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ARTICLE

Why the current global wine industry crisis?

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Abstract

Occasional boom-bust cycles have long characterized national wine industries, but without them coinciding with the cycles of other countries. Today's wine crisis is different in that prices for all but high-quality wines are depressed in all major wine-producing countries, and the world is awash with a large surplus of (especially red) non-premium wine. This article first outlines the nature and extent of the crisis. It explores its various causes, arguing that they are structural rather than just cyclical. It then suggests what is required for profits to return to normal. To simplify the analysis, use is made throughout of a two-part industry framework that involves non-premium and fine wine producers. Both parts are struggling, but the pressures for structural adjustment are far more severe for non-premium vignerons. The study concludes that the longer it takes for the surplus to be disposed of and for a non-trivial share of the world's least-profitable vines to be removed, the longer will prices be depressed not only for non-premium wine but also for some higher-quality wines.

Keywords: non-premium wine; fine wine; surpluses; structural change; climate change

JEL codes: D24; L66; Q13; Q15

I. Introduction

The wine industry crisis currently is one of low or negative profits for both grape-growers and wineries. The extent differs across the quality range, and is unevenly spread across countries and even across regions within countries. But it is currently manifest in virtually all major wine-producing countries. That is unusual. National boom-bust cycles have been common for the wine industry for millennia, but it was not uncommon for downturns in one country to coincide with booms in other countries (Anderson, 2025a). Moreover, the current malaise arguably is not just a cyclical phenomenon, nor is it due just to current geopolitical upheavals.

This paper outlines the nature and extent of the crisis, explores its various causes, and suggests what is required for profits to return to normal. It begins in Section II by outlining a simple two-part industry framework that involves non-premium and fine wine producers. With that framework in mind, Section III uses decades-long annual

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time series data to describe developments in the global wine market to reveal the nature and extent of the current crisis. Section IV then explores its various causes, drawing further on decades-long annual time series data.[1] The main cause is a long-term decline in global wine consumption that has been insufficiently matched with cuts in production. All participants in the global wine market are struggling, apart, of course, from consumers who are benefitting from depressed prices for all but the finest wines. But the pressure for structural adjustment is being felt most severely by non-premium vignerons. The study concludes that the longer the necessary vine-pulling and surplus disposal take, the longer will prices be depressed not just for non-premium wine but also for some finer wines.

II. Basic economics

While there is a wide range of wines available on the global market, from basic commodity wines to ultra-premium and iconic wines, it is helpful to think initially of a global market with just two types: non-premium and fine wine. Compared with fine wine, non-premium wine has relatively close substitutes in consumption, most notably standard beer and lower-priced spirits (including ready-to-drink mixer cans). That means non-premium wine has a higher price elasticity of demand than does fine wine. The demand for fine wine, though, is more elastic with respect to income. And the demand for each wine type depends to some extent on the price of the other wine type.

On the production side of the market, the essential winegrape input is a capital-intensive perennial crop output that cannot easily be traded internationally. Wine therefore has a low-price elasticity of supply, certainly much lower than for beer and spirits whose key inputs come from commonly available internationally traded annual food crops. However, that wine supply elasticity varies by wine type, because fine wine requires higher-quality grapes than non-premium wine *and* the land on which the highest-quality winegrapes grow is very limited in supply. By contrast, the land, water, labor, and other resources used to produce non-premium winegrapes have far more alternative uses.

a. Modeling a two-part wine market[2]

Those differences in demand elasticities suggest that the demand curve for fine wine would move out faster than that for non-premium wine in the course of growth in global income and population. That difference would be greater the more existing wine consumers "premiumize" by transitioning away from non-premium and toward fine wine, and the more young people begin their consumption of wine at higher price points than did previous generations.

That situation is depicted in Figure 1, assuming the demand for both wine types expands (as happened in the first three decades following World War II, for example).

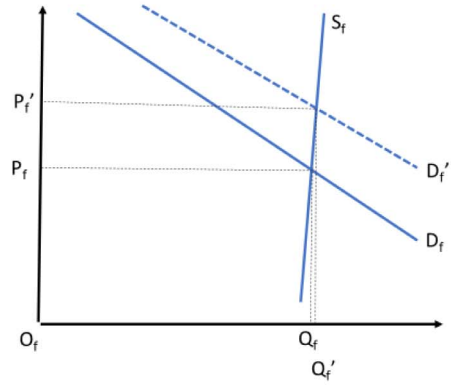
[1] Those and related data are described in Anderson, Nelgen, Puga, et al. (2026).

[2] This draws on a formal model developed by Alston et al. (2026) to address a different question, viz. why the price of fine wine continues to rise relative to that of ordinary wine as global income and population grow.

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(a) Fine wine



(b) Non-premium wine

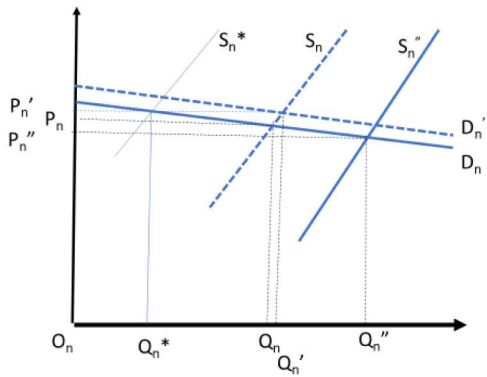


Figure 1. The changing global markets for non-premium and fine wines. (a) Fine wine, (b) non-premium wine.

Assuming no shifts in the supply curves and the demand curves shift out from D_f and D_n to D_f' and D_n', the price and quantity of both wines would rise as incomes and the population rise globally, but the proportional price (quantity) rise for fine wine would be greater (smaller) than that for non-premium wine.

If, however, preferences were to alter such that the demand for non-premium wine shrank (as happened in the final two decades of last century), then its price and quantity would fall. In Figure 1(b), think of a shift from D_n' to D_n. In that case, the supply curve

for non-premium wine would need to shift to S* for the price of that wine to return to what it was before its demand shrank. Its output would then be Q_n^*.

If the global supply curve for non-premium wine were instead to shift out (as happened with the rapid expansion of branded commodity wine production in several New World countries from the 1990s), that would add to the fall in the relative price of non-premium wine. Production of non-premium wine would increase to Q_n" and its price would drop to P_n", reducing the profitability of traditional producers of non-premium wine.

Figure 1 could also represent the markets for an individual country, by assuming the demand curves are for the sum of domestically produced and exported local wines. Even for a small country, those demand curves would not be horizontal insofar as that country's wines are differentiated to some extent from those of other countries. The supply curves for that country would include that available for importing and so would be much more elastic than those shown in Figure 1 for the world as a whole. But again, that individual country's supply curve for the world's finest/rarest wines would be more inelastic than that for non-premium wine. Indeed, the latter would be close to horizontal because of the closer substitutability between this and other countries' non-premium wines (and also beers, spirits, and other stimulants).

Differing changes across countries and over time in the costs of producing, marketing, and transporting non-premium and fine wines, and in both most-favored-nation and preferential tariffs on other countries' imports of exporting-countries' wines, can alter the international competitiveness of each country's vignerons in their domestic and export markets. An important shifter for wine producers, particularly in non-U.S. countries outside the Euro zone, is their country's real exchange rate: if it were to appreciate (for example, because of a mining export boom), that would lower the competitiveness of that country's vignerons because (a) the local-currency prices of their exported wines, and of foreign wines imported into their country, would fall and (b) some mobile resources such as labor would be attracted to the expanding mining sector or to the sector producing nontradable products (Corden, 1984) —and conversely for a real depreciation.

b. Broadening to all alcoholic beverages

For historical reasons, individual countries—even ones with the same per capita income—have differed in their mixes of wine, beer, and spirits consumption and production. One contributor to the latter has been differences in climate. Wine grapes grow well only in temperate regions between the 30° and 50° latitudes; and, in the coolest climates, spirits typically were preferred to and cheaper to produce with local crop products than beer. As a result, in the early 1960s the world's countries could be clearly separated according to whether their alcohol consumption was wine-, beer-, or spirits-focused (Holmes and Anderson, 2017).[3] Since then, however, with the drop in

[3]Another contributor to the sharp differences in the mix of wine, beer and spirits in national alcohol consumption historically was the cost of trading internationally. Most beverages had been low priced (pre-excise tax) relative to their costs of international trade, such that prior to 1970 less than 10% of the world's wine production was exported (most of it intra-EU15), and less than 5% of beer and spirits production

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the costs of internationally transporting goods, fashions and information, one should expect similar-income countries to have become more similar in their mix of alcohols consumed, according to Stigler and Becker (1977).

III. Nature and extent of wine market changes

By way of background before turning more explicitly in Section IV to the causes of the current wine crisis, this section points to the sharp 1970s' pivot in global wine consumption, the move away from consumption of reds and high-alcohol wines this century, the even-longer drift away from non-premium wines in general and the associated accumulation of surpluses, wine's globalization and export take-offs, and some trends in winegrape prices.

a. The 1970s' pivot in global wine consumption

For more than a century up to the 1970s, the volume of global wine consumption cycled around a rising long-run trend, dropping well below trend just in the economic depression of the 1890s and during World Wars I and II. Since then, however, it has arguably cycled around a downward trend (Figure 2). It fell steeply from the early 1980s to the mid-1990s thanks to numerous national campaigns aimed at curbing alcohol consumption. The upturn during the next 15 years was due to the income growth associated with an acceleration of globalization plus the broadcasting in 1991 on the CBS national U.S. television program *60 Minutes* of a story that has become known as the French Paradox.[4] But that then flatlined when the global financial (GFC) crisis hit in 2008. It would have gone into decline had the China market not grown over the next dozen years. Its growth spurt was short-lived, though: China's market began shrinking from the late 2010s and is now expected to grow only slowly from a much-reduced base (Anderson 2025b).

Certainly, there have been some recent short-term shocks. The first half of the 2020s decade saw COVID-19 and some geopolitical surprises, but hopefully they will prove to be no more than medium-term dampeners. Earlier than that, the GFC of the late 2000s lowered consumer confidence and led to globalization plateauing through the 2010s. That, too, temporarily lowered the growth in global demand for many goods, including wine.

However, much more worrying for the wine industry is the long-run trend in global alcohol consumption and wine's share of that, plus changes in consumption within the wine category.

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was exported. Low rates of trade were accentuated by countries protecting their domestic alcoholic beverage producers against import competition from substitute beverages by subjecting the latter to high import tariffs or relatively high excise taxes.

[4]On November 17, 1991, *60 Minutes* aired Morley Safer's landmark report, "The French Paradox." The segment examined why the French appeared to experience comparatively low rates of heart disease despite diets rich in butter, cheese, and other high-fat foods. It raised the possibility that moderate red-wine consumption might be part of the explanation. The report featured French researcher Dr. Serge Renaud, who discussed several possible explanations, including lifestyle, diet, and alcohol consumption. But for millions of viewers, the glass of red wine Safer raised during the broadcast became the enduring symbol of the French Paradox.

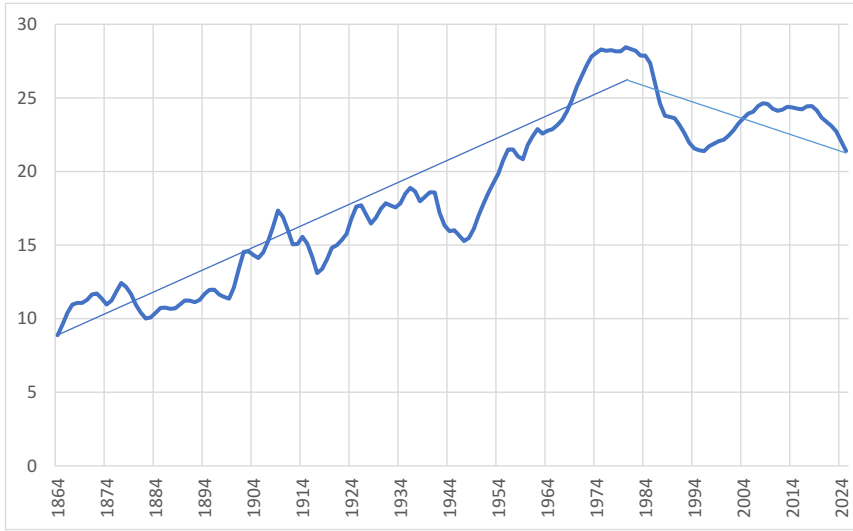


Figure 2. Global beverage wine consumption, 1862–2025 (billion liters, 3-year average to year shown).
Source: Anderson and Pinilla (2026).

The world's total consumption of alcohol has plateaued since the GFC, and alcohol consumption per adult peaked five decades ago and has fallen 30% since then. Yet the volumes of global beer and spirits consumption have each doubled since the early 1960s while wine consumption has fallen by one-quarter (Figure 4). That has brought wine's share of global alcohol consumption down from above one-third in the early 1960s to below one-eighth since 2023.

b. The move away from reds and to lower-alcohol wines this century

Within the wine category, the share of still reds in global wine consumption has fallen over the past two decades as the shares of lower-alcohol wines have risen, notably still whites, rosé, and sparkling wines (Figure 4).

While this decline in red demand began two decades ago, it has yet to be reflected in a fall in the global area of red wine grapes. According to Anderson, Nelgen, Puga, et al. (2026), the red-bearing area rose from 2.22 million hectares in 2000 to 2.34 million in 2016 and 2.35 million in 2023 (which was also the year in which California's bearing area of red varieties peaked). This is but an example of the slow response of vine plantings to changes in wine market demand.

c. The move away from non-premium wines and the accumulation of surpluses

Over the period 2013–2022, according to International Wine and Spirits Research (IWSR), the value of global premium wine sales *grew* at 3.1% (and volume at 1.7%) per year, while the value of global non-premium wine sales *shrank* at 2.2% per year

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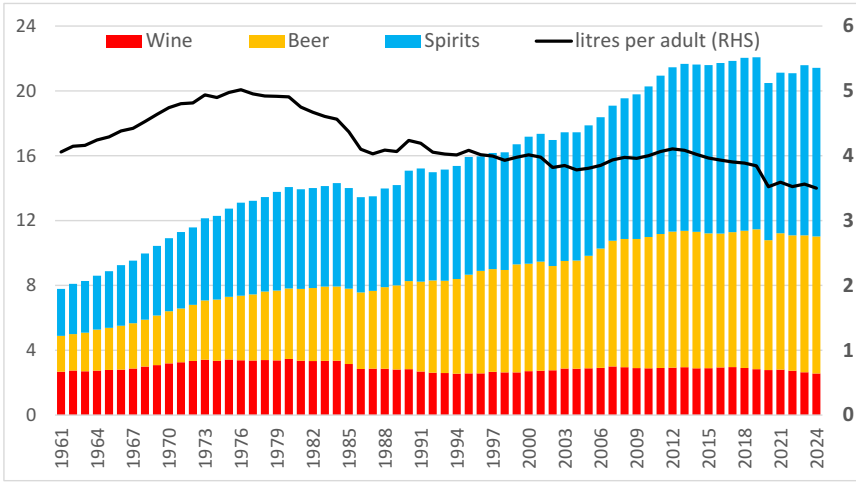


Figure 3. Global consumption of alcohol, total and per adult, 1961–2025 (billion liters and liters).
Source: Anderson and Pinilla (2026).

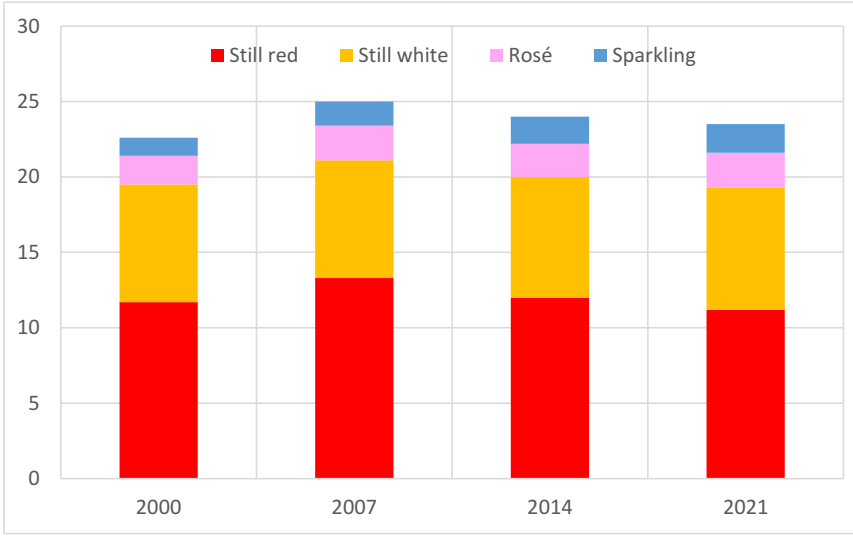


Figure 4. Volumes of still red, still white, rosé, and sparkling wines in global wine consumption, 2000–2021[a] (billion liters).
[a]The start and end years for volumes of sparkling wine are 2002 and 2018.
Source: OIV (2020, 2023).

(where IWSR's division between the two categories is a retail price of US$10 per 75cl bottle or equivalent).[5]

[5]Based on more-recent IWSR numbers plus the value of international trade in various wine price brackets, this author guesses that about three-quarters of the volume and one-third of the value of the world's wine

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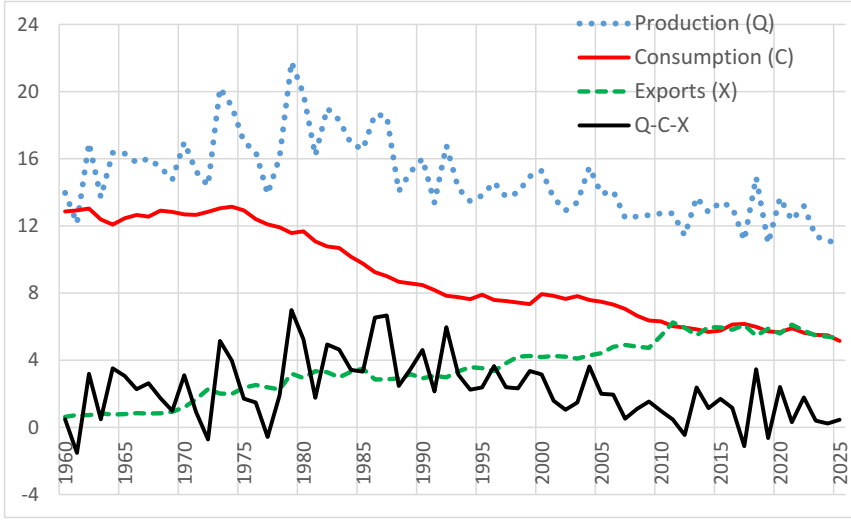


Figure 5. Volumes of wine produced, consumed and exported by France, Italy, and Spain, 1960–2025 (billion liters)[a].
[a]The black solid line represents the volume of local wine produced each year, net of the volume sold at home or abroad.
Source: Anderson and Pinilla (2026).

An unfortunate feature of the mid-2020s, and a key symptom of the current crisis, is a huge surplus of non-premium red wine in numerous countries in both the northern and southern hemispheres. In Australia, for example, the surplus over and above normal stocks has amounted to more than a year's production, some of it three or more years old; and attempts in 2026 to dispose of it as bulk wine exports have returned less than 60 U.S. cents a liter to stockholders. In California, some bulk Pinot Noir has even been given away by a winery needing an extra empty tank for the 2026 harvest.

The global decline in demand for non-premium wine began much earlier than the present decade. In fact, most of the decline in the wine consumed within France, Italy, and Spain since the mid-1970s (see Figure 5) has been non-premium. Production there declined only slowly and with a long delay, so surpluses began accumulating in the European Union (EU). The surpluses were reduced periodically with the help of EU subsidies for their distillation into industrial alcohol, plus wine export subsidies. But those subsidies created a moral hazard: winegrowers were inclined to reduce wine production less than if there had been no such subsidization.[6] The extent of this excess production over and above those three countries' beverage consumption in the past

consumption in 2025 was non-premium wine. But the IWSR's (or any other) non-premium/fine wine division is inevitably imprecise, as currency exchange rates, marketing margins, and excise taxes vary through time and across countries.

[6]Anderson and Jensen (2016) estimate that even as late as 2007–2012, annual assistance to EU vignerons amounted to approximately 700 euros per hectare of vines or 0.15 euros per litre of wine produced in the EU as measured at the winery gate. That is equivalent to a nominal rate of direct plus indirect producer assistance of approximately 20%.

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half century is non-trivial (Figure 5). But past subsidies are not the only contributor to the current surplus and to the crisis more broadly. We turn now to consider other contributors.

d. Wine's globalization and new world export take-offs

From 1970, when less than 10% of the world's wine production was exported, three forces gradually contributed to a rise in that export share. One was in response to wine consumption peaking in the key producing countries of France, Italy, and Spain. During the 1950s and 1960s, they together accounted for almost 60% of global wine consumption. But after their per capita consumption peaked in the mid-1970s, it fell steadily thereafter—and much faster than did their wine production. Exporting became one of the ways to reduce the accumulating surpluses. But despite EU export and distillation subsidies, those exports were unable to grow rapidly enough to avoid the bloc's surplus accumulating (Figure 6).

A second force contributing to the rise in the share of wine's production that is exported was the gradual fall in ocean transport costs and governmental trade-related policies restricting wine imports. Those developments contributed to globalization generally.

A third force was the emergence and then rapid expansion of wine production in and wine exports from several New World countries from the 1990s. Argentina, Australia, Chile, New Zealand, South Africa, and the United States together accounted for just 1% of the volume and value of global wine exports in 1985. But by the time of the GFC in the late 2000s, their shares peaked at 25% by value and 30% by volume. By then, the combined shares of France, Italy, and Spain had fallen to 58% by value and 53% by volume (Figure 6). The volume of global wine exports had more than doubled over those four decades, but even so these changed shares represent an erosion of Old World competitiveness.

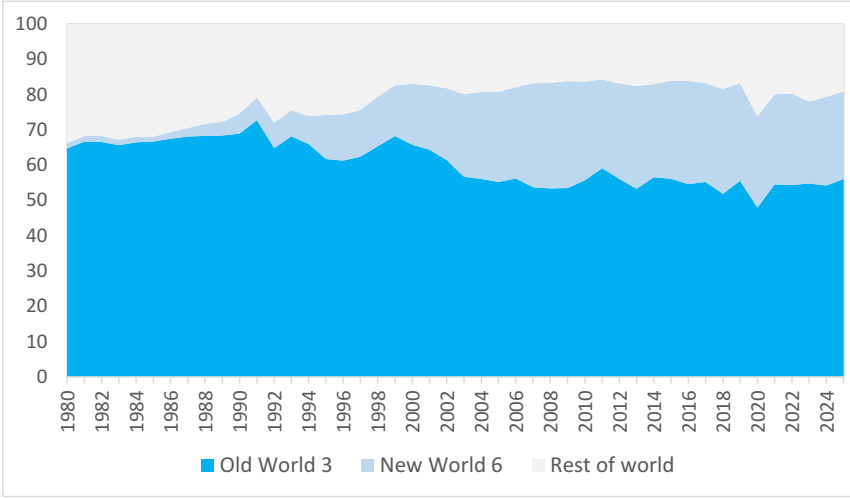
These three forces contributed to a rapid rise in the share of global wine production that is exported. For wine in aggregate, that share rose from 10% to 43% between 1965 and 2025. By contrast, over that same period the share for wheat rose from 19% to just 25%, and for all products from less than 20% to just 30% (Figure 7).

Even though each country's wines are differentiated to some extent from those of other countries, they all now compete in the more or less open markets of all countries. Of course, excise and import taxes differ across countries, but if they do not change, then the domestic prices of fine and non-premium wines can be expected to move in the same directions as in the global market. Wine grapes are too perishable to be traded internationally, of course, but their prices now tend to closely follow the prices of the wines into which they are destined. This has become increasingly so as the flow of wine across national borders has increased with globalization, ensuring that the current crisis is adversely affecting vignerons in virtually all trading countries, and especially those producing less-differentiated non-premium (particularly high-alcohol red) winegrapes and wine. The latter are treated by some consumers as little more than the cheapest form of alcohol available to them, in which case their demand is heavily dependent on the local retail prices of the cheapest beers and spirits.

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(a) Volume



(b) Value

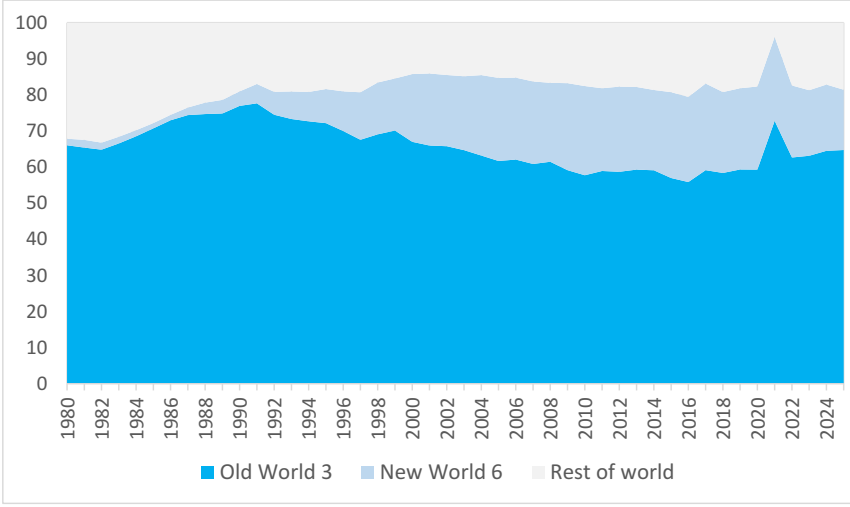


Figure 6. Shares of world wine export volume and value, Old World, New World and Rest of World[a] 1980–2025 (%). (a) Volume, (b) value.

[a]"Old World 3" is France, Italy, and Spain; "New World 6" is Argentina, Australia, Chile, New Zealand, South Africa, and the United States.

Source: Anderson and Pinilla (2026).

e. Winegrape price trends

As suggested in Section II, the shifts in demand and supply for non-premium versus fine wine described in this section should show up as price declines for non-premium wine both in real terms and relative to the price of fine wine. That in turn should be

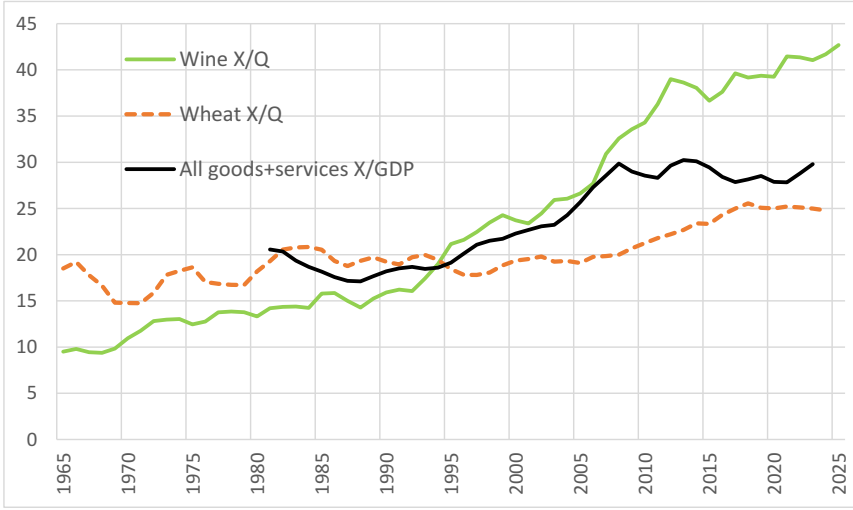


Figure 7. Exports as a % of production (X/Q) for wine, wheat, and all products, 1965–2025 (3-year average to year shown).
Source: Anderson and Pinilla (2026), World Bank (2026a) and, for wheat, FAOSTAT.

reflected in the prices of winegrapes. While it is difficult to capture broad indicators of such price changes, one set of specific prices is presented here by way of illustration: average prices of winegrapes from well-known wine regions in Australia and California. They are shown in Figure 8 for one hot inland irrigated non-premium region and one cooler fine-wine region for each of Australia and California. In each case, the two prices have diverged considerably this century. In Australia's hot Riverland, prices rose rapidly in the 1990s, stimulating the export-focused output growth mentioned above, before they fell substantially in the 2000s. In California's hot Fresno region, the price decline since the latter 1990s has been more gradual, but downwards nonetheless in real terms.

IV. Contributors to the current crisis

This section focuses on the key causes of the decline in global consumption of alcohol, especially non-premium wine, the move away from consumption of red wines this century, wine's globalization and export take-offs, and the associated accumulation of wine surpluses.

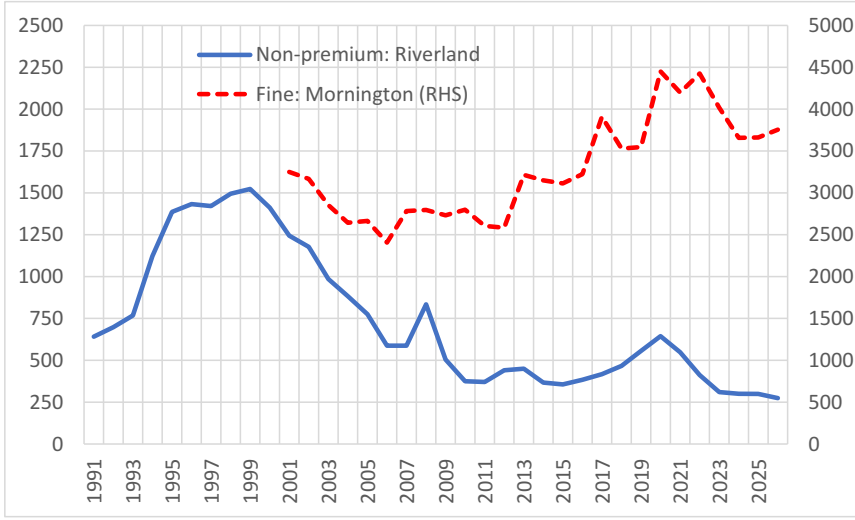
a. Why the decline in alcohol consumption, especially wine (particularly non-premium)

The decline in global alcohol consumption per adult since the 1970s had been more than offset by population growth until the early 2010s but, for more than a dozen years now, total alcohol consumption has plateaued (Figure 3). Numerous reasons have been suggested including a greater focus on health and well-being spurred on

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a) Australia (2023 AUD/tonne)



(b) California (2024 US$/tonne)

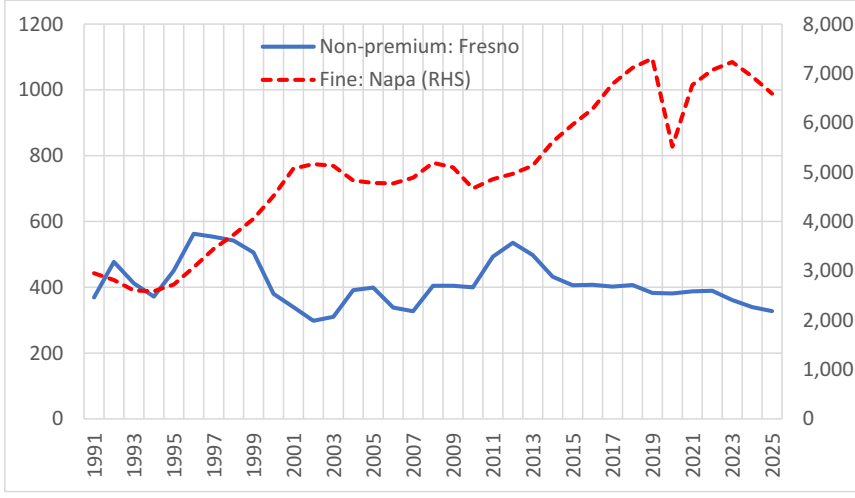


Figure 8. Real price of representative non-premium and fine wine grapes, Australia and California, 1991–2026. (a) Australia (2023 AUD/tonne), (b) California (2024 US$/tonne).
Source: Anderson and Puga (2023, 2024).

by anti-alcohol lobbying, a decline in consumer confidence and slower income growth due to a retreat from globalization since the GFC of the late 2000s, the arrival of new alternative stimulants such as GLP-1 and other weight-loss drugs and legalized marijuana in some jurisdictions (consumers typically prefer a wider variety of goods as their incomes rise), and a decline in face-to-face social interactions particularly among

younger generations because of high screen use eroding their recreational time (and perhaps also in their interest in the time-consuming challenge of understanding the complexities of wine).

All that is consistent with standard economic theory. It is also consistent with the empirical data summarized in Figure 9(a): the volume of alcohol consumption per adult has risen with per capita income only up to a point before it starts to decline—and even more so, and at a lower per capita income, if unrecorded alcohol consumption is included, because that phases down with urbanization. Figure 9(b) suggests expenditure on alcohol continues to grow with disposable income beyond the volume-maximizing point. That is consistent with consumers "premiumizing" their consumption as they become richer. Note, though, that the data in Figure 9 extend only to 2014. The plateauing of global alcohol consumption since then (Figure 3), even though income growth has continued to be positive, suggests other factors such as those mentioned in the previous paragraph have played a more-than-offsetting role.

What about the huge drop in *wine's share* of global alcohol consumption that began in the mid-1970s? That was when southern Europeans began to steadily reduce their extremely high per capita consumption of non-premium wine because of changes in lifestyles and jobs that accompanied post-World War II urbanization there. It was only partly offset by consumers in many previously beer-focused (though not spirits-focused) countries gradually embracing wine.

One way to capture that compositional change is with a consumption intensity index, defined as the fraction of wine, beer, or spirits consumption in total national alcohol consumption volume in country group i divided by the fraction for that same beverage in world total alcohol consumption. Figure 10(a) shows that the index dropped in beer-focused countries from more than 2 to less than 1.5 for beer, and rose from less than 0.4 to the same as beer (1.4) by 2014 (while their index for spirits fell slightly). Spirits-focused countries also converged somewhat toward the global mix by moving from spirits and toward beer, but without embracing wine (Figure 10(b)).

These trends and partial convergence toward the global average mix of alcohol consumption provide only partial support for the Stigler and Becker (1977) theory that consumption bundles would become similar as per capita incomes converge. Furthermore, the data in Figure 9 only go up to 2014. The embracing of wine in beer-focused countries, most notably in Australasia, North America and north-western Europe, had not only come to an end before then but has since reversed considerably following the trend seen in the key wine-producing countries, thereby adding to wine's demise in volume terms (Figure 11).

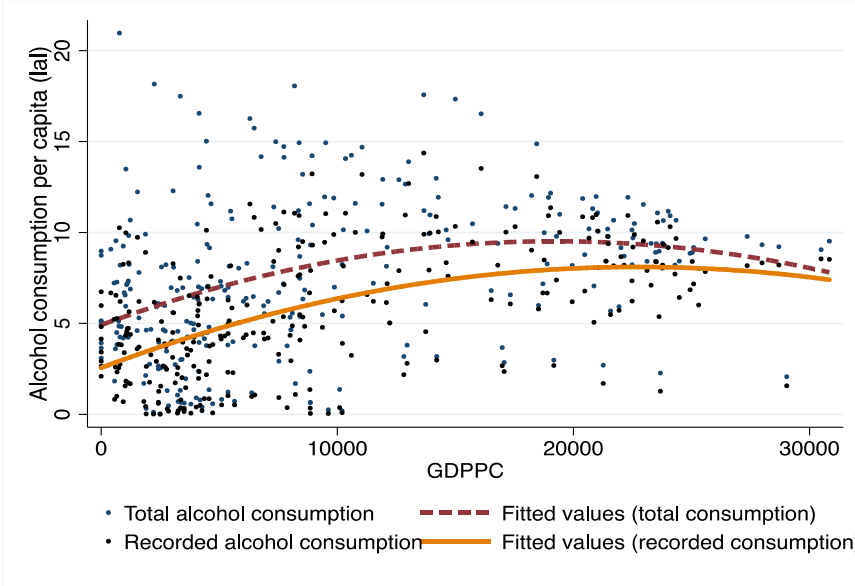
One bright spot for wine in the 2010s was a rapid embracing of wine by spirits-focused China. However, that turned out to be short-lived and quickly reversed at the end of that decade, for reasons explained in Anderson (2025b).[7]

[7]The other major consumer of spirits is India. In 2018 it had the same share of the world's recorded spirits consumption as China (each 26%), but its share of global wine consumption was one-sixtieth that of China: 0.09% compared with China's 5.4% (Anderson and Pinilla, 2026). Even though India has since signed a few preferential trade agreements to allow a gradual opening of its economy to beverage imports, and its incomes and population are growing rapidly, it will be a long time before its share of global wine consumption becomes noticeable (see right-hand side of Figure 12(b)).

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(a) Volume of alcohol per capita (litres)



(b) Expenditure on alcohol per capita

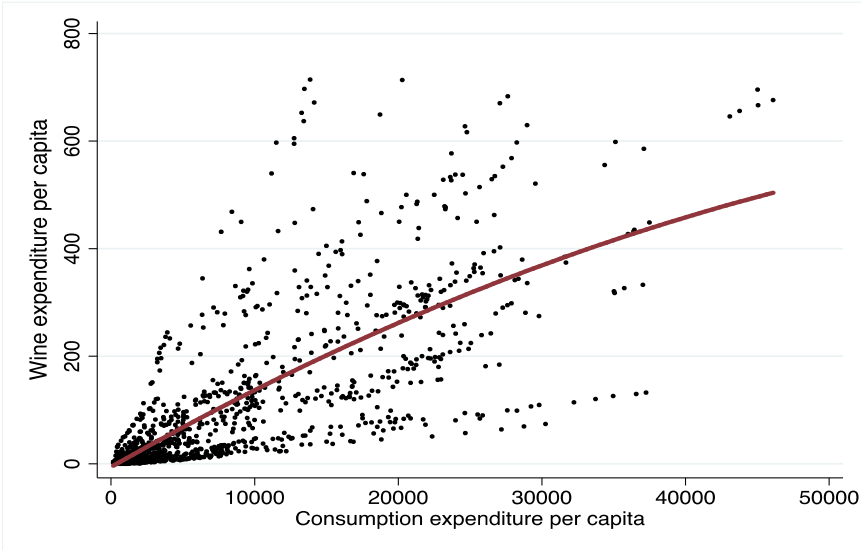
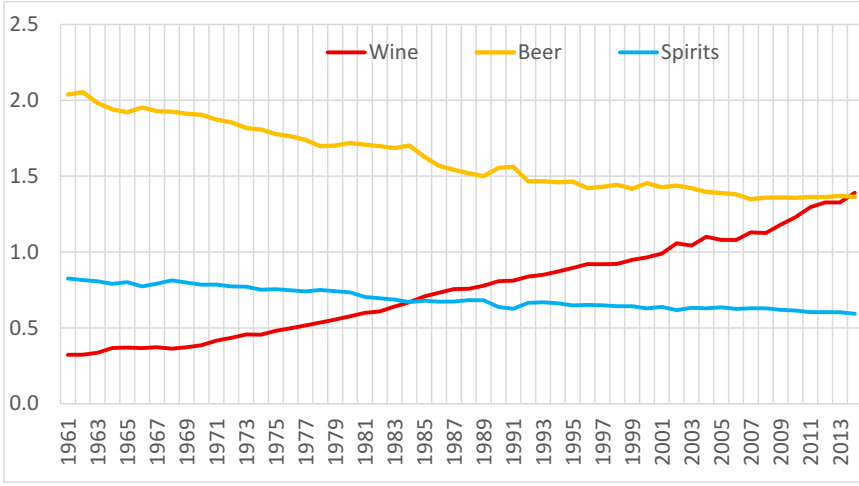


Figure 9. Consumption of and expenditure on alcohol per capita as incomes (real GDP per capita in 1990 International Geary–Khamis dollars) and total household expenditure (in 2015 U.S. dollars) rise, 53 countries, 1961–2014. (a) Volume of alcohol per capita (liters), (b) expenditure on alcohol per capita. *Source:* Holmes and Anderson (2017), based on WHO recorded and unrecorded consumption data, World Bank GDP and total expenditure data, and Euromonitor International wine expenditure data.

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(a) Beer-focused countries[b]



(b) Spirits-focused countries[c]

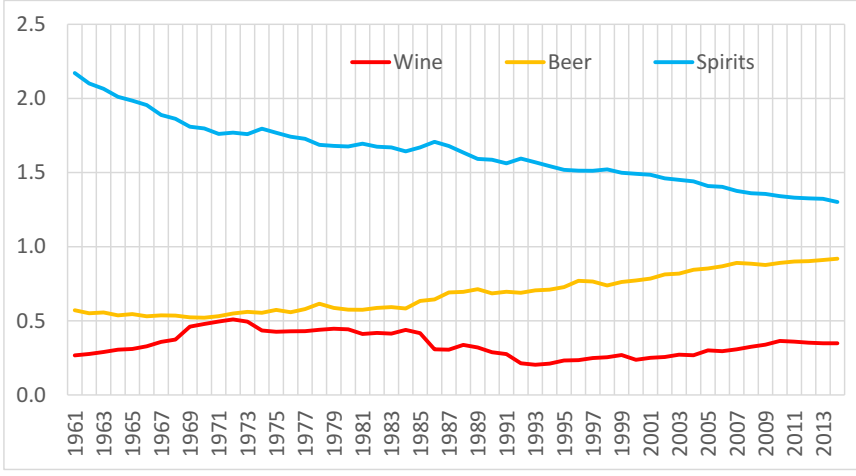


Figure 10. Wine, beer, and spirits intensity of consumption indexes[a] for beer-focused and spirits-focused countries, 1961–2014. (a) Beer-focused countries[b], (b) spirits-focused countries[c].

[a]The intensity index is defined as the fraction of wine, beer, or spirits consumption in total national alcohol consumption volume in country group i divided by the fraction for that same beverage in world total alcohol consumption. (The wine-focused countries as of 1961–64 are Algeria, Argentina, Bulgaria, Chile, Croatia, France, Georgia, Greece, Hungary, Italy, Moldova, Morocco, Portugal, Romania, Spain, Switzerland, Tunisia, Türkiye, Uruguay.)

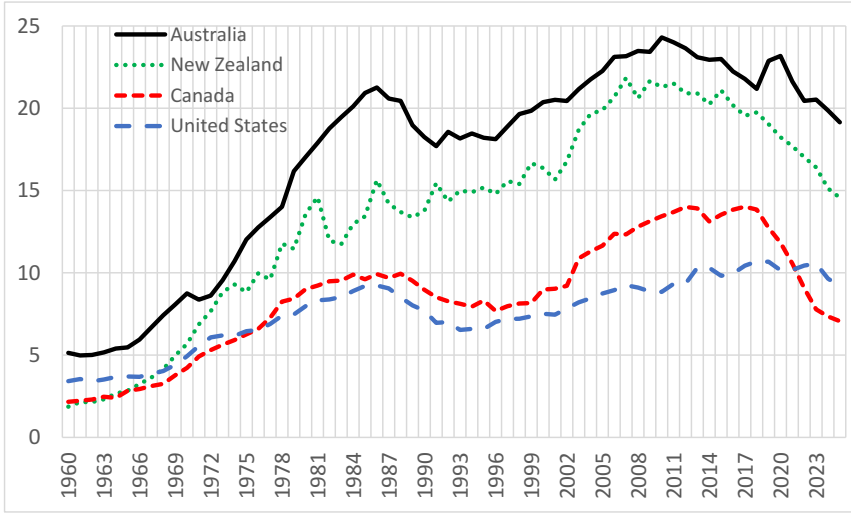
[b] The beer-focused countries as of 1961–64 are Australia, Austria, Belgium-Luxembourg, Canada, Denmark, Germany, Ireland, Malaysia, Mexico, Netherlands, New Zealand, Singapore, United Kingdom, United States, Other Eastern Europe, Other Latin America, Other African and Middle East.

[c] The spirits-focused countries as of 1961–64 are Brazil, China, Finland, Hong Kong, India, Japan, Korea, Norway, Philippines, Russia, South Africa, Sweden, Taiwan, Thailand, Ukraine, Other Western Europe, Other Asia.

Source: Updated from Holmes and Anderson (2017).

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(a) Australasia and North America



(b) Northwest Europe

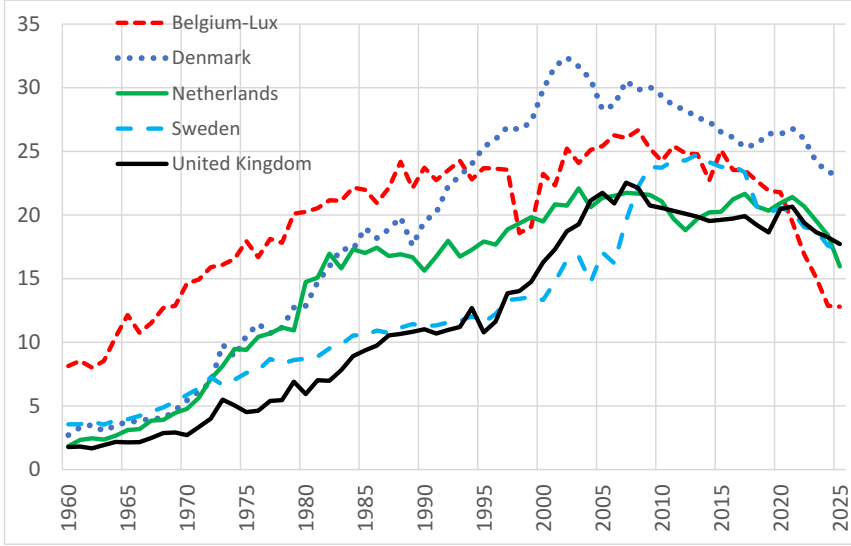
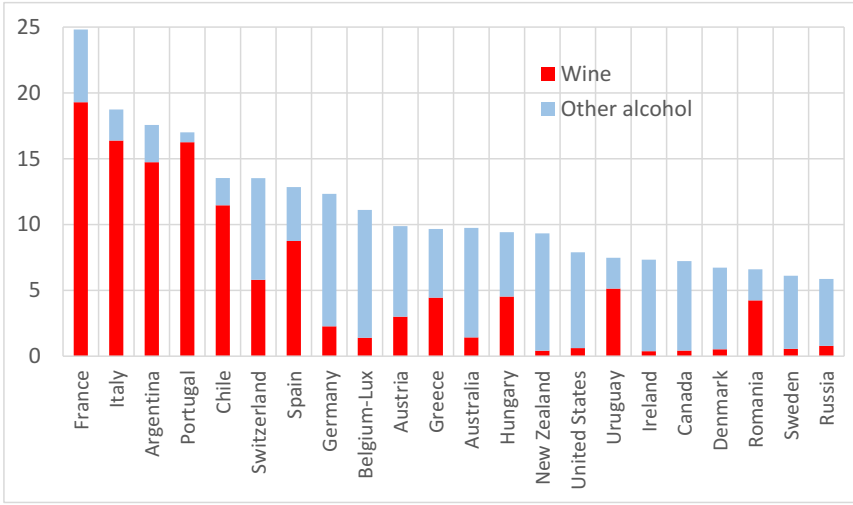


Figure 11. Wine consumption per capita in Australasia, North America and northwest Europe, 1960 to 2025 (liters). (a) Australasia and North America, (b) Northwest Europe.
Source: Anderson and Pinilla (2026).

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(a) 1961-64



(b) 2021-24 (wine only)

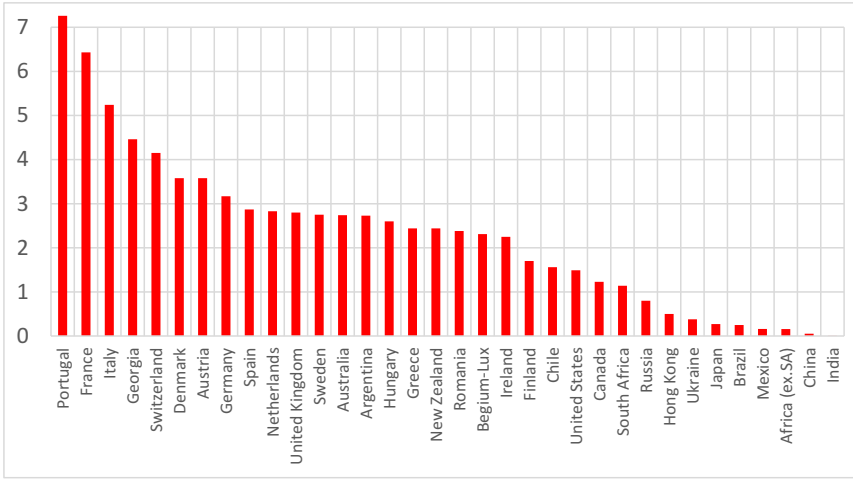
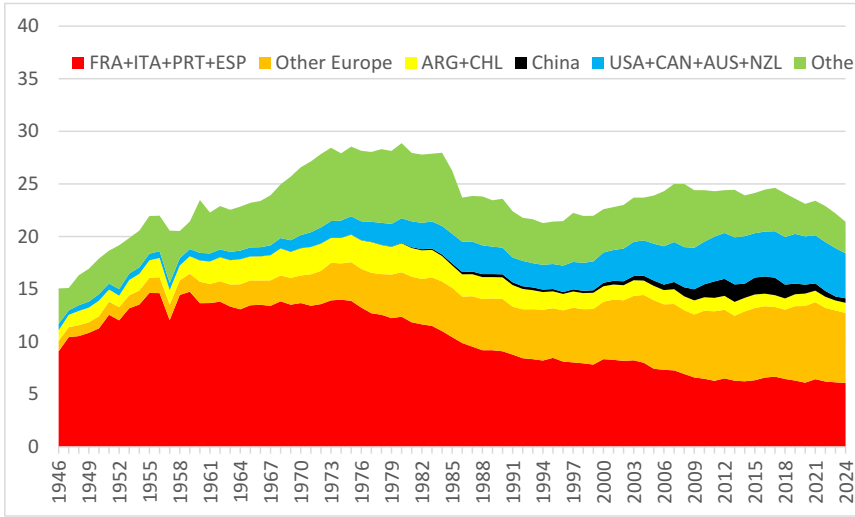


Figure 12. Volumes of wine and other alcohol consumption per adult, 1961–1964 and 2021–2024 (liters of alcohol). (a) 1961–1964, (b) 2021–2024 (wine only).
Source: Anderson and Pinilla (2026).

The enormity of European wine-based alcohol consumption in the first half of the 1960s is clear from Figure 12(a). The enormity also of that region's reduction in wine consumption by the first half of the 2020s can be seen by comparing Figures 12(a) and 12(b). Much of that reduction is in non-premium wine that was traditionally produced by large co-operative wineries. Even so, the top dozen wine-consuming countries remain European. Figure 13(a) provides a continuous picture since World

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(a) Consumption



(b) Production

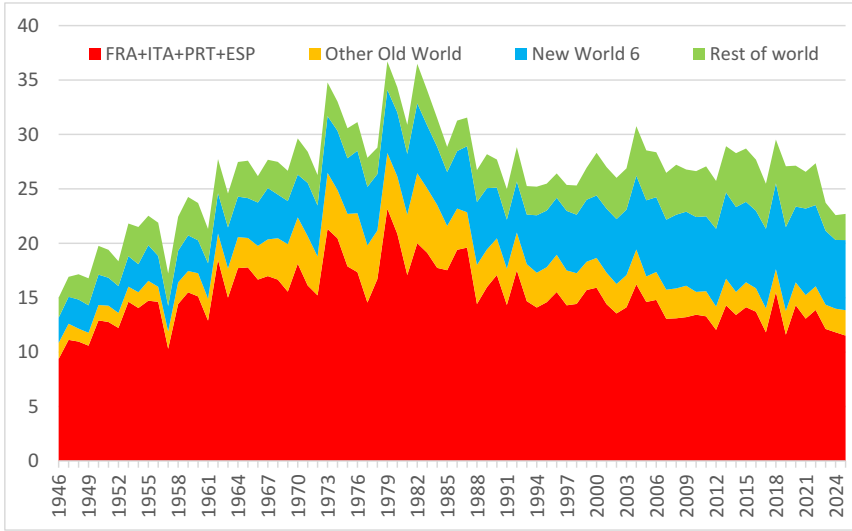


Figure 13. Global volume of wine consumption by country/region, 1946–2025 (billion liters). (a) Consumption, (b) production.
[a]"New World 6" is Argentina, Australia, Chile, New Zealand, South Africa, and the United States.
Source: Anderson and Pinilla (2026), based on OIV statistics.

War II of the changing importance of various regions in global wine consumption. Note that China's short-lived burst in the 2010s was barely enough to offset the continuing decline in wine consumption in Argentina and Chile.

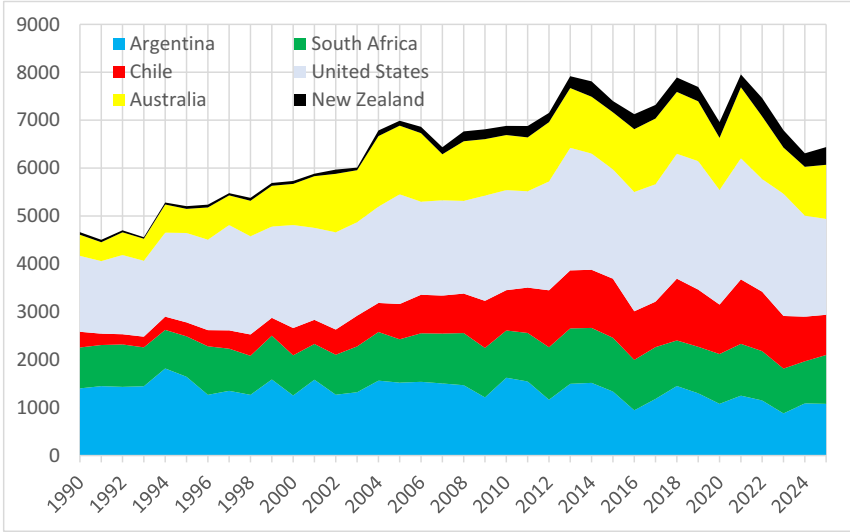


Figure 14. Volume of wine production in New World countries, 1990–2025 (million liters).
Source: Anderson and Pinilla (2026), based on OIV statistics.

b. Why the move away from reds

The declining interest in red wines may be partly just a fashion change that could reverse in future decades. It may also be partly because global warming has had the undesirable effect of raising alcohol levels more in red wines than in white wines, rosé and sparkling wines. Two further factors may be the gradually declining influence this century of wine critic Robert Parker, who had a strong preference for high-alcohol reds, and more recently the shrinkage of (what was 90% red) wine consumption in China. A further contributor is a change in the general perception about red wine's influence on human health: it was widely accepted up until a decade or so ago that moderate consumption of red wine contributed to healthy aging, but that has been thrown into doubt by anti-alcohol lobbies pointing to studies disputing that view.

c. Why the growth in new world wine production and exports

While European producers were still struggling to reduce their non-premium wine production at the pace their consumption of it was declining, in the two decades to 2012 the New World nearly doubled its wine production (Figure 14). In fact, its output rose 2.4 times if one excludes Argentina and South Africa, whose combined output has trended slightly downward since 1990.

The majority of that increase in New World production was exported, since those countries' domestic consumption has increased by only one-quarter since 1990. In the 1980s, exports accounted for less than 2% of their output but, by the 2010s, that share averaged 40%. The dramatic increase in their international competitiveness is revealed in the rapid rise in their shares of global wine exports, shown in Figure 6.

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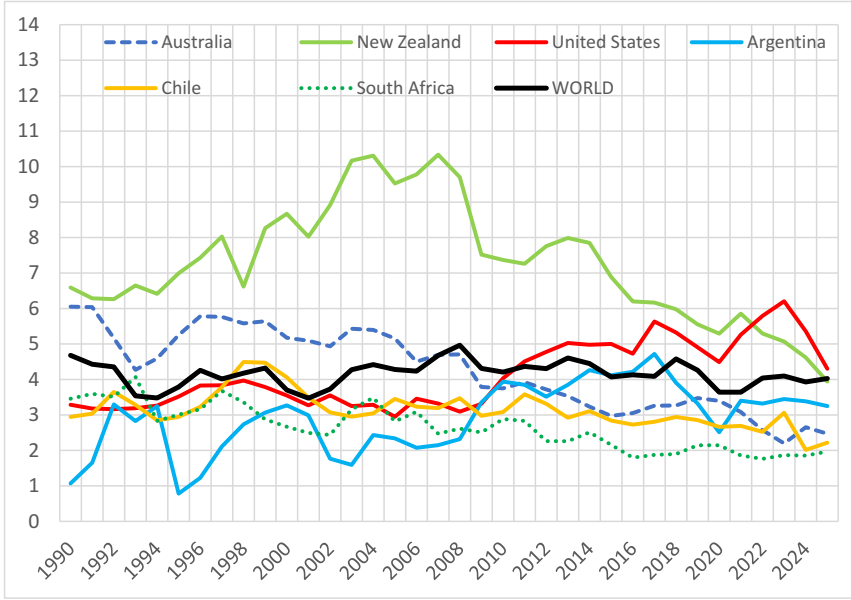


Figure 15. Real price of wine exports of New World countries and the world, 1990–2025 (US$ per liter, inflated to 2025 dollars using the U.S. CPI).
Source: Anderson and Pinilla (2026), based on UN COMTRADE data.

Most of that expanded production in New World countries is what IWSR would define as non-premium (retailing at less than US$10 per 75cl bottle or equivalent), judging by the average price of those countries' exports. Apart from the small volumes from New Zealand, the only countries whose average export price exceeded the world average were Australia up to 2006 and the United States from 2011 (Figure 15). True, the average share of those exports transported in bulk has risen very considerably this century while that share has changed little for the world as a whole (Table 1). But even if a more appropriate indicator of wine quality were to be available, it is likely to show that most New World production falls into the non-premium (particularly branded commodity) wine category.

Such an expansion of New World production in the face of declining global consumption of non-premium wine necessarily puts downward pressure on the average price of the world's non-premium wine and hence winegrapes (Figure 1(b)).

There are several key reasons why the New World was able to expand its production for export despite it depressing the world prices of non-premium wine in terms of U.S. dollars. First, southern hemisphere commodity exporting countries saw their real exchange rates depreciate very considerably from the mid-1990s to the early 2000s (or at the end of 2001 in the case of Argentina, when its currency was moved away from parity with the U.S. dollar), as shown in Figure 16. Those depreciations raised their wine export prices and thus their domestic winegrape prices in local currency terms in the 1990s, as evidenced in Figure 8.

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Table 1. Shares of wine exports transported in bulk containers, New World countries, 2000, 2012, and 2024 (%)

	Volume			Value		
	2000	2012	2024	2000	2012	2024
Argentina	24	45	21	10	16	6
Australia	12	53	66	4	22	21
Chile	29	39	39	13	19	16
New Zealand	2	30	54	1	15	29
South Africa	33	64	54	12	36	26
United States	13	43	63	7	17	24
WORLD	35	37	37	9	11	9

Source: OIV (2026 and earlier).

Second, four technology revolutions overlapped: the ICT one that lowered the cost of information and communication flows across national borders, the ocean transport revolution (containerization) that reduced the disadvantage of being further from the UK, United States, and other key markets than Old World vignerons, the supermarket revolution and associated deregulation of liquor retailing in the UK, and the revolution in tertiary education of viticulturalists and enologists and the flow-on that had to higher-quality grape and wine R&D, particularly in the United States and Australia before it spread elsewhere.

Third, large wineries in those New World countries consolidated through acquisitions and mergers to form what eventually became huge multinational corporations capable of negotiating effectively with the huge supermarkets in the UK and elsewhere. Their large size enabled them to draw promptly on new technologies and develop brands of fault-free commercial wines that readily attracted newcomer consumers because of their consistency from year to year, drinkability when still young, and perceived good value for money. Those corporations were able to expand production rapidly because they had the cash to plant new vineyards as well as to offer initially attractive long-term contracts to independent growers. In Australia, that was made all the more affordable because of lucrative government tax incentives for investors, and was encouraged by a 30-year strategic plan the industry launched in 1996 (Anderson, 2018, 2024).

And fourth, competition from the Old World was reduced by several food-safety scares, notably scandals involving additives to Austrian wines (diethylene glycol) in 1985 and to Italian wines (methanol) in 1986, and then the Chernobyl nuclear plant disaster in April 1986.

Despite the New World's vineyard expansion, the global winegrape-bearing area has been declining, falling between 1990 and 2023 from 5.4 to 4.5 million hectares (Anderson, Nelgen, Puga, et al., 2026). Numerous informed commentators have suggested a similar-sized reduction is needed now (e.g., Joseph, 2026). It is thus sobering to note the earlier one-sixth reduction took one-third of a century.

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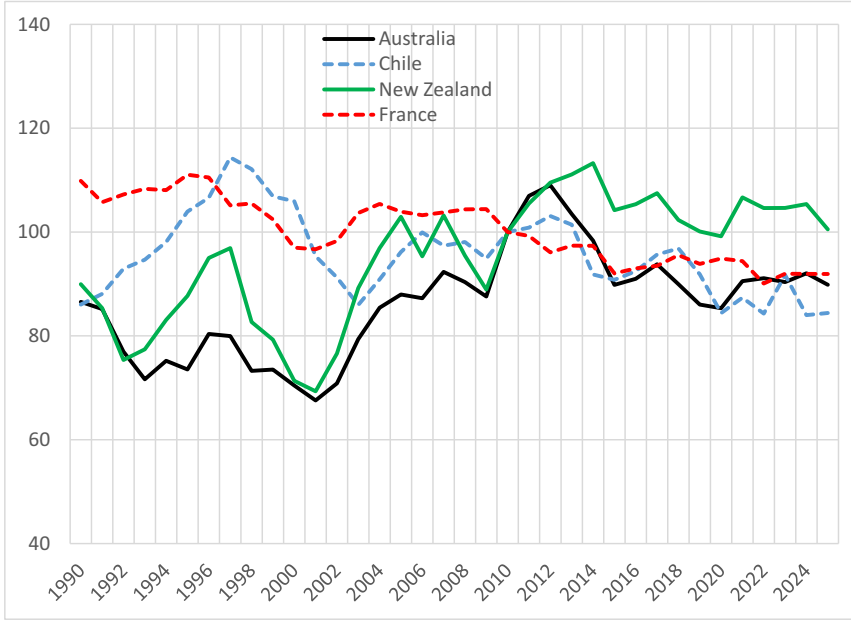


Figure 16. Real exchange rate indexes,[a] New World countries, 1990–2025 (2010 = 100).
[a]A fall in the index in this figure represents a real depreciation.
Source: World Bank (2026a).

d. Why the global surplus

Those real exchange rate depreciations of the 1990s reversed in the 2000s but—as happens for perennial crops—producers were slow to begin reducing their output. Adjustment to bearing areas was delayed further as those currencies depreciated again in the 2010s (Figure 14) and as China unexpectedly became a significant wine importer, mostly of still reds. The equally unexpected fall in China's demand from the late 2010s then further added to the necessity to reduce the global surplus, particularly of red wine.

Then the COVID-19 pandemic hit in the early 2020s. It raised the cost of ocean transport enormously, such that the fob export price of southern hemisphere bulk wine, which normally would have been destined for Europe and North America, was driven down to almost zero. That transport crisis eased in the years that followed, but meanwhile more vintages of wine had accumulated in tanks. Distillers too were overwhelmed by the excess supply of unwanted wine, to the point where they could not pay enough even to cover the cost of trucking surplus wine to their distilling plants (except in those parts of the EU where government subsidies were again being offered recently to encourage such disposal). At the time of writing this article (the beginning of the northern hemisphere's 2026 vintage), the surplus still hanging over the market continues to depress winegrape price expectations.

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V. Prospects for returning to profitability

Wine has been around for eight millennia, and dedicated consumers cannot imagine a world without it. But most grape and wine producers, including the producers of fine wine, need to be able to anticipate positive profits in the foreseeable future to stay in business. The basic economics of Section II above suggests that unless new demands emerge for non-premium wine, global winegrape production capacity has to shrink for vignerons' profitability to return to normal. Profitability will return sooner, the sooner the current surplus is disposed of—but surplus disposal itself will be insufficient for the industry to get non-premium supply back into balance with expected demand. And to the extent the demand for fine wine also depends on the price of non-premium wine, a return to a balance of non-premium wine supply and demand will also help raise the price and hence profitability of finer wine.

Some vignerons have chosen not to pick recently, which has helped by not adding to the present wine surplus. Others have been mothballing their vines, hoping market conditions will improve soon, or have sold their vines to other growers. But unless the number of vines is reduced globally, the longer-term structural problem remains. The California Association of Winegrape Growers estimates that 38,000 acres or 7% of the State's winegrape vines were removed in 2025, but it believes far more need to be pulled.

Each hectare of vines removed bestows a (tiny) benefit on the rest of the world's winegrowers. That removal is not compensated by those beneficiaries though, so the incentive to pull vines is less than optimal from a global viewpoint. And to repeat, given the capital-intensive nature of this perennial crop, normal supply responses to declines in expected grape prices are very slow in the absence of vine-pull subsidies. The EU's latest wine regulations have broadened the option for member states to provide such support (European Parliament, 2026), but even that will take years to have a noticeable effect on the global winegrape-bearing area. Therefore, attention also will need to focus on the potential for demand expansion.

What could foreseeably shift out the demand for wine? To recap, the above evidence suggests (a) the global volume of total alcohol consumed ceased growing more than a dozen years ago and per capita consumption peaked half a century ago, (b) within that, the global volume of wine consumed peaked half a century ago, (c) wine consumption per capita began falling a decade or two ago even in those (slow-growing) countries that have switched from a beer focus to a wine focus since the 1960s, (d) the fall in demand has been concentrated at the non-premium end of the wine quality spectrum, and (e) in the past two decades it has been non-premium still red wines and/or high-alcohol wines that have fallen out of favour most.

On the one hand, the increasing focus of consumers on health and well-being, and anti-alcohol lobbying are unlikely to reverse. The decline in consumer confidence associated with slower income growth due to the partial retreat from globalization since the GFC of the late 2000s may dissipate, but recall that it took more than six decades before governments returned to openness following the retreat from the first globalization wave 100+ years ago. The arrival of new stimulants such as weight-loss drugs and legalized marijuana, which are reducing wine demand in affected jurisdictions, is if anything likely to be copied in more jurisdictions. The decline in face-to-face social

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interactions because of high screen use is expected to worsen as the artificial intelligence (AI) revolution gathers pace. And while the rise in global income and wealth inequality that appears to be accompanying the AI revolution will add to the tendency for demand to shift out for the finest wine, it is unlikely to add to the demand for non-premium wine.

On the other hand, the center of global economic gravity is gradually moving away from the regions where wine demand has always been concentrated, and toward lower-income regions. That shift began in East Asia in the 1960s and has been accentuated by China's rapid -income growth since the 1980s. Yet that region currently accounts for only a tiny share (less than 4%) of global wine consumption despite being home to around one-fifth of the world's drinking-age population. India and Africa each have around a billion of the world's 6.2 billion adults, yet together they account for barely 1% of global wine consumption and 2% of global wine imports—and grape wine accounts for a tiny fraction of their alcohol consumption. Thus, prospects over the longer term for demand growth there look bright, albeit from that very low base, bearing in mind that those regions are among the world's fastest growing in terms of both expendable income and population. (According to the World Bank (2026b), South Asia's gross domestic product is growing at 7% and Sub-Saharan Africa's at 4+% per year.) The time is therefore coming for more of the world's generic and brand promotion efforts to be focused on Asia and Africa, at least for lower-priced wine but gradually also for finer wine.

To summarize, while there are prospects for a gradual expansion in demand for non-premium wine in Asia and Africa over the long term, the short- to medium-term prospects are not bright. If there are not substantial vine pulls in the remainder of this decade, then non-premium winegrape and wine prices are likely to continue to deliver low profits for some years to come.

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