

The alcohol industry was in a tough spot before Trump's tariffs. Now it faces grave challenges.

Article

The situation: Liquor makers' revenues fell 1.1% in 2024—the first annual decline since at least 2004, when the Distilled Spirits Council of the United States began hosting economic

briefings.

- Demand was particularly weak for Scotch whisky, which fell by double digits, while blended and American whiskey posted more modest drops. Revenues also fell across the rum, gin, and brandy categories.
- However, those losses were partially offset by a flat performance for vodka and modest gains in Irish whiskey, Canadian whisky, tequila, and mezcal.

Why it matters: Even before the downturn, the alcohol producers and retailers were already grappling with shifting [consumer preferences](#) and growing competition from ready-to-drink cocktails, malt beverages, and cannabis products.

Now, President **Donald Trump's** 25% tariffs on imports from Canada and Mexico—after several false starts—appear set to take effect on April 2, potentially bringing lasting changes to an industry in flux.

- In response, Canada has imposed retaliatory tariffs on US imports, including roughly \$589 million in spirits and other goods. This move will drive up costs for Canadian consumers, making it harder for Kentucky bourbon makers and other spirit producers to compete in the Canadian market.
- Several Canadian provinces, including Ontario and Nova Scotia, have even pulled US alcohol from store shelves. The Liquor Control Board of Ontario (LCBO), which sells nearly \$1 billion worth of U.S. alcohol annually, said they will remain off shelves until the Trump tariffs are fully repealed, per the BBC.
- Meanwhile, demand for tequila, which overtook whiskey in US sales in 2023, cooled last year. If the tariffs take effect, sales could take another major hit.

Spirits giant **Diageo** warned that US tariffs on Mexican and Canadian imports could slash up to \$200 million from its annual operating profit, underscoring the potential impact on the broader industry.

Our take: US consumers will feel the pinch of tariffs through rising prices, with costs climbing at every stage of the supply chain.

- This could drive up prices for popular imports like Mexican beer, tequila, and Canadian rye, crippling demand and leaving producers with a glut of inventory.

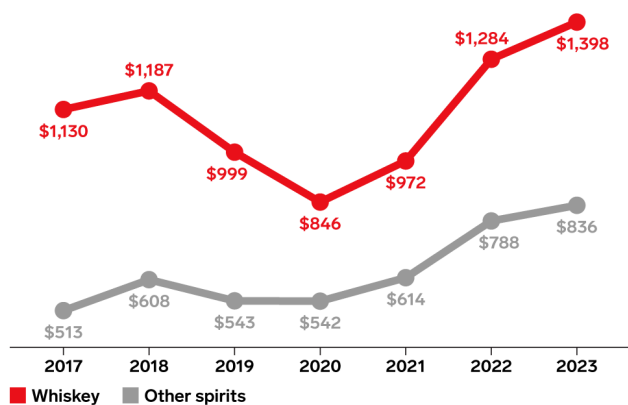
- Single-origin spirits like tequila, which have no domestic equivalent, are especially at risk, potentially leading consumers to shift their preferences in the long run.

Beyond that, the broader trade war risks fueling price hikes across the board, making shoppers more hesitant to splurge on discretionary purchases—including alcohol.

Go further: Read our [FAQ: How Trump Tariffs on Latin American Imports Will Affect US Brands](#).

American Whiskey Exports Fell With 2019 Tariffs but Rebounded After Suspension

millions in US spirits exports revenues, by type, 2017-2023



Source: Distilled Spirits Council of the United States, "Annual Economic Briefing," Feb 11, 2025

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