



June 29, 2018

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, U.S. Capitol
Washington, D.C. 20510

Dear Leader McConnell:

On behalf of the Distilled Spirits Council, the Kentucky Distillers Association, the American Craft Spirits Association, and the President's Forum, thank you for your efforts to address our serious concerns that iconic U.S. distilled spirits exports to key markets are subject to retaliatory tariffs in response to unrelated trade actions pursued by the United States.

U.S. spirits exports worth an estimated \$759 million are the target of retaliatory tariffs by the European Union, Canada, Mexico, China and Turkey. In fact, 46 percent of global U.S. spirits exports and 65 percent of global U.S. whiskey exports are either currently facing, or are at risk of soon facing, retaliatory tariffs. Once imposed, such tariffs will not only harm spirits producers, but also U.S. farmers, distribution and logistics providers, glass and other packaging suppliers.

American whiskey has been a great American export success story, increasing nearly four-fold in the past 20 years and rising to \$1.13 billion in 2017. Exports of all U.S. spirits have nearly tripled during that time, reaching \$1.64 billion in 2017. These products are exported from small, medium and large distillers located in 42 states, supporting the direct and indirect employment of an estimated 1.5 million people across America. The attached details the potential impact of retaliatory tariffs on Kentucky-made spirits products.

We hope that Congress, the Administration and our trading partners will focus on de-escalation rather than escalation, and that they will engage in dialogue that results in a solution that leads to the prompt removal of retaliatory tariffs on our exports.

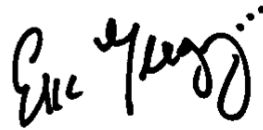
On behalf of our consumers, distillery workers and supply chain partners, we are grateful for your leadership and all you can do to raise these concerns with the President, his Administration and the leaders of our trading partners.

Sincerely,

Clarkson Hine
Interim President and CEO
Distilled Spirits Council



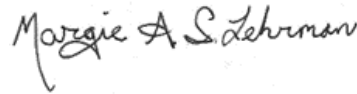
Eric Gregory
President
Kentucky Distillers' Association



Matt Dogali
President and CEO
Presidents' Forum of the Distilled Spirits Industry



Margie Lehrman
Executive Director
American Craft Spirits Association



Attachment

U.S. Distilled Spirits and Retaliation: Impact on Kentucky



The distilled spirits sector has a significant economic impact in the state of Kentucky, representing approximately 17,500 in-state jobs, \$8.5 billion in economic activity, \$800 million in payroll and \$190 million in state and local taxes. In 2017, Kentucky exported \$452 million in distilled spirits to the world. Almost half of these exports (i.e., \$216 million) are the target of retaliatory tariffs. The details of the retaliation and export levels are provided below.

European Union

The EU has imposed a retaliatory tariff of 25% on all U.S. whiskey imports in response to the steel and aluminum tariffs. Total U.S. spirits exports to the EU in 2017 were valued at \$789 million; U.S. whiskey accounted for approximately 85 percent of that total, or \$667 million.

Kentucky's exports of whiskey to the EU were valued at \$177 million.

Canada

Canada has proposed a retaliatory tariff of 10% on all U.S. whiskey imports in response to the steel and aluminum tariffs, which will be imposed on July 1, 2018. In 2017, total U.S. whiskey exports to Canada were valued at \$48.7 million.

Kentucky's exports of whiskey to Canada were valued at \$25 million in 2017.

Mexico

Mexico has imposed a retaliatory tariff of 25% on U.S. whiskeys on June 5, 2018. In 2017, total U.S. whiskey exports to Mexico were valued at \$13.4 million.

Kentucky's exports of whiskey to Mexico were valued at \$10.4 million.

Turkey

Turkey has imposed since June 21 a 40% tariff on all U.S. distilled spirits in response to the steel and aluminum tariffs, beginning on June 21, 2018. In 2017, Turkey imported \$21 million in spirits from the United States; of this \$20.2 million was whiskey.

Kentucky's exports of spirits to Turkey were valued at \$1.4 million in 2017; whiskey accounted for 93% of the total.

China

China has proposed retaliatory tariffs of 25% on U.S. whiskeys beginning on July 6, 2018 in response to the proposed Section 301 actions. American spirits exports to China have grown by almost 1,200 percent, from \$959,000 in 2001 when China joined the World Trade Organization (WTO) to \$12.8 million in 2017; of this, \$8.9 million was whiskey.

Kentucky's exports of whiskey to China were valued at \$2.4 million in 2017.