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California sees sharp decline in spirits and wine consumption as premium and ready-to-drink segments gain ground

Shifting consumer preferences and global trade pressures reshape the state’s beverage alcohol market, impacting national trends and industry strategies

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California is experiencing a notable decline in spirits consumption, setting it apart from national trends in the United States. According to recent data from IWSR's US Navigator database, which tracks beverage alcohol trends across all 50 states, California's spirits volumes dropped by 9% between 2019 and 2024. This contrasts with a much smaller 3% decrease nationwide. The primary driver behind this decline is a reduction in agave spirits consumption, particularly Tequila, which has traditionally been a strong category in the state.

Industry experts point to several factors contributing to this shift. Marten Lodewijks, President US at IWSR, explains that while the rest of the country has maintained or even increased spirits consumption since 2019, California's numbers have pulled down the national average. He attributes this to state-specific consumer behavior and possible economic pressures unique to California.

The slowdown in agave spirits is especially significant. While Tequila remains popular, its core categories—blanco/silver and oro/gold—have seen sharp declines in California since 2021. In contrast, niche segments such as cristalino and flavored Tequilas are growing, but their overall market share remains too small to offset losses in mainstream options. Lodewijks notes that these premium and innovative products are thriving but cannot compensate for the broader downturn in standard Tequila sales.

Other spirit categories are also under pressure. Vodka and flavored spirits have experienced sharper declines, while whisky, brandy, and gin show softer market trends. The data suggests that some consumers are moving away from traditional spirits toward other beverage options.

One area of growth is ready-to-drink (RTD) beverages. California has seen RTD volumes nearly double between 2019 and 2024, outpacing national growth rates. Premium RTDs have tripled their volumes during this period, indicating a shift toward higher-quality offerings within the category. This trend reflects changing consumer preferences for convenience and lighter drinking options, especially among wellness-oriented consumers in coastal metropolitan areas.

Wine consumption in California has also declined by 14% over the past five years, closely mirroring the national contraction of 15%. The largest losses are concentrated in standard and low-price tiers. However, premium-plus wine segments have shown more resilience, highlighting an ongoing trend toward premiumization even as overall volumes fall. Because California is the largest wine market in the country, these declines have a significant impact on national figures.

Beer consumption follows a similar pattern. Volumes fell by 14% in California from 2019 to 2024, compared to a 13% drop nationwide. Despite this decline, premium and super-premium beer segments have grown steadily since 2021. This suggests that while total beer consumption is down, consumers are increasingly opting for higher-end products.

California's beverage alcohol industry faces additional challenges due to its exposure to global trade dynamics. The state's role as the dominant wine producer and a major import gateway for European and Asian beverages makes it particularly vulnerable to trade tariffs. Recent trade tensions have led to reduced orders from key export markets like Canada and increased costs for essential materials such as glass and corks, much of which are imported from abroad.

Tariffs on imported spirits—including Scotch whisky, Cognac, Tequila, and Canadian whisky—could further disrupt supply chains and raise prices for consumers. While domestic producers might benefit from reduced competition in the short term, retaliatory tariffs could limit their export opportunities.

The scale and diversity of California's market add another layer of complexity. Sub-regions such as Los Angeles, the Bay Area, and San Diego each display distinct consumer behaviors and require tailored approaches from producers and marketers.

Despite these challenges, opportunities remain for brands willing to adapt. The explosive growth of RTDs and continued interest in premium-plus products suggest that innovation and quality can still drive success in California's evolving beverage landscape. Niche segments like cristalino and flavored Tequilas offer potential for growth even as mainstream categories struggle.

As California navigates these shifts in consumer preferences and external pressures from global trade dynamics, industry stakeholders will need to stay agile to capture emerging opportunities while managing ongoing risks.