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WSWA Alerts on Tariff Impact

Tariffs on Imported Wines and Spirits Could Cost Nearly 100,000 Jobs, Experts Warn

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On December 10, 2024, the Wine & Spirits Wholesalers of America (WSWA) hosted a webinar titled "Navigating Trade Challenges," where industry leaders discussed the economic and commercial impacts of proposed tariffs on imported wines and spirits by the incoming Trump administration. This event brought together key experts to analyze the potential effects of these measures on the U.S. alcoholic beverage industry and its consumers.

Participants included Dina Opici, president of Opici Family Distributing and WSWA's current president; Theo Koebel, executive vice president of Winebow; Michael Correra, executive director of the Metropolitan Package Store Association; and Dawson Hobbs, executive vice president of government affairs at WSWA. Data presented during the webinar by John Dunham and Associates highlighted the potential impact of tariffs ranging from 10% to 30% on all imported wines and spirits, along with a specific analysis of a 25% tariff on Mexican products.

The findings detailed that a 10% tariff could lead to 12,000 job losses and $644 million in lost wages, while a 30% tariff could result in 91,000 job losses and $4.9 billion in wage reductions. The total economic impact, including fiscal and production losses, could reach $14.9 billion under the highest tariff scenario. For tequila, a unique product that accounts for 13% of total spirits volume sold in the U.S., a 25% tariff could cause significant economic damage, with estimated losses of 14,000 jobs and $2.5 billion.

Dina Opici highlighted the cascading effects these measures could have on the distribution chain, retail, and hospitality sectors, which heavily depend on imported products. She noted that tariffs might counteract their intended goals, jeopardizing jobs and the stability of many local businesses. Michael Correra added that these policies would hurt not only businesses but also consumers, especially in the premium segment, where higher prices could limit access.

Theo Koebel underscored the importance of maintaining collaboration within the supply chain to ensure the industry's resilience against trade tensions. He warned that tariffs could restrict access to international markets and harm relationships with key trade partners. Dawson Hobbs explained that while tariffs are often used in international negotiations, their direct impact is felt by American companies, which must absorb the additional costs that are eventually passed on to consumers.

The WSWA reaffirmed its commitment to collaborating with industry partners to oppose these policies. The organization advocates for preserving a connected trade network to protect workers' and consumers' interests. However, the incoming U.S. administration views tariffs as a tool to strengthen the domestic economy. In the case of wines and spirits, the dependence on imports—representing 30% to 35% of the market—makes

these measures particularly sensitive.

The proposed tariffs would have a severe impact on products like tequila, Scotch whisky, and champagne, which lack domestic substitutes due to their geographic origins and unique production methods. According to John Dunham and Associates, these policies could result in nearly 100,000 job losses, $5 billion in fiscal losses, and significant reductions in economic output.

The U.S. alcoholic beverage market is already facing a 5.2% decline in volume, according to recent data, adding pressure on an industry grappling with shifting consumer preferences and economic factors such as a 2.7% inflation increase over the past year. Distributors and retailers are also dealing with legacy inventories from the pandemic while contending with the costs of new tariffs, all while striving to maintain affordable prices for consumers.

Theo Koebel suggested diversifying product portfolios as a strategy to mitigate the effects of tariffs, exploring emerging categories such as non-alcoholic or low-alcohol beverages and collaborating with U.S. wineries to seek alternative markets. Meanwhile, the WSWA emphasized the importance of forming international coalitions with foreign producers and governments to foster dialogue and avoid measures that could destabilize the market.

Protecting the alcoholic beverage industry as an interconnected sector is critical not only to preserving jobs and businesses in the United States but also to ensuring access to products that are integral to consumer culture and international trade.