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Trump Win Sparks Fear in French Wine Sector

FEVS urges EU and French government to engage with Trump transition team

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The return of Donald Trump to the presidency of the United States has the French wine industry on edge, recalling with concern the effects of the so-called "Trump tax" imposed in 2019. That year, the Trump administration introduced a 25% tariff on still wines from France with an alcohol content under 14 degrees and packaged in bottles smaller than two liters. This measure, linked to a trade dispute over subsidies between

Airbus and Boeing, hit French wine exports hard. From October 2019 to September 2020, French wine exports to the United States dropped by 28% in value, significantly impacting a sector that heavily relies on the American market.

The United States is the largest market for French wine exports, accounting for 22% of total volume and representing €3.6 billion in value, according to the Federation of Exporters of Wines and Spirits of France (FEVS). The tariffs caused severe market losses, as competitors from Italy and New Zealand, whose wines were not subject to the same duties, gained ground. To cope, many French producers resorted to alternative strategies, such as exporting in bulk or increasing the alcohol content above 14 degrees to avoid the tariffs.

With Trump's recent electoral victory, industry leaders have voiced serious concerns. Jean-Marie Fabre, president of the Vignerons Indépendants, expressed to AFP his regret that the suspension of tariffs in 2021 did not lead to a permanent resolution of the underlying conflict. He emphasized that the threat remains significant, pointing out the strategic importance of the American market, both in volume and value terms, especially for wine appellations that are almost entirely dependent on it.

The anxiety extends beyond producers. The FEVS has urged the French government and the European Union to engage in immediate dialogue with Trump's transition team to prevent a new wave of punitive tariffs. Thierry Breton, a former European commissioner, stressed the need for preparedness, highlighting that Trump's negotiating style has always been transactional, involving a trade-off of concessions.

The damage from another round of tariffs could be substantial, especially since the wine industry is already grappling with the lingering effects of the Covid-19 pandemic and broader economic challenges. Florian Ceschi, head of brokerage firm Ciatti in France, noted that the previous tariff crisis forced exporters to adapt significantly. This included bulk wine sales and a shift to alternative formats like Bag-in-Box (Bib), which were exempt from the 2019 tariffs. Nevertheless, Ceschi warned that these solutions come with risks, as they often require additional investments and could complicate relationships with U.S. distributors.

Meanwhile, Foued Cheriet, a wine marketing expert and professor at the Institute of Vine and Wine in Montpellier, suggested that wineries start planning mitigation strategies now. Options include diversifying markets and renegotiating terms with American importers. He also mentioned that accelerating exports before new tariffs might be a temporary solution, provided wineries have the resources to store large quantities ahead of time.

The uncertainty over potential new tariffs is also unfolding against a backdrop of economic issues within the U.S. wine industry itself, which has faced disruptions similar to those in Europe. Ceschi observed that domestic challenges in the United States, alongside pressing issues for the incoming administration, such as the war in Ukraine and trade tensions with China, might deprioritize wine tariffs. However, French exporters cannot afford to be complacent, and the coming months will be crucial in determining how transatlantic trade relations evolve in this new political era.