

Budweiser Brewing Group UK&I

Response to APP Beer Group Cask Beer Inquiry

Introduction

Budweiser Brewing Group UK & Ireland is a proud part of AB InBev, the world's largest brewer, employing around 170,000 people worldwide and over 1,000 people in the UK. In the UK we produce global and internationally recognised brands including Budweiser, Stella Artois, Corona and Becks and No and Low Alcohol Beers such as Budweiser Zero, Stella Artois Alcohol Free, Becks Blue and Bud Light and Franziskaner Alkoholfrei.

We are a proud British Brewer with a strong presence in the UK. In addition to our head office in London, our breweries are located in Samesbury in Ribble Valley (established 1972) and Magor in South Wales (established 1979) and Camden Town and Enfield. We are rightly proud of our substantial contribution to the quality and strength of offerings in pubs, bars, and retailers across the UK and our domestic sites produce more than 17 million bottles and cans a week.

We are also a key for the communities we operate in. In Wales, our average salaries are 43% above the average for the local area. We also employ apprentices and therefore bring skills and local employment to these areas. Our other breweries in Camden Town and Enfield are craft brewing innovators. Furthermore, we source 100% of our barley for UK-brewed beer from British farms resulting in benefits to the UK agricultural sector and the promotion of British farming jobs.

We are happy to respond to the All-Party Parliamentary Beer Group's Cask Beer Inquiry. Our key position, as outlined below, is that cask beer has as an important role in the UK economy – as all categories of beer. Fundamentally, after a difficult period as a result of the pandemic, all parts of the UK brewing sector require support and this is best delivered on a cross-sector basis.

What has happened to cask beer over the past 12 months

2020-21 has been a difficult period for the entire UK brewing sector, with substantial disruption to the usual patterns of consumption across both the on and off-trade sectors. This has undermined the sustainability of the wider beer industry at all levels – at production, distribution and point of consumption. With the beer sector as a whole responsible for nearly 900,000 brewing and pub jobs in the UK,¹ and with a value to the UK economy of £22.9 billion,²

We are proud of our own contribution to the sector and the value it adds to the UK economy. Beer brewing, unlike other categories of alcohol, provides a disproportionately valuable return to the economy and to the local communities in which its production and distribution is based. In terms of job creation, beer has a significantly larger multiplier effect for job creation - creating some 17 other jobs per brewery job, compared with wine making, which creates three jobs per wine maker.³ In the UK we work with over 430 UK SMEs and also with over 300 UK large companies, our average spend with each SME is over £149,000 and the total sum of our SME work is over £60 million.

This is set against a backdrop of lower operating margins than other forms of alcohol. Beer is more labour and capital intensive than other alcohol production (four times greater than spirits and more than double that of wine).⁴ Production costs are also much higher (two and half times that of spirits and one and half times that of wine).⁵ The costs of beer distribution and retail are also substantially higher - eight times greater than spirits and three times greater than wine.⁶ The contribution of beer to our domestic economy is set against a backdrop of diverse competition

¹ [BeerandPubAssociation Number of jobs in sector](#)

² [BeerandPub Association impact of beer sector on economy](#)

³ Australian Grape and Wine Authority (2015) Economic Contribution of the Australian Wine Sector, p.24

⁴ wC (2010) [Taxing the brewing sector: a European analysis of the costs of producing beer and the impact of excise duties p.83-4](#) <https://brewersofeurope.org/uploads/mvcmcs-files/documents/archives/pwc%20report%20tax%202010.pdf>

⁵ www.beerserveseurope.eu Brewers of Europe (2016) p2

⁶ PwC (2010) and www.beerserveseurope.eu Brewers of Europe (2016)

resulting in a broad, high-quality range of options for consumers across both on and off-trade retail avenues.

Why cask beer matters

The strength of the UK brewing sector is rooted in both its variety and accessibility – there are many options available for all those wishing to partake and an increasing array of choices for those opting for No and Low Alcohol Beers (NABLAs) – of which we are proud to be a leading producer. We believe that the role of cask beer is equally as important as that of other beers in the UK in providing consumers with choice.

Fundamentally, all elements of the UK brewing sector matter in supporting the viability and success of all of its segments. It is this accessibility that has helped spur the sector to success and provided a basis for the rich variety of beers that are currently offered. This is only possible as a result of the strength of the wider brewing sector, and we are proud to play our part in stimulating that variety of offering.

What could or should be done to help cask beer

As the world's largest brewer, we are keen to support initiatives which encourage consumers to choose beer as their drink of choice, whether this be in a pub or for home consumption. Like the off trade, pubs are a key part of our business and we have worked hard through the pandemic to support licensed premises across the country. **Our Save Pub Life initiative were established to support pubs during Covid, and has helped many offset the significant difficulties imposed by closures necessitated from lockdown. This initiative is unique amongst the brewing community, especially as we do not manage pubs, and has helped over 1500 pubs to the value of £1m.** The initiative has attracted widespread praise from publicans, the media and politicians,⁷ and is only possible as a result of the pan-sector success of the beer industry. Likewise, our Stella Tips initiative is already supporting some 400 pubs despite only just being launched.

The focus as we move out of the pandemic and into the recovery phase should be on supporting the entire brewing sector in order to both preserve jobs, tax revenues and allow for the economies of scale that keep unit prices both reasonable and profitable, enabling the wider success of the pub sector and preserving it as a venue to retail a broad range of cask beers.

Whilst we are always keen to explore any fiscal options to support the sector, we share HM Treasury's concerns, that "[excise] differentials are also likely to incur a significant cost to the Exchequer, imperilling revenues that fund important public services."⁸ We share this view based upon our operational experience of the efficacy of on and off-trade sales. Whilst we strongly support pubs and **all beers** retailed within them, **we believe that the best way for Treasury to support pubs and specific beers is through cutting business rates and VAT reductions to deliver effective support on a cross industry basis.**

Counterintuitively, reducing alcohol duties isn't guaranteed to reduce prices for consumers in pubs. Given the wider pressures that pubs are subject to, venues need lower costs to survive and flourish, but independently of selling larger volumes of alcoholic drinks. Bringing fixed costs under control - such as VAT and business rates - is what will determine whether pubs prosper in the long-term.

We believe that any tax differential between retail sources is unlikely to translate into improved outcomes for pubs and therefore, more broadly, for cask beer. Instead, it is likely to penalise hard pressed consumers and result in lower spends that undermine the wider sector. Given that in the off-trade segment, where just over half of all beer is consumed, beer sales are estimated to

⁷ [Save our pubs from their final last orders, Matthew Parris, The Times, May 2020](#)

⁸ Alcohol Duty Review, Call for Evidence, Page 34

sustain 25,690 jobs, £490m of wages and £1.05bn of GVA in the UK,⁹ any measures intended to support one sector by undermining another is only likely to result in a decline in the fortunes of the entire industry. Harming the off-trade segment is also likely to undermine the viability of the supply chain and the logistics arrangements for the whole sector.

Any complicated forbearance or enhanced excise regimes is almost certain to incur added costs in the administration of the excise system. This is a risk directly acknowledged by HMT,¹⁰ and would undermine broader efforts to reduce the compliance and administration costs across the sector, as well as risk incentivizing non-compliance and increasing the tax gap – making further excise rises in the future more likely.

As well as making the excise duty system more complex, the compliance and enforcement burdens and costs placed on HMRC to facilitate such arrangements will also increase. These arrangements would require compliance from brewers, wholesalers, publicans, and create additional administrative burdens throughout the supply chain.

Conclusion

In conclusion, we believe that the most effective way to support the sector is by continuing to keep costs under control and take a broad, whole sector approach that keeps as many retailers in business, providing viable retail avenues for cask beer and other consumer favorites.

The spiraling costs for pubs, which support cask beers, relative to that of the off trade are better served by reducing business rates and VAT, as has been done by the Chancellor in recent statements; stimulating demand through schemes such as Eat Out to Help out which saw uptake increase by 216% on the final day of the scheme relative to 2019; and establishing rent controls.¹¹

⁹ [Local impact of the UK beer and pub sector](#)

¹⁰ Para 4, 20-22 Alcohol Duty Review, September 2020 [Alcohol duty review:](#)

¹¹ [Eat Out to Help Out: Diners claim 100 million meals in August](#)