BI Daaglik - BI Daily

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Major Wine Producing Countries

Tough times ahead for the US wine market
The Silicon Valley Bank State of the Wine Industry Report has just been released and it shows trouble ahead for the US wine market.

The big takeaways

The US supply chain is full, because the historic 2018 vintage kept tanks filled into 2019. Although the 2019 harvest was lower, it wasn’t low enough to correct the supply problem. Wineries have also overestimated sales growth, “leading to an inventory bubble”, that may take several years to clear.

The report is blunt: “Unless we focus on boosting consumer demand, we have too many acres of grapes planted today in California, and some will need to be removed, mothballed or replanted early in almost every growing region in California.”

Washington is also oversupplied, while “Oregon will remain a bright spot for the industry”.

The oversupply has come at a time when there is a decline in total sales volume and a difficulty in passing price increases on to consumers. While baby boomers are still buying wine at all price points, both their spending and alcohol consumption is slowing as they age. Generation X are buying wine, but are a smaller group, while the Millennials “aren’t engaging with wine as hoped. They have a current preference for premium spirits and craft beers”.

Things don’t look much better in the on-trade, as “total industry dollar-denominated sales have landed in a flattening period… That trend in volume declines continued to accelerate through 2019.”

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Is the US wine consumption boom over?
Americans drank less wine for the first time in 25 years in 2019, according to one report, as separate analysis predicted price deals on US wines in 2020 due to an
oversupply of grapes.

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Europeans and Californians join forces to denounce proposed wine tariffs
Wine organisations representing both Californian and EU producers are calling on their respective governments to drop any talk of wine tariffs.

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