



MICHIGAN'S THREE-TIER DISTRIBUTION SYSTEM CREATES COMPETITION & A LEVEL PLAYING FIELD

The Three-Tier System for distribution of beer and wine is the bedrock of Michigan's alcohol regulatory structure. It creates competition and provides a level playing field for all.

Under the system, a brewery or winery sells to a distributor who in turn sells to a retailer. The law also prohibits one entity from being licensed in or having an ownership interest in another tier.

The Three-Tier System prevents vertical monopolies, price-fixing, and other anti-competitive behavior. It also provides for efficient collection of state excise taxes.

Thanks to Michigan's Three-Tier System and independent family-owned distributors, Michigan is home to over 300 local breweries. Distributors across the state provide thousands of good-paying jobs, and the industry as a whole generates over \$3 billion in economic activity.

Michigan's Three-Tier System helps all brewers and wineries because it provides access to market and competition by preventing large multi-national companies from monopolizing the market. Keeping the three tiers separate creates a level playing field for all, including craft and imported brands, ensuring access to retailers and consumers. This market access has been responsible for the growth of thousands of craft brands across the country and over 300 breweries and 100 wineries right here in Michigan.

An independent distribution tier not owned or controlled by large multi-national brewers or wineries prevents vertical monopolies and ensures that all brands, large and small, have access to the market. Independent distributors are vital to helping small breweries and wineries, including hundreds here in Michigan, get their products on shelves and in bars and restaurants.

Michigan's Three-Tier System also includes other important laws, including the beer and wine franchise laws, territorial integrity, and the prohibition of commercial bribery. The beer and wine franchise laws require reasonable cause for a brewer or winery to terminate a distributor. This critical law ensures that distributors are truly independent and cannot be leveraged by large breweries or wineries to focus solely on their brands. This gives small brewers and wineries an opportunity to grow and thrive.

Additionally, Michigan's territorial integrity law promotes strong inter-brand competition, ensures taxes are paid, and creates a transparent and accountable supply chain. Lastly, Michigan's law prohibiting commercial bribery, commonly referred to as the law prohibiting "aid and assistance," promotes competition and prevents large breweries and wineries with deep pockets from engaging in anti-competitive practices designed to keep small brewers and wineries out of the market.

WE ASK THAT YOU SUPPORT MICHIGAN'S THREE-TIER DISTRIBUTION SYSTEM



MICHIGAN'S BEER & WINE DISTRIBUTORS DRIVE THE ECONOMY, CREATE JOBS, & GIVE BACK

Getting beer and wine to more than 19,000 retail locations across 83 counties on two peninsulas can be a logistical challenge. Michigan's beer and wine distributors meet this challenge every day by investing in skilled workers, state-of-the-art facilities, and cutting-edge technology, transportation, and equipment. These investments create local jobs and help drive Michigan's economy during tough times.

HERE ARE SOME FACTS:



5,100+
people are employed by distributors across the State of Michigan. Wages average **\$60,000**, with full benefits.

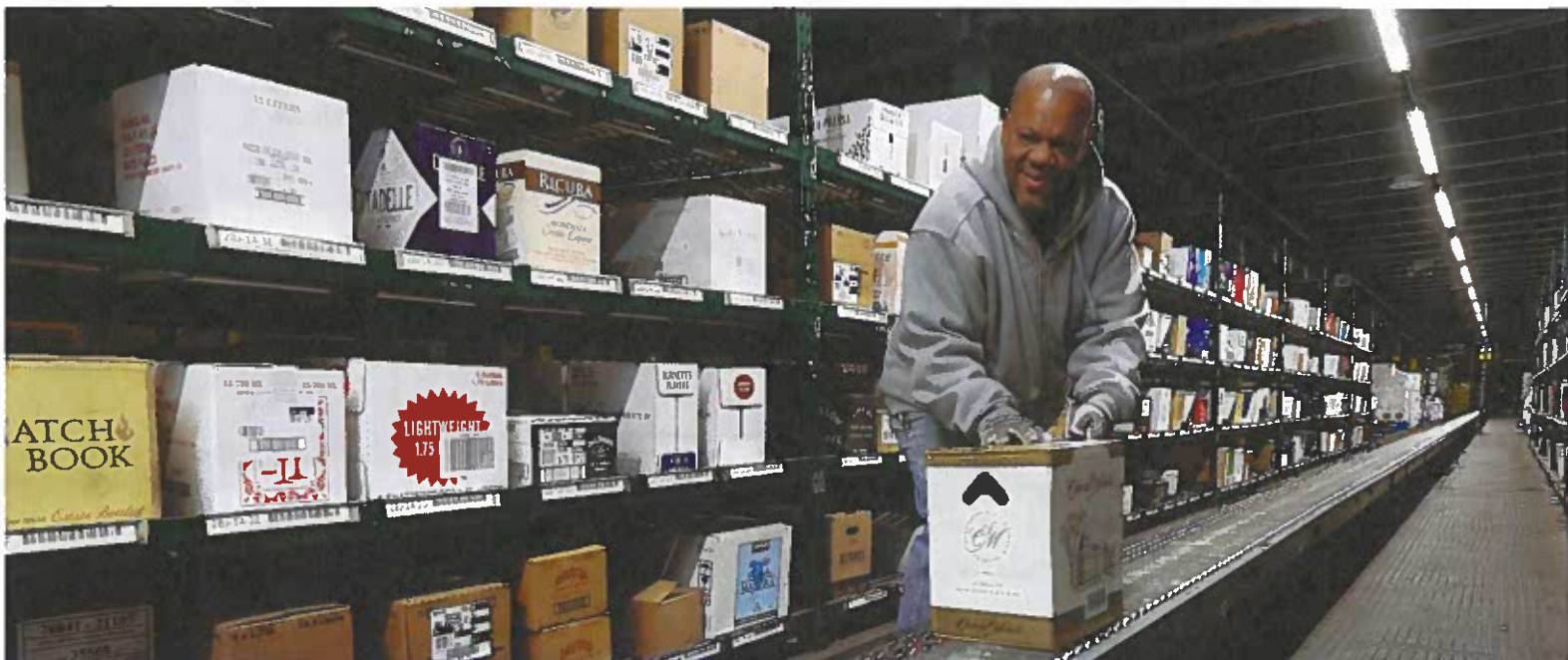


\$3 BILLION+
economic impact helps to drive Michigan's economy.

Distributors are also invested in the success of our local communities. Michigan beer and wine distributors have been fixtures in their communities for decades, often spanning several generations. Whether it is helping to sponsor local youth and recreational sports teams and clubs, revitalizing local parks and recreation areas, or supporting local food banks, distributors give back more than \$3.1 million in annual donations to local projects and charities.

No matter if they are creating jobs, helping build local craft brands, supporting local businesses, or investing in our communities, distributors can be counted on to answer the bell.

WE ASK THAT YOU **SUPPORT MICHIGAN'S BEER & WINE DISTRIBUTORS**



MICHIGAN'S ALCOHOL REGULATIONS DRIVE GROWTH, COMPETITION, & CHOICE

Michigan's Three-Tier System of alcohol distribution is the framework for one of, if not the most, competitive alcohol markets in the country. There are over 1,500 beer producers and over 1,000 wine producers competing for retail shelf space and tap handles in over 19,000 licensed retailers in the State of Michigan, making Michigan the envy of most states. No other industry comes close to that level of competition!

Despite baseless, ideological rhetoric that implies Michigan laws restrain growth and competition, the facts demonstrate that Michigan regulations drive growth, competition, and choice. Michigan's alcohol regulations prevent anti-competitive behavior before it even starts! Unlike other industries that try to repair the damage after competition is locked out, Michigan's regulations create up-front access to an open and competitive market. There are numerous regulatory provisions responsible for this success, including franchise laws, bans on commercial bribery, and anti-tied house laws.

These regulations allow Michigan beer and wine distributors to provide access to market for thousands of alcohol producers. In fact, Michigan is home to more than 300 small brewers and brewpubs and over 100 wineries. This places Michigan fifth in the country for the number of brewers and in the top 10 for the number of winemakers.

Michigan beer and wine distributors provide access to market for small Michigan brewers and wineries, as well as thousands of other producers from across the country and overseas. The average beer and wine distributor markets and distributes brands of alcohol for over 450 beer and wine producers, resulting in well over 10,000 brands finding their way to Michigan retailers.

Michigan is poised to keep growing and launch even more breweries and wineries across the state, and distillers are starting to take hold as well. Distributors stand ready to continue building brands, providing access to market, and creating a vibrant alcohol market that provides Michigan consumers with world-class products to enjoy.

WE ASK THAT YOU SUPPORT MICHIGAN'S ALCOHOL REGULATIONS

The 21st amendment to the United States Constitution gives states total authority to regulate alcohol. While each state has different laws regulating alcohol, most states have a

THREE-TIER SYSTEM

BEER AND WINE IS DISTRIBUTED THROUGH A LICENSED THREE-TIER SYSTEM MADE UP OF:

WHY DOES THIS SYSTEM MATTER? FOR THREE IMPORTANT REASONS:



SUPPLIER

Breweries & Wineries



DISTRIBUTOR

Wholesalers



RETAILER

Restaurants, Bars, & Stores

1

The Three-Tier System **PREVENTS** vertical monopolies and anti-competitive behavior in the marketplace.

2

The Three-Tier System **PROVIDES** a level playing field and access to market for all, including small breweries and wineries. As a result, there are hundreds of local breweries and wineries in Michigan and thousands nationwide.

3

The Three-Tier System **PROMOTES** choice and competition in the marketplace by preventing multinational mega-brewers from having a monopoly on the market through control of retailers.

Other Key Features of the Three-Tier System in Michigan



Beer & Wine Franchise Laws

These laws require just cause and due process before canceling or terminating an agreement between a wholesaler and a supplier.



Territorial Integrity Law

This law ensures a transparent and accountable supply chain for product recalls, tax collection, and enforcement of the Bottle Bill.



Aid & Assistance Law

This law prevents commercial bribery in the marketplace.



Cash Law

This law requires cash payments upon delivery to prevent a licensee in one tier from gaining an unfair economic advantage or control over another.