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Canada hits U.S. wine with 25% tariff

Industry fears long-term damage to Canadian market relations

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The California wine industry is facing another setback as Canada imposes a 25% tariff on U.S. wine, its largest export market. The measure, announced on February 4 and reported by multiple media outlets, comes in retaliation for tariffs imposed by the U.S. government on Canadian imports. Additionally, the provinces of Ontario and Quebec have declared they will stop selling American wines and spirits in their stores starting Tuesday, further exacerbating the challenges for California producers.

The impact of this decision is significant, as Canada accounts for over $1.1 billion in annual U.S. wine sales, according to Robert P. Koch, president and CEO of the Wine Institute. Many California wineries, already struggling with declining consumption and an oversupply of wine, now face further economic strain.

For producers like Kenny Likitprakong, founder of Hobo Wine Company in Santa Rosa, the news is a major blow. His winery exports 10% of its production to Canada, primarily to Ontario and Quebec, the two provinces that have decided to halt sales of U.S. alcoholic beverages. "We have hundreds of cases of wine labeled for Canada that will not be picked up," he said. "It's a painful hit at a time when we were already struggling."

Hardy Wallace, co-founder of Extradimensional Wine Co. Yeah! in Sonoma, has also seen his plans for expansion in Canada come to an abrupt halt. "Montreal and Quebec are key markets, especially for natural wine producers, because the restaurant industry there strongly supports them," he noted. Now, his strategy for entering the Canadian market is on indefinite hold.

For many wineries, these tariffs make it even more challenging to sell California wines in Canada, where they were already considered expensive due to exchange rates, taxes, and import duties. Jason Lede, general manager of Cliff Lede Vineyards in Napa Valley, estimates that the Canadian market represents 5% of his annual sales. "Consumers in Canada will experience price shock and may opt for more affordable alternatives," he commented. "This hurts us, the importer, and the consumer. There is no upside to this situation."

California winemakers fear that even if the tariffs are lifted after the initial 30-day period, the damage to their relationship with Canada could be long-lasting. Likitprakong warns that Canadian consumers may turn to European wines, which are not subject to these tariffs. "If they can buy European wines at a better price, why would they spend more on California wines?" he asked. "We may never fully regain this market."

The sales ban in Ontario and Quebec also presents an immediate financial problem for many wineries. Likitprakong noted that his company ships wine to Canada every month and that losing this revenue stream will impact cash flow. Additionally, wine already

labeled for the Canadian market cannot be easily redirected elsewhere.

Uncertainty over the duration of these restrictions and the long-term impact on the perception of California wine in Canada is a growing concern among producers. "There is an anti-American sentiment that has developed," said Likitprakong. "We may recover some of the business, but part of it will be permanently affected."