

# WINE BUSINESS MONTHLY

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## Beyond the Bottle

Alternative containers pour into North America's table wine market, aiming to attract young consumers.

By Julie Gedeon



VinFirst, North America's first aseptic packaging facility.

**Get ready, North America.** Aseptic packaging the same materials now used for juice containers will be filling up with wine in the months ahead as **Tetra Pak** sets its sights on this continent's huge table wine market. Already three large co-packing facilities are filling containers with foreign and domestic wine in Canada, and a fourth operation is set to open in California by mid-summer.

Wine currently accounts for just 1-2 percent of the 1.6 billion aseptic containers Tetra Pak manufactures worldwide for liquid food products

yearly, but that proportion is expected to boom as Tetra Pak anticipates a 30 percent annual increase in its North American wine-packing business. "I'm getting calls daily from wineries that generate millions of cases a year to the smaller ones that produce 2,000 cases," **Debbie Dawson**, Tetra Pak USA's director of emerging markets, told *Wine Business Monthly*.

### "Prisma" Packaging

**California Natural Products** is adding two filling lines to its operations in Lathrop, California to create the capacity to pack wine on a large scale. They will start operating commercially on July 1. "We're really excited to have somewhere in the U.S. to pack wine in our Tetra Prisma containers," Dawson said. "California Natural Products is a long-time Tetra Pak co-packer and perfectly situated for wineries within the Napa, Modesto and Sacramento triangular area." The additional fillers can handle up to 30 million cartons annually with around-the-clock shifts.

Tetra Pak and the independent companies that buy its filling equipment and supplies want to package the more than 69 million gallons of table wine sold in the U.S. annually. "Seventy-five percent of U.S. wine drinkers purchase wines in the \$6 to \$10 and \$10 to \$15 ranges," Dawson said. "Two-thirds drink that wine within a week, and almost one-third drink it within 48 hours. That's the wine Tetra Pak and our co-packers want in our aseptic containers." About 90 percent of that wine is made in California, she

added, with nearly all the rest shipped there for distribution. "So it makes sense to establish fillers in Lathrop," she said.

The new facility will introduce many American vintners to Tetra Pak's "Prisma" format. The octagonal-shaped container (as opposed to the "Brik" rectangular box) comes in one-liter and 500-milliliter sizes, as well as a 250ml single serving four-pack. A 750ml size will be added in the near future. The glossy surface allows for the use of sophisticated graphics to design unique-looking products.

"We're finding our packaging is attracting newoften youngerpeople to wine," Dawson said. "The smaller sizes make wine more approachable by allowing people to try a new brand without buying a lot or to enjoy just a glass without opening a whole bottle."

The Prisma format will revolutionize the aseptic packaging of wine in North America, predicts **Kevin Ruddle**, vice president of operations at **VinFirst, Inc.**, North America's first aseptic packaging facility dedicated exclusively to wine in St. Catharines, Ontario (in the heart of the Niagara region). "The metallic finish and octagonal shape make it look, hold and pour more like a bottle, yet the one-liter size has 30 percent more wine than most bottles and can be taken to the beach or other places where glass is not welcome," he said. "It will appeal to people with an outdoors or active lifestyle."

### **Tetra Pak Wine Quality**

Chemical analysis and taste tests done by **Arista Wines**, a subsidiary of Canadian juice-packing giant **Lassonde Group** in Rougemont (an hour east of Montreal), and the **Société des alcools du Québec** (the province's liquor control board) indicate that wines placed in Tetra Pak age well for at least three years. "We're confident they do so for even longer, but we only started filling Tetra Pak containers with wine three years ago," said **Jocelyn Tremblay**, president of Arista Wines, the first company to pack imported wine in aseptic containers on a large scale within North America.

Tetra Pak has also made a favorable impression on the **Liquor Control Board of Ontario** (LCBO). "We're finding Tetra Pak is very good for wine, helping to develop its fruit-forward character," stated **Daniele Gauvin**, the LCBO's manager of corporate communications. "But, of course, it's not intended for wine that you're going to store in your cellar for years." Anecdotal evidence, she added, suggests up to 90 percent of the wine in Canada is consumed within 24 to 48 hours.

## Recyclable Waste Packaging



Bandit, produced by Three Thieves winery in St. Helena, California.

Despite its much smaller population, Canada led by Ontario is playing a pivotal role in Tetra Pak's imminent North American boom. The LCBO and several other provincial liquor control boards must pay municipalities for collecting the recyclable waste packaging generated by the products they sell. By reducing the overall weight of the waste collected in curbside recycling programs, they lower the amount they have to pay. So, last summer, the LCBO encouraged all of its suppliers to come up with reduced and/or more environmentally sustainable packaging as part of its goal to decrease packaging waste by 10 million kilograms (22 million pounds) a year, and energy consumption by one-tenth.

"The LCBO is the world's largest wine buyer," noted **Charles Bieler**, co-owner of the **Three Thieves** winery in St. Helena, California. "Its actions will definitely have a ripple effect across North America."

Upwards of 3,700 cases of one-liter cartons are now sold weekly in Ontario with overall sales for wine in aseptic containers exceeding CAN\$1 million every week. The LCBO has about 60 products available (including different varietals from the same producer) with another three dozen in the works.

Within 14 months of the LCBO's introduction of alternative packaging, a strong consumer demand brought the LCBO halfway to its five-year waste reduction target. While the same advertising and promotional fees apply to all products regardless of their packaging, the LCBO's environmental objectives have prompted its management to seek out wine in aseptic containers.

"At first I didn't believe it when the LCBO, which gets more products on its doorsteps than it knows what to do with, had a representative phone us at Three Thieves to say it wanted our wine cartons on its shelves," Bieler said.

## Success in the Use of Aseptic Packaging

The founders of Three Thieves introduced Tetra Pak's one-liter box-shaped Brik cartons and 250ml Prisma four-packs after observing the success of using aseptic packaging for table wine in Italy. "It's really the most efficient way to package any liquid product because it eliminates corks, glass, labels and foils," said Bieler. Three Thieves was the first American winery to sell domestic wine in aseptic containers on a consistent basis, starting with the launch of its Bandit Cabernet in 2005. The small winery packed 20,000 cases in aseptic containers during that first year. Its founders expect those numbers to jump to 80,000 cases this year as a result of its recent partnership with the much larger **Trinchero Family Estates** and newly signed deals with **Target**, **Wal-Mart** and other store chains. Bieler anticipates the increase will be about 20 percent annually thereafter. "In Ontario, the LCBO made our products available overnight in more than 600 outlets and gave us a platform to convey to consumers the benefits of aseptic containers," he said. "It will be slower going in the U.S. where

independent stores each make their own purchasing decisions, but the global thrust for reduced packaging is too strong for it not to happen."

Aseptic containers for wine consist of: 75 percent paperboard, 20 percent low-density polyethylene (a soft plastic film) and 5 percent aluminium foil. The materials are layered to prevent air or light from penetrating the package. Being lightweight, compact and shatterproof with no need for a corkscrew, the containers are convenient for people to carry home from a store or pack for a hike or other activities.

Their minimal weight and compactness make them less expensive to transport. It takes two semi-trailer trucks to ship a million unfilled cartons, compared to the 52 semi-trailers required to carry a million cylindrical metal or glass containers, according to **Jaan Koel**, communications and environmental affairs manager for **Tetra Pak Canada Inc.**

"One agent who made the switch to Tetra Pak cartons was able to put about 14,500 liters of wine into a shipping container instead of the 9,900 liters he could stack with bottles," Koel said. "That's 45 percent more wine in the same container and translates into lower transportation costs, reduced fuel consumption and less greenhouse gases."

Some vintners and distributors are passing the savings to consumers by offering the one-liter container for the same cost as their 750ml bottles. "So customers end up getting two additional glasses for the same price," Koel noted.

### **Tetra Pak on the Market**



Tetra Pak derives its name from the original tetrahedron (four-plane triangular) shape of the carton that its founder, **Ruben Rausing**, developed as an economical, hygienic and easily transportable container for milk over a half-century ago. His wife, **Elizabeth**, gave him the idea when she asked why he couldn't seal milk-filled containers in the same way she used hot clamps to close sausage casings. Tetra Pak's Brikmade famous by juice boxes didn't come about until 1963.

Italian vintners were the first to package wine in Tetra Pak's aseptic containers. The company's various wine containers are now used in more than 35 countries, particularly in Western Europe, and Central and South America. Two billion liters of wine filled Tetra Pak containers last year. Almost one-third of the table wine in Italy is now sold in aseptic cartons. In Argentina and Chile, it's more than 50 percent.

"We sell our clients the filling equipment and the packaging material," Koel explained. The form-fill process shapes a reel of packaging material into a continuously forming tube. The cylinder surrounds a pipe that dispenses the wine non-stop. Heat-sealing jaws clamp shut each package without introducing air or light. The final processing units shape the carton and insert a plastic screw cap or apply a

polyethylene and foil pull-tab.

**Boisset America** was the first to respond to the LCBO's call for less packaging by ordering Tetra-Pak one-liter Prisma containers for a new series of premium wine called French Rabbit. It hit LCBO shelves in July 2005 and became the most successful product launch in the liquor control board's 79-year history.

"The LCBO put French Rabbit one-liter packs side by side with 750-milliliter bottles we produced just for this launch phase and sold them for the same price," said **Patrick Egan**, Boisset America's brand manager. "During the first month, we sold 3,000 cases of the French Rabbit in the Tetra Pak Prisma compared to 142 cases in glass bottles." Within 18 months, French Rabbit expanded into other provinces. Sales are expected to reach 100,000 cases this year.

French Rabbit is also available in 40 U.S. states, where deals with Target Super Stores, **Wild Oats**, **Whole Foods** and several large grocery chains, such as **Publix**, have been struck, but sales are expected to be slower than in Canada. "We're still working to get some key retailers on board," Egan acknowledged. "In Canada, it's different because you have the liquor boards acting as your partner for the most part, and we've had great success getting shelf space right away."

Nevertheless, Boisset expects French Rabbit to increase its sales by 40 to 50 percent annually, buoyed in part by the strong Canadian market, the enormous U.S. potential, the February introduction of the 500ml size, and the planned launch of the 250ml single-serving four-pack this summer.

The LCBO has encouraged other wineries to follow suit. With the Ontario government's approval, it established a policy last year to enable aseptic packaging facilities to open within the province to handle domestic and imported wine.

**LANPAK, Inc.** in Richmond Hill, just north of Toronto, opened its doors first with a facility designed to pack wine and other liquid products at a rate of 6,000 cartons per hour. Its maximum annual capacity is 35 million one-liter containers. Local clients include **Andrew Peller, Ltd.**, **Diamond Estates Wines & Spirits, Ltd.**, **Pelee Island Winery** and **Colio Estate Wines**. It's also packaging some American, Australian, French and South African wine for domestic consumption or to reship to the country of origin.

"During the first six months of business, we handled more than a million liters," related **Jim Dolson**, who is responsible for the company's global supply chain. He added that it will be necessary to have some patience while American wineries become comfortable with the notion of selling wine in something other than a bottle. "You remember the initial resistance when people first talked about replacing natural corks?" he asked. "Aseptic packaging will take some time to unfold, but we already have serious players within the business who have embraced this."

Of course, there will always be wineries and wine organizations that will resist putting fine vintages in anything other than bottles. "We don't expect or want bottles to disappear," confirmed Dawson, "but aseptic containers make sense for wine that is intended to drink almost immediately."

**VinFirst**, the St. Catharine's facility that opened in August, can handle 7,000 liters an hour. With one

shift daily, it can pack at least 10 million liters within a year. Clients already include several brands from **Constellation Brands, Inc.**, Boisset, and **Distel** (from South Africa). A large Australian winery is expected to become a client in the near future. "And we're just scratching the surface," Ruddle said.

Earlier in Quebec, Arista launched five table wines from France, Spain, Italy and Argentina under its Bistro Mundo label for sale in grocery and convenience stores, and two premium Italian wines called Globetrotter for sale by liquor control boards.

"We sold 65,000 cases this year," Tremblay reported. "People realize these vinopaks contain quality wine at interesting prices." Arista is collaborating with a wine agent in the southern U.S. to encourage American vintners to export their wine in bulk to Canada and have it packaged at Arista for resale in the U.S. and Canada. With six fillers for wine and juice (sterilized after each production run), Arista's parent company, **Lassonde**, is able to pack a million cases of wine annually, and is well positioned to buy additional fillers as necessary.

### **Environmental Advantages**

The environmental advantages of aseptic packaging are a big selling point in Canada among liquor control boards and an increasing number of consumers. Once the containers are used, virtually all of the materials can be recycled. A hydro-pulping machine shreds apart the layers of high-quality white paperboard for reuse as paper towels and other household tissue products something being done by Great Lakes Tissue in Cheboygan, Michigan, and by tissue mills in Asia. Environs Solutions, a recycling plant in Zeeland, Michigan, recycles the plastic and foil residue from the recycling process at Great Lakes into a granular plastic resin that can be injection-molded into shipping pallets, core plugs for newsprint rolls and other products. Still, the product has its critics, some of whom say there should be recycling facilities closer to the communities where the aseptic packaging is used. "I'm confident other facilities will open as soon as investors are confident they can amass large quantities of these materials for recycling," Koel said.

More than 80 percent of Canadian municipalities collect Tetra Pak containers for recycling, but the national retrieval is only 26.5 percent. That rate is expected to increase significantly with Ontario, the country's most populated province, introducing a deposit-return system on all spirits and wine containers last February 5. Six provinces already have deposit-return systems while the remaining three (including Quebec) have curbside recycling collections that tend to be less successful. (Some critics argue it'll always be more conscionable for people to throw away paper-based cartons as opposed to glass or metal containers.)

In the U.S., aseptic packaging can be recycled wherever milk cartons are collected, which is currently the case for 16.7 million households (or 43 million people). By law, however, aseptic packages can't have the triangular recyclable symbol unless they're recyclable throughout the country.

While saving the environment is a positive aspect, it's not the driving force behind Tetra Pak's anticipated growth in the U.S., confirmed Dawson. "It's the potential to reach new segments of the consumer market," she said. "The packaging encourages people to enjoy wine on a more casual basis, and to take it with them to swimming pools, stadiums and other places where glass bottles might not be convenient or safe."

The environmental advantages might gain importance, she added, as Wal-Mart and other large retail chains put greater pressure on their suppliers to reduce packaging and the carbon footprint. The potential to make an environmental difference is there, according to a **Life Cycle Inventory** conducted for Tetra Pak by **Franklin Associates of Prairie Village** in Kansas. The study estimated that if all the table wine in the \$10 to \$20 range (which accounts for 80 percent of the North American wine market) were sold in aseptic containers, the greenhouse gas reduction would be equivalent to removing 377,000 automobiles off American roads and 43,000 cars in Canada. **wbm**

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