

**OFFICE OF THE
WASHINGTON STATE LIQUOR CONTROL BOARD
Board Meeting /August 10, 2005**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, August 10, 2005 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Chairman Merritt Long. Board Member Roger Hoen and Vera Ing were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

Human Resources Division – Recognition

Barb Vane, Director

Shannon Reuell, Administrative Assistant was presented a longevity award by Barbara Vane recognized for her 10 years of service with the State.

Purchasing Services Division – Implementation of Long Term Wine Pricing Strategy; Heidi Whisman, Acting Director

Background

The Board approved the Wine Strategy Implementation Plan in July 2004. This five-year plan encompasses seven different strategies to improve the wine program in WSLCB retail outlets, including the following short and long term elements which make up strategy seven, Retail Pricing:

Short Term

- *Complete a pricing analysis on the top 100 selling LCB wines by August 27, 2004 to determine which items are below the market price*
- *For those items below the market price the LCB will increase the markup formula on those items to have the LCB retail price reflect the market price*

Long Term

- *Use the LCB market share to determine future consideration for markup increases. If the LCB share rises to over 10% as compared with the private sector a markup price increase will take place.*

Short Term Strategy Results

Cumulative results for first two quarters show:

- The top 100 wines are down in both dollar and case sales more than 10% when compared to the previous year.
- All other wines sold by the LCB show a slight increase in both dollar and case sales.

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- Overall, dollar sales are down just over 1% and case sales are down over 6% for the first 6 months of this year compared to last year.

Recommendation

Based on the sales, market share and other data reviewed as part of the short term strategy, and giving due consideration to both the business and control perspectives of the Liquor Control Board’s balanced mission, as well as information provided by various stakeholders, staff recommend the Board take the following action regarding wine pricing.

Transition to the long-term strategy effective October 1, 2005:

- Include a mark-up increase on wine from the current 38% to a new mark-up of ~~45%~~ 43% (per Board decision, hmw)
- Direct staff to maintain a market share measurement of the LCB wine liter sales compared to liter sales reported by wineries and distributors for liquor tax payment purposes.
- As a minimum (per Board decision, hmw), annually review market share and determine appropriate mark-up percentage.

Rick Garza, Deputy Administrative Director read Jan Gee, Contract Lobbyist for the WA Food Industry testimony.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

Purchasing Services Division –Potential New Listings/Rejections

Steve Burnell, Wine Program Manager

Based on presentations made by supplier representatives on July 28, 2005, discussions with members of the listing committee, tasting reports on product samples and other factors, Mr. Burnell recommended that the Board approve the following listing/rejection actions.

Listing Symbol Codes: R-Regular Listing; L-Limited Distribution; M-Mini Distribution; S-Warehouse Stock; U-Unlisted

<u>Description</u>	<u>Recommendations</u>
Staraya Skazka Vodka, 750 ml (\$13.90)	List as L
Monarch Dark Rum, 750 ml (\$11.95)	List as L
WET By Beefeater London Dry Gin, 750 ml (\$23.95)	List as L
Smirnoff Twist of Black Cherry Vodka, 750 ml (\$13.95)	List as L
Captain Morgan’s Parrot Bay Passion Fruit Rum, 750 ml (\$13.95)	List as L
Stock 84 Brandy, 750 ml (\$13.95)	List as L
Patron XO Cafe Liqueur, 750 ml (\$26.95)	List as M
Pyrat XO Reserve Rum, 750 ml (\$29.95)	List as M

Bubble Gum Liqueur, 750 ml (\$12.95)	Reject
McCarthy's Oregon Single Malt Whiskey, 750 ml (\$37.35)	Reject
Clear Creek Distillery Kirshwasser Brandy, 375 ml (\$24.95)	Reject
Clear Creek Distillery 8 Year Apple Brandy, 750 ml (\$33.15)	Reject
Molly's Irish Cream Liqueur, 750 ml (\$15.10)	Reject
Five Star Armenian Brandy, 750 ml (\$18.80)	Reject
Ara Jan Armenian Brandy, 750 ml (\$18.80)	Reject
Vincent Van Gogh Espresso Vodka, 750 ml (\$29.80)	Reject
Tito's Handmade Vodka, 750 ml (\$21.60)	Reject
10 Cane Rum, 750 ml (\$34.95)	Reject
Jean Danflou La Captive Pear Brandy, 750 ml (\$39.95)	Reject
Jean Danflou La Captive Apple Brandy, 750 ml (\$39.95)	Reject
Margaritaville Tropical Tangerine Cordial, 750 ml (\$17.95)	Reject
Margaritaville Island Lime Cordial, 750 ml (\$17.95)	Reject
Margaritaville Calypso Coconut Cordial, 750 ml (\$17.95)	Reject
Margaritaville Last Mango Cordial, 750 ml (\$17.95)	Reject
Indio Vodka, 750 ml (\$19.95)	Reject
Indio Oregon Marionberry Vodka, 750 ml (\$19.95)	Reject
Indio Lemongrass Lime Vodka, 750 ml (\$19.95)	Reject
Intrigue Cognac Liqueur, 750 ml (\$28.95)	Reject
Gosling Gold Rum, 750 ml (\$18.95)	Reject
X-Rated Fusion Liqueur, 750 ml (\$28.95)	Reject
Jean-Marc XO Vodka, 750 ml (\$49.95)	Reject

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

Purchasing Services Division –Potential Wine Listings/Delistings

Steve Burnell, Wine Program Manager

The following wines are offered as a One-Time-Only purchase. The purchasing department and Mr. Burnell recommended the Board approve the following One-Time-Only listings.

Wine	Region	Vintage	Retail	Number of Cases
Mezzacorona Chardonnay	Italy	2003	\$ 3.99	280 Cases
Mezzacorona Cabernet Sauvignon	Italy	2002	\$ 3.99	448 Cases
Kumala Chardonnay	South Africa	2004	\$ 5.99	120 Cases
Kumala Merlot	South Africa	2004	\$ 5.99	120 Cases
Kumala Shiraz	South Africa	2004	\$ 5.99	120 Cases
Kumala Cabernet Sauvignon	South Africa	2004	\$ 5.99	120 Cases
Goundry Shiraz	Australia	2002	\$ 9.99	90 Cases
Goundry Chardonnay	Australia	2003	\$ 9.99	60 Cases
Kim Crawford Pinot Gris	New Zealand	2004	\$14.99	60 Cases
Kim Crawford Sauvignon Blanc	New Zealand	2004	\$14.99	90 Cases
Cloudline Pinot Noir	Oregon	2004	\$12.99	56 Cases

The following wines are offered to the Board in limited case quantities. The purchasing department and Mr. Burnell recommended the Board approve the following wines for “U” code listing

Wine	Region	Vintage	Retail	Number of Cases
Bookwalter Gewurztraminer	Washington	2004	\$12.99	14 Cases
Bookwalter Merlot	Washington	2003	\$34.99	14 Cases
Bookwalter Cabernet Sauvignon	Washington	2003	\$37.99	14 Cases
Zefina Sangiovese	Washington	2001	\$19.99	14 Cases
Vero Chardonnay	France	2002	\$13.99	14 Cases
Vero Pinot Noir	France	2002	\$17.99	14 Cases

The Board currently lists the following wines. Based on the blind tasting OR other criteria Mr. Burnell recommended the Board DELIST the following items:

Wine	Region	Brand Code	Reason
Farron Ridge Red	1.5L Washington	464405	Discontinued by Supplier

Note: All listings are 750ml size unless noted otherwise.

Listing Symbol Codes:

No Code	Regular Listing
L	Limited Distribution
M	Mini Distribution
S	Warehouse Stock
U	Unlisted

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

The Meeting was adjourned at 10:55 A.M.

Merritt D. Long
Chairman

Vera Ing
Board Member

Roger Hoen
Board Member