



One year on.... Whiskybroker.co.uk Update

27 October 2011

I know that the recipients of these emails are whisky enthusiasts, many with a part-time involvement in the whisky industry. Those of you who are only interested in the actual product, whisky, can ignore this email, or skip straight to the product list at the bottom.

My first year of making a living by buying and selling whisky is just over and I'm getting my accounts prepared for the Inland Revenue. Accounts can be a bit boring and don't reflect the daily frantic action that goes into making the profit (or loss) that they show. Whilst it's reassuring to have my accountant refer to profits this is automatically followed by the words "tax liability". A quick glance at my accounts indicates that I've had a good year ... good ... except, where, I ask myself is the money to pay the tax? Payment of tax will of course require some planning of cash flow to make it possible, since over the past twelve months I've had a habit of spending every spare penny to expand my range of stock. I've learned that trying to make profit is not just a mad dash of buying and selling but it has to be controlled. With different UK tax rates being applied to a sole trader and a limited company, I can see that good advice is important and it may well be beneficial to operate through a combination of both. Corporation tax is lower than personal tax and running the business as a limited company might allow me to build up stock in the early years as the business grows. Even when operating at a very small level, one begins to see why businesses are attracted to low tax countries.

I managed to get a scholarship to university and worked in my spare time. As a result I finished university with £10000 remaining from my student loan, essentially a debt which will have to be repaid but which at the moment has the benefit of being interest free. Having access to that money was critical as it was probably the only source of funding available to me. In these days of uncertainty, a bank would have been an improbable source of start-up finance, especially for a young person buying whisky. A year ago I was unmarried, and could eat and sleep in my parents' home at no expense to myself. Now Jane and I are happily married and we have discovered the simple things in life, like rent, local authority Council Tax (for which we seem to get very little) and the need to own a lawn mower and buy food.

The nature of my business has necessitated the purchase of a few essentials, a forklift truck, pallet truck, Transit van, small bottling plant, hydrometers, thermometers, alcohol tables and bung extractors to name but a few of the tools of my trade. Other items, for example a weighbridge are still required. In the last year I've also managed to obtain an off-sales license for a small warehouse that I've rented. Most items I've bought have been purchased second hand, so thus far there has been no necessity for bank borrowings, although a young person buying whisky would probably not be considered the ideal customer. So although I've had to be cautious, I can say I'm another year older but fortunately not deeper in debt.

I'm grateful to those people who have sold me whisky but particularly grateful to those who have bought it from me. Those of you who have visited my website over the past year will hopefully have witnessed a gradual shift from young and relatively inexpensive casks of whisky, to a wider age selection. More than half of my turnover now derives from the sale of casks which are ready for bottling and so do not require the long sleep of maturation in oak. I should mention at this stage that I am not a strong advocate of buying a cask of whisky as an investment. When I sell a cask, I sell it at what I feel it is worth, not what it might become worth. I have to be aware that many of my customers will in turn need to be able to sell the whisky for a profit and are not simply buying for private consumption.

There are a lot of independent bottlers of whisky, not so many whisky brokers and many people in the industry have considerably more experience and financial muscle than me but competition is good for the consumer. I've had some adverse comments in terms of low pricing. Even so, I'm pleased with my year's work. I buy casks, I sell casks, if I wasn't obliged to buy new stock, by now I'd probably be beginning to see some money in my bank account, but new casks are a necessary part of trade and irresistible and provide new opportunities. If I could afford to buy slightly bigger parcels of whisky the road might be easier. Small parcels for me at present are up to 10 casks of a young whisky, or up to 5 casks of a mature whisky.

One recurring difficulty is the time lapse between when I purchase a cask, receive the transfer of ownership, the Delivery Note and make arrangements with the warehouse in which they are located to allow the uplifting of the cask. In the case of the larger warehouses, this can take up to a month. Although I can advertise the cask on my website immediately I've purchased it, it really needs to have been delivered and gauged to enable me to send out samples, before I can sell it. If I send out too many samples and over a period, customers come back and say they want it, very often I may already have sold that cask to someone else and I have to make my apologies. If I only send out one sample per cask and wait on that particular customer tasting and considering whether to purchase, he may come back and say that it's not what he or his club is looking for, so I may have wasted 2 weeks waiting on a negative response. It's not always an easy position to be in but one soon learns which customers are likely to be serious potential buyers and it can be useful to give them advance notice before putting the casks on the website. First come, first served for me means that the first person who confirms he wishes to purchase the cask is the one to whom it's sold, regardless of who was sent the sample first.

Eighty Per Cent of my casks are sold outside the UK and one of the nicer things about the whisky industry is that often it is possible to get to know and meet personally with customers. I think I've now sorted out most of the logistical problems of the sale and export of whisky to customers in various European countries and I'm grateful to those of you who have helped with solutions to the problem. During the next twelve months I'll try to double my turnover and perhaps make some tentative progress into the American market. So if there is anyone in America willing to help a small whisky business based in Scotland, increase sales across the Atlantic, I'm here and awaiting your email. This is quite an ambitious task for a one man operation and won't just happen without effort. I say "one Man" operation, but the reality of the present situation of one man (and one woman) sitting in front of the fire in the evening watching TV while at the same time making up cardboard boxes or labelling bottles has much need of improvement!

We all know that there are economic uncertainties in the world economy, but if you can succeed in business in hard times hopefully when things improve there will be even greater opportunities. I've been very busy during the past two months. Despite that I hesitate to rush out to buy new stock. Could Sept/Oct have been my Christmas rush, or should I anticipate that November will be an equally busy month? Is there anything special by way of promotion that I should do for Christmas? Ironically Christmas, a time when people buy the product, is a time when the whisky industry discounts prices. Next year I hope to expand internet sales and perhaps attend more whisky festivals. In the meantime I shall continue to make all the usual small decisions that have to be made by small businesses everywhere.

Watch This Space.

Regards
Martin Armstrong

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SEE NEXT PAGE FOR CURRENT STOCK

Current Stock includes:

Age	Distilled at:	Dist. Date	Cask Type	No. Sold	No. Unsold	Price
0	<u>Tomatin</u>	03/11	Hogshead	1	4	£850
3	<u>Benriach</u>	10/04/08	Barrel	3	3	£900
5	<u>Balmenach</u>	02/08/06	Barrel	6	1	£1100
8	<u>Auchroisk</u>	18/09/2003	Hogshead	0	2	£1850
8	<u>Mortlach</u>	12/05/03	Hogshead	0	2	£1850
8	<u>Glenburgie</u>	13/05/03	Hogshead	0	2	£1850
14	<u>Macduff</u>	14/10/97	R/f Sherry Butt	0	1	Coming Soon
14	<u>Clynelish</u>	14/07/97	R/f Sherry Hhd	6	1	£2488
14	<u>Bowmore</u>	23/06/97	Barrel	2	3	£1990-£2300
14	<u>Dalmore</u>	29/10/96	Hogshead	2	3	£1857-£2258
15	<u>Auchroisk</u>	02/02/96	Hogshead	0	2	£2210
18	<u>Glen Grant</u>	13/10/93	Hogshead	1	2	£4200
20	<u>Cragganmore</u>	08/03/91	Hogshead	4	1	£2684
20	<u>Bunnahabhain</u>	1991	Hogshead	0	2	
20	<u>North British</u>	22/01/91	Barrel	3	2	£650, £1600
20	<u>Port Dundas</u>	31/01/91	Hogshead	2	3	£2000
20	<u>Islay Malt</u>	24/12/90	60litre	15	6	£1500
22	<u>Blair Athol</u>	June 1989	Hogshead	0	2	£3730-£3995
22	<u>Bunnahabhain</u>	1989	Hogshead	0	3	

Bottled Stock: (<http://www.whiskybroker.co.uk/acatalog/shophome.html>)

14yo Bowmore, 70cl, 55%	£36
14yo Clynelish (refill sherry hhd matured), 70cl, 53.7%	£32
20yo Cragganmore, 70cl, 53.4%	£37
14yo Dalmore, 70cl, 55.5%	£32
17yo Glen Grant, 70cl, 55%	£40
20yo Islay Malt, 70cl, 53.4%	£40.50
20yo North British Grain, 70cl, 55.1%	£36

Apologies to those of you who did not wish to be contacted – I have tried to select people who I thought might be genuinely interested

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