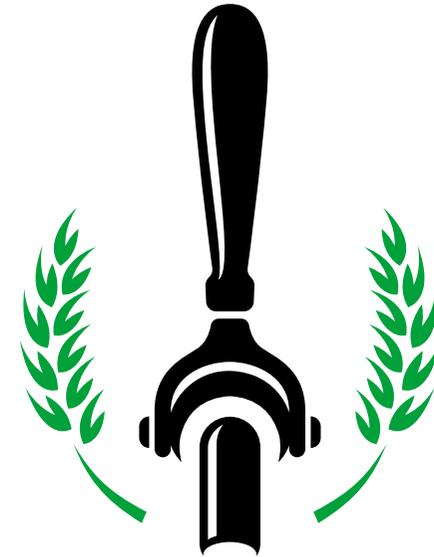




DATE	BEER	STYLE	TABLET	BARREL	NOTES
1 19/10	FLAT	LAGER			
2 20/10	BOCK	LAGER			
3 21/10	Sample	LAGER			
4					
5					
6 27/10	FLAT	LAGER			
7 28/10	WOLFE	LAGER			
8					
9					
10					



# CASKENOMICS

CASK BEER'S COVID CRISIS AND THE IMPACT ON PEOPLE, PUBS AND PLACES

JUNE 2021



ALL-PARTY PARLIAMENTARY BEER GROUP

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## ABOUT THE ALL-PARTY PARLIAMENTARY BEER GROUP (APPBG)

The All-Party Parliamentary Beer Group (APPBG) is a registered all-party group of MPs and Peers. It is one of the oldest, and largest, of the cross-party groups. Its registered aims are:

**“To promote the wholesomeness and enjoyment of beer and the unique role of the pub in UK society; to increase understanding of the social, cultural and historic roles of brewing and pubs in the UK and their value to tourism; to broaden recognition of the contribution of brewing and pubs to employment and to the UK’s economy; to promote understanding of the social responsibility exercised by the brewing and pub industries; and to support the UK’s brewing industry worldwide.”**

This inquiry follows previous reports from the APPBG, including:

- Beer Tax 1995
- Licensing Law Reform 1999
- Community Pubs 2008
- Beer Tax Fraud 2012
- Unlocking Pubs’ Potential 2020.

This report is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or their committees. The views expressed in this report are those of the APPBG. The report has been funded from existing funds contributed to the All-Party Parliamentary Beer Group and reported on the Register of All-Party Parliamentary Groups, <https://publications.parliament.uk/pa/cm/cmllparty/191105/beer.htm>



## ABOUT THIS INQUIRY

In March 2021 the APPBG put out a call for evidence to understand:

**“The importance of cask ale to the UK’s brewing and pub culture, to assess the impact of the Covid-19 pandemic on cask ale sales and to ask how Government, brewers and pub operators can work in partnership to ensure the revival of real ale in the UK.”**

More than 30 individuals and organisations responded. A virtual hearing was held on 15 April, chaired by APPBG chair **Mike Wood MP** (Con, Dudley South), with the following MPs also taking part:

- **Chris Clarkson MP** (Con, Heywood & Middleton)
- **Jane Stevenson MP** (Con, Wolverhampton North East)
- **Greg Smith MP** (Con, Buckingham)
- **Mark Pawsey MP** (Con, Rugby)
- **Selaine Saxby MP** (Con, North Devon)
- **Christian Wakeford MP** (Con, Bury South)

The following witnesses kindly gave evidence at the hearing:

- **Emma Gilleland**, Director of Brewing at Carlsberg Marston’s Brewing Company (the world’s largest brewer of cask ale)
- **Ed Mason**, Managing Director, Five Points Brewing Company (an independent brewery based in Hackney, brewing since 2013)
- **Jonathan Neame**, Chief Executive of Shepherd Neame (Britain’s oldest brewer with over 300 pubs)

- **Phil Tate**, Group Chief Executive, CGA (specialist on-trade market insight agency)
- **Pete Brown**, award winning beer writer and Chairman of the British Guild of Beer Writers
- **Ellie Hudspith**, Senior Campaigns Manager at the Campaign for Real Ale (CAMRA) (Europe’s largest single issue consumer group with 180,000 members)
- **Dr Pau Salsas**, Managing Consultant, Europe Economics (whose research includes projects on beer and pubs for CAMRA, the British Beer and Pub Association (BBPA) and the Brewers of Europe)
- **Kelly McCarthy**, landlady of the Ye Old Sun Inn, Colton, Tadcaster and chair of the Yorkshire section of the British Institute of Innkeeping (BII) and a former BII Licensee of the Year.

The APPBG would like to thank all witnesses for their compelling evidence, which is available at [www.beergroupinquiry.com](http://www.beergroupinquiry.com).

The inquiry secretariat was provided by Meriel Thorne. For further information about the inquiry or the APPBG please contact Paul Hegarty, Hon Secretary, [paul@beergroup.co.uk](mailto:paul@beergroup.co.uk).



## EXECUTIVE SUMMARY

The Covid pandemic has been the biggest crisis ever to hit the beer and pub industry. Over 2,000 pubs have already closed for good and many previously profitable brewing businesses have been lost, with tens of thousands of local jobs disappearing and communities left without a critical asset.

The enforced closure of pubs, followed by restrictions, start/stop trading and stay at home messaging combined to have a devastating effect for sales of beer. On-trade volumes fell by almost 70% in the 12 months to March 2021, wiping out more than £9.6bn of sales value. Within this, cask beer has been particularly hard hit, as an on-trade only product, with minimal scope to switch to off-sales.

Volumes of cask ale were down by 71.6% in the 12 months to the end of February 2021. Its freshness went from being its unique selling point to its curse, as brewers first had to pour away an overall total of circa 87 million pints (worth over £300 million) and then await licensees' restocking, with pubs understandably reluctant to lay on beers with short shelf life.

Does this decline in cask matter? Before the pandemic, the cask ale sector was worth £577 million, contributed 72,500 jobs to the UK economy and accounted for one in nine pints sold in the on-trade. And these figures tell only part of the story, as the draw of cask beers multiplies their impact in attracting people to pubs, tourists to regions and in driving exports abroad.

Cask ale is the defining characteristic of a British pub, even to those who don't drink it. It's also an environmentally friendly, locally authentic and near zero-waste product. It is brewed by the oldest and newest brewers, has distinct identities around the UK's regions and, as a typically lower strength beer brewed

to be sold in the on-trade, could scarcely be better designed to encourage responsible consumption.

The future fortunes of cask ale and pubs are intertwined. Even assuming a smooth ride out of lockdown, the licensees and brewers submitting evidence didn't foresee trade returning to breakeven until the year end, with 2019 levels a distant prospect. They are saddled with debt and need a chance to make good an exceptional and unprecedented loss of market share. Given that opportunity to recover, they can be the lynchpin support for local communities as they emerge from Covid and help spearhead recovery of the wider economy.

There is huge potential opportunity, but it rests on restrictions being removed as planned, accompanied by strong messaging to restore consumer confidence. Beyond this, we urge understanding that while the government's continued support for the hospitality trade is most welcome, a more targeted intervention is needed to give local pubs and brewers a chance to recover their lost trade before it's too late. By any measure, beer is overtaxed and by lowering the burden borne by each pint drinkers would be attracted back into pubs with all the wider knock on benefits for their local economies and communities. In particular, we point to a reduced rate of duty for draught beers. This could go some way to redressing the lockdown loss of sales by cask brewers and pubs, perhaps act as a token of recognition for all that pubs have done to help their local communities during the pandemic and, critically, support them in delivering their wider social services to shore up community wellbeing.



# INTRODUCTION

1 Cask beer is a quintessentially and uniquely British product. While it has been around for centuries, it is one of the most innovative of beers, continually evolving in the hands of some 2,000 small, regional and national brewers. Cask provides a stamp of authenticity and a mark of quality for pubs and the ultimate proof of skill for brewers and licensees alike. Prior to the Covid pandemic, the cask beer sector was worth £577 million, contributed 72,500 jobs to the UK economy and accounted for one in nine pints sold in the on-trade. And these figures tell only part of the story, as the draw of cask beers multiplies their impact in attracting people to pubs, tourists to regions and in driving exports abroad.

However, cask beer has become an unseen victim of Covid-19.

2 Uniquely among drinks, cask beers rely on a steady turnover in pubs for their sales. Without pubs, cask beer has no route to market. As 'live' products, they have a three-day shelf life once opened, and so orders to brewers depend on publicans being reasonably certain that they will make the necessary volume of sales before cask quality deteriorates.

3 Covid put paid to that certainty. Cask ale's unique selling point – its freshness – became a major hindrance in the months of enforced pub closures, restricted trading, stop/start opening and 'stay at home' messaging. As the population switched to lockdown living, more than 87 million pints of beer worth over £300 million were destroyed, without compensation, and with small brewers bearing the cost of some 6 million of these pints. Sales of cask ale plummeted by more than 71% in the 12 months to the end of February 2021, and previously profitable brewing businesses have been destroyed. For those that remain, debt-laden but in business, an uncertain future awaits. Another 2,000 pubs have closed, casualties of lockdown, and brewers' routes

back to break-even hinge on government roadmaps being implemented, customers made confident that it is safe to return, and licensees taking a punt on demand.

4 Concerned about the potential impact, the APPBG put out a call for evidence in March 2021 to establish the problem, assess why it mattered and to ask what could or should be done to help. More than 30 responses were received from individuals and organisations. A virtual hearing was then held on 15 April. This report summarises the key findings and recommendations. The full body of evidence can be read at [www.beergroupinquiry.com](http://www.beergroupinquiry.com).



## What's happened to cask ale?

- 5 The British Beer and Pub Association (BBPA)'s evidence to the inquiry summarised the COVID pandemic as: *"The biggest crisis ever to hit the beer and pub industry... publicans, the pub businesses that support them and the brewers that are reliant on them remain in a very precarious position."*
- 6 Cask ale has been particularly hard hit. Volumes had been declining by some 5% pa for many years but the pandemic exacerbated this, by a factor of more than 10. At our hearing, Ellie Hudspith of CAMRA explained the factors underlying the slow decline of the sector: the overall shift to drinking at home militating against cask, as it's the one drink that can't be reproduced at home; the continued fall in pub numbers reducing the available outlets for cask ale; and the tax and duty regime exacerbating the low profitability of cask beer for licensees. As evidence from leading beer writer Roger Protz further explains: *"Compared to keg beer and lager, [cask] is a low profit beer. It has a short shelf life. Once a cask has been tapped in the pub cellar the beer has to be served within two or three days or it will oxidise and take on unpleasant off flavours. Cask beer is not unique in having a short shelf life: it is equally true of good bread, cheese, milk and other high-quality comestibles".*

The chart on the following page, from BBPA data, maps out this gradual decline of cask, prior to sales falling off a cliff with Covid.

## What's different about cask ale?

**Production** differs to the methods that produce lager and other bottled, canned and kegged beers. Cask ale brewers deliver their beer 'live', having undergone its first fermentation, and the publican then manages the final fermentation and conditioning within the cask. The quality of the final pint relies on this partnership, and on pub cellars that can store the cask in the correct way and temperature, and pub staff trained to ensure that the 'conditioning' process is undertaken correctly: their skill will make or break the quality of the final pint. The quality assurance of the relationship is the reason tied pubs originally came into being. As one brewer put it:

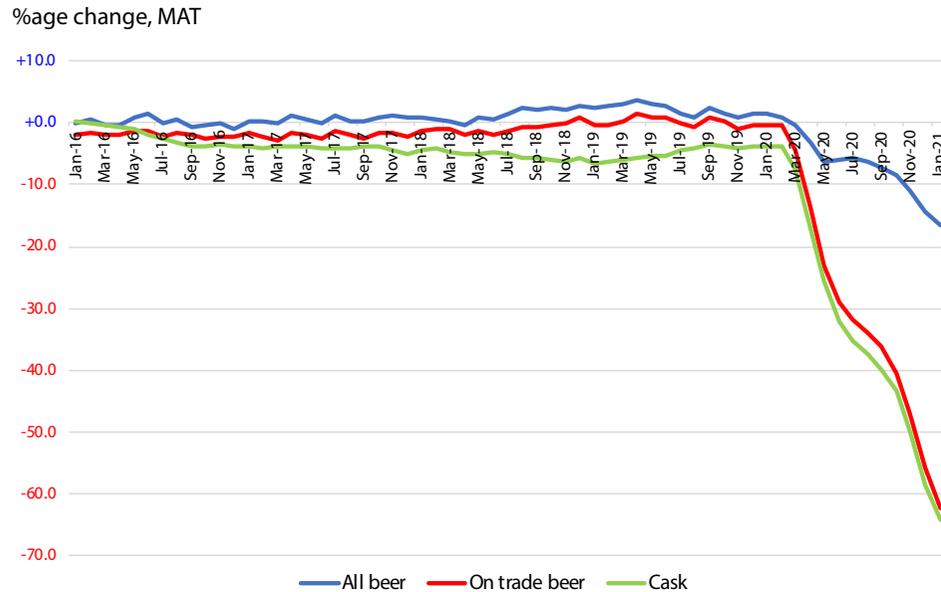
*"Drinking a pint of cask beer kept and served by a skilled publican is a delight even the brewer themselves marvel at."*

**The brewers** range from the oldest names in the business, who see cask as core to their heritage and reputation (such as Shepherd Neame, who have used Faversham water for their ales since 1573), to some of the newest, drawn by the attraction of producing local beers for a new generation of consumers interested in 'authentic' and environmentally friendly products. Cask doesn't involve the start-up expense of bottling or canning lines, and regional and small brewers are particularly dependent on cask beer for their profitability, with it making up to 70% of their output.

**Cask ale consumers** on average spend twice as much as other adult drinkers in the on-trade. In mixed groups of consumers, or among the 'repertoire' drinkers alternating between perhaps cocktails for one occasion and beer for another, it tends to be the cask ale drinker who chooses the venue. While they tend to be older – according to CGA the majority are over 55 – there's also a vibrant following among 35-44 year olds, who represent a third of cask drinkers.



## Cask ale vs on-trade beer vs all beer, MAT\* growth over the last 5 years



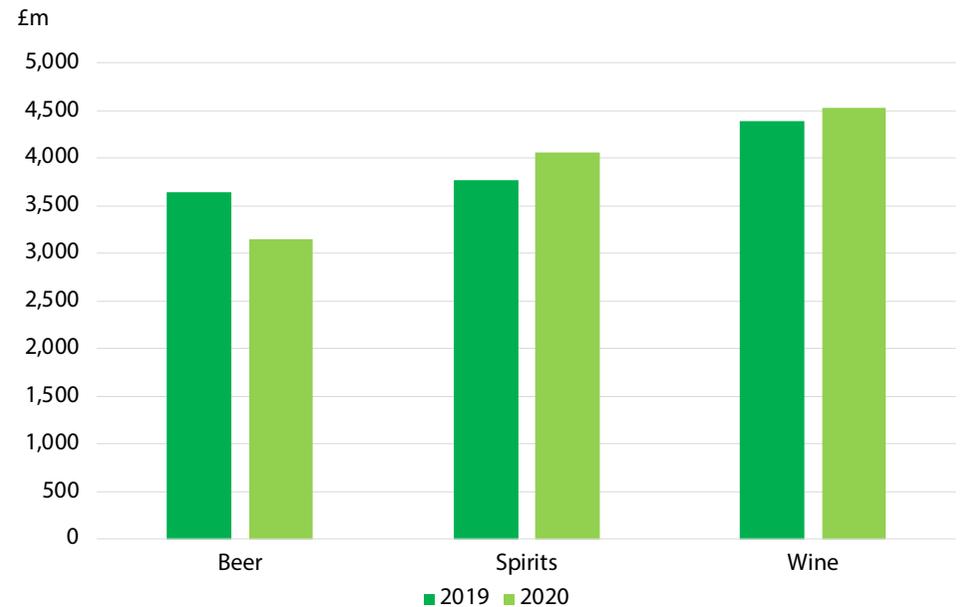
\* moving annual total

## The impact of Covid

7 The enforced closure of hospitality led to some clear winners – and losers – in the drinks trade. As data from duty receipts reveals, there was a sharp rise in receipts from wine and spirits and a big fall in receipts from beer. This is unsurprising given that seven out of 10 drinks served in the pub are beer, and pubs were closed or partially trading for large portions of the year, leading to a fall of some 70% in on-sales of beer, wiping out more than £9.6bn of sales value.

- 8 Within this switch, cask was the most significant lockdown loser. While many brewers continued to brew and sell beer for the off-trade, in the main as filtered and kegged or bottled packaged beer (cushioning the overall decline in beer sales to just over 18%), this wasn't an option for most cask producers. Cask ale volumes fell by 71.6% in the twelve months to the end of February 2021.
- 9 Some cask beer was made available by direct delivery or with pick-up sales, but in tiny amounts compared to normal sales in pubs. For example, Ed Mason of Five Point Brewing told us his volumes had fallen to 55% – and that this would have been 75% but for switching capacity to small pack sales and on-line deliveries. As the world's largest producer of cask beers, Emma Gilleland of Carlsberg Marston's explained volumes were down 20-25%, that of their seven breweries normally producing cask ale, two had been closed during the lockdown with a third running at 20%.

## Duty receipts from beer, spirits and wine in 2019 and 2020



Source: HMRC.



Jonathan Neame recounted how Shepherd Neame had repatriated and disposed of over 1 million pints, in environmentally sensitive and costly conditions, whilst bearing the costs of charging no rent to their licensees. At one stage, they were losing £150k a day just to keep going.

*“Our cask sales last summer were much lower than expected, last year was the first time in our brewery history that so many of our pubs went without cask at all, the reason being a difficult balance between slower sales and maintaining cask quality. With the popularity of ‘craft’ keg and the unreliable sales from Covid-19 this could well be a perfect storm going forward and many of our accounts may never return to cask sales.”*

*Evidence from Arkells Brewers, Swindon*

According to CGA<sup>1</sup>, many previously profitable brewing businesses have been lost and 2000 pubs closed, For the remainder of the sector, debt levels have spiralled and the remains future uncertain.

*“We have to start from scratch as our produced stock is now out of best before date and our ingredients are stale and of no use... no compensation or help; the insurers would not payout against Covid-19. Our staff levels are one third what they were, some of my staff have been with us in excess of 25 years. Our turnover for the past year is only 25% of a usual year. I know of two microbreweries that will not reopen. I also know of two longstanding publicans that have left the trade as their landlords have not reduced the rents while closed therefore putting them into debt*

*We now carry 120k debt we did not have before the pandemic.”*

*Evidence from Blackhole Brewery, Derby*

## Uncertain recovery

- 10 Cask ale taps can't be switched back on overnight. As the roadmap unfolds, brewers are having to take something of a gamble. Emma Gilleland of Carlsberg Marston's explained that they needed a five week lead-in to the limited reopening on 12 April, and while they had got their sales staff off furlough to assess demand, there had been few customers to take their calls. On the basis of informed guesswork, they restarted nine of their normal 30 lines of casks. Emma told us she didn't envisage more than 20 coming back.
- 11 From a licensee's perspective, cask ales always carry some risk (see above), but this risk is exacerbated for as long as trading remains uncertain. The safer bet lies with the longer shelf life of kegged or bottled 'craft' ales. Phil Tate of CGA told us that 47% of operators had reported they were planning on minimal ordering and reducing rotations, a figure nearly mirrored in BII's member survey which found 43% would stock fewer cask ales via fewer pumps as they reopen. An individual snapshot from Kelly McCarthy, confirmed this, as she explained she had laid on two lines of cask – instead of her pre-Covid six – but even so she was “still pouring beer away”.
- 12 Evidence from Punch Pubs & Co showed the impact of this uncertainty for pub companies, who were being forced to restrict range in depot to ensure write off costs were avoided. “As an example, [we] would normally operate with a cask range of over 50 depot listed brands accompanied by a seasonal rotation scheme of a further 12 brands. In April we will be opening up with less than half the normal depot brands and no rotational scheme”.



13 The particular uncertainty facing cask beer is further exacerbated by the age profile of cask drinkers: CGA estimates cask drinkers will only be back at 68% of their 2019 levels by the end of 2021. Cask is also hit by restricted service. Jonathan Neame said it had been notable in the summer period of opening that table service only requirements had changed ordering patterns: without the visual cues of handpumps on a bar and staff ready to discuss the beers on offer, customers had traded up to premium lagers and known brands.



## Cask chaos

*“Many operators will understandably harbour lingering doubts about the possibility of further trading restrictions or capacity constraints at potentially very short notice, especially following their experiences over the last year. This may drive cautious purchasing decisions, tending towards products which support slower throughput or longer shelf-life.*

*“On those measures, cask’s performance versus lager makes it a more challenging choice to keep on the bar if ranges are being rationalised. If a venue decides that it’ll be offering two cask taps instead of three, the same logic may lead publicans to favour established or familiar brands over guest ales. Therefore, the impacts may not be evenly spread across the cask category.*

*“That’s obviously good for some brands, but not for the category as a whole. It risks reducing the excitement and variety in seasonal or small-batch ales, challenging the local, sustainable, and authentic selling points of cask. Ill-planned rationalisation of cask lines risks limiting an innovation-led recovery, ultimately not attracting new, curious consumers to the category. But keeping a wide range of cask ales at the expense of throughput and quality risks giving those new consumers a bad first experience of the category, putting them off further trial.”*

*Evidence from Asahi Breweries UK*



## WHY DOES THIS MATTER?

For pubs

“Cask is the one element of the portfolio that separates us from the off-trade.”

- 14 The ‘umbilical cord’ linking cask ale to pubs was repeatedly referenced in our hearing. From a licensee’s perspective, Kelly McCarthy explained how she had used cask ales to forge a new atmosphere for her pub as she worked to make it a destination – critical given that her village has just 60 homes. Cask was the ‘point of difference’. This is reflected in wider industry perceptions: according to the BII 76% of their members see cask ale as an extremely or very important offering on the bar, and 61% have three or more cask ale pumps.
- 15 For pubs like Kelly McCarthy’s, cask beers help draw wider visits, which benefit local employment and other food and drink up and down the supply chain – as well as allowing the local community to reap the benefit of a vibrant pub that their custom alone could not sustain. As Pete Brown explained to us, cask’s consumers will tend to dictate the visiting patterns of groups. Typically, customers choose pubs because of the ale offer, drawing the others in. For the ale drinker, it’s the one drink that they can’t replicate at home. For others, it has the reassuring conveyance of a quality mark.
- 16 In terms of the wider impact, Pau Salsas explained the distinct economic benefit of delivering a pint of beer to a consumer via a pub, as compared to a supermarket, including the specific jobs, skills and training involved. He referred to studies showing the relatively higher employment impact of beer compared to other beverages. A report<sup>2</sup> by Oxford Economics for

BBPA concluded: “Our analysis shows that the sale of beer through the on-trade results in the largest economic benefit relative to the other elements of the overall beer and brewery sector”.

### Local heroes

Our recent APPBG report on Pubs’ Potential<sup>3</sup> outlined the wide social benefits derived from active community pubs. Lockdown reinforced the importance of pubs as a force for good, both in the positive actions they took, and in showing how many individuals and communities have come to depend on them for their wellbeing.

Kelly McCarthy told us how she had set up a WhatsApp group to keep the village connected, laid on local food and drink deliveries and became a shop. She had looked out for the community during lockdown, taking on Covid loans to see her business through, which would now need repaying at £800 a month. Her concern was that it would take time to recover; her older clientele hadn’t ventured back during the period of summer opening and no-one over 65 had returned in the first period of April 2021. Confidence was fragile.



### For responsible consumption

- 17 Cask ales are typically low abv, at 3.6 – 4.8%. As they're the one drink that can't be sold in the off-trade, they draw customers to pubs, promoting on-premise consumption.

### For agriculture

- 18 The British hop sector has been an intrinsic part of domestic brewing heritage since the 14th century, and the future of cask is inter-related with the future of agriculture. Cask ales use home-grown ingredients, with heritage barley varieties such as Maris Otter grown and malted domestically, expressly for the purpose of brewing cask beer.
- 19 Traditional bittering hop varieties, the more common varieties grown in the UK, are used both for brewing and to support national hop breeding programmes which feed into the new varieties used by craft brewers. Jonathan Neame told us that 80% of the hops used by Shepherd Neame are grown locally, mostly within 10 miles, and like Carlsberg Marston's, purchased with forward contracts to ensure supply. It was emphasised that hop fields could not be turned on and off at will. If demand went from the cask brewers, the hop fields would disappear, with knock on consequences for the variety for niche craft brewers, for exports and for hops' wider application, including pharmaceutical uses. A vibrant hop industry is vital to innovation, and Carlsberg Marston's recounted how they worked with UK hop growers to develop new varieties for their guest ale programmes.

### For tourism

- 20 According to Roger Protz: "Overseas visitors include tasting cask beer on their tick lists and marvel at the whole concept. It's almost essential for a traditional British pub to serve cask to be considered truly British".
- 21 Beer tourists flock to towns such as Burton upon Trent to soak up the heritage of cask ale, and understand how it revolutionised a town. It isn't all about heritage, however, as Ellie Hudspith told us how for the 'experience'-focussed millennials, the link between beer and place was increasingly important. Part of the authentic experience of cask was driven by 'terroir' of the soil.

*"Whenever I come back to my beloved home country, one of the first visits I make (even before saying hello to some family!) is to the pub. My eyes are peeled carefully: I am looking for the handpumps and the prospect of a delicious cask-conditioned ale. I have long maintained the simple reality that cask-conditioned ale is the most drinkable beer on the planet. And usually these products have the ideal alcohol content to make them not excessively calorific, which is just as well as they invariably say to me "another please". As I also am at pains to point out to my students, they are also the toughest beers to handle. It takes real skill to ensure that they are in peak condition, served to perfection with a sublime head, appropriately bright, and have not become contaminated. Cask ale is where the genius of the brewer meets the dedication of mine host to deliver to the customer the ultimate drinking experience."*

*Professor Charlie Bamforth, former President of the Institute of Brewing and Distilling and Professor Emeritus, University of California, Davis*



## For the environment

- 22 As Britain prepares to host COP26, we suggest cask ales provide a perfect illustration of age-old heritage wrapped in green credentials. Cask brewers typically employ locally, source nationally if not locally, 'package' into casks which are reused hundreds if not thousands of times for transporting locally, to be served with minimal, if any, temperature control. It's a low food mile, low waste product, designed to thrive in the British climate.

## For exports

- 23 Several brewers explained the importance of cask to their exports. Jonathan Neame told us that it was the standard by which reputation was made and lost. Robinsons' evidence to the inquiry explained: *"We export beer to 55 countries and every visitor from abroad is genuinely excited to try our cask beers. Cask beer is seen as the "original and best" and export sales are influenced by cask beer."*

## WHAT NEEDS TO HAPPEN?

### The opportunity

- 24 Having been hit hard by Covid, cask brewers and the pubs they depend upon need a breathing space to recover, a period of certainty to plan and a level playing field to compete. Get this right, and the sector that employed nearly 1 in 14 of the UK's workforce pre-Covid, including a disproportionate number of young adults, will rebound and help drive the social and economic recovery from the pandemic.
- 25 Government intervention is needed to help rectify the economic advantage that it created for the off-trade in lockdown. As Pau Salsas explained, off-sales didn't rocket as a result of innovation, or investment. It was market distortion. That distortion has had a clear and negative impact up and down the on-trade supply chain, and most markedly on cask beers.
- 26 BBPA referenced a recent report by think tank Localis, explaining that support for any sector needs to be considered in the context of unprecedented national debt, which requires prioritisation of growth-boosting and revenue-raising policies. Pointing to the positive effect of beer and pubs - a major beneficiary to the Treasury - the report explains they hold the potential to generate income, lower national debt and kickstart the economy (to which we add, all the while, supporting the well-being of communities and individuals up and down the country at a critical time of need). However, they need help in resuming trading and to remove the debt accumulated over the last year.<sup>4</sup>

What help?



## Sticking to the road-map

- 27 There was unanimous consent among our witnesses and in evidence received that the Government must stick to reopening plans for England, allowing inside opening on schedule, and rule out a return to any measures such as alcohol bans, curfews or substantial meal requirements which further tilted competition in favour of the off-trade. Brewers can't afford to pour any more beer away. Once their cask lines are running again, they need certainty that their ales will reach their intended customers.

## Restoring confidence

- 28 Critical to this, we received plentiful evidence of the need for positive messaging from government and media that pubs are safe to return to, the best place to enjoy alcohol responsibly, and the best place to socialise safely. There needs to be recognition of the time, effort and money licensees have invested in making their venues COVID secure, on top of the normal array of rules and regulations around hygiene, food standards and licensing.

## Support for on-sales and brewers

- 29 Recognising that 2000 pubs have already become casualties of Covid, various recommendations were made for support. While measures such as 'Eat out to help out' and VAT cuts for food and soft drinks may have benefitted the wider hospitality sector, witnesses explained that they had provided limited help to pubs - and scant support to pubs offering little food in particular. We endorse their call for the VAT cut to be continued, at least until the restrictions of socially-distanced trading have been removed,

and for business rate relief similarly to be extended until the government has rebalanced the burden between the digital and high street economies. Relative to their share of business turnover, before the pandemic pubs were over-paying in business rates to the tune of £500 million and this is simply not feasible moving forwards. But we also ask for a more targeted intervention to benefit pubs that rely on sales of beer generally, and cask ales in particular.

*"Negative and misleading portrayals of pubs and drinkers in the media, and previous draconian, unevidenced restrictions imposed by the Government have dented consumer confidence in pub going – which the Government has failed to counter despite no compelling evidence being presented that pubs are a major source of virus transmissions.*

*"The Government must seek to counter this, as they did when fears about the safety of supermarkets were raised. The Government should consider running an awareness campaign that encourages consumers back to the pub and highlights the benefits of socialising safely within the hospitality sector, rather than gathering in private residences."*

*Evidence from CAMRA*



- 30 We heard suggestions for extending the reduced VAT rate to beer and other drinks, for an overall cut to beer duty and for a specific reduced rate of duty for draught beer. As seven out of 10 drinks sold in pubs are beer, any measures that encourage consumers back into pubs from the off-trade would bring the benefits of local job creation and support for property based, high street and village businesses while also increasing the Treasury's overall tax yield.
- 31 By pretty much any measure, beer is overtaxed<sup>5</sup>, with the Treasury taking approximately a one third share of every pint sold in a pub. For brewers, duty creates a high burden. At Black Sheep, by way of example of a medium sized brewer, duty accounts for 40% of turnover, with *"60% of our total turnover being taken in overall taxes"*. If they were producing cider, instead of paying duty at the rate of £78.22 per hectolitre levied on their cask beer, the duty would be £30.38 – for the same 4.1% ABV.
- 32 We ask HM Treasury to give a targeted intervention urgent and serious consideration, and specifically, a close examination of the merits of a reduced rate of duty for draught beer. This could benefit cask ales in particular: it should embolden licensees to take the risk of restocking, it could help focus industry minds on promoting cask ale and ensuring consistently excellent quality in each pint poured, and it would give brewers opportunity to reinvest.

### Acknowledging accrued debt

- 33 Brewers and pubs have racked up multiple forms of debt – rent debt, Government-backed Covid loans and other finance, as well as remaining HMRC debts. There needs to be a patient approach from holders of the debt to how this is dealt with. While pub company landlords have been very supportive (Shepherd Neame, for example, told us they had charged no rent and others offered substantial rent discounts for closure periods), commercial landlords have not been so sympathetic. Substantial rent debts are being accrued, with no realistic prospect of repayment in the short-term. At our inquiry hearing, it was questioned where commercial landlords' interests lay, particularly if the premises could be worth more as housing.
- 34 With the exception of furlough, brewers have not benefitted from lockdown payments or initiatives. Breweries have not been covered by business rate relief. Brewers could not claim compensation for the cost of destroyed stock (apart from duty), nor for the cost of destroying it. As for pubs, targeted Covid-loan forgiveness is needed to allow debt-burdened businesses to get back on their feet.
- 35 The Society of Independent Brewers (SIBA) told us a number of small brewers are struggling, in particular with HMRC debt. Time to pay arrangements are being made on an individual basis, but some brewers apparently struggle to make their case. A blanket, six-month extension would provide welcome breathing space.



## Support for the agricultural supply chain

- 36 The pandemic has been devastating for the crops linked to brewing: barley and hops. While barley has alternative markets in other food and feed products, it still suffered an overall loss in malt sales of up to 20%, with the Maltsters' Association of Great Britain reporting a disproportionate impact (with higher losses) for maltsters who typically supply the craft beer sector (where cask beer predominates).
- 37 Hops may have taken a terminal blow. The lack of certainty over resumption of brewing means many growers have delayed planting in 2020/2021 and some have already given way to alternative fruit crops. We were told by Charles Faram, the UK's largest hop supplier: *"There is still no certainty around the 2022 contracts and I know of at least one grower who has taken the decision to stop hop growing completely. Two years of under production and an uncertain third year has proved too much. There are currently only 52 hop growers left in the UK, if we lose any more we are in danger of losing critical mass and the British hop industry altogether. This is very disappointing for us as a company as we have been investing heavily in new varieties of hops to compete with the very popular fruity flavoured American hops that are now appearing in many beers around the world. I believe that we have the potential to increase our exports considerably when these new UK varieties come to market. Unfortunately, if we have no growers to grow them it will all be in vain"*.

- 38 The collapse of our domestic hop sector would mean that British brewers, particularly those producing cask ale, would be denied access to traditional and characteristic ingredients with more reliance on imported varieties. Direct investment in the hop sector would protect this vital ingredient and potentially increase the value of British hops as an export. BBPA pointed, as an example, to New Zealand where in 2018 the Government invested approximately NZ \$8 million in their domestic hop industry, resulting in a significant increase in acreage and the development of proprietary hop strains that command higher market prices - roughly double that of our domestic hops and up to five times the price of some European varieties.



- 39 An apposite question posed to our inquiry was not whether cask beer was taxed too highly, but why it was taxed at all. As a unique beer, quintessentially part of British pub and broader cultural tradition, distinctively local, with a low environmental footprint and a huge cultural imprint, it should be championed, not left to wither away.
- 40 We join the witnesses to our inquiry in asking why cask beer is not designated and celebrated: a beer as British as Champagne is French, Chianti is Italian or Port is Portuguese for example? Pete Brown pointed out that it took a group of consumers, forming CAMRA 50 years ago, to develop a definition for cask ales. What more opportune moment could there now be, in post Brexit Britain, preparing the country's green credentials for COP26, to launch an official designation for the UK's environmentally friendly, community sustaining, regionally distinctive and uniquely British drink?
- 41 We recommend a working group explore this question, and evaluate what government, brewers and pubs need to do to communicate cask's uniqueness to consumers, to reposition it as a fresh, local, premium product, and to use the unprecedented opportunity of 'unlockdown' to focus on the social and cultural values of the on-trade. We urge pubs to respond by ensuring cask ale is always served to the highest quality standards: cask cannot afford to disappoint.

## CONCLUSION AND SUMMARY RECOMMENDATIONS

- 42 The Covid pandemic exposed many fault lines and dependencies: economically, socially and culturally. Among them, it's shown the deep inter-relationship of cask beer, pubs and communities. So, while it may appear parochial for the All-party Parliamentary Beer Group to push for support for cask beer as it struggles to recover from Covid, we urge government to consider the wider implications.
- 43 As a direct result of pubs being either shut, or having their trading restricted for 14 months, cask beer's brewers lost more than 71% of sales. In addition, UK brewers bore the cost of £300m of spoilt beer. This has hit their businesses and local employment, with a knock-on impact on agriculture. The brewers that remain are laden with debt and face an uncertain future until pubs fully re-stock cask beers. Cask's short shelf-life makes this a gamble for licensees, as for each cask opened, they will need to be confident of sufficient demand to average 23 pints a day.
- 44 Community pubs up and down the country have been local heroes during lockdown but many are hugely indebted as a result, and a further 2,000 have been lost. Their wider 'social service' will be needed as never before in the months ahead, to help counter loneliness and bolster wellbeing. Pubs need to bounce back for cask beers to recover, and inter-dependently, cask beers will be critical in repositioning pubs' distinct identities to a nation grown accustomed to home-drinking.



- 45 Pubs need government to send a clear message that it is safe to go back and socialise. And they need a targeted intervention, to help recover some of the sales lost to supermarkets and the wider off-trade. In short, government needs to invest in giving them time to recover, and a shot in the arm to spur brewers and pubs to help cask ales build back better, capitalising on the uniqueness of their product.
- 46 There's huge opportunity for government in this. Cask beers are local, environmentally friendly, and a uniquely British product. In preparing for COP26, what better way to showcase the country's sustainable future, and its heritage? By boosting cask beers and encouraging footfall to pubs, the economy will gain, communities will benefit, and we may all just feel a little happier again.

#### **SUMMARY RECOMMENDATIONS**

- Government to stick to the roadmap for reopening and run a public information campaign to restore consumer confidence
- Government to reduce the overall burden on brewers and pubs through lower overall duty, VAT and business rates and to urgently consider the specific merits of a lower rate of duty for on-sales of draught beers to encourage footfall back into pubs
- Government to consider targeted Covid debt forgiveness and measures to ameliorate the impact of Crown debt
- Industry to convene a working group to capitalise on the possibilities for promoting cask beers as an environmentally friendly, locally focussed, premium and uniquely British product
- Government to incentivise and/or support investment in the UK's hop sector, to tide it over a period of unprecedented uncertainty.

