



CEO'S CORNER

▶ A steady view on what matters most.

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The Wine Industry is on its Heels. How will it regain its footing? March 20, 2026

The wine industry has been in rapid decline for the past couple of years. This was easy to foresee, for anyone that had their eyes open. But two to three years ago it was almost blasphemy to predict what is happening now. I spent the last half of 2023 researching trends in the industry. Based on that research I wrote a series of reports for Leadership Napa Valley class #36 about conditions in the wine industry and in the economy of Napa County in general. Here is a short excerpt from the January 2024 report:

*“It is clear that there is too much capacity in the wine industry, both locally and globally. To correct this imbalance demand must accelerate or capacity must shrink. Demand is still shrinking, so capacity must do the same. My prediction is that the number of brands will shrink significantly in the next several years. Even the biggest producers will participate in this trend. Strong brands should get stronger. Weaker ones will disappear. Smaller wineries that don’t have unique value propositions will disappear...**If 25% to 35% of the wineries in this valley went out of business very few would even notice, except the owners of the wineries that folded.**”*

That last statement really irritated the owner of a small winery we know. In 2023 no one I talked with thought that Napa Valley vineyards would be torn out. Opinion was unanimous. If happened at all, it would be in other regions of CA. During a conversation with a prominent business leader in Napa I suggested many Napa Valley wineries would go out of

business and that acres would be pulled out of production. She said to me, *“Oh Paul, let’s not go down that pessimistic rabbit hole”*.

We are now in March 2026. Acres are being pulled out of production. Prime acreage is for sale and getting no bids. Wineries are going out of business or downsizing rapidly. Many are selling off assets or trying to. Tasting rooms are closing. Brands are disappearing. Sales are off for everyone I know. Inventories are swelling.

The San Francisco Chronicle ran an article on February 26, 2026 titled **“How to Understand the surge of California winery closures”**. It’s just one of many I’ve seen in the past few months on this topic. Everyone is trying to understand what happened and why. To me it’s always been simple, and the San Francisco Chronicle agrees, stating *“Consumer demand is too small, and the industry is too big.”* Where we likely differ is in understanding the primary cause of the that disconnect.

If you’ve paid any attention you know that the most prominent theory is that “young people aren’t drinking”. I can vouch for that. My 21 year old daughter has never tasted a beverage with alcohol in it. Even so, in my opinion, that’s not the primary cause. As the wine industry became a very expensive hobby business for extremely wealthy people too much supply became available.

I’m not sure when the last real farmer got into the business. There was never a clear line of delineation. But I do know that most entrants during the past decade or two saw owning a winery as aspirational, bucket list, or self-actualization. It wasn’t the business in which they made their fortune. It was the hobby business in which they were going to invest their fortune, or at least part of it. For many it worked initially, but not so much anymore. Too much of a good thing is never a good thing!

Aspirations, bucket lists, and self-actualization simply built too many wineries and planted too many acres. This happened all over the world. Unfortunately many of the older winery and vineyard owners followed right along. My current prediction for our local industry is a simple one. It will shrink back to an equilibrium level at which those remaining in it can thrive and enjoy what they do. The farmers and real wine makers will be separated from the aspirers. Those that have owned their land since the 1930’s, 1940’s, 1950’s, 1960’s, and even 1970’s have an economic advantage over the “newcomers”. But it will pay to be a great business operator too. Those that can differentiate themselves from the crowd can survive.

Ted Hall recently released a report on the local wine industry in which he said, *“The Napa Valley wine market is a cautionary tale of marketing conformity. When a region’s collective*

success relies on a shared set of ideals, it becomes dangerously easy for individual brands to lose themselves in the echo chamber.

For legacy brands, relying solely on historical buzzwords is a fading strategy. For new entrants, mimicking the archetype guarantees invisibility. The “sea of sameness” is vast and deep, but it is not inescapable.

Death by drowning can be avoided by those who choose to learn to swim. By moving beyond prototypical narratives, investing in verifiable claims, and having the courage to articulate a genuinely distinctive philosophy with authentic personality, a resolute group of survivor wineries may finally give consumers a reason to remember their name.”

Here’s a little food for thought. The “Ag Preserve” was created in 1968 to protect 25,950 acres of agricultural land from development in Napa County. It was later expanded to approximately 31,600 acres that would permanently be farmland. Currently, there is approximately 45,000 to 47,000 acres of vineyards in Napa County. Sources vary on the exact amount, and grapevines are rapidly being pulled out. My point is that 13,000 to 16,000 acres could be pulled out and we’d only be back to the “expanded” area of the original “Ag Preserve”.

I’m in regular contact with the CEO’s of a few of the larger wineries. No one seems to know when the decline will end, but I was recently told that the trendline of the decline is getting shallower, following a couple of really tough years. “*Maybe we see a bottom sometime in 2027?*”, was a recent comment from one of them. The comment sounded more like a question.

The Napa Valley wine industry is not going out of business. It is on its heels. It can regain its footing by returning to an era of rationality, practicality, and prosperity for those who are left in it. For those that get knocked out of it, maybe it’s a lesson learned. How do you lose a large fortune in the wine industry? Start with a larger one.

All the best,



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