

Wine country in crisis

The United States has a long history of successful wine production. Now, however, adversity is mounting and the future looks very bleak for American wines. No wonder there is a certain funeral mood in the air.

Text and photo | Claes Löfgren

American wines have never been as good as they are now. At the same time, the American wine industry has not been in a more difficult position since Prohibition in the 1920s. Boycotts and tariffs are just the tip of the iceberg.

The legalization of cannabis has also reduced demand, reinforced by a health trend where new target groups are completely opting out of alcohol. Dramatic forest fires have destroyed many vineyards and smoke-damaged others. The situation is now critical.

– The week Donald Trump humiliated President Zelensky in the White House, sales of American wines at Systembolaget fell by 30 percent. They have remained at that level ever since.

This is according to Ulf Sjödin, product range manager at Systembolaget. He explains that the decline is most noticeable in the lower price ranges, but even more expensive wines are selling significantly worse than before.

Trump's tariff policy has, of course, hit wine producers hard, but there are other sources of concern. And in a way, the downturn began after the brutal stock market crash of 2008. This was followed by a long and extremely strong upturn in the US economy. So let's start there...

DURING THIS ECONOMIC BOOM, more and more people began to treat themselves to good wines at ever-higher prices. Wine bars and tasting rooms became important sources of income for the wine industry. It became highly fashionable for overconfident tech billionaires to invest in wine, which drove up the prices of vineyards, grapes, and wines. At that time, it was not unusual for a Cabernet Sauvignon from Napa Valley to cost over \$300.

At the same time, more and more (often self-proclaimed) wine connoisseurs began rating wines on the internet. Many started their own newsletters and podcasts, which together had a major impact. Robert Parker's rating dominance was broken, while the trend began to move towards leaner, more elegant wines with less alcohol. It started in the shadows, but one of the main characteristics of American wine—its power, fieriness, and generosity—was changing more and more clearly. But few people noticed this at the time.

In Napa Valley, you now have to book your winery visits in advance in many places. It is also not uncommon to pay between \$50 and \$100 for a tasting with an employee who describes the wines – a guide who then expects a 20 percent tip.

The average price for a bottle of Napa wine is now over \$60. But quality and quantity rarely go hand in hand. As demand for luxury wines increased, demand for what American wineries call “bread and butter” decreased.

Sales of volume wines fell dramatically.

One reason was that RTD (Ready to drink: ready-mixed drinks) in cans became a rapidly growing trend among many younger people, while other consumer groups accelerated in a health trend where alcohol was rejected. An equally contributing factor was the legalization of cannabis in a number of US states.

The large publicly traded wine companies, led by Constellation, had bought up many of the successful wineries and driven up prices. Now investors felt that the returns were too low. Instead, they sought lucrative investments in the cannabis industry. Wine houses and brands began to be sold off one after another. The snowball was rolling.

Generation Z, the newly awakened consumers, do not drink wine to the same extent as previous consumer groups. Cocktails, beer, and cannabis have partly taken over. In New York and Los Angeles, for example, you now see far more cannabis shops than wine shops.

ADDED TO THIS IS Trump's trade war. The tariffs are having a ripple effect and also affecting other wine products: for example, corks, oak, barrels, steel and cement tanks that Europe supplies to the American wine industry.

Trump's immigration policy did not improve the situation, even though an exception was made for fruit and vegetable growers. Wage costs, health insurance, transportation, and other expenses have increased significantly over the past year. The fact that the cannabis harvest coincides with the winegrowers' calendar did not help matters. In addition, harvest workers earn more for less strenuous daily work.

Many of the vineyard workers are also staying away, afraid that ICE will show up and throw them out of the country.

The Canadians were probably most upset when the president started talking about the country as the 51st state of the US and slapped on high tariffs. The Canadians were so angry that all sales of American wine, spirits, and beer were stopped. Their monopoly emptied the shelves on orders from the highest authority and put up signs urging consumers to buy domestically produced wine and spirits. Sales dropped to zero. The American president poured gasoline on a fire that had been smoldering for a long time. American bourbon producer Jim Beam declared that they will not distill any spirits in 2026. They have 16 million barrels in stock and must radically lower the price of these to remain profitable.

THE CLIMATE IS ANOTHER cloud of concern over the vineyards. Some years there are catastrophic droughts, other years there is torrential rain. Planting is taking place at higher altitudes and closer to the sea, but these are measures that take time. More and more vineyards are being cultivated organically, regeneratively, or biodynamically. This also drives up costs.

Add to this the dramatic forest fires that have had a significant impact on the wine industry, particularly in California. In 2020, a large number of wineries in Napa Valley were destroyed. A tenth of the red wine vineyards went up in smoke. Smoke damage to the harvest meant that even more had to be washed.

The following year, it happened again. Four-fifths of the harvest in parts of Napa and Sonoma counties was damaged by fire. Many insurance policies were invalid, and premiums for the coming years have multiplied.

In the state of Oregon, things were even worse. There, most of the red grapes had to be discarded in 2020. About a hundred producers sued the power company that was considered to have caused the fires. They were awarded \$115 million in damages. Not enough, they say.

AS IF the fires weren't bad enough, the world was hit by COVID-19 in 2020. The pandemic brought all social interaction to a screeching halt, including the important tourism industry. All restaurants in the US closed and all tasting rooms shut down.

The reduced demand has resulted in unprecedented overproduction. Warehouses are full and now the wine-growing area is beginning to shrink. Vines are being pulled up and replaced by more profitable crops. 16,000 hectares have disappeared in the last year.

Last fall, the wine harvest along the US West Coast was nearly a third lower than in previous years, a decrease of approximately 2.4 million tons in California alone. The harvest has not been this small in two decades.

The last two years have seen many bankruptcies and closures. Vintage Wine Estates was one of the most high-profile, quickly buying up some 30 well-known wine producers, including Laetitia, Qupé, and Clos Pegase. That company crashed with \$400 million in debt.

The largest grape grower in Monterey, Valley Farm Management, closed at the turn of the year. At the same time, the Monterey County Vintners & Growers Association announced that it was closing down after 40 years.

2023 CHATEAU Ste Michelle, by far the largest wine producer in Washington State, shocked its suppliers by terminating nearly half of all grape contracts without warning. The large winery also dismantled facilities and laid off staff. For some smaller producers, this was an opportunity to buy good grapes at a lower price, but on the whole, it was just the first sign of what was to come.

Shortly before Christmas 2025, there was a glimmer of hope: Ste Michelle's largest supplier, privately owned Wyckoff Farms and Coventry Vale Winery, bought the entire business. It was a deal that most of those involved viewed positively, as such a large producer was run by a family business and not an investment company demanding a quick return.

ON THE NORTH SIDE of the border, frost destroyed all the grapes in Canada's Okanagan Valley in both the winter of 2023 and 2024. After quick negotiations, some of the surplus in Washington was exported to its Canadian neighbors. The wines' labels were given humorous descriptions such as "Crafted in Canada, but not grown" or "Dual Citizen."

As we know, one man's death is another man's bread. But in the long run, this is of course not a solution, just a snub to the autocratic ruler in the White House.

"It's partly our own fault"

Allt om Vin contacted several wine producers in California, all of whom have been affected by the major crisis. What can they do themselves?

Howard Rossbach, owner of Erratic Oaks Vineyards and one of Oregon's largest producers of both grapes and wine.

– We live in interesting times, to say the least. The entire wine industry is in crisis, not just in the US. But we have been hit harder for several reasons, and it is partly our own fault. Wine producers have wanted to play in the luxury wine market. Ordinary people no longer feel welcome in tasting

rooms when they have to pay exorbitant fees to taste the wine. Younger consumers who can barely afford housing are choosing not to buy wine because it has become too expensive.

"The crisis with Canada should not be underestimated either. I had big contracts with the monopolies there, but now I'm not selling a drop. It's going to take time and money to rebuild trust. We are living in the midst of a tsunami, and there are only two options: hold on to the nearest stable point and hold your breath for as long as you can, or jump on a board and surf! I chose the latter and have created a new wine brand, WillaJory, which sells for \$20 a bottle and has been praised for its quality and value.

In Alexander Valley, the Swedish-born couple Warnelius-Miller live at Garden Creek Ranch Vineyard Winery.

Karin and Justin took over the business from Justin's parents more than thirty years ago and have chosen to deal with the problems by replanting and improving the vineyards. Better clones, a more sustainable irrigation system, and better trellising of the vines.

Karin elaborates:

"I would say that relationships are the key to success. You can't succeed without an excellent product and honest, genuine service. There are aspects of the state of the wine industry that are cleaning things up, pushing for better legislation and improved vineyards and winemaking.

Christophe Hedges is responsible for the winery of the same name, a familiar label in Sweden who is always welcomed with open arms. He comments on the crisis as follows:

"Overproduction in the US is based on the production of anonymous bulk wines that are sold in large quantities. The big companies invent origins and fancy names and sell them as quality wines. Those of us who grow the grapes, biodynamically at that, with higher costs, and then produce the wine, don't have a chance to spend as much on marketing and sales campaigns. We are left with crumbs to fight over when the market crashes.

Andrew Murray is one of the most successful wine producers in Santa Barbara.

He recently bought the cult wine brand Qupé from the bankrupt VWE, a great addition to his Rhône-inspired wine production. He lives in the midst of the turmoil but still offers words of comfort.

"I don't like the word crisis, but we are certainly living in challenging times. The whole world is seeing declining consumption. Here in the US, there are more factors at play. Medications for obesity, new generations preferring other intoxicants or being uninterested in alcohol. The older generation that has driven wine consumption is disappearing. The climate, with fires, droughts, and sudden rainstorms, is creating uncertainty about investments.

"That said, we are working as hard as we can.

The purchase of Qupé was a stroke of luck that has significantly increased our sales. Our Tous les jours syrah wine is the best-selling on the market and exports are going very well. Overproduction of grapes has given us access to fantastic grapes that we did not have access to before.

Captions

Replanted vines at Leonetti in Walla Walla, Washington.

Threats to wine

Trump

IForest fires

ICannabis

IHealth trends

IClimate change

Smoke from forest fires hangs like a blanket over the vineyards in Walla Walla in the fall of 2023.

Welcome to Napa Valley, if you can afford it!

Canada reacted strongly to Trump's tariffs and talk of a 51st state. All US-produced wine and spirits bottles were cleared from the monopoly's shelves. Exports collapsed completely. Bourbon producers Jim Beam and Jack Daniels (pictured) were hit hardest as they have large stocks in their barrel cellars.

Ulf Sjödin, product manager at Systembolaget and Master of Wine, keeps track of sales in Sweden.

Chateau Ste Michelle pulled the emergency brake in 2023 and terminated forty percent of its grape contracts. They were quicker than many others to recognize the crisis.

Howard Rossbach in his vineyard. With his new wine, WillaJory, he hopes to improve his situation.

Christophe Hedges and his sister had to discard thirty percent of this year's harvest due to lack of space.

Karin Warnelius-Miller is trying to invest her way out of the crisis with replanted vineyards.

Andrew Murray is one of the most successful small producers but has been affected like everyone else. His purchase of the cult brand Qupé has proven to be one of his saviors.