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DEPARTMENT OF THE TREASURY
Alcohol and Tobacco Tax and Trade Bureau

27 CFR Part 5

[Docket No. TTB–2012–0002; T.D. TTB–112; Ref: Notice No. 127]

RIN 1513–AB33

Amendment to the Standards of Identity for Distilled Spirits

AGENCY: Alcohol and Tobacco Tax and Trade Bureau, Treasury.

ACTION: Final rule; Treasury Decision.

SUMMARY: The Alcohol and Tobacco Tax and Trade Bureau is amending the regulations setting forth the standards of identity for distilled spirits to include “Cachaca” as a type of rum and as a distinctive product of Brazil. This amendment follows requests received from the Government of Brazil and subsequent discussions with the Office of the United States Trade Representative.

DATES: Effective Date: April 11, 2013.

Existing certificates of label approval that contain the term “Cachaca” and do not comply with the regulations in 27 CFR part 5 will be revoked by operation of regulation on August 26, 2013.

Section 5.35a (27 CFR 5.35a) is effective from April 11, 2013 to February 25, 2015.

FOR FURTHER INFORMATION CONTACT: Kate M. Bresnahan, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street NW., Suite 200E, Washington, DC 20005; telephone 202–453–1039, Ext. 151.

SUPPLEMENTARY INFORMATION:

Background

TTB Authority

Section 105(e) of the Federal Alcohol Administration Act (FAA Act), codified in the United States Code at 27 U.S.C. 205(e), authorizes the Secretary of the Treasury to prescribe regulations relating to the packaging, marking, branding, labeling, and size and fill of containers of alcoholic beverages that will prohibit consumer deception and provide the consumer with adequate information as to the identity and quality of the product. The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers the FAA Act pursuant to section 1111(d) of the Homeland Security Act of 2002, codified at 6 U.S.C. 531(d). The Secretary has delegated various authorities through Treasury Department Order 120–01 (Revised), dated January 21, 2003, to the TTB Administrator to perform the functions and duties in the administration and enforcement of this law. Regulations implementing the provisions of section 105(e) as they relate to distilled spirits are set forth in part 5 of title 27 of the Code of Federal Regulations (27 CFR part 5).

Classes and Types of Spirits

The TTB labeling regulations require that the class and type of distilled spirits appear on the product’s brand label (see 27 CFR 5.32(a)(2) and 5.35). Those regulations provide that the class and type must be stated in conformity with § 5.22 of the TTB regulations (27 CFR 5.22) if defined therein. Otherwise, the product must be designated in accordance with trade and consumer understanding thereof, or, if no such understanding exists, by a distinctive or fanciful name, and, in either case (with limited exceptions), followed by a truthful and adequate statement of composition (see 27 CFR 5.35).

Section 5.22 establishes standards of identity for distilled spirits products and categorizes these products according to various classes and types. As used in § 5.22, the term “class” refers to a general category of spirits, such as “whisky” or “brandy.” Currently, there are 12 different classes of distilled spirits recognized in § 5.22, including whisky, rum, and brandy. The term “type” refers to a subcategory within a class of spirits. For example, “Cognac” is a type of brandy, and “Canadian whisky” is a type of whisky.

Classification of Cachaca

“Cachaca” is a term recognized by the Brazilian Government as a designation for a Brazilian distilled spirits product made from sugar cane. Currently, Cachaca products are generally classified as rum under TTB’s labeling regulations. The standard of identity for rum is set forth in § 5.22(f) as an alcoholic distillate from the fermented juice of sugar cane, sugar cane syrup, sugar cane molasses, or other sugar cane by-products, produced at less than 190° proof in such manner that the distillate possesses the taste, aroma and characteristics generally attributed to rum, and bottled at not less than 80° proof; and also includes mixtures solely of such distillates. The above standard does not currently provide for any subcategories or “types” of rum.

By letter dated April 30, 2001, the Embassy of the Government of Brazil submitted a petition to TTB’s predecessor agency, the Bureau of Alcohol, Tobacco and Firearms (ATF), in which it requested that ATF amend its regulations to recognize “Cachaca” as a distinctive product of Brazil. After preliminary discussions with the Brazilian Embassy, no further action was taken with regard to the request.

In a second petition, dated March 6, 2006, the Brazilian Embassy asked TTB to amend its regulations to recognize Cachaca as a distinctive product of Brazil. Among other things, the Embassy noted Brazilian Decree No. 4851, of October 2, 2003, which defines “Cachaca” as “the typical and exclusive designation of the sugar cane aguardente produced in Brazil, with an alcohol content of 38 to 48 percent by volume at 20 degrees Celsius, obtained from the distillation of the fermented must of sugar cane with specific sensory characteristics, to which up to six grams of sugar per liter may be added, expressed in terms of sucrose.”

In addition, following discussions between officials of Brazil and the Office of the United States Trade Representative (USTR), and after consultations between USTR and TTB, the United States Trade Representative and Brazil’s Minister of Development, Industry, and Foreign Trade signed an agreement on April 9, 2012, setting out a procedure that could lead each party to recognize certain distinctive distilled spirits produced in the other party’s territory, including Cachaca. The agreement provides in part that if, following the publication of a notice of proposed rulemaking, the United States publishes a final rule that provides,
among other things, that Cachaca is a type of rum that is a distinctive product of Brazil, then Brazil, within 30 days thereafter, will recognize Bourbon Whiskey and Tennessee Whiskey as distinctive products of the United States.

Besides the petition from the Brazilian Government and advice from USTR, TTB also received a number of essentially identical letters from private parties supporting the recognition of Cachaca as a distinctive type of distilled spirits.

**Notice of Proposed Rulemaking and Comments Received**

On April 30, 2012, TTB published in the Federal Register at 77 FR 25382 a notice of proposed rulemaking. Notice No. 127, which proposed to amend the regulations setting forth the standards of identity for distilled spirits contained in 27 CFR 5.22 to include Cachaca as a type of rum that is a distinctive product of Brazil. Specifically, TTB proposed amending § 5.22(f), which lays out the standard of identity for rum.

Under the proposed regulatory changes, Cachaca would be recognized as a type within the class designation “rum” that is a distinctive product of Brazil, manufactured in Brazil in compliance with the laws of Brazil regulating the manufacture of Cachaca for consumption in that country. Under the proposed rule, the product could simply be labeled as “Cachaca” without the term “rum” appearing on the label.

In Notice No. 127, TTB noted that the proposed type description would not include as “Cachaca” any spirits that use corn or corn syrup in the fermentation process. Some product labels currently include “Cachaca” as additional information or fanciful names for products that have been manufactured using a small quantity of corn or corn syrup in the fermentation process. Since these products were not distilled exclusively from sugar cane or sugar cane by-products, TTB has required that these products be labeled with distinctive or fanciful names, as well as statements of composition, in accordance with § 5.35. TTB has confirmed with the Brazilian Government that the Brazilian standard for Cachaca would not allow for the use of corn or corn syrup in the fermentation process.

TTB also noted that the Brazilian standard for Cachaca provides that Cachaca may contain up to six grams of added sugar per liter. The addition of sugar in this amount would not remove the product from the standard of identity for rum, pursuant to the provisions of 27 CFR 5.23. Accordingly, a Cachaça product, which is manufactured in Brazil in compliance with the laws of Brazil regulating the manufacture of Cachaca for consumption in that country, and which contains up to six grams of added sugar per liter, would fall within the standard of identity for rum. In Notice No. 127, TTB stated that the Brazilian standard allows products designated as Cachaca to have an alcohol content ranging from 38 to 48 percent alcohol by volume. TTB further noted that, since the standard of identity contained in the proposed rule identified Cachaca as a type of rum and the United States standard requires that rum must be bottled at not less than 40 percent alcohol by volume, or 80° proof, any “Cachaca” imported into the United States would have to conform to this minimum bottling proof requirement. A product that is bottled at below 40 percent alcohol by volume would fall outside the class and type designation. Depending on the way that such a product is manufactured, it may be labeled as a “diluted Cachaca” or a distilled spirits specialty product bearing a statement of composition.

In Notice No. 127, TTB sought comments on the proposed regulatory changes, and specifically requested comments on whether the proposed amendment would have an adverse impact on owners of U.S. trademarks. TTB also expressed specific interest in receiving comments on the extent to which distilled spirits labeled as Cachaca are produced outside Brazil in order to help determine whether Cachaca should be recognized as a distinctive product of Brazil.

During the comment period, TTB received a request from the European Union (EU) to extend the comment period “in order to have time to analyze and prepare comments” on the proposal. In response to this request, on June 29, 2012, TTB published in the Federal Register at 77 FR 38758 Notice No. 127A which extended the comment period for Notice No. 127 an additional 10 days. Accordingly, the comment period for the proposal outlined in Notice No. 127 closed on July 9, 2012.

TTB received a total of 13 responses to Notice No. 127, in addition to the request to extend the comment period (see comment 4 within Docket No. TTB-2012-0002 at “Regulations.gov,” www.regulations.gov). The 13 responses were received from industry and trade associations (6), consumers (3), businesses (2), the Government of Brazil, and the European Union.

Twelve of the commenters commented in support of TTB’s proposal to recognize Cachaca as a distinctive product of Brazil in the United States. Eight of the commenters supported the regulatory proposal in Notice No. 127 without further change or clarification. Four expressed support for the regulatory proposal but also requested changes to or clarifications of the proposed regulatory text. The EU did not express support or opposition to the proposal, but suggested several changes to, and requested some clarification of, the proposed regulatory text. The requested changes and clarifications are discussed in detail below. None of the comments TTB received asserted that the proposed amendment would have an adverse impact on owners of U.S. trademarks or that any distilled spirits products labeled as Cachaca are produced outside Brazil. The four comments requesting changes to or clarifications of the proposed regulatory text and the EU comment are discussed in detail below.

**Comments Concerning Flavored Cachaca**

INOX North America (comment 2) supported TTB’s proposal to amend the standards of identity for distilled spirits to include Cachaca as a distinctive type of rum, but asked that TTB consider an appropriate designation within the Cachaca subclass for flavored varieties of Cachaca, which contain natural or artificial flavors and have an alcohol content of 35 percent alcohol by volume. INOX North America stated that these products currently are sold legally in Brazil and that TTB has approved labels for three flavored Cachaca products.

With regard to flavored Cachaca and the comment submitted by INOX North America, the Brazilian Institute of Cachaca (comment 9) and the Government of Brazil (comment 11), stated that Brazilian law does not allow flavors to be added to Cachaca in Brazil. The Brazilian Institute of Cachaca asked TTB to carefully scrutinize labels for flavored distilled spirits specialty products that claim to be Cachaca or that refer to Cachaca in their fanciful names, as these labels could mislead consumers regarding the origin, identity, or characteristics of the products. The comment from the Brazilian Government urged TTB not to approve labels for flavored distilled spirits products referring to Cachaca, because they could mislead consumers regarding the origin, identity, or characteristics of the product.

**TTB Response**

According to the comment submitted by the Government of Brazil, Brazilian law does not authorize the use of a
“flavored Cachaca” designation. Further, the use of such a designation is outside the scope of the proposed rule. Accordingly, TTB is not amending the regulations in § 5.22(f) in order to set forth a special category for “flavored Cachaca” as requested by the commenter.

TTB notes that the products described by INOX North America, which contain added flavors and have an alcohol content of 35 percent, would not meet the standard of identity proposed for Cachaca as a type of rum. However, the regulations in § 5.22 already contain a standard of identity for flavored rum.

Under § 5.22(f), the standard of identity for “flavored rum” is rum “to which have been added natural flavoring materials, with or without the addition of sugar, and bottled at not less than 60° proof”. Thus, products that are made by adding natural flavors to Cachaca, and which comply with the standards of section 5.22(l), may be designated as “flavored rum.” Products that do not meet the “flavored rum” standards may be labeled with distinctive or fanciful names in accordance with § 5.35. In such cases, the label would have to include a statement of composition that identified the base distilled spirits (if applicable, Cachaca) and the ingredients added to the product (such as “natural and artificial flavors”). The designation “Cachaca” may not be used on such labels in a manner that creates the misleading impression that the final product is Cachaca, but it may be used to accurately designate the base distilled spirits.

Comment Concerning Aged Cachaca and Sweetened Cachaca

The EU also recommended changes to TTB’s proposals to recognize Cachaca as a distinctive product of Brazil, but suggested a change to the regulatory text in proposed § 5.22(f)(1) (comment 7). The regulatory text proposed in Notice No. 127 stated that Cachaca must be “manufactured in Brazil in compliance with the laws of Brazil regulating the manufacture of Cachaca for consumption in that country” (emphasis added). DISCUS commented that the highlighted language could inadvertently cause confusion as to whether a product that is produced in full conformity with Brazil’s regulations governing the manufacture of Cachaca for consumption in Brazil and bottled at less than 40 percent alcohol by volume could be labeled and sold in the United States as “Cachaca.” DISCUS believes that removing the words “for consumption in that country” from proposed § 5.22(f)(1) would bring the proposed regulatory text into conformity with the U.S.–Brazil exchange of letters that occurred on April 9, 2012, and with TTB’s intentions regarding the labeling of Cachaca bottled at less than 40 percent alcohol by volume.

DISCUS also noted that this change to the text would be consistent with TTB Notice No. 126, Standards of Identity for Pisco and Cognac, published in the Federal Register of March 27, 2012 (77 FR 18146).

The EU also recommended changes to the proposed regulatory text. The EU suggested that TTB reword proposed § 5.22(f)(1) as follows:

(1) “Cachaca” is a rum, as defined in 27 CFR Part 5[...], which is a distinctive product of Brazil manufactured in Brazil in compliance with the laws of Brazil regulating
the manufacture of Cachaca for consumption in that country. The word “Cachaca” may be spelled with or without the diacritic mark. This product may be labeled as “Cachaca” without the term “rum” on the label, provided that it complies with the standard of identity for rum as established in this section.

The EU asked that TTB rewrite the regulatory text in this way in order to specify that the labeling derogation for Cachaca will only apply to a product if that product conforms entirely with the U.S. definition of rum, and not only with regard to the minimum alcohol content.

TTB Response

TTB is not removing the phrase “for consumption in that country” from the regulatory text proposed in Notice No. 127. That phrase is similar to language in other type designations already in our regulations, including Scotch whisky (§ 5.22(b)(7)), Irish whisky (§ 5.22(b)(8)), and Canadian whisky (§ 5.22(b)(9)), and it is identical to the language found in the class designation for tequila (§ 5.22(g)). Removing that phrase from the regulatory language might suggest that the new regulatory text would have a meaning that is different from existing regulatory language regarding distilled spirits products that are distinctive products of a foreign country. TTB does not want to adopt language that might be interpreted as suggesting that the Brazilian laws governing the manufacture of Cachaca could provide different standards for products to be exported from those for products to be consumed within Brazil. As for the comparison to language used in Notice No. 126, TTB may consider these comments when drafting the final rule amending the standard of identity for Pisco brandy in § 5.22(d).

TTB is accepting the EU’s suggestion to remove the words “type of” from the first sentence of the proposed regulatory text. TTB also will remove the word “a” before rum. TTB believes that these changes in language will conform the regulatory text to other type designations in § 5.22. Nonetheless, the final rule will still establish Cachaca as a type of rum.

TTB does not consider it necessary to include the rest of the EU’s suggestions regarding the regulatory text in this final rule. As a type of rum, Cachaca must meet all the requirements for the rum class designation specified in § 5.22(f), as well as all of the Brazilian requirements for Cachaca, and TTB believes that further clarification of the proposed text in Notice No. 127 is unnecessary. As amended, the standards of identity will provide that Cachaca is a rum. Any product that is not entitled to a “rum” designation under § 5.22(f) will not be entitled to a “Cachaca” designation under § 5.22(f)(1).

TTB Finding

For the reasons stated above, TTB considers it appropriate to recognize “Cachaca” as a type within the class designation “rum” that is a distinctive product of Brazil, manufactured in Brazil in compliance with the laws of Brazil regulating the manufacture of Cachaca for consumption in that country. Therefore, TTB adopts the regulatory changes proposed in Notice No. 127, incorporating the modifications discussed above.

Effect on Existing Labels

Consistent with the proposed rule, distilled spirits for which corn or corn syrup has been used in the fermentation process would not meet the standard for “Cachaca” because they are not manufactured in compliance with the laws of Brazil regulating the manufacture of Cachaca for consumption in that country, and because they do not comply with the standard for “rum” under section 5.22. Such products would instead continue to be labeled with distinctive or fanciful names, as well as statements of composition, in accordance with § 5.35. Because the base distilled spirits used in such a product are not entitled to be designated as “Cachaca” under the final rule, the use of the term “Cachaca” as a fanciful name or in a statement of composition would similarly be prohibited. Thus, any labels for such products that include the term “Cachaca” would be revoked by operation of regulation.

The use of the term “Cachaca” as additional information on labels of products that are currently designated as “rum” or “Brazilian rum” will continue to be allowed as long as the products in question meet the new regulatory standards for designation as “Cachaca.” Once the final rule goes into effect, such products may be designated as “Cachaca” without the use of the designation “rum” on the label.

Labels containing the term “Cachaca” that do not comply with the new regulatory language contained in § 5.22(f) will be revoked by operation of regulation under the provisions of 27 CFR 13.51 and 13.72. Section 13.51 provides that TTB will not individually notify all holders of certificates of label approval that their approvals have been revoked if the revocation occurs by operation of regulation. Moreover, in such cases, it is the responsibility of the certificate holder to voluntarily surrender all certificates that are no longer in compliance.

Section 13.72 provides that revocations by operation of regulation become effective on the effective date of the change in the regulation with which the label does not comply. If a separate label compliance date is given, that date. TTB believes that only a small number of industry members have labels that will be revoked by operation of this final rule. In order to minimize any adverse effect on industry members who have noncompliant labels, TTB is adding a label compliance provision to the regulation that allows the continued use of previously approved “Cachaca” labels for 180 days from the date that the final rule is published in the Federal Register. Accordingly, under the terms of this final rule, noncompliant labels will not be revoked by operation of law until August 26, 2013. This document includes the transition period provisions in the codified regulations at a new § 5.35a for ease of reference, but provides for the expiration of this provision after 2 years, because industry members will no longer have a need to refer to this temporary transition rule after that time.

Regulatory Flexibility Act

TTB certifies that these regulations will not have a significant economic impact on a substantial number of small entities. The final rule amends the standards of identity for rum at 27 CFR 5.22(f) and does not impose any new reporting, recordkeeping, or other administrative requirement. TTB did not receive any comments indicating that products made outside of Brazil were currently using the designation “Cachaca”, and we believe that only a small number of labels will be noncompliant with the new regulation. The final rule allows the continued use of noncompliant labels for a 180-day period in order to allow sufficient time for necessary labeling changes. Therefore, no regulatory flexibility analysis is required.

Executive Order 12866

It has been determined that this final rule is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required.

Drafting Information

Kate M. Bresnahan of the Regulations and Rulings Division prepared this final rule.
§ 5.22 The standards of identity.

1. The authority citation for part 5 continues to read as follows:


2. Amend § 5.22 by revising paragraph (f) to read as follows:

(f) Class 6; rum. “Rum” is an alcoholic distillate from the fermented juice of sugar cane, sugar cane syrup, sugar cane molasses, or other sugar cane by-products, produced at less than 190° proof in such manner that the distillate possesses the taste, aroma, and characteristics generally attributed to rum, and bottled at not less than 80° proof; and also includes mixtures solely of such distillates.

(1) “Cachaca” is rum that is a distinctive product of Brazil, manufactured in Brazil in compliance with the laws of Brazil regulating the manufacture of Cachaca for consumption in that country. The word “Cachaca” may be spelled with or without the diacritic mark (i.e., “Cachaca” or “Cachaca”).

(2) [Reserved]

3. Add new § 5.35a to read as follows:

§ 5.35a Transition period for labels containing the term “Cachaca.”

Holders of certificates of label approval issued prior to April 11, 2013 for labels that contain the term “Cachaca” in a manner that does not comply with the labeling requirements contained in part 5 of this title may continue to use those certificates until August 26, 2013, at which time those certificates shall be revoked by operation of regulation.

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[Docket Number USC-G–2012–0986]

RIN 1625–AA00

Safety Zone for Ice Conditions; Baltimore Captain of the Port Zone

AGENCY: Coast Guard, DHS.

ACTION: Temporary interim rule with request for comments.

SUMMARY: At its monthly meeting on February 23, 2013, the Baltimore Sector Marine Board of Directors approved a motion to establish a temporary safety zone in order to provide the necessary protection to the mariners in the Captain of the Port Zone.

DATES: This rule has been enforced with actual notice from January 26, 2013, until February 25, 2013. This rule is effective in the Federal Register on February 25, 2013 until April 15, 2013, unless cancelled earlier by the Captain of the Port.

ADDRESSES: Documents mentioned in this preamble are part of Docket Number USC–2012–0986. To view documents mentioned in this preamble as being available in the docket, go to http://www.regulations.gov, type the docket number in the “SEARCH” box and click “SEARCH.” Click on “Open Docket Folder” on the line associated with this rulemaking. You may also visit the Docket Management Facility in Room W12–140 on the ground floor of the Department of Transportation West Building, 1200 New Jersey Avenue SE., Washington, DC 20590, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

You may submit comments, identified by docket number, using any one of the following methods:


2. Fax: (202) 493–2251.

3. Mail or Delivery: Docket Management Facility (M–30), U.S. Department of Transportation, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE., Washington, DC 20590–0001. Deliveries accepted between 9 a.m. and 5 p.m., Monday through Friday, except federal holidays. The telephone number is 202–366–9329.

See the “Public Participation and Request for Comments” portion of the SUPPLEMENTARY INFORMATION section below for further instructions on submitting comments. To avoid duplication, please use only one of these three methods.

FOR FURTHER INFORMATION CONTACT: If you have questions on this rule, call or email Mr. Ronald L. Houck, Sector Baltimore Waterways Management Division, U.S. Coast Guard; telephone 410–576–2674, email Ronald.L.Houck@uscg.mil. If you have questions on viewing or submitting material to the docket, call Barbara Hairston, Program Manager, Docket Operations, telephone (202) 366–9826.

SUPPLEMENTARY INFORMATION:

Table of Acronyms

DHS Department of Homeland Security
FR Federal Register
NPRM Notice of Proposed Rulemaking

A. Public Participation and Request for Comments

We encourage you to participate in this rulemaking by submitting comments and related materials. All comments received will be posted without change to http://www.regulations.gov and will include any personal information you have provided.

1. Submitting Comments

If you submit a comment, please include the docket number for this rulemaking, indicate the specific section of this document to which each comment applies, and provide a reason for each suggestion or recommendation. You may submit your comments and material online at http://www.regulations.gov, or by fax, mail, or hand delivery, but please use only one of these means. If you submit a comment online, it will be considered received by the Coast Guard when you successfully transmit the comment. If you fax, hand deliver, or mail your comment, it will be considered as having been received by the Coast Guard when it is received at the Docket Management Facility. We recommend that you include your name and a mailing address, an email address, or a...