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U.S. Ban on Canadian Alcohol Will Hit Distilleries Hardest

Analysts say spirits makers send more than half their production to the United States, far more than brewers or wineries.

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A U.S. ban on most Canadian alcoholic beverages is set to take effect on Sept. 29, and industry analysts say Canadian distilleries are likely to face the heaviest damage because they depend far more on the American market than brewers and wineries do.

The measure was announced by the U.S. government as trade tensions between the two countries deepened. According to industry groups and economists, the restrictions would block most Canadian-made spirits and other alcohol products from entering the United States, though Canadian whisky and liqueur shipped in bottles larger than four liters would be exempt. Trade representatives say that exception is narrow in practice because those larger formats are not widely sold.

Craig Johnston, chief economist at Farm Credit Canada, said distilleries are especially exposed because they send more than half of their production across the border. Among the main alcohol categories, he said, spirits producers have the strongest reliance on U.S. demand, making them more vulnerable than breweries or wineries if the ban remains in place.

That matters beyond a single product category. A prolonged disruption could reshape how Canadian producers of spirits, beer and wine access their largest nearby export market, with the sharpest immediate pressure falling on liquor makers and only more limited direct effects expected for brewers and wineries. The change also could force companies to rethink distribution, production planning and shelf presence in the United States at a time when retail relationships are hard to rebuild once lost.

Cal Bricker of Spirits Canada said the measure is, for practical purposes, close to a ban on Canadian whisky. He said the industry does not have an easy workaround because many products are protected by origin rules and longstanding trade arrangements. Canadian whisky must be made in Canada, just as bourbon must be made in the United States and tequila in Mexico, he said. That means producers cannot simply move a Canadian whisky line south of the border and continue selling the same product under the same designation.

Bricker also said the North American alcohol business is deeply integrated, especially for large multinationals. He pointed to companies such as Diageo, which produces Crown Royal in Canada, Bulleit Bourbon in the United States and Don Julio tequila in Mexico. In his view, measures aimed at products from one country can still affect broader corporate supply chains because those businesses are managed across one balance sheet.

So far, Bricker said he has not heard from any of the 11 distilleries and spirits makers represented by his association about shifting production to the United States. But he said the sector is pressing for negotiations because the commercial impact could be severe if the ban lasts.

Robert Carter, a food industry analyst at the StratonHunter Group, said smaller producers with a retail presence in the United States may be particularly vulnerable. Many of them have spent years building ties with American distributors, restaurants and stores, he said, and those relationships can weaken quickly if product stops arriving. Once a brand disappears from shelves, replacing that lost space can be difficult and expensive.

Brewers appear less exposed overall, though some companies still face meaningful risk. Andrew Oland, chief executive of Moosehead Breweries, said he was disappointed to see alcohol drawn further into the widening trade dispute. He said 15% of Moosehead’s beverages are shipped to the United States and are already facing 50% tariffs after trade negotiations between the two countries broke down last month.

Oland said the Saint John, New Brunswick-based brewer is trying to send as much beer as possible to the United States in the next few weeks in order to protect shelf space and preserve relationships with retailers. If its beer is not available in American stores, he said, those stores will quickly replace it with another brand, and winning back that placement later can be difficult. At the same time, he said Moosehead is preparing for the possibility of a longer disruption and looking for marketing opportunities outside the United States.

Even so, beer industry representatives say the sector is not as dependent on the U.S. market as distillers are. Luke Chapman, vice-president of federal affairs at Beer Canada, said Canadian brewing is overwhelmingly domestic. More than 90% of the beer purchased in Canada last year was brewed in the country using domestic ingredients, he said, which gives the sector a larger home-market base than many other Canadian industries.

Wine producers also are expected to avoid the worst of the blow. Norman Beal, board chair of Ontario Craft Wineries, said only about 1% of wine sales come from the United States. He said Canadian wine producers are relatively small and sell most of their products in Canada, which reduces their direct exposure to a U.S. import ban.

Recent trade data show why the issue still matters for the broader alcohol business. Statistics Canada data cited by analysts show that between April 2024 and March 2025, Canada imported $1 billion in alcohol from the United States, down 5.4% from the previous fiscal year. Over the same period, Canadian alcohol exports to the United States totaled $1.4 billion, up 4.1% year over year.

The latest U.S. action followed Canadian retaliatory duties introduced earlier this week, according to the industry accounts cited by The Canadian Press. Producers and trade associations are now urging Ottawa and Washington to find a diplomatic solution before Sept. 29. They warn that if the restrictions stay in place, some distilleries may have to scale back operations, and in some regions that could mean job losses and economic pressure on communities tied to spirits production.

With the deadline approaching, the central concern across the industry is not evenly shared. Brewers and wineries may be able to rely more on domestic sales, but distilleries do not have the same cushion. For many of them, the United States is not just another export destination. It is the core market that supports production volumes, long-term contracts and brand growth.