**Rabobank Spirits Quarterly Q3: Is It Happy Hour Yet?**

**After facing major difficulties in the market, it seems that happy hour might be coming soon for cognac, as opportunities are opening up for the category. Furthermore, the US spirits market continues to grow, and China is also showing signs of improvement, according to the Rabobank Spirits Quarterly Q3.**

This quarter, companies continued to see moderate growth in the US and a stable market in Europe. “Asian markets finally saw a lift because of the Chinese New Year, starting a turnaround from the tough market conditions over the past two years,” says Rabobank Senior Analyst Stephen Rannekleiv.

**Outlook for Rabobank Spirits Quarterly Q3**

* There is a marked improvement in the outlook for cognac.
* European market news is quiet, but Irish whiskey is creating excitement.
* China’s spirits market is showing signs of improvement.
* The US market continues to grow, spurred on by bourbon, tequila, flavoured spirits and craft players.
* Brazil continues to suffer from tough economic conditions and rising inflation.

**Emerging growth of cognac**

In the past two years, cognac has arguably been among the most challenged of all western spirits segments, but the first couple of months of 2015 have been a little more upbeat.

“Among the most obvious reasons for optimism is the return of Chinese demand. The first couple of months of 2015 have signified some positive momentum gains after Chinese New Year,” says Rannekleiv. “Cognac is also seeing positive trends in other emerging Asian markets, such as Vietnam and Malaysia.”

**US to drive growth**

Although emerging markets provide growth opportunities for cognac, the US is expected to be the main driver of growth for the category over the next couple of years. “Barring any unexpected shocks to the economy, we are highly optimistic about cognac’s future in the US market,” says Rannekleiv.

**Help from brandy**

Brandy sales have been soft in the US for decades, but the context seems to be right for the category to return to growth in the country. The ongoing rise in demand for brown spirits, the burgeoning US cocktail culture, and millennials’ interest in exploring new categories seem to be creating ideal conditions for the brandy segment to return to growth. This, in turn, will support further growth of the cognac sub-category.

“We see opportunities at more premium points for brandy and cognac players. Returning to growth in the US market will require sustained effort and resources, and a bit of luck,” according to Rannekleiv.

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