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European wine sector confronts a historic 'polycrisis' in 2024

A report reveals record-low production and consumption, as extreme weather and economic pressures force a profound industry transformation.

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The report published by Vinetur on Tuesday, June 17, titled "European Wine Market Report 2024: Production, Consumption and Price," highlights a year marked by severe and complex challenges for the European wine industry. In 2024, the European wine market was shaped by what analysts describe as a polycrisis, a combination of interconnected pressures that strained the entire value chain and accelerated structural changes in major producing countries.

Wine production in the European Union dropped to 138.3 million hectoliters in 2024, a record low for the 21st century and 3.5% lower than the already small 2023 harvest. This decline was driven by a series of extreme and highly variable weather events

across the continent. At the same time, wine consumption continued its long-term decline, falling 2.8% to 103.6 million hectoliters, a level not seen in more than sixty years. The decrease in consumption is linked to inflation-driven losses in purchasing power and significant changes in lifestyle and generational preferences.

Despite these declines in volume, the overall value of the European wine market proved resilient. Global exports stagnated at 99.8 million hectoliters, but the total value remained at €35.9 billion, supported by a record average export price of €3.60 per liter, matching the 2023 peak. This result underscores the European sector's clear strategy of prioritizing value over volume, particularly through the premium and sparkling wine segments. The total market value for Europe was estimated at $78.5 billion, indicating that premiumization helped offset, though not eliminate, the impact of falling volumes.

The 2024 campaign also disrupted the traditional hierarchy among leading European producers. France, affected by frost, hail, and disease outbreaks, saw its harvest contract by 23%, causing it to lose its historic position as top producer to Italy. Italy recovered ground lost after a poor 2023 harvest, while Spain posted a significant rebound in volume but remained below its five-year average.

Market fragmentation intensified, with the premium and sparkling wine segments, led by Prosecco, showing resilience and even growth, mainly due to external demand. Mass-market categories, especially reds, faced oversupply and sharply falling demand in traditional markets such as France. This imbalance forced many producers to rethink their strategies, with vineyard removal programs promoted by public administrations and an accelerated pace of sector consolidation. The current period is seen as a turning point where adaptation to climate change and new consumption habits has become essential for survival.

Macroeconomic conditions in 2024 were dominated by inflationary pressure and rising operating costs. Producers, especially small and medium-sized wineries, struggled with persistent increases in energy, transportation, glass, and fertilizer costs, making it difficult to invest in technological and agronomic improvements. Many were unable to pass these costs on to final prices, especially in saturated segments like bulk red wine in France, finding themselves caught between rising expenses and falling prices at

origin. Meanwhile, consumers responded to widespread price increases by reducing wine spending, opting for more affordable options or limiting purchase frequency, particularly in retail.

Climatic events were decisive for production in 2024, with the year marked by successive extremes. Severe droughts hit southern Spain and southern Italy, while torrential rains, hail, and frost affected northern Italy, France, and Germany. Disease outbreaks such as mildew compounded losses, particularly in France and Germany. This volatility is reshaping the competitive landscape: France's harvest fell 23.5%, while Spain's rose more than 18%, with notable differences even within regions of the same country.

Globally, wine production in 2024 declined 4.8% from 2023, reaching 225.8 million hectoliters, the lowest level since 1961. Consumption also fell to 214.2 million hectoliters, another historic low. This simultaneous decline kept the market balanced and prevented a sharper drop in prices, but masks severe regional imbalances. There are shortages in categories such as premium whites and some sparkling wines, while surpluses of cheap reds have led to crisis distillation and vineyard removals in areas like Bordeaux.

EU wine production dropped below 140 million hectoliters, the lowest figure of the century. Italy, with a harvest of 44.1 million hectoliters, regained its leadership, though still below its five-year average. France, after losing nearly a quarter of its output and recording its lowest volume since 1957, also suffered a 21.7% drop in total production value, severely impacting French agriculture. Spain's production increased by 18% compared to 2023, mainly due to Castilla-La Mancha, but remained below its five-year average. Germany and Portugal also experienced significant volume reductions, with Germany suffering particularly severe damage in eastern regions.

On the demand side, consumption declines accelerated. France's wine consumption fell 3.6%, Germany's dropped 3%, while Italy remained stable (+0.1%) and Spain (+1.2%) and Portugal (+0.5%) saw slight increases. Portugal remains the global leader in per capita consumption with 61.1 liters per person, followed by Italy and France. Nevertheless, the decline is widespread among large markets and concentrated

especially in red wines, which are losing popularity compared to whites, rosés, and sparkling wines. Prosecco has strengthened its position in markets such as France, where younger consumers adopt it as an alternative to Champagne.

Despite falling volumes, the overall value of the European wine market held firm thanks to premiumization. The market is becoming polarized, with premium and super-premium wines gaining market share and prestige, while price-sensitive consumers opt for value products, including bulk and lower-priced sparkling wines. The mid-range is under the most pressure, forcing wineries to specialize either in quality or in sharply competitive prices.

In international trade, exported wine volumes held steady, but value reached €35.9 billion, supported by historic prices. Italy strengthened its global leadership in export volumes with 21.7 million hectoliters and increased value by 5.6%, driven by demand for Prosecco and quality bottled wines. France, still leading in export value, saw its export income fall by 2.4%, affected mainly by high-value sparkling wines. Spain, despite a drop in volume, increased total export value due to a greater share of higher-quality wines. Portugal, with less global weight, achieved 4.5% growth in export value.

On the import side, Germany, the world's largest importer, reduced volumes by 6.9% and value by 8.8%. The United Kingdom increased import volumes (+2.4%) though value fell, while France cut its imports by 9.7%, reflecting domestic adjustments. Outside the EU, the United States remains the most important market for European exports, with purchases totaling €4.9 billion. China, however, recorded a sharp drop in demand for European wine, especially French, influenced by internal challenges and the return of Australian wines following the removal of tariffs.

Total vineyard area in Europe continued to shrink in 2024, falling to 3.2 million hectares, extending a trend seen in recent years. Spain maintained the largest area but reduced it by 1.5%, France by 0.7%, and Portugal by 5.1%. Italy was the exception, increasing its area by 0.8%. Vineyard reduction is a response to falling consumption and publicly funded removal programs in oversupplied regions, especially for reds.

The number of winegrowing operations in Europe continued to decline, a trend accelerated by the difficulties of 2024. France saw 211 winery bankruptcies, 55% more than the previous year, and the number of wineries in Italy fell to 30,000. In Spain, more than 4,300 wineries remain active, with a growing trend toward organic certification. Sector consolidation is advancing, favoring cooperatives and large operations with financial capacity and access to technology and innovation, while displacing less diversified small producers.

The immediate future of the sector will be shaped by persistent climate volatility, stagnant volumes, polarized demand, and pressure to adapt to the consumption habits of new generations. Premiumization will remain a key driver of market value. Wineries will need to diversify their offerings, invest in adaptive viticulture and digitalization, strengthen direct-to-consumer sales, and explore wine tourism as a way to build brand loyalty and supplement income.

Sustainability and organic certification are emerging as crucial elements for differentiation in a market increasingly sensitive to environmental and social values. Protected designations of origin and geographical indications remain strategic tools to highlight provenance and quality amid international competition. Digital channels, especially e-commerce and direct sales, are becoming priorities in wineries' commercial strategies, while wine tourism offers a way to deepen consumer relationships in an era of reduced consumption.

Investment in innovation, efficient climate risk management, and corporate consolidation will be decisive for the sector's viability. Investors are focusing on solid entities and cooperatives, as well as on technology and digital solutions for agronomic and commercial management. The European wine sector, after the impact of 2024, faces a period of forced transformation that will determine its role in the international market and its ability to maintain cultural and economic relevance in the coming decades.