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US Wine Market Forecast: more sales and consolidation expected in 2024

2024 US wine market, a year of strategic mergers and acquisitions

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Rombauer Vineyards

As the US wine industry transitions into 2024, experts anticipate a continuation, and possibly an intensification, of the merger and acquisition (M&A) trend seen in 2023. Noteworthy transactions from the previous year, like E&J Gallo's acquisition of Napa's

Rombauer Vineyards and Treasury Wine Estates' (TWE) billion-dollar investment in Paso Robles' Daou Vineyards, have set a high bar. However, industry specialists predict a diverse range of deals ahead, possibly including a few more of similar magnitude.

The focus in the upcoming year is expected to shift towards smaller and medium-sized wine producers and vineyards. According to Pat deLong, founder of Azur Associates in Napa, buyers are particularly interested in "real brands" – a category that encompasses many of the major players involved in significant deals over the past years. However, experts caution that there may be more properties on the market than there are interested buyers, potentially leading to a shakeout in the industry. This shakeout is anticipated due to rising costs in land, labor, and insurance, which may push some smaller producers out of the market.

Todd Friedman, a partner at Stoel Rives, likens the buyer's approach to grape prospecting, where deals are made to meet specific needs like capacity expansion or niche filling. Despite challenges such as flat sales, decreased margins, and high interest rates, M&A activity is not expected to slow down. Instead, these factors might present opportunities for strategic acquisitions. Robert Nicholson of International Wine Associates believes that mid-tier companies, particularly those among the top 50 to 100 US producers, will be the most active in the market.

The Drivers of Winery Mergers and Acquisitions

Several key factors are driving the surge in winery M&As:

1. **Wholesaler Consolidation:** Larger producers are adding brands to maintain influence with distributors, especially as the number of wholesalers decreases.
2. **Filling Portfolio Niches:** Acquisitions are being used to access supply for expanding SKU numbers, especially in growing market segments.
3. **Financing Challenges:** Higher interest rates and stricter banking policies are leading buyers to scrutinize financial details more closely, affecting deal structures.
4. **On-Premise Market Clout:** Acquisitions are being used to gain leverage in the on-premise market, as seen in the Gallo-Rombauer deal.

5. **Direct-to-Consumer Market Focus:** The DtC market, though slowing, remains a key growth area for small- and medium-sized wineries.
6. **Exploring Non-US Markets:** There's a growing interest in exporting, particularly to China, which may influence future acquisitions.

The US wine market is on the brink of a dynamic phase, with mergers and acquisitions set to reshape the landscape. While the focus may be on smaller and mid-sized entities, the overall trend points to a strategic and potentially lucrative restructuring of the industry, with a variety of factors influencing these business decisions.