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California wine market stays oversupplied despite a harvest that could be the smallest in 30 years

Ciatti says weak demand, tight credit and late payments are keeping buyers cautious after two years of smaller crops

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California’s wine market remains under pressure even as the 2026 harvest appears headed for one of its smallest crushes in decades, according to an October market update from broker Ciatti Company released Thursday.

The report said the harvest is in its final stages and has run as much as six weeks early in some areas. Even so, the state is still producing more wine than the market currently needs, Ciatti said, after already recording harvests below 3.0 million tons in both 2024 and 2025. The company said the current crop could be the smallest in 30 years, but that lower production has not yet been enough to clear the overhang.

That mismatch is keeping buyers cautious in both the grape and bulk wine markets. Ciatti said many purchasers continue to limit buying because of weak cash flow and tighter access to credit. The report also pointed to widespread late payments, which it said are worsening a broader credit squeeze across the industry.

The result is a market where supply remains available, but transactions are slow and many operators are trying to preserve liquidity. Ciatti said there have been numerous recent reports of asset sales and foreclosures as some businesses struggle to remain solvent. It added that any broader recovery may come too late for some companies already under financial strain.

The warning matters beyond vineyard economics because grapes and bulk wine are core inputs for the broader wine business. When purchases stall, pressure can build across the beverage supply chain, from growers to wineries and suppliers, and that can create further financial stress for companies that depend on regular sales and timely payment to fund operations.

Ciatti’s assessment highlights a problem that has defined California wine for much of the past two years: lower output alone does not quickly solve an inventory imbalance when consumer demand is soft and buyers are unwilling or unable to take on more stock. The company said the market remains oversupplied relative to current need despite the small crop.

At the same time, the report suggested conditions may be starting to shift, although only modestly. Ciatti said it has detected several early positive developments in the market, though the preview did not detail them. The company framed the moment as a possible cautious transition rather than a clear turnaround.

That tentative language reflects the importance of the months ahead. Ciatti said the October-through-December retail selling period for packaged wine is now underway, and the 2027 grape-buying campaign will begin to come into view after the turn of the year. In its view, the next six months will be important in determining demand for bulk wine and grapes in 2027 and, by extension, the industry’s financial health.

A stronger holiday selling season could help reduce inventories and improve confidence among wineries and traders. But if sales remain weak, growers and bulk suppliers may head into 2027 with little relief from the current surplus and continued pressure on prices, working capital, and debt servicing.

The report also suggests that uncertainty is changing behavior on both sides of the market. Suppliers are being encouraged to market their wine and grapes earlier, while buyers appear to be signaling needs later and more selectively. Ciatti urged bulk wine suppliers to register newly available 2026 wines, especially whites, and also list remaining 2025 volumes. It similarly encouraged grape suppliers to register potential 2027 availability as early as possible, in an effort to secure demand sooner and provide more certainty for farming decisions.

That kind of early positioning underscores how little margin for error many participants now have. In a healthier market, growers and wineries often have more flexibility to wait for better pricing or stronger buyer interest. In the current environment, however, the combination of oversupply, slow sales, and restricted credit appears to be pushing businesses to prioritize cash generation and reduce risk.

California remains the dominant force in U.S. wine production, so sustained weakness in the state’s grape and bulk markets is closely watched by the wider beverage industry. If wineries keep pulling back on purchases, the effects can spread through vineyard management, storage, bottling, transport, and financing. If demand improves, even gradually, it could ease some of that pressure and help stabilize a market that has

been under strain for several seasons.

For now, Ciatti’s latest view is that the industry is still dealing with too much wine, too little liquidity, and a buying pattern shaped more by financial limits than by the size of this year’s crop. Whether the early signs of improvement become a broader recovery may depend less on vineyard output than on retail sales, access to credit, and how much inventory the market can absorb heading into 2027.