Wine Industry Insights

Key Emerging Issues - September 2025

01 Price on crush: Legacy issues continue to pressure Australia's wine sector

Price pressures on Australia's wine sector continue to persist despite supply declining and markets opening. This article outlines the current factors and historic events that have contributed to this situation.

-Tim Mableson

While Australia's wine sector has historically been cyclical, riding the highs and lows, recent feedback from businesses in the sector shows an underlying feeling that the current low is deeper than many can remember.

Though many in the wine industry hoped that the removal of tariffs on Australian bottled wine exports to China would resolve its supply and demand imbalance, it provided some relief, but clearly not enough.

Evidence of this is from the general acceptance that, despite the 2025 crush of **1.57 million tonnes** being the third in a row that is below the 10-year average of around **1.71 million tonnes. it is unlikely that there will be changes in grape pricing.**

Counterintuitively, to what is expected of supply-demand forces, **some decreases in pricing are still expected** given there is still a surplus of red wine, despite the smaller vintages.

That isn't good news for growers or commercial wineries who might be exposed to bulk wine pricing which has slipped to historic lows for **red varietals ("dry red", Shiraz, Cabernet Sauvignon and Merlot)**.

Commercial bulk wine markets have been depressed and vineyard markets quiet

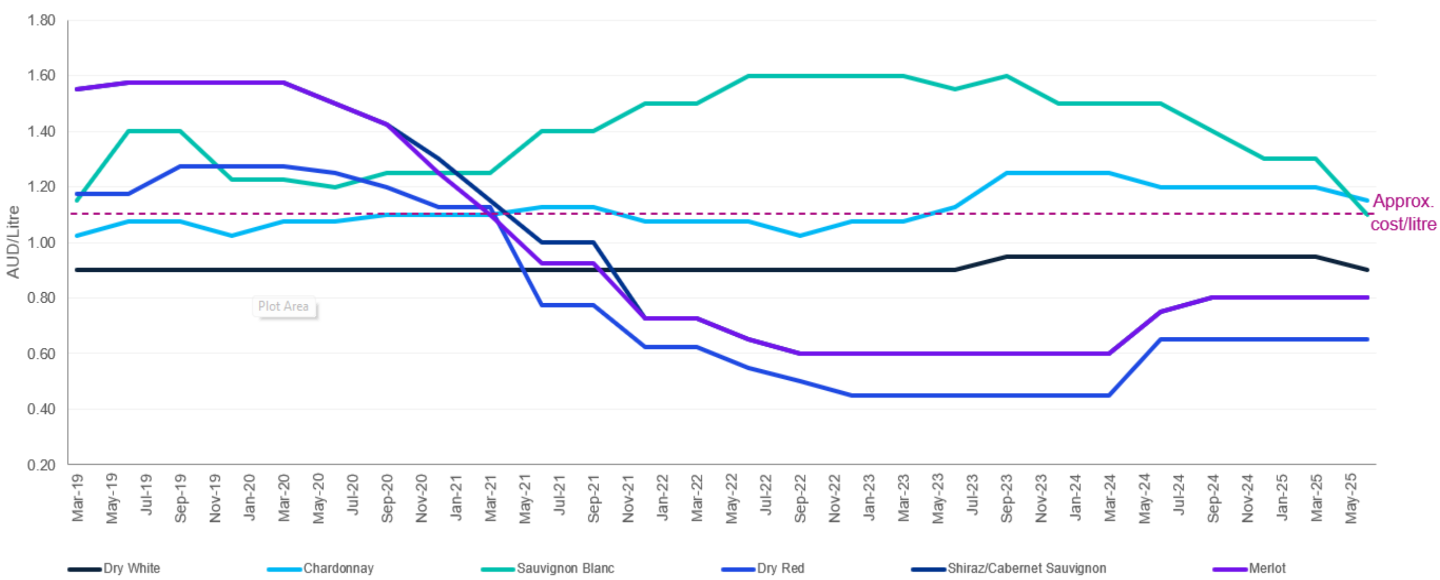

***Table:** Bulk wine pricing for main red wine and white wine varietals per litre*

***Source:** Ciatti Global Wine & Grape Brokers*

02 When the problems took root

The seeds that led to this predicament were sown in the 1990s when generous income tax settings and the behaviours of large wineries needing to secure supply for growth resulted in significant new plantings which began to slow after 1998.

Yet it took a decade before removals exceeded new plantings, and even in the past decade there has been almost no net reduction in the total vineyard bearing area.

Following the Global Financial Crisis of 2008, the industry was warned of an oversupply and that structural surpluses of grapes and wine were causing long-term damage to the industry by devaluing the Australian brand, entrenching discounting, and undermining profitability.

Unfortunately, adjustments to price declines were slow to non-existent due to the fortuitous emergence of China as a large wine export market for Australia in the 2010s.

Furthermore, the signing of an Australia-China free trade agreement in 2015 played a role in the price of red winegrapes rising between 2015 and 2020 and the wine stocks-to-sales ratio falling in the second half of the 2010s.

The COVID pandemic delivered a double blow to the Australian wine industry as China imposed prohibitive tariffs on Australian wine.

A downturn in the consumption of red wine demand globally further contributed to **Australia's stock-to-sales** ratio for red wine spiking to a record high of **2.77 in 2022,** representing more than a full year's sales of red wine compared to the average ratio of **1.63** in the preceding decade.

The red wine surplus in **mid-2023**, of about

500 *million litres* – equivalent to Australia's annual domestic consumption – of all wine above normal stock levels, represented about three times the annual amount of red wine China purchased from Australia at its peak prior to the tariffs.

Though the return of China has notionally assisted, there is no clear view on depletions, and structural issues remain.

03 Viability getting crushed

By its nature, the premium cool/temperate regions command higher prices per tonne for grapes produced than the commercial warm inland regions.

Because of that, unsold wine in premium regions puts downward pressure on prices from warm inland regions, leading to the average price of red wine grapes in the latter falling in each of the four vintages to 2025 – and early indications suggests no change for 2026.

Not only have prices fallen below the cost of production for an increasing number of growers over that period, many growers in 2024 and 2025 did not find a buyer and so did not pick or dropped fruit on the ground, which means the price for those marginal growers without a contract has been effectively negative to the extent that it is costly to drop fruit.

While there has been calls in recent years from some growers for the Government to pay them to drop red grapes to the ground, or to remove those varieties and replant with white grape varieties, or to replace vines with other crops, the results of the 1986 vine-pull subsidy program were not viewed favourably in retrospect, even from within the industry.

Clearly, both wine grape growers and wineries in Australia are in a bind with growers expected to continue supplying despite it not being economically viable to do so and wineries need to remain competitive while not prepared to incentivise their supply base.

04 Operating under pressure

Unfortunately, it appears the industry still does not have a clear view of what is a sustainable supply/demand outcome by variety and region which can be matched against the local production capacity to ensure stable intake management on a yearly basis.

And those concerns haven't added the **challenges other countries' wine growers are facing** when it comes to matching future supplies to demand, which has **depressed prices in international wine markets**.

The best Australia's wine industry can do is to focus on aspects of their local operations to steady their operations and weather the uncertainties ahead.

In light of this, what can wine businesses across the value chain do to navigate a challenging market and stay in the game for the long term?

Here are some of our findings:

Bulk wine markets are reflecting excess wine given the oversupply.

Wine businesses need to reconsider expectations on red wine bulk wine pricing – remember 'cash is king' and where cash is needed to meet debts, decisions need to be made to meet the market when selling bulk wine.

It is critical that growers start engaging with their winery contacts now

and seeking to understand the winery's position regarding grape contracts and supply coming into next vintage and beyond, and what varieties may need to be managed differently in the coming years.

Wineries and growers must manage their assets and costs for the most economical return.

It is critical forecast modelling is undertaken so that cost drivers are understood, and decisions can be made with all information to hand.

Financiers to the wine industry are more alert to falling bulk wine prices and that the book value of inventory in the balance sheet may not reflect reality.

This may constrain further lending and even cause a financier to review current lending ratios and require debt reduction. It is critical wine businesses engage early with financiers particularly where bulk wine inventory holdings are high and value may have fallen leading to cash flow constraints and the requirement for additional financier support.

For family businesses, the best option in many cases is to consider divestment.

It's understood that approximately 60 percent of the Australian wine industry participants represents family business. An increasing number of family wine businesses that KPMG is talking too, the next generation seems less eager to take up the reins and run the family wine business. With undeployed capital in private equity and private credit funds high, a launchpad has been created for a fast acceleration in deals and market recoveries in the wine sector – the recent Vinarchy transaction is tipped to be the start. Ultimately industry consolidation will occur as those larger and stronger businesses who either have or have been able to raise financing without significantly compromising existing debt levels will seek to capitalise and expand their holdings of vineyards especially in the cool climate regions to control supply, and established brands with market presence should still be highly sought after.

Lastly, it is acknowledged that there will be wine producers in the current challenging sector facing final pressures.

If financial pressures start to feel insurmountable, it is important for business owners in the wine industry to not let their emotional investment in the business hinder them from considering the option of voluntary administration should its operational health become too challenging, or its prospects become bleak.

As outlined in a July 2025 article in the Australian & New Zealand Grapegrower and Winemaker Magazine, voluntary administration doesn't mean the death of a business but rather, if done while there is still sufficient cashflow to keep the business trading, it can be a vital lifeline to restructure and turn things around.

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