



JUNE 2009

Food Safety Enhancement Act of 2009 – Despite the demands of the serious economic challenges and ambitious policy reform agenda confronting the new administration, a succession of food safety episodes has strengthened the resolve of policymakers to renew the food safety policy reforms advanced during the 110th Congress, and enact far-reaching legislation in the near term. The House Energy and Commerce Committee responded with a lengthy legislative proposal for reforming the nation’s food safety network known as the Food Safety Enhancement Act of 2009 (FECA).

Important objectives in the bill are already met or exceeded with regard to beverage alcohol by existing federal statutes governing brewers, beer importers, distillers, wineries, wholesalers, and other members of the industry. The original legislation would have imposed new requirements enforced by the Food and Drug Administration (FDA) that would clearly duplicate the authority and activities that the Treasury’s Alcohol and Tobacco Tax and Trade Bureau (TTB) has carried out for more than 75 years. Beer Institute staff, in concert with other industry allies, were successful in inserting language into the legislation that reflects the fact that the alcohol beverage industry is already subject to laws and regulations that exceed the standards of the Food Safety Enhancement Act on issues such as traceability, product testing, labeling, and legal authority to address tainted or illegally produced products. The language also clarified that the TTB regulatory system will remain in place for alcohol beverages, avoiding duplicative regulation. The language gives clear direction from Congress: the FDA and TTB can continue to carry out their responsibilities as they have for over seven decades. The amended bill must now be approved by the full House of Representatives, after which it will be sent to the Senate.

Federal Excise Tax Fight – As reported in the last BI Update, the Senate Finance Committee released a list of options to help pay for the administration's health care package which included a 150% increase in the federal beer excise taxes. That increase would equalize the beer, wine, and spirits tax rates at a single rate of \$16 per proof gallon, so the proposal has implications for the entire alcohol beverage industry. Beer Institute and member company staff worked diligently to educate members of the Senate Finance Committee about the devastating effect such an increase would have on jobs related to the beer industry, the economic contribution of the beer industry, and the regressive nature of beer excise taxes. Beer Institute staff coordinated meetings and calls into the offices of members of the Senate Finance Committee. Brewers and hops and barley growers from across the country traveled to Washington, D.C. to meet with their Senators or made calls into their Senate offices. As a result of these efforts, we are cautiously optimistic that the final Senate bill will not include a federal beer excise tax increase. Given the cost of various health care proposals now under consideration, as well as record federal deficits, tax proposals will be actively considered throughout the current session of Congress.

State of the Industry Year-To-Date – The combined impact of a slowing economy, three fewer trading days in the first five months of 2009, and an extremely wet spring across the most of the country has left the US malt beverage industry with fewer barrels in 2009. Through May of 2009, the total US malt beverage industry is estimated to be down 1.9% for a loss of over 1.6 million barrels compared to the same period in 2008. Domestic beer volumes fell 0.9% for a drop of 700,000 barrels. Imported beers continue to decline as well and are estimated to be down almost 8.2% through May. Additional industry data is available on the Beer Institute website under Research Section.

Industry Performance YTD – May 2009

(1,000s of 31 gallon barrels)

	YTD 2008	YTD 2009	Percent Change	Volume Change	Share of Market
Domestic Tax Paid	77,151	76,446	-0.9 %	-705	87.5%
Imports	11,868	10,894	-8.2%	-973	12.5%
Total	89,019	87,340	-1.9%	1,678	100.0%