



## Introduction

The Scottish Government is intending to introduce a Deposit Return Scheme (DRS) in July 2022. SIBA and small breweries recognise the importance of improving the environment and tackling waste, however as currently designed it will introduce significant costs for small producers, reduce the choice and availability of independent beer in Scotland and create more uncertainty for businesses struggling with Covid-19.

Covid-19 has hit small brewers hard, with them losing 10 years of growth and it will take many years to recover. For most of the past year the main route to market (Scottish pubs) which represents 80% of sales have been closed. Small brewers have accumulated debts of around £30,000 each and around 40 across the UK have closed and others may follow.

In Scotland our members produce around 200,000 hectolitres of beer every year which equates to around 350 million pints. Of the 2 billion containers placed on the Scottish market each year, our members represent only a small percentage (0.625% of the total) with around 10 million glass bottles and 2.5 million cans. It may be a small amount but we believe that as the proposed Deposit Return Scheme (DRS) is currently designed it will have a significant negative impact on Scottish breweries and consumers.

## SIBA are asking that the Scottish Government considers:

- 1. A stepped introduction:** Most of the costs for small breweries will come in the next 12 months when they are trying to recover from the effects of the Covid-19 pandemic. Small producers need extra time to prepare and should be given more time than larger companies to do so.
- 2. Review online sales and takeback service:** Small brewers do not have the technical abilities and resources to adapt their online shops which have become essential during the pandemic.
- 3. More proportionate costs for producers:** Producer and registration fees, along with labelling, should take account of the size of producer.
- 4. Safeguards for small producers:** The Scheme Administrator should be required to demonstrate to the Scottish Government how it will give due regard to the requirements of small breweries to stop it being dominated by global producers.

## Costs of DRS

- Small breweries will need to pay producer fees per container which could be 3.8-2.8p per container, costs that eat into tight margins and cannot easily be passed onto the retailers in such a competitive market.
- Producer fees and deposits will have to be paid up to several months in advance, which will significantly impact cash flows.
- In the final regulations the Scottish Government increased the registration fee from £209 to £360 and set exemptions very low, meaning that small businesses have to pay the same rate as Coca-Cola and Heineken.
- It is likely small breweries will have to change their labels including putting barcodes on their labels which not all breweries currently do.

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