

Three-Tier System and the 21st Amendment

- Throughout American history, beverage alcohol products have been socially sensitive -- they are the only consumer product subject to two U.S. Constitutional amendments. *The public expects their government to impose reasonable restraints on the marketing and sale of beer, wine and liquor.*
- The three-tier system is a system that has been incorporated in the beer industry consisting of brewers, wholesalers and retailers and it is the product of the 21st Amendment of the U.S. Constitution.
- Because of the unique nature of alcohol and its relationship to the 21st Amendment, the distribution system was uniquely created for alcohol. Under this provision, each state has the right to regulate and control the manufacture, sale, distribution, transportation and storage of alcoholic beverages within the state and the transportation and distribution of alcoholic beverages into and out of the state.
- The State of Iowa has declared that it is its policy to regulate and control this industry and to accomplish this goal the State had developed its own laws and regulations (Iowa Code 123.45 and Chapter 16 Trade Practices).
- The main purpose of the three-tier system is to insulate retailers from direct and indirect control by the brewers, distillers and vintners, by placing an independent wholesaler tier between them.
- *The licensed three-tier system minimizes the amount of state resources needed to regulate industry practices and it maximizes industry compliance.*
- Pre-prohibition days saw the brewers in competition for control of the retail outlets with fierce and tremendous pressure being exerted on retailers to maximize sales without regard to the well being of customers or the general public.
- The policy of the State and the purpose of its restrictions, regulations, provisions, and penalties are for the *protection, health, welfare and safety of the people of the State of Iowa. Other “core” purposes for which the state uses this power include promoting temperance, raising tax revenue, preventing sales to minors, aiding compliance with health and safety regulations, assuring adequate labeling and advertising and promoting orderly market conditions.*
- It is not in the best interest of the citizens of Iowa to have a breakdown in the existing system. It is crucial that a fair and equitable balance be maintained within the beer industry.
- The three-tier system serves the interests of everyone in the value chain: consumers, states and their revenue collectors, local communities, brewers, wholesalers and retailers. Consumer choice would suffer if retailers were owned or controlled by a supplier or distributor, as they would feature only the brands offered by these suppliers and exclude others.
- Iowa beer wholesalers are small businessmen and women who work diligently to uphold the principles of fair business practices, educate the public on responsible consumption of their product, and promote solutions for the underage purchase and consumption of alcohol.