



**SBR  
@20**

**SMALL BREWERIES'  
RELIEF: 20TH  
ANNIVERSARY**

**THE SOCIETY OF  
SIBA  
INDEPENDENT  
BREWERS**





What a journey small independent brewers have been on over the past 20 years since the creation of Small Breweries' Relief (SBR).

However, the story of SBR starts 20 years before that in the 1980s as fledgling independent brewers got together to develop an idea which would allow them to compete against the larger brewers and improve their market access. In this report you can read stories from those architects of SBR who developed a credible design that would pass the rigorous test set by Government officials. Dave Roberts and Roger Protz take us back to the campaign's beginnings of Sliding Scales and Progressive Beer Duty. In their article, Professors Geoff Pugh and David Tryall detail the importance of academic research to justify tax relief.

But it's not enough just to have a well costed and thought through plan and it was a "great big helping of serendipity" that actually got it introduced, as Keith Bott details in his look at the political negotiations and backroom arm wrestling that delivered SBR.

The sector has come a long way over the past few decades. Within only a few years of its introduction SBR had created over 100 new businesses and at least several hundred jobs that would not have existed. Using HMRC

data and SIBA's research you can see the dynamic nature of the craft beer sector which now in 2022 has more than 1,800 breweries and hundreds of different beer styles. Drawing on our latest craft beer report, Caroline Nodder explores SBR's legacy, as independent brewers have used SBR to grow their businesses, expand into taprooms and online shops and provide community pubs with beer at the cutting edge of innovation.

After the pandemic and the current energy crisis, where will the future take us? Eddie Gadd gives his analysis of where we go from here as the Government plans to radically change the Alcohol Duty System and expand SBR to include other alcoholic products under a new Small Producer Relief. What will these reforms mean for craft beer? Will we see the same revolution occurring in the cider industry? Could the new Draught Duty Rate pull people back from their sofas onto the bar stool?

It is clear that SBR has transformed the beer industry over the last 20 years. We now have a small independent brewery in nearly every constituency, supporting thousands of jobs at the heart of our community. Let us hope it continues into the future for another 20.

**Roy Allkin is the current Chairman of SIBA**



## How the campaign for SBR began

This SBR report celebrates 20 years of a revolutionary beer duty system but the story of Sliding Scale (SS) which became Progressive Beer Duty and was renamed Small Breweries' Relief, starts over 20 years before its introduction. In fact, SS was the main reason SIBA was formed by the "father" of micro brewing, Peter Austin, and a handful of compatriots.

Through the 80s the concept of a progressive beer system developed mainly as a result of us responding to the probing of MPs. From "it's great idea" through "how much will it cost and who will have it?" This showed the need to create a workable system. However, our naïve attempts did have one effect: it was recognised as a concept in the Monopolies investigation into "The Supply of Beer" in 1989 which resulted in the industry shattering "Beer Orders". These frustratingly did not include our dream.

But what would a scheme look like? We needed to find a structure so I started looking and thinking. The start was the EU laws surrounding the coming of the single market in 1993. We were intimately involved in the creation of the laws surrounding the calculation of beer duty and with those consultations we built a trust with HM Customs and Excise. In fact, we agreed a duty

structure which was quite contrary to that which the national brewers wanted. It was a major step to changing the balance of power in the industry.

These discussions lead me to realise that any type of scheme would have to reflect the parameters allowed within EU law. These were written in such a way to allow great flexibility so I set about trying to devise a scheme suitable for the UK which would naturally benefit the little guys! After many months of fruitless thinking I had the "Eureka" moment: there was one thing that the EU laws did not prevent: they did not prevent breweries being given a base discount even if they were very much bigger. So, I had the concept. It was then a matter of maths, fiddling around with production levels and percentage discounts. With a solid scheme we would be able to see the real cost and have a workable system to present to government.

So, why was PBD so important? Well, I started my brewery in 1982 and it was so very difficult to sell beer then. Why? Well, first of all the idea of small local breweries was in its infancy and so there was little palpable demand from the customer so no pressure on a licensee to stock an unknown beer. More important though was the simple fact that every new account opened was descended on by beer reps who basically had all the discounting powers available to keep us new brewers out of the market which was dominated by the tied house system. This

severely limited where we could sell beer: for years we were chasing our tails just to survive and facing monthly beer duty bills which we would have to fund ourselves as it was a production tax and not a sales tax. Indeed those days were pre-credit cards so everything had to be cash! In that time so many people started up and failed as the dice were loaded against them. I used to say, I went bust several times but had a hopeless accountant who never noticed much less told me!

We failed to get a progressive beer system in place through the 90s despite constant campaigning as the Conservative governments and especially their MPs received huge funding from the beer industry: this is detailed in Lord Young's 1990 autobiography.

But in May 1997 the political landscape changed with the coming of a new Labour government with whom we had been discussing PBD whilst they were in Opposition. They were great if frustrating years and many contributed along the way who need mention of but you have the bones of the campaign. We still had to wait for another three years until we learnt that the concept had been accepted and a further two before we could celebrate its introduction. Let the revolution continue!

**Dave Roberts is a former SIBA Chairman**



## The need for SBR

The acute problems that faced small brewers were brought home to me in 2002 when Martin Kemp, who ran the Pitfield Brewery in North London, told me he was closing the plant. The cause was not one that faced bigger brewers: his van had broken down, he couldn't afford to repair it and as a result couldn't deliver to pubs.

The loss of Pitfield would have been a disaster. Back in 1987, when it was run by Martin with his partner Rob Jones, it had won the Champion Beer of Britain top award with its Dark Star ale. It put not just Pitfield but the whole of the small brewers section in the spotlight and proved that minnows could brew just as good beer as regional and national producers.

Around the same time, when I went to Nottingham to write a piece about the Castle Rock Brewery, managing director Colin Wilde greeted me in his office and said: "I'll just sign this cheque to HMRC and then we can chat." I looked over his shoulder and winced at the eye-watering amount of money he was signing away.

"Is that a year's duty?" I asked. Colin laughed. "You must be joking – that's one month's." He agreed he had to make and sell a lot of beer before he could start to make a profit.

And then came the momentous announcement in 2002 from Chancellor Gordon Brown that he was introducing Progressive Beer Duty that would give small brewers a much-needed tax break: "It will mean cheap beer in time for the World Cup!" he said to cheers from all sides of the Commons. It was a typical piece of politicians' hyperbole but nevertheless it did mark a

breakthrough for small independent brewers. It was the culmination of their long campaign for a duty scheme that would recognise how they struggled to survive in a beer market dominated by big brewers and their famous "economies of scale".

PBR as it was first known had been a long, hard struggle. Back in 1980 I had been invited by Peter Austin, known as the father of craft brewing in Britain and founder of Ringwood Brewery, to attend a meeting in an East London pub. The idea was to set up an organisation that, among other aims, would argue the case to government for lower rates of duty for small producers.

As a non-brewer I was there to offer advice on press relations. From that event came a series of meetings with politicians and civil servants to discuss excise duty and the particular problems faced by small producers in a market increasingly dominated by national and global brewers.

Economies of scale means more than just ultra-efficient, spick-and-span modern breweries controlled by computers. Big brewers are able to use their muscle to buy raw materials such as malt and hops at discounts small brewers can only dream about. It's estimated that when AB InBev, the world's beer colossus, bought Modelo in Mexico it stripped 20 per cent of production costs from the company. The result – as any visit to a supermarket will prove – is that the products of the global giants can be sold as cheaply as bottled water.

PBR is one of the most significant events in British brewing history. In the 1970s a consumer revolt against big brewers and their infamous keg beers led to CAMRA and a halt to takeovers and mergers that were destroying

choice. CAMRA also opened up the market, allowing a new breed of small brewers to fire their mash tuns and coppers and, most importantly, to innovate and offer fresh and exciting beers alongside standard mild and bitter.

It was the early members of SIBA who introduced the first Golden Ales that changed the image of beer for younger drinkers and challenged the hegemony of over-promoted British apologies for genuine lager.

The introduction of PBR, later called Small Breweries' Relief, allowed a small army of mustard-keen brewers – some former homebrewers, others refugees from bigger producers – to set up shop and offer a wider variety of beers to thirsty drinkers. I was a close observer: as editor of the annual Good Beer Guide, I had to shoe-horn all brewers into its pages. In 2000, the guide ran to 600 pages, now it's close to 1,000 with most of the space taken up by brewers, who number more than 1,800.

As we celebrate the success of SBR we are also keenly aware of the challenges that lie ahead. With pubs and breweries closing as a result of the ravages of Covid and lockdown, the industry needs more support. Crucially, a steep cut in duty for all draught beer is needed to encourage consumers to return to pubs.

But as we raise a glass to salute such pioneers as Dave Roberts, Keith Bott, Carola Brown and the other SIBA pioneers, we can measure their achievements by going to a freetrade pub or beer festival, looking along the line of pumps and saluting the remarkable choice they have made possible.

**Roger Protz is a writer, journalist and campaigner and former editor of CAMRA's Good Beer Guide**

## The long campaign for SBR is won

Twenty years after Small Breweries' Relief (SBR) was introduced, with more than 10,000 people directly employed by breweries and another 3,000 in a supply chain that didn't exist before, I think it is fair to say the policy has been a success.

In 2002, as I drove to the Maltings Beer Festival I received a call from Damian McBride from Her Majesty's Treasury, letting me know that the night on 20 year campaign for SBR, then called Progressive Beer Duty, had been successful and apologising for the way in which it was going to be announced. The Chancellor Gordon Brown then revealed in his budget that beer duty would be halved for smaller brewers which meant that customers would enjoy cheaper beer during the upcoming World Cup. I remember feeling numb, after campaigning tirelessly for such a long time I couldn't take in the enormity of what we had achieved. Dave Roberts was the architect of the scheme, Peter Haydon had done a huge amount of work and Nick Stafford was finding practical ways to supply beer to pubcos, challenging the tied model. Between us, along with all the trustees of SIBA, we had successfully convinced Government that investing in smaller breweries was not only worthwhile but would go some way to improving access to a market that was becoming even more foreclosed.

We had spoken to countless politicians, swathes of Customs and Excise officials, travelled to Brussels at the behest of John Bridgman the then head of the Office of Fair Trading (OFT), who recognised our plight and brought pressure to bear on our behalf, and pulled as many publicity stunts as we could think of.

So why, in 2002, were we successful? In his book Damian McBride describes the success as "my finest hour as a civil servant". He had coached us, worked behind the scenes to garner political support and seen off what he described as "the slick lobbyists representing the big companies" all to make a point and to spite officials who resisted change. Add to this John Healey's appointment as Economic Secretary to the Treasury, John has always been a huge supporter of beer and pubs and recognised the levelling of the playing field that SBR offered.

Looking back it wasn't our amazing lobbying nor our political nous that had won the day, it was a great big helping of serendipity and, most importantly, we sang from the heart, were passionate about creating a fairer system, pragmatic in what we called for and eternally positive. At no point did we ask for others to foot the bill, we avoided bad mouthing others in our industry or sector and we spelt out how the investment would benefit all.



Now 20 years on, as I look at an independent brewing industry thriving, with opportunity for all, large and small, that employs huge numbers of incredibly passionate people who care about what they consume and how it's made, that sits at the beating heart of communities and that continues to challenge and innovate, I am hugely proud of what we achieved. The fight isn't over, tough times lie ahead, we are still fighting to access the market and the price differential between the on- and the off-trade continues to make sofas more appealing than bar stools, but if SIBA stays focussed on finding pragmatic solutions, challenges woefully thought through legislation and champions Great British Beer we have hope.

Cheers

**Keith Bott is owner of Titanic Brewery and a former SIBA Chairman**



## Research on small breweries: academic in the best sense of the word

Our (academic) engagement in real ale commenced in the late 1990s. The Campaign for Real Ale (CAMRA) in cooperation with the Society of Independent Brewers (SIBA) had already been lobbying HM Treasury (HMT) for some time to persuade them that small brewers should face a lower rate of beer duty than their larger competitors. However, the campaign was not gaining traction because it lacked a compelling economic rationale. In contrast, by 2000, we already had experience of presenting policy related research to HMT, so understood the kind of economic analysis that HMT would require to justify a relaxation in beer duty for smaller breweries. We teamed up with an economics colleague and life-long CAMRA member, John Wyld, to bring industry expertise to the research proposal with CAMRA providing a small grant.

John Wyld was able to generate a robust theoretical model but getting empirical data was more of a challenge. Our findings suggested that small breweries were disadvantaged by their small scale of production, but scale diseconomies are a well-known technical fact that could be dismissed by HMT as a fact of life, not a market failure, and, hence, not worthy of tax relief. However, we also found that small breweries suffered from powerful buyers who used their power

to lower sales prices and, hence, repress profits for small brewers. This problem could be used to justify tax relief, because it arose from failure in the beer market. This provided a new and robust argument for SBR. In the short term, tax relief would raise profits for small brewers, thereby attracting new entrants. However, in the long term, although new entrants would increase competition and so limit the financial gains for existing small breweries, SBR would lead to a larger, more diverse industry thereby creating employment and increasing the range of choice for consumers. In this way, we made a case that the cost to HMT of foregone tax revenue would be more than balanced by the public benefits of using SBR to correct this serious market failure.

After SBR was introduced we continued with small brewery research, by investigating small brewery web sites – to find that most small brewers did not have web sites and those that did have web sites had very poor web sites. The situation is dramatically different now; 16 years and 1 pandemic later, most small breweries have good websites.

In 2010, it occurred to us that we could do something novel and revisit a policy change to see if it had worked. As we had predicted in our 2001 paper, there had been a marked increase in the number of small breweries which was good news for small breweries and for consumer choice and it was nice to have been proved right.

In August 2018 HMT contacted us to discuss our 2001 and 2010 papers on SBR, because they had decided to review the

policy. So David Tyrrall met up with HMT at Horseguards Parade with Geoff Pugh and John Wyld on the end of a conference call – remember, this was pre-Covid and pre-Zoom – to discuss our research and their possible policy options, which fairly obviously included abolishing or reducing SBR.

Next, SIBA contacted us, because they were lobbying for retention of SBR. This time, SIBA could provide what we could not get first time round – inside information on the income and costs of small breweries over time. Analysis of this data confirmed what we had been able to suggest but not definitively demonstrate in 2001 and 2010 – that small brewers did suffer from reduced margins when selling to larger buyers and that SBR was indeed helping to counteract this effect. Unfortunately, by this stage, our colleague and friend, John Wyld, was very severely ill from cancer but before his death he nonetheless made valuable suggestions for our work. SIBA submitted our resulting research report to HMT's Review, with the result that our research was cited at length in both by HMT that seemed minded to retain SBR.

Along with many other contributors to the campaign of more than 20 years ago and to HMT's recent Review, we are gratified to have been involved in a small way in bringing about and retaining this improvement in government taxation policy. The next step for us is to rework our latest research report into an academic paper.

**Professor Geoff Pugh is Professor of Applied Economics at Staffordshire University and Professor David Tryall is a retired university lecturer and former policy maker**



## The brewer's perspective

As a new brewery founded in late 2012, Small Breweries' Relief had created an environment in which we and many other small start-up breweries could launch and flourish. Without the SBR subsidy in beer duty, it is unlikely that we would have been able to overcome the significant barriers to entry into the sector.

The brewing scene we entered into in London was changing rapidly: by the end of 2012, there were 35 brewing members of the London Brewers Alliance (LBA), up from around 15 in 2010, and it felt like we were arriving late to the party. This boom in breweries continued and by 2019 there were over 100 members of the LBA, the vast majority of which were independently owned. It seems clear that this exponential growth was a direct result of the introduction of SBR in 2002 and led to the extensive innovation that came with the explosion of new breweries.

It is safe to say that without the duty relief available to us as a small brewery it would have been much harder, if not impossible, to get Five Points off the ground in the first place. We enjoyed four years of the full 50% relief available which allowed us to invest in additional capacity and more efficient equipment, and moreover grow the business in a sustainable manner. As a community-focused brewery, we were also able to create employment opportunities in the local area, become the first Living Wage accredited brewery, help to set up an apprenticeship scheme with Hackney Community College and Hackney Council, and generally contribute to the economy.



I struggle to believe that without the introduction of SBR we would have the same thriving beer scene that we do today, with the expansive range of beer styles brewed by independent breweries across the UK - something that all beer drinkers should be grateful for!

**Greg Hobbs is Director of Brewing at The Five Points Brewing Company**

"SBR gave Abbeydale Brewery the confidence to invest to grow from a hobby business, employing just two people besides myself, into the thriving brewery it is today - now employing around 50 people across the brewery and our pub."

**Patrick Morton, Abbeydale Brewery**

"Would we be here without SBR? No. Would we be able to offer beers to pubs without SBR? No. Would the British beer scene be better without it? NO!"

**Tony Pygott, 8 Sail Brewery**

"This is our brewery's 25th anniversary year. This means that we spent 5 years trying to compete against the largest breweries in the country while paying a full rate of duty. No matter how hard we pushed, we struggled to build momentum without eating up all our profit. After SBR was introduced, we had cash to invest immediately in extra casks and vessels - after 5 years we could expand and take on staff. I cannot emphasise enough the way that it changed our business."

**Christopher Gooch, Teme Valley Brewery**

"It was a great idea when introduced in 2002 and initially helped many breweries, like Hogs Back, who were established in 1992. However the design was not well thought through and it needed an initial change in 2003 to address a catastrophic short term cliff edge, and should have been reviewed again 5 years later when it became evident that it was acting both as an encouragement to market entry but a constraint on growth past the artificial 5,000 hectolitre barrier. The new proposals are much better and will help business growth, but it is very frustrating that it has been delayed until the summer of '23, rather than February. But at least there is a firm commitment to positive reform and the whole Industry can reunite to focus on how to save the cask ale sector."

**Rupert Thompson, Hogs Back Brewery**

### Brewing in numbers

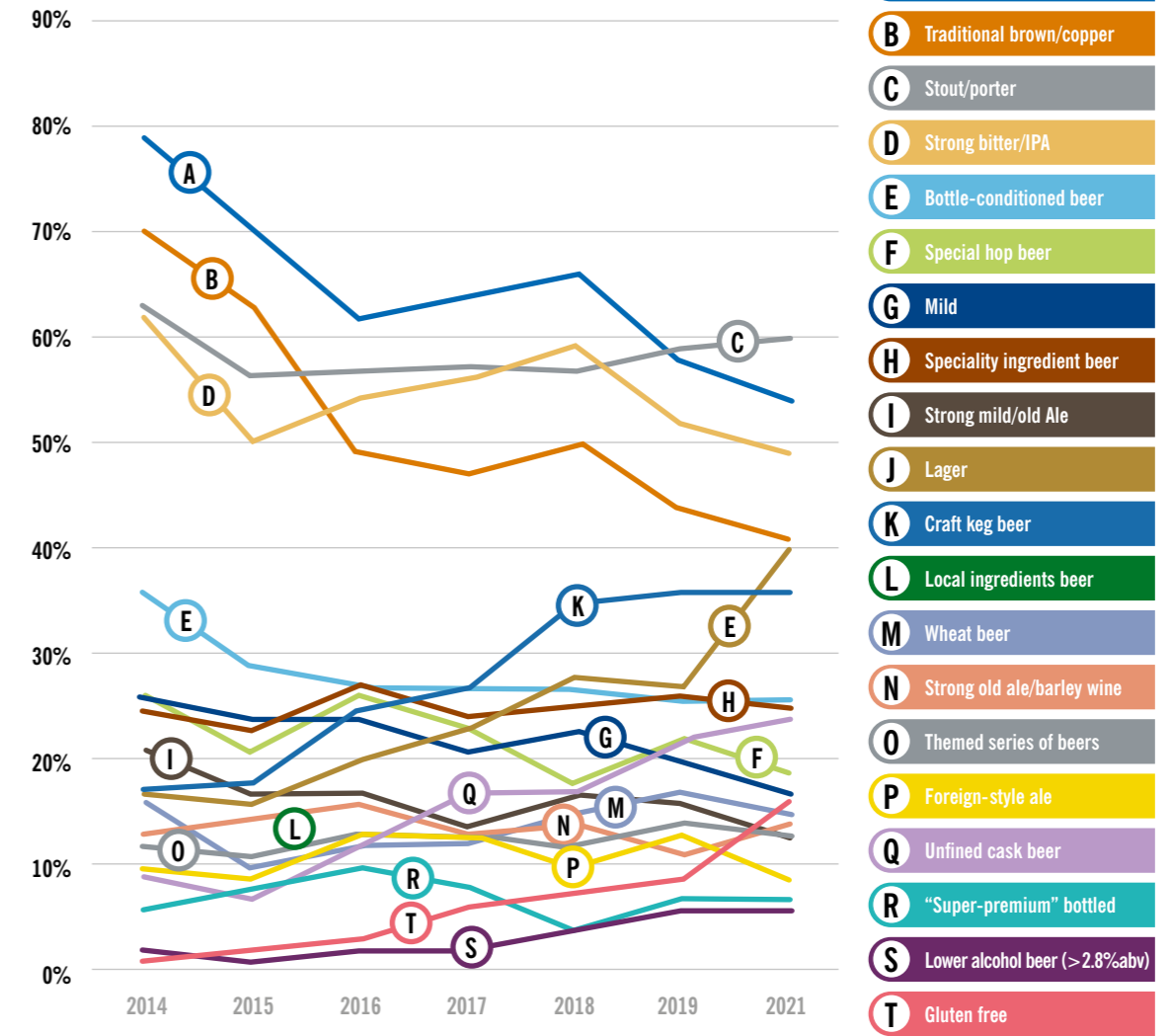
Region	No of independent breweries	estimated direct jobs
East	190	1,102
Midlands	297	1,722
West	79	458
Wales	108	626
Scotland	152	881
Northern Ireland	30	174
South East	335	1,943
South West	218	1,264
North East	279	1,618
North West	207	1,200
<b>Total</b>	<b>1,895</b>	<b>10,988</b>

Source: SIBA 2022



### Changes in beer styles brewed

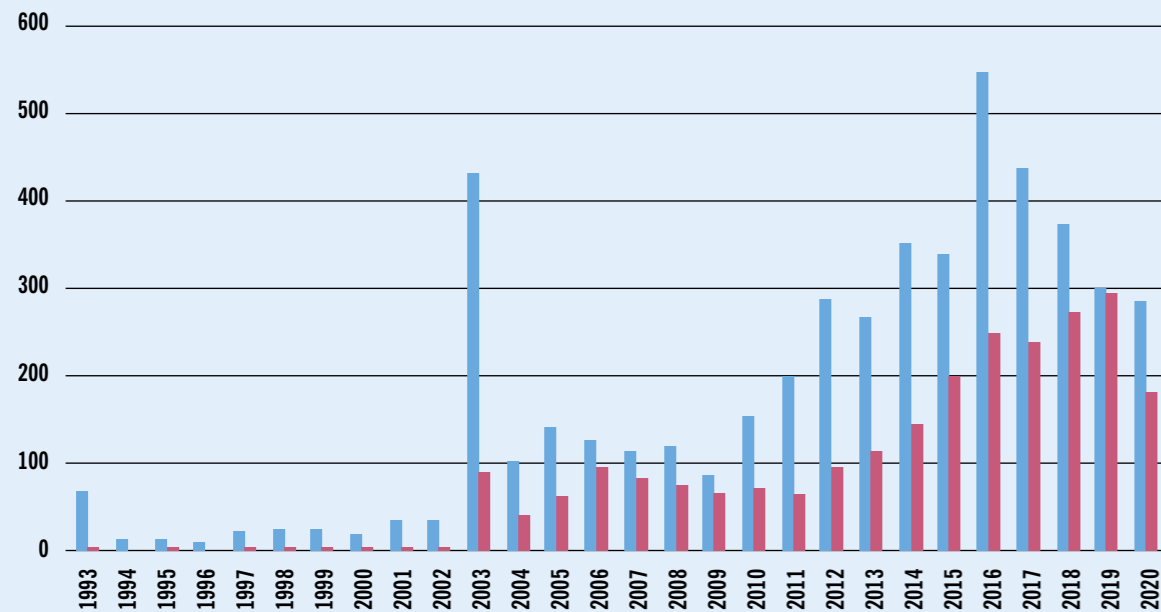
Source: SIBA Members' Survey 2014-2021



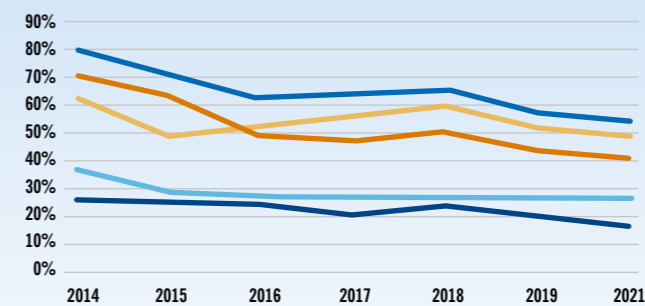
### New brewery registrations

### Brewery de registrations

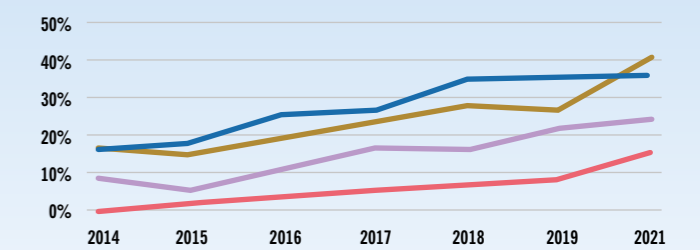
Source: HMRC 2022



### Beer styles out of favour



### Top growing beer styles



Source: SIBA Members' Survey 2014-2021

SECTION 4  
THE STATE OF CRAFT BEER SECTOR



Viva la revolution!

The decision by then-Chancellor Gordon Brown in 2002 to introduce Progressive Beer Duty to the UK market seemed at the time to stun some within the wider beer community, but in fact it had been 20 tough years in the making.

Since the organisation's founding in 1980, members of the Society of Independent Brewers had worked tirelessly behind the scenes, within the meeting rooms, bars and corridors of Westminster, to sell their vision for more consumer choice. They dreamed of a beer market in this country that enjoyed the level playing field for breweries of all sizes that had already been achieved in the likes of Bavaria, Germany, with similar progressive taxation systems.

Back in the '80s, small brewers were few and far between, while routes to market were dominated almost exclusively by the national brewers with their huge, tied estates. And economies of scale meant that the tax burden fell hardest upon the smallest players.

This was the background and motivation for a David and Goliath style fight that would last for 20 years, and conclude in 2002 with a piece of legislation so transformative that it would revolutionise not only the brewing sector itself, but also the very way beer is talked about and consumed in the UK. Gordon Brown, through the introduction of what is now known as Small Breweries' Relief (SBR), had heralded in a watershed moment in brewing history, the impact of which cannot be underestimated and can still be widely felt today, two decades later.

95%

95% OF SIBA BREWERIES IN 2022 SAY SMALL BREWERIES' RELIEF IS IMPORTANT OR VERY IMPORTANT TO THEIR ABILITY TO WORK AND COMPETE AS A SMALL BUSINESS

THIS FIGURE IS UP +6% FROM 89% IN 2019

Those two decades have been transformative for independent brewing. The sector took that tax break in 2002 and ran with it, and by the early stages of 2020, thanks in large part to SBR, it had become one of the fastest growing, most innovative and exciting sectors in the UK.

Then the pandemic hit, and this year, SIBA's Craft Beer Report was our first real chance to measure and analyse the impact that it had on the UK's beer and brewing sector. As such this represented a vital opportunity for independent brewers to take stock and strategise for the 'new world'.

-40%

-40% DECLINE IN AVERAGE BEER VOLUMES IN 2020, RECOVERING TO -16% IN 2021

SIBA MEMBERS PRODUCTION RECOVERED IN 2021 BUT WAS STILL SIGNICANTLY DOWN ON 2019

\*Production data from SIBA's membership returns



While the negative effects of the pandemic are undeniable – SIBA members saw production slashed by 40% in the initial stages of the outbreak in 2020 - what was most fascinating about this year's report was the evidence it provides of how the catastrophic events of the past two years have actually served to speed up trends within the market that were set in motion all those years ago by the introduction of SBR. And in fact, this could be viewed as much needed change, which for those brewers who survive and thrive, could mean a brighter future awaits.

33%

33% OF SIBA MEMBER BREWERIES LAUNCHED A WEBSHOP DURING THE PANDEMIC

OVER HALF (51%) NOW HAVE AN ONLINE STORE, AND 40% HAVE A BRICKS AND MORTAR SITE

In fact, a decade's worth of change happened in the space of barely 18 months in many cases, most notably with independent brewers dramatically expanding routes to market through online webshops, taprooms and the independent off-trade. These are all higher margin routes than sales through third-party owned pubs, and are likely to become a permanent additional string to independent brewers' bows. This diversification of the channels brewers can use to reach the end consumer was a cornerstone of the vision SIBA had back in the '80s, and only now it seems this is finally becoming a reality.

75%

75% OF CONSUMERS SAY IT IS IMPORTANT FOR THEIR LOCAL PUB TO STOCK A RANGE OF BEERS FROM SMALL BREWERIES

81%

81% OF WOMEN WANT TO SEE A SELECTION OF SMALL BREWERIES' BEERS AVAILABLE IN THEIR LOCAL PUB

Along with increased distribution for beers from smaller independent breweries, SBR's architects also envisaged consumer awareness would grow, and our 2022 Craft Beer Report shows that 20 years later this is exactly what has happened. Three quarters of consumers in our 2022 YouGov survey, commissioned for the report, say they believe it is important for their local pub to stock a range of independent beers, rising to an impressive 81% among female drinkers. This shows how the growth in independent brewing has brought in a whole new demographic to the beer category which historically shunned the male dominated beer world for more 'female friendly' categories such as wine.

45%

45% OF CONSUMERS SAY SEEING THE ASSURED SEAL ON A BEER WOULD MAKE THEM MORE LIKELY TO BUY IT

Even more promising is that 45% of consumers say they would be more likely to buy a beer if it was badged with the SIBA Assured Independent Craft Brewer Seal – designed to flag a beer's provenance at the point of sale. This demonstrates that consumers are actively choosing to spend their money with independent brewers, and is a fantastic testament to the success of this comparatively new part of the market.

Another consequence of SBR has been a broadening in the range of beer styles available on the bar. The growth in the number of breweries in the UK market has led to more experimentation and a quest to create new and more interesting beers. For the first time, in this year's SIBA members' survey the most produced style of beer was not that old favourite golden bitter, but rather stout/porter. And where in the past 90% of brewers have produced a bitter, our latest survey shows a much more even spread over a whole range of different styles, including some new ones such as no and low alcohol and gluten free styles. Consumers have never had so much choice when it comes to beer, and have never been so willing to experiment. Again this trend has been accelerated by the pandemic, which left consumers stuck at home and unable to travel, and so craving new experiences, new tastes and new flavours – something independent beer has in spades! Signs are that this taste for experimentation is not going away any time soon, which bodes well for the future.

732

732\* JOBS WILL BE CREATED IN 2022

SIBA MEMBER BREWERIES EXPECT TO CREATE SLIGHTLY MORE NEW JOBS THIS YEAR THAN WAS PREDICTED IN 2020

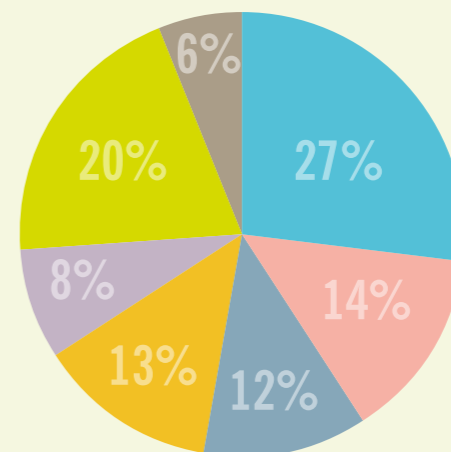
\*Estimated from SIBA Members' Survey data

The contribution SBR has made to the UK economy cannot be underestimated. A growing independent beer sector has meant the creation of millions of jobs in new and expanding breweries as well as the countless sectors that form the supply chain. Our 2022 Craft Beer Report found that more than 700 new jobs would be created this year by SIBA Member breweries, and this at a time when the industry is under more pressure and facing more financial challenges than it has arguably ever done. There is also now a wider range of skills being utilised within independent brewing, not least the growth of retail has spawned a whole new arm to the workforce with our report showing a fifth (20%) of job roles are now in retail.

Independent breweries are vital not just to the national economy through the taxes they pay, but to their local economies not just in terms of employment but also the money they bring to other local businesses and suppliers, in boosting local tourism, and through the £1,000s they raise for charity each year. Pre-2002 this is a sector that simply didn't exist, but it is one that is now a crucial contributor to the UK economy.

The two decades since the introduction of SBR have arguably been the wildest ride the UK's beer sector has ever been on, culminating in the spin cycle of the pandemic from which we are only now drawing breath. What is clear, however, is that while SBR spawned a thriving and expanding independent beer industry, the pandemic has pushed through the much needed change and evolution that should see those independent brewers who have weathered the storm better set up for success in the future.

Caroline Nodder is Editor of SIBA Independent Brewer magazine and the annual SIBA Craft Beer Report



Employees by job function

Brewing	27%
Sales	14%
Delivery	12%
Admin	13%
Packaging	8%
Taproom/retail	20%
Marketing	6%



## The future of SBR and craft beer

Few changes have been made to SBR since its inception in 2002: the 'upper limit' was moved from 30,000 hectolitres (hl) per year to 60,000hl in 2004; high (and low) strength beer duty was introduced in 2011; and the term 'Progressive Beer Duty' was changed to 'Small Brewers Relief' sometime in between (for reasons nobody knows). Given the pressure brought to bear since the very day of its introduction, by some reasonably large, vocal opponents of the scheme, this is remarkable, and a testament to SIBA's growing political nous and confidence over the years.

However, and despite the majority of the industry remaining relatively content with the status quo, the pressures eventually brought about review, consultation and finally reform. The deep space black-hole level political vacuum that is the Johnson government in August 2022 has led to delays until at least the summer of 2023 and we can only assume that the negotiated, carefully planned reforms will eventually go ahead as anticipated.

The planned changes, now due to be introduced in August 2023, include a number of considerations for the small(ish) brewer:

A relatively small number will see their duty rates rise by a marginal, though annoying, amount. These are the new 'inbetweens',

replacing the 'squeezed middle', and caught at the wrong size (around 5,000hl per year) at the wrong time. Whilst their larger competitors receive a handsome duty reduction, these poor souls will be raising prices. What will become of them? Those below 5,500hl, and focused on the cask wholesale market, will need to expand capacity and sales to get as close to 10,000hl as soon as possible in order to remain competitive. Those more into keg, or into local distribution, may not feel the pressure quite as much.

Brewers of all sizes will need to pay attention to the average ABV of the beer they brew – the percentage of full duty they will pay will be based not just on the volume of beer they produce, but on the volume of pure alcohol they produce. Cask specialists won't be impacted so much, and no and low specialists will do very well, whilst the Double IPA brewers will find their duty rates rising linearly with their average ABV. This is in line with the Government's desire to link alcohol duties to health outcomes (that is the health of the consumer, not the brewer).

Brewers focusing their efforts in the on-trade will begin to see the benefits of the divergence of duty from the take-home market, with a modest duty reduction of 5% for beer packaged into casks and kegs. The hope is that this reduction will grow beyond 5%, and that, somehow, those brewers without pubs will manage to keep some of this reduction from the national retailers.

But the biggest impact on the industry might be on the ordinary bitter producers, those who specialise in striving for the perfect pint of relatively low ABV cask ale, for the current plan includes raising the upper limit of Low Strength Beer Duty from 2.8% to 3.4%, giving producers of all sizes a handsome reduction in full duty of over 50%. Expect to see some national brands going into the marketplace at some very competitive prices, and whilst such national brands may not be considered a direct competition to the small brewer at the moment, the impact of this change is likely to put severe downward pressure on cask ale price points. Ironic really, since the main thrust of the argument for reform was centred around the purported negative effect PBD has on the price of wholesale cask ale.

Finally, of course, there is always the cider question – massive amounts of thinking has gone into restructuring the whole alcohol duty regime, simplifying it and 'making the basis of alcohol taxation more economically rational, with fewer distortions and arbitrary distinctions', yet the massive cider producers will continue to pay half the alcohol duty that brewers do, and now the distortion is in plain sight, glaringly obvious. Our lobbying days are clearly far from over, only this time I suspect we'll all be making the same argument.

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