Llywodraeth Cymru
Welsh Government

Analysis and Overview of the Welsh Drinks Industry

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Contents

Brookdale Consulting

7 Brookdale Road
Bramhall, Cheshire
SK7 2NW
www.brookdaleconsulting.co.uk

Drinks Sub Sector Overview

This short report provides insight and detail into the drinks sub sector in Wales, from primary production through processing and distribution to retail. Specifically, the report provides a review of the companies in the sub sector, detailed employment and business activity statistics from ONS and FSA, consumer trends through a review of Kantar data and other industry sources and consultations. Finally, the report provides insight into business activity and opportunities through a selection of case studies.

The sub sector includes the following types of activity in order of the number of companies:

- Brewing and fermenting
- Vineyards
- Water and soft drinks
- Distilling.

Summary of the Sector

The Drinks sub sector in Wales:

- includes beer, cider, whisky, water and soft drinks;
- the two largest sub sectors are brewing and water & soft drinks accounting for 97% of drinks employment;
- employs 1,200 people (2015) down from 1,900 in 2014. This drop is due to major brewers outsourcing distribution and the takeover of two major Welsh soft drinks companies – one site closed and employment from the other is now registered at the HQ location, outside Wales;
- in 90 business units (2016) up from 85 in 2015 though industry estimates suggest 200 highlighting substantial growth in small operators;
- with a turnover of £809m (2014) up from £596 (2013);
- a Welsh retail sales value of £956m (2016);
- GVA of £373m (2014) up from £285m (2013) and
- Exports of £71.6m (2016) up from £61.8m (2015), US, France, India, Germany and Nertherlands being the top 5 destinations (2016).

The sector in Wales represents:

- 4.9% of all Wales Food and Drink Manufacturing employment;
- 15.9% of Wales Food and Drink Manufacturing business units.

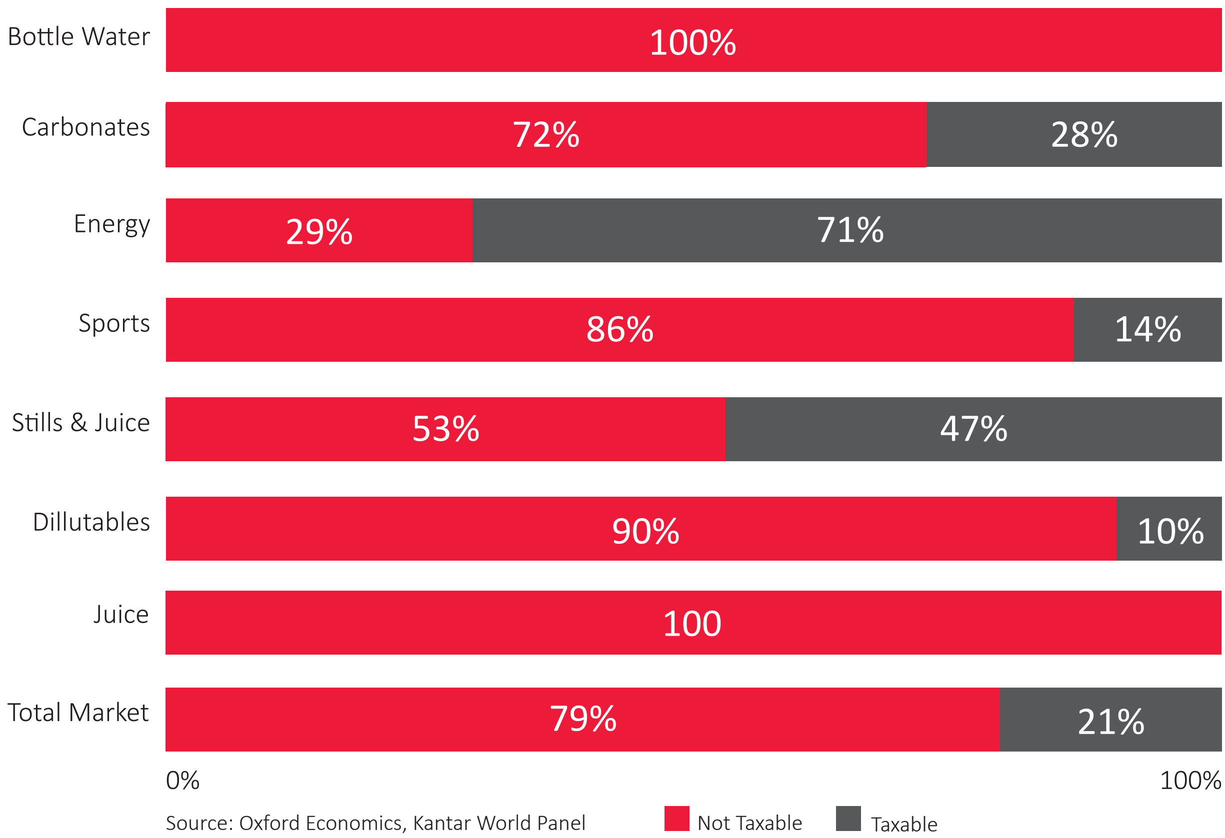
Soft Drinks Industry Levy (Sugar Tax)

The Soft Drinks Industry Levy is due to come into force in April 2018. The tax will be paid by manufacturers and importers of soft drink that contain more than 5g of sugar per 100ml of liquid, with a higher rate for those containing more than 8g. Pure fruit juices without added sugar and milk based products will be exempt. The proposed rates are:

- 18p per litre for soft drinks containing between 5-8g of sugar per 100ml;
- 24p per litre for soft drinks containing over 8g of sugar per 100ml.

The purpose of the tax is to improve health by encouraging manufacturers to reformulate products, and reduce the sugar content of soft drinks; and for consumers to substitute high sugar drinks with lower sugar alternatives. An analysis by Oxford Economics estimates that 21% of the total sales (by volume) of soft drinks will be impacted by the tax, with energy drinks most affected.

Figure 1.1 Taxable Sales Volume by Category of Drink



Source: Oxford Economics, Kantar World Panel

Trends[1]

The Welsh drinks industry has seen a period of strong growth. However, recently the sector lost nearly 700 jobs, equivalent to around 40% of total sector employment. Almost half of the job losses were within brewing, (explained above) and a third within the water & soft drinks (also explained above).

Over the same period, there was also a drop in Scottish drinks employment, with a loss of 900 jobs, equivalent to around 8% of sector employment. In England, employment conversely increased by 4%.

Sector employment in Wales is similar to England, with 50% employed in beer manufacturing. However, within Welsh employment, the importance of water and soft drinks is greater. 47% of Welsh drink sector employment is in water and soft drinks, compared with 32% in England. Scottish employment is dominated by the distilling industry, which alone accounts for 72% of drink sector employment.

Despite the sharp loss in employment, the total number of Welsh enterprises has continued to increase. According to official government statistics, since 2011, official data on Welsh drink manufacturing businesses have increased from 45 enterprises to 85 in 2016[2]. Official data are discussed are on the next page.

1 Note: The assessment above has reviewed Official Data by the Standard Industrial Classification for the Manufacturing of Beverages (SIC 11.0). If a business is primarily registered within another SIC code (eg. SIC 56.0 Pubs), their information will not have been captured in this assessment. The diversity of activity across a range of SIC codes by businesses partially explains the discrepancy between official data and industry body data. This is resolved within the report.
2 Note Business Units data showed an increase from 50 in 2011 to 90 in 2016. This is greater than the number of enterprises as some businesses will operate from multiple sites.

Beer

The total number of brewers increased from 25 to 60 over the period with the latest figures including 5 small partnerships, 5 sole proprietor businesses and 50 companies. Of the 50 beer manufacturing companies, 45 were micro (employing fewer than 9 employees). There are between 5 and 7 more significant brewing enterprises in Wales employing more than 9 people.

Water and Soft Drink

The number of water and soft drinks enterprises has remained relatively constant at 10-15 enterprises between 2011 and 2016. Of these, 5are micro (0-9 employees), 5 are small (10-49 employees) and 5 medium sized enterprises (50-249 employees). All of the water and soft drinks businesses are captured as companies.

Distilling

There are 5 enterprises within the distilling, rectifying and blending of spirits, all of which are captured as micro companies.

Others (cider, wine)

Official data is rounded to the nearest 5 business enterprises, and businesses are captured under their main business activity. No enterprises were recorded by the official data. However, Welsh activity within the sectors is reconciled in the next chapter.

Overview of Brewing and Fermenting: Production, Retail and Consumer Trends

Brewing and Fermenting (beer, lager, cider and perry)[3]

- GB has over 1,120 enterprises in brewing employing 14,400.
- Wales has 60 enterprises employing 600 and accounts for 5.4% of GB breweries and 4% of employment.
- Beer sales are relatively static and in long term decline at 27,000 barrels (Q4 2016). The number of pubs is in long term decline at just over 50,000. There is rapid growth in the craft sector.
- Drinks Wales represents the alcoholic drinks sector in Wales.
- The Society of Independent Brewers (SIBA) represents 42 breweries in Wales.
- The Independent Family Brewers of Britain represents one brewery in Wales.
- There are a further 63 operational Welsh breweries, most being very small and not in official data.
- The Welsh Perry and Cider Society represent cider and perry makers as part of the National Association of Cider Makers.
- There are over 500 cider makers in the UK which is the largest cider market globally.
- Official data show that GB has 70 cider enterprises employing 2,000. The Welsh sector accounts for less than 1% of GB.
- The UK has seen long term growth in cider drinking to a peak in 2011 but has declined since then to 7.5m hectolitres.
- The Welsh Perry and Cider Society has 19 commercial cider and perry members (over 500l) and 19 hobbyist members. A further 9 cider and perry makers have been identified making a total of 47, though most are very small.

Retail picture

- Beer and lager accounts for 18% of Welsh retail sales of alcohol, worth £125m in 2016. GB sales of beer and lager were up 1% volume and value, but Welsh sales down 6%.
- Cider accounts for 9% of Welsh retail sales of alcohol worth £61m in 2016. GB sales of cider were up 1% and Welsh sales up 17.5%.
- Out of home is a key market, accounting for 57% of expenditure at licensed premises (2014). 'Wet led' pubs are under pressure. The Family Food Survey shows that since 2001, alcohol consumption at home has remained relatively flat, whereas out of home consumption has halved.
- UK On trade (pubs etc) beer sales have nearly halved since 2000, falling from 23.4m barrels to 12.9m barrels by 2016[4].
- Off trade UK sales (retail) have increased from 11.2m barrels in 2000 to 13.7m barrels by 2016. Over the last decade, off trade sales have outpaced on trade sales[5].
- Large brewers are under intense price pressure, compounded by increased input costs from weaker sterling. Beer is heavily promoted, and some big names are being delisted by retailers.

Key consumer trends

- Premiumisation: strong demand for world beers.
- Craft Beer and cider: strong growth in craft beers and ciders.
- Health: free from, calorific content and alcohol content.
- Innovation: Packaging and flavours.

3 Official enterprise data is for 2016 and employment data for 2015.
4 BBPA data
5 BBPA data

Brewing and Fermenting SWOT Analysis

Strengths

- Welsh identity and provenance and a growing interest in 'craft'.
- Good quality Welsh water.
- Many vibrant contemporary brands.
- Diversity and innovation in brewing processes and product development.
- Entrants from many different backgrounds bringing diverse skills.
- Training available – Brewlab at University of Sunderland is main short course provider.
- Long tradition of cider e.g. as pay for farm workers.
- Major regional brewer – with a national reputation.
- Complements the Beacon Project, with scope for brewing waste to be used as feedstock for energy plants.

Weaknesses

- Distance from market is high so high distribution costs.
- Hard to get qualified.
- Shortage of food science and technology graduates.
- Border rivalry – it can be hard to sell Welsh beer just over the Border but further away is fine.
- No large chain investing in wet led pubs in Wales an important route to market for craft ales.
- No evidence of investment ambition outside of Wales – rival regional brewers such as St Austell, Greene King and Brewdog have grown well out of region.

Opportunities

- Locally produced beer and cider is showing growth.
- Craft brewing revolution – artisan, provenance, special ingredients, flavourful, character all in growth.
- People are more discerning about drinks and seeking better quality which favours craft brewers.
- Hotels, restaurants and café trade is in growth.
- Coffee shops are increasingly serving alcohol.
- Successful small brewers may be bought out by larger players.
- Exports in growth e.g. Ireland, Scandinavia, Canada.

Threats

- Taxation and threat of rising duty. Changes to water abstraction licensing regime.
- 7,000l duty bar for cider – no duty below threshold then duty on all production above threshold (39p per litre=£2,700). This means it is difficult to upscale production and grow the business.
- Review of small brewers' relief will threaten craft beer companies.
- Large brewers losing market share to craft brewers.
- Major brewers setting up new specialist teams to sell their craft products, giving the impression of being small and authentic but actually working for major multi nationals.
- Medium sized brewers squeezed by both sides (multi-national brewers and craft brewers).
- Large multi-nationals are discounting in large volumes.
- Changing drinking habits with people drinking less and socialising less.
- Pubs are declining.
- Temperance movement e.g. health lobby.

Overview of Wine Making: Production, Retail and Consumer Trends

Wine making

- The UK has around 700 vineyards, 130 wineries and 1,956ha of vines producing 5.06m bottles in 2015.
- Official data record 30 wine enterprises in GB with less than 200 in employment. Most vineyards are listed in horticultural statistics rather than business statistics.
- There are 19 Welsh vineyards accounting for 34.7 ha – 1.8% of the UK total area.
- The area of Welsh vines is in expansion with 8ha planted last year and a further 4-5ha proposed for 2017 taking the total area to 48ha by the end of 2017.
- There is only one small winery in Wales and it is restricted to biodynamic wine.
- Most Welsh wine is pressed and bottled in England – at a cost of £2.60-£2.70 per bottle.
- Welsh wine is aimed at a premium market with the average price per bottle being £15 and most sold from the vineyard.
- We estimate the turnover of Welsh wine production to be £1.7m. This does not include income from tours, tastings, food sales and accommodation which is substantial.
- Total direct employment including all activities is estimated to be between 40-100 people.
- The UK Vineyards Association (UKVA) represents UK vineyards and the Welsh Vineyards Association represents Welsh ones specifically.

Retail picture

- Wine accounts for 42% of Welsh retail sales of alcohol, worth £297.8m in year to Sept 2016.
- Wines accounts for 28% spend at licensed premises in 2014.
- These figures exclude direct sales from vineyards.

Key consumer trends

- There is major growth in sparkling wine, up 20% value year on year to £39m.
- This mirrors the wider GB trend where sales of sparkling wine increased by 14.5% to £778.6m.
- The market is being driven by strong consumer demand for Italian Prosecco.

Wine Making SWOT Analysis

Strengths

- Welsh identity and provenance.
- Good quality wine.
- Seen as unique and different.
- Strong tourism links so vineyards have multiple income streams (wine, tours, tastings, food, accommodation) – Welsh Wine Trail.
- Strong brand loyalty particularly in the locality.

Weaknesses

- Small volumes produced c. 100,000 bottles per year.
- Not consistent product from year to year due to weather and harvest conditions.
- No Commercial winery in Wales (Ancre Hills has its own bio-Biodynamic winery for own use only).
- High cost to have wine made in England (£2.60-£2.70 per bottle for pressing and bottling).
- Need for increased knowledge in husbandry and wine making.
- No training facility in Wales – nearest is Plumpton College in England.
- Farming Connect will not fund training courses in England and trainee numbers are not enough to support courses in Wales.
- Welsh producers (c.20) have small voice in UK Vineyards Association of 500 plus.
- Some lack of business and marketing strategy.

Opportunities

- Establishment of a winery in Wales available to all growers.
- Further establishing Welsh wine as a premium product.
- High end restaurants, shops, delis looking for authentic products.
- Wine supports Wales as a food and drink destination.
- Growing industry expecting to double area and production by 2020.
- Export markets but limited by volume. Only one vineyard currently exporting.
- More innovation in marketing and promotion.
- Development of further tourist attractions around wine/vineyards. TISS (Tourism Investment Support Scheme) looking to assist high quality innovative ventures in Wales.

Threats

- Climate – poor weather such as rain and frost threatening yields.
- Failure to produce quality wine will lead customers back to old perceptions.
- Pursuing financial objectives ‘filling bottles’ over wine quality.
- Lack of knowledge in husbandry can damage crop and subsequent wine.
- Need for marketing budget to promote Welsh wine.
- Vineyard closures due to cost and proprietors circumstance (health, age, workload, finance).

Overview of Water and Soft Drinks: Production, Retail and Consumer Trends

Water and Soft Drinks

- GB has 265 enterprises in water and soft drinks employing 9,980.
- Wales has 19 enterprises, of which 12 are water based businesses, employing 560 in total.
- Welsh employment accounts for 5.7% of GB sub sector employment.
- The sector is represented by British Soft Drink Association, and the Natural Hydration Council.

Retail picture

- Welsh retail sales of soft drinks were £198m, down 5.5% in value, and 4.3% in volume.
- Ambient fruit juice and carbonated soft drinks were down 10.4% and 8% respectively.
- Mineral water accounts for 13% of retail sales of soft drinks.
- Bottled water is in strong growth, with sales value up 10% over the last year to £25.7m, and volume up 11%.

Key consumer trends

- The consumer shift away from sugar is having a major impact on the market.
- Health – consumers are switching from sugary soft drinks to water.
- Innovation is leading to growth in functional waters (e.g. caffeinated) and flavoured water based soft drinks. This is blurring the lines between soft drinks and water.
- A move away from sugar and artificial sweeteners is affecting the 'standard pop' range.
- The adult soft drink market is in strong growth, driven by increased socialising, on the go consumption and a decline in alcohol consumption.
- Premium mixers are in strong growth, mirroring the growth in craft/artisan spirits.
- Energy drinks/sports drinks remaining resilient to move from sugar.
- Market growth in mineral water is being driven by more people buying more water more frequently.
- Penetration of mineral water in the UK is still below Continental Europe and the USA.

Water SWOT Analysis

Strengths

- Welsh identity and provenance. Good quality water and a lot of rain. Source of low s odium water.
- Small companies exporting well with strong reputation.
- Some well invested companies.
- Strong and increasing consumer demand for all water – 8% growth per year recently in the UK.
- Innovation in product development such as flavoured water.
- Welsh companies successful in retail, export and food service markets.
- Historically, exempt from water abstraction licences, companies have flexibly expanded to market demand.
- Environmentally, water is the lowest impact drink on the shelf.

Weaknesses

- Limited number of businesses, supplying a small proportion of overall GB market
- Barriers to entry – finding a suitable supply, obtaining license, and meeting high capital equipment costs
- Businesses cannot easily relocate and are inflexible to changing workforce, site, logistics, climatic and abstraction issues. Increasing competition for water.
- Some companies need to invest to be cost competitive.
- Distribution can be expensive in Wales.
- Electrical grid lacking in many rural areas.

Opportunities

- Continued growth in consumer demand help strengthen sector viability – UK consumption is still well behind EU and USA.
- Collaboration and product development in other drinks, where quality of water is important, such as the adult premium soft drink market.
- Renewable energy.

Threats

- Water abstraction reform uncertainty, affecting investment decisions, ability to meet new orders and potential restriction of future abstraction. Can NRW meet business decision making timescales?
- Cost competition from big 5 companies.
- Brexit export uncertainty, which is disproportionately important to some Welsh businesses.
- List of recognised mineral waters is maintained and held by the EU, Brexit may make it more difficult for Welsh businesses to be recognised and trade.
- UK regions operate to different tiers of EU regulation, with Wales having adopted the latest. What are the implications post Brexit for three tier UK supply.
- Consumer demand for 'healthier' drinks is blurring the line between water and other soft drinks, which leads to greater competition and moving focus away from the supply of water.
- Bottled water considered an environmental extravagance, to be replaced by tap (e.g. Mayor of London aims to only offer tap water in meetings).

Soft Drinks SWOT Analysis

Strengths

- Large contract packer (Prince's Gate).
- Radnor Hills is industry leader in school compliant soft drinks.
- A number of businesses with a strong export focus (Radnor Hills, Princes Gate and Calypso).
- Some well invested companies.

Weaknesses

- Demand for soft drinks in sharp decline, especially standard pop, fruit juice and children's products.
- Electrical grid lacking in many rural areas.

Opportunities

- Demand for artisan, craft premium adult soft drinks increasing.
- Demand for premium mixers, to accompany premium spirits, increasing.
- On the go market increasing.
- Eating out market increasing and proportion of population looking for non–alcoholic beverages increasing.
- Scope for new entrants – especially within the public sector (hospitals, schools etc) where large businesses have pulled out.
- Market entry relatively easy (via contract packer), although scaling up and gaining contracts very difficult.

Threats

- Brexit uncertainty will impact: labelling, production standards, reformulation, and allowable products.
- Sugar tax (April 2018). Small producers' threshold has been lowered to 1 million litres per year of ready to drink, which will make it applicable to most manufacturers.
  Likely to have large impact on traditional/artisan producers with a focus on natural products but with higher levels of sugar.
- Continued falling consumer demand.
- Weak pound driving up input costs (ingredients, packaging).
- Welsh sites dependent on the fortunes of larger multinational businesses, which are having a difficult time with increased input costs and falling demand – AG Barr have shut Rubicon site. Three other major sites in Wales are owned by large companies Princes, Cott and Highland Spring (flavoured water).
- Environmental pressures – especially around plastics. Potential solutions, like the bottle deposit scheme, will be more difficult for smaller businesses to implement.
- Further restrictions in advertising/marketing/branding may impact business community engagement.
- Devolved administrative decisions (eg. Public health, School Food, Environmental etc) with different outcomes in England, Wales and Scotland make it difficult for businesses to operate pan UK.
- Changes to School Food Standards can have big impact on business – magnified if different across UK.
- Negative public attitude to sweeteners would have big impact on the sector and publicity may be unhelpful.

Overview of Distilling: Production, Retail and Consumer Trends

Distilling

- GB has 265 enterprises in distilling employing 9,500.
- Wales has 5 enterprises employing less than 30 and accounts for less than 2% of GB distilleries and less than 1% of employment.
- The sector is represented by Drinks Wales.

Retail picture

- Retail sales of £206m, accounting for 30% of Welsh retail spend on alcohol, down 8% on previous year.
- GB sales were in growth (+1.5%).
- As a proportion of total retail spend, spirits account for more of the Welsh spend (30% relative to 28% GB).

Key consumer trends

- Strong global growth in craft spirits, driven by Millennials – with new whiskeys and gins entering the market.
- Internationally, strong growth for flavoured spirits, although this accounts for a small proportion of the UK market.
- Increasing demand for low alcohol spirits (e.g. Aperol), low alcohol cocktails and the launch of a zero proof distilled spirit, Seedlip.

Spirits SWOT Analysis

Strengths

- Welsh identity and provenance.
- Good quality water.
- Growing national demand.
- On Trend Companies producing innovative flavoured spirits.
- Growing Profile of Welsh Businesses.

Weaknesses

- Limited number of businesses, supplying a small proportion of overall GB market.
- Small scale.
- Low Profile.
- Lack of Welsh malt.

Opportunities

- Welsh branded craft products.
- Tourist associated products.
- Low or no alcohol spirits.
- Consumer shift to premium products with story/connection.
- Consumer demand for innovative products.

Threats

- Health lobby.
- High distribution costs.

Drinks Sub Sector Overview

Summary of GB and Welsh Performance

Kantar Retail Data[6]

- The GB alcoholic drinks market is worth £12bn. Total GB spend is up 1% and volume up 1.4%.
- The Welsh alcoholic drinks market is worth £710m, down 1.5% in value, but up 1% in volume.
- In GB wine and sparkling wine accounts for 44% of drinks sales at £5.31bn.
- In Wales wine and sparkling wine sales are slightly less pro rata at 42%.

- The GB take home soft drink market is worth £3.38bn, down 1.7% in value, but up 0.4% in volume.
- The Welsh take home soft drinks market is worth £198m, down 5.5% in value and -4.3% in volume.
- Carbonated soft drinks, which account for nearly half the total soft drinks GB sales, are down 3.6% in value and -3.4% in volume.
- Retail sales of mineral water are in strong growth, up 8.7% in GB to £442m, and up 9.6% in Wales to £26m.

6 12 months to September 2016

Retail Performance of Alcoholic Drinks

GB Alcoholic Drinks	Spend (£000) 2017[7]	% Change	Volume (000 Units) 2017	% Change
Alcoholic	12,086,320	0.9	2,632,425	0.2
Beer and Lager	2,167,901	1.0	1,115,366	-0.8
Cider	744,575	1.1	395,523	-0.2
Fabs (flavoured alcoholic beverages)	140,438	-1.5	32,229	1.7
Sparkling Wine	778,588	14.5	111,977	14.3
Spirits	3,439,693	1.5	201,694	1.7
Wine	4,580,605	-1.3	738,575	-0.2
Total	12,086,320	0.9	2,632,425	0.2

Note: Data 12 Months to Jan 2017
Source: Kantar 2017

Welsh Alcoholic Drinks	Spend (£000) Yr to Sept 2016	% Change	Volume (000 Units) 2016	% Change
Alcoholic	709,997	-1.5	169,899	1.0
Beer and Lager	125,362	-6.0	69,754	-6.0
Cider	61,523	17.5	35,568	20.2
Fabs (flavoured alcoholic beverages)	7,470	-8.0	1,908	0.4
Sparkling Wine	38,763	20.0	5,310	17.6
Spirits	206,382	-8.3	12,514	-6.6
Wine	259,071	0.7	43,050	0.9
Total	709,997	-1.5	169,899	1.0

Note: Data 12 Months to September 2016

7 Kantar WP 12 Months to January 2017

Beer

GB beer and larger retail sales were up 1% last year, valued at £2,172m. The rise in value was mirrored with a rise in volume of just under 1%. However, Welsh sales of beer and lager were 6% lower in 2016 compared with 2015, despite Wales' performance in Euro 2016 boosting sales. The category still accounts for 18% of retail alcohol sales and worth £125m. The retail competition over the last few years has put intense pressure on the large breweries, with big brands being delisted (Tesco delisting Carlsberg knocked £77m off the brand retail sales) and others heavily promoting brands. The price pressure is compounded by the weak pound pushing up input costs and challenging consumer market. Medium sized brewers will find the market particularly difficult, with the strong downward pressures on prices, higher input costs and consumer loyalty eroding.

Premiumisation

Shoppers are turning to premium and world lagers, with sales of Kronenbourg (+6.2%), Peroni (+12%), San Miguel (+11%) and Corona (+90%) all up year on year to April 2016[8]. World lagers such as Polish Tyskie, Indian Cobra and Chinese Tsingtao are also doing well, responding to demand from a young, affluent consumer group keen to explore new beers. Increasingly, more shelf space is given to individual beer bottles and 330ml cans as opposed large cases and four packs.

Health

With the macro trend of 'free from' being a major influencer across all food and drink products, the beer market is also responding. Celia, a Czech brand was launched in June 2016, offers consumers an open fermented larger, naturally carbonated gluten free, vegan friendly; sold in 330ml cans. Gluten free beer is a major growth area, with brewers such as Tennants seeing market success in countries such as Italy and launching in the UK. Low calorie larger, such as Skinny Brand Ltd offer consumers full strength larger with less sugar and carbohydrates than regular larger. ABI are to launch Bud Light as a lower calorie alternative to Budweiser.

Innovation

Within the craft beer market, there is also a growth in fruit beers. Brands such as Blue Moon, owned by Molson Coors has been selling well in the USA and Canada, and is now making inroads into the UK market. Koppaberg having had great success with fruit ciders over the past decade launched Lemon and Lime Fruit Larger in the summer on 2016. The majority of products within this category are Belgium beers, but UK brewers such as Beavertown, Charles Wells, and Samuel Smith are making inroads with some well-regarded craft fruit beers[9].

8 IRI data, Grocer Beer and Cider Focus 2016
9 www.independent.co.uk/extras/indybest/food-drink/best-fruit-beers-belgian-2016-a7136266.html

An increasing proportion of the population teetotal (especially amongst younger cohorts), there is a strong move towards lower and no alcohol drinks across all categories. Tesco is to open alcohol free section in March 2017 and a number of craft brands are responding to market demand, which according to analyst Liberum is growing at four times the overall beer category. Key examples include Brew Dog's Nanny State beer (ABV 1.1%), Heineken 00 and St Peter's Brewery St Peter's Without (completely alcohol free, which has been well received and secured export deals in 15 countries). ABI has set a target that by 2025 no and low-alcohol beer to account for 20% of total sales,[10] although the alcohol free version of Budweiser has not been particularly successful. Kantar data shows that GB sales of non alcoholic beer were worth £15m in the year to January 2017, up 4% on the previous year.

Craft

The number of new craft beers entering the market has been substantial. In Wales, the number of small and micro brewery businesses has been continually increasing. Retailers are offering more shelf space to craft ales, away from standard lagers. Whilst Tesco delisted Carlsberg, there was little improvement in the sales of rival beers, with Fosters down 6.6% year on year, and Carling flat. Similarly, standard ale and stouts are losing ground to craft and premium rivals. John Smiths, Boddingtons, Newcastle Brown Ale, and Tetley's have all seen sales volumes fall. The consumer drive for craft ales and lagers are driving large brewers to buy out small players to meet this market demand. Doom Bar ale, has been taken over by Molson Coors, has seen very strong growth. Guinness has launched The Brewers Project with new ranges such as Hop House 13 doing well. ABI are putting great effort in promoting its American Craft brand Goose Island in the UK, which has seen huge distribution increases in the supermarkets, and substantial volume uplift.

Whilst major retailer listing is the favoured route to market for many craft ale producers, strong competition can make this very challenging. A potential alternative route to market for local producers is the smaller convenience stores. According to Diageo analysis, whilst 90%[11] of consumers purchase alcohol, only 30% do so from a convenience store. There are challenges for limited shelf space, however the scope for growth within this market is substantial, and particularly well placed to respond to local craft suppliers.

10 FT Dec 2016
11 Kantar Jan 2017

Cider

Sales of cider have continued to show strong growth in Wales despite falling by 0.6% at a GB level. Total retail sales of cider in Wales in the year to September 2016 were 17.5% higher than the previous year, worth £61.5m, with volumes sold up 20%. There has been a steady increase in the number of households buying cider, up from 48% in 2014 to 50% in 2016. With frequency of purchases up, spend per buyer on cider in Wales grew by nearly 16% in 2016 compared with 2015 to £71.75 per annum, substantially higher than the GB spend per buyer of £59.03[12].

The retail market is Wales is showing a different picture to GB as a whole, where overall total sales of cider are flat and mainstream cider brands are seeing market share eroding with craft producers taking a greater proportion of the market.

There are two core elements to the cider market – the first is the growth in the traditional cider, with strong emphasis on provenance and production method. With brands such as Thatcher's Gold providing a good example of a regional family owned business that has grown successfully to become a national brand, outperforming the market. The second is the flavour innovations. Fruit ciders have been popular for some time, with brands such as Koppaberg well represented in the market. Mainstream brands are keen to enter this market, for example Strongbow Dark Fruit. Other examples of brands in the market include ABI Stella Artois Cidre, Heineken's Stassen and Old Mout brand and Smirnoff's fruit ciders launched in June 2016 and Blind Pig's spirit flavoured ciders.

Flavoured Alcoholic Beverages (FABS)

Whilst total sales value of Fabs has remained relatively flat at a GB level, worth around £148m, volume has increased by 4% year on year – with an increase in the number of household purchasing Fabs. Within this segment, again it appears that craft and premium are driving sales. There has been a growth in products such as alcoholic ginger beer, iced teas and sodas with a kick hitting the higher end of the market, and a clear shift away from the brightly colour, sweet alcopops.

Kantar data for Wales shows that Fabs remain in decline, with year on year sales down 8% in the year to September, at a value of £7.5m. It seems that the drive for premiumisation within this segment has yet to take hold in Wales, but with strong growth in the US, and emerging market in GB as a whole it is likely that this trend will follow, with Fabs taking greater market share in the future, meeting consumer demand for lower sugar and lower alcohol interesting drinks.

Spirits

At the GB level, sales of spirits have been strong over the past few years, with the latest data showing retail sales worth £3.44 billion up 1.5% on the previous year and volume sales up 1.7%[13]. Overall spend on spirits account for 28% of the GB retail spend on alcohol. The segment, common with the other drinks has seen the premium and craft end of the market thrive. According to Mintel GNPD, global craft spirit launches increased by 265% between 2011 and 2015, with the US (49% of new launches) and Europe (42% of new launches) driving the market[14]. According to the research, 55% of US, 55% of French, 53% Italian and 50% of German consumers believe that craft alcohol brands are higher quality than big brands. 37% of UK spirit consumers are willing to pay more for craft spirits.

43% of all global spirits launched are whiskeys, but with gin reaching production maturity quicker, this segment accounted for 23% of launches in 2015, up from 9% in 2011. Research suggests that Millennials are driving the global market in craft spirits, seeking out new and different niche brands. Within the US market, there is strong demand for flavoured spirits, with 41% of consumers looking for a flavour when buying white spirit and 36% of buyers looking for a fruit flavoured dark spirit. This is not a major component of the current UK offering, although growing with flavours such as elderflower, cardamom, sloe and grapefruit becoming popular gin variants.

12 Kantar Sept 2016
13 Year to Jan 2017 kantar
14 www.mintel.com/press-centre/food-and-drink/craft-spirits-today-account-for-one-in-seven-global-spirit-launches

Examples of Welsh gins responding to this flavoured spirit market include Dyfi Distillery Pollination Gin and Da Mhile Seaweed gin. With Millennials in particular turning their backs on alcohol[15], and a rise in people partaking in dry January and October, the growth in low alcohol and zero alcohol drinks for the adult market is increasing, and this is also being seen in the spirits market. Shims – low alcohol cocktails are in strong growth and Italian brands such as Aperol are becoming more prominent on UK cocktail bar menus (abv 11%) and selling very well in France[16]. Diageo has invested in start-up Seedlip, offering the first zero proof distilled spirit on the market.

Despite the market growth of GB spirits at retail level, Welsh data shows that retail spend on spirits declined by over 8% in the year to September 2016, with a fall in the frequency of purchases and total spend per buyer. Overall, sales were equal to £206m, accounting for 30% of the Welsh retail spend on alcohol. Therefore, whilst spirit sales have dropped, as a proportion of total spend on alcohol, spend on spirit remains relatively higher in Wales than GB.

Wine and Sparkling Wine

Sparkling wine retail sales are in double digit growth, driven by more household socialising and entertaining events. British taste for Prosecco is driving growth and taking the fizz out of champagne, which is losing substantial share to Italian Prosecco and Spanish Cava. In Wales, sales of sparkling wine account for 5% of retail sales of alcohol, worth £38.8m and up 20% year on year. Sales of wine account for 36% of sales, worth £259m up 0.7% year on year.

Summary: Alcoholic Drinks

The alcoholic drinks market is witnessing a strong growth in craft and premium products. Within the food and drinks industry there is a lot of discussion about consumers wanting to connect to their products, and feel that they are part of an experience. This is being played out clearly within the drinks industry, where products connecting to consumers are quickly stealing ground from standard ranges.

15 75% of whom state that they try and drink less on a night out Source: Future Laboratories 2016
16 Future Laboratories 2016

Retail Performance of Soft Drinks

GB Soft Drinks	Spend (£000) 2016	% Change	Volume (000 Units) 2016	% Change
Total Take Home Soft Drinks	3,382,564	-1.7	4,916,970	0.4
Of which: Ambient Fruit Juice	315,038	-8.1	384,717	-6.5
Total Carbonated Soft Drinks	1,631,214	-3.6	2,358,326	-3.4
Mixers (inc tonic, soda, bitter lemon and ginger ale)	124,593	13.8	169,153	9.0
Mineral Water	442,205	8.7	1,252,791	11.8
Fruit Squashes	516,473	-0.7	484,340	-1.1
Total Chilled Drinks	869,082	0.6	669,067	1.1
Of which: Chilled Fruit Juice	691,590	1.1	579,854	1.9

Wales Soft Drinks	Spend (£000) 2016	% Change	Volume (000 Units) 2016	% Change
Total Take Home Soft Drinks	198,084	-5.5	299,797	-4.3
Of which: Ambient Fruit Juice	17,014	-10.4	21,837	-6.65
Chilled Fruit Juice	37,78	-0.2	33,235	0.1
Total Carbonated Soft Drinks	101,993	-8.0	154,494	-9.1
Mixers (inc tonic, soda, bitter lemon and ginger ale)	6,164	6.5	9,919	2.2
Mineral Water	25,652	9.6	70,151	10.9
Fruit Squashes	27,688	-7.7	27,472	-8.6
Total Chilled Drinks	47,608	-3.7	38,592	-1.5
Of which: Chilled Fruit Juice	37,782	-0.2	33,235	0.1

Overall, the market for soft drinks is in decline as the sector is hit by price deflation (retail war) and consumer attitudes to sugar. Latest Kantar data shows that retail sales of soft drink in GB, in the 52 weeks to January 2017 were £3,383m down 2% on the previous 12 months. Canned and bottled cola account for a quarter of sales, but values were down 6% on last year. Similarly, value of lemonade sales were down by 8% year on year.

Manufacturers under pressure from the potential cost of inflation – both from impact on consumer spending and the cost of ingredients. Lower value of the pound impacting input costs including sugar, metals and plastics. Additionally, the soft drink levy will impact prices and given the retail competition, manufacturers may be under pressure to absorb some of this cost increase. Against this backdrop, overall demand for standard range (2L bottles) of pop is declining as consumers concern about sugar and health increase.

However, whilst the large multinational brands and standard 'pop' are being hit by consumers shunning sugar and artificial sweeteners, the premium adult market is thriving[17].

Craft Carbonates: Adult Soft Drinks

The UK has seen strong growth in the craft carbonates market, with the emergence of botanic flavours, sophisticated and unusual flavours aimed at adults. It is an area of considerable NPD activity, much of which being led by the smaller players. Three notable elements of the market include the 'alcohol free' 'craft mixers' and 'adult soft drink'.

Alcohol Free Craft Carbonates

With a growing proportion of the population teetotal, increasing popularity of 'dry January' and 'sober October' campaigns, together with the growth in social occasions- the drive for alcohol free drinks is increasing. Brands such as Belvoir have targeted this market by launching a range of 'wine alternative' soft drink such as Belvoir Shiraz without the Hangover; Shloer launched there Celebration range, Bottlegreen Sparkling Presse, Thomas and Evans No1 Sparkling Fruit and botanicwine alternative of Botonique.

Craft Mixers

The growth in artisan and craft distilling, especially gin, has seen demand for craft mixers soar- with brands such as Fever Tree[18] leading the way. Craft mixers are marketing themselves alongside premium spirits as a perfect accompaniment. Britvic business incubator Wisehead Production has launched London Essence Company to compete in this market and Welsh company Llanllyr has launched a range of premium mixers using its natural spring water. Kantar data shows that GB sales of tonic water have been in double digit growth over the last 2 years, and up 24% in the year to January 2017.

17 Grocer Report Focus on Adult Soft Drink, December 2016
18 Year on year sales up 33.8% in the year to August 2016, at £2.6m. Kantar WP

Adult Soft Drinks

With more on the go eating, higher incidences of eating out[19] – there is also a growth in the adult soft drink market. Moving away from the mass market standard pop, the focus of this market is on more sophisticated and unusual taste combinations such as Cawston Press' Gooseberry Flavour, Bottlegreen Pomegranate and Elderflower, Drench Raspberry and Cranberry and Radnor Hills Heartsease Farm Range. Whilst there is a focus on sugar levels, with many brands offering a light range, fruit with sparkling water mix (e.g. J2O Spritz), it does not seem to be the overriding driver. Full sugar drinks within this adult segment are also preforming well, being seen as a 'treat'/ occasional. Few of the premium adult soft drinks are sold in the large 2 Litre plastic bottles of standard pop, reinforcing that it is for occasional consumption.

It is difficult to disaggregate the growth of these three elements within a sector that shows an overall decline, driven by the fall in standard pop and fruit juices consumption. However, with big brands such as Britvic investing in it (Thomas and Evans No 1 and London Essence Company part of a Britvic owned incubator), and companies such as Radnor Hills, Fentiman, Cawston Press and Fever Tree all seeing strong growth there seems to be real scope within this sector.

According to the Britvic 2016[20] report, the out of home market has become increasingly important. 2015 saw strong growth in spend on non-alcoholic drinks out of home. In 2015, the report states that UK sales at £6.7bn were up 6.6% on the previous year, with an increase in consumer eating out occasions driving sales.

A challenge for any business entering this market is the amount of shelf space given to soft drinks, and the fierce competition from the major brands.

Mineral Water

Over the last three years, mineral water's share of the retail soft drink market has been increasing and currently represents 13.3% of sales, with a value of £451m[21]. As total soft drink category value has been in decline, mineral water has seen year on year growth of 11% and 8% over the last two years and volume growth of 11% and 12% respectively over the last two years. More people are buying mineral water, with market penetration increasing from 67% in 2014 to 71% in 2016, and people are buying mineral water more often, up 6% in the year to January 2017. Overall, the average annual consumer spend on mineral water has increased by £2.25 since 2014 to £23.38 by the end of 2016. Naturally and ideally placed to meet the consumer health drive, companies are developing products to meet this increasing consumer demand. Water companies are expanding their ranges to include fruit flavoured waters such as Highland Spring's Hydra8, Trederwen's Essence range and Montgomery Spring's Aqua Roma, all of which are produced in Wales.

19 Britvic Soft Drink Report stated that an additional 1m eat out experiences in 2015 compared with 2014
20 Britvic Soft Drinks Review Leisure 2016
21 Kantar WP Year to 01 January 2017 £451,346,000

The market is also seeing growth in functional waters, including electrolyte Smartwater and caffeined POW Energy Water. Consumers switching from soft drinks to water are enticed by a wide range of options as companies are keen to capture this growing market.

Sports and Health Drinks

Despite issues around sugar, the sports and energy drink market is thriving, with 7 of the 10 top brands in value and volume growth[22]. Product development, strong marketing and new flavour variants is key to its success. It is forecast that low calorie energy drinks currently worth £31m are set to grow to £200m in five years[23]. Whilst predominately focused at a young, teenage market, with brands such as Rockstar (AG Barr), Relentless Passion Punch (Coca Cola), new products are emerging widening the appeal of the energy drinks market.

In addition to the energy drinks, there is also strong development in functional or health drinks. These range from fruit flavoured drinks with added vitamins, to health supporting ingredients such as Belvoir Botanicals range which include immune support, skin support and natural energy options and Purdey's multivitamin botanical drinks.

Summary: Soft Drinks

Issues around health are driving changes in the soft drinks market and companies are innovating to meet evolving consumer demand. Standard, high sugar, drinks are in decline across carbonates and fruit juices. Consumers are shifting demand towards healthier, low sugar, natural, water based drinks – especially for on the go consumption. A key area of new development is in the premium adult market, especially around craft mixers and adult carbonates – where quality and flavour combinations are key.

22 Grocer
23 AG Barr Head of Marketing, reported by the Grocer 23 April 2016

Brewing Case Study – Purple Moose Brewery

Products:

Five standard beers in cask or bottles:
Cwrw Eryri / Snowdonia Ale (3.6%),
Cwrw Madog / Madog's Ale (3.7%),
Cwrw Ysgawen / Elderflower Ale (4.0%)
Cwrw Glaslyn / Glaslyn Ale (4.2%) and
Ochr Tywyll y Mŵs /
Dark Side of the Moose (4.6%).
Monthly and seasonal specials are also produced.

New Craft Beer Range in keg or bottle:
Antlered IPA (5.2%), Chocolate Moose (4.5%) and Mŵsh Lager (4.7%)

Location:

Madoc Street,
Porthmadog,
Gwynedd,
LL49 9DB.

Purple Moose Brewery was established in 2005 by Lawrence Washington.

Lawrence had identified a gap in the market for a micro brewery, which at that time was a relatively new concept in North Wales. Having started in home brewing, Lawrence made the transition to a full time business based in Porthmadog, North Wales.

The company has been one of the fast growing micro breweries in Wales and now operates a 40 barrel facility.

As well as operating the brewery, Purple Moose has its own retail outlet, which it recently moved from the brewery to the High Street in Porthmadog. This allows the company to take advantage of the tourist market. Brewery tours and tastings are also offered three days per week in Porthmadog.

In early 2017 Purple Moose took over The Australia pub, on Porthmadog's High Street, as its brewery tap. The pub has had a major re-fit and now flies the flag for Purple Moose and its range of beers. Home-made food is also served, with some dishes made with the beer as well as other locally-sourced ingredients.

Collaboration with other local brewers Conwy, Great Orme and Nant, Purple Moose also has two pubs in Conwy. One of these pubs, the Albion Ale House, was a finalist in the Campaign for Real Ale's (CAMRA) National Pub of the Year competition.

The company now employs 14 people in the brewery and a further 20 in its pubs across North Wales, with a turnover of £1.5m.

Purple Moose's success is highlighted by over 80 local and national awards including Great Taste Awards' 'Best Welsh Speciality' golden fork trophy in 2011. Welsh Government supported the company in its original set up as well as providing training support and export trade missions to China, Sweden and Finland.

The aim is to continue growing organically and to seek to develop profitable export markets as well as enhancing its distribution network in Wales and England.

Vineyards Case Study – White Castle Vineyard

Varieties:

Pinot Noir, Regent, Rondo, Seyval Blanc, Phoenix, and Siegerrebe.

Area:

1.8 ha plus 1.5ha to be planted 2017.

Location:

Llanvetherine, Abergavenny NP7 8RA.

White Castle Vineyard was established in 2008 by husband and wife team Robb and Nicola Merchant. It had always been Nicola's dream to own a vineyard.

The vineyard was established by the purchase of a field adjacent to the family's small holding, which was itself purchased 13 years earlier.

The first vines were planted in 2009 with further plantings in 2010 taking the area to 1.8ha. Training in viticulture was gained at Plumpton College East Sussex. The first harvest was in 2011 when White Castle gained Protected Designation of Origin (PDO) from Wine Standards, allowing its produce to be labelled Welsh Quality Wine.

The varieties planted include Pinot Noir, Regent, Rondo, Seyval Blanc, Phoenix, and Siegerrebe. This allows White Castle to produce a mix of red, white and rose including sparkling wines; all sold from the vineyard shop. The grapes are hand picked and pressed on the same day at the Three Choirs winery in Newent. A further 1.5ha of vines are to be planted during 2017.

White Castle recently restored its Grade II* listed Croft Barn which dates from the 16th Century. This is now used for the shop and events at the vineyard. As well as sales of wine from the vineyard shop, other local produce is sold and tours and wine tastings with food are offered, for example, Welsh cheeses paired with Welsh wines. The aim is to give the customer a full experience.

The aim is to target premium markets locally and further afield. White Castle has exported its 2014 Gwin Gwyn (white wine) to Bordeaux, France as well as showcasing Welsh wines at Fortnum & Mason, London.

Distilling Case Study – Dyfi Distillery

Varieties:

Dyfi Original Gin,
Pollination Gin and
Hibernation Gin

Location:

The Dyfi Distillery,
Corris,
Machynlleth,
Powys
SY20 9RF.

Located in the UNESCO World Biosphere of the Dyfi Valley Mid Wales, the Dyfi Distillery was founded by brothers Pete and Danny Cameron and incorporated as a limited company in 2015.

Dyfi Distillery produces three gins: Dyfi Original Gin, Pollination Gin and Hibernation Gin. They micro-distill the imported botanicals in a British wheat spirit in order to create their "canvas," a classic botanical base upon which they build their gins. The base consists of juniper, angelica, cassia, orris and lemon peel, though this is embellished with almond and liquorice root for Pollination Gin.

The local ingredients used in Dyfi Original Gin are bog myrtle leaf, pine tips and gorse flower. The botanicals in Pollination include rowan berries, rose hips, sloe, hawthorn (flower and berries), elderflower, meadowsweet, bog myrtle, heather, bramble leaves, birch leaves, sweet cicely and lemon balm. For Hibernation Gin – the Dyfi base gin is influenced by the later season, so crab apples, blackberries, bilberries and lingon berries join the bill.

The gin is made in two stills, with an accelerated heating process ensuring that the gin is vaporising within 22 minutes. Distilling takes a full day, with 200 bottles worth of liquid being produced across the two stills.

The Gin Foundry 2017 review said:

'Pollination Gin is a wonderfully evocative spirit that transports the flora of Wales right into your glass, retaining a huge strength of character even when diluted with tonic water. They've achieved a rather special combination of being true to where they are based as well as adding something new to the category with their fresh take on the spirit. It's whimsical and enchanting, deliberately progressive in its flavour profile and has got us day dreaming of what life must be like in the Dyfi valley. It's a sleeping dragon waiting to be discovered by gin fans and mark our words, we've got a feeling that once they have, many more will be hearing about it'.

As well as supplying local shops, restaurants, hotels and pubs, Dyfi Distillery supplies Fortnum and Mason, Selfridges and various wine merchants. The company won the Harpers Global Design Trophy 2016 for its spirit labelling.

Dyfi Distillery is open to visitors at the distillery in Corris.

Cider & Perry Case Study – Hallets Real Cider

TRADITIONALLY MADE HALLETS REAL CIDER

Varieties:

Fredericks,
Dabinett,
Harry Masters Jersey,
Elis Bitter,
Yarlington Mill,
Browns,
Tommy Rodford,
Michelin.

Location:

Newbridge,
Newport
NP11 5AY.

Area:

7 acres plus bought in apples.

Hallets Real Cider was established in 2007 by husband and wife team Andy and Ann Hallett.

They have seven acres of cider apples on their 25 acre Blaengawney farm which sits at an altitude of 1,000 feet. Remaining land is let out to a local farmer. Around 80,000-90,000 litres of craft cider are produced by hand on the farm. As well as their own apples, Hallets purchase apples from other growers.

The first trees were planted in 2010, but being 1,000 feet up growth is slow. Of the 1,200 trees planted, 200 are Fredericks, an indigenous Welsh variety which is excellent for cider making. Seven other varieties are used (see below). The first apples were harvested in 2014.

The craft methods used by Hallets see them using only fresh pressed apple juice with no artificial ingredients. They ferment using naturally occurring yeast (in the air) but also sometimes pitch a selected yeast strain to help control fermentation. Hallets ferment their cider as single varieties and then blend those into different styles of cider e.g. Dry, Medium and Sweet, as well as limited edition ciders.

They also mature Dabinett cider in oak barrels for a year, which they blend with new season juice, producing a deep, smooth cider for which Hallets is well known.

Their success is highlighted by a host of awards, most recently, in 2016, winning the BBC Radio 4 Food and Farming Award for Best Drinks Producer in the UK. Whilst Hallets were already exporting, this most recent award has generated a lot of interest such that export markets now include Scandinavia, Russia, Holland, Hong Kong and Canada. Whilst it was complicated to meet export requirements initially, they have found that it is now straightforward since most of the paperwork is in place.

The aim is to continue to produce a true craft cider that will find a home in premium markets locally and further afield.

Mineral and Spring Water Case Study – Montgomery Waters

Brands:

Aquavit,
Celtic Spring,
and Aquaroma

Private label customers including:
Tesco,
The Co-op,
3663,
Superdrug,
IKEA,
Hilton and
Nisa.

Location:

Montgomery Water,
Churchstoke,
Montgomery
Powys,
SY15 6AR

Montgomery Waters specialises in bottled spring and mineral waters for a range of retail and foodservice customers.

Based in Churchstoke, Mid Wales, the company was formerly part of regional mid Wales retailer Harry Tuffins Ltd.

Montgomery Waters sources its water from fractured volcanic strata which provide multiple aquifers within close proximity of each other; 23 sourced to date, of which 11 are mineral sources. This enables Montgomery Waters to supply its customers with a unique dedicated water source, and associated provenance.

In 2009 the company undertook a strategic review of its operations and decided that in order to meet the growing demand from customers and grow the business profitably a reassessment of the value chain was required. This review, and the selling of the retail businesses, enabled investment of £11m into the business, which for a company turning over £7m at the time, was a very substantial sum.

Critical changes included a move away from buying pre-blown bottles for filling on-site to buying preformed bottles, which could be blown and filled on-site. The new line has substantially increased capacity to 17,000 bottles an hour compared to 3,000 an hour on the old glass line. It has also reduced transport costs (25 preformed bottles take the same space as a single empty bottle).

To further reduce its carbon footprint, Montgomery Waters has installed photovoltaic solar panels on its plant, reduced its packaging and its road miles. In total, this has taken 3,000 tonnes of carbon out of production since 2013.

This large scale investment has necessitated a substantial upskilling amongst staff, moving away from low skilled manual jobs to high skilled operator technicians and engineers. Montgomery Waters has grown turnover to around £20m, and employs 70 staff.

Whilst UK per capita consumption is still some way from continental Europe averages, with challenges around obesity, sugar and health encouraging increasing water consumption, Montgomery Waters is optimistic about the future and is investing to ensure the company has the product, infrastructure and skills to meet growing demand.

Soft Drinks Case Study – Radnor Hills

Brands:

Radnor Hills,
Heartsease,
Aquasplash,
Fruella,
Radnor Fruits and Fizz, PAS Pro

Location:

Heartsease,
Knighton,
LD7 1LU

Radnor Hills was established 25 years ago by William Watkins, returning from university and seeking to diversify the family farm. Initially supplying water cuplets for the airline industry the business has expanded to produce a wide range of mineral water and soft drink products across a number of markets.

Now with a company turnover of £38m and employing over a hundred staff, Radnor Hills is a thriving business in the heart of Welsh countryside.

With 12 boreholes from which to draw water, Radnor Hills produced around 230m bottles of water in 2016, but has expanded its capacity to produce 400m bottles. All based on site, the company makes its own bottles from pre-formed units, as well as a new line in tetra packaged drinks. The company pumps the water from its boreholes, fills, labels and distributes the drinks nationwide. Radnor Hills makes all its own syrups on site, ensuring quality at every stage.

Key products include Radnor Hills Still and Sparking Mineral Water; Aquasplash Flavoured Water; Heartsease Farm Premium Presse; School Compliant still and sparking soft drinks including Radnor Fruits and Radnor Fizz as well as fruit juices and blended fruit juice drink Fruella. The company also produces drinks for private own label companies.

Radnor Hills is the market leader in GB school compliant soft drinks, producing 40m units for this market annually. Being able to adjust its products to meet the varying requirements of different Health Boards has been key to success in this market.