



# NACM Seminar

## 10 February 2011

### Key Issues - Bob Price



## NACM KEY ISSUES

- 🍏 December 2009 - Conservative Party Policy - x2 duty on high strength cider (>5.5% ABV)
- 🍏 December 2009 - Government Pre Budget Review – review duty structure on cider
- 🍏 January 2010 - discussions with HM Treasury
- 🍏 February 2010 - NACM Member’s seminar - call to arms (lobby of constituency MPs)
- 🍏 March 2010 - Budget – 10% cider tax
- 🍏 April 2010 - Election Announced
- 🍏 April 2010 - Finance Bill – cider tax over-turned by Conservatives



## NACM KEY ISSUES

Liberal Democrats and Conservatives court the cider vote in the South West and 3 Counties

- 🍏 May 2010 - Coalition Government – cider definition being finalised
- 🍏 June 2010 - Cider definition published
- 🍏 September 2010 - Cider order comes into effect (but not formally voted on until 25 October)



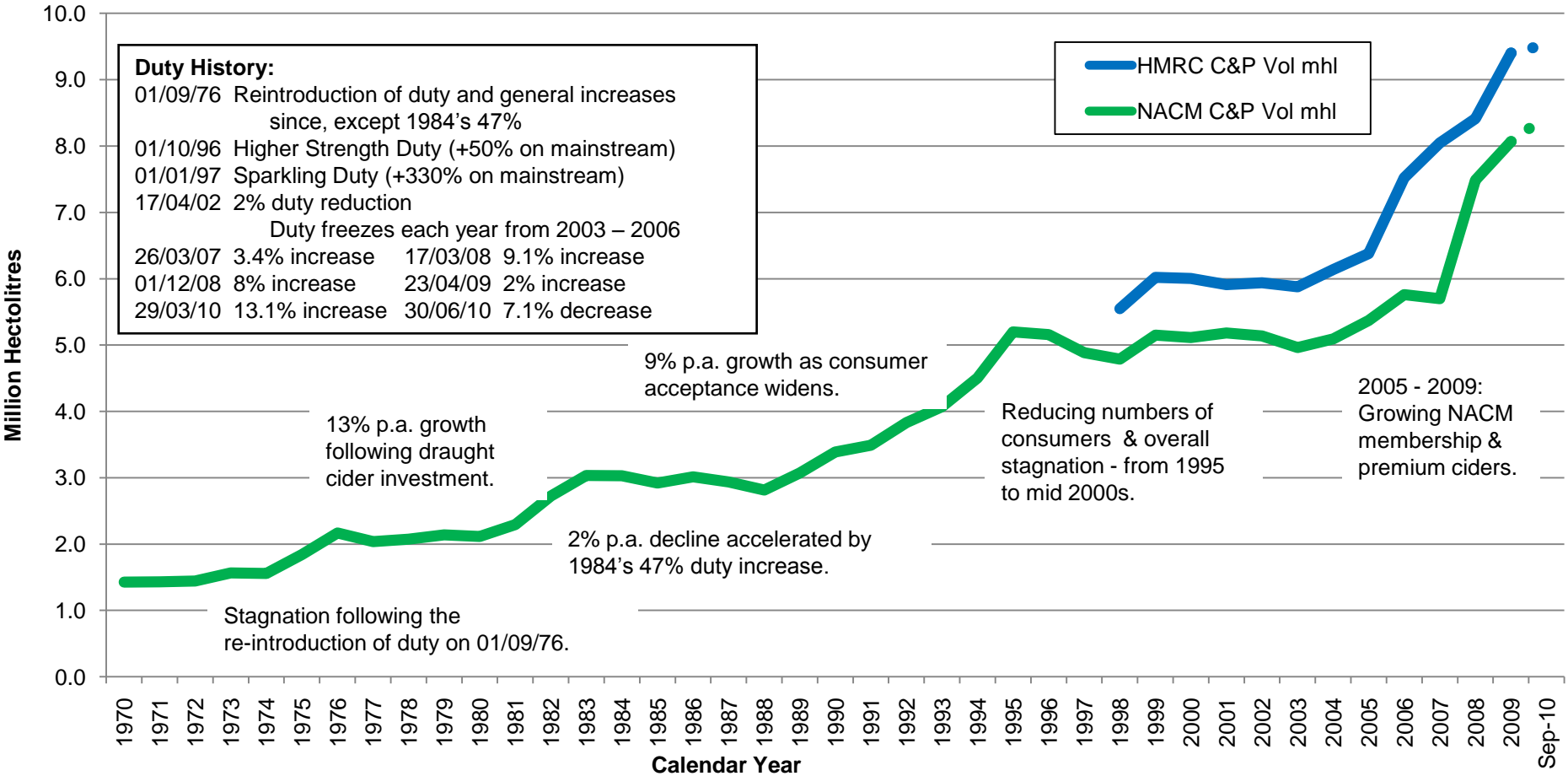
# NACM KEY ISSUES

- 🍏 NACM addressing:
  - 🍏 Social Responsibility/Alcohol Misuse
  - 🍏 Sustainability Initiatives
  - 🍏 Reforming All Party Parliamentary Cider Group
  - 🍏 Technical Issues
  - 🍏 Pomology



# OVERVIEW OF UK CIDER IN THE LAST 12 MONTHS

- 🍏 Growth followed now by decline
  - 🍏 In spite of the growth, still the smallest sector – and still 9% of UK alcohol consumption
  - 🍏 Continued development of premium vs. cheap cider
  - 🍏 Largest ever crop and ongoing planting – reduces the need for imports of AJC
- NACM members could always absorb more cider apples



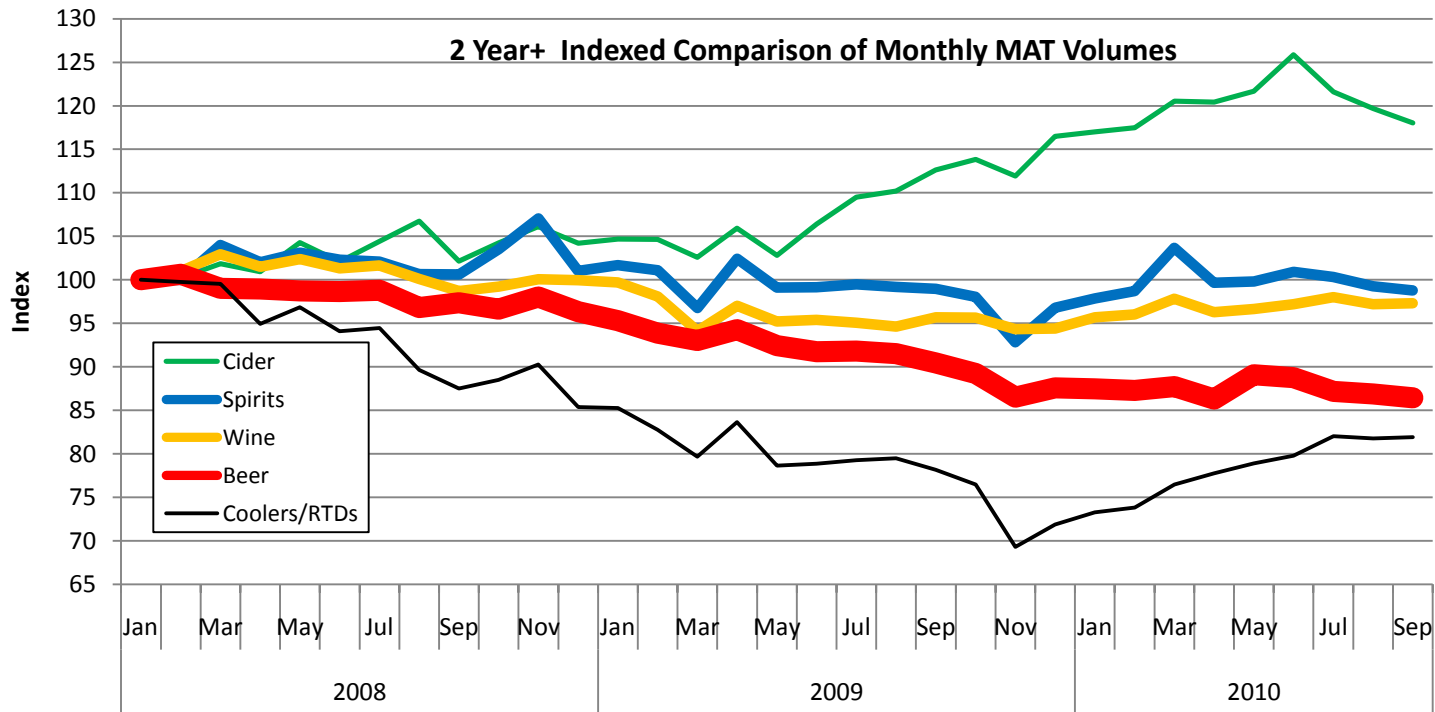
## Development of UK Cider & Perry Annual Volumes

- Since the re-introduction of cider duty on 1 September 1976



# Change in Volumes Released, 2008 - 2010

*Indexed change of Period MAT HMRC volumes released*

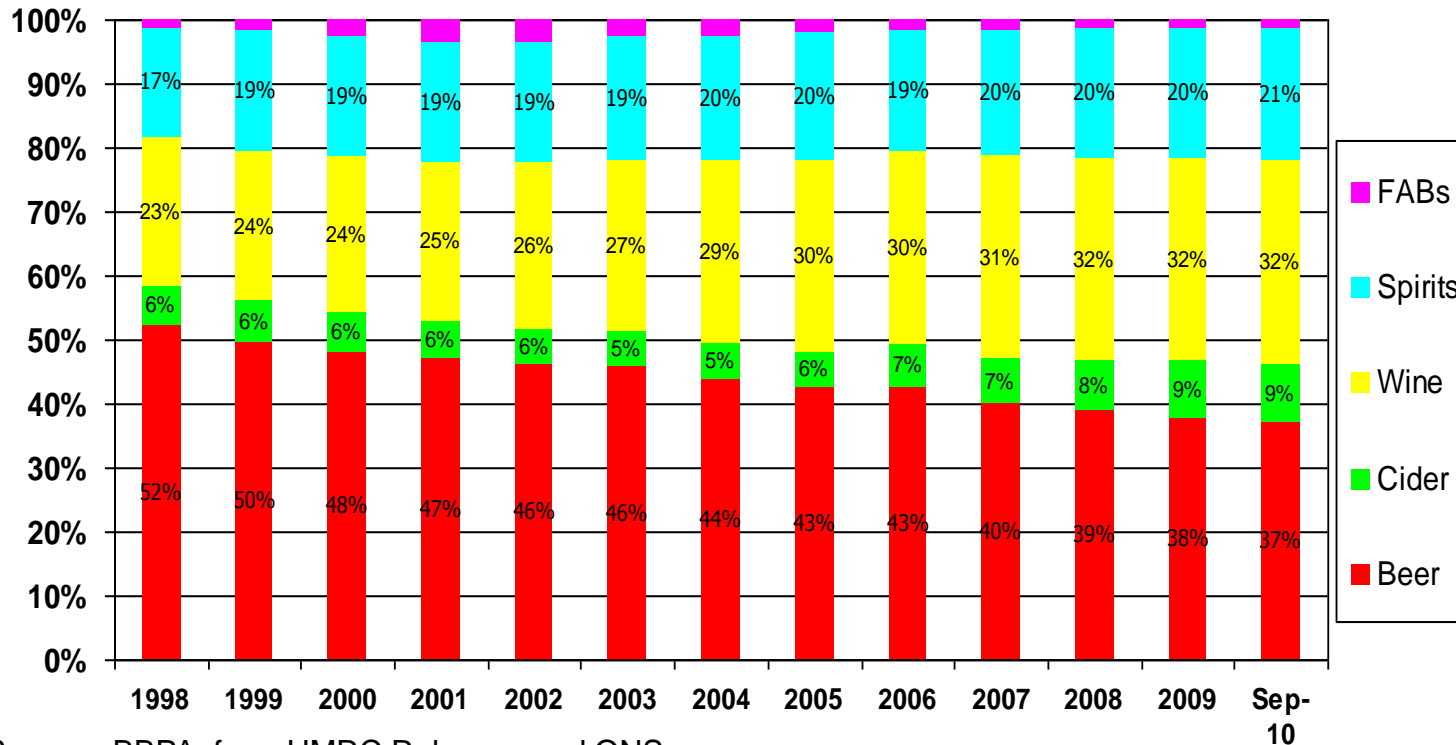


Source: HMRC releases



# UK ALCOHOL CONSUMED BY DRINK

*Cider has shared with other fruit-based drinks and spirits in the broadening of consumers' range of choice*



Source: BBPA, from HMRC Releases and ONS



# Cider/Perry Definition

- 🍏 By Treasury Order amending ALDA Section 1(6)(b): cider (& perry)
- 🍏 Passed by the First Delegated Legislation Committee 25 October
- 🍏 A minimum of 35% of juice of minimum gravity 1033 to be present both:
  - in the 'pre-fermentation mix', and
  - in the final product
  - for all cider/perry in fermentation at and after 01/09/10 and blends since that incorporate earlier product
- 🍏 'Projection' is allowed



# Cider/Perry Definition

- 🍏 **The effectiveness of the definition will be assessed by HM Treasury:**
  - 🍏 By its influence on price and volume of the ciders referenced by HMT
    - 🍏 White Cider (typically <7.5% ABV)
    - 🍏 Basic Amber Own Label (typically 4.2% ABV)
  - 🍏 NACM will meet Treasury officials 3 February to present initial results
  - 🍏 Higher duty on stronger cider is still a threat
  - 🍏 The new **High Strength Beer Duty** for 'Autumn 2011' might transfer across?
  
- 🍏 A significant step in separating 'cheap cider' from mainstream
- 🍏 Results will take time as the retailer adjusts – some will hold back until the Budget has confirmed duty rates
- 🍏 Retailer controls consumer pricing



# Consultation on Alcohol Taxation & Pricing

- 🍏 **RE-ASSESSMENT OF THE CONSERVATIVE POLICIES OF MARCH 2008**
- 🍏 “Higher tax will reduce production & consumption of stronger drinks”
- 🍏 ‘Treble the duty on alcopops’: *not significant and the most expensive alcohol per unit: no need for change*
- 🍏 ‘Double the tax on super-strength cider (but not artisan cider)’: *instead, increase the cost-base of ‘cheap’ cider by a tighter definition – but the threat of higher duty remain*
- 🍏 ‘Significantly increase tax on super-strength beer’: *High Strength Beer Duty in Autumn 2011 - extra £/hl/1%ABV on beer >7.5% ABV*
- 🍏 ‘Halve duty on low alcohol cider <3% ABV’ - *no mention*
- 🍏 ‘Significantly reduce duty on beer <2.5% ABV’: *Lower Strength Beer Duty in Autumn 2011 - a duty cut for beer <2.8% ABV*





# NACM's position on cider duty in the UK Budget on 23 March

- 🍏 NACM members' are committed to the responsible development of their industry and business
- 🍏 Stability in taxation is a key foundation stone for this
- 🍏 NACM has actively cooperated in developing the proper conditions for cider duty



# NACM's position on cider duty in the UK Budget on 23 March











Therefore:

-  **No more increase in cider duty than might be applied to other fermented drinks - we are dutied at a reasonable and proportionate level to yield best revenue**
-  **Whatever may be decided, cider's duty rates should not move any closer to the excise duty rates on other alcoholic drinks - we are dutied at a reasonable and proportionate level compared to other drinks**



# Budget Submission – Key Messages

## **NACM MEMBERS COMMITMENTS**

-  Active policing of cider definition in support of HMT and HMRC
-  Major investment in cider making
-  Sustainability strategy:
  -  12% Carbon Footprint reduction
  -  climate change impact on industry
  -  'Futures' assessment
-  Playing active role re alcohol misuse
-  Cider %ABV down from 5.6% to 5%ABV since 2000
-  Growing and supply contracts - 'more than 30 year' duration
-  cider's 45%-50% share of UK apple growing



# Budget Submission – NACM Proposals

- 🍏 No more increase in cider duty than might be applied to other fermented drinks
- 🍏 Cider's duty rates should not move any closer to the excise duty rates on other alcoholic drinks