

## **Selling South African wine in the German wine market**

[www.wine.co.za](http://www.wine.co.za)    November 2016

German based wine expert and owner of outlet 'Wines of the New World' in Bonn, Peter Gebler CWM has an in-depth knowledge of the German wine market, and shares his thoughts for South African producers.

The market for wine in Germany is, of course, very large, but also very difficult.

Market data is available from two sources for the multiples in the retail market, mainly supermarkets, discounters and department stores. The more respected and widely used data is prepared by the Nielsen Company. There are also generalized market statistics on German production, prepared by the German Wine Institute.

While the total production of wine each year in Germany is around 9 million hectoliters, the total consumption of wine is around 20 million hectoliters. Thus, while Germans drink a lot of German wine – more than any other origin – they also import a lot of wine, with exports growing. Of the imported wines, most come from the big three producing countries – France, Italy and Spain. Total consumption is static over the past decade, with a slight dip in 2015, which has not been fully explained, but looks like a statistical influence, i.e. 2014 was a 53-week year, and 2015 was a 52-week year.

Of the New World countries, South Africa has until recently held the strongest position in volume – indeed, fourth overall among the import suppliers – but has in the latter part of 2015 relinquished this position to Chile – which is not necessarily a bad thing. All these figures are also subject to the vagaries of bulk sales, i.e. with very big bottling facilities in France and Germany, bulk sales into Germany may be included although the wine is destined for onward shipment to, say, Scandinavia or Eastern Europe.

Bearing in mind the degree to which agriculture in Europe is subsidized (in spite of fairly successful attempts to reduce the vineyard area specifically for unprofitable varieties), the ease with which goods are transported around Europe, and the intense level of competition in a market of 82 million people, it comes as no surprise that price competition in Germany is fierce. This applies not only to wine, but to food as well – nobody spends less on food than the Germans do, relative to their income.

Although slight increases have been posted in recent years, the average price of a bottle of wine (750ml) sold in multiples in Germany is currently EUR 2.46 – and that includes 19% Value Added Tax). This is the market sector covered by the statistics mentioned above, and excludes exports, on-trade, specialist independent retailers and fairly significant cellar-door sales, all of which, naturally, tend to have higher average prices. The supermarkets and

discounters account for around 70% of the wine market in volume terms, plus a growing Internet sector currently at somewhere between 5 and 8% in value terms.

In terms of South African and other New World wines, discounters tend to sell own brands, usually bottled in Europe from imported bulk. Supermarkets often have a bottom-end own brand, augmented by branded wines, with Nederburg probably having the best distribution, with a fair amount of KWV, Bellingham and some smaller brands around. In supermarkets, the top-priced South African wine tends to be Plaisir de Merle. Golden Kaan is also quite well distributed, but sells only when discounted.

Of wines imported into Germany, the prices are reflected through both the Wine institute and supermarket statistics. They are;

Country	Imports share of value	Imports share of volume	Ave. EUR/litre
New Zealand	0.6	0.3	3.64
France	27.8	14.8	3.01
Argentina	0.7	0.4	2.73
Portugal	1.5	1.0	2.27
USA	4.3	3.3	2.07
Austria	2.5	2.0	1.99
Greece	0.7	0.7	1.83
Italy	35.3	36.9	1.53
Chile	3.0	3.5	1.35
Australia	2.4	2.9	1.31
<b>South Africa</b>	<b>3.9</b>	<b>5.7</b>	<b>1.09</b>
Spain	15.4	25.1	0.98

The market is very sensitive to price increases on items considered to be interchangeable. In addition, the prices for champagne are much higher than those for other French wines. On the other hand, so much cheap (and nasty) Bordeaux is sold through discounters that the average price for Bordeaux is surprisingly low.

Germany has the highest consumption worldwide of sparkling wines, some 4 bottles (3,7L) per person per annum. A large chunk of that is, naturally, produced in Germany, some from imported bulk wines, bought in at around EUR 0.25-0.30/L. French champagne and cremants, Spanish cava and Italian Prosecco all account for sizeable slices of the market, while New World sparklers simply do not feature.

Germany is very much an elderly society, and older wine drinkers tend to stick with what they know – German wines and those from the major neighboring countries, while the New World mainly has its opportunity at the low end of the price range.

A problem for South African and other New World producers is the challenge of finding suitable importers/distributors. You can choose between well-organized, financially strong national distributors, who will get information on your wines in front of a large number of potential customers, but who work with commission agents who are unlikely to put you at the top of their list – sales representatives will be making their money by selling palates of Prosecco, cava or Beaujolais to the trade, and simply do not have the time to hand-sell a few cartons of your precious wine to the odd specialist or restaurant. On the other hand, Germany abounds with minor importers who have come back from visits to the Cape all starry-eyed, and started importing the wines they like. They can be very dedicated and enthusiastic, but generally do not have really widespread distribution, and again you may find yourself on a list with a number of other Cape producers you consider to be your competitors, and which the German consumer may find interchangeable.