

Tariffs pose a new threat to the struggling beer industry

Article

The situation: President-elect **Donald Trump**'s threat to impose 25% tariffs on Mexican imports could upend the [already-struggling beer industry](#).

- [US drinking habits have changed](#), especially among younger adults, who are consuming less beer than previous generations.

- [Macroeconomic headwinds have also driven some shoppers to choose value packs or buy via value-oriented channels](#), which has hurt brewers' profits.
- However, one area that continues to expand is Mexican imports, such as **Modelo**, **Pacifico**, and **Corona**—all of which are owned by **Constellation Brands**.

Looking ahead: Steep tariffs would pose a major threat to Constellation Brands as the Mexican brands that make up its beer business accounted for 82% of net sales in its fiscal year that ended in February 2024, per The Wall Street Journal.

- Tariffs would drive up the cost of the company's already premium-priced beer (and its **Casa Noble** tequila), making it far less competitive against domestic brands.
- One domestic brand that could capitalize on the moment is **Cruz Blanca**, a tiny Chicago-based brewery that **Molson Coors**—owner of **Sol Cerveza**—quietly scooped up in late November.
- While Cruz Blanca reported brewing just 500 barrels in 2023, Molson Coors' resources could enable it to rapidly scale both production and distribution.
- Molson Coors could also use its scale to undercut Modelo's prices to make inroads with consumers.

Our take: Molson Coors' acquisition of Cruz Blanca was a savvy, small-scale move that could have large-scale implications if Trump implements steep tariffs on Mexican goods.

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