One of the world’s biggest vintners has a roaring hangover from poor U.S. sales, leading it to destroy thousands of gallons of wine past its prime.

Treasury Wine Estates Ltd.—whose brands range from the mass-market, U.S.-made Beringer up to $1,000-a-bottle Penfolds Grange from Australia—said it would book a charge of 160 million Australian dollars (US$145 million) against its U.S. business for the fiscal year that ended June 30.

The vintner relies heavily on sales of less-expensive labels in the U.S., the world’s biggest wine market. Treasury Wine said Monday it had overestimated U.S. demand in the past year, forcing it to discount or destroy older wines that had passed their drink-by date. The company warned it expects to ship less wine to the U.S. this fiscal year, reducing operating earnings by as much as A$30 million.

Inexpensive, low-alcohol wines such as White Zinfandel, a key Beringer varietal, don’t have nearly as long a shelf life as a high-end Chardonnay or many red wines, said Jon Fredrikson, head of Gomberg, Fredrikson & Associates, an industry consultancy in California, noting that many people who used to reach for a white Zin now opt for Moscato, a similarly sweet wine. Even so, he said, it is “very rare” for large quantities of wine to be destroyed.

Bulk wine that hasn’t sold is redirected to distilleries, which can use it to make brandy or other spirits, although it is too expensive to do that once wine has already been bottled.
By recalling unsold wine bottles from distributors and retailers and then destroying them, wine companies can recoup taxes that were paid on the wine, softening losses, Mr. Fredrikson said.

"You take a steamroller and roll over the bottles and the government approves it and you get the tax back," said Mr. Fredrikson.

Problems have followed the Sydney-based Treasury Wine Estates since it was spun off from global beverage maker Foster's Group Ltd. two years ago. Back then, a glut of Australian grapes and weak sales in the U.S. and other overseas markets weighed on profit. The latest impairment charge followed a A$1 billion write-down of the business before the spinoff in 2011.

The company owns scores of labels produced globally, including Castello di Gabbiano, Chateau St. Jean, Greg Norman Estates, Pepperjack, Stags' Leap Winery, and Wynns Coonawarra Estate.

Treasury Wine’s struggles set it apart from the broader wine industry in the U.S., which is posting record sales after 19 straight years of volume growth and an increased thirst for imported labels.

Australian wines rode a wave of popularity in the U.S. during the 1990s and first half of the last decade but have ceded momentum to other wine-exporting countries, such as Argentina, Chile and South Africa. The Aussie dollar’s strength in recent years also hurt the competitiveness of wine from Down Under.

In addition, much of Treasury’s U.S. sales are in low-priced wines at a time when American tastes are turning more expensive. U.S. store sales of wine bottles priced between $3 and $5.99 edged up just 1.5% and bottles priced $6 to $8.99 dropped 3.3% in the 52 weeks ended May 25 in volume terms, according to Nielsen. By contrast, volumes of bottles priced $9 to $11.99 and $12 to $14.99 rose 13% and 9%, respectively, and those above $15 increased more than 6%.

U.S. wine consumption rose 2.2% last year, reaching 345.1 million 9-liter cases, and rose 3.6% to $32.3 billion in retail sales, according to Technomic, an industry tracker. But for Treasury Wine, the No. 5 player in the U.S., American sales slipped 1.9% by volume, while those of market leader E & J Gallo Winery rose 3.5%, Technomic estimated.

Treasury Wine’s sales in the U.S. slipped below 13 million cases last year from 16.5 million in 2009, according to an estimate from Import Databank. It said that each of Treasury Wine’s top five brands in the U.S.—Beringer, Lindemans, Stone Cellars, The Little Penguin and Meridian—had lost ground over the past three years, although Beringer and Lindemans posted modest growth last year.

"Management need to rebuild credibility across the board," said Brad King, a portfolio manager at fund manager Armytage Private, which owns Treasury Wine shares. "Apart from the Penfolds brand, everything needs improvement." He said he was surprised by the size of the latest impairment charge.

Treasury Wine’s shares fell 12% Monday in Sydney.

Treasury Wine Chief Executive David Dearie defended the vintner’s strategy of chasing sales in the U.S., where he predicted total wine sales could rise to 450 million cases a year within a decade.

"It’s a fantastic growth opportunity, at the right price points," he told investors on a conference call.

Treasury Wine has been seeking to increase sales in China, announcing plans in March to open wine bars or restaurant-and-entertainment outlets in a bid to get the country’s consumers to drink luxury wines, rather than simply give bottles as gifts. Treasury Wine currently sells in China only through distributors.

China’s appetite for wine has surged, spurring competition among winemakers who had flooded the market and now are looking to differentiate themselves. Wine consumption in China will increase to 2.1 liters a person over the next three years from about 1.4 liters in 2011, according to London-based International Wine & Spirit Research.

Analysts said a recent fall in the Australian dollar, which is down about 13% against its U.S. counterpart since the start of the year, could help Treasury Wine offset the lower U.S. sales and could even lure bidders for the vintner
The Australian dollar’s relative strength against the U.S. currency—the Australian dollar was above parity from late last June until mid-May of this year—had made Australia’s products less competitive against wines from rival regions, such as California’s Napa Valley and South America.

"If the currency comes back a bit further, perhaps it could become a takeover target for the Europeans or the Chinese," Armytage Private's Mr. King said.

Treasury Wine said it expected that operating earnings, which strip out items such as the write-down, would be about A$216 million for the fiscal year that just ended, in line with analysts’ forecasts. The company reported net profit of A$89.9 million and operating earnings of A$210.2 million for fiscal 2012.

Treasury Wine competes against rivals such as Constellation Brands Inc. in the U.S. North America, which also includes Canada, is the Australian vintner’s biggest market.

Global wine inventories have been tightening recently, after years of oversupply, so Treasury Wine's woes were largely company-specific, said Andrew McLennan, a Sydney-based retail analyst at Commonwealth Bank of Australia.

Despite a record harvest in the U.S. last year, boosted by excellent growing weather, the U.S. grape supply has begun to tighten in recent years as some California farmers switched to nuts and vegetables after vineyard expansions in the 1990s flooded the market with wine.

Global wine consumption has outpaced production for more than half a decade, dropping global inventories by about 40% since 2006, according to Rabobank. Global production fell about 6% last year, led by declining output in Europe, while consumption was roughly flat.

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