

A Report
Identifying Interprovincial Trade Barriers
in the
Canadian Beer Industry



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EXECUTIVE SUMMARY

This report was developed in response to a request from Ernst and Young for assistance in identifying and documenting interprovincial trade barriers that exist within the Canadian beer industry. Ernst and Young was contracted by Industry Canada to develop an index that will measure changes in the interprovincial trade landscape.

Upon approval of Beer Canada's Board of Directors, an Internal Trade Task Force was struck with a mandate to investigate and identify specific provincial-level trade barriers that currently exist within the beer industry. The information included herein is a result of the research the Task Force undertook.

Based on the research, the following general categories under which trader barriers may fall were identified: Distribution, Charges/Costs of Service, Access to Points of Sale, and Pricing.

When it comes to beer, the Canadian Interprovincial trade landscape can be characterized as follows:

- Trade barriers exist in every province in one or more of the four general categories.
- Feedback from the Task Force identified two different types of barriers; 1. Those that reside in regulation and policy, 2. Those that reside at the operational level and relate to listing policies that may put out of province brewers at a disadvantage.
- In some cases, regional and reciprocal trade agreements have been established to benefit brewers.
- Mark-up policy favouring in-province or regional brewers appear to be a popular means of promoting the local or regional industry. In some instances, mark-up policy favours in-province wine over in-province beer.
- All provinces permit inter-plant shipments, while some charge a fee/tariff on out of province beer to do so.
- Aside from inter-plant shipments, all out of province brewers must go through a designated warehousing system.
- Four provinces (Nova Scotia, Manitoba, British Columbia and Saskatchewan) permit direct to consumer delivery for wine and in some cases spirits, but not beer.

The remainder of this document contains a detailed inventory of each province's trade barriers, filed under the four categories identified above. It is our hope that this document will serve as a source of information that can be reviewed and revised from time to time in order to identify changes within Canada's interprovincial trade landscape.

NEWFOUNDLAND

Distribution	<ul style="list-style-type: none"> Out of province brewers can only distribute beer through Newfoundland and Labrador Liquor Corporation (NLLC). In province brewers can self-deliver to Brewers Agents and NLC.
Charges/Costs of Services	<ul style="list-style-type: none"> Out of province beer incurs a handling charge of \$0.67 per litre for NLC warehousing services¹. An out of province brewer has no other option but to utilize NLC warehouse and distribution system²
Access to Points of Sale	<ul style="list-style-type: none"> Out of province beer cannot be sold through brewers agents (retail).
Pricing	<ul style="list-style-type: none"> Microbreweries based in a province other than Newfoundland and Labrador must pay full mark-up³. The microbrewery can request a rebate, if applicable, based upon total HL produced annually. For a microbrewery based in Newfoundland the reduced markup is applied immediately.
Notes	<ul style="list-style-type: none"> None Applicable

PRINCE EDWARD ISLAND

Distribution	<ul style="list-style-type: none"> The PEI Liquor Control Commission (PEILCC) is the sole distributor of beer. However, in the case where a manufacturer has more than one separate producing facility in the province of PEI, the transfer of product between facilities for the purpose of retail sales may be permitted⁴. Micro-breweries who possess a license issued by the PEILCC will be permitted to deliver keg beer product to licensees⁵
Charges/Costs of Services	<ul style="list-style-type: none"> None Applicable
Access to Points of Sale	<ul style="list-style-type: none"> The Package Sales Licence allows the person holding a Dining Room, Club or Special Premises license to obtain a licence to sell unopened beer, wine and spirits for off sales. This is only available to products produced by in-province brewers⁶.
Pricing	<ul style="list-style-type: none"> A higher mark-up applies to products produced by out of province brewers⁷
Notes	<ul style="list-style-type: none"> In 2015, PEILCC made a request for a number of larger brewers to deliver directly to their stores, rather than go through their warehouse.

¹ [NLC Pricing and Mark-up Policy](#)

² [NLC Pricing and Mark-up Policy](#)

³ [NLC Pricing and Mark-up Policy](#)

⁴ [PEILCC Manufacturers Policy Manual](#)

⁵ [PEILCC Microbrewery Distribution Policy](#)

⁶ [CBC News Article, March 12, 2014](#)

⁷ [PEILCC Product Markup Structure](#)

NOVA SCOTIA

<p>Distribution</p>	<ul style="list-style-type: none"> • Out of province brewers are not permitted to self-deliver⁸. Note that an exception applies to New Brunswick brewers due to a reciprocal beer trade and distribution agreement reached between Nova Scotia and New Brunswick⁹ • Nova Scotia treats New Brunswick microbreweries the same way as Nova Scotia microbreweries providing lower distribution costs and enhanced access¹⁰ • The NSLC Board will consider, on a business case basis, granting the privilege to self-distribute to high volume brewers not manufacturing in the province. The criteria to be considered before granting a permit/contract to self-distribute will be: (1) sales within Nova Scotia of 1M equivalent dozen including both import and domestic brands that a corporate entity represents in Canada, and a demonstrated ability to maintain this minimum threshold; or privileges as granted as a result of bi-lateral agreements between Nova Scotia and another province; (2) impact on NSLC administration and operations; (3) requirement to ensure the NSLC right of audit and monitoring the distribution system is respected; (4) warehouse to be fully owned, or leased and operated by the supplier in Nova Scotia, as opposed to a 3rd party warehouse; or alternatively, services contracted through the NSLC; (5) the right to self-distribute does not include the ability to set up a manufacturers' retail store; (6) annual permit/contract to be issued at the discretion of the NSLC; (7) annual permit fee of \$2,000 + \$1.00/equivalent dozen for product shipped into Nova Scotia, or an alternative fee determined on a business case basis as established by the NSLC; (8) changes to the annual permit fee will be at the sole discretion of the NSLC¹¹
<p>Charges/Costs of Services</p>	<ul style="list-style-type: none"> • Out of province brewers incur NSLC cost of service and warehouse fees. In-province brewers have the opportunity to bypass the NSLC distribution and warehousing system¹² • For inter-plant shipments, volumes imported into Nova Scotia in excess of the amount shipped outside of Nova Scotia will be subject to NLSC costs of service¹³ • Nova Scotia manufacturers importing non-Canadian beer brands into Nova Scotia that they as a corporate entity

⁸ [NSLC Beer Trade and Distribution Policy](#)

⁹ [Nova Scotia and New Brunswick Beer Accord News Release](#)

¹⁰ [Nova Scotia and New Brunswick Beer Accord News Release](#)

¹¹ [NSLC Beer Trade and Distribution Policy](#)

¹² [NSLC Beer Trade and Distribution Policy](#)

¹³ [NSLC Beer Trade and Distribution Policy](#)

	represent in Canada pay a NSLC right of first receipt fee of \$1.00 per equivalent dozen ¹⁴
Access to Points of Sale	<ul style="list-style-type: none"> • Nova Scotia microbreweries can sample and sell their products at Nova Scotia farmers markets. • Direct to consumer importation from other provinces of Canadian wine that is 100% certified as locally grown, is permitted. This same benefit is not extended to beer¹⁵
Pricing	<ul style="list-style-type: none"> • A small brewer must be producing in Nova Scotia to qualify for the discounted mark-up rate¹⁶ • Nova Scotia wine which is comprised of 85% Nova Scotia grapes draws a mark-up of 43% of landed cost versus 140% of landed cost for other wines¹⁷. • Nova Scotia has introduced a non-transparent variable mark-up which means two different suppliers selling the same product (beer) could be charged different mark-up rates.
Notes	<ul style="list-style-type: none"> • Brewers in New Brunswick and Nova Scotia have reciprocal access (local brewer status) to their respective markets including the option to self-deliver¹⁸ • Inter-plant transfers (plant to plant) are permitted for Nova Scotia brewers¹⁹. • In December 2006, the Nova Scotia and Québec governments announced a reciprocal agreement to remove significant trade restrictions on beer produced in the two provinces. The terms of the <i>Nova Scotia-Québec Beer Trade Agreement</i> specified that Nova Scotia brewers were no longer subject to a tariff or surcharge on products entering Québec. Similarly, Québec no longer required fees for various products entering from Nova Scotia. Note: This agreement was not renewed in 2013.

NEW BRUNSWICK

Distribution	<ul style="list-style-type: none"> • Out of province brewers are not permitted to self-deliver. Note that in New Brunswick an exception applies to Nova Scotia brewers under a reciprocal arrangement²⁰
Charges/Costs of Service	<ul style="list-style-type: none"> • For inter-plant shipments, volumes imported into New Brunswick in excess of the amount shipped outside of New Brunswick will be subject to ANBL full costs of service, first receipt charges and penalties²¹

¹⁴ [NSLC Beer Trade and Distribution Policy](#)
¹⁵ [Nova Scotia Importation of Wine for Personal Use Legislation](#)
¹⁶ NSLC Correspondence
¹⁷ NSLC Correspondence
¹⁸ [Nova Scotia and New Brunswick Beer Accord News Release](#)
¹⁹ [NSLC Beer Trade and Distribution Policy](#)
²⁰ [ANBL Beer Listing and Distribution Policy](#)
²¹ [ANBL Beer Listing and Distribution Policy](#)



	<ul style="list-style-type: none"> Brewers in New Brunswick who have entered into agreements with other brewers to warehouse and distribute out of province beer are subject to full ANBL cost of service/first receipt charges. Charges will be waived for beer imported into New Brunswick produced in Nova Scotia by Nova Scotia brewers up to a maximum of 4,000 HL per year²²
Access to Points of Sale	<ul style="list-style-type: none"> None Applicable.
Pricing	<ul style="list-style-type: none"> A reduced “Craft Brewer” markup applies to brewers with total sales up to and including the first 150,000 hectolitres sold in New Brunswick²³ This contrasts with wine, cider and spirits where only New Brunswick in province producers receive a reduction.²⁴
Notes	<ul style="list-style-type: none"> Brewers in New Brunswick and Nova Scotia have reciprocal access (local brewer status) to their respective markets including the option to self-deliver²⁵ Brewers in New Brunswick may transfer their products from other Canadian plants for the purpose of supplying the Maritime markets²⁶

QUEBEC

Distribution	<ul style="list-style-type: none"> An out of province brewer without a Quebec warehouse and distributor’s permit must sell through the SAQ²⁷
Charges/Costs of Service	<ul style="list-style-type: none"> An out of province brewer without a licensed warehousing facility in Quebec is subject to all SAQ cost of service, markups, and tariffs²⁸ Out of province brewers importing into Quebec through private distributors are subject to a tariff. An inspection charge of \$205 per shipment for out of province beer also applies.²⁹
Access to Points of Sale	<ul style="list-style-type: none"> A brewer licensed to produce beer in Quebec has access to the private retail (corner/grocery stores) system³⁰ An out of province brewer requires a licensed warehouse facility to sell through the private retail system³¹ A brewer cannot sell product through both retail channels (SAQ and corner/grocery stores)³²

²² [ANBL Beer Listing and Distribution Policy](#)
²³ [ANBL Pricing Policy](#)
²⁴ [ANBL Pricing Policy](#)
²⁵ [ANBL Beer Listing and Distribution Policy](#)
²⁶ [ANBL Beer Listing and Distribution Policy](#)
²⁷ [SAQ First Receivership Requirements](#)
²⁸ [SAQ First Receivership Requirements](#)
²⁹ [SAQ First Receivership Requirements](#)
³⁰ [SAQ First Receivership Requirements](#)
³¹ [SAQ First Receivership Requirements](#)
³² [SAQ First Receivership Requirements](#)

	<ul style="list-style-type: none"> In province brewers can sell beer out of their own breweries and are exempt from the SAQ mark-ups³³
Pricing	<ul style="list-style-type: none"> A supplier may not sell a product to the SAQ at a warehouse price that is higher than the warehouse price charged to any other provincial liquor board³⁴ Beer sold and distributed through the private retail system including on-site brewery retail stores does not draw the SAQ mark-up³⁵ Only small Quebec brewers qualify for a reduction on the specific tax for beer³⁶
Notes	<ul style="list-style-type: none"> Inter-plant shipments are permitted. A \$19 per shipment charge is applied to inter-plant transfers³⁷ In December 2006, the Nova Scotia and Québec governments announced a reciprocal agreement to remove significant trade restrictions on beer produced in the two provinces. The terms of the <i>Nova Scotia-Québec Beer Trade Agreement</i> specified that Nova Scotia brewers were no longer subject to a tariff or surcharge on products entering Québec. Similarly, Québec no longer required fees for various products entering from Nova Scotia. Note: This agreement was not renewed in 2013.

ONTARIO

Distribution	<ul style="list-style-type: none"> Out of province beer from a brewer that does not maintain a local production facility must pass through a LCBO warehouse. However, from the warehouse to retail, the out of province brewer has the option to self-deliver, but must commit to this for a minimum one year period³⁸ To be eligible for interplant shipments an Ontario brewery must have a minimum annual capacity of 10,000 hl and a minimum annual production of 2,500 hl³⁹
Charges/Costs of Service	<ul style="list-style-type: none"> The TBS/LCBO charge an out of store cost of service of \$0.164 per litre for out of province beer for delivery (a reduced COS applies for self-delivery). This COS does not apply to Ontario beer⁴⁰
Access to Points of Sale	<ul style="list-style-type: none"> Only the TBS/LCBO may deliver packaged beer to on premise consumption licensees. An exception, however, is made for

³³ [SAQ First Receivership Requirements](#)
³⁴ [SAQ Purchasing and Merchandising Policy](#)
³⁵ [SAQ First Receivership Requirements](#)
³⁶ [Quebec Sales Tax Act](#)
³⁷ [SAQ First Receivership Requirements](#)
³⁸ [LCBO Internal Delivery Policy](#)
³⁹ [LCBO Interplant Shipments Policy](#)
⁴⁰ [LCBO Pricing Policy](#)

	<p>Ontario microbrewers producing less than 25,000 hectolitres, who are permitted to direct deliver to on premise licensees⁴¹</p> <ul style="list-style-type: none"> • Wineries that hold a manufacturer’s licence from the AGCO (this means an Ontario winery) can obtain an authorization from the AGCO to sell VQA wine at Farmers’ Markets. This has not been extended to beer as of yet. • Brewers and vintners are not permitted to sell competitor’s products through an on-site manufacturer retail outlet.
Pricing	<ul style="list-style-type: none"> • Refundable corporate tax credit (small beer manufacturer’s tax credit) is available to a qualifying manufacturer with a permanent establishment in Ontario⁴² • Following not available for beer: • Reduced markup for Ontario table wines versus out-of-province table wine⁴³ • Reduced floor price for Ontario wine compared to non-Ontario wine. The floor price is reduced further for Ontario wine using 100% Canadian agricultural products⁴⁴
Notes	<ul style="list-style-type: none"> • Interplant shipments are permitted. However, a brewer has to take the product from the out-of-province plant directly to the in-province plant and cannot stop and drop off at a distribution centre or warehouse along the way to the in province plant.⁴⁵ Meaning a brewer could drive by a distribution centre on the way to their in-province plant but could not drop the beer off until it landed at their in-province plant and then would have to drive back. No charges are applied to interplant shipments

MANITOBA

Distribution	<ul style="list-style-type: none"> • When a brewers’ volume is lower than 0.5% share of market, it may be distributed either through the MLLC or the private beer distribution systems; if it exceeds 0.5%, it can only be distributed through the private beer distribution system⁴⁶ • All package sizes of a brand must be distributed either through the MLLC system or through private distribution system, but not through both⁴⁷
Charges/Costs of Service	<ul style="list-style-type: none"> • None Applicable.
Access to Points of Sale	<ul style="list-style-type: none"> • Manitoba residents can directly purchase wine for their personal use from Canadian wineries and have it shipped to

⁴¹ [LCBO Licensee Delivery Policy](#)
⁴² [Budget 2010 & Implementing Legislation](#)
⁴³ [LCBO Pricing Policy](#)
⁴⁴ [LCBO Pricing Policy](#)
⁴⁵ [LCBO Interplant Shipments Policy](#)
⁴⁶ [MLLC Beer Distribution Policy](#)
⁴⁷ [MLLC Beer Distribution Policy](#)

	them without having to go through Manitoba Liquor and Lotteries. Beer does not receive this benefit ⁴⁸
Pricing	<ul style="list-style-type: none"> • None Applicable
Notes	<ul style="list-style-type: none"> • Interplant shipments are permitted. • Previously, the MLLC had applied a commercial consideration (warehouse fee) to all foreign and out of province beer – this now applies only to foreign beer⁴⁹

SASKATCHEWAN

Distribution	<ul style="list-style-type: none"> • Brewers have the option of distributing their own beer or distributing through the SLGA warehousing system. Due to operational constraints the SLGA will arrange the distribution of out of province beer it lists until the annual volume exceeds a specific limit.
Charges/Costs of Service	<ul style="list-style-type: none"> • None Applicable.
Access to Points of Sale	<ul style="list-style-type: none"> • There are about 190 franchises in Saskatchewan. Of those franchises, about 84 are allowed to sell popular beer (for example, Molson Canadian, Budweiser, Coors Light). The rest of the franchisees can only sell specialty beer, which is any brand selling at a premium⁵⁰ • In 2014, changes were made to Saskatchewan liquor legislation⁵¹ to permit direct shipments to Saskatchewan consumers of British Columbia produced wine and craft spirits. Beer is not included in these changes⁵²
Pricing	<ul style="list-style-type: none"> • None Applicable.
Notes	<ul style="list-style-type: none"> • Inter-plant shipments are permitted. • The New West Partnership Trade Agreement succeeds the Trade, Investment and Labour Mobility Agreement (Saskatchewan now part of the NWPTA). Provincial rights of first receipt remain unchanged.

ALBERTA

Distribution	<ul style="list-style-type: none"> • None Applicable.
Charges/Costs of Service	<ul style="list-style-type: none"> • None Applicable.
Access to Points of Sale	<ul style="list-style-type: none"> • None Applicable.
Pricing	<ul style="list-style-type: none"> • A reduced markup of \$0.70 per litre (versus regular rate of \$3.67 per litre) applies to wine sold from Alberta cottage winery farm gates/and or farmers markets. Only Alberta

⁴⁸ [MLLC FAQ Shipping Canadian Wine to Manitoba](#)

⁴⁹ [MLLC Pricing and Listing Information](#)

⁵⁰ [Government of Saskatchewan Future Options for Liquor Retailing](#)

⁵¹ [Saskatchewan Alcohol and Gaming Regulation Amendment Act, 2014](#)

⁵² [Government of Saskatchewan Direct to Consumer News Release, November 27, 2014](#)

	<p>cottage wines are permitted to be sold through farmers markets⁵³</p> <ul style="list-style-type: none"> • Reduced mark-up only available to brewers producing less than 400,000 HL in the New West Partnership region (Alberta, British Columbia, and Saskatchewan). All brewers outside that region, no matter of size, are required to pay full mark-up⁵⁴
Notes	<ul style="list-style-type: none"> • All beer sold in Alberta must be stored prior to distribution in an AGLC authorized warehouse⁵⁵ • Inter-plant shipments are permitted. • The New West Partnership Trade Agreement succeeds the Trade, Investment and Labour Mobility Agreement (TILMA) (Saskatchewan is now part of the NWPTA). Provincial rights of first receipt remain unchanged. • Out of province beer can go through Connects Logistics or private distributors authorized by the AGLC.

BRITISH COLUMBIA

Distribution	<ul style="list-style-type: none"> • Beer produced by out-of-province brewers must be imported into a private warehouse in the province, after which it may then be sold directly to retail outlets and licensees. In-province brewers may import their brands from other jurisdictions into BDL or may choose to subcontract the warehousing and distribution of their products.
Charges/Costs of Service	<ul style="list-style-type: none"> • None Applicable.
Access to Points of Sale	<ul style="list-style-type: none"> • An in-province brewer with an on-site store can sell its products at farmers and artisan markets. The required on-site retail effectively excludes this retail channel for out of province brewers⁵⁶ • BC VQA and Independent Wine Licensees have the option of receiving shelf space in grocery stores in areas other than the segregated liquor retail area⁵⁷. • In 2012 the province approved a regulation permitting the possession of unlimited quantities of wine from other provinces (either shipped or imported “in-person”) if the wine is purchased from a winery in another province and is made entirely from agricultural products grown or produced in the province where the winery is located⁵⁸ • In 2014, an agreement was reached with Saskatchewan, which permits the direct to consumer importation of

⁵³ [AGLC Markup Policy](#)

⁵⁴ [AGLC Markup Policy](#)

⁵⁵ [AGLC Liquor Suppliers, Representatives and Agents Handbook](#)

⁵⁶ [LCLB Liquor Policy Directive 14-11, Farmers Markets](#)

⁵⁷ [LCLB Wine Stores Terms and Conditions, Grocery Stores](#)

⁵⁸ [B.C. Liquor Possession Regulation](#)

	Saskatchewan wine and craft spirits by B.C. consumers from Saskatchewan ⁵⁹
Pricing	<ul style="list-style-type: none"> • The following is not available to brewers: • B.C. wine that is sold through government liquor stores receives a rebate on a portion of the markup. (VQA Support Program) or QEP (Quality Enhancement Program).
Notes	<ul style="list-style-type: none"> • Inter-plant transfers are permitted. • The New West Partnership Trade Agreement succeeds the Trade, Investment and Labour Mobility Agreement (Saskatchewan now part of the NWPTA). Provincial rights of first receipt remain unchanged.

⁵⁹ [BC Government News Release, August 29, 2014](#)