

McCann, Meghan PREM:EX

From: Bill, Karen F AGRI:EX
Sent: Wednesday, June 10, 2015 3:21 PM
To: Cadario, Michele PREM:EX; Lalonde, Jarett JAG:EX; Walker, Nikki JAG:EX
Cc: Sweeney, Neil PREM:EX; Gjoka, Ina PREM:EX
Subject: RE: Distillery deck
Attachments: s.13,s.16

s.13,s.16

Access codes:

- Moderator Conference ID: s.15,s.17
- Participant Conference ID

Dial-in Phone Numbers:

- s.15,s.17 Toll Free - North America

From: Cadario, Michele PREM:EX
Sent: Wednesday, June 10, 2015 3:14 PM
To: Lalonde, Jarett JAG:EX; Bill, Karen F AGRI:EX; Walker, Nikki JAG:EX
Cc: Sweeney, Neil PREM:EX; Gjoka, Ina PREM:EX
Subject: Re: Distillery deck

Is there a huge rush on this?

M

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Lalonde, Jarett JAG:EX
Sent: Wednesday, June 10, 2015 3:08 PM
To: Cadario, Michele PREM:EX; Bill, Karen F AGRI:EX; Walker, Nikki JAG:EX
Cc: Sweeney, Neil PREM:EX; Gjoka, Ina PREM:EX
Subject: Re: Distillery deck

Karen, can you supply a conference line and your staff?

Nikki, we need Doug Scott on the line at 4:30. Please be in touch with his office to arrange.

Thanks,
Jarett

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Cadario, Michele PREM:EX
Sent: Wednesday, June 10, 2015 3:04 PM
To: Lalonde, Jarett JAG:EX; Bill, Karen F AGRI:EX
Cc: Sweeney, Neil PREM:EX; Gjoka, Ina PREM:EX

Subject: Distillate deck

How are we having a conversation today on this? We need officials and so at minimum need a conference line - and Neil isn't here.

Michele

Sent from my BlackBerry 10 smartphone on the TELUS network.

Page 03 to/à Page 09

Withheld pursuant to/removed as

s.16;s.13



Appendix A: News Release

B.C. and Saskatchewan remove barriers on Canadian wine and craft spirits

Office of the Premier of British Columbia
B.C. Ministry of Agriculture
Government of Saskatchewan

For Immediate Release
2014PREM0078-001268

August 29, 2014

CHARLOTTETOWN, PEI – British Columbia Premier Christy Clark and Saskatchewan Premier Brad Wall agreed today to offer consumers in both provinces greater choice and convenient access to locally produced wine and craft spirits.

The agreement will lift barriers to consumers and enables free trade, benefiting consumers and strengthening the Canadian wine and craft distillers industries.

Once implemented, consumers in both provinces will be able to order B.C. or Saskatchewan wines and craft spirits directly from producers, and have them delivered to their doorstep. "British Columbia is leading the way in modernizing liquor laws to offer people more convenience and to strengthen our industry to create jobs," said Premier Clark. "This commitment with Saskatchewan is a great next step that builds momentum for free trade with other provinces."

"When we ask other provinces for freer trade in Canada, we better be prepared to do it ourselves," Premier Brad Wall said. "We are committed to removing inter-provincial trade barriers that hinder consumers, producers and a growing economy."

Previously, consumers were restricted to wines or spirits that were available for sale through Saskatchewan Liquor and Gaming Authority stores in Saskatchewan, and BC Liquor Distribution Branch and private liquor stores in British Columbia. The agreement will enable consumers to access a much broader selection of wines and craft spirits than previously available, and opens up new markets for wineries and distilleries looking to grow their business.

Saskatchewan joins B.C. and Manitoba in offering direct access to Canadian wines, and is an example of the growing consensus toward liberalizing internal trade.

Since March 2013, B.C. has worked extensively with other provincial and territorial officials on looking at ways to open up domestic markets for B.C. wines. The terms of the agreement will be drafted in the coming weeks for implementation June 17, 2015.



"With more than 275 B.C. wineries and a growing selection of craft distillers to choose from, I am excited that Saskatchewan residents will soon be able to place their order and raise their glass to enjoy more of what our province has to offer," said B.C. Agriculture Minister Norm Letnick.

"B.C.'s wine industry has earned a strong reputation internationally for quality and value, and thanks to this agreement, more people right here in Canada will be able to enjoy the high-quality BC VQA wines grown and produced in B.C.," said Miles Prodan, president and CEO of the BC Wine Institute.

"We're pleased to see that B.C. and Saskatchewan have committed to removing barriers to access for consumers to Canadian products," said Tyler Dyck of the BC Craft Distillers Guild. "Access to new markets is important as we look to build on the strength of our growing industry."

"As a Saskatchewan distillery, this sounds like a positive step for both producers and consumers. We have a loyal following in Saskatchewan and cannot wait to share our award winning spirits with consumers in British Columbia," said Colin Schmidt of the Last Mountain Lake Distillery in Lumsden. "We hope to continue to see this kind of progress for the craft alcohol industry as it continues to grow."

The Premiers have agreed to continue discussing options to liberalize trade in craft beer.

Media Contacts:

Ben Chin
Communications and Issues Management
Office of the Premier of British Columbia
250 588-3113
ben.chin@gov.bc.ca

Jason Macnaughton
Communications Director
B.C. Ministry of Agriculture
250 508-2947

Connect with the Province of B.C. at: www.gov.bc.ca/connect

McCann, Meghan PREM:EX

From: Lalonde, Jarett JAG:EX
Sent: Wednesday, June 10, 2015 5:33 PM
To: Anton, Suzanne JAG:EX
Cc: Cadario, Michele PREM:EX; Sweeney, Neil PREM:EX; Groot, Jeff GCPE:EX
Subject: Beer and Wine
Attachments: Craft Beer Sales by channel.docx; Craft Beer mark-up - before and after.docx; BC Liquor Stores Counter Sales.docx; Info Sheet - Craft Beer.docx

Minister,

Lori confirms that wine (as a category) prices did not go up this month. However, there are some increases to individual products as a result of:

- products coming off LTOs
- supplier increase in price
- LDB rounding prices up to a common price point. I'm told these were a maximum of 20 cents.

s.13

I can also confirm that we did not receive any media requests on the subject today. We will be better about getting PS Yap onto the field quickly when these stories pop up.

All of the craft beer information you were looking for should be attached. If you are satisfied with the Info Sheet, I will have it printed for you for circulation at Caucus.

Thank you,

Jarett

From: Bieller, Barry JAG:EX
Sent: Wednesday, June 10, 2015 5:26 PM
To: Lalonde, Jarett JAG:EX; Wanamaker, Lori JAG:EX
Cc: Shrieves, Renee LDB:EX; Cournoyer, Vince LDB:EX
Subject: RE: Liquor Comms

Hi Jarett,

Here's the information you were looking for. In addition, after our call this afternoon the Minister asked that the Info Sheet clarify the bullet that spoke to a near 50% increase in craft beer sales and that's been fixed. The Minister said the other info you requested should be in background docs.

Regards,
Barry

Sales in litres from April 1, 2014 to March 31, 2015

Retail Sales Channel & Hospitality Channel	Sales Volume (Litres)	% of Total Volume
BCLS Counter	2,406,070	17.33
LRS	3,113,788	22.43
RAS	192,355	1.39
Brewery On-site store Counter	1,669,139	12.02
Hospitality sales	6,500,401	46.83

	Prior to April 1 Beer mark-up/Litre		April 1 st onward Beer mark-up/Litre
Brewery Production in HL	Packaged	Draught	Packaged & Draught
0 to 15,000	\$0.97	\$0.67	\$0.55
> 15,000 – 160,000	\$1.08	\$0.75	Graduated: \$0.56 - \$0.67
> 160,000 – 350,000	\$1.63	\$1.12	Graduated: \$0.67 - \$1.02
> 350,000	\$1.63	\$1.12	\$1.08

Detail of graduated mark-up calculation, if required.

Determining Beer Mark-up Rate

The mark-up rates for beer are:

Mark-up A \$0.55/L Mark-up B \$0.68/L Mark-up C \$1.08/L

1. Breweries that produce 15,000 HL or less will pay mark-up A

2. Breweries that produce over 15,000 HL up to 200,000 HL

This brewery pays a blended mark-up rate that is calculated as follows:

- Markup A for the first 15,000 HL
- Markup B for production over 15,000 HL up to total of 200,000 HL

3. Breweries that produce over 200,000 HL up to 350,000 HL

This brewery pays a blended mark-up rate that is calculated as follows:

- Markup A for the first 15,000 HL.
- Markup B for production over 15,000 HL up to 200,000 HL**
 - ** Production is subject to a reallocation that is equal to production that is over the threshold of 200,000 HL.
- Markup C for remainder of production up to total of 350,000 HL

The purpose of this blended rate is to ease the transition into the highest mark-up category.

Example:

Brewery annual production = 250,000 HL

Brewery Size by Annual Production Level	Assignment of HL before reallocation	Assignment of HL after reallocation	Mark-up Rate
Up to 15,000 HL	15,000	15,000	Mark-up A – \$0.55/L
> 15,000 HL – 200,000 HL	185,000	485,000 135,000	Mark-up B – \$0.68/L
> 200,000 HL – 350,000 HL	50,000	50,000 100,000	Mark-up C – \$1.08/L
Total	250,000 HL	250,000 HL	Blended Rate – \$0.83/L

In this example, total production is 50,000 HL over the threshold of 200,000 HL. Therefore, 50,000 HL is reallocated from Mark-up B and allocated to Mark-up C.

4. Breweries that produce over 350,000 HL will pay mark-up C

APPENDIX 10

Beer Mark-up Rates by Production Levels

Production level		Markup Rate	Production level		Markup Rate
From	To	Per Litre	From	To	Per Litre
1	15000	0.55	236001	239000	0.80
15001	16000	0.56	239001	243000	0.81
16001	18000	0.57	243001	247000	0.82
18001	20000	0.58	247001	251000	0.83
20001	22000	0.59	251001	255000	0.84
22001	25000	0.60	255001	259000	0.85
25001	29000	0.61	259001	263000	0.86
29001	35000	0.62	263001	267000	0.87
35001	43000	0.63	267001	272000	0.88
43001	55000	0.64	272001	276000	0.89
55001	77000	0.65	276001	281000	0.90
77001	129000	0.66	281001	286000	0.91

129001	201000	0.67	286001	291000	0.92
201001	203000	0.68	291001	297000	0.93
203001	206000	0.69	297001	302000	0.94
206001	208000	0.70	302001	308000	0.95
208001	211000	0.71	308001	314000	0.96
211001	214000	0.72	314001	320000	0.97
214001	217000	0.73	320001	327000	0.98
217001	220000	0.74	327001	333000	0.99
220001	223000	0.75	333001	340000	1.00
223001	226000	0.76	340001	348000	1.01
226001	229000	0.77	348001	350000	1.02
229001	233000	0.78	350001 and over		1.08
233001	236000	0.79			

BC Liquor Stores Counter Sales
Data Comparison April 2 – June 10 2014 vs April 1 – June 9, 2015
Growth Percentage Last Year to this Year Same Period

BC Beer	Unit Sales	Dollar Sales
Commercial	-0.24%	6.74%
Regional	13.49%	17.01%
Craft	46.26%	48.02%
Total	7.61%	10.53%

INFORMATION SHEET

CRAFT BREWERIES

Key Statistics

- Beer sales from breweries producing less than 15,000 hectolitres (hl) annually, generally considered to be 'craft breweries', are steadily growing – with dollar sales more than tripling since 2009.
- Last year alone, almost \$73 million worth of craft beer was sold in the province. That is over 16.5 million litres of beer.
- Since April 1, 2015:
 - Six new breweries have started making beer in BC; and
 - From April 1st to June 9th 2015 craft beer sales at BC Liquor Stores are 46% higher in sales volume and 48% higher in revenue compared to the same period in 2014.
- The number of licensed breweries in BC has nearly doubled since 2012. There are currently 112 licensed breweries operating in BC, and 91 of those are craft breweries.

Marketing in BC Liquor Stores

- The BC Liquor Distribution Branch (LDB) continues to actively explore new ways to increase the profile of B.C. beer at BC Liquor Stores.
- Aside from traditional in-store marketing that promotes the B.C. beer industry through signage and displays in 196 BC Liquor Stores – including May/June's "Craft Beer Week," October's "Craft Beer Month" and August's "Buy Local" month, the LDB also regularly seeks out unique opportunities to profile B.C. beer by:
 - hosting frequent craft beer tasting events in stores
 - developing unique marketing collateral that promotes craft beer (one recent example is a free, re-usable beer bag that promoted B.C. craft beer)
- The LDB continues to work closely with the B.C. beer industry to bring new products to market, which has resulted in steadily growing sales.

Recent Changes that Support the Beer Industry

- For approximately 30 years, government has allowed breweries to have on-site stores, conduct tastings and allow tours of their facilities.
- In 2013, a change was made so that breweries are allowed to open lounges at their manufacturing site where guests can sample the breweries' product.
- Also in 2013, government began allowing breweries that produce less than 300,000 hl of beer annually to have up to three tied house relationships with private liquor stores or bars and restaurants. This allows these establishments to feature their own beer – though products from other breweries must also be available for sale.

- In the summer of 2014, government began allowing the sale of B.C.-made beer at farmers' markets.
- Breweries can also seek permission of government to direct deliver to establishments, allowing them to directly build relationships with business.
- In addition:
 - We are taking a closer look at the process for getting a brewery licence – an area where we can potentially cut red tape and open up new growth opportunities.
 - We are also exploring a quality assurance program for craft beer producers, similar to the successful VQA program for wine.

LDB Markup

- For years, the LDB has employed a preferential beer mark-up system based on annual brewery production among three tiers (< 15,000 hl, 15,000 ≥ 160,000 hl, and >160,000 hl).
- This approach recognizes that small breweries' production costs are generally higher than those of larger brewers. By applying a lower mark-up rate for smaller breweries, their shelf prices can remain reasonably priced for consumers.
- Recently, the LDB implemented a more gradual mark-up increase that is applied as a brewery grows in annual production from 15,000 hl to 350,000 hl. This ensures small breweries don't encounter financial 'cliffs' as their production volumes increase, further supporting them to grow and expand.

BC Craft Brewers Guild Proposal

- The Guild has stated to the LDB that:
 - The wholesale price for craft beer is too high coupled with a low retail markup (on average 9% post April 1). Retailers have told the Guild that this situation is unfavourable and therefore they have already or may in the near future limit their selections to only stock the most profitable products based on profitability.
 - The mark-up changes resulting in a more gradual mark-up increase start too high and climb too quickly for small and mid-sized craft brewers.
- The Guild's recommended solution:
 - Re-shape the curve for small brewers under 160,000 hl;
 - Lower wholesale prices by reduced rate values per product;
 - Increase the LDB retail markup on craft beer so it is deemed 'profitable' to sell;
 - Make up any revenue that LDB would lose through sales to licensee retail stores (i.e. as a result of the lower wholesale prices) by increasing the mark-up rates that apply to the four largest brewers.

Issues with the Guild's Recommendation

- Concerns expressed by the Guild are anecdotal, while actual data shows an increase in sales;
- Decreasing the mark-up on craft beer may not increase sales as stores have limited space for more products;
- The number of craft breweries and production is growing rapidly and may be greater than consumer demand;
- Reducing mark-ups on craft beer may exacerbate this situation by encouraging even more entrants into the market.

Moving Forward

- Government will be looking to consider any new requests for liquor policy changes on an annual basis. This will provide certainty for industry in that they won't have to deal with continual updates.
- An annual consideration process will also mean industry can have confidence that government is taking a principled approach to ongoing liquor reform, and considering any and all proposals together and in context with each other.

McCann, Meghan PREM:EX

From: Cadario, Michele PREM:EX
Sent: Wednesday, June 10, 2015 8:38 PM
To: Gleeson, Kelly T GCPE:EX; Chin, Ben PREM:EX; Fraser, John Paul GCPE:EX; Sweeney, Neil PREM:EX
Cc: Gordon, Matt GCPE:EX; Southern, Evan PREM:EX; Gjoka, Ina PREM:EX; Lalonde, Jarett JAG:EX
Subject: Re: Liquor issue

s.13

Quick response -

Thanks for starting to think this through and look forward to reviewing the plan on Friday - Ina is setting up a meeting.r

Michele

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Gleeson, Kelly T GCPE:EX
Sent: Wednesday, June 10, 2015 7:59 PM
To: Cadario, Michele PREM:EX; Chin, Ben PREM:EX; Fraser, John Paul GCPE:EX; Sweeney, Neil PREM:EX
Cc: Gordon, Matt GCPE:EX; Southern, Evan PREM:EX
Subject: Liquor issue

Hi all

Spoke to Jeff G to regarding desire – as I understand – for a NR tomorrow highlighting the growth of craft beer sales since April 1st (to counter the narrative in media last week re: rising beer prices)

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