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US Wine Industry Braces for Potential Tariff Storm

Industry Fears Repeat of 25% Tariffs on European Wines

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The United States wine industry faces the potential reintroduction of tariffs on imported wines, a measure that could severely impact importers, distributors, retailers, and restaurants nationwide. Following the recent presidential election, concerns have emerged that Donald Trump's administration might reimpose tariffs similar to those enacted during his first term. At that time, tariffs reached 25% on wines from France, Spain, and Germany, costing American importers over $239 million in duties over an

18-month period. Although a proposed 100% tariff on European sparkling wines was ultimately avoided, the tariffs significantly raised costs and disrupted American businesses dependent on foreign wine trade.

Tariffs, a tax on imported goods, are paid by importers upon the products' entry into the country. These costs ripple through the supply chain, from distributors and retailers to consumers. A wine that initially sells for $15 can see its price rise sharply once tariffs and other markups are added. While tariffs are intended to penalize foreign producers, the financial burden is mostly felt domestically. According to Harmon Skurnik, a board member of the U.S. Wine Trade Alliance (USWTA), the U.S. wine trade generates approximately $4.50 for local businesses for every dollar spent on European wine. Thus, the primary economic strain of tariffs is borne on American soil.

The current concern goes beyond the wine sector. Trump has suggested implementing broader import tariffs, including rates as high as 60% on Chinese goods and 10% to 20% on imports from other nations. Unlike past tariff strategies aimed at specific industries or as a tool for economic sanctions, this approach is part of a broader policy to boost domestic production. These measures are intended to encourage companies to manufacture goods within the United States, signaling a shift from decades of globalization toward more protectionist trade practices.

The wine industry, however, would face significant challenges under such a policy. Higher prices on imported wines could discourage consumption, which has already declined for three consecutive years. Domestic wineries would also feel the strain as the costs of imported materials such as bottles, labels, and transportation rise. These increases compound existing challenges, including inflation, weakening sales, and shifts in younger consumers' preferences.

The USWTA and other advocacy groups have ramped up lobbying efforts in Congress, emphasizing that such tariffs harm American businesses more than their European counterparts. Many companies absorbed previous tariff costs, betting on their temporary nature, but the current economic uncertainty makes that strategy less viable. Additionally, the wine market in 2024 is markedly different from that of 2019, with added pressures from the pandemic, rising operational expenses, and evolving

consumer behavior.

While the goal of boosting domestic production may seem advantageous, tariffs on imported wines are unlikely to drive significant growth in local wine sales. European wines often possess unique characteristics, such as Chardonnay from Chablis or Nebbiolo from Piedmont, that cannot be replicated elsewhere. As Skurnik notes, consumers drawn to these distinctive qualities are more likely to reduce purchases than switch to domestic alternatives.

With a change in administration scheduled for January 2025, the prospect of renewed tariffs has put the entire wine supply chain on high alert. Though lobbying efforts may influence policy direction, Trump's tariff philosophy suggests these measures are integral to his broader trade strategy. As a result, importers, retailers, and consumers are bracing for potential price hikes that could impact their budgets and the variety of wines available on store shelves and restaurant menus.