

Introduction to the Special Issue

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This Special Issue on “The Economics of Beer and Brewing” brings together selected contributions of the 2nd Beeronomics Conference which took place in Freising, Germany, September 21-24, 2011.

Over the last decades research in agricultural economics has been expanded and now covers issues along the whole supply chain of agricultural products. Agricultural economists today do not only investigate the economics of farming, but also study for example the strategic behavior of biotec seed companies, the market power of food retailers and the behavior of consumers in regard to regional products. While a great deal of our research concentrates on questions along the food supply chain, beverages in general and beer in particular seems neglected. Following the kick-off conference in Leuven in 2009, the 2nd Beeronomics in Freising tried to fill this gap by bringing together an international group of about 90 participants from many fields of economics and social sciences. The purpose of the conference was to provide a forum for the exchange of ideas and high-quality research related to the economics of beer, brewing and related activities. It covered a wide array of topics including consumption, trade, industrial organisation, policy and regulation, economic history, macroeconomics, strategy and organisation, marketing, and supply chain management.

All in all 36 contributions were presented in 14 sessions and gave an excellent overview of the diverse research questions in this area. Six of these papers are included in this Special Issue. While the first three contributions look at general developments in beer consumption and the brewing sector, the fourth one concentrates on an input market. In addition, contributions 5 and 6 take a closer look on social dimensions of beer consumption.

Van Herck, Swinnen and Deconinck focus on the recent developments in Eastern Europe and in particular in Russia. The economic reforms in these countries in the early 1990s implied two things: firstly, quantity and quality of produced barley, malt and beer decreased because of economic disruptions; and secondly,

foreign investors were attracted by the new opportunities. To cope with the situation these foreign investors successfully introduced vertical coordination measures along the supply chain. The implied increase in beer quality became one of the main drivers of the remarkable growth in beer supply and demand especially in Russia.

Olper, Curzi, Frisio and Raimondi look at the determinants of home bias in beer and wine consumption across the 15 EU countries over the period 2000-2009 using a gravity model. Their findings indicate that home bias in beer consumption is much more important than that of wine and it is widely attributed to the home market effect. The latter means firms tend to locate in or near to areas where demand is large enough. Thus international trade plays a more prominent role in the wine industry than it does for beer.

Madsen, Pedersen and Lund-Thomsen analyze the effects of the merger and acquisition waves in the global brewing industry during the period 2000-2010. Their main finding is that even though the 4 large acquiring brewing groups found to be more efficient than the control group of 200 large breweries, they did not perform significantly better. They interpret this finding as evidence for the market power hypothesis stating that the reduced number of competitors induces a high degree of collusion with a corresponding increase in prices and profits.

Brewin, Gray and Kargiannis concentrate on the malting industry in North America. Two important developments in the last twenty years are the North American Free Trade Agreement (NAFTA) and the increased concentration in this sector. The number of malting firms in the U.S. and Canada decreased from ten to four over the last 15 years. Based on a simulation model they identify an increase in total welfare over the studied period. However, trade gains of malt consumers and barley producers in both countries were significantly reduced by mergers.

Freeman analyses the effect of alcohol consumption on traffic fatalities in young people, with particular emphasis on consumption of beer versus spirits.

Based on data for the U.S. he cannot clearly find an effect of differences in shares of alcohol beverage types on traffic mortality. However, he is able to show that a high median income of a state or region is a strong predictor of lower traffic mortality rates in ensuing years.

Finally, Cabras, Canduela and Raeside using data at the parish level of rural communities of England illustrate the positive role of pubs in facilitating community cohesion, social interaction and residents' well-being as appears in several self-reported health metrics. On these grounds, they foster the sustainability of rural pubs.

We hope that this special issue will be as informative and entertaining to the readers as the conference was for us.

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