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U.S. Spirits Exports to Canada Fell 70% After Provincial Bans

Kentucky distillers have halted expansion, Ontario has spent millions on storage, Canadian producers now face a U.S. import ban

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More than 18 months after most Canadian provinces pulled U.S. alcohol from store shelves, the trade dispute is leaving visible costs on both sides of the border. U.S. spirits exports to Canada have fallen sharply, Kentucky bourbon producers say they have lost business and delayed expansion plans, Ontario is paying millions to store unsold American inventory, and Canadian distillers are now facing a U.S. ban that has

cut off their largest export market.

Industry data show how steep the decline has been. The Distilled Spirits Council of the United States, a trade group for American producers, said U.S. spirits exports to Canada dropped to US$72 million from US$232 million before the provincial bans, a fall of 70%. Separate figures from the Kentucky Distillers' Association show Kentucky bourbon and whiskey exports to Canada fell 42.4% in 2025, to US$25.2 million.

The losses have been felt in small distilling towns as well as at larger companies. Tom Bard, who co-founded The Bard Distillery in Graham, Kentucky, in 2019, said the Canadian boycott erased a revenue stream almost overnight. To offset the hit, he opened a tasting room in Bardstown, Kentucky, but he also stopped hiring and paused construction on an expansion.

The restrictions have not been uniform across Canada. Alberta and Saskatchewan resumed sales of U.S. alcohol in June 2025, but the other eight provinces have not restocked American products. Even where sales resumed, consumer demand has not fully returned. Calgary retailer Andrew Ferguson told Postmedia in October that shoppers were still leaving U.S. wines on the shelf, saying the boycott had changed the product mix in a way he had not seen before.

The dispute widened again in late summer. After trade talks collapsed, the U.S. imposed a 50% tariff on Canadian alcohol on Aug. 22. Saskatchewan answered with its own 50% levy on U.S. alcohol that took effect on Sept. 8. The White House later cited that tariff when it moved in September to block Canadian alcohol imports more broadly.

Ontario has taken one of the hardest lines inside Canada, and that has created a different kind of cost. The province barred the Liquor Control Board of Ontario, or LCBO, from selling its existing stock of U.S. alcohol. That left about CA$79 million worth of American product in storage. The LCBO has said taxpayers have spent about CA$8 million warehousing that inventory, and about CA$2.6 million worth, or 3.3% of the original stockpile, has already expired.

Some analysts say the real cost is higher. Michael Armstrong, a professor of operations research at Brock University, estimated in an October analysis published by The Conversation that the province's total bill over 20 months could reach CA$33.4 million. His estimate included about CA$20.4 million in inventory write-downs, close to CA$10 million in warehousing costs and nearly CA$3 million in implied interest.

Those carrying costs are landing at a time when the LCBO is already sending less money to the province. For the fiscal year ended March 31, the LCBO generated CA$1.8 billion for Ontario, down CA$358 million from the prior year. Most of that decline followed Ontario's decision to expand alcohol sales through grocery, convenience and big-box stores, but the unsold U.S. inventory has added another burden.

Canadian producers are now under pressure as well. On Sept. 29, the U.S. banned imports of most packaged Canadian alcohol, including whisky, vodka, beer and wine. The measure covers roughly US$800 million in Canadian alcohol that the U.S. imported in 2025. Analysts cited by The Canadian Press have said distillers are the most exposed because they send more than half of their production to the U.S., a far larger share than brewers or wineries. DISCUS data show the U.S. imported US$691 million worth of Canadian spirits in 2025.

The ban includes an exemption for whisky and liqueur shipped in containers larger than 4 liters, but industry groups say that offers little relief to many producers. Cal Bricker, chief executive of Spirits Canada, said few products are sold that way. Larger brands may have more room to adjust. Crown Royal, for example, can ship whisky in bulk and bottle it in the U.S. Smaller distillers that bottle domestically do not have that option.

Some of those companies have already changed their plans. Stratford-Fox Distillery, near Ottawa, shelved its push into the U.S. market after trade talks broke down in August and is instead seeking listings in other provinces and in Europe. That kind of shift shows how the dispute is reshaping the beverage business beyond bourbon alone. Shelf space is moving toward domestic products, investment decisions are being delayed, and distributors and producers across spirits, wine and beer are facing higher trade risk and a more fragmented market.

Domestic suppliers have gained some ground in Canada. In the fiscal year ended March 31, the LCBO added 1,060 Ontario-made products. Sales of Ontario-made spirits rose 9%, and sales of all Ontario-made products increased 20%, or more than CA$500 million. Brewers appear less exposed than distillers because Canadian beer production is still concentrated in the home market, but the U.S. action still reaches beer along with wine and spirits.

For consumers, access now depends heavily on where they live and how they shop. In provinces that still bar U.S. products from retail shelves, American-made bourbon remains difficult to find through regular channels. Canadians can still bring alcohol back from the U.S. for personal use, but the exemption is narrower than many travelers assume. The Canada Border Services Agency allows a duty-free import only after at least 48 hours outside the country, and the limit is 1.14 liters of spirits, 1.5 liters of wine or 8.5 liters of beer. Anything above that can trigger duties, taxes and provincial or territorial charges.

The Distilled Spirits Council of the United States has criticized the provincial bans and said it is pushing for renewed talks between Ottawa and Washington. Its chief executive, Chris Swonger, has called the provincial measures an “unforced error” and said the industry wants both governments back at the table.