

WHOLESALE PRICING GUIDE

Effective April 2022

TABLE OF CONTENTS

TABLE OF CONTENTS	2
WHOLESALE PRICING OVERVIEW	3
1. Landed Cost (Supplier Cost)	3
2. Wholesale Price	3
3. Permanent Cost Changes	3
4. Limited Time Offer (LTO)	4
5. Policy Changes	5
WHEN TO USE EACH FORM	6
WHOLESALE PRICE CALCULATION	7
Wholesale Markup Rates	8
Container Recycling Fee Rates	9
WHOLESALE PRICE CALCULATION SAMPLE	10
DEFINITIONS	11
APPENDIX 1	12
APPENDIX 2	13
APPENDIX 3	14
APPENDIX 4	15

WHOLESALE PRICING OVERVIEW

The Liquor Distribution Branch (LDB) establishes the wholesale price for non-medical Cannabis (Cannabis) sold by the LDB to retailers and Cannabis Accessories (Accessories) sold by the BC Cannabis Stores (BCCS) and e-Commerce site. All wholesale customers (BCCS and private stores) purchase Cannabis product at the wholesale price.

Each submitted price for new registrations or changes is reviewed by LDB, and LDB has the right to reject any submitted price change or request.

1. Landed Cost (Supplier Cost)

The LDB uses the supplier cost as the base for the calculation of a product's wholesale price. Landed cost is the amount the supplier / agent provides to LDB Wholesale Pricing as this base. Landed cost consists of the supplier's production costs, federal excise tax, transportation costs to the LDB Distribution Centre (DC) (if applicable), and any additional supplier costs. This is the amount that appears on the LDB Purchase Order (PO).

Please note that questions related to federal excise tax should be directed to a local excise officer with the Canada Revenue Agency.

- 1.1 On occasion, the Landed Cost per case submitted by the LP may be divided by the number of units in the case to determine the Landed Cost per unit. This number is then rounded to the nearest \$0.01, up or down, and is considered the Landed Cost per unit for payment and reporting purposes. In the event where a payment may be challenged, this calculated Landed Cost per unit will be considered the correct amount.

2. Wholesale Price

Using the Landed Cost per case, the LDB applies a wholesale mark-up and container recycling fee (CRF) for each unit (if applicable). This number is then rounded to the nearest \$0.01, up or down, and is considered the Wholesale Price per case, which is the amount that private retail customers will purchase product from the LDB, or from the LP if purchased through direct delivery. The new total is then divided by the number of units in a case, again rounded to the nearest \$0.01, up or down, to determine the Wholesale Price per unit.

- 2.1 The Wholesale Price cannot be changed by the LP without submitting a Permanent Cost Change or Limited Time Offer application.

3. Permanent Cost Changes

LDB Wholesale Pricing establishes the Permanent Cost Change schedule each fiscal year and posts it in advance for LPs at <https://www.bcldbcannabisupdates.com/bclddb-cannabis-supplier-information>. Permanent Cost Changes are effective on the first day of a fiscal period. Any impact to the wholesale price is effective on the same date as the Permanent Cost Change.

- 3.1.1 Permanent Cost Change requirements must be submitted by the submission deadline, refer to [Appendix](#)

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- 1, on the Permanent Cost Change Application Form, refer to [Appendix 2](#).
- 3.1.2 All requests are subject to LDB approval
 - 3.1.3 If an LP has multiple sites / companies with unique skus that they wish to change, each site/company must submit a separate form
 - 3.2 A Price Protection requires the Licensed Producer (LP) to fund a corresponding Landed Cost reduction for any inventory that resides in the LDB DC
 - 3.2.1 The Price Protection section of the Permanent Cost Change form requires the difference in cost from the old Landed Cost per unit and the new, desired Landed Cost per unit
 - 3.2.2 All products with inventory in the LDB DC are eligible for the Price Protection program
 - 3.2.3 The LDB will provide an approximate total of units and funding at the time of the submission of a Permanent Cost Change by the LP, and an updated total shortly after the effective date
 - 3.2.4 Total inventory on hand in the LDB DC is subject to change between the submission deadline and effective date
 - 3.2.5 It is the LP's responsibility to fully fund all Price Protections on LDB DC inventory
 - 3.2.6 On the date that the cost change takes effect, the LDB will issue a debit note/invoice for the difference between pre-Price Protection Landed Cost and the new cost for the total amount of RDC inventory
 - 3.3 Permanent Cost Change requests *will not be accepted* under the following conditions:
 - 3.3.1 Requests submitted *after* the deadline
 - 3.3.2 Requests for a change to be effective in the *middle* of a period
 - 3.3.3 Requests for price increases for product that are *exiting* and there is inventory on hand in the LDB DC
 - 3.3.4 Requests to change Landed Cost and the product is *pending activation (new registration) or end of life (no longer active)*
 - 3.3.5 Requests to change Landed Cost on product that has been *discounted by LDB*
 - 3.4 Landed Cost *final clearance pricing* rules
 - 3.4.1 The LDB may, at its discretion, override product pricing in order to clear slow-moving, aged, or excess inventory that resides in the LDB DC

4. Limited Time Offer (LTO)

- 4.1 A Limited Time Offer (LTO) is a temporary decrease in a product's wholesale price, requested and *fully funded by the LP*
 - 4.1.1 Request must be submitted on the Limited Time Offer Application Form, refer to [Appendix 3](#), in accordance with the submission dates deadlines; requests, changes, and/or cancellations are not permitted after the deadline
 - 4.1.2 If an LP has multiple sites / companies with unique skus that they wish to apply for LTO, each site/company must submit a separate form
 - 4.1.3 All LTO applications are subject to LDB approval
 - 4.1.4 All products are eligible for the Limited Time Offer program
 - 4.1.5 LTO is offered to all LDB customers who pay the wholesale price
 - 4.1.6 LTO is effective during the entire fiscal period
 - 4.1.7 A product cannot be reduced via LTO on back to back / consecutive periods
 - 4.1.8 It is the LP's responsibility to fully fund all Limited Time Offers and to ensure sufficient inventory to support the program during the effective period
 - 4.1.9 The LDB will not adjust the Landed Cost on the Purchase Order to reflect the temporary change in the wholesale price; the LP will continue to receive payment as if the regular wholesale price were in effect. At the conclusion of the LTO period, the LDB will issue a debit note/invoice for the difference between pre-LTO wholesale price and the Limited Time Offer price for the total number of units sold by the wholesale division during the LTO period

5. Policy Changes

- 5.1.1 LPs should verify Landed Costs and Wholesale Prices on a regular basis through available LDB reporting to avoid confusion and maintain accurate pricing information.
- 5.1.2 The Wholesale Pricing department will post a notification in advance to LPs, when possible, of any policy changes.
- 5.1.3 If the agent/supplier wishes to adjust their Landed Cost to the LDB as a result of a policy change, it is the responsibility of the agent/supplier to submit a Permanent Cost Change form in accordance with submission deadlines.

WHEN TO USE EACH FORM

Permanent Cost Change Application:

- Cost increase or decrease
- **Permanent change** – all PO's moving forward will use this price as of the effective date
- Permanent Cost Change applications should always be submitted using **Case Cost** according to the case configuration registered with LDB
- **Price Protections** apply to cost decreases only, and *if* there is inventory in LDB DC
- Price Protection Funding is required for all Price Protections to adjust value of LDB wholesale/DC inventory
- Price Protections will only be applied if there is inventory in LDB DC on the date of the price change. If a sku had a Price Protection submitted but no longer has inventory, the LP will not be charged
- Changes in Case Configuration or Reactivations through the Vendor Relations department will require a separate Permanent Cost Change Application *if* the case change or reactivation also includes a change in wholesale price

Limited Time Offer Application:

- Wholesale price decreases only
- **Temporary change** to Wholesale Price (charged to retailers) for one LDB fiscal period only (see Appendix 1 for fiscal period start dates)
- Funding is required after the effective period has closed to account for lower price of all units sold

WHOLESALE PRICE CALCULATION

The wholesale price is calculated by the LDB and subject to periodic review within the fiscal year to adjust for cost changes, price indexing and required policy changes.

Wholesale price formulas are calculated as follows: Landed Cost per Selling Unit + LDB Wholesale mark-up

GST is applied after final calculation of Wholesale Price. Container Deposit may be applicable.

The table below refers to pricing components and reference to rates & schedules.

Line#	Wholesale Price Formula Breakdown
1	Supplier Cost
2	+ Federal Excise
3	+ Transportation Cost to LDB DC (if applicable)
4	= Landed Cost
5	Mark-up rate: + % Markup per category
6	+ Container Recycling Fee (CRF) if applicable
7	= LDB Wholesale Price
8	+ Goods and Services Tax (GST)
9	+ Container Deposit (beverages, if applicable)
10	=Total price charged to retailers

Wholesale Markup Rates

The wholesale markup rates are subject to change during the fiscal year, as determined by the Province of BC. The table below provides a summary of markup rates.

Product Category	Wholesale Markup Rate
Dried Flower	15%
Pre-Rolled	15%
Seeds	15%
Inhalable Extracts	15%
Ingestible Extracts	15%
Edibles and Beverages	15%
Topicals	15%
Accessories	15%

Container Recycling Fee Rates

(Rates effective Feb 1, 2022)

Container Recycling Fees (CRF) are applied after the application of markup, but before application of taxes and container deposits. Rates are determined and subject to change by Encorp Pacific. Review CRF rates on the Encorp Pacific website for the most recent information at <https://www.return-it.ca/beverage/products/>

Container type	CRF Rate per consumable unit
Aluminum 1L or less	\$0.01
Bag-in-a-Box (ready to drink)	\$0.12
Bi-Metal 1L or less	\$0.01
Bi-Metal >1L	\$0.00
Drink Box 500ml or less	\$0.00
Drink Box >500ml	\$0.00
Drink Pouches	\$0.00
Gable Top 1L or less	\$0.00
Gable Top >1L	\$0.04
Glass 1L or less	\$0.10
Glass >1L	\$0.16
PET/HDPE/PVC/Other Plastic 1L or less	\$0.02
PET/HDPE/PVC/Other Plastic >1L	\$0.04

WHOLESALE PRICE CALCULATION SAMPLE

Dried Flower Wholesale Calculation Sample

Case size 48 x 1 gram

Landed Cost per case (Supplier cost per case)	\$250
Landed Cost per Selling Unit (48 selling units / case)	\$5.21
Percentage Markup @ 15%	\$0.78
LDB Wholesale Price	<u>\$5.99</u>
Goods and Services Tax (GST) @ 5%	\$0.30
Total price charged to retailers	<u><u>\$6.29</u></u>

DEFINITIONS

Active Product

Product has been ordered and received at the LDB DC and is now available for purchase.

Landed Cost

Supplier cost plus applicable federal excise and transportation to the LDB DC. This is the value per case that the LDB pays to the LP.

End Of Life

A product that is no longer distributed or sold in BC; an LP may request that the registration for the product be re-activated.

Exiting / Pending End Of Life

A product that will become End Of Life once existing inventory has been depleted.

Licensed Producer

The producer/vendor on record at LDB authorized to set or modify the Landed Cost of a product.

Pending Activation

A product that has been approved for distribution and sale in BC but is not available to be sold as it has not yet been activated by LDB Supply Chain.

Price Protection

A decrease in the Landed Cost of a product with inventory in the LDB DC and is fully funded by the LP. LDB will determine the number of units on hand on the date of the cost change and invoice the LP for the total decrease in inventory value.

Reactivation of a Product

The process by which a product that has previously been delisted by the LDB is to be made available for sale in BC again.

Wholesale Price

Landed Cost plus applicable LDB Wholesale markup. This is the value that retailers pay the LDB for each product.

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APPENDIX 1

Dates and Deadlines Schedule

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DATES & DEADLINES
WHOLESALE PRICE CHANGES AND LIMITED TIME OFFERS
2022 - 2023 FISCAL YEAR

Submission Deadline for Permanent Changes and LTOs	Effective Date of Wholesale Prices	Fiscal Period 2022/2023
February 11, 2022	March 6, 2022	12 (2021 - 2022)
March 11, 2022	April 1, 2022	1
April 8, 2022	May 1, 2022	2
May 13, 2022	June 5, 2022	3
June 10, 2022	July 3, 2022	4
July 8, 2022	July 31, 2022	5
August 12, 2022	September 4, 2022	6
September 9, 2022	October 2, 2022	7
October 7, 2022	October 30, 2022	8
November 4, 2022	November 27, 2022	9
December 9, 2022	January 1, 2023	10
January 6, 2023	January 29, 2023	11
February 10, 2023	March 5, 2023	12
March 10, 2023	April 1, 2023	1 (2023 - 2024)

EMAIL SUPPLIER PRICE CHANGE AND PROMOTION REQUESTS TO

CANNABIS.PRICING@BCLDB.COM

SUBMISSIONS WILL BE ACCEPTED UP TO END OF DAY ON DEADLINE DATE

LATE SUBMISSIONS OR REVISIONS AFTER DEADLINE WILL NOT BE ACCEPTED

BC Liquor Distribution Branch | Wholesale Pricing

3383 Gilmore Way, Burnaby, British Columbia, V5G 4S1 e: cannabis.pricing@bclddb.com

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APPENDIX 2

Permanent Cost Change Application

BC CANNABIS WHOLESale

CONFIDENTIAL
LDB USE ONLY
Ref #:

PERMANENT COST CHANGE APPLICATION

SUPPLIER NAME & SITE: _____

BCLDB SUPPLIER NUMBER: _____
(ex: 500001)

CONTACT NAME: _____

EMAIL ADDRESS: _____
PLEASE ENSURE A VALID EMAIL ADDRESS IS PROVIDED ABOVE.

PRICE CHANGE EFFECTIVE DATE: _____

DATE SUBMITTED: _____

EMAIL TO WHOLESALE PRICING DEPARTMENT AT
CANNABIS.PRICING@BCLDB.COM

Price Protection only*
Reduction Amount (\$) from prior Landed Cost***

Product Name	BCLDB SKU #	New Landed (PO) Cost Per Case**

LDB USE ONLY		AUTHORIZED SIGNATURE (SUPPLIER)
APPROVED BY	DATE	
		PRINT NAME

* Price Protection is required if there is a permanent decrease in cost, and there is wholesale inventory in the LDB DC on the effective date. BCLDB will charge the LP for the difference in value for all inventory in the LDB DC.

** Landed Cost (or PO cost) is the amount paid to you by LDB for each case of product.

*** The Reduction Amount is the per-unit difference from the current Landed Cost to the new Landed Cost. Please ensure this calculation is correct. The LDB will adjust the Landed Cost to start on the effective date listed above for all wholesale/DC available inventory only. A new wholesale price will be calculated, and retailers will pay this price when purchasing product from LDB. Retailers (including BCCS) have discretion to adjust the final retail price and pass all, some, or none of the reduction on to consumers.

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APPENDIX 3

Limited Time Offer Application

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CONFIDENTIAL

LIMITED TIME OFFER APPLICATION

SUPPLIER NAME & SITE: _____

BCLDB SUPPLIER NUMBER: _____

CONTACT NAME: _____

PHONE #: _____

EMAIL ADDRESS: _____

PLEASE ENSURE A VALID EMAIL ADDRESS IS PROVIDED ABOVE.

Ref #: _____

START DATE: _____

END DATE: _____

DATE SUBMITTED: _____

EMAIL TO WHOLESALE PRICING DEPARTMENT AT
CANNABIS.PRICING@BCLDB.COM

Product Name	BCLDB SKU #	Reduction Amount (\$) Per Selling Unit*	TEMPORARY Wholesale Price**

LDB USE ONLY		
APPROVED BY	DATE	
		PRINT NAME

** Reduction off regular Wholesale Price (supplier cost + 15% markup)*

*** The LDB will adjust the Wholesale Price (purchase price for eCommerce and Retail channels) for the duration of the reduction period. Retailers (including BCCS) have discretion to adjust the final retail price and pass all, some, or none of the reduction on to consumers. The supplier will be billed at the end of the reduction period for the total units ordered multiplied by the per unit reduction. LDB may deduct the amount owing from balance or issue an invoice to the supplier, at LDB's sole discretion. "Temporary Wholesale Price" displayed is estimate only. System price may be slightly different.*

APPENDIX 4

British Columbia Provincial Sales Tax Rates

Product Type	PST	GST
Cannabis Products	7%	5%
Cannabis Liquid Vape Products	20%	6%
Cannabis Non-Liquid Vape Products	7%	5%
Cannabis Accessories	7%	5%
Cannabis Liquid Vape Accessories	20%	6%
Cannabis Non-Liquid Vape Products	7%	5%