

The Case of Sake

By Richard P. Greenfield



This shows how the appraisal entries are presented at The Joy of Sake.

Getting Down to Cases

The double meaning is intentional. Sake, like all beverages alcoholic and non-alcoholic, can be purchased by the bottle or by the case. And sake, as a case study of a traditional industry in transformation, is interesting for what it shows about expanding into a world market. Outside Japan, sake is most often referred to as rice wine. From a chemical process point of view this is incorrect, as sake is more akin to beer. However, from a metaphorical and cultural use view, sake is much closer to wine.

What They Were Drinking & Why Back When

Beer is probably the oldest alcoholic beverage, dating back at least to the Babylonian and Sumerian empires. Beer may have been produced and used as a means of preservation and nutrition. Our ancestors knew well the ravages of bad water, whether the water was bad from lack of proper sanitation or from various mineral deposits. It would not have taken long to observe that those who drank beer did not fall ill, and because the caloric value was high, they did not get as hungry.

Wine enters the story later because it requires more care and cultivation (growing grapes, crushing them, letting the juice ferment, and knowing when it is ready to be drunk). Although there are references to wine in the Old Testament, it was associated with the sacred and divine in ancient Greece, where Dionysius was the god of wine. Christians followed that tradition and improved on it with the doctrine of transubstantiation.

The ancients were not drinking Beaujolais Nouveau, however. Ancient wine probably was more like Greek and Turkish raki today. There are numerous texts that make references to wine having to be diluted or spiced to be drinkable at all. Despite that, though, the association with sacred rites and deities occurs early and frequently. The same is true with sake. Shrines were involved with brewing (and growing) rice just as churches were involved in growing grapes and making wine. Partly this came about because churches and shrines were also town gathering places and markets frequently were near or around them (as can still be seen in parts of Asia today), and partly because of donations. The Catholic Church owned many vineyards, and monks brewed liquors (though these were considered medicinal and had no liturgical role).

Every Man Needs His Vine & Fig Tree or Rice Field

In the metaphor, sake is certainly closer to wine than to beer. Both survived and thrived despite their brushes with the sacred. Wine spread, and places that started with cheap wine climbed the value chain (California, Australia, Chile) with each being recognized for having its own distinctive terroir.



*Author
Richard P. Greenfield*

Terroir seems like a natural for sake, focused as it is on types of water and over 800 specially developed strains of rice. Yet sake consumption peaked in the 1970s while wine consumption has continued to increase, year on year, all over the world (with the Chinese being the newest entrants to the culture of fine wine).

It would be easy to write this off as another example of the Galapagos syndrome that has afflicted so many Japanese products. After all sushi, raw fish, a radical notion in the United States and much of Western Europe, took off worldwide in precisely the same years that sake consumption in Japan continued to decline (exports were a negligible factor and still are not large).

The Beginning of the Decline

There is no one reason why this happened, but rather a perfect storm of reasons. The 1970s were when the generation that grew up before the war began to pass from the scene, and with them a part of sake culture. The generation that came back from the war or had grown up in it were also the generation that rebuilt Japan and were more open and interested in trying new things (beer was a relatively new thing, having been introduced in Japan very late in the 19th century) and, of course, things from overseas while expensive in everyday terms, were luxuries.

Chris Pearce, director of The Joy of Sake (a group that holds sake appreciation events in New York, San Francisco, and Honolulu pairing sake with various kinds of cuisine) ([Photo 1](#)), puts a slightly different spin on those demographics. "We have to remember that the really good sake, the top 15%, did not even become widely available in Tokyo until the early 1980s. What was being drunk before was not high grade and was really being consumed to get drunk. The time after the war, and even well into the 1970s, was not an easy

time to be a salaryman and fine sake culture was just a tiny sliver of the market. Most drinking was really to get drunk.”

His point is underscored by the fact that after the war it was allowed to add extra alcohol to sake. “That began to change around 1983,” he says, citing the example of Koshinokambai Sake from Niigata. Pearce’s timeline pushes back the domestic decline in the sake market from the 1970s to the 1990s when a slowing economy and demographics begin to catch up with the upper tier of sake (which he estimates at 15% of the total sake market). It changes the start of the decline of the domestic market, but does not change the scale or the need for exports.

Taxation Without Representation

Taxes also did not help since excise taxes were lower on other alcoholic beverages domestically. If someone was drinking to get drunk, there were cheaper and better alternatives available. Taxes are also cited by Pearce in terms of exports to the EU countries: “In Europe, for excise tax purposes, sake is taxed as wine, which means at wholesale there is a 2-3 euro whack per bottle. That, of course, gets marked up at retail, and by the time it is all done, including VAT, a very good bottle of sake which can cost 5,000 yen here can be double that in the EU.”

These are all realities, yet they fly in the face of other realities, the specialized varieties of rice used to make sake, the terroir of the water from this well, this stream, this mountain area. The breweries, however, with few exceptions, were small family-run enterprises with little footprint beyond their local area. When their customers moved away or passed away, they were not immediately replaceable.

Yet there were exceptions and they should be mentioned. Takara Sake opened their first brewery outside Japan in Berkeley, California in the early 1980s. Visitors were taken on a tour and allowed to taste, but also they were given recipes and suggestions on ways to use sake in mixed drinks. In New York, quite near the United Nations building, there was a sake bar featuring over 200 kinds of sake (its location under a building and adjacent to an underground parking lot made it a perfect venue for informal discussions between various UN delegations). They are opposite approaches, one aimed at mass consumption, the other a unique and not replicable set-up where the owner could use the classic Japanese model.

Enjoying It the Classic Way or Any Other Way

And classic sake culture did not travel as well, despite the exceptions given above. The famed Saketini was not created in Japan, but uses Japanese ingredients. “I am not sure, given the alcohol content, that sake is or would make a great mixer, as opposed to teaching people how to enjoy it on its own,” Pearce says.

John Gauntner ([Photo 2](#)), an American writer who has written on sake for years and holds the distinction of being the first foreigner to

serve on a best-sake-of-the-year competition, says, “In Japan, sake is rice and water. Period. Full stop.” That means no saketinis, no infusions of paprika, pepper or vanilla, and of course no mixing (a loss because sake happens to mix well with other beverages, as well as with other foods).

Classic sake culture is *sui generis*, to be enjoyed and savored in and of itself. There are many alcoholic drinks that share this — Scotch, brandy, port and sherry are but a few. Many wines as well, but no one was tried for heresy when wine spritzers or Sangria arrived on the scene. Rum used to be the liquor to mix with everything, but one of the latest trends is Rhum Agricole, that is, rum made from one estate, mostly in the former French Virgin Islands.

Sake was paired with Japanese cuisine for so long that many chefs never had a chance to pair it with other cuisines. That is also changing now. Gauntner gives sake appreciation seminars in the United States. These are not places to come in the evening, sip a few sakes and nibble some small foods. They are three-day and five-day events where the attendees learn the history and the differences between types of sake. Gauntner commented recently: “These are well attended. It is a serious commitment of time, so, as one would expect, there is a cross section of people from restaurants and hotels along with the occasional very enthusiastic amateur.”

When the United Nations designated Japanese cuisine as worthy of inclusion in the World Heritage roster, that was certainly a boost to sake, though how much remains to be seen. The Japan External Trade Organization already has in place programs to help sake

Photo 2: John Gauntner



breweries reach beyond local markets into the international market. There are, however, two interrelated problems that may impede the kind of outreach that sake brewers would wish for.

First, of course, sake is an alcoholic beverage and thus subject to excise taxes in almost every country (including Japan). These taxes can be light or very heavy (the Scandinavian countries have long had high excise taxes on all alcoholic beverages). Second, sake is derived from rice. Japan currently has extremely high tariffs on all foreign rice, and other rice-exporting countries may impose extra tariffs on sake or any other Japanese rice product in response.

Excise taxes and trade agreements are always about more than just one particular drink or one particular agricultural product. They take a long time to negotiate with large vested interests on all sides pressing to get the most while giving the least. That makes it particularly easy for smaller players to be overlooked or dropped between the cracks and loopholes of any agreement. That makes the current climate a bit more perilous for the smaller sake producers.

Even the case of excise taxes should not be overlooked as a large source of dissatisfaction. It is sometimes overlooked that after the American Revolution and long before the Civil War, a rebellion against the new government broke out over excise taxes on whiskey and stills (most whiskey was then what we would call today “artisanal” — farmers made it for themselves and their neighbors, and to sell for ready cash). The Whiskey Rebellion, as it is known, required President George Washington to dispatch Federal troops to quell it.

Being the Best in the World

Moving sake into the world market or exporting it into the world market may seem like an almost unrealizable dream. A few years ago it would have seemed an unrealizable dream for a Japanese whisky to be named as the best in the world, yet in this year’s *Whisky Bible*, published by James Murray in the United Kingdom, the Yamazaki Single Malt Sherry Cask 2013 was awarded the highest rating of any whisky in the world. Murray took the traditional Scotch distilleries to task for resting on their laurels.

For perspective, whisky has only been distilled in Japan for a bit less than a century (beginning in the 1920s) — less than a tenth of the time sake has been brewed here. Scotch fans and collectors will be clamoring for the abovementioned Single Malt and looking ever deeper into Japanese whiskies.

Sake exports currently have taken some surprising turns. As one would expect, the majority of exported sake still goes to the US. Both Gauntner and Pearce export sake, and Pearce cites the UK as an interesting growth market: “London has quite an interesting food scene as well as a Japanese community, so my orders from there have been increasing.”

Looking North

Keith Norum, a representative for Masumi sake, says: “We have been shipping more to the Nordic countries.” Scandinavian cuisine has been in the limelight for the last few years and Norum speculates “This could be that the chefs there have become more innovative but it also could be more general, in the sense that Nordic cuisine, like Japanese cuisine, uses a lot of salted and pickled dishes as mains or side dishes, and sake cuts through those very nicely.”

Left off the list, surprisingly, is the Netherlands, where fish, both fresh and salted, has been a staple for centuries. Other hotspots in Europe that are generally cited are Switzerland (particularly around Geneva which hosts many UN agencies) and Dusseldorf and Berlin, which both have sizable Japanese communities, and, in the case of Berlin, restaurants where chefs are making new pairings.

Will They Drink It in Peoria?

With most sake being exported to the US, a brief look at the American market is helpful. In market terms sake is less like a car or a piece of electronic equipment than it is like any other beverage or food item. Across the US a Toyota is a Toyota. The brand or certain models may be more popular in some states than others, but sales numbers will be the main variation. Move over to food and there is a much larger difference. Some is based on local population and food traditions (or innovations). Cities that have large Asian-American populations are also likelier to have more demand for Asian food and beverage products than cities and states that do not (this is harder to quantify in the US than it used to be because Asian-Americans are one of the fastest-growing minorities).

Andrew Robinson, a sales representative for World Sake Imports in New York City, gives the example of a bar called PDT (Please Don’t Tell). “They are already doing some really interesting cocktails with sake as an ingredient,” he says. These variations within the US market make it one of the most challenging for sake brewers and importers alike.

The very same city can be host to a Joy of Sake event ([Photo 3](#)), one of Gauntner’s seminars, and a hot new restaurant where the bartender is mixing sake with black pepper or vanilla or paprika as infusions. And all of those trends, contradictory as they may be, have to be fed back to brewers here who must try and adjust if a new creation, like the Saketini, looks like it has “legs” and will be around for a while.

It is a daunting task, educating the interested public in classic sake culture, while adjusting to the changes that are sweeping the beverage market, particularly the alcohol market (a few short years ago, the idea of spiced bourbon would have been laughable, but it is already on the shelves now).

A capsule description for making market penetration for any product has to include both creating demand and adjusting to local

Photo 3: Chris Pearce, *The Joy of Sake*



From *The Joy of Sake in New York*, 2013

conditions. Demand is always a variable, rising and falling in a tide like waves. Local conditions are equally variable. If you do not know who is on the ground, who are the customers you want to reach, and what they like and want, then you are flying blind.

A Case of New Coke?

On the road to mastering those factors there is a lot of roadkill. Take Coca-Cola, one of the most recognizable names worldwide, and considered one of the most valuable companies in its sector. In the 1980s, without consumers or distributors having asked for it, Coca-Cola introduced what was called New Coke. People began hoarding the older variety and shunning the new item. Grocery stores were left with cases that no one wanted to be near. Within six months the product was recalled, never to be mentioned again. This was a classic case of the people in the executive suite being totally disconnected from their own marketing and sales, as well as their supply chain. It was someone's idea of a brilliant idea that people who should have known better signed on to.

Taming the Bull

An almost opposite case is the energy drink Red Bull. There have been other and more effective tonics available in Japan, South Korea and China for decades. Red Bull was created by an Austrian entrepreneur, based on an existing energy drink in Thailand, who realized its potential, even though that potential was initially through its association with raves and the use of illegal drugs. Red Bull survived that, adapted its formula for Western tastes (there is some country by country variation) and today is one of the most recognized names in the industry.

There are many superior products on the market, but they are not in every convenience store across much of the world, and they are

not able to afford to field a Formula 1 race team. Many marketing teams would not take the risks Red Bull did, the association with a demimonde which was itself associated with consumption of then-illegal substances. It was a risk, to be sure, but no more of a risk than if sake had been widely introduced in the US during Prohibition (a time when even the Catholic Church had to have special dispensation for the serving of communion wine, despite its integral part of the ceremony).

The point here is that too much adherence to a tradition or even the prevailing norms of the time can push a product back to where it cannot be distinguished from the background noise of the many products competing for attention in the market place. Coca-Cola and Red Bull, while they are opposite examples, do exist within the non-alcoholic beverage sector together. Alcoholic beverages are, in one way, separated, as they are subject to different tax regimes and age limitations that do not apply to non-alcoholic beverages.

The easy counter to this is that there are currently alcoholic beverages that were once staples that now languish. French wine may rule the wine world, but cognac and Armagnac and Calvados (apple brandy) lag far behind whisky, gin, rum and tequila in the current US market. The reasons also have to do with trends, demographics, product image and marketing. Tequila gained a huge amount of market share when some mixologist came up with the Tequila Sunrise (a drink which remains one of the few cocktails to ever have a big budget Hollywood movie named after it).

That leaves the sake industry in a kind of limbo. Certain consumers who have not yet been exposed to classic sake culture and its long heritage will be drawn to it. But they represent only one segment in any particular market. Others will be drawn to novelty, and the entire liquor and wine industry has staked an enormous amount in cash (the Suntory acquisition of Jim Beam and all its associated properties was a multi-billion dollar deal) and reputation on both the introduction of new products and the resurrection of older products that have languished in the shadows in the last decades.

No one needs to make a film called *Saketini* to bring sake to the attention of consumers. It will be the synergy of both the traditional and innovative, the previously unimagined food pairings, *saketinis*, and the opening of new markets as well as the expansion of existing markets that will save the industry.

Note: Both spellings of “whisky” and “whiskey” are used in this article, the former as the more widely and generally used and the latter in reference to specific American or Irish products and events.

JS

Richard P. Greenfield is a journalist, editor and consultant living in Japan.