



ALCOHOL STRUCTURES CONSULTATION

NACM

The National Association of Cider Makers (NACM) is the representative body of the cider making industry in the UK. Formally registered in 1920, its direct members account for 11 of the largest cider making companies in the UK and through affiliations with regional associations it also represents around 230 smaller cider makers. Whilst the majority of cider in the UK is made in the West Midlands, Three Counties (Herefordshire, Worcestershire, and Gloucestershire) and South West of England, regional associations can also be found in Wales, North West England, Kent and Northern Ireland.

Cider in the UK is a £3 billion category, with sales of just under 7 million hectolitres. The industry employs around 10,900 people either directly or indirectly. Export of British made cider is worth over £100 million per year. UK cider makers utilise 56% of all UK grown apples to make their ciders, benefiting the rural economy by £33 million per annum. The UK market is 45% of total global cider sales.

Cider has been in decline for over 7 years and market share has reduced by approximately 25% since 2009.

Excise duty for cider is governed by the Structures Directive 92/83 EEC and is banded in the same way as wine excise duty structures. This reflects the need for a flexible approach, as the sugar content of the apples used can vary depending on weather conditions and crop, resulting in a variation in alcohol content for traditional ciders.

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The NACM and all members of the Association fully recognise the importance of responsible production and retailing of cider and want to be a part of the solution.

We understand that the focus of this consultation is to respond to concerns raised around white cider. Those members who make white cider take responsibility very seriously. They regularly monitor consumer research and promote ways to make white cider less appealing to those who misuse alcohol. They continue to be very willing to engage on measures that will address concerns and will contribute to the consultations separately.

The NACM is able to provide a significant level of context to the Alcohol Structures Consultation, specifically to answer questions 1 – 4 relating to a new still cider and perry band below 7.5% abv.

Whilst flavoured cider is classified as a made wine in HMRC terms, there is no flavoured cider made by NACM members above 5% ABV. NACM has not, therefore, responded to questions 5-13.

Further information on all responses to questions can be provided on request.

QUESTION 1 – DO YOU AGREE THAT THERE IS A CASE FOR A NEW STILL CIDER AND PERRY BAND BELOW 7.5% ABV?

1. The NACM feels that a change in excise duty for ciders just below 7.5% ABV, as suggested in the consultation, will adversely affect smaller cider makers and traditional ciders.
2. The NACM does not believe that a change in duty bands can achieve the stated public health objective. Targeting an individual product will not improve public health, as alcohol misuse is too complex an issue. Removing one type of product will lead to switching, rather than a reduction in alcohol misuse.
3. In the response to the current EU consultation on the Structures Directive 92/83 EEC, the NACM has indicated support for lower duty rates to encourage innovation at lower ABV levels. The cider market currently clusters around a small number ABV points and there is a clear gap in the market below mainstream ciders, but above the duty threshold of 1.2% ABV.

To support our position, the NACM has canvassed cider makers across the UK to gain a clear understanding of ciders sold in the UK market. Whilst market data can provide a good understanding of the broad UK cider category, it does not report on smaller, regional ciders. We have identified the following facts:

- Currently, cider excise is divided into two bands:
 - o 1.2-7.5% ABV = £40.38 / HI
 - o 7.5-<8.5% ABV = £61.04/HL
- The Cider industry is in long term decline, losing around 25% of market share in the last 6 years. Decline has continued at a level of -5.6% in the last year. Since 2009 the rate for cider excise duty has risen by +16% and has moved closer to other categories. (source HMRC releases)
- The majority of ciders launched in the last 15 years have been around 4.5% ABV (NACM data – see appendix 1)
 - o 80% of the cider market is now below 5.6% ABV:
 - 40% is around 5% ABV
 - 30% is around 4.5% ABV
 - 10% is around 4% ABV
 - o Around 3% of the market is above 7.5% ABV and 4% of the market is at 6% ABV
 - o In the 5.5-7.5% ABV range, over 1/3rd of the ciders in the UK marketplace could be considered as ‘traditional’ in style.
 - o Less than 1.5% of the cider market is below mainstream alcohol levels.
- White Cider, referenced in the consultation document, represents only 0.27% of consumer spend on alcohol. In volume terms it is declining at around 10.5%, almost twice the rate of total cider market decline. Research shows that the typical white cider consumer is from lower income groups and just about managing.
- Traditional cider, whilst a much smaller share of the market, accounts for a large share of volume for smaller cider makers. Ciders above 6% ABV are the standard for this type of cider maker and represent the majority of income for many (source - SWECA Report)

- When using traditional cider making methods, the natural sugar in apples will result in an average alcohol content of at least 6.7% ABV. Selection of apple types, weather conditions and local cider making methods can result in higher levels. (source – NACM technical report)
- Consumer expectation of vintage cider is that the ABV will be higher and around 7.5% ABV (source – SWECA report)
- HMRC Notice 162 is designed in a way that defines cider by way of restricting and prohibiting ingredients available for use in cider generally. It does not set out to define particular types of cider, as the majority of ciders are made using a relatively similar list of ingredients to a greater or lesser extent, supporting the concern that excise duty is not structured to respond to the stated objective.
- The cider industry remains very supportive of working with the Government to find the right solutions to tackle alcohol misuse.

QUESTION 2 – WHERE DO YOU THINK THE LOWER THRESHOLD SHOULD BE SET? PLEASE PROVIDE EVIDENCE TO SUPPORT YOUR ANSWER. WE WOULD ALSO WELCOME ANY EVIDENCE ABOUT REDUCING THE ALCOHOL CONTENT OF CIDER?

The NACM does not believe that a new duty band will achieve the objectives stated in the detail of the consultation. The unintended consequences for smaller and traditional cider makers must be considered. Two significant changes in alcohol content across the cider market have taken place in the last 20 years, demonstrating that excise duty is not the only, nor the most successful solution to encouraging change.

- *The introduction of the 7.5% ABV band in 1996 resulted in a reduction in ABV for high strength ciders, from <8.5% ABV to 7.5% ABV.*
- *In 2011/12 as a result of the Dept of Health led responsibility deal, several ciders reduced in alcohol strength, most notably those of around 5.3% ABV to 5.0% ABV or lower.*

Market data suggests that there are a number of alcohol levels that are typical of a type of cider that consumers would recognise. 98% of the cider market can be grouped into the following (see appendix 1):

- 0.5% ABV – low alcohol cider
- 4.0-5.0% ABV – mainstream cider
- 5.5-6.0% ABV – speciality & premium ciders
- 7.0-7.5% ABV – vintage cider & high strength
- 8.4% ABV – super premium ciders

Cider makers using traditional fermentation techniques will see an ABV in excess of 6.7% as a result of the natural sugars in the apple juice. (source: NACM technical report)

QUESTION 3 – IN VOLUME TERMS, HOW DOES THE STILL CIDER MARKET BREAKDOWN BY STRENGTH IN 0.1% ABV INCREMENTS?

See appendix 1.

QUESTION 4 – WE WOULD WELCOME EVIDENCE ON THE IMPACTS A NEW STILL CIDER AND PERRY DUTY BAND COULD HAVE. THIS INCLUDES, BUT IS NOT LIMITED TO, THE IMPACTS ON:

1. BUSINESSES

The NACM, as a trade association, does not collect the level of data necessary to complete a detailed business impact assessment and has encouraged a number of cider makers to respond with more information in this area.

In terms of the broader shape of the industry, unintended consequences of changing duty bands could be far reaching.

There are approximately 240 cider makers in the UK, of which around 12 produce more than 15,000 Hl of cider and around 70-100 produce less than 70Hl in any one year. The cider industry is made up of different types of cider maker (see appendix 2)

- Large cider makers, often operating at a global level, making cider in the UK
- Medium cider makers with some global interests, often family owned and operated, with strong local, rural connections.
- Smaller cider makers, making above the 70HL excise duty threshold, operating on a regional basis
- Smaller cider makers below the 70HL threshold again operating on a regional basis

Cider makers will focus on limited styles of cider, to suit their cider making facilities, access to apples and their route to market. Each will be more or less reliant on traditional, premium ciders as a part of their business. A summary of the survey suggests:

- Share of individual cider maker volume – between 6.0-7.5% ABV
 - o Larger cider makers – up to 10%
 - o Medium cider makers – Up to 20%
 - o Smaller cider makers – from 20% - 100%

A change in excise duty bands will, therefore, impact smaller cider makers disproportionately.

2. CONSUMERS

The NACM does not conduct consumer research and has no detailed analysis of consumer behaviour in relationship to alcohol level changes in cider.

A survey of member companies and affiliated cider makers suggest the following and NACM has suggested that those companies with relevant consumer data share it directly in response to this consultation:

- o There is a direct association between cider type and alcohol content. This is true in the UK and across other traditional cider markets such as France and Spain.
- o Traditional cider making techniques and historical records, suggest that:
 - lower ABV is associated with a sweeter, lighter cider
 - higher ABV is associated with a robust, full flavoured, darker cider.
- o Consumers recognise that Vintage Ciders are around 7.5% ABV and associate the alcohol content with the premium quality of the cider.

- Single varietal ciders will have variable alcohol content, depending on the type of apple variety. A consumer would not expect two different varietals to have the same alcohol content.
 - The cider category is segmented in a different way to beer (ale, lager etc) and wine (red/white; sparkling/still etc). Consumers recognise alcohol content as one of the aspects that support how they segment cider.
3. **PUBLIC HEALTH** – The NACM is the trade association for the cider industry and does not access public health information, other than that already available in the public domain.

APPENDICES

APPENDIX 1 - UK Cider Market Data

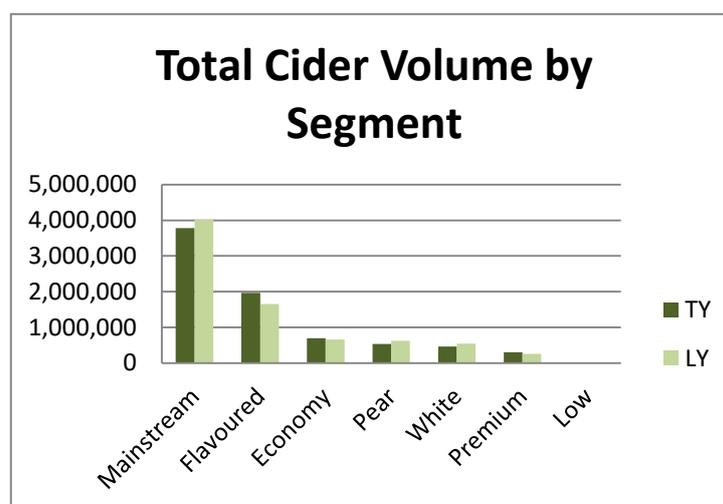
a) Still Cider & Perry Volume Share by ABV (2016)

a)

% abv	% share
0 - 1.2 (LA)	0.1%
1.3 - 2.0	0.0%
2.1 - 2.5	0.0%
2.6 - 3.0	0.1%
3.1 - 3.5	0.3%
3.6 - 4.0	0.9%
4.1 - 4.5	30.5%
4.6 - 5.0	42.5%
5.1 - 5.5	5.5%
5.6 - 6.0	3.9%
6.1 - 6.5	0.1%
6.6 - 7.0	0.5%
7.1 - 7.5	12.4%
7.6 - 8.0	0.0%
8.1 - < 8.5	3.2%

Source : NACM Data – for Still Cider & Perry as defined in HMRC Notice 162

b) Total UK Cider Market by Segment



Source CGA/IRI market data (to Feb 2017) – all cider

c) **BREAKDOWN BY 0.1% ABV – UK STILL CIDER & PERRY, 5.5-7.5% ABV**

ABV	Hectolitres		
	Cider Volume (ex High Strength Cider)	High Strength Amber/White	Total
5.5	125,380		125,380
5.6	121		121
5.7	3,095		3,095
5.8	1,149		1,149
5.9	-		-
6.0	176,246	34,061	210,307
6.1	-		-
6.2	400		400
6.3	80		80
6.4	786		786
6.5	4,096		4,096
6.6	23		23
6.7	-		-
6.8	1,971		1,971
6.9	-		-
7.0	28,843		28,843
7.1	-		-
7.2	8,829		8,829
7.3	59,749		59,749
7.4	41,902		41,902
7.5	22,122	576,896	599,018

Source : NACM cider maker survey - for Still Cider & Perry as defined in HMRC Notice 162

APPENDIX 2 - UK CIDER MAKERS

SPRING 2016

NACM Membership

- 11 Full Members, representing c85% of UK Cider Volume

- 6 Affiliate Members, representing c240 craft cider makers

<ul style="list-style-type: none"> • South West of England Cider-makers' Association • Three Counties Cider & Perry Association • Welsh Cider & Perry Society 	<ul style="list-style-type: none"> • Kent • North of England • Armagh
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THE NATIONAL ASSOCIATION OF CIDER MAKERS

