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Mexico’s Agave Producers Wrestle with Uncertain Supplies, Surge in Global Demand for Tequila

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The cycle of scarcity and surplus is creating significant angst among agave producers in Mexico, particularly in light of growing demand at home and abroad for popular spirits like tequila, pulque, and mescal. The supply uncertainties are true for both the high-end agave azul, also known as tequilana weber and used to produce tequila, and for other varieties of the agave cactus needed in the production of the other popular spirits.

Industry sources say supplies of agave are considered adequate to meet expected demand for agave azul in 2016 and 2017, given the rate of planting in recent years, but an oversupply appears imminent in 2018 and 2019.

According to Raúl García Quirarte, president of the industry group Comité Nacional del Sistema Producto Agave-Tequila, there appears to be a lack of coordination between producers and the tequila processors, which has contributed to market uncertainty.

“We are pushing for a more strategic approach to production,” said García Quirarte, who is based in Jalisco state “The agave producers have to come to an agreement, along with the authorities, to determine planting levels each year to create an equilibrium. We want to avoid shortages and surpluses.”

The warming of the climate is also considered a factor affecting the production of agave. Warmer temperatures in western Mexico may cause agave plants to mature at a faster rate than originally projected, which could translate into an oversupply of agave, the Consejo Regulador del Tequila (Tequila Regulating Council, CRT) said in 2007 (SourceMex, Aug. 1, 2007).

Even with the projected surplus in 2018 and 2019, agave producers are concerned that a steady growth in exports might deplete supplies. Tequila exports have increased steadily over the past two decades, rising from 64.6 million liters in 1995 to 182.5 million liters in 2015, according to industry data.

China buying more tequila

One of the potential growth markets for Mexican tequila is China, which two years ago lifted import restrictions. Because of guidelines for methanol levels per liter of alcohol, China had only allowed the import of lower quality tequila, which uses 51% agave sugar and a sugar mix from other plants for the rest. Chinese considered the methanol content in blue agave tequila too high, but Chinese authorities lifted the ban after deciding that blue agave had no detrimental health effects.

Chinese President Xi Jinping announced the decision during a visit to Mexico City in 2013. In 2014, CRT president Ramón González Figueroa said he expected annual exports to reach 30 million liters annually within the next 10 years.
The US remains Mexico’s largest destination for tequila exports, accounting for about 70% of shipments in a given year. If US demand remains steady, a huge increase in exports to China could stress the industry.

For agave producers, increasing plantings is not a very easy option. The agave plant takes eight to 14 years to grow to the optimum age to produce tequila. The liquor is produced from the heart of the agave, which is known as the piña.

“The increase in production, the growth in exports, and the use of piñas that are not fully developed could throw our industry into a crisis,” García Quirarte said in July. “We could be facing a shortage of agave down the road. That is why members of our organization have asked the user industries to take the appropriate measures” to create a market balance.

According to García Quirarte, a solution to the problem is to develop a system of production contracts to help regulate supply. “In the face of a potential shortage of agave azul tequilana weber, we call upon the tequila producers to work together to establish a system of contracts,” said the industry executive.

García Quirarte said the system of contracts would also help distribute business more equitably. At present, 7% of agave producers account for 75% of the total production, while the other 93% are responsible for the remaining 25%, he said. Jalisco is the largest producer of blue agave, although the states of Michoacán, Nayarit, Guanajuato, and Tamaulipas also account for relatively high production levels. In 2006, the UN Educational, Cultural, and Scientific Organization (UNESCO) designated an area comprising 116,000 hectares of agave plantations in western Mexico as a World Heritage site (SourceMex, July 19, 2006).

**Demand for pulque rebounding**

An increase in demand for pulque in Mexico has also created concerns about the viability of supplies of other varieties of agave that are used to produce that spirit. Pulque, a milk-colored, somewhat viscous fermented drink produced from the sap of the agave, has been gaining increased acceptance among the younger generations in Mexico, which is contributing to a recovery in production.

Pulque reached its height of popularity in Mexico during the 19th century. According to the daily business newspaper El Economista, at the end of the 19th and beginning of the 20th century, 275 plantations in Mexico were dedicated entirely to growing agave for pulque. “In 1882, pulque accounted for 94% of the alcoholic drinks consumed in Mexico,” said the newspaper. “Consumption levels dropped to 58% by 1929 and to 48% after World War II.”

Mario Ramírez Rancaño, a researcher at Instituto de Investigaciones Sociales (Institute for Social Research) at Universidad Nacional Autónoma de México (UNAM), said a major factor behind the decline in demand for pulque in the last century had been a government-led campaign in 1912 to promote the beer industry. In addition, pulque fell out of favor because of unfounded rumors about bad production hygiene and its stigmatization as a drink for the poor.

The beer campaign appears to have succeeded. According to a government survey conducted in 2011, beer was the preferred beverage for 50% of the male population in Mexico and 30% of the female population. In contrast, demand for pulque was only 4.4%.
Rodolfo del Razo Curiel, production director at the 44-hectare agave plantation Rancho San Isidro in Tlaxcala state, said the lack of demand for pulque had put the agave in a list of plants that were in danger of extinction. However, a change in consumer tastes—particularly among the younger generations—has encouraged the emergence of agave plantations like Rancho San Isidro.

“The good news for us is that young people have become fans of pulque,” said Razo Curiel, who oversees an operation that cultivates 60,000 agave plants. “In fact, the young people are very cognizant about the health benefits of pulque.”

Scientists have discovered that pulque offers health benefits when consumed in moderation.

According to the US National Library of Medicine, which is managed by the US National Institutes of Health, pulque contains a digestive enzyme called phytase that helps unlock nutrients found in foods like corn.

“Traditionally, certain medicinal properties are ascribed to pulque, particularly in the treatment of gastrointestinal problems, loss of appetite, weakness, and certain renal complications,” said the Biblioteca Digital de la Medicina Tradicional Mexicana (digital library of traditional medicine), which is housed at UNAM.

Pulquero agave, used to make pulque, has a similar production cycle as the agave azul, which means that a plant could take eight to 14 years to reach the appropriate processing age.

The potential for a surge in demand for pulque has prompted UNAM researchers to launch a pulquero agave propagation project. In cooperation with the state government, researchers have been working with pulque producers from the Tlaxcala communities of Nanacamilpa, La Malinche, and Atlantatepec to promote faster development of agave plants.

“The producers are also being shown the in vitro fertilization process of agave plants, which together with controlled, sterile conditions and a nutrient-infused gel can make agave seeds sprout in two days,” said the English-language newspaper Mexico News Daily. Under natural conditions, the process can take up to three months.”

The report pointed out, however, that the disadvantage of the in vitro process is that it inhibits genetic diversity. Because of that, the researchers are also showing producers how to allow the plants to reproduce naturally.