



January 7, 2019

TO: All Trade Partners

RE: Updates/Changes to Minimum Retail Prices, Imported Spirits Pricing, LTOs, Spirits Price Bands; Logistics Average Freight Rates (LAFR) review, Federal Excise Tax

Please be advised of the following updates and changes:

Minimum Retail Price Increases

On Friday, March 1, 2019, the minimum retail prices for beverage alcohol categories will increase in accordance with Ontario Regulation 116/10 under the Liquor Control Act (see attachment #1). These rates reflect recent amendments to the regulation governing minimum prices. Similar increases to minimum prices took place in past years with the exception of beers, which are no longer indexed as a result of changes to Ontario Regulation 116/10: Minimum Pricing of Liquor and Other Pricing Matters which took place on August 7th, 2018. The regulation requires minimum prices to be increased by the three-year average of the Consumer Price Index.

For suppliers who wish to re-quote, please note the following key dates:

- | | |
|--------------------|---------------------------------------|
| Monday, January 21 | - revised wholesale quote deadline |
| Monday, February 4 | - wholesale quote revisions effective |
| Friday, March 1 | - retail price effective |

Quotes must be e-mailed to pricing@lcbo.com.

Imported Spirit Pricing (excluding liqueurs & ready-to-drink products)

To align with the new minimum retail prices, imported spirit suppliers may also re-quote. Use the template (attachment #2) and submit along with a new quote letter to merchandisingsupport@lcbo.com and pricing@lcbo.com by Monday, January 21, 2019. The new retail prices for these products will be forced up on Friday, March 1, 2019. Upon purchase order receipt, prices will be recalculated based on revised quote and rates.

If the LCBO does not receive a revised quote, it will be assumed that the supplier does not wish to have the retail price forced up as stated above. The new retail price will be calculated according to the regular quote increase schedule based on purchase order receipt. Please note that in this latter circumstance, it is possible that any approved Limited Time Offers (LTO) will be cancelled should they fall below the new minimum retail prices.

Limited Time Offers (LTO)

LTO prices for products participating in the Period 13 Promotional Period will be based on the retail price in effect on Monday, February 4, 2019 (Period 12). Suppliers should review future LCBO promotional programs to ensure that they adhere to the new minimum prices.

Kyle Baker
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Administration

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Spirits Price Bands

Please find attached a list of the new corresponding spirits price bands (attachment #3). Please note that in our Gin and Rum categories we will be introducing a new Super Premium price band. To ensure that your product is classified in the appropriate price band and/or to notify the Category Manager of any planned changes to retail price, contact colby.norrington@lcbo.com for white spirits or peter.cloutier@lcbo.com for brown spirits by Friday, February 1, 2019.

Logistics Average Freight Rates (LAFR) Review

The quarterly review of the LAFR has been completed and impacted suppliers have been sent a notification. Any supplier wishing to adjust their quote as a result of this review should consider all of the above changes when submitting a revised quote.

Federal Excise Tax

On April 1, 2019 (pending notification and published rates from the Canada Revenue Agency), the Federal Excise Tax will increase based on the national consumer price index (CPI). The increase is expected to be near the annual CPI target rate of 2%. The new rates will be published as soon as they are available and price calculators will be updated accordingly. Suppliers may wish to consider this for the January 21st quote submissions in order to minimize consecutive retail price changes. *For more information on Bank of Canada inflation target rate see [here](#).*

Questions may be directed to pricing@lcbo.com.

Thank you for your continued support and partnership.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kyle Baker', with a long horizontal flourish extending to the right.

Kyle Baker

Manager, Pricing Administration