

Wine Industry Insights

Key Emerging Issues – December 2025

01 Global trends in wine consumption – what is impacting producers and industry M&As



The global wine industry stands at a crossroads as declining consumption, demographic shifts, and climate challenges are reshaping both production and demand. This article examines key trends and the potential path forward for the industry.

- George Choimes

Wine consumption worldwide is facing a period of significant change.

Since the 1990s, global wine consumption has been on a downward trajectory, with recent years marked by sharper declines.

Global wine consumption is now at its lowest level since 1961 but production levels have not adjusted accordingly.

At the beginning of December 2025, we saw Wine Australia release its Australian Wine Production, Sales and Inventory Report which saw an increase in wine production in 2024-2025 of 1.13 billion litres, which is a 126 million litre year-on-year increase.



However, that figure is still
89 million litres
 below the ten-year average.

The larger 2024-2025 production numbers have seen an increase in national inventory to 2.06 billion litres to 30 June 2025, which is 100 million litres above the inventory figure as at 30 June 2025 and the 10-year average.

A key indicator is the **Stock to Sales Ratio (SSR)** this ratio saw an **increase to 1.9**, which is above the **10-year average of 1.66**.

The SSR for whites and reds are above long-term averages, and without adjustments to the vineyard area, we consider it unlikely these ratios will improve in the short term.

Key drivers to the ongoing decline in domestic and global consumption include:



Mindful drinking: Consumers are increasingly conscious of alcohol intake, opting for moderation or no/low alcohol alternatives.



Demographic shifts: Younger generations are underrepresented among wine drinkers, with older cohorts dominating consumption.



Changing beverage preferences: Competition from spirits, premixed drinks, and craft beverages is eroding wine's share.



Cost of living pressures: Economic uncertainty and inflation are prompting value-seeking behaviours or drinking less but higher quality.



Geopolitical and climatic uncertainty: These factors impact both production and consumption patterns.

The decline is most pronounced in commercial wine (below US\$10/bottle), while premium segments remain more resilient.

Red wine consumption, in particular, has dropped globally, with white and rosé holding steadier.

02 What wine consumers are drinking in Australia compared to globally

Australia's wine market reflects many global trends but also displays unique local dynamics:



Generational divide: Older Australians are the primary wine consumers, while Gen Z and Millennials favour lighter, more approachable styles such as rosé, sparkling, and sweeter wines like Moscato.



Affluence and regionality: High-income areas drive wine sales, with local varietal preferences shaped and tradition. For example, Shiraz is dominant in South Australia, Pinot Noir in Victoria, and Sparkling in Tasmania.



Emerging trends: There's a national shift toward lighter styles—Pinot Noir, Pinot Grigio/Gris, Prosecco, and Rosé are gaining share, while traditional reds and cask wines are declining. "Spritz culture" and visually appealing wines are increasingly popular among younger drinkers. Online sales channels are increasingly important.



International comparison: Globally, younger consumers also prefer lighter, lower-alcohol, and sustainable wines. Australia's trend toward lighter styles and alternative formats (cans, pouches) mirrors global innovation, but local loyalty and climate-driven preferences remain strong.

03 Global outlook

California, the heart of the United States' (US) wine industry, is experiencing acute challenges:



Production: The US is the world's fourth-largest wine producer, with California accounting for the majority of output. In 2025, US production saw a modest rebound but remains well below historical averages due to climatic volatility—heatwaves, drought, and disease pressure have reduced yields.



Market pressures: The industry faces declining domestic consumption, oversupply, and shifting consumer preferences. Younger Americans are drinking less wine, favouring spirits, craft beer, and ready-to-drink cocktails.



Economic headwinds: Rising costs, labour shortages, and competition from imports add to the strain. Premium segments are more resilient, but commercial wine faces steep declines.



Innovation and adaptation: Producers are exploring sustainable practices, alternative packaging, and new varietals to appeal to changing tastes and environmental concerns.

In France, the Ministry of Agriculture has announced a €130 million national plan a clear signal that a major crisis needs to be confronted head on.

The plan provides financial support for growers who uproot vines (€60 million), assistance for those leaving viticulture altogether (€20 million) and funding for land conversion and vineyard restructuring (€30 million).

It also offers social and emergency relief, including expanded rural mental health services (€20 million).

A similar story is playing out in Rioja in Spain with government funded distillation schemes being deployed to urgently remove excess supply to help producers, many of whom are in dire financial straits.

The rapid growth in plantings over the past 40 years, with far too much Tempranillo than the current market demands, needs to be unwound in an orderly fashion – substitute Australia and Shiraz and you have a familiar story.

Rumoured disharmony between key industry players in Rioja – who believe quality not volume should be the region's driving force – again echoes the recurring fracturing debates that have defined Australian wine industry politics for the past 20 years.

Finally, in Argentina, an aggressive deregulation agenda is being adopted as a means to drive productivity and boost the domestic wine sector which is facing a similar array of challenges that confront producers in other countries.

Government oversight of production has now been relaxed to reduce administrative burden and costs.

Industry acceptance has however been mixed with some concerned that consumer confidence regarding provenance will be eroded.

It is generally agreed that across the countries we've highlighted, and beyond, long-term strategy needs to be adopted to fundamentally reset production levels locally and therefore globally to align with forecast demand.

04 What Is Next for Wine Producers and Viticulturists from 2026 and Beyond

Looking ahead, wineries and viticulturists must adapt to a rapidly evolving landscape:



Climate adaptation: Ongoing climatic variability will require investment in resilient grape varieties, water management, and sustainable practices.



Consumer-centric innovation: Success will hinge on meeting the needs of younger, more diverse consumers—lighter styles, no/low alcohol options, organic and sustainable wines, and convenient formats.



Premium vs. Budget Divide: While premium segments remain resilient, the commercial wine segment (below US\$10/bottle) is under severe pressure, impacting overall margins.



Strategic Partnerships: Larger, consolidated entities can invest in innovation, marketing, and export growth, while smaller producers may struggle to compete.



Recent Trends: The need for consolidation is heightened by declining consumption, margin pressures, and the need for investment in climate adaptation and consumer-centric innovation.

05 Need for Structural Change and Consolidation: Mergers & Acquisitions (M&A)



Persistent oversupply: Fundamental structural adjustment is required to reset the size of the Australian (and global) industry with plantings permanently removed and wine capacity reduced. Market signals are not registering with grape growers still insisting on delivering fruit despite below cost of production pricing being offered as evidenced in the recent Australian Wine Production, Sales and Inventory Report 2025 which indicates that wine production increased by 9 percent compared with 2024 while sales were steady, leading to a rise in national stock levels just when it's not needed. Annual vintages in the order of 1.5 million tonnes or less are required for several years ahead to restore industry balance.



Fragmented Market: Australia's wine industry is highly fragmented, with many small producers competing against large domestic and international players.



Economies of Scale: Consolidation through mergers and acquisitions can help wineries achieve scale, reduce costs, and improve bargaining power with retailers, hotels, and pubs, although policy settings (WET rebate) is acting as a major disincentive at the SME level

KPMG Outlook

Expect increased M&A activity in the short to medium terms as producers seek to strengthen their market position, diversify portfolios, and respond to changing consumer demands.

We've recently seen announcements of TWE offloading its commercial brands and now Vinarchy offloading over 60 brands to focus on their key brands of Hardy's, Jacob's Creek, and Campo Viejo.

Conclusion

The global wine industry stands at a crossroads. Declining consumption, demographic shifts, and climate challenges are reshaping markets and industry dynamics at both production and demand.

Australia's market, while reflecting global trends, is distinguished by strong local preferences and opportunities for innovation. California and the broader US industry face similar pressures, with adaptation and resilience essential for growth. Restructuring is occurring throughout the wine industries in Europe and South America.

For wineries and viticulturists, the path forward will require agility, sustainability, and a deep understanding of evolving medium to long terms consumer trends and needs. Those who embrace change and innovate will be best positioned to thrive in the years ahead.

➤ Global consumer trends_Angelica Crabb_July 2025 (002).pdf

➤ California's Wine Industry Is in Crisis WSJ.pdf

➤ OIV_2025_World_Wine_Production_Outlook.pdf

➤ State of the Grapes August 2025 compressed.pdf

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