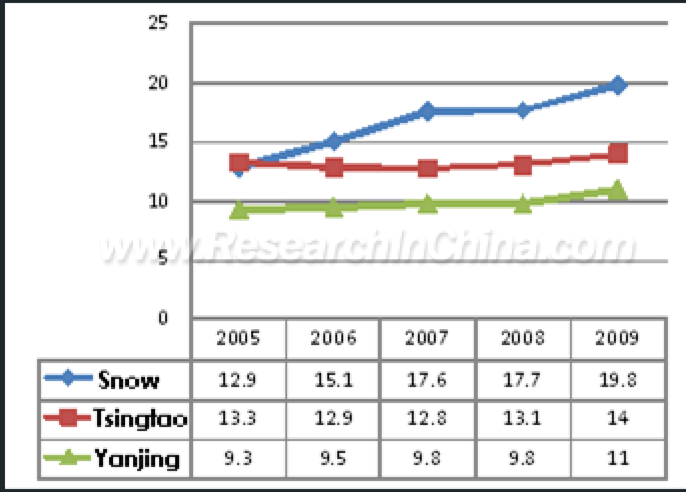
China Beer Industry Report, 2009-2010

China's beer sales volume reached 42.81 million kiloliters in 2009, and the ratio of output to sales achieved 101.3%. Regarding the regional market, the developed East China tended to be mature and stable, so both output and sales volume witnessed a slowdown in growth. However, the underdeveloped regions, the central and the west experienced an increasingly fast growth, thus China's beer market had been shifting to those regions. In 2009, Southwest enjoyed the highest growth rate in beer output, holding 20%, followed by Northwest with 14.8%. Meanwhile, the number of large corporations decreased by 38 compared with the figure in 2008 via a series of adjustments of China's beer industry. Such expansions and mergers among the large corporations are continued and gradually expanding towards the central and the west in 2010.

With regard to product structure, foreign brands such as Budweiser, Heineken and Carlsberg occupy approximately 70% shares in the high-end beer market. In the meantime, domestic beer brands are making great efforts to end the predicament of low profit and small return on investment, adjust product structure and develop towards medium and high-end market in a bid to increase operating income and net profit. Now, Tsingtao, Yanjing, Pearl River and Snow have already started to deploy in medium and high-end market.

Market Shares of Snow, Tsingtao and Yanjing, 2005-2009 (%)



	2005	2006	2007	2008	2009
Snow	12.9	15.1	17.6	17.7	19.8
Tsingtao	13.3	12.9	12.8	13.1	14
Yanjing	9.3	9.5	9.8	9.8	11

Source: ResearchInChina

The competition among domestic beer brands is intense. Snow has expanded its market share for four successive years since it topped the industry in 2006. Tsingtao takes the second place, with little change in market share; and followed by Yanjing, with a slight growth in market share.

The mergers and acquisitions are prosperous in 2010. Asahi, Anheuser-Busch InBev, Heineken and Carlsberg have become the second largest shareholders of Tsingtao, Pearl River, Kingway and Chongqing Beer respectively. Carlsberg has started to deploy in the west; spurred by Asahi, Tsingtao has further consolidated Shandong's market and expanded the East China market; Snow firstly entered Henan's market, followed by Tsingtao and Yanjing, all trying to seize the last market in the central from Jinxing. As a result of continuous mergers and acquisitions, the industry concentration has been continuously enhanced and 40% of China's beer market has been controlled by foreign capital.

The report firstly introduces the entire scale, output, sales volume and development trend of China's beer market in recent years as well as regional market characteristics and brand competition, and then analyzes M&A in beer industry, and M&A strategies of foreign enterprises in China. Finally, it delves into the operation, product features, marketing strategies and M&A trend of China's major nine beer breweries and six foreign beer ones.

Table of Contents

Selected Charts

- Beer Classification by Brewage Process
- Beer Classification by Color & Luster
- Beer Classification by Wort Concentration
- China's Beer Output & Y-o-Y Growth, 2006-Jan-Aug, 2010
- China's Beer Output & Ratio of Output to Sales, 2006-Jan-Jun, 2010
- China's Beer Output by Province, 2007-2009
- Top Ten Provinces in China by Growth Rate of Beer Output, 2007-2009
- Beer Output & Growth Rate in Western China, 2009
- Top Five Provinces in China by Total Profit of Beer, 2009
- Main Brands in Top Ten Provinces & Municipalities in China by Beer Output, 2009
- Brand Influential Region of Listed Beer Breweries, 2010
- Beer Output Trend in Yunnan, Guizhou and Sichuan, 2006-2009
- Yunnan Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Sichuan Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Guizhou Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Beer Output Trend in Gansu, Shaanxi and Xinjiang, 2006-2009
- Xinjiang Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Gansu Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Shaanxi Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Beer Output Trend in Hubei, Hunan and Henan, 2006-2009
- Hubei Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Hunan Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Henan Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Beer Output Trend in Shanxi, Hebei, Tianjin and Beijing, 2006-2009

- Shanxi Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Hebei Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Tianjin Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Beijing Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Beer Output Trend in Heilongjiang, Jilin, Liaoning and Inner Mongolia, 2006-2009
- Heilongjiang Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Jilin Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Liaoning Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Inner Mongolia Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Beer Output Trend in Anhui, Zhejiang, Jiangsu, Shanghai and Shandong, 2006-2009
- Anhui Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Zhejiang Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Jiangsu Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Shanghai Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Shandong Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Beer Output Trend in Fujian and Guangdong, 2006-2009
- Fujian Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Guangdong Beer Output & Y-o-Y Growth, Jan-Aug, 2010
- Sales Volume & Market Share of China’s Major Beer Brands, 2005-2009
- Market Shares of Snow, Tsingtao and Yanjing, 2005-2009
- Sales & Output of China’s Major Beer Brands, 2006-2009
- Net Profit & Y-o-Y Growth of China’s Beer Brands, 2010H1
- Sales Volume & Y-o-Y Growth of China’s Beer Brands, 2010H1
- Scale and Foreign Capitals Participation of China’s Top ten Beer Breweries
- Price, Time to Market and Rival Product of Medium and High-end Beer Launched by China’s Beer Brands

- Market Range and Capacity of Brands of Seven Beer Breweries like China Resources and Tsingtao
- Main Business Revenue & Net Profit of Tsingtao Beer, 2007-2010Q1
- Main Business Structure of Tsingtao Beer by Region, 2009
- Operating Income and Net Profit of Yanjing Beer, 2007-2010Q1
- Main Business Revenue and Structure of Yanjing Beer by Region, 2009
- Equity Structure of Pearl River Beer
- Pearl River Beer Operating Income & Net Profit, 2007-2009
- Pearl River Beer Operating Income Structure by Region, 2009
- Pearl River Beer Operating Income Structure by Product, 2009
- Chongqing Beer Operating Income & Net Profit, 2007-2010H1
- Chongqing Beer Operating Income, Cost & Profit Margin by Industry and Product, 2009
- Chongqing Beer Operating Income Operating Income & Growth Margin by Region, 2009
- Huiquan Beer Operating Income & Net Profit, 2007-2010H1
- Lanzhou Huanghe Operating Income & Net Profit, 2007-2010H1
- Lanzhou Huanghe Main Business Structure by Product, 2009
- Operating Income & Net Profit of Tibet Galaxy Science & Technology Development, 2007-2010H1
- Investment Relationship between Carlsberg and China’s Beer Breweries

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