



March 13, 2015
Import Vintners & Spirits Association (IVSA)

For Immediate Release

Subject: BC Liquor Importers and Distributors Refute Assertion that Industry is to Blame for Possible Liquor Price Increases, ref: Attorney General Hon. Suzanne Anton places blame for upcoming price increases on liquor importers/distributors/suppliers

Following the release of the new Wholesale Price List by the BCLDB on March 6th that showed a significant number of price adjustments for beverage alcohol, the Honorable Minister Suzanne Anton chose to place blame on liquor "Distributors and Suppliers" for "taking advantage" of the change to a Wholesale Pricing Model for potential increases. Her comments were reported in media outlets including CBC Radio "On the Coast" on Monday, March 9.

It is the position of the IVSA and its members that the accusation that distributors and suppliers are "taking advantage" by raising prices to increase margin is patently false. Furthermore, we believe that her accusation is propaganda to deflect the possibility that price increases are due to the BC Government's poor planning, execution and overall lack of industry consultation in moving to what is becoming widely acknowledged as a flawed Wholesale Price Model for liquor in British Columbia.

The IVSA and its members do not dispute that some prices will increase. But any increases are due, by in large, to the numerous market influences facing distributors/suppliers including the current state of the Canadian Dollar. Retail prices may be adjusted several times in any given year to accommodate these variables. Some examples of market forces at work:

- The slide of the Canadian Dollar versus the US Dollar. All US liquor products, as well as many South American and other international products are purchased in US Dollars. Additionally, all ocean freight regardless of origin of product is paid by importers in US Dollars.
- Supplier prices from wineries, distilleries and breweries around the world constantly fluctuate due to supply and demand, climate, crop volume, international economic conditions, taxation, the price of oil, and myriad other factors.

Fundamentally, it is short-sighted and misguided to suggest that liquor importers/distributors and their suppliers are arbitrarily taking advantage of the change to Wholesale Pricing to raise prices.

Since announcing the pending change several months ago, liquor importers/distributors and their suppliers were kept in the dark about the actual calculations used to achieve wholesale prices until February 1, 2015. Additionally, as of this date we do not even yet know the BCLDB final mark-up or new shelf-prices. As such, the notion that our industry would be proactively hiking up costs to increase margin without knowledge of the final retail price of our products is confounding and preposterous.

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We would like to point out that in the process of developing a Wholesale Price Model there was no import-industry or reseller consultation by the BC Government. We reached out for meetings and asked to be involved, and have written several letters to Members of the Legislative Assembly. Our members' extensive experience in this (and other) Canadian markets would have been invaluable to crafting a well-thought out and mutually beneficial new tax regime that would have benefitted industry, government and tax-payers without raising retail prices at all.

To summarize:

- In the move to a wholesale model, control over shelf prices has been taken away from importers/distributors. One can only guess what shelf prices will be once BCLS markups are applied.
- BCLS markups will not be known until March 20, seven days before going into effect on April 1.
- It is preposterous to state that importers/distributors might be taking advantage when we have no idea what the final retail prices look like.
- Supplier prices constantly fluctuate due to currency, supply and demand, production and shipping costs, and other market forces.
- The single largest impact to pricing that importers currently face is the weak state of the Canadian Dollar versus the US Dollar. Many international products including all US liquor products, plus all ocean freight, is paid in US Dollars.
- The Import Liquor Industry wishes it had been consulted in advance to help shape the new landscape of liquor policy in British Columbia, as it had advocated for.
- Importers are responsible for the broad selection of wine, spirits and beer available in BC and incur all costs of sourcing, purchasing, shipping and warehousing products. Importers take all the financial risks to have a diverse range of products available.
- Additionally, importers are responsible for the vast majority of marketing costs to help sell imported liquor once it is for sale in British Columbia. This includes sampling costs at licensed stores, advertising, hosting suppliers, participating in the Vancouver International Wine Festival, and other marketing endeavours.

For Comment:

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About the IVSA:

The BC Import Vintners and Spirits Association represents 110 liquor import and distribution agencies in British Columbia, accounting for over \$860 million in wine, beer and spirits revenue, and 30% of total BCLDB annual liquor sales.

In 2014, imported wine accounted for 65.5% of all wine sold in BC Liquor Stores, or \$308 million in revenue (+\$10 million over 2013).

In 2014, imported wine accounted for 56% of all wine sold in all channels, totaling over \$580 million in revenue.

In 2014, the average price per bottle of imported wine sold in BC was \$15.72, versus the average price per bottle of BC wine of \$13.16.

Imported wine, spirits and beer and its importers, distributors and suppliers are important contributors to provincial tax revenue, small businesses and jobs. The IVSA and its members take great pride in contributing to British Columbia's thriving hospitality culture while maintaining professionalism and promoting safe and responsible consumption of beverage alcohol.