



Impact of Retaliatory Tariffs on American Whiskeys Accelerates

The Distilled Spirits Council has released a report showing that the negative impact of the retaliatory tariffs on American whiskey is accelerating, particularly to the European Union (E.U.), according to full year 2018 export data.



Last month, at its Annual Economic Briefing, the Council reported the imposition of retaliatory tariffs beginning in June 2018 caused American whiskey exports to decline by 8.2% between July and November as compared to the same period in 2017. But the available data was only through November, and the Council declined to project full year results due to the uncertainty in the marketplace resulting from the retaliatory tariffs.

Full Year Data Underscores Accelerated Tariff Damage

Globally, for the first six months of the year, American whiskey exports grew 28% to a total of \$595 million. Following the imposition of the retaliatory tariffs, exports during the second half of the year declined 11% compared to 2017, for a total of \$593 million. Typically, U.S. distilled spirits exports in the second half of the year are much higher than in the first half, underscoring the harm the tariffs have caused.

Overall, total American whiskey exports still managed to eke out a small gain of 5.1% in 2018, to a record \$1.18 billion — a significant deceleration from the annual growth rate of 16% recorded in 2017.

“With the full year data in hand, it is clear that the retaliatory tariffs are having a significant and growing impact on American whiskey exports, which had been a bright spot for U.S. agriculture exports,” said Council President and CEO Chris Swonger. “The damage to American whiskey exports is now accelerating, and this is collateral damage from ongoing global trade disputes.”

Significant Slow-Down of American Whiskey Exports to Top Market E.U.

The E.U., which accounted for nearly 60% of total American whiskey exports in 2018, experienced sizzling first half growth of 33% but whiplashed into a 13.4% decline in the second half when the tariffs slammed on the brakes. That is a significant deceleration in American whiskey exports to the E.U. from the 8.7% decrease the Council first reported in February resulting from the 25% import tariff. American whiskey exports to the E.U. still reached a record \$704 million, up from \$667 million in 2017.

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Session Summaries: NABCA 26th Annual Legal Symposium

Day 1

NABCA Chairman Jeffrey Painter provided opening remarks to welcome attendees to its Legal Symposium conference, held at the Gateway Marriott, Arlington, Va. Over 250 attendees, including those watching via webcast, participated in a dozen different sessions, all covering subjects that are relevant to the changing landscape of beverage alcohol laws.



Direct Shipment: Borderline Jurisdiction
L-R: Dustin Pickens, FedEx Express; Jacob 'Jake' Hegeman, Wine & Spirits Wholesalers of America; Cassandra L. Hicks, Ohio Division of Liquor Control; Jeffrey Painter, NABCA Board Chairman (podium)

Direct Shipment: Borderline Jurisdiction

Neal Inslay, General Counsel of NABCA, opened the first session, “Direct Shipment: Borderline Jurisdiction.” Jacob “Jake” Hegeman, Vice President of Legal and Regulatory Affairs for Wine and Spirits Wholesalers of America, described the landscape of direct shipment litigation since the 2005 Supreme Court case of *Granholm*. Today, there are 45 states and the District of Columbia (D.C.) that allow for direct shipment of wine. Yet legal questions remain regarding retailer-to-consumer direct shipment and the different requirements for in-state vs. out-of-state producers. Questions also surround direct to retailer and consumer shipment, distinctions between beverage categories of wine, spirits and beer and the degree to which direct shipment is permissible throughout the U.S.

Dustin Pickens, Senior Attorney of Regulatory Affairs for FedEx Express, which is the airline segment of FedEx, explained how the company responded to the *Granholm* case and provided a description of its contractual controls through creating policies and procedures relating to transporting alcohol. FedEx prohibits alcohol transport unless an “alcohol shipment agreement” is signed with FedEx and it has created distinct categories (Winery, Retailer, Other Licensed Shipper, e.g., wholesaler, brewer, distiller, and Fulfillment House) with distinct permissions.

Currently, FedEx Express only allows the beverage category of wine to transport direct

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