

MICHIGAN'S THREE- TIER SYSTEM

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Michigan's Independent Family-owned Beer and Wine Distributors

- 49 local family-owned businesses with deep roots in their communities
- Service more than 19,000 retail locations
- Provide over 5,000 good paying jobs with full benefits – wages average \$60,000
- \$3 billion+ overall economic impact
- Investing in local communities – more than \$3 million in annual donations to local projects and charities

The Three-Tier System Creates Competition, Ensures Safety & a Level Playing Field

- The bedrock of Michigan's alcohol regulatory structure provides three separate and independent tiers of alcohol distribution – the supplier tier, the distribution tier, and the retailer tier
- Entities cannot be licensed or have an ownership interest across tiers
- Prevents vertical monopolies, price fixing, and other anti-competitive behaviors
- Provides for efficient collection of state taxes and ensures safety
- Helps small brewers and wineries by preventing large multi-national companies from monopolizing the market – nearly 400 breweries and 6th in the nation
- Allows small independent retailers to compete with big box stores

The Beer & Wine Aisle vs. Soft Drink Aisle



The Integral Components of the Three-Tier System

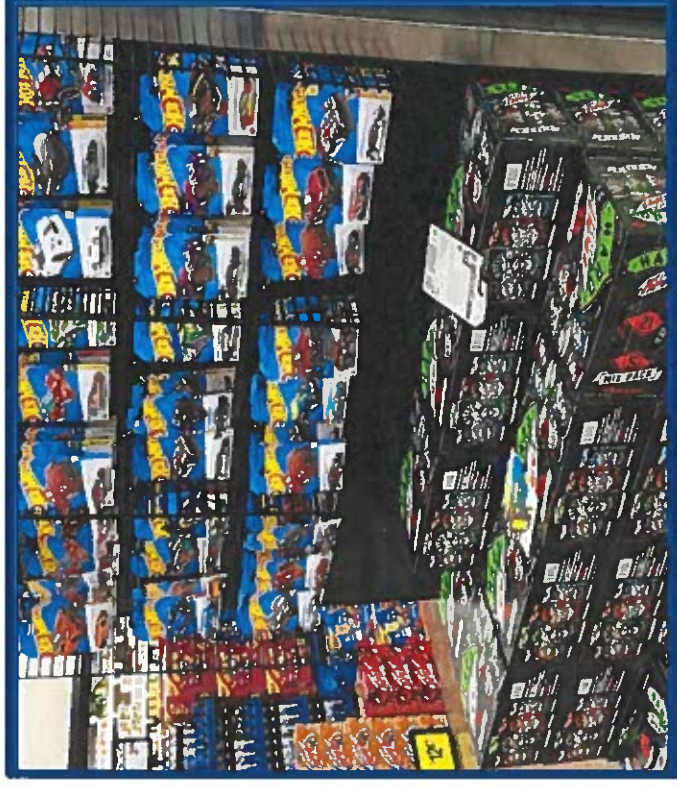
- **The beer & wine franchise laws**
 - Requires just cause and due process to terminate
 - Prevents large multi-national companies from blocking access to market for small breweries and wineries
- **Aid and assistance law**
 - Prevents commercial bribery
 - Provides a level playing field for small breweries, wineries, and retailers
- **Territorial Integrity law**
 - Provides a transparent and accountable supply chain – tax collection, product recalls, and bottle bill
- **Cash law**
 - Prevents creditor and debtor relationship and economic leverage

Michigan's Bottle Bill: It's Time for Investment

- In 1976 Michigan voters adopted a citizen's initiative to create the Beverage Container Act, commonly referred to as the bottle bill
- The bottle bill begins and ends with distributors – initiate the deposit, collect containers from retailers and pay the deposit, transport, process, and recycle all the containers
- Costs continue to rise – more than \$60 million per year
- Originally unclaimed deposits were used to invest in bottle bill infrastructure
- Investment via the “green credit” in the 2000s
- It's time for investment to ensure the sustainability of the bottle bill

On the Horizon for the Industry

- Non-alcoholic beverage companies are entering the beverage alcohol market
- Michigan's new law
- Other states' experiences
- The Three-Tier System works



A Maturing Beer Market

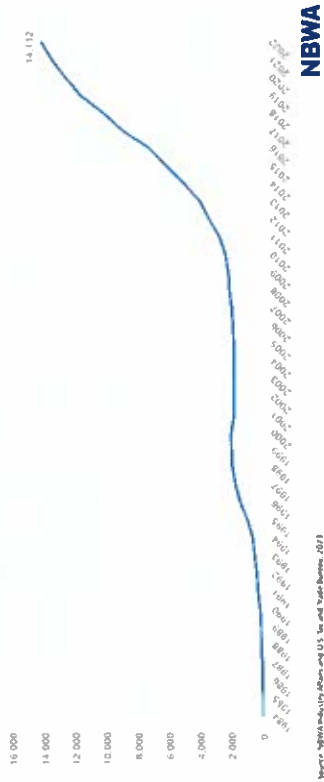
Gallons of Ethanol Supplied Per Capita 21+
U.S. Totals CY 2000 to CY 2021



Source: Compiled by NBWA, 2022
Between 2020 and 2021 = 1 extra drink per person per month

NBWA

U.S. TTB Brewery Approvals
1994 to 2022



Source: NBWA Industry Affairs and U.S. Tax and Trade Bureau, 2023

NBWA