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Why France is spending millions to destroy its own wine

High production costs and low demand prompt unprecedented measures

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France is grappling with a wine surplus so significant that it is allocating hundreds of millions of dollars to distill the beverage into pure alcohol, which will subsequently be used for other products. This comes as a combination of high production costs and low demand has left many producers unable to make a profit, prompting the European Union and the French government to provide funds to help deal with the excess.

It is estimated that France will destroy enough wine to fill more than 100 Olympic-sized swimming pools, costing the country around $216 million. While it may seem absurd to discard such a quantity of wine, there is an economic justification for this decision. Wine production has become increasingly expensive due to recent global events, while at the same time, wine consumption has decreased. This has resulted in a surplus that many producers cannot sell at a price low enough to make a profit. Even some of France's most famous wine regions, such as Bordeaux, are facing difficulties.

In June, the European Union initially awarded France approximately $172 million to destroy about 80 million gallons of wine. However, the French government announced additional funds this week, bringing the total to $216 million (€200 million). Producers will use these funds to distill their wine into pure alcohol, which will then be used in other products, such as cleaning products or perfumes.

Agriculture Minister Marc Fesneau stated that the money was "intended to stop the collapse of prices and allow winegrowers to find sources of income again," according to Agence France-Presse.

The decline in wine consumption is not a recent phenomenon, according to Olivier Gergaud, a professor of economics at the KEDGE Business School in France, who has researched food and wine. Wine consumption in France has been decreasing since its peak in 1926 when the average French citizen consumed approximately 136 liters per year. Currently, that figure has been reduced to about 40 liters, as previously reported by The Washington Post. Moreover, consumers now have a wide variety of beverage options and are increasingly choosing alternatives to wine.

Stephen Rannekleiv, global beverages strategist at Rabobank, a Dutch financial firm specializing in agribusiness, poses an underlying problem: "How can we get closer to the consumer and make wine more relevant to consumers who have many options?"

With declining consumption, production costs have risen, and inflation has affected budgets worldwide. This has been exacerbated since the COVID-19 pandemic, which closed bars, restaurants, and wineries, raising prices. Additionally, the war in Ukraine disrupted shipments of essential products for wine production, such as fertilizers and bottles. Besides the pandemic and the war, climate change is forcing winegrowers to

adapt to new harvest calendars and face more extreme weather conditions.

Although this year's subsidy has attracted much attention, the French government's intervention is not a new phenomenon, according to Elizabeth Carter, a professor of Political Science at the University of New Hampshire, who has studied the French wine market. "I am not at all surprised that France is trying to destroy surpluses and raise prices by limiting quantities because it is something they have been struggling with since the 19th century: the overproduction of wine," Carter said.

Carter explained that there has been a decades-long internal tug-of-war in France between producers about how much grape to grow and how much wine is too much. The country has long heavily regulated the wine market, in some cases instructing producers on how many vines they can grow and how far apart they must be, in an effort to prevent market flooding.

Gergaud suggests that while this buyback program is not entirely new, he hopes the sector will take this opportunity to propose long-term solutions. "We have to think in terms of long-term adaptation to these changing conditions," he said. "We need to help this market transition to a better future, perhaps with more environmentally friendly wines. Adapting to climate change is a real challenge."

Despite its current problems, wine is too important a part of French identity for the market to disappear. The government undoubtedly has an interest in keeping the industry happy: French President Emmanuel Macron has even said that a meal without wine "is a bit sad."