



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
BUREAU OF ALCOHOLIC BEVERAGES AND LOTTERY OPERATIONS

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JANET T. MILLS
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February 10, 2026

Elizabeth Fitzgerald, Chair
Members of the State Liquor and Lottery Commission

Re: P.L. 2023, ch. 632, An Act Regarding Spirits Price Review and Recommendations

Chair Fitzgerald and Members of the State Liquor and Lottery Commission:

The Bureau of Alcoholic Beverages and Lottery Operations was charged in P.L. 2023, ch. 632 to review the retail prices of spirits sold in the State established by the Commission under 28-A MRS §81(5). As part of the review, the Bureau held a public hearing and received public comments. The report of the review and comments provided are included below.

Please reach out if you have any questions.

Louis Luchini, Director
Bureau of Alcoholic Beverages and Lottery Operations

Introduction

The Bureau of Alcoholic Beverages and Lottery Operations (BABLO, Bureau) was charged in P.L. 2023, ch. 632 to review the retail prices of spirits sold in the State established by the Commission under 28-A MRS §81(5). This law was the result of hours of committee deliberations on LD 2014 during the 131st Legislative session. Though BABLO opposed the bill, at the direction of the committee chairman, BABLO met with the Sazerac Company to discuss potential areas of agreement. The end result was P.L. 2023, ch. 632, which directed this pricing review.

The law requires BABLO to report back to the State Liquor and Lottery Commission (Commission) and Joint Standing Committee on Veterans and Legal Affairs (VLA) on its findings. Beginning October 2024, this review process will be conducted biannually.

Background

Maine is one of 17 control states in the United States. As such, BABLO controls the wholesale distribution and sale of spirits. The Bureau contracts for the wholesale spirits warehousing, distribution, and trade marketing functions, per 28-A MRS §90. The current vendor is Pine State Trading Company. Unlike many

control jurisdictions, agency liquor stores are not owned and operated by the State. Instead, Maine partners with and licenses private businesses to serve as agency liquor stores. All spirits products are sold at the same retail price at agency stores located across Maine.

The Bureau makes recommendations on the retail price of spirits to the State Liquor and Lottery Commission ([28-A MRS §83-C\(2\)](#)), who ultimately establish the retail price at which spirits are sold in Maine. Per 28-A MRS §81(5): “The Commission shall, in accordance with section 1651 and after considering any recommendation submitted by the bureau, establish the retail price of spirits sold in the State.”

To develop retail prices to recommend to the Commission, BABLO has, in conjunction with Pine State, created a pricing formula that considers multiple factors, including product category, proof, bottle size, distillery location, and supplier prices. The pricing formula is an objective way to price products, treating all products within each category the same. Prior to implementing the pricing formula in February 2016, the Bureau relied on negotiating individual retail prices with each spirits supplier. This resulted in subjective and unevenly applied pricing.

To simplify the price submission process for industry, Pine State has created an online pricing calculator. Industry members may access this web-based calculator and are able to adjust their FOB to achieve their desired retail price. Once the suppliers are satisfied with their price, they electronically send their price quote to BABLO, who then makes the recommendation to the Commission. The pricing calculator provides transparency in pricing and allows suppliers to modify their input price as needed.

In January of 2023, pursuant to P.L. 2021, ch. 622, BABLO reported back to the Joint Standing Committee on Veterans and Legal Affairs on the process by which the State Liquor and Lottery Commission establishes the retail price of spirits sold in the State. That report is included in Appendix A.

Revenues generated by the sale of spirits are State funds. Pursuant to [30-A MRS §6054\(5\)](#), the first \$7,000,000 in profits from the spirits contract is deposited in the General Fund; any amounts over \$7,000,000 are transferred as undedicated revenue to the Highway Fund. In FY24, BABLO transferred \$7,000,000 to the General Fund and \$ 60,146,757 to the Highway Fund. In addition, agency store profits from the sale of spirits were estimated at \$52,700,000.

Process

On April 23, 2025, BABLO published public notice in Maine newspapers about the pricing review, public comment period, and public hearing date. This was also posted on BABLO’s website and sent to the BABLO interested parties email list.

On May 16, 2025, BABLO held a public hearing at its headquarters, with a virtual option for remote participation. Four individuals testified orally. Testimony at the public hearing was received from:

- Benjamin Coolidge Gagnon, on behalf of Sazerac Company
- Lynn Walding, Executive Director Control States, Diageo North America
- Chip Towle, Towle’s Corner Store (Dixmont, ME)
- Newell Augur, on behalf of RSVP Discount Beverage (Portland, ME)

BABLO received written testimony from three entities. Submitted written testimony is included in Appendix B. Written comments were provided by Sazerac, Diageo, and the Maine Center for Disease Control and Prevention (CDC). The public comment period closed at 5:00pm on May 30, 2025.

Summary of Comments

This section is intended to briefly summarize the comments received during the public hearing and in written form and are not intended to be comprehensive. Comments received in writing are attached to this report for full review.

BABLO received conflicting comments between the Sazerac Company and Diageo – Maine’s first and second largest suppliers of spirits by volume, respectively – related to the pricing formula that BABLO uses to make pricing recommendations to the Commission.

Sazerac contests that the current pricing formula is flawed, complex, lacks transparency, and disproportionately impacts low-income consumers and companies that produce value products. In place of the current pricing formula, Sazerac advocates moving to a flat rate markup.

Diageo testified in support of the current pricing formula, stating that it treats all companies fairly and equitably within categories and price ranges. They add that the formula is simple, transparent, and consistent with the Control State mission of encouraging responsible sales and responsible consumption.

The Maine CDC submitted written testimony that highlights the relationship between alcohol prices, access, and consumption. Their testimony states:

When alcohol prices are decreased, this increases access, consumption, and related harms contributed to by alcohol.

When alcohol prices are increased, this reduces access and leads to reduced alcohol misuse and a reduction of the risk of harms on a community from alcohol use.

When Minimum Price Policies are put into place, alcohol-related illness and injury and deaths are shown to decrease.

Chip Towle, representing Towle’s Corner Store, an agency liquor store in Dixfield, Maine, gave oral testimony at the public hearing. Mr. Towle’s testimony focused on the impacts of special price changes, also referred to as sale pricing, on agency liquor stores. In particular, he mentioned the difficulty in frequently changing prices and questioned the purpose and effectiveness of specials that are small in nature, for example, a price decrease of 50 cents.

Newell Augur testified in person on behalf of RSVP Discount Beverage, an agency liquor store in Portland, Maine. Mr. Augur’s testimony also noted the challenges agency stores face when frequently changing prices for specials. He also noted that when agency stores buy product at a regular price, and subsequently a sale price takes effect, that the agency store loses profitability. He suggested foresight into specials may help alleviate this problem.

Discussion

BABLO has taken a wholistic approach to this pricing review, giving consideration to multiple factors, including the changing marketplace, state revenue generation, input from public health officials, and the impacts our pricing decisions may make on the thousands of licensees we partner with every day.

Balancing Revenue Generation and Social Responsibility. Ensuring the responsible sale and consumption of alcohol is a core mission of control states. The Bureau takes seriously its mandate to generate revenues for the State in a socially responsible manner. As stated in 28-A MRS §90 (1):

1. Statement of purpose. The Legislature finds that it is in the public interest to continue to maximize growth in the State's wholesale spirits business while ensuring that growth in revenue from the business is achieved in a socially responsible manner.

Maintaining the balance between revenue generation and social responsibility is a cornerstone of the Bureau's pricing strategy. It's important to emphasize that BABLO's pricing strategy is not only designed to generate revenue for the State, but also the entire Maine-based business ecosystem, including our agency store partners and on-premises locations that rely upon our products for their business success.

Setting Pricing Recommendations. In developing pricing recommendations for the Commission, the Bureau strives to be transparent and objective. We believe the pricing formula accomplishes this. By providing suppliers with a pricing calculator, we allow them to modify their case price to achieve the desired retail price. We concur with the comments made by Mr. Walding on behalf of Diageo:

Regarding claims that the formula is too difficult to comprehend, nothing could be further from the truth. The State has established an online price calculator that allows a supplier to input details sufficient to determine the shelf price for products. And the price calculator treats all Suppliers similarly and equitably. Moreover, the current pricing system is transparent and allows all suppliers a level playing field on pricing products...

Therefore, Diageo contends that the existing pricing formula serves the broad interests within the State of Maine and does so in a manner consistent with the Control State mission of promoting responsible sales and encouraging responsible consumption.

BABLO rejects the notion that the pricing formula is designed to discriminate against any particular product. In fact, the pricing formula treats all products within each category equally.

Moving forward, BABLO will continue to analyze the pricing formula and the category markups used.

Potential for Decreasing 50ml Prices. In verbal testimony at the public hearing, the lobbyist representing Sazerac stated that he believed that at least one member of the VLA Committee requested that BABLO decrease prices of 50ml products to provide pricing relief to the Sazerac Company.

Though not included in the compromise for LD 2014, as part of this pricing review, BABLO examined the impact of reducing the State's minimum profit threshold on 50ml format products to measure its impact on State profit. In working with Pine State, BABLO estimated that a \$.05 decrease in the Minimum Profit Threshold – from \$0.75 to \$0.70 – would result in a decrease in State revenues by roughly \$500,000.

From a State revenue perspective, and given the decreasing sales trends across the spirits industry, we do not recommend decreasing the Minimum State Profit for 50ml items at this time. Doing so would lead to a significant decrease in revenues to the General Fund. We do not have sufficient evidence to suggest that increased sales would make up for lost revenue.

As noted in the public hearing, Sazerac Company sells malt- and wine- based 50ml products that look virtually identical to their spirits-based equivalents. Because they are not spirits-based, they can be sold at any beer and wine retailer – a far broader distribution network than agency liquor stores. The products compete directly with the spirits based 50ml products. During the public hearing, the Bureau requested sales volume of the malt-based 50ml products to compare their sales against the spirits-based equivalents. However, no information was provided to the Bureau.

Additionally, the Bureau has concerns about decreasing the prices of 50ml products from a social responsibility perspective. Given the comments from the Maine CDC, and a recent Surgeon General advisory on the health impacts of alcohol, the Bureau questions whether decreasing the price of 50ml products runs counter to public health recommendations and the Bureau's legislative mandate.

Based on the potential fiscal impacts to the State, and in consideration of the Maine CDC's public health concerns, the Bureau does not recommend lowering the price of 50ml products at this time.

Compromise Multi Pack Pricing Strategies.

Historically, the Bureau has priced multipacks by multiplying the price of one unit and by the total number of units. For example, if a single 50ml of product costs \$1.49, a 10-unit multipack would cost \$14.99, calculated as: $\$1.49 \times 10 = \14.99 .

As an area of compromise, the Bureau has allowed for the limited time sales of multi-packaged products. These suppliers have benefited from reduced pricing for up to 6 months of the year, as cited in Sazerac's testimony as a successful initiative. As one example, the Bureau has approved the sale of 20-unit buckets of Sazerac's 50ml Fireball to be sold for \$19.99.

Similarly, BABLO routinely approves requests to list 50ml value packs or limited time offerings, like golf club or candy cane-shaped packaging, at a price point of approximately \$0.99 per unit. We believe this is a better method to reduce the per-unit price while acknowledging social responsibility practices. The Bureau will continue to work with Sazerac and other suppliers on alternatives such as these.

Separate from this review, the Bureau is preparing an alternative approach to its historic pricing policy for multi-pack products. The Bureau anticipates releasing the new pricing schedule in the coming months.

Impact of Specials Pricing on Agency Stores. Both Mr. Towle and Mr. Augur raised valid concerns about the quantity, frequency, and depth of spirits specials pricing. The Bureau has the authority to make special pricing decisions (28-A MRS §83-C (2-A)(A)). These specials prices are primarily supplier-initiated and run for a period of one or two months. The Bureau recognizes that the high number of spirits SKUs and the frequency of price changes creates significant work for the agency stores. While we do not have a proposed solution at this point, BABLO is examining its internal practices on special pricing and is considering options to simplify the process for the agency stores.

Flat Markup. BABLO continues to strongly oppose instituting a flat markup on spirits products. As discussed at length during the VLA work sessions on LD 2014, the economic impacts of a flat markup were significant and harmful to the State and its private business partners. One recommendation to apply a 65% markup was estimated by the Bureau to cost the State over \$22,000,000. Later discussions on a higher markup would have caused significant cost increases on many of the top selling spirits products in Maine. These higher prices would harm the hundreds of Maine-based agency stores and on-premises licensees. Restaurants would be particularly impacted by the rising prices, and would likely have to pass these inflated costs on to the consumer.

Recommendation

BABLO appreciates our positive relationship with members of the spirits industry and our agency store partners. The Bureau is committed to continue analyzing its spirits pricing strategies and will continue to work with all industry partners.

After this pricing review process, the Bureau is making the following recommendation.

Recommendation: Remove the Value Markup Category

BABLO recommends removal of the Value Markup Categories for spirits products. We believe removing the value markup will simplify the pricing formula for suppliers. We estimate the financial impact to the State to be minimal and absorbable. In terms of timing, our recommendation is to remove the value markup category to coincide with quarterly price changes. This will provide time to implement the changes, adjust the pricing formula, and modify the pricing calculator.

Other existing markups will remain at the same levels as current. If removal of the value markup category is approved, the below chart of category markups will be used by the Bureau to make pricing recommendations to the Commission:

Category Markups			
Category	375ml and Under	>375-1000	1001+
Alcohol / Grain	1.98	1.98	1.98
Brandy	1.98	1.84	1.76
Cognac	1.92	1.80	1.73
RTD/Cocktails	1.93	1.93	1.93
Cordials	1.91	1.77	1.69
Gin	1.96	1.82	1.75
Rum	1.95	1.81	1.72
Tequila	1.94	1.80	1.73
Vodka	1.89	1.76	1.67
Whiskey	1.91	1.77	1.70
Whiskey Canadian	1.98	1.84	1.76
Whiskey Irish	1.98	1.83	1.72
Whiskey Scotch	1.93	1.76	1.72

Conclusion

In closing, the spirits pricing formula has been successful in achieving the Bureau's statutory requirements. The Bureau appreciates the opportunity to conduct this review and present our findings to the State Liquor and Lottery Commission and the Joint Standing Committee on Veterans and Legal Affairs. We look forward to continuing to work with our spirits industry partners in the future.

We'd be happy to answer any questions.

APPENDIX A

Maine Spirits Pricing Report to the Joint Standing Committee on Veterans and Legal Affairs

January 2023



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
BUREAU OF ALCOHOLIC BEVERAGES AND LOTTERY OPERATIONS
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KIRSTEN LC FIGUEROA
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January 27, 2023

Senator Craig Hickman, Senate Chair
Representative Laura Supica, House Chair
Members of the Joint Standing Committee on Veteran's and Legal Affairs
100 State House Station
Augusta, ME 04333-0100

RE: P.L. 2021, ch. 622 An Act To Streamline and Modernize the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations

Senator Hickman, Representative Supica and Members of the Committee on Veterans and Legal Affairs:

The Bureau of Alcoholic Beverages and Lottery Operations was charged in P.L. 2021, ch. 622 with reporting back to the Committee on Veterans and Legal Affairs on the process by which the State Liquor and Lottery Commission establishes the retail price of spirits sold in the State; the process by which the bureau develops recommended retail prices for the commission's consideration; explains how any pricing formula or calculator employed by the bureau to establish such recommended retail prices operates, the factors that affect a retail price calculated using such a formula or calculator and the reasons that the bureau chose to incorporate those factors in the formula or calculator; and informs the committee of the status of the commission's adoption of rules pursuant to establish an appeals process by which a spirits supplier could request reconsideration of a retail price determination.

The bureau would like to start with a brief level setting before jumping directly into spirits pricing and the spirits pricing formula. It is essential for members of the committee to understand that under the Three Tier System, the manufacturer, wholesaler, and retailer tiers are each prohibited from having a financial interest in either of the other two tiers. This is intended to prevent tied houses. Furthermore, Maine is a control jurisdiction, which means that with respect to spirits sales in Maine, the State occupies the wholesaler tier and operates as a business would. The profits from the State's spirit business are state revenues.

Spirits Pricing Background

Under the former spirits contract with Maine Beverage Company, which was in effect from July 1, 2004, to June 30, 2014, there was a requirement to maintain a gross profit margin of 36.8% across all products

and categories. In addition to the maintenance of gross profit margin, the contract called for defined profits for Maine Beverage Company to be achieved. Gross profit was the standard by which retail price on spirits were set and recommended to the commission. Retail pricing was set by negotiating with suppliers, which created gross profit margins that were subjective. The goal in pricing was to meet contract obligations and the resulting impact was a wide range of profit margins on products within same categories that could be 8-10 points apart. It was discovered that this system disproportionately favored lower priced products and subsequently the burden of generating profit to the State was placed on higher priced products. It was not an impartial, consistent, or transparent method of pricing products or conducting the State's spirits business.

In early 2016, the bureau worked closely with the State's new spirits vendor Pine State to develop a spirits pricing model that could uniformly be applied to every spirit product listed by the State. Several different models were explored, including applying a single percentage-based markup across all categories and sizes, but the resulting significant changes across all retail prices was undesirable. A single markup would have either overinflated prices on higher priced products or reduced prices dangerously low on lower priced products. The bureau's primary objective in establishing a pricing model was to set competitive everyday prices on a large portfolio of national and local spirits products that would repatriate Maine consumers previously migrating across the border to New Hampshire to purchase their spirits.

In order to mitigate drastic changes in retail prices, the final pricing formula was created by category, proof and size, with a "value" category assigned for vodka. The formula was implemented in February 2016, providing a transparent and consistent pricing mechanism for all parties in the pricing chain. The formula was a mathematical equation, consisting of the markup by category and included the \$1.25 per proof gallon premium tax as required by section 1703(3)(d) and the agency liquor store discount (retailer margin).

In late 2016, the bureau noticed sales growing by 4 to 5% as desired, but State profits remained flat against sales growth. Analysis identified that small sizes and "value" brands were negatively impacting the State's overall profitability. The pricing paradigm was upside down; smaller bottle sizes provided a better value than larger sized bottles, which runs counter to any other consumer goods pricing model. The bureau continued to monitor sales and model solutions before making any changes. Eventually the concept of a Minimum State Profit Threshold by bottle size, paired with expanding the value markup across all categories emerged as the most effective mechanism for achieving the States objective to increase the profitability of the spirits business while minimizing significant changes to retail prices. Building on the original framework, the pricing formula was adjusted accordingly, with the minimum profit threshold and value markup taking effect October 1, 2017.

Communication was sent out in July 2017, notifying industry members of the proposed change. After hearing from industry members, who expressed concern over certain retail prices changing, especially on value priced products, a cap was placed on increases, so no increase due to the implementation of the adjusted pricing formula would be higher than \$1.00. The cap resulted in 351 product SKUs not delivering the minimum state profit.

As adjustments were made to the formula, industry members were provided with a web-based pricing calculator. The calculator is simply the pricing formula in an easy to use, transparent format. The calculator is available to all suppliers and brokers for their use in determining retail prices.

The Pricing Formula

The pricing formula is a mathematical equation that considers category, proof, bottle size and supplier price, through which every spirit product passes. It objectively determines the wholesale price which is set by the bureau and the retail price recommended to and approved by the commission. The supplier can influence the retail price by adjusting the price they charge the State to buy their product. Using the online pricing calculator, suppliers can quickly and easily determine how to set their case cost, to achieve their desired retail price.

Because the agency liquor store discount is part of the retail calculation, when the State's overall sales reached certain thresholds, pursuant to the retailer incentive program established in rule, the discount rate increased. Between 2016 and 2020, the rate increased multiple times, and by five percentage points cumulatively, to an 18% discount rate on all products. This resulted in a loss of profit to the State because suppliers continued to charge the same case cost to the State for products that were then being sold at a higher discount to agency liquor stores. The result of these increases meant that there were approximately 1,200 product SKUs that no longer delivered the minimum state profit threshold that was established in 2017. In September 2021, the decision was made to bring all products into compliance with the Minimum State Profit Threshold, including those SKUs that were capped in 2017. Again, an adjustment to the existing pricing formula was made to account for the 18% discount rate for agency liquor stores.

Each time the bureau has initiated changes to the spirits pricing formula, they've communicated the resulting proposed pricing changes, as well as the supporting rationale, to the brokers and suppliers two months in advance of them taking effect to provide ample time for feedback. In all instances the pricing changes resulting from updates to the spirits pricing formula have been approved by the commission.

Rulemaking

The bureau is currently engaged in a number of large projects and has not yet commenced rulemaking to establish an appeals process by which a spirits supplier could request reconsideration of a retail price determination. However, the bureau included the intended rulemaking in the 2023-2024 DAFS Regulatory Agenda and plans to engage in the required rulemaking this year.

Components of the Pricing Formula

The pricing formula consists of a Category Markup, coupled with the Premium Tax (\$1.25 per proof gallon), and the Minimum State Profit Threshold (MSPT).

Category Markups			
Category	375 and under	750-1000	1750
Alcohol/Grain	1.98	1.98	1.98
Brandy	1.98	1.84	1.76
Brandy Value	2.13	1.98	1.90
Cognac	1.92	1.80	1.73
Cognac Value	2.13	1.95	1.82
RTD/Cocktails	1.93	1.93	1.93
RTD/Cocktails Value	1.93	1.93	1.93
Cordials	1.91	1.77	1.69
Cordials Value	2.13	1.95	1.82
Gin	1.96	1.82	1.75
Gin Value	2.13	1.95	1.82
Rum	1.95	1.81	1.72
Rum Value	2.13	1.95	1.82
Tequila	1.94	1.80	1.73
Tequila Value	2.13	1.95	1.82
Vodka	1.89	1.76	1.67
Vodka Value	2.13	1.95	1.82
Whiskey	1.91	1.77	1.70
Whiskey Value	2.13	1.95	1.82
Whiskey Canadian	1.98	1.84	1.76
Whiskey Candian Value	2.13	1.95	1.82
Whiskey Irish	1.98	1.83	1.72
Whiskey Irish Value	2.13	1.95	1.82
Whiskey Scotch	1.93	1.76	1.72
Whiskey Scotch Value	2.13	1.95	1.82

The “Value” Threshold is based on the wholesale price and size as follows:

- 1.75L size, the price is less than \$22.00
- 1L size, the price is less than \$13.00
- 750ml size, the price is less than \$12.00
- 375ml size, the price is less than \$7.00

Minimum State Profit Thresholds are as follows:

- 1.75L is \$6.00
- 1L is \$4.50
- 750ml is \$4.00
- 375ml is \$2.50
- 250ml is \$2.25
- 200ml is \$2.00
- 100ml is \$1.30
- 50ml is \$0.75

How the Calculation Works

Step 1. Calculating the Initial Retail Price

- Bottle cost (supplier price sold to State) multiplied by the applicable category markup plus the premium tax.
- The initial retail price is rounded up to end in .49 or .99 (or .29, .49, .79, .99 for sizes less than 375 ml), as required by law.

Step 2. Determining Wholesale Price

- Retail price is discounted by the agency liquor store discount rate (18%).

Step 3. Determining whether the Wholesale Price meets the Value Threshold

- If the wholesale price is less than the value thresholds listed above, then the retail price must be re-calculated as follows:
 - Bottle cost multiplied by the category value markup plus the premium tax.

Step 4. Determining whether the Wholesale Price meets Minimum State Profit Threshold

- If the wholesale price minus the bottle cost and the premium tax from either Step 2 or 3 is less than the MSPT as listed above, then the retail price is increased by 50¢ to the next price point (ending in either .49 or .99 etc.) until it achieves the required MSPT. This may happen multiple times to meet the MSPT.

Example 1

Calculation for Vodka, 80 proof, 1.75L, 6 pack case:

Case cost (referred to as FOB) for the bottles in the case:	\$124.07
Bottle cost is determined by case pack size:	\$124.07 divided by 6 = \$20.68

Step 1 - Initial Retail Price Calculation:

- Bottle cost of \$20.68 multiplied by the vodka category markup of 1.67, plus the premium tax of \$.4624 results in an initial retail price of \$34.99.

$$(\$20.68 \times 1.67) + \$.4624 = \$34.99$$

Step 2 - Wholesale Price Calculation:

- Initial retail price of \$34.99 reduced by the agency liquor store discount rate of 18%, generates a wholesale price of \$28.69.

$$(\$34.99 \times .82) = \$28.69$$

Step 3 - Value Threshold Determination:

- Wholesale price for this 1.75L Vodka exceeds the value threshold.

Step 4 - Minimum State Profit Threshold Determination:

- Wholesale price of \$28.69 minus the bottle cost of \$20.68 and the premium tax of \$.4624 equals \$7.55 which exceeds the MSPT of \$6.00 for a 1.75L bottle.

$$\$28.69 - 20.68 - .4624 = \$7.55$$

Example 2**Calculation for Vodka, 80 proof, 1.75L, 6 pack case:**

Case cost (referred to as FOB) for the bottles in the case: \$35.02
 Bottle cost is determined by case pack size: \$35.02 divided by 6 = \$5.84

Step 1 - Initial Retail Price Calculation:

- Bottle cost of \$5.84 multiplied by the vodka category markup of 1.67, plus the premium tax of \$.4624, rounded up to end in .49 or .99 results in an initial retail price of \$10.49.

$$(\$5.84 \times 1.67) + $.4624 = \$10.22, \text{ which must be rounded up to } \$10.49.$$

Step 2 - Wholesale Price Calculation:

- Initial retail price of \$10.49 reduced by the agency liquor store discount rate of 18%, generates a wholesale price of \$8.60.

$$(\$10.49 \times .82) = \$8.60$$

Step 3 - Value Threshold Determination:

- Wholesale price minus the bottle cost and premium tax for this 1.75L Vodka is below the value threshold.
- Recalculate the retail price using the vodka value markup.
 - Bottle cost of \$5.84 multiplied by the vodka value category markup of 1.82, plus the premium tax of \$.4624 equals \$11.09, rounded up to end in .49 or .99 results in a new retail price of \$11.49.

$$(\$5.84 \times 1.82) + \$0.4624 = \$11.09, \text{ which must be round up to } \$11.49.$$

- Retail price of \$11.49 reduced by the agency liquor store discount rate of 18%, generates a wholesale price of \$9.42.

$$(\$11.49 \times .82) = \$9.42$$

Step 4 - Minimum State Profit Threshold Determination:

- Wholesale price of \$9.42 minus the bottle cost of \$5.84 and the premium tax of \$.4624 equals \$3.13, which does not meet the MSPT for a 1.75L bottle.

$$\$9.42 - 5.84 - .4624 = \$3.13$$

Step 5 - Lowest Retail Price Determination to meet the Minimum State Profit Threshold:

- Add \$.50 to the retail price until the results meet the MSPT.
 - This is an iterative process to achieve the proper retail price to achieve the MSPT for this bottle size. In this case, \$.50 was added 7 times.

- Retail price of \$14.99 reduced by agency liquor store discount rate of 18% generates a wholesale price of \$12.29.

$$(\$14.99 \times .82) = \$12.29$$

- Wholesale price of \$12.29 minus the bottle cost of \$5.84 and the premium tax of \$.4624 equals \$6.00, which does meet the MSPT for a 1.75L bottle.

$$\$12.29 - 5.84 - .4624 = \$6.00$$

Web-based Pricing Calculator

While the examples provide an explanation of how the pricing formula calculation works, the bureau has provided suppliers and brokers with a web-based calculator that will perform these steps instantaneously:

<https://b2bs.pinestatetrading.com/mspc/pricing/calculator/>

Using Example 2, the data is entered into the calculator for an instant result. There is additional data that shows the components of the calculation that will also appear under Calculation Details. Implementing a calculator that could be accessed by suppliers and brokers, provides transparency from the bureau.

Pricing Calculator

☐ Check if you are a craft distiller, based in Maine, producing 50,000 gallons or less annually.

Select Class:

VODKA

FOB:

\$5.02

Proof:

80

Effective Date:

01/12/2023

Select Size:

1750 ml

Unit Pack:

6

Retail Pack Size:

1

Calculated Retail:

\$14.99

Pricing Category:

VODKA VALUE

Calculate Retail

We are happy to answer any questions and provide further detail.

Gregory R. Mineo
Director

Tracy Willett
Acting Deputy Director

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APPENDIX B

COMMENTS SUBMITTED

- Appendix B – 1: Comments submitted by the Maine Center for Disease Control
- Appendix B – 2: Comments submitted by Lynn Walding, Diageo
- Appendix B – 3: Comments submitted by Winn Atkins, Sazerac, and supplemental
comments by Winn Atkins

APPENDIX B – 1

Comments submitted by the Maine Center for Disease Control and Prevention

Janet T. Mills
Governor

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The Maine Center for Disease Control and Prevention offers the following for consideration as the Maine Bureau of Alcoholic Beverages and Lottery Operations conducts a review of the retail prices of spirits sold in the State. With questions please contact Megan Scott, the Substance use prevention program manager, at Megan.Scott@maine.gov

The relationship between alcohol prices, access, and consumption, is well documented [1].

When alcohol prices are decreased, this increases access, consumption, and related harms contributed to by alcohol [2].

When alcohol prices are increased, this reduces access and leads to reduced alcohol misuse and a reduction of the risk of harms on a community from alcohol use [3].

When Minimum Price Policies are put into place, alcohol-related illness and injury and deaths are shown to decrease[14].

Anything that increases access to alcohol, including the reduction of alcohol prices, increases the risk of:

- Binge drinking - The top 10% of alcohol consumers consume half of all alcohol products[4]
- Underaged alcohol consumption[5]
- Cancer, high blood pressure, and chronic illnesses[6][7]
- Vehicle crashes[7]
- Volent crime[7]
- Injury and death [7]
- Stillbirths, birth defects, and fetal alcohol spectrum disorders [7]
- and addiction[7]

Other Considerations:

- Alcohol contributes to 178,000 deaths per year[8]. It has been estimated that 1 in 5 suicides in the US involve a Blood Alcohol Concentration (BAC) in the victim of 0.1% or higher[8].
- An estimated 1 in 8 deaths among adults aged 20 to 64 years were attributable to excessive alcohol use[9].
- Policies that increase the price of alcohol have been shown to reduce the quantity and frequency of youth drinking[10].
- Minimum pricing policies are an important tool to prevent prices from becoming too low and have been shown to reduce alcohol related illness and death. A study completed in Michigan demonstrated that raising the price of the cheapest spirits by as little as 13 cents per standard drink could save hundreds of lives [14].
- Policies that increase the price of alcohol have been deemed the most cost-effective of the evidence-based interventions studied and tallied to reduce the harm caused by alcohol[11].
- In a study conducted in British Columbia in 2015, a 10% increase in minimum alcohol price was associated with reductions in traffic violations, homicide, assaults, sexual violence against adults and children, and other crimes against persons[12].
- While there are not thought to be correlations between a lower socioeconomic status and increased alcohol use[13], a decrease in the price of alcohol is shown to increase alcohol use across the board[1].

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APPENDIX B – 2

Comments submitted by Lynn Walding, Diageo

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May 16th, 2025

The Hon. Louis Luchini, Director & State Liquor Commission Members
Maine Bureau of Alcoholic Beverages & Lottery Operations
Via email to: MaineSpirits@maine.gov

Dear Director Luchini and Commission Members:

Diageo North America is writing in support of Maine's current pricing system. Diageo North America is the leading premium drinks business and one of the best-performing consumer packaged goods companies across the United States and Canada. Our 200 plus brands are enjoyed across our market and include some of the world's oldest and best loved brands, such as Johnnie Walker, Smirnoff, Captain Morgan, Crown Royal, Bulleit and Don Julio.

Diageo commends the legislature for this discussion, a result of the 2024 legislative session, and welcomes the opportunity for improvements with the Maine Bureau of Alcoholic Beverages and Lottery Operations (BABLO). We support the current spirit pricing system in Maine as it treats all companies fairly and equitably within categories and price ranges.

When a Control State applies a single markup across price ranges, the result has a disproportionate adverse impact on sales of higher priced, more premium, items. For example, a 65 percent markup on a \$30 bottle of vodka will have triple the amount of tax imposed on a \$10 bottle. Same alcohol, same proof, disproportionate tax. Thus, the amount of tax imposed, per equal volume and proof, can differ dramatically, penalizing premium products in favor of value items and, consequently, trading consumers down.

Various critics of the current pricing formula may claim that they are unfairly penalized because they pay a higher markup under the existing pricing formula. This is misleading. While the markup rate paid – the multiplier – may be higher, the amount of actual tax paid is significantly less because of the lower cost of goods – the denominator. And, in the end, it's dollars, not the percentage, that matter.

In contrast, Open States generally impose a straight gallonage tax on spirits. Suppliers pay a set amount per gallon of spirits sold in Open markets. Such method does not distinguish between the price or premium nature of the product sold. Stated conversely, as opposed to Control States, Open States do not discriminate or penalize spirits products based on the price of goods sold as all spirits are taxed equally.

Maine's current pricing formula represents a more balanced approach to the tax paid across the spirits categories, sizes and price ranges. While not fully eliminating the price distinction, the existing formula blunts some of that impact. If pricing changes are implemented, by contrast, the result would be a return to complete disparate treatment in the taxes imposed on spirits.

Not surprisingly, that disparate treatment also has had, in the past, the effect of trading consumers in single markup states down and, thus, generating less revenue for the state. In fact, Maine's current pricing formula, since adoption, has had the intended effect of significantly increasing the State's profits and, consequently, has allowed the State to enhance the commissions paid to their private retail partners. Any change to the existing pricing formula would likely either result in a loss of revenue to the State, as stated in the testimony of Anya Trudy, Chief of Legislative and Strategic Operations, Maine Department of Administrative and Financial Services or, alternatively, a decrease in agent commissions – a loss that the State would likely have to find some alternate way to offset. Diageo does not support any such increase.

Regarding claims that the formula is too difficult to comprehend, nothing could be further from the truth. The State has established an online price calculator that allows a Supplier to input details sufficient to determine the shelf price for their products. And the price calculator treats all Suppliers similarly and equitably. Moreover, the current pricing system is transparent and allows all suppliers a level playing field on pricing products. We believe BABLO has the flexibility and expertise to quickly adjust to market needs in a timely manner.

In closing, the State of Maine, retailers, suppliers and consumers, since the implementation of the current pricing formula, have benefited from this pricing structure. The current pricing formula ensures a stable profit for the State, improved commissions for the retail agents and better pricing on products across a broad range. It has also allowed consumers to have a vast number of product choices at competitive prices. Additionally, the current pricing formula helps reduce high-proof/low-cost products from being on the shelves. Therefore, Diageo contends that the existing pricing formula serves the broad interests within the State of Maine and does so in a manner consistent with the Control State mission of promoting responsible sales and encouraging responsible consumption.

Thank you, Director Luchini and Commission Members, for your consideration and Diageo looks forward to continuing this discussion with you. Please don't hesitate to contact me for further information.

Sincerely,

LYNN M. WALDING

Executive Director Control States

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APPENDIX B – 3

Comments submitted by Winn Atkins, Sazerac

Supplemental Comments by Winn Atkins, Sazerac



Testimony of Winn Atkins
Vice President, Government Affairs
Sazerac Company

Before the Maine Bureau of Alcoholic Beverages and Lottery Operations
Public Hearing on Spirits Pricing Review

May 16, 2025

Good morning, Director Luchini and Bureau staff,

My name is Winn Atkins, and I serve as the Vice President of Government Affairs for Sazerac Company. We are one of America's oldest family-owned distillers, and we are proud to have a major presence in Maine through our 1820 Spirits facility in Lewiston, which employs more than 270 hardworking Mainers.

I want to thank the Bureau for holding this public hearing and for beginning what we hope will be a good-faith process to improve a spirits pricing system that, in its current form, has proven to be regressive, inequitable, and disproportionately harmful to a targeted subset of businesses and consumers.

The Current System Is Flawed and Lacks Transparency

Maine stands alone in the nation as the only control state that uses a complex "pricing formula" to determine retail spirits prices. This formula includes more than 75 separate category markups, minimum state profit thresholds, and rounding schemes that often defy logic or fairness. It is a byzantine system that makes it especially difficult for the public to understand how and why prices are set.

Sazerac has experienced this firsthand. Despite making up just 13% of all listed products in the state, our products account for nearly 40% of those marked up by 100% or more. The 12 highest-marked-up products in Maine are all from Sazerac. This is not a coincidence—it's a signal that the system is not operating equitably.

Low-Income Consumers and Value Products Are Disproportionately Harmed

One of the most troubling aspects of the current pricing structure is its regressive nature. Lower-priced value spirits and smaller bottle sizes are marked up at much higher percentages than

premium products and larger bottles. No other state employs the factors BABLO does to determine the price of products. We believe this pricing calculator is NOT equitable because it penalizes lower-income consumers and the retailers and distillers that service them. It also penalizes those consumers wishing to purchase smaller size portion control offerings, such as 50mls and other smaller volume products.

This penalizes consumers who may not be able to afford larger purchases, and it hurts local retailers who serve those communities. It also undermines Maine's competitiveness, particularly with neighboring New Hampshire, where spirits pricing is more straightforward and often lower.

Commitments Made in the 130th Legislature

Last session, the Legislature considered LD 2014 and passed a compromise bill, *An Act Regarding Spirits Price Review and Recommendations*. A coalition of industry members and legislators spent months prior to the bill's introduction working on the language of the initial draft, which among other things included moving Maine's pricing formula to a flat markup similar to the system in other control states. The Veterans and Legal Affairs Committee held four substantive Work Sessions, and Sazerac met privately with DAFS and BABLO several times.

While there was momentum in committee for reforms to the pricing formula including moving towards a fairer flat markup, all parties agreed to the compromise which was passed unanimously by committee. This bill included:

- **Biennial Pricing Review:** Beginning October 1, 2024, and every two years thereafter, BABLO must conduct a public review of the spirits pricing formula and submit a report—with optional recommendations—to the Commission and the VLA Committee.
- **Pricing Appeals Rulemaking Deadline:** By September 1, 2024, BABLO is required to initiate rulemaking for a pricing appeals process, as originally established by LD 1906 in April 2022. Because BABLO had not begun this rulemaking two years later, LD 2014 set this new deadline.
- **Public Process for Pricing Recommendations:** BABLO must adopt rules establishing a public process for developing pricing recommendations to the Commission. These rules must include a public hearing and opportunities for input. As of now, BABLO has not initiated this rulemaking.

Additionally, both on the record in Committee and in private meetings, commitments were made to Sazerac to provide pricing relief in one or two areas of most concern to the company. This was a concept separate from the every two-year review of the formula. Specifically, immediate pricing relief on small sizes was identified as a way to accomplish this.

Attached are transcript excerpts from these work sessions, but I will highlight a few remarks below:

- *"I would suggest to the committee is perhaps, instead of a flat markup, that we take a more **surgical approach** to this, and you direct us to specifically look at smaller sizes and lower price and lower price products, and come back to you with a solution, I think, that avoids the impact across the board that is going to that we're concerned about being*

destabilizing to the overall spirits business and concentrates it where I where I think the problem really where the rub is right. And so we would be looking more at where the rub is and making, and potentially making adjust... proposing adjustments specific to those to those categories and those items.”

-Deputy Commissioner Trundy, 2/22/2024

- *“At exactly this moment, we would do something that is, that would be, it would be a small adjustment that would have a targeted impact, that would alleviate some of the stress that that Sazerac is feeling at this point in time.”*

-Deputy Commissioner Trundy, 3/12/2024

- *“One of the things that I suggested to Sazerac that we could do that I think, is just good business practice, is that, on a on a periodic basis, the department and the bureau should be charged with reviewing the pricing formula.”*

-Deputy Commissioner Trundy, 3/12/2024 (periodic review of formula introduced as a separate concept)

The Flat Markup Proposal Remains a Sensible and Equitable Alternative

We strongly support moving to a simplified pricing model, such as the previously proposed 83.46% uniform markup. This model is consistent, transparent, and predictable. It removes the arbitrary nature of the current calculator and treats all products equitably, regardless of brand, size, or price point.

If the proposed markup were in place today:

- 95% of products would see a price change of \$5 or less.
- More than half would change by \$1 or less.
- The average price change would be just +/- \$1.22.

This approach aims to keep the state whole financially while achieving greater fairness and simplicity.

Reforms Must Include a Right to Appeal and Legislative Oversight

We also respectfully urge the Bureau to implement the statutorily required appeals process for pricing decisions—which was passed in April 2022. Currently, the only option for a supplier to challenge a pricing decision, including a change to the formula, is through litigation.

Additionally, we believe the Legislature should play a greater role in reviewing significant rulemaking on pricing. As proposed in past legislation, making BABLO’s pricing rules subject to major substantive rulemaking would ensure proper oversight and accountability.

Conclusion

Sazerac is not here to re-litigate the past—although an understanding of the history is important. We are here to advocate for a better, fairer system for the future. We have invested more than \$10 million in Maine in recent years, and we want to continue that partnership. But we need a

system that is predictable, equitable, and structured in a way that supports—not undermines—growth for both businesses and the state.

We thank the Bureau for the opportunity to speak and look forward to working with you on these much-needed reforms.

Respectfully,

Winn Atkins

Vice President, Government Affairs
Sazerac Company

Attachments

- July 25, 2017 letter to State Liquor and Lottery Commission Chairman
- April 18, 2019 Memo to Commissioner Figueroa
- January 28, 2022 Sazerac Public Hearing testimony on LD 1906
- January 28, 2022 Gerald Reid Public Hearing testimony on LD 1906
- April 25, 2023 letter to VLA Committee
- January 17, 2024 Sazerac Public Hearing testimony on LD 2014
- February 22, 2024 pricing handout given to VLA Committee
- Transcript excerpts, summaries, and video links to LD 2014 Work Sessions
- May 5, 2024 Portland Press Herald Article

02/22/2024 Work Session: <https://vimeo.com/1057640985/94e45ce5c8>

The meeting discussed the impact of a ~85% flat markup on 4,800 SKUs, with a focus on the top 200 SKUs. Anya highlighted differences in financial periods, noting FY23 for accuracy. Ben presented data showing 881 products with over 100% markup, 39% being Sazerac's. The discussion emphasized the need for a fair pricing system, with 95% of products seeing less than \$5 price changes. Concerns about retailer impact and the potential for a pilot program were raised. The committee agreed to table the issue for further analysis and engagement between Sazerac and BABLO.

03/12/2024 Work Session: <https://vimeo.com/1057640254/90eb1e17c6>

The committee discussed the spirits price regulation, focusing on a targeted solution to alleviate stress on Sazerac without widespread changes to the pricing formula. A proposal was made to review the formula every five years to adapt to market changes and ensure equity among companies. Sazerac and the department agreed on the need for periodic reviews to address inequities. Hospitality Maine supported the targeted approach over a complete formula overhaul. The committee emphasized the importance of stakeholder input and equity, aiming to draft consensus language in future meetings to address these issues effectively.

03/19/2024 Work Session: <https://vimeo.com/1057637713/acb0fa70de>

The committee discussed LD 2014, emphasizing that no consensus was reached on a 65% markup—despite what was written about in the press. They reviewed the progress on a targeted solution for value-priced items, potentially including statutory language for pricing formula reviews and equity considerations. The Department is finalizing guardrails for transparency and equity. A motion was made to table the bill for one day to allow for further internal approval and industry feedback, avoiding antitrust issues. The committee agreed to table the bill, with no objections, to revisit it after additional consultations and refinements.

03/21/2024 Work Session: <https://vimeo.com/1057638465/d5589b1087>

The committee discussed LD 2014. Sazerac and the Department have suggested an every 2 year review of the pricing formula with public input, and the Bureau's recommendations to the Commission and VLA. Proposed amendments include establishing rules for public input. The review shall start by October 1, 2024. Director Louis Lucchini confirmed no fiscal impact and supported the proposal. The committee agreed to include a public hearing in the rulemaking process. The motion to pass the amended bill was unanimously approved.

LD 2014 Work Session

02/22/2024

Anya Trundy 23:05

So I'm gonna, if I may, can I make another, a different suggestion? Because I realize that time is running short this legislative session, and the committee's trying to wrap up work, we're trying to bring things in for a landing, right? And I think that we could probably have another five sessions on this. If you look at the spreadsheet that I gave you that is sorted by supplier. This isn't to necessarily call out Sazerac in any way, shape or form, but I want, I want to direct you to pages four and five because of..

Craig Hickman 23:39

Which which spreadsheet?

Anya Trundy 23:40

It is the one that is titled Top 200 SKUs, and then in parentheses, by supplier.

Craig Hickman 23:46

Okay, and you want me to look at page four and five?

Anya Trundy 23:49

Well, look at look at pages. Look at pages one, one and two first. You'll see under the green, in those instances, those suppliers, there's not a lot of red in terms of retail difference and change in retail price. Okay, so those are suppliers where the impact to them is going to be price increases. If you get to page three, you start to see more red in those columns, and they are specifically concentrated with Laird & Company and the Five O'clock vodkas, which are...

Craig Hickman 24:37

What page are you on?

Anya Trundy 24:38

I'm sorry I'm on page three of five. and I'm about halfway down.

Craig Hickman 24:42

Thank you. Laird & Company, is that what you said?

Anya Trundy 24:45

Yep.

Craig Hickman 24:46

Okay

Anya Trundy 24:46

So just as it has been discussed in this committee for the last several weeks, those are lower priced products. The same is true with MS Walker and your various your various sizes of Alan's coffee brandy and Orloff vodka. So there's a concentration of a flat markup impacting low price products there in a in a positive way. And then the same is true with many of Sazerac's products. And then I would also say that the thing that shows through a little bit more in in the case of Sazerac is also that where you get an intersection of low price products and small small size formats, it's a compounding effect. But if you, if you look at the if you look at the the the sheet provided by Ben, the things are broken out by or distinctions are made in both the category markups and the minimum state profit threshold by size.

Anya Trundy 26:09

And so what I would suggest to the committee is perhaps, instead of a flat markup, that we take a more **surgical approach** to this, and you direct us to specifically look at smaller sizes and lower price and lower price products, and come back to you with a solution, I think, that avoids the impact across the board that is going to that we're concerned about being destabilizing to the overall spirits business and concentrates it where I where I think the problem really where the rub is right. And so we would be looking more at where the rub is and making, and potentially making adjust... proposing adjustments specific to those to those categories and those items. *[concept #1: tweaking the formula so that some of Sazerac's issues are dealt with via a targeted solution]*

Craig Hickman 27:02

We will definitely take that under advisement. I've got three committee members that have questions or statements. I just wanted to say that, given that we are about to very soon enter into another 10 year contract, it would seem to me that if we make any changes. This is actually the time to do it. In my mind anyway, as I understand things, and as much as we do have to finish our work, I think this is actually a pretty big issue, and we can, we can we haven't had a long day yet in this committee, just because of how we have bunched our work together and because of the availability of staff, but we will probably have a couple of long days before we get all of our work reported out of committee, and I think that we're all up to the task. So we might not need five more work sessions. We might need two long ones or three. I'll leave that there, but I just want to say I think the timing is such that this is definitely a very important conversation to figure out a solution to Representative Boyer, followed by Senator Timberlake, followed by Representative Rudniki.

LD 2014 Work Session

03/12/2024

Anya Trundy 00:43

Thank you very much. Anya Trundy Director of Legislative Affairs for the Department and Finance...of Administrative and Financial Services. And I would just like to report that we met with Sazerac on Friday. I think it was a really productive meeting, and we both would agree on that fact, what **we're trying to drive towards is a specific solution, like a very targeted solution, that wouldn't actually require**

us to make a make widespread changes to the pricing formula at exactly this moment. **At exactly this moment**, we would do something that is, that would be, it would be a small adjustment that would have a targeted impact, that would alleviate some of the stress that that Sazerac is feeling at this point in time. *[concept #1: tweaking the formula so that some of Sazerac's issues are dealt with via a targeted solution]*

Anya Trundy 01:37

We've got a we've got an additional meeting scheduled for Friday to come back, sit down with numbers, go through things, hope that the things that we have kind of put out on the table as the ideas of how we might go about this, doing doing this, that the hopefully the numbers work. But I think ultimately, if that is the case, what we would be coming back to you with isn't, isn't a solution that would have you in statute making an adjustment to the pricing formula. It would be putting some guard rails around things.

Anya Trundy 02:11

And one, just to give you kind of a taste of what I mean by that, **one of the things that I suggested to Sazerac that we could do that I think, is just good business practice, is that, on a on a periodic basis, the department and the bureau should be charged with reviewing the pricing formula.** So we're proposing that every five years, kind of an offset, but offset from when we're negotiating the contract, you know, maybe in years two and three, two or three and then years seven or eight, that we that it is just scheduled that we would review the pricing formula, because it's absolutely true that a pricing formula that we create, you know, or that we created in the past, may not still work for everybody today, and that things are going to change in the marketplace, and they're going to change for us in terms of profitability and and things like that. And so it's just a good business practice to come back to that on a periodic basis and see whether there are actually adjustments to be made. So and that would be a process that would encourage stakeholder input, you know, for people to come forward to us at that time and say, 'Hey, this isn't working for us, and we think it's not working for this reason. Like, is there, is there a solution here?' *[concept #2: the every 2 year review of the formula]*

LD2014 Work Session

03/21/2024

Craig Hickman 06:34

Thank you, Director. **How do you intend or in what time frame do you intend to look at tweaking the formula, as we discussed around ensuring that some of those lower value SKUs for Sazerac are dealt with within the formula as it stands?** *[concept #1: tweaking the formula so that some of Sazerac's issues are dealt with via a targeted solution]*

Louis Luchini 06:57

Yeah, I think..so...kind of our where we are now, where we've conditionally awarded the spirits contract for the next 10 years, and we're about to enter into negotiations with the award awardee. So I think once we get that finalized and we get into the new contract, then we'll be freed up to do to take a look at the pricing formula.

Craig Hickman 07:23

In a timely manner thereafter?

Louis Luchini 07:25

Yeah, that's the plan. Yeah.

Craig Hickman 07:26

Okay. And what date do you think we ought to begin this five year every two year review? Since that is left in question. *[concept #2: the every 2 year review of the formula]*

Louis Luchini 07:36

I think we were thinking the fall when, when we were looking at this so maybe like September, the goal we just don't want it to fall kind of mid negotiation of the next contract type of thing. So I think sometime in the fall would be good, and then we can have it done and prepared by the time you all come back for session.

Craig Hickman 07:57

So Ms Olsen, what would we put a date in September 1, 2024? October 1, 2024? I think we probably need a date certain in statute. October 1st?

Louis Luchini 08:11

That sounds good.

Craig Hickman 08:12

October 1, 2024 it is.

Louis Luchini 08:14

Yeah.

Craig Hickman 08:15

And my final question, just thinking about all the conversations that we had about this issue: Do we need to in this legislation establish an 'other special revenue fund' for that I think it was excise tax with a premium tax that's supposed to go for substance use prevention and education, over to the CDC? What do you think about that, since there is a transfer to the general fund, and then the general fund transfer goes wherever it goes, and I don't recall remembering if CDC ever found that money or not.

Louis Luchini 08:51

Yeah. I mean, I think if we, or if you created a OSR, like a special revenue account, that might technically create a fiscal note, I'm not positive because there would be a general fund hit so I don't

know if I would tie it to this, but I think it's something that should be looked at if the money's not getting to where, it should be, but Anya's dug in to this much deeper than I have.

Anya Trundy 09:15

I think that what I would say is to piggyback on that is that, yes, I do think that we were to create an OSR account that would that would trigger a fiscal note for this bill, but heard and recognized from this committee that that that is a concern about that money actually getting from us to the intended areas of DHHS. And so we'll continue to dig into that. And I will just, you know, from where I sit, can have that consideration taken into into account, and, you know, future budgets and stuff like that. So we've got, we've got other mechanisms by which to follow up on that, and this committee should feel free to ask me about it. Next...

Craig Hickman 09:57

How 'bout this supplemental budget?

Anya Trundy 10:01

Well, I...I can certainly, I can certainly go back and ask that question about for the supplemental budget. We are at the point where we haven't submitted a Change Package yet. So it is a it is a possibility right now.

Craig Hickman 10:16

And I know that certain of those OSR accounts can just be established with that initial \$500

Anya Trundy 10:23

Yep, that's true, yep, just a...

Craig Hickman 10:25

A nominal fee.

Anya Trundy 10:26

Hold the account open...

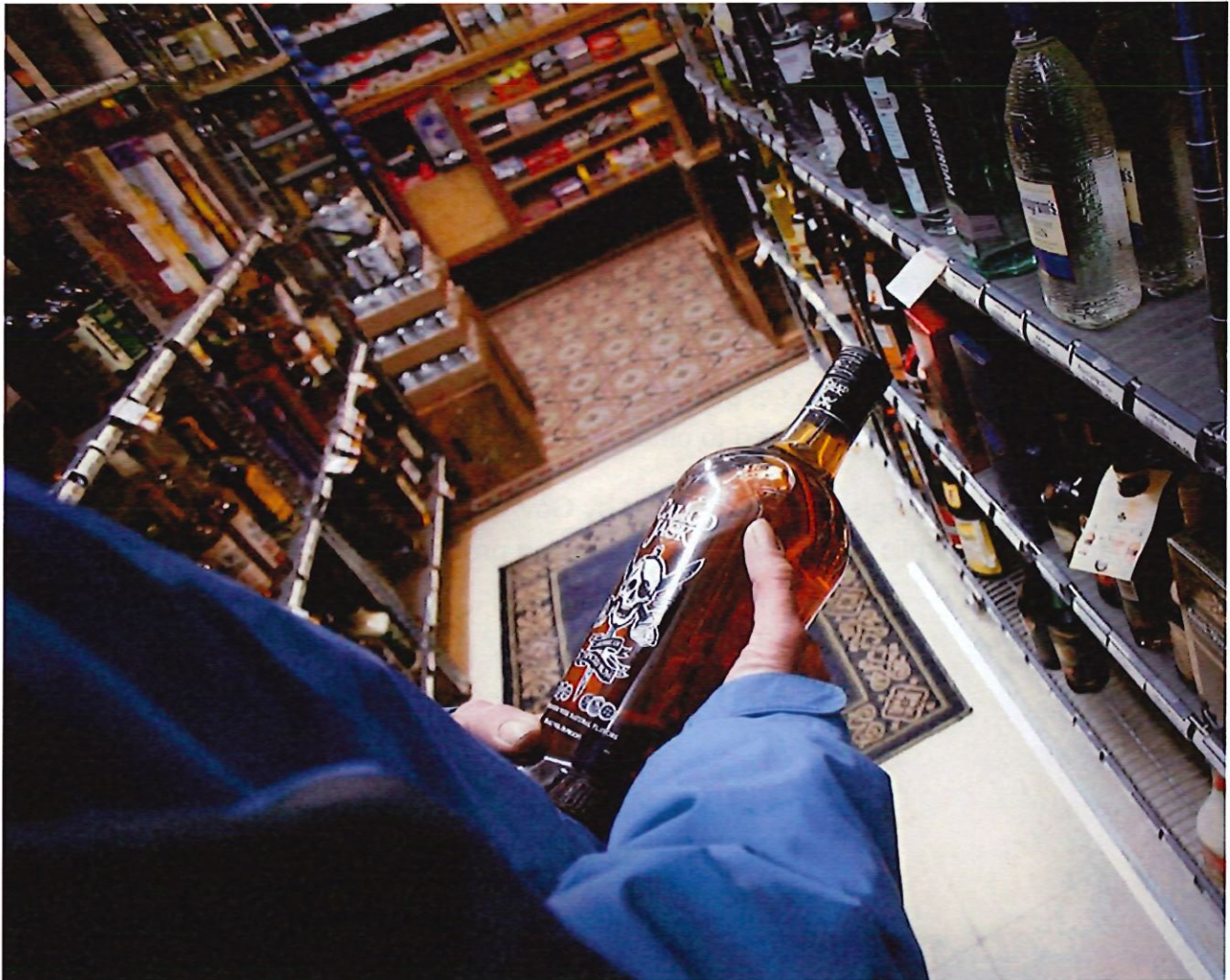
Craig Hickman 10:28

Hold it open and then maybe in future budget negotiations, we can transfer some money directly into that so that the CDC has what they need and they don't have to spend time writing federal grants. I think it's just the way it should go.

Maine's liquor prices are a mystery, and some say unfair. That may change.

 pressherald.com/2024/05/05/maines-liquor-prices-are-a-mystery-and-some-say-unfair-that-may-change

May 5, 2024



A customer selects a bottle of rum at a Portland liquor store in 2016, when the state changed the pricing structure for distilled spirits. A new law will require more transparency after complaints that the current system is confusing and unfair. *Derek Davis/Staff Photographer*

A large bottle of Tito's Handmade Vodka, Maine's top-selling liquor by far, costs about \$20 wholesale.

The retail price set by the state is \$35, a markup of about 70%.

Crown Russe vodka in the same size sells for under \$6 wholesale and \$15 retail, a 157% markup.

A jug of Allen's Coffee Brandy, always a Maine favorite, is marked up 96%.

And Fireball Cinnamon Whiskey, a Maine staple distilled and bottled in Lewiston, is marked up 86% to 162% percent, depending on the size of the bottle. A Fireball nip will cost you nearly three times as much as the same small plastic bottle sold wholesale.

"I don't get it," admitted Sen. Craig Hickman, D-Winthrop, co-chair of the Veterans and Legal Affairs Committee, which oversees the state's spirits pricing. "I will never understand it because it's not based on anything that makes sense to me."

One pattern jumps out in the state's pricing system, however.

State regulators apply bigger markups to less expensive alcohol than to pricier bottles – which critics say is unfair to lower-income customers and the makers of less expensive products.

Maine is one of 17 states that sets retail prices for spirits, and alcoholic beverages produced through distillation. Prices for other liquors, such as beer and wine, are not set by the state.

But the process Maine uses to set prices for spirits is uniquely complicated and complex – and some argue unfair – compared to other price-setting states.

A new law passed by legislators and signed by Gov. Janet Mills requires increased transparency and public accountability in the pricing process and has some distillers optimistic for reform.

What you pay for Maine's most popular spirits

Unlike other states that use standard price markups, Maine uses a complicated price-setting system that varies by price point, brand and bottle size. Here are Maine's top selling bottles and their wholesale and retail prices.

Type	Size (mL)	Sales* FY 2023	Wholesale price	Retail price	\$ Diff.	Total Markup
Tito's Handmade Vodka	1750	62,830	\$20.68	\$34.99	\$14.31	69%
Allen's Coffee Brandy	1750	40,212	\$10.46	\$20.49	\$10.03	96%
Captain Morgan Spiced Rum	1750	20,900	\$18.37	\$31.99	\$13.62	74%
Bacardi Superior Vodka	1750	18,273	\$15.43	\$26.99	\$11.56	75%
Tito's Handmade Vodka	750	17,090	\$12.38	\$21.99	\$9.61	78%
Pinnacle Vodka	1750	16,350	\$14.04	\$24.99	\$10.95	78%
Fireball Cinnamon Whiskey	50	14,342	\$0.71	\$1.79	\$1.08	152%
Crown Russe Vodka	1750	13,810	\$5.84	\$14.99	\$9.15	157%
Smirnoff Vodka	1750	13,344	\$14.86	\$25.99	\$11.13	75%
Allen's Coffee Brandy	750	12,511	\$5.69	\$11.99	\$6.30	111%
Tito's Handmade Vodka	1000	12,452	\$15.76	\$27.99	\$12.23	78%
Fireball Cinnamon Whiskey	750	12,005	\$9.14	\$16.99	\$7.85	86%
Absolut Vodka	1750	11,815	\$21.87	\$36.99	\$15.12	69%
Fireball Cinnamon Whiskey	100	9,917	\$1.14	\$2.99	\$1.85	162%
Fireball Cinnamon Whiskey	375	9,855	\$5.01	\$9.99	\$4.98	99%
Platinum 7X Vodka	1750	9,684	\$9.94	\$19.99	\$10.05	101%
Boston Coffee	1750	9,170	\$8.41	\$17.99	\$9.58	114%
Orloff Vodka	1750	8,985	\$7.06	\$16.49	\$9.43	134%
Svedka Vodka	1750	8,919	\$15.68	\$26.99	\$11.31	72%
Jack Daniel's Black	1750	8,666	\$27.96	\$47.99	\$20.03	72%





SOURCE: Maine Bureau of Alcoholic Beverages and Lottery Operations

STAFF GRAPHIC | JAKE LAWS

** Sales measured in "cases," the equivalent of 6 large bottles, or 9 liters*

Among them is Sazerac Co., which manufactures Fireball whiskey at a Lewiston facility that employs more than 270 people. The Louisiana-based, family-owned company has said its products face higher markups than its competitors. And, the company says, that is also unfair to its customers, who are value shoppers and likely have less disposable income than premium shoppers.

Winn Atkins, Sazerac's vice president of government affairs, said in a written statement that the company hopes the law and new leadership at the Bureau of Alcoholic Beverages and Lottery Operations, or BABLO, will lead to more equitable pricing.

"From the beginning, our goal has always been to work with stakeholders and policymakers to move Maine towards a more simple, fair and less regressive pricing system while keeping retailers, small distilleries, and the state whole," Atkins said.

The state's current pricing system was put in place around 2016. It has been tweaked several times since, creating a complex – and unique – process to set spirits prices that have increasingly resulted in higher markups for lower-priced brands.

Lawmakers this spring considered a proposal to abandon the complex pricing process and switch to a uniform markup that would be the same for every bottle. But, after state officials raised concerns about setting prices in statute and a loss of revenues, lawmakers opted to increase legislative oversight and overall transparency. They passed a bill to require BABLO to review the state's pricing strategy every two years, report back to lawmakers and receive public input.

Hickman said the public is entitled to know how the state runs its spirits business, which last year generated \$67 million in revenue for programs ranging from transportation projects to substance use treatment and prevention services.

"If nothing else this process has brought to light a very complicated system for spirits pricing on an industry that the people of the state of Maine own that's making a lot of money for the people of the state of Maine," he said.

Maine's spirits prices are recommended by the BABLO director and approved by the State Liquor and Lottery Commission, a five-member panel appointed by the governor.

The rationale behind some of these decisions is unclear.

A spokesperson for the Department of Administrative and Financial Services, which oversees BABLO, told the Press Herald that nobody from the bureau was available for an interview for this story.

Based on publicly available information, the director determines an initial markup for each product based on its type (i.e. gin, whiskey, vodka, etc.), whether it's a higher quality or "value" spirit and the bottle size.

Historically, the state has had higher markup rates for less expensive, or value, spirits. Rates also are generally higher for smaller bottles.

But those initial markup rates are only the starting point. The state also sets minimum profit thresholds and adds a \$1.25 per gallon premium tax, which directs revenue into the general fund for substance use treatment and prevention services.

The retail price must produce a minimum state profit, ranging from \$6 per 1.75 liter bottle to \$0.75 per 50 ml bottle.

In the end, the process leads to much higher final markups for the least expensive liquors.

Consider the price differences between Tito's Handmade Vodka, which is the state's top seller by dollar value, and Crown Russe Vodka, a value spirit produced by Sazerac that ranks as the 8th best seller.

The initial markup for Crown Russe is nearly 9% higher than Tito's. But once other factors are considered, the final retail price of Crown Russe is nearly three times higher than the supply cost paid by the state, while Tito's is only 60% more than the state's cost.

It's not clear what other factors went into setting that price. But the final retail price could be inflated to meet the state's minimum profit threshold for that sized bottle. And then there's the addition of the premium tax.

Other considerations the director can take into account when setting prices include prices charged in other New England control states and other "price point adjustments."

BABLO spokesperson Sharon Huntley said the pricing system was adopted after the state noticed that spirits revenue remained flat, despite a more than 4% growth in sales in 2016. The state blamed that dynamic on value spirits and consumer incentives to buy smaller bottle sizes. In response, the state adopted a minimum profit threshold.

"Analysis identified that small sizes and 'value' brands were negatively impacting the state's overall profitability," Huntley said. "The pricing paradigm was upside down; smaller bottle sizes provided a better value than larger sized bottles, which runs counter to any other consumer goods pricing model."

In 2023, Sazerac said in a letter to lawmakers that the moves hurt its business, saying that a 10% increase in price can lead to a 20-30% drop in demand, which would hurt the state's overall revenue stream.

The company said changes in 2017 resulted in price increases for 1,000 of 3,000 products sold by all companies in Maine. But the 245 Sazerac products affected by the change represented 66% of the company's product line here.

"This is clearly discriminatory and unfair," Sazerac CEO Mark Brown wrote in a letter dated April 25, 2023. "As a government monopoly, BABLO should not be in the business of picking economic winners and losers."

Earlier this year, lawmakers briefly considered switching to a flat markup for spirits. A state analysis concluded that choosing a 65% standard markup for all spirits would mean an annual decrease of about \$18 million in revenue.

Instead, the Legislature followed the committee's recommendation and enacted an amended bill that, for now, requires the state to review its pricing formula every two years and include more public input into that process.

About 10 of the 17 price-setting states use some sort of flat markup for the spirits, including New Hampshire, according to the NABCA trade group.

Officials with the New Hampshire Liquor Commission declined to provide additional details about their pricing strategy.

"Our internal pricing methodology is confidential proprietary information," spokesperson E.J. Powers said in a written statement. "Through diligent negotiation with our broker and supplier partners, we establish pricing that strikes a balance between affordability for our customers and profitability for the state, crucial to supporting essential state services."

In 2022, liquor sales in New Hampshire brought in \$172.5 million, with \$153.5 million going into the state's general fund budget, compared to the \$62 million generated in Maine, according to the NABC trade group.

Sazerac is not alone in calling for reform.

The Maine State Chamber of Commerce said a flat markup could create more predictability for businesses. They also called for more oversight of the price-setting process.

“All spirits pricing decisions have been made by the Bureau without any input or oversight from the Legislature,” chamber lobbyist Linda Caprara wrote. “We feel this committee and the Legislature as a whole should be setting the policies behind this complicated issue.”

The Distilled Spirits Council of the United States said Maine’s outlier system “has been complex, uncertain, and unpredictable, and can be altered and amended by the agency administratively.”

“When the control agency has the ability to administratively change pricing and the policy behind it at any time, that creates a difficult competitive environment for any supplier,” wrote Andy Deloney, the group’s vice president and head of state public policy.

Sen. Hickman said he and other lawmakers are hopeful that state regulators and spirits producers can work together to come up with pricing structure in the future that is fair for everyone.

“This was one of the more complicated matters that we looked at in committee because it’s not straightforward and it hasn’t been terribly transparent,” he said. “That’s unfortunate, but we have created another layer of transparency through (the bill) that the department was in agreement with. So what we have is a negotiated settlement – for now – between the stakeholders and the bureau.”

As student homelessness rises, so do challenges for Biddeford and Saco schools
Overwhelmed educators have ‘nothing left’ for kids in understaffed schools

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**Testimony of Winn Atkins
VP Government Affairs, Sazerac**

Before the Joint Standing Committee on Veterans and Legal Affairs

In support of LD 2014, An Act Regarding Spirits Price Regulation

Senator Hickman, Representative Supica, and distinguished members of the Committee, my name is Winn Atkins, and I am the Vice President of Government Affairs at Sazerac Company.

Sazerac is one of America's oldest family owned, privately held distillers with operations throughout the United States. We have deep ties to Maine and are particularly proud of our 1820 Spirits division located in Lewiston, where we employ over 270 Mainers.

I am here to testify in support of LD 2014 that would allow the legislature to set in statute the markup for the retail price of spirits. A flat percentage rate mark-up, set in law, would create a fair, equitable and transparent structure that would provide regulatory certainty for all suppliers and vendors, and ultimately benefit Maine consumers. It would also bring Maine more in line with how other control states operate.

In contrast to other control state jurisdictions in the US, Maine is the only state that employs a "pricing calculator" in determining the price of spirits. No other state employs the factors BABLO does to determine price.

The "pricing calculator" created by BABLO and in use since 2016 is overly complex and involves multiple mark-ups across different types and sizes of spirits products. For example, the current pricing formula contains 75 different category mark-ups and imposes minimum state profit thresholds that have to be separately calculated for each item. Contrast that with the concept in LD 2014 for the legislature to set in statute a single mark-up to be applied uniformly and fairly to all products.

We believe the present pricing formula in Maine is NOT equitable because it penalizes low-income consumers and the retailers and distillers that service them by marking up lower priced products and value offerings at double the percentage of higher priced products. It also penalizes those consumers wishing to purchase smaller size offerings by marking those sizes up more than larger bottles.

A simpler and fairer pricing approach would be a single mark-up percentage across-the-board. This removes subjectivity from pricing decisions and avoids inadvertently picking winners and losers among industry participants. As an example, when the pricing calculator was amended in 2017 nearly 1,000 products were subjected to an increase, essentially a tax increase. Of these 1,000 items that saw an increase, 245 of them were Sazerac's. (66% of the Sazerac items sold in the state). Clearly this was not an equitable result.

Sazerac wants nothing more than fair treatment. We are invested in Maine and care about our future here. Despite the challenges the current pricing structure has caused, since 2018 we have invested over \$10M in our Lewiston facility and would like to continue that trend by investing more.

We support the concept put forth in LD 2014, whereby the legislature would set the spirits mark-up in statute in a fair and transparent manner. This would bring equity and fairness for all Maine consumers, retailers and distillers and ensure state profit goals are achieved. I thank you for the opportunity to speak and for the attention Chairman Hickman, Sen. Timberlake and this committee have given to this important issue. I'm happy to answer any questions.

CURRENT PRICING FORMULA

Retail Price =

(FOB/supplier price) **X** (One of the 75 "Category Markups") **+** (\$1.25 per proof gallon premium)
+ (50¢ increases until the "Minimum State Profit Threshold" is met)

Steps:

1. Calculate **Initial Retail Price** using first three steps in above formula
 - a. Depending on bottle size, round up to .29, .49, .79, or .99
2. Determine wholesale price using the 18% agency liquor store discount rate
3. Determine whether the wholesale price meets the **value threshold**

The "Value" Threshold is based on the wholesale price and size as follows:

1.75L size, the price is less than \$22.00
 1L size, the price is less than \$13.00
 750ml size, the price is less than \$12.00
 375ml size, the price is less than \$7.00

- a. If not, **return to step one** using new, increased category markup

4. Determine whether the state profit meets the **Minimum State Profit Threshold (MSPT)**

Minimum State Profit Thresholds are as follows:

1.75L is \$6.00
 1L is \$4.50
 750ml is \$4.00
 375ml is \$2.50
 250ml is \$2.25
 200ml is \$2.00
 100ml is \$1.30
 50ml is \$0.75

- a. "Profit" here = (wholesale price) – (FOB/supplier price) – (premium tax)
- b. If not, **increase the retail price by 50¢ intervals** until MSPT is met

Category Markups			
Category	375 and under	750-1000	1750
Alcohol/Grain	1.98	1.98	1.98
Brandy	1.98	1.84	1.76
Brandy Value	2.13	1.98	1.90
Cognac	1.92	1.80	1.73
Cognac Value	2.13	1.95	1.82
RTD/Cocktails	1.93	1.93	1.93
RTD/Cocktails Value	1.93	1.93	1.93
Cordials	1.91	1.77	1.69
Cordials Value	2.13	1.95	1.82
Gin	1.96	1.82	1.75
Gin Value	2.13	1.95	1.82
Rum	1.95	1.81	1.72
Rum Value	2.13	1.95	1.82
Tequila	1.94	1.80	1.73
Tequila Value	2.13	1.95	1.82
Vodka	1.89	1.76	1.67
Vodka Value	2.13	1.95	1.82
Whiskey	1.91	1.77	1.70
Whiskey Value	2.13	1.95	1.82
Whiskey Canadian	1.98	1.84	1.76
Whiskey Candian Value	2.13	1.95	1.82
Whiskey Irish	1.98	1.83	1.72
Whiskey Irish Value	2.13	1.95	1.82
Whiskey Scotch	1.93	1.76	1.72
Whiskey Scotch Value	2.13	1.95	1.82

NEW PRICING PROPOSAL

Retail Price =

(FOB/supplier price) **+** (83.46% uniform markup)





April 25, 2023

Senator Craig Hickman
Representative Laura Supica
Veterans and Legal Affairs Committee
100 State House Station
Augusta, ME 04333

Dear Chairs Hickman and Supica,

Thank you for the opportunity to respond to BABLO's April 10th presentation on their Retail Spirits Pricing Report submitted to the committee on March 16th. Sazerac is one of America's oldest family owned, privately held distillers with operations throughout the United States. Our 1820 Spirits facility in Lewiston is home to over 270 employees and a very important part of our Sazerac family.

We continue to have challenges operating under the current pricing structure set by BABLO. The following should be helpful to you in assessing the current pricing scheme as well as suggesting what might be a more equitable system to implement. We merely ask to work with you to find a solution that is less prejudicial to Sazerac's products.

To summarize our position:

- Sazerac has experienced unfair and capricious treatment under the pricing structure set by BABLO.
- The resulting current pricing structure has substantially harmed the company's projected growth in Maine and negatively affected the Maine consumer.
- BABLO has made a significant amount of policy decisions—including the creation of a minimum state profit threshold—in a vacuum and without consultation of this committee whose job it is to set liquor policy for the State of Maine.
- We are not the only company or stakeholder with objections to the current policies behind the pricing of spirits.

In contrast to the rest of the U.S., Maine is the only state that employs a pricing calculator when determining the price of spirits. No other state employs the factors BABLO does to determine the price of products. We believe this pricing calculator is NOT equitable because it penalizes lower-income consumers and the retailers and distillers that service them. It also penalizes those consumers wishing to purchase smaller size portion control offerings, such as 50mls and other smaller volume products.

As shown in the data table below, value spirits (lower priced items) are marked up by the State at double the percentage of premium spirits (higher priced items). Looking at the same facts from a different perspective, the State pays a distiller of a 1.75L bottle of Premium Vodka 4.5X the price that they pay a Value Vodka distiller of the same bottle size, yet the State's dollar profit on this Premium Vodka is only 1.2X that of the same Value Vodka bottle.

	<u>Size</u>	<u>Proof</u>	<u>Shelf Price</u>	<u>Cost to State</u>	<u>Cost to Agent</u>	<u>State % Markup</u>	<u>State \$ Markup</u>
Value Vodka	1.75L	80	13.49	4.598	11.07	58.46%	6.47
Premium Vodka	1.75L	80	34.99	20.68	28.70	27.94%	8.02
Value Vodka	750ml	80	8.99	3.18	7.38	56.91%	4.20
Premium Vodka	750ml	80	24.99	14.09	20.50	31.27%	6.41
Super Premium Vodka	750ml	80	199.99	113.52	164.00	30.78%	50.48
Value Whiskey	1.75L	80	13.49	4.598	11.07	58.46%	6.47
Premium Whiskey	1.75L	80	34.99	20.32	28.70	29.20%	8.38
Value Whiskey	750ml	80	8.99	3.18	7.38	56.91%	4.20
Premium Whiskey	750ml	80	24.99	14.01	20.50	31.66%	6.49
Super Premium Whiskey	750ml	80	199.99	112.88	164.00	31.17%	51.12

A similar inequity is seen by Maine's mark-up variation across bottle sizes. Using the popular Fireball Cinnamon Whiskey to illustrate this, the State marks up Fireball 50 ML +52%, 750 ML +34%, and 1.75L +31.6%.

A simpler and fairer pricing approach would be a single mark-up percentage across-the-board. This removes subjectivity from pricing decisions and avoids inadvertently picking winners and losers among all stakeholder groups. We understand that challenges to such a simple approach exist but suggest that they be identified and debated as a constructive first step.

If BABLO's real intent is to raise revenue for the State, the current pricing policies do not make sense. They ignore the price elasticity of demand that disproportionately affects lower-priced value spirits. Studies have shown value spirit brand elasticities are quite high, between -2.0 and 3.0. This means that a 10% price increase will produce a 20 to 30% demand decrease. Contrary to Director Mineo's commentary on April 10th, price increases on value brands were done with little consultation with industry leaders or experts.

We recognize that the Bureau's rules governing spirits pricing do not contemplate a public hearing, nonetheless at a 2017 meeting we asked that Sazerac and others be given the opportunity to address the Commission given the Director's pricing proposal disproportionately impacted Sazerac; other vendors of 50mL products; and other value-priced liquors. However, a July 21, 2017 email from Tracy Willett, Manager of Liquor Operations, stated, "input on the proposed changes from the pricing formula update, will be entertained and [but] will be limited to minor adjustments." Plainly the Bureau had already made up its mind and was not planning to take the public comments seriously.

Of the 3,502 products sold in Maine in 2017, nearly 1,000 saw a tax increase. Of the 1,000 items subjected to a tax increase, 245 (66% of the Sazerac items sold in the Maine system) were impacted. This is clearly discriminatory and unfair.

As a government monopoly, BABLO should not be in the business of picking economic winners and losers. A more rational and fair result would see BABLO apply a standard tax on all products equally. Above all, it certainly should not be creating a pricing structure that singles out specific companies or negatively impacts Maine businesses.

Solutions

In order to adjust the new pricing formula in a more equitable manner for all companies we asked Gerry Reid, past director of BABLO, to come up with some possible solutions. These have been shared with BABLO in the past and we continue to believe the approaches described below are sound viable alternatives to the current scheme. Additionally, we have included some suggested bill language, attached as Appendix A.

- 1. Adjust the State spirits pricing formula to have one markup across all spirits categories and sizes.**

The current formula employs multiple markups that penalize small sizes and value brands, inherently discriminating against specific consumers and suppliers. In addition, because the current State pricing formula marks up value brands at a higher rate than premium brands, and in light of consumer incomes and price elasticity, we think reversing this logic should be considered, at least for the very top-end luxury brands where an extra dollar or two would likely not affect consumer behavior.

- 2. Reconsider the state value-optimizing pricing strategy for 50 ML spirits.**

The single 50 ML price should be a modest per ounce premium compared to the standard 750 ML size. In addition, the Maine price premium to NH should be as small as possible. The State recently listed 50 ML multipacks which were met with great success. This should become a steady and regular offering to consumers.

- 3. Cross-Border Sales**

We would welcome the opportunity to work with BABLO and other stakeholders on a clear strategy for Maine to compete more successfully with New Hampshire. This is also a tactically complex topic which cannot be fairly simplified here. Suffice it to say that a value-optimizing solution for Maine could involve temporary promotional price reductions on mass appeal brands and sizes that have the highest price elasticities. BABLO and its suppliers already spend significant dollars on temporary price reductions so the opportunity here may simply be to better target these dollars toward the NH business problem. The methods by which this pricing activity is communicated to Maine consumers is also an opportunity.

Maine would have more access to the summer tourism spirits business if we had a retail agency store advertised on the Maine Turnpike or in immediate proximity to a Turnpike exit. NH benefits from this. This is another complex topic and would require a comprehensive feasibility assessment. Since Maine licenses its retail agency stores, this could have no cost to the State. Long-term idea but worthy of a conversation.

4. New Marketing Approaches

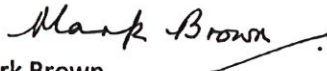
Beer and wine enjoy much more consumer exposure than spirits in Maine created by their marketing and store display budgets. This is also a complex topic but we would welcome an opportunity to work with BABLO and other stakeholders to create promotional programs that target this opportunity, possibly including marketing and display cost sharing. This is something distillers need to be encouraged to do.

Conclusion

Sazerac wants nothing more than fair treatment. We employ over 270 people in Lewiston and have shown ourselves to be an excellent corporate citizen in this state. We are invested in Maine and care about our future here. In fact, despite ongoing challenges, in 2018 we invested an additional \$1M in our Lewiston facility and would like to continue the trend by investing more. We constantly strive to find ways to work proactively with BABLO. For instance, during the 128th legislative session we supported legislation to allow BABLO to facilitate the donation of product, like our Pappy Van Winkle Bourbon, to charitable causes.

We sincerely appreciate the time and attention the committee has given to studying the negative impacts of the current pricing structure. We are hopeful that the committee will continue to work with us to find a solution to this significant challenge.

Sincerely,

A handwritten signature in black ink that reads "Mark Brown". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Mark Brown
CEO
Sazerac

APPENDIX A

1 **28-A MRSA §83-C, sub-§2**, as enacted by PL 2013, c. 476, Pt. A, §9, is
2 amended to read:

3 **2. Price regulation.** Establish the wholesale and retail prices of spirits sold in this
4 State. The bureau shall adopt rules regarding the wholesale pricing of spirits and the
5 retail pricing of spirits sold by agency liquor stores, that consider state revenues to meet, but
6 not exceed, operational and long-term state requirements, under this Title. An entity
7 awarded
8 a contract under section 90 is granted the privilege to distribute spirits under this Title and is
9 immune from antitrust action so long as the entity is in compliance with the bureau's
10 rules and all other applicable laws and regulations; - Rules adopted pursuant to this
11 subsection are major substantive rules as defined in Title 5, chapter 375, subchapter 2-A.
A rule adopted pursuant to this subsection shall consider the following factors:

12 A. Equity for similar products across product price and bottle size;
13 B. Equity of price markups based on product price or bottle size; and
14 C. Disproportionate impacts on spirits suppliers and agency liquor stores due to product
15 price or bottle size.
16 To the extent that a current rule conflicts with this subsection, the bureau shall revise such
17 rules in accordance with the above requirements.

Testimony of Gerald Reid
Former Director, Bureau of Alcoholic Beverages and Lottery Operations

Before the Joint Standing Committee on Veterans and Legal Affairs

In Support of
LD 1906 | An Act Regarding Rulemaking and Pricing under
the Bureau of Alcoholic Beverages and Lottery Operations

January 28, 2022

Senator Hickman, Representative Caiazzo and Honorable Members of the Committee on Veterans and Legal Affairs: Thank you for the opportunity to offer my unique perspective on LD 1906. I am weighing-in today as a former Director of BABLO as well as a 20-year beverage industry global executive at Diageo, Jose Cuervo International, and Sazerac. Despite being retired now I truly want to see the Maine liquor industry succeed for all stakeholders including consumers, retailers, distillers, and the Bureau. The guardrails proposed in this bill will be helpful to the Bureau and the Commission for reasons summarized below.

I believe Spirits pricing decisions should be governed by these goals or principles:

- 1) Revenue maximization for the State consistent with social responsibility and public safety.
- 2) Avoidance of any pricing action which would make it easier for New Hampshire to take Spirits purchases that should have been made in Maine. NH has successfully pursued an aggressive volume maximization pricing strategy for many years and many Maine residents and visitors have easy access to their stores.
- 3) Equity and fairness to all Maine consumers, retailers, and distillers, including a “check and balance” to ensure that this is achieved. This goal is central to LD 1906.

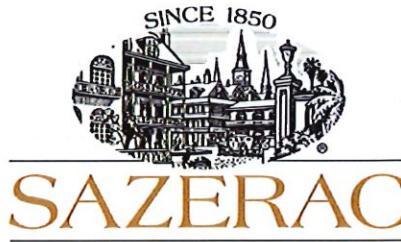
I believe the present pricing formula in Maine (aka, pricing calculator) is NOT equitable because it penalizes low-income consumers and the retailers and distillers that service them. As shown in the data table below, value spirits (lower priced items) are marked up by the State at double the percentage of Premium spirits. Looking at the same facts from a different perspective, the State pays a distiller of a Premium Vodka 1.75L bottle 4.5X the price that they pay a Value Vodka distiller of the same bottle size yet the State’s dollar profit on this Premium Vodka is only 1.2X that of the same Value Vodka bottle.

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Value Vodka	1.75L	80	13.49	4.598	11.07	58.46%	6.47
Premium Vodka	1.75L	80	34.99	20.68	28.70	27.94%	8.02
Value Vodka	750ml	80	8.99	3.18	7.38	56.91%	4.20
Premium Vodka	750ml	80	24.99	14.09	20.50	31.27%	6.41
Super Premium Vodka	750ml	80	199.99	113.52	164.00	30.78%	50.48
Value Whiskey	1.75L	80	13.49	4.598	11.07	58.46%	6.47
Premium Whiskey	1.75L	80	34.99	20.32	28.70	29.20%	8.38
Value Whiskey	750ml	80	8.99	3.18	7.38	56.91%	4.20
Premium Whiskey	750ml	80	24.99	14.01	20.50	31.66%	6.49
Super Premium Whiskey	750ml	80	199.99	112.88	164.00	31.17%	51.12

A similar inequity is seen by Maine mark-up variation across bottle sizes. I will use the popular Fireball Cinnamon Whiskey to illustrate this. The State marks up Fireball 50 ML +52%, 750 ML +34%, and 1.75L +31.6%.

A simpler and fairer pricing approach would be a single mark-up percentage across-the-board. This removes subjectivity from pricing decisions and avoids inadvertently picking winners and losers among all stakeholder groups. I understand that challenges to such a simple approach exist but suggest that they be identified and debated as a constructive first step.

Thank you.



**Testimony of Elizabeth Wise
Senior Vice President, Government Affairs for Sazerac**

Before the Joint Standing Committee on Veterans and Legal Affairs

**In Support of LD 1906 | An Act Regarding Rulemaking and Pricing under the
Bureau of Alcoholic Beverages and Lottery Operations**

January 28, 2022

Honorable Members of the Veterans and Legal Affairs Committee, my name is Elizabeth Wise and I am the Senior Vice President of Government Affairs for Sazerac. We have deep ties to Maine via our products and our Lewiston facility which many may know as Boston Brands of Maine. We continue to expand our business in the state and currently employ about 240 people.

We appreciate Senator Hickman, Representative Harrington, Speaker Fecteau and Senator Timberlake for sponsoring this legislation. We were very happy to partner with them and other industry members to help introduce LD 1906. In these uncertain times now facing manufacturers such as supply chain unpredictability, employee shortages and other COVID-related issues we felt it the right time to try and create some certainty where we could. One area where we thought the industry could create predictability would be around pricing which is set by BABLO.

Sections 1 and 2 of the proposed amendment would give legislative oversight to any labeling and pricing rules adopted by BABLO. Currently, nearly all BABLO's rulemaking authority is routine technical and not subject to review by the legislature. We believe this proposed change to major substantive rulemaking should be viewed as a check and balance to these impactful and consequential rulemaking powers currently granted to the Bureau. We recognize that we are suggesting a groundbreaking step in a control state regime, but we are confident in Maine's tradition of being a leader on issues when trying to improve conditions for local businesses. This combined with Sazerac's history of being a champion for control states should make for good outcomes for Maine's consumers, spirits industry and the Bureau.

Section 2 further provides guidelines to create pricing rules that are equitable and do not disproportionately or negatively affect a product based on its size or price as our product line was in 2017. Because we genuinely want this to be a forward-looking discussion, the mention of this is not an attempt to re-adjudicate past disagreements, but simply one of the experiences we draw from when supporting this bill.

Another key provision in Section 2 of the proposed amendment directs BABLO to create an appeals process for pricing decisions. Under current Bureau rules, pricing decisions made by the Commission are

"final." In fact, the only avenue for appeal is through the courts. It is not realistic both in practical and financial terms to expect a spirits supplier to sue their regulator. All the industry is asking for is an official opportunity to present our position outside the confines of the Commission when a proposal directly affects our business. We believe a more routine and open procedure could be established.

I appreciate your time and would be happy to answer any of your questions.

TO: Commissioner Figeroa
CC: Governor Mills
FROM: Elizabeth Wise, SVP of Government Affairs
DATE: April 18, 2019
RE: Follow-Up

Summary of February Conversation

Thank you for your time and willingness to hear about our continued challenges operating under the current pricing structure set by BABLO. We are hopeful that the following is helpful to you in assessing what steps to take to mitigate the undue harm to Boston Brands of Maine under the current pricing structure. We ask to work with you to find a solution that is less prejudicial to the products we make and purvey in Maine, which allow us to employ over 160 people in our Lewiston plant.

To summarize our conversation:

- Boston Brands of Maine has experienced unfair and capricious treatment under the pricing structure set by BABLO.
- The resulting current pricing structure has substantially harmed the company's projected growth in Maine and negatively affected the Maine consumer.

To put our conversation in context to the rest of the industry in Maine, we thought it may be helpful to illustrate the current state of affairs that the current pricing structure has created.

Current State of Maine's Spirits Business

The spirits business in Maine is showing modest growth. The growth rate dropped in half in FY18 which was prior to BABLO's October price increases and has been flat/stable since. When compared to the total National Alcohol Beverage Control Association (NABCA) universe of states, Maine performance had been better before the price increase and has become somewhat weaker since the increase. The recent shift in comparative trends is significant: While the 9L volume growth has slowed, it is still positive and the dollar revenue growth is quite healthy and similar to the total NABCA rate.

	FY 2017	FY 2018	July, 2018-February, 2019 [post price increase period]
Maine 9L Cases Growth Rate	+5.07%	+2.62%	+2.82%
Maine \$Dollars Growth Rate	N/A	+6.13%	+6.42%
Total NABCA 9L Cases Growth Rate	+2.4%	+2.0%	+3.60%
Total NABCA \$Dollars Growth Rate	+9.0%	+6.3%	+5.73%

A comparison of Maine sales trends to that of New Hampshire's may suggest a flaw in Maine's pricing increase. Since October, New Hampshire's case volume performance is significantly better than Maine's. This is noteworthy because, despite almost identical population sizes, the scale of New Hampshire's business is much larger than Maine (about double) and their percentage growth rate is +36.5% larger. For example, New Hampshire price for 50ML Fireball is at \$0.99 while Maine's price is \$1.49.

July, 2018-February, 2019 [post price increase period]

Maine 9L Cases Growth Rate	+2.82%
New Hampshire 9L Cases Growth Rate	+3.85%

The October 2018 Maine price increases really hurt the 50 ML business in Maine as the price went from \$0.99 cents to \$1.49 and it seemed to have shifted the dynamic growth of this particular size to New Hampshire and Vermont. This specific size dynamic is not clearly visible within the total business sales performance because of its relatively small 9L case volume.

July, 2018-February, 2019 [post price increase period]

Maine 50 ML 9L Cases Growth Rate	-18.0%
New Hampshire 50 ML 9L Cases Growth Rate	+20.3%
Vermont 50 ML 9L Cases Growth Rate	+6.5%
Total NABCA 50 ML 9L Cases Growth Rate	+17.3%

Overall, a business can rationalize weak case volume performance when dollar revenue performance remains positive. However, longer term this ultimately causes bad profit performance as price increases no longer offset volume decline.

Timeline as Requested

We believe that there is ample evidence to support our belief that the current pricing structure, implemented on August 3, 2017, was implemented after consideration of the company's position on several matters, including but not limited to: Our support in May 2017 of LD 56 in the 128th Legislature; our July 2017 win in the former Governor's attempt to delist all nips products; and, the July 25, 2017, letter from our attorneys to Chairman McPherson outlining how, under the newly proposed pricing structure, Boston Brands of Maine alone would be negatively impacted.

May 2017: The legislature passes LD 56, "An Act To Include 50 Milliliter and Smaller Liquor Bottles in the Laws Governing Returnable Containers." This bill added a deposit on 50 ML spirit containers attempting to mitigate what was perceived to be a litter problem. Sazerac supported a \$0.05 deposit.

May 16: The Governor releases a statement saying that he will veto this bill and instructs BABLO to delist all 50 ML spirits from the Maine system.

June 2: The Governor issues a veto of LD 56.

June 7: Legislature over-rides veto of LD 56.

June 16: Governor Lepage moves to end sale of nips in Maine:

<https://www.pressherald.com/2017/06/13/lepage-moves-to-end-sales-of-nips-liquor-bottles/>

June 23: BABLO releases written statement for public commentary delisting all 50 ML spirits alleging this will reduce litter and drinking and driving. They also stated that no Maine sales would be lost as consumers would switch back to larger containers. Maine would be the first state to take this action.

June 23: Governor Lepage sends letter to BABLO on LD 56:

<https://www.maine.gov/dafs/bablo/sites/maine.gov.dafs.bablo/files/inline-files/Bureaus%20Writttten%20Recommendation%20dated%20June%2023%202017.pdf>

July 3: Sazerac communicates to BABLO its objection to their recommended delisting of 50 ML spirits citing lost state revenues and jobs as well as the lack of credible evidence to support litter or OUI reductions.

July 11: The State Liquor and Lottery Commission holds a public hearing on the BABLO delisting proposal. Sazerac and others testify before the Commission. By a 4 to 1 vote, Commissioners vote against the Governor and reject the BABLO recommendation thereby retaining 50 ML spirits in the Maine system.

<https://www.necn.com/news/new-england/Maines-BABLO-Shoots-Down-Proposed-Prohibition-on-Nips-433913713.html>

Very shortly after the vote on NIPS delisting, BABLO begins discussions with industry representatives about price increase alternatives. BABLO wanted price increases ranging from +10% to +50% with the highest increases targeted toward value brands regardless of container size as well as all brands sold in the 50 ML size. The proposed price increase on the very-successful, made-in-Maine Sazerac 50 ML business would be +50%, the retail price would go from 99 cents to \$1.49.

July 14: Spreadsheet of affected SKU's was sent by BABLO to provide comment before deadline for August 1 Quarterly Price Change: 10-day comment period deadline set for July 24th.

July 18: The pricing formula was implemented in the BABLO Vendor Portal but did not recognize the new value categories and did not calculate the new value categories correctly.

July 19: Calculator required for suppliers to look at affected SKU's prior to August 1 deadline was provided but did not match the spreadsheet provided on July 14th.

July 20: The BABLO Vendor Portal issues were corrected.

July 25: New, extended, comment period deadline vs the original date of July 24th.

July 25: Letter "Re: Sazerac Written Comments on Unilateral Price Changes proposed by Director Mineo" to BABLO Chairman Orland G. McPherson from Sazerac Attorneys Edmond J. Bearor and Josh Tardy was mailed. Letter outlined grounds for stating that this was an arbitrary and capricious price increase and explained how the price increase was directly targeted at Sazerac in a retaliatory manner.

"Of the 3,502 products sold, nearly 1,000 will see a tax increase. Of the 1,000 items with a tax increase, 245 or 66 percent of the Sazerac items sold in the Maine system will be impacted. This is clearly discriminatory and unfair."

August 3: BABLO caps price increase for value brands at \$1.

<https://bangordailynews.com/2017/08/03/business/after-lewiston-bottler-blows-top-maine-reduces-proposed-liquor-price-hikes/>

August 8: BABLO holds hearing and vote on price increase at its annual monthly meeting. Gerry Reid spoke for Sazerac. Vote went against Sazerac 3-2.

The minutes of the meeting are here:

<file:///C:/Users/Ted%20Varipatis/Downloads/August%2012,%202017%20Minutes.pdf>

September 12: Director Mineo met with the CDC on the issue of whether 50mls contributed to increased OUIs. Conclusion was there is nothing definitive to support a connection between 50mls sales and OUI's as noted under Other Business in BABLO'S monthly meeting:

<file:///C:/Users/Ted%20Varipatis/Downloads/Minutes%20for%20September%202017.pdf>

October 1: Price increase goes into effect

<https://wgme.com/news/local/maine-raises-price-of-nips-and-other-cheap-spirits>

Present Day 2019: Price increase effect on spirits sales in Maine have seen spirits sales growth significantly slowed. Sazerac Company sales growth of +27% now reversed to decline of -1.4%, Fireball brand sales growth of +68% reversed to decline of -3%.

Solutions

In order to adjust the new pricing formula in a manner less impactful to our company, we asked Gerry Reid, past director of BABLO, to come up with a few solutions. He then shared these ideas with BABLO. We still believe the approaches as described below are viable alternatives to the current scheme.

- 1. Adjust the State spirits pricing formula to have one markup across all spirits categories and sizes.**

The current formula employs multiple markups that penalize small sizes and value brands, inherently discriminating against specific consumers and suppliers. We appreciate that this is a complex topic and it might require a five-year sequencing plan. If this is not pursued, the 2017 price increase could be rolled back and replaced with a +1-2% across-the-board price increase.

In addition, because the current State pricing formula marks up value brands at a higher rate than premium brands, and in light of consumer incomes and price elasticity, we think reversing this logic should be considered, at least for the very top-end luxury brands where an extra dollar or two would likely not affect consumer behavior.

2. Reconsider the state value-optimizing pricing strategy for 50 ML spirits.

The single 50 ML price should be a modest per ounce premium compared to the standard 750 ML size. In addition, the Maine price premium to NH should be as small as-possible. The State recently listed 50 ML multipacks which were met with great success. This should be come a steady and regular offering to consumers.

3. Cross-Border Sales

We would welcome the opportunity to work with BABLO and other stakeholders on a clear strategy for Maine to compete more successfully with New Hampshire. This is also a tactically complex topic which cannot be fairly simplified here. Suffice it to say that a value-optimizing solution for Maine could involve temporary promotional price reductions on mass appeal brands and sizes that have the highest price elasticities. BABLO and its suppliers already spend significant dollars on temporary price reductions so the opportunity here may simply be to better target these dollars toward the NH business problem. The methods by which this pricing activity is communicated to Maine consumers is also an opportunity.

Maine would have more access to the summer tourism spirits business if we had a retail agency store advertised on the Maine Turnpike or in immediate proximity to a Turnpike exit. NH benefits from this. This is another complex topic and would require a comprehensive feasibility assessment. Since Maine licenses its retail agency stores, this could have no cost to the State. Long-term idea but worthy of a conversation.

4. New Marketing Approaches

Beer and wine enjoy much more consumer exposure than spirits in Maine created by their marketing and store display budgets. This is also a complex topic but we would welcome an opportunity to work with BABLO and other stakeholders to create promotional programs that target this opportunity, possibly including marketing and display cost sharing. This is something distillers need to be encouraged to do.

Conclusion

Boston Brands of Maine wants nothing more than fair treatment. We employ over 160 people in Lewiston and we are an excellent corporate citizen in this state. We are invested in Maine and care about our future here. In fact, despite our challenges, in 2018, we invested an additional 1M in our facility and would like to continue the trend by investing more. We will continually try to find ways to work with BABLO. In fact, we recently successfully partnered with the Department to run a donation campaign of our Pappy Van Winkle statewide to in-need non-profits. We went through the trouble of passing a bill in the 128th to facilitate the donation of these products to charities.

However, the negative treatment of us and our products impacts our decisions as to further investment and expansion. It is not a sustainable business model to follow. We believe in the Administration and the new wave of optimism that is clearly palpable as you walk through the Statehouse. We are very optimistic that your department will work with us to find a solution to this significant challenge.

RUDMAN WINCHELL

Edmond J. Bearor
E-Mail: ebearor@rudmanwinchell.com
Direct Dial: (207)992-2626

July 25, 2017

Orland G. McPherson, Chairman
State Liquor and Lottery Commission
8 State House Station
August, Maine 04333

EMAIL DELIVERY TO: Tracy.A.Willett@maine.gov

Re: Sazerac Written Comments on Unilateral Price Changes proposed by Director Mineo

Dear Chairman McPherson:

Rudman Winchell, along with Irwin, Tardy and Morris jointly represent the Sazerac company. On behalf of Sazerac, we provide the following comments regarding Director Mineo's proposed price changes which unfairly target "value" liquors and liquors that are widely available in the 50mL size, also known as "nips."

We recognize that the Bureau's rules governing the pricing of spirits and changes in prices do not contemplate a public hearing, nonetheless we would ask that Sazerac and others be given the opportunity to address the Commission at its August 8, 2017 meeting since the Director's pricing proposal has a disproportionate impact on the Sazerac company and other vendors of 50mL products and "value" liquors. To further show that this request to be heard is not unreasonable see Attachment "A", a July 21, 2017 email from Tracy Willett, Manager of Liquor Operations, "input on the proposed changes from the pricing formula update, will be entertained and [but] will be limited to minor adjustments." Plainly the Bureau is really not taking these comments seriously, but instead is paying lip service to its self serving process

The disproportionate impact of Director Mineo's proposal was announced, as you know, just a few days after the Commission's rejection of an outright ban on 50mL bottles and, candidly, seems to be retaliation against Sazerac for its public opposition to the Director's ill conceived ban on 50mLs.

If given the opportunity to do so, Sazerac representatives and others were to address the Board with the following concerns and undoubtedly amplify those concerns during public presentations.

1) ARBITRARY AND CAPRICIOUS PRICE INCREASE

- **No Justification for 20 to 50% Price Increases and a \$10 million tax increase**

Inflation in the U.S. is running at 1.6%. There is no justification for increasing prices to Maine consumers, retailers, bars and restaurants by 20% to 50%, but that is what Director Mineo is proposing. Effectively, this amounts to a \$10 million stealth tax increase on Maine consumers.

- **Punishes Agency Stores**

As BABLO recently celebrated at the July 11th Maine Liquor Commission hearing the profit margin for Maine Liquor agents was being increased due to the sales success that the agents have enjoyed. It is incongruous to now punish these same agents for their sales success by implementing a massive tax increase and citing as you can see from the email below, that is precisely what this price change will do:

From: Willett, Tracy [<mailto:Tracy.Willett@maine.gov>]

Sent: Friday, July 14, 2017 1:47 PM

Cc: Poulin, Tim <rim.Poulin@maine.gov> Mineo, Gregg
<GREGG.MINEO@maine.gov>

Subject: Notification in the change in Maine's pricing formula

As a result of the increase in the Growth Incentive for agency liquor stores achieved in FY17 and implemented this fiscal year, ... in this fiscal year and beyond and profit concerns that were discussed last fall, this update in the pricing formula is necessary to help mitigate those costs and concerns.

- **Cost of LO 56 is overstated by BABLO and does not justify a Tax Increase**

As previously noted, the cost of the implementation of LD 56 is being widely overstated by BABLO and does not justify a tax increase to cover any of the small incremental cost associated with LD 56.

If BABLO's intent is to raise revenue for the State, their proposal will not work because it ignores the price elasticity of demand that disproportionately affects lower-priced value spirits. Studies have shown value spirit brand elasticities are quite high, between minus 2.0 and 3.0. This means that a 10% price increase will produce a 20 to 30% demand decrease. This proposal, if enacted, will result in consumers either driving to New Hampshire for their liquor purchases or cause them to shift their beverage alcohol purchases to brands whose prices are NOT increasing [many] or to beer.

Orland G. McPherson, Chairman
July 25, 2017
Page 3

- **Some items within categories going up while others are not and some prices going up by different amounts in the same category.**

There appear to be instances where certain brands that are direct competitors in the marketplace are being proposed for an increase while others in that category are not, specifically in the vodka category. Similarly, there are whiskey brands that indicate a \$3.00 increase in one brand and (only) a \$2.00 increase in a competitive brand. This would appear to be an arbitrary and capricious action under the circumstances and without any merit or rationale whatsoever. See attachment "B".

2) THE RETALIATORY NATURE OF THE PRICE INCREASE IS DIRECTLY TARGETED AT SAZERAC.

The price increase has been under discussion for nearly eight months without any need for quick action. Sazerac pushed back and after the 50mL decision Director Mineo proceeded to seemingly penalize us disproportionately. Mr. Brown's email to Mr. Mineo from last December is attached and you are urged to review it. Attachment "C". Perhaps Mr. Mineo can be asked to explain to the Commissioners why he has chosen to completely ignore Mr. Brown's suggestions. It would seem that they are much more persuasive than the proposal being presented by the Directors.

Of the 3,502 products sold, nearly 1,000 will see a tax increase. Of the 1,000 items with a tax increase, 245 or 66 percent of the Sazerac items sold in the Maine system will be impacted. This is clearly discriminatory and unfair.

As a government monopoly, BABLO should not be in the business of picking economic winners and losers, and it should not be retaliating against businesses that occasionally push back when their livelihood and the livelihoods of their employees are threatened. BABLO should be applying a standard tax on all products equally. It certainly should not be creating a tax structure that negatively impacts Maine businesses and U.S. companies and unwittingly favors foreign companies and jobs.

Thank you.

s Jt 

Edmond J. Bearor
Rudman Winchell

Sincerely,
if,0 .?.,
Irwin Tardy & Morris

cc: Andrew Black
Michelle Robert
Mark Brown, Sazerac

From: Willett, Tracy [mailto:Tracy.Willett@maine.l.mv}
Sent: Friday, July 21, 2017 5:00 PM
To: David Hall <dhall(@.southernwine.com>; Dolly Bois <dbois@mswalker.com>; Gary Duncklee <GDuncklee(@.horizonbeverage.com>; Joe Collins <JCollinsr@southernwine.com>; Patrick Murphy <pmurphy@martignetti.com>; Rob Andreasen <RAndreasen@southernwine.com>; Randy Barnhart <RBarnhart"@southernwine.com>; Birke Gore <BGore(@southernwine.com>; Robin Greenly <RGreenly@southernwine.com>
Cc: Mineo, Gregg <GREGG.MINEO@maine.gov>; Poulin, Tim <Tim.Poulinw@maine.uov>
Subject: Conference call recap
Importance: High

Good Afternoon,

Thank you again for taking the time to call in to have a discussion with us with such a short notice. There were many questions and ideas that were discussed. Rather than providing "Minutes", this is a recap of the substantive topics and resolutions covered. Attached is the spreadsheet of the proposed changes (from the pricing formula update) reflecting the current agent discount. The columns in green were the price changes you received on July 14, the columns in orange are corrected with the new agent discounts and the yellow column is the variance between the two. Upon initial review, we have discovered additional SKUs affected by the change with the agent discount, as well as others that have come off the list. Also, the value categories are not reflected under the category heading at this time, but those codes are still included, the change in category column was not included.

Background

Gregg provided some background for the pricing formula changes

BABLO added a value sub-category for every category and a minimum state profit threshold to the pricing formula and identified those SKUs affected

The spreadsheet of affected SKUs was sent on July 14 in order to provide suppliers opportunity to review the proposal and provide comment prior to August 1 deadline for Quarterly Price Changes

The 10 day comment deadline was July 24

The pricing formula update is the result of more than 6 months of discussion, with an input from most stakeholders, including supplier and brokers.

Issues Encountered/Concerns and Responses

"The calculator was not provided until Wednesday, July 19, not leaving much time for suppliers to look at affected SKUs prior to August 1 deadline"

- o The pricing calculator was introduced to assist suppliers and brokers with the updated pricing formula and only became available on July 19
- o The Vendor Portal was given as a method to check pricing, but was not matching up with the spreadsheet provided on July 14"
- o The pricing formula was implemented in the Vendor Portal on July 18
- o The vendor portal did not recognize the new value categories and did not calculate new value categories correctly, but has since been corrected (as of July 20)

"The price calculated by the Maine Spirits calculator did not match the spreadsheet provided on July 14"

- o The new pricing calculator reflects current pricing with the new price formula and update agent discount
- o The spreadsheet that was provided on July 14 was based on the former agent discount of 12.75% and 14.75%, as it was created before the new agent discounts of 13.5% and 15.5% were implemented in the system. In order to calculate the same as the spreadsheet, users must use the effective date of July 1, 2017

"The comment deadline does not allow enough time for suppliers to review affected SKUs and enter changes for August 1"

- o The comment period is 10 days by Administrative Rule. Brokers and Suppliers are not expected to file formal comments, but have been advised to submit comments to Tracy addressing concerns on specific SKUs and/or brands to allow for time to meet, discuss and negotiate as needed
- o Input on the proposed changes from the pricing formula update, will be entertained and will be limited to minor adjustments
- o Any minor adjustments to the proposal are subject to approval by the Director and the Liquor and Lottery Commission at the August 8 Commission meeting

Resolutions-New Deadlines

The comment period has been extended to **5 pm, Tuesday, July 25**. Please submit written comment to Tracy identifying specific SKUs or brands that are of concern

The effective date for price changes from the price formula update is **October 1**

The deadline to submit October (1 month) specials is by **5 pm, Tuesday, August 8** into the vendor portal

Quarterly price changes for November 1 are still due **Tuesday, August 1** into the vendor portal

You are welcome to contact me with any questions.

Have a great weekend,
Tracy

Tracy Willett
Manager of Liquor Operations

Bureau of Alcoholic Beverages
8 State House Station
Augusta, ME 04333-0008

Phone: 207-287-6753
Fax: 207-287-6769
Email: tracy.a.willeW@maine.gov

SOUTHERN GIAZER'S LLC	DIAGEO NORTH AMERICA INC	37416	POPOV	SOP	750ML	\$ 47.94	12	\$ 7.99	\$	9.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S LLC	DIAGEO NORTH AMERICA INC	37426	POPOV TRAVLR	BOP	750ML	\$ 47.94	12	\$ 7.99	\$	9.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S LLC	SAZERAC NORTH AMERICA INC	35944	FLEISCHMANN'S VODKA	BOP	375ML	\$ 43.84	24	\$ 3.99	\$	5.49	1.50	VODKA - VALUE
HORIZON BEVERAGE	MCCORMICK DISTILLING CO	36887	MCCORMICK VODKA	BOP	IL	\$ 55.00	12	\$ 9.49	\$	10.99	1.50	VODKA - VALUE
MS WALKER	M.S. WALKER, INC.	39576	ORLOFF VODKA	100P	750ML	\$ 53.83	12	\$ 8.99	\$	10.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S LLC	SAZERAC NORTH AMERICA INC	41403	FROST CITRUS VODKA	60P	750ML	\$ 48.25	12	\$ 7.99	\$	9.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S LLC	SAZERAC NORTH AMERICA INC	35997	FROST CITRUS VODKA	60P	750ML	\$ 51.02	12	\$ 8.49	\$	9.99	1.50	VODKA - VALUE
SOUTHERN GIAZER'S UC	DIAGEO NORTH AMERICA INC	39666	POPOV	100P	750ML	\$ 53.80	12	\$ 8.99	\$	10.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S UC	BEAM SUNTORY	36097	GILBEY'S VODKA	BOP	IL	\$ 59.85	12	\$ 9.99	\$	11.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S IC	SAZERAC NORTH AMERICA INC	35998	FROST VODKA	BOP	1.75L	\$ 51.19	6	\$ 15.99	\$	17.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S LLC	SAZERAC NORTH AMERICA INC	36521	INFINIUM VODKA	BOP	1.75L	\$ 51.19	6	\$ 15.99	\$	17.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S LLC	BEAM SUNTORY	36108	GILBEY'S VODKA	BOP	1.75L	\$ 51.19	6	\$ 15.99	\$	17.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S LLC	LUXCOO INC.	38628	WOLFSCHMIDT VODKA	BOP	1.75L	\$ 51.20	6	\$ 15.99	\$	17.49	1.50	VODKA - VALUE
SOUTHERN GIAZER'S UC	LAIRD & COMPANY	35914	FIVE OCLOCK VODKA	BOP	375ML	\$ 49.47	24	\$ 4.49	\$	5.49	1.00	VODKA - VALUE
SOUTHERN GIAZER'S LLC	HEAVEN HILBRANDS	40600	BURNETT'S CANDY CANE	70P	750ML	\$ 54.00	12	\$ 8.99	\$	9.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S LLC	HEAVEN HILL BRANDS	41326	BURNETT'S CITRUS	70P	750ML	\$ 54.24	12	\$ 8.99	\$	9.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S LLC	HEAVEN HILBRANDS	41275	BURNETT'S GRAPE	70P	750ML	\$ 54.24	12	\$ 8.99	\$	9.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S UC	HEAVEN HILBRANDS	41336	BURNETT'S ORANGE	70P	750ML	\$ 54.24	12	\$ 8.99	\$	9.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S UC	HEAVEN HILBRANDS	40370	BURNETT'S PUMPKIN SPCE	70P	750ML	\$ 54.00	12	\$ 8.99	\$	9.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S UC	HEAVEN HILL BRANDS	41316	BURNETT'S RASPBERRY	70P	750ML	\$ 54.24	12	\$ 8.99	\$	9.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S UC	HEAVEN HILBRANDS	41340	BURNETT'S VANILUA	70P	750ML	\$ 54.24	12	\$ 8.99	\$	9.99	1.00	VODKA - VALUE
MS WALKER	M.S. WALKER, INC.	37184	ORLOFF VODKA	BOP	375ML	\$ 55.16	24	\$ 4.99	\$	5.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S LLC	DIAGEO NORTH AMERICA INC	37414	POPOV	BOP	375ML	\$ 55.10	24	\$ 4.99	\$	5.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S LLC	SAZERAC CO., INC.	35644	CROWN RUSSE VODKA	PET BOP	375ML	\$ 49.47	24	\$ 4.49	\$	5.49	1.00	VODKA - VALUE
SOUTHERN GIAZER'S LLC	HEAVEN HILBRANDS	35417	BURNETT'S VODKA	BOP	1L	\$ 62.91	12	\$ 10.49	\$	11.49	1.00	VODKA - VALUE
SOUTHERN GIAZER'S LLC	SAZERAC CO., INC.	38084	PLATINUM 7X VODKA	BOP	375ML	\$ 55.10	24	\$ 4.99	\$	5.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S IC	SAZERAC NORTH AMERICA INC	35943	FLEISCHMANN'S VODKA	BOP	200ML	\$ 66.19	48	\$ 2.99	\$	3.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S IC	DIAGEO NORTH AMERICA INC	37413	POPOV	BOP	1.75L	\$ 54.48	6	\$ 16.99	\$	17.99	1.00	VODKA - VALUE
SOUTHERN GIAZER'S LLC	LAIRD & COMPANY	35913	FIVE OCLOCK VODKA	BOP	200ML	\$ 66.18	48	\$ 2.99	\$	3.99	1.00	VODKA - VALUE
UNBROKED	CALEDONIA SPIRITS	36397	BARR HILL VODKA	BOP	375ML	\$ 201.88	12	\$ 30.99	\$	31.99	1.00	VODKA
SOUTHERN GIAZER'S LLC	DIAGEO NORTH AMERICA INC	37993	SMIRNOFF PET	BOP	200ML	\$ 99.99	48	\$ 3.99	\$	4.79	0.80	VODKA
HORIZON BEVERAGE	BEAM SUNTORY	33597	PINNACLE VODKA	BOP	200ML	\$ 112.68	48	\$ 4.49	\$	5.29	0.80	VODKA
HORIZON BEVERAGE	BROWN FORMAN BEVERAGE	34321	FINLANDIA VODKA	BOP	SOML	\$ 62.64	120	\$ 0.99	\$	1.49	0.50	VODKA
HORIZON BEVERAGE	CAMPARI AMERICA	39776	SKYY INF APRICOT	70P	50ML	\$ 61.58	120	\$ 0.99	\$	1.49	0.50	VODKA
HORIZON BEVERAGE	CONSTEUAION BRANDS	36574	SVEDKA BLUE RASPBERRY	70P	50ML	\$ 61.80	120	\$ 0.99	\$	1.49	0.50	VODKA
HORIZON BEVERAGE	CONSTEUAION BRANDS	36433	SVEDKA CUCUMBER LIME	70P	50ML	\$ 61.80	120	\$ 0.99	\$	1.49	0.50	VODKA
HORIZON BEVERAGE	CONSTEUAION BRANDS	36303	SVEDKA GRAPEFRUIT JAL	70P	50ML	\$ 61.80	120	\$ 0.99	\$	1.49	0.50	VODKA
HORIZON BEVERAGE	CONSTEUAION BRANDS	33565	SVEDKA PEACH	70P	SOML	\$ 61.80	120	\$ 0.99	\$	1.49	0.50	VODKA
HORIZON BEVERAGE	STOUGROUP	36459	STOUCHNAYA GLUTEN FR	SOP	50ML	\$ 59.29	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	40182	NEW AMSTER ORANGE VODK70P		50ML	\$ 62.12	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	39915	NEW AMSTERDAM APPLE	70P	50ML	\$ 62.12	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	40292	NEW AMSTERDAM CITRON	70P	50ML	\$ 62.12	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	40285	NEW AMSTERDAM COCONUT	70P	50ML	\$ 62.12	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	40607	NEW AMSTERDAM MANGO	70P	50ML	\$ 62.12	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	40590	NEW AMSTERDAM PEACH	70P	50ML	\$ 62.12	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	40189	NEW AMSTERDAM PINEAPL	70P	SOML	\$ 62.12	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	40595	NEW AMSTERDAM RED BRV	70P	50ML	\$ 62.12	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	E.J. GALLO WINERY	38965	NEW AMSTERDAM VODKA	BOP	SOML	\$ 62.10	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	PHILLIPS PRODUCTS CO	41691	UV BLUE RASPBERRY	60P	SOML	\$ 55.00	120	\$ 0.99	\$	1.49	0.50	VODKA
MARTIGNETTI	PHILLIPS PRODUCTS CO	40621	UV CHOCOLATE CAKE	60P	SOML	\$ 27.50	60	\$ 0.99	\$	1.49	0.50	VODKA - VALUE
MARTIGNETTI	PHILLIPS PRODUCTS CO	41363	UV PINK LEMONADE	60P	SOML	\$ 55.00	120	\$ 0.99	\$	1.49	0.50	VODKA

MARTIGNETTI	PHIWPS PRODUCTS CO	41858	UV PINK LEMONADE 60P	SOML	\$ 27.50	60	\$ 0.99	\$ 1.49	0.50	VODKA - VALUE
MARTIGNETTI	PHIWPS PRODUCTS CO	40407	UV SALTY WATERMELON 60P	SOML	\$ 27.50	60	\$ 0.99	\$ 1.49	0.50	VODKA - VALUE
MARTIGNETTI	PHIWPS PRODUCTS CO	40228	UVSRIRACHA 60P	SOML	\$ 27.50	60	\$ 0.99	\$ 1.49	0.50	VODKA-VALUE
SOUTHERN GLAZER'S LLC	ADAMBA IMP. INTER. INC	35883	VESICA POTATO VODKA SOP	SOML	\$ 30.39	60	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	36489	PINNACLE CITIUS 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	33845	PINNACLE PEACH 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	33886	PINNACLE PINEAPPLE 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	36491	PINNACLE RASPBERRY 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	33847	PINNACLE VODKA SOP	SOML	\$ 62.02	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	33842	PINNACLE WHIPPED 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	36181	GOROONVODKA 80P	SOML	\$ SS03	120	\$ 0.99	\$ 1.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77630	SMIRNOFF BLUEBERRY 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77635	SMIRNOFF CHERRY TW 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77645	SMIRNOFF CITRUS TWIST 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	77661	SMIRNOFF FL MARSHMOW 60P	SOML	\$ 62.22	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	77668	SMIRNOFF GRAPE 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77671	SMIRNOFF GREEN APPLE 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77688	SMIRNOFF LIME TWIST 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77696	SMIRNOFF ORANGE TWIST 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	40935	SMIRNOFF PASSN FRUIT 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77701	SMIRNOFF PASSN FRUIT 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77712	SMIRNOFF PINEAPPLE 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77717	SMIRNOFF POMEGRANATE 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	77737	SMIRNOFF RASPBRY TWST 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77667	SMIRNOFF SOURS PUNCH 60P	SOML	\$ 62.22	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77672	SMIRNOFF SOURS GAPPLE 60P	SOML	\$ 62.22	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77677	SMIRNOFF SOURS WATERM 60P	SOML	\$ 62.22	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77684	SMIRNOFF STRWBRY TWST 70S	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77845	SMIRNOFF VANILLA TWST 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77850	SMIRNOFF WATRLN TWST 70P	SOML	\$ 62.12	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	77857	SMIRNOFF WHIPPED CRM 60P	SOML	\$ 62.22	120	\$ 0.99	\$ 1.49	0.50	VODKA
MS WALKER	SAZERAC CO/VAN GOGH	3S166	VAN GOGH ACAI BLUEBRY 70P	SOML	\$ 61.59	120	\$ 0.99	\$ 1.49	0.50	VODKA
MS WALKER	SAZERAC CO/VAN GOGH	35117	VAN GOGH DBL ESPRESSO 70P	SOML	\$ 61.59	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	PROXIMO SPIRITS, INC.	36493	THREE OLIVES APPLPEAR 70P	SOML	\$ 62.15	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	PROXIMO SPIRITS, INC.	33557	THREE OLIVES CHERRY 70P	SOML	\$ 62.15	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	PROXIMO SPIRITS, INC.	36640	THREE OLIVES CUC LIME 70P	SOML	\$ 62.15	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	PROXIMO SPIRITS, INC.	33558	THREE OLIVES GRAPE 70P	SOML	\$ 62.15	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	PROXIMO SPIRITS, INC.	36277	THREE OLIVES LOOPY 70P	SOML	\$ 62.15	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	PROXIMO SPIRITS, INC.	36292	THREE OLIVES VODKA 80P	SOML	\$ 62.15	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	PROXIMO SPIRITS, INC.	36643	THREE OLIVES WATERMLN 70P	SOML	\$ 62.15	120	\$ 0.99	\$ 1.49	0.50	VODKA
MS WALKER	SAZERAC CO/VAN GOGH	34984	VAN GOGH DUTCH CHOC 70P	SOML	\$ 61.59	120	\$ 0.99	\$ 1.49	0.50	VODKA
MS WALKER	SAZERAC CO/VAN GOGH	34848	VAN GOGH P8 & J VODKA 70P	SOML	\$ 61.59	120	\$ 0.99	\$ 1.49	0.50	VODKA
MS WALKER	SAZERAC CO/VAN GOGH	36057	VAN GOGH PINEAPPLE 70P	SOML	\$ 61.59	120	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	SAZERAC CO., INC.	41070	FIREFLY MINT SW TEA 70P	SOML	\$ 31.06	60	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	41088	FIREFLY PEACH TEA 70P	SOML	\$ 31.06	60	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	41089	FIREFLY RSPBRY SW TEA 70P	SOML	\$ 31.06	60	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	HEAVEN HIBRANDS	41301	BURNETTS CHERRY 70P	1.7SL	\$ 58.00	6	\$ 17.99	\$ 18.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S UC	HEAVEN HIBRANDS	41292	BURNETTS PEACH 70P	1.7SL	\$ 58.00	6	\$ 17.99	\$ 18.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S UC	HEAVEN HIBRANDS	40148	BURNETTS RUBYRED GRPF 70P	1.7SL	\$ 58.00	6	\$ 17.99	\$ 18.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S LLC	HEAVEN HIBRANDS	35418	BURNETTS VODKA SOP	1.7SL	\$ 57.77	6	\$ 17.99	\$ 18.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	41090	FIREFLY SWEET TEA 70P	SOML	\$ 31.06	60	\$ 0.99	\$ 1.49	0.50	VODKA
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	38081	PLATINUM 7X VODICA BOP	SOML	\$ 62.01	120	\$ 0.99	\$ 1.49	0.50	VODKA

SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	39820 99 RASPBERRY VODKA 99P	SOML	\$ 61.80	12	\$ 0.99	\$	1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	36981 99 VODKA 99P	SOML	\$ 61.80	12	\$ 0.99	\$	1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	24860 99 WHISKEY 99P	SOML	\$ 61.17	12	\$ 0.99	\$	1.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	40791 WAVE BLUE VODKA 60P	SOML	\$ 55.21	12	\$ 0.99	\$	1.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	41282 WAVE BLUE RASP VODKA 60P	SOML	\$ 55.21	12	\$ 0.99	\$	1.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	40595 WAVE CHOC COV PRE12EL 60P	SOML	\$ 55.21	12	\$ 0.99	\$	1.49	0.50	VODKA - VALUE
HORIZON BEVERAGE	CAMPARI AMERICA	37982 SKYYVODKA BOP	SOML	\$ 80.63	12	\$ 1.29	\$	1.79	0.50	VODKA
MARTIGNITTI	PHILLIPS PRODUCTS CO	41867 UV PINK LEMONADE 60P	1.75L	\$ 60.39	6	\$ 18.49	\$	18.99	0.50	VODKA - VALUE
MS WALKER	M.S. WALKER, INC.	35522 INTEGRE CITRUS VODKA 60P	1.75L	\$ 59.77	6	\$ 18.49	\$	18.99	0.50	VODKA - VALUE
MS WALKER	M.S. WALKER, INC.	35523 INTEGRE RASPBRY VODKA 60P	1.75L	\$ 59.77	6	\$ 18.49	\$	18.99	0.50	VODKA - VALUE
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	36002 PINNACLE BLACKBERRY 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35222 PINNACLE BLUEBERRY 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35780 PINNACLE (AJE) 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	33750 PINNACLE CARAMEL APPI 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	34643 PINNACLE CHERRY 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	35743 PINNACLE CHOC WHIPPED 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35495 PINNACLE (HR) LEMONADE 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	34573 PINNACLE CITRUS VODKA 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35784 PINNACLE COCONUT 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35538 PINNACLE COTTON CANDY 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	33555 PINNACLE CRANAPPLE 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
HORIZON BEVERAGE	CHARLES JACQUIN ET CIE	35634 STRAVINSKY VODKA SOP	1.75L	\$ 61.05	6	\$ 18.99	\$	19.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	36007 PINNACLE CUCUMBER WTRML 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	40783 WAVE LEMON LIME VODKA 60P	SOML	\$ 55.21	12	\$ 0.99	\$	1.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S UC	BEAM SUNTORY	34785 PINNACLE GRAPE 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
MS WALKER	M.S. WALKER, INC.	35578 ORLOFF VODKA 100P	1.75L	\$ 60.71	6	\$ 18.99	\$	19.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	36184 GORONS VODKA PET BOP	375ML	\$ 66.37	24	\$ 5.99	\$	6.49	0.50	VODKA - VALUE
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	33559 PINNACLE HABANERO VOO 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35223 PINNACLE MANGO 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	34697 PINNACLE ORANGE 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35n3 PINNACLE ORNG WHIPPED 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	DIAGEO NORILL AMERICA INC	36187 GORDONS VODKA BOP	1L	\$ 75.23	12	\$ 12.99	\$	12.99	0.50	VODKA - VALUE
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	36015 PINNACLE PEACH 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	35953 PINNACLE PINEAPPLE 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	35228 PINNACLE POMEGRANATE 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	34629 PINNACLE RASPBERRY 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	35897 PINNACLE RED BERRY 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	33783 PINNACLE RNBW SHERBET 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	36358 PINNACLE RUBYRED GRPF 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	36165 PINNACLE SLTD CARAMEL 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	33786 PINNACLE ST SHORTCAKE 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	34630 PINNACLE STRWBV KMI 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35505 PINNACLE TROP PUNCH 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35124 PINNACLE VANILLA 70P	750ML	\$ 87.38	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	34579 PINNACLE VODKA BOP	750ML	\$ 87.21	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	35298 PINNACLE VODKA TRAVLR SOP	750ML	\$ 87.21	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	35777 PINNACLE WHIPPED TRVL 70P	750ML	\$ 87.21	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	35626 PINNACLE WHIPPED VOKA 70P	750ML	\$ 87.21	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	40847 PUCKER CHERRYTEASE 70P	750ML	\$ 87.39	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	40849 PUCKER GRAPE GONE WIO 70P	750ML	\$ 87.39	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	40678 PUCKER LEMONADE LUST 70P	750ML	\$ 87.39	12	\$ 12.99	\$	13.49	0.50	VODKA
SOUTHERN GLAZER'S UC	BEAM SUNTORY	40853 PUCKER SOUR APL SASS 70P	750ML	\$ 87.39	12	\$ 12.99	\$	13.49	0.50	VODKA

SOUTHERN GIAZER'S LLC	BEAM SUNTORY	40447	PUCKER WATERMELON VDK 70P	750ML	\$ 87.39	12	\$ 12.99	\$ 13.49	0.50	VODKA	
HORIZON BEVERAGE	BROWN FORMAN BEVERAGE	34326	INLANDIA VODKA SOP	750MI	\$ 121.48	12	\$ 17.99	\$ 18.49	0.50	VODKA	
MS WALKER	M.S. WALKER, INC.	35457	SOBIESKI CYTRON VODKA 70P	IL	\$ 93.81	12	\$ 13.99	\$ 14.49	0.50	VODKA	
MS WALKER	M.S. WALKER, INC.	35632	SOBIESKI ORANGE VODKA 70P	II	\$ 93.81	12	\$ 13.99	\$ 14.49	0.50	VODKA	
MS WALKER	M.S. WALKER, INC.	35677	SOBIESKI RSPBERRY VDKA 70P	11	\$ 93.81	12	\$ 13.99	\$ 14.49	0.50	VODKA	
SOUTHERN GIAZER'S LLC	DIAGEO NORTH AMERICA INC	64512	CHOCAPPLE 80P	750MI	\$ 196.47	12	\$ 28.99	\$ 29.49	0.50	VODKA	
MS WALKER	M.S. WALKER, INC.	35465	SOBIESKI VANILLA VDKA 70P	II	\$ 93.81	12	\$ 13.99	\$ 14.49	0.50	VODKA	
MARTIGNETTI	E.J. GALLO WINERY	39967	NEW AMSTERDAM VODKA BOP	200MI	\$ 62.69	24	\$ 4.99	\$ 5.49	0.50	VODKA	
SOUTHERN GIAZER'S UC	SAZERAC NORTH AMERICA, INC	40874	WAVE WHIP OREAM VOKDA 60P	SOMIL	\$ 55.21	12	\$ 0.99	\$ 1.49	0.50	VODKA • VALUE	
MS WALKER	M.S. WALKER, INC.	35213	SOBIESKI VODKA SOP	1.75L	\$ 86.33	6	\$ 24.49	\$ 24.99	0.50	VODKA	
HORIZON BEVERAGE	CONSTELLATION BRANDS	35244	SVEDKA CUMENTINE 75P	1.75L	\$ 88.31	6	\$ 24.99	\$ 25.49	0.50	VODKA	
HORIZON BEVERAGE	CONSTELLATION BRANDS	35245	SVEDKA RASPBERRY 75P	1.75L	\$ 88.31	6	\$ 24.99	\$ 25.49	0.50	VODKA	
MS WALKER	M.S. WALKER, INC.	34505	SOBIESKI VODKA BOP	IL	\$ 100.43	12	\$ 14.99	\$ 15.49	0.50	VODKA	
HORIZON BEVERAGE	HEAVEN HILL BRANDS	40326	DEEP EDDY RUBY RED GR 70P	SOMIL	\$ 56.47	72	\$ 1.49	\$ 1.79	0.30	VODKA	
HORIZON BEVERAGE	HEAVEN HILL BRANDS	40334	DEEP EDDY SWEET TEA 70P	SOMIL	\$ 56.47	72	\$ 1.49	\$ 1.79	0.30	VODKA	
HORIZON BEVERAGE	MCCORMICK DISTILLING CO	36121	DEEP EDDY VODKA 80P	50ML	\$ 56.47	72	\$ 1.49	\$ 1.79	0.30	VODKA	
HORIZON BEVERAGE	MCCORMICK DISTILLING CO	41018	360 DOUBLE CHOCOLATE 70P	50ML	\$ 46.92	60	\$ 1.49	\$ 1.79	0.30	VODKA	
HORIZON BEVERAGE	MCCORMICK DISTILLING CO	41988	360 MADAGASCAR VANIL 70P	50MI	\$ 46.92	60	\$ 1.49	\$ 1.79	0.30	VODKA	
SOUTHERN GIAZER'S UC	DIAGEO NORTH AMERICA INC	77902	SMIRNOFF PEPPERMINT 60P	SOMIL	\$ 93.96	12	\$ 1.49	\$ 1.79	0.30	VODKA	
SOUTHERN GIAZER'S UC	DIAGEO NORTH AMERICA INC	37997	SMIRNOFF PET SOP	50ML	\$ 93.76	12	\$ 1.49	\$ 1.79	0.30	VODKA	
SOUTHERN GIAZER'S UC	DIAGEO NORTH AMERICA INC	77907	SMIRNOFF SR 8RY LEMON 60P	50ML	\$ 94.60	12	\$ 1.49	\$ 1.79	0.30	VODKA	
HORIZON BEVERAGE	HORIZON BEVERAGE-ULTRA	36372	VERMONT WHITE VODKA BOP	SOMIL	\$ 125.20	12	\$ 1.99	\$ 2.29	0.30	VODKA	
MS WALKER	FIFTH GENERATION INC	36180	IMOS HANDMADE VODKA 80I	SOMIL	\$ 62.80	60	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S IC	DIAGEO NORTH AMERICA INC	34851	TANQUERAY VODKA SOP	SOMIL	\$ 125.51	12	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S UC	PERNOD RICARD USA	34017	ABSOLUT APEACH SOP	SOMIL	\$ 125.50	12	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S IC	PERNOD RICARD USA	33980	ABSOLUT BERRI ACAI SOP	SOMIL	\$ 125.50	12	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S UC	PERNOD RICARD USA	34031	ABSOLUT CITRON SOP	SOMIL	\$ 125.50	12	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S UC	PERNOD RICARD USA	33466	ABSOLUT UME BOP	SOMIL	\$ 125.50	12	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S UC	PERNOD RICARD USA	34111	ABSOLUT MANDRIN BOP	50MI	\$ 125.50	12	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S UC	PERNOD RICARD USA	34053	ABSOLUT RASPBERRY BOP	50ML	\$ 125.50	120	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S UC	PERNOD RICARD USA	34077	ABSOLUT VANILLA BOP	50MI	\$ 125.50	120	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S UC	PERNOD RICARD USA	34007	ABSOLUT VODKA BOP	SOMIL	\$ 124.86	120	\$ 1.99	\$ 2.29	0.30	VODKA	
SOUTHERN GIAZER'S LLC	BACARDI USA, INC	35162	42 BELOW KIWI FRUIT 84P	750MI	\$ 144.60	12	\$ 21.99	\$ 21.49	(0.50)	VODKA	
MS WALKER	RUSSIAN STD VODKA USA, INC	33778	SPUD POTATO VODKA SOP	750MI	\$ 177.72	12	\$ 26.99	\$ 26.49	(0.50)	VODKA	

Broker	Supplier	Code	Description	Size	FOB	Pack	Retail	New Retail	Diff	Category	New category	Comments
SOUTHERN GLAZER'S UC	LAIRD & COMPANY	23828	G & W FIVE STAR 80P	1.75L	\$ 47.74	6	\$ 13.99	\$ 16.99	3.00	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	LAIRD & COMPANY	25648	SENATORS CLUB 86P	1.75L	\$ 47.61	6	\$ 13.99	\$ 16.99	3.00	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	23308	CARSTARS WHITE SOP	1.75L	\$ 47.74	6	\$ 13.99	\$ 16.99	3.00	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	SAZERAC NORTH AMERICA INC	23708	FLEISCHMANN'S PREFRD SOP	1.75L	\$ 47.74	6	\$ 13.99	\$ 16.99	3.00	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	SAZERAC NORTH AMERICA INC	24181	HERITAGE BLND WHSKY BOP	1.75L	\$ 47.74	6	\$ 13.99	\$ 16.99	3.00	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	LAIRD & COMPANY	23828	G & W FIVE STAR BOP	750ML	\$ 46.04	12	\$ 6.99	\$ 9.49	2.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	LAIRD & COMPANY	25648	SENATORS CLUB BOP	750ML	\$ 46.04	12	\$ 6.99	\$ 9.49	2.50	WHISKEY	WHISKEY - VALUE	
MS WALKER	M.S. WALKER, INC.	23857	GILBERTS BLENDED WHSK BOP	1L	\$ 55.79	12	\$ 8.49	\$ 10.99	2.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	LAIRD & COMPANY	25647	SENATORS CLUB BOP	1L	\$ 55.76	12	\$ 8.49	\$ 10.99	2.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	SAZERAC CO., INC.	23307	CARSTARS WHITE 80P	1L	\$ 55.76	12	\$ 8.49	\$ 10.99	2.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	23707	FLEISCHMANN'S PREFRD BOP	750ML	\$ 52.82	12	\$ 9.49	\$ 11.49	2.00	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	23708	FLEISCHMANN'S PREFRD BOP	750ML	\$ 52.82	12	\$ 9.49	\$ 11.49	2.00	WHISKEY	WHISKEY - VALUE	
HORIZON BEVERAGE	MCCORMICK DISTWNG CO	24707	MCCORMICK WHISKEY BOP	1.75L	\$ 58.35	6	\$ 16.99	\$ 18.99	2.00	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	LUXCO, INC.	23278	CALVERT EXTRA SOP	1.75L	\$ 55.17	24	\$ 4.49	\$ 5.99	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	SAZERAC NORTH AMERICA INC	18598	HERITAGE BOURBON BOP	375ML	\$ 55.17	24	\$ 4.49	\$ 5.99	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	LAIRD & COMPANY	23824	G & W FIVE STAR BOP	375ML	\$ 55.17	24	\$ 4.49	\$ 5.99	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	LAIRD & COMPANY	25644	SENATORS CLUB 80P	375ML	\$ 55.17	24	\$ 4.49	\$ 5.99	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	BEAM SUNTORY	20286	OLD CROW TRAVLR SOP	750ML	\$ 73.17	12	\$ 10.99	\$ 12.49	1.50	WHISKEY		
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	21480	BENCHMARK BOURBON 80P	750ML	\$ 73.16	12	\$ 10.99	\$ 12.49	1.50	WHISKEY		
SOUTHERN GLAZER'S UC	SAZERAC NORTH AMERICA INC	23704	FLEISCHMANN'S PREFRD BOP	375ML	\$ 55.19	24	\$ 4.49	\$ 5.99	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	SAZERAC CO., INC.	77072	SOUTHERN COMF HOU SP 30P	750ML	\$ 80.79	12	\$ 11.99	\$ 13.49	1.50	WHISKEY		
HORIZON BEVERAGE		13013	ATOMIC RED 66P	750ML	\$ 80.20	12	\$ 11.99	\$ 13.49	1.50	WHISKEY		
MS WALKER	M.S. WALKER, INC.	20247	OLD CROW 80P	1L	\$ 79.50	12	\$ 11.99	\$ 13.49	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	20537	KENTUCKY TAVERN BOURB SOP	1L	\$ 79.49	12	\$ 11.99	\$ 13.49	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	25606	SEAGRAMS 7 CROWN SOP	750ML	\$ 79.94	12	\$ 11.99	\$ 13.49	1.50	WHISKEY		
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	25616	SEAGRAMS 7 CROWN PET BOP	750ML	\$ 79.94	12	\$ 11.99	\$ 13.49	1.50	WHISKEY		
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	25618	SEAGRAMS 7 RETRO 80P	750ML	\$ 59.95	6	\$ 11.99	\$ 13.49	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	BEAM SUNTORY	20248	OLD CROW SOP	1.75L	\$ 68.92	6	\$ 19.99	\$ 21.49	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	25608	SEAGRAMS 7 CROWN BOP	1.75L	\$ 68.92	6	\$ 19.99	\$ 21.49	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S LLC	SAZERAC NORTH AMERICA INC	21598	TEN HIGH BOP	1.75L	\$ 68.92	6	\$ 19.99	\$ 21.49	1.50	WHISKEY	WHISKEY - VALUE	
HORIZON BEVERAGE	BROWN FORMAN BEVERAGE	17830	EARLY TIMES PET BOP	1.75L	\$ 72.45	6	\$ 20.99	\$ 22.49	1.50	WHISKEY	WHISKEY - VALUE	
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	21482	BENCHMARK BOURBON SOP	1.75L	\$ 72.45	6	\$ 20.99	\$ 22.49	1.50	WHISKEY	WHISKEY - VALUE	
HORIZON BEVERAGE	BROWN FORMAN BEVERAGE	20361	OLD FORESTER 86 86P	SOVL	\$ 61.55	120	\$ 0.99	\$ 1.49	0.50	WHISKEY		
HORIZON BEVERAGE	SAZERAC CO., INC.	86881	SOUTHERN COMFORT 70P	SOVL	\$ 61.47	120	\$ 0.99	\$ 1.49	0.50	WHISKEY		
HORIZON BEVERAGE	SAZERAC CO., INC.	86911	SOUTHERN COMFORT 100 100P	SOVL	\$ 61.40	120	\$ 0.99	\$ 1.49	0.50	WHISKEY		
HORIZON BEVERAGE	SAZERAC CO., INC.	86815	SOUTHERN COMFORT CHRY GOP	SOVL	\$ 61.70	120	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	PHIWPS PRODUCTS CO	14492	REVEL STROKE PECAN 70P	SOVL	\$ 55.00	120	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	PHILLIPS PRODUCTS CO	77258	REVEL STROKE SPICED 90P	SOVL	\$ 59.40	120	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	27692	BIRD DOG APPLE WHISKY 80P	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	27469	BIRD DOG BLACKBERRY SOP	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	22890	BIRD DOG BLENDED BOP	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	27699	BIRD DOG CHOC WHISKY SOP	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	27420	BIRD DOG HOT CINNAMON BOP	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	27807	BIRD DOG JAL HONEY BOP	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	27412	BIRD DOG MAPLE WHISKY BOP	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	27428	BIRD DOG PEACH WHISKY BOP	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	72452	BIRD DOG PEPP MOONSHN BOP	SOVL	\$ 30.50	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MAATIGNETTI	WESTERN SPIRITS BEVERAGE	27891	BIRD DOG RR GR FRUIT BOP	SOVL	\$ 27.00	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MARTIGNETTI	WESTERN SPIRITS BEVERAGE	27913	BIRD DOG STRAWBERRY SOP	SOVL	\$ 27.00	60	\$ 0.99	\$ 1.49	0.50	WHISKEY		
MS WALKER	M.S. WALKER, INC.	13012	ATOMIC RED 661	SOVL	\$ 61.55	120	\$ 0.99	\$ 1.49	0.50	WHISKEY		

SOUTHERN GLAZER'S LLC	BEAM SUNTORY	27780	HM BEAM APPLE 70P	50ML	\$ 61.47	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	27408	JIM BEAM HONEY 70P	50ML	\$ 61.47	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	27680	JIM BEAM KENTUCKY RED 70P	SOML	\$ 61.47	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	BEAM SUNTORY	27390	JIM BEAM MAPLE 70P	SOML	\$ 61.47	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	27543	RED STAG BLACK CHERRY 70P	SOML	\$ 61.47	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	25607	SEAGRAMS 7 CROWN BOP	SOML	\$ 61.37	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	8260	YUKON JACK LIQUEUR 100P	SOML	\$ 61.16	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	LUXCO, INC.	2120	REBEL YELL SGP	SOML	\$ 61.36	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	LUXCO, INC.	86833	REBEL YELL GINGER 70P	SOML	\$ 61.46	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	LUXCO, INC.	86835	REBEL YELL ROOT BEER 70P	SOML	\$ 61.46	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	BEAM SUNTORY	2778	JIM BEAM APPLE 70P	IOOML	\$ 61.98	48	\$ 2.49	\$ 2.99	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	27793	OR MCGILL APPLE WHSK 60P	SOML	\$ 62.18	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	SAZERAC CO., INC.	27773	OR MCGILL BLK BRY WHSK 60P	SOML	\$ 62.18	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	LUXCO, INC.	18198	EZRA BROOKS 90P	750ML	\$ 79.97	12	\$ 11.99	\$ 12.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	SAZERAC CO., INC.	27777	OR MCGILL HONEY WHSK 60P	SOML	\$ 62.18	120	\$ 0.99	\$ 1.49	0.50	WHISKEY	
HORIZON BEVERAGE	BROWN FORMAN BEVERAGE	472	JACK OANIEIS HNY W/GISTOP	750ML	\$ 87.78	6	\$ 25.99	\$ 26.49	0.50	WHISKEY	
SOUTHERN GLAZER'S LLC	LUXCO, INC.	25498	REBEL YELL AMER WHSKY 90P	750ML	\$ 94.22	6	\$ 27.99	\$ 28.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	LUXCO, INC.	21210	REBEL YELL SML B RE 90.6P	750ML	\$ 94.22	6	\$ 27.99	\$ 28.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	LUXCO, INC.	27098	REBEL YELL SML B RYE 90P	750ML	\$ 94.22	6	\$ 27.99	\$ 28.49	0.50	WHISKEY	
HORIZON BEVERAGE	SAZERAC CO., INC.	86883	SOUTHERN COMFORT PET 70P	200ML	\$ 124.24	48	\$ 4.99	\$ 5.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	BEAM SUNTORY	27080	(R111 92P	750ML	\$ 134.89	6	\$ 39.99	\$ 40.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	DIAGEO NORTH AMERICA INC	25607	SEAGRAMS 7 CROWN BOP	1L	\$ 93.05	12	\$ 13.99	\$ 14.49	0.50	WHISKEY	
HORIZON BEVERAGE	SAZERAC CO., INC.	86918	SOUTHERN COMFORT 100 100P	1.75L	\$129.27	6	\$ 36.99	\$ 37.49	0.50	WHISKEY	
HORIZON BEVERAGE	BROWN FORMAN BEVERAGE	513	JACK OANIEIS SINATRA 100P	1L	\$ 784.13	3	\$ 450.99	\$ 451.49	0.50	WHISKEY	
SOUTHERN GLAZER'S UC	BEAM SUNTORY	19067	JIM BEAM BOP	SOML	\$ 92.78	120	\$ 1.49	\$ 1.79	0.30	WHISKEY	
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	67272	YUKON JACK JACAPPLE 70P	SOML	\$ 92.88	120	\$ 1.49	\$ 1.79	0.30	WHISKEY	
SOUTHERN GLAZER'S LLC	DIAGEO NORTH AMERICA INC	67274	YUKON JACK WICKED HOT 70P	SOML	\$ 92.88	120	\$ 1.49	\$ 1.79	0.30	WHISKEY	
HORIZON BEVERAGE	CAMPARI AMERICA	77777	WILD TURKEY AM HONEY 71P	SOML	\$ 123.76	120	\$ 1.99	\$ 2.29	0.30	WHISKEY	

Edmond J. Bearor

From: Mineo, Gregg {GREGG.MINEO@maine.gov}
Sent: Wednesday, December 07, 2016 10:28 AM
To: Mark Brown
Subject: Re: Call Follow Up

Thanks Mark

Excellent insight and much appreciated. I'm out of town this week at lottery conference, but I intend to give this my attention, and I'll get back to you to schedule a follow up phone call.
Gregg

Sent from my iPhone using ZixOne

On Dec 7, 2016 at 8:59 AM "Mark Brown" <mbrownr@buffalotrace.com> wrote:

Gregg,

Hello.

It was very nice chatting with you this past week.

I wanted to follow up having now had some time to think about our conversation.

Issue

If I understood the issue correctly; Maine's sales revenue has been and continues to grow but profit growth is not keeping pace.

Solution

Based on our call, it seems that the simplest way to solve the issue is to create a target dollar profit based on current sales revenue, convert that into a percentage profit margin and then apply that percentage profit margin to all SKUs in the system. It also seems prudent to have one single percentage margin that can be applied to all SKUs. Each year thereafter, you only have to look at the total profit dollars you are generating and adjust the margin accordingly

Rationale

- All SKUs are treated equally, across all categories, removes the ability for anyone accuse the Governor or the administration of discrimination against any particular demographic segment, i.e. regressive tax accusations, punishing one type of trade channel over another. You should get Kudos for transparency.
- Takes you out of the middle of trying to guess what impact different mark ups on different SKUs will have on the state's overall bottom line
- Takes you out of the middle of picking which brands/ categories to mark up at what percentage and the attendant lobbying that would go with that
- Avoids any unintended consequences....
Example: avoids a scenario whereby value brands are more heavily impacted which in turn could lead to job layoffs at our Maine plant which heretofore has been a great economic/ job creation story. From a closing plant five years ago to now having 127 Maine jobs
- Given that the overall % margin increase will be small, certainly smaller than selective SKU increases, the attendant publicity should be small
- Should avoid distorting the market and driving consumers to beer and wine. Example, the current growth in 50mls is definitely incremental business coming from beer and is raising overall and much needed tax revenue for the state. Your current revenue growth program is working really well, Maine consumers are clearly staying in Maine more than they were, just need to get the profit margin organized appropriately
- There is a good chance that if the increase is across the board and modest that manufacturers may choose to just absorb the increase themselves and not change their retail prices, we have seen this in other states
- Most importantly, the overall margin increase should be entirely defensible with consumers, your retail customers and chains, particularly as it could be seen as nothing more than a mid-course correction since implementing the new contract

Hope this helps and am available to discuss further as necessary.

Cheers for now,

Mark.

Product	83.46% Markup	Current Price	Current Markup	Price Change
1800 Silver Tequila 750ml	\$30.57	\$29.99	81.14%	\$0.58
Absolut Vodka 750ml	\$22.91	\$21.99	77.60%	\$0.92
Admiral Nelson Spiced Rum 1.75L	\$20.25	\$20.99	94.08%	(\$0.74)
Allen's Coffee Brandy 750ml	\$10.59	\$11.99	110.69%	(\$1.40)
Bacardi Rum 750ml	\$16.21	\$15.99	83.16%	\$0.22
Bailey's Irish Cream 750ml	\$33.16	\$31.99	77.42%	\$1.17
Beefeater Gin 750ml	\$24.07	\$23.99	84.54%	\$0.08
Black Velvet Whiskey 1.75L	\$21.70	\$21.99	89.95%	(\$0.29)
Bombay Sapphire Gin 1.75L	\$44.00	\$41.99	77.26%	\$2.01
Buffalo Trace Bourbon 750ml	\$29.01	\$27.99	78.37%	\$1.02
Bushmills Irish Whiskey 750ml	\$28.07	\$27.99	84.25%	\$0.08
Canadian Club Whiskey 1.75L	\$26.04	\$24.99	79.25%	\$1.05
Canadian Mist Whiskey 1.75L	\$17.19	\$18.99	108.30%	(\$1.80)
Captain Morgan Spiced Rum 1.75L	\$34.10	\$31.99	74.16%	\$2.11
Crown Royal Whiskey 50ml	\$3.23	\$3.49	98.77%	(\$0.26)
Crown Royal Whiskey 750ml	\$29.91	\$29.99	85.17%	(\$0.08)
Crown Russe Vodka 1.75L	\$11.17	\$14.99	156.82%	(\$3.82)
Cruzan Dark Rum 1.75L	\$24.71	\$23.99	81.51%	\$0.72
Dewar's White Label Scotch 1.75L	\$47.95	\$44.99	73.82%	\$2.96
Dr. McGillicuddy's Menthol 50ml	\$1.31	\$1.79	152.17%	(\$0.48)
El Toro Silver Tequila 1L	\$11.87	\$13.49	114.21%	(\$1.62)
Espolon Blanco Tequila 750ml	\$34.65	\$33.99	81.01%	\$0.66
Evan Williams Bourbon 1.75L	\$31.25	\$28.99	72.92%	\$2.26
Fireball Cinnamon Whiskey 50ml	\$1.31	\$1.79	153.24%	(\$0.48)
Fireball Cinnamon Whiskey 750ml	\$16.94	\$16.99	85.80%	(\$0.05)
Glenfiddich 12yr Scotch 750 ml	\$62.49	\$59.99	76.68%	\$2.50
Glenlivet 12yr Scotch 750ml	\$61.44	\$58.99	76.70%	\$2.45
Gordon's Gin 1.75L	\$18.69	\$19.99	101.17%	(\$1.30)
Gosling's Black Seal Rum 750ml	\$19.24	\$18.99	82.98%	\$0.25
Grey Goose Vodka 750ml	\$31.24	\$29.99	77.24%	\$1.25
Hendrick's Gin 750ml	\$40.32	\$39.99	82.96%	\$0.33
Hennessy VS Cognac 750ml	\$46.88	\$45.99	80.74%	\$0.89
Hornitos Plata Tequila 1.75L	\$47.69	\$44.99	74.76%	\$2.70
Inver House Scotch 1.75L	\$20.20	\$20.99	95.13%	(\$0.79)
Jack Daniel's Whiskey 50ml	\$2.87	\$2.99	91.84%	(\$0.12)
Jack Daniel's Whiskey 750ml	\$29.01	\$27.99	78.20%	\$1.02
Jameson Irish Whiskey 1.75L	\$63.93	\$59.99	73.41%	\$3.94
Jim Beam Bourbon 1.75L	\$37.73	\$34.99	72.24%	\$2.74
Johnnie Walker Black Scotch 750ml	\$41.30	\$39.99	78.50%	\$1.31
Johnnie Walker Red Scotch 750ml	\$26.04	\$24.99	77.41%	\$1.05
Jose Cuervo Gold Tequila 1.75L	\$42.39	\$39.99	74.99%	\$2.40
Jose Cuervo Gold Tequila 50ml	\$1.62	\$1.99	127.02%	(\$0.37)
Kahlua Coffee Liqueur 750ml	\$30.05	\$28.99	77.55%	\$1.06
Kentucky Tavern Bourbon 1L	\$12.64	\$13.99	108.34%	(\$1.35)
Ketel One Vodka 1.75L	\$41.70	\$37.99	69.02%	\$3.71
Macallan 12 yr Scotch 750ml	\$104.18	\$99.99	76.45%	\$4.19
Makers Mark Bourbon 750ml	\$32.12	\$30.99	78.23%	\$1.13
Malibu Coconut Rum 750ml	\$19.25	\$18.99	82.01%	\$0.26
Pappy Van Winkle 23yr Bourbon 750ml	\$414.60	\$399.99	77.10%	\$14.61
Patron Silver Tequila 750ml	\$60.13	\$58.99	80.58%	\$1.14
Pinnacle Vodka 1.75L	\$26.21	\$24.99	78.03%	\$1.22
Seagrams 7 Whiskey 1.75L	\$23.18	\$22.99	85.68%	\$0.19
Skrewball PB Whiskey 50ml	\$2.88	\$2.99	91.12%	(\$0.11)
Smirnoff Vodka 750ml	\$15.06	\$14.99	85.02%	\$0.07
Southern Comfort Whiskey 1.75L	\$32.34	\$29.99	72.27%	\$2.35
Tanqueray Gin 1.75L	\$41.91	\$39.99	77.39%	\$1.92
Tito's Vodka 1.75L	\$38.40	\$34.99	69.21%	\$3.41
Tito's Vodka 50ml	\$2.06	\$2.29	105.07%	(\$0.23)

SPIRITS PRICING: 83.46% FLAT MARKUP

- Current markups range from 63.91%–521.88%.
- Currently, 881 products are marked up by 100% or more.
Of these, 39% are Sazerac Products, despite Sazerac accounting for 13% of all listed products. There are 127 suppliers with products listed in Maine.
- The top 12 highest markups are all Sazerac products.
- Of the 5,623 products listed in Maine:
 - Only **34 products** will increase by more than **\$20**.
Of these all currently retail for \$349.99–\$7,749.99
 - **46 products** will increase by **\$10–\$20**.
Of these, all currently retail for \$99.99–\$900.49.
 - **178 products** will increase by **\$5–\$10**.
Of these, all currently retail for \$47.99–\$499.99.
 - **16 products** will decrease by more than **\$4.00**.
Of these, only 1 currently retails for less than \$12.99
 - **No products will decrease** in price by more than \$6.37.
 - 2,822 (more than half of all products) will change in price (+/-) by \$1 or less.
 - 5,359 (more than **95% of all products**) will change in price (+/-) by **\$5 or less**.
 - The average change in price is an increase of \$1.22.
- An 83.46% uniform, flat markup creates a simple, fairer, and more equitable pricing system while keeping retailers, small distilleries, and the state whole. It would eliminate the regressive nature of the current formula.

	Total Revenue	Agent Revenue	BABLO Revenue	BABLO Cost	BABLO GP\$
Flat markup (83.46%)	\$307,579,492	\$55,364,309	\$248,898,021	\$165,843,251	\$83,054,770
Current System	\$307,517,903	\$55,353,223	\$248,905,510	\$165,843,251	\$83,062,260



Supplemental Testimony of Winn Atkins

Vice President, Government Affairs
Sazerac Company

Before the Maine Bureau of Alcoholic Beverages and Lottery Operations
Public Hearing on Spirits Pricing Review

May 30, 2025

Director Luchini and Bureau staff,

Thank you for the opportunity to testify on May 16th regarding Maine's spirits pricing policies. I submit this supplemental testimony to address some questions and comments raised during the hearing.

First, a question was raised about how markups function in open states—specifically whether they vary by size, type, and price, or if they are flat. In open states, spirits pricing is driven by market dynamics. Private businesses manage the sale and distribution of spirits under state regulation, and prices are determined by negotiated contracts between parties. While we cannot speak for all manufacturers, Sazerac would never agree—nor have we ever agreed—to a punitive markup that disproportionately targets value or smaller-sized products. Such practices simply do not exist in open-market negotiations.

It's important to emphasize that comparing open states to control states is not a like-for-like exercise. In open states, pricing is the result of mutual agreement between producers and distributors. In Maine, it is the state alone picking the economic winners and losers through its policy decisions on pricing. Maine's current approach has led to a uniquely regressive pricing structure that we do not see elsewhere.

Lastly, we brought up during the May 16th hearing that during the discussions in the 130th Legislature on LD 2014 there were private meetings between representatives of Sazerac and the Department. We want to reiterate on the record that those meetings were suggested in public during VLA work sessions, and the OPLA analyst was invited to participate in these stakeholder discussions. Additionally, it was the Department, not Sazerac, that first introduced the idea of targeting pricing relief to address the concerns we outlined in front of the Committee. This was

not Sazerac seeking special favor, but the Department seeking compromise as an alternative to a flat markup.

We appreciate the Bureau's continued engagement on this issue and look forward to working together toward a more equitable and transparent pricing structure in Maine.

Respectfully,

Winn Atkins

Vice President, Government Affairs
Sazerac Company