

SOUTHERN BEVERAGE CO., INC.
Rich/and, MS 39218 Jackson, MS 39215-1349

Theo P. Costas, Jr:
PRESIDENT

August 7, 2003

Attn: TTB Notice No.4
Chief, Regulations and Procedures Division
Alcohol and Tobacco Tax and Trade Bureau
P. O. Box 50221
Washington, D.C. 20091-0211

Dear Sir or Madam:

Southern Beverage Company supports the proposed rule issued in March, 2003 by the Tax and Trade Bureau (TTB) that outlines the alcohol content requirements in order for flavored malt beverages (FMB) to be classified as beer. Specifically, the TTB proposes that for an FMB to be classified as beer, its alcohol content from distilled alcohol cannot exceed 0.5%.

Beer is a unique product that has been regulated and taxed differently than other alcohol beverages throughout our nation's history. The TTB proposed rule is consistent with the historical interpretation of what constitutes beer and other malt beverages.

The TTB regulation will clarify and ensure the integrity of beer and contribute to the long-term viability of the FMB category. This proposed rule would help maintain an orderly marketplace and avoid costly and confusing disruptions in state licensing, taxation and distribution policies.

Beer is not a distilled spirits. Beer is not fortified wine. Beer is not a product that has been made through the distillation process. Beer is a product produced through the brewing process, and the TTB proposal further strengthens the integrity of beer by differentiating malt-based products in a simple, easily understandable way. The distinct regulatory treatment of beer is based on its age-old production process, and its definition in the Internal Revenue Code dates back to the 1800s when Congress first imposed the beer excise tax. Consistent regulatory policy is important because while states enjoy regulatory power over alcohol, most follow federal regulatory guidelines.

Once again, Southern Beverage Company encourages the TTB to give final approval to the proposed 0.5% standard on FMBs.

Sincerely

Theo P. Costas, Jr.
Principal