Fake Alcohol is Rare in the US
by Pamela S. Erickson

Have you ever noticed that there are no stories about counterfeit alcohol in the United States? Yet, it seems to be a major problem elsewhere. In February, the BBC was quoted as saying "Up to a quarter of licensed premises in some parts of the UK have been found to have counterfeit alcohol for sale." It was also noted that alcohol fraud costs the UK about 1 billion pounds per year in lost revenue. (Feb. 15, 2011, "Fake alcohol on sale in many UK off-licenses".) More recently five people died in an explosion at a suspected illegal distillery in the UK, four people died of counterfeit alcohol in Turkey and 21 were killed in Ecuador; and, 22,000 bottles of counterfeit product were confiscated by Chinese authorities.

The United States made policy decisions to put bootleggers and gangsters like Al Capone out of the alcohol business when Prohibition was repealed and those policies are still working today. I was director of a state alcohol regulatory agency in the US for seven years and I don't recall a single case of counterfeit alcohol. Even spoilage occurred rarely—and those products were quickly recalled and pulled from the shelves.

The reason for this situation is our "three-tiered regulatory system." The United States has a closed distribution system which prevents adulterated and contaminated products from reaching the consumer.

In the U.S. we require that alcohol go from a licensed manufacturer to a licensed distributor to a licensed retailer. The businesses in each tier are separately licensed and no manufacturer can own or have a financial interest in a retailer. Many states also prohibit ownership between all three tiers.

Distributors have major regulatory responsibilities. They collect the excise tax on alcohol and are responsible for tracking all products. Because of the tracking system, spoiled or recalled products can be quickly identified and pulled.

As a regulator, I appreciated the fact that these regulations were not expensive to enforce. Because distributors visit retailers regularly, they do notice a product that they did not supply. It is their obligation to immediately report such products to the regulatory agency.

Under this system, it would be very difficult for a retailer to systematically sell counterfeit or untaxed products. And, a distributor is unlikely to jeopardize their license by offering a fake product to a retailer.
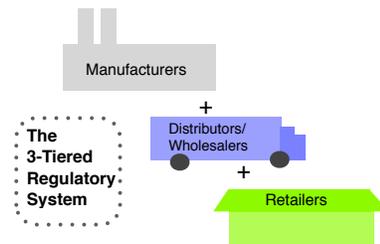
As the United Kingdom and other countries grapple with alcohol regulation, the lessons learned by the United States should be considered by policy-makers. While lost revenue is a problem, the consequences of consuming counterfeit alcohol can be quite serious. Illegal products often contain high levels of methanol. Methanol is not fit for human consumption and can cause blindness or death. Public safety needs to be the first consideration when considering changes to alcohol regulation.

For more information, see
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