

Local Beer

Brewing Industry Report 2011

Published by SIBA, the Society of Independent Brewers



Foreword from the Chairman

This report comes at a critical point in the recent history of local brewing. We are brewing beer and running businesses at a time when positive and negative factors are converging and conflicting to bring considerable uncertainty to the future of our industry. Under such circumstances, it is a testament to the journey we have travelled that we continue to look forward with confidence.

There is indeed much good news to report for SIBA's core constituency of small – micro and local – brewers; volume growth figures are impressive and, I believe, irrefutable. However, this must be seen within the perspective of the wider industry. We represent brewers beyond our origins – larger and more complex businesses that, despite maintaining levels of profitability, are in some cases brewing less beer. I speak regularly of our quest for a united and thriving Great British brewing industry, with a heritage and future at the heart of community life. That has never been more important than it is now.

Although the on trade continues to struggle, the iconic concept of the Great British Pub is alive and well – and evolving too, as locally brewed craft beers add value, quality and choice for enterprising publicans and an increasing number of discerning customers. But the culture of pub-going is under threat – it must never be reduced to a luxury experience, reserved for the well-to-do and tourists but priced beyond the reach of ordinary folk except as an occasional treat. SIBA's voice will continue to be at the forefront of calls to government to take positive action to reverse this worrying trend.

Of course, a radical re-think of main-rate duty policy remains key to economic stability for beer and pubs. It is short-sighted in the extreme for the new Government to have taken the apparently nonchalant decision to retain the destructive beer duty escalator. And although the Alcohol Taxation Review made a few perceptive comments about the potential ill effects of moves towards duty equivalence with spirits, and even noted the anomalous gap between rates for cider and beer (the reduction of which ministers had themselves decided to oppose), actual action was limited to some tinkering with beer duty rates at the highest and lowest extremes of strength – to affect only a tiny proportion of total beer brewed.

In general, though, the coalition Government has articulated a vision that is supportive of our industry. There appears to be no desire to penalise responsible drinkers; what must now be accepted is that the pub is the natural home of responsible and sociable consumption. The existing across-the-board rate of VAT – at a new punishing level – impacts disproportionately on the on trade and, by further inhibiting sales in pubs, will prove to be fiscally inefficient and societally counter-productive. A commitment to 'walk the walk' would be given credence by the introduction of a lower rate for on-trade and hospitality sales.

As ever local brewing stands ready to lead a constructive alliance in its own 'coalition' of partners who recognise our pride in our industry and share our commitment to its future.

Enjoy 'Local Beer'!

A handwritten signature in black ink, appearing to read 'Keith Bott', with a long horizontal line extending to the right.

Keith Bott
Chairman

Local Beer: Key headlines

• Local Beer increases production again...

- ✓ Statutory production figures confirm a 2008-2009 volume rise of **7.7%** for SIBA micro, local and smaller regional brewers (up to 60,000hl per annum) – well ahead of last year's survey claim of 3.75%
- ✓ Production accounts and survey results record similar growth – **7.5%** – for 2010
- ✓ New brewers add a further **1.3%** to indicate a total volume increase for last year of **8.8%**
- ✓ SIBA brewers' total beer volumes have **more than doubled** since the start of PBD in 2002
- ✓ By maintaining its percentage of total production, local **cask ale** shares in overall volume growth

• Local Beer means quality and choice...

- ✓ There are now **463** SIBA brewers – **twice as many** as in 2002
- ✓ We are a craft industry of **innovation and diversity**
- ✓ SIBA brewers offer a local beer portfolio of around **2,500** permanent cask brands, **plus 3,500** seasonal beers and occasional or one-off specials, **plus 1,750** bottled brands **plus** craft keg lagers and ales
- ✓ SIBA Technical Services commits local brewers to **top quality** at the point of dispense

• Local Beer builds business success...

- ✓ **Progressive Beer Duty** underpins growth and proves to be a cost-effective government investment
- ✓ Duty relief savings are re-invested judiciously to fund brewing infrastructure, business development, marketing and employment
- ✓ Local brewing industry employment has **doubled** since the introduction of PBD
- ✓ During 2010 local brewers took on an average of **one new full-time employee each** – an overall increase of 19%
- ✓ Local brewing generates economic growth and employment throughout its associated supply and service industries
- ✓ SIBA's **Direct Delivery Scheme** takes annual sales past **£10m** and pubs supplied over **2,000**

• Local Beer supports society values...

- ✓ Local brewers increase their commitment to environmental responsibility
- ✓ **94%** of DDS deliveries are to pubs within 40 miles of the brewery
- ✓ Beer and pubs provide the foundations for a responsible drinking culture
- ✓ SIBA endorses a **VAT cut** for hospitality trade sales to give vital support to pubs

• Local Beer faces challenges...

- ✓ Calls to slash PBD threaten **more than half** of local brewing businesses
- ✓ Plans to continue the **duty escalator** further undermine pub viability
- ✓ Spirits industry calls for **duty equivalence** must be rejected
- ✓ The health lobby still fails to recognise the benefits of beer in well run pubs

Introduction: A Crucial Report

In any annual report there is a risk of repetition. This is the Society of Independent Brewers' ninth presentation of the results of our in-depth investigation into the state of the local beer industry, and once again we have much to say that is positive: about growth against wider market trends; about continued investment in our individual and corporate infrastructure; about the impressive achievements of our ongoing and expanding commercial projects; and about our proud record of social, ethical and sustainable responsibility.

However, continued expansion has brought the craft beer industry to a threshold that means this year's report is of new and possibly momentous significance. Growth is neither accidental nor circumstantial, and this 'Local Beer' report will assess the factors that are contributing to a fertile climate for brewing enterprise, and consider the issues that are arising to challenge – and even threatening to reverse – our recent years of progress.

A Brief History

Forty years ago the British brewing industry was facing a potentially very different and uninspiring future. Throughout the 1960s breweries had been closing with accelerating speed as rationalisation, consolidation and monopolisation took hold, and the prospects for beer apparently lay vested in the standardisation of a reliable, consistent – and inevitably bland and mediocre – product.

But it was in 1971 that consumer dismay was mobilised into a fledgling organisation; the Campaign for the Revitalisation of Ale – soon to become the Campaign for Real Ale (CAMRA) – struck a chord with far-reaching effect that continues to resonate today. Not only were surviving regional family brewers re-inspired to fight for their continued independence, but also totally new seeds were sown, as real ale enthusiasts and redundant professional brewers started their own 'microbreweries'.

“A map of Britain's breweries in 1960 would have covered 358 operating companies. Ten years later...there were around 200...with the number decreasing every year.”

“[By 1984]...since the real ale revival gathered pace, over 100 new free trade brewers have set up along with 50 home-brew pubs...and the numbers are increasing every month.”

Good Beer Guide 1984

Good Beer Guide 2011: 767 Breweries

The net result has been the increase, from around 200 brewing companies (and still falling) in 1970, to 767 breweries listed in the latest Good Beer Guide.¹ Thus has been created a British manufacturing industry in growth, with its foundations in the national heritage of an ancient skill, making a traditional product with modern flair, imagination and innovation. The craft-brewing sector that has revolutionised this industry is more labour-intensive per hectolitre of production, and committed to sustainable business within local economies.

Twenty pioneer microbrewers founded the Small Independent Brewers Association in 1980. Today SIBA is the Society of Independent Brewers and has an operating brewing membership in excess of 460, with 20-plus new recruits yet to mash their first commercial brew. In addition, more than 160 associate members – including suppliers of goods and services, affiliated industry bodies, pubs, and brewers who do not qualify for full membership on grounds of size, ownership or nationality – reflect a proactive policy of engagement with the wider industry and its infrastructure.²

SIBA Industry Survey 2010/11

This report is based principally on SIBA's annual industry survey, which was carried out in October/November 2010. We are pleased to announce a record response this time: answered questionnaires were submitted by 51% of our full brewing membership. This is itself indicative of the pivotal time at which many brewers find themselves, with economic and political factors that are critically important to their businesses very firmly in the spotlight.

The number of replies to the survey encourages confidence in the accuracy of our investigation into performance and trends, business operation, aspirations and opinions. Nevertheless, thorough analysis and cautious extrapolation remain key to the process, and the likely validity of a few extraordinary or anomalous answers has been very carefully evaluated.

Participation in the survey, and hence the ensuing report, has hitherto been restricted to 'micro' and 'local' brewers, in accordance with HMRC definitions.³ However, the continuing evolution of the industry has prompted this year's decision to extend the scope of our analysis to include the few SIBA members who are classed as 'regional' – in effect to encompass all brewers who qualify for full membership, and all who fall within the EU definition of a 'smaller brewer' (below a production ceiling of 200,000hl per annum). Regional brewers are in Levels 4 and 5 of SIBA's membership structure. Two of 2009/10's Level 3 brewers have this year graduated to regional status, so that we now have a total of four in Level 4 and five in Level 5.

1. 'Good Beer Guide 2011', published in September 2010 by CAMRA

2. At the end of November 2010, SIBA membership stood at: 463 full brewing; 28 not yet brewing; 4 brewing associate; 124 supplier associate; 37 pub associate.

3. HMRC defines 'micro' as up to 5,000 hectolitres per annum, 'local' as 5,000-30,000hl, 'regional' as 30,000-200,000hl, and 'national' as above 200,000hl.

Introduction: A Crucial Report

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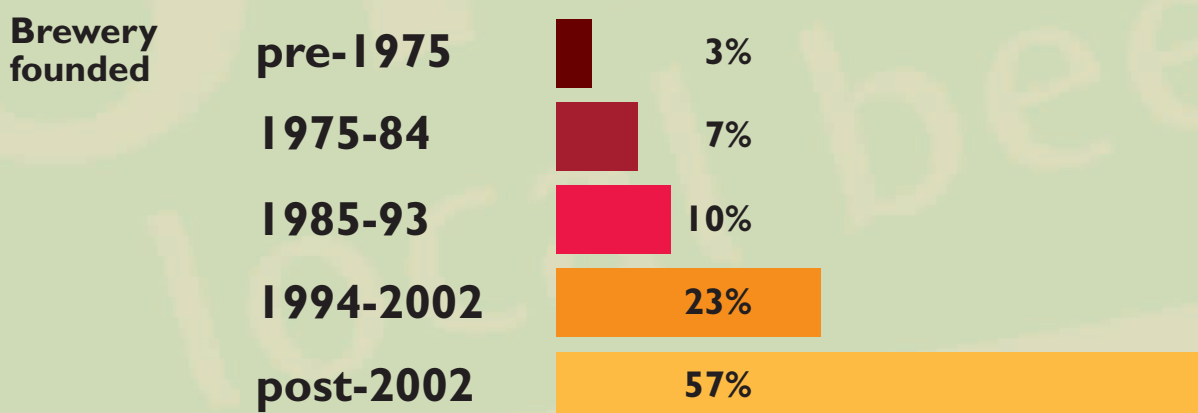
Figure 1: SIBA industry survey participants, by size



It is SIBA's view that the terms 'local brewing' and 'local beer' can justifiably incorporate this extended range of independent breweries. The larger companies are fully committed to all aspects of the ethos and ethics embodied therein; indeed many retain pub estates that give a tangible and restricted geographical focus to their business operations. SIBA strives to represent a united independent industry, with full membership offered up to 200,000hl, and a category of associate membership for brewers above that size. (There will be at least six associate brewing members in 2011.)

The significance of the business age of industry survey participants must not be overlooked (see Figure 2) 97% are thirty-five years old or less and therefore part of the microbrewing movement that began in the 1970s; only 3% belong to the older established industry. Most tellingly, well over half (57%) started their businesses following the introduction of Small Brewers' Relief (Progressive Beer Duty) in 2002. The first decade of the new millennium has been an era of unprecedented expansion for local brewing – and for choice of local beer – and these figures give credence to SIBA's contention that the industry is fast approaching a pivotal time in its history.

Figure 2: SIBA industry survey participants, by age



SIBA's 'Local Beer' Brewing Industry Report examines volume production, specifically over the past year but including comparative analysis both with 2009 and of longer-term trends, and an assessment of local brewers' performance in the context of figures for the wider industry. Also, the exceptional and expanding range of beers and beer styles now on offer demands and receives consideration.

The report looks at the background to this record of growth. Attention is drawn in particular to the critical role of Progressive Beer Duty in investment and the economic contribution of local brewers, and to the overall effects of government legislation, fiscal policy and excise duty structures. The positive influences of localism and the ethics of sustainability are also considered, and business operation, marketing strategy, market relationships and SIBA-led commercial projects help to complete the report's analysis.

There is cause for both confidence and caution in local brewing, and the balance between them is poised and delicate. Brewers are acutely aware of the stakeholding partnerships that have encouraged their success, and of the factors that have the power to tip the scales either for or against their continued progress.

SIBA Local Beer Production

Increasing Volumes

Total hectolitres of beer brewed by SIBA local brewers in 2009
1,721,291

Subscriptions for full brewing members of the Society of Independent Brewers are calculated for each membership year (from 1st October) based on actual volume production for the previous full calendar year. In the case of brewers in receipt of any amount of Small Brewers' Relief – which includes all but those in membership Level 5 – the keeping of a Beer Production Account is a statutory requirement to prove eligibility, and details of this are supplied in confidence to the membership secretary. From this information we are able to give definitive aggregate volumes for each level of brewing membership, which can be compared year-on-year.

Figure 3: SIBA members' Beer Production Account data

BAND	RANGE (hl)	2009 (hl)	2008 (hl)
LEVEL 1	<i>up to 999</i>	91,140	85,008
LEVEL 2	<i>1,000 - 4,999</i>	379,577	367,809
LEVEL 3	<i>5,000 - 29,999</i>	598,928	590,096
LEVEL 4	<i>30,000 - 59,999</i>	142,237	82,246
LEVEL 5	<i>60,000 - 200,000</i>	509,409	528,171
		1,721,291	1,653,330

Of course, membership changes mean levels are not exactly like-for-like. Most significantly, two brewers have moved up from Level 3, which explains the exceptional volume increase in Level 4 (now doubled from two to four members). However, figures for 2009 are not based on an overall growth in membership numbers: total membership is up but many new recruits are not yet in production, and there is actually a slight fall in members contributing to the 2009 figures. Furthermore, one larger Level 3 member (in administration at the time of data collection) is missing.

- **Therefore, it is accurate to conclude that the volume increase of 4.1% is a fair reflection of performance across the range of all existing full members.**
- **At the micro/local level (Levels 1-3), adding back the volume production of the two brewers that have moved to Level 4 indicates a like-for-like growth of 8.5%.**
- **Brewers within the current range of qualification for PBD (Levels 1-4, production up to 60,000hl per annum) show a volume increase of 7.7%.**
- **There was a 3.6% fall in production in Level 5 (five members, no changes in membership).**

In evaluating the likely accuracy of survey results, and their worth for extrapolation to postulate membership-wide production trends, it is now possible to compare last year's questionnaire-based figures with the 2009 Beer Production Account totals detailed above. The 2010 Industry Report gave an estimated volume growth for micro and local brewers (Levels 1-3) in 2009 against 2008 of 3.75%, based on a 40% survey response. According to submitted production accounts from all relevant members for both years, that increase can now be set at 8.5%. This lends considerable credibility to our confidence that our volume claims are not overstated. It might even indicate that, among those brewers who failed to submit a completed survey, there were many who were simply too busy brewing beer to do so.

SIBA Local Beer Production

Continued

The Market for Cask Beer

Graham Page considers SIBA's figures in an industry-wide perspective

Looking at cask ale trends in 2009 and 2010 demands close analysis of the right information and statistics to answer one key question: Is cask ale growing or not?

Having recently stepped down after 20 years as a consultant for ACNielsen, and before that served 22 years in various senior management positions with Allied Breweries, I hopefully have enough experience to know how to approach the question. In my last 10 years at Nielsen, until 2008, an independent report on the cask market was one of my annual projects.

I can say with certainty that from 2000 to 2008 there was no overall return to growth in cask beer, though by the end of 2008 it was getting very close. However, the global financial crisis has impacted greatly on the beer market and probably knocked back cask's progress. Its relative performance is nevertheless significant.

Given the unprecedented rise of microbrewers in the last decade – to more than 700 – cask ale has clearly benefited from a broader production base. The factors behind this expansion are covered in the main body of this report, but I would single out the major impact of PBD and the trends that are driving consumer demand for local produce.

In contrast, during the same period internationally owned brewers have deserted national cask brands in favour of global lagers. Regional brewers have responded to this with their own flagship ales, in many cases to achieve a near-national profile. But, despite combining this development with the emergence of microbrewers – including some whose volumes have rocketed beyond 'micro' levels – total cask production has still struggled to achieve growth. Why?

The answer lies simply in substitution: the volume decline of the big-name national bitters has not yet been surpassed by increases in regional and micro production. Beers are replaced by other beers, as can be seen regularly on the bars of pubs where guests are rotated. Some pub retailers are striving to grow cask volumes by offering local ales and/or an ever-changing selection; others have seen their businesses decline and, in too many cases, go to the wall.

Measuring cask ale volumes with any confidence is a complex process. For basic stats I have used the BBPA's Annual Barrelage Survey of its members, SIBA's aggregated membership Beer Production Accounts, and HMRC's Progressive Beer Duty figures (although these are rounded up to the nearest 50,000hl and therefore too approximate to be of more than limited use). Then it is necessary to strip out any double- or triple-counting of brewers included in BBPA, IFBB and SIBA stats. Finally, I have reviewed CGA Strategy's on-trade tracking service and the off-trade trends from Nielsen's GB Offs Scan*Track, to judge market dynamics (volume, share, distribution, rate of sale, and retail price per unit) and thus gauge trends by trade channels, regions and brands.

This allows me to state that in 2008/9 cask ale remained virtually static. Yet this must be seen against a total on-trade beer market down by 4.6%, so in 2009 cask outperformed total beer by some distance.

BBPA figures for the first half of 2010 saw cask trends down 9.1% against total on-trade beer down 7.4%. However, this was without HMRC's PBD report, and therefore excluded most micro performance, which the BBPA concedes is beyond the scope of its own members' figures. SIBA's survey responses report impressive growth in 2010, continuing the scale of actual Production Account performance in 2009. All I would add, in the interests of total market coverage, is that the Beer Production Accounts exclude 200-plus micros that are not SIBA members, and the survey numbers do not include all SIBA members.

That said, a 51% sample under any market research measurement is huge and gives credibility to the trends quoted. Furthermore, having looked at CGA Strategy's trend figures for microbrewers in the same periods, I see no reason to question SIBA's stats. Many micros are doing very well, and if cask ale is pushing towards a return to growth I expect the local beer sector to be leading the way.

- The latest survey, based on actual volumes for the first nine months of 2010, plus estimates for the final quarter, reports a 7.5% increase in production by brewers submitting full statements for both 2009 and 2010.
- Replies received from new brewers who became operational during the period add a further 1.3% to the annual volume rise.
- This gives a total growth in 2010 of 8.8%.

“This year has been fantastic... with volumes approaching 50% up on last year.”

Stewart Brewing, Edinburgh

In spite of this buoyant overall performance, 15% of brewers questioned admitted to a fall in production – worse than the 9% who were down the previous year. A further 15% indicated little or no change, and 70% confirmed a volume increase (16 and 75 respectively last year). Some individual results are undoubtedly outstanding, but across-the-board they also remain strong. Furthermore, continued confidence is reflected by estimates for 2011, for which an average rise of 10.6% is predicted: 76.5% of

replies forecast volume growth; 12.5% expect to be static; and 11% anticipate a decline. The fact that last year’s estimated boost appears to have been overstated by about 4% sounds a cautionary note to temper this upbeat mood.

It is extremely difficult to give meaningful perspective to comparative sales turnover figures. 77% of replies reported year-on-year increased value of sales averaging 32%; 8% said sales had fallen, by an average of 14%; and 15% noted sales that had stayed about the same. That these numbers give an overall average sales rise of 23% is arithmetically undeniable but, because of the wide variation of top-line results of different-sized brewers, this does not mean that the aggregate sales total of the companies that answered the question is up by 23%.

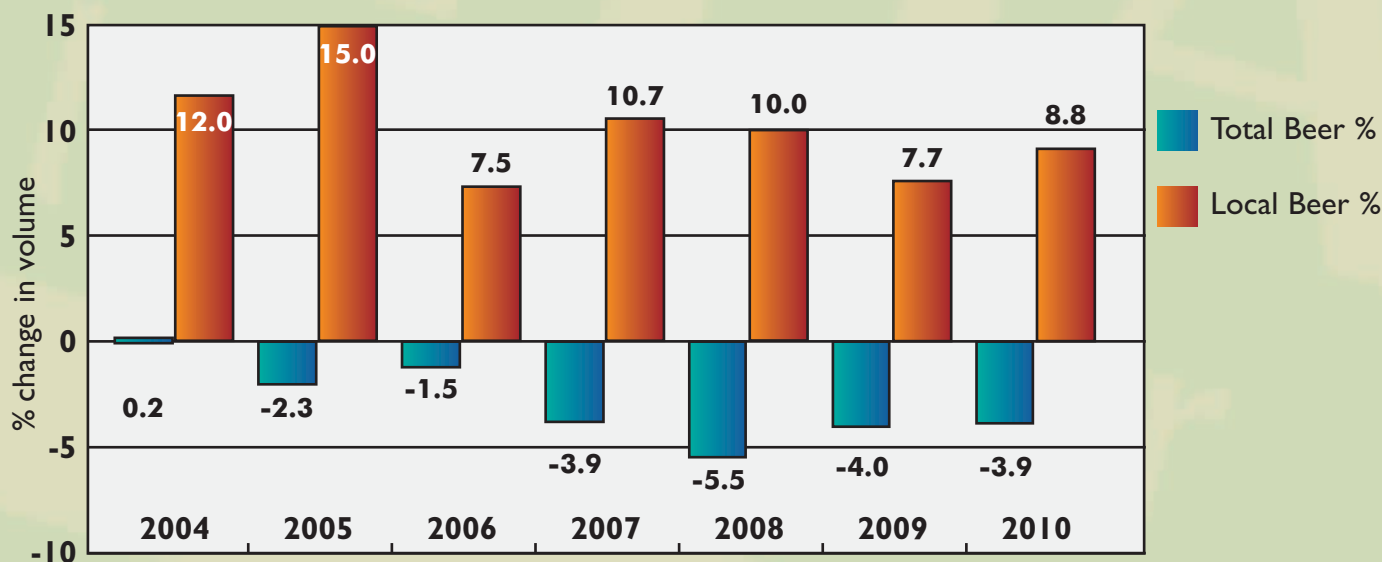
“Sales turnover...has grown by 53% over the last year.”

Purity Brewing, Warwickshire

Volume figures are produced by the British Beer and Pub Association (BBPA) in its ‘UK Quarterly Beer Barometer’.⁴ These exclude the results of most smaller brewers, to whose records the BBPA does not have ready access – although approximations from HMRC data are added to its Annual Barrelage Survey to give an estimate of all beer produced. In the last few years increasing local beer volumes have improved year-on-year total performance by an average of 0.2%. Figure 4 shows ‘Total Beer’ without these added numbers – as recorded by the Beer Barometer – to show wider industry trends separate from the vast majority of local and microbrewers.

Figure 4: Local Beer / Total Beer – Annual % Change 2004-2010

(Sources: SIBA Annual Surveys/ Beer Production Accounts, BBPA Beer Barometer)



All SIBA data is taken from annual surveys, as documented in Local Brewing Industry Reports, except for 2009, where the 3.75% volume increase reported a year ago has been replaced by the actual 7.7% given by 2009:2008 Beer Production Accounts.

- These figures indicate a total volume increase by SIBA brewers since 2003 of 98%.
- This means that SIBA beer production has more than doubled since the introduction of PBD in 2002.

4. The Beer Barometer is available on the BBPA website, www.beerandpub.com

SIBA Local Beer Production

Continued

BBPA statistics show the remarkable divergence in the fortunes of the on and off trades: shop sales held relatively steady for 2010 while beer's pub performance fell sharply by 7.5%. But isolating how local brewers' beers fared – split into draught (on trade) and bottled (off trade) volumes – shows the strength of the market for local beer, even in a still beleaguered pub trade. Cask ale – an almost exclusively on-trade product – maintained its share of total production (82.6% compared with 82.5% a year ago) and therefore has achieved growth in volume for SIBA brewers to match the overall 8.8%. This year's survey shows a rise in 'keg' draught beers' production share from 1.9% to 2.8% (a trend covered in more detail below).⁵ These beers are also packaged primarily for the on trade.

Surprisingly, the reported share of bottled beer in overall production fell a little, from 15.6% to 14.6%. However, this is still higher than two years ago, and there is little doubt that craft-brewed bottles will continue to be a significant contributor to local beer's fortunes.

Questions were also asked about the alcohol content of beers brewed:

- **The average strength of survey respondents' best-selling draught beer is 4.3% alcohol by volume.**
- **60.5% of local beers are within the range 3.5-4.2% abv.**
- **37.5% are 4.3-7.5% abv; it is almost certain that the great majority of these are no stronger than 5.0%.**
- **Only 1.5% are stronger than 7.5%, and only 0.5% are below 3.5%.**

There is an inherent 'responsible strength' for both brewers and drinkers of British beers. The average strengths indicated in the survey are probably lower than in any other major brewing country in the world.

Choice and Diversity

Recognising the constantly evolving diversity of craft beer, the latest industry survey posed new questions to brewers about the beers now to be found in their brewing portfolios. They were asked about the number of regular beers they brew, plus one-off specials and seasonals, and about the range of styles encompassed therein.

Full answers from 205 respondents claimed a total of 1,206 regular cask brands brewed – very nearly six per brewery. This tallies closely with the latest Good Beer Guide's index of over 4,000 regular-list beers (excluding seasonals) shared between all brewers⁶, and suggests that SIBA members brew in the region of 2,500 real ales year-round. Survey replies indicated an additional average of eight one-off or seasonal specials per brewer per year – extrapolation of which would mean a remarkable total of approximately 3,500 occasional or single-brew beers from the SIBA ranks to add to permanent brands.

- **The possibility that 6,000 different cask beers were produced last year by SIBA local brewers (who, it should not be forgotten, do not constitute the entire industry) is given some startling perspective by the fact that the breweries section of the edition of the Good Beer Guide published thirty-five years ago listed a total of only 304 traditional draught ales.⁷**
- **Whether this level of achievement and proliferation is unmatched in recent British manufacturing history is surely a question of some significance.**

Furthermore, although there is no question that real ale and its champions have spearheaded the quality revival and the drive towards diversity and choice, the burgeoning local beer industry has also come to embrace craft-brewed premium bottled ales, and lagers and ales in keg.

76% of survey respondents report that they produce bottled beer, and a further 13% intend to do so in the coming year. Five bottled brands are found in the average core portfolio – possibly therefore amounting to 1,750 bottled SIBA beers overall. Replies further indicate that 62% of brewers producing bottled beer are doing so in bottle-conditioned form: live unfiltered 'real ale' containing yeast sediment. In 1976 there were six such beers.⁸

Historically, keg beer was developed as a stable, filtered and pasteurised, brewery-conditioned product, and became the principal threat to the survival of cask-conditioned beer. As such, it has long-standing derogatory connotations among seasoned real ale campaigners. But many craft beers around the world are stored in kegs – frequently unfiltered and conditioned naturally – and several local brewers have adopted this methodology with enthusiasm, especially those specialising in continental lager and foreign ale styles.

5. 'Keg' is a term used to describe a sealed container from which the contents are dispensed under gas pressure.

6. 'Good Beer Guide 2011', pp843-870

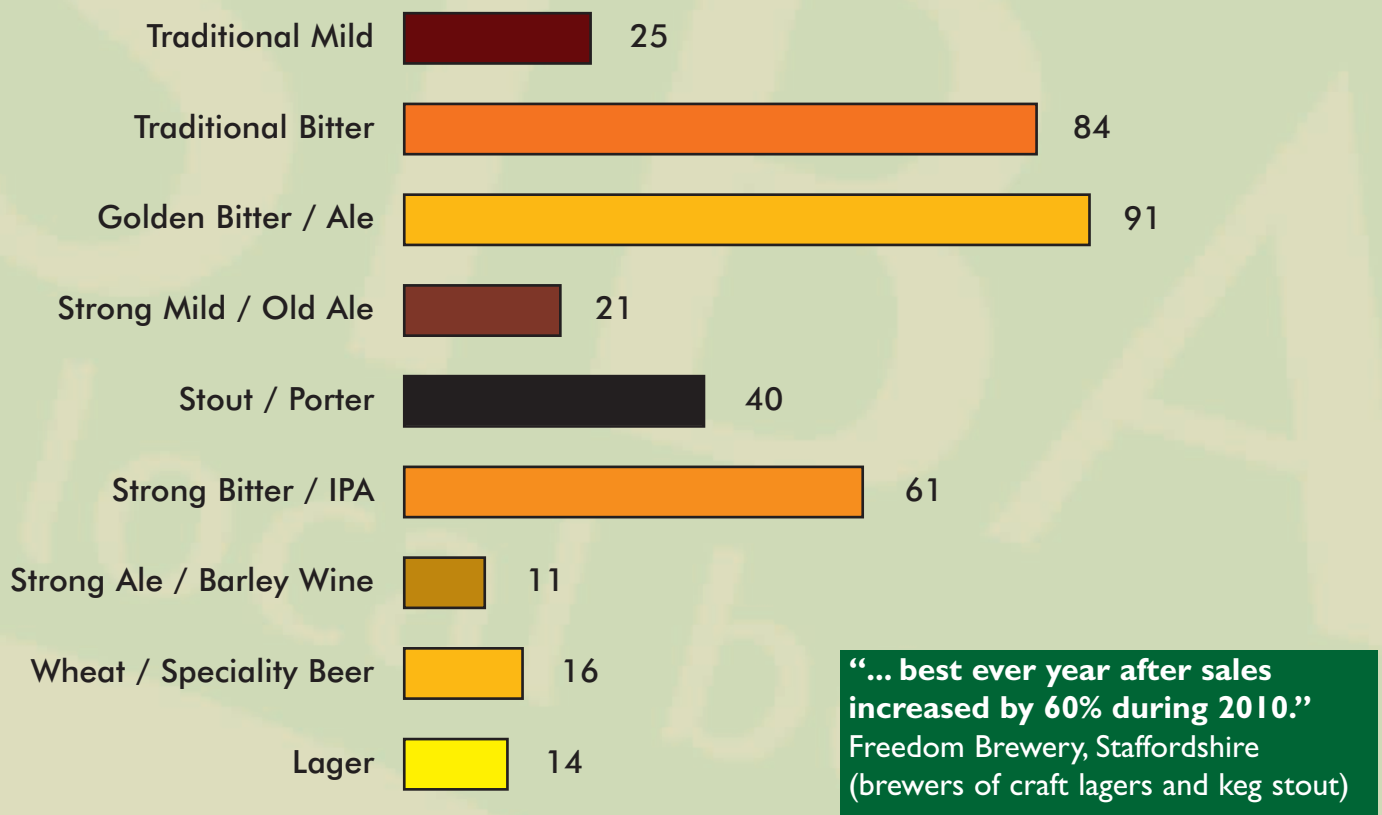
7. 'Good Beer Guide 1976', published by CAMRA

8. *ibid.*

With the continuing trend towards off-sales consumption, bottled beers have broadened the appreciation of local brewers' beers, and the appearance of craft beers in keg – often in on-trade premises some way removed from the image of the traditional 'boozer' – is now doing the same. Their appeal is contemporary and possibly to the style-conscious rather than the ale stereotype, but they are given substance and credibility by their undoubted quality. Reflecting this development, SIBA has this year held its inaugural 'Craft Beer in Keg' competition.

Figure 5 shows the types of beers being brewed on a regular basis, and the percentage of brewers making them. It shows clearly the persisting attachment to the core British product of traditional bitter; the explosion in popularity of pale-coloured bitters and golden ales; the continuing survival of mild; and the imaginative innovation that has widened brewing portfolios to include an increasingly eclectic range of styles. Thirty-five years ago cask-conditioned stouts and porters had ceased to exist; today they are being brewed by 40% of survey respondents – a figure that can almost certainly be safely extrapolated across the wider local brewing industry.

Figure 5: Beer Styles in regular production, by % brewing



In addition to the types listed, positive replies were also received for the brewing of foreign-style ales, single-hop beers, organic beers, gluten-free beers, 'super premium' bottled beers, low-alcohol beers, and beers made with exclusively local-grown ingredients.

Local brewing is innovative as never before, but it has to be remembered that this could not be the case if the market for the resulting products did not exist. Consumers responded with enthusiasm to pioneering experimental brews, and have subsequently encouraged the flood of choice and diversity. Furthermore, whilst it is undoubtedly the case that it was the influx of new brewing blood that triggered beer's 'new wave', established regional brewers have also risen to the challenge with vigour and craftsmanship, to add their own contribution to the overall enrichment of British beer.

Growth: A Progressive Approach

Partners in Investment

The existence of a craft beer industry as described above – in growth and offering unparalleled choice across many styles – has not happened by accident. Nor – more importantly – is its continuation guaranteed. Since the microbrewing age began, far too many youthful enterprises have failed for that to be the case, including names that survived long enough to become established and brewed excellent beer. The struggle to build commercial viability, with economies of scale impossible and market access to many pubs foreclosed by the strict application and enforcement of tied supply agreements, proved too difficult for many to overcome.

Nevertheless, in spite of all those that did not last the distance, others did – precariously at times, but by 2002 SIBA had 235 brewing members. Four years later the total had risen by almost 60% to 373, and today's brewing membership is virtually double what it was nine years ago.

SIBA members...

2002: 235

2006: 373

2010: 463

It is no coincidence that this remarkable expansion has taken place since 2002. It was in June of that year when SIBA's twenty-year campaign for the introduction of a system of excise duty relief for smaller brewers finally came to fruition. Government was persuaded that the field should be levelled by a reduction in duty at lower production volumes, to offset the higher proportional input costs to small brewers of ingredients, labour, overheads and operational logistics.

Progressive Beer Duty sets duty to qualifying brewers at 50% of the full rate on production up to 5,000 hectolitres per annum (59 brewers' barrels per week). The total value of relief is then capped but continues to be allowed to all brewers producing up to 30,000hl per annum (approx 350bbl/wk). This original threshold for qualification was extended following review in 2004, so that after 30,000hl the value of relief tapers and then discontinues at 60,000hl per annum. Nothing is received by any brewer with total volumes in excess of that amount.

- **85% of SIBA's full brewing members** (Levels 1 and 2 of the membership) **qualify for the full 50% relief on all their production.**
- **A further 13.4%** (Level 3) **receive the capped full value.**
- **Four members** (Level 4) **are in the taper zone.**
- **Five** (Level 5) **do not qualify** (plus associate brewing members, of course).

When Chancellor Gordon Brown announced the introduction of PBD he gave the tabloid press the headline that the price of beer would be coming down as a result. But Small Brewers' Relief was never intended as a mechanism for cheap beer over the bar. It would enable microbreweries to be price-competitive but was not designed to encourage them to undercut the market.

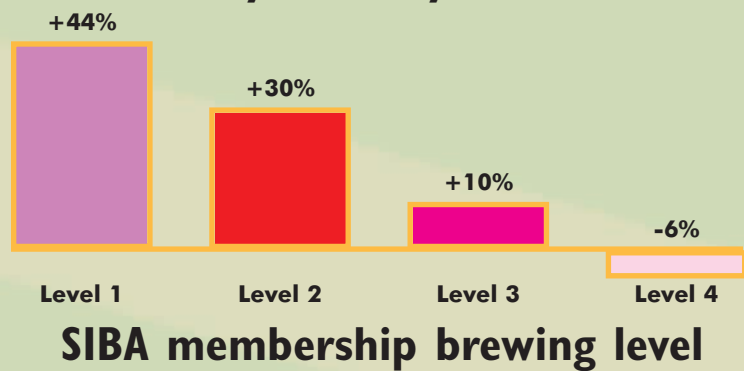
The survey asked brewers about their priorities for utilising duty relief savings, for the purposes of building their businesses and securing financial stability. Only 2% of replies confirmed an intention to use discount pricing as a primary tactic; 59% gave it a zero priority rating. Nevertheless, perceptions about price-cutting persist in what is admittedly an extremely competitive marketplace. 33% of respondents believe that the introduction of PBD has encouraged over-discounting and driven down prices – although 55% strongly oppose this view.

What must be admitted – brought to light by the survey – is that by no means all local brewers undertake a full and detailed analysis of their per barrel (or hectolitre) production costs: 72% do, 12% plan to, and 16% don't. SIBA's policy to recommend cost analysis by every brewer is based on the view that it would discourage excessive discounting and help ensure that craft beer reinforces its image as a premium product.

Survey respondents graded their business development investment options for the coming year, according to priority, on a scale of 0-5 (where 5 is most important):

- **Highest average scores were for improving brewing infrastructure – increasing capacity (average priority score 2.8) was top-rated by 31%, and installation of new equipment (3.3) by 33%.**
- **12% of replies gave the development of new products (av.2.2) maximum importance, and investment in marketing (2.8) headed the list for 17%.**
- **Operational infrastructure featured strongly in some plans – including employing new staff (av.2.3 / top priority for 13%); staff training (2.3 / 10%); and upgrading internal systems (1.9 / 7%).**
- **Of less importance was debt servicing (1.2 average), essential to the plans of 10%. Profit retention fared better, scoring a 5 in 16% of responses, with an average of 2.3.**

Figure 6: Employment changes 2009-10, by brewery size



Much thought has been given to the levels of employment created by the introduction of Progressive Beer Duty. Last year's report suggested estimates of approximately 1,500 new staff, with about two-thirds of these in full-time work. Replies in the latest survey have been analysed, relative to brewery size, in sufficient detail to allow extrapolation to the full brewing membership, for growth both in the last year and since 2002.

- Figures indicate that full-time-equivalent employment across all SIBA brewers has doubled since PBD, from about 1,600 in 2002 to 3,200 in 2010.
- This increase includes a 40% rise in those employed at breweries already in existence in 2002.
- Survey respondents reported an average of 1 new full-time employee each taken on during 2010, an across-the-board increase of 19%.
- It is particularly significant to note that, within the sample of local brewers who completed the survey, employment has risen by more than double the rate of volume increase. This is probably driven both by investment for growth and by the labour-intensive nature of craft brewing in smaller production units.

These statistics bear out the view that government's decision to introduce PBD has proved to be an investment rather than a giveaway. Production growth and increased employment have generated tax revenue streams that outweigh and therefore justify the up-front cost of duty relief. And the knock-on beneficial effects of PBD for supply industries – from raw ingredients to bottling machines to bespoke software – should not be ignored. This has been generated a 'trickle-down' of economic growth and employment.

“Progressive Beer Duty...is a judicious investment that has breathed new life into a flagging industry, stimulated growth and employment, and brought unprecedented choice to appreciative consumers.”
Julian Grocock, SIBA Chief Executive, writing in the Brewery Manual 2011

Time to Review? – Time to Reinforce?

Nevertheless, PBD has not been universally welcomed across the wider brewing industry and, with the advent of a new government – of different political colours to the one that introduced the scheme – the political lobby for drastic alteration, or even abolition, has intensified.

A review may be pending, and so it has been essential for SIBA's latest survey and report to gauge local brewers' evaluation of PBD's importance and of the possible effects of its reduction or withdrawal.

If Smaller Brewers' Relief were withdrawn...

- ...41% of local brewers believe their business would fail
- ...62% believe their business could fail
- ...50% believe staff redundancies would be necessary
- ...57% believe staff hours would have to be reduced
- ...71% believe infrastructure spending would be cut
- ...80% believe prices would rise and sales would fall
- ...66% believe their marketing spend would reduce
- ...78% believe capital investment would cease or be cut
- ...72% say their growth plans would be put on hold

or if it were significantly reduced...

- ...13%
- ...56%
- ...32%
- ...50%
- ...68%
- ...71%
- ...61%
- ...70%
- ...66%

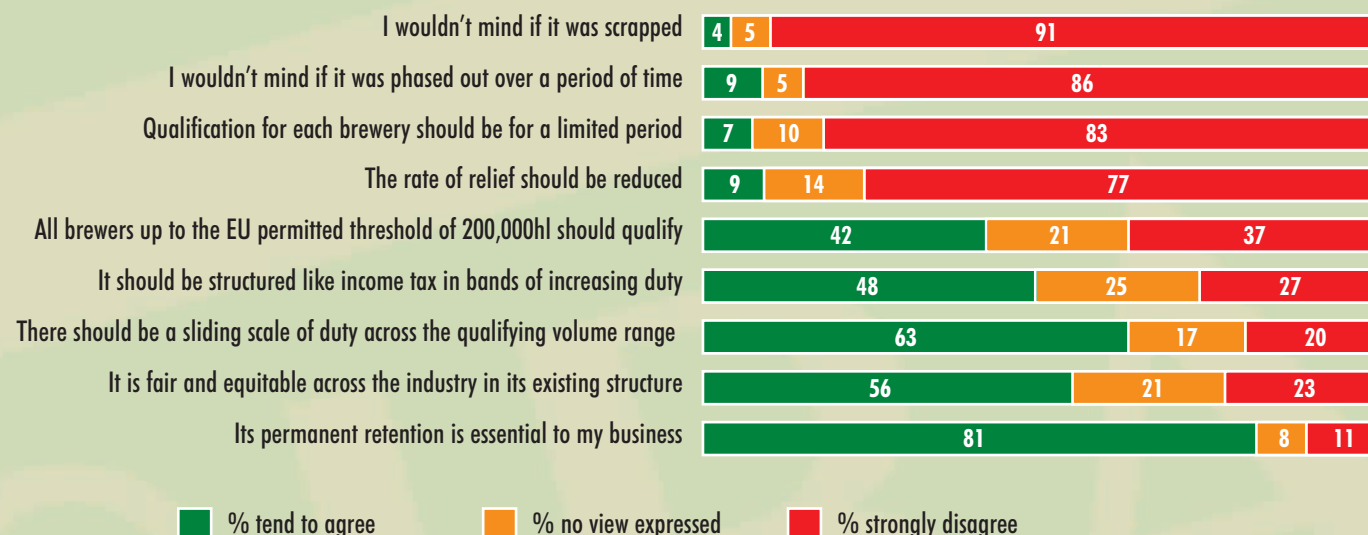
Fewer than a third (32%) are confident of survival without PBD; no more than 6% think an end to duty relief would be good for their business. When asked about reasons for their SIBA membership, 77% cited defence of PBD as of maximum importance.

Of course it is true that persistent hikes in the main duty rate have increased the marginal value of relief: to approximately £57/bbl at 4%abv, compared with £39/bbl in 2002. This has prompted claims, from brewers beyond the scope of the scheme, that the 'field' is now tilted unfairly in the other direction. However, all cost analyses that SIBA has carried out have failed to substantiate this. Larger brewing companies have more complex business structures and income streams, and certain of their core infrastructure expenses are omitted from their standard cost models (or are spread very thinly across their entire range of activities). These cannot be excluded from the cost projections of small brewers with a single income-generating manufacturing activity; core overheads must be counted as part of production costs. They include office and sales staff and equipment, premises, marketing, distribution logistics, insurance, and finance and professional fees.

Growth: A Progressive Approach

Continued

Figure 7: Local brewers' views on Progressive Beer Duty



However, possible amendments to the structure of duty relief should not be dismissed out of hand. The SIBA Members' Charter⁹ commits the organisation to 'a just and equitable' alcohol taxation system, and there are aspects of PBD that do not meet with wholehearted approval, even from its principal beneficiaries.

As previously noted, 33% of survey respondents tend to the opinion that it has led to over-discounting and a fall in price; and 41% have found the increased level of competition sufficient to warrant a belief that there might now be too many breweries.

Perhaps more noteworthy is the assertion of 32% that its current structure acts as a barrier to growth at key production levels. It is the tapering of relief to its total disappearance that has prompted SIBA to explore alternative models that do not entail the complete loss of duty relief by any brewer, at least within the EU's definition of 'small' (up to 200,000hl).

An income-tax-style structure would allow relief at fixed and declining rates for volumes up to set thresholds, with all qualifying brewers receiving the appropriate relief for each tranche of production. A sliding scale of duty would provide for an even smoother and arguably fairer gradation, providing for a varying rate for every hectolitre, with relief declining to the point at which full duty becomes payable, but with no loss of the 'relief curve' for qualifying brewers once they reach the full rate.

- **Crucial to any proposals is SIBA's commitment to 50% as the appropriate (and EU-permitted) rate of relief at the lowest level of production.**
- **SIBA local brewers also seek an early assurance from the Government that it is fully committed to the retention of Progressive Beer Duty.**

Of course the real target of any industry campaign to address beer taxation issues must be the main rate and the existence of an 'escalator' that promises to drive duty up each year above the rate of inflation. Aside from all the benefits that abolishing the escalator and reducing duty would confer upon the wider brewing and pub industries (and, we believe, upon the Treasury's revenue stream), these actions would alleviate concerns about the marginal growth in the value of duty relief.

"As a brewery established in 1992, we have seen both sides of the coin. In the late 1990s I was working here on a very small salary, which was all the business could afford. The then owners were talking about closing down due to lack of profit and the impact of the larger brewers on our business. We worked on very basic equipment and scraped a living purely for the passion of brewing.

When duty relief was introduced it allowed us to significantly re-invest and our static weekly average of around 14-16 barrels started to grow. In 2002 we had 2 full-time staff, now we have 8 plus 2 part-time and our weekly average production is hitting 65 barrels. Even allowing for duty relief this is generating a far more lucrative monthly payment of excise duty compared with 2002.

My intention is to keep moving upwards and I am more than happy to pay more duty as our business increases because economies of scale will allow this. If we were to revert back to full duty our weekly volumes would be slashed, jobs would be cut and thus government revenue would be reduced.

I have firm plans to increase our business and move into new premises, which over time will allow us to produce considerably more beer. This is feasible under the current PBD system, but I am wary of going ahead before I know the outcome of any review."

Craig Lee
Rudgate Brewery, York

9. The SIBA Members' Charter is available to download at www.siba.co.uk/welcome-to-siba/members-charter/

Delivering the Goods

Brewing Business for Quality

There are potential quality problems in an industry expanding as fast as local brewing has been in recent years. The relative youth and possible inexperience of so many businesses, which has already been pointed out, brings with it an inherent risk of failure to adhere to best practice in several vital areas of operation.

Of overriding importance – of course – is the standard of the beer delivered to the retail trade and served up in the customer’s glass. But SIBA is more than satisfied that any product quality issues affecting its own members are addressed and minimised by the activities and services it offers as their trade association. Beer competitions¹⁰ that grow annually in participation, profile and prestige; a dedicated brewing technical helpline operated for SIBA by Campden BRI¹¹; and SIBA TS¹² – our wholly owned technical and cellar services company – are major components of a framework that nurtures the finest quality brewing and the finest quality beer. The very fact that consumer awareness and appreciation of craft beer are growing suggests that that battle is being won.

SIBA’s role also includes a commitment to foster the highest professional standards from its members, beyond the brewing of excellent beer. Once again our annual survey asked about standards of operational infrastructure.

Figure 8: Quality control performance

OPERATIONAL AREA	% GOOD	% IMPROVING	% COULD DO BETTER	% NEED SUPPORT
plant maintenance/investment	48	23	25	4
general good practice	52	28	15	5
documentation and records	50	25	19	6
internal staff training	28	21	45	6
external staff training	16	19	56	9
internal audit of quality systems	30	26	35	9
customer cellar support	30	20	38	12
dispense equipment support	33	19	33	15

Core daily operations appear to be in fairly good order, but some of the scores in the developmental areas require attention, both from within the business itself and in some cases from external support – the provision of which SIBA recognises it must do more to co-ordinate.

Approach to Market

Local brewers have embraced marketing strategies that are wholly in tune with the remodelled beer landscape for which they are responsible. The small-scale nature of most of their businesses and the proliferation of beers in geographically concentrated markets demand a fresh approach and a departure from the ‘power-brand’ campaigns of larger brewers seeking national profile and market dominance. Of course they have their own brands to build, but their ambition is geared more to success within a vibrant and diverse industry, with local focus and commitment to the celebration of choice, than to chauvinistic big-brand market muscle.

Their approach to marketing reflects both their passion and their innovation – and their imaginative use of limited budgets. They have been quick to embrace the most modern means of communication:

“... a bold decision to use Facebook as the primary news feed... realising exposure to more ‘traffic’ would be achieved... Now almost 600 fans.”
Loddon Brewery, Winner of SIBA Best e-business Business Award

- **57% of local brewers now use social networking (Facebook, Twitter, etc.) as a serious and very efficient marketing tool – not far off double the 32% reported in last year’s survey.**
- **Website and online communication is a priority area of marketing input, taking 15% of spend commitment.**

More traditional methods also concentrate on direct appeal to the drinking customer, through point-of-sale support (14.5%), beer festivals (12.7%), advertising (12.7%) and sales promotions (17.5%, divided equally between consumer and trade initiatives).

10. All beer competition details are at www.siba.co.uk/events

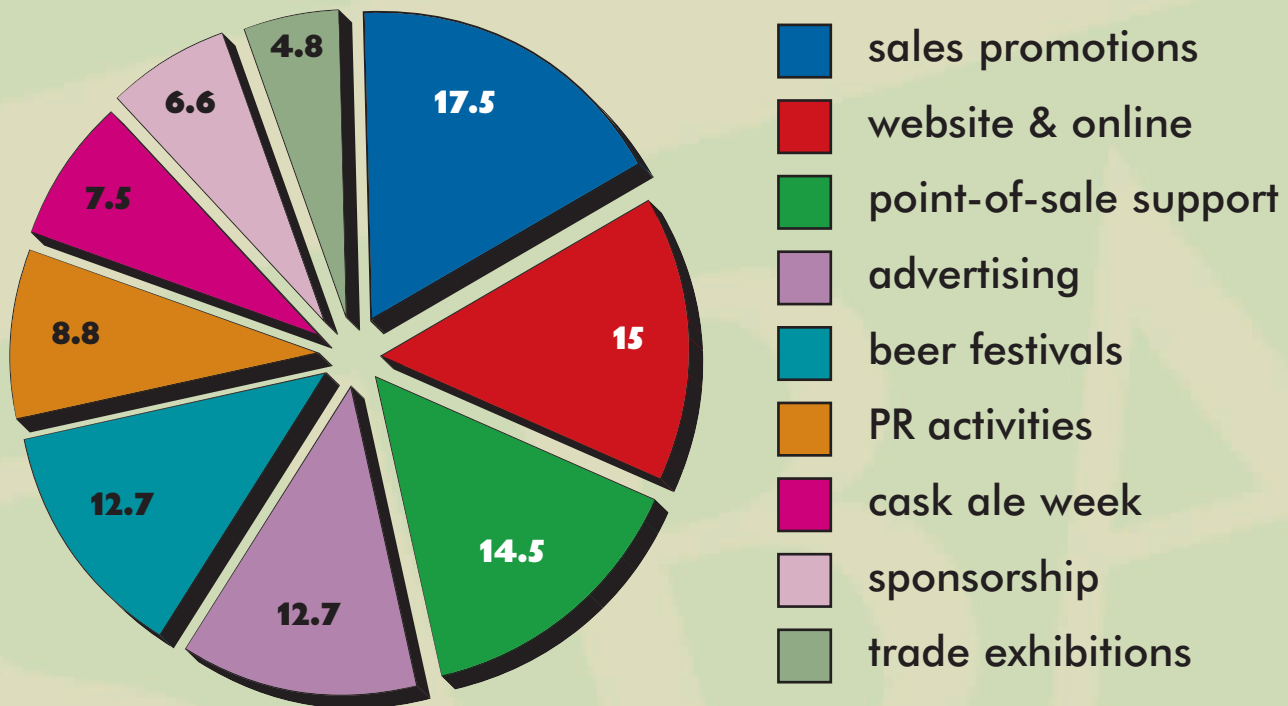
11. Campden BRI, based at Nutfield in Surrey, is the leading provider of scientific support and technical services to the brewing industry. For information, visit www.bri-advantage.com

12. www.siba.co.uk/ts

Delivering the Goods

Continued

Figure 9: Marketing spend priorities



SIBA's Business Awards, created specifically to recognise and reward non-brewing aspects of best business professionalism, are in the main made up of categories for areas of marketing initiative and excellence, including customer support, PR and promotion, sponsorship, and pumpclip and bottle label design. The most recent awards, presented in November 2010, attracted a record number of entries, which demonstrated the remarkable breadth and depth of local brewers' commitment to their businesses, their customers and their communities.

Participation in the Cyclops beer-classification scheme continues to grow.¹³ Its system of simplified flavour-profile assessment and communication has become an essential means by which many pub operators are able to educate their staff and navigate their customers around the diversity of local beer. The trademark uncomplicated presentation style demystifies the complex world of beer flavour and plays a significant role in engaging interest and introducing newcomers to the range of products on offer.

SIBA remains fully committed to the scheme and pays £150 of the £250 fee for its members to have five of their beers tasted and accredited.

- 45.6% of local brewers (up from 34.4% last year) reported that their beers are now 'Cyclops'-assessed.
- A further 19.4% plan to register with the scheme this year.

Development and consolidation of a market environment that is as favourable as possible for its members continues to be at the heart of SIBA's marketing and commercial operations. The restructuring that we reported last year has improved our own professionalism and sharpened our focus on a range of activities, projects and events. Foremost among these, of course, is the Direct Delivery Scheme (see below), but they also include SIBA TS and our National Beer Competition, Business Awards and Annual Conference, plus the Morning-Advertiser-sponsored SIBA Pub Retailing Conference and CAMRA's Great British Beer Festival. In addition, we are currently running a pilot scheme in SIBA's South-West region to revive and relaunch pub associate membership of the Society (see below).

STYLE	CLEAR ENGLISH WHEAT BEER				
SEE		VERY LIGHT, PALE STRAW			
SMELL		VIBRANT, CITRUS, ZESTY			
TASTE		CLEAN, CRISP, REFRESHING			
BITTER					
SWEET					

13. Details at www.cyclopsbeer.co.uk

Building the 'Local Beer' Brand

Getting Local Beers on the Bar

This has always been and remains SIBA's founding mission...

To campaign on behalf of independent brewers to ensure that they have the best possible opportunity to bring their goods to market

With 85% of their production packaged for draught sales, local brewers are still overwhelmingly committed to the pub trade. 24% of survey respondents currently brew no beer at all for bottling; their entire production (excluding a small amount of brewery-gate draught sales to private customers) is geared for delivery to on-trade retail outlets.

However, the great majority of new breweries enter the commercial world without ready access to a significant number of pubs. Historically, the 'pre-micro' industry has had its fortunes vested in the tied house system, which secured a market for the product portfolios of the owning companies, but also made them attractive prey for takeover by larger predators – a cannibalistic process that reached its zenith in the headlong rationalisation of the 1960s (and possibly has not yet finished).

The huge estates thus accumulated by the biggest brewers were dismantled following the Beer Orders in 1989 but, as ownership passed to non-brewing 'pubcos' tie deals persisted: huge contracts were negotiated and tied tenants and leaseholders were still obliged to purchase through prescribed supply channels. Individual small brewers, unable to meet the volume requirements of such macro-market agreements, had to try to build their businesses with this large sector of the marketplace foreclosed to them.

Controlling their own pubs has been a key strategy for some of the brewers who are new to the industry since the 1970s. This, however, has proved more the exception than the rule.

- **65% of brewers questioned have no pub of their own.**
- **Acquiring pubs is a very gradual process for local brewers: recent surveys have returned a slight percentage rise year-on-year of those with their own retail outlets (28 - 32 - 33 - 35).**
- **16% control just one pub – in some cases these are brewpub businesses.**
- **On average, pub acquisition is identified as among the least important of plans for investment of PBD savings. Only 7% of brewers asked listed it among their highest priorities; 65% ranked it of no importance at all.**

Therefore, market access continues to be predominantly via 'foreign' accounts. Pubs that are genuinely free-of-tie are the prime target, either delivered to direct or via independent wholesalers (many of whom have built successful businesses founded on specialist supply of real ales). A network of reciprocal trading at industry-agreed abv-pricing formulas has also developed considerable throughput opportunities for its participants.

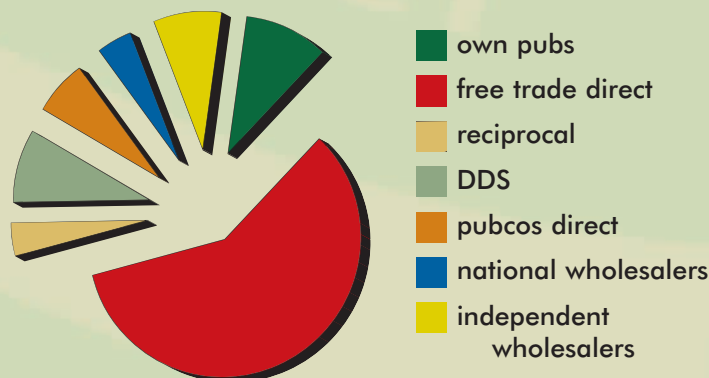
In recent years relaxation of the tie has allowed local beers on to the 'guest beer' programmes of larger brewers' pub estates, and successful expansion has enabled some micro and local brewers to fulfil large-scale contracts through the distribution hubs of major pubcos.

Survey responses give an indication of the progressive development of both free and 'foreign-tied' routes to market.

- **Brewers completing the questionnaire reported the growth of their genuine free trade accounts by 17.9%.**
- **Supply access to pubco and brewery tied pubs was reported up by 29.8%. This appears to reflect the industry trend towards further loosening of tie restrictions.**

In many cases local brewers have 'graduated' to secure centralised contracts with pubcos as a result of successful trading and the growth of local beer brands through SIBA's Direct Delivery Scheme.

(NB: Figure 10 opposite does not show comparative total volumes by trading channel: it is based on percentage routes to market of breweries that have vastly different production levels. The sizeable 'wedge' of deliveries to 'own pubs' reflects some brewpub operations that returned 100% scores for tiny amounts of beer served in their host outlet. In addition, there were replies received from brewers whose business is centred on traditional tied estates.)



**Figure 10:
On-trade routes to market**

Building the 'Local Beer' Brand

Continued

SIBA DDS

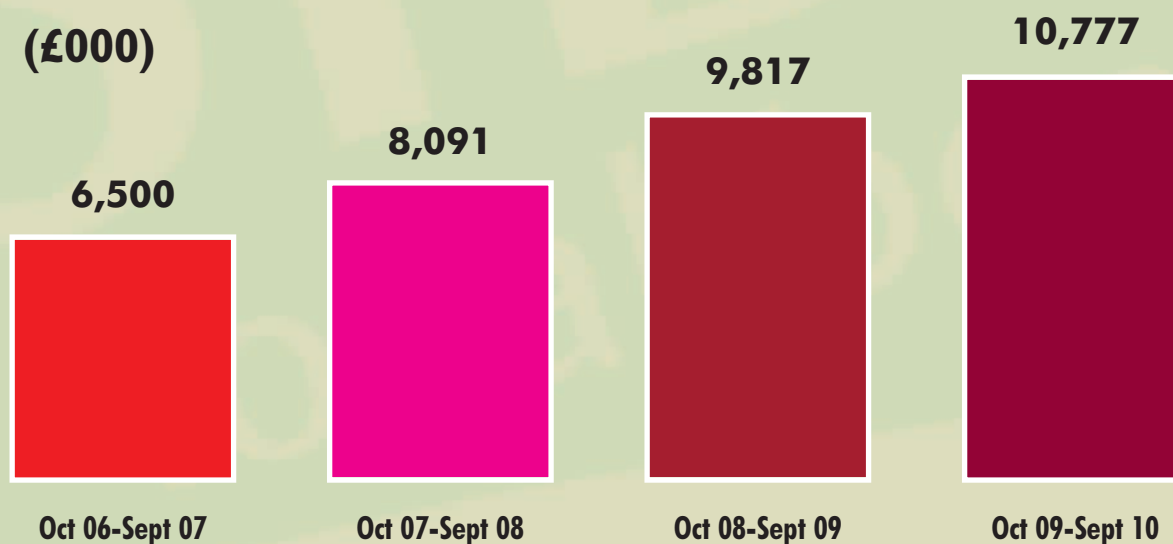
Frustrated by tied-pub market foreclosure, SIBA developed its Access to Market project at the end of the 1990s, to explore every avenue that might assist and grow its members' sales. Through this it became apparent that the major barrier to the development of trade was the difference in operating scale that left micro craft-brewing businesses unable to deal with the sophisticated and computerised order-processing systems of macro retailing groups. The solution was the Direct Delivery Scheme. DDS was introduced in 2002, as a sales agency to facilitate trade between multiple retailers (in both the on and off trades) and local suppliers. There was little confidence at the time that it could possibly succeed.

SIBA DDS receives orders at its office – via EDI (Electronic Data Interchange), email or telephone – either collated and submitted by pub-owning customer companies or direct from individual outlets, and distributes them immediately via a secure intranet facility to member brewers all over the country. Brewers access their orders and deliver the required products direct to each outlet. Invoices are consolidated centrally by DDS, so retailer HQs deal with a single contact point for transactions with a multitude of brewers.

This simple solution to a market access problem has grown into a business that, in its latest financial year, attained sales turnover in excess of £10 million. Its achievement was recognised in 2007 when it won the title of Best National Retail Initiative in BBC Radio 4's Food and Farming Awards.

- 81.5% of survey respondents are members of SIBA DDS; a further 2.5% plan to join during the coming year.
- Sales through DDS in the last financial year (Oct '09–Sept '10) reached almost £10.8 million, an increase of 9.8% on the previous year.
- On-trade volume rose by 12.6% to 35,623 brewers' barrels (58,300hl approx.). (Growth 2008–2009 was 11.9%.)
- During the last financial year a total of 2,127 pubs ordered through DDS – 13.8% up on 2009. (In the previous year the increase in pub numbers was 7.8%.)
- DDS deliveries are local; last year 94% were within 40 miles of the brewery.

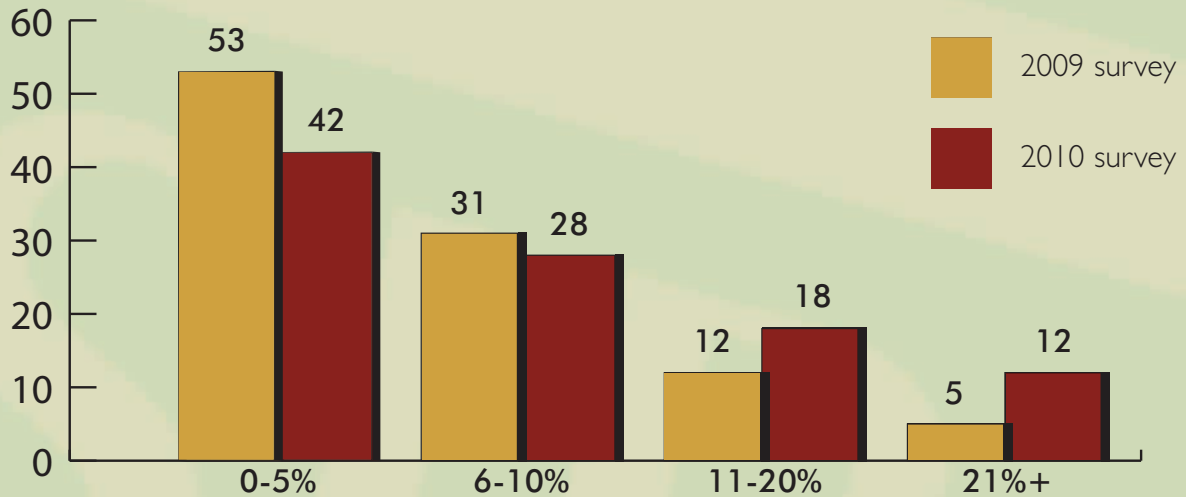
Figure 11: Annual DDS sales, last four years (Oct-Sept)



Most participating pubs have built firm trading relationships with DDS brewers. 59% place regular orders with just one or two brewers, which helps to establish customer loyalty to local brands. 61% of pubs have ordered through DDS in each of the last four quarters, and 53% took more beer in the last quarter than in the one before. Throughput has held steady over the last two years at around 67 firkins (67 x 9 gals) per pub. Maintaining this level is particularly impressive given the number of new outlets that have joined the scheme – which must include pubs taking on local beers for the first time as a means to grow their business.

After some indication last year of a level of caution among DDS member brewers – as shown by the percentage of their total trading that was going through the scheme – the latest survey appears to show a return of confidence. This year the financial stability of some of the pubcos is less in the spotlight (although there are no grounds to assume it has gone away) and the stats reflect a degree of increasing reliance on the DDS route to market.

Figure 12: Local brewers' DDS sales as a percentage of total sales



Nevertheless it should be borne in mind that the Direct Delivery Scheme was devised specifically to work within tied markets. These are now evolving towards less rigid models, and SIBA's commercial operations directors are already investigating ways – including in close liaison with the major pubcos – in which their Access to Market project can respond to changing market circumstances and develop new trading opportunities for members.

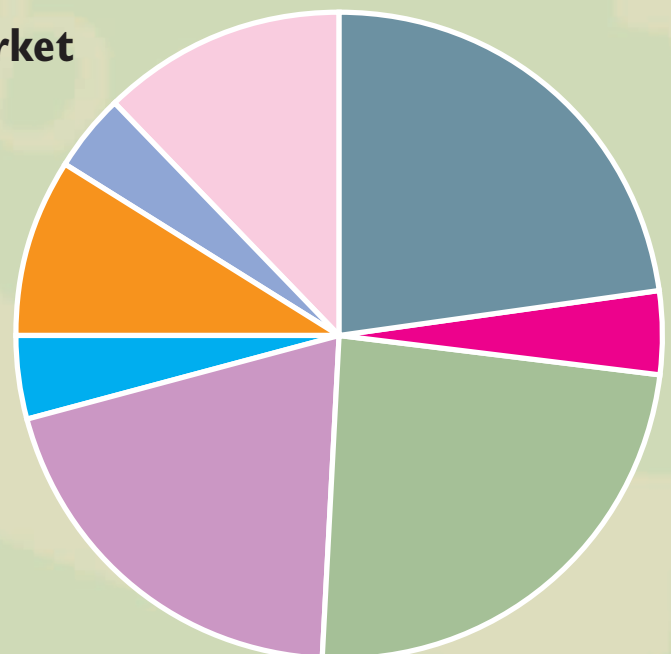
The Off Trade

Bottled beers account for about 15% of local beer production. 76% of survey respondents make some bottled beer and a further 13% plan to do so in the coming year. Consumer demand for premium beers to drink at home has never been higher and local brewers are keen to make their presence felt in this booming market.

Off-trade sales through DDS have reduced significantly since the collapse of one major multiple retailer in 2009 and the cessation of a trading agreement with another during 2010. Non-pub trade now accounts for less than 2% of total DDS sales, although the business development team is constantly working to establish supply agreements with potential new customers.

Figure 13: Off-trade routes to market

- supermarkets
- multiples
- independents
- direct (shop, website)
- farmers' markets
- farm shops
- delicatessens
- other



Building the 'Local Beer' Brand

Continued

There are many other routes to market for local brewers to exploit and, because the average share of sales that are direct – i.e. from the brewery shop and/or website – has fallen a little (from 22% to 20%), the growing interest in the category may be reflected in the increased share of throughput via third-party outlets. Certainly independent off-licences – now taking a 24% leading share of sales (19% last year) – and supermarkets (up from 21% to 23%) are seeing a commercial opportunity to add 'local' to their portfolios. Other much smaller channels, including farm shops, farmers' markets, delicatessens and speciality retail such as National Trust shops and gift hampers, have returned very similar results to last year.

Off the Shelf

Graham Page assesses the prospects for local beer in the off trade

500ml bottled beers – 'Premium Bottled Ales' – are the only ale sector in growth in the off trade, achieving a 3-7% compound annual increase in sales since 2000, and an impressive 6% for 2009 against 2008. The trend has continued, albeit at a slightly lower rate, into 2010.

These beers – many of them bottled cousins of well known cask brands – appear to have hit on the resurgence of the cask category overall. Crucially, however, there are several factors working in favour of their further growth:

- the impressive choice and variety on display matches the appeal of the wine aisles
- premium prices generate good returns for retailers and brewers
- new, non-returnable bottles enhance presentation, complemented by great labelling and product information (again comparing well with wines)
- PBAs are proving to be a popular and excellent accompaniment to food
- they are handy to purchase individually – not cumbersome and weighty like multipacks – and therefore especially convenient for female shoppers
- they give an 'ethical edge' to those supermarkets that ensure some ales are locally sourced
- bottles are generally regarded by the industry and consumers as preferable to cans
- bottled ale growth feeds interest in the resurgence of on-trade cask ales – and vice versa!

I should point out that the growth of both markets – cask in the on trade and bottles in the off – is skewed quite markedly towards the more prosperous South and South-East, though volume share is ahead of value share, with the main supermarkets driving the growth at lower retail prices than other outlets. Premium brands are certainly doing better than standard beers: PBAs outperformed the off-trade beer market in 2009.

There is therefore justification for SIBA's confident outlook for the future of local beer – on draught and in bottle. I should however add just one note of caution...

The fortunes of local beer are very much tied in with PBD – any negative changes to duty relief and prospects could be drastically altered.

In some respects, bottled beer is particularly able to provide opportunities for adventure, imagination and experimentation. Immune from cask beer's pitfalls of short shelf-life and perishability, and its consequent need for rapid turnover, small-volume packaging is appropriate for beers that are not designed for broad appeal and 'quaffing' consumption. Whilst this might lead to accusations of 'geekery' or publicity-seeking attempts to break strength world records, a serious 'super premium' bottled category is starting to make its own contribution to the enrichment of the beer world.

These are likely to be strong, but alcohol is only one constituent of their composition and, competing with wine (as they increasingly do), they are mostly of comparatively modest strength. As 'sipping' beers, they are designed to be savoured and are priced accordingly for connoisseur appreciation. Such styles find favour abroad, especially in the USA and Italy – and less surprisingly in the longer-established and eccentrically eclectic Belgian market.

SIBA is in advanced discussions with those among its members who are keen to develop this market, with a view to creating a limited edition series of 'Extraordinary Ales'.

The Local Message

Sustainable Credentials

Absolutely central to the local brewing industry and its sense of place and currency today is the extent to which it is in harmony with so much of the ethos that informs and drives the direction of twenty-first century British society. There is little doubt that consumers identify with local brewers' environmental and community commitment, or that this synergy is playing its part in the rising sales of local beer. Wholesome ingredients – frequently local, sometimes organic – allied to artisanal methods and green technology, in people-oriented businesses within communities and their local economies, to manufacture a product of genuine provenance delivered over reduced food miles, together create an ethical chain that strikes a chord with a growing number of modern consumers.

- More than 4 out of 5 local brewers take positive steps to reduce their utilities usage.
- Taken together, all mainstream areas of environmentally responsible business attract the positive commitment of approximately two-thirds of local brewers.

For a second year, SIBA's Business Awards included a category for Best Green Business, and 2010's entry so impressed the judges that it went on to clinch the Overall Champion prize. The Best Business Innovation category was also won for investment in a visionary environmental project.

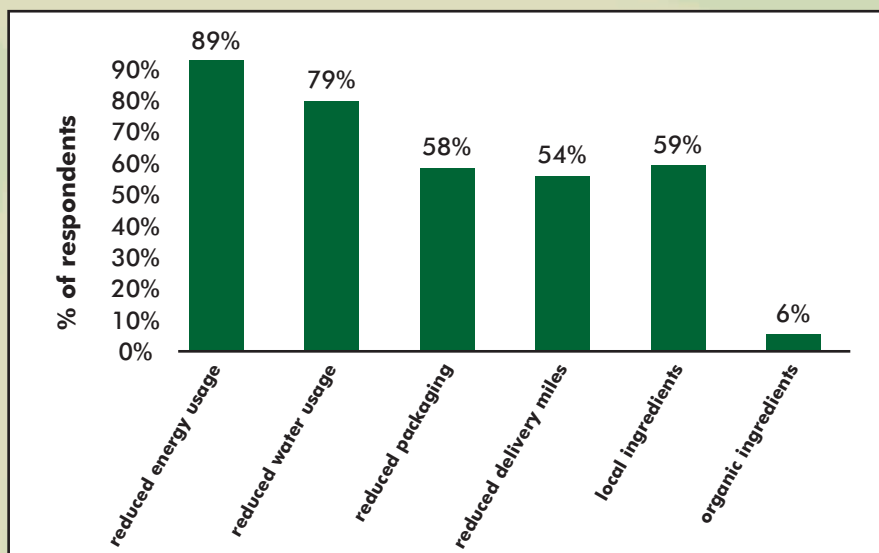
"For as comprehensive a sustainability package as could possibly be imagined, let alone effectively implemented. With a vision to become the country's leading sustainable brewery, sustainable technologies have been embraced and environmental assets harnessed. The vision includes ground source heat pump system, wind turbine, light-weight packaging, locally sourced ingredients and community 'ownership' of the philosophy. Annual carbon emissions have reduced by 17.4 tonnes."

Business Awards Judges' comments on the Green Business and Overall Champion awards to Hobsons Brewery, Shropshire

"For the UK's first underground 'eco cellar': a modern state-of-the-art design that is already saving over 6 tonnes of CO emissions a year – equivalent to 8 chillers and compressors which would otherwise be running 24/7/365. Saving over £27k in electricity costs – this will soon help to 'zero-rate' the cellar."

Judges' praise for the Business Innovation award to Otter Brewery, Devon

Figure 14: Commitment to environmental initiatives



At the Heart of Community

Since it entered the statute-book in October 2007, the process of meaningful implementation of the Sustainable Communities Act has been somewhat drawn out – slowed by both the economic climate and bureaucratic inertia. However, thanks to the determined efforts of supportive MPs and the Act's steering committee – of which SIBA is a part – 199 shortlisted proposals for practical community empowerment and local revival have now been agreed. These support a range of initiatives that give hope for real change, and include discretionary rate relief to sustain local businesses; a smoothed procedure for the introduction of renewable energy schemes; and a community right of purchase to allow takeover of local assets.

Further progress looks promising in the light of decisions to extend eligibility and remove deadlines for submitting proposals, which set the scene for a rolling programme of ongoing action.¹⁴

14. Full details on the implementation and promotion of the Sustainable Communities Act can be found at www.localworks.org

The Local Message

Continued

The Co-operative Bank's annual Ethical Consumerism Report confirms the strength and continued growth of 'principled purchasing' trends.¹⁵ The overall market for ethical food and drink over the last two years saw expenditure reach £6.5 billion, an increase of 27%. Campaigns such as Freedom Food and Fairtrade tend to grab the headlines, with sales up fourfold and by 64% respectively. Purchasing to support local shops and suppliers – reported up by 5% – is less high profile, but probably because it is far more integral to community culture and everyday habits.

SIBA's support for the pub industry continues to be central to its activities – obviously for the commercial reasons outlined earlier in this report – but equally for political, social and cultural aspects of the local brewing ethos. Most local beer is still sold in local pubs, in a manner that is unique (or as near as) to this country. The pub is a British icon.

Pub associate membership of SIBA has long existed but is in need of a shot in the arm. As already noted, a drive for new members is being tested in one of our regions. The 'SIBA Locals' scheme seeks to engage with on-trade champions of local beer. It embodies all the core philosophy (and facts) that underpin the local pub's critical role in our commercial success, in community and social welfare, and in fostering a responsible drinking culture.

Beer and pubs together are at the heart of the community – indeed at the heart of any definition of a 'Big Society'. But they are undermined by the continuance of the duty escalator, which will further widen the price differential between on and off trades.

- **SIBA urges that serious consideration be given to the introduction of a lower rate of VAT for sales in the hospitality industry.**

Pubs have been poorly supported by recent practical politics, in spite of the appointment of government ministers with special responsibility for their well-being. Much has been said that appears to agree with the view that well run pubs are essential to cohesion and culture within our society, but positive action to reverse their decline is still awaited.

A Time for Local Beer

This year's SIBA Conference is taking the bold statement 'It's Time For Beer!' as its theme. We have a local industry in growth offering a wealth of choice to a widening cross-section of appreciative consumers. This remarkable level of success has even attracted academic comment, and has led to the local brewing industry (and local beer drinkers) being held up as role models for economic recovery.¹⁶

However, none of this should ignore the part played by Progressive Beer Duty. Since 2002, the number of SIBA brewers has doubled, the volume of beer brewed by SIBA brewers has doubled, and the number of people employed in the local brewing industry has doubled.

"The fall and rise of the local brew offers us a perfect example of 'small is beautiful'...a demand for diversity can lead to greater geographic dispersion – which is the excellent position brewing finds itself in now...CAMRA and the microbreweries should serve as an economic inspiration..."

Professor Peter Swann

Nottingham University Business School

- **These levels of growth could not have been achieved without duty relief at the rate at which it has been applied, and SIBA, local brewers and beer drinkers, support industries, local communities – and their political representatives – must call for its retention.**
- **We would give careful consideration to any proposed restructuring of PBD, but any reduction in benefit might not only halt growth, it could reverse the fortunes of an industry that is proud to be an example of British entrepreneurial excellence in partnership with judicious government support.**
- **We ask that similar fiscal prudence be applied to wider duty policies – first and foremost the escalator already mentioned.**
- **We must repeat our proposals for some logic to be applied to comparative excise structures for beer and cider.**
- **And we denounce calls by the spirits industry for equalisation of rates into a unitary system, for drinks that are totally dissimilar in strength, production and transportation costs, and potential health and social effects.**

It is said that beer doesn't travel; but local beer has come far, continues steadfastly on its way, and hopefully still has a journey of many years to look forward to!

15. Available to download at www.goodwithmoney.co.uk

16. 'The Fall and Rise of the Local Brew', by Peter Swann, Professor of Industrial Economics at Nottingham University Business School, available to download at <http://www2.druid.dk/conferences/viewpaper.php?id=501078&cf=43>