



Maine Grocers &  
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NEITHER FOR NOR AGAINST - LD 2014 'An Act Regarding Spirits Price Regulation'

Dear Senator Hickman - Chair, Representative Supica - Chair, and the Committee on Veterans and Legal Affairs,

My name is Christine Cummings and I am the Executive Director of the Maine Grocers & Food Producers Association (MGFPA). The Maine Grocers & Food Producers Association is a business trade association representing Maine's food community; Main Street businesses, including independently owned and operated grocery stores and supermarkets, food and beverage producers and processors, manufacturers, wholesalers, distributors, and supportive service companies.

We appreciate the opportunity to comment on the proposal to address spirits pricing. We also appreciate the two meetings we were able to attend to glean additional background with other industry stakeholders who have been engaged in this policy discussion.

We have concern with the amendment which proposes that "the legislature shall set in statute the markup for the retail price of spirits." We feel the pricing expertise lies with the Bureau, Commissioner, and industry stakeholders as within Title 28-A Chapter 2. The current pricing model considers a variety of factors including 'whether a spirits product has an acceptable gross profit margin' and 'agency store profit margin.' MGFPA stands supportive of the expertise and industry analysis that has gone into the current business model and have hesitancy to transfer the responsibility. In speaking with our MGFPA Spirits subcommittee members, it was evident that remaining competitive with New Hampshire is a critical factor and we want to entrust that those with the pricing authority have a strong understanding of the competitive landscape and the big picture impact of pricing changes.

We stand supportive of continuing to review the guidelines, standards of pricing, and process for transparency. It is worth noting that the pricing model and specifics of the calculator have been revised and adjusted to date. Therefore, it is not to say that it cannot forgo additional refinement but because of the complexities and the impact on the 5,000+ SKUs we cannot speak to a supporting a specific adjustment (or any) as we testify today. We recognize that is premature to speak to a percentage or proposed pricing restructuring but it is critical for retail agency stores to continue to participate in the conversation.

Minimal disruption is necessary for consistency. Consistency both for retailers and consumers. Any adjustments need to consider retail costs and consumer cost perceptions. Retailers would need to fully understand a large-scale pricing model reform to better understand the implications.

Maine's retail agency stores have a vested interest in helping to increase sales. We have pause for price changes that would unintentionally create a loss in retail sales and negatively impact opportunities to achieve additional growth incentives. We also respect that the state has needed to meet their debt obligations and financial commitments and we appreciate the consistent drive for growth and strategies to avoid financial swings.

We have not been fully engaged as stakeholders stemming from LD 1906, yet, in review of LD 1906 from the 130th legislature, it did appear as though there was a price appeal proposal and we have not had an opportunity to revisit this consideration. Potentially, it warrants revisiting other avenues for industry participants to seek further review and analysis on a case-by-case basis.

This is a transitional time at BABLO and as it pairs with the timing of the contract renewal. There are moving parts that all intertwine and it is important that we navigate changes in a thoughtful and comprehensive manner. This is the structure in which the three tiers operate and we have hesitancy for foundational changes that disrupt the business model without a full comprehensive understanding of the changes. Retailers stand committed to be forward thinking as the industry and commerce landscape evolves.

Thank you for the opportunity to provide testimony.



Christine Cummings  
Executive Director