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POSTMEDIA



As the trade war drags on, Canadians outside of Alberta and Saskatchewan are still unable to find American liquor on the shelves, much to the annoyance of U.S. Commerce Secretary Howard Lutnick, who calls it outrageous. "It is insulting and disrespectful to America," he said last month. *ETHAN CAIRNS / THE CANADIAN PRESS*

ALAN S. HALE

LONDON, ONT. It has been more than a year since most provinces banned U.S. alcohol from liquor store shelves, but the United States government is still feeling the hangover.

Late last month, the issue of U.S. alcohol bans by every province except Alberta and Saskatchewan re-emerged as a major sore point in the Canada-U.S. relationship.

With a high-stakes review of the Canada-United States-Mexico Agreement (CUSMA) scheduled to begin July 1, Ontario Premier Doug Ford and the other provinces that followed his lead in banning U.S. alcohol may have handed Canada a useful bargaining chip — or given the U.S. a useful talking point.

Testifying before a Senate Appropriations subcommittee last month, U.S. Commerce Secretary Howard Lutnick blasted Canada over the alcohol bans.

"It is outrageous that Canada will not put U.S. spirits on the shelf. It is insulting and disrespectful to America," Lutnick said.

U.S. Trade Representative Jamieson Greer said the U.S. has been pressing the Canadian government to reverse the provincial bans, adding last month that it is "at the end of our rope with just asking them to do this."

"My sense is that there will have to be some kind of enforcement action to deal with the issue of wine and spirits in Canada," Greer said.

Alcohol was top of mind for U.S. news networks last month, with both CNN and CBS asking Ford about the issue and when it might be resolved.

Ford told CBS that Ontario will start selling U.S. alcohol at LCBO stores "as soon as President Trump drops the tariffs on our steel, aluminum, on our dairy, and on our lumber."

"We'd be happy to drop them, if President Trump dropped (his) tariffs," Ford said before responding to Lutnick's comments.

"What's insulting is when they're attacking the great people of Canada that love Americans by targeting our auto sector, targeting our

WHY IS WASHINGTON STILL SO ANGRY OVER BANS ON U.S. ALCOHOL?

Boycotts an irritant ahead of CUSMA review with many spirits-producing states key to Trump's base

steel and aluminum and dairy and lumber. That's what's insulting."

With irritation in the U.S. over the bans, Prime Minister Mark Carney was asked why he isn't pushing Ford to restock American alcohol, the way he made the premier pull advertisements airing on U.S. networks after U.S. President Donald Trump threatened to call off trade talks.

Carney defended Ford's right to use his considerable influence over the LCBO to impose the bans, saying he is "the duly elected premier of Ontario."

"He's got a majority, and he's taking a view which, by most indications, is supported by the vast majority of the population," Carney said.

But why have alcohol exports become such a prominent issue in the ongoing trade tensions between Canada and the United States?

BEHOLD THE POWER OF THE LCBO

On paper, Canada is not an especially large alcohol market. With a population of 41 million, it is only slightly larger than California.

In 2024, before the bans, exports to Canada accounted for 5.8 per cent of U.S. whiskey exports — less than Mexico at 5.9 per cent and far less than the European Union at 53.3 per cent. The remaining 35 per cent went to other countries, primarily the U.K. and Japan.

But in the wine industry, the situation is quite different. Canada is the single largest export market for U.S. winemakers, accounting for 36 per cent of exports, more than double Europe.

Wine also has slimmer profit margins than distilled spirits, due to land and production costs.

And that market was effectively cut off when Ford and other premiers restricted access.

In the past year, liquor exports to Canada plunged 70 per cent, while U.S. wine exports fell 78 per cent.

"For many wineries, Canada wasn't just another export destination. It was the market that made international growth possible," said Wine Institute interim president Steve Gross in a March statement.

In its 2025 American Spirits Exports Report, the Distilled Spirits Council of the United States (DISCUS) said the loss of the Canadian market had a "disproportionately large impact" on U.S. producers.

Even though Canada is not the top export market for spirits, exports still fell 3.8 per cent last year — wiping out 2.5-per-cent growth elsewhere.

DISCUS president Chris Swonger said the industry has been caught in the middle of the trade dispute.

"American distillers have become a pawn and a victim, as well as Canadian consumers who ap-

preciate American distilled spirits products. The recent events of the past year are very, very unfortunate," Swonger said.

He added the U.S. and Canadian liquor industries are deeply intertwined, with many brands owned by the same companies.

The bans have delayed investment in Canada and hit small craft distillers particularly hard.

"The Canadian market is a really, really important market, despite its size," Swonger said. "It has had a real impact."

That impact reflects the market power of the Liquor Control Board of Ontario (LCBO).

The LCBO is widely considered the largest single purchaser of alcohol in the world, though some debate whether that title belongs to Costco.

Ford sought to leverage that size when he directed the LCBO to remove U.S. alcohol from shelves last year.

"We are the largest purchaser of alcohol in the entire world. They will feel the pain," Ford said at the time.

David Perry, CEO of the Canadian Global Affairs Institute, said that the ability to order a purchaser as large as the LCBO and other provincial liquor control boards, has given Canada "undue market influence."

"The number of overall customers in Ontario may not be as large

as other jurisdictions but choices made by the LCBO have more influence because of that centralized purchasing," said Perry.

"Other jurisdictions don't have government control over alcohol purchases. In the U.S., if you wanted to take something off the shelves, you would have to co-ordinate between many places like Walmart, Costco and a long list of other organizations."

Not just how much it hurts, but who it hurts

Former LCBO chair Philip Olson said the LCBO has the power to hurt U.S. wine and liquor industries, but was skeptical whether Secretary Lutnick and other members of the Trump administration are motivated purely by concern about the economic impact.

"Much of the U.S. spirits industry is located in Kentucky, Tennessee and other areas that are important to President Trump's base," he noted.

Those states account for more than 60 per cent of U.S. liquor exports and are both Republican states. Florida and Texas, which are also important to Republicans in the upcoming midterm elections, produce 24 per cent of total exports.

Mark Manger, a professor at the Munk School of Global Affairs and Public Policy, believes that the Trump administration is being driven by the impact on distillers in Republican states, rather than the hardship of winegrowers in Democratic California and Oregon.

Which is why, he said, Ford has "inadvertently, without really careful planning, has exactly hit the pain point of the Americans."

"It is Republican states that are deeply affected by this," Manger said.

"These are people who have the administration's ear. Imagine a different world where Canadians only drink Oregon wine. It would not have registered; they would have ignored it and said, 'those Liberals can get stuffed.'"

Swonger said that DISCUS has been lobbying the U.S. government to quickly find an amicable resolution to the situation.

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