

Brazil beer goes premium

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As Brazil becomes the world's third biggest beer consumer, premium manufacturers look set to conquer the market.

Brazil has replaced Germany as the third largest beer consumer by volume, with sales augmenting rapidly to 93.3 million hectolitres. Premium varieties have driven this growth, with volume sales increasing by over 200% in the last five years. Premium beer's volume share has risen to 7% and, according to Euromonitor International's forecasts, will reach 15% by 2010. Manufacturers are alert to this trend, with five new premium lagers, including Stella Artois (from Cia Brasileira de Bebidas) and Bavaria Premium (Cervejarias Kaiser Brasil), launched in 2005 alone.

Opportunities knock

Not only does Brazil have the fifth largest population in the world, it is estimated that three million potential beer consumers reach the legal drinking age each year. In addition, governmental efforts to narrow the gap between rich and poor have enabled more Brazilian consumers to experiment with premium beers. Young drinkers are particularly likely to try premium beer, viewing it and especially imported brands, as a status symbol.

The current economic and political stability is a draw for foreign exporters. GDP is expected to grow at 4% annually between 2005 and 2010, leading to increased consumer spending power, and the appreciation of the local currency is certain to provoke a rise in imports. As a result, volume sales of premium lager are expected to grow by 186% by 2010.

Acquisitions the key

Various obstacles linger for international players. Since most beer is sold in 600ml returnable bottles (67% in 2005), significant capital is required to set up efficient bottling operations. Distribution is another hindrance, given the immense size of the country and the difficulty in supplying the more than one million points-of-sale. These pitfalls can be avoided through the acquisition of a local beer manufacturer. Since the January 2006 acquisition of Cervejarias Kaiser Brasil by the Mexican group FEMSA, Cervejaria Petropolis, which controls just over 4% of the beer market, remains the most attractive target. The company has its own distribution network, and its primary brand, Itaipava, has a strong reputation for being a premium beer sold at an economy price.

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