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CFTC chairman orders review of aluminum benchmarks used by U.S. manufacturers

Michael S. Selig said the current system leaves U.S. buyers paying roughly 75% above the LME benchmark alone

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The chairman of the Commodity Futures Trading Commission said on Friday, Nov. 13, that he has directed agency staff to examine the aluminum pricing references used by American manufacturers, including the benchmark system that helps determine what

brewers and can makers pay for metal in the United States.

Speaking at the Beer Institute’s annual membership meeting in Washington, CFTC Chairman Michael S. Selig said his global markets team will study current pricing mechanisms and develop “concrete reform options” aimed at protecting U.S. markets and manufacturers. He said the review is a priority for him as chairman, though he also noted at the start of his remarks that the views he shared were his own and do not necessarily reflect those of the full commission.

The issue matters for the beverage industry because aluminum is a core input for cans, and changes in pricing benchmarks or hedging tools could affect how brewers and packaging suppliers manage cost swings. If companies gain better ways to hedge aluminum exposure, that could potentially improve visibility over packaging costs, an important factor for beer producers and other beverage companies that depend on cans.

Selig focused on the gap between the global aluminum benchmark set through the London Metal Exchange and the delivered price paid by U.S. buyers. He said the LME contract remains an important global reference, but argued that its “cheapest-to-deliver” structure can reflect the lowest-cost eligible delivery location rather than the real supply and demand conditions or full delivery costs faced by U.S. manufacturers.

For American buyers, he said, the LME price is only part of the cost. An additional charge known as the Midwest premium is typically added to reflect delivery into the United States. Selig said that premium, which is assessed by S&P Global, has become a larger part of aluminum costs for domestic users.

According to figures he cited from S&P Global Commodity Insights, the Midwest premium is about $1.10 per pound, while the LME benchmark is about $1.40 per pound. Combined, that brings the all-in U.S. price to roughly $2.50 per pound, or 75% above the benchmark alone.

Selig said that structure can leave American manufacturers paying prices that do not match their actual supply chains. He said aluminum bought from countries such as Canada or the United Arab Emirates does not necessarily move through the locations

implied by global benchmark mechanics, and a standardized premium may not capture differences in transportation or tariff treatment from one shipment to another.

That misalignment, he said, is especially important for beer producers, which use large amounts of aluminum packaging. His comments suggest the agency is looking not at the price of aluminum itself, which the CFTC does not set, but at whether the market infrastructure around pricing and hedging is meeting the needs of U.S. commercial users.

The CFTC oversees derivatives markets, and Selig said one question worth examining is whether additional U.S.-based aluminum contracts could improve domestic price discovery and give companies more effective hedging options. He said a new contract by itself would not be enough, because any benchmark would need liquidity and broad participation from producers, consumers and other market participants to become useful.

He drew a parallel with the CFTC’s recent outreach in agricultural markets, where the agency has reconvened advisory discussions and conferences to hear directly from users of futures markets. Selig said he wants to take the same approach with industrial metals, including aluminum.

No formal rule proposal, timetable or specific contract design was announced in the speech. Selig instead framed the effort as an invitation for industry participants to work with the agency as staff evaluates possible changes.

He also said the commission should consider the role of recycled aluminum, which is particularly relevant for beverage packaging because used cans can be turned into raw material for new cans. Selig said recycled aluminum is an important part of the domestic supply chain and generally uses less energy than making primary aluminum from ore, but he added that scrap is not a full substitute in every application and still faces collection, sorting, processing and transportation costs.

Selig said one of his goals is to strengthen the derivatives market by working with stakeholders on a market structure specifically for recycled aluminum. He said better risk-management tools would not solve every supply-chain problem, but could help

businesses manage price exposure and make investment decisions with more confidence.

That point could carry weight across the beverage supply chain. A can manufacturer with better hedging tools may be able to plan production more effectively, while recyclers may be in a stronger position to assess investments. Brewers, in turn, could face more predictable packaging costs, though Selig said such outcomes are not guaranteed simply by creating a new contract.

Beyond aluminum benchmarks, Selig also used the speech to discuss tokenization and blockchain-based market infrastructure. He said the CFTC is considering how tokenization of real-world assets could reduce frictions in warehousing and collateral management. In his view, more customizable lot sizes, faster settlement and auditable warrant systems could lower costs for some market participants. He did not announce a specific initiative tied to aluminum warehousing, but said the commission wants industry input as the technology develops.

Selig placed the aluminum review within a broader policy argument about strengthening U.S. industry and reducing reliance on foreign markets for reference pricing. He said the United States has deep financial markets and experience creating derivatives that serve commercial end users, and he questioned whether American businesses should have more options to discover and manage the price of aluminum delivered in the domestic market.

The speech did not indicate that the CFTC plans to replace existing global benchmarks or directly intervene in physical aluminum pricing. Instead, Selig said the agency’s role is to maintain market integrity, support competition and ensure that rules do not unnecessarily block innovation in derivatives markets.

For brewers and other beverage companies, the immediate significance is that a federal market regulator is signaling closer scrutiny of the benchmark structure behind can costs. Whether that leads to a new U.S. aluminum contract, a recycled aluminum hedging tool or other market changes will depend on staff analysis and industry participation that the chairman said he wants to begin now.