

by Gordon
Craigie



Whisky of the Islands

Uisge Beatha nan Eilean



The centre of Castlebay, Barra, with low cloud over the hill of Heaval

NOTWITHSTANDING some outrageous union-flaggery in recent times (are you listening Bells, M&S, et al?) everybody knows that whisky is synonymous with Scotland – the ‘Scotch’ descriptor is a bit of a giveaway after all! Whisky is one of Scotland’s most valuable exports, worth almost £5 billion annually – according to the Scotch Whisky Association that represents £139 every second! – and accounts for over 20% of UK exports... perhaps yet another reason why Westminster is ‘reluctant’ to

Too wee, too poor, too stupid? Aye right!

acknowledge Scotland’s potential. Too wee, too poor, too stupid? Aye right!

There are more than 10,000 people directly employed in the Scotch whisky industry and, as of 2018, 128 whisky distilleries in Scotland. Many of these are owned by the big-name conglomerates but a significant and growing number of small independent craft distilleries are steadily emerging. Aiming to add to that number is the Barra Distillery or *Uisge Beatha nan Eilean*, literally meaning *whisky of the islands*. It’s interesting that, despite Barra being made famous as the setting for the 1949 film *Whisky Galore!*, this will be the island’s first (legal) whisky distillery.

The driving force behind the Barra Distillery is Peter Brown, a

businessman who moved his family to Barra from Edinburgh around 20 years ago. Having settled into a stereotypical island entrepreneurial lifestyle, including running a taxi and car-hire business as well as a couple of cafés, when the opportunity arose to buy a redundant reservoir from the water authority he thought, why not? As you do! At £12,000, this was not your usual everyday purchase. Peter thought it was a community asset worth preserving and, initially, that it may also be viable as a hydro-electric scheme. On further investigation that proved not to be the case but when someone suggested, possibly jokingly, that it could service a distillery then that sent him down a completely different path.

The journey to where he is now has not been entirely straightforward, as Peter explains: “You can get fed a lot

of bad advice when setting up a new business but sometimes if you trust the person giving the bad advice you’ll follow it. Initially I was advised that I could capitalise the business myself, without outside investment – that was wrong, but I didn’t know that at the time. Capitalising a manufacturing business involves a very complex package when you have to build, equip and, in the case of whisky, run for at least 3 years before you can sell anything. So that wasn’t good advice, and I lost a few years because of that.”

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Borve Bay - Isle of Barra, Outer Hebrides.

When the financial crisis hit, removing any possibility of loan financing from banks, he turned his attention instead to raising the necessary funding through share equity. That too proved difficult: "From around 1900 the whisky industry standard model has always been the same – if you've got a brand, the way you make money is to double your production constantly. The industry ethos was that a small distillery cannot make money because it cannot keep doubling production, and that the only way to succeed was to drive down running costs, drive down material costs, and drive up production. So, it was difficult because investors would look for advice from 'experts' in the industry and they would simply repeat the accepted industry wisdom – small distilleries won't work. Meanwhile, Arran had started, and Kilchoman on Islay, Abhainn Dearg on Lewis, so there were people out there saying this is doable. These distilleries were starting to disprove the accepted ethos."

The Barra Distillery is currently offering these shares through a crowdfunding appeal

Bruichladdich when, after 6 or 7 years, Rémy Cointreau offered a considerable amount more than share value and the investors decided to cash in. Despite the 'owner' having 60% of the shares he couldn't match that offer, so he had to sell. UK Government incentives, the Enterprise Investment Scheme, tend to encourage this 'mergers and acquisitions culture' as they offer tax relief to investors, but only for 3 years, so investors often look to sell shortly thereafter."

To avoid these issues, the model of ownership arrived at has been to establish the Barra Distillery as a community benefit society. The Financial Conduct Authority states that "the conduct of a community benefit society's business must be entirely for the benefit of the community ... any profit made must be used for the benefit of the community ... [and that they] must only use their assets for the benefit of the community". This structure safeguards the ownership of the distillery as a community asset and should negate the danger of shareholder profiteering and hostile takeovers. In return for investing in the company, members are rewarded by pre-determined interest to be paid on their shareholding once the company is profitable and are eligible to vote on company issues on the basis of one-member-one-vote. The Barra Distillery is currently offering these shares through a crowdfunding appeal.

However, despite being encouraged by this changing mood, Peter started to understand the pitfalls of relying on so-called 'angel investors': "As I learned more about the whole investment process, and what drives investors, the less I liked it! Angel investors like to recoup their investment plus profit at the earliest opportunity and are generally not interested in the long-term growth of the business and earnings from share dividends. For the company, this means that if the investor wants to sell his shares then, to retain control, the company has to buy them – they may not have the money, particularly if someone else wants to offer an inflated offer in order to acquire the business. This is what happened to



Oban July 4th 2018 CalMac's ferry "Isle of Mull" is seen leaving for Craignure while MV "Isle of Lewis" is arriving from Castlebay on the Isle of Barra



Castlebay, Barra

Peter describes the practical details of the development: "If the funding goes to plan, we will start construction this summer and expect to be distilling maybe 15 months after that. Once we're up and running properly, we'll incrementally grow to employ maybe 10 people with production, bottling, shop, café, marketing, sales, mail-order, and so on. Our initial production will be around 26,000 bulk litres though sales will be considerably less, partly due to the 'angel's share', the natural evaporation process that occurs while the spirit matures in the cask. There is an agreed HMRC rate of evaporation but that can only ever be an estimate as it is dependent on many factors, such as cask size, temperature variations and the time spent maturing in the cask – by law, a minimum of 3 years for Scotch whisky but our tasters will determine how long it should mature after that."


"When whisky comes out of the still it is a completely clear liquid, like water. In Gaelic it's called *uisge beatha*, the water of life, or *aqua vita* in Latin. Only a part of the finish, the final qualities of the whisky, comes from the distillation process. The largest proportion comes from maturation, the time it spends in contact with an organic matter – the wooden cask. The spirit draws in flavour and gives out vapours – the angel's share – it's a maturing process which by the end of 3, 5, 7, 10 years or whatever will give you a smoother but no longer clear liquid, because it's also drawing in colour. Our casks will come mainly from America. US regulations decree that maturing bourbon has to take place in brand new casks, so once they've been used they cannot be reused for bourbon. Now, we don't want a brand new cask for whisky, it would taste pretty awful. So, they've got second hand casks, we need second hand casks – synergy! Traditionally, we would've used

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Aerial view of castle bay on Barra



Credit Barra Distillery

wine or sherry casks from France or Spain but, now that the majority of their produce has to be estate bottled, we don't really get those casks anymore. We can still get them, but they're much more expensive.

"Our fundamental aim at the Barra Distillery will be to do as much as possible locally, mainly because of our commitment to provenance but also to employment. Our water will come from our Barra reservoir and, in the fullness of time, we want to be using a bere barley which is a local barley – whether we can still grow it on Barra is a moot point and it will possibly end up being grown on Uist or maybe Tiree. There's lots of islands that could and would grow bere barley if there was a market – they grow it on Orkney. Bere barley is an ancient grain and productivity is much lower, considerably lower than modern malting barleys which favour productivity at the expense of flavour."

The growth in single malt whiskies is a relatively recent phenomenon, but hugely successful in financial terms, accounting for almost 30% of that £5 billion export figure mentioned earlier. Peter explains, "Blended whiskies became massively successful in the nineteenth and early twentieth

It's more than a little ironic that the standard for Scotch whisky was decided in a London courtroom!

centuries due to mass production and brand building. There was a court case in London – a buyer of whisky took someone to court because their malt whisky had been blended with grain whisky. It's more than a little ironic that the standard for Scotch whisky was decided in a London courtroom! Anyway, it was decreed that blends were still Scotch whisky and by the mid-twentieth century around 95% of whiskies would be blended. Then, in the 1960s, some people started producing single distillery malts again. Nowadays, you may see as many as 50 different malt whiskies on display in a specialist whisky bar and the trajectory in malts is rising, especially for the small names like Kilchoman, Bruichladdich, Arran, and others. These slightly more unusual whiskies can sell for a lot more money, and we hope to add Barra to that distinguished list within the next five years."

To achieve that ambition there is still much to do. Assuming the necessary investment is realised in the next few months construction of the bespoke distillery facility will start in the summer. Peter adds, "Whisky needs to mature in a very specific location, ideally somewhere with an earth floor, stone walls, and a heat resistant roof. You're almost imitating a cave, trying to keep the temperature as consistent as possible. The closer to the sea the better because the sea moderates the temperature – Barra rarely gets a frost, not many boiling days either, and we almost always have a breeze. Our maturing building will be growing out of the rock, part of the landscape, basically as close to a cave as we can get. Recycled heat from the stills will heat the visitor centre, and we aim to become 100% renewable in the future – we've already constructed four wind turbines and may yet get that reservoir to produce hydro-power!"

Although Barra Distillery will not be producing whisky for sale

until at least 2023, it aims to be open as a visitor attraction from later next year. Peter estimates that visitor numbers to Barra have increased steadily over the past few years, with something of the order of 12,000 people arriving annually. "We anticipate pretty much every visitor to Barra coming to see us – there's not many visitor attractions by way of competition, apart from the castle, so it's almost a captive market. You can climb hills or walk on the beach, but if you want to visit somewhere... if you're here for a week you'd almost certainly visit the distillery and we'd hope you'd visit us every day for a coffee or a snack, and to buy souvenirs."

Ambitious plans, but ambitious plans coming close to fruition. Scotland's smaller, rural communities are beginning to pick up the pace in being in charge of their own futures. Projects ranging from the community buy-out of Eigg over 20 years ago to more recent community trust initiatives bringing digital connectivity to many remote communities prove that people can get on and do things without waiting for permission. Craft breweries and craft distilleries are springing up all over the country, and Barra Distillery is on course to become only the second community-owned distillery in Scotland. Following in the footsteps of the GlenWyvis Distillery, which was established in Dingwall in 2015 with 3,000 investors, Barra Distillery still has some way to go but anyone who takes the time to listen to Peter Brown's passionate case for this island development cannot fail to be convinced that his *Uisge Beatha nan Eilean* will come to fruition. Slàinte mhath!

Scotland's smaller, rural communities are beginning to pick up the pace in being in charge of their own futures

More details of the Barra Distillery community benefit society can be viewed here: www.uisgebeathananeilean.co.uk

The Crowdfunder invitation to purchase shares can be viewed here: www.crowdfunder.co.uk/barra-distillery-share-offer