



November 3, 2025

Mr. Daniel Watson  
Assistant U.S. Trade Representative for the Western Hemisphere  
Office of the U.S. Trade Representative  
*[Submitted Via the USTR Public Docket](#)*

Re: “[Request for Comments on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada](#),” docket number USTR-2025-0004

Dear AUSTR Watson,

Wine Institute and WineAmerica are the premier organizations representing U.S. wine producers domestically and around the world. With over 1,500 winery and affiliated members, ***the majority of which are small and medium sized family-owned businesses***, we advocate for public policy that enhances the ability to responsibly produce, promote, and enjoy wine.

The U.S. is the world’s 4th largest wine producer after Italy, France, and Spain<sup>1</sup> and while wine is produced in all 50 states, 80% is produced in California. The production, distribution, sales, and consumption of wine benefit many sectors of the U.S. economy and generates close to \$276.07 billion in total economic activity.<sup>2</sup>

The tariff preferences granted for USMCA origin goods are essential to facilitating stable and mutually beneficial trade in wine among the United States, Mexico, and Canada. We respectfully request that these preferences be maintained for both finished goods and wine production inputs, where necessary, to ensure continued growth and predictability in the sector across the parties.

### **Priority Issues that USTR Should Address Ahead of the Joint Review**

***Issue 1: Sales Bans in: British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Quebec and Yukon.***

***USTR should do everything in its power to immediately restore access to the vital Canadian market for highly value-added U.S. grown and produced wines. Resolution of this issue should not be tied to USMCA renegotiation.***

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<sup>1</sup> [OIV 2024 World Wine Production Outlook](#)

<sup>2</sup> [Economic Impact Study of the American Wine Industry - WineAmerica](#)

On March 4, 2025, at the direction of provincial governments, U.S. wine and other alcoholic beverages were removed from provincial liquor control board shelves and all current and future orders were canceled. Only Alberta and Saskatchewan have resumed the importation and sale of U.S. alcohol.

The original premise for the bans- the [February 1 Executive Order](#) imposing a 25% duty on certain imports from Canada as of March 4, was amended on [March 6 and tariffs on USMCA origin goods were removed](#). On September 1, [Canada's federal retaliatory duties on USMCA origin goods](#) that entered into force on March 4, were also rescinded.

The provinces should have removed the alcohol bans immediately once the Canadian federal retaliation on USMCA origin goods ceased. Instead, they are maintaining the bans and tying them to the broader bilateral Section 232 negotiations. As such, they have become a moving target with no end in sight.

Canada is a critically important market to the U.S. wine industry, and the loss of these sales has had a significant negative impact on U.S. producers. ***Bilateral trade in wine is down 91% over 2024 levels and the historic trade surplus in wine with Canada is now a \$51.5 million deficit.***

The losses in Canada can't be made up by domestic sales due to a declining and highly competitive U.S. market- nor can they be diverted to other export markets. U.S. wine exports to all countries are down 28% January-July 2025 compared to 2024.

### ***Issue 2: Bulk Wine Imports from Canada***

We have followed the rise in very low-value bulk wine imports from Canada for some time and have previously raised concerns with USTR. The misclassification of any wine imported or exported from the U.S. is always a concern for the entire wine sector. We question whether these bulk wine imports may be legal. At a time when US wines are facing immense challenges in Canada and globally, addressing this loophole should be a priority.

According to the Organization of Vine and Wine (OIV), "99% of Canada's exports are re-exports of bulk wine from other countries, almost all of which is destined for the USA."<sup>3</sup>

**We ask USTR to review whether the significant volume of Canadian bulk wine exported to the United States<sup>4</sup> under HTS 2204.29 should receive country of origin tariff preference as Canadian wine under USMCA and if it should be allowed to enter under the World Wine Trade Group (WWTG) mutual acceptance provision of the [2001 Agreement on Mutual Acceptance of Oenological Practices \(MAA\)](#) to which both the United States and Canada are parties.**

## **Canada and Mexico as Important Wine Export Markets**

Exports to Canada hit a high of \$514 million in 2021 but ended 2024 just under 2020 levels<sup>5</sup> while exports to Mexico almost doubled during that time period, total 2024 exports were only \$25 million<sup>6</sup>. Canada was the #1 export market for U.S. wine in 2024, accounting for 36% of U.S. wine exports- more than the next three markets combined- the European Union, the United Kingdom,

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<sup>3</sup> [OIV-State of the World Vine-and-Wine-Sector-in-2024.pdf](#) page 17.

<sup>4</sup> [Canada Ships 50 million Gallons of Fake Wine to the U.S. Annually](#)

<sup>5</sup> U.S. wine exports to Canada (HTS 2204, 2205, 2206) were \$459,554,790 in 2024 and \$460,548,931 in 2020. USITC Trade Dataweb.

<sup>6</sup> U.S. wine exports to Mexico (HTS 2204, 2205, 2206) were \$25,400,459 in 2024 and \$17,062,796 in 2020. USITC Trade Dataweb.

and China. Mexico was 9<sup>th</sup> largest export market for U.S. wine in 2024- eclipsed by Japan, South Korea, the Dominican Republic, and Hong Kong.

Many of the types of Canadian provincial barriers that discriminate against imported wine detailed in the [June 12, 2017 Wine Institute and WineAmerica joint NAFTA comment](#) remain in place in 2025. Some concerns related to grocery store sales in Ontario connected to the 2019 WTO Case brought by Australia “[Canada-Measures Governing the Sale of Wine](#)” DS537 were addressed in Annex 3-C., however, ***we call on USTR to eliminate grandfathering of Canada’s discriminatory measures in any future USMCA renegotiation in order to provide U.S. wine with non-discriminatory market access without exceptions.***

The most significant barrier to U.S. wine exports to Mexico stems from the combined impact of the Special Tax on Production and Services (IEPS) and the Value Added Tax (IVA), both of which substantially increase the final retail price of imported wine. Wine imports account for approximately 70% of Mexico’s wine consumption—with Spain, Chile, and Italy dominating the market. The United States’ significant wine production and common border should position it as a leading exporter to Mexico. However, the IEPS and IVA taxes, which apply to the imported value of wine, range from 42.5% to 46% depending on the wine’s alcohol content. According to an April 2025 USDA GAIN Report<sup>7</sup>, a bottle of California wine with an ABV greater than 14% exported at a cost of USD \$20 ends up with a final retail price of USD \$57 in Mexico. While these taxes apply to both domestic and imported wines, their impact is disproportionately higher on U.S. wines due to their relatively higher export prices. On average, the export price of U.S. wine is 246.0% more expensive than Spanish wine, 52.4% more than Italian wine, and 184.8% more than Chilean wine. Many foreign producers benefit from integrated domestic subsidy policies that allow them to offer lower prices—advantages not available to U.S. producers.

***USTR should consider what options are available to provide preferential tax status for USMCA origin wine or what mechanisms may be available, via the USMCA review, to help make U.S. wine more price competitive in Mexico.***

### **Operation of the USMCA: Chapter 3: Agriculture Annex 3-C Distilled Spirits, Wine, Beer and Other Alcohol Beverages**

The USMCA Wine and Spirits Annex brings meaningful benefits to the North American wine trade by addressing a number of areas that have been the source of non-tariff barriers in the past. The annex includes important text on labeling, certification requirements and wine as a microbiological low risk food. Wine Institute and its members worked to inform the drafting of the annex and urge USTR to maintain this important text while looking to improve it in certain areas.

In the upcoming USMCA review, the USTR should prioritize the removal of Canadian provincial barriers that restrict market access for American exporters. While the Wine and Spirits Annex was intended to facilitate trade, its effectiveness has been undermined by the lack of subfederal application of national treatment. Canadian provinces continue to impose discriminatory practices—such as preferential shelf space, distribution controls, and direct-to-consumer limitations—that disadvantage U.S. producers. Without enforceable commitments at the provincial level, this aspect of the Annex serves more as a symbolic gesture than a functional trade

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<sup>7</sup> USDA GAIN Report, April 14, 2025 Mexico: [Tax on Imported and Domestic Alcoholic Beverages](#)

mechanism. To ensure real commercial gains, the U.S. must push for binding obligations that extend national treatment beyond the federal level, compelling provinces to treat U.S. products no less favorably than domestic ones. This would unlock meaningful access for American exporters and uphold the spirit of fair trade embedded in the USMCA.

### ***Barrier: Ontario Retail Expansion***

Wine Institute had been raising this issue with the U.S. government up until the provinces banned the sale of U.S. wine in March 2025. Access to all available retail establishments across Canada will be vital to rebuilding market share for U.S. wines once the bans are lifted.

On December 14, 2023, the government of Ontario [announced](#) a plan to allow sales of beer, wine, cider and low-alcohol ready-to-drink beverages in all Ontario convenience, grocery and big box stores. On May 24, 2024 Ontario [announced](#) that the phase-in of this plan would be completed by October 31, 2024. The expansion adds alcohol sales to thousands of retailers including some of the largest food and beverage retailers in Ontario.

Ontario law gives the Liquor Control Board of Ontario (LCBO) a monopoly on wholesaling of wine imports and monopoly control of wine sales to these new outlets. LCBO designates desirable premium wines as “[Vintage Essentials](#)” and has a policy of not supplying imported “Vintage Essentials” wines to the new retail outlets while [Ontario VQA Vintage Essentials](#) wines have access to both the new outlets and preferential shelf space. This puts premium U.S. wine at a significant disadvantage by limiting their sale to 688 LCBO retail stores while premium Ontario wine can access the estimated 8,500 new private retail stores in the province that now have the ability to sell certain wines.

### ***Barrier: British Columbia (BC) Liquor Board Distribution***

BC classifies imported wine as either stocked or non-stocked product. Stocked product is listed in the government liquor stores. Non-stocked product is not sold in the government liquor store but is sold in the private sector which includes restaurants, hospitality, and private retail stores, which now account for 45% of the market.

Non-stocked imported product must pass through two separate warehouses. Imports arrive first at a private bonded warehouse and then must be transferred to a government-run warehouse before it can be shipped to the final customer- be it a restaurant or private retailer<sup>8</sup>. These requirements add cost, delays, and complexity to this category of imported product. Domestically produced wine- whether stocked or non-stocked product has no similar barrier, they are able to deliver directly to all points of sale.

This is not a new issue but its impact on imports was magnified during the recent B.C. General Employee’s Union strike<sup>9</sup>. Domestically produced alcohol continued to be stocked by restaurants and private retailers during the strike because BC allows domestic producers to operate outside the government warehouses by either shipping directly to customers or via privately run warehouses. The strike completely blocked access to imported wine housed in government run warehouses. A 2017 BC Business Technical Advisory Panel issued a report which

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<sup>8</sup> [Liquor Warehouse Program | BCLDB Corporate](#)

<sup>9</sup> [Unseen victims: Alcohol importers hardest hit by BCGEU strike](#)

detailed policy recommendations to modernize the distribution system for imports, but they were never implemented<sup>10</sup>.

***Barrier: BC Liquor Board Mark Up***

The British Columbia Liquor Distribution Branch (LDB) has exclusive control over the importation and distribution of liquor in the province, including price markups. Imported wine must pay the LDB standard markup on wine which is 89% on the first C\$11.75/liter, and 27% on any amount over C\$11.75/liter. Land-based wineries that use 100% B.C.-grown grapes and are certified under the BC Vintners Quality Alliance (BCVQA) are not subject to this markup.

***Barrier: BC Liquor Board Mark Up Exemptions on “Crafted in BC” wine***

In January 2024, a polar vortex freeze event caused catastrophic losses of grapevines in the wine-growing areas of BC. On July 25, 2024, the industry regulator (the Ministry of Public Safety and Solicitor General) and the BC Liquor Distribution Branch (LDB) announced a relief plan for BC wineries. The plan included markup concessions and rebates, and authorization for BC wineries to make BC replacement wines with non-BC grapes, grape juice and unfinished wine. The LDB issued a memorandum to BC grape wineries with initial details on markup relief and inputs that would be authorized for replacement wine, for April 1, 2025, to March 31, 2026.<sup>11</sup> On September 22, 2025, the LDB again notified wineries of an extension of markup relief and authorization for use of non-BC wine inputs.

BC’s provincial liquor board, the LDB, exempts vintage replacement wines from wholesale markups. Eligible wine producers do not have to pay markup on their “replacement wines” sold to the LDB, up to a cap for each producer.

Replacement wines are being marketed as “Crafted in BC”<sup>12</sup> – even those made entirely from imported inputs. These wines enjoy markup relief and market access that is denied to the same wine if it were fermented or finished in the U.S. and exported to Canada- ***they are also now sold on the shelf space formally reserved for U.S. wine.***

Concerns with this program were not raised when it was introduced in 2024, but the markup exemptions are now viewed in a different light considering the ban on U.S. origin wine sales in BC. It may be years before U.S. wine regains the market share it had prior to the provincial bans. The removal of provincial programs that result in more favorable pricing for Canadian wine is vital to the successful return of U.S. wine to the Canadian marketplace.

***USTR should seek removal of all provincial programs that discriminate against U.S. wine.***

Thank you for the opportunity to comment on these important topics ahead of USMCA review.

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<sup>10</sup> [Business Technical Advisory Panel Report and Recommendations](#)

<sup>11</sup> Ministry of Public Safety and Solicitor General, “Relief for B.C. wineries protects 2024 vintage, jobs”, July 25, 2024, [https://archive.news.gov.bc.ca/releases/news\\_releases\\_2020-2024/2024PSSG0065-001191.htm](https://archive.news.gov.bc.ca/releases/news_releases_2020-2024/2024PSSG0065-001191.htm). Northwest Wine Report, “B.C. government outlines initial relief plan for local wineries”, July 29, 2024, <https://www.northwestwinereport.com/2024/07/bc-relief-plan-for-local-wineries.html>. July 25, 2024 memorandum from LDB general manager to BC grape wineries.

<sup>12</sup> [WGBC-Crafted-in-BC-Wineries-One-Page.pdf](#)

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Charles Jefferson". The script is fluid and cursive, with the first name "Charles" being more legible than the last name "Jefferson".

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A handwritten signature in black ink, appearing to read "Michael J. Kaiser". The script is fluid and cursive, with the first name "Michael" being more legible than the last name "Kaiser".

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