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Global Spirits Producers Confront $22 Billion Inventory Glut as Demand for Aged Alcohol Plummets

Major brands slow production and cut prices after pandemic-era overestimates collide with shifting consumer habits and economic pressures

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The global spirits industry is facing its most challenging period in years, as a sharp drop in demand for whisky, cognac, and tequila has left major producers with record levels of unsold aged alcohol. According to a recent Financial Times report, the world's five largest publicly traded spirits companies—Diageo, Pernod Ricard, Campari, Brown-Forman, and Rémy Cointreau—are now holding about $22 billion worth of inventory. This surplus is forcing companies to slow production, cut prices, and manage increasing financial pressure.

During the COVID-19 pandemic, alcohol consumption surged as people spent more time at home. Producers responded by ramping up investments and filling barrels at a pace that assumed continued growth. However, as economies normalized and inflation rose, consumer spending power weakened. Shifts in social habits and growing health consciousness have also contributed to a decline in demand, bringing sales back to levels well below what producers had forecasted.

The problem is especially acute for spirits that require years of aging. Decisions made during the pandemic about how much to distill are only now resulting in excess stock, since these products take years to mature before they can be sold. Unlike other industries where production can be adjusted quickly, the spirits sector faces long lead times that make it difficult to respond rapidly to changes in demand.

The impact is visible across the industry. Rémy Cointreau's inventory now stands at nearly twice its annual revenue. French cognac exports dropped 72% year-over-year as of February 2025, driven in part by trade tensions with China and falling demand. In Mexico, 500 million liters of tequila are currently stored—almost a full year's worth of production. In the United States, sales of spirits fell 3.4% by the end of 2025.

Producers are taking steps to address the glut. Diageo has paused operations at some distilleries in both the U.S. and Scotland. Brown-Forman has sold off assets and reduced its workforce globally. Jim Beam will halt production at one of its main distilleries for all of 2026. Across the board, companies are accepting lower prices to move inventory.

Industry analysts say the downturn appears structural rather than temporary. The rise of health-focused lifestyles and alternative beverages like THC-infused drinks is changing how people consume alcohol. At the same time, economic pressures such as

inflation and tariffs—especially those imposed by China on European cognac—are reducing discretionary spending on premium spirits.

Producers now face a difficult balancing act. Cutting production too aggressively could lead to shortages if demand rebounds in future years, given the long aging process required for many spirits. But maintaining current output risks further financial strain if sales remain weak.

The uncertainty has left companies navigating between past overproduction and an unpredictable future. As they adjust operations and pricing strategies, both industry leaders and consumers are watching closely to see whether this marks a temporary setback or signals a lasting shift in global drinking habits.