Local Beer Report 2013

Published by SIBA,
the Society of Independent Brewers

Celebrating Successful Enterprise

Within a couple of weeks of the publication of this, the eleventh annual report into British independent local brewing, the Society of Independent Brewers will be hosting its inaugural BeerX – a unique and pioneering concept event combining national beer competition finals and awards, trade association AGM, commercial and brewing seminars, business and design awards, annual conference, and a groundbreaking Festival of Beer, which every SIBA brewing member has been invited to supply. The strapline for BeerX is 'A Celebration of British Beer' and the remit of this year's Local Beer Report is to capture that mood.

Not that there needs to anything forced or falsified about celebrating the achievements of our industry. If you have actually picked up this report for the first time at BeerX itself, you will have already realised this from all that is going on around you. And, as you read on, the evidence is on every page, taken from all SIBA brewers' production figures – submitted each year for subscription calculation purposes – plus the results of our annual Industry Survey, conducted in November 2011 and completed yet again by approximately half our membership, to give robust and authoritative foundations to our review.

'...British manufacturing at its very best...'

Of course we have political messages to deliver, and the past year has seen an intensification of lobbying activity across the wide spectrum that encompasses British brewing and campaigning consumers, in which SIBA and its membership have been proud to play their part. In contrast to the buoyant optimism generated by so many commercial success stories and a sector of a manufacturing industry that is still in growth, there remain doubts, fears and challenges resulting from national and global economic crises, and uncertainty about the conflicting direction of current fiscal policies, which have cast a "Jekyll and Hyde" shadow over British beer and pubs.

But the Local Beer Report is first and foremost a statement of pride in the economic and commercial infrastructure that British brewers have created and continue to build on and invest in for a sustainable future. It is about innovation, imagination, choice, quality and value, and the way an indigenous industry has revived, revamped and reinvented itself without losing sight of its deep roots in our national traditions, heritage and culture. It is about how we represent British manufacturing at its very best.

Integral to BeerX and the Local Beer Report is an invitation to British consumers, commentators, power-brokers and politicians to share in our celebration of success. Our core base of brewing and supply-chain commercial stakeholders can justifiably be extended, not just to beer-loving champions but to the wider population including, perhaps most importantly, the fiscal policy decision-makers who have already played and must continue to play a pivotal role in nurturing our place at the economic, social and cultural heart of both local and national communities.

Julian Grocock
SIBA chief executive and Local Beer Report author

Society of Independent Brewers

All The Headlines...

The Voice of Brewing

Society of Independent Brewers — March 2013

Proud of British beer!

- **100 new SIBA brewers**
  January 2013: 651 members in production
- **30 million more pints confirmed**
  2010/2011: SIBA members record 9% volume increase
- **2012: SIBA production up again**
  6.8% like-for-like growth predicted in SIBA survey
- **An all-year "festival of beer"**
  3,200 permanent + 5,000 seasonal cask brands from SIBA brewers
- **Brewers unite to be a market force**
  Commercial projects continue to open up trading routes
- **Local beer builds local jobs...**
  Survey indicates SIBA brewers now employ almost 5,000
- **...and boosts local economies**
  Major capital investment by 65% of brewers for second year running
- **It's business with ethics, say brewers**
  Beer founded on sustainability, community and social responsibility
- **Building the future**
  SIBA urges everyone to "claim a stake" and be part of the local brewing success story

Read all about it!...

SIBA Survey 2012/13

SIBA's annual survey of its brewing members provides the fuel for this report. Brewery facts – history, operation, production, portfolio and performance – combine with statements of purpose, assessment of prospects within current market and political landscapes, and evaluation of how well an industry of so many constituent parts is working together under the SIBA banner (and in cooperation with other bodies and institutions within the broader beer and pub sector), to capture a comprehensive and up-to-the-minute picture of local brewing.

And it is by no means the same picture year after year. There are trends, to be sure, most of which reinforce the confidence that continues to drive investment and growth; but it is the trends themselves that ensure the snapshot is soon out of date, and thus necessitate this regular update.

This year's survey gathered 315 submissions. With a full brewing membership topping the 620 mark when the questionnaire was launched, this reflects a response rate over 50% for the third consecutive year, which is a sufficiently robust sample to give credibility and authority to the data collected and to this subsequent report.

SIBA survey participants

LEVEL 1	up to 999 HL	47%
LEVEL 2	1,000 - 4,999 HL	36%
LEVEL 3	5,000 - 29,999 HL	14%
LEVEL 4	30,000 - 59,999 HL	1%
LEVEL 5	60,000 - 200,000 HL	2%

All SIBA full brewing members are eligible to complete the survey, from the tiniest micro to the largest regional[1]. Membership is divided into levels as shown above, with survey participants shown as a percentage of total responses.

Comparisons can be made between survey respondents and SIBA's current full brewing membership *(see page 7)*. The smallest brewers, who now constitute almost 57% of the full membership, are a little under-represented in the survey, wheras Level 5 has managed a 100% response.

But Level 1 includes a fair few one- or two-man-bands and virtually all of the latest start-up operations, for whom neither spare time nor spare labour will be in ready supply, and for whom therefore completing a questionnaire might have to take low priority. SIBA is immensely grateful to those who were able to submit a response, and is further delighted to note the proactive involvement of our larger brewing members.

"Dedicated above all else to the practical and manual task of making something, local breweries start out as fairly straightforward manufacturing units: beer is brewed, packaged and sold, and hopefully a profit is generated. Which is not to say there is a dearth of business acumen and marketing skill in the local brewing industry. Indeed, the opposite is true, as this report will show. From its rise and expansion, and the diversity, innovation and distinction it has brought to its core product, to the sustainable foundations it has laid in local communities and their economies – and not forgetting the way it has united to win fiscal support for ongoing investment and to forge new routes to market – this is an industry of achievement and success, and I am one among thousands who are immensely proud to be in it."

Keith Bott, Chairman of SIBA

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

Brewing Reborn

40 years ago...

"By the early part of the twentieth century... [there were] ...6,000 brewers..."

"The 1961-2 Brewery Manual listed just over 180 independent brewers..."

"...by 1967 less than 120 independently operating brewers were listed."

"...by mid-1972 the brewing industry in Britain and the Channel Islands consisted of 7 national brewers, 88 independent brewers and 5 home brewers..."

"Predictions have been made that another ten years or so could see the eclipse of the regional independent brewer and the supply of all beer vested in the hands of a few large combines."

Frank Baillie: The Beer Drinker's Companion

Some facts and figures are worth repeating. When the historic brewing industry entered the 1970s as a rationalised and cannibalised shadow of its former self, CAMRA – the Campaign for Real Ale – was founded by dismayed consumers determined to make a stand against the seemingly unstoppable tide of takeovers, mergers and closures that were creating a supposedly fitter business model for an altogether super-efficient future that looked doomed to be dominated by big brand "commodity" keg beers.

The grim trends presented by Frank Baillie in The Beer Drinker's Companion (1973) went a long way towards justifying his vision of a future almost devoid of choice. (see panel)

By the time he had added a couple of update appendices for the 1974 reprint more takeovers and closures had already taken place. Furthermore, a look at the ensuing fortunes of the 88 regional brewers catalogued appears to bear out the potential likelihood of the bleak scenario he portrayed; in 2013 just 35 of them survive under independent control – though several have undergone significant changes of ownership and direction – and five others remain in production but now as subsidiary companies.

However, for 40% to have kept going for another 40 years is actually probably more than Frank Baillie could have hoped for, because without the seismic shift of subsequent brewing history there is little doubt that even fewer would have felt encouraged to continue. The only clue in *The Beer Drinker's Companion* that things might change was the one-page entry for Selby Brewery in Yorkshire, which had recommenced production in December 1972, after eighteen years out of brewing as a bottler and drinks distributor. Mr Baillie can surely be forgiven for failing to predict an explosion of microbrewers on the strength of such a modest and inauspicious start.

CAMRA's *Good Beer Guide*, published each year since 1974, has taken up and charted the remarkable story, right up to the latest edition. In 1975, the second professionally produced GBG adopted a presentational format of which much is still recognisable today. But it had just six pages of brewery listings within a publication totalling 176 pages. In 2013, the Breweries Section alone runs to 211 pages and lists more than 1,000 breweries.

It has been noted in previous SIBA reports that the rise of micro and local brewing has not been a smooth and trouble-free upward curve. The Small Independent Brewers Association[2] was founded in 1980 by twenty of the fifty or so pioneers then in existence, and by the dawn of the new Millennium there were about 400 independent breweries (including homebrew pubs).[3] Sounds impressive, but these figures don't tell the story of the 650 companies that have opened since 1970 but are now closed.[4]

And yet what they do show is the growth of a phenomenal appetite for getting into an industry rejuvenated by a passion for offering quality, choice, variety and genuine local provenance, generated by the success of CAMRA's consumer revolt, and by brewers – both disillusioned (and often redundant) professionals and enthusiastic amateurs – who just knew that British brewing could do better.

*There was some good news in **The Beer Drinker's Companion** of 1973 with a one-page entry for Selby Brewery in Yorkshire (pictured left), which had recommenced production in December 1972, after eighteen years out of brewing. Martin Sykes (pictured below) was at the helm.*

2 The name was changed in the mid-1990s to the Society of Independent Brewers, but the original acronym was retained. 3 Good Beer Guide 2000, published by CAMRA.
4 Listed on www.breweries.org.uk.

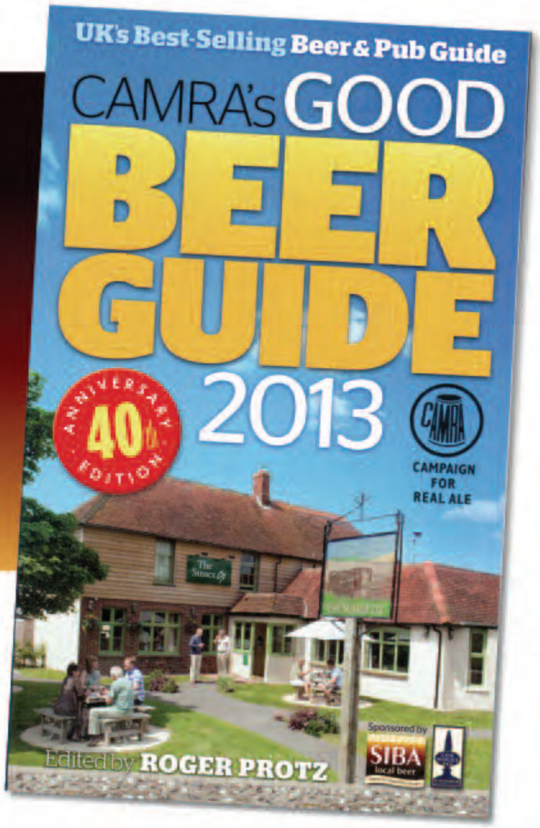
Then and now...

"Eighty-seven companies own 150 breweries in Britain and the Isle of Man..."

CAMRA Good Beer Guide 1975

"Today, the Breweries section is a book in its own right with more than 200 pages detailing an astonishing 1,025 breweries."

CAMRA GBG 2013



SIBA's longest campaign, almost from its inception, was for a duty system that recognised the extra costs of small-scale production.

The very process of rationalisation through the fifties and sixties had been an exercise in accountant-driven cost-efficiency; now, turning back that tide meant a rejection of economies of scale and an acceptance that microbrewing is, as recently described by American craft brewers, *labor intensive and 'proudly' inefficient*.[5]

It took twenty years to persuade government of the validity of this argument but, in accordance with EU excise directives that allowed for reduced duty rates, Small Breweries' Relief (also known as Progressive Beer Duty) was finally introduced in June 2002, and extended to its current format following review two years later.

For all the consumer enthusiasm, brewing expertise, business acumen and sheer dogged determination, all of which have undoubtedly played an enormous part in reshaping the British brewing landscape, the crucial role of government through the introduction of SBR cannot be underestimated.

SIBA

2002...235

2006...373

2010...463

2012...550

2013...651

Members

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5. www.californiacraftbeer.com, 2011.

Vital government support: Small Breweries' Relief...

"...recognising the particularly challenging conditions in which our small breweries operate and the difficulties they face in bringing their goods to market..."

John Healey, Economic Secretary to the Treasury, July 2003

Current SBR structure:

- **50% excise duty relief for brewers producing up to 5,000hl per annum**
- **Relief effectively capped at 5,000hl sum for brewers producing 5,000-30,000hl pa**
- **Relief tapered to zero for brewers producing 30,000-60,000hl pa**
- **No relief currently granted for brewers producing 60,000-200,000hl pa**

Just how important is SBR? Without it...

- **MY BUSINESS WOULD STRUGGLE say 85% of survey respondents**
- **And over half of these believe their BUSINESS WOULD FAIL**

Small Breweries' Relief =

GOVERNMENT INVESTMENT IN BRITISH BREWING

"We are absolutely delighted that our 21 year campaign for a lower rate of duty for small brewers has at last been successful. We thank the government for its recognition of the role small breweries play as a vital and innovative part of the brewing industry and in the life of beer consumers, pubs and communities. This measure will enable small brewers to survive, grow and enhance this role."

Carola Brown, SIBA President, 2002, on the introduction of Small Breweries' Relief

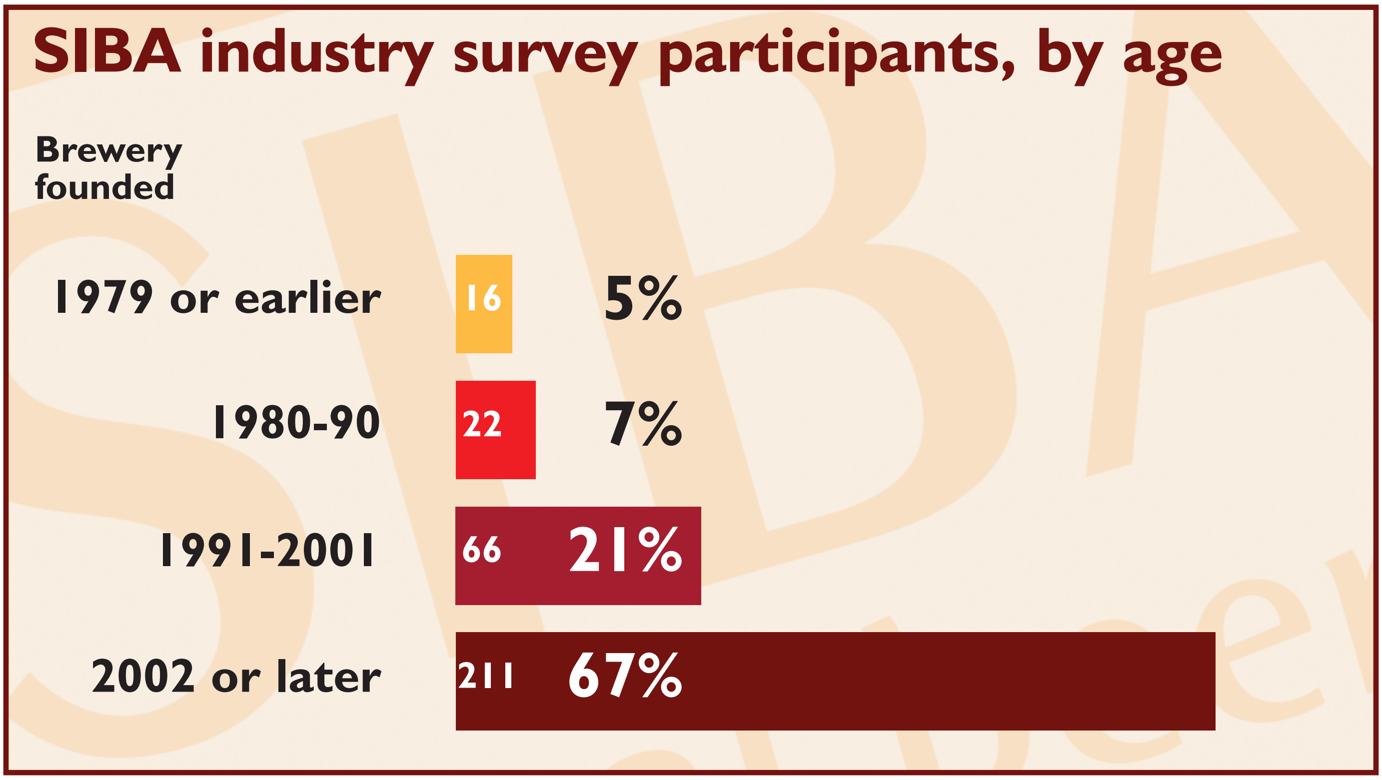
Eden Brewery of Cumbria joined SIBA in 2012

The first table on page 7 shows the age of the breweries that took part in SIBA's survey.

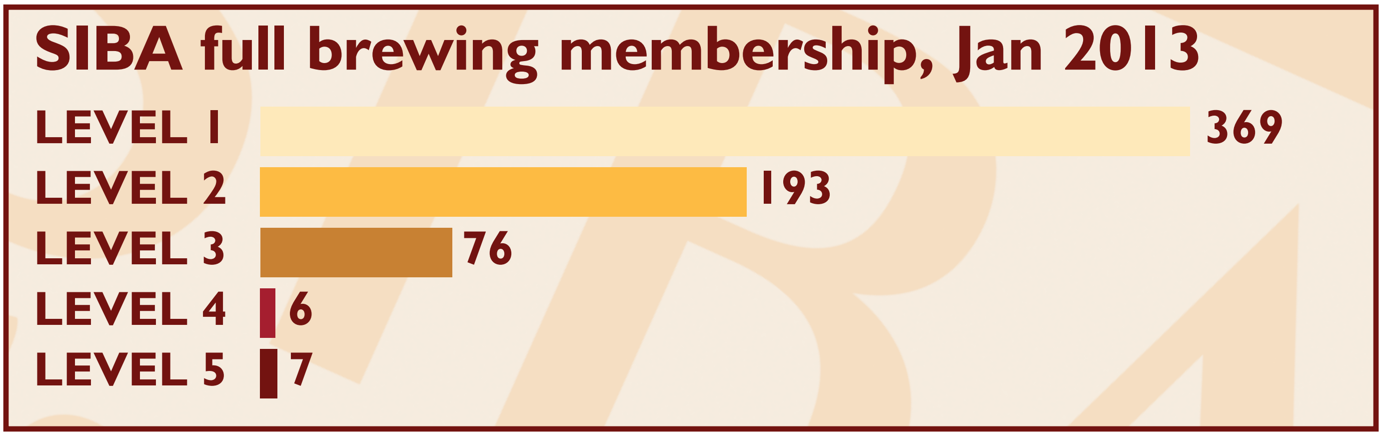
- **Only 5% pre-date the founding of SIBA**
- **A remarkable TWO-THIRDS have entered the industry since the introduction of SBR**

The surge in brewery numbers since 2002 is testament to the power of this targeted government action to support the small brewing sector. Recent times have been hard and inevitably some companies still fail, but the survival rate is now high enough to generate confidence and encourage more new breweries into the market. As the latest full brewing membership chart indicates, SIBA has gained thirty new recruits this year – actually up and running and in production – since the launch of the survey just a couple of months earlier.

This upbeat picture doesn't win universal acclaim; in spite of their overwhelming support for Small Breweries' Relief, even a majority of the brewers who completed the survey (53%) ticked the box to agree with the suggestion that duty relief has encouraged the growth of too many breweries. Competition is increasingly fierce, and the temptation to lock the door behind you once you've joined the party is perhaps understandable – though not one that this trade association endorses.



Furthermore, although very few voices are heard these days calling for the abolition of SBR, forceful arguments have been put for its radical overhaul. Nineteen brewers (9% of those responding) agree that their business would benefit without it; 25% think extension to the permitted qualifying threshold of 200,000hl pa would be good for them; 44% favour some adjustment of the current threshold structure within the scheme; and almost half (48%) declare it possible that they could support some revision.



Given the continuing influx of new brewers into the lowest echelons of the industry, it is no surprise to see such a burgeoning of SIBA's Level 1 membership. Latest records show there are now 369 Level 1 brewers actually brewing beer, whereas only 257 submitted Beer Production Accounts for 2011. A year ago it was reported that 82% of full brewing members were in Levels 1 and 2 and therefore qualifying under SBR thresholds for the 50% rate of duty; that figure is now over 86%. At the very latest count SIBA also has 54 "not yet brewing" members.

This urge to brew is an urge to be local. It may be a pub, creating the most local point of difference in its portfolio; it may be a standalone business, seeking to build a local reputation by supplying within a manageable radius; it may nurture dreams of growing that reputation beyond tight boundaries while letting no-one doubt its local roots. What it most definitely is is a reflection of a spirit of enterprise that is now a memory for much of British manufacturing but lives on in our very own local beer.

Local Beer Volumes

Total hectolitres brewed by SIBA members in 2011

2,234,489

(1,365,330 UK brewer's barrels)
(393,000,000 pints...approx!)

Beer Production Account Data:

	2011 (hl)	2010 (hl)	2009 (hl)	2008 (hl)
LEVEL 1	114,926	96,174	91,140	85,008
LEVEL 2	447,752	421,638	379,577	367,809
LEVEL 3	773,106	673,268	598,928	590,096
LEVEL 4	221,596	206,617	142,237	82,246
LEVEL 5	677,105	487,356	509,409	528,171
	2,234,489	1,885,053	1,721,291	1,653,330

- **Total SIBA members' beer up 19%, 2010-11**
  - ➢ 2011 totals are for all production accounts submitted, including from three sizeable and long established recent recruits
  - ➢ Without these substantial additional volumes...

- **SIBA beer for 2011 up 9%...**

...30 million pints more than in 2010

- ➢ For members brewing through both years...

- **6.3% like-for-like growth, 2010-11**

All full brewing members of SIBA are required to disclose their total annual beer production for the calculation of their membership subs for the following year. For those in receipt of SBR (all but Level 5) the keeping of a Beer Production Account is a statutory requirement. In addition to survey data, this report is thus able to give definitive aggregate volumes by brewing level – without compromising the confidentiality of individual accounts.

Like-for-like analysis takes into account movements between brewing levels – mostly promotions but also some relegations, and even the occasional disappearance of a member entirely.

- **Records for 2011 show net increases in Levels 2 and 3 of 22 and 7 brewers respectively.**

It should also be noted that net totals include individual falls as well as rises. Almost 30% of Level 1 members saw their production drop in 2011, along with 21% in Level 2. At the same time, the contribution by new arrivals to the overall volume increase rose to 30% – double the equivalent figure a year ago.

The Local Beer Report is not about predicting trends and making prophecies, and the overall picture of smaller scale production continues to make very heartening reading indeed, especially in contrast to the ongoing industry-wide decline in beer sales.[6] However, it is perhaps prudent to draw attention to the possibility that the current rate of low-level entry into brewing is making for a tougher "survival of the fittest" commercial environment, and casualties might increase in frequency as a consequence.

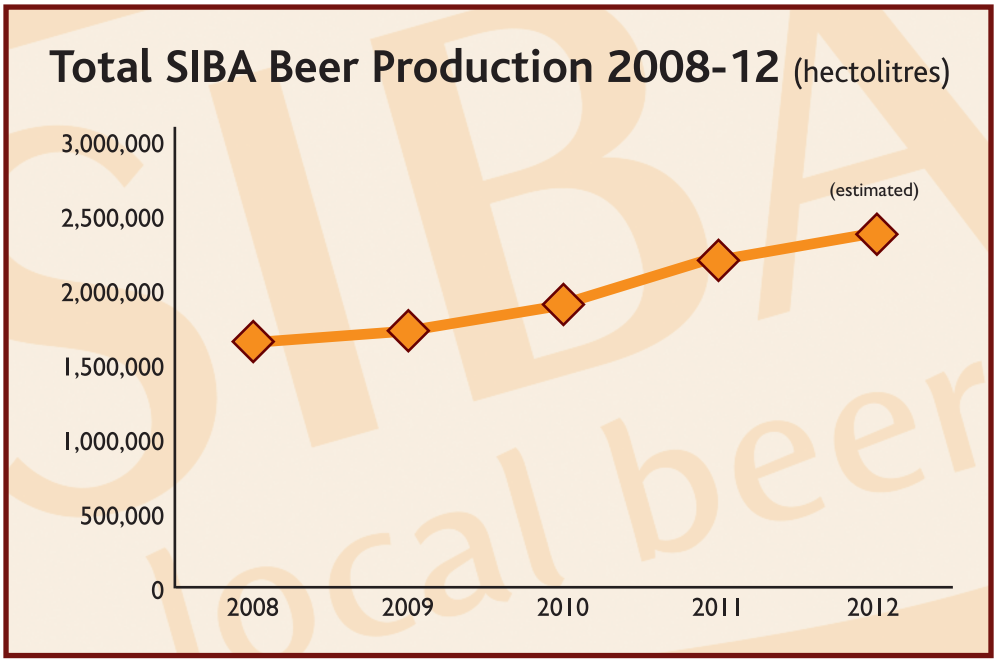
NOW AND TOMORROW...

The survey brings production records right up to date, by asking for nine months of definitive volume plus an estimate for the final quarter of 2012.
Answers suggest a year-on-year total of

+6.8%

When also asked for a production forecast for 2013, confidence is only slightly reduced, with an average of

+5.6%



If this drives beer quality, marketing shrewdness and business professionalism, and ultimately reinforces the reputation of local brewing, it might be a welcome step in the evolutionary process of the industry as a whole.

But there is a danger that competition might become "cut-throat" and harm the premium credentials of locally produced craft beer, and the avoidance of this is being built into SIBA's strategies for the future.

Local beer is in an age of outstanding growth, against some very tough national and global economic odds. This process of multiplication and geographical diversification is a complete reversal of the direction brewing was taking until forty years ago. Indeed, it has become a de facto denial of the long-accepted economic "wisdom" – held across the political spectrum – that monopoly capitalism is inevitable and manufacturing industry must concentrate to prosper, and has been cited and welcomed as such in academic fields.[7] Other areas – especially in food and drink – have responded similarly to consumer demand for variety and provenance, but none has done it as well as local beer.

6. The British Beer & Pub Association's UK Quarterly Beer Barometer shows a constant fall in on-trade sales throughout 2012 of 4.7% (http://www.beerandpub.com/).
7. The Fall and Rise of the Local Brew (2010) 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).

The Festival of Beer

Brewers completing this year's SIBA survey claim an average of 5-6 permanent brands each. Allowing for the fact that not every SIBA brewer is in cask beer production (but almost all are) a conservative extrapolation to the full membership would suggest a year-round total of at least

3,200 REAL ALE BRANDS

to which can be added close to

5,000 SEASONAL BEERS

plus an estimated

2,300 BOTTLED BEERS

Highlighting the number of breweries today in contrast with how many had survived into the early Good Beer Guides 35-40 years ago is only half the story. The fact that there are now almost seven times as many breweries hasn't made the 2013 beer drinker only seven times as lucky. Mid-seventies brewery listings weren't just sparsely populated with company names; cask beer brands were thin on the ground too. Even with a few micros already in existence by 1977 that year's CAMRA publication could only name 308 real ales from the 122 breweries sending out beer in cask.[8]

The 2013 Guide has a Beers Index twenty-five pages long, which only lists brands in regular production – and therefore excludes seasonal, special, occasional or one-off brews. The index contains the names of over 4,500 beers – corroborating the validity of SIBA's claims for its own members' share of the market – and it probably went out-of-date as quickly as it was compiled.

Of course, there wouldn't be five or six regular beers per brewery plus an average of seven or eight specials each year if consumers were only drinking bitters and milds and the occasional strong ale or barley wine – which were the only varietal styles available in those early days of real ale campaigning.

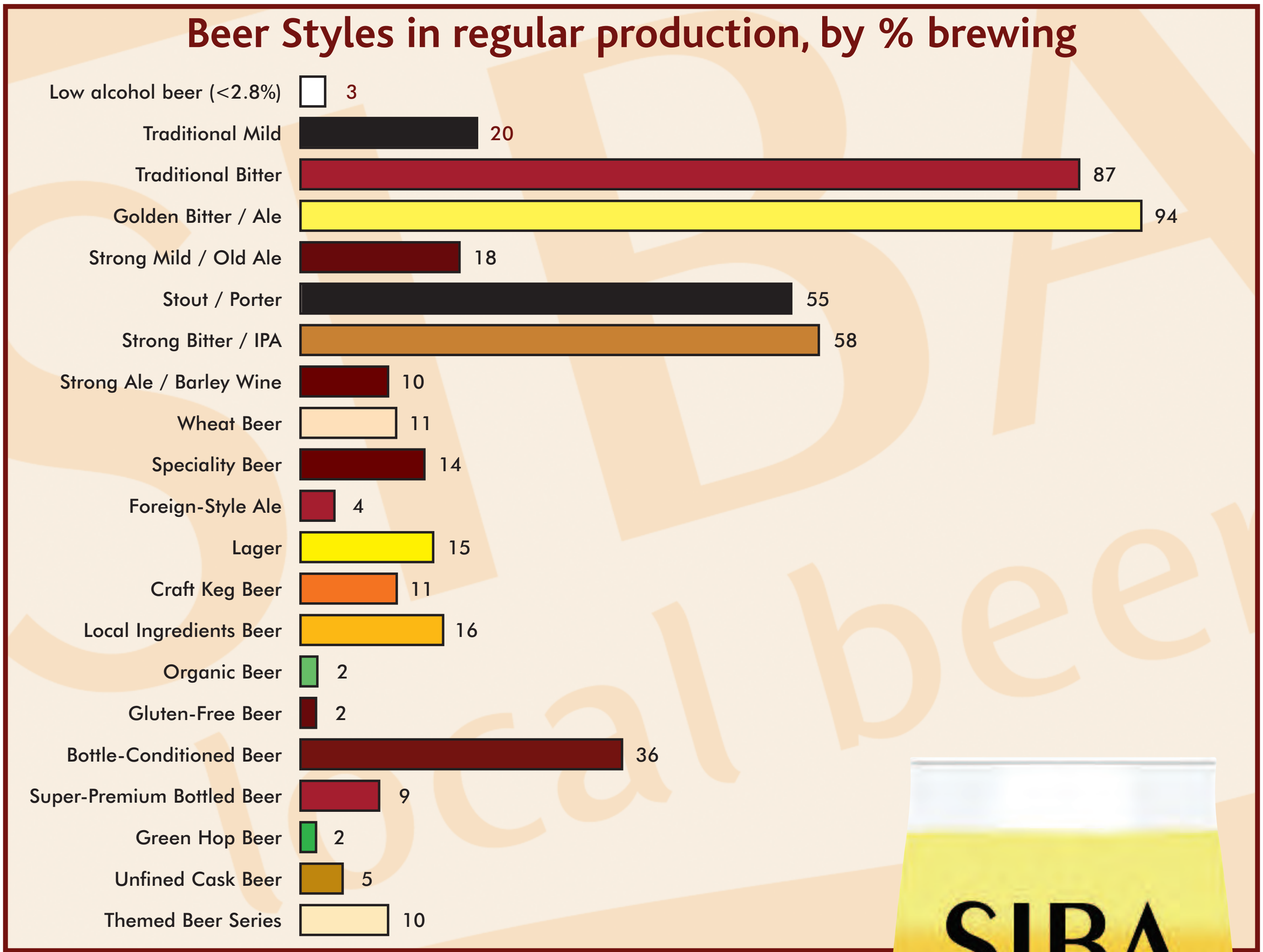
The table of **Beer Styles in Regular Production** opposite leaves no doubt about how much has changed for the better for the modern beer drinker. (Apart from a couple of categories for keg and bottled beer, it essentially charts the imagination and innovation that craft brewers have brought to Britain's iconic cask market.) And, whilst the survey question tried to identify every possible style now available, there can be no guarantee that the list is exhaustive and that every choice has been covered.

It is reassuring for traditionalists to note the stubborn perseverance of brown, copper and amber bitters against their flashier blond cousin, who in recent years has come to dominate the market. Against the same chart in last year's report, traditional bitter has actually raised its game by one percentage point, and is three points higher than in 2011. Perhaps the tide is slowly turning – although golden ales have thrived on the crisp citrus and tropical fruit notes of an ever increasing variety of New World hops, and have undoubtedly encouraged a host of erstwhile commodity lager drinkers into the real ale fold.

Historic styles, too, have enjoyed a resurgence; stouts and porters had disappeared in cask form but now feature in the permanent portfolios of more than half of survey respondents; and India Pale Ale has been revived by many brewers with genuine (and occasionally over the top) attempts to recreate the preservative hop and alcohol levels that enabled a perishable beer to reach the sub-continent in a still drinkable condition.

As artisanal craft brewing has found increasing favour around the globe (and especially in the USA) it has exerted a steadily growing influence on British brewers – a cross-pollination process that began with our own consumers' proof that a bland and homogenised "brave new world" could be resisted. Now, quality beer is being brewed for bottle and keg as well as cask, and the choice for the discerning and "promiscuous" drinker is thus being widened even further.

8. Good Beer Guide 1977, published by CAMRA.



Survey respondents report that 85% of their output is in cask – a 5% rise on last year's figure, which might suggest more brand new cask-only brewers answering the question this time. (23% of replies were cask-only and a further 23% were at least 95% cask.) For the last few surveys, cask beer has consistently been in the 80-85% range, with bottled beer at 13-18% and keg beer holding steady at around 2%.

Only two brewers of those surveyed reported keg-only production, but 16% are packaging some beer in keg. And it must be noted that most modern keg beers brewed by local brewers have nothing but the type of container in common with the much-derided convenience beers that have historically given the "k-word" such negative connotations in real ale circles. Craft-brewed draught (or "draft") beers outside the UK are mainly stored and served in this way, and an increasing number of British brewers are starting to embrace the process with enthusiasm, especially for lower turnover speciality beers, highly hopped IPAs that benefit from gentle carbonation, and for outlets less well equipped to provide the cellar and throughput prerequisites for quality cask beer.

Bottled beer this year accounts for 13% of output recorded in survey submissions, with 75% of replies confirming some bottled production. 5% of respondents package most of their beer in bottles, and five breweries report bottled beer as 80% or more of their total output. Distinctive small-pack beer for the off-trade premium bottled ales category continues to be an important business development area for the overwhelming majority of mature brewing companies, and an ambition that most newcomers want to tackle when they become established.

The Festival of Beer *continued*

SIBA Beer Competitions

The Society of Independent Brewers now hosts some of the most important and prestigious beer competitions in the brewing industry...

CASK

Each of SIBA's seven regions holds its own competition, with judging in eight draught classes. Regional winners go forward to the National Finals to compete for the national title in their class. The eight top beers are then tasted against each other on a final table to decide the year's overall

SIBA Supreme Champion

BOTTLE

Bottled beers also compete first in their own region, currently in five categories, before the winners go to the Finals for the national champions to be decided. A final table then judges the top five for the overall

SIBA Champion Bottled Beer

KEG

At the present time keg beers are entered into a one-off National Final, judged in seven classes. Winners then vie at the final table to be the

SIBA Champion Craft Beer in Keg

The entry process is open and all judging is done 'blind'. Judges are a mix of volunteers and invitees, 'experts' and everyday drinkers, industry professionals, associate members and pub people.

Without doubt there are still a great many drinkers who are brand-driven to seek the familiarity of "a pint of the usual." Some famous names survive to reassure those nonplussed by the sometimes bewildering choice now available. Furthermore, some of the best beers created by the new wave of local brewers are well on their way to becoming famous names themselves. Recognised and sought out as they increasingly are, their very presence on the bar can be a guarantee of sales – especially in their own locality.

In contrast, many more customers are now adventurous enough to look for something new to try, enthused by the never-ending and constantly changing selection on offer in many pubs. The fact that so many beers are now on the market (with more always on the way) is proof of this appetite for variety.

It is a thirst that local brewers are delighted to be able to satisfy.

'Success' to Market

Nothing has ever been more important to the new wave of British brewers than the simple imperative of securing access to market to sell their beers. Moreover, whilst this might be true for fledgling entrepreneurs in any field seeking to establish a presence and a demand for what they have to sell, there are historic reasons why microbrewers found it a particularly challenging task. The extent to which monopoly forces had been at work to control the beer market prior to the consumer revolt and emergence of the first microbrewers has already been noted. Many pubs were owned by established brewers and tied for beer supply, so they were foreclosed to new brewers who, owning no outlets of their own, had to depend on genuinely free houses for sales.

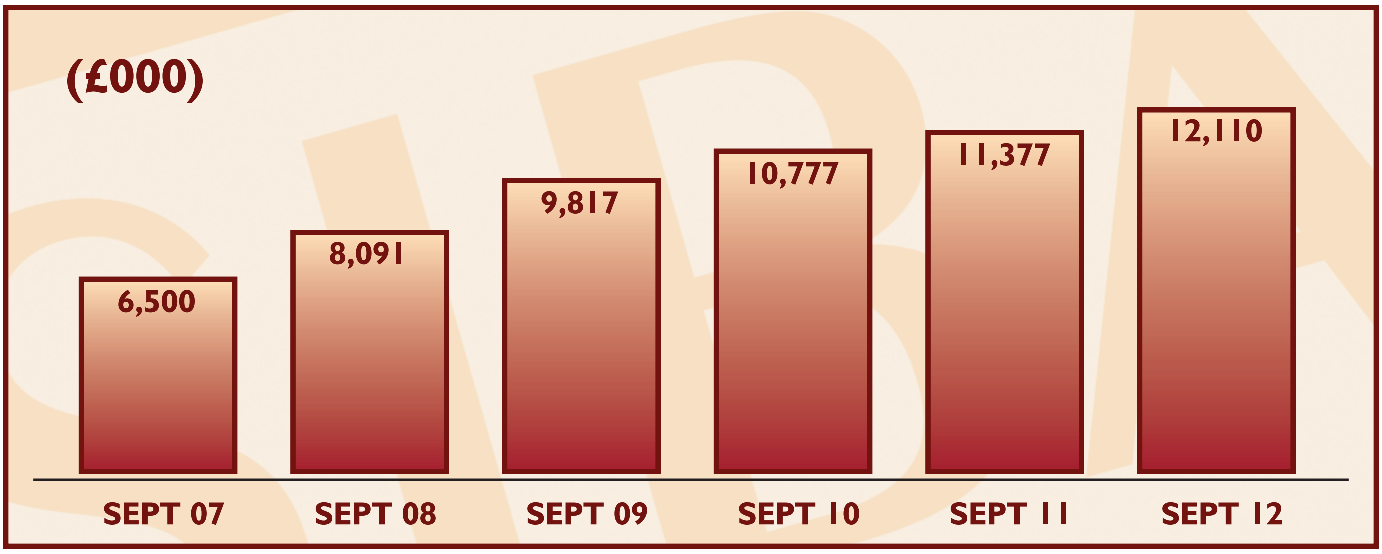
There have been significant market changes since then, not least of course the Beer Orders,[9] which ostensibly sought to break monopoly ownership of pubs, but instead shifted the bulk of tied estates from vertically integrated large breweries to large pubcos. Geared to the macro logistics of bulk buying and big-brand supply, these initially offered no easier route to market for small brewers.

SIBA's response was to set up its **Access to Market** project at the end of the 1990s – an exploration of all possible ways to assist and grow members' commercial opportunities. This led to the launch, in 2002, of the **Direct Delivery Scheme** as a wholly owned commercial arm, operating as a sales agency to build trade between multiple retailers and local suppliers. DDS collates orders from pub-owning customers by telesales and electronic data interchange, and forwards them to brewers nation-wide via a secure intranet facility; brewers access their orders and deliver direct to each outlet; and the paperwork is consolidated centrally by DDS, enabling retailer admin office systems to deal with a single contact point for transactions with a multitude of brewers.

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

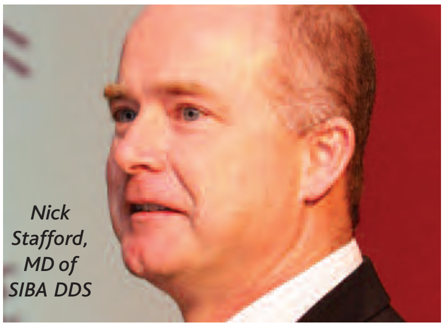
SIBA's founding mission statement

DDS Sales



Through the last ten years DDS has acquired – and continues to acquire – the custom of major pub groups and is a remarkable success story. Outlets were up 11% in the year to October 2012 and overall volumes rose by 3%.

An increase in sales value has been recorded year after year, and for many brewers the scheme remains a major reason for joining SIBA. But like all routes to market it has become increasingly competitive, and some brewers have not achieved the sales they were anticipating. Most, however, are aware that DDS offers no guarantee of a short-cut to booming business and, as the chart overleaf shows, there is no evidence of over-reliance on the previously foreclosed market areas to which it has gained access. On average, genuine free trade pubs account for 66% of Level 1 brewers' sales.



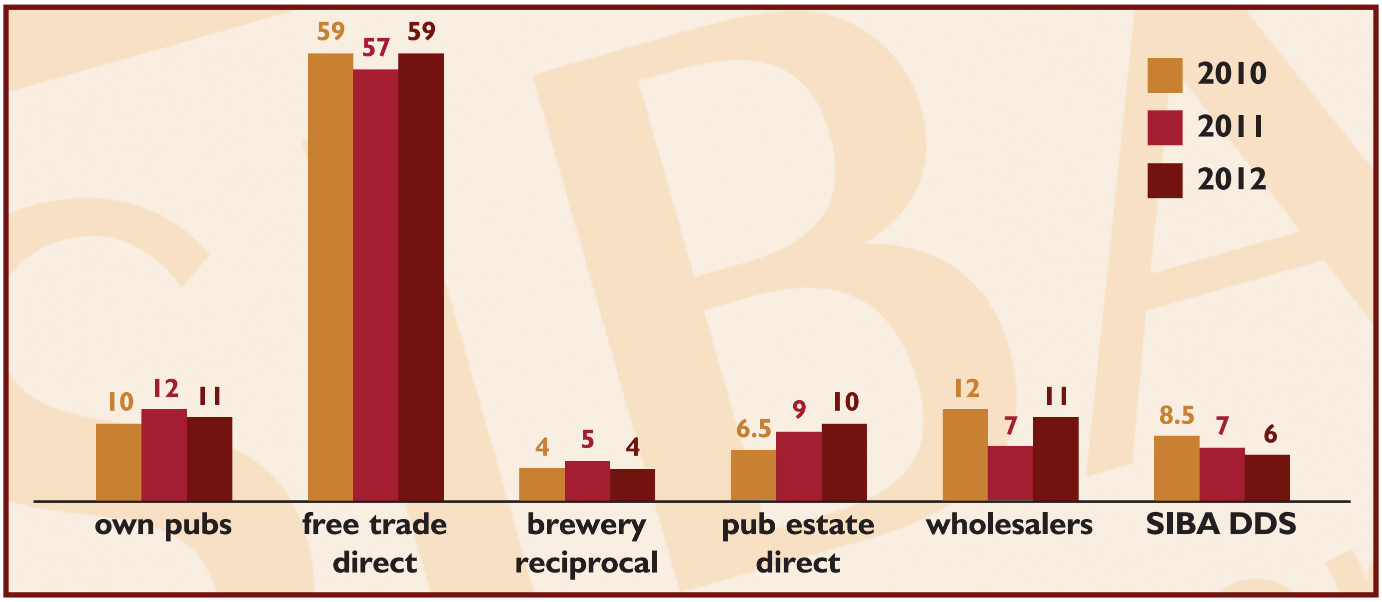
Nick Stafford, MD of SIBA DDS

9 The Supply of Beer (Tied Estate) Order 1989 and The Supply of Beer (Loan Ties, Licensed Premises and Wholesale Prices) Order 1989, which restricted the number of tied pubs that could be owned by large brewery groups and required large brewer landlords to allow a guest ale to be sourced by tenants from someone other than their landlord.

‘Success’ to Market *continued*

In addition to intensified competition, there is more evidence now that the pub estates that DDS was created to penetrate are no longer tied as rigidly as they were. Tie relaxations and alternative free-of-tie buying-in agreements are becoming more common and consequently DDS sales figures have to some extent begun to level out.

On-trade market access trends



This chart identifies the principal on-trade routes to market that local brewers use and the percentage of total sales via each route over each of the last three years. While sales direct to free trade customers retain by far the largest proportion of sales, the significant comparison of trends is between the “two sides of the same hill” shown by DDS and non-DDS sales to pub groups. These give every indication that access to pubco accounts and larger brewery guest beer listings is becoming easier and therefore having an effect on DDS market performance.

But SIBA’s Access to Market project is about more than DDS and its developing relationship with pubco tied estates. SIBA Cellar Services and NCRNet (National Container Repatriation Network), both under the direction of SIBA’s commercial operations team, are well established and geared to delivering support to SIBA brewers in vital operational areas, and other initiatives are either in their early stages, in the pipeline or under serious consideration.

The trading relationship with Ooberstock – an online-order “intelligent wholesale” drinks distribution business that is seeking to build SIBA cask ales as a major feature of its portfolio – is gaining momentum as more brewers and pub customers register to take advantage of yet another supply channel. Similarly, a consolidated bottled beer delivery service is almost ready to go, in partnership with Expect Distribution, to forge logistical links with off-trade retailers and develop a new route to market for local beer.

DDS itself has proved to be a brilliant system that does not necessarily have to be restricted to the tied markets it was designed to crack. It has become clear that the comprehensive order capture and invoicing format could work just as well for direct delivery into the free trade, providing simplified admin and month-end paperwork benefits for both local brewers and local publicans, and the viability of this as a new project is being actively explored.

In SIBA – a campaigning trade association with a separate commercial operations division – local brewers have created a unique representative body that is ready to fulfil all their aspirations and ambitions, with a strategic vision to take local beer into a stable and prosperous future.

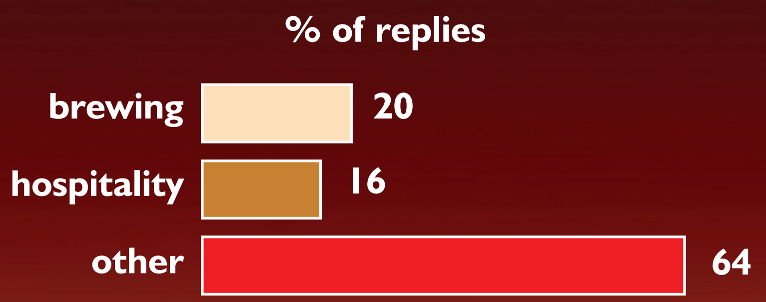
The Local Beer Community

Local brewing has an infrastructure that takes it to the very heart of community and local economy. It is a perfect example of the current prime minister's frequently quoted concept of a Big Society – which can only attain its "bigness" by being the sum of constituent parts that are rooted in their local communities and fully committed to its aspirational ideals.

Of course, for an expanding manufacturing sector, employment is key. And in craft brewing labour-saving technological advances can only go so far to reduce the manual input that is required. It's a hands-on industry and every new small brewery that has become established and successfully expanded its business has been able to offer job opportunities within its locality.

The chance to be a local brewer has inspired and attracted people from many walks of life:

Survey Question 2:
"If you are the owner or a director of your brewery, what was your previous job?"



Other??...
IT...financial...law...property...H&S...telecom...sales&marketing...journalism...engineering...building...motortrade...chartered surveyor...road haulage...transport...oil...nuclear power...police...aerospace...HM forces...public sector...carpentry...plumbing...electrical...farming...agricultural sales...publishing...printing...gardening...cosmetics...musician...childcare...driving instructor...ski instructor...bakery...cheese...cider...wines&spirits...steam engine restoration...airline pilot...
...and we didn't believe the "astronaut"!

Furthermore, employment in local brewing goes beyond the utilisation of available muscle for labouring work. In-service training schemes have been developed by SIBA's Brewing Technical Support director in consultation with other industry bodies. The most recent example is the Brewer's Diary, devised and launched in association with the Institute of Brewing and Distilling (IBD).[10] This offers workplace learning and leads to a certificated qualification. Part-funding bursaries have been secured from the Mitchells & Butlers Sir Henry Mitchell Memorial Scholarship Fund,[11] making this an accessible means to improve brewing education for even the smallest of breweries.

10. https://www.ibd.org.uk/
11. http://www.mbtrusts.org.uk/thescholarshipfund/

EMPLOYMENT

- **From extrapolation of survey responses there are now close to 5,000 full-time** (or full-time equivalent) **jobs in SIBA members' breweries.**
- **The smallest brewers are more labour intensive and create more jobs per hectolitre of production:**
  * average 300hl for each employee in breweries under 1,000hl per annum
  * 500hl per job at 1,000-5,000hl pa
  * 800hl per job at 5,000-30,000hl pa
  * industry-wide figures produced by the BBPA indicate an average of one employee per 3,000hl of beer
- **At the lower levels of production, about 12% of employees are in the 18-25 age group – double the survey figure suggested for SIBA levels 4 and 5.**

LOCAL BEER IS
✓ GOOD FOR JOBS!
✓ GOOD FOR YOUTH EMPLOYMENT!

The Local Beer Community *continued*

Employment must count as one of most effective examples of how local brewers have invested in both their businesses and their local economies. But the fact that it is just one aspect of building up a successful enterprise brings back to the fore the way in which investment by government, in the form of **Small Breweries' Relief,** has helped create the environment to encourage a youthful industry in turn to invest in itself and lay sound and stable foundations for its ongoing and future development.

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

NEW EQUIPMENT	3.3	STAFF & TRAINING	2.5	DEBT SERVICING	1.3
MARKETING & DESIGN	2.7	PROFIT RETENTION	2.3	PUB ACQUISITION	0.9
BREWING CAPACITY	2.6	SYSTEMS UPGRADE	1.6	DISCOUNT PRICING	0.9

In seeking to balance the disproportionate costs of small-scale production against the economies of scale achieved by large brewers, duty relief could simply have been used by microbrewers to cut their prices and sell more beer. And yet, when asked in the survey to give priority ratings to how they utilise their SBR savings, this option is anchored firmly at the bottom of the list, with a score of 0.9 out of 5 (where 5 is top priority). Although there can be no doubt that SBR is designed to help small brewers to be price-competitive, only ten out of 199 responses to the question admit that discount pricing is a top priority; 62% of replies give it a zero rating. Most highly rated – and on average nearly four times as important – is investment in new equipment. Along with intentions to increase brewing capacity, there can be no clearer indication of the investment dividend that Small Breweries' Relief is earning.

77% of Level 1 survey respondents own or operate no pub. That figure falls to 60% in Level 2 and 42% in Level 3. The smallest and youngest breweries are of course least likely to be able to put pub acquisition at the forefront of their plans, but across the local brewing industry it remains very low-priority.

SIBA Supplier Associate Members...

Equipment:
brewing & bottling
cellar & dispense
casks & kegs
bottles & glass

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

Others:
pub companies
trade associations
societies
charities

Ingredients:
malt
hops
yeast
adjuncts & additives

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

...you name it!

What has become noticeable is the increasing standard of professionalism being brought to marketing – especially in corporate branding and design. The pressures of competition have raised the stakes and both established and start-up breweries have been quick to meet the challenge in order to ensure their products stand out on the pub bar or the retail shelf.

95% of survey respondents report some dealing over the last year with companies offering corporate design or marketing services – 60% say this has been frequently or on a regular basis.

And this is just one example of the positive effect an expanding local brewing industry is having on its support and supply infrastructure. SIBA is an inclusive organisation, with an associate membership of around 180 goods and services providers.[12]

Proactive involvement is shown by the fact that all but 3% of brewers have dealt with production equipment, dispense and packaging suppliers; only 10% have taken no financial advice or consultancy guidance; 89% have invested in IT or software; and 84% have to some extent used recruitment or training services.

12. SIBA's full Trade Directory of supplier associate members is at http://siba.co.uk/directory/associate-members/

Of course the knock-on economic effect doesn't just go upwards to suppliers. It has already been noted that approximately 85% of local beer is sent out in draught form. Whether cask or keg, the overwhelming bulk of this is destined for the pub trade. The brewing innovation that has so enriched the British beer portfolio has ensured that real ale is more than ever before the British pub's unique point-of-difference and a vital draw for discerning drinkers – especially at a time when cheap off-trade pricing of commodity drinks continues unchecked to encourage stay-at-home consumption, and pubs face a constant struggle to attract custom.

In addition to the wholesalers and distributors who play a crucial role in helping to get local beers to market and several of whom are numbered among SIBA's associate members, the pubs that are the final link in the "grain to glass" supply chain have their own category of associate membership. **SIBA Locals** are pubs that reflect the principles of independent brewing with their own individual entrepreneurial spirit and choose to be champions of quality local beer to show that they stand out from the competition. [13 14]

Research commissioned by the Brewers of Europe estimates that one job in brewing supports 21 others in supply and distribution: one in agriculture, one in the supply chain, one in retail and eighteen in pubs.[15] This is a professional industry delivering commercial benefits, driving economic performance and helping to create thousands of jobs far beyond its own breweries' gates.

And behind those gates very few local brewers are standing still for long.

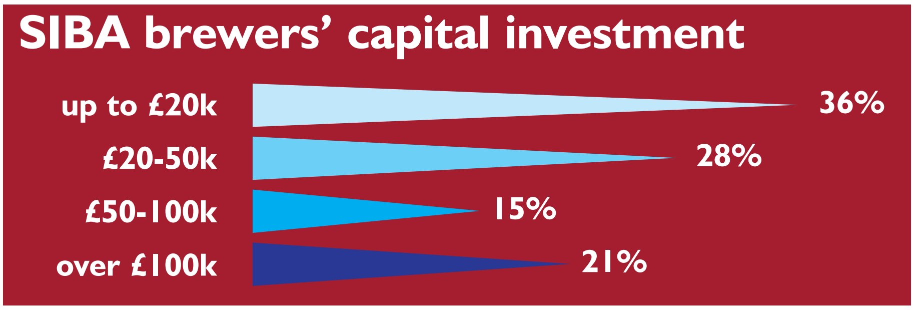
- **For the second successive year, the survey reports major capital investment by 65% of SIBA brewers.**

Research estimates that one job in brewing supports eighteen in pubs.

Over a third of those carrying out a major improvement programme have invested at least £50,000; a fifth have spent more than £100,000 on their expansion.

The average spend is almost a quarter (23.7%) of annual turnover – a clear and impressive indication of local brewers' commitment to growth.

As part of their overall dedication to building businesses that are not only successful, but sound and sustainable too, SIBA brewers are proud to imbue these development strategies with responsible environmental principles. The chart on page 18 shows levels of commitment to "green" business initiatives suggested by survey responses, and maintains very much the same standards of previous surveys. Close to a quarter of brewers are positive about the construction of green premises of energy-conserving design, using bio-materials, harnessing natural sources of power and installing heat-exchange systems.



SIBA Business Awards 2013

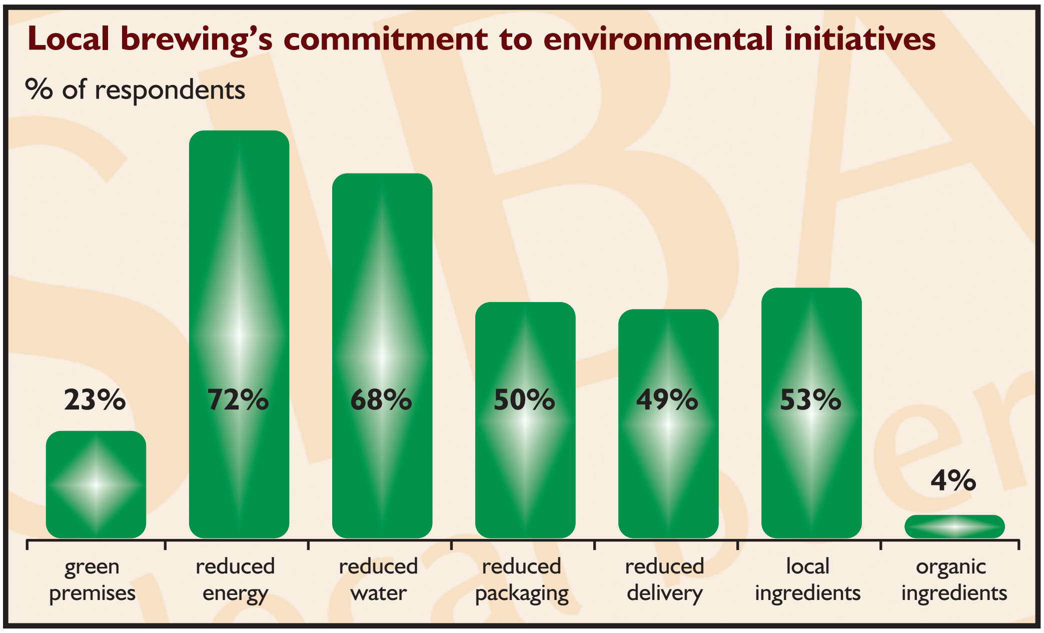
... customer support ... community support ... marketing and communication ... green business ... business development ... total design concept ... draught beer design ... packaged beer design ... SIBA Local of the Year ... SIBA Supplier of the Year ... Brewery Business of the Year ...

presented at SIBA BeerX 2013 Friday 15th March

http://siba.co.uk/businessawards/

13. More information at http://www.siba.co.uk/sibalocals/
14. Information about all categories of SIBA membership can be found at http://siba.co.uk/welcome-to-siba/join-siba/
15. Ernst & Young: The Contribution made by Beer to the European Economy, available to download at http://www.brewersofeurope.org/asp/publications/index.asp

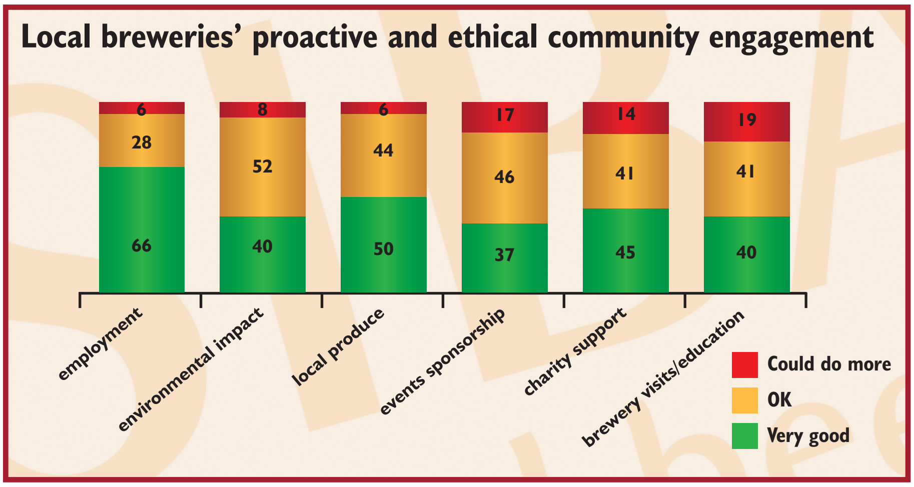
As was reported last year, two of the best examples, at opposite ends of the size spectrum, can be found in the county of Suffolk. Adnams, a Level 5 brewer and one of SIBA's largest full brewing members, is supplying gas to the National Grid through the grass-roofed Bio Energy facility it has built on the outskirts of Southwold.[16] Mill Green, behind the White Horse in Edwardstone near Sudbury, is a 4.5-barrel Level 1 brewery almost entirely of ecological construction and ethos, boasting reclaimed building materials; bio, solar and wind power; a natural water supply; and organic barley and hops grown in a field nearby.[17]



Brewery visits are an important part of a community approach for companies like Castle Rock Brewery in Nottingham

Environmental sustainability is one aspect of the ethics that underpin independent breweries and ensure that they are engaged positively and proactively with their local communities. Their overall performance is shown in the chart, with an 80% "pass rate" at least in all areas.

The exemplary standards of local brewing companies as enthusiastic and supportive participants within their communities is time-honoured and historic, and now finds itself stronger than ever, revived and rejuvenated by new small enterprises that are proud of their social mores and ethical foundations.

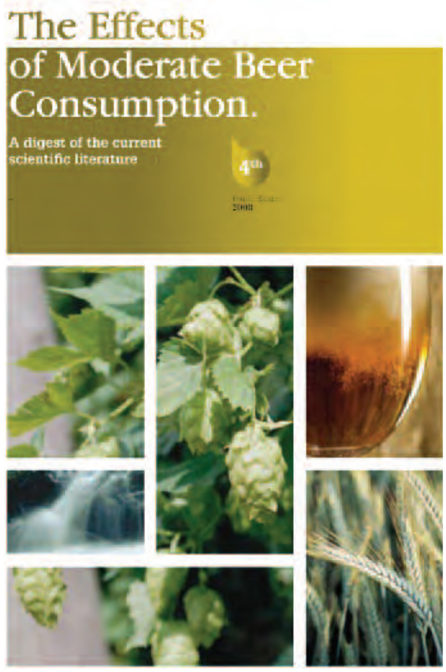


16. http://adnamsbioenergy.co.uk 17. www.millgreenbrewery.co.uk

One final field of local brewers ethical awareness and assurance of a positive contribution to community cohesion and social welfare is found in the nature of their beer itself. Beer is a drink containing alcohol, and an archive picture or footage of a pint of beer being consumed is all too often used inappropriately in the media as a library resource to illustrate the latest story of alcohol misuse, binge drinking, drunken bad behaviour, strain on hospital resources, domestic abuse or threat to the nation's health.

Whilst there are alcoholic drinks that contain little more than an easy "hit" – usually short, sweet and strong and bought as cheaply as possible – they bear no relation to local beer either in character or circumstances of consumption. There is increasing evidence that beer contains at least as many health benefits as are attributed to wine, plus some that wine doesn't have.[18]

It may be that British brewers, although themselves sure of the scientific and medical evidence, have been a little slow to broadcast the message. Asked in the survey about how well they delivered beer and health messaging, only 10% say they are very good at it and 43% admit they could do better. They are more conscientious about alcohol responsibility: 13% "very good"; 53% "ok"; and 34% "could do better". Perhaps now is the time to take the positives about beer more forcefully on to the front foot.



But what connects all that has been said in this year's Local Beer Report about local brewers and their economic, cultural and social contribution to the revival of a British sense of community – and indeed a Big Society – is the fact that, in the environment and ambience of the pub in which it is almost always consumed, local beer is so much more than just another alcoholic beverage. It is never a solitary drink taken just for the alcohol – it has too many flavours and distinctive qualities to serve that purpose. Flavours that are often shared as part of the conversation that goes with a relaxing pint with friends (or sometimes strangers) in the local; or that can be enjoyed as an accompaniment to a pub meal. Beer is deeply ingrained in British tradition and heritage and the local brewing industry will ensure that it stays that way.

A warming sense of pride runs in the veins of local brewers. It is an infectious feeling that spreads easily, not only to brewery employees, but to those who supply goods and services to the industry, to publicans who love to sell British local beer, to consumers who love to drink it, and to communities that have embraced new breweries and are rekindling friendly rivalries with each other over whose local brew is best.

It is a pride that is captured well in SIBA's short film, *Proud of British Beer*.[19] And it also features in a new film about to be launched to promote the virtues and values of British beer's natural habitat. *Better Down The Pub* has been backed by a consortium of beer and pub industry partners, including SIBA, and reinforces the message that the pub is the place where community thrives and where people come together for a host of reasons – including a pint of local beer.[20]

It leaves no doubt that these two Great British icons must have a future.

Championing the Local!
Julian Grocock (rear left) presents a SIBA Locals plaque to Nigel & Vanessa Williams of The Ranmoor Inn, Sheffield as it became the 100th pub to join the SIBA Locals scheme.

18. The Effects of Moderate Beer Consumption, published by the Brewers of Europe, is available to download at http://www.brewersofeurope.org/docs/publications/0308BH.pdf
19. Available to view at http://www.youtube.com/watch?v=DIIoPNZYSW
20. At the time of preparing the Local Beer Report, the film had yet to be posted on the internet. It is very likely that a search will now locate it.

Building the Future

The Society of Independent Brewers' snapshot of local brewing and local beer in 2013:

A British manufacturing industry that is...

✓ welcoming new local brewers
✓ increasing production and market share
✓ encouraging innovation, imagination and creativity
✓ offering quality, diversity and choice
✓ opening markets for local delivery of local produce
✓ generating employment and economic growth
✓ paying dividends on government investment
✓ investing for a sustainable future
✓ supporting an extensive supply infrastructure
✓ embracing environmental ethics
✓ promoting pubs, health and responsible drinking
✓ living at the heart of YOUR community
✓ ASKING FOR YOUR SUPPORT

Invitation

from the Society of Independent Brewers:

Claim your stake in local beer!

This is a British manufacturing success story that YOU can support, share in and be part of.

* Please support the continued investment of Small Breweries' Relief

* Please join the campaign for a duty system that is fair to British beer and encourages the responsible consumption of alcohol in the sociable environment of the community pub

* Please support the enterprise and values of local brewers and enjoy...

Great British

LOCAL BEER

SIBA local beer
Society of Independent Brewers

flying the flag - raising standards