

# Container glass for the AUSTRALIAN BEER INDUSTRY

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## CONTAINER GLASS INDUSTRY IN AUSTRALIA

The Australian container glass industry has been dominated by two large container glass producers for quite some time. O-I, the largest container glass producer at global level, was the largest container glass producer in the country. However,

the US-based company sold its container business operations in the country in 2020 to Visy Corporation, thereby transforming the container glass business landscape in the country and region. Orora Group, a multi-product packaging company, is the other important container glass producer in the country. Both companies meet the container glass demand of the two major Australian brewers.

Beer and wine industries together account for more than 60 per cent of the total demand of container glass in Australia. Beer alone is estimated to have a market share of more than 40 per cent of the total container glass consumption in the country. The share of container glass in beer







Australia is home to one of the largest per capita beer consuming population. On an average every citizen of the country consumes more than 75 litres of beer per year. On per capita basis, the country is 17th highest consumer of beers. Huge consumption of beers in the country has been an enabling factor for the growth of container glass industry. Glass Machinery Plants & Accessories presents an insight on country's container glass industry and impact of beer industry in its growth.

packaging has come down significantly in the last two decades in parallel with the rising popularity of metal cans in the beer industry.

#### **THE AUSTRALIAN BEER INDUSTRY**

Australia has one of the highest consumption of beers on a per-capita basis. Despite the country's low population (just under 25 million at the end of 2020), the country is one of the key markets for global beer companies. Recent acquisitions of the two large brewing companies in the country by the two major Japanese brewers is a testament to this fact.

The Australian beer industry is currently dominated by two major Japanese brewers. These two large brewers have histories dating back more than 150 years in one form or another,

which has given them a wealth of experience in perfecting the equation between variety, quality and price.

Carlton & United Breweries, popularly known as CUB, is an iconic beer company founded in the mid-19th century in Australia, and is the largest brewer in the country. The company possesses a diverse portfolio of over 400 brands, and produces one of Australia's highest selling beers. Headquartered in

Melbourne, Carlton & United Breweries employs nearly 1,600 people across five breweries and various offices around Australia.

Before the recent acquisition by Japanese brewer Asahi, it was a subsidiary of AB InBev as part of AB InBev's takeover of SABMiller.

In June 2020, Asahi officially took over Carlton and United Breweries. Before the deal, Asahi previously held approximately 30 per cent of the cider market, and 3.5 per cent of the beer market





## COUNTRY OUTLOOK



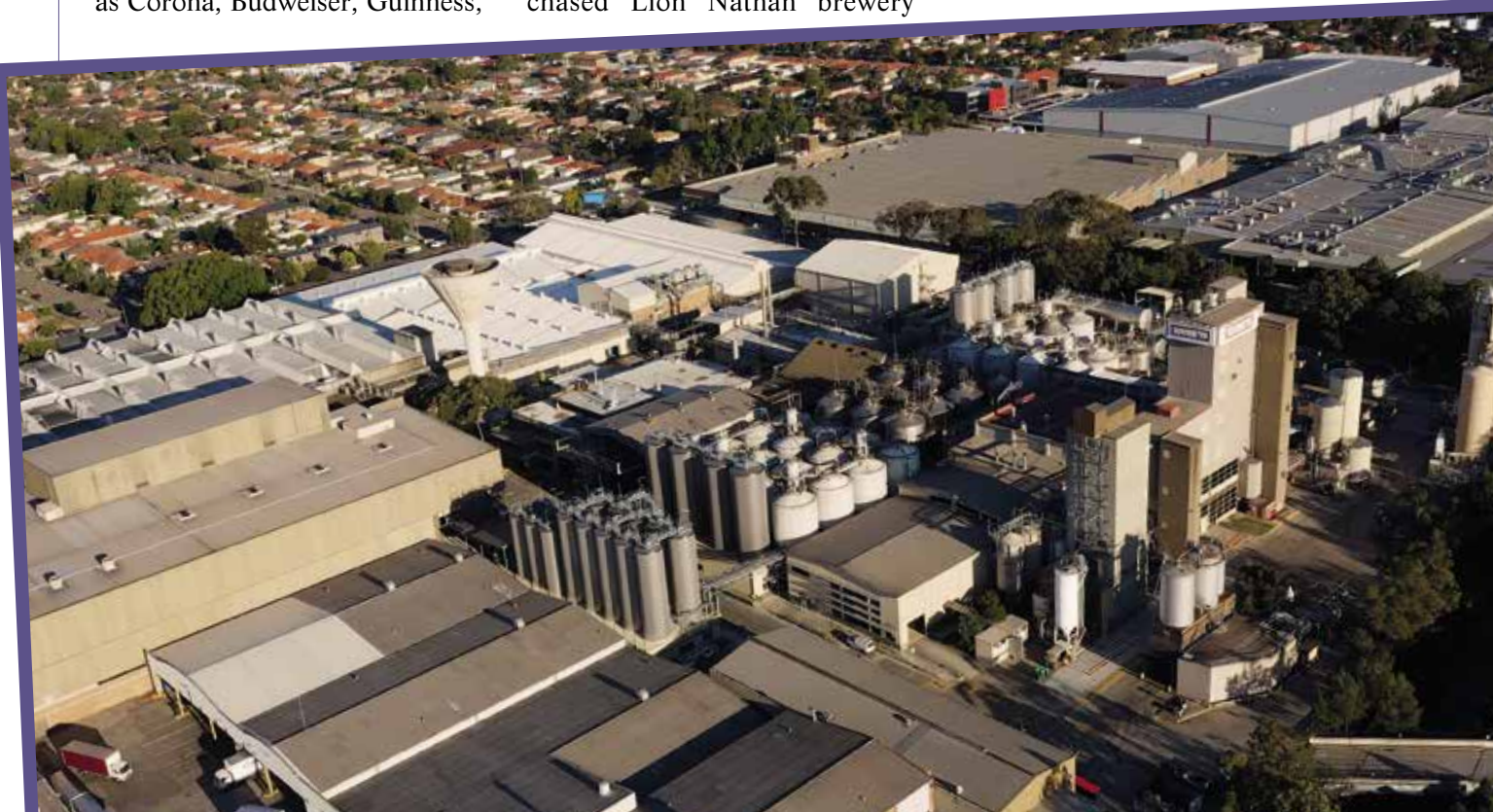
in Australia. The completion of the AUD 16 billion deal marks the Japanese firm's takeover of AB InBev's 48.8 per cent market share. The sale was originally announced on 19 July 2019.

Lion Brewery is the other major brewer in Australia. The company brews popular beer brands such as Corona, Budweiser, Guinness,

and Becks as well as local brands such as XXXX GOLD, Tooheys, Speights, Steinlager, Lion Red and Brown. Owned by Japanese brewer Kirin Holdings, Lion faces tough competition in Australian beer market from Carlton & United Breweries (CUB).

Japanese brewer Kirin purchased Lion Nathan brewery

for AUD 2.5 billion in 2009. Lion Nathan Limited was formed through the merger of two major New Zealand companies, LD Nathan & Co. and Lion Corporation, in 1988. Both companies operated diversified holdings. LD Nathan centred around department store and







1840, two Auckland-based liquor distributors, John Campbell and William Brown, founded the Hobson Bridge Brewery. Hobson Bridge eventually changed its name, becoming the Domain Brewery, before merging in 1898 with another company, the Albert Brewery, which was founded by Louis Ehrenfried in 1878.

#### VISY INDUSTRIES

Visy Industries is the larger of the two container glass producers in Australia. In July 2020, Visy bought O-I ANZ operations for USD 652 million (AUD 932 million). This is one of the biggest manufacturing acquisitions by an Australian owned business in Australian business history. The deal, which captured the attention of Australian and

New Zealand FMCG producers and packaging industry back in late 2019 was completed eight months later in July 2020.

Prior to its acquisition by Visy Industries, O-I was the largest manufacturer of glass bottles and containers in Australia-New Zealand with factories in Sydney, Melbourne, Brisbane, Adelaide and Auckland. Australia and New Zealand business comprised the majority of O-I's container glass businesses in the Asia Pacific region. Operations in these two countries accounted for approximately 85 per cent of net sales in that region for the full year 2019 for O-I.

Visy – which is owned by executive chairman Anthony Pratt and his two sisters Heloise Waislitz and Fiona Geminder – is one of

supermarket holdings, which included Woolworths, 3Guys, and others. Lion focused especially on its breweries and beer brand, which included the top-selling Lion Red brand.

The roots of Lion Nathan's brewing interests were laid in the first half of the 19th century. In





the world's largest privately owned packaging and recycling companies. The company was established in Melbourne in 1948 and has since grown to become one of the world's largest privately owned paper, packaging and recycling companies.

Visy is planning to spend AUD 500 million to overhaul the production systems at existing production plants. The company is expected to spend on technology to make bottles lighter without compromising their performance, and on sorting machines with computer vision, which should allow more glass to be recycled and double the level of reused glass in each bottle made from 33 per cent to 66 per cent.

### ORORA LIMITED

Australia's other container glass producer – Orora – is also a packaging producer and supplier. In addition to container glass, the company also produces aluminium cans, closures and caps, boxes and cartons, point of purchase displays, packaging equipment, recycled paper, rigid and flexible packaging, bags and sacks, and packing materials and supplies.

Carved out of global packaging giant Amcor in 2013, Orora

Limited operates a total of 44 manufacturing plants and 90 distribution sites globally. The company's business interests are spread over Australasia and the North American region.

The company's container glass production facility is located at Gawler in the southern part of the country. It operates a total of three furnaces with an installed capacity to produce about 380,000 tonnes of glass containers per year, for the Australian beer and wine industries. The company can produce glass bottles in seven colours. Spread over an area of 62-hectare, company's manufacturing site also includes a huge warehousing to store the bottles.

In 2018 Orora invested AUD 42 million at its Gawler facility to increase glass bottle production capacity by 60 million bottles to a total of over one billion per year. The expansion was completed in the first half of 2020. Before this expansion, Orora had been forced to look for offshore bottle imports to keep up with demand. According to a statement from the Government of South Australia, the expanded facility has resulted in more than AUD 10 million a year being spent within the South Australian supply chain through

raw materials, energy, maintenance and labour costs.

According to the company, "We have invested AUD 250 million in the world-class Gawler facility since the demerger in FY14, including the G2 furnace rebuild, capacity expansions, mould insourcing, system upgrades and highly automated on-site warehouse capacity."

In May 2021 Orora Group announced AUD 19 million investment at its Gawler site for setting up a glass-bonification plant. Orora's managing director and CEO Brian Lowe said, "The company was delighted with the support from the Commonwealth and South Australian governments, with the AUD 8 million funding injection enabling Orora to get the project off the ground immediately. The new plant will be built adjacent to the existing glass packaging manufacturing site at Gawler in South Australia's Barossa Valley, and it is scheduled to be up and running by the first half of 2022. The plant will give us the ability to sort post-consumer recycled glass by colour, segregate the glass from other contaminants, and give us a clean stream colour-sorted recycled glass to feed into our furnaces at Gawler."

Orora currently has exclusive rights regarding container deposit schemes (CDS) glass in South Australia, and access to CDS glass from Western Australia, which commenced last October. Orora will soon be sourcing from NSW CDS, and Victoria's CDS comes on stream in 2023, Orora's plant will be fully operational and able to process the additional cullet. Utilisation of more recycled glass during packaging production will deliver sustainability benefits, including a reduction in the amount of energy (and CO<sub>2</sub> emissions) and in virgin materials deployed to manufacture glass, and will divert waste away from landfill. ■