Un trago amargo—A Bitter Drink: Beer, Water, and Globalization

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The Taproom

The Taproom is a monthly series that explores the rich history of all things beer. It is curated by **Pavla Šimková**.

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A truck drives down the street in Zaragoza, Coahuila, its loudspeaker reminding residents to conserve water or face fines. Local farmers also feel the pain, as they scale back planting due to a lack of water. Yet nearby, water is flowing well through an aqueduct carrying it to a factory 40 kilometers away in Nava, Coahuila. The factory is new, built by Grupo Modelo—maker of the world-famous Corona beer—in 2010 and expanded after its 2013 takeover by Constellation Brands. Inside, it produces 22 million beers a day for export largely to the US, each made using 3.25 liters of water piped in from the aquifer that serves Zaragoza.

Since 2014, this pattern has been repeated in other communities, including in Calera, Zacatecas, and Hunucmá, Yucatán, where new factories producing beer largely for export are threatening local water supplies. In summer 2017, conflicts over water resources reached a new height at the site of the next proposed factory in Mexicali, Baja California. Backed by ecologists, local protesters demanded that construction stop until the environmental impact assessments required by the US and Mexican governments were completed, arguing that production would upset the saltwater-freshwater relationship in nearby aquifers. They also requested a review of permits given to Constellation by the National Water Commission that granted water rights at reduced prices and ignored national laws. Protesters blocked roads and even won an injunction that stopped construction. But when Constellation asked the state for 70 million pesos to

pay for losses, police forcefully removed protesters and construction resumed. As one reporter wrote, it's a bitter drink for the affected communities.

Disputes over water are common in the brewing industry. But those occurring today in Mexico, the world's largest exporter of beer, have taken on new dimensions as globalization transforms beer's impact on local communities. Longstanding critiques of dependency and corruption are now filtered through the prism of the destabilizing impact of neoliberalism on public and private rights and uncertainty about the potential effects of climate change. As producers snap up water rights to produce beer for foreign markets, they are reviving historic struggles over foreign exploitation of natural resources and accelerating the commodification of water, access to which is already difficult for many Mexicans.

The origins of conflicts over the impact of beer production on Mexico's water resources date back to the industry's beginnings in the 1890s. Combining domestic capital with foreign expertise and technology, it grew to over 30 factories by the early 1900s. After Mexico's 1910–1920 Revolution, however, the industry faced the new 1917 Constitution, which enshrined the protection of natural resources and emboldened the popular classes. Subsequent conflicts over water revealed the tensions between private development, conservation, and public rights. Key to these conflicts was surface water, which fell under federal jurisdiction with the 1917 Constitution. New laws and regulations compelled beer producers and others to verify local sources, current use, and estimated future demand before receiving permits. Local consumers and *ejidatarios* (small farmers granted *ejidos*, or communal lands, after the Revolution) weighed in, pushing the federal government to recognize the primacy, as stated in the National Water Law, of domestic or urban public uses over private exploitation when considering permit applications. As water became a resource through which property rights, political authority, and social justice were negotiated, the state had to balance its desire for industrial modernization with its need for popular legitimacy.

Mexico's beer industry grew through the mid-century, as did tensions over water, especially once federal jurisdiction extended to subterranean water after 1947. By then, consolidation left only 20 brewers, as regional owners fell to competition or takeover. Consolidation increased pressure on water supplies while enhancing the power of brewers. The federal government continued to mediate water conflicts, though it often failed to monitor quotas or assess the appropriate fees. And as the state's commitments

to popular reform waned in favor of the Green Revolution, industrialization, and urban consumers, the power of *ejidatarios* and communities slipped away.

By the early 1980s, just three breweries—Modelo, Cuauhtémoc, and Moctezuma—remained, each producing almost solely for domestic markets. The economic crisis of that decade, however, soon revealed the problems of this orientation, as domestic consumption went into freefall. Unable to pay its debts, Moctezuma merged with Cuauhtémoc and focused on righting itself financially. Modelo, by contrast, seriously pursued exports for the first time, and with some success. Concurrently, global conglomerates began to eye Mexico. In 1993, Anheuser-Busch purchased 17.7 percent of Modelo; in 1994, Labatt bought 22 percent of Cuauhtémoc-Moctezuma. Mexico's producers now had access to international distribution networks that allowed them to export more aggressively. Despite repeated economic crises, annual beer production doubled between 1981 and 2001, with exports—dominated by Modelo—swelling to almost 20 percent of production. The success of Mexican beer abroad meant that when global consolidation accelerated in the early 2000s, Mexico became especially attractive. In 2010, Heineken acquired Cuauhtémoc-Moctezuma, and in 2013, Anheuser Busch-InBev completed its merger with Modelo. Transnational companies now control the links in the chain connecting Mexico's local water sources to the consumers of Corona beer in 180 countries.

Mexico today is experiencing double-digit increases in exports as more brands, like Tecate and Montejo, find foreign markets. And while 80 percent of Mexico's exports go to the US, markets are growing in places like the UK and China. As production surges to meet foreign demand, the pressure on Mexico's water supply increases. Constellation Brands, which due to a US anti-trust suit owns the rights to sell Corona in the US, has exacerbated these pressures. Ironically, its new factories are built in places like Mexicali and Yucatán, where industry consolidation decades earlier had shuttered them. However, rather than being Mexican-owned and serving domestic markets, they are owned by global conglomerates to serve foreign markets, with profits, and Mexico's water, being sent abroad.

As beer conglomerates limit local power, they are altering the management of water rights. Mexico is a dependent, developing economy with a state often unwilling or unable to defend local rights as it collaborates with global business. State legitimacy and sovereignty over water are threatened, as consolidation in the industry curbs Mexico's

ability to tackle natural resource concerns, ones that will grow as it faces the effects of climate change.

Beer is not the only player influencing the shifting line between publicly- and privately-owned resources. In the 1990s, the government revised the Constitution to allow the privatization of *ejidos*. More recently, there were massive demonstrations against efforts to privatize the state-owned oil industry. But in few cases is the conflict as stark as between global beer giants and defenders of local water sources. These companies pose significant threats to the water supplies of vulnerable communities. Conventional wisdom backed by scholars claims beer gave us civilization. But, as beer companies have morphed into transnational behemoths, beer's civilizing role in dependent countries—which have long had to grapple with the "civilizing" efforts of wealthier nations—tastes increasingly bitter.