

# New Bordeaux

Barrel makers demand visibility

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Rendezvous Medoc

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## French barrel makers ask for greater transparency over national forests

The national group representing French barrel makers, Les Tonneliers de France, has secured twice yearly meetings with the Office National des Forêts (ONF, the national forestry ministry) vital, they say, for ensuring their continued survival.

Barrel makers are the biggest value purchasers of oak in France, spending €106 million in 2011 for 265,000m<sup>3</sup> of logs. The ONF puts around 1,000,000 m<sup>3</sup> of trees of 40cm+ in diameter up for auction each year. Of that barrel makers buy 250,000-300,000m<sup>3</sup>. Although over 70% of this oak is sourced through the ONF (with the other 30% coming from private forests), the first direct meetings between the two sides have taken place only this year.

Jean-Luc Sylvain, president of the French barrel makers' association, explained that as international competition gets fiercer, both for barrels and for alternative products such as chips and shavings, having visibility over pricing and market conditions is now essential.

'French oak for barrels is seen as the best in the world, but we have been suffering from a Forestry Commission which has not been taking us seriously. Without a long-term vision of the market, and with no clarity over the quantity or quality of wood released onto the market, we have been suffering commercially.'

There are 42 cooperages across France, employing between 1,500 and 2,000 people, with an annual turnover of around €300 million. In total, French coopers produce between 500,000 and 600,000 barrels per year, with around 300,000-400,000 barrels coming from ONF oak (the rest is from private forests). The biggest concentration of cooperages are in Burgundy, the Charente and the Gironde (Bordeaux), and the biggest 14 companies are responsible for 90% of the turnover, and 94% of exports (around 2/3 of the production is exported to the US, South America, Australia, Italy and Spain). Most of the rest are small-scale artisanal firms.

Following a meeting at the Sylvain cooperages in Libourne in March 2011 between the coopers and Pascal Vine, the new president of the ONF, the ONF has agreed to twice-yearly update meetings – one in June, before the main season for purchasing oak begins, and one in November, after the key auctions of October.

As background to the current situation, Sylvain explained, 'The profession of barrel-makers historically bought the staves, and it was a separate specialist outfit that bought the trees. But for past 20 years most barrel makers do the whole thing – go direct to the ONF and buy the trees, and make the staves themselves, mainly because of new requirements for traceability. So now there is no intermediary, but the relationship between the two sides had not moved on.'

At the same time, the economic conditions have become more challenging. Barrel-makers saw a big fall in market share between 1960 and 1980 with the appearance of stainless steel and cement tanks, but during the 1990s production multiplied by four-fold, reaching 800,000 barrels per year, partly because of new fashion for oaked wine, and partly because of a rise in exports.

The past few years has seen a return to tough trading, due to the general economic crisis, a stagnating French market, greater competition, pressure from oak chips and other alternative products, and the natural limits of French forests. Today production has stagnated at around 600,000 barrels per year, with a strong downward pressure on prices.

The coopers are now insisting on better visibility. They want advance information on what volumes of oak are going to be on the market, and for full visibility over purchasers of unsold lots after the main auctions.

'The ONF is a government agency, and all its workings should be transparent.'

The main competitors to barrel makers are quality furniture makers, who want to buy the same quality of wood from the same section of the trunk to make good quality furniture from 'oak massif'. This thickest and oldest part of the tree reaches the highest prices – but the coopers believe the furniture lobby has more power.

'We are not looking for protection, but we want the prices to be more stable and to be decided by the market, not by the ONF. Right now, they manipulate the market to keep the prices high. It should have dropped in 2009, because several buyers dropped out of the market, but they took lots out, to artificially keep the prices high. We just ask for more transparency. We want things to keep simple, let the market decide and regulate prices. These are public sales, and the prices should also be public.'

'As a guide, the price five years ago for a m<sup>3</sup> of wood (2006) was €460, today €600 for m<sup>3</sup> of wood. Ten years ago it was €350.'

'We are happy to be limited by the resources, because we strongly believe in using only French oak, and protecting our forests – but we ask that we understand how those resources are going to be used in advance of the auctions, so we can plan accordingly, and let our clients plan also.'

According to Saury barrel makers, only 1% of wines globally are aged in oak barrels. They estimate the cost added to a litre of wine raised in French oak is between €1 and €1.50, compared to €0.05 to €0.10 for oak chips.