LOCAL BREWING INDUSTRY REPORT 2006

Published by the Society of Independent Brewers

Your Local Brewer

Introduction from the Chairman

The Society of Independent Brewers publishes the fourth annual Local Brewing Industry Report, which highlights the main issues facing the UK's micro and local brewers and the progress they have made.

The report is based on the most comprehensive survey of our members' business development and opinions to date; it also draws on various official sources and reports to create an authoritative review of the UK's indigenous brewing industry.

The number of local brewers is now in excess of 500 with the increase in new breweries showing little sign of slowing down; SIBA's membership is growing at a similar pace with both start-ups and long established family brewers joining the fold, allowing SIBA to represent the majority of brewers in the UK.

The report marks the end of our 25th year of campaigning on behalf of the UK's local brewers and we have in that year adopted "Your Local Brewer" as the organisation's slogan, with localism high on the agenda. This provides the platform for us to promote our members' local successes. This report regularly refers to broader trends and quotes from leading bodies and publications to underline the credibility and very real strength of demand for local produce.

Our members' key interest is a wider access to retail opportunities that would more fully satisfy this demand. This year's report sees the inclusion of the off-trade for the first time as well as even more sectors of the on-trade. While strong progress continues to be made, we note the genuine barriers to further growth that still exist.

The underlying message from this report remains positive, optimistic and reinforces the fact that a retailer who chooses not to trade with their local brewer is foregoing an important opportunity for his or her own business's growth.

Keith Bott
Chairman

Executive Summary

- Strongly growing demand for premium quality beers produced by local brewers is driving impressive volume growth. Growth levels are such that the local brewing industry believes it should be recognised as the most dynamic established brewing segment within the beer market:

    - Average sales volume growth is 15%
    - Nearly 6 out of 10 respondents reported growth in excess of 10%
    - Local brewers' share of the cask-conditioned beer market is estimated at 25%, up from 14% reported in 2002
    - Virtually 200 million pints of local beer are enjoyed by consumers

- The progress of local brewers means the cask-conditioned beer market is expected to return to growth within 18 months, a full year earlier than predicted last year

- 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 local brands that represent the British beer industry

- The growth in demand for locally brewed beer is part of a broader trend to increased interest in locally produced food and drink

- Enlightened retailers are benefiting from this wider appeal:
    - Interest in cask ale among free houses is growing
    - The incidence of trading with pubcos at local level is developing
    - Ever more frequent negotiations between multiple retailers and SIBA at national level
    - Local brewers sell bottled beer across a broad range of trade channels

- Market access issues remain, however:

    - Penetration within pubcos is constrained by the beer tie
    - A significant majority of respondents report losing regular customers to acquisition by pubcos and pub-owning brewery groups at levels similar to that reported last year
    - Fewer than 1 in 4 local brewers market their beers through pub-owning brewery groups
    - Bottled beer is increasingly important, partly driven by on-trade access conditions
    - Fewer than 1 in 3 local brewers supply through centralised logistic operators
    - Local brewers also under-trade with multiple off-trade retailers

- SIBA is determined to help all retailers, licensees and consumers to benefit from the booming interest in locally brewed beer and to '*Profit Nationally from Local Excellence*'.

The Current Health of the Local Brewing Market

Continued strong sales volume growth…

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 Revenue and Customs categorise brewers on the basis of annual production volumes[1] this distinction is becoming increasingly less useful. National breweries are actually international and thanks to their drive to increase pub estates some regional breweries are developing distribution virtually nationwide. Recently termed 'super-regionals' these breweries are fast joining the ranks of the nationals.

The term 'local brewer' is also intended to recognise the growing consumer and trade interest in quality food and drink with a specific geographic provenance which is produced and marketed locally. Set against the backdrop of dramatic change among regional brewers, some of whose beers are distributed far outside their region while others face an uncertain future owing to acquisition by larger breweries, the growing demand for local beer is increasingly being met by micro and local breweries.[2]

Any attempt to define precisely the number of local breweries is immediately rendered redundant, such is their rapid expansion, but for the purposes of this report SIBA now estimates the universe at 500. More than eighty new breweries have recently opened and the UK can now boast more micro-breweries per head of population than any country in the world[3].

Established local brewers continue to enjoy significant gains in sales volume and report an average 15% increase last year. This follows equally strong annual growth rates reported in the three previous years. Nearly six out of ten SIBA members (58%) enjoyed an annual growth rate in the volume of beer brewed in excess of 10%; more than a third of brewers (36%) saw production volumes grow by more than 20%.

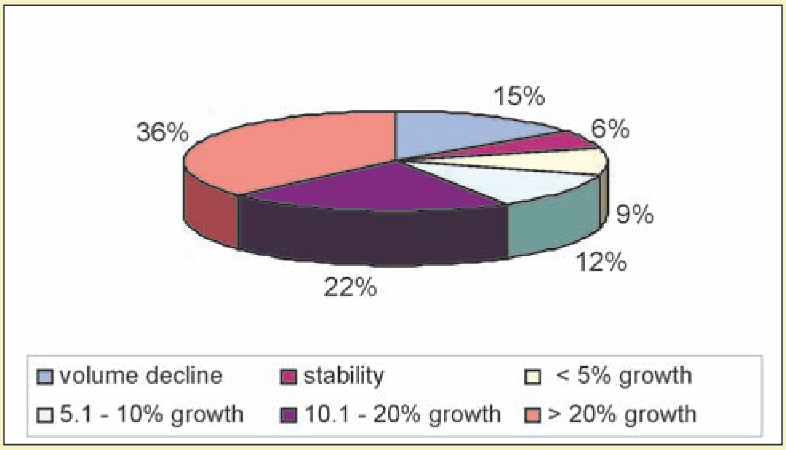

Fig 1: Local brewers split by % change in production volume 2005 v 2004

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 2005 saw radical changes within the regional brewing sector with a change in ownership of 4 established breweries. Indeed on average one regional brewer has disappeared every 10 months since 1974 (Morning Advertiser 15th December 2005).
3. Good Beer Guide 2006, CAMRA

…Driving dramatic market share gains

Applying the average annual growth rate reported above to published market data enables the following estimates[4] to be given demonstrating the recent dramatic progress of local brewers, particularly in capturing an ever greater share of the reviving cask market:

- Total annual output of 684,000 barrels or 197 million pints
- Share of total beer market: 1.9% up from 1.7%
- Share of all on-trade beer market: 2.9% up from 2.7%
- Share of cask-conditioned beer market: 25% up from 14% reported in 2002.

SIBA projected for the first time last year that the continued progress of smaller brewers would be instrumental in slowing the decline of cask ale and returning the sector to growth by 2008. This is because the growth of local brewers is making a significant contribution to cancelling out the effects of the abandonment of the sector by the globalised national breweries. We now estimate that the decline of the cask ale market has been slowed to a mere 2% and that the market will return to growth within the next 12 - 18 months.

The spectacular progress of local brewers fully supports their claim to be the most dynamic established sector within the beer market.

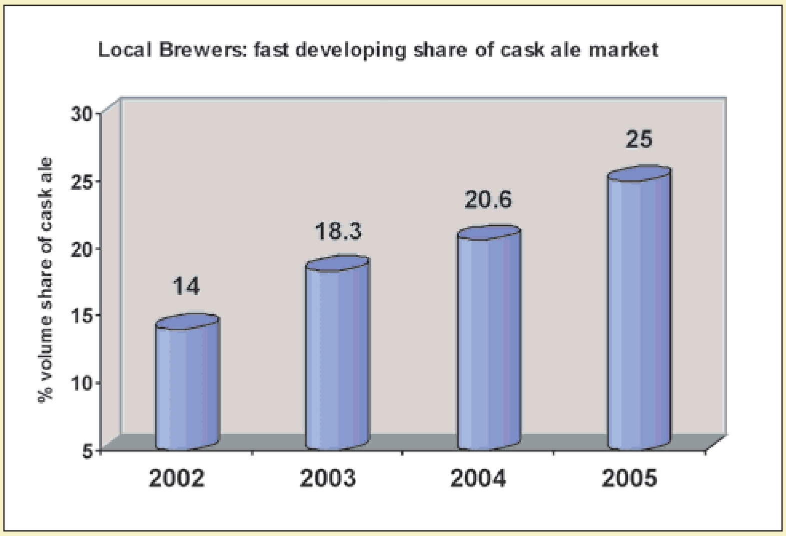

Fig 2: Trend of local brewers' volume share of cask ale market

Growth Fuelled by Investment

Investment of savings from progressive beer duty[5] is being made at an ever-increasing rate both to drive and respond to growing demand for local beer:

- Three-quarters of local brewers replaced equipment in 2005
- Almost two-thirds of brewers invested savings in marketing
- More than half increased capacity

4. Methodology note: HM Customs & Excise stated the production volume for breweries with an output of less than 30,000 HL as 530,000 barrels in 1993. SIBA applies average annual volume growth rates to this base to give an estimate for the output of local brewers. Market, segment and trade channel shares are then estimated against numerical universes published by the BBPA after adjustment for the addition of non-duplicated local brewing volumes.
5. The introduction of PBD in June 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. Also known as Small Brewers' Relief.

- Almost two-thirds of brewers created new employment opportunities
- New employment was the second most important investment
- More than 8 out of 10 brewers have created new job opportunities in the last three and a half years
- Two-thirds of these new positions are full-time
- 1200 new jobs are estimated to have been created in the local brewing sector.

In 2006 investments are again foreseen by up to 4 out of every 5 local breweries. This incidence of investment is truly impressive and proof that the ambition of smaller brewers remains anything but small. The most important investment areas for local brewers are set to be:

Table 1: Investment intention for 2006 - Percentage of local brewers planning to invest in key areas

Investment area	*% of local brewers planning to invest*
Marketing	80
Equipment replacement	65
Increased capacity	60
Staff training	51

And growth fuelled by growing interest in local produce

SIBA has long argued a healthy and growing interest in local produce. More than 6 out of 10 regular pub-goers believe every pub should offer at least one locally brewed beer[6]. In the wider retail market the Institute of Grocery Distribution has commissioned independent research which demonstrates that 7 out of 10 British consumers want to buy local produce and nearly half want to buy more than they already do[7].

The Benefits for our Trade Partners and Consumers

> *'Grand global strategies will be desperately out of fashion. Instead, companies will respond to competitive markets in two ways: by concentrating on efficiency and by exploiting local markets.'* (*The Economist*)[8]

On-Trade Partners

Incremental sales opportunities

It is increasingly difficult to identify sources of volume and value growth within the beer category. This is a fundamental reason for the levels of acquisition seen within the multiple pub industry which appears to be motivated by concentrating buying power to grow margin in an otherwise stagnant market and driving out operating costs.

6. General Omnibus Survey RSGB July 2003
7. The Local and Regional Food Opportunity, IGD, March 2005
8 'The next little thing' L. Kellaway in The Economist 'The World in 2006'

But in addition to this understandable drive for efficiency, top line growth can be achieved by stocking one or more of the UK's local beers. Choosing a cask ale from a local brewer 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 is in marked contrast with the overall long term decline of beer sold through the on-trade. And offering customers a local brew as a route to drive sales growth seems more logical than ever when set against the increasingly uncertain trading environment for pub retailing. The attraction of the cask ale market is well understood by the many free trade houses which already support locally brewed beers as they saw real or cask ale as the top drinks opportunity for sales growth in 2005[9].

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 local food events
- Differentiation from off-trade and local on-trade competition through the range of beers stocked
- Responsiveness to the proven demand for local produce.

Off-trade Partners

Local food and drink adds interest to the shopping experience, engages shoppers with the products they buy and offers commercial benefits for general retailers. And the off-trade has every opportunity to share in the growing demand for locally brewed beers. Mindful of consumer trends to drinking at-home the percentage of local brewers marketing bottled beer continues to grow and based on surveyed intentions the number of breweries who do not offer one by the end of 2006 will be negligible. For those who already market bottled beers they account for a growing proportion of business and now represent on average 17% of sales volume, up from 11% last year.

This impressive growth has been achieved by selling into a wide variety of sales channels but some trade sectors are missing out on the commercial opportunities offered by local beers. Multiple grocers, for example, account for two-thirds of all bottled ales by sales value but represent less than 30% of local brewers' bottled volume.

> *'When popularity of the [local produce] concept is so high there clearly seems an opportunity for this [local] sector to increase its share of the market in other categories, such as beverages, confectionery and even baby food.[10]'*

9 Freehouse Survey Morning Advertiser 4th August 2005
10 The Local and Regional Food Opportunity, IGD, March 2005

Both on and off-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 a wide choice of suppliers without a need to contact them. It dovetails with existing outsourced logistics providers and enables the UK's licensees, on and off-trade retailers simply to 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.

The success of DDS is such that:

- Trading relationships exist with many leading retailers
- Current brewing 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
- The operation will be spun out of SIBA and acquire separate legal entity and organisational status to allow its continued expansion

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 conditioned beer and premium bottled ale categories as well as the scheme's mechanics to pubcos' BDMs and off-trade managers. This enables the demonstration of business opportunities for participating pubs and facilitates liaison between BDMs or store managers and participating brewers.
- This successful initiative has, for example, resulted in a doubling of the number of licensees who are now able to enjoy the benefits of trading with local brewers.

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 its adoption by major retailers including Enterprise Inns, Admiral Taverns, Punch Taverns (through their acquisition of Avebury Taverns), Asda and Tesco.

Gains were reported not only in cask but also in total beer volumes and 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%.

The Trade & Industry Select Committee report into pub companies[11] 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.

And the wider applicability of alternative distribution systems, such as DDS, to the retail industry was recently reinforced by the Soil Association in a leading publication's review of the key issues facing retailers in 2006:

> *'Consumers are demanding more locally sourced food. Retailers will have to meet that demand, however challenging it is to pull off within centralised distribution chains. In the longer term the pressures will lead to a fundamental rethink of the way food is processed and distributed.*[12]'

Consumer

Local produce is meeting with an ever-increasing consumer acceptance because it offers distinct benefits, both tangible and intangible. Local produce is generally defined as produced within a 30-mile radius and the short distance travelled is key to perceived product freshness and general quality.

Other success factors include the high reputation and integrity of local food and drink producers as well as sustainability as consumers correctly believe supporting local food and drink in turn supports the local economy. Research has confirmed that every £10 spent on locally supplied goods generates £25 for the local economy thus helping other local enterprises, creating more economic activity, local jobs and making other local services more viable.[13]

Additional wider advantages gained from buying local produce include the potential to lessen the negative environmental and social impacts of food and drink transport. Food transport was shown in a 2005 report commissioned by DEFRA to account for 25% of all HGV vehicle kilometres and is estimated to cost as much as £9 billion per annum.[14] The report concluded that buying local produce has the potential to greatly reduce the distance food is transported provided it is supplied in an efficient way.

More specifically 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. All three placings in the Champion Award were taken by local brewers and SIBA members won Gold in 7 of the 8 categories.

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.

11 Pub Companies, 2nd Report of Session 2004 -05, House of Commons Trade and Industry Committee, The Stationery Office Ltd, 21st December 2004
12 'Sense and Sustainability' in The Grocer, 7th January 2006
13 Plugging the leaks' New Economics Foundation, 2001
14 Report available at: *www.statistics.defra.gov.uk/esg/reports/foodmiles/default.asp*

The inherent flexibility of smaller businesses means that the rate of innovation within local brewing is inevitably far higher than among global brewers. Golden beers, for example, which have proved so successful at the Great British Beer Festival that they have won the top award for the last 5 years and are now recognised as a separate beer type, were pioneered by local breweries. 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.

Support for local and regional breweries is a factor in choosing real ale for more than 1 in 4 cask ale drinkers.[15] Reasons for drinking cask ale reflect those broader motivations for choosing local produce identified above:

- Taste preference and quality perceptions
- A wish to support local and regional breweries
- A desire for experimentation
- Positive associations between real ale and the types of pubs serving it[16].

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 concentration and rationalisation. The smaller brewer, nevertheless, has a smaller infrastructure and is seeking to achieve improved efficiencies and economies through investment. And, as shown, 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 2006 and the effectiveness of sales and marketing activities is a key factor in boosting local brewers' confidence in future trading prospects.

This leaves the issue of market access. This is critical as more than 80% of local brewers' sales are through the on-trade. A defining aspect of the local brewing industry is its low level of pub ownership - in fact two-thirds of local brewers have no pubs under their direct influence - 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. Pub acquisition also remains both the least likely future investment and is ruled out by more brewers than any other potential investment.

Encouraging progress is being made by brewers in accessing retail markets:

- More than 8 out of 10 respondents to our survey claim a pubco is among their customer base, up from just over half two years ago, largely driven by the success of DDS and local brewers' high customer service levels

15 Real Ale Omnibus Survey, RSGB June 2004
16 Real Ale Omnibus Survey, RSGB June 2004

- Nearly 8 out of 10 local brewers claim stability or growth in their free trade customer base, driven by free houses' recognition of the sales opportunity represented by cask ale, a growing trade interest in local beer and improved effectiveness of local brewers' marketing activities.
- Bottled beer is sold through a wide range of sales channels as local brewers increase efforts into to the off-trade due to on-trade access problems and the consumer switch to drinking at-home:

Table 2: Bottled volume split by trade channel and volume trend

Trade channel	*Average % share of local brewers' bottled volume*	*General Volume Trend*
Direct	20.9	Up
Farmers markets	5.7	Up
Farm shops	6.5	Up
Delicatessens	4.2	Up
Independent off-trade	14.0	Up
Multiple off-trade	4.6	Up
Supermarkets	28.7	Up
Specialist retail	5.1	Same
Other	10.2	Up

Yet still more remains to be done to ensure retailers can enjoy the advantages accruing from wider availability of local beer:

- Due to the constraints of the beer tie the penetration of local beer within pubcos is far below the general availability of cask ale
- Many pubcos insist on centralised distribution via one of the big 3 logistic companies. Only 1 in 3 local brewers distribute via these companies due to concerns over cask repatriation, complex listing procedures and their general inflexibility. SIBA 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.
- Local brewers are steadily losing regular customers to acquisition by pubcos or pub-owning brewers: more than 17 out of 20 respondents report losing customers in this fashion and the average number lost, unchanged from last year, is 6 pubs
- As the pub-owning brewery groups undergo radical restructuring the local nature of beer offered in these outlets is threatened. Fewer than 1 in 4 local brewers have access to pubs owned by larger brewery groups.
- Local brewers under-trade with multiple off-trade retailers as these trade channels represent far less importance to local brewers' sales volumes than their market importance warrants.

Conclusion

The overall mood of local brewers is one of high and growing confidence. Volumes are up, sales value is growing, investments are being effectively made and more are planned. More than 4 out of 5 local brewers are more confident or as confident about trading prospects for 2006 compared to last year and the number of brewers who are more confident is growing strongly. The biggest significant factor in this increased confidence spontaneously cited by our members is growing consumer and trade interest in local produce.

Yet the leading spontaneous request members make of their trade association for additional services and benefits is for a continued improvement in access to market. Retail stock ranging policies which focus on a narrow range of beers fail both to acknowledge the dynamism and quality of the local brewing industry and to respond to proven consumer demand for wider choice.

As shown local brewers are determined to find routes to market and their efforts are succeeding against the odds. Significant progress has been made locally by brewers and centrally by SIBA and new deals are being struck with multiple retailers and pub operators. SIBA is determined to help all retailers, licensees and consumers to benefit from the booming interest in locally brewed beer and to *'Profit Nationally from Local Excellence'*.

Broughton Ales, Peeblesshire

Founded in 1980 Broughton Ales was one of the first local breweries in Scotland. Now managing director, Alastair Mouat believes he competes with fifty other breweries which have set up north of the border in the intervening period. Alastair argues Broughton's point of difference is that they seek to maximise their pub trade through a 'one-stop shop' of in-house wholesale and technical services. They can respond to their customers' needs more quickly than a national operator reliant on outsourced activities. Wholesaling includes offering reciprocated beer swaps from English breweries to help maintain the high interest in the brewery's on-trade range.

It could equally be argued that a wide availability of bottled beers throughout Scotland, especially via supermarkets is a further distinguishing point for the brewery. *"Although growing in popularity farmers markets are not yet affecting beer sales,"* says Alastair, *"so supermarkets are the logical route and the success to date is proof that local breweries can trade proportionately with the major multiples."* Certainly Alastair speaks highly of his trading relationships, noting, for instance, the significant improvement in credit terms with customers now settling within thirty days. Having started in Oddbins, Edinburgh in the 1980's a range of beers is now sold through Somerfield, Morrisons, Tesco, Asda and Threshers, as well as many smaller wholesalers. In fact *Old Jock* and *Black Douglas* are among the top ten premium bottled ales in Scotland.

On the back of the winning the Tesco Beer Challenge for Winter 2006, Broughton Ales can look forward to distribution across all of the UK's Tesco stores on the coming months. And the Brewery is determined to take every advantage by investing to raise beer drinkers' awareness through national advertising in specialist media.

Add to this recent export wins in markets outside the already healthy North American and Scandinavian markets and strong trading through its Dumfries pub it's easy to see why Alastair is very confident of trading for 2006.

www.broughtonales.co.uk

Contact: *alastair.mouat@broughtonales.co.uk*

Iceni Brewery, Norfolk

Last year saw further good growth for the Iceni Brewery, largely on the back of selling bottled beers direct to the public. Proprietor Brendan Moore is convinced of the premium opportunities from bottled beers and in selling through farmers' shops and markets. *"Local outlets enthusiastically pass on details on the background to the brewery and beers,"* he claims, *"and farmers markets are keen to welcome brewers as they can help attract more men to them."*

Iceni has recognised the skew to women shoppers and invested savings from PBD in marketing by adding a gift appeal to their beers through packaging, wooden crates and branded glassware. It all serves to generate a strong demand for beers which command up to £2.50 a bottle.

As leader of the East Anglian Brewers' Co-operative, Brendan is able to ensure others in the supply chain, such as barley farmers and local maltsters, also enjoy premium prices by making the most of ingredients' traceability. Furthermore, the Co-operative, set up with support from the East of England Development Agency and European funding, helps farmers set up shops through assistance with license applications, thus boosting the number of outlets. It is a very virtuous circle and an impressive example of local brewers' determination to find a route to market. Other local brewers including new start-ups are flocking to join the group. The more the merrier seems to be the healthy view as an ever-wider range of beers is seen as making outlets even more interesting and helps to grow sales.

Brendan firmly believes the strong interest in local produce will only grow and points to Breweries in France and Italy which are succeeding through selling direct to a public more used to other alcoholic drinks. He argues that every geographical area can find a story to establish something similar and re-build a direct connection with drinkers: *"People are disillusioned with supermarket shopping; in returning to more traditional outlets they can get personalised service by speaking to the brewer and hear about different beer styles made from local ingredients - they're buying the whole story rather than just the beer."*

www.icenibrewery.co.uk www.eastanglianbrewers.com
Contact: *icenibrewery@aol.com*

Teignworthy, Devon

Teignworthy brewery was established in 1994 and is located in part of the historic Victorian buildings of Tuckers Maltings. Consistent strong growth over for the last few years has necessitated negotiating additional space within the maltings for storage.

Proprietor John Lawton is keen to exercise a high level of control from selecting malt directly from Tuckers to delivering directly to selected local customers in both the on and off-trade. He believes this level of control helps to maintain quality throughout the supply chain and ensure that a premium product commands a premium price.

In the on-trade, Teignworthy supplies free houses exclusively and an expanding range of seasonal guest ales is paying dividends for as customers become more regular the number and volume of beers ordered is increasing. Business is helped by the investment of savings from PBD into direct and tele-marketing as well as a new range of branded point of sales materials.

A range of bottled conditioned beers are hand-bottled on the premises and again sold exclusively through independent outlets, such as farm shops, delicatessens and off-licences, most of whom receive their beer directly from the Brewery. In-store marketing support is provided through point of sale. Additional attention is given to the county's independent restaurant trade in order to take advantage of the drive to match beer with food. John believes that consumer interest in local produce has been a long time coming and helped by long-term regional promotion, such as SIBA's annual spring beer festival at the *Tuckers Maltings* and presence at the high profile Devon County Show, but now is building strongly thanks also in part to regional food group activities and strong media support.

Contact: *john@teignworthy.freeserve.co.uk*

Teme Valley Brewery, Worcestershire

The Teme Valley brewery was set up in The Talbot Hotel in 1997 with the main aim to promote local produce by only using hops from within a one mile radius of the brewery. Growth has been such that the pub now accounts for less half of the brewery's output. The number of free trade customers continues to increase and pubcos are supplied directly both for regular and guest beers. In recognition of the company's ambition head brewer Chris Gooch went full-time three years later.

Chris is very confident of trading prospects in 2006 on the back of growing interest in local produce, brewery investment and marketing activities. New sales and point of sale materials ensure the brewery's professional reputation is adequately reflected. Equipment replacement will improve scale economies to help maintain their competitive edge.

Just as importantly, good consideration has also been given to export markets and the brewery is one of three in a collaborative initiative set up with support from UK Trade & Investment and local Chambers of Commerce. *'Hopshire Brewers'* allows the participants to take advantage of foreign interest in cask-conditioned and bottled beer by acting as a portal channelling overseas inquiries to them. Orders from Belgium, Denmark and Italy have all been met in the last twelve months.

With a farming background Chris is understandably outspoken on the reasons for the growing interest in local produce closer to home: *"It has been generated by the indifferent quality of national produce as much as by a genuine new interest. Downwards pricing pressure from retailers on suppliers has led to homogenous products and product quality. Bizarrely that pressure has led to an increased demand for a premium product which local producers are truly able to meet as all too often so-called premium quality from national producers is a just a veneer - it has been made through slightly tweaking the production process. But while it wasn't simply spontaneous, public demand for quality local produce is now spiralling. After their experience of eating local ingredients in restaurants the public are also looking for quality local beers."*

It looks like the Teme Valley is more than ready to meet that demand!

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West Berkshire Brewery

2005 marked the tenth anniversary for the West Berkshire Brewery but it was such a busy year that proprietors Dave and Helen Maggs have not yet had the chance to celebrate.

Based across two sites in a former bakery in Yattendon and behind a pub in nearby Frilsham the Brewery has been focused for its first ten years almost exclusively on cask ales available through their 150 pub customers. Last year saw a series of diversifying initiatives which will enable further growth over the next few years.

Perhaps most important was their move to sell direct to the public through both the on and off-trade. Mindful of the ever-present threat to their on-trade customer base, due to the acquisition of regular customers by pubcos or by pub-owning brewery groups, securing their own free of tie lease on a local pub was a high priority. Unlike most local brewers Dave and Helen succeeded by taking over the *Rising Sun* in Stockcross just before Christmas. *"The pub will be a shop window for the brewery, give us a guaranteed outlet and will add to the overall value of the business,"* says Dave*, "I've always had a co-operative relationship with other brewers and I am keen to offer guest beers and source drinks from other Breweries in the area."*

Dave has developed a reciprocal relationship with the Swindon-based Arkells Brewery which has been instrumental in West Berkshire's second initiative of permanently offering bottled beers. Again Dave has his own outlet through a shop at the front of the brewery and beer sold direct to the public is targeted to represent 30% of volume by the end of the year. The range will include *Good Old Boy, Full Circle* and regular seasonal brews at Christmas. The shop will also feature local artisan crafts with pottery, ironwork, woodcraft items and even condiments featuring some of West Berkshire's beers to complete the collection which consolidates the Brewery's place at the heart of the community.

Not one to do things by halves, Dave also has his sights set on running outside bars at regional Festivals and has already started to increase the Brewery's efficiency by improving plant and replacing equipment. It looks like the Maggs may still not find time for a tenth anniversary celebratory brew served in their new pub premises!

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