



June 30, 2017

Orland G. McPherson, Chair
State Liquor and Lottery Commission
8 State House Station
Augusta, Maine 04333-0008

Dear Chair McPherson and Commission Members,

The Maine Grocers & Food Producers Association is submitting these written comments in opposition to the Administration's recommendation to de-list all 50 milliliter sized spirits products currently listed by the Liquor and Lottery Commission.

The Maine Grocers & Food Producers Association is a non-profit business trade association. Our membership is composed of independent grocery stores and supermarkets, many of whom are agency liquor stores, food and beverage producers and manufacturers, wholesalers and affiliated businesses and organizations.

Agency liquor stores are the state's essential business partner in the responsible sale of spirits products and respectively ask you to reject the recommendation to de-list all 50ml spirits products.

The Commission is charged with oversight of Maine's spirits' business, a business proposition that has seen tremendous growth under your oversight. At no time in our history has there been stiffer competition in the grocery sector, so our members rely on your expertise and sound judgement as they evaluate spirits' products on their store shelves to maximize the return on their investment.

Since 2014, Maine's spirits' business has seen unprecedented positive change. We attribute this to the LePage Administration's decree to take back sales from New Hampshire through strategic business planning, trade marketing and tactical investments; it's working very well.

An essential element of this business strategy is the task of the Commission to de-list "slow moving" products. De-listing products is a valued service to agency stores who work with Maine Spirits' to fill their shelves with the most popular selling brands. During the transition meetings prior to July 2014, the Bureau and Pine State Trading Co spent considerable time talking to agency stores about delivering the right product, at the right price and at the right time. We applaud your efforts to help agents maximize their valued shelf space.

And thus, the proposal to de-list 50ml spirits products is inconsistent with the justification for removing "slow moving products;" it is in stark contrast to the successful business and marketing strategies employed over the last three years and is not part of the model the Bureau articulated to agency stores during those transition meetings. This proposal will take money out of the pockets of the State's essential business partners.

At the June 13 Commission meeting, BABLO Director Gregg Mineo provided a Summary of 50ml Business illustrating their extraordinary value to the overall spirits business.

52 Week Sales (May 29,2016-May 27, 2017) for 50ml Bottles

- 84,864 Case Sales – 51% **INCREASE** over previous 52-week period
- 9,838,471 Bottle Sales – 52% **INCREASE** over previous 52-week period
- \$10,088,636 Dollar Sales – 44% **INCREASE** over previous 52-week period
- \$4,070,663 State Gross Profit – 44% **INCREASE** over previous 52-week period

How do increases in all of these categories correlate to de-listing? As mentioned above and missing from this information from the Bureau, is the percent increase in profit to agency stores. Based on this information, there must be an increase to them as well.

The information presented to you gives you clear and convincing evidence that 50mls are NOT “slow moving” items that should be removed from the shelves of agency stores.

The recent decision by the State Legislature to add 50ml bottles to the Maine Beverage Container Redemption Program was strongly supported by environmental organizations who work tirelessly to “safe guard” the law. The MGFPA has long supported efforts to explore alternatives to the bottle deposit law including recycling, but falling short, we are committed to ensuring our members comply with the January 1, 2019 effective date.

The addition of 50ml spirits products to the “bottle laws” will require investments by all sectors of the industry. There will be equipment costs, personnel costs and the costs associated with the “handling fee” and redemption, and consumers will see increases. However, we believe the return on the investment will be negligible compared to the value of 50ml products to the overall spirits business.

The MGFPA is very concerned about the fiscal impacts to the overall spirits business if these products would be de-listed. On the principle of exportability, we need to acknowledge that de-listing will move business activity across the border meaning Maine not only loses tax revenue but also loses commerce and jobs. There are over 100 Maine grocery stores, supermarkets and convenience stores, as illustrated on the attached map, that compete daily with businesses in New Hampshire. The cost of doing business in Maine is higher than in New Hampshire driving up the retail price of many, many items. These Maine businesses are losing sales daily, sales they never get back. We would ask you to carefully weigh the viability of border agency stores and their employees as you consider whether to de-list 50ml spirits products.

There is ample evidence to suggest that New Hampshire businesses will be the primary beneficiary of de-listing all 50ml spirits products and we simply cannot support losing one more dollar in sales to New Hampshire. Why should we give Maine consumers another reason to shop in New Hampshire?

We urge you to apply the same informed logic when considering whether to de-list all 50 ml spirits products that you employ on every other de-listing.

Thank you for your consideration of these comments.

Best regards,



Christine Cummings
MGFPA Executive Director

CROSS BORDER SALES

