



306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307  
[iba.org.au](http://iba.org.au)

20 December 2019

The Hon Josh Frydenberg MP  
Treasurer  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer,

**IBA 2020/21 PRE-BUDGET SUBMISSION**  
**Strategic Measures to Grow the Independent Brewing Industry**

The Independent Brewers Association (IBA) is the peak national industry body representing Australia's 600+ independent brewers, 65% of these being small businesses based in regional and rural Australia.

In the past three years a new independent brewery has opened, on average, every six days. To the delight of Australians across the country, our members are growing strongly and disrupting the traditional 20th century beer paradigm with a focus on quality and variety rather than price and quantity of consumption.

In Australia, almost 90% of the beer market is dominated by four multinational corporations: AB InBev, Kirin, Asahi and Coca Cola Amatil with scale and resources that dwarf the Australian independent brewing industry. These multinational goliaths use market power and a nearly unlimited access to capital to create an uneven playing field that makes it difficult for independent breweries players to compete.

Yet the growth of independent beer is testament to the tenacity and innovation of these small businesses, who have grown to account for 6% of the total Australian beer market by volume in a highly competitive market. The industry has an ambitious goal to grow to 15% of the Australian market by 2025 which will see the industry over \$2.3 billion in economic output to the Australian economy in addition to paying in excess of \$300 million in excise tax.

Currently, the industry directly employs over 3,000 Australians. This figure represents 47 percent of all employment in the brewing industry in Australia with an annual wage cost of \$215 million. With our growth targets, the industry will create another 4,000 jobs to meet our 2025 growth targets. Importantly, another 1,700 skilled brewing jobs will be



306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307

[iba.org.au](http://iba.org.au)

required highlighting a critical shortfall in vocational training to create these qualified jobs.

In addition to direct employment, breweries have a significant secondary employment effect on Australia's agricultural and logistics industries through buying Australian grain and hops from local farmers. IBA and ABS research shows that for every direct job in the brewing industry, another 7.2 jobs are created in the wider economy, meaning that independent breweries are currently supporting 21,600 jobs in agriculture, logistics, machinery manufacturing, and services industries.

The level of growth forecast in the industry is dependent on a number of factors, including:

- **Access to skilled labour:** Breweries will create 1,700 new skilled jobs over the next five years which will require additional TAFE training places to be created with more advanced skills training (Cert IV in brewing).
- **Access to capital:** The industry will need to invest \$150m on new plant, equipment and advanced manufacturing processes by 2025 in a capital market that is increasingly risk averse and unfriendly to small business.
- **Gaining open access to markets:** The Australian beer market within pubs and hotels is dominated by multinational breweries who use unlimited access to capital to buy tap space in order to limit access to independent brewers. Independent breweries need competitive leverage to break open these unfair business practices.
- **Opening up export markets:** The Asian beer market on our doorstep imported over \$1bn AUD in beer in 2017 and the craft segment is growing at over 20% per annum. The Australian independent brewing industry has an opportunity to capture a significant portion of this market over the next 10 years, but it will need Government support to help make this happen.

The industry appreciates the Government's previous increase in excise relief but it is clear that this small but rapidly growing industry needs further assistance to support these growth opportunities. The independent brewing industry is still in its infancy and will struggle to achieve these outcomes without a broader 'whole of market' industry development initiative which is unable to be funded by the industry alone. Investment by the Federal Government in the Independent Brewing Industry will not only provide a platform for growth for this evolving sector, it will also have the added benefit of supporting the supply chain to the brewing industry, particularly, in regional and rural Australia.



306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307

[iba.org.au](http://iba.org.au)

To successfully navigate growth and development in such a highly capital and labour-intensive industry, independent brewers are seeking the following to be included in the 2020 budget:

1. Funding of up to \$350,000 for development of an 'Independent Brewers National Industry Strategy' which would provide a medium-long term blueprint for growing the industry both domestically and in key export markets.
2. Deliver fairer tax for the independent brewing industry through an increase in the small brewery excise rebate to \$350,000.
3. Funding of up to \$100,000 to assist the IBA to develop materials for the Certificate IV in Brewing course.

## **1. A DEVELOPMENT STRATEGY FOR THE INDEPENDENT BREWING INDUSTRY**

Australian Independent beer could become a similar sized industry to the Australian Wine industry over the next 10-20 years and deliver billions of dollars of value to the Australian economy. It is crucially important that a 10-year industry strategy is developed that quantifies the value of the independent brewing industry to the Australian economy today and over the next decade as well as identifies the strategic enablers and blockers to realise this value.

To unlock this growth within the independent brewing industry we are seeking a budget commitment from the Federal Government to develop a National Industry Strategy. This Strategy will quantify the economic benefits independent brewers offer Australia across numerous portfolios:

- Trade & Industry
- Regional Development
- Tourism & Major Events
- Agriculture & Primary Industries
- Employment & Vocational Training

Accordingly, we are asking that the Federal Government invest up to \$350,000 to develop a detailed National Industry Strategy. This strategy will identify the opportunities and barriers to growth and lay out recommendations for the industry and Government to unlock the growth potential of the industry over the next 10 years.

The funding would be allocated to the IBA who would oversee the development of a strategy. The funding would cover financial modelling, research and analysis and the



306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307

[iba.org.au](http://iba.org.au)

identification of strategic drivers. The industry strategy would be developed for Australia-wide and include a specific regional and rural stream. The development of the National Industry Strategy would be overseen by a specific purpose committee appointed by the IBA Board. This committee would be made up of members representative of the wider IBA membership and include representatives from Government. Funding availability is requested for 1 July 2020 with the Industry strategy completed within a 12 month time period.

The National Industry Strategy would act as the key economic blueprint for future IBA and Government initiatives to assist in the development of the industry.

## **2. FAIR TAX FOR INDEPENDENT BEER**

Small Independent Brewers face a fundamental competitive disadvantage in the nature of their businesses being highly labour intensive as compared to the large multinational brewers who are highly automated at producing gigitalres of beer each year.

Independent Brewing is both a highly capital and labour-intensive industry. As a rule of thumb, every 1,000,000 litres of beer produced requires \$1,000,000 in capital investment. Maintaining a steep growth trajectory will require significant capital investment from relatively small businesses and will generate many new jobs within the industry.

By 2025, the industry will need an additional \$150m of capital investment in a tight capital market which is unfriendly to small business.

On the other hand, multinational brewers:

- Use nearly unlimited capital resources to block access for independent brewers by buying up tap-points within pubs and hotels;
- Have staggering economy-of-scale compared to small brewers which results in a massive disparity in raw material and production costs;
- Look to be consolidating further as evidenced by the proposal for Asahi to acquire CUB - a concerning move which will see competition further reduced as evidenced by recent ACCC concerns about the acquisition.
- Pay little or no company tax in Australia, being able to siphon profits offshore to their multinational owners.

Independent brewers, who are all small Australian businesses, compete on an uneven playing field and are slowly changing the beer culture in Australia away from the price



306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307  
[iba.org.au](http://iba.org.au)

and volume driven economics of the big brewers. Instead, independent beer is focused on educating a new consumer who is concerned about supporting local businesses who are producing flavoursome and innovative beers.

The industry greatly appreciates the increase in excise rebate in the 2018 Budget to \$100,00 and has put this funding to great use by hiring more people and investing in manufacturing efficiencies. The originally proposed \$350,000 rebate was proposed in-line to meet the growth requirements of the industry and accordingly we are asking that the full \$350,000 excise rebate is included in the 2020 budget to help the industry realise the growth opportunities available.

A comparison with small winemakers is salient to the argument, with small winemakers receiving large tax breaks that in many cases see them pay no tax on the production of their wine – thus levelling the playing field against large wine producers. This has led to a proliferation of small winemakers and the development of a thriving wine industry that is worth \$4.3 billion in sales domestically and \$2.6 billion in exports.

<b>Comparison Criteria</b>	<b>Small Winemakers</b>	<b>Independent Brewers</b>
Employment	16,500	3,000 Forecast of 7,700 by 2025
Average employees (FTE)	9	7
Percentage of industry employees	10% of wine industry employees are employed by small winemakers.	47% of brewing industry employees are employed by independent brewers.
Industry Growth	Strong +10% production and revenue metrics	Strong +12% In the past 3 years, a new independent brewery opened, on average, every 6 days.
Brewery Owned Production vs. Contract (shared) Production	50 / 50	75 / 25



306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307  
[iba.org.au](http://iba.org.au)

Domestic Sales	86% of sales	96% of sales
Have a cellar door/taproom	70%	66%
Cellar Door Sales	30% of sales	30% of sales
<b>Sources:</b> Wine Australia Small Winemaker Production & Sales Survey Report (2016-17) Essential Economics Independent Brewing Industry National Economic Evaluation (26 June 2017) 2018 IBA Industry Survey IRi Data September 2018		

The IBA seeks to address the fundamental competitive disadvantage that the Australian Independent Brewing industry faces through levelling the playing field between wine and beer and between independent producers and large multinational brewers.

The proposed increase in rebate would further help level the playing field between the multinational brewers and independent brewers. We also ask that this amount be indexed in step with the twice-yearly CPI increases to the excise rate.

This measure will provide much needed capital to support jobs and spending on infrastructure for increasing manufacturing capabilities.

### 3. INDUSTRY VOCATIONAL DEVELOPMENT

The last five years has seen extraordinary growth in the size of the craft beer industry. Unfortunately, starting off a very small base, the industry has been unable to match that growth with the development of skilled brewers. This has led to a national shortage of experienced brewers and is a significant impediment to the continued growth of the industry. It is estimated that over the next 5 years, at the current rate of growth, up to an additional 1,700 brewers will be required to staff the expansion of the industry.

The IBA is seeking government support to fund the development of a Certificate IV course based on the work completed in 2019 by Skills Impact Australia. The estimated cost of this project is \$100,000.



306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307

[iba.org.au](http://iba.org.au)

In the last 2 years, we have seen state-based TAFEs develop basic training courses at a Certificate III level. TAFE NSW commenced its first course at Ultimo in 2017. The 72 graduates of this program have all obtained full-time brewery employment. TAFE SA commenced the Certificate III program in 2017 and this year commenced its first Certificate III Traineeship course in cooperation with the IBA which manages the placement of Trainees into independent breweries. TAFE Queensland will commence its first Certificate III course in 2020, with 20 places.

However, advanced brewing courses are only available as a post-graduate option at two universities. In 2019, Skills Impact Australia finalised the guidelines for FBP40619 Certificate IV in Artisan Fermented Products, providing a clear framework to develop a Certificate IV for Brewing, creating the opportunity for a more accessible and affordable advanced brewing skills course.

With the Certificate III course still not fully implemented across Australia, the IBA is concerned there will be significant delays in the writing and implementation of the Certificate IV course. This, once again, will lead to a limitation on the growth of the industry and its drive to quality of product. To ensure the coursework is written for a new Certificate IV on a timely basis, and best matches the specific demands of the craft beer industry, the IBA proposes it take responsibility for preparation of course material through the engagement of knowledgeable experts in the industry. Once the coursework is completed, the IBA would then make the course available to all state TAFEs, ensuring prompt implementation of the Certificate IV course across the country. Through licensing of the coursework, the IBA will generate an additional revenue stream assisting the Association to become self-sustaining over time.

The IBA will engage a technical writer with experience in writing qualifications and units of competency. Included in the scope of work will be the validation documents that map the teaching materials to learning outcomes and performance criteria for each unit of competency that makes up the qualification.

To fund the writing of the coursework, the IBA seeks support from the Government of \$100,000 to subsidise total drafting costs and validation of the materials. The funding would be allocated to the IBA and overseen by the existing IBA educational workstream. The funding is requested for allocation 1 July 2020 with completion of the project within one year.

Without this funding, the industry will be unable to meet its requirement for new skilled brewery operations employees and will therefore be unable to meet the volume forecasts projected for 2025.



306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307

[iba.org.au](http://iba.org.au)

## WHO ARE THE INDEPENDENT BREWERS?

Independent brewers are Australian entrepreneurs who are working hard to re-establish a local brewing industry that was lost in the wake of last century's consolidation, industrialisation and globalisation of the Australian beer industry. 2018 was the strongest year of growth to date for our industry, driven by a new pattern of beer consumption that is focused on supporting local businesses that are making quality beer with care and innovation.

**Employment & Economic Output:** According to best-available estimates by the IBA, our industry directly employs more than 3,000 Australians – or 47% of all employment in the national beer manufacturing industry - and contributes in excess of \$900m in economic output each year. The industry further supports 21,600 jobs in the wider economy, particularly in the agriculture sector for raw brewing ingredients but also in logistics, equipment manufacturing and services.

**Export:** Australia produces world class beer and our success in international beer competitions confirms this. However, with the exception of a few larger breweries, little of our national craft beer production is currently exported. The independent brewing industry has a massive opportunity to replicate the success that the Australian wine industry has experienced in Asia. Asian markets on our doorstep are currently importing over \$1bn AUD in value of beer and the craft beer segment is growing in double digits. However, small independent brewers are hampered by a lack of resources and knowledge on how to facilitate logistics and establish distribution chains in Asia. There is a role for the Government to help kickstart Asian beer exports through helping to establish the brand of "Australian Independent Beer" and to help independent producers enter key Asian beer markets such as China, Taiwan, Korea and Japan. The National Industry Strategy proposed would be the first step towards identifying the key steps required to achieve this export potential.

**Tourism & Regional Development:** Independent brewers now offer an inbound tourism opportunity similar to winemakers. Two thirds of independent brewers are located in regional and rural Australia, while two thirds also offer taproom premises that are open to the public. Our members are heralding a cultural shift to a new style of community hub, favoured by locals and visitors alike. The establishment of regional "Ale Trails" and boosting of promotion to inbound tourism would further bolster these regional and rural economies through visitation. The National Industry Strategy proposed would identify key opportunities to further boost tourism to regional brewery centres which





306 Smith Street  
Collingwood VIC  
3066 Australia

ACN 154 036 307  
[iba.org.au](http://iba.org.au)

would create further opportunities for new businesses to be established in these regional and rural areas.

**Manufacturing, Agriculture & Trade:** As with Australian winemakers, the impact of independent brewers on local communities is significant in terms of employment and support for agriculture and production of the raw ingredients required to make beer. It is also important to note that independent breweries have a focus on sourcing unique raw materials to produce innovative beers which is leading to the development of boutique raw material suppliers, particularly in the grain and hop industry. The requirement for independent breweries to source locally grown raw materials is set to explode over the next five years which will encourage further development of specialty local businesses in rural areas.

I trust that this submission outlines the massive opportunities and challenges on the doorstep of the independent brewing industry and the impact that this small industry can have in creating new jobs and businesses if the proposed support from the Government is provided in the 2020 budget.

If you would like to discuss any aspect of this pre budget submission in more detail, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Peter Philip". The signature is written in a cursive, flowing style.

**Peter Philip**  
**Director, Independent Brewers Association**  
**Tel: 0416 101 265**