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Economic Challenges of "the Drink of the Gods" in Japan

Tatiana BOUZDINE-CHAMEEVA, Mari NINOMIYA

Bordeaux Management School, France; Faculty of Commerce, Fukuoka University, Japan
tatiana.chameeva@bem.edu, ninomiya@fukuoka-u.ac.jp

The traditional rice wine of Japan, sake, known as "the drink of the Gods", has a long standing history of more than 2000 years. It still remains the most popular alcohol beverage in the country despite the fact that consumption trends in some sake categories start slipping down during the recent years.

We start with presenting the history of sake brewing in Japan focusing on specific characteristics of the Japanese technique of "polishing" rice kernels and using the special types of yeast, koji. The history of sake is steeped in tradition, innovation, and custom. Sake brewing process required important investments and was dependent to a great extent on working capital, and sake brewers were representatives of the upper-class in Japan. Initially sake was mostly consumed by the upper classes. Nevertheless even before the Edo period (17th – 19th centuries) the village head controlled the taxation process and allowed to produce sake of rice surplus for drinking during the festivals in the village. Sake was also used for many different purposes in the Shinto religion, including as an offering to the Gods and for purifying the temple. Most of other uses for sake in Shinto are which are still in practice today.

In the 19th Japan's Industrial Revolution century introduced automation and machinery into the brewing process, making this popular drink even more available. Till 1960s the prices for sak were fixed basing on regulations and taxations. The rapid economic growth of Japan in the 1960s and the liberation of prices in 1963 boosted the production of sake all over the country. By the 1980s the local sake has come to the summit of its success: at the best times in the 1980s, an ordinary local sake brewery produced around 3000 Goku, by nowadays the production declined and is about three times less.

Since 1990s the consumption of national alcoholic drinks drops in all countries (like wine in France, sake in Japan). Total production of sake in Japan in 2007 was 37674196 Goku¹. During the last 20 years the sake production decreases as well as the number of sake breweries. There were about 2000 breweries in 2000, while in 2008 there are around 1400 breweries possessing licenses.

Moreover, not all out of these 1400 breweries really produce sake, some of them buy sake from small local producers or from Korea. Recently Chinese breweries have started producing sake in the north of China. 70% of the price of sake is the price of rice. As the Chinese rice is not as expensive compared to the Japanese rice, then the price for the Chinese sake is at least 10% cheaper than that of Japanese which add difficulties for Japanese sake producers on the international market (in the USA and Vietnam in particular) which is growing during the last 10 years.

We analyse the economic trends and structural changes in the sake production in Japan over the last 50 years. We examine taxation and transportation issues, present the configuration of distribution channels and comment consumer preferences. We put forward several hypotheses on the possible future evolution of the sake production sector in Japan.

¹ A bottle of sake is 1.8l, it is called Shou, 100 Shou makes 1 Goku. Therefore 1 Goku =180 l, and 3000 Goku equals 540 000 litres of sake (compared to 1367 000 litres of French wine in 2005)