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NORTHWEST BEVERAGE, INC.

419 Pennington Ave. South • R 0. Box 575• Thief River Falls, MN 56701 • (218) 681-1735 • Fax (218) 681-4913

September 9, 2003

Attn: TTB Notice No. 4
Chief, Regulations and Procedures Division
Alcohol and Tobacco Tax and Trade Bureau
PO Box 50221
Washington, D.C. 20091-0221

Dear Sir or Madam:

Northwest Beverage, Inc. supports the proposed rule issued in March of 2003 by the Tax and Trade Bureau (TTB) that outlines the alcohol content requirements in order for a flavored malt beverage (FMB) to be considered a beer. The proposal made by the TTB is that for a FMB to be classified as a 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 alcoholic beverages throughout our history. The TTB proposed rule is consistent with the historical interpretations of what constitutes a beer and other malt beverages. The 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. Adoption of the TTB "0.5 by volume standard" would ensure the integrity of beer and the brewing process.

Consistency in our regulatory policies is important because while states have the regulatory power over alcohol, most states follow federal guidelines. This proposed rule would help maintain an orderly marketplace and avoid costly and confusing disruptions in state licensing, taxation and distribution policies, all of which would present hardships to small wholesalers such as ours.

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Equating beer and beverages which derive a majority of their alcohol content from distilled spirits could cloud the distinctions between beer and products with higher alcohol content. These distinctions have an important impact on state and federal policies regarding the regulation and taxation of beer and other alcohol beverages.

If traditional distinctions disappear, it will only be a matter of time before other producers of alcoholic beverages attempt to categorize themselves as beer products.

Beer is not distilled spirits, fortified wine or made through the distillation process. Beer is made through the brewing process. The 0.5 % standard must remain to ensure the integrity of beer.

Once again, Northwest Beverage, Inc. encourages the TTB to give final approval to the proposed 0.5 % standard on FMBS.

Sincerely,

Steve Kloety
Salesman

Bc: NBWA