

**National Assembly for Wales**  
Rural Development Sub-Committee

The Wine, Beer, Cider and Spirits Industries

July 2010



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**National Assembly for Wales**  
Rural Development Sub-Committee

The Wine, Beer, Cider and Spirits Industries

July 2010



## **Rural Development Sub-Committee**

The Rural Development Sub-Committee is established by the National Assembly for Wales to consider and report on issues affecting Rural Development. It is a sub-committee of the Sustainability Committee and its remit is to scrutinise the Welsh Government on the Government's areas of responsibility that the sub-committee considers impact on rural development.

### **Powers**

The Committee was established on 5 July 2007 as a Sub-Committee of one of the Assembly's Sustainability Committee. Its powers are set out in the National Assembly for Wales' Standing Orders, particularly SO 12. These are available at [www.assemblywales.org](http://www.assemblywales.org)

### **Committee membership**

<i>Committee Member</i>	<i>Party</i>	<i>Constituency or Region</i>
Rhodri Glyn Thomas (Chair)	Plaid Cymru	Carmarthen East and Dinefwr
Mike German	Welsh Liberal Democrats	South Wales East
Joyce Watson	Labour	Mid and West Wales
Brynle Williams	Welsh Conservative Party	North Wales

### **List of relevant reports published by the Committee**

<i>Report title</i>	<i>Date of publication</i>
Production and Promotion of Welsh Food	July 2009

All previous committee reports can be found at [www.assemblywales.org](http://www.assemblywales.org)

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## **The Committee's Recommendations**

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The Committee's recommendations to the Welsh Government are listed below, in the order that they appear in this Report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions:

**Recommendation 1.** The Welsh Government should support research into the potential of barley and hop cultivation in Wales, and work with the Welsh brewing industry to support the development of these crops in Wales with a view to giving Welsh beer products a stronger local provenance, and its contribution to Welsh agriculture. **(Page 13)**

**Recommendation 2.** The Welsh Government should encourage maximum uptake by farmers of funding through the Glastir scheme to support the planting of orchards so that all Welsh cidermakers are able to source their apples from Wales. **(Page 13)**

**Recommendation 3.** The Welsh Government should examine examples elsewhere, such as the New Zealand wine industry where massive growth has been achieved over a short period of time, to learn lessons about how the sector in Wales can be developed to its full potential. **(Page 14)**

**Recommendation 4.** The Welsh Government should ensure that it is fully involved in any discussions at the UK level regarding the potential introduction of a minimum price for alcohol. The Welsh Government should liaise with industry bodies in Wales and ensure that their views are taken into consideration by the UK Government. **(Page 15)**

**Recommendation 5.** The Welsh Government should ensure that it is fully involved with the on-going discussions at the UK level regarding voluntary or statutory reform of the beer tie. The Welsh Government should make clear to the new UK Government that it supports the reforms announced by the previous Government, and push for their implementation. **(Page 18)**

**Recommendation 6.** Should the UK Government not push through with the reforms, the Committee calls on the Welsh Government to investigate the possibility of bringing forward its own legislation to give every Welsh pub and retailer the right to stock at least one locally produced beer or cider. **(Page 18)**

**Recommendation 7.** Specific guidance should be issued to local planning authorities, clarifying the manner in which the planning system should operate with regard to vineyards, brewers and pubs to ensure consistent application of guidelines throughout Wales. **(Page 20)**

**Recommendation 8.** The Welsh Government should follow the example of the UK Government in giving local authorities new powers to protect pubs from being demolished or from being sold with restrictions on use as a pub, including implementing the relevant sections of the Sustainable Communities Act. **(Page 20)**

**Recommendation 9.** The Welsh Government should review CADW's approach to listing pubs of historical and cultural interest so as to ensure that buildings which are an important part of Welsh communities' heritage are not lost forever. If necessary, the Welsh Government should introduce legislation to allow the protection of buildings such as public houses that are of importance for social and cultural reasons. **(Page 20)**

**Recommendation 10.** The Welsh Government should do everything in its power, including lobbying the UK Government, to ensure that the progressive beer duty which has been fundamental to the growth of small breweries in Wales over recent years is maintained. **(Page 21)**

**Recommendation 11.** The Welsh Government should lobby the UK government to introduce a progressive duty for wine producers so as to give a boost to the development of small vineyards. **(Page 22)**

**Recommendation 12.** The Welsh Government should encourage the UK government to introduce a graded duty structure for small cider producers, so as to remove the current disincentive to expand above 7,000 litres. **(Page 23)**



**Recommendation 13.** The Welsh Government should draw up a distinct strategy for promoting and marketing the wine, beer, cider and spirits sectors. As well as cross-cutting activities, the strategy should include action plans tailored specifically to the needs of each sector. This strategy should link into the Welsh Government's strategies for food promotion and for tourism. **(Page 24)**

**Recommendation 14.** The Welsh Government should work with Welsh brewers to design a marketing campaign to promote an image of Wales as a country of small breweries producing quality beer, making Welsh beer a recognised quality product both in Wales and across the UK. **(Page 25)**

**Recommendation 15.** The Welsh Government should work with industry to investigate the benefits of introducing a recognisable emblem indicating that produce is a drink of Welsh origin. Combined with a campaign promoting the quality of Welsh drink produce, the emblem should become a guarantee of both origin and quality. **(Page 26)**

**Recommendation 16.** The Welsh Government should improve its own expertise and capacity to support the Welsh wine, beer, cider and spirit industries by appointing an official within its Food and Market Development Division with dedicated responsibility for developing and promoting the sectors in Wales. **(Page 27)**

**Recommendation 17.** The Welsh Government should establish a forum bringing together producers and associations in the wine, beer and cider sectors to exchange ideas and identify priorities for collaborative working within their respective sectors. **(Page 29)**

**Recommendation 18.** The Welsh Government should proactively seek to support the AWIB and UKVA by funding supply chain efficiencies programmes along the same lines as it has done for the Welsh Perry and Cider Society. **(Page 29)**

# **1. Introduction and Background**

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## **Origins of the Inquiry**

1. At its meeting on 1 October 2009, the Rural Development Sub-committee considered a scoping paper on options for future inquiries and agreed to consider the wine, beer and cider industries in Wales as a topic for a scrutiny inquiry and an inquiry on the topic was included in the Sub-committee's Work Programme for 2010 published on 30 November 2009.

## ***Terms of Reference***

2. At its meeting on 10 December 2009, the Sub-committee agreed the following terms of reference are proposed for the inquiry:

- to assess the current situation of the beer, wine and cider industries in Wales including their economic contribution, and their potential for development and expansion in future;
- to make recommendations to the Welsh Assembly Government and any other appropriate bodies.

3. The Sub-committee agreed that the inquiry would consider the following issues:

- the contribution of the beer, wine and cider industries to the agriculture, food and tourism industries in Wales;
- the opportunities for developing the beer, wine and cider industries in Wales and maximising their economic contribution;
- the opportunities provided by the beer, wine and cider industries for crop diversification and the use of locally produced basic ingredients;
- the barriers to development faced by the beer, wine and cider industries and how these can be overcome;
- the planning conditions required to facilitate development;
- the opportunities for promoting Welsh beer, wine and cider as quality products in Wales and beyond;

- the support currently available to support the set-up and expansion of businesses in the sector, including research and development support;
- whether the Welsh Government could take any further action to support the development of the beer, wine and cider industries in Wales and to maximise their contribution to the Welsh economy.

4. At its meeting on 4 March, the Committee agreed to include the spirits industry within the scope of the inquiry.

### ***Consultation and Evidence Gathering***

5. A public consultation was launched on 15 December 2009 with a closing date of 12 February 2010. The Committee held two oral evidence-gathering sessions, on 4 March and 25 March 2010. It also heard evidence from the Minister for Rural Affairs on 28 April 2010.

6. As part of the evidence-gathering process, Committee members visited Otley's Brewery in Cilfynydd, Pontypridd and Glyndwr Vineyard in Llanblethian, Cowbridge. We would like to thank Nick Otley and his staff, and Mr and Mrs Richard Norris for giving of their time to welcome the Committee and answer members' questions.

7. The Committee is also grateful to Professor Brian Morgan of the Cardiff School of Management at UWIC for sharing his expertise with the Committee.

8. The Committee was also fortunate to benefit from the expertise of Nick Bourne AM and Jeff Cuthbert AM during the course of the inquiry. As joint Chairs of the All Party Group on Beer and the Pub, both have a deep understanding of the issues facing the sector in Wales and the Committee is grateful to them for agreeing to participate in this inquiry.

## 2. Summary of Main Issues

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### Current Situation

#### *Size of Industries*

9. The Committee found a dearth of official statistics relating to the number of producers and volume of product produced in Wales, as opposed in England and Wales or the UK as a whole.

10. The Minister for Rural Affairs told the Committee that the Welsh Government did not consider collecting statistics on the industry to be a priority.

11. Evidence provided by witnesses did however give an insight into the recent development and current condition of the industries in Wales.

12. The Campaign for Real Ale (CamRA) and the Association of Welsh Independent Brewers (AWIB) estimate there to be about 40 – 42 active breweries in Wales; more than at any time in living memory.

13. While most witnesses welcomed this recent growth in the number of Welsh breweries, Simon Buckley of Evan Evans Brewery expressed concern that there were now too many brewers operating in a limited marketplace.

14. The Committee also heard that the growth in the number of breweries contrasts with the continuing decline in the sales of beer and the closure of many pubs. Philip Lay of S.A Brain told the Committee that there had been a 20% decline in on-trade volumes in the year to January while Mike Benner of CamRA told the Committee that 200 pubs had closed in Wales over the past year.

15. Most figures available on the wine industry relate to England and Wales. These figures suggest that the industry is growing healthily, with a 50% increase in both hecterage and volume over the past five years.

16. Richard Morris of the UK Vineyards Association (UKVA) told the Committee that:

“the wine industry in Wales is currently very small, and is made up of about 17 vineyards that have an annual production of fewer than 100,000 bottles. The two largest vineyards in Wales are each about 10 acres in size and have a production capability of around 25 tonnes of grapes per annum, or 20,000 bottles each. Welsh production makes up roughly 3 per cent of total UK production.”<sup>1</sup>

17. The Committee also heard that as there are no commercial wineries in Wales all vineyards in Wales send their grapes to wineries in England to be processed into wine.

18. Cressida Slater of the Welsh Perry and Cider Association (WPCA) told the Committee that the Association represented 35 cider-makers in Wales and that:

“All but one of our producers produce under 7,000 litres, so much of the marketplace for them is made up of individuals, through farmers’ markets and farm-gate sales. There is also the opportunity for direct selling to a local pub, for example. We are not talking about a wholesale distribution, and so one local pub might be sufficient to take the volume of cider being produced.”<sup>2</sup>

## **Scope for Agricultural Development**

19. The Committee heard that the Welsh brewing industry is dependent on hops and malted barley from outside Wales. Climate and lack of expertise were among the factors cited as hampering the production of these raw ingredients in Wales.

20. Both CamRA and AWIB told the Committee that there was increasing demand for beers with strong Welsh identities, and that the development of locally produced raw ingredient would be a valuable contribution to their development. Mike Benner of CamRA told the Committee:

“...the issue of provenance and people being able to identify with a product, I think that is very popular at the moment. So, anything that takes that a bit further, such as beer being made

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<sup>1</sup> RoP, [para 139], 25 March 2010, Rural Development Sub-committee

<sup>2</sup> RoP, [para 175], 25 March 2010, Rural Development Sub-committee

out of local hops or Welsh hops or malted barley, would be very welcomed.”<sup>3</sup>

21. Justin Grant of AWIB told the Committee that some progress was being made towards growing these crops in Wales:

“There are trials under way for the growth of Welsh hops in the valleys above Caerphilly. We are in conversation with two different maltings companies – Warminster Maltings Ltd and Muntons plc – and trying to go forward with the production of good quality malting barley grown in Wales.”<sup>4</sup>

22. The Minister for Rural Affairs told the Committee that technical advice and information would be available through Farming Connect for any farmers wishing to diversify into growing crops for the brewing industry.

23. In contrast, the Committee heard that Welsh cidemakers are already able to make extensive use of apples grown in Wales. WCPS stated in their evidence:

“Cider/Perry makers in Wales use around 100 orchards within the Principality, in the main planted by cider/perry makers and farmers. the majority of cider and perry made within Wales is from Welsh orchards which generates income for farmers....”<sup>5</sup>

24. In their evidence, Gwynt-y-Ddraig stated that 60% of their apples were sourced from Wales, but that there was a shortage of apples available to small producers as many apple-growers are committed to long-term commercial contracts with the major producers which are predominately located outside of Wales.

25. Both WPSC and Blaengawney Cider stated that they would welcome incentives from the Welsh Government to encourage more farmers in Wales to diversify into apple-growing to supply cidemakers.

26. The Committee was pleased to hear from the Minister for Rural Affairs that specific support will be available under Glastir for developing orchards in Wales.

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<sup>3</sup> RoP, [para 90], 25 March 2010, Rural Development Sub-committee

<sup>4</sup> RoP, [para 91], 25 March 2010, Rural Development Sub-committee

<sup>5</sup> [Rural Development Sub-committee RDC\(3\)-06-10 : Paper 4 : Inquiry into the Wine, Beer and Cider Industries : Evidence from the Welsh Perry and Cider Society, 25 March 2010](#)

27. The Committee heard that the Welsh vine growing industry was currently very small. However, Richard Morris of UKVA told the Committee that there was potential for growth in some parts of Wales, and that that diversification into vine growing presented a potentially lucrative option for farmers:

“...there are undoubtedly areas of Wales, such as the Vale of Glamorgan, Monmouthshire and the border country, in which the climate and topography are suitable for vine growing, provided that the correct grape varieties, root stock, clones and, which is of paramount importance, the right sites, are selected. It would offer diversification opportunities for farmers and landowners. By way of example, pinot noir, grown only as a cash crop, could achieve a gross income of up to £7,500 per acre.”<sup>6</sup>

28. Barriers to growth cited in the evidence include lack of expertise, high establishment cost, high production cost and bureaucracy. Climate change, on the other hand, was seen to provide an opportunity.

29. The case of New Zealand was given as an example of what can be achieved, through planting appropriate grape varieties in carefully selected sites, in a region with a climate not unlike Wales. The Committee heard that, from a starting point similar to where the Welsh wine industry is today, New Zealand has established a very successful export-led wine industry over a period of less than 40 years.

**Recommendation 1. The Welsh Government should support research into the potential of barley and hop cultivation in Wales, and work with the Welsh brewing industry to support the development of these crops in Wales with a view to giving Welsh beer products a stronger local provenance, and its contribution to Welsh agriculture.**

**Recommendation 2. The Welsh Government should encourage maximum uptake by farmers of funding through the Glastir scheme to support the planting of orchards so that all Welsh cidermakers are able to source their apples from Wales.**

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<sup>6</sup> RoP, [para 140], 25 March 2010, Rural Development Sub-committee

**Recommendation 3. The Welsh Government should examine examples elsewhere, such as the New Zealand wine industry where massive growth has been achieved over a short period of time, to learn lessons about how the sector in Wales can be developed to its full potential.**

### **Minimum Pricing of Alcohol**

30. Witnesses were divided on the question as to whether a minimum price for alcohol should be set by legislation.

31. Bill George (Gwynt y Ddraig Cider), Bernard Herbert (Penarth Vineyard), John Martin (Waen Brewery), Mike Benner (CamRA), Richard Morris (UK Vineyards Association) and Cressida Slater (WPCS) were in favour of setting a minimum price.

32. Simon Buckley (Evan-Evans Brewery), Phillip Lay (SA Brain), Justin Grant (AWIB) and Nick Otley (Otley Brewing Company) were against the idea, though Justin Grant qualified his comments by saying he would support the outlawing of supermarkets using alcohol products as ‘loss leaders’.

33. For those in favour of a minimum price, tackling binge drinking and irresponsible alcohol consumption were the main reasons given. Those against the idea cited opposition in principle to ‘price-fixing’ by the government, and pointed to other countries where they believed government intervention of this kind had failed to achieve its objective.

34. Mike Benner of CamRA told the Committee that some kind of intervention by the government was needed to redress the balance between supermarkets and pubs:

“Among the biggest problems facing the pub trade at the moment is undoubtedly the widening gap between supermarket prices and prices in pubs. Something needs to happen quickly to sort that out, because it is getting worse. Seventy percent of alcohol is now bought through the off trade via supermarkets. I think that is bad for society as well as being bad for pubs. We now need to move towards a policy framework that encourages people to drink in the regulated and sociable environment of local, well-run community pubs, to



get people to recognise that that is part of the solution to binge-drinking problems rather than part of the problem.”<sup>7</sup>

35. The Committee believes that the availability of cheap alcohol in supermarkets contributes to irresponsible drinking, especially among young people.

36. The Committee also believes that the availability of cheap mass-produced alcohol undermines those smaller producers seeking to develop and sell quality products, as well as threatening the future of community pubs.

37. The Committee notes that the new UK Government has indicated its intention to outlaw the selling of alcohol products below cost price and the National Institute for Clinical Excellence (NICE) has urged it to go further and introduce a minimum price for alcohol.

**Recommendation 4. The Welsh Government should ensure that it is fully involved in any discussions at the UK level regarding the potential introduction of a minimum price for alcohol. The Welsh Government should liaise with industry bodies in Wales and ensure that their views are taken into consideration by the UK Government.**<sup>8</sup>

### **Beer-tie Arrangements**

38. The ‘beer-tie’ is the means by which breweries and other pub-owning companies force landlords to buy beers only from them.

39. While there was a difference of emphasis between witnesses regarding the extent to which beer-tie arrangements need to be reformed, all witnesses who expressed a view on this point agreed that some reform was needed.

40. Evan Evans Brewery and SA Brain & Co emphasised the role that the beer-tie plays both in giving regional brewers an outlet for their beers and in giving new entrants to the industry the opportunity to run a pub.

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<sup>7</sup> RoP, [para 123], 25 March 2010, Rural Development Sub-committee

<sup>8</sup> Joyce Watson requested that the Sub-committee note that while she agrees with the recommendation, she did not believe that this inquiry was the appropriate place to consider the question of a minimum price for alcohol as it is a health policy issue, rather than a rural development one.

41. Philip Lay of SA Brain & Co told the Committee that it was the way the beer-tie was operated, rather than the tie itself, which was the problem. While Simon Buckley of Evan Evans Brewery told the Committee that abolition of the beer-tie would threaten the existence of the traditional tenanted community pub, he also conceded that the way some large companies now operated the tie also threatened the viability of some pubs:

“Where the model has fallen apart with the national pub companies, is the change of the variant components, with the pub companies seeking to extract not only high rents, full price of beer, but also the cost of repairing the property. This means that the tenanted pub stock in the UK is not only poorly maintained but in many cases is un-economic because the opportunity to create margin, is then absorbed by crippling rent and rates.”<sup>9</sup>

42. For producers such as Gwynt-y-Ddraig Cider, Waen Brewery and AWIB, and for the consumer group CamRA, the main argument for reform of the beer-tie was that current arrangements hampered access to market for small producers and limited the choice available to consumers, especially of locally-produced beers and ciders. However, Simon Buckley of Evan-Evans told the Committee that opportunities did exist for small breweries to supply large pub companies where they are able to ensure the quality of their product.

43. CamRA told the Committee that 70% of pubs are subject to a beer-tie agreement, meaning that only 30% of pubs were free to stock beers and ciders of their choice. In their evidence, Gwynt-y-Ddraig stated that:

“A major inhibiting factor to growth is the propensity of ‘tied’ brewery operators which seriously restricts the opportunity for the small operators to develop new routes to market and inhibit growth. The issue is seriously anti-competitive.”<sup>10</sup>

44. Waen Brewery also claimed that, especially in rural areas, the beer-tie gave large brewers a virtual monopoly over beer sales in pubs. However, their evidence also cited other reasons why a relaxation of

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<sup>9</sup> [Rural Development Sub-committee RDC\(3\)-05-10 : Paper 4 : Inquiry into the Wine Beer and Cider Industry in Wales : Evidence from Evan-Evans Brewery, 4 March 2010.](#)

<sup>10</sup> [Rural development Sub-committee RDC\(3\)-05-10 : Paper 1 : Inquiry into the Wine Beer and Cider Industry in Wales : Evidence from Gwynt y Ddraig, 4 March 2010](#)

the beer tie, and better access to market for small brewers, would be desirable:

“Action on ensuring the local pub is available to local breweries is not only important to the brewers, but contributes in terms of:

- the environment, lower distribution miles;
- tourism, with visitors enjoying local product availability and attracting additional beer tourists;
- the rural economy, profits generated are kept within the local economy;
- consumer choice, this encourages use of pubs and drives overall quality improvements with the retailer.”<sup>11</sup>

45. The Committee believes that these constitute important potential benefits of relaxing the beer-tie.

46. With no witnesses advocating complete abolition of the beer-tie, several different measures were proposed by witnesses with a view to opening up the market to small producers.

47. CamRA wanted the Welsh Government to ask the Office of Fair Trading to carry out a specific inquiry into the Welsh beer market, while Waen Brewery suggested that the planning and rates systems should provide incentives to pubs, shops and restaurants who stock local produce.

48. Both the AWIB and CamRA wanted every pub and shop to have the right to stock at least one locally-produced guest beer, with AWIB suggesting that this be achieved in Wales by specifically Welsh legislation.

49. Philip Lay of SA Brain & Co, felt that the issue of beer-tie reform had been adequately and fairly addressed by the UK Government in its announcement in March 2010 that it would give the industry until June 2011 to relax the beer-tie or bring forward its own legislation.

50. The Committee believes that the beer-tie as currently operated is preventing fair access to market for small and local producers, and needs to be reformed.

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<sup>11</sup> [Rural Development Sub-committee: RDC\(3\)-05-10: Paper 3: Inquiry into the Wine Beer and Cider Industry in Wales: Evidence from Waen Brewery, 04 March 2010](#)

51. The Committee acknowledge that the proposals announced by the UK Government in March 2010 go a long way to addressing the problems with the beer-tie highlighted in the evidence received. The Committee hopes that the new Coalition UK Government will take forward these proposals, and legislate to relax the beer-tie if the industry does not reform itself by June 2011.

**Recommendation 5. The Welsh Government should ensure that it is fully involved with the on-going discussions at the UK level regarding voluntary or statutory reform of the beer tie. The Welsh Government should make clear to the new UK Government that it supports the reforms announced by the previous Government, and push for their implementation.**

**Recommendation 6. Should the UK Government not push through with the reforms, the Committee calls on the Welsh Government to investigate the possibility of bringing forward its own legislation to give every Welsh pub and retailer the right to stock at least one locally produced beer or cider.**

## **Planning Issues**

52. Several witnesses referred to the planning system as a major barrier to the success of their businesses.

53. By far the most common issue raised was that of inconsistency between local authorities in how they apply both planning and licensing guidelines. This problem was cited by Evan Evans Brewery, Penarth Vineyard, AWIB, CamRA and SA Brain & Co.

54. Penarth Vineyard told the Committee that a lack of engagement by the local authority had limited them to growing grapes and selling wine, and had prevented them from developing other aspects of the business:

“The planning system is inconsistent from one local authority to another. Some Welsh local authorities do not comply with current UK case law. This totally hampers development since the vineyard business model used throughout the world, that combines tourism, restaurant, shop, accommodation,

viticulture and a winery, cannot be completed without parts of it requiring planning approval.”<sup>12</sup>

55. WPCS and Blangawney cider highlighted a specific issue affecting cidermakers, where small scale operations who bought in fruit from other producers were then classed as ‘industrial’ and made subject to punitive business rates which they couldn’t afford.

56. The Committee believes that the planning system should help, and not hinder, small businesses wishing to develop and expand so that they can maximise their contribution to their local economy.

57. The Committee is concerned that brewers and winemakers are experiencing such inconsistencies in the application of planning and licensing rules in different parts of Wales.

58. Mike Benner of CamRA told the Committee that the way the planning system currently operated in regard to pubs is ‘detrimental to communities’. The four problems that he identified were:

- the fact that pubs can currently be demolished without planning permission being sought;
- the placing of pubs in the same use class as restaurants, cafes and financial offices;
- the use of restrictive covenants to sell pubs with the condition that they are not used as pubs in the future; and
- Cadw’s approach to listing pubs of historical and cultural interest.

59. The Committee believes that the planning system should work towards protecting community pubs, and not facilitate their closure and demolition as is sometimes the case at present.

60. The Committee notes that the UK Government’s policy announcement in March 2010 included several actions aimed at reforming the planning system to help protect pubs, and that many of the proposals related directly to the concerns raised by CamRA outlined above.

61. The Committee supports the recommendation made by the Assembly’s Petitions Committee in its report ‘Save the Vulcan:

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<sup>12</sup>[Rural Development Sub-committee RDC\(3\)-05-10 : Paper 2 : Inquiry into the Wine Beer and Cider Industry in Wales : Evidence from Penarth Vineyard, 4 March 2010, para. 4](#)

protection of historic buildings' in February 2010, that the Welsh Government should review legislation so that buildings of social and cultural significance such as pubs can be protected.

**Recommendation 7. Specific guidance should be issued to local planning authorities, clarifying the manner in which the planning system should operate with regard to vineyards, brewers and pubs to ensure consistent application of guidelines throughout Wales.**

**Recommendation 8. The Welsh Government should follow the example of the UK Government in giving local authorities new powers to protect pubs from being demolished or from being sold with restrictions on use as a pub, including implementing the relevant sections of the Sustainable Communities Act.**

**Recommendation 9. The Welsh Government should review CADW's approach to listing pubs of historical and cultural interest so as to ensure that buildings which are an important part of Welsh communities' heritage are not lost forever. If necessary, the Welsh Government should introduce legislation to allow the protection of buildings such as public houses that are of importance for social and cultural reasons.**

## **Duty Structure**

62. AWIB, Waen Brewery and Evan-Evans Brewery all highlighted the introduction of the progressive beer duty in 2002 as a crucial factor in the success of small brewers in Wales and the rest of the UK over recent years. The progressive beer duty gives 50% relief on duty to brewers producing less than 5,000,000 litres a year, with a gradual phasing out of the relief occurring above that level.

63. All witnesses were keen for the progressive beer duty to be maintained, and for the Welsh Government to do all it can to ensure that this happens. In their evidence, AWIB stated:

“We also would urge that pressure is brought to bear on the Treasury to maintain Progressive Beer Duty, without which many of the small brewers in Wales might become unviable.”<sup>13</sup>

64. Simon Buckley of Evan-Evans Brewery told the Committee:

“On duty, the small brewers are lucky and we must never lose sight of the fact that most of us today would not be here but for... progressive beer duty. That has given everyone the opportunity to compete in the bigger field. Duty will continue to be an issue. We must ensure that future Governments are lobbied by the Welsh Assembly Government to ensure that we do not lose progressive beer duty, because if we lost it none of us would be able to compete in the marketplace.”<sup>14</sup>

65. The Committee believes that the progressive beer duty is vital to continued growth of small brewers in Wales. The Committee is concerned to ensure that this relief is not abolished, as it could lead to the loss of much of the growth seen over the past decade.

**Recommendation 10. The Welsh Government should do everything in its power, including lobbying the UK Government, to ensure that the progressive beer duty which has been fundamental to the growth of small breweries in Wales over recent years is maintained.**

66. Penarth Vineyard, Glyndwr Vineyard and UKVA all told the Committee that duty had a major impact on their businesses.

67. The Committee heard that there was no equivalent of the progressive beer duty for small vineyards, but that the introduction of such a measure would be greatly welcomed. Bernard Herbert of Penarth Vineyard told the Committee:

“Duty, for a small vineyard, is a burden. If there were less of a duty impact when business started, for example, on fewer than 10,000 bottles or something, that would have a huge impact....Therefore, duty needs to be looked at long term if we are to have a proper Welsh wine industry.”<sup>15</sup>

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<sup>13</sup> [Rural Development Sub-committee: RDC\(3\)-06-10: Paper 03: Inquiry into the Wine, Beer and Cider Industry in Wales: Evidence from the Association of Welsh Independent Brewers, 25 March 2010](#)

<sup>14</sup> RoP, [para 84], 04 March 2010, Rural Development Sub-committee

<sup>15</sup> RoP, [para 81], 04 March 2010, Rural Development Sub-committee

68. The Committee heard that small cider makers currently benefit from a total exemption from duty up to a limit of 7,000 litres. However, anyone producing more than 7,000 litres must pay full duty on all cider produced including the first 7,000 litres.

69. The Committee heard that this system had mixed benefits for small producers. In their evidence, Blaengawney cider stated:

“A major barrier is the duty structure as currently we can only produce 7000 litres without attracting duty. This is a great encouragement to us and other small producers, however, the ‘all or nothing’ approach to paying duty is not helpful as it doesn’t encourage a slow expansion.”<sup>16</sup>

70. WCPS made the case for the introduction of a graded system of duty that would encourage and allow small producers to expand gradually:

“A graded system would be fairer where duty was only charged on the amount of cider/perry produced over and above the 7000 litres, and then at a reduced rate until certain defined limits of production were attained. A graded structure would do more to help small scale producers gradually increase their production levels. As it stands, if producers want to make more than 7000 litres they have to make a huge jump in production levels in order to afford the duty which will be charged (often needing to quadruple production in one year) and this discourages expansion.”<sup>17</sup>

71. The Committee believes that reform of the duty structure for small wine and cider producers is necessary if the sectors are to grow to their full potential. The Committee believes that the success of the progressive beer duty shows what can be done, and is keen to see similar policies replicated for the wine and cider sectors.

**Recommendation 11. The Welsh Government should lobby the UK government to introduce a progressive duty for wine producers so as to give a boost to the development of small vineyards.**

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<sup>16</sup> [Rural Development Sub-Committee: RDC\(3\)-WBC1 - Blaengawney Cider, 2010, p.1](#)

<sup>17</sup> [Rural Development Sub-committee RDC\(3\)-06-10 : Paper 4 : \*Inquiry into the Wine, Beer and Cider Industries : Evidence from the Welsh Perry and Cider Society\*, 25 March 2010](#)



**Recommendation 12. The Welsh Government should encourage the UK government to introduce a graded duty structure for small cider producers, so as to remove the current disincentive to expand above 7,000 litres.**

## **Promotion and Marketing**

72. The promotion and marketing of Welsh drinks produce was consistently raised by witnesses as a priority area for development and for Government support.

73. Many witnesses expressed a positive view of the Welsh Government's True Taste awards and associated promotional work as a vehicle for promoting quality Welsh produce in Wales and beyond. Food festivals, trade fairs and International Business Wales were also cited as useful tools for promoting the Welsh drinks sector.

74. Several witnesses expressed the view that the drinks sector had not been given the same priority as the food sector by the Welsh Government, and that there was a need for a more specific marketing strategy for the drinks sector. WPCS stated in their evidence:

“In our opinion, the drinks industry in Wales has perhaps been overlooked a little by the emphasis nationally by Welsh Assembly Government on promotion of the food industry. With a number of strategies in place that focus on the food industry, i.e. the Food Tourism Strategy and Local Sourcing Action Plan, the drinks industry is perhaps seen as secondary.”<sup>18</sup>

75. The Committee was pleased to learn from the Minister for Rural Affairs that as of next year there will be three categories for the drinks industry; one for non-alcoholic drinks, one for beer, cider and perry, and one for wine, spirits and others. The Committee believes that this is a step in the right direction to giving the drinks sector a higher profile within the Government's food promotion activities.

76. However, the Committee believes that there is much more that could be done by the Welsh Government in terms of a co-ordinated and specific strategy for the drinks sector. The Committee believes that the Welsh Government should look to the example of whisky in

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<sup>18</sup> [Rural Development Sub-committee RDC\(3\)-06-10 : Paper 4 : Inquiry into the Wine, Beer and Cider Industries : Evidence from the Welsh Perry and Cider Society, 25 March 2010](#)

Scotland and Guinness and Bailey's in Ireland to see the economic impact a well-marketed drinks industry with a strong national identity can have.

77. Both the AWIB and UKVA association expressed the view that while there was scope for some joint branding across the wine, beer, cider and spirit sectors, there was also a need for more sector-specific activities for each sector to reflect the fact that different markets were being targeted. Justin Grant of AWIB told the Committee:

“Anything that promotes the concept of Welshness – for want of a better phrase – would be good in that it would drive interest in what we are all doing. If there were to be specific marketing campaigns, it would make more sense to market in the segments, so the marketing would be different for Welsh beer, cider, wine and spirits.”<sup>19</sup>

**Recommendation 13. The Welsh Government should draw up a distinct strategy for promoting and marketing the wine, beer, cider and spirits sectors. As well as cross-cutting activities, the strategy should include action plans tailored specifically to the needs of each sector. This strategy should link into the Welsh Government's strategies for food promotion and for tourism.**

78. Several different ideas were put forward by witnesses as to how their sectors could be better promoted and marketed. The Committee considers that many of these ideas would provide useful starting points for the Welsh Government's strategy for promoting the Welsh drinks sector.

79. Several witnesses, including WCPS, Penarth Vineyard, UKVA, Glyndwr Vineyard and S.A. Brains & Co, emphasised the added value to be gained from linking the promotion of drinks with that of food and with the tourism sector more generally, to reinforce the local and national 'brands'. On tourism, Gwynt-y-Ddraig stated in their evidence:

“In this context, as well as the Welsh food promotion strategy, the identification of the wine, beer and cider industries through a joint branding strategy associated with tourist promotional

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<sup>19</sup> RoP, [para 96], 25 March 2010, Rural Development Sub-committee

activity holidays in Wales / literature / ads etc would be beneficial.”<sup>20</sup>

80. Richard Norris of Glyndwr Vineyard suggested the possibility of using the success of Welsh cheeses as a way of promoting Welsh wines which complemented them. One method he suggested for doing this could be a web portal from which customers could buy both wine and cheese and get information about which ones complemented each other.

81. CamRA pointed to the success of ‘ale trails’, and suggested that these could be developed further in Wales through co-operation between brewers, local tourism authorities, and public transport providers. Mike Benner of CamRA also pointed to the potential of a dedicated web portal as a means of promoting and selling Welsh ales:

“A simple way in which the Assembly Government could help would be to support some kind of website or other publicity.... A consumer-facing website that promotes beer in Wales would enable companies to tell people about their new products and all the exciting things that are going on in the industry. If that ran alongside ale trails, various other promotions and awards, it would be very useful.”<sup>21</sup>

**Recommendation 14. The Welsh Government should work with Welsh brewers to design a marketing campaign to promote an image of Wales as a country of small breweries producing quality beer, making Welsh beer a recognised quality product both in Wales and across the UK.**

82. An idea that was proposed to Committee by several witnesses was that of developing a ‘made in Wales’ brand or marque for alcoholic drink produced in Wales, both as a means of strengthening the sector’s brand visibility and as a stamp of quality.

83. Referring specifically to the brewing sector, Evan-Evans brewery were particularly keen that a marque should be developed for quality assurance purposes:

“...there should be a quality threshold which becomes a registered trademark and quality marquee that all brewers

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<sup>20</sup> [Rural Development Sub-committee: RDC\(3\)-05-10: Paper 1: Inquiry into the Wine Beer and Cider Industry in Wales : Evidence from Gwynt y Ddraig](#)

<sup>21</sup> RoP, [para 118], 25 March 2010, Rural Development Sub-committee

receiving Welsh Assembly Government aid should have to aspire to and achieve prior to being granted a brewing license. The importance of such a marque, can not be quantified in terms of just product quality, but more importantly used as a unique marketing tool to reassure tourists and foreign visitors that the brewer concerned has achieved a quality threshold, that dictates that the beer concerned is well made.”<sup>22</sup>

84. Other witnesses however were concerned that such rigid criteria could prevent newcomers from entering the market, and could lead to additional costs and bureaucracy. In their evidence, AWIB stated:

“The suggestion has been made for a specific Welsh Quality Marque for beer, but the logistics of stipulating the qualifying criteria and auditing the breweries for an achievable cost make this all but impractical.”<sup>23</sup>

85. The Committee does not wish to see the drinks industry burdened with the additional cost of having to achieve a Government-stipulated quality standard, and believes that regulation is best carried out by the industry itself through its trade associations.

86. However, the Committee does believe that the development of some kind of ‘made in Wales’ brand for wine, beer, cider and spirits produced in Wales could be a valuable step to strengthening the brand, and that the Welsh Government should work with the AWIB, UKVA, WPCS and CamRA to develop the qualifying criteria both in terms of provenance and quality

**Recommendation 15. The Welsh Government should work with industry to investigate the benefits of introducing a recognisable emblem indicating that produce is a drink of Welsh origin. Combined with a campaign promoting the quality of Welsh drink produce, the emblem should become a guarantee of both origin and quality.**

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<sup>22</sup> [Rural Development Sub-committee: RDC\(3\)-05-10: Paper 4: Inquiry into the Wine Beer and Cider Industry in Wales : Evidence from Evan-Evans Brewery, 04 March 2010](#)

<sup>23</sup> [Rural Development Sub-committee: RDC\(3\)-06-10: Paper 03: Inquiry into the Wine, Beer and Cider Industry in Wales : Evidence from the Association of Welsh Independent Brewers, 25 March 2010](#)

## Government Support and Collaborative Working

87. The evidence presented to Committee showed that producers had mixed experiences of securing government support for their businesses.

88. Gwynt-y-Ddraig and Otley's told the Committee that they had found the Welsh Government to be supportive and responsive when they had turned to it for support.

89. On the other hand, Blaengawney Cider, Evan-Evans Brewery, S.A. Brain & Co and AWIB were less complimentary, and were particularly critical of the timescales involved in securing Welsh Government support. The Committee heard that this made it very difficult for businesses to respond quickly to an opportunity for expansion.

90. Waen Brewery and Evan-Evans Brewery cited a lack of expertise, both within the Welsh Government and local authorities, as affecting their ability to respond to the needs of the sector. Simon Buckley of Evan-Evans told the Committee:

“...one of the recommendations that this sub-committee may want to consider for the future growth of our industry is a brewing tsar, or someone with some brewing knowledge, or access to that knowledge to sit in the investment arm of the Welsh Assembly Government.”<sup>24</sup>

91. The Committee believes that the Welsh Government's ability to support and develop the sector in Wales would benefit from a development of its own expertise in the area, and from a greater focus on the sector within the Food and Market Development Division.

**Recommendation 16. The Welsh Government should improve its own expertise and capacity to support the Welsh wine, beer, cider and sprit industries by appointing an official within its Food and Market Development Division with dedicated responsibility for developing and promoting the sectors in Wales.**

92. An important area of potential development identified by several witnesses was that of collaborative working between producers for mutual benefit.

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<sup>24</sup> RoP, [para 41], 04 March 2010, Rural Development Sub-committee

93. Among the possibilities cited where collaborative working could be of benefit was Blaengawney Cider's suggestion of a co-operative bottling facility for cidermakers across Wales.

94. Also, Otley's Brewery suggested that brewers should work together to establish a hub to co-ordinate sales, and to secure cost benefits through bulk-buying bottles, casks etc. and that AWIB could be used as a vehicle to deliver this.

95. The Minister for Rural Affairs also stated that she was keen to encourage collaborative working within the sector:

“Like all other sectors within the food and drink industry, we would want to promote the concept of collaboration across the sector and between businesses in the sector. So, we will be looking at opportunities for businesses to come to us with ideas on how they think that they can strengthen their individual businesses in collaboration with others.”<sup>25</sup>

96. The Committee was very impressed by the ambitious three-year programme recently undertaken by WCPS with £388,000 of grant support from the Welsh Government's Supply Chain Efficiencies scheme that will include among other things: the provision of technical support, advice and guidance; support for capacity building activities by groups of producers working collaboratively; and, the development of a range of marketing and branding initiatives that will raise the profile of Welsh cider and perry products.

97. In many respects, this programme for the perry and cider industry corresponds to the kind of support that Richard Morris of UKVA believes the Welsh Government should be providing to the wine sector:

“a research and development programme, a training and apprenticeship programme, support for the establishment of a Welsh winery, a helpline for farmers and other Welsh landowners looking to diversify into vine growing, a Welsh wine board and vineyard association working in unison, and a co-ordinated professional marketing campaign.”<sup>26</sup>

98. The Committee would like to see the Welsh Government take a more proactive role in encouraging collaboration than that suggested

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<sup>25</sup> RoP, [para 42], 28 April 2010, Rural Development Sub-committee

<sup>26</sup> RoP, [para 146], 25 March 2010, Rural Development Sub-committee

by the Minister in her evidence, and do more to work with the industry associations and societies to identify the needs of the different sectors and areas where Welsh Government support can encourage their development

**Recommendation 17. The Welsh Government should establish a forum bringing together producers and associations in the wine, beer and cider sectors to exchange ideas and identify priorities for collaborative working within their respective sectors.**

**Recommendation 18. The Welsh Government should proactively seek to support the AWIB and UKVA by funding supply chain efficiencies programmes along the same lines as it has done for the Welsh Perry and Cider Society.**

## Witnesses

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The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-rd-home.htm>

### *4 March 2010*

Bill George and Roger Thompson	Gwynt-y-Ddraig
Bernard Herbert	Penarth Vineyard
John Martin	Waen Brewery
Simon Buckley	Evan-Evans Brewery

### *25 March 2010*

Phillip Lay	SA Brain
Mike Benner	CAMRA
Buster Grant	Association of Welsh Independent Brewers
Richard Morris	UK Vineyards Association
Cressida Slater	Welsh Perry and Cider Society

### *28 April 2010*

Elin Jones	Minister for Rural Affairs
Wynfford James and Tony Griffiths	Welsh Assembly Government



## List of Written Evidence

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The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at [http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-rd-home/inquiries-3/rdc\\_3\\_\\_wine\\_beer\\_cider/cmt-text-and-text-3.htm](http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-rd-home/inquiries-3/rdc_3__wine_beer_cider/cmt-text-and-text-3.htm)

<i>Name</i>	<i>Organisation</i>	<i>Reference</i>
Bill George and Roger Thompson	Gwynt-y-Ddraig	RDC(3)-05-10: Paper 1
Bernard Herbert	Penarth Vineyard	RDC(3)-05-10: Paper 2
John Martin	Waen Brewery	RDC(3)-05-10: Paper 3
Simon Buckley	Evan-Evans Brewery	RDC(3)-05-10: Paper 4
Phillip Lay	SA Brain	RDC(3)-06-10: Paper 1
Mike Benner	CAMRA	RDC(3)-06-10: Paper 2
Buster Grant	Association of Welsh Independent Brewers	RDC(3)-06-10: Paper 3
Cressida Slater	Welsh Perry and Cider Society	RDC(3)-06-10: Paper 4
	National Federation of Cider Makers	RDC(3)-06-10: Paper 6
Professor Brian Morgan		RDC(3)-06-10: Paper 7
	Otley Brewing Company	RDC(3)-06-10: Paper 8

Penarth Vineyard	RDC(3)-06-10: Paper 15, Paper 15 Annex A and Paper 15 Annex B
Welsh Assembly Government	RDC(3)-07-10: Paper 1
UK Vineyard Association	RDC(3)-07-10: Paper 6
Rural Development Sub- Committee	RDC(3)-07-10: Paper 7
Blaengawney Cider	RDC(3)-WBC1
Ffynnon-Las	RDC(3)-WBC4