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Recommended Citation
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by LADB Staff
Category/Department: Mexico
Published: 2004-04-28

President Vicente Fox's administration, caving in to pressure from the US and Canadian governments, has eased its tight restrictions on the export of tequila and has agreed to allow bulk shipments to bottlers in the US and other countries. In 2003, Mexico exported 101 million liters of tequila, of which almost 70% of was shipped in bulk containers. The restrictions, which went into effect at the beginning of 2004, were intended to help the Mexican government maintain greater control over the quality of tequila by prohibiting bulk shipments of the popular spirit and restricting bottling operations to 180 approved locations in Mexico (see SourceMex, 2003-10-01).

The decision to enact export controls had attracted strong protests from US tequila distributors, which threatened to bring the matter before the North American Free Trade Agreement (NAFTA). After consultations with US and Canadian officials, the Fox administration decided to ease the restrictions. Mexican bottlers Sauza and Cuervo also were instrumental in convincing the Fox government to change its decision. Sauza is owned partially by British-based Allied Domecq, while Cuervo owns bottling operations in the US.

The Fox administration defended the move to scrap the restrictions as beneficial to the tequila industry because this would allow Mexico to maintain its share in the US spirits market. Tequila accounts for 4.7% of the US spirits market, with sales increasing by 62% since 1990. The Secretaria de Economia (SE) said the government was concerned that the overall volume of Mexican tequila exports would have fallen by as much as 25% if shipments were restricted only to bottles. This, in turn, would have sharply increased the cost of Mexican tequila in the US market, which would have resulted in a loss of market share to other spirits, said SE official Miguel Aguilar Romo.

US bottlers welcomed the Fox government's decision with open arms. "We're grateful that Mexico has acknowledged that it's not in Mexico's or the tequila industry's interest to require bottling at the source," said Debbie Lamb, vice president of international affairs for the Distilled Spirits Council.

Jalisco state legislators protest decision
The government's decision to scrap the restrictions did not sit well with legislators in Jalisco, which is the largest tequila producing state. In early April, the Jalisco legislature approved a resolution asking the federal Congress to force the Fox administration to comply with the original ruling. According to the resolution, the overriding concern should be the benefit to local communities, including the creation of jobs. The increased employment would come not only in the form of more jobs at bottling plants, but also through indirect jobs at companies that supply the tequila industry, said the resolution.

Jalisco legislators also argue that the original rule would benefit growers of agave cactus, which is used in the production of tequila. By bottling the tequila in Mexico, bottlers ensure that pure
agave is employed in the manufacture of the popular spirit, increasing domestic demand for the cactus. In contrast, say critics, tequila that is shipped overseas can sometimes be diluted with a 49% sugar cane base and still be considered the authentic product, even though it will not carry the "premium" label that identifies the product as containing 100% agave. To address concerns about quality, the Fox administration and the Consejo Regulador del Tequila (CRT) are developing a plan to maintain control over the bottling process in the US and other countries. Among the proposals under consideration is requiring that tequila bottled at foreign plants be certified by Mexican inspectors. (Sources: Agencia de noticias Proceso, Associated Press, 04/06/04; The Herald-Mexico City, Milenio Diario, 04/07/04)

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