Statement of The Beer Institute Regarding Investigation 332-591,
Economic Impact of Section 232 and 301 Tariffs on
U.S. Industries Most Affected

Thank you very much for this opportunity to appear on behalf of the Beer Institute regarding the economic impact of Section 232 and 301 Tariffs on the U.S. beer industry. My name is Mary Jane Saunders, and I serve as Vice President and General Counsel of the Beer Institute.

The Beer Institute is a national trade association for the American brewing industry. Founded during the Civil War, we gathered last evening to celebrate the association's 160th anniversary. Today, the $331 billion U.S. beer industry accounts for 1.6% of GDP. It also supports two million American jobs, including over 10,000 organized labor jobs.

While our industry is more dynamic and competitive than ever, with over 6,600 tax-paying breweries in operation across the country, aluminum tariffs burden breweries of all sizes. To bring down skyrocketing inflation and relieve pressure on both American job creators and consumers, the Biden Administration should remove tariffs and investigate aluminum premium benchmarking. These actions will allow brewers to continue their vital role as strong contributors to this nation's economy.

The adverse impacts of Section 232 and Section 301 tariffs on the beer industry have two principal causes: First, America's brewers use more than ***forty-one billion*** aluminum cans each year. The monetary impact of tariffs is significant when the volume of aluminum use is this high. I am speaking here solely for the U.S. brewing industry – this figure does not include the cans used by manufacturers of other types of beverages.

Second, the U.S. beer industry must pay Section 232 tariff prices on 100% of its aluminum, regardless of whether the metal is from a country that is subject to the Section 232 tariffs. The tariffed price even applies to aluminum products produced from scrap or recycled content, which is supposed to be exempt from the tariffs.

This anomalous situation arises because aluminum pricing follows a specific formula, which includes a non-negotiable component referred to as the "Midwest Premium." The Midwest Premium is supposed to be a charge assessed to cover the logistical costs such as shipping, insurance, and storage. Admittedly, Section 232 tariffs may be a logistical cost if metal is imported and subject to a tariff. To state the obvious, however, tariffs are not a logistical cost if the aluminum in question is not subject to tariff.

The Midwest Premium is a benchmark price. Many industries use benchmark pricing, but parties often negotiate the source or amount of a benchmark reference price to optimize costs and reduce risks. Things are different in the world of aluminum benchmarks. More than one company assesses and publishes information related to the Midwest Premium, so you might expect a choice. But, beer's experience is that U.S. contracts require payment of the Midwest Premium price as set by one company -- S&P Global Platts.

Platts publishes the Midwest Premium **Duty Paid** price as the benchmark Midwest Premium price, so regardless of content or origin, end users pay a Section 232 tariff on the aluminum they buy. Platts has told me that so long as it is necessary to import just one ton of aluminum to satisfy U.S. demand, and the metal is subject to a Section 232 tariff, the Midwest Premium **Duty Paid** price will remain the benchmark price.

The effect is staggering. Since March 2018, the beverage industry has paid more than **$1.4 billion** in tariffs on cans and cansheet. Only **8 percent** of that amount – $111 million – has gone to the U.S. Treasury. Third-party upstream companies, including Canadian smelters, U.S. smelters, traders, and rolling mills capture most of the tariff payments – which reflect the artificial impact of the Midwest Premium price, not actual tariffs imposed at the border. It is a windfall for these companies and an unfair expense for the U.S. beverage industry and U.S. consumers.

Section 232 tariffs reverberate throughout the supply chain. They raise production costs, inhibit investment, and impact consumer prices. Efforts to provide economic relief to American consumers have no effect if aluminum purchasers must pay a tariff regardless of whether what they buy is subject to a tariff.

We need Section 232 tariffs eliminated. Short of complete elimination, the Administration needs to enhance and expand the current exclusions process, investigate unfair pricing practices, require upstream producers to pass on the benefits of exemptions and exclusions, and regulate aluminum pricing.

Finally, I want to mention that the Section 301 tariffs also burden breweries in this country. Domestically produced cans and cansheet are in short supply. Section 301 tariffs have not improved the domestic supply and the hope of future production doesn't help when your need is immediate. This makes foreign sources, including China, important. In this situation, Section 301 tariffs are unduly burdensome to the domestic beer industry.

We urge this Administration to consider the negative effects that the Section 232 and Section 301 tariffs are having on U.S. manufacturers, including brewers of all sizes.

Thank you for your time. I am happy to take questions or to address statements about the beer industry and cansheet made by the witnesses before me. If there is no time for questions, we will respond to those matters in a supplementary filing.