

Rural Development Sub-Committee

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Inquiry into Wine, Beer and Cider Industry in Wales

Evidence from the Minister for Rural Affairs

Introduction

1. The Alcoholic beverage sector in Wales has enjoyed a revival in recent years. The number of breweries in operation has increased significantly, with the establishment of microbreweries and the growth in popularity of long-established brewers— indeed recent research has concluded that Brains is the most widely recognised brand amongst Welsh consumers. Likewise, cider and perry production in Wales has witnessed a dramatic resurgence in the last decade, with several Welsh producers winning national accolades, including the CAMRA Cider & Perry National Awards, The Great Taste Awards and the International Cider Awards. There are no approved Welsh Assembly Government statistics for the volume of beer or cider production in Wales.
2. Wine production in Wales remains at a relatively small scale due to climatic constraints, there are approximately 12 vineyards registered in Wales, which equate to 7Ha of land under cultivation (Calu, 2009) the majority of which are based in Monmouthshire and the Vale of Glamorgan. There are no approved Welsh Assembly Government statistics for the volume of wine production in Wales. Total UK production for 2008 was just over 10000 hectolitres, somewhat lower than average. It is estimated that English and Welsh wine sales account for less than 1% of total wine sold in the UK.

The Role of the Welsh Assembly Government

3. Marketing / Promotion

The Welsh Assembly Government is committed to supporting the development of the food and drink industry in Wales. The Assembly's Food, Fisheries & Market Development Division's remit is to support the development and growth of food production, and food and drink processing industries in Wales.

4. Sector specific promotional events

The Welsh Assembly Government supports four dedicated festivals for the drinks sector, which include 'The Great Welsh Beer & Cider Festival'; 'Monmouthshire Pear & Perry Festival'; 'Welsh Perry & Cider Festival' and the 'West Wales Beer, Cider, Perry & Local Produce Festival'. Total support for these 4 festivals total £63,000 funded by the Food Festival Grant Funding Programme, part of the Supply Chain Efficiencies Scheme, funded by the Rural Development Plan for Wales 2007-2013 which is financed by the Welsh Assembly Government and the European Union.

The Food, Fisheries & Market Development Division (FFMDD) also takes a lead role in coordinating 'Welsh Wine Week' which aims to spark interest in Wales' wine producers and vineyards where producers across the country offer tastings, tours, and special promotions in order to show the quality of Welsh wine.

Producers also have an opportunity to enter into the annual True Taste Awards, managed by the Welsh Assembly Government with a category devoted to alcoholic drinks. To date 12 producers in the sector have benefited from the PR support under the True Taste banner as well as the opportunity to participate in a calendar of consumer and trade events such as the True Taste Market recently held in London.

5. Direct Business Support

Under the Rural Development Plan 2007-2013 for Wales, wine, beer and cider producers in Wales may be eligible for support under the Processing and Marketing Grant Scheme, and the Supply Chain Efficiencies Scheme.

The Processing and Marketing Grant (PMG) scheme provides financial assistance for capital investments that add value to agricultural and forestry products. The Supply Chain Efficiencies scheme provides financial support for co-operation projects that will develop new products, processes and technologies in the agriculture, food and forestry sectors. Both schemes are funded by the Rural Development Plan for Wales 2007-2013 which is financed by the Welsh Assembly Government and the European Union.

A total grant investment of £591,534.00 has been awarded to companies in this sector over the past 5 years to support capital investment, branding and marketing activity. The table below illustrates the proportion awarded to companies:

Welsh Assembly Government Investment in Beer, Wine, Cider & Spirits Sector 2005-10

Year	Total Investment £	Total Grant Support £	No of projects	Type of Investment
2005	Nil			
2006	£17,480	£8,740.00	1	Beer - capital investment
	£269,300	£107,720.00	1	Cider - capital investment
	£22,987	£15,243.00	2	Cider - capital investment
2007	£12,000	£6,000.00	1	Beer - marketing
	£950	£475.00	1	Cider - capital investment
	£7,500	£3,750.00	1	Spirits - marketing
2008	£61,875	£30,437.00	6	Beer - marketing
	£5,000	£1,992.00	1	Beer - capital investment
	£6,630	£3,315.00	1	Cider -marketing
2009	£3,900	£1,560.00	1	Wine - marketing
	£385,171	£371,000.00	1	Cider & Perry Supply Chain Efficiencies
2010	£82,604	£41,302.00	1	Cider - capital investment

Total	£875,397	£591,534.00	18	

Source: Scheme Management Unit, FFMDD

6. Encouraging collaboration in the sector

As part of FFMDD's work in encouraging collaborative working as promoted by the Supply Chain Efficiencies (SCE) scheme, the Welsh Perry and Cider Society (WPCS) has recently secured £388,000 for a programme to transform the organisation into a professional promotional company for Welsh Perry and Cider funded by the Supply Chain Efficiency Scheme, part of the Rural Development Plan for Wales 2007-2013 which is funded by the Welsh Assembly Government and the European Agricultural Fund for Rural Development.

The WPCS project will include the provision of technical support, advice and guidance on the propagation and management of orchards, fruit harvesting and storage and quality control standards for fruit production and processing. It will provide support for capacity building activities within groups of orchard owners and cider / perry producers to encourage co-operative and / or collaborative working practices and encourage the development of added value returns to orchard owners and growers through a range of marketing and branding initiatives that will raise the profile of Welsh cider and perry products.

The project will be led by a full time Development Officer over a three year period (from 1 November 2009 to 31st October 2012), who's role will also include monitoring and management of registering Welsh Cider and Welsh Perry as a Protected Designation of Origin (PDO).

7. Processing capacity in Wales for Beer, Cider & Wine

In September 2006, WAG commissioned a feasibility study to investigate the access and availability of alcohol bottling plants in Wales, and to identify whether there were existing alcohol bottling capacity in Wales that could be used by small producers and assessed the viability of setting up a specialist bottling facility.

The study surveyed 29 producers in total, and concluded that there was no current demand for a wine bottling plant in Wales – confirming that the existing facilities at Three Choirs, Gloucestershire provided excellent support service for the current producers and stated that there was little interest in co-ownership of facilities for the bottling of cider/perry and beer.

Opportunities to increase primary production in Wales

8. The Glastir Scheme

The 2008 agreement on the EU CAP 'health check' process signalled a clear change towards a requirement to meet the challenges of climate change, carbon capture, water management and bio-diversity. In response to this the Welsh Assembly Government announced that 4 schemes currently provided under the Wales Rural Development Plan (Tir Gofal, Tir Mynydd, Tir Cynnal and Organic farming Scheme / Organic Farming Conversion Scheme) would be replaced by a single new scheme - Glastir.

Glastir will become operational from 1 January 2012, under current proposals there are two options for orchards which will accrue points under the Glastir 'All Wales Element', to restore traditional orchards, or, to plant new traditional orchards in recognition of its contribution to landscape value and biodiversity.

9. Single Payment Scheme

Under new arrangements under the reform of the CAP in 2008, land used for the production of fruit and vegetables including vineyards and orchards is eligible under the terms of the Single payment Scheme provided the necessary rules are met.

This change makes diversification into horticulture, which includes vineries and orchards a more attractive proposition for land owners, and provides support for the first time to horticulture producers. This goes some way to help sustain rural businesses and communities.

10. Training

The Centre for Alternative Land Use (CALU), has been commissioned to deliver the Farming Connect Knowledge Transfer Development Programme for Land Management, on behalf of the Welsh Assembly Government the programme includes technical and practical activity relating to vineries and orchard production.

The Welsh Assembly Government have also worked with Defra to deliver the recently launched 'Wineskills' training programme, (launched February 2010) aimed to ensure UK wine producers and growers alike have access to the knowledge and vital skills they need to make good quality wine, and ensure the current growth in the English and Welsh wine sector is sustainable.

Delivered by Plumpton College, Sussex - the programme will run for 3 years and is being heavily subsidised by EU funding received by the UK as a result of the 2008 Wine Reform. These training opportunities currently include workshops delivered regionally according to demand, monthly masterclasses offered by world experts and mentoring scheme for wine producers.

Taxation, Duty & Policy

11. Cider & Beer

The Cider Duty within the Pre Budget Report is not subject to the devolved powers of the National Assembly for Wales and would need to be addressed on a UK wide level.

There is an excise duty exemption for small cider-makers (< 70 hectolitres pa produced) and similarly small beer brewers (brewers with an output of <5,000 hectolitres p.a.) are eligible for a special beer duty rate of 50% of the national beer duty rate and a discounted rate also applies to output up to 60,000 hectolitres.

These excise duty concessions are the responsibility of HM Treasury, however concerns raised with the Welsh Assembly Government have been forwarded to HM Treasury to consider.

12. Wine

Defra is responsible for sponsoring the wine industry and also has policy responsibility for the UK and EU Wine Regulations and legislation in close liaison with devolved administrations.

Conclusion

- 13.** It is considered that Climate Change could benefit the Welsh wine industry, helping to increase quality and production but there could be challenges also – such as the possibility of varying pest/disease issues associated with wetter, warmer winters. However, viticulture for grape production for the soft fruit industry needs a warmer, sunnier climate to yield fruit that is acceptable to consumers. Viticulture for wine production is the only current viable option for Welsh producers.
- 14.** As interest in artisan and specialist Beer, Cider and Perry increases, the industry in Wales will continue to flourish, barriers to growth may include capital investment, processing capacity and access to training, The Welsh Assembly Government will continue where possible to reduce these barriers.
- 15.** The Welsh Assembly Government is aware of issues relating to duty and excise and whilst this is a matter that needs to be addressed at a wider UK level by HM Treasury, officials will continue to make producers concerns known.

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