

The Three-Tier Distribution System

Alcohol is regulated differently because it is not the same as other consumer products. The three-tier system has been serving the American public for decades, helping to create and maintain a competitive, safe and efficient marketplace benefitting consumers.



BREWERIES



DISTRIBUTORS



RETAILERS, BARS
& RESTAURANTS

QUALITY JOBS AND STATE REVENUE

Collectively, the alcohol industry contributes nearly \$40 billion in annual tax revenue to state and local governments from sales and excise taxes on beverage alcohol. The three-tier system ensures that appropriate taxes are collected, all while supporting well-paying jobs — the beer distribution industry alone supports more than 140,000 quality jobs in communities across the country.

CONSUMER CHOICE

Unlike many consumer goods with vertically integrated supply chains, alcohol beverage diversity has never been greater. Consumers benefit by having a variety of choices from the largest international brands to the smallest local brews and everything in between all on the same store shelf, menu and bar tap.

REGULATORY ACCOUNTABILITY AND CONSUMER PROTECTION

The three-tier system maintains a chain of custody from producer or importer to independent distributor to licensed retailer. This ensures product integrity and helps keep alcohol away from minors. This time-tested, transparent and accountable regulatory system helps ensure compliance with and implementation of local laws and the collection of revenue.

ACCESS TO MARKET AND COMPETITION

Distributors play a vital role within the three-tier system, providing efficient access to market for ALL beer brands to ALL licensed retailers, promoting competition and access to thousands of brands, while ensuring consistent product availability and choice for consumers. As a senior administration official recently said¹, “While [alcohol markets] are not perfect, they do give us a sign of how the U.S. economy can be. For example, beer brewing has gone from an industry which consolidated all the way down to 89 breweries in the United States, where there’s now over 6,000² breweries operating in the U.S., and they are regional, they’re competitive, they’re innovative.”

WE ENCOURAGE CONGRESS TO:



Cosponsor H.R. 7105, the STOP Underage Drinking Act. This important legislation recognizes that alcohol is different than other consumer products and is best regulated by the states, consistent with the 21st Amendment. It also highlights the health and safety concerns related to underage drinking and provides funding for states to help address these problems. It was enacted in 2006 and was last reauthorized in 2016.

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¹ Open Markets Institute forum on Anti-Monopoly Reform and Innovation.

² According to Alcohol and Tobacco Tax and Trade Bureau (TTB) data, the number of permitted breweries has grown from around 2,000 to 13,380 over the last 11 years.