Q4 2025 OUTLOOK

Little Change in the Wine Market, for Now

By Chris Bitter, Ph.D.

REPORT SNAPSHOT

Situation: Though still declining, retail wine sales firmed a bit in the second quarter. The premium and luxury segments continue to hold up better than the lower end.

Outlook: Economic growth is likely to remain sluggish and inflation sticky in the months ahead. Consumers are apt to remain price-sensitive, so I don't expect a material change in the trajectory of wine sales.

Finding: A cautious stance toward price taking is best for now. It will also be imperative to demonstrate value for the price on store shelves, in the tasting room, and to club members.

U.S. wine sales continue to disappoint, though at least the slump hasn't deepened since my last report. I'm not expecting much improvement in the near term due to a tenuous economic backdrop, and grapes will be left on the vine again this year for lack of buyers.

Following a rocky start in 2025, retail wine sales firmed a bit in the second quarter. They fell 3% in value and 4% in volume versus Q2 2024, based on my analysis of NIQ data, and are down 5% for the first seven months of the year.

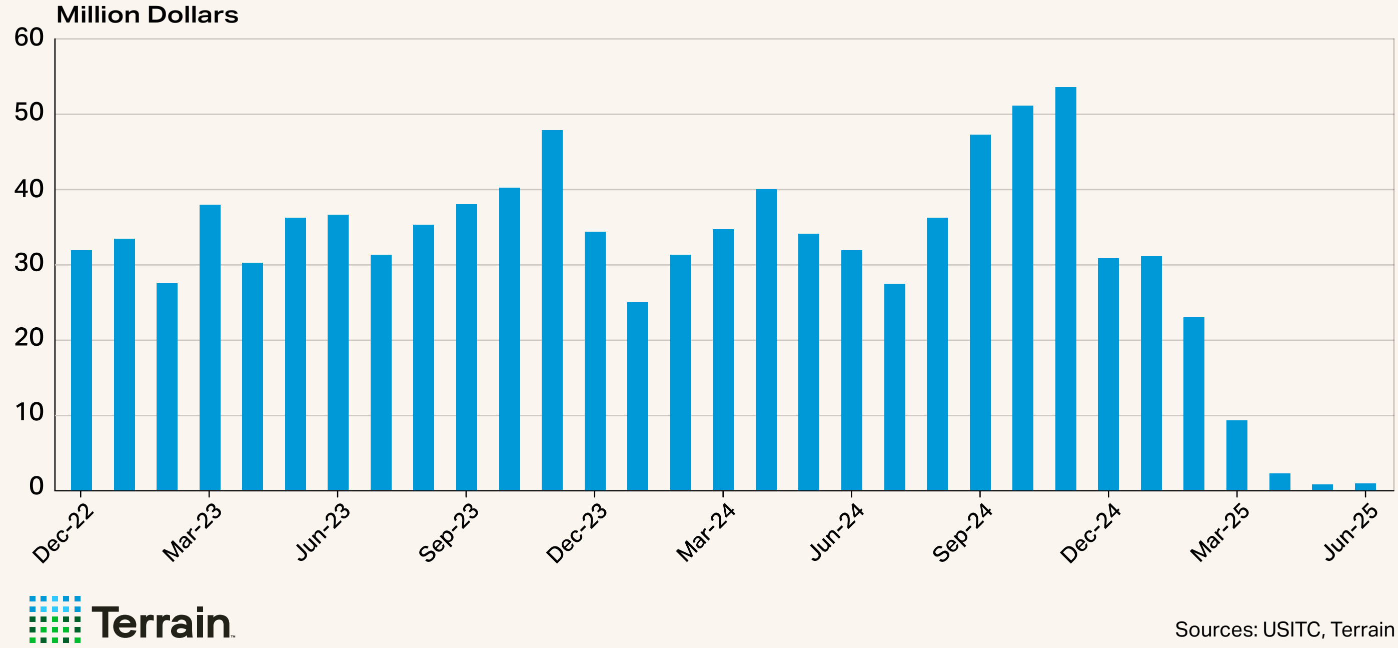
EXPORTS A SORE SPOT AMONG SOFT WINE DATA

SipSource indicates that distributor depletions shed 9% in volume and 8% in value year to date through July. The disconnect between depletions and retail sales signals that retailers are still destocking.

The premium and luxury segments continue to hold up better than the lower end. Nonetheless, there is evidence of discounting, particularly in the $50+ price tier. Overall, off-premise wine prices slipped 1% in the first seven months of 2025, according to consumer price index data, while on-premise prices are still rising.

Following a disappointing spring, the direct-to-consumer channel has seen some improvement in recent months. Sales by Community Benchmark participants fell 6% in the second quarter year over year, but the loss narrowed to less than 2% in June and July.

Wine Exports to Canada Have Collapsed



Sources: USITC, Terrain

Wine exports fell 38% in value and 25% in volume in the second quarter versus the same period last year.

Despite the initial round of tariffs imposed in April, domestic wines have yet to wrest any market share from imports. Retaliatory measures, however, are taking a severe toll on American wine exports.

Wine exports fell 38% in value and 25% in volume in the second quarter versus the same period last year, primarily because of collapsing exports to Canada. They were down 96%, a loss of more than $100 million to U.S. wine producers.

THE ECONOMY ISN'T HELPING

I'm not expecting much improvement in wine sales in the near term, though the outlook remains murky due to an uncertain economic backdrop.

The labor market is softening, consumer sentiment remains deeply depressed, and inflation has ticked up modestly in recent months. The Terrain team believes that economic growth is likely to remain sluggish and inflation sticky in the months ahead.

Thus, consumers are apt to remain cautious and price-sensitive. Consequently, I don't expect a material change in the trajectory of wine sales, and elevated wholesale inventories and sluggish depletions will continue to constrain shipments.

Given this, a cautious stance toward price taking is best for now. It will also be imperative to demonstrate value for the price on store shelves, in the tasting room, and to club members.

Tariffs and trade uncertainty are not likely to provide much of a boost to domestic wineries in the near term. U.S. tariffs on foreign wine may eventually lead to a modest increase in U.S. wine's market share, though this advantage will be offset by reduced wine sales, higher input costs and depressed exports.

A HEALTHY GRAPE CROP SO FAR

Dwindling wine sales and inventory rightsizing continue to weigh on grape demand.

Though it is still early, the crop appears healthy, with yields predicted to be average or slightly below. The Interior and whites could come in lighter than the Coast and reds. Unsold fruit remains copious, and despite widespread mothballing and vineyard abandonment, a substantial quantity will almost certainly go unpicked again this year.

The crucial question is when the grape market will return to balance. The answer will differ for each appellation and variety.

It is certainly possible, and perhaps probable, that the supply-side correction will overshoot and result in a grape shortage.

Focus on what you can control — including maintaining quality and improving operational efficiency — so that you will be positioned to profit from the recovery when it comes.

If you can produce quality fruit at a commensurate cost, the best advice I can give at this point is to focus on what you can control — including maintaining quality and improving operational efficiency — so that you will be positioned to profit from the recovery when it comes.

ABOUT THE AUTHOR

Chris Bitter, Ph.D., is Terrain's senior wine and grape analyst. He has more than 20 years of experience as an economist and market analyst. He earned his Ph.D. in economic geography with a minor in agricultural and resource economics from the University of Arizona. In 2016, Chris changed his economic focus from real estate to wine when he launched Vintage Economics, a market research and consulting firm focused on the wine industry.

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