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U.S. Wine Exports to Canada Plunge 91 Percent, Turning $51.5 Million Surplus Into Deficit

Provincial bans and trade barriers leave American wineries struggling as USMCA review looms, with industry leaders demanding urgent action

Wednesday, November 12, 2025



U.S. wine producers are facing significant challenges in the Canadian market following a series of trade actions and ongoing provincial restrictions, according to a recent submission by Wine Institute and WineAmerica to the Office of the U.S. Trade Representative (USTR). The two organizations, which represent more than 1,500 American wineries—most of them small and family-owned—have called on federal officials to address what they describe as unfair barriers to U.S. wine exports ahead of the upcoming review of the United States-Mexico-Canada Agreement (USMCA).

The problems began in early March 2025, when most Canadian provinces removed U.S. wines and other alcoholic beverages from their government-controlled liquor store shelves. This action followed a U.S. executive order that imposed a 25% tariff on certain Canadian imports, which was quickly amended to exempt USMCA-origin goods. Canada responded with its own retaliatory tariffs, but both countries lifted these duties by September 2025. Despite this, provinces including British Columbia, Ontario, Quebec, and several others have maintained bans on U.S. wine sales, linking their removal to broader trade negotiations rather than the original tariff dispute.

Only Alberta and Saskatchewan have resumed normal imports of U.S. alcohol. The continued bans have had a dramatic effect on American wine exports: trade with Canada is down 91% compared to 2024 levels, turning what was once a trade surplus into a $51.5 million deficit for U.S. producers. Industry leaders say these losses cannot be offset by domestic sales or by finding new export markets, as overall U.S. wine exports have dropped 28% in the first seven months of 2025.

Wine Institute and WineAmerica argue that these provincial bans violate the spirit of the USMCA and are urging the USTR to push for their immediate removal, independent of any broader renegotiation of the agreement. They also highlight longstanding concerns about other Canadian practices that disadvantage imported wines, such as preferential shelf space for local products and complex distribution requirements that add costs and delays for foreign producers.

In British Columbia, for example, imported wines must pass through both private and government-run warehouses before reaching retailers or restaurants—a process not required for domestic wines. During a recent labor strike affecting government

warehouses, imported wines were completely blocked from reaching customers while local producers continued deliveries through alternative channels.

Ontario’s recent expansion of alcohol sales into thousands of new retail outlets has also raised concerns among U.S. exporters. The province’s liquor board maintains a monopoly over wine wholesaling and restricts premium imported wines from being sold in these new stores, while local Ontario wines enjoy full access and preferential placement.

Another issue raised by the industry groups is the rise in bulk wine imports from Canada into the United States. According to data from the International Organization of Vine and Wine (OIV), nearly all Canadian wine exports are actually re-exports of bulk wine from other countries, with most destined for the U.S. market. The groups question whether these imports should qualify for USMCA tariff preferences or be allowed under existing mutual acceptance agreements.

Mexico is also an important market for American wine but presents its own set of challenges. While U.S. wine exports to Mexico nearly doubled between 2020 and 2024, they remain modest at $25 million last year. High taxes on imported wine—ranging from 42.5% to 46% depending on alcohol content—make American products significantly more expensive than those from Spain, Chile, or Italy, which benefit from lower export prices and domestic subsidies.

The industry groups are asking the USTR to explore options for preferential tax treatment for USMCA-origin wines in Mexico or other mechanisms to improve price competitiveness.

The USMCA’s annex on wine and spirits was designed to reduce non-tariff barriers across North America by harmonizing labeling and certification requirements and recognizing wine as a low-risk food product. However, Wine Institute and WineAmerica say its effectiveness has been undermined by a lack of enforceable commitments at the provincial level in Canada. They are calling for future negotiations to include binding obligations that would require provinces to treat American wines no less favorably than domestic products.

Recent events in British Columbia have further complicated matters for U.S. exporters. After a severe freeze damaged local vineyards in early 2024, provincial authorities allowed BC wineries to produce “replacement” wines using imported grapes or juice without paying standard markups—an exemption not available to foreign producers exporting finished wines into Canada. These replacement wines are now being marketed as “Crafted in BC,” even when made entirely from imported ingredients, giving them an advantage over similar American products.

Wine Institute and WineAmerica argue that removing such provincial programs is essential for restoring fair competition in the Canadian market once current bans are lifted.

As preparations begin for the joint review of USMCA operations, American wine producers are urging federal officials to make market access issues a top priority in discussions with both Canada and Mexico. They maintain that stable trade relations are vital not only for their industry but also for broader economic ties across North America.