



VDP. DIE PRÄDIKATSWEINGÜTER

## **VDP.Prädikatsweingüter: Situation Report** *A look back at the 2022 business year*

### **Which issues are of concern to the VDP.winegrowers?**

Every year is different. Year after year, nature tells the VDP.winegrowers what to do. But external influences outside of the weather have no less of an impact on a wine year. Whether it is consumer behaviour, the availability of materials or even political concerns and questions about the future. One thing is clear: this also has an impact on the world of wine – not least because people are drinking less and less frequently, but more selectively and with higher quality.

**Mainz, April 21<sup>st</sup> 2023** | The wine business year 2022 represents a year with two sides: many positive developments on the one hand, but also challenges on the other. After the pandemic shock with closed gastronomy and collapsed export business, the distribution channels have clearly normalised and largely recovered in 2022. In retrospect, the time is judged to have been "well survived".

The winegrowers of the VDP report a continuously increasing demand for "regional" wines from Germany, especially sparkling wines profit from the trend, as is the fine wine sector – dry and sweet wines of the VDP.GROSSE LAGE® classification are rare and sought after.

But there are also continuing consequences from pandemic times as well as Russia's war of aggression on Ukraine: delivery difficulties, such as for glass bottles, but also the enormous cost increases in all areas of wine production, from compost to shipping, or even wage costs, are causing problems for the wineries. Due to the tense market environment, these significant additional costs cannot be passed on in the form of analogue price increases. However, as for other agricultural products, a price adjustment will be necessary in the medium term to be able to lead the wineries sustainably and powerful into the future. The situation is aggravated by the fact that top qualities require a lot of manual labour, which means that many mechanisation options are not possible.

### **The Vintage**

The year 2022 was characterised by a summer with many hours of sunshine, but also partly challenging weather conditions. The wines of 2022 already show a remarkable complexity and fruitiness, optimal acidity levels and strong aromas.

Due to the warm spring, the vines developed very quickly in the spring months. Warm days already in May meant that the growth of the leaf walls and the vine blossom progressed rapidly. Working fast despite labour shortage became a prerequisite to keep up with the growing nature.

The persistent drought in the summer months and the late rain in autumn often made harvest a race against time. The right timing in the vineyard is essential to be able to reach for the optimal ripeness without compromising quality. Thanks to the conscientious manual work and precise selection of the experienced winegrowers, healthy and ripe grape material could be harvested and processed.

After the previous four years' fairly lower yields, the average of 62 hl/ha in 2022 was the first time in a long while that a little more quantity of wine is available for marketing – even if this supposedly stronger yield level is still significantly lower than the Germany-wide average of 90 hl/ha (year 2022, source DWV) due to the quality-promoting yield regulation.

### **Economic Report**

The economic data of the VDP estates are always surveyed in spring and average values or extrapolations are formed from them. In addition to questions about turnover and business development, the price trends of the various levels of the VDP classification, the development of exports, and the various sales channels from specialised trade to direct sales are surveyed.

### **Germany**

73% of VDP wines were **sold in Germany** in 2022. Compared to the previous year (79%), this represents a decline of 6% in the domestic share and thus a significant increase or better recovery in the export share from 21% to 27%. In addition, 40% of the VDP estates were able to sell more wine in Germany. Thanks to their positioning in the premium segment, the VDP estates were thus less affected by the generally described difficult market situation and the associated cuts in consumption.

**Ex winery sales** continue to be very important for the wineries in the VDP, even though the share of sales through this channel varies greatly depending on the operational orientation – everything from 3% to 80% ex-farm sales can be found, with an average of 30%. Almost half of the wineries were able to increase their ex-farm sales again last year (47%).

**Gastronomy and specialised trade** have always played an important role for the winegrowers of the VDP, as they are valuable multipliers and enable service and advice for the complex wines with their expertise. Stable sales figures of 26% can be recorded here. Indirect sales via the specialist trade to the gastronomy sector cannot be measured, so their actual importance for the VDP estates must be rated even higher. For the sale of high-priced wines, the communication of terroir and values, but also storytelling in direct customer contact is extremely important.

One in three wineries in the VDP expects sales via the specialist trade to increase, even though the situation is not always easy for the specialist trade due to cost increases and the comparability of prices. Even more grateful is the long-term, partnership-based relationship between the wineries and the specialist trade, which can rely on the VDP's winegrowers for extensive price discipline on the one hand and constant demand from wine lovers on the other. In return, it is expected that price recommendations are also reliably adhered to by all market participants.

Due to the normalisation of out-of-home consumption, the **food retail trade** (LEH) had to accept a drop in wine sales last year. Nevertheless, every fourth winery succeeded in increasing its turnover in the food retail trade. Overall, the sales of VDP estates operating in the food retail sector fell by 1% to 9%. Sales via discount stores remain negligible at less than 1%.

4 out of 5 wineries in the VDP have their **own web shop**, through which they sell 12% of their wines. In the future, many wineries would like to promote sales through their own online shop, through intensive customer contact, podcasts, online tastings, etc.

64% of the VDP estates work with **external online retailers** and market about one tenth of their total sales through them on average per winery. The future role of online trade is assessed very differently by the wineries. While every fifth winery expects further dynamic growth, the majority observes stagnation to a slight decline in online trade after the pandemic at an overall higher level than before Corona. Online retailers who are active with creative storytelling and good know-how will continue to play an important role in the future.

## **Export**

Exports gained significant sales momentum last year. At 27%, the proportion of wines enjoying great popularity abroad is returning to pre-pandemic times and to the exact figures for 2019, with one in four VDP wines being exported.

Due to the increasing awareness and profile of top German wines abroad and the economic recovery of many foreign markets after Corona, a stronger dynamic of demand for premium wines abroad can be assumed for the coming years. In addition to the very important dry wines, fruit-sweet Prädikat wines are also very popular in exports. The share of classic Prädikat wines from Kabinett to Trockenbeerenauslese in the overall German wine market is 5-6%. Within the VDP, however, fruit and noble sweet Prädikat wines have an average share of about 10%. This value is due to the fact that the share of Prädikat wines is traditionally high especially in the Mosel (40%) as well as in the Rheingau (15%), since the climatical situation in these regions is ideally suited for unique fruit-sweet top wines.

The VDP's most important export markets include Scandinavia, above all Denmark and Norway, as well as the USA. The Netherlands, Belgium and Switzerland are also important export markets. In the Asian region, Japan, South Korea, Singapore, Taiwan and Thailand are seen as opportunity markets thanks to increased demand for wine, while China has declined somewhat since its peak in 2018. Good opportunities are also seen for Great Britain in the premium segment after years of weakness.

The VDP wineries expect greater importance in future for unusual export countries such as Israel, Italy, Canada and Mexico. But also the direct eastern neighbours Poland, the Czech Republic and Slovakia are seen as attractive foreign markets. This shows: German terroir wines are sought after and in demand worldwide as "cool climate" wines; especially because they are unique and not interchangeable thanks to their character of origin, which is the focus of the VDP estates.

## **Price level**

The generally difficult market development in 2022 - loss of purchasing power and restriction to the absolutely necessary products when buying food - seems to apply to the VDP estates only to a limited extent, according to the latest surveys. By way of comparison, according to the most recently published figures (DWI) in Germany, around ten percent less wine was purchased across all purchasing locations, resulting in a 6.5 percent drop in sales. The consumption of inexpensive wines is far more affected by the decline in sales. The total turnover of the VDP was able to increase to around 489 million euros after the slight decline in sales of the previous year. Per winery, this corresponds to a sales volume of about 2.45 million euros.

If one also looks at the price development of the wines in comparison to the previous year in the respective classification levels, it becomes clear that the prices have not yet risen in line with the production costs. Almost in all levels, prices have risen by a maximum of one euro on average. It is therefore to be expected that many wineries will be forced to adjust prices again in 2023 to meet the challenges of cost development.

"We are grateful that even in difficult times our craftsmanship is valued and that our terroir-driven wines are in high demand. The restrictions, but also the clear profiling of the last few years are now paying off. Nevertheless, we are concerned about the overall economic situation, especially in German viticulture as a whole. Fact is, that enormously increased material and wage costs, as well as ever more stringent regulations, face markets in which the purchasing power of the population as a whole is sinking. We are all the more convinced that high-quality wines of origin from our wine culture landscapes are a great success and elude any exchangeability," says Steffen Christmann, President of the VDP.

#### VDP.Die Prädikatsweingüter

*The VDP (Verband Deutscher Prädikatsweingüter) is the world's oldest association of fine wine estates and home to 200 of Germany's most talented winegrowers. Across diverse regions and philosophies, all share one common thread: a tireless dedication to the timeless ideal of handcrafted wines that express their origins. Bottles as inimitable as their makers. Joined under a symbol revered the world over: the VDP.Eagle*

If you have any questions, please contact:

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## **Facts & Figures 2022 (Projections)**

### Total sales in 2022 (in 0,75 l.)

Total VDP	approx. 39 million bottles
Per winery	approx. 195.488 bottles

### Vineyard area (1 ha = 2,47 acres)

Total VDP	approx. 5.588 ha (around 5,5% of the German vineyard area)
Per winery	approx. 28 ha

### Staff structure in the VDP

ø 8 employees, 2 temporary workers  
2 of 3 wineries train apprentices (ø 1)

### Turnover volume in 2022

Total VDP	approx. 489 million euros
Per winery	approx. 2.45 million euros

### Yield in 2022 ø

71 hl/ha (2018 vintage)  
52 hl/ha (2019 vintage)  
55 hl/ha (2020 vintage)  
53 hl/ha (2021 vintage)  
**62 hl/ha (2022 vintage)**

### Bottle prices in 2022 (0,75l) ø and percentage quantity share of the classification level

(Average price for a bottle of German wine: 3,71 € per litre)

VDP.GUTSWEIN	11,00 € (63%)
VDP.ORTSWEIN	14,00 € (20%)
VDP.ERSTE LAGE®	20,00 € (12%)
VDP.GROSSE LAGE®	37,00 € (5%)

### Sales ø

Domestic 73 % (2021: 79 %)  
Export 27 % (2021: 21 %)

### Export trends Top 3

- Scandinavia (Denmark, Norway)
- USA
- Netherlands and Belgium

### Organic viticulture

- 76 VDP.estates work organically or are in the process of conversion, which means that just under 40% of the VDP.vineyard area is farmed organically (vs. 12.5% of Germany's vineyard area is farmed organically)
- 16% of the German organic winegrowing area is cultivated by the VDP
- 17 VDP.estates work biodynamically

### Sustainable viticulture

- 43 VDP.estates are sustainably managed and certified (= 1,881 ha)
- 34 % of the VDP.vineyard area is sustainably certified
- According to the resolution of the 2021 general meeting, all VDP.members will be sustainably certified by 2025.