

NATIONAL PRIDE

The devaluation of the peso has led to a revival in tequila's fortunes in its home market and the variety of tequilas now available reflects a booming sector. Desmond Begg reports



TEQUILA REPORT

A leading chain of wine and spirits shops in Mexico is La Europea. Its branch in a suburb of Guadalajara, boasts a truly remarkable selection of tequilas; it has over 150 varieties with every single brand represented. And it stocks every line, in every size, of the big two: Sauza and Cuervo. It also has the smaller, but increasingly better-known brands, such as Herradura and Cazadores. And it has brands that most foreigners would never have heard of such as Casco Viejo and Diligencias.

Most importantly it has an impressive range of higher quality lines, 'reposados' (aged for a minimum of two months in large oak barrels), 'anejos' (aged for a minimum of one year in barrels of 200 litres) and 100% agaves (the plant from which tequila is made), a segment that the Herradura brand in particular has done much to bolster.

And their prices reflect their quality. A bottle of the standard white Sauza or Cuervo, for example, costs \$17 (all prices for a 75cl bottle). Go up to the reposados, however, and Sauza's Hornitos (a 100% agave) is \$46, and Herradura's \$54. The older, classier anejos are \$80 for a Cuervo 1800, \$110 for Sauza's Tres Generaciones and \$115 for the Herradura Anejo. Finally there is the controversial Porfidio brand that some people dismiss as one man's hobby. Its triple distilled Blanco is offered at \$258.75. And its anejo, in a bottle that has a little, blown crystal, painted cactus (it is a common misconception that tequila is made from the cactus and not the agave) in the inside of the bottle retails at just over \$300.

A customer comes in and browses long and hard before leaving the shop with three or four bottles. He could be a wine buff in London or New York carefully selecting the weekend's drinking. Except that here he is buying different tequilas. And he is paying good money for the brands he has chosen; are all high priced, high quality brands.

This, of course, is Jalisco and only an hour's drive from the town of Tequila itself so the huge selection and the discerning customer are understandable. But the same is happening all over Mexico. Go into any good bar or restaurant in the capital and you will be amazed by the selection on offer and by the prizes that people are prepared to pay.

This new interest in the higher quality tequilas has transformed the Mexican market.

In the past 20 years, the category's share of the spirits market has slumped dramatically to just over 13% with sales of 2.8 million cases

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Jorge Camacho

well behind rum with 7.6m and brandy with 8.9m in 1994. Now, however, it is staging a strong comeback, mostly on the back of the middle to higher quality lines and it is the only spirits category that is expected to show growth in the market this year.

Take the example of the market leader Sauza. Its Blanco, with a strong

blue collar, often rural following, still accounts for over 50% of its annual sales. However, sales of its Hornitos Reposado in particular, have been steadily increasing in importance on the back of mostly urban, middle class interest and Hornitos now accounts for 27% of its sales.

Another example of the market's trends comes from the much smaller, family-controlled Herradura brand. Insisting that all tequilas should be made of agave sugars and natural ingredients only, the brand's cheapest line used to be its reposado retailing at a considerable premium over brands such as Hornitos and its success (it accounted for 80% of the brand's sales) led to growth of about 20% in 1994, very much higher than the average for the industry as a whole.

This success, however, resulted in other brands, usually with high but not 100% agave content, coming in at marginally lower prices.

The company's response was to launch another line, the El Jimador Reposado, retailing at about \$45 for a 70cl bottle and with an alcoholic strength of 38%. This new brand is expected to crank up growth in 1995 to 25%.

'The growth in the category is in those lines that are retailing at \$40 a bottle and above,' says Louise Walsh, manager of Herradura's international department. 'Obviously this is from very much lower volumes but it is definitely where the growth is.'

Others, however, do not believe that the real growth is in these really high priced brands simply because of the small size of their volumes.

'The anejos and the higher priced reposados still only represent two to three percent of the total sales,' says Jorge Camacho, managing director of Sauza. 'What are growing, are the accessibly priced reposados such as

Hornitos that people, particularly middle-class people, can afford. In the first eight months of this year sales on the domestic market grew by about 20% and it was the reposado segment that formed the engine that growth.'

Nevertheless Camacho is as quick as all the producers to welcome the trend. 'We've got to take full advantage of this trend because it is an upward trend towards higher quality, value added brands,' he says.

So what is the reason for Mexico's rediscovery of its national spirit?

Some believe that the main motivation has been the economic crisis and the devaluation of the peso which has made foreign spirits, notably Scotch, very much more expensive. 'Those people that used to drink premium imported Scotches and Cognacs have not traded down to cheaper versions,' says one producer. 'They have gone the premium versions of domestic spirits such as home produced rum and, more especially tequila as it is the national spirit.'

Others, however, see a deeper transformation beginning to gather strength, a new interest and pride in Mexican products and culture in which tequila obviously plays a part.

Whatever the reasons, the tequila producers seem to be on a roll on their domestic market with a growth in volumes being matched by a welcome trade up in quality.

Only time will tell whether this trend will survive once the currency stabilises and the price of imported spirits begins to fall. The producers, for their part, are optimistic with many believing that tequila is on the threshold of another important phase in its development. ■