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Canada’s Alcohol Ban Hits U.S. Wine Exports

The restrictions cut sales to Canada by $343 million US, deepening tensions before trade talks this year

Friday, May 15, 2026



Canada’s restrictions on American alcohol have delivered a sharp blow to the U.S. wine industry, cutting exports to its largest foreign market by $343 million US in one year and setting up another point of friction as the two countries prepare for trade talks later this year.

Trade data from the U.S. Census Bureau shows that wine exports from the United States to Canada fell 77% between 2024 and 2025, after provincial liquor stores pulled American products from shelves in early 2025 in response to tariffs imposed by President Donald Trump. The decline came as Canadians headed into the Victoria Day long weekend, a period that usually ranks among the busiest for alcohol sales.

For years, Canada had been the biggest buyer of U.S. wine. That changed quickly once most provinces stopped carrying American labels. Since March 2025, U.S. alcoholic beverages have largely been absent from liquor store shelves across the country, with Alberta and Saskatchewan standing out as exceptions because privatized retail systems there allowed some sales to resume.

The impact has been large enough to become part of the trade agenda. A recent U.S. government report identified Canada’s alcohol restrictions as one of several issues likely to complicate negotiations, alongside supply management, procurement rules and the Digital Services Tax. The report said Washington continues to press Ottawa to ensure that U.S. alcohol returns “immediately and permanently” to provincial and territorial markets.

The loss of Canadian sales was bigger than any other drop in U.S. wine exports last year. The next largest decline was to China, at $69 million US, underscoring how important Canada has been to American wineries. Some producers found new buyers elsewhere, including in South Africa, Belgium, Japan and the United Arab Emirates, but those gains did not come close to replacing what was lost in Canada.

The setback also landed at a difficult moment for the industry. Even before the trade fight escalated, global U.S. wine exports excluding Canada had fallen 18% between 2022 and 2023. Winemakers are facing weaker demand at home and abroad, more competition from ready-to-drink cocktails and hard seltzers, and changing consumer habits that have pushed many younger drinkers away from wine.

A 2024 report from Silicon Valley Bank said fewer U.S. consumers now see wine as their preferred alcoholic beverage. That trend has added pressure to an industry already dealing with shrinking margins and slower sales.

Canada’s own alcohol trade has shifted in the opposite direction. While American wine and spirits have largely disappeared from many shelves, imports of Canadian spirits into the United States have risen, including whiskies and ready-to-drink cocktails that have become increasingly popular with consumers.

Beer trade had already been weakening before the current dispute began, as local breweries gained ground against large multinational brands. In Canada, the number of breweries rose from 676 in 2017 to 1,165 in 2022 before slipping to 1,112 in 2025, according to beer analyst Jason Foster. At the same time, beer makers are also contending with higher production costs tied to steel and aluminum tariffs.

The economic effects are being felt inside Canada as well. Ontario’s liquor board reported a $400 million revenue decline in its latest update, partly because it lost about $70 million in high-margin sales of American liquor. Some of that business has shifted to domestic producers, especially Ontario VQA wines, which have seen a strong increase in sales.

The restrictions have hit both Democratic and Republican states in the United States, including California’s wine sector and bourbon producers in Tennessee and Kentucky. The issue is expected to remain part of broader North American trade discussions as the Canada-U.S.-Mexico Agreement comes up for review this year.