

China: Beer industry

<Industry status> Global leader in consumption for 19 consecutive years

China's beer market has been the world's top beer market for 19 consecutive years, with about 20% of the global market share in terms of consumption volume. It reached about 1.6 times the size of the United States in second place, 2.7 times Brazil in third place, and 9.2 times Japan in eighth place (2021). Consumption has seen negative growth since peaking in 2013 but recovered positive growth for the first time in eight years in 2021. However, China's per capita beer consumption volume of about 34.2 liters is far below that of other countries such as the Czech Republic (184.1 liters) and Austria (98.7 liters), which are in the top and second places, respectively.

<2021> Beer Consumption Volume by Country

Ranking	Country	Total consumption(ten thousand kl)	Share By Country	YoY
1	China	3,809.3	20.5%	5.6%
2	United States of America	2,417.0	13.0%	1.1%
3	Brazil	1,454.0	7.8%	5.0%
4	Russia	893.7	4.8%	3.4%
5	Mexico	866.0	4.7%	4.5%
6	Germany	758.4	4.1%	-2.1%
7	United Kingdom	460.8	2.5%	12.7%
8	Japan	418.8	2.3%	-5.2%
9	Vietnam	415.9	2.2%	-5.5%
10	Spain	413.1	2.2%	9.1%

(Source: Data compiled by Ashu Research based on the Kirin Brewery website)

<2020: Average Beer Consumption Volume per Capita by Country>

Ranking	Country	Consumption (l)
1	Czech Republic	184.1
2	Austria	98.7
3	Lithuania	96.3
4	Romania	95.6
5	Poland	94.1
6	Estonia	91.4
7	Germany	90.4
8	Spain	88.5
9	Navinia	85.7
10	Croatia	82.4

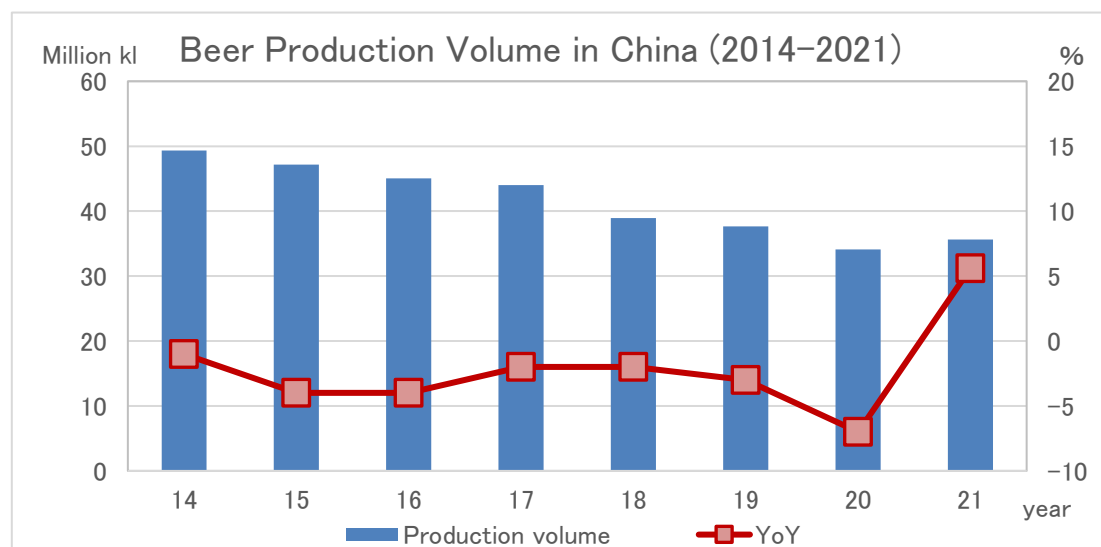
(Source: Data compiled by Ashu Research based on the Kirin Brewery website)

<Production/consumption> Recovery from the Covid pandemic

As mentioned above, beer consumption volume in 2021 maintained the world's top position for the 19th consecutive year, ahead of the United States (24.17 million kilolitres) and Brazil (14.54 million kilolitres). It expanded 5.6% from the prior year to 38.09 million kilolitres, the first positive growth in eight years. The size accounts for 20.5% of the world's total (up 0.3 percentage points from the previous year). With the impact of the Covid pandemic easing somewhat, total global consumption volume grew to 185.6 million kilolitres, a 4.0% increase from the prior year. This is the first positive growth in two years.

Annual beer production volume in China also recovered. In 2013, it recorded a record 50.62 million kiloliters, though since then it has experienced negative growth for seven consecutive years. However, in 2021, it increased by 5.6% from the prior year to 35.63 million kiloliters, turning to the first positive growth in eight years (based on the National Bureau of Statistics).

The struggles over the past several years have been due to the slump in consumption caused by the Covid pandemic and restaurants refrained from operations. Another headwind is the declining percentage of the total population in the 20–50 age group, which is considered the main beer-consuming generation, as the market has already matured and is entering saturation. The percentage dropped from 51.7% in 2011 to 48.5% in 2017. Another factor contributing to the slump is the shift in tastes toward wine, whiskey, and cocktails, especially among the younger generation, as dietary habits diversify. However, there is also a growing trend towards higher-quality beer as purchasing power increases given higher disposable incomes. Against this backdrop, sales in the domestic beer industry rose to 158.48 billion yuan in 2021, an increase of 7.9%. However, high-end products currently account for only about 15% of the Chinese beer sales market. Compared to the 30% to 40% of developed countries, a noticeable lag.



(Source: Data compiled by Ashu Research based on the National Bureau of Statistics data)

<Export/Import> 2021 mixed

China's beer imports grew to a record 821,140 kilolitres in 2018 (↑ 14.7% from the previous year). It then slumped to 731,950 kilolitres in 2019, down 10.9%, 584,230 kilolitres in 2020, down 20.2%, and 525,000 kilolitres in 2021, down 10.1%. In terms of import value, it increased by 20.5% to 904.28 million US dollars in 2018, decreased by 9.3% to 819.95 million US dollars in 2019, and decreased by 15.2% to 695.09 million US dollars in 2020. In 2021, it increased by 2.2% to 710 million US dollars. The main sources are Germany, Mexico, Belgium, Russia, and France.

China's beer exports reached a record 417,590 kilolitres in 2019 (↑ 8.3% from the previous year). The Covid pandemic caused a drop to 386,740 kilolitres in 2020, a decrease of 7.4%, but recovered to 424,000 kilolitres in 2021, an increase of 9.6%. The value of exports swelled to 279 million US dollars in 2021, an increase of 14.8%.

<Industry map> Five major brands dominate more than 70% of the market share

In the Chinese beer market, five major companies have a strong presence. According to the China Alcoholic Drinks Association, an industry group, China Resources Beer (Holdings) Xuehua (Snowflake), Tsingtao Brewery, Yanjing Brewery, Anheuser-Busch InBev (AB InBev), and Carlsberg have a combined 92% share of sales. In 2021, China Resources Beer (Holdings) had a market share of 23.2%, Tsingtao Brewery 16.4%, Anheuser-Busch InBev (AB InBev) 16.2%, Yanjing Brewery 8.5%, and Carlsberg 6.1%. In China in the 1980s, about 800 beer makers were operating crowded across the country. Entering the 2000s, M&A activity increased, especially among major manufacturers such as China Resources Beer (Holdings) and Tsingtao Brewery. The market has become even more oligopolistic following the industry's restructuring.

Company name	Overview of-Three Major Domestic Manufacturers
China Resources Beer (Holdings)	Manufactures and sells Xuehua Beer (Snowflake), which has the largest share of the beer market in China. Its parent company, China Resources (Holdings), a state-owned company owning 52%, handles food and beverages, entering the beer business in 1993. In 2006, it leaped to the top sales volume in China, and since 2008, it possesses the world's top-selling single brand in terms of sales volume. It has 98 factories throughout the country.
Tsingtao Brewery	Long-established brewery based in Qingdao city, Shandong province. Its predecessor was a beer company established in 1903 by a German and an Englishman. It was nationalized in 1945 through affiliation with Dainippon Beer (predecessor of Asahi and Sapporo), a Japanese company. In 1993, it became the first mainland company to be listed in Hong Kong. Ranking second in China's market share.

Beijing Enterprises	Beijing Municipal Government-affiliated conglomerate handles infrastructure-related businesses such as city gas, water treatment, and highways, as well as food and beverage businesses. As for beverages, its subsidiary “Yanjing Brewery” (Shenzhen A-share), is one of the three major domestic beer brands. “Yanjing Brewery” has the third-largest share in the domestic beer market, with an 85% share in Beijing, overwhelming the others.
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(Data compiled by Ashu Research based on each company’s website and news materials)

<Current situation> Both domestic and foreign brewers expanding profits, shifting to higher-price range products

Both domestic and foreign breweries performed well in the 2021 full-year results. In both cases, although the impact of the Covid pandemic continued, the strategy of shifting to higher-priced products and other strategies was successful. Budweiser Brewing Company APAC, a subsidiary of AB InBev, the world’s largest brewer, Asia Pacific division, reported a net profit of 950 million US dollars in the fiscal year ended December 31, 2021 (full-year results), an increase of 84.8% from the prior year. Tsingtao Brewery posted a 43.3% year-on-year increase in net income to 3.16 billion yuan for the fiscal year ended December 2021 (full-year results), while China Resources Beer posted 4.59 billion, an increase of 119.1% year on year.

(Ashu Research: January 2023)