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GROCERY MANUFACTURERS OF AMERICA
MAKERS OF THE WORLDS FAVORITE BRANDS OF
FOOD, BEVERAGES. AND CONSUMER PRODUCTS

October 21, 2003

Attn: TTB Notice No. 4
Chief, Regulations and Procedures Division
Alcohol and Tobacco Tax and Trade Bureau
1310 G Street, NW
Suite 200 East
Washington, D.C. 20091-0221

Dear Sir or Madam:

The Grocery Manufacturers of America supports the proposed rule recently issued by the Tax and Trade Bureau in TTB Notice No. 4 of March 2003 regarding the alcohol content of Flavored Malt Beverages ("FMB's"). This rule would require that no more than 0.5% of the alcohol content of FMB 's be derived from distilled alcohol in order to be classified as "beer."

The Grocery Manufacturers of America is the world's largest association of food, beverage, and consumer product companies. With U.S. sales of more than \$460 billion, GMA members employ more than 2.5 million workers in all 50 states. The organization applies legal, scientific, and political expertise from its member companies to vital food, nutrition, and public policy issues affecting the industry. Led by a board of 42 Chief Executive Officers, GMA speaks for food and consumer product manufacturers at the state, federal and international levels on legislative and regulatory issues.

The proposed "0.5% standard" for FMBs is consistent with the historical interpretation by Federal regulatory authorities of what constitutes beer and other malt beverages. These historical standards take into consideration that ancient brewing process for beer that has resulted in the unique regulation and taxation of beer in contrast to other alcohol beverages.

The proposed rule is also important because it gives states guidance on how to classify these products. While states have traditionally had independent regulatory power on how to classify alcoholic products, they have followed Federal policy in their decisions related to taxation, licensing and distribution of alcohol. Federal leadership in this important area will likely be followed at the state level and will work to maintain an orderly marketplace. This is important to our members because it will help prevent disruption in

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the market that could cause confusion and extra regulatory compliance costs. For example, without the proposed federal standard, the same product may ultimately be sold as "beer" in one state and "distilled spirits" in another.

Once again, we reaffirm our support for the "0.5% standard" for FMBs and urge its final adoption in near future.

Sincerely,

Susan M Stout
Vice President, Federal Affairs