Low profits in grape production for bulk wine – results from an international benchmarking at farm level

Garming, H., K. Strohm, and W. Dirksmeyer
Thünen Institute of Farm Economics, Bundesallee 50, 38116 Braunschweig, Germany

Keywords: typical farm approach, cost of wine grape production, competitiveness, agri benchmark Horticulture

Abstract

Wine production and trade have increased significantly over the past decades. While in some traditional wine countries in Europe production has stagnated or decreased, other countries such as Spain, the USA, China, Chile, Australia and New Zealand as well as South Africa increased their supply. The competitiveness of wine grape production, as in all agricultural sub-sectors is influenced by land, labour and input markets as well as the structure of processing industries and value chains. Specific for wine production are many regulations such as national wine laws, quota, or rules concerning the geographical denomination and certification. However, wine grape production systems and their profitability are also directly determined by climatic conditions, soils and farm structures, which differ largely between the major producing countries.

This paper introduces an innovative network approach for an international comparison of profitability of wine grape production at farm level, presenting detailed insights to the cost structures in different wine growing regions in Europe, South Africa and Australia. The approach generates internationally comparable data by using standardized methods of data collection and analysis, based on the typical farm approach. In the agri benchmark network, partners in all participating production regions have established typical wine farms following a standard operating procedure. Data sources include available statistics and the expertise of farm advisors and farmer groups. A typical farm represents a vineyard in a specific region with a defined, typical farm size and structure and its prevailing production system. Hence, a farm model is generated, which includes not only economic but also physical and technical parameters to calculate cost of production, profitability and productivity indicators. The typical farms are updated annually to consider changes in the use of inputs and outputs as well as prices and hence profitability over time. For comparability, the analysis focusses on the production of wine grapes for quality bulk wine, up to the point of harvest. Pressing and further processing on farm or off-farm are not included in the study.

So far, results are available from 13 typical farms in different production regions in Germany, Italy, France, Spain, Australia and South Africa. In most typical farms, costs were not fully covered by revenues, although at least gross margins were positive. However, only for the Spanish farm in La Rioja and the Italian farm in Veneto, calculated net revenues were positive in the reference year 2011. In most other typical farms the direct, overhead and depreciation costs were covered, but remuneration of family labour was poor. The network is open to new partners, aiming at expanding its coverage of interested and relevant wine growing regions in the world.