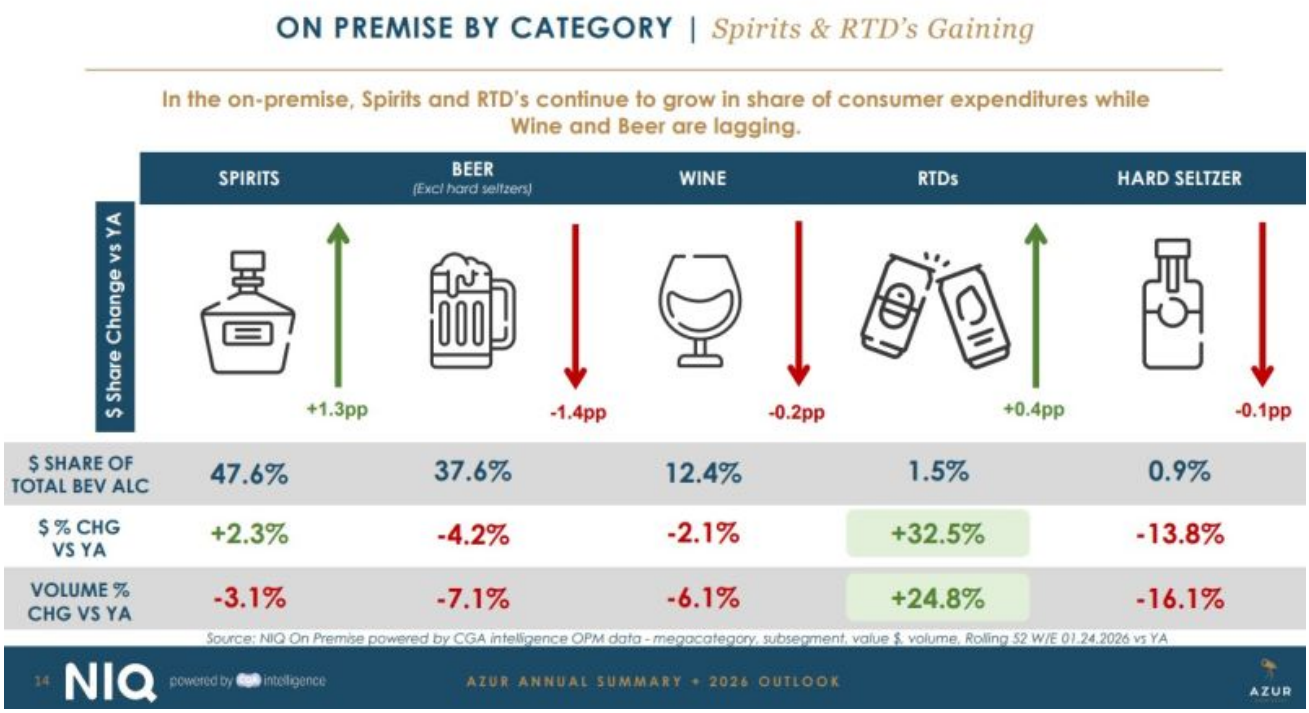
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Wine Industry Faces a Structural Reset

Azur Associates says softer demand, tighter distribution and costlier capital will leave the category smaller but more competitive.

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The wine industry is not in a simple downturn. It is in a reset, according to a new market review from Azur Associates that says the category is facing a structural shift in demand, distribution and capital access that is likely to leave it smaller and more competitive than before.

The report, released May 7, argues that the changes now affecting wineries are not temporary. Demand has softened, inventories have risen and younger drinkers are approaching alcohol differently than older generations did. Wine is also competing

more directly with ready-to-drink cocktails, spirits and other beverage categories that better match current consumer habits around convenience, flavor and price.

Azur said the industry is moving toward a market in which discipline matters more than scale. The firm described a “new reality” in which growth will depend on sharper positioning, tighter financial control and a clearer understanding of what consumers want from beverage alcohol. That includes what the report called the “Four F’s”: format, function, flavor and financial value.

The report said those forces are already reshaping how wine reaches consumers. In retail and restaurants, distributors and buyers are becoming more selective as shelf space and menu placements tighten. That compression is making it harder for many brands to stay visible. At the same time, ready-to-drink beverages and spirits continue to gain share in bars and restaurants, adding pressure to wineries that are already dealing with slower sales velocity.

Azur also pointed to changes in direct-to-consumer sales. It said tasting rooms and other traditional winery experiences are overbuilt relative to demand, while growth in that channel is concentrated at the highest price tiers. The report said wineries can no longer rely on legacy tasting-room traffic or broad premiumization to drive sales. Instead, it said they need more active customer acquisition, stronger retention tools and year-round selling tied to specific occasions.

The report said the supply side of the business is also adjusting slowly. California’s 2025 grape harvest was the smallest since 1999, but Azur said vineyard supply still has not corrected enough relative to demand. It noted that white grapes have overtaken red grapes in the crush for the first time since 1996, reflecting consumer preference for lighter styles such as Pinot Grigio and Sauvignon Blanc. It also said coastal growing regions remain oversupplied by more than 25%, while interior regions are still above demand.

Winery capacity is being reduced as well. Azur said U.S. facility utilization has fallen sharply from 2024 levels and that major closures have removed tens of millions of equivalent cases of capacity from the market. Some excess facilities are being repurposed for food manufacturing or other uses.

The report said mergers and acquisitions have slowed but not stopped. Buyers are now more selective, lenders are stricter and valuations have reset lower in many cases. It said transactions increasingly reflect strategic fit or financial pressure rather than broad optimism. In some deals, buyers are separating vineyards, production facilities and brands so they can fit them into narrower platform strategies.

Azur said this shift is also changing how capital flows through the industry. Commercial lending has become more expensive and less available than it was earlier in the decade, with all-in rates now far above levels seen in 2021. The report said lenders are focusing less on land value alone and more on repeatable cash flow and fixed-charge coverage.

Among recent transactions cited by the firm were The Wine Group’s purchase of several brands from Constellation Brands, Trinchero Family Wine & Spirits’ acquisition of Mumm Napa from Pernod Ricard and Anheuser-Busch’s investment in BeatBox as part of its broader beverage portfolio strategy.

Azur’s central message was that wine is not disappearing but is being forced into a smaller market shaped by different consumer behavior, tighter distribution and more selective capital. The firms that adapt early, it said, will be better positioned as the category continues to change.