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Canada's Beer Trade: A Swing to Imported Brands

by Carlo Rupnik

International Trade Division
9th Floor, Jean Talon Building, Ottawa, K1A 0T6

Telephone: 1 613 951-9647



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Note of Appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

Summary

Canada is very much a nation of beer drinkers. Beer is by far the most popular alcoholic beverage among Canadian consumers. However, beer drinkers are increasingly swinging more and more to imported brands to quench their thirst.

Imported beer had captured only about 9% of Canada's beer market by 2002. However, this was three times the market share imported brands had just 10 years earlier.

Imports of beer have increased at a pace far exceeding the growth in the domestic market. In 2003, the nation imported beer from 61 countries.

During the past decade, the annual value of imported beer has increased five-fold. In 1994, imports were worth just under \$69 million; by 2003, the value had jumped to more than \$335 million.¹ Preliminary data for 2004 show that annual imports have continued their upward trend, reaching \$348 million. However, it should be noted that 2004 data are subject to revisions.

With annual beer sales in Canada at nearly \$8 billion in 2003, this growing trend has implications for Canada's domestic beer industry, which makes a significant contribution to the economy. The industry accounts for more than 200,000 jobs and directly adds more than \$2 billion to gross domestic product.

The combination of changing preferences, demographics, and economic forces has been reshaping the industry. Canada's drinking age population has risen steadily over the past decade. More recently, the strengthening Canadian dollar has contributed to the growing affordability of imports.

Furthermore, trade agreements and provincial beer marketing practices, which led to falling trade barriers, facilitated the increase in imports.

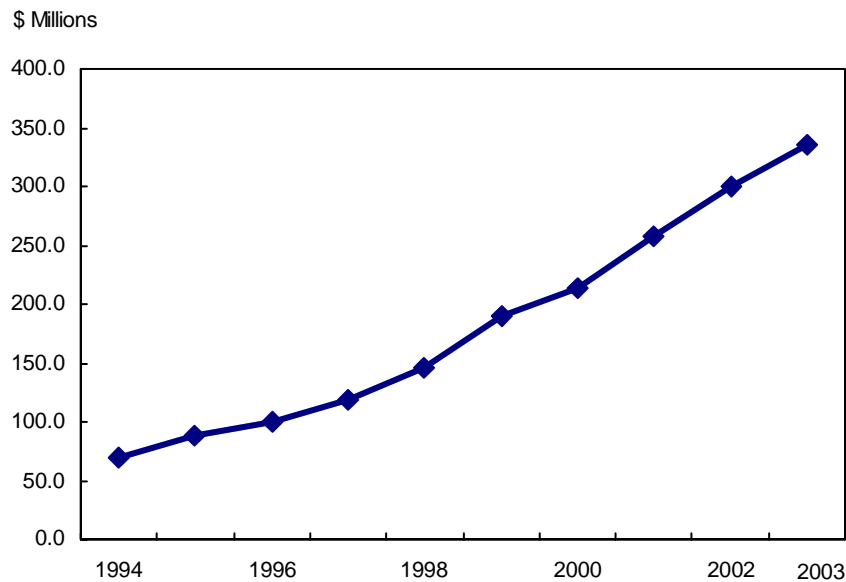
This paper explores trends in Canada's beer trade over the past decade, particularly the extent to which imported beer has made its way into Canada. It also examines the countries that are Canada's main sources of imported beer. In addition, it analyzes developments in Canada's beer exports south of the border and the resulting trade balance with the United States.

1. Note that trade data understate the amount of foreign labelled beer sold in Canada as such beer brewed and sold in Canada is not included.

Findings

This paper explores trends in Canada's beer trade over the past decade, particularly the extent to which imported beer has made its way into Canada. It also examines the countries that are Canada's main sources of imported beer. In addition, it analyzes developments in Canada's beer exports south of the border and the resulting trade balance with the United States.

Figure 1.
Canada's total beer imports, 1994 to 2003



Trends over the past decade

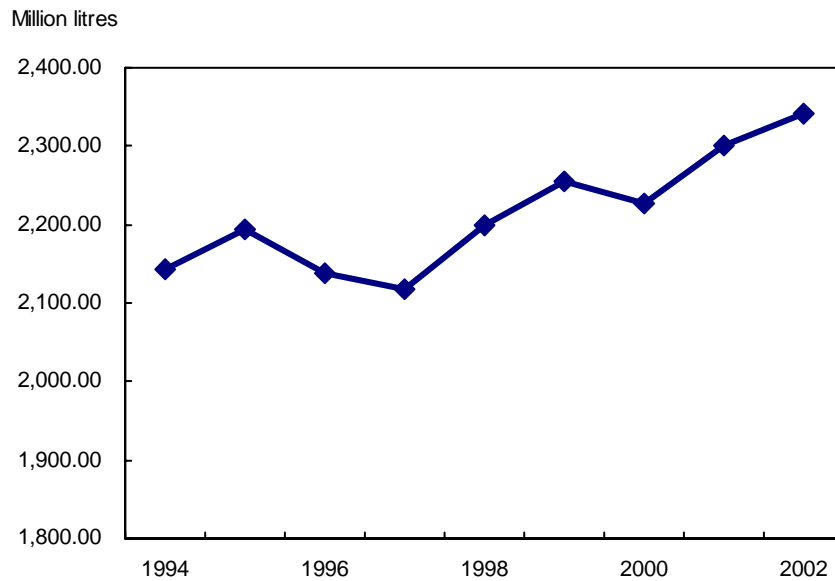
Beer imports up despite flat domestic market

The rapid increase of beer imported into Canada is even more striking given that it has occurred when domestic consumption has been relatively stable².

In 2002, total beer consumption in Canada stood at just over 2.3 billion litres, up a modest 9% since 1994. (Beer consumption data for 2003 are not provided because 2003 beer production data are subject to revisions.)

2. Domestic consumption refers to what may have been consumed based on an estimate of availability from the domestic market. The domestic market was calculated by adding shipments of commodities manufactured domestically to imports and then subtracting exports. The offsetting factors of stocks available at the beginning of the year and stocks remaining at the end of the year were not accounted for. Also not accounted for are losses that occur prior to consumption, such as from waste or spillage. Domestic consumption data are derived and should be used with caution.

Figure 2.
Canada's beer consumption, 1994 to 2002

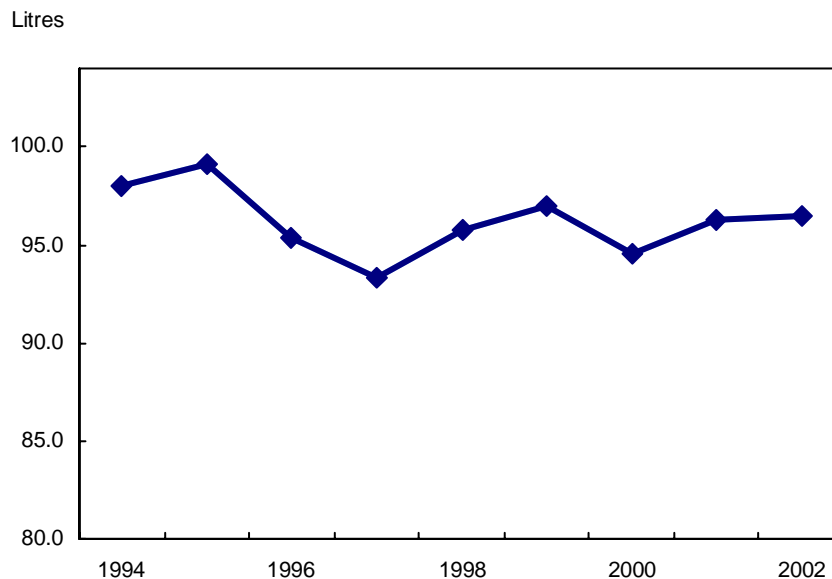


In fact, on a per capita basis, beer consumption in Canada has trended downwards in the past decade.

Among the adult population aged 18 and older in 2002, unadjusted, each Canadian consumed an average of 96.5 litres of beer. This was equivalent to almost 12 cases of 24 bottles of beer, each containing 341 millilitres, or about one case a month.

In 1994, per capita consumption among adults aged 18 and older was slightly higher, with each person consuming an average of 98 litres.

Figure 3.
Canada's per capita beer consumption, population aged 18 years and over, 1994 to 2002



The growth in the domestic market for beer during the past decade has far exceeded the growth in Canada's younger population. The population of young adults aged 20 to 24 has increased 8.0%, while the population of the group aged 25 to 34 actually declined 11.1%.

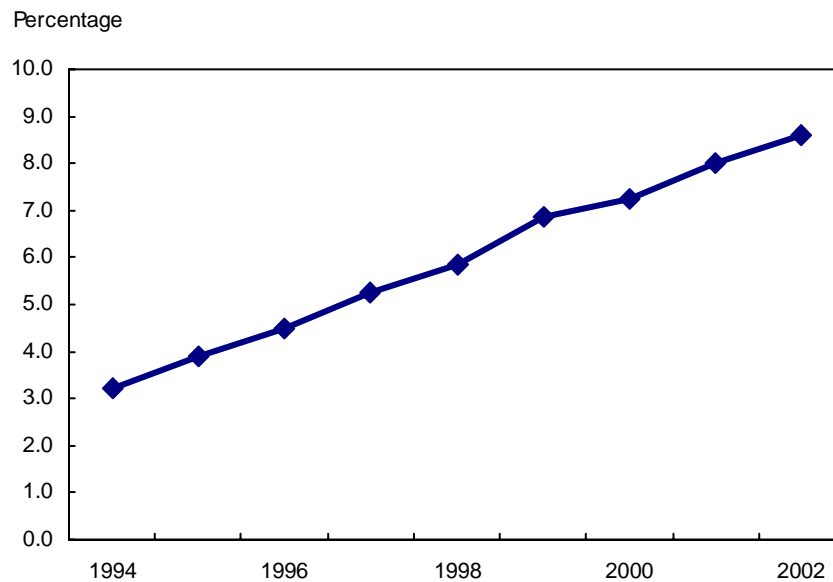
Combined, the population of these two age groups fell 5.5%. This may indicate that younger people are consuming more beer on a per capita basis. Other data have shown that there has been a steady increase in heavy drinking among young people.

According to Statistics Canada's Canadian Community Health Survey, 41% of drinkers aged 20 to 24 in 2003 were considered heavy drinkers, that is they reported having had five or more drinks on one occasion, 12 or more times in the year prior to the survey. This was up from 23.8% in 1994, according to data from the National Population Health Survey.

Among those aged 25 to 34, 26% were considered heavy drinkers, compared with 18% in 1994. Together, almost 32% of young adults aged 20 to 34 in 2003 were considered heavy drinkers, up from nearly 20% a decade earlier.

Beer imports have increased at a pace far exceeding the growth in the domestic market. This signifies that Canadians are drinking more imported beer at the expense of domestically produced beer. In fact, importers' share of the domestic market has tripled over the past decade, increasing every year since 1994. By 2002, about 9% of beer consumed in Canada was imported. Just 10 years ago, imports accounted for only 3.2% of domestic consumption.

Figure 4.
Share of domestic market from imported beer, 1994 to 2002



Canada's beer exports holding steady

Given the growing trend for choosing imported beer, domestic producers have been making changes of their own. In addition to expanding the range of imported and foreign labelled beers (produced domestically under license) they sell in Canada, they have been increasing export sales during the last few years, exporting to 37 countries in 2003.

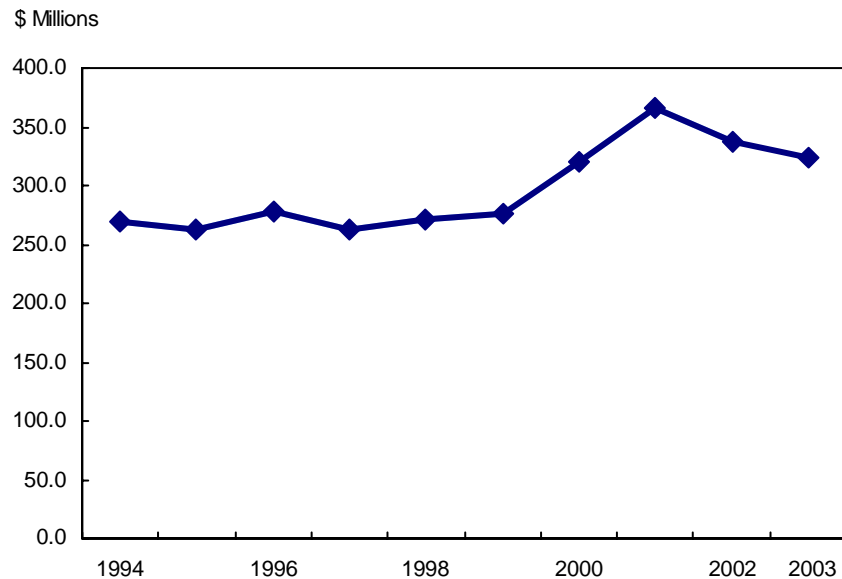
In particular, Canadian producers have made great strides in the United States market in recent years. Beer from Canada is among the top-selling imported beers in the United States, ranking third after Mexico and the Netherlands.

Data on beer exports to all countries other than the United States, as well as specific trade balances with other countries, cannot be disclosed, as such data are confidential. As a result, this article discusses beer exports and the trade balance only with the United States.

Canada's annual beer exports to the United States rose following the implementation of the Canada-U.S. Free Trade Agreement, reaching \$270 million by 1994. Exports stabilized at this level during the remainder of the 1990s.

Since then, annual beer exports to the United States have again trended upwards. After peaking at \$367 million in 2001, beer exports stabilized at \$323 million in 2003, almost 20% higher than in 1999.

Figure 5.
Canada's beer exports to the United States, 1994 to 2003

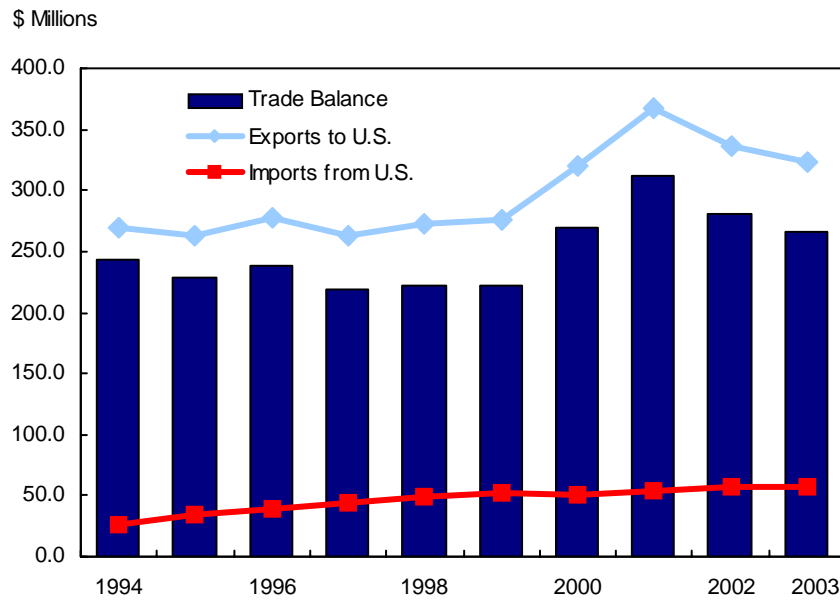


The increase in Canada's beer exports south of the border has far exceeded the modest rise in beer imported from there in recent years. This has resulted in a growing trade surplus.

In 2003, Canada's trade surplus in beer with the United States stood at \$265million, almost \$43 million higher than the level recorded just four years earlier.

The surplus remained stable through most of the 1990s at about \$225 million. But since 1999, it has increased 19.2%.

Figure 6.
Canada's beer trade with the United States, 1994 to 2003



Three nations account for bulk of imported beer (value-based)

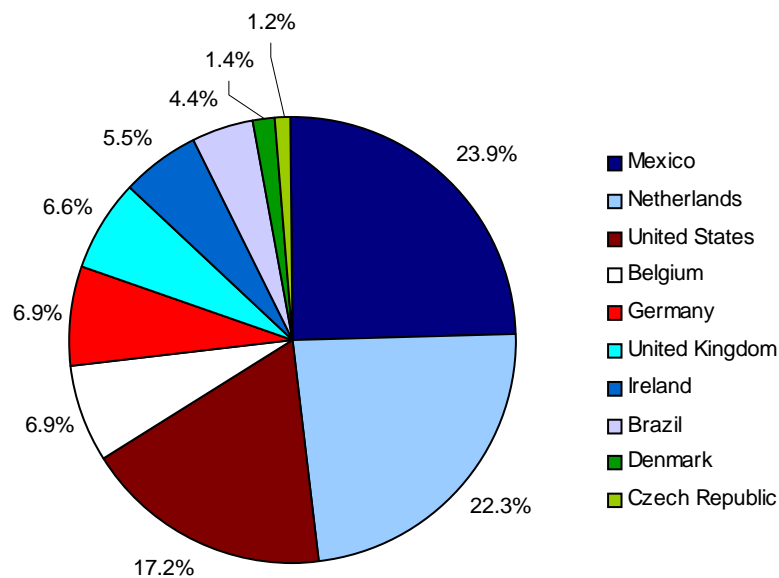
Three countries – Mexico, the Netherlands and the United States – account for the bulk of the value of Canada's beer imports.

Nearly two-thirds of the value of all beer imported into Canada in 2003 was from these three countries. Mexico accounted for 23.9%, followed by the Netherlands with 22.3% and the United States with 17.2% .

Most of the remaining value of beer imported by Canada was distributed fairly evenly among Belgium, Germany, the United Kingdom, Ireland and Brazil, each accounting for between 4% and 7%. Denmark and the Czech Republic rounded out the top 10. Even though they experienced rapid growth in their penetration of Canada's beer market, each accounted for only about 1% of the value of Canada's beer imports.

Together, these 10 countries accounted for almost 98% of the total value of beer imported into Canada.

Figure 7.
Share of Canada's beer imports, value basis, 2003



Mexico leading source in terms of value

Mexico and the Netherlands have led the growth in Canada's beer imports, accounting for over half the increase in the annual value of beer imported into Canada over the past decade.

In particular, beer from Mexico has been virtually gushing into Canada. By 2003, beer imports from Mexico had increased almost 10-fold to more than \$80 million from only \$8 million in 1994.

Table A1. Canada's top ten sources for imported beer, value basis, 1994 to 2003

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Mexico	8.1	13.3	16.4	23.5	28.2	47.4	52.1	64.5	78.1	80.2
Netherlands	9.3	10.5	12.7	15.2	21.2	32.4	44.1	59.3	68.7	74.8
United States	26.3	34.2	39.1	44.7	49.6	53.1	49.9	54.5	56.5	57.8
Belgium	1.3	1.7	1.5	1.3	1.9	2.9	5.8	10.0	17.9	23.2
Germany	6.2	7.5	7.2	7.3	9.5	10.4	12.7	16.3	21.8	23.1
United Kingdom	5.3	7.3	8.5	10.7	14.6	15.7	16.9	18.2	18.5	22.0
Ireland	4.0	5.0	6.1	7.6	10.1	14.8	16.8	18.8	19.0	18.4
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	14.8
Denmark	0.7	1.1	1.2	1.4	1.6	2.3	2.7	3.5	4.3	4.9
Czech Republic	0.7	1.3	1.2	1.1	1.3	1.6	2.0	2.6	3.8	4.0

All amounts are expressed in millions of Canadian dollars.

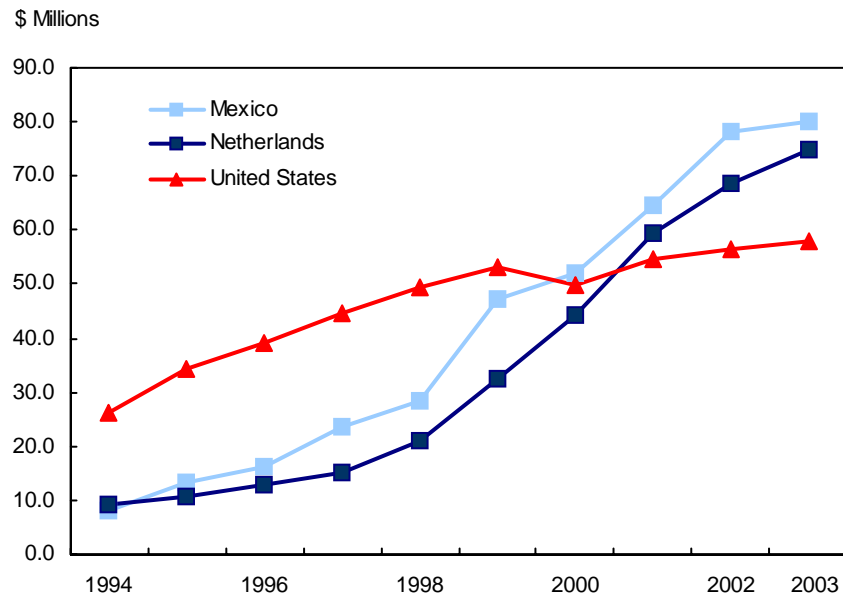
Data source: Statistics Canada, 2005, International Trade Division.

Table source: Statistics Canada, 2005, Canada's Beer Trade: A Swing to Imported Brands, catalogue number 65-507-XWE2005005.

In 2000, Mexico replaced the United States as Canada's leading source of imported beer in terms of value. Beer imports from Mexico in 2000 hit \$52 million, more than \$2 million higher than those from the United States.

Beer imports from the Netherlands have also been rising dramatically. In 2003, they reached \$75 million, more than eight times higher than they were 10 years earlier.

Figure 8.
Canada's top three sources for imported beer – value basis, 1994 to 2003



By 2001, the United States had fallen further behind, as the Netherlands became Canada's second largest source of imported beer, behind Mexico.

Beer imports from Mexico rose to about \$65 million while those from the Netherlands topped \$59 million, almost \$5 million higher than the value of beer imported from the United States. (Table 1)

The United States has fallen further behind every year since as imports from there have remained relatively flat. On the other hand, imports from both Mexico and the Netherlands have continued their marked ascent.

By 2002, beer imports from Mexico had surpassed \$78 million, while those from the Netherlands had risen to nearly \$69 million. The value imported from Mexico was almost \$22 million higher than that from the United States. Beer imports from the Netherlands were more than \$12 million higher than those from the United States.

In 2003, imports of Mexican beer passed \$80 million, more than \$22 million higher than the value imported from the United States. Imports from the Netherlands, at almost \$75 million, stood \$17 million higher than those from the United States.

Table 1. Canada's top three sources for imported beer, based on value, 2001 to 2003

	2001	2002	2003
Mexico	64.5	78.1	80.2
Netherlands	59.3	68.7	74.8
United States	54.5	56.5	57.8

All amounts are expressed in millions of Canadian dollars.

Data source: Statistics Canada, 2005, International Trade Division.

Table source: Statistics Canada, 2005, Canada's Beer Trade: A Swing to Imported Brands, catalogue number 65-507-XWE2005005.

Imports of beer from the United States have increased at the slowest rate among Canada's top sources of imported beer, experiencing much volatility since the early 1990s.

After rising initially following the implementation of the Canada-US Free Trade Agreement on January 1, 1989, imports declined as a result of levies imposed on imported beer between 1992 and 1994.

A Memorandum of Understanding on Provincial Beer Marketing Practices was agreed to between Canada and the United States in May, 1994. Trade barriers were removed and beer imports from the United States rebounded.

By 1999, sales of American beer in Canada had more than doubled from 1994, reaching \$53 million. Since then, however, beer imports from the United States have levelled off, rising an average of 2.2% a year between 1999 and 2003.

Imports from Brazil skyrocket

The value of beer imported by Canada from other countries has also been booming.

In particular, Brazil has experienced the fastest growth among the top 10 countries in terms of value from which Canada imported beer in 2003. It is now ranked as Canada's eighth largest source for imported beer.

Though the level of beer imports from Brazil is relatively small at just under \$15 million, they have come from virtually nowhere. Prior to 2003, annual beer imports from Brazil were consistently less than \$100,000.

The value of beer imported from Belgium has also increased at a scorching pace. Belgian beer ranks next to Brazil with the second highest growth rate into Canada's beer market in the past decade.

Imports from Belgium topped \$23 million in 2003 from only \$1.3 million in 1994. In the past five years alone, imports from Belgium have increased more than 10-fold.

By 2003, beer imports from Belgium surpassed Germany's, making Belgium Canada's fourth highest source of imported beer in terms of value, behind only Mexico, the Netherlands and the United States.

There have also been sizeable gains in imports of beer from Denmark, the Czech Republic, Germany, Ireland and the United Kingdom.

During the past five years, annual imports from Denmark and the Czech Republic have tripled, while those from Germany have more than doubled.

Beer imports from Ireland were up 81.8% over the same period, while beer imports from the United Kingdom have increased 51.4%.

Figure 9.
Canada's other leading sources for imported beer – value basis, 1994 to 2003

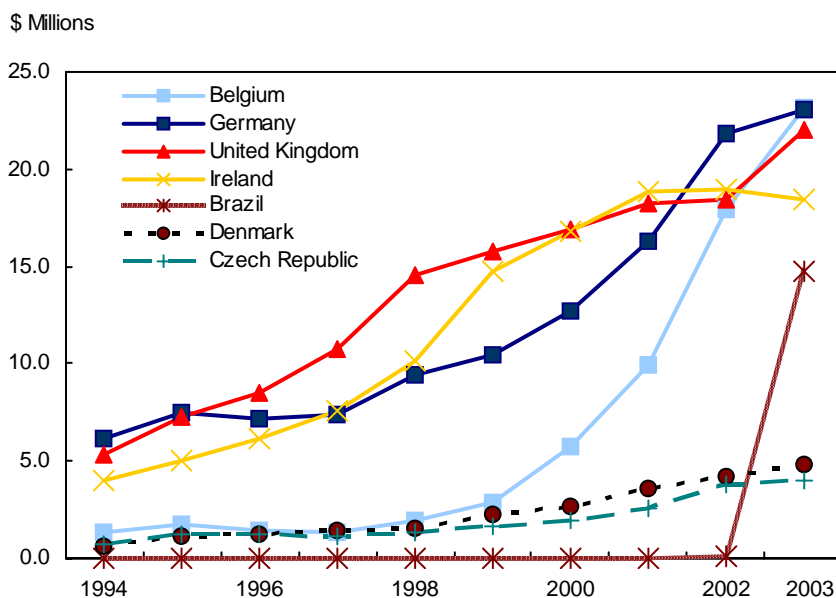
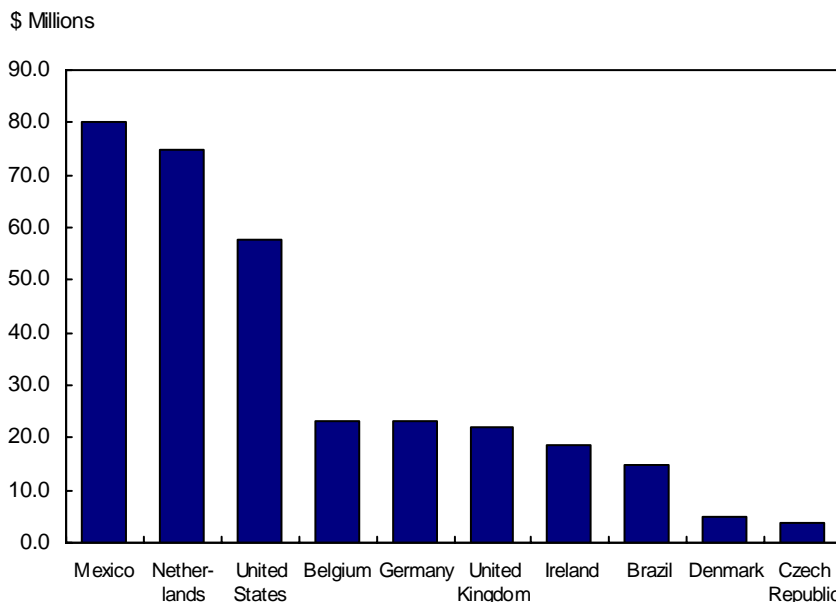


Figure 10.
Canada's top 10 sources for imported beer, 2003 – value basis



Canada's main sources for imported beer (based on quantity)

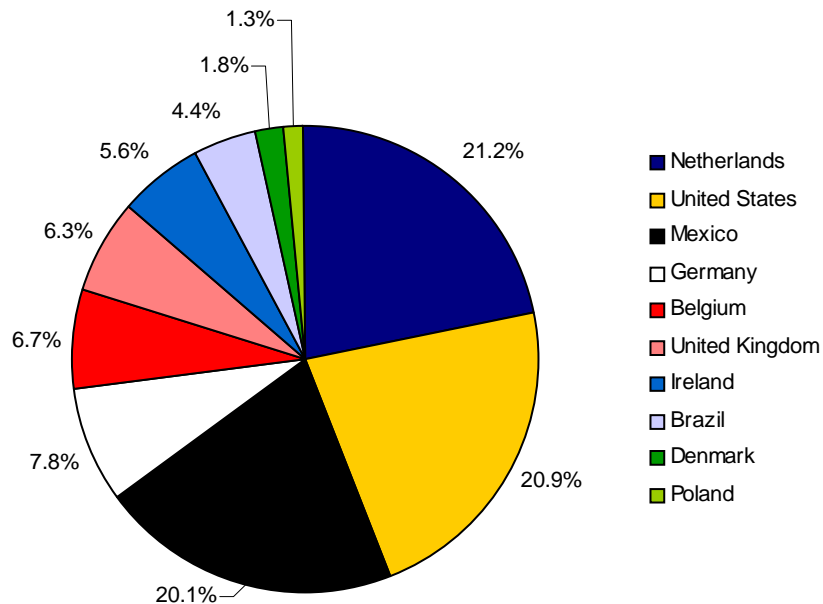
As was the case with value, the Netherlands, United States and Mexico account for the majority of the total quantity of beer imported into Canada.

In 2003, 62.3% of all beer imported into Canada came from these countries. About 21% was from the Netherlands, while 20.9% came from the United States and 20.1% from Mexico.

The remaining beer imported was largely distributed evenly among Germany, Belgium, the United Kingdom, Ireland and Brazil. Denmark and Poland rounded out the top 10, the two accounting for about 3% of Canada's beer imports in terms of quantity.

In total, 96% of the total quantity of beer imported into Canada came from these 10 countries.

Figure 11.
Share of Canada's beer imports, quantity basis, 2003



Netherlands leading source in terms of quantity

Beer imports from Mexico were at a higher average price per litre, resulting in a higher value of imports than from the Netherlands and the United States.

In terms of quantity, however, the Netherlands became Canada's leading source for imported beer in 2003, pushing the United States to second spot. Mexico ranked as Canada's third largest source of imported beer.

Canada imported 46.6 million litres of beer from the Netherlands in 2003. Beer imports from the United States stood at 45.9 million litres, while Mexico supplied Canada with 44.2 million litres.

Table A2. Canada's top ten sources for imported beer, quantity basis, 1994 to 2003

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Netherlands	6.2	6.8	7.9	9.1	12.6	19.3	26.4	35.0	42.4	46.6
United States	35.2	44.4	51.5	57.2	60.5	61.5	51.5	49.6	46.2	45.9
Mexico	6.0	9.4	11.3	16.7	19.9	31.9	33.2	40.7	43.3	44.2
Germany	5.5	6.2	5.8	5.9	7.4	7.9	9.7	12.4	15.9	17.1
Belgium	0.5	0.7	0.5	0.5	1.0	1.7	4.3	7.4	11.4	14.6
United Kingdom	4.6	5.8	6.5	8.5	11.1	12.1	12.6	13.3	13.5	13.9
Ireland	4.3	5.2	5.6	6.9	8.8	11.4	12.2	13.4	13.8	12.4
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.7
Denmark	0.6	0.9	1.0	1.2	1.3	1.9	2.2	2.8	3.4	4.1
Poland	0.5	0.7	0.7	0.7	1.1	1.7	2.3	2.4	3.0	2.9

All quantities are expressed in millions of litres.

Data source: Statistics Canada, 2005, International Trade Division.

Table source: Statistics Canada, 2005, Canada's Beer Trade: A Swing to Imported Brands, catalogue number 65-507-XWE2005005.

Table 2. Canada's top three sources for imported beer, based on quantity, 2001 to 2003

	2001	2002	2003
Netherlands	35.0	42.4	46.6
United States	49.6	46.2	45.9
Mexico	40.7	43.3	44.2

All quantities are expressed in millions of litres.

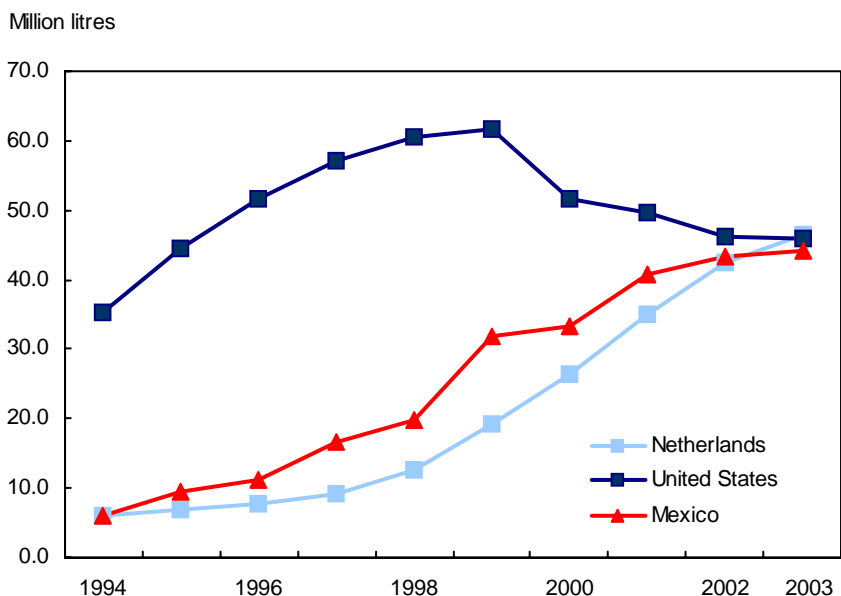
Data source: Statistics Canada, 2005, International Trade Division.

Table source: Statistics Canada, 2005, Canada's Beer Trade: A Swing to Imported Brands, catalogue number 65-507-XWE2005005.

Though the United States is currently Canada's second largest source of imported beer on a quantity basis, Mexico is quickly catching up.

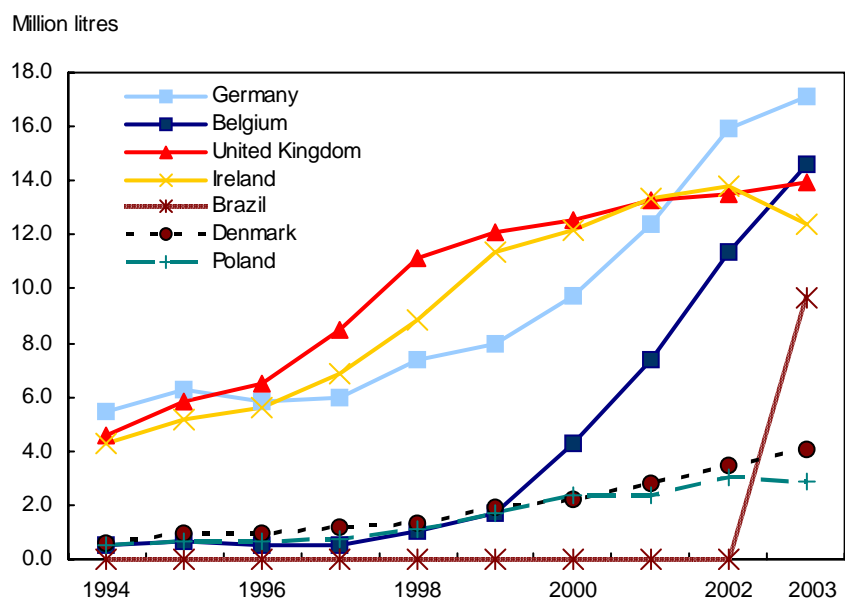
The quantity of beer imported from the United States has declined over the last few years, while it has risen steadily from Mexico . By 2003, Canada imported only 1.7 million more litres of beer from the United States than from Mexico. Ten years earlier, this difference stood at 29 million litres.

Figure 12.
Canada's top three sources for imported beer – quantity basis, 1994 to 2003



The quantity of beer imported by Canada from other countries has experienced correspondingly strong increases. This situation reflects similar trends in the values of imported beer.

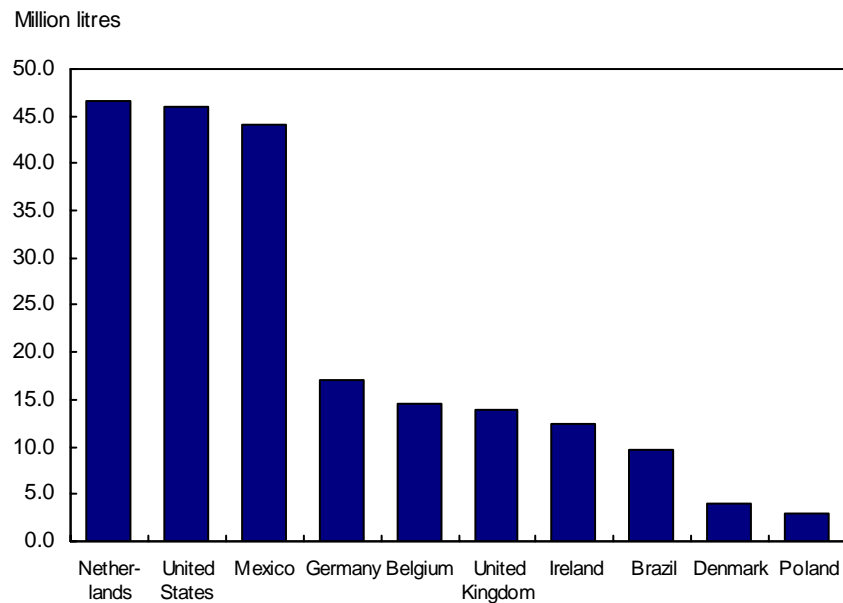
Figure 13.
Canada's other leading sources for imported beer – quantity basis, 1994 to 2003



Imports from Brazil have increased at the fastest pace, shooting up to 9.7 million litres in 2003 from less than 100,000 litres in prior years.

Brazil now ranks as Canada's eighth largest source for imported beer in terms of quantity, surpassing Denmark and Poland.

Figure 14.
Canada's top 10 sources for imported beer, 2003 – quantity basis



Methodology and data quality

This paper uses customs based merchandise trade statistics for the reference period 1994-2003. Data were provided by Statistics Canada. Merchandise trade statistics are from the International Trade Division. Production data used for estimating domestic consumption were obtained from the Manufacturing, Construction and Energy Division.

Domestic consumption estimates refer to what may have been consumed based on an estimate of availability from the domestic market. The domestic market was calculated by adding shipments of commodities manufactured domestically to imports and then subtracting exports. The offsetting factors of stocks available at the beginning of the year and stocks remaining at the end of the year were not accounted for. Also not accounted for are losses that occur prior to consumption, such as from waste or spillage.

Note to readers

Domestic consumption estimates are derived and should be used with caution.