



# THE VAULT

JUNE 2023

FOR LOVERS OF  
FINE WINE

XVI



OCTAVIAN



## WELCOME TO THE VAULT, AN OCTAVIAN PERIODICAL

The correlation between perfect storage conditions, pristine care and the potential of fine wines is widely accepted; it is core to Octavian's proposition and underpins exactly why collectors and connoisseurs the world over entrust their valuable 'stock' to our custody. Yet as we all know; fine wine is so much more than a commodity. While the quality of storage impacts on wine's value, the part it plays in the enjoyment to be derived from it continues to fascinate.

To explore the connection, Octavian was pleased to host an underground tasting event at its Corsham cellars last Autumn. Making up the guest list were a selection of industry specialists, collectors and wine journalists, all keen to consider the role of storage in the fine wine value chain and, put theory to the test with a tasting of Octavian aged bottles.

In her feature article, Master of Wine, Sarah Abbott details the outcomes and reminds us of the importance of storage in creating the quality we 'yearn to enjoy.' She also highlights the need for improved traceability and trust in the secondary fine wine market.

We hope in the coming year to host similar tasting events exclusively for our customers – a great opportunity to get together around a table and acknowledge your continued support. Places will be limited, so if you are interested in attending, please notify Customer Services and we will be in touch when dates have been confirmed.

Provenance is a subject close to our hearts and an area in which Octavian continues to push the envelope. Critical for secondary market buying decisions, provenance information is a key feature in our Exchange peer-to-peer trading environment. NFTs (non-fungible tokens) and blockchain hold a degree of allure, but rather than risk adding further costs, surely focus should lie in utilising the information currently available in all bonded warehouses for better informed purchasing choices?

Keen to maintain our position as the world's leading fine wines storage provider, we are consistently challenging the quality of cardboard packaging used on wines coming in to our care. Our concerns over the robustness of some boxes under humid conditions have been shared with chateaux and growers alike and cardboard testing has been encouraged. As part of our sustainability strategy, in a bid to decrease the use of cardboard packaging replacement and reduce waste, we are also encouraging customers to repack into wood for storage going forward.

I hope you enjoy this issue.

Vincent O'Brien  
Octavian Managing Director



## MARKET UPDATE

CHARLES CURTIS MW  
REFLECTS ON THE OPTIMISM,  
HIGHS AND LOWS OF 2022  
AND CONSIDERS WHETHER  
FEARS OF A FALTERING MARKET  
AND SLOWER RESULTS IN 2023  
ARE WARRANTED.

Through the first half of 2022, the market for collectible wine had never been stronger. Sales totals for fine wine at auction at the end of 2021 shattered all previous records. The aggregate total reported by the six largest wine auction houses (Sotheby's, Christie's, Hart Davis Hart, Acker, Zachys, and Baghera) was \$566.1 million. The previous peak of the market, reached in 2018, was an aggregate total of \$468.9 million. Within this market, wines from Burgundy were trading at all-time record highs, and although wines from Bordeaux had given up market share in recent years and have lagged in price since 2011, they are now beginning to rebound. These two segments make up 85 – 90% of the market. Among other segments, Champagne had shown particularly strong growth and wines from Italy, Spain, and California gained in volume and value to a lesser extent, but with a few exceptions, dessert wines such as Port and Sauternes were (and still are) in decline.

By the second and third quarters of 2022, however, it seemed the market had begun to slow, with several notable sales showing lagging sell-through rates and softer prices for top wines. Caveat venditor? Jamie Ritchie, former Worldwide Chairman of Sotheby's Wine, felt at the time that this was not the case: 'Our September auctions of both wines and spirits in the US and UK have been exceptionally strong, underpinned by increased demand from the Americas, robust demand from the UK and Europe, with a slight softening from Asia.' Demand from Asia has been an essential factor in the fine wine market since it surged in 2008 following the removal of import duties in Hong Kong. Many have feared that the continued impact of Coronavirus and the political instability across the region would negatively affect the wine market. Despite the warnings of a 'slight softening from Asia' on the part of Sotheby's, other competitors are more



Image courtesy of Christie's

bullish. John Kapon of market-leading Acker in New York related in September that 'Demand from Asia has been quite stable,' while Tim Triptree of Christie's in London noted that 'Christie's Hong Kong leads the way with sales of 42.7 million USD [in the first half of the year].'

#### THERE WERE 'UNICORN' BOTTLES THAT DID NOT FIND BIDDERS

Despite the optimism, there were still stumbles. In Mid-September Zachys in New York held a high profile live auction at the former Four Seasons restaurant in New York called 'The Unicorn Sale' from a collection of a single anonymous collector. Most of the wines sold within the estimate, yet there were 'unicorn' bottles that did not find bidders, including methuselah (6 litre) bottles of La Tache 1990 and 1993 and Romanée-Conti 1990. More recent vintages of these wines in large format still sold well, with solid prices reported for methuselahs of 2002 La Tache and 2006 Romanée-Conti. The saleroom hummed with activity, and drew some of New York's most influential collectors, but there were no bids in the room for these items. Some in the saleroom speculated that the failure of these wines to sell might be due to a drop in demand from

## THE MARKET FOR FINE AND RARE WINE: LEADING INDICATORS, 2022

### LEADING INDICATORS: AVERAGE SALE PRICES WITH PREMIUM FOR ICONIC WINES / 2022 FY UPDATE

VINTAGE	WINE	PRODUCER	2022 FY	2021 FY	% Δ
1996	Brut Vintage Clos du Mesnil	Champagne Krug	\$2,752.00	\$2,547.00	8.0%
1990	1er GC Saint-Emilion	Cheval Blanc	\$1,198.00	\$1,231.00	-2.7%
1989	Pessac-Leognan	Haut Brion	\$2,442.00	\$2,267.00	7.7%
1982	Pauillac	Lafite	\$2,733.00	\$2,818.00	-3.0%
1986	Pauillac	Mouton	\$907.00	\$963.00	-5.8%
2000	Pomerol	Petrus	\$5,477.00	\$5,174.00	5.9%
1990	Romanee Conti	DRC	\$28,893.00	\$29,323.00	-1.5%
1999	La Tache	DRC	\$9,298.00	\$8,240.00	12.8%
1993	Musigny	Domaine Leroy	\$37,948.00	\$34,151.00	11.1%
2010	La Romanee	Liger Belair	\$7,098.00	\$6,758.00	5.0%
1990	Chambertin	Rousseau	\$6,359.00	\$5,595.00	13.7%
1996	Corton Charlemagne	Coche Dury	\$7,555.00	\$7,762.00	-2.7%
2005	Montrachet	DRC	\$10,114.00	\$9,825.00	2.9%
1999	Cote Rotie La Mouline	Guigal	\$745.00	\$714.00	4.3%
1978	Hermitage La Chapelle	Jaboulet	\$1,780.00	\$1,849.00	-3.7%
1990	Chateauneuf-du-Pape	Rayas	\$3,738.00	\$3,704.00	0.9%
2007	IGT Toscana Masseto	Ornellaia	\$781.00	\$761.00	2.6%
1997	Napa Cabernet Blend	Screaming Eagle	\$5,433.00	\$5,275.00	3.0%
2001	South Australia Shiraz Blend Grange	Penfold's	\$432.00	\$527.00	-18.0%
1963	Vintage Port Nacional	Quinta do Noval	\$4,064.00	\$3,825.00	6.2%

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### COINCIDENT INDICATORS: AVERAGE SALE PRICES WITH PREMIUM / 2022 FY UPDATE

VINTAGE	WINE	PRODUCER	2022 FY	2021 FY	HOUSE
1996	Brut Vintage	Champagne Krug	\$750.00	\$594.00	26.3%
1990	Brut Vintage	Dom Perignon	\$476.00	\$441.00	7.9%
1989	Pauillac	Lynch Bages	\$406.00	\$391.00	3.8%
1996	Saint Julien	Leoville Las Cases	\$339.00	\$319.00	6.3%
2005	Gevrey Chambertin Clos Saint-Jacques VV	Fourrier	\$791.00	\$829.00	-4.6%
2009	Vosne Romanee Aux Malconsorts	Sylvain Cathiard	\$1,226.00	\$1,100.00	11.5%
1998	Chateauneuf-du-Pape Reserve des Celestins	Henri Bonneau	\$634.00	\$629.00	0.8%
1990	Barolo Monfortino	Giacomo Conterno	\$2,156.00	\$2,193.00	-1.7%
1994	Napa Valley Cabernet Blend	Dominus	\$452.00	\$419.00	7.9%
1977	Vintage Port	Taylor Fladgate	\$123.00	\$161.00	-23.6%

Asia. Others suggested, however, that the estimates might have been too aggressive. For example, the estimate for the methuselah of 1993 La Tache was \$70,000 - \$100,000; one sold elsewhere this month for \$55,000, while a six-

litre bottle of 1993 Romanée-Conti sold for \$160,000 last year. Despite these results, Zachys proprietor Jeff Zacharia remains sanguine: 'The Unicorn was our highest-ever one-day auction [and]...when the final gavel falls on September, it will be a \$25m month.'



Image courtesy of Sotheby's.

#### THE TOP LOT A BARREL (CONTAINING 14 CASES) OF CORTON GRAND CRU SOLD FOR €810,000

In Europe, the annual Hospices de Beaune charity sale on 20 November was also very successful, notching up a record €31m; the top lot in this sale, a barrel (containing 24 cases) of Corton grand cru sold for €810,000. This annual sale is considered a bellwether of the market, and by this yardstick, at least, the market for collectible Burgundy is still very strong.

(Continued on page 7)



# TRACEABILITY & TRUST FLAVOUR TRANSCENDENCE

## SARAH ABBOTT MW REVEALS WHY STORAGE IS SO MUCH MORE THAN A UTILITY

Octavian believes that expert storage is at the heart of the fine wine value chain. Warehousing is the unlikely hero of transcendent wine experiences, and of investment returns. Yet the practical details of storage remain overlooked and under-scrutinised. The combination of ideal conditions and diligent record-keeping are the backstop of the promise of the world's greatest wines.

The stakes rise as demand for fine wine grows. The wine trade journal *Harpers* reported earlier this year that investment in "Fine wine favoured over gold during economic uncertainty." (Source: *Harpers Wine and Spirit*, 22 March 2023, James Bayley.)

*Harpers* was informed by a press release from investment company Cult Wine, but even the more temperate (and considered) Knight Frank Wealth Report 2023 reports that "Investments of Passion" (of which wine is one) remain strong. Their Wine Index was up by 10% in 2022. (Source: The Wealth Report, Knight Frank, February 2023.) Knight Frank report that NFT (non-fungible tokens) have lost lustre in art, partly as a result of infamous collapses in related digital assets such as bitcoin.

Yet NFTs and blockchain retain their new and shiny allure for many wine traders, producers and institutions. The prize, traceability from producer to retailer, is long-sought and analogue in origin. It is also laudable. Trust is essential for the fine wine ecosystem and secondary market. Yet, as Octavian MD Vincent O'Brien explains, the wine industry lacks the basic blocks of consistent traceability. And without them, wine collectors rely almost solely on the trust inherent in personal relationships, when they also deserve accountable and transparent standards.

In Autumn 2022, Octavian invited a group of influential wine journalists, collectors and consultants to a round table at its Corsham cellars. Led by myself and Octavian MD Vincent O'Brien, the purpose of the event was to share our expertise on the details of wine storage, and to stimulate discussion on improving traceability and trust



in the secondary fine wine market. As a reminder of what is at stake, we finished our day with a superlative tasting of fine wines aged in Octavian. (Octavian purchases wine for their company reserves, and also buys wine from Vaults customers, as part of the enhanced service.)

Vincent O'Brien started the day with a tour and presentation of the key issues and control points in warehousing fine wine. Our guests had seen the news articles and were curious about the role of blockchain and NFT in the traceability of fine wine. They were surprised that the basic requirements for a blockchain linked to physical cases were missing in our industry. Some of the most fundamental issues are that many cases are not stored as unique items; that many collectors are not told and cannot get the unique rotation number of their cases; and even that many collectors do not even have their names on 'their' cases. Vincent showed a new consignment of Champagne in the loading bay whose cases contained a rectangular cut out: the importing merchant had removed the identifying label of the previous supplier. That would be the end of that blockchain. The slow adoption of bar codes and shared product names by producers and traders is a further

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barrier to effective traceability. And this is despite many laudable initiatives such as the Liv-ex LWIN product code number database, and the GSI Wine Traceability Working group, which was set up in 2003.

This may read a little dry: warehousing and storage are the dogged, detailed part of what makes a fine wine a transcendent experience. But without due attention to the conditions in which these rare bottles mature, joy dissolves in disappointment. The demands of 'paperwork', the grind of pernickety detail, of delivery schedules and stock takes and insurance schedules, are so distant from the moment of consumption (and consummation) that we forget how they have created the quality we yearn to enjoy.

It seemed fitting, therefore, that we created a pop-up dining room in one of Octavian's most ancient and cosy stone quarries. Surrounded by the limestone that gives Octavian its natural Wine Comfort Zone, we shared ten fine wines in vintages back to 1949. The wines, listed below, sung beautifully. Wine journalist Peter Dean, writing in *The Buyer* trade journal, reported that: "The Octavian cellar tasting was on a different vinous level entirely and felt, not accidentally, like a tasting in the cellar of a fine wine estate. All of the wines shown were in impeccable condition. The stock we were drinking was from Octavian's own reserves although the success of this event will surely open the door for private collectors to replicate it."


**WINES:**

VINTAGE	WINE
1996	Dom Perignon Champagne
1996	Krug Vintage Brut Champagne
2010	Domaine Jean François Coche-Dury, Meursault, Genevrières Premier Cru
2004	Domaine des Comtes Lafon, Meursault, Genevrières Premier Cru
2005	Domaine Drouhin-Laroze, Latricières-Chambertin Grand Cru
2005	Domaine Fourrier, Gevrey Chambertin, Clos St-Jacques, Vieille Vigne, Premier Cru
1949	Château Cheval Blanc, St Emilion, Premier Grand Cru Classé A
1998	Château Cheval Blanc, St Emilion, Premier Grand Cru Classé A
1986	Château Mouton Rothschild, Pauillac, Premier Cru
1996	Château Mouton Rothschild, Pauillac, Premier Cru

Co-founder of fine wine members club, 67 Pall Mall, Michele Munroe observed that the experience inspired her to be more proactive in following the conditions and development of her collection during the storage

years: “It struck me that there are a good number of our members who would enjoy a closer relationship with their wine in storage. I suspect that, like me, many collectors simply default to having the merchant from whom they bought the wine also decide upon and control the storage part. I feel that wine scattered around various bonded warehouses is unsatisfying and leads to a feeling of being out of control.”

**THE STAR WAS THE 1949 CHEVAL BLANC, A WINE SO MIRACULOUSLY PURE AND ALIVE AS IT POURED, THE ROOM HUSHED IN WONDER**

The wines reminded us of why the storage years are part of the ultimate quality and performance of a great wine. The star was the 1949 Cheval Blanc, a wine so miraculously pure and alive that as it poured, the room hushed in wonder. Decanter editor Sarah Kemp said that it was one of her top wine experiences of a 20-year career. Great wine storage is more than a utility. The cost ratio of storage cost to wine value has declined in the past 15 years; the importance of unchanging, ideal conditions and the guardianship of specialist warehouse has never been greater.





# SUSTAINABLE CELLARAGE

FROM REDUCING PACKAGING WASTE, TO THE MOVE  
FROM CARDBOARD TO ECO-FRIENDLY WOODEN CASES,  
LEARN HOW OCTAVIAN IS EMBRACING SUSTAINABILITY

'Green' may not be the first thing that springs to mind when you think of professional wine storage, yet climate change is one of our collective challenges and the wine industry is not immune to its effects. As consumers become ever more eco-conscious, organisations sector-wide are stepping up to their ESG (environmental, social, governance) responsibilities with the aim of a more sustainable future.

Octavian is no exception. As a business it takes sustainability seriously, carefully balancing the need to provide perfect environmental conditions in which to lay down the world's finest and most precious wines and deliver world-class cellarage services, with eco-friendly business practices that reduce carbon footprint and minimise impact on the planet.

## · ENERGY EFFICIENT TECHNOLOGIES ·

Due to the nature of its pristine storage conditions, energy use is a key contributor to Octavian's carbon footprint. To address this, the business has renewed the LED lighting infrastructure across all Octavian sites, upgraded its ventilation and humidity controls,

leveraged the latest energy efficient technology for adiabatic humidification and reduced its reliance on renewables where possible.

Operating subterranean sites using ground source heating and thermal inertia of both the ground and concave building structures, insulating properties of earth, stone and concrete frames, coupled with the latest insulating materials, all help maintain the necessary conditions for fine wines storage and conservation.

"At Octavian we do our utmost to ensure that exacting environmental conditions are maintained with due regard to the environmental impact of our cellarage services, energy consumption and costs," says Andrew Wadsworth, Octavian Custodian.

## · WOODEN WINE CRATES OUTPERFORM CARDBOARD ·

Over the past few years Octavian has championed the use of wood rather than cardboard for wine crates and packaging. Today it has eliminated cardboard in favour of wood when re-packing incoming wines received.

"Not only is wood more befit of its valuable contents, it offers a far more robust and practical solution for an active secondary market, in which wines changing hands are frequently unpacked, checked and repacked before being transported," explains Andrew. "In fact, increased uptake of wood wine casing has led to over 60% reduction in customer queries over damaged packaging."

Importantly, wood is a far more sustainable choice than cardboard. It is stronger than cardboard packaging, which can be easily damaged or torn and degrades in humid conditions. Cases can be re-used time and again, instead of being disposed of after single usage.

Wooden wine casings also have a lower carbon footprint than cardboard packaging, as they require less energy to produce and transport. Additionally, Octavian wood is ethically sourced from sustainably managed forests, which can help to reduce deforestation and promote biodiversity.

"People think they are making an environmentally-friendly choice by using recycled cardboard, but it's actually a false economy," Andrew points out. "Cardboard perishes over time and due to the humidity necessary for fine wine storage, it's not viable in the longer term. Cases must be unpacked, re-packed, creating waste and using more resource. That's why today we only use wooden cases when re-packing and are delighted that so many customers are opting for wood, a more sustainable option."

## · RETHINKING PACKAGING AND RECYCLING ·

Octavian has implemented a significant recycling programme at its sites that includes both cardboard and plastic. After extensive consultation with suppliers, NewAir I.B. air film is now its packing material for wines delivered via its courier network. The film contains 30%-50% post-consumer recycled content, inflates on site and is lighter in weight than plastic, helping to decrease transportation costs and CO<sub>2</sub> emissions.





· A RE-MODELLED COURIER NETWORK ·

85-90% of all deliveries now take place via Octavian's dedicated network and therefore utilise absolutely no bubble wrap void fill at all. Prior to remodelling, in excess of 40% of deliveries would have included void fill packaging.

"We continue to look at viable alternatives and challenge our suppliers to achieve a greater recycled content and develop paper and pulp-based alternatives products that can safeguard up to 25KG weight of wine cases," says Andrew. "Though it's worth pointing out that paper and pulp production currently use circa 5.6% of the world's

industrial energy as a hidden but quite incredible CO2 footprint, a challenge that this industry is looking to overcome."

REDUCED PACKAGING USED FOR DELIVERIES WITHIN OCTAVIAN'S OWN FLEET CONTRIBUTES TO LESS WASTAGE OVERALL.

· MAKING THE MOST OF OUR GREEN AND PLEASANT LAND ·

Surrounded by fields and something of a rural idyll, Corsham is far removed from a typically industrialised warehousing environment. Biodiversity and wildlife are supported on site; for every tree taken down, five new trees are planted, providing natural habitats and supporting climate change.

"Small considerations, when collectively rolled out across the industry at scale, can make a far bigger contribution," says Andrew. "While making great strides, we're not resting on our laurels – reducing our packaging waste and carbon footprint is integral to our ESG agenda."

# MARKET UPDATE

## CONTINUED

Following this sale, Christie's London had two back-to-back sales on 1 & 2 December that were both 100% sold, led by 6 bottles of Petrus 2000 and 12 bottles of Le Pin 2018, which both made £30,000 per lot, while Acker hosted a two-day sale in Hong Kong that totalled \$9m,

with strong sales reported across Asia, including a case of 1990 Romanée-Conti that made over US\$ 280,000. As with the 1999 assortment case, this is well off the record for this wine (which is in excess of \$30,000/btl) yet it still must count as a strong result in what is seen as a faltering market.

Observers in some quarters have worried that the phenomenal strength of the market in 2021 has simply brought too much property to market, causing a glut and satiating top buyers. Despite these fears sales have continued to produce strong results. During the first quarter of the year, signal events include the sales surrounding the Chinese New Year in Hong Kong. The Acker sale during this period produced \$7 million in sales, and in March, they presented the annual La Paulée sale in New York, which garnered over \$15 million, while in April, Sotheby's presented their annual spring season in

Hong Kong and the keynote 'Ethereal Cellar' sale garnered almost \$5 million. In London, Christie's offered their first UK wine sale on 25 April, and prices for mostly trade stock remained strong – for example, the iconic Haut-Brion 1989 sold for £23,750 per dozen.

Although it seems that the continued expectation is that results will slow later this year, prices have yet to respond to this pressure. The opposite may in fact be true: current volatility in financial markets and world events could drive more disposable income into tangible assets, further inflating the wine market. Those waiting for Burgundy prices to drop may well wait in vain, as the short 2021 vintage exacerbates supply issues. Savvy observers will look for value and eschew for now the wines that are selling at the top of the market. This may mean re-evaluating Bordeaux and looking for opportunity in Burgundy where there is room for appreciation.



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