BRITISH BEER

THE REPORT ON THE 2017 MEMBERS' SURVEY OF THE SOCIETY OF INDEPENDENT BREWERS

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THE SOCIETY OF SIBA INDEPENDENT BREWERS

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FOREWORD

By Mike Benner, Managing Director, SIBA

WELCOME TO THE LATEST BRITISH BEER REPORT

For the third year in a row, SIBA has teamed with Professor Ignazio Cabras from the Newcastle Business School at the University of Northumbria who has gathered and analysed the data from our annual Members' Survey to produce this report. As a leading economist, Professor Cabras brings a wealth of expertise in the sector and has taken great strides to improve the methodology of the research to ensure it is robust.

This year we received a record 493 responses from our members, a 13% increase on last year. Thank you to every member who took the time to complete the survey. This clearly enables us to deliver a detailed and reliable insight into the independent brewing sector.

According to our respondents, they will have produced over 299 million pints, estimated to be 527 million pints for all SIBA members or nearly 3 million hectolitres (hl) in 2016. This represents a 13.7% increase in the period 2013-2016, which is an impressive achievement given that, the UK beer market has been in long-term decline and recent signs of stability remain fragile. Britain's beer drinkers continue to demand craft-brewed beer that offers quality, excitement and a range of flavours and styles in cask, keg, bottle and can.

SIBA continues to represent a diverse membership, but our biggest category continues to be those brewing under 1,000hl. It is important that SIBA as a trade association supports these members with relevant initiatives, business advice and support in the future, so that these businesses continue to meet the demands for local beer from their local communities. 65% of our members' beer is sold within 40 miles of the brewery.

A new section in this year's survey highlights the important role independent breweries play in their communities. A staggering 84% of breweries surveyed said they supported local charities, with 27% donating over £1,000 a year and 6% highlighting they raised more than £5,000 in the last 12 months. Whilst we all raise money to benefit those charities close to our hearts, it is important for SIBA to raise the awareness of the good things independent breweries do in local communities. It is quite clear that, like pubs, brewers are embedded in their communities.

SIBA members also create plenty of local jobs with 71% of brewers expecting to recruit at least one new employee in the next 12 months. This equates to just under 1,000 new jobs being created by SIBA members in the next year. It is also important to see that our industry is also investing in young people with more than one in ten employees aged between 16-24. A number of our members offer apprenticeships and hopefully these people will become the future brewers of Britain.

It is because of this local support that SIBA will launch a new 'Brewers in the Community' initiative in the spring. SIBA will work closely with members on a number of projects to inform communities and politicians of the excellent work independent brewers are doing in their local area. We hope this work will encourage more people to drink local beer in local pubs and encourage MPs to support independent brewers in their constituencies.

Cask ale is by far the most prominent category for our members at 74% of production and this is likely to be the case for many years to come. However, it is interesting to see that 37% of respondents are now selling some craft beer in keg, which is a significant increase on the 27% reported in last year's survey. This is an important trend and one to celebrate. Great beer transcends format and the opportunity to continue to provide a unique selling point for pubs through cask ale alongside pushing beer of excellence deeper into the off-trade and into hospitality outlets such as hotels, clubs and restaurants is clear. The opportunities for independents' beer is no longer restricted by format and that fact alone presents an exciting albeit challenging future for our members.

64% of SIBA members expect their turnover to increase in 2017 and 1 in 3 breweries will invest £50k or more in their businesses, mainly expanding beer production, modernising equipment and enlarging current premises. However, SIBA as a trade association cannot be complacent as there are a large number of breweries in Britain currently competing for trade in a restricted marketplace where routes to market for small brewing businesses are limited. Not all members are as optimistic about the future and it is important SIBA supports members in building their businesses and improving sales. Improving access to market is critical for the sustainability of the sector.

Duty cuts and Small Breweries' Relief (SBR) continue to be critically important issues for members with most using the savings to invest in more capacity and new equipment. 77% say SBR at current levels is 'extremely' or 'very important' to their business and a further 7% consider it 'important'.

It was very interesting to see that members have highlighted how they value SIBA's lobbying as a more important membership benefit than in previous years. The majority of members indicate SIBA's campaign for the retention of Small Breweries' Relief (Progressive Beer Duty) as an extremely important activity.

Finally, the survey has highlighted a positive attitude towards increasing quality training for employees and that this should be led by SIBA. We have had a number of detailed conversations with an experienced training partner and hope to have some exciting news for you all in the near future.

2017 will undoubtedly bring many challenges to our members in a very competitive marketplace and SIBA will continue to focus on providing the right levels of support for our professional brewing business members of all sizes while campaigning for market conditions and policies to enable them to thrive.

Happy Brewing!

Mike Benner

Managing Director

March 2017

EXECUTIVE SUMMARY

CONTINUING TO IMPROVE OUR SURVEY TO BUILD FOR THE FUTURE:

- Our new methodology now applied for three consecutive years
- Eight key themes on member breweries, production, beers, employment, business activity, investments & future plans, involvement within community and society, and SIBA membership
- 497 responses to the survey
- 344 valid responses – around 41% of SIBA membership
- Strong statistical reliability

BREWERIES AND BEER PRODUCTION:

- SIBA Membership now stands at 840 brewing members
- Over 299 million pints produced by respondents is estimated to translate to 527 million pints by SIBA members , nearly 3 million hl in 2016.
- Beer production continued to increase in 2016, registering a 13.7% increase in the period 2013-2016, compared to 5.7% 2011-12 and 8.5% 2012-13.
- Nearly half of respondents brew less than 1,000hl.
- Keg proportion of production continued to grow in 2016, and it is expected to increase further in 2017.
- 37% of members are now selling some craft beer in keg, up from 27% in 2015.
- Cask production now at 74% of total production.
- More kegged beers – proportions related to these type of packaging all expected to increase in 2017.
- Majority of respondents brew more than 10% of production as bottled or canned beer
- Average beer strength is 4.2% ABV.
- Golden ales are the most produced beer style – 87.6% of respondents brew at least one, followed by stout/porter– 80.2%.
- 34% of members still brew a traditional mild, while 28% brew a lager.
- Most brewers produce between four and six regular brands.
- 92% of respondents brew seasonal beers.

JOBS:

- 71% of brewers expect to recruit at least one new employee in the next 12 months.
- Estimated 980 new jobs to be created by members next year.
- On average 5.5 full-time and 1.9 part-time staff are employed by members.
- One in five employees among surveyed breweries are female.
- Three in four jobs are full-time.
- Good spread of ages in employment – half are aged 24-45, with nearly 40% aged below 34 and 17% aged over 55.
- Investing in young people - more than one in ten employees are aged 16-24.
- Strong impact on local employment – over a third live in the same town or village as their brewery with a further 30% living within five miles.
- Survey indicates a steady increase of both full-time and part-time jobs for the period 2012-16.

GROWTH:

- 64% of respondents expect their turnover to increase in 2017.
- One in three forecast over 10% growth in annual turnover in 2017.
- 35% of respondents achieved an annual turnover between £50K-£250K in 2016.
- One in six expect a decline in annual turnover in 2017.
- Respondents took on 33 pubs in 2016 indicating 19 acquisitions across SIBA's membership.
- 55% of production is supplied to free-trade pubs, with 13% going to controlled pubs.
- 65% of beer is sold within 40 miles of the brewery.
- 23.5% of respondent brewers now export their beers.
- 60.7% of brewers approached are interested in exporting their beers.
- Half of surveyed breweries rented containers to deliver their production in 2016.

INVESTMENT:

- Most breweries made capital investments in 2016.
- 22% invested more than £50K in 2016, and 10% investing more than £100K.
- Bulk of investments were in expanding beer production, modernising equipment and to enlarge current premises.
- Duty savings and Small Breweries' Relief continue to be mainly used for more capacity and new equipment.
- Only 12% of respondents used duty benefits to discount beers.
- Training remains very important to members – 77% intend to invest in staff training in the future and three in four are interested in a SIBA-led training scheme.
- Small Breweries' Relief at current levels is essential to the future – 77% say it is either 'extremely' or 'very important' to their business and a further 7% consider it 'important'.
- Almost one out of six breweries plan to double their current levels of production, sales and turnover by 2018.

IMPACT ON LOCAL COMMUNITY:

- Most breweries run a shop and a tap bar on site, with one in ten having a visitor centre.
- 84% indicated their relationship with the local community as 'important' or 'extremely important', with only 4% considering this relationship as 'not important'.
- The vast majority of surveyed breweries supported at least one charity in the past 12 months, with about half supporting more than five charities in 2016.
- One in four breweries donated or raised more than £1,000 for charities in 2016.

[4]Excludes associate members of SIBA

SIBA
MEMBERSHIP

- Majority of members indicate SIBA's campaign in defence of Small Breweries' Relief and Progressive Beer Duty as an extremely important activity.
- Political lobbying by SIBA on behalf of small breweries is also considered very important.
- Organisation of beer festivals and competitions are considered valued initiatives by members.
- Results support SIBA's new strategies to build improved member benefits including campaigning, beer competitions, improved communications, training provision and quality auditing.

THE SOCIETY OF SIBA INDEPENDENT BREWERS

1. INTRODUCTION

KEY POINTS

- Same statistical methodology applied in the previous two years to deliver full-year results for 2016.
- Eight key themes covering member breweries, production, beers, employment, business activity, investments & future plans, involvement within local community and society, and SIBA membership.
- 497 responses to the survey.
- 344 valid responses – around 41% of SIBA membership.
- Strong statistical reliability.

The researchers used a questionnaire to collect the relevant information to conduct their analysis and prepare this report. The questionnaire template was similar to those as that used in 2014 and 2015. Having a similar template implemented for data collection for three consecutive years enhances both the level of consistency of the data analysis and the reliability of the results.

The questionnaire for this annual report was developed and finalised between October and November 2016. This exercise involved several exchanges between researchers and SIBA officers with regards to the content of the survey; however its structure remained mostly unchanged. For the purposes of this report, the questionnaire framework comprised of eight sections associated with specific domains related to the members' activities, operations and relationship with SIBA. The eight sections were named as follows:

1) YOU AND YOUR BREWERY;

2) YOUR BEER PRODUCTION;

3) YOUR BEERS;

4) YOUR EMPLOYEES;

5) YOUR BUSINESS ACTIVITY;

6) YOUR CURRENT INVESTMENTS AND FUTURE DEVELOPMENTS;

7) YOUR INVOLVEMENT WITH COMMUNITY AND SOCIETY;

8) YOU AND SIBA.

The first section aimed to gather information related to the surveyed businesses, their owners/managers, and their respective locations and length of membership. The second section examined levels of production accounting for cask, kegs, bottled and canned beer. The third section explored the types of beer styles brewed by members. In particular, questions aimed to specify the level of ABV associated with bestselling beers, the number of regular brands supplied by members and the number of seasonal beers produced in 2016. The fourth section focused on the level of employment generated by surveyed members. Questions aimed at capturing levels of full-time and part-time staff, employees' ages and their residence in relation to the location of their employers, personnel holding relevant qualifications and provision of training. The fifth section investigated the members' annual turnover and current routes to markets. The sixth section examined capital investments made in 2016 and members' plans for future expansion and development. The seventh section explored the relationship between breweries and their local community, examining their involvement with charities. Finally, the eighth section explored and examined members' benefits and services provided by SIBA and how members rank the importance of these benefits and services. This final section of the questionnaire comprised a list of 24 items for respondents to evaluate and rank, with an open-ended question inserted to allow respondents to identify and expand on any other issue members considered important, that was not included in the list.

The questionnaire was aimed at identifying various aspects and issues associated with members' business activities. More specifically, the survey served to identify the main attributes of SIBA members and to map the spatial patterns related to brewing operations and brewers' markets.

A total of 497 responses were received, of which 85 were duplicates (provided by the same respondents). This response rate is an impressive increase compared to totals gathered in the two previous surveys (323 and 436 collected for 2014 and 2015 surveys respectively). A more detailed inspection of the remaining 412 responses identified 344 responses as 'valid', providing an appropriate level of data and information in relation to all the sections of the survey. Valid responses accounted for 69.2% of the total responses received, and 41.0% of total SIBA memberships. Both the number of valid responses and the proportion of members taking part in the survey reflect an increased involvement of members with the survey compared to previous years (+12.5% and +6.1% respectively).

Several statistical tests were conducted in order to evaluate the quality and reliability of the responses captured for each section of the questionnaire. Results confirmed the good quality of data and information gathered across sections and within the questionnaire overall.

Table 1.1 analyses responses by location. The rates of responses vary by location from 32% of Welsh membership, to nearly 60% of West Midlands' members participating. Differences in proportions indicate very little variation between groups weighted using total membership and groups using survey responses as their basis respectively, although memberships from the East Midlands appear to be slightly over-represented, and membership from the South East of England slightly under-represented with regard to gathered responses.

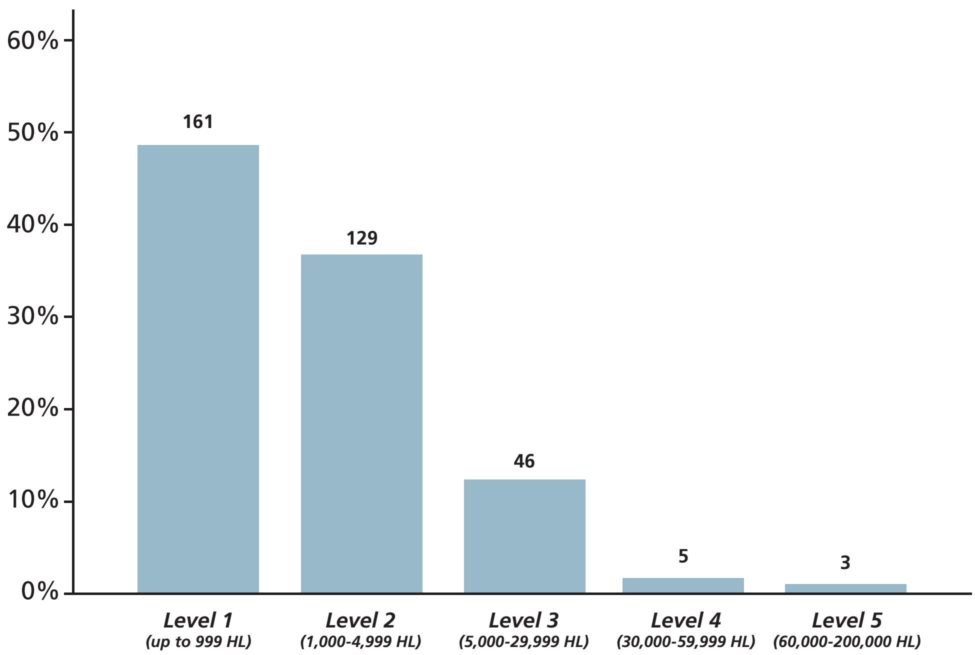
Figure 1.1 shows that nearly half of respondents (47%) are categorised as Level 1 SIBA members; 37% categorised as Level 2; 13% categorised as Level 3; and the remaining categorised as Level 4 and Level 5 (1.5% and 0.8% respectively).

Table1.1: Responses analysed by location and proportions

Regions	Members 2016	Members proportions	Survey 2016	Survey proportions	Members/survey proportions	Differences in representation
East Midlands	89	10.6%	42	12.2%	**47.2%**	1.6%
East of England	49	5.8%	23	6.7%	**46.9%**	0.9%
London	46	5.5%	20	5.8%	**43.5%**	0.3%
North East	29	3.5%	12	3.5%	**41.4%**	0.0%
North West	114	13.6%	45	13.1%	**39.5%**	-0.5%
South East	133	15.8%	46	13.4%	**34.6%**	-2.4%
South West	115	13.7%	45	13.1%	**39.1%**	-0.6%
West Midlands	70	8.3%	40	11.6%	**57.1%**	3.3%
Yorkshire and the Humber	101	12.0%	35	10.2%	**34.7%**	-1.8%
Scotland	52	6.2%%	23	6.7%	**44.2%**	0.5%
Wales	40	4.8%	13	3.8%	**32.5%**	-1.0%
Northern Ireland	2	0.2%	-	-	-	-
Total	**840**	**100%**	**344**	**100%**	41.0%*	

*Average

Figure 1.1: Surveyed breweries by types of membership (counts)



2. DATA ANALYSIS

Photograph: Andy Fallon

KEY POINTS

- SIBA Membership now stands at 840 brewing members
- Over 299 million pints produced by respondents is estimated to translate to 527m pints by SIBA members, or nearly 3 million hl in 2016.
- Beer production continued to increase in 2016, registering a 13.7% increase in the period 2013-2016, compared to 5.7% in 2011-12 and 8.5% in 2012-13.
- Nearly half of respondents brew less than 1,000hl.
- Keg proportion of production continued to grow in 2016, and it is expected to increase further in 2017.
- Cask production is now 74% of total production.
- 37% of members are now selling some craft beer in keg, up from 27% in 2015.
- More kegged beers – proportions related to these type of packaging are expected to increase in 2017.
- Majority of respondents brew more than 10% of production as bottled or canned beer.

2.1 Your Beer Production

Levels of beer production provided by respondents indicate a cumulative total of 1,70 million HL. This equates to roughly 299 million pints produced by respondents, and translates to approximately 527m pints brewed by SIBA members. **Table 2.1** illustrates levels of productions for the past six years. There is some variation in terms of hectolitres (HL) produced among the five membership categories, although data shows a relative pattern of growth as shown in **Figure 2.1**.

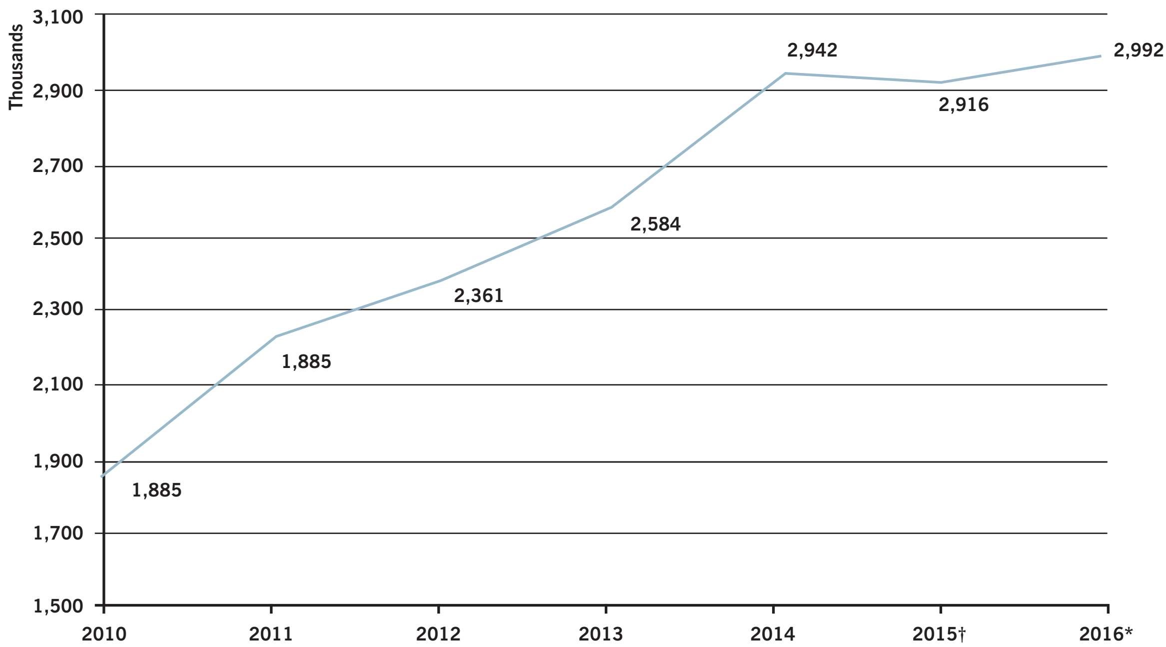
Table 2.1: 2010-2015 Production levels by membership[3] (HL)

	2010	2011	2012	2013	2014	2015†	2016*
Level 1	96,174	114,926	124,026	152,527	162,378	286,310	265,637
Level 2	421,638	447,752	514,381	613,123	681,302	669,092	804,172
Level 3	673,268	773,106	847,667	851,978	919,851	906,288	973,012
Level 4	206,617	221,596	222,959	317,250	438,257	314,533	241,792
Level 5	487,356	677,105	652,105	649,314	739,790	739,348	707,567
Totals	1,885,053	2,234,485	2,361,138	2,584,192	2,941,580	2,915,571	2,992,180

*†based on actual amounts; *estimated on full year amounts*

[3]SIBA Membership levels are as follows: Level 1 – up to 999HL; Level 2 – 1,000-4,999 HL; Level 3 – 5,000-29,999 HL; Level 4 – 30,000-59,999 HL; and Level 5 – 60,000-200,000 HL.

Figure 2.1: Production totals 2010-2016 (HL)

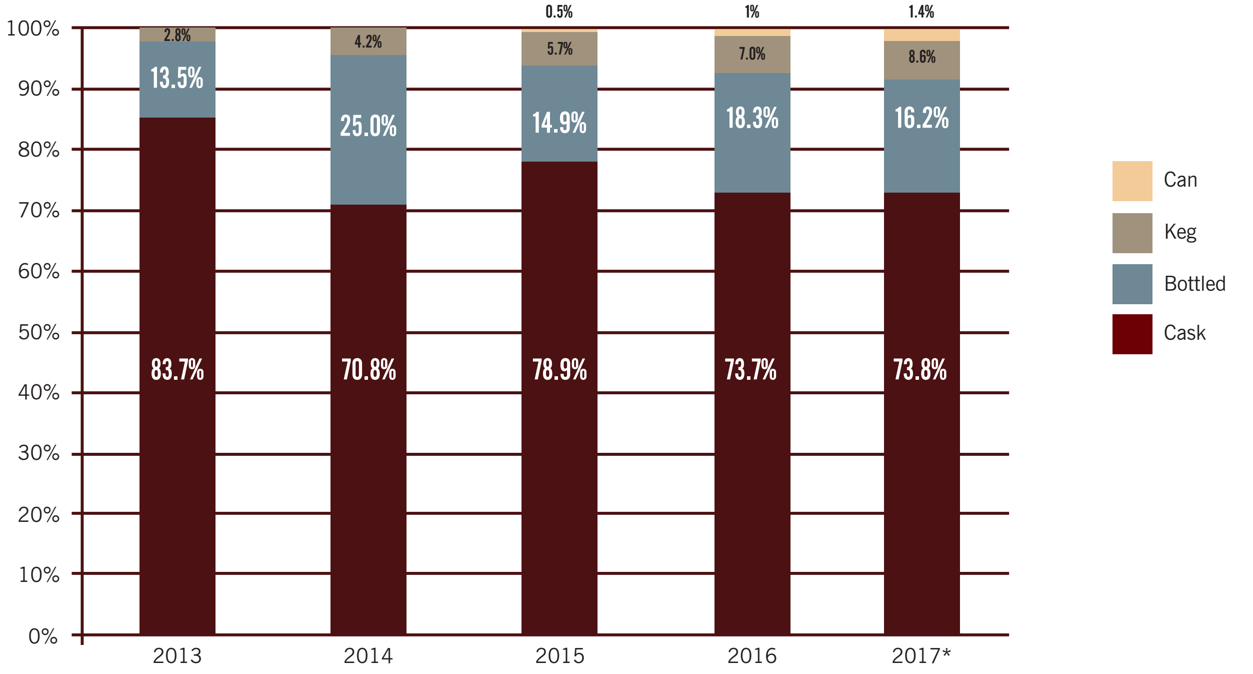


*Estimated; †based on actual amounts

Figure 2.2a compares levels of production in 2016 with those estimated in the 2013, 2014 and 2015 surveys and those forecasted for 2017. These results reveal a steady increase in the total hectolitres and in the amount of kegged and canned beer produced over the period 2013 to 2016. As shown in **Figure 2.2b**, in 2016 bottled beers represented an important part of production for Level 5 members (nearly 21%), although the majority of respondents report that 10% of their production is of bottled or canned beer. Most of the beer produced by Level 1, Level 2 and Level 4 members remains predominantly cask (on average 80% of total production), while Level 3 and Level 5 members indicate a relatively higher production of kegged beers compared to other members.

Beer production has been investigated in relation to ABV. **Figure 2.3a** shows findings gathered by crossing proportions of total production with three ABV range intervals: between 2.9% and 3.4%; between 3.5% and 4.2%, and between 4.3% and 6.0%. The latter two range intervals define the average strength of the vast majority of beers produced by surveyed breweries in 2016. These numbers are consistent with those reported in the 2015 survey. Two breweries indicate more than 40% of their production is allocated to beers with a 2.9-3.4% ABV (one less compared to last year), but one indicates above two thirds of its production allocated to these beers; while ten breweries report that beers with 4.3-6.0% ABV account for more than 90% of their total production.

Figure 2.2a: Proportions of beer production according to packaging (2013-2017)



*Estimated

Figure 2.2b: Total 2016 production by packaging accounted for surveyed members

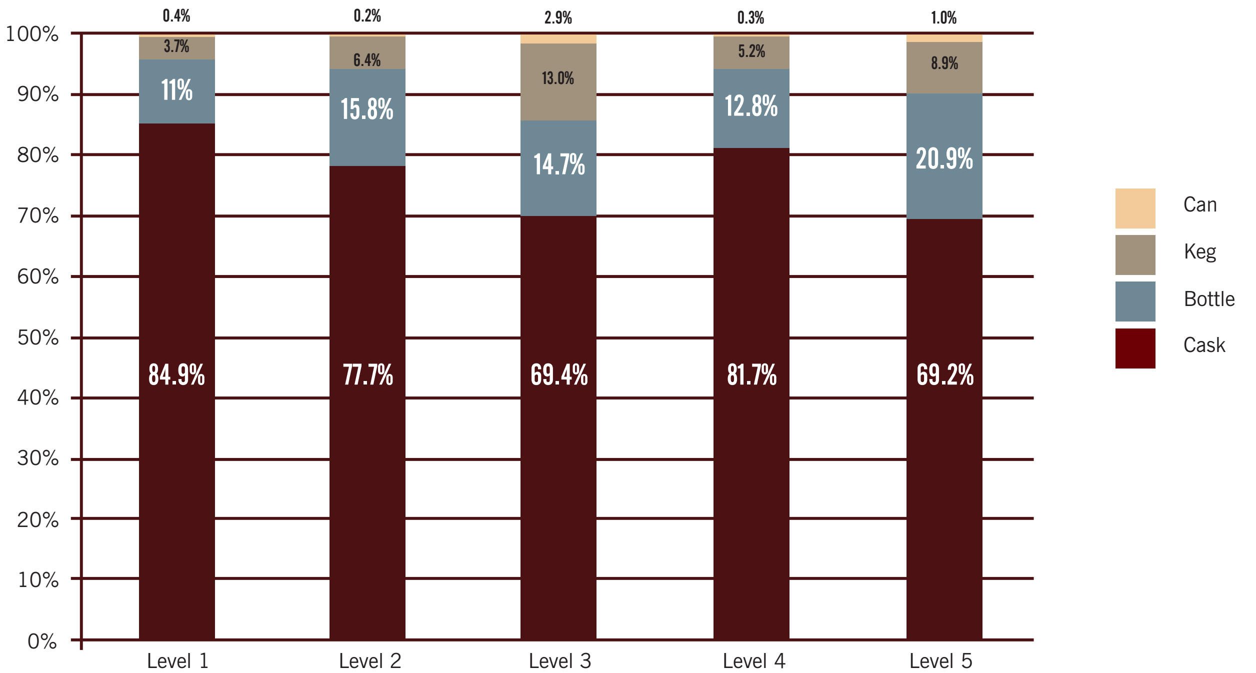
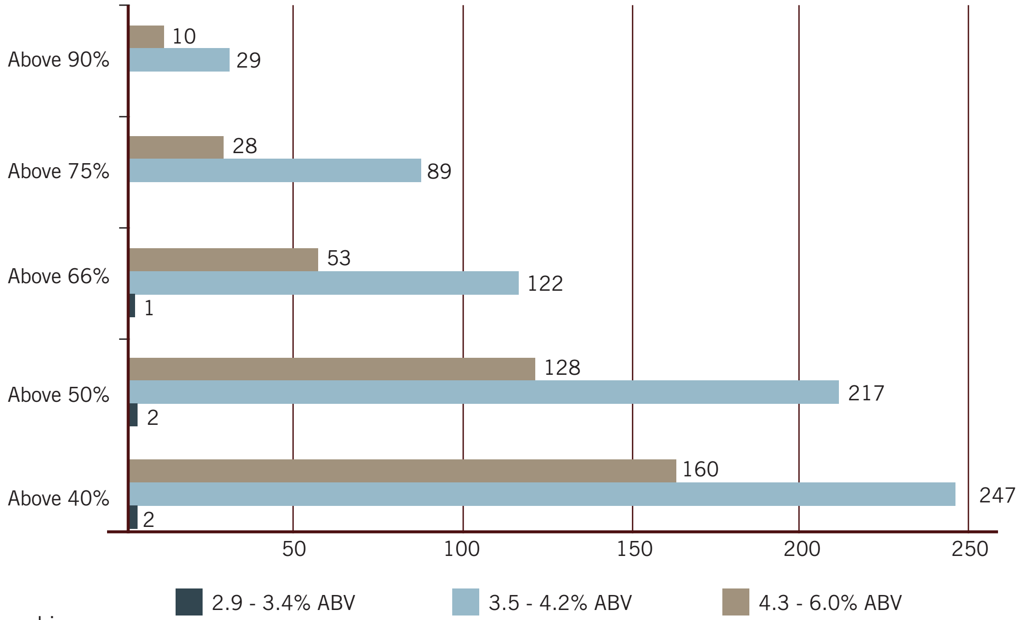


Figure 2.3a: Production levels by ABV (count of respondents on top of bars)



The other two ABV range intervals used in the questionnaire, 'Up to 2.8%' and 'Above 6.0%', provided contrasting responses. On the one hand, 13 breweries reported brewing low-alcohol beers, seven more compared to findings from the previous two surveys. In particular, in the previous 2015 survey, the production of low-alcohols beers accounted for less than 5% of the total production, with only one brewery reporting that low-alcohol beer accounted for 10% of its total production. On the other hand, 145 breweries reported brewing beers with an ABV higher than 6.0%, which accounted for more than 20% of the total production in 14 cases (nine more compared to findings from the 2015 survey), as shown in **Figure 2.3b**.

Finally, **Figure 2.4** reports the percentages of hops grown in the UK and used by surveyed breweries in 2016. The majority of breweries (57%) reported that up to half of the total hops they used were grown in the UK, with 22 breweries indicating they used only British hops for brewing. Conversely, just 3% of respondent breweries indicated using only imported hops for their production.

Figure 2.3b: Share of total brewery production allocated to beers with ABV above 6% (count=145)

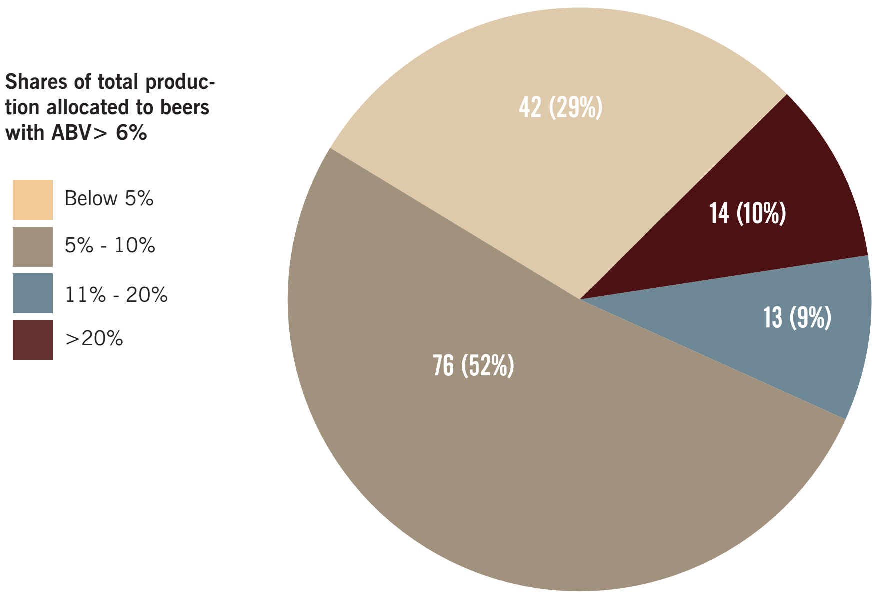
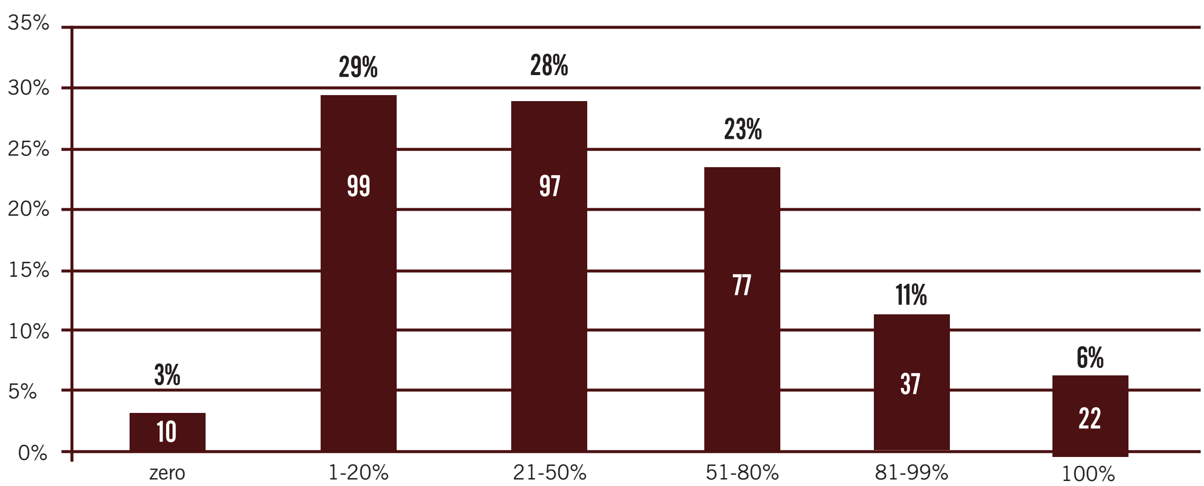


Figure 2.4: Percentage of hops grown in the UK and used by surveyed breweries for their production (counts in bars)



2.2 Your Beers

Surveyed breweries were asked to indicate the strength of their bestselling draught beer in 2016. The histogram in **Figure 2.5** shows an average of 4.2% ABV, with the bulk of respondents concentrating around this ABV value and one in three surveyed breweries indicating an ABV above 4.2% for their bestselling beers.

Table 2.2 presents the beer styles brewed on regular basis by surveyed breweries. Similar to the survey conducted in 2015, a large proportion of respondents regularly produce Golden Bitter/Ale beers (82.6%), stout/porters (80.2%), traditional bitter ales, strong bitter IPAs (77.3%) and traditional bitter ales (69.9%).

The percentages of breweries indicating lower alcohol beer and gluten free beer in regular production have increased compared to amounts reported in the previous survey (+1.6% and +2.7% respectively). Interestingly, the presence of craft keg beer has registered an impressive growth since 2015, with more than one in three surveyed breweries now brewing it on a regular basis.

Surveyed breweries provided numbers related to regular brands and seasonal beers brewed. More than 87% of respondents indicated having more than four different brands regularly brewed at their premises (**Figure 2.6a**). A third of respondents reported having at least seven different brands in regular production. These results indicate an expansion in the average beer-portfolio of surveyed breweries. Engagement with seasonal or 'one-off' beers also remains significant (**Figure 2.6b**). More than 90% of respondents engaged in brewing seasonal products in 2016, with nearly one out of three having brewed more than ten seasonal beers in the period under review and only 28 breweries (about 8%) which did not brew any seasonal beers.

KEY POINTS

- Average beer strength is 4.2% ABV – session beers are still leaders.
- Golden ales are the most produced beer style – 87.6% of respondents brew at least one, while 80.2% brew stout/porter.
- 34% of members still brew a traditional mild, while 28% brew a lager.
- Most respondent brewers produce between four and six regular brands.
- 92% of respondents brew seasonal beers.

Table 2.2: Types of brands and seasonal beers*

Beer Styles	Percentage	Beer Styles	Percentage
Pale golden bitter/golden ale	87.6%	Strong mild/old ale	23.9%
Stout/porter	80.2%	Strong ale/barley wine	20.6%
Strong bitter/IPA	77.3%	Local ingredients beer	18.6%
Traditional brown/copper/amber bitter	69.9%	Foreign-style ale	18.3%
Bottle-conditioned beer	39.2%	Unfined cask beer	18.0%
Speciality-ingredient beer	38.1%	Themed series of beers	18.0%
Special hop beer (e.g. single variety, green)	36.6%	Wheat beer	17.4%
Craft keg beer	35.4%	Super-premium bottled beer	14.2%
Traditional mild	33.6%	Gluten-free beer	4.4%
Lager-style beer	28.3%	Lower alcohol beer (<2.8%abv)	2.9%

**Percentages calculated on total responses per category*

Figure 2.5: Average ABV for bestselling beers

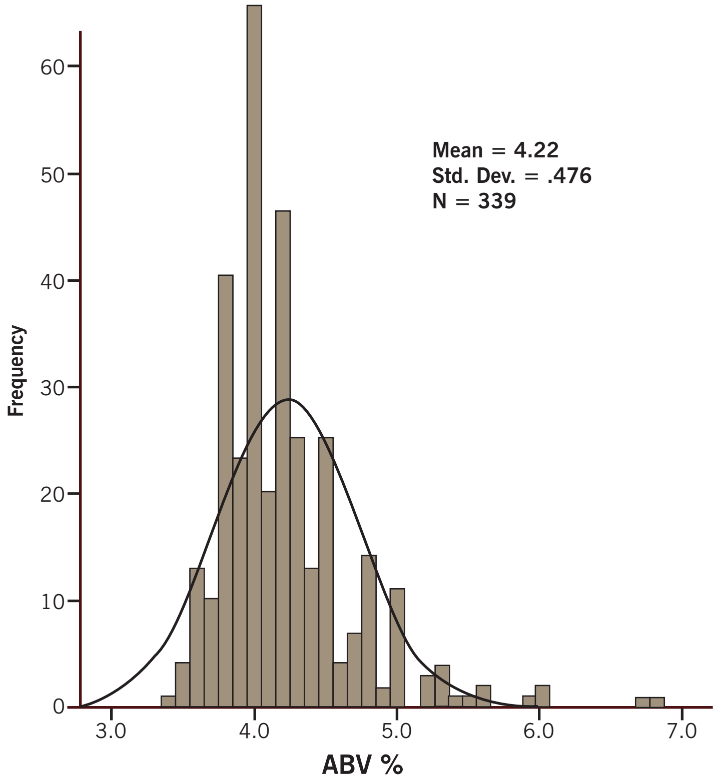


Figure 2.6a: Production of regular beers

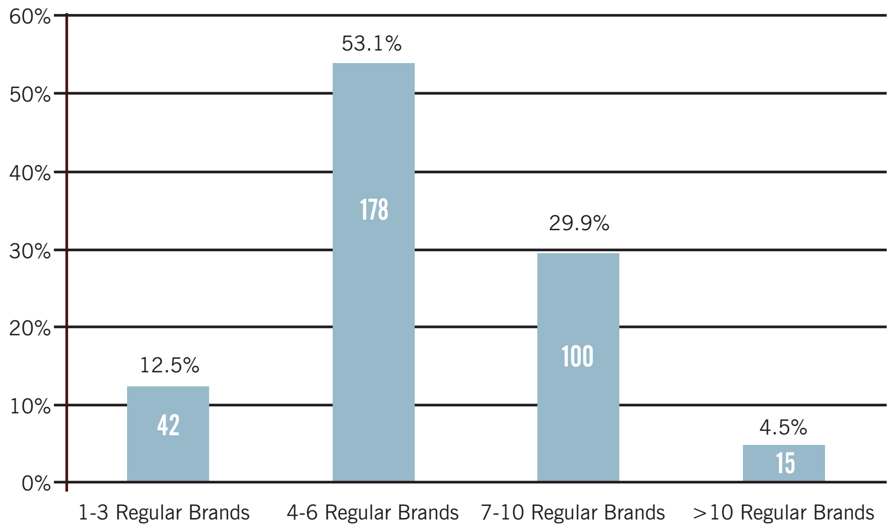
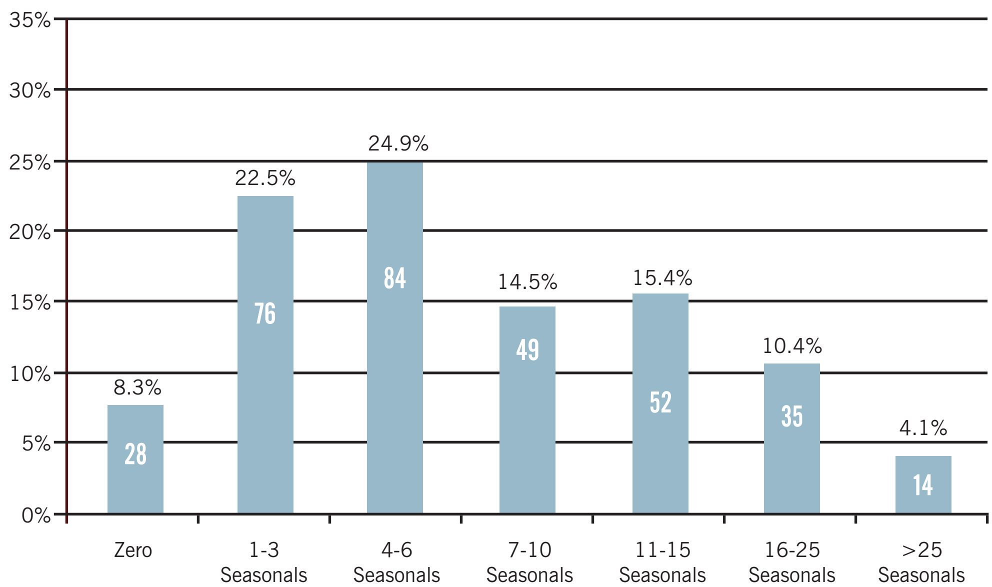


Figure 2.6b: Production of seasonal beers



2.3 Your Employees

The total workforce captured by the 2017 survey comprised 2,376 staff employed in the participating breweries. As shown by Figure 2.7a, 75% are full time employees (equivalent to 1,767 people), with men representing approximately four out of five employees. **Figure 2.7b** reports cumulative totals of employees by type of membership. Average hours accounted for part-time employment are reported by **Figure 2.8.** Nearly half of part-time employees work between 10 and 20 hours per week, and 27% working above 20 hours. One in four part-time employees works for less than 10 hours per week.

Figure 2.9 classifies employees by age bands and proximity of residence to their employer brewery. Nearly half of the employees surveyed in 2016 are aged between 25 and 44. Employees aged below 34 continues to increase compared to previous survey (39.2% versus 37.2% and 33.7% in 2015 and 2014 respectively, a cumulative increase of +5.5%). The number of employees aged 55 years and above outnumbers the number of employees aged 16-24 years. This indicates a moderate increase from last year, with the difference slightly increased compared to last year. More than one in three workers live in the same town or village of the brewery, with the majority of employees living within five miles of their brewery.

The data confirms the importance of breweries in terms of impact on local employment. The results presented in **Figure 2.10** further demonstrate the importance of this relationship. For the third consecutive year, the vast majority of breweries plan to expand their staff within the next twelve months, with more than one in three breweries planning to recruit two or more new employees, and 7% planning to recruit four or more new employees. This positive trend is confirmed in **Figure 2.11**, which depicts the employment trend from a subsample of 30 breweries for which data was available for the period 2012 to 2016. These results present a general pattern of consistent growth for both full-time and part-time employment, with numbers increasing 35% for full-time staff and 56% for part-time staff for the period under review. Estimates based on recruitment plans and planned investments for 2017 expressed by respondent breweries indicate that 980 new jobs will be created next year by SIBA members.

KEY POINTS

- On average 5.5 full-time and 1.9 part-time staff employed by members, full-time average increasing from previous surveys (2014 and 2015).
- One in five employees among surveyed breweries are female.
- Three in four jobs are full-time.
- Good spread of ages in employment – half are aged 24-45, with 40% aged below 34 and 17% aged over 55.
- Investing in young people - more than one in ten employees are aged 16-24.
- Strong impact on local employment – over a third of employees live in the same town or village of their employer brewery, with a further 30% living within five miles.
- 71% of brewers expecting to recruit at least one new employee in the next 12 months.
- Survey indicates an impressive increase for both full-time and part-time jobs for the period 2012-16.

Figure 2.7a: Surveyed workforce by type of contract and gender

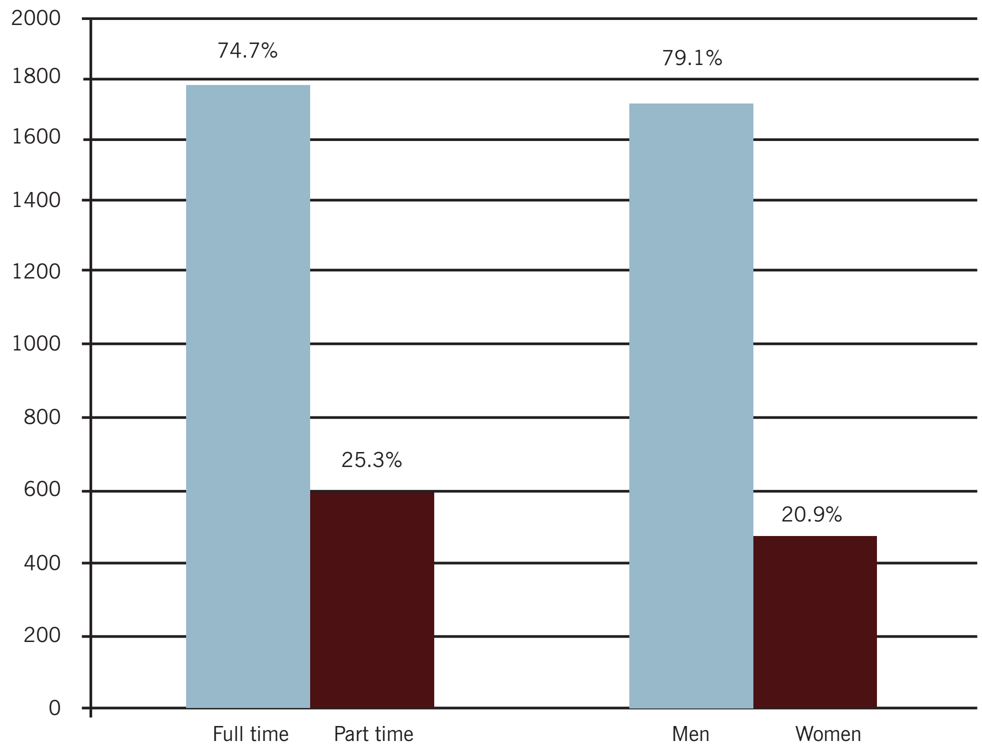


Figure 2.7b: Surveyed workforce by type of membership

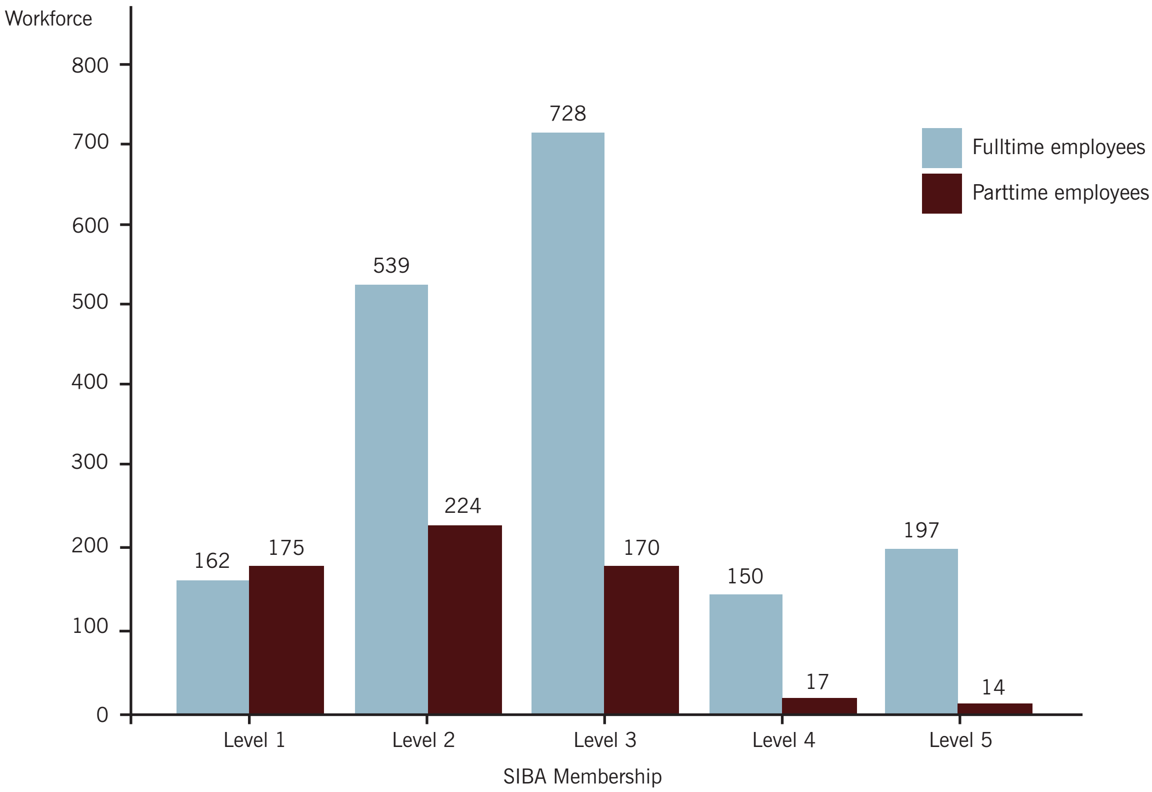


Figure 2.8: Proportions of part-time employment by working hours per week

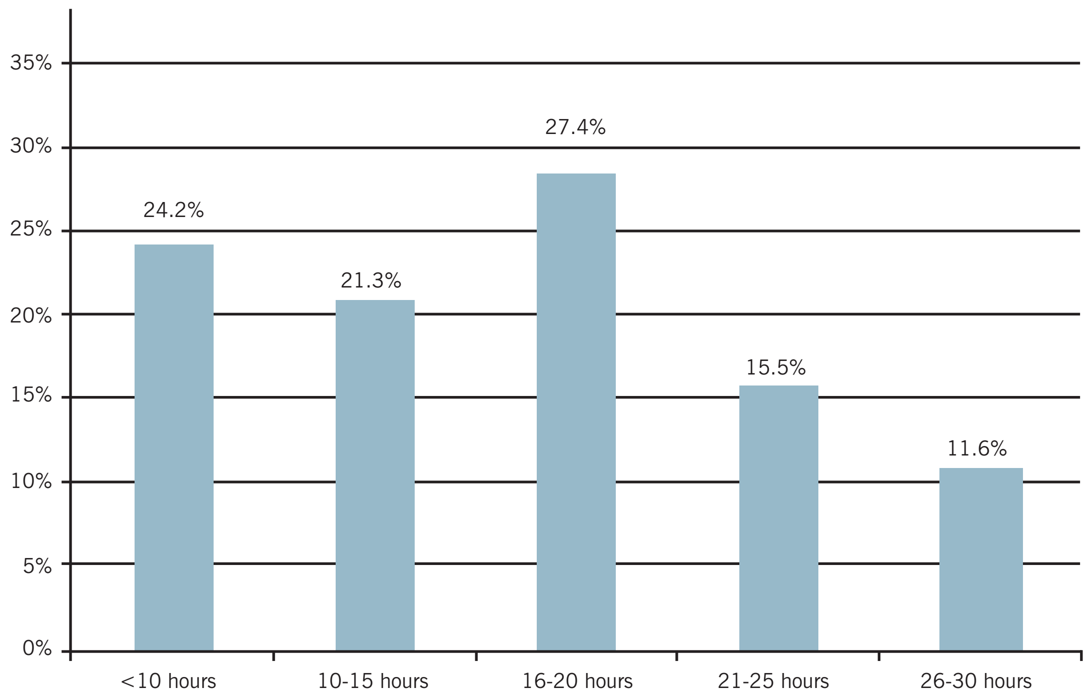
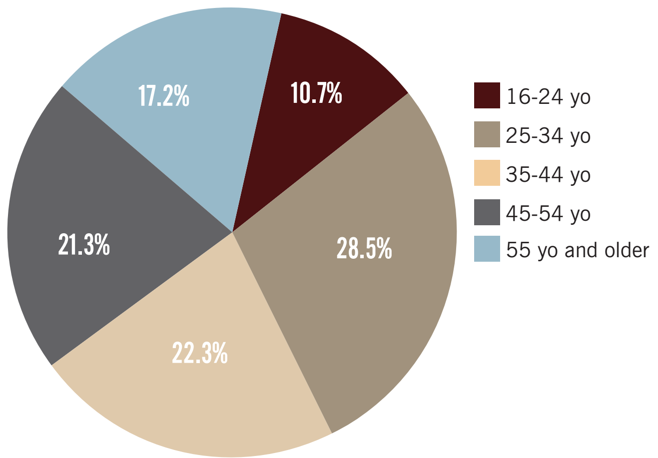


Figure 2.9 Workforce categorised by age bands and place of living.



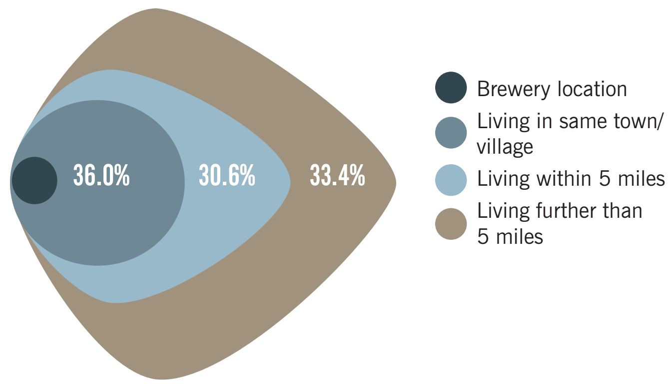


Figure 2.10: Recruitment plans of surveyed breweries for the next 12 months

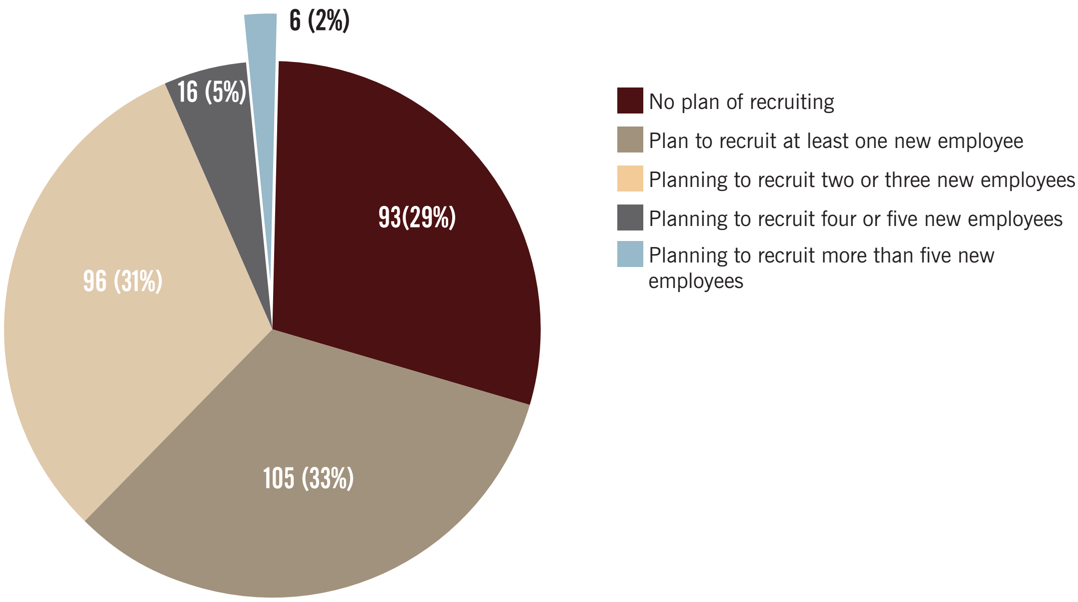
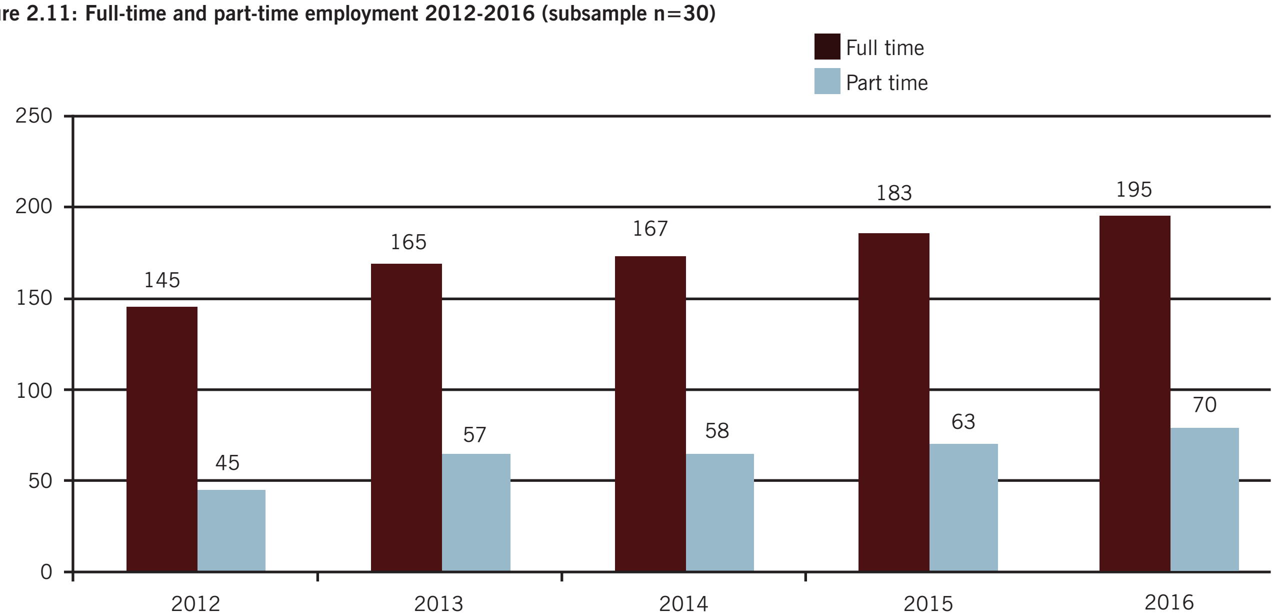


Figure 2.11: Full-time and part-time employment 2012-2016 (subsample n=30)

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BREWERY

2.4 Your Business Activity

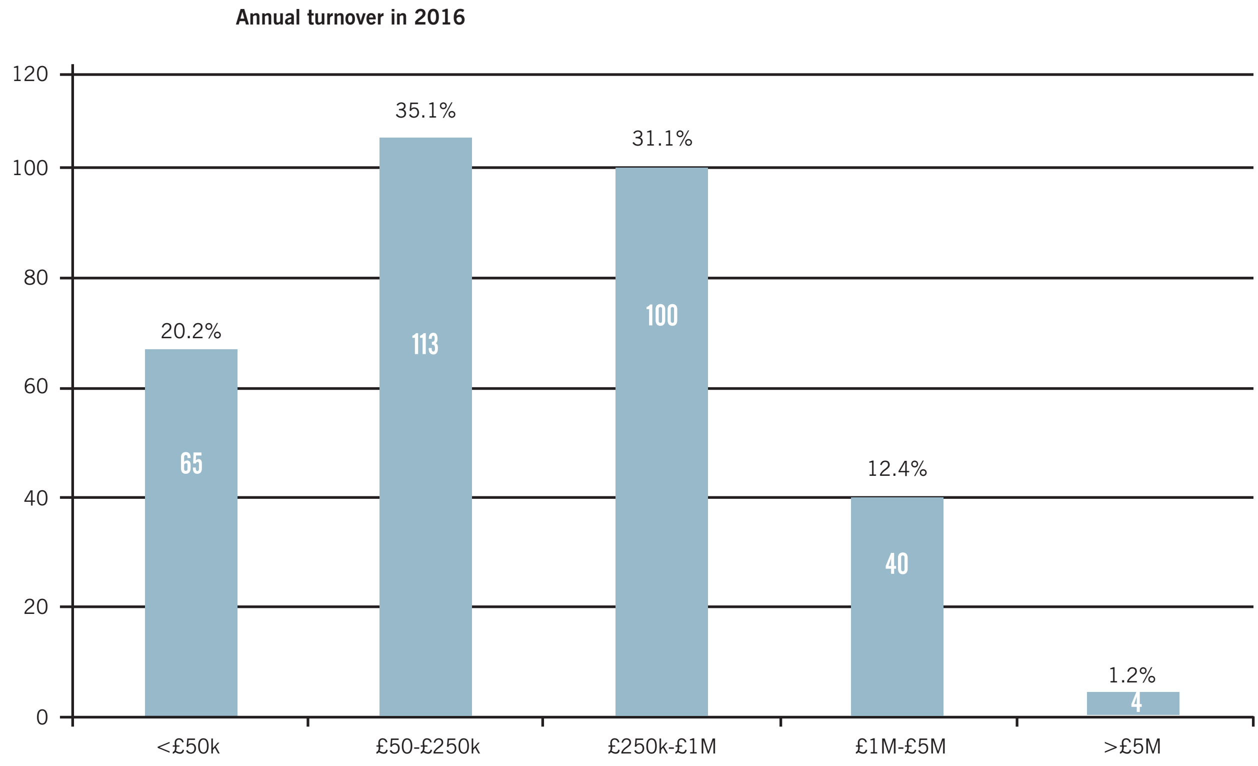
Figure 2.12 shows the distribution of surveyed breweries with regard to levels of annual turnover. One out of five breweries approached by the survey indicated an annual turnover of less than £50K in 2016. However, the majority of respondents achieved between £50K-£250k, and 45% of respondents reported an annual turnover above £250k. A further 13.5% of respondents reported an annual turnover in excess of £1 million (+0.5% compared to 2015 survey). Overall, estimations for 2017 are very positive, confirming expectations of growth expressed by respondents in the two previous surveys: two in three respondents are expecting an increase in annual turnover in 2017, with nearly one in four forecasting growth above 25%, a similar proportion compared to 2015. Conversely, 17% of respondents expect a decline in turnover for 2017, with another 19% predicting no change.

As shown in **Table 2.3a**, around one in five breweries in the survey indicated that they own, lease and rent pubs. Table 2.3b reports pubs owned or tenanted/leased according to memberships. In total, there are 345 pubs owned by breweries captured in this survey, and 187 leased/tenanted. A large number of respondents (76) indicated that they own at least one pub, of which 19 bought in the last twelve months and five respondents report that they own more than ten pubs each for a cumulative total of 215 controlled pubs. Conversely, there are fewer leased/tenanted pubs: 23 respondents indicated that they control at least one pub under these types of management, and only 13 revealing that they have more than two. Operations conducted and finalised in 2016 saw the purchase/undertaking of 33 pubs, of which 19 were bought and 14 were undertaken by respondents. Figures show a slight decrease since last year, when findings from the 2015 survey indicated operations involving 39 pubs, of which 20 were bought and 19 were undertaken by respondents.

KEY POINTS

- 35% of respondents' annual turnover was between £50k-£250k in 2016.
- 45% of respondents have an annual turnover above £250k.
- 64% of respondents expect their annual turnover to increase in 2017.
- One out of three forecast growth in turnover over 10% in 2017.
- 17% expect a decline in turnover in 2017.
- Respondents took on 33 pubs in 2016 indicating 19 acquisitions across SIBA's membership, similar numbers compared to 2015.
- Nearly two thirds of beer sold within 40 miles of the brewery.
- 23.5% of respondent brewers now exporting their beers.
- 60.7% of brewers approached are interested in exporting their beers.
- Half of surveyed breweries rented containers to deliver their production in 2016.

Figure 2.12: Annual turnover in 2016 and estimates for 2017



Estimated Annual turnover in 2017

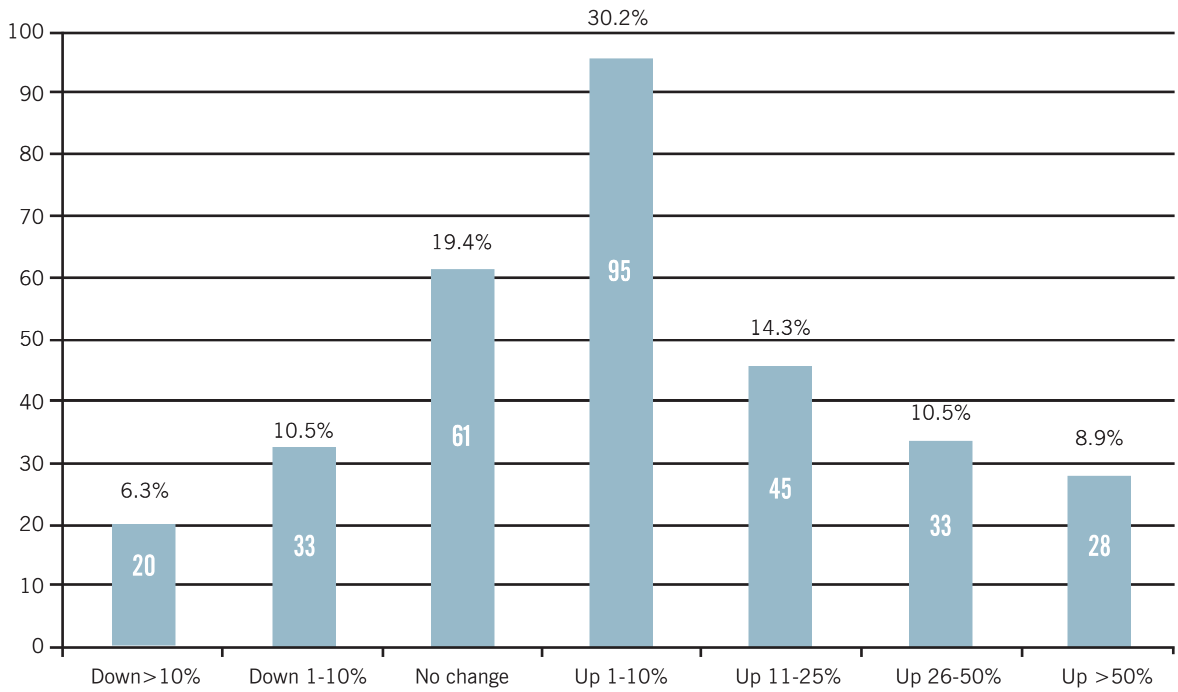


Table 2.3a: Number of surveyed breweries owning or leasing/tenanting pubs (counts)*

	Freehold		Leased/Tenanted	
No. pubs operated	**Total**	**Bought in 2016**	**Total**	**Taken on in 2015**
Zero	246	-	282	-
One	44 (44)	13 (13)	23 (23)	10 (10)
Two	15 (30)	1 (2)	4 (8)	2 (4)
Three to five	9 (33)	-	9 (36)	-
Six to ten	3 (23)	1 (4)	2 (13)	-
More than ten	5 (215)	-	2 (107)	-
Total	**76 (345)**	**15(19)**	**40 (187)**	**12 (14)**

**No. of responses = 322*

Table 2.3b: Surveyed breweries owning or leasing/tenanting pubs by memberships*

Freehold pubs					
No. pubs operated	**Level 1** (up to 999 HL)	**Level 2** (1,000-4,999 HL)	**Level 3** (5,000-29,999 HL)	**Level 4** (30,000-59,999 HL)	**Level 5** (60,000-200,000HL)
One	22	16	6	-	-
Two	4 (8)	5 (10)	5 (10)	1 (2)	-
Three to five	-	7 (26)	2 (7)	-	-
Six to ten	-	2 (16)	-	1 (7)	-
More than ten	-	-	2 (92)	-	3 (123)
Totals	**26 (30)**	**30 (68)**	**15 (115)**	**2 (9)**	**3 (123)**

Leased/tenanted pubs					
No. pubs operated	**Level 1** (up to 999 HL)	**Level 2** (1,000-4,999 HL)	**Level 3** (5,000-29,999 HL)	**Level 4** (30,000-59,999 HL)	**Level 5** (60,000-200,000 HL)
One	3	10	7	2	1
Two	1 (2)	2 (4)	1 (2)	-	-
Three to five	2 (8)	5 (19)	2 (9)	-	-
Six to ten	-	1 (7)	1 (6)	-	-
More than ten	-	-	-	-	2 (107)
Totals	**6 (13)**	**18 (40)**	**11 (24)**	**2 (2)**	**3 (108)**

**Total numbers of owned//leased/tenanted pubs corresponding to categories are reported in brackets*

Current sales routes to market were investigated by using percentages of total beer sales made through eight specific channels: a) direct to breweries' owned pubs; b) direct to free trade pubs; c) through the SIBA Beerflex/DDS route; d) direct to pub-companies tied pubs; e) direct to pub-companies free-of-tie pubs; f) reciprocal to other breweries; g) direct to wholesalers; and h) other routes.

Figure 2.13 shows histograms and normal curves computed for each of these categories. At first glance, responses indicate a high level of variation among the eight different routes. However, surveyed breweries appear to indicate free trade pubs, owned pubs and wholesalers as the main channels for their sales. In particular, on average 55% of breweries' production seems to be supplied to free trade pubs (about the same compared to 2015 and 2014 surveys), 13% to owned pubs (+4% compared to 2015 survey), a little more than 9% to wholesalers and 7% to other retailers (these two categories show slight differences in percentages compared to previous years). Similar to previous surveys, sales through the SIBA Beerflex/DDS and reciprocal sales with other breweries are the lowest categories, accounting for on average 4.5% and 3.1% of total sales respectively.

Respondents were asked to estimate percentages of on-trade sales made beyond a 40-mile radius from their respective breweries; responses are reported in **Figure 2.14**. Nearly two in three respondents indicated a large proportion of production sold within spatial proximity; with 35% of the surveyed breweries reporting more than a fifth of their beers are sold beyond a 40-mile radius; and 50 breweries (an increase from 20 surveyed in 2015) selling more than half of their production further than a 40 miles from their location.

More than 23% of surveyed breweries export their products overseas, as shown in **Figure 2.15**. These results suggest increased export compared to previous surveys (+7% and +2.2% compared to previous two surveys respectively). The main markets for export are in Europe: Italy is confirmed as top-destination (14.6%), followed by France (11%). Interestingly, a cumulative 27% of total exports captured by the survey go to Scandinavian countries (Finland, Sweden, Norway and Denmark). **Figure 2.16** shows that seven out of ten responses report less than 5% of beer exported based on total production, while 16% of surveyed breweries indicate percentages above 10%. More than 60% of surveyed breweries that at present are not exporting expressed an interest to start (+7.1% from 2015).

Finally, **Figure 2.17** shows the number of surveyed breweries that use rented containers for their activities in 2016, and the approximate percentage of draught production delivered in these rented containers. Half of the respondents rented containers, with nearly four in five (121) using containers to deliver less than a quarter of their respective production, and with 17 respondents indicating that more than half of their production was delivered by containers (ten more from 2015). Responses to this question reveal that nearly 206,900 hectolitres of beer were delivered in rented containers in 2016, about 12% of the total production captured by the survey.

Figure 2.13: Beer sales routes

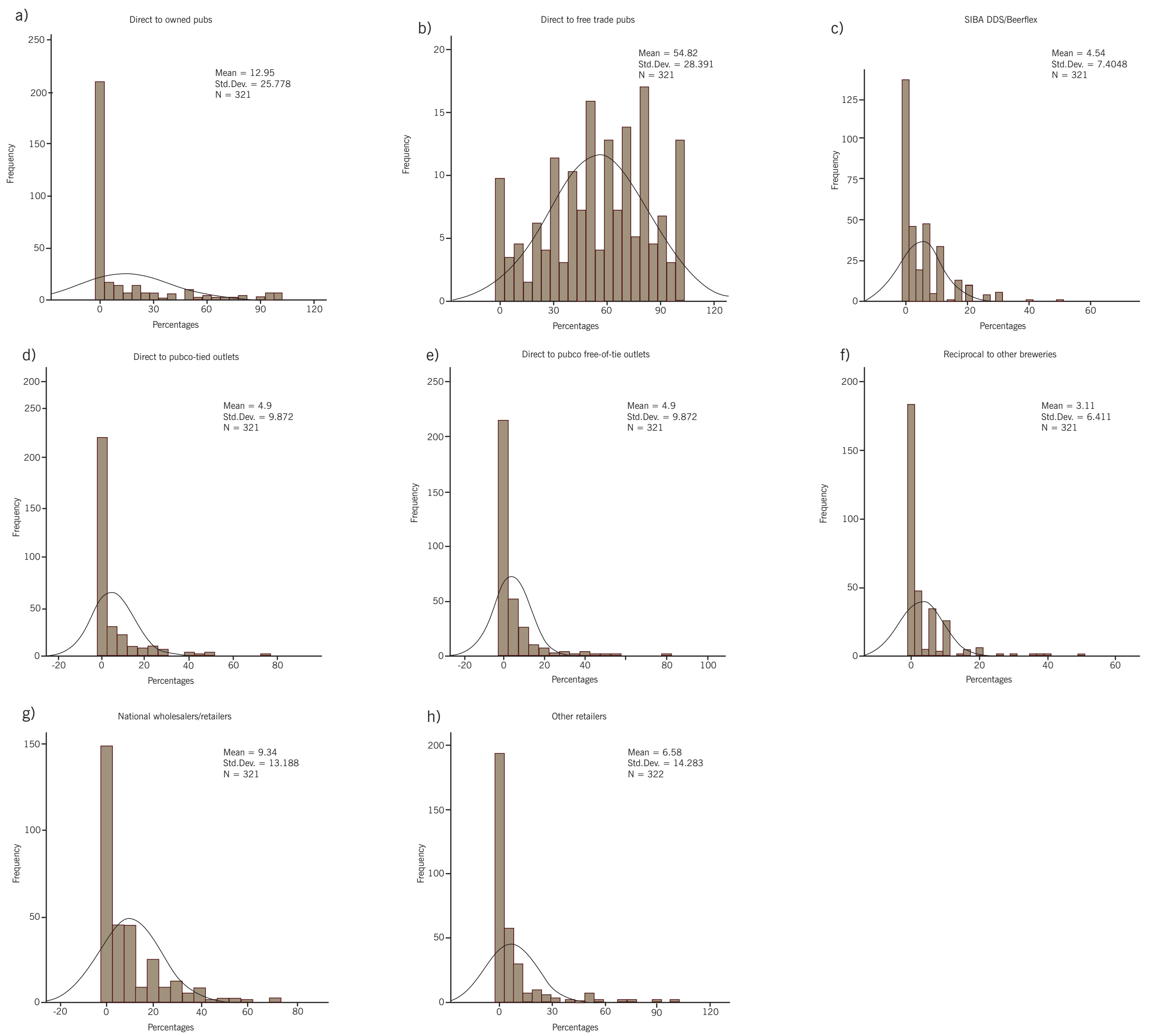


Figure 2.14: Proportion of beer production sold beyond a 40 miles radius*

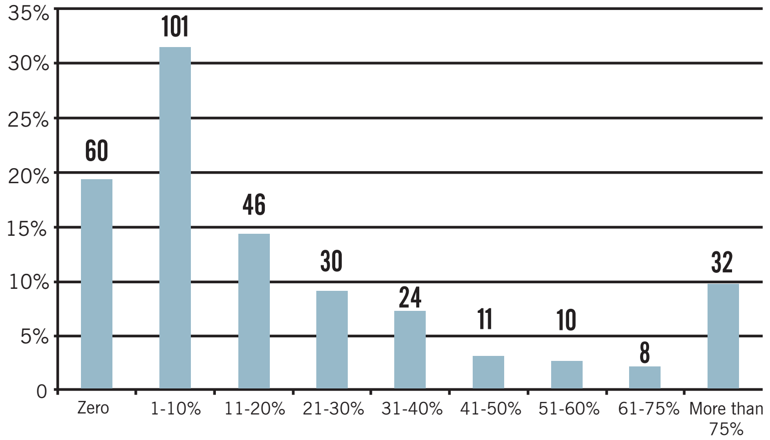
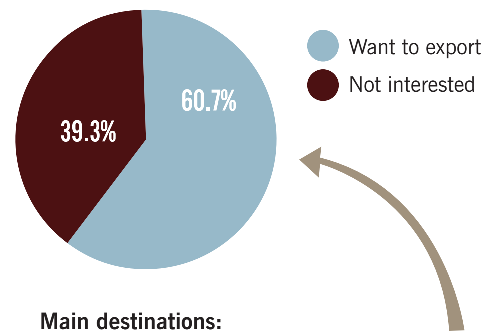


Figure 2.15: Export activities among surveyed breweries



Main destinations:
Italy 14.6%
France 11.0%
Sweeden 9.8%
Norway 6.7%
USA 6.1%
Denmark 5.5%
Finland 5.5%

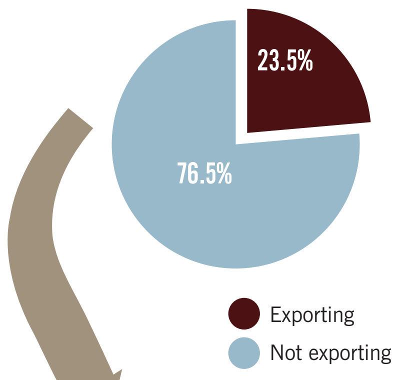


Figure 2.16: Proportion of exported beer on total production among surveyed breweries

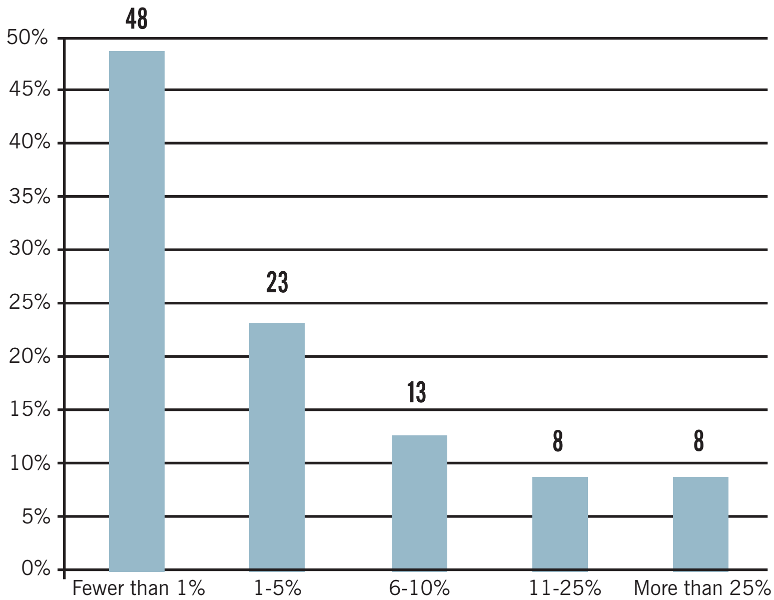
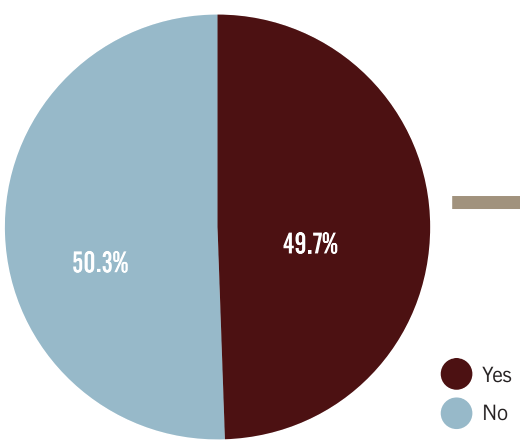
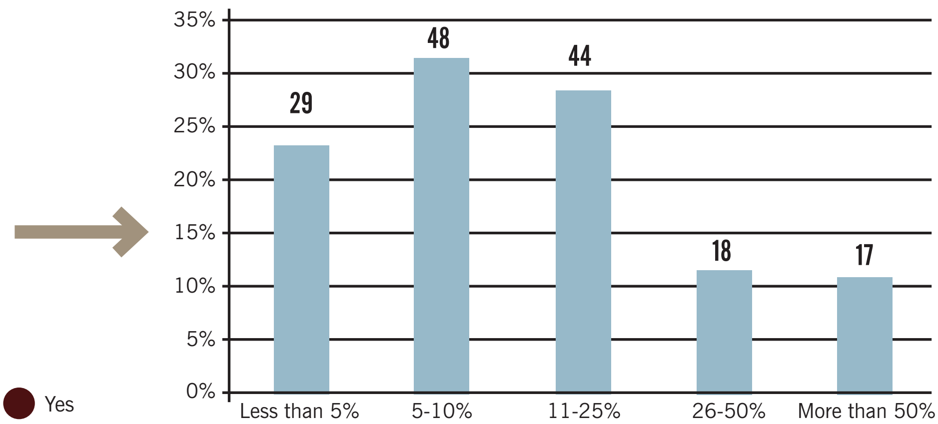


Figure 2.17: Use of rented containers among surveyed breweries





*Percentage bars – counts on top

2.5 Current Investments and Future Developments

The majority of respondent breweries made capital investments in 2016. As shown by **Figure 2.18a**, 27% of surveyed breweries invested less than £10K, with 35% investing between £10K and £100K, and 10% investing more than £100K in their breweries. The purposes for these investments are reported in **Figure 2.18b**. Similar to findings gathered from the 2016 survey, the bulk of respondents invested to expand beer production (34%) and modernise equipment (30%), while other respondents enlarged their current premises (10%); purchased or expanded their transport fleet (9%), or purchased new premises (7%). Buying more casks and refurbishing/repairing were among the most common forms of investment.

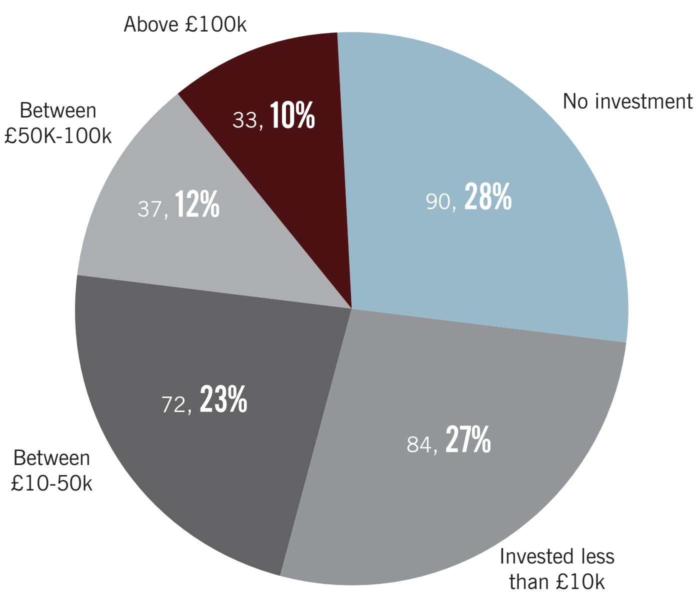
Breweries were asked to indicate and rank their priorities for utilising duty savings from the duty reduction and the Small Breweries' Relief (for those who qualified) with regard to their business activities. Priorities were ranked from 1 to 7 in order of their importance, where 1 was the most important and 7 the least important. **Figure 2.19** illustrates that increase capacity and the purchase of new equipment were top-priorities for 32% and 22% of the cases respectively. Savings were not considered as essential in relation to staff trainings, discounting prices or developing marketing/branding. These percentages are very similar those recorded in the 2014 and 2015 surveys.

KEY POINTS

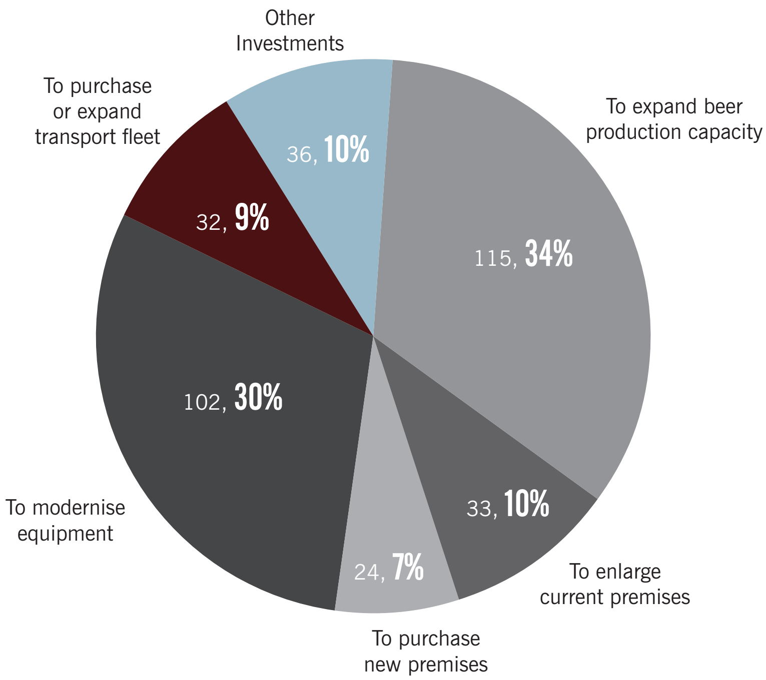
- Most breweries made capital investments in 2016.
- 22% invested more than £50K in 2016, and 10% investing more than £100k, confirming the positive trend towards investments identified in previous years.
- Bulk of investments were in expanding beer production, modernising equipment and to enlarge current premises.
- Duty savings and Small Breweries' Relief continue to be mainly used for more capacity and new equipment.
- Only 12% of respondents used duty benefits to discount beers.
- Training is very important to members – 77% intend to invest in staff training in the future and three out of four are interested in a SIBA-led training scheme.
- Small Breweries' Relief at current levels is essential to the future – 71% say it is extremely important to their business, 6% consider it very important and a further 7% consider it important.

Figure 2.18: Levels of capital investments made in 2016 (a) and related purposes (b)

a) Capital investments in 2016



b) Investment purposes



The willingness to invest in increasing the quality of training available for employees is explored in **Figure 2.20**. More than three out of four breweries intend to increase the quality of training provision in the future. In addition, 167 breweries (75.6% of total respondents) expressed an interest in taking part in training developed and provided by SIBA. Surveyed breweries consider Small Breweries' Relief (SBR) to be 'extremely important' to their ability to compete as small businesses. **Figure 2.21** shows 71% of respondents indicating SBR as extremely important for their activities, with another 13% as 'very important' or 'important'. Only 11 respondents did not regard SBR as important for their activities.

Breweries expressed their objectives in terms of growth and expansion over the next three years. As shown in **Figure 2.22**, the vast majority of breweries plan to increase production, sales volume and annual turnover in the next three years. A very small number of breweries indicated they have no plans for growing their business. While the bulk of responses express an intention to achieve marginal growth up to 25%, one out of six breweries plans to double their current levels of production, sales and turnover before 2020.

Figure 2.19: Priorities in relation to using duty savings

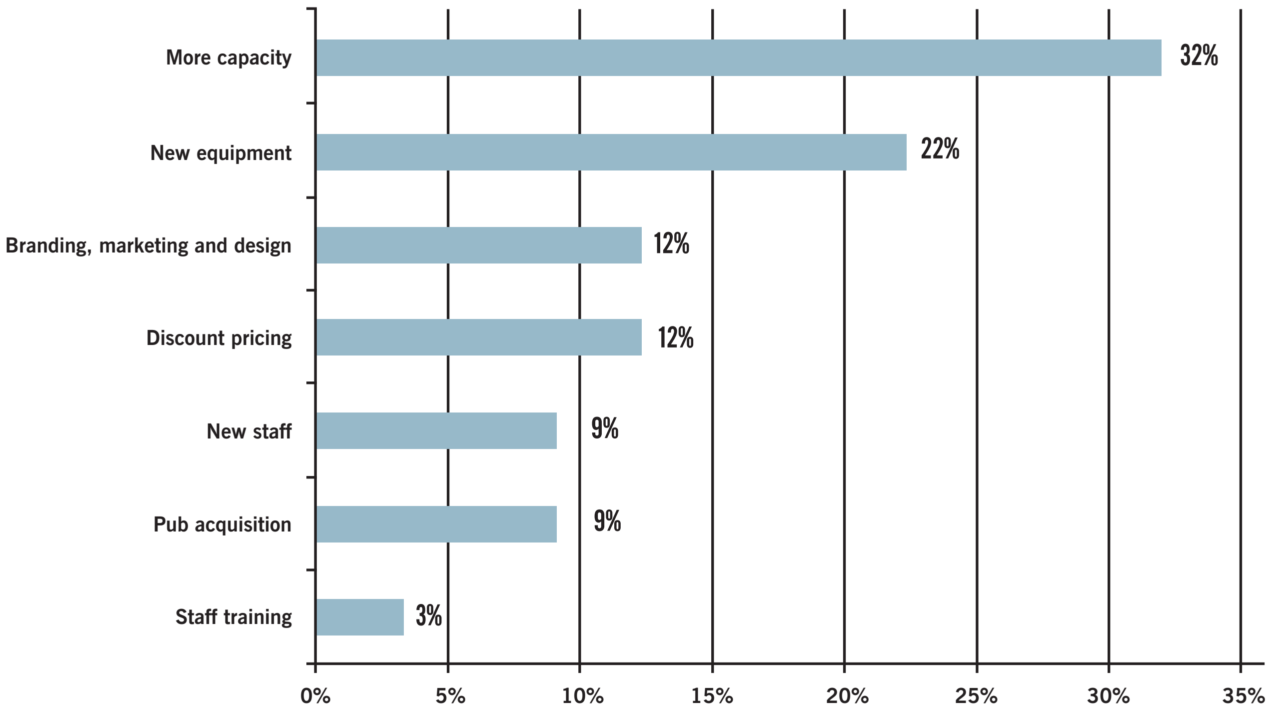


Figure 2.20: Attitude towards increasing quality of training available for employees in future

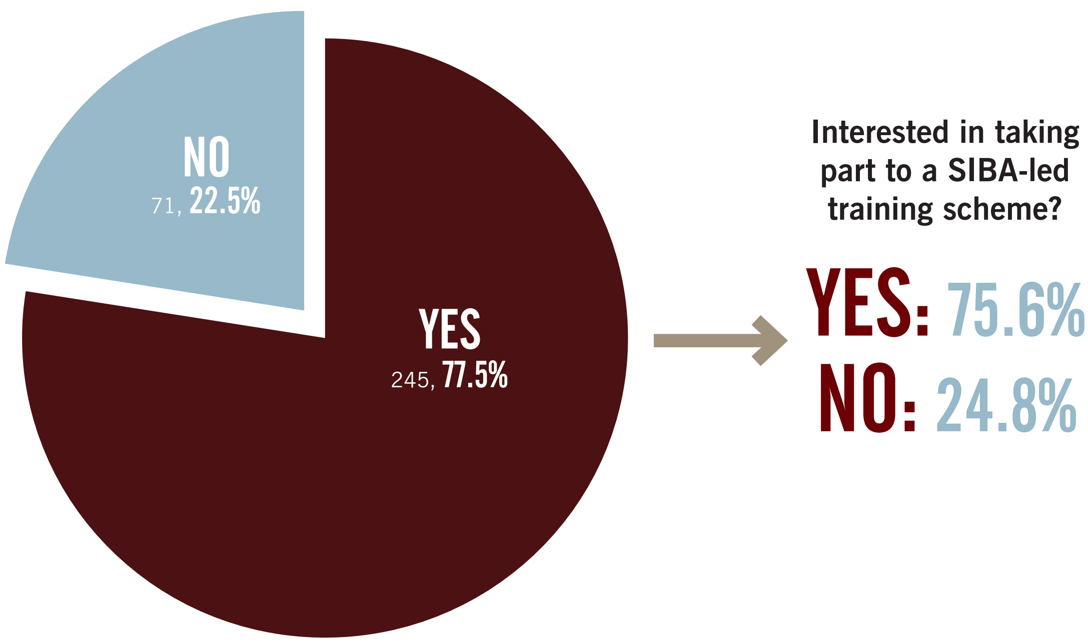


Figure 2.21: Importance of Small Breweries' Relief for breweries (counts and percentages)

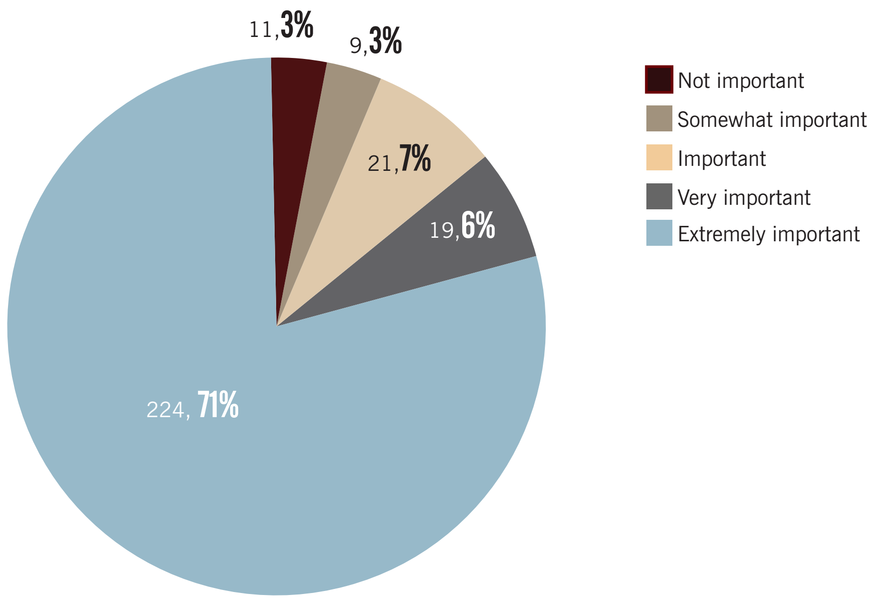
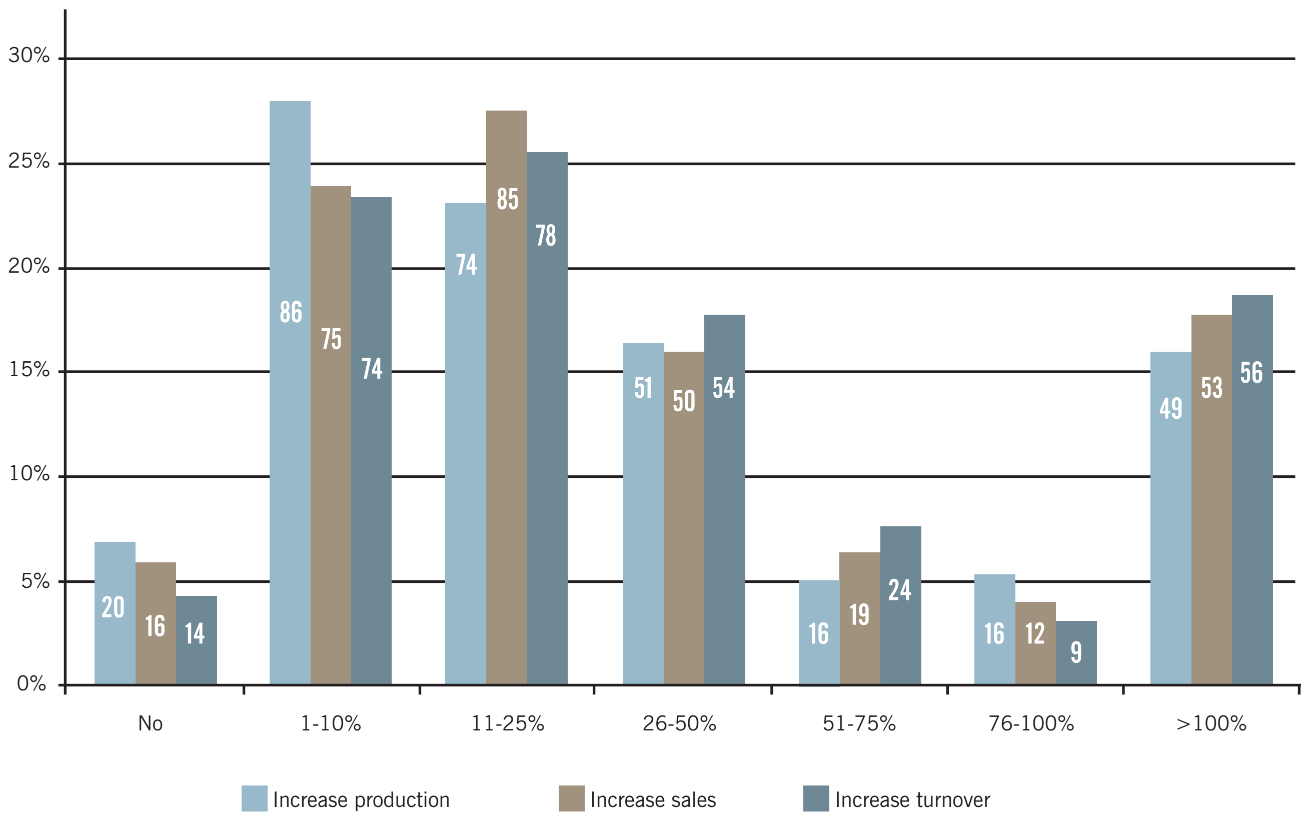


Figure 2.22: Future plans for investments before 2019*



*Percentage bars – counts embedded in bars


TOMOS

2.6. Your involvement with community and society

Little more than two thirds of breweries surveyed indicated they operate a shop, a tap bar or a visitor centre on site, as shown by **Figure 2.23**. More than one in three surveyed breweries operate a shop, while 25% run a tap bar and 11% have a visitor centre; 8% of respondents indicated running all three facilities on site. **Figure 2.24** illustrates that, these facilities accounted for up to 10% of breweries' annual turnover for 65% of surveyed breweries, while another 11% of respondents indicated more than a quarter of their annual turnover was generated from operating these facilities. Only nine breweries indicated that these facilities had no impact on their annual turnover.

Breweries were asked to indicate how important their relationship with the local community was for their business. As shown by **Figure 2.25**, a cumulative 84% indicated this relationship was 'important', with 43% indicating it was 'extremely important'. Only 4% of respondents indicated it was 'not important'.

Respondents were also asked to indicate whether they supported any charity in 2016; results are shown in **Figure 2.26**. Five in six respondents have supported at least one charity over the last 12 months, with one in five supporting more than five charities. Of these, 57% donated less than £1,000, while 21% donated between £1,000 and £5,000; 20 surveyed breweries reported total donations of more than £5,000. More than half of respondents (51%) indicated that the charities they supported were located or operating within the same town or village of the brewery. These numbers confirm the importance of breweries for local communities and their role in supporting and fostering community cohesion and social initiatives.

KEY POINTS

- Most breweries run a shop and a tap bar on site, one in ten have a visitor centre.
- 8% of surveyed breweries operate a shop, a tap bar and a visitor centre at the same time.
- For the majority of surveyed breweries, these facilities generate up to 10% of their annual turnover: 11% of respondents indicated these facilities contribute to more than a quarter of their annual turnover.
- 84% consider their relationship with the local community as 'important' or 'extremely important': only 4% consider this relationship 'not important'.
- 84% of surveyed breweries supported at least one charity in the past 12 months, with about half supporting more than five charities in 2016.

Figure 2.23: On site facilities managed by surveyed breweries

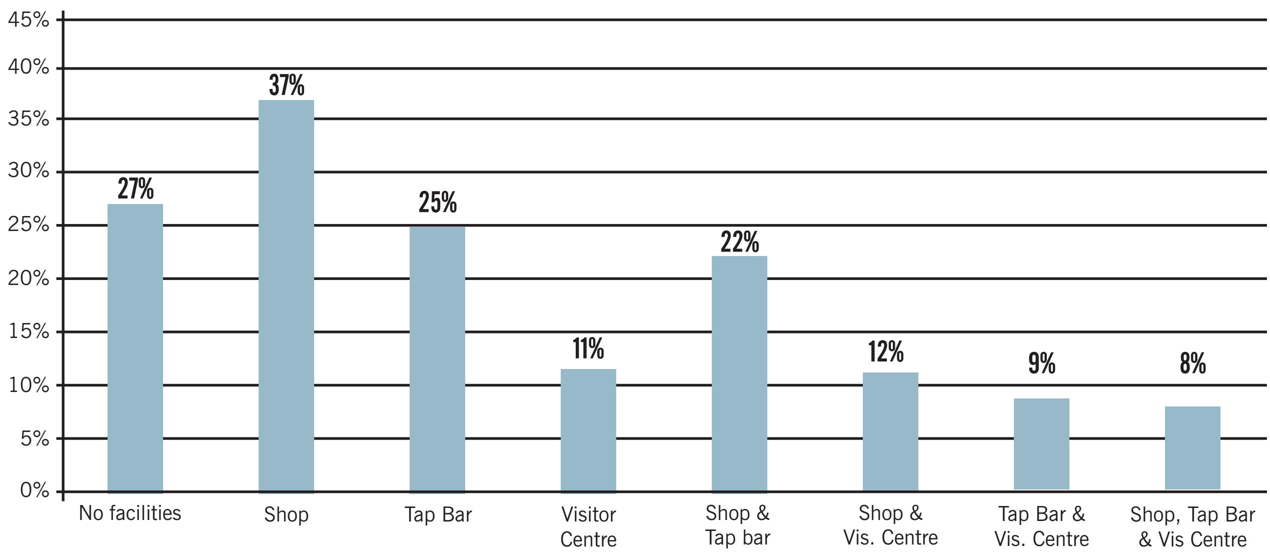


Figure 2.24: Proportions of breweries' overall turnover generated from Shop / Visitor Centre / Tap Bar (counts & percentages)

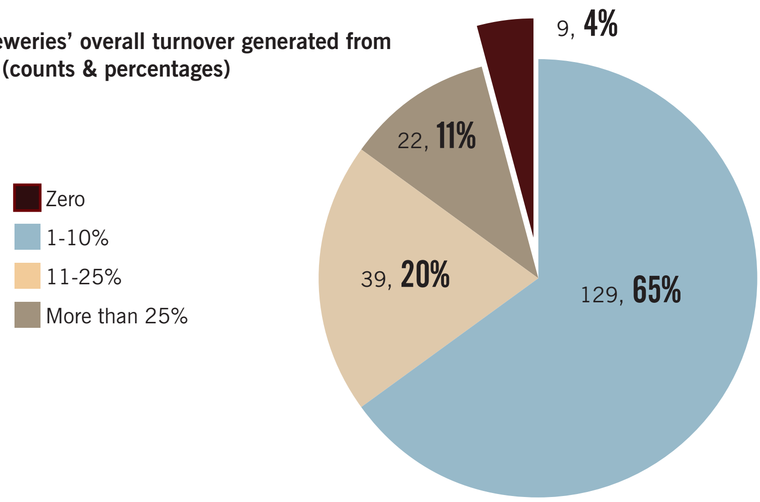


Figure 2.25: Importance of local community for surveyed breweries' business

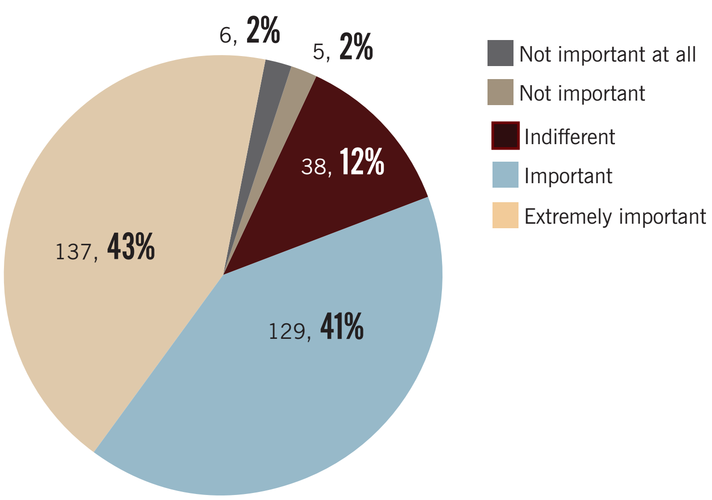
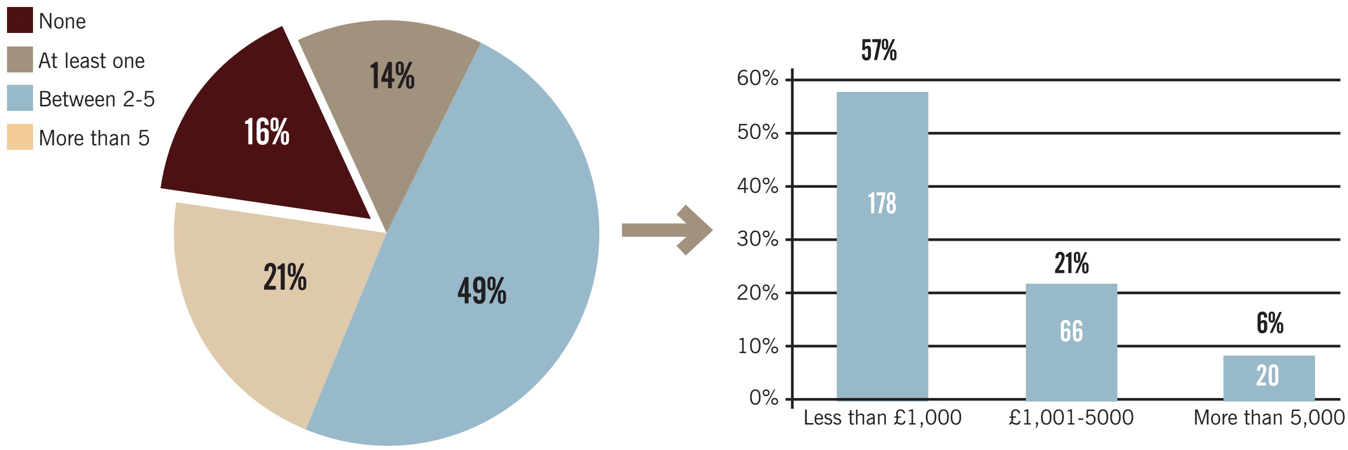


Figure 2.26: Number of charities supported by surveyed breweries in 2016 and total donations



2.7. You and SIBA

Breweries expressed their views in relation to services and benefits associated with their SIBA membership. The survey questionnaire proposed 24 specific services and benefits; respondents were asked to rank the importance of these services as shown in **Figure 2.27**.

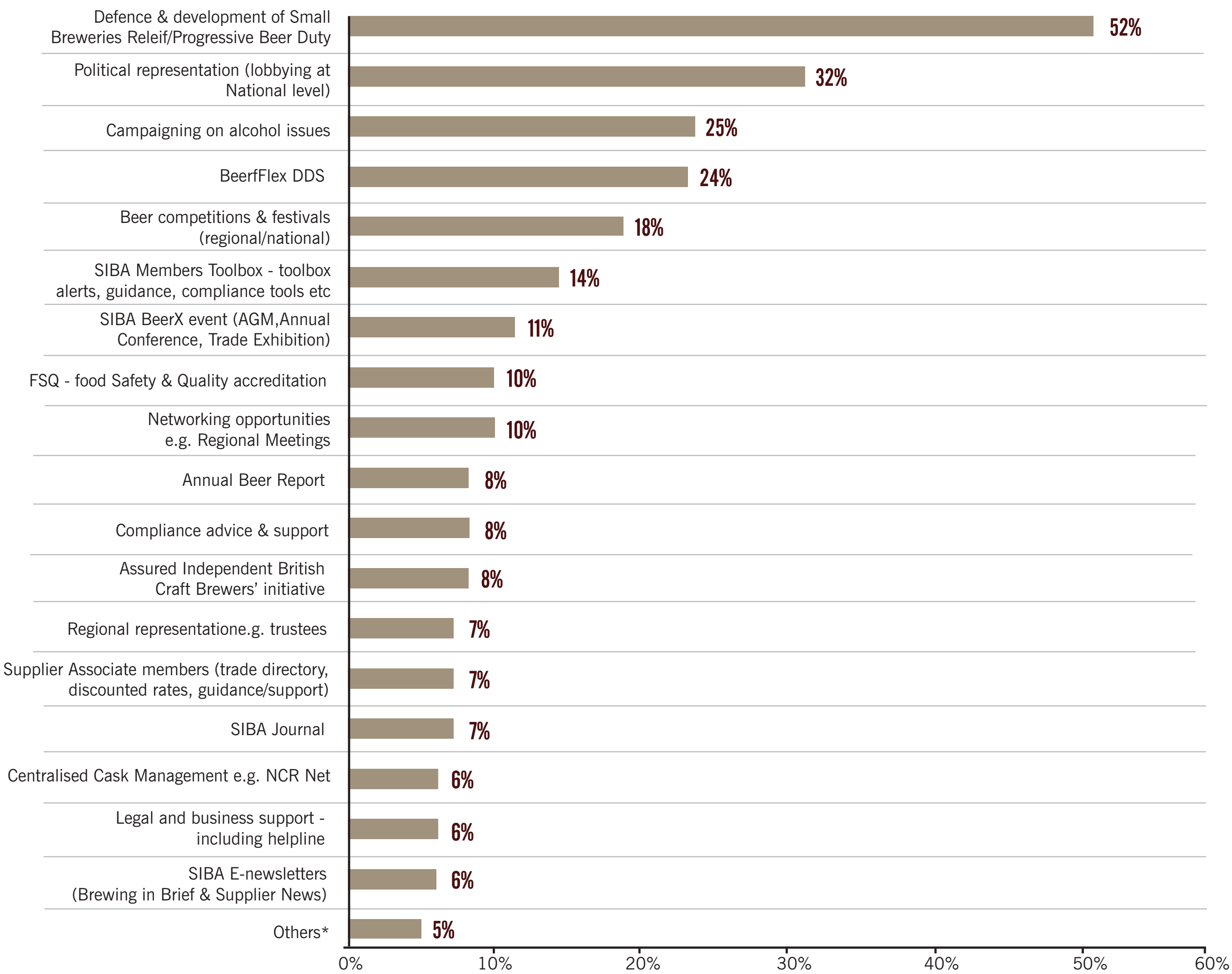
Defence and development of Small Breweries' Relief/Progressive Beer Duty, and political representation and lobbying at a national level on behalf of independent breweries, appears to be very significant for members. In particular, more than half of respondent breweries indicated the defence and development of Small Breweries' Relief/Progressive Beer Duty as most important, while political representation and lobbying was considered as most important by one in three respondent breweries. Campaigning on alcohol issues, SIBA BeerFlex/DDS and taking part in SIBA beer competitions have also been ranked as important services by about 25%, 24% and 18% of surveyed breweries respectively. Conversely cellar services and PR support are valued least in terms of significance by members.

Respondents were also asked to express their satisfaction with regard to SIBA membership. Nearly 60% of those who answered this question responded that they were either satisfied or extremely satisfied. In addition, three in four surveyed breweries expressed their desire to continue their membership, while 77% were likely to recommend other brewers to become SIBA members, with one in six extremely eager to recommend SIBA.

KEY POINTS

- Defence and development of Small Breweries' Relief/Progressive Beer Duty indicated by more than half of surveyed breweries as the most important service offered by SIBA.
- Political lobbying of SIBA on behalf of small breweries is considered very important.
- One in four respondents indicate that accessing BeerFlex/DDS is an important aspect of joining SIBA.
- Organisation of beer festivals and competitions are considered valued initiatives by members.
- Nearly half of surveyed breweries rank SIBA membership high in terms of value for money.

Figure 2.27: Services and benefits offered by SIBA and ranked by level of importance



**Others include services and benefits offered by SIBA ranked as most important by 5% of less of respondents. These categories include: Brewing technical support (including helpline and training); Commercial/sales initiatives (e.g. exporting, business development); Joint Purchase Schemes (e.g. centralised beer mat buying for members); PR support; SIBA National Website; and Cellar services.*

3. SIBA'S BEERFLEX / DIRECT DELIVERY SCHEME

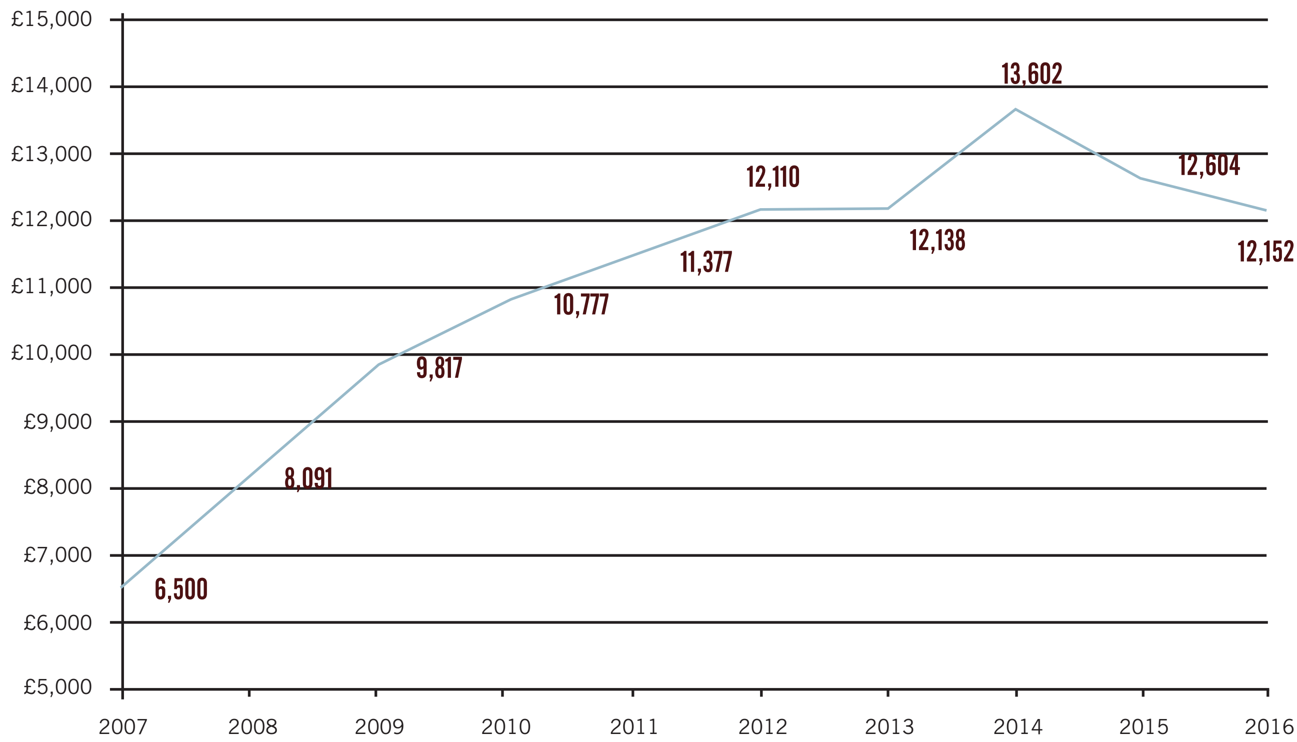
Responses to the survey conducted in 2016 revealed results similar to those from 2015. On average, only around 4.5% of a member brewer's sales were generated through the SIBA Direct Delivery Scheme (SIBA BeerFlex/DDS).

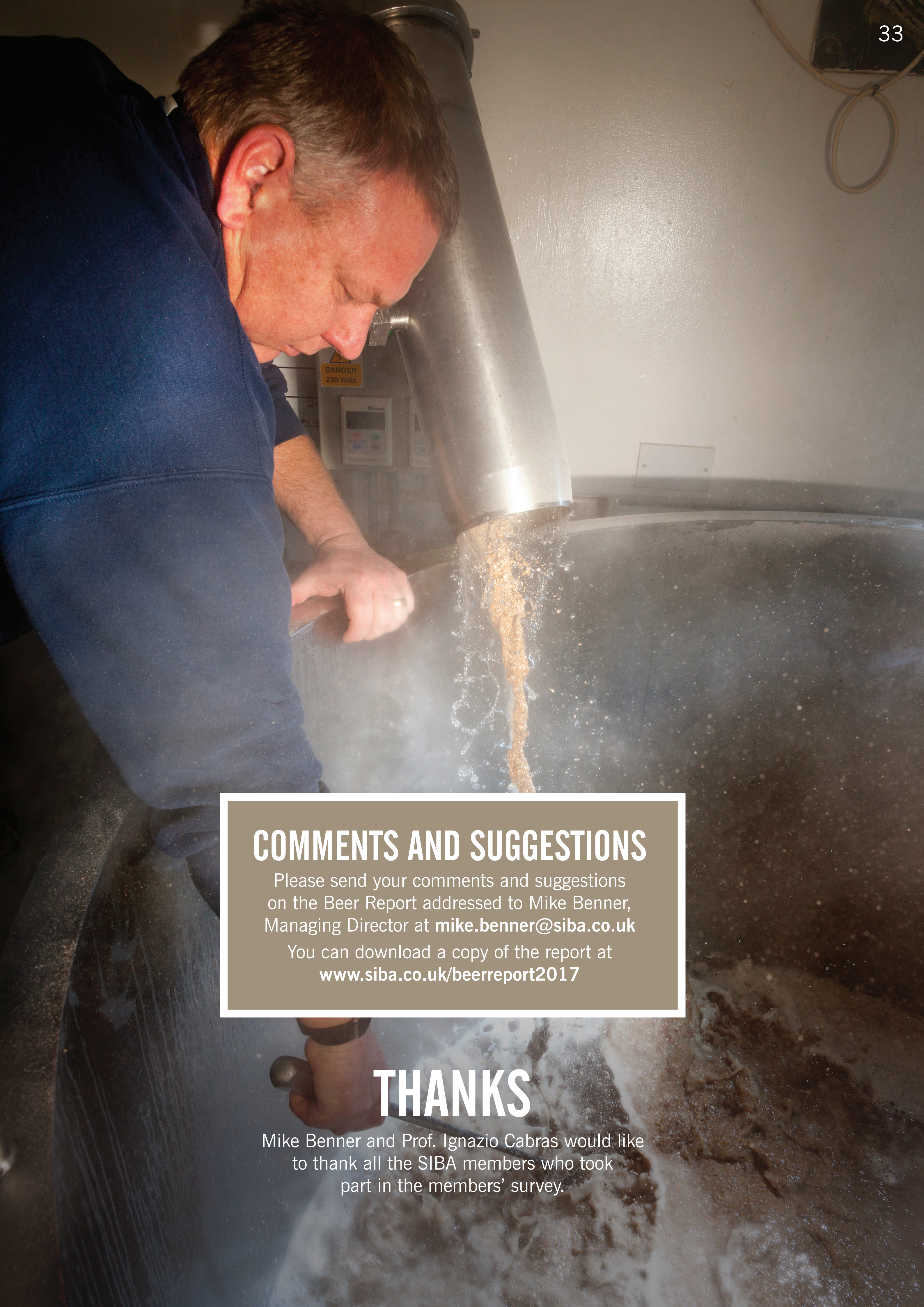
However, this low figure belies the importance that SIBA BeerFlex/DDS has had over more than a decade, since its inception in 2002, and does not adequately reflect the impact of the scheme in bringing a huge choice of quality, locally-brewed beers from over 550 participating brewers to some 2400 pubs in 2014 in the UK.

The idea is simple: by providing a centralised administration service, handling the whole process from order capture to final invoicing; SIBA BeerFlex/DDS enables small brewers to trade in their heartland with pubs owned by multiple retailers, companies which are typically much larger than the supplying brewers, and often based many miles away.

As **Figure 3.1** demonstrates, the annual turnover of this wholly-owned, not-for-profit sales agency has continued to grow over recent years, from £6.5 million in 2006-07 to £12.1 million for the year to Sept 2016, with an average annual increase of 8.7% each year.

Figure 3.1: Beerflex/DDS Annual turnover (£ thousand)





COMMENTS AND SUGGESTIONS

Please send your comments and suggestions on the Beer Report addressed to Mike Benner, Managing Director at **mike.benner@siba.co.uk**

You can download a copy of the report at **www.siba.co.uk/beerreport2017**

THANKS

Mike Benner and Prof. Ignazio Cabras would like to thank all the SIBA members who took part in the members' survey.

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