

# REPORT

PROFITS AND EMPLOYMENT: MEXICAN BEER  
CREATES VALUE AND JOBS IN THE U.S.,  
TARIFFS WOULD DESTROY BOTH



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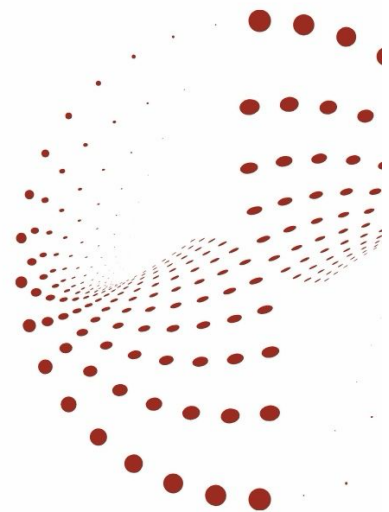
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# **Profits and Employment: Mexican Beer Creates Value and Jobs in the U.S, Tariffs Would Destroy Both**

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## Profits and Employment: Mexican Beer Creates Value and Jobs in the U.S, Tariffs Would Destroy Both

**Summary:** There is no economic justification for imposing tariffs on Mexican beer. In any business, jobs are created by profits. Thus, more profitable premium products are more likely to increase employment levels than low margin non-premium brands. Because of the higher margins that Mexican beers generate for distributors and retailers more value per gallon is created in the U.S. by Mexican beer than by domestic lagers. Across the beer supply chain, few jobs are created by the brewing of beer – most are in the distribution and retailing sectors; jobs that are all in the U.S. As a result, rather than creating jobs, tariffs on Mexican beer would reduce economic activity and have a negative impact on employment and wages. This paper makes the following points:

- Consumers are willing to pay a price premium for Mexican beer. As a result, Mexican beer retails in off-premise outlets (liquor, grocery and convenience stores for example) for 52% more than mass market domestic lagers - \$16.59 vs. \$10.88 per gallon. This price premium over domestic beer helps retailers and distributors create U.S. jobs.
- More value is created per gallon *in the United States* from the sale of Mexican beer than by domestic lagers. When blended revenue from on-premise (bars, restaurants) and off-premise revenue are considered, Mexican beer generates \$26.27 per gallon.
  - A minimum of 74% of the blended revenue value (\$19.42/gallon) generated by Mexican beer is created in the U.S. by American workers.
  - Mass market domestic lagers only generate a total of \$15.76 per gallon. Thus, Mexican beer creates 23% more value per gallon sold in the U.S. than the leading domestic lagers.
- While all Americans recognize the importance of economic growth because of the jobs that growth creates, few focus on the fact that businesses only create jobs if they are profitable.
  - Polling suggests that Americans place special value on manufacturing employment but, their primary concern is the availability of stable, well-paying jobs rather than a specific sector in which those jobs are located.
- As a job creator, the distribution and retailing of beer is far more important than brewing (manufacturing) beer. The beer industry is responsible for an estimated 1.7 million jobs in the U.S. However, only around 5% of those jobs are in the brewing of beer. The rest are all in the distribution and retailing or are with the various agricultural, logistics and advertising jobs that are important to bringing beer to market.
  - Virtually all the non-brewing beer jobs are in the United States. At the end of Prohibition, states adopted some version of the “three-tier system,” – a regulatory scheme that requires wholesaling and retailing functions to be owned by separate

entities, all state licensed. The three-tier system guarantees that all wholesaling and retailing jobs will be U.S. based.

- Some argue that Mexican beer production should be moved to the U.S. However, a large body of marketing research finds that consumers use a product's country of origin as a signal of quality, prestige, and reliability, and that country-of-origin effects can influence both purchasing decisions and willingness to pay. Thus, moving production to the U.S. would cause economic harm to Mexican beer brands and the U.S. businesses that distribute and retail those brands.
  - Anheuser-Busch InBev (AB -InBev) moved production of Beck's beer from Bremen, Germany to St. Louis, Missouri in 2012, but continued to market Beck's beer as German. As a result, AB InBev was sued by consumers and lost. According to the plaintiff's attorney:

*"...the point of the lawsuit is that a beer made in St. Louis shouldn't be passed off as the import it once was – with premium pricing to boot."*

- The largest Mexican beer importer, Constellation Brands, operates under a consent decree with the U.S. Department of Justice that requires the Modelo, Corona and Pacifico brands to be made in Mexico.
- There are huge economies of scale in the brewing of beer. Just 24 large breweries produced nearly 124 million barrels. Thus, 0.3% of brewing facilities were responsible for 78.5% of total output. Moving production to the U.S. or increasing U.S. production would create few jobs.
- Far from helping American workers, tariffs on Mexican beer would reduce the profitability of one of the highest-margin categories in the U.S. beer market — and with it, the jobs those margins support.

## **Profits and Employment: Mexican Beer Creates Value and Jobs in the U.S, Tariffs Would Destroy Both**

### **Profits create jobs; luxury products drive more profit and more jobs.**

Import tariffs on Mexican beer are being considered by the Trump Administration. This would be an unfortunate development. Such a policy would undermine one of the most profitable and job-intensive segments of the U.S. beer market. Although Mexican beer is brewed in Mexico, most of the economic value it generates — distribution, logistics, marketing, retailing, and hospitality — occurs here in the United States. Because Mexican beer sells at a premium price point, it delivers higher margins throughout the supply chain, and those margins support American jobs. Reducing the profitability of this category through tariffs would reduce employment, not increase it.

The reason is straightforward: profits create jobs, and high-margin products create the most. Job creation is seen as the most important part of economic growth and development. For many Americans and all elected officials, job creation represents the tangible benefit from economic growth.

But, few observers stop to think about what it is that drives job creation. More sales? Yes, of course. But higher sales numbers are only useful if they generate more profit. Businesses do not create jobs for the sake of creating jobs. Businesses create jobs in the furtherance of the primary goal of all businesses – to make a profit. Profits are what allows a business to grow. Growth usually requires increased capital/increased investment and that capital allows businesses to hire more employees. Investment, then becomes the transmission mechanism between profits and jobs. Yes, capital can be raised from outside investors. But eventually, those investors must be paid back or see a return. So, that brings us back to profits.

While there are many definitions of what constitutes “profit,” at some level profits are the excess of revenues over expenses. Thus, business decisions inevitably seek to reduce expenses while growing revenues.

A good way to increase profits, and in doing so employment, is by selling products that generate the most revenue per unit sold. For example, consider two different kinds of commonly purchased beef. Distribution and retail costs are usually the same for high- and low-priced products. It costs the same amount to transport, package and retail a pound of hamburger meat as it does a pound of prime rib. But, the prime rib sells at a much higher price, at least \$15/lbs. versus only around \$6/lbs. for hamburger. Even assuming a 20% gross margin for each means our grocery store would yield gross profit of \$3.00 for a pound of prime rib versus only \$1.20 on the hamburger.

Clearly, the grocer would prefer prime rib yielding gross profits 2.5x higher and would certainly want prime rib available to patrons interested in purchasing it.

Mexican beer has become the prime rib of the U.S. beer market. Its premium pricing produces disproportionately high margins for American distributors, retailers, and hospitality businesses — margins that translate directly into U.S. jobs. Tariffs would erode those margins and, with them, the employment they sustain.

### **Manufacturing is seen as important, but Americans just want good paying jobs.**

There has been a lot of discussion over the last few years about the need to move manufacturing back to the U.S. Two reasons are typically cited. First, it is noted that an over dependence on imported manufactured goods is a national security risk to the U.S. There are certainly some industries whose strategic value warrants special attention. Steel and aluminum are often highlighted for their importance in making military aircraft, Naval vessels and armored vehicles. Steel has gotten government attention for over 100 years.<sup>1,2</sup>

More recently there has been growing concern over rare earth minerals like lithium, cobalt, gallium, germanium and uranium, all important in producing jet engines, missile guidance systems and advanced computing.<sup>3</sup> Other products often cited are copper, pharmaceuticals and oceangoing ships.<sup>4,5</sup> With each of the products above there are national security concerns to potentially justify the imposition of tariffs.

But, to state the obvious, there really are not any national security concerns when it comes to beer manufacturing. Let's look at the tariff second justification; job creation and retention.<sup>6</sup>

Polling suggests that while Americans place special value on manufacturing employment, their primary concern is the availability of stable, well-paying jobs rather than a specific sector in which those jobs are located.<sup>7,8</sup> So, from an employment perspective, most Americans only want good paying jobs – no matter whether that employment is in manufacturing or some other segment of the economy. This means that jobs in the wholesaling and retailing of Mexican beer are just as important to Americans as are the jobs in brewing beer.

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<sup>1</sup> Section 232 Steel and Aluminum, Bureau of Industry Security, U.S. Department of Commerce. See [Section 232 Steel and Aluminum Tariffs](#)

<sup>2</sup> De Ruyg, Veronique “A New Course Is Needed for the Steel Industry,” Civitas Institute, University of Texas at Austin. February 12, 2025. See [A New Course Is Needed](#).

<sup>3</sup> “Fact Sheet: President Donald J. Trump Ensures National Security and Economic Resilience Through Section 232 Actions on Processed Critical Minerals and Derivative Products, April 15, 2025. See [Critical Minerals Fact Sheet](#)

<sup>4</sup> “A Guide to Trump’s Section 232 Tariffs in Maps,” Council on Foreign Relations. November 14, 2025. See [Guide to 232 Tariffs](#)

<sup>5</sup> Maritime Shipbuilding Program, Maritime Administration, U.S. Department of Transportation. See [Maritime Shipbuilding Program](#)

<sup>6</sup> There are many instances both by the Trump Administration and others. See “Speech, Donald Trump Announces New Tariffs at Rose Garden Event,” Roll Call April 2, 2025. ([See Rose Garden Speech](#)).

<sup>7</sup> “How Americans View Their Jobs,” Pew Research Center, March 30, 2023. See [How Americans View Their Jobs](#)

<sup>8</sup> Grabow, Colin, “Americans Think Increased Manufacturing Employment Would Be good for the Country but Not for Themselves,” Cato Institute, August 29, 2024 See [American Perspective on Manufacturing Jobs](#)

**Many beer related jobs exist. But the number of beer jobs associated with the actual brewing (manufacturing) of beer is lower than one most people think. Because of the three-tier system, wholesaling and retailing jobs dominate the beer marketplace. As few as 5.3% of beer jobs are in the actual brewing. Higher tariffs will not significantly impact the number of U.S. brewing jobs.**

*The three tier system in the U.S. marketplace guarantees most beer related jobs will be in the U.S.*

In most industries there is a certain level of vertical integration. Product producers might engage in wholesaling or even sell some of their products directly to the public through online sales. Business arrangements are complex and varied. There are as many different supply chains as there are products.

But, with some exceptions, beverage alcohol in the United States is sold through a legally mandated “three tier system.” The 18th Amendment to the U.S. Constitution imposed a national prohibition on alcohol. The 21st Amendment repealed the 18th Amendment but, in doing so, simply turned regulation of alcohol over to the states.<sup>9</sup>

The states adopted the three-tier system in the belief that it would reduce or eliminate potential alcohol abuses.<sup>10</sup> Under the three-tier system producers (brewers, vintners, distillers and importers), wholesalers and retailers must be separate business entities. And each must be licensed by the state in which they are doing business. Producers make or import beer, wine or spirits. Wholesalers then distribute products to retailers including bars, restaurants, grocery and convenience stores and liquor stores. Wholesalers will also engage in certain sales, marketing and other value-added operations. The retailers then sell to the public.

Because of the three-tier system the wholesaling and retailing of beer are legally separate and distinct functions from beer production and/or importation. Each creates value within the beer supply chain. All, wholesaling and retailing jobs, regardless if the beer is domestically produced or imported, will be U.S. jobs.

*There is more to bringing beer to market than just brewing.*

When the entire beer supply chain is considered, the brewing of beer accounts for very few jobs – only around 5.3% of the total. Most beer related jobs are in wholesaling or retailing, not brewing.

Like most modern industries, beer production facilities are highly mechanized. Given the constraints of the three-tier system, the estimated 1.7 million beer related jobs in the U.S. are dominated by

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<sup>9</sup> Section 2 of the 21<sup>st</sup> Amendment states, “The transportation or importation into any State, Territory, or possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited.” See [21<sup>st</sup> Amendment](#)

<sup>10</sup> For a discussion of the theorized benefits of the three-tier system and how it operates see: [Three Tier System](#)

retailing – almost 950,000. Wholesaling/distribution jobs are also important and account for just less than 135,000.

*Table 1*

<b>Beer Employment - 2024</b>		
Segment	Employment	Percent
Brewing	91,498	5.3%
Wholesaling	134,540	7.7%
Retailing	949,680	54.5%
Suppliers	565,560	32.5%
Total	1,741,278	100.0%
Source: Beer Serves America, 2024 <sup>11</sup>		

When reviewing employment impacts of an industry, it is important to consider employment by industry suppliers; the plethora of businesses that supply the array of products and services needed to produce any good. In bringing beer to market these businesses will include agricultural products, transportation and warehousing as well as advertising, to name a few. Suppliers account for over 565,000 jobs.

Just over 91,000 U.S. beer jobs are in the actual brewing of beer – only around 5.3% of the total.

*Large domestic breweries have economies of scale. Volumes can be increased while only having limited impact on employment.*

According to the U.S. Tax and Trade Bureau, in 2024 there were 7,605 brewing facilities that produced almost 158 million barrels of beer in the U.S. But, of those facilities, just 24 large breweries produced nearly 124 million barrels. Thus, 0.3% of brewing facilities were responsible for 78.5% of total output.<sup>12</sup>

This data shows that, for large breweries, there are incredible economies of scale. If sales volumes of domestic lagers were to increase, there is unlikely to be any major impact on brewery employment.

**Imported products provide a luxury experience and make it easier to generate higher profits. Beer is a prime example. Imported Mexican beers sell for 52% more than do the leading domestic lagers.**

Since businesses are driven by profits and American workers just want stable, good paying jobs, it means that any job is important to the worker that depends upon it. A large body of marketing research finds that consumers use a product's country of origin as a signal of quality, prestige, and reliability, and that country-of-origin effects can influence both purchasing decisions and willingness

<sup>11</sup> See [Beer Serves America](#)

<sup>12</sup> See U.S. Tax and Trad Bureau, Beer Reports, ["Number of Breweries by Production Size."](#)

to pay.<sup>13</sup> A good way for businesses to ensure profitability and drive employment across the beer supply chain is to sell a luxury or near luxury experience in order to reap higher margins that will support the more labor-intensive jobs found in wholesaling and retailing.

Mexican beer provides such an experience. Mexican beers retail in off-premise outlets (grocery stores, liquor stores, pharmacies and other venues where the product is taken “off the premises” for consumption) for 53 percent **more** than mass market domestic lagers. As Table 2 demonstrates, of the leading beer brands sold in the U.S., the seven most expensive are imported brands and those brands sell at an average retail price of \$16.64 per gallon.<sup>14</sup> Mexican beers, Corona Familiar, Corona Extra, Modelo Especial, Pacific and Dos Equis XX Lager, retail in the U.S. for an average price of \$16.59 per gallon – 52 percent more than the cost of domestic lagers (\$10.88).<sup>15</sup>

*Table 2*

<b>Leading Beer Brands in the U.S. Market by Retail Revenue - 2025</b>	
Brand	Rev/ Gal.
CORONA FAMILIAR	\$18.03
STELLA ARTOIS LAGER	\$17.52
CORONA EXTRA	\$17.27
HEINEKEN	\$16.68
MODELO ESPECIAL	\$16.26
PACIFICO	\$16.13
DOS EQUIS XX LAGER ESPECIAL	\$15.80
MICHELOB ULTRA	\$13.03
YUENGLING TRADITIONAL LAGER	\$11.87
COORS	\$11.55
BUDWEISER	\$11.47
BUD LIGHT	\$11.29
COORS LIGHT	\$11.07
MILLER LITE	\$10.91
BUD ICE	\$9.55
MILLER HIGH LIFE	\$9.48
BUSCH	\$9.13
BUSCH LIGHT	\$8.87
NATURAL LIGHT	\$8.52
KEYSTONE LIGHT	\$7.93
Source: A.C. Nielsen	

<sup>13</sup> Verlegh, P.W.J. & Steenkamp, J.B.E.M. "A Review and Meta-Analysis of Country-of-Origin Research." *Journal of Economic Psychology*. See [Country of Origin Research](#)

<sup>14</sup> Beer is commonly sold in six, 12, 18 and 24 can/bottle packages. Prices are expressed in gallons in order to provide an average across all package sizes.

<sup>15</sup> All retail revenue figures were derived from A.C. Nielsen scanner data from the calendar year 2025. Average prices were calculated by weighing reported prices by volumes for each brand.

Premium beers are an affordable luxury. Many consumers prefer premium products over popular priced beers. While premium beers can be made anywhere, imported beer is generally in the premium category.

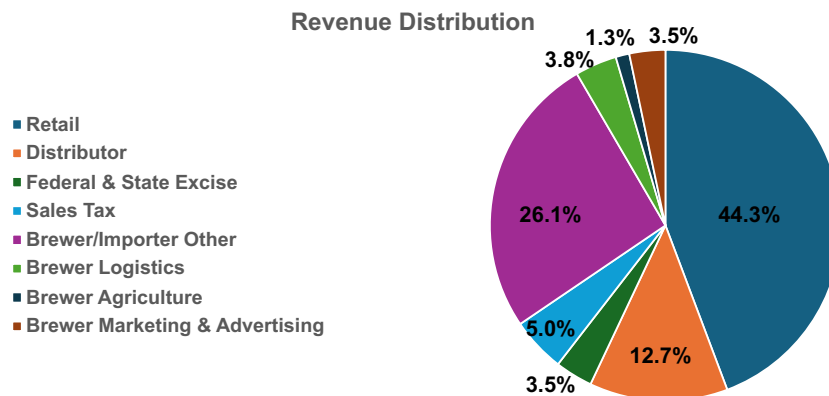
**Over 74% of the value generated by Mexican beer accrues to American businesses. On a per gallon basis, more value is created by Mexican beer in the U.S. than by domestic lagers.**

While off-premise Mexican beers generate \$16.59 per gallon, when on-premise revenues (bars and restaurants) are included the average across on and off premise retailers increases to an estimated \$26.27 per gallon.<sup>16</sup> When in a bar patrons are paying not just for the beer, but for a place to sit, someone to serve you and sometimes entertainment.

Of the \$26.27 in total value, 65.5% flows to U.S. retailers, distributors, and federal, state, and local governments. The brewer/importer receives the balance. Though the beer is brewed in Mexico and imported into the U.S., the brewer/importer also spends significant amounts bringing the product to market. Mexican beer must be transported to and within the U.S. and there are marketing and advertising expenses that go with the sale of any brand. Additionally, Mexican beer uses significant amounts of American agricultural products like barley, corn, hops and rice.

*Figure 1*

## At least 74% of Mexican beer value accrues to businesses in the U.S.



Source: Derived from A.C. Nielsen and Constellation Brands data.

When the retailer, distributor and government shares are added to the known domestic expenditures (8.6%) of Mexican beer importers, around 74% of all value associated with Mexican beer accrues to

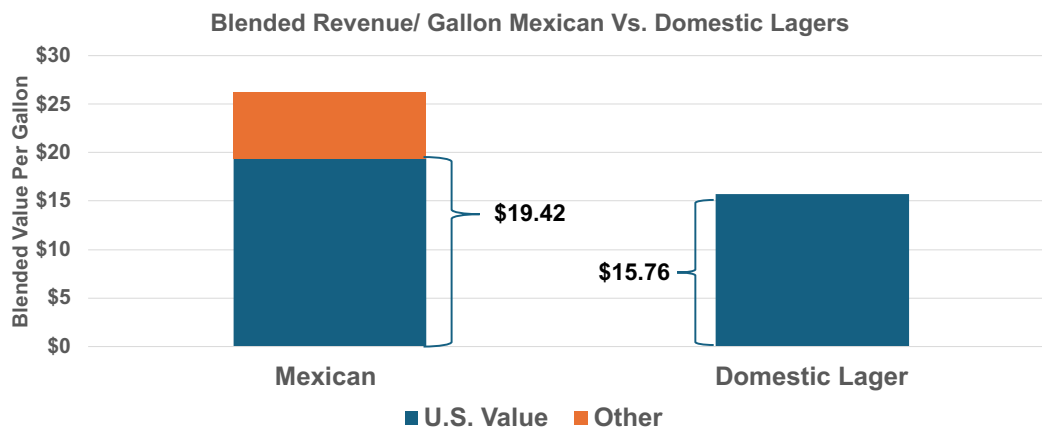
<sup>16</sup> Typically on-premise mark-up over wholesale cost is 400% to 500%. By assuming 500% for these estimates the on-premise price of a Mexican beer would be just over \$6.00 per 12 ounces – a reasonable figure when compared to advertised prices.

domestic U.S. businesses.<sup>17</sup> And, the 74% is a minimum number. The importer will have a substantial number of employees in the U.S. that will draw salary, wages and other compensation.

The 74% figure represents \$19.42 of value created in the U.S. for every gallon of Mexican beer sold across on and off premise venues. By comparison, the total blended value of the leading domestic lagers is only \$15.76 per gallon. Thus, Mexican beers generate 23% more value per gallon for American businesses than do domestic lagers.

Figure 2

## Mexican beers create more value in the U.S. than do domestic lagers



**Consumers question the authenticity of a brand claiming a geographic style. Moving production to the U.S. would destroy the integrity of Mexican beer.**

*Moving production to the U.S.: Beck's beer offers a cautionary tale.*

Some argue that the imposition of tariffs is to encourage foreign producers to move production to the U.S. However, moving Mexican beer production would harm Mexican beer brands. When a brand claims a geographic style, but is no longer made in its geographic origin, consumers begin to question the authenticity and integrity of the brand. Anheuser-Busch InBev moved production of Beck's beer from Bremen, Germany to St. Louis, Missouri in 2012, but continued to market Beck's beer as German. However, when this became widely known, consumers felt deceived and filed a lawsuit against the brand.<sup>18</sup> In fact, the plaintiff's attorney noted:

<sup>17</sup> Calculation was made by subtracting distributor, agricultural, transportation and marketing and advertising costs from (provided by Constellation Brands) blended retail on/off-premise average retail revenue. Excise and sales taxes were calculated using the Federal excise tax rate of \$18/barrel and an average state excise tax rate of \$0.33/gallon (provided by Distilled Spirits Council of the United States). State sales tax rate of 6% was used.

<sup>18</sup> See [Beer Drinkers Feel Bamboozled](#)

*“...the point of the lawsuit is that a beer made in St. Louis shouldn’t be passed off as the import it once was – with premium pricing to boot.”<sup>19</sup>*

The lawsuit was settled in favor of the consumers. As noted above, consumers often use country of origin as a signal of quality and prestige. Thus, it is not surprising that consumers were willing to take Beck’s to court when they were deceived. Consumers’ reaction in the Beck’s case has ominous implications for any Mexican beer that moved production to the U.S. Consumer confidence would be degraded along with brand value.

*U.S. Justice Department consent decree requires Constellation to produce in Mexico.*

While moving production of Mexican beer to the U.S. would be a poor business decision, there are legal impediments to doing so for the largest Mexican beer brands.

Constellation Brands, which controls over 90% of Mexican beer imports, was able to acquire Grupo Modelo’s U.S. beer business because of the merger between Anheuser-Busch InBev and Mexican company Grupo Modelo. In fact, the consent decree Constellation entered into with the Justice Department (*United States of America v. Anheuser-Busch InBev SA/NV et al.* Civil Action No. 13-127) had Constellation take ownership of Modelo, Corona and Pacifico beer brands within the U.S. and *required* Constellation to expand the Piedras Negras Brewery (Piedras Negras, Mexico) to a 20 million hectoliter capacity and to produce the new Constellation beer brands at that facility.<sup>20</sup> Thus, the consent decree that Constellation operates under requires the company to produce in Mexico – moving production to the U.S. is not an option.

## **Conclusion**

There is no economic or national security rationale for imposing tariffs on Mexican beer. Far from helping American workers, such tariffs would reduce the profitability of one of the highest-margin categories in the U.S. beer market — and with it, the jobs those margins support. Mexican beer sells at a 52 percent premium over mass-market domestic lagers and generates 23 percent more value per gallon sold. That value is captured overwhelmingly in the United States, where roughly 95 percent of beer-industry employment is in distribution, retailing, hospitality, and the many suppliers that support them.

High-margin products like Mexican beer help pay the wages needed to retain workers in these labor-intensive sectors. Tariffs would erode those margins, depress sales, and put downward pressure on employment and earnings across thousands of distributors, restaurants, bars, grocery stores, and package retailers. In short, tariffs on Mexican beer would not protect American jobs — they would eliminate them.

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<sup>19</sup> See [Beer Settlement](#)

<sup>20</sup> See *United States of America v. Anheuser-Busch InBev SA/NV et al.* Civil Action No. 13-127 found at: [Consent Decree](#)