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## **Czech Republic**

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### **Opportunities Exist for U.S. Craft Beer and Hops in Czech Republic**

**Report Categories:**

Beverages

Product Brief

Promotion Opportunities

SP1 - Expand International Marketing Opportunities

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**Report Highlights:**

The Czech Republic is a country with a strong and deep beer culture. Beer is considered a true national beverage and part of the cultural heritage. The Czech people have the highest per capita beer consumption in the world, reaching 138 liters per person in 2017. Unsurprisingly, growing and processing Czech hops also has a very long tradition. Although both Czech beer and hops are major export commodities and enjoy worldwide recognition, niche market opportunities exist for U.S. beer and hops. This is mainly due to the recent boom of microbreweries and growing popularity of more heavily hopped beer, such as IPAs.

## **1 Market Overview**

### **1.1 General Overview**

In the Czech Republic, hop growing and beer brewing traditions goes back to the Early Middle Ages. Beer has always been considered a national beverage deeply rooted in the Czech culture. There are many beer/hop-focused institutions and events, and even many non-professionals have a solid grasp of these agricultural and food processing sectors.

After a significant decline during the economic recession, hop acreage has rebounded since 2013 reaching more than 5,000 hectares (12,400 acres). The major hop growing region is around the town of Zatec, about 80 kilometers west of Prague. The leading hop variety produced in this region, called “Zatecky polorany červenak” or “SAAZ Hops,” is labelled with the EU quality logo “Protected Designation of Origin” (PDO). It was one of the first registrations granted to a Czech agricultural product. SAAZ belongs to the fine aroma hop group and currently accounts for more than 80 percent of both total production and acreage. However, Czech growers are continually evolving and have introduced new hop varieties since the mid-1990s. One example is Kazbek, a flavor hop representative, which is suitable for dry hopping. Registered in 2008, its current production makes about 1 percent of the total.

Beer production is the leading beverage industry in the Czech Republic. Besides hops, Czech beer has been also registered under the EU protection scheme. “Ceske pivo” is marked with a Protected Geographical Indication (PGI) logo.

The EU quality schemes enable consumers to trust and distinguish quality products while also helping producers to market their products better. PDOs and PGIs guarantee that the product is from a specific region and follows a particular traditional production process. Products registered as PDO are those that have the strongest links to the place in which they are made. Every part of the production, processing and preparation process must take place in the specific region. PGI emphasizes the relationship between the specific geographic region and the product, where a particular quality, reputation or other characteristic is essentially associated with its geographical origin. At least one of the stages of production, processing or preparation takes place in the region.

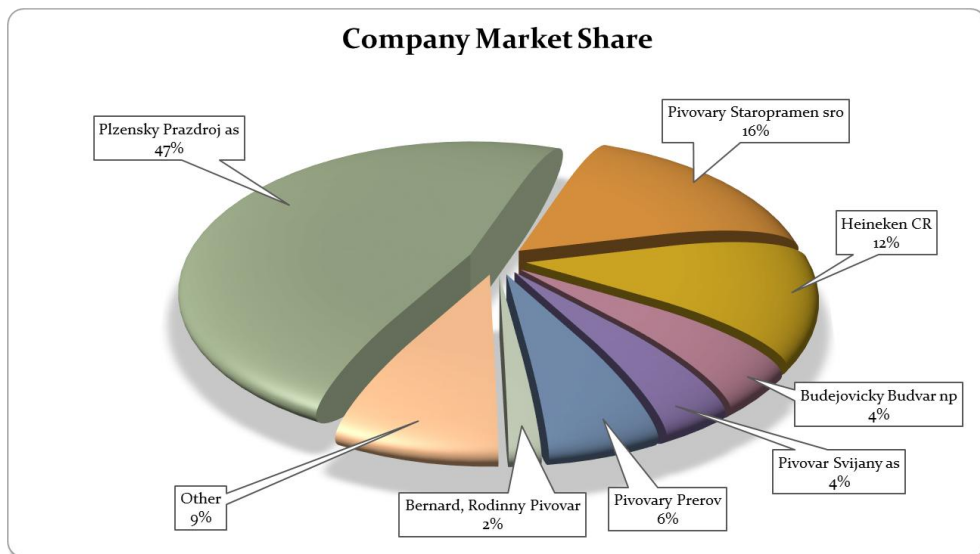
After five years of growth the total beer production dropped by 0.7 percent to 2,03 billion liters in 2017. Although in-country sales of beer dropped even more, by 2 percent to 1,57 billion liters, the decrease was to a certain extent compensated with increasing exports mainly to Slovakia, Germany, and Poland as major trade partners. Despite slight but continuous decline in domestic consumption over the last six years, the Czech Republic remains the country with the highest per capita beer consumption in the world. The average Czech drank 138 liters of beer last year, compared to the US with 75 liters.

Beer consumption continues to shift away from the on-premise (on-trade) towards the retail (off-trade). While the retail side is seeing positive sales increases, the on-premise sale suffers from

two recent legislative changes. The first was the introduction of the mandatory use of the online cash register system in December 2016. Five months later the smoking ban became valid in all food service outlets. Both laws negatively affected in-pub sales, with a visible reduction of customers during cold months. Consequently, many smaller establishments, mainly beer pubs in small villages, closed. In 2017, on-premise sales counted for 38 percent and retail for 62 percent. Compared to 2004, when the ratio was 50:50 on-premise to retail sales, this is a notable shift.

The beer sector is diversified and very competitive. The top four big brewery groups – Plzensky Prazdroj as, Pivovary Staropramen sro, Heineken Ceska Republika as, and Budejovicky Budvar np – retained a similar total volume share in 2017 and continue to be very successful with their exports. Each of them has several local beer brands under their control. Plzenský Prazdroj (Pilsner Urquell), with its new global owner, Asahi Group Holdings Ltd, remains the leading player with a volume share of 47 percent in 2017. It solidly increased sales of its popular domestic premium and mid-priced lagers, and the favorite non-alcoholic beer, Radegast Birell. Budejovicky Budvar has succeeded in keeping its domestic beer sales at the same level as in 2016 due to stable sales of its flagship brand, Budweiser Budvar.

Three largest beer producers retain 75 percent of the market whereas the remaining quarter is shared by hundreds of medium- and small-size independent breweries and microbreweries.



Source: Euromonitor International, Hop Growers Union of the Czech Republic, trade press

Lager beers are the most popular category. Demand for premium lager will likely grow whereas consumption of mid-priced and economy lagers is expected to drop slightly and significantly, respectively. Private label beer continues to have a marginal presence appealing only to very low-income customers. Czech beer drinkers tend to prefer high-quality and specialty beer such as wheat, yeast, unpasteurized and semi-dark lager. Additionally nonalcoholic beer, including fruit and herbal flavor combinations, is anticipated to see dynamic development.

Glass remains the leading packaging type for beer, but metal beverage cans see increasing popularity among Czech consumers due to their convenience. Due to the growing demand for cans, large breweries have recently invested in new filling lines for canned beer. Beer in PET bottles and small kegs are sold mostly in the summer BBQ season.

## 1.2 Exports

Both Czech hop and beer have been traditional export commodities significantly affecting the trade balance. In 2017, the total hop production was 6,800 MT with almost 70 percent exported mainly to Germany, China, and Japan. This volume ranks the Czech Republic in third place for hops exports after the US and Germany.

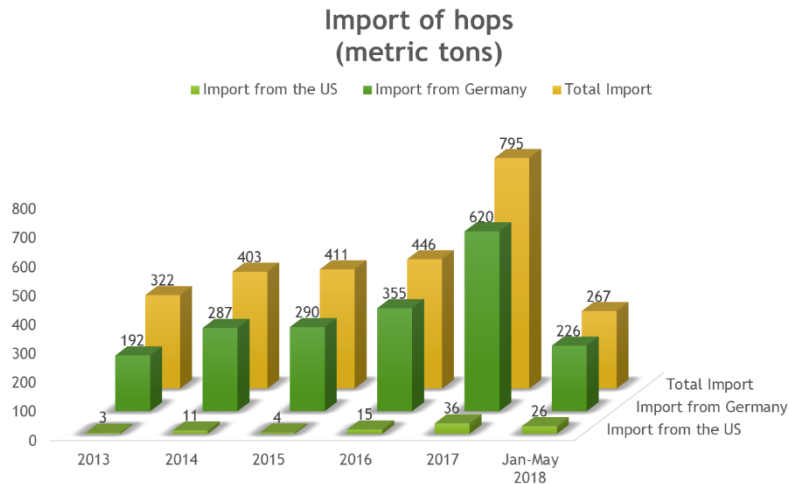
The Czech beer exports were 460 million liters in 2017, representing 23 percent of the total beer production. The volume increased by four percent compared to 2016, compensating for a local market sales decrease. Major beer trade partners are EU countries, mainly Slovakia, Germany and Poland. Besides EU countries, South Korea and Russia are important markets with growing potential.

## **2 Market Opportunities**

### 2.1 General Overview

Hops and beer will undoubtedly continue to keep their trade surplus, however niche market opportunities for U.S. hops, particularly flavor varieties, do exist. This is also supported by statistics: in 2012 hops imports were hardly noticeable, but in 2017 U.S. hops imports reached 36 MT. This development complies with the microbreweries boom and emerging popularity of top-fermented beer types such as IPA. Lastly, Czech fine aroma hops are rather suited for lager-style beer, but are not ideal for ales.

Czechs are traditional when it comes to beer and until recently, the craft beer market has been developing slowly. In the last decade though, Czech beer drinkers started to be more open-minded to craft beer. The growing market for craft beer in the Czech Republic in combination with economic growth and new gastro tourism concepts create some trade opportunities for U.S. exporters. New beer trends will unlikely change in near future and countless beer presentation events provide excellent marketing opportunities. For example, a specialized craft beer importer established in 2011 has been recently very successful in including U.S. and U.K. craft beer in their portfolio.

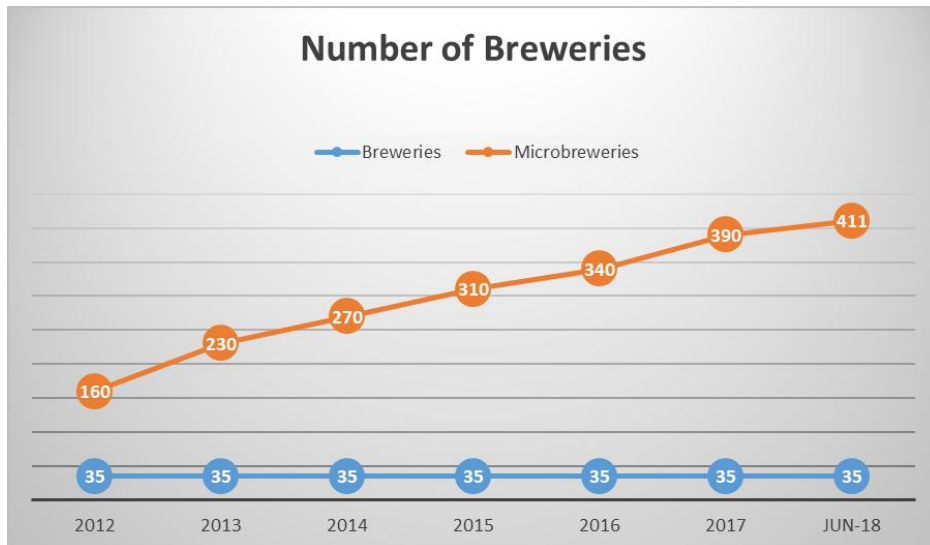


Source: The Czech Statistical Office

## 2.2 Microbreweries - New Trend with Opportunities

Microbreweries are a dynamic cultural and culinary trend, which could be of interest to U.S. exporters. In a certain way, they represent a return to the distant past. Until mid of the 19<sup>th</sup> century beer used to be brewed locally by royal town burghers or monasteries with brewing rights. There were more than 1,000 breweries in Bohemia at that time. To make a good, constant quality beer, the burghers of Pilsen established their own brewery called Burghers' Brewery (Plzensky Prazdroj today) in 1842. In this era of new technologies, beer production started to be concentrated in larger breweries. The popularity of Pilsen lager spread quickly throughout the country and the brewery celebrated first successful exports shortly afterwards. The total number of breweries started to decline and the Communist nationalization policy after the World War II caused shutdown of all local breweries. The larger breweries that survived produced just a few different kinds of beer.

In 1989, the year of the political system change, only one microbrewery was left – the “U Fleků” brewery in Prague. A massive increase in the number of microbreweries started in 2000. And the boom has been accelerating ever since. Their number has already reached 411 and is not finished yet. There is one microbrewery per 25,500 inhabitants in the Czech Republic, compared to 85,000 in the US. They established their own professional organization, the Czech-Moravian Association of Microbreweries.



Source: Euromonitor International, The Czech-Moravian Association of Microbreweries

*Breweries include large brewery groups having other local breweries under control plus smaller local independent breweries with annual beer production exceeding 1,000,000 liters*

*Microbreweries producing less than 1,000,000 liters/year*

Annual production of most microbreweries ranges between 20,000 and 120,000 liters of beer. The microbreweries' share in the total consumption of ingredients is very small. However, their heavily hopped products have a higher demand for hops per liter, diversity of hop varieties (particularly flavor hops), and special malts.

Local craft beers tend to be unpasteurized and/or unfiltered, which means limited shelf life and just a few bottled/canned brands. Currently, top-fermented beers enjoy increasing popularity. This trend started with wheat beers followed by various types of ale. In particular, India pale ale has become extremely popular. It is reported as the second most frequent type of beer, after lager, sold at microbreweries. Some microbreweries have even specialized in top-fermented beers.

Although microbreweries have only a two percent market share and cannot compete with large brewery groups, they are very important and influential trend setters. The magic behind the microbreweries' boom at a time of slowly decreasing total beer production is their diversity. Microbreweries produce small volumes of beer, and therefore harsh competition among them is unnecessary. They focus on an innovative approach and specialty products. Traditional pale lagers and draught beers account for about half of their brands. However, many microbreweries were opened by brew masters inspired by different beer styles popular around the world, such as stout or IPA. Their production allows for unexpected combinations of flavors. As the result, large producers consider the microbrewers as a source of inspiration for their own products and some of them even provide a direct support.

One of the reasons why microbreweries are so appealing to their visitors is undoubtedly their interesting ambiance. Brewpubs have traditional interiors, giving customers an opportunity to witness first-hand the brewing process. In particular, brewing tanks are very attractive if located in the restaurant. In many cases they are located in historical buildings, so there is an interesting story behind the business. And if a microbrewery or a brewpub offers an extra value of excellent cuisine, its position on the market is rather safe. Chefs' concepts matching their food to different beer flavors seem to be intriguing to more and more consumers. Thus, beer is changing Czech gastronomy and this change is to the benefit of beer and food lovers.

Finally, the craft beer market is supported by increasing number of tourists. 2017 was the first year when the Czech Republic welcomed the record number of 10 million foreign travelers, the same number as the local population. And the Czech Republic is a very popular beer drinking destination for many of them.

### 2.3 Events

Not all food products have so many marketing opportunities in the Czech Republic as beer. Thanks to its popularity, there are countless hop and beer festivals, tastings and competitions held every year. Some of them have already specialized in craft beer presentation. Beer-focused activities are not exclusive to large cities, numerous towns throughout the country have established their own tradition of such an event, featuring a special regional flair and enjoying large numbers of visitors.

Event	When	Hyperlink
<p><b>29<sup>th</sup> INTERNATIONAL BEER FESTIVAL BUDWEIS</b> Ceske Budejovice, Czech Republic</p> <p>Largest beer degustation competition held under the auspices of Czech government top officials. 222 breweries from 18 countries competed in 32 beer categories for World Beer Seal and Gold Brewer's Seal Awards in 2018.</p>	<p>February 2019, date to be confirmed (Interval: yearly)</p>	<p><a href="http://www.pivofestival.cz/">http://www.pivofestival.cz/</a></p>
<p><b>BEER SALOON</b> Bratislava, Slovakia</p> <p>Special degustation craft beer festival, 80 microbreweries, 400 kinds of beer in 2017. Focus on novelties – each brewery introduces at least one brand new craft beer.</p>	<p>September 12-21, 2018 (Interval: yearly)</p>	<p><a href="https://www.salonpiva.beer/En/18-bratislava-jesen-2018">https://www.salonpiva.beer/En/18-bratislava-jesen-2018</a></p>
<p><b>CZECH BEER FESTIVAL</b> Prague, Czech Republic</p>	<p>May 9-25, 2019 (TBC)</p>	<p><a href="http://www.cesky pivnifestival.cz/en">http://www.cesky pivnifestival.cz/en</a></p>

50 microbreweries offered their beer to more than 10,000 guests in 2018. Best beer contest Gloria.	(Interval: yearly)	
<b>MICROBREWERY FESTIVAL AT THE PRAGUE CASTLE Prague, Czech Republic</b>  <b>2-day beer-tasting organized by the Czech-Moravian Association of Microbreweries. 65 Czech and 2 Austrian microbreweries in 2018. 3,000 visitors.</b>	June 2019, date to be confirmed	<a href="http://www.pivonahrad.cz/">http://www.pivonahrad.cz/</a>
<b>HOP HARVEST FESTIVAL Zatec, Czech Republic</b>  <b>The hop harvest festival with the 61-year tradition. Program includes a beer tasting program and Czech breweries presentations.</b>	August 31 – September 1, 2018	<a href="http://www.docesna.cz">http://www.docesna.cz</a>

#### 2.4 Advantages and Challenges

<i>Advantages (product strengths and market opportunities)</i>	<i>Challenges (product weakness and competitive threats)</i>
Deep-rooted tradition generally making beer a first-choice drink	Transatlantic transportation is costly and takes time.
One of the most important and booming industry sectors #1 world rank of beer consumption per capita	Fierce local and German competition Additional promotion costs to increase consumer awareness
Beer sales account for 25 percent of the HRI revenues	Conservative Czech beer-drinkers demanding local and low-price products
Established sector with many trade/distribution possibilities	
Large number of microbreweries ready for innovations across all country with further growth prospective	
Change in beer consumption habits towards new beer trends, particularly among younger generations and in tourist areas	
Growing popularity of heavily hopped craft beer including IPA and APA	
Numerous beer-specific events, including beer festivals, tastings, and contests; and institutions	
New tourism trends encouraging new “gastro” travel concepts	
Growing economy and income level	



Source: FAS Prague

### **3 Post Contact and Further Information**

If you have questions or comments regarding this report, or need assistance exporting to the Czech Republic, please contact the U.S. Foreign Agricultural Service Office in Prague.

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### **4 Useful Links**

[Hop Growers Union of the Czech Republic](#)  
[The Czech-Moravian Association of Microbreweries \(Czech only\)](#)  
[The Czech Beer and Malt Association \(Czech only\)](#)  
[Hop Research Institute](#)  
[Hop Museum in Zatec](#)

[Hop Growers of America](#)  
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