



VDP. DIE PRÄDIKATSWEINGÜTER

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Class instead of mass? Opportunities and risks of the new wine law

**Speech on the occasion of the VDP's viticultural policy matinee at the
Kurfürstliches Schloss in Mainz on July 4, 2021.**

Good morning, Ladies and Gentlemen,

- in a small circle but broadcast live to Germany and the rest of the world – we are now today meeting at Electoral Palace Kurfürstliches Schloss in Mainz. So far, this opening always took place at the Rheingoldhalle as opening of the VDP.Weinbörse, our annual fair to showcase the new vintage. Now we've moved over to the other side of the street close by. And I'm really happy to see you all in the numbers permitted by the COVID Protection Ordinance to discuss changes and network on the changes in the Wine Law.

I'm happy to welcome our German Minister for Agriculture, Mrs Julia Klöckner.

And I would like to thank the Lord Mayor, Mr Ebling and the Economic Director, Mrs Matz for coming. And I am happy that Klaus Schneider, President of the German Viticultural Association as well as General Secretary Christian Schwörer together with various regional presidents such as Klüsselrath, Moselle, Mr Seyfarth of the Rheingau region, Mr Steinmann from Franconia are attending - and I hope I have not forgotten any of the presidents from wine growing regions of the VDP. And I'm also happy to see Mara Walz of the Landjugend, and she will also exchange with us later during the discussion.

Since we are so limited in terms of the number of seats available, we decided to have a live broadcast and some colleagues from abroad will be listening to us who would have loved to meet us personally and actually taste the new vintage.

And this is why we have English interpretation for you today.

What a year - an exciting big bang year with many challenges. At the end of the day, we are happy that we made it and how we made it through the crisis.

Of course, there are major changes for us wine-growing estates. Distribution structures have changed. Food service dwindled in importance. Contacts with end users have increased online marketing. E-commerce has increased, exports have decreased by almost 10% this year but this was compensated for by an incredible domestic growth – also for us VDP wine-growing estates.

Who would have thought this? This year we have sold an additional 5 million bottles, up from 32 million to 37 million bottles in one year – we would not have dreamt of achieving this at the beginning of this crisis.



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Yes, these are times where we always also reflect on how things will develop for us and for wine-growing as such. And this is why last Wednesday at our members' meeting in Würzburg, we took a very far-reaching decision. Even now 32% of VDP estates are ecologically certified, and another 29% have a sustainability certification.

With our decision on an Agenda 2025 we have now decided that each VDP estate will subject itself to sustainability audit by 2025. We are talking to various certification bodies and are working towards a future where the VDP eagle will ensure that estates bearing this eagle operate sustainably.

Sustainability is, of course, part of our DNA. Many estates look back on many centuries of history – in part up to a 1000 years of wine-growing in the family. Who should be more interested in sustainability than we are? This is really part of our DNA and this is why we also think this is an area where we can actually be in a leading role for Germany.

This is a lighthouse campaign to motivate as many colleagues as possible to follow us and to move towards sustainability. Last year, we also adopted our Sparkling Wine Statute. We also feel that we have to chart the course in which to move here.

This is high-quality sparkling wines from Germany on a level playing field with the best sparkling wines of the world - on a level playing field with champagne. This is an interesting project. I hope that we will soon have an opportunity to taste these wonderful wines and sparkling wines again, also during Corona times.

So what - over the one and a half years - has actually kept us on our toes for the past 25 years? It was a law dating back to 71. In the 90s many colleagues became aware that in 1971 we opted for an erroneous course.

It seemed fair. Every wine is only judged by the must weight, measured Oechsle and the quality of the wine in the glass. But so many criteria have changed. To achieve a minimum mustweight is today - even for the classical varieties - the easiest thing to achieve these days.

The system is no longer valid for differentiation. In 1994 therefore the VDP actually parted with the Oechsle pyramid and in tough discussions, parted with the use of the "Großlage". VDP colleagues back then also thought that the world would end if the "Großlage" ceased to exist, that consumers would no longer drink their wine.

And at the end of the day say sales volumes increased. In 2002, we decided upon our Classification Statute. And this means that "terroirs" were reserved for the best. Only 20 years ago, roughly, the German Viticultural Association created the German Wine Vision 2020.



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And when I prepared for my speech today, I browsed the Web and found an article from the “Heilbronner Stimme” newspaper. The then Secretary of State, Mr Trautz - he was well known to the VDP - talked and met with cooperative representatives in Heilbronn, and back then said: “Nothing can be changed!”

But where has this led us? 20 years of discussions have gone by. But we're not discussing because for many, many years this discussion was only about varying ideas, people being approached. But the only reaction was, a “no” - a refusal to change anything. In 2008 with the EU directive, the denomination of origin principle was also introduced in Germany.

Back then, Germany changed the Wine Law accordingly hoping that nobody would notice. We did this as if nothing had changed. This was the thesis back in 2008 and 2009. But back then, it was already laid down that consumer must rest assured that when there is a label on the bottle, this label is correct.

And therefore the implementation of this was really high time. And this is why, Mrs. Klöckner, we really have to actually show all of our respect for the work you've done. I have accompanied this process all the time.

I have seen and experienced many things and saw an editorial in the “Weinwirtschaft” magazine two weeks ago, where Hermann Pilz quotes Bismarck: “Laws are like sausages, it is better not to see them being made”. And I really must admit that I felt very much the same during this process and in so far - with the law we now have in front of us, we have really taken a courageous first step. But honestly, it's only a first step after difficult discussions in the German Viticultural Association. This is why I would also like to thank President Schneider and Secretary General Schwörer for hosting these many meetings and topics. It wasn't easy and we can still feel the labour pain until this very day.

Well, there are still many, many opinions on this. And this was probably the first time for policy makers that policy makers had to take decisions in winegrowing.

Most of the time policy makers only served as the “ball pens” for the winegrowing industry. Policy makers were just jotting these ideas down, but the decisions were taken by winegrowers. But this time it was different. Policymakers had to take the decisions despite the compromise at the end of the day, many things were questioned. The VDP has acquired its own experience in leaving the German Viticultural Association. We - 20 years ago - also parted ways with the German Viticultural Association because we did not see that the German Viticultural Association was moving at all.



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And probably it was the change that occurred in the German Viticultural Association, because of their discussions and their forward-looking decisions being taken. And this is why we're taking part again.

When in 94 we started with our classification, Hugh Johnson was at our members meeting. And I like to send his regards. He would have loved to come to Mainz. He is quite old, but very fit, still observing German winegrowers, Hugh Johnson back then said: "Somebody has to start somewhere".

And this is what we did in 94. It is about the denomination of origin, it's about focus and limitation. It is about not actually labelling every wine with the highest denominations and putting medal labels on every bottle.

Of course, the change of the Wine Law only refers to 5 to 10 percent of the wine volume. The five percent of individual terroir wines are unaffected. Their profile is simply sharpened - whereas the 90% percent of the wines have no restrictions whatsoever.

And this is why we shouldn't hope to see too much after this first step, because after all, we lacked the courage somewhat to actually look after all of the areas. The vintners are congruent with most of what we think.

But nevertheless, the winemakers could only say yes to a partial concept, and they wanted to have everything on top of what was available for in the wine law. But one thing is for sure - we feel regarding wines and in the denomination of origin or of region - not every wine in a supermarket sold at €2.49 or €1.99 should be ranked in the highest quality category that the EU foresees. Cooperatives are complaining even more, although most changes were no changes on a national level. But the biggest change in the area, the "Großlage", was brought about by EU legislation.

And if our state was doing its homework, they would have had to apply sanctions for 10 years. So the winegrowing authorities would not be allowed to issue the certificates. I always state as an example that the death penalty was only eliminated from the Bavarian constitution in 1996. Thank God they never actually carried it out. And for at least 12 years, this principle has not been applied – fortunately! The problem is the following: it is such a shame that we couldn't make more progress in this discussion because many colleagues in this cooperative area would have liked to see changes, but some few want to stick to the old status quo and then motivated the others to stand by their sides.

So what is the "Großlage" worth? Well, it brings no added value. The wines deliver the same prices as the wines sold without this denomination. It is such a shame that these markets have not understood the big, big opportunities lying in the marketing of allocations of origins. To my mind,



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“Großlagen” are too small for today's needs and the segments are not really high profile. Especially for this medium segment we have to introduce change and come up with new definitions, work out new definitions. Sure - we cannot do business as usual. And if we change anything, then you can't try to change something and leave something the way it is. This is a contradiction in terms.

At a very early stage, we tabled a proposal, unfortunately not received any counterproposals over the 20 years.

We do not know and cannot guarantee that this new course taken will be successful. But what we do know is that the old course was not successful. So we need a profile for every wine on every level.

And in so far, as I said, we need German wines and protected denominations of origin. We have to allow more, to become clearer and actually delimit profit. It makes no sense that wines for €1.49 and €2.49 are sold on the same quality level.

So the new Wine Law offers opportunities for all producer groups to find their niche in this new system without colliding with other wine growers or producers, establishing themselves side by side, fighting for German wine. And one thing is for sure, this Wine Law is not a Wine Law for the VDP.

The VDP has created its own world and needs no change. And so far, it is an error to believe what Mr. Hübinger says, that VDP has actually asserted its own interests, own interests? Well, I can hardly see any.

We rather see ourselves as the protagonist fighting for many young colleagues who need support from the Wine Law. The gap in German wine growing is widening. Sure, the VDP is managing 6% of the vineyards in Germany, produces 3% of the volume of wine, but generates 13% of the sales from producers.

Many young estates in all regions follow our model of origin. Well, together with those, I would say add another five times the amount and three times the value added. Wine for 80 cents per litre - how much of this must be sold to create the same value, the same value that the VDP generates with the estates that actually follow this system? If you look at this marketing type as a whole in Germany, we are really a world champion in terms of price stability.

For almost 30 years, German wines have cost the same in German food retail: €1.99, €2.49, €2.99 The same refers to bulk wine sold by producers. For 25, 30 years these prices have not changed. At the same time, salaries have gone up dramatically.



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And this is not only the case for seasonal workers, minimum wages. And we like minimum wages to go up, but it also occurs with the salaries that we pay our internal employees who work at estates. A Fend tractor used to cost 30 years ago a fifth of what it costs today.

And the cask wine prices are still the same. Colleagues have only survived because they have rationalized very successfully. But this only worked because these estates grew substantially. If – like now - Pinot Gris is getting more expensive and in higher demand, then you simply replace it with wine from Bulgaria. The front label reads Pinot Gris - for a low price.

We have actually trained consumers to only look for a variety and not care about anything else. And this is a huge problem and it needs to change. A few weeks ago, we had the main committee meeting at the Palatinate Winegrowing Association, and I was surprised to see how many young colleagues, who are not even VDP members and that I did not suspect to be anywhere close to us, stood up at the meeting and actually stood in for change.

At the end, 22 colleagues (three with VDP background) – of the 25 in the main committee –voted in favour of a clear, market change for the profile of Palatinate wines. Only a few were against it - not even all the cooperative members were in favour of leaving everything the way it is.

And I do hope that we will also make more progress here and that we can finally tackle this problem together, roll up our sleeves and forget about discussions in the past, although it does not look like this right now.

But maybe the gun smoke must settle first. We are convinced that the image of a wine-growing country is created top down. Desires must be created top down, great wines have to have charisma, and thereby create scope and possibilities for other wine producers.

VDP is therefore the advocate, spokesperson for these young estates to make progress with the German Wine Law. One issue in the German Wine Law or Regulation that really affects us, the only one that really affects us, is the topic of the “Grosses Gewächs” and “Erstes Gewächs”, the Grand Cru and the Premier Cru.

Sure, our goal was that the tip of the pyramid should be the terroir wine. And the idea was that we should look at sharpening the profile of the terroir wine in the regions for next five years, to then actually select the “Erste Gewächse” and after further years, carve out the “Grosse Gewächse”. We have acquired lots of experience in German wine growing with ruining reputable terms. And in so far, I am really excited to see how we will succeed in doing that this time. We hope that we won't make progress too fast, because the way the wine regulation stands, it can't continue like



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this. We've taken over the conditions of the former Selektion designation precisely and embedded it in the wine regulation. The Selektion failed.

Even the Rheingauer "Erstes Gewächs" enjoyed limited success only. If we fail to forge an alliance with all of the winegrowers, so that all top producers join forces, i.e. VDP included, to work on this issue, then we won't make this project a success.

And it is not so, and I would like to refer to Dr. Pilz again in his article, that this is all about the image in this area. The VDP annually produces 600 "Großes Gewächs" wines with 2,500 bottles on average. This is 1.5 million bottles sold at an average price of €25 ex estate to the various structures; the consumer prices stands at €35.

This is €40m turnover. If you then add the "Erstes Gewächs" wines (Premier Crus), then we are looking at roughly the same amount, €80m sales from the estate. This is not trivial. If this is lost, you can't say, well, no problem, we will survive.

The Rheingau region with its Erstes Gewächs wines "Premier Cru" – and this is why I really wish that we go about this jointly - has only produced 30,000 bottles, 2% of the volumes of the VDP. So, we are open for a joint Premier and Grand Cru, Erstes und Großes Gewächs, but it needs to be actually tackled with great care, with courage and we have to be extremely careful to not actually broaden these volumes too much. We are already having the first conversations how to produce a Grosses Gewächs for Aldi or Lidl on a large scale. We need serious protection, and we have to re-sharpen the Wine Regulation.

This also requires a consistent basis for all regions in Germany. And we must not just go for the smallest common denominator because we don't want to sell off quick and cheap. Our proposal is that we jointly look at the best origins, then sharpen the profile of terroir wines, and as said before, carve out the Premier and Grand Crus from these.

The vineyard used to produce these must first be recognised by the so called Comité Interprofessionnel and those interested in this project in a region. You cannot start with a terroir classification for all of Germany. Nevertheless, a vineyard in which a Grand or Premier Cru is to be produced, must have a certain credibility.

Everyone buying vineyards knows that we do have such credible vineyards. There are vineyards for €1.50 and vineyards for €150 per square metre. So, wine-growers have a reason for paying 100 times the price.

In so far, we need visits and audits of vineyards. We have various models we can follow. The terroir map of the Rheingau region, for instance, the valuation procedures for property and net worth



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taxation combined with comparative figures of sites, standard land values, assessment based on plot consolidation.

We are experienced in rating vineyards. It is not that we must reinvent the wheel and that this will never be valid for legal purposes. In so far, we need terroir committees in the growing regions to pursue this and develop a profile for the region. We need really good tasting bodies because tasting these wines is anything but easy: because these wines are tasted when they are still young and knowing how they develop in the future requires a lot of experience. So, we are reaching out a hand like in the whole process of drawing up the new wine law. And we accept the challenge, but we see the risk that what we've acquired will be destroyed.

And therefore we need policy makers and authorities to accompany us in this area. In the worst case, we would say goodbye to the process again. We could have our own labels protected, and we also know that consumers buy a "SCHLOSSBERG", a "STEIN", a "JUFFER", or "IDIG" and they buy these wines because they have developed trust in these wines and they buy these wines regardless of whether the label reads "Premier Cru" or "Grand Cru". Here again, the estates that are well-established on the market do not need all of these decorations. So, it is a huge opportunity. But it is also associated with really major risks.

To me, it's almost as if the horse was about to bolt. We still stand a chance of stopping it, but it runs a very high risk of bolting. We've achieved a lot in German wine growing. And in terms of this Wine Law, it's not about us, but about everyone.

We think that we can only make progress together as the German wine-growing sector and that we can only achieve something together. And in so far, we hope that those who have left the Association on the discussion level, will join it again. Cooperatives, to our mind, are also an important component in German wine growing.

It's a stabilizing factor for smaller producers. It provides structure for the market. But we need an open discussion about the things that are progressing, rather than looking to veto rights to block matters. We are reaching out the hand and look forward to the discussion.

So, I look forward to exciting inputs by Mrs. Klöckner and Dr. Deckers and to exchanging later over a glass of wine. Thank you very much for your attention.