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California Wineries Struggle Amid Tariffs and Canadian Retaliation

Tariffs imposed by Trump lead to Canadian bans, causing financial strain for wineries reliant on exports to Canada.

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California wineries are facing a challenging situation due to the tariffs imposed by President Donald Trump. These tariffs have led to retaliatory actions from Canada, creating financial difficulties for wineries like Birichino, owned by Alex Krause and John Locke. The duo started their winery in Santa Cruz after a promising meeting in 2007 with a buyer from the Société des alcools du Québec, a government-owned entity in

Canada. This meeting led them to produce 4,000 cases of Malvasia, an Italian white wine, with Quebec as their sole customer for the first two years.

Recently, Quebec Premier François Legault announced a ban on American alcohol products in response to Trump's 25% tariffs on Canadian goods. This ban mirrors similar actions in other Canadian provinces like Ontario and British Columbia. Although Trump has delayed the tariffs until April, the ban's impact on U.S. alcohol exports is significant, as Canada is the largest market, accounting for over $1 billion in annual sales. The American wine industry is already experiencing a decline in sales, and this situation exacerbates the financial strain on wineries.

For Birichino, the ban means a loss of about $25,000 worth of wine that was ready to be shipped to Canada. Due to specific regulations in Quebec, including bilingual labeling, these wines cannot be sold elsewhere. Krause expressed concern over this sudden loss, highlighting the broader impact on California wineries. Many are struggling with the consequences of the tariffs, despite the president's claims that they benefit American businesses.

Other wineries, like Santa Rosa's Hobo Wine Co., are also affected. Kenny Likitprakong, the owner, mentioned having hundreds of cases labeled for Canada that might remain unsold. Similarly, Cliff Lede Vineyards in Napa, owned by a Canadian American family, sells 5% of its production to Canada. The tariffs have created uncertainty for these businesses, affecting their operations and financial stability.

Kascadia Wine Merchants, a Bay Area importer and retailer, focuses on North American wines and represents several Canadian producers. Founder VJ Gandhi managed to get a large order of Canadian wine across the border before the tariffs took effect. She expressed relief but acknowledged that future tariffs might force her to raise prices. However, she remains optimistic about her business's survival due to her diverse product offerings.

American wineries also rely on Canadian imports for essential goods like glass, corks, and capsules. Birichino sources many of its glass bottles from Canada and its screw-cap closures from Quebec. Krause estimated that a 25% tariff would increase packaging costs by $15,000 to $20,000. Hardy Wallace, co-founder of Sonoma's Extradimensional

Wine Co. Yeah, faced similar issues with corks from Mexico. He opted to pay more for U.S.-warehoused closures to avoid potential tariffs, increasing his bottling costs significantly.

The ongoing changes in North American tariffs have left wineries uncertain about their future. If Birichino cannot sell its wine in Canada, Krause may have to remove the bilingual labels and apply new ones, a time-consuming process. Despite the temporary pause in tariffs, Krause fears the damage is already done. He questions whether American wines will be welcomed in Canada even if negotiations lead to a resolution. The situation underscores the complex challenges facing the wine industry amid shifting trade policies.