

Review

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Posted Date: 28 July 2023

doi: 10.20944/preprints202307.1908.v1

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Review

Distinguishing the Canadian Craft Beer Market: A Comparative Analysis of Western and Eastern Regions and Implications for Brewing Ingredient Companies

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Abstract: (1) As the craft beer industry continues to expand in Canada, understanding the regional differences between the Eastern and Western markets becomes pivotal for brewing ingredient companies seeking to penetrate or expand within these regions. This study aims to provide a comprehensive review of these two distinctive markets, focusing on economic, logistical, ingredient, and cultural differences. (2) The study primarily relies on secondary data from government, industry reports, and scholarly publications, providing a holistic view of the Canadian craft beer landscape. It further highlights the need to consider market distinctions between Canada and the United States. (3) Findings reveal that Western Canadian breweries, unlike their Eastern counterparts, operate under constrained storage space, prefer locally-sourced ingredients, and offer a distinct variety of beer styles catering to local tastes. The study further uncovers the regulatory and financial complexities of the Canadian market compared to the United States. (4) Based on these findings, this study provides strategic recommendations for brewing ingredient companies, emphasizing domestic logistics, local sourcing, product adaptation, educational support, and regulatory navigation, fostering success in the Canadian craft beer landscape.

Keywords: craft beer industry; brewing ingredient companies; regional differences; market analysis; Western Canada; Eastern Canada; United States; strategic recommendations; beer styles; local sourcing

1. Introduction

The craft beer market in Canada has experienced significant growth in recent years, with breweries springing up like hop vines from coast to coast. However, the brewing landscape differs considerably between Western and Eastern Canada, and between Canada and the United States, presenting unique challenges and opportunities for businesses in the industry. In this comprehensive article, we will examine the economic, logistical, and cultural differences between these regions, focusing on how the concept of Western Alienation impacts the craft beer industry and how regional economics can affect business practices. This article will also explore how brewing ingredient companies can adapt their business strategies to cater to the distinct regional characteristics and preferences of each market.

2. The Canadian Craft Beer Industry: An Overview

Canada's craft beer industry has seen a surge in growth and popularity in the past decade, driven by increasing consumer demand for local and unique beer offerings. In 2020, there were 1,123 craft breweries operating across the country, producing over 3.1 million hectoliters (hL) of beer [1]. The industry contributes significantly to the Canadian economy, generating billions of dollars in revenue and supporting thousands of jobs across the country [2].

While the overall craft beer market in Canada is thriving, there are noteworthy differences between the Western and Eastern Canadian markets. The following sections will explore these differences, examining the unique challenges and opportunities that each region presents for businesses in the brewing industry.

Section 2: Western Canada vs. Eastern Canada: The Economic, Logistical, and Ingredient Landscape

2.1. Western Canadian Craft Beer Market

The Western Canadian craft beer market comprises the provinces of British Columbia, Alberta, Saskatchewan, and Manitoba. This region has seen rapid growth in the number of craft breweries and the volume of beer produced in recent years [1]. In 2020, there were 397 craft breweries in Western Canada, producing approximately 1.5 million hL (approx. 1.3 million barrels or bbl) of beer [1].

One distinguishing characteristic of the Western Canadian craft beer market is its emphasis on locally-sourced ingredients. The region's unique terroir and agricultural resources allow for the cultivation of diverse, high-quality, locally grown ingredients, including barley, wheat, and hops [3]. This local focus enables Western Canadian breweries to create distinct beer styles that reflect the flavors and taste preferences of the region. Western Canada has a unique blend of urban and rural environments further emphasizes

Another notable aspect of the Western Canadian market is the prevalence of price sensitivity among consumers and breweries. This sensitivity can be attributed to several factors, including current economic conditions, competition, and a desire for domestic logistics options [7]. As a result, businesses operating in the Western Canadian craft beer market must navigate these price pressures and strike a balance between providing high-quality products and services and maintaining competitive pricing.

2.2. Eastern Canadian Craft Beer Market

The Eastern Canadian craft beer market includes the provinces of Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. Eastern Canada has a rich brewing history, with many breweries drawing inspiration from traditional European beer styles [4]. Consequently, Eastern Canadian breweries often prioritize the use of imported ingredients to create beers that reflect these European influences.

The Eastern Canadian market is also characterized by a more diversified economy compared to Western Canada, with significant financial, manufacturing, and service sectors [4]. This economic diversity can impact the purchasing power and preferences of businesses in the region, as well as their ability to invest in and grow their operations. Additionally, the Eastern Canadian market tends to have a higher concentration of craft breweries and more intense competition, which can influence business strategies and decision-making processes for breweries and brewing ingredient companies alike.

3. Cultural Differences: Western Alienation and its Impact on the Craft Beer Industry

Western alienation is a concept that refers to the perception that Western Canadian provinces have been marginalized within Canada's political and economic landscape, particularly in relation to the more populous and influential provinces of Ontario and Quebec [5]. This sense of regional identity and isolation can significantly impact the way businesses operate in the Western Canadian market, as consumers and breweries may prioritize companies that demonstrate a commitment to the local community and regional values [6].

In the context of the craft beer industry, Western Alienation can manifest itself in various ways, including a strong preference for locally-sourced ingredients, a focus on regional beer styles, and an emphasis on supporting local businesses and economies. For brewing ingredient companies looking to enter or expand in the Western Canadian market, understanding and addressing Western Alienation is crucial to building strong relationships with breweries and customers.

4. Adapting Business Strategies for the Western Canadian and Eastern Canadian Markets

Given the differences in economic, logistical, ingredient, and cultural landscapes between Western and Eastern Canada, brewing ingredient companies must adapt their business strategies to cater to the distinct regional characteristics and preferences of each market. The following strategies can help businesses navigate these differences and succeed in both markets:

4.1. Storage Space Constraints in Western Canadian Breweries

One critical factor that brewing ingredient companies must consider when expanding into the Western Canadian market is the limited storage space available in many breweries in the region. Unlike larger, established breweries in Eastern Canada and the United States, Western Canadian breweries tend to have smaller facilities with more limited storage capacity. This constraint can create logistical challenges for brewing ingredient companies, as they must balance the need to supply a wide range of ingredients to their clients while respecting the physical limitations of these smaller facilities.

Limited storage space can lead to more frequent ordering and delivery of ingredients, which may increase logistical costs and impact the overall efficiency of the supply chain. Additionally, breweries with limited storage capacity may be more price-sensitive, as they may not have the flexibility to store large quantities of ingredients and benefit from bulk discounts. As a result, brewing ingredient companies looking to cater to Western Canadian breweries must develop strategies to address these storage space constraints and ensure their clients have consistent access to the ingredients they need.

One approach is to establish local warehousing or distribution centers in key areas of Western Canada. By having nearby storage facilities, brewing ingredient companies can better manage inventory levels and ensure faster, more efficient delivery of ingredients to their clients. This approach not only helps to alleviate storage space constraints in Western Canadian breweries but also demonstrates a commitment to the regional market and fosters stronger relationships with local customers.

4.2. Local Ingredient Sourcing

As Western Canadian breweries often prioritize locally-sourced ingredients, brewing ingredient companies should explore partnerships with local farmers and suppliers to provide a range of regional ingredients [6]. In Eastern Canada, where imported ingredients are more highly valued, companies should ensure they have strong relationships with international suppliers to offer a diverse range of ingredients that reflect the European influences in the region's beer styles.

4.3. Adaptation of Product Offerings

Considering the unique beer styles and consumer preferences in both the Western and Eastern Canadian markets, brewing ingredient companies should adapt their product offerings to cater to these tastes [7]. This may include a focus on ingredients suitable for regional beer styles, such as lager and amber in Western Canada, and traditional European styles in Eastern Canada. Additionally, providing a range of pricing options can help address price sensitivity in both markets.

4.4. Market Education and Support

Given the relative youth of the craft beer market in Western Canada, brewing ingredient companies can provide valuable education and technical support to help breweries grow and succeed [8]. In Eastern Canada, where the market is more established and competition is intense, companies can differentiate themselves by offering advanced educational resources and support services to help breweries refine their craft and stand out in a crowded market. This may include offering workshops, training sessions, and resources on topics such as brewing techniques, ingredient selection, and quality control.

4.5. Navigating Regulatory Differences

While both Western and Eastern Canada fall under the same federal regulatory framework for alcohol production and distribution, there are variations in provincial regulations that can impact the operations of brewing ingredient companies [9]. Each province has its own liquor control agency and regulations governing the production, distribution, and sale of alcoholic beverages. Companies should invest in thorough research and compliance efforts to ensure their operations meet the requirements of each region's liquor control agencies and regulations.

5. Understanding Differences Between the United States and Canada

In addition to the differences between Eastern and Western Canada, brewing ingredient companies must also consider the unique characteristics and challenges of operating in Canada as compared to the United States. Although the two countries share many similarities, there are key distinctions in terms of market size, consumer preferences, and regulatory environments that can impact business operations and strategies.

5.1. Market Size and Consumer Preferences

The United States boasts a larger population and a more developed craft beer market than Canada, with over 8,000 breweries as of 2021 [8]. In contrast, Canada has around 1,110 breweries, with the majority concentrated in Eastern Canada [1]. As a result, brewing ingredient companies may need to adapt their strategies to account for the smaller, yet growing Canadian market.

Consumer preferences also differ between the two countries, with Canadian beer drinkers often favoring local and regional breweries and placing a high value on supporting their communities [6]. This preference for local products and a sense of regional pride may necessitate adjustments in ingredient sourcing, product offerings, and marketing strategies when operating in the Canadian market.

5.2. Regulatory Environment

The regulatory landscape for the brewing industry varies significantly between the United States and Canada. In the United States, federal regulations apply across the country, while state-level regulations can differ from one jurisdiction to another. In Canada, however, the regulatory environment is governed by provincial liquor control agencies, each with its own set of rules and regulations [9]. This can create additional complexities for brewing ingredient companies looking to navigate the Canadian market, as they must adapt to multiple layers of regulations and ensure compliance with each province's unique requirements.

5.3. Currency and Taxation Considerations

Operating in Canada also brings currency and taxation considerations into play. The Canadian dollar is weaker than the US dollar and its value varies on a daily basis, sometimes unpredictably. This volatility can impact pricing strategies and financial performance for American companies operating across the border, as net profits must take the dollar's value into account, making long-term strategic planning more precarious. Additionally, Canada has a national value-added tax called the Goods and Services Tax, with some provinces also imposing a Provincial Sales Tax or a combined Harmonized Sales Tax [10]. Additionally, each province and territory has its own taxation rate which can be a flat rate or based on volume or both. Understanding and managing these financial and taxation aspects is essential for brewing ingredient companies looking to expand or operate in the Canadian market.

In summary, brewing ingredient companies must recognize and adapt to the unique challenges and opportunities presented by the Canadian market, including differences between the Western and Eastern regions, as well as distinctions between Canada and the United States. By understanding and addressing these differences, businesses can develop effective strategies for market entry and expansion, ensuring long-term success in the North American craft beer landscape.

6. Applying These Principles to Other Industries

While this analysis has focused on the brewing ingredient industry, the principles discussed can be applied to a variety of other industries seeking to expand or operate in the Canadian market or other international markets. Understanding regional differences, market dynamics, and unique characteristics is essential for businesses to develop effective strategies and achieve long-term success. Below are some key takeaways that can be applied across industries.

6.1. Adapt to Regional Differences

Just as brewing ingredient companies must account for the differences between Western and Eastern Canada, businesses in other industries should also be mindful of regional disparities within their target markets. This may include differences in consumer preferences, local regulations, and infrastructure. Understanding and adapting to these regional nuances can help businesses tailor their offerings, marketing strategies, and logistics to better serve their customers.

As demonstrated by the differences between the Canadian and US craft beer markets, businesses in other industries should also be aware of the market size and consumer preferences in their target regions. By understanding the unique preferences and characteristics of their target customers, businesses can develop products and services that better cater to local needs, ensuring a higher likelihood of success.

6.2. Navigate Regulatory Environments

Just as brewing ingredient companies must contend with the varying regulatory landscape in Canada, businesses in other industries should also be prepared to navigate the unique regulations of their target markets. This may involve researching and understanding local laws, obtaining necessary permits and licenses, and ensuring compliance with regional regulations.

6.3. Manage Currency and Taxation Considerations

All businesses operating in other industries must also consider the implications of currency fluctuations and taxation when expanding into new markets. Understanding these financial aspects is crucial for businesses to make informed pricing and operational decisions, manage risks, and ensure profitability.

6.4. Collaborate with Local Partners

In many cases, partnering with local businesses or organizations can help companies better understand regional nuances and navigate the unique challenges of their target markets. These partnerships can provide valuable insights, resources, and support, making it easier for businesses to adapt and succeed in new markets.

By applying these principles across industries, businesses can better prepare for the challenges and opportunities presented by new markets, enabling them to develop effective strategies and achieve long-term success in their international expansion efforts.

7. Discussion

This paper has analyzed the growth trajectory of the craft beer industry in Western Canada, incorporating the multifaceted impacts of geography, tax policy, currencies, and industry trends. This investigation has provided several crucial insights and offers a comprehensive review of the industry's evolution and future potential.

Western Canada's geographical diversity, with its unique blend of urban and rural environments, has significantly shaped the craft beer industry. Widdis' notion of geographical identity [7] proves to be a valuable lens for understanding this dynamic. We've found that craft breweries often tap into regional cultures, incorporating local ingredients and narratives into their branding, thus, strengthening their consumer base.

The exploration of the effects of tax policies on the craft beer industry has been revealing. The 2023 GST/HST adjustments [10] underscore the economic weight that the government imposes on the industry. The possible implications of these policies on small breweries, in particular, could warrant further investigation, especially considering the regional disparities in economic development in Canada [1].

Industry trends data from both the Brewers Association [8] and Beer Canada [1] have provided invaluable context for understanding the growth patterns in the craft beer industry, most importantly documenting the increasing demand for craft beers, with a notable rise in the number of craft breweries [2]. These statistics reflect an apparent shift in consumer preferences towards more diverse and local beer products [8].

Simultaneously, this paper has highlighted some limitations. While I have explored the effects of geography and tax policy, other factors such as marketing strategies and regulatory barriers were beyond the scope of this paper. Furthermore, the reliance on data from industry and government sources [1,8,10] may inherently contain biases. Future research could broaden this perspective by incorporating primary research, such as surveys or interviews with craft brewers.

8. Conclusions

The craft beer market in Canada offers immense potential for growth and success, but understanding the distinct differences between the Western and Eastern Canadian markets and between Canadian and US markets is crucial for businesses looking to enter or expand in the industry. By recognizing and addressing the economic, logistical, ingredient, and cultural differences between these regions, brewing ingredient companies can develop effective strategies for market entry and expansion.

Key recommendations for businesses include establishing domestic logistics options, sourcing local ingredients, adapting product offerings, providing education and support, and navigating regulatory differences. By adapting their strategies to cater to the unique characteristics and preferences of the Western and Eastern Canadian markets, brewing ingredient companies can build strong relationships with breweries and customers, ensuring long-term success in the Canadian craft beer landscape.

In conclusion, this paper underscores the vibrant potential of the craft beer industry in Western Canada, defined by its regional character and resilience amidst policy challenges. As the industry continues to evolve, ongoing analysis of its trajectory will be vital, offering nuanced insights to craft brewers, policymakers, and consumers alike.

Funding: This research received no external funding

Institutional Review Board Statement: Not applicable for this study as it did not involve human or animal subjects.

Data Availability Statement: The data that support the findings of this study are available from the respective sources as cited in the reference list. These data were derived from the following resources available in the public domain: Beer Canada, Brewers Association, Canadian Malting Barley Technical Centre, Canadian Craft Brewers Association, Government of Canada, and Statistics Canada. The data generated and analyzed during the current study are included in this published article. Due to privacy and confidentiality agreements, some data used in this study are not publicly available but can be accessed upon reasonable request and with permission of the respective organizations. Please note that the raw, individual-level data supporting the conclusions of this article will be made available by the authors, without undue reservation, to any qualified researcher.

Conflicts of Interest: The author declares no conflict of interest. The authors collected, analyzed, interpreted the data, and wrote the manuscript. The views and opinions expressed in this paper are those of the author and do not necessarily reflect the official policy or position of any affiliated agency of the author.

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