The Brewers’ Association of Scotland
AGM

Wednesday 7th June
Airth Castle, Airth, Stirlingshire FK2 8JF

Attendees
TBAS Board: Scott Williams (William Brothers Brewery), Toby Knowles (Harviestoun Brewery), Sam Faircliff (Cairngorm Brewery), Steve Stewart (Stewart brewery), Fergus Clark (Inveralmond Brewery). Apologies from Jamie Delap (Fyne Ales).
Scotland Food & Drink Staff: James Withers, Rachel Athey, Kathryn Mutch, Hannah Dobson, Stephanie Pritchard, Andrew Niven, Caroline Wengel.
Minutes: Zoe Meldrum

1. Welcome and Introductions

Rachel Athey (RA), Scotland Food & Drink (SF&D), led welcome and introduction of SF&D staff and TBAS Board. RA provided a brief explanation about the partnership between SF&D and TBAs, noting the TBAS remains independent. TBAS Board members noted the opportunity to collaborate across the industry to promote growth in craft brewing and have a greater voice in the industry. Board members thanked SF&D for their work, noting that the work to date has significantly moved the objectives of TBAS forward, recognising the growth of membership from 7 founding members to 38 in the recent months, and acknowledged they are confident TBAS will continue to grow from strength to strength.

2. Welcome from TBAS Chair, Scott Williams

RA welcomed Scott Williams (SW) as TBAS Chair to the floor to welcome members and reflect on recent activity. SW noted the significant transformation and enthusiasm in changes to TBAS, with a special thanks to Caroline Wengel (CW) for engaging with new brewers and growing TBAS membership. SW reiterated the agreement from the Board, stating the opportunity in adopting a collaborative approach to grow the Craft Brewing market and that all craft brewers will benefit from working together. SW acknowledged the benefit of greater engagement with SEBA, but highlighted importance of a Scotland approach: focused upon increasing scales of growth.

SW thanked SF&D, noting that the new relationship had brought increase drive, organisation and capability to do what the membership ask. SW noted the importance of the membership directing SF&D through engagement, vocalising priorities and being clear about the outcomes which the membership want to achieve. SW explained he that thought Scotland has the potential to be craft brewing capital of the world, but reiterated TBAS must drive this aim and allow SF&D to achieve this goal.

SW concluded that the TBAS are actively seeking new Board members for fresh input and insight. Please speak with RA, CW or Hannah Dobson for more information and to get involved.
3. **Industry Strategy: Ambition 2030—James Withers, CEO, SF&D**

James Withers (JW) reiterated the commitment from SF&D to drive TBAS with renewed energy, resource and drive, offering to be the machine behind the TBAS work, but SF&D require guidance about where TBAS want to go.

JW provided a brief introduction to the SF&D Partnership Board, who direct the industry wide strategy and priorities. From this base of industry experts, the Partnership are able to help guide how best to invest public sector funding to grow sector.

JW provided a re-cap of the success over the last 10 years of SF&D, noting the growth of food and drink industry at twice rate of UK average, and that the industry is now worth £44 bn. Part of challenge is the uncertainty, but our view is that we must have an ambitious plan to direct industry effort. Ambition 2030 identifies our key areas to invest: People & Skills, Innovation and Supply Chain to build capacity to grow in our key markets: Scotland, Rest of UK and Export.

JW highlighted the industry’s renewed commitment to behave ‘responsibly’; from responsible profit to health to environmental sustainability. The ‘heath’ discussion should not be feared by craft brewing- rather the may be an exciting opportunity for craft brewing through the ‘drink less, drink better’ trend. In addition, authenticity and quality assurance are vital in both being responsible producers but also in developing ‘Scotland the Brand’, whilst understanding consumer behaviour underpins all market access.

Authenticity, through people/ craft skills, place and product quality has played a role in creating a Scottish identify, particularly within Export markets. SF&D’s Scottish Shopper research identified an opportunity to further use ‘Scotland the Brand’ within the Scottish market and there is untapped opportunity within the Rest of UK (RoUK) market. From Ambition 2030, a SF&D Partnership Group has been formed which will focus on building capacity and understanding market opportunity to support growth within the RoUK market and the existing Export Partnership will continue to deliver the Export Plan.

JW welcomed the references to collaboration from the Board during introductions. Collaboration has been central to the success of SF&D and wider industry success, and Scotland is now viewed as best practice internationally.

Ambition 2030 outlines the ambition to double the turnover in each sector to £30 billion by 2030, but what does this mean in practice? Examples of real delivery include the SF&D Export Plan, which facilitated the joint funding of In Market Specialists (IMS), who are attending the concurrent Global Market Insights Event. JW also acknowledged the delivery of sub-sector strategies, including in Dairy and Aquaculture, with work commencing on a Fruit and Vegetable strategy. JW acknowledged we can now distil challenges and opportunities to grow craft brewing into a sector strategy and identify the top priorities to direct investment and advise government about how to facilitate sector growth.

JW sought feedback, with the room in agreement that the next steps are a ‘good way forward’ and thanked and closed Ambition 2030 discussion.

4. **Lidl Buying Team Q&A**

JW reiterated the importance of customer insight at the retail, customer and consumer end. JW introduced Paul McCuade (PM) (Head of Department (Food Buying)) and Craig Chalmers (CC) (Buying Manager) to introduce themselves and open the floor to questions.
PM, head of buying for Scotland across all categories, acknowledged produce from Scotland was an easy story to tell and customers received this message well. Craft beer has featured as a priority to bring to range, and Lidl is now trying to be at the forefront of this movement, demonstrated by beer festivals.

Buying locally is emerging as a strong need and Scottish shoppers are at the forefront of this trend, showcased by the early adoption of a Glasgow based office. However, buying local has also emerged on a national scale and Lidl are now setting up a Wales office. In Scotland, Lidl are continuing to push ahead with increasing Scottish product lines. There are now 94 Lidl stores within Scotland, and investment into new warehouses at Eurocentral has increased capacity (x2.5 increased capacity). The current strategy includes increasing Lidl stores to the 120-140 mark and continue to increase Scottish product ranges.

PM continued to open questions from the flow, which included:

1. “How expensive is the most expensive bottle and what is the gross profit margin?”
   PM explained the most expensive bottle of beer in store was £1.79. However, PM noted that Lidl don’t tend to have margin expectations, rather the pricing strategy is focused on being as competitive as any other retail store, and is not based on simply being cheaper.

2. “Are there plans to have an international Scottish beer festival?”
   Yes, and the Scottish team have reiterated a want to do this.

   Lidl have previously done an international festival, however capacity for some suppliers limited some supplier involvement. The result was that two Scottish brewers participated. PM explained the festival was viewed as a success, particularly as it allowed for significant learning opportunities: for example, the correct labels to place on bottles across all 27 participating countries.

   A key benefit of involvement with the international beer festival is that the Lidl export team provide support with queries such as labelling information, and the export process is simplified as stock is still sent to a Lidl distribution hub, from which it is exported.

3. “What could be done to help Scottish suppliers get more into supply chain?”
   Lidl operate a very have a simple model: quality is the priority, issues such as logistics are answered afterwards.

   Our first point of call is to identify the market the brewer wants to operate in: either Scotland, RoUK or Export and we work with companies to make them aware of the needs required to get into new markets.

   Ultimately, market knowledge is most important factor in accessing markets, alongside and developing an appropriate brand for the desire market. The continued work of Scottish Craft Brewing Brand positively feeds into building a strong argument for expanding markets.

PM explained Lidl will be running a craft brewing event, and invited brewers who are interested in participating to speak with the team. PM thanked and closed.

5.  Break – coffee and networking
JW thanked speakers and audience, inviting all for coffee and a networking break.
6. Trends – Andrew Niven, Strategic Market Intelligence Manager, SF&D

AN provided a short introduction to his role at SF&D, noting the importance of both qualitative and quantitative research in defining consumer insights & trends which drive markets and what this means for the Scottish food and drink industry.

The global picture for beer includes: volume of production increasing between 2010-2014 to 169,000 million litres, beer value increasing and a growing trend in premiumisation.

Global beer forecasts around the world showcase opportunities for premium beer in include: Brazil, South America in various niches. Beer in growth globally include dark beer, due to craft scene in N America. Meanwhile, mid-price and economy lager on the decline.

Within UK retail, total beer in the UK retail market (actual sales) is worth £3.8 billion, whilst craft beer is work £105 billion (up 87% year on year). AN noted the huge opportunity for continued growth within retail as only as 2.6% of shelf space currently dedicated to craft brewing. Highest buyers in UK of craft brewing is Scotland- double average of RoUK.

AN noted the variation of definition of craft brewing across data suppliers and group discussed the need for clarity in terms.

AN explained it is vital to understand consumer behaviour within your own sector and beyond, and how your product fits with emerging lifestyles. AN noted the growth of the Experience Economy, which is driving premiumisation. Highlighted that the likes of Mitchell & Butlers are also focusing on customers trading up to more premium options. premiumisation. AN noted that a greater appreciation of craft beer is visible through changing drinks menus within pubs and restaurants, with more menus showcasing craft beers and craft beer/food pairings, playing into premiumisation and growing casual dining markets.

AN noted other medium which are now showcasing the Scottish provenance/quality messaging. Handmade Burger Co. Provenance focuses on highlighting ‘Scottish’, whilst London menu analysis shows ‘Scottish’ as the 4th highest priced mention in menus. AN also noted results from Scottish perception survey, whereby 35% of those surveyed in London assumed craft beer from Scotland would be of a better quality when compared to RoUK.

AN highlighted the role of 4 factors in Country of Origin Branding, including: 1) Authenticity (not always tracing back to source- its unique production) 2) Transparency (including production, quality) 3) Expertise (being the best and defining the best) 4) Differentiation (USP).

7. Future opportunities for TBAS Feedback Session

RA thanked AN and introduced the feedback session, in which the room was split into 5 groups to feedback on one key question.

“Considering the need for TBAS membership to guide the next stages and priorities for the group, how do we build Scottish reputation? What is TBAS’ role in building on this and how do we make more people understand Scottish is better?”
<table>
<thead>
<tr>
<th>Group</th>
<th>Feedback</th>
</tr>
</thead>
</table>
| RA    | - TBAS pavilions at more trade shows, specifically, Bar & Pub Show and Imbibe  
       - Create Scottish beer festivals and beer weeks outside Scotland with pub chains and within other events  
       - Support SALSA+Beer accreditation, so that all buyers (and consumers, ultimately) know that ‘Scottish’ means quality and assured  
       - Leverage Scottish ambassadors in the UK – key influencers who can generate publicity / talk about Scottish quality |
| HD    | A lot of discussion around price issues for smaller producers, impossible for them to get in to some of the bigger players as they would make no profit at all. Some suggestions on how this could potentially be helped were:  
       - Development of a quality standard  
       - Use TBAS logo as a mark of quality  
       - Increased marketing budget to raise profile  
       Other points discussed:  
       - TBAS could push with retailers/wholesalers for more space for TBAS members collectively  
       - Help with costs at exhibitions and events  
       - Work with Government, Visit Scotland etc. on support for brewers  
       - TBAS events e.g. craft beer village at Edinburgh fringe |
| KM    | TBAS can help grow the sector by helping its members with;  
       - Getting the smaller brewers into pub groups across the country and negotiate to ensure brewers get a good price (SIBA charge a set barrel price and it is impossible to make a profit from this)  
       - Access to markets and advice  
       - Buyers contacts  
       - Signposting to support and guidance on documentation  
       - Support with ensuring brewers get a good price from buyers  
       - Support with getting a good price for raw materials (currently Scottish malt is 20% more expensive but in England the English brewers don’t get charged 20% more for English malt)  
       Big players who are members could act as mentors to the micro players. Small players could help the micro guys with how they managed to grow.  
       Create a ‘premium Scottish’ brand – like the dairy guys did (play on the provenance, water quality, grain being grown here etc)  
       TBAS could act as a consolidated wholesaler |
| ZM    | Perceptions  
       - Noted gap in Scottish market- where 62% of Scottish consumers don’t think Scottish Craft Beer is better.  
       - Recognised even greater gap in RoUK  
       - Acknowledged a different approach is likely required to showcase the benefits of Scottish Craft Beer to a Scottish and RoUK consumer.  
       - Discussed difficulties within the industry from a lack of clarity in defining ‘craft beer’, and felt more should be one to support this. Noted there is an
authenticity issue in consumers buying mass produced beer sold as craft and a need to protect the messaging about authentic craft brewing.
- Noted Scotland’s USP is in authenticity, tradition and heritage but warned against resting on laurels. Must showcase quality and innovation more.

Looking to Good Practice
- Discussed looking to global examples of good practice, including the Scotch Whisky Association (SWA) and Craft Brewing Association of North America.
- Key themes are learning from SWA to protect the perception, provenance and quality messaging around craft brewing.
- Lessons from N America include using learning from their practices, including: the annual conference to raise awareness, engaging in training through seminars and the level of understanding about the opportunities for the sector- from homebrewing to commercial. Group also, noted the ambition in N America to train staff, innovate and continually grow.

Trade Shows
- Noted support welcomed from TBAS to attend favoured shows such as Craft Beer Rising and London Craft Brewing Festival
- Noted non-priority shows, such as food festivals should not be supported

Wish list for TBAS
- Skills- supporting investment, support engagement with modern apprenticeships and training and supporting sharing of best practice.
- Joint marketing of craft beer, messaging about quality of products and practice.
- Support to reach targeted Trade Shows, such as Craft Beer Rising.
- Host a Scottish beer event in London
- Host a learning journey to N America to share best practice.

<table>
<thead>
<tr>
<th>CW</th>
<th>How do we build reputation?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Create Demand – how do we generate sales?</td>
</tr>
<tr>
<td></td>
<td>- London TBAS rep</td>
</tr>
<tr>
<td></td>
<td>- Create opportunities with larger English pub groups Joint logistics / help with accreditation</td>
</tr>
<tr>
<td></td>
<td>- More information about International exhibitions</td>
</tr>
<tr>
<td></td>
<td>- Create a TBAS stand within the SF&amp;D Pavilion</td>
</tr>
<tr>
<td></td>
<td>Understand what markets our members are targeting, and get them “market ready”</td>
</tr>
<tr>
<td></td>
<td>- Survey members so we understand their ambitions</td>
</tr>
<tr>
<td></td>
<td>- Understand what the target country needs, eg. Thailand doesn’t recognise SALSA, only wants BRC</td>
</tr>
<tr>
<td></td>
<td>- Members are “market ready” eg all accreditations, labelling in place for when an opportunity presents itself</td>
</tr>
</tbody>
</table>
Create a Quality Assurance scheme where we have a brand that is recognised for quality

- Caroline mentioned SALSABeer and member of SF&D / member of TBAS
- Is there funds to help with cost of accreditation?

HIE have a good consolidation model, can this be rolled out across the regions?

- Coordinated invoicing
- Joint logistics

RA thanked those in attendance and closed the AGM.