

Wine Industry Insights

Key Emerging Issues – July 2026

National vintage winegrape crush – Lower supply, but structural pressure remains



01 The 2026 vintage: A market and seasonal reset

Wine Australia estimates the **2026 Australian winegrape crush at 1.27 million tonnes, down from 1.57 million tonnes in 2025** and 25% below the ten-year average, making it the smallest vintage since 2000.

The outcome reflects a combination of softer domestic and global wine demand, rising production costs and challenging seasonal conditions. In 2025, Australia experienced its fourth warmest year on record, while many wine regions were affected by below-average rainfall, frost, heatwaves, drought, hail and flooding. Some growers also chose not to harvest fruit where the economics of picking were no longer viable.

While seasonal conditions contributed to the smaller crop, businesses should distinguish between lower production and lower demand. Seasonal shortages are temporary; weaker demand has broader implications for winery utilisation, vineyard values and the long-term sustainability of existing production capacity.

02 Lower crush does not automatically mean recovery

Historically, a smaller harvest would have tightened supply and supported grape prices. Despite the national crush falling by 19%, the national weighted average purchase price declined by 6% to \$570 per tonne, highlighting that demand-side pressures continue to outweigh supply reductions.

Average purchase values in the warm inland regions of Riverland, Murray Darling/Swan Hill and Riverina fell from \$351 to \$329 per tonne, around 18% below the ten-year average. By contrast, cool and temperate regions remained broadly in line with long-term pricing levels of \$1,400 per tonne despite a modest year-on-year decline. The average price of \$570 per tonne therefore masks significant regional variation, with higher-priced cool and temperate regions propping up the national average despite contributing less than 30% of the total crush.

The persistence of elevated inventories, weak bulk wine prices, contract rationalisation and changing consumer preferences means lower production has yet to restore pricing power across much of the sector. For many growers and wineries, reduced grape intake reflects weaker demand rather than reduced supply.

Vintage 2026 should therefore be viewed as part of an ongoing industry adjustment rather than a turning point in recovery. Pricing will remain constrained until inventories and production are better aligned with demand.

03

Red varieties carried the bulk of the decline



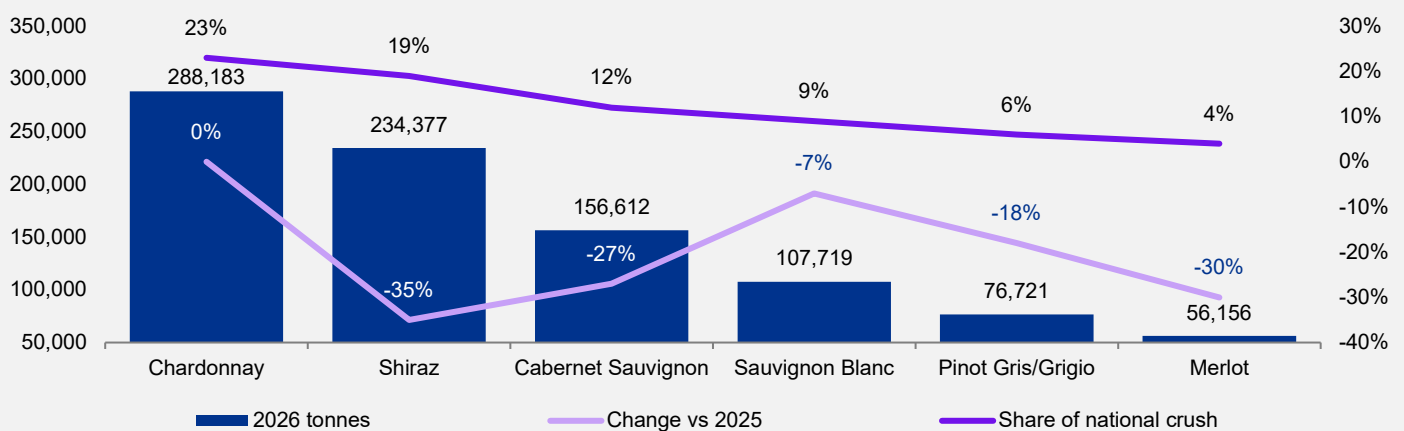
A defining feature of the 2026 vintage was the sharp decline in red grape production.

Red varieties fell by 243,560 tonnes (29%) to 596,226 tonnes...

...accounting for around 80% of the reduction in the national crush. By comparison, white varieties declined by just 9% to 669,445 tonnes, increasing their share of the crush to 53% — the highest level since 2012.

The shift highlights Australia's changing varietal mix. Domestic and export demand continues to favour lighter wine styles and white varieties, placing increased pressure on producers with significant exposure to traditional reds. Shiraz production fell 35% to 234,377 tonnes, reducing its share of the national crush to below 20% for the first time in 15 years. Chardonnay became Australia's biggest variety by crush volume at 288,183 tonnes, underscoring the industry's ongoing adjustment to evolving consumer preferences.

Major varieties: movements



Source: Wine Australia National Vintage Report 2026.

04

Market demand is separating by segment

The industry is not confronting a single demand challenge; rather, demand is fragmenting across price points, varietals and consumption occasions. Our analysis of export data suggests Australia is operating within a structurally smaller demand environment, characterised by less frequent wine consumption and a shift towards premium and smaller-format products, lower-alcohol offerings and alternative beverage categories including no- and low-alcohol products, ready-to-drink beverages and craft beer.

A smaller 2026 crush alone will not resolve the sector's challenges. As consumer preferences evolve, success will depend on profitable brands, disciplined portfolio choices and products aligned with changing drinking occasions.

Similar trends are evident in export markets. Competitive pressures remain most acute in heavy, lower-value red wine categories, while white wines — particularly Pinot Gris and Pinot Grigio — have demonstrated greater resilience. For industry participants, the key question is whether their vineyard assets, inventory holdings, brand portfolios and grower contracts are aligned with the market segments that continue to offer sustainable demand and margin opportunities.

KPMG view: Structural demand matters as much as seasonal supply

Businesses should assess each vineyard, winery asset, brand and SKU based on its ability to generate sustainable cash margins under current market conditions. Volume without profitability, or inventory without a clear pathway to sale, should not be mistaken for recovery. In an environment of structural change, long-term value creation will depend on aligning production capacity and capital allocation with those market segments capable of delivering enduring demand and attractive returns.



05 State and regional split: Stress remains concentrated but widespread

South Australia remained the largest contributor to the 2026 winegrape crush, accounting for 52% of the national total, followed by New South Wales (30%) and Victoria (15%). Production declined across all major wine-producing states, with South Australia's crush only decreasing by 12%, compared to declines of 22% in New South Wales and 31% in Victoria.

The warm inland regions of Riverland, Murray Darling/Swan Hill and Riverina continued to dominate Australia's production footprint, representing 71% of the national crush. Combined intake fell 23% year-on-year to 782,716 tonnes and was 27% below the ten-year average. Given their scale, any meaningful rebalancing of the Australian wine sector will depend heavily on changes in vineyard area, grape intake and winery utilisation across these regions.

Inland regions are more exposed to bulk wine pricing, irrigation costs and processing capacity utilisation, while cool and temperate regions benefit from stronger premium positioning and direct-to-consumer channels. However, both segments face the same underlying challenge: adapting to a structurally changing wine market characterised by lower consumption and shifting demand patterns.

A warm-inland versus cool/temperate lens is useful for decision-making because the segments face different economics. Warm inland regions are more exposed to volume, bulk wine pricing, irrigated water costs and large-scale processing utilisation. Cool and temperate regions may be more exposed to premium positioning, brand strength, cellar-door and direct-to-consumer channels, but they are still affected by weaker consumer frequency, working capital and selective demand including fluctuating discretionary spending.

Segment lens: Different pressure points

Warm inland / commercial

What to watch

Bulk wine values, red grape demand, intake contracts, water and harvest economics, processing utilisation.

Restructuring implication

Capacity and vineyard decisions should be assessed on cash margin and realistic demand, not historic volume assumptions.

Cool / temperate / premium

What to watch

Brand strength, channel mix, visitor spend, inventory turn, premium consumer frequency.

Restructuring implication

Profitability depends on disciplined brand building, channel focus and working capital control, not simply premium positioning.

06 The vine pull question: supply adjustment remains difficult to measure

A key limitation of the 2026 Vintage Report is that it measures grapes harvested and delivered to wineries, not the amount of vineyard area that has been removed, mothballed, rested or left unharvested. As a result, it remains difficult to determine how much of the production decline reflects permanent capacity reduction versus temporary factors such as lower yields, unsold fruit, seasonal conditions, strategic considerations or distress.

This distinction matters. Vineyard capacity that remains in place can return relatively quickly if market conditions improve, whereas permanent vine removal represents a genuine and lasting reduction in supply.

Wine Australia's National Vineyard Scan estimated Australia's vineyard area at approximately 146,000 hectares in both 2018 and 2019, suggesting only modest structural adjustment at that time. The planned National Vineyard Register, expected to commence rollout from 2028, should provide greater transparency around vineyard area, plantings and varietal composition, supporting more informed supply and demand decisions.

KPMG view: Vine pull is a balance sheet issue, not only a viticulture issue

Decisions to remove, rest or mothball vineyards should be assessed through both an operational and financial lens. Cash flow, water availability, debt servicing capacity, land values, alternative land use opportunities and contract certainty are often more important than production considerations alone.

For lenders and investors, the critical question is whether vineyard assets can generate sustainable returns or are simply carrying ongoing land, water and operating costs with limited revenue visibility.



07 International comparison: Australia is not alone

Australia is not unique in facing the need to reduce vineyard capacity. Across major wine-producing regions, lower consumption, excess inventories and pressure on profitability are driving structural change.

France has implemented government-supported vineyard removal programs, including a €120 million scheme approved in 2024 to permanently remove up to 30,000 hectares of vines. In California, winegrape acreage has declined significantly in recent years, accompanied by vine removal activity as growers respond to weaker market conditions.

The trend is also evident globally. The International Organisation of Vine and Wine (OIV) reported that global vineyard area declined by 0.8% in 2025 to 7.0 million hectares, marking the sixth consecutive year of contraction. Global wine consumption also fell 2.7% to 208 million hectolitres.

These developments reinforce that Australia's wine sector is adjusting within a broader global environment characterised by lower wine consumption, vineyard rationalisation and a renewed focus on aligning production capacity with market demand.

08 Outlook: Lower production is a positive signal, but not the whole answer

A smaller Vintage 2026 is a positive step towards restoring supply-demand balance. However, if wine consumption remains structurally lower, a sustainable equilibrium may require the national crush to settle closer to 1.0–1.2 million tonnes. Greater visibility on permanent vineyard removal versus temporarily inactive production capacity will remain important.

The central challenge is whether grape supply, wine inventories and consumer demand can be brought back into alignment. Achieving this would likely require continued vineyard rationalisation, varietal transition, consolidation, innovation, collaboration and disciplined brand investment.

For businesses under pressure, structural challenges require structural responses. Organisations that navigate this environment successfully will focus on cash generation, working capital discipline, realistic asset values and investment in market segments capable of generating sustainable returns.

Sources and reference material

- Wine Australia, National Vintage Report 2026, released July 2026.
- Wine Australia, National Vineyard Scan, market insights page and project information.
- Drinks Times, "Australia's Wine Reckoning: Volume Down, Value Down, Structure Forever Changed", 24 February 2026.
- KPMG Australia, Australian Wine Industry Insights.
- OIV, State of the World Wine Sector in 2025, May 2026.
- European Commission / French sector reporting on vineyard removal support, including €120m / €130m vine-pull packages and national grant rates of approximately €4,000 per hectare.
- California Department of Food and Agriculture / USDA NASS, California Grape Acreage Report 2025 Summary, released April 2026.

Contact us:



Tim Mableson

Deal Advisory Partner
National Leader
Agriculture & Wine
+61 415 134 486
timmableson@kpmg.com.au



George Choimes

Deal Advisory - Director
+61 417 867 423
gchoimes@kpmg.com.au



Andreas Clark

Special Adviser - Wine
+61 407 232 400
aclark12@kpmg.com.au

kpmg.com.au



The information contained in this document is of a general nature and is not intended to address the specific circumstances of any particular individual or entity. Appropriate professional advice should be obtained before acting on this information. ©2026 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Liability limited by a scheme approved under Professional Standards Legislation.