svb Silicon Valley Bank
A Division of First Citizens Bank

First Citizens Bank

State of the U.S. Wine Industry 2026

Written by Rob McMillan
EVP & Founder
Silicon Valley Bank Wine Division

Contents

Introduction

For 26 consecutive years, Silicon Valley Bank has published the State of the U.S. Wine Industry Report, offering wineries, growers, distributors, lenders, educators, the press, and the broader supply chain a clear view of where the wine industry stands, how we got here, and what the future holds.

This report isn't just an academic exercise. Its purpose is to harness insights from some of the most experienced insiders in the wine business, providing an unmatched, data-driven understanding of industry risks, opportunities and realities. But we never stop trying to improve, and this year you'll notice a change that reflects industry needs.

Starting with the 2018 report, we began alerting the industry to an approaching demand correction that would require a response. The business was otherwise doing well so a prediction of that type wasn't gratefully received. But, we were out ahead of trends as a thought leader should be. Now that we're here, there's no need to tell you about the threat that has arrived; everyone now knows and understands. So, we're refocusing our view to recovery.

Our goal with the report is partly to raise awareness. We all need to be attentive to the factors that surround our business. We will still provide you with our view of the current industry dynamics. But starting with this report, our primary goal—with continued industry cooperation in our two surveys—is to offer more benchmarking and planning tools, unique street-level intelligence and ideas to help you adapt.

After reading this report, we hope you will come away inspired and equipped with action plans that enhance your chances of success in 2026 and beyond.

Rob McMillan

Rob McMillan

EVP & Founder,
SVB Wine Division
rmcmillan@svb.com

Rob McMillan is one of the top wine-business analysts in the United States and the author of Silicon Valley Bank's highly regarded annual *State of the Wine Industry Report*, described by *The New York Times* as "probably the most influential analysis of its kind."

With Rob's decades of experience researching the industry and working with winery clients, his views are sought after and trusted by winery owners, journalists, entrepreneurs and investors.

He is a prominent speaker, domestically and internationally, and you will find him extensively quoted in the national, regional and trade press.

Executive summary

The U.S. wine industry enters 2026 in a period defined as much by challenge as by opportunity for those willing to evolve. Across every dataset in this report, one finding is unmistakable: success today is behavioral. You have to see the problem clearly and decide to reorient your message towards an evolved, and younger consumer base with different desires and values.

The long era of passive demand—when visitation, distributor pull and automatic club growth could mask strategic shortcomings—has ended. What has emerged is a widening performance gap in which the upper quartile wineries continue to grow despite industry contraction, while the lower quartiles struggle to adapt.

This divide is evident not only in sales growth and pricing power but in how wineries describe their year. Top-performers focus on dialed-in consumer engagement, disciplined inventory and financial management, more precise brand positioning, and hospitality-centered experiences that build loyalty rather than throughput. Digital tools amplify these efforts rather than substituting for them.

By contrast, lower-performing wineries cite slowing traffic, distributor disengagement, discounting and rising costs—responses that, while accurate, reflect the lack of strategic attention. We are at a point where the problem has been identified. Now we need laser focus on solving the problem.

The SVB demographic and cohort consumption approach reinforces why these behavioral differences matter. Consumption remains under pressure. That said, there is good news as the steepest part of the downturn appears to be waning and our analysis suggests we are entering a new phase in the correction. Yes, 2026 will still be a challenging year, but the industry is at least approaching a point of stabilization. The recovery that follows will favor those already executing outward-facing, consumer-driven strategies.

Key forecast outputs

- **2025 year-end volume**: ~329 million cases (down from 335.9 million in 2024)
- **2025 year-end revenue:** ~$74.3 billion (down from $75.5 billion)
- **Timing of Improvement:** Declines moderating in 2026; a bumpy bottom forming in 2027–2028, followed by slow, modest growth thereafter

As we move through this demand correction, we can see the industry is bifurcating into those doing well and those not doing so well. Since the industry will downsize, you don't want to be in that second group today.

The next phase of this correction will reward wineries that plan with clarity, engage with purpose and adapt with discipline. Said succinctly, the next phase will reward those who recognize the reasons behind the changing demand and then fundamentally change their businesses to accommodate it. Those who continue to do what they've always done will find their strategies failing as they watch from the sidelines, clinging to the fraying belief that their way has always worked before.

While we are predicting change, I need to underscore that the most crucial goal isn't being right about exactly when the correction bottoms, as if the bottom means, "we'll all return to normal." That thinking will be your undoing. The bottom will arrive for your business when the time is right. The most important goal now is to be predictive of the evolved consumer, identify opportunities, and prepare to benefit from a changed business as market demand bottoms.

Review of last year's predictions

Last year, we said the following:

"Premium wineries would see slower dollar growth but remain stable relative to the broader market. Clubs would continue to struggle with retention. Off-premise volume would fall again, impacted by softness below $12 and increased competition from spirits and RTDs. On-premise would recover moderately, but not to pre-COVID levels, as consumers reallocated spending across a wider variety of beverage categories."

We also predicted that:

- Total volume demanded would continue to trend downward.
- Value would flatten as pricing power weakened and we entered a discounting environment.
- Oversupply would remain a defining feature of the business.
- Distributor consolidation and brand prioritization would intensify.
- Younger consumers would adopt the category later in life and at lower consumption levels.

And we said that the premium segment—particularly $20–$40 wines—would remain relatively resilient, but not immune to the broader market correction.

What we got right

- We hit on most of our predictions.
- Volume did decline, consistent with projections.
- Value flattened in a discounting environment, held up by the premium segment, but even that has begun to soften.
- The under-$12 category deteriorated more rapidly, pushing production level volumes to their lowest in more than a decade.
- On-premise waffled in with visitation, but checks increased along with inflation, consistent with predictions of a "partial recovery."
- Wholesale remained challenging, as distributors continued to sit on a large backup of alcohol and streamlined portfolios while redirecting focus toward higher-turning SKUs.
- Younger consumers remained fragmented across beverage types, reinforcing the prediction that wine is losing its historical generational anchor. Yet there is hope in the 32 – 46-year-old alcohol beverage consumers.

What we missed

We performed remarkably well but didn't give sufficient weight to two factors:

1. **The path of discounting in wholesale and retail.**

   We predicted that this would continue to be a discounting environment, but were surprised there wasn't greater evidence in the retail scan data. Discounting is taking place, but much of the discounting is taking place in less obvious private label sales.

   While there are no good sources of accurate private-label sales data, based on company reports, we believe the vast amount of high-quality bulk wine available is creating compelling consumer value in private-label, where wine demand is growing in double digits, led by Total Wine & More and Costco but, extending into mainstream establishments like Kroger. That is a positive form of discounting that attracts new value-seeking consumers, protects existing brand value and helps drain the ocean of bulk wine.

2. **The degree of premium slowdown.**

   While premium wines remain stronger than the broader category, demand softened faster than anticipated, driven by inflationary pressure, shifting discretionary spending and a decline in affluent consumer spending.

   Visitation continued to erode at smaller hospitality-focused wineries, while average check held in DTC, or direct-to-consumer, sales at small DTC-focused wineries slipped in all but the top quartile.

   The premium wine industry and luxury retail consumer share similar headwinds and related impacts. While too extensive of a topic to cover in this report, further ideation is available by reviewing the Bain Worldwide Luxury Goods Market Study, and the State of Fashion from McKinsey & Company.

2026 predictions

- The operating environment in 2026 will continue to reflect the structural forces reshaping wine demand.
- Declining volume, value compression, and persistent oversupply—remain in place, yet the rate of deterioration will begin slowing in 2026. What emerges from the data is a picture of a market still challenged, but one with stabilization on the horizon.
- There is a growing divide characterized by the separation between wineries that adapt and those that remain tethered to the previous era of strong growth. With no immediate increase in demand in sight, right-sizing industry production capacity becomes a reality.
- 2026 will mark the point in this correction where some growers and wine companies that have struggled for the past five years will publicly capitulate and exit. The press will likely focus on those specific disappointing business outcomes. While there is no way to hide from it, that will obfuscate progress from upper-quartile businesses and the improvement that I expect to see from a slowing rate of decline.

2026 predictions (continued)

Continued but moderating volume declines

- The decline in total U.S. wine volume is expected to persist into 2026, but the steepest contraction appears behind us.
- Demand softness will continue across price tiers, particularly below $12. Yet, the demographic drag that has defined the past several years will begin to ease as the population of 30–45-year-old consumers moves deeper into wine-friendly life stages.
- The market has not yet found a bottom, but the slope of decline is flattening slightly, signaling that the industry is moving from an acute contraction toward a gradual bottoming.

Value pressure in the premium segment

- Premium wineries will face ongoing headwinds, including weaker wine club retention, lower tasting room conversion rates and rising price resistance.
- While the premium tier will continue to outperform the lower-priced segment, it is not insulated from broader consumer change.
- Inflationary fatigue, shifting discretionary priorities and a slowdown in affluent consumer spending have tempered pricing power.
- Premium demand remains viable, but it now requires more persuasive value communication and/or hospitality-led differentiation rather than relying solely on price increases.
- New paths to promote and sell wine are necessary. Pricing has to be a part of your strategy formulation and not a strategy in itself. It must be included when evaluating new selling options.

Oversupply remains a structural headwind

- While the pricing of grape contracts is part of the issue with unfilled grape contracts, in some cases, lowering the price to zero isn’t sufficient to have all production under contract. More acreage will have to be removed, particularly in regions producing for less expensive brands.
- We are still supportive of a USDA Marketing Order to help the category. While discussions are underway in several circles, given the disappointing experience with WineRAMP in 2021, I believe the odds of industry traction for a collaborative solution remain low. I’d love to be wrong..
- Premium wineries are feeling the tension between holding back the next release or discounting a current slow-moving vintage. Tactical creativity in selling is the mandate. The specific solution is winery and region specific.
- Improvement has to start in retail sales before we can expect to see bloated wholesale inventories improve. While we expect progress on both , the supply chain won’t be fully in balance at the end of 2026
- There is too much planted acreage in specific premium varietals. The time is becoming ripe when some growers in the best AVAs will find success experimenting with varietals that were successful decades ago and might appeal again as an entry priced premium wine. That is not a license to rip without a sales plan.

Outlook and guidance for 2026

- 2026 will be another challenging year, yet a transitional year where some wineries and growers will close their doors while others stake their claim to the future of wine.
- I would caution believing anyone who suggests that 2026 will bring with it growth. That is just unsupported hope. The math isn't there. However, the market is beginning to form a bottom, especially in the premium segment.
- It's still early in the game, but our analysis leads us to believe that green shoots will begin to emerge in later 2026 and the bottom will show itself in 2027 and 2028.
- The wineries best positioned for the next era will be those with an external view now, those who understand the opportunity tomorrow and who will develop strategies to move away from dated but embedded tactics we've grown accustomed to and will find what's next.
- I worry about all the people who I've spoken with that are holding on by their fingernails and waiting for a bottom as if "everything will go back to normal." To those, I have to be plain spoken: What has been normal will not be normal again. The rising tide won't lift all boats after we bottom. You have to evolve now to be relevant and take advantage of what's coming.
- RNDC's exit from California is a symptom of other issues our wholesale partners are dealing with. They will continue to go through transformative change in the years ahead.
- DtC tactics need to evolve from the overreliance on hospitality and experience at the winery, to an expanded view of DtC that meets the consumer where they live.
- The most important goal is to be relevant to the lifestyles of a different consumer. You have to compete to earn share and be a part of that consumers' occasions when they choose to drink.

The annual SVB State of the U.S. Wine Industry survey

Silicon Valley Bank
A Division of First Citizens Bank
First Citizens Bank

The annual SVB State of the U.S. Wine Industry survey

The Annual SVB Wine Industry survey

As I've said over the years, averages don't always tell the whole story. Our survey results this year show that demand remains soft, wholesale inventories are still normalizing and owners across the country are feeling the weight of this shift. Yet the data tells a more nuanced story than lower sales.

That nuanced read reveals an increasingly bifurcated market: a bottom quartile of wineries clearly struggling with sales erosion and rising costs, but a top quartile that continues to grow by leaning into direct-to-consumer, sharpening their value proposition, managing inventory with discipline and staying close to the consumer.

Throughout the survey, the contrast between these groups becomes a recognizable pattern, setting up the next section on Success Metrics.

Winery Sentiment Index – Industry bifurcation is a common theme.

The Winery Sentiment Index—our lead slide in this report—captures producers' state of mind for the year. Net sentiment slipped further into negative territory, reflecting a year that many describe as “challenging,” “difficult” or “disappointing.”

But within that gloomy headline sits a notable positive: the share of wineries reporting a better year increased slightly. That means the top quartile is pulling away from the rest of the pack despite the market’s contraction.

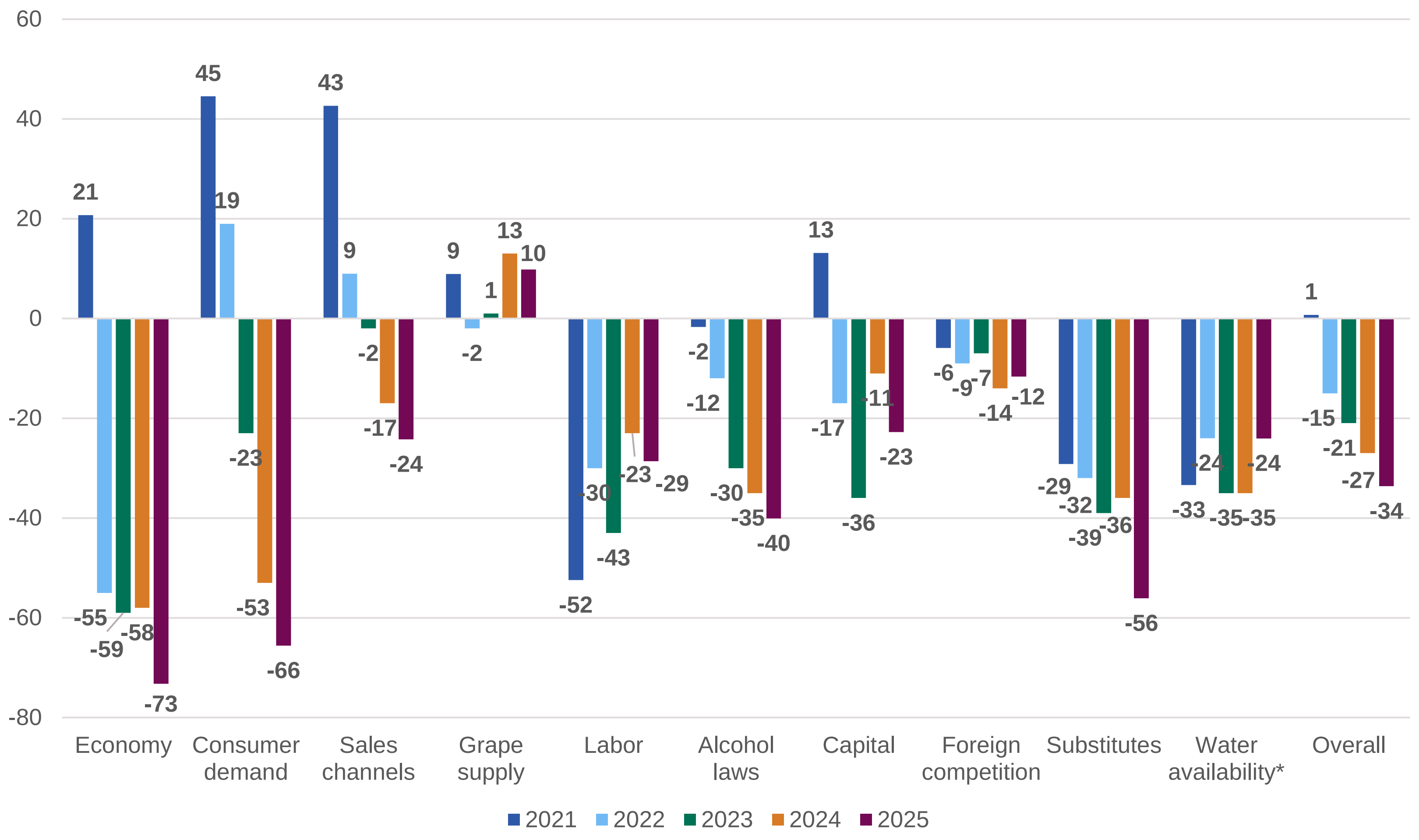
Reinforcing this divide, top-performing wineries describe “high-touch DTC,” “boots on the ground in key markets” and a focus on an evolving set of experiences both at, and apart from the tasting room.

Struggling wineries more often point to generic forces like “slow traffic,” “competition” and cost-cutting, a sign of less strategic adaptation.

The only positive component of the Net Sentiment Index in this survey is grape supply which is abundant. As the survey is wineries only, that’s not a surprise.

Net sentiment index

Total “positive” responses to each category, minus total “negative” responses to each category divided by total responses



*Water availability first tracked in 2021

Source: SVB State of the U.S. Wine Industry Survey

Overall performance: Mixed

When surveying members of the wine industry, we like to say, "Don't spend too much time thinking about the question. In this case the question was one without a numeric response, just a gut-level "How was your year?"

Results show that roughly half of wineries rate 2025 negatively, and about a third rate it positively, a slight decline from last year.

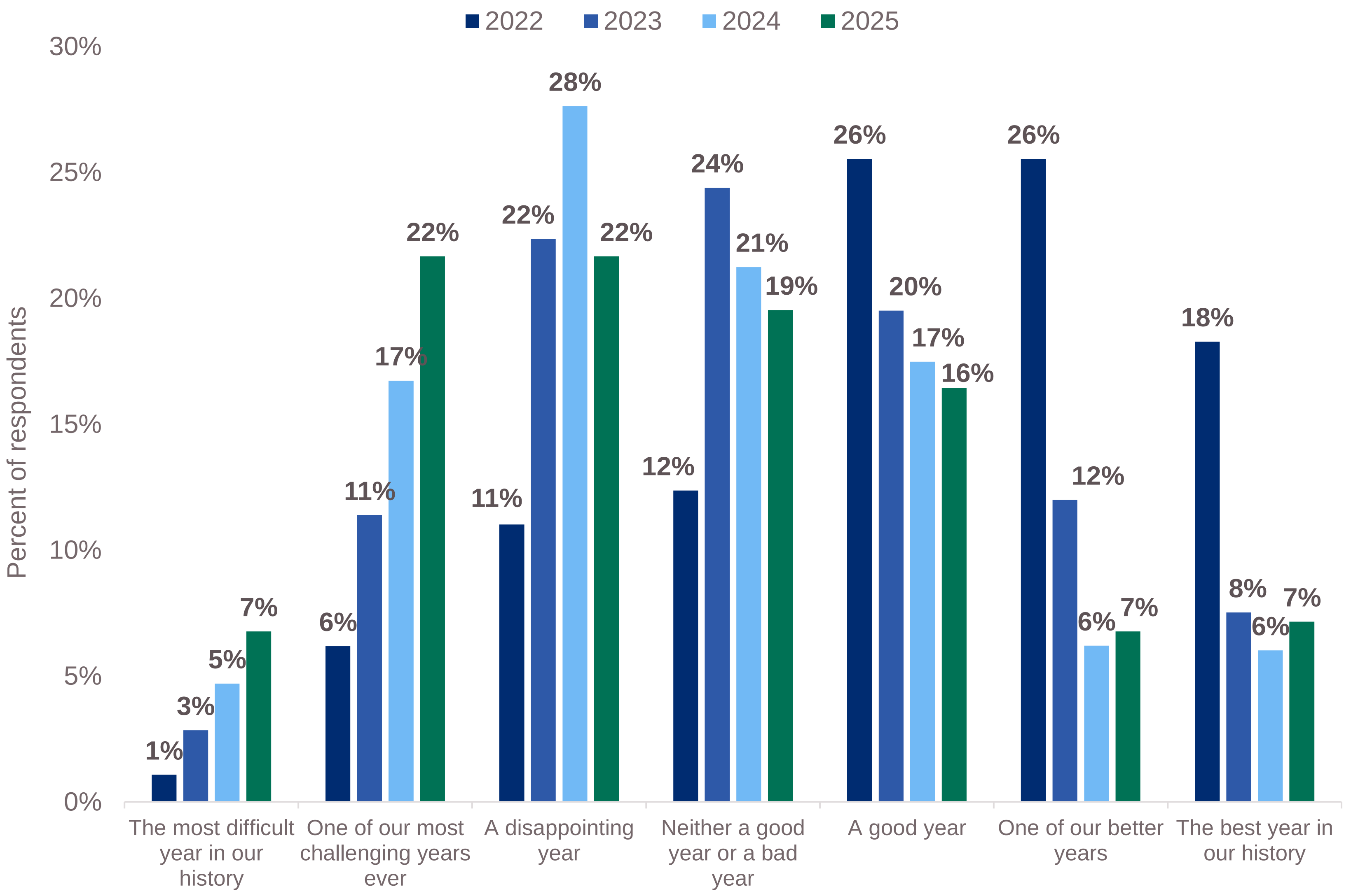
Regions including Virginia, Paso Robles and Santa Barbara once again feature a higher share of positive results.

Sorting respondents into sales-growth quartiles illuminates the pattern. Top-quartile wineries are smaller on average and more planned in execution.

Their comments show proactive approaches: refining club offerings, adjusting inventory and SKU counts, deploying targeted hospitality and cost-cutting that seeks a return on investment.

Bottom-quartile respondents tend to rely more heavily on traditional wholesale and report fewer specific strategic adjustments. With DtC performing better than wholesale in this survey, the result isn't surprising.

How was your year?



Source: SVB State of the U.S. Wine Industry Survey

Financial health: 63% report their financial condition as good or stronger

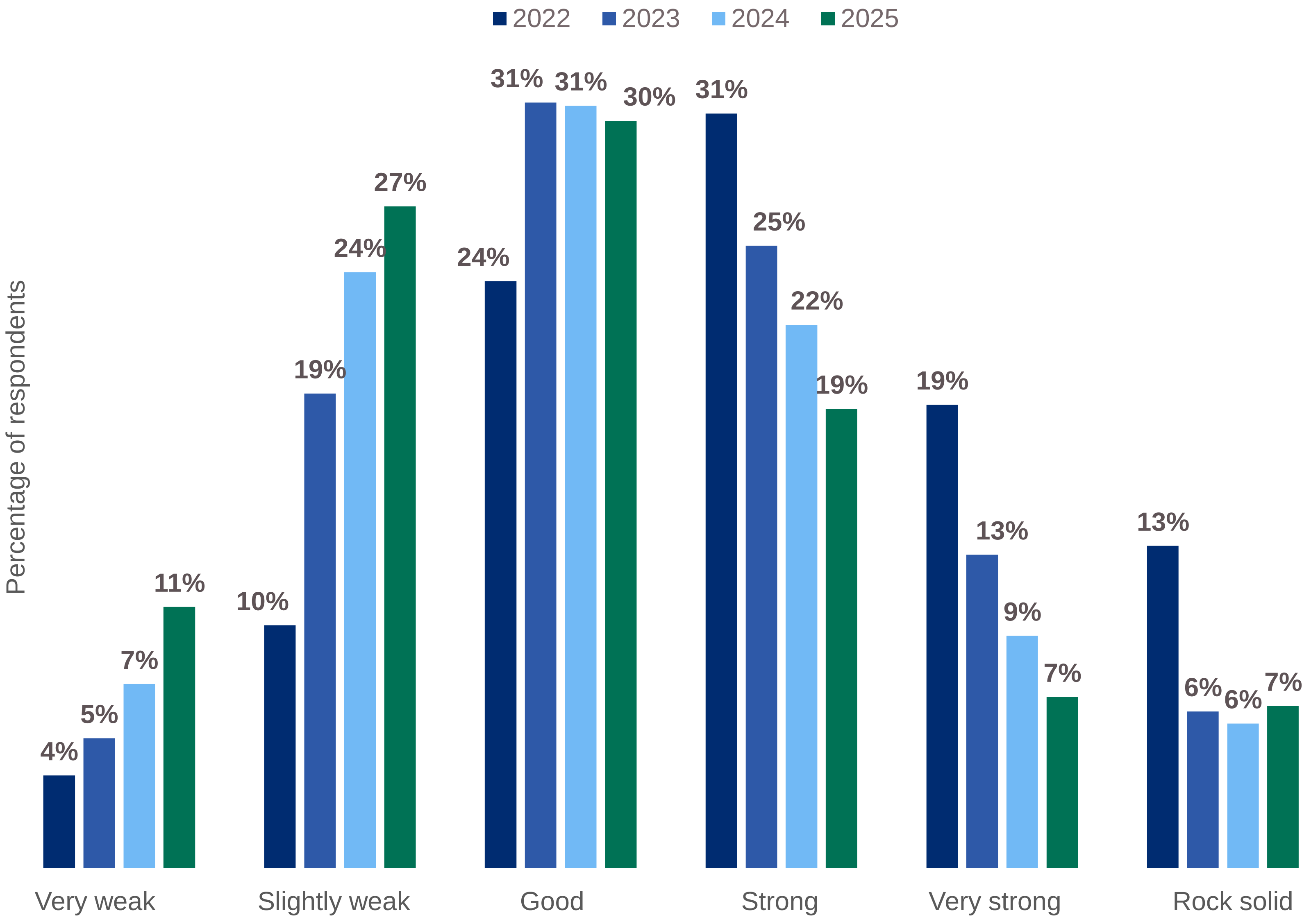
Again, top-quartile participants look different. They report double-digit revenue growth, improved cost management and tighter control over working capital.

The bottom quartile shows revenue declines, rising inventories and increased reliance on debt.

Emerging from a 25-year growth period, managers are unfamiliar with handling the kind of dislocating change we see today. In past decades, if you had too much inventory, there were many escape valves, and doing nothing was a viable strategy. In an increasing demand environment, heavy inventory in the cellar only required lower planned production in the current period. The higher demand otherwise would erase the overage quickly.

That is an example of the type of strategy that won't work today, unless you are upper quartile and your sales are increasing.

Trend of winery financial health



Source: SVB State of the U.S. Wine Industry Survey

Baseline comments

Our observation is that the most effective management teams are more inclined to take measured risks and adapt, even under cost management pressures.

That said, the overall trend in self-reported financial health continues to slip, with fewer wineries describing their condition as “strong” or “very strong.” Higher input costs, rising interest rates and flat revenues are compressing margins. But for most wineries, this market isn’t yet a crisis.

Few wineries increased grape purchases in 2025, and several regions left meaningful tonnage unharvested. In California, the harvest estimate is below 2.2M tons. This was a production segment that could produce 4M+ tons in a good year, which gives you an idea of the depth of over-planting and the current bubble the industry has to deal with.

Some believe the short harvest of 2025 will help more growers find contracts in 2026 and beyond. The problem with that logic is that there isn’t sufficient pull-through today to reduce the inventory bubble at wholesale. Without reducing supply, producers aren’t going to contract for more fruit. The best we can say is the light harvest won’t make the situation worse.

The premium industry entered this correction with relatively healthy balance sheets in 2020 given the light harvest that year from fires on the entirety of the West Coast. Few were aggressively expanding new vineyard plantings. Most can still weather a prolonged adjustment; however, there is no denying that we have too many SKUs and too many wineries for current demand.

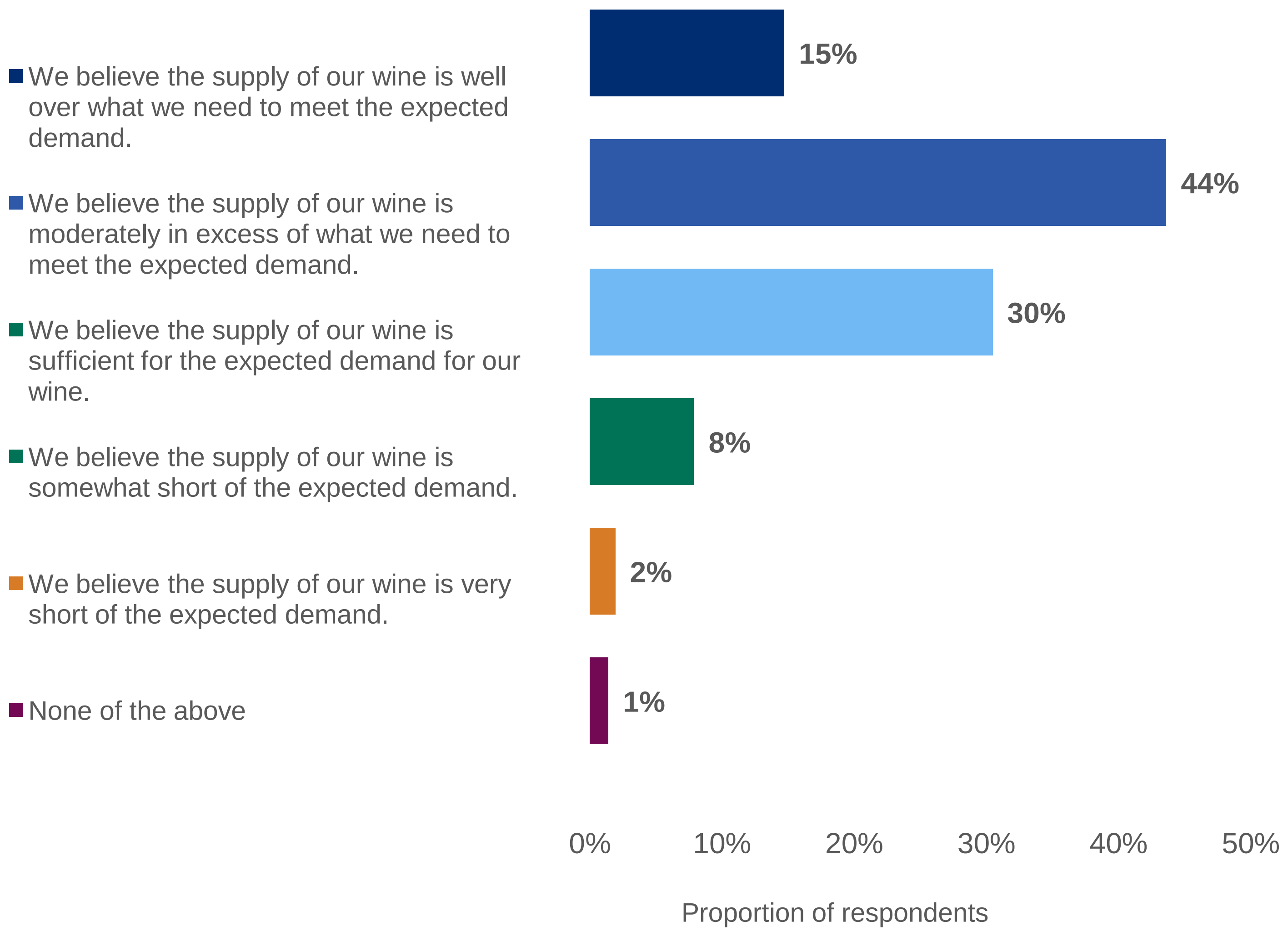
Inventory and supply: Slowly working through the overhang

Despite broader industry oversupply, most premium wineries report balanced to slightly heavy inventories. Still, 15% report having an excessive amount of wine relative to current demand, so we know there is too much wine available. Notwithstanding the surveyed inventory positions, financial benchmarks, as you will read later in the report, indicate inventories continue to expand. Some, but not all of that increase is due to inflation and cost increases.

The best action for most producers in this market is to continue contracting with growers important to your brand, but to depend more to the spot market for grapes around harvest to fill out their remaining grape needs.

We believe we are still overplanted in most regions which will lead to higher levels of uncontracted fruit at harvest and price reductions on the spot market in 2026.

Inventory/wine supply



Source: SVB State of the U.S. Wine Industry Survey

There is an opportunity to differentiate

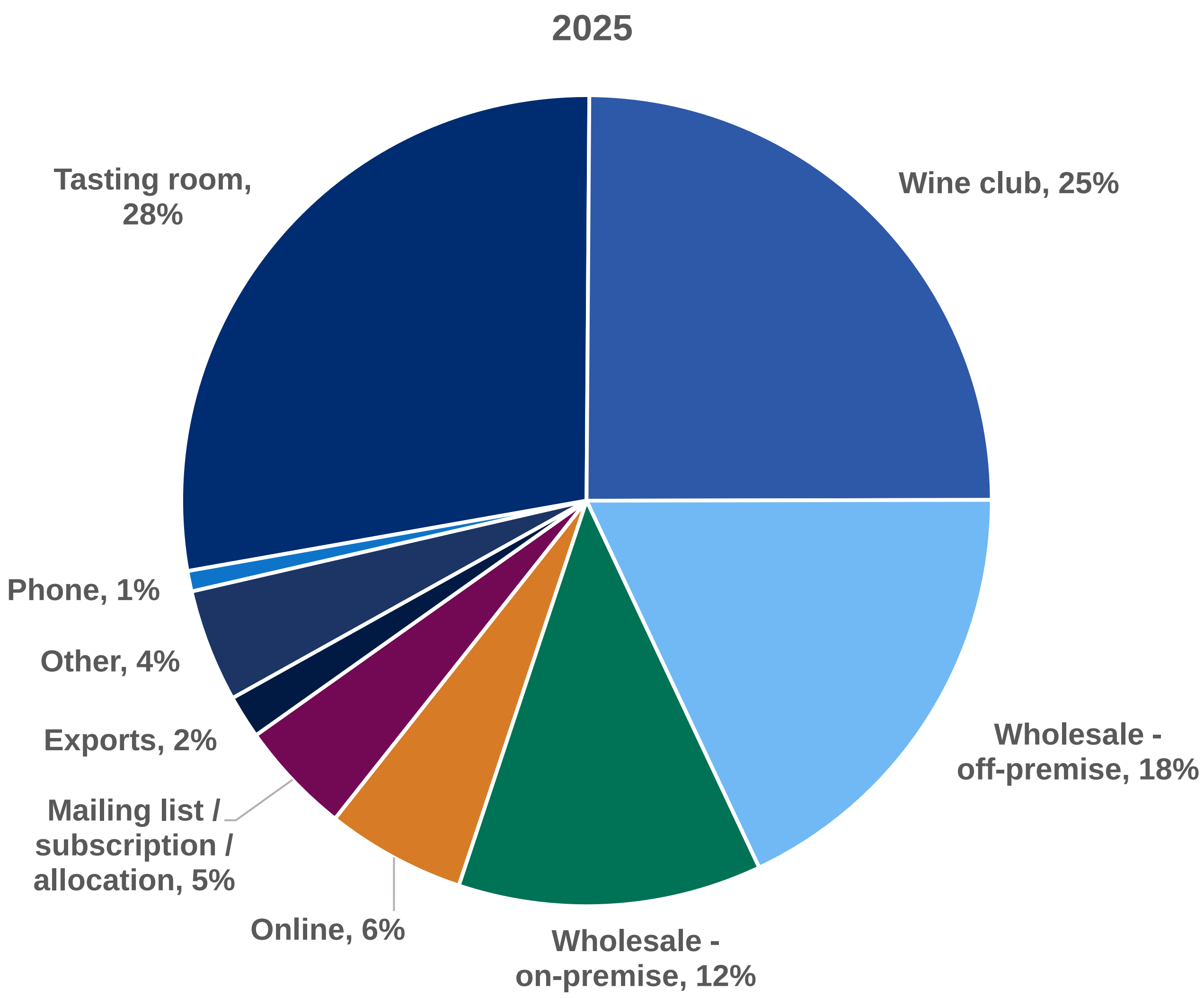
DTC channels—tasting rooms and wine clubs—again account for more than half of the average winery's revenue. Wholesale contributes roughly one-third of sales on average, but wineries leveraging wholesale in today's market are experiencing less success. Even amid declines in visitation, DTC remains the economic engine of the premium wine business.

Regional and size differences are sharp. Paso Robles, Virginia, Texas and Santa Barbara show exceptionally high DTC shares. Larger wineries still rely more heavily on wholesale. Seeking growth and margin, mid-sized producers have increased their DTC percentage over the last five years.

Top-quartile wineries consistently exhibit greater DTC dependence and a stronger emphasis on experiences. Comments from survey respondents highlight hospitality innovations, targeted small-group programming, and tighter curation of club tiers. These wineries are placing more emphasis on using DTC as a value-added relationship channel, not simply a point of sale.

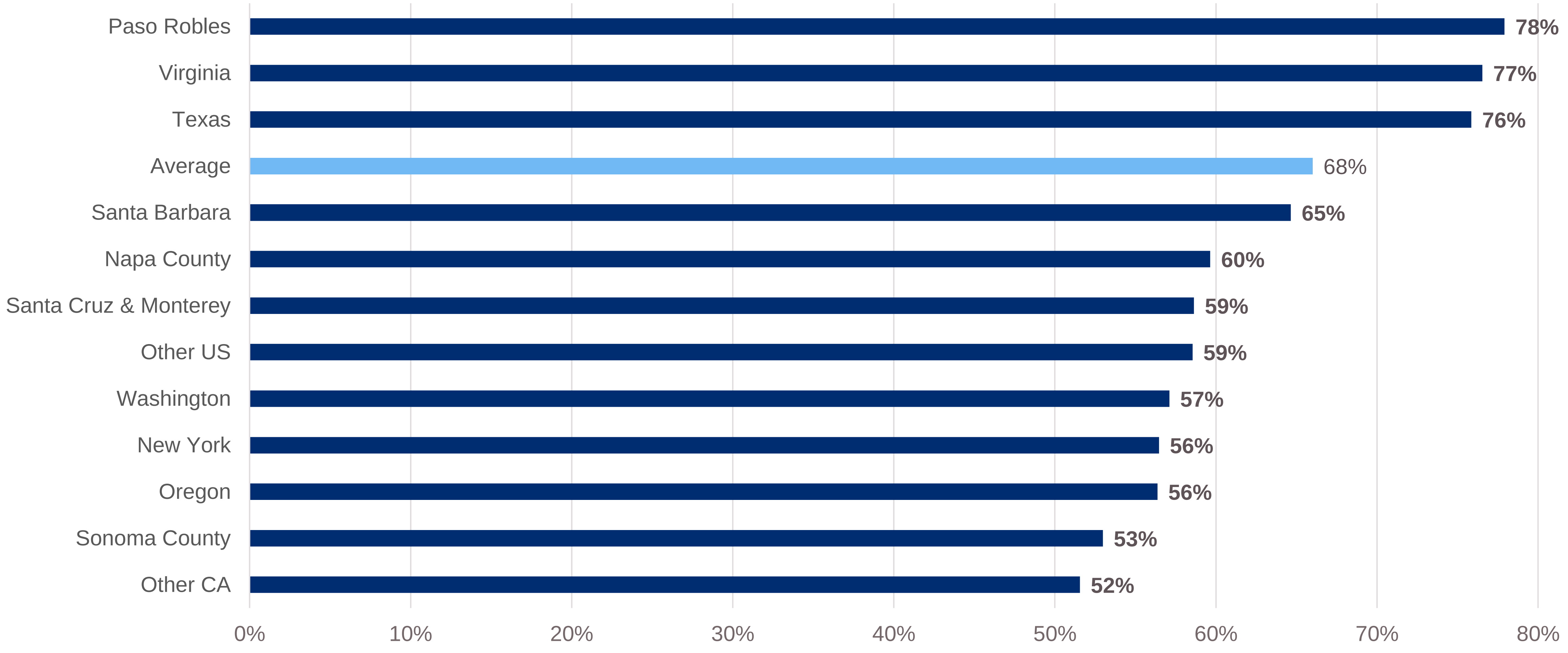
What is fascinating is that while the top quartiles of performers are doubling down on declining visitation and direct sales, those taking a novel approach are few. That tells me there is an opportunity for many wineries to take a risk by investing in regions outside of their home state. At a minimum, wineries should be testing ideas and seeking the way forward, rather than doing more of the same.

Sales channel mix: DTC is still the margin engine



Source: SVB State of the U.S. Wine Industry Survey

Percent of revenue from DTC sales by region



Source: SVB State of the U.S. Wine Industry Survey

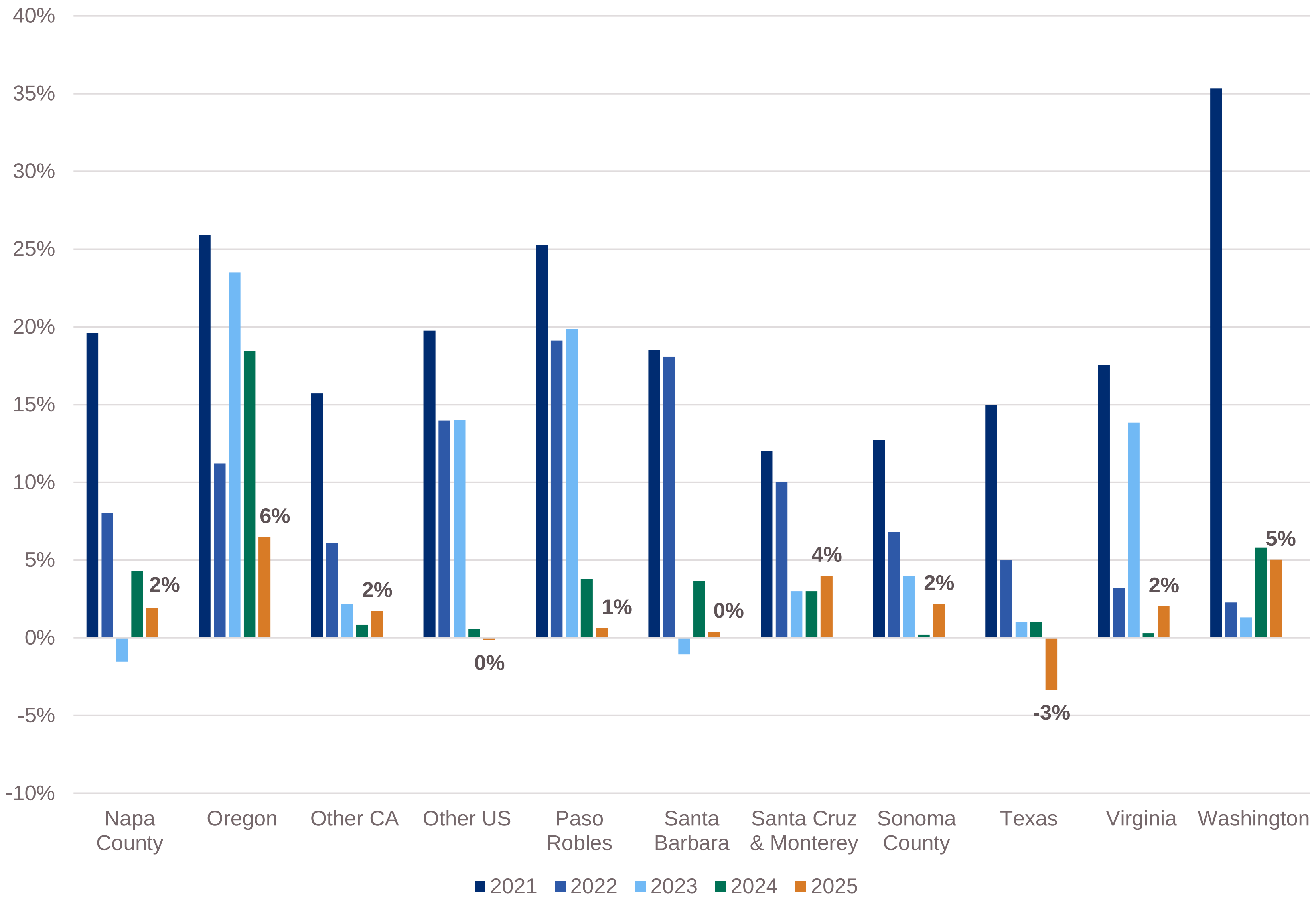
Revenue and price tiers: Not even across regions

Industry-wide, premium wineries expect essentially flat dollar sales in 2025. But the aggregate masks important variations. Oregon and Washington expect mid-single-digit growth, while several regions project declines. The smallest and largest premium wineries anticipate growth, while mid-sized producers expect contraction. It's been decades since we've seen this phenomenon, but being stuck in the middle – too big to take a DTC focus and too small to get distributors to sell your brand is something to be avoided.

The price-tier view is even more revealing. Wines below $20 per bottle remain weak, reflecting the long-term downtrend in everyday table wine. Meanwhile, the $20–$29 and $100-plus tiers show growth expectations—continuing the "hourglass" effect in consumer spending. Rightly or wrongly, one concerning trend is that younger consumers are buying wine more often as gifts instead of personal consumption.

Top-quartile wineries disproportionately occupy those positive price tiers. They are delivering value, clarity and differentiation where consumers are still willing to spend.

YoY forecasted change in revenue by region



Source: SVB State of the U.S. Wine Industry Survey

Pricing and cost recovery: Caution with selective increases

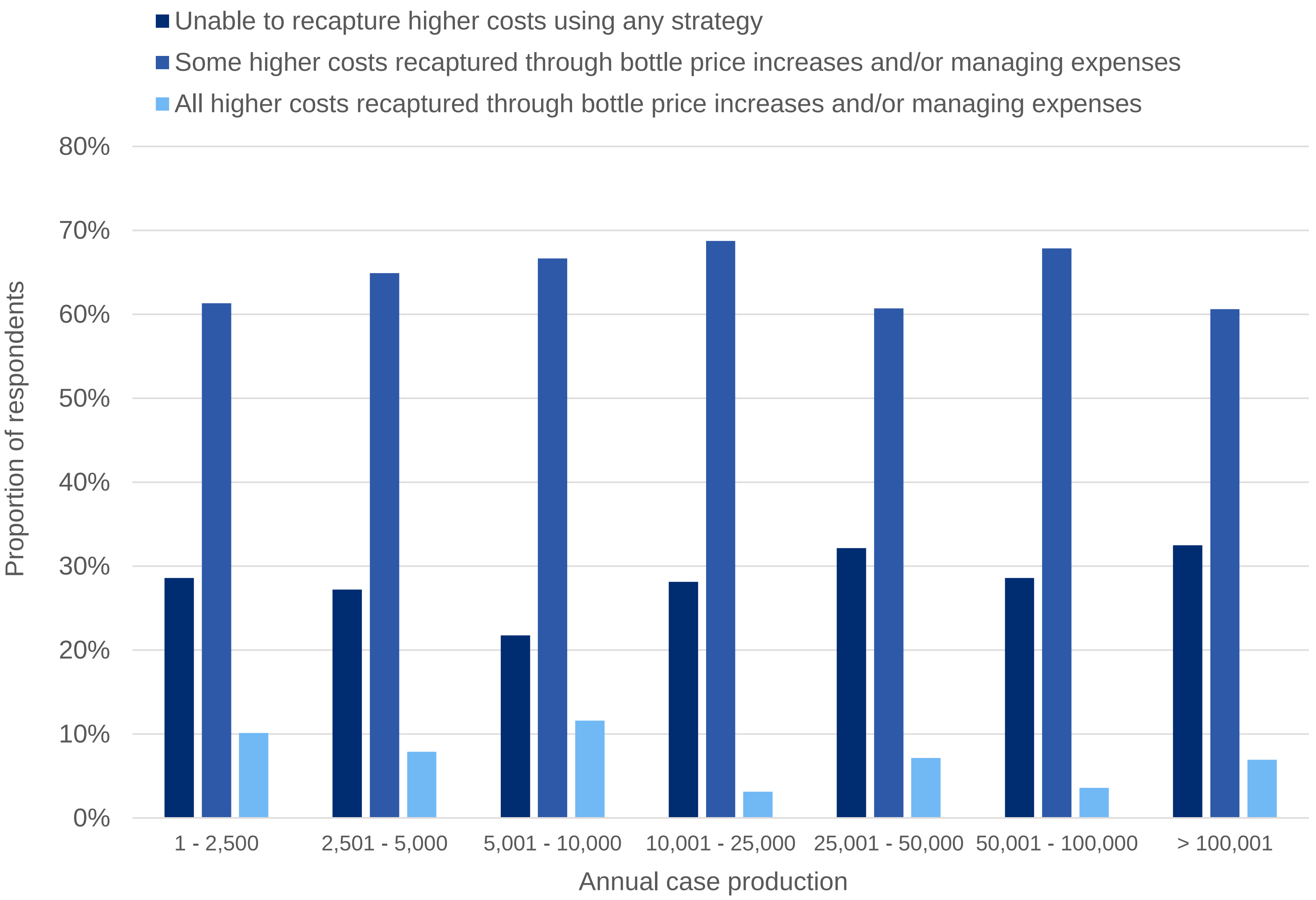
Wineries remain cautious on price changes. About half plan to hold prices steady, and about a quarter intend to take small increases on select items. Only a small portion anticipates broad price reductions.

Most wineries report at least some successful cost recovery from price inflation, primarily through disciplined expense management and selective price adjustments.

Top performers describe more surgical approaches: eliminating low-margin SKUs, shifting volume to higher-margin channels, controlling labor and investing in data tools to improve wholesale efficiency.

Struggling wineries more often cite “promotions” or broad discounting—tactics that risk eroding their long-term brand equity. Price change without an integrated strategy is at best a short-term approach.

Ability to recapture higher costs by case production



Acquisitions and exits: Patience, realism and divergence

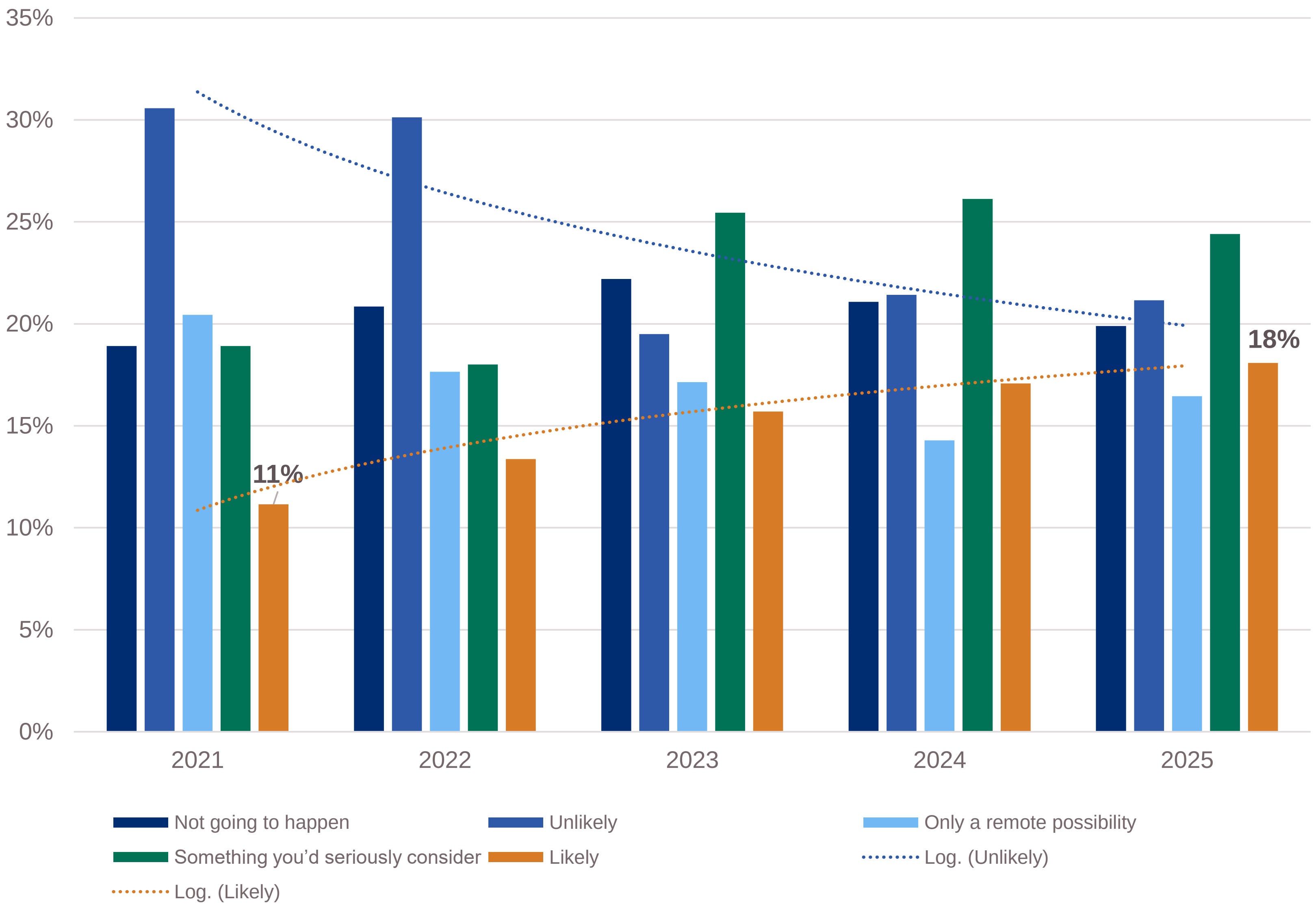
Acquisition interest has dropped sharply from earlier years, with fewer than one in five wineries expressing active interest in buying facilities, vineyards or brands.

Meanwhile, openness to selling has increased. The industry appears divided between those who want to grow and those evaluating strategic exits.

This mismatch—rising seller interest but fewer active buyers—suggests continued pressure on valuations for undifferentiated assets and greater opportunity for well-capitalized buyers who understand today's demand realities.

M&A is moving from a period of a splashy but thin market for acquisitions, to a point where more investors are evaluating if this is the right time to invest, which, is another indication that there is change beginning to take place.

Trend of likelihood of winery sale within five years



Source: SVB State of the U.S. Wine Industry Survey

Forward-looking confidence: The core of the concern

Confidence readings are among the lowest in our survey's history. Wineries express deep concern about the economy, consumer demand, labor availability, substitute products and capital costs. Only grape supply and water availability sit in neutral or mildly positive territory.

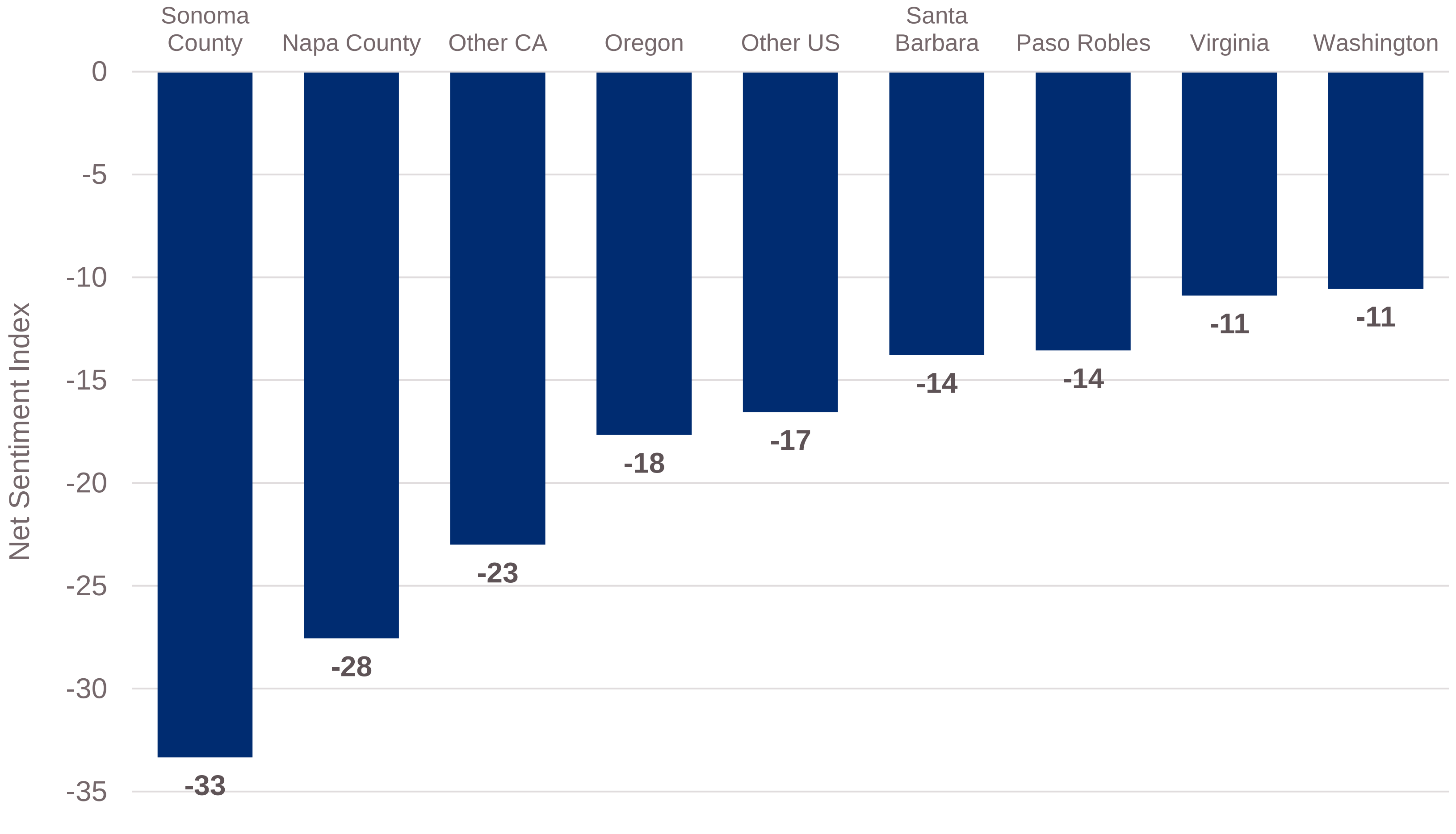
Regionally, sentiment varies widely. Washington and Virginia show the least pessimism. Napa and Sonoma show the most. The pattern aligns with cost structures, shifts in tourism and visitation, and regional DTC dynamics.

Top-quartile wineries acknowledge the headwinds but respond with more strategic clarity. They describe a three-to-five-year market reset and are positioning for the recovery: investing in hospitality, changing to regenerative farming and sustainability narratives, connecting with younger consumers, modernizing their digital communications and keeping debt manageable.

After reviewing where we are, the more important question is one we get from clients and prospects every day: “What is working out there?”

2025 overall industry sentiments by region

Total “positive” minus total “negative” responses for each region, divided by total responses from that region multiplied by 100.



Source: SVB State of the U.S. Wine Industry Survey

Success guide

Silicon Valley Bank
A Division of First Citizens Bank
First Citizens Bank

Success guide

We have some ideas for tweaks to tactics and strategies, but we aren't operators and wanted to represent what owners think. To do that, we put some data science behind the question and developed a measure we're calling a success index.

The measurement allows us to cite not only what top-performing wineries look like, but what they are doing. In the same way, we wanted to know which tactics no longer produce meaningful results; how strategies differ across winery types, and the most important recommendations for 2026 and beyond.

We are trying something new. For the first time we have integrated the two major SVB research efforts conducted in 2025:

1. The **SVB State of the U.S. Wine Industry Survey**, which focused on financial performance, pricing power and strategic confidence across all price tiers.
2. The **2025 SVB Direct-to-Consumer (DTC) Survey** tracked direct-to-consumer results, club performance, digital engagement and strategy among wineries of all sizes.

From these two sources, we built a composite scoring index. Then, using that index, we segmented wineries into quartiles, identified the top-performing 25%, and compared them with the other respondents using multiple objective and subjective indicators of business health that included:

- Anonymized owner evaluations of their operating performance for the year
- Management's evaluation of the company's sustainability and overall financial standing
- The strength of pricing power with the distributor and consumer
- The ability to recapture rising costs of doing business
- Year-over-year sales growth

Readers and respondents should understand that the survey contents remain anonymous. If you are in the respondent set, your information is not given out and your names and any identifying hints are all redacted before analysis takes place. That keeps bias out and is the right way to handle anything that could be considered privileged. Think of it as a blind tasting. The complete set of responses is not distributed. It's not possible to attribute an individual comment to a specific person or winery.

Once we examine the data, one of the easiest factors to recognize is that the wineries in the top quartile were the only group to report positive average sales growth in 2025, which, in itself, validates the methodology we used. Everyone else was flat to slightly negative. And that's the point of this chapter. It's almost a do-this-and-not-that finding, and the insights presented are observationally consistent with what we encounter working in the business.

The new equation for success: Retain, focus, simplify

In both datasets, the top decile of wineries—those showing the best financial performance and highest DTC growth—share a common set of characteristics:

Trait	Observed behavior	Result
Retention-first mindset	Clubs treated as core revenue engines; churn tightly managed	Highest correlation with financial strength
Strategic focus	Fewer SKUs, clear messaging, alignment of team and brand	Strong performance ratings and the ability to raise price if desired
Hospitality discipline	Appointment-driven, curated, trained hospitality professionals, experiences	Consistently more positive industry sentiment and growth
Targeted digital use	Social and email tools used as amplifiers to events, clubs and releases	Positive correlation with DTC success

This contrasts with the lower-performing wineries, which report they are "trying more things," relying on the return of traditional tourism, hosting large events and employing broad social outreach without measuring or tracking success.

Hospitality and experience remain the bedrock

From the 2025 State of the U.S. Wine Industry Survey's open-ended responses, we ran a word use filter and compared the filtered word to the adjective nearby. For example, if a repeated word was "consumer," if the nearby adjective was "unhappy" consumer, that wasn't counted as a positive trait.

A happy consumer would be counted positively. From this view, "hospitality" and "experience" were the most common positively associated terms among top-performing wineries. These same wineries described strategies centered around:

- Appointment-based tastings
- Member exclusives
- Food-paired experiences
- Investments in concierge and hospitality training

In the open-ended questions part of our survey, respondents repeatedly emphasized personalization. One winery noted, "With hospitality, meeting the guests where they are rather than forcing a script on them. Finding that connection. Utilizing AI to help with data analytics and goal setting."

Another added: "High-touch experience with hospitality touches that make guests feel relaxed and taken care of. Prioritizing hospitality tailored to the guest rather than a one-size-fits-all approach." This is the shift from service-as-transaction to service-as-relationship.

The DTC survey confirms that these strategies align with measurable outcomes: higher retention, greater DTC growth and more stable revenue. Visitor experience is the target activity, but hospitality is the brand.

Experimenting with price and access

One of the newest and most nuanced developments is experimentation with tasting room fees and access models. This conversation is gaining momentum.

The 2025 DTC survey run in March 2025 shows this as a nascent trend rather than a proven one as only a small subset of wineries reported exploring tiered fees, trial bundles and changing visitation options to target specific groups.

The unifying goal across the sample was to stimulate off-peak visitation and reach 30–45-year-old consumers with affordable, demographically targeted offerings and experiences that met consumers where they were. That should be a target goal for all wineries.

Lowering tasting fees isn't the strategy. Don't fall into the trap of thinking 'if you lower price, they will come.' The activity and execution have to be planned within the brand's vision. This is strategic experimentation aimed at improving visitation without eroding premium positioning. While the data sample is narrow because of the relative newness, the topic is well worth considering. We believe tasting room price discovery and accessibility will be critical to rebuilding visitation and volume. As of this writing, experimentation is accelerating.

Respondents described their thinking. One winery shared: "I focused on my two driving wines for BTG placement. We took a slight price reduction 1.5 years ago and have seen a 15–20% increase in those SKUs."

Others noted the shift in consumer value perceptions: "People are coming in and buying more cases of our best wine to drink at home. Dining out has become so expensive. If we were not focusing on higher value/margin wines, we would be in a different situation!"

The implication is that consumers will pay for quality, but only when the winery defines quality for the consumer and aligns price, experience and the club with the consumer's values, desires and needs. That drives value for consumers and generates follow-on sales and advocacy.

Traditional digital tools: Useful, but not sufficient

Digital channels—social, email, CRM—were cited positively by top performers and negatively by weaker wineries. The difference was not the tool, but how the campaigns were described, designed and executed.

Successful wineries described digital as an amplifier of real-world engagement. One respondent shared: "Producing a low alcohol and sweet wine that meets a select part of the market… and using social media as our leading CRM and acquisition method." In this case, digital works because it's a component of the plan and complements a highly targeted product and audience.

Another winery described an integrated strategy: "We have doubled down on our social media marketing with major impact on growth. We also added an event space that increases traffic and, as a result, wine sales." Here, social amplifies experiences but isn't a substitute for them.

Meanwhile, several wineries noted the declining value of wide-broadcast-style digital. As one put it, "Direct marketing via email campaigns has been less effective than during COVID." Another added, "Email marketing generally continues to become less effective for us." Traditional, undifferentiated email outreach no longer carries the same weight, and texting, while viewed with great interest, is reaching the level of spam when execution isn't perfect with timing, frequency of message and winery ask.

The takeaway: digital engagement succeeds when connected to a specific, measurable business process—not when treated as a generic push-marketing.

Reframing “Growth” for 2026 and beyond

In a shrinking market, the tactics for finding growth need to evolve. Instead of blindly expanding production and hoping the rising tide will take over or chasing new placements, the leading wineries are focusing on:

- **An outward focus** – redefining sales tactics for who, what and when
- **Operational efficiency** – aligning staffing and production with realistic demand.
- **Strategic clarity** – prioritizing fewer initiatives and executing them well.
- **Value per consumer** – maximizing client success by refocusing on customer lists and taking a fresh look at those who have been mildly disengaged.

One winery captured this succinctly: “Being authentic, keeping focus on our core product. Not growing beyond our means… we’ve done well with keeping supply lower than demand.” Growth results in stability through managed scarcity, not by blindly overproducing.

Another winery emphasized measurement: “Reviewing our sales data by channel every month… always aiming to beat the same month from the previous year.” Growth here is incremental, operational and data-driven.

The leading wineries are not chasing placements or increasing production volumes. They're refining engagement, managing supply, aligning staffing to reality and optimizing customer value.

What works now

Strategic theme	Outcome trend	2026 guidance
Club retention and engagement	Proven, and the strongest correlation with success	Possibly double down on loyalty programs, reward and recognize tenure and renew focus on the under-engaged tier
Emphasizing hospitality and experience	Consistently generates positive sentiment	Invest in training and personalization and role-play to enhance the next consumer's experience
Digital integration (social, CRM email)	Effective when targeted	Link content to club and sales goals. Use professional data providers to enhance the return of your own data
Dynamic fee and access models	Early experimentation phase	Continue testing, measuring success and mining failure for learning opportunities
Simplification and focus	A common tactic shared among the top 10%	Build brand clarity, cut SKU clutter, but ask your customers what they think
Events and partnerships	Context-dependent	Avoid large events. With exceptions, move from broad to curated or co-branded events

The core pattern is clear: what works now for premium wineries selling direct is planned out, high-touch, value-driven engagement. Not volume. Not events. Not generic marketing. It's about purposeful, personal contact.

The end of passive demand

In previous cycles, wineries could rely on walk-in traffic, distributor-driven volume increases and passive club growth. The if-you-build-it-they-will-come model. That era officially ended in 2022 but not everyone received the memo.

Respondents were explicit: "Relying on people coming to the tasting room no longer works. We've seen a drop in visitors… we have to go to where the consumers are." Another winery echoed this shift: "We can't count on the tasting room as a substantial revenue driver. We're having to rely more heavily on other channels—web, phone, text, wholesale and flash sales."

Demand now requires active cultivation of consumers, not hope. Engagement replaces exposure as the driver of sales.

Tourism has matured — and so must the tasting room

Wine country tourism is still vibrant, but how visitors behave has changed. They arrive with higher expectations, evolving preferences and a goal of having fun—not volume tasting or bar-style service. A large percentage have different ideas about value and what is important for them.

Wineries described the shift: "We stopped treating the tasting room like a bar and started treating it like a stage." Another noted, "People come for a story, not just a pour."

The data confirms that wineries investing in narrative, pacing and making guests feel like insiders report higher conversion rates, more substantial club acquisition and greater repeat visitation. Experience and presentation—not foot traffic—is the differentiator.

What top-performing wineries are doing differently

Across the top quartile, several behavioral patterns are consistent:

- They treat the club as the core of the business. Clear value propositions, two-way communication, curated experiences and club-first allocation.
- They differentiate with slower pace, and know beforehand when the conversation is about wine education or fun. Some guests want depth, narrative and conversation—others want something unique and aligned with their values and desires.
- They treat digital storytelling as hospitality, and recognize the goal is to be inclusive and extend the halo from in-person hospitality between visits.
- They are deliberate with pricing and allocation. They hold discipline, avoid detached discounting and reinforce perceived value.

Respondents highlight the importance of personal presence: “We opened a tasting room in 2025—we expect more in-person contact and personal connections to have a major impact on retention.” Another winery tied this to geographic reach: “Take the wine tasting experience on the road. Nothing sells like a satisfied customer, and our wine club members are ambassadors for the brand.”

New, untested ideas: Early signals of what might come next

Although our Success Index highlights proven strategies, the dataset also includes emerging tactics too new to classify as successes or failures. These early experiments demonstrate how wineries are adapting to a market where passive demand has eroded, and regional presence increasingly matters.

Several wineries described taking experience-building directly into consumers’ home markets. One respondent noted: “Adding different combinations for a new label and spending more time getting club members involved in their home areas—country clubs, more at-home events in their area.” This reframes the tasting room as a portable concept, deployed in targeted geographies.

Others described hybrid DTC–wholesale approaches: “We have redoubled our work out in the market, spending more time alongside our distributors and tying in evening events that our consumer mailing list members can attend.” This merges trade engagement with consumer activation.

A third cluster centers on consistent, disciplined market work: “Outreach and distributor face time have been paying dividends. Wherever we are doing market work, we are seeing success. Partners that cannot or will not provide that market support are down and struggling.” This suggests that the right distributor relationship in the right market can function as an extension of the tasting room—if supported by winery presence.

These strategies are too new to categorize, but they signal the next step in DTC evolution: moving beyond the West Coast and building targeted presence where customers live, work and gather. In a world where visitation is selective and value-sensitive, taking the brand on the road may become a defining capability.

An important point to consider about the findings

Many, if not most, of the responses from top-quartile performers are refocusing efforts on tried-and-true tactics and strategies, and it's still working. It's hard for me to believe but, the opportunity still exists to succeed with only minor alterations and better execution of proven strategies. That's the good news.

While expense control is always a good idea, less successful wineries had 'cost-cutting' high on their list of tactics, which is an inward-facing mentality. There is no question that the most successful wineries exhibit an outward-facing bias. But with all this information demonstrating current success, the question has to be asked: Will those tried-and-true tactics continue to be successful tomorrow?

With the demand shift now presenting a mature and definable context, some successful strategies that rely on past models and consumer patterns may begin to disappoint without adaptation.

My sincere belief is the true winners tomorrow will be the out-of-the-box thinkers who develop novel approaches to attract new consumers, without surrendering that which makes the business unique.

New concepts in marketing, product design, packaging, presentation, and delivery that successfully occupy a space at the the next consumer's table and their occasions still must maintain the comforting foundation of a product that spans thousands of years.

As an industry, we've been slow to fully accept evolved consumer demand. The saying that "necessity is the mother of invention" applies here. You can't evolve if you can't or won't identify the problem. At this stage however, I believe we have arrived. We've accepted the situation, and invention is taking over.

I'm aware of many collaborative solutions that are being planned, tested and tried. We've barely scratched the surface of what could be, and what we will become.

What's no longer working

This is the "don't-do-that" section, and it's small. Across respondents, several historical "workhorse" tactics have weakened materially:

- Large events that produce noise but not loyalty. You aren't a concert promoter.
- Passive club acquisition. This boat isn't rising.
- Discounts used to drive volume rather than reinforce loyalty. In a discount environment, lowering prices can align you with brands that are failing. Discounting is only a positive tool when you develop tactics to enhance your brand.
- Reliance on tourism-driven traffic. Hoping a person walks in your door isn't a strategy. Consider meeting customers and club members where they live, and at their occasions.
- Distributor-led sales without winery engagement. It hasn't worked since the middle-90s and it's still not working. The exit of RNDC from California is still creating waves and wont be the end of distributor evolution.

The strategies above aren't always bad ideas. Some still work in limited contexts, but the data show the practices no longer produce reliable results across the industry. They are symptoms of the older cycle, not drivers of the new one.

Implications for wineries outside the top quartile

Evolution will happen. The decision is about the type of evolution you will experience. For wineries outside the top quartile, the pathways to stronger performance are straightforward and actionable, but they are also time sensitive. Here is a representative construct and benchmark that describes those having success.

Behavior / Metric	Top 25%	Lower 75%
Sales growth (2025)	Positive YOY	Flat to negative
Wine club contribution	Higher % revenue	Lower, variable
Price discipline	Hold/careful raises	Frequent discounting
Tasting room strategy	Balancing strategies of fun versus education	Short, volume-oriented. Table turns.
Digital presence	Additive to the consumer experience	Sporadic, reactive, shotgun
Engagement cadence	Monthly touchpoints	Irregular, event-driven, or with no cadence
Event Goals & ROI	Small, curated, connected, memorable, measurable, long-view	Large events, quick hits outside of brand context, unprofitable
Staff training	Structured hospitality with empowerment	Ad hoc
Allocation strategy	Club-first	Broad availability
Brand positioning	Clear target	Broad/less-focused

Success comes from understanding the problem and ideating with purpose in mind. Small steps can have big impacts when we allow new ideas into the solution set. Idea-action-measurement-adjust.

Replace “that’ll never work” mentality with “let’s try it out and see if it might work.” Even when the new idea doesn’t work, you come away wiser.

Success is not defined by scale; it’s not guaranteed and hope as a strategy has never been a worse idea than it is today. The wineries succeeding are not waiting for a return to what was—they are adapting to what will be.

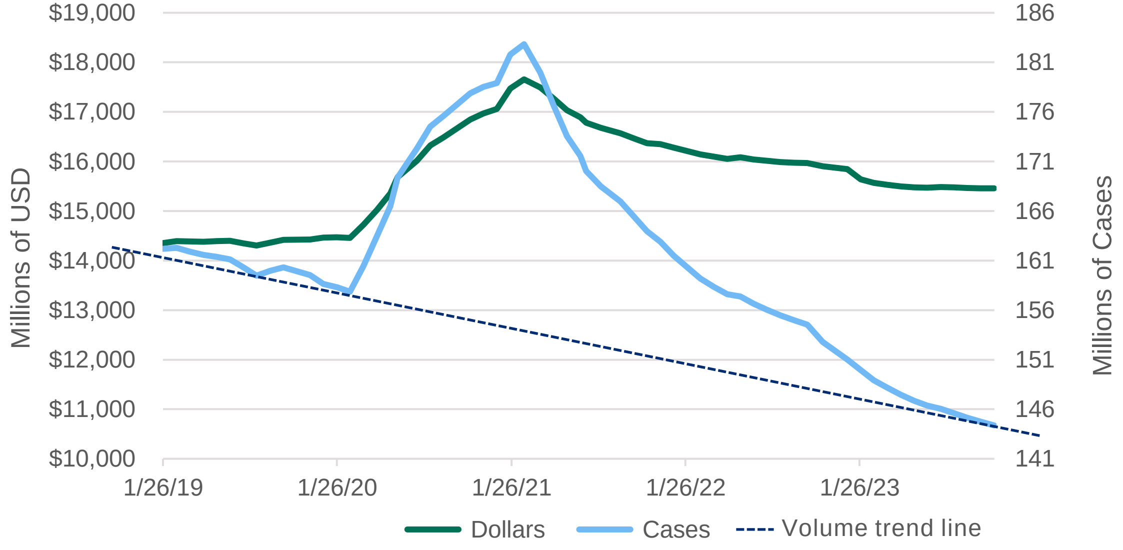
U.S. Wine demand, correction and length

U.S. Wine demand, correction and length

How we got here — and finding a demand floor

This is a topic I covered in last year's report, but I have added more rigor to the underlying modeling. It's something we have to include because it's one of our most frequently asked questions: "When will the downturn flatten and when will the market rebound?" We start by reviewing how we got here to give context to where we're going.

Understanding wine sales shifts 2019 – 2024

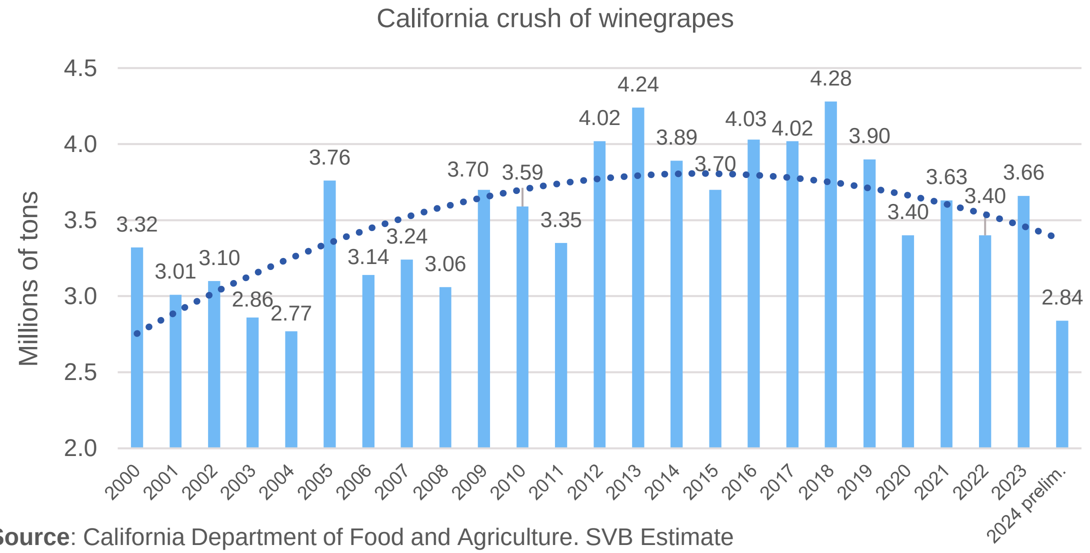


Source: Nielsen IQ

The chart to the left from Niesen IQ is the easiest way to get some fundamental insight into industry sales changes over the last seven years. It is only off-premise, but the dataset is clearer than any other.

The key reference point is in 2019 on the left side of the chart—the last "normal" pre-COVID year. Those working in the trade knew we were already suffering from acute oversupply, but at the time, the external narrative was about the three consecutive large harvests in California, not faltering demand. In 2018, the California crush reached a record high of 4.28M tons. Still, sales volume was already declining, even with record levels of available inventory.

How large harvests played into the narrative



Source: California Department of Food and Agriculture. SVB Estimate

The Supercycle

The wine industry experienced lower volume sales in the middle 80s but volume growth turned positive in 1994. That was the end of the last Supercycle. It has been blissful ever since until 2020.

Most people employed in the business today have worked only during periods when sales had forward momentum, so they never had the opportunity to develop a playbook for responding to demand declines.

While we explicitly warned of the oncoming consumer shift in the 2019 SVB State of the Industry Report, there was no industry discussion or response that followed. Wanting to believe that large harvests were the exclusive cause of oversupply in 2019 kept the industry from going deeper into the data. It prevented us from recognizing that the demand reset was already underway.

By February 2022 the writing on the wall was too hard to ignore. The only question was how deep and how long this particular situation would last. How did we answer those questions as an industry? We did what we had learned through 25 years of increasing demand. We decided to do nothing.

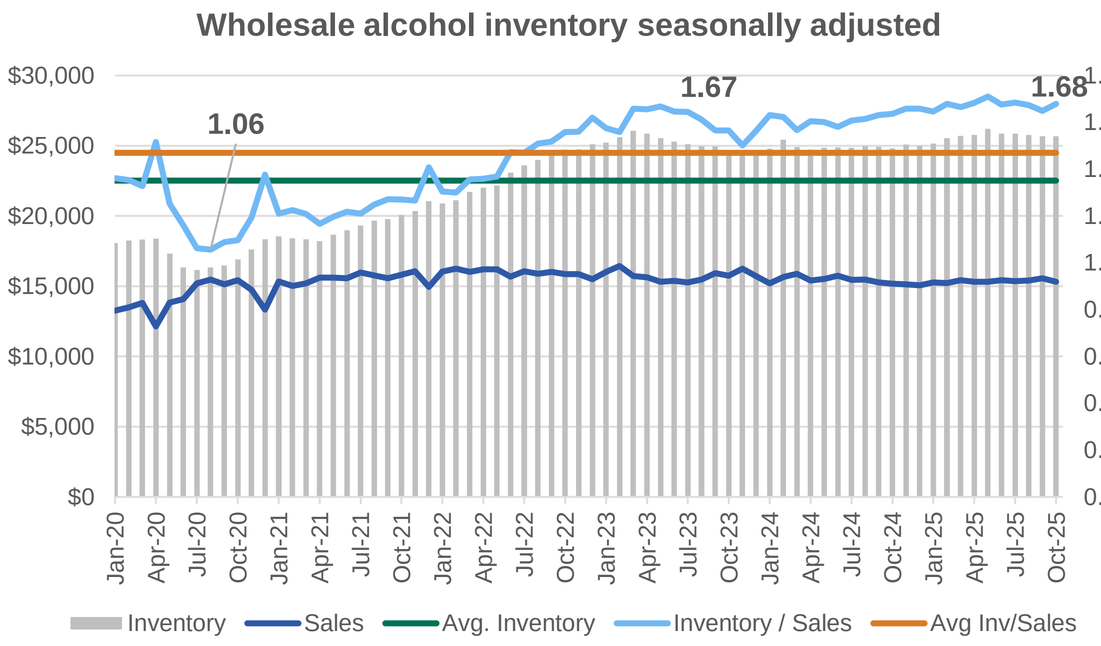
Doing nothing was a good solution for oversupply during the past 25 years because each case of an oversupply was a supply-side issue, with real demand constantly increasing. So, doing nothing in the face of rising demand worked, and improving demand eventually absorbed the excess during all the prior cycles.

But 2019 was a different type of imbalance caused by shrinking demand. At the time, we felt it would take at least two years of corrective actions to address the imbalance. But what was to come next could never be predicted.

COVID distortions in the sales channels

When the pandemic SIP orders went into effect in March 2020, the channel structure that had functioned like clockwork for more than a decade changed overnight. Restaurants closed, tasting rooms shuttered and wine sales from those channels moved into grocery and club stores.

That shift is evident in the Nielsen chart first mentioned in this section. The volume and value lines that had begun to shift returned to familiar territory as cases spiked sharply higher for several months when consumers rerouted their spending to grocery stores.



Source: Census Bureau

The COVID narratives that missed the target

The COVID narrative that emerged subsequently was that people were drinking more at home, and that was driving sales higher. That supposition was reinforced by wholesale inventories that dropped close to unsustainable levels, as noted by the inventory dip on the left side of the Wholesale Inventory chart on the prior page. For a moment, we reached a supply level that would trigger shortage alarms at any other time. The situation necessitated a response.

Within just a few months, large beer, spirits and wine producers filled that inventory pothole with a vengeance that still echoes to this day, with wholesale inventory-to-sales levels reaching record territory. In the case of retail wine inventories, the excess we experienced for a moment in 2019 vanished completely in 2020 due to COVID lockdowns, but aided by record wildfires on the West Coast that rendered hundreds of tons of fruit unsuitable for crushing. Supply chain shortages were added to that economic catastrophe, causing bottle prices to move unpredictably.

Revisiting the false COVID narratives, demand for wine by volume did rise slightly during COVID, but looking back at the available data, there is very little support for the claim that consumers drank massive quantities of wine, or that they were ‘pantry loading,’ which is the term for consumers who hoarded wine during COVID, just as they did toilet paper.

Pantry loading was a handy way for analysts to explain the drop in wine volumes sold in 2021 when businesses reopened. That narrative, too, doesn’t align with the data in hindsight. What you do see in the data is increased sales dollars, but that was due to price inflation rather than higher bottled sales.

Supply channel shocks and the return to normal

By mid-2021, as the economy reopened, channel distortions unwound and wine in the off-premise returned to its underlying decline. The retail slowdown in off-premise sales was reflected at the wholesale level by ballooning inventories. Once channel shifting washed out, you could see the category resume the same downward off-premise trajectory it had shown before COVID.

By the end of 2023, the distortions from COVID were almost entirely behind us, except for residual inventories in retail, wholesale and wine producers. That impact extended back to winegrape growers, who in many cases are still finding it difficult to get contracts, despite vineyard removals.

There are only two ways to fix a demand imbalance: either find more consumers, or persuade existing ones to consume more often. Population growth is already built into the numbers. We know that figure.

It could be increased through immigration, but current immigration policies are not immigrant-friendly. Regarding per capita growth, the marketing success of the “no safe amount” mantra by neo-prohibitionists doesn’t look promising for relief either.

That’s the short-term view. We used our experience and knowledge along with an extensive set of available data to build our demand estimate this year. That was needed to come to a conclusion and forecast “how long this period will last.”

The SVB demographic and cohort consumption estimate

Remember, we are trying to get a read on when the decline in wine sales might shift from down to flat, and later back to growth, indicating the timing of business dynamics.

Boomers are now aging out of their peak consumption years—sunsetting, as I like to say—and they are being replaced by Millennials and Gen Z drinkers who have a fundamentally different relationship with alcohol. They drink across multiple categories, and they consume less, particularly among consumers under 29, as shown in the chart below.

To help understand the demographic impact of cohort change on wine consumption, we've developed and applied SVB's demographic and cohort consumption estimate to analyze and forecast shifts in the U.S. wine market by segmenting consumers by age and generational cohorts.

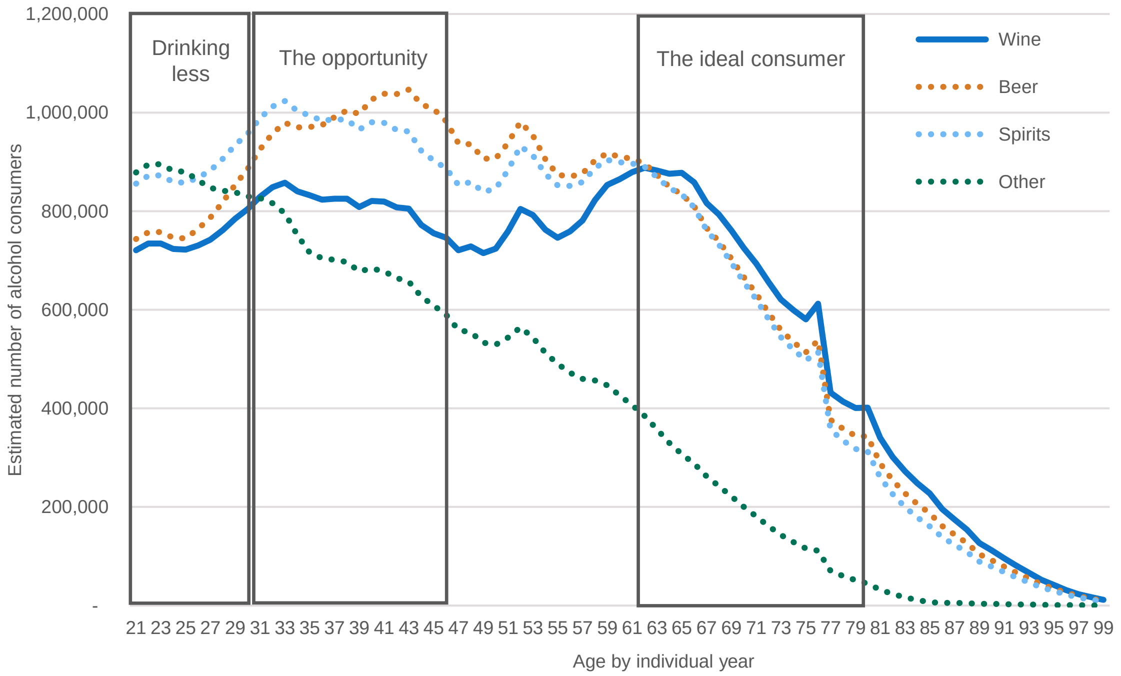
The Estimated Consuming Population chart nearby gauges consumer preferences for alcohol, removing the impact from cross-channel consumption. The solid line at the bottom left represents consumers with a theoretical preference for wine at any given time. The top line on the chart illustrates the beer preference curve and the middle line represents spirits.

To the far right of the chart, you can see the point in time when all consumers by age have roughly the same level of demand for all three alcohol beverage categories. After that intersection, the solid wine trend stands on top of the other two categories. It's that latter structure that we are working through today with higher wine-indexing consumers aged 60 and over who are rotating out.

The SVB Demand Estimate relies on this structure as its foundation for making future predictions. This method enables SVB to assess not just overall past volume and value trends in the market, but also to foresee shifts in consumption patterns as different generations move through key wine-drinking stages. By incorporating these demographic insights, the tool offers a clearer estimate of the medium- and long-term trends in wine demand across the U.S.

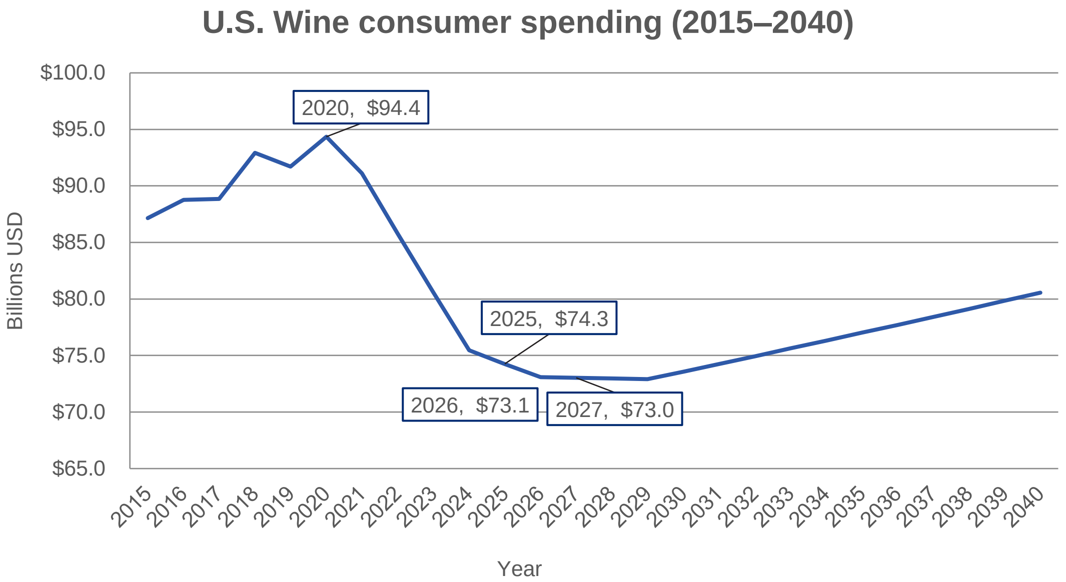
This modeling represents part of the real work that's been done behind the scenes for this year's report.

Estimated consuming population by single age and alcohol preference



Source: SVB analysis and estimates

The SVB wine demand and consumption estimate



Source: SVB analysis and estimates

The details of the demand estimate live in the Technical Appendix. I didn't want to clutter up the conversation with that detail, but despite leaving them out here, it's worth pulling a few threads forward.

This tool sits atop our long-standing demographic framework, explained in the chart Estimated Consuming Population, and draws on virtually every credible data source we can assemble to model forward demand. This isn't a new model, as much as it's a synthesis of available research that's already being produced.

We've blended information from CGA by NIQ for on-premise data, Nielsen NIQ for off-premise, Sovos / WineBusiness Analytics DTC Reports, WSWA SipSource depletion information, NABCA Control States Monthly commentary, TTB Monthly Wine Statistics and Excise Tax Data, California Wine Institute volume data and the U.S. Bureau of Economic Analysis PCE, Alcoholic Beverages—and then tie all the data back to Census population forecasts.

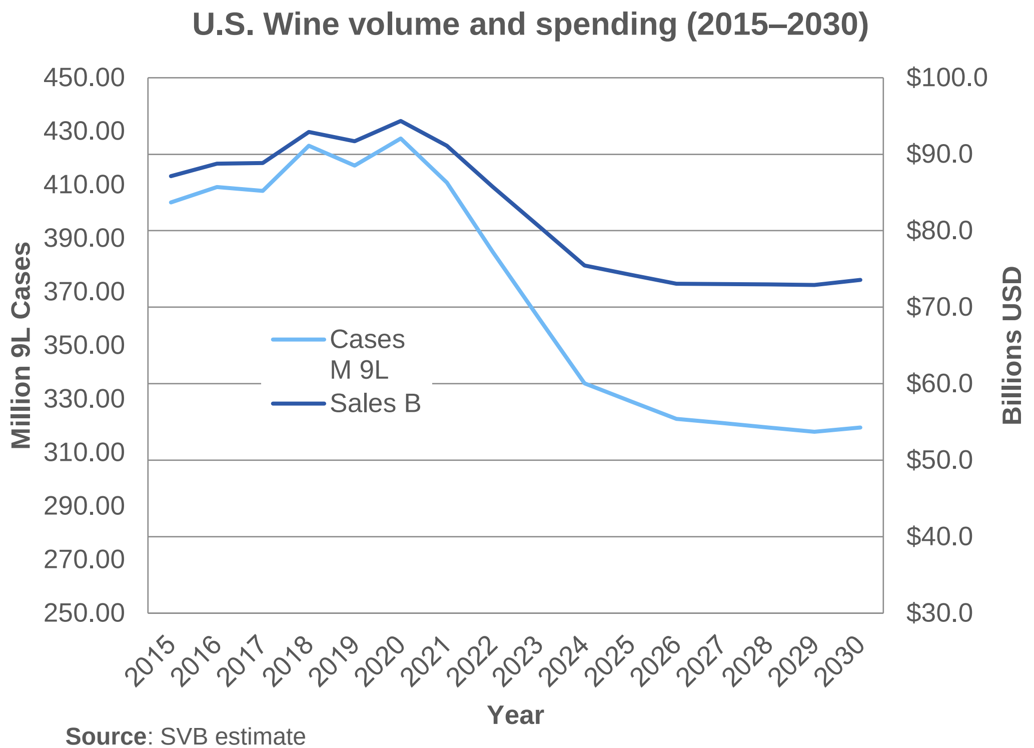
To validate the tool, we tested it against historical outcomes and were satisfied with the results. The design produced the chart to the left on U.S. Wine Consumer Spending and gives us a fair idea of where we are today and how this consumer rotation should operate over the next 15 years.

The tool output

Since 2020, wine consumption and spending has endured a notable downward slide, particularly in lower-priced segments, from a high of $94B in 2020 to $74.3B in 2025, a decline of about 4% annually. It peaked just before 2020, popped back for a few months during COVID, and then resumed the same downward slope evident in the volume declines we first noted in late 2017.

The whys of the past seven years are self-evident at this point: Boomers are drinking less, and there are fewer of them every day. They are replaced by the younger cohorts who aren't as much in love with wine as their elders.

The reasons they don't appreciate wine are also self-evident, so there is no need to list them again here. The under-29 consumer has always been late to wine, but the current vintage of the youngest alcohol beverage consumers has a higher proportion of non-drinkers in the category.



Source: SVB estimate

The under-29 category is another concern we're facing. We could say to ourselves that wine consumption historically rises when people move into a more settled employment and living status around that age, which is what important industry voices said about millennials over the past 15 years. “Just wait. They’ll come around.” That didn’t work out because age alone doesn’t define what motivates consumers to buy. But there are age-based behaviors that have moved the needle on wine consumption. Some of those include the point people move into their careers, buy a home, and have children.

Is there a repeat-demand bubble being set up?

It should be noted that this current flock of consumers under 30 drink less than any similarly aged group, as far back as records go.

The good news today is that the 30-45-year-old consumers do have enough people in their age group who do drink alcohol. Creating circumstances in which they moderately consume a few additional glasses a week can replace the loss of the older cohort and improve the business dynamics we are working in today.

But my advice to anyone in the industry listening is that, as we finish working through the impact of this current consumer shift, we remain mindful of the pattern. We could be setting ourselves up for a repeat of a similar demand bubble and rotational shift in 20 years.

As an older cohort of Millennials marches toward their 60s and matures out of the category, they might be followed by Gen Zers who index even lower for wine. That’s a view based on the data on higher levels of abstinence in this younger generation. Addressing this diminished demand requires an active response today that demonstrates to the younger consumer that, if they choose to drink, wine is the beverage that aligns with their values.

If we want to return to sustainable business conditions, it will take collaboration on regional and national marketing initiatives to present wine to new consumers as something of value that’s worth the price.

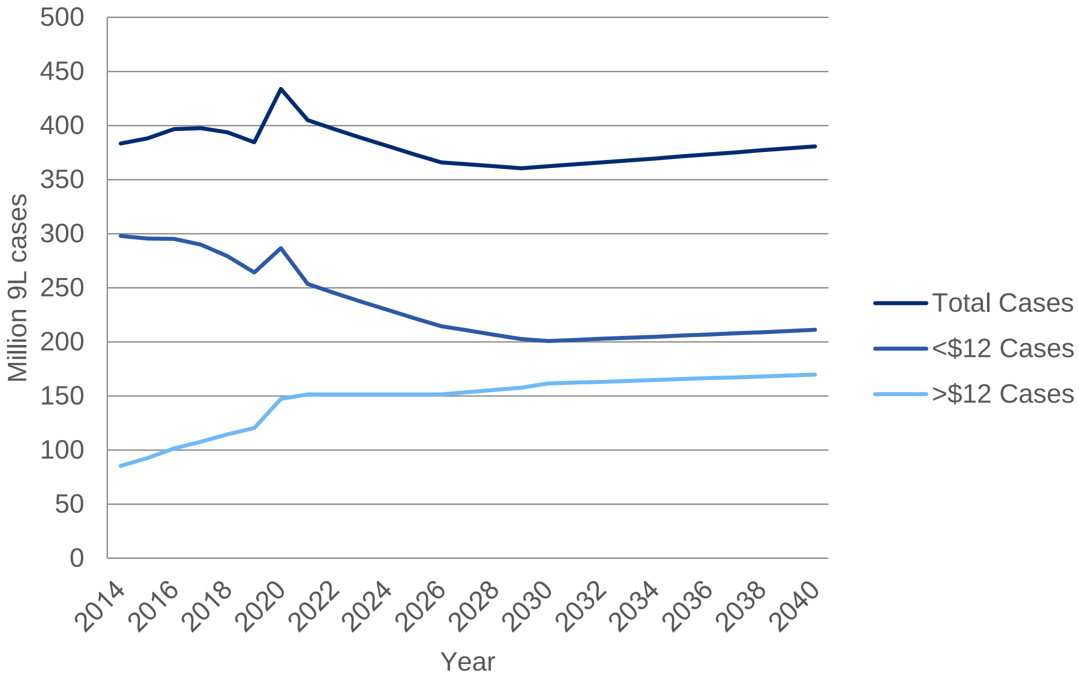
As someone who’s tried to get the industry to buy into a USDA Marketing Order, I know how hard it is to get alignment in this fragmented business, but I still believe it’s a worthwhile initiative to consider.

From volume to value

Measuring the dollar side of the tool, we received a grace period that altered the view of spending that would have occurred if tied directly to volume.

Inflation and supply-chain disruptions pushed prices up in 2021 and 2022, keeping revenue afloat even as volumes softened. But you can only outrun gravity for so long. Pricing has done about all it can do at this point. Dollars are still outpacing volume, but the gap in growth rates is narrowing in the current discounting environment.

Market segmentation (2014–2040)



Source: SVB analysis and estimates

If you break the market into value wines under $12 and premium wines above that line, the differences become more defined. The under-$12 category is in a long-term demographic decline that might even trace its beginning to the 60's, when jug wines started falling out of favor.

There's no obvious recovery on the horizon for the <$12 wine category without some innovative marketing and sales strategies. But with all the great, inexpensive bulk wine on the market, there is an argument to be made that value could improve without increasing price; and even attract some frugal consumers to the category. Premium wines are also declining right now, but the slope is gentler.

For all the headwinds, we are of the belief that the worst of the downturn is behind us. The next couple of years won't be a party, but the demographic drag starts easing as the large 30- to 45-year-old cohort matures into more wine-friendly life stages. That's the window wineries should be planning toward. The opportunity isn't tomorrow morning, but it is visible on the horizon.

Looking ahead

Based on the current SVB demand estimate, we expect U.S. wine volume to end 2025 at about 329.2 million cases—down from 335.9 million cases in 2024. On value, we think industry revenue will finish 2025 around $74.3B, down from $75.5B in the previous year.

To the big question: When will we find a bottom and start to grow?

- Absent an external event, the rate of decline for the industry should slow slightly in 2026 before finding a bumpy bottom in 2027 and 2028. To see a real bottom, retail sales will need to improve, reducing wholesale oversupply. Since there is no retail correction in sight yet, and wholesale inventories remain stubbornly high, it's a fait accompli that producer-level sales in 2026 will remain sluggish. Predicting a bottom for 2026 is more than optimistic under the current conditions.
- For the under $12 segment, there may be an extra year or more before the downtrend bottoms and supply and demand find balance, given the higher rate of sales declines. Consumer marketing initiatives could improve this outlook.
- Consumer spending on wine will continue to decline through 2025, then slow and flatten through 2027–2028, after which we expect a shift back to modest growth. Think of it as a return to normal—not the boom years of the mid-1990s, but a healthier trajectory grounded in slow population growth, light inflation and lower per-capita consumption.

These are forecasts, not guarantees. Things can and do change. However, the opinions and support information are based on the best available long-term demographic and consumption data. Most importantly, the industry still holds influence here. We can enhance this outlook if we're willing to adapt to the consumer needs at hand.

We think that the steepest part of the downturn is behind us, but we aren't out of the woods. 2026 and 2027 will still be challenging, however, the demographic drag will lessen as the large 30- to 45-year-old cohort moves into more wine-friendly life stages and the impact of the older consumer sunsets.

Once again, this is a period requiring active engagement and adaptation. Don't wait for the bottom, believing everything will return to what was normal before 2020. Industry growth is coming, but you have to find it.

Financial performance trends & benchmarks

Financial performance trends & benchmarks

Introduction

Silicon Valley Bank has been collecting the financial information of wineries for 30 years. In the early 2000s we developed a platform that used an Access database to agglomerate financial data and create financial benchmarks for our clients. The software has changed but the basic structure of the model is the same.

While the Division supports well over 500 wineries today, the Peer Group Analysis (PGA) database is a subset of that population with CPA-audited and reviewed financial statements, and a population set ranging between 80 to 120 participants annually.

The following discussion uses that information to give the wider premium industry, investors, and academia an idea of real financial benchmarks derived from premium winery financial statements.

Overview

After several volatile years defined by pandemic-era disruptions, elevated input costs and channel rebalancing, the first six months of 2025 signaled normalization—and separation. While aggregate sales among premium wineries in the dataset grew modestly, profit margins compressed, inventory levels expanded and leverage ratios rose.

The strongest producers demonstrated disciplined pricing, cash management and working-capital control. Others continued to face liquidity strain, weakened coverage ratios and slower sell-through, suggesting the financial divide in the U.S. wine industry remains wide heading into 2026.

Exhibit X.1 – tiered financial overview

Tier	Sales growth %	OI % of sales 2025	Gross profit margin 2025	Net margin 2025	Current ratio 2025	Liabilities / TNW 2025
Tier 1 (top third)	5.0%	25.0%	68.0%	21.0%	13.4	-0.57
Tier 2 (middle third)	-3.0%	1.0%	58.0%	-5.0%	6.0	0.55
Tier 3 (bottom third)	6.0%	-0.4%	51.0%	-50.0%	9.6	1.85

Note: All values represent average actual performance within each tier.

Interpretation — Top-tier wineries maintained strong profitability and liquidity. Middle-tier performance was transitional. Bottom-tier producers exhibited negative margins and high leverage, indicating structural challenges.

Source: Silicon Valley Bank Peer Group Analysis Database (PGA)

Benchmarks by financial ratio

Metric	Top quartile (top 25%)	Median benchmark (50%)	Bottom quartile (bottom 25%)
Sales growth %	8.0%	-1.3%	-10.2%
Operating income % of sales (2025)	11.9%	2.9%	-10.5%
Gross profit margin (2025)	68.8%	59.2%	49.4%
Net margin (2025)	11.4%	-1.5%	-18.6%
Current ratio (2025)	6.5	2.6	1.8
Total liabilities / TNW (2025)	1.82	1.5	2.1

Note: Quartile benchmarks exclude outliers beyond ± 2 standard deviations from the mean.

Interpretation — Financial strength directly correlates with leverage control. Bottom-quartile producers remain highly levered and exposed to rate pressure.

Inventory days benchmarks (2024–2025)

Metric	Top quartile	Median	Bottom quartile
Inventory days (2024)	1,237	978	1,806
Inventory days (2025)	1,332	1,202	1,983
Change (2025 vs 2024)	+95	+223	+177

Note: Inventory days measure the average holding period before sale.

Interpretation — Top quartile wineries were able to maintain sales growth to minimize expansion of inventory days. Median & bottom quartile wineries on average experienced unexpected sales declines, that generated meaningful backups in inventory that producers will look to liquidate for cash.

Debt Service Coverage (DSC)

Metric	Top quartile	Median	Bottom quartile
DSC (2024)	2.8×	1.1×	0.0×
DSC (2025)	1.8×	0.6×	-0.1×
Change (2025 vs 2024)	+0.5×	-0.1×	-1.7×

Definition: DSC = (Operating Income + Depreciation & Amortization) ÷ Current Portion of Long-Term Debt.

Interpretation — Median coverage fell below 1.0x. Bottom-quartile DSC turned negative, revealing inadequate cash flow to service debt.

Inventory Efficiency Ratio (IER)

Tier	Sales growth %	Change in inventory days %	Inventory efficiency ratio (IER)
Tier 1 (top third)	5.0%	+6.7%	0.7
Tier 2 (middle third)	-3.0%	+12.0%	-0.3
Tier 3 (bottom third)	-6.0%	+15.0%	-0.4

Definition: IER = Sales Growth % ÷ Change in Inventory Days %.

Interpretation — Tier 1 maintained inventory discipline relative to growth. Mid- and bottom-tier companies saw a mismatch between sales and production, which stressed liquidity.

Tier commentary

- **Tier 1** — Top performers: Disciplined growth, strong liquidity, strategic inventory management.
- **Tier 2** — Transitional: Stabilizing, moderate leverage, room for pricing improvements.
- **Tier 3** — Underperformers: Over-levered, shrinking cash coverage, declining sales efficiency.

Implications for 2026

Execution will define success more than macro trends. (The boat isn’t rising today.) Profitability depends on outward-facing strategies that can increase unit sales. Fiscally disciplined pricing, cost containment, strong cash flow and attention to data.

Source: Silicon Valley Bank Peer Group Analysis Database (PGA)

Technical appendix

Data sources, methodology and validation approach for the 2026 State of the U.S. Wine Industry Report

Overview

The 2026 State of the U.S. Wine Industry Estimate synthesizes multiple subjective and objective independent datasets to generate the most accurate possible perspective on U.S. wine demand, supply, channel dynamics and long-range consumer demographic trends. No single source captures the whole picture. Our approach leverages:

- Government-reported volume data (TTB)
- Retail scanner data (NielsenIQ)
- Distributor depletion trends (SipSource)
- Wine Institute historical benchmarks
- Census Bureau data on wholesale inventory
- SVB's proprietary demographic and cohort consumption estimates

The result is a multi-lens view of the wine market that avoids the blind spots inherent in any single data source.

Note that the wine business is fragmented and accurate information has always been difficult to find. There are only a limited number of estimates of the total market size and ours varies from the others, but it is supported and defendable.

Data sources used

1. TTB – U.S. Federal Government (primary volume validation)

- Annual "National Wine Reports," including:
  - Taxable domestic wine withdrawals (gallons)
  - Export volumes
  - Tax class detail (0–14%, >14–21%, >21%)
- Converted to millions of nine-liter cases for comparability.
- Provides a government-verified lower bound for domestic wine consumption.

2. California Wine Institute – Industry statistics

- Long-used by the trade for consumption estimates.
- Includes:
  - Domestic production
  - Imports
  - Exports
  - Estimated U.S. consumption (domestic + imports – exports)
- Used as a historical benchmark, not as a definitive dollar source.

3. NielsenIQ (Off-premise retail scanner data)

- Rolling 52-week chain retail sales (dollars and volume)
- Used to track:
  - Average bottle price at retail
  - Price tier movement
  - Off-premise consumption trends
- Provides **ground truth** for the largest retail channel.

4. SipSource (On- and off-prem depletions, 2020–2024)

- Monthly depletion growth trends for wine and spirits
- Distinguishes on-premise vs off-premise performance
- Used to:
  - Identify turning points in demand
  - Validate "real" market conditions not visible in Nielsen chain data
  - Confirm the pace of the on-premise slowdown post-COVID reopening

5. U.S. Census Bureau – Inventory to sales ratio

- Used as an indicator of supply stress in the wholesale pipeline.
- Highlights that **wine inventories at distributors remain elevated**, reinforcing discounting pressure and confirming an imbalance between supply and demand.

6. SVB Demographic and Cohort Consumption Estimate (Proprietary)

- Tracks wine preference by age and wealth cohort
- Integrates Census population forecasts by birth year
- Adjusts for:
  - Mortality
  - Income trajectory by cohort
  - Age-related declines in per-capita alcohol consumption

Methodology summary

Volume estimate

- Domestic consumption anchored in TTB data
- Adjusted to incorporate:
  - California Wine Institute total consumption benchmark
  - Imports and exports
  - Nielsen off-premise trends
  - SipSource depletion momentum
- Produces a reconciled historic consumption curve consistent across all datasets.

Dollar estimate

- Constructed using:
  - Nielsen average bottle prices
  - DtC trends from industry reports
  - Estimated on-premise margins
  - Inflation normalization
  - Private label growth
- Avoids using any single “industry total” dollar figure; instead, uses **accurate observed prices and volumes**.

Validation

The estimate's historical backcast was validated against:

- TTB domestic taxable volumes (government)
- California Wine Institute consumption estimates (industry)
- NielsenIQ retail sales (chain)
- SipSource depletion trends (distributor)
- Census inventory ratios (macroeconomic)

All sources agree on:

- A mid-2010s peak in volume
- A temporary COVID spike
- A resumption of decline after 2021
- Structural softness in younger cohorts
- Supply/demand imbalance persisting through 2024
- A likely flattening later this decade

About the Silicon Valley Bank Wine Division

Silicon Valley Bank, a Division of First Citizens Bank, is the premier commercial bank for emerging, growth and mature companies in the technology, life science, venture capital, private equity and premium wine industries. Its Wine Division specializes in commercial banking for premium wineries and vineyards.

SVB boasts the most experienced team of commercial bankers dedicated to the wine industry of any bank nationwide. Established in 1994, SVB's Wine Division has offices strategically located in Napa, Sonoma and Oregon. It caters to clients in the fine-wine-producing regions of California, Oregon and Washington.

By virtue of its dedication to the wine industry, Silicon Valley Bank is able to support its clients consistently through economic and growth cycles, and offer guidance on many aspects of their business beyond traditional banking services. Silicon Valley Bank, a division of First Citizens Bank, is a member of the FDIC. More information on the company can be found at svb.com.

Disclaimer

This material, including without limitation the statistical information herein, is provided for informational purposes only. The material is based partly on information from third-party sources that we believe are reliable but have yet to be independently verified. For this reason, we do not represent that the information is accurate or complete. The information should not be viewed as tax, accounting, investment, legal, or other advice, nor should it be relied on in making an investment or other decision. You should obtain relevant and specific professional advice before making any investment decision. Nothing relating to the material should be construed as a solicitation, offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction.

Silicon Valley Bank, a division of First Citizens Bank & Trust Company, is not selling or distributing wine or wine-related products.

Silicon Valley Bank, a division of First Citizens Bank, is not responsible for, nor is it a participant in, the sales of any winery products in any fashion or manner and makes no representations that any promotion or sales of alcoholic beverages will or will not be conducted lawfully. Further, Silicon Valley Bank disclaims any responsibility or warranty for any products sold by wineries or other wine industry service providers.

Silicon Valley Bank provides banking and financial services, along with industry insights to vineyards and wineries.

The views expressed in this report are solely those of the author and do not necessarily reflect the views of Silicon Valley Bank, a division of First-Citizens Bank & Trust Company, or any of its affiliates.