

# THE BARREL TRADE FEELS THE PINCH

Consumers trading down to cheaper wines, coupled with a smaller harvest in the US, has had the knock-on effect of squeezing French barrel makers. As Andrew Rosenbaum reports, the barrel industry is facing another major challenge as well: credible alternatives.

## SUMMARY BOX

- Around 80% of barrels come from Europe.
- Liberalisation of European laws is leading to a rise in the use of alternatives to barrels, putting pressure on barrel producers.
- Lowered harvests in 2009 are adding to the pressure, as is the strong Euro.
- Alternative oak products still have a poor reputation. As people experiment with them more, this is likely to improve.
- Makers of fine wine still prefer barrels.

The use of barrels to make wine has not changed much since the time Caesar fought the Gauls, the people who invented them. But things are changing fast for the European barrel industry, which is seeing its sales decline. Part of the drop is due to the financial crisis. But an important part of the loss in sales stems from the increasing use of alternative materials, a trend which dates back more than a decade, but which has been reinforced by the recent legal liberalization of alternative materials' use in Europe.

### A big drop

There is no organization of European barrel makers, but the Food and Agriculture administration confirms that about 80% of European exported wine barrels are from France. In 2008, exports declined about 4%, according to Michel Hovart, president of the French wine barrel makers association (Fédération Française de la Tonnelerie). Hovart expects to see a drop of 10% in 2009. "The financial crisis is, of course, one of the factors of our sales decline - you can see that revenue was stable, jumped in 2007, and then dropped back, and we'll see another drop in 2009," he explains. "Another, equally important one is the relatively small harvest in the US in 2008. American winemakers who had ordered many barrels in the previ-

ous year still had some on their hands. So they didn't order more in 2009."

But the barrel makers themselves see the increase in the use of alternative materials as another factor. "Winemakers in our principal markets of South Africa and the US are also coping with a slowdown in sales," explains Jean-Christophe Varron, who runs the Tonnellerie Vinea, located in St. Germain de Lusignan. "Many are reacting to the economic pressure by changing their product. Where they would never have used anything but barrels for their highest grade of wines, now they are producing a middle to high grade which uses alternative materials."

The harvest in Bordeaux this year is expected to be of high quality, but of reduced quantities, and so the demand for new barrels from this region is likely to be limited, Varron points out. And Burgundy is seeing the same kind of vintage. In the Languedoc-Roussillon, extreme heat during the summer

cut down on the harvest. Only Champagne saw high quality grapes in healthy amounts. "We can't expect demand to be too strong in France this year, although we think it will pick up again in 2010, assuming the harvest is reasonably strong," Varron says.

Barrel importers testify to the same trends. "There is an oversupply of wine in Australia," says Anthony Radford, director of the Fulham Gardens-based barrel importer Vinum Australia Pty, which sells about 75% French oak barrels and 25% American-made ones. "Export markets for the finest wines have shrunk as consumers abroad feel the pain of the recession, and so the makers of the most expensive wines, who are our clients, are diversifying their product offering and making 'middle-level' wines with alternative materials." The Australian Tax Office doesn't charge import duty on imported wine barrels that are used to make wines for export - about 60% of imported wine barrels get the exemption. Yet, even with the duty-free barrels, an investment in them is a tough decision for a winemaker to come to in these times of tight credit.

A classic French oak barrique costs from €400 to €600, so, with transport costs, such products place a financial burden on the winemaker. South Africa, another large market, is also buying less. "Not only are the barrels expensive, but exchange rate increases versus the Rand have made investing in European barrels very dear indeed," says Jan Swart, a professor of wood science specialising in winemaking at Stellenbosch University in South Africa.

The exchange rate issue is hardly one that can be ignored in the US, because the dollar has fallen drastically against the Euro. So it is not surprising that American winemakers are expanding their use of alternatives. "Initially, producers who used alternative materials in the U.S. were constructing very

French wine barrel revenues

Year	€m
2004	285
2005	298
2006	308
2007	333
2008	320

SOURCE: FFT



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president of Fédération  
Française de la Tonnellerie



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specific wines to meet specific market demands via recipe winemaking," says Tyler Thomas, winemaker at Pax Wine Cellars in Sonoma. That, of course, does not mean that oak alternatives can only be used this way. Winemakers here are increasingly conscious of the advantages of alternatives: cost and environmentalism. But there is still sentiment in the US against using alternative products for the most expensive wines, Thomas admitted.

### *Diversification*

Many traditional barrel makers in Europe are diversifying into alternative products as well. "But this should not be seen as a matter of simply satisfying client demand; making wine barrels is a great art, and the understanding we derive from that art is perfectly good to apply to staves and other materials," Varron insists. The Tonnellerie Vinea offers chips, staves, oak-powder, strips, and barrel inserts, along with barrels made with French, American, and east European oak.

French barrels are still considered the *ne plus ultra* for making the finest wines – those where economic considerations don't matter. The French cooperages have a long tradition of being able to make a uniform quality product year in and year out. There have been rumours running around the industry for many years, however, that some producers of French oak barrels use a little wood from Eastern Europe in their 'French' products to cut costs. We asked the non-French experts to comment. "It's something that's very rarely seen, but it has been known to happen – although not by any of the producers we work with!" says Radford.

"Almost never happens, but has been known to occur from time to time," agrees Swart. "However, the high quality of French production is a byword, one that should not

be blurred by such things." He points out that there is now a technology that permits the identification of barrel wood, one that can identify the forest that it originally grew in. Hovart simply points to the long record of quality that French cooperages can show: "not only is all of our work completely transparent, but it can be judged by the results."

Given the growth in both technology and popularity of alternative materials, one might ask why anyone bothers with barrels at all anymore? That gets a quick reply from Guillaume de Jarnac, president of the French association of producers of alternative materials for winemaking, the Syndicat des Producteurs de Bois pour l'Oenologie: "There is no reason wood for winemaking should not be used in every case. It's just a prejudice, one which we are working very hard to change, and one which is already changing." De Jarnac estimates that European production of alternative materials, including everything from powders to staves, is about 5,000 tonnes, of which the French share is 1,000 tonnes. "Production has been almost unaffected by the economic crisis," de Jarnac says.

"The problem for alternative materials is that everyone thinks they are always used to produce a standardized type of inexpensive wine," complains Varron. "But there is actually no reason why alternative materials cannot produce wines with great subtlety. The choice lies in the hands of the winemaker, who has to acquire the skills necessary to work in a new way, and it is in no way linked to choosing barrels instead of staves or other wood products."

Both producers of alternative materials and barrel makers are experimenting with 'integral wine making', a broad number of processes that put the wine in contact with wood at the very start of fermentation. In one such process, the lees are put directly into a

barrel and the entire wine making process takes place within. Or alternative materials like powders or chips are put into the lees at the very start. Both processes are new, and many barrel makers and their counterparts in alternative products believe that this is the way forward. Certainly, the European Commission seems to agree with de Jarnac and Varron. With the passage into law of the wine reform regulations, on August 1, 2009, the use of alternative materials is now permitted for all winemaking throughout the EU. This change, intended to make EU wines more competitive, has given a boost to producers of these materials. "We can look forward to a two-figure growth rate as the market assumes the possibility of making full use of these products," says de Jarnac.

Despite de Jarnac's enthusiasm, the steady demand for oak barrels from European barrel makers across the years doesn't just show to what extent wine makers are wedded to tradition. Experts in wood science say that, good as alternative materials may be, they are not likely to be used for the very finest wines in the near future. Says Swart: "We are still not satisfied that the quality that alternative products may produce is equal to that of barrels. The barrels work the wine in a comprehensive way, and provide a level of consistency, that we still do not see is possible with alternatives. Further research in wood science is required to bring these products to that level."

Says Hovart: Our barrel makers have a very ancient 'savoir-faire'; they make use of forests that have not changed for centuries, and they practice with winemakers who enjoy worldwide reputations. All of which suggests that the European barrel maker will continue to practice his art for many years to come, even if the market for his products isn't likely to grow. ■