# Scotland’s malt whisky industry grapples with US tariffs and market challenges



Scotland’s malt whisky industry is contending with mounting challenges as US tariffs imposed under former President Donald Trump’s trade policies continue to affect export markets, particularly in the United States. The sector, which is vital to the Scottish economy and accounts for roughly a quarter of Scotland’s goods exports, is navigating a complex array of pressures, including fluctuating consumer preferences, increased input costs, and a global oversupply of whisky.

Holyrood distillery, founded in 2019 in Edinburgh’s old town, exemplifies the difficulties facing newer, smaller producers. Huw Wright, of Holyrood, described the spirits industry as having faced “a horrid, tough time,” with major retailers hesitant to stock younger whisky products that lack the extended maturation period favoured by consumers. Coupled with rising prices for barley and utilities, and a preference among buyers for established brands, the company has struggled to gain traction in a competitive market.

The industry’s economic importance is significant. According to the Scotch Whisky Association (SWA), Scotch whisky exports in 2024 saw a 3.7 per cent decline in value from the previous year, falling to £5.4 billion, despite a 3.9 per cent increase in volume to 1.4 billion bottles. Whisky contributed approximately £5.3 billion, or three per cent, to the Scottish economy in 2022. However, the reintroduction of US tariffs has exacerbated uncertainty, following previous levies of 25 per cent on single malts during Trump’s first term that cost the industry an estimated £600 million.

“The current US tariff issue has significantly amplified levels of uncertainty and challenge,” said Gregor Mathieson, director of spirits at Ferovinum, a fintech funding platform. He added that confidence has been dented, with companies showing reluctance to invest.

Large global players such as Diageo and Pernod Ricard, which control about 60 per cent of the whisky market, have weathered these challenges more robustly due to their strong financial positions. Ahead of tariff announcements, these companies had already begun shifting stock to the US market. Diageo stated in February that it was “taking a number of actions to mitigate the impact and disruption to our business that tariffs may cause,” though it declined to provide specific details.

Smaller producers are adapting their strategies in light of these conditions. Holyrood distillery plans to maintain US sales through ecommerce but is redirecting marketing budgets to Europe, which is perceived as less risky. “We don’t have much of a presence in the US, so we will still be in growth mode — it’s just more of an uphill battle,” Wright explained.

Similarly, Isle of Raasay distillery, located off Skye, had paused plans to bolster its US marketing efforts after the tariff announcement. Managing director William Dobbie noted, “Tariffs are a definite concern — expansion is going to become more expensive and might put the plan at risk.” He intends to maintain shelf prices by sharing the burden of increased costs with importers. The distillery also declined multiple acquisition offers, including from “distressed opportunities” among smaller producers struggling financially.

Industry consolidation appears to be underway, with investment bank Noble & Co’s chief executive Duncan McFadzean indicating that “several distilleries are actively looking for a buyer and a number are considering a sales process, who would probably consider an offer at a decent price.” The Financial Times reports that buyers appear to be increasingly international, attracted by the distressed market environment in the UK.

Other challenges have compounded financial pressures on craft distilleries. For instance, Lindores Abbey distillery, established in 2017, has been managing the sale of its majority Russian-owned shares in response to the Scottish government’s call for businesses to cut ties with Russia after the invasion of Ukraine. The process is reportedly nearing completion, but has constrained access to debt facilities and government promotional support.

Halewood Spirits withdrew its Bonnington distillery in Leith from sale recently, citing current market conditions as prohibitive. However, legal and financial advisors warn that many distilleries have already exhausted debt and loan options, including loans secured by whisky stocks, reducing their capacity to endure prolonged downturns.

Gareth Roberts, a whisky industry consultant, commented on the current market dynamics: “The UK is up for sale — they see it as a distressed economy and the prestige parts will be snapped up quickest.”

Holyrood distillery is in discussions with potential US investors as it seeks £2 million in equity, though Wright acknowledges that the tariffs have added “further uncertainty” to an already challenging environment. “It wasn’t as if it was easy last week [before the tariffs’ announcement],” he said. “So for us it won’t be that much harder now.”

This coalescence of market pressures, tariff-related obstacles, and shifting global economic factors underscores the complexity faced by Scotland’s whisky industry, as it adapts to evolving trade landscapes and consumer trends.

Source: [Noah Wire Services](https://www.noahwire.com)