

the problem with tequila

Can anyone take tequila seriously? Its most common associations are slammers, hangovers, cheesy Tex-Mex restaurants, girls wearing ammo belts, and more hangovers – hardly images that underline the premium credentials of a spirits category. Given the current climate, in which suppliers are falling over themselves to promote responsible drinking, it's a wonder some of the twitchier companies haven't withdrawn their tequilas completely.

But this climate could prove to be very good news for tequila, with suppliers encouraged to market tequila in a different way, challenging the shot and slam serves, and highlighting some of mainstream tequila's more serious older brothers.

Until now, too little work has been done by suppliers to promote premium tequila in the UK. In our Tequila Forum this month (pages 62-63), Lonsdale manager Henry Besant revealed that in 15 years of working in bars, only one tequila producer had ever visited him. That was Paloma Porfidio, who was in London recently for the relaunch of Porfidio tequila, a range of excellent 100% agave spirits that show exactly why the category deserves to be taken more seriously.

Of course, the tequila industry has suffered from more than complacency in the past few years. The agave shortage hit it hard, with tequila production falling by about 30% from 1999 to 2003, sending prices correspondingly high. But the industry hasn't exactly helped itself. There have been some well-publicised spats between certain companies that have gone beyond healthy rivalry. And at least one major brand switched its 100% agave tequila to a cheaper *mixto* formula, as a result of the agave crisis. (A *mixto* tequila must be made from at least 51% agave spirit; the rest is usually made up from cane spirit. Unless a tequila says that it's

100% agave on its label, then it's *mixto*). When spirits everywhere else were trying to go premium, tequila was looking more and more ragged. (You can bet your bottom peso that Henry has met more than a few rum and whisky manufacturers in his time).

But things are improving. The agave crisis is over. And current supplier activity is helping to invigorate the category. But there's still much to do to promote premium tequila in the UK. Recently I quizzed Francisco J Soltero, the Tequila Regulatory Council's European representative, who divulged two interesting statistics. Firstly, 100% agave tequila represented only 1% of Europe's total tequila imports from 1997 to 2003, whereas global sales of 100% agave tequila increased significantly, from 3.8% in 1997 to 11.6% of total tequila sales in 2003. Secondly, the level of tequila consumption in Europe is currently only 15% of US consumption, even though the size of the markets are similar.

You can look at those figures and see the potential for growth here. But if that potential is to translate into success rather than a missed opportunity, suppliers will have to take a big lead.

paul wootton
editor

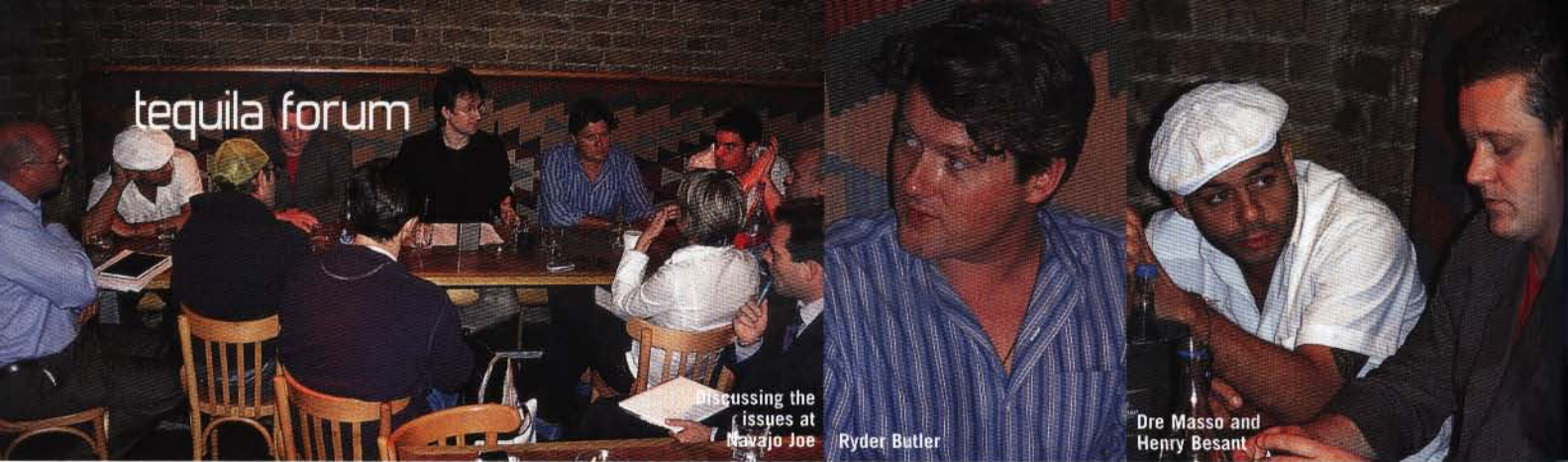
let us know your views

email: editor@classbar.com

leave a message: 01293 610402

write to: CLASS, william reed publishing,
broadfield park, crawley, west sussex, rh11 9rt

tequila forum



Discussing the issues at Navajo Joe

Ryder Butler

Dre Masso and Henry Besant

newmexicanwave

Ian Wisniewski asks a panel of leading lights in the industry whether tequila can set aside its production and price problems and overcome its slammer image

Tequila entered a turbulent phase when the agave crisis hit in the year 2000. The agave crop fell from 780,00 tons in 1999 to 615,000 tons. The shortage plateaued at 413,000 tons in 2002, and 412,500 tons in 2003. Meanwhile, agave prices went from four cents per kg to a peak of \$1.50, before starting to come down again. The UK market is around 110,000 cases, with the on-trade accounting for about just over half. Blanco represents 57% of the market, with reposado (aged from two to 11 months) taking most of the balance. Añejo (a minimum of one year's ageing) is in a minority. Consumption divides into 68% shots, 32% mixed, compared with 80% shots and 20% mixed a few years ago. It's a trend the on-trade is all set to capitalise on.

Ian: After several years of saying this could be tequila's big year when it wasn't, are we finally going to see a breakthrough?

Dre: This could be one of the most influential years, because of the increased quality of tequila, and definitely in terms of knowledge among bartenders. But it's still very challenging. We're saying to customers try this in a tasting glass or a good cocktail, but they still tell us nightmare stories about how they drank too much tequila, and too much bad tequila.

Ian: That's the irony, tequila has a great party image, but then everyone blames their worst hangover on it. Do the benefits outweigh the disadvantages?

Mark: When they're drinking tequila as shots they forget everything else they've drunk before, and everything is put down to that one last shot.

Ryder: Until the point arrives when people can recognise tequila with a mixer, other than in a Margarita, it will always remain an end of the evening shot and won't break into a different market.

Barry: How you serve tequila largely impacts how it's drunk. If you serve it in a shot glass people expect it to be knocked back, if you serve it in a balloon people look at it and realise they're supposed to drink it in an enjoyable manner.

Ian: The Margarita can be a great ambassador for tequila, but it's not hard to find a bad one, and consumers blame bad Margaritas on tequila, not the bartender.

Henry: It's very simple to make, as long as it's measured and has fresh ingredients, you show off the tequila and have a well-balanced drink. There are also good flavoured variations, and great tequila cocktails which aren't margaritas. Silk Stockings is a classic we're putting on our list.

Mark: Our main activity is all about mixing it up, you've got a lot of bartenders who do know how to mix tequila, but you've also got a massive amount of people who think tequila can only be used in a Margarita.

Ian: Is sip and savour also growing?

Peter: The number of people prepared to sip and savour is definitely on the increase.

Barry: I'm a big fan of serving tequila on the rocks with a squeeze of lime, and you can suggest añejo to someone who drinks Scotch.

Ian: People often complain about tequila's earthy, herbaceous, spicy character, but that's how it's supposed to taste. If consumers don't know that, how can they judge it?

Peter: When working with the lesser informed end of the scale it's a bit of an obstacle.

Ian: In a novice situation do you have to take consumers through the category step by step, blanco, reposado, añejo?

Peter: Certainly, but in the majority of circumstances once they've enjoyed a silver they're eager to move onto another category like reposado or super-premium, and they'll say: 'wow, we didn't think this was actually possible'.

Ian: So good blanco is essential to get people in, otherwise they may dismiss the whole category.

Ryder: Availability of good blanco is very limited. Most brands



Bill Oddy and Barry Chalmers

Some of the many tequilas stocked by Navajo Joe

Mark Barrett and Anna Rasmussen

Peter Lewis

tend to start at reposado level, and it's easier to sell a product that tastes sweeter, rather than of the raw ingredients.

Henry: I think that's true, but agave character is also what makes tequila interesting.

Bill: Some people actually want the full character effect to come through, some prefer clear spirits, which are often seen as being purer, and they associate darker spirits with something their parents drink.

Ian: 100% agave tequila is more intense than the mellower mixto style, with a minimum 51% agave, does that make it easier or harder to sell?

Dre: A lot of people still don't know the difference, some style bars use poor quality mixto, partly due to price, partly lack of education.

Ian: Another way of promoting the quality and flavour message are tequila flights, how do you structure them at Café Pacifico?

Peter: By category, three brands per category in shot glasses, and it's becoming more of an educational tool. Silver is at £5.95, and ranging through reposados and añejos, super-premiums are £15.

Paul: Is it worth doing vertical flights with the same brand to encourage trading up?

Peter: We're looking at how to utilise the flight concept, the different combinations are so numerous, the majority is 100% agave tequila.

Ian: How did the agave crisis affect availability?

Bill: If you were prepared to pay the price you could get the tequila. There was also some prioritisation because the States dominates exports, and a number of companies withdrew from Europe. We took four price increases within 12 months, so margins were squeezed, but it probably did a positive thing for quality, as the cheaper end of the market seemed to evaporate.

Ian: There was also a big switch away from 100% agave to mixto tequila, and lowering strength from 40% to 38% abv.

Bill: Mainstream brands are also at the 51% minimum for a very good reason: the taste is easier for consumers.

Ian: How did the on-trade cope with price rises?

Ryder: Prices didn't always change, as lowering the agave content and the alcoholic strength compensated for the price.

Bill: It was more recognisable in the off-trade where you had a shelf price change of £2 a bottle, whereas you work that out in shots it's 10 to 20p. A positive effect of price going up was that

people realised it's not a cheap Mexican firewater they're buying but a premium spirit, and they were buying more for an occasion rather than the price point.

Mark: One of our major issues in the off-trade is that because there's such a lack of knowledge, consumers often buy the cheapest brand and don't understand they can get a premium brand at a higher price point, and then we suffer from that in the on trade.

Ian: Have prices plateaued?

Bill: Agave prices have come down again, certainly in the past 12 months. Rather than cutting prices, more mainstream brands are investing more in marketing. But we're also starting to see cheaper tequila coming back into the supply chain. I don't think it's a good thing. There could be a price war and lowest prices sometimes compromise quality.

Ian: How useful is packaging in prompting consumer choice, Porfidio is a prime example of great packaging.

Anna: It's always going to generate interest, and when a consumer comes into a bar, or into the off-trade, they're always going to ask: what's that?

Henry: Generally, tequila is packaged better than any other spirit.

Ian: What level of educational support do bars get from brand owners?

Henry: There's not enough, when I met Paloma Porfidio recently it was the first time I'd met a producer in 15 years.

Anna: Education is a key part of our strategy, and finding out what bartenders need to make their jobs easier.

Ian: What are your predictions for the year ahead?

Peter: Growth is definite, but it's a slow and steady thing.

Henry: It will be interesting to see what happens at all levels, such as tequila-specific bars, the way tequila is perceived, and the style market, with more bars now reducing the number of vodka cocktails. Profiling tequila on cocktail lists in style bars is the first move, and that is happening. ■

Quotes: Dre Masso, cocktail guru; Mark Barrett, Diageo GB (Jose Cuervo); Henry Besant and Barry Chalmers, Lonsdale House; Ryder Butler, Maxwell's Group; Bill Oddy, The Drinks Co (Sierra); Peter Lewis, Café Pacifico; Anna Rasmussen, Top Selection (Porfidio); Paul Wootton, CLASS

Thanks to Ryder Butler for hosting at Navajo Joe in Covent Garden

tequila round-up

The latest market activity

tips for the perfect pour

► Porfidio, recently relaunched in the UK by Top Selection, plans to emphasise tequila's quality as a pouring spirit through improved bartender knowledge. The brand will back a series of training sessions in top-end bars. Porfidio will position its Plata and Añejo 100% agave tequilas as premium pouring spirits. Top Selection: 020 7439 8881

flavoured tequilas unveiled

◀ The Drinks Group has added a range of fruit-flavoured tequilas to its spirits range. The Citrus Kaban range comprises tangerine, tropical and lime. The 38% abv spirits are made from a blend of 100% agave unaged tequila and fruit essences. Citrus Kaban is produced in Mexico and is available in 50cl and 70cl bottles.

The Drinks Group: 01865 211 088



gran plans

Diageo is positioning its premium tequila Gran Centenario as the essential base for Margaritas. The brand will continue its sponsorship of fashion events and a packaging revamp is also rumoured in early 2005. Diageo: 020 8965 7700

mixing matters

► Diageo will emphasise tequila's mixability as it attempts to reinforce the popularity of its Jose Cuervo range. The drinks giant is promoting the tequila mixed with Coke through DJ-led events and ads in leading consumer magazines such as FHM.

Diageo: 020 8965 7700



the facts and figures

Francisco J Soltero is the European representative of the Consejo Regulador del Tequila (Tequila Regulatory Council). It is responsible for ensuring that all products marketed as tequila are genuine and conform to the standards laid down in law by the Mexican government. Interview by Paul Wootton

Are tequila exports to Europe on the increase? What percentage is 100% agave?

In the European market 100% agave tequila represented only 1% of the total imports of tequila from 1997 to 2003. In the same period, global sales of 100% agave tequila showed significant growth, moving from 3.8% in 1997 to 11.6% of total tequila sales in 2003.

In 1997, 10.2 million litres were exported to Europe. Some 28% of this was bottled at source. By 2003, total exports had increased to 12.8 million litres and the percentage of product bottled at source represented 39.2%. In 1997, silver tequila represented 73% of total exports. By 2003, the exports of silver tequila accounted for only 60% of the total. These trends reflect the fact that European consumers are buying more high-end tequila.

How did the agave shortage affect the tequila market?

The lack of agave resulted in a decrease in the production of about 30% between 1999 and 2003, slowing down the huge growth rate of the previous years. But the international demand for tequila and the interest of consumers have not really been affected. Exports of tequila have continued to perform well, reaching a record amount of 100 million litres in 2003. And during the first five months of this year exports have grown 5.5% compared to the same period last year.

With more agave having been planted in the last few years, does this mean that in eight or nine years, we may see an oversupply of tequila hit the market? How much of a concern is this?

There is now enough agave available for the production of tequila, and the prices have been substantially reduced compared with a couple of years ago. It is expected that agave will continue to be widely available in the following years, as a result of the amount of agave planted in recent times. The industry wants to establish mechanisms to better match the supply and demand of agave based in the global demand for tequila. With the help of