

What are the changes to markup on beer and when do they take effect?

Starting August 5, 2016, all regular beer products (beer with less than or equal to 11.9% alcohol by volume) sold in Alberta will have the existing standard markup rate of \$1.25/L. This markup rate will apply to products from all brewers selling in Alberta, regardless of size or origin.

What was the markup rate prior to this change?

With the exception of small brewers located in Alberta, B.C. and Saskatchewan – member provinces of the New West Partnership (NWP) – all brewers had a standard markup rate of \$1.25/L applied to their regular beers sold in Alberta.

For NWP brewers, the markup rate was calculated based on their Annual Worldwide Production (AWP). This rate was based on the following:

- 10 cents/L applied on the first 10,000 hL AWP ($\leq 10,000$ hL);
- 30 cents/L applied on the next 40,000 hL ($>10,000$ hL & $\leq 50,000$ hL)
- 55 cents/L applied on the next 150,000 hL ($>50,000$ hL & $\leq 200,000$ hL); and
- \$1.25/L (standard markup rate) for all production over 200,000 hL.

Which beers are impacted by this change?

This change impacts regular beers produced by small brewers in the NWP regions of Alberta, B.C. and Saskatchewan. All beer produced outside NWP was already being marked-up at \$1.25/L.

All brewers, regardless of size or origin, now have one consistent markup rate applied to their regular beers sold in Alberta.

How does this change impact Alberta's small brewers?

All Alberta brewers now have the standard markup rate of \$1.25/L applied to their regular beers sold in Alberta.

Because of differences in sizes of the operations and differences in previously applied markup rates, brewers will be impacted in different ways. Standardizing the application of markup rates on all regular beer products supports the level playing field and open and competitive environment in Alberta's marketplace.

What about the markups for other liquor products?

There is no change to markup rates for any other liquor products.

Why does this markup change impact only beers with less than or equal to 11.9% alcohol volume? What about high alcohol volume beers?

Markup rates for beer with alcohol content over 11.9% have never been part of the small brewer markup program. Additionally, the markup on beer products with alcohol content higher than 11.9% is in line with the markup rates for other high alcohol products. The markup rates for high alcohol beers have not changed with this markup change and can be found at aglc.ca.

What is the impact on consumers?

Alberta remains the most open liquor marketplace in Canada, with unparalleled choice in products and retail locations. The AGLC is confident that Alberta's privatized liquor model will continue to offer competitive retail prices that are among the lowest in Canada.

The stock currently in retail stores was purchased before the increase and is not affected by the new markup. It is up to the individual retailers as to when they choose to reflect the higher markup in their pricing.

Alberta's privatized liquor system allows retailers to determine their own product selection and pricing. This is why consumers can see different prices for the same products at stores in their neighbourhoods.

What is the impact on liquor retailers?

Retailers will start paying the new wholesale prices on affected beers for all orders placed on August 5 and onward.

Stock currently in retail stores and purchased up until August 5 is not affected by this markup increase. Retailers set their own prices for the products they carry in stores.

Why did the Alberta government decide to change the small brewer markup?

The Alberta government made the decision to standardize the application of liquor markup on all regular beer products to support the level playing field for all brewers selling in Alberta's marketplace.

Did the AGLC consult with liquor industry stakeholders before this markup change?

The decision came after a government-led review of the beer markup structure and thorough discussions with Alberta-based and national brewers.

How will liquor industry stakeholders be made aware of the change?

A revised markup schedule will be posted at aglc.ca on August 5. The AGLC is also directly communicating with liquor agencies and licensees to notify them of the increase.

How does Alberta's liquor markup compare to other provinces?

It is difficult to compare Alberta with other provinces because Alberta's liquor model is different. There is no government-run retail store network as in many other provinces. In addition, Alberta's markup is a flat rate based on the type of product and alcohol content; not the manufacturers' costs.

Alberta's privatized liquor model allows retailers to determine their own product selection and pricing. This is why people can see different prices for the same product at stores in their neighbourhoods. Additionally, consumers who shop around can find some of the best deals in Canada for liquor products.

Even with this increase in markup, the AGLC is confident that Alberta's privatized liquor model will continue to offer competitive retail prices that are among the lowest in Canada.

Do liquor suppliers pay the markup directly to the AGLC?

Liquor manufacturers do not pay the markup. Liquor manufacturers determine their cost of the products (invoice price) and ship it to or make it in Alberta. The AGLC adds the provincial markup, as well as container deposit, recycling fees, and federal duties and taxes to the invoice price to come up with a wholesale price. Liquor licensees, including liquor stores, buy products from the AGLC at wholesale prices.

How much revenue will be generated by this change to beer markup?

This markup increase is anticipated to generate approximately \$35.7 million in additional revenue. Revenue collected from liquor markup goes to the General Revenue Fund and is used by the Government of Alberta to help support programs and services Albertans rely on every day.

What are the details around the grant mentioned in the announcement?

The Government of Alberta will be providing a grant for Alberta-based small brewers. More information will be coming directly from government in the coming months.