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PROTECTIONOFGEOGRA PHICALINDICATIONS: APPELLATIONOFORIGI N

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laIndustri aTequilera*



National Chamber of the Tequila Industry

Protection of Geographical Indications Appellations of Origin



Tequila Producers' Point of View

Worldwide Symposium on Geographical Indications



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What is Tequila ?

- Regional alcoholic beverage
- Obtained from the agave tequilana weber, blue variety
- Production and marketing subject to an Official Standard (the NOM)
- Compliance with Standard Verified and certified by the TRC
- Protected as an Appellation of Origin





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May not be exported
in bulk

Categories (2) and Types (4)

TEQUILA 100% FROM AGAVE

Made with 100%
agave sugars



May be exported in
bulk and bottled in
other countries

TEQUILA

Made with at least 51%
agave sugars and 49%
other sugars



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The NCTI has four main objectives

- . To consult and collaborate with the Mexican government in designing and executing policies, programs and instruments which facilitate the development and growth of the industry.
- . To protect the interests of affiliated companies.
- . To fight adulteration and illegal trafficking of Tequila in collaboration with the governmental agencies and the Tequila Regulatory Council (TRC).
- . To disseminate, promote, look after and protect the image and prestige of Tequila.



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The TRC has four main objectives:



- To verify and certify the industry's compliance with the provisions of the Mexican Official Standard for tequila (the NOM).
- To protect the Appellation of Origin "Tequila" in Mexico and throughout the world.
- To guarantee the authenticity of Tequila to the consumer.
- To provide accurate and timely information to the agave-tequila production chain.



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Appellation of Origin

The name of a GEOGRAPHICAL REGION that serves to DESIGNATE A PRODUCT which originated within that area and whose QUALITY and CHARACTERISTICS are due exclusively to its origin both because of NATURAL and HUMAN elements.

Tequila is the first product that was granted protection as an Appellation of Origin in Mexico (1974)



The Mexican Government holds all the rights over the use of the name Tequila





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Economic Impact of the Appellation of Origin

In a globalized market, product differentiation is fundamental and:

- Constitutes an essential tool to remain in the market, develop and achieve economic success.
- In a free market, identity is the means of being known in advance, and this recognition leads to a well-deserved reputation.
- Reputation stimulates demand and, when dealing with exceptional products of a limited supply, prices undoubtedly increase.



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THE BUSINESSMAN:



A psychological reaction is triggered in the producer's mind when he realizes that the fruits of his labor are linked to a product considered as an Appellation of Origin for which he is intimately involved in the production and marketing cycle.

- Interest in continuous improvement of his product.
- Constant updates of his technical knowledge.
- Sustained growth in quality and marketing.



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THE CONSUMER:

- Sees the improved quality of the product.
- Benefits from the production controls to which the product is submitted.
- Satisfied consumers continue to purchase the product.
- Motivates the producer to improve his terms of supply.
- Attract new clients by offering them quality goods.
- In the end consumers are the best marketing tools as they talk and recommend the product to new buyers.



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Appellation of Origin

Functions:

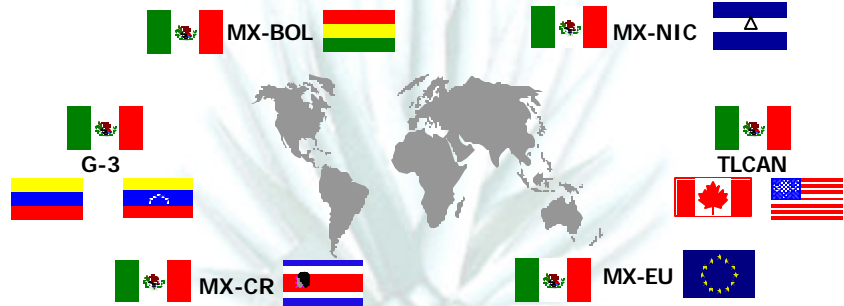


- Designate the product.
- Identify its geographical origin.
- Creates a tie between the quality and characteristics of the product and the place.
- Geographic environment and human factors.
- Prevents the Appellation from becoming a generic name.



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International Legal Framework



- México-Colombia and Venezuela.
- México-Bolivia.
- México-Costa Rica.
- México- Canada and USA.
- México-Nicaragua.
- México-Chile.
- México-El Salvador, Guatemala and Honduras.
- México-Israel.
- México-EU.
- México-EFTA.



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Mexico has

- 9 Appellations of Origin and 3 Collective Trademarks

- | | | |
|---------------------------------|--|--------------------------|
| 1.- Tequila | | 1.- Raicilla Jalisco |
| 2.- Mezcal | | 2.- Montemorelos Oranges |
| 3.- Olinala | | 3.- Beaf from Nuevo Leon |
| 4.- Talavera | | |
| 5.- Veracruz Coffee | | |
| 6.- Amber from Chiapas | | |
| 7.- Bacanora | | |
| 8.- Sotol | | |
| 9.- Mangos from Ataulfo Chiapas | | |

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Region of the Appellation of Origin

180 Municipalities from 5 States

NAYARIT:

- 1.- AHUACATLAN
- 2.- AMATLAN DE CAÑAS
- 3.- IXTLAN DEL RIO
- 4.- JALA
- 5.- JALISCO
- 6.- SAN PEDRO DE LAGUNILLAS
- 7.- SANTA MARIA DEL ORO
- 8.- TEPIC

GUANAJUATO:

- 1.- ABASOLO
- 2.- CD. MANUEL DOBLADO
- 3.- CUERAMARO
- 4.- HUANIMARO
- 5.- PENJAMO
- 6.- PURISIMA DEL RINCON
- 7.- ROMITA

JALISCO:

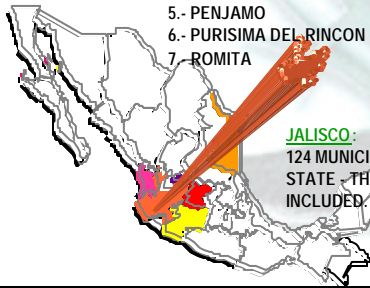
124 MUNICIPALITIES OF THE STATE - THE ENTIRE STATE IS INCLUDED

TAMAULIPAS:

- 1.- ALDAMA
- 2.- ALTAMIRA
- 3.- ANTIGUO MORELOS
- 4.- GOMEZ FARIAS
- 5.- GONZALEZ
- 6.- LLERA
- 7.- MANTE
- 8.- NUEVO MORELOS
- 9.- OCAMPO
- 10.- TULA
- 11.- XICOTENCATL

MICHOACAN:

- 1.- BRISEÑAS DE MATAMOROS
- 2.- CHAVINDA
- 3.- CHILCHOTA
- 4.- CHURINTZIO
- 5.- COTIJA
- 6.- ECUANDUREO
- 7.- JACONA
- 8.- JIQUILPAN
- 9.- MARAVATIO
- 10.- NUEVO PARANGARICUTIRO
- 11.- NUMARAN
- 12.- PAJACUARAN
- 13.- PERIBAN
- 14.- LA PIEDAD
- 15.- REGULES
- 16.- LOS REYES
- 17.- SAHUAYO
- 18.- TANCITARO
- 19.- TANGAMANDAPIO
- 20.- TANGANCICUARO
- 21.- TANHUATO
- 22.- TINGUINDIN
- 23.- TOCUMBO
- 24.- VENUSTIANO CARRANZA
- 25.- VILLA MAR
- 26.- VISTA HERMOSA
- 27.- YURECUARO
- 28.- ZAMORA
- 29.- ZINAPARO
- 30.- MARCOS CASTELLANOS



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Main Advantages of the Appellation of Origin

- Certification by the TRC
- Guarantee of quality for the consumer
- Benefits for the entire production chain
- Tendency of consumers to buy quality products
- National and international recognition
- The only region in the world allowed to produce Tequila





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To guarantee compliance with the Appellations of Origin it is necessary to tie them to Mexican Official Standards (compulsory compliance).

Main contents of the Mexican Official Standard for Tequila:

- Classification of Tequila
- Product specifications
- Testing methods
- Quality control
- Labelling information



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TRC Verification outside Mexico:

From September, 1997

Opening of a TRC representation Office in Europe with the support of BANCOMEXT, which provided space at their offices in Madrid, Spain; Chicago, Illinois; and Tokyo, Japan.

Goal: Ensure compliance with the Mexican Official Standard for Tequila.

From 2001: Verification in the USA and Canada

Diagnostic: Current Situation-MARCH, 2003

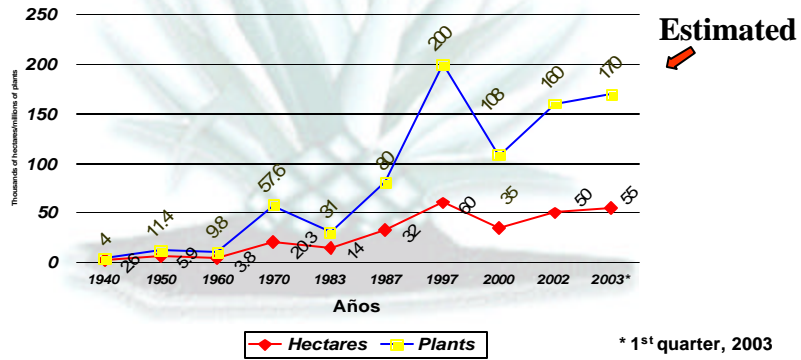
FIELD

Agricultural potential of protected area :	1,600,000 Ha. Approx.
Hectares planted with agave in 2003:	55,000 (2.25%)
No. of farmers registered with TRC	9000
Approx. No. of agave plants	170,000,000

PRODUCTION CHAIN

No. of Tequila producers:	104
No. of domestic brands	708
No. of foreign brands	236
No. of families that depend on the industry	36,000

Hectáreas y plantas de agave cultivadas
Fuente: CRT. Y La historia del tequila de sus regiones y sus Hombres. Rogelio Luna Zamora 1991



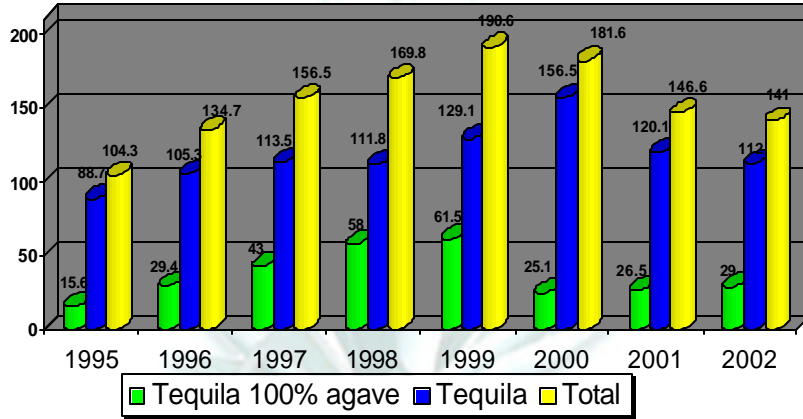
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Statistical Information



Total Production: Tequila and Tequila 100%

Volumes expressed as 40% Alc. Vol. Millions of liters

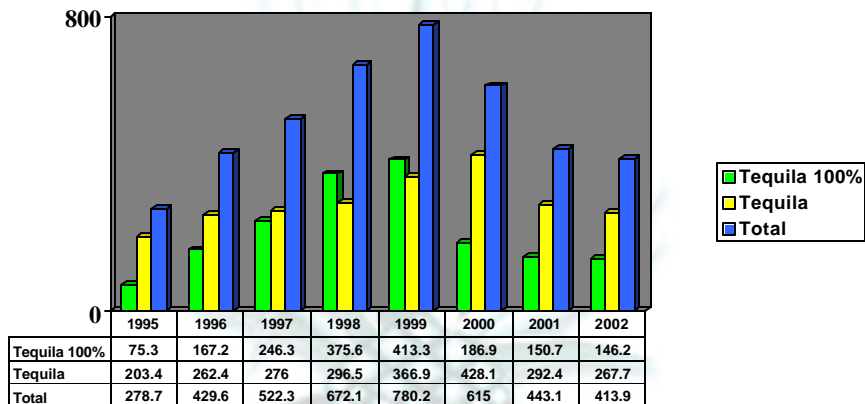


Comparative 2001 - 2002

Tequila:	- 6.74%
Tequila 100%	9.43 %
T o t a l:	- 3.82%

Agave Consumption for Tequila and Tequila 100% agave

(millions of tons)



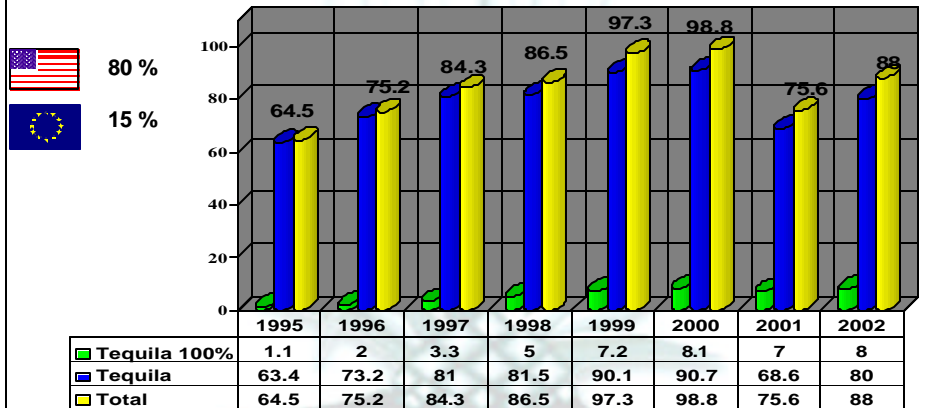
Comparative 2001 - 2002

Tequila:	- 8.44%
Tequila 100%	- 2.99%
T o t a l:	- 6.58 %

Exports by CATEGORY

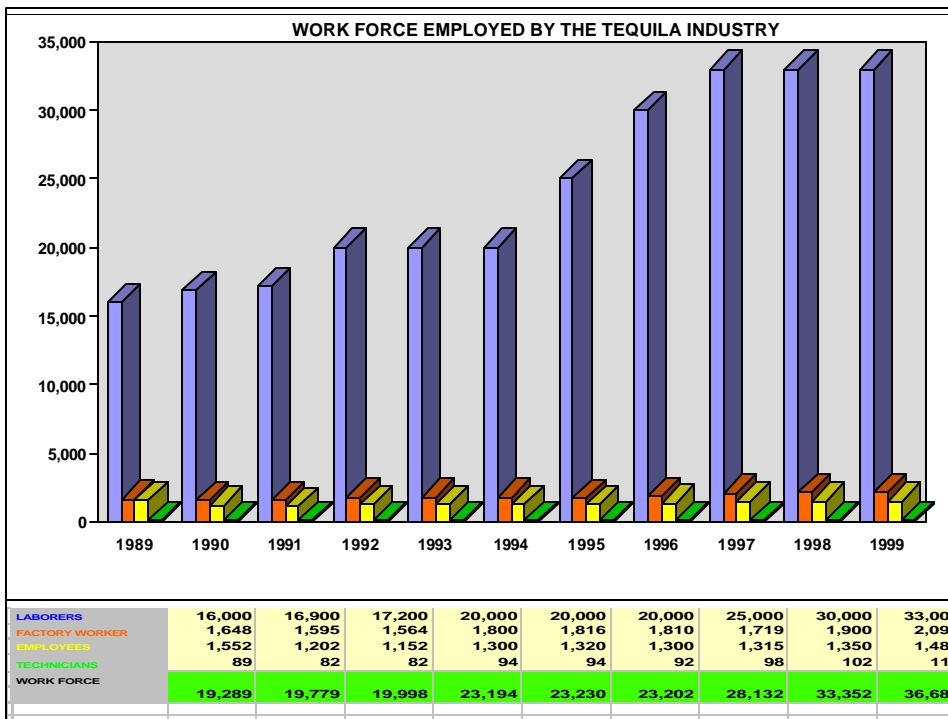
Tequila and Tequila 100% agave

Volumes expressed as 40% Alc. Vol. Millions of liters



Comparative 2001 - 2002

Tequila:	16.61%
Tequila 100%	14.29%
T o t a l:	16.40%





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STRATEGICAL PLANNING:

Main Goals:

- To design a model that allows us to **ELIMINATE** the differences between **SURPLUSES AND SHORTAGES** of agave in the short, medium and long term.
- To have a **FLEXIBLE MODEL** that allows us to update the various variables that affect the production chain.
- To propose **MECHANISMS TO IMPLEMENT THE SELECTED STRATEGIES.**
- To promote and provide a **FRAMEWORK THAT RECONCILES** the various sectors of the Agave-Tequila production chain.



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STRENGTHS

- Appellation of Origin
- Existence of a Mexican Official Standard for tequila
- Foreign capital raising
- Industry's capacity
- Regional and seasonal crop
- Tequila Regulatory Council

OPPORTUNITIES

- Markets in expansion
- Free Trade Agreements
- Representative product of Mexico
- Employment of fields not suited for other crops

WEAKNESSES

- Lack of technology and research
- Poor vinculation between growers and producers
- Uncontrolled bulk sales
- Lack of organization in the production chain

THREATS

- Loss of Market
- Phyto-sanitary issues
- Pseudo -Tequilas
- Lack of support to farms producers
- Surpluses and shortages of agave
- Informal agave market



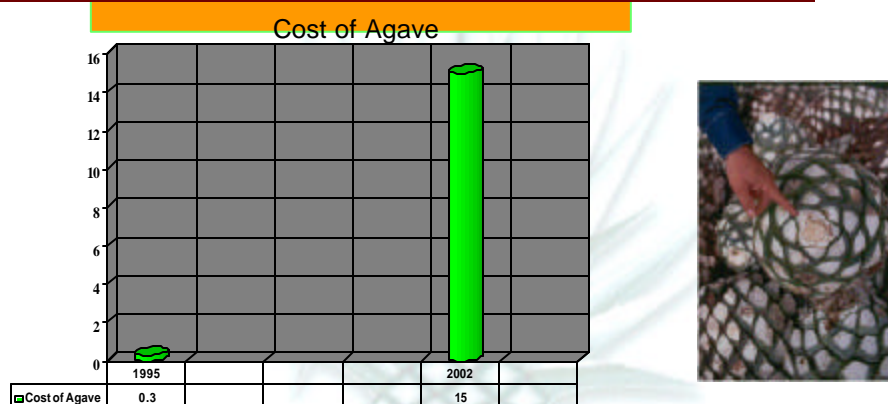
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Major Achievements in the protection of the Appellation of Origin Tequila:

- Elimination of 86 brands of pseudo-tequila.
- International promotion and surveillance by BANCOMEXT.
- Opening of offices: ARANDAS & TEQUILA, JAL.; MADRID, SPAIN; WASHINGTON & CHICAGO, USA; TOKYO, JAPAN.
- Creation of two new Customs Tariff Classifications specific to Tequila imports into the European Union
- TRC certificate is required to import Tequila into the USA and the E.U.
- Destruction of approx. 1 million liters of false Tequila in two years



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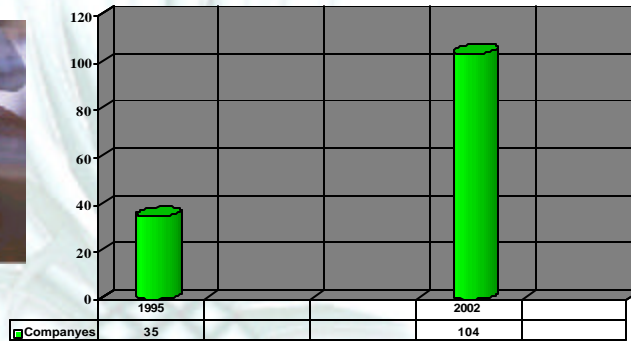


In 1995 a Kg. of agave costed \$00.30 of a mexican peso
In 2002 a Kg. of agave costed \$15.00 mexican pesos



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Tequila Producing Companies

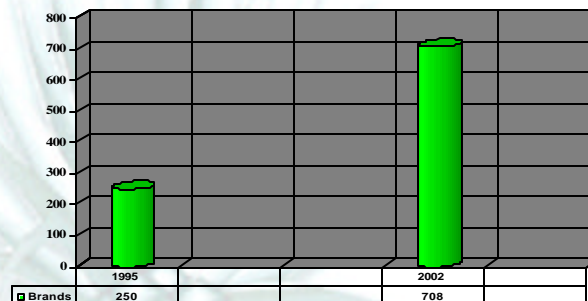


Increase of 297% between 1995 and 2002. In other words, 69 companies were started producing Tequila. A total of 104 to date



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Brands marketed in Mexico



Increase of 260% between 1995 and 2002. In other words, during this lapse of time, 400 new brands appeared in the domestic market. A total for 708 to date.



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International promotion and protection AGREEMENTS:

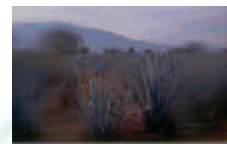
- The Regulatory Council for the Appellation of Origin, Qualified Rioja, Spain.
- The French Ministry of Agriculture, Fisheries and Food regarding geographic indications to combat forgery and adulteration.
- Scotch Whisky Association with a view to protect its appellation. (2001)



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Agreements:

- To develop a national surveillance programs to oversee the distribution, marketing practices at point of sale and consumption centers.
- Monitoring of sales related to other alcoholic beverages that may be illegally sold and represent an unfair competition for Tequila, and a threat to the consumer.





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The case of "Tequila" as an Appellation of Origin.

Factors that contributed to the economic phenomenon of Tequila.

- > Protection as an Appellation of Origin by IMPI.
- > Link of the Appellation with an Mexican Official Standard (the NOM).
- > Creation of the Tequila Regulatory Council (TRC).
- > Tequila 100% agave and Tequila producing companies.
- > Variety of Tequila to suit consumer's taste: silver, gold, aged, extra-aged which formulation is softer.
- > Women as Tequila drinkers.
- > Design of always more original and sophisticated bottles.
- > Margarita cocktail in the USA.



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- > The importance to a developed or developing country of the establishment and protection of the geographic origins of its products is undeniable. Through distinctive symbols which make a series of qualitative characteristics famous, it is ensured that consumers in international markets will accept and favor the product.
-



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- Mexico established and developed an important tradition of protecting appellations of origin through its industrial property legislation. This tradition is internationally recognized by Mexico's membership in the Lisbon Arrangement and inclusion in free trade agreements.



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The term "Appellation of Origin" is linked to:

- Cultural traditions which exist in the countries that have developed and perfected the manufacture of a product belonging to one of its regions.
- The region's very own cultural values and traditions.
- Represents the result of experience acquired and transmitted from generation to generation.

→ In conclusions, The Geographical Indications, are our regional contribution from the past to the present and future globalized world.



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Tequila,
A Gift from Mexico
to the World



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Thank you very much
