



Brewers Association Export Development Program ISSUES REVIEW

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EDP Enters Brazil

In June, the Brewers Association's Export Development Program (EDP) took part in the Brasil Brau trade show in Sao Paulo, Brazil. This marked the association's first EDP activity targeting that country. The BA did not have its own booth at the show. Instead, the BA coordinated with the Hop Growers of America (HGA) to showcase American craft beers at the HGA booth. And the two organizations teamed to jointly host a reception for beer trade and media at one of Sao Paulo's most renowned specialty beer bars, FrangO. Bob Pease (BA) and Eric Rosenberg (BCI) attended the show and reception. In advance of their trip, meetings were arranged with specialty beer importers and with USDA Foreign Agricultural Service officials in Sao Paulo to obtain information on the Brazilian specialty beer market, opportunities for imported beers from the United States and challenges to market development in Brazil. This information is also being obtained through a third party research study commissioned by the BA with Emerging Markets Program grant funds obtained this year. That study is due for completion later this summer.



Meetings with three primary specialty beer importers were held during the visit. All three expressed great interest in importing American craft beers, believing a good market exists for the first few brands that enter. Currently, there are no American craft beers distributed in Brazil. Belgian, German, and Canadian specialty beers are prevalent. Despite this interest, the high cost of entering the market and shelf life concerns will be obstacles for many US companies. Brazilian import duties and taxes add about 100% to the price of imported beer and these are applied on the product's CIF price (FOB plus shipping and insurance). In terms of shelf life, the Brazilian trade typically wants at least two-thirds of the product's shelf life remaining upon receipt. Exporters can expect about two months to elapse from the time the product ships to when it clears customs and arrives in warehouse in Sao Paulo. As such, American craft beers with a one-year shelf life are likely most suitable for this market.

The reception at FrangO also provided insight into interest in American craft beers in the market. Over 120 guests attended the event including many prominent media contacts and Brazilian craft brewery representatives. The craft beer movement in Brazil is growing. Though the craft beer segment currently occupies only a 3% market share, there is a shared belief among the trade that this will grow to 7% within six years.

BA staff will be preparing a trip report on the visit to Sao Paulo. This report, and the research study now being completed, will be distributed to EDP members and posted on the EDP section of the BA's website.

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2009 CBC Presentations Cover Canada, Europe, and Best Brews

The BA again offered a series of export-related seminars at this year's Craft Brewers Conference. Seminars covered market opportunities in Canada, an update on successes and lessons learned in terms of exporting to Europe, and information on a possible partnership with the Sheraton Four Points' Best Brews program.

Glenn McDonald (Wildcrest LLC) covered the Canadian market. Glenn was a former executive with Moosehead and is now based in Denver, Colorado. He offered insights into export opportunities to Canada's largest provinces and has offered to assist US breweries interested in Canada by tapping into his extensive network of contacts there.

Rick Kempen, Bier & Co., spoke about the European market. Bier & Co. is one of Europe's leading specialty beer importers and a partner for many American breweries in Western Europe. He offered an update on market development progress in Europe for American craft beers and discussed some important lessons learned as his company has sought to expand its portfolio with a variety of US brands. While Bier & Co. remains bullish on opportunities for American craft beers in Europe, the ability to cover all of Western Europe for specific brands is important to that company's business model. Rick also reiterated the importance of commitment from the brewery's side. Bier & Co. has run into issues such as mislabeled a.b.v., production delays and date coding on labels, that have proven costly and hampered market development efforts.

Scott Kerkmans, Chief Beer Officer of Sheraton Four Points, spoke about that company's Best Brews program and opportunities for an EDP partnership in the chain's international properties. While each property has authority over how they administer the Best Brews program, there is no guarantee that American beers will be included, and there are properties eager to add American craft beers. The EDP has already partnered with one Four Points property in China which now lists beers from three different US craft breweries. The BA hopes to expand that partnership to increase distribution elsewhere in China and in other markets.

Copies of all three CBC presentations are available on the BA's website. If you have difficulty retrieving them, please contact Mark Snyder, mark@brewersassociation.org.

BA Wins 2008 USDA Honorary Award

Earlier this year, the BA was notified that it was selected as 2008 United States Department of Agriculture Honorary Award recipient. This award is one of the highest awards that the USDA's Foreign Agricultural Service can bestow upon its employees and private citizens. The award was given in recognition of the BA's partnership with USDA on the opening of the new US Embassy in Berlin, Germany last year and in general recognition of recent EDP successes. USDA held an Honorary Awards Ceremony on June 9 in Washington, DC. Unfortunately, it was not possible for BA representatives to attend the event as notice of the awards was sent only a few weeks prior.

The BA is proud of this award and it serves as another example of how the EDP contributes to the organization's and industry's broader government relations efforts.

Excise Tax Drawback for Beer Exports

The BA has received a number of requests recently for information on excise tax drawbacks for exported beer. Indeed, US legislation permits exporting breweries and wineries to receive a refund on excise taxes paid for alcohol produced in the US but sold internationally. This can be an important consideration when setting FOB prices for importers. Even minimal decreases in FOB pricing can help importers who typically face extensive duties and taxes. Information and forms for obtaining the drawback on excise taxes can be obtained from the TTB's website at <http://www.ttb.gov/beer/forms.shtml>. Breweries with additional questions should contact Charles Tull (Charles.tull@ttb.gov)

EDP Enlarges Its Presence at 2009 Great British Beer Festival

In August, the BA will again participate in the Great British Beer Festival. Like last year, the EDP has coordinated with Vertical Drinks (UK-based importers for a variety of American craft beers) to showcase EDP members' products at the Bieres Sans Frontieres bar at GBBF. A section will be devoted to American craft beers and the BA will have the ability to brand the area with BA and EDP member signage. But in addition, this year the EDP has allocated funds for a much larger presence in the market. Trade and media events have been planned during and after the GBBF in venues in London and Leeds over the course of one week. Bob Pease (BA) and a number of brewery representatives will attend the events, providing an opportunity to meet with trade contacts and the media in an effort to support market development efforts throughout the UK. The UK is a growing market for American craft beers, with exports there growing 90% in 2008. Brewery representatives that plan to attend the GBBF, but have not yet notified the BA, are encouraged to contact Bob Pease, bob@brewersassociation.org, for information on these events.

Trade Lead Update – United Kingdom and Sweden

Related to the topic above of the EDP's market development efforts in the United Kingdom, EDP members may recall a trade lead issued earlier this year from Vertical Drinks. That company is looking to expand its portfolio of American craft beers and issued a trade lead to determine interest among EDP members in the UK market. The lead was designed for breweries not yet exporting to the UK. In it, Vertical Drinks outlined its plans to purchase beer from a number of different breweries with the goal of importing one container of various products that could be test marketed this summer. Depending on market feedback, Vertical Drinks would then consider adding new products to its portfolio.

The BA is pleased to report that purchase decisions have been made. In total, Vertical Drinks finalized the purchase of 21 different beers from eight breweries amounting to over 500 cases. The beers have been shipped and will be launched in the market following the festival.

Around the same time the Vertical Drinks trade lead was issued the BA also circulated a lead from Galatea in Sweden. The BA is similarly proud to mention that Galatea has since reached agreements to represent three American craft breweries during test marketing this year. Galatea will submit brands from those breweries to suitable Systembolaget tenders and to two beer competitions in the market later this year. Feedback from these events will help Galatea determine the potential for these brands going forward.

Importantly, breweries that did not respond to the Galatea trade lead have not missed their opportunity for sales in Sweden. The country's alcohol retail monopoly publishes an annual product launch plan that describes the numerous tenders planned for the coming calendar year. The launch plan for 2010 has been released. The BA will be circulating the launch plan to EDP members shortly. You may also request a copy by contacting Mark Snyder.

EDP Committee Meets: New Activities Under Consideration for 2009/2010

The EDP committee met by conference call on June 17th. In light of the BA's growing allocation of USDA export assistance funds, the EDP is now able to consider expanding its annual scope of activity to include some new events.

During the meeting, the committee voiced support for participation in the Brew New Zealand Beer Awards (BrewNZ) international beer competition. Brew NZ is New Zealand's premier beer competition. American craft breweries have entered the competition independent of the EDP in previous years. The beers are judged over three days by a panel of experts, led by US-based judge David Logsdon. This year, for the first time a new trophy is available "Champion International Brewer". This trophy is designed to reward entrants whose beers are currently NOT commercially available in New Zealand. The trophy will be awarded to the brewery with the highest average score across its three highest scoring entries. To be eligible a brewery must have a minimum of three beers entered. The BA has added this event to its activity plan for 2009 and is prepared to cover the entry cost and shipping from the Brewers Association to New Zealand for up to three brands (bottles and cans only) per brewery for EDP members.

The committee also discussed a generic BA craft beer pavilion at the Fancy Food Winter Show in San Francisco, California in January 2010. There are a number of US-based trade shows that are considered eligible for USDA export assistance grant expenditure because they attract a large international audience. The Fancy Food shows are among them. The BA has confirmed interest among EDP committee members and will soon be emailing the full EDP membership to gauge interest. The BA would plan to operate this show in much the same way as the National Beer Wholesalers Association Trade show in Las Vegas. Specifically, the BA would cover the cost of a large trade show pavilion footprint but would then turn over the space to individual breweries wishing to represent their brands. A small generic space will be held aside for BA staff. With this plan in mind, confirming participation in the Fancy Food Winter Show is contingent upon brewery participation and a commitment from breweries to allocate staff to cover their booth space.

For more information on the Fancy Food trade show opportunity, please contact Bob Pease. If you are an EDP member and would like to participate on the EDP committee, please contact Mark Snyder.