



April 15, 2026

The Honorable Jamieson Greer
The United States Trade Representative
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Re: USTR-2026-0067 and USTR-2026-0068: Initiation of Section 301 Investigations: Acts, Policies and Practices of Certain Economies Relating to Structural Excess Capacity and Production in Manufacturing Sectors (91 Fed. Reg. 12886 (March 17, 2026))

Dear Ambassador Greer,

The Toasts Not Tariffs Coalition appreciates the opportunity to submit comments in response to USTR's Section 301 investigation into acts, policies, and practices relating to excess capacity and overproduction in manufacturing sectors. The Toasts Not Tariffs Coalition consists of 58 U.S. trade associations and state guilds representing the entire three-tier chain of the U.S. beverage alcohol industry, and others across the supply chain.

The U.S. hospitality sector's growth and competitiveness are facing significant challenges. To ensure a return to growth for the U.S. hospitality sector and consistent with our shared goals to strengthen the U.S. economy and create well-paying jobs, we respectfully reiterate our request that the Administration exempt wine and distilled spirits from any current or future tariffs, to secure fair and reciprocal trade with the EU and UK among others, to secure new market opening agreements, and to secure the permanent return of U.S. wines and spirits across all of Canada's Provinces.

I. Domestic Economic Headwinds and Tariffs Have Created Challenges for the Struggling Hospitality Sector

Despite strong growth over the past two decades, our coalition is now confronting significant economic headwinds in the domestic marketplace. Consumer confidence has fallen to levels below those seen during prior recessions, while persistent inflation, particularly in housing, healthcare, and insurance, continues to erode discretionary income. These pressures disproportionately affect the hospitality sector and premium consumer categories such as wines and spirits. In addition, younger adults entering the workforce face reduced purchasing power, further constraining demand. Collectively, these trends threaten to reverse years of investment, growth, and job creation across the industry.

The stakes are substantial. Our coalition members produce, distribute and sell wine and spirits in every U.S. state, supporting more than 3.5 million jobs and generating \$476 billion in annual economic activity. These include farmers who grow inputs such as grapes, corn, wheat, barley, hops, rye, and rice on more than 1 million acres of farmland, all the way through the supply chain to the waiters, bartenders, truck drivers, and retail clerks. These jobs also include fields such as transportation and distribution, bottling and packaging, marketing and finance, restaurants, bar staff, taverns, small package stores, and large and small grocery outlets. Beyond the sale of wine and spirits, our coalition drives broader economic growth. For example, restaurants alone employ 15.7 million people and generate \$1.5 trillion in annual sales, or about 6% of U.S. real GDP.

According to the National Restaurant Association's *2026 State of the Restaurant Industry Report*, the U.S. restaurant sector, characterized by thin operating margins, continues to face significant economic pressures. These challenges are being driven by elevated food prices, ongoing supply chain constraints, and persistent uncertainty surrounding trade policy. To offset rising input costs, many restaurants have increased menu prices and streamlined offerings. Even so, operators' ability to pass along additional costs remains limited due to heightened consumer price sensitivity and continued softness in customer traffic.

Food costs remain particularly acute. Despite a moderation in inflation, food prices are still approximately 40% higher than 2020 levels. In 2024, the median profit margin for full-service restaurants declined to 2.8%, down from 4% in 2019, and nearly 42% of restaurants reported operating at a loss in 2025. Tariffs have further exacerbated these pressures, even in cases where some reciprocal duties were later suspended or removed. Notably, 65% of full-service restaurant operators indicated that tariffs on imported food and beverages posed a significant challenge, and 68% reported that tariffs directly increased their food and beverage costs.

Alcohol sales are particularly consequential for restaurant profitability, as they traditionally generate some of the industry's highest margins. As a result, restaurants are especially vulnerable to cost increases affecting wine and spirits. Restaurants, bars, taverns, nightclubs, and similar establishments rely on a diverse, globally sourced portfolio of alcoholic beverages to meet consumer expectations and remain competitive. According to the National Restaurant Association, alcohol sales account for 21% of the total revenue for full-service restaurants, underscoring the outsized role these products play in sustaining the broader hospitality sector.

DISCUS reported in its latest *Annual Economic Briefing* that hospitality employment growth remains fragile six years after the pandemic. Initial U.S. Bureau of Labor Statistics data showed fewer than 300,000 jobs added during this period, well below the 2.4 million jobs created in the six years preceding the pandemic. More recent data revisions further reduced reported hospitality employment by approximately 200,000 jobs, effectively erasing nearly two-

thirds of the post-pandemic gains and leaving employment just 93,000 jobs above pre-pandemic levels.

In its *2024–2025 Economic and Fiscal Impact Report of Kentucky’s Distilling Industry*, the Kentucky Distillers’ Association (KDA) found that these factors have materially slowed sales and exports of Kentucky Bourbon, with direct consequences for economic activity and employment across Kentucky. According to the report, Kentucky distillers reported their highest employment levels in June 2024. Since then, employment has fluctuated, and as of June 2025 (latest data available), employment was down slightly. Between June 2024 and June 2025, more than half of the KDA members reported a decrease in employment or no change.

In fact, the report found that exports of whiskey from Kentucky, which reached \$489 million in 2019, declined 35% in 2020 after key trading partners imposed retaliatory tariffs in response to U.S. tariffs on imported steel and aluminum. The report notes that although many of these tariffs were subsequently suspended or removed, exports of Kentucky Bourbon have yet to return to pre-tariff levels, highlighting the lasting damage caused by tariff escalation and prolonged uncertainty in key export markets. According to the KDA, every \$100 million in distilled spirits output supports approximately 113 direct jobs in Kentucky’s distilling industry and an additional 232 jobs across related Kentucky supply chain partners.

Similarly, the American Craft Spirits Association (ACSA) reported an increase in reports of distillery closures in its *2025 Craft Spirits Data Project*. It reported a nearly 25% decrease in the number of distilleries in the U.S. between August 2024 and August 2025.

II. You Can’t Make Irish Whiskey in Kentucky: Why the Wine and Spirits Trade Is Different

Wine and spirits are unique products, often tied to specific geographical regions. Many U.S. and imported spirits are recognized as “distinctive products” and can only be made in their designated countries—Bourbon and Tennessee Whiskey in the U.S., Cognac in France, and Tequila in Mexico. Similarly, wine is linked to its place of origin through American Viticultural Areas, appellations of origin or geographical indications. Consequently, production of these products cannot simply be relocated to circumvent tariffs.

III. The U.S. Wine and Spirits Sector Has Thrived with Fair and Reciprocal Trade

For decades, our sectors have been a model of how fair, predictable, and reciprocal trade can support jobs, investment, and economic growth across rural and urban communities. The livelihoods of millions of Americans, from farmers, vintners, and distillers to restaurant workers, distributors, retailers, and logistics providers, depend on this. The vast majority of U.S. wine and spirits exports have flowed to markets, such as the EU, UK, and Canada, with low or zero import duties, enabling U.S. producers to compete on a level playing field in key markets abroad. In

2025, 81% of U.S. spirits exports were destined for countries maintaining zero-for-zero MFN tariff treatment, and nearly 100% of U.S. spirits imports originated from those same fair and reciprocal markets.

However, the U.S. distilled spirits and wine sectors are now facing mounting global challenges that have negatively impacted their competitiveness and long-term growth. Nowhere was the success of fair and reciprocal trade and the mounting global challenges more evident than in Canada, long one of the most important and reliable export markets for U.S. wine and spirits. The significant damage to U.S. alcohol brands in Canada caused by this trade dispute will have lasting negative impacts on U.S. producers.

In 2024, Canada sold U.S. wine at retail values exceeding \$1.1 billion and ranked as the second largest export market for U.S. spirits. However, total U.S. wine exports declined 35% in 2025 to \$831 million. Canada's ban on U.S. wine sales drove the unprecedented drop in exports. In fact, U.S. wine exports to Canada declined by 78%, from \$460 million in 2024, which accounted for 36% of total U.S. wine exports, to \$103 million. Canada alone accounted for 81% of the decline in U.S. wine exports. This broke a decades-long wine trade surplus with Canada and turned it into a deficit. In one year, the wine trade surplus with Canada went from \$254 million to a \$90 million trade deficit.

U.S. spirits exports declined sharply in 2025, reaching \$2.37 billion, down nearly 4% from record levels in 2024. Like wine, the primary driver was a sharp drop in exports to Canada following a ban on U.S. spirits sales by the majority of provincial liquor control boards. Exports to Canada fell 63%, from \$238 million in 2024 to \$88 million in 2025, a decline of \$149 million. Additional weakness in the EU and Japan also weighed on exports. U.S. spirits exports to the EU declined 2.8%, or \$34 million, to \$1.2 billion, while exports to Japan fell 27%, or \$28 million, to \$74 million.

IV. Tariffs on Imported Spirits and Wines Threaten U.S. Exports

The continued use or threat of tariffs on imported spirits and wines increases the likelihood of retaliatory measures against U.S. spirits and wine exports, placing U.S. producers, farmers, and workers at risk. Such actions jeopardize export growth, discourage investment in U.S. vintners and distilleries, reduce demand for U.S.-grown grains and grapes, and threaten livelihoods across the entire spirits supply chain. Even when tariffs are not actively in place, uncertainty surrounding their potential reimposition can significantly disrupt trade flows and long-term business planning.

Thankfully, the EU has suspended its 30% retaliatory tariff on American spirits and wines until August 2026. History has shown the damaging impact of tariffs. Between 2018 and 2021, the EU imposed tariffs on American Whiskeys in response to unrelated trade disputes, leading to a 20% drop in exports. Since their suspension in 2021, exports to the EU have

rebounded by 60%, underscoring the importance of open markets. Tariffs and the uncertainty they create not only restrict access to key export markets but also delay investment decisions, suppress job growth, and limit the industry's ability to expand globally.

Despite the current suspension, the ongoing uncertainty surrounding the potential reimposition of EU tariffs has already had a measurable impact. In 2025, U.S. spirits exports to the EU declined by 2.8%, or \$34 million, falling to \$1.2 billion. This decline occurred even in the absence of active tariffs, underscoring how uncertainty alone can dampen demand, disrupt distributor relationships, and constrain export momentum.

This uncertainty is particularly acute for American Whiskey producers. American whiskey is a distinctly American manufacturing and agricultural product whose value chain is unusually deep, domestic, and capital-intensive. American Whiskey is an aged product, meaning trade disruption does not just hit current sales; it undermines long-cycle investment, inventory planning, export development, and rural economic activity years in the making. American Whiskey alone contributes \$5.1 billion annually to the U.S. economy, accounting for 54% of all U.S. spirits exports.

V. Increasing Exports and Opening New Markets, Not Tariffs on Imports, is the Most Effective Path to Restoring Export Growth and Reducing the Trade Deficit

The U.S. is among the world's largest spirits and wine markets and runs trade deficits with many major producers, such as the UK, Mexico, and France. These deficits are driven by consumer choice in an open and competitive marketplace, not by trade barriers, and by the fact that certain spirits and wine products cannot be produced in the U.S.

We applaud the administration for securing tariff reductions for American spirits and wines in many of its Agreements for Reciprocal Trade (ART). These efforts are especially critical as U.S. spirits and wine producers face growing competitive pressures in key global growth markets, such as India.

Accordingly, we urge the administration to swiftly implement the ARTs that have already been secured and secure agreements with priority markets for the U.S. spirits sector, such as India, Brazil, and Vietnam. Timely implementation and further market access liberalization, rather than new tariffs, offer the most effective means to grow U.S. spirits exports, support domestic investment and jobs, and reduce the spirits trade deficit.

Conclusion

For all of the reasons detailed above, Toasts Not Tariffs Coalition urges the Administration to exempt wine and distilled spirits from current tariffs and future Section 301 tariffs and preserve the open markets and open new markets, essential to restoring certainty,

growth, and competitiveness. Protecting, preserving, and securing fair and reciprocal access to global markets will enable U.S. spirits and wine producers to continue driving manufacturing growth, increasing exports, and supporting job creation across the supply chain, from farmers to the hospitality and retail sectors and everyone in between.

Sincerely,

Association of Enterprise Opportunity
American Beverage Licensees
American Craft Spirits Association
American Distilled Spirits Alliance
American Distilling Institute
American Single Malt Whiskey Commission
American Whiskey Association
Arizona Craft Distillers Guild
Associated Cooperage Industries of America
Atlantic Seaboard Wine Association
Associated Cooperage Industries of America
California Artisanal Distillers Guild
Colorado Distillers Guild
Connecticut Spirits Trail
Distilled Spirits Council of the United States
Distillers Association of North Carolina
Florida Craft Spirits Association
Glass Packaging Institute
Idaho Distillers Association
Illinois Craft Distillers Association
Independent Restaurant Coalition
Iowa Distillers Alliance
Kentucky Distillers' Association
Louisiana Distillers Guild
Maryland Distillers Guild
Michigan Craft Distillers Association
Michigan Spirits Association
Montana Distillers Guild
Napa Valley Vintners

National Association of Beverage Importers
National Association of Wine Retailers
National Council of Chain Restaurants
National Restaurant Association
National Retail Federation
New Hampshire Distillers Guild
New Jersey Craft Distillers Guild
New York State Distillers Guild
North American Shippers Association
NY Wine Industry Association
Ohio Distiller's Guild
Oregon Distillers Guild
Oregon Wine Council
Pennsylvania Distillers Guild
Sonoma County Vintners Association
South Carolina Craft Distillers Guild
Tennessee Distillers Guild
Texas Distilled Spirits Association
The Maryland Wineries Association
United States Bartenders' Guild
U.S. Wine Trade Alliance
Virginia Distillers Association
Virginia Spirits Association
Washington Wine Institute
Willamette Valley Wineries Association
Wine & Spirits Wholesalers of America
Wine and Spirits Shippers Association
Wine Institute
WineAmerica