

# STATE OF THE CANADIAN BEER INDUSTRY

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MBAC Ontario Technical Conference

Hilton Niagara Falls

January 25, 2018



# AGENDA

- About Beer Canada
- Current Issues and Trends



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# 50+ MEMBERS OF ALL SIZES



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# GOALS

- Be a guiding and unifying force in advancing beer industry positions to achieve a rational regulatory and public policy environment in which industry members can market their brands and grow their volumes profitably
- Be a recognized and authoritative national source of information on all aspects of the beer industry



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# BEER SUPPORTS CANADA'S ECONOMY!

- Beer supports 149,000 Canadian jobs, with a labour income of \$5.3 billion
- 85% of beer sold in Canada, is made in Canada
- Canada has the third highest tax rate on beer in the world. While contributing \$13.6 billion annually to the economy, beer generates \$5.7 billion in tax and other revenues for federal, provincial/territorial, and municipal governments (not including provincial liquor board profits)



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# OUR PRIORITIES

- Tax Relief
- Updating the Federal Definition of Beer
- Legal marijuana
- Interprovincial Trade Barriers
- Data and Technical Services



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# TAX RELIEF

- Nearly half the price of a case of beer in Canada is tax
- Set to rise annually due to automatic excise duty rate increases ([www.axethebeertax.ca](http://www.axethebeertax.ca))
- In some provinces, increases in provincial markups tied to inflation

**Tax on Beer - Weighted Based on Volume of Top 10 Selling SKUs in Each Province in 2016**

PROVINCE	FEDERAL EXCISE DUTY	FEDERAL SALES TAX	TOTAL FEDERAL	LIQUOR BOARD MARKUPS	PROVINCIAL SALES TAX	TOTAL PROVINCIAL	TOTAL TAX
NF	5.09%	4.35%	9.44%	30.40%	8.70%	39.10%	48.54%
PEI	6.26%	4.35%	10.60%	34.50%	8.70%	43.20%	53.80%
NS	6.49%	4.35%	10.84%	32.54%	8.70%	41.24%	52.08%
NB	6.08%	4.35%	10.42%	35.45%	8.70%	44.15%	54.57%
QU	9.23%	4.35%	13.58%	18.26%	8.68%	26.94%	40.52%
ON	7.31%	4.42%	11.74%	25.43%	7.08%	32.50%	44.24%
MA	5.81%	4.42%	10.23%	31.21%	7.08%	38.29%	48.52%
SK	6.04%	4.35%	10.39%	34.37%	8.70%	43.06%	53.45%
AB	7.40%	4.76%	12.16%	29.04%	0.00%	29.04%	41.20%
BC	6.62%	4.35%	10.97%	22.47%	8.70%	31.16%	42.13%
<b>AVERAGE</b>	<b>6.63%</b>	<b>4.40%</b>	<b>11.04%</b>	<b>29.37%</b>	<b>7.50%</b>	<b>36.87%</b>	<b>47.90%</b>



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# UPDATING THE FEDERAL DEFINITION OF BEER

- Expected to be completed in 2018
- Modern definition will:
  - allow for the use of innovative/traditional ingredients in beer
  - maintain barley as a required ingredient in beer
  - cap the amount of residual sugars permitted in beer to 4% by weight.



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# LEGAL MARIJUANA

- Expected to be legal in Canada in summer 2018
- Feds have proposed strict limits on branding, use of colours and mandatory warning labels
- Provinces rolling out distinct distribution/retail systems
- Will beer sales be impacted?



# INTERPROVINCIAL TRADE BARRIERS

- Beer Canada maintains an inventory of interprovincial trade barriers that exist for brewers: Currently over 100
- Supreme Court ruling (expected this year) in Comeau case could change how brewers sell and consumers purchase beer
- Under the new Canadian Free Trade Agreement, a Beverage Alcohol Working Group has been struck to identify ways to enhance trade in beverage alcohol in Canada



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# DATA AND TECHNICAL SERVICES

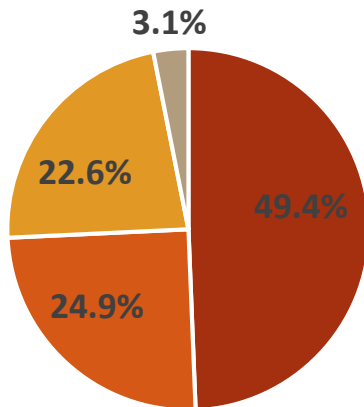
- Industry data share program
- Syndicated pricing survey
- Media spend industry data share agreement
- Labelling toolkit



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# THE CANADIAN BEVERAGE ALCOHOL MARKET

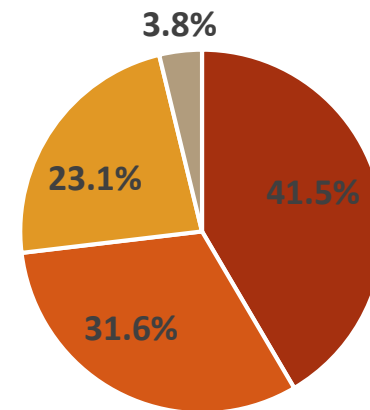
2006 Market Share by Category (\$)



■ Beer ■ Wine ■ Spirits ■ Ciders/Coolers

**Total market = \$15.4 billion**  
**Beer's share = \$7.6 billion**

2016 Market Share by Category (\$)



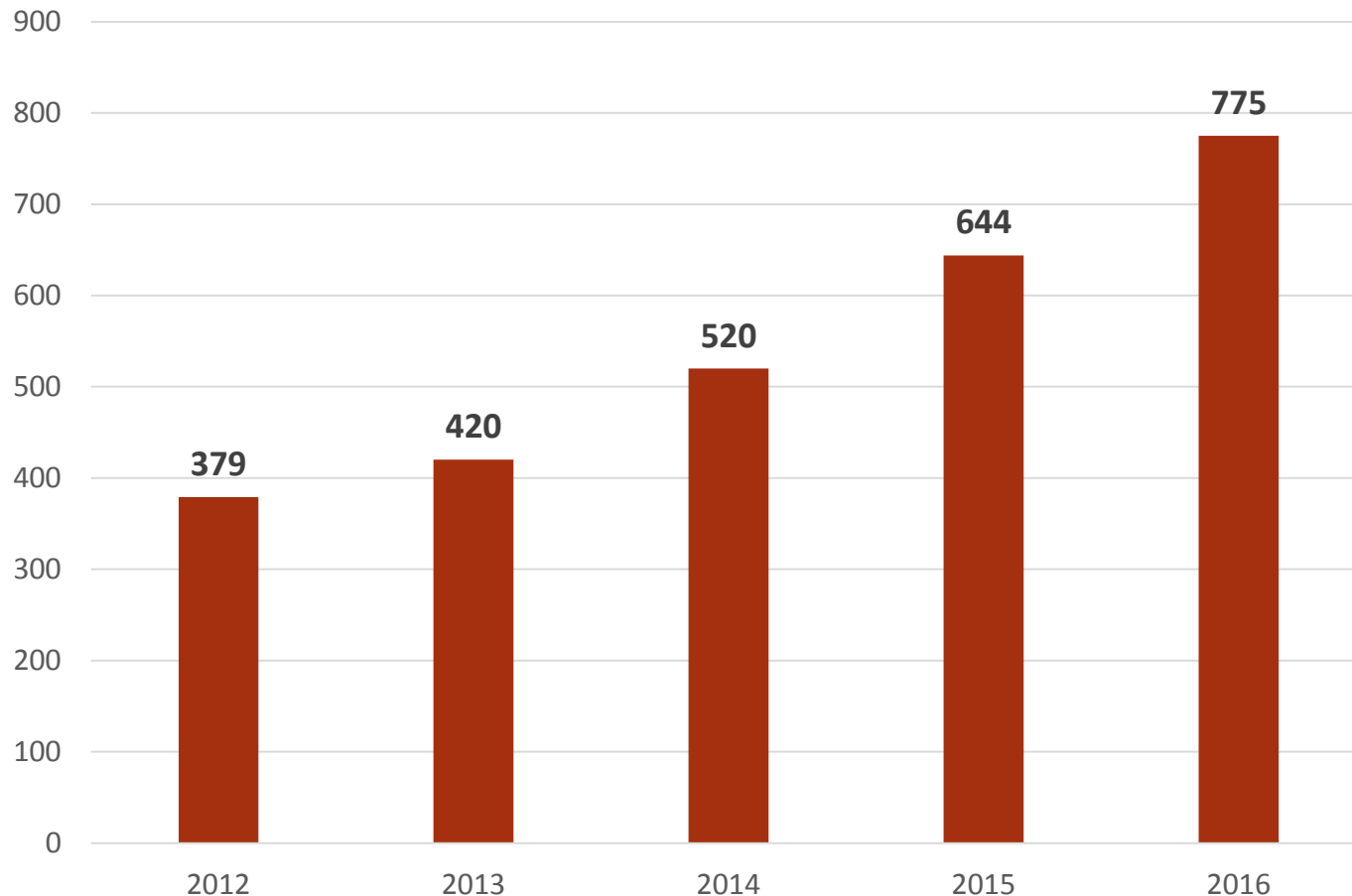
■ Beer ■ Wine ■ Spirits ■ Ciders/Coolers

**Total market = \$22.1 billion**  
**Beer's share = \$9.2 billion**



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# NUMBER OF BREWERIES

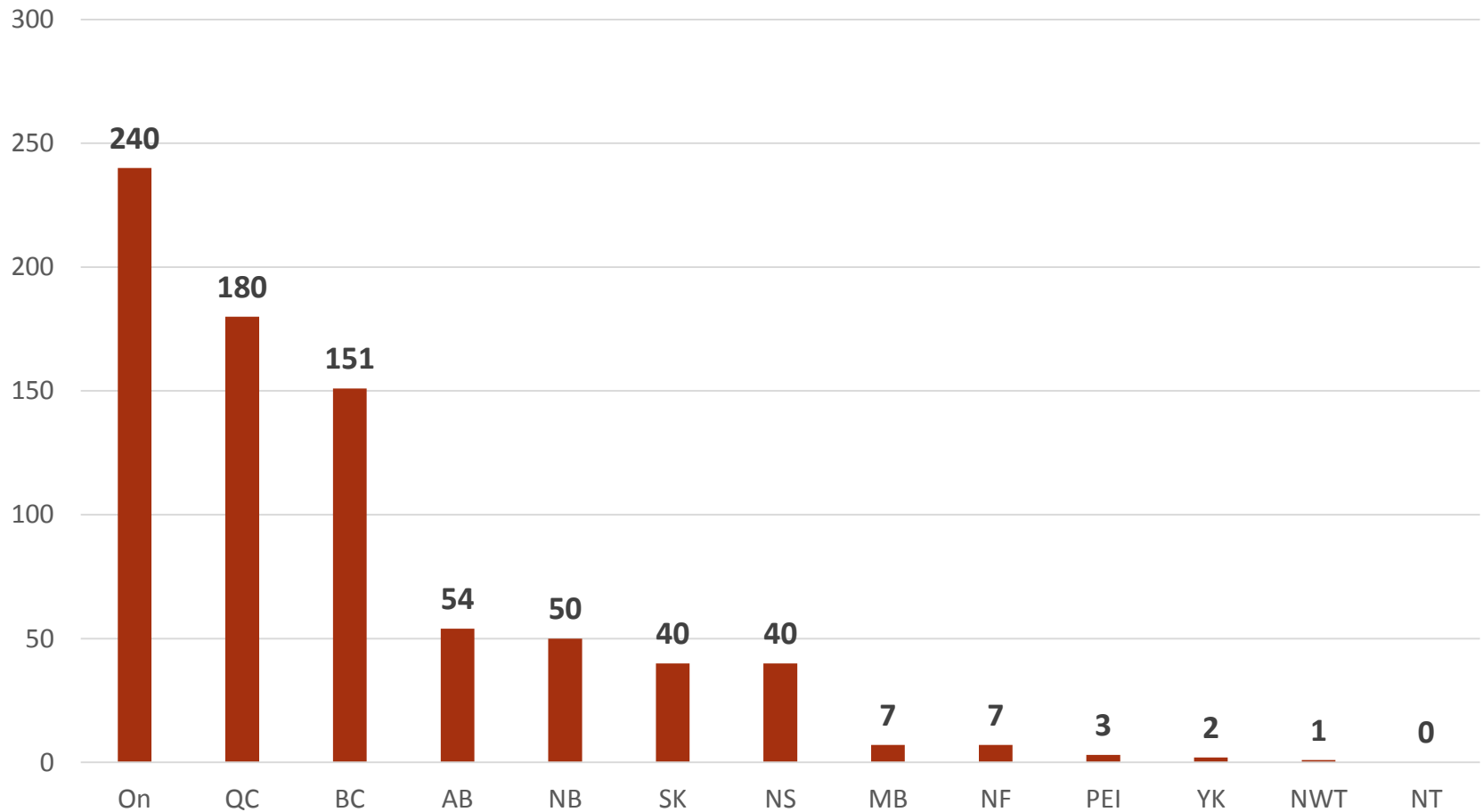


**+104.5%**  
**increase**  
**in number**  
**of**  
**breweries**  
**since '12**



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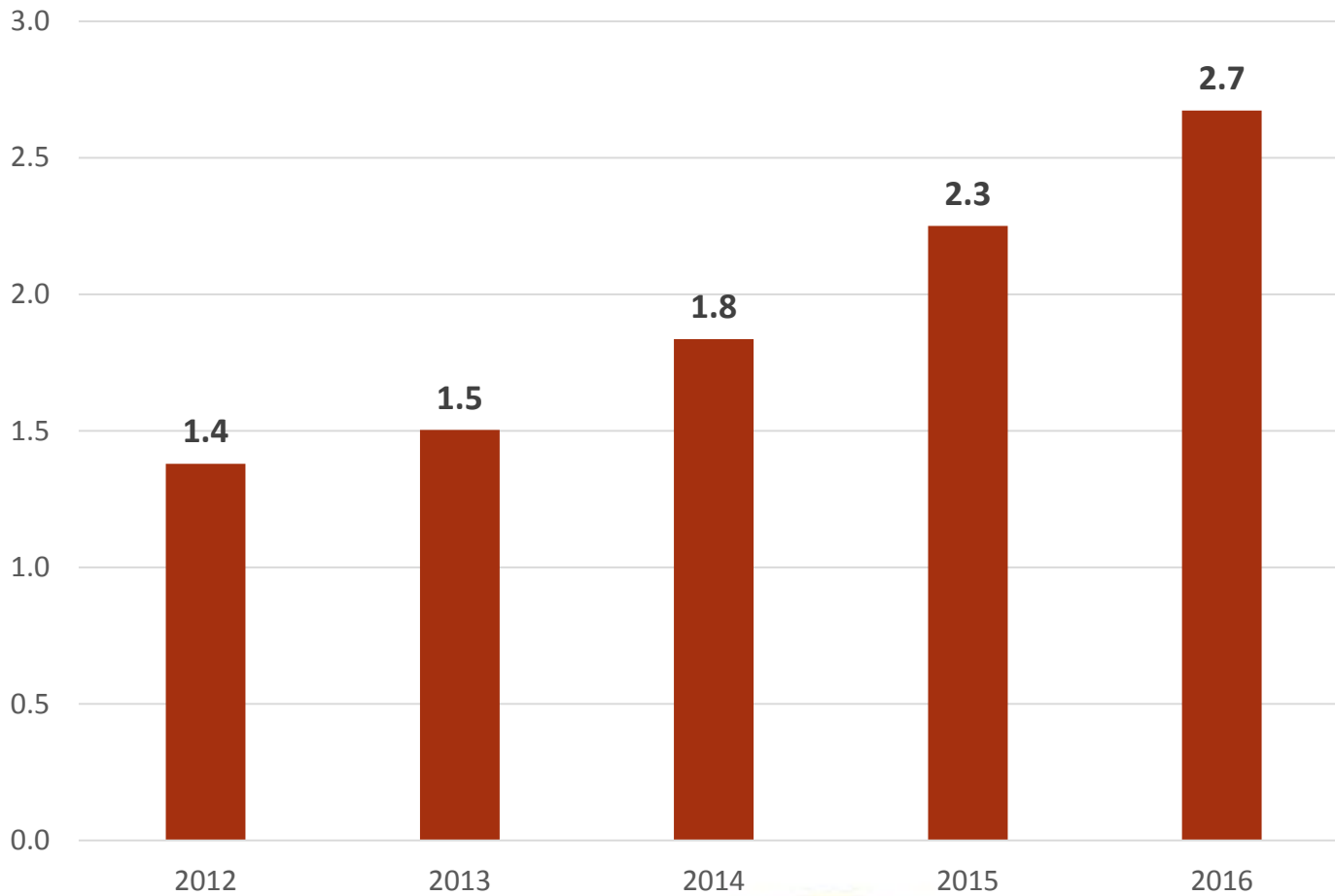
# NUMBER OF BREWERIES BY PROVINCE



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# BREWERIES PER CAPITA

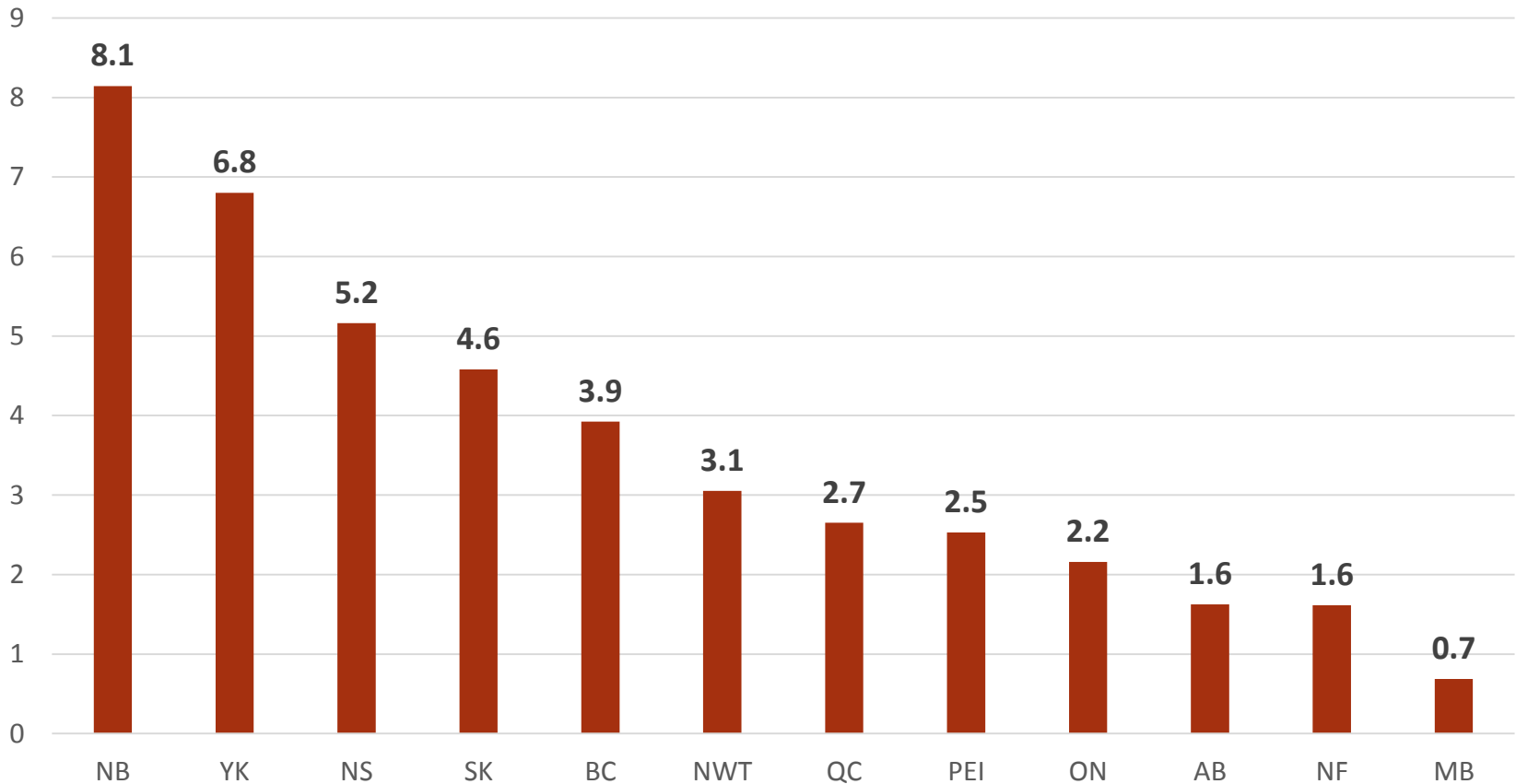


**+93.8%**  
increase  
in  
breweries  
per capita  
since '12



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# BREWERIES PER CAPITA BY PROVINCE



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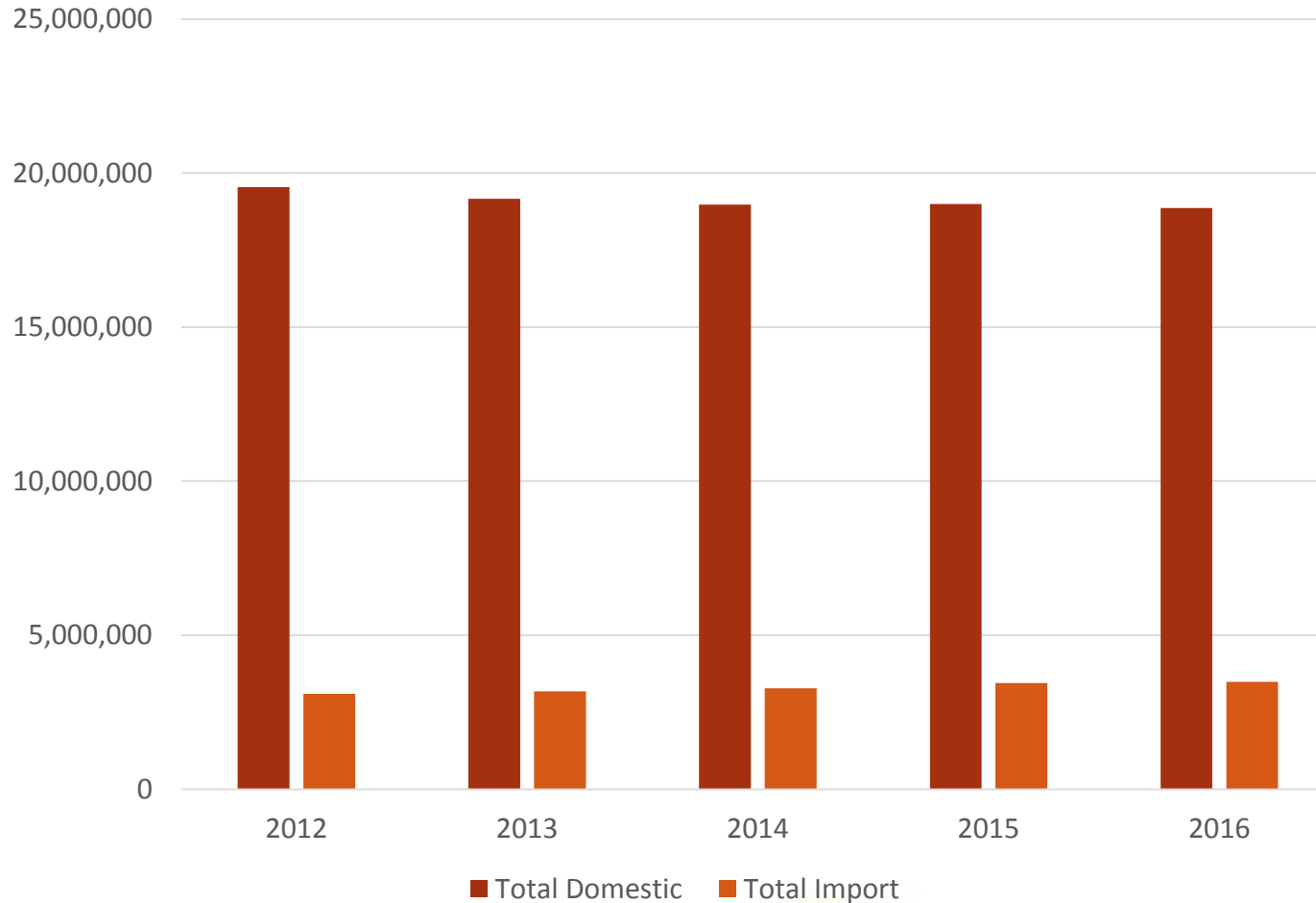
# BREWERY PERCENTAGES BY SIZE

Size (HL)	Percent
<2,000	77.0%
2,001 to 4,999	9.0%
5,000 to 14,999	6.4%
15,000 to 75,000	3.8%
>75,000	3.8%



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# BEER SALES (HL)



**+ 12.5%  
growth in  
import sales  
since '12**

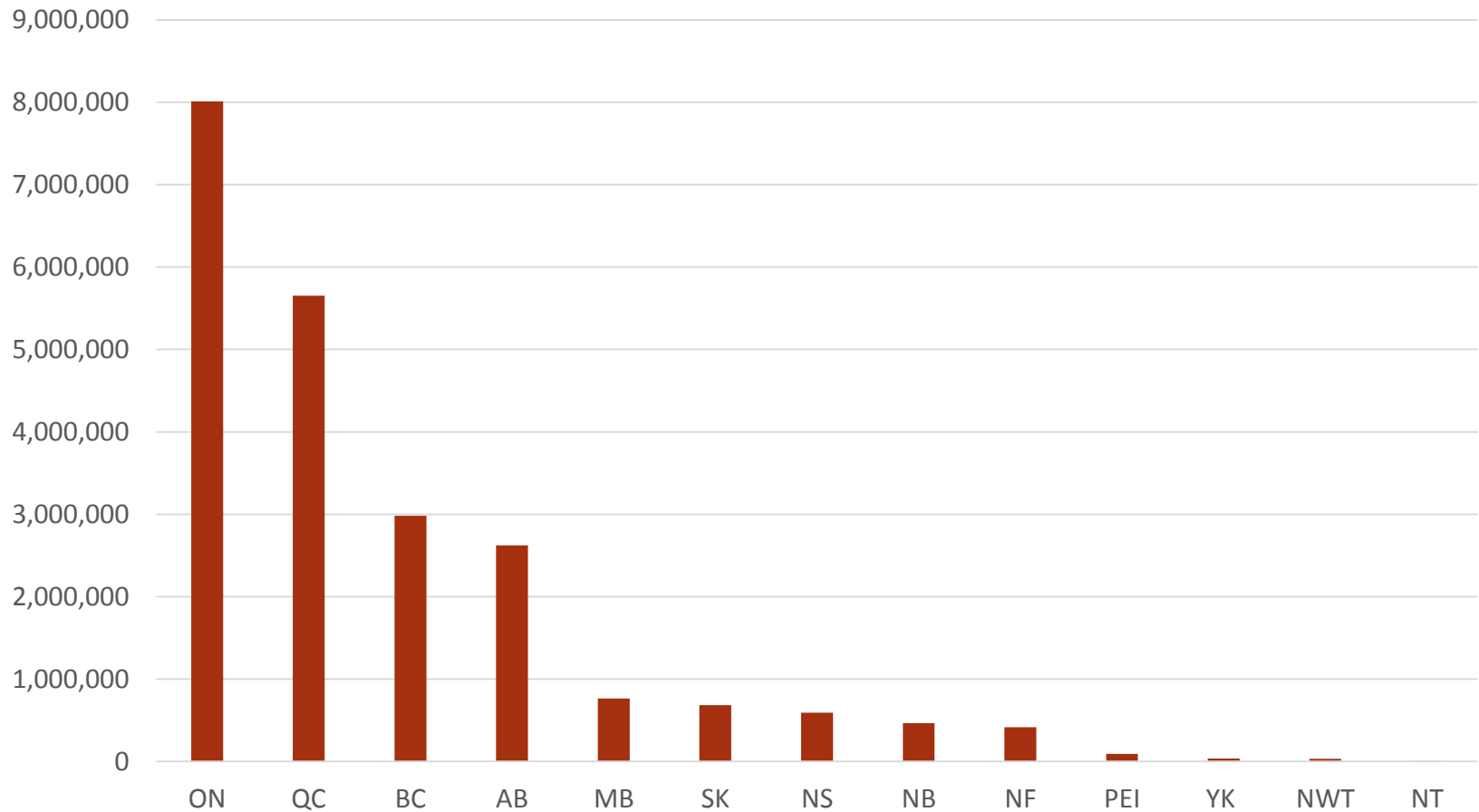
**-3.5% decline  
in domestic  
sales since  
'12**

**-1.3% decline  
in total sales  
since '12**



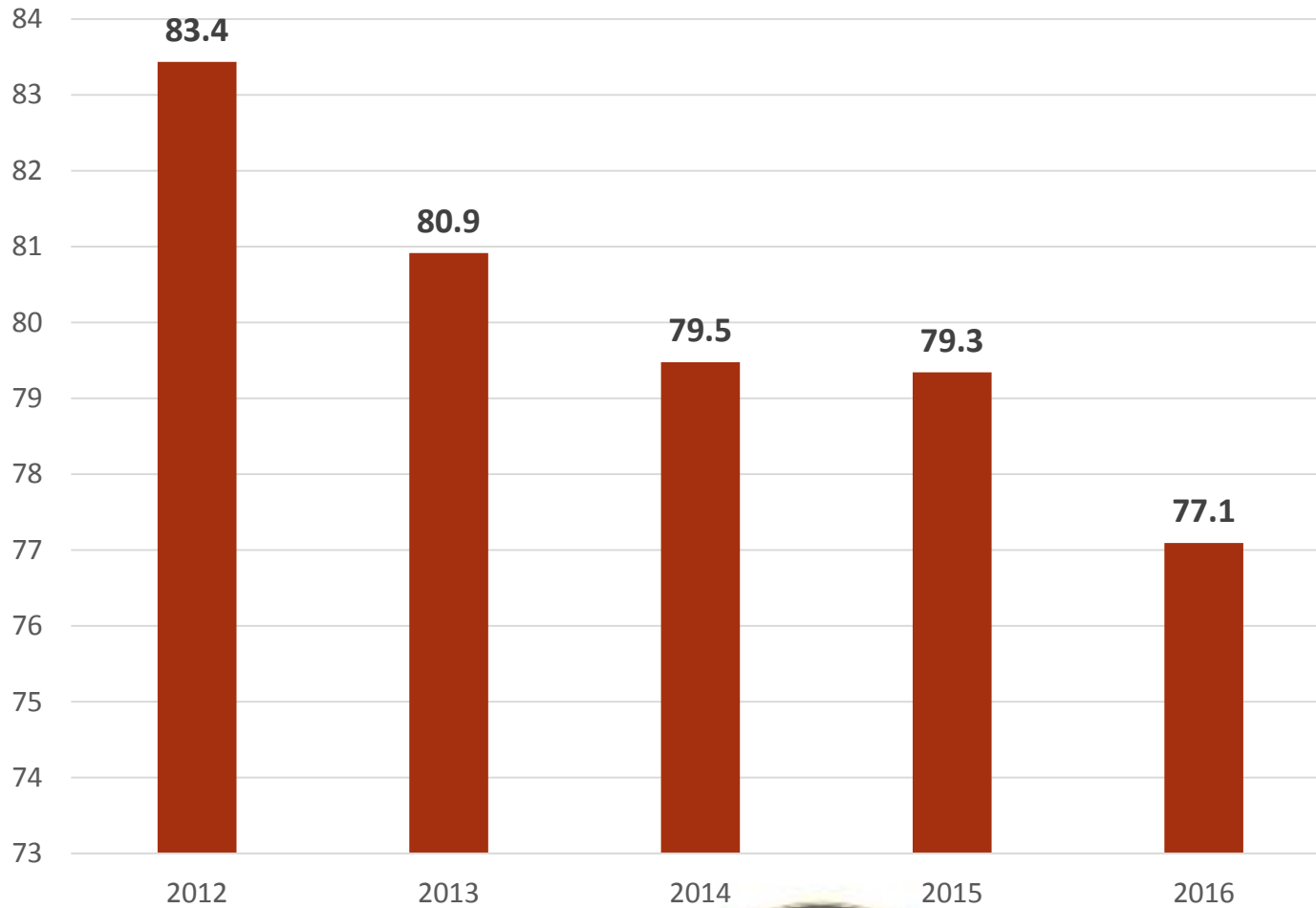
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# BEER SALES (HL) BY PROVINCE



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# PER CAPITA CONSUMPTION (LITRES)



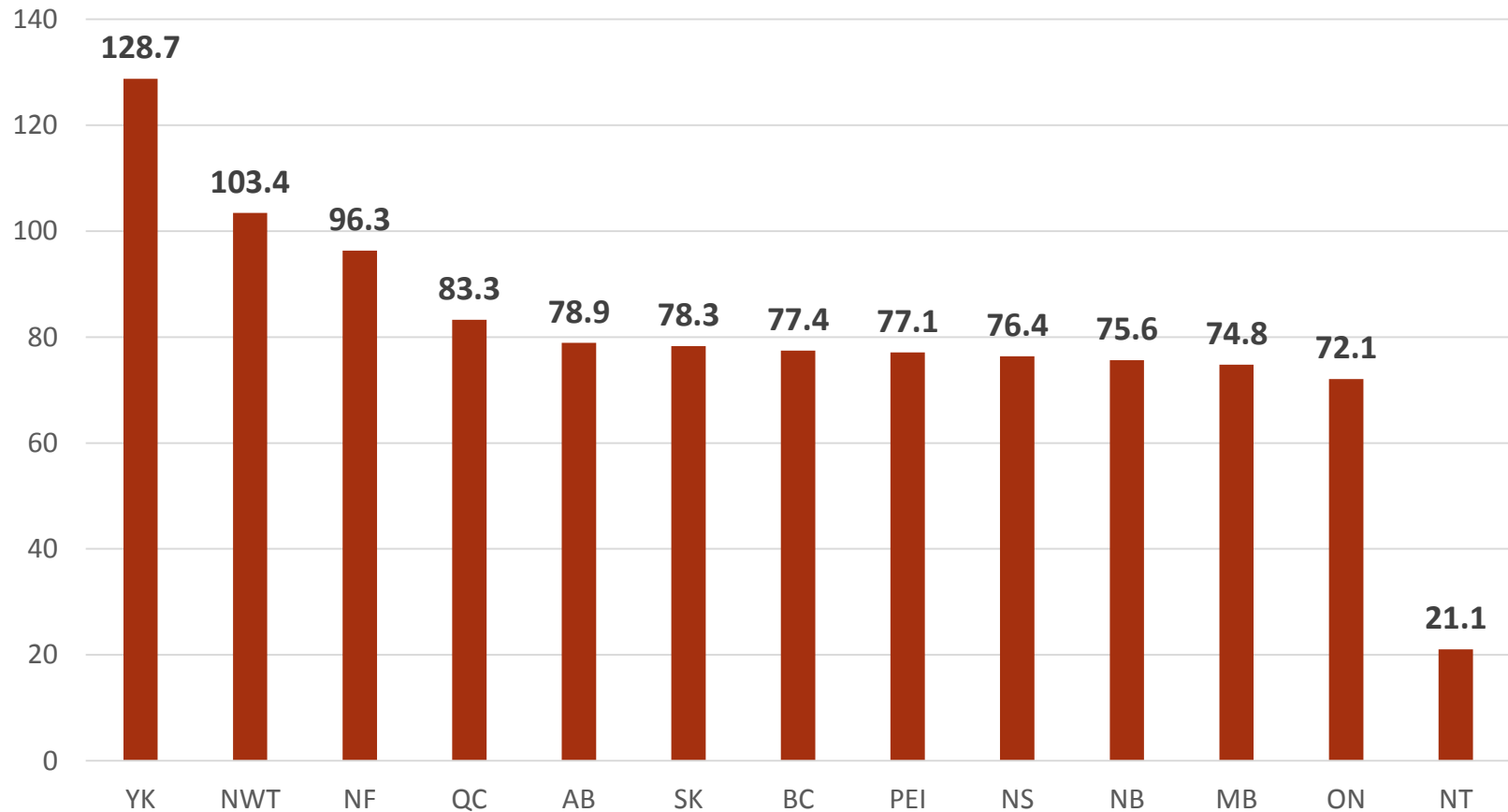
**-7.6% decline  
in per capita  
consumption  
since '12**



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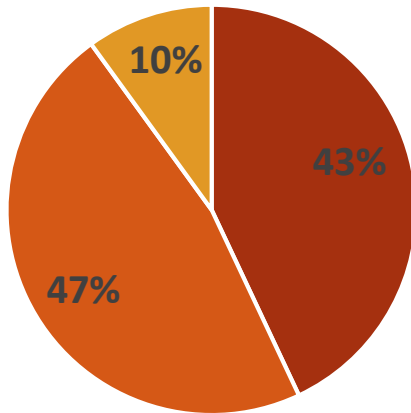
# PER CAPITA CONSUMPTION BY PROVINCE



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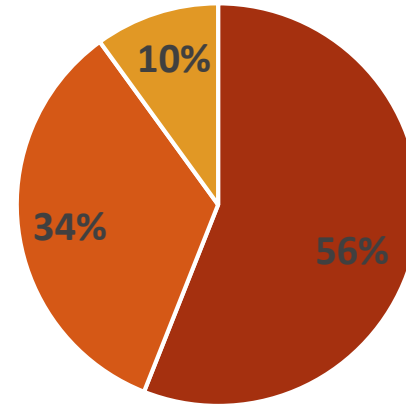
# BEER SALES BY PACKAGE TYPE

2012



■ Cans ■ Bottles ■ Keg

2016

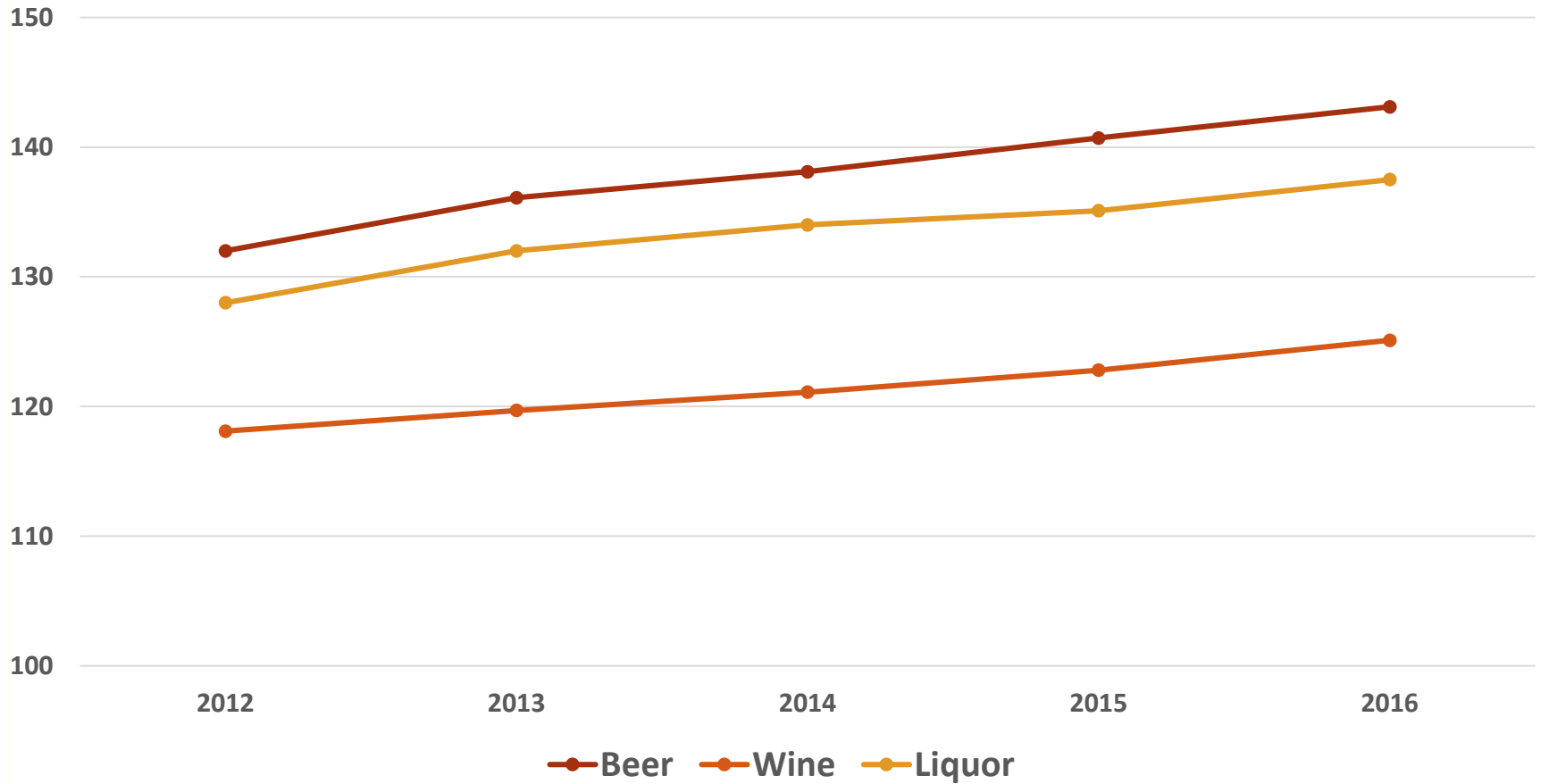


■ Cans ■ Bottles ■ Keg



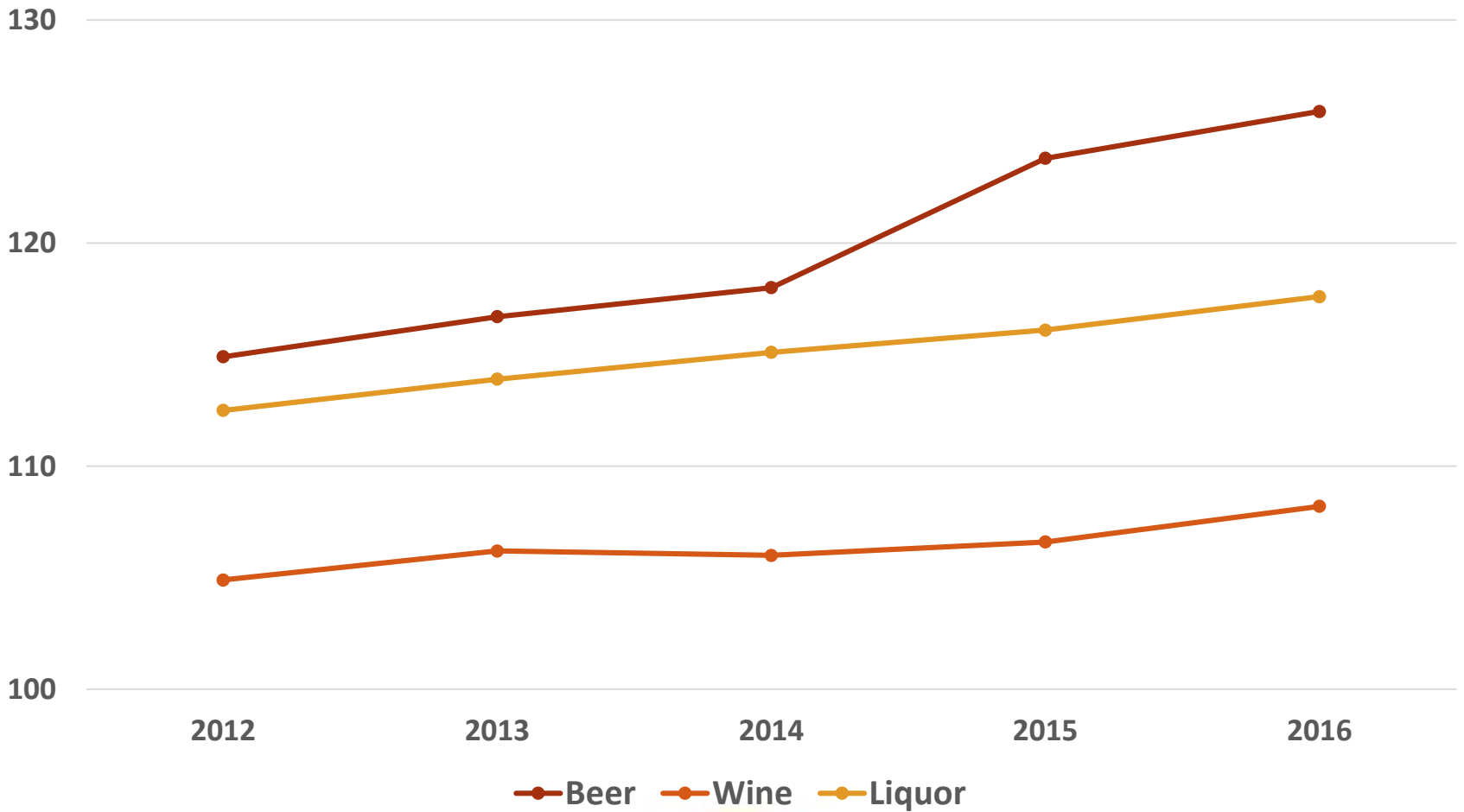
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# CONSUMER PRICE INDEX – ON PREMISE



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# CONSUMER PRICE INDEX – OFF PREMISE

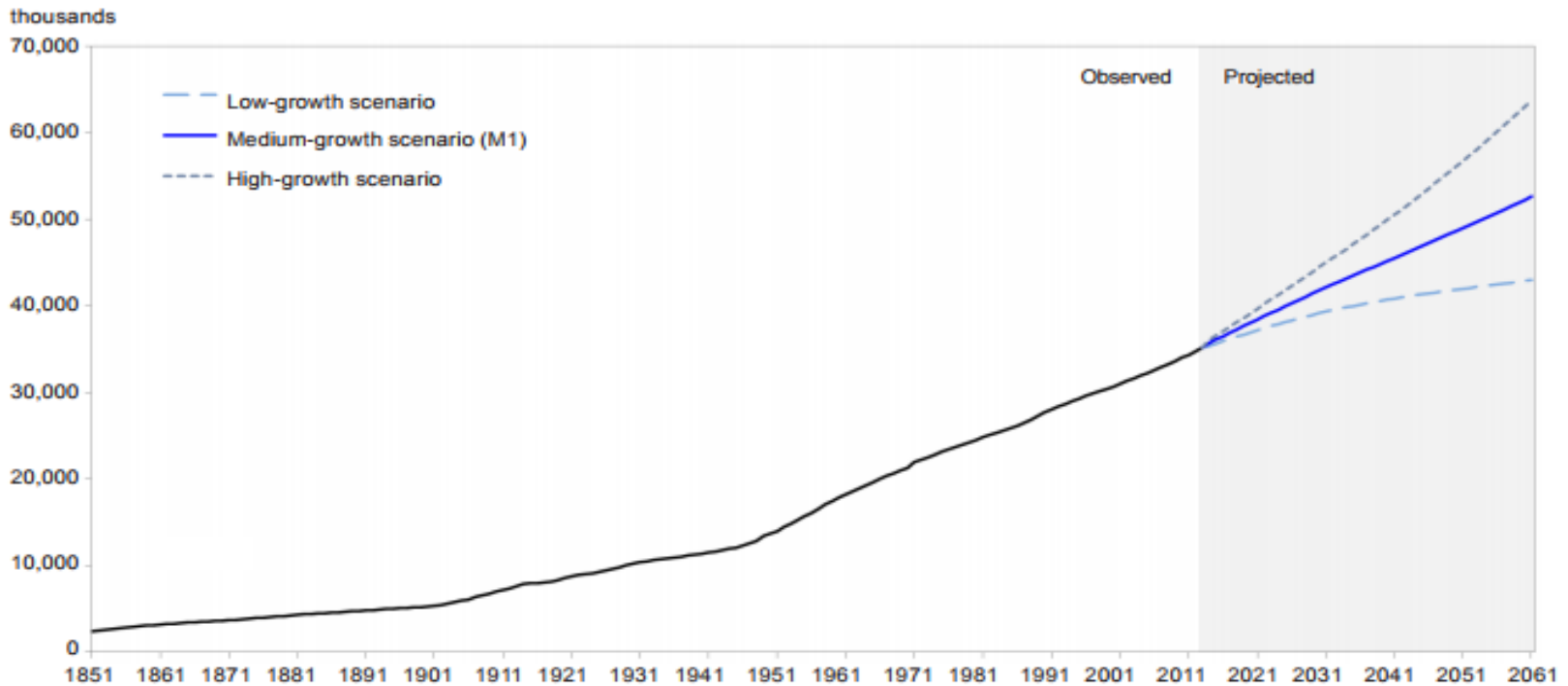


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# DEMOGRAPHICS

Population is growing, but...

## Population of Canada, 1851 to 2061



Sources: Statistics Canada. 2010. *Population Projections for Canada, Provinces and Territories 2009 to 2036*, catalogue no. 91-520-XPE, low-growth scenario, medium-growth scenario (M1) and high-growth scenario, censuses of population, 1851, 1861 and 1871, Demography Division, Population Estimates Program.

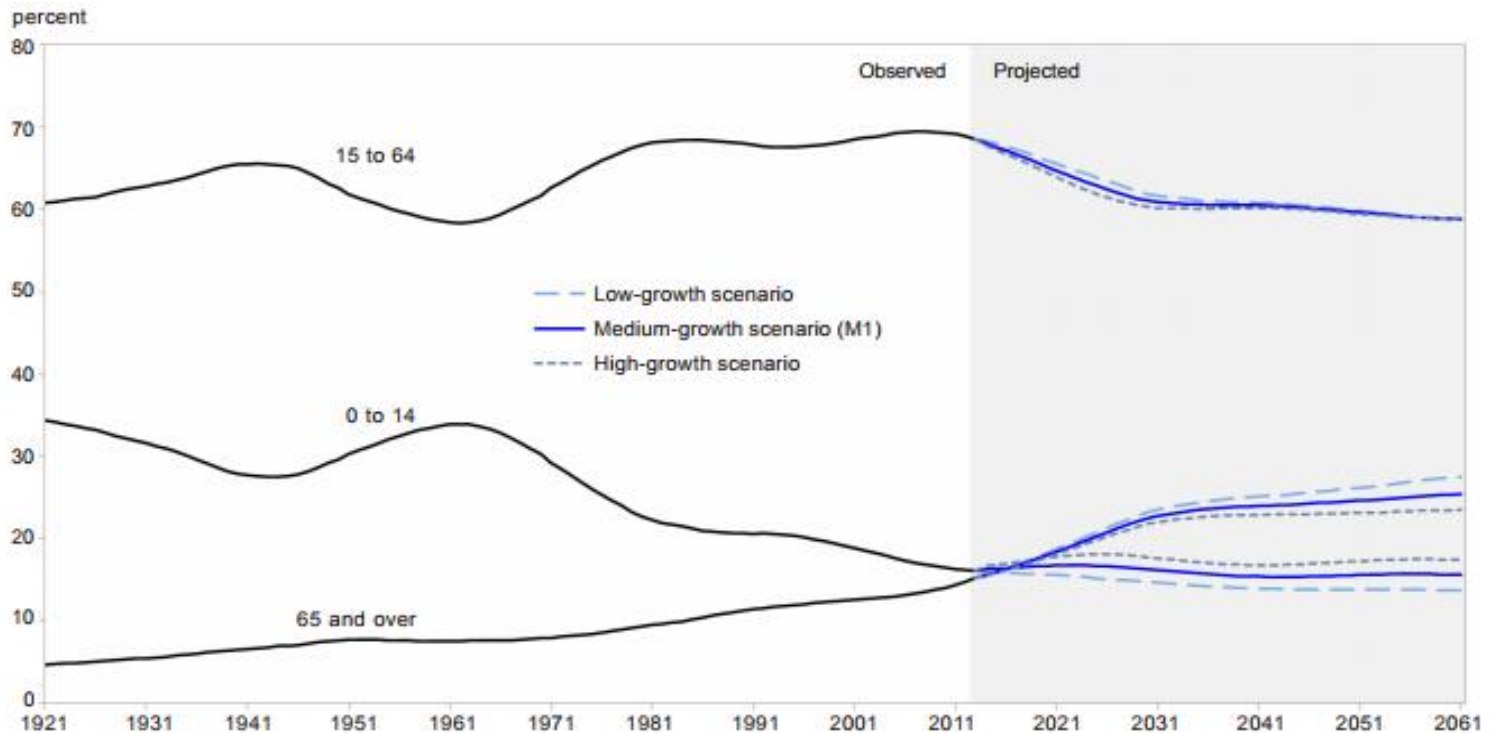


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# DEMOGRAPHICS

We are getting older...

Proportion of the population aged 0 to 14, 15 to 64, and 65 and over, Canada, 1921 to 2061



Sources: Statistics Canada. 2010. *Population Projections for Canada, Provinces and Territories 2009 to 2036*, catalogue no. 91-520-XPE, low-growth scenario, medium-growth scenario (M1) and high-growth scenario and Demography Division, Population Estimates Program.



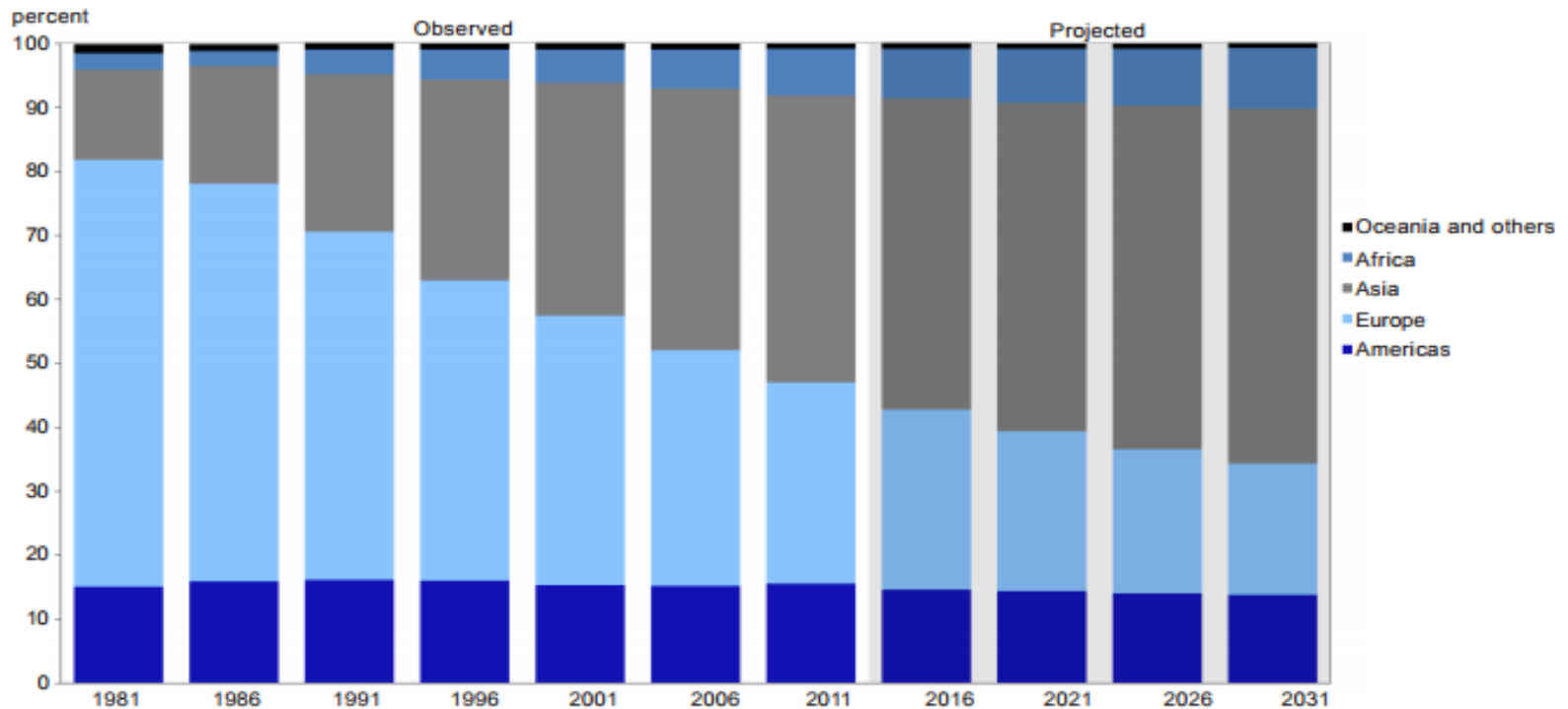
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# DEMOGRAPHICS

And more diverse...

Proportion of foreign-born population by continent of birth, Canada, 1981 to 2031



Sources: Statistics Canada. 2010. *Projections of the Diversity of the Canadian Population, 2006 to 2031*, catalogue no. 91-551, reference scenario, censuses of population, 1981 to 2006 and National Household Survey, 2011.



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# FINAL THOUGHTS

## Challenges lie ahead:

- Legal marijuana
- Shrinking category (on a volume and market share basis)
- Increasing taxes
- De-normalization of alcohol



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