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California's Wine Industry Faces Unprecedented Crisis

Experts Predict Thousands of Acres of Vineyards May Be Uprooted

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The wine industry in California is facing a severe crisis marked by overproduction, declining demand, and a saturated market, forcing producers to make tough decisions. This challenging scenario has placed significant pressure on many grape growers and wineries, even in renowned regions such as Napa Valley. Experts predict that tens of

thousands of vineyard acres may be uprooted to address the surplus.

According to Glenn Proctor of the international wine and grape brokerage firm Ciatti Company, the industry is undergoing a period of adjustment. Proctor remarked, "We're trying to figure out where we're headed in the future." Christian Klier of Turrentine Brokerage echoed this sentiment, noting that the market will face significant changes in the coming years, which could reshape the structure of the industry.

The roots of the crisis trace back several years to steady production increases coupled with a slowdown in consumption. Since 2021, wine consumption in the United States has declined, with sales dropping 2.8% in 2023, according to Impact Databank. This downward trend coincides with several factors, including California's largest-ever grape harvest in 2018, wildfires and the pandemic in 2020, and rising interest rates that have increased the cost of financial operations.

An emblematic example of the crisis is Vintage Wine Estates, which filed for bankruptcy in July. Known for acquiring financially distressed wineries, the company was unable to withstand the pandemic's impact and declining sales. Its assets, including wineries such as Clos Pegase and Swanson, were auctioned off this year.

The oversupply has affected flagship varieties like Chardonnay in Sonoma and Cabernet Sauvignon in Napa Valley. Despite record prices for Cabernet in 2023—reaching as high as $8,800 per ton in Napa—more than 10,000 tons went unsold. Even premium vineyards in prestigious areas such as Oakville and Howell Mountain left grapes unharvested.

The situation is even worse in lesser-known regions. In Mendocino, a grower sold 210 tons of Chardonnay for just $500 each, barely covering the cost to avoid losing the harvest. In Dry Creek Valley, grower Carla Forchini took a loss to sell her Cabernet Sauvignon in 2023. This year, she decided to lease her vineyard to an agricultural management company.

The bulk wine market is also in disarray, with Turrentine reporting a record inventory of 30 million gallons—far above the typical 12 to 15 million gallons. Prices, which ranged from $30 to $40 per gallon earlier in 2023, have dropped to $10 or $15, if sales are

made at all.

Faced with this crisis, producers are uprooting vineyards on a large scale. Proctor estimates that 30,000 to 40,000 acres of vines have been removed in the past year, mainly in the Central Valley. Before this wave of removals, California had approximately 600,000 vineyard acres, 150,000 of which were in the Central Valley.

Experts expect the market to stabilize by 2026, which could provide relief for producers. In the meantime, consumers might benefit from lower prices and access to high-quality wines at affordable rates as producers seek to reduce inventories and restore liquidity.