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# Brewing industry



## BREWING INDUSTRY

*In 2011 / early 2012 there was a tendency of growth of beer production*

In general, for the last 6 years, beer production in Belarus increased by 13.9 mn dal (1.4 times). During the reported period the dynamics of beer production was positive except for its decline in 2008-2009. However, in 2010 and 2011 the market reported a growth by 18%. In 2011 the volume of beer production totaled 47.1 mn dal. In January-March 2012 a positive trend in beer output continued, the production increased by 17.9% compared to the same period of 2011. The increase of beer production was due to the growing consumption of this beverage, the increase of production capacities of some enterprises, as well as the increase in exports.

*The industry is characterized by the presence of foreign investors holding shares of Belarusian companies*

There are 9 beer producers in Belarus. About 90% of the total beer output falls on 4 main producers: Krinitsa OJSC (Minsk), Heineken breweries ICJSC (Bobruysk, Rechitsa), Olivaria brewery (Minsk), Lidskoe Pivo (Lida, Grodno region). One more important player is Belsolod OJSC - the Belarus manufacturer of light barley brewing malt.

*«Heineken in Belarus» replaced Krinitsa OJSC and took the leading position on the Belarusian market*

Only two out of the six biggest local beer manufacturers - Krinitsa OSJC and Brestskoye Pivo OSJC - don't have foreign investors. Heineken purchased local beer manufacturer Pivovarennaya Kompaniya Syabar, as well as 100% share of Rechitsapivo OJSC. Finnish company Olvi owns 91,6% of Lidskoe Pivo OSJC. 67,8% of shares in Olivaria OJSC belongs to Danish brewery group Carlsberg.

For several years a state-owned enterprise *Krinitsa* dominated on the beer market of Belarus. But with the arrival of foreign investors, the situation has changed. As a result in 2011 the company *Heineken in Belarus* took the largest share in beer supplies. Heineken in Belarus supplied 11.38 million dal of beer to the domestic market, its share reached 23%;

*In Belarus beer consumption per person amounted to 52.6 liters*

In 2011 in the Republic of Belarus beer consumption per person amounted to 52.6 liters, so Belarus is behind the neighboring countries. Czech Republic belongs to the group of countries with the highest beer consumption per capita - 150 liters, followed by Germany - and Austria, 109 - 106 liters. In Russia and Ukraine, beer consumption per capita is 77 and 72 liters, respectively. Among other European countries Belarus is ahead of France (31litres), Italy (27 liters), Turkey (16 liters). Comparing the consumption of beer per capita with other countries, the overall conclusion is that in Belarus there is a potential for growth in beer consumption and the market as a whole.

*There is a possible risk of further decline in beer consumption due to the increase in excise taxes*

Due to the increase in excise taxes there is a possible risk of further decline in beer consumption in Belarus. During the past three years the excise tax increased by 5.2 times. From July 1, 2012 a liter of beer is imposed by the excise tax which accounts for 2270 rubles. During 2012 the excise rates are expected to be raised quarterly. In addition, since January 1, 2013 the excise rate can be substantially raised again. Thus, due to the increase in excise taxes, and therefore prices, a slowdown in the sales of beer should be expected .

*There is a decline in the share of imported beer to the Belarusian market*

In 2011, beer imports as a whole decreased by 38.2% to \$ 8.7 million dal. This is partly due to the sharp decline in the supplies of beer from Ukraine (by 78%). By the way Belarusian manufacturers are switching to local production of global brands. Heineken licensed Syabar to produce the brand Doctor Diesel, Gosser and Zlaty Bazant, which were previously imported. Krinitsa produces brand Kaltenberg licensed by Ludwig Konig;

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