

2021 FALL SESSION BRIEFING NOTES TABLE OF CONTENTS

LIQUOR CORPORATION and LOTTERIES COMMISSION

Last Update: November 3, 2021

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Session Briefing Note**Fall 2021****Cannabis e-commerce**

Yukon Liquor Corp.

Recommended response:

- The Government of Yukon is committed to supporting cannabis retailers so that they can reduce the illicit market, with social responsibility as a priority.
- Retailers are aware that we are working on authorizing e-commerce as soon as possible and the Yukon Liquor Corporation is in touch with them to discuss this.
- Our efforts to displace the illicit market are working, and more consumers are choosing the legal market.

Context—this may be an issue because:

- Yukon's cannabis retailers are advocating for permanent changes to legislation that allow for e-commerce, including delivery.

Background:

- When the *Cannabis Control and Regulation Act* came into force, it was envisaged that legislation would be updated to authorize e-commerce by licensees.
- YLC conducted research in the first year of legalization to determine the viability of private retail e-commerce in Yukon, as consumer behavior and the overall cannabis industry established itself.
- Early indications across Canada were that consumers preferred brick-and-mortar store over online sales, however COVID-19 changed the needs of both consumers and legal cannabis retailers.
- As a COVID-19 business support measure, Yukon's cannabis retail licensees were temporarily authorized to sell cannabis online, for pickup in store, from May to September 2020. This assisted licensees in an uncertain economic environment and in managing physical distancing.

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LQ-01

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Cannabis e-commerce

Yukon Liquor Corp.

- Statistics Canada reports that in the fourth quarter of 2020, more consumers are getting their cannabis from legal sources than they are from the illicit market.

Approved by:

Dennis Berry

September 8, 2021

President, Yukon Liquor Corporation

[Date approved]

Session Briefing Note**Fall 2021****Cannabis packaging**

Yukon Liquor Corp.

Recommended response:

- Cannabis packaging and labelling requirements are a federal responsibility.
- I am reaching out to my federal counterparts to advocate for a review of cannabis packaging, to ensure that it is environmentally friendly, while still maintaining safety standards.
- The Yukon Liquor Corporation is participating in the federal Cannabis Act review and will raise this issue.
- The Corporation is also in contact with licensees and can help to raise any concerns they may have about packaging with the federal government.

Context—this may be an issue because:

- Consumers in the Yukon and across Canada are concerned about the amount of packaging used for legal cannabis products.

Background:

- Federal regulation of cannabis packaging is focused on protecting public health and safety, youth, and reducing illicit activity.
- There is a perception that legal cannabis packaging and labelling contributes to plastic manufacturing, consumption and waste.
- As an example, The Globe and Mail reports that a standard 3.5 gram package of dried cannabis is estimated to contain more than 70 grams of plastic packaging.
- The Corporation will seek out opportunities with federal counterparts to include cannabis packaging concerns into the Cannabis Act review.

Session Briefing Note**Fall 2021****Cannabis packaging**

Yukon Liquor Corp.

- The Yukon Liquor Corporation participates in various Federal/Provincial/Territorial working groups.
- Yukon cannabis licensees are invited to weekly meetings with the Yukon Liquor Corporation.
- A reduction in the amount of plastics going into Yukon recycling facilities and landfills could support Yukon's climate goals for a clean future.

Approved by:Dennis Berry

President, Yukon Liquor Corporation

September 8, 2021

[Date approved]

Session Briefing Note**Fall 2021****Liquor pricing and privatization**

Yukon Liquor Corp.

Recommended response:Pricing

- The Yukon Liquor Corporation received input from licensees to better understand their need for increased revenue.
- Over the past two years, we have invested \$2 million in licensee pandemic recovery through the COVID-19 liquor discount.
- The new pricing structure represents a further investment in the Yukon's liquor industry of approximately \$1.1 million per year.
- This structure included input from the pricing working group and is a flat rate on some products and ad valorem on others.
- In short, under the new structure licensees are now receiving a discount of 17% on products they purchase from the Yukon Liquor Corporation.
- The Corporation is the only department that returns profit to the government's consolidated revenue fund. These profits ensure that the government can invest in important programs for Yukoners.
- As Minister responsible, my goal is to find an appropriate balance between:
 - the needs of licensees,
 - the need to return dollars to government to fund crucial services for all Yukoners,
 - and social responsibility.

Session Briefing Note**Fall 2021****Liquor pricing and privatization**

Yukon Liquor Corp.

Privatization

- I also consider this balance when examining the issue of the privatization of the liquor industry in the territory.
- The Yukon has some unique characteristics that need to be taken into account when looking at privatized models.

Beer delivery

- We are not contemplating beer delivery at this time.
- The Yukon Liquor Corporation is currently focusing on priorities raised by retailers at a licensee forum held last September. These included the new pricing structure, improving product selection, and modernizing ordering systems. Breweries were invited to this forum and were able to provide input on the priorities.

Canadian Free Trade Agreement

- Personal exemption limits are being examined as part of the review of liquor regulations.

Context—this may be an issue because:

- Licensees have been working with the Yukon Liquor Corporation on the pricing structure. Work on product pricing is complex and no single solution can work well for all licensees, who each have different business models and practices.
- Some licensees were not satisfied with the new pricing structure announced on September 24, preferring suggestions made during the pricing working groups, and proposing full privatization of the industry like Alberta.

Session Briefing Note**Fall 2021****Liquor pricing and privatization**

Yukon Liquor Corp.

Background:**Pricing**

- In 2015, YLC implemented a wholesale discount of 10% from YLC retail prices for licensees. In 2019, the current liquor pricing structure was implemented which included a 12% discount.
- The Corporation announced support to all licensees on June 4, 2020 in the form of a 25% discount off retail liquor prices. The discount was intended to support licensees impacted by COVID-19 restrictions.
- Under normal circumstances and outside of the pandemic, licensees receive a 12% discount off of retail liquor prices. The Corporation added a further discount of 13% to provide a total discount of 25%.
- In September 2020, the Yukon Liquor Corporation held a new forum with liquor licensees. The Corporation and licensees committed to working together on a number of priority areas, including pricing to improve licensee profit margins.
- As of January 1, 2021, only those businesses qualifying for the Department of Economic Development's Yukon Business Relief Program (YBRP) continued to receive the 25% discount. All other licensees reverted to the original discount of 12% off retail liquor prices. The aim was to channel funding to those licensees that needed it most, based on their eligibility for YBRP.
- The new pricing structure announced on September 24 will result in a decrease to annual Liquor Profit and Liquor Tax remittances to the government of \$1,163,000.
- The new pricing structure includes new rates of 9% for small producer products and a 9% small producer rebate automatically applied to a licensee's order. The rebate only applies to products in the small producer category at the time of purchase either at the Distribution Centre or liquor stores.

Session Briefing Note**Fall 2021****Liquor pricing and privatization**

Yukon Liquor Corp.

- All licensees now receive a discount of 17% for large producer products. The purpose is to help all businesses with a liquor licence recover over the long-term through a sustainable pricing structure. The [pricing structure](#) is available on Yukon.ca.
- Most jurisdictions' pricing structures are not publicly available. In February 2021, the BC Liquor Distribution Branch announced that British Columbia hospitality businesses (including restaurants, pubs and tourism operators with liquor licences) could purchase beer, wine and spirits at the wholesale price set by the BC Liquor Distribution Branch. Before the pandemic, these establishments paid full retail price (wholesale price, plus a retail markup set by the branch) on most liquor purchases. YLC has been offering a similar wholesale model to the one announced since 2015.

Privatization

- The Yukon's liquor system has characteristics that make it different to Alberta, such as YLC's ability to support licensees in remote communities with a steady consistent supply of liquor products, the provision of territorial agent services by YLC Liquor Stores, and the government's strong emphasis on social responsibility.

Beer delivery

- In the 2017 Liquor Act review public engagement online survey, approximately 46% of Yukoners opposed liquor home delivery, 29% supported it, 16% were neutral and 8% didn't know/no response. Some Yukoners also expressed their opposition to liquor delivery during public meetings.

Canadian Free Trade Agreement - CFTA

- Under the Liquor Act and regulations, Yukoners are allowed to import alcoholic beverages for their personal use and consumption up to the following limits:
 - o 9 litres of wine; or
 - o 3 litres of spirits; or

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Liquor pricing and privatization

Yukon Liquor Corp.

- o 24.55 litres of beer (3 cases of 24 x 341).

Approved by:

Dennis Berry

November 4, 2021

President, Yukon Liquor Corporation

[Date approved]

Session Briefing Note**Fall 2021****Liquor Regulations**

Yukon Liquor Corp.

Recommended response:

- The Yukon Liquor Corporation is working on regulations that balance the needs of communities and businesses.
- As with every review of legislation falling under its responsibility, the Yukon Liquor Corporation considers matters relating to:
 - Social responsibility,
 - The needs of licensees including local producers, and
 - The need to return dollars to the Government of Yukon to fund programs and services for all Yukoners.
- We understand that the pandemic has affected consumers and businesses and are approaching the development of regulations through this lens.
- We are also taking into account the considerable feedback received during public engagement.
- The Corporation continues to enforce the current Act and ensure that Yukoners can access liquor in a manner that is socially responsible.

Additional response:

- The Yukon Liquor Corporation's mission is to offer customers legal access to a variety of liquor and cannabis products while considering the well-being and economic prosperity of the Yukon.
- The regulations will be completed as soon as practicable.

Session Briefing Note**Fall 2021****Liquor Regulations**

Yukon Liquor Corp.

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- Whether any additional public engagement is needed is to be determined.

Context—this may be an issue because:

- There may be concern about liquor consumption since the pandemic, as well as COVID-19's impacts on licensees, and how both affect the development of liquor legislation.
- There may be concerns that this project has taken some time to complete.

Background:

- Given the *Liquor Act* is over 40 years old, the Yukon Liquor Corporation undertook a *Liquor Act* review, which started in 2017.
- Public engagement began in November 2017 and continued into 2019.
- The project received much input from First Nations and municipal governments, industry, stakeholders and the public.
- The analysis was also based on reviewing the National Alcohol Strategy as well as the last major *Liquor Act* review in 2001.
- The new *Liquor Act* received assent in 2019, prior to the pandemic. The socioeconomic context has since changed significantly. The Corporation is reviewing the regulations taking into account the change.

Approved by:Dennis Berry

President, Yukon Liquor Corporation

November 4, 2021

[Date approved]

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Session Briefing Note

Liquor Board Process

0013
LQ-05

Fall 2021

Yukon Liquor
Corporation

Recommended response:

- The Yukon Liquor Board is independent from the Government of Yukon and the Yukon Liquor Corporation, as is required by the *Liquor Act*.
- The Yukon Liquor Board has powers and duties related to the issuing, cancelling, and suspending of licences.
- Yukon citizens give up their time to serve on the Liquor Board and make it possible for the Yukon to maintain a viable liquor industry.
- On behalf of the Yukon Liquor Corporation and Yukoners I would like to thank the Board for their service.

Context—this may be an issue because:

- The Board has made a recent decision to cancel a license.
- This cancellation is currently being contested in the courts and the Government of Yukon should not comment on the matter.

Background:

- The *Liquor Act* sets out the rules and penalties for violations of the Act, and the Liquor Board Policy provides a range of recommended sanctions for inspectors to consider.
- The Board, the President of the Yukon Liquor Corporation, and the inspectors all have roles under the Act to enforce the rules.

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Session Briefing Note

Liquor Board Process

0014
LQ-05

Fall 2021

Yukon Liquor
Corporation

- The Yukon Liquor Board rarely chooses to cancel a liquor licence (this is the first time in approximately 10 years).

Approved by:

Dennis Berry

President, Yukon Liquor Corporation

Sept. 29, 2021

[Date approved]

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Session Briefing Note

Cannabis pricing

0015
LQ-06

Fall 2021

Yukon Liquor
Corporation

Recommended response:

Pricing

- The Yukon Liquor Corporation meets with cannabis retailers weekly.
- We reviewed cannabis pricing with licensees and reduced cost-of-service charges on products at the end of October.
- We switched from a per-gram to a per-unit cost of service. For some products, the cost-of-service dropped from \$14 dollars to as little as \$2.15.
- Cannabis flower categories over 2 grams now have a cost of service of \$2.15 per unit, those under 2 grams have a cost of \$0.50 per unit, and all other products, such as edibles, have a cost of service of \$0.15 per unit.
- The Corporation also charges a 22% wholesale markup on all products purchased by licensed retailers. This markup has not changed in the three years since legalization and we are currently looking at whether the rate can be reduced to further help licensees.
- As the Minister responsible for the Yukon Liquor Corporation, I strive to find an appropriate balance between the needs of licensees, social responsibility, and the need to return dollars to government to fund services for all Yukoners.
- The continued reduction of the illegal cannabis market is a priority and currently our aim is to be as close to revenue neutral as possible.

Session Briefing Note**Fall 2021****Cannabis pricing**Yukon Liquor
Corporation

- We returned a small surplus of \$233,000 to the Government of Yukon in the 2020-21 fiscal year. This represented less than 4% of the Corporation's total sales of \$6 million.
- The Corporation forecasts sales and expenses every year for this evolving industry. Any surplus is returned to the Government of Yukon to contribute to services and programs for all Yukoners.

Product availability

- In 2019, the Yukon Liquor Corporation had supply agreements with 9 federally-licensed suppliers. Today we have around 40, and licensees can propose suppliers to sign-on.
- The Corporation has worked closely with private retailers and suppliers to ensure appropriate supply is on hand. Private retailers have shared during weekly calls that supply has significantly improved during the past year.
- I'm pleased to say that the Corporation recently signed a Supplier Agreement with ArcticPharm, the Yukon's very first producer, and we're looking forward to seeing their products.
- These joint efforts mean that we have a reliable supply chain with a wide variety of products available to licensees.
- This year marked the first full fiscal year of phase two cannabis products—edibles, concentrates and vapes—which saw substantial growth.

Session Briefing Note**Fall 2021****Cannabis pricing**Yukon Liquor
Corporation

- In December 2019, the Yukon was one of the first to receive legal edibles, and the Corporation provided 7 different types of edible product to retailers. Today, licensees can choose from a list of 119 different edible products to add to their inventory.
 - The popularity of edibles continues to grow, making up more than \$23,000 of sales in 2019-20 and now approximately \$284,000 in 2020-21.
 - Retailers have three additional product categories since last year, including milled flower, topicals and beverages.
-

Context—this may be an issue because:

- During Committee of the Whole, the Opposition requested an update on pricing.
 - A licensee wanted to special-order products through the Corporation and then decided not to, due to high shipping costs.
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Background:Pricing

- Pricing of cannabis varies across jurisdictions based on fluctuating factors such as market conditions, freight costs and volumes sourced from suppliers located across the country.
- The Yukon Liquor Corporation reviewed cannabis pricing, together with licensees and a consulting firm. Cost of service was revised from a per-gram to a per-unit basis. Rates will be adjusted annually based on actual expenses and units sold in the prior year.

CONFIDENTIAL**LQ-06****Session Briefing Note****Fall 2021****Cannabis pricing**Yukon Liquor
Corporation

	PREVIOUS RATE	NEW RATE
COST OF SERVICE	\$0.50 per gram	Over 2 grams = \$2.15/unit Under 2 grams = \$0.50/unit All others = \$0.15/unit

- Under the previous cost of service rate, large formats such as 28-gram bags had a cost-of-service charge to licensees of \$14 per unit. Under the new rate, the cost-of-service for the 28-gram bag is \$2.15.

Surplus

- The cannabis annual report shows \$188,000 as the profit for the fiscal year.
- When accounting depreciation is added, it results in \$233,000 net revenue remitted to the Government of Yukon per the Act.

Privatization

- British Columbia's Liquor Distribution Branch (BCLDB), which is the provincial government's cannabis distributor, plans to allow cannabis nurseries and small-scale cultivators ($\leq 3,000$ kg annually) with processing abilities to provide products directly to retailers, rather than BCLDB taking possession of products first. This new process will be implemented in 2022.
- The Corporation will work with ArcticPharm to see whether a similar direct to retailer arrangement can be implemented.
- During the public engagement at legalization, 28% of respondents thought government-licensed private distributors should oversee and manage cannabis distribution within the Yukon. 24% thought retail operators should be required to purchase wholesale from a government supplier. 17% were in favour of government distribution to government-run stores, and 24% thought cannabis producers should be allowed to sell directly to retail stores.

Session Briefing Note**Fall 2021****Cannabis pricing**Yukon Liquor
Corporation

- Of Canada's 13 jurisdictions, only Saskatchewan and Manitoba have a privatized cannabis model. Wholesale distribution in Manitoba still takes place through the Manitoba Liquor and Lotteries corporation.
- Saskatchewan is the only province that has fully privatized cannabis retail, as well as its wholesale and distribution model. Licensed wholesalers can sell to licensed retailers and other permitted wholesalers, but not to the general public. Wholesale operations must be physically located within Saskatchewan and product can only be sold and distributed within Saskatchewan.
- More than two-thirds of private retailers in Saskatchewan are owned by large, publicly traded companies or chains. These large companies can secure supply contracts at much higher volumes and better product variety and pricing than small businesses. In 2019, smaller, independent retailers felt compelled to launch a [weed pool cooperative](#) to create a shared buying power and secure better pricing and product selection from producers.
- Similar to the Yukon, Saskatchewan's cannabis framework is based on the key principles of protecting public health and safety, including keeping cannabis away from children and youth, eliminating the illegal market and building on experience from other jurisdictions.
- Cannabis sales continue to increase. In 2019-20, the Corporation had \$4.9 million in sales (\$3.5m to private retailers, \$1.3m government retail including 25k through Cannabis Yukon). In 2020-21, the Corporation sold approximately \$6 million worth of cannabis to the Yukon's five private retailers, with \$12,000 through Cannabis Yukon. This represents an increase in YLC sales to licensees of \$2.5 million.

Product availability

- The Corporation warehouses nearly 400 different products across 12 different categories.

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Fall 2021

Cannabis pricing

Yukon Liquor
Corporation

- The Corporation provides licensees access to approximately 900 different products from 40 different suppliers.
- The Corporation works closely with licensed retailers to ensure enough inventory is available to meet demand for 6 to 10 weeks depending on product and time of year.

Approved by:

Dennis Berry

November 22, 2021

President, Yukon Liquor Corporation

Date Updated

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Session Briefing Note

Cannabis privatization

0021
LQ-07

Fall 2021

Yukon Liquor
Corporation

Recommended response:

- The Yukon Liquor Corporation continuously reviews new and different policy approaches to the sale and distribution of cannabis.
- We have a successful model—retailer sales continue to grow—in the 2020-21 fiscal year, cannabis sales through the Corporation to licensees increased by over \$2.5 million from the 2019-20 fiscal year.
- As the cannabis distributor, the Yukon Liquor Corporation leads price negotiations with approximately 40 suppliers, signed-on in close consultation with the licensees.
- The Corporation supports private retailers by arranging sourcing and supply, freight, and warehousing.
- In many ways, the Yukon is in a unique position in terms of geography, population and the number of retailers we have in comparison to southern jurisdictions. The Corporation will continue to work with private retailers to ensure any challenges are met in a way that meets the retailer's needs.
- We are committed to helping private retail thrive. We closed our government retail store once the private retail market was well-established, and we are working towards authorizing private retail e-commerce.

Context—this may be an issue because:

- Some licensees would like to purchase directly from suppliers.
- During second reading of the tabled Act, Opposition indicated that Saskatchewan may have a better distribution model for cannabis.

CONFIDENTIAL**LQ-07****Session Briefing Note****Fall 2021****Cannabis privatization**Yukon Liquor
Corporation

Background:

- Cannabis sales continue to increase. In 2019-20, the Corporation had \$4.9 million in sales (\$3.5m to private retailers, \$1.3m government retail including 25k through Cannabis Yukon). In 2020-21, the Corporation sold approximately \$6 million worth of cannabis to the Yukon's five private retailers, with \$12,000 through Cannabis Yukon. This represents an increase in YLC sales to licensees of \$2.5 million.
- British Columbia's Liquor Distribution Branch (BCLDB), which is the provincial government's cannabis distributor, plans to allow cannabis nurseries and small-scale cultivators ($\leq 3,000$ kg annually) with processing abilities to provide products directly to retailers, rather than BCLDB taking possession of products first. This new process will be implemented in 2022.
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Session Briefing Note

Cannabis privatization

0023
LQ-07

Fall 2021

Yukon Liquor
Corporation

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Approved by:

Dennis Berry

President, Yukon Liquor Corporation

November 3, 2021

Date