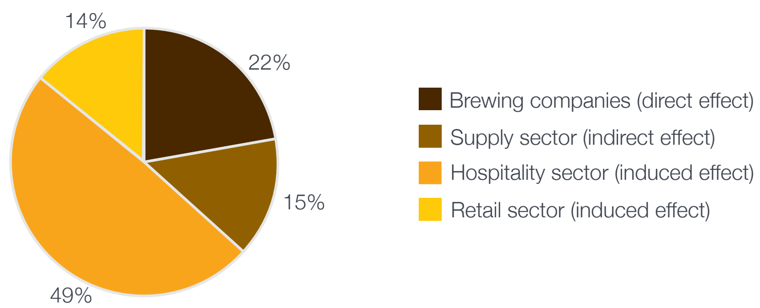
In addition to the development of new types of beer, Swedish brewing companies devoted considerable efforts to improve their production processes.

Since 2010, the Brewers of Sweden have witnessed a shift in drinking habits in Sweden. According to the Association, Swedes became very interested in beer, including to combine beer with special food. Furthermore, binge drinking has become less widespread. The Brewers of Sweden also reported that young people are drinking less alcohol than previously.

32.6 | Employment related to beer

In 2012, approximately 4,100 people were employed in Swedish brewing companies. Besides this direct employment, the production of beer in Sweden also creates indirect employment in various supply sectors and in the retail and hospitality sectors. In 2012, the production and sales of beer generated almost 2,700 jobs for suppliers and almost 2,600 jobs in the retail sector. The sector benefitting most from Swedish beer production was the hospitality sector, with more than 9,000 jobs in 2012. In total, the employment impact of the production and sale of beer in Sweden in 2012 was estimated at 18,300 jobs.

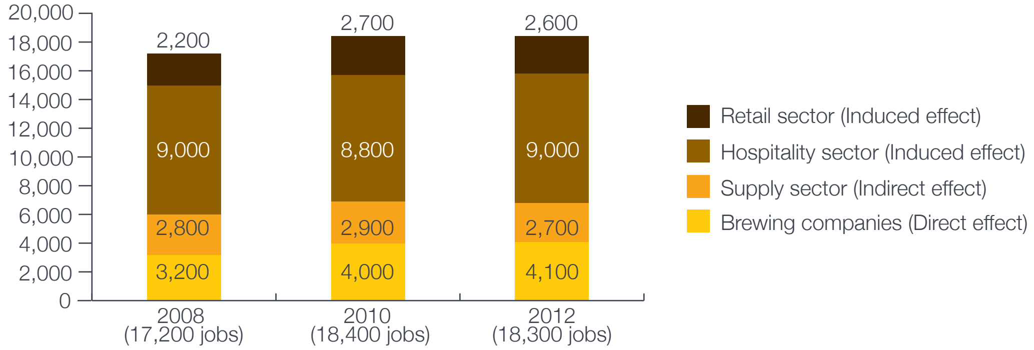
Figure 32.2 Total employment because of beer in 2012: 18,300 jobs



Source: Calculations Regioplan (2013)

In 2010, there was a substantial increase in the total number of jobs due to the Swedish beer sector. Since then, employment related to the production and sale of beer has decreased by 100 jobs. The two sectors that suffered job losses were the retail and supply sectors. At the expense of the number of jobs in the retail sector, the small increase in on-trade beer consumption in Sweden led to increased employment in the hospitality sector. Direct employment in brewing companies has also increased since 2010, with a growth of 100 jobs.

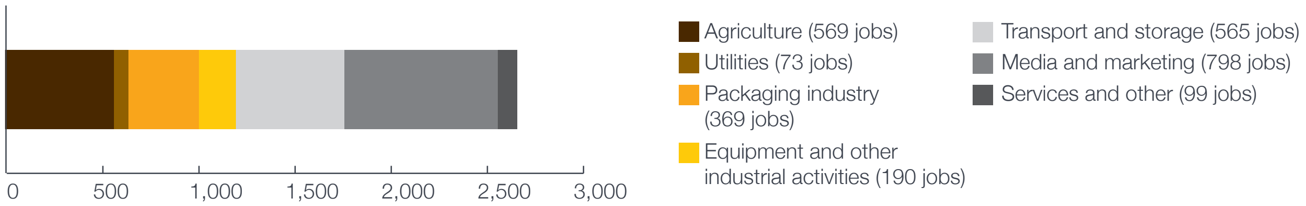
Figure 32.3 Development of employment (Δ2008-2012 = +6.4%)



Source: Calculations Regioplan (2013)

The two supply sectors that benefit most from the Swedish brewing sector are transport and storage, and media and marketing. With respect to utilities, transport and storage, media and marketing and other services, Swedish brewing companies mainly opted for domestic suppliers. Purchases involving agriculture, packaging and equipment, and other industrial activities mostly came from other countries.

Figure 32.4 Indirect employment in 2012: 2,700 jobs

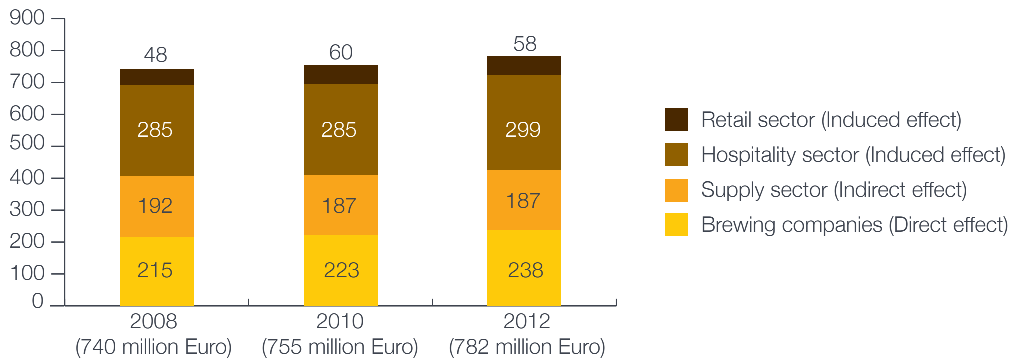


Source: Calculations Regioplan (2013)

32.7 | Value-added related to beer

Besides the impact on employment, the Swedish brewing sector also contributes to the economy in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Sweden was estimated to be 782 million Euro. This means a further increase since 2010. This increase was primarily caused by rises in the value-added by the hospitality sector and the value-added generated directly by brewing companies. The increase in the hospitality sector was at the expense of the retail sector. The decrease in off-trade beer consumption in 2012 resulted in a lower value-added generated by supermarkets and shops.

Figure 32.5 Development of value-added (Δ2008-2012 = +5.7%)

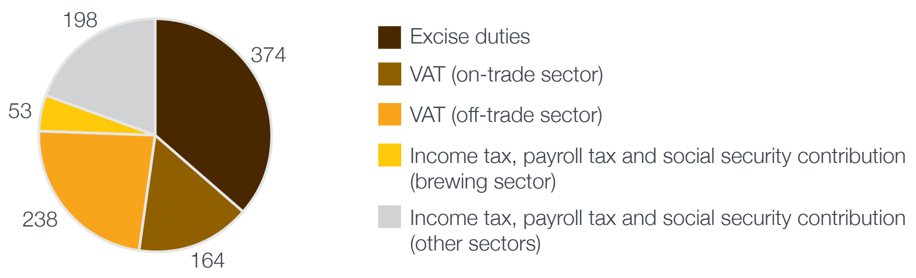


Source: Calculations Regioplan (2013)

32.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions related to Swedish beer production and sales were estimated at 1 billion Euro. This means that government revenues have increased by 12.3 percent since 2008. This was mainly related to the rise in excise duty revenues and revenues from VAT in the retail sector. Together, these two sources contributed 612 million Euro to the government in 2012.

Figure 32.6: Government revenues related to the production and sale of beer in 2012: 1 billion Euro



Source: Calculations Regioplan (2013)

Table 32.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties(million Euro)	321	339	374	+16.5%
VAT (on-trade sector) (million Euro)	157	157	164	+4.6%
VAT (off-trade sector) (million Euro)	186	247	238	+28.2%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	48	45	53	+10.0%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	203	195	198	-2.5%
Total government revenues (million Euro)	914	982	1,027	+12.3%

Source: Calculations Regioplan (2013)

33
Switzerland

33.1 | Country profile

Population	7,954,662
Currency	Swiss Franc
GDP per capita in PPS (2012, EU28 = 100)	160

Source: Eurostat

33.2 | Highlights Switzerland

Table 33.1 Economic impact of beer in Switzerland (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	32,800	35,100	37,500	+14.3%
Value-added (million Euro)	1,404	1,490	1,568	+11.7%
Government revenues (million Euro)	556	620	672	+20.8%

Source: Calculations Regioplan (2013)

Figure 33.1 Development production, consumption, imports and exports (2008-2012)

Source: Schweizer Brauerei-Verband (2013)

33.3 | Brewing sector

Table 33.2 Basic characteristics of the Swiss brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	3,625,293	3,554,884	3,538,606	3,546,333	3,514,819	-3.1%
Brewing companies	267	277	325	358	373	+39.7%
Breweries (including microbreweries)	270	280	328	360	375	+38.9%
Microbreweries	222	232	280	313	328	+47.8%

Source: Schweizer Brauerei-Verband (2013)

Total beer production in Switzerland has declined almost constantly since 2008, with a total drop of 3 percent between 2008 and 2012. Nevertheless, the number of microbreweries grew sharply. Since 2008, more than 100 microbreweries have been established (an increase of almost 50 percent).

The Swiss beer market is dominated by two multinationals. Besides these two major players, many regional breweries, microbreweries and brewing pubs are active. In 2012, Switzerland had a total of 375 breweries.

33.4 | Beer market

Table 33.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	4,489,059	4,480,424	4,526,417	4,626,060	4,622,509	+3.0%
Total consumer spending (in million Euro)	2,760	2,770	2,882	3,207	3,183	+15.3%
Consumption of beer per capita (in litres)	58	57	57	58	57	-1.7%
Beer consumption on-trade (hospitality)	45.0%	50.0%	48.0%	50.0%	50.0%	+5.0%
Beer consumption off-trade (retail)	55.0%	50.0%	52.0%	50.0%	50.0%	-5.0%
Average consumer price in on-trade (1 litre, including taxes)	10.13	10.13	10.13	10.34	10.66	+5.3%
Average consumer price in off-trade (1 liter, including taxes)	2.89	2.89	2.89	3.00	3.11	+7.5%

Source: Schweizer Brauerei-Verband (2013)

Even though the production of beer has decreased since 2008, total consumption in Switzerland actually increased. This can be explained by a rise in the imports of beer, as shown in Figure 33.1. According to the Schweizer Brauerei-Verband, there has been an increase in the imports of cheaper beers, as well as an increase of beer sales in discount supermarkets.

In 2011 and 2012, 50 percent of the total beer sales was consumed in the on-trade and 50 percent was purchased through the off-trade sector. This was in contrast to most other Member States of the EU where on-trade sales declined over recent years. Another contrast to most of the EU Member States was the relatively stable consumption per capita.

While the Eastern part of Switzerland (the German-speaking part) is oriented towards lager beer, the Western part of Switzerland (French-speaking) is more exposed to the imports of Belgian beers. More than 75 percent of the total beer consumption in Switzerland is lager beer. Approximately 12 percent of the beer consumed belongs to the category ‘Spezialbier’ and 5 percent can be categorized as ‘Spezialitätenbiere’.

33.5 | Trends and developments

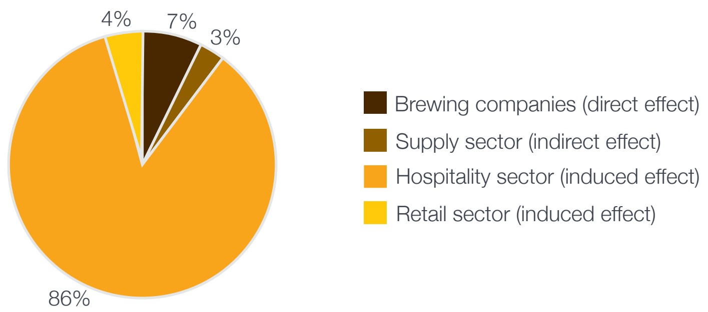
As shown in the previous paragraphs, the import of cheaper foreign beers has been on the rise in Switzerland. Domestic brewers responded to this trend by focussing on product quality and by emphasising the Swiss origin of their products. Another trend in the Swiss beer market has been the production of a wider variety of beers, especially in the premium segment.

In recent years, the Swiss government has imposed several regulations influencing the brewing sector. Since May 2010, smoking has been banned in bars, pubs and restaurants larger than 80 m^2. The government has also restricted the opening hours of shops selling alcohol. The Alcohol Act is being revised, which could lead to further regulations.

33.6 | Employment related to beer

In 2012, approximately 2,800 people were employed in Swiss brewing companies. Alongside this direct employment, the production of beer in Switzerland also creates indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, the production and sale of beer generated around 1,100 jobs in the supply sectors. Moreover, beer contributed 32,000 jobs in the hospitality sector and approximately 1,600 jobs in retail. In total, the employment impact of the production and sale of beer in Switzerland is estimated to be more than 37,500 jobs.

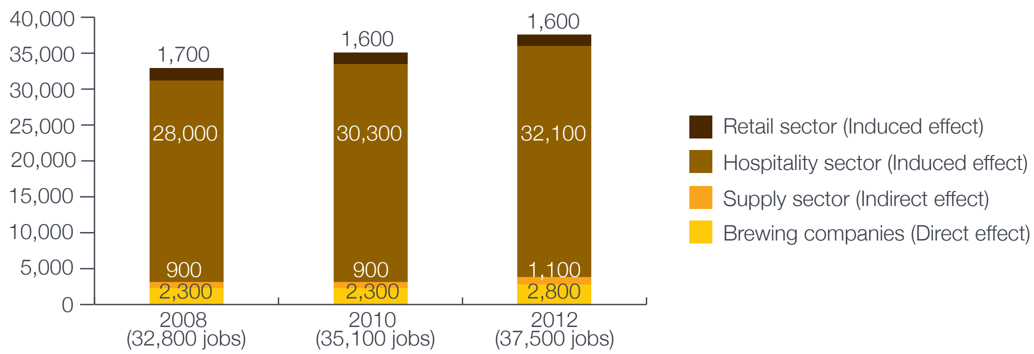
Figure 33.2 Total employment because of beer in 2012: 37,500 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of the production and sale of beer in Switzerland has increased by 14 percent. The two largest increases can be found in the hospitality sector and in the brewing companies themselves. The number of jobs in the supply sectors also grew slightly. This can be explained by the fact that brewing companies bought more goods and services within Switzerland instead of abroad.

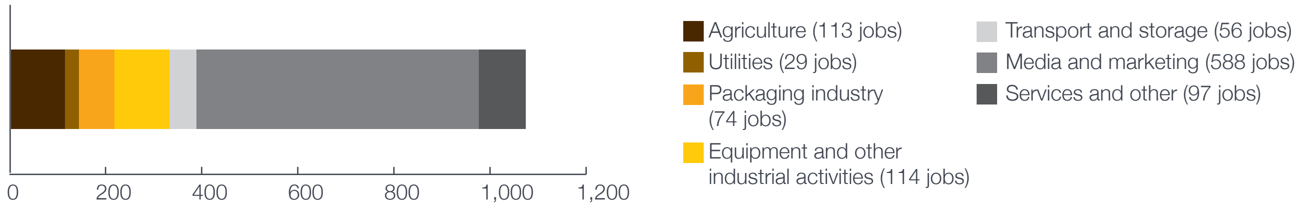
Figure 33.3 Development of employment (Δ2008-2012 = +14.3%)



Source: Calculations Regioplan (2013)

In 2012, the brewing sector generated almost 1,100 jobs for the supply chain. More than half of these jobs were created in the media and marketing sector. Other sectors in which a relatively large number of jobs depended on the beer sector were agriculture and the industrial sector.

Figure 33.4 Indirect employment in 2012: 1,100 jobs



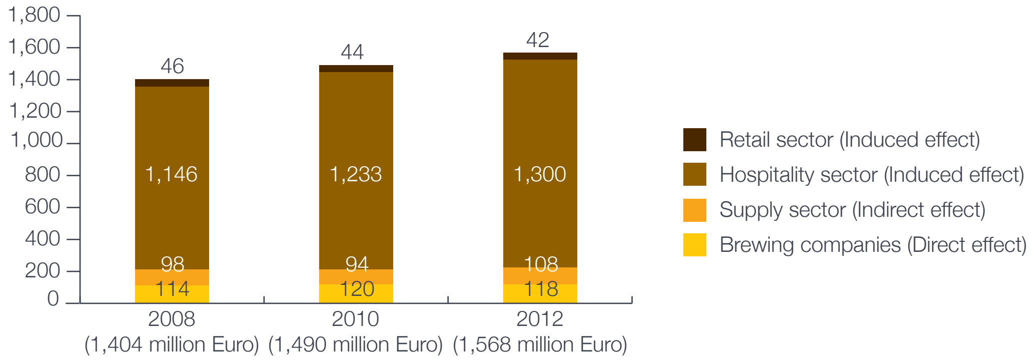
Source: Calculations Regioplan (2013)

33.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Swiss economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Switzerland was estimated at almost 1.6 billion Euro.

The total value-added has risen since 2008. This is primarily caused by the increase in the value-added generated by the hospitality sector.

Figure 33.5 Development of value-added (Δ2008-2012 = +11.7%)



Source: Calculations Regioplan (2013)

33.8 | Government revenues related to beer

In 2012, revenues from excise duties, VAT and income-related contributions related to the production and sale of beer in Switzerland were estimated at 672 million Euro. This means that the amount of government revenues has grown by nearly 21 percent since 2008. The two largest increases were seen in the revenues from excise duties and VAT generated in the hospitality sector.

Figure 33.6: Government revenues related to the production and sale of beer in 2012: 672 million Euro

Source: Calculations Regioplan (2013)

Table 33.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	67	94	93	+40.1%
VAT (on-trade sector) (million Euro)	145	155	183	+26.3%
VAT (off-trade sector) (million Euro)	50	48	53	+5.6%
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	20	21	25	+24.8%
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	274	302	317	+15.6%
Total government revenues (million Euro)	556	620	672	+20.8%

Source: Calculations Regioplan (2013)

34
Turkey

34.1 | Country profile

Population	75,627,384
Currency	Turkish Lira
GDP per capita in PPS (2012, EU28 = 100)	56

Source: Eurostat and Türkiye Istatistik Kurumu

34.2 | Highlights Turkey

Table 34.1 Economic impact of beer in Turkey (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	49,300	53,570	61,800	+25.4%
Value-added (million Euro)	721	817	874	+21.3%
Government revenues (million Euro)*	1,298	1,495	2,015	+55.2%

* *These figures only include excise duties, VAT and income tax, payroll tax and social security contributions related to beer.*

Source: Calculations Regioplan (2013)

Figure 34.1 Development of production, consumption, exports and imports (2009-2012)

Source: Tobacco and Alcohol Market Regulatory Authority (2013)

34.3 | Brewing sector

Table 34.2 Basic characteristics of the Turkish brewing sector (2009-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	9,244,384	10,219,290	10,278,536	10,163,665	11,013,188	+19.1%
Brewing company	7	7	7	7	7	0.0%
Breweries (including microbreweries)	11	11	11	11	11	0.0%
Microbreweries	5	5	5	5	5	0.0%

Source: Tobacco and Alcohol Market Regulatory Authority and the Beer and Malt Producers' Association of Turkey (2013)

The Turkish brewing sector is dominated by two brewing companies that operate a total of six breweries in Turkey and together their market share is 99 percent. Beside these breweries, there are five microbreweries active in the Turkish market.

The entire brewing sector produces 37 different brands of beer, most of them being manufactured by the two large players. In 2012 the sector produced approximately 11 million hectolitres of beer; this was 7.1 percent more than in 2010.

Besides the production and sale of beer, these brewing companies also carry out beer-related activities such as the cultivation of agricultural products needed for the production of beer, the transportation of beer, wholesale beer trading, the bottling and packaging of beer, and production and sales of malt. Some brewers also operate pubs.

34.4 | Beer market

Table 9.3 Basic characteristics of the Turkish beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	9,250,205	9,235,081	9,215,003	9,149,101	9,988,233	+8.0%
Total consumer spending (in million Euro)	2,339	2,327	2,689	2,950	2,859	+22.2%
Consumption of beer per capita (in litres)	12.7	12.7	12.4	12.3	13.2	+3.9%
Beer consumption on-trade (hospitality)	22.2%	22.2%	23.0%	26.0%	26.0%	+3.8%
Beer consumption off-trade (retail)	77.8%	77.8%	77.0%	74.0%	74.0%	-3.8%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	3.33	3.33	3.92	5.00	3.81	+14.6%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	2.28	2.28	2.62	2.60	2.53	+10.7%

Source: Tobacco and Alcohol Market Regulatory Authority and the Beer and Malt Producers' Association of Turkey (2013)

Almost 10 million hectolitres of beer were consumed in Turkey in 2012. Compared to 2008, the consumption of beer increased by 8 percent. The most significant point is that the consumption of beer is back on track after two years (2010 and 2011) of declining consumption.

Based on the increased total consumption of beer, the per capita consumption in 2012 was also higher than in previous years and exceeded the 2008 level by almost 4 percent. The trend of drinking more beer outside the home stabilised after it had risen between 2008 and 2011.

Focusing on the off-trade channel, the brewing companies experienced an increase in sales volume and value in supermarkets. This could be explained by the overall decrease in the number of (smaller) grocery stores and an increase in supermarkets, in general, in Turkey.

34.5 | Trends and developments

The Turkish government recently implemented regulations further restricting the retailing and marketing of beer whilst raising already relatively high excise duties even further. This may negatively influence the contribution of beer to the national economy.

Increasing excise rate on beer

Since 2002, the excise duty rate on beer has been increased eleven times. The last increase of the excise duty rate dates back to July 2013: an increase of 1.59 percent. At the end of 2012, the rate on beer was almost 80 percent higher than in the beginning of 2010.

With this tax increase, Turkey is already one of the highest excise-taxed countries with regard to beer in Europe. From January 2013, the excise duties on alcoholic beverages are due to be changed twice a year (January, July), based on the change in producer price index of the six-month period. This means that the excise duty rate will continue to increase.

Introducing new regulations

On 18 September 2013, a new set of regulations was published and issued. These affect the principles and procedures concerning the sale and display of alcoholic beverages in Turkey, and will create a much stricter market organisation for alcoholic beverages. The main components of these new regulations are as follows:

Alcoholic beverages may no longer be sold at student residences, sports clubs, all types of educational institutions, coffee houses, coffee shops, pastry shops, bezique and bridge halls and businesses operating at fuel stations.

No new premises selling alcoholic beverages may be opened within 100 metres of formal educational institutions, private teaching institutions, dormitories and sanctuaries. Existing premises in that radius may stay open, but can only transfer their businesses to relatives at first and second remove.

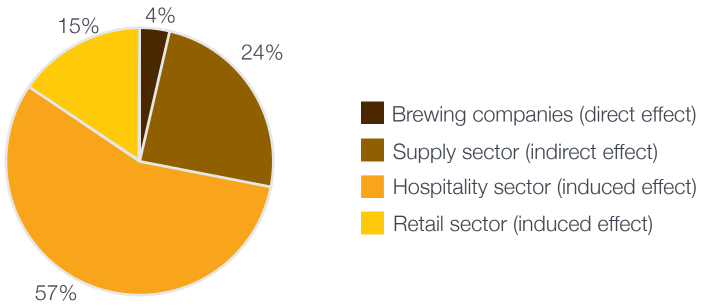
Someone intending to take over an establishment holding an alcohol permit is required to provide a certificate attesting that s/he is a relative of the owner at first or second remove by blood.

Any form of advertisement or promotion of alcoholic beverages targeting consumers is prohibited. Furthermore, producers are not allowed to operate a website with a domain/sub-domain name which includes the name or brand of any alcoholic beverage for the online advertisement and promotion of these products to consumers. Advertising inside shops is also not allowed. No words, drawings, pictures and letters containing brands, logos, emblems or marks of alcoholic beverages may be displayed inside or outside shops, on windows, signs, sales units or coolers. Alcoholic beverages are also not allowed to be seen outside the shop.

34.6 | Employment related to beer

In 2012, approximately 2,400 people were employed by Turkish brewing companies. Alongside this direct employment, the production of beer in Turkey also creates indirect employment via a number of supply sectors and the retail and hospitality sectors. In 2012, beer generated around 15,000 jobs in the supply sectors. Moreover, beer contributed approximately 35,000 jobs in the hospitality sector and around 9,400 jobs in retail. In total, the employment impact of the production and sale of beer was estimated at almost 61,800 jobs.

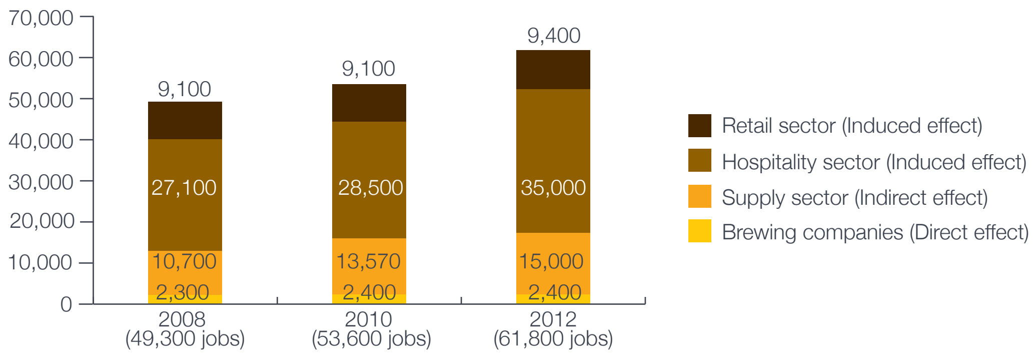
Figure 34.2 Total employment because of beer in 2012: 61,800 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of beer production and sales increased by 25.4 percent. Given that the sale of beer in the hospitality sector is more labour-intensive than in the retail sector, the main reason for the increase is the higher overall consumption of beer in Turkey, and the fact that relatively more beer was consumed in bars, pubs and restaurants. Employment in the retail sector increased slightly (3 percent) over the period 2008-2012 and employment in the supply sector increased by 29 percent over the same period. Employment by the breweries themselves remained stable over the years.

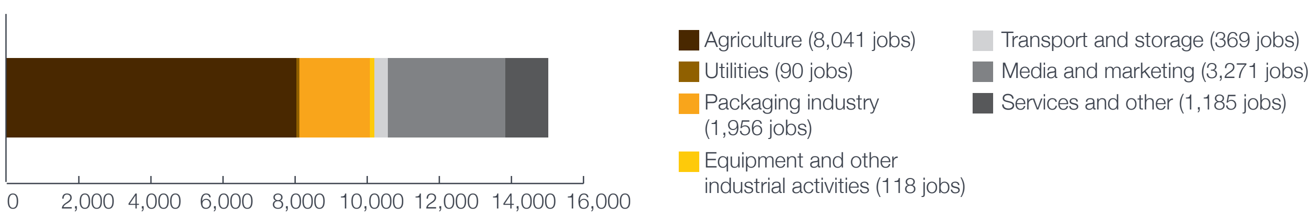
Figure 34.3 Development of employment (Δ2008-2012 = +25.4%)



Source: Calculations Regioplan (2013)

In 2012 the brewing sector created more than 15,000 jobs for the supply chain. The majority of these jobs were in the agricultural sector (53 percent). Two other sectors that had substantial benefits from the Turkish brewing sector were media and marketing and the packaging industry.

Figure 34.4 Indirect employment in 2012: 15,000 jobs



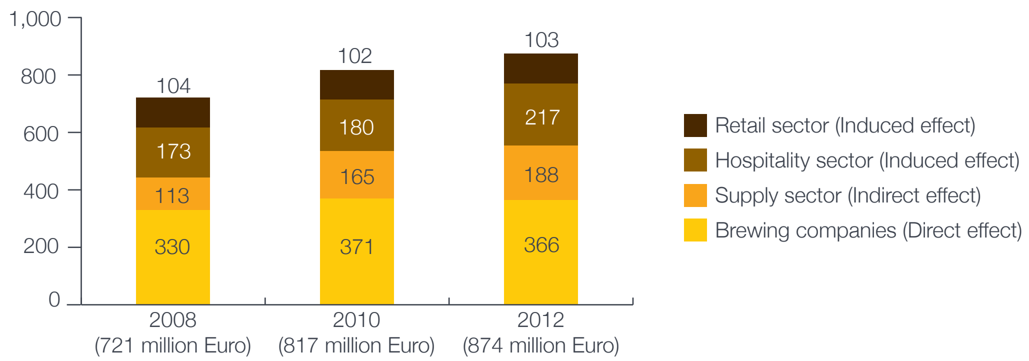
Source: Calculations Regioplan (2013)

34.7 | Value-added related to beer

Besides the employment-related impact, the contribution of the brewing sector to the Turkish economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in Turkey was estimated at 874 million Euro.

Since 2008 the total value-added has risen by 21.3 percent. This increase was influenced most by the value-added generated by the supply sector and in the hospitality sector.

Figure 34.5 Development of value-added (Δ2008-2012 = +21.3%)



Source: Calculations Regioplan (2013)

34.8 | Government revenues related to beer

In 2012, revenues from excise duties, VAT and income-related contributions related to Turkish beer production and sales were estimated at 2 billion Euro. This means that the amount of government revenues was 55.2 percent higher than in 2008. Excise duty revenues increased most over the years; the 2012 revenues were 109.2 percent higher than those in 2008.

Figure 34.6: Government revenues related to the production and sale of beer in 2012: 2,015 million Euro

Source: Calculations Regioplan (2013)

Table 34.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2009-2012
Excise duties (million Euro)	619	824	1,295	+109.2%
VAT (on-trade sector) (million Euro)	127	127	151	+19%
VAT (off-trade sector) (million Euro)	283	283	285	+0.7%
Income tax, payroll tax and social security contributions (brewing companies) (million Euro)	48	53	48	+1.5%
Income tax, payroll tax and social security contributions (other sectors) (million Euro)	221	208	236	+6.5%
Total government revenues (million Euro)	1,298	1,495	2,015	+55.2%

Source: Calculations Regioplan (2013)

35

United Kingdom

35.1 | Country profile

Population	63,456,584
Currency	Pound Sterling
GDP per capita in PPS (2012, EU28 = 100)	110

Source: Eurostat

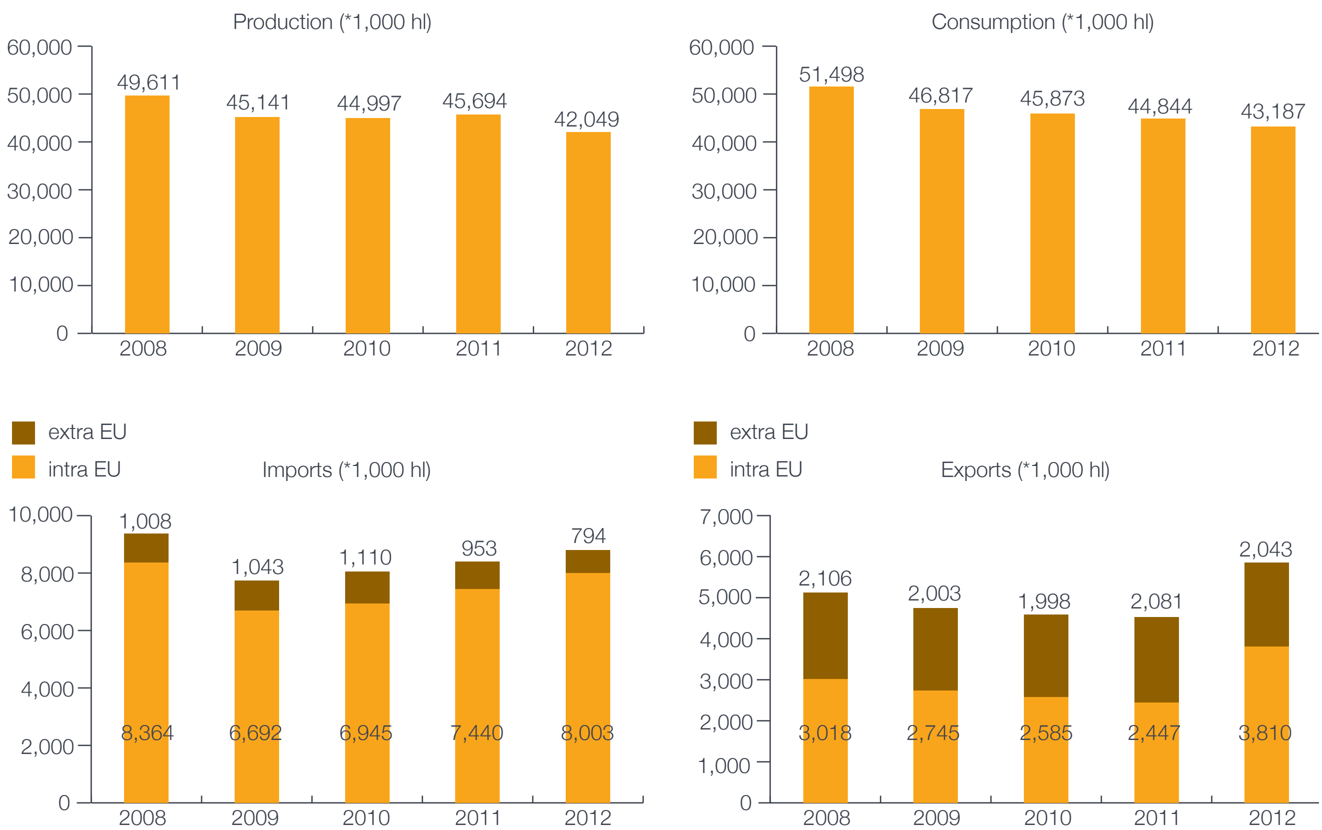
35.2 | Highlights United Kingdom

Table 35.1 Economic impact of beer in United Kingdom (2008-2012)

	2008	2010	2012	Δ 2008-2012
Total number of jobs	397,200	339,000	321,900	-19.0%
Value-added (million Euro)	10,412	8,371	8,957	-14.0%
Government revenues (million Euro)	12,550	10,706	12,205	-2.8%

Source: Calculations Regioplan (2013)

Figure 35.1 Development of production*, consumption*, imports** and exports** (2008-2012)



*Source: * British Beer & Pub Association (2013) ** Eurostat (2013)*

35.3 | Brewing sector

Table 35.2 Basic characteristics of the British brewing sector (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total production (in hectolitres)	49,611,000	45,141,000	44,997,000	45,694,000	42,049,000	-15.2%
Brewing companies	711	733	817	937	1102	+55.0%
Breweries (including microbreweries)	725	745	828	948	1113	+53.5%
Microbreweries*	671	694	778	898	1063	+58.4%

* *The definition for microbreweries here is based on data from the BBPA and is all breweries with a production up to 60,000 hectolitres per year and who receive "small brewer relief" in the UK. This differs from the definition used in the other chapters of this report (breweries with a production up to 1,000 hectolitres per year). Because of this, in the remainder of this chapter we will refer to these breweries as small breweries instead of microbreweries,*

Source: BBPA - British Beer & Pub Association (2013)

In 2012, the UK brewing sector consisted of 12 large brewing companies, 38 medium-sized brewing companies and 1,063 small breweries. There has been a huge growth in the number of small breweries over the past decade. Although these breweries may produce up to 60,000 hectolitres per year, over 90 percent produce less than 5,000 hectolitres per year

The huge growth in small brewers reflects a renewed interest in craft beers in the UK and in other mature beer markets around the world. Increased interest in local production using local ingredients also coincided with the introduction of the small brewer relief in 2002. This gave a 50 percent discount on the UK excise duty rate (the second highest in the EU) for brewers producing up to 5,000 hectolitres per year, reducing to a 7 percent discount at 30,000 hectolitres. In 2004, this was extended to 60,000 hectolitres (with the rate tapering to zero at this level). The growth in microbreweries has led to UK consumers having a huge and diverse range of beers available, stimulating renewed interest in the category.

Despite the growth in small breweries, overall beer volumes continue to fall in the UK. The economic downturn, an ageing population and a shift to other drinks such as wine, cider and spirits have all impacted beer sales. The majority of beer is sold through pubs and clubs and these venues have suffered as people increasingly drink at home, and there is greater competition from other leisure outlets and pursuits such as coffee shops and gyms. A major issue for the sector has also been the sharply increasing tax burden in the UK. Between January 2008 and the end of 2012 excise duties on beer increased by 42 percent, squeezing already low margins further and reducing sales as prices increased accordingly.

However a major sector campaign against continued tax rises on beer and the wider economic impact in terms of pub closures and the subsequent loss of thousands of vital jobs finally resulted in a change in 2013. The UK Government abandoned the inflation plus 2 percent increases ('beer duty escalator') already announced for 2013 and 2014 and instead cut beer duty by 2 percent (with an inflation-only increase for 2014). The 'duty escalator' continued for other alcoholic beverages.

35.4 | Beer market

Table 35.3 Basic characteristics beer market (2008-2012)

	2008	2009	2010	2011	2012	Δ 2008-2012
Total consumption (in hectolitres)	51,498,000	46,817,000	45,873,000	44,844,000	43,187,000	-16.1%
Total consumer spending (in million Euro)	24,504	19,034	18,040	18,645	20,131	-17.8%
Consumption of beer per capita (in litres)	84	76	74	74	71	-15.5%
Beer consumption on-trade (hospitality)	54.2%	53.8%	51.9%	52.4%	52.6%	-1.6%
Beer consumption off-trade (retail)	45.8%	46.2%	48.1%	47.6%	47.4%	+1.6%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	5.66	5.06	5.52	5.80	6.51	+15.0%
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	2.24	2.09	2.22	2.35	2.61	+16.5%

Source: British Beer & Pub Association (2013)

Over the past two years, beer consumption in the United Kingdom has continued to fall. It has declined steadily since 2007. Consumption per capita was 84 litres in 2008, compared to 68 litres in 2012. In 2012, the trend towards more drinking at home seemed to have halted. Over the years, the decreasing consumption of beer, and especially the consumption in the hospitality sector, resulted in negative economic effects. Ten thousand pubs – in which beer accounts for around 70 percent of alcohol sales – have closed across the nation since 2000.

Consumers have an increasing preference for sweeter drinks and are drinking a wider repertoire of products, including spirits, cider and wine – at the expense of beer.

35.5 | Trends and developments

Event-driven beer sales received a boost in 2012. The Diamond Jubilee of Queen Elizabeth, Euro 2012 and the Olympic Games were the most important events in this perspective. However, 2012 was also the third summer in a row in the UK where poor weather depressed beer sales.

Another trend that continued over the past two years is the enduring focus from government and health organisations on increasingly regulating the sales of alcoholic beverages. They aim to address the problems associated with misuse with proposals for various restrictions on commercial freedoms including minimum unit pricing and promotions bans. However, these proposals were not implemented, although from April 2014 it will be illegal to sell alcoholic beverages for an amount less than the excise duty plus VAT. The Scottish Government does intend to implement minimum unit pricing if the current legal challenge from the Scotch Whisky industry is unsuccessful.

The UK brewing sector continues to face difficult challenges but the reduction in beer duty has given the international brewing companies in the UK, as well as the regional brewers, renewed confidence to invest in the UK. A major new consumer campaign 'Let there be beer', funded by the major brewing companies operating in the UK, was launched in the summer of 2013. The aim is to showcase all the main beer styles, remind consumers what a great product beer is and to encourage them to choose beer on occasions when they may currently choose other drinks.

Lager remains the most popular type of beer in the UK, accounting for around 75 percent of total volume. The remaining volume is ales and stouts. Cask-conditional ale has seen a resurgence in recent years (alongside the growth of small breweries) and there are thousands of beer brands available to consumers in the UK, including a large number of foreign specialty beers and lagers imported from all over the world.

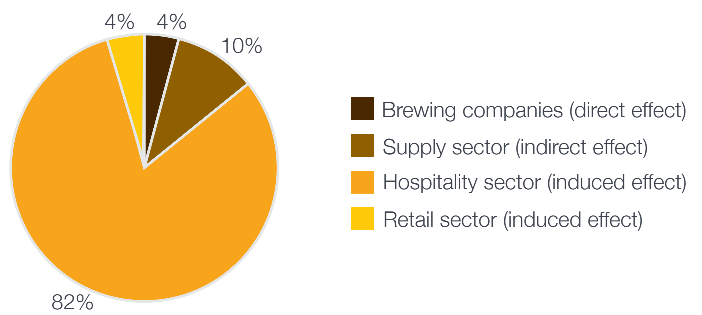
Very recent innovations in the beer market have been in lower-strength products, often with a hint of fruit flavour. This coincided with a 50 percent excise duty reduction for beer up to 2.8 percent abv in October 2011, and an increasing awareness around alcohol content and a demand for lighter (and often sweeter products). The UK drinks market is characterised by consumers choosing a wider range of drinks depending on the occasion (and even during a single evening) and a preference for sweeter products.

In relation to beer consumption, cider is becoming a growing competitor to beer.

35.6 | Employment related to beer

In 2012, approximately 13,500 people were employed in British brewing companies. Alongside this direct employment, the production of beer in the United Kingdom also creates indirect employment via a number of supply sectors and the retail and hospitality sectors. Our calculations show that in 2012, beer generated more than 32,700 jobs in the supply sectors. Moreover, beer contributed more than 260,000 jobs in the hospitality sector and around 11,500 jobs in the retail sector. In total, the employment impact of the production and sale of beer was estimated to be approximately 321,900 jobs.

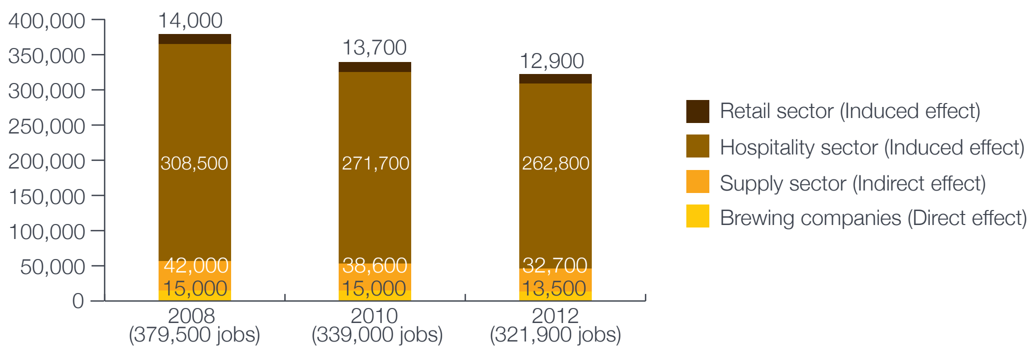
Figure 35.2 Total employment because of beer in 2012: 321,900 jobs



Source: Calculations Regioplan (2013)

Since 2008, the total employment impact of beer production and sales decreased by approximately 15 percent. In absolute numbers, beer-related employment in the hospitality sector declined the most markedly, but the other beer-related employment categories also decreased. This is a result of a declining consumption of beer and the trend to drink it more often at home.

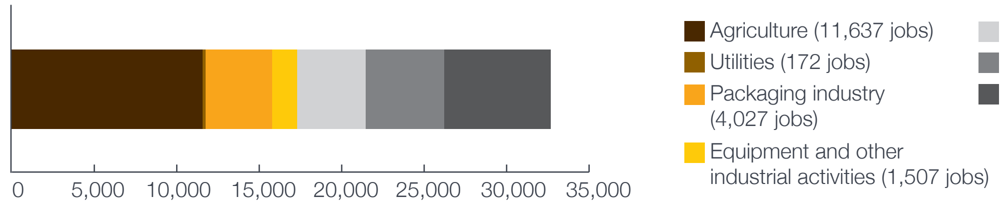
Figure 35.3 Development of employment (Δ2008-2012 = -15.2%)



Source: Calculations Regioplan (2013)

In 2012, the British brewing sector created about 32,700 jobs in supply sectors. Most of these jobs were created in agriculture and the services sector. Of all jobs created in the supply sector, 36 and 20 percent respectively were jobs in those two sectors.

Figure 35.4 Indirect employment in 2012: 32,700 jobs



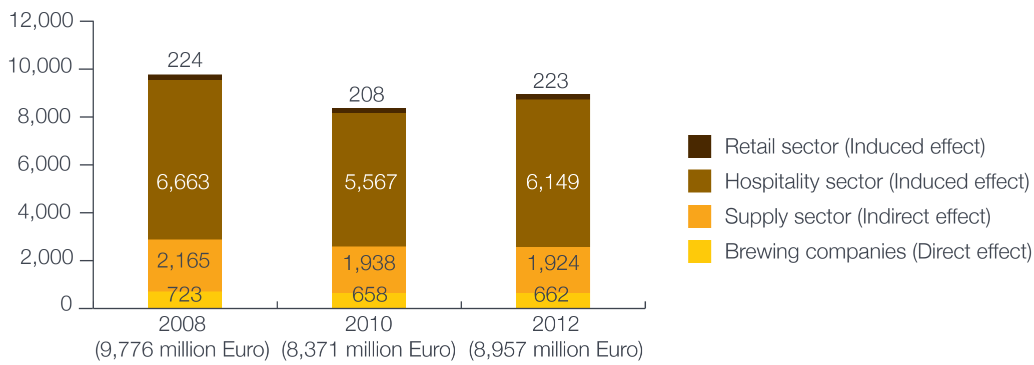
Source: Calculations Regioplan (2013)

35.7 | Value-added related to beer

Besides the jobs created, the contribution made by the brewing sector to the British economy can also be expressed in terms of value-added. In 2012, the total value-added related to the production and sale of beer in the United Kingdom was estimated at 8,957 million Euro.

Since 2008, the total value-added decreased by approximately 8 percent. This was primarily caused by the decreases in value-added by the hospitality sector, the supply chain and the brewing companies themselves. The relatively low value-added figure in 2010 can be partially explained by a dip in the value of the British pound (compared to the Euro), devaluing sharply in 2009.

Figure 35.5 Development of value-added (Δ2008-2012 = -8.4%)



Source: Calculations Regioplan (2013)

35.8 | Government revenues related to beer

In 2012, the revenues from excise duties, VAT and income-related contributions by British beer production and sales were estimated to be 12.1 billion Euro. This means that the amount of government revenues was approximately 3 percent lower than in 2008. Because of an increase in the VAT rate, VAT revenues increased. However, due to decreased sales and employment figures, excise duty revenues and personal income-related revenues from other sectors declined substantially.

If the 2012 figures are compared with those from 2010, total government revenues have actually increased by 1.5 billion Euro. When interpreting this 14 percent increase, it should be noted that the model used does not include government costs resulting from support to the unemployed whose jobs were related to the production and sale of beer. If this effect was taken into account, the development of government revenues would be influenced negatively, since the beer-related employment in the United Kingdom has declined by 5 percent since 2010. This means a loss of 17,100 jobs. It seems logical that at least a part of those lost jobs resulted in unemployment.

While interpreting the figures in table 35.4, it should be considered that in 2010 the exchange rate of the British pound (compared to the Euro) was significantly lower than in 2008 and 2012. Because of this, the outcomes for 2010 (expressed in Euro) are relatively low.

Figure 35.6: Government revenues related to the production and sale of beer in 2012: 12.2 billion Euro

Source: Calculations Regioplan (2013)

Table 35.4 Government revenues (2008-2012)

	2008	2010	2012	Δ 2008-2012
Excise duties (million Euro)	4,592	3,671	4,230	-7.9%
VAT (on-trade sector); (million Euro)	2,410	1,957	2,465	+2.3%
VAT (off-trade sector) (million Euro)	806	730	890	+10.5%
Income tax, payroll tax and social security contribution (brewing companies) (million Euro)	269	276	275	+1.9%
Income tax, payroll tax and social security revenues other sectors (million Euro)	4,473	4,073	4,345	-2.9%
Total government revenues (million Euro)	12,550	10,706	12,205	-2.8%

Source: Calculations Regioplan (2013)

Annexes

I Methodology & scope

This study focuses on the economic impact of the brewing sector in the 28 Member States of the EU plus Norway, Switzerland, and Turkey. Although the brewing sector is international in scope and many brewing companies are multinational organizations, the analyses were carried out at country level. Consequently the impact on each national economy could be measured as well.

The basis of the analysis is the year **2012**. If data were not available for this year, those from 2011 were used.

Some of the reported outcomes are estimates based on a **model** constructed by Regioplan Policy Research. For this reason these outcomes are not a direct representation and are dependent on decisions made by Regioplan. These decisions are elucidated in Annex III.

To represent the economic impact of the brewing sector, three different effects can be distinguished:

- direct impact;
- indirect impact; and
- induced impact

The **direct impact** is defined as the effect generated directly by the brewing sector.

The **indirect impact** represents the impact of breweries on their suppliers. To be able to produce beer, breweries need to purchase a highly diverse range of goods and services, such as cereals, hops and water, and many types of packaging materials such as glass and aluminium. They also hire engineers, marketers, communications agencies and many more services. In this study, seven supply sectors are defined as: agriculture (raw materials); utilities; packaging and bottling industry; transport and storage; media, marketing and communication; equipment, manufacturing and other industrial activities; and other services.

The sale of beer by retail outlets and hospitality establishments is the most important source of economic benefits. The economic contribution of both sectors arising from the sale of beer is labelled in this study as the brewing sector's **induced impact**.

The above-mentioned effects have been measured in three areas (**employment, value-added and government revenues**). It is important to stress that these are not additional effects, but rather three ways in which the same effects can be perceived. Together, these effects and areas result in nine dimensions:

Dimensions for measuring the economic impact

	Direct impact	Indirect impact	Induced impact
Employment	Total number of jobs in the brewing sector	Total number of jobs in supply sectors resulting from the production and sale of beer	Total number of jobs in the hospitality and retail sectors resulting from the sale of beer
Value added	Value added by brewing companies	Value added in supply sectors resulting from the production and sale of beer	Value added in the hospitality and wholesale/ retail sectors resulting from the sale of beer
Government Revenues	Excise duty revenues resulting from the sale of beer as well as income tax and social contributions from employers and employees in the brewing sector	Income tax and social contributions from employers and employees in supply sectors	VAT revenues, income tax and social contributions from employers and employees in the hospitality and wholesale/retail sectors resulting from the sale of beer

Calculations

Calculations have been based on original data provided by companies and national associations in response to questionnaires issued by Regioplan. However, where data points are quoted, rounded figures have sometimes been used for ease of presentation. Consequently, there is not always precise correlation between total sums and corresponding data sources and the data as quoted and derived percentages. Nevertheless, this is not a material issue.

II Data sources

The results presented in this report are derived from multiple data sources. In hierarchical order of importance these sources are:

- data obtained from a questionnaire completed by the national brewers' associations representing the brewing sector at national level;
- data collected directly from individual brewing companies through a detailed questionnaire;
- data from Eurostat;
- data from additional public and / or confidential sources, such as The Brewers of Europe, the European Commission and national statistical institutes;
- data from trade organisations representing the brewing sector's supply sectors;
- data used in the 2013 hospitality report: *The Hospitality Sector in Europe*; and
- data used in the 2011 beer report: *The Contribution made by Beer to the European economy*.

National brewers' associations

The national brewers' associations or federations were a major source of valuable data and information. The questionnaire to these organisations covered key data of the brewing sector within their local market, economic indicators of the distribution channels and the most important developments and threats in the beer sector. We received information on all of the 31 national beer markets.

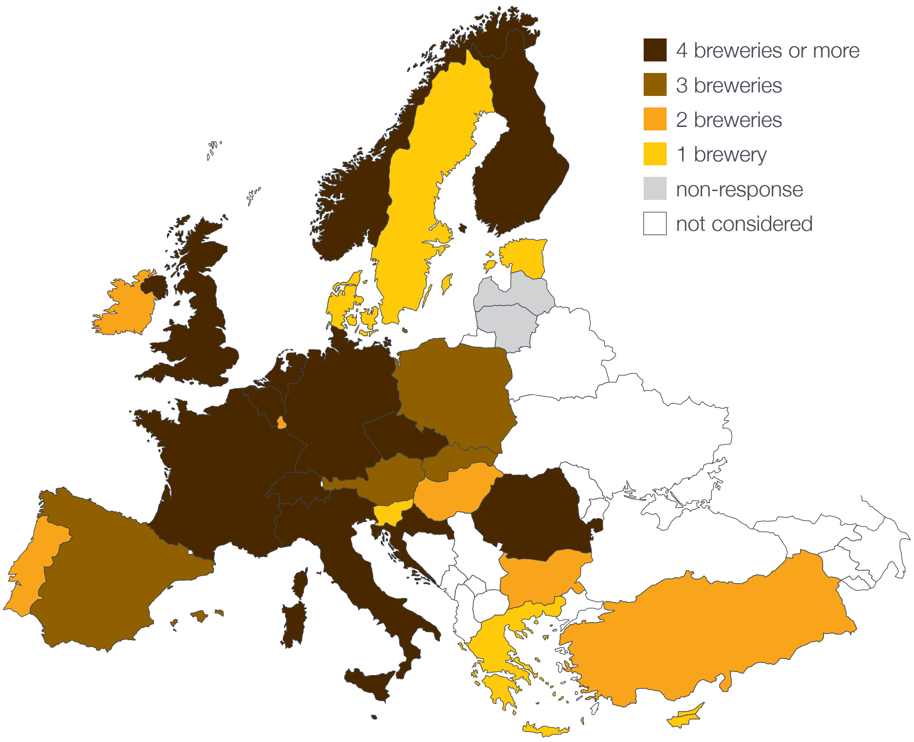
In order to verify our results, Regioplan Policy Research sent all 31 associations a draft version of the respective country chapter. We used their comments and suggestions to improve our calculations and analysis of the data.

Brewing companies

The brewers received a detailed questionnaire on the companies' key data, their activities, expenditures and purchases. The figure below provides an overview of the responses to the questionnaire. Please note that for smaller countries, a response of two or three brewing companies represents a proportionally larger share of the beer production in the respective country.

Both the Estonian and Latvian brewers' associations are not members of The Brewers of Europe.

Figure annex II.2: Questionnaires returned by brewing companies per country



Eurostat

With specific data on the brewing sector collected through questionnaires completed by national brewers' associations and brewing companies, more general economic data such as macroeconomic indicators and most statistics on exports and imports were obtained from Eurostat.

Although Croatia was not a member of the EU before 1 July 2013, trade with Croatia was considered intra-EU for the entire period.

The European Commission

Excise duty rates and government revenues from alcoholic beverages (i.e. beer, wine and spirits) as published by the European Commission have been used for the analysis.

The Brewers of Europe

In addition to the information from the questionnaires, we used statistics provided by The Brewers of Europe. These statistics covered general information on the brewing sector in European countries, including production, consumption and direct employment.

Trade organisations for supply sectors

Euromalt (malt), Verband Deutscher Hopfenpflanzerverband e.V. (hops), FEVE (glass) and BCME (cans) provided statistics on the impact of the European brewing sector for their sectors.

Beer Study 2011 edition

Data from the 2011 study were used to indicate trends over the period 2008-2012.

III Modeling decisions

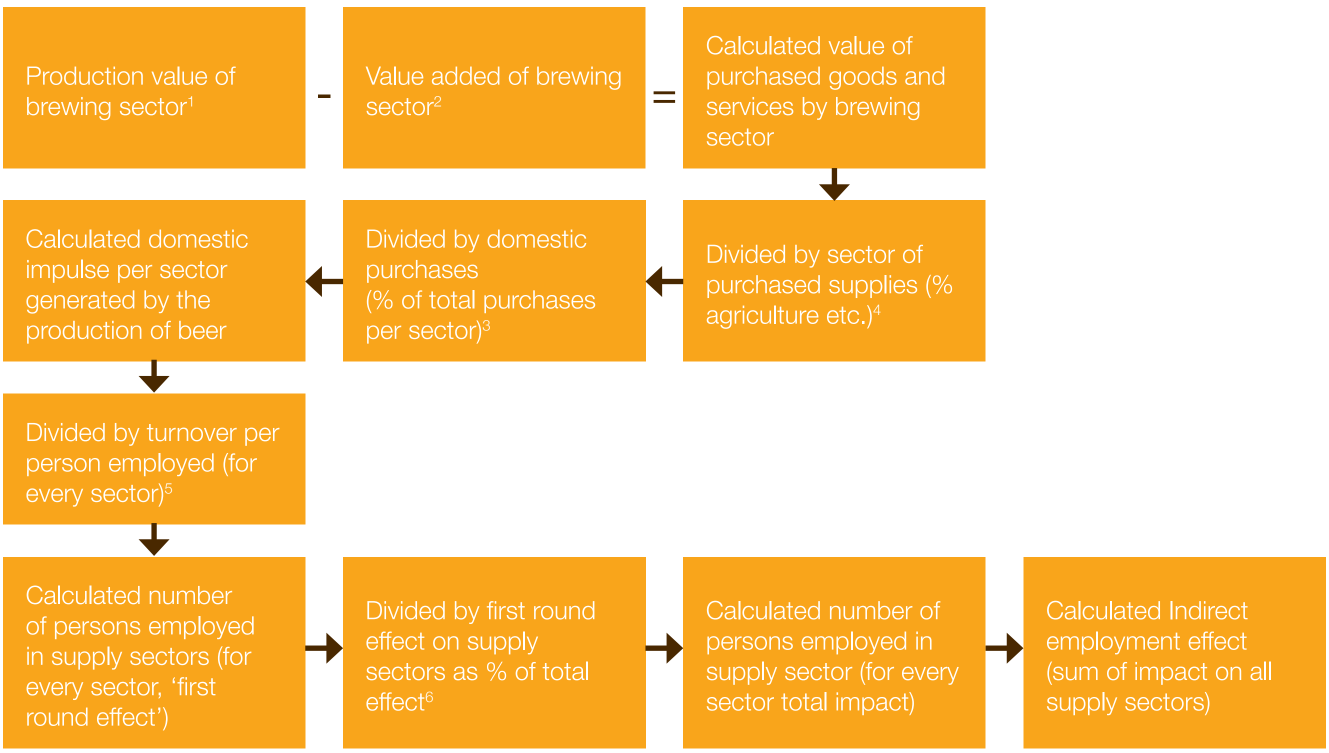
Some of the reported outcomes concerning the economic impact of the brewing sector are based on estimates, derived from a model constructed by Regioplan Policy Research. We illustrate here how the variables and estimates were calculated, focusing on:

- Indirect and induced employment effects;
- Value-added due to the production and sale of beer; and
- Government revenues due to the production and sale of beer

Measuring the indirect and induced employment effects

The indirect employment effect is the employment generated in the supply sectors due to the production and sale of beer. See figure annex III.1 (below) for an explanation on how we calculated the indirect employment effect of the brewing sector.

Figure annex III.1. Model for measuring indirect employment effect



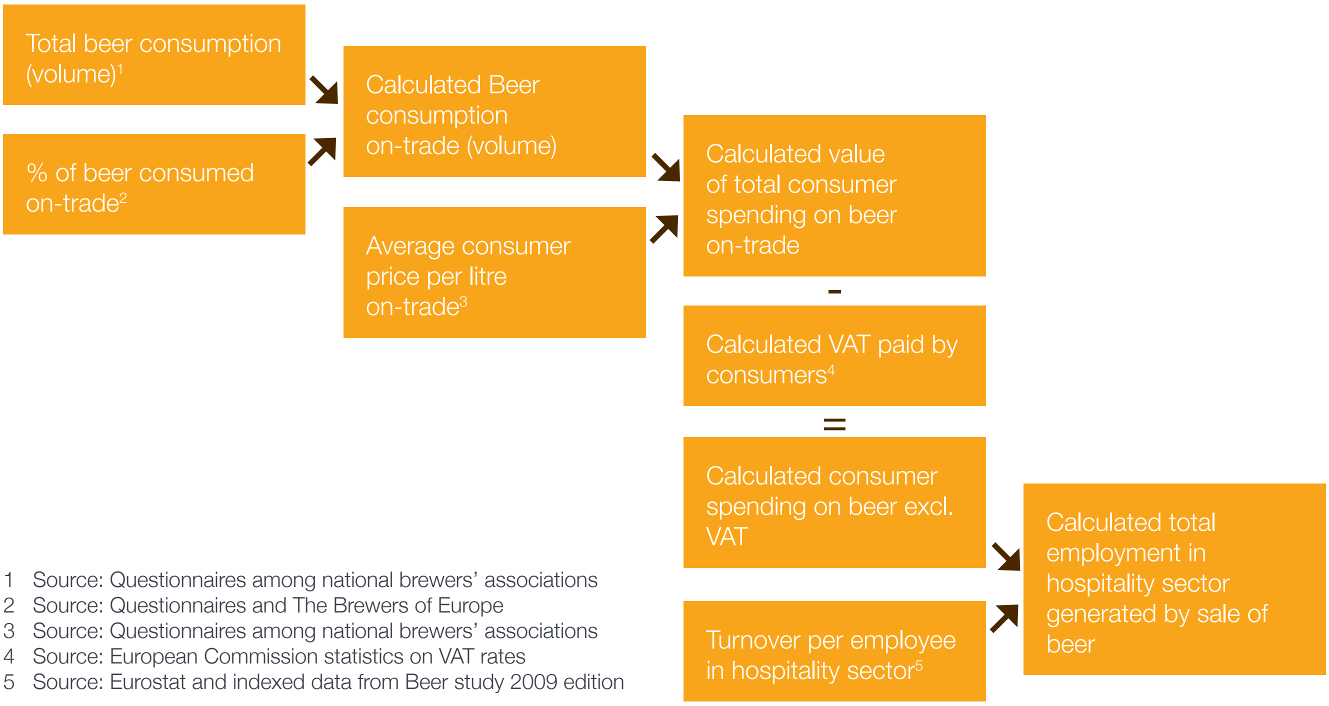
1 Source: Eurostat and Questionnaires among brewing companies
2 Source: Eurostat and Questionnaires among brewing companies
3 Source: Questionnaires among brewing companies
4 Source: Questionnaires among brewing companies
5 Source: Eurostat, indexed data from Beer study 2009 edition and national statistical institutes
6 Source: Based on macroeconomic input output tables, we estimate that the first round indirect employment effect is approximately 65 percent of the total indirect employment effect

Data on turnover and value-added per employee per sector were obtained from Eurostat. Since economic data on sectors from Eurostat is not in all cases very reliable (and tend to vary from year to year) we had to do some additional analysis to be able to make a trend analysis over the respective years. For sector data NACE-codes (2002 rev.1.1, classification of economic activities by the EU or equivalents by the national statistical institutes) were used. These codes are:

- Agriculture (code A agriculture, forestry and fishing);
- Packaging industry and equipment (D manufacturing);
- Utilities (E electricity, gas, and water supply);
- Wholesale and retail[1] (G wholesale and retail trade; repair of motor vehicles and motorcycles);
- Hospitality (H Hotels and restaurants)[2];
- Transport (I Transport storage, and communication); and
- Other services (O other community, social and personal services activities, K real estate, renting and business activities)

The model for calculating induced employment, employment due to the sale of beer in the retail and hospitality sectors is as follows:

Figure annex III.2 Model for measuring induced employment effect



1 Source: Questionnaires among national brewers' associations
2 Source: Questionnaires and The Brewers of Europe
3 Source: Questionnaires among national brewers' associations
4 Source: European Commission statistics on VAT rates
5 Source: Eurostat and indexed data from Beer study 2009 edition

Estimates for the employment impact in the retail sector were calculated in a similar way to the hospitality sector. As stated previously, the reliability of Eurostat figures on the productivity (turnover per employee) in certain sectors varies from year to year. To be able to make a trend analysis over the period 2008-2012, we did some extra analysis on these Eurostat figures and compared these figures with the development of the beer price in the respective country.

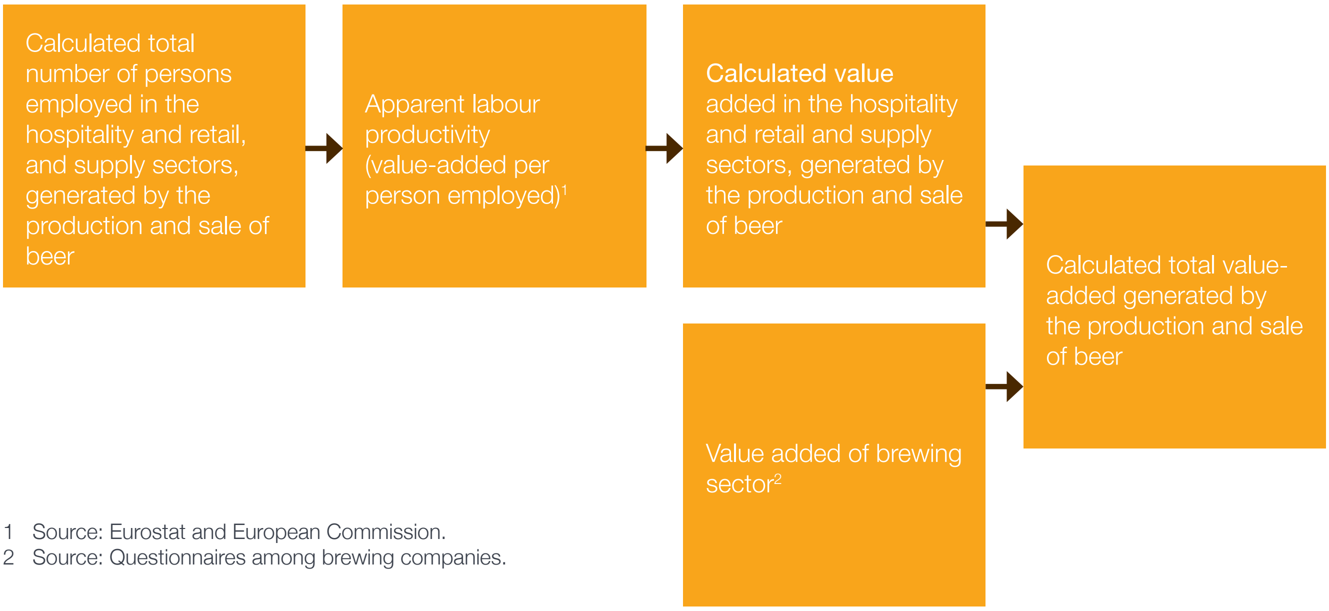
1 The percentage of value- added on beer in the wholesale and retail sector differs significantly from other products. For this reason NACE code G5225 (retail sale of alcoholic and other beverages) has been used for the value added per employee in wholesale and retail
2 Official Eurostat denomination: bars and pubs are enclosed in this category

Measuring the total value added generated by the production and sale of beer

The direct value-added in the brewing sector was obtained through the questionnaires completed by brewing companies and through Eurostat.

The value-added in other sectors resulting from the production and sale of beer (indirect and induced value-added) were estimated using the employment effects. It was estimated by multiplying the employment effect by the apparent labour productivity (gross value-added per person employed) in the sector.

Figure annex III.3. Model for measuring the direct, indirect and induced value-added



1 Source: Eurostat and European Commission.
2 Source: Questionnaires among brewing companies.

Measuring the total government revenues due to the production and sale of beer

When it comes to government revenues generated by the brewing industry, our study sheds light on the following three segments:

- excise revenues;
- VAT revenues; and
- income-related revenues such as social contributions

Data on **excise revenues** were acquired from the European Commission.

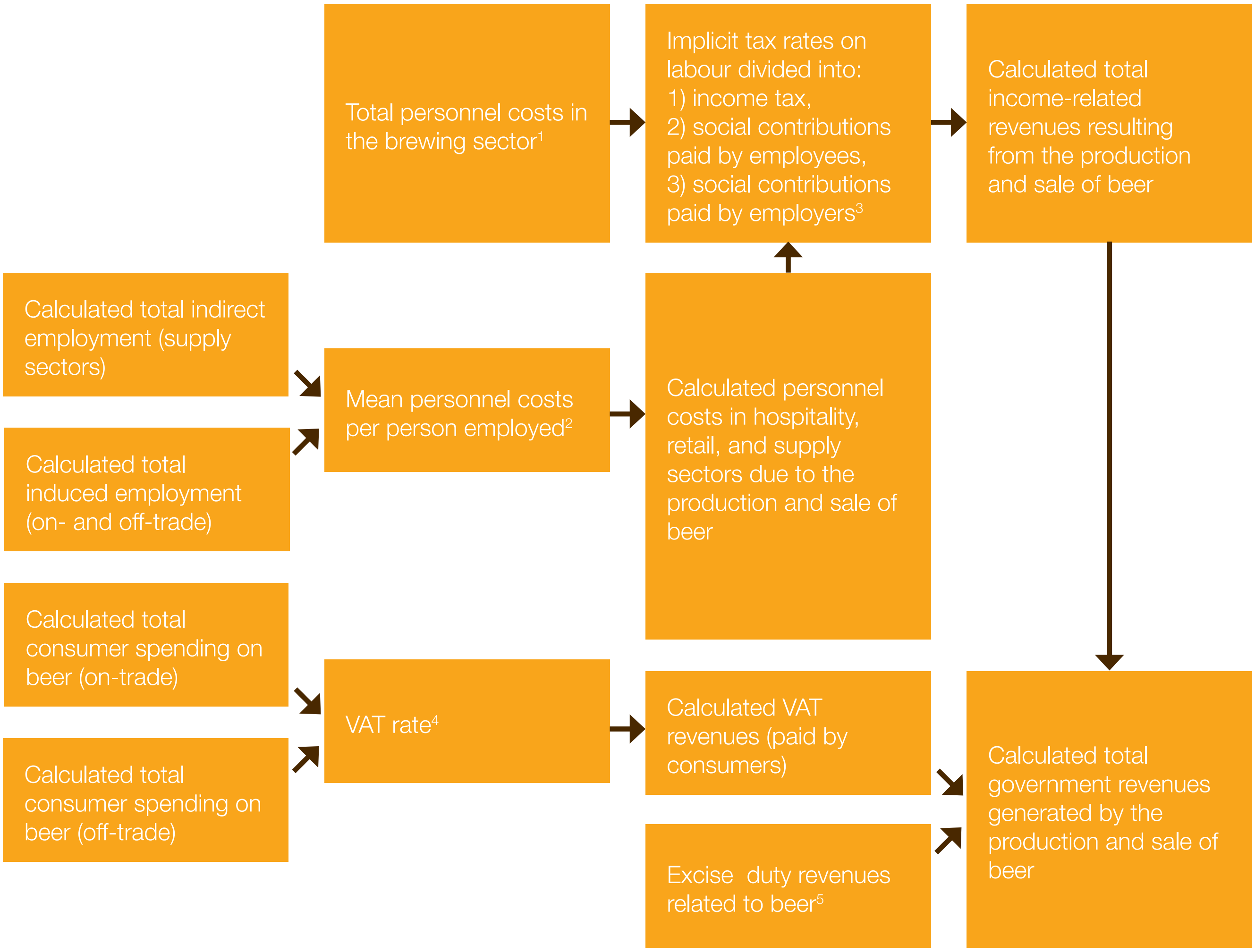
VAT revenues resulting from the sale of beer were calculated by multiplying the total on-trade and off-trade consumer spending on beer with the VAT tariff in a particular country.

Income-related revenues were estimated by multiplying personnel costs with implicit tax rates. The personnel costs in the brewing sector were obtained from Eurostat and from the questionnaires from brewing companies. Personnel costs in the supply, hospitality and wholesale and retail sectors were calculated by multiplying indirect and induced employment by the mean personnel costs per person employed.

Implicit tax rates on labour were obtained from the European Commission statistics. It is the percentage of personnel costs that consists of taxes and social contributions. It encompasses the mean ratio of three major taxes and contribution: 1) income tax, 2) social contributions paid by employees and 3) social contributions paid by employers. The implicit tax rates made it possible to report separately on income tax revenues and social contributions.

It was not possible to take **other taxes** paid directly or indirectly by the brewing sector (for example corporate taxes or energy taxes) into account.

Figure annex III.4. Model for measuring direct, indirect and induced government revenues



1 Source: Questionnaires among brewing companies
2 Source: Indexed data from Beer study 2009 edition and questionnaires
3 Source: EY and European Commission
4 Source: European Commission
5 Source: European Commission

IV Exchange rates

Exchange

The average yearly exchange rate was used to convert the local currency to Euro, depending on the concerned year.

Table annex IV.1. Exchange rates used in the report

Currency	2008	2009	2010	2011	2012
British Pound Sterling	0.796	0.891	0.858	0.846	0.811
Bulgarian Lev	1.956	1.956	1.956	1.956	1.956
Croatian Kuna	7.224	7.340	7.289	7.414	7.522
Czech Koruna	24.946	26.435	25.284	24.291	25.149
Danish Krone	7.456	7.446	7.447	7.455	7.444
Estonian Kroon	15.647	15.647	15.647	15.647	15.647
Hungarian Forint	251.510	280.330	275.480	271.500	289.250
Latvian Lats	0.703	0.706	0.709	0.704	0.697
Lithuanian Litas	3.453	3.453	3.453	3.453	3.453
Norwegian Krone	8.224	8.728	8.004	7.821	7.475
Polish Zloty	3.512	4.328	3.995	3.923	4.185
Romanian Leu	3.683	4.240	4.212	4.247	4.459
Swedish Krona	9.615	10.619	9.538	8.799	8.704
Swiss Franc	1.587	1.510	1.380	1.296	1.205
Turkish Lira	1.906	2.163	1.997	2.164	2.314

Source: Eurostat

V Glossary

Alcohol by volume
Indication of alcoholic strength expressed as percentage in the final product

Brewing sector
All the brewing companies located within a certain geographical area.

Brewery
A plant or an establishment for beer production.

Brewing company
A company which produces and / or sells beer, operating one or more breweries. These companies may also be involved in activities other than brewing beer, such as the production of soft drinks and bottled mineral water.

Corporate tax
Corporate tax or company tax is the tax imposed on the income of companies.

Direct employment
Employment generated directly by the brewing sector.

European Union (EU)
The 28 Member States European Union, as at 1 July 2013: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

Europe
The 28 Member States of the European Union plus Norway, Switzerland, and Turkey.

Excise duty
Indirect taxes on the consumption or the use of certain products. They are mainly specific taxes, in other words, expressed as a monetary amount per quantity of the product.[1] The most commonly applied excise duties are those on alcoholic beverages, manufactured tobacco products and energy products.

Export – Extra-EU
Extra-EU exports of goods are goods which leave the territory of the European Union for a third country after being placed under the customs procedure for exports (for definitive export) or outward processing (goods for working, further processing) or repair or following inward processing.[2]

Export – Intra-EU
Intra-EU exports of goods are goods which leave a Member State of the EU for another Member State for definitive export, outward processing or repair or following inward processing.[3]

GDP
Gross domestic product (GDP) is a basic measure of a country's overall economic health. As an aggregate measure of production, GDP is equal to the sum of the gross value added of all residential units (i.e. industries) engaged in production, plus any taxes, and minus any subsidies, on products not included in the value of their outputs[4].

GDP in PPS
Gross domestic product in purchasing power standards (GPD in PPS) is the gross domestic product (GDP) converted into purchasing power standards (PPS), an artificial currency unit. The GDP in PPS represents pure volume, after subtracting for price-level differences between countries.

1 General Overview, Excise duties on alcohol, tobacco and energy, Taxation and Customs Union, European Commission
2 Glossary: Export, Eurostat, European Commission
3 Glossary: Export, Eurostat, European Commission
4 Glossary: Gross domestic product (GDP), Eurostat, European Commission

Government revenues
The income a government receives. For the purpose of this study, it includes excise duty revenues on beer, VAT on beer sold in the on-trade and off-trade sector and all income-related revenues from jobs in the brewing sector and jobs in other sectors generated by beer production and sales. These income-related revenues include personal income tax, social security contributions paid by employees and employers and payroll taxes.

Hectolitre (hl)
A hectolitre is a metric unit of volume or capacity where one hectolitre equals 100 litres.

Indirect employment
Impact of the brewing sector on supply sectors (e.g. farmers, packaging industry) in terms of employment.

Induced employment
Employment at companies that distribute or sell beer, mainly in the wholesale, retail and hospitality sectors. For the purpose of this study, the induced employment is confined to the retail and hospitality sectors.

Inflation rate
In this report, the inflation rate refers to the rate of inflation based on the consumer price index (CPI), measuring changes in the average price level of a market-based "basket" of goods and services bought by consumers.

Import – Extra-EU
Extra-EU imports of goods are goods which enter the territory of the European Union from a third country and are placed under the customs procedure for free circulation within the EU (as a general rule goods intended for consumption), inward processing or processing under customs control (goods for working, processing or repair) immediately or after bonded warehousing.[1]

Import – Intra-EU
Intra-EU imports of goods are goods which enter a Member State of the EU from another Member State for definitive import (as a general rule goods intended for consumption), inward processing or processing under customs control (goods for working, processing or repair) immediately or after bonded warehousing.[2]

Microbrewery
A brewery with yearly production up to 1,000 hectrolitres.

Off-trade sector
Beer sales through wholesale and retail (shops, supermarkets and other outlets).

On-trade sector
Beer sales through (licensed) pubs, clubs, bars, restaurants, etc., also called the hospitality sector.

Personal income tax
A tax levied on the personal income of citizens.

Personnel cost
Total remuneration, in cash or in kind, payable by an employer to an employee (regular and temporary employees, as well as home-workers) in return for work done by the latter during the reference period. Personnel costs are made up of wages, salaries and employers' social security costs. They include taxes and employees' social security contributions retained by the employer, as well as the employer's compulsory and voluntary social contributions.[3]

PET bottle
A bottle made of polyester (polyethylene terephthalate).

1 Glossary: Import, Eurostat, European Commission
2 Glossary: Import, Eurostat, European Commission; Glossary: Export, Eurostat, European Commission
3 Glossary: Personnel Cost -SBS, Eurostat, European Commission

Plato degree
A unit expressing the weight of sugar (in grams) present in 100 gram of beer solution. It measures the fermentable material in the wort, prior to fermentation.

Production value
The actual production of a company, calculated as follows: turnover, plus or minus the changes in stocks of finished products, work in progress and goods and services purchased for resale, minus the purchases of goods and services for resale, plus capitalised production; plus other operating income (excluding subsidies). Income and expenditure classified as financial or extraordinary in company accounts are excluded from production value.

Purchases
The value of all externally sourced goods and services purchased during the accounting period for resale or consumption in the production process, excluding capital goods.

Social security contribution (SSC)
Financial contributions paid by employees and their employers giving access to the social security system and entitlement to certain benefits in situations of unemployment, sickness, disability or old age.

Tonne
One tonne equals 1000 kilograms.

Value added
Value-added is the difference between the market value and the purchasing value of the goods and services needed for production. It describes the enhancement of production on the value of a good. In the production and consumption of beer, breweries create value-added for themselves, their suppliers and for the retail and hospitality sector. Added value pays employees' wages, and rewards lenders and entrepreneurs for their investments.

VAT
Value added tax (VAT) is a general, broadly based consumption tax assessed on the value added to goods and services. VAT is charged as a percentage of price, meaning that the actual tax burden is visible at each stage in the production and distribution chain[1].

1 Glossary: Value added tax (VAT), Eurostat, European Commission.

VI Country abbreviations

Table annex VII.1. List of countries and abbreviations used in this report

Abbreviation	Country name
AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
EL	Greece
ES	Spain
FI	Finland
FR	France
HR	Croatia
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
NO	Norway
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
TR	Turkey
UK	United Kingdom
USA	United States of America
EU	Member States of the European Union

VII Acknowledgements

This is the fifth study on the economic impact of the brewing sector in Europe commissioned by The Brewers of Europe. A study of this scale could only be possible with the assistance of the national brewers' associations in the 31 countries under consideration. Many individual brewing companies were also involved by providing additional information. We would like to thank all these national associations and brewing companies for their commitment to this study.

On the client's behalf, the project was professionally managed by The Brewers of Europe Secretariat, in particular Miss Marlies Van de Walle, Economic Affairs Manager. She provided valuable support and boosted the responses to our questionnaires among the associations and individual brewing companies in the 31 European countries.

On a more strategic level, our project was supported by members of the Beer Study project team, the Beer & Economy IMT of The Brewers of Europe. We would like to thank them for their feedback and for sharing their knowledge on the brewing sector with us.

Important contributions were also made by four trade associations representing the supply sectors to the brewing sector, namely Euromalt (malt), Verband Deutscher Hopfenpflanzerverband e.V. (hops), FEVE (glass) and BCME (cans), by providing valuable statistics.

The study was conducted by a dedicated team of economic researchers from Regioplan Policy Research (see title page of this report). They have done a great job. Mr. Walter de Wit, partner of Ernst & Young Belastingadviseurs LLP in the Netherlands, was our project advisor on tax matters.

Amsterdam, November 2013

Bram Berkhout
Project manager
Regioplan Policy Research
bram.berkhout@regioplan.nl

VIII Contact information

About Regioplan Policy Research

Regioplan Policy Research has been active in the Netherlands since 1983 as a policy research agency specialising in social and economic research. Our expertise covers a broad range of subjects, and we offer a number of services, such as research studies, monitoring and evaluation, policy advice, product development and secondment for most knowledge areas within policy research. In addition to assignments for Dutch organisations, Regioplan Policy Research is also very active in the international market. One of Regioplan's large international clients is the European Commission and its various Directorates General. Regioplan was a subsidiary of EY until 1 July 2008.

For more information and for new requests for proposals please consult our English pages on www.regioplan.nl

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate Legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

About The Brewers of Europe

The Brewers of Europe, founded in 1958 and based in Brussels, is the voice of the European brewing sector to the EU institutions and international organisations. Current members are the national brewers' associations from 26 EU Member States, plus Norway, Switzerland and Turkey.

For more information see: www.brewersofeurope.org

For more information about this study, please contact us.

The Brewers of Europe

23-25 Rue Caroly
B - 1050 Brussels
Belgium

Phone: (32) 2 - 551 18 10
Fax: (32) 2 - 660 94 02
Web: www.brewersofeurope.org

Secretary-General: Pierre-Olivier Bergeron
Email: info@brewersofeurope.org

Regioplan Policy Research

Nieuwezijds Voorburgwal 35
1012 RD Amsterdam
The Netherlands

Phone: (31) 20 - 5315 315
Fax: (31) 20 - 6265 199
Web: www.regioplan.nl

Project manager / manager Economics department: Bram Berkhout
Email: bram.berkhout@regioplan.nl

Ernst & Young Belastingadviseurs LLP

1083 HP Amsterdam
The Netherlands

Phone: (31) 88 - 407 1390
Fax: (31) 88 - 407 0975
Web: www.ey.com

Partner | Indirect Tax - Customs & International Trade: Walter de Wit
Email: walter.de.wit@nl.ey.com

The Brewers of Europe

Rue Caroly 23 - 25
1050 Brussels - Belgium

T + 32 (0)2 551 18 10
F + 32 (0)2 660 94 02

www.brewersofeurope.org
info@brewersofeurope.org

'he Brewers of Europe