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Cognac industry in crisis as tariffs and trade disputes threaten survival

Job losses, canceled contracts, and plummeting exports to China jeopardize livelihoods and regional ecosystem in western France.

Thursday, April 3, 2025



The Cognac industry in western France faces a severe crisis, with potential workforce reductions of up to 70% and significant damage to the regional ecosystem. This situation stems from Chinese tariffs and the looming threat of a US-EU trade war. The

Cognac trade body (BNIC) has reported initial job losses due to these challenges. Chinese tariffs and the possibility of 200% tariffs on wines and spirits entering the US are part of ongoing trade disputes between the trading blocs.

In addition to layoffs, many grape contracts between distilleries, Cognac houses, and third-party growers are being canceled or not renewed. This development could have broader implications for French viticulture. BNIC president Florent Morillon expressed concern, stating that the region is being "held hostage" by political decisions at the national and European levels. He emphasized the gravity of the situation, saying the industry's survival is at stake.

China and the US account for 70% of Cognac's market. Exports to China have dropped by 65% in the past four months. Merchant Patricia Gaborieau, vice-president of the Cognac appellation organization, described the Chinese market as closing at an alarming rate. Peripheral businesses, including transportation firms, barrel-makers, and still manufacturers, are already reassessing their workforce.

The president of the Cognac appellation winegrowers (UGVC) warned of dire consequences if the situation persists. Grape contracts could decline, winegrowers' incomes may collapse, and many could struggle to repay loans for recent investments. Industry leaders blame national and EU inaction for the crisis. Upcoming political discussions in the next ten days are seen as critical to finding a solution, according to Morillon.