

All India Brewers' Association



The All India Brewers' Association is a prime body representing the interests of brewing industry of India. Its members account for more than 90% of production and sales of Beer in India.

AIBA was formed in the year 1977 and was registered under the Karnataka Societies Registration Act 1960. From membership strength of mere 15, it has now swelled to close to 50 and is India's leading business support organization. The membership includes leading brewers, malt companies, manufactures of brewing equipment and engineering & technological service providers. United breweries, SABMiller India, Bar Malt India, Alfa Laval, Praj Industries, Briggs of burton are some of its members.

AIBA has been at the fore-front of working with the Government and been carrying out a pioneering work in addressing the interests of the beer industry. Besides providing policy support, it also represents the commercial and other interests of the industry with the various State Governments. The association has also been actively engaging both nation and regional media to highlight the immense agricultural and social benefits of encouraging beer in a country weaned on hard spirits

The principal functions of AIBA can be summarised as follows:

- To provide a common platform for its members to discuss issues of mutual interest
- To work with all stakeholders like Central & State Governments, raw material suppliers, consumers other than the brewing companies on issues affecting the industry
- To be able to present a common face and voice on industry issues whilst representing to other constituents of our environment
- To lobby with the regulatory authorities (decision makers- state government representatives, excise dept) for effecting beneficial legislation

Beer- The Oldest Beverage

Beer is the world's oldest beverage, possibly dating back to the 6th millennium BC. It is also the most widely consumed alcoholic beverage and the third most popular drink overall after water and tea. Produced by the brewing and fermentation of starches, mainly derived from cereals — the most common of which being barley.

Beer forms part of the culture of many nations, and has acquired various social traditions and associations. Beer is consumed in countries all over the world. Sales of beer are four times that of wine and in most societies, beer is the most popular alcoholic beverage.

Today, the brewing industry is a global business, consisting of several dominant multinational companies and many thousands of smaller producers ranging from brewpubs to regional breweries. More than 133 billion liters (35 billion gallons) are sold per year—producing total global revenues of \$294.5 billion (£147.7 billion) in 2006.

The Indian Beer Industry

The Indian beer industry has been witnessing steady growth of 7-9% per year over the last ten years. The rate of growth has remained steady in recent years, with volumes passing 155 million cases during the 2008 from a mere 70 million cases in 2002. The Indian beer market is dominated by strong beers (>5% alcohol by volume), which account for 70% of the total beer industry. The premium beer market is a mere 5% of the total but this segment is rapidly expanding, touching a growth rate of between 35-40%.

With the global market experiencing low/stagnating growth in recent years, the focus is now on the Asia-Pacific region specially. For instance, the Chinese beer market has grown at an astounding pace in recent years, spurred on by the massive levels of foreign investment in the market, along with the rise in the average levels of consumer spending and thanks to the economic reform policies of the government.

Total consumption of beer in China grew by 33.56% between 2000 and 2006 to reach a total market volume of 30.47 billion litres. With the per capital consumption of 22 litres, China has now overtaken the US to become the largest national beer market in the world

The brewing industry in China has been one of those quickest to modernize and Indian beer Industry should look to model themselves on their neighbours.

Challenges and Impediments

India is predominantly a hard spirits market and beer is a minority preference for those who consume Beverage Alcohol. Beer makes only 4% by revenue of the total alcoholic market. It would be pertinent to mention that while per capita consumption of spirits in India is 65% of global average, in the case of beer it is a mere 3% of global average.

Moreover, the Indian beer industry is plagued with myriad taxes & levies that vary from state to state. In fact no two states or UTs have a same or even a similar policy.

The inconsistency in the state policies leads to fostering an environment of mismanagement & lack of focused strategy to manage state finances. States usually do not adopt policies based on scientific management or by considering the social aspects of managing this trade. The policies are generally short term in their outlook, with little or no thought to long-term interests of all stakeholders, including the general public.

Hence, despite the recent growth, there still exist numerous challenges for the beer industry.

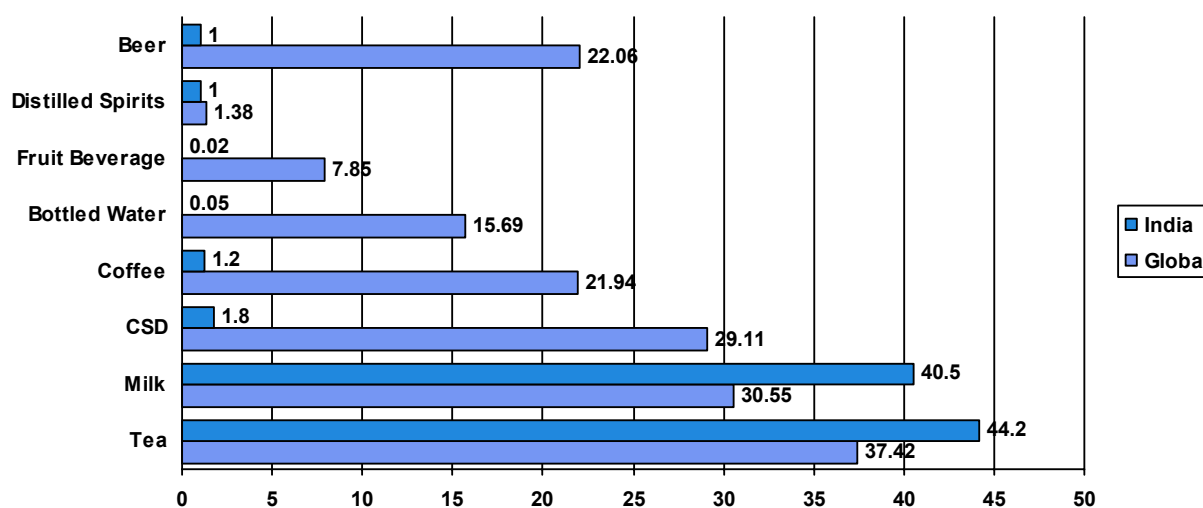
- **Beer Highly Taxed** - Beer, which is a softer form of alcohol consumption, is taxed higher by most states compared to Spirits on absolute alcohol basis. This is primarily because taxes on beer in India tend to be relatively higher than spirits whereas in most parts of the world, in fact, the reverse is true. Globally, on a per alcohol basis beer is taxed at 50% of hard liquor whereas in India, beer is actually taxed 60% more than hard liquor.
- **Most Regulated Industry**- The beer industry is highly regulated.. 26 different alcohol specific taxes constitute about 50% of the consumer price which is amongst the highest in the world.
- **Price Restrictions**- Price restrictions in many large markets remain a biggest challenge for the industry. The Government decides the End Consumer Price (ECP), leaving the

manufactures with no say in determining the price of the beer. In a free market economy this has no rationale.

- **Inadequate Market Infrastructure-** The market infrastructure for beer in India is inadequate. For every 21000 persons there is one outlet hampering the availability of beer. In China, for instance the figure is 300. The highly regulated market hampers beer sales, unlike most developed countries where beer and wine are not regulated in grocery/ retail stores.
- **Restriction of Movement of Beer-** For the movement of beer from one state to another, an export license and an import license is required. Export fee is imposed in the state where beer is manufactured and import fees on the State where it is sold. In some states only beer manufactured in that state can be sold.

International scenario- Beer a common man's drink

World over it has been identified that policy focus should not as much be on **controlling consumption but more importantly on reducing harm**. Therefore, **beer and wine** dominate the alcohol market in most countries. It is considered to be common man's drink and in many countries is even priced in parity with soft drinks. But in India things are different in India.



Per capita consumption (litres/ per annum)

The per capita consumption of beer in India is just 1 liter per person per year as compared to the world average of 22 liters. This is one of the lowest in the world.

Moving forward- The need of the hour

Uniform Policy and Taxation- Uniform tax regime for liquor/ beer would be a boon for the industry. If implemented, it would help the beer industry by rationalizing end consumer prices & making them uniform in all states, as it is in the case of other consumer goods.

MoFPI in its draft excise policy outlined the need to base duties on alcoholic beverages on alcohol content. Globally, the policy of uniform taxation has been a success because of inherent implications on revenue. Apart from economic contribution, a uniform tax structure will also create increased agro linkages that are inherently beneficial to a country like India.

Free Pricing - Consumer prices be determined by manufacturers, based on market forces and not dictated by Government policy.

Preferential Treatment to beer - The government has brought into a situation where 96% of alcohol consumption is spirits with an average 34% alcohol volume. Inherently that is bad (in terms of) social effects. Hence, there is a need to provide greater preferential treatment to other milder forms of alcohol such as beer.

It is important to realize that the beer sector can contribute immensely to the agricultural sector, as it is completely an agro-based product. Marginal barley farmers particularly stand to benefit from the growth of the beer sector. Moreover, the income and job multiplier of the beer industry are also extremely high. Experience in other countries has shown that for every person employed in a brewery 28-30 jobs are created up-stream and down-stream.

Lower Consumer Prices- Steady growth of the beer market helped by lower retail prices would not only make the industry more profitable, a much larger consumer base would make see State revenues grow drastically. "Beer Only Off shops" outlets should be allowed to open for which license fees should be considerably lower.

Market driven Retail Sector- At the moment there are only about 55,000 outlets nationally in a country of more than billion people. The industry is highly straight jacketed by regulatory barriers. A more open market would create a uniform pricing and reduce the effects of cross border smuggling of alcohol.

Better Beer selling practices- There is a need for creating better retail environment and promotes sales force development. The need is to entrench good beer selling practices and develop value-added structures such as better point-of-sale promotions.

Formation of a Beer Board- As done in the case with Wine, it is pertinent to set up a beer board. Beer should be given preferential treatment which would encourage diversification in agriculture, which would offer higher income to farmers and generate substantial employment opportunities, as well as counter large-scale imports by increasing domestic production.
