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### Agenda:

Tequila State of Play Tequila Differentiation Tequila Registration The Role of Additives The Future?

## Tequila in 2024, by the Numbers:

- \$20 BILLION global value
- 70% exported from Mexico
- 31.6M 9L cases sold in U.S. last year
- Since 2002, U.S. Tequila volumes up 200%
- Super Premium+ brands driving growth +50% since 2010
- Only base spirit showing growth this year\*



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## Tequila Brands & Extensions Proliferating:

- Almost 4,000 brands today\*
- Some brands have more than 20 different bottlings - likely 8,000+ labels in production today
- Celebrity brands are red hot
- Crowded marketplace means brands must differentiate to stand out – they don't want to drop price



#### Tequila 100% Blue Agave Runs the Show in 2024

#### Tequila (Mixto)

- Tequila (without a mention of 100% Blue Agave) usually means Mixto
- At least 51% of sugars must be Agave Azul Tequilana – 49% don't need to be
- Remainder is non-agave sugars (primarily fructose, glucose)
- Non-agave sugars are cost-effective method of managing product costs

Tequila 100% Blue Agave

- Only sugars from *Agave Azul Tequilana* may be used
- Generally more complex and refined than mixtos
- Consumers have been trading up for about 20 years now
- Almost half of brands are Tequila 100% Blue Agave

#### Additives may be used in the production of either

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### The Current Challenge to

Brands



- Over 3,700 brands but only about 140 different Tequila distilleries!
- Contract distilling is therefore the norm in Tequila production
- Start-up costs are high, and regulations are complex for new distilleries, so it will be slow to change
- Brands are desperate to find ways to differentiate within the boundaries of regulations
- "Additive-free" has become popular badge, as we will discover!
- Are we running out of celebrities?

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#### How do Tequila Brands Differentiate?

What makes a brand unique from others?



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#### Legalities Give Regulations that Brands must Obey

- Protected
- Protected as Gl under Mexican Law
- Restricted
- Only produced in a designated area
- Approved
- Authentic Tequila will have the CRT (Consejo Regulador del Tequila) logo on the bottle
- Numbered
- The specific distillery identified by the NOM

#### Sidebar: What is the NOM?

- Norma Oficial Mexicana, represented by a number
- Sign of production within the denomination of origin/GI
- NOMs awarded only by CRT
- NOM does not specify the class of Tequila, use of additives, etc.
- Easily discoverable online or through phone apps
- A starting point or touchpoint for more research

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#### NOM Example



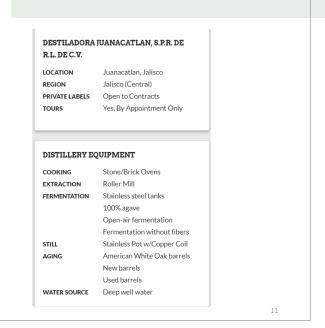
Tanteo Blanco Tequila 100% Blue Agave

- Label NOM is 1551
- This NOM is rated #57 of 122 by Tequila Matchmaker
- NOM currently produce 5 brands including Tanteo

#### NOM Example

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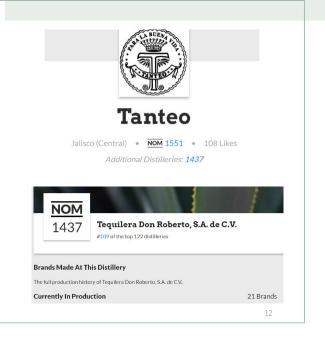
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#### NOM Example

- Further research shows that Tanteo can also be produced by NOM 1437, a large distillery in the town of Tequila in Jalisco
- Let's go back to Differentiation!



## Differentiation: Cooking



- Types of Ovens
  - Stone/Brick
  - Autoclave
  - Hydrolysis
  - Boiling
  - Earthen pit
  - Steel
- Some NOMs have more than one type of oven

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## Differentiation: Extraction & Fermentation



- Types of Extraction
  - Roller mill
  - Screw mill
  - Diffuser
  - Tahona
- Fermentation Types
  - Stainless steel
  - Open air or Closed tank
  - Wood

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## Differentiation: Distillation & Aging



- Types of Stills
  - Stainless steel pot
  - Copper pot
  - Column
  - Hybrid
  - From 2x to 7x!!
- Aging
  - American White oak
  - Wine or sherry casks
  - French oak

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#### There are Many Ways Tequilas can Differentiate, but...

- Use of additives has risen to the top of the list in 2024
- Agave extraction methods also popular
- When using contract distilling, use of additives is under control of the brand, while the production methods may not be!
- Transparency resonates strongly with spirits consumers



#### Let's Taste! Keys to Evaluating Tequila



- Color does it align with the classification?
- Nose younger have more vegetative or earthy notes, older more sweetness, wood, earth
- Taste fermentation & aging affect the most
- Finish intensity, length, quality

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#### First Tasting - Tanteo Blanco

- Additive-free
- Great example of pure Blanco style
- Shows agave notes but balanced with florals
- Great everyday sipper



# Sidebar: Where is all this Info Coming From?



- CRT: Consejo Regulador del Tequila, Mexico's official governing body
- CRT's official website is *challenging*
- Online brand list only updated annually, if at all
- While not official sources, both are typically up-to-date

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#### Sidebar: The Role of the CRT

- Oversees and protects the GI
- Inspects, analyzes & certifies compliance
- Guarantees consumer authenticity
- Generates information for the production & supply chains

- Awards NOMs
- Does NOT provide analysis of liquid or full transparency of production methods
- TequilaTracker.com & TequilaMatchmaker.com stepped in to fill the void for interested consumers
  - First as raters, then as defacto experts

#### That Last Point has Created a Turf War of Sorts...

- Mexican officials recently raided the offices of Tequila Matchmaker in Mexico
- Officials claim the home was being used as "an adulterated tequila factory"
- Liquids were seized
- Part of an ongoing battle over transparency in labeling regarding use of additives



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#### Second Tasting - Código 1530 Tequila Reposado

- Additive-free
- Nice, clean Reposado style with stronger wood
- Shows show oak & vanilla with agave notes up front
- Peppery finish
- Great neat or in a simple Margarita





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#### The Role of Additives in Tequila

- Known as abocantes meaning mellow or smooth
- Both legal, and compliant and common (>70%??)
- Offers consistency
- 1%/vol. by weight allowed by law
- Used to enhance color, aroma, taste, mouthfeel
- Do not have to be disclosed if <1%</li>
- Typically added in rectification just before bottling



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## Why are Additives Used?

- Color-balance/rectification
- Match flavor or aroma profiles if using multiple distilleries
- Bend or tweak final liquid towards consumer preferences in the market
- Claim is additives cover up defects or mask deficiencies?



#### Additives CANNOT change Classifications, which are based on aging



- White or Blanco unaged or aged up to 2 months
- Young or Joven blend of white Tequila with a reposado, añejo or extra añejo
- Rested or Reposado aged for min. 2 months in oak barrels or vats
- Aged or Añejo aged for min. 1 year in oak barrels <600L
- Extra Aged or Extra Añejo aged for min. 3 years in oak barrels <600L

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#### But, additives *could* be used to:



- Make a Tequila darker to insinuate longer aging
- Add oak flavors to simulate longer barrel aging/increase woody notes in an older Tequila
- Sweeten a Tequila to appeal more to a desired consumer
- Reduce harshness or rough edges still present after production

## Other Spirits that May Legally Use Additives\*

- Cognac
- Rum
- Scotch
- Canadian Whiskies
- Vodka



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#### Third Tasting – Dulce Vida Anejo 80 proof

- Additive-free, organic
- Nice, clean Reposado style with stronger wood
- Shows show oak & vanilla with agave notes up front
- Peppery finish
- Great neat or in a simple Margarita



#### What Types of Additives are Allowed?



- **Glycerin** improves the smoothness and mouthfeel
- Oak extract adds a barrel-aged taste & aroma and darkens color
- Caramel darkens the tint or color
- Sweeteners (jarabes) Agave nectar, corn syrup, cane sugar, aspartame, sucralose & stevia are approved sweetening agents for tequila. The jarabe can also contain natural fruits and herbs to add aromas and flavors, too.

#### How Can You Tell if Additives are Used?



- Glycerin is the spirit unusually thick or syrupy upon swirling?
- Oak extract unmistakable aroma of vanilla
- Caramel is the Tequila unusually dark compared to others in its class?
- Sweeteners syrupy sweet on the palate; may leave residue on hands

#### So How Did This Additive Thing Blow Up?



- Increased consumer focus on transparency of ingredients
- Idea that Tequila is healthier than other spirits
- Pushback against larger brands/celebrity brands
- The explosion of TequilaMatchmaker.com
- It's buzzworthy

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#### What's the Crystal Ball Say?



- Demand likely to increase, but growth will moderate
- Agave supply glut through 2026 due to new growers
- Lower COGS could increase pricing competition among brands
- Competition from other agave spirits increasing

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Thank you

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Let's Connect!

