

Changes for Cottage Wineries and Microdistilleries Backgrounder

What are the key points of this announcement?

The changes are intended to:

- Make it easy to get started as a craft alcohol producer in Saskatchewan
- Have a competitive markup structure
- Reduce red tape for craft producers
- Streamline access to the marketplace

How will government make it easy for producers to get started?

Starting a new business can be difficult and often includes searching for information, regulations, policies, etc. from a number of different sources. Government is committed to making it easier for producers who are getting started by providing space dedicated to craft producers online. It will act as a 'one stop shop' where producers can go to find all relevant information. We expect this will be up and running on SLGA's website later this fall.

What changes were made to the markup rates for microdistillers and cottage wineries?

A markup is applied to craft alcohol products distributed by SLGA. A percentage of the landed cost for wine and spirits is applied to the price for which SLGA acquires the product. Saskatchewan's markup structure is available to any craft producer that qualifies based on global production.

The current markup for wine is 53 percent and 85 percent for spirits up to 50,000L. No category for refreshment beverages (ex. ciders, coolers) currently exists.

The changes include a new separate category for refreshment beverages and the 50,000L limit is being expanded to 200,000L with small, incremental increases in rates as producer volumes grow.

Markup Rates - Refreshments, Wine and Spirits			
Annual Global Production (L)	Refreshments	Wholesale Markup	
		Wine	Spirits
<25,000	37%	43%	70%
25,001 to 50,000	41%	47%	77%
50,001 to 75,000	47%	53%	85%
75,001 to 100,000	54%	61%	94%
100,001 to 150,000	62%	70%	104%
150,001 to 200,000	71%	81%	114%
>200,000 (National)	83%	94%	125%

What red tape is being eliminated?

Effective this fall, policies and regulations will be updated to remove unnecessary barriers for craft alcohol producers, including:

Old Regulation/Policy	New Regulation/Policy
Craft alcohol producers may not charge for samples.	Craft alcohol producers may charge for product samples and full size servings in their hospitality suites.
Craft alcohol producers are only allowed to make retail sales at their production site.	Craft alcohol producers may establish one retail outlet at a location other than their production site. Additional retail outlets will be established through a permit endorsement. Only alcohol products produced by Saskatchewan craft alcohol producers will be eligible for sale at craft alcohol retail outlets.
Craft alcohol producers may only retail or distribute their own craft alcohol products.	Craft alcohol producers may retail any craft alcohol product produced by a Saskatchewan craft alcohol producer.
Retailers are not allowed to fill growlers with cider.	Cider may be sold in growlers by all retailers (off-sales, franchises, private stores, SLGA stores).
In the event SLGA agrees to sell a craft alcohol product through its retail stores, the same product may not be sold for a lower price by the craft alcohol producer.	Subject to social reference pricing, craft alcohol producers may determine their own retail prices for all craft alcohol products whether or not the product is sold through SLGA.
Craft alcohol producers must warehouse and age all craft alcohol products at their production site.	Craft alcohol producers may establish warehousing and aging premises separate and apart from their manufacturing site.

How is government streamlining access for craft producers?

Craft alcohol producers will have the choice to arrange for direct distribution of their products to all retailers.

Direct distributed products will be subject to the expanded production levy rate schedule (see page 3) for craft alcohol products. Improvements to the production levy structure include:

- Overall production thresholds increased for all craft product categories
- The addition of a separate category for refreshment beverages (ex. cider, coolers and similar pre-mixed ready-to-drink products)
- Introduction of graduated production levy rates

Production Levy - Craft Refreshments, Spirits and Wine:

A production levy is remitted to SLGA for all products sold by the craft alcohol producer directly to consumers, retailers or commercial permittees and is lower than the markup that would apply if the products were distributed by SLGA.

The current production levy for wine is \$0.35/L and \$0.70/L for spirits up to 50,000L. No category for refreshment beverages (ex. cider, coolers) currently exists. Beginning this fall, there will be a new separate category for refreshment beverages and the 50,000L limit is being expanded to 200,000L on a graduated scale.

Production Levy - Craft Refreshments, Spirits and Wine			
Production Threshold (L)	Refreshment (new)	Wine	Spirits
On the first 50,000	\$0.31/L	\$0.35	\$0.70
From 50,001 to 100,000	\$0.38/L	\$0.43	\$0.86
From 100,001 to 125,000	\$0.85/L	\$0.96/L	\$1.92/L
From 125,001 to 150,000	\$1.27/L	\$1.92/L	\$3.85/L
From 150,001 to 175,000	\$1.69/L	\$2.89/L	\$5.77/L
From 175,001 to 200,000	\$2.54/L	\$3.85/L	\$7.70/L
All production greater than 200,000	N/A	N/A	N/A

Are there any changes coming for the province’s craft beer producers?

Earlier this spring, government expanded the types of businesses that can provide growler fills of craft beer products to include off-sale outlets, rural franchises and private liquor stores, instead of just at brew pubs or microbreweries. Government also announced it would undertake pilot growler filling stations at two of SLGA’s largest liquor stores in the province. These growler filling stations are now operating at SLGA’s Quance Store in Regina and the Eighth Street Store in Saskatoon. Government will make a broader announcement regarding changes for microbreweries later this fall.

Where are the province’s licensed cottage wineries and microdistilleries located?

Micro Distilleries

- Black Fox Farm & Distillery – near Saskatoon
- Errington Lake Distillery – Kindersley
- Last Mountain Distillery – Lumsden
- LB Distillers – Saskatoon
- Lost River Distillers – RM of Dundurn
- Radouga Distilleries – Blaine Lake
- Sperling Silver Distillery – Regina
- Outlaw Trail Distillery - Regina

Cottage Wineries

- Crossmount Cider Company – Crossmount
- Cypress Hills Winery – Maple Creek
- Forest Fringe Orchards – RM of Garden River
- Living Sky Winery – Perdue
- Over The Hill Orchards – Lumsden
- Prairie Bee Meadery – Caron
- Riverlot Orchards – St. Louis
- Wolf Willow Winery – RM of Rudy