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Sept 19, 2003

Mr. William Foster
Chief
Regulations and Procedures Division
ATTN: Notice No. 4
Alcohol and Tobacco Tax and Trade Bureau
Post Office Box 50221
Washington, D.C. 20091-0221

RE: Notice No.4, TUB Proposed Rulemaking, Flavored Malt Beverages and Related Proposals

Dear Mr. Foster:

I write as owner of Trausch Dist. CO. to oppose Alcohol and Tobacco Tax and Trade Bureau ("TTB") Notice No. 4, which would severely limit the use of flavors containing alcohol in flavored malt beverages, also referred to as FMBs. Instead, my company supports the more reasonable majority standard that would allow such flavoring materials to contribute up to 49% of the alcohol content of an FMB.

I operate a distributorship in Wisconsin, and FMB sales currently constitute a substantial portion of my annual sales. In order to achieve sales success, I have invested substantial amounts of capital and resources to carry the type and variety of FMB products that my retail customers want.

The regulatory changes proposed in Notice No. 4, however, threaten my FMB business. Virtually all FMBs today derive a majority of their alcohol content from flavors. Notice No. 4 proposes to drastically change long-standing federal policies, that have permitted the use of a wide range of flavoring materials in FMBs by limiting the alcohol contribution from these ingredients to less than 0.5% alcohol by volume. Should this unprecedented change in regulatory policy go into effect, my FMB suppliers will be forced to make changes that will inevitably harm my business.

First, should any of my FMB suppliers continue to use their current FMB formulas, Notice No. 4 will require that their products be reclassified as distilled spirits. As a beer distributor, I would lose all revenues from those FMB brands, as well as my investment in their promotion, because I cannot carry distilled spirit products under my state license.

Second, even if some FMB suppliers can change their formulas to comply with the proposed 0.5% standard, it is unclear whether brewers of many popular products can reformulate and achieve taste profiles similar to those enjoyed by consumers today.

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reformulate and achieve taste profiles similar to those enjoyed by consumers today. Reformulation will also require investment in expensive technologies and treatment procedures, and no one yet knows what effect these changes will have on the price of FMBs. In addition, it is uncertain what impact the proposed standards will have on the ability of manufacturers to create new FMB products in the future. Without question, FMB manufacturers have been able to produce popular and profitable beverage products under TTB's current FMB policies. Should the proposed 0.5% standard result in product changes that cause consumers to reject FMBs, at best, my sales volume for FMBs would decline sharply and at worst, I could lose my ability to sell FMBs at all.

While Notice No. 4 claims that the proposed 0.5% standard is necessary to prevent consumer confusion, TTB's proposed rulemaking does not present any evidence that demonstrates the need for a radical change in the formula policies for FMBs. In addition, Notice No. 4 states that federal law would support a more reasonable standard that would allow less than 50% of the alcohol content of an FMB to be derived from flavoring materials and other ingredients containing alcohol. This "majority" standard is a responsible and rational compromise, as it will achieve the goals of national uniformity and market stability, while preserving the market for all current brands.

As TTB's final rules will determine the future of all FMBs and those businesses that rely on the viability of this beverage category, I strongly urge TTB to adopt a majority standard rather than its current proposal.

Sincerely,

Stan Gorius
Vice President
Trausch Dist. Co.

bc: mike's hard lemonade