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Texas winery files rare Chapter 12 bankruptcy

Hilltop Winery seeks debt relief as falling wine sales squeeze producers across the industry

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A Texas winery and vineyard has filed for Chapter 12 bankruptcy protection, a rare move that underscores how deeply the prolonged slump in wine sales is affecting producers of every size.

Hilltop Winery at Paka Vineyards LLC, based in Meadow, Texas, filed its petition on April 6 in the U.S. Bankruptcy Court for the Northern District of Texas in Lubbock, according to court records cited by Bankruptcy Observer and Chron.com. The company listed assets of $10 million to $50 million and liabilities of $1 million to $10 million. Court

documents show about $3.1 million in debt, more than $19 million in assets and just $6,426 in cash on hand.

Chapter 12 bankruptcy is designed for family farmers and fishermen, making it uncommon outside agriculture. It allows debtors to propose a repayment plan within 90 days, compared with up to 120 days under Chapter 11, and it generally carries lower filing fees. It also gives debtors more flexibility to make seasonal payments tied to farm income. In some cases, taxes from asset sales during a Chapter 12 case can be treated as unsecured debt and discharged.

The filing comes as the U.S. wine industry continues to contract after five years of declining sales. According to Silicon Valley Bank’s State of the U.S. Wine Industry Report, total industry sales revenue fell by $19.7 billion, or 21%, from 2020 through 2025, dropping from $94 billion to $74.3 billion.

The downturn has hit both large and small operators. E. & J. Gallo permanently closed its Ranch Winery in St. Helena, Calif., and laid off all 56 employees by April 15, according to a WARN notice. Jackson Family Wines closed its Carneros Hills Winery in Sonoma, Calif., and laid off 13 workers by April 17, according to another WARN filing.

Smaller wineries have also turned to bankruptcy court. Robledo Family Winery Inc., a Sonoma County winery known for its awards, filed for Chapter 11 protection on April 8. Sran Vineyards LLC, a vineyard owner and wine producer in Kerman, Calif., filed for Chapter 11 on Feb. 23 to avoid a public auction of its assets. Aloria Vineyards, a California winery that is about 30 years old, filed for Chapter 11 on Feb. 24 to reorganize and continue operating.

For Hilltop Winery at Paka Vineyards, the Chapter 12 filing offers a legal path to restructure debt while trying to keep the business running at a time when wineries are facing weaker demand, tighter margins and fewer options for relief.