



PROPERLY CLASSIFYING AND TAXING ALCOPOPS: A Position Paper of Drug- Free Action Alliance

DRUG-FREE ACTION ALLIANCE POLICY STATEMENT:

Alcopops have been classified by the state as beer for tax and regulatory purposes. Drug-Free Action Alliance urges the State of Ohio to classify alcopops as mixed beverages, thereby helping to prevent underage drinking in Ohio.

ALCOPOPS ARE NOT BEER

Alcopops are sweet, alcoholic beverages that are often described as a cross between alcohol, fruit juices, and soft drinks. Many of them are very sweet and mimic the taste of familiar non-alcoholic beverages like lemonade, teas and fruit drinks. They go by many generic names such as: flavored malt beverages, malt alternatives and flavored alcoholic beverages. Common examples of alcopops include: Mike's Hard Lemonade, Mike's Malt Cocktails, Smirnoff Ice and Bacardi Silver.

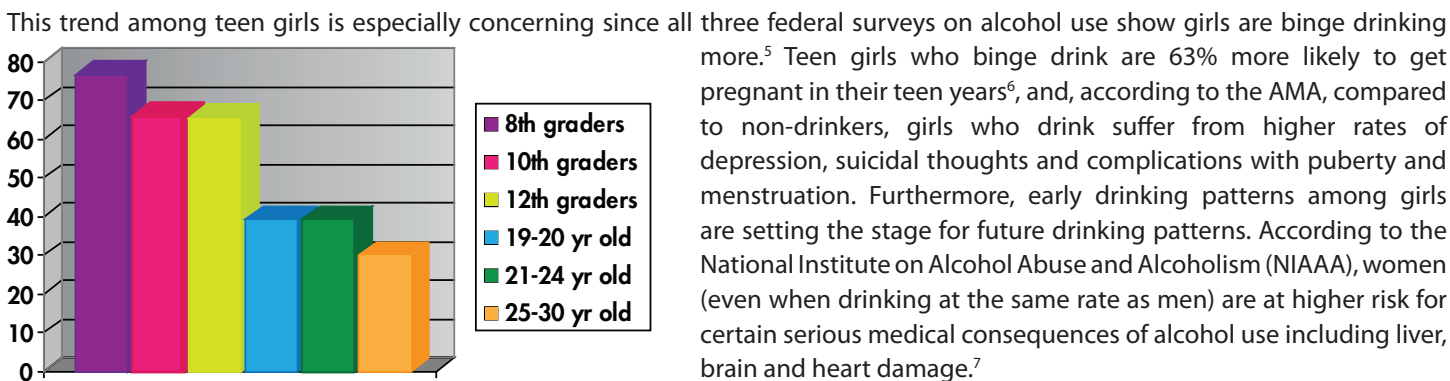
Products whose alcohol is derived from fermentation of malt (rather than distillation) are taxed at lower rates and have fewer limitations on marketing, and location and hours of sale. In order to claim alcopops are malt beverages in the U.S., manufacturers start with beer as part of the base, a practice not implemented in many other countries since there are no regulatory advantages for doing so.¹ However, alcohol brewed from malt has a distinctive taste that is difficult to mask. Therefore, the taste and color of the beer, as well as most of the alcohol, is removed and flavored distilled alcohol is then added. The final product has little resemblance to the beer used as the base. In fact, in a 2003 study conducted by the United States Alcohol and Tobacco Trade and Tax Bureau (TTB), 92% of the 114 alcopops tested had 75% or more of the alcohol content derived from flavored distilled spirits additives.²

Ohio's definition of beer does not include any beverages that mix beer with distilled spirits. The definition of mixed beverages is the best match for alcopops, since this category includes products obtained by mixing ". . . distilled spirits with, or over, carbonated or plain water, pure juices from flowers and plants, and other flavoring materials," and are under 21% alcohol by volume. (ORC 4301.01).³

ALCOPOPS AND UNDERAGE DRINKING

Alcopops are extremely attractive to underage drinkers. In analyzing the 2006 Monitoring the Future data, Jim Mosher, a national expert from the Pacific Institute on Research and Evaluation (PIRE), has found that the percent of drinkers who have used alcopops in the last 30 days steadily declines as drinkers age, with the highest percentage (77%) starting in 8th grade and lowest percentage (30%) by ages 25 – 30 (see figure 1).³ Many other studies support the fact that these drinks are most popular with underage drinkers, and some have found that they are particularly attractive to girls. For example, in two polls conducted by the American Medical Association (AMA) in 2004, more teen girls (31%) reported consumption of alcopops in the past six months than teen boys (19%).⁴

Figure 1: Percentage of drinkers who have used alcopops in the last 30 days (2006)



Marketing strategists use the four Ps of product, promotion, placement and price to reach consumer target populations. The product includes taste, color, alcohol content and packaging. Beer is often considered too bitter by underage drinkers, but alcopops are extremely sweet, which is appealing and also masks the taste of alcohol. Alcopops are often brightly colored liquids that look like fruit juices or sodas and packaged in bright colors with eye-catching lettering, like high-end sodas.

Promotion refers to a product's marketing messages and their placement. By classifying alcopops as beer, distillers have increased marketing options to larger demographics including underage youth. A number of studies demonstrate how strongly underage youth have been targeted by alcopops advertising. In a 2001 poll conducted by the Center for Science in the Public Interest (CSPI), researchers found that teens are more likely to be able to recall brand names of alcopops compared to the adults who were aware of their existence.⁸ And a 2005 study released by the Center on Alcohol Marketing and Youth (CAMY) revealed that girls ages 12-20 saw 95% more magazine ads for alcopops than women over 21.⁹ In another survey by the AMA, adult women were found to be far less likely than teen girls to report they had seen or heard ads for alcopops on TV, radio, the internet or in stores.¹⁰

Placement refers to where a product is available for purchase and consumption. By classifying alcopops as beer, these products are available at many more retail locations, especially those frequented by underage drinkers, such as convenience stores and gas stations where 75% of teens shop weekly.¹¹ These sale locations not only increase access and availability to youth, but also expose youth to more intense promotion, as they are known to have a higher concentration of alcohol marketing strategies than regular

grocery stores. There is more interior and exterior signage, floor displays, and alcohol branded objects. There also tend to be many low height alcohol ads that are more in the line of sight of children and adolescents than adults.¹²

Price is the final marketing strategy and is of great importance for controlling access to underage youth, who are price sensitive and therefore less likely to consume alcohol as prices increase.¹³ In its 2003 report to the U.S. Congress Reducing Underage Drinking: A Collective Responsibility, the National Academy of Sciences states that “raising excise tax rates, and hence prices, is a strategy that has strong and well-documented prevention effects on underage drinking.” Because Alcopops are currently taxed as beer, the following research findings are pertinent: Beer prices inversely correlate with youths’ decisions to drink.¹⁴ Frequency and quantity of underage alcohol consumption is inversely related to the price of alcohol.¹⁵ In a survey of self-reported responses, high school students admit to reducing their overall alcohol use because of price increases.¹⁶ Higher beer taxes are associated with lower rates of traffic fatalities, a leading cause of death among youth. For every one percent increase in the price of beer, the traffic fatality rate declines by 0.9 percent.¹⁷ Several countries have already increased taxes on alcopops, including France, Germany, UK, Ireland and Switzerland, and each have seen reduced alcopops sales.¹⁸ In the UK, once alcopops were properly classified as distilled spirits in 2002, prices increased dramatically and alcopop sales dropped by 43% over four years. In Switzerland, after creating a new alcohol category to address youth consumption of alcopops and increasing the tax to four times that of spirits, imports dropped by about 60%. In Germany, the government created a new classification for alcopops in 2004 and increased alcopop taxes. The following year, alcopop sales dropped 75%, with consumption among teens decreasing 50%.

By classifying alcopops as malt beverages, it is much easier to market these products to young drinkers. After intensive investigation into alcopops, the AMA was so concerned they passed a resolution calling for a ban on these products, noting their special appeal to underage youth.¹⁹ Based on research finding that underage drinkers consume 47% of all the alcopops sold, the Marin Institute, an organization that monitors the alcohol industry, has estimated the cost of underage consumption of alcopops in Ohio at \$449,950,000 per year. This figure reflects the costs (both public and private) of the numerous impacts of underage drinking which include everything from traffic crashes to violent crime, high-risk sex, to fetal alcohol syndrome. The Marin Institute also estimates that alcopops will result in 21 deaths of Ohio youth annually and 17,021 incidents of harm annually (such as traffic crashes, suicides, violence, poisonings, fetal alcohol syndrome, etc).²⁰

LOST STATE REVENUE

Because the alcohol industry has labeled alcopops as “flavored malt beverages,” the state of Ohio currently taxes alcopops as beer at the rate of 18 cents per gallon. This is inconsistent with Ohio law which requires beverages that mix distilled spirits with other flavoring materials to be taxed at the rate of \$1.20 per gallon. By classifying alcopops as mixed beverages, alcopops would be taxed at a rate six times higher than beer. This would deter underage drinkers and provide increased revenues for the state.

RECOMMENDATION

Drug-Free Action Alliance encourages health professionals, law enforcement representatives, community coalitions and parents to urge the State of Ohio to classify alcopops as mixed beverages which will decrease underage alcohol consumption and generate increased revenues for the state.

*Ohio Revised Code section 4301.01 definitions:

“Beer” includes all beverages brewed or fermented wholly or in part from malt products and containing one-half of one per cent or more, but not more than twelve per cent, of alcohol by volume.

“Mixed beverages,” such as bottled and prepared cordials, cocktails, and highballs, are products obtained by mixing any type of whiskey, neutral spirits, brandy, gin, or other distilled spirits with, or over, carbonated or plain water, pure juices from flowers and plants, and other flavoring materials. The completed product shall contain not less than one-half of one per cent of alcohol by volume and not more than twenty-one per cent of alcohol by volume.

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