

THE BRITTLE GLASS SITUATION



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Glass bottle shortages were reported across Europe, South Africa, parts of South America and Asia in 2007. The glass companies say it was because of unprecedented demand - yet as Cees van Casteren notes on p12, they're having a complaint filed against them in Brussels. What's going on?

Last year will be remembered by the wine industry as, among other things, the year of the Great Glass Shortage, when problems were reported from as far afield as South Africa, Argentina, and even Thailand.

Although the USA and Australia seem to have been spared, so many other countries reported problems that you could be forgiven for thinking the world is facing a glass shortage. But it isn't. According to David Workman, the director general of the British Glass Manufacturers Confederation, the raw materials for glass are plentiful. "They're usually locally sourced and so there should not be an issue of material supply."

So what went wrong in 2007? Looking at the European situation is instructive. It seems many factors contributed, from strikes at glass giant Saint-Gobain, to the hot summer. "The glass industry is a 24-hour a day continuous process industry and we manufacture glass against forecasts given to us by our customers in good faith," says Workman. "If you get a long hot spell or demand suddenly goes up, we can't always respond to a sudden spike."

Patrick Edel, marketing and PR manager for Germany's Ardagh Glass adds that because the European grape harvest was early this year, planning went awry. He also says that "more customers want their own bottles or different shapes. This takes time, because you need new moulds."

The view from the other side

Wine producers tell a different story. "If you go back four or five years, we had different glass manufacturers in Europe and mergers happened," says Johannes Hübinger, the managing director of Mosel-based producer Zimmermann-Graeff & Müller. "Therefore the number of actual suppliers is limited."

Furthermore, he says, the new giants have shut down less productive sites. Overall, he's seen glass prices jump by up to 40% in the last two years, adding six to eight euro cents a bottle to the cost of his wines.

Franck Crouzet, communications director of French producer Castel, is positively incensed by the claims of the glass industry, saying the early harvest had nothing to do with the situation. "In many vineyards, the dates of har-

vest were within a few days of the long term average," he says. Crouzet also dismisses claims that the wine industry needs to plan more carefully. "Each year our buying department estimates our need per model and negotiates with the manufacturers to ensure we have the volumes we need," he says. "It is impossible to make a better planning estimate when you are moving 300m bottles a year."

He says the shortage was the worst thing to hit Castel for 30 years in terms of the disruption it caused. "It is their job to manage their ovens, their production planning, but the facts show that they have mismanaged their business and have abused their clientele," he says, adding he fears the real problem is that wine bottles are the least attractive part of the glass manufacturers' business.

Supplies to remain tight

Edel says in previous years there was strong over-capacity in Europe, but in the past seven years Aardagh has closed nine furnaces. These will not be re-opened, as they cost €10m each to re-start.

Bottle prices are also unlikely to return to their old levels, thanks to rising fuel costs. "It's true to say from the UK's perspective that the hike in energy costs between 2004 and 2006 were largely absorbed by the industry, to the extent that in 2006 I don't believe the glass container industry in the UK made any profit at all," says British Glass's Workman.

The problem is not confined to Europe or wine. Furnaces have been taken out in South Africa, leaving Africa's Consol Glass struggling to fill orders, and the situation is similar in other countries. And pity the poor Indian pickle makers, who have been scrambling to source glass jars from China.

Higher energy costs and greater consumer demand aren't going away, which could mean the day of the PET bottle has finally come. Castel is already considering the move to bottling in PET, with other producers watching carefully. Whatever the rights and wrongs of the situation, perhaps glass manufacturers should pay more attention to their wine clients, before they find this segment of their market disappearing before their eyes - as has already happened to cork producers. ■

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