BRITISH BEER

THE REPORT ON THE 2018 MEMBERS' SURVEY OF THE SOCIETY OF INDEPENDENT BREWERS

THE SOCIETY OF SIBA INDEPENDENT BREWERS

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CONTENTS

BRITISH BEER REPORT 2018

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FOREWORD

MIKE BENNER, CHIEF EXECUTIVE

Strong results in a challenging market

Firstly, I'd like to thank all our members who took the time away from the mash tun to fill in the survey. It is a record year with 519 responses in total. This outstanding result underlines SIBA as the voice of British independent brewing and the survey provides unique insights into the UK craft brewing scene.

Despite ongoing intense competition and a difficult trading environment for SIBA members in 2017 our annual members' survey paints a broadly positive picture. There is evidence that, after years of decline, the UK beer market has stabilised, but this stability is fragile and growth has shifted clearly from the on trade to the off-trade[1]. Estimates of overall production volumes for SIBA members are up by 1.7% against an increase in the total UK beer market of only 0.7%. Around 80% of SIBA member beer goes into the on-trade which overall, has seen a decline of 2.4%. Within this environment, our survey shows that SIBA's independent British craft brewers continue to perform well[2].

It is interesting to see an indication that our smaller level 1 members have seen overall volume growth of 22.5% as more smaller members join our ranks and local brewers continue to eat into the local pubs and bars market.

The broadly positive picture continues with the indication that 63% of member businesses expect their turnover to increase in 2018, with one in three expecting increases over 10%.

Britain's thirsty army of craft beer drinkers were able to enjoy 506 million pints of the finest genuine craft brewed beer last year. That's around 2.8 million hectolitres, around 6.5% of the total UK beer market.

The results suggest that our members continue to move their businesses forwards positively and enthusiastically, despite the challenges of competition, increasing costs and low wholesale prices. Those businesses who recognise the power of their brand, understand their costs, know their market, continue to innovate, look at all formats, make the most of new opportunities in craft beer bars and casual dining and understand the need for various sales channels at different prices are cutting through to growth and leading the sector.

Craft keg, cans and bottles on the rise

It is clear that our members are not resting on their laurels faced with very real challenges in the marketplace. More brewers are moving into craft keg with 44% now brewing some beer for keg dispense. Likewise the majority of respondents now bottle or can 20% of their beer. This is a clear indicator of our members seeking out new opportunities across the formats. Not so long ago cask ale represented well over 80% of production. It is now 69%. Cask remains the main product for most members, however, and is by far the biggest format for our smaller level one members.

It's also great to hear of innovations with more brewers introducing low-strength and gluten-free beers as well as a shift towards lager styles. UK craft brewers continue to lead the way in beer innovation.

More access is required

The survey suggests that, in an intensely competitive market, members are moving to secure their own direct access with their own pub or on-site retail facilities. For many small brewers, this is providing a direct and reliable route to market of great importance. Over 50% of member beer still heads into the local free trade. Only 13% goes into controlled/tied pubs, a situation which must change if we are to create a sustainable future. Britain's drinkers seek out genuine local craft beer regardless of who operates the pub they walk into and the continued lack of access represents a fundamental market failure. Local craft beer

[1] British Beer and Pub Association annual beer barometer December 2017. Shows UK total beer market at the end of 2017 as +0.7% with on-trade -2.4% and off-trade +3.6%
[2] The survey production outcomes are estimates and must be treated with some caution. Actual production volumes will not be available until later in the year

Continued on page 4

BEER PRODUCTION SHOWS A 1.7% INCREASE IN 2017

drives footfall into pubs, yet too many operators are still failing to provide enough access and remain focused on high volume 'big beer' brands.

Members are increasingly seeking out new opportunities in export – one in five brewers are now exporting their beers – and in hospitality – around 4% of member beer is served in restaurants and hotels. There is a massive opportunity for growth in this area.

Embedded in communities

Like local pubs, local brewers are part of the fabric of local communities. 84% of members regard their relationship with the community as important and members have raised many thousands for local charities. More and more members are setting up on site shops, bars, brewery taps and visitor centres providing choice and new settings for customers to enjoy their beer.

Jobs and Training

Members are also optimistic about employment with 63% expecting to recruit in the next year. That should translate to over 800 new jobs in SIBA member businesses. One in four jobs in independent breweries are now held by women. More also needs to be done on frontline brewing roles, with SIBA members indicating only around 6.5% of brewers in their business are women. Beer is for all people, and for all occasions and the sector needs to continue to change to reflect that. The impact of SIBA businesses on local employment is important, with over a third of employees living in the same town or village as their brewery and a further 30% within five miles of the brewery gates. It is heartening to see than almost 80% of surveyed members are interested in increasing quality training for their employees to ensure that our industry continues to focus on excellence and quality.

Investment in the future

Our members continue to invest, with most having made capital investments in 2017 and the importance of Small Breweries' Relief and a fair deal on beer duty cannot be overstated. 83% of member businesses regard SBR at current levels as extremely important with a further 5% seeing it as very important and a further 8% as important.

Finally, the defence of Small Breweries' Relief, is not unexpectedly, seen as a very important part of SIBA membership alongside our political lobbying, an area in which we have invested significantly in 2017 helping to secure a freeze in beer duty and action on pub business rates in the November Budget.

SIBA's Beerflex remains an important benefit for many brewers bringing access where it does not otherwise exist for most members, but provides less than 5% of sales of the entire membership.

In conclusion, the survey reflects the optimism and dynamism of our membership as our member businesses face up to the headwinds of unprecedented competition and restricted market access as big beer continues to dominate. It highlights more than ever the need for SIBA and its four pillars strategy. Only through working together with common cause to create more sales will we build a sustainable future through increased access to market, fair taxation supported by our Assured Independent British Craft Brewer' seal and quality standards.

Finally, thank you to Professor Ignazio Cabras and his team at the Newcastle Business School at the University of Northumbria in Newcastle. Our collaboration on the project has borne fruit for the last four years and hugely improved the validity and robustness of the results.

MIKE BENNER
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Executive Summary

Continuing to improve our survey to build for the future:

- Our methodology now applied for four consecutive years
- Eight key themes on member breweries, production, beers, employment, business activity, investments & future plans, contribution to local community and society, and SIBA membership
- 519 responses to the survey
- 358 valid responses – around 43% of SIBA membership.
- Strong statistical reliability

Breweries and Beer Production:

- SIBA Membership now stands at 831 brewing members
- Over 227 million pints produced by respondents is estimated to translate to 506m pints by SIBA members[1], or about 2.87 million hl in 2017
- Beer production shows a 1.7% increase in 2017 compared to 2016, confirming the positive trends registered in the past few years
- Nearly half of respondents brew less than 1,000hl
- Keg proportion of production continued to grow in 2017, and it is expected to increase further in 2018
- Cask production is now 69% of total production
- 44% of members are now selling some craft beer in keg, from 37% in 2016 and 27% in 2015
- Majority of respondents brew more than 20% of production as bottled or canned beer
- Average beer strength is 4.2% ABV – session beers are still leaders
- Golden ales are the most produced beer style – 90.5% of respondents brew at least one, while 80.4% brew stout/porter
- One in three surveyed breweries now brewing craft keg and lager-style beer on regular basis.
- Production of gluten-free and low-alcohol beers is on the rise among members
- Most respondent brewers produce between four and six regular brands
- 91% of respondents brew seasonal beers

Jobs:

- 63% of brewers expect to recruit at least one new employee in the next 12 months
- Estimated 820 new jobs to be created by members next year
- On average 5.6 full-time and 1.9 part-time staff are employed by members
- One in four employees among surveyed breweries are women
- Three in four jobs are full-time
- Surveyed breweries indicate 843 employees working as brewers, of whom 54 are women
- Good spread of ages in employment – nearly half are aged 24-45, with 37% aged below 34 and 17% aged over 55
- Investing in young people - more than one in ten employees are aged 16-24, confirming proportions obtained in previous three surveys
- Strong impact on local employment – over a third of employees live in the same town or village as their brewery with a further 30% living within five miles
- Survey indicates a steady increase of both full-time and part-time jobs for the period 2012-17

Growth:

- 63% of respondents expect their turnover to increase in 2018
- One out of three forecast over 10% growth in annual turnover in 2018, while nearly one in five expect a decline in annual turnover in the same period
- Respondents took on 67 pubs in 2017, 34 of which were bought
- 51% of production is supplied to free-trade pubs, with 13% going to controlled pubs
- 69% of beer is sold within 40 miles of the brewery
- One in five respondent brewers now exports their beers
- 57% of brewers approached are interested in exporting their beers
- Half of surveyed breweries rented containers to deliver their production in 2017

Investment:

- Most breweries made capital investments in 2017
- 11% invested more than £50K in 2017, with nearly one in ten investing more than £100K
- Bulk of investments were in buying plant or equipment to enable expansion, modernising equipment and to purchase or expand transport fleet
- Duty savings and Small Breweries' Relief continue to be mainly used for more capacity and new equipment
- Only 11% of respondents used duty benefits to discount beers
- Training remains very important to members – 80% intend to invest in staff training in the future and three in four are interested in a SIBA-led training scheme
- Small Breweries' Relief at current levels is essential to the future – 83% say it is 'extremely important 'to their business, 5% 'very important' and a further 8% consider it 'important'

Impact on local community:

- Most breweries run a shop and a tap bar on site, one in seven have a visitor centre; 10% of surveyed breweries operate a shop, a tap bar and a visitor centre at the same time, a larger percentage compared to previous surveys
- 84% consider their relationship with the local community as 'important' or 'extremely important': only 7% consider this relationship 'not important'
- More than one in four breweries donated or raised more than £1,000 for charities in 2017

SIBA Membership

- Majority of members indicate SIBA's campaign in defence of Small Breweries' Relief as an extremely important activity
- Political lobbying by SIBA on behalf of small breweries is also considered very important.
- Organisation of beer festivals and competitions are considered valued initiatives by members
- Results support SIBA's Four Pillars on activity that focuses on increasing access to market, taxation, promotion of our members beers and product excellence.

[1] Excludes associate members of SIBA

1 Introduction

KEY POINTS

- Eight key themes covering member breweries, production, beers, employment, business activity, investments & future plans, contribution to local community and society, and SIBA membership
- 519 responses to the survey
- 358 valid responses – around 43% of SIBA membership
- Strong statistical reliability

The researchers used a questionnaire to collect the relevant information to conduct their analysis and prepare this report. The questionnaire template was similar to those used in 2014, 2015 and 2016. Having a similar template implemented for data collection for four consecutive years enhances both the level of consistency of the data analysis and the reliability of the results.

The questionnaire for this annual report was developed and finalised in November 2017. This exercise involved several exchanges between researchers and SIBA officers with regards to the content of the survey; however its structure remained mostly unchanged. Following improvements in Newcastle Business School's methodology, and inclusion of actual member production figures from previous years rather than previous year estimates in the model, SIBA has revised total member outputs provided in the 2018 report. This has enabled researchers to identify and rectify a few aspects affecting the estimation process used in previous surveys, increasing the level of accuracy and precision of current estimates. For the purposes of this report, the questionnaire framework comprised of eight sections associated with specific domains related to the members' activities, operations and relationship with SIBA. The eight sections were named as follows:

1) YOU AND YOUR BREWERY;

2) YOUR BEER PRODUCTION;

3) YOUR BEERS;

4) YOUR EMPLOYEES;

5) YOUR BUSINESS ACTIVITY;

6) YOUR CURRENT INVESTMENTS AND FUTURE DEVELOPMENTS;

7) YOUR INVOLVEMENT WITH COMMUNITY AND SOCIETY;

8) YOU 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, bottled and canned 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 2017. The fourth section focused on the level of employment generated by surveyed members. Questions aimed at capturing levels of full-time and part-time staff, employees' ages and their residence in relation to the location of their employers, 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 investments made in 2017 and members' plans for future expansion and development. The seventh section explored the relationship between breweries and their local community, examining their involvement with charities. Finally, the eighth section explored and examined members' benefits and services provided by SIBA and how members rank the importance of these benefits and services. This final section of the questionnaire comprised a list of 25 items for respondents to evaluate and rank, with an open-ended question inserted to allow respondents to identify and expand on any other issue members considered important, that was not included in the list.

The questionnaire was aimed at identifying various aspects and issues associated with members' business activities. More specifically, the survey served to identify the main attributes of SIBA members and to map the spatial patterns related to brewing operations and brewers' markets.

A total of 519 responses were received, of which 104 were duplicates (provided by the same respondents). This response rate is the highest ever registered for the SIBA Annual Membership Survey, and confirms the positive trends registered in terms of responses gathered in the two previous surveys (436 and 497 collected for 2015 and 2016 surveys respectively). A more detailed inspection of the remaining 415 responses identified 358 responses as 'valid', providing an appropriate level of data and information in relation to all the sections of the survey. Valid responses accounted for 68.9% of the total responses received, and 43.1% of total SIBA memberships. Both the number of valid responses and the proportion of members taking part in the survey reflect an increased involvement of members with the survey compared to the previous year (+3.9% and +2.1% respectively).

358 VALID RESPONSES RECEIVED

THE HIGHEST EVER REGISTERED FOR THE SIBA ANNUAL MEMBERSHIP SURVEY

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

Table 1.1 analyses responses by location. The rates of responses vary by location from 31% of South East membership, to 68% of East of England's members participating (the survey also captured information from the only member from Northern Ireland). Differences in proportions indicate little variation between groups weighted using total membership and groups using survey responses as their basis respectively, although memberships from the East of England appear to be slightly over-represented, and membership from the South East of England slightly under-represented with regard to gathered responses. In general, these unbalances in response rates resemble those generated by the 2016 survey.

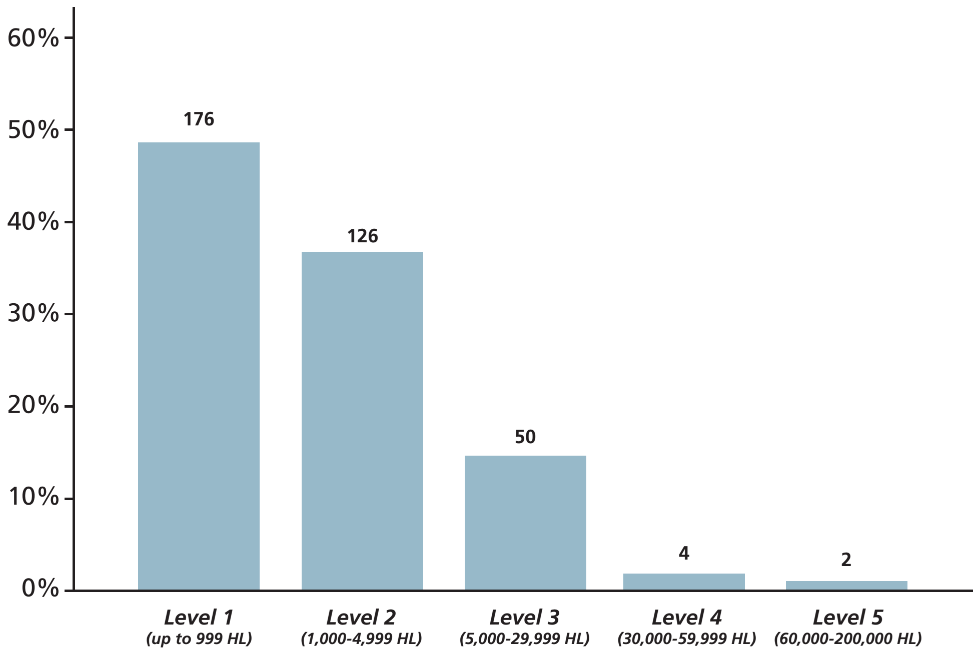
Figure 1.1 shows that nearly half of respondents (49%) are categorised as Level 1 SIBA members; 35% categorised as Level 2; 14% categorised as Level 3; and the remaining categorised as Level 4 and Level 5 (1.1% and 0.6% respectively).

Table1.1: Responses analysed by location and proportions

Regions	Members 2017	Members proportions	Survey 2017	Survey proportions	Members/survey proportions	Differences in representation
East Midlands	83	10.0%	28	7.8%	**33.7%**	-2.2%
East of England	50	6.0%	34	9.5%	**68.0%**	3.5%
London	45	5.4%	16	4.5%	**35.6%**	-0.9%
North East	29	3.5%	17	4.7%	**58.6%**	1.3%
North West	105	12.6%	45	12.6%	**42.9%**	-0.1%
South East	129	15.5%	40	11.2%	**31.0%**	-4.4%
South West	119	14.3%	55	15.4%	**46.2%**	1.0%
West Midlands	69	8.3%	31	8.7%	**44.9%**	0.4%
Yorkshire and the Humber	96	11.6%	44	12.3%	**45.8%**	0.7%
Scotland	58	7.0%	31	8.7%	**53.4%**	1.7%
Wales	47	5.7%	16	4.5%	**34.0%**	-1.2%
Northern Ireland	1	0.1%	1	0.3%	**100.0%**	0.2%
Total	**831**	**100.0%**	**358**	**100.0%**	49.5%*	

*Average

Figure 1.1: Surveyed breweries by types of membership (counts)



2 Data Analysis

KEY POINTS

- SIBA Membership now stands at 831 brewing members
- Over 227 million pints produced by respondents is estimated to translate to 506m pints by SIBA members[2], or about 2.87 million hl in 2017
- Beer production shows a 1.7% increase in 2017 compared to 2016, confirming the positive trends registered in the past few years
- Nearly half of respondents brew less than 1,000hl
- Keg proportion of production continued to grow in 2017, and it is expected to increase further in 2018
- Cask production is now 69% of total production
- 44% of members are now selling some craft beer in keg, from 37% in 2016 and 27% in 2015
- Majority of respondents brew more than 20% of production as bottled or canned beer

[2] Excludes associate members of SIBA

2.1 Your Beer Production

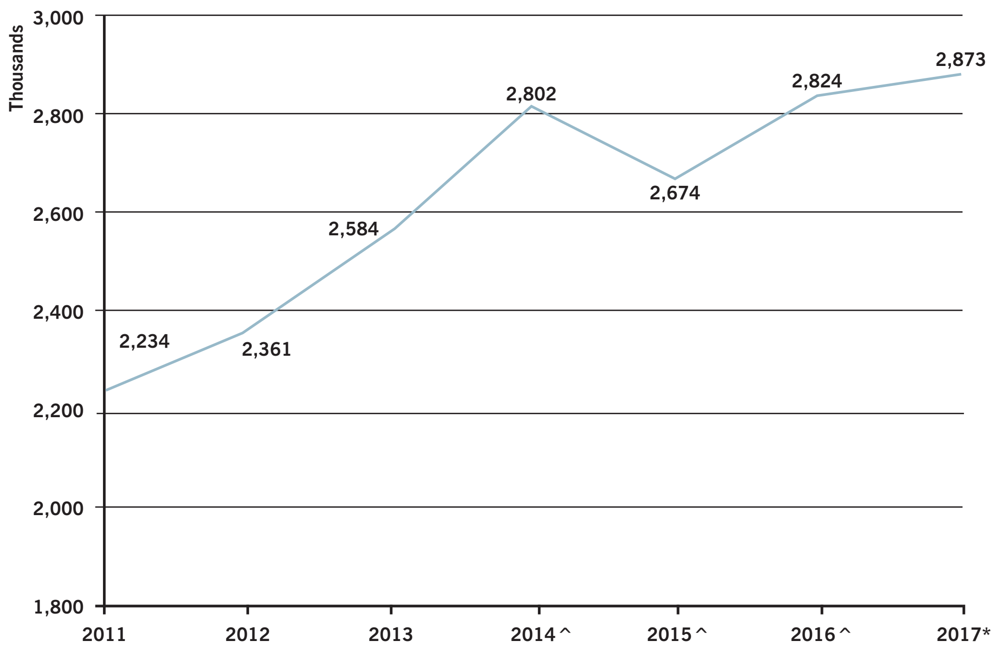
Levels of beer production provided by respondents indicate a cumulative total of 1,29 million HL. This equates to roughly 227 million pints produced by respondents, and translates to approximately 506m pints brewed by SIBA members. **Table 2.1** illustrates levels of productions for the past six years. There is some variation in terms of hectolitres (HL) produced among the five membership categories, although data shows a relative pattern of growth as shown in **Figure 2.1**. Production levels for 2014, 2015 and 2016 are not estimated but based on aggregate full year values provided by SIBA members for each year of reference. Production levels for 2017 are estimated on the sample obtained from the survey responses and further validated with a range of actual values received from SIBA members for the year of reference.

Table 2.1: 2011-2017 Production levels by membership[3] (HL)

	2011	2012	2013	2014^	2015^	2016^	2017*
Level 1	114,926	124,026	152,527	163,761	163,550	166,319	214,572
Level 2	447,752	514,381	613,123	678,061	702,278	698,896	728,457
Level 3	773,106	847,667	851,978	870,114	917,614	1,022,018	999,498
Level 4	221,596	222,959	317,250	418,692	353,653	320,072	297,200
Level 5	677,105	652,105	649,314	670,942	536,979	617,084	633,626
Totals	**2,234,485**	**2,361,138**	**2,584,192**	**2,801,570**	**2,674,074**	**2,824,389**	**2,873,353**

*^ 2014-2016: SIBA members' actual total production figures * Estimated on full year amounts*

Figure 2.1: Production totals 2011-2017 (HL)*



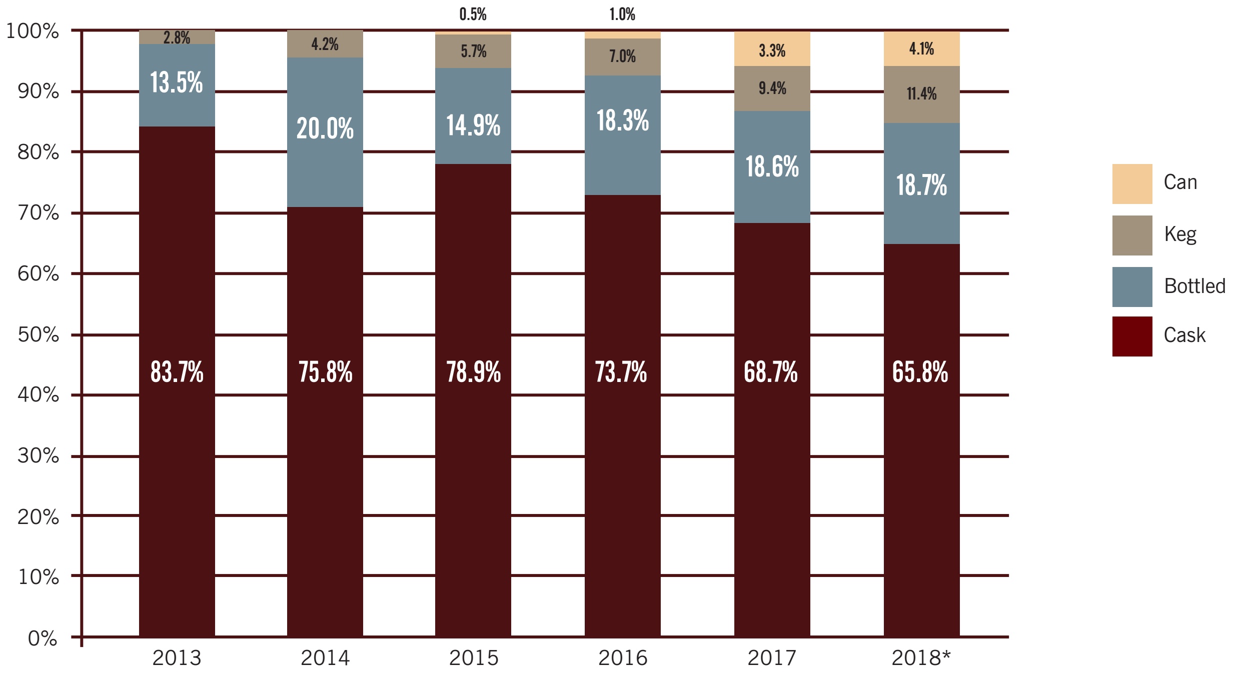
*^ 2014-2016: SIBA members' actual total production figures * Estimated on full year amounts*

[3]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; and Level 5 – 60,000-200,000 HL.

Figure 2.2a compares levels of production in 2017 with those estimated in the 2013-2016 surveys and those forecasted for 2018. These results confirm an overall increase in the total hectolitres and in the amount of kegged and canned beer produced over the period considered. As shown in **Figure 2.2b**, in 2017 bottled and canned beers represented an important part of production for Level 5 surveyed members (nearly one out of four litres in these packages). Most of the beer produced by Level 1 and Level 2 surveyed members remains predominantly cask (on average 80% of total production), while Level 4 surveyed members indicate a relatively higher production of kegged beers compared to other members.

Beer production has been investigated in relation to ABV. **Figure 2.3a** 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 2017. These numbers are consistent with those reported in the previous three surveys. One brewery indicates above three quarters of its production is allocated to beers with a 2.9-3.4% ABV; while twelve breweries report that beers with 4.3-6.0% ABV account for more than 90% of their total production.

Figure 2.2a: Proportions of beer production according to packaging (2013-2017)



*Estimated †Proportions for 2014 recalibrated on reviewed sample

Figure 2.2b: Total 2017 production by packaging accounted for surveyed members

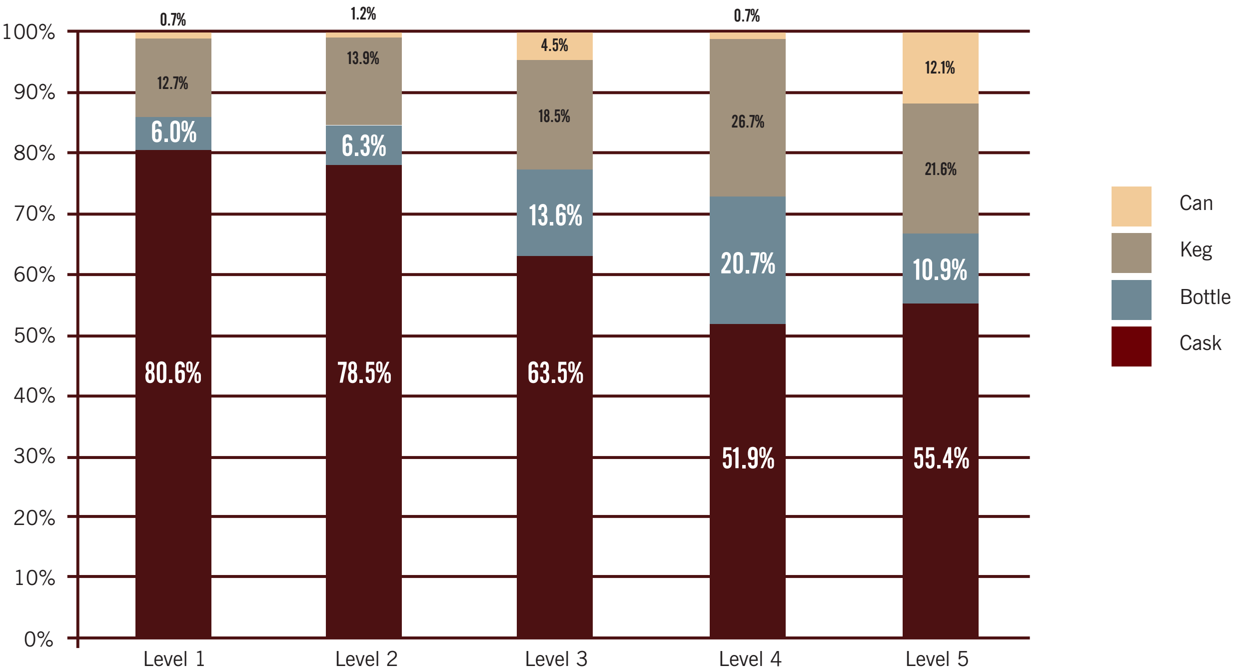
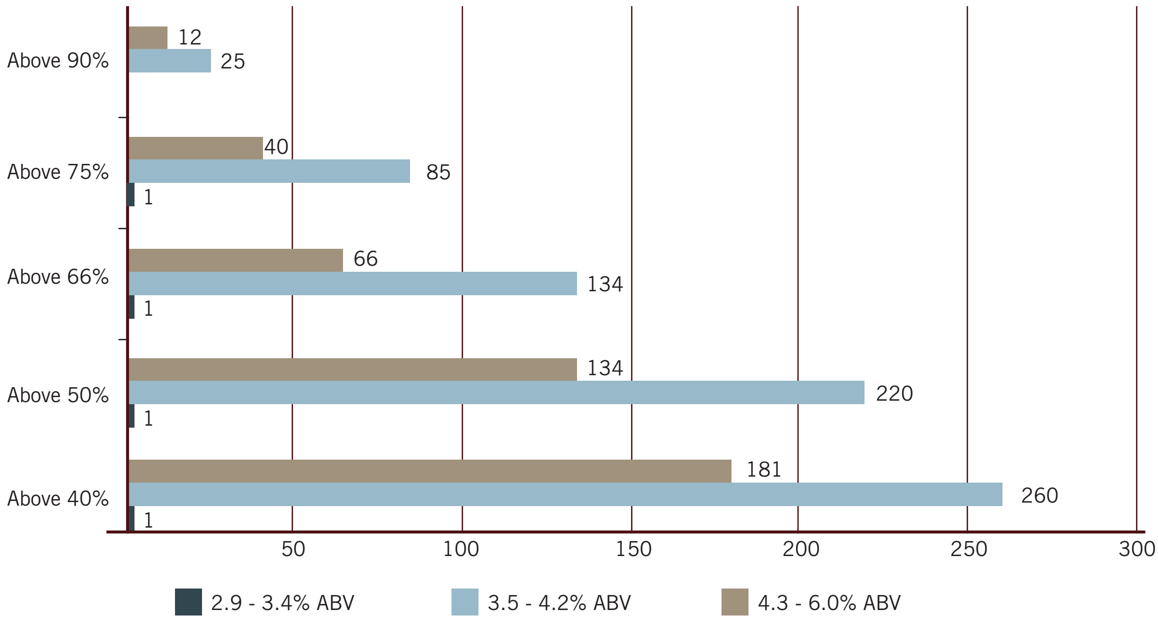


Figure 2.3a: Production levels by ABV (count of respondents on top of bars)



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, 16 breweries reported brewing low-alcohol beers, three more compared to findings from the previous survey. On the other hand, 113 breweries reported brewing beers with an ABV higher than 6.0% (32 less compared to the previous survey), which accounted for more than 20% of the total production in 11 cases (three less compared to the previous survey, although calculations this year are based on a smaller sub-sample), as shown in **Figure 2.3b**.

Finally, **Figure 2.4** reports the percentages of hops grown in the UK and used by surveyed breweries in 2017. More than one in three surveyed breweries (39%) and four in ten breweries reported their beers were produced with over 50% of hops grown in the UK, with 17 breweries indicating they used only British hops for brewing (five less compared to the previous survey). Conversely, just 4% of respondent breweries indicated using only imported hops for their production.

Figure 2.3b: Share of total brewery production allocated to beers with ABV above 6% (count=113)

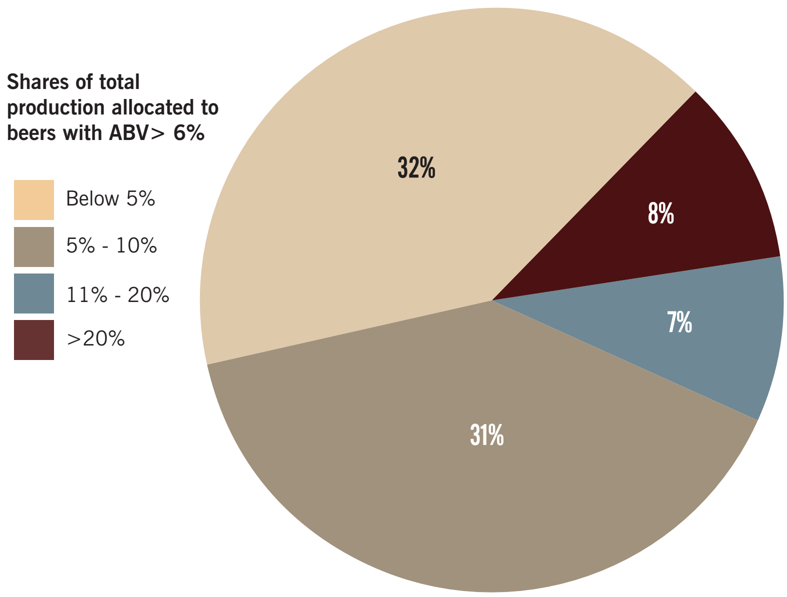
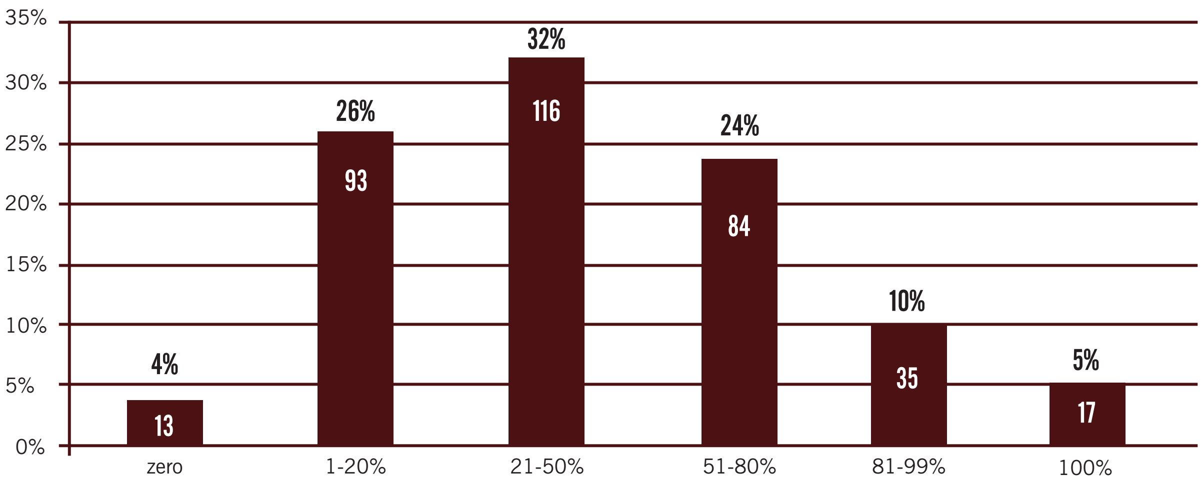


Figure 2.4: Percentage of hops grown in the UK and used by surveyed breweries for their production (counts in bars)



2.2 Your Beers

Surveyed breweries were asked to indicate the strength of their bestselling draught beer in 2017. The histogram in **Figure 2.5** shows an average of 4.2% ABV, with the bulk of respondents concentrating around this ABV value, and one in ten surveyed breweries indicating an ABV of 5% and above for their bestselling beers. These results are very similar to those gathered by the 2016 survey

Table 2.2 presents the beer styles brewed on regular basis by surveyed breweries. Similar to the surveys conducted in 2015 and 2016, a large proportion of respondents regularly produce Golden bitter/Ale beers (90.5%), Stout/porters (80.4%), and Strong bitter/IPAs (79.3%).

The percentages of breweries indicating gluten free beer in regular production has doubled compared to amounts reported in the previous survey (4.4% in 2016). The percentage of low alcohol beer also registered a modest increase (+0.5%). The percentages related to craft keg beer and lager-style beers continued to grow since 2015, with about one in three surveyed breweries now brewing these beers on a regular basis.

Surveyed breweries provided numbers related to regular brands and seasonal beers brewed. About 88% of respondents indicated having more than four different brands regularly brewed at their premises **(Figure 2.6a)**. More than a third of respondents reported having at least seven different brands in regular production. These results confirm a progressive expansion in the average beer-portfolio of surveyed breweries already noticed in 2016. Engagement with seasonal or 'one-off' beers also remains significant **(Figure 2.6b)**. Nine in ten respondents engaged in brewing seasonal products in 2017, with nearly one third of these having brewed more than ten seasonal beers in the period under review and only 31 breweries (about 9%) which did not brew any seasonal beers.

KEY POINTS

- **Average beer strength is 4.2% ABV – session beers are still leaders**
- **Golden ales are the most produced beer style – 90.5% of respondents brew at least one, while 80.4% brew stout/porter**
- **One in three surveyed breweries now brewing craft keg and lager-style beer on a regular basis**
- **Production of gluten-free and low-alcohol beers is on the rise among members**
- **Most respondent brewers produce between four and six regular brands**
- **91% of respondents brew seasonal beers**

Table 2.2: Types of brands and seasonal beers*

Pale golden bitter	90.5%	Unfined cask beer	24.0%
Stout/porter	80.4%	Strong mild/old ale	19.0%
Strong bitter/IPA	79.3%	Strong ale/barley wine	18.2%
Traditional brown/copper	67.3%	Foreign-style ale	18.2%
Craft keg beer	38.5%	Themed series of beers	17.3%
Bottle-conditioned beer	37.7%	Wheat beer	16.8%
Speciality ingredient	33.8%	Local ingredients beer	14.8%
Special hop beer (eg single variety, green)	32.7%	Super-premium bottled	10.9%
Lager-style beer	31.8%	Gluten-free beer	8.9%
Traditional mild	29.6%	Lower alcohol beer (<2.8%abv)	3.4%

**Percentages calculated on total responses per category*

Figure 2.5: Average ABV for bestselling beers

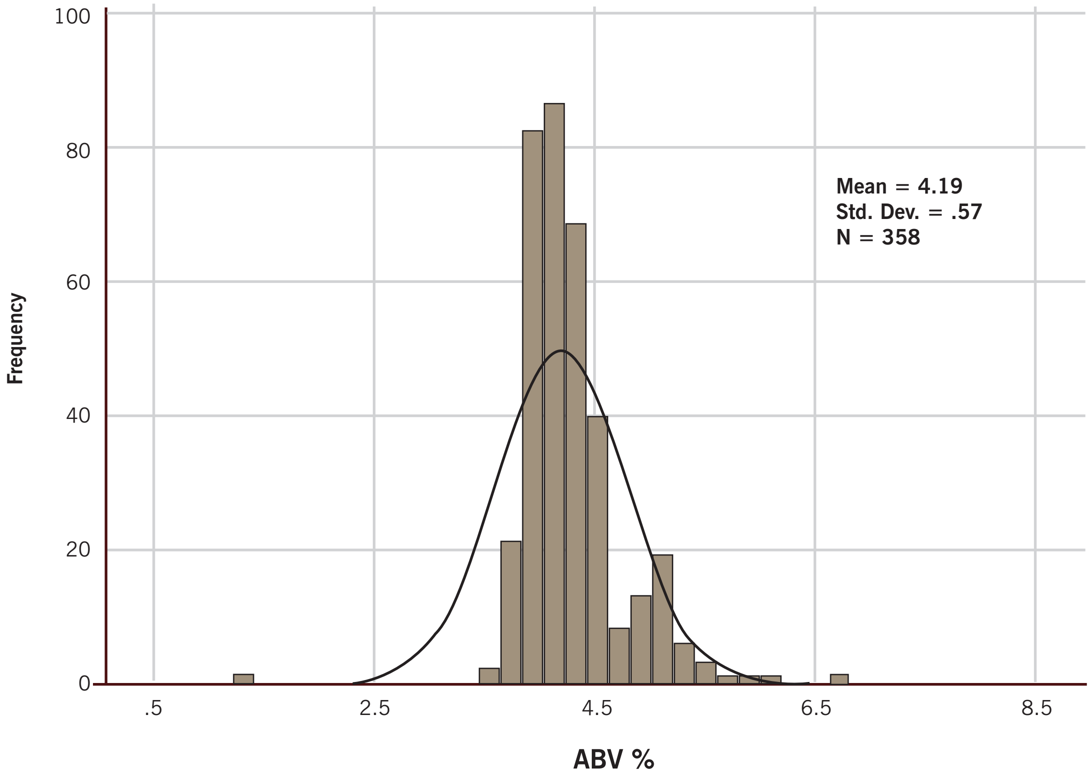


Figure 2.6a: Production of regular beers

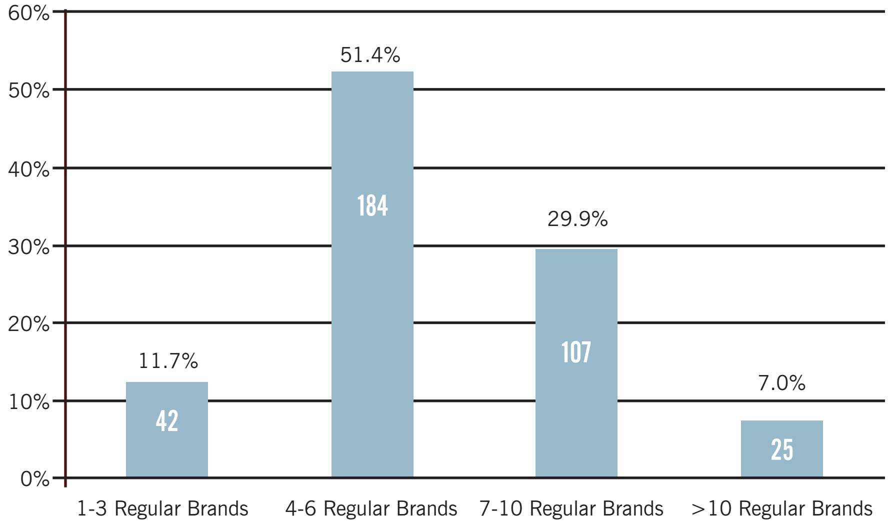
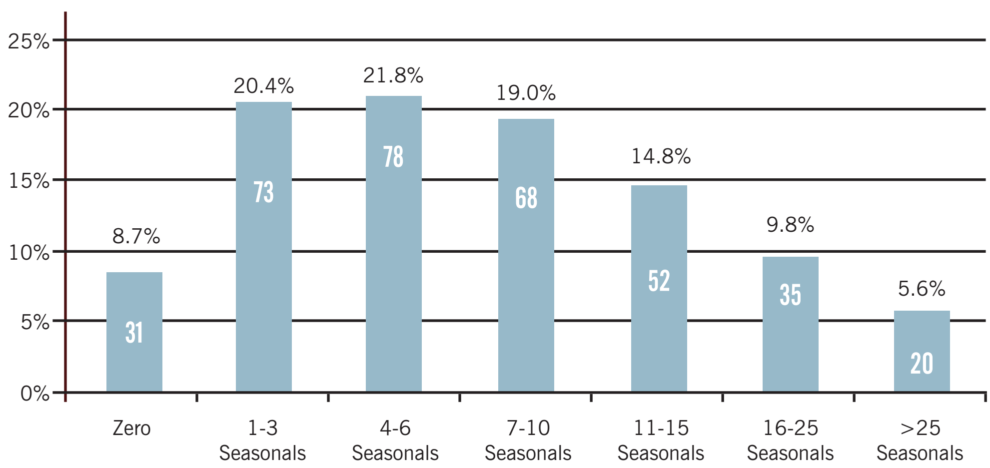


Figure 2.6b: Production of seasonal beers*



N=357

2.3 Your Employees

The total workforce captured by the 2017 survey comprised 2,668 staff employed in the participating breweries. As shown by **Figure 2.7a**, 75% are full time employees (equivalent to 1,989 people), with women representing one out of four employees. **Figure 2.7b** reports cumulative totals of employees by type of membership. Average hours accounted for part-time employment are reported by **Figure 2.8**. Nearly half of part-time employees work between 10 and 20 hours per week, and nearly one in three working above 20 hours. Employees working for less than 10 hours per week accounted for about 23%. Surveyed breweries indicate a total 843 employees directly involved in brewing the beer at their premises. Of these, 789 are men and 54 are women (93.6% and 6.4% respectively).

Figure 2.9 classifies employees by age bands and proximity of residence to their employer brewery. Nearly half of the employees surveyed in 2017 are aged between 25 and 44. Employees aged below 34 account for a 37.1% of total workforce surveyed, a slightly lower percentage compared to previous survey (it was 39.2%). The number of employees aged 55 years and above outnumbers the number of employees aged 16-24 years, with minimal changes in terms of percentage differences registered in 2016. More than one in three workers lives in the same town or village of the brewery, with 66% of employees captured by the survey living within five miles of their brewery.

The data confirms the importance of breweries in terms of impact on local employment. The results presented in **Figure 2.10** further demonstrate the importance of this relationship. The vast majority of breweries plan to expand their staff within the next twelve months, confirming the positive trend registered in the previous four years. More than one in four breweries plan to recruit two or more new employees (one in three in 2016), and 4% plan to recruit four or more new employees (7% in 2016). **Figure 2.11** depicts the employment trend from a subsample of 22 breweries for which data was available for the period 2012 to 2017. These results present a general pattern of consistent growth for both full-time and part-time employment, with numbers increasing 21% for full-time staff and 42% for part-time staff for the period under review. Estimates based on recruitment plans for 2018 expressed by respondent breweries indicate that approximately 820 new jobs will be created next year by SIBA members.

KEY POINTS

- On average 5.6 full-time and 1.9 part-time staff employed by members, both averages very similar from previous survey (2016)
- 1 in 4 employees among surveyed breweries are female
- Three in four jobs are full-time equivalent
- Surveyed breweries indicate 843 employees working as brewers, of whom 54 are women
- Good spread of ages in employment – nearly half are aged 24-45, with 37% aged below 34 and 17% aged over 55
- Investing in young people - more than one in ten employees are aged 16-24, confirming proportions obtained in previous surveys
- Breweries continue to have a strong impact on local employment – over a third of employees live in the same town or village of their employer brewery, with a further 30% living within five miles
- 63% of brewers expecting to recruit at least one new employee in the next 12 months
- Survey indicates a steady increase for both full-time and part-time jobs between 2012 and 2017

Figure 2.7a: Surveyed workforce by type of contract and gender

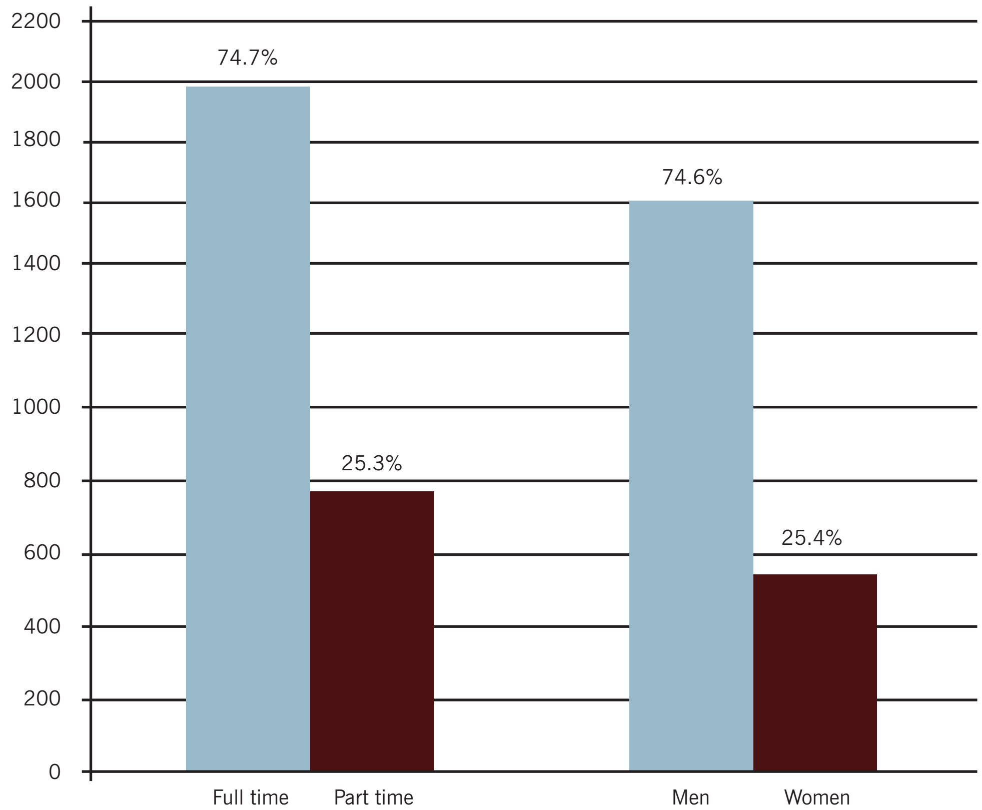


Figure 2.7b: Surveyed workforce by type of membership

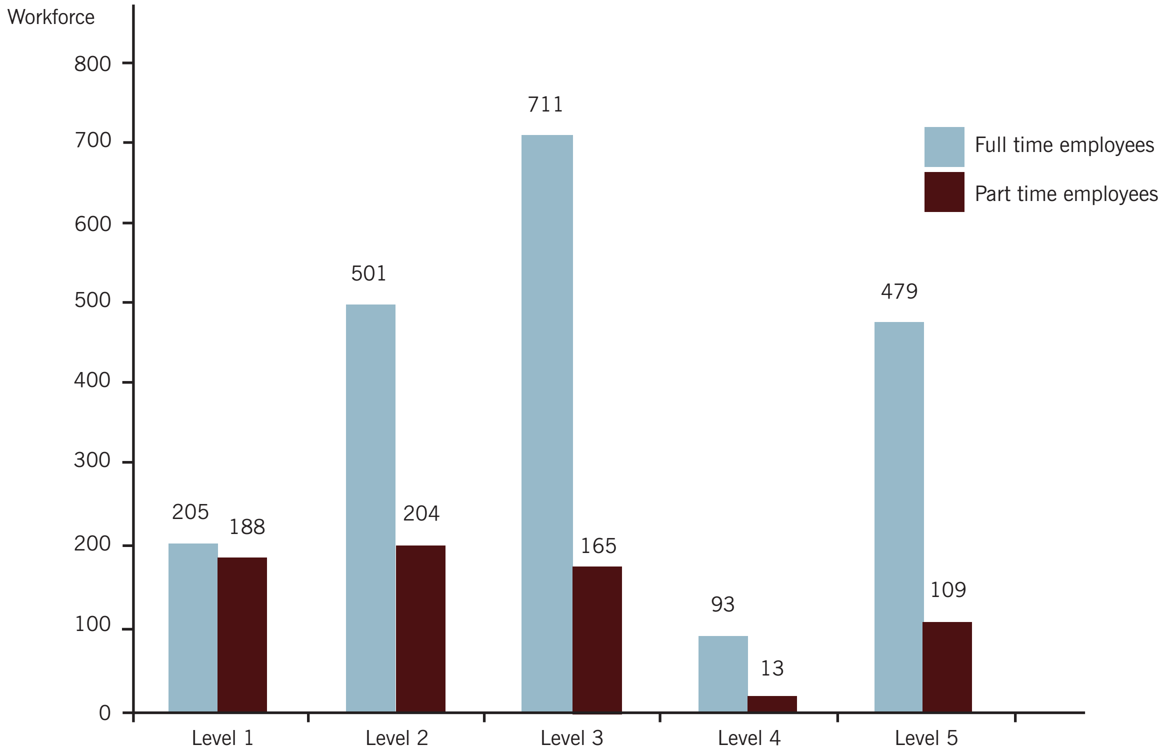


Figure 2.8: Proportions of part-time employment by working hours per week

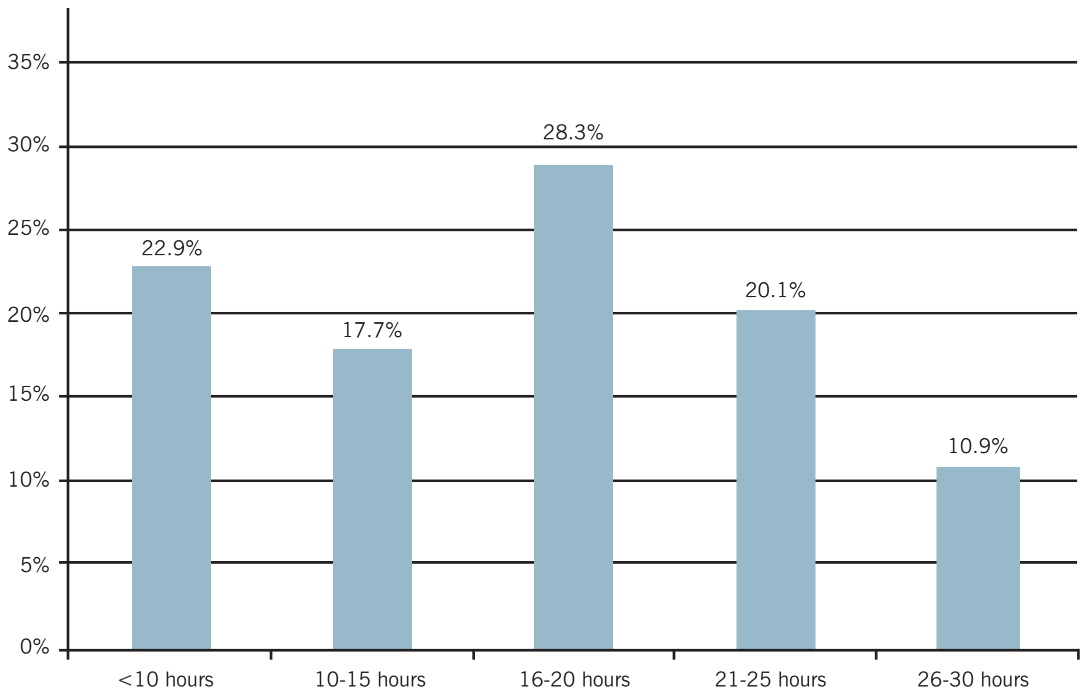


Figure 2.9 Workforce categorised by age bands and place of living.

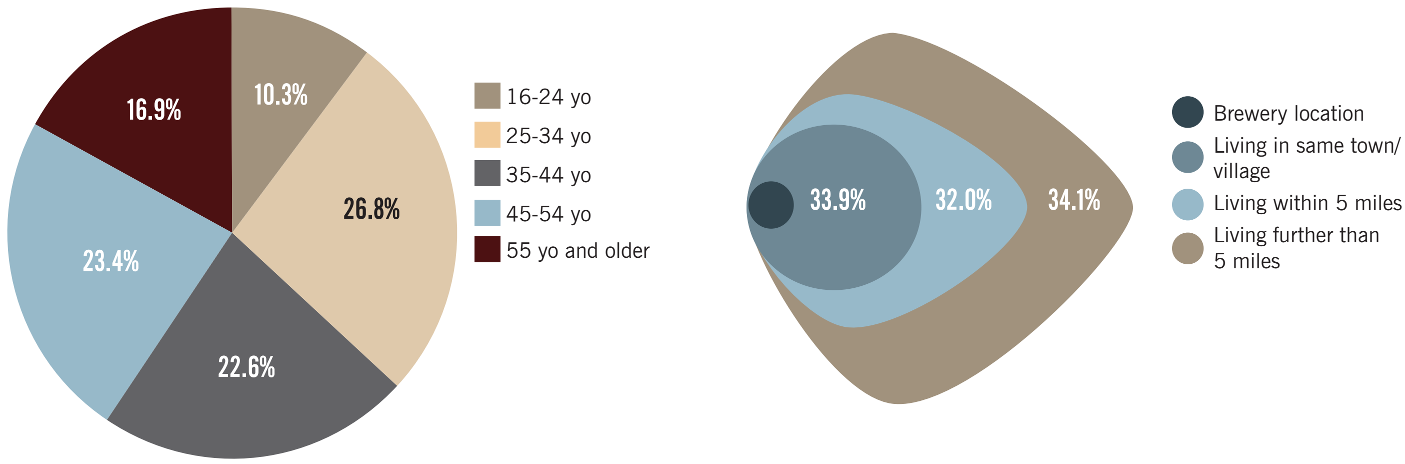


Figure 2.10: Recruitment plans of surveyed breweries for the next 12 months (Count in circles)

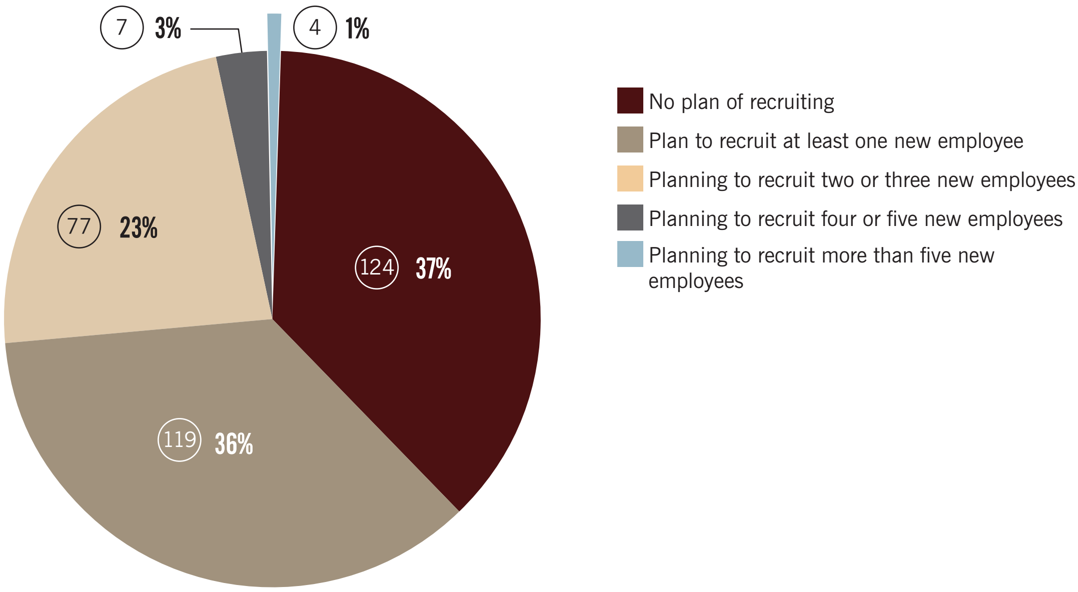
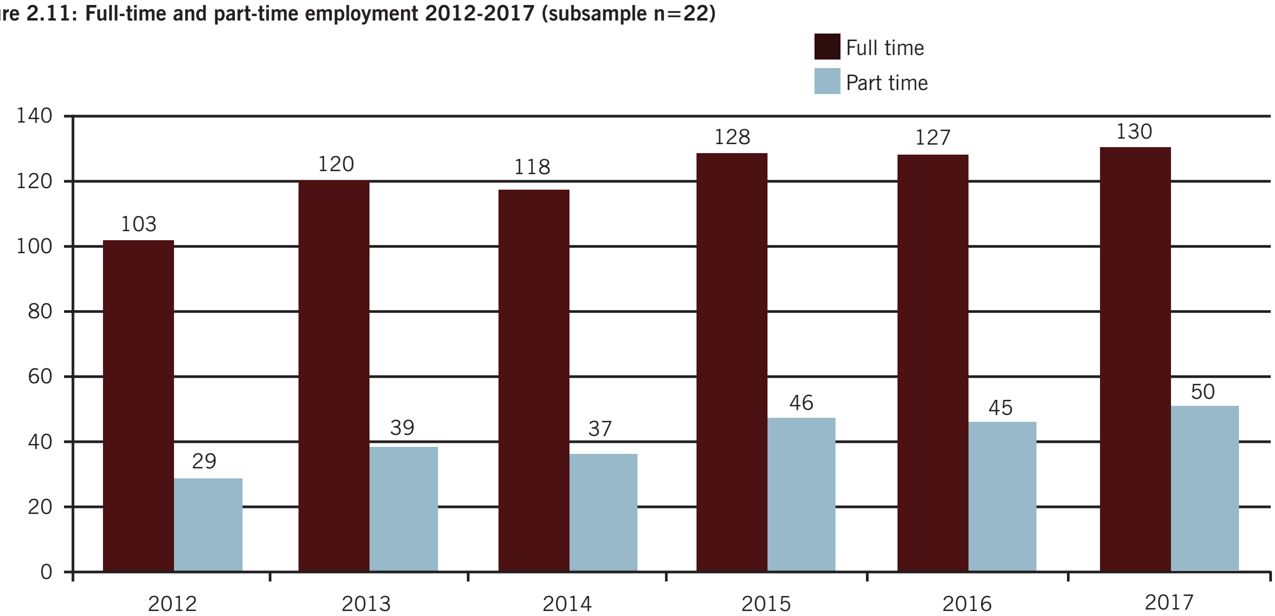


Figure 2.11: Full-time and part-time employment 2012-2017 (subsample n=22)




Nacanco Europe

2.4 Your Business Activity

Figure 2.12a shows the distribution of surveyed breweries with regard to levels of annual turnover. Nearly one out of five breweries approached by the survey indicated an annual turnover of less than £50K in 2017, with the majority of respondents achieving between £50K-£250K; these two proportions resemble those gathered in 2016. About 40% of respondents reported an annual turnover above £250K, with a further 12.2% of which reported an annual turnover in excess of £1 million (-4.9% and -1.4% compared to 2016 survey). Overall, estimations for 2018 remain positive illustrated in **Figure 2.12b**, confirming expectations of growth expressed by respondents in the three previous surveys: about 63% of respondents are expecting an increase in annual turnover in 2018, although now nearly one in seven forecasting growth above 25%, a lower proportion compared to 2016 (it was one in four). Conversely, nearly one in five respondents expects a decline in turnover for 2018, with another 17.3% predicting no change.

Members were asked to express their views regarding how they will perform in 2018 compared to 2017, given the current economic situation and business context. As reported in **Figure 2.13**, the vast majority of surveyed brewers express optimism in relation to the next twelve months, with more than two thirds indicating a better performance, and one in ten indicating a much better performance. Conversely, 14% expressed a negative opinion, with 1% fearing their brewery will perform much worse in 2018 compared to 2017.

As shown in **Table 2.3a**, more than one in three breweries in the survey indicated that they own, lease and rent pubs, a significant growth from previous survey (nearly one in five in 2016). **Table 2.3b** reports pubs owned or tenanted/leased according to memberships. In total, there are 447 pubs owned by breweries captured in this survey, and 227 leased/tenanted. A large number of respondents (87) indicated that they own at least one pub, and nine respondents report that they own more than ten pubs each for a cumulative total of 318 controlled pubs. These figures confirm the positive trends in terms of pub ownership among members registered in the past three surveys. The number of members indicating leased/tenanted pubs has also increased: 52 respondents control at least one pub under these types of management, with 24 revealing that they have more than two. Operations conducted and finalised in 2017 saw the purchase/undertaking of 67 pubs, of which 34 were bought and 33 were undertaken by respondents. Figures show a considerable increase since last year, when findings from the 2016 survey indicated operations involving 33 pubs, of which 20 were bought and 19 were undertaken by respondents.

KEY POINTS

- 41% of respondents' annual turnover was between £50K-£250K in 2017
- 40% of respondents have an annual turnover above £250K
- 62% of respondents expect their annual turnover to increase in 2018
- One out of three forecast growth in turnover over 10% in 2018
- 19.5% expect a decline in turnover in 2017
- Respondents took on 67 pubs in 2017 indicating 34 acquisitions across SIBA's membership, a significant increase in numbers compared to 2016
- More than two thirds of beer sold within 40 miles of the brewery
- One in five respondent brewers now exporting their beers
- 57% of brewers approached are interested in exporting their beers
- More than half of surveyed breweries rented containers to deliver their production in 2017

Figure 2.12a: Annual turnover in 2017 and estimates for 2018

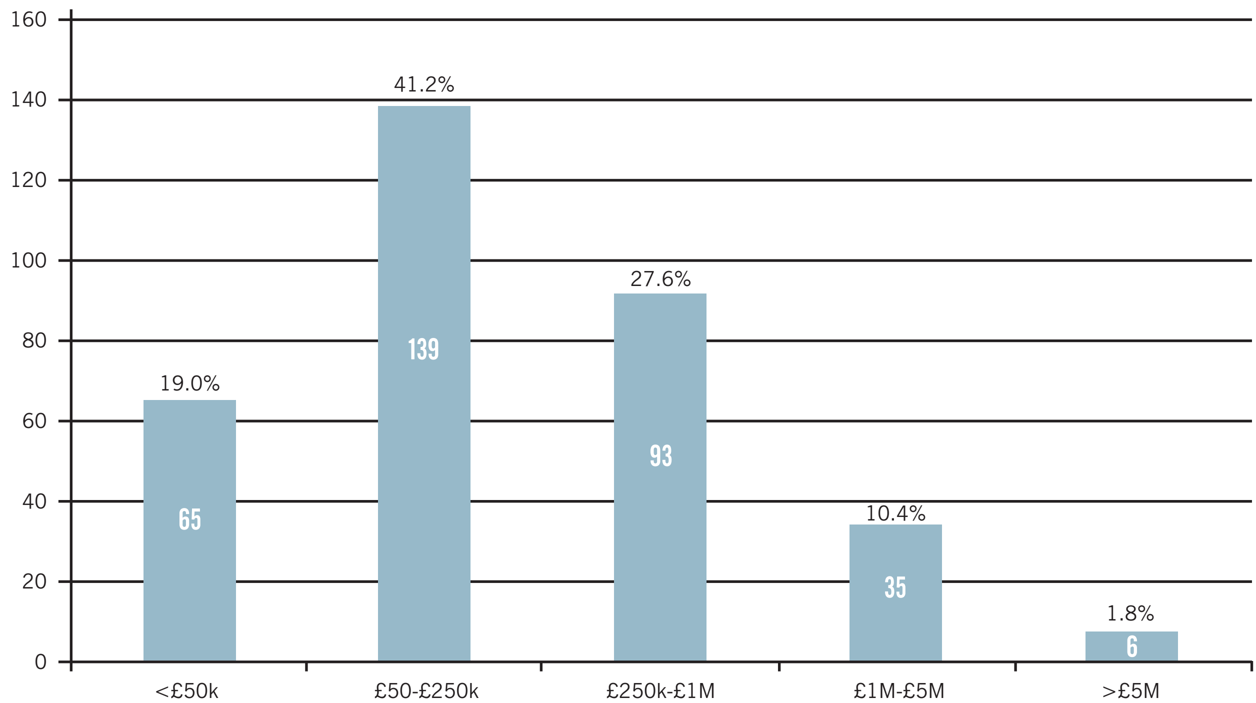


Figure 2.12b: Estimated Annual turnover in 2018

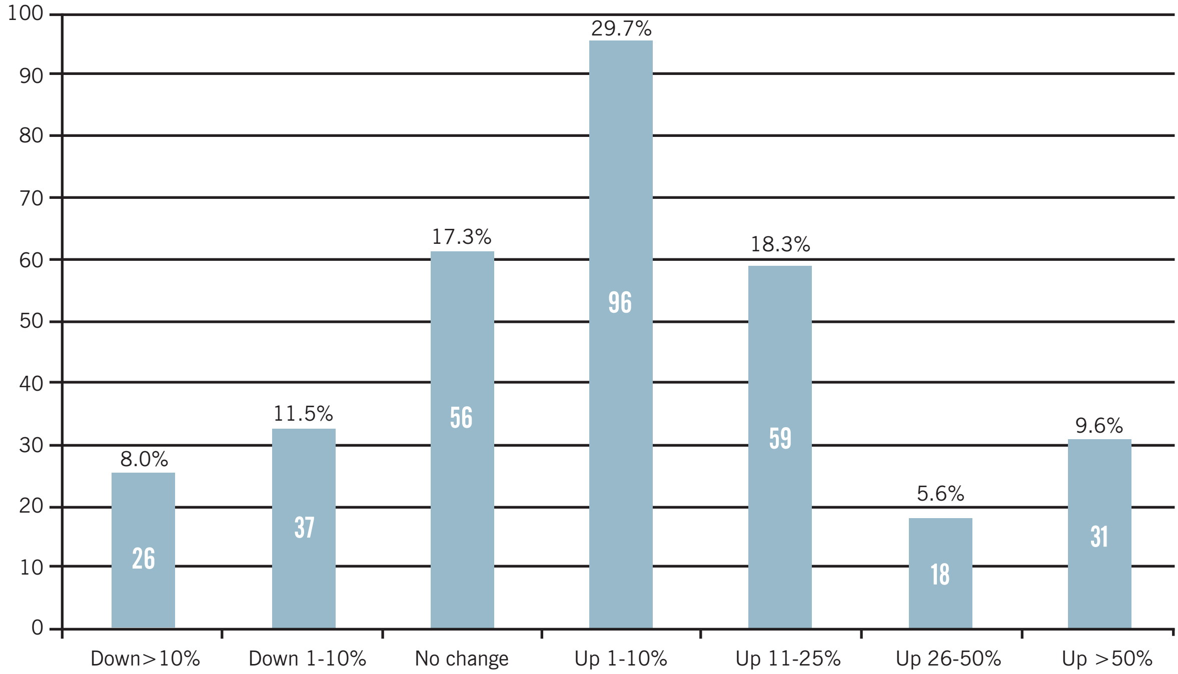
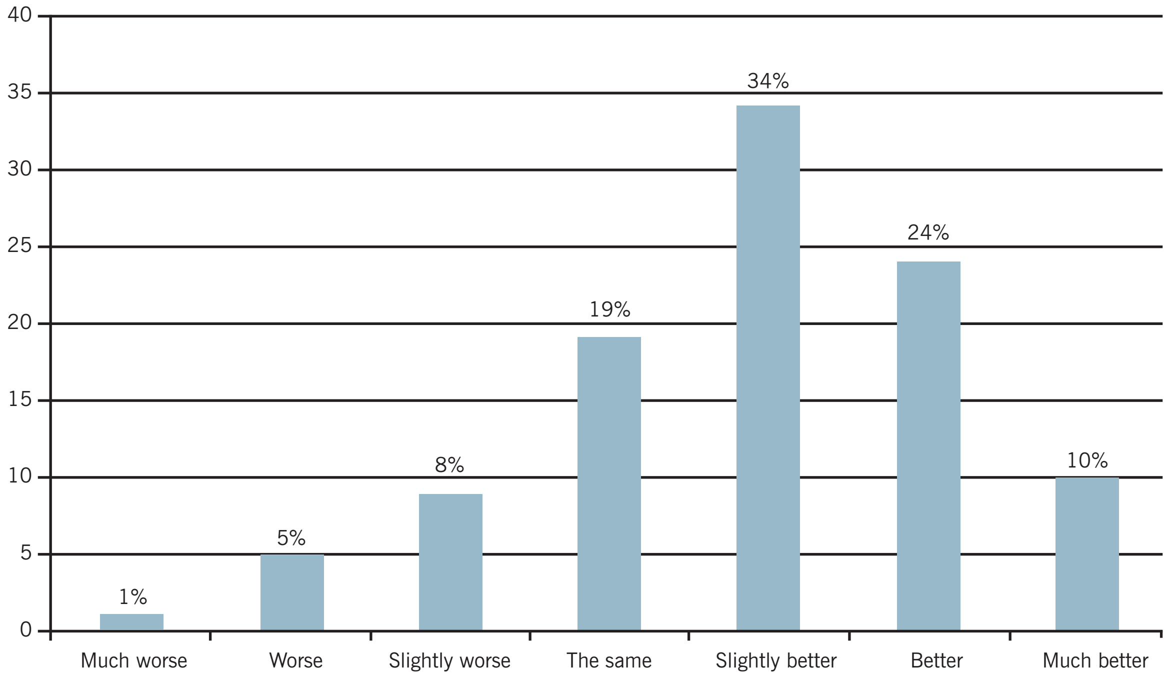


Figure 2.13: Perceptions of business performances in 2018 compared to 2017



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 Beerflex/DDS route; d) direct to pub-companies tied pubs; e) direct to pub-companies free-of-tie pubs; f) reciprocal to other breweries; g) national wholesalers; h) regional wholesalers; i) supermarkets; l) off licences; m) restaurants; and n) hotels.

Figure 2.14a shows histograms and normal curves computed for each of these categories. At first glance, responses indicate a high level of variation among the twelve 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 51% and 13% of breweries' production seems to be supplied to free trade pubs and to owned pubs respectively (very similar percentages compared to previous surveys), while slightly less than 5% goes to pubco-tied outlets. Nearly 10% of surveyed production is sold through national and regional wholesalers. Sales through the SIBA Beerflex/DDS and reciprocal sales with other breweries are the lowest categories, accounting for on average 4.3% and 2.6% of total sales respectively. Very low percentages of the beer production captured by this year's survey are supplied to restaurants and hotels (2.5% and 1.6% respectively).

Respondents were asked to estimate percentages of on-trade sales made beyond a 40-mile radius from their respective breweries; responses are reported in **Figure 2.14b**. About 31% of the surveyed breweries reported more than a fifth of their beers are sold beyond a 40-mile radius (same percentage from 2016 survey); and 46 breweries (same percentage in 2016) selling more than half of their production further than a 40 miles from their location.

Nearly one in five surveyed breweries export their products overseas, as shown in **Figure 2.15**. These results suggest a decline in export compared to previous surveys (-3.1%). The main markets for export are in Europe: Italy is confirmed as the top-destination for the third year in a row (12.5%), followed by France (11.3%). The top six spots are occupied by EU member states, followed by Japan and USA (4.8% respectively). **Figure 2.16** shows that 73% of responses report less than 1% of beer exported based on total production, while 8% of surveyed breweries indicate percentages above 10%. These percentages are about half of those registered in the 2016 survey (48% and 16% respectively). About 57% of surveyed breweries that at present are not exporting expressed an interest to start (nearly 60% in 2016).

Finally, **Figure 2.17** shows the number of surveyed breweries that use rented containers for their activities in 2017, and the approximate percentage of draught production delivered in these rented containers. More than 55% of the respondents rented containers, with nearly three in four (134) using containers to deliver less than a quarter of their respective production (four in five in 2016), and with 19 respondents indicating that more than half of their production was delivered by rented containers (two and ten more from 2016 and 2015 respectively). Responses to this question reveal that about 214,600 hectolitres of beer were delivered in rented containers in 2017, about 13.2% of the total production captured by the survey (+1.2% compared to 2016).

Table 2.3a: Number of surveyed breweries owning or leasing/tenanting pubs (counts)*

No. pubs operated	Total	Bought in 2017	Total	Taken on in 2017
Zero	137	-	285	-
One	52	3	28	5
Two	13 (26)	-	6 (12)	2 (8)
Three to five	12 (43)	1 (1)	7 (25)	2 (7)
Six to ten	1 (8)	-	5 (34)	-
More than ten	9 (318)	5 (30)	6 (178)	1 (13)
Total	**87 (447)**	**8 (34)**	**52 (277)**	**10 (33)**

**No. of responses = 337*

Table 2.3b: Surveyed breweries owning or leasing/tenanting pubs by memberships*

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)	Level 5 (60,000-200,000HL)
One	21	24	5	1	1
Two	5 (10)	4 (8)	4 (8)	-	-
Three to five	1 (3)	6 (21)	4 (14)	1 (5)	-
Six to ten	-	-	-	-	1 (8)
More than ten	**1 (14)**	**3 (76)**	5 (228)	-	-
Totals	**28 (48)**	**37 (129)**	**18 (255)**	**2 (6)**	**2 (9)**

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)	Level 5 (60,000-200,000 HL)
One	9	12	7	-	-
Two	2 (4)	4 (8)	3 (11)	-	-
Three to five	-	4 (14)	1 (6)	-	-
Six to ten	2 (14)	-	-	1 (6)	1 (8)
More than ten	-	2 (43)	4 (135)	-	-
Totals	**13 (27)**	**22 (77)**	**15 (159)**	**1 (6)**	**1 (8)**

**Total numbers of owned//leased/tenanted pubs corresponding to categories are reported in brackets*

Figure 2.14a: Beer sales routes

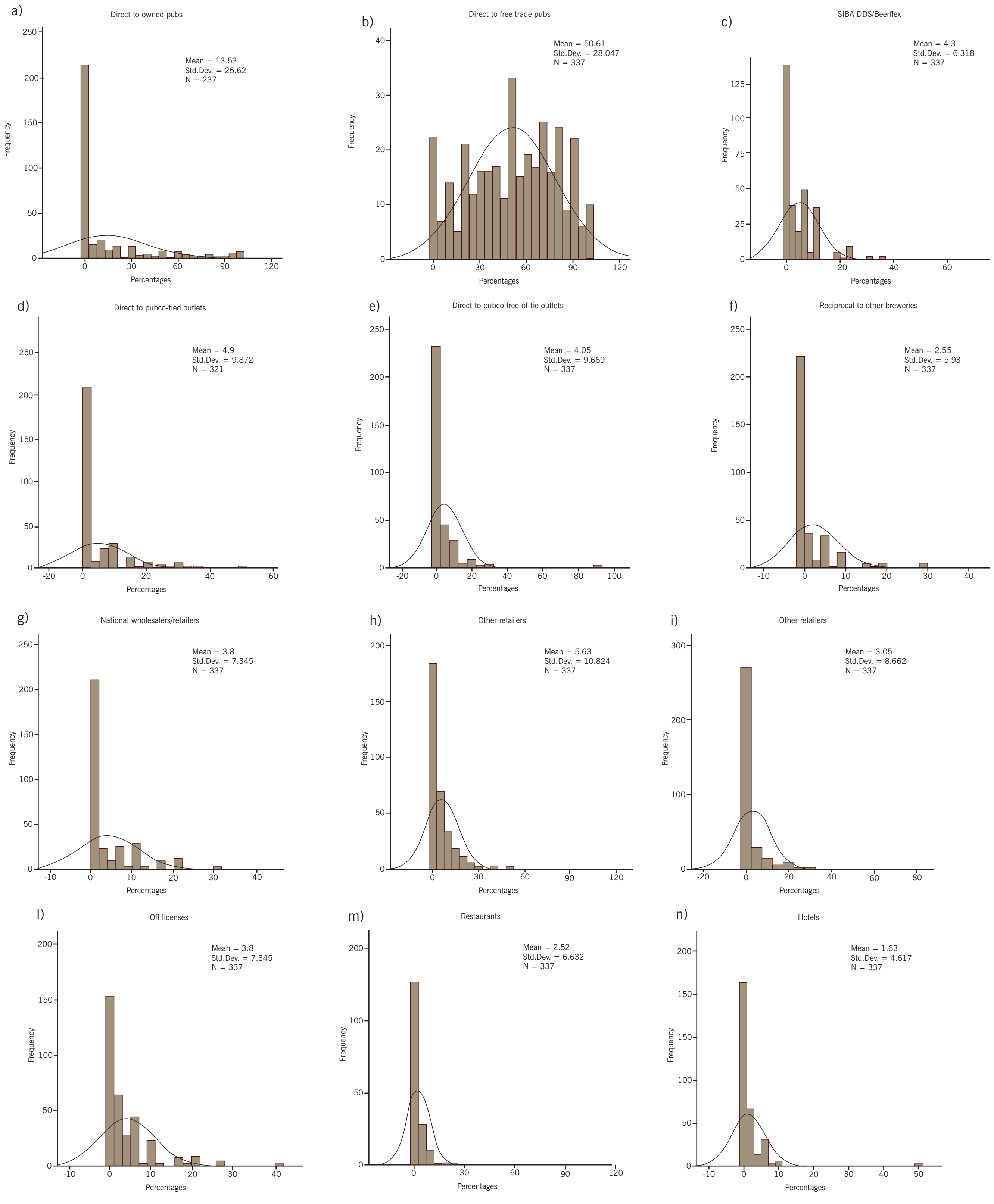
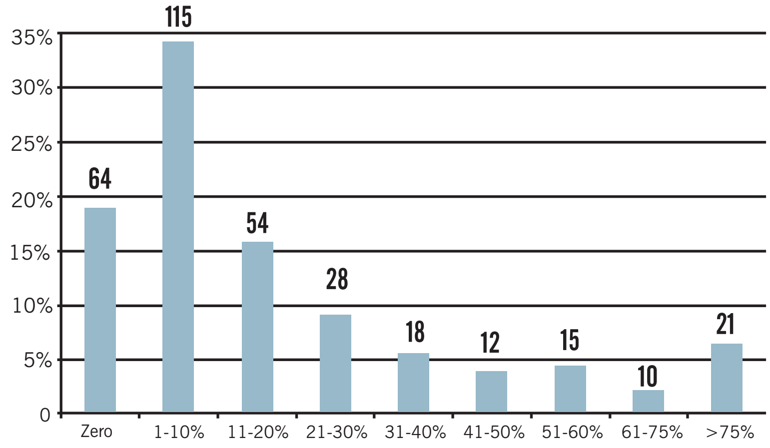


Figure 2.14b: Proportion of beer production sold beyond a 40 miles radius*



*Percentage bars – counts on top N=337

Figure 2.15: Export activities among surveyed breweries

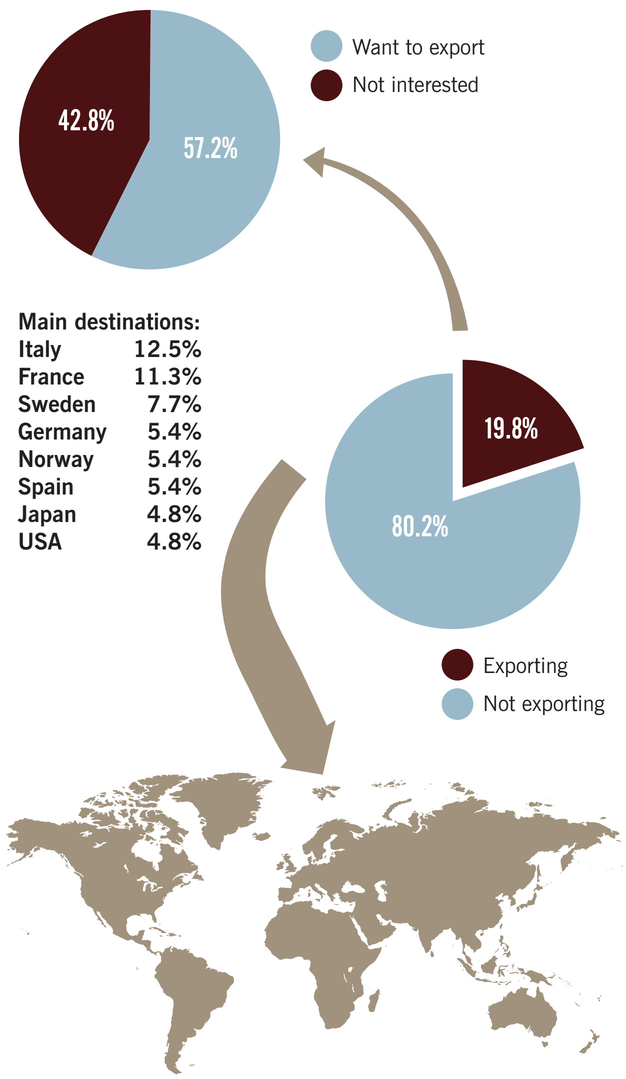


Figure 2.16: Proportion of exported beer on total production among surveyed breweries

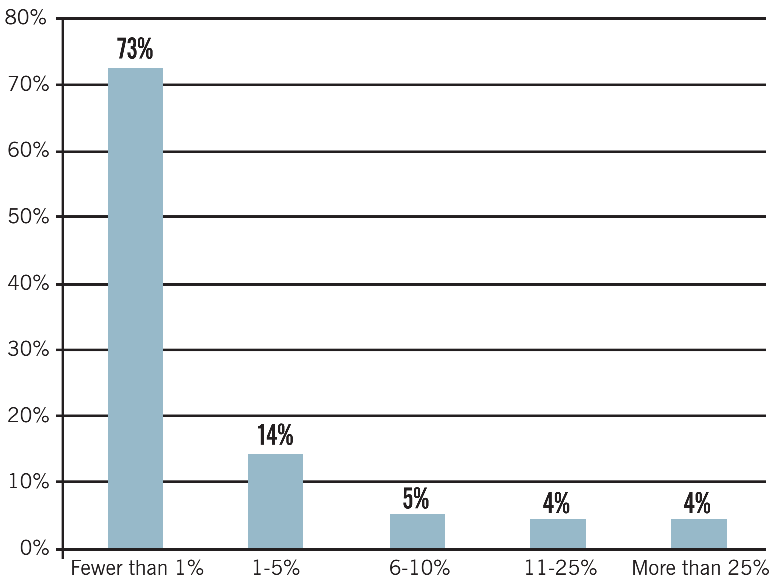
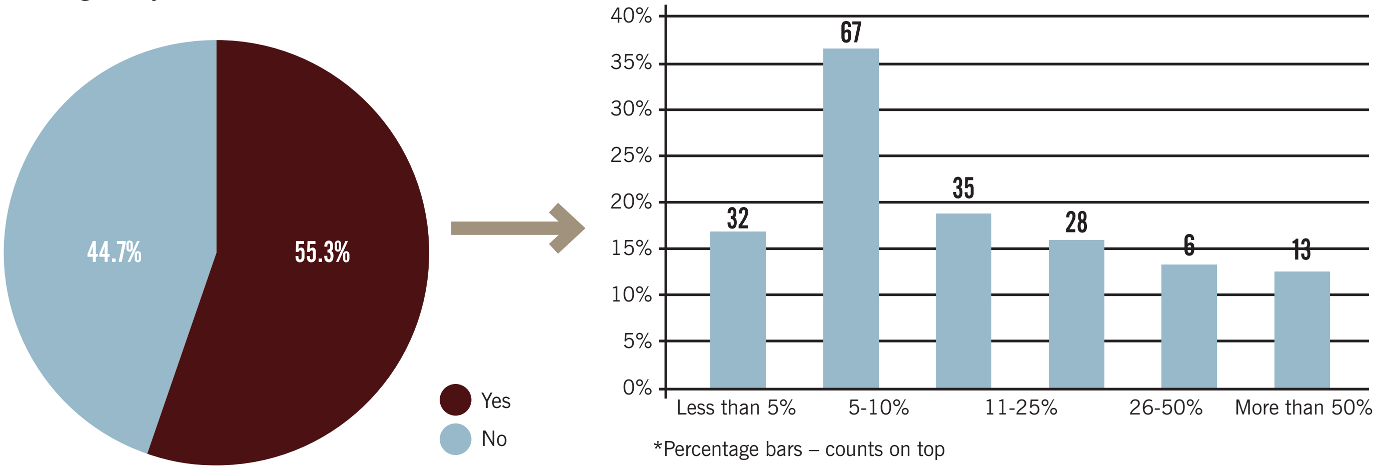


Figure 2.17: Use of rented containers among surveyed breweries



*Percentage bars – counts on top


PILS

2.5 Current Investments and Future Developments

The majority of respondent breweries made capital investments in 2017. As shown by **Figure 2.18a**, 30% of surveyed breweries invested less than £10K, with 29% investing between £10K and £100K, and 9% investing more than £100K in their breweries. The purposes for these investments are reported in **Figure 2.18b**. Similar to findings gathered from the 2016 and 2015 surveys, the bulk of respondents invested to expand beer production (43%) and modernised equipment (26%), while other respondents purchased or expanded their transport fleet (12%), enlarged their current premises (8%), or purchased new premises (7%).

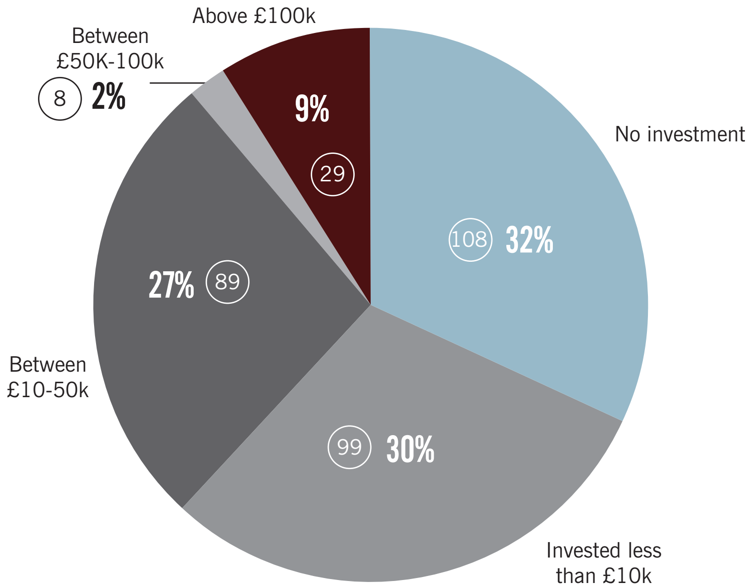
Breweries were asked to indicate and rank their priorities for utilising duty savings from the duty reduction and the Small Breweries' Relief (for those who qualified) with regard to their business activities. Priorities were ranked from 1 to 7 in order of their importance, where 1 was the most important and 7 the least important. **Figure 2.19** illustrates that increased capacity and the purchase of new equipment were top-priorities for 30% and 22% of the cases respectively. Savings were not considered as essential in relation to staff trainings, discounting prices or developing marketing/branding. These percentages are very similar to those recorded in the 2014, 2015 and 2016 surveys.

KEY POINTS

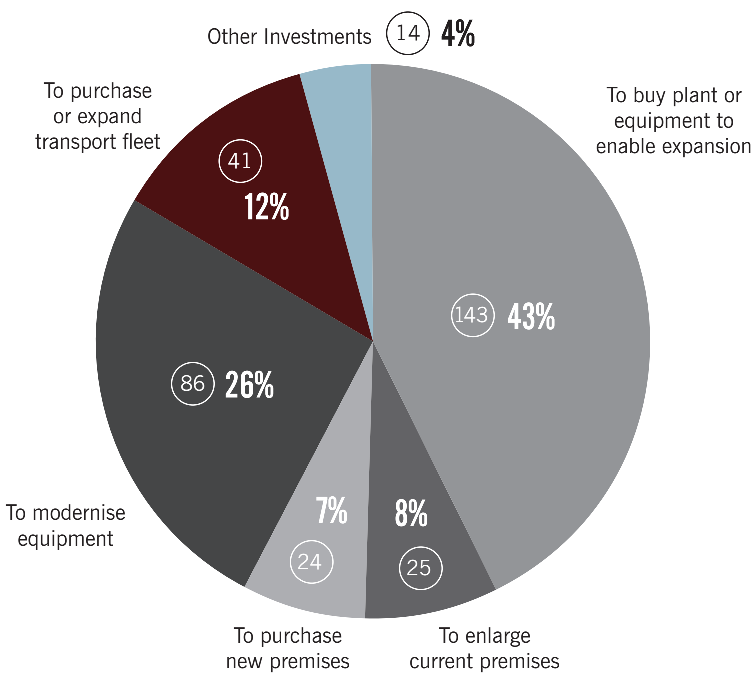
- Most breweries made capital investments in 2017
- 11% invested more than £50K in 2017, with nearly one in ten investing more than £100K
- Bulk of investments were in buying plant or equipment to enable expansion, modernising equipment and to purchase or expand transport fleet
- Duty savings and Small Breweries' Relief continue to be mainly used for more capacity and new equipment, confirming findings from the 2016 survey
- Only 11% of respondents used duty benefits to discount beers
- Training remains very important to members – 80% intend to invest in staff training in the future and three out of four are interested in a SIBA-led training scheme
- Small Breweries' Relief at current levels is essential to the future – 83% say it is 'extremely important' to their business, 5% 'very important 'and a further 8% consider it 'important'

Figure 2.18: Levels of capital investments made in 2017 (a) and related purposes (b)

a) Capital investments in 2017 (Counts in circles)



b) Investment purposes (Counts in circles)



The willingness to invest in increasing the quality of training available for employees is explored in **Figure 2.20**. Nearly four out of five breweries intend to increase the quality of training provision in the future (three out of four in 2016). In addition, 186 breweries (78.7% of total respondents, +2.8% compared to 2016) expressed an interest in taking part in training developed and provided by SIBA. Findings also revealed the presence of 25 apprenticeships across 21 surveyed breweries (6.2% of respondents), with nearly one in four members expressing their intention to take at least one apprentice on in the next twelve months.

Surveyed breweries consider Small Breweries' Relief (SBR) to be 'extremely important' to their ability to compete as small businesses. **Figure 2.21** shows 83% of respondents indicating SBR as 'extremely important' for their activities (+12% compared to 2016 survey), with another 13% as 'very important' or 'important'. Only 13 respondents did not regard SBR as 'important 'for their activities.

Breweries expressed their objectives in terms of growth and expansion for 2018. As shown in **Figure 2.22**, the vast majority of breweries plan to increase production, sales volume and annual turnover in the next twelve months. A very small number of breweries indicated they have no plans for growing their business. While the bulk of responses express an intention to achieve marginal growth up to 25%, about 4% of surveyed breweries plans to double their current levels of production, sales and turnover by 2019.

Figure 2.19: Priorities in relation to using duty savings

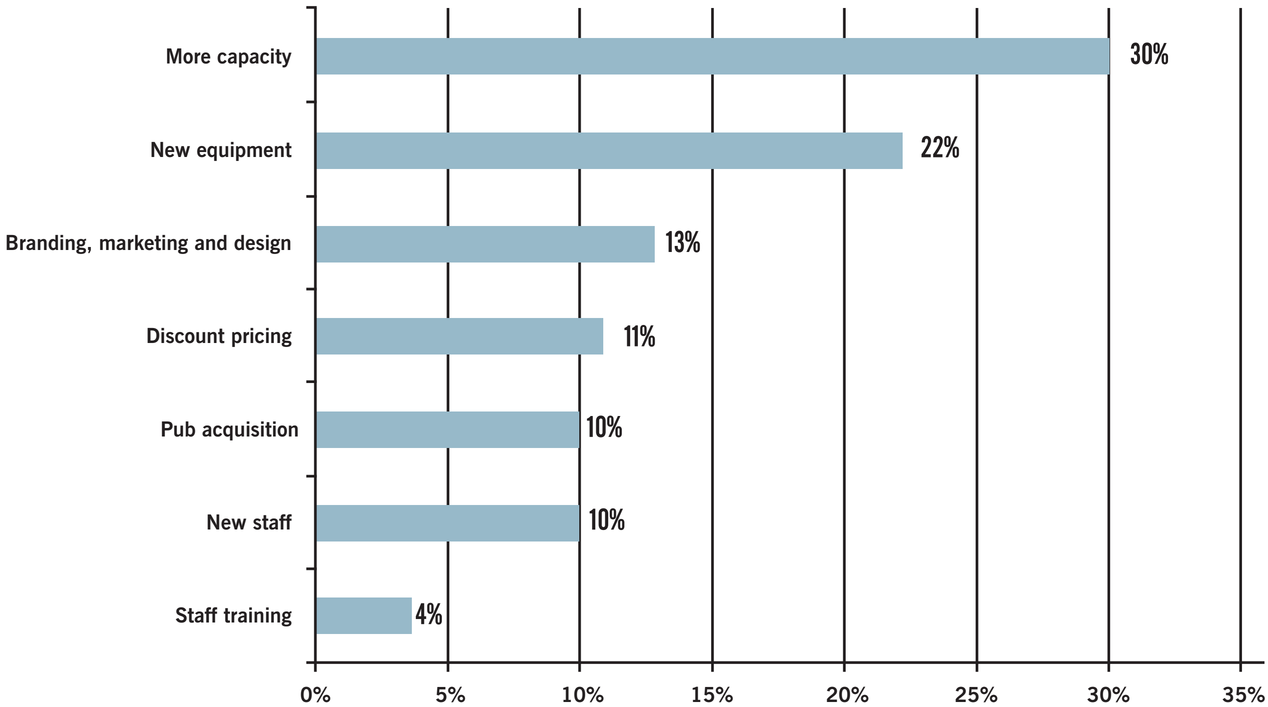


Figure 2.20: Attitude towards increasing quality of training available for employees in future (Counts in circles)

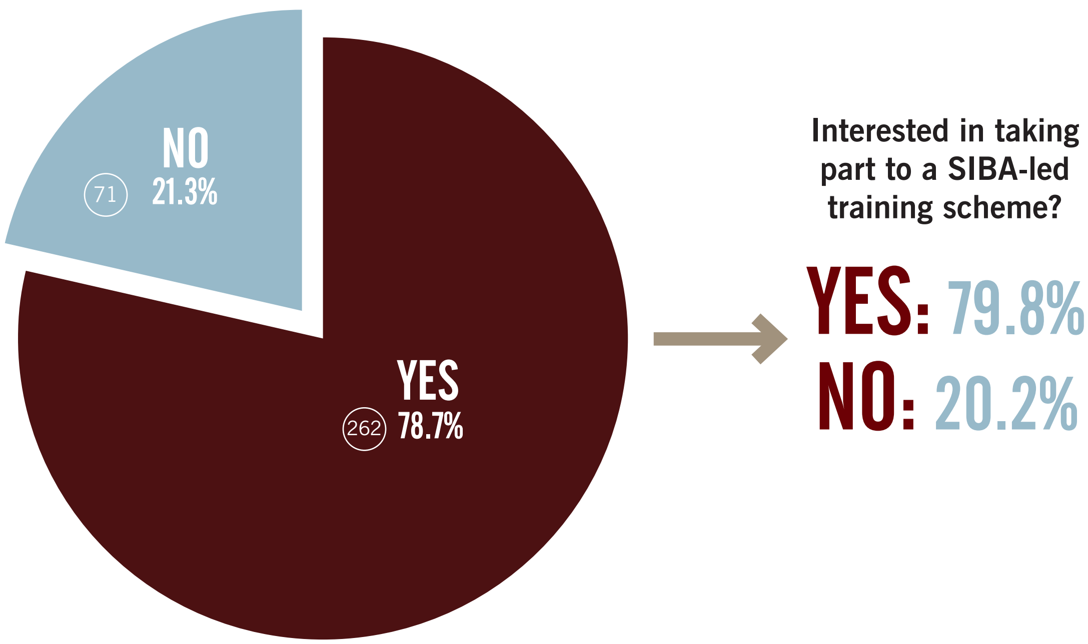


Figure 2.21: Importance of Small Breweries' Relief for breweries (counts and percentages - counts in cirlces)

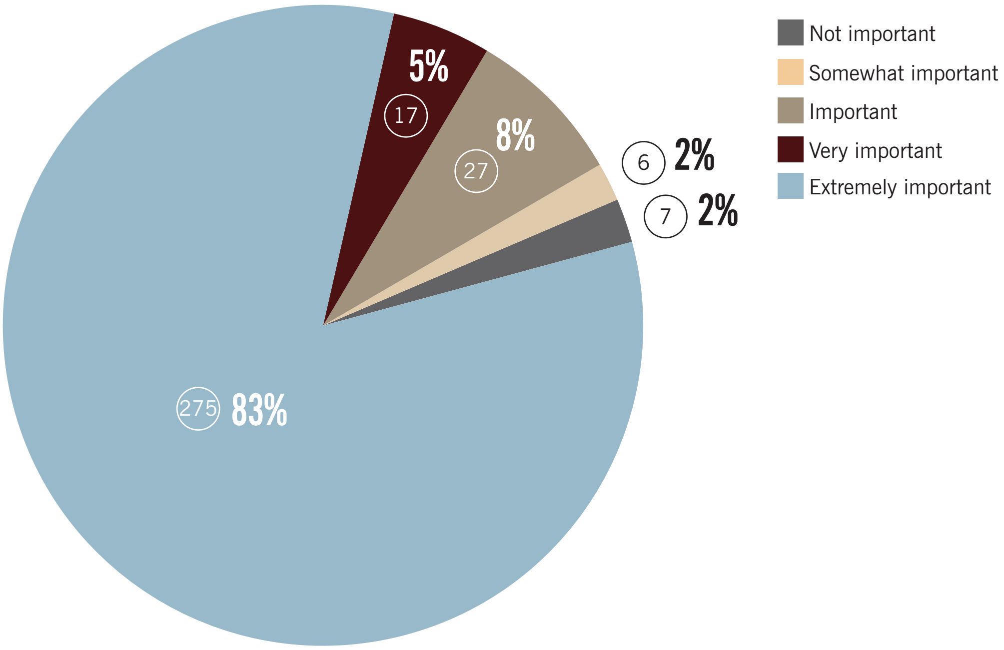
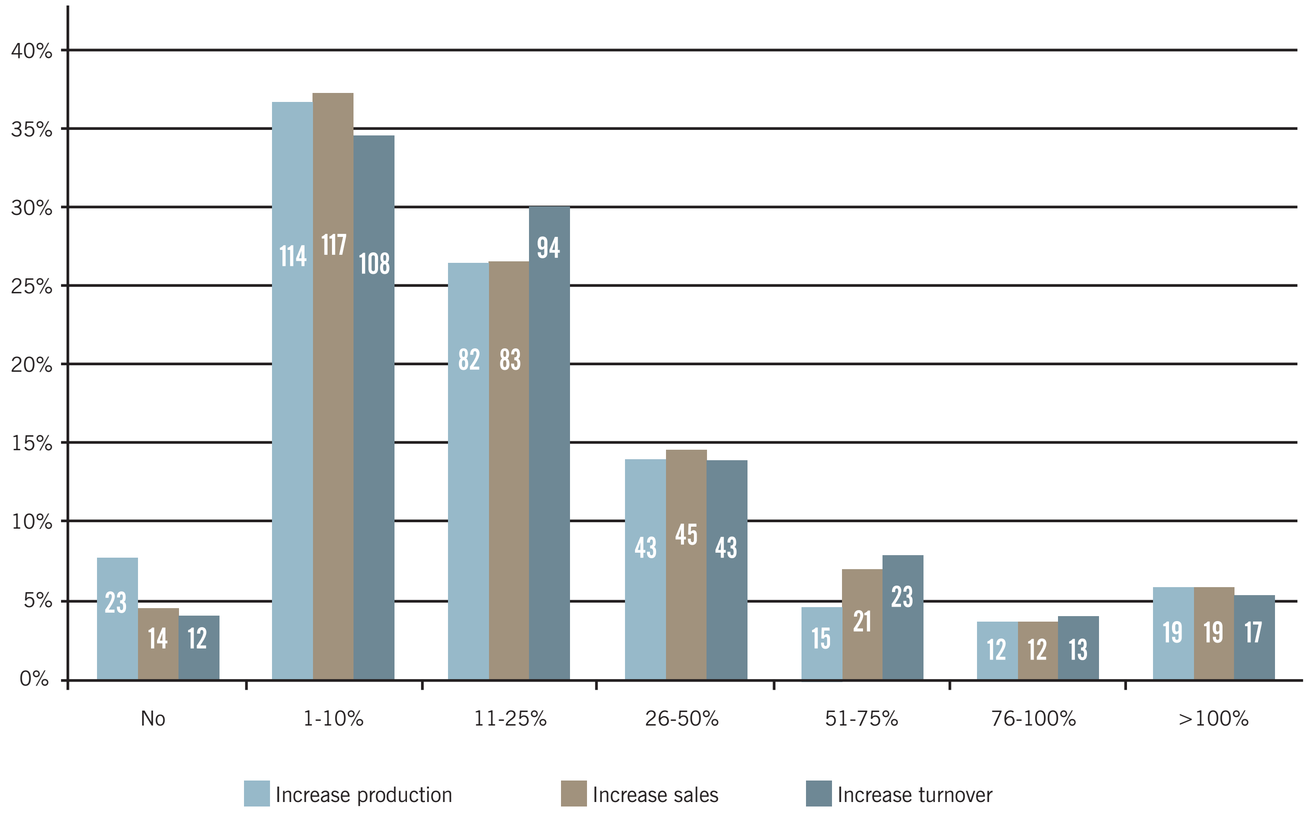


Figure 2.22: Future plans for investments before 2019*



*Percentage bars – counts embedded in bars


BREWERS MALT

2.6 Your involvement with community and society

Little more than two thirds of breweries surveyed indicated they operate a shop, a tap bar or a visitor centre on site, as shown by **Figure 2.23**. Nearly half of surveyed breweries operate a shop, while 33% run a tap bar and 33% have a visitor centre; one in ten respondents indicated running all three facilities on site. These facilities accounted for up to 10% of breweries' annual turnover for 42% of surveyed breweries, while another 9% of respondents indicated more than a quarter of their annual turnover was generated from operating these facilities. Based on responses, these facilities contributed to surveyed breweries' annual turnover for a total £12.6 million.

Breweries were asked to indicate how important their relationship with the local community was for their business. As shown by **Figure 2.24**, a cumulative 84% indicated this relationship was 'important', with 44% indicating it was 'extremely important'. Only 5% of respondents indicated it was 'not important at all', with an additional 2% considering it 'not important'. The survey revealed that one in three respondents (34%) gave their local Member of Parliament (MP) a tour of their premises in 2017; 75% of those who did not would like to invite their local MP to visit their brewery in 2018.

Respondents were also asked to indicate whether they supported any charity in 2017; results are shown in **Figure 2.25**. Five in six respondents have supported at least one charity over the last 12 months, with one in five supporting more than five charities (same proportions from 2016 survey). Of these, 55% donated less than £1,000, while 21% donated between £1,000 and £5,000; 17 surveyed breweries reported total donations of more than £5,000. About 45% of respondents indicated that the charities they supported were located or operating within the same town or village of the brewery, a slightly lower percentage compared to previous surveys but it still confirms the importance of breweries for local communities and their role in supporting and fostering community cohesion and social initiatives.

KEY POINTS

- Most breweries run a shop and a tap bar on site, one in seven have a visitor centre
- 10% of surveyed breweries operate a shop, a tap bar and a visitor centre at the same time, a larger percentage compared to previous surveys
- For the majority of surveyed breweries, these facilities generate up to 10% of their annual turnover: 9% of respondents indicated these facilities contribute to more than a quarter of their annual turnover
- 84% consider their relationship with the local community as 'important' or 'extremely important': only 7% consider this relationship 'not important'
- 82% of surveyed breweries supported at least one charity in the past 12 months, with about half supporting more than five charities in 2017
- More than one in four breweries donated or raised more than £1,000 for charities in 2017
- One in three respondents gave a tour of their brewery to Members of Parliament in 2017

Figure 2.23: On site facilities managed by surveyed breweries

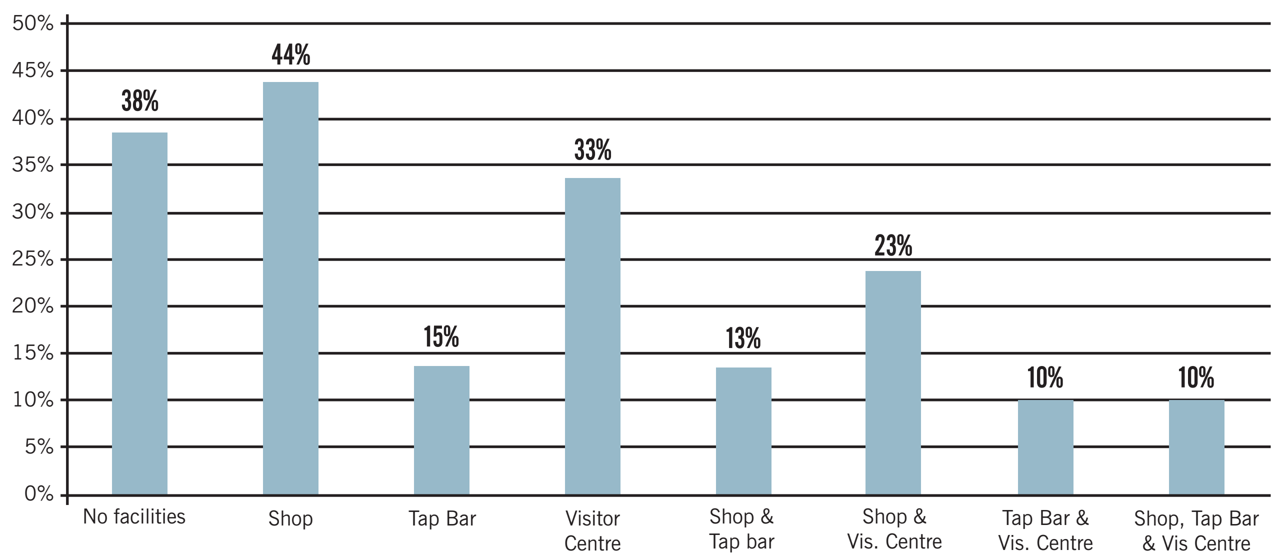


Figure 2.24: Importance of local community for surveyed breweries' business (Counts in circles)

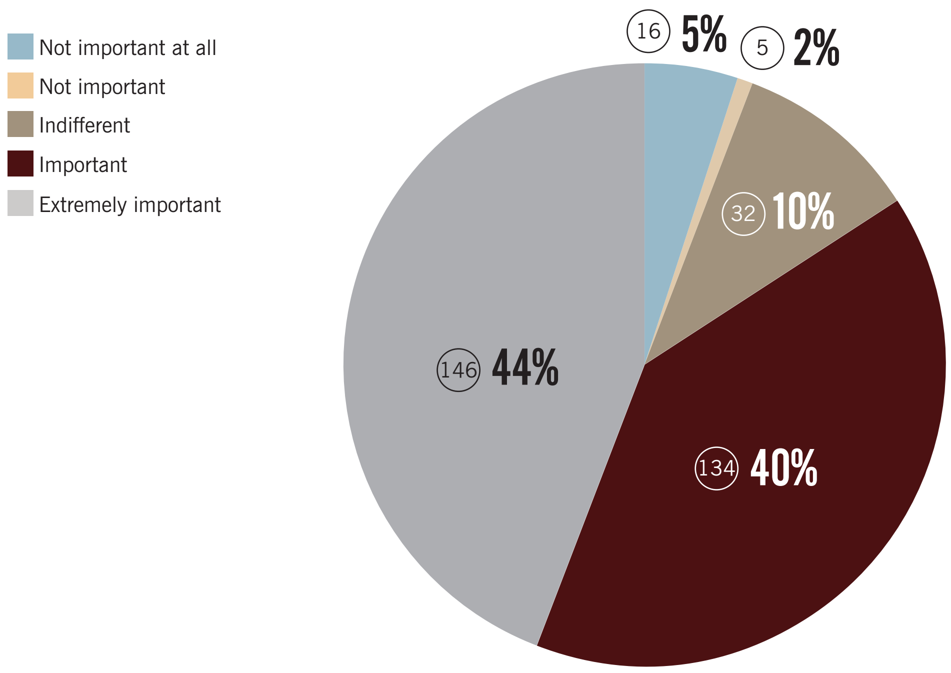
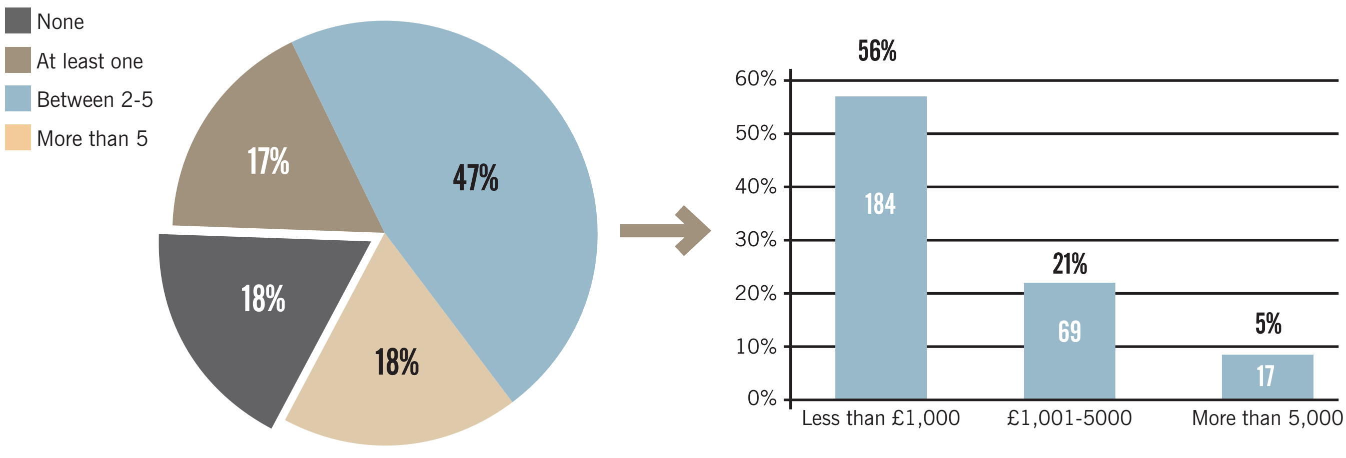


Figure 2.25: Number of charities supported by surveyed breweries in 2016 and total donations



2.7 You and SIBA

Breweries expressed their views in relation to services and benefits associated with their SIBA membership. The survey questionnaire proposed 25 specific services and benefits; respondents were asked to rank the importance of these services as shown in **Figure 2.26**.

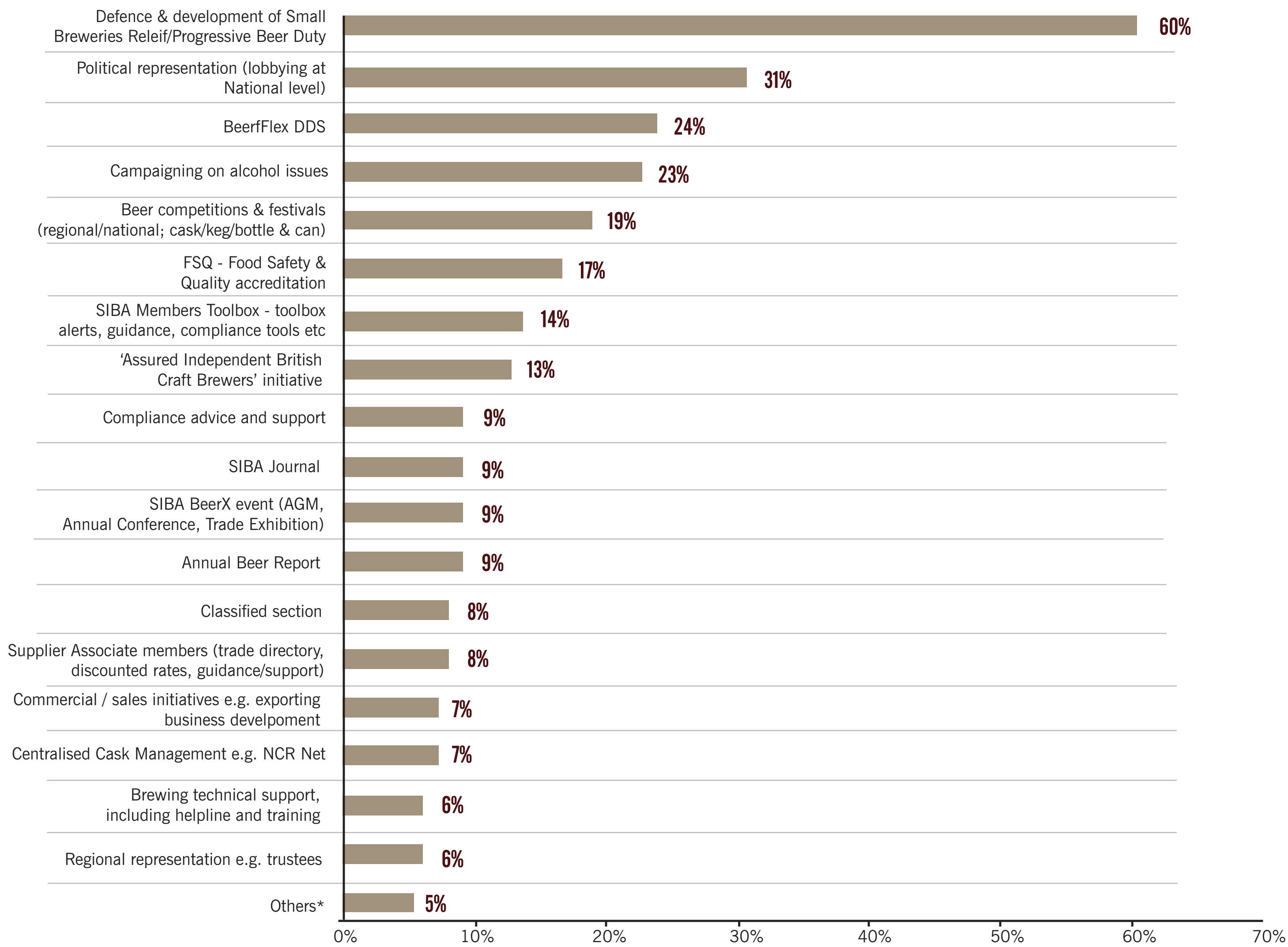
Defence and development of Small Breweries' Relief/Progressive Beer Duty, and political representation and lobbying at a national level on behalf of independent breweries, appears to be very significant for members, corroborating findings gathered from previous survey. Six in ten respondent breweries indicated the defence and development of Small Breweries' Relief/Progressive Beer Duty as most important, while political representation and lobbying was considered as most important by one in three respondent breweries. Campaigning on alcohol issues, SIBA Beerflex/DDS and taking part in SIBA beer competitions have also been ranked as important services by about 24%, 23% and 19% of surveyed breweries respectively, confirming percentages gathered from previous surveys. Interestingly, 13% of the surveyed SIBA membership valued the 'Assured Independent British Craft Brewer' campaign, even if the initiative was launched just recently.

Respondents were also asked to express their satisfaction with regards to SIBA membership. Nearly three in five surveyed breweries expressed their desire to continue their membership.

KEY POINTS

- Defence and development of Small Breweries' Relief/Progressive Beer Duty indicated by 60% of surveyed breweries as the most important service offered by SIBA
- Political lobbying of SIBA on behalf of small breweries is considered very important for nearly one in three surveyed breweries
- One in four respondents indicate that accessing Beerflex/DSS is an important aspect of joining SIBA
- Organisation of beer festivals and competitions are considered valued initiatives by members

Figure 2.26: Services and benefits offered by SIBA and ranked by level of importance



**Others include services and benefits offered by SIBA ranked as most important by 5% of less of respondents. These categories include: Brewing technical support (including helpline and training); Commercial/sales initiatives (e.g. exporting, business development); Joint Purchase Schemes (e.g. centralised beer mat buying for members); PR support; SIBA National Website; and Cellar services.*


ALC
4.9%
VOL

3 SIBA's Beerflex/ Direct Delivery Scheme

Beerflex/DDS continues to help member brewers by offering them the potential to supply national pub companies with pubs in their local area, providing brewers with a valuable additional route to market. On average, around 4.3% of a member brewer's sales were generated through the SIBA Direct Delivery Scheme (SIBA Beerflex/DDS).

However, this figure belies the importance that SIBA Beerflex/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.

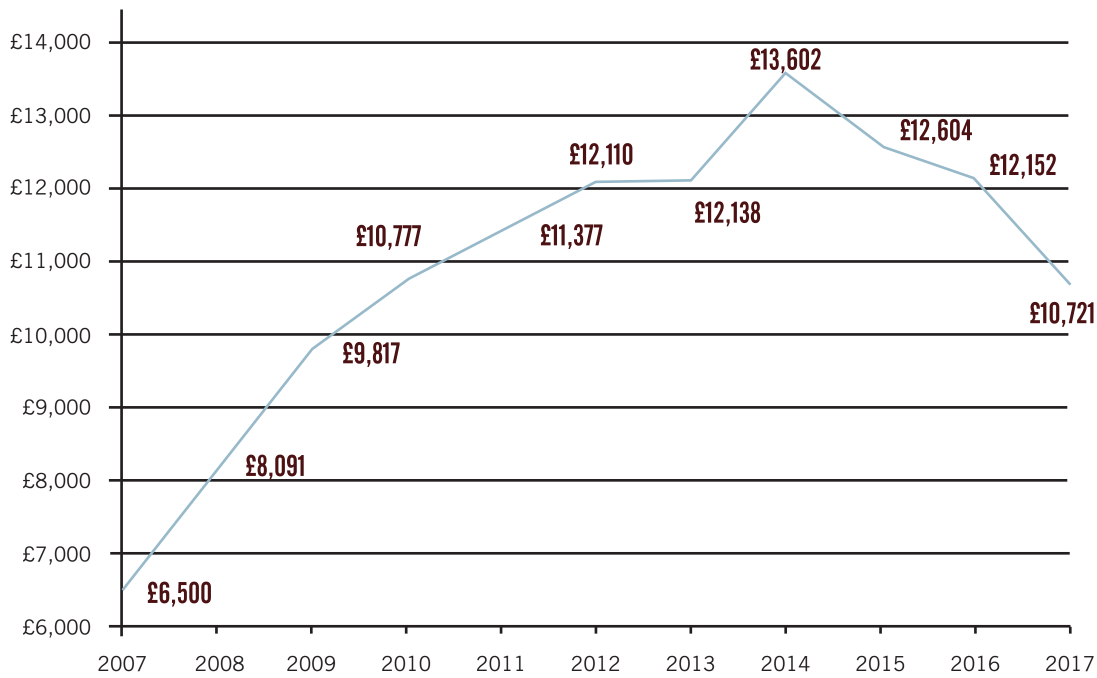
The idea is simple: by providing a centralised administration service, handling the whole process from order capture to final invoicing; SIBA Beerflex/DDS enables small brewers to trade in their heartland with pubs owned by multiple retailers, companies which are typically much larger than the supplying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

As **Figure 3.1** demonstrates, the annual turnover of this wholly-owned, not-for-profit sales agency has grown over the years, from £6.5 million in 2006-07 to £10.7 million for the year to Sept 2017, with an average annual increase of 5.7% each year. However, we have seen a decrease in turnover due to reduction in brewers enrolled in the scheme and continuing static or reduced prices paid by a number of national groups.

KEY POINTS

- **On average, around 4.3% of a member brewer's sales were generated through the SIBA Direct Delivery Scheme (SIBA Beerflex/DDS)**
- **The annual turnover has grown over the years, from £6.5 million in 2006-07 to £10.7 million for the year to Sept 2017, with an average annual increase of 5.7% each year.**
- **We have seen a decrease in turnover due to reduction in brewers enrolled in the scheme and continuing static or reduced prices paid by a number of national groups.**

Figure 3.1: Beerflex/DDS Annual turnover (£ thousand)



It's been a milestone year, as we can now supply all customers with assure brewers beers which are FSQ Food Safety Quality enrolled.

The total number of brewers within the scheme dropped from a high of **550 in 2015** to **475 in 2017**, due to brewers withdrawing from the scheme for various reasons, including not completing enrolment in the SIBA FSQ, or ceasing to trade altogether.

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However, the past year has produced yet another set of impressive trading statistics:

SIBA brewers sold a total of **155,400** cask firkins to customers up and down the country consisting of an impressive **3,406** different beers, that's an average of 7 different beers per brewer throughout the year.

SIBA brewers made a total of **85,182** deliveries in the year to **2,466** pubs and bars across the UK. contributing to the green footprint of SIBA supply profile.

Plus, our brewers average volume throughput per pub of SIBA DD beers is **63** firkins or **15.75** brls.

THE SOCIETY OF SIBA INDEPENDENT BREWERS

BRITISH BEER REPORT 2018

THANKS

Mike Benner and Prof. Ignazio Cabras would like to thank all the SIBA members who took part in the members' survey.

COMMENTS AND SUGGESTIONS

Please send your comments and suggestions on the Beer Report addressed to Mike Benner, Chief Executive at **mike.benner@siba.co.uk**

You can download a copy of the report at **www.siba.co.uk/beerreport2018**

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