

Brewed in Japan

The Evolution of the Japanese Beer Industry

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Introduction:

Beer's Evolution into a Japanese Commodity

Many Westerners believe that beer was invented in Europe, but Japanese brewers are quick to point out to their domestic customers that beer is not a strictly European innovation. To illustrate this point, the visitor's centre at the Kirin brewery near Yokohama features a large rotunda decorated with an elaborate mural depicting beer's global evolution. It begins by illustrating beer's origins as an ancient Egyptian beverage and then portrays its gradual adoption and adaptation by Europeans during the last millennium. Finally, the mural illustrates beer's importation to Japan during the latter half of the nineteenth century and its continuing domestic production. Of course, the message to Japanese consumers is that Europeans did not invent beer, which was brewed in at least some form in other lands thousands of years ago. By extension, therefore, the artist encourages Japanese to feel as entitled as Westerners to brew and enjoy beer, which has become a domestic Japanese commodity just as it did a European one.¹

Arriving at this proud conclusion, however, took several decades, and it was not fully realized until after the Second World War. Prior to that point, no Japanese brewer, even the largest among them, dared to portray itself as the maker of a totally domestic Japanese product, for it was not possible to brew beer solely with domestically grown malts and hops.² Instead, their strict use of authentic German ingredients, recipes, and brewing techniques was advertised heavily as fundamental to brewing high-quality, genuine beers worthy of their German brewmasters' uncompromising standards. As these brewing experts were trained in accordance with the *Reinheitsgebot* (German Beer Purity Law) of 1516, overcoming the lingering perception that domestically brewed beer was an inherently foreign commodity required time and a series of significant transformative pressures. These included the interruption of global trading patterns by two world wars, the formation of a domestic beer cartel, the total reorganization of the industry by Japan's wartime government, the forcible merger and closure of several leading brewers, the seven-year Allied Occupation (1945-52), and an unprecedented economic recovery.

As a business history of Japan's beer brewing industry, this book is concerned chiefly with how its surviving companies overcame the many obstacles to manufacturing, distributing, marketing, and selling this once-foreign beverage to Japanese consumers. My central claim is that, due to the pressures brought on by the Second World War, Japan's beer industry came to be regarded by consumers as the proud producer of a domestic Japanese product instead of a transplanted German one. Importantly, this shift involved the extensive involvement of Japan's government, which intervened at several points to foster, restructure, and reorganize the country's beer industry. Initially gradual, the pace of this transformation was accelerated dramatically in the 1940s by the exigencies of the war era, thus dividing the beer industry's development into two clear phases.

Chapters 1, 2, and 3 examine the first phase, which covers the industry's roughly seventy-five-year development up to the end of the war in August 1945. By the middle of the Meiji era (1868-1912), Japan's beer market was home to over a hundred small domestic firms, but they produced a comparatively expensive and distinctly German niche product for consumption largely by wealthy Japanese.³ Sales to factory workers and military personnel grew during the Taishō era (1912-26), but participation in the beer market remained rather unprofitable even for the half-dozen large brewers that had managed to survive to that point. Only during the first twenty years of the Shōwa era (1926-89) did they finally manage to establish control over their retail networks, but brewers remained largely dependent on imported ingredients and German engineers for much of that time. It was not until the Second World War that the brewers at last achieved genuine material and technical self-sufficiency. Importantly, however, that independence was realized only through a total reorganization of the industry by the Ministry of Finance into a brandless, revenue-generating arm of Japan's wartime command economy. The story of the first phase of the industry's development thus conveys the significant, lasting influence of its initial German character and the great depth of the technical, logistical, commercial, and economic pressures that faced its major firms between the 1870s and 1945.

The second phase of the beer industry's evolution is explored in Chapters 4, 5, and 6. Japan's postwar era began with a seven-year military occupation that maintained many wartime brewing agencies and regulations, but the war had set the stage for the industry's swift revival and the discovery of its own, domestic identity. Freed from the influence of German brewmasters, Japan's beer makers in the 1950s developed lighter recipes, ads aimed at younger, often female consumers, and commercials starring homegrown Japanese celebrities. Beer consumption grew tremendously through the 1960s

and 1970s, during which time packaging became more creative, product lines expanded, and beer advertisements were targeted more carefully toward key consumer subgroups. By the 1980s, Japan's beer industry bore little resemblance to its prewar self, despite the continued involvement of the Ministry of Finance in its carefully negotiated pricing and production regime. This unofficial postwar beer cartel prevented the underselling and excessive competition of the prewar era, but it also bored beer consumers. By the mid-1980s, many of them had grown tired of the market's lengthy domination by "Kirin Lager," and they were eager to try more innovative brews. The status quo was then shattered in 1987 with the debut of Asahi "Super Dry," which transformed Japan's beer market once more. Fully twenty-five years later, Asahi still leads the industry, but the marketplace has been altered radically since the mid-1990s by the government's permission of local craft brewing and by the advent of low-malt beers and related beer-like products. Today, a traditionally trained German brewmaster would hardly recognize Japan's beer industry, which has evolved to produce an array of unique, often seasonal brews for a diverse range of tastes. Japan's beer market is now among the most complex on earth, and its remarkable evolution continues.

Why the Beer Industry?

Like Japanese automobiles, Japanese beers are familiar products to many Westerners. In fact, there are several parallels between the origins, development, export, and eventual international production of these two commodities.⁴ Both were introduced to Japan by Westerners, both were first produced there with a good deal of Western technical and material assistance, and both were the purview of wealthier Japanese consumers for quite some time. Likewise, both industries were taken over or regulated by Japanese government agencies during the Second World War era, and both were deeply affected by the war and the subsequent Allied Occupation. Naturally, each of these sectors struggled in the early postwar era, but like Japan's automakers, the surviving beer brewers – Kirin, Asahi, and Nippon (later Sapporo) – came gradually not only to prosper, but to export successfully and ultimately to make their products overseas. Beer brewing also took root in postwar Okinawa, where Orion Breweries was established in 1957. Just as in mainland Japan, however, Orion was forced to struggle against Okinawans' own sense of industrial and commercial inferiority, which viewed their own products as no match for foreign imports. Establishing the quality and merit of indigenous Ryūkyūan wares required significant effort, and Orion's experiences parallel those of mainland Japanese brewers very closely.

For all of the above reasons, Japan's evolving and lucrative beer industry is deserving of historical investigation, especially as relatively little scholarly work has yet been done in English. The leading works include a book chapter by Harald Fuess that explores Japan's prewar brewers; recent work by Penelope Francks that discusses prewar beer sales and Japan's emerging consumer culture; and an article by Stephen R. Smith that studies the shifting postwar patterns of drinking etiquette brought on by Japan's wide-scale adoption of Western alcoholic beverages.⁵ Several business case studies have focused on Japan's leading brewers, but they deal chiefly with the industry's sales and marketing trends in the 1970s and 1980s. Given the scarcity of literature in English, this book therefore incorporates a wide variety of Japanese-language source material, some of which has also explored the "Japanization" (*Nihonka*) of beverages that were once thought of as distinctly foreign.⁶ There are also many good technical and historical sources that deal with the beer industry in depth, as well as a host of first-person memoirs by former brewing company executives.⁷ Some of the most detailed sources, however, come from the leading companies themselves, which, like many Japanese firms, publish official company histories on their major anniversaries.⁸ Significantly, major manufacturing companies are among the oldest continuously operating entities in modern Japanese history. Due to their longevity and stability, they offer us remarkably consistent perspectives on Japan's economic, industrial, and even social development since the 1870s.

Despite their substantial contents, however, company histories must be explored carefully, for their authors and editors are typically committees of company insiders, and the finished volumes are promotional in nature. Still, it is worth noting that for the bulk of the twentieth century there were fewer than six beer brewers operating in Japan at any one time, and just two, Kirin and Dai Nippon (Greater Japan), for much of the Second World War era. Although the latter firm split into Asahi and Nippon in 1949, only two other major firms, the liquor distillers Takara and Suntory, would enter Japan's beer market, in 1957 and 1963, respectively. Takara, however, withdrew from the beer market in 1967, leaving Suntory to compete alone against the industry's top three companies until Japan's government decided in 1994 to again permit small-scale brewing. For fifty years this tiny handful of companies thus composed Japan's beer industry, and as they are the only firms that have documented their industry's history in any depth, their official histories are at once both valuable and challenging. For example, we can be confident that the production, pricing, sales, and export data that they contain have already been vetted carefully by the Ministry of Finance, because in Japan, beer is taxed heavily at the point of production. At the same time, however, I have

also had to discern what has been omitted or left unsaid, what requires qualification or corroboration by contemporary sources, and what must be situated within the scholarly literature on Japan's late nineteenth and twentieth century development. Therefore, despite their value, I by no means rely on company histories exclusively. I also incorporate contemporary newspaper reports, market analyses, print advertisements, photographs, travel literature, museum collections, technical publications, published memoirs, and scholarly Japanese-language literature.

This book is my humble effort to fill a part of what has for many years been a large hole in the literature on Japan's industrial and commercial history. Naturally, a book on Japan's beer industry may attract a wide variety of readers, including historians, management scholars, general-interest readers, business and industry professionals, and Japan experts of all sorts, and no one book could begin to answer all of their questions. Fortunately, however, beer industry sources also include important details on such themes as living standards, social trends, women, war, leisure, urbanization, and popular culture. I have therefore endeavoured to capture and share much of that detail in order to connect the story of this industry's development with an array of broader issues affecting Japanese society. Still, I must make clear that I am a business historian, and this book is chiefly an industry and product history. It aims to demonstrate how the beer industry began and grew to become one of Japan's largest and most distinct, despite beer's entirely foreign origins. In so doing, it focuses closely on the struggles of the companies involved, their competitive strategies, the influence of Japan's government on their industry, and the reasons for beer's gradual transformation from a foreign luxury item into an affordable, appealing, and popular domestic commodity.

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