

Wine industry braces for potentially devastating 100 percent tariff on European wine

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I like to drink wine. I'm still waiting for my personal benefactor to materialize, so in the meantime I seek out value. I'm a sucker for cru Beaujolais and Chablis, but I'll try whatever the staff at a trusted shop recommends. Most of the time, the bottles I buy come from France, Italy, or elsewhere in the European Union.



My drinking habits may be about to change. Yours too. And that is the least of the wine industry's worries. A proposed 100 percent tariff on European wine is threatening to upend the entire industry, putting many businesses at risk.

The cause is an unlikely one: a longstanding dispute between the United States and Europe over EU subsidies to airplane manufacturer Airbus. In October, the World Trade Organization determined the subsidies were illegal and authorized the US to impose tariffs on \$7.5 billion in European goods. The Trump administration then levied a 10 percent tax on aircraft — and a 25 percent tax on a long list of products including Parmesan cheese, single-malt Scotch, olive oil, and many wines from France, Spain, Germany, and the UK. (Of course, the WTO has also ruled that US subsidies to Boeing are illegal, so soon-to-also-be-heavily-taxed pot calling kettle.)

The 25 percent tariff may just be a step toward what's to come. The potential 100 percent tax aims wider, encompassing all EU wines and a broader range of additional products. It would also be devastating for cheese shops and many other specialty grocers.

For the most part, wine consumers haven't yet felt the sting of the 25 percent. We are still buying our way through warehoused pre-tariff bottles. And in the US wine is distributed via a three-tier system of producers (growers and wineries), wholesalers (importers and distributors), and retailers (stores, restaurants, and bars) put into place post-Prohibition. At each tier, there's a markup. That means wine gets progressively more expensive as it moves along the chain, but in this case it also means the pain can be spread out among more parties. If each tier can get by with slimmer margins for a time, the end price doesn't look all that different.

But a 25 percent tariff is merely severe. A 100 percent tariff would be extreme. As the Jan. 13 deadline for [public comment](#) to the Office of the United States Trade Representative fast approaches, the wine world waits, operating in a state of uncertainty. Petitions and exhortations for comment are flooding social media. The New York Times ran an opinion piece Jan. 5 by Jenny

Lefcourt, president and cofounder of natural wine importers Jenny & Francois Selections, with the headline “The Insanity of Trump’s Wine Tariffs.” It began: “I have spent 20 years building a wine-import company. On Jan. 14, the Trump administration could destroy it all by imposing a 100 percent tariff on European wine.” Inside players are trying to plan, strategize, and position themselves for what may or may not be to come. One importer and distributor recently sent a memo to clients, reminding them of its sizable inventory and promising to keep pricing stable. The company planned to order as much wine as possible in advance of the potential tariff — as much as six months’ worth.

Oscar Hernandez, owner of Olmstead Wine Company, a distributor of natural and organic wines, is not just concerned for his own small business but for everyone it is connected to. The wine industry runs on relationships. “There’s a whole network of trucking companies, dockworkers, warehouse workers. There are so many jobs,” he says. “The wineries, my importers, customers here — across the board, from start to finish, all of those are small businesses. It’s like throwing a bomb into this long network of hard-working, honest businesses, people trying to make a living off something they care about while trying to support each other and the people we sell to. It’s a tight-knit circle but one that expands further than a lot of people realize.”

Michael Dupuy, who owns Streetcar Wine & Beer in Jamaica Plain, started an online [petition](#) to oppose the tariff. He was initially hoping to get maybe 500 signatures, he says. It currently has more than 3,000. “We have to plan for the worst without knowing fully what’s going to happen yet,” Dupuy says. “The immediate impact will be on the importers. Upon the effective imposition of the tariff, whatever comes in after will receive a bill from the US government for 100 percent of the value. It’s a huge cash-flow issue for anyone, let alone a small importer with small margins.” The costs would then get passed on to distributors, restaurants, and consumers. “I’d expect some of those wines to go up 50 to 150 percent,” he says. So much for good value.

Consumers might turn to wines from non-European regions, but there aren’t enough of them to go around. About 60 percent of the world’s production comes from EU countries, Dupuy says. Regardless, domestic and European bottles aren’t interchangeable, and one of the great pleasures of wine is the sense of place it conveys. At a French restaurant, an Oregon pinot noir isn’t the same as a Burgundy.

The United States is far from the only market for European wines. If the US becomes a less viable market, many producers will take their wines somewhere else. Asia is one likely destination, with many industry watchers looking to China. Natalie Wang is the creator of Vino Joy News, which tracks the Chinese wine market. She’s not so sure. “I would caution producers and wineries to manage their expectations on China,” she writes in an e-mail. “In the past year, [the] wine market has been extremely challenging in China. Consumption is slowing down and big players are overloaded with stocks. Many are fearing that the slump in 2019 is going to continue into 2020.” On the other hand, she says, Japan has potential. It signed an Economic Partnership Agreement with the EU last year, reducing tariffs on European wines.

Regardless of where they go, once these wines leave the country, they aren’t likely to come back. “It would mean, certainly, the end of Burgundy in the US,” says master sommelier Brahm Callahan, corporate beverage director for the Himmel Hospitality Group, which includes Grill 23, Harvest, and

other restaurants. "We are already talking about a very expensive product, and it's only going to get exponentially more expensive." For instance, let's say a restaurant that buys a \$100 bottle sells it at a markup of 200-300 percent. A bottle that would appear on a wine list now for \$200-\$300 might be double that on a post-tariff wine list. "A wine that was \$300 last year might be \$600 this year," Callahan says. "I don't think consumers are going to pay that."

Haley Fortier, owner of wine bars haley.henry and nathálie, is optimistic about the industry's ability to weather the potential tariff. The relationships at the heart of the wine business will help save it, she believes. There are plenty of importers who have spent their careers boosting small winemakers. "All those people, a lot of those winemakers have the same heart and respect for them. It's not a decision they're making. The administration is making it. They will have compassion for the people who have championed them all along," she says. "There are always obstacles in every business. This just happens to be a major one. Hopefully the relationships that have bonded will be stronger than this particular challenge."

Or hopefully the tariff will simply be scuttled due to a wave of opposition and evidence that it would hurt the US more than the EU, which would at any rate retaliate by imposing tariffs of its own. Should the 100 percent tax go into effect, one bright spot would be the chance to discover new domestic wines. Oregon and California are areas to look to, of course, but the Finger Lakes in New York and Texas Hill Country are also producing interesting bottles.

And then there's Charlottesville, Va., where a winery nestled in the mountains stands to profit from increased attention to domestic wines. I called to see what folks there thought of the proposed tariff, but no one at Trump Winery returned my call.