Terrain

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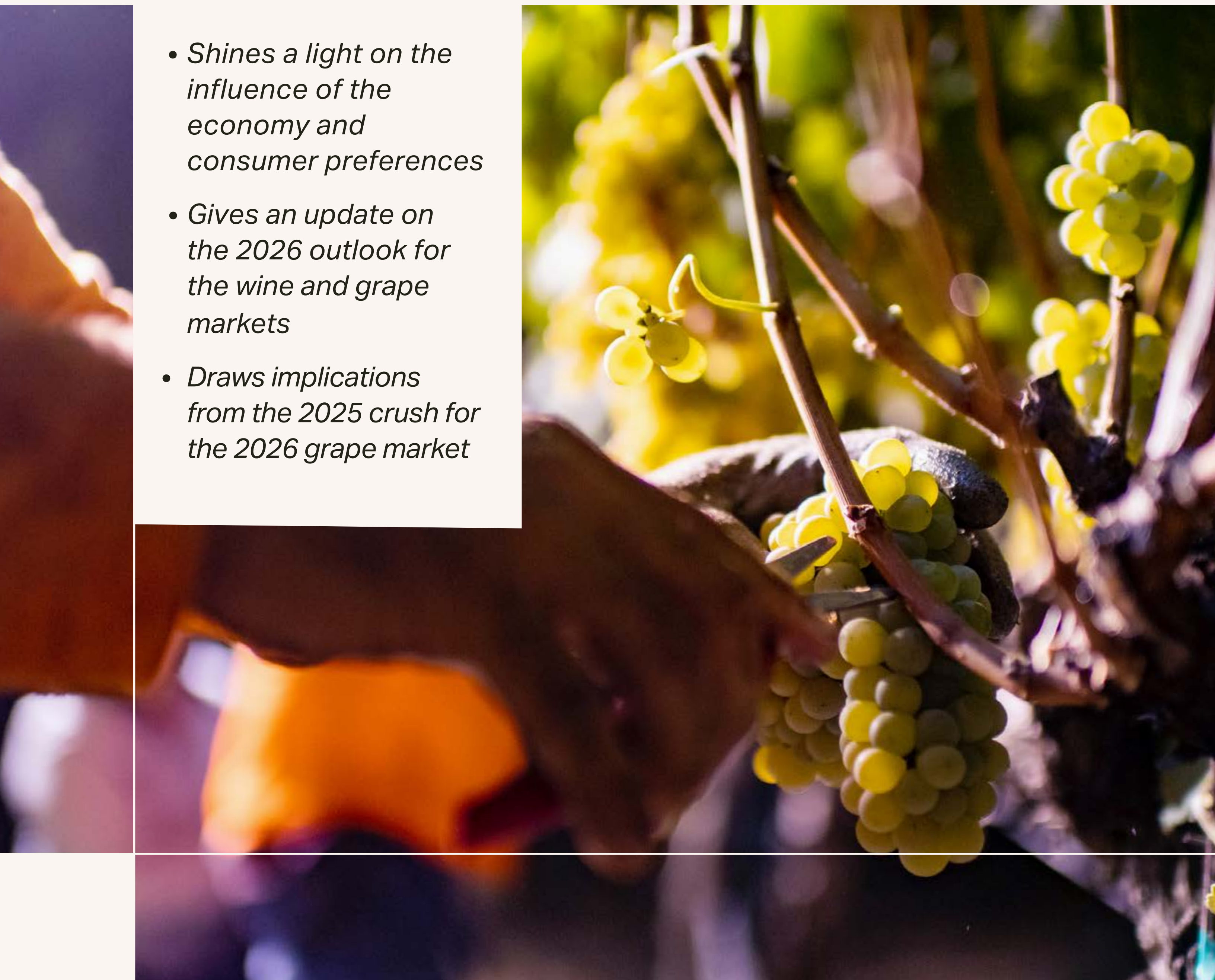
This issue:

- *Shines a light on the influence of the economy and consumer preferences*
- *Gives an update on the 2026 outlook for the wine and grape markets*
- *Draws implications from the 2025 crush for the 2026 grape market*



IN THIS ISSUE

Grape Expectations

The preliminary 2025 crush figures have tamped down the near-term outlook for grape demand and the wine inventory glut.

Wine sales fell across channels and price points again in 2025, and there were no signs of improvement in the fourth quarter. Trade tensions also continue to take a toll on wine exports.

U.S. wine consumption has fallen for four straight years and is now well below its pre-pandemic level. With each passing year, the problem looks more structural than cyclical.

The most important headwind for wine is declining alcohol consumption. Competition with ready-to-drinks and demographic and generational shifts are also eroding wine's market share. I don't believe these headwinds are likely to abate soon, so the era of steadily growing wine consumption has likely come to an end for now.

That said, economic factors, including stubborn inflation, heightened political-economic uncertainty, and low consumer sentiment, have likely contributed to the slump. We aren't expecting much improvement in the economic backdrop in the near term, so there isn't likely to be much, if any, improvement in wine sales either (**see Page 3**).

While the economy was on relatively sound footing heading into 2026, tariff turmoil and geopolitical tensions will continue to constrain growth and consumer sentiment. However, several economic tailwinds will strengthen as the year progresses, and the second half could be better than the first.

Domestic wine sales should firm once the economic backdrop steadies, though a return to growth in volume does not look imminent. Nonetheless, wine — particularly premium wine — has a compelling story to tell, and forward-thinking wineries will continue to have opportunities.

The Trending Topic (**see Page 14**) looks at the California Grape Crush Report and its grape market implications.

The 2025 crush came in at just 2.62 million tons, the smallest total since 1999 and 23% below the five-year average. However, the crush wasn't uniformly small. More white grapes were crushed than reds, and the 2025 Sauvignon Blanc harvest was a record. The North Coast crush was near average in size.

The biggest surprise wasn't how small the crop was, but rather how large it was relative to expectations. (Analysts had been predicting a crush of 2 million to 2.4 million tons.)

As a result, the wine inventory glut isn't likely to improve as much as I had previously expected. Because many wineries are still very long on inventory, I'm not expecting grape demand to improve in 2026. Growers with unsold fruit should temper their expectations that a buyer will appear.

ABOUT THE AUTHOR

Chris Bitter, Ph.D., is Terrain's senior wine and grape analyst, focusing on generating research and insights in the areas that impact the business of vineyards and wineries. With more than 20 years of experience as an economist and market analyst, Chris is a former faculty member of the University of Washington's Runstad Center for Real Estate Studies. In 2016, he left his academic position to launch Vintage Economics, a market research and consulting firm focused on the wine industry.

Chris earned his Ph.D. in economic geography with a minor in agricultural and resource economics from the University of Arizona. His research has been published in a variety of national and international publications, including the Journal of Wine Economics, and he has delivered presentations at wine industry conferences around the globe.

Economy Continues to Press Wine Market

A tumultuous 2025 economy likely depressed wine sales. In 2026, the higher-end segments should continue to outperform, and the grape market should be less oversupplied when harvest begins.

REPORT SNAPSHOT

Situation: Wine sales softened across the board in 2025, and prices stagnated as a result of consumer price sensitivity and heightened competition among producers trying to move excess inventory. Although the wine market slump continues, relative bright spots include premium and luxury wines, non-alcoholic and ready-to-drink wines, and white and sparkling wines.

Outlook: I'm not expecting a material change in the trajectory of U.S. wine sales in the near term, though I see the most potential for progress in the second half of the year. There should be less excess supply burdening the grape market when the 2026 harvest begins than there was in 2025.

Impact: For wineries that are fairly certain about their grape needs, it may be prudent to act sooner rather than later.

> ***Editor's Note: The Market Happenings section was published on March 10, prior to the March 13 release of the Grape Crush Report.***

Wine Market Update: A Familiar Story for Wine Sales, With Nuances

Wine Sales Dashboard: Sales Trends by Channel and Price Segment

For more on the dashboard, see the Appendix on Page 22.

		Year-Over-Year Change	Trend
$$$	**Retail: Value**	↓	∨
$$$	**Retail: Premium**	→	—
$$+	**Retail: Super-Premium**	↘	∨
$$$	**Retail: Luxury**	↘	—
	Direct-to-Consumer	↓	∨
	Export	↓	—

The post-pandemic slump in wine sales shows no signs yet of abating. U.S. wine sales fell across all channels and price tiers in 2025, and the pace of the decline hastened relative to 2024. There were no signs of improvement in the crucial OND (October, November, December) season. Trade tensions also slammed wine exports in 2025.

There are some nuances to the story, and while there are only a few bright spots, some corners of the market appear to be less dim than others.

THREE-TIER SALES SOFTENED IN 2025

Based on my analysis of NIQ data, off-premise retail sales fell 5% in value and 6% in volume in 2025, a modest deterioration from 2024. Following a rough start to the year, the second quarter saw some improvement, but the positive momentum couldn't be maintained in the second half. The fourth-quarter results were a bit weaker than for the full year.

Depletions continued to track below retail sales in 2025 due to retail inventory reductions. They fell 6% in value and 9% in volume, according to SipSource data. On-premise sales held up slightly better than off-premise sales. The 2025 results were slightly worse than 2024's, and the fourth-quarter numbers were the weakest of the year.

The depletions data also indicate that wine continued to lose shelf space and menu listings in 2025. Points of distribution (POD) dropped by 5% while the number of wine-buying accounts declined just 1%.

The wine market remains conspicuously bifurcated at the $15 mark.

Price taking continues to be challenging. Off-premise wine prices were flat again in 2025, according to Consumer Price Index (CPI) data, and have risen just 1% since 2022 — versus a 9% increase in all goods. The stagnation in prices is due to both consumer price sensitivity and heightened competition among producers trying to move excess inventory.

While the three-tier market may not see many bright spots or fresh trends in 2025, consumer preferences continue to evolve, with some important nuances to note:

Premium and Luxury Wine Sales Continue to Hold Their Ground

The wine market remains conspicuously bifurcated at the $15 mark. NIQ data indicate that off-premise sales of bottles priced $15 and over slipped by just a percentage point in volume in 2025, though the higher end saw some discounting. Conversely, sales of lower-priced brands dropped 7%. SipSource statistics paint a similar picture.

Non-Alcoholic Wines and Ready-to-Drinks Are Growing

The only wine categories that experienced outright growth in 2025 were ready-to-drinks (RTDs) and non-alcoholic wines. Sales of wine-based RTDs surged 30% to $1.2 billion according to NIQ, largely due to the success of BeatBox. Meanwhile, non-alcoholic wine sales swelled 22%, though they still represent just a fraction of wine sales.

The 500ml container was the sweet spot.

White and Sparkling Wines Are Still Outperforming

White and sparkling wine sales held up better than red wine sales again in 2025. The outperformance for white varietals continues to be attributable mostly to solid Sauvignon Blanc sales, as Chardonnay sales fell at a slightly faster clip than the market overall. An uptick in Champagne and Prosecco sales boosted the sparkling wine category.

Alternative Packaging Is Gaining Traction

Depletions of wine packaged in glass, boxes and cans fell 9% in volume in 2025, according to SipSource figures, while other packaging types recorded an increase of 4%. The outperformance was driven by the Tetra Pak/carton and "other" categories. Sales of smaller formats (<750ml) slipped just 1%, versus an 8% decline for 750s and an 11% drop for larger formats. The 500ml container was the sweet spot.

2025 Direct-to-Consumer Indicators

Change From a Year Ago

Sales by Channel		Tasting Room Metrics		Wine Club Metrics	
Club Allocation	-6%	Visitors	-6%	Active Club Members	-10%
Tasting Room	-5%	Purchase Conversion Rate	0%	Acquisition Rate	-3%
Phone and Online	-6%	Tasting Room AOV	0%	Attrition Rate	13%
All Other Channels	-3%	Revenue per Visitor	0%	Revenue per Member	6%

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Sources: Community Benchmark, Terrain

Tariffs Haven't Helped U.S. Producers

Despite the imposition of tariffs of 15% or more on almost all foreign wines in April 2025, domestic wines continued to gradually cede market share to imports. Foreign wines also lost fewer PODs than domestic wines in 2025. Some market participants stockpiled imported wines in advance of tariffs and some have not fully passed the tariff on to consumers, so domestic producers haven't yet gained much of a price advantage.

DIRECT-TO-CONSUMER SALES SLUMP DEEPENS

Direct-to-consumer (DtC) sales fell again in 2025, though the data are sending mixed signals regarding the magnitude and trajectory of the decline.

Total DtC revenue for Community Benchmark's nearly 500 participants fell 6% in 2025, a pronounced deterioration from 2024's 3% drop. Revenue declined 9% in the crucial fourth quarter. Figures from Enolytics (a data analytics platform) indicate that revenues fell 3% in value and 4% in volume, with no deterioration in Q4 2025.

DtC "shipment" revenues fell 6% in 2025, according to estimates from Sovos/ShipCompliant and Wine Business Analytics, while shipment volume plunged 15%. This compares with a 10% loss in volume and 5% loss in dollars in 2024. An 11% increase in the average bottle price accounted for the narrower loss in value versus volume.

Each data source produces its estimates based on a different subset of wineries, which explains the variation.

Revenues fell across DtC sales channels in 2025. The most troubling development was an erosion in club allocation sales.

Community Benchmark's metrics allow additional insights to be drawn into the nature of the DtC slump:

Club Shipment Revenues Deteriorated

Revenues fell across DtC sales channels in 2025. The most troubling development was an erosion in club allocation sales, which account for nearly half of total revenue. They dropped 6% in 2025, a marked downturn relative to a 1% gain in 2024. However, this was almost wholly attributable to a steep decline in allocation sales by Napa wineries. Total club revenue (including purchases outside of the allocation) fell by 5%.

Wine Clubs Are Shrinking

Flagging wine club revenue was precipitated by a 10% drop in the number of active club members. This trend was broader, as all regions reported declines. The drop in club members was due to a rise in membership cancellations, as the attrition rate rose by 13% while the acquisition rate slipped just 3%. On a positive note, the revenue impact of fewer members was partly offset by a 6% increase in revenue per member.

Tasting Room Visitation Slump Shows No Signs of Abating

Tasting room visitor counts dropped 6% in 2025 and visitation was down across the West Coast. However, this represented a marginal improvement relative to a 7% drop in 2024. There was also no growth in revenue per visitor, as both the purchase conversion rate and average order value were flat in 2025, though some regions performed better on these metrics than others.

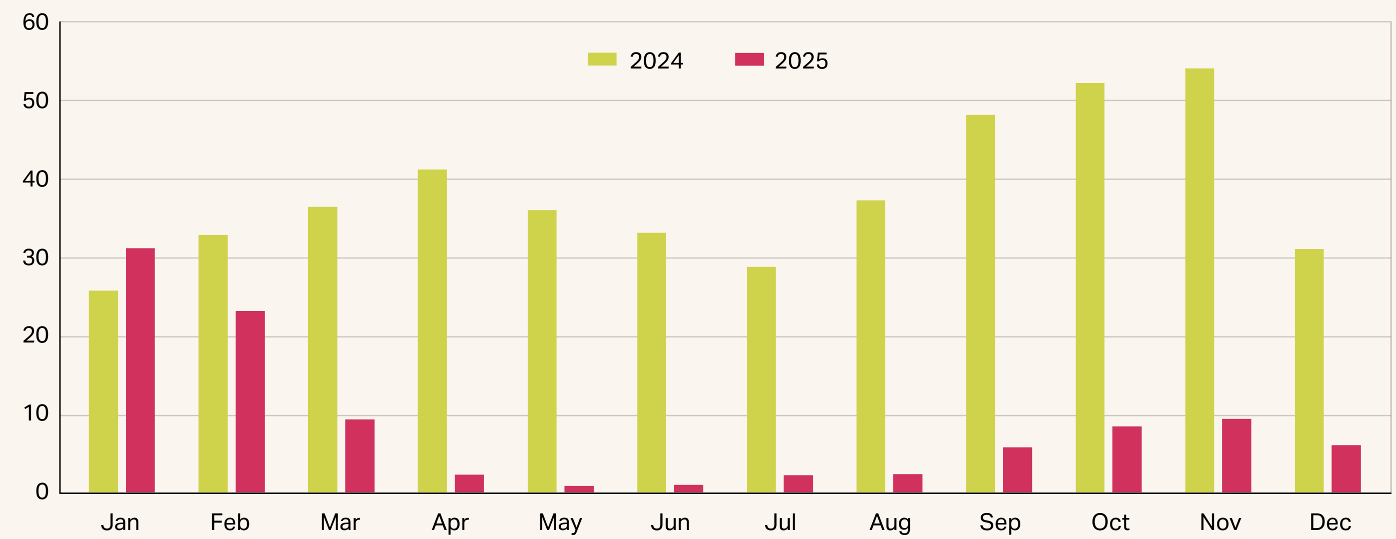
A final point to note is that there has been no shift from red to white wines in the DtC channel. Red varietals composed nearly 80% of shipment revenue and two-thirds of volume in 2025 and red wine sales held up better than white wine sales in 2025, owing mostly to a strong performance by Cabernet Sauvignon. In addition, Chardonnay continues to be the clear-cut leader in the white category.

TRADE TENSIONS TOOK A HEFTY TOLL ON EXPORTS

U.S. wine exports peaked in 2016 and have declined steadily since due to declining global wine consumption and heightened competition. Trade tensions further reduced demand for American wine abroad in 2025 and the slump deepened as exports tumbled 18% in volume and 34% in value.

Canadians Are Still Shunning American Wine

U.S. Wine Exports to Canada (Million Dollars)



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Sources: GATS, Terrain

The deterioration was mainly attributable to Canadian provincial bans on American alcohol. Wine exports to Canada, the most important buyer of U.S. wine, dropped 77% in value, which represents a loss of more than $350 million to U.S. producers. Exports to China also plummeted 73%, though they form a much smaller share of the total.

Excluding Canada and China, U.S. wine exports were essentially flat and there were a few bright spots. For example, sales to Japan, the third most important market for American wine, rose by 10%.

There is no end in sight to the export slump. Export revenues fell 43% year over year (YOY) in the fourth quarter.

Several small Canadian provinces have, however, lifted their American alcohol bans, though this hasn't made much of a difference yet. U.S. exports to Canada were still down by 83% YOY in the fourth quarter, compared with declines of 96% in the second quarter and 93% in the third.

What's Up With Wine Consumption?

The deepening slump in wine consumption is likely attributable partly to a tenuous economic backdrop.

The deepening slump in wine consumption is likely attributable partly to a tenuous economic backdrop. Consumer sentiment plunged amid an environment of seismic policy shifts, heightened economic uncertainty, questions around affordability, and political unrest. And less affluent consumers are still feeling pressured by inflation. This likely depressed wine sales in 2025, particularly in the lower price tiers.

However, U.S. wine consumption has now declined for four consecutive years and has fallen by around 15% since 2019. There are no signs that the slump is coming to an end. This suggests that longer-lasting structural factors are the main cause.

The slump has been concentrated at the lower end of the market, as premium and luxury off-premise sales volumes are still well ahead of their pre-pandemic level.

For one, Americans are drinking less alcohol in general. This trend is likely to persist for some time, as I detailed in the Fall 2025 issue of "Winescape." In addition, wine's market share has eroded due to rising competition within the alcoholic beverage sector as well as demographic and generational shifts. These headwinds aren't likely to dissipate soon.

The slump has been concentrated at the lower end of the market, as premium and luxury off-premise sales volumes are still well ahead of their pre-pandemic level despite the drop in recent years. These segments are less exposed to competition from RTDs, and consumers who are moderating their alcohol consumption may be gravitating toward higher-quality bottles when they drink.

Affluent consumers have also seen their wealth boosted by a surging U.S. stock market and general appreciation of hard assets. The S&P 500 returned 18% to shareholders in 2025 and has returned a stunning 200% since 2018. This has almost certainly propped up premium and luxury wine sales.

The DtC channel is facing the same economic and structural headwinds, yet DtC case sales, which are predominantly premium and luxury offerings, are declining at a faster rate and are now below their pre-pandemic level.

While some idiosyncratic factors are involved (that is, the surge in Americans traveling abroad and a decline in foreign visitors), I believe the primary reason for the deepening DtC slump is rising costs in a time of

Key Economic Indicators

Indicator	Q4 2025	Q3 2025
Change in GDP (real)	1.4%	4.4%
Unemployment Rate	4.4%	4.4%
Change in Consumer Prices	2.9%	3.1%
Change in Consumer Spending (real)	2.4%	3.5%
Consumer Sentiment Index	52.5	58.3
Change in Employment	-0.2%	0.1%
Change in Average Weekly Earnings	3.4%	4.4%
Household Loan Delinquency Rate	5.6%	5.3%

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Note: Change indicators are compound annual rates of growth.
Sources: FRED, Federal Reserve Bank of New York, University of Michigan, Terrain

heightened consumer price sensitivity. Clicking the cancel button on a wine club membership is an easy way to free up funds for other uses.

Based on shipment data from Sovos/ShipCompliant and Wine Business Analytics, average bottle prices rose 11% in 2025 and are now 40% higher than in 2019. This compares with a 26% increase in the CPI and a 6% rise in off-premise wine prices.

The shipment data only represent a slice of the broader DtC market, and average prices could be rising due to a change in the mix of bottles sold as opposed to organic price increases. Even so, I don't believe the shipment figures are too far from the mark.

Tasting room fees and wine country travel costs have also risen sharply in the 2020s. Thus, the DtC experience has become more exclusive and may be out of reach for less affluent consumers and young adults, which narrows the potential audience.

Wine Market Outlook:
Most Potential for Progress Later in the Year

To the extent that the shaky economic backdrop has played a role in the wine consumption slump, I don't see much potential for improvement in the near term. Still, there are some economic tailwinds and could be some progress in the second half of the year. The premium and luxury segments, outside of DtC, should continue to outperform.

Wine sales should firm a bit once the economic backdrop steadies. The wine industry has the potential to stabilize its market share over the medium term. Nonetheless, it's difficult to see a path to outright growth unless alcohol consumption rebounds.

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THE ECONOMIC OUTLOOK REMAINS MURKY

2025 was a tumultuous year for the U.S. economy. Real GDP seesawed wildly and finished the year on a weak note with an increase of just 1.4% in the fourth quarter, though this was mainly due to the government shutdown. For the full year, economic growth came in at 2.2%, down slightly from a 2.4% gain in 2024.

Inflation proved to be sticky and remains above the Federal Reserve's 2% target by all measures.

The labor market slowly softened through the year. Employment growth stalled and unemployment rose to 4.5% in November, its highest level since October 2021. On a positive note, job growth accelerated in January, and the unemployment rate improved to 4.3%, a healthy reading by historical standards.

Consumer spending remained reasonably resilient despite a plunge in consumer sentiment, which hit its second-lowest level on record in November. Personal consumption expenditures rose 2.7%, a modest drop relative to a 2.9% gain in 2024. Spending was buoyed by continued modest gains in real wages and the surging stock market.

The chaotic economic and political backdrops do not look to be stabilizing. But, despite the turmoil, the economy seems to be on relatively firm footing in early 2026, though there are many question marks.

Most importantly, the Supreme Court's ruling that the Trump administration lacks the authority to impose tariffs under the International Emergency Economic Powers Act (IEEPA) adds considerable uncertainty to the outlook. It also remains to be seen how changes at the Federal Reserve will impact monetary policy. The upcoming midterm elections and the potential for an escalation in geopolitical conflicts are also wild cards.

The uncertainty is likely to continue to dampen economic activity in the near term but there are several, positive tailwinds as well.

The AI capital investment boom should continue to boost economic growth. And fiscal stimulus from the One Big Beautiful Bill Act is now beginning to show up in the form of larger tax refunds and lower withholding. Additional stimulus measures could potentially be rolled out, as the ruling Republican Party will be keen to prop up the economy in an election year.

Consumers also appear to be in reasonably good financial health, particularly older households and those at the higher end of the income distribution whose wealth has been boosted by the surging stock market and strong asset appreciation. There are no signs of severe financial distress, as credit card and auto loan delinquencies have stabilized, though student loans have seen a surge in late payments since defaults began to be reported again in late 2025. Finally, the new leadership at the Federal Reserve Board is likely to favor interest rate cuts in 2026, though it is impossible to say when or by what magnitude.

While the economic environment remains uncertain, the Terrain team's base-case scenario is that the economy won't look much different than it did in 2025.

Economic growth is likely to be moderate and choppy, though there could be some acceleration in the second half of the year, and inflation will remain sticky. Employment growth is liable to remain soft, though unemployment should remain in check, as immigration policy has stalled labor force growth. And consumers will likely continue to spend, though tentatively, as sentiment is apt to remain depressed.

WINE SALES LIKELY TO REMAIN UNDER PRESSURE FOR SOME TIME

I'm not expecting a material change in the trajectory of U.S. wine sales in the near term. The economic backdrop isn't likely to boost demand, and skittish consumers will continue to push back against price increases. Turmoil in the distribution sector also has the potential to disrupt the path to market and hurt wine sales in 2026.

The premium and luxury segments are poised to outperform again in 2026.

I do see more potential for progress in the second half of the year. An acceleration in economic growth or stabilization in the political-economic environment could boost demand for wine.

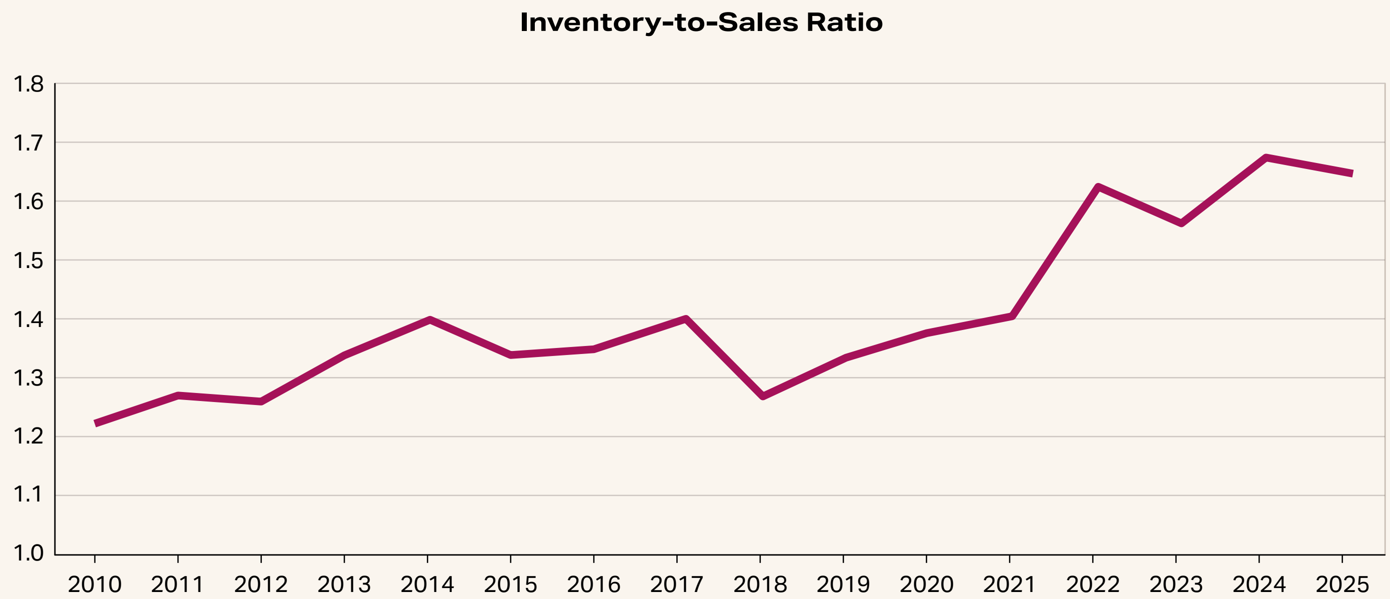
The premium and luxury segments are poised to outperform again in 2026. They are partially sheltered from the structural headwinds, and affluent consumers are better positioned than their lower-income counterparts. The benefits of the One Big Beautiful Bill Act are skewed toward upper-middle and higher-income households. Although, a stock market correction could derail this dynamic.

Domestic producers could potentially gain some U.S. market share in 2026 if tariffs remain in place, as more of the price tag is likely to be passed on to consumers with time.

The tariff situation remains fluid to say the least. It's too early to understand the implications of the end to the IEEPA tariffs, under which most imported wines have been taxed since last April. The Trump administration has already instituted a global tariff of 10% to replace them and has signaled it will raise it to 15% soon, the same rate that most foreign wines have been paying, though these tariffs will time out after 150 days unless congressional approval is received. Even so, the administration has other tools at its disposal, though they may be more difficult to implement. The most likely scenario is a continuous evolution of tariff policy throughout the year.

The potential for progress on the export front also seems limited unless trade tensions ease, and I don't see any good reasons to expect this. A thaw in political relations with Canada represents an upside scenario for exports, but Canadian consumers will be slow to return

Wholesale Alcoholic Beverage Inventories Remain Stubbornly High



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Sources: U.S. Census Bureau, Terrain

to American wine even if this occurs. Therefore, recovering the ground lost in 2025 will likely take considerable time.

Finally, wholesale inventories remain stubbornly high, so winery shipments are likely to lag retail sales as distributors work through the excess. Distributor consolidation and SKU rationalization in both the retail and wholesale tiers will also make it even more challenging for small and midsize wineries to move their wares through the three-tier channel in 2026.

All things considered, 2026 is almost certain to be another challenging year for the wine industry.

When the economic backdrop finally settles, and uncertainty and inflation fade, consumers will feel more secure and less hesitant to spend on discretionary items, and wine sales will firm up.

I also firmly believe that wine has a compelling story to tell, and if the industry can reframe its narrative with the younger generations, its market share will eventually stabilize. Nonetheless, it is difficult to see a path to outright growth unless alcohol consumption rebounds.

Competitive pressures will eventually ease as the wine inventory glut recedes and the industry right-sizes.

That said, many wineries are still thriving today, and enterprising producers will continue to have opportunities. Competitive pressures will eventually ease as the wine inventory glut recedes and the industry right-sizes, paving the way to a more profitable operating environment for the winners.

There is no one-size-fits-all solution in the wine industry, but all producers can benefit in a competitive market environment by improving their operational efficiency and honing the value proposition they provide to the consumer. It is also more important than ever to be laser focused. This means understanding your competitive advantage and target market and playing to them.

Grape Market Outlook: Have We Hit Bottom Yet?

We will only know in hindsight whether the grape market has hit bottom yet, and the timing will vary across market segments. That said, I believe the broader market is closing in on a bottom and there should be less excess supply in 2026 than there was in 2025.

ACTIVITY HASN'T PICKED UP

The California grape market has been eerily quiet in early 2026 as the diminutive 2025 crush has failed to stimulate grape sales. Much of the activity that is occurring for the 2026 harvest involves buyers attempting to renegotiate contracts already in place. The dearth of new transactions makes it difficult to know where pricing stands.

We don't know yet how small the 2025 crush was, as the release date for the "preliminary" version of the California Grape Crush Report has been pushed out to March 13. The Trending Topic section of this edition of "Winescape" will also be delayed until the report comes out, as it will draw implications from the 2025 crush for the 2026 grape market.

The lack of contracting activity and information on the 2025 crush puts growers with uncontracted fruit in a bind. They must soon decide whether to fully farm, mothball or tear out vines before the 2026 growing season progresses much further.

The hesitancy from wineries to contract with growers is due to a number of factors. Uncertainty in the future trajectory of wine sales makes it more difficult for wineries to gauge how much fruit they will need. Many wineries may be waiting until the last possible moment to commit to contracts in the hope that the picture will become clearer. Some are also struggling with cash flow issues and are narrowly focusing on short-term issues today (like selling the wine already on hand) rather than looking ahead to the future.

Plenty of attractively priced bulk wine is also still available, though the bulk wine market has been a bit more active than the grape market due to private-label demand. According to figures from Ciatti, the quantity of bulk wine actively listed for sale is in line with this time last year. Thus, buying bulk wine in lieu of grapes at some point may seem like a more appealing option to some potential grape buyers.

I expect grape sales to pick up progressively as the 2026 harvest approaches, and at least as much fruit will end up being crushed in 2026 as was crushed in 2025.

There is an important caveat. Ciatti also indicates that a higher-than-normal share of the bulk inventory is made up of older vintages. Approximately 40% of red varietals are from 2023 or prior vintages while 50% of the whites are from 2024 or older vintages. Thus, inventory from recent vintages, where demand is focused today, looks to be more balanced.

DEMAND SHOULD IMPROVE, THOUGH IT'S HARD TO SAY BY HOW MUCH

I expect grape sales to pick up progressively as the 2026 harvest approaches, and at least as much fruit will end up being crushed in 2026 as was crushed in 2025. There are several reasons for my optimism.

First, even if wine sales continue to decline, winery inventories should be less excessive heading into the 2026 harvest due to the small crushes in 2024 and 2025, as I explained in detail in the Winter edition of "Winescape."

The magnitude of the inventory reduction will depend on how much was crushed in 2025 as well as the trajectory of wine sales, which look to be trending toward my low-end assumption. Nonetheless, I still expect inventory to be less excessive, and many wineries who've been sitting on the fence will eventually need to buy grapes for the 2026 crush, or they risk not having enough wine to sell down the road.

Moreover, anecdotal evidence suggests that some large grape buyers are considering signing grape contracts at some point to ensure sufficient acreage remains in the ground and avoid a future shortage.

I estimate that approximately 3 million tons of fruit would be required to replace the volume of California wine I assume will be sold in 2026. However, given that less well-capitalized wineries are likely to be very conservative, and that inventories are almost certain to still be above target, the amount of fruit utilized will be substantially short of this figure. Even so, I believe at least 2.4 million tons will be harvested in 2026, which is also my estimate of the 2025 crush.

It's difficult to say when the grape market will pick up. A smaller than anticipated 2025 crush figure or a material improvement in wine sales over the next several months (which I'm not expecting) could accelerate the timetable for action.

THE SUPPLY SIDE OF THE EQUATION IS EQUALLY UNCERTAIN

Progress continues to be made on the supply side as a substantial number of vineyards have been retired over the last several years, particularly in California's interior region. But given the rapid pace of change and dearth of data, it's difficult to estimate California's grape production capacity now, let alone what it will be at harvest time.

According to the California Association of Winegrape Growers, 38,000 acres of wine grapes were pulled between the 2024 and 2025 harvests, though this was partially offset by new bearing acreage coming on line. Allied Grape Growers projects a slight increase in removal activity and a decrease in additions prior to the 2026 harvest. Nonetheless, even under more aggressive assumptions, there should be enough capacity to produce at least 3 million tons assuming normal yields and that all vineyards are farmed.

It's still too early to form an outlook for yields in 2026, though no major issues are apparent with the crop so far and water resources look adequate. Rainfall has been near or above average in most growing regions, though a drier-than-normal spring is predicted. And, following mid-February storms, California snowpack levels, which have been a concern, don't look alarmingly low, particularly in the southern and central Sierras.

The biggest wild card is how aggressively the current acreage will be farmed. The number of vineyards that won't be farmed, or farmed only minimally, in 2026 will surely be substantial due to the plethora of vineyards that are out of contract and the cash flow issues growers are facing. But it's impossible to estimate with any precision at this point.

We may well be at or approaching the bottom of the current market cycle.

Many growers have delayed pruning, but in most cases, they won't have to make a final decision until late March or early April. The longer buyers wait to pull the trigger, the less fruit that will end up being grown. Moreover, some growers with contracts may cut corners because grape prices are too low to cover farming costs or generate a profit, which could reduce their yield.

WHERE DOES THIS LEAVE THE GRAPE MARKET?

In the end, I expect enough fruit to be grown in 2026 to satisfy demand, so long as mother nature cooperates, and pricing is apt to remain subdued. But there will almost certainly be less fruit available at harvest time in 2026 than there was in 2025, and the market should become more balanced as harvest nears. While unlikely, a grape shortage is not out of the realm of possibility.

Thus, we may well be at or approaching the bottom of the current market cycle. But as we all know, the grape market is highly fragmented, so the state of the market is certain to vary widely across appellations, varieties and quality tiers.

Given the fragmented nature of the grape market, I can only offer general advice here.

For growers capable of producing quality grapes at a commensurate cost, it may be wise to hold out a bit longer to take in any additional information that becomes available before deciding whether to farm or mothball. I also advise against simply abandoning vineyards, as this can create severe headaches for both you and your neighbors down the road.

For wineries that are fairly certain about their grape needs, it may be prudent to act sooner rather than later, as the choice set will progressively narrow as harvest nears.

TRENDING TOPIC

2025 Grape Crush Not as Small as Expected

The biggest surprise in the 2025 Grape Crush Report wasn't how small the crush was, but rather how large it was relative to expectations.

REPORT SNAPSHOT

Situation: The 2025 California grape crush came in at 2.62 million tons, the smallest since 1999. This represented an 8% drop from 2024 (the smallest harvest since 2004). Still, it was much larger than market analysts were expecting.

Outlook: The larger-than-expected crop will result in less improvement in the wine inventory glut than hoped for, and grape demand isn't likely to see any improvement in 2026.

Impact: Wineries and growers should be sure to review the final version of the Grape Crush Report when it arrives April 30. While I don't expect to see any material changes, some movement in the numbers is possible, particularly for specific district-variety pairings.

The 2025 California grape harvest was the smallest in more than a quarter-century, but it was still much larger than market analysts were expecting. Thus, the reduction in wine inventory will be less than was hoped for, and grape demand is likely to remain weak this year.

However, the crush wasn't uniformly small. Demand for white grapes held up better than that for red grapes, and the 2025 Sauvignon Blanc harvest was a record. Moreover, the North Coast has seen essentially no reduction in total grape output over the past two years.

The California Department of Food and Agriculture's Grape Crush Report shows prices were down again in 2025, though the prices are backward-looking and not indicative of where the market stands today. Grape prices have lagged inflation in almost all districts over the past decade and are down in absolute terms in three. Napa is the exception.

The 2025 California grape crush came in at 2.62 million tons, the smallest since 1999.

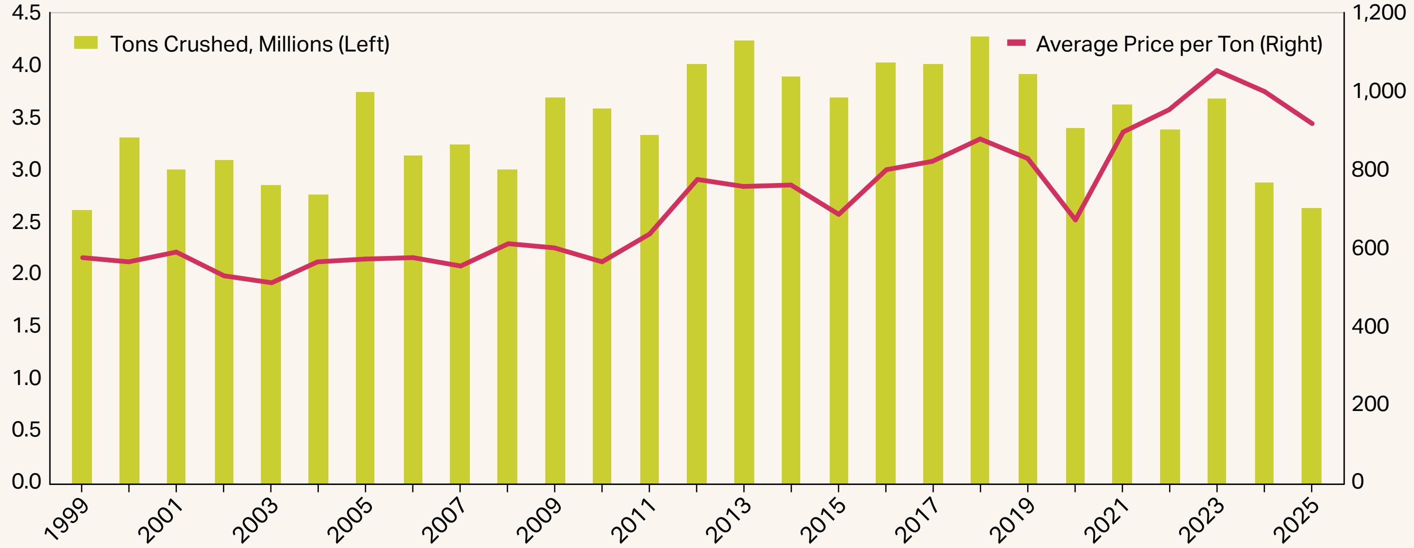
The 2025 Crush Was the Slightest of the 21st Century

According to the preliminary Grape Crush Report, the 2025 California grape crush came in at 2.62 million tons, the smallest since 1999. This represented an 8% drop from 2024 (the smallest harvest since 2004) and was 23% below the prior five-year average.

The crush was down year over year (YOY) and below the trailing five-year average in both the Coast and Interior regions. However, two districts, Napa and Mendocino, saw crushes that were slightly above the five-year average.

Growers who were fortunate enough to have sold their fruit in 2025 received lower prices.

2025 Marked the Smallest Harvest of the 21st Century



Sources: California Department of Food and Agriculture, Terrain

Tons of Wine Grapes Crushed Indexed to the 10-Year Average (=100)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 - Mendocino	88	119	108	125	104	84	72	95	109	96
2 - Lake	85	102	105	101	103	87	74	100	132	111
3 - Sonoma	86	106	97	129	108	70	97	94	113	101
4 - Napa	86	106	99	128	111	69	84	94	119	102
5 - Solano	80	95	80	107	92	100	112	104	124	104
6 - South Bay	86	117	109	131	105	92	103	97	101	60
7 - Monterey	83	112	117	124	100	78	119	86	105	75
8 - S. Central Coast	72	107	112	117	101	92	115	93	118	73
9 - Northern Cal	85	102	121	112	123	92	85	61	122	97
10 - Sierra Foothills	94	118	121	132	112	99	93	64	98	70
11 - Lodi	90	108	100	114	104	92	105	101	105	80
12 - Modesto	116	118	112	112	99	91	94	86	100	72
13 - Fresno	117	108	112	111	108	102	91	91	85	74
14 - Bakersfield	121	117	130	126	114	91	91	94	80	38
16 - Far South	77	91	131	84	139	80	101	97	104	96
17 - Clarksburg	79	99	93	110	106	101	121	79	118	95

Note: District 15 is excluded due to extreme variability in crush totals.
Sources: California Department of Food and Agriculture, Terrain

Average Price per Ton Indexed to 2015 Levels (=100)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 - Mendocino	102	112	111	113	98	117	116	120	97	105
2 - Lake	106	110	108	113	88	110	115	122	99	80
3 - Sonoma	106	115	116	116	97	111	117	122	120	110
4 - Napa	109	121	128	131	105	139	153	160	160	154
5 - Solano	111	128	127	129	114	127	135	136	148	142
6 - South Bay	102	106	111	110	93	109	106	118	129	116
7 - Monterey	107	108	107	107	83	100	106	110	106	101
8 - S. Central Coast	104	112	107	110	105	111	120	121	117	110
9 - Northern Cal	107	101	101	109	104	113	118	115	111	111
10 - Sierra Foothills	101	107	113	118	118	113	114	124	127	115
11 - Lodi	102	102	98	95	94	104	107	103	99	95
12 - Modesto	104	105	105	103	101	114	117	114	112	109
13 - Fresno	103	103	107	104	106	115	121	115	114	113
14 - Bakersfield	103	100	101	94	103	105	115	114	113	102
16 - Far South	107	109	115	123	118	124	140	135	145	136
17 - Clarksburg	102	107	105	102	100	107	108	104	99	97

Note: District 15 is excluded due to extreme variability in crush totals.
Sources: California Department of Food and Agriculture, Terrain

The smaller crop was due in part to vineyard removals and adverse weather conditions in some areas. More importantly, a substantial quantity of fruit — perhaps 20% of the crop — was left on the vine because there was no buyer.

Growers who were fortunate enough to have sold their fruit in 2025 received lower prices. The overall weighted average price per ton declined by 4% to $987, and the average price for sales between unrelated parties fell by 8%. Unrelated-party prices fell in 16 of 17 districts.

Crush Takeaway: Less Demand for Grapes in 2026

The biggest surprise in the 2025 Grape Crush Report wasn't how small the crush was, but rather how large it was relative to expectations.

Market observers were generally expecting the crush to be in the range of 2 million to 2.4 million tons. The larger tally suggests that yields — while still below average in some regions— were somewhat more generous than initially thought, and perhaps more unsold fruit was crushed by growers than initially projected.

The larger-than-expected crush coupled with deteriorating California wine sales means wine inventory likely won't see as much of a reduction as I had previously expected.

I'm expecting only a modest drawdown in California winery inventory of around 20 million cases (a ballpark estimate) between midyear 2025 and midyear 2026.

After incorporating the actual crush total and an updated projection for California wine shipments into my inventory model, I'm expecting only a modest drawdown in California winery inventory of around 20 million cases (a ballpark estimate) between midyear 2025 and midyear 2026. If the crush had come in at 2 million tons, the drawdown would have been 65 million cases.

I believe a supply of approximately 14 months would represent a balanced inventory position.

Because wine sales are still deteriorating, I'm not expecting any improvement in the inventory-to-sales ratio under my base-case scenario. Based on my projection that around 200 million cases of California wine will be sold between July 2025 and June 2026, I expect there to be about 18 months' supply at the end of June 2026 — the same as where we were heading into the 2025 harvest.

I believe a supply of approximately 14 months would represent a balanced inventory position. So, unless there is a turnaround in wine sales, or a substantial quantity of inventory is transitioned to non-wine uses, we are likely to still be very long on inventory heading into the 2026 harvest, and wineries will likely continue to be very conservative with their grape purchases as they work through carryover inventory.

Thus, demand for grapes isn't likely to improve in 2026. Approximately 2.9 million to 3 million tons of grapes would be required to replenish the wine sold in 2025. But because of the inventory glut and declining wine sales, far fewer grapes will be needed. There is a possibility that the amount of fruit sold in 2026 will be lower than in 2025. Thus, growers with unsold fruit shouldn't count too heavily on a buyer materializing before harvest time.

The 2025 Crush Report indicates that more white grapes were crushed in California than red for the first time since 1996.

Beyond the Headline Numbers

DEMAND FOR WHITE GRAPES WAS MORE RESILIENT IN 2025

The 2025 Crush Report indicates that more white grapes were crushed in California than red for the first time since 1996, though the margin was slim at 10,000 tons. White varieties represented just 44% of the crush as recently as 2022.

This doesn't imply that demand for white grapes has been strong; the white grape crush was down 6% YOY and 15% below the five-year average. A large quantity of white grapes went unpicked in 2025, and prices fell in 12 of 17 districts in 2025, implying there was more supply than demand.

The greater resilience of demand for white grape varieties mirrors stronger consumer demand for white wines. White wine sales have been declining but at a slower rate than red wine sales. I expect this trend to continue.

Nonetheless, I advise caution in replanting to white grapes without a contract in hand. This is particularly true for Sauvignon Blanc, which has seen heavy plantings in recent years.

At 161,000 tons, the Sauvignon Blanc harvest reached an all-time high in 2025. It was up 16% YOY and 17% above the five-year average. The crush was particularly heavy in the North Coast (32% above the five-year

More White Grapes Were Crushed Than Red Grapes in 2025

Variety	2025 Tons	Change versus 2025	Change versus 5-Yr. Avg	Variety	2025 Tons	Change versus 2025	Change versus 5-Yr. Avg
Cabernet Sauvignon	432,666	-5%	-22%	Chardonnay	491,036	-7%	-14%
Pinot Noir	189,842	-13%	-23%	French Colombard	204,375	-18%	-26%
Rubired	176,251	17%	-6%	Pinot Gris	198,619	4%	-6%
Zinfandel	151,637	-25%	-43%	Sauvignon Blanc	160,962	16%	17%
Merlot	104,286	-20%	-39%	Muscat of Alexandria	112,023	-14%	-29%
Petite Sirah	51,867	-23%	-38%	Chenin Blanc	34,227	-9%	2%
Syrah	39,301	-27%	-41%	White Riesling	27,594	-6%	-10%
Total Red	1,306,727	-11%	-29%	Total White	1,316,716	-6%	-15%

Terrain

Sources: California Department of Food and Agriculture, Terrain

average), though it was also above average in the Central Coast and Northern Interior. However, Sauvignon Blanc prices fell in all major districts that produce this variety in 2025.

While demand for Sauvignon Blanc grapes has held up better, the surge in planting increasingly looks to be overdone. Although consumers have been gravitating toward Sauvignon Blanc, and it has been the top performer in the retail wine market in recent years, sales volume was flat in 2025, according to NIQ data.

Moreover, bulk Sauvignon Blanc inventory has surged over the past year and now stands at an all-time high, according to Turrentine Brokerage. More Sauvignon Blanc plantings will begin to bear in the next several years, so the excess is likely to grow going forward.

THE NORTH COAST HASN'T SEEN AS MUCH ADJUSTMENT IN GRAPE SUPPLY

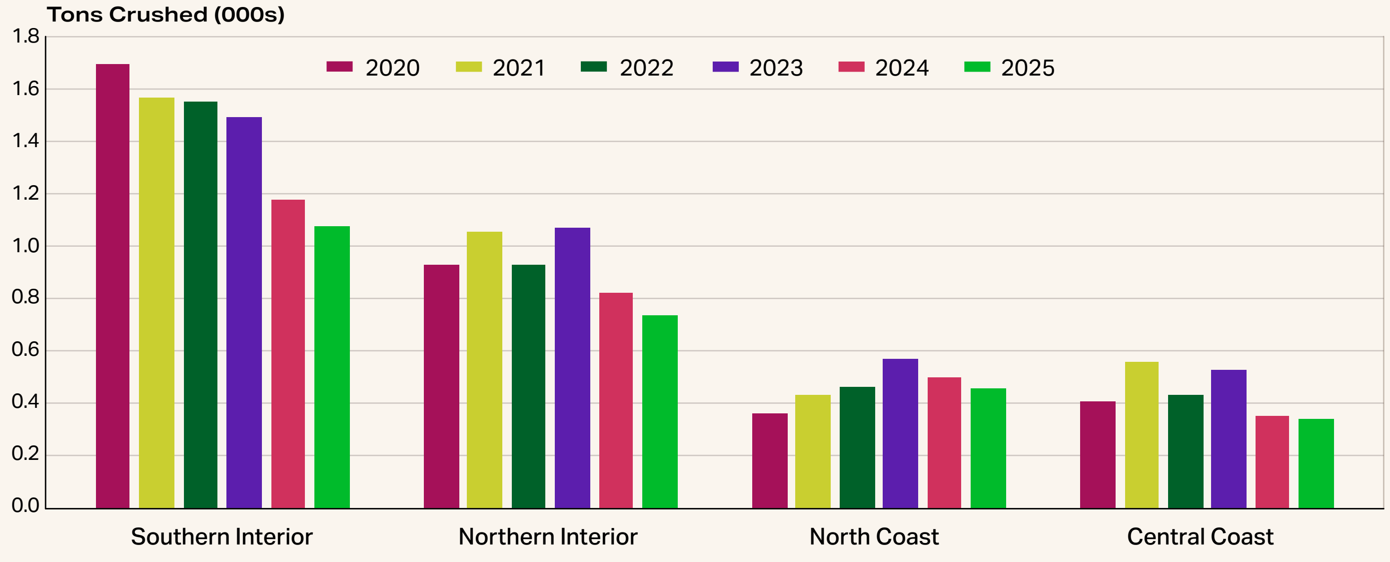
Most California regions have seen steep declines in grape output over the past two years. The Southern Interior crushed 31% fewer grapes per year in 2024 and 2025 than it did between 2019 and 2023. Central Coast output is down 28%, and the Northern Interior crush fell by 22%.

Conversely, the North Coast hasn't yet seen any reduction in its grape harvest. While its 2025 crush was down slightly compared with 2024, it wasn't exactly small. And over the past two years, the North Coast crush has averaged 478,000 tons, slightly above the 472,000 tons per year that were crushed in the prior five years.

Resilient North Coast grape output is partly attributable to generous yields in recent years. Additionally, fewer vineyards have been removed compared with the Interior and Central Coast. Grape demand has also been stronger, as the North Coast remains California's premier wine-growing region, and premium and luxury wine sales volumes have been declining at a slower rate than sales of lower-priced bottles.

Nonetheless, North Coast grape prices have been falling, and a substantial amount of fruit was left on

The North Coast Continues to Crush It



Sources: California Department of Food and Agriculture, Terrain

the vine in 2025. Thus, supply is clearly outstripping demand in the North Coast as it is in other regions.

The North Coast should remain favorably positioned vis-à-vis wine sales trends over the medium term.

The consequence of resilient North Coast grape output is that there will be plenty of North Coast wine available from the 2024 and 2025 vintages. Thus, inventory is likely to remain excessive. Indeed, Turrentine Brokerage indicates that North Coast bulk wine availability has surged over the past several years and now looks to be at an all-time high.

The North Coast should remain favorably positioned vis-à-vis wine sales trends over the medium term. But more vines will likely need to be removed to bring the grape market back into balance, unless premium and luxury wine sales volumes begin to grow again in absolute terms.

GRAPE PRICES LOOK INCREASINGLY UNSUSTAINABLE

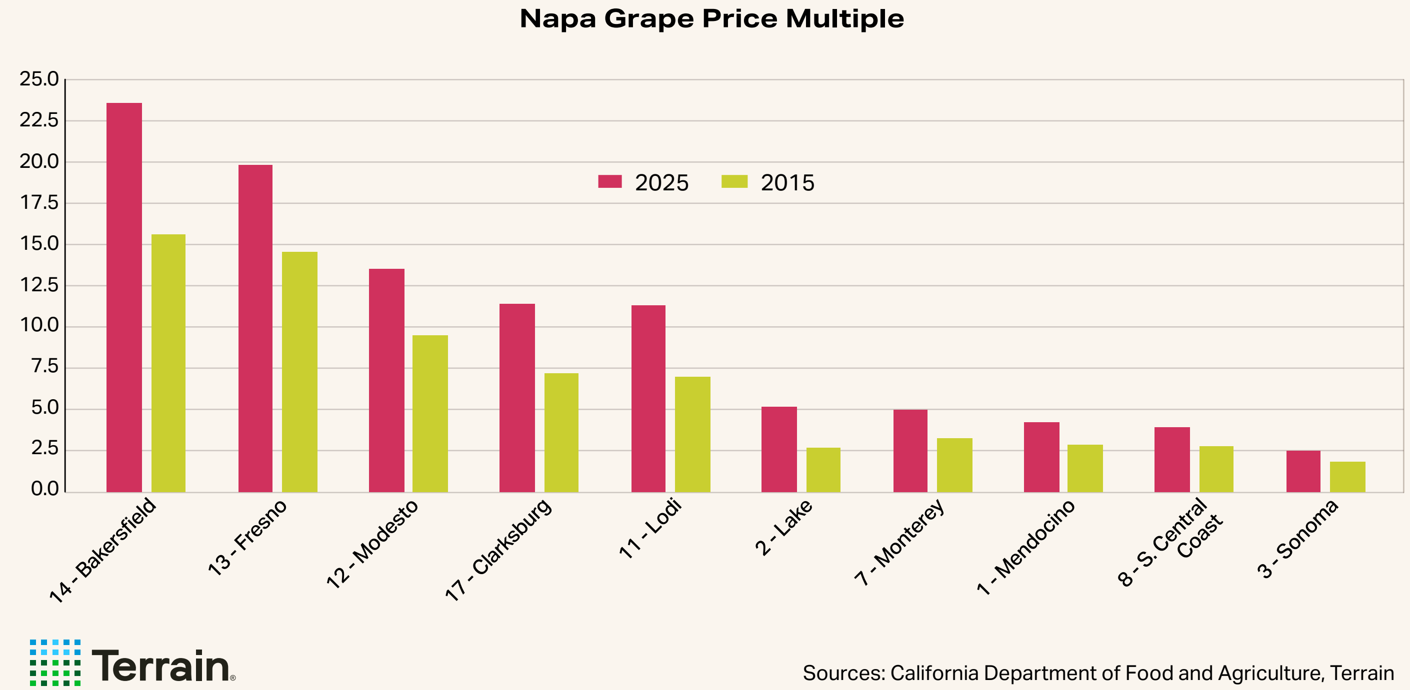
Grape Crush Report prices are always a lagging indicator of current market prices, and this is particularly true during market transitions. Most of the prices captured in the 2025 report reflect the economics of deals signed in past years because few new grape contracts were signed in 2025 and spot market activity was depressed.

It's difficult to see where grape prices stand today due to the dearth of sales activity since the 2025 harvest concluded. Even so, there is clearly downward pressure on prices, as there are many more sellers than buyers.

Despite these caveats, Crush Report prices are still useful for examining historical trends.

The past decade has not been kind to California wine grape growers. Grape prices increased slowly, but steadily, in most districts from 2015 until 2022 or 2023. But the decline in prices in recent years has wiped out much or all of the gains in many districts.

The Napa Premium Continues to Expand



Sources: California Department of Food and Agriculture, Terrain

Napa grape prices are still up by 54% over the past 10 years, and the Napa grape price premium has widened.

Grape prices have failed to keep up with inflation over the past decade (general prices rose 37% between 2015 and 2025) in 15 of 17 districts, let alone farming costs, which are thought to have risen at nearly twice the rate of general price inflation. Prices are now below where they were 10 years ago in absolute terms in three districts (Lake, Lodi, Clarksburg). Obviously, this is not a sustainable situation. Vineyards will continue to be removed until supply is reduced by enough to generate prices that provide a reasonable return for growers.

Napa is the only major district to buck this trend. Despite a modest decline over the past two years, Napa grape prices are still up by 54% over the past 10 years, and the Napa grape price premium has widened. Napa grapes now command a 152% premium over Sonoma grapes, up from 79% 10 years ago. They now trade for 3.9 times the price of District 8 grapes (San Luis Obispo and Santa Barbara counties), up from 2.8 times a decade ago.

The fact that Napa grapes command a premium isn't problematic given that it is still the premier wine region in the U.S. and one of the most coveted in the world. Whether or not the size of the premium will continue to hold is more questionable and will ultimately depend on the trajectory of Napa bottle prices.

Napa bottle prices have been softening in the three-tier channel due to discounting to move excess inventory. Given the sizable Napa crushes in recent years, Napa wines will continue to be in ample supply, which should continue to constrain bottle prices. On the other hand, direct-to-consumer bottle prices look to still be rising, though this has come at the price of lost volume.

May the Odds Be Ever in Your Favor

There wasn't much good news in the 2025 Grape Crush Report for grape growers. The larger-than-expected crop will result in less improvement in the wine inventory glut than hoped for, and grape demand isn't likely to see any improvement in 2026.

Grape prices will ultimately be determined by the intersection between supply and demand. Substantial progress has been made on the supply side, and there will almost certainly be fewer grapes grown this year due to vineyard removals and mothballing. However, without knowing how much acreage will be farmed in 2026, or where yields will land, I can't predict yet where prices will be when harvest arrives.

Growers who choose to farm without contracts will be rolling the dice. As always, the balance between supply and demand will vary across regions and varieties, and some market segments will offer higher odds than others.

Wineries that know they will need more grapes in 2026 should act sooner rather than later.

Wineries that know they will need more grapes in 2026 should act sooner rather than later, as the choice set will narrow progressively as harvest approaches.

Wineries and growers should be sure to review the final version of the Grape Crush Report when it arrives April 30. While I don't expect to see any material changes, some movement in the numbers is possible.

Appendix

Data and Methods

INFORMATION SOURCES

There is no single, comprehensive source of information on the U.S. wine and grape markets. Rather, there are many different sources that capture specific slices of these markets. The analysis in this report represents a synthesis based on the review of multiple points of data and information.

These include statistical data from private data vendors, reports from industry service providers, U.S. government data, and internal data collected by American AgCredit's appraisal and underwriting teams. I assess the relevance and reliability of each source and weight it accordingly in the analysis.

The report also incorporates anecdotal information gleaned from conversations with market participants, including wineries, growers and various market intermediaries.

This approach enables "Winescape" to deliver a relevant and nuanced perspective on wine and grape market trends as well as an informed outlook.

THE WINE SALES DASHBOARD

The dashboard provides a directional view of wine sales trends, reflecting the fact that none of the market segments and sales channels are measured with precision.

The year-over-year change column is a directional indicator of the percentage change in wine sales for the most recent six-month period relative to the same period a year earlier. I focus on the six-month period because the quarterly data can be volatile.

Year-Over-Year Change	
	↑ Substantial increase
	↗ Modest increase
	→ Little to no change
	↘ Modest decline
	↓ Substantial decline

The trend column provides an indication of whether the rate of change in sales has improved or deteriorated over the past 12 months. For example, if sales in the value segment are falling on a year-over-year basis, but at a slower rate than in the past, the trend is improving and an up arrow is assigned.

Trend	^	—	v
	Improving	Stable	Deteriorating

The retail price segments are defined as follows:

Retail Price Segments			
	$	Value	Less than $15
	$$	Premium	$15 to $29.99
	$$+	Super-Premium	$30 to $49.99
	$$$	Luxury	$50 and up