

Microbrewing – A Renaissance in Italian Beer Production?

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Symposium

Beeronomics: The Economics of Beer and Brewing

Davis – CA, November 3, 2011

The New York Times

California's Olive Oils Challenge Europe's

By JULIA MOSKIN

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AMERICAN food lovers have long taken for granted that only olive oils from the Mediterranean are worth buying — preferably with an olive tree, an Italian flag and some words like “authentic cold pressed” on the bottle.



Peter DaSilva for the NYT

Newly pressed oil at the California Olive Ranch mills.



Symposium

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ITALY'S MICROBREWERIES CHALLENGE CALIFORNIA'S

CALIFORNIA OILS

- Production started 10 years ago
- Account for 2% of California production but increasing
- Sold in speciality stores, and starts in supermarkets

ITALIAN MICROBREWERIES

- Production started 15 years ago
- Account for 1.5% of national production but increasing
- Sold mainly in brewpubs, few restaurants, still excluded from the value chain, but shortage of beer



Equilibrista – Birra del Borgo

50% Beer must and 50% Wine must



- **Duchessa** Beer (Spelt - *Triticum spelta* -, a species of wheat)
- **Montepulciano** Wine
- *Remuage* phase as for sparkling wine with *Champenoise* Method
- Bottles fermenting 9 months over the *pupitres*



- Adding sugar which allows to obtain the “*perlage*” of the **Champagne**.
- The process ends adding a bit of **marsala** which gives special aroma.
- Cork and 1 year ageing

New and Special Italian Beers

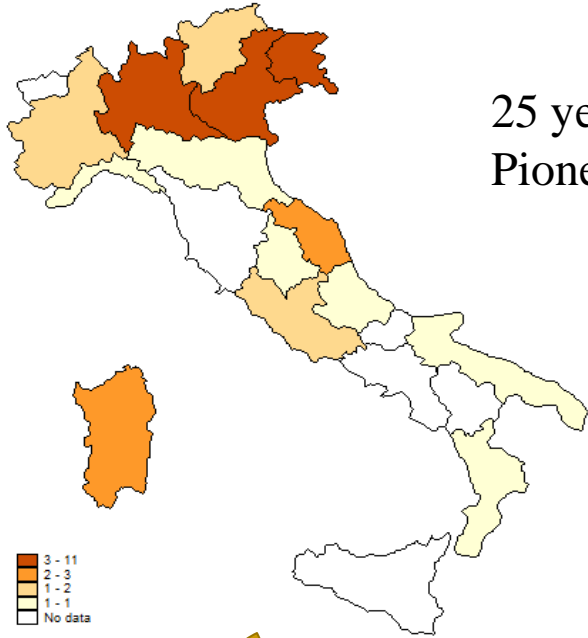
- ✓ **Dominance top-fermenting yeast,**
- ✓ **Some pseudo-lambic beers.**
- ✓ **1/3 inspired by Belgian and English traditions**
- ✓ **Almost 15% of the beers are lager**
- ✓ **Special Italian Beer:**
 - ✓ **12 % Chestnut and experimental beers**
 - ✓ **6% Spices , vegetables and herbs**

Table 8: Type of beer produced

Type of beers	Numero Birre	Share
European Pale Lager	154	13.05%
Chestnut & experimental	142	12.03%
Ale Belghe & Francesi	124	10.51%
Birre di Grano	107	9.07%
Bock	106	8.98%
Bitter & English Pale Ale	82	6.95%
Strong Belgian Ale	75	6.36%
Spice/Herb/Vegetable	68	5.76%
European Dark Lager	50	4.24%
Light Ale	43	3.64%
Stout	38	3.22%
English & Scottish Strong Ale	35	2.97%
Koelsch & Altbier	23	1.95%
Barleywine & Imperial Stout	22	1.86%
German Amber Lager	21	1.78%
Porter	18	1.53%
Birre Affumicate	16	1.36%
American Pale Ales	15	1.27%
India Pale Ale	13	1.10%
Fruit Beer	9	0.76%
American Lager and Pale Ales	8	0.68%
Scottish Ale	4	0.34%
Lambic & Ale Belghe Acidule	4	0.34%
Brown Ale	3	0.25%
Total	1180	100.00%

Source: Author's calculation from Assobirra and Unionbirrai, 2009

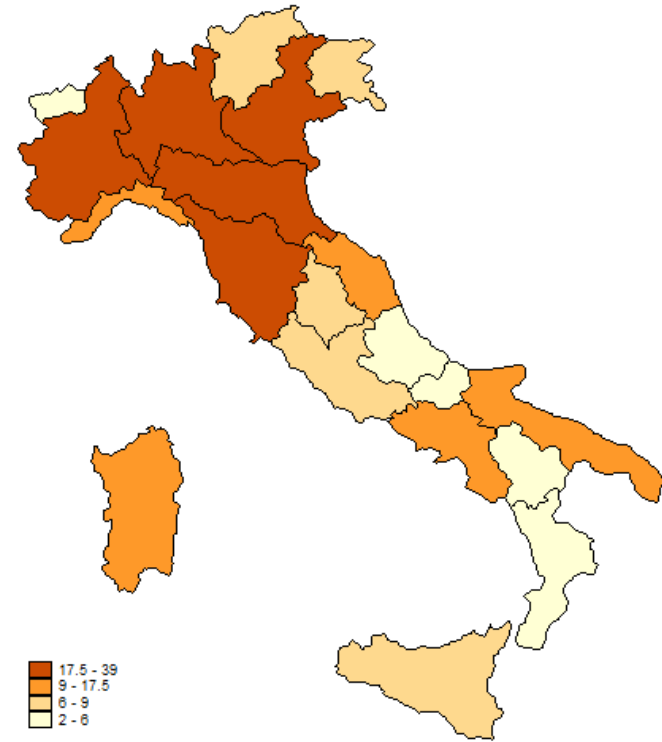
New small breweries during 1993-1999



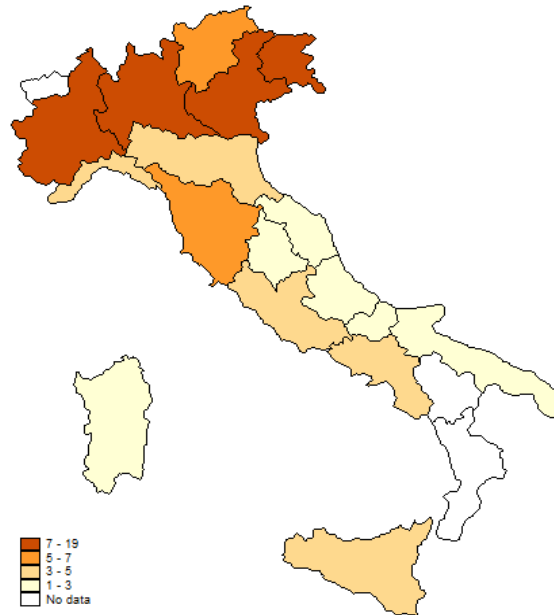
25 years after the English
Pioneers

37 in 1999
86 in 2003
255 in 2009
397 in 2011

New small breweries during 2006-2011



New small breweries during 2000-2005



Main conclusions on Italian SB

- Long and unknown history of beer production in Italy
- Micro are followers of US & UK, but culture of wine may help production of special and competitive beers
- Concentrated in the North, but Center, South and Islands are catching up.
- Started as Brewpubs, now larger number of microbreweries
- Did not experience 2008 crisis, shortage of beer, require investment because rising demand
- Concentration can lead to the empowerment or decline of this infant new market if lack of organization of producers for increasing access to distribution
- Favored consumption of mass produced beer
- Changing taste of Italian consumers from mass produced to craft beer

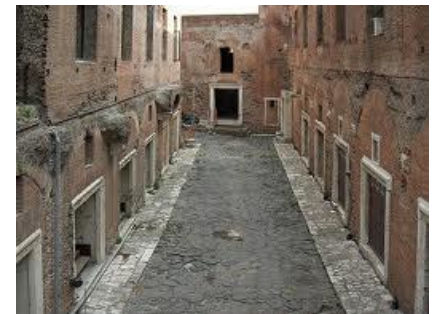
Outline

The History of Italian Beer Production

1. First Era: *Vinum Hordaceum* or Barley Wine
2. Second Era: Historical Italian breweries
3. Third Era: flows of national concentrations, and mergers and acquisitions: multinational
4. Infant Sector Small Brewers (1990ies onward)
5. Pilot survey on consumer preferences between mass produced and craft beer

First Era: Etruscans / Romans

- Much later than the Mesopotamian, Egyptian, or Chinese (*Poelmans and Swinnen, 2011; Colen and Swinnen, 2011*) **Etruscans** were drinking “Barley Wine”, and also Preceltics people in Pombia (Piedmont) 600 BC (*Gambari, 2003*).
- **Romans**: Caio Giulio Agricola, Roman Governor of Britain, opened “DOMUS CERVISIAE” (The House of Beer) in an ancient villa in Rome
- Beer and Wine were sold on Via Biberatica (from *bibere* – to drink) at the Trajan's Market *Mercatus Traiani*, or *Mercati di Traiano* during the Roman Empire.



residues of hops, cereals, and sugar

First Era: Middle Age and Monasteries

- After the fall of the Roman Empire and during the Middle Age, under Lombard Rule, beer was produced to satisfy the thirst of the Nordic invaders (Pavia Turin)
- First laws on the production, standard, and quality of beer within the *Capitulare de Villis Imperialibus* = legislation on agricultural farms by Emperor Charlemagne of the Lombard Dominion (800 AC)
- Increased consumption produced by the Germans, Flemish and English with arrival of Federico Barbarossa (1152)
- Pope Clement V (of French and German origin), in 1307, was particularly supportive of beer production when wine was scarce or expensive (Unger, 2004). Beer produced in 14 Monasteries
 - Monastery of San Gallo: 3 different beers: one for the pilgrims, one for the monks, and the very good one for prestigious guests (*Spath, 1999*).

First Era: The Merchants

- At the Court of Lawrence the Magnificent (1400), beer was drunk normally, and regarded as a refined drink. It was consumed primarily by men, while women could only drink it for medical purposes.
- Same period increased trade of beer by the first corporations of beer merchants from Northern Europe.
- In Hamburg, the main exporters were beer masters, Italian beer master did not merged into corporations, and produced beer in taverns or minor places
- The production and importing of beer in Italy then grew in the following centuries, due to the increasing importance of the international merchant class, with trade taking place primarily with Austria and Germany.

Second Era: The Historical Italian Family Breweries

Setter (Piedmont) 1789

Wuhrer (Brescia) 1829

Menabrea (Piedmont) 1846

Peroni (Pavia) 1848

Forst (Bolzano) 1857

Moretti (Udine) 1859

Dreher (Trieste) 1865

Pilsen (Padonva) 1890

Pedavena (Biella) 1895

Zimmerman (Aosta) 1900

Years	Number of Italian Breweries
1789	1
1890	140
1894	151
1900	95
1910	86
1920	59
1930	35
1960	3 groups account for 60% of total beer production

Nb. of New Breweries

Wars, 1929 Crisis,

Restrictions on imports of hop and malt.



Third Era: Examples

Concentration/Expansion

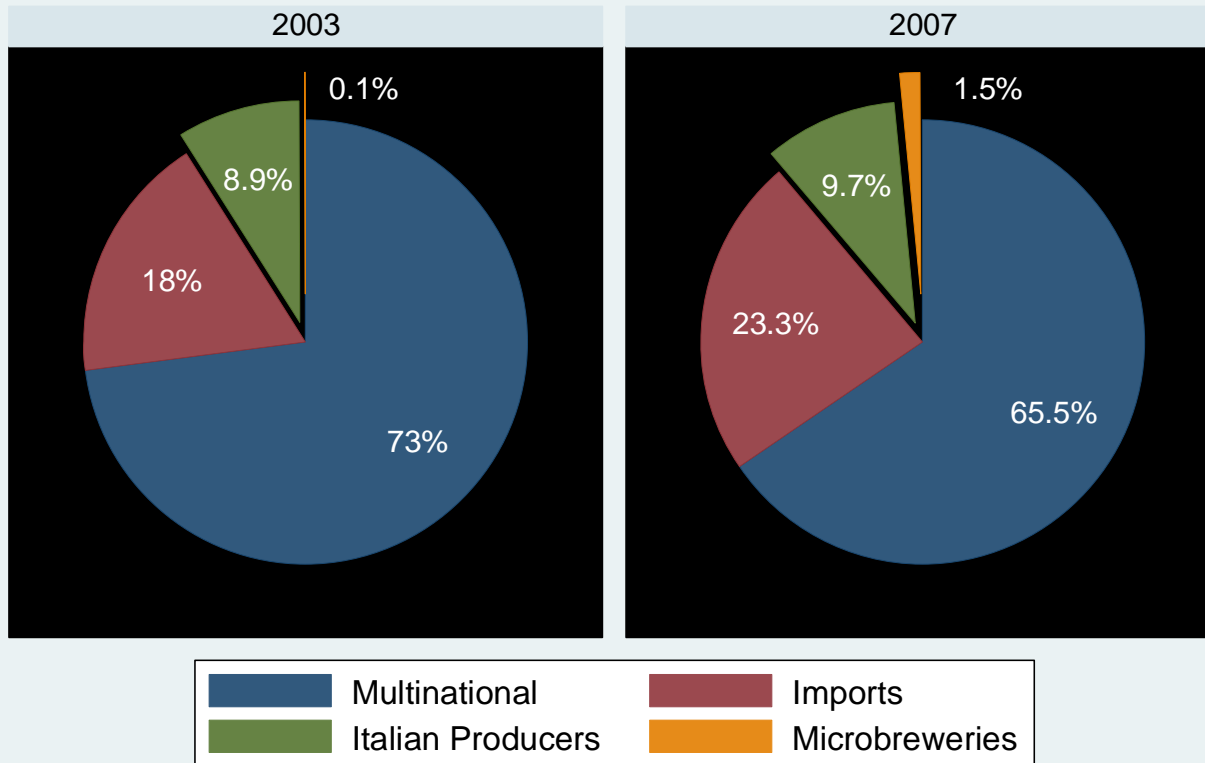
- **PERONI:**
- Acquired Birra d'Abruzzo, Birra di Perugia, Birra di Livorno
- Expansion in Naples, Udine, and launched Nastro Azzurro
- **DREHER**
- Acquired several plants, and expanded in Africa and Albania

M&A

- Examples:
- `Wuhrer 1979 to BSN Gervais and then to Heineken
- `PERONI merged with Wuhrer late '70ies and then to SabMiller
- Pedavena - Deher to Heineken in 1974
- `But Pedavena in 2005 to Birra Castello

Today: Market Composition

Composition of Beer Market in Italy



Source: Assobirra 2009

Multinationals:

- Heineken Italia
- Peroni Sab Miller
- Carlsberg Italia

Import:

- Inbev

Italian Producers:

- Forst Menabrea
- Birra Castello
- Tarricone
- Theressianer

2007

Lombardia

1. Carlsberg Italy
2. Heineken Italy

Trentino Alto Adige

- 
5. Forst S.p.A (4%)

Valle D'Aosta

3. Heineken Italy

Friuli Venezia Giulia

- 
6. Birra Castello



Piemonte

4. Menabrea Beer

Veneto



7. Castello Beer (4%)
8. Peroni Beer
9. Hausbrandt (0.1%)

Lazio

10. Peroni Beer
11. Carlsberg Italy

Puglia

12. Heineken Italy
13. Peroni Beer

Sardegna

15. Heineken



Basilicata

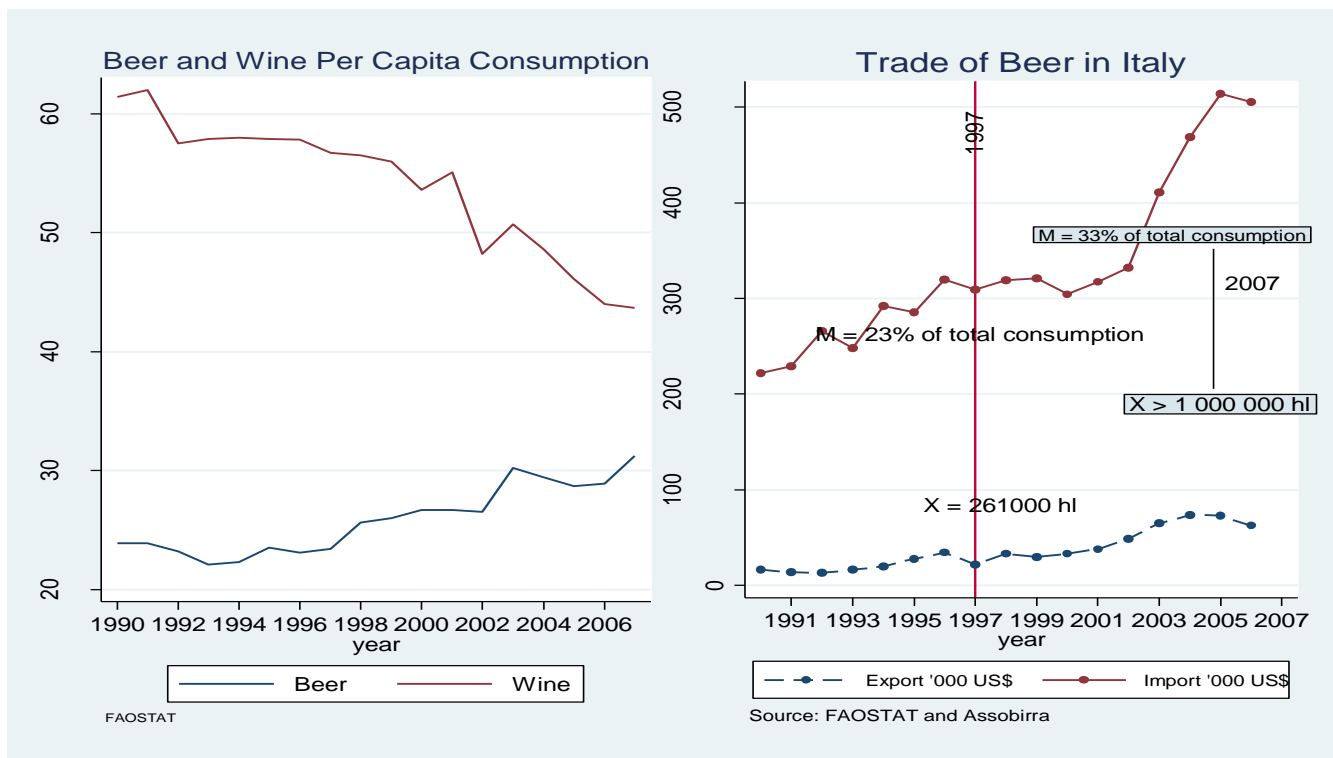
14. Tarricone (1.6%)

9 in the North
(4 Italian)
6 in Center/South
(1 Italian)

 Italian Plant 

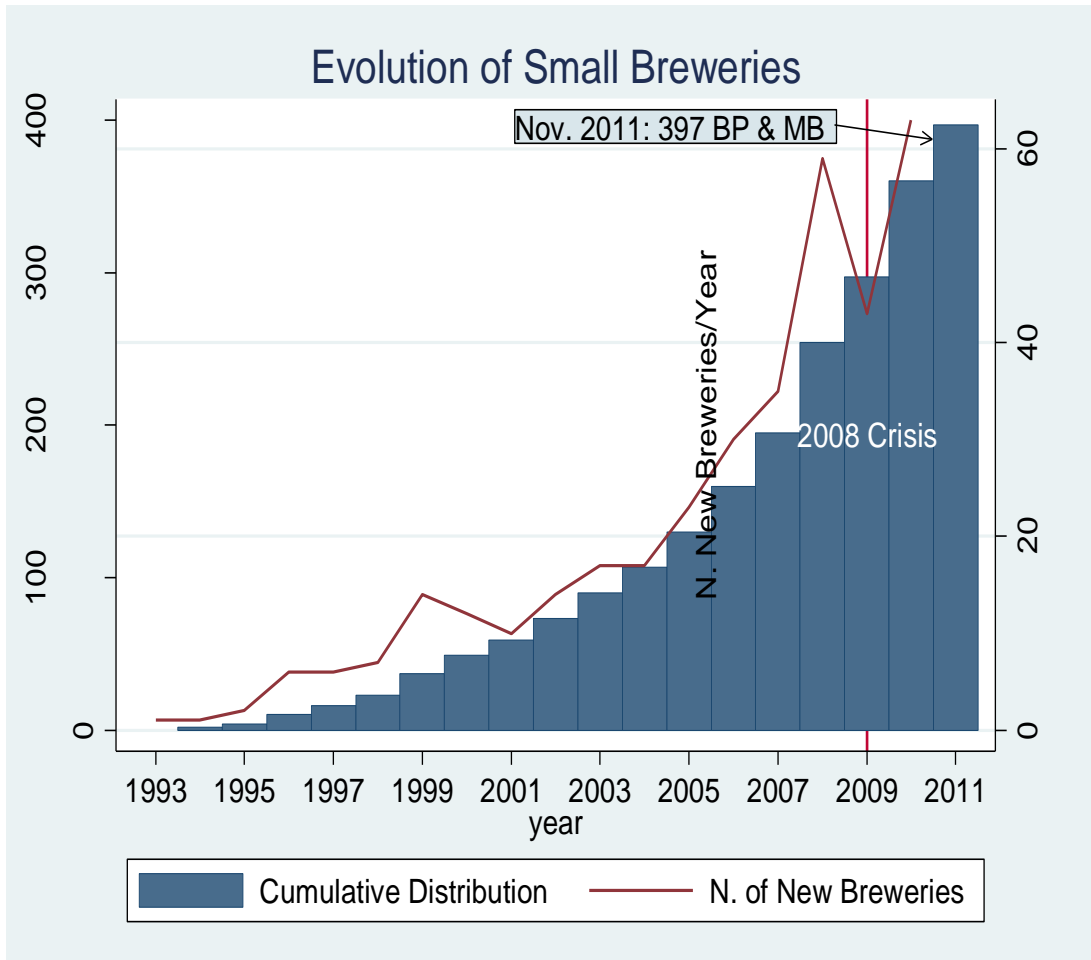


Main consequences of the latest concentration



- ✓ Increase in terms of trade
- ✓ Introduction of new type of beers (supermarkets and pubs)
- ✓ Increase in per capita consumption 31.7 l/head in 2007 (half of the EU average)

Evolution of Small Breweries



Crisi 2008 => drop in 2009

2008= 59 new breweries

And peak in 2010: 63 new breweries

From 1997 to 2011

In less than 4 years

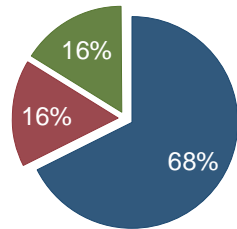
From 195 to 397 breweries

X2

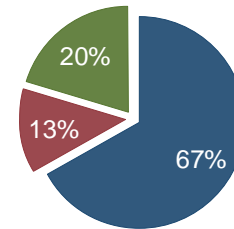
Regional Distribution

Regional Distribution of Small Breweries

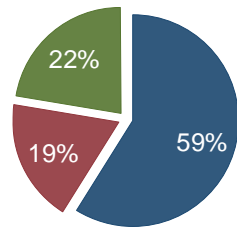
1993-1999



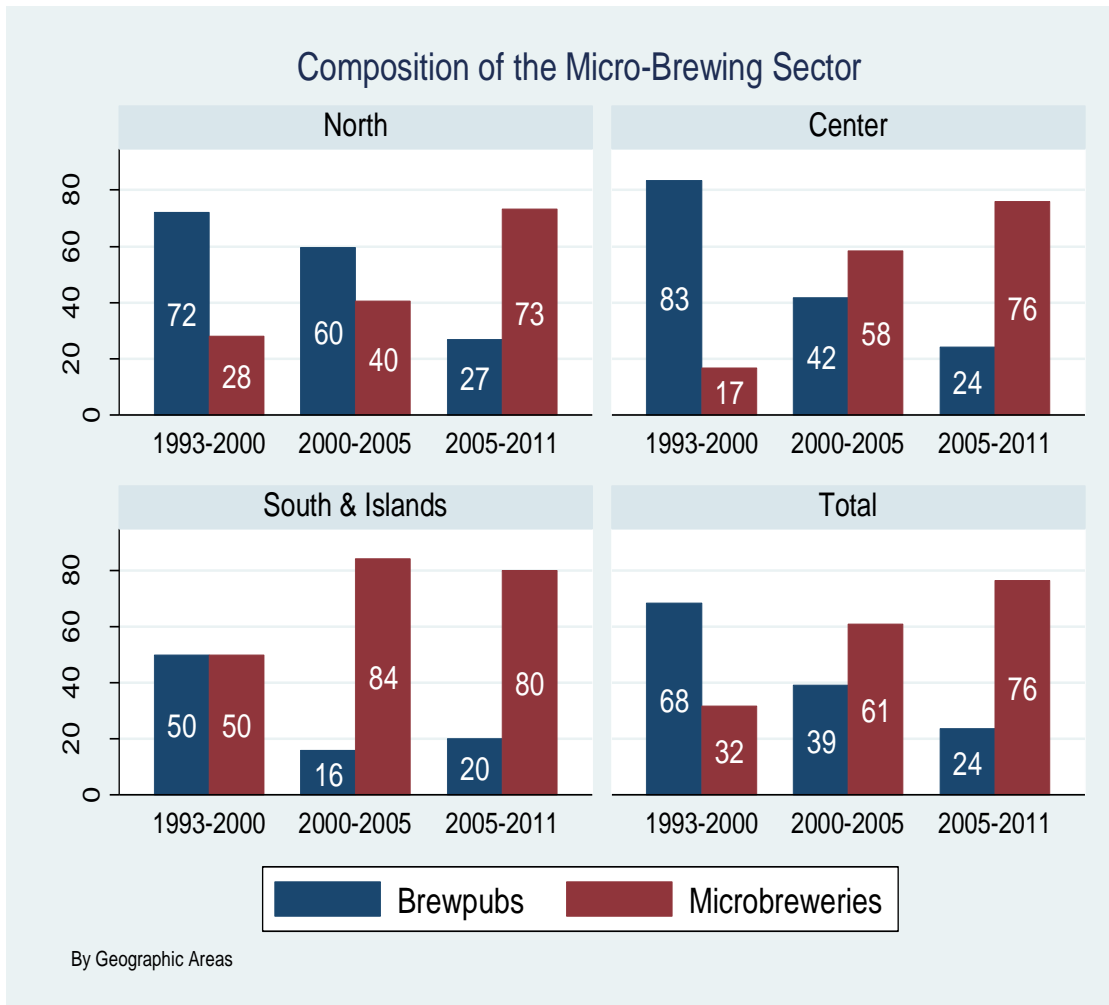
2000-2005



2006-2011



Regional Diversity

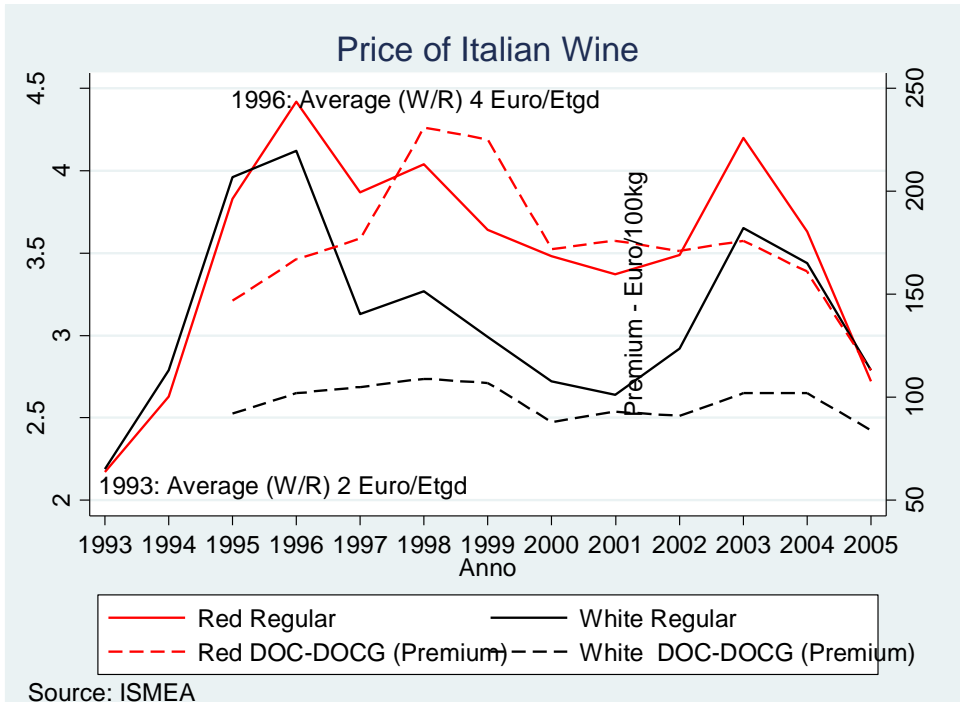


Early Stage:
North and Center
Innovator with BP

Growing Demand

Last Tenure:
Microbreweries dominates

Reasons for Expansion



- ✓ Change in the wine sector
- ✓ Increase in foreign population coming from top 20 countries in terms of beer consumption
From 26 to 38% from 2002 to 2007
- ✓ Low cost flights (16 out of 20 airports)
- ✓ Increase in almost all the regions of the % of people from 14 years old who drink Beer seasonally, or /day

Change in Beer Preferences of Italian Consumers?

- Difficult to test but possible
- Increase in import (Inbev), and impressive rate of growth of small breweries
- Increase of beer festivals, Italian Oktoberfest also in Center – South
- Beer in Italy from Soda, to refine drink (supermarket shells)

Results of a Pilot Survey Craft versus Commercial Beers

- 68 Students of Economics from Center-South of Italy
- 71% declares to know Italian Craft beer, mostly from beer festivals and specialized pubs.
- **63% prefers craft beers to commercial beers**
- 63% Male and 37% female
- Average age: 23 years, 52% engaged,
- 52% medium-high income (*annual university fee in t_0 >1000 Euro up to 1878 Euro and over*)
- Average mark at exams =24.4/30 (medium)

Summary Statistics

Variables	Mean
Years since stud. knows Italian Craft beer	3.42
Since that moment: % who increased	
Taste for	
<i>Craft beer</i>	63%
<i>Beer in general</i>	54%
Consumption of	
<i>Craft beer</i>	50%
<i>Beer in general</i>	44%
Share of Students whose beer consumption is influenced by	
<i>Non-Italian Friends</i>	19%
<i>Italian Friends</i>	62%
Bid: WTP for one glass of Italian craft beer	1.1 Euro
% of students who prefer	
<i>Italian craft beer to a commercial</i>	88%
<i>European craft beer</i>	94%
<i>USA craft beer</i>	35%

Probit on Preference towards Craft Beer

Probability of preferring a Craft Beer	
Bid: WTP	1.21***
Dummy student is engaged	-0.46*
Dummy Female	-0.11
Log Ind. Age	4.9**
Log HH Size	0.89
Dummy high family Income	-0.63
Dummy if increased com. beer cons	0.76*
Dum. Non Italian friends influence beer consumption	-0.20*
Constant	-16.46**
Log-likelihood	30.62
Observations	68

** significant at 10%; ** significant at 5%; *** significant at 1%*

*Next time you go to an
International Beer Festival, try an
Italian Craft Beer, you may be
surprised!*

Thank you