

MARKETS



Oak barrels being made, before being sold into the global market.

INSIDE THE COOPERAGE

While barrels are an old idea, the global cooperage business is relatively new, finds James Lawther MW. As demand for high quality wine rises, both traditional French and younger East European producers have rushed to supply the market.

It's hard to believe today, but the modern cooperage business was only born in the 1980s. The renaissance of Bordeaux with the 1982 vintage, the growth of the Californian wine industry, a clearer understanding of the virtues of *élevage*, the desire for a richer, rounder wine style and the influence on wine-making of people like writer Robert Parker and oenologist Michel Rolland all contributed to the development and expansion of the industry.

As an example of the turn of events, in the early 1980s Demptos was the largest cooperage in Bordeaux, producing only 30 barrels a day, mainly for the local market. Today, a company like Sylvain in Libourne, the eighth largest *tonnellerie* in France, produces 130 barrels a day, 70% of which are for export. Demptos is closer to 150 in Bordeaux alone and more than double that figure if overseas subsidiaries are taken into account.

An international industry

The industry has indeed become global, with companies acquiring a multinational profile as they reach for growth and market share. The publicly

quoted OENEO group, which purports to be "world leader for the manufacture of barrels for wines and spirits", has production and sales facilities in France, the United States, Spain, South Africa and Australia through its subsidiaries Seguin Moreau, Radoux and Schahinger. The Groupe Tonnellerie François Frères, which also includes Demptos, has a similar profile.

Another giant, World Cooperage, a leader in barrels for bourbon and other spirits, has a clear American focus, but also maintains production and sales operations in Europe (Tonnellerie du Monde) and South America (Grupo Tonelero Andino). Brands marketed include World Cooperage, T.W. Boswell and Quintessence, with a mix of French and American oak barrels on offer.

The internationalisation of the industry includes the supply and trade in oak. The primary sources of *Quercus petraea* and *Quercus robur* are the forests of France, including Allier, Nièvre, Burgundy, Vosges, along with Eastern Europe, including Hungary, Romania and Poland. *Quercus alba* is the white oak of North America, sourced from

Minnesota, the Appalachians and Missouri. A large percentage of the manufacturing is done in the country of origin, but there's also a steady trade in the export of wood. It's therefore not unusual to find French oak barrels made in Spain or American oak barrels produced in Chile, both of them, say, finding a market in Argentina.

French oak

French oak barrels made in France (primarily 225 and 228 litre) are still considered top-of-the-range and continue to be in strong demand. This helps place French coopers in a sound position as industry leaders. "It's a market that continues to develop as there's a worldwide tendency towards the production of high end, premium *cuvées* with a consequent call for French oak barrels for maturation," explains Fabrice Gautier, CEO of Tonnellerie Saury. "Transport costs and exchange rates have had some consequence on orders, but the number of clients continues to grow."

Figures supplied by the Fédération Française de la Tonnellerie show a total of 580,175 barrels, of all sizes and oak

TOP 10 COOPERAGES IN FRANCE

| 1 | Seguin Moreau | 90,000 barrels ¹⁾ | 6 | Saury | 50,000 barrels* |
|---|---------------|------------------------------|--|-----------------|------------------------------|
| <p>Z.I. Merpins – B.P. 94, 16103 Cognac, France Phone: +33 5 45 82 62 22, www.seguin-moreau.fr</p> <p>CEO: Philippe Rapacz Contact person: Laurence Petiteaux Established: 1972 Barrel price: €580-650 (French oak)</p> <p>Seguin and Moreau were founded respectively in 1870 and 1838, becoming a single company in 1972 under the ownership of Rémy Martin. Includes production sites in the Charente, Burgundy and the USA as well as a stave mill and seasoning yards. Turnover in 2007 was €56m. Seguin Moreau is part of the publicly quoted OENEO group, whose 2007 turnover was €149.7m.</p> | | | <p>180, rue Judaïque, 33000 Bordeaux, France Phone : +33 5 56 93 69 36, www.tonnelleriesaury.com</p> <p>CEO: Marc Saury, Fabrice Gautier Contact person: Hervé Tauzié Established: 1873 Barrel prices: €600-640 (French oak)</p> <p>Founded in the Aude <i>department</i>, but relocated to Brive, in the 1950s. Sales and marketing handled from Bordeaux. Turnover in 2007 was €30m, 35% from sales to USA. Exports account for 75% of production. Principally French oak barrels with 5% American and 2% East European oak.</p> | | |
| 2 | Taransaud | 55,000 barrels* | 7 | Nadalié | 35,000 barrels* |
| <p>Z.I. Merpins – B.P. 187, 16106 Cognac cedex, France Phone : +33 5 45 36 86 50, www.taransaud.com</p> <p>CEO: Henri de Pracomtal Contact person: Jean-Pierre Giraud Established: 1940 Barrel price: €600 (French oak)</p> <p>Formerly a subsidiary of Hennessy, Taransaud was bought by Henri de Pracomtal in 1997. It is part of the group Chêne & Cie which includes Canton in the USA, Jacques Garnier in the Charente and Kadar (a partnership) in Hungary. Taransaud barrels are produced at the Cognac site and in Burgundy, exports accounting for 60% of the production. Turnover for 2007 was €41m.</p> | | | <p>99, rue Lafont, Ludon Médoc, 33295 Blanquefort cedex, France Phone: +33 5 57 10 02 02, www.nadalie.fr</p> <p>CEO: Stéphane Nadalié Contact person: Denis Sabouret Established: 1902 Barrel prices: €320-500 (American, East European and French oak)</p> <p>Fifth generation, family run cooperage based in Bordeaux. Principally French oak barrels, with a little American (15%) and East European (5%) oak. Turnover in 2007 was €25m, with exports accounting for 65% of the figure. Under partnership agreement also produces barrels in California (Nadalié USA) and Chile (Toneleria Francesa de Chile).</p> | | |
| 3 | Radoux | 85,000 barrels ²⁾ | 8 | Sylvain | 33,000 barrels* |
| <p>10, avenue Faidherbe, 17503 Jonzac cedex, France Phone: +33 5 46 48 00 65, www.radoux.fr</p> <p>CEO: Christian Liagre Contact person: Nicolas Mahler-Besse Established: 1982 Barrel prices: €300-1,100 (American, East European and French oak)</p> <p>The Radoux Group includes the cooperage in Jonzac (80% French oak barrels) as well as others in Spain (Toneleria Victoria), USA (Radoux USA) and South Africa (joint venture with Distell). Turnover for the group in 2007 was €40m. The Radoux Group is a subsidiary of the publicly quoted OENEO group (formerly Sabaté-Diosos).</p> | | | <p>175, route de Saint-Emilion, 33500 Libourne, France Phone: +33 5 57 55 46 36, mail@tonnellerie-sylvain.fr</p> <p>CEO: Jean-Luc Sylvain Contact person: Camille Poupon Established: 1957 Barrel prices: €580-1,200 (French oak)</p> <p>Jean-Luc Sylvain transformed his father's barrel maintenance business into a fully functioning cooperage in the 1980s. Principally 225 litre barrels produced from French oak (80% purchased uncut at auction). A house speciality is the production of barrels from rare, 350 year-old oaks (Chêne de Morat). Turnover in 2007 was Euros €19.2m.</p> | | |
| 4 | Vicard | 60,000 barrels* | 9 | François Frères | 60,000 barrels ³⁾ |
| <p>184, rue Haute de Crouin, 16100 Cognac, France Phone: +33 5 45 82 02 58, www.groupe-vicard.com</p> <p>CEO: Jean-Louis Vicard Contact person: Sandrine Nessi Established: 1926 Barrel prices: €350-700 (American, East European and French oak)</p> <p>Sixth generation family run cooperage based in Cognac. Originally barrels for the Cognac industry but Jean Vicard moved the production to wine in the 1980s. Essentially French oak barrels with a little American and East European oak, 75% for export. Turnover in 2007 was €33m. Also has a 50% stake in Tonnellerie Cadus in Burgundy.</p> | | | <p>21190 Saint Romain, France Phone: +33 3 80 21 23 33, www.francoisfreres.com</p> <p>CEO: Jérôme François Contact person: Max Gigandet Established: 1910 Barrel prices: €480-700 (East European and French oak)</p> <p>The largest cooperage in Burgundy and part of the publicly quoted Groupe Tonnellerie François Frères (Demptos, Treuil, Bouyouud, AP John, Trust Hungary) which posted a turnover of €103.4m for 2007-2008, up 13.5% on the previous year. The François Frères brand includes barrels made in Burgundy and Hungary as well as reconditioned barrels.</p> | | |
| 5 | Demptos | 85,000 barrels ²⁾ | 10 | Boutes | 31,000 barrels* |
| <p>18, avenue le Luzanne, 33880 Saint-Caprais-de-Bordeaux, France Phone: +33 5 57 97 12 50, www.demptos.fr</p> <p>TCEO: Jérôme François Contact person: François Witasse Established: 1825 Barrel prices: €350-700 (American, East European and French oak)</p> <p>The largest cooperage in Bordeaux with subsidiaries in Spain (Demptos Espana) and USA (Demptos Napa Cooperage) and a joint venture in Hungary (Trust Hungary). Part of the listed Groupe Tonnellerie François Frères (see François Frères). Demptos Bordeaux and subsidiaries combined produce 85,000 barrels yearly. Exports are 80% of production.</p> | | | <p>Lot 21, rue Ernest Cognacq, ZAC Bonne Source, 11100 Narbonne, France Phone: +33 4 68 32 36 37, www.boutes.com</p> <p>CEO: Pierre and Eric Barthe Contact person: Julien Segura Established: 1880 Barrel prices: €600-650 (French oak)</p> <p>Family-run operation with headquarters in the Languedoc and cooperage in Bordeaux (Beychac et Caillau). Principally French oak barrels produced from oak supplied from its own timber and stave yards in the Allier. Turnover in 2007 was €20m. Exports account for 80% of production (key markets: USA, Italy and Spain).</p> | | |

¹⁾ Global production³⁾ Brand production²⁾ Group production

* Barrels per year in France

types, were produced in France in 2007 to a value of €331m (\$492m). This is up 6% in volume and 9% in value on 2006. French oak barrels of a volume less than 240 litres represent 80% of the total production, or 464,000 barrels, and value, at €260m, with 70% destined for export.

Following a peak in 2000 when some 600,000 barrels were produced for the Millennium, and a slight downturn in 2002 and 2003, a steady rate of growth for French cooperers in France of 5% to 10% seems to be the order of the day. What will govern further development and progress is the availability and price of quality French oak.

The leading French cooperages primarily source their French oak from state owned forests managed by the Office National des Forêts (ONF). Cultivation and management is better than at private domains. Increasingly, in an effort to show complete transparency, the oak is also purchased uncut at auctions run by the ONF, and then transformed into staves at stave yards in the region or at the cooperage.

The volume of oak available from state forests remains relatively stable. Figures from the ONF show 473,227 m³ of oak in 2006, with a diameter of more than 50 cm, at the size, age and quality desired by cooperages. That rose to 493,621 m³ in 2007 and a provisional total of 489,949m³ for 2008. In the past a greater percentage of this would have gone to furniture manufacturers, but with the demise of this industry in France, the cooperages have been able to take up the slack

Factoring in price

Today, however, there's less room to manoeuvre and, with demand drawing level with supply, price has become the lever to control reserves. In 2008 alone there's been a 30% rise in the cost of uncut oak, taking the price per m³ to €600. (1m³ of cut staves can make ten barrels.) Oak barrels leaving France now turn around €600 per 225 litre unit. Tax and transport can then add up to €1,000 on arrival in a country like Chile. Ten years ago the same 225 litre French oak barrel would have cost €370.

With cost now a considerable factor, French oak barrels are clearly destined for premium wines. Industry analysts estimate that less than 3% of world production ever sees French oak. In European and New World markets the barrels are often imported directly by wineries via a network of agents, importers or brokers *in situ*. Mel Knox, for instance, is a well known broker in California who represents François Frères and Taransaud in the USA. Other cooperages like Seguin Moreau in the Napa Valley or Nadalié in Chile have chosen to set up production facilities in proximity to local markets in order to enhance the offer, as well as diversifying into American and European oak barrels.

New wave oak

American oak has a wave of followers. The flavour is more powerful than European oak, but it adapts well to certain grape varieties. It's obviously important in California, with no less a producer than Ridge Vineyards vaunting its values over the years. Elsewhere, American oak has been used in Spain for Rioja, in Australia for maturing Shiraz and in South Africa for Pinotage.

A key point is that American oak barrels are considerably cheaper than French and other European oak barrels. American oak is generally sawn rather than split, so there's less wastage. An American oak barrel today sells for around €330 to €370, 40% to 45% less than its French equivalent. This means that, apart from its adaptability to various grape varieties, it can be a valuable asset to wineries that want to reduce costs on specific brands and lines.

World Cooperage is the largest producer of American oak barrels, but French cooperages were quick to set up subsidiaries to meet demand. Demptos was the earliest, opening their US cooperage in 1982, while Radoux and Seguin Moreau both set up their Californian operations in 1994. Taransaud took another option acquiring Canton Cooperage in 1998 and forming the group Chêne & Cie.

The revival of interest in Eastern European oak has again been led by

price as well as the qualitative factor and its similarity to French oak. Prices for 225 litre barrels are around €400-500, with the oak being sourced in Hungary, Romania, Slovenia and even southern Russia. Although demand appears to be growing, it's difficult to obtain specific figures; 8,977 barrels with a volume less than 240 litres were produced in France from Eastern European oak in 2007, but production figures for barrels made elsewhere from similar oak are harder to come by.

Producing barrels where the wood is located offers a more interesting differential in price compared to French oak. Hence the François Frères group has been active in Hungary for a number of years in a tie up with Trust Hungary. In 2008, Taransaud announced a 50/50 partnership with the Kadar Hungary cooperage "aimed at consolidating the identity and authenticity of the barrels produced". With Taransaud, Canton and now Kadar, Chêne & Cie agents have a range of barrels at various price points each with a specific identity.

The other oak market

Another important consideration is the parallel market for barrel alternatives like oak chips, powder, cubes and tank staves. It may seem like another world from oak barrels but these products are in direct competition, the price and their ability to prepare wines for the market rapidly a considerable lure to producers of fast drinking, entry level wines.

Specialist producers and distributors like Custom Cooperage (Innerstave) in Sonoma, California operate in this field, but the international cooperages and groups have also wanted a bite of the apple. Seguin Moreau launched Oenostave, the François Frères group market alternatives through the Arobois brand, Radoux through Pronectar while Nadalié have Oak Add-ins in the USA. The world of small, family run cooperages still exists - Darnajou in Bordeaux and Gamba in Italy are two fine examples - but, increasingly, the business has become a multinational affair. As the wine industry has become global, so too have the cooperages. ■