



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Yr Is-bwyllgor Datblygu Gwledig  
The Rural Development Sub-committee**

**Dydd Iau, 25 Mawrth 2010  
Thursday, 25 March 2010**

**Cynnwys**  
**Contents**

- 3 Cyflwyniad, Ymddiheuriadau a Dirprwyon  
Introduction, Apologies and Substitutions
- 4 Ymchwiliad i'r Diwydiannau Gwin, Cwrw a Seidr yng Nghymru: Sesiwn Dystiolaeth  
Inquiry into the Wine, Beer and Cider Industry: Evidence Session

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r is-bwyllgor yn bresennol**  
**Sub-committee members in attendance**

Jeff Cuthbert	Llafur Labour
Michael German	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Rhodri Glyn Thomas	Plaid Cymru (Cadeirydd yr Is-bwyllgor) The Party of Wales (Sub-committee Chair)
Brynle Williams	Ceidwadwyr Cymreig Welsh Conservatives

**Eraill yn bresennol**  
**Others in attendance**

Mike Benner	CAMRA CAMRA
Justin Buster Grant	Cymdeithas Bragwyr Annibynnol Cymru Association of Welsh Independent Brewers
Phillip Lay	SA Brain SA Brain
Richard Morris	Cymdeithas Gwinllannau'r Deyrnas Unedig UK Vineyards Association
Cressida Slater	Cymdeithas Perai a Seidr Cymru Welsh Perry and Cider Society

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Aled Elwyn Jones	Clerc Clerc
Georgina Owen	Gwasanaeth y Siambr a Deddfwriaeth Legislation and Chamber Service
Meriel Singleton	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 1.00 p.m.*  
*The meeting began at 1.00 p.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon**  
**Introduction, Apologies and Substitutions**

[1] **Rhodri Glyn Thomas:** Croeso cynnes i bawb i'r cyfarfod hwn o'r Is-bwyllgor Datblygu Gwledig. Mae angen gwneud y cyhoeddiadau arferol. Nid ydym yn disgwyl ymarfer tân, felly os bydd y larwm yn canu, ewch allan drwy'r allanfeydd gan ddilyn cyfarwyddiadau'r tywyswyr. Mae angen diffodd unrhyw offer technegol, gan gynnwys ffonau symudol, *paggers*, BlackBerrys ac yn y blaen. Nid yw'n ddigon bod y sain wedi'i ddiffodd oherwydd maent yn effeithio ar yr

**Rhodri Glyn Thomas:** I extend a warm welcome to everyone to this meeting of the Rural Development Sub-committee. The usual announcements have to be made. We are not expecting a fire drill, so if the alarm sounds, leave through the exits, following the instructions of the ushers. Please switch off any electronic equipment, including mobile phones, pagers, BlackBerrys and so on. It is not sufficient for them to be in 'silent' mode as they interfere with the audio equipment.

offer sain. Mae'r Cynulliad Cenedlaethol yn gweithredu drwy gyfrwng y Gymraeg a'r Saesneg, felly mae clustffonau ar gael i dderbyn y cyfieithiad ar sianel 1 a hefyd, os oes angen, gellir chwyddleisio'r sain ar sianel 0. Nid oes angen cyffwrdd â'r meicroffonau, oherwydd byddant yn gweithredu'n awtomatig.

The National Assembly operates through the media of Welsh and English, so headphones are available for translation on channel 1 and also, if necessary, to amplify the sound on channel 0. You do not need to touch the microphones, as they operate automatically.

[2] Heddiw, byddwn yn clywed tystiolaeth bellach fel rhan o'n hymchwiliad i'r diwydiannau gwin, cwrw, seidr a gwirodydd yng Nghymru. Yr wyf wedi derbyn ymddiheuriadau gan Joyce Watson, ac estynnaf groeso cynnes i Jeff Cuthbert, sy'n dirprwyo'n swyddogol ar ran Joyce Watson, ond mae Jeff hefyd wedi ymuno â ni yn yr ymchwiliad hwn gan ei fod yn un o gyd-gadeiryddion y grŵp trawsbleidiol ar gwrw a thafarndai. Yr ydym yn falch iawn ein bod yn gallu manteisio eto ar ei arbenigedd a'i brofiad yn y maes. Croesawn hefyd Georgina Owen, sy'n glerc yng ngwasanaeth y siambr a deddfwriaeth ac yn cysgodi'r is-bwyllgor hwn er mwyn cael profiad o sut y mae pwyllgorau craffu yn gweithio. Felly, croeso cynnes, Georgina.

Today, we will hear further evidence as part of our inquiry into the wine, beer, cider and spirits industries in Wales. I have received apologies from Joyce Watson, and I extend a warm welcome to Jeff Cuthbert, who is officially substituting for Joyce Watson, but Jeff has also joined us for this inquiry as he is one of the co-chairs of the cross-party group on beer and the pub. We are extremely pleased to be able to take advantage once again of his expertise and his experience in the field. We also welcome Georgina Owen, who is a clerk in chamber and legislation services and is shadowing the sub-committee in order to gain experience of the way in which scrutiny committees work. Therefore, a warm welcome to you, Georgina.

1.02 p.m.

### **Ymchwiliad i'r Diwydiannau Gwin, Cwrw a Seidr yng Nghymru: Sesiwn Dystiolaeth**

#### **Inquiry into the Wine, Beer and Cider Industry: Evidence Session**

[3] **Rhodri Glyn Thomas:** Croesawaf Phillip Lay o SA Brain and Co Ltd. Yr ydym yn ddiolchgar iawn am eich parodrwydd i ddod atom i roi tystiolaeth ac am y dystiolaeth ysgrifenedig a gawsom gennych hefyd. Os dymunwch wneud unrhyw sylwadau agoriadol, gofynnaf ichi eu cyfyngu i ryw dri munud. Yna bydd cyfle i Aelodau ofyn cwestiynau.

**Rhodri Glyn Thomas:** I welcome Phillip Lay from SA Brain and Co Ltd. We are very grateful for your willingness to come before us to give evidence and also for the written evidence that we received from you. If you wish to make any opening remarks, please restrict them to around three minutes. Members will then have an opportunity to ask questions.

[4] **Mr Lay:** Thank you for inviting me, on behalf of SA Brain and Co Ltd, to give evidence as part of the inquiry. We have sent a written submission. I apologise that it was late coming in; it was an error on our part due to confusion with the communication. I hope that the submission is useful. It is fair to say that, while preparing the written submission, we found it quite difficult to understand exactly the sort of evidence that the sub-committee was looking for. Looking at other people's evidence, we followed a similar pattern of including the things that we felt were relevant to the debate about the rural economy and the various industries of wine, beer and cider within that debate.

[5] A big part of what we do as Wales's leading brewer and hospitality business is in the

beer arena, but also retailing beer, wine and cider, and all of the other dynamics of pubs right across Wales and into England as well. So, our submission is based upon the whole business model and the complexities of it—all of the areas that we touch. You may have noticed that a big part of that relates to food and the agricultural aspect of the interaction between the industry and Welsh rural environments. Therefore, I am happy to take questions on anything you want, really, rather than trying to tell you what I know.

[6] **Rhodri Glyn Thomas:** Diolch yn fawr iawn, Phillip, am y sylwadau agoriadol hynny. Gan eich bod wedi cyfeirio at y diwydiant amaethyddol a'r cysylltiad rhwng y diwydiant hwnnw a'r bragdai, gofynnaf i Brynle Williams agor gyda chwestiynau yn ymwneud â datblygiad y diwydiant a'r cymorth sydd ar gael.

**Rhodri Glyn Thomas:** Thank you very much, Phillip, for those opening remarks. As you have referred to the agricultural industry and the connection between that industry and breweries, I will ask Brynle Williams to open with questions relating to the development of the industry and the support that is available.

[7] **Brynle Williams:** First of all, welcome here this afternoon, Phillip, and thanks again for your presentation and your evidence. In the last 20-odd years, we have seen a significant increase in breweries in Wales, as well as the establishment of one of the largest brewing companies in Magor, owned by AB InBev. There are more Welsh brewers now than there have been in the past 70 years. Has the recent growth in the brewing industry been driven by new entrants to the market? If so, have larger breweries, such as yours, also seen growth in recent years?

[8] **Mr Lay:** It is an interesting dichotomy: there are more brewers now in Wales than ever before, I think—unless you go back centuries when brewing was done on every corner of every street. It does not necessarily affect the trends in the beer market, however. Beer consumption in the UK is at an all-time low. January, for example, saw a 20 per cent decline in on-trade volumes year on year. So, the industry as a whole is not in great shape and is under enormous pressure.

[9] As a result of that, the larger brewers are consolidating, as are the medium-sized brewers. Right across the UK, big breweries are shutting. That has opened up a window of opportunity. The legislation that came in regarding the changes in duty treatment around the duty escalator—forgive me, I cannot remember when it came in, but it was probably about five years ago—meant that less duty was applied to the smaller brewers if they kept their volumes beneath certain thresholds. In the UK and Welsh scales, it is a very low threshold. This has meant that there has been more of a margin in brewing for microbreweries and there has been big growth in the number of breweries and brewing businesses in Wales at the microbrewery end. That is probably quite healthy, because they are small business that are owner-operated and they will stay in their communities and their geographic areas, and they will have uniqueness because of that. So, it is probably quite healthy for that end of the market.

[10] However, I must caveat the whole thing by saying that the beer and pub industry is in quite a lot of trouble at the moment overall—across Wales and the UK. Pubs are closing faster than ever before. It must be noted that breweries do not employ many people. We employ around 2,000 people across the business and around 30 of them work in the brewery. So, the rest work in the other areas that are related to the running of the retail side of the business. Therefore, while jobs are created across Wales as a result of the growth of the small microbreweries, we are seeing an increase in the number of jobs lost because pubs are suffering and are being lost from rural economies. That was discussed at length at the meeting last night.

[11] **Brynle Williams:** In relation to the current support available to the industry, the

Association of Welsh Independent Brewers states that

[12] ‘Whilst there are funds available from the W.A.G. in the form of grants and promotional opportunities, the timescale involved with the grant procedure leaves a huge amount to be desired.’

[13] Do you think that financial support should be targeted at the smaller breweries that are starting up, or to grow businesses and therefore be available to the larger breweries that are already established? Or, is there a place in the middle somewhere for both of you?

[14] **Mr Lay:** The Welsh Assembly Government has multiple responsibilities around the culture of Wales, the agricultural environment and the rural economy, but also to industry as a whole. If you read my submission, you will see that the markets in Wales are limited by the absolute strength of the economy and the absolute numbers of people here. So, there may well be a role for funding one specific sector, the smaller brewer at the microbrewery end, but it will only ever achieve a limited benefit to the overall economy of Wales. We have to make sure that the funding, when it comes in, is available at all levels.

[15] We recently tried to get support to develop a centre of excellence at the brewery. It was so time consuming that it would have delayed the project by almost 12 months and, even then, it would have given us only a small proportion of the capital costs required. So, we thought that it was not worth doing and we got on with it ourselves and did it in a way that we could afford at the time. That might be good management from WAG, but, at the same time, it is quite frustrating as a larger, or middle-sized business, which we are, really, in national business sales. If you compare us to another great employer in Wales, Admiral, we are a fraction of the size of that business.

[16] We do need help. As I said before, the sector is in quite a lot of trouble. Like most things in Wales, unfortunately, getting central funding—and this was a common theme in the meeting last night—is a challenging experience in Wales, because it is not done with an even hand across the geography and across the principality. You get different behaviour in different parts of the country. That makes it difficult.

[17] **Rhodri Glyn Thomas:** Trown, felly, at y rhwystrau sy'n atal datblygiad o fewn y diwydiant a chwestiynau gan Jeff Cuthbert. **Rhodri Glyn Thomas:** We will turn, therefore, to the barriers to development within the industry and questions from Jeff Cuthbert.

1.10 p.m.

[18] **Jeff Cuthbert:** Just to reinforce the point that, although I am substituting for Joyce Watson, I am also co-chair of the cross-party group on beer and pubs. I should point out that, when Phillip referred earlier to a meeting last night, that was a meeting of that cross-party group, which was hosted by SA Brain. Thank you for that.

[19] I am fairly experienced with SA Brain's products, having sampled most of them throughout my life—in moderation, I stress. The first question that I want to ask is not the set question under the heading ‘Barriers’, but comes from your written evidence, where you say, at the bottom of the first page:

[20] ‘Our wet, cool climate does not produce the best Barley for Malting, nor hops for brewing’.

[21] That refers to the current situation, but has the brewery given any consideration to climate change? It is anticipated that, over the next 30 years or so, the climate of Britain could

change significantly to become hotter and, perhaps, drier. Would that mean that that climate would be better for home-grown barley and hops?

[22] **Mr Lay:** I am not really an expert on climate change, I have to say; selling beer and food in pubs is my area of expertise. However, I sit on the business leaders climate change group for Wales, which is being driven by Business in the Community and the Prince's Trust as part of the May Day study. The point about climate change is interesting, and this discussion is timely, in one respect, because the most recent international summits threw up all sorts of conflicting evidence, and have really muddied the waters quite a bit around climate change per se, as to what the causes are and what the effects will be. The business leaders group is changing its name to the sustainability in business group, because we think that the key to this is sustainability and using resources wisely, rather than wasting them; at the end of the day, that is what this is all about.

[23] Specifically on the climate in Wales, the one thing that you have to have when you are brewing in volume is a guaranteed source of your raw ingredient. If you cannot get malt or hops in the volumes that you need and at the times that you need them, then you have a problem. Stability is more important in terms of climate and the environment, and as we all know with the weather, we do not really get stability, so those raw ingredients have to be sourced from several places in order to secure a supply. We do not currently have an industry in Wales that focuses on barley that is suitable for malting. We heard last night that there is a five-year plan to improve that, and that will probably produce sufficient volume to enable the Welsh microbrewery industry to get its malt from Wales, which is great because it means that it can make products that are genuinely Welsh. We heard last night about the project to grow hops above Caerphilly; it has had its first year's growth, and was relatively successful, but it is very small in scale compared with the volume needed for a major brewery. A microbrewery would be brewing 5,000 or 10,000 barrels a year, if it is doing well. We brew about 280,000 barrels a year, and we are mid-range—the big boys are brewing a million barrels a year. That scale of requirements in the brewing industry means that we probably cannot resource all our raw ingredients specifically from Wales, although I would imagine that it would be achievable to blend Welsh malts and barleys with other malts and barleys from the UK and further afield as part of the supply chain.

[24] **Jeff Cuthbert:** Thank you for that—I am very grateful. I will now turn to the questions that we have, and I will ask a couple together to save time. On beer ties, in your written evidence you appear to suggest that they have brought benefits, but we know that CAMRA thinks that they restrict the range of beer that pubs are able to offer. What is your view on that? Have I interpreted your written evidence correctly here? To what extent does Brains encourage guest beers to be served in your premises, and, to put the other side of that, how successful have you been in getting your beers into other brewers' premises? Finally, what initiative could we help to put in place to encourage local pubs to stock local products?

[25] **Mr Lay:** The beer tie is a specific issue that has been debated long and hard at a UK-Government level, as I am sure that you are aware. In fact, the Business and Innovation Select Committee's report was released this morning by the Government, which concluded that the industry is working at the moment on issues regarding the tie and that it should be given another 15 months before being judged again on whether it is effective. A key element in it is the issue of the route to market. As a regional brewer, our stance is that we work hard to bring great beers to the consumer through our pub chains—specifically, the ones that we own. The model that we operate has grown up over centuries—we have been around nearly 130 years now—by owning businesses through which you sell your beers.

[26] I have brought with me some documents that are hot off the press. The first is the latest document containing the tenants' offer, and I will leave it with you, if you would like to see it. On it you can see, pictorially, the range of cask ales that we offer our tenants currently. The

brands on the left are the ones that we own, and the others are everyone else's. So, you can see that, when we suggest a range to our tenants, we are suggesting positively that they look at having a broad range. We control how the beers get into the pubs, because we have contracts to fulfil, and there is a supply chain and a price that goes with them. It will never be as cheap to buy a beer from the ranges that we do not own as it is to buy beers from the range that we do, because we positively price them more attractively as we want to sell more. However, as you can see, we consistently offer a range of beers. Welsh beers are part of that range, as are Scottish and English beers, month after month. As a business, we have a position of encouraging customer or consumer choice. That goes beyond beer and right across the food areas, and I have put quite a lot in my report about that, as I felt that it was relevant to the agricultural and rural aspect of what we are talking about.

[27] Similarly, I took three menus from my catering team literally an hour ago and have highlighted the items on the menu that have a Welsh provenance. The first is quite a sexy menu, for the smart end of the market. You can see that quite a lot has been highlighted on it. On the menu at the value end, there is a little less, because it is harder to bring Welsh products to the table at an affordable price, when you are in the value end of the market. It is not easy to see, but there are a few less.

[28] The next example is our most recent development, which is driven by individual menus every day. Again, the extent of green on the menu shows the extent of Welsh provenance and that we are trying actively to encourage people in our businesses to use, see and consume Welsh produce. We are able to do that because we are a business that owns and operates pubs in a controlled way. The tie is what this is all about. In businesses of a certain size, and in regional breweries such as ours, it is a very positive part of your business model.

[29] **Jeff Cuthbert:** So you are saying that how the tie is operated and implemented is the key issue, rather than the tie itself.

[30] **Mr Lay:** That is absolutely the thrust of the debate at a UK-level. That is how it is operating. All the discussions that are taking place at the moment are about the route of beer to the market. Everyone in every part of the debate is accepting that regional brewers and brewers with that level of beer sales will be excluded from anything that would come out in the future. We operate in a complex industry: there are owner-operators, companies that own only pubs, companies that own breweries and pubs, and companies that own only breweries. It touches supermarkets, off-sales, consumption at home and so on. So, the industry is a complex business model. People latch onto one aspect and think that solving that solves the problem, but the social and economic problems in the sector are much greater than that.

[31] **Brynle Williams:** Carrying on from that, it is pleasing to hear about Brains's stance, especially in relation to promoting Welsh food and produce. Looking at it geographically, up in my region in north Wales, we have a serious problem of public houses closing one after the other. Regrettably, they are not owned by breweries but by companies that run them. We are losing the pub itself, and we are losing the focal point, but it is also creating financial constraints. Ideally, we want to see village pubs.

1.20 p.m.

[32] I was listening very carefully to what you said about your model. Is there a way that this could be broadened across the country? I have been speaking to free houses; it is the free houses that are surviving. You have touched on the most important aspect, which is food production, but do you have a view on how pubs in these communities can be safeguarded? Regrettably, these companies are coming in and wanting such high-value inputs and tying people in to specific brands. In all fairness, I do not think that you operate pubs in north Wales—if you do, you have very few—but, regrettably, this is what is happening with some



of the major breweries. It is causing serious problems in the area.

[33] **Mr Lay:** As I said before, it is a complex industry. In fairness, I need to make one small point of correction. You are absolutely right, Brynle, that there are many pubs closing at the moment, and it is happening for a number of reasons. The basic reason is economics. The economics of some of these pubs mean that they will not survive. It is very sad, but it is just a fact of life. In the same way, Tesco has put many corner shops out of business over the years. It is what people want; they want value for money and they want the right product on the table at the right price. So, it is correct that pubs are closing. I think that the current figures are down from the worst point of 56 pubs closing a week to 36 pubs closing a week across the UK. However, as I said, I need to correct you slightly, because most pubs that are closing are not of the tied model, but of the free-house model. It might be different in certain geographical areas, but across the UK there are more free houses closing than any other type of pub. That is because they have the least amount of security and the least amount of negotiation and buying power—because the owners generally have one business and they are out there on their own.

[34] There are massive pressures on a company such as mine. Last year, my utility bill for the pubs went up by £750,000. That is a big pressure. They went up across the sector; utility bills for every pub in the country went up last year. The biggest issues that we face are very simple. It is about people using the pub; it is footfall. You can cut through all the other arguments, but if more people went to the pub more often and spent another pound, these pubs would be sustainable. In a community where there are 700 people, if each of them spent £5 a week, representing a turnover of £3,500 on top of whatever it was already doing, that would make the difference. The problem is how to attract more people into the pub environment. Yes, there are lots of other arguments about whether pub companies could do more. As I said, I think that they have been dealt with fairly thoroughly through the Business Innovation and Skills Committee report and current UK Government activity. Let us see where those take us.

[35] My stance is always that the competition in our industry is not between me and Bass or me and Mitchells and Butlers; it is between me, my business and my customers. It is about persuading people to use the pub as a focal point and somewhere to have a pleasant evening. The problems with that are obviously well reported, wrapped up in the image that the press give the pub at the moment. More importantly, it is about the approach that the Government has been taking to try to control the perceived problems in society with alcohol. The pub is actually the only place where you can drink alcohol responsibly. There is no governance of how you consume your alcohol anywhere else. The pub was invented to control the consumption of alcohol. It was to do with munitions in the war; the licensing regime was designed to control consumption, and we seem to have lost sight of that. All recent legislation has been designed to restrict what pubs do, placing increasingly large burdens on operators, making it less and less economically viable and encouraging more and more people to drink their beer at home, or anywhere else for that matter.

[36] I am not knocking supermarkets—they are fantastic retailers and they do a great job—but we have got to make the argument more focused on responsible consumption. If you start to look at that, you will start to solve some of the problems with the rural pubs and the lower-turnover urban pubs in deprived areas. You can start to encourage people back into those pubs with a number of devices. The Welsh Assembly Government could really take the lead and make a difference in the UK by having an agenda that was about responsible consumption and looking at all the ways that we can encourage people to get back out there and use the pub properly.

[37] I would say that, would I not? I run pubs and sell beer, but think about the argument and make your own minds up. It is about getting customers into pubs and nothing else. The

rest of it is secondary. When customers were going into pubs, people were not moaning about the tie: they were making money and they were happy.

[38] **Brynle Williams:** I know that you have pubs in Cardiff, and you have already touched on this, but how much of a problem is alcohol from other sources in terms of causing anti-social behaviour at night in towns and cities? Can you grasp what I am trying to get at?

[39] **Mr Lay:** Yes, I think I understand the thread of your argument. Again, another well reported problem is pre-loading—people drinking more alcohol at home before they come out—which manifests itself in the environment in town centres being volatile, but the managers are the people having to sort it out and they are not necessarily the ones who have created that problem in the first place. As economics come into this and as businesses' funds are tight, some managers, who have a little less protection from a company like ours, are probably a bit more willing to bend the rules a little and get it wrong.

[40] The behaviour of the consumer has changed. If you looked at the past 20 years and drew a line between the introduction of closed-circuit television into town centres, the introduction of alcohol into supermarkets and the perception of violence and trouble associated with alcohol, there would be a straight line between all three. The availability of alcohol in supermarkets and the reporting of every incident in the media every minute of every day proliferates this feeling that town centres are somewhere you do not want to go. So, you end up with people whom you do not want in town centres being there and the people you would like to be in town—the sensible people who want a nice, responsible night out—staying away because they see it as trouble.

[41] We are slightly moving away from the thread of this, but the same applies to the rural environment. Restrictions that apply in town centres apply equally to the small village pub; they have to do all of the things in that pub that were brought in via legislation to cope with the problem that is perceived to be in the town centres. So, on the new mandatory code on having to offer water, and to check age, every pub in the UK will have to abide by that from April and not just the ones where there is a problem. That makes life difficult for the operators who are already struggling. So, we need a lighter touch on some of this.

[42] Chair, you opened by saying that you were looking for the barriers to this. On the legislative burden of the licensing regime combined with the legislative burden of planning and of generally operating a business in Wales—because we are the structure that we are—the National Assembly could help to try to simplify processes across Wales and to make them consistent, which means that if you are operating a pub in north Wales, west Wales, Carmarthenshire, Caerphilly, Monmouthshire or wherever it might be, you know the rules of combat and they are consistent. You could help by trying to remove and reduce some of the over-complication caused by legislation—for example, water having to be available to the customer. The legislation is not clear on whether you have to offer it or on how and when you have to offer it. I guarantee that there will be a borough—I could name it, but I will not in this forum—where they will test purchase and if the bar staff have not physically offered the customer a glass of water, they will try to prosecute the bar. That is what we deal with. However, another council, probably Cardiff, will say that water has to be available and that we need to be sensible about this. So, enabling some consistency and sensible practice will help the smaller operator in particular.

[43] The bigger operators—the multiples, like my company—can deal with it. We have the resources to do so and we train staff, so we can deal with it, although we do not like it. However, the smaller, independent operators, which are the focus of this sub-committee in terms of the impact on the smaller rural economies, find it hard to deal with this legislation.

[44] **Rhodri Glyn Thomas:** Diolch am yr **Rhodri Glyn Thomas:** Thank you for that

ateb hwnnw; yr ydych wedi ateb un cwestiwn a oedd i ddod, ar beth y gallai Llywodraeth Cymru ei wneud i gynorthwyo'r bragdai mawr a bach a'r tafarndai o wahanol faint sy'n bodoli drwy Gymru.

response; you have answered one of the questions that was to come, on what the Welsh Government could do to assist the large and small brewers and the various pubs across Wales.

1.30 p.m.

[45] Hoffwn eich cyfeirio yn ôl at yr hyn a ddywedasoeh ar y dechrau, sef clymu'r diwydiant bragu a thafarndai â chynnyrch o Gymru. Mae'n amlwg iawn eich bod, fel cwmni, wedi penderfynu hyrwyddo eich hun fel cwmni o Gymru. Derbynniasom dystiolaeth gan fragdy annibynnol a oedd yn fwriadol heb frandio'i gynnyrch fel cynnyrch o Gymru oherwydd nad oedd yn teimlo bod Cymru yn wlad sy'n cael ei chysylltu â bragu cwrw—efallai bod mwy o gysylltiad gydag yfed cwrw, ond nid cymaint gyda'i fragu. Pahan yr ydych yn credu ei bod mor bwysig i chi fod yn gwmni sy'n cael ei weld fel cwmni o Gymru? O ystyried y cysylltiad pwysig yr ydych yn ei weld gyda'r diwydiant bwyd yng Nghymru, pa fath o gymorth yr ydych chi wedi'i dderbyn o ran hyrwyddo'ch hunan fel cwmni gan Lywodraeth Cymru a Gwir Flas, oherwydd mae llawer o arian wedi'i wario ar geisio hyrwyddo cynnyrch o Gymru?

I would like to refer you back to what you said at the outset, about tying in the pub and brewing industry with Welsh produce. Clearly you have decided, as a company, to promote yourselves as a company from Wales. We received evidence from an independent brewery that deliberately had not branded its produce as Welsh, because it did not feel that Wales was a nation that was necessarily linked with brewing—perhaps there is more of a link with drinking beer, but not so much with brewing it. Why do you think that it is so important for you as a company to be seen as Welsh? Bearing in mind the important link that you see with the food industry in Wales, what kind of assistance have you been given with regard to promoting yourselves as a company by the Welsh Government and True Taste, because a lot of money has been spent on promoting Welsh produce?

[46] **Mr Lay:** That is a really good question and it is right at the heart of our business. Brains, as we know from living and working in south Wales, is an iconic Welsh brand, and when we took on the shirt sponsorship of the Welsh Rugby Union, it was said that it was the two iconic brands of Wales coming together. It is natural for a business of our scale that has existed and traded in the region for many years to have Welshness as part of our brand package. It sits right at the heart of our brand map; it is one of the key drivers of the business. Is Wales known as a brewing nation? No, it does not have a great heritage of brewing. It is not known as the centre of brewing; it is probably known as being quite insular in what it does around brewing. Welsh Brewers, or 'Bass' by another name, was historically the biggest business down here, and it brewed in the brewery that we now use.

[47] We feel that there is a real strength to our portfolio in bringing the Welshness out loud and proud. We changed our advertising campaign, as you will, hopefully, be aware, some time ago to 'more positive thinking from Brains', and we tried to create this image of positivity. We also turned the dragon around on our logo so that it is looking forward and not backwards, as it was previously. We took some real decisions seven or eight years ago about how we wanted to drive the brand forward and I think that it is fair to say that we have been quite successful. You will now find Brains products stocked in supermarkets and pubs right across the UK. The Rev. James, which is a bottle-conditioned product, is, I think, the No. 2 best-selling bottled product in Waitrose. So, we are getting some real traction and we are making some real progress in getting our brews into a bigger market. Getting their beers into bigger markets to make them more sustainable is clearly a challenge for many of the smaller brewers.

[48] We believe that Welshness is right at the heart of our brand map and that there is a real

role for it. That is why, when it comes to the food in the pubs, we are striving all the time to create an identity that is different to the multiples that operate across the UK and to take the best of the things that are Welsh and get them into the business. That has resulted in a major growth in products and the development of the Celtic Pride beef brand. We have also been working with the Cambrian Mountain Lamb brand to try to get a real integrity to what we do.

[49] If you try to force it and try to be something that you are not, then it is not going to work, because people will not be convinced of the heritage. If your product is genuinely Welsh, whether it is food, beer, cider or wine, it must be a quality product. That must be taken as read, because there is no point in your shouting about it being Welsh if your product is rubbish. We have fantastic produce in Wales, and it is not a problem for me to put so many Welsh products onto the menus. You must get out there to find them and you must find the right ones and help many of those producers understand what they must do in order to be in the supply chain of a major company, because a lot of due diligence comes in. We see it as a real plus. When tourists come to Wales, I do not want them to go to the Harbour Inn at Solva or the Penhelig Arms in Aberdyfi or the Ship Inn at Tresaith and be served burger and chips by Polish bar staff. What is Welsh about that and why would they come back? We must get better as a country in the way that the Irish did. If someone mentions Ireland, you immediately have a certain image.

[50] On your question about whether the Welsh Assembly Government does enough to help us with that, I would say 'no'. In our specific circumstance, we have not had much help in getting to where we have got to over the last seven years. Most of it has been done through our own marketing activities, our own investments and taking advantage of awards, when they are there, to get a tick in the box, which means that we can shout about being the best brewery in Wales or whatever it might be. The focus for the Welsh Assembly needs to be to drive this identity of what Wales is. What does it mean? What does being Welsh mean to a consumer? What does it mean to someone who comes from France or America? You can associate with Ireland—well, I can, and I think that most people can. If you have ever been to Dublin, you know that you are in Dublin and you know what it is all about. In fairness, Guinness has had a big part in shaping that identity. We see a role for a company such as ours—and others, of course—in that. Part of the solution is to use companies that are successful and have maintained a Welsh identity to help to push that forward. Having things such as visitor centres would be a real step forward in Cardiff to create something that people are talking about. It should not just be Cardiff, we also need to do something about it in north and west Wales.

[51] We have fantastic produce. If you can weave it into your operation, as we have, it is a benefit if you are a genuine Welsh company. I will not name the competition, but some have made claims that they are providing a Welsh dish on a menu, but, when you actually look at what they are doing, it is just not genuine. The customer sees straight through that and there is a big backlash. Therefore, if you do it, you have to do it properly and with integrity. Perhaps there could be some sort of kitemark that is the stamp of quality in Wales. That is the approach that we took when we worked with Castell Howell to drive the Celtic Pride beef brand forward. Now Celtic Pride is a well-recognised quality beef product. Perhaps there is something beyond that, which puts a stamp on it. That is not to say that I want another layer of legislation and due diligence, but there must be something that enables us to portray an image of Welshness in the same way that the Irish portray the craic.

[52] **Rhodri Glyn Thomas:** Diolch yn fawr i chi, Phillip. Mae ein hamser wedi dod i ben, ond hoffwn ofyn un cwestiwn penodol a gofyn am ateb gweddol gryno gennyh. Rhoddir pwysau ar y syniad o isafswm pris yr uned o alcohol fel ffordd o fynd i'r afael â **Rhodri Glyn Thomas:** Thank you, Phillip. Our time has come to an end, but I would like to ask one specific question and ask you for quite a succinct response. Weight is being placed on the idea of having a minimum price per unit of alcohol as a means of addressing

chamddefnyddio alcohol. A gredwch fod hynny'n rhywbeth gwerthfawr y dylid ei ystyried? the alcohol misuse. Do you think that that is something that could be worth while and that it should be considered?

[53] **Mr Lay:** No.

[54] **Rhodri Glyn Thomas:** Diolch yn fawr iawn. **Rhodri Glyn Thomas:** Thank you very much.

[55] **Mr Lay:** Would you like me to expand on that? I could expand very slightly. I came into the pub industry at 16 years of age. I have been in it all of my life. I have worked my way through to do what I am doing at present, and I have seen quite a lot. However, I have never come across an environment in which price fixing works. One of the most telling moments for me was when I went to Finland and Sweden to do a brewery visit. In those countries, they have controlled pricing. They have high taxation; it is much higher than ours. I think that we are the third highest, and that they are the second highest. In the pubs in Sweden I saw the highest incidence of drunken people that I have ever seen in my life. From a purely anecdotal point of view, I have heard no-one present any evidence to suggest that price fixing—for want of a better term—will have an effect on the problem. The problem is not about who sells alcohol and at what price you sell it; but responsible consumption. It is about getting people to drink alcohol responsibly. The best place for that is a pub.

[56] **Rhodri Glyn Thomas:** Diolch yn fawr iawn i chi, Phillip, am eich tystiolaeth ar lafar ac yn ysgrifenedig. Os oes gennych unrhyw beth i'w ychwanegu, byddwn yn falch iawn o dderbyn nodyn. Cyfeiriwyd yn gynharach at y cyfarfod o'r grŵp ambleidiol a gynhaliwyd neithiwr, ac at y ffaith y cafwyd cyflwyniad. Nid wyf yn siŵr ai at Phillip neu at Jeff y dylwn edrych yn awr, ond os oes modd copi o'r cyflwyniad—os oes un ar gael—byddem yn falch iawn o hynny. Diolch yn fawr am eich tystiolaeth ac am eich presenoldeb. **Rhodri Glyn Thomas:** Thank you very much, Phillip, for your written and oral evidence. If there is anything that you wish to add, we would be pleased to receive a note. Reference was made earlier to the meeting of the cross-party group held last night, and to the fact that there was a presentation. I am not sure whether I should look to Jeff or to Phillip, but if it is possible to have a copy of that presentation—if there is one available—we would be very grateful for that. Thank you for your evidence and for your attendance.

[57] **Mr Lay:** Thank you, again, for inviting me.

[58] **Rhodri Glyn Thomas:** Hoffwn wahodd Mike Benner o'r ymgyrch dros gwrwgo iawn, CAMRA, a hefyd Buster Grant o Gymdeithas Bragwyr Annibynnol Cymru, i ymuno â ni i roi tystiolaeth. Yr ydym yn falch iawn o gael presenoldeb Mike German hefyd. Gwn fod Mike wedi bod o dan bwysau mawr heddiw rhwng pwyllgorau a chyfarfodydd. Cawsom ymddiheuriadau ganddo yn gynharach y byddai'n hwyr, ond gwn ei fod wedi bod yn dipyn o ras iddo gyrraedd yma o gwbl. Yr ydym yn ddiolchgar iddo am ei ymdrech. **Rhodri Glyn Thomas:** I now invite Mike Benner from the Campaign for Real Ale, CAMRA, and also Buster Grant from the Association of Welsh Independent Brewers, to join us to give evidence. We are also very pleased to have Mike German present. I know that Mike has been under great pressure today due to various committees and meetings. He did apologise earlier that he would be late, but I know that it has been a bit of a race for him to arrive here at all. We are grateful to him for making such an effort.

1.40 p.m.

[59] Fe wahoddaf chi i wneud unrhyw I invite you to make any opening remarks

sylwadau agoriadol yr hoffech eu gwneud. Pe baech yn gallu eu cyfyngu i ryw ddau neu dri munud, byddwn yn ddiolchgar. Wedyn, caiff yr Aelodau ofyn cwestiynau i chi. Dechreuaf gyda Mike Benner.

that you wish to make. We would be grateful if you could keep them down to about two or three minutes. After that, the Members will ask you questions. I will start with Mike Benner.

[60] **Mr Benner:** Hello, Chairman, and thank you very much for the invitation. It is great to have the opportunity to talk to you about CAMRA's views on this subject. As I hope that most of you are aware, CAMRA is an independent, not-for-profit consumer group. We are 112,000 individuals who are passionate and enthusiastic about beer and pubs. We have 3,000 members in Wales, spread across 20 branches.

[61] We have various concerns and some suggestions to put to you today. Turning to our primary concerns, the first is Welsh brewers' access to markets, and the second is about pub closures and what we can do to help—200 pubs have closed in Wales over the past 12 months. We have various ideas and remedies to put you today.

[62] **Mr Grant:** Good afternoon, and thank you for inviting me to come to talk to you to try to put across some of the views of the smaller part of the Welsh brewing industry. The Association of Welsh Independent Brewers was set up as a co-operative between the now 41 independent breweries in Wales. The number of Welsh breweries has increased dramatically over the last seven or eight years. When we started eight years ago, we were the thirteenth brewery in Wales. Some might say that that is unlucky, but it has been very good for us. We have had phenomenal success in the time that we have been going, and we are very pleased to announce that we are running at virtually full capacity for most of the time.

[63] The industry in Wales is at an interesting point. It is different from that in the rest of the UK, and I believe that there is a significant Welsh identity to Welsh brewing. It is something that is growing, and we are very much at the beginning of the new wave of brewing in Wales, as it were, and I am delighted to be a part of it.

[64] **Rhodri Glyn Thomas:** Diolch i'r ddau ohonoch. Dechreuwn ni gyda thwf a datblygiad y diwydiant a'r cymorth sydd ar gael. Bydd Brynle Williams yn dechrau'r sesiwn gwestiynu.

**Rhodri Glyn Thomas:** Thank you both. We will start with the growth and development of the industry and the assistance that is available. Brynle Williams will start the question and answer session.

[65] **Brynle Williams:** Good afternoon, gentlemen, and welcome. CAMRA's evidence shows that the brewing sector has expanded in recent years, with new breweries being set up. As you said, there are 42 in Wales, as well as the large complex in Magor. There are more Welsh brewers now than there have been for over 70 years, as you have just mentioned. What major factors have driven the recent growth in the brewing industry? Has it been Government support, entrepreneurship, or other factors?

[66] **Mr Benner:** I think that it has been consumer-driven. The real opportunity here is that there is a clear indication that consumers are increasingly turning to what they regard as products that mean something to them, that is, that have provenance and mean something in their local area or region, and that includes beer. That has led to a huge revolution in the industry in terms of interesting small brewers. As you said, the number of small brewers has doubled in Wales since 2007. So, there is a real opportunity to develop that theme, but a key issue is that many breweries are struggling with access to a free market, and that needs to be dealt with. It is a consumer-driven interest, and there are clear signs that a pub that stocks local beers is likely to attract more people, because real ale is a unique selling point for pubs. You can only really drink real ale in pubs, so the two things go together.

[67] **Mr Grant:** I would add to that that Government support in the form of progressive beer duty has had a major impact in allowing the microbrewery industry to flourish. However, I certainly agree with Mike that the opportunities have arisen because the demand is there. We are in business, and business is all about demand and supply. If you do not have the demand, there is no point in having a supply. So, a combination of things has come in.

[68] As people look more for provenance and locality, being able to deliver that for small local breweries is very important.

[69] **Brynle Williams:** Do you feel that the general business support available, for example, Flexible Support for Business, is appropriate to your industry or is sector-specific support necessary?

[70] **Mr Benner:** I think that the Assembly's Flexible Support for Business website is very good and has useful tools. As Buster said, the small breweries relief from the UK Government has been helpful and it is important for the future of the small breweries sector. Like all of these things, more support is required.

[71] Once again, the key issue is that improved access to market is needed in order to create a sustainable and vibrant sector for small brewers. One remedy that we have is for pub companies above a certain size to allow their tenants to buy guest beers from small local breweries. That in itself will open up the market. Assembly support for that, whether it is on a voluntary basis or otherwise, would be very welcomed.

[72] **Mr Grant:** With regard to grant support from the Welsh Assembly Government, I am aware that grants are available in various forms. However, being awarded a grant is not as easy as you might think. We have been through two phases of expansion and we have another one programmed for next year. As yet, we have not received any support from the Welsh Assembly Government, but that is probably down to us more than anything else. However, the biggest problem is the bureaucracy and the timescales involved with grant applications. It can take a frighteningly long time to go through any form of grant application process. Often, in order to take advantage of a business opportunity that will improve what you are offering in the market place, it is not possible to go down a 12 to 18-month grant application process. I know, from conversations with Phil Parry, that the Hurns Brewing Company made a grant application for a bottling line 19 months ago and the application is on-going. That has a major impact on the business. Anything that can be done to speed up the process and make things easier and more accessible would be a phenomenal boom, not just for the brewing industry but for all industries and all activities in Wales.

[73] **Brynle Williams:** As a farmer, I could not agree more with you. Do you think that financial support should be targeted at small business start-ups or should that support be spread across established businesses to help them expand as well?

[74] **Mr Grant:** I know that there have been various discussions among this group with regard to targeting start-ups. With the best will in the world, if there is a good business plan that is worthy of support, then support should be provided. If the grant-giving agency feels that the business is not worthy or that it has not got the right business plan, then it is right and proper that the support should not be forthcoming. As to how you go about doing that and how you would legislate for it, I do not think that you can. I think that you need to look at each and every application on its own merits. You need to look at, not just the actual application, but what it means to the wider community and industry and what are the implications.

[75] **Rhodri Glyn Thomas:** Would you like to comment, Mr Benner?

[76] **Mr Benner:** I have nothing to add.

[77] **Rhodri Glyn Thomas:** Diolch yn fawr iawn. Mae gan Jeff Cuthbert gwestiwn ar yr adran hon ac yna bydd Jeff yn symud ymlaen at ei gwestiynau ar yr adran nesaf, sef y rhwystrau o ran datblygiad.

**Rhodri Glyn Thomas:** Thank you very much. Jeff Cuthbert has a question on this section, and then Jeff will move on to the questions on the next section, which is on the barriers to development.

[78] **Jeff Cuthbert:** First, I have a brief supplementary question on the grant process. In your experience, what are the barriers? Is it the length of the process itself? Is the exchange of information that is required, perhaps on both sides, not as clear as it ought to be, or is there some other reason why you think that the process is unduly bureaucratic? Have you suggested ideas as to how it might be improved?

[79] **Mr Grant:** This is a difficult question for me to answer as I have not physically or personally been through the process yet. I know that we have looked at a couple of applications through the Food and Market Development Unit with Tony Griffiths.

1.50 p.m.

[80] Initially, it does not look that complicated. Finding the right person to speak to and which application you need to submit is not necessarily straightforward, but, again, I do not have anything to benchmark that against, so it could be difficult to measure. Anecdotally, from talking to people who have been through the process, as with all these things, it seems that there are a number of hoops to jump through, for want of a better phrase. Then again, I would expect a certain degree of investigation by the grant-giving body to ensure that the money is going to the correct destination and for the right reasons.

[81] **Brynle Williams:** So the process—[*Inaudible.*]

[82] **Mr Grant:** Yes, ideally.

[83] **Jeff Cuthbert:** I will now move on to my main questions. We talked about the issue of beer ties earlier with SA Brain. Do you believe that action is required to overcome restrictions associated with the beer tie? CAMRA's evidence seems quite critical of the process as it is now, although we have heard evidence to suggest that there is a perfectly valid alternative point of view on that. What more can be done to encourage local pubs to stock local products and the products of other brewers?

[84] **Mr Benner:** First, the sub-committee is probably aware of CAMRA's position on the tie. We are very much in favour of severe reform of the tie, as operated by the large pub companies, which own probably around two thirds of the pubs in Wales. What that means, essentially, is that they are able to sell their beers to those tied publicans at the price that they decide to sell them at. This is leading to artificially high prices and to a lack of competition within the pub trade. It is leading to lessees struggling to make enough money to survive, let alone to invest in their businesses. That is leading to reduced amenity levels in those pubs, which then tend to enter that spiral of decline because they cannot offer the levels of amenity that today's consumers demand. Of course, that leads to pub closures. So, if I had to pinpoint here today what I think is the biggest problem facing those pubs, it would be the operation of the beer tie by some of the large pub companies.

[85] That is not to say that the tie should be abolished; we are certainly not in favour of that. The tie is very important for family brewers in that it enables them to bring their products to market. Where there is an equal and fair relationship between the lessee and the pub operating company, the tie can work very well. However, at the moment, the tie is not working well. As



you are probably aware, CAMRA submitted a super-complaint using its super-complainant status last summer. Following an appeal to the competition appeal tribunal, the Office of Fair Trading has reopened that inquiry. All stakeholders have now had the opportunity to submit evidence, and the Office of Fair Trading will make a final decision in August. This morning, following John Healey's announcement last Thursday, the Government has taken on the recommendations of the Business, Innovation and Skills Committee and is calling for the industry to self-reform and to offer a free-of-tie option to all of its lessees as well as a guest beer option. The industry has until June 2011 to do that. Otherwise, the Government is threatening to legislate through a new beer Order.

[86] One of the things that you could consider is asking the Office of Fair Trading itself to have a look at competition issues in the Welsh beer market. That would provide you with more evidence, and it would perhaps be one way to take this forward.

[87] **Mr Grant:** I concur with Mike's comments. Personally and professionally, I would like to see reform of the tie as opposed to abolition. I believe that there is a concept of de minimis, with 500 pubs being the level at which any legislation would have no effect. That protects a lot of the family brewers, many of the smaller and regional brewers and indeed people such as us, because we operate through pubs. Although we make every effort to provide a wide range of products, the pubs in question are, indeed, totally tied to us for all of their produce. That enables us to maintain our margins and make our business operate. However, we hope that we are providing a reasonable business opportunity for the people who are in the pubs.

[88] How do we go forward? What do we do? There is definitely a requirement for reform. My personal preference would be to see reform happen in the industry rather than have legislation. As an industry, we are massively burdened by legislation. I am a strong advocate of market forces controlling the marketplace. I think that the simple principles of economics are very sound and demand and supply is the way forward. There is strong evidence to support the fact that locally produced beers in pubs promote the pubs, increase spend and footfall in those pubs, and generate a better perception of the quality of the pub. So, it makes economic sense to have guest beers and to allow local producers access to all markets. In various previous submissions, I have suggested that it may be possible for the Government to instigate a law in Wales that provides all retail outlets with the opportunity to stock a locally produced product of their choice.

[89] **Rhodri Glyn Thomas:** Symudaf ymlaen at yr hyn y mae'r ddau ohonoch yn ei grybwyll yn y dystiolaeth ysgrifenedig yr ydych wedi ei chyflwyno, sef y problemau o ran sicrhau cynnyrch o Gymru yn y broses bragu cwrw. A ydych yn awgrymu pe bai modd cael cwrw a oedd yn gwbl Gymreig, gyda'r holl gynnyrch o Gymru, y byddai hynny o gymorth o ran marchnata a gwerthu? Os felly, beth yw'r problemau yr ydych yn eu rhagweld o ran y diwydiant amaethyddol o ran tyfu'r cnydau angenrheidiol i alluogi hynny i ddigwydd?

**Rhodri Glyn Thomas:** I will move on to something that you have both mentioned in the written evidence that you submitted, namely the problems with securing Welsh produce for the brewing process. Are you suggesting that if it were possible to produce beer that was entirely Welsh, with all the produce sourced from Wales, that that would be of assistance in terms of marketing and selling? If so, what problems do you foresee in the agricultural industry in terms of growing the necessary crops to allow that to happen?

[90] **Mr Benner:** From a consumer's perspective, I cannot give a useful view on agriculture. However, coming back to the issue of provenance and people being able to identify with a product, I think that that is very popular at the moment. So, anything that takes that a bit further, such as beer being made out of local hops or Welsh hops or malted barley, would be very welcomed. However, I understand that there are probably practical difficulties

with that, but I am sure that Buster knows more about that area.

[91] **Mr Grant:** Indeed, there are a number of issues with the climate in Wales among everything else in terms of the successful growing of barley and hops. In fact, 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. They are looking at sites in Pembrokeshire and in north Wales, in the Conwy valley area. At the end of the day, we are back to talking about demand and supply. We talked earlier about the increase in the number of brewers in Wales and the growing recognition of the Welsh identity in brewing. With that, there is a demand for Welsh malt and Welsh hops and I think that the market is slowly coming round.

[92] What can be done to promote it? Is there an option for providing aid to farmers who are growing hops and malting barley? Growing malting barley is a gamble because it is more expensive to buy the feedstock or the seedstock, you have to be much more accurate with the levels of nitrogen and the other technical aspects of the barley, and, if you are wrong, at the end of it, you have very expensive feed grain that goes to cattle, so the farmer would end up making a loss. The maltings companies are trying to put in place forward contracting—for want of a better phrase—so that farmers will know the minimum price that they will receive for their grain if they can meet the technical requirements. That will obviously provide some form of safety net, but as I say, if you do not hit the target, you will be left with expensive and possibly loss-making feed. Is there an option within the agricultural policy to give aid to farmers in order to encourage them to grow good quality malt and barley and, perhaps, Welsh hops?

[93] **Rhodri Glyn Thomas:** Symudwn yn **Rhodri Glyn Thomas:** We now move to awr at Mike German ac effaith y broses Mike German and the effects of the planning gynllunio ar ddatblygiadau o fewn y process on developments within the industry. diwydiant.

[94] **Michael German:** Thank you, Chair. I wish to look at the issue of how you promote the industry. Is there any potential for marketing the beer, wine, spirit and cider industries together, or do you think that it would be better, if there is any potential to market together, to do so in segments?

2.00 p.m.

[95] **Mr Benner:** There would be potential in that kind of branding and a ‘made in Wales’ recognition that could be applied across those different drinks categories. Our interest is in real ale; we are not experts on wine. Nevertheless, what is particularly special about real ale is that it is localised. With 42 small breweries in Wales, there is a real opportunity to develop local identity, which makes it slightly different to both cider and wine.

[96] **Mr Grant:** The marketplaces for beer, cider, wine and spirits are different. We all come together in pubs, but there is a difference across the industry as regards the amount going to either a pub, retail outlet or home consumption. I agree with Mike that a generic ‘made in Wales’ logo or marketing campaign that could easily apply across all of the food and drink industries would be welcomed. 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.

[97] **Michael German:** I will concentrate on Welsh beer marketing. You said that you want to do it together, so where would your market be? If you are talking about local provenance,

do you market in Wales or do you predominantly seek to get a Welsh product marketed outside Wales?

[98] **Mr Grant:** That is a simple and complicated question. We all base the majority of our sales in our locality. That is where we all want to sell, if only for reasons of economics. However, we also export to England and to Scotland. We are now also selling to China. We are not just doing that because a sale is a sale; it is about promoting our identity and the Welsh identity. We are based in Brecon. The Brecon Beacons are very famous, and if you ask the man on the street what he knows of Brecon, he probably would not know where Brecon was, but he would associate Brecon with the identity of the Brecon Beacons. You can use that identity to sell outside. In the tourism marketplace, there is a strong affiliation with local identity. You can export that local identity and you can use it to be evocative and to generate sales. We do a small amount with various wholesalers, both within and outside Wales, and for a one month slot, for example, they will offer four or five different breweries' beers to their selected customers because people like to try something different.

[99] **Michael German:** Is the trade show the best opportunity for doing this correctly or would you say that you need more marketing directly to customers? If the Government was to put some money into doing this work, what would be its best focus?

[100] **Mr Benner:** There are several aspects to this. 'Provenance' is one of those words that can mean different things. There is no reason why that just needs to refer to a local market; it can be an identity for the whole of Wales, because it is about the tourism aspect here as well. What you want to achieve is that when people visit Wales from abroad, they are attracted to try local products because they feel that they are authentic, have some meaning and they identify with Wales as naturally produced products in Wales. That is a great marketing plan. Should it be about events? Yes, of course it should be. CAMRA runs a number of beer festivals in Wales, which are about promoting real ale, and they are often Welsh beers. We run various competitions. For example, the Champion Beer of Wales competition is successful and is gathering momentum every year, and often Welsh beers win awards in our wider Champion Beer of Britain competition. Anything that is about rewarding authenticity and quality—because you have to make sure that what you are selling is of good quality and that people want to keep coming back to it—has to be a good thing. So, all of those things would work.

[101] **Mr Grant:** The simple answer to the question of whether we go direct to customers or direct to trade shows is that trade shows are populated by customers; whenever we go to a trade show it is because we are looking for customers, not just people who will come to buy a couple of bottles, or perhaps a case, but people who will pick up a contract or stock our beer on a regular basis. That is a very effective way of doing it. However, the time and cost implications of going to trade shows is not always beneficial, as they can be very hard work. Then again, there is always a cost to doing anything.

[102] The question of how one would target customers directly is a very difficult one to answer. The Association of Welsh Independent Brewers is looking at how it can market Welsh brewers effectively and is trying to identify who it is marketing to. One of our initial thoughts is a simple leaflet, one side of which shows a map of Wales and where all of the brewers are, while the other side gives contact details for all of the breweries. The thought behind it is that it could be used at beer festivals, trade shows and press events, or at any event where there are people who are interested in what we are doing, so that they can have a look and find more information. That sort of thing is a very useful marketing tool, but on a fairly low-key level. I do not know how one would set that up; I suspect that it would require someone with more skills in, and knowledge of, marketing than me to come up with a better premise.

[103] **Mr Benner:** One of the campaigns run by CAMRA—which you might like to consider supporting, as it is about this issue—is our LocAle scheme; I have a leaflet about the scheme that I can leave with the clerk. The scheme is about promoting pubs that decide that they will stock a beer from a local brewery that is, perhaps, within 20 of 30 miles of them. Four of CAMRA’s branches in Wales are now running this scheme, and that number is growing all the time. It is great, because the pub can stock the leaflet, is given posters and a window sticker, so that people who visit the pub know that it sells a local Welsh beer. That is a very straightforward way of promotion that is becoming very popular across the UK. We are about to roll out something similar to promote cider, too.

[104] **Michael German:** I am slightly worried that a lot of what you are saying relates to targeted marketing once the consumer is in the locality. However, if you want a product that is part of a Welsh brand—people have talked about working together in this manner, and you are doing so now—your marketplace is not each locality on its own, although it could be; your target is reaching the consumer before they come to Wales, or reaching them where they are. I do not understand the balance between these two areas from what you have said.

[105] **Mr Benner:** One simple and well-proven way of making this work and of closing the gap that you are talking about is through what we call ale trails. We can create itineraries for tourists by arrangement with bus and rail companies, stopping off at certain pubs, or looking at a local brewery, so that visitors can understand the brewing process and how fascinating it can be. These visits can be promoted via tourism authorities, and they have proved very effective elsewhere in building interest in local pubs and breweries.

[106] **Mr Grant:** I must apologise for not being clear enough, because it is the case that we are trying to target within and outside Wales. I have spoken at length in various places about trying to promote a Welsh identity. With the best will in the world, I hope that we do not need to present the Welsh identity in Wales, because we are in real trouble if the Welsh have not grasped it. I genuinely feel that there is a strong identity; I moved to Wales eight years ago, and I have seen that there is a strong cultural identity here. It is not yet particularly well known, but it is gathering pace, and people are taking more of an interest in what it means to be Welsh and what a Welsh product is. We can market that strongly. I was speaking to a fellow from Boston a couple of weeks ago who runs a company called Celtic Connect in the United States. This company is actively promoting Welsh products from Boston to Michigan—the northern belt of the USA—and it is having great success in selling a number of products, including Welsh beers—I believe that the company is doing some work with the Tomos Watkin brewery.

2.10 p.m.

[107] We have just done some work with the New England Real Ale Exhibition, to which we sent nine different Welsh beers and a Welsh cider. As a result, Celtic Connect got in touch with me to see how we were doing that and to see if there was anything that it could do to move that forward. So, we are actively trying to find ways to promote the Welsh brewing industry outside Wales, and we need to find more ways to do that.

[108] **Rhodri Glyn Thomas:** Symudwn yn awr at ddelwedd y diwydiant. Mae gan Jeff Cuthbert gwestiynau am hynny. **Rhodri Glyn Thomas:** We now move to the image of the industry. Jeff Cuthbert has questions on that.

[109] **Jeff Cuthbert:** I think that I can anticipate your answer to this, but I will put the question to you nevertheless. Do you feel that a clear Welsh branding—in this case for beer—helps market development outside of Wales? We had written evidence from Nick Otley of Otley Brewing Company that he did not feel that that was necessarily the case.

[110] **Mr Grant:** I feel that there is a strong brand identity. With regard to what Nick Otley is up to with the Otley brewery, it has established a strong, modern, contemporary brand. Its success does not require it to necessarily be fixed in its locality. It has almost found a way of transcending the locality, and it is very successful for it. It brews some excellent beers and its marketing is very strong. It almost does not need the safety net of the Welsh identity, and a lot of its sales are more aimed at foreign markets, in England and beyond. It markets its beers for what they are, rather than on the basis of where they come from. That is a commercial decision for the brewery, and it is working for it. Whether it works for all of us is another matter. I am quite happy to stand up and shout about the fact that we are a Welsh brewery, and we are doing what we can to try to promote the fact that we are a Welsh brewery. For us, that is a very strong selling point.

[111] **Mr Benner:** The point here is that there is a real opportunity. You could argue that Wales does not have the same brewing heritage as some other parts of the UK, but that is not the point. We have the opportunity to get the message across that it is now a major brewing force with 42 different breweries. What makes the British beer market so special is its incredible diversity, and what makes being a member of CAMRA popular these days is that people really enjoy going around the country being able to drink beers from different parts of the country. Understanding the stories and the fascinating ways in which some of these companies have developed, like Buster's company, is interesting to people, and it is something worth celebrating. I do not see why that opportunity should not be taken in terms of a recognition that beers are from Wales.

[112] **Jeff Cuthbert:** Thank you for that. Do you find introducing new or lesser-known products particularly difficult or not? How can we assist in terms of introducing new products?

[113] **Mr Grant:** To throw the ball back in your court, do you mean a product that is radically different to the norm, or a new beer or new form of packaging?

[114] **Jeff Cuthbert:** I suppose that it could mean all of those things, but I am mainly thinking about a new beer.

[115] **Mr Grant:** Most breweries will have a core range of beers that are produced all the time, and they will also produce seasonal and special beers. We launch between six and 10 seasonal and specials beers each year. Some of them are fairly low key, and we try to shout a lot harder about others. We generally base our seasonal beers on something that is happening in our locality. We hope to launch a beer next week, if I can get it ready in time, which will be called Bishop Gower's Well. Bishop Gower was one of the bishops of Swansea, Brecon and St David's a long time ago. I am afraid that I do not have the exact facts in front of me, but there is a small bishop's palace and castle in a place called Llanddew about 2 miles north of Brecon. In the wall of the castle, there is the unusual feature of a well that can be accessed from both sides. My understanding is that that is an extremely unusual feature, and that is the sort of thing that we like to build a story about and create imagery around. Water is one of the most important parts of beer, and we are lucky to have some fantastic water in Brecon.

[116] We are also currently working on a beer for the Brecon Mountain Rescue Team. We did a collaboration with it last year for its fortieth anniversary, and it was so successful that we decided to brew a bottled beer for it. It will receive a donation of 5p for every bottle that is sold. So, there are those kinds of collaborations. We are also collaborating with Brecknock Wildlife Trust and the wildlife trust of Wales on specific bottled beers, again with a donation to those two charities for each bottle sold. The theory behind those two collaborations is to use produce and products that are found growing in the locality in those beers. In the beer for the Brecknock Wildlife Trust, for instance, which is called Wild Beacon, we use elderflower, nettle tops and locally produced honey. So, things can be done.

[117] As for what can be done by way of support, that is a good question. At the end of the day, most of us are small businesses and we are not necessarily looking to increase our production massively—some are, but not all. There are a number of breweries in Wales, especially some of the longer-established microbreweries, that have their market, they are happy with it, and they have no desire to increase it. Once you get above a certain level of production, you bring in the need for increased capacity, more staff, more delivery routes and more vans, which is a step up, and can be a disincentive to growing. So, a number of companies are happy as they are. There are systems in place to make grants and other funding available for product launches and for equipment to enable new launches. So, the systems are in place, but they might not necessarily be understood or used properly.

[118] **Mr Benner:** I will add to that, if I may. What is special about real ale is that it is not just bitter. There is a huge range and diversity of different styles, and it is that which gives brewers the opportunity to bring out so many new beers: porters, stouts, barley wines, milds, old ales and golden ales. So, there is constant innovation. A simple way in which the Assembly Government could help would be to support some kind of website or other publicity, so that the stories that I referred to—and Buster just covered a couple of interesting stories—could somehow be celebrated and featured. 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. I do not think that anything like that exists at the moment, where you can go to find that information all in one place. If that ran alongside ale trails, various other promotions and awards, it would be very helpful.

[119] **Mr Grant:** A useful innovation from the Assembly Government would be some form of support by enlisting the help of a PR agent or someone who has good media contacts to teach us brewers how to be more media friendly. That would help us to market ourselves better. At the end of the day, several small breweries tend to be one-man bands or the equivalents thereof, and, while we might be very good at brewing beer, we are not necessarily that good at getting our message across. As an association, we have looked at securing the services of a PR agent or someone like that, but any support, funding or even introductions to further that aim would be useful.

[120] **Jeff Cuthbert:** You will have to excuse me now.

[121] **Rhodri Glyn Thomas:** Diolch am eich presenoldeb y prynhawn yma, Jeff. Deallaf fod yn rhaid ichi fynd i gyfarfod arall a sylweddolaf fod pwysau ar bawb heddiw o ran cyfarfodydd.

**Rhodri Glyn Thomas:** Thank you for your attendance this afternoon, Jeff. I understand that you have to attend another meeting and I realise that everyone is under pressure today to attend meetings.

[122] Mae gennyf ddau gwestiwn i orffen. Maent yn rhai gwahanol, ond fe'u cyflwynaf ichi ar yr un pryd a gofyn ichi ymateb mor gryno â phosibl, achos yr ydym yn rhedeg yn brin o amser. Beth yw eich barn chi am leiafswm pris uned o alcohol? Yn syml, a ydych yn cytuno neu'n anghytuno â hynny? Mae'r cwestiwn arall am gynllunio a'r broses gynllunio. A ydych yn teimlo bod elfennau o fewn y broses honno sy'n atal datblygiad y diwydiant?

I have two questions to conclude. They are different questions, but I will put them to you at the same time and ask you to be as brief as possible in responding, because we are running out of time. What is your opinion on a minimum price per unit of alcohol? Put simply, do you agree or disagree with that? The other question is about planning and the planning process. Do you feel that there are elements of that process that prevent the development of the industry?

2.20 p.m.

[123] **Mr Benner:** Yes: minimum pricing. 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 per cent of alcohol is now bought through the off trade via supermarkets. I think that 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. At the moment, the policy sends people the other way, because supermarkets are so cheap.

[124] One very quick and effective way of dealing with that would be through setting minimum pricing. CAMRA is a consumer group, so we are not in favour of people paying more money for something—that is not what consumer groups do—but we are in favour of action to stop irresponsible price promotions in supermarkets. Every Christmas and other holiday, they stack them high and sell them cheap. We think that a minimum price should be set at a certain level to prevent supermarkets from selling alcohol at a loss. That would go some way towards helping to close that price gap and making pubs more attractive to consumers.

[125] Moving on, there are problems with the planning issue. How planning works with regard to pubs at the moment is detrimental to communities. There are four main problems. The first is that there is a loophole in planning law, which means that pubs can be demolished without planning permission. If they get knocked down, they will never be pubs again and they will be lost forever as a community amenity.

[126] The second problem is that pubs sit in the same planning use class as restaurants, cafes and financial offices, but I would argue that they provide an entirely different amenity, and that change of use permissions should be required to turn a pub into something else.

[127] Thirdly, restrictive covenants are still being used in the industry, so an owner will sell a pub with a restrictive covenant preventing it from being used as a pub in the future. That is an anti-competitive practice, in my view. It should be left up to the market to decide whether it is fit and viable to be a pub in the future.

[128] Finally, there could be improvements in Cadw's approach to the listing of pubs. There are many fascinating and historical pub buildings in this country—and I am not only talking about exteriors, but also interiors. A very effective way of recognising that is by listing those features. That will not protect the business, but it could have some impact. So, Welsh planning statements need to be strengthened to take those issues into consideration. Perhaps Cadw could be approached about a pubs project.

[129] **Rhodri Glyn Thomas:** Buster, do you have anything to add?

[130] **Mr Grant:** I have a fundamental issue with the concept of a Government-controlled minimum price. I see it as a potentially dangerous situation for the industry in the long term. I would far rather see legislation covering all retailers, outlawing the concept of using alcohol as a loss leader. I think that that is probably a better way forward. I do not see the minimum price as anything other than a short-term fix that potentially has massive long-term adverse implications for the industry. We need to be wary of it. Where we are based, as is the case with the majority of small brewers, we are not looking at the very cheap end of the spectrum. We are producing premium products at a premium price, and that is what we are trying to achieve. However, there is fundamentally a problem. Education needs to be much higher on the list. We need to find a way of convincing people to drink in a socially responsible and, indeed, a personally responsible manner. That is probably a better way forward. If there is to be legislation, it needs to go down the education route.

[131] **Rhodri Glyn Thomas:** Diolch i chi'ch dau am eich presenoldeb y prynhawn yma ac am eich tystiolaeth ysgrifenedig a llafar. Yr ydym yn ddiolchgar iawn ichi am eich cyfraniad. Os bydd unrhyw beth yr ydych yn teimlo y gallwch gyfrannu ymhellach at yr ymchwiliad hwn, byddem yn gwerthfawrogi unrhyw beth yr hoffech yn ei gyflwyno. Diolch yn fawr ichi am eich presenoldeb.

**Rhodri Glyn Thomas:** Thank you both for your attendance this afternoon and for your written and oral evidence. We are very grateful to you for your contributions. If there is anything further that you feel you could contribute to this inquiry, we would appreciate anything that you would like to submit. Thank you very much for your attendance.

[132] Hoffwn wahodd Cressida Slater o Gymdeithas Perai a Seidr Cymru, a Richard Morris o Gymdeithas Gwinllannau'r Deyrnas Unedig i roi tystiolaeth ger ein bron.

I now invite Cressida Slater from the Welsh Perry and Cider Society, and Richard Morris from the UK Vineyards Association to come forward to give evidence.

[133] Diolch ichi am gytuno i ddod atom i'n cynorthwyo gyda'r ymchwiliad, a diolch am eich tystiolaeth ysgrifenedig. Hoffwn eich gwahodd i wneud sylwadau agoriadol yn awr. Pe bai modd eu cyfyngu i ryw ddau neu dri munud, byddem yn ddiolchgar. Caiff yr Aelodau wedyn gyfle i ofyn cwestiynau. A gawn ni ddechrau gyda Cressida?

Thank you for agreeing to come here to help us with our inquiry, and thank you for your written evidence. I now invite you to make some opening remarks. We would be grateful if you could limit them to around two or three minutes. Members will then have the opportunity to ask questions. Shall we start with Cressida?

[134] **Ms Slater:** Thank you for inviting me. I represent the Welsh Perry and Cider Society. I am the society's newly appointed development officer, and I take up my full-time post next week. I will make my apologies in advance if I am unable to answer all your questions fully, as I am still learning about the cider industry. I wanted to come along on behalf of the society to explain exactly what it is about, and to take back any further queries to the society to answer as a collective.

[135] The society was formed in 2001 and represents approximately 35 cider makers from across Wales. As I said, I am the only employed member of the society. It is a post that is funded under axis 1 of the rural development plan, under the supply chain efficiencies scheme. We hope to be able to move the society on considerably with this post and the funding that we receive to support cider makers in development, training and promotion. As I said, the society is made up of 35 cider makers, who are all quite small, artisanal producers.

[136] We do not only produce cider; we also look at orchard management and preservation. We have been working to rediscover, revive and propagate ancient varieties, particularly in the Monmouthshire area. We have also collected a genetic bank and developed a museum orchard to help to preserve and develop them.

[137] The society also does a significant amount of promotion in Wales, and we are now looking beyond Wales with our application for protected designation of origin status for Welsh cider and perry. That is a working application. The society also provides training opportunities to cider makers to encourage them to grow and develop, and to encourage new cider makers to come on board. So, that tells you a little about the society.

[138] **Mr Morris:** Good afternoon, ladies and gentlemen. First of all, I apologise for not providing a paper in advance of today's meeting, as I was only recently asked to contribute. I do have copies of my statement that I can give you afterwards.

[139] 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. The current image of Welsh vineyards is summed up by the words ‘hobby’, ‘cottage’ and ‘slightly eccentric’. That is probably fair, with a few exceptions, such as Penarth Vineyard in Newtown and Ancre Hill in Monmouth.

2.30 p.m.

[140] However, 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. In addition, most resources used in the vineyards, with the exception of winery and viticulture equipment, are sourced locally. Local suppliers are very flexible and will design products and supplies to specific requirements.

[141] New Zealand is an example of what can be achieved. In less than 40 years, the Kiwis have established a very successful export-led wine industry, but only through planting in carefully selected areas and sites. Central Otago has been established only comparatively recently and is now producing some of the best pinot noir in the world with cool-climate growing in a region with a climate not dissimilar to some areas of south-east Wales.

[142] With the forecast onset of climate warming, vineyard development in these carefully selected pockets of Wales is a distinct economic reality. There are certain barriers to entry that Wales would have to address. These are a current lack of viticulture and oenology expertise, high establishment costs, high production costs, and bureaucracy. For example, some highways authorities have been reluctant to sanction brown signs. There is no Welsh winery; virtually all Welsh wine is currently made in England. Also, there are high taxes. I am talking here about excise duty and value added tax. To give you an example of excise duty, a bottle of still wine, which sells for £9, costs £6 to produce in Wales. The excise duty and VAT is now in excess of £3, which is 50 per cent of the production costs, which eliminates any profit. You will have seen yesterday’s budget, which provided for a 2 per cent above-inflation increase in duty extended until 2013. That adds 10p to a bottle of wine from midnight this Sunday.

[143] Effective promotion of the wine industry in Wales is, of course, a key factor in its successful development. Some limited support is currently offered by the Assembly Government. Visit Wales’s current television and advertising programme is helpful, as is Adventa, and the Welsh media also show periodic interest. Some regional initiatives exist, plus, of course, there is the vineyard owners’ hard-earned cash being invested in a marketing budget.

[144] There is a growing public demand for local produce, as one of your witnesses said earlier. Monmouthshire’s developing reputation, nationally and internationally, as a culinary centre is of considerable help to my own vineyard, Ancre Hill in Monmouth. The European wine industry, and therefore the UK and Welsh wine industries, are currently involved in discussions on significant changes in legislation, which are too complex for me to go into in detail this afternoon. The implementation of such legislation in Wales is, of course, for the Assembly Government to manage, but I understand that the negotiations with the European Union are currently managed by DEFRA and the United Kingdom Vineyards Association for the UK as a whole. In my view, this is the correct way for the Assembly Government to handle the matter, given the current state of the development of the Welsh wine industry. The UK stance is that the new legislation should be clearer, simpler and less restrictive, and the

UK has already won a major concession in being exempt from restrictions on new vineyard plantings.

[145] A developing Welsh wine industry may benefit from more direct Assembly Government involvement. Currently, funding of €1.6 million has been made available to the wider UK wine industry via various training programmes, such as WineSkills. This is currently managed by the South East England Development Agency, through its rural development programme for England. Welsh vineyards, of course, are very much on the periphery of this.

[146] There may well be scope in future for the Welsh Assembly Government to obtain more direct EU funding to directly and specifically provide the following benefits for a developing Welsh wine industry: 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.

[147] In conclusion, we should not lose sight of the fact that a successful wine industry in Wales will produce tax revenues and an export market, provide a complementary boost to the Welsh tourist industry and the growing food sector in Wales and sustainable land use and diversification opportunities for Welsh farmers, and, not least, will create skilled and unskilled jobs in vineyards or wineries or via the development of a network of support industries.

[148] Ladies and gentlemen, I have gone on longer than I intended. I am happy to try to answer any questions that you have.

[149] **Rhodri Glyn Thomas:** Diolch yn fawr. Bu imi ganiatáu ychydig mwy o amser i chi, gan na chawsoch chi gyfle i gyflwyno tystiolaeth ysgrifenedig, ond byddem yn falch o gael copi o'ch sylwadau agoriadol.

**Rhodri Glyn Thomas:** Thank you very much. I did allow you a little more time, as you did not have an opportunity to present written evidence, but we would be grateful to receive a copy of your opening remarks.

[150] Dechreuwn gyda chwestiynau gan Brynle Williams ar ddatblygiad y diwydiant a'r cymorth sydd ar gael ar ei gyfer.

We will start with questions from Brynle Williams on the growth of the industry and the support available to it.

[151] **Brynle Williams:** The Welsh Perry and Cider Society mentioned in its evidence strong growth emerging in the sector and states on its website that the number of Welsh cider makers has risen sharply. What have been the main factors driving the recent growth in the industry? Has it been as a result of Government support, entrepreneurship or have other factors contributed to it?

[152] **Ms Slater:** Most of the producers represented by the society are very small producers. Some of them are almost hobbyists who do it on the side to their main daytime job. The emergence of the society has brought those hobbyists to light, and allowed them not just to produce for their own consumption, but the opportunities to sell and make links with local pubs. It seems that this growth has been recognised since the society has been in place. Support has also been available through the public sector for certain training opportunities, not only in marketing training, but also in basic industry training such as food hygiene and hazard analysis and critical control point training, which has added to the growth of the industry and turned hobbies into a business. The careful attention paid to orchards, the recognition of the varieties and the preservation work that has been done is also encouraging the continued use of the orchards and growth of the industry.

[153] **Brynle Williams:** Thank you for that answer. The next question is to Mr Morris. Has the wine sector seen growth similar to that experienced by the brewing industry?

[154] **Mr Morris:** I must talk about England and Wales in answering this question, because that is what is covered in the statistics, although Wales, as I have said, plays a very small part. There has been a phenomenal growth in the number of vineyard plantings in England and Wales over the past five years. The hectareage has, in fact, risen by about 50 per cent in the past five years and wine production has also risen by 50 per cent. The expected wine production for 2009, which was a very good year for the wine industry in Wales because of the summer that we had, is 3 million bottles; the average in the five years leading up to 2008 was only 2 million bottles. The emphasis is on sparkling wine, the reason for that being that the grape varieties that you need for sparkling wine, such as pinot noir and chardonnay, are cool climate growing grapes. Chardonnay does not grow well in Australia, for example, and that is why Australian chardonnay is always oaked and does not taste very nice. So, chardonnay should be grown in a cool climate, like that of Champagne or Chablis. Of course, the south-east of England has a moderately good climate, which is certainly good enough to grow those sorts of varieties, hence the rapid development of the sparkling wine industry. What I have done on my vineyard, and what other people are beginning to do in Wales, is to choose selected sites in the sheltered valleys of Monmouthshire and the border counties and the Vale of Glamorgan, which are south facing and have good drainage, where vines can be planted and will thrive.

[155] **Brynle Williams:** Do you feel that the general business support available, such as Flexible Support for Business, is appropriate to your industry or is sector-specific support necessary?

2.40 p.m.

[156] **Mr Morris:** From the wine perspective, it is probably sector-specific support. I think that there is a big opportunity in Wales to develop a brand, very much as New Zealand has staked its claim on sauvignon blanc. If you drink a sauvignon blanc now, it is usually from New Zealand. That country has a reputation for world-class sauvignon blanc, but it has only been going 40 years. There is no reason why the Welsh wine industry could not do something similar using a grape variety such as seyval blanc, a German variety that grows very well in this country and produces a similar type of wine.

[157] There are enormous opportunities, but I do not really see the wine industry being combined with the beer, cider and perry industries. However, one of your earlier speakers made the point that there can be general advertising, with a Welsh stamp on things. It is the sort of thing that Visit Wales is doing with its very good advertisement, which has the line, 'I didn't know we had vineyards in Wales'. It can come under that sort of umbrella.

[158] **Ms Slater:** In response to that, I would agree that we need sector-specific training. That is why the society has campaigned so hard for the past few years to get additional funding for sector-specific training. Under the supply chain efficiencies money that we now have, I am going to be co-ordinating specific training that will answer the needs of the individual cider makers, because the support that was out there for the businesses was not considered relevant. As you mentioned, Flexible Support for Business is generic and across the board, and although there may be opportunities, we need to take it back to a baseline level and look at the more specific needs of the industry if it is to grow. Also, that introductory element of training and support is needed to bring more perry and cider makers into the industry.

[159] **Michael German:** I want to look at the marketplace for your products. I am trying to understand what it is that would set your products apart. If you were trying to promote them, what would you say makes them different? What would be the unique selling point? Attached

to that question, are you looking for a niche market or a mass market? Whichever one you choose, how do you break into that market and where could the sort of support that could be given to the industry best be provided, if only a limited amount is available?

[160] **Ms Slater:** Cider is very much an artisan product, and that is what we are trying to push. The unique selling point for Welsh cider is that it is a pure fruit cider; you do not have any of the industrial processing that you have with the larger cider producers in the UK. The fact that it is a pure fruit cider means that it has come from an agricultural basis, and has strong links to farm diversification and so on. It looks across the board and across the sectors.

[161] Also, as I mentioned earlier, we are working towards PDO status, to give the product greater quality significance. Those ciders that will be recognised under the PDO—we are still working towards the application process and ironing out the details of the exact terminology, and whether it will be ‘Welsh cider’ or ‘Welsh traditional cider’—will have to meet strong criteria, one of which will be the use of Welsh fruit. At the moment, four out of five orchards used by Welsh cider makers are Welsh, and we really want to continue that use of Welsh orchards.

[162] The product is an artisan, craft product, and we are saying that by using Welsh fruit, we have a truly Welsh product to promote. As such, we can add a premium to it and try to move away from the binge-drinking culture that seems to be associated with some of the more common marketplace ciders. For us, gaining the PDO will do a lot to augment the position of cider in the drinks industry.

[163] **Michael German:** I have a supplementary question on that. The issue of PDO status interests me. Where else in Europe do you find ciders, and what are they called? Where else do you find ciders that have product of designated origin status?

[164] **Ms Slater:** Asturias in Spain is particularly well known for its cider. It has a huge number of traditions associated with cider.

[165] **Michael German:** Does it have PDO status?

[166] **Ms Slater:** I am not 100 per cent sure, so I would have to go back to check. I know that there was a recent application by a German area for designated origin status, and it was going through the process, but I am not sure whether that was approved. There are also other large cider-making areas such as Normandy in France, but, again, I am not 100 per cent sure if they are classified as designated origins.

[167] **Michael German:** We can probably find the answer to that question ourselves. So, the presence of other PDO-status ciders would help you, rather than hinder you.

[168] **Ms Slater:** Indeed.

[169] **Michael German:** Sorry, I interrupted Richard before he spoke.

[170] **Mr Morris:** That is okay. Your first question was on the selling point. The initial selling point for a Welsh vineyard such as mine is very much local, particularly for tourists coming into Wales, and then England, the UK more widely and Eire. Scandinavians also have a liking for English and Welsh wine, and we had a lot of Scandinavian visitors to our vineyard last year. The other very exciting opportunity is China. My wife and I are off to China to the Shanghai wine fair in June 2011 to try to sell and market our sparkling wine. I am pleased to say that I am getting assistance from the Welsh Assembly Government for that business trip. So, there is a wider market there. The Chinese buy a lot of champagne, and they are becoming very interested in sparkling wine, particularly English sparkling wine.

Unfortunately, they do not drink it properly—they just drink it in tumblers with lots of ice, but that is by the by.

[171] Your second question was on whether it is a niche or a mass market. Initially in Wales, it will be very much a niche market, as there are no major producers in Wales. In fact, there are only four in England, the most famous being Nyetimber Ltd, which supplies wine to the Queen. It has just won the world championships for sparkling wine, which is a big feather in the cap of English and Welsh sparkling wine. The future for Welsh wine will be boutique vineyards along the lines of those in California, producing high-quality specialist wine with higher margins. The final thing that I would say on niche marketing is that the Welsh wine industry needs some sort of brand if it is to be successful. That branding may be around Welsh sparkling wine or a still Welsh wine made from seyval blanc, which will taste like a cross between sauvignon blanc and chenin blanc. I think that there is a big opportunity there.

[172] The other two things are that we have to maintain quality and we have to have a very good marketing campaign. It is the latter area in which the Welsh Assembly Government can help us, hopefully.

[173] **Michael German:** That brings me neatly to the sharp end of it all, which is about marketing. I asked this question of the beer producers earlier, but are you marketing to individuals or to restaurants, gastropubs and whatever else? If you were to undertake a marketing campaign, who would be your key audience to talk to?

[174] **Mr Morris:** Both. We market to individuals, and we had about 5,000 visitors to our vineyard in Monmouth last year, although we hope to get 7,000 or 8,000 this year. We have a website, and we advertise with local tourism organisations and that kind of thing. We are also marketing to the on and off trade through wholesalers, rather than trying to sell individually to restaurants, although we still do that around Monmouth. However, it is better if you can form a relationship with a wholesaler. He will take 100 cases, say. He will pick them up from the winery and distribute them to the 200 or so restaurants that he already has on his books. We take a lower margin, but we get our product out there in the marketplace.

2.50 p.m.

[175] **Ms Slater:** It depends hugely on the size of the producer. 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.

[176] We are looking at dual-level marketing: business to business, but also at individuals. We reach individuals through various events throughout the year. We have one major festival, which is coming up at the end of May, and that is very much for individuals. It that is held in a pub, which is also supportive of offering various local ciders throughout the year. We are also trying to make links with pubs to get them to develop meals using cider and encouraging them to link up with the local cider producer to stock at least one cider. On the other end of the scale, you have the larger producers who are more interested in selling to businesses such as pubs and restaurants. So, we are looking at dual-level marketing there.

[177] **Michael German:** Both of you mentioned wholesalers, and you have talked about not having the ability for one person to do the marketing completely. By working together collectively, either sectorally or together with all your producers, could you take more advantage of trade fair promotions within the United Kingdom or beyond? You said that you have support in China, but these schemes have been around for some time, so are they well used by your industry?

[178] **Mr Morris:** Certainly not by ours, which is a very small industry. It helped us to exist and we will certainly take advantage of it. When I talk to some of my colleagues in other Welsh vineyards, I think that there is a general realisation that these opportunities are there. In the next few years, as the Welsh wine industry grows, I think that you will find that we are moving very much in that direction.

[179] **Michael German:** Will you be working together?

[180] **Mr Morris:** Very much so. That is very important. The key point about that is that everybody has to produce a high-quality wine. We are having discussions on sustainability with some consultants at the moment, who are funded by the Welsh Assembly Government. It is all about quality. We are hoping that they will come to fruition this year. The Welsh vineyards will then be one step ahead of United Kingdom vineyards. Working together is very important.

[181] **Michael German:** Do you have any comments on trade fairs, Cressida?

[182] **Ms Slater:** We have not exploited them enough, but that is probably dictated by the size of some of the producers. We hope to be more involved with such fairs in the future, and one or two of the cider makers, if not a few more, are looking to get more involved. They are at that stage right now. We will definitely look at that for the future, as it is a good opportunity for promotion beyond what we can do ourselves.

[183] Working collaboratively with Richard and other wine and beer producers is definitely the way forward. We are doing the same job. We are often small niche producers looking to break into and improve our position in the supply chain. Whether it is beer, wine or cider, there can only be benefit to working collaboratively and helping to move on the supply chain on a local, regional or national basis together.

[184] **Rhodri Glyn Thomas:** Mae gennyf un cwestiwn penodol i orffen y sesiwn. Diolch yn fawr i chi am eich atebion. Buont yn ddefnyddiol iawn inni. Mae'r cwestiwn yr ydym yn gofyn i'r tystion i gyd yn ymwneud ag isafswm pris am uned o alcohol. Ni wn beth fydd ymateb Cymdeithas Perai a Seidr Cymru i'r dreth ychwanegol o 10c ar seidr, ond beth yw eich barn yn gyffredinol am hyn? A ddylid ei ystyried, neu a yw'n ateb byrdymor yn unig?

**Rhodri Glyn Thomas:** I have one specific question to draw the session to a close. Thank you very much for your responses. They have been very useful. The question that we ask to all witnesses is on a minimum price per unit of alcohol. I am not sure what the response of the Welsh Perry and Cider Society would be to the 10p increase in tax on cider, but what is your opinion on that generally? Should that be considered, or is it just a short-term solution?

[185] **Mr Morris:** From my personal perspective, I support a minimum price per unit of alcohol. Too much cheap booze is sold at supermarkets, creating problems with drunkenness and violence, which cost the economy a lot of money, through the NHS and so on. It does not affect our industry because our costs of production are very high. For example, we retail our bottle of white wine at £12 and sell it to wholesalers at just under £8. However, as a citizen of Wales and the UK, I support that proposal.

[186] **Ms Slater:** The society would most definitely a minimum price, especially because we are working towards a quality product. The type of product that we are looking at here with the cider produced in Wales does not conform to the traditional image of cider, as I have already mentioned. A minimum price per unit would, hopefully, help us to move away from the binge-drinking culture with which cider is associated. The society tries to encourage festivals across Wales and beyond to charge a minimum price when retailing cider from

suppliers, which is a minimum of £1.50 per half pint. We also try to encourage the supply of cider as a half pint, so that it is not sold by the pint, unlike Strongbow and other ciders produced by larger producers.

[187] Yesterday's budget increase in the tax on cider will have a knock-on effect on the pricing structure. Many producers are below the 7,000-litre duty exemption point, but the increase in duty is almost discouragement for them to grow in the industry. The moment they step over the 7,000-litre production point, all the cider that is produced is then open to duty. So, we will see small producers staying small so that they can remain within the duty-exemption barrier. Alongside that, the 10 per cent above-inflation increase in tax that was announced yesterday means that the overall price of cider has to go up, which will have a knock-on effect on the small producers.

[188] **Rhodri Glyn Thomas:** Mae hwnnw'n bwynt diddorol iawn inni orffen y sesiwn hon arno. Diolch i'r ddau ohonoch am eich tystiolaeth llafar ac ysgrifenedig. Byddem yn ddiolchgar i gael copi o dystiolaeth ysgrifenedig Richard. Yr ydym yn gwerthfawrogi eich cyfraniad at yr ymchwiliad hwn. Pe baech yn teimlo bod unrhyw beth arall yr hoffech ei gyflwyno fel tystiolaeth, byddem yn falch o glywed wrthoch yn ysgrifenedig.

**Rhodri Glyn Thomas:** That is an interesting point with which to conclude this session. Thank you both for your evidence, both written and oral. We would be grateful to receive a copy of Richard's written evidence. We appreciate your contribution to this inquiry. If you feel that there is any further evidence that you would like to present to us, we would be happy to receive it in writing.

[189] Yr wyf yn cau'r sesiwn hon, ac yn cyhoeddi y bydd cyfarfod nesaf yr Isbwyllgor Datblygu Gwledig ar ddydd Mercher, 28 Ebrill yn y Senedd ym mae Caerdydd. Pasg hapus iawn ichi i gyd.

I now draw this session to a close, and announce that the next meeting of the Rural Development Sub-committee will be on Monday, 28 April in the Senedd in Cardiff bay. I wish you all a very happy Easter.

*Daeth y cyfarfod i ben am 2.59 p.m.  
The meeting ended at 2.59 p.m.*