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Australia's wine industry cut production 18% to 925 million liters in 2025-26

Sales exceeded output, pushing inventories to their lowest level since 2019-20 despite weaker demand at home and overseas

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Australia’s wine industry sharply reduced production in the 2025-26 financial year, but weaker demand at home and abroad continued to weigh on the market, according to a new industry report released on Wednesday, November 25.

Wine Australia said national wine production fell to an estimated 925 million liters from the 2026 vintage, down 18% from 2024-25. Because sales exceeded production, national inventories declined 9% to 1.87 billion liters, the lowest level since 2019-20 and below the 10-year average.

The drop in output marks a significant adjustment for an industry that has struggled with excess supply in recent years. But the report said the reduction in stocks has not solved the broader imbalance between supply and demand, with consumption weakening in Australia and in several major export markets.

Total Australian wine sales fell 4% in 2025-26 to about 1.04 billion liters. Domestic sales slipped 1% to 438 million liters, the lowest level recorded since 2005-06. Export volumes fell 6% to 597 million liters, the first time exports have dropped below 600 million liters in more than two decades.

Peter Bailey, Wine Australia’s market insights manager, said the lower production level helped reduce excess stock, especially for red wine, but trading conditions remained difficult.

The industry’s stock-to-sales ratio, a common measure of whether supply is in line with demand, improved to 1.81 years of stock from 1.90 a year earlier. That was down from a peak of 2.13 in 2021-22, but it still remained 7% above the 10-year average of 1.69. Based on current sales and that long-term average, Wine Australia estimated that the country still held an excess of about 124 million liters of wine in stock.

The adjustment was not evenly spread across categories. Red wine production fell 28% to 428 million liters, its lowest level since the early 2000s. White wine production declined 8% to 498 million liters, overtaking red wine and accounting for 54% of total production.

That shift in the production mix reflects a larger change in the market. Red wine inventories fell 15%, helping bring stock levels closer to historical norms. White wine inventories were broadly unchanged, and the white wine stock-to-sales ratio increased for a second straight year, suggesting that supply in that segment may need closer attention even as the overall inventory burden eases.

Wine Australia linked the softer demand to changing consumer preferences, pressure on household budgets and a broader decline in global wine consumption. The report said those trends were affecting some of Australia’s key export destinations, including the United Kingdom, the United States and China.

The industry also faced a much smaller grape crush. Wine Australia estimated the 2026 winegrape crush at 1.27 million tonnes, down 19% from the previous vintage and 25% below the 10-year average. The smaller harvest was the main reason total wine production fell so sharply.

Even with the lower output, the report suggested the industry still has more wine than the market can absorb at healthy prices. Wine Australia said grape prices were likely to remain below long-term averages as the sector continues trying to bring supply into line with demand. That pressure is expected to affect both growers and winemakers.

The report pointed to some opportunities in parts of Asia where wine consumption is still growing, but it said those markets are not yet large enough to offset declines elsewhere. For now, the pressure from weaker demand in mature markets appears to be stronger than any gains in emerging ones.

The figures are based on Wine Australia’s annual production, sales and inventory survey. The agency said it directly surveys the largest wineries, which account for about 77% of total wine production, and then uses those responses to produce national estimates. It said the numbers provide an overall picture of the sector at the end of the 2025-26 financial year but do not capture regional differences or the financial position of individual businesses.

The data suggest that Australia’s wine sector has started to work through the oversupply that built up after large recent vintages, but only by cutting output faster than sales are falling. Even after the inventory decline, total stock levels remain above what the industry would generally consider ideal, leaving continued downward pressure on prices as producers head toward the 2027 vintage.