

FULL STEAM AHEAD

Tequila is an unstoppable force on the U.S. market

BY SALLY KRAL



This past year was a big one for Tequila. While the category still ranks third among all spirits in the U.S. by volume, it climbed ahead of American whiskeys in dollar terms in 2022, according to Impact Databank. The vodka segment—nearly three times the size of Tequila in volume—is now only 40% larger in dollar terms. And for the first time ever, four Tequila brands will hit the billion-dollar mark in U.S. retail sales this year: Bacardi's Patrón, Proximo's Jose Cuervo, and both Diageo's Don Julio and Casamigos, with all four brands depleting more than 2 million 9-liter cases each in the U.S. last year.

Not only did the vast majority of the top 25 Tequila brands post gains in 2022, many posted double-digit gains, with premium, super-premium, and luxury-priced brands all growing and the sub-premium segment slipping just 0.5%, according to Impact Databank. Every Tequila in the top ten was up in 2022, with particularly impressive gains coming from No.-3 brand Casamigos, which jumped 34.5% to 2.38 million cases; No.-9 brand Lunazul from Heaven Hill Brands, which was up 48% to 918,000 cases—and according to brand manager Brittany Wenig crossed the million case mark this February—and newcomer Teremana, which secured its No.-10 spot following a 49% gain last year to 915,000 cases.

The on-premise continued its rebound in 2022, and that was certainly a boon for Tequila. "It took a long time for

Tequila (agave fields pictured; neat pours top) continued its incredible growth streak in 2022, especially as the on-premise rebounded from its 2020 and 2021 closures due to Covid-19. Much of the higher end of the category increased by double digits, and Tequila as a whole even overtook American whiskey in value terms last year.

PHOTOS BY (LEFT) GETTY IMAGES/ISTOCKPHOTO; (INSET) EVI ABLER

TOP 25 TEQUILA BRANDS IN THE U.S.

(thousands of 9-liter cases)

Rank	Brand	Importer	2005	2010	2015	2020	2021	2022	Percent Change ¹ 2021-2022
1	Jose Cuervo	Proximo Spirits	3,680	3,455	3,253	4,703	4,820	5,085	5.5%
2	Patrón ²	Bacardi USA	615	1,690	2,113	2,657	2,717	2,934	8.0
3	Casamigos	Diageo North America	-	-	79	890	1,770	2,380	34.5
4	Don Julio	Diageo North America	90	160	347	1,382	1,845	2,075	12.5
5	1800	Proximo Spirits	395	690	847	1,528	1,755	2,010	14.5
6	Hornitos	Beam Suntory Inc.	262	340	590	1,149	1,509	1,690	12.0
7	Espolòn	Campari America	22	25	145	768	979	1,110	13.4
8	El Jimador	Brown-Forman Beverages Worldwide	150	274	442	732	848	921	8.6
9	Lunazul	Heaven Hill Brands	-	61	110	421	620	918	48.1
10	Teremana	Mast-Jägermeister US	-	-	-	230	614	915	49.0
11	Cazadores	Bacardi USA Inc.	215	231	274	561	602	759	26.0
12	Milagro	William Grant & Sons USA	30	115	190	349	498	605	21.4
13	Sauza ³	Beam Suntory Inc.	1,047	1,315	1,506	741	613	585	-4.5
14	Juarez	Luxco Inc.	425	525	700	410	537	545	1.5
15	Montezuma	Sazerac Co.	560	545	550	500	500	530	6.0
16	Camarena	Spirit of Gallo	-	150	460	332	375	435	16.0
17	Herradura	Brown-Forman Beverages Worldwide	70	83	140	229	363	384	5.9
18	Altos	Pernod Ricard USA	-	-	125	359	340	307	-9.6
19	Margaritaville	Sazerac Co.	160	175	210	225	250	270	8.0
20	Exotico	Luxco Inc.	-	-	28	195	238	237	-0.3
21	Corralejo	Infinium Spirits	-	20	100	197	227	233	2.7
22	Gran Centenario	Proximo Spirits	13	25	49	142	184	230	25.2
23	Tortilla	Sazerac Co.	140	165	165	155	145	155	7.0
24	Maestro Dobel	Proximo Spirits	-	5	45	72	107	135	26.3
25	Avión	Pernod Ricard USA	-	25	123	136	151	127	-16.1
Total Top 25⁴			7,874	10,074	12,592	19,063	22,607	25,575	13.1%

¹ Based on unrounded data

² Includes Roca, Extra Añejo, Gran Patrón and Limited Edition

³ Excludes Hornitos

⁴ Addition of columns may not agree due to rounding.

Source: IMPACT DATABANK ©2023



At almost 3 million cases, No.-2 brand Patrón (Margarita pictured) remains near the top of consumers' minds in the U.S. The luxury brand recently released the new expression El Alto, a blend of mostly añejo Tequilas that is aged in 11 different barrel types.

vodka to receive any real competition in bars—then along came Tequila,” says Mary Margaret Gallup, director of beverages and bars for Pelham House Resort in Cape Cod, Massachusetts. “Drinkers are opting for Tequila more and more these days as more brands pop up, influencers and celebrities put their names on or behind products, and the big marketing push toward agave spirits being ‘healthier’ came around.”

As Jennifer Conley, bar manager at Don Shula’s American Kitchen in Canton, Ohio points out, Tequila has become ubiquitous in recent years. “Traditionally, Tequila was associated with Mexican and Latin-influenced restaurants, but now you see it on cocktail lists at every type of venue,” she says. “The movement to really highlight Tequila’s quality and craftsmanship has been around for quite some time, and it’s aligned with consumers seeking and demanding higher quality food and beverage products and their willingness to pay a higher premium to enjoy them. Also, the fact that high-profile celebrities have their own labels has brought

increased awareness and has really turned Tequila into a top-of-mind choice for many consumers.”

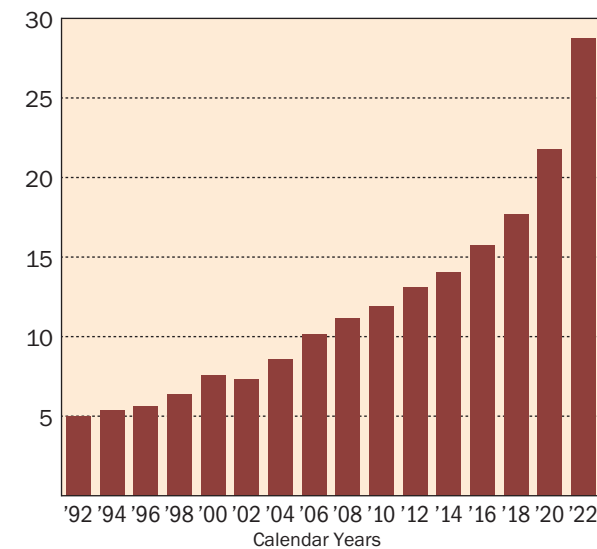
It’s a similar story on the retail side. “The category has grown significantly in recent years—it’s slowly, but surely, catching up to vodka in terms of market share within our store,” says Tyler Duma, e-commerce manager at Exit 9 Wine & Liquor Warehouse in Clifton Park, New York. “New brands are constantly becoming available and we’re finding customers are generally willing to experiment and try new things—we see a number of them using the NOM system (a four-digit number on the back of each Tequila label that identifies the distillery that made it) to see where their favorite brands are being produced and what other options they can seek out for similar experiences.”

Crowded Category

The Tequila selection at Exit 9 has exploded over the last couple years. “We’ve added a number of brands throughout every price segment,” Duma says. “Currently we carry approximately 75 labels, which is still small compared to behemoths like whisk(e)y and vodka, but it’s bigger than rum and growing quickly.” Duma notes that Jose Cuervo Silver and Gold (each \$38 a 1.75-liter), Casamigos (\$57-\$76 a 1-liter), Espolòn Blanco (\$57 a 1.75-liter), and Teremana (\$30-\$37 a 750-ml.) are the store’s leading brands, and Tequila accounts for 4% of total sales at Exit 9, which is up from less than 3% in 2020.

TEQUILA CONSUMPTION IN THE U.S.—1992-2022

(millions of 9-liter case depletions)



Source: IMPACT DATABANK ©2023



Retailers say their Tequila sections have exploded in recent years. At Exit 9 (top) in Clifton Park, New York, top brands include Jose Cuervo, Casamigos, and Teremana. Denver’s Argonaut Liquor (above), meanwhile, is seeing growth for additive-free brands.

The Tequila category is constantly expanding—the first few months of 2023 has already seen some new entries. In February, upscale drinks company Demeter & Co. launched Cierto Tequila, debuting with four “Private Collection” releases: Blanco (\$89 a 750-ml.), Reposado (\$119), Añejo (\$169), and Extra Añejo (\$279), and in April, Campari Group launched Mayenda, a new high-end Tequila that debuted with a Blanco expression (\$70).

Celebrity-backed brands comprise a considerable amount of the newer Tequila labels pouring into the market and heating up competition. Super-premium Teremana Tequila, introduced in March 2020 by Dwayne “The Rock” Johnson, has made quite a splash. “Teremana is on track to hit a significant milestone in 2023 of over 1 million 9-liter cases sold within a rolling 12-month period,” says Teremana CEO Richard Black. “This is a tremendous success building on our momentum.”

Kendall Jenner’s luxury-priced 818 Tequila, which launched in May 2021, has also gained notable traction, surging 70%



super-premium Cazadores Tequila, which had a strong 2022, soaring 26% to 759,000 cases, according to Impact Databank. “Consumers are looking to enjoy their spirits in various forms and the rise of flavored and infused Tequilas, Tequila-based RTDs, luxury Tequila, and all the different expressions in between, makes Tequila an exciting choice for many consumers.”

One brand that is not celebrity-owned but has the backing of a mega-star is Flecha Azul, founded by Mexican entrepreneur Aron Marquez and Mexican-American professional golfer Abraham Ancer, with actor Mark Wahlberg as a key investor. Flecha has been on the market for a short time, but is already rising rapidly, as it’s projected to double 2022’s 33,000 cases. It’s a brand that stresses authenticity. “When I was approached to be the face of it, it wasn’t appealing to me,” Wahlberg says. “Once I realized what they’d created and who created it, that’s when the lightbulb went on. Instead of saying ‘I’ve created a Tequila’ like a lot of celebrities are doing, why not shine the spotlight on the guys who are authentically creating something that’s personal and that they absolutely have complete ownership of?”

Cenote Tequila is similarly intent on setting itself apart from celebrity brands, as well as the larger names in the category. “We aren’t a mega-brand; we don’t rely on celebrities, and we don’t want to—but just three brands have 73% of the Tequila market share and share of voice, so it’s hard for a small brand to get heard in that environment,” notes Erin Rea, national brand ambassador for Stoli Group, which owns Cenote (\$45 a 750-ml.). “That said, we’ve been growing like wild—up 257% last year and we expect to grow another 300% this year. That may sound crazy, with the industry growing around 16%, but there are so many places and people that haven’t found Cenote yet.” This is the first year that Cenote will be making a scaled effort to have consistent programming and messaging, Rea adds. “This summer we’re deploying an omnichannel approach—we’re not being stealthy anymore, but we’re staying laser focused.”

Trading Up

While the large names still overwhelmingly dominate the Tequila category at Exit 9, Duma notes that there’s strong pushes from brands like Clase Azul, Forteleza, and El Tesoro. “The trend is absolutely premiumization—the average price point per-bottle of Tequila sold at our store has changed significantly in the last few years, up over 20% since 2020,” he says. “Customers are trading up in Tequila, and I see that trend continuing.”

Tequila brands big and small have been putting a lot of momentum behind higher marque expressions in recent years following consumer demand. Heaven Hill-owned Lunazul is working on the second limited edition of its Extra Añejo Tequila, which is aged more than three years in Bourbon casks and will be available in early 2024 with an expected retail price of \$40-\$50 a 750-ml., according to Wenig. Early last year Heaven Hill acquired craft spirits group Samson & Surrey, which includes the luxury-priced Tequila Ocho (\$48), a label



At Dallas restaurant The Mexican (Margarita top), consumers are more knowledgeable about Tequila than ever. For Cenote Tequila (lineup above), that’s good news as the small brand begins to deploy more consistent messaging to encourage growth.

to above 100,000 cases in the U.S. in 2022, according to Impact Databank. And most recently, Proximo Spirits unveiled a new luxury Tequila last year in collaboration with entertainer Kevin Hart called Gran Coramino, which debuted with a Reposado Cristalino Tequila (\$50 a 750-ml.). Proximo’s other Tequilas all posted impressive gains in 2022, according to Impact Databank: Category leader Jose Cuervo was up 5.5% to 5.09 million cases; 1800 rose 14.5% to 2.01 million cases; Gran Centenario jumped 25.2% to 230,000 cases; and Maestro Dobel leapt 26.3% to 135,000 cases.

“While celebrity-owned brands caused an increase in popularity in Tequila as well as brought in new consumers in recent years, there’s a lot of versatility within the Tequila category,” notes Jay Needham, brand director for Bacardi’s

TOP EIGHT SUPER-PREMIUM TEQUILA BRANDS¹

(thousands of 9-liter cases)

Rank	Brand	Importer	2005	2010	2015	2020	2021	2022	Percent Change ² 2021-2022
1	1800	Proximo Spirits	395	690	847	1,528	1,755	2,010	14.5%
2	Espolòn	Campari America	22	25	145	768	979	1,110	13.4
3	Teremana	Mast-Jägermeister US Inc.	-	-	-	230	614	915	49.0
4	Cazadores	Bacardi USA Inc.	215	231	274	561	602	759	26.0
5	Milagro	William Grant & Sons USA	30	115	190	349	498	605	21.4
6	Altos	Pernod Ricard USA	-	-	125	359	340	307	-9.6
7	Corralejo	Infinium Spirits	-	20	100	197	227	233	2.7
8	Gran Centenario	Proximo Spirits	13	25	49	142	184	230	25.2
Total Top Eight³			675	1,106	1,730	4,134	5,199	6,169	18.7%

¹ \$25-\$40 a 750-ml.
² Based on unrounded data
³ Addition of columns may not agree due to rounding.

Source: IMPACT DATABANK ©2023

TOP SEVEN LUXURY-PRICED TEQUILA BRANDS¹

(thousands of 9-liter cases)

Rank	Brand	Importer	2005	2010	2015	2020	2021	2022	Percent Change ² 2021-2022
1	Patrón	Bacardi USA Inc.	615	1,690	2,113	2,657	2,717	2,934	8.0%
2	Casamigos	Diageo North America	-	-	79	890	1,770	2,380	34.5
3	Don Julio	Diageo North America	90	160	347	1,382	1,845	2,075	12.5
4	Herradura	Brown-Forman Beverages Worldwide	70	83	140	229	363	384	5.9
5	Maestro Dobel	Proximo Spirits	-	5	45	72	107	135	26.3
6	Avión	Pernod Ricard USA	-	25	123	136	151	127	-16.1
7	DeLeon	Combs Spirits	-	-	16	45	70	120	72.0
Total Top Seven³			775	1,963	2,863	5,411	7,022	8,155	16.0%

¹ Over \$40 per 750-ml on average.
² Based on unrounded data
³ Addition of columns may not agree due to rounding.

Source: IMPACT DATABANK ©2023



Consumers continue to search out and purchase premium-and-above brands. Bacardi-owned Cazadores Tequila (Blanco Tequila left) increased 26% in 2022 to 759,000 cases, while Lunazul from Heaven Hill Brands (lineup right) jumped 48.1% to 918,000 cases.



that was introduced in 2008 and was up 115% in 2021 to 46,000 cases, according to Impact Databank. In October, the brand released the Reposado Barrel Select Widow Jane 2022 (\$75), a limited-edition Tequila aged in Bourbon casks sourced from Brooklyn, New York's Widow Jane Bourbon brand, also a part of the Samson & Surrey portfolio.

No. 4 Tequila Don Julio—which grew 12.5% in 2022 to 2.08 million cases, according to Impact Databank—has also been capitalizing on the rapid growth at the high end of the category with the introduction of Don Julio Rosado (\$110 a 750-ml.), a reposado Tequila matured in Ruby Port casks, in February. In addition, last fall the brand released the second bottling of the Don Julio Ultima Reserva (\$500), a 36-month aged extra añejo made using the final agave plants that Don Julio González planted in 2006. Also last fall, No. 2 overall brand and luxury Tequila leader Patrón released El Alto (\$179), which primarily comprises extra añejo blended with añejo and reposado Tequilas, and is aged in 11 different types of barrels, mostly hybrids of American oak body and French oak heads. Patrón was up 8% in 2022 to 2.93 million cases, according to Impact Databank.

“We’ve seen growing interest in more premium Tequila offerings, with consumers wanting to try and discover new and interesting categories at the higher end, and while it’s still early days, we think the cristalino category will be one to watch,” Needham of Cazadores notes. “We’re excited to continue the growth of both our reposado and blanco products while introducing more of our higher marques, particularly our cristalino, this year.” The Cazadores range includes the Margarita and Paloma RTDs (\$15 a 4-pack of 12-ounce cans), Blanco (\$25 a 750-ml.), Reposado (\$30), Añejo (\$35), Añejo Cristalino (\$40), and Extra Añejo (\$60).

While cristalino Tequilas—añejo offerings filtered until clear—make up a small part of the high-end Tequila market by volume, they are increasingly popular offerings from premium and higher priced brands—Espolòn, Gran Coramino, Gran Centenario, and Jose Cuervo Tradicional, among others, released cristalino expressions in 2022. “Within the Tequila category, cristalinos are showing the strongest growth, with an expected 55% growth by 2026,” Cenote’s Rea says, adding



Heaven Hill Brands recently boosted its high-end Tequila stable with its acquisition of craft spirits company Samson & Surrey—and subsequently the luxury-priced Ocho Tequila (fermentation tanks top) from Carlos Camarena (above), a third-generation tequilero and fifth-generation farmer in Mexico. The brand was at 46,000 cases in 2022.

TOP SEVEN PREMIUM-PRICED TEQUILA BRANDS¹

(thousands of 9-liter case depletions)

Rank	Brand	Importer	2005	2010	2015	2020	2021	2022	Percent Change ² 2021-2022
1	Jose Cuervo	Proximo Spirits	3,680	3,455	3,253	4,703	4,820	5,085	5.5%
2	Hornitos	Beam Suntory Inc.	295	340	590	1,149	1,509	1,690	12.0
3	El Jimador	Brown-Forman Beverages	150	274	442	732	848	921	8.6
		Worldwide							
4	Lunazul	Heaven Hill Brands	-	61	110	421	620	918	48.1
5	Sauza	Beam Suntory Inc.	1,015	1,315	1,506	741	613	585	-4.5
6	Camarena	Spirit of Gallo	-	150	460	332	375	435	16.0
7	Exotico	Luxco Inc.	-	-	28	195	238	237	-0.3
	Total Top Seven³		5,140	5,595	6,390	8,273	9,023	9,871	9.4%

¹ \$15-\$25 a 750-ml. on average

² Based on unrounded data

³ Addition of columns may not agree due to rounding.

Source: IMPACT DATABANK ©2023



Celebrities are driving major growth for Tequila. Teremana from Dwayne “The Rock” Johnson (right) launched in 2020 and is now a top ten Tequila in the U.S. Flecha Azul (left), meanwhile, is backed by Mark Wahlberg, who looks to highlight the brand’s authentic heritage.

that Cenote introduced its Cristalino (\$72 a 750-ml.) to the U.S. market in 2019. “We were also one of the first to create an ahumado and have had it for four years—however, it was a bit ahead of its time and didn’t get as much attention as our cristalino,” In order to revive interest, Cenote re-released Ahumado (\$75)—a small-batch smoked reposado Tequila—earlier this year. In March Patrón introduced its own limited-edition ahumado expressions: Silver (\$70) and Reposado (\$80).

“We’re seeing some fun trends in single barrel Tequila,” Duma notes. “Single barrel selections are a big part of our spirits business, but until more recently it was almost exclusively whisk(e)y. We’ve recently received our fifth single barrel Tequila selection—a Tres Agaves Reposado barrel—and these have all been pretty successful.” He adds that customers these

days are more conscious of where and how their favorite Tequilas are produced. “In the way that consumers became aware of non-distilling producers of whisk(e)y, I think Tequila drinkers will follow suit and seek out more producers that are authentic in both their marketing and production,” he says. “The market is becoming over-saturated with celebrity-backed brands and I think that over-saturation could be the tipping point needed to push consumers in that direction.”

Consumer Concerns

As today’s consumers have grown more discerning in their drinking choices, Tequilas that are marketed as “additive-free” are growing more popular, notes Josh Robinson, president of Argonaut Wine & Liquor in Denver. “Recently celebrity

Tequilas have started to slow down in our stores and additive-free has become more important to consumers,” he says. “Brands like Wild Common and Yeyo have taken advantage of this.”

Jesse Estes, global brand ambassador for Tequila Ocho, notes that the brand is leading the artisanal Tequila segment. “By ‘artisanal’ I mean that we’re dedicated to using traditional production practices and are confirmed 100% additive-free,” he says. “Competition is fierce right now, with so many new entrants into the category and a fight for the consumer share of mind, so it’s important to have a differentiated proposition. Ocho is a Single Estate Tequila—we harvest our agaves from a single field at a time and note the field name and year of harvest on the label, ensuring transparency and traceability.”

Ashley Reeves, beverage manager for restaurant The Mexican in Dallas, says there’s been a surprising uptick in customers coming to the venue already quite knowledgeable about Tequila. “But they all have an appetite to learn more,” she says. “We’re seeing more guests move away from the highly marketed brands and become open to tasting the smaller batch ‘local’ Tequilas, mezcals, and sotols we carry. Brands such as Casa Noble, Socorro, Cincoro, and Flecha Azul have become some of our most popular Tequilas.”

Michael Trow, beverage director for RPM Restaurants, which has locations in Chicago, Las Vegas, Washington, D.C., and West Palm Beach, Florida, sees several trends emerging as Tequila grows in popularity: “There’s the increased demand for transparency in production methods, the varying success levels of newer categories like cristalino, wine barrel finishing, and other aging techniques, and the saturation of the market with celebrity-owned and/or endorsed brands, to name just a few,” he says. “The tightest



Even with an influx of new brands, big players are still seeing success. No.-4 brand Don Julio (Paloma cocktails pictured) grew 12.5% in 2022, crossing the 2-million case mark. The brand has capitalized on premiumization with its Rosado and Ultima Reserva releases.

bow that can be put on all of these is that while the category is enjoying explosive growth, it’s creating offshoots of interest and opening discussions of everything from sustainability and ethics to maturation and authenticity.”

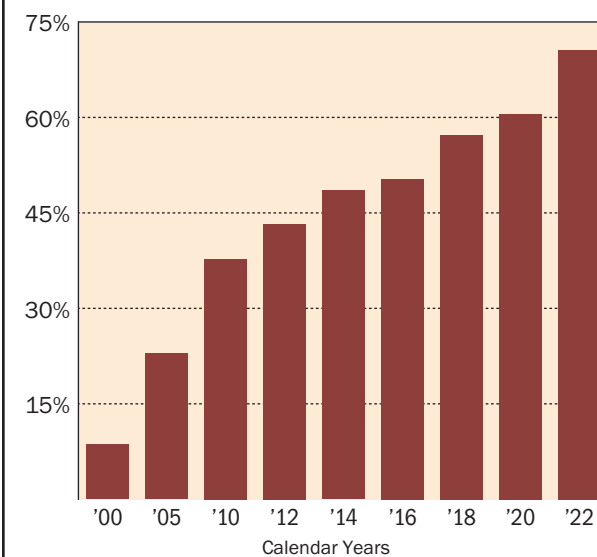
Sustainability and transparency have also certainly become buzzwords within Tequila, a category that faces substantial challenges with agave sourcing and supply. “We’re on track to be fully operational at our new distillery in Jesús María, in the highlands of Jalisco, in December of this year, and with this new distillery, we’ve expanded our sustainability efforts,” Teremana’s Black says. “Most notable is our agave recycling system, which will turn all leftover agave fibers into compost, and our water filtration system, which cleans the wastewater left over from production.”

The Cazadores distillery is a “clean energy status” certified facility, according to Needham. “We use the leftover agave fibers that don’t have sugar and convert them into biofuel to power the biomass boilers at the facility that we use for extraction, cooking, and distillation, which cuts greenhouse emissions by 80% versus the use of fossil fuels,” he says. “After distillation, treated bioproduct is used in our agave fields as an organic fertilizer. This helps us send absolutely no waste to landfills.” In addition, the distillery uses solar energy to power 99% of its electrical needs, the Tequila’s cardboard packaging is certified sustainable, and the brand plans to have its blue weber agave certified as 100% sustainably sourced by 2025.

Lunazul has a “green cycle” model in place at its Tierra de Agaves distillery, where leftover agave fiber and vinasses are treated in a biodigester to become organic fertilizer for new agave plantations. “To complete this sustainability approach, we’ve installed 1,564 solar panels on the distillery’s rooftop, generating as much as 90% of the required energy needed to run the distillery,” Wenig says. “We just hope that the industry can sustain its growth, and we can all help that by supporting mezcals and Tequila brands that aren’t exploitative.” **mw**

100% BLUE AGAVE EXPORTS TO THE U.S.—2000-2022

Share of Total Tequila Shipments



Sources: CRT and IMPACT DATABANK ©2023