



# Markup Structure Yukon Liquor Corporation

Effective January 1, 2019



# Yukon Liquor Corporation Wholesale & Retail Pricing Overview

Effective January 1, 2019

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## Wholesale Price & Policy Changes – January 1, 2018

- Effective January 1, 2019, YLC wholesale price model will come into effect. New Markup Schedule includes a Wholesale Markup (step 1); and a Retail markup (step 2) for all products sold at YLC retail locations. The new Wholesale Price is equivalent to a 12% discount from the YLC Retail Price.
- The Small Producer Markup Schedule will be phased in, effective December 1, 2018, with full implementation January 1, 2019. Small producers are invited to review supplier pricing and submit changes through December. Retail price changes are not expected to take effect until January 1, 2019, although any new small producer products added to inventory or available for sale through YLC post December 1, 2018 will be priced using the new small producer pricing structure and rates.
- Licensee orders placed in advance for fulfillment through any YLC warehouse location (including community store warehouses) are eligible for the wholesale price. Orders must be placed using the YLC *Wholesale Order Form* for fulfillment at the nearest YLC Wholesale location.
- YLC pricing structure includes a flat \$0.15 per litre Cost of Service (COS) charge on draft format beer and cider in kegs, and \$0.30 per litre COS on all other products sold (ie. packaged). The COS is an estimate of a portion of the costs associated with warehousing & distribution by YLC to wholesale customers and retail stores. Mark-up values have been adjusted downward to include the COS. COS will be reviewed annually to ensure accuracy and compliance with trade agreements.
- YLC's Markup schedule applies different rates based on production levels, regardless of location. A Medium Producer category has been added for Beer.
- Valid licensee purchases off-the-shelf from any YLC retail store location (point of sale, not pre ordered) continue to be eligible for current licensee discount pricing at 10% off of YLC base retail price.
  - Notes: Licensee discounts for in-store purchases apply as usual Monday to Thursday during regular store hours at all retail store locations at the 10% discount rate. Please note that case or multiple case orders may need to be filled from the YLC Distribution Centre, or as a Special Order, subject to YLC lead times. YLC retail store managers may further limit in-store purchase quantities for licensees where operational limitation or requirements arise.
  - Effective December 21, 2018, licensee discounts are more limited due to operational requirements related to forecasting and replenishment in store. Friday & Saturday Licensee purchases at any YLC Retail Liquor Stores will receive a 10% POS discount price for a single purchase with a maximum of 2 units of single product and 12

products in total. Purchases over & above these limits are subject to posted YLC Retail Price.

- All products sold by YLC are subject to the large producer mark-up rate, unless the producer provides documentation to verify eligibility for small producer status. To qualify, a producer must:
  - Submit annually, a YLC Small / Medium Producer Application Form
  - Provide proof of previous year's Annual Worldwide Production volume. Canadian Producers must provide Canada Revenue Agency (CRA) Excise Duty report for the last 12 months. International Producers must provide a similar government-recognized report.
  - YLC will review & notify the Producer as to the issued status, and adjust markups accordingly. Status and pricing is valid until December 31<sup>st</sup> of that calendar year.
- YLC would like to limit Supplier cost change requests to two (2) occasions per year:
  - February 15-28 for price changes effective April 1<sup>st</sup>
  - August 15-30 for price changes effective October 1<sup>st</sup>
- YLC will publish updated Wholesale & Retail Price Lists by the end of the fifth (5<sup>th</sup>) business day of the month. Price lists will be available at <http://www.ylc.yk.ca/products.html>
- Yukon Liquor Corporation [YLC] is responsible for the purchase, distribution and sale of liquor within the Yukon, controlling the sale of liquor through licensed outlets and enforcing all matters related to the Liquor Act, subject to all other applicable acts and regulations. Section 8(1)(b) of the Liquor Act states the Corporation has the authority to establish pricing, which is clarified under Schedule C of the Protocol Agreement.
- Product categories descriptions:
  - Spirits include, but not limited to bitters, brandy, cognac, gin, liqueur, rum, tequila, vodka, whiskey, and other categories as listed, normally having an alcohol volume greater than 16%.
  - Table Wines include, but not limited to red, white, sparkling and other wine subcategories such as aperitifs, vermouth and sake, normally having an alcohol volume less than 16%.
  - Fortified Wines are wine products that are fortified with alcohol and normally have an alcohol volume greater than 16%, including but not limited to port, sherry, Madeira and dessert wines.
  - Ready To Serve (RTS) are premixed drinks and cocktails having an alcohol volume over 7.01% and less than 16%.
  - Coolers: beer, wine and spirit-based coolers with an alcohol volume less than 7.01%
  - Packaged beer and cider: all packaged beer and cider in bottles, cans and growlers.

- Draft beer and cider: all beer and cider sold in kegs and containers greater than 15 litres.
- Non-alcohol products: beverages that contain 0.5% or less of alcohol by volume.
- Limited Time Offers (LTO) are price incentives offered by vendors/agents to promote the sale of specific product over a specific time period. YLC pays the vendor the full regular price for the product and applies a discount as negotiated with the supplier for the end consumer. The value of the discount is passed to the end customer / licensee, subject to supplier limitations. YLC recoups the value of the discount given from the supplier directly, based on the number of units sold. The LTO is in effect for a specified period of time (typically one month).
- Valid license holders are eligible for wholesale pricing and licensee discounts from YLC retail stores: *Liquor primary licenses; Food primary licenses; Train, ship, or aircraft licenses; Recreation facility licenses; Sports stadium licenses; Off premises liquor licenses; RV park licenses; Special licenses; Club liquor licenses; & other license categories.* Note: permit holders are not eligible.

#### Cost of Service

- Cost of Service (COS), also called the 'cost of service differential' or 'cost-of-service fee', is a term used to describe the cost associated with bringing products to market. This would include the cost of sourcing, procuring, and the logistics costs (transportation & warehousing,) of getting the product to the point of sale. A Cost of Service differential (COS differential) is the difference between the COS applied to the products of another country and the COS applied to domestic products.
- Yukon Liquor Corporation (YLC) is calculating the COS based only on the logistics costs incurred within the distribution centre and outbound freight to stores where product is sold to both licensees and retail customers, subject to annual review.
- COS obligations are part of Canada under the Comprehensive Economic and Trade Agreement (CETA) that Canada signed with the European Union (EU) and its member states<sup>1</sup>. Under CETA, Canada and European Union member states have agreed to 'non-discrimination and national treatment'. This means that each party to the trade agreement has agreed to treat the goods of other parties in a way that is no less favorable than the treatment it provides to its own goods.
- Under CETA, Canadian jurisdictions are committed to identify the COS value for alcohol products to ensure that price differences between domestic and imported products reflect

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<sup>1</sup> While Canada signed CETA in October 2016 and the European Parliament approved it in February 2017, the agreement is currently provisionally applied until formal entry into force. Formal entry into force occurs only after the agreement is ratified by EU and national legislatures.

actual costs incurred. A COS differential is allowed between domestic and imported products so long “as it is no greater than the additional costs necessarily associated with the marketing of products of the other Country, taking into account the additional costs resulting from, inter alia, delivery methods and frequency”<sup>2</sup>. For this reason, COS values cannot be based on the dollar value of products (i.e. ad valorem).

### What does this mean for liquor prices in Yukon?

- The YLC has calculated the COS value for liquor products in Yukon based on the costs of warehousing and moving products through the YLC distribution centre. This COS value is a flat rate applied on volume. YLC has a two COS rates: \$0.30/l for packaged product; and \$0.15/l for draught. The differential is due to draught products require less handling through the distribution centre. The differential applies to all product regardless of origin.
- The COS will be evaluated with each budget cycle to reflect the cost of service. To offset the impact, markups on liquor products were reduced. The COS has no real impact on price as it was previously a component of mark-up. The COS now identifies a portion of the mark-up in a different way.

### What are the detailed costs associated with YLC’s proposed COS value (\$0.30/L)?

- YLC estimated Cost of Service in 2017-2018 to be \$1.614 Million, on sales of 5.303 million litres, rounded to \$0.30 per litre. The value of \$0.30/L comes from warehouse labour costs; operations, support and maintenance costs associated with the warehouse; out-bound freight services to wholesale & Retail Customers (YLC provides uniform pricing to all licensees and retail customers regardless of location in Yukon).
- **2017/2018 YLC Distribution Costs**
  - Warehouse Labour \$ 722,947
  - Distribution Systems Labour \$ 310,000
  - Warehouse Operational Costs \$ 378,701
  - Inter store Freight \$ 202,471
  - **Total COS \$ 1,614,119**
  - **Litres 5,303,116**
  - **Cost per litre \$ 0.3044**

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<sup>2</sup> CETA - Annex 30, Section D, 4a, 2.

## Calculating Wholesale & Retail Price:

<b>Component:</b>	<b>Explanation:</b>
<b>Product Cost</b>	Price paid to Supplier
+ Federal Excise Duty	A variable tax based on volume and alcohol content
+ Federal Import Duty	Applied to imported goods only
+ Inbound Freight & Logistics	Rate based on YLC freight & logistics expenses
<b>= Landed Cost</b>	<b>Total cost to get a product to the YLC Distribution Center</b>
+ YLC Wholesale Markup	Per Schedule A & Schedule B (below)
+ Cost Of Service (\$ / litre)	Estimated cost per litre associated with product purchase & distribution to YLC retail / wholesale locations
<b>= Wholesale Base Price *</b>	<b>Price to Wholesale Customers before tax, deposit &amp; fees</b>
+ YLC Retail Markup (%)	Retail Markup (from Wholesale) to calculate the Retail Store Price (before taxes, deposit & recycling fees.) Wholesale Customers are not charged this markup, as this is equivalent to the 12% Licensee discount.
<b>= Retail / Wholesale Base Price</b>	<b>Price to YLC Retail &amp; Wholesale Customers before tax, deposit &amp; fees</b>
+ Yukon Liquor Tax	Fixed rate of 12% as per <i>Liquor Tax Act</i> .
+ Goods & Services Tax (GST)	Fixed rate of 5%
<b>= Final Price before deposit</b>	<b>Price to YLC Retail &amp; Wholesale Customers before deposit &amp; fees</b>
+ Refundable Deposit	Fixed amount based on container type / size
+ Recycling Fee	Applied to all non-refillable products at a fixed rate
<b>= Final Price with Deposit: Retail Price at YLC Retail Stores / Wholesale Price for Licensees</b>	

\* Final Wholesale Price includes Wholesale Base Price + taxes, deposits and fees

## Yukon Liquor Corporation Markup Schedule - Effective January 1, 2019

### Schedule A: Standard Mark-up Schedule

Beer & Cider: Draft			COS (\$/litre)
<b>Large Producers</b>	Wholesale Markup (\$ / litre)		\$0.15
Total production over 25,000 hectolitres	\$1.00 / l		
Beer & Cider: Packed			
<b>Large Producers</b>	Wholesale Markup (\$ / litre)		\$0.30
Total production over 25,000 hectolitres	\$1.42 / l		
Coolers			
<b>Large Producers</b>	<b>Markup Boundaries</b>	<b>Wholesale Markup</b>	\$0.30
Total annual production of coolers over 15,000 litres	All	70%	
Spirits			
<b>Large Producers</b>	<b>Landed Cost (\$ / litre) thresholds</b>	<b>Wholesale Markup</b>	\$0.30
Total annual production over 8,300 litres of absolute ethyl alcohol	On next \$17.40 / l	\$0.00 - \$17.40	138%
	On next \$36.00 / l	\$17.41 - \$53.40	35%
	Remaining \$ / l	\$53.41+	15%
Table Wines & Ready To Serve			
<b>Large Producers</b>	<b>Landed Cost (\$ per litre) thresholds</b>	<b>Wholesale Markup</b>	\$0.30
Total annual production over 60,000 litres	On first \$7.50 / l	\$0.00 - \$7.50	98%
	On next \$13.50 / l	\$7.51 - \$21.00	55%



	Remaining \$ / l	\$21.01 +	15%	
<b>Fortified Wines</b>				
<b>All Producers</b>	<b>Landed Cost (\$ per litre) thresholds</b>		<b>Wholesale Markup</b>	<b>\$0.30</b>
	On first \$7.50 / l	\$0.00 - \$7.50	125%	
	On next \$13.50 / l	\$7.51 - \$21.00	55%	
	Remaining \$ / l	\$21.01+	15%	
<b>Non-Alcohol products</b>				
<b>All Producers</b>	<b>Markup Boundaries</b>		<b>Wholesale Markup</b>	<b>\$0.30</b>
	All		10%	

Schedule B: Small Producer Mark-up Schedule

<b>Product / Producers' Size</b>	<b>Wholesale Markup (\$ / litre)</b>	<b>COS (\$/litre)</b>
<b>Spirits: Small Producers</b> Total annual production up to and including 8,300 litres of absolute ethyl alcohol	<b>\$11.70</b>	<b>\$0.30</b>
<b>Table wines: Small Producers</b> Total annual production up to and including 60,000 litres	<b>\$7.70</b>	<b>\$0.30</b>
<b>Coolers: Small Producers</b> Total annual production up to and including 525 litres of absolute ethyl alcohol	<b>\$1.50</b>	<b>\$0.30</b>
<b>Beer Packaged: Small Producers</b> Total annual production up to and including 15,000 hectolitres	<b>\$0.10</b>	<b>\$0.30</b>
<b>Beer Draft: Small Producers</b> Total annual production up to and including 15,000 hectolitres	<b>\$0.10</b>	<b>\$0.15</b>
<b>Beer Packaged: Medium Producers</b> Total annual production between 15,000 and 25,000 hectolitres	<b>\$0.40</b>	<b>\$0.30</b>
<b>Beer Draft: Medium Producers</b> Total annual production between 15,000 and 25,000 hectolitres	<b>\$0.40</b>	<b>\$0.15</b>



Pricing Examples - Effective January 1, 2019

Packaged Beer – Large Producer: 24 pack bottles, Sourcing AB		
Pricing Elements	Retail Price	Wholesale Price
<b>Product Cost</b>		
<b>Selling Unit Cost, Duty Pd GST Extra</b>		<b>\$14.48</b>
+ Inbound Freight & Logistics		\$ 3.99
<b>= Landed Cost</b>		<b>\$18.47</b>
+ YLC Wholesale Markup		\$11.62
+ Cost Of Service (\$0.30 / litre)		\$ 2.46
<b>= Wholesale Base Price</b>		<b>\$32.55</b>
+ YLC Retail Markup	\$4.44	Not Applicable (equivalent of 12% discount)
<b>= Retail Base Price</b>	<b>\$36.99</b>	-
+ Yukon Liquor Tax (12%)	\$4.44	\$3.91
+ Goods & Services Tax (5%)	\$1.85	\$1.63
<b>= Final Price Before Deposits</b>	<b>\$43.25</b>	<b>\$38.10</b>
+ Refundable Deposit	\$1.20	
+ Recycling Fee	\$1.20	
<b>= Final Price With Deposits</b>	<b>\$45.65</b>	<b>\$40.50</b>

Packaged Beer – Small Producer: 15 pack cans, Sourcing YT		
Pricing Elements	Retail Price	Wholesale Price
<b>Product Cost</b>		
<b>Selling Unit Cost</b>		<b>\$24.11</b>
+ Inbound Freight & Logistics		\$ 0.00
<b>Landed Cost</b>		<b>\$24.11</b>
+ YLC Wholesale Markup		\$0.53
+ Cost Of Service (\$0.30 / litre)		\$1.60
<b>= Wholesale Base Price</b>		<b>\$26.24</b>
+ YLC Retail Markup	\$3.58	Not Applicable (equivalent of 12% discount)
<b>= Retail Base Price</b>	<b>\$29.82</b>	
+ Yukon Liquor Tax (12%)	\$3.58	\$3.15
+ Goods & Services Tax (5%)	\$1.49	\$1.31
<b>= Final Price Before Deposits</b>	<b>\$34.90</b>	<b>\$30.70</b>
+ Refundable Deposit	\$0.75	
+ Recycling Fee	\$0.75	
<b>= Final Price With Deposits</b>	<b>\$36.40</b>	<b>\$32.20</b>

**Draft Beer – Large Producer: 58.671 litres Keg, Sourcing AB**

Pricing Elements	Retail Price	Wholesale Price
<b>Product Cost</b>		
<b>Selling Unit Cost, Duty Pd GST Extra</b>		<b>\$78.60</b>
+ Inbound Freight & Logistics		\$21.30
<b>= Landed Cost</b>		<b>\$99.90</b>
+ YLC Wholesale Markup		\$58.67
+ Cost Of Service (\$0.15 / litre)		\$8.80
<b>= Wholesale Base Price</b>		<b>\$167.37</b>
+ YLC Retail Markup (13.64%)	\$22.83	Not Applicable (equivalent of 12% discount)
<b>= Retail Base Price</b>	<b>\$190.22</b>	-
+ Yukon Liquor Tax (12%)	\$22.82	\$20.08
+ Goods & Services Tax (5%)	\$9.51	\$8.37
<b>= Final Price Before Deposits</b>	<b>\$222.55</b>	<b>\$195.80</b>
+ Refundable Deposit	\$0	
+ Recycling Fee	\$0	
<b>= Final Price With Deposits</b>	<b>\$222.55</b>	<b>\$195.80</b>

**Draft Beer – Medium Producer: 18.50 litres Keg, Sourcing BC**

Pricing Elements	Retail Price	Wholesale Price
<b>Product Cost</b>		
<b>Selling Unit Cost, Duty Pd GST Extra</b>		<b>\$73.27</b>
+ Inbound Freight & Logistics		\$10.87
<b>= Landed Cost</b>		<b>\$84.14</b>
+ YLC Wholesale Markup		\$7.40
+ Cost Of Service (\$0.15 / litre)		\$2.78
<b>= Wholesale Base Price</b>		<b>\$94.32</b>
+ YLC Retail Markup (13.64%)	\$12.87	Not Applicable (equivalent of 12% discount)
<b>= Retail Base Price</b>	<b>\$107.19</b>	-
+ Yukon Liquor Tax (12%)	\$12.86	\$11.32
+ Goods & Services Tax (5%)	\$5.36	\$4.72
<b>= Final Price Before Deposits</b>	<b>\$125.40</b>	<b>\$110.35</b>
+ Refundable Deposit	\$0	
+ Recycling Fee	\$0	
<b>= Final Price With Deposits</b>	<b>\$125.40</b>	<b>\$110.35</b>

### Spirits – Large Producer Import: 1.75 litre bottle, Sourcing AB

Pricing Elements	Retail Price	Wholesale Price
<b>Product Cost</b>		
<b>Selling Unit Cost, Duty Deferred GST Extra</b>		<b>\$3.58</b>
+ Federal Excise Duty per case		\$3.63
+ Federal Import Duty per case		Paid by Vendor
<b>= Selling Unit Cost, Duty Pd GST Extra</b>		<b>\$ 7.21</b>
+ Inbound Freight & Logistics		\$ 0.34
<b>= Landed Cost</b>		<b>\$ 7.55</b>
+ YLC Wholesale Markup		\$10.41
+ Cost Of Service (\$0.30 / litre)		\$ 0.23
<b>= Wholesale Base Price</b>		<b>\$18.19</b>
+ YLC Retail Markup (13.64)	\$2.48	Not Applicable (equivalent of 12% discount)
<b>= Retail Base Price</b>	<b>\$20.67</b>	-
+ Yukon Liquor Tax (12%)	\$2.48	\$2.18
+ Goods & Services Tax (5%)	\$1.03	\$0.91
<b>= Final Price Before Deposits</b>	<b>\$24.20</b>	<b>\$21.30</b>
+ Refundable Deposit	\$0.25	
+ Recycling Fee	\$0.10	
<b>= Final Price With Deposits</b>	<b>\$24.55</b>	<b>\$21.65</b>

### Spirits – Small Producer: 0.75 litre bottle, Sourcing BC

Pricing Elements	Retail Price	Wholesale Price
<b>Product Cost</b>		
<b>Selling Unit Cost, Duty Pd GST Extra</b>		<b>\$35.00</b>
+ Inbound Freight & Logistics		\$ 0.51
<b>= Landed Cost</b>		<b>\$35.51</b>
+ YLC Wholesale Markup		\$ 8.78
+ Cost Of Service (\$0.30 / litre)		\$ 0.23
<b>= Wholesale Base Price</b>		<b>\$44.52</b>
+ YLC Retail Markup (13.64%)	\$ 6.07	Not Applicable (equivalent of 12% discount)
<b>= Retail Base Price</b>	<b>\$50.59</b>	-
+ Yukon Liquor Tax (12%)	\$ 6.07	\$ 5.34
+ Goods & Services Tax (5%)	\$ 2.53	\$ 2.23
<b>= Final Price Before Deposits</b>	<b>\$59.20</b>	<b>\$52.10</b>
+ Refundable Deposit	\$0.25	
+ Recycling Fee	\$0.10	
<b>= Final Price With Deposits</b>	<b>\$59.55</b>	<b>\$52.10</b>

Wine – Large Producer: 0.75 litre bottle, Sourcing BC		
Pricing Elements	Retail Price	Wholesale Price
<b>Product Cost</b>		
<b>Selling Unit Cost, Duty Pd GST Extra</b>		<b>\$8.64</b>
+ Inbound Freight & Logistics		\$0.50
<b>= Landed Cost</b>		<b>\$9.14</b>
+ YLC Wholesale Markup		\$7.44
+ Cost Of Service (\$0.30 / litre)		\$0.22
<b>= Wholesale Base Price</b>		<b>\$16.80</b>
+ YLC Retail Markup	\$2.29	Not Applicable (equivalent of 12% discount)
<b>= Retail Base Price</b>	<b>\$19.09</b>	-
+ Yukon Liquor Tax (12%)	\$2.29	\$2.02
+ Goods & Services Tax (5%)	\$0.95	\$0.84
<b>= Final Price Before Deposits</b>	<b>\$22.35</b>	<b>\$19.65</b>
+ Refundable Deposit	\$0.25	
+ Recycling Fee	\$0.10	
<b>= Final Price With Deposits</b>	<b>\$22.70</b>	<b>\$19.65</b>

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