



WHOLESALE PROTECTION

Alcohol Wholesalers'
Control and Weakening
of the American Wine Market
Through its \$50,000,000 in
Campaign Contribution

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Specialty Wine Retailers Association

SUMMARY

Following the repeal of Prohibition in 1933, most states mandated by law that a “three tier system” be employed for the distribution of alcohol. Producers must sell to wholesalers, who in turn were the only entities allowed by law to sell to retailers and restaurants. Over 70 years later that monopoly granted by the states to the second tier, the wholesalers, remains largely unchanged. The result is a very small group of hugely profitable alcohol wholesalers controlling not only which wines will be distributed in the states, but what legislation will be passed concerning wine distribution.

Today, the wine market itself has changed to the point that it is unrecognizable from just 20 years ago, let alone 70 years ago. Upwards of 5,000 wineries exist in America. Thousands of foreign wines enter the country annually from both “Old World and “New World” wine producing regions. Consumer interest in wine has exploded. And the Internet now provides a highly efficient system for consumers to find the wines they want among the thousands not available at their local retailer. The Internet also allows consumers to efficiently consummate transactions directly with wine merchants and wineries and arrange for delivery. All the conditions are in place for the evolution of a much more dynamic, modern and efficient wine market.

That market is not coming to fruition largely because alcohol wholesalers have shoveled enormous contributions of money into political campaigns designed to protect the wholesaler monopoly. Wholesalers spend millions of dollars to buy access and influence in state capitals across the United States. They have become among the largest contributors to political campaigns in America, often dwarfing the amounts other, larger industries give in individual states. The result has been laws passed in nearly every state that protect the shrinking number of wholesalers from competition, prevent consumer access to the thousands upon thousands of wines now available in the United States and serve to severely impede the growth of the American wine market.

This report details the shocking amount of money alcohol wholesalers in America deploy in order to protect their privileged place in the American economy.



“They [critics of the three tier system] had to get it out of the legislature, because they knew that was our territory”— Victoria Horton, president of the California Beer and Beverage Distributors (1)

If campaign contributions don't influence legislation, then one must ask why American alcohol wholesalers have given \$50,000,000 to state political campaigns between 2000 and 2006. It's possible that the middle tier in the three-tier system of alcohol distribution is simply filled with generous folks. If that's so, if that explains this enormous amount of political contributions, then we must also assume that the demonstrable trend of legislation that favors alcohol wholesalers is only a coincidence. This report on alcohol wholesalers' influence suggests the opposite.

This report explores the main tool of wholesalers, campaign contributions, that is used to influence legislation whenever it's not favorable to their own unique interests. The resulting one-sided laws also turn out to be highly detrimental to the American wine market and the American wine consumer.

IDENTIFYING THE NEXUS BETWEEN ALCOHOL WHOLESALER POLITICAL CONTRIBUTIONS AND LEGISLATION

Assuming American alcohol wholesalers have influence as well as generosity in mind when they contribute substantial amounts of money to state political campaigns, then it is important to identify what those interests are. Wholesalers have made this easy enough to do. In state after state they have used press releases, interviews, lawsuits, testimony before government committees and websites to layout a clear picture of their vital interests. (2)

The Vital Interest: Maintenance of a Strict, State-Mandated Three-Tier System

Of utmost importance to alcohol wholesalers is keeping in place and extending the scope of the state-mandated three-tier system of alcohol distribution that exists in nearly every state. The more stringent this system remains, the more alcohol that must, by law, flow through wholesaler. This contributes to the already enormous profits wholesalers reap as a result of state regulations that limit the options of producers, retailers and consumers by limiting the competition that alcohol wholesalers must face.

The three tier system of alcohol distribution was adopted in nearly every state in the Union after repeal of Prohibition in 1933 because it was efficient in the context of the time and the economy that then existed. The three-tier system mandates that producers of alcohol (the first tier) sell to wholesalers (the second tier) who then sell to retailers and restaurants (the third tier). The three-tier system is supposed to make the state's job of collecting taxes and monitoring the flow of alcohol an easier process. In addition, the state mandates that a wholesaler be in the middle of producers and retailers were put in place as a way to prevent the kind of producer control of retailers and taverns that occurred prior to Prohibition and which often led to unethical marketing practices and an unhealthy control by producers over the industry.

In addition to the monopoly over alcohol distribution that wholesalers have enjoyed for over 70 years, they also benefit enormously from various other favorable regulations in many states, such as:

- *Franchise Laws*: Dictates that producers may not change wholesalers, or terminate a non-performing wholesaler, without substantial monetary payments.
- *Credit Bans*: Laws that require that wholesalers be paid by retailers immediately for products delivered, even though the wholesalers purchase the products from producers on credit.
- *Minimum Mark-Up Laws*: Requirements that wholesalers and/or retailers mark up their wine a specific amount.
- *Bans on Volume Discounts*: Wholesalers are protected from normal trade discounts based on volume purchases.
- *Central Warehousing Bans*: Multi-store retailers are prohibited from buying then storing inventory in one location for later deliver to their various stores, allowing wholesalers to make considerably more profit on unnecessary, but state-mandated extra delivery trips.

The Vital Interest: Prohibition on Direct-to-Consumer Sales

For many years, when there existed competition among numerous wholesalers and when the number of producers of alcohol, particularly wine producers, was smaller, the monopoly and favorable treatment that wholesalers were granted from the state mattered little to the industry and particularly to the consumer. However, over the past 20 years a combination of trends have emerged that demonstrate how the favoritism shown to alcohol wholesalers by state laws has harmed both the consumer and the wine industry.

Proliferation of Products: Over the past 25 years the number of domestic wineries has expanded tremendously. Today, upwards of 5,000 wineries exist in the United States. In addition, thousands of wine brands from other countries are imported into the United States. This explosion of brands has come with heightened consumer interest in wine and should be providing the American consumer with a vast array of choices in wine regardless of where the consumer resides.

Consolidation Among Wholesalers: The past 20 years has seen a remarkable consolidation among alcohol wholesalers. The number of wholesalers has dropped from 5,000 nationwide in 1950 to less than 200 today.⁽³⁾ In some states as few as two wholesalers control distribution of all wine. Texas is a good example. In 1992 there were eight major wholesalers in Texas. Today, two wholesalers control over 95% of the market.⁽⁴⁾

Emergence of the Internet: With the Internet came instant access to information about wine as well as new methods for procuring wines not distributed by alcohol wholesalers and therefore not carried by local wine shops. The explosion of Internet-based wine retailers is best illustrated by visiting Wine-Searcher.com. As of November 2007, Wine-Searcher shows over 900 different U.S. retail outlets that either sold or listed their wines online. Combine these online outlets with the number of wineries that sell or list their wines online and the thousands of possibilities consumers have for finding and obtaining wine becomes clear. This development in access to wine has changed the market drastically. Today consumers can find nearly any wine they want somewhere in the United States as well as compare prices from different retailers and wineries.

This radical change in the composition and nature of the American wine market has created a situation where the diminishing number of wholesalers in a given state can't possibly offer even a fraction of the

wines that are available. Therefore, they can't provide retailers, and thereby consumers, with these wines—a situation that is easily remedied via direct-to-consumer shipping.

American alcohol wholesalers, with few exceptions, have opposed any and all direct shipment of wine to consumers. This makes perfect sense. Every time a winery or retailer sells and ships wine directly to a consumer in another state, the local wholesalers where delivery takes place reap no profit on the sale.

It is in the economic interest of alcohol wholesalers that the increased consumer interest in newly available wines not be satisfied by any means other than through the restrictive three-tier system they dominate. This has led American alcohol wholesalers to oppose at nearly every turn any move to loosen restrictions on direct shipping to accommodate consumer demand and wineries' and retailers' desires to meet that demand.

In state after state, alcohol wholesalers have lobbied to restrict direct-to-consumer shipping and have in large part been successful. The wholesalers have advocated and seen passed a myriad of anti-consumer, anti-direct shipping laws despite the following realities:

- The 2005 *Granholm v. Heald* Supreme Court ruling and Federal Court decisions outlining the unconstitutionality of anti-direct shipping laws the wholesalers themselves lobbied for
- Very sympathetic winemaking industries in 50 different states
- Vocal consumer support for direct shipping,

Among the wine shipping regulations that wholesalers have advocated and seen put in place are:

- Volume limits on the amount of wine consumers may have shipped to them
- Volume limits on the amount of wine consumers may have shipped from a single business
- Limits on the size of wineries that are able to ship wine into states
- Requirements for face-to-face purchases before wine can be shipped
- Complete bans on out-of-state wine retailers shipping into states
- Restrictions on shipping if the winery already has a wholesaler in the state

In the case of each restriction that wholesalers have convinced legislatures to pass, the interests of consumers, retailers and wineries are hurt by diminishing the access consumers have to wine, shutting businesses out of legitimate markets, and causing increases in prices for wine as a result of diminished competition in a given market.⁽⁵⁾

America's wholesalers are well aware that they fight for special protection. In a candid moment at the National Beer Wholesalers Association legislative conference in 2005, the protected position of wholesalers was spelled out by Philip Terry, president and CEO of the Monarch Beverage Co: "The 21st Amendment is the Constitutional amendment that ensures our role in the distribution of alcohol. They [critics of the three tier system] want to make that amendment ineffective, and ***eliminate protections for the wholesaler and the distribution system.***" [emphasis added] ⁽⁶⁾

Even the language employed by wholesalers when they discuss the three-tier system and alcohol regulations indicates their possessive sense that the laws and regulations are theirs and theirs alone. At the same conference noted above, Phil Wayt, executive director of the Washington Beer and Wine Wholesalers Association, discussed the impact of a lawsuit brought by Costco in Washington State and the specific items addressed in the lawsuit in terms of it challenging "our" laws: "On the anti-trust side, these include ***our*** post and hold system; our ban on quantity discounts, ***our*** cash law, our tied house restrictions, ***our***

ban on central warehousing, and **our** uniform pricing requirement. On the commerce clause side, these include **our** ban on interstate shipping direct to retailers.” (emphasis added) (7)

A great deal of ownership is implied with those words. It should be noted that ownership tends to suggest something is bought and paid for.

What is it that sets wholesalers apart from the vast majority of members of the alcohol industry in America and from consumers, who together outnumber wholesalers by huge margins? What is it about the middle tier of the three-tier system that allow it to have its way in the face of opposition by wineries, retailers and consumers?

The answer is obscene amounts of campaign contributions that are only possible as result of the wholesalers’ privileged and monopolistic position in the middle of the three-tier system. The cycle of market domination that American alcohol wholesalers enjoy looks like this:

1. By state mandate and law, the vast majority of wine must pass through wholesalers.
2. Wholesalers gain enormous profits through this state-granted monopoly.
3. Wholesalers shovel tremendous amounts of campaign contributions into the political system.
4. Legislators pass more laws that further protect the wholesaler from competition and profits increase.
5. More wholesaler money is available to invest in political campaigns.

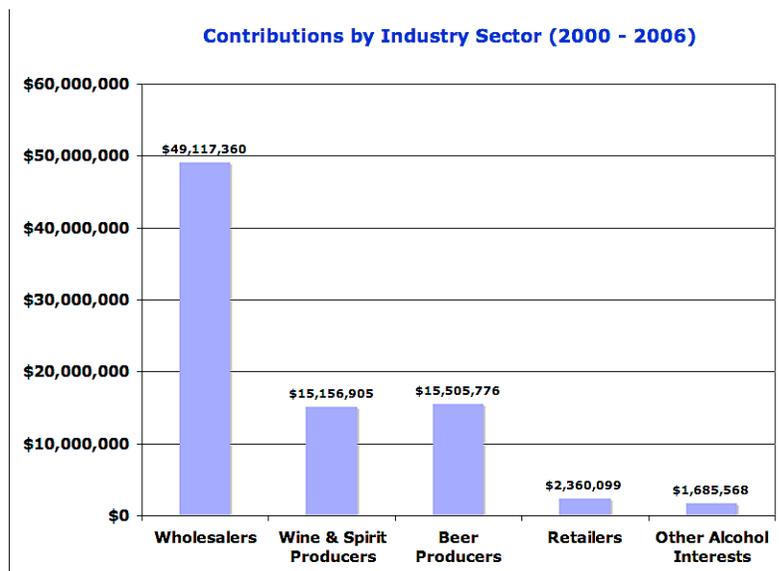
THE SCOPE OF ALCOHOL WHOLESALER POLITICAL CONTRIBUTIONS

What is important to note when considering the scope of alcohol wholesalers’ campaign contributions and their impact is that the number of alcohol wholesalers that exist in America is exponentially less than the number of producers and retailers, both of whom have been clear that they want more direct, though regulated, access to the consumer. (8)

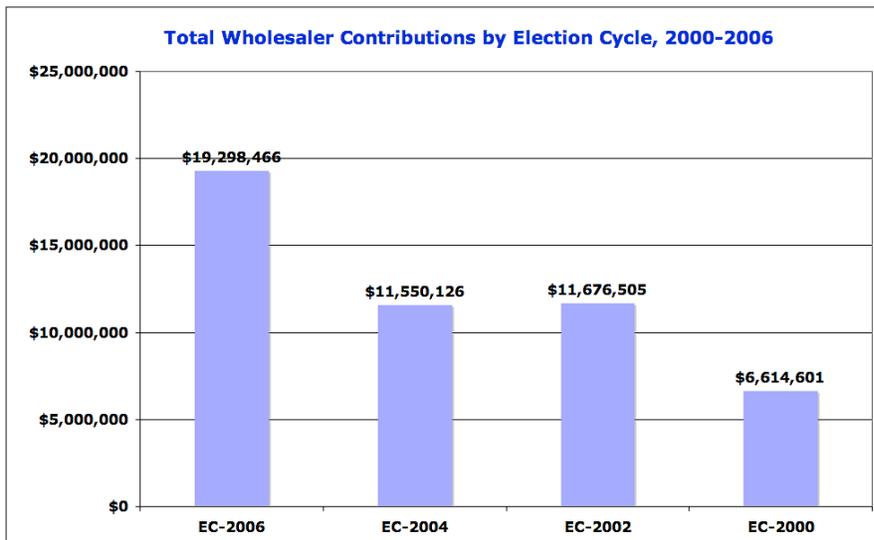
Also to be noted, large beer manufacturers, in league with wholesalers, almost always support legislation and regulations favoring a strict three-tier system and oppose direct to consumer shipping. As with wholesalers, this pits beer manufacturers against the interests of the much larger contingent of small craft brewers, nearly every winery in America, wine merchants and, of course, the American consumer.

National and Aggregate Figures

Between 2000 and 2006 more than \$84 million* was contributed to state political campaigns by the alcohol industry.



* Under the heading of “Alcohol” in the “FollowTheMoney.org database, one finds identified contributions from a combination of interests including primarily restaurants and taverns, but also package stores and retailers. Wholesalers contributions are given a separate category.

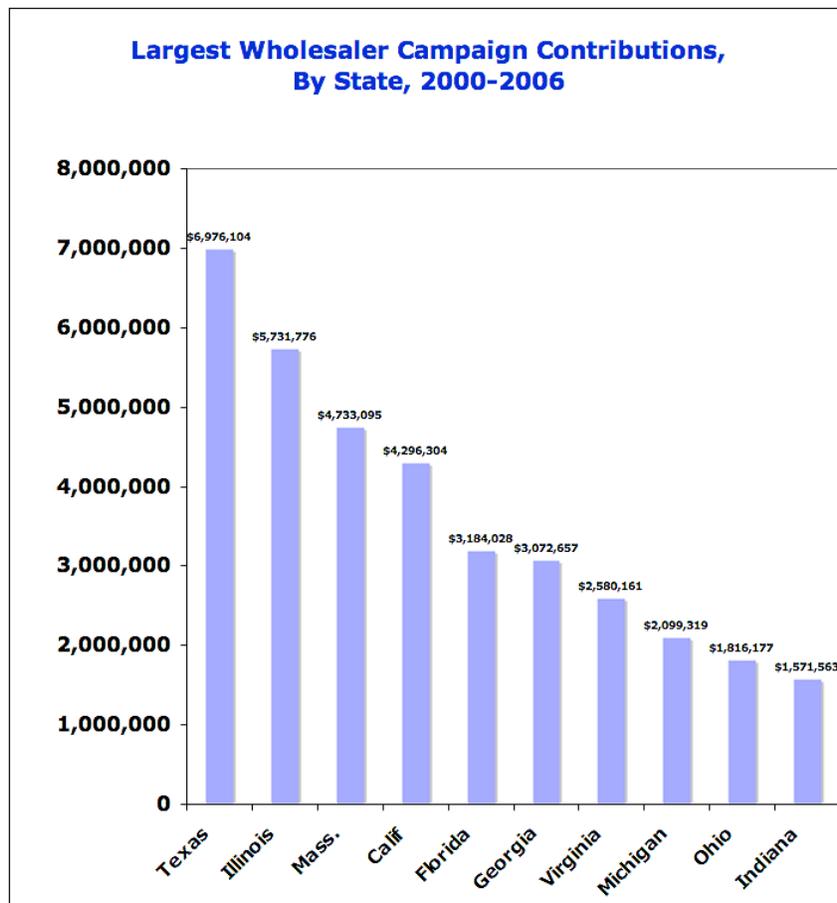


Between 2000 and 2006, alcohol wholesalers contributed over \$49 million of that to state candidates.

This \$49 million is more than was contributed by the beer manufacturers, wine and spirit manufacturers, retailers and bars/restaurants* combined. When one considers that beer manufacturers and alcohol wholesalers both tend to defend the strict three-tier system and both tend to oppose direct-to-consumer shipping with equal

vigor, one finds that 76% of all contributions to state political campaigns between 2000 and 2006 (\$64 million) are from interests that staunchly oppose direct-to-consumer shipping and oppose the interests of the consumer.

Since the year-2000 election cycle, wholesaler's political contributions nationwide have increased significantly. In part this is due to large increases in contributions by wholesaler interests in Massachusetts and Texas. However, the general trend in contributions is generally upward.



State Level Figures

It should be no surprise that wholesalers contribute far more to state campaigns than to national political campaigns. The laws that grant them monopolistic and favored economic conditions are made at the state level, not the national level.

Between 2000 and 2006, campaign contributions originating from wholesalers in just ten states represented over 73% of all wholesaler contributions nationwide. In nearly every one of those states significant anti-consumer and anti-competitive laws supported by wholesalers have been passed by the legislatures:

Total Wholesaler Campaign Contributions

(By State and Campaign Cycle—2000 to 2006)

STATE	2006 CC	2004 CC	2002 CC	2000 CC	TOTAL (2000-2006)
Alabama	\$363,505	\$30,448	\$440,700	\$10,800	\$845,453
Alaska	\$2,734	\$5,370	\$21,944	\$2,460	\$32,508
Arizona	\$126,101	\$32,460	\$50,450	\$45,462	\$254,473
Arkansas	\$62,260	\$34,914	\$31,217	\$38,665	\$167,056
California	\$1,039,278	\$1,673,542	\$1,053,694	\$529,790	\$4,296,304
Colorado	\$27,907	\$7,800	\$44,062	\$5,325	\$85,094
Connecticut	\$79,814	\$40,650	\$116,530	\$68,342	\$305,336
Delaware	\$39,384	\$109,050	\$58,001	\$13,310	\$219,745
Florida	\$1,367,331	\$539,035	\$721,921	\$555,741	\$3,184,028
Georgia	\$1,151,646	\$609,221	\$945,860	\$365,930	\$3,072,657
Hawaii	\$3,307	\$14,646	\$19,715	\$514	\$38,182
Idaho	\$14,375	\$19,450	\$19,460	\$11,416	\$64,701
Illinois	\$1,527,393	\$1,324,861	\$1,821,537	\$1,057,985	\$5,731,776
Indiana	\$203,803	\$678,389	\$449,963	\$239,408	\$1,571,563
Iowa	\$160,250	\$86,800	\$67,025	\$41,825	\$355,900
Kansas	\$60,593	\$51,772	\$44,290	\$38,381	\$195,036
Kentucky	\$116,300	\$90,121	\$73,800	\$46,275	\$326,496
Louisiana	\$65,119	\$238,362	\$17,572	\$0	\$321,053
Maine	\$39,050	\$17,959	\$18,525	\$7,200	\$82,734
Maryland	\$43,134	\$61,162	\$57,471	\$0	\$161,767
Massachusetts	\$4,269,895	\$168,635	\$184,865	\$109,700	\$4,733,095
Michigan	\$613,442	\$453,142	\$610,155	\$422,580	\$2,099,319
Minnesota	\$48,000	\$18,900	\$16,850	\$14,337	\$98,087
Mississippi	\$7,150	\$25,600	\$0	\$0	\$32,750
Missouri	\$22,525	\$75,720	\$40,914	\$72,105	\$211,264
Montana	\$6,110	\$11,172	\$8,360	\$5,425	\$31,067
Nebraska	\$20,388	\$4,472	\$8,671	\$14,041	\$47,572
Nevada	\$131,834	\$124,258	\$159,450	\$224,500	\$640,042
New Hampshire	\$1,400	\$16,150	\$13,910	\$46,425	\$77,885
New Jersey	\$218,113	\$105,233	\$185,045	\$113,433	\$621,824
New Mexico	\$107,668	\$97,197	\$187,226	\$58,275	\$450,366
New York	\$325,980	\$481,698	\$373,680	\$222,134	\$1,403,492
North Carolina	\$140,367	\$292,511	\$156,337	\$192,825	\$782,040
North Dakota	\$4,625	\$15,875	\$8,500	\$10,750	\$39,750
Ohio	\$675,137	\$464,779	\$363,783	\$312,478	\$1,816,177
Oklahoma	\$39,323	\$58,345	\$34,737	\$35,160	\$167,565
Oregon	\$449,581	\$427,594	\$281,693	\$188,131	\$1,346,999
Pennsylvania	\$140,399	\$89,780	\$114,350	\$92,865	\$437,394
Rhode Island	\$58,355	\$56,170	\$32,275	\$10,325	\$157,125
South Carolina	\$189,146	\$127,672	\$172,668	\$171,130	\$660,616
South Dakota	\$20,085	\$12,000	\$8,900	\$5,550	\$46,535
Tennessee	\$217,647	\$182,602	\$270,240	\$142,147	\$812,636
Texas	\$3,551,002	\$1,588,484	\$1,316,110	\$520,508	\$6,976,104
Utah	\$28,825	\$36,050	\$45,065	\$35,760	\$145,700
Vermont	\$6,000	\$10,000	\$10,150	\$8,150	\$34,300
Virginia	\$1,176,127	\$519,687	\$669,386	\$214,961	\$2,580,161
Washington	\$103,675	\$117,862	\$68,225	\$87,120	\$376,882
West Virginia	\$45,650	\$105,200	\$52,700	\$107,200	\$310,750
Wisconsin	\$186,733	\$187,326	\$208,523	\$97,757	\$680,339
Wyoming	\$0	\$0	\$0	\$0	\$0

Texas: Passed prohibition on out-of-state retailers shipping to Texans; limitations on in-state retailers shipping to Texans.

Illinois: Passed prohibition on wine shipping from out-of-state retailers.

Massachusetts: Passed severe restrictions on which wineries may ship; restrictions on winery shipping if already represented by a wholesaler.

California: Passed prohibition on out-of-state retailers shipping into the state.

Florida: Two attempts in two years by wholesalers to restrict the size of the winery that may ship wine to consumers.

Georgia: Passed highly restrictive wine shipping legislation that prohibits any winery with a distributor from shipping and severely limiting the amount of wine any winery may ship into the state annually.

Virginia: Passed legislation prohibiting Virginia wineries from continuing to sell wine directly to retailers and bypassing the wholesale tier.

Michigan: Passed legislation prohibiting out-of-state retailers from shipping into Michigan

Ohio: Passed legislation prohibiting numerous out-of-state wineries from shipping into Ohio and limiting the amount of wine an Ohio consumer may have shipped to them annually.

Indiana: Passed legislation prohibiting out-of-state wineries who also have an Indiana wholesaler from shipping into the state; limited the amount of wine an Indiana consumer may have shipped to them annually; prohibits out-of-state retailers from shipping to Indiana consumers.

Providing context to the enormous amounts of political contributions alcohol wholesalers make on a state-by-state basis is not so difficult when one compares what other industries and interests have contributed to campaigns. For example, in 2006, Texas wholesaler political contributions were greater than the political contributions of all gambling and casino interests, retail interests, food interests and all business services...combined. Texas alcohol wholesalers outspent commercial banks, security and investment interests, the insurance industry and banks and lending institutions. In Massachusetts in 2006, alcohol wholesalers' political contributions outnumber those of all labor unions and outspent all lawyer and lobbyists interests.

It turns out that alcohol wholesalers often outspend numerous ideological and single-interest advocacy interests. For example, alcohol wholesalers in Ohio spent more on campaign contributions in 2006 than the combined contributions of organizations and individuals identifying themselves with the following ideological concerns: Christian Conservative, Human Rights, Liberal Policy Organizations, Anti-Gun Control, Pro-Choice, Gay & Lesbian Rights, Minority and Ethnic Rights, Conservative Policy, Pro-Environment, Foreign & Defense Policy, Pro-Life and Tax Issues.

The Individual Campaign Contributors

Between 2000 and 2006 the ten largest individual political donors among wholesalers and their associations nationwide were responsible for giving more than 32% of all wholesaler-related contributions:

Associated Beer Distributors of Illinois	\$3,231,746
Southern Wine & Spirits	\$2,544,158
Michigan Beer & Wine Wholesalers Association	\$1,719,151
California Beer & Beverage Distributors	\$1,718,067
Wholesale Beer & Wine Association of Ohio	\$1,436,557
Oregon Beer & Wine Distributors/Beverage PAC	\$1,228,111
BG Distributor Partners (TX) *	\$1,060,550
Wine & Spirit Distributors of Illinois	\$1,055,523
New York Beer & Wine Wholesalers Association	\$969,406
Wholesale Beer Distributors of Texas	\$862,599

* (BG Distributor Partners is the PAC representing Glazers and Republic, Texas' two primary wine and spirit distributors)

The vast majority of political contributions are given by the associations that represent alcohol wholesalers. Determining how much an individual alcohol wholesaler has given to political campaigns, however, is difficult. One would have to examine how much a single wholesaler had given to their association's PACs or the associations themselves, depending on how the associations that represent alcohol wholesalers tend to deliver contributions. In addition, individuals who either own or work for particular wholesale companies, as well as their family members, also tend to donate a great deal of money to political campaigns. Identifying which company the individuals are associated with can be very difficult and time consuming,

However, determining which associations contribute to political campaigns and the amounts they contribute is not so difficult given the way campaign contributions are reported.

Largest Contributors State-By-State

Following is a list of the largest political contributors among wholesaler interests on a state-by-state basis for the election cycles 2000, 2002, 2004 and 2006. Largest contributors in a state are only listed if the alcohol wholesale sector as a whole contributed \$100,000 or more during one of the four election cycles in a given state. In some states this criteria was never met. In some states alcohol wholesalers contributed \$100,000 or more during some election cycles, but not all four. For each state listed, the format of the data is the year of the contribution, followed by the identity of the largest alcohol wholesaler contributor, followed in parentheses by the amount contributed by the stated contributor.

Alabama	2006: AL Wholesale Beer Association (\$240,755); 2002: AL Wholesale Beer Association (\$139,500)
Arizona	2006: Hensley & Co. (\$55,000)
California	2006: CA Beer & Beverage Distributors (\$306,414); 2004: CA Beer & Beverage Distributors (891,345); 2002: CA Beer & Beverage Distributors (\$313,403); 2000: CA Beer & Beverage Distributors (\$145,555)
Connecticut	2002: Wine & Spirit Wholesalers Good Government Committee (\$27,628)

Delaware	2004: NKS Distributors (\$30,325)
Florida	2006: Southern Wine & Spirits of Florida (\$364,509); 2004: Southern Wine & Spirits of Florida (\$145,000); 2002: Southern Wine & Spirits of Florida (\$191,657); 2000: Southern Wine & Spirits of Florida (\$130,367)
Georgia	2006: Georgia Crown Distributors (\$272,429); 2004: Georgia Wine & Spirit Wholesalers (\$128,748); 2002: Georgia Beer Wholesales Assoc. (\$148,445), 2000: Georgia Beer Wholesalers Assoc. (\$73,730)
Illinois	2006: Associated Beer Dist. Of IL (\$983,393); 2004: Associated Beer Dist. Of IL (\$708,000); 2002: Associated Beer Dist. Of IL (\$784,909); 2000L Associated Beer Dist. Of IL (\$745,794)
Indiana	2006: Indiana Beverage Alliance (\$101,950); 2004: Indiana Beverage Alliance (\$208,894); 2002: Indiana Beverage Alliance (\$86,000); 2000: Wine & Spirit Wholesalers of Indiana (\$54,989)
Iowa	2006: Iowa Wholesale Beer Distributors (\$68,850)
Kentucky	2006: Mo Mooreman Distributors (\$25,000)
Louisiana	2004: Beer Industry League (\$144,254)
Massachusetts	2006: United Liquors (\$633,419); 2004: Beer Distributors of MA (\$47,485), 2002: Beer Distributors of MA (\$66,740); 2000: Beer Distributors of MA (\$29,100)
Michigan	2006: Michigan Beer & Wine Wholesalers Assoc. (\$574,607); 2004: Michigan Beer & Wine Wholesalers Assoc. (\$389,579); 2002: Michigan Beer & Wine Wholesalers Assoc. (\$485,150); 2000: Michigan Beer & Wine Wholesalers Assoc. (\$262,920)
Nevada	2006: Nevada Beer Wholesalers Assoc. (\$70,709); 2004: Nevada Beer Wholesalers Assoc. (\$48,900); 2002: Nevada Beer Wholesalers Assoc. (\$54,250); 2000: Deluca Liquor & Wine (\$96,500)
New Jersey	2006: Allied Beverage Group (\$94,730); 2004: Allied Beverage Group (\$67,325); 2002: Allied Beverage Group (\$70,475); 2000: Allied Beverage Group (\$50,675)
New Mexico	2006: Premier Beverage Co. (26,618)
New York	2006: New York Beer Wholesalers Alliance (\$189,075); 2004: New York Beer Wholesalers Alliance (\$269,625); 2002: New York Beer Wholesalers Alliance(\$303,681); 2000: New York Beer Wholesalers Alliance (\$205,275)
North Carolina	2006: NC Beer & Wine Wholesalers Assoc. (\$78,067); 2004: NC Beer & Wine Wholesalers Assoc. (\$102,466); 2002: NC Beer & Wine Wholesalers Assoc. (113,937); 2000: NC Beer & Wine Wholesalers Assoc. (\$83,150)

Ohio	2006: Wholesale Beer & Wine Assoc. of Ohio (\$474,041); 2004: Wholesale Beer & Wine Assoc. of Ohio (\$426,441); 2002: Wholesale Beer & Wine Assoc. of Ohio (\$335,406); 2000: Wholesale Beer & Wine Assoc. of Ohio (\$261,264)
Oregon	2006: Oregon Beer & Wine Dist. Association (\$375,711); 2004: Oregon Beer & Wine Dist. Association (\$423,527); 2002: Oregon Beer & Wine Dist PAC (\$256,440); 2000: Oregon Beer & Wine Dist. PAC (\$168,433)
Pennsylvania	2006: Pennsylvania Beer Wholesalers Assoc. (\$87,602); 2002: Pennsylvania Beer Wholesalers Assoc. (\$58,775)
South Carolina	2006: South Carolina Beer Wholesalers Assoc. (\$89,260); 2004: South Carolina Beer Wholesalers Assoc. (\$52,812); 2002: South Carolina Beer Wholesalers Assoc. (\$26,700); 2000: South Carolina Beer Wholesalers Assoc. (\$34,670)
Tennessee	2006: Tennessee Malt Beverage Assoc. (\$82,116); 2004: Tennessee Malt Beverage Assoc. (\$78,252); 2002: Wine & Spirit Wholesalers of TN (\$107,000); 2000: Wine & Spirit Wholesalers of TN (\$69,300)
Texas	2006: B&G Dist. Partners—Glazers & Rep. (\$916,250); 2004: Brown/Dessert Eagle Distributors (\$407,408); 2002: Brown/Dessert Eagle Distributors (\$499,360); 2000: Wholesale Beer Distributors of TX (\$134,813)
Virginia	2006: Virginia Beer Wholesalers Assoc. (\$280,551); 2004: Virginia Beer Wholesalers Assoc. (\$160,062); 2002: Virginia Beer Wholesalers Assoc. (\$209,841); 2000: Virginia Beer Wholesalers Assoc. (\$76,156)
Washington	2006: WA Beer & Wine Wholesalers Assoc. (\$75,550); 2004: WA Beer & Wine Wholesalers Assoc. (\$73,167)
West Virginia	2004: WV Beer Wholesalers Assoc. (\$18,050)
Wisconsin	2006: Wisconsin Wholesaler Beer Dist. (\$29,200); 2004: Wisconsin Wholesaler Beer Dist. (\$26,038); 2002: WOW Distributing (\$34,785)

CONCLUSIONS

The \$50 million America's alcohol wholesalers have contributed to political campaigns from 2000 to 2006 is among the most extravagant amount any single sector within any industry has contributed in the United States. While it might seem this \$50 million must surely have tapped the wholesaler industry to its giving limits, it should also be noted that during that same period American alcohol wholesalers have contributed in excess of \$19 million to federal political campaigns. In addition, alcohol wholesalers incur enormous lobbying costs.

It is impossible, except in the most blatant cases, to determine with certainty if this kind of remarkable political largess has purchased for alcohol wholesalers the unprecedented protection from competition that they enjoy in every state in the Union. However, there is no question that it buys them access to the political process that wine retailers, wineries and consumers simply do not enjoy. As a result, legislators in the 50 states tend to be educated on issues of alcohol, direct shipment of wine and the state of the American wine market by those who are whispering in their ears and helping out with financing their campaigns: wholesalers.

There is little else that can explain the ongoing competitive advantage and protection from competition that wholesalers enjoy. This kind of control would be impossible without the laws that are passed and preserved by legislators that protect wholesalers from competition, hurt the development of the American wine market, stifle consumer choice and increase the price consumers pay for wine.

Even with various Federal Court and Supreme Court decisions going against them, with a wine market that is literally unrecognizable from just 20 years ago, with the continually increasing demand for wines from across the globe, and with a wine consuming public that overwhelmingly approves of direct-to-consumer shipping, alcohol wholesalers have been able to preserve their monopolistic and anti-consumer protections that have been written into law by the very state politicians to whom the wholesalers have given political contributions—to the tune of \$50 million since 2000.

Even in California where the most fanatical wine consumers in America exist and where the laws are concerning wine distribution on unusually liberal, wholesalers were able to push through a law that prohibited Californians from purchasing and having shipped to them wine from out-of-state retailers, a right they had enjoyed for many years. In California, wholesalers contributed \$4.3 Million since 2000. Illinoisans enjoyed the same privilege to have wine shipped to them from out-of-state retailers for 15 years until HB 429 passed in 2007. Illinois alcohol wholesalers showered state politicians with more than \$5.7 million between 2000 and 2006 (including more than \$300,000 between 2004 and 2006 to the sponsors and co-sponsors of HB 429).

This all begs the question how many more consumer rights will be lost and how much more will the American wine market be damaged as special interests control the regulatory environment via enormous campaign contributions?

METHODOLOGY & SOURCES

All state-level political contribution figures used in this report were taken from the publicly accessible database at The National Institute on Money in State Politics' FollowTheMoney.org website. Federal campaign contribution figures were taken from The Center For Responsive Politics' OpenSecrets.Org publicly accessible database.

FOOTNOTES & SOURCES

1. "Panelists at NBWA/Brewers Legislative conference discuss three-tier threats." Modern Brewery Age. http://findarticles.com/p/articles/mi_m3469/is_17_56/ai_n14696737/pg_1
2. Statements of alcohol wholesalers' vital interest in the preservation of the three-tier system and the prohibition on direct-to-consumer shipping can be found in a variety of primary sources:

"From the standpoint of government relations, Southern Wine and Spirits of America is involved at both the federal and state levels, advocating (as well as educating) government and elected officials about the three-tier distribution system and precisely why it is so critical to the U.S. beverage industry's overall performance."
"The Three Tier Distribution System." Southern Wine & Spirits. <http://www.southernwine.com/AboutSWS/SWS3Tier/tabid/98/Default.aspx>

"The strength of state alcohol regulation is the key to a safe and viable system of alcohol control and distribution."
"The American Beer Distribution System." National Beer Wholesalers Association. http://www.nbwa.org/Nbwa/Industry/American_Beer_Distribution.htm

"POSITION:
The three-tier system of distribution has served consumers and states well for seventy years. WSWA is committed to preserving the integrity of the state-based alcohol control system that has evolved under the 21st Amendment, and which is threatened by illegal direct shipping."
"Direct Shipment of Alcohol To Consumers." Wine & Spirit Wholesalers Association. <http://www.wswa.org/public/policy/direct.html>
3. Newkirk & Atkinson, "Buying Wine Online," Progressive Policy Institute (Jan. 2003)
4. Mark Lisher, "Liquor Stores Shaken, Stirred by Distributors' Plan." Austin American Statesman, February 5, 2007
5. "Alan E. Wiseman and Jerry Ellig, "The Politics of Wine: Trade Barriers, Interest Groups, and the Commerce Clause". The Journal Of Politics. Volume 69, Issue 1.
6. "Panelists at NBWA/Brewers Legislative conference discuss three-tier threats" Modern Brewery Age. April 25, 2005. http://findarticles.com/p/articles/mi_m3469/is_17_56/ai_n14696737
7. Ibid
8. "Our Mission." Free The Grapes <http://www.freethegrapes.com/mission.html>
"What We Stand For." Specialty Wine Retailers Association. <http://www.specialtywineretailers.org/standfor.html>

ABOUT SPECIALTY WINE RETAILERS ASSOCIATION.

Headquartered in Sacramento, California, SWRA is a membership organization consisting of brick and mortar retailers, auction houses, Internet-based retailers, wine clubs, and wine-related businesses. For more information see <http://www.specialtywineretailers.org> or call 707-935-4424.

KEY POINTS

1. The state-mandated three-tier system forces nearly all wine in every state to be sold from producer to wholesaler to retailer. Wholesalers completely control what wines are made available to consumers.
2. The number of wholesalers in America has been reduced from thousands to roughly 170.
3. Between 2000 and 2006, American alcohol wholesalers invested \$50 million into state political campaigns.
4. Alcohol wholesalers' contribution to state political campaigns from 2000 to 2006 amount to more than all campaign contributions from beer manufacturers, wine producers, spirit producers, retailers, taverns, bars and restaurants combined.
5. The most generous campaign contributors among wholesaler interests are found in Texas, Illinois, Massachusetts, California and Florida.
6. Wholesalers often contribute more to state political campaigns than far larger industries.
7. Alcohol wholesalers have been successful in their efforts to convince state legislatures to impose restrictions on consumer access to wine in every state, thereby protecting them from competition.
8. The system of alcohol distribution that wholesalers benefit from most and are intent on protecting was put in place over 70 years ago -- long before the explosion in winery producers and imported wines and long before the advent of the efficiency brought by the Internet and direct shipping.
9. Alcohol wholesalers have successfully convinced legislators to restrict consumer access to wine despite the fact that no set of wholesalers in any state can offer a fraction of the wines available to the market.
10. The sense of entitlement with which wholesalers view the area of wine regulations leads them to refer to alcohol laws and regulations as "ours".