

# Is Beer Too Cheap?

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OJJDP National Leadership Conference  
August 22, 2008

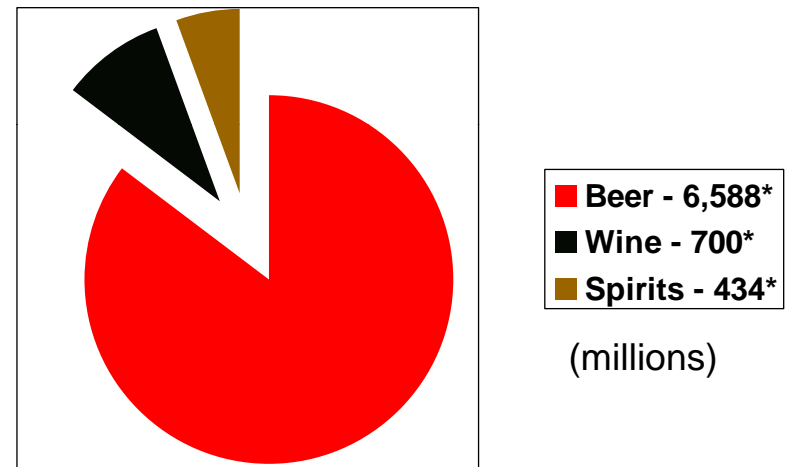


# Beer is the Alcohol of Choice

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## U.S. Market Breakdown:

- 85 percent Beer
- 9 percent Wine
- 5.6 percent Spirits



**More than 6.5 billion gallons of beer were consumed in 2007**

\*Source: The Beverage Information Group, Handbook Advance 2008

# Beer is the alcohol of choice for binge drinkers

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- Beer accounts for 2/3 of all binge drinking
- 74% of bingers drink only beer
- In 2000, almost one in five underage persons aged 12 to 20 was a binge drinker



**Binge drinking is 5 or more drinks for men, four or more drinks for women.**

**Of course, far less than these amounts will make a young person drunk.**

# Beer is the alcohol of choice for underage drinkers

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- 67% of youth ages 18-20 drink beer
- 36% of 12th graders drank beer in last month  
(29% drank alcopops, 34% drank spirits)
- 27% of tenth graders drank beer in last month
- 12.5% of eight graders drank beer in last month

(Source: Monitoring the Future, 2006)

# United States is the cheapest place to buy beer in the world!\*

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- The average 12-ounce beer costs **73 cents**
- Some brands are as cheap as 45 cents
- A quart of milk costs **77 cents** on average



(\*Ok, we are the second cheapest behind Luxemburg, but still.)

# Other cheap “beer” products



Industry invented “flavored malt beverages” (FMBs) for youth market:

- to compete with beer
- to gain lower taxes
- greater retail availability

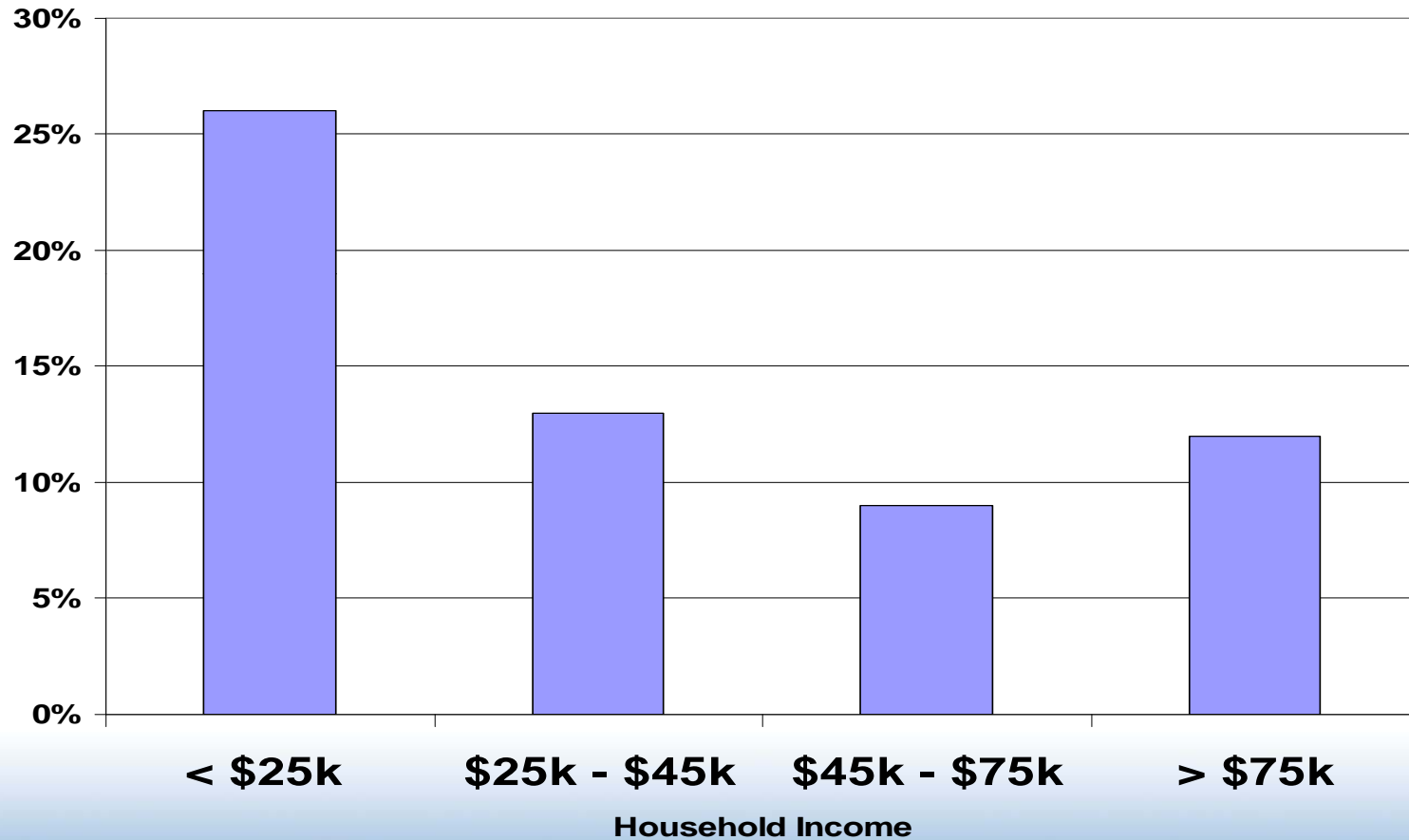
# Malt Liquor - Targeting Populations

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- Average price in 2006 for a six pack of malt liquor was \$3.39, or 57 cents for 12 oz!
- 27% of African Americans  
19% of Hispanics  
11% for Whites  
drank 8 or more drinks of malt liquor in last month
- Colt 45 malt liquor accounted for nearly a third of the exposure of African-American youth ages 12 to 20 to alcohol advertising on radio in 2003-2004 (Source: CAMY)



# People drinking 8 or more malt liquor bottles last month by income



# Top Brands Are Owned by Major Brewers (Percent market share)

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**Miller (21%)**



**A-B (15%)**



**Pabst (14%)**



**Miller (14%)**

**Steel Reserve 211 is named after police code for armed robbery**

# Why is beer so cheap?

## Consolidation of beer market

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Anheuser-Busch and MillerCoors total **79 percent** of beer market !



Recent merger of A-B with InBev will create the biggest global conglomerate

# Why is beer so cheap?

## Corporate tax breaks

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Federal, state, and local governments provide corporations various subsidies, including:

- Water and land use
- Factory pollution credits
- Raw ingredients such as corn, rice, and barley  
(A-B is the nation's number one purchaser of rice)



The alcohol industry spends \$6 billion annually on marketing, all of which is considered a tax-deductible business expense.

# Why is beer so cheap?

## LOW TAXES

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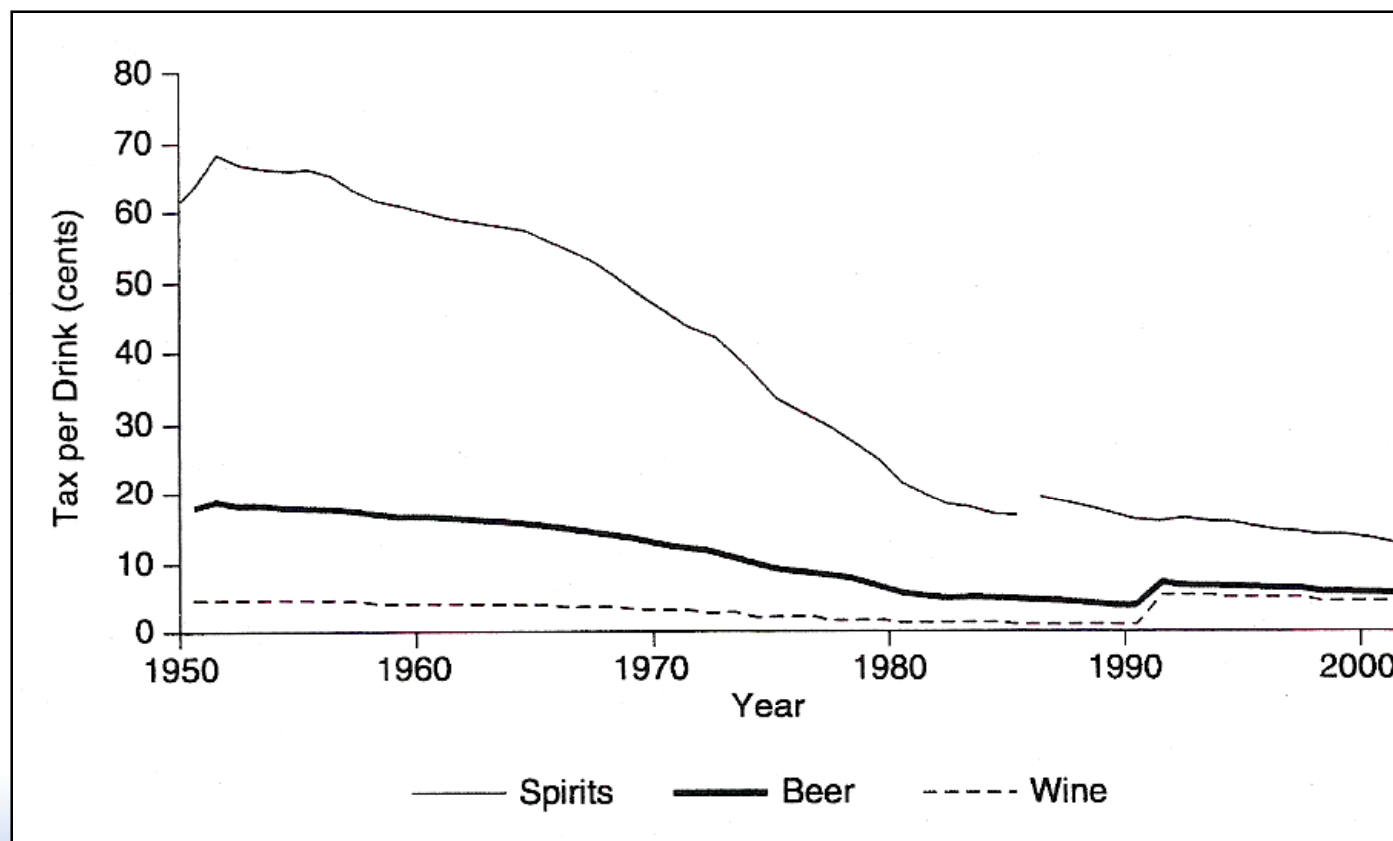
- Federal taxes haven't been raised in over 16 years
- And only once in the last 55 years
- If the beer tax were indexed to inflation, since 1955, the current rate would be \$2.38, more than four times higher than the current rate of 58 cents / gallon.

Industry not only obstructs increases through lobbying and campaign donations, but even tries to roll back taxes:

[www.rollbackthebeertax.com/](http://www.rollbackthebeertax.com/)



# Federal Alcohol Taxes, 1950-2002



# Case study in lowering beer tax

## FINLAND

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In 2004, the government in Finland cut taxes on:

spirits by 44%, wine by 10% and beer by 32%

RESULTS (one year later):

- Alcohol became the **number one killer** in Finland, surpassing heart disease for the first time in the nation's history
- Liver Cirrhosis **deaths increased 30%**
- Alcohol related **deaths increased by 20%**. 7 additional deaths a week

Soaring consumption and alcohol problems have continued;

this year, the government increased spirits tax by 15%,

beer and wine tax by 10%



# US beer taxes v. the world

(hint: the world wins)

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	<b>Fed + CA</b>	<b>UK</b>	<b>Sweden</b>
<b>Beer</b>	<b>.58</b>	<b>4.44</b>	<b>3.59</b>
<b>Wine</b>	<b>1.07</b>	<b>14.09</b>	<b>13.21</b>
<b>Spirits</b>	<b>11.10</b>	<b>64.06</b>	<b>119.96</b>

Beer tax is 5-7 times higher in each of these countries than in the US (even including the average state tax rate).

# Beer tax as percent of price

(the world wins, again)

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Country	Beer Tax as % of Price
USA	5%
France	9%
Italy	11%
Mexico	25%
Sweden	26%
Finland	36%
Japan	47%

In the US, state and federal governments get only 5% of the revenue from alcohol sales. The alcohol industry gets the other 95%.

Taxes cover only 3.7% of the national costs



# Options for higher beer taxes

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- A federal 25 cents per drink increase would generate an additional \$16 billion in tax revenue
- Just keeping up with inflation since the last increase in 1991, we could have raised \$19 billion
- Increased beer taxes are highly effective at reducing underage drinking, traffic fatalities, violent crime, delinquent behavior and alcohol dependence.

# Impact of higher beer taxes

## UNDERAGE DRINKING

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Taxes are particularly effective at reducing underage drinking. Particularly among heavy and frequent underage drinkers:

For example, a minor 50% increase in price from a tax change would reduce:

- Underage drinking by 32.5%
- The number of heavy (more than 9 drinking occasions in last month) underage drinkers by 21%
- The number of youth traffic fatalities by 15.5%



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# Impact of higher beer taxes

## UNDERAGE DRINKING

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Taxes are particularly effective at reducing underage drinking, which accounts for 16%-18% of all alcohol consumption in the US

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# Impact of higher beer taxes

## GENERAL PUBLIC

**About 1/3 of population does NOT drink**

Of those who DO DRINK:

- Average is 3 drinks per week
- Top 20% of drinkers are responsible for 85% of consumption
- Most alcohol is consumed by problem drinkers

Economic impact felt hardly by majority,  
while reducing harm for all



# Joe Six Pack would not be Hurt by a reasonable Beer Tax



In fact, he might be a little healthier...

# Challenges of raising taxes

## INDUSTRY LOBBYING

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- In 2006, the alcohol industry gave federal candidates over \$10 million in federal campaign contributions
- That same year, over \$15 million was spent lobbying.
- The beer industry was responsible for 70% of federal campaign contributions, or \$7 million
- The two largest campaign contributors are the National Beer Wholesalers Association and Anheuser-Busch – together they are responsible for over two thirds of all beer contributions (\$4.6 billion).

# Join the fight against Big Beer

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- Lobby Congress and state legislatures to increase beer tax
- Investigate role of subsidies on raw ingredients and processing
- Get corporations to stop targeting poor communities with malt liquor
- Get corporations to stop lobbying to undermine public health



# Join Marin Institute

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