

To: All Liquor Agents, Suppliers, Marketing Representatives, and Local Manufacturers
From: Amy Han, Director, Supply Chain
Date: June 20, 2023
Re: **Simplified and enhanced markups in support of producers**

Manitoba Liquor & Lotteries (MBLL) remains committed to supporting small producers. As part of our ongoing review, the Micro Producer Mark-up Program will be coming into force effective July 1, 2023.

To qualify for Level 1 markup in any category, products must be produced entirely through active, on-site distillation or fermentation, and bottled or packaged at the manufacturing facility.

Beer

MBLL has simplified the program from four production levels down to two.

LEVELS	HECTOLITRES (100 Litres)	MARKUP TO LICENSEE	MARKUP TO RETAIL	MARKUP TOTAL	SURCHARGE \$/Litre
1	≤25,000	10%	26%	36%	\$0.1070
2	>25,000	49%	26%	75%	\$0.4673

Spirits

MBLL has simplified the program from four production levels down to two.

The markup to retail has lowered from 50% to 40% for qualifying micro producers.

LEVELS	LITRES	MARKUP TO RETAIL	SURCHARGE
1	≤25,000	40%	\$0.2700
2	>25,000	153%	\$1.2568

The use of neutral grain spirits or purchased bulk spirits, and grape-based spirits remain excluded from the micro producer program.

Mead and Wine

MBLL has simplified the program from four production levels down to two.

LEVELS	LITRES	MARKUP TO RETAIL	SURCHARGE
1	≤25,000	40%	\$0.4300
2	>25,000	95%	\$1.9458

Ciders

MBLL has simplified the program from four production levels down to two and increased the volume threshold from 250 hL to 2,500 hL for ciders.

LEVELS	HECTOLITRES (100 Litres)	MARKUP TO RETAIL	SURCHARGE
1	≤2,500	40%	\$0.2100
2	>2,500	95%	\$0.9517

MBLL will review any submissions previously deemed ineligible based on production threshold. If found to qualify following these program changes, the new micro level will be applied effective July 1, 2023.

Due to the short implementation timeframe MBLL will not accept new micro submissions for existing suppliers/listed products to be applied for the July 1 price change. New micro submissions if received will be processed on a first come/first served basis and be implemented on the next available price change following the applicant receiving an approval notification. The price change schedule may be found under Pricing Information [here](#).

Refreshment Beverages (excluding Ciders)

MBLL has simplified the program from four production levels down to two and increased the volume threshold from 250 hL to 2,500 hL for refreshment beverages.

LEVELS	HECTOLITRES (100 Litres)	MARKUP TO RETAIL	SURCHARGE
1	≤2,500	40%	\$0.2100
2	>2,500	95%	\$0.9517

The use of neutral grain spirits or other base alcohol that is acquired rather than produced is not eligible for small producer markup. MBLL will review any submissions previously deemed ineligible based on production threshold. If found to qualify following these program changes, the new micro level will be applied effective July 1, 2023.

Due to the short implementation timeframe MBLL will not accept new micro submissions for existing suppliers/listed products to be applied for the July 1 price change. New micro submissions if received will be processed on a first come/first served basis and be implemented on the next available price change following the applicant receiving an approval notification. [The price change schedule may be found here.](#)

CONTACT

If you have any questions about the program changes outlined above, please contact:
Mark Ogg, Manager, Core Merchandising and Product Administration | Supply Chain
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Q&A: Simplified Markup & Surcharge for Micro Producers

1. What has changed for micro producers?

Markup and surcharge rates have been revamped in support of the industry and go into effect July 1, 2023. Changes include:

- **Simplifying from four tiers down to two per product category.**
- **Making more producers eligible for the micro producer markup program.**
- **Setting markup and surcharge rates low for micro producers.**

2. What sort of meaningful effects will this have for small producers?

- **More retained profits**, especially as a producer grows their business when compared against the previous markup model.
- **Incentive to grow their business**, free of the cost previously associated with an increased markup due to entering a higher production volume tier.
- **Greater stability in business planning**, without having to estimate or forecast when or if production increases might move their company into a higher markup tier.
- **A level field** where more producers of a given product are subject to the same markup.
- **Incentive to enter the industry** with a new lower markup rate in the spirits category helping to offset the major startup costs carried until product reaches maturity for sale.
- **Race to the top, rather than the bottom** through support of producers who focus on making quality products from scratch, enhancing the reputation of Manitoba's producers locally and further afield.

3. Where do I get full details on the new markups and surcharges?

In addition to the memo sent to producers on June 20, 2023, all information is contained in the latest Pricing Information bulletin, available on mbllpartners.ca.

4. Is the new markup model retroactive in any way?

The new markups and surcharges are applicable only on orders received by MBLL on or after July 1, 2023.

5. Can I submit an out-of-cycle price change, including if my markup level changes?

Generally speaking, out-of-cycle price change requests are subject to an administration fee charged to the supplier, and based on volume may be delayed or declined. All qualifying products in the micro producer program are eligible to apply for the next cycle's price change, which takes effect on September 1, 2023. The application deadline is July 16, 2023.

6. How does this affect price to the consumer?

Consumer price does not change unless a producer opts to pass on some of their savings from the revised markup program in the form of a future price change, as early as September 1, 2023.