

Understanding the Tax threat to the cider industry

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Although in many ways a well balanced article Ian Liddell-Grainger's leader article on 17 December exhibits as flawed an understanding of some of the fundamental problems for cider as that of the Labour MP's he is criticising. He makes the mistake of identifying a division between the 'real cider industry' – the good boys, remove tax - and industrial scale production – bad boys, tax them to the hilt. This does not reflect the reality of the industry and deflects attention away from where we should really be looking for an answer to the over blown issue of binge drinking of cider. The target should be the antics of the large retailers rather than the manufacturers.

For a start it needs to be made clear that big is not necessarily bad. Some of the very best quality West Country ciders, made from cider apples from environmentally managed West Country cider orchards, are found in the premium ranges of the likes of Gaymers of Shepton Mallet and Westons of Much Marcle both of whom are in the top five national manufacturers.

It also needs to be understood that whilst the biggest manufacturers lead the market there are also some relatively small industrial producers, whose names very few people would be familiar with, who hide below the horizon and supply the independent grocery trade with ultra cheap low quality ciders of the undesirable sort so well described by Mr Liddell-Grainger. Therefore a tax relief that is based on the size of the producer is not likely to sort the problem.

There is already a small producer's threshold. Producers who produce less than 7,000 litres a year are exempt from duty. Although fiercely protected it is not clear what commercial value this has. 7,000 litres is too small a quantity for any one to make a living from. The typical artisan cider makers I visited across Somerset whilst doing the research for my book tend to produce between 50,000 litres and 700,000 litres and employ between one and 12 people.

Another issue that Mr Liddell-Grainger mentions is his suggestion that industrial cider is made from concentrate and chemicals with very little reference to the cider apple. This implies a suggestion that cider made with a lower juice content could have a higher tax duty. Again there is a major problem. The natural fermented juice of apples will produce a cider with an alcoholic strength of between about 5.5 and 7.5% depending on the season. Nearly all artisan ciders are in this range. However the government has been encouraging sensible drinking and the major manufacturers have been persuaded to reduce the alcoholic level in the leading brands that you find in pubs and supermarkets to 4 – 4.5%. This can only be achieved by diluting the final product and having a lower fermented juice content. A duty which penalises lower juice content could be seen as counter productive.

As simple solutions do not seem to fit the bill perhaps it would be worth trying to analyse what exactly the problem is. As Chris Rundle has eloquently expressed in the past, artisan West Country rough cider is not a favourite tippie of the binge drinkers. Nor is their much evidence presented that it is at the root of binge drinking in pubs and clubs – spirit mixes and bland tasting alco pops seem to be the popular choice. Nor have I seen any evidence that an increase in price would have any effect

– although there are the odd cheap promotion nights most club prices are well over the top anyway.

For those who don't mind the journey to find them, the very small amount of cider bought direct from the less than 100 West Country producers tends to be sold at between £1.20 and £2 per litre depending on how close you are to a tourist area. In pubs it is unusual to find any cider at less than £2.50 a pint – over £4.00 a litre, (okay I do know a few select pubs selling draft cider for £1.80 in very localised areas where it comes direct from the producer). For premium products the price is considerably higher. On supermarket shelves in general premium bottled ciders start at around £2.00 for 500 ml, £4.00 per litre.

Cider in general is not sold cheaply – especially in comparison to beer. However it is when we come to 2 litre PET bottles that we start to see a possible problem. Some of these are available in the supermarkets at little over £1 a litre. Although as Mr Liddell–Grainger points out the Cider makers association have been trying to sort this out there is still an element being sold too cheap. On top of this we have irresponsible offers. Last week in Tesco there was an offer on some of the countries leading brands of cider, bitter and larger. 15 cans for £10, or 30 cans for £16, or 45 cans for £20 – the more you bought the cheaper it became – encouraging you to bulk buy – and ending up equating to £1 per litre. The cider producers do not want this but are persuaded into it by the retail giants trying to compete with one another. If this is not encouraging irresponsible drinking I don't know what is.

The solutions that I think need to be explored do not involve increased duties on the cider manufacturers – any solution here is likely to lead to damage to the cider industry and impact disproportionately on quality ciders. Surely the solution should be a tax on the ridiculous activities of major national retailers. Quite how I am not sure, and safeguards would need to be put in place to stop them passing it back to the manufacturers, but if we can put a tax on Bankers bonuses when we see them as being anti social surely we can explore ways of taxing anti social behaviour of other 'public enemies' – in this case the supermarkets. If taxes are to be used to change behaviours patterns make sure they are targeted at the culprits.