

SUBDUED OPTIMISM

Writers have long been fanatical about German Riesling, but the public largely ignored it, deriding it as sweet plonk. Although it is too early to celebrate, Joel B. Payne finds that producers are pleased with the success they enjoyed in 2007.

Riesling is strong, but rising grape prices and a weak dollar are putting pressure on everyone's margins," says Martin Henrichs, sales director at the Moselland cooperative, with a hint of apprehension. "2008 will separate the wheat from the chaff."

Steven Schindler, the export manager at the German Wine Institute is more optimistic. "Not only is the export value of German wine rising, our reputation abroad is on a roll."

That may be an overstatement, but there is no question that Germany is slowly coming of age in the wine world's pecking order. Liebfraumilch, which accounted for 45% of all exports in 1975, has fallen to 20% and been replaced by a myriad of buyers-own-brands like Gallo's Polka Dot, colourful labels and smaller estates.

Over that time, Black Tower has grown from next to nothing to a million cases a year, making it Germany's largest wine brand, followed by Blue Nun, which has enjoyed renewed success since modernising its label and adding line extensions, in the manner of Lindemans, from southern France and Australia. "Not everything has worked out as planned,"

reports Armin Wagner, export manager for Blue Nun's owner F.W. Langguth Erben, "but demand for our off-shore varieties is rising. Consumers see us as a credible brand, but not necessarily German."

Indeed, being German has not always been an advantage. In fact, even at home Germans long spurned their own wines and bought French labels when they had guests for dinner. That has changed, however, particularly for white wines, but it is nonetheless revealing that the two largest international German brands - Black Tower and Blue Nun - not only do not have German names, but are not even sold in Germany.

Exports rebound

According to the Monika Reule, the newly anointed manager of the German Wine Institute in Mainz, the value of wine exports from Germany increased by 13% to €635m in 2007 - and the average price rose slightly to €2.03 per litre. Export volume also increased by 8% to 3113m litres. Both figures, however, also include foreign wines re-exported by German shippers, which account for almost a third of both value and volume.

1 Benchmark Data		www.de
Inhabitants:		82.2m
Per head annual consumption:		23.7 litres
Area under production:		102,000 hectares
Domestic production:		1bn litres
Market share of imports:		54%



2 Top ten grape varieties in hectares				
Wine	ha 2007	%	ha 1982	%
White Grapes	64,466	63.2%	78,695	88.4%
Riesling	21,722	21.3%	17,625	19.8%
Müller Thurgau	13,924	13.6%	23,240	26.1%
Silvaner	5,261	5.2%	8,815	9.9%
Pinot Gris	4,413	4.3%	3,115	3.5%
Kerner	3,848	3.8%	5,250	5.9%
Pinot Blanc	3,598	3.5%	800	0.9%
Red Grapes	37,560	36.8%	10,327	11.6%
Pinot Noir	11,820	11.6%	3,470	3.9%
Dornfelder	8,185	8.0%	85	0.1%
Portugieser	4,551	4.5%	2,850	3.2%
Trollinger	2,504	2.5%	1,960	2.2%
Total	102,026	100%	89,022	100%

3 Colours in the vineyard			
Colour	1980	1996	2007
White	88.6%	80.0%	62.2%
Red	11.4%	20.0%	37.8%

Germany's vineyard surface was once principally planted with white varieties; red grapes were mostly used to make rosé. Today over a third of the vineyards are planted with red varieties - to produce red wine! In particular, Pinot Noir has become a key resource and is beginning to acquire international attention.

4 Flavour profile of German wines			
	1985	1998	2007
Dry	16.1%	29.4%	37.7%
Off dry	19.8%	20.6%	23.1%
Sweet	64.1%	50.0%	39.2%

German wines are considerably drier than they were a generation ago. This trend, which is clearly visible on the domestic market, is beginning to find acceptance abroad.

5 Riesling vineyards worldwide		
Country	hectares	%
Germany	21,722	62.0
Australia	4,256	12.8
France	3,350	10.1
USA	1,700	5.1
Austria	1,643	4.9
New Zealand	636	1.9
Canada	440	1.3
South Africa	347	1.0
Chile	288	0.8
Total	32,857	100

Although there are significant plantings of Riesling in eastern Europe, no precise data on vineyard area are available.

SOURCES: 2: GERMAN MINISTRY OF STATISTICS | 3: MEININGER'S WINE BUSINESS INTERNATIONAL | 4,5: GERMAN WINE INSTITUTE

KEY GERMAN WINE EXPORTERS

1	Peter Mertes	German wine exports: 35m litres	6	F.W. Langguth Erben	German wine exports: 9.5m litres
<p>In der Bornwiese 4, 54470 Bernkastel-Kues Phone: +49 (6531) 55-0 www.mertes.de</p> <p>Director: Michael Willkomm Turnover: €200m Total volume: 200m litres German Share: 70% of bottled product Exports: 38% Main brands: Mostly buyers-own brands Main export markets: Northern Europe, USA, Netherlands</p> <p>Although this is the largest shipper in German, they have few own labels. Instead their speciality is being flexible enough to create buyers-own-brands for their customers with the packaging, label and price they need for their markets. Not surprisingly, this company's turnover grew by 10% in value and even more in volume last year.</p>			<p>Dr. Ernst-Spiess-Allee 2, 568412 Traben-Trarbach Phone: +49 (6541) 170 www.langguth.de</p> <p>Director: Ralph Hintz Turnover: €89m Total volume: 38m litres German Share: 40% Exports: 65% Main brands: Blue Nun, Erben Main export markets: UK, Russia, USA</p> <p>By value, Langguth is Germany's fourth largest shipper; but it remains an anomaly among the major producers in its rigid defense of its own brands, several of which it markets internationally. Best known in Germany for its Erben label, it is Blue Nun that most foreigners associate with Germany. Interestingly, that brand is not sold domestically.</p>		
2	Zimmermann-Graeff & Müller	German wine exports: 25m litres	7	Andreas Oster	German wine exports: 6m litres
<p>Marientaler Au 23, 56856 Zell Phone: +49 (6542) 419-0 www.zgm.de</p> <p>Director: Johannes Hübinger Turnover: €145m Total volume: 107m litres German Share: 65% Exports: 50% Main brands: Michel Schneider, Zimmermann and Rudolf Müller Main export markets: UK, Benelux, USA, Canada, Scandinavia</p> <p>Although still strong with buyers-own-brands, this company has repositioned itself over the past few years with several ranges of higher quality own labels. In particular, the fighting varietal brand Michael Schneider has shown impressive growth. The company has also been successful in improving international awareness of German red wines.</p>			<p>Weingartenstrasse 1, 56812 Cochem Phone: +49 (2671) 6005-0 www.weinkellerei-oster.de</p> <p>Director: Andreas Oster Turnover: €70m Total volume: 50m litres German Share: 60% Exports: 20% Main brands: Buyers-own brands Main export markets: UK, USA</p> <p>Andreas Oster is known domestically as a key supplier of the Aldi Nord discount chain. Like his best client, he refuses to divulge any information on his export business, so the above data are estimates. As the company has no export brands, it can only be recognized by the bottler's name in fine print at the bottom of the label.</p>		
3	Reh-Kendermann	German wine exports: 21.5m litres	8	Binderer St. Ursula	German wine exports: 4m litres
<p>Am Ockenheimer Graben 35, 55411 Bingen Phone: +49 (6721) 910-0 www.reh-kendermann.de</p> <p>Director: Nikolaus Schrittz, Carl Reh Turnover: €80m Total volume: 45m litres German Share: 80% Exports: 65% Main brands: Black Tower, Kendermann and Carl Reh Main export markets: UK, North America and Scandinavia.</p> <p>Although nominally only the sixth largest German shipping company, Reh-Kendermann has always had a strong focus on German wine in export. Best known for Black Tower, which with over one million cases sold is Germany's largest wine brand, the company also boasts innovative ranges under the Kendermann and Carl Reh labels.</p>			<p>Lerchenstrasse 66, 80995 München Phone: +49 (89) 31400330 www.ursula.de</p> <p>Director: Peter Binderer Turnover: €65m Total volume: 42m litres German Share: 12% Exports: 27% Main brands: Devil's Rock Main export markets: USA, Scandinavia and Canada</p> <p>Binderer was principally a wine importer active in Munich until the family purchased the St. Ursula cellars in Bingen in 1987 and developed the Devil's Rock brand, which includes a Riesling from the Pfalz and a Pinot Grigio from Rheinhessen. The company also promotes the Dunávar brand from Hungary, where it has been active since 1990.</p>		
4	Schmitt Söhne	German wine exports: 20m litres	9	Valckenberg	German wine exports: 3.75m litres
<p>Weinstrasse 8, 54340 Longuich Phone: +49 (6502) 409-0 www.schmitt-soehne.com</p> <p>Director: Thomas Schmitt Turnover: €48m Total volume: 20m litres German Share: 100% Exports: 98% Main brands: Blue Riesling, Liebfrauenmilch Main export markets: USA, UK, Netherlands</p> <p>Although almost unknown on the domestic market, this company is a key export player, in particular in the United States, where it is the market leader. Still strong with classical generic brands like Hoch, Piesporter and Liebfraumilch, the company has recently been revamping its product line to include more modern styles.</p>			<p>Weckerlingplatz 1, 67547 Worms Phone: +49 (6241) 911116 www.valckenberg.com</p> <p>Director: Wilhelm Steifensand Turnover: €18m Total volume: 3.75m litres German Share: 100% Exports: 100% Main brands: Madonna, numerous small estates Main export markets: USA, Japan</p> <p>In business for over 222 years, Valckenberg is the largest German shipper specializing in moving small estate brands, with a large selection of some of Germany's most well-known producers. In addition, the company also has its own label, Madonna, which has been the largest selling German wine in Japan since 1972.</p>		
5	Moselland	German wine exports: 14m litres	10	Henkell & Söhnlein	German wine exports: 2m litres
<p>In der Bornwiese 6, 54470 Bernkastel-Kues Phone: +49 (6531) 57-0 www.moselland.de</p> <p>Director: Thomas Schmitt Turnover: €48m Total volume: 30m litres German Share: 100% Exports: 45% Main brands: Moselland Main export markets: USA, Netherlands and Sweden</p> <p>Although the name would indicate that Moselland sells only Riesling from the Mosel that is no longer true. It promotes wines from numerous other growing regions – and exports more German wine than all other domestic cooperatives combined. While struggling with rising grape prices and a strong euro, it is still able to put a bottle on the shelf at \$9.95.</p>			<p>Biebricher Allee 142, 65187 Wiesbaden Phone: +49 (611) 630 www.henkell-soehnlein.de</p> <p>Director: Dr Hans-Henning Wiegmann Turnover: €513m Total volume: 155m litres German Share: 20% Exports: 20% Main brands: Metternich, Henkell, Deinhard and Söhnlein Main export markets: Eastern Europe, UK and Canada</p> <p>Henkell & Söhnlein is one of the largest producers of sparkling wine in the world, owning in addition to its own German brands, Mionetto as a Prosecco and Ukrainskoye in Kiev. While Henkell trocken is the most widely exported German sparkling wine, both Schloss Johannisberg and the Deinhard label are strong for still wines.</p>		

REGIONAL ANALYSIS

Pared back to domestic production, export volumes have been at best stable for the last ten years, but value has risen. That is because German producers have lost market share for generic 'brands' such as Hoch, Liebfraumilch and Piesporter quicker than quality wines have taken their place.

With a volume of 55m litres valued at €85m, shipments to Great Britain account for about one quarter of German wine exports. Although the British market has shifted its attention to wines in the middle price segment, both volume and value were up considerably in 2007, but still lag behind the shipments recorded in 2000.

Increasing demand for Riesling in the US helped German winegrowers achieve both a 15% increase in volume and 25% increase in value. Germany now ranks seventh on the American import charts, with a value of over €100m, triple the value done in 2000. In all, Germany exported some 38m litres of wine, almost exclusively Riesling, to the US, with an average price of almost €3 per litre, 50% above the norm.

In terms of value, double-digit growth was also recorded in the Netherlands. The Scandinavians and, in particular, the Norwegians, have also "rediscovered German wines", as Christopher Mostue describes it, making German white wines top bill in some markets.

Although total exports rose in 2007, the elite producers of the Verband deutscher Prädikatsweingüter (VDP) did not profit from the rise. Both 2005 and 2006 were short crops, so that the 198 members, who make little more than 2% of all German wines, were hard pressed to even meet domestic demand. Last year's yields were more generous. but it is not yet clear, says Steffen Christmann, the club's new president, whether "our estates will be able to buck the weak dollar and pound."

Although Reule believes the German wine industry will have further success in export markets, she points out that increasing domestic demand for German wines poses a limit to quantities available for export. For this reason, the long-term goal is

"Our moving annual totals have now surpassed 1,000,000 cases, making Black Tower the largest German wine brand in the world."



Nikolaus Schritz, managing director of Reh-Kendermann

not an increase in export volume, but rather a further increase in export value.

Changing colours

Although the share of white varieties has declined from 88.6% in 1980 to 62.2% today, Riesling still covers one fifth, or 21,722 hectares, of Germany's vineyards. Worldwide, Germany has almost two thirds of the world's Riesling plantings, leaving Australia with some 4,200 hectares in its wake. Wilhelm Steifensand, general manager of the exporter Valkenberg, is pleased with the development of German Riesling but warns: "The Australians and Americans are becoming better at the game. If you're talking about individual styles, Germany is unbeatable, but we face stiff competition in building reliable brands for the mass markets."

Today, though, the country has another fiddle to play. It was not the hype following the release of Sideways that brought Pinot Noir, or Spätburgunder as the German's call it, back into fashion. It has ridden the crest of the German red wine boom, growing from some 3,500 hectares a generation ago to almost 12,000 today, the third largest plantings in the world - and far more than in Australia and New Zealand combined. Global warming has certainly favoured this development.

Although acclaimed wine writers like Jancis Robinson have embraced German Pinot Noir, the grape is only just beginning

6 Exports by country

	Value ¹⁾		Volume ²⁾		€ per litre		Change '07 to '06	
	2007	2000	2007	2000	2007	2000	Value in %	Volume in %
USA	102.8	38.0	30.0	13.0	3.43	2.93	26.8	15.6
UK	84.7	88.4	55.7	93.4	1.52	0.95	22.1	29.0
Netherlands	34.5	21.2	24.7	18.9	1.39	1.12	9.0	12.8
Sweden	19.0	17.0	11.6	9.6	1.63	1.77	5.0	6.1
Russia	17.6	1.8	13.4	1.1	1.31	1.61	4.6	7.0
Norway	14.8	7.0	6.9	4.0	2.43	1.75	3.9	3.2
Japan	14.4	34.2	3.8	11.0	3.78	3.12	3.8	2.0
Canada	14.0	9.2	4.9	4.1	2.89	2.25	3.6	2.5
France	10.5	12.0	6.4	13.9	1.65	0.87	2.7	3.3
Belgium	8.6	6.0	6.3	5.3	1.36	1.12	2.2	3.3
Denmark	6.2	4.6	4.3	4.8	1.44	0.95	1.6	2.3
Ireland	5.4	2.2	2.8	1.7	1.94	1.30	1.4	1.4
Austria	5.1	2.4	2.1	1.3	2.46	1.88	1.3	1.1
Total	383.5	275.7	191.9	199.6	2.00	1.38	13.2	7.7

7 German wine exports

Year	Volume ¹⁾	Value ²⁾	€ per litre
1970	31.9	50.8	1.59
1980	172.7	298.7	1.73
1990	258.7	371.7	1.44
2000	231.2	348.8	1.51
2007	313.0	635.0	2.03

Table 7: ¹⁾ Volume in million litres; ²⁾ Value in million €
Although Germany's exports have skyrocketed, value until 2000 did not even keep pace with inflation. The past two years, partially because of short crops, have evolved positively for German producers in value terms.

Table 6: ¹⁾ Value in million €; ²⁾ Volume in million litres
Although volumes have fallen slightly, value has climbed by 40% since 2000 as consumers have abandoned Liebfraumilch in favour of finer wines.

to gather the attention of foreign importers, probably because the majority of the plantings are found in Baden, across the border from Alsace, in a part of the country most buyers have ignored in the past. That said, Bernhard Huber, one of the country's finest producers, has already shipped a second order to China. His importer, Don St Pierre from ASC, says "it's still a niche, but there is definite interest for these wines."

Changing tastes

The other unmistakable trend in Germany is the move towards drier – or at least dryish – wines. As the German definition of dry is pinned at 9g per litre, this does leave wiggle room for producers – and off-dry Chardonnay has certainly made Riesling's task easier. Twenty years ago, two thirds of all German wines, and 100% of exports, were sweet. Today, two thirds are dry or off-dry, and interest for them is growing in many foreign markets.

Although there is currently much talk about small producers, as in Burgundy most of these estates have only five, ten or fifteen hectares – and given domestic demand, few export more than 20% of their crop. Ambassadors like Ernie Loosen, Johannes Selbach and Josi Leitz have thus slowly moved beyond their estate concepts and now ship wines they have purchased in bulk and bottled. Loosen and Selbach are not far from two million bottles a year in export, a surprising volume that proves how important contacts are and will remain. "If you don't see your importers and their major clients regularly," say Ernie Loosen, "you are soon forgotten."

Two thirds of all exports are currently moved by the ten shippers in Table 1. Interestingly, WIV from the Pieroth family, and one of the largest wine companies in the world, with an annual turnover of €470m, did not make the cut. "German wines in export amount to 'only' 2.6m bottles," said Dr Johannes Pieroth. "I am surprised. I thought we sold more." ■

INTERVIEW WITH JOHANNES SELBACH



Johannes Selbach, owner of the Selbach-Oster estate.

Most people know Johannes Selbach as the owner of the Selbach-Oster estate. With 18 hectares of Riesling in Graach, Wehlen and Zeltingen, it exports 70% of its production, in particular to the US. Unknown to many, though, he also owns J.H. Selbach, which, with annual sales of 1.5m bottles, is one of the few remaining small shippers in Germany. In addition to

wines that they bottle under their own label, Selbach also represents over 70 wineries from various regions in Germany in different foreign markets, bringing his total Riesling exports to almost 2m bottles.

Meininger's: Germany's top wineries are now doing well. What is the reason for the resurgence of interest in Riesling?

Selbach: Over the past 10 years, the wine sector underwent a complete reshuffle. For a long time, exports were dominated by large brands such as Blue Nun or Black Tower as well as appellations such as Schwarze Katz or Liebfraumilch that have a branded character. In the wake of the scandals in the mid 80s, and the arrival of coolers on the market, these wines suffered major losses – primarily in the States, but also in other markets. Today, Great Britain remains the main market for the low-price segment. There, German wine is still saddled with a poor image in spite of the many positive articles by reputable English journalists on our best wines.

Meininger's: And elsewhere?

Selbach: Things are quite different in the States. North America is once again an excellent market for high-quality German Rieslings. This is due to several factors. First, our elegant, filigree white wines are in line with the trend towards less alcohol and even less wood. Second, consumers have observed that quality has improved considerably. This is particularly the case with well-balanced, dryish Rieslings. Finally, let us not forget the groundwork laid over the years by the late Count Matuschka and continued by two dozen individuals, including Wilhelm Weil, Ernie Loosen, Prince Salm, Annegret Reh, Carl von Schubert and Josi Leitz.

Meininger's: To what extent did the press play a part?

Selbach: The factors mentioned above were a prerequisite for today's success. That said, the influence of the Wine Spectator, Robert Parker and Steve Tanzer extends far beyond the States, helping us to open doors in other countries, even in Spain, as our vibrant, filigree type of wine cannot be produced there. But the driving force behind the worldwide Riesling renaissance is without a doubt the United States.

Meininger's: What about your next door neighbours?

Selbach: Scandinavia has now developed a momentum of its own, driven by Norway, where the image of German wine has changed radically, moving away from cheap, mass-produced wines to high-grade varieties. This trend was boosted by the loosening of the alcohol monopoly and the emergence of highly motivated private importers.

Meininger's: How do you see the future?

Selbach: As customers are finally paying prices that make high quality profitable, I remain optimistic. However, the weak dollar will put a damper on growth.

Meininger's: Will climate change have a negative effect?

Selbach: In fact, it's quite the opposite. We seldom harvest sour grapes any more. Our wines now taste richer, and sometimes fuller, but no less elegant and fresh.