



Wine Related Tariffs

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Tarriffs

- Don't expect logic
- Don't expect ability to rationally predict what will be imposed.

Background

- March 1, 2018 US announced tariffs on imported steel (25%) and Aluminum (10%).
 - EU initially exempted. Tariffs imposed May 31, 2018.
 - EU retaliated on 6/22/18 with tariffs on \$3 Billion of US Products.
 - Chose to not solely focus on industrial products. Included US Bourbon and Motorcycles (Iconic Products)
 - 2017 Imports from EU - \$434.9 Billion
 - 2017 Exports to EU - \$283.3 Billion
 - 2017 Bourbon / Whisky Exports - \$713 Million
 - 2017 Motorcycle Exports - \$589 Million

Background cont.

- Oct. 2, 2019 - WTO Airbus decision – Allows \$7.5 Billion of tariffs on EU Products.
- Oct. 18, 2019 – US imposes tariffs on various EU products
- 25% on single malt whiskies from UK and Ireland
- 25% on Wines from France, Germany and Spain. Under 14% ABV, Less than 2L packages.

Background cont.

- Digital Tax – Organization for Economic Cooperation (OECD) has been working on a multi-lateral approach.
- France, Italy, Austria and UK have become frustrated with slow process. Moving forward with National taxes. 2% to 3% of revenues of digital companies.
- Dec. 3, 2019 US threatens tariffs of up to 100% on range of EU goods including wine
- 2018 EU exports to US - \$487.0 Billion (US exports to EU - \$318.4 Billion)
- 2018 EU Wine exports to US – \$4.7 Billion (US Wine exports to EU - \$468 Million)
- 2018 EU Spirits exports to US - \$6.3 Billion (US Spirits exports to EU – \$965 Million)
- 2018 EU Cheese exports to US - \$1.0 Billion (US Cheese exports to EU - \$6 Million)

November Impact

- First full month of tariffs imposed October 18th
 - French Red Wine – 9L – 416K (-22.2%), Value – 26.0 Million (-50.8%)
 - French White Wine – 9L – 206K (-16.0%), Value – 15.3 Million (-32.1%)
 - UK Whisky – 9L 653K (-8.8%), Value – 99.8 Million (-35.9%)
 - Note: Only Single Malt Whisky Impacted, not Blenmds.

100% Tariff Impact

Current Retail Price		
10.00	15.00	20.00
Importer & Wholesaler hold Margin		
14.50	22.31	30.12
All Margins Taken		
18.00	28.00	38.00

January 2020 Wine Opinions Survey

Willingness to
pay more:

	ITALY	FRANCE	SPAIN
\$1 - \$2	41%	34%	50%
\$3 - \$5	36%	37%	28%
\$6 - \$10	7%	10%	6%
\$11 or more	2%	5%	4%
Won't Pay An Increased Price	15%	13%	12%

Import Wine - 9L Millions					
Wine Type	EU	Other Countries	Total	EU Share	Significant Issues
Still Wines	52.7	27.5	80.2	65.7%	Yes
Sparkling	15.9	0.2	16.1	98.5%	Yes
Vermouth	2.8	0.1	2.9	96.9%	Yes
Sake	0.0	1.1	1.1	0.0%	No
Sangria / Coolers	3.1	5.0	8.1	38.4%	No
Total Packaged	74.5	33.9	108.4	68.8%	
Bulk Wine	2.2	19.9	22.0	9.8%	No
All Wines	76.7	53.7	130.4	58.8%	

Still Wines		
Country	9L Cases	USD / 9L
Italy	27,318,308	53.57
France	14,934,682	92.59
Spain	5,104,243	51.07
Portugal	2,277,939	47.87
Germany	2,032,477	48.49
Austria	351,003	54.87
Greece	247,847	57.54
EU - All Others	457,746	82.81
Total EU	52,724,245	64.22
Australia	9,493,723	31.34
New Zealand	5,629,360	67.05
Argentina	5,514,875	46.94
Chile	5,029,029	30.25
South Africa	917,142	45.71
Israel	361,100	85.08
Moldova	72,120	19.79
Non EU - All Others	469,569	72.23
Total Non EU	27,486,919	43.44
Total Imports	80,211,164	57.10
Domestic Volume	251,691,518	
Dom Volume Needed	31.9%	

Sparkling Wines		
Country	9L Cases	USD / 9L
Italy	9,299,658	49.48
France	3,929,122	196.63
Spain	2,442,635	40.79
Germany	144,269	41.35
Austria	21,046	69.17
United Kingdom	18,662	134.38
Portugal	15,318	53.16
EU - All Others	25,890	64.93
Total EU	15,896,601	84.59
Australia	71,014	42.78
Argentina	55,799	37.22
Moldova	31,974	16.38
South Africa	31,931	79.00
Brazil	26,819	22.63
New Zealand	10,524	59.82
Chile	6,846	50.84
Non EU - All Others	14,506	64.31
Total Non EU	249,413	42.82
Grand Total	16,146,014	83.95
	12,960,887	
	124.6%	

Still Wines – Under \$10.00

- May be able to replace with Domestic Brands
- Example Cavit Pinot Grigio
- Some Spanish and Portuguese Wines may be replaced by Argentina & Chile
- Some specific wines, Chinati, may be harder to replace

Still Wines – Premium Priced

- Some may be able to be replaced by domestic wines
- Specific types may not be as easy to replace
 - Chianti Classico
 - French Burgundies

Still Wines - Luxury Wines

- Some may be able to be replaced by domestic wines – Gift Giving
- Collectors may buy and store off shore until tariffs are removed

Sparkling Wines

- Difficult to source volume
 - Champagne
 - Prosecco
 - Would likely lose overall sparkling volumes

Retail Space

- Would likely see products discontinued
- Within a year Brand Values could be lost
- May not replace discontinued items
- Use space for Hard Seltzers?

On Premise

Items would be discontinued

Temporarily replace with other items with US inventory

Long Term shorten wine lists

Positives / Negatives

- Possibly could use up some US inventory
- US products could gain market share
- Will not likely replace all volume – Category declines
- Long term – Less retail space, shorter wine lists