

SVB State of the U.S. Wine Industry 2026

Meeting Notes

Meeting Title: SVB State of the U.S. Wine Industry Webinar

Host: Silicon Valley Bank

Date: January 15, 2026

Panelists / Speakers

- **Rob McMillan** – EVP & Founder, SVB Wine Division (moderator / lead analyst)
 - **Kristen Marchese** – Partner, Metis Partners (M&A advisory; former winery operator)
 - **Janie Brooks Heuck** – Brooks Winery, Willamette Valley (DTC-led winery operator)
 - **Matthew Ings** – General Manager, Rombauer Vineyards (Gallo Luxury portfolio)
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1. Macro Market Conditions: Reset, Not Collapse

Supply & Inventory

- U.S. wine entered **acute oversupply as early as 2019**, pre-COVID.
- COVID created a **false demand signal** (2020–21), masking structural issues.
- California crush fell to **~2.2 million tons**, nearly **50% below peak**, driven by:
 - Intentional vine pulling
 - Non-harvesting decisions (not weather-related)
- Bulk wine inventories remain at **record highs**, indicating supply is still backing up.

Wholesale Inventory

- Wholesale alcohol inventory ratio now **~1.67**, well above the healthy **~1.1** level.
 - Sales are trending down while inventory remains elevated → distributors are constrained.
 - Result: **Harder placements, slower resets, less appetite for new brands.**
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2. Retail & Depletion Signals: Early but Real Improvement

- Retail sales declines are **decelerating** across major varietals.
- Retail is drawing down inventory faster than wholesale → a **modest correction is underway**.
- Improvement is **broad-based**, not tied to a single “hot” varietal.
- Still negative overall, but **directionally improving** (a “first-derivative” change).

Key takeaway:

This is likely the **start of a correction**, not a rebound.

3. Forecast: Flat, Then Slow Recovery

SVB Forecast

- **2025:** ~\$74B sales, ~329M cases (down vs. 2024)
- **2026:** ~\$73B sales, ~322M cases (-1.5% YoY)

Timing

- 2026 expected to remain negative but **flattening**
 - Market bottom likely **2027–2028**
 - Recovery will be:
 - Uneven
 - Region-specific
 - Size-dependent
 - Supply chain recovery order:
 1. Retail
 2. Wholesale
 3. Wineries
 4. Growers (last)
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4. Demographics & the Real Growth Constraint

Core Reality

- Growth is constrained by:
 - Flat per-capita consumption
 - Slower population growth into legal drinking age
- For the next ~17 years, **fewer people will turn 21** than in prior generations.

Opportunity

- Growth must come from:
 - **Converting existing alcohol consumers**
 - Not increasing consumption per person

Key Insight

- Consumers drink **across categories** more than ever.
 - A “wine consumer” today may only allocate $\frac{1}{3}$ **of occasions to wine**.
 - Wine competes directly with beer, spirits, RTDs, and NA options.
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5. What Top-Quartile Wineries Are Doing Differently

Consistent Traits of Top 25% Performers

- Strong **external focus** (consumer-first, not problem-first)
- Heavy **investment in tasting rooms and hospitality**
- Discipline around:
 - Strategy
 - Pricing
 - Allocation
- Marketing spend treated as **essential**, not optional
- Digital integrated into all touchpoints (not standalone)

Bottom Quartile Traits

- Inward-looking
- Focused on industry headwinds rather than tactics

- Little evidence of experimentation or adaptation
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6. DTC & Hospitality: Experience Over Reverence

Key Themes

- Wine clubs are evolving:
 - Less rigid bottle commitments
 - More choice, benefits, experiences
- Hospitality must:
 - Be welcoming, not intimidating
 - Educate without embarrassing
 - Feel experiential, not academic

Examples

- Flexible wine clubs (“benefits-based” vs. bottle-based)
- Table-side service and personalized visits
- Rebranding education (e.g., “Wine Lab” vs. “Wine School”)
- Multiple experience tiers (formal tastings, casual visits, picnics)

Tasting Fees

- Many wineries are **selectively lowering fees**
 - Tasting room reframed as **marketing**, not profit center
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7. Innovation: Try First, Judge Later

- Successful wineries are:
 - Willing to do **slightly uncomfortable things**
 - Testing formats, partnerships, and experiences
- Examples discussed:
 - Wine slushies / hybrid drinks

- Non-alcoholic flights alongside traditional tastings
 - Cross-category collaborations
 - Key mindset shift:
 - “Who’s done this before?” is not a useful filter
 - Innovation requires **permission to fail**
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8. Sustainability, Health & Messaging

- Younger consumers strongly value:
 - Sustainability
 - Transparency
 - Natural production
 - Many wineries farm responsibly but **fail to communicate it**.
 - Sustainability increasingly linked to **wellness narratives**.
 - Industry losing ground on health messaging despite science supporting moderation.
 - Resources like **WineAmerica** are critical for advocacy and compliance guidance.
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9. Wholesale Strategy: Relationships Over Coverage

Successful Wholesale Models

- Fewer, better distributor relationships
- Preference for:
 - Smaller, family-owned wholesalers
 - Active trade engagement (not box-moving)
- Strong producer involvement:
 - Frequent communication
 - Account visits
 - Unified brand message across DTC & wholesale

Key Insight

- Wholesale, DTC, and trade are an **ecosystem**, not silos.
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10. M&A Outlook: Reset Expectations

Market Reality

- Transactions still happening, but:
 - Mostly high-quality, profitable, differentiated brands
 - Or strategic “puzzle-piece” acquisitions
- Discounts vs. 2021 valuations:
 - Strong AVAs: **20–25%**
 - Others: **40–50%+**

Key Advice

- If you don’t need to sell, consider waiting—but invest in profitability.
- Buyers want:
 - Clear differentiation
 - Consumer loyalty
 - Scalable brand assets
- Many wineries are **lifestyle businesses**, not sellable enterprises.

Preparation Matters

- GAAP financials
 - 3+ years of clean, recast statements
 - Honest assessment of what’s actually being sold
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11. Cost Management in a Tough Market

Best Practices

- Have a real budget (many don’t).

- Assign a **Directly Responsible Individual (DRI)** to every cost center.
 - Ask:
“If we stopped doing this, what bad thing would happen?”
 - Don’t buy bulk wine without a **clear sales strategy**.
 - Fixed costs are hard to cut—but attention reduces waste.
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12. Sentiment Check

- 2025 widely reported as:
 - One of the **most difficult years on record**
 - ~30% of wineries still reported a “good year”
- Mood is cautious but not defeated.

Closing Note

- Despite challenges, speakers emphasized:
 - Wine’s cultural value
 - Its role in connection and enjoyment
 - The importance of optimism, adaptability, and advocacy
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Bottom Line

The industry is **not waiting for a rebound**—it is being forced to **rebuild smarter**. The wineries that invest now in **hospitality, clarity, experimentation, and discipline** are positioning themselves to emerge stronger as the market stabilizes.