17 March 2020

**Re: Emergency relief to save the Independent beer sector**

Dear {insert name}

Thank you for your previous support for the independent brewing industry. We now need your help more than ever.

The purpose of my letter is to alert you to the potentially devastating effect that COVID-19 will have on the independent brewing industry and to propose the relief required to help the industry overcome this crisis, keep these businesses open and **save 3000 jobs**.

The Independent Brewers Association (IBA) is the peak national industry body representing Australia’s 600+ independent brewers, **2/3 of which are located in rural and regional Australia**.

**A PRIME OPPORTUNITY**

The independent brewing industry currently faces a massive threat created by the Coronavirus off the back of a difficult summer season with the bushfire tragedy and flooding.

The IBA has previously made a budget submission asking the Government to support independent brewers through a series of initiatives including increasing the small brewery excise rebate to $350,000. This initiative was designed to provide direct economic stimulus to the independent beer industry which in turn would directly secure and enhance jobs growth, particularly in regional Australia.

The current economic circumstances provide an urgent call-to-action for the Government to support the independent brewing industry through the Coronavirus crisis.

**AN AUSTRALIAN GROWTH AND EMPLOYMENT STORY**

Independent breweries are disrupting the traditional 20th century beer paradigm with a focus on quality and variety rather than price and quantity of consumption. This has seen the sector grow strongly to account for 6% of the total Australian beer market by volume in a highly competitive market.

Currently, the industry directly employs over 3,000 Australians. This figure represents **47% of all employment in the entire Australian brewing industry** with an annual wage cost of $215 million. The industry has ambitious goals to grow to 15% of the Australian market by 2025 which would create another 4,000 jobs – growth which will not happen if the industry is decimated as this crisis threatens to do.

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 **independent breweries support 25,000 jobs** in agriculture, logistics, manufacturing and services industries.

**THREATS AND CHALLENGES**

The summer of 2020 was a challenging one for independent brewers. With 2/3 of our members located in regional and rural areas, the bushfire crisis impacted these businesses deeply, even those that were not directly damaged by the fires.

Now, the Coronavirus pandemic will affect not only these businesses but will likely devastate the entire industry with three heavy blows that every brewery in the country will feel:

1. The majority of independent brewers have an on-site taproom where they serve beer to the public. The percentage of revenue derived from these taprooms varies from 20%-40% for a brewery in urban areas to 80%-100% for small brew-pub operations located in rural or regional Australia. These small independent brewers are dependent upon their taprooms as a vital source of revenue and cashflow and it seems inevitable that these venues will need to close for a period of time, either through a government imposed shutdown or through customers not attending public places.
2. Sales of beer to the pub trade is likely to be similarly hit with a corresponding reduction in keg beer sales of 50%-100% for a period of time. Cashflow is likely to suffer as pub venues are financially challenged resulting in breweries carrying long collections and increased bad debts.
3. Finally, the retail trade is likely to suffer a reduction in trade as people self-isolate and reduce social interactions when they would normally consume beer with friends. This could result in reductions of up to 30% in retail trade for an extended period of time.

The IBA is forecasting reductions of up to 80% of taproom revenue and 40% of wholesale trade for the six-month period covering the autumn and winter. Combined, it is highly likely that **breweries will lose 30%-80% of their revenue** during the peak of the epidemic which experts say could last for up to six months. If this worst-case scenario eventuates then these small businesses will not have the capital reserves to survive and **many independent breweries will go out of business and thousands of jobs will be lost**.

It is also important to note the downstream impact that such a downturn will have on the Australian economy. The independent beer industry supports around 25,000 jobs that support independent brewers. These jobs are primarily in agriculture to supply brewers with barley and hops but also support jobs in logistics, manufacturing, retailing, hospitality and services. These downstream businesses will feel the pinch as breweries reduce orders for malt, hops and equipment.

**A PLAN FOR SHORT-TERM SURVIVAL**

This is a real and pressing threat to an industry in its infancy that will destroy many small businesses. Without assistance, thousands of jobs will be lost, and the industry will take many years to recover.

The high fixed-cost business model of a brewery where rents, wages and equipment make up a high proportion of expenses means that breweries are not able to scale down expenses if volumes are decreased.

There are three ways that the IBA believes the Government can help small independent brewers to survive this crisis:

1. **Short-term Excise Relief for Survival**: Excise makes up 45% of the production cost of beer and is the most targeted way that the Government can provide assistance that scales with the size of the brewery business. The IBA suggests that a six-month suspension of excise payments for breweries under 20 million litres would help small breweries that are most at risk. A costing of this initiative would be $35m or an average payment of $11,200 per FTE employed by small independent brewers. A breakdown of this costing is provided as an attachment to this letter.
2. **Business survival grant**: Excise relief may not be enough to ensure survival of businesses, so brewery businesses should be able to apply for a one-time grant of up to $50,000 and interest-free loans of up to $500,000 to assist small brewers to keep their doors open and staff employed.
3. **Recovery Excise Relief for Recovery and Growth**: The IBA has made budget submissions asking for small brewer’s excise rebate to be increased to $350,000 in the 2020 budget as well as other initiatives geared towards helping the industry meet its ambitious growth targets. These initiatives will help struggling breweries get back on their feet following the crisis and will be an economic stimulus to help the industry grow into the medium term.

I would like an opportunity to discuss this proposal with you in more detail. I will follow up with your office to schedule a meeting. In the meantime, please feel free to reach out at any time to me on 0416 101 265.

Yours sincerely,



Peter Philip

Chairman, Independent Brewers Association

and Founder, Wayward Brewing Co

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