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French Court Orders Sazerac Unit to Honor Cognac Supply Contracts With 40 Growers

The ruling protects up to four harvests in Charente after growers challenged an attempt to cancel multiyear agreements.

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A commercial court in Angoulême has ordered Sazerac de Segonzac, the French subsidiary of the U.S. drinks group Sazerac, to keep honoring multi-year supply contracts with about 40 winegrowers in France’s Charente region, a ruling that could

protect several harvests for growers during a deep downturn in the cognac market.

The decision, issued Tuesday by the Angoulême Commercial Court, sided with growers who challenged Sazerac's move earlier this year to end agreements covering alcohol used in Cognac AOC production. According to Entrevue, the ruling means some vineyards now have as much as four years of harvests secured under contracts that the company had sought to terminate.

The dispute comes at a difficult moment for cognac, one of France's most export-dependent spirits categories. Producers and merchants have been dealing with weaker global demand for spirits, trade tensions involving both China and the United States, and heavy inventories built up after years of stronger sales. Contracts that once helped major cognac houses lock in supply have become harder to absorb as the market has cooled.

The General Union of Winegrowers for the Cognac AOC, which represents roughly 2,000 producers and about 66.7% of the vineyard area, argued that Sazerac's withdrawals were abrupt and could not be justified simply by a market decline. The union said the purchase commitments had shaped investment decisions and the operating structure of the farms involved. For growers, vineyard planting, maintenance, equipment purchases, and other fixed costs cannot be scaled back quickly when a buyer changes course.

That point appears to have carried weight with the court. In its initial ruling, the court gave priority to the binding nature of the contractual commitments, rejecting, at least for now, the argument that current market conditions were enough to excuse performance.

Sazerac has said it will challenge the decision. On Wednesday, the group announced that it planned to appeal, arguing that sharply deteriorating market conditions had made the contracts legally impossible to carry out. The company pointed to excess stocks, the global slowdown in spirits consumption, the effects of climate change, and international trade tensions. It also said it had reached amicable agreements with about 40 other winegrowers in the Charente region, suggesting that not all of its efforts to revise supply arrangements had led to litigation.

The case has drawn attention well beyond the farms directly involved because it touches a basic issue in the beverage business: how far long-term agricultural supply contracts can be enforced when demand drops suddenly. In cognac, wineries and merchants use those agreements to secure future volumes, while growers often rely on them to finance vineyard work and plan production years ahead. A ruling that strongly upholds those contracts could influence how producers, distillers, and lenders assess risk across wine and spirits supply chains when markets weaken.

The broader cognac sector has already been taking unusual steps to deal with the imbalance between supply and demand. According to Entrevue, the industry’s trade body launched a temporary vine-pull program in the spring to reduce production potential and help rebalance the market over time. That measure reflects the severity of the slump. But for growers tied to long-term commitments, immediate contract cancellations can still create a sharp mismatch between what they are able to produce and what buyers are willing to take.

The legal fight therefore centers on more than a single commercial disagreement. It asks whether a buyer that made multi-year volume commitments during a period of expansion can later walk away when sales fall, or whether the financial burden of the downturn must remain with the party that made the promise. For growers in Charente, the answer affects near-term cash flow and the value of investments already made in vines that cannot be repurposed quickly.

Sazerac’s appeal will now move the case into a new phase. The next court will have to decide whether the extraordinary conditions described by the company are enough to override agreements that the lower court treated as enforceable. Until then, the ruling stands as an important test of contractual certainty in a cognac industry under heavy strain.