

Alcohol Structures Consultation

Response from CAMRA, the Campaign
for Real Ale

June 2017



**CAMPAIGN
FOR
REAL ALE**

1. Introduction

- a. CAMRA, the Campaign for Real Ale, is a consumer group with over 187,000 members that acts as the independent voice for real ale and cider drinkers and pub goers. Our vision is to have quality real ale, cider and thriving pubs in every community.
- b. Nearly 90% of the cider in the UK is produced at low cost by three large multinational drinks companies who benefit greatly from economies of scale and are therefore able to better absorb increases in duty than smaller producers. As well as campaigning for real ale, CAMRA campaigns for real cider and perry, which is a natural and high quality product made from 100% apple or pear juice¹. CAMRA estimates that the large majority of the UK's 500+ cider producers are small producers, making high quality, high juice content ciders and perries.
- c. As an organisation campaigning for the interests of consumers of real cider, perry and real ale, our response will focus on parts of the consultation relating to cider and perry only.

2. Executive Summary

- a. CAMRA has serious concerns that the current proposals have the potential to severely impact the UK's traditional cider makers, who are not the intended target of the proposed new duty band, as stated within the consultation document. It is our contention that the introduction of a new band for still cider and perry below 7.5%abv will discriminate against traditional cider makers and that this will result in the closure of traditional and rural businesses, and a reduction in consumer choice.
- b. CAMRA is instead calling for the definition of still cider and perry to be amended so that there is a final product juice requirement of 70%. This will mean that producers of 'white ciders' will either have to reformulate their products, increasing production costs and therefore the price at which the product is sold to consumers, or that 'white ciders' will be taxed as either wine or wine-based ready to drink products in the future, which incur higher rates of duty. This will ensure that traditional cider makers are not disadvantaged.
- c. Furthermore, as a result of the UK's forthcoming departure from the European Union, legislative powers currently held at EU level on alcohol structures and duty regimes will be transferred back to the UK Government. Therefore, it would be expedient for the Government to put the work contained in the consultation on hold until the UK has left the European Union and has the power to tax cider

¹ CAMRA defines real cider & perry as consisting entirely of non-pasteurised apple (cider) or pear (perry) juice before fermentation.

and perry more effectively, by better targeting ‘white ciders’.

3. Proposed still cider and perry band below 7.5% ABV

- a. CAMRA does not believe that the proposals for a new duty band will effectively target high strength ‘white’ ciders, while not impacting upon traditional cider makers, as stated within the consultation document.
- b. As an alternative to the new duty band, CAMRA is urging the Government to amend the definition of still cider and perry to stipulate that the final juice content of the product should be at least 70%, rather than the current 35%.
- c. Raising the minimum juice content will force producers of ‘white’ ciders to reformulate their products and consequently lower the alcohol content, or pay a higher duty rate and increase the price of the product as it would then classify as made wine, which incurs a higher rate of duty, as shown in the table below.

Product	Duty Rate ²
Still cider and perry: Exceeding 7.5% - less than 8.5% abv	£61.04 per hectolitre of product
Still cider and perry: Exceeding 1.2% - not exceeding 7.5% abv	£40.38 per hectolitre of product
Still wine and made-wine: Exceeding 5.5% - not exceeding 15% abv	£288.65 per hectolitre of product
Wine and made-wine: Exceeding 4% - not exceeding 5.5% abv	£122.30 per hectolitre of product
Wine and made-wine: Exceeding 1.2% - not exceeding 4% abv	£88.93 per hectolitre of product

- d. This measure would better achieve the Government’s policy objectives as it would be truly targeted at ‘white’ ciders, and have no effect on traditional cider makers as their products already contain high levels of fruit juice, while forcing the price point of ‘white’ ciders up through either reformulation and increased production costs, or the levying of a higher rate of duty.

4. Impact of a new still cider and perry duty band

a. Businesses

- i. The introduction of a new, narrow duty band may result in producers reformulating their products to lower the alcohol content below 7.5%abv,

² <https://www.gov.uk/Government/publications/rates-and-allowance-excise-duty-alcohol-duty/alcohol-duty-rates-from-24-march-2014>

and thereby avoid paying a higher rate of duty. However, while this may result in a reduction in the strength of 'white' ciders, the large producers who make them are more able to absorb duty increases than smaller, traditional cider makers without passing on an increase in cost to the consumer.

- ii. Furthermore, traditional ciders contain high levels of juice content, excessive 'watering down' of which to reduce the alcohol content would reduce the quality and traditional character of the product. Therefore, smaller producers would have no choice but to pay a higher rate of duty on their products to preserve their character, while larger producers would have the ability to reformulate and pay the lower duty rate, penalising the traditional cider makers who are not the stated target of the duty band.
- iii. A list of traditional cider makers who might be affected by the introduction of a new duty band can be found in Appendix 1.

b. Consumers

- i. Government support for the UK's traditional cider and perry industry is vital to providing consumer choice.
- ii. The introduction of a new duty band may result in increased costs for consumers of real cider and perry. The majority of producers who produce real cider and perry, which enriches consumer choice in the UK cider market, are smaller producers. The imposition of a higher rate of duty on these producers, who are not able to reformulate their products without losing the traditional character of the drink, could put such producers out of business, causing the associated job losses and a reduction in choice within the UK cider market for consumers.

c. Public Health

- i. CAMRA maintains that alcohol policy should be aimed at supporting local economies and seek to promote the consumption of alcohol within well-run community pubs rather than in people's homes, public streets and parks. Within pubs both the sale and consumption of alcohol is supervised, and in a social setting.
- ii. Research conducted by Oxford University for CAMRA has found that people who regularly use a 'local' pub, have more close friends on whom they can call for support, are happier and more trusting of others and feel more engaged with their wider community³. This shows the benefit that pub going can have on individual wellbeing.

³ <http://www.camra.org.uk/documents/10180/36197/Friends+on+Tap/2c68585b-e47d-42ca-bda6-5d6b3e4c0110>

- iii. CAMRA opposes the use of high alcohol taxation to pursue a public health agenda as there is no correlation between high levels of alcohol duty and low levels of alcohol consumption. The tables produced in the Appendix 2 show no consistent trend that European countries with high duty levels for a category of alcohol have lower consumption rates for that product.
- iv. Real cider and perry made by traditional producers is of a higher quality, much higher fruit juice content and has a higher price point than mass-produced, low cost 'white' ciders that are associated with alcohol harm. Moreover, real cider and perry are predominantly sold in pubs and not at low cost from off licences. Imposing higher tax levels on real cider and perry producers, will therefore have little to no effect on public health, and rather stifle a traditional industry for reasons noted in above sections.

5. Conclusion

- a. CAMRA is opposed to the creation of a new duty band for still cider and perry below 7.5% abv. Such a band would unfairly penalise traditional cider makers, who are not the intended target of the proposed measures, and reduce choice in the UK wider market for consumers. CAMRA is instead calling for the definition of cider to be amended so that the finished product must contain at least 70% fruit juice.
- b. However, due to the UK's forthcoming departure from the European Union, and the subsequent expected transfer of legislative powers to the UK Government, CAMRA is calling for the work within this consultation to be paused until the Government has increased powers to change alcohol duty structure - powers which are currently held at EU level. This will allow the Government to tax cider more flexibly and in a way that is currently not permitted under EU Directive 1992/83/EEC, which is also currently under review.

6. Contact

- a. For further information, please contact CAMRA:

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7. Appendix 1 - Traditional cider makers affected by the introduction of a new duty band

Estimated annual production is taken from the Good Cider Guide 2005. The list is not exhaustive.

Producer	Location	Estimated Annual Production
Biddenham Vineyards	Ashford, Kent	7,100HL
Bridge Farm Cider	Yeovil, Somerset	135HL
Burrow Hill Cider	Martock, Somerset	4,500HL
Chucklehead Cider	Shillingford, Devon	270HL
Cornish Orchards	Liskeard, Cornwall	800HL
Countryman Cider	Tavistock, Devon	455HL
Double Vision Cider	Maidstone, Kent	230HL
Gray's Devon Cider	St Mary, Devon	410HL
Green Valley Cyder	Exeter, Devon	455HL
Gwatkin Cider	Abbey Dore, Herefordshire	680HL
Hancock's Devon Cider	South Molton, Devon	230HL
Hartlands Traditional Cider & Perry	Tirley, Gloucestershire	110HL
Healey's Cornish Cyder Farm	Truro, Cornwall	2,700HL
Hecks Farmhouse Cider	Street, Somerset	545HL
Heron Valley Cider	Kingsbridge, Devon	360HL
Luscombe Cider	Buckfastleigh, Devon	400HL
Lyme Bay Cider	Axminster, Devon	800HL
Mr Whitehead's Cider Company	Alton, Hampshire	500HL
New Forest Cider	Burley, Hampshire	545HL
Newton Court Cidery	Leominster, Herefordshire	270HL
Norbury's Cider	Storrige, Worcestershire	230HL
Ostler's Cider Mill	Goodleigh, Devon	455HL
Palmershayes Cider	Tiverton, Devon	160HL
Parsons Choice Cider	Taunton, Somerset	140HL
R.J Sheppy & Son	Bradford-on-Tone, Somerset	4,500HL
Rich's Farmhouse Cider	Watchfield, Somerset	3,400HL
Ross-on-Wye Cider & Perry	Peterstow, Herefordshire	180HL
Torre Cider	Watchet, Somerset	680HL
West Croft Cider	Highbridge, Somerset	320HL
WGF Hunt & Son	Paignton, Devon	180HL
Whin Hill Cider	Wells-next-the-Sea, Norfolk	230HL
Winkleigh Cider Company	Winkleigh, Devon	2250HL

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8. Appendix 2 - Comparison of rates of alcohol duty and consumption across Europe

Please note that as under the current EU Directive 1992/83/EEC cider is defined as part of the 'other fermented beverage' category, therefore it is not possible to provide an accurate comparison of duty and consumption limited to just cider.

All tables are produced from the BBPA Statistical Handbook 2016. Duty rates are correct for August 2016. Total alcohol consumption figures are for 2014.

a. Table 1: Beer

Country	Beer duty (p per pint at 5%ABV)	Beer consumption per head (L)
Austria	11.7	104
Belgium	11.7	72
Bulgaria	4.5	72
Croatia	13	80
Czech Republic	6.9	144
Denmark	18.3	65
Estonia	20.3	-
Finland	78.1	78
France	18	-
Germany	4.6	107
Hungary	12.5	59
Ireland	54.9	81
Italy	17.8	-
Latvia	10.2	78
Lithuania	7.6	95
Luxembourg	4.6	83
Netherlands	18.5	68
Poland	10.2	98
Portugal	9.7	-
Romania	4.3	74
Slovakia	8.7	70
Slovenia	29.5	78
Spain	4.9	78.5
UK	52.2	67.7

b. Table 2: Wine

Country	Wine duty (p per 75cl bottle at 12%ABV)	Wine consumption per head (L)
Austria	0	29.9

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Belgium	48.2	25
Bulgaria	0	15.3
Croatia	0	29
Czech Republic	0	-
Denmark	100.3	29
Estonia	72	-
Finland	218.1	-
France	2.4	43.1
Germany	0	25.4
Hungary	0	23.7
Ireland	273.3	14.5
Italy	0	38.2
Latvia	47.6	-
Lithuania	46.4	-
Luxembourg	0	47.4
Netherlands	56.8	22.7
Poland	22.9	-
Portugal	0	38.6
Romania	0	19.5
Slovakia	0	18.6
Slovenia	0	39.2
Spain	0	19.8
UK	208.4	20.2

c. Table 3: Spirits

Country	Spirits duty (£ per 70cl bottle at 40%ABV)	Spirit consumption per head (L)
Austria	2.88	1.4
Belgium	7.19	-
Bulgaria	1.35	2.6
Croatia	1.7	-
Czech Republic	2.53	2.4
Denmark	4.84	-
Estonia	5.22	5.7
Finland	1.94	1.9
France	4.17	2.1
Germany	3.13	2.1
Hungary	2.53	2.3
Ireland	10.22	1.6
Italy	2.49	-
Latvia	3.36	3.5
Lithuania	3.17	3.6

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Luxembourg	2.5	-
Netherlands	4.05	-
Poland	3.08	3
Portugal	3.1	-
Romania	1.76	2.8
Slovakia	2.59	3.4
Slovenia	3.17	-
Spain	2.19	1.6
UK	7.74	1.7