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Tequila Industry Facing Crisis Because Of Shortage Of Agave Cactus
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The Mexican tequila industry expects a serious shortage of blue agave cactus as early as 2001 or 2002 because of the growing popularity of the Mexican liquor. In a report published in May, the Consejo Regulador del Tequila (CRT) said tequila distillers are already experiencing spot shortages because of a surge in demand in export markets, particularly the US and the European Union (EU). In a report published in May, the government statistics agency (Instituto Nacional de Estadisticas, Geografia e Informatica, INEGI) reported Mexican tequila exports at US$89.7 million in January-March, an increase of 34% from the first quarter of 1999. At this pace, total exports could reach US$359 million, surpassing last year's total sales of US$307 million. The CRT said the US accounted for 79.7 million liters of Mexico's tequila exports last year. Three EU countries Belgium, the Netherlands, and Germany accounted for another 6 million liters.

Strong export demand depletes agave stocks
The strong export demand for tequila has depleted stocks of the blue agave variety known as Tequilana Weber, used in the production of the purest forms of tequila. The stocks cannot easily be renewed because recently planted agave plants take eight to 12 years to mature before they are ready for harvest. The shortages could persist in coming years, since many agave fields are showing signs of damage caused by a bacteria that attacks young plants, the CRT said. The tight stocks of blue agave have forced some distillers to sharply curtail production of high-quality tequila and turn their attention to manufacturing lesser qualities, produced with a blend of agave and sugar derivatives. Manufacturers must use 7 kg of blue agave to produce 1 liter of pure tequila. For tequila blends, which must contain at least 51% agave, distillers use an average of 4 kg of the cactus plant. "Production of high-quality tequila has declined by almost 44% in the first four months of this year," the CRT said. "By contrast, production of agave and sugar blends has increased by 37% during the same period." The shortage of agave is compounded by the lack of significant competition among growers. The Camara Regional de la Industria Tequilera (CRT) says a mere 100 producers control 70% of agave production. Growers who have received government certification to grow agave are concentrated in the states of Jalisco, Nayarit, Tamaulipas, Michoacan, and Guanajuato. Roberto Montero, director of the agave cultivation company Agave Azul, said the combination of tight stocks and strong demand has enabled growers to charge higher prices for their product. A truckload of agave, weighing about three tons, is selling for 5,000 pesos (US$510), compared with 850 pesos (US$86.80) only a year ago. But the higher prices have been accompanied by an increase in theft of agave stocks, particularly since January of this year. "This was once a plant with little value," said Montero, whose company is one of the principal suppliers for the company that produces the popular Tequila Cuervo. "But scarcity and the resulting high prices have made theft a lucrative enterprise."
High agave prices driving some distillers out of business

The high prices for agave are also driving some of the smaller tequila distillers out of business. At least 30% of the tequila distillers, primarily the smaller and newer businesses, have already abandoned the industry because they cannot afford the high costs of raw materials, industry insiders said. Jorge Camacho, director of distilling company Jalisco Tequilana, said the trend is expected to continue during the coming year, with more companies either going out of business or merging with competitors. "The only survivors will be those companies that have many years in the business, since they already have a secure supply of agave," said Camacho. In a recent report, the Asociacion Mexicana de Propietarios de Marcas de Tequila predicted the shortage of agave could result in the disappearance of 100 of the 200 existing brands of tequila by year-end 2001. Camacho said smaller distillers especially are in danger of going bankrupt. "They will have to find a different way to market their product or disappear," said Camacho. The crisis in the industry has caused the Secretaria de Comercio y Fomento Industrial (SECOFI) to study the possibility of developing new norms to govern the manufacture of tequila. "We are interested in developing mechanisms to encourage more efficient long-range planning methods for the industry," deputy trade secretary Raul Ramos Tercero told reporters in April. The shortage of agave has also begun to affect manufacturers of mezcal, produced primarily in Oaxaca state. Mezcal, like tequila, has experienced a growth in popularity overseas. But exports will have to be curtailed this year because the shortage of agave has forced distillers to reduce their production. In a report published in early June, the Federacion de Productores de Maguey y Mezcal projected mezcal exports at only 1 million liters this year, compared with 2 million liters in 1999. Agave crops grown in Oaxaca are increasingly being channeled to the more lucrative tequila industry, even though the state's agave is inferior to the Tequilana Weber variety used to distill tequila. Some tequila manufacturers are paying agave manufacturers in Oaxaca about 3,000 pesos (US$306) a truckload, the daily newspaper Reforma said in a recent report. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on June 14, reported at 9.79 pesos per US$1.00] (Sources: El Economista, 04/10/00; Reuters, 05/22/00; Agence France-Presse, 05/30/00; Novedades, 05/31/00, 06/08/00; Reforma, 04/19/00, 06/05/00, 06/06/00, 06/12/00; El Financiero, 06/12/00)