



TO: All Liquor Agents, Suppliers, Marketing Representatives, and Local Manufacturers
FROM: Robert Holmberg, Executive Vice President, Liquor Operations
DATE: July 26, 2018
RE: **PROGRAM CHANGES FOR LIQUOR PRODUCTS RETAILED IN MANITOBA**

As part of Manitoba Liquor & Lotteries' ongoing review and adjustment to its liquor operations, changes to several programs are being implemented along with the updated definitions as identified below.

Liquor & Lotteries is adopting the Canada Food Inspection Agency's (CFIA) proposed changes to beer compositional standards, as well as the Canada Revenue Agency's (CRA) definition of spirit production. The changes are outlined below with links to related resources:

REFRESHMENT BEVERAGES AND BEER

Liquor & Lotteries will adopt the Canada Food Inspection Agency's (CFIA) proposed amendment to the *Food and Drug Act* and its Regulations, which updates the beer compositional standards as outlined in the [Canada Gazette, Vol. 151, No. 24 — June 17, 2017](#).

The definition of beer, developed in consultation with Beer Canada, indicates beer must contain either barley, wheat malt or other additional grains and cannot contain more than 4% residual sugar.

As a result, the definition of beer will be applied to malt-based beverage alcohol products:

- Any newly-listed product with **less than 4% residual sugar content** will be classified as a beer and will have the standard beer markup rate applied (or the appropriate microbrewery markup rate, if applicable). These products will be available at the price to licensees.
- Any newly-listed product with **greater than 4% residual sugar content** will be classified as a cooler and will have the standard refreshment beverage markup rate and retail commission applied.
- All currently-listed malt-based coolers will retain their applicable markup statuses until April 1, 2023.
- No changes will be made to distribution statuses at this time.

MICROBREWERY

- Refer to the revised refreshment beverage definition outlined above regarding the classification of malt-based coolers to the refreshment beverage or beer categories.
- Reporting requirements for microbreweries have been clarified below.
- There are no changes to the existing microbrewery markup structure.

MICRO-DISTILLERY

Liquor & Lotteries will adopt Canada Revenue Agency's (CRA) definition of *production*: [3.1.1 Producers and Packagers of Spirits, Requirement for a spirits licence](#) (Meaning of "produce," s 2):

3. To "produce" spirits means to bring spirits into existence by distillation or by any other process, or to recover spirits. Spirits produced through distillation are considered to have come into existence at the earliest point at which they can be reasonably measured after leaving the column of a still.

- To qualify for micro-distillery markup rates, spirits **must have been produced** per the definition above. Products that have been blended and packaged rather than produced entirely through onsite distillation do not qualify for micro distillery markup rates.
- The new definition as outlined above will take effect immediately.
- Grape-based spirits are not eligible for micro distillery markup rates effective immediately.

COTTAGE WINERY

- The cottage winery markup structure will be eliminated effective April 1, 2020.
- Existing cottage winery markup rates will continue to be applied to all eligible products as well as any eligible new products ordered before March 31, 2020.

PRODUCTION REPORTING REQUIREMENTS

- Annual worldwide production will be used to calculate the appropriate markup rate for all product categories.
- Contract brewers and distillers will be marked up at the host facility's annual worldwide production level.
- Taproom and tasting room sales must be reported on or before the 15th day of the following month or the full markup rate may be applied to all products.

- The new definitions and reporting requirements as outlined in this memo take effect immediately.
- The above reporting requirements must be met. Failure to do so will result in penalties up to and including: chargeback of the reduced markup, processing fees, and the potential delisting of the affected products.

LICENSED LOCAL MANUFACTURERS WITH A RETAIL ENDORSEMENT

Manufacturers with a retail endorsement from the Liquor & Gaming Authority of Manitoba (LGA) qualify for a discount on public customer sales. Please contact your commercial customer sales manager for details.

CONTACTS & RESOURCES

If you have any questions about the program changes outlined above, please contact:

Liquor Agents & Suppliers

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Visit the [Liquor Agents & Suppliers page](#) on MBLLpartners.ca for updated forms and resources.