

*Prepared by the New Zealand Embassy Berlin, in consultation with NZTE Berlin*

## Summary

- New Zealand's wine exports to Germany dropped last year, whereas overall demand remained reasonably stable. Germans increasingly buy online, continue to shift to white wines, show greater but still modest interest in "alcohol-free" wine, and choose wines mainly based on taste and price.
- With food price inflation above 6% and consumer confidence at the lowest level in decades due to the war in Ukraine and its wider impact, Germans may buy less or cheaper wine this year, although upper ranges may be less affected.
- Germany's domestic production remains fairly stable, but the industry is struggling with adverse weather conditions, supply chain issues, higher input prices, and tighter regulations.

## Report

Germany is hosting [Pro Wein](#) 15-17 May, the world's leading trade show for wine and spirits, with several New Zealand wineries present. But where is the German market itself heading, the world's #1 importer in volume terms and our fifth largest market in value terms? This report offers a few insights.

### **German consumption trends, against the backdrop of first the pandemic, now the war in Ukraine**

In the years prior to the pandemic, New Zealand wine exports to Germany had increased from below NZD10 million in 2017 to nearly NZD60 million in 2019. The value of exports even increased further during 2020, but dropped to below NZD50 million last year, with an average NZD4.81 paid per litre during the second half of 2021. The New Zealand wines most commonly sold in Germany were Sauvignon Blanc, Pinot Noir, and Chardonnay.

Germany's total wine consumption (around 20-21 litres per capita per year, about twice as much as in New Zealand) followed a similar, but slightly more positive, trajectory. 2020 had seen strong growth in retail sales due to restricted hospitality, whereas 2021 largely saw an overall return to pre-Covid consumption patterns. Total German wine consumption in volume terms dropped by 5% year-on-year, after a 7% increase the previous year. Thanks to increasing prices – up €0.12 to €3.78 in retail – turnover dropped by only 1.5%. Domestic produce – representing 45% of the total volume and 47% of the total value sold – has done slightly better than imported wines (mainly Italian, Spanish, and French). Germany's own wine exports increased markedly last year, with the US the main market.

According to the [German Wine Institute](#) (DWI), two thirds of sales to consumers continue to occur in supermarkets and discount chains, but online sales have increased from 10 to 12% (the share is slightly higher for imported wine). The previous trend towards white wines has continued, now representing nearly half of the market, with red wines making up 40%. "Alcohol-free" wine remains niche compared to "alcohol-free" beer and cider, but one that is growing, by more than 40% in 2020 to nearly 3.7 million bottles. Limited availability, a lack of information, and little advertising have been cited as reasons why such wines remains far less popular than "alcohol-free" beer.

In a representative consumer survey from February, German wine drinkers responded that:

- their key criterion when buying wine is taste (54%), followed by price (37%), quality (labels) (31%), and the regional origin (18%) – German origin or branding mattered to only 13% of respondents;

- they buy wine at the supermarket (65%), discounter (33%), wine shop (29%), the winery itself (27%), and online (20%);
- they mostly buy wine at between 3-6 Euros (49%), and 6-10 Euros (47%), but also at 10-15 Euros (21%) and at >15 euros (9%);
- if they buy organic wine (40% don't), they do so mainly because of its credentials with regards to pesticide and chemical fertiliser use;
- if they buy "alcohol-free" wine (80% don't), it's because they like the taste and/or – unsurprisingly – want to reduce their alcohol intake.

How are German wine drinkers responding to the war in Ukraine and its broader impact? The German food and beverages market has clearly been shaken by events. Nearly six in ten consumers have encountered supply bottlenecks for at least some food items, compared with 14% prior to the war. Beverages, however, seem to be less affected (up from 5 to 7% reporting shortages). But the impact goes deeper, with food price inflation now at >6% and consumer confidence down to a record low. As a result, Germans have already reduced consumption and shifted again from supermarkets (-10% turnover year-on-year in March) or speciality stores (-14%) back to discount chains (only -4%), and from more expensive brands to bargains and cheaper private labels, marking a "trading down" trend. Retail turnover for alcoholic beverages was down 20% in March, although observers suggest this has been mainly due to a shift back to out-of-home consumption as Covid restrictions have been lifted. There are concerns that wine consumers will equally react with savings, opting for cheaper wine or buying less. Upper ranges may be less affected, however.

### **Domestic production and regulatory trends with relevance for New Zealand exporters**

Germany's production remains relatively stable, with the 2021 harvest just below the annual average (10% of the total area is certified organic, compared with the EU's 25% and Germany's new 30% target). Challenges cited by the industry include rapidly increasing input prices (up 8% year-on-year last year alone, with the war in Ukraine now triggering more supply chain issues and higher prices for energy, fertiliser, glass bottles etc.), a >20% increase of the German minimum wage to €12 this year, and increasingly restrictive (EU and national) regulations on the use of herbicides and fertilisers. Sustainability remains a key focus for the industry but the DWI, as its communication and marketing organisation, largely refrains from marketing German wine with sustainability claims so far, arguing that a common understanding of what sustainability actually means is still lacking (the most common private sustainability label for German wine is [Fair'n Green](#)). Winemakers will also have to deal with [new EU regulations](#) on wine (e-)labelling (nutritional value, ingredients) and "dealcoholized wine".

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