**Most Australian Wine Exports Ship in Giant Plastic Bladders**

By [David Fickling](http://www.businessweek.com/authors/3409-david-fickling) February 07, 2013

Thirty-two thousand bottles of wine fit into one 24,000-liter plastic bag. Image not to scale

Hardys became Britain’s best-selling Australian wine brand by selling for as little as £3.40 ($5) a bottle despite the 37 percent surge in its home country’s currency since 2009. To do that and still earn a profit, the winemaker turned to plastic bags. No, not those bag-in-a-box jobs found at your local Sam’s Club ([WMT](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=WMT)) or Costco ([COST](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=COST)). We’re talking 24,000-liter plastic bags, each able to carry the equivalent of 32,000 bottles of vino. Accolade Wines, the maker of Hardys, pared shipping costs that can amount to as much as $3 a case by ditching glass bottles and shipping its fruit of the vine in giant plastic bladders. After the 10,000-mile journey, the wine is bottled at a plant next to a scrap merchant a two-hour drive from London.

Australia’s A$5.5 billion ($5.8 billion) wine industry moves more than half its overseas shipments in bulk, which make the 40-day journey to Europe safely ensconced in plastic. The practice is reshaping logistics and the flow of wine between the Land Down Under, the largest exporter outside Europe, and the U.K., the biggest net importer. Richard Lloyd, Accolade’s global manufacturing director, said in an e-mail: “We don’t ship glass around the world, we ship wine.”

About 30 shipping containers are trucked every day from the English port of Avonmouth to Accolade’s nearby bottling plant. Treasury Wine Estates brands and Pernod Ricard’s ([RI:FP](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=RI:FP)) Jacob’s Creek are also being shipped in bulk, while Casella Wines, maker of the No. 3 U.S. wine label Yellow Tail, says it may move to bulk exports to cut costs.

Shipping in bottles can add 25¢ per bottle to costs, says Rabobank. Sea transport costs are typically based on volume, so filling a shipping container with cases of bottled low-end wine wastes space on packaging, says Tony Woodborne, manager of Flexibulk Logistics, a Sydney wine freight company. “You lose a third of your volume to bottle and carton,” he says. While a 20-foot container accommodates about 9,900 liters of bottled wine, it can carry a 24,000-liter bladder at only a little more cost, he says. Sending a container of bottled wine from South Australia, the nation’s biggest wine-producing state, to Europe costs about $3,300 to $3,400, says Ben Mislov, sales manager for Adelaide-based transport company JF Hillebrand Group. Using a bladder only lifts the price to about $4,000, he says.

Accolade, owned by Champ Private Equity, packs its own Banrock Station and Hardys brands at the 1.6 million-bottle-a-day Avonmouth plant, along with the Rosemount, Lindeman’s, and Wolf Blass labels owned by Treasury. Filling 12.5 million cases with Australian wine each year, the plant is bigger than any facility in Australia.

The country’s shipments of bulk wine have grown more than sixfold over the past decade and overtook bottled exports for the first time last year with 54 percent of the total, according to Wine Australia, an industry body. Four out of five bottles the country sells in the U.K. are now shipped as bulk, as are two out of five in the U.S., generally shipped to the West Coast.

Chile, the second-largest New World exporter, shipped about 36 percent of its overseas sales in bulk in the first six months of last year, says wine broker Ciatti. The U.S. and South Africa, the third- and fourth-largest exporters outside Europe, also shipped half their wine as bulk in 2010 and 2011, according to the U.S. Department of Agriculture and industry body Wines of South Africa. Half of U.S. exports go to Europe, where Accolade also bottles its California-grown export wines at its U.K. plant.

With the Australian dollar up against the U.S. dollar (48 percent) as well as the pound since 2009, Aussie wine producers have had to innovate to widen export margins. Meanwhile, Owens-Illinois ([OI](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=OI)), the world’s largest bottle maker, shut down three of its 12 Australian glass furnaces, citing the move to bulk wine, the company said last year. And Melbourne-based Amcor ([AMCRY](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=AMCRY)) said revenue from its glass-packaging business declined 34 percent last year and has dropped a forecast that a new bottle furnace would be required every three years. Penrice Soda Holdings ([PSH:AU](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=PSH:AU)) even blamed the growth of bulk wine for its decision on Jan. 18 to stop producing the soda ash used in glassmaking.

While bulk shipping is popular for lower-priced wines, it probably won’t be adopted for prestige labels, says Peter Booth, South Australia manager of Adelaide-based freight company Booth Transport. “Penfolds Grange in a bladder?” he says, referring to Treasury’s most prestigious label, which has sold for as much as A$60,000 ($62,430) a bottle at auction. “I can’t imagine that ever happening.”

***The bottom line:*** *About 54 percent of Australia’s wine exports take an ocean journey in plastic bladders able to carry 24,000 liters.*

http://www.businessweek.com/articles/2013-02-07/most-australian-wine-exports-ship-in-giant-plastic-bladders