

Brewer seeks to tap growth in domestic beer market

Monday, 05 October 2009 15:01 Jacob Gold and Jeremy Mullins

Following an agreement to lease the premises that will eventually house its brewery, KBL plans to rapidly expand sales of its forthcoming high-end beer



Photo by: JACOB GOLD

Asian beers are shown on sale in a Phnom Penh minimart last week. KBL says it will try to position its microbrewed beer at the high end of the Cambodian market.

SE Asia beer market

Beer consumption in litres per capita in 2007 with percent annual growth:

- **Laos** 19.61 +18pc
- **Cambodia** 11.8 +13pc
- **Vietnam** 18.78 +12pc
- **Philippines** 14.39 +5pc
- **Thailand** 31.92 +1.85pc
- **Malaysia** 4.96 -0.4pc
- **Singapore** 18.08 -0.5pc
- **Indonesia** 0.81 -1.22pc

Source: Int'l Centre for Alcohol Policies

HAVING announced a deal Thursday to set up a brewery in Phnom Penh, Kingdom Breweries Ltd (KBL) plans to tap into growth in the domestic beer market despite an investment slump that has seen other foreign firms shy away from Cambodia, says the company's CEO.

Peter Brongers said KBL signed a 15-year lease on Hagar International's 65,000-square-foot factory on the Tonle Sap River, which it plans to transform into a brewery to produce Cambodia's first microbrewed, upmarket beer.

"The beer market in Cambodia is growing very fast," Brongers said last week.

“People are looking for diversity, for something different than what’s available right now.... Our mission is simple: to make the best beer in Cambodia.

“If you go into ... Metro [an upscale riverside bar in the capital], we want you to pick our beer,” he added.

Alongside a focus on quality, Brongers said KBL’s other major advantage lies in the fundamentals of the Cambodian beer market itself.

“The Cambodian beer market has recently been growing by 20 percent every year,” he said. “This year was harder because of the crisis, but this crisis will also blow over. We have a young population that is also becoming more prosperous.”

According to statistics from the International Centre for Alcohol Policies, in 2007 Cambodia consumed just 11.8 litres of beer per head, much less than its neighbours. Vietnam drank an average of 18.8 litres, with Laotians consuming 19.6 litres per capita and Thailand 31.9 litres.

“Growth is likely to remain at 20 percent because Cambodians are far behind their neighbours when it comes to beer consumption,” Brongers said.

Michael Smiddy, a senior consultant with Emerging Markets Consulting, said Asia’s wealthiest economies were also its highest per-capita beer consumers.

“South Korea consumes about 38 to 40 litres of beer per person every year,” he said.

“China is half that, and Cambodia consumes half as much as China.

“As Cambodia continues to develop, if you look at the long term, the market could be massively larger than it is now,” he added.

Leopard Capital, KBL’s major partner with a 55.5 percent stake in the venture, has made the brewery its fourth major investment in the Kingdom, injecting US\$2 million from its more than \$28 million in capital raised so far.

Steve Lewis, a managing partner at Leopard Capital, said his firm’s confidence in KBL was inspired by regional brewing success stories.

“We saw what Beer Lao had done and decided that it could be repeated here in Cambodia. We are bringing in a European brew master who has spent much of his career in Southeast Asia and is responsible for the success of other major brands in the region,” Lewis said, declining to name the firm’s chief brewer pending finalisation of a contract.

KBL hopes to begin producing its first variety of beer sometime in the middle of next year, Brongers said.