



## Tariffs Continue to Pressure U.S. Brewers and Beer Drinkers

### Background

As American manufacturing businesses, we support policies to encourage consumers to purchase American made products. But our members built their businesses in an integrated global supply chain environment, and those supply chains cannot quickly pivot to obtain all materials from domestic sources. Tariffs accordingly can harm U.S. manufacturers, who, in the short term, have no choice but to absorb those costs or pass them on to their customers.

### Impact

- a. *Aluminum Tariffs.* More than three-quarters of packaged beer comes in aluminum cans. High tariffs on aluminum will force packaging brewers to choose between a substantial hit to their revenue or passing costs along to their customers. Virtually all the cans used by U.S. craft brewers are made in the U.S. from U.S. can sheet, with roughly 75% of the aluminum that goes into U.S. can sheet coming from recycled, mostly domestic, sources. But the remaining 25% of the aluminum used for can sheet relies on imports, primarily from Canada, for roughly half its new aluminum. Currently, the U.S. lacks the smelting capacity to meet the country's new aluminum needs, and the lead time for a new aluminum smelting facility is estimated at five to six years. Craft brewers cannot, for the foreseeable future, avoid their indirect use of imported aluminum. Moreover, the structure of the aluminum market means that prices will rise even on non-tariffed aluminum. In the past year, the North American price for aluminum as determined by "the Midwest Premium" has increased by roughly 240%.
- b. *Steel Tariffs.* Most steel kegs originate in the European Union. Similarly, steel brewing equipment or equipment components often originate from outside the U.S., with Germany as the global leader in such equipment. While our American manufacturing businesses would welcome the ability to purchase this and other steel items from U.S. sources, at the present time there is no meaningful source of steel kegs produced in U.S. Changing this by developing U.S. manufacturing will take years.
- c. *Agricultural Tariffs.* Brewers also worry that barley and malted barley may again be subject to tariffs. Malted barley is the cornerstone ingredient of beer and grows best in cooler climates. U.S. brewers often rely on a mix of U.S. and Canadian grown barley, and we do not foresee a substantial change in U.S. barley availability in the next year or more. We accordingly view the continued treatment of Canadian barley as duty-free under the USMCA as critical to our members' economic well-being.

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