

# Rum's Upscale Run

*The industry is investing,  
and the shelf space for high-end rums  
is becoming more crowded*

BY H. LEE MURPHY AND JULIA HIGGINS

**T**he rum industry is headed toward the premium tiers, defined as being above \$20 a 750-ml. Amid all the upscaling in Bourbon and Scotch, rum makers are determined to get their share of space at the high end, and are rolling out aged rum offerings to draw in those same consumers.

To return to growth, rum first needs a jump-start. The four top Puerto Rican rum brands saw sales decline by nearly 2.5 percent in 2016 compared with the previous year, according to Impact Databank. Bacardi's sales decreased 1.4 percent to 6.96 million nine-liter cases, extending a downturn that's persisted since 2007, when volume stood at 9.18 million cases. Popularly priced Ronrico, owned by Beam Suntory, and Castillo rum, owned by Bacardi, both suffered sales declines of around 10 percent.

Premium brands, however, are heading upward. William Grant & Sons' Flor de Caña saw sales jump 26 percent in 2016 to 129,000 cases, while Pusser's from Shaw-Ross International was up more than 10 percent. Other upmarket brands experienced less pronounced increases: Rémy Cointreau's Mount Gay, for instance, rose less than 2 percent to 181,000 cases. Still, the trend toward premium growth is clear.

The revival of tiki culture in many upscale bars in the past decade also has contributed to rum's upscaling, and big chains are catching on. The 29-location Bahama Breeze, owned by Darden Restaurants, has been offering such choice labels as Barbancourt 15-year-old Estate Reserve (\$11.79 a 2-ounce pour), Flor de Caña 18-year-old (\$12.29) and Mount Gay XO (\$11.79). There's even a premium rum flight for \$14 that features pours of the Barbancourt, along with El Dorado 15-year-old and Zaya Gran Reserva.

"Aged, upscale rums are still a smaller part of our business," says Helen Mackey, vice president of beverage strategy and innovation at Darden. "But they are definitely growing for us. We offer 20 rum cocktails and we are increasingly incorporating aged rums."

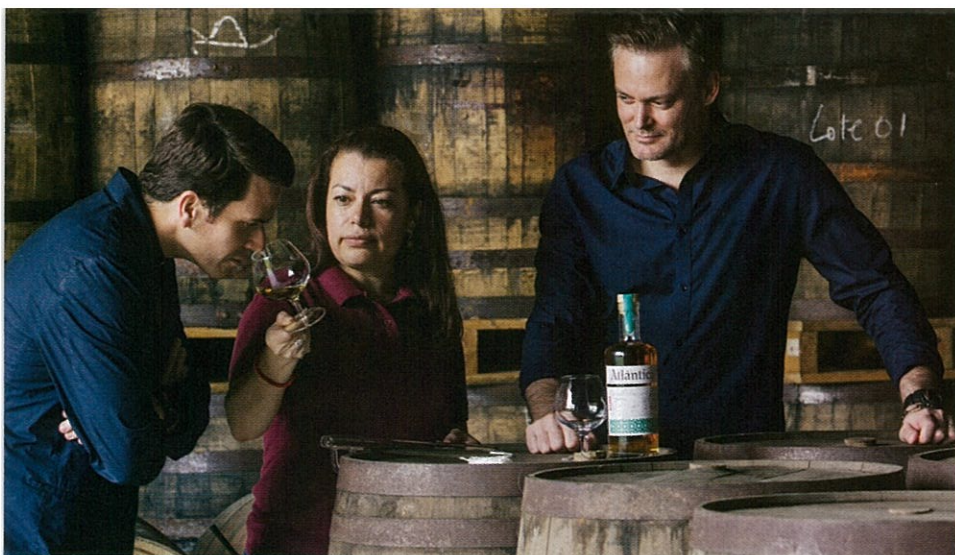




Venezuela's Diplomático (warehouse pictured) is bringing new consumers into the ultra-premium rum category by innovating on single distillates and blends.







Many Caribbean-based rum producers, including the Dominican Republic's Atlantico Rum (co-owners Aleco Azqueta, left, and Brandon Lieb, right), use solera systems to offset evaporation. Solera-aged rums often list the oldest liquid in the bottle.

In New York City, Dante's head bartender Marlo Gamora has taken to stocking such upscale brands as Banks and Santa Teresa for mixing in Rum Manhattans and rum-based Negronis (\$18). "People are coming over from whisk(e)y," Gamora observes. "They're finding that aged rums are priced very reasonably compared with Bourbon or Scotch. They're perfectly willing to try rum in an Old Fashioned instead of whiskey."

But some more expensive rums are also performing well, despite being matched in price with high-end whiskies. At K&L Wines in California, spirits buyer David Driscoll has seen customers gravitating toward ultra-premium rums. "We're in one of those situations where people have become so conditioned to spending over \$50 and even \$100 for a great bottle

of whisk(e)y," Driscoll says. "Because rum hasn't really hit that price point, I tried to start with \$30 bottles and \$40 bottles, and it just didn't work. People are willing to pay a lot more for rum now." K&L's private label, Golden Devil, offers three tiers of exclusive single-barrel, cask-strength rums at \$20, \$100 and \$200. According to Driscoll, the \$200 bottle—which was distilled in 1992 in a single pot still at Enmore Distillery in Guyana—has outsold the other two offerings five to one.

Within this rising connoisseur class, an appreciation for the difference in rums' point of origin is taking hold. Gamora notes the distinctions. "Most Americans don't know the differences between the

islands yet," he explains. "Martinique produces rums that are green, grassy and dry. Puerto Rican rum is richer and more robust. Jamaican offerings have spices, bananas and fruit flavors, and are both bold and funky in taste. People are trying to understand all of this. They're finding the category quite exciting in the process."

## Solera Aging

Aleco Azqueta, co-owner of Atlantico Rum, readily concedes that premiumization has been late coming to the rum category. He partly blames confusing rules surrounding age statements, which—unlike with whisk(e)y—often do not refer to the age of the youngest liquid in the blend. Many Caribbean producers use soleras—barrels that are consistently partially emptied and then refilled—to age their rums. The age on the finished product's label often refers to the oldest rum in the mix, rather than the youngest. For example, Azqueta's Gran Reserva from the Dominican Republic has rums as old as 25 years in its blend, yet it retails at just \$35.

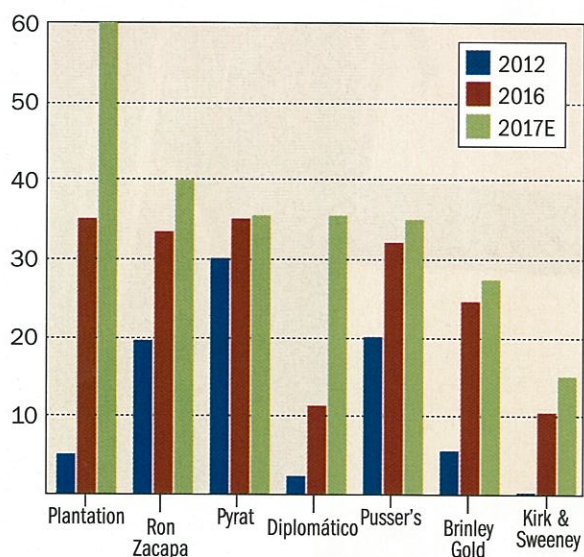
"Solera aging helps offset the terrific evaporation that occurs in the Caribbean's tropical climate, where you can get as much as 10-percent evaporation per year out of each barrel," Azqueta says. "In a northern climate the evaporation might be 2 percent or 3 percent a year. As it is, aged rums are much more evolved and better understood right now in the European marketplace. The U.S. is catching up."

Atlantico is set to release two solera-matured products in the U.S. market later this year, both on extreme allocation. The new Atlantico Cognac Cask rum features a portion of liquid that's been solera-aged for as long as 25 years, followed by one year of aging in Cognac casks. Only 300 six-bottle cases are coming to the U.S. this March. Meanwhile, Atlantico Reserva Tempranillo Cask, also solera-matured but finished in Tempranillo casks for a year prior to bottling, will hit shelves this summer. Both rums are retail priced at \$50 a 750-ml.

Rum gets further complicated when it's not finished where production starts. A year ago, Cognac house Maison Ferrand acquired the West Indies Rum Distillery in Barbados with the goal of having its Plantation Rum brand made exclusively

## LEADING UPSCALE RUM BRANDS IN THE U.S. MARKET\*

(thousands of nine-liter case depletions)



\* At least \$20 a 750-ml.

Source: IMPACT DATABANK ©2018



there. Yet all the Plantation blends will continue to be finished in France in barrels ranging from Calvados and rye to Scotch and Cognac. The company's vintage-dated 2002 Plantation Barbados rum is priced at just \$50 at retail, though some single-cask offerings get closer to \$100 in price.

Guillaume Lamy, vice president of the Americas at Maison Ferrand, recalls that "15 years ago in the U.S. there were very few people who cared about the quality of rum in their cocktails. There was no market for quality rum back then. Today, just 30 percent of the rum we make goes into cocktails. The rest gets sipped. And people are getting very sophisticated about exactly what they are sipping."

Plantation Rum eclipsed 60,000 cases in 2017, on a rise of roughly 70 percent. About 8,700 cases of the brand's volume is thanks to Plantation Pineapple Stiggins' Fancy rum (\$35), which sells out each year, according to Lamy. This year, additional high-end volume will come from two vintage-dated, small-batch expressions. Plantation Peru 2004 was distilled at Peru's Destilerías Unidas S.A. in 2004. After distillation, the rum spent 12 years in Bourbon barrels and Slovenian oak, and was then transferred to France, where it spent an additional two years in small, ex-Cognac casks. Just 500 cases of the rum will be available starting this spring. The Peruvian launch will be complemented by Plantation Fiji 2009, which was first distilled at the South Pacific Rum Distillery in 2009. The new entry was aged for seven years in Bourbon barrels and then moved to France, where it matured in ex-Cognac casks for another two years. This fall, 500 cases of Plantation Fiji 2009 will come to the U.S.

Shaw-Ross brand manager Rod Simmons, who handles the Barceló label, cites statistics that show just 5 percent of all rum sales occur at premium prices. That ratio is bound to change, he says. "We think the future of rum lies in the \$30-and-above category," he adds. Shaw-Ross isn't wasting any time: Its Barceló Imperial 30 Aniversario is priced at \$100 a 750-ml., with only 600 bottles allocated to the U.S. annually, while Ron Barceló Imperial is priced at \$32. The newly launched Barceló Imperial Onyx—matured in more heavily charred ex-Bourbon casks than Imperial—retails at \$40. Simmons thinks prices overall are headed even higher. "Rum is the one category that has yet to experience real premiumization," he says. "Brand owners are working to change that."

Destilería Serrallés is yet another rum producer actively adding to its premium lineup with a slew of limited-release, aged expressions. The Don Q 2007 Signature Release Single Barrel—aged for nine years in American white oak



New York City's Dante (interior top) stocks a variety of upscale rum brands, many of which are mixed in rum-based Negronis (above) and Manhattans.

and bottled directly from the barrel without blending—launched in mid-2017 as part of the brand's Single Barrel series. Only 4,000 cases of the rum, priced at \$40 a 750-ml., were released. In February, Don Q will further extend its premium offerings with the debut of its Signature Series Double Aged Vermouth Cask Finish. The \$50 expression was matured for five to eight years in American white oak casks, then finished for about six weeks in 600-liter Mancino Vermouth Vecchio casks made of Italian oak.

At Altamar Brands, which imports many of the labels turned out by Foursquare Rums in Barbados, vice president and director of marketing Brandon Cummins sees a downside in rum's premiumization push. Value-priced rums with dark color and lots of age are a chief draw for consumers moving from Bourbon and Scotch, he argues. "People tell us that whisk(e)y is becoming too expensive," Cummins says. "They're finding that rum has

similar character and depth of flavor at far more attractive prices."

Still, Altamar is taking its products quickly upmarket. Its Foursquare Criterion, aged 10 years in Bourbon and then Madeira casks and released at 57-percent abv, is retail-priced at \$90 a 750-ml. and very limited in supply. Another label, the Zinfandel Cask blend, has been aged five years in Bourbon casks and six years in Zinfandel. It's on the market at 43-percent abv, priced at \$59.

Foursquare's exclusivity and emphasis on experimental expressions have made it very successful with consumers at K&L. "Some rums can be a tough sell, because they have a lot of added ingredients," Driscoll notes. "Foursquare was the first rum distillery to go to market and sell the idea that they don't add anything to their products. They're all natural. This has resonated with consumers who research products and who want something out of the ordinary."

## Renaissance Coming

Marketers believe rum's challenge ahead is to break into broad Middle American markets. Orlando, Florida's Dehart Spirits sources its rum labels from Panama. "Rum has traditionally been viewed as a coastal sort of spirit associated with the water," says owner Dan DeHart. "But I think that's changing as more bartenders far from the coasts express interest in rum." For now, he notes, his products are in just a half-dozen states, with the 12-year-old Grandeur rum priced at \$40 a 750-ml.

Under President Obama there was great progress in unsealing



the Cuban embargo that kept cigars and rum from the spirit's heartland out of reach of American consumers. Some observers are wondering about a future, perhaps not long from now, when the blockade is lifted and Cuban rums—including Havana Club, whose trademark is owned by Bacardi in the U.S. and Pernod Ricard abroad—come flooding into the U.S. “We’re keeping an eye on what’s happening in Cuba,” says David Cid, global brand master for rum and cane spirits at Bacardi.

Meanwhile, Bacardi is moving upmarket with special bottlings. Its Facundo collection, named for the company's founder, includes dark rums like Paraiso, aged up to 23 years and finished in French Cognac casks, and priced at \$250 a 750-ml. In an interview with MARKET WATCH sister publication Shanken News Daily, Bacardi North America president

that include the aged rum as a pairing. “Rum can work well with a meal,” Sebastiani says.

Pot-distilled rums from Jamaica are also commanding attention at K&L. “A lot of independent bottlers will look to do pure pot distillates rather than blends,” Driscoll notes. “We’re going through this period where people are trying to understand what rum is as a blend. In order to do that, they need to taste the components individually. That will pave the way for the better enjoyment of rum in this super-premium category.”

Indeed, luxury Venezuelan rum brand Diplomático is thriving through innovations on single distillates. Its Distillery Collection, which launched in the U.S. in late 2017, features three single distillates that, when blended, comprise the majority of offerings in Diplomático's portfolio. “The collection allows us to educate people in an interesting way about our range,” says

Diplomático global marketing director Edouard Beasley. “At this price level—\$79 a bottle—with this range, it establishes us in the heart of the super- and ultra-premium rum.” The third and final expression within the Distillery Collection is set to launch later this year.

Diplomático has released a number of vintage-dated offerings as well. The 2004 vintage, priced at \$110 a 750-ml., is set to debut later this year, following on the heels of the distillery's 2002 vintage release. Beasley notes that, as a result of Diplomático's diverse array of luxury rums, “we see ourselves more and more as a competitor in the super-premium dark spirits category, rather than just rum in and of itself. That's something that will help grow the credentials of the rum category, and promote interest among consumers as well.” Diplomático reached 35,000 cases in 2017.

Diageo's Zacapa brand, meanwhile, has experimented with maturation techniques, with some of its barrels placed in the

Guatemala highlands—located 8,000 feet above sea level—to escape searing heat. Other rums have undergone secondary maturation in re-charred American oak barrels to bring out smoky, spicy notes. Diageo senior vice president of marketing Alex Tomlin reports that the company's Ron Zacapa brand is growing by double-digits, right up to the Zacapa XO priced at \$110 a 750-ml.

If \$110 sounds expensive, it's not close to the limit in rum. At Minnesota-based Haus Alpenz, founder Eric Seed secured some rums made more than 50 years ago for the British navy. Blended from spirits sourced in Trinidad, Guyana and Barbados, the product is called Black Tot Last Consignment British Royal Navy Rum and is priced at an eye-watering \$1,400. Just 80 cases were made available in the U.S. “The rum was pot-distilled at 52-percent abv in 1970 and has been held in glass demi-johns for most of the time since,” Seed says. “It tastes like very old Armagnac. If you're talking premium rum, it's the ultimate example of what can be done.”

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*Dominican Republic-based Ron Barceló (distillery's Historic Center pictured) has bolstered rum's premiumization with a variety of luxury product launches. The brand is banking on future growth in the \$30-and-above tier.*

Pete Carr said the company also sees huge opportunity for Bacardi Gran Reserva Ocho Años and Maestro (both \$25), and plans to launch more variants in the next few years in an effort to compete against whisk(e)y.

Harry Kohlmann, CEO of Miami-based import and marketing company Park Street, suggests that free trade with Cuba might be good for all rums. “It could propel rum to a huge re-emergence in popularity,” Kohlmann says. “Beyond Havana Club, there are many small, hidden treasures in Cuba, brands like Vigia and Mulata, that could do very well in the U.S. You'd see importers line up to make deals with them.”

Outside Cuba, a variety of countries are offering unique rum expressions. August Sebastiani, president of 3 Badge Beverage Corp., launched Kirk and Sweeney rum from the Dominican Republic in 2013. He now has three expressions, which top out with Kirk and Sweeney 23-year-old, priced at \$59 a 750-ml. The rum is able to mature that long, he explains, because it's aged within brick buildings sheltered from heat and humidity. 3 Badge has staged spirits dinners