FACTS AND PERSPECTIVES ON CRAFT BREWING INDUSTRY IN BRAZIL

Dr. Murillo de Oliveira Dias[1] Andre Teles, LLM[2]

Coordinator of the DBA Program at Fundação Getulio Vargas, Brazil[1]
Corresponding e-mail: murillo.dias@fgv.br // agenda.murillo@gmail.com
Fundação Getulio Vargas, Brazil[2]
andre@andreteles.com.br

Abstract
On January 23, 2019, the Ministry of Fishing, Supply and Agriculture (MAPA) released the facts and figures of the Brazilian brewing industry. This article is focused in the increasing craft beer market in Brazil, as unit of analysis. Key findings pointed near 300 craft small beer industries running informally, approximately 25 percent of the total. Facts also point a trend of increasing sectorial activities for the next few years. Analysis suggest that MAPAs Normative Instruction 72 has facilitated the registry of new industries, to reduce the informality of the "gipsy brewers" (informal ones) and may represent the critical success factor related to the sector. Brazil is still the third largest beer producer in the world. Almost 97 percent of the Brazilians consumed popular Pilsen light beer, three to five percent alcohol, out of the 14 billion liters produced. Nevertheless, craft brewing industry has overpassed wine consumption in 2018. From 2002 to 2018, the number of regular craft brewing industries jumped from less than 50 to more than 889, concentrated in the south and southeastern regions. This single case study investigated Brazilian craft beer activities, its challenges, pitfalls, and ultimate performance. Discussion and recommendations for future research complete the present work.

KEYWORDS: Craft beer, Brewing industry, Brazil

1. INTRODUCTION

This research studied the current facts regarding the craft brewing industry in Brazil, as a unit of analysis (Yin, 2009). This article also updates and revisits Dias & Falconi (2018). It is based on the Brazilian Beer Yearbook 2018, released annually by the Ministry of Fishing, Supply and Agriculture (*Ministério da Agricultura, Pecuária e Abastecimento* - MAPA), following Marcusso & Muller (2019).

According to the MAPA report, approximately 6,800 product registrations have been beer / draft. This segment had the highest number of registrations in 2018, front of fruit pulp, close to 2,700, wine approx. 1,800, mixed drink, something around 1,000 and juice with just over 800 new records (Marcusso & Muller, 2019) .

Beer is defined in Brazilian Law Nº 8.918/94, Chapter II, Section I. It is classified as fermented alcoholic beverages, as follows: "beverage obtained by the alcoholic fermentation of brewer's word from barley malt and potable water, by the action of yeast, with the addition of hops" (Brasil, 1994, Art. 64).

Law Nº 8.918/94, Art. 66, also classifies beers as (i) light beer; (ii) ordinary beer; (iii) Extra beer; (iv) strong beer (Item I). Also according its color as (a) light beer and (b) dark beer (Item II). Beers are also displayed according the alcoholic strength (e) non-alcoholic beer; (f) beer with alcohol, when its alcohol content is equal to or greater than one-half percent by volume (item III). According the proportion of barley malt in: (g) pure malt beer, and (h) beer having a proportion of barley malt greater than or equal to fifty percent by weight on the original extract as a source of sugar; (j) beer bearing the name of the predominant vegetable, one having a proportion of barley malt greater than twenty-less than fifty percent by weight on the primitive extract as a source of sugar (Item IV). Finally, for fermentation process (item V), as (k) low and (l) high fermentation (Brasil, 1994, Art 66, items I-V).

Law Nº 8.918/94 also defined the names that beer can be sold in Brazil, as follows: "Pilsen", "Export", "Lager", "Dortmunder", "München", "Bock", "Malzbier", "Ale" , "Porter", "Weissbier", "Alt" (Brasil, 1994, Art. 67).

Regarding global beer consumption, Brazil holds the third position, according to the Kirin Global Beer Report 2017, as shown in Figure 1:

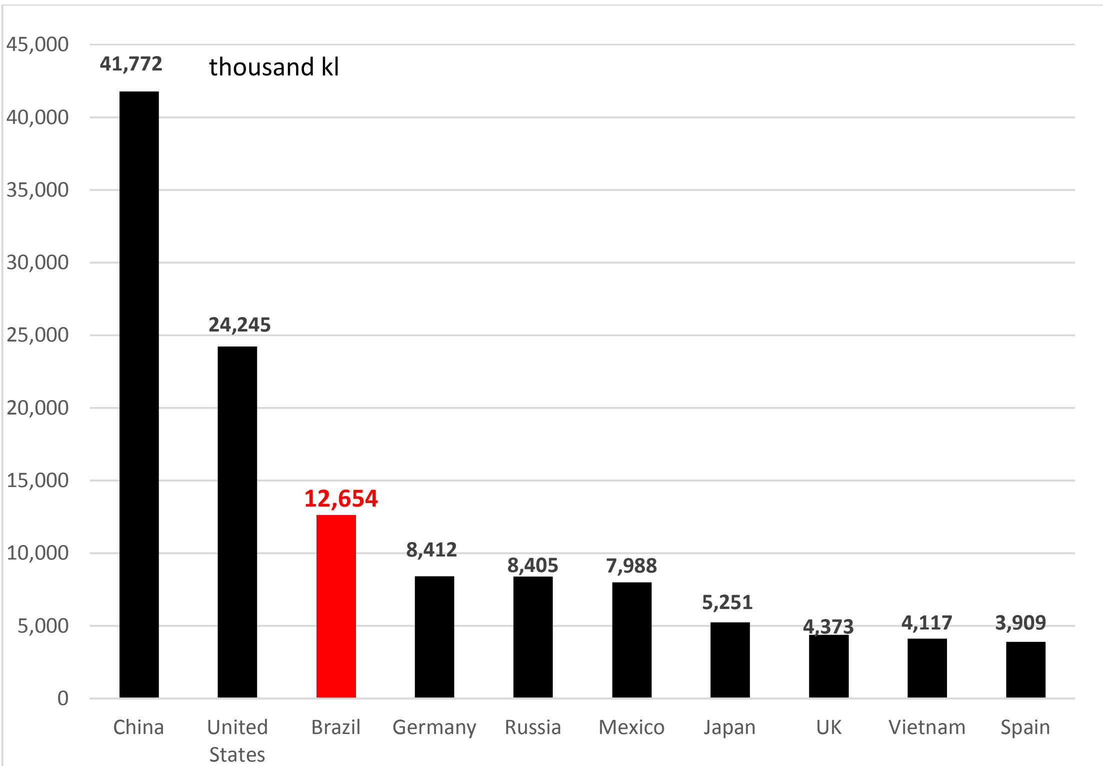

Figure 1 World Consumption. Source: Global Beer Report 2017

Brazil is also the third larger global beer producer, as depicted in Figure 2, as follows:

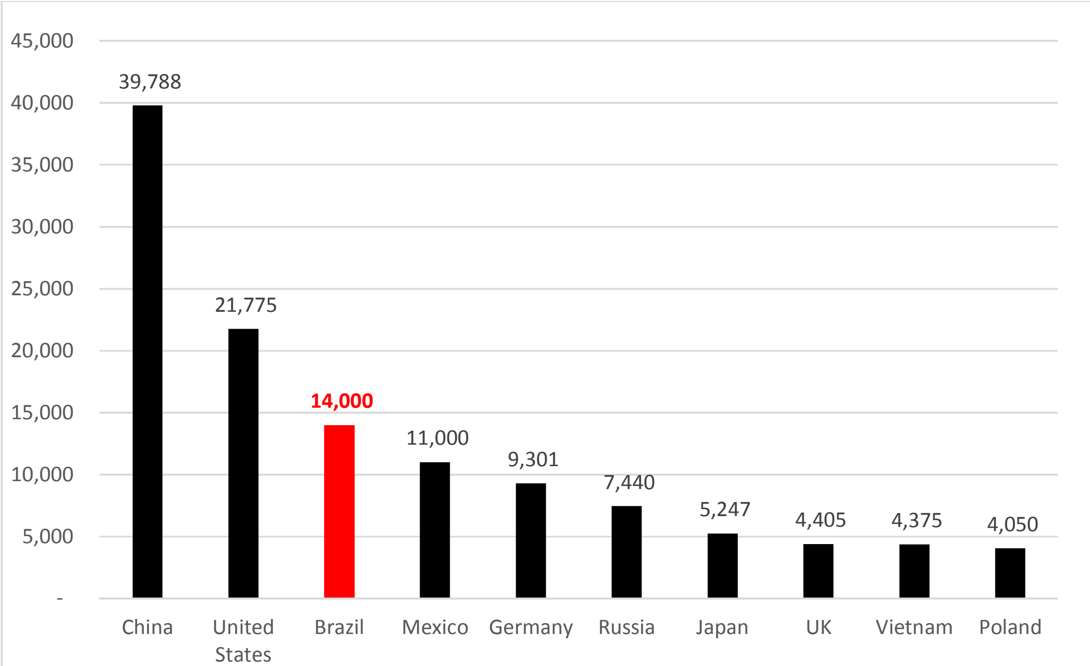

Figure 2 Global beer production 2017. Source: Global Beer Report, 2017

According to the Euromonitor (2018), Brazilians consume more than 20 times more beer than any one other kind of alcoholic beverage, as shown in the next Figure 3:

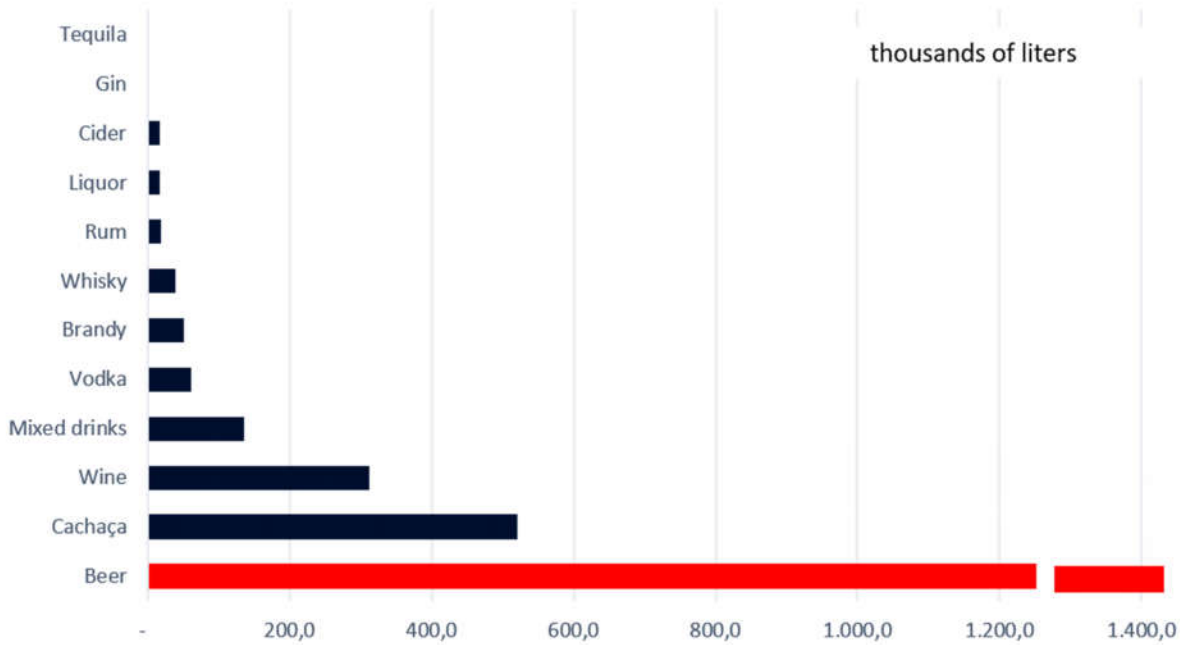

Figure 3 Brazilian consumption per type of beverage. Source: Euromonitor, 2018.

In 2018 there were 2,131 brewing industries registered in MAPA, as depicted in Table 1, as follows:

Table 1 - *Number of registered Breweries in Brazil, per municipality.*

Municipality	# brewers registered
Porto Alegre	465
Nova Lima	277
Curitiba	227
Capim Branco	193
Caxias do Sul	193
Nova Friburgo	168
Blumenau	165
Rio de Janeiro	164
São Paulo	143
Guapimirim	136
Total	2.131

Source, MAPA, 2019.

2. METHODOLOGY

The present research is a single, descriptive case study, therefore, qualitative, inductive, interpretive, multiple methods study, involving extensive archival research, and single case study, which unit of analysis is the craft beer industry in Brazil (Yin, 2009).

The study is limited to the Brazilian market. Other markets are not encompassed here, as well as other alcoholic beverages, such as wine, brandy, cachaça, spirits, and so on. Brazilian Beverage the Law Nº 8.918, from July 14, 1994 (Articles 64 to 71) limits this article, as well as the Kirin Global Beer Report 2017, and the MAPA's Beer Annual Report 2018. The present study is finally limited by the Decree No 2.314, from September 4, 1997.

3. BRAZILIAN BEER INDUSTRY

According to the CERVBRASIL, or the Brazilian Association of the Brazilian Beer (*Associção Brasileira da Indústria da Cerveja*), the Brazilian beer industry is responsible for 1.6 percent of the Brazilian GDP. In 2018, approximately 14 billion liters were produced, corresponding to 21 billion BRL (approximately 6.5 billion USD) taxes to the Brazilian Federal Government in 2018 (CERVBRASIL, 2018).

There are three major competitors in the Brazilian beer market, who represents 97 percent of the total, as follows: (i) Ambev, (ii) Heineken, (iii) Grupo Petropolis, and (iv) others, as depicted in the following Figure 4, as follows:

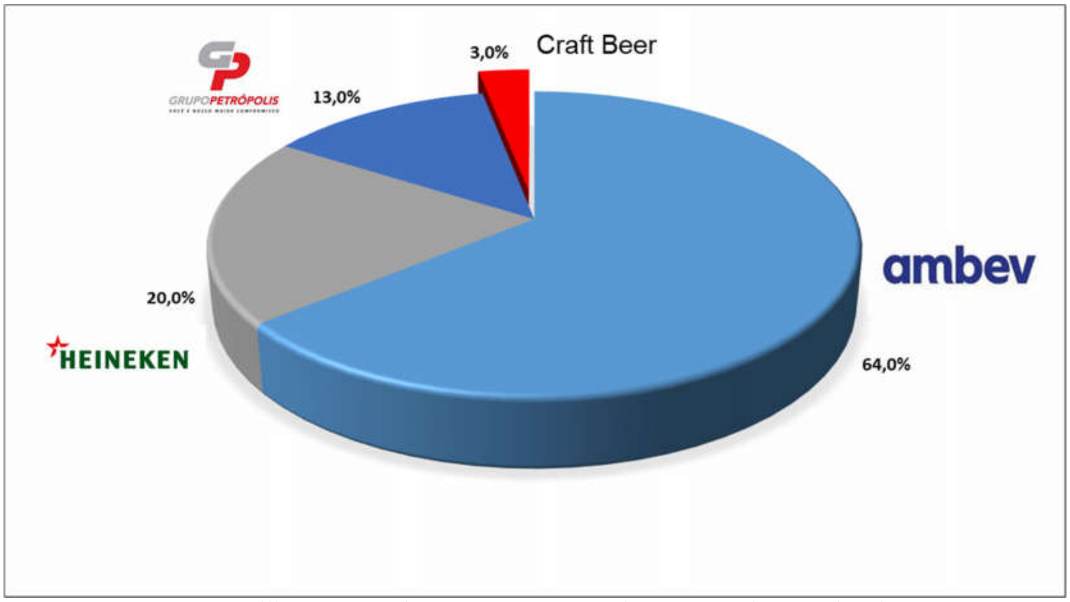

Figure 4 Brazilian Beer market. Source: Euromonitor, 2018, Dias & Falconi, 2018.

4. CRAFT BEER INDUSTRY IN BRAZIL

According to MAPA (2019), there are 889 craft beer industries officially registered in Brazil, shown in the following Figure 5:

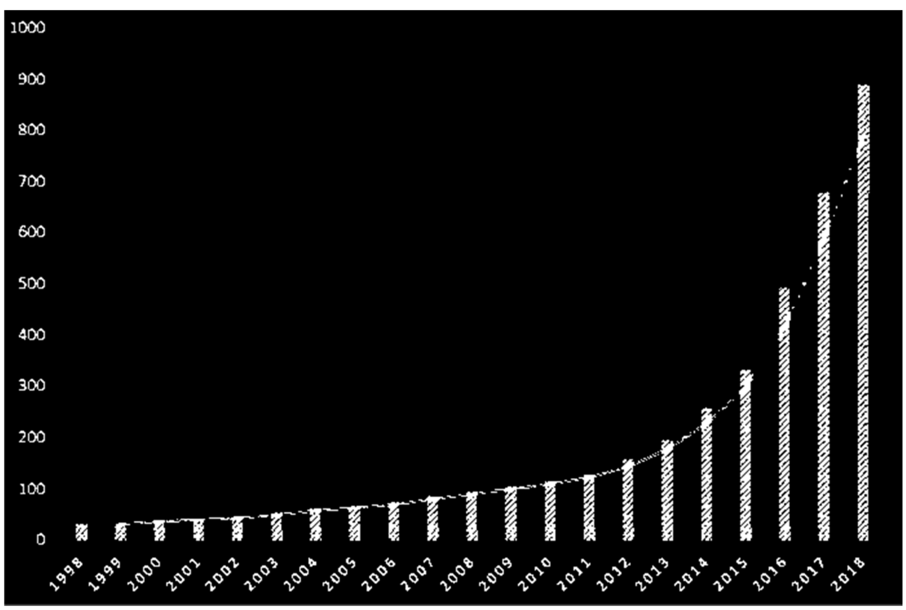

Figure 5 Craft beer industries in Brazil (1988 to 2018) . Source: MAPA, 2019.

The craft beer industries are distributed along several Brazilian states, as evidenced in the next Figure 6:

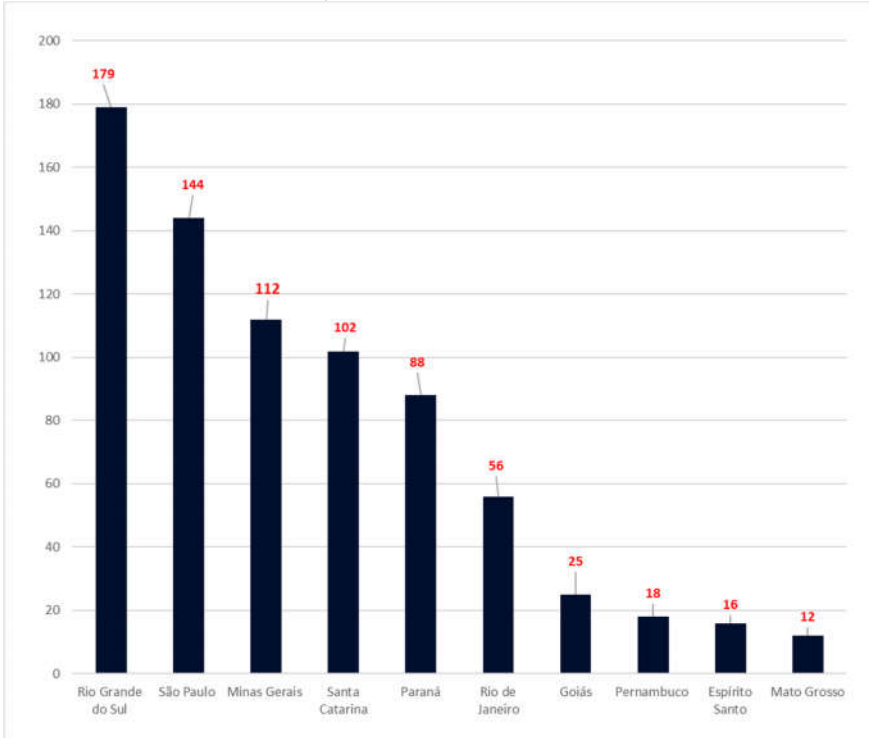

Figure 6 Craft beer industries in Brazil, per state. Source: Ministry of Agriculture, Fishing and Supply, 2018.

According to MAPA (2019), beer industries reach 479 municipalities, almost ten percent of the 5,570 Brazilian municipalities. In average, the Brazilian beer market has grown 29.43 percent, from 2017 to 2018. The State of Espírito Santo, was the state who has increased its market participation in 72.7 percent in the period, the largest growth rate. Pernambuco was the state with minimum growth rate, 5,9 percent, as depicted in Table 2, as follows:

Table 2 *Brazilian beer market growth (2017-2018).* Source: MAPA, 2019.

State	2017	2018	Growth (%)
Rio Grande do Sul	142	186	31
São Paulo	124	165	33,1
Minas Gerais	87	115	32,2
Santa Catarina	78	105	34,6
Paraná	67	93	38,8
Rio de Janeiro	57	62	8,8
Goiás	21	25	19
Espírito Santo	11	19	72,7
Pernambuco	17	18	5,9
Mato Grosso	11	13	18,2
Average growth			**29,43**

Finally, Figure 7 depicts the beer industries distribution in Brazil, as folows:

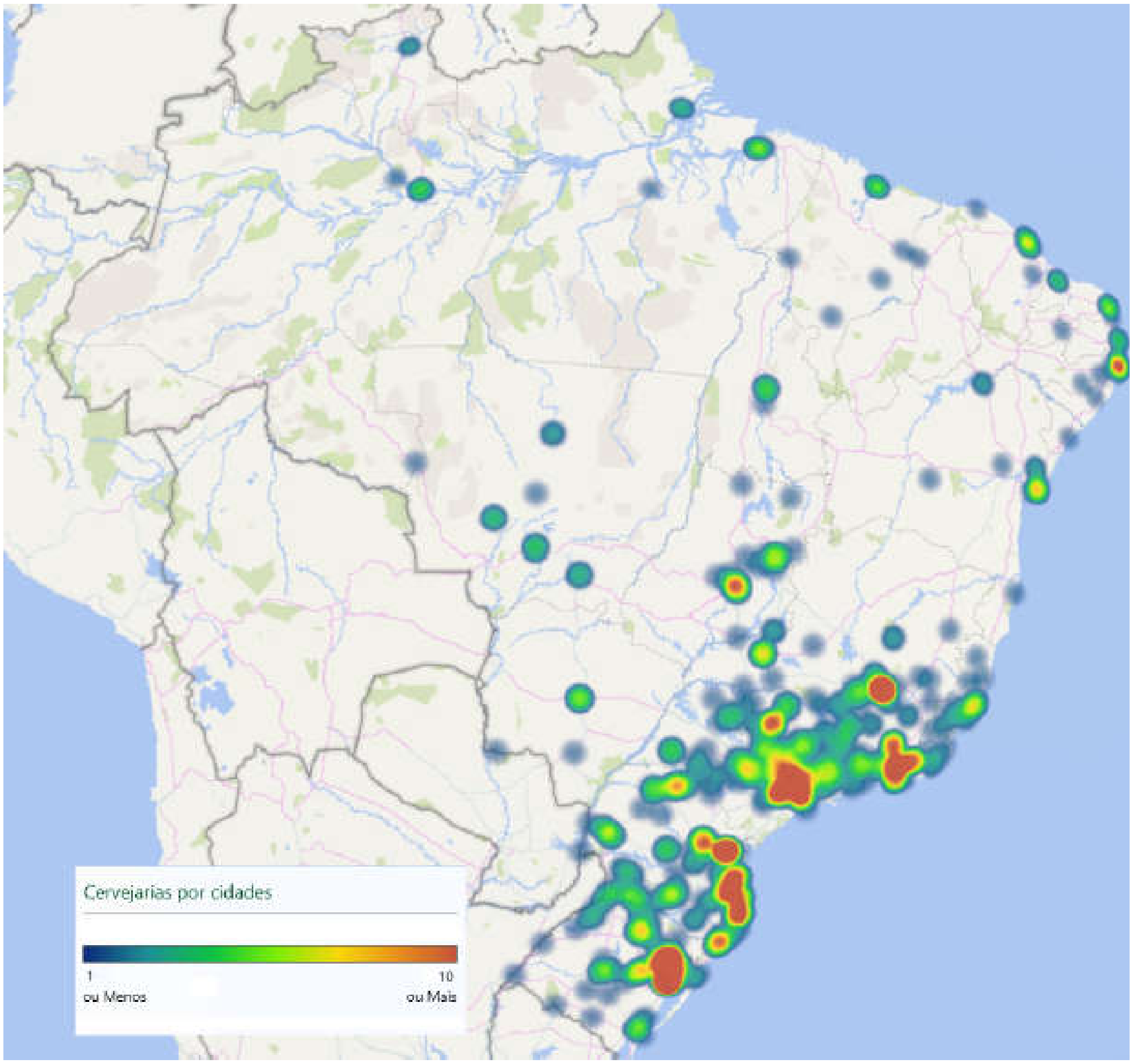

Figure 7 *Beer industries distribution in Brazil. Source: MAPA, 2019.*

5. DISCUSSION

This work compiled previous studies, presentingup to date consolidated data on such market. Therefore its importance to practitioners, academics, managers, students, employers, shareholders among others.

Despite the efforts of MAPA, almost 25 percent of the craft industries are informal, which implicates in tax evasion. Some other businesses in Brazil have experienced similar challenges: Netflix (Dias & Navarro, 2018), VLT Carioca (Dias & Teles, 2018), Dudalina (Dias et al. 2014, 2015), Heineken (Dias, 2018).

The three largest competitors in the Brazilian brewing market dispute media channels, such as TVs. Craft beer has been popularized in Brazil silently, without regular media support.

Craft beers have to face the possibility of hostile takeover since they start gaining commercial advantage, or fall into the popular preferences: Eisenbahn and Baden Baden, Brazilian craft beer were acquired by Heineken in 2017 (Dias, 2018).

In the 1970s, there were only three light Pilsen brands in Brazil: Skol, Antarctica and Brahma. Today, there are hundreds of brands, from international ones to craft beers, at the supermarkets and brewing stores in general. The fact is that Brazilians were benefitted from this competition, and the brands available for consumption reached levels never before observed. Brazilians keep the pace as strong beer consumers (Dias, 2018; Dias & Falconi, 2018).

In the near future, it is feasible that more craft beer brands are acquired by bigger industries, such as Ambev or Heineken, for instance. On the other hand, the craft beer industry has kept the trend of growing rate of near 30 percent per year, difficult to sustain this remarkable performance, in the following years.

Other aspect is the fact that the sector is absorbing workforce from all economic sectors. This workforce needs training, professional and technical education, which means opportunities for specialized educacional services providers in Brazil. The analysis showed a concentration on the South and Southeastern regions primarily, which could be primarily explored by educational service providers, as well.

The analysis also indicated that in 2020, there should be near 1,155 registered craft beer industries in Brazil, if the same growth rate is repetated from 2019 to the following year. The conclusion is that the segment may attract even more workforce from other economic sectors, and present a significative economic performance in the biennium 2019-2020, pushing the bigger brands into a reaction that should represent more hostile takeovers. Even foreign capital may invest in Brazilian craft beer brands. Ultimately, the market share of craft beers is silently but significantly increasing to four percent in the next five years, in which is termed as the silent craft beer revolution in Brazil.

6. LIMITATIONS AND FUTURE RESEARCH

This study is limited to the Brazilian beer market. Other markets should be investigated in separate studies, or in blocks, depending on the researcher objectives. It is also limited to the Brazilian consumer preferences, particularly, limited by Brazilian Federal and State laws on beer, as well as the Ministry of Fishing, Supply and Agriculture Annual Beer Report 2018, and normative instructions.

For future research, it is encouraged the study of the evolution of the craft beer industry in Brazil as well as the promotion of the reduction of the informality within the sector, as well as fostering best managerial practices to the newcomers and their impact on market productivity in general.

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