Beer Report 2014

SIBA
local beer
Society of Independent Brewers

Published by SIBA,
the Society of Independent Brewers

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Beer Report 2014

Foundations for the Future of British Beer

Since its inception, the Society of Independent Brewers' annual report has been able to present an updated snapshot of a vibrant British manufacturing industry. Each year, although there have always been different areas of special emphasis or specific focus, plus any required pragmatic reaction to prevailing political, economic or social priorities, the overall and consistent picture has been of evolution and growth, and increasingly significant progress for British beer and independent brewers.

In 2013, after we had 'accentuated the positive', both in our report and at our inaugural BeerX conference and Festival of Beer, and demonstrated our resolve to celebrate the great strides we have made in recent years, our optimistic mood was bolstered by the Chancellor's Budget announcements. The beer duty escalator was scrapped; the headline duty rate was reduced for the first time since 1959; and we saw a recognition from government that British brewing and British pubs – whose fortunes are still tied so inextricably together – deserve to be singled out for ongoing policy development designed to reinforce our confidence further.

As a direct result of this, together with everything else that has gone before, I have never felt so strongly that we are entering an era that could prove especially momentous for the future of our industry (with, I hope, a measure of perspective gained over the years through which I have been proud to work in various roles on SIBA's behalf).

To substantiate this claim, I would couple the recent tides of brewing history and political direction with SIBA's own evolution.

Over the past year we have conducted a strategic review of SIBA's constitution and operational management structure. Today we are a much larger organisation than could possibly have been envisaged by twenty founding breweries thirty-four years ago. And as we have grown, we have never allowed ourselves to stagnate and risk failing to fulfil our evolving mission or responsibilities to our burgeoning membership. Through the last fifteen years we have seen the development of an effective commercial trading subsidiary; and in 2006 we realised that we had acquired a roll-call of members that merited the appointment of our first chief executive, to direct and oversee national trade association operations.

Since then membership has almost doubled and SIBA DDS Ltd, under Nick Stafford's tenacious leadership, has worked with great success to open and create routes to market, and thus become established as a commercial arm that we believe makes SIBA unique amongst all representative trade bodies.

So, in order to be fit for purpose going forward, and in the context of both internal and external exigencies, we are laying foundations – or perhaps, to be more accurate, underpinning existing foundations – that will enable us to rise to challenges and take advantage of opportunities as they arise, whatever they may be. Research has highlighted the areas where members feel we should concentrate our efforts, enabling us to agree the values and principles that will inform and guide our plans.

I hope that the facts, figures and framework for the future, outlined in the following pages, will enable all readers to share my confidence in quality times ahead for our industry.

Keith Bott

Beer Report 2014: Executive Summary

Industry Survey responses, official beer production accounts, and current membership figures together make up the primary resources for the Beer Report 2014 headlines:

- **In 2013, a further 72 breweries joined SIBA**
  723 members are in production in January 2014
- **Beer production accounts confirm a 2011-2012 rise of 5.7%**
  equivalent to 22.3 million more pints in 2012 than in 2011
- **SIBA full members' total production in 2012 was 2.36m hectolitres**
  1.44 million UK brewers' barrels / 415 million pints
- **The SIBA Industry Survey indicates 2012-2013 like-for-like growth of 5.9%**
  based on 9-month actuals plus final quarter estimates
- **New brewing members could raise 2012-2013 total growth to 7.9%**
  based on survey respondents not in production in 2012
- **4,000 permanent cask brands are now sold by SIBA brewers**
  core portfolios in the survey average 5-6 beers per brewery
- **Seasonal and special cask beers now number approximately 5,800**
  indicated by a survey average of 8 per brewery
- **SIBA bottled beer brands are estimated at over 2,500**
  5 brands average by at least 75% in bottled production
- **19% of SIBA brewers are now selling some 'craft beer' in keg**
  portfolio averages in the survey suggest more than 300 brands
- **In 2013 about 900 new jobs were created by SIBA brewers**
  5,500 are now in work, based on business growth and new members
- **700 more jobs are anticipated in 2014**
  the survey predicts an average one new employee per brewery
- **60% of SIBA brewers report major capital investment in 2013**
  more than a third have spent in excess of £20k

Executive Summary

continued

SIBA's annual survey of its brewing membership was conducted in November, 2013. Approximately fifty questions sought brewery general information; business, production and sales statistics; statements of purpose about business operation and prospects; opinions on the industry's 'buzzing' issues of the day; and priorities of and expectations from SIBA membership (including assessment of SIBA's performance in delivering to these).

The survey is open to all full brewing members of SIBA, and has garnered responses from the very smallest micros to the largest qualifying regional brewers.[1]

Overall, total response was down on recent surveys, at around 35% of the full brewing membership. Nevertheless, this represents a robust cross-section; analysis has been thorough and extrapolation cautious, and results are in line with expectations, reflecting a continuation of trends identified in previous surveys and their subsequent reports.

SIBA survey participants (November 2013)

LEVEL 1	up to 999 HL	49%
LEVEL 2	1,000 - 4,999 HL	34%
LEVEL 3	5,000 - 29,999 HL	14%
LEVEL 4	30,000 - 59,999 HL	1%
LEVEL 5	60,000 - 200,000 HL	2%

SIBA brewing member subscriptions are calculated annually from 1st October according to actual beer production accounts for the previous calendar year – as supplied to HMRC by companies qualifying for small breweries' duty relief.[2]

These give definitive and comparative year-on-year figures for each of SIBA's membership size bands. Although a little historic when received (production for 2012 collated in September 2013), they clearly identify trends and have to date given authentication to each previous year's survey estimates and extrapolations.

Right up-to-the-minute, of course, is the SIBA membership list – itself an annual testament to the remarkable strides taken by British brewing in recent years.

1 HMRC categorises brewers as follows: MICRO (up to 5,000 hectolitres per annum); LOCAL (5,000-30,000hlpa); REGIONAL (30,000-200,000hlpa); NATIONAL (more than 200,000hlpa). Qualification for SIBA full brewing membership is in line with the EU definition of a SMALL BREWER (up to 200,000hlpa). Brewers above that size are welcome to join as associate members.
2 All brewery production figures supplied to HMRC are in hectolitres [100 litres]. A hectolitre is almost exactly 22 UK gallons; there are approximately 1.64hl in a UK barrel [36 gallons].

Introduction: Unified Vision, Unifying Mission

'Small Brewing Industry Report', 'Local Brewing Industry Report', 'Local Beer Report', 'Local Beer' – over eleven editions all have taken their turn as titles of this annual publication. And it's been subtitled 'Brewing Industry Report' and 'British Brewing Report'.

What's in a name? They were right for their time. The decision to move from 'small' to 'local' reflected the trends identified nine years ago: the remarkable growth of the most successful micro-brewing businesses; the attraction to SIBA membership of larger and longer-established regional and family brewers; and, especially, an increasing awareness of the potential commercial value of localised production and provenance credentials.

Those sub-headings, however, which were used in two recent reports, hint at a broader and more holistic vision and purpose, both for SIBA and for the industry we are proud to represent.

This year it seems a simple, logical and evolutionary step to adopt the unambiguous title, 'Beer Report 2014'.

That is emphatically not to invade the territory of fellow representative bodies. SIBA's commitment to working in harmony and partnership with the British Beer and Pub Association (and other representative bodies and lobby groups), to further the broad interests of the brewing and pub industries and their infrastructure, is undiminished. The BBPA deserves credit for continuing to seek consensus and for being generous and inclusive in the stewardship of its powerful parliamentary lobby, which it has long enjoyed because it counts among its members most of the largest national and regional brewers, multinational brewing companies with UK operations, and the nation's major property-owning pubco operators.

But – and in spite of the bulk of British beer production still being concentrated in the hands of relatively few huge corporations – ask any observer, commentator or even passer-by for a description of British brewing today and you will more than likely hear *'lots of small breweries'*, or *'new breweries springing up everywhere'*, or *'more breweries now than since before World War Two'*. Increasingly that is the public perception of an industry now numbering well over a thousand operating companies and still growing. If micro-brewing had simply matured as a miniature version of the 'traditional' and long-standing indigenous industry, it might well have remained as insignificant as the sum of its constituent parts and its liquid output. In the ensuing pages, however, it should become clear just how much that has not been the case. It should become clear – the extent to which this youthful sector of British brewing has defied its size and taken the lead in determining new directions for the entire industry (and this however it chooses to describe itself: small, local, micro, boutique, artisan, or craft).

It is generally accepted that microbrewing has been about pioneers. Every new independent brewer has been a pioneer for his or her own business; the first are acknowledged as pioneers of a new small brewing industry – none more so than the most influential, Peter Austin, who sadly died on New Year's Day *(see panel on page 10)*.

Yet now is surely the time to acclaim the whole microbrewing movement as one made up of pioneers of the entire new world of beer. Peter Austin and his followers and fellow-travellers have proved themselves to be trailblazers for the imagination and innovation that are now being employed and enjoyed across the entire industry, by brewers of all sizes, to take appreciative drinkers into fresh adventures of style and flavour.

There are trends towards beer seeking to assert a united identity, regardless of individual credentials – commodity or craft, mass-produced or artisanal. The 'Let There Be Beer' campaign, initiated and funded by the 'Global Brewers Initiative' partnership, is making genuine and sincere efforts to broaden its appeal, to be inclusive of smaller brewers and the entire range of 'new age' beers that are enhancing the diversity of the total beer portfolio.[3]

Some in the industry are dismissive, and perhaps would counter that it should be accepted that this is a disjointed industry, without common interest, and that we are best left to draw lines of demarcation and fight our separate and conflicting causes.

SIBA's governing Council of Trustees does not accept that option as a viable way forward. Government representatives – up to and including ministers – have themselves expressed frustration at our apparent disunity on the occasions when it has seemed to hold sway.

Unity is strength and common ground should be optimised. SIBA supports 'Let There Be Beer', and remains positive about its working relationship with the BBPA and other industry bodies. However, in order to speak effectively for the breadth of brewing it is absolutely essential from the outset to embrace the principle of working for the smallest brewer, and thence move upwards.

Only the Society of Independent Brewers has the qualifications for that role. Its operations take it into the spheres of politics, economy and society, from grass roots local levels to lofty national heights – in addition to (and as part of) its delivery of services to its members.

SIBA's Council has agreed a unified vision – 'Building the future of British beer' – and is planning over the coming year to create a holistic management structure to direct its operations towards that end, and to become established as the 'Voice of British beer'.

Beer Report 2014 sets out to explain and illustrate further...

3. https://www.lettherebebeer.com/

Our Brewing Heart...

'We're here for the beer. Beer is at the heart of what we do...' [4]

This is where Beer Report 2014 must start.
SIBA represents men and women who brew beer, and beer is our *raison d'être*. It is an ancient drink with an ancient history, and British brewing is rooted in a centuries-old heritage of development and growth.
A process heading ultimately, it seemed, towards the inevitable consolidation and rationalisation 'set in stone' by the economist-philosophers of monopoly capitalism.

But that is a wholly inaccurate description of British brewing today; the mould of accepted economic wisdom has been broken – described nowhere better than by Nottingham University Business School's Emeritus Professor Peter Swann.[5]

The total number of UK breweries sank from 3,556 in 1915 to 885 in 1939, and kept on decreasing; there were only 524 left by 1952.
English Heritage report, 2010
http://www.englishheritage.org.uk/publications/brewing-industry/bhs-brewing-ind-shier.pdf

From eighty-seven independent brewing companies owning 150 breweries listed in 1975 (with more than fifty of those breweries in the hands of the 'Big Six' major combines), plus just six surviving home-brew pubs, the Campaign for Real Ale's *Good Beer Guide* has charted a brewing revolution that by the 2014 edition counts a total of 1,150 UK breweries, the vast majority of which are independent operations.[6]

From the Traquair House 18th century brewhouse, rediscovered and re-commissioned by the 20th Laird, Peter Maxwell Stuart, in 1965, to the recommencement of brewing at Selby by Martin Sykes in 1972, and Peter Austin's first forays into microbrewing at Penrhos Court in 1977 – with Monty Python's Terry Jones and beer writer Richard Boston – and Ringwood in 1978, the landscape of the British brewing industry has been completely repainted.

And from the founding of the Small Independent Brewers' Association by twenty microbrewers in 1980, with Peter Austin as the inaugural chairman, SIBA has grown to be the Society of Independent Brewers with 723 brewing members – plus more than fifty fledglings yet to fire up their mash tuns for the first time.

This revival was undoubtedly inspired by the success of CAMRA, founded in 1971 and just in time to save the most determined survivors of the historic industry. Over thirty 'old' brewers are still with us as independent companies; a few others are still in production, but now as subsidiaries; and around twenty are now members of SIBA.

4. At the 2013 Great British Beer Festival, Julian Grocock, SIBA's chief executive, gave a filmed interview about SIBA's work, across all spheres of operations and influence, and how it plans to build on the successes of the independent brewing industry. This is available to view via a link from the SIBA website, *http://siba.co.uk*, or at *http://www.youtube.com/user/sibalocal/videos*
5. The Fall and Rise of the Local Brew (2010) by Peter Swann, Nottingham University Business School (available to download at *http://www2.druid.dk/conferences/viewpaper.php?id=501078&cf=43*).
6. Good Beer Guide 1975 and 2014, published by CAMRA. The 1975 Guide – the second to be produced professionally – was the first to contain a fully researched and comprehensive breweries section.

For the annual calculation of their membership subscription, SIBA brewing members are required to notify the membership office of the total volume of beer they brewed during the previous calendar year. This report is therefore able to give definitive aggregate volumes for each of its brewing membership levels (see **SIBA survey participants** table on page 3) – without compromising the business confidentiality of individual members.

Although almost all new brewers arrive in Level 1, a few 'hit the ground running' with production rapidly climbing above 1,000hl, and there is of course some movement of existing members between levels, so it is not possible to give a wholly accurate breakdown, level by level, of production changes and trends. Nor, for the purposes of this report, is this necessary. What is important is the overall picture:

Total hectolitres brewed by SIBA members in 2012

2,361,138

(1.44m UK brewer's barrels...415m pints!)

Beer Production Account Data:

	2012 (hl)	2011 (hl)	2010 (hl)	2009 (hl)
LEVEL 1	124,026	114,926	96,174	91,140
LEVEL 2	514,381	447,752	421,638	379,577
LEVEL 3	847,667	773,106	673,268	598,928
LEVEL 4	222,959	221,596	206,617	142,237
LEVEL 5	652,105	677,105	487,356	509,409
	2,361,138	2,234,489	1,885,053	1,721,291

• SIBA beer for 2012 up 5.7%...

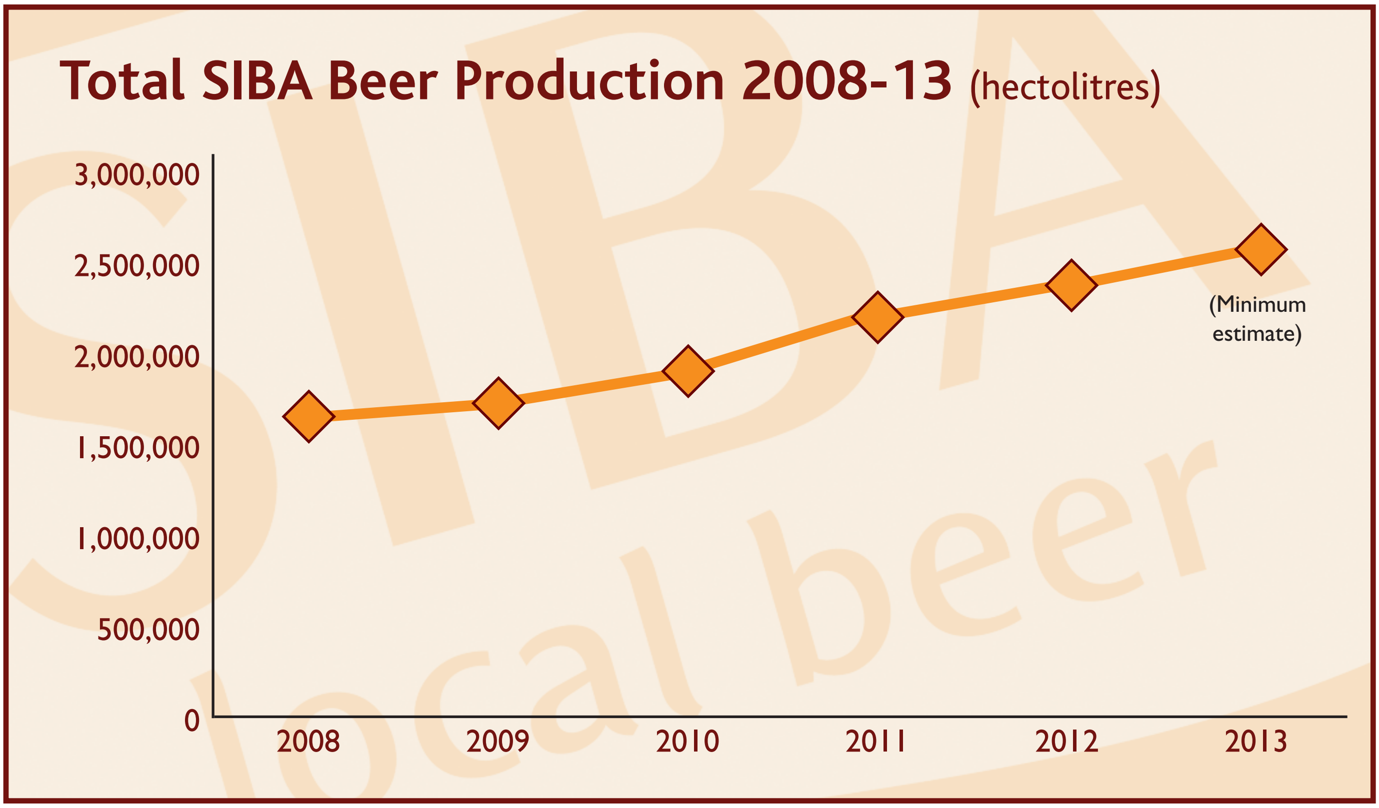
...22.3 million pints more than in 2011

It is clear that some brewers have graduated from Levels 1 and 2, to give the highest growth totals of 14.9% and 9.6% respectively for Levels 2 and 3. Membership in Level 1 has continued to increase with the influx of new brewers, and volume growth is up by 7.9%. It should be noted that rising aggregate totals conceal the fact that some brewers recorded a fall in production. Again, this is not important in the context of the state of the industry *in toto*, but that should not be taken as a blasé lack of concern for the potential impact on those businesses. Competition is tough, and in an industry constantly accepting new entrants, casualties must be inevitable.

The members in Levels 4 and 5 have remained the same, and it is understood that the 3.7% fall in Level 5 owes much to the cessation of a contract brewing agreement for one company.

Each year the survey tries to bring production volumes up to date, asking for totals for the first nine months, plus estimates for the final quarter. The accuracy of this process can always be ascertained with the benefit of a year's hindsight: 2012's confirmed total of 2.361m hectolitres was estimated last year at 2.385m – a 1% margin of error. This year's predicted like-for-like increase is 5.9% – up to a quarter of a million hectolitres – with a more tentative total rise in volume (including new brewers) of 7.9%.

What is not in doubt is that the manufactured output of this sector of the national economy is continuing to show exceptional growth year-on-year.



According to the 1975 *Good Beer Guide*, those eighty-seven companies *'produce 1,500 varieties of beer in casks, kegs, cans and bottles,'* and *'more than 300 of these brands are in traditional draught form'*.[7] The 300 cask brands were identified in the guide by three symbols, as either *'bitter or pale ale'*, *'mild (light or dark)'*, or *'old ale or winter brew'*. A couple of breweries had as many as five symbols against their name, but most had just two or three.

"...the beer market has changed immeasurably...in the middle of the 1970s...there were about 100 independent brewing companies; now, well over a thousand..."

"We've seen a resurgence in interest, we've seen beer start to gain respectability...it's about flavour appreciation, it's about style...beer is a diverse product – it's not just simple flavour profiles; it's got complexity..."

"Brewers have brought innovation into the industry; they've brought choice...SIBA brewers make thousands of different brands...*[there were]*...about 300 brands in the first Good Beer Guide that I bought."

'Building the future of British beer'
SIBA Chief Executive interview, 14th August 2013

The latest *Good Beer Guide* devotes 28 pages to a listing of the permanent cask brands now available (excluding seasonal, special or occasional beers).[8] Counting them all is too onerous a task, but checking a few columns and averaging out the totals gives approximately 5,400 real ales in regular production. This endorses SIBA's survey extrapolation of about five brands per brewer (dividing 5,400 by 1,150 breweries = 4.7). Accepting the implication from survey results that each brewer also averages eight specials would suggest that:

❖ **14-15,000 different cask beers are brewed each year in the UK.**

Five bottled beers by 75% of all brewers suggests an arithmetical total well in excess of 4,000.

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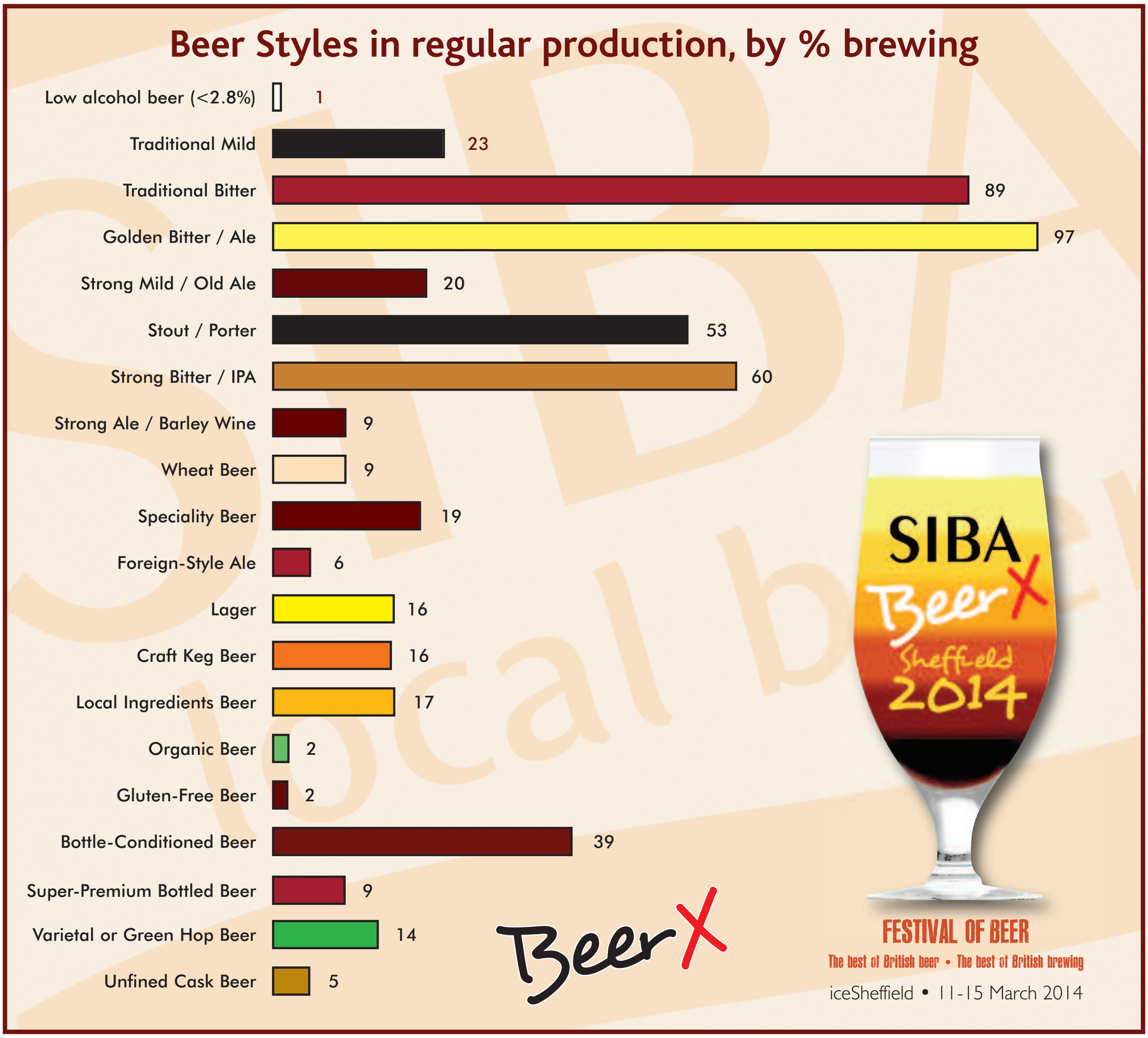
7. Good Beer Guide, 1975, published by CAMRA.
8. GBG, 2014 (pp905-932).

Needless to say this staggering total cannot be limited to bitter and mild with the occasional old ale thrown in, even though, as the table of **Beer Styles** shows, traditional bitters do survive in 89% of portfolios. The table is not exclusively for cask beer, but that is the iconic British category and, with the exception of a couple of specifically keg or bottle styles, the types of beers listed are all produced predominantly in cask-conditioned form.



Here is evidence of the extent to which imagination and innovation have permeated British brewing. Beer has changed – most notably of course with the success of the almost ubiquitous pale blond and golden ales, infused with the citrus or tropical fruit flavours of hop varieties from the New World. Hops are a core ingredient of brewing, and research and development in hop growing, around the world and in the UK, have contributed immensely to the diversity and choice available these days to enthusiastic and appreciative British drinkers. But other ingredients too – alternative grains, smoked malt, fruit, spices, and aromatic plants (and anything else that might work) – have found their way into the speciality brewer's recipe book, inspired both by ancient pre-hop or foreign tradition and by complete 'off-the-wall' experimentation.

Historic styles – particularly stout, porter and India pale ale – have been revived in large numbers. As a direct result of the resurgence of small-scale and artisanal production in Britain – and often with the assistance of British pioneers like Peter Austin – craft brewing has blossomed around the world. With far less (or no) surviving indigenous heritage to inform and guide them, foreign microbrewers – chiefly of course in the USA – have embraced traditional styles while simultaneously pushing the boundaries of innovation, which is especially true of modern IPAs. Influence has thus become a cross-pollination process, with a new breed of British microbrewer adopting the entire persona and *modus operandi* of the American 'craft brewer'.

PETER AUSTIN

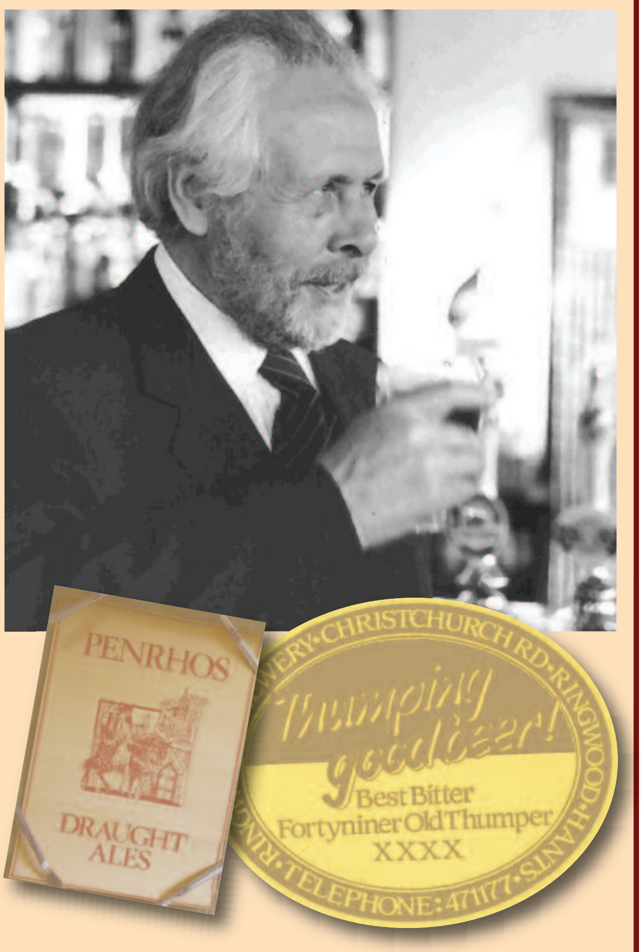
the pioneers' pioneer

18th July 1921 – 1st January 2014

"Ringwood Brewery have been saddened to hear of the passing of brewery founder, Peter Austin...Peter, regarded by many as the grandfather of microbrewing, was instrumental in the setting up of SIBA..."
Ringwood Brewery website

"Peter was an inspiration to a generation of brewers including me. His belief in locally brewed beer, his passion and his bloody mindedness were without doubt fundamental in kicking off the microbrewing scene!"
Keith Bott, SIBA Chairman

"Peter...built some 140 breweries in 17 countries...[His]...impact on good beer is immeasurable. There are more than 2,000 craft breweries in the US, 1,200 in Britain, 150 in Australia, 70 in New Zealand and a growing number in Italy. Beer drinkers have never had greater choice – and much of that is due to him."
Roger Protz, obituary, The Guardian

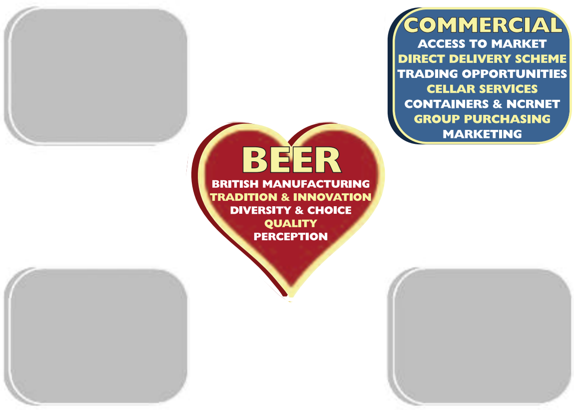


Feelings continue to ferment about what passes muster as 'craft beer', and the argument that smaller brewers must stand firm against mighty multinational corporations – seeking to muscle in on 'craft' market territory with mass-produced beers that claim artisanal credentials – has been well made. But to the majority of SIBA brewers the debate is of limited relevance. In the survey 41% expressed a desire to see an agreed industry definition of 'craft', against 28% opposed and 31% unconcerned; and there was no more than 21% support for proposals to incorporate the C-word into any official statements about SIBA brewers or on to the SIBA logo.

None of the wider and larger brewing industry has stood still against the tide of microbrewing innovation. Long-lived regional and national brewers have installed small-batch 'craft' plants so they can experiment themselves. Naturally they employ the highest quality technical brewers, who are no doubt overjoyed at being offered new purpose, direction, variety and job satisfaction in their careers.

In addition to the diversity and choice now on offer, SIBA strives to inculcate a total commitment to quality, through its brewing technical support (including the Campden BRI helpline), its beer competitions, and both its 'new for 2014' **Seminar Programme**[9] – including many sessions covering important areas of brewing science and technology – and its **Festival Of Beer** – showcasing competition champions – at this year's **BeerX: 'A celebration of British beer'**.[10]

Few can be unaware of what has happened to the British beer market. Here is the proof that microbrewing has indeed pioneered a whole new approach to beer and brewing. The lifeblood of SIBA flows from its brewing heart, to invigorate its operations, activities and influence across the spheres that affect our way of life and our quality of life, and to enhance the British people's perceptions of their national beverage.



9. These seminars are scheduled for Wednesday 12th March 2014; full details and further information at *http://beerx.siba.co.uk/BeerXProgramme.pdf*
10. Full details at *http://beerx.siba.co.uk/*

To Market, to Market...

COMMERCIAL
ACCESS TO MARKET
DIRECT DELIVERY SCHEME
TRADING OPPORTUNITIES
CELLAR SERVICES
CONTAINERS & NCRNET
GROUP PURCHASING
MARKETING

'Take it to the next logical step: you've made a product to sell – you've then got to sell it..." [11]

If the heart of our industry is brewing beer, its brain is surely the business of selling beer. And although this must be true of the core product in any manufacturing field, it has been and continues to be especially the case for start-up breweries. Getting your beer into the marketplace is problematic when access is restricted by tied ownership and foreclosure of retail outlets. SIBA was founded in an era of brewery-tied estates and no guest beers; even many free-trade pubs had voluntarily tied or partially tied themselves with 'soft loans' from established major brewers. After a long campaign for a fairer market, legislated change, when it arrived – in the form of 1989's Beer Orders[12] – promised far more than it actually delivered. The bulk of tied estates passed from vertically integrated breweries to property-owning pubcos, which at first offered no easier route to market for small brewers.

The critical service, above all others, with which SIBA strives to meet the commercial imperatives and aspirations of its members' business operations, is **Access to Market**, which began as a project at the end of the 1990s.

"When SIBA was founded...access to market was a serious problem for new companies...you couldn't get your beers into anything but a genuine free house... SIBA set up with a founding mission:

TO GIVE MEMBERS THE BEST POSSIBLE OPPORTUNITY TO BRING THEIR GOODS TO MARKET

On the basis of that, this trade association has become a unique trade association... *[with]*...a commercial arm that is all about securing access to market."

'Building the future of British beer'
SIBA Chief Executive interview, 14th August 2013

In 2002 the **Direct Delivery Scheme** (SIBA DDS Ltd) was launched as a wholly owned sales agency, seeking to develop trade between large multiple retailers and small local suppliers. It has been a highly successful initiative, retaining existing and acquiring new custom from major pub groups. Although the number of outlets only rose by 1.8% in 2013, volumes were up by 5.8%, with average throughputs strengthening.

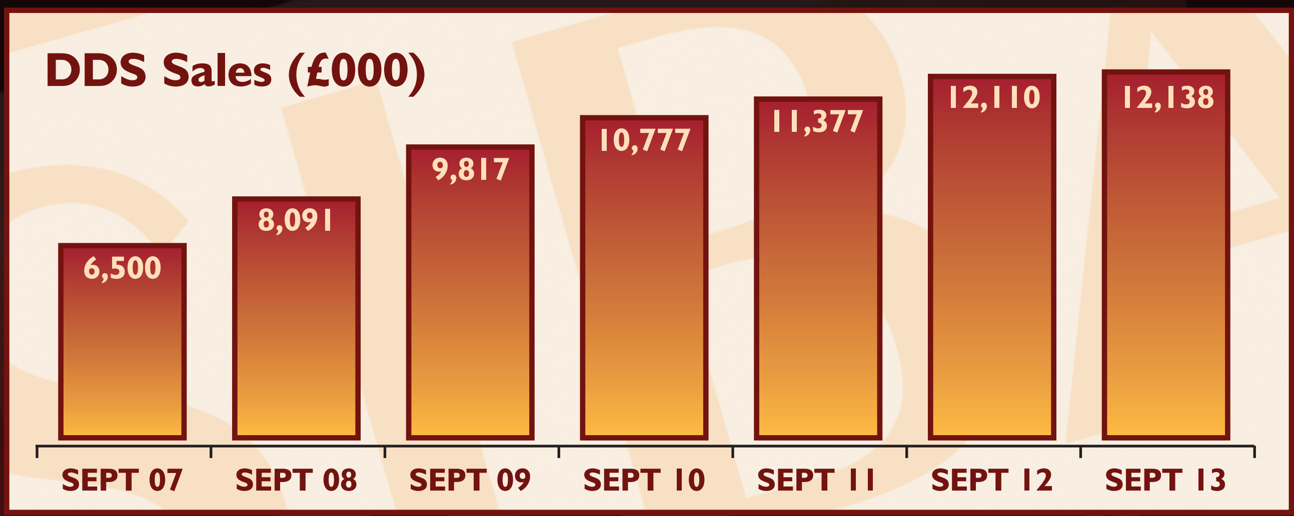
Sales appear to have levelled out, however, with a much flatter increase in turnover (0.23%) recorded for the financial year to 30th September 2013. The reason this does not reflect the more impressive 2013 calendar year performance is due to a particularly buoyant December, with volumes up by 27% against the closing month of 2012. This has reinforced the scheme's sound start to the 2013/14 financial year: on-trade volumes and turnover for the first quarter are up year-on-year by 22% and 20% respectively.

DDS continues to evolve, always driven by the aim to improve the trading environment for all participating brewers. Discussions are currently progressing well to introduce a much more flexible pricing structure, rather than fixed pricing by ABV. This would give greater freedom to individual brewers to position their beers by price where they feel they should be against those of their competitors.

11. SIBA Chief Executive interview at GBBF 2013, ibid.
12. The Supply of Beer (Tied Estate) Order 1989 and The Supply of Beer (Loan Ties, Licensed Premises and Wholesale Prices) Order 1989. These restricted the number of tied pubs that could be owned by large brewery groups and required large brewer landlords to allow their tenants a guest beer from someone other than themselves.

SIBA DDS – the Direct Delivery Scheme

WINNER OF BEST NATIONAL RETAIL INITIATIVE BBC RADIO 4 FOOD AND FARMING AWARDS 2007



SIBA DDS currently buys around 2,500 draught and bottled beer brands from 526 participating SIBA brewers and sells them on to 20 pub companies and off-trade retailers. DDS operates without profit and ensures that its customers – almost 2,400 outlets around the country – receive the best possible choice of beers from local brewers.

Before the establishment of the scheme these brewers and retailers found it extremely difficult to trade with each other, regardless of how local they were.

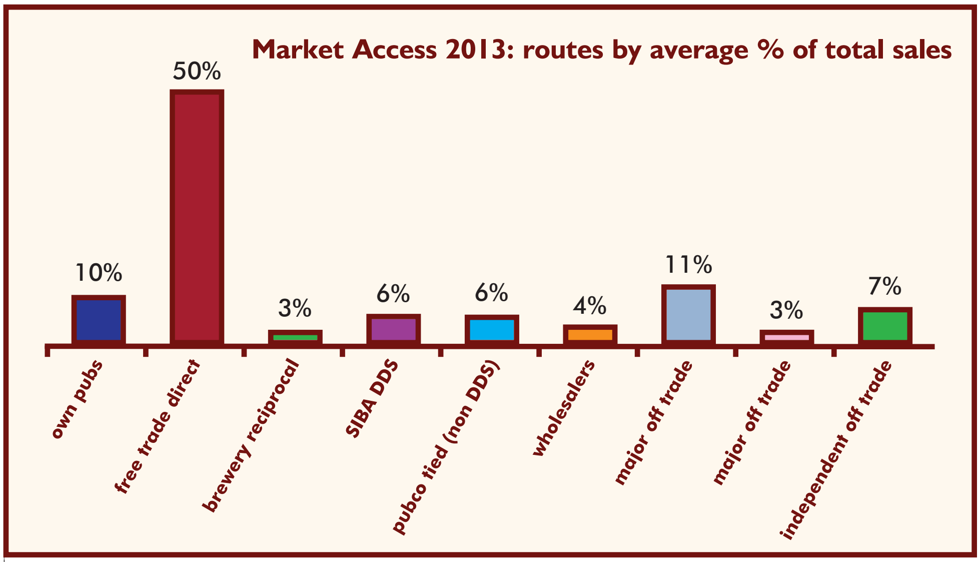
How does it work?

Like most great ideas, the operation is essentially very simple: SIBA DDS receives orders (via EDI, email or telephone) at its office in North Yorkshire, either from the company or direct from the outlet, and distributes them immediately to DDS member brewers all over the country.

Brewers access their orders via a secure intranet facility, delivering the required products directly to the outlet in accordance with the SIBA Delivery Charter.

SIBA DDS reports centrally on all deliveries made and provides consolidated invoices to the company head office, which will then produce any appropriate documentation for the individual outlet.

39% of survey respondents rate DDS of maximum importance to their SIBA membership, and there is no doubt that some breweries have joined primarily in the belief that getting into DDS will secure them regular trade. But there are no guarantees; the growth of the small brewery sector has made all routes to market increasingly competitive, and it should be remembered that DDS was created to penetrate markets that are no longer as rigidly foreclosed as they were, as free-of-tie options and tie relaxations are being introduced into pubco lease agreements. That DDS continues to perform so well indicates how effectively it is adapting to changing market circumstances.



It is reassuring to note that once again there is no evidence from the survey that SIBA brewers in general are over-reliant on DDS for market access. As the table shows *(left)* there is even more penetration nowadays into pubco estates by alternative routes (tied and free-of-tie combined).

Direct supply to the free trade remains key to most businesses, with wholesalers, own pubs and the independent off trade also scoring higher averages as trade targets than DDS.

Of course SIBA's Access to Market initiatives – and its commercial services in general – are about much more than the Direct Delivery Scheme. The testing of 'Indirect Delivery' via Ooberstock continues under review now that the 'Intelligent Wholesale' group has new owners. A consolidated bottled beer delivery service and an export project *(see box below)* received favourable responses in the survey and are being actively explored.

EXPORT...

The SIBA survey says:

➢ **21% of brewers currently export beers**

➢ **58.5% believe a SIBA-led export project could help grow their business**

How could SIBA help?

✓ **Find export agencies – 81%**
✓ **Find potential markets – 76%**
✓ **Explain foreign excise duties – 70%**
✓ **Explain financial implications – 64%**
✓ **Order / collation / delivery – 64%**
✓ **Invoicing and admin – 52%**

Friday 14th March 2014...

SIBA BeerX
BUSINESS DEVELOPMENT DAY

10.00: Buyers from around the world explain export market opportunities

12.00: Meet the buyers
Hosted by

UK Trade & Investment

SIBA Cellar Services is geared to providing the full range of technical cellar support: maintenance, installations, parts, advice, and the sale and purchase of assets in accordance with 'Must Buy, Must Sell' protocol.[13]

NCRNet offers support in another vital area for brewers – the recovery and 'repatriation' of their draught containers – and its work is co-ordinated by the SIBA commercial team.

Commercial elements of SIBA's work can be found in all areas of its operations, because commerciality is what drives brewers. Regional and national beer competitions, Business and Design Awards, BeerX and the Festival of Beer – all are geared through their publicity and marketing aspects towards maximising business development opportunities and trading potential.

SIBA's unique status as a campaigning trade association with a Commercial division has been an essential factor in the strategic review process that is seeking to optimise delivery of all services and benefits under a revised management structure.

13. Full information at *http://www.siba.co.uk/ts/*

Sowing Community Seeds...

COMMUNITY
LOCAL ECONOMY
EMPLOYMENT
INVESTMENT
INFRASTRUCTURE
LOCAL PUBS
CHARITY SUPPORT
COMMUNITY PROJECTS

"We've got breweries in virtually every constituency in the land...They're labour-intensive...providing employment...and they're getting their products into local pubs..."[14]

Locally based independent breweries and locally brewed beer are intrinsic to the fabric of the communities in which they are based. Furthermore, their proliferation has rekindled a sense of pride and loyalty amongst local populations.

This section of Beer Report 2014 focuses primarily on the economic aspects and impact of breweries within their communities. Much has been said in previous reports about **Small Breweries' Relief**.[15] Within the context here, the vital role of duty relief as an investment in brewing, which has in turn secured brewing's own investment in its infrastructure and consequently in local (and national) economies, cannot be overstated. Of course, its first and foremost effect has been in actually growing the sector, as evidenced by the age of breweries that submitted survey responses:

❖ **63% of brewers surveyed were founded in the same year or since SBR was introduced.**

That's how youthful the modern industry is (see **Investment** panel).

Perhaps the most important form of investment in boosting local economy is employment. Small-scale brewing is very much a hands-on industry, limited in the amount of labour-saving technological advances it can use – or indeed wants to use – to reduce manual input and payroll costs.

The practical skills of brewing require training, and SIBA continues its work to be at the forefront in offering this. The **Brewers Diary,** developed by the Institute of Brewing & Distilling in association with SIBA's Brewing Technical Support Director, offers in-service workplace learning, third-party mentoring, and a certificated qualification.[16]

Growing businesses generate employment, but that is just one of the areas in which SBR is being used judiciously by qualifying brewers. It has already been shown (see **Employment** panel, right) that small-scale brewing is relatively cost-inefficient, and that significant economies of scale can be achieved in larger production units. Higher manufacturing costs make price competition extremely difficult, and there has to be a temptation to use duty relief simply to achieve market penetration through cheap pricing. But once again there is very little survey evidence that this is an overly prevalent practice. Only 2% of responses (4 out of 194) give discount-pricing a top priority score for their use of duty savings – its average score on a 0-5 importance scale is less than 0.8. Expansion, equipment, staff and marketing and design are viewed as three to four times more important.

EMPLOYMENT...

➢ **Survey responses suggest that there are now 5,500 full-time** (or full-time equivalent) **jobs in SIBA members' breweries.**

➢ **Replies further indicate that 900 new jobs have been created in the last year, and that 700 more could be created in 2014.**

Previous research has shown how much more labour-intensive smaller scale brewing is:

- average 300hl of beer produced for each employee in breweries under 1,000hl per annum
- 500hl per job at 1,000-5,000hl pa
- 800hl per job at 5,000-30,000hl pa
- industry-wide figures produced by the BBPA indicate an average of one employee per 3,000hl of beer

14. SIBA Chief Executive interview at GBBF 2013, ibid.
15. Although widely known as PBD (Progressive Beer Duty), especially among brewers, for clarity Beer Report 2014 uses the name given to it by Government and HMRC.
16. *http://www.ibd.org.uk/qualifications/training/brewers-diary/1928/overview/*

There is substantial appreciation among independent brewers that hand-crafted local beers should command a premium, rather than be on offer at rock-bottom prices – although some undoubtedly hold more rigidly to this principle than others.

Government and Industry: Investment in Partnership

✓ **Small Breweries' Relief introduced June 2002**

- ➢ **50% relief for brewers producing up to 5,000hl per annum**
- ➢ **Relief capped at cash value at 5,000hl up to 30,000hl**
- ➢ **Relief tapered to zero between 30,000-60,000hl** (following review in 2004)

= **INVESTMENT in the growth of British brewing.**

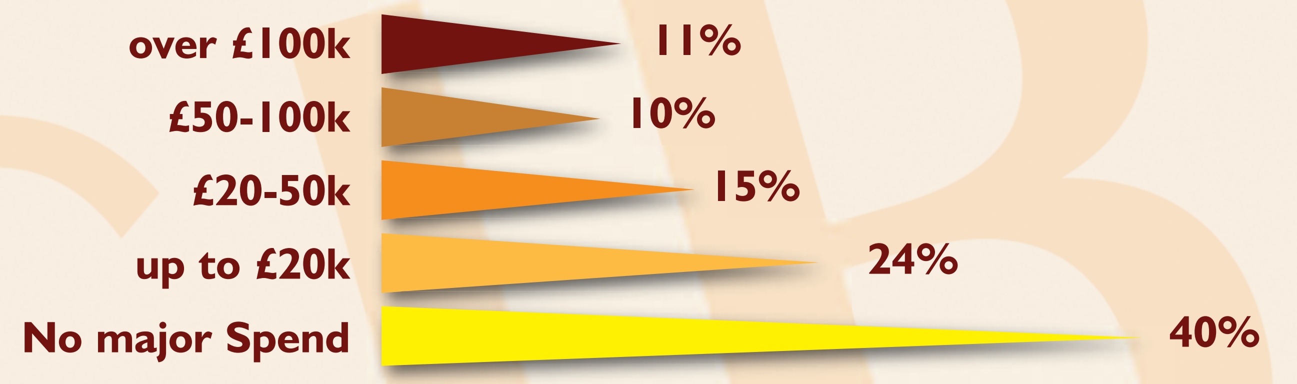
SIBA industry survey participants, by age...brewery founded in

and encourages INVESTMENT in the growth of British brewing...

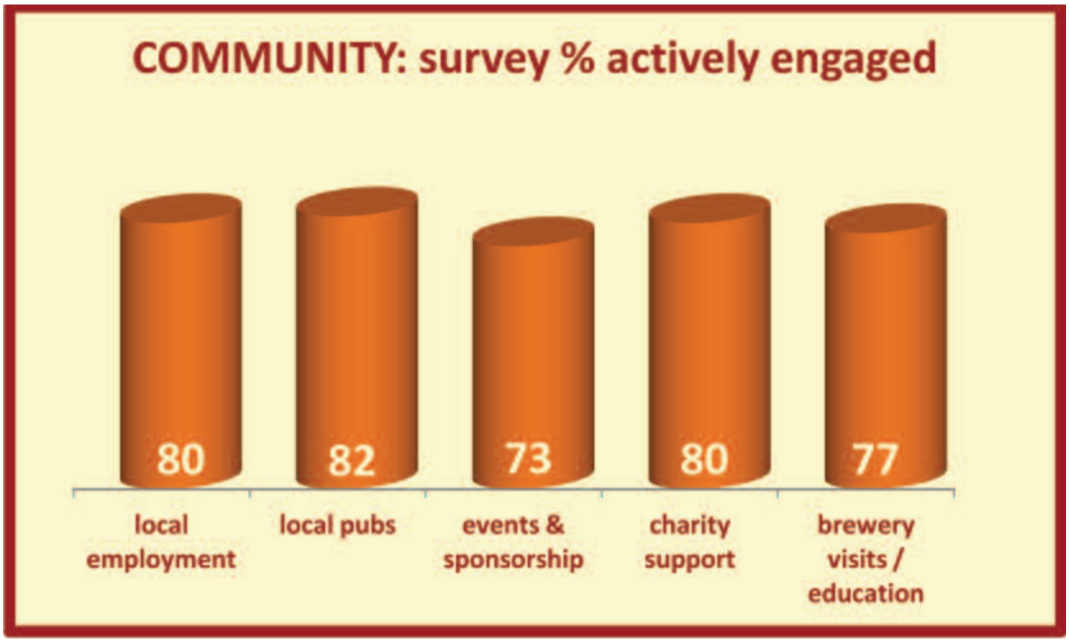
Priorities for investing duty relief savings: [score 0-5, where 5 is most important]

NEW EQUIPMENT	3.2	BREWING CAPACITY	2.6	PUB ACQUISITION	1.3
MARKETING & DESIGN	2.7	PROFIT RETENTION	2.4	DEBT SERVICING	1.0
STAFF & TRAINING	2.7	SYSTEMS UPGRADE	1.8	DISCOUNT PRICING	0.8

SIBA brewers' capital investment 2013



60% of survey respondents reported major capital investment in 2013 – not far short of the percentage in the previous two surveys (65%). The consecutive recording of such high annual percentages (and it might reasonably be assumed that not many breweries are investing such amounts in three successive years) is indicative of the ongoing and constant programme of improvement and expansion being undertaken across the industry.



Direct supply of local beers to local pubs – whether own pub, free trade, DDS or other agreed supply route – builds real community synergies between brewers and publicans, and can encourage a healthy level of partisan brand loyalty among local drinkers. Pub acquisition does not achieve a high average score for investment priority – though 1.3 in this survey is well up on last year's 0.9 – but for some brewers it is firmly in their business development strategy: 12% have it as a top priority, and the overall average score is reduced markedly by the 58% who give it no importance at all. It is clear from the high engagement with local pubs that owning them is not necessarily a key factor.

The Community table shows impressive levels of proactive engagement for every area listed in the survey, including those that are less directly concerned than employment and beer supply with building business success. Support and sponsorship are readily taken up by many brewers – naturally for commercial, marketing and branding advantage – but also to cement positive relationships with local community life.

An ever-popular means of engagement for breweries is to open their doors for public tours. Although these might in most cases be principally for the pleasure of sampling the beers, more and more independent brewers are creating visitor centres that offer a comprehensive experience, including educational elements, which go that bit further in fostering understanding about brewing and beer and their enduring place within the essence and culture of community and society.

Brewing is itself at the centre of a community that is not defined by geographic location, but which nevertheless exercises an influence at local, regional, national and international levels. European research into brewing's economic contribution has concluded that one job in brewing supports 21 others: one each in agriculture, supply and off-trade retail, and 18 in pubs.[17] This is the 'community' of its infrastructure.

From The SIBA website...

"September marks the return of Premiership rugby to Devon and with it Otter Brewery's continued involvement with top-flight club the Exeter Chiefs."
News, 3rd September 2013

"Cullercoats Brewery reaches £10,000 target in fundraising for RNLI, the Lifeboats Charity..."
Headline, 3rd February 2014

"Mix96 are celebrating 20 years on air... and teaming up with...Chiltern Brewery to create a...celebratory ale...5p from every pint will be donated to...St Tiggywinkles."
News, 29th January 2014

"Old Mill Brewery donate £400 to the Mayor's Charity Appeal..."
Headline, 26th November 2013

17. Ernst & Young: The Contribution made by Beer to the European Economy, available at *http://www.brewersofeurope.org/asp/publications/index.asp*

“We’ve got ...200.. supplier associate members...companies that see themselves as integral to the infrastructure of the brewing industry.”

‘Building the future of British beer’
SIBA Chief Executive
14th August 2013

Ingredients:
malt
hops
yeast
adjuncts
additives

Equipment:
brewing & bottling
cellar & dispense
casks & kegs
bottles & glass
polypins & mini-casks

Business:
financial
costs saving
IT & software
property
insurance
accounting
legal services
recruitment & training
recycling
retailing & sales
wholesale & distribution
events & venues

Production:
bottling services
brewing consultancy
glassware decoration
labelling & packaging
marketing
promotion & POS

Others:
pub companies
trade associations
societies
charities

...check out the Trade Directory and the BeerX Trade Exhibition!

SIBA has long recognised the existence and importance of this brewing-focused network; representatives of non-brewing supply and service companies have been among its most active participants. The growth and vibrancy of the independent brewing sector, coupled with the consequent explosion of choice, innovation – and potential custom for suppliers – have assured its trade association of a constant influx of new associate members. SIBA works as an essential link between brewer and goods and services supplier – fulfilling a role as factor and facilitator of the synergies between industries.

...and Growing Sustainable Roots

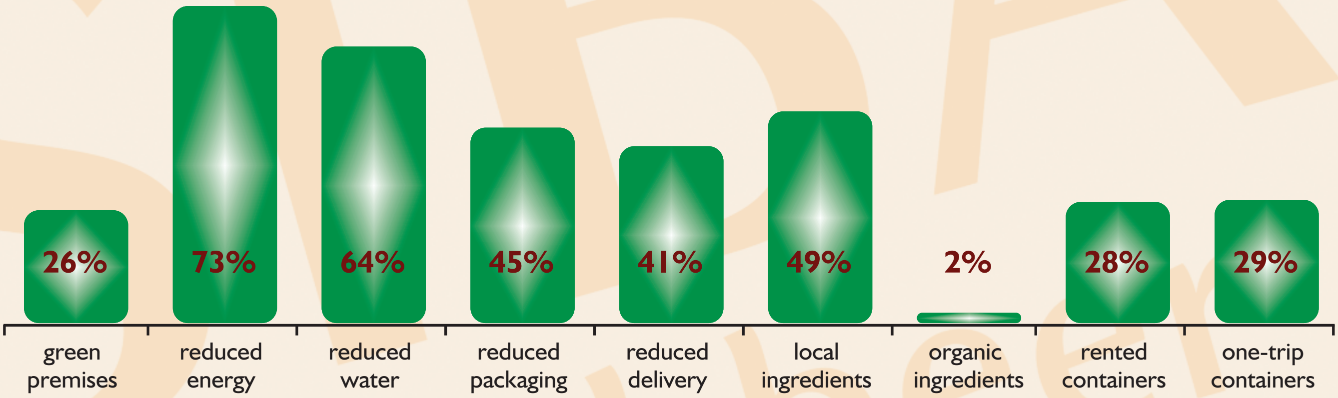
Having become established as welcome economic contributors within their communities, it has then become necessary for local brewers to demonstrate their commitment to virtually every virtuous aspect of business operation that exists. This is not a problem – there can be few, if any, industries more inclined to embrace the principles of environmental conscience, sustainable production and localism, together with the business ethics of responsibility and accountability. Whatever the reasons – and it may to a significant extent be because many have entered independent brewing as a result of ‘lifestyle’ decisions – SIBA can count among its membership many brewers who embody a laudable balance between the commercial imperative of running a business to make money and the belief that this can be done without compromising principles or straying across ethical boundaries.

The first priority is to build a business operation that is designed to last, but with minimum negative impact and, wherever possible, with genuine positive effects. Independent local brewing’s dedication to achieving successful business within environmentally sustainable parameters continues to impress. Survey results (shown below) have remained consistent for yet another year, with only small percentage movements. The construction of green premises, up from 23% last year, may be a significant developing trend in the industry. Energy savings are a win all round – good for both environmental and bank-balance conservation.

17. Ernst & Young: The Contribution made by Beer to the European Economy, available at *http://www.brewersofeurope.org/asp/publications/index.asp*

Brewers and environmental initiatives

% of survey replies affirming positive commitment to...



From the SIBA website...

"As part of the brewery development, which began in April, Purity has also maintained its strong commitment to supporting the environment. The brewery sends all waste products to be recycled through a nearby pond and wetland system...*[which]*... has now increased in size to cope with the new volume of waste.."

News, 9th September 2013

"Norfolk brewery makes a toast to environmentally friendly premises ...a new waste water treatment plant filtration system has been installed on the new site which means that water can be treated and returned to the environment...it takes five pints of water to produce one pint of beer, by using onsite water treatment, there is no longer a need to use tankers, reducing the firm's overall CO_2 emissions... Through the new environmental facilities...Wolf Brewery...are able to save £12,000 which can then be reinvested into the business..."

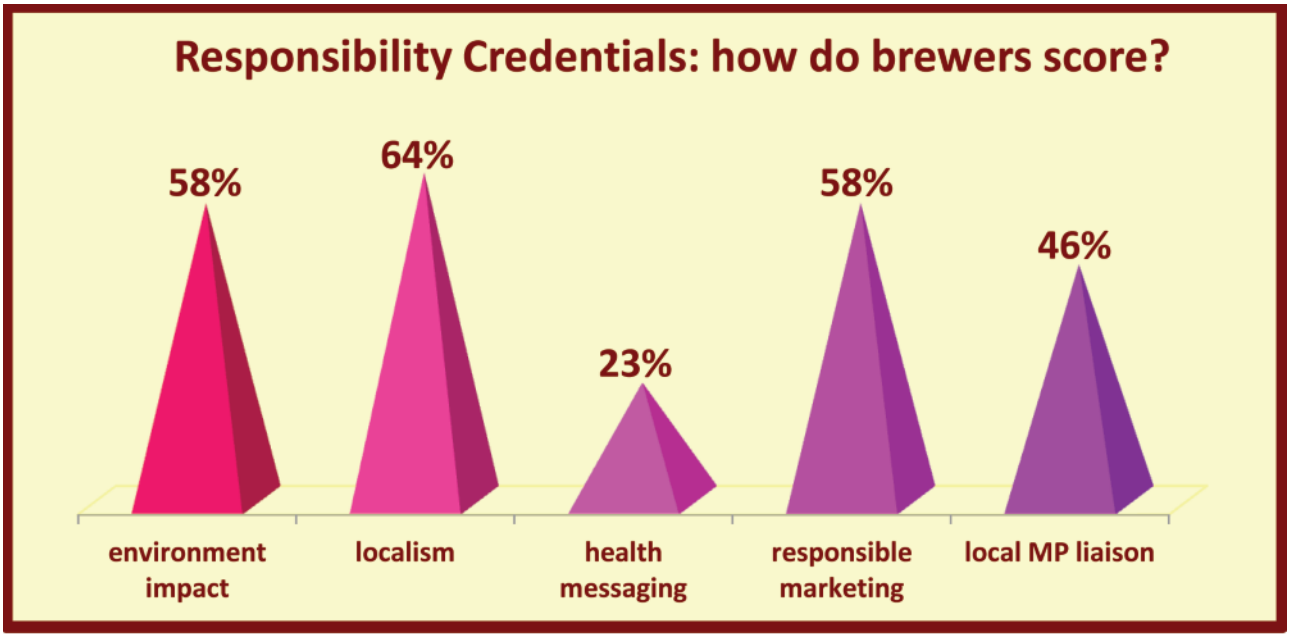
Headline and News, 13th November 2013

"A Dartmoor farmer is helping Dartmoor Brewery boost the provenance of its Dartmoor IPA...supplying the Princetown based brewery with the first ever malting barley grown in the National Park, and in so doing, improving the Brewery's green credentials by reducing its beer miles."

News, 6th February 2013

It is surely to be expected that the proliferation of small breweries should be accompanied by a passion for local provenance and use of local ingredients wherever possible, coupled with pragmatic business strategies that reduce food miles and seek to retain close control of assets such as draught beer casks. At the same time, accepting that beers can proclaim their provenance further away from their home territory, and appreciating that many brewers are eager for theirs to reach as wide an audience as possible, rented or one-trip containers are proving to be a viable answer. Their use is certainly increasing, and they will of course be key to furthering ambitions to export draught beer.

There are many problems and a multiplicity of solutions; each brewing company finds its own way, but the overwhelming majority do so with pride in their commitment to the highest possible operating standards. Nevertheless, the **Responsibility Credentials** chart *(below)* covers several areas in which a larger majority of brewers might be expected to be proactive, and some of the scores – to the question *In what ways are you satisfied that you engage responsibly with your community?* – imply an honest admission by some respondents that they could do more in certain areas.



The worst response score, for health messaging, relates to taking responsibility beyond the expected adherence to industry best practice or inherent personal standards, and on to an attacking front foot. This involves being sufficiently well informed to challenge with confidence the arguments propagated by those among the 'harm reduction' lobby who persistently refuse to find worth in any industry that manufactures and retails drinks containing alcohol.

"We won't shy away from...the ethical arguments...I'm just about sick and tired of any...TV or newspaper story about the latest bad behaviour somewhere...illustrated with the sight of someone pulling a pint of draught beer in a pub..."

"What the harm reduction lobbyists run the risk of doing is throwing the baby out with the bathwater, by vilifying all alcohol – it's all equally bad...We don't accept that, beer is a low-alcohol drink...essentially not about the 'quick hit' of getting alcohol into your system...we have a product that's enjoyed in company...and it's best enjoyed in the pub..."

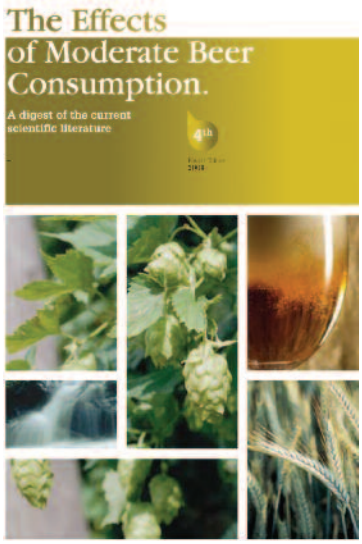
"There was a time...the Temperance Movement recommended that beer should be drunk...beer was the temperate drink and we believe that's still the case..."

'Building the future of British beer'
SIBA Chief Executive interview, 14th August 2013

Although plenty of scientific evidence exists to support positive health messages for moderate beer consumption,[18] it is all too often drowned out by anti-alcohol tirades verging on abolitionism, or by ill-founded and unattributed 'research' in the sensationalist press. As this report was being finalised and proof-read for publication, SIBA's attention was drawn to the headline of a recent *Daily Mail* article, which screamed *'Nine teaspoons of sugar in just a pint of real ale'*. The copy below the headline diluted the claim by adding the words *'up to'* and *'strong'*, but all the way through failed to understand or communicate the basic science of fermentation, which entails the conversion of sugars to alcohol (and CO_2) and leaves very little residual sugar in the finished beer.[19]

18 The Effects of Moderate Beer Consumption, A digest of the current scientific literature: published by the Brewers of Europe: *http://www.brewersofeurope.org/docs/publications/0308BH.pd*
19 *http://www.dailymail.co.uk/health/article-2551957/Nine-teaspoons-sugar-just-pint-real-ale-The-hidden-amounts-contained-alcoholic-drinks.html#comments*

The danger of rants like this in the populist media is for the people who make beer to go silent, lest they be accused of being in denial simply because of their self interest.



But it is becoming increasingly important for British brewing to be strident and vociferous in the defence of its craft – which has always been integral to the nation's heritage and culture. The facts should never be allowed to be overlooked:

- **This year's survey records yet again that 85% of SIBA brewers' beer is draught, and therefore packaged predominantly for consumption in public houses, where it partners good food, good conversation and good company in a monitored environment geared for social and sociable activity.**

- **Beer is a low-alcohol drink: according to the survey, an average 58% of each brewers' total volume production is in the 3.5-4.2% abv strength range; a mere 0.6% is over 7.5% abv.**

SIBA has long sought to position draught beer, drunk in moderation in the pub, as a responsible alcoholic drink in terms of its impact on health and society. To this end, the organisation has engaged with the Department of Health as well as the Portman Group, Drinkaware, Alcohol Concern and others in order to promote this message, and is a partner in the 'It's Better Down The Pub' campaign, with its own website and promotional film.[20]

A Voice for British Brewers

REPRESENTATION
DEMOCRACY
REGIONAL SUPPORT
COMMUNICATION
INDUSTRY LIAISON
POLITICAL LOBBY
NETWORKING
BEERX

"We're a democratic organisation – whatever the brewery size – one member, one vote..." [21]

SIBA was founded to represent and defend the interests of independent brewers, and has grown to the size it is today, and to command the status and respect that it does today, because it has been successful in that vital role.

The introduction of Small Breweries' Relief was the landmark culmination of a twenty-one-year campaign, which began almost as soon as SIBA came into existence. Its effects have been noted already, and it should come as no surprise that, when asked in the survey to prioritise the importance to their membership of SIBA's many and various activities, by scoring each from 0-5, defence of SBR is the easy winner with a mean score of 4.5.

This is not to say that duty relief in its current form is universally held to be perfectly formulated. The March 2014 edition of the SIBA Journal contains an opinion piece by the managing director of a brewery that has rapidly expanded to regional status, asking if it is now time to review and revise the scheme.[22] SIBA has to be the forum for such debates.

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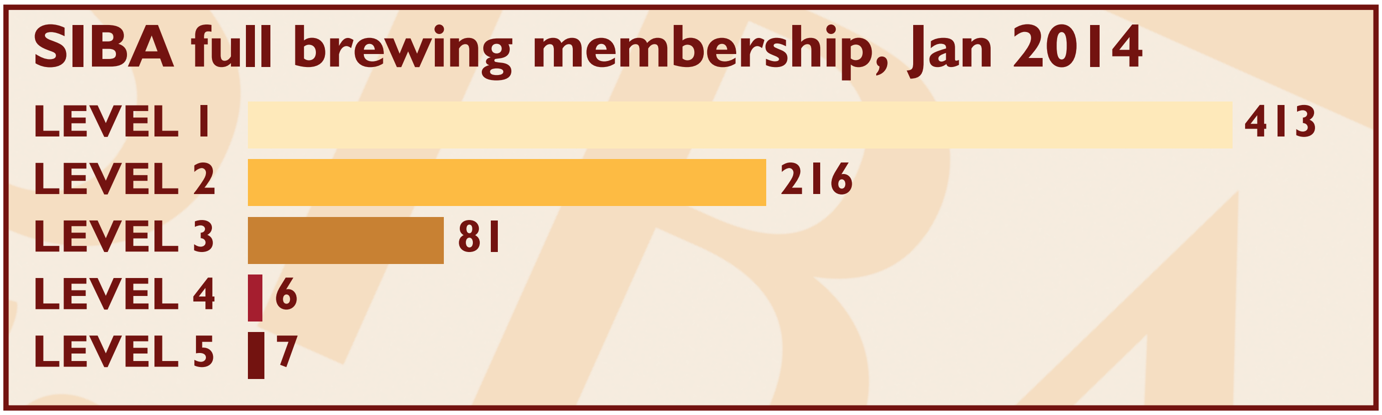
20 *http://www.itsbetterdownthepub.com/* Film at *http://www.youtube.com/watch?v=C1ym0qTlbAs*
21 SIBA Chief Executive interview at GBBF 2013, ibid.
22 Last Word, by David Grant of Moorhouse's, SIBA Journal, March 2014, page 80.



Second priority to defence of SBR is the more general but related area of political representation and national lobbying (average score of 4.0). Much of this ties in with SIBA's record of positive and proactive liaison with other industry bodies, which has involved contributions to 'wins' such as: the introduction of guest beer regulations; recognition of 'cask conditioned ale'; defending the use of isinglass in brewing; ensuring 'end point duty'; securing accreditation for brewers' spent grains to be used as animal feed; fending off the threat of duty stamps on bottled beers; and the ongoing implementation of the Sustainable Communities Act. Current activity, in partnership with the BBPA, CAMRA and the All-Party Parliamentary Beer Group, is focused on presenting pre-Budget briefings to HM Treasury, to try and ensure that the momentum of support for the industry given by last year's duty cut is maintained.

Other high scorers in the survey listing of members' priorities are regional and national beer competitions and festivals (3.3), container management (3.2), DDS (3.2), this report (3.1), the SIBA website (3.0), BeerX 2014 (2.9), dealing with alcohol issues (2.8), regional representation (2.7), supplier associate members (2.6) and the SIBA Journal (2.6). The diversity of these illustrates the breadth of SIBA's operational activities, and surely confirms the value of a review of its operational structure to ensure its ongoing work is co-ordinated to optimal effect.

"The networking that we provide...encapsulated in our annual BeerX conference and festival...this is what SIBA does, and what we're working towards..."[23]

23 SIBA Chief Executive interview at GBBF 2013, ibid.

Cloud over Yorkshire, forecast to spread across the country...

"Following on from the transfer of the its servers to ZEN Computing, and the introduction of CITRIX cloud storage, SIBA now has unparalleled connectivity, speed of use and automatic back-up facilities. This IT development means we'll be able to provide new commercial services for our members."

SIBA Commercial Director Nick Stafford *(pictured right)* **goes on to explain how his own Hambleton Ales is benefiting from its road-test of SIBA's fledgling 'Cloud Services' as a remarkable new members' benefit:**

"Hambleton employees use the internet to log on to a totally secure IT network that is the 'Hambleton Ales Office'. It's a private network dedicated to the running of my business.

Anywhere in the world (but usually in the Melmerby office!), employees can use a computer or smartphone to click on the CITRIX icon and open their Hambleton Ales Desktop. Everything they need to do their job is there; each is custom-designed to allow access only to what the Boss (me!) wants them to use e.g. Payroll is inevitably confidential to selected staff.

Using SAGE accounting software – always the latest version – orders are taken, processed and printed where the employee is working. (Financial information is secure offsite on the SIBA servers at Zen.) Documents are scanned by the employee and saved to the Hambleton document folders. Letters are written in Word and spreadsheets created in Excel – again all are secure and offsite.

We haven't had to buy SAGE software or upload annual updates, or buy Microsoft Office for each computer – and always be paying for the latest version. There's no worry about viruses, because the SIBA servers protect all the data. And we don't need to our own IT network administrator (another job-title for the Boss?) – we just pay a monthly fee to SIBA.

So now we have complete control. Speed of office functions is at least three-times that of the old hard-wired network. We use Microsoft Outlook – everything available as before, but the data is better protected. All email accounts are managed by SIBA; sack an employee (!) and SIBA deletes the account, removes data, and forwards messages to another account. There's no confusion about who's responsible if emails aren't getting through; your phone line either gives you broadband or it doesn't.

Hambleton Ales' website is now hosted by SIBA. SIBA provided a template for the existing site to slot into, and now all the pages are maintained by SIBA staff. We sell beer from our website and SIBA provided the Terms & Conditions that are legally required, and handled Distance Selling Regulations, card payment merchant account and machine contract renewals, payment gateway, data security and 'shopping basket' technology, thus creating for us a user-friendly 'Amazon-style' online store. Thanks to SIBA, we're ecommerce-compliant; for a monthly fee, everything is done by SIBA!

In summary, that's what can be done. What SIBA has required for its own IT admin functions can now be used by members who have nothing at all or are fed up with all the hassle of maintaining their own systems."

In recent months much effort has been put into improving the efficacy of SIBA's internal membership communications through revision of its email and IT services. The development of the SIBA 'cloud' for use by members, is a perfect example of how representation of independent brewers' interests also offers potentially significant commercial benefits.

And thus it very neatly completes the 'circle' of SIBA's operations.

Delivering the future

Finally then, the picture of the Society of Independent Brewers' realm of operations is complete. Of course, nothing in reality is ever as neat as a schematic diagram; but the four areas - COMMERCIAL, COMMUNITY, RESPONSIBILITY and REPRESENTATION - revolve around BEER at the heart of our industry, and cover everything that SIBA does, everything that SIBA aims to do, and everything that SIBA stands for, and are interlinked by the spheres of British brewers' everyday lives in which they overlap.

It is a holistic view, which hopefully encapsulates a unified operational structure that gives tangible form to the SIBA vision

BUILDING THE FUTURE OF BRITISH BEER

and it offers a perception and appreciation of how such a structure could become a unifying force for the British Brewing Industry and help to deliver that future.

SIBA local beer
Society of Independent Brewers

Beer Report 2014 is published by the
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