



DISCOVER

THE WORLD

April 6, 2004

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www.lcbo.com

Dear Trade Partners:

As part of its social responsibility mandate, the LCBO has developed various policies designed to discourage immoderate consumption of beverage alcohol. The LCBO currently has minimum retail prices (MRP) that vary based on product type, product category and size of product. In the last several years a number of high alcohol-content beers that do not carry a premium price have been introduced into the Ontario marketplace. Concerns have been raised about the availability of high-alcohol beer products and the lack of appropriate pricing measures that take into account their alcohol potency.

In light of these concerns, the LCBO Board, with the support of the Minister of Economic Development and Trade, has established a new MRP for beer with an alcohol content of 5.6% or more. The MRP for beer with 5.5% alcohol content or less will not change.

Effective May 3, 2004, the MRP for beer will be as follows:

Beer Minimum Retail Prices

ALCOHOL CONTENT (by volume)	MINIMUM RETAIL PRICE
Less than 4.1%	\$2.49 per litre (no change)
Between 4.1% and 4.9%	\$2.53 per litre (no change)
Greater than or equal to 4.9% and less than 5.6%	\$2.60 per litre (no change)
*Greater than or equal to 5.6%	\$55.00 per litre of absolute alcohol (new)

Note:
The MRP
for

beer is the minimum retail price per litre net of the

container deposit, the environment levy and the GST and ORST on the environment levy.

*To arrive at the minimum retail price, the equation is as follows: \$55.00 multiplied by the total unit litres (i.e. a six pack is .341 x 6) multiplied by the percentage of alcohol (e.g. 6%) plus the environmental levy (if it is a non-refillable container) plus the deposit (if applicable) plus ORST and GST.

The rationale for the use of \$55.00 per LAA is that it results in a social responsible price benchmark for higher alcohol beer as per the Food and Drugs Act Regulations, which has set out the following categories:

ALCOHOL CONTENT (by volume)	QUALIFIED OR COMMON NAME
4.1 - 5.5	Beer, Ale, Stout, Porter
5.6 - 8.5	Strong Beer, Strong Ale, Strong Stout, Strong Porter, Malt Liquor
8.6 or more	Extra Strong Beer, Extra Strong Stout, Extra Strong Porter, Strong Malt Liquor

If your particular products are affected by the increase in MRP, please forward your wholesale quote increases to Bob Ewing, Pricing Administration by **Monday April 19, 2004** for an effective retail price increase on **Monday May 3, 2004**. If your product is affected by the new MRP and you fail to submit a quote increase, the retail price on your brand will still be increased to the new retail price.

This change also affects beer sold through **on-site retail stores** and **The Beer Store**, so retail prices must be increased on brands that are affected by the new MRP by **Monday May 3, 2004** as well. Please note that suppliers may also choose to go beyond the MRP if they choose to do so.

Thank you for your attention to this matter. For questions concerning the timing of the price change, contact Bob Ewing, Pricing Administration at 416-365-

5869. I would appreciate you forwarding this information to your membership as soon as possible.

Yours sincerely,

Bob Downey
Senior Vice President
Sales and Marketing Division