

Myths and Facts about the Midwest Premium

In early 2018, the United States imposed a 10% tariff on aluminum imports. Prices rose, but subsequently reached historic lows in early 2020. Seeing the cost of aluminum cans increase in response to the tariffs, beer industry leaders began an effort to lower the price of aluminum by attempting to pressure S&P Global Commodity Insights (CI) – a neutral third-party that provides independent assessments of where commodity prices fall each day – through false claims of “artificially inflating” the price of aluminum. It is important to get the FACTS as one industry spreads confusion about Commodity Insights and the “Midwest Premium” – a term for the regional price of aluminum when supplied to the Midwest United States.

Myth

The Midwest Premium is a “fee” that is charged to buyers and end users of aluminum – intended to account for “transport and storage” costs.

– Pete Coors

Fact

The “Midwest Premium” is not a “fee” for “storage and transportation” – it is simply a term for the regional price of aluminum in the Midwest United States.

Commodity prices (like for aluminum) are determined in negotiations between buyers and sellers, and vary by region depending on local supply and demand.

The “Midwest Premium” is simply a term for the regional price of pure aluminum — known as ‘primary’ aluminum — supplied to the Midwest region of the United States.

S&P Global Commodity Insights provides **independent assessments** of where aluminum prices fall each day — including in the Midwest U.S. region — and has no **financial stake** in the price of any commodity going up or down.

The “Midwest Premium” is one of many regional commodity price assessments that market participants may use as a reference point to understand the going rate for a particular commodity in a particular region of the world.

Additional Detail — In the U.S., when buyers and sellers of aluminum negotiate a price, that “all-in” price is generally understood looking at two reference points:

- The global underlying price of aluminum determined through trading on the London Metal Exchange – which represents the price of aluminum for a buyer who must be willing to accept delivery of their purchased aluminum to any LME warehouse anywhere in the world; and
- A regional differential, or “premium,” to the LME price (e.g., the “Midwest Premium”) — which represents the additional value of having the aluminum supplied directly where it is needed, when it is needed, to locations across the Midwest U.S., which is dictated by the local supply and demand.
- In other words: [the ‘all in’ price] – [the LME price] = [The Midwest Premium]

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Myth

The Midwest Premium is “artificially inflated.”

– Pete Coors and Beer Institute

Fact

S&P Global Commodity Insights does not “artificially inflate” the Midwest Premium or the price of aluminum, and has no financial stake in the price of aluminum or any commodity going up or down.

S&P Global Commodity Insights is a neutral and independent information provider with **no financial stake** in whether the price of aluminum or any other commodity goes up or down.

CFTC Chairman Benham said the CFTC has the ability to “investigate and to identify ... any issues related to fraud or manipulation” in aluminum markets.

Commodity Insights, like other information providers, provides an **independent assessment** for where the regional price of aluminum in the Midwest U.S. (i.e., the Midwest Premium) fell between buyers and sellers in the market each day.

It’s voluntary—Buyers and Sellers can choose to use Commodity Insights’ price assessments:

- As a reference point to negotiate
- As a reference price in a contract
- To protect against price changes through derivatives
- Or not at all

Anyone can choose if they want to use a price assessment for the Midwest Premium from Commodity Insights, or one of its competitors.

All pricing information that Commodity Insights sees and relies on in making its price assessments is reported to the market throughout the day to see, validate, and comment on.

Myth

The APEX Act is needed “to equip the CFTC” with the authority “to investigate pricing irregularities” and “unfair market practices.”

– Rep. Ken Buck

Fact

The APEX Act is:

- Not needed because the CFTC already has the authority to oversee commodities markets – CFTC Chairman Benham has said the agency has the ability to “investigate and to identify any abnormalities ... related to fraud or manipulation.”
- Built on unsubstantiated claims the CFTC has already refuted — testifying to Congress: “we monitor that very carefully ... we have not found manipulation”.

- An effort by one industry to use **political influence** to lower the price of aluminum through “government intervention” following increased aluminum costs from tariffs.
- **Potentially disruptive** to commodities markets, harming transparency – according to CFTC Chairman Benham if a regulator were to “come into the scheme, that voluntary service [price reporting] could easily go away and then where are we left, potentially without a benchmark provider.”

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Myth

The Midwest Premium is “set” by “only one entity” (Commodity Insights).

– Beer Institute

Fact

S&P Global Commodity Insights does not “set” the Midwest Premium or the price of aluminum – it simply provides (like its competitors) an independent assessment of where the price of aluminum fell between buyers and sellers in the market each day (the use of which is voluntary).

The “Midwest Premium” is simply a term for the regional price of pure aluminum — known as ‘primary’ aluminum — supplied to the Midwest region of the United States.

S&P Global CI, like other information providers, provides an **independent assessment** for where the price of aluminum in the Midwest U.S. (i.e., the Midwest Premium) fell between

buyers and sellers in the market each day — and has **no financial stake** in the price of any commodity going up or down.

Anyone can choose if and how they want to use a price assessment for the Midwest Premium from S&P Global CI, or one of its competitors, including: Metal Bulletin, CRU, Argus/Metalprices.com, Harbor Intelligence.

Myth

The Midwest Premium is an “opaque pricing system” based on a “black box survey.”

– Pete Coors

Fact

S&P Global Commodity Insights sheds light on commodity markets

- By publishing an independent assessment of where prices fell between buyers and sellers each day using a methodology that is published on our website;
- By reporting all pricing information Commodity Insights sees and relies on for market participants to see and validate themselves.

Commodity Insights is Transparent:

All pricing information that Commodity Insights sees and relies on in making its price assessments (including for the Midwest Premium) is reported to the market throughout the day to see, validate, and comment on.

The methodology Commodity Insights uses to make each of its prices assessments is published on its website.

Commodity Insights undergoes an annual review by an **external auditor** around its adherence to these processes, the results of which are also published on its website.

Commodity Insights Creates Transparency:

Prices are determined by buyers and sellers in the market, and information providers like S&P Global CI shed light on these transactions that are otherwise hidden from view by reporting what happened for the entire market to see.

The “Midwest Premium” is one of many regional price assessments by Commodity Insights and other information providers that bring **greater transparency** and efficiency to commodity markets

— enhancing the ability of buyers, sellers, consumers, and end users of aluminum and other commodities to understand their costs, negotiate a price, and hedge against the risk that prices may change over time.