Canadian Whisky Faces A 50% U.S. Tariff. When Will Prices Rise?

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A 50% U.S. tariff on Canadian whisky begins August 19, but shoppers may not see immediate increases. Existing inventory and retailer margins will decide when prices change in stores.

Wine, food & travel journalist exploring culture through people

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Canadian whisky faces an additional 50% U.S. duty beginning August 19, but duty-paid inventory means shelf prices may change gradually.

Getty Images

Two whisky bottles can sit side by side on an American shelf and now face dramatically different treatment at the border.

Scotch whisky became eligible to enter the United States tariff-free on July 24. Canadian whisky is moving in the opposite direction. A White House proclamation calls for an additional 50% duty on covered Canadian products beginning August 19. The tariff schedule specifically includes whisky.

The administration says the measure responds to Canadian provinces removing American alcoholic beverages from their distribution and retail systems. According to the proclamation, Canadian imports of U.S. alcoholic beverages fell approximately 81%, from $718 million to $137 million, during the 12 months following those restrictions.

Canada is still negotiating. Global Affairs Canada said discussions with Washington are expected to deepen before the tariff takes effect. The proclamation also gives the United States room to reduce or end the duty.

For drinkers, the practical question is what happens between customs and the shelf? Scotch importers can bring in new shipments without the earlier tariff. Canadian whisky companies are preparing for a much larger bill.

What A 50% Whisky Tariff Actually Does

The duty starts with the bottle's customs value, well before it reaches a store. The eventual shelf increase will depend on how each business handles the added expense.

Usha Haley, the W. Frank Barton Distinguished Chair in International Business at Wichita State University and chair of the World Trade Council of Wichita, said the importer pays the tariff at customs. Percentage-based margins can increase the effect as the whisky moves through domestic distribution.

"Tariffs are based on the importer's landed customs value," Haley said. "But the costs increase as the products move to shelves because distributors and retailers apply percentage margins. Each tier raises the already higher cost, compounding the increase."

A bottle carrying a $20 customs value would pick up an additional $10 duty. The final retail increase could land above or below that amount depending on contracts, margins and how much of the expense businesses absorb.

Research from the Federal Reserve found that U.S. tariffs imposed during 2018 and 2019 passed fully and quickly into consumer goods prices, generally within two months. The researchers also found that percentage-based markups can make the final effect larger.

Josh Taves, managing director in the Mergers and Acquisitions advisory practice at The Post Oak Group, said companies with stronger finances may delay passing the expense along.

"Some retailers, in order to maintain long-term customer loyalty, may flex the financial resources and the foresight to absorb the short-term reduction in profitability," Taves said.

Others may have little room to wait. The same Canadian whisky could therefore carry different prices at two stores depending on when it arrived and how much cost each business was willing to absorb.

Mid-Priced Canadian Whisky Faces The Hardest Test

Haley expects the middle of the market to feel the greatest pressure.

"Generally, mid-tier bands are the most price sensitive," she said. "At those price points consumers can easily and quickly get substitutes when prices rise. Ultra-premium and luxury brands are the least price sensitive."

Someone considering a collectible bottle may tolerate a higher price. An everyday buyer has more alternatives. American whiskey already occupies the same shelves, while other imported whiskies can compete for the same occasion.

Taves expects households watching discretionary spending to become more guarded when tariff-related costs reach their budgets. That pressure is likely to appear first around bottles consumers view as interchangeable.

Canadian distillers cannot solve the problem by moving production south. Federal labeling rules define Canadian whisky as a distinctive product made in Canada under Canadian law. The same protection applies to Scotch, which must be produced in Scotland. Those definitions appear in the Code of Federal Regulations.

"You simply cannot make 'Scotch' in the United States," Taves said.

Canadian whisky faces the same geographic limit. Importers can change the brands they emphasize, but they cannot move production to avoid the tariff while preserving the category's identity.

Canadian Distillers Depend Heavily On The United States

The American market is difficult for Canadian distillers to replace. Spirits Canada, the country's national spirits trade association, said approximately 93% of Canadian spirits exports went to the United States in 2025. It estimates that American demand supports 48% of Canadian spirits production.

"The North American spirits sector is deeply integrated," said Cal Bricker, president and CEO of Spirits Canada.

The organization is urging provincial governments to restore access for American alcohol while Canadian officials negotiate with Washington. It has warned that distillers could face canceled orders and growing inventory if the tariff takes effect.

The American spirits industry also opposes further escalation. The Toasts Not Tariffs Coalition said beverage alcohol and hospitality companies are "caught in the middle of trade conflicts" they did not create.

Taves sees the Canadian tariff as part of a wider political negotiation involving provincial alcohol restrictions and other trade disputes.

“We do not anticipate this to be a permanent problem,” Taves said. “We must cooperate with our Canadian neighbors.”

Businesses still have to prepare for August 19. Optimism about an agreement cannot replace inventory planning once shipping and customs deadlines arrive.

Scotch Gets An Immediate Opening

Scotch enters this period with a clear advantage. The British government said the removal of U.S. tariffs on UK whisky took effect July 24. The first eligible shipment was scheduled to depart within 48 hours.

UK whisky exports were worth £5.4 billion in 2025, including approximately £1 billion sent to the United States. Scotch accounted for most of that business. The Scotch Whisky Association valued Scotch exports at £5.3 billion for the year.

The category had been losing ground. Global Scotch export value declined 1.8% in 2025, while volume fell 4.3%. After a 10% U.S. tariff took effect in April, shipments from May through December fell 15% by volume and 7% by value.

The smaller decline in value suggests higher-priced bottles provided some protection as overall shipments weakened. It also supports Haley’s assessment that premium spirits withstand price pressure better than mid-priced products.

“Distillers can breathe a little easier,” Scotch Whisky Association chief executive Mark Kent said when the tariff removal was announced.

American shoppers may not see immediate discounts. Companies that absorbed the earlier tariff can use the relief to rebuild margins. Others may spend it on retail support or wider distribution. Scotch’s advantage could first appear through better availability rather than cheaper bottles.

Existing Inventory Will Delay Canadian Price Increases

Canadian whisky that has already cleared customs and entered domestic distribution will retain its earlier tariff treatment.

“Imports that are already in the U.S. when tariffs hit are not retroactively taxed,” Haley said. “So prices for consumers can stay low for months after tariff announcements, then spike high when tariffed imports move to the shelves.”

There is an important exception. The proclamation applies to products entered for consumption or withdrawn from a bonded warehouse for consumption on or after August 19.

Whisky can therefore be physically inside the United States and still incur the duty if it remains under customs control. International trade attorneys at Husch Blackwell also noted that covered products entering a foreign-trade zone after the deadline generally must receive privileged foreign status, limiting opportunities to avoid the duty through later processing.

Shelf-ready bottles that have cleared customs are different. A retailer holding several months of duty-paid inventory may keep its current price. Another store receiving a newly tariffed shipment could adjust much sooner.

Haley said companies are buying ahead of the deadline when possible and absorbing some costs temporarily. The depth of that inventory will determine how quickly the tariff becomes visible to shoppers.

Tariffs Can Redirect Whisky Demand Quickly

Previous whisky disputes offer some indication of how buyers respond. American whiskey exports to the European Union fell 20% between 2018 and 2021 while retaliatory tariffs were in effect. After those duties were suspended, exports climbed nearly 60% from 2021 through 2024, according to the Distilled Spirits Council of the United States.

“Tariffs can affect competitiveness quite quickly,” Haley said.

The earlier dispute concerned American exports to Europe, so it cannot predict exactly what will happen in U.S. stores. It does show how rapidly orders can move once a category carries a significant policy-driven disadvantage.

Importers may protect their strongest Canadian labels while reducing support for slower brands. Retailers could carry fewer Canadian whiskies until the dispute becomes clearer. A universal 50% shelf increase remains unlikely because existing inventory and margin decisions vary widely.

The spirits market is already soft. The Distilled Spirits Council reported that domestic supplier sales declined 2.2% to $36.4 billion in 2025. Its annual export report found that U.S. spirits exports fell 3.8% to $2.37 billion.

The first reliable evidence will appear in importer price lists and distributor allocations. Shelf tags will follow at different speeds.

For now, Scotch has the opening and Canadian whisky has a deadline. The whisky aisle will reveal the cost one shipment at a time.