LOCAL BREWING INDUSTRY REPORT 2005

Published by the Society of Independent Brewers

Introduction from the Commercial Director

On behalf of The Society of Independent Brewers I am delighted to publish our third annual review of the fortunes and main issues facing the UK's micro and local brewers. This has been derived not only from various official sources but also, and most importantly, from the most comprehensive survey to date of our members' business development and opinions. The report thus forms an authoritative review of a vital part of the UK's indigenous brewing industry.

Regular readers will note we have revised the title from the previous *Small Brewing Industry Report* to the *Local Brewing Industry Report.* This is designed to reflect the growing interest in local produce increasingly realised by retailers.

Local brewers number around 450 but are expanding at such a rate that by the date of this report's publication this estimate will be outdated. SIBA's equally fast-growing membership base ensures its continued proud representation of the vast majority of them, whatever their size.

2005 marks the 25th anniversary of SIBA's formation and in this landmark year we as an organisation and our individual members are determined to celebrate the robust progress of local brewing. Yet we will also campaign for our members' key interest: a wider access to the retail market.

Much progress has been made in improving access and the favourable outcome of further important negotiations at both retailers' headquarters and local outlet level is pending. To all customers, new and old, we express our grateful recognition of your support. The climate is now right for the doors of the UK's retailers to open fully. In 2005 I look forward to a breakthrough in the rate of progress in enabling both trade partners and consumers to profit nationally from local excellence.

Nick Stafford
Commercial Director

Contents

Executive Summary

- The local brewing industry continues to enjoy very strong growth despite tough trading conditions
- Strongly growing consumer demand for premium quality beers produced by local brewers is driving impressive volume growth, way in excess of beer volumes in total and those sold through the on-trade in particular. The local brewing industry is, therefore, the most dynamic established beer sector in the on-trade:

    - Average sales volume growth is 12%
    - 6 out of 10 respondents reported growth in excess of 10%
    - Local brewers' share of the cask-conditioned beer market continues to climb and has grown to more than 20%, up from 14% 2 years ago
    - Fewer than 1 in 10 local brewers are less confident about trading prospects for 2005 compared to last year

- The momentum of local brewers shows they are committed to continuing their dynamic progress and welcome the responsibility of re-establishing the fortunes of cask beer
- In order to further this impressive progress, local brewers are maintaining the high levels of investment reported last year in additional capacity, employment, capital equipment and marketing of small brands that represent the British beer industry
- SIBA estimates that 1000 additional jobs have been created by established brewers' expansion and by the start-up of new breweries in the last 30 months. The smaller independent brewing sector now represents in excess of 10% of all those directly employed in the UK's brewing industry.
- The polarization of the cask ale market between the moribund global brewers and the vibrant local and regional brewing sectors is now recognised by other official industry bodies
- There is a growing incidence of trading with pubcos at local level and negotiations between multiple retailers and SIBA conducted at national level
- Market access issues remain, however, as a significant majority of respondents report losing customers to acquisition by pubcos at levels similar to that reported last year
- Thousands of local licensees are not able to exploit an increasing consumer interest in regionalism and product diversity and a growing demand for quality and authenticity because of the business practices of an increasingly concentrated pub industry. More than 11,000 pubs out of a maximum UK universe of 60,000 pubs were the target of acquisition by multiple operating groups last year.
- The local brewing industry is keen to see the removal of the barrier of access to market which it believes is partially responsible for the depression in the total beer market
- SIBA is able to point to a number of routes whereby licensees can access locally brewed beer and enjoy proven commercial benefits
- Improved access will accelerate the return of the cask ale market to growth. The advantages for the on-trade in supporting local brewers' driving support for this distinctive product are manifold.

- HM Government and parliamentary bodies are actively engaged in the encouragement of local trading through their extension of financial incentives to local brewers and recommendations to pubcos. In particular:
    - Constructive dialogue with HM Treasury resulted in last year's extension of eligibility for progressive beer duty with a consequent incentive for local brewers' sustained growth;
    - The Trade & Industry Committee has recently reported on their inquiry into pubcos' relationship with their tenants with special reference to restrictions on licensees' beer purchasing. The T&IC found '*…the ability of public houses to offer a broader range of products, for example to satisfy demand for local products, is important in the interests of extending consumer choice.'*
- SIBA looks forward to working with multiple retailer groups to facilitate the T&IC's recommendation of *'early adoption'* of improved access to locally brewed beer by pubcos' licensees who would be thus able to enjoy the benefits generated by improved consumer choice
- The professionalism and commitment of local brewers and SIBA ensures that this vital sector of the UK brewing industry will be proactive in responding to the latent demand for their products and thus assist existing and potential customers to profit nationally from local excellence

The current health of the local brewing market

Sales volume continues to grow dramatically…

The term 'local brewer' is intended to encompass micro and local brewers and to distinguish these smaller brewers from the regional and national brewers. While HM Customs and Excise categorise brewers on the basis of annual production volumes[1] this distinction is becoming increasingly less useful. National breweries are actually international; thanks to their driving acquisition of pub estates some regional breweries are developing distribution virtually nationwide; some larger local brewers' beers are occasionally available well outside their locality.

Any attempt to precisely define the number of local breweries is immediately rendered redundant, such is their rapid expansion, but for the purposes of this report SIBA estimates the universe at 450. The UK can now boast more micro-breweries per head of population than any country in the world[2] and SIBA's own brewing membership has increased by 100 in the past 2 years.

Established local brewers continue to enjoy significant gains in sales volume and report an average 12% increase last year. This follows equally strong annual growth rates reported in the 3 previous years. Six out of 10 SIBA members enjoyed an annual growth rate in the volume of beer brewed in excess of 10%; more than a third of brewers saw production volumes grow by more than 20%.

The local brewing industry is, therefore, the most dynamic established beer sector in the on-trade.

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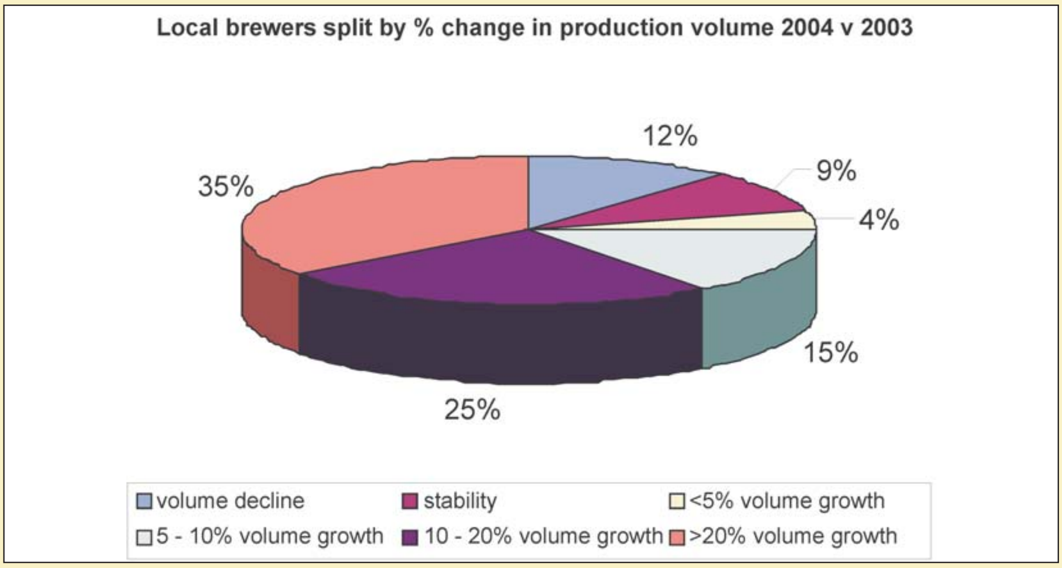
1 A microbrewer produces up to 5 000 HL, a local brewer between 5 000 and 30 000 HL and a regional brewer between 30 000HL and 2 million HL p.a. National brewers produce in excess of 2 million HL p.a.
2 *Good Beer Guide* 2005, CAMRA

Fig 1: Local brewers split by % change in production volume 2004 v 2003



…Driving strong market share gains

HM C&E are now able to analyse local brewers' production volumes as a result of the introduction of PBD[3, 4]. Applying the growth rate reported by respondents in the current survey of SIBA membership would inflate last year's volume to 594,000 barrels or 172 million pints. This represents 2.7% of the total on-trade beer market and 1.7% of the total UK beer market volume, up from 2.5% and 1.6% respectively reported last year.

Most dramatic is the continuing growth in local brewers' share of the cask-conditioned beer market. When first reported in 2002 local brewers took an estimated 14% of UK cask ale. This has now grown to a share in excess of 20%.

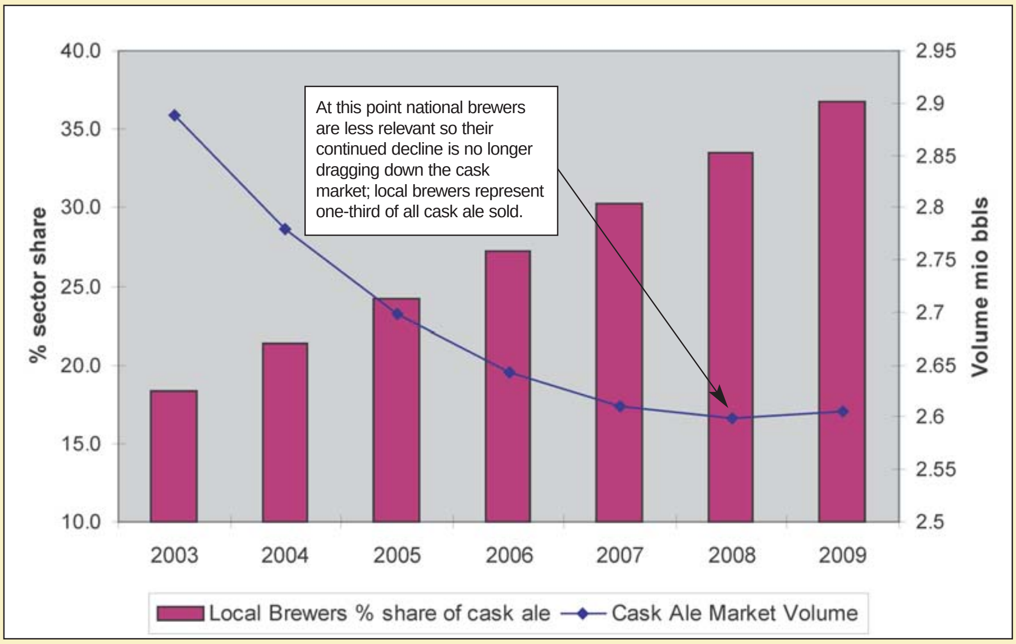
The schism in the commitment to cask ale according to brewery size was well documented in the *Real Cask Beer* report. For the first time local and regional breweries were reported as enjoying a combined 50% share of cask ale. This is due not only to the growth of local and regional breweries' sales but to the continued abandonment of cask beer by national breweries.[5] If established trends are continued then it can be seen that the overall fortunes of cask ale will improve to the point where, driven by the dynamism of smaller breweries, the entire sector will be back in growth before the end of the current decade. At that point it is projected that local brewers will represent more than a third of all cask ale sold.

3 The introduction of PBD in 2002 gave beer duty concessions to those brewers with an annual output of below 30,000 HL. This was extended in the 2004 Budget to an upper limit of 60,000 HL.

4 As reported by the BBPA for the first time last year and repeated in *Real Cask Beer* (SIBA, CAMRA, IFBB available at www.caskbeerreport.org.uk) volumes sold by PBD-eligible brewers in 2003 equated to 530,000 barrels

5 The focus of global breweries on lager is well-documented. This has been manifested by their sales and marketing activities but is increasingly also reflected in their corporate divestment and production strategies. Scottish & Newcastle sold Theakstons; InBev's closure of Boddingtons has been announced and by next February, InBev and Coors aim to have contracted out production of all their cask ales to independents.

Fig 2: Projected return of cask ale market to growth driven by local brewers



Growth Fuelled by Investment

Unsurprisingly the overall mood of local brewers is one of confidence. Nearly 1 in 3 is more confident about trading prospects in 2005 than last year; the majority are as confident and fewer than 1 in 10 is less confident.

Greater confidence is attributed to a multiplicity of factors but especially to growing trade interest in locally produced cask ale, often driven by greater effectiveness in marketing and sales techniques and activities.

Investment in marketing is one of the key uses of savings from progressive beer duty which local brewers direct to support their expansion:

- Two-thirds of brewers replaced equipment in 2004
- Almost half of brewers increased capacity last year
- Increased employment was the second most important investment
- As investments are made profit retention and debt repayment are evermore insignificant uses of savings from PBD
- The percentage of brewers reporting the above investments was at the same high level reported a year ago

In the last two and a half years more than 7 out of 10 breweries have created jobs, the vast majority of which are full-time, to satisfy and fuel the continued increase in demand for their beers. It is estimated that 1000 new jobs have been created within the local brewing sector which now accounts for well in excess of 10% of those directly employed in UK brewing.

In 2005 investments are again foreseen by three-quarters of brewers with the most important being:

1. Marketing
2. Equipment replacement
3. Increased capacity

The benefits for our trade partners and consumers

Trade partners

Cask ale is an underestimated sector

SIBA has campaigned for the recognition of the importance of cask ale to the on-trade. This is entirely appropriate since local brewers are hugely committed to the on-trade: the cask-conditioned beer sector still accounts for 93% of local brewers' total volume sales.

In particular we believe that past industry analysis has distorted the portrayal of cask ale through:

I. the omission of small brewers' production from published statistics
II. the aggregation of on and off-trade sales data
III. misrepresentation of the cask ale consumer

As reported last year[6]:

Cask beer is represented as accounting for 7% of all beer[7] yet this both fails to correct the underreporting of the cask market as described above and fails to give adequate recognition that cask beer is only sold through the on-trade. Thus the cask beer market has to be restated as taking 13.1% of beer sold through the on-trade. And as availability of cask is typically reported as only 65% within non-brewery managed pubs[8] it seems reasonable to assume that, where stocked, cask will on average account for even more than 1 in 7 pints of all beer sold in pubs. Thus the headline share of 7% can be realistically demonstrated as under-reporting cask's importance to the trade channel which sells it by at least 100%.

We are delighted that we have been joined in our attempts to correct this distortion by CAMRA and IFBB. Official bodies such as the BBPA and AC Nielsen now comment more fully on the contribution of local brewers to the beer category.

Incremental sales opportunities

It is increasingly difficult to identify sources of volume and value growth within the beer category. A recent financial analyst's report[9] found that:

6 *Real Cask Beer* (SIBA, CAMRA, IFBB; available at www.caskbeerreport.org.uk)
7 BBPA and Nielsen 2003
8 Nielsen December 2002
9 Falling Beer Prices: Impact on Pubs, Royal Bank of Scotland, 17th December 2004 available at www.rbsmarkets.com

'Pubs now seem unable to justify above-inflation price rises for beer, the most important drinks product of pubs, cutting off an important historic source of growth.' The report points to the widening beer price differential between supermarkets and pubs and observes that *'supermarkets, in lowering off-trade prices, are the ones controlling the gap between on- and off-trade pricing'.* This leaves analysts *'less comfortable with pub exposure than ever-before'* in the event of a slowdown in consumer spending and consequent accelerated loss of barrelage in the on-trade.

Stocking cask ale from the UK's local brewers allows a retailer to list a product uniquely available to the on-trade. This avoids exposure to a pricing differential with supermarkets and offers the potential to actually increase barrelage. This in turn is in marked contrast with the overall long term decline of beer sold through the on-trade.

Category growth can be achieved from:

- Listing innovative, premium quality and premium priced beers
- Relaxing value-destroying pressure from aggressive price competition on mainstream beers, many of which are known value items
- Increasing footfall by creating interest within the sector
- Providing a platform for unique sales promotion opportunities such as beer festivals and regional food and beer events
- Differentiation from off-trade and local on-trade competition through the range of beers stocked

Trade partners are able to access locally brewed beers in a variety of ways, whether directly from breweries, through an independent wholesaler or through SIBA's direct delivery scheme (DDS) designed to facilitate trade between macro customers and micro suppliers.

SIBA's Direct Delivery Scheme

DDS ensures the commercial benefits of trading with local brewers are provided without administrative burden by means of an electronic internet-based administration system. This effectively provides a portal to wide choice of suppliers without a need to contact them. It dovetails with existing outsourced logistics providers and enables the UK's licensees and pubcos to simply profit nationally from local excellence. The administrative system additionally provides a high visibility of management information for participating pubcos to enable the commercial benefits of trading with micro suppliers to be maximised.

Current membership levels and interest expressed in DDS membership allows a projection that more than 8 out of 10 SIBA members will also be members of DDS.

DDS is heavily supported at local and national level:

- Branded point of sale promotional materials and activities are available from participating brewers
- A national programme entitled *Centres Promoting Excellence* sees SIBA members acting as a regional hub to promote the cask ale category, scheme and participating brewers to pubcos' BDMs. This enables the demonstration to BDMs, of business opportunities for participating pubs and facilitates liaison between BDMs and participating brewers.

- This initiative was launched last November and, for the particpating pubco, resulted in a doubling of the number of licensees who are now able to enjoy the benefits of trading with local brewers
- The *Centres Promoting Excellence* programme will be rolled out across the country in 2005

DDS has proved very popular among licensees as a great way to enable licensee entrepreneurialism by fostering a partnership between local licensee and local brewer to their mutual benefit. In research more than 9 out of 10 licensees believed the scheme helped to develop business and without exception all wished to stay in it.

Proven volume growth has been demonstrated by trials within 3 major retailers - Unique (now owned by Enterprise Inns), Avebury Taverns and Asda - where gains were reported not only in cask but also in total beer volumes.

Volume growth makes for even bigger value growth as research has shown that local cask beers were priced at a premium to normal cask beers by 9 out of 10 licensees and that the average premium was 4%.

All trials to date have proved very successful and have been more fully launched within participating retailers. Negotiations are ongoing with several other major pubcos and off-trade retailers.

The recent report into pub companies by the Trade & Industry Committee[10] recommended that: *'…pubcos allow their tenants more flexibility in the products they sell',* that *'…the ability of public houses to offer a broader range of products, for example to satisfy demand for local products, is important in the interests of extending consumer choice'* and *'the early adoption of such practices.'* DDS was suggested by the Committee as one possible way forward.

Consumer

The dynamic growth of small breweries is testament to the growing consumer appreciation of independently brewed, handcrafted beer, the quality of which is continually reaffirmed by success in renowned brewing competitions at home and abroad. Yet again a local brewer scooped the *Champion Beer of Britain* award at last year's Great British Beer Festival.

A vital small brewing sector provides the consumer with the opportunity to express individualism and exercise genuine freedom of choice among a huge range of well over 2,000 beers.

The inherent flexibility of smaller businesses means that the rate of innovation within local brewing is inevitably far higher than among global brewers. A constant stream of new products that can be added to the repertoire of established favourites adds true quality of life for the many who enjoy beer.

Beer is made from wholesome ingredients: malt, other cereals, hops, yeast and water. Research by the Brewers of Europe shows that a glass of beer can be better for your health than wine and proves conclusively that many of the common beliefs about the health-giving properties of wine can be equally attributed to beer[11].

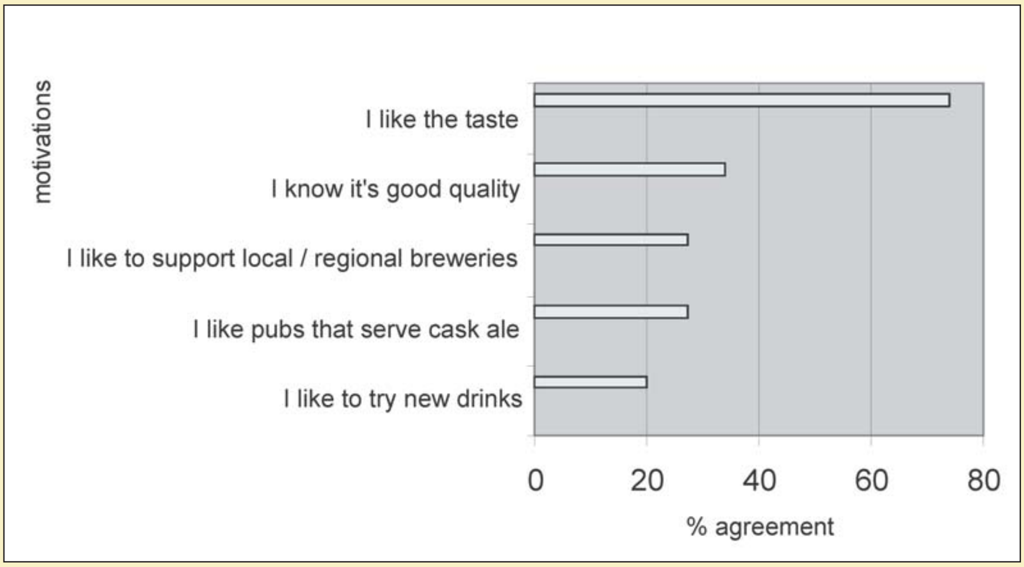
10 Pub Companies, 2nd Report of Session 2004 -05, House of Commons Trade and Industry Committee, The Stationery Office Ltd, 21st December 2004
11 *Good Beer Guide* 2003 CAMRA

More than 6 out of 10 regular pub-goers[12] believe it very important or important that at least one beer in every pub should be locally brewed; this level of importance increases with frequency of pub visits suggesting local beers have a role to play in encouraging footfall.[13]

Support for local and regional breweries is a factor in choosing real ale for more than 1 in 4 cask ale drinkers.[14] Reasons for drinking cask ale as indicated in the graph below, are dominated by:

- taste preference and quality perceptions,
- a wish to support local and regional breweries,
- a desire for experimentation and positive associations between cask ale and the types of pubs serving it[15].

Fig 3: Cask Ale Drinker Motivations



Many of these reasons, such as increasing concern for quality, interest in localism and experimentation can be seen in other product categories. The above motivations are helping to generate an increasing drinker loyalty to cask ale, particularly among under-25 year-olds.[16]

The barriers to realising further growth of the local brewing industry

The barriers to the further growth of the local brewing industry revolve around scale economies, the viability of marketing its products and access to distribution.

The scale economies of the smaller brewer will never match those of the larger brewer. These continue to increase as regional, national and international brewers continue on a path of

12 defined as 2 or 3 times per month
13 General Omnibus Survey, RSGB July 2003: equivalent figure among people who only visit a pub once a month is 50%
14 Real Ale Omnibus Survey, RSGB June 2004
15 Real Ale Omnibus Survey, RSGB June 2004
16 Loyalty to real ale is already growing as 90% of all adults who drink it at least sometimes in a pub are either more likely to choose it or choose it at a similar level when in a pub compared to a year ago. And among this group under-25 year olds are showing the greatest increase in likelihood to choose real ale. *Real Cask Beer* ; SIBA, CAMRA, IFBB; available at www.caskbeerreport.org.uk

concentration and rationalisation. The smaller brewer, nevertheless, has a smaller infrastructure and is seeking to achieve improved economies through investment. And the local brewing industry is also investing strongly in marketing; further marketing investment is forecast to be the most important use of savings from PBD in 2005.

This leaves the issue of market access. This is critical as more than 90% of local brewers' sales are through the on-trade. A defining aspect of the local brewing industry is its low level of pub ownership so virtually all sales are secured outside of local brewers' estates. As also reported last year, the acquisition of a tied estate is beyond the means of most small brewers and is consequently the least important use of savings from PBD. The acquisition of a tied estate also remains both the least likely future investment and is ruled out by more brewers than any other potential investment.

Fortunately, beer produced by local brewers is already well supported by the independent free trade, and a small but growing number of pubs controlled by pub companies and brewery-owned groups. Improved access to pubcos is enjoyed by local brewers with more than 7 out of 10 respondents confirming a pubco is among their customer base. This represents good growth from just over half of local brewers reporting trading with any pubco a year ago. This significant improvement has been largely driven by the sustained support from pubcos such as Tynemill and JD Wetherspoon but also by the former Unique estate, now owned by Enterprise Inns.

Typically, however, this only increases the penetration of local beer to 10% of a very large pubco's estate. This is in contrast to the general availability of cask ale outside of brewery-owned pubs at 65%.

Once local brewers have started trading with a pubco they are successful in retaining their customers: only 10% of respondents stopped trading with a pubco in 2004. The cessation of trading is frequently due to acquisition between pubcos.

A stock ranging policy which focuses almost exclusively on a narrow range of beers fails to acknowledge the vitality of the cask ale sector in general and the dynamism and quality of the local brewing industry in particular.

The number of public houses controlled by multiple operating groups continues to grow, driven by a common business model of acquisition of valuable outlets and disposal of poorly performing pubs and, increasingly, rationalisation within the pubco and pub-owning brewery sectors. 2004 saw further dramatic restructuring undertaken as 11,000 pubs were the target of acquisition. This will result in increased domination of the on-trade by pubcos and an even greater concentration of buying power.

The effects of restructuring within the on-trade are dramatic. Despite the increasing incidence of trading with pubcos, 4 out of 5 local brewers have lost customers in the past 12 months to pubco acquisition and the average number of customers lost in this fashion is 6.

A wider access to this increasingly dominant market sector is critical to the continued future health of the small brewing industry. Local brewers are of the opinion that a wider market access is denied them due to restrictions upon the tenant's buying options[17] and because of arrangements between larger pubcos and larger breweries.

17 The identification of restrictions upon tenants' buying options as the main factor is consistent with HM C&E's May 2004 publication of *Small Breweries' Relief: A Call for Evidence – Summary of Responses*

Pubcos favour centralised national distribution systems. There are only 3 providers: Carlsberg-Tetley, Tradeteam and Scottish Courage. Being centralised and national these logistics providers are inherently inflexible and unsympathetic to the dynamics of the local brewing industry. SIBA's research has found the performance of these types of companies can significantly affect the retailer's ability to satisfy consumer demand and is a major obstacle to the future growth of local brewers.

The recent Trade & Industry Committee report into pubcos has supported SIBA's view and found that: *'In the distribution market for beer there is the strong possibility of anti-competitive consequences…The distribution market should be kept under close and regular scrutiny'.* [18]

SIBA's believes its own Direct Delivery Scheme is one solution to the maintenance of a national outsourced logistics operation and accessing the commercial and wider benefits of trading with the UK's local brewers.

The ability of local brewers to supply

There is an overwhelming desire among local brewers to gain access to pubco outlets and the preference is for direct delivery:

- The leading spontaneous request among SIBA's members for additional services and benefits is a continued improvement in access to market
- Three-quarters of small brewers would be prepared to deliver to a warehouse operated by the pubco
- 90% of small brewers would be prepared to deliver directly to pubco outlets

There is equally an ability to satisfy and increase the demand that would be generated by wider availability as evidenced by increased capacity and broader investment activity.

Environmental benefits would also result from an improved ability of retailers to directly source locally brewed beer as, for example, 'food miles' would be reduced. This is the larger retailers' practice of enforcing the shipping of goods over long distances from supplier to a regional warehouse, back to a retail outlet which may be only a few miles from the originating supplier.[19]

The local brewing industry is keen to see the removal of the barrier of access to market which it believes is partially responsible for the current depression in the total beer market. The professionalism of local brewers and SIBA ensures that this vital sector of the UK brewing industry will be active in responding to the latent demand for their products.

Significant nationwide deals have been struck and progress is being made but there is still a long way to go before the benefits of stocking any of the 2,000-plus craft ales produced by the local independent breweries throughout the UK receive a wider recognition. SIBA is determined to help pub groups, licensees and consumers to *'Profit Nationally from Local Excellence'*.

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18 *Pub Companies, 2nd Report of Session 2004 -05,* House of Commons Trade and Industry Committee, The Stationery Office Ltd, 21st December 2004
19 Between 1978 and 1999 the UK saw 16% more food transported over distances that were 50% longer; the food system accounts for up to 40% of all UK road freight. *Ghost Town Britain II: Death on the High Street*, New Economics Foundation 15th December 2003, available at www.neweconomics.org

CASE STUDIES

The Wood Brewery, Shropshire

Founded in 1980 The Wood Brewery enjoyed month on month sales gains last year and has declared 2004 its best ever thanks to the continuing increase in demand for cask ale. Edward Wood attributes this to growing consumer and trade interest but also the driving efforts of local brewers.

With a history stretching back to the formation of SIBA Edward is well placed to comment on changes in the intervening quarter of a century. He identifies 3 main surges in the fortunes of cask-conditioned beer. The 1980s wave proved for many to be a false dawn due to the general economic downturn and inadequate quality of some locally brewed beer. The guest beer provision of the Beer Orders, implemented at the beginning of the 1990s, generated a renewed increase in demand which prompted a further rush of new brewery openings. Edward sees the latest surge as initially assisted by the introduction of progressive beer duty in 2002 but now driven by continued investment by local breweries. He is quick to point out that concessions on pbd have been handsomely repaid in increased corporation tax from sales gains enjoyed not only by established breweries but also by both new breweries and suppliers to local brewers.

Investment in equipment and processes has assisted continuous quality improvements which the Wood Brewery has exploited through increased marketing spend and product development. Edward foresees a further 2 staff positions will be needed over the next 12 months to help satisfy and fuel demand even further.

‘In order for this latest surge to be sustainable’, he argues ‘we need to continue to secure improved access to market and appeal to younger drinkers’. To that end the Wood Brewery developed ‘Pot of Gold’, a lighter, citrus-flavoured beer using American hops which scooped the Best Bitter prize in SIBA’s 2004 annual awards.

Edward believes that local brewers can also complement and build on the growing interest in locally-sourced food and he has been taking full advantage of the brewery’s proximity to Ludlow, the gourmet capital of England. Recent efforts have been made to raise their presence by attending local food and drink events. A further recent award as the best overall local producer in the ‘Deliciously Shropshire’ competition was a fitting way to cap the Wood Brewery’s best-ever year.

Contact: enquiries@woodbrewery.co.uk

Itchen Valley Brewery, Hampshire

The Itchen Valley brewery has enjoyed strong growth over a number of years and 2004 was no exception. The addition of 4 staff taken on over the last 2 years has ensured growth has been sustained and controllable thanks to continued improvement in quality, further development of the product range and a strong commitment to customer service. A close, personal touch ensures that feedback from customers to brewery staff is immediate and can be acted upon. Brewery swaps, whereby breweries exchange the representation and delivery of brands has widened the range Itchen Valley can offer and an extensive seasonal programme features at least 15 different cask ales each year.

As a DDS member Matthew Nye is clear on the benefits of trading with local suppliers available to local retailers. ‘Increased choice means increased sales for licensees as they can create interest and a point of difference for drinkers who are used to seeing the everyday, national brands.’ Improved quality control and freshness are also big pluses for drinkers who Matthew believes want to express their support for local firms. He points to the growth of locally sourced food as further evidence.

A key tactic for Itchen Valley is attending farmers markets which they believe is a great way to reinforce their local identity as well as drive sales – Winchester holds one of the UK's biggest farmers markets. It also helps to increase their overall exposure to the benefit of their pub business.

Despite losing on-trade customers like most brewers, whether through closure or acquisition by pubcos and regional brewers, Itchen Valley will place even greater focus on serving their local market to the benefit of both retailer and consumer. And Matthew is even more confident about 2005's trading prospects. He argues that DDS has helped to encourage improved marketing efforts by local breweries. Brought into direct competition with regional and national brands at the bar of new customers Itchen Valley has invested in new point of sale material and is about to launch a series of competitions in pubs to build awareness still higher and stimulate further trial. The promotion programme is aimed at cementing the brewery's brands into the local market and establishing a more regular buying pattern. With demand for Itchen Valley's beers already growing fast such marketing support should ensure that the licensee is the overall winner!

Contact: matthew@itchenvalley.com

Hesket Newmarket, Cumbria

The appreciation of local brewing by the local community could not be better illustrated than by the Hesket Newmarket brewery – villagers wanted to support it so much that they formed a co-operative and bought it!

The brewery is able to supply the local pub, the Old Crown Inn also owned by a co-operative, which the brewery sees as the perfect flagship for its product range and commitment to customer service. But under the guidance of Michael Parker brewery volumes have grown massively to significantly reduce the dependence on the Crown despite the pub having grown sales by 20%. In fact, brewery volumes increased by 14% last year alone.

Michael points to improvement in quality and the increasing acceptance of cask ale as factors in their solid growth and he is even more confident about prospects for 2005.

As the Cumbrian assessor for Cask Marque he is perfectly placed to ensure that quality improvement is maintained. Consumer acceptance is driven by expectations and marketing efforts. Situated in one of the UK's favourite tourist destinations there is a strong expectation from visitors to be able to buy local products and in high season Michael brews to his full capacity. 'The established bigger brands are just too widely available and too familiar', he argues, 'so by stocking local products local retailers are able to align themselves with local suppliers and grow sales by meeting consumer expectations.'

Being aware that the local quality supermarket Booths values the benefits of local sourcing and is very supportive of local producers, it is planned to introduce a bottled beer range in 2005. Hopefully this will be of interest to Booths and other local retailers, not so much to make great profits for the brewery, more to "fly the flag" in order to boost demand for the draught products.

Michael ensures he fuels consumer expectations as well through local marketing initiatives, sometimes in partnership with CAMRA colleagues. A guest spot on Radio Cumbria sees him contribute to a monthly feature, 'Hopping around the World', celebrating the diversity of beer so beloved of drinkers and local brewers alike. Hesket Newmarket attributes a significant part of its success to its own diverse range, from a 2.9% ABV porter to a 6% ABV old ale as well as seasonal beers and planned brewery swaps. Support for local events such as beer and music train trips is another example of the brewery's innovative marketing. It must be hard to resist the temptation to invite local retailers to get on board the local brewing journey and enjoy the ride!

Contact: brewer@hesketbrewery.co.uk

Ramsgate Brewery, Kent

Having completed his apprenticeship with Allied Eddie Gadd was well aware of the hurdles facing a new brewery but it did not stop him choosing to open in Ramsgate in 2001. In addition to the need to gain access to the retail market East Kent is not an obvious location. It is relatively unpopulated, not the most affluent part of SE England and cross-channel shopping offers strong competition. Yet after 3 years the Ramsgate Brewery, the first in the town for 30 years, is working to full capacity and looking to double capacity in 2005.

Two-thirds of beer volumes are sold outside of the brewery's own licensed premises and Eddie is certain of the reasons. 'People want to take pride in their local community and for some there is nothing better than drinking beer brewed locally to offer a chance to reinforce that pride. There is also a growing trend away from the commoditization of food towards quality products. People realise choosing local produce is not only wholesome for themselves but for the local economy in general.'

Eddie believes retailers increasingly appreciate this trend which is why he is planning to start bottling in 2005 and take advantage of SIBA's direct delivery scheme with the local Asda. And publicans are also prepared to pay the premium prices quality beer commands. The Happy Frenchman in Folkestone asked Eddie to join DDS so it could offer Ramsgate's beers to their customers. Running outside bars at country shows is also paying dividends with local publicans approaching the brewery to discuss new listings. After the hard work to get up and running The Ramsgate Brewery is confident of a bright future.

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Conwy Brewery, Conwy

Proprietor Gwynne Thomas has just given up his career as a chemist in the oil industry to dedicate himself to running the first commercial brewery in Conwy, set up a mere 15 months ago. Local interest and custom has quickly developed on the back of strong branding designed to capitalise on the town's landmark castle and a previously untapped desire for local beer. Gwynne points out that he has exploited his scientific background to immediately build a reputation for high and consistent quality.

The brewery is also working on a number of fronts to build awareness and sales and is not slow in grasping opportunities. Last year's historical Honey Fayre market saw Gwynne drumming up local media interest in his first seasonal beer using local honey and the educational approach used to demonstrate to drinkers the quality of Conwy Brewery's ingredients. A local beer festival is now in the offing as are linking with new supply opportunities to local National Trust attractions and celebrated local food companies all designed to raise the profile of the brewery.

While Gwynne does not underestimate the difficulty of gaining distribution he is able to point to the fact that his beers frequently outsell established brands in his on-trade customers. 'These customers are proud of the fact they are selling high quality local beer to their own customers who seem to appreciate that it all helps to keep money in the local economy' he emphasises. And, even if they have already lost a few customers to acquisition by pubcos and large regional brewers, such quick success means Conwy can already count pubcos among its customer base.

To offset the hurdle of gaining new on-trade customers Conwy Brewery introduced a bottled beer a mere 3 months after their first brew and Gwynne can see that with time DDS will offer him great opportunities to make wider inroads into the off-trade. But there is improvement to be made and he points to comparison with Spanish supermarkets which are dedicating far greater space to local produce. Closer to home there are few places which exude a greater sense of local identity than North Wales and the Conwy Brewery looks set to play a full role in building on this to the benefit of the local community, the brewery and all interested retailers.

Contact: enquiries@conwybrewery.co.uk

Otter Brewery, Devon

The Otter Brewery lies high in the Blackdown Hills, an area of outstanding natural beauty distinct from that of Devon and Somerset whose borders it straddles. Water from the headspring of the River Otter and the brewery's own yeast culture help deliver an ever popular range of beers.

Popularity is such that the brewery was operating at full capacity and business was flowing over into the McCaig's family home. 2004 was a landmark year for the Otter brewery as it marked the opening of a new brewery allowing still further expansion after several years of double digit growth, not to mention the McCaigs being able to reclaim their home!

Patrick McCaig comments on the brewery's plans following expansion 'we aim to fulfil demand and continue to deliver the beer and the service we're known for.'

He believes that dealing with a local brewery 'breaks down the ever increasing national feel of drinking establishments and definitely attracts a loyal local drinker. Patrick is also convinced that 'outlets exposed to seasonal trade benefit from having a regular local ale in that tourists form a bond with local beers as part of their holiday experience.' and that 'DDS is a vital tool that has allowed us place our less well known brands into an otherwise tied marketplace.'

Patrick is confident of the reasons for the brewery's success: 'One – good beer brewed by experienced brewers. Two – good service and enthusiasm about what we do. Three – memorable marketing materials that reflect the character of our brewery'. Taking advantage of his background in a leading advertising agency Patrick has distinctly positioned the brand as being friendly, approachable and the ideal way to unwind encapsulated in the slogan 'Relax with an Otter'.

There's certainly nobody relaxing at the brewery as 2005 promises yet another great year for local beer in and around the Blackdowns

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