



Germany

Country Profile

August 2019

BACKGROUND

As Europe's largest economy and second most populous nation (after Russia), Germany is a key member of the continent's economic, political, and defense organizations. European power struggles immersed Germany in two devastating World Wars in the first half of the 20th century and left the country occupied by the victorious Allied powers of the US, UK, France, and the Soviet Union in 1945. With the advent of the Cold War, two German states were formed in 1949: the western Federal Republic of Germany (FRG) and the eastern German Democratic Republic (GDR). The democratic FRG embedded itself in key western economic and security organizations, the EC, which became the EU, and NATO, while the communist GDR was on the front line of the Soviet-led Warsaw Pact. The decline of the USSR and the end of the Cold War allowed for German reunification in 1990. Since then, Germany has expended considerable funds to bring eastern productivity and wages up to western standards. In January 1999, Germany and 10 other EU countries introduced a common European exchange currency, the euro.

Geography: Central Europe, bordering the Baltic Sea and the North Sea, between the Netherlands and Poland, south of Denmark. Total area 357,022 sq km.

People: Total population is 80,594,017 and median age is 47.1 years.

Agriculture: Potatoes, wheat, barley, sugar beets, fruit, cabbages; milk products; cattle, pigs, poultry.

Industries: Among the world's largest and most technologically advanced producers of iron, steel, coal, cement, chemicals, machinery, vehicles, machine tools, electronics, automobiles, food and beverages, shipbuilding, textiles.



Economy and Infrastructure: The German economy - the fifth largest economy in the world in PPP terms and Europe's largest - is a leading exporter of machinery, vehicles, chemicals, and household equipment and benefits from a highly skilled labor force. Like its Western European neighbors, Germany faces significant demographic challenges to sustained long-term growth. Low fertility rates and a large increase in net immigration are increasing pressure on the country's social welfare system and necessitate structural reforms. .

The German economy suffers from low levels of investment, and a government plan to invest 15 billion euros during 2016-18, largely in infrastructure, is intended to spur needed private investment. Following the March 2011 Fukushima nuclear disaster, Chancellor Angela MERKEL announced in May 2011 that eight of the country's 17 nuclear reactors would be shut down immediately and the remaining plants would close by 2022. Germany plans to replace nuclear power largely with renewable energy, which accounted for 29.5% of gross electricity

consumption in 2016, up from 9% in 2000. Before the shutdown of the eight reactors, Germany relied on nuclear power for 23% of its electricity generating capacity and 46% of its base-load electricity production. Domestic consumption, investment, and exports are likely to drive German GDP growth in 2018, and the country's budget and trade surpluses are likely to remain high.

Environment: Emissions from coal-burning utilities and industries contribute to air pollution; acid rain, resulting from sulfur dioxide emissions, is damaging forests; pollution in the Baltic Sea from raw sewage and industrial effluents from rivers in eastern Germany; hazardous waste disposal; government established a mechanism for ending the use of nuclear power by 2022; government working to meet EU commitment to identify nature preservation areas in line with the EU's Flora, Fauna, and Habitat directive.

Source: World Factbook

THE WINE INDUSTRY

1. WINE REGIONS



Source: Vineyards.com

The Ahr is one of Germany's northernmost and also one of the smallest wine regions. Vineyard area: 561 ha with 40+ individual sites. Grape varieties [white 16.8% red 83.2%]: Pätburgunder (65.1%), Riesling (8.2%), Frühburgunder (6.2%), as well as Müller-Thurgau and Portugieser.

Baden is the southernmost of Germany's wine regions. Vineyard area: 15 834 ha with 300+ individual sites. Grape varieties [white 59.2% red 40.8%]: Spätburgunder (34.3%), Müller-Thurgau (15.4%), Grauburgunder (13.1%), as well as Weißburgunder, Gutedel and Riesling.

Franken lies some 65 km east of the Rhine, in Bavaria, with most of its vineyards planted on the hilly slopes lining the Main River and its tributaries. Würzburg is home of the famed vineyard Stein, which gave rise to the generic term Steinwein, formerly used to denote all Franken wines. **Vineyard area:** 6 139 ha with 200+ individual sites. Grape varieties [white 81.6% red 18.4%]: Müller-Thurgau (25.9%), Silvaner (24.3%), Bacchus (12.2%), as well as Riesling and Kerner.

The tiny region **Hessische Bergstraße** takes its name from an old Roman trade route known as the strata montana, or mountain road. Vineyard area: 462 ha with 20+ individual sites. Grape varieties [white 79.4% red 20.6%]: Riesling (42.6%), Grauer Burgunder (11%), Müller-Thurgau (5.4%), as well as Spätburgunder and Silvaner.

The Mittelrhein, known as "the Rhine Gorge", extends about 100km south along the banks of the Rhine. When there are years, in which the wines are particularly austere, they are sold to the producers of "Sekt", Germany's sparkling wine, where high acidity is an asset. Vineyard area: 469 ha with 100+ individual sites. Grape varieties [white 85.2% red 14.8%]: Riesling (65.9%), Müller-Thurgau (5.1%) and Spätburgunder (9.4%).

The Mosel Valley is a gorge the river carved between the Hunsrück and the Eifel, and the valleys of its tributaries, the Saar and the Ruwer. Vineyard area: 8 770 ha with 500+ individual sites. Grape varieties [white 90.5% red 9.5%]: Riesling (61.5%), Müller-Thurgau (11.2%) and Elbling (5.6%).

The Nahe region is one of the smaller German wine regions, but its extraordinary range of soil types is second to none. Vineyard area: 4 225 ha with 300+ individual sites. Grape varieties [white 75.8% red 24.2%]: Riesling (28.7%), Müller-Thurgau (12.6%), Grauburgunder (7.5%), as well as Silvaner, Bacchus and Kerner.

Bordered by Rheinhessen on the north and France on the south and west, the **Pfalz's** vineyards is second only to the Mosel in acreage planted with the noble Riesling grape. Vineyard area: 23 652 ha with 300+ individual sites. Grape varieties [white 64.9% red 35.1%]: Riesling (24.8%), Dornfelder (12.5%), Müller-Thurgau (8.3%), Spätburgunder (7.1%), as well as Grauburgunder, Portugieser, Weißburgunder, Kerner and Chardonnay.

The Rheingau is one of the most distinguished wine regions of the world. The world-renowned oenological research and teaching institutes in Geisenheim have contributed significantly to the extraordinarily high level of technical competence in the German wine industry today. Vineyard area: 3 191 ha with 100+ individual sites. Grape varieties [white 85.5% red 14.5%]: Riesling (78.3%), Spätburgunder (12.2%), as well as Müller-Thurgau and Ehrenfelser.

Germany's largest wine region, **Rheinhessen**, lies in a valley of gentle rolling hills. Vineyard area: 26 617 ha with 400+ individual sites. Grape varieties [white 70.9% red 29.1%]: Riesling (17.4%), Müller-Thurgau (16.1%), Dornfelder (12.6%), as well as Silvaner, Grauburgunder, Spätburgunder, Weißburgunder, Portugieser and Kerner.

The **Saale-Unstrut region** is among the northernmost of Europe's traditional wine regions. Vines have been cultivated since AD 998 on the hillsides lining the Saale and the Unstrut rivers. Vineyard area: 772 ha with 18 individual sites. Grape varieties [white 74.5% red 25.6%]: Müller-Thurgau (14.8%), Weißburgunder (14%), Riesling (8.9%), as well as Silvaner, Bacchus, Grauburgunder, Kerner and Dornfelder.

Sachsen is Germany's easternmost and one of the smallest wine-growing regions. Its recorded viticultural history dates from 1161 shows parallels with other wine regions, where the Church and the aristocracy were the primary medieval property owners and responsible for the development of the vineyards. Vineyard area: 497 ha with 17 individual sites. Grape varieties [white 81.9% red 18.1%]: Müller-Thurgau (14.5%), Riesling (14.3%), Weißburgunder (11.9%), as well as Kerner, Gewürztraminer and Scheurebe.

Apart from the urban centers of Stuttgart and Heilbronn, **Württemberg** is a rural, hilly countryside with vineyards and orchards scattered amidst forests and fields. Most of the terraced vineyards of the past have been reorganized to improve efficiency. Vineyard area (2017): 11 360 ha with 200+ individual sites. Grape varieties [white 31.3% red 68.7%]: Trollinger (19%), Riesling (18.7%), Lemberger (15.1%), Schwarzriesling (12.5%), Spätburgunder (11.7%), as well as Müller-Thurgau and Kerner.

2. AREA UNDER VINES

YEAR	HECTARES
2013	102 000
2014	102 000
2015	103 000
2016	102 000
2017	102 000
2018*	103 000

*Provisional
Source: OIV

3. CULTIVARS

White cultivars include Riesling (23.2% of all plantings), Müller-Thurgau (Rivaner) (12%), Silvaner (5%), Kerner (2.6%), Weißburgunder, Grauburgunder, Bacchus, Scheurebe, Gutedel, Faberrebe, Huxelrebe, Ortega, Gewürztraminer, Elbling, Chardonnay and Morio-Muskat.

Red cultivars include Spätburgunder (12% 11 800 ha), Dornfelder (11,767 ha), Portugieser (3 000 ha), Trollinger, Schwarzriesling, Blauer Lemberger and Domina.

4. PRODUCTION

Domestic Wine Production

YEAR	'000 litres
2011	910 000
2012	900 000
2013	840 000

2014	920 000
2015	890 000
2016	900 000
2017	770 000
2018*	1 030 000

**Provisional*

Source: OIV

5. CONSUMPTION

Consumption is currently at 24.4 litres per capita.

YEAR	'000 litres
2013	2 040 000
2014	2 030 000
2015	1 960 000
2016	2 010 000
2017	2 020 000
2018*	2 000 000

**Provisional*

Source: OIV

Per capita consumption

YEAR	LITRES PER CAPITA
2011	25.8
2012	25.4
2013	25.4
2014	25.5
2015	25.0
2016	24.6
2017	24.4

Source: 2018 Euromonitor International

6. INTERNATIONAL TRADE

Total exports

Exports represent 36% of total wine production. Main exports countries are The Netherlands (23%), the UK (10%), Belgium (7%), Poland (7%), Sweden (6%) and the USA (5%).

YEAR	'000 LITRES
2011	415 000
2012	398 000
2013	405 000
2014	390 000
2015	360 000
2016	380 000
2017	380 000
2018	380 000

Source: OIV Comtrade

Total imports

Imports mainly from Italy (38%), Spain (25%), France (14%), South Africa (6%) and Australia (3%).

YEAR	'000 LITRES
2011	1 622 000
2012	1 548 000
2013	1 539 000
2014	1 559 000
2015	1 540 000
2016	1 470 000
2017	1 520 000
2018	1 455 000

Source: Comtrade

7. INTERNATIONAL POSITION

18th in global vineyards area.

8th in global wine production.

3rd largest consumer market after the USA and France.

8. TRENDS & FORECASTS

- Wine stagnates in total volume sales at about 2.0 billion litres in 2017.
- Greater variety, sweet and premium are key trends in 2017.
- Champagne records highest total volume growth of 3% in 2017, due to premiumisation trend.
- In 2017, average unit price records 1% current value growth, to reach EUR6.50 per litre.

- Private label, including Aldi and Lidl, dominates wine in Germany.
- Total volume sales of wine are set to continue to stagnate over the forecast period.

Despite stagnation, wine's total volume sales are going to remain stable

In light of the ongoing health and wellness trend, declining on-trade volume sales and the premiumisation trend, total volume sales of wine are expected to stagnate but remain on a high level in terms of per capita consumption and thus perform marginally better compared to the review period. Value sales in contrast are projected to perform marginally worse than over the review period, despite the premiumisation trend. This is linked to the strong presence of private label in wine in Germany and increasing price promotions of grocery retailers. A good economic outlook and consumer sentiment should lead to stable wine consumption in Germany, driven further by strong product availability and a growing online channel. Additionally, non-grape wine, such as apple wine, which is growing from a lower base and still has large growth potential, is assessed to counterbalance the stagnation of still light grape wine and sparkling wine.

Still white wine will see higher growth than rosé and red wine

Amongst still light grape wine, still white wine is showing the highest total volume sales growth in 2017. This trend is expected to continue to last over the forecast period, since white wine is perceived as being healthier. The lifestyle change towards a healthier and lighter nutrition also affects wine. Consumers are increasingly focusing on drinking less alcohol with fewer calories but at the same time they desire a good flavour. In that regard, still white wine is best positioned to continue to address these consumer trends over the forecast period. Additionally, the growing trend towards domestic and regional wine is likewise expected to drive sales of still white wine, particularly Riesling, which remains the favourite choice of many consumers. This development will come at the expense of the heavier still red wine, which is expected to continue to decline, whereas still rosé wine is set to stagnate over the forecast period.

Off-trade channel set to continue to outperform on-trade in volume sales

As German consumers enjoy drinking wine with or after dinner and have a strong preference for investing in a good bottle for home consumption, rather than paying high prices for possibly mediocre wine in on-trade establishments, off-trade channels will continue to outperform on-trade. Additionally, when visiting a restaurant or a bar, Germans are increasingly looking to indulge in a more premium wine but they do it less frequently and therefore on-trade volume sales are set to decline. Furthermore, from a lower base, a strong increase in online sales via wineries' own web shops is expected, contributing to a stronger off-trade performance. Overall, the availability of wine in off-trade has increased considerably over the review period, particularly also in supermarkets. Consumers are thus increasingly choosing between making a quick wine purchase in a local supermarket or discounter and as an alternative, ordering a box of more premium or regional wines online, as well as from smaller unknown wineries. This is set to continue to drive off-trade sales whereas on-trade will suffer from declining visitor numbers and competition from other fashionable spirits as well as trending beers.

Competition between private label of discounters and supermarkets increases

Due to the strong position of discounters in Germany, private label continued to lead wine volume sales in 2017. Aldi and Lidl are further expanding into premium wine and therefore also addressing quality-conscious and demanding consumers, who might otherwise not find their way into the stores. Furthermore, as wine enthusiasts have an affinity for purchasing quality wine online, Lidl is particularly benefiting from strengthening its online channel. However, supermarkets, particularly Rewe and Edeka, have managed to grow faster than discounters over the review period, through introducing a higher number of premium wines as well as domestic German wines. Due to the growing trend towards regional wines, supermarkets managed to gain share and the channel is expected to continue to challenge discounters going forward.

Rotkäppchen-Mumm continues to lead all branded players

Germany's largest sparkling wine producer, Rotkäppchen-Mumm Sektkellereien, led branded players in 2017, driven by its two sparkling wine brands Rotkäppchen and Mumm (for which it is a GBO). However, aside from sparkling wine, in which several popular brand names, such as Rotkäppchen, can count on customer loyalty and hold strong share, many small and often local players compete within still light grape wine. The competitive landscape in wine therefore remained highly fragmented in 2017. Opportunities however, will especially arise for German wine producers since regional wine is growing in popularity. In addition, international manufacturers and more exotic wines, such as from New Zealand, will be able to see growth if addressing or matching current consumer trends.

Wine manufacturers will have to address growing consumer demand for variety

Over the forecast period, it is expected that review period trends will continue to shape individual wine categories further and manufacturers will increasingly have to adjust to changing consumer behaviour. As the trend moved towards still white wine at the end of the review period, manufacturers and retailers will have to increase production and product availability. Furthermore, sweet wines are increasingly popular, especially amongst young consumers. Younger generations are also demanding greater variety and also ask for less common grape varieties.

In sparkling wine, the trend likewise is for sweet and more exotic flavours. It is expected that the global trend for high-quality Prosecco will reach Germany, where the cheaper classic sparkling wine "Sekt" is still the most dominant. Alcohol-free sparkling wine is likewise growing rapidly and manufacturers are expected to also increasingly focus on alcohol-free variants. Lastly, champagne, which recorded the fastest total volume growth in 2017, is set to continue to record a dynamic performance over the forecast period, on the back of the premiumisation trend in sparkling wine. Overall, quality and taste is growing in importance and premiumisation in wine will continue to grow over the forecast period, with a greater variety in terms of flavours, grapes and products.

Source: Euromonitor International
