BRITISH BEER

A report on the 2015 Members' Survey of the Society of Independent Brewers

SIBA
local beer
Society of Independent Brewers

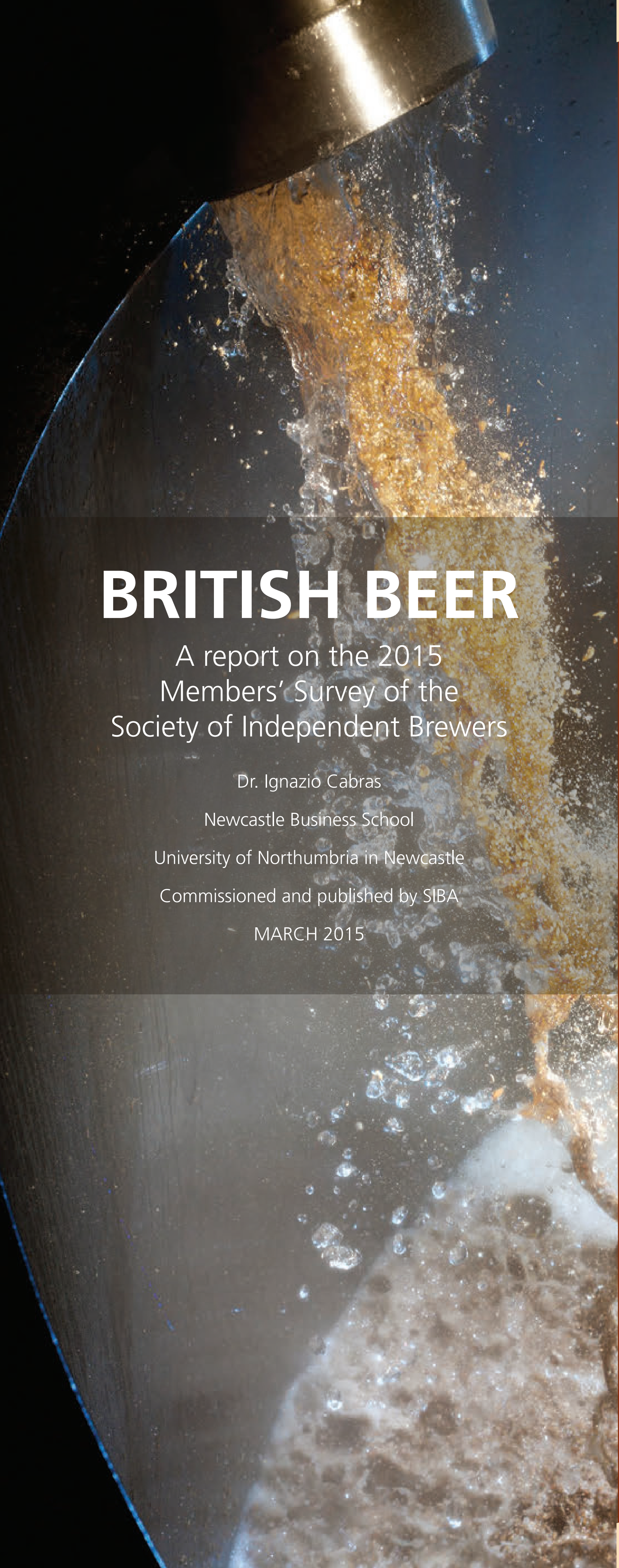
Dr. Ignazio Cabras

Newcastle Business School

University of Northumbria in Newcastle

Commissioned and published by SIBA

MARCH 2015



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Foreword

By Mike Benner, Managing Director, SIBA

A Remarkable Year for British Beer!

Welcome to the all-new 2015 SIBA 'British Beer' Report.

In recent years the independent British brewing industry has been a leading light in great British manufacturing, creating thousands of new jobs across the country with dozens of new and exciting brewing businesses setting up every year. Never has this been more true than in 2015.

This report sheds even more light on the trends in the independent brewing sector as represented by SIBA members[1].

Looking at the whole of the UK beer market in 2014 we saw thousands of new jobs created in brewing and pub retailing, UK beer sales were in growth for the first time in a decade, there are more breweries per head of population than any other country in the world, huge increases in sector-wide investment and the lowest increases in pub beer prices since records began.

These overall positive trends set the tone of our report on the independent brewing scene and the findings of our members' survey underpin these exciting developments.

The survey results suggest that beer production across the SIBA membership is up by 15.8% year on year from 2013-14; a fantastic achievement which far outweighs growth in 2013[2] and 2012[3]. Three out of four brewers are expecting their turnover to increase in 2015. On jobs, a staggering 83% of members expect to create one or more jobs in 2015 and two-thirds of employees live very local to their breweries, which often provide much needed employment in deprived and rural areas. 77% of those surveyed expect to invest in staff training in the next year.

Our members are keen to boost their businesses through export and clearly more support and help is needed by both Government and SIBA in this area. Tax relief is also essential to most of our members; 90% regard Small Breweries' Relief at at least current levels to be essential or very important to their businesses and this hints strongly at the opportunity to extend this winning scheme to create even greater benefit and promote growth.

It's a win for consumers too. The market leading innovation of the independent sector together with the huge consumer–led boom in the number of brewers means beer drinkers are faced with unprecedented beer choice and access to a simply amazing and ever-expanding range of beer styles.

With over 1,400 breweries estimated to produce around 8,000 regular beers and thousands more seasonal and one-off beers, consumers are enjoying a beer revolution never seen before. Almost every community boasts at least one brewery producing great local beers usually enjoyed sociably in community pubs.

SIBA, the Society of Independent Brewers, represents independent brewers from small brewpubs through to established family brewers with their own pub estates and our members' survey aims to get their views on a number of key issues such as production, employment and investment.

The purpose of the Beer Report is to provide SIBA itself, our members, policy makers and the wider industry with useful insight and information on what is going on in British independent brewing.

For the first time this year we have worked with Dr Ignazio Cabras from Newcastle Business School at the University of Northumbria in Newcastle. Ignazio is a leading economist with a great interest in and passion for beer having published several studies on the economic and social impacts of beer, brewing and pubs. Ignazio is an active member of the 'Beeronomics Society', an international organisation which comprises high-profile academics and economists worldwide, and chaired the third Beeronomics conference in 2013 – the first in the UK.

Our partnership brings a new focus to our survey report and the credibility and independence that comes from working with a University. In these days of statistics to make every case, we think it is important that our report stands up to scrutiny and is highly regarded as evidence in support of the various campaigns run by SIBA on behalf of independent brewers.

Our report is a tool of our new strategy. SIBA's vision to 'deliver the future of British beer and become the voice of British brewing' is as ambitious as it is exciting and the key findings of the 'British Beer' report provide essential market insight which will help us deliver our strategic objectives.

I hope you enjoy reading the report. If you have any comments on the content or suggestions for improvement I would very much like to hear from you. You'll find contact details at the back of the report.

Cheers!

Mike Benner
Managing Director, SIBA
March 2015

[1]There are approximately 800 full SIBA members in March 2015 and the survey does not account for the activities of brewers which are not members, currently around 600 companies [2]9.4% [3]5.7%

Executive Summary

A new approach to the survey to build for the future:

- A new improved survey methodology
- Seven key themes on member breweries, production, beers, employment, business activity, investments & future plans and SIBA membership
- 323 responses to the survey
- 270 valid responses – around 35% of SIBA membership
- Strong statistical reliability

Breweries and Beer Production:

- 100 breweries joined SIBA in 2014 bringing the total to almost 800
- 13 breweries joined SIBA in the first two months of 2015 alone, translating to an expectation of around 80 more new members in 2015
- Over 226 million pints produced by respondents is estimated to translate to 526m pints, 2.99 million hl by SIBA members [4]in 2014
- Beer production estimated to have increased by 15.8% from 2013-14, compared to 5.7% 2011-12 and 9.4% 2012-13
- Over half of respondents brew less than 1000hl
- Keg proportion of production expected to more than double in two years to 6.9% in 2015
- 23% of members are now selling some craft beer in keg
- Cask production 71% of total in 2014
- More bottled, kegged and canned beers – cask proportion of production expected to fall to 68% in 2015 from 84% in 2013
- Majority of respondents brew less than 10% of production as bottled beer
- Average beer strength is 4.1% ABV
- Golden ales are the most produced beer style – 92% of respondents brew at least one, followed by traditional bitter – 81%
- 30% of members still brew a traditional mild, while 20% brew a lager
- Most brewers produce between four and six regular brands
- 90% of respondents brew seasonal beers

Jobs:

- 83% of brewers plan to recruit one or more new employees in the next 12 months
- Estimated 840 new jobs to be created by members next year
- 4 full-time and 1.5 part-time employed by members on average
- 1 in 4 employees are women
- 3 out of 4 jobs are full-time
- Good spread of ages in employment – half are aged 35-54, with 34% aged 16-34 and 17% aged over 55
- Investing in young people - One in ten employees are aged 16-24
- Local jobs in local breweries. Strong impact on local employment – over a third live in the same town or village as their brewery with a further 29% living within five miles
- Survey indicates that part-time jobs have trebled between 2012-14

Growth:

- 3 out of 4 respondents expect their turnover to increase in 2015
- One out of five forecast growth in turnover over 25% in 2015
- 38% of respondents turnover between £50k-£250k in 2014
- Only 8% expect a decline in turnover in 2015
- 55% of production is supplied to free-trade pubs, with 14% going to controlled pubs
- Over 80% of beer sold within 40 miles of the brewery
- 15% of respondent brewers now exporting their beers
- Almost 58% of brewers are interested in exporting their beers

Investment:

- Nearly 70% of breweries made capital investments in 2014
- 12% invested more than £100k in 2014
- Bulk of investments were in modernising equipment, premises and to expand transport
- Duty savings from two successive duty cuts and Small Breweries' Relief were mainly used for more capacity, new equipment, pub acquisition and new staff
- Training is very important to members – 77% intend to invest in staff training in the future and over 90% are interested in a SIBA-led training scheme
- Small Breweries' Relief at at least current levels is essential to the future – Over 70% say it is vital to their business and a further 24% say it is 'very important' or 'important'
- SBR is defined as either 'vital' or 'very important' by nearly 93% of those breweries expressing an interest to start exporting
- Almost one out of five breweries plan to double their current levels of production, sales and turnover by 2018

[4]Excludes associate members of SIBA

SIBA Membership

- 100 new members in 2014

- Majority of members indicate SIBA's campaign in defence and for the development of Small Breweries' Relief as an extremely important activity

- Political lobbying by SIBA on behalf of independent breweries is also considered very important

- Organisation of beer festivals and competitions and SIBA's Direct Delivery Scheme valued as initiatives by members

- Results support SIBA's new strategies to build improved member benefits including campaigning, beer competitions, improved communications, training provision and quality auditing.

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1. Introduction

KEY POINTS

- A new survery methodology
- Seven key themes on member breweries, production, beers, employment, business activity, investments & future plans and SIBA membership
- 323 responses to the survey
- 270 valid responses – around 35% of SIBA membership
- Strong statistical reliability

The researchers used a questionnaire to collect the relevant information to conduct their analysis and elaborate this report. The questionnaire was developed on the basis of previous templates provided by SIBA utilised for surveys conducted between 2011 and 2013. The templates presented some significant variation with regard to order and types of questions, answering methods, and overall structures. For instance, some questions were repeated in successive surveys, but the types of options given to respondents varied from year to year. In addition, the timing in which previous surveys were conducted frequently failed to capture data and information related to full years (e.g. twelve months from January to December), with some questions asking for estimates rather than actual values and with targeted answers often related to different time-frames.

In order to rectify and minimise the impact of these issues, the questionnaire for this annual report had to be developed and finalised between October and November 2014. This exercise involved several exchanges between researchers and SIBA officers with regards to its content and structure. In its final format, the questionnaire framework comprised of seven sections associated with specific domains related to the members' activities, operations and relationship with SIBA.
The seven sections were named as:

- Brewery
- Beer Production
- Beers
- Employees
- Business Activity
- Current Investments and Future Developments
- Your Brewery and SIBA

The first section aimed to gather information related to the surveyed businesses, their owners/managers, and their respective locations and length of membership. The second section examined levels of production accounting for cask, kegs, and bottled beer. The third section explored the types of beer styles brewed by members. In particular, questions aimed to specify the level of ABV associated with bestselling beers, the number of regular brands supplied by members and the number of seasonal beers produced in 2014. The fourth section focused on the level of employment generated by surveyed members. Questions aimed at capturing levels of full-time and part-time work, employee's ages and location, personnel holding relevant qualifications and provision of training. The fifth section investigated the members' annual turnover, and current routes to markets. The sixth section examined capital investment made in 2014 and members' plans for future expansion and development.

Finally, the seventh section explored and examined the benefits and services provided to members by SIBA with regards to different levels of importance. The section comprised a list of 22 items for respondents to evaluate and rank, with an open-question inserted to identify and expand on any other important issue not included in the list.

The use of the questionnaire served in identifying many aspects and issues associated with members' business activities. More specifically, the survey served to identify main attributes of characteristics of SIBA members, to map the spatial patterns related to brewing operations and brewers' markets, and to evaluate potential trends occurring in the brewing sector. A survey-pilot of the questionnaire was conducted in November 2014 with the objective to test questions on respondents. Eight members were approached and seven responses were obtained. The content of these responses was then used to further improve and finalise the questionnaire. Draft questionnaires were reviewed successively by two senior academics specialising in quantitative data analysis for relevance, clarity and ambiguity of wording. This process resulted in several non-fundamental revisions.

The survey was officially launched on 28 November 2014 and the data collection progressed until 14 January 2015. Data were collected by means of an online survey. Several attempts were made during the six weeks in order to increase the number of responses, including repeated email approaches. A total of 323 responses were gathered at the end of the data collection, a very similar number to totals gathered in the two previous surveys (327 and 315 collected in 2014 and 2013 surveys respectively). A more detailed inspection enabled to identify 270 responses as 'valid', thus providing an appropriate level of data and information in relation to all the sections included. Valid responses accounted for 83.5% of the total responses received, and for 34.3% of total memberships, meaning that about one out of three members took part in the survey.

Several statistical tests were conducted in order to evaluate the quality and reliability of the responses captured by each section in the survey questionnaire. Results confirmed the good quality of data and information gathered across sections and within the questionnaire overall.

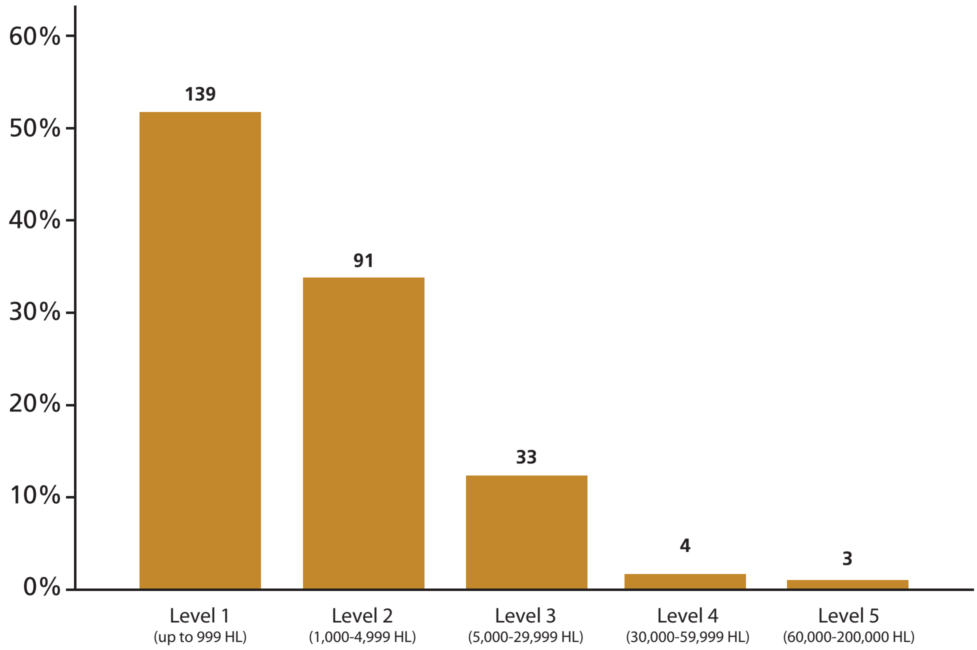
Table 1 analyses responses by location. Rates of response vary from little above 24% covering total memberships located in the North East, to nearly 40% of total memberships located in the East Midlands. Differences in proportions indicate very little variation between groups weighted using total membership and groups using survey responses as their basis respectively, although memberships from the South West appear to be slightly underrepresented, and membership from the East Midlands and the North East slightly overrepresented with regard to gathered responses.

Figure 1 shows that more than half of respondents (51%) are categorised as Level 1 SIBA memberships, with about 33% categorised as Level 2; 12% categorised as Level 3, and the remaining categorised as Level 4 and Level 5 (1.4% and 1.1% respectively).

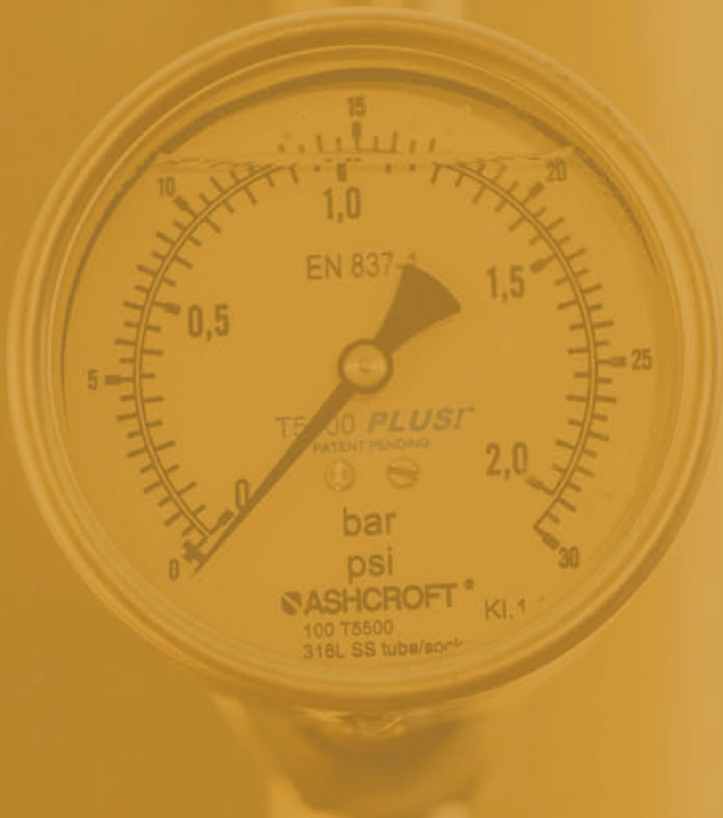
Table1: Responses analysed by location and proportions

Regions	Members 2014	Members proportions	Survey 2014	Survey proportions	Members/survey proportions	Differences in representation
East Midlands	83	10.6%	33	12.2%	39.8%	1.7%
East of England	74	9.4%	25	9.3%	33.8%	-0.2%
London	36	4.6%	12	4.4%	33.3%	-0.1%
North East	29	3.7%	7	2.6%	24.1%	-1.1%
North West	98	12.5%	32	11.9%	32.7%	-0.6%
South East	113	5.2%	30	6.3%	26.5%	1.1%
South West	117	14.4%	41	11.1%	35.0%	-3.3%
West Midlands	68	14.9%	26	15.2%	38.2%	0.3%
Yorkshire and the Humberside	89	4.8%	31	5.9%	34.8%	1.1%
Scotland	41	11.3%	17	11.5%	41.5%	0.2%
Wales	38	10.6%	16	12.2%	42.1%	1.7%
Total	786		270		34.4%	

Figure 1: Surveyed breweries by types of membership (counts)



2. Data analysis



KEY POINTS

- 100 breweries joined SIBA in 2014 bringing the total to almost 800
- 13 breweries joined SIBA in the first two months of 2015 alone, translating to an expectation of around 80 more new members in 2015
- Over 226 million pints produced by respondents is estimated to translate to 526m by SIBA members[5], or 2.99 million hl in 2014
- Beer production estimated to have increased by 15.8% from 2013-14, compared to 5.7% 2011-12 and 9.4% 2012-13
- Over half respondents brew less than 1000hl
- Keg proportion of production expected to more than double in two years to 6.9% in 2015
- 23% of members are now selling some craft beer in keg
- Cask production 71% of total in 2014
- More bottled, kegged and canned beers – cask proportion of production expected to fall to 68% in 2015 from 84% in 2013
- Majority of respondents brew less than 10% of production as bottled beer

2.1 Beer Production

Levels of beer production provided by respondents indicate a cumulative total of 1,07 million HL. This equates to roughly 226 million pints produced by respondents, and translates to approximately 526m pints brewed by SIBA members. **Table 2** illustrates levels of production for the past six years. There is some variation in terms of hectolitres (HL) produced among the five membership categories, although data shows a clear and progressive pattern of growth as demonstrated in **Figure 2**

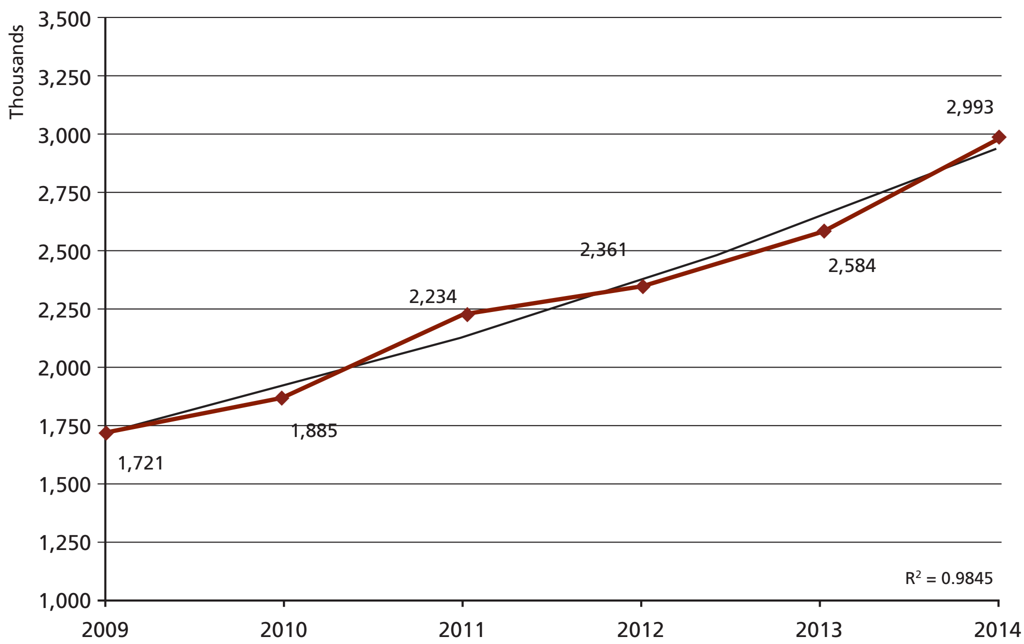
Table 2: 2009-2014 Production levels by membership[6]

	2009	2010	2011	2012	2013	2014*
Level 1	91,140	96,174	114,926	124,026	152,527	162,063
Level 2	379,577	421,638	447,752	514,381	613,123	578,505
Level 3	598,928	673,268	773,106	847,667	851,978	1,021,102
Level 4	142,237	206,617	221,596	222,959	317,250	576,535
Level 5	509,409	487,356	677,105	652,105	649,314	654,542
Totals	**1,721,291**	**1,885,053**	**2,234,489**	**2,361,138**	**2,584,192**	**2,992,747**

**estimated on full year amounts (previous estimates based on Jan-Sept month predictions)*

[6]SIBA Membership levels are as follows: Level 1 – up to 999HL, Level 2 – 1,000-4,999 HL, level 3 – 5,000-29,999 HL Level 4 – 30,000-59,999 HL, Level 5 – 60,000-200,000 HL

Figure 2: Production totals 2009-2014 (thousand HL)



[5]Excludes associate members of SIBA

Figure 3a compares levels of production in 2014 with those estimated in the 2013 survey and those forecast for 2015, reflecting a steady increase in the total hectolitres produced and a significant increase in the amount of bottled/canned beer. As shown in **Figure 3b**, bottled/canned beers in 2014 represented a significant part of the production for Level 5 members (more than half of captured production), although the majority of respondents brew less than 10% of production as bottled/canned beer. Most of the beer produced by Level 1, Level 2 and Level 4 members remains predominantly cask (an average 80% of totals), while Level 3 members indicate a relatively a higher production of kegged beers compared to other members.

Beer production has been investigated in relation to ABV. **Figure 4** shows findings gathered by crossing proportions of total production with three ABV range intervals: between 2.9% and 3.4%; between 3.5% and 4.2%, and between 4.3% and 6.0%. The latter two range intervals define the average strength of the vast majority of beers produced by surveyed breweries in 2014, as shown by the mid bars in the graph.

Only two breweries indicate more than 50% of their production being allocated to beers with a 2.9-3.4% ABV. However, six breweries report beers with 4.3-6.0% ABV accounting for more than 90% of their total production.

The other two ABV range intervals used in the questionnaire, 'Up to 2.8%' and 'Above 6.0%', provided contrasting responses. On the one hand, just seven breweries reported brewing low-alcohol beers below 2.8%, which anyway accounted for very low proportions of their total production in 2014 (mostly below 5% with only one brewery reporting up to 10%). On the other hand, 96 breweries reported brewing beers with an ABV higher than 6.0%, which accounted for more than 20% of the total production in four cases as shown in **Figure 5**.

Figure 3a: Proportions of beer production according to packaging (2013-2015)

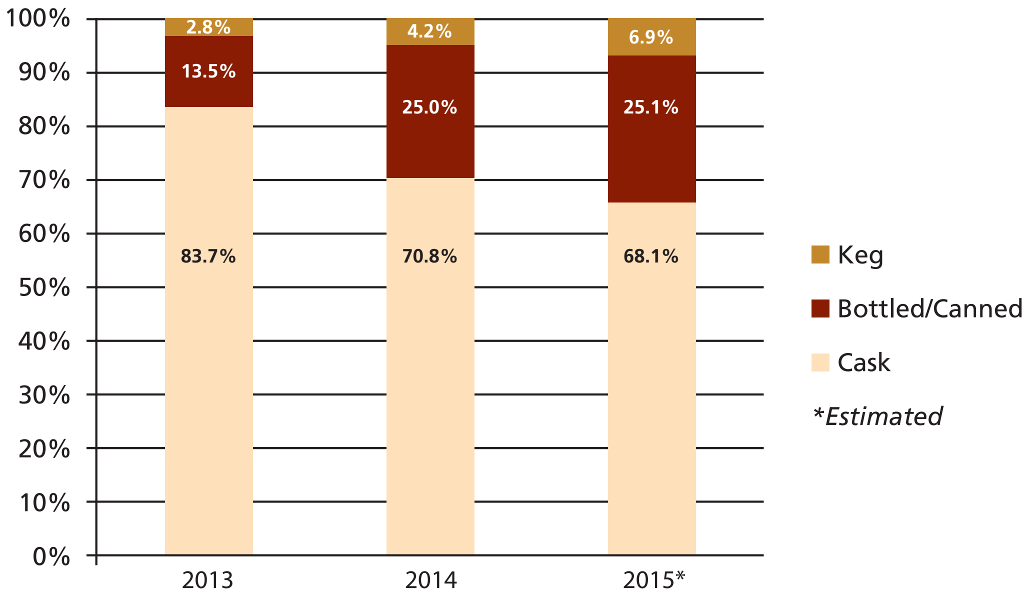


Figure 3b: Total 2014 production by packaging accounted for surveyed members

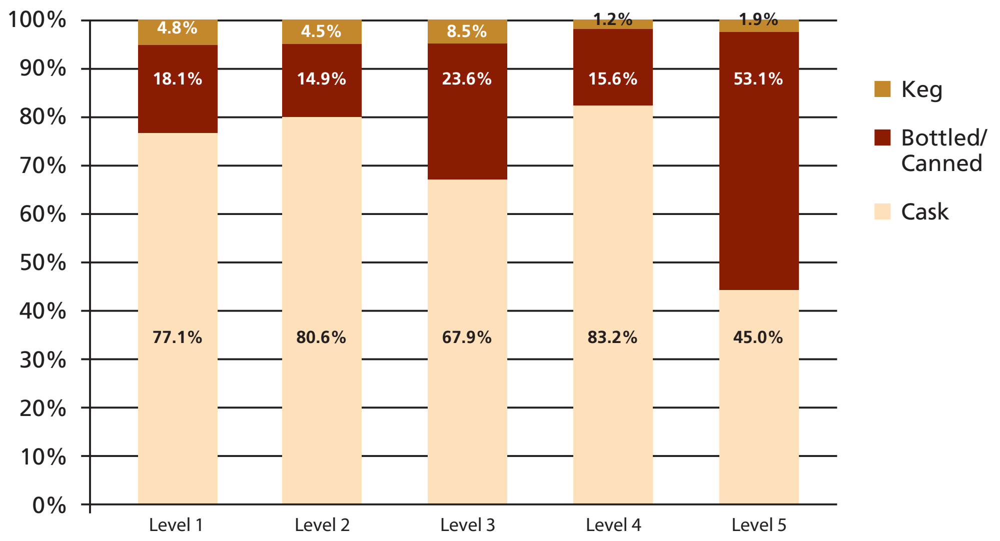


Figure 4: Production levels by ABV (count of respondents on top of bars)

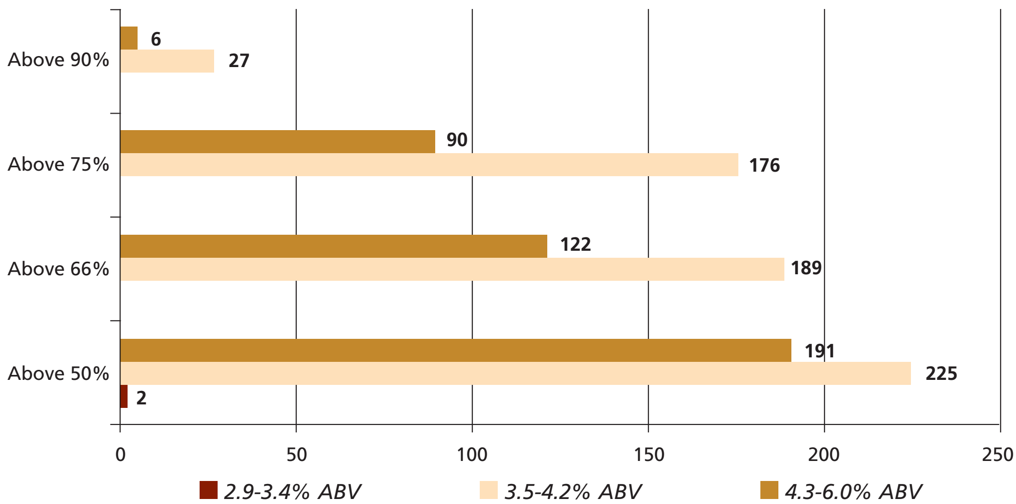
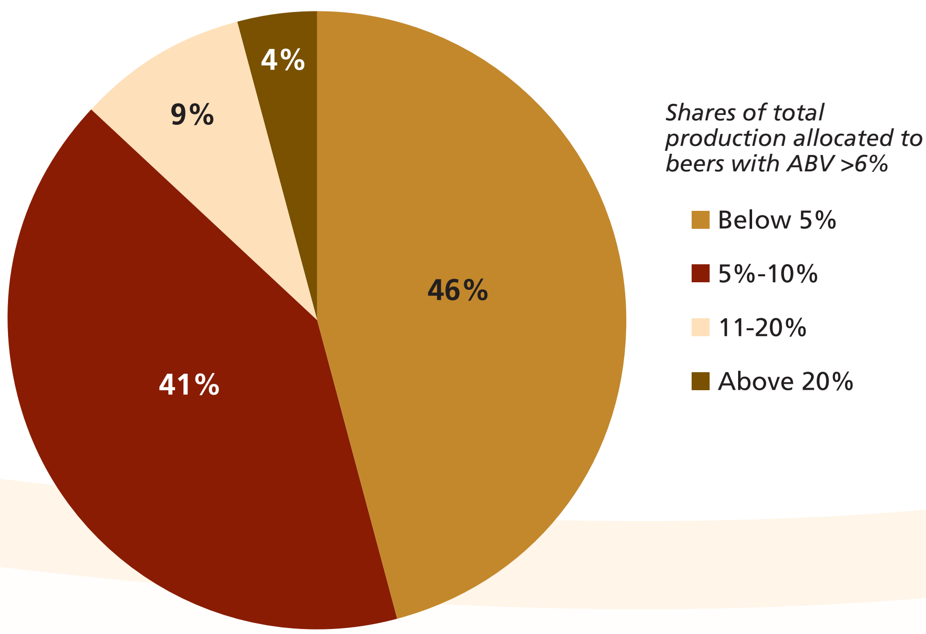


Figure 5: Breweries producing beers with ABV above 6% (count=96)



2.2 Beers

Surveyed breweries were asked to indicate the strength of their bestselling draught beer in 2014. The histogram in **Figure 6** shows an average 4.1% ABV, with the bulk of responses concentrating around this value and with about a fifth (20.1%) indicating an ABV above 4.2% for their bestselling beers.

Beer styles brewed by surveyed breweries on a regular basis are reported in **Table 3**. The regular production of Golden Bitter/Ale beers has been indicated by more than 90% of respondents, followed by traditional bitter ales, stout/porters, and strong bitter/IPAs also brewed by the majority of brewers. Conversely, only a handful of breweries indicated gluten free and low-alcohol beers in regular production. Interestingly, roughly one out of three breweries brew organic and speciality beers on a regular basis.

Figure 7 groups responses obtained with regards to the number of regular brands and seasonal beers brewed. More than 70% of respondents indicated having more than four different brands regularly brewed (a), with a quarter indicating having at least seven different brands in regular production. Engagement with seasonal or 'one-off' beers is also significant. More than 90% of respondents engaged in brewing seasonal beers in 2014, with about 22% having brewed more than ten seasonal beers in the period considered and only 23 breweries (about 8%) not brewing any seasonal beers.

KEY POINTS

- Average beer strength is 4.1% ABV
- Golden ales are the most produced beer style – 92% of respondents brew at least one, followed by traditional bitter – 81%
- 30% of members still brew a traditional mild, while 20% brew a lager
- Most brewers produce between four and six regular brands
- 90% of respondents brew seasonal beers

Table 3: Types of brands and seasonal beers*

Beer Styles	Percentage	Beer Styles	Percentage
Golden Bitter / Ale	92.2	Craft Keg Beer	19.6
Traditional Bitter	81.1	Local Ingredients Beer	18.9
Stout / Porter	73.0	Wheat Beer	18.1
Strong Bitter / IPA	72.6	Strong Ale / Barley Wine	14.8
Super-Premium Bottled Beer	42.6	Unrefined Cask Beer	14.1
Organic Beer	30.7	Foreign-Style Ale	11.5
Traditional Mild	30.0	Bottle-Conditioned Beer	10.7
Speciality Beer	29.3	Varietal or Green Hop Beer	7.0
Strong Mild / Old Ale	24.8	Low alcohol beer (<2.8%)	2.6
Lager	19.6	Gluten-Free Beer	0.7

**Percentages calculated on total responses per category*

Figure 6: Average ABV for bestselling beers

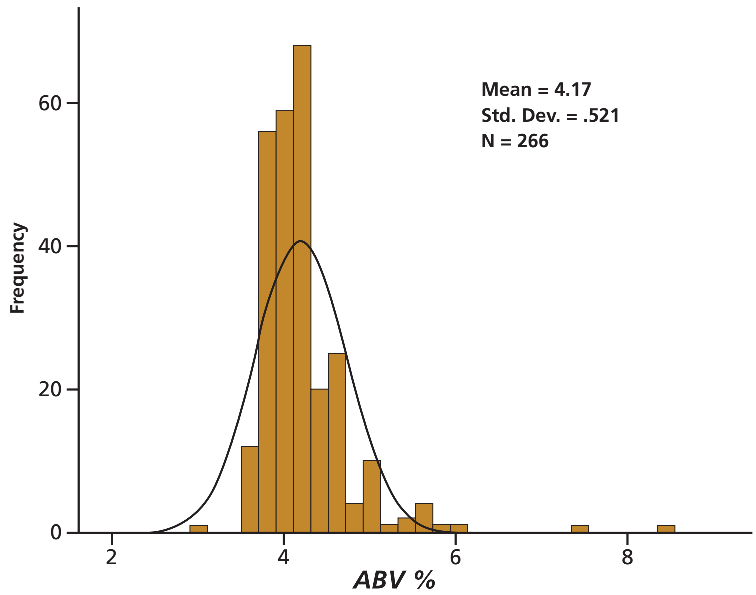
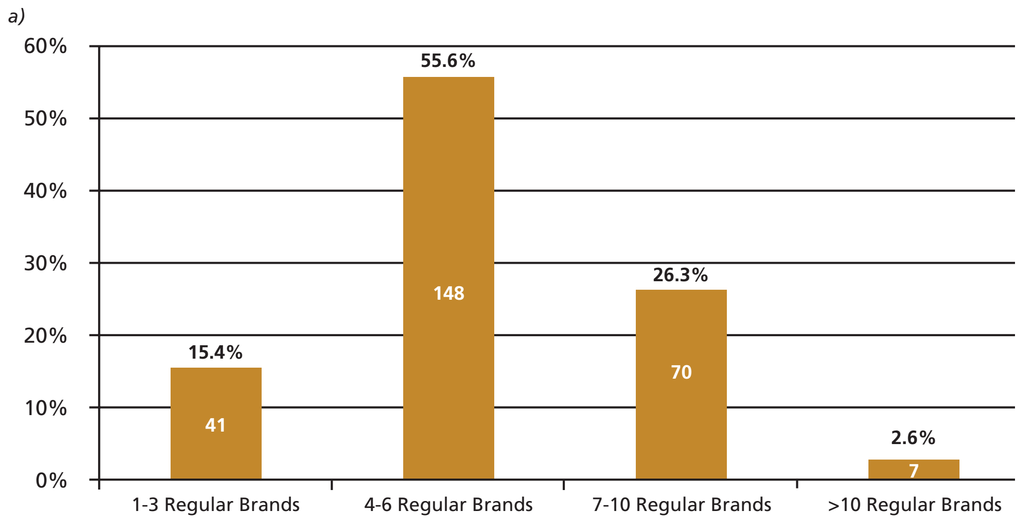
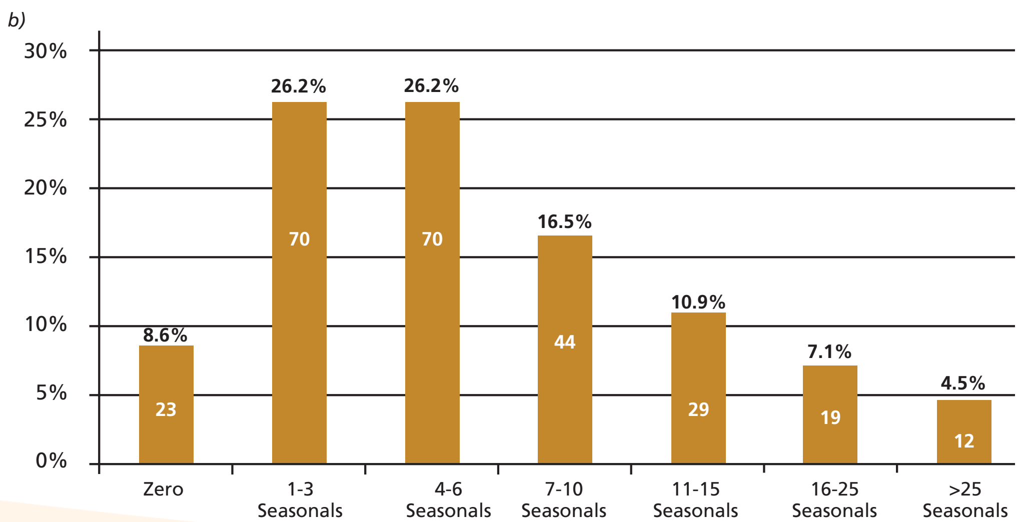


Figure 7: Brands (a) and seasonal beers (b) in regular production





2.3 Employees

The workforce captured by the 2014 survey comprised 1,549 staff employed in the breweries approached, with total employment among surveyed breweries rising to 1,819 when accounting for owners, managers and directors. As shown by **Figure 8a**, the vast majority of surveyed employees are full time equivalent (1, 125 - equal to nearly 73% of the total), with men representing approximately three out of four employees. **Figure 8b** reports cumulative totals of employees by type of memberships. Average hours accounted for by part-time employment are reported by **Figure 9**: about 43% of part-time employees work between 10 and 20 hours per week, with another 26% working above 20 hours. Jobs of less than 10 hours per week related to one out of three non-full-time employees.

Figure 10 classifies employees by age bands and residency. Half of the employees surveyed in 2014 are between 35 and 54 years old on average, with about one out of three employees aged under 34. Interestingly, the number of employees grouped in the oldest age band (55 years and above) outnumbered those grouped among the youngest category (16-24 years old). The majority of workers live in the same town or village as the brewery, with about two out of three employees living within five miles of their brewery.

The data confirms the importance of breweries in terms of impact on local employment. Further corroboration to this statement is provided by **Figure 11**, which reports findings obtained with regards to future recruitment plans. The vast majority of breweries are planning to expand their staff in the next twelve months, with 18% of respondents saying they won't recruit anyone and the remaining 82% saying they will recruit at least one employee, with 38% recruiting two and above which could generate about 840 new full time jobs among members in 2015. This positive trend is also confirmed in **Figure 12**, which shows trends related to employment taken from a subsample of 20 breweries for which data were available in different years. The data identify clear patterns of growth for both full-time and part-time employment, with the latter trebling in numbers in the period 2012-2014.

KEY POINTS

- 83% of brewers plan one or more new employees in the next 12 months
- Estimated 840 new jobs to be created by members next year
- 4 full-time and 1.5 part-time employed by members on average
- 1 in 4 employees are women
- 3 out of 4 jobs are full-time equivalent
- Good spread of ages in employment – half are aged 35-54, with 34% aged 16-34 and 17% aged over 55
- Investing in young people - One in ten employees are aged 16-24
- Local jobs in local breweries. Strong impact on local employment – over a third live in the same town or village as their brewery with a further 29% living within five miles
- Survey indicates that part-time jobs have trebled between 2012-14

Figure 8a: Surveyed workforce by type of contract and gender*

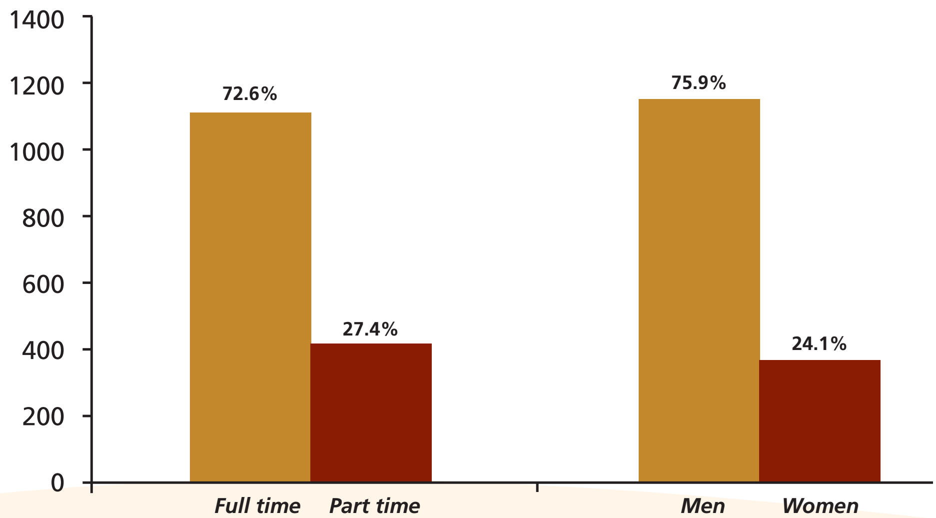


Figure 8b: Surveyed workforce by type of membership

Figure 9: Proportions of part-time employment by working hours

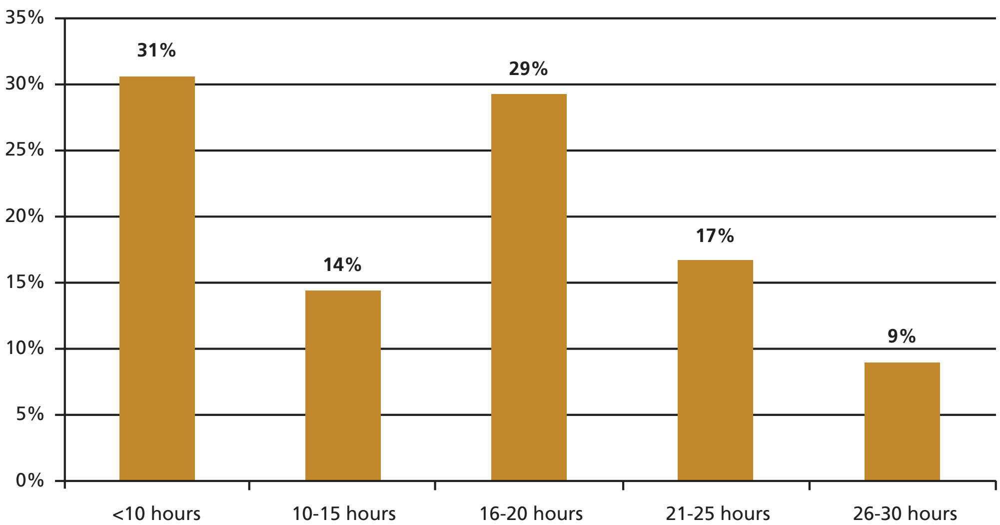


Figure 10: Workforce categorised by age bands and place of living

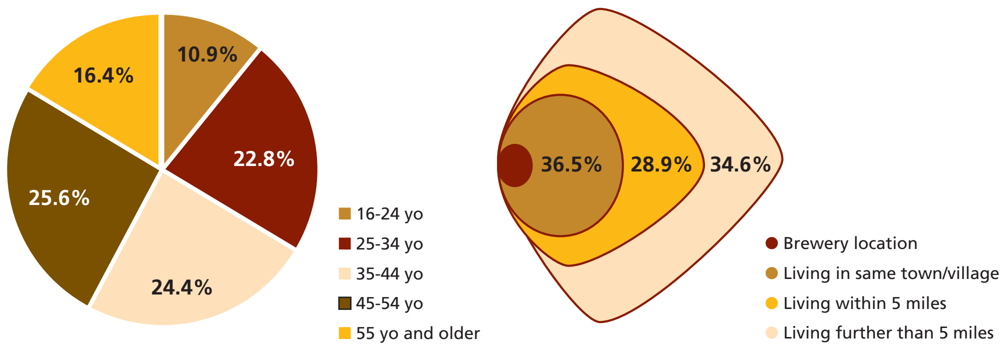


Figure 11: Recruitment plans of surveyed breweries

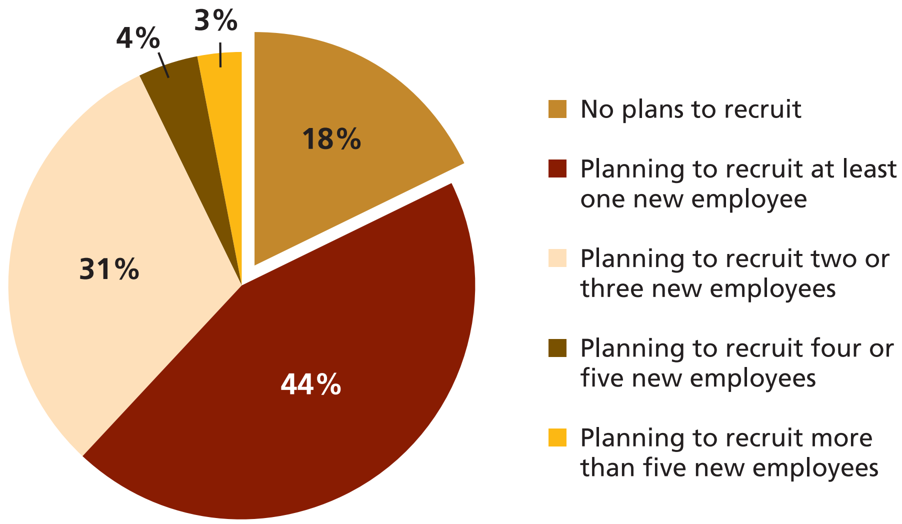
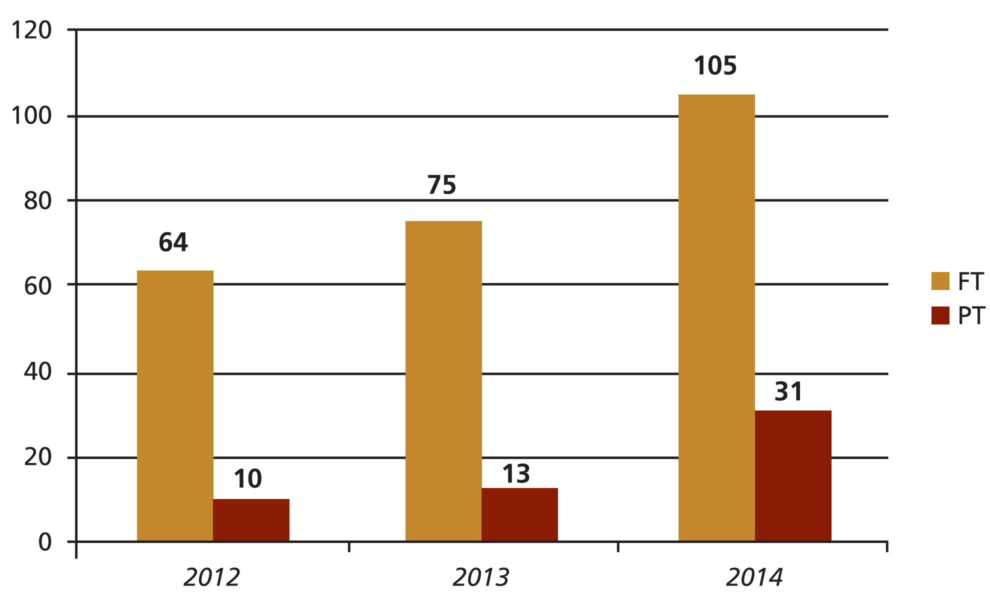


Figure 12: Full-time and part-time employment 2012-2014 (subsample n=20)



2.4 Business Activity

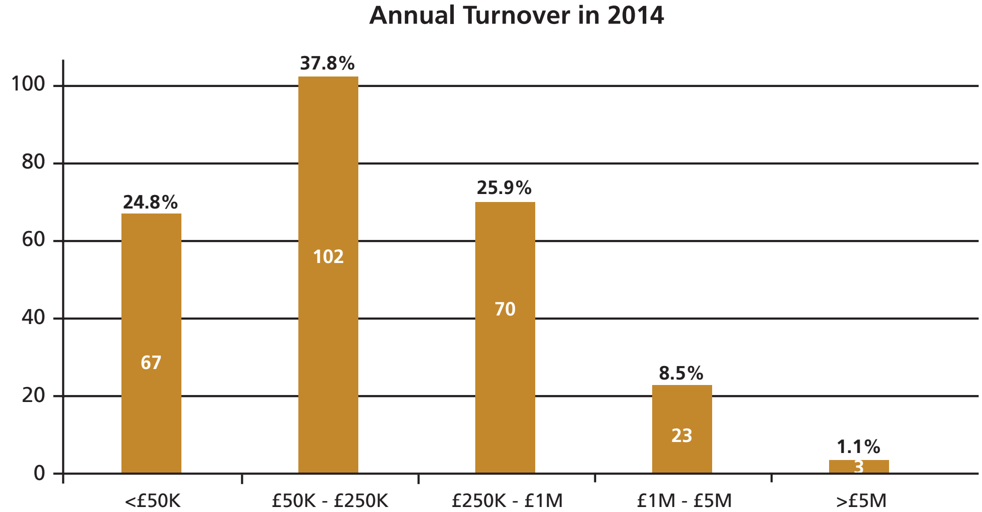
Figure 13 shows the distribution of surveyed breweries with regard to levels of annual turnover. One out of four breweries approached by the survey indicated an annual turnover in 2014 below £50k. However, the majority of responses obtained are in the band £50K-£250k, with about 35% reporting an annual turnover above the £250k threshold and 10% reporting an annual turnover above £1 million. Estimation for this year seems very positive overall: three out of four respondents are expecting an increase in annual turnover in 2015, with nearly one out of five forecasting growth above 25%. Conversely, about 8% of responses expect a decline in turnover for the next year, with another 15% predicting no change.

As shown in **Table 4a**, around one out of five breweries in the survey indicated that they own, lease and rent pubs. **Table 4b** reports pubs owned or tenanted/leased according to memberships. The total number of pubs owned by breweries captured by the survey is 333, while those leased/tenanted are 223. The majority of respondents (30) indicate that they own at least one pub, while five respondents seem to directly possess more than ten pubs each for a cumulative total of 233 controlled pubs. Conversely, figures related to leased/tenanted pubs are smaller, with just eleven respondents indicating that they control at least one pub under these types of management, and only nine revealing that they have more than two. Operations conducted and finalised in 2014 saw the purchasing/undertaking of 24 pubs, of which 10 were bought and 14 were undertaken by respondents.

KEY POINTS

- 3 out of 4 respondents expect their turnover to increase in 2015
- One out of five forecast growth in turnover over 25% in 2015
- 38% of respondents turnover between £50k-£250k in 2014
- Only 8% expect a decline in turnover in 2015
- 55% of production is supplied to free-trade pubs, with 14% going to controlled pubs
- Over 80% of beer sold within 40 miles of the brewery
- 15% of respondent brewers now exporting their beers
- Almost 58% of brewers are interested in exporting their beers

Figure 13: Annual turnover in 2014 and estimates for 2015



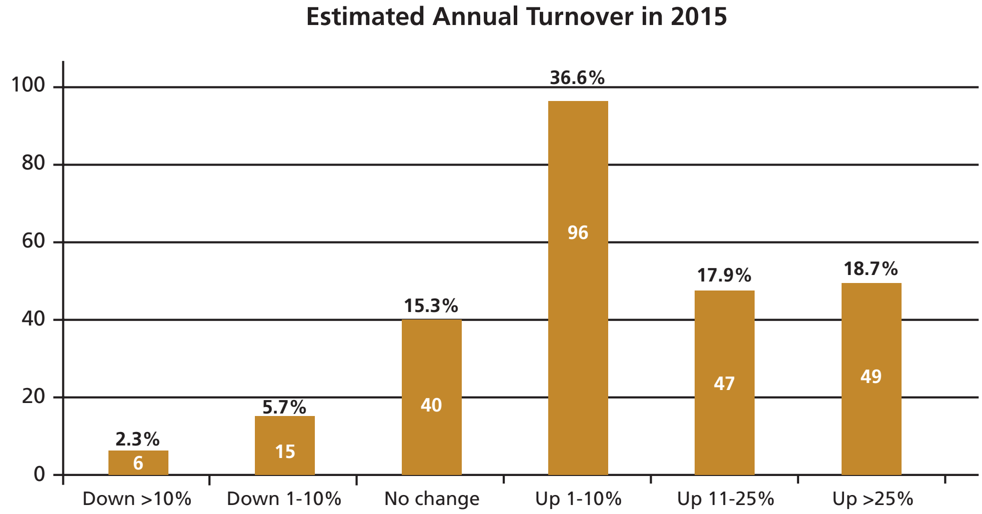


Table 4a: Number of surveyed breweries owning or leasing/tenanting pubs (counts)

	Freehold		Leased/Tenanted	
No. pubs operated	Total	Bought in 2014	Total	Taken on in 2014
Zero	172	-	199	-
One	46	1	19	9
Two	7 (14)	1	2 (4)	-
Three to five	10 (26)	4	3 (16)	
Six to ten	2 (14)	2	1 (6)	5
More than ten	5 (233)	2	5 (178)	-
Total	244 (333)	10	229 (223)	14

Table 4b: Surveyed breweries owning or leasing/tenanting pubs by memberships*†

	Freehold pubs			
No. pubs operated	Level 1 (up to 999 HL)	Level 2 (1,000-4,999 HL	Level 3 (5,000-29,999	Level 4 (30,000-59,999 HL)
One	22	17	6	1
Two	3 (6)	3 (6)	1 (2)	-
Three to five	1 (4)	8 (18)	1 (4)	-
Six to ten	-	1 (8)	-	1 (6)
More than ten	-	1 (33)	5 (182)	1 (18)
Totals	26 (32)	30 (82)	13 (194)	3 (25)

	Leased/tenanted pubs			
No. pubs operated	Level 1 (up to 999 HL)	Level 2 (1,000-4,999 HL)	Level 3 (5,000-29,999 HL)	Level 4 (30,000-59,999 HL)
One	6	10	3	-
Two	-	2 (4)	-	-
Three to five	1(5)	-	1 (4)	1 (7)
Six to ten	-	-	1(6)	-
More than ten	-	-	4 (162)	1 (16)
Totals	7 (11)	12 (14)	9 (175)	2 (23)

**Total numbers of owned/leased/tenanted pubs corresponding to categories are reported in brackets*
†No owned/leased/tenanted pub reported by breweries holding a Level 5 membership

Current sales routes to market were investigated by using percentages of total beer sales made through eight specific channels: a) direct to breweries' owned pubs; b) direct to free trade pubs; c) through the SIBA DDS route; d) direct to pub-companies tied pubs; e) direct to pub-companies free-of-tie pubs; f) reciprocal to other breweries; g) direct to wholesalers; and h) other routes.

Figure 14 shows histograms and normal curves computed for each of these categories. At a first glance, responses indicate a high level of variation among the eight different routes. However, surveyed breweries appear to indicate free trade pubs, owned pubs and wholesalers as the main channels for their sales. In particular, an average 55% of breweries' production appears to be supplied to free trade pubs, about 14% to owned pubs and little more than 13% to wholesalers. Sales through the SIBA DDS and reciprocal sales with other breweries are the lowest categories, accounting for an average of 5.4% and 3.8% of the total sales respectively.

Respondents were asked to estimate percentages related to total on-trade sales made beyond a 40 mile radius of their respective breweries; responses are reported in **Figure 15**. As expected, the majority of responses indicate the largest proportion of production (80% and above) sold within spatial proximity. However, about one out of three breweries sell more than a fifth of their beers beyond a 40 mile radius, with 43 breweries selling more than half of their production further away from their location.

Figure 16 shows data and figures related to export. About 15% of breweries responding export their products overseas, with 30 destinations reported in the survey. Main markets are in Europe (Italy, Sweden, Finland, Norway and Spain), but some breweries indicated exporting to Brazil, Canada, Australia and China. The majority of breweries which are not exporting manifested an interest to start.

Figure 14: Beer sales routes

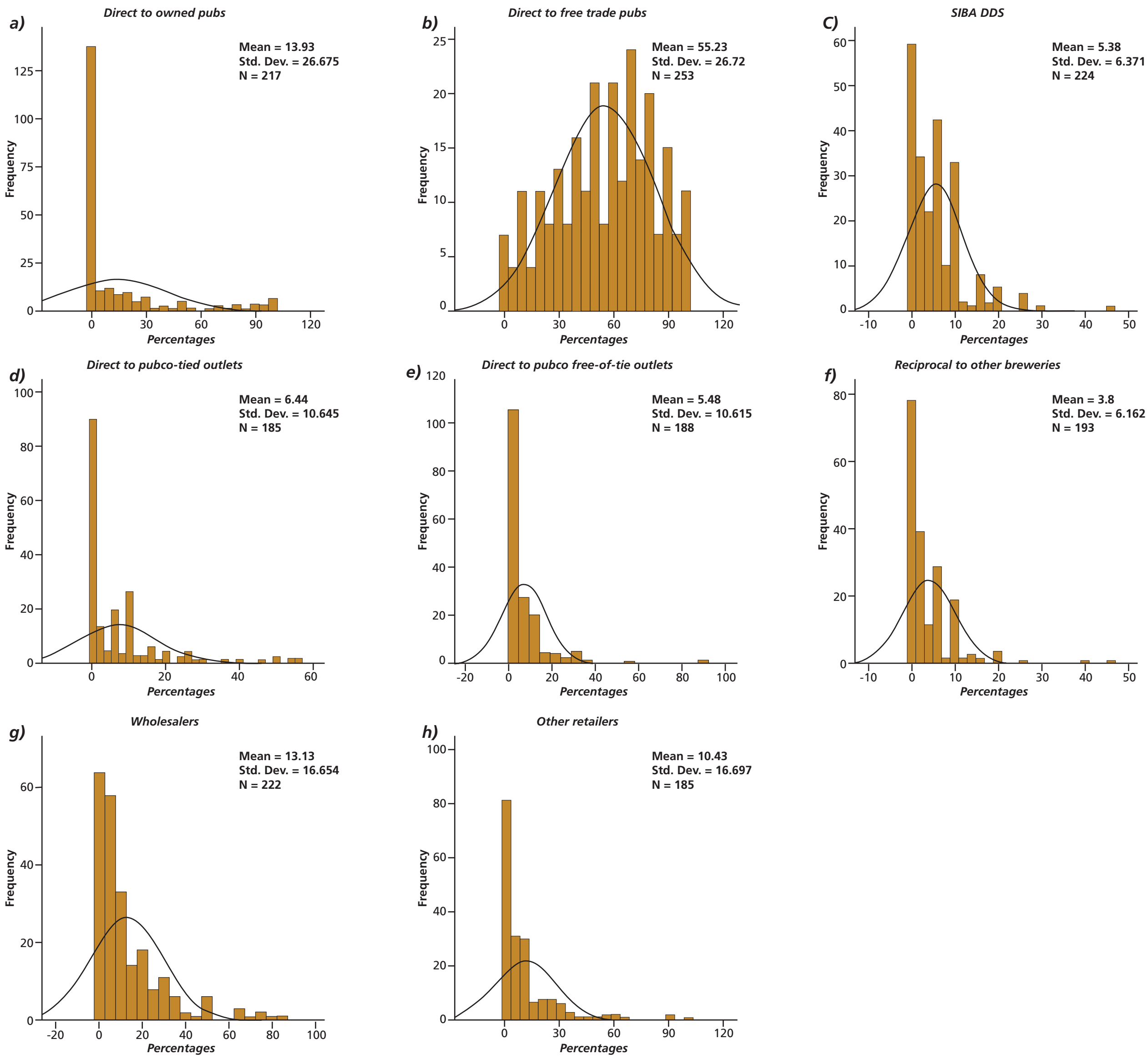
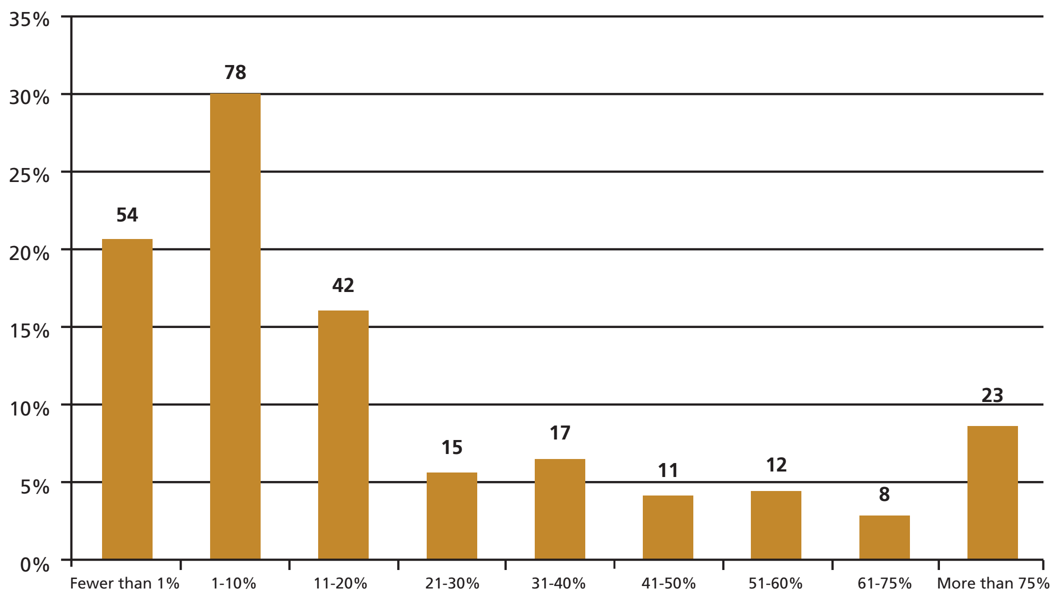
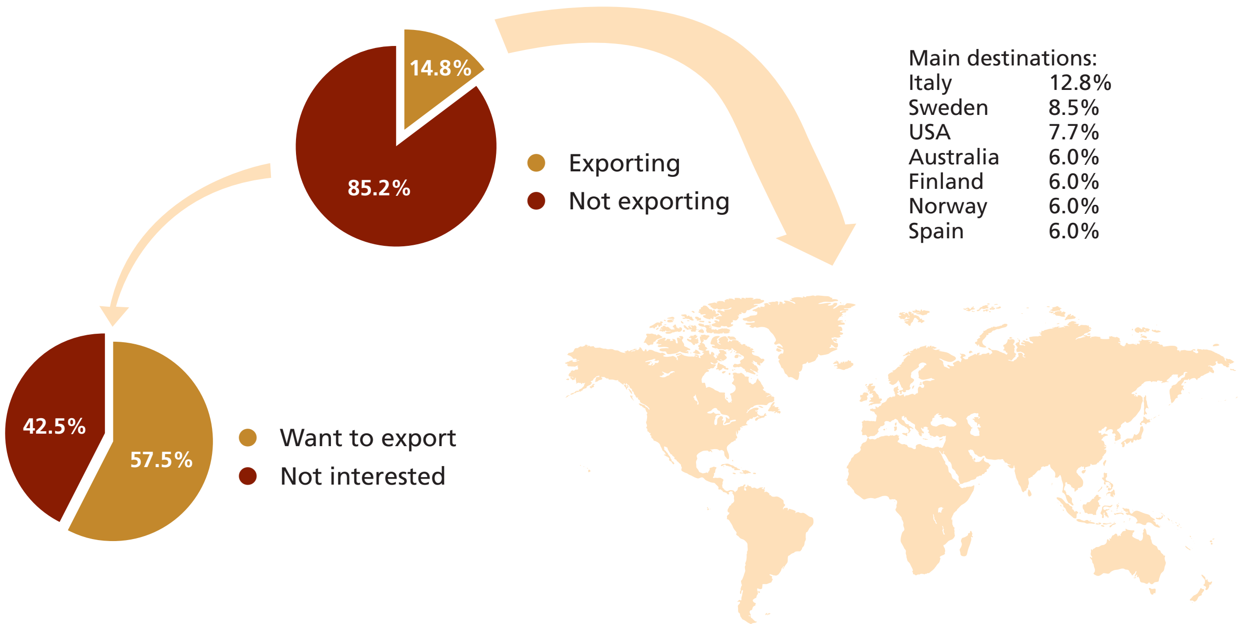


Figure 15: Proportion of beer production sold beyond a 40 miles radius*



**Percentage bars – counts on top*

Figure 16: Export activities among surveyed breweries



2.5 Current Investments and Future Developments

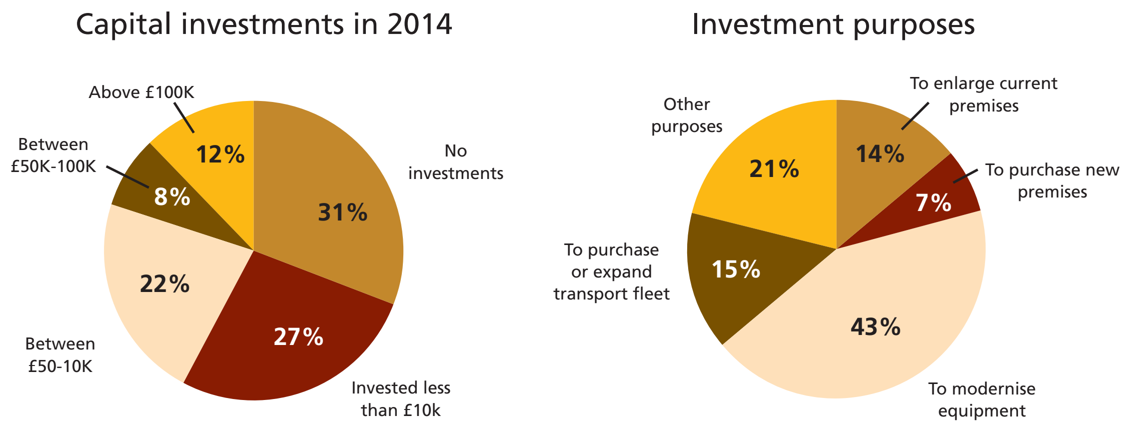
The majority of breweries approached with the survey made capital investments in 2014, as shown by **Figure 17**. More than one out of four breweries invested less than £10K, with 42% investing above this threshold and 12% investing more than £100K in their breweries. The purposes of these investments are reported in **Figure 18**. The bulk of respondents (43%) invested to modernise equipment, while other respondents purchased or expanded their transport fleet (15%), enlarged their current premises (14%) or purchased new premises (7%). Other investment purposes (21%) varied significantly, although buying more casks and refurbishing/repairing were among the most common.

Breweries were asked to indicate and rank their priorities for utilising duty savings related to the beer duty reductions and Small Breweries' Relief (for those who qualified) with regard to their business activities. Priorities were ranked from 1 to 7 in order of their importance, where 1 is the most important and 7 the least important. Increasing capacity and purchasing new equipment were indicated as top-priorities in 30% and 28% of the cases respectively, while savings seemed less important in relation to staff training, discounting prices or developing marketing and branding.

KEY POINTS

- Nearly 70% of breweries made capital investments in 2014
- 12% invested more than £100k in 2014
- Bulk of investments were in modernising equipment, premises and to expand transport
- Duty savings from two successive duty cuts and Small Breweries' Relief were mainly used for more capacity, new equipment, pub acquisition and new staff
- Training is very important to members – 77% intend to invest in staff training in the future and over 90% are interested in a SIBA-led training scheme
- Small Breweries' Relief at at least current levels is essential to the future – Over 70% say it is vital to their business and a further 24% say it is 'very important' or 'important'
- SBR is defined as either 'vital' or 'very important' by nearly 93% of those breweries expressing an interest to start exporting
- Almost one out of five breweries plan to double their current levels of production, sales and turnover by 2018

Figure 17: Levels of capital investments made in 2014 and related purposes



The willingness to invest to increase the quality of training available for employees is explored in **Figure 19**. More than three out of four breweries intend to increase the quality of training provision in the future. In addition, the huge majority of respondents expressed an interest in taking part in training developed and provided by SIBA. Surveyed breweries consider Small Breweries' Relief extremely important with regard to their ability to compete as small businesses. **Figure 20** shows more than 70% of respondents indicating SBR as 'vital' for their activities, with another 24% as 'very important' or 'important'. Only six respondents did not regard SBR as important for their businesses. Overall, responses corroborate evidence of the significance of SBR not only for members' current activities but also for future expansion. For instance, the SBR is defined as either 'vital' or 'very important' by nearly 93% of those breweries expressing an interest to start exporting.

Breweries expressed their objectives in terms of growth and expansion over the next three years. As shown in **Figure 21**, the vast majority of breweries plan to increase production, sales volume and annual turnover in the next three years, with only 15 breweries indicating no plans in terms of growing their business. While the bulk of responses expressed an intention to achieve marginal growth up to 25%, almost one out of five breweries plan to double their current levels of production, sales and turnover by 2018.

Figure 18: Priorities in relation to using duty savings

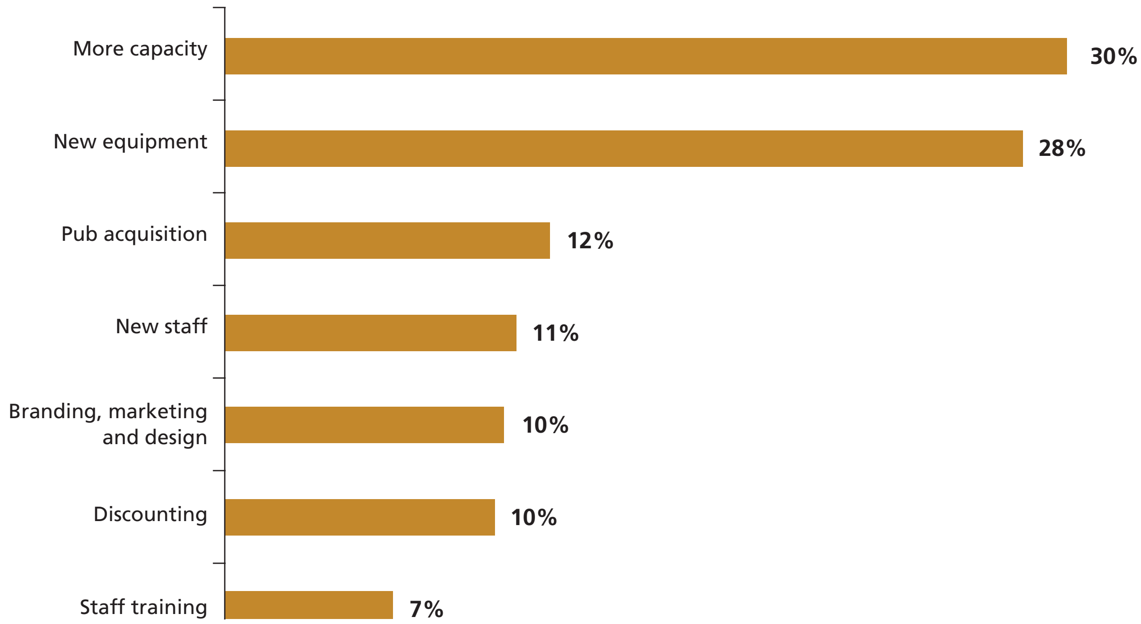


Figure 19: Attitude towards increasing quality of training available for employees in future

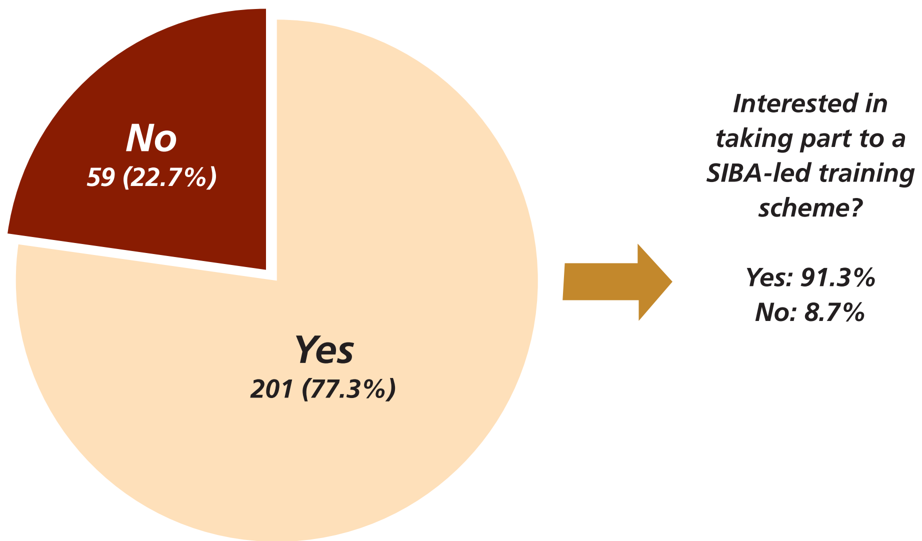


Figure 20: Importance of Small Breweries' Relief for breweries (percentages in brackets)

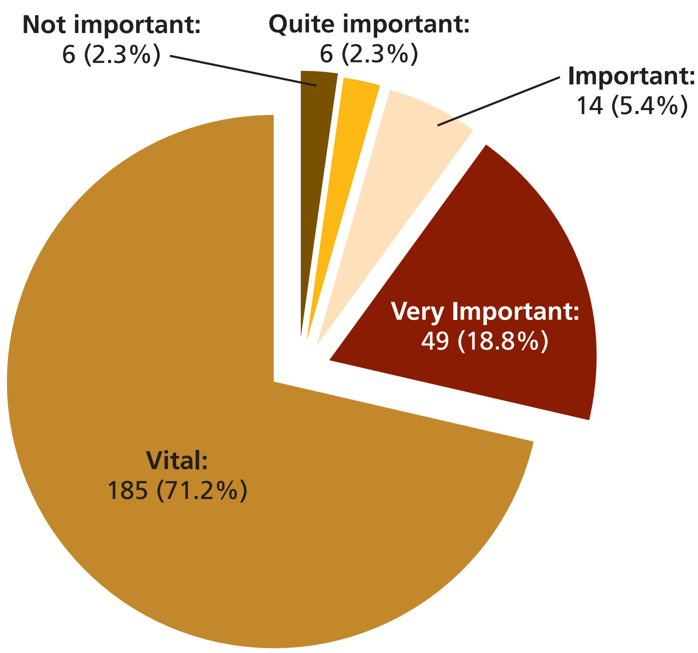
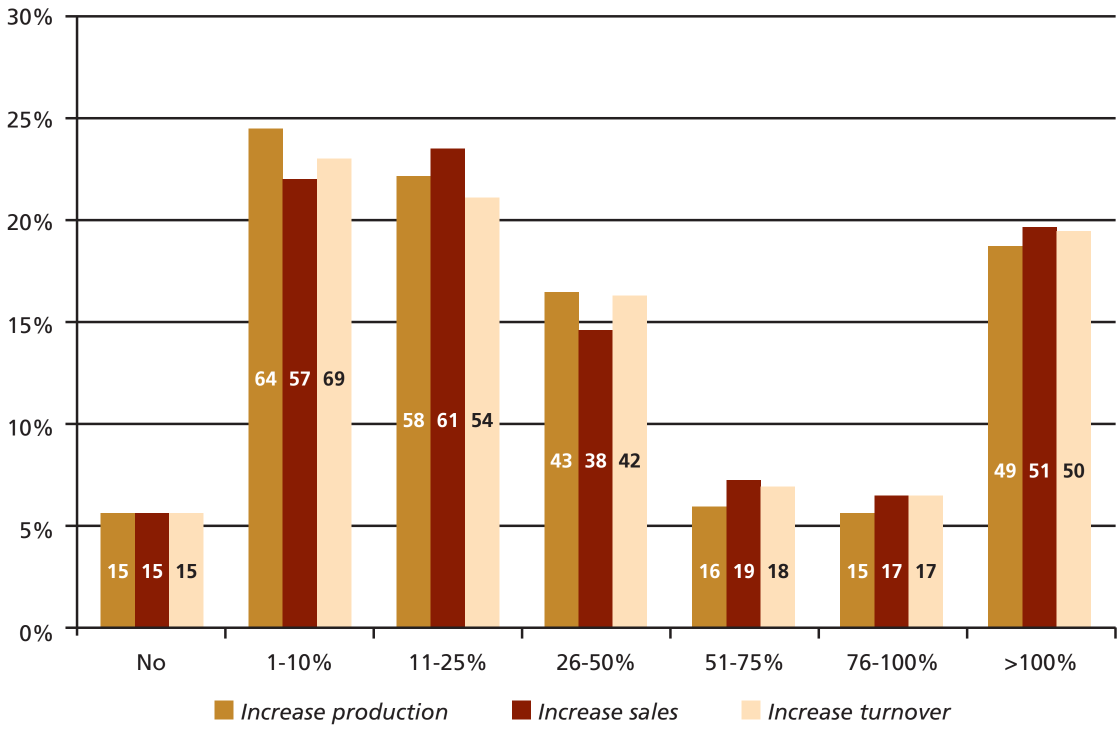


Figure 21: Future plans for investments

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2.6 Your Brewery and SIBA

Breweries expressed their views in relation to services and benefits associated with their SIBA membership. These were ranked in terms of importance by using a Likart scale with factors ranging from 1 to 5 (1 = least important and 5 = most important). The survey questionnaire proposed 22 specific services and benefits; the ten most valued by members have been ordered and shown in Figure 2**2**.

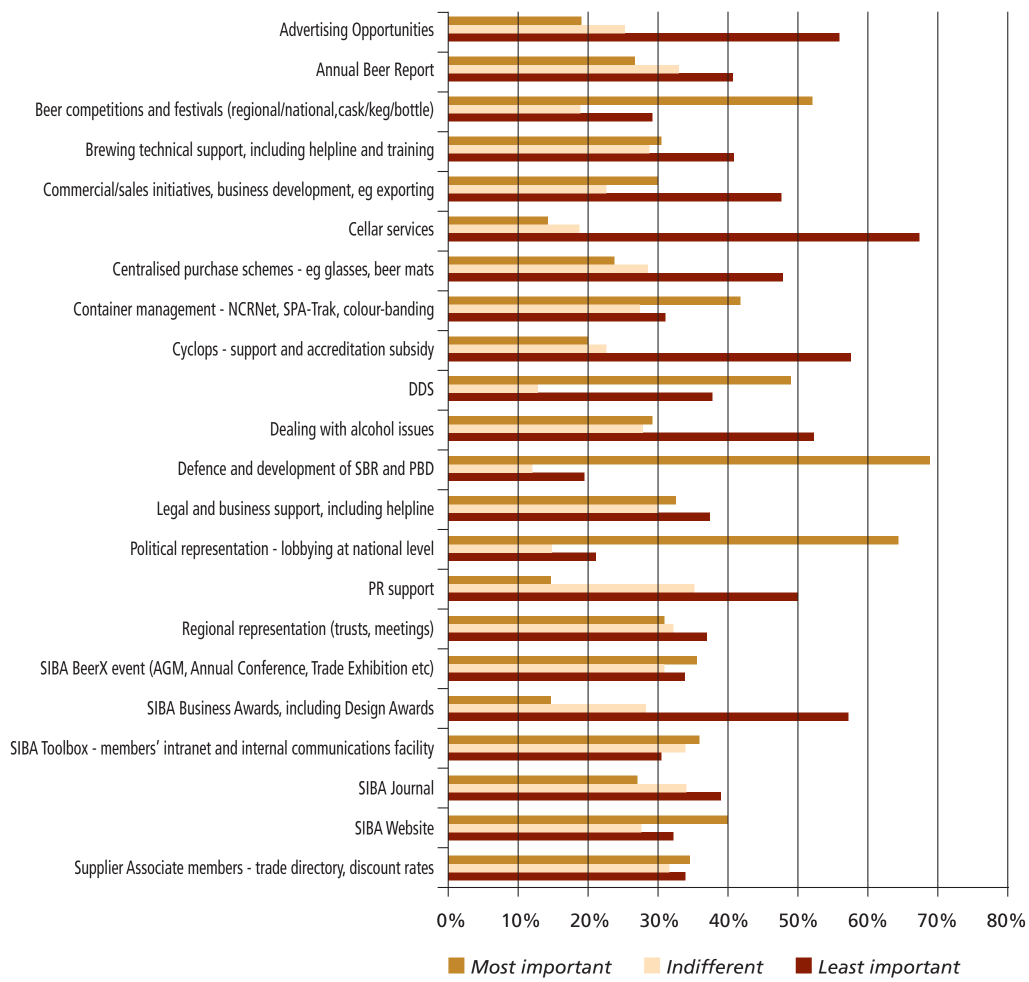
The defence and development of instruments in support of breweries, such as Small Breweries' Relief, appear to be significant by members, with 55% indicating these as the most important services and another 14% as a relevant service. Similarly, political representation and lobbying on behalf of independent breweries generally, is also seen as a significant service (64% cumulative comprising 'most important' and 'relevant' responses), followed by the organisation of beer competitions and festivals (52% cumulative).

Conversely cellar services, advertising opportunities, support related to Cyclops and dealing with alcohol issues are valued least in terms of significance by members. A question inserted in the questionnaire asked to indicate the level of importance of other services or benefits not included in the pre-defined list. Among the 32 responses generated, the provision of training and improving access to website and information were frequently mentioned as the most important, together with an expansion of the Direct Delivery Scheme and improved quality control checks/audits.

KEY POINTS

- Majority of members indicate SIBA's campaign in defence and for the development of Small Breweries' Relief as an extremely important activity
- Political lobbying by SIBA on behalf of independent breweries is also considered very important
- Organisation of beer festivals and competitions and SIBA's Direct Delivery Scheme valued as initiatives by members
- Results support SIBA's new strategies to build improved member benefits including campaigning, beer competitions, improved communications, training provision and quality auditing.

Figure 22: Services and benefits offered by SIBA and ranked by level of importance

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3. SIBA's Direct Delivery Scheme

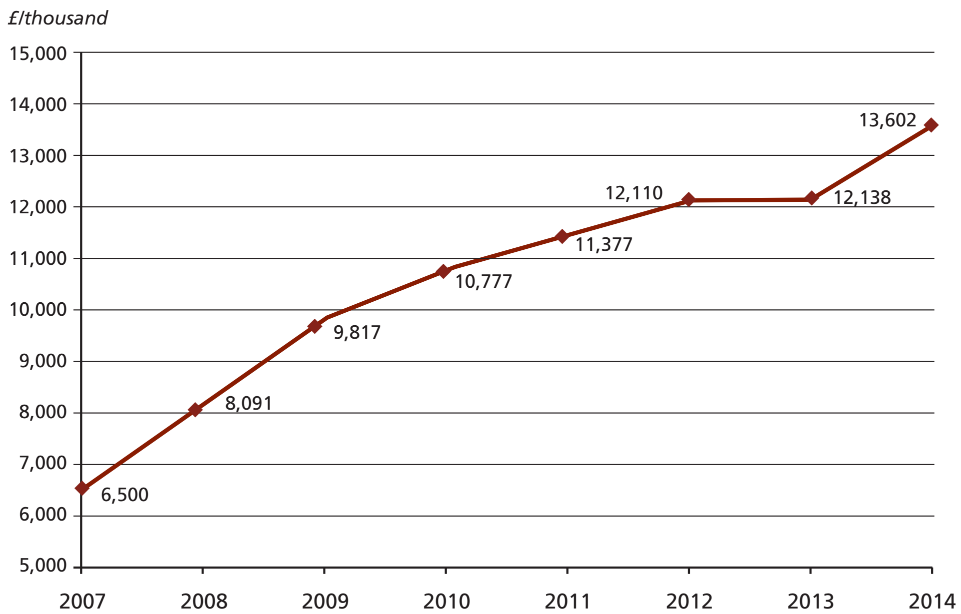
Responses to this year's survey suggested that, on average, only around 5% of a member brewer's sales were made through the SIBA Direct Delivery Scheme (SIBA DDS).

However, this low figure belies the importance that SIBA DDS has had over more than a decade, since its inception in 2002, and does not adequately reflect the impact of the scheme in bringing a huge choice of quality, locally-brewed beers from over 550 participating brewers to, in 2014, some 2400 pubs in the UK.

The idea is simple – by providing a centralised administration service, handling the whole process from order capture to final invoicing, SIBA DDS enables small brewers to trade in their heartland with pubs owned by multiple retailers, companies which are typically much larger than the supplying brewers, and often based many miles away.

As the **Figure 23** below demonstrates, the annual turnover of this wholly-owned, not-for-profit sales agency has continued to grow over recent years, from £6.5 million in 2006-07 to £13.6 million for the year to Sept 2014 with an average annual increase of 14% each year.

Figure 23: DDS Annual turnover

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Comments and suggestions

Please send your comments and suggestions on the Beer Report addressed to Mike Benner, Managing Director at **sara.knox@siba.co.uk**

You can download a copy of the report at **www.siba.co.uk/beerreport2015**

Thanks

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