Why wine Australian demand is falling

A decomposition of the drivers, and what each one is actually worth.

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Declines in wine consumption are usually explained in one line:

Young people don't drink.

The data does not support that as the primary driver. Below is what the evidence attributes the fall to, ordered by explanatory power

The Data

Global consumption reached 208 million hectolitres in 2025, down 2.7%, a fourth consecutive annual decline, and the **lowest level since 1961.**[1]

IWSR projects a further **14% decline** to 2035.[2]

Australia's exports fell to 598 million litres in the year to June 2026, **below 600 million for the first time since 2004.**[3]

1 Price and affordability

High

Consumers are paying roughly **30% more per bottle** than in 2019–20, associated with a **12% consumption decline.**[4] That implies a price elasticity near –0.4 and accounts for a substantial share of the total fall. Gen Z holds an estimated **15% less disposable income** than Gen X did at the same age.[5] Rabobank finds Gen Z households spend a smaller share of income on alcohol than prior generations at an equivalent age.[6]

Why it matters: Much of the price increase was a chosen premiumisation strategy, not an external shock. This is the largest driver and the most reversible.

2 Value positioning

High

Wine ranks **last** among younger consumers on value for money, and sits third as preferred drink at **19%**, behind beer at 43% and spirits at 24%.[7]

Why it matters: This is a competitive positioning failure, not a sobriety trend. Addressable.

3 Geographic rebalancing

High

Demand is shifting away from China, North America and Europe toward India, South America and Africa. Chinese servings are projected **19% lower in 2035 than 2025.**[8] EU consumption is forecast to fall **0.9% per year to 2035**, reaching 19.3 litres per capita.[9]

Why it matters: Australia's export book is concentrated in declining markets. As new export markets take time and resource to develop, this is one of stickiest challenges.

4 RTD and category substitution

Moderate

Still wine's share of global alcohol fell from **11% to 10%** between 2019 and 2024, forecasted to hit **9% by 2029**.[10] RTDs passed **1 billion nine-litre cases** in 2025.[11]

Why it matters: A 1% shift in global market share away from wine towards RTDs represents 20 million hectolitres of lost demand. RTDs stealing market share hurts more than abstinence.

5 Generational abstinence

Low

Abstinence among Gen Z is the weakest of the explanations. IWSR's September 2025 consumer data shows Gen Z alcohol participation is stable **year on year and higher than 2023**. Categories consumed per occasion fell from **2.8 to 1.8**, suggesting selectivity, not abstention.[12] The share of US legal-drinking-age Gen Z consuming alcohol in the prior six months rose from **46% to 70%**, with economic constraints rather than cultural shift cited as the driver of the earlier lows.[13] The genuine structural signal is engagement, not abstinence: in the UK, **26%** of regular wine drinkers are aged 18–39 against **48%** aged 55+, down from 36% in 2010.[14]

What this implies

The decline is primarily **a price and access problem**, layered on a real but slower substitution trend, sitting on a genuine geographic mismatch for Australian exporters.

That makes it more addressable than the prevailing narrative suggests. But the addressable part requires rebuilding accessible-price volume, and that requires balance sheet capacity to hold inventory through the transition rather than liquidating it to satisfy a facility that matures before the sales cycle completes.

It will also require investment in new product and market development, at a time where the industry is capital constrained.

The Australian arithmetic

Inventory sits at **2.06 billion litres** against sales of **1.08 billion**, a stock-to-sales ratio of **1.9** versus a ten-year average of 1.66.[15]

The excess is **262 million litres**, roughly 375,000 tonnes of grapes.[16] The 2026 crush of 1.27 million tonnes came in around 230,000 tonnes below the estimated balance point of 1.5 million,[17] so on the production side the correction is largely underway.

In addition to the steps being taken on the supply-side and the rising success of direct-to-consumer strategies being adopted by boutique producers, we see equal importance in Australian brands broadening their export markets to those experiencing growth to off-set decline in the historic core export drivers.

Sources

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8. IWSR, global alcohol outlook to 2035 (June 2026).
9. European Commission, EU Agricultural Outlook 2025–35.
10. IWSR, category share data 2019–2024, forecast to 2029.
11. IWSR, RTD volumes 2025.
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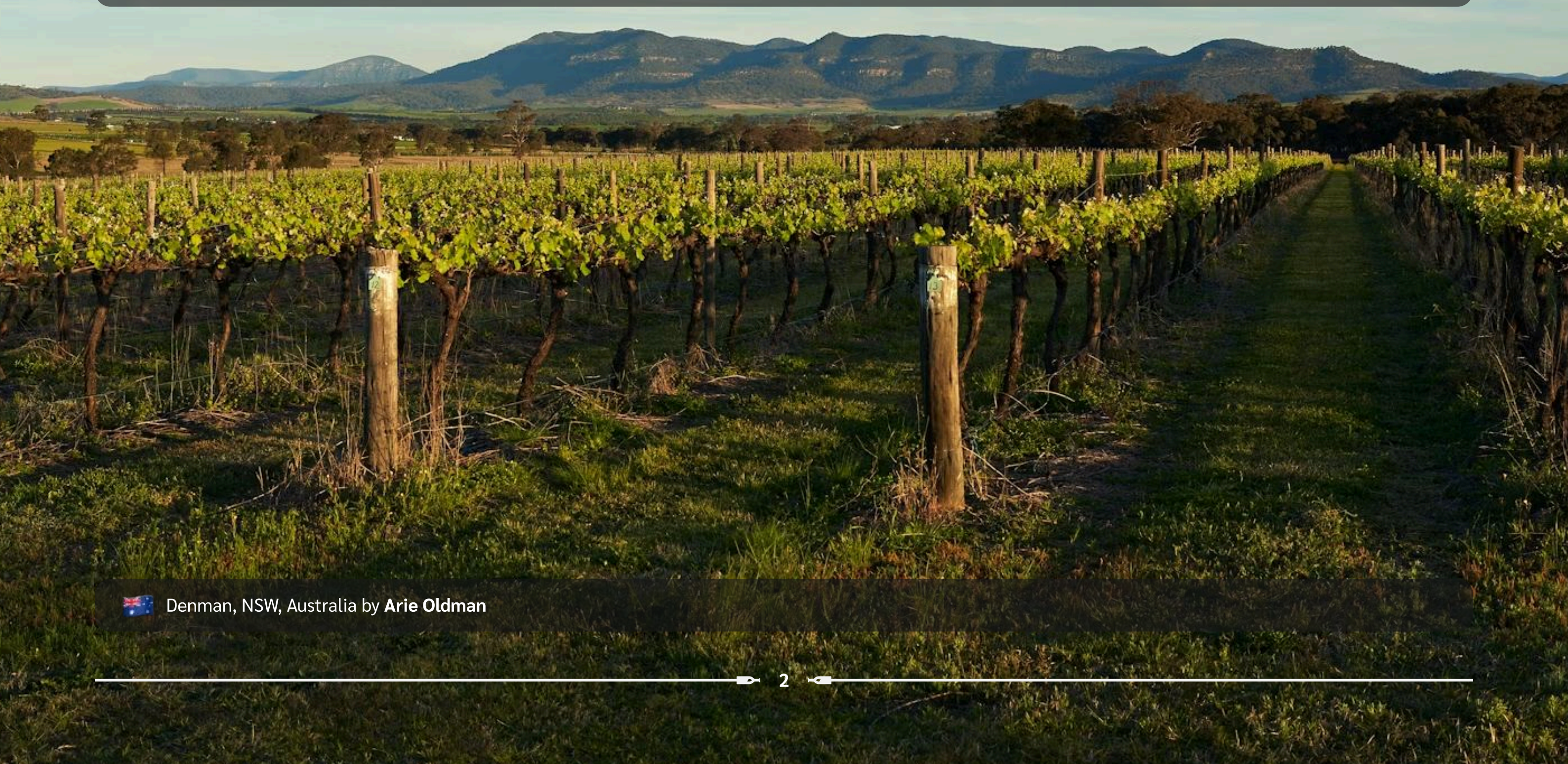
13. IWSR, US Gen Z participation data. Single-sourced; treat as directional. 14. Wine Intelligence research commissioned by Wine Paris & Vinexpo Paris. 15. Wine Australia, Production, Sales and Inventory Report 2024–25. 16. Australian Grape & Wine, pre-budget submission.
17. Wine Australia, National Vintage Report 2026; balance-point estimate per Wine Australia CEO Martin Cole/Dr Bailey commentary.

Method note. Weightings are an assessed reading of the available evidence, not a formal statistical decomposition. No published variance decomposition of the category decline exists.

Data gap. Items 5, 7, 12, 13 and 14 draw on US and UK research. No equivalent Australian generational participation dataset is currently available.



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