



Warning: This Stock Faces Headwinds After the USMCA

Description

The news that Canada had reached a tentative trade deal with the United States to maintain a trilateral agreement was [welcome](#) when investors entered the month of October. Unfortunately, the broader market has suffered a pullback in North America and worldwide due to other factors. All things considered, the deal should be looked at as a positive for the Canadian market going forward.

Of course, this does not mean that the United States-Mexico-Canada Agreement (USMCA) did not include key concessions that could deal long-term damage to Canadian industries. Today we'll look at one that will face new challenges after the agreement is ratified, which is expected sometime in November or December. The sector in question is the Canadian wine industry.

Canada is the largest single country market for U.S. wine. The industry managed \$1.1 billion in retail sales in Canada last year. Approximately 90% of the American wine exported to Canada comes from California vineyards. Greater access to the Canadian market was a topic during the long NAFTA renegotiation.

Wine industry executives in the United States have praised the progress made with the USMCA. Concrete details will come with ratification, but it appears that the U.S. side managed to eliminate significant barriers, particularly in British Columbia. It was reportedly agreed to that B.C. supermarkets would no longer be limited solely to local bottles.

Australia had also accused British Columbia of shelving imported wines, while also citing protectionist policies in Ontario and Quebec. A World Trade Organization panel was set up this summer to resolve a wine dispute over grocery store access.

Andrew Peller ([TSX:ADW.A](#)) is an Ontario-based wine producing company. Shares have dropped 11% over the past three months as of close on October 16. The domestic wine industry has made [impressive strides](#) over the past several years and Andrew Peller has been one of the big beneficiaries. The stock has soared over 150% over the past three years. A stiffer challenge from international competitors could curb its growth going forward.

In September 2017 Andrew Peller announced that it had signed deals to acquire three B.C. wineries –

Black Hills Estate Winer, Gray Monk Estate Winery, and Tinhorn Creek Vineyards – for \$95 million. The deal was funded through \$78 million in cash and \$17 million worth of class A common shares. It gave the wineries access to capital as well as sales and marketing support.

Some Canadians have moved to organize boycotts of American wine in response to the protectionist policies of the Trump administration. These campaigns have also emerged in the Canadian dairy industry, which will also see some barriers removed by the USMCA. The B.C. wine industry has flourished in recent years, so investors shouldn't panic just yet.

Is Andrew Peller stock still a hold today?

Andrew Peller is set to release its fiscal 2019 second-quarter results on November 7. The stock could face volatility in the near term, but the long-term picture for the Canadian wine industry is still rosy. Wine has seen its market share grow among alcohol consumers in Canada and around the world, and the economic impact of the Canadian wine industry rose 33% to \$9 billion between 2011-2015 according to the Canadian Vintners Association (CVA).

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ADW.A (Andrew Peller Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/15

Date Created

2018/10/17

Author

aocallaghan

default watermark