

Study

The boom in craft beers, a global phenomenon



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“After explosive growth, the sector is now starting to mature and consolidate”

A response to consumer’s current demands

The denotation of “craft brewer” or “microbrewery” differs from one country to another; in France, the concept is still seeking to define itself. The fact remains, however, that craft beers are a global phenomenon.

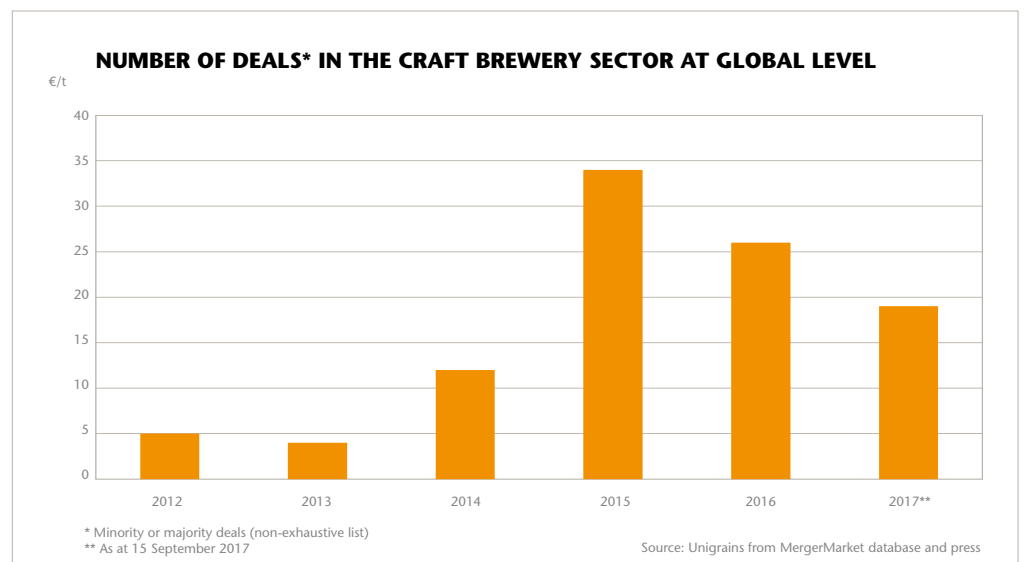
This growth spurt responds to a more widespread desire among consumers for varied, tasty, natural and local products. This demand is somewhat schizophrenic in that it combines a quest for novelty and avant-gardism with a pursuit for tradition, history, values.

A trend born in the United States

The trend is strongest in the United States and has allowed craft brewers to move out of their niche. The strong dominance of a few large brands, and with it the standardisation in beer flavours, enabled craft brewers to carve out a choice position in the US market. They now represent 12% of the market in volume and 22% in value. After explosive growth, the sector is now starting to mature and consolidate, a movement initiated by major international brewers, with world leader AB InBev at the forefront, then taken up by craft brewers themselves.

In Europe, consumers are more familiar with a fairly diverse offering, notably given the wide variety of Belgian beers. That said, the craft brewery sector, a niche integrated in speciality beers, has been enjoying a real boom in recent years.

France, the country of wine par excellence, is lagging English-speaking countries, but the trend is also very dynamic here. Today, the country has more than 1,000 craft breweries, spread across the country, for an estimated 5% market share.



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An attractive segment for the entire industry

This new segment attracts the entire value chain, from suppliers to distributors, as craft beers give industry players a 'stand-out', innovative and positive image.

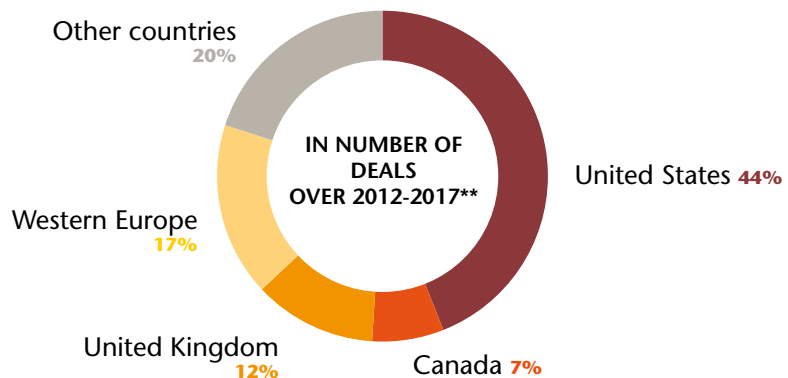
For suppliers, notably maltsters whose structure is better adapted to industrial needs, meeting the demands of this new clientele required adjustments. This trend is also an opportunity to revitalise the French hops sector, which almost disappeared in the early 2010s.

The development of microbreweries is a way for modern retail to boost sales and generate footfall. It is also an element driving a revival of the Catering, Hotel and Restaurant (CHR) sector. Wine shops are also jumping on the bandwagon and even offering disruptive models.

In France, a fabric formed essentially of very small local businesses

Among the multitude of microbreweries present in France, only a few companies have successfully ramped up from a local to a national or even regional scale (for example, the Duyck, Pietra and Castelain breweries). Their growth required significant investment efforts coupled with a good level of profitability.

MAIN TARGET COUNTRIES



* Minority or majority deals (non-exhaustive list)
** As at 25 September 2017
Source: Unigrains from MergerMarket database and press

“The development of microbreweries is a way for modern retail to boost sales and generate traffic.”

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Unigrains' opinion

- The outlook in France is positive medium-term but will inevitably level off. We expect this segment to reach 6% to 8% of the market over a five-year horizon.
- Opportunities for consolidation will emerge when founders of local or regional breweries seek to take their profits rather than investing to move to a new level, so long as there is a buyer ready to pay the price.
- After the United States, major international brewers are therefore interested in Europe now. While big brewers have not yet gone on the acquisition trail in France, the question arises as to just how resistant the main national craft brewers can be. Other operators might also be interested in this market segment, notably domestic or foreign independent brewers, and more broadly any operator active in beverages or products based on the same values as those conveyed by craft beer.
- Finally, some craft brewers have now reached critical size and have the know-how to position themselves as sector consolidators, either through acquisitions or equity investments, or by creating partnerships generating synergies of skills (marketing, logistics, procurement, etc.).



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