

■ A publication of American AgCredit

# Winescape<sup>®</sup>

SUMMER 2026

*This issue:*

- *Puts context to the wine market's hint of progress earlier this year*
- *Checks in with consumer sentiment and the outlook for wine spending*
- *Forecasts when vineyard values might recover, and where a quick snapback may be possible*



## A Varied Outlook for Vineyard Values

In a bifurcated market, the pace of recovery in vineyard values will be unique to each region. Still, most regions are likely to begin recovering in the next year or two.

The wine market saw some signs of improvement in early 2026, as the decline in three-tier sales slowed in Q1, though progress stalled in April. Premium and luxury wine sales continue to hold up better than sales of lower-priced bottles.

The Q1 direct-to-consumer results were mixed. Exports continue to be a sore spot, as the most important Canadian provinces haven't lifted their bans on American wine.

I'm not expecting to see much change in the trajectory of wine sales in the near term.

While the economy is holding up reasonably well, consumer sentiment has plummeted to an all-time low and is likely to remain depressed for some time, as the Iran war has reignited inflation (see [Page 4](#)). Thus, consumers are apt to be cautious with their spending on discretionary items, including wine.

The grape market hasn't changed much. Sales remain slow, and I'm not expecting demand to improve much before harvest. Nonetheless, less acreage will be farmed this year, so 2026 is likely to produce less excess fruit than 2025.

The Trending Topic focuses on the California vineyard market slump (see [Page 9](#)). Sellers continue to outnumber buyers, sales activity remains tepid, and values have declined across the board – though the decline has been uneven and the market remains bifurcated.

Values for vineyards in prime appellations that can afford buyers some assurance of a reliable income stream over the next several years have held up relatively well. Conversely, vineyards in secondary

areas with uncontracted fruit or vines nearing the end of their life have garnered little to no interest, and their value has declined more forcefully.

More downward pressure on vineyard values is almost certain in the near term. The vineyard market will begin to recover once the grape market is back in balance and grape prices begin to rise again. While the outlook is uncertain, I expect recovery to begin within the next year or two in most regions.

The pace of the recovery in vineyard values will ultimately depend on how quickly grape prices rise. I don't expect a quick snapback in values in the San Joaquin Valley. The potential exists for a faster recovery in the coastal regions.

### 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.

## Slight Progress, but Risks Remain

The wine market has seen some signs of improvement in early 2026, with the decline in three-tier sales slowing in Q1. But it may be too early to call this a trend.

### REPORT SNAPSHOT

**Situation:** The pace of decline in three-tier wine sales slowed in the first quarter, but it's too early to call it a turnaround.

**Outlook:** Consumers are apt to be cautious with their spending on discretionary items, including wine, for some time. Wine prices are also likely to feel downward pressure as wineries prioritize moving

excess inventory. Still, premium tiers should continue to outperform.

**Impact:** There will almost certainly be less fruit grown this year than last. Grape sellers may need to act on credible offers, while buyers who know they will need fruit may benefit from moving earlier before harvest-time options narrow.

### Wine Market Update: Wine Sales Improve in the First Quarter

#### Wine Sales Dashboard: Sales Trends by Channel and Price Segment

For more on the dashboard, see the Appendix on [Page 18](#).

		Year-Over-Year Change	Trend
\$\$\$	Retail: Value	↓	—
\$\$\$	Retail: Premium	→	—
\$\$+	Retail: Super-Premium	↘	—
\$\$\$	Retail: Luxury	↘	↗
👤	Direct-to-Consumer	↘	—
🌐	Export	↓	—

Following a disappointing 2025, there have been some signs of improvement in the wine market in early 2026. The pace of the decline in three-tier wine sales slowed in the first quarter. But this comes against weak comparisons last year, so it may be too early to declare this a trend.

Based on my analysis of NIQ data, off-premise retail sales fell just 1% in value and 2% in volume in Q1 2026 versus the same period last year. This compares with a 5% year-over-year (YOY) decline in value and 6% drop in volume in Q4 2025. However, progress stalled in April, according to preliminary monthly figures from NIQ.

*All market segments performed better in volume terms than value, which suggests price discounts are being employed to stimulate velocity.*

Wholesale depletion revenue fell 4% YOY in the first quarter of 2026, according to SipSource data, a narrower loss than the 7% decline in Q4 2025. Depletion volume dropped 8% in the first quarter, versus a 10% decline in the final quarter of 2025. On-premise depletions are holding up better, contracting by just 1% in value in the first quarter, while off-premise depletions fell by 5%.

The middle and upper price tiers continue to hold up better than the lower end. The premium and super-

premium segments saw modest YOY gains in value in the first quarter in NIQ outlets, while luxury wine sales were steady. Nonetheless, all market segments performed better in volume terms than value, which suggests price discounts are being employed to stimulate velocity.

Direct-to-consumer (DtC) revenues for Community Benchmark participants dropped 6% YOY in the first quarter, a deterioration from the 3% decline for the trailing 12-month period. On a positive note, the April figure was up sharply versus the same month last year. The first-quarter revenue decline came amid continued losses in visitors (down 4%) and club members (down 5%).

Based on figures from Sovos ShipCompliant and WineBusiness Analytics, DtC shipment revenue fell 3% YOY in the first quarter, versus a 2% drop in Q4 2025. Rising bottle prices continue to buttress shipment revenue. They were 11% higher in the first quarter compared with the same period in 2025. Alternatively, shipment volumes continue to fall at an alarming rate, down 13% in the first quarter.

U.S. wine exports plunged 23% YOY in value in the first quarter and 16% in volume. Nonetheless, this represents a slower rate of decline compared with the prior three quarters, though this was mainly attributable to a weaker comparison as Canadian provincial bans on American alcohol went into effect during Q1 2025.

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### Economic Outlook: Consumers Are the Biggest Question Mark

*Consumers are apt to be cautious with their spending on discretionary items, including wine, for some time.*

The economy performed reasonably well in the first quarter, and we expect it to continue to grow in the months ahead at a rate slightly below trend. Nonetheless, consumer sentiment has taken a turn for the worse and consumers are apt to be cautious with their spending on discretionary items, including wine, for some time.

**Key Economic Indicators**



Notes: change indicators are compound annual rates of growth  
Sources: FRED, Federal Reserve Bank of New York, University of Michigan, Terrain

GDP expanded at a 1.6% clip in the first quarter — a nice rebound from the 0.5% reading in Q4 2025 due to the government shutdown. Tax cuts are boosting disposable income, and real consumer spending grew by a respectable 1.6% in the first quarter.

Employment growth was tepid in Q1 2026 (though it accelerated in April), but unemployment dipped to 4.3%, a solid figure by historical standards. Wages also continued to grow in real terms in early 2026. Overall, consumers look to be in reasonably good health, and loan delinquencies have stabilized and remain manageable.

The stock market also continues to trend upward, which is bolstering higher-income and older households' wealth.

On the negative side of the ledger, higher energy costs associated with the Iran war have reignited inflation, which was above the Federal Reserve's target before the war began. Consequently, inflation is now beginning to outstrip wage gains, which is a real threat to discretionary spending.

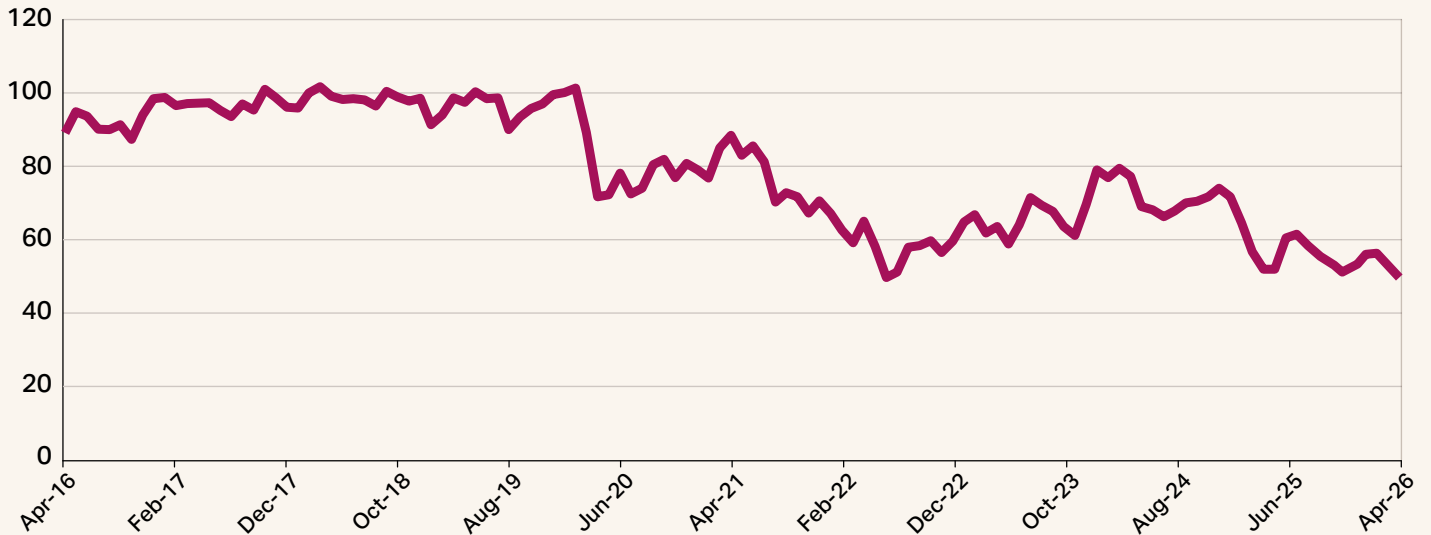
Consumer sentiment firmed a bit in January and February but has plummeted in recent months. The April reading was the lowest on record since the University of Michigan began tracking sentiment in 1978, and the preliminary figure for May was even lower.

*Despite these uncertainties, Terrain still expects the economy to grow at a modest pace in the months ahead.*

The economic outlook remains uncertain, due in large part to a lack of clarity regarding when the war in Iran will conclude and the Strait of Hormuz will reopen. The tariff situation also remains in flux, as the courts struck down the Trump administration's global 10% tariff that replaced the original International Emergency Economic Powers Act (IEEPA) tariffs that were disallowed in February, though the administration is appealing the ruling.

## Consumer Sentiment Is at an All-Time Low

Index of Consumer Sentiment



Sources: University of Michigan, Terrain

Despite these uncertainties, Terrain still expects the economy to grow at a modest pace in the months ahead and unemployment to remain firm.

However, high fuel and food prices will persist for some time even if the Iran war concludes quickly. The impact of higher prices has been dampened thus far by larger tax refunds, but they will begin to bite harder in the months

ahead. This is particularly true for lower- and middle-income consumers, who devote a higher share of their budgets to these items.

Sentiment is likely to remain depressed, as consumers loathe inflation and uncertainty. Contentious midterm elections could add to the malaise. Thus, consumers are apt to continue to be tentative and price-sensitive.

## Wine Market Outlook: Near-Term Momentum Will Be Difficult to Maintain

Given this backdrop, I'm not expecting the pace of decline in wine sales to improve through the remainder of the year. The premium and luxury segments should continue to hold up better than the lower end, though there is also likely to be downward pressure on wine prices as wineries prioritize moving excess inventory.

Surging gas prices and airfares are causing households to reevaluate their travel plans. In particular, the

wave of Americans traveling abroad looks to be diminishing due to rising international airfares. This could potentially lead to more wine country visits this summer and fall, and improved DtC sales.

Finally, wine exports are likely to remain deeply depressed in the near term. There are no signs yet that additional Canadian provinces intend to lift their bans on American alcohol.

## Grape Market Update: Still in the Doldrums

*Grape sales continue to be slow, though there are buyers actively sizing up their options.*

There haven't been any major developments in the grape market in recent months. Grape sales continue to be slow, though there are buyers actively sizing up their options. On the supply side, uncontracted grapes remain abundant and vineyards continue to be uprooted at a steady pace.

There were few material revisions in the final California Grape Crush Report, released April 30. The 2025 crush total was revised upward by 2,712 tons (just one-tenth of a percent) to 2,626,155 tons.

The most notable change was an almost 20% downward revision to the Mendocino County crush (which had looked suspiciously large). Also of note, the weighted average price per ton for Napa Cabernet Sauvignon was revised down by 4% from \$8,864 to \$8,513. The heat maps show the final crush and price indexes for 2025.

## Grape Market Outlook: Demand Needs an Upside Surprise in Wine Sales

Given the lack of improvement in wine sales, still-excessive inventory at wineries, and an abundance of bulk wine available for sale, grape buyers are in no

hurry to commit to fruit. In the near term, demand is unlikely to improve sans an upside surprise in wine sales.

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 - Mendocino	119	108	125	104	84	72	95	109	96	79
2 - Lake	102	105	101	103	87	74	100	132	111	94
3 - Sonoma	106	97	129	108	70	97	94	113	101	88
4 - Napa	106	99	128	111	69	84	94	119	102	101
5 - Solano	95	80	107	92	100	112	104	124	104	99
6 - South Bay	117	109	131	105	92	103	97	101	60	59
7 - Monterey	112	117	124	100	78	119	86	105	75	68
8 - S. Central Coast	107	112	117	101	92	115	93	118	73	77
9 - Northern Cal	102	121	112	123	92	85	61	122	97	72
10 - Sierra Foothills	118	121	132	112	99	93	64	98	70	55
11 - Lodi	108	100	114	104	92	105	101	105	80	71
12 - Modesto	118	112	112	99	91	94	86	100	72	73
13 - Fresno/Madera	108	112	111	108	102	91	91	85	74	67
14 - Bakersfield	117	130	126	114	91	91	94	80	38	29
16 - Far South	91	131	84	139	80	101	97	104	96	83
17 - Clarksburg	99	93	110	106	101	121	79	118	95	94



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	151
5 - Solano	111	128	127	129	114	127	135	136	148	142
6 - South Bay	102	106	111	110	93	109	106	118	129	118
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	111
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	118
11 - Lodi	102	102	98	95	94	104	107	103	99	95
12 - Modesto	104	105	105	103	101	114	117	114	112	108
13 - Fresno/Madera	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	140
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

*There will almost certainly be less fruit grown this year than last.*

I don't have fresh numbers on overall winery inventory levels, but the quantity of bulk wine available for sale in May was substantially higher than it was at the same time last year, according to figures from Ciatti. However, much of the available inventory consists of older vintages that are attracting less interest from buyers.

Progress continues to be made toward rightsizing supply, and there will almost certainly be less fruit grown this year than last. Allied Grape Growers expects that at least an additional 40,000 acres will be removed this year, with removal activity shifting toward the coastal regions. In addition, abandoned or only minimally farmed vineyards are readily apparent, though there aren't hard figures on the number of acres that won't be producing.

It's difficult to say what the spot market will look like come harvest time. Although there will almost

certainly be less fruit available, there isn't likely to be a great deal of improvement in demand. I expect there will be plenty of fruit to go around again this year unless yields come in low.

California weather conditions have been volatile in early 2026, though no major issues are apparent with the crop at this point. The summer is forecast to be warmer than normal throughout California, with equal chances of above- or below-average precipitation, consistent with the brewing El Niño cycle. Warmer temperatures could accelerate vineyard development, which is already generally running two to four weeks ahead of schedule.

Sellers should give any offers received due consideration, as there may not be another one coming.

Buyers who are fairly certain they'll need more fruit this year may want to act sooner rather than later. There will be fewer options at harvest time than there were last year.

# Tangled Vines

The trajectory of grape demand and prices will ultimately shape the timing and contours of the vineyard market's recovery.

## REPORT SNAPSHOT

**Situation:** A severe decline in grape demand and prices, along with rising grape production costs, have pulled down California's vineyard values.

**Finding:** The market is distinctly bifurcated, with an uneven decline across and within market segments. Considerable buyer interest remains for top-tier vineyards in premier appellations, whose value has held up relatively well. Vineyards with strategic appeal to a winery or those that can offer guaranteed income streams are also faring well in the market.

**Outlook:** A softening in vineyard values in the near term is fairly certain. But under my base-case scenario that the grape market will begin to stabilize in 2027 or 2028 in most regions, the vineyard market bottom shouldn't be far behind. The longer-term trajectory of vineyard values will depend largely on the strength of grape price appreciation, which will vary across market segments.



The California vineyard market is over a barrel. Sellers continue to outnumber buyers by a wide margin and values have declined substantially over the past several years. The market has been distinctly bifurcated,

however, and the decline has been uneven across and within market segments.

The slump in vineyard values is mainly attributable to a decline in the economic productivity of California vineyards brought about by:

- A severe decline in grape demand and grape prices
- Rising grape production costs

Owning vineyards has become a riskier proposition, and capital to finance vineyard acquisitions has become scarcer and more expensive.

There are several reasons to expect more downward, and uneven, pressure on vineyard values in the near term. However, I believe the bottom is nearing, as vineyard removals are bringing the grape market closer to balance.

The midterm outlook is less certain. The trajectory of values will depend on how quickly and forcefully the depressed grape market recovers. A quick snapback in vineyard values doesn't appear likely, though it is not out of the realm of possibility either. Prospects for appreciation vary widely across appellations.

## State of the Vineyard Market

The California vineyard market remains quiet. Comparatively few transactions have occurred over the past year, so it's difficult to get a clear sense of where values stand today. What is clear is that sellers outnumber buyers and values are trending down.

*Considerable buyer interest remains for top-tier vineyards in premier appellations.*

## Vineyard Market Dashboard

Market Segment	Demand	Supply	Activity	Values
Napa Prime	↘	↑	↘	↘
Napa Secondary	↓	↑	↓	↓
Napa Outlying	↓	↑	↓	↓
Sonoma Prime	↓	↑	↘	↓
Sonoma Secondary	↓	↑	↓	↓
Mendocino-Anderson Valley	↘	↗	↓	↘
Mendocino Inland	↓	↑	↓	↓
Lake County	↓	↑	↓	↓
San Joaquin Valley-Lodi	↓	↑	↘	↘
San Joaquin Valley Secondary	↓	↑	↓	↘
Central Coast	↓	↑	↓	↓



Note: See the "Behind This Report" section for more detail.  
Sources: American AgCredit, Terrain

However, the market remains distinctly bifurcated. Considerable buyer interest remains for top-tier vineyards in premier appellations, whose value has held up relatively well. Vineyards with strategic appeal to a winery or those that can offer guaranteed income streams are also faring well in the market.

Alternatively, vineyards in secondary locations — or that have site challenges, vines approaching the end of their life, uncontracted fruit, or poor reputations — are garnering little to no interest and their value has declined more substantially.

The dashboard depicts the American AgCredit appraisal team’s directional view of key market indicators as of the second quarter of 2026. See the Trending Topic Appendix on [Page 19](#) for more details.

### BUYERS ARE LASER-FOCUSED

Demand for California vineyards remains weak by historical standards, though more buyers are beginning to express interest in acquiring properties recently as prices have come down.

Investment buyers are the most visible in the market today. They are focused primarily on acquiring high-end properties in premier appellations such as the prime areas of Napa or Sonoma that can offer some form of guaranteed income for at least the next several years, such as solid grape contracts or seller leasebacks, to reduce risk. Young vines are also attractive to buyers due to the high costs of replanting vineyards today.

Investment buyers are being patient and deliberate and are unwilling to compromise on their return requirements. In cases where the seller can’t provide an assured income stream, they are taking an opportunistic approach and holding out for steeper declines.

There have been comparatively few strategic (winery) buyers in the market because there is a surplus of grapes available for low prices. However, wineries will act and pay generous prices under very specific circumstances, such as when an adjacent vineyard or a premier property with a reputation for producing vineyard-designated wines that command high bottle prices becomes available.

## TRENDING TOPIC

Lifestyle buyers have also been relatively scarce. They are often viewing the vines on lifestyle properties as expensive landscaping and attributing little value to them.

In the secondary market segments, there is also demand from buyers seeking to purchase and convert vineyards to alternative uses such as permanent plantings in the San Joaquin Valley or row crops in some parts of the Salinas Valley. They generally attribute little to no value to the vines (or even a negative value due to removal costs) and pay based on the land's value under its alternative use.

### MANY PROPERTIES ARE AVAILABLE, BUT FEW DEALS GET TO THE FINISH LINE

Considerably more vineyards are available for sale across California compared with historical norms. There were 131 active vineyard listings\* as of May 2026 and many more properties are being quietly or exclusively offered. Inventory is particularly high in the Sonoma Prime and Lodi market segments.

Sellers span the gamut from small growers seeking to exit the grape business because they've lost contracts

to large wineries attempting to divest vineyards to free up assets and focus on their core business of producing wine. There aren't many heavily distressed properties on the market today, as lenders have opted to work with their customers rather than take control of assets in a down market.

Only 19 vineyards have transacted this year through mid-May and just eight more sales are pending. Sonoma Prime and Lodi have been the most active, with five completed sales each. No other market segment has seen more than two sales thus far in 2026.

The lack of activity is due to limited demand, lack of heavily distressed properties that sellers would be willing to sell more aggressively, and a disconnect between buyers and sellers in terms of price expectations. Sellers have generally been slow to accept the fact that their property isn't worth what it was several years ago while buyers are seeking steep discounts to justify the risk of buying during a period of falling wine sales and weak grape demand.

*\*Note: The figures cited in this section pertain to American AgCredit's internal study area, which encompasses the vast majority of vineyards within California.*

## Current Vineyard Value Estimates

Market Segment	Estimated Value per Acre		Decline Since Peak		Year of Peak
	Low	High	Low	High	
Napa Prime	\$300,000	\$400,000	-10%	-30%	2022-2023
Napa Secondary	\$150,000	\$300,000	-20%	-30%	2022-2023
Napa Outlying	\$50,000	\$150,000	-20%	-30%	2022
Sonoma Prime	\$60,000	\$175,000	-20%	-33%	2022-2023
Sonoma Secondary	\$20,000	\$60,000	-20%	-55%	2022
Mendocino-Anderson Valley	\$50,000	\$100,000	-10%	-30%	2022-2023
Mendocino Inland	\$15,000	\$40,000	-20%	-35%	2022
Lake County	\$13,500	\$35,000	-20%	-35%	2022
San Joaquin Valley-Lodi	\$20,000	\$25,000	-15%	-25%	2022
San Joaquin Valley Secondary	\$11,000	\$20,000	-20%	-45%	2022
Central Coast	\$10,000	\$100,000	-20%	-40%	2022



Note: See the "Behind This Report" section for more detail.  
Sources: American AgCredit, Terrain

## VALUES ARE UNDER PRESSURE

The vineyard value table shows American AgCredit's appraisal team's estimated value ranges as of May 2026 as well as the decline in values since the market peak. The ranges are intended to capture where the majority of properties would sell if sold within each market segment. Due to the limited number of completed sales, it is challenging to accurately gauge where values stand today, and some sales will inevitably occur above or below the stated ranges.

Based on the transactional evidence, pending sales, and changes in listing prices, there is clearly downward pressure on vineyard values across California.

The extent of the decline has varied widely across market segments and property types. High-end

properties in the prime areas of Napa and the Anderson Valley have held their value reasonably well, though recent evidence suggests that cracks are emerging. Our appraisal team now believes that values are at least 10% below where they were at the peak.

Vineyards in marginal areas for grape cultivation or those with vines nearing the end of their life in secondary areas have lost as much as 50% of their peak value.

Prices haven't fallen as much in Lodi, simply because at the market peak they weren't far above the value of land with the next-highest use.

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## The Causes of the Vineyard Value Reset

The value of a vineyard primarily depends on its ability to produce income, though non-financial motivations may also be important to some buyers. In the case of a stand-alone vineyard, this is the profit that can be achieved through grape sales. For a winery-owned vineyard, it is the profit that can be generated by selling the resultant wine. Thus, grape and wine prices, coupled with production costs, are key drivers of vineyard values. The availability and cost of capital can also impact the equation.

Valuations also depend on the rate of return that buyers require, as it determines the present value of the projected income stream. Return requirements vary over time and depend on many factors, most important of which are the predictability of cash flows, perceived risks, and the returns available from alternative investments.

In addition, shorter-term market forces such as the balance between supply (number of available properties) and demand (number of qualified buyers seeking to purchase vineyards) and market sentiment can play a decisive role in shaping transaction prices.

The recent reset in vineyard values is due to a combination of these factors, but a deterioration in the economic productivity of vineyards — caused by a severe grape surplus and persistent rise in the cost to produce wine grapes — is the most consequential. The surplus of for-sale properties and changing risk perceptions have also impacted vineyard values.

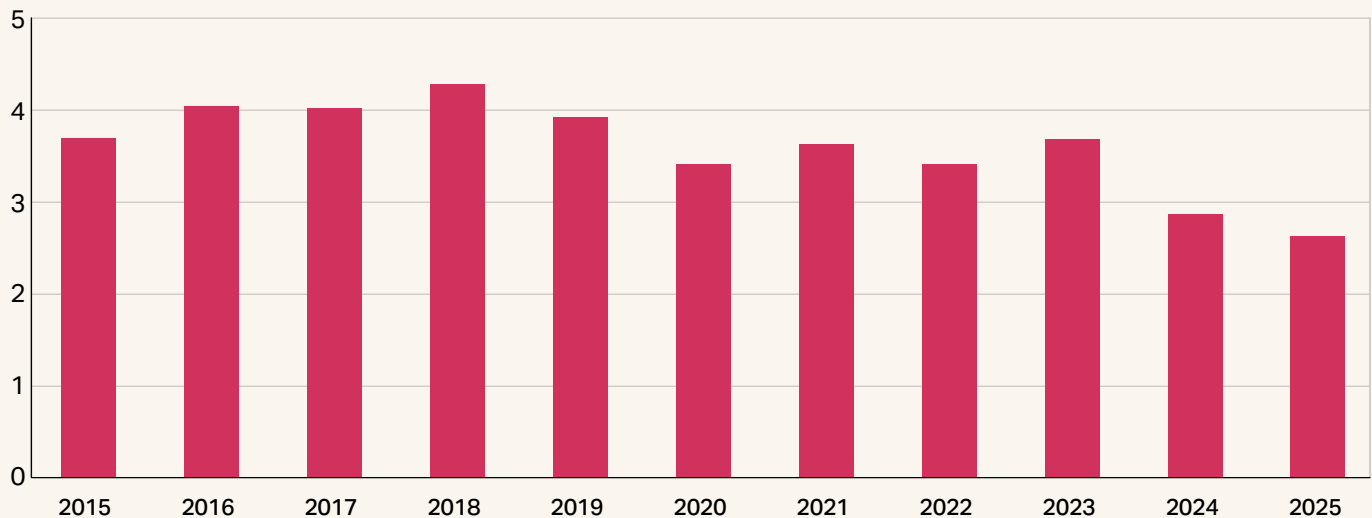
### THE GRAPE GLUT HAS REDUCED VINEYARD INCOME STREAMS

Following several decades of steady growth, California wine sales have declined for four consecutive years and are now approximately 20% below their pre-pandemic level. The slump in wine sales has reduced demand for California wine grapes. Just 2.6 million tons of fruit were utilized in 2025, versus an average of 4 million tons per year at the peak (from 2012 to 2019).

The slump in wine sales appears to be more structural than cyclical, which means fewer vineyards are needed now than in the past and even fewer will be needed in the future. Thus, vineyard use is no longer viable on some properties planted with vines.

## Falling Wine Sales Have Reduced Demand for California Grapes

Tons of Grapes Crushed (Millions)



Sources: California Department of Food and Agriculture, Terrain

The grape surplus has also translated to falling grape prices. While the prices growers received in 2025 were down only modestly versus the peak in most major districts (by 6% to 12%), they are mostly based on deals negotiated in prior years. Prices on new contracts, which have been few and far between, are generally much lower.

Equally important, there have been more grapes available than the market could absorb. As much as 20% of the crop is believed to have been left on the vine in each of the past two years because there was no buyer. Thus, total revenue has fallen more substantially, and vineyard owners can no longer reasonably expect to sell all the grapes their vines can bear unless they have solid contracts in place.

Wine prices are also under pressure due to a surfeit of unsold wine inventory in a time of consumer price sensitivity. This reduces the income wineries can generate, and abundant opportunities exist to purchase discounted fruit on the open market. Thus, their willingness to pay to own vineyards outright has fallen.

The grape glut and falling wine sales have also reduced buyer interest in California vineyards and motivated

some owners without grape contracts to sell, causing a surplus of sellers over buyers.

### GRAPE GROWING HAS BECOME A RISKIER, MORE EXPENSIVE PROPOSITION

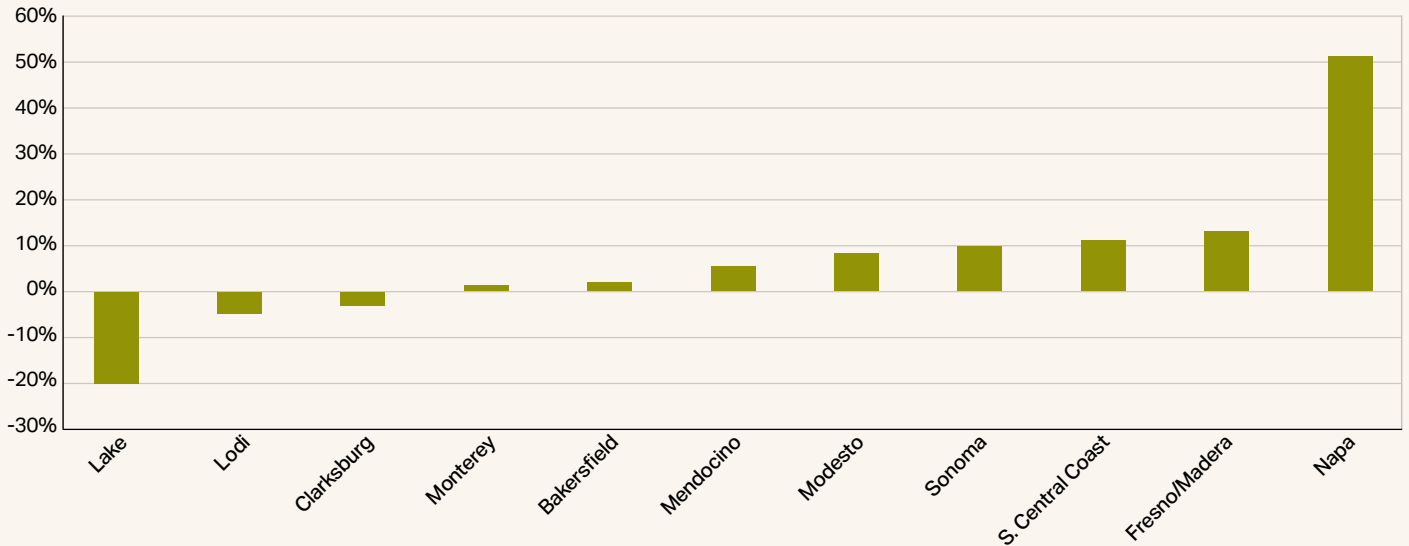
The costs associated with growing grapes have also skyrocketed over the past decade.

How much farming and development costs have risen varies widely across regions and sites. I've seen estimates ranging from just under 50% to as much as 100% over the past 10 years. Grape prices — vineyards' income — have risen by far less in all major districts except Napa.

The combination of falling grape prices and rising costs has devoured grower margins. In many cases, prices on contracts being signed today are not even enough to cover farming costs. This has reduced the net income vineyards can generate even if they are able to sell their grapes.

## Grape Price Appreciation Has Lagged Production Costs

Change in Average Price per Ton 2015 to 2025



Sources: California Department of Food and Agriculture, Terrain

The oversupplied grape market and uncertain timing for recovery also mean that future cash flows have become less predictable, which increases the risk associated with vineyard ownership. Moreover, fires and droughts in the early 2020s and new water regulations have heightened perceptions of the risks associated with growing wine grapes.

Lastly, given the ongoing slump in wine sales and depressed grape market, fewer lenders are willing to finance vineyard acquisitions. Those that are still lending have tightened standards. The cost of loans has also increased because of the post-pandemic spike in interest rates and greater risk premium required for vineyards specifically.

The bottom line is that vineyard ownership has become a less lucrative and riskier endeavor in recent years, which warrants lower values than at the market peak.

*Like past cycles, the trajectory of grape demand and prices will ultimately shape the timing and contours of the vineyard market's recovery.*

### Where Do We Go From Here?

Recent market cycles don't provide a useful guide to how long the current vineyard market slump will last. This time is different: It's being driven by a structural decline in wine consumption, which has

reduced demand for grapes, as opposed to a cyclical oversupply of grapes.

But like past cycles, the trajectory of grape demand and prices will ultimately shape the timing and contours of the vineyard market's recovery.

That said, I find further softening in vineyard values in the near term fairly certain. But under my base-case scenario that the grape market will begin to stabilize in 2027 or 2028 in most regions, the vineyard market bottom shouldn't be far behind.

The longer-term trajectory of vineyard values will depend largely on the strength of grape price appreciation, which will vary across market segments.

While there may be an initial pop once excess supply has been absorbed, I expect grape prices to grow gradually thereafter in most regions. It will likely take some time for vineyard values to recover lost ground, but a quicker snapback is possible in the event of an overcorrection on the supply side or upside surprise in wine sales.

### **EXPECT MORE DOWNWARD PRESSURE ON VINEYARD VALUES IN THE NEAR TERM**

There are several reasons to expect that vineyard values will soften further in the months ahead:

- Wine sales are still declining steadily, with no signs that the grape market has reached a bottom yet.
- Supply of available vineyards remains excessive, and sellers who've been unable to attract a buyer after extended marketing periods are beginning to capitulate and lower asking prices.
- The ongoing slump in wines sales and associated wine inventory surplus are likely to compel more wineries to sell vineyard assets to free up cash.
- More distressed properties are likely to come onto the market as lenders lose patience with non-performing loans.

The magnitude of the additional decline is likely to vary widely across regions.

I expect upper-tier properties in the highly desirable coastal appellations (Rutherford, Oakville, Russian River Valley, etc.) that can offer reliable income

streams, or are of interest to a well-capitalized strategic buyer, to continue to hold their value relatively well. Any decline from here is likely to be modest.

Values in fringe coastal areas, for lower-tier properties with older vines in secondary coastal areas, and in the San Joaquin Valley in general, can't go much lower because buyers are already attributing little to no value to the vines. Open land values minus the cost of vine removal provide a floor in these areas.

Alternatively, I believe the potential exists for a more substantial erosion in value for vineyards that occupy the middle ground between these extremes.

### **VALUES WILL STABILIZE ONCE THE GRAPE MARKET RECOVERY BEGINS**

The vineyard market will begin to solidify once there are clear signs that the grape market recovery has begun. More buyers will begin to enter the market when they can be reasonably assured that fruit can be sold at a profitable price. Sales activity will pick up and excess inventory absorbed, creating a leveler playing field between buyers and sellers.

*I believe the grape market will be closer to balance, if not in balance, by 2027 in most regions.*

While the timing of the grape market recovery is uncertain, I believe we are nearing the bottom in most regions because substantial progress has been made toward rightsizing supply. It is believed that more than 75,000 acres of vines have been retired over the past two years, and removal activity continues at a steady pace in 2026.

The lack of reliable information on key variables, such as how many acres have been removed and how many bearing acres remain, as well as uncertainty in the future trajectory of wine sales makes it difficult to predict when the recovery will begin. However, I believe the grape market will be closer to balance, if not in balance, by 2027 in most regions.

This implies that the bottom is nearing for the vineyard market as well. We'll have a better sense of where the grape market stands after the 2026 harvest and the release of the Grape Crush Report in early 2027.

### **A QUICK SNAPBACK IN VINEYARD VALUES ISN'T ASSURED – BUT IT'S NOT OUT OF THE REALM OF POSSIBILITY**

Once the grape market recovers, the trajectory of vineyard values will ultimately depend on how quickly grape prices appreciate. This is even harder to predict.

What is certain is that it will be a challenging balancing act to bring grape supply back into alignment with demand without overshooting.

If we can stick the landing and leave the proper number of vines in the ground, there may be an initial pop in grape prices once excess supply is absorbed (prices generally aren't sustainable today) followed by a period of gradual appreciation. Under this scenario, it would likely take at least several years from the point where the recovery begins for vineyard values to recover the ground lost from the peak.

If we overshoot the mark and too many vineyards are removed, or there is an upside surprise in wine sales and hence grape demand, a grape shortage will eventually materialize. Under this scenario, there could be a V-shaped recovery in grape prices. Prices could increase quickly for an extended period because of high vineyard development costs and the long lag time between the decision to plant and when vines begin to bear fruit. Vineyard values should snap back more quickly (within a couple of years from the bottom) if this scenario comes to pass.

### *I expect a faster recovery in coastal vineyard values.*

The odds of a V-shaped recovery in grape prices are low in the San Joaquin Valley, as sales of value-priced wines are apt to continue to decline, and more vineyards will need to be removed over time. In addition, imported bulk wine provides a safety valve for value-wine

producers. Thus, any grape shortage is likely to be short-lived. So, I expect vineyard values to remain stagnant or recover slowly. Prospects for appreciation are a bit better in Lodi than in the secondary areas, as it can also supply grapes to premium wine producers.

The odds of a future grape shortage are higher in the coastal regions – perhaps better than even – because there is more potential for premium and luxury wine sales to stabilize. So, I expect a faster recovery in coastal vineyard values.

Values in the prime areas of the coast, which produce for the super-premium and luxury segments of the market, are likely to recover fastest. However, rates of appreciation are apt to vary widely across appellations. Grapes from these areas are highly differentiated, as most go into appellation- or vineyard-designated bottles. Thus, grape prices and vineyard values will depend heavily on the ability of wineries to push bottle prices.

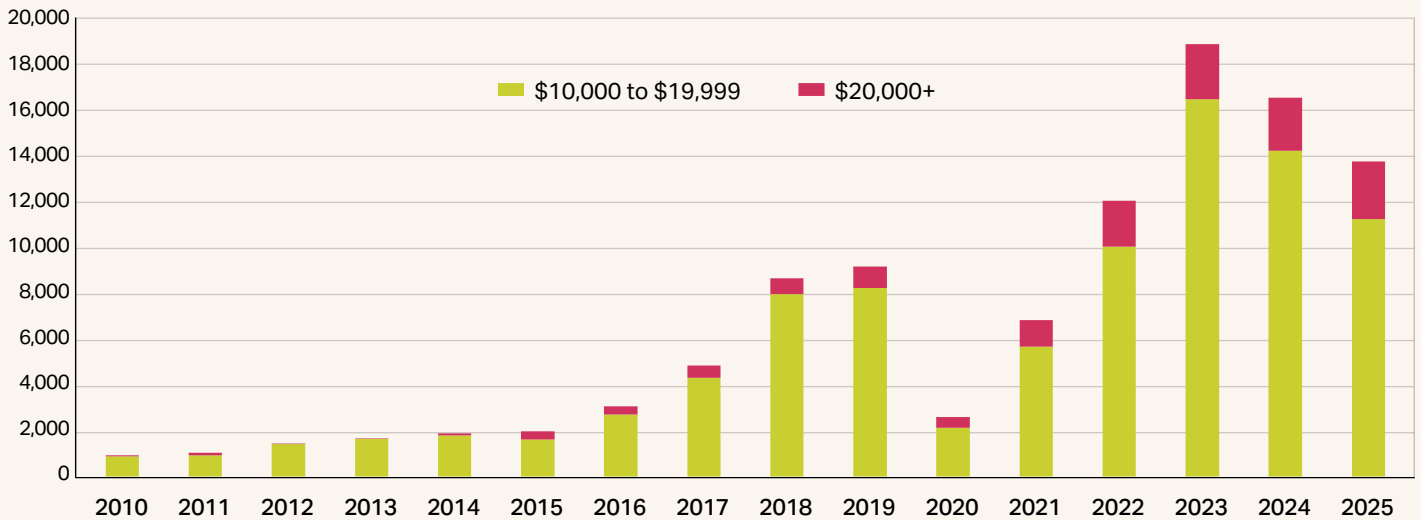
Among the prime coastal areas, Napa is in a league of its own.

Napa grape prices have increased at a much faster rate compared with the other coastal regions. Over the past three years, 49,000 tons of Napa fruit sold for \$10,000 or more per ton. This compares with just 21,000 tons in the prior three years. Thus, there will be a sizable volume of luxury Napa wine to swallow over the next several years. If the market can't absorb it, there may be more downward pressure on Napa grape prices, and Napa vineyard values could be held in check.

The vineyard market in the secondary areas of the coast, which produce primarily for the premium segments of the wine market, should also recover relatively quickly. Considerable acreage has already been retired, and removal activity is accelerating, so it will be challenging to avoid overshooting if premium wine sales stabilize. That said, grapes from these areas are somewhat more of a commodity, and wineries are apt to be more price-sensitive, which limits the potential for a rapid escalation in grape prices and vineyard values.

## Napa Grape Prices Have Soared

Tons of Grapes Sold



Note: Tons calculated based on Table 8  
Sources: California Department of Food and Agriculture, Terrain

### In Times Like These, Realistic Expectations Are Key

For those who need to sell vineyards now, the key to getting a deal done in a timely manner will be to go in with realistic price expectations. A reputable appraiser can help you with this. If you aren't a strategic target, having a grape contract in hand before going to market or being willing to provide some form of assured income to reduce the buyer's risk will be an asset in this market.

For owners of quality coastal vineyards who do not need to sell immediately, it may pay to hold on until the grape market improves and surplus vineyard inventory has been taken down. If you take this track, prepare to be patient, as it may be some time before values begin to rise again. This may mean additional working capital burn in the near term.

For wineries seeking to acquire vineyards, the current market environment presents an opportunity to purchase at discounted prices. If you find a vineyard that fits your program and the numbers work, it may

be wise to act sooner rather than later, as there are apt to be fewer options eventually.

Potential buyers can benefit from staying in close contact with a lender that understands the wine business. They can keep you abreast of changes in interest rates as well as explain the products and strategies available to finance acquisitions so that you can move quickly when you spot an opportunity.



# 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.

<b>Year-Over-Year Change</b>	 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.

<b>Trend</b>			
	Improving	Stable	Deteriorating

The retail price segments are defined as follows:

<b>Retail Price Segments</b>	 Value	Less than \$15
	 Premium	\$15 to \$29.99
	 Super-Premium	\$30 to \$49.99
	 Luxury	\$50 and up



## TRENDING TOPIC APPENDIX

### Dashboard Terms

- **Demand** – The number of qualified buyers actively seeking to purchase vineyards
- **Supply** – The number of vineyards available for sale, either actively listed or quietly offered
- **Activity** – The number of transactions that have been completed
- **Values** – See the following Value Estimates section

### Value Estimates

Our value ranges represent estimates of the typical low and high values prevailing within each market segment and are based on transactional evidence. The vast majority of sales have fallen within these ranges, but outliers do occur. For example, sales in the Napa prime segment have occurred at much higher prices, but they are considered atypical. Homesites and homesite entitlements can also add substantially to values and are not incorporated in the estimates presented here.

### Market Segments

The market segments are intended to distinguish subcounty areas that have the potential to command higher or lower than average transaction prices. They are generally associated with specific sub-AVAs in each county. However, it is important to note that high-value vineyards can exist within secondary areas based on their unique attributes and value drivers, and some vineyards in prime areas may fall short of the identified ranges.

**Napa Prime:** Includes meticulously maintained vineyards with desirable physical attributes and high historical grape or bottle pricing. Prime vineyards mainly produce luxury-quality Cabernet Sauvignon. They tend to be located within the heart of Napa Valley and the adjacent hillsides.

**Napa Secondary:** Comprises areas within the Napa core that produce less than luxury-quality Cabernet Sauvignon or lower-valued varieties such as Merlot or Sauvignon

Blanc. Secondary properties are generally located in the areas immediately north and south of the prime areas.

**Napa Outlying:** Encompasses outlying areas that are not suitable for growing high-quality Cabernet Sauvignon, as well as areas that have the potential to be but are susceptible to extreme weather events such as heat or frost that can result in high variability in yields and quality from vintage to vintage.

**Sonoma Prime:** Includes vineyards within the most well-known and desirable growing areas of Sonoma County. They are typically suitable for producing high-quality Cabernet Sauvignon, Zinfandel, Pinot Noir or Chardonnay.

**Sonoma Secondary:** Includes vineyards in more recently established growing regions in Sonoma County that do not yet have well-established reputations. This includes the Petaluma Gap and areas within the Sonoma Coast AVA, as well as more remote locations with difficult access or terrain that is difficult and costly to develop.

**Anderson Valley:** Includes vineyards located in the Anderson Valley AVA in Mendocino County.

**Inland Mendocino:** Encompasses all properties within Mendocino County except for those located in the Anderson Valley AVA.

**Lake:** Includes all vineyards within Lake County.

**Central Coast:** Includes all vineyards within Monterey, San Luis Obispo, and Santa Barbara Counties.

**San Joaquin Valley-Lodi:** Includes vineyards within the Lodi AVA.

**San Joaquin Valley-Secondary:** Includes vineyards in the San Joaquin Valley south of Lodi the Delta region to the west.

