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NEWSLETTER

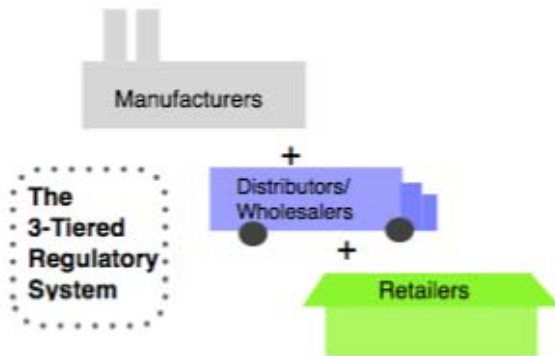
Why should we care about wholesale price restrictions for alcohol?

These are some of the most effective policies available for reduction of binge drinking and alcohol-impaired driving. In a recent article in the American Journal of Preventive Medicine, "Efficacy and the Strength of Evidence of U.S., Alcohol Control Policies," a highly respected team of experts rated 47 different policies on their efficacy and strength of evidence in reducing binge drinking and alcohol-impaired driving among the general population and among the youth population. Only two of the 47 policies were rated higher (alcohol excise taxes and a ban on alcohol sales) than wholesale price restrictions. (Nelson et al / Am J Prev Med 2013 3;45(1):19 - 28, www.ajpmonline.org)

- Post and hold. This is a requirement that wholesalers publish their prices and stick to those prices for a period of time (e.g. 30 days)
- Credit bans. This prevents wholesalers from extending credit to some retailers which can be used as a way to manipulate prices.

Not all states have these policies. For more information visit the Alcohol Policy Information System at www.apis.niaaa.nih.gov.

How did these policies come into being? Before Prohibition, alcohol was virtually unregulated; and, social problems due to alcohol were rampant. National manufacturers controlled the industry and owned retail saloons-called "tied houses" where alcohol was sold. To compete, each national company saturated neighborhoods with multiple outlets. These were often located near factories to attract workers. Aggressive promotions encouraged high volume consumption. After Prohibition, alcohol regulation was structured to ensure that national manufacturers did not control local retailers and that deep discounts and heavy promotion did not induce excess consumption. This was accomplished by establishing three independent market sectors: manufacturer, wholesaler and retailer. Most states prohibit ownership between sectors and some states have restrictions on pricing and promotion at the wholesale and retail level.



So, what the heck are "wholesale price restrictions?" These regulations involve restrictions on price practices that would make cheap alcohol readily available. Cheap alcohol usually increases consumption and problems, particularly among youth. These include:

- Restrictions on volume discounts. Wholesalers are precluded from offering discounts for purchasing in large volume.
- Uniform pricing. Wholesalers must offer the same price to all retailers no matter how large or small.
- Minimum pricing or mark-ups. States that own part or all of the alcohol business usually mark-up prices by some minimum level.

We are losing these policies. We often hear from "free marketers" that these policies impede free trade, are part of the "nanny state" or have no impact. Unfortunately, even regulators don't always understand how they work. Legislators are eager to promote business and judges don't want policies that no one can explain. So little-by-little we are losing them. But, history has a way of repeating itself and some of the aggressive practices are creeping back. We are seeing a saturation of premises that want to sell alcohol: grocery stores, drug stores, "dollar stores", convenience stores, bars, taverns, restaurants and even street "food trucks." As research suggests, this will likely lead to problems.