

Microbreweries and Local Economic Development.

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Abstract

The growth in microbreweries in recent years has been well supported by a range of policies but the impact of these investments for local economies remains under-researched. In particular, the return on investment for such policy initiatives will be assessed against rural development and micro-business policy objectives. The intended outcomes can be varied and complex and may include farm diversification, training and job creation, the preservation of listed buildings and the enhancement of rural tourism in addition to the growth of the rural economy.

This paper takes evidence from a sample of businesses that have received funding and a control sample that have made their own investments to compare the impacts for both the business itself and the wider local economy. The findings from the interviews are compared against stated policy aims and wider costs and benefits associated with market interventions are also to be considered.

The research findings highlight the positive features of microbreweries in their local economies allowing us to better understand the link between the nature of funding and local socio-economic outcomes. Such findings will have value to other sectors as well as helping to provide evidence for the microbrewery sector to better demonstrate their contribution to local development objectives.

Keywords: Local development; microbreweries; business support; entrepreneurship

Introduction

There has been a significant growth in the microbrewery sector over recent years, reflecting a wider trend in the local food and drink sector. The number of microbreweries has more than doubled since the start of the millennium (British Beer and Pubs Association [BBPA], 2011) as more localised production and marketing approaches such as organic box schemes and farm shops have developed (Morris and Buller, 2003). Goodman (2009) partly attributes this shift away from mass-produced 'placeless and faceless' foods to a crisis of confidence in the large scale corporate food industry, particularly among higher income consumers. Mak *et al.* (2012) also note that food choices increasingly relate to other preferences concerning local gastronomic identities, cultural capital and experiential rather than necessity factors, factors that can also transfer into expressed preferences for real ale produced by smaller, local breweries.

This growth is not just a British trend. The Wall Street Journal reported that the economic downturn saw 114 new microbreweries or brewpubs launching in 2008 (the US Brewers Association [2013] estimated 409 in 2012), in many cases by entrepreneurs released from corporate employment (Kesmodel, 2009). It is easy to assume that many new microbreweries are little more than lifestyle businesses allowing individuals to pursue personal interests and niche markets rather than more lucrative business goals (Alonso, 2011; Tregear, 2005). In particular, their small scale raises significant questions about the value of their economic contribution. However, the recent years have seen a number of these ventures receiving business grants from a range of sources so the impact of this investment merits closer investigation. In particular we focus on two issues; the impact on local economic development and the impacts for the business approach of microbrewery owners.

We start from the assumption that grants should provide a net positive impact in terms of local economic indicators including job creation, training provision, increased visitor numbers or spill-over benefits for related businesses. In some cases, safeguarding of local jobs, support for key services or positive impacts for the natural or built environment might also be included in the remit of policy but arguably these are not economic goals so wider questions of social value are also considered. Each of these outcomes can be the product of direct financial investment leading to increases in measurable outputs or they can also stem from a secondary effect resulting from increasing entrepreneurial capabilities. Not only can upskilling within a business lead to improved performance but attitudinal changes, knowledge spillovers, extended network effects and greater investment in human capital can all have more wide-reaching impacts on local economic capacity (Westlund and Kobayashi 2013).

Many microbreweries have been supported as part of a diversification strategy for farmers or pubs in need of additional income streams and we hypothesise that different types of recipient and different rationales for seeking funding will

materially change the outcomes both for the business itself and for the wider local economy. The findings will therefore be valuable in terms of advising small businesses about the potential value and risks associated with applying for grants and in terms of policy approaches to implementing grant funding schemes for rural businesses.

Research carried out by the Spatial Economics Research Centre found that government grants to smaller firms in economically disadvantaged areas of Great Britain can increase employment, but grants to larger firms have no effect (Criscuolo *et al.*, 2012). However, while positive impacts on firms can translate into wider area benefits, Overman (2012) explains that the resulting increases in local manufacturing employment and reductions in unemployment come at a cost in terms of productivity precisely because grants support employment in lower productivity firms. Many microbreweries in rural areas have been supported through LEADER, a European bottom-up approach to rural development. Evaluations of LEADER have also delivered mixed verdicts with low job creation rates and criticisms concerning value for money on the one hand (Ekosgen, 2010; 2011) but low levels of deadweight (Ekosgen, 2011) and valuable support for new value chains (Metis *et al.*, 2010) on the other.

Given the different measures of policy effectiveness and the different objectives for intervention, it is clear that evaluation approaches should also be designed to fit the relevant contexts. Therefore, this paper proceeds from the methodology to consider the economic context in relation to the rationale for intervention in the microbrewery sector before widening the analysis to explore the contribution of interventions in terms of socio-economic value, skills development and the stimulation of entrepreneurship. We then conclude that the impacts of funding are mixed with some concerns over competitiveness but also some positive outcomes in terms of local multiplier effects and job creation.

Methodology

A sample of microbreweries were identified based on a snowball sample building from a previous study of LEADER funding (Bosworth *et al.*, 2013) and from an ongoing research project into the pub industry (Ellis, undated). In total, data is drawn from conversational interviews arranged with 15 breweries. For a qualitative approach where the business owners' decision making and attitudes towards the funding process were at the heart of the analysis, this was considered a good sample size. As well as providing insights about the entrepreneurial motivations of brewers and their attitudes towards grant funding, this research is also viewed as a pilot study to inform the design of a future questionnaire targeting a much larger sample size with the aims of better understanding the diversity, the challenges, the support needs and the economic contribution of the sector across the UK.

Interview conversation guides were developed with a set of questions in common

for all respondents and then two separate sections depending upon whether they had been in receipt of funding. Interviews were recorded and detailed case studies were written up in each case. From these, thematic analysis was carried out in relation to the following sub-questions extrapolated from the overall research objectives.

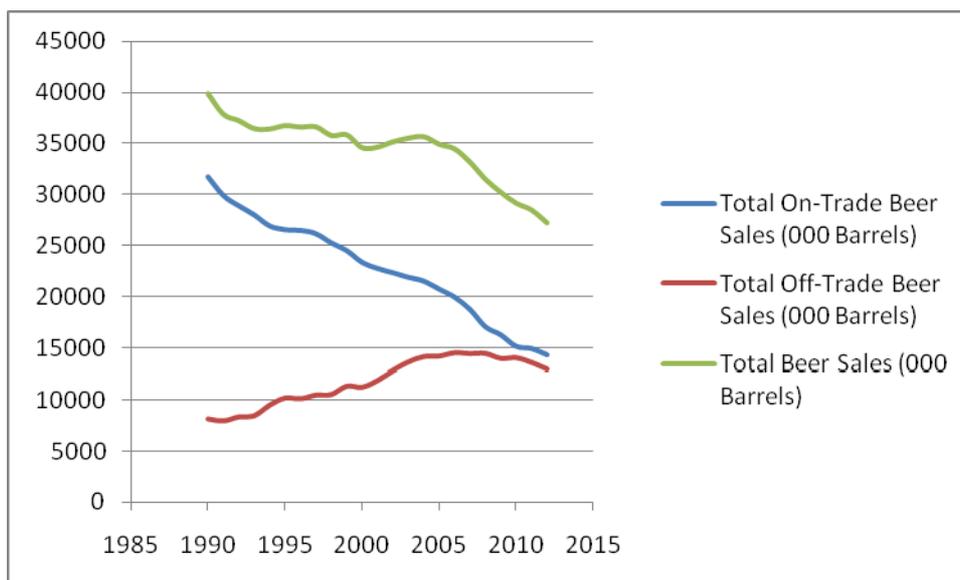
Additional data on changes in the pub and brewery sector are also analysed to establish the market conditions in which these brewers are operating. The economic picture is also critical for assessing the rationale for intervention in the sector and the anticipated impact that public funding in particular will have.

The findings are presented thematically, beginning with an analysis of the economic conditions before the interview data is presented to demonstrate the diverse ways in which funding impacts upon both individual businesses and local economic development objectives.

Economics of the Microbrewery Industry

According to figures supplied by BBPA and H.M. Revenue and Customs, in 2011 the UK had 946 breweries. Since 2002, the number of breweries has increased by 134.74%, an increase in 543 breweries across the UK. The following statistical information has been supplied by the BBPA. Draft beer has seen a decrease since 1980 where it accounted for 78.8% of all UK beer sales, whereas in 2011, it only accounted for 47.7%. Following this trend, real ale saw a decrease in its market share where in 1980 it occupied 16.8% of the draft beer market, whereas in 2011 it occupied only 7.7%. By contrast, lager occupied 23% of the market in 1980 which peaked at 33.4% in 2005, although by 2011 it had decreased to 29.6%. Real ale has seen a slight resurgence in market share where it has increased by 0.6% from 2006 to 2011. As depicted in Figure 1, the beer market has seen an overall decline of 31.67% between 1990 and 2012 which has significantly affected on-trade sales with a reduction of 54.9% during the same period. By contrast, off-trade sales saw a significant increase of 78.8% between 1990 and 2005, although has seen a 10.97% decline from 2006 to 2012.

Figure 1: UK Beer Sales from 1990 to 2012



These figures give a bleak outlook for the microbrewery industry particularly as more microbrewers are entering the industry all vying for a segment in a diminishing market. These worries were raised in all the interviews carried out where one microbrewer commented, *'It's a bit of a worry really....there aren't any more pubs, there's just more breweries.'*

Of the microbreweries interviewed, the majority of sales were made in a business to business (B2B) capacity across the UK, where according to SIBA (the Society for Independent Brewers), '85% of local beer was sent out in draught form' (SIBA, 2013: 17). Public houses that were tied to a pubco or brewery were mostly unable to purchase ale from suppliers outside of the pub tie, restricting the outlets available to independent microbreweries. Statistics provided by the BBPA in Table 1 indicate that of the 49,537 public houses in the UK as of 2012, 31,500 pubs were potentially unavailable for ale sales which accounts for 63.58% of the total pub trade.

	Managed	Tenanted	Total
Brewers	2,300	6,400	8,700
Pub Company	5,300	17,500	22,800
			31,500

Consistent with microbrewery concerns, recent figures supplied by the BBPA indicate a loss of just under 14,000 public houses (22% decrease) across the UK between 1990 and 2012. This suggests that traditional routes to market are becoming saturated as the number of available outlets for B2B sales are in decline while the number of microbreweries is increasing.

According to the Morning Advertiser's 'Brand Report 2013', real ale constituted nearly one quarter of all brands listed in the report where 22 real ale brands featured in the top 100 and 7 were included in the top 30 pub drink brands. This report is based on moving annual sales figures in 6,000 pubs across the UK which are compared like-for-like with the previous year's totals. This indicates that real ale is an important feature to a public house. However, the report also highlights that a majority of ale brands identified, none of which were from microbreweries, had seen a drop in sales. This supports comments by one microbrewer who comments, *'there are a number of free houses who I ring up... they have no thought about getting a local beer, so although they would be allowed to buy a beer, they just go and buy something from the big guys cos it's a name someone recognises.'*

However, the Brand Report 2013 suggests that big brands names are showing signs of decline which may motivate publicans to consider ales from smaller breweries. In contrast, the availability of new beers is essential to the microbrewery business as many publicans are keen to try new beers. As one microbrewer comments, *'We like to try and bring out new and different beers all the time. Again for the same reason we do swaps because if I can get on the phone to my customers on a Monday morning and say right we have a new beer then it's interesting and if it's something different, then they want it.'*

However, while the on-trade has suffered considerably since 2005 (BBPA), the off-trade offers additional opportunities. Where the ever reducing supermarket alcohol prices has made drinking at home the cheaper option which has been proclaimed to be 'devastating' to the pub trade (Protz, 2012), Business to Customer (B2C) sales offer opportunities for additional routes to market. However, fierce competition still exists where the most recent statistics available indicate that in 2008, supermarkets were selling 200 million litres of alcohol below cost price (PMA Team 2013).

Many microbreweries have taken this initiative where they reported to supply bottle conditioned ales to local Co-Operative and Waitrose supermarkets, farm shops and farmers markets in addition to an onsite shop. This is consistent with SIBA (2013) who reported based on their members survey, that bottled beer accounted for 13% of output. However, the move to online retail has been identified as possible route to market although one microbrewer challenged it as an 'inefficient' way to access the consumer market due to low purchase value verses insufficient human resources to administrate.

Many large brewers have introduced 'craft ales' in an effort to create a foothold in the microbrewery market. Recently, Marston's announced their craft lager launch (Black, 2013), Brains brewery are extending its craft-beer capacity (Morning Advertiser 2013), and Hartlepool based brewer Camerons are set to expand their pub chain from 67 to 200 pubs where 'the focus would be a new managed concept

known as "craft outlets" (Harrington, 2013: 12). However, their entry into the market has raised worries for microbrewers: *'The big brewers starting their own craft breweries on site...so they are almost marketing themselves now so they have their big brands and have their nice little craft brewery and 'buy your craft beer from us'. Also from a craft keg side, they have the equipment to do it.'*

By contrast, many part-time brewers or hobbyists have entered the market where microbreweries have reported concerns on the quality and continuity of the produce. According to one microbrewer, *'these small brewers are not viewing brewing from a business stance. They do not have the overheads of bigger breweries and do not rely on it for their income, so sell their beer at a reduced price that larger breweries cannot compete with.'* A brewer with previous experience in the corporate food and drink sector agreed, saying that it is *'very hard to compete on price against some other microbreweries'* and continuing to reflect on how so many breweries are able to stay in business given the high costs in the sector. This individual is happy to admit that his business mindset outweighs any emotional attachment to the product but in his case, investing in high quality equipment, ensuring a consistent standard and planning to accommodate output growth are enabling them to compete effectively, almost to the point where he sees the professional outlook as a key selling point.

This suggests that both downward and upward pressure is being applied to many microbrewers as they find it difficult to compete with the large breweries due to their marketing budgets and pool human resources. This has made microbrewers vary aware of their own marketing contribution where one microbrewer commented, *'we are going to have to up our game, cos they have got all these slick marketing set ups that they can bring into action, whereas here we would have to do it on a bit of a shoe string.'* However, this has led even these smaller brewers to acknowledge the importance of marketing: *'When we walk into a pub and try to sell beer, we need to be presumed as a quality outlet...it has to look professional appearance is everything at the end of the day.'* These comments are consistent with SIBA (2013) who report that '95% of survey respondents report some dealing over the last year with companies offering corporate designer marketing services – 60% say this has been frequently or on a regular basis' (p.16).

High Capital Expenditure

As well as increasing competition in the sector, microbreweries also face significant costs, particularly in the start-up phase. The initial capital expenditure required to purchase a brewery is high and the physical size of the plant has a large footprint. To put this in context, a 12 barrel brewery was transported from Ireland taking 12 people to disassemble and 3 articulated trucks and 6 vans to transport it back to the UK. A plant of this size can produce up to 280 brewers barrels a week using 6 fermenting tanks. Of the microbrewers who participated in this study, total project costs ranged from £66,000 through to in excess of £150,000.

The cost of premises was reported to be large due to the square meterage required to house the brewing equipment. Full barrels must be stored in a cool room to maintain the integrity of the beer, in addition to the storage of empty barrels and ingredients used for the brewing process such as malt and hops. One microbrewery had secured a guest ale distribution through Wetherspoons and Punch Taverns locally and nationally through Green King on a prescribed rotation. The larger pubco's operate on large turnover where over 800 barrels are dropped in one month which all must be stored before distribution in a cool store. One microbrewer has just expanded the premises to accommodate more storage facilities which has raised the geographic footprint of the business so it exceeds the maximum requirement for small business rate relief even though the turnover of the business has not increased.

Beer prices have increased significantly since 2008 as it has been on a beer duty escalator seeing an increase of 2% over the level of inflation every year. These increases has collectively seen a 42% increase in beer duty since 2008 (PMA Team 2013). This has been echoed in comments made by microbrewers such as, *'When we first startedthe price hasn't moved much after discounts and when you think duty's gone up, inflation's gone up.'*

However, microbrewers are eligible for duty relief as set out in HMRC Notice 226 Beer Duty to ensure small breweries are able to compete with the large national brewers. According to the SIBA 'Local Beer British Brewing Report 2012', 82% of their full brewing members were eligible for 50% duty relief. However, draft beer prices continue to increase where the cost per pint has rocketed by 52.97% since 2002 (BBPA). Harrington (2013) comments on a recent Mintel report that has found that 67% of participants felt drinking out was too expensive. In addition, statistics produced by CAMRA (Campaign for Real Ale) has reported a decrease in 3 million regular pub goers since the duty escalator introduction (Pescod 2012) further exasperating the route to market for many microbrewers.

When considering the rationale for policy support, high levels of sunk costs can be a barrier to entry and in cases where funding has simultaneously enabled the reuse of redundant listed buildings (as in two of our case studies) or sustained other associated businesses that might otherwise have ceased trading, the justification is clearer. However, given that many of the day-to-day costs that brewers saw to be restrictive were associated with taxation, principally beer duty and transportation (exacerbated by fuel costs in rural areas), there is a contradiction that many grant investments may simply be offsetting other government measures targeted at reducing fuel usage or alcohol consumption.

Supply Chains

Due to the specialist nature of the microbrewing industry, core ingredients cannot always be sourced locally. It was reported there are very few malt and hop growers

and suppliers in the UK which require bulk ordering to accommodate scales of economy. In addition, new flavours are always sought by brewers to maintain new product ranges which require sourcing from further afield in Europe. In some cases, even where there is a local option, the quality control guarantee from larger operators was seen to be critical to maintain the quality of output needed to sustain the reputation of a microbrewery. Only minor local networks were used such as the supply of stationery and the use of local service providers such as an accountant or graphic designer. One microbrewer commented *'as a company we like to be seen buying locally and promoting locally,* although due to the specialism and unavailability of products locally, sourcing locally is often difficult. Another echoed this sentiment but was taking steps to investigate a local malt co-operative and had used local steel fabricators in constructing his equipment so, particularly in smaller rural economies, the impacts can be more significant than purely financial data would indicate.

However, microbreweries are also increasingly connected into food and drink tourism networks and in some cases they are themselves tourist attractions. This further encourages the use of local supply chains as one microbrewer commented, *'We're using local businesses to make our beer mats and our t-shirts with our logo on it and various other bits that go with the brewery tours we offer, you know merchandising it a bit. There is also a bloke who comes in the pub that is putting our logo on our beer glasses so we're trying to use local business as much as we can.'* The tourism sector also provides opportunities for brewers to reach wider markets through rural tourism outlets. This in turn boosts the offering of the farm shop or campsite shop and raises their consumer profile. In the case of the campsite, the brewery and campsite work closely together and have each benefited from the other's growth. Beer festivals and real ale trails are other means through which a wider range of tourism and hospitality businesses can benefit from growth in the microbrewery sector but these co-operative rather than direct supply chain networks tend to require an additional stimulus to become successful. Given that funding through these channels can benefit a range of businesses and support local community activities and heritage (two key areas that LEADER has focused on), these provide more imaginative opportunities for future funding that is less distortive with regard to local competition.

Job creation and training

Research commissioned by the Brewers of Europe estimates that 'one job in brewing supports 21 others in supply and distribution: one in agriculture, one in the supply chain, one in retail and eighteen in pubs' (SIBA, 2013: 17). SIBA's members have reported to employ just under 5000 employees, where approximately 12% are between the ages of 18-25 years (SIBA 2013) which actively supports the reduction of youth unemployment in the UK. However, expansion of a microbrewery was commented by one microbrewer, *'If I went to a 30 barrel brewery tomorrow I wouldn't have to increase my staff at all, I could maintain the amount of staff, but I could triple the amount of beer I'm brewing.'*

Others interviewed, even where they had received funding to accelerate growth, admitted that they were unlikely to create many new jobs. One had doubled in size without public funding and recruited a new marketing specialist, another with funding was expecting to need to recruit someone in the near future.

It is suggested, that while brewing staff may not be increased, there may be greater call for sales and marketing positions to ensure the increased production has secure routes to market. One brewer took on a sales person to help the team after increasing their output capacity. Additionally, our research identified a small cider manufacturer in receipt of LEADER funding, who explained that the funding brought forward their plans to upgrade machinery thus creating one new job immediately with a second anticipated from the potential to diversify into new products. It seems that brewers rarely consider diversification beyond different beer types but this indicates that there may be wider potential from different types of drinks or even the production of other products that can be sold directly to customers, either through visitor centres or mail-order channels.

The brewing industry has no formal requirement for training. This was considered a concern for the microbreweries interviewed as brewing requires the use of highly toxic chemicals and the safe handling of food as real ale is a live food produce. In addition, concerns were raised about standardisation of brewing processes as minimum quality levels and brewing standards differ from brewery to brewery. This was considered to affect the overall perception of real ale to consumers as the continued growth of the ale market is essential to the survival of the micro brewing industry.

In addition, those entering the brewing industry have used the expertise of other brewers who have guided them in their initial set up and in the development of good brewing practice. It was also noted there are no formal apprenticeship programs for the brewing industry making microbrewery owners liable for the training of new employees. There are private courses available for brewing such as BrewLab which carry a price tag of £995 for 4 day and £3995 for a 3 week course. Academic courses are also available through universities such as Heriot-Watt University, Sheffield University and The University of Nottingham, however, they all carry high price tags and lengthy time commitments which were considered difficult for small independent breweries to accommodate. One microbrewer commented, *'We're constantly bringing people through, we're training them up and we're getting nothing for this.'*

Grant Funding

Having established that the pure economic argument for policy intervention in the microbrewery sector is relatively weak, but that there is wider social and economic value generated from the establishment and growth of these enterprises, the final section considers how funding has made a difference.

In almost all cases, the funding brought forward development rather than creating something that would not have happened. For some breweries, the funding also gave a very clear competitive advantage over others in the same sector. One brewer said, *“it meant that I could buy higher spec kit,”* adding *“it is semi-automated and can even be operated remotely”*; statements that might raise questions about the job creation potential of the business.

In a similar vein, the recipient of a £50,000 Rural Development Programme for England (RDPE) grant explained that it speeded up their development and also that *‘the grant enabled us to spend money on things that we weren’t really going to budget for before...for example, the grant will enable us to get a much better website, it will enable us to get a much better vehicle, where without the grant, would not have been in the frame.’* Each of these outcomes will have a clear benefit to the competitiveness of that brewery yet it is harder to justify on the grounds of local economic impact. If funding is permitted to support marketing and reduce transport costs, it is easy to see that other local breweries would be disadvantaged.

A cider producer in receipt of funding explained that they have produced four times as much cider following the injection of grant funding to buy in new machinery. This has allowed them to widen their target area and focus on improving marketing strategies, all of which will help to drive the business forward and increase his own skills. In this case, two jobs have been created, others have been safeguarded and the business is looking to diversify and work with others in the local area demonstrating that there are local multiplier effects. There are also few direct competitors in cider making in that part of England but, based on the market evidence presented above, if one microbrewery was supported to quadruple its output, others would suffer.

Considering the wider benefits from funding, it is often difficult to separate out different issues. For example, a brewery was established in Northumberland in 2005 on the back of a major grant to support farm diversification and the re-use of listed agricultural buildings and this also created a new visitor centre for the local tourist economy. However, this arguably distorted local competition and within 20 miles in the same county, a microbrewery closed in each of the subsequent 2 years (Quaffale.org.uk). In Cumbria, seven breweries were supported under the microenterprise measure of LEADER between 2007-2013 (fellsanddales.org.uk; sbeleader.org.uk) while three closed in the same period and currently there are 35 in operation, with two about to start (cumbrianbreweries.org.uk, 2013).

Given the competitive impact of funding, it is perhaps not surprising that those who had to pursue commercial sources of finance were less enthusiastic. One commented that *‘there is very little incentives from the government to anything unless you are in an area like Wales or if you are a farmer. If you are farmer you can get grants to do anything. There are quite a lot of farmers that have started up*

breweries and got a huge grant from DEFRA to do it' and another explained that they were unable to access grants for their expansion because *'it wasn't farmland so they couldn't get anything'*. This brewer described it was *'irksome'* that others are receiving funding at a time when competition is already quite tough.

In instances where funding decisions were applied to support vulnerable farm businesses, the impact on the microbrewery sector appears to be less rigorously assessed. This may help to meet one objective but a wider impact assessment would be helpful – particularly in scenarios where funding rules apply to specific boundaries and the displacement effect is outside of the area covered by the policy. In other cases, it has been the diversification of a pub business that has been supported. In some instances, owning a pub provides the brewery with a 'show case' for their real ales and a direct route to market. One microbrewer who received funding commented that the introduction of a microbrewery to their pub was a way

'to gain independence and autonomy in a business that is completely governed and run by big players...as time goes on, the bigger players are learning to use their financial muscle to squeeze independents...by using their buying and the corporate marketing power...the way they are conducting their business...you can see that in the future that unless we could match them, we might as well shut...This microbrewery takes us out of their firing range. We become a completely different and separate business to what we are now...and what they do and how they conduct themselves will have very limited effect on us.'

This suggests that the diversification of business in this particular instance is a way to ensure the continuation of an existing public house. If the public house is struggling, a free market economist might question the rationale for intervention. One pub owner explained that his local village residents seldom supported the pub but they *'want it here to keep the house prices up.'* However, other research has shown that there are considerable social and heritage values associated to public houses, particularly in rural areas (Markham, 2012; Cabras and Reggiani, 2010; Muir, 2009) which could explain the rationale for intervention. This rationale needs to be clear though because even if the brewery's primary function is to support the public house, the introduction of a microbrewery to the existing free house not only heightens competition in the sector but it also removes a route to market for existing microbreweries who previously supplied the establishment. This may only be relevant to businesses that operate within the existing supply chain, although diversification of business outside traditional routes to market may not have a profound impact on the industry. This requires further research to understand how business diversification impacts the wider microbrewery industry.

In essence, we argue that public intervention to address market failure or to create public goods should be evaluated against such goals. To conclude this section, an example of good practice shows how investment in a brewery can deliver more extensive benefits. Where entrepreneurs engage with funding programmes, new opportunities can emerge as with a brewer in Kent who has developed an

environmentally responsible approach. This has seen initiatives to reduce food miles in the supply chain - such as sourcing malt and hops locally and only selling beers directly to outlets, reinvesting in a historic hop garden, launching a Fairtrade beer on draught, spreading brewery effluent on the farm land to replace trucking it away, purchasing three LPG powered delivery vans and an LPG powered sales car, reducing water usage in the brewery to under 3.5:1 ratio and replacing all plastic waste from bottled beer products with recyclable items. Not all breweries will have this range of opportunities available but this example demonstrates the potential added value that can be generated from funding and adds to calls for evaluation of funding programmes to be extended beyond economic parameters.

Discussion and Conclusions

This research has established a number of challenges facing the microbrewery sector and the findings indicate that the impact of policy intervention is variable. Indeed, awareness of the availability and eligibility criteria is also variable. The market analysis has demonstrated a situation where competition among microbreweries is increasing at a time when the number of pubs is decreasing. Moreover, fixed costs in terms of equipment and land are high and interviews have discovered concerns over variable costs such as transportation and taxes too. Thus, from a purely economic perspective, the arguments for funding new breweries or expansion among existing operators are not conclusive. Where funding has been provided, there are concerns that the high levels of competition are creating displacement effects and that a saturation point is being reached in some regions.

At the very local level, especially in more rural areas, we have identified mixed messages. Some interventions have led to spin-off benefits for tourism businesses and other local food and drink producers while others have simply offered a competitive edge to independent businesses. It is therefore imperative that evaluations of policy intervention are used to inform allocation decisions in ways that ensure public good outcomes are very clearly aligned to payments. Job creation and training provision can be used as indicators of both economic and social contributions and further indicators of multiplier effects through trade and tourism must also be considered.

One of the reasons that the impact of microbrewery support is so variable is that the motives for funding are also inconsistent. Where funding is provided for diversification activity that is expected to safeguard a pub or farm or to sustain the use of vulnerable or listed buildings, greater consideration of the impacts within the local microbrewery sector is also needed. If the impact of the intervention is judged purely on these outcomes, it may be deemed successful, even if displacement effects mean that an existing business is threatened by an additional competitor that has the benefit of fresh finance and new equipment.

On a more positive note, however, there are several examples of how funding can stimulate innovative thinking and raise entrepreneurial skills within the sector. If this translates through local networks to the benefit of a range of businesses, the potential for new products, new methods and new collaborative arrangements to reduce costs and exchange knowledge should all be welcomed. We have seen examples of greater environmental awareness, product diversification, extended market reach and innovative thinking about how and where to sell products. The process of applying for funding and reviewing, or in some cases writing, a business plan can provide greater confidence for business owners to move forwards. To this end, raising entrepreneurial capacity is to be encouraged, and not just in the microbrewery sector. However, this can be done through the funding of other initiatives such as training courses and apprenticeships or through other parts of the supply chain to save the distortive impacts of directly funding individual enterprises.

In conclusion, we have seen a range of impacts and the specific contribution of funding is inconsistent. Many of these impacts arise from independent drivers to forge and grow networks particular to the business motivation such as agricultural diversification or independent microbrewery growth. Even so, funding has seen wider industry impact that may not always be considered within grant criteria. Furthermore, there seems to be no archetypal funding criteria attributed to the microbrewery industry to ensure the longevity of the industry which may ultimately promote inconsistencies throughout the country. In all cases, individual assessment and the wider impacts on the sector must be considered to ensure policy intervention and funding have a universal positive impact on local economic growth. Therefore, a wider survey is required to better evaluate how funding has been used and how it has impacted both microbreweries and their local economies. This information can then inform funders and policy-makers as well as industry organisations to ensure that the sector remains healthy and that its contribution to local economic development is fully recognised.

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