



LRO SNAPSHOT

A brief from the Legislative Research Office

October 2023

Get Your Beer Here! A Review of Alcohol Distribution Laws in Nebraska

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Prior to prohibition, the system of alcohol distribution between manufacturers and retailers was generally unregulated in the United States. Alcohol manufacturers often had an ownership stake in the saloons and taverns that sold their product, and brewers would provide retailers incentives to sell their brand or carry it in the bar exclusively. This two-tiered system of “tied-houses” eventually led to abusive practices where retailers faced pressure to maximize sales without regard for public well-being.

The regulation of alcohol distribution in the U.S. has been delegated to states since 1933, but historically, nearly all states have controlled the sale of beer and liquor by employing the “three-tier system”. This regulation scheme inserts an independent distributor (or wholesaler) between brewers and retailers to help curb the problems with tied-house arrangements such as aggressive marketing and sales practices, the loss of tax revenue, and excessive consumption.

Today, states differ with respect to alcohol regulation practices; some states apply the three-tier system but retain government control of part or all of the distribution, while the state of Washington does not require any form of the three-tier system. In Nebraska law, private entities employ both the three-tier system and the self-distribution of alcohol, both of which are regulated by the [Nebraska Liquor Control Commission](#) (LCC).

Manufacturers and Wholesalers

Under the [Nebraska Liquor Control Act](#), both manufacturers and wholesalers of alcohol must be licensed. With a [manufacturer’s license](#), producers may create and store their product and may sell alcoholic liquor to licensed wholesalers in the state and those outside Nebraska as permitted by law. Manufacturers may also sell the beer they brew for on-premises consumption.

Wholesale licenses are split between those who distribute [alcoholic liquor](#) and [beer](#) wholesale. A liquor wholesaler may purchase, import, store, and sell liquor, but not beer (as defined in [§ 53-103.03](#)). In most cases, shippers of liquor grant statewide distribution rights to wholesalers. Conversely, beer wholesalers, in addition to the allowances for liquor distributors, may deliver beer brands but only in the sales territory prescribed in the license for each brand.



Image Credit: BreakingTheWalls, iStock

Liquor distributors must detail separate fees or charges if they wish to deliver, so as to not constitute a thing of value. However, because the statute for beer wholesalers specifically allows for delivery, such distributors may include those costs in the price of the product. When applying for a beer wholesale license, the applicant must indicate the geographic sales area in which they are authorized by the manufacturer(s) to sell their brands ([§ 53-130](#)).

These beer wholesale territories are decided by agreements between manufacturers and wholesalers. In statute, a beer wholesaler’s license will be suspended or revoked by the LCC if the distributor delivers beer to any retail licensee located outside the geographic territory designated on the wholesaler’s license ([§ 53-123.09](#)). The LCC is currently in the process of creating a public map of beer wholesale licensee territories.

In order to maintain economic separation of the three tiers, manufacturers and wholesalers are both disallowed from owning any stake in a retail license itself and from owning any stake in a location where alcohol is sold at retail ([§ 53-169](#)). Also, retailers licensed to sell alcohol will not be issued any manufacturing or wholesale license ([§ 53-171](#)). Additionally, manufacturers may not have any financial, or other, interest in a licensed wholesaler or a location where the wholesale distribution of liquor or beer occurs.



However, an exception exists for beer brewers where they may acquire ownership interest in a wholesaler for two years in the event of their original wholesaler's death, bankruptcy, or loss of license ([§ 53-169.01](#)). Although craft breweries and microdistilleries in Nebraska may not engage in the wholesale distribution of beer, such entities are afforded some limited self-distribution rights.

Craft Breweries and Microdistilleries

Until recently, most forms of alcohol in Nebraska were required to be sold directly from manufacturers to distributors who would then provide the products to retailers. With the passage of [LB1236](#) in 2022, Nebraska craft beer brewers gained limited self-distribution rights to sell their product. A [craft brewer license](#) holder may produce a maximum of 20,000 barrels (620,000 gallons) of beer per year in total. And now, up to 250 barrels (7,750 gallons or 82,500 12-ounce bottles or cans) of that beer may be sold directly from a holder of a craft brewery license to resellers in the state. Though, exceptions include that the beer must be self-distributed outside any areas where the brewer has wholesale agreements, among other restrictions. The LCC recently released additional [guidance](#) regarding self-distribution for craft breweries.

Additionally, in 2023, [LB452](#) was amended into the General Affairs Committee package of bills related to alcohol ([LB376](#)), which provided a [microdistillery license](#) holder the opportunity to sell for resale up to 500 gallons of liquor (out of a maximum of 100,000 gallons manufactured per year) to Nebraska retailers, with similar exceptions as craft brewer license holders. Specific LCC [guidance](#) for microdistillery self-distribution was posted in October 2023. Wine makers in the state, however, have had self-distribution rights for nearly 40 years.

Farm Wineries

Alcohol made from fermented grapes in Nebraska has had a unique system of distribution since the passage of [LB279](#) in 1985, although the first post-prohibition winery in the state wasn't opened until [1994](#). Nebraska's [farm wineries](#) are entities that produce and sell wines - of which at least 60 percent of the finished product is grown in the state (down from the original 75 percent requirement in 1985).

A [farm winery license](#) holder may sell their product themselves both onsite and at off-site retail locations, and since the passage of [LB479](#) in 1997, they may ship wines directly to retailers inside and outside of Nebraska. However, if the annual output of the farm winery exceeds 30,000 gallons, then a licensed liquor wholesaler is required for the distribution of products sold offsite. Wine makers in the state may even sell products to each other in bulk or unlabeled, as long as they maintain a tax record of the sales. Farm wineries are also authorized to sell alcohol outside of its original package (e.g., sangria or wine slushies) for off-premises consumption.

Allowing additional distribution rights, [LB376](#), passed in 2023, was amended to provide that farm wineries may sell beer or other alcoholic liquor, that is produced off-site, for on-premises consumption. Notably, a farm winery may produce and sell hard cider onsite, but any hard cider manufactured at a farm winery must be distributed offsite by a licensed beer wholesaler. Finally, no farm winery is authorized to produce more than 50,000 gallons of wine per year ([§ 53-123.11](#)).

Last Call for Alcohol

The LCC [December 2022 Month End Revenue Report](#) details the total annual gallons distributed by wholesalers and created by producers. In 2022, over 42 million gallons of beer were distributed by beer wholesalers and more than 1.6 million gallons of beer and hard cider were produced by Nebraska breweries and farm wineries. Through nine months in [2023](#), beer [direct shippers](#) have distributed over 2,500 more gallons of product than in all of 2022.

The long-standing landscape of alcohol distribution in Nebraska has recently shifted due to newly established, albeit limited, self-distribution rights for craft breweries and microdistilleries. For geographical reference, the Legislative Research Office recently produced maps detailing the location of Nebraska's licensed [breweries](#), [distilleries](#), and [farm wineries](#). Please contact the Legislative Research Office for all of your legislative research needs.

Total Gallons of Alcohol Produced and Distributed in Nebraska

	Beer		Spirits		Wine	
	2022	2023 (Jan-Sep)	2022	2023 (Jan-Sep)	2022	2023 (Jan-Sep)
Wholesale	42,736,646	31,578,330	4,587,163	3,422,516	3,358,649	2,294,669
Producer	1,654,769	1,195,070	36,158	26,902	90,065	79,525
Direct Shipper	1,340	3,874	918	849	137,340	124,418

Source: Nebraska Liquor Control Commission, [Month End Revenue Report](#)