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Dedicated to the
Best Interests of the
Brewing Industry

October 21, 2003

Chief, Regulations and Procedures Division
Tax and Trade Bureau
PO Box 50221

OFFICERS Washington, D.C. 20031-0221

Kim Jordan, Chairman
New Belgium Brewing Company RE: TTB Notice #4
Fort Collins, CO

Gary Fish, Vice Chairman Dear Sir or Madam:
Deschures Brewery, Inc.
Bend, OR

Charles Lawson, Secretary/Treasurer The Brewer's Association of America, a 62 year-old trade association
The Lion Brewery, Inc. representing the interests of more than 1,400 small American
Wilkes-Barre, PA

breweries, supports the proposed standard of composition for Flavored
Daniel Bradford, President Malt Beverages ("FMBs"), as set forth by the Tax and Trade Bureau

BOARD OF DIRECTORS (TTB) in TTB Notice No. 4 of March 2003.

Fritz Maytag

Anchor Brewing Company This proposal is essential to the beer industry as it clearly delineates
San Francisco, CA the difference between beer and other alcohol beverages, requiring

Jim Koch that the alcohol content in FMBs derived from distilled alcohol not
Boston Beer Company exceed 0.5% be classified "beer."

Boston, MA in order to as : "beer"

Steve Hindy

Brooklyn Brewery, Inc. The United States has, in the past quarter of a century, experienced a
Brooklyn, NY revival in the brewing industry, from a low of 41 breweries to today's

Nick Mart

F.X. Matt Brewing Company high of more than 1,400 breweries. The revival is predicated on
Ulster, NY renewed commitment to traditional processes and beer styles. This

John Hail dedication to the art of beer has produced extensive investment in

Goose Island Brewing Company small businesses and the emergence of a group of consumers who
Chicago, IL

appreciate the unique qualities of beer. Many of our customers do

Richard Doyle

Harpoon Brewery understand the attributes of beer and the consequences of this
Boston, MA rulemaking process.

Alan Newman

Magic Hat Brewing Company The perception of the general public is that beer is a beverage with
Burlington, VT malt flavor and hop bitterness, flavor and aroma small brewers

Wynne Odell may

Odell Brewing Company currently produce flavored malt beverages that have these

Fort Collins, CO characteristics. The products currently classified as FMBs and recently

Lawrence Miller analyzed by TTB display none of these characteristics, and should not

Otter Creek Brewing, Inc. be considered or taxed as beer. The manner of FMB

Middleberg, VT production

described in Notice No. 4 avoids many of the costs associated with the

Fred Bowman

Portland Brewing Company volume demands of beer production and storage, and enjoys an unfair
Portland, OR competitive advantage over traditional and craft brewers, based on the

Martin Kelly regulations.

Pyramid Breweries, Inc.

Seattle, WA

Ken Grossman

Sierra Nevada Brewing Company

Chico, CA

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Continued success in the small brewing industry requires maintenance of an even playing field for all industry members claiming to produce beer or other malt beverages. Our association regards this proposed rule as a critical step towards consistent classification of alcoholic beverages. An orderly marketplace and consistency of laws and regulations establishing alcohol beverage categories are primary concerns of the brewing industry.

The industry stands united in support of the proposed regulation. Along with substantial numbers of wholesalers, a large number of brewery owners, from large and small breweries, have written in support of the proposed regulation. Numerous retail associations have also concurred.

The TTB proposal asks for comment on alternative standards, such as whether the standard should be less than 50 percent of the final alcohol derived from spirits addition. This alternative limit would create a huge disruption to state governments who currently have regulations mirroring the federal standards. TTB has correctly analyzed state laws and regulations, and the 0.5% standard appears to eliminate the need for changes in a majority of states. As of this writing nearly half of the state regulatory agencies have written in support of the proposed regulation.

Furthermore, any alternative to the TTB proposal will likely trigger disruptive state legislative and regulatory actions. These measures could have significant ramifications for the more than 1,400 small breweries and for thousands of alcohol beverage licensees, most of which are also small businesses.

The beer industry has undergone a major revitalization in the past twenty-five years, with smaller breweries and brewpubs employing tens of thousands of people found in every state, every major metropolitan area, and many small towns. These smaller players often rely on the goodwill and patronage of a single community or smaller geographic area. As such, they are typically more exposed to economic fluctuations, as they are at risk not only from national downturns but local and regional declines as well. This is a sector of the alcohol beverage industry that the federal government should foster and protect.

We reaffirm our association's support for the proposed "0.5% standard" for FMBs. Its consistency with historical interpretations of

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federal regulations will help maintain an orderly marketplace and the integrity of the beer category.

Sincerely,

Daniel Bradford
President