

## **Extra Slow Moving (ESM) Storage Category FAQs – March 2024**

### **Q: When did the ESM storage category come into effect?**

- The ESM storage category and related fee came into effect on April 1, 2024. However, charges were not applied until April 7, 2024.

### **Q: Why did the ESM storage category come into effect?**

- Over the past few years, there has been a large increase in SKUs in the central warehouse which has put severe pressure on the amount of available inventory warehouse space, and the efficiency of warehouse operations.
- Increasing storage fees for slow-moving products balances the ability to manage space in the AGLC warehouse with the autonomy of liquor agencies to determine which products are appropriate for their customers.

### **Q: Who is responsible for implementing the ESM storage fee category?**

- AGLC directed Connect Logistics Services to increase long-term storage fees for the lowest performing liquor products to help manage the number of SKUs in the network and better manage space in the AGLC warehouse.

### **Q: Who is impacted by the increase in storage fees and ESM storage category?**

- The ESM storage fee category was introduced to address low performing SKUs that have been in inventory for 12 months and are not maintaining a rolling 12-month total of at least 100 cases in sales.
- Liquor agencies with SKUs in the ESM category are required to pay higher storage fees on cases from those SKUs that have been in inventory more than 12 months.
- Agencies have the autonomy to make the final decision on whether they wish to continue carrying the SKU.
- For the more than 800 agencies AGLC works with, most will see an impact to less than 25% of their SKUs.

**Q: Is the ESM fee retro-active?**

- The change is not retroactive as there are no new charges being added to previous billing periods. There is a historical performance component to the charge as it is based on a SKU's sale performance over the previous 12 months, however the rate is only applied to the current month.

**Q: Can SKUs be grandfathered?**

- SKUs will not be grandfathered because that would negate the intention of this initiative. The ESM rate is intended to incentivize agencies to evaluate the economic viability of very low performing SKUs from a sales perspective.

**Q: What are the options available to liquor agents to manage ESM inventory?**

- In addition to the sale of liquor product to liquor licensees in the province, the following options are available to liquor agents:
  - Liquor stored at the AGLC warehouse based on the approved posted rate schedules.
  - Agencies can request to return product to their vendor/supplier.
  - Agencies can request to have the product transferred to an out of province bonded warehouse (board transfer).
  - Agencies may decide it makes financial sense to destroy a product rather than continue to pay for storage, depending on the value and marketability of a SKU.

**Q: Is the ESM storage fee category a permanent move or a temporary measure to alleviate inventory pressures?**

- The ESM storage fee category is a permanent change to long term storage rates that became effective April 1, 2024.
- AGLC will continue to review policies to balance the autonomy of liquor agencies to determine product for their customers with keeping overall warehousing costs to industry as low as possible.

**Q: Are there any exceptions with the ESM storage fee category?**

- High-value SKUs with a unit price of \$100 or more are exempt from the ESM storage fee category to prevent penalizing these products which usually sell at a lower rate.

**Q: Given the challenges the liquor industry is facing with rising costs, will this make it more difficult for liquor agencies to do business in Alberta?**

- Given the rising number of SKUs on a yearly basis, AGLC is facing warehouse storage challenges that will ultimately lead to an increase in costs for everyone.
- Slow moving SKUs tend to have more stock on hand than required to support sales which increases space requirements and puts pressure on warehouse operating efficiency.
- The rate increase and new storage category for these SKUs is intended to encourage agencies to evaluate whether it makes economic sense to continue to carry these very slow-moving products.

**Q: How did AGLC determine that low performing SKUs must generate at least 100 cases in sales in a rolling 12-month period? Why 100 cases?**

- Given the warehouse storage challenges, AGLC looked at agencies carrying SKUs that sold less than 100 cases in a 12-month period. The current minimum level of 100 cases annually equates to less than 10 case sales per month over the course of a year.

**Q: What is the storage fee for low performing SKUs?**

- The monthly storage fee for this new category is \$6.12 per month which is three times more than the current greater than 12-month storage rate. This rate took effect on April 1, 2024 and will not change for 2025.

**Q: What are the current rates being charged by CLS?**

- The 2025 rates were announced by CLS on December 6, 2025, and are provided [here](#). If you are looking for more detailed information, please refer to the CLS website. [Liquor Connect](#)

**If you have any further questions regarding the ESM Category, please contact AGLC Liquor and Cannabis at [supplychain@aglc.ca](mailto:supplychain@aglc.ca).**

**Please also see the [ESM Refund FAQ for information](#) about refunds to liquor agencies/suppliers for the three month period of April 7- July 6, 2024.**