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# Territory Urged to Rethink Rum Strategy as Sales Slow and Revenues Fall Short

## Rum revenues for FY25 came in $29 million short of projections, prompting lawmakers and finance officials to call for new marketing strategies, product innovation, and renewed lobbying to permanently increase the federal cover-over reimbursement rate.

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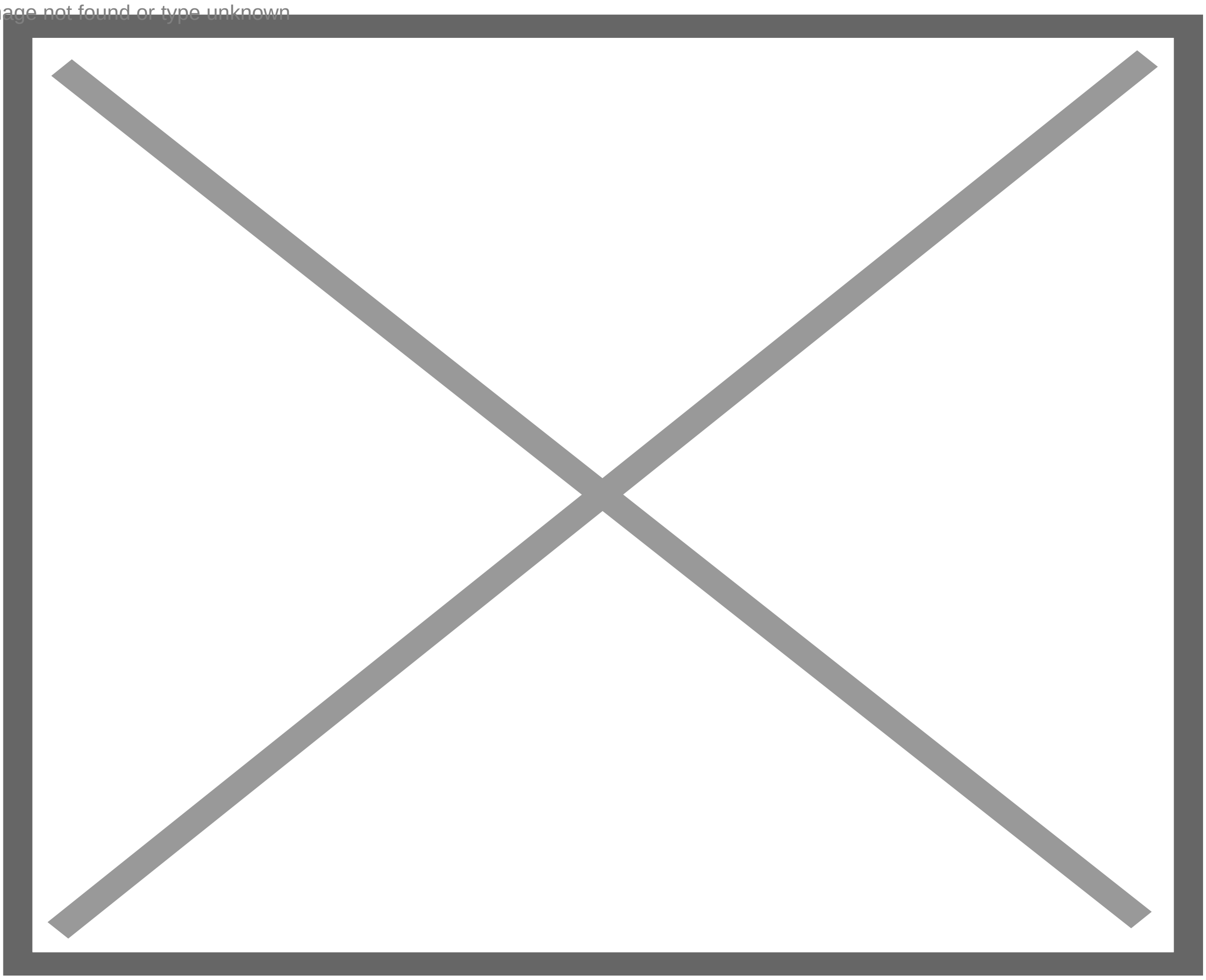

**Aerial shot of the Captain Morgan Rum Distillery (Diageo USVI).** **By. ERNICE GILBERT, V.I. CONSORTIUM.**

Local rum manufacturers must boost marketing and capitalize on prevailing trends by diversifying their product offerings to keep cover over revenue flowing into government coffers. That was the consensus after the Committee on Budget, Appropriations, and Finance discussed the issue with

Nathan Simmons, director of the Public Finance Authority.

In FY 2025, rum cover over receipts were projected at $210 million. However, according to Mr. Simmons, “the actual advance received was $181 million” after a deduction of $28.9 million for FY 23. That deduction, explained the PFA director, was based on “the difference between the excise taxes collected of $217.8 million and the 2023 advance of $246.8 million.”

“Sales have been slow for spirits and for rum, particularly in the United States,” Mr. Simmons said. The PFA continues to dialogue with Cruzan Rum and Diageo who are “ramping up on the marketing there.” “They've engaged with several marketing initiatives that hopefully will take hold,” affirmed Mr. Simmons.

“They have sufficient capacity, and they're able to produce more rum if needed, but we're not going to produce more rum if it's not able to sell it,” he told Senator Hubert Frederick, who had wondered about an apparent “steady decline” in production.

Based on Mr. Simmons’s testimony, current consumption patterns do not favor the territory’s product. “It is a trend in certain spirits doing well, for instance, tequila…Then you got those ready mix and those flavored stuff that people seem to be going crazy about.” Local rum producers now need to strategize. “They've got to find ways to encourage people to buy more rum,” Mr. Simmons insisted.

Senator Milton Potter, for his part, was concerned about “whether the long-term strategy of the companies will be in sync with our long-term objective of maximizing the production of rum.” Mr. Simmons countered. “I think we're in sync in terms of our objectives. We just gotta find new ways to sell more rum.”

Senator Kurt Vialet, though, offered a different perspective. “If you're looking at the national trends, consumption isn't actually going down. What is going down is that more individuals are drinking the flavored rum and aged rums.” Like Mr. Simmons, he stressed the need for deliberate and measured strategies to increase rum sales in a changing market.

Current U.S. trends reflect a mixed picture for the rum industry. According to IWSR and The Spirits Business, U.S. rum volumes have declined by around 8.9% year-over-year—falling from 22.7?million nine-liter cases in 2023 to 20.7?million in 2024. Flavored rums, which represent about 43–56% of total U.S. rum sales, led the downturn. However, data from Grand View Research suggest optimism ahead: the U.S. rum market reached approximately $2.91?billion in 2024 and is projected to grow at a 4.9% compound annual growth rate through 2030, driven by premium and craft rum segments.

The statutory rum cover over rate of $10.50 per proof gallon is still in effect, also depressing receipts below estimates predicated upon a permanently extended $13.25 per proof gallon rate. Arguing that the territory is not “fairly compensated” – a reference to the desired rum cover over increase – Vialet urged that “we need to get the Republican lobbyists that we're spending the money for and the other lobbyists that we have in Washington to lobby that for the Virgin Islands.” Mr. Simmons reminded lawmakers that the GVI is working with Delegate to Congress Stacey Plaskett to get the extension passed into law.