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German Wine Producers Struggle as Prices Sink Below Sustainable Levels

Producers say soaring costs and collapsing prices are eroding already thin margins

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On a cold winter morning in Worms-Herrnsheim, Thomas Schäfer stands outside a business that once seemed built for growth and now appears focused on survival. The 39-year-old winemaker from Germany's Rheinhessen region says he is the area's largest bulk wine producer. He grows grapes for other companies and sells wine in tanker trucks to bottlers that later package it for retailers. Last year, his production reached 6 million liters. But the business model is becoming harder to sustain. Prices,

Schäfer says, have fallen to levels not seen since the 1990s, and he is increasingly struggling to sell his volumes at prices that cover his costs.

Schäfer's situation reflects broader pressure across the German wine industry, where rising costs, falling consumption and intense competition are reshaping the market. According to Germany's Federal Statistical Office, the number of wineries in the country declined by about 25% between 2013 and 2023, falling to 14,150 operations. Simone Loose, head of the Institute for Wine and Beverage Business Research at Geisenheim University, expects the market to continue shrinking significantly over the next two decades.

Loose has analyzed financial data from more than 700 wineries that sell directly to consumers. She says 2022 marked a turning point for the industry. Since then, operating costs have risen by more than one-third, driven by higher prices for energy, glass bottles, packaging materials, fuel, fertilizer and labor.

At the same time, wine consumption in Germany continues to decline. Average annual consumption has fallen to 21.5 liters per adult, down from 24.3 liters five years ago. Loose points to demographic changes and shifting habits among younger consumers. Members of Generation Z in particular are drinking less alcohol. Higher living costs have also changed buying behavior. Since the start of the war in Ukraine, food prices in Germany have increased by about 30% on average, Loose says. Consumers shopping for wine are therefore more likely to choose lower-priced bottles.

Many of those cheaper wines come from outside Germany. Consumption is also declining in France, Italy and Spain, creating oversupply in those markets. As producers there look for outlets, low-priced imports are entering Germany and increasing pressure on domestic wineries.

For Schäfer, the impact is visible in his balance sheets. His winery was founded 50 years ago by his father, Hans-Josef Schäfer. When Thomas Schäfer took over the business in 2010, he believed he understood the economics of the sector. Today, he says the collapse in prices has become "deadly."

Despite hail damage shortly before harvest, Schäfer still achieved an average price of 90 euro cents per liter in 2023. In 2024, that figure dropped to 64 cents. In 2025, it fell again to just 53 cents per liter. Schäfer says he needs at least 70 cents per liter to break even.

The downturn is also affecting employment. In previous peak seasons, the winery employed as many as 60 seasonal workers and 19 permanent staff members. This year, Schäfer is operating with only 13 full-time employees.

Like many growers, he has changed production methods to reduce costs. His vineyards now rely increasingly on minimal pruning, a system that eliminates much of the hand labor traditionally required to trim and tie vines. Instead, tractors equipped with rotating blades move through the vineyard rows and cut the vines mechanically from both sides. Schäfer says the approach reduces labor requirements from 180 hours per hectare each year to about 70 hours. The technique is widely used but carries risks because growers have less control over yields.

The German wine industry has faced crises before. Schäfer's father remembers the 1985 glycol scandal, when demand collapsed after Austrian producers were found to have illegally added diethylene glycol to wine. Retailers later tried to restore consumer confidence through aggressive marketing campaigns. Demand eventually recovered, helped by the growing popularity of red wines such as Dornfelder.

This downturn, however, appears different. Production costs continue to rise while sales weaken, and imported wines are adding further downward pressure on prices.

Schäfer says his business is operating with almost no margin for error. Over the past 15 years, he nearly doubled his vineyard area through leased land, expanding to around 500 hectares. He also invested early in fungus-resistant grape varieties, which require fewer chemical treatments and are cheaper to cultivate than traditional vines. But even those savings, he says, are no longer enough to offset the rapid decline in bulk wine prices.