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Study Says Global Wine Industry Faces a Structural Crisis After a 25% Drop in Consumption

Researchers Found Surplus Red Non-Premium Wine Is Weighing on Prices Across Every Major Producing Country

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New research from Adelaide University says the global wine industry is facing a deeper and more persistent crisis than the downturns that have hit national wine markets in past decades, driven mainly by a long decline in consumption that producers have not

matched with enough cuts in output.

The study, published in the Journal of Wine Economics and led by Professor Kym Anderson of Adelaide University's School of Economics, examined decades of annual data on both non-premium and fine wines. Anderson, who also leads the university's Wine Economics Research Centre, said the current slump stands out because it is affecting all major wine-producing countries at the same time. In earlier downturns, weakness in one country often coincided with stronger conditions elsewhere, helping absorb some of the shock.

According to the research, the world now has a large surplus of wine, especially red non-premium wine, across many regions. Anderson said the problem is not simply a normal cycle and cannot be explained only by current geopolitical tensions. Instead, the paper argues that structural change is needed because global wine consumption has been falling for years while production capacity has not been reduced enough.

The study says global wine consumption has fallen 25% since the 1960s. Over the same period, global beer and spirits consumption volumes have each doubled. That shift is especially important for beverage companies because it may shape production plans, vineyard redevelopment, product mix and investment decisions as demand continues to move across categories rather than recovering evenly within wine.

The research also points to a sharp split between premium and non-premium segments. Between 2013 and 2022, the value of global premium wine sales rose by 3.1% a year, while non-premium wine sales fell by 2.2% a year. The study defines non-premium wine as wine that retails for US$10 or less per standard 750ml bottle, or the equivalent in other markets. Even so, Anderson said both the non-premium and fine wine industries are under pressure, with the need for adjustment much more severe among lower-priced producers.

The paper says too much non-premium wine, especially red wine, is being produced relative to demand. That has left large volumes sitting in tanks and warehouses, where unsold wine can keep losing value as it ages beyond its commercial window. Anderson said that in some cases the value of that inventory can eventually fall to zero if it is not sold or otherwise removed from the market.

Australia is among the countries most exposed to the crisis, according to the research. Anderson said owners of surplus wine should cut their losses by discounting it or disposing of it, rather than holding stock in the hope that prices will recover soon. He also said grapegrowers should remove their least-profitable vineyards and consider changing the varieties planted in the remaining acreage so that production better matches shifts in demand and climate conditions.

The study argues that speed matters. The longer producers around the world take to clear excess inventories and pull out unprofitable vines, the longer prices are likely to stay under pressure. It also warns that the effect is not limited to cheaper wine. If oversupply persists, depressed prices can spread into some higher-quality categories as well.

That outlook could complicate planning across the wider drinks sector. Wine businesses may have to decide whether to keep funding volume in declining segments, move into lighter or premium products, or shift marketing and distribution budgets toward categories and markets with stronger growth. Suppliers, retailers and hospitality operators could also face changes in pricing and portfolio strategy if low-priced wine remains oversupplied for an extended period.

The research says past government intervention has sometimes slowed the adjustments needed in the market. Anderson pointed to earlier European policies that subsidized the distillation of surplus wine into industrial alcohol and supported exports. Such measures can reduce short-term pain, but the paper says they may also encourage some producers to delay pulling out unprofitable vineyards if they expect public support in future downturns.

The study identifies changes in consumer behavior as another major force behind the crisis. Anderson said consumers in wine-drinking countries have become more health conscious and are increasingly less likely to see red wine as a healthy product. As a result, people are drinking less wine overall while moving toward higher-quality and lower-alcohol options. The strongest gains, he said, have been in whites, rosé and sparkling wines, often at the expense of higher-alcohol red wines.

The paper also says the industry faces newer headwinds from the spread of weight-loss drugs and the legalization of marijuana in some markets. Those trends may further weaken wine consumption, especially if they reinforce broader efforts by consumers to cut alcohol intake or change social drinking habits.

At the same time, the research does not rule out future growth. Anderson said Asia and Africa could offer longer-term opportunities because wine consumption there remains very low relative to population size. East Asia accounts for less than 4% of global wine consumption despite having about 20% of the world’s drinking-age population. India and Africa together represent just 1% of global wine consumption.

Those numbers suggest that the industry’s future growth, if it comes, may depend less on traditional wine markets and more on building demand in countries where wine still has a small presence. Anderson said that over time, more generic and brand promotion is likely to be directed toward Asia and Africa, first for lower-priced wines and gradually for finer wines as incomes and populations rise.

The research presents a difficult message for producers already dealing with weak prices and slow sales: the crisis is not likely to be solved by waiting for a normal rebound. Its central argument is that demand has changed in a lasting way, and supply will have to change with it.