

## Abstract

Denmark is a young wine nation, acknowledged by the EU as a wine producing country only as late as the year 2000. In recent years the area under vines has increased significantly. This shows that there is a great interest in producing Danish wine. However, while some establish new wine producing businesses, others are closing. This raises the question whether wine production in Denmark is a good business or should rather be seen as a hobby for dedicated wine lovers. If the producers are not in the business to earn money, the risk is that the Danish wine producing industry is not forced to innovate and adapt variety choices to the marginal climate of the country.

This thesis investigates whether there is an economically sustainable future for Danish wine production and, as a part of this, whether common factors can be identified among those who have proven themselves economically sustainable. This is done through a survey data study of the commercial Danish wine producers.

The initial research into the Danish wine production industry reveals that there is no central source of data about wine production in Denmark. It becomes clear that nobody can account for the number of commercial producers, the amount of wine sold or the revenue from commercial wine production in Denmark. This draws a picture of a business that lacks governance and professionalism.

The structural conditions for wine production in Denmark are a high wage level and a broad geographic distribution of the producers that doesn't invite the sharing of equipment. This means that the operational costs are high compared to the "classic" wine countries that most consumers buy from. At the same time the yields are low which means that there are few bottles to carry the cost of the production. However, the literature reveals that the Danish producers are not aware of their marginal production costs. This implies that they cannot use pricing as a tool to obtain an economically sustainable business.

A survey data study is set up to ask the commercial producers questions about the economy of their business, size, establishment year and viticultural and vinification choices. The survey is sent to 90 commercial grape wine producers. Those 90 account for most of the commercial Danish

producers. 35 producers have answered the survey and are divided into three groups: those with continuous profit over 4 years (*All-years profit*), those with continuous loss over 4 years (*All-years loss*) and those with mixed results across the years (*Mixed results*). A descriptive analysis is conducted, and the three groups are compared for a number of factors.

The analysis shows that it is possible for 26% of the respondents to obtain a year after year profit, while 20% lose money year after year. Compared to the *All-years loss* group, producers in the *All-years profit* group tend to have larger vineyards, been earlier established and have more focus on other sources of revenue than selling their own wine. The choice of grape varieties as well as vinification style does not seem to differ significantly among the groups. The most profitable seem a little more likely to grow their grapes conventionally rather than organically, but the difference relative to the other two groups is not large enough to draw a robust conclusion from.

A weakness of the study is that though the 35 responding producers account for a quite high share of the total commercial producers, the numbers in each group are small. This means that the patterns identified in the analysis could be altered by a few more producers with different answers than the group's average. Therefore the results from the analysis should be used only as an *indication* of which factors affect the profitability.

Another weakness of the study is that two of the survey years were during covid lockdown. The lockdown effect on the producers could go in both directions but is not investigated in this thesis.

The fact that it is possible for some producers to obtain a year after year profit indicates that there can be an economically sustainable future for wine production in Denmark. However, almost all those producers have other sources of revenue than selling their own wines (e.g., tourism), and therefore this thesis cannot conclude whether or not the revenue from selling Danish wine is enough to obtain economical sustainability for the business. Since the least profitable producers have younger vineyards than the most profitable, it allows for hope that those may be more profitable in the future when their vineyards are older.