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Low Alcohol Beer…What, Why, Where?

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Introduction

- The No/Low category continues to show sustained growth
  - *Opposite to the trend of steadily declining alcohol sales overall*
  - *Higher market share in more mature markets i.e. EU vs UK/US*
- Majority of growth in the UK has been the off-trade
- Recent increases in draught volumes a further reinforcement of growing consumer interest in the category
- Whilst the extent of UK growth is significant, this remains from a small base
- Some way to go to meet % share reported by top EU markets
- UK Low/No Market share just over 1% of the total UK beer market
  - *Success in other EU markets shows the potential for growth in the UK if nurtured i.e. through supportive Government and public health policy landscape*

Methods of production for no/low beer

- Produced by three main techniques where alcohol is either removed or extent of production controlled:
  - *Dealcoholisation via membrane techniques – reverse osmosis*
  - *Dealcoholisation via thermal techniques – vacuum distillation*
  - *Restricted or controlled fermentation*
  - *Use of specific yeast strains (not as common, but growing interest)*
- Membrane techniques i.e. reverse osmosis, most suited to achieve 'alcohol free'
  - *Expensive method which restricts wider use*
- Restricted or controlled fermentation techniques easier to implement,
  - *Difficult deliver as low an ABV as membrane techniques*
  - *More issues with removal of negative flavour attributes*

What can we call 'low alcohol' in the UK

- UK definitions for low alcohol products - since the 1984 Food Labelling Legislation
- 1996 UK Food Labelling rules were subsumed into the EU FIC Legislation in 2014
    - *FIC was established as Legislation rather than a Directive*
    - *More flexibility to accommodate National Measures*
- UK low alcohol definitions included in UK FIR as an Annex and retained until 2018 under a sunset clause
- Intended to be revised at removal but where not and instead moved to guidance by DHSC
- Whilst UK descriptors removed from Legislation, their use remains enforceable via Trading Standards
    - *Article 7 of retained food labelling Regulation ' Fair Information Practices'*
    - *Information must not be "Misleading, inaccurate or unclear"*

Current low alcohol definitions for UK

Low alcohol – the drink must be 1.2% alcohol by volume (abv) or below and an indication of its maximum abv should be included on the label.

Non-alcoholic – this should not be used in conjunction with a name commonly associated with an alcoholic drink. There is an exception for non-alcoholic wine where it is derived from unfermented grape juice and is intended exclusively for communion or sacramental use. The labelling or advertising of these non-alcoholic wine should make it clear that it is exclusively for such use.

Alcohol free – this should only be applied to a drink from which the alcohol has been extracted if it contains no more than 0.05% abv, and the products should also include the abv (or state that they contain no alcohol) on the label in order to use the descriptor.

De-alcoholised – this term should only be applied to a drink from which the alcohol has been extracted if it contains no more than 0.5% abv and the product should also include an indication of its alcoholic strength (or state that it contains no alcohol).

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/763840/low-alcohol-descriptors-guidance.pdf

Low and No definitions in EU markets

- No overarching definition for ‘alcohol free’ or ‘low alcohol’ in the EU:
  - *Products are considered as alcohol beverages above 0.5% ABV for tax and trade purposes*
  - *EU (and UK) food labelling Regulations apply to alcohol beverages above 1.2% ABV*
- Majority of EU Member States define alcohol free as no greater than 0.5% ABV, however:
  - *Italy, France & Slovenia: ≤ 1.2% ABV*
  - *Spain: ≤ 1% ABV*
  - *Norway: ≤0.7% ABV*
  - *Netherlands: ≤0.1% ABV*

Low and No definitions in EU markets

- Where Member States have a low alcohol definition, typically no greater than 1.2% ABV:
    - *Spain: ≤ 3% ABV*
    - *Turkey: ≤ 2.8% ABV*
    - *Sweden & Iceland: ≤ 2.25% ABV*
- Some Member States also have additional categories:
    - *Poland:* ≤ 4.0% (Light Beer)
    - *Finland: ≤ 3.7% ABV (Mild Beer)*
    - *Italy: ≤ 3.5% ABV (Light Beer)*
    - *Denmark: ≤ 2.8% ABV (Light Beer)*
    - *Norway: ≤ 2.75% ABV (Light Beer)*

Low and No definitions in other global markets

- Similar to the EU, limited definitions which typically focus on alcohol free:
    - *Canada: ≤ 0.4% ABV*
    - *USA: ≤ 0.5% ABV (referred to only as 'non-alcoholic')*
    - *Australia: ≤ 0.5% ABV*
    - *China: ≤ 0.5% ABV*
    - *Japan: ≤ 1% ABV*
- Low Alcohol products:
    - *Australia: low alcohol only permitted on drinks that are ≤ 1.15% ABV*
    - *USA: low alcohol only permitted for drinks that contain ≤ 2.5% ABV*
- Australia and USA also use further descriptors including Light/Lite, Mid Strength as 'lower strength' descriptors

Growth of low alcohol beer in the UK

- Since 2013, consistent YoY growth of 20% - 30%
    - *Largest, sustained growth of any beer category*
    - *Between 2013 and 2021 – 441% increase in sales volumes*
- 2021 – 91m pints sold (17m pints sold in 2013)
- No/Low category – 1.3% of total UK Beer market
    - *Draught share only 1% of the No/Low category, so an opportunity for growth*
- 86% of pubs serve at least one No/Low beer (78% in 2019)
- 6% of pubs now serve draught No/Low beer (2% in 2019)
- *In 2013 the category was almost exclusively lager, but now over 10% of No/Low beer is ale*

BBPA Data

Growth of low alcohol in the EU

- EU low alcohol market more mature than other global markets
- Growth driven by alcohol free beers rather than low alcohol
- 2023 DG AGRI EU No/Low alcohol drinks market report (data from 2022):
    - *Beer category accounts for over 97% of total EU No/Low category volume and 93% of value*
    - *Approximately 8% of the total beer market (increased from 5.2% in 2011)*
    - *Majority volumes 'alcohol free' at over 5% of the total beer market.*
- Top 4 producers by EU market share are:
    - *Germany - 30.5% (8% of domestic market)*
    - *Spain – 16.8% (17% - 19% of domestic market, claimed that 1 in 6 beers consumed is alcohol free)*
    - *Netherlands – 14.4%*
    - *Poland – 12%*

DGAGRI EU No/Low report 2023
Polish Brewers Association EU Alcohol Free Market report 2021

Growth of low alcohol in the US

- *Alongside the UK, US is the one of the most dynamic 'younger' growth markets:*
    - *2020 the value of the alcohol free beer market in the US increased by 38% over the previous year*
    - *300% increase in beer sales in the craft sector over the same period*
- As with the UK, starting from a small base and currently less than 0.5% of the domestic beer market
- No/low products dominated by beer
- Future growth likely to be stimulated by alcohol free rather than low alcohol
- Alcohol free forecast to grow further by 25% by 2026, whereas this increase is just 6% for low alcohol

Market Research Data – IWSR & IRI

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UK consumption of Low/No drinks

- 63% of adults have tried No/Low products:
    - *Consumption driven by existing drinkers (71%) rather than non-drinkers (31%)*
- Nearly 1/3 adults are 'semi-regular' drinkers:
    - *7% drink 'often'*
    - *22% drink 'sometimes'*
- 25% drink Low/No products 'rarely'
- No gender bias - male (28%) and female (29%) consumers equally likely to try No/Low
- Most popular amongst 35-44 age group, followed by 18-24 age group
- Older drinkers, 55+ are least likely to have tried No/Low drinks
- Regional Popularity:
    - Scotland 32%
    - England 28%
    - Wales 19%

Portman Group/YouGov Low Alcohol Survey - https://portmangroup21.wpenginepowered.com/wp-content/uploads/2023/02/Portman-Group-Low-and-No-report-2022.pdf

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How do consumers encounter the category

- Most consumers (85%) encounter No/Low products through a brand share (low alcohol variant of a standard strength brand)
    - *Irrespective of gender, age or region*
    - *Over 50% of consumers use this experience to experiment with other products*
- 49% of current consumers solely drink No/Low brand variants, however:
    - *Independent, non-brand share products popular amongst younger consumers (18 – 24 yr old)*
    - *Reflects the growth of the independent sector*

Portman Group/YouGov Low Alcohol Survey - https://portmangroup21.wpenginepowered.com/wp-content/uploads/2023/02/Portman-Group-Low-and-No-report-2022.pdf

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Drivers of consumption of No/Low products

- Principle driver is moderation:
    - *Over 20% all consumers report a decrease in consumption (nearly 25% for 18 – 24 & 35 – 44 yr olds)*
    - *Men (22%) more likely to report decreased consumption than women (19%)*
    - *Nearly 70% consumers report no increase in consumption*
- Prevalence for moderate consumption of alcohol suggests ingrained, responsible drinking behaviours
- Drivers of interest in No/Low not just about health:
    - *'being able to drive home from social events' – 37%*
    - *'socialising without drinking excessively' - 20%*
    - *Mitigating health impacts associated with drinking (including short term impacts i.e. hangovers) – 23%*
    - *12% consumers report alternating No/Low drinks with standard strength drinks*

Portman Group/YouGov Low Alcohol Survey - https://portmangroup21.wpenginepowered.com/wp-content/uploads/2023/02/Portman-Group-Low-and-No-report-2022.pdf

Future of No/Low – opportunities & threats

- Further growth in the category will be stimulated by supportive regulatory and public health policy landscape
- Expensive to produce, particularly for smaller producers who cannot invest in technologies suited to alcohol free production
- Differences in category definitions between UK and other global markets:
    - *Support further category innovation <u>and</u> improved trading environment*
- Technical challenges associated with production of No/Low in other drink categories (wine & spirits) and bringing products to market
    - *Relative reductions in alcohol strength for higher strength drinks, particularly wines*
    - *Transitioning from small pack to draught formats – key to normalising the No/Low beer category*
    - *Enhanced hygiene requirements for draught*
    - *Data suggests use of intermediary draught formats stimulate a higher rate of consumer interest than without*

Future of No/Low – opportunities & threats

- Increasing threat of criticism by the public health community leading to inclusion of the low alcohol category in restrictive regulatory policies
- Criticism levied against No/Low as a gateway product and alibi marketing:
    - *Increasing risks of underage drinking*
    - *Increasing risks to vulnerable people i.e. recovering alcoholics and pregnant women*
- New alcohol policies include references to No/Low products – Scottish proposals on restricting alcohol marketing
- No evidence to support claims made by public health advocates and much stronger case for the opposite:
    - 2019 WHO report documented benefits of moving from higher strength drinks to lower-alcohol drinks was associated with a decline in mortality, heavy drinking, alcohol poisoning, alcohol psychoses, and cardiovascular diseases
    - Study by Newcastle University (2022) reviewing purchases across 64,280 UK households shows purchases of branded low alcohol versions of high strength products resulted in reduced alcohol consumption overall as well as a reduction in the likelihood of later purchases of the higher strength brands.

World Health Organization. "Alcohol policy impact case study: the effects of alcohol control measures on mortality and life expectancy in the Russian Federation." (2019)
Newcastle University Study - https://academic.oup.com/alcalc/article/57/4/520/6581438

What is BBPA calling for

- Parity with other global markets and food/drink products on alcohol descriptors:
    - Move from 0.05% ABV to 0.5% for alcohol free
    - Need to retain the ability for producers to claim 0.0% - additional 'functional' descriptor?
    - Introduction of a 'lower strength' category – clear pathway for consumers?
    - Expect DHSC/OHID consultation on this later this year
- Calling for UK Gov to be more vocal on the opportunity for No/Low beer in tackling alcohol harm:
    - Working on a draft commitment to raise awareness and improve access to No/Low beers in all formats through UK pubs
    - Responding to consultations on alcohol policy i.e. proposed Scottish alcohol marketing ban and alcohol health warnings in Ireland
- Defending the role and opportunity for No/Low beer, through the on and off-trade, as a key tool to support moderate enjoyment of alcohol drinks, to tackle alcohol harms and support wider domestic and global public health policy objectives

THANK YOU

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