

A BRIEF HISTORY OF BREWING IN CANADA

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Introduction and evolution of the Canadian Federation

I joined the Labatt Brewing Company in London, Ontario, Canada. This move from the United Kingdom to Canada enhanced my fascination with yeast and introduced me to the Canadian brewing industry, which lasted directly for the next 25 years with an interest that still exists today. My fascination with modern history just predates the one that concerns yeast. When, in 1958, I completed the ordinary (O) level examinations (now GCSE) in Cardiff, Wales, I wanted to study advanced (A) level subjects (history, etc.) that would enable me to study history (particularly modern history) at university. My father's comment was, 'Obviously it is up to you, but do you want to become a school teacher? With a degree in history that is probably what will happen.' The answer to his question was that I did not want to be a school teacher. Although, I hope this paper demonstrates that this interest in history persists today.

Instead of history and related subjects, I successfully studied A level chemistry, botany, zoology and physics. During a botany practical session, my fellow students and I added dried baker's yeast to a cane sugar solution in a conical flask and incubated it overnight on a warm radiator. Next morning, the flask's contents were foaming and smelt of alcoholic yeast extract - 'Marmite'. A simple experiment but it influenced the rest of my life. For some reason, I was (and still am) fascinated with this microorganism and the process of alcoholic fermentation. Amongst many matters, it meant that I would spend 25 years working for a Canadian brewing company (Labatt's) and became immersed in its developments.¹

My wife and I moved to Canada in 1969 (along with many British and continental European brewers and brewing scientists who, over time, have moved to North American breweries), in order that I could be employed by Labatt's. I was based in the R&D Center located in the London, Ontario brewery. I was employed to be the Research Microbiologist working on various aspects of brewer's yeast functions. I subsequently became Research Manager, then R&D Director and, in 1986, was appointed Technical Director of the Company. I held this position until 1994 when I retired from Labatt's. I then moved to Edinburgh, Scotland to become Director of the International Centre for Brewing and Distilling (ICBD) and Professor of Brewing and Distilling at Heriot-Watt University, a position I held until 2008, when I retired again. I was subsequently appointed an Emeritus Professor of the University.

Throughout my whole time at Labatt's I was able to continue a hands-on focus of brewer's yeast research.² This activity was financially supported by Labatt's, the University of Western Ontario and various funding authorities of the Canadian Federal Government including: the National Research Council (NRC) and the Natural Sciences and Engineering Research Council (NSERC).

As well as reviewing the progress of Canadian history and its development into a federation, this article considers the formation and progress of the three principal Canadian breweries (Molson, Carling O'Keefe and Labatt's). In order to restrict the length of this paper smaller Canadian breweries are not reviewed in any detail. In addition, the evolution of the craft brewing industry in Canada as a whole only receives limited

consideration and perhaps should form the basis of a subsequent article on Canadian brewing, particularly craft brewing.

Every effort has been made to give attention to a consideration of Molson, Carling O'Keefe and Labatt's. However, because of my background and experience more attention has inevitably been devoted to the Labatt Brewing Company.

It is often said that 'the story of Canadian beer is the story of Canada'.^{3,4} Along with back bacon, curling, tukes, winter and ice hockey, beer practically defines Canada.⁵ Beer has been brewed in Canada (mainly Quebec) for at least 450 years - details later. It is worthy of note that brewing was arguably one of the first commercial scientific endeavours. Indeed, brewing is widely regarded as both an art and a science and the Canadian contribution to both these endeavors has been considerable and will be discussed later in this article.⁶ As a consequence, I deem it appropriate to initially discuss, in some detail, Canadian history. The history of Canada covers the period from the arrival of Paleo-Indians thousands of years ago to the present day. Canada has been inhabited for millennia by distinctive groups of indigenous peoples, with characteristic trek networks, spiritual beliefs, and social hierarchies. Various treaties and laws have been enacted between European settlers and the Aboriginal populations.

Beginning in the late 15th century French and British expeditions explored, and later settled, along the Atlantic coast. France ceded nearly all of its North American colonies in 1763 after the Seven Years' War⁷ and specifically the area near Quebec City as a result of the battle fought in 1759 by James Wolfe on the Heights of Abraham⁸ against the French led by the Marquis de Montcalm. With the end of the Seven Years' War and the signing in 1763 of the Treaty of Paris, France ceded almost all of its territory in mainland North America to Britain. The exception was the fishing rights off Newfoundland and two islands (Saint Pierre and Miquelon which are French overseas territories) where fish could be dried. In turn, France received the return of its sugar colony, Guadeloupe, which was considered to be more valuable than Canada as a whole.⁹

The new British rulers of Quebec retained and protected most of the property, religious, political, and social

culture of the French-speaking *habitants*. They also guaranteed the right of the Canadians to practice the Catholic faith and the use of French civil law (now Quebec law) through the 1774 Quebec Act and, amongst many other matters, this had a profound influence on the brewing industry (details later). Also, the Royal Proclamation of 1793 was issued by King George III. This proclamation organised Great Britain's new North American empire and stabilized relations between the British Crown and native peoples through regulation of trade (including the brewing industry), settlement, and land purchases on the western frontier.¹⁰

The signing of the Treaty of Paris 1783 ended the French/British war. Britain made several concessions to the Americans at the expense of their North American colonies.¹¹ Notably, the boundaries between Canada and the United States were officially demarcated. All land south of the Great Lakes, which was formerly a part of the Province of Quebec and included modern day Michigan, Illinois and Ohio, was ceded to the United States. Fishing rights were also granted to the United States in the Gulf of St. Lawrence, the coast of Newfoundland and in the Grand Banks. The British ignored part of this treaty and maintained military outposts in the Great Lakes areas they had ceded to the United States and continued to supply their native allies with munitions.¹²

The War of 1812 was fought between the United States and Great Britain, with Britain's North American colonies being heavily involved.¹³ The American frontier states voted for war in order to suppress the First Nation's raids that frustrated settlement of the frontier. Another goal may have been the failed annexation of Canada.¹⁴ The border was characterized by a series of failed invasions on both sides. The war ended in 1814 with the Treaty of Ghent. One result was the shifting of American migration from Upper Canada (mainly Ontario) to below the Great Lakes (Ohio, Indiana and Michigan). Following the war, supporters of Britain successfully tried to repress republicanism in Canada that was prevalent amongst American immigrants to Canada. The troubling memory of the war and the American invasions were etched into the consciousness of Canadians and a distrust of the United States towards the British presence in North America. Indeed, a small proportion of Canadians harbour this distrust to this day.



Figure 1. The Canadian Provinces/Territories and Their Capital Cities.

Rebellions against the British government in both Upper and Lower Canada took place in 1837. In Upper Canada, a group of Reformers took up arms in a disorganized manner with an unsuccessful series of skirmishes in Ontario around Toronto, London and Hamilton. In Lower Canada, a more substantial rebellion occurred against British rule. Both English and French-Canadian rebels, sometimes based in the United States, fought several skirmishes against the authorities.

As a consequence of these problems, the British Government in Westminster, London sent Lord Dunbar to study the question. After only a relatively short time in Canada, he recommended the amalgamation of Upper and Lower Canada. This recommendation was not well received. Antagonism between the French and English connections in eastern Canada has prevailed off and on to the present day. Although, currently, relations are acceptable.

The situation on the west and north sides of the Pacific coast should also be noted. In 1821, the trading companies, the North West Company and the Hudson's Bay Company merged, with a combined trading territory to the Northwestern Territory and the Columbia and New Caledonia fur districts, which extended to the Arctic Ocean in the north and the Pacific Ocean on the west.¹⁵ Also, the Colony of Vancouver Island was chartered in 1849, with the trading post at Fort Victoria as its capital. This was followed by the Colony of the Queen Charlotte Islands in 1853 and then by the creation of the Colony of British Columbia in 1858 and the Stikine Territory in 1861, which were formed in order to maintain these regions from being overrun and annexed by American gold miners.

The most important event in Canadian history occurred in 1867 with the formation of the Dominion of Canada on 1 July of that year. However, in 1864 the Quebec Conference and the Charlottetown Conference estab-

lished the frameworks for uniting the British colonies in North America into a federation.¹⁶ The term *Dominion* was chosen to indicate Canada's status as a self-governing colony of the British Empire, the first time this status was used about a country.¹⁷ With the establishment of the British North America Act (which was enacted by the British Parliament), the Provinces of Canada (Ontario, Quebec, British Columbia and Vancouver Island), New Brunswick and Nova Scotia became a federated state in its own right.

Federation was formed with a number of objectives:

- i) The British wanted Canada to defend itself;
- ii) the Maritimes needed railroad connections, which were promised in 1867;
- iii) British-Canadian nationalism sought to unite the lands into one country, dominated by the English language and British culture;
- iv) many French-Canadians saw an opportunity to exert political control within a new largely French-speaking Quebec and eliminate fears of possible U.S. expansion northwards;
- v) a desire for the expansion of responsible government and the elimination of legislative deadlocks between Upper (Ontario) and Lower (Quebec) Canada, and their replacement with provincial legislations in a federal structure (which had a profound effect on the Canadian brewing industry).

In 1866, the Colonies of British Columbia and Vancouver Island merged into the single Colony of British Columbia and with the promise of a railway to Victoria from Eastern Canada, until their incorporation into a Province during the Canadian Confederation of 1871. In 1873, the Island of Prince Edward in the Maritimes opted to join Confederation and in 1867 became a Province and was admitted into the country. Also, in that year, the Northwest Mounted Police [now the Royal Canadian Mounted Police (RCMP)] was founded to police the west and has now become a Canadian symbol all over the world.

In 1905, Saskatchewan and Alberta were admitted into Canada as provinces. Both provinces were rapidly growing due to abundant cereal crops (especially wheat and barley) that attracted immigration to the Canadian plains from the Ukraine and Northern and Central Europe and by settlers from the United States, Britain and eastern Canada. These factors influenced the devel-

opment of a brewing industry because of plentiful brewing raw materials and a consumer interest in beer.

The tenth (and final - so far) province in Canada became a reality in 1949. This was Newfoundland. The financial crisis of the great Depression led to the Dominion of Newfoundland relinquishing responsible government in 1934 and it became a crown colony ruled by a British Governor.¹⁸ In 1948, the British government gave voters three Newfoundland Referendum choices:

- i) Remaining as a crown colony;
- ii) returning to Dominion status (that is, independence);
- iii) joining Canada.

Joining the United States was not an option. After bitter debate, Newfoundlanders voted to join Canada in 1949 as a province and it was called Newfoundland and Labrador.¹⁹ The provincial status of Canada was now complete. In addition, remaining lands of the Hudson's Bay Company formed three territories - Northwest Territories, Yukon and Nunavut - that report directly to the Federal Government based in Ottawa (Fig. 1).

Basics of brewing in Canada

Beer in Canada was introduced by European settlers in the seventeenth century. The initial brewers in Quebec were: Frère Ambroise, Louis Prud'Homme, and Jean Talon. The first commercial brewery was La Brasserie du Roy, which was started by Jean Talon in Quebec City during 1670.²⁰ Many commercial brewers thrived until the introduction of Canadian Prohibition - details later.²¹ However, it is worth emphasising that the provincial and federal governments' attempt to eliminate 'intoxicating' beverages resulted in the closure of nearly three quarters of breweries between 1878 and 1928.²² Only in the second half of the twentieth century was a significant number of new breweries opened.

The origins of most of the major breweries in both North American countries exhibit similarities and differences. For example, John Molson, John Labatt, Thomas Carling and Moosehead (originally founded by Susanna Oland) were British/Irish immigrants to Canada in the 1700s whereas, Anheuser-Busch, Miller, Coors, Stroh and Schlitz breweries were founded by German (Czech) immigrants to the United States.

The first commercial Canadian brewery, established by Jean Talon, has already been discussed. Its establishment was a solution to several coincidental problems; notably there was a surplus of grain and a shortage of safe drinking water and the local economy was struggling because more money was being spent on imported alcoholic beverages such as French brandy than was being earned through exports in a classic example of leakage effects in a small open economy.

The brewery proved that the Quebec colony could achieve self-sufficiency in certain industries, and was so successful that it began exporting beer to the West Indies. Beer was an important early domestic and export industry and it demonstrated the economic potential of the colony. Many of Canada's early settlers brewed a form of beer in their homes, and some of the wealthier Canadians operated their own small brewery. Talon's commercial brewery only lasted a few years, and several others came and went. However, Quebec was the geographic epicentre of the development and expansion of the Canadian brewing industry.

In 1786, John Molson established, in Montreal, the first modern Canadian brewery on the Saint Lawrence River. It is still North America's oldest continuously operating brewing company. Other breweries soon followed, and by 1860, Canada was estimated to have 150 operating breweries. At this time, most were local, independent breweries, as most towns operated at least one brewery that only served the local market. They distributed their product through local taverns, as the bottling of beer for home sale did not become popular until the 1890s.²³ The lack of a well-developed transportation system meant that brewing remained a small-scale operation oriented only to local markets. The economics of beer production could not, at that time, have supported an industry requiring the large-scale transport of a product composed principally of water. Besides, the technology of brewing itself was limited to small-scale craft production - small batches without refrigeration or automated processes to enhance production, and lacking added preservatives. Indeed, it will be discussed later that, over time, the major Canadian breweries have made a significant contribution to technical developments in the brewing process worldwide.

British soldiers were the 'lifeblood' of many early Canadian breweries and as they were often paid a daily

ration in pints or 'beer money', breweries were set up in towns with a military presence (London, Ontario, for example). Nevertheless, brewing remained a precarious industry in many places until a considerable number of Loyalist immigrants (British, Irish, American) in the late 1700s created large local markets to support a more permanent track. During the early period of Canada's brewing history, heavier ales, porters and stouts were the popular beers owing to the traditional preferences of the English, Irish, Welsh and Scottish immigrants who comprised an increasing proportion of the Canadian population following the takeover of New France (Quebec) by Britain in 1783. Not surprising, this period saw the establishment of a number of small-scale breweries by a number of English and Irish businessmen including: Molson, Carling, Labatt, Keith, Oland, Moosehead, Sleeman, and others. Details of the contribution of Molson, Carling and Labatt to the Canadian, and international, brewing industry will be discussed later. Lighter ales and lagers gained popularity later as a result of the influx of German, Belgian, Italian, Ukrainian and Scandinavian immigrants.

As the brewing industry spread westward across the country, it was established later in the Prairies than in British Columbia. This occurred for three main reasons:

- i) The prairie population did not inhabit the region as early as elsewhere in Canada. Consequently, the population was sparse and unevenly distributed across the territory. However, the coastal region of British Columbia was already more developed (the commercial production of beer is often more associated with urban societies);
- ii) due to the availability of its main raw material (rye grain), and its relatively longer shelf life, whiskey became a popular alcoholic drink in this region;
- iii) the ethnic variation of early prairie settlers probably worked against the development of a mass market for beer. Many of the settlers came from cultures favouring spirit consumption (for example, Poles and Ukrainians from Central Europe). Also, a number of prairie settlers had strong religious beliefs that included abstinence from the consumption of alcohol (Mennonites, for example). However, the consumption of beer eventually grew to outstrip both spirits and wine, and in Manitoba, for instance, beer consumption grew dramatically after World War II.

As a result of advances in refrigeration, steam power, and the advent of long distance transportation as well as novel brewing techniques and packaging improvements, the late 1800s and early 1900s experienced the emergence of mass production of beer together with full-yeast production cycles. Prior to the development of refrigeration techniques, the hot summer weather restricted the brewing season to autumn, winter and early spring. Also, prior to the application of steam power to parts of the brewing process the industry relied on gravity (for example, downhill piping), as well as human and horse muscle power. Finally, the expansion of the railway network to serve more and more of the interior of Canada facilitated the shipping of beer over greater distances. Brewers such as Molson, Labatt and Carling expanded their trade areas (until then serving only local markets in Montreal, Quebec and London, Ontario), while other breweries were affected by the growing temperance movement and the eventual institutionalisation of its goals in the Prohibition laws, which were implemented in most provinces between 1916-1918.^{24,25}

As well as the major Canadian breweries diversifying into a number of areas there is one noteworthy example of a Canadian brewer making a famous contribution to an American brewer's image. Shea's, one of Winnipeg's early breweries, assembled a combination of Clydesdales that became an award winning team of horses on the show circuit. The first of the Shea's Clydesdales horses were bred in Arcola, Saskatchewan, but were later supplemented with imports from the United States. After 1933, eight of the horses were sold to Anheuser-Busch whose flagship Budweiser brand is synonymous with the image of the Clydesdales pulling a beer delivery wagon.

Prohibition in Canada

Canadian prohibition of alcohol must be distinguished from developments in the United States. Prohibition in the United States was a national ban on the sale, production and transportation of alcohol from 1920 to 1933. The ban was mandated by the Eighteenth Amendment to the U.S. Constitution. The Volstead Act established the rules for enforcing the ban and defined the types of alcoholic beverages that were to be prohibited. Private ownership and consumption of alcohol was not made illegal. Prohibition ended with the ratification of the

Twenty-first Amendment, which repealed the Eighteenth Amendment on December 5, 1933.

In Canada, prohibition arose in different and by various stages, from the possibility of local municipal bans in the late 19th century, to provincial bans in the early 20th century, to national prohibition (as a temporary wartime measure) from 1918 to 1920. It was mostly stimulated by the efforts of people in the temperance movement to eliminate all drinking establishments, which was viewed as the source of most societal ills and misery. The main temperance organizations at the time were: the Dominion Alliance for the Total Suppression of the Liquor Traffic,²⁶ the Women's Christian Temperance Union of Canada, Baptists, Methodists, Presbyterian and Congregationalists all believed in prohibition and campaigned for it at the beginning of the 19th century, and this continued throughout the rest of the century (even today).

Legislative steps towards prohibition were first taken in the 19th century.²⁷ The passage of the Canada Temperance Act (1864), also called the Dunkin Act, in the province of Canada, allowed any county or city to forbid the sale of liquor by a majority vote. However, there were loopholes in the legislation: the sale of alcohol for 'sacramental' or 'medicinal' usage was legal, and doctors prescribed 'medicinal pints', while Catholics and Jews used alcohol for ritual purposes.

A few years after Canadian Confederation in 1867, the Canada Temperance Act was enacted by the Parliament of Canada in 1878, providing an option for municipalities to opt, by plebiscite, for the prohibitionist scheme. It was often known as the Scott Act after its sponsor Sir Richard William Scott.²⁸

Prohibition was able to achieve success as a result of World War One because it was seen as necessary and natural for the benefits of the returning soldiers who considered the country to be a better place. Also, the argument was raised that prohibition would benefit the war effort in Europe because it would eliminate waste and avoid inefficiency. During the war, opponents of prohibition became silenced and the provinces began to implement this concept. Following the Federal Election of 1917, the government in Ottawa introduced national prohibition by Order in Council on 1 April 1918. As part of wartime reform and the preservation of

grain resources, prohibition became part of the War Measures Act of 1918.

Although constitutional, provincial governments had no responsibility for the Aboriginal peoples, they used the prohibition movement, primarily the liquor laws, as a way to define Aboriginals. Rules for the retail selling of alcohol were (and still are) primarily a provincial responsibility. This arose following the adoption of Government control after Canada's experience with prohibition during the First World War.²⁹

The dates for prohibition repeal are often debated. At what point can it be considered that prohibition had ended? Also, do laws softening prohibition's repeal mean it has been repealed? In Ontario, during the prohibition period, Ontario-made wines remained legal. Indeed, some argued that this province never had prohibition but people who lived though it would disagree. The provincial government allowed the sale of light beers (which were considered to be non-intoxicating) in 1923 but did not repeal the legislation that created prohibition until 1927. This legislation was replaced with the Liquor Control Act, which created the Liquor Control Board of Ontario to manage the Act's operations. As a consequence of this, historians have argued that 1927 is the date of prohibition repeal in Ontario. Simultaneous debates were made throughout the country. For example, Alberta voters chose to repeal prohibition in late 1923, and it was instituted in 1924. British Columbia enacted prohibition in 1917, which was repealed in 1921. However, public drinking in BC remained illegal until 1925 when 'beer by the glass' legislation permitted beer parlours to open in hotels.

With the gradual repeal of prohibition in Canada, the provinces began brewing as a local working employment concept. As a consequence, regular priced beer was only sold in the province in which it had been produced. Beer from outside a province had to be premium priced. This led to a plethora of breweries being established in Canada. For example, in 1986, Labatt's operated 13 breweries in nine provinces (Prince Edward Island was the exception), currently there are only six. Indeed, since the 1980s it had been more convenient to move beer north-south than east-west. This restriction on beer sales east-west, depending on its place of production, was withdrawn during the final decade of the last century.

The Beer Store in Ontario

The Beer Store is the trading name for Brewers Retail in Ontario, a privately owned chain of retail outlets selling beer and other malt beverages in Ontario. It was founded in 1927 with the end of prohibition and is owned, since its inception, by a consortium of Ontario-based brewers. Subsequently, national and international consolidation has resulted in control now being shared by three multinational brewing companies. 49% of the company is owned by the Labatt's arm of Anheuser-Busch InBev of Belgium; 49% is owned by the Molson Coors brewing Company, which has headquarters in both the United States and Canada and the remaining 2% by Sleeman Brewers, a division of Sapporo Breweries, Japan. Currently, The Beer Store consists of nearly 450 retail stores with over 7,300 employees.

Under Ontario's Liquor Control Act, Brewer's Retail until recently was the only retailer permitted to sell beer for off-site consumption, except for stores on the site of a brewery, locations of the provincial government-owned liquor Control Board of Ontario (LCBO), and LCBO-authorized agency stores in smaller communities. The act and the company's articles of incorporation further stipulate that Brewers Retail cannot sell 'hard liquor' (spirits), or consumer goods (such as groceries). More recently a number of large chain grocery Ontario stores have started to sell beer. Indeed, the Ontario Provincial Government is currently proposing more liberal alcohol (including beer) sales policies.

Prohibition in Ontario (as in other parts of Canada) had proven to be unsuccessful but the provincial government still needed to placate angry temperance advocates and agreed that beer would only be sold through a single network of stores. However, the Ontario government did not want to operate this network itself (as was the case in other Canadian provinces). Consequently, it permitted brewers to organize the Brewers Warehousing Company Ltd., which later became Brewers Retail/The Beer Store (TBS).

Since its inception, TBS has been committed to a platform of 'extended producer responsibility', ensuring that TBS takes full responsibility for all the packaging it sells. Packaging, in this context, refers to cardboard boxes, plastic cellophane wrap, steel bottle caps (crowns), glass bottles (refillable and non-refillable),

and aluminium cans. In addition, TBS recycling efforts translate the cost savings to municipal governments because municipalities do not spend their tax revenue on recycling the packaging that TBS sells. TBS estimated that in 2014 it saved taxpayers \$40 million on waste management and recycling costs per year with 94% of beer containers and 81% of LCBO containers being recycled.

The Beer Store operates as a not-for-profit organisation. However, a study conducted in 2013 has proposed that the near-monopoly Beer Store in Ontario allows it to accumulate as much as \$700 million in incremental profits per year. This study focused on beer prices for 24-bottle (341 ml) cases of beer. The data on beer prices was collected from two major grocery stores in Quebec (where beer has always been sold), and from The Beer Store in Ontario. Beer prices were similar between different grocery stores in Quebec. However, there were significant differences between the average price of 24-bottle packs of brands that included: Molson Canadian, Molson, Dry, Coors Light, Budweiser and Bud Light were \$25.95 in Quebec and \$35.56 in The Beer Store in Ontario.

Since 1927, the Beer Store has refunded deposits on all empty beer containers purchased in Ontario. In February 2007, the Ontario Deposit Returns Program (ODRP) was launched by the government of Ontario. The ODRP's goal is to ensure that 100% of all the packaging sold at the LCBO follows the same path as all the packages sold at The Beer Store, to be reused or recycled. All alcoholic beverage containers purchased in Ontario are accepted for deposit return at any Beer Store location that returns empty containers. ODRP continues to make a meaningful contribution to Ontario's waste diversion objectives with the return rate increasing by more than 16% since its first year of operation in 2007. Between the ODRP and the Blue Box return system, an estimated 64,000 additional tonnes of glass is being diverted from Ontario landfill sites.

Beer Store employees are not permitted to recommend one beer brand over another. Staff can tell customers about the products they sell but cannot encourage customers to select a specific brand. This policy is known as brewer neutrality. The Beer Store is permitted to charge non-shareholding breweries listing fees for each beer carried in stock, that many critics perceive as

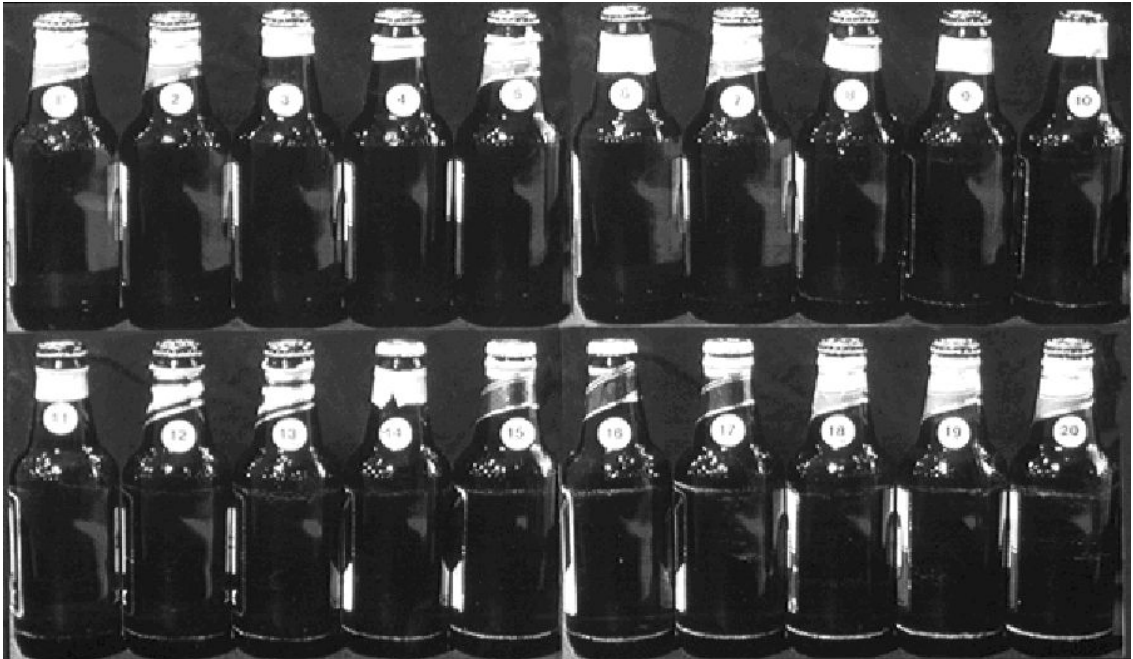
substantial. Listing fees have been criticized as restricting competition in the large Ontario beer market (the population of Ontario is currently approaching 15 million people). This is especially the situation of smaller brewers who often cannot afford Beer Store fees, especially for multiple brands.

Some Canadian provinces have recently allowed privately owned stores to compete for beer and wine sales while retaining tighter control over the sale of spirits, while Alberta has privatized all retail liquor stores. In Ontario no charges have been made, and The Beer Store continues to sell over 80% of the beer sold in the province, which many critics believe constitutes a monopoly. However, TBS must increasingly compete for retail sales with the government-owned LCBO and individual brewer retailers that are located on-site at most breweries in Ontario.

With regards to distribution in Ontario, TBS operates its own delivery fleet, which provides service to over 16,000 licensed establishments. TBS also delivers beer to Beer Stores on behalf of brewers who may choose to avoid the high cost of self-distribution. TBS does provide credit terms and flexible payment options with customers receiving up to seven days of credit.

Packaging and labelling of beer in Canada

The packaging of beer in Canada exhibits a number of unique characteristics. One particular aspect is the bottling of beer into a standard returnable industry bottle, which carries a 10-cent deposit. It also enjoys 95% recycling. Although there are also larger (750 ml) returnable bottles employed in Quebec, all large Canadian breweries package beer in 341 ml bottles. For over 40 years, the sturdy heavy weight amber stubby bottle was employed. Although this bottle exhibited very good packaging characteristics its value as a marketing tool became increasingly questionable. In particular, because it was a returnable glass bottle that was subject to high speed rigorous alkaline washing procedures and abrasion that, over time, as a result of recycling, become very scuffed (Fig. 2). With the conversion to mechanical rather than manual sorting, prior to washing, the discarding of scuffed bottles was discontinued. As a result, the number of scuffed bottles increased in the 'bottle float' leading to complaints



Figures 2 (above) The era of the stubby bottle: 1962-84; and 3. (below) Returnable long neck-bottles with scuffing protection - recycled 20 times.

from many beer consumers who disliked the appearance of such bottles.

As a consequence, following considerable industry deliberations, it was decided to abandon the use of the stubby beer bottles in Canada and adopt the long neck returnable amber glass bottle (Fig. 3). Instead of the stubby bottles that possessed a crown pry off feature, returnable long neck bottles with a crown twist off removal characteristic with an agreed torque were introduced. Also, the number of times that a long neck bottle could be used was (and still is) a quality control characteristic. The surface geometry of each long neck bottle was designed in order that the scuffing ring, that inadvertently forms, is in a standard position on all bottles.

The use of cans in Canada to package beer, although beginning at a low percentage of the small pack total, has increased markedly during the past 25 years. All cans (as with bottles) carry a 10-cent deposit and the return percentage is high (over 90%). The consumption of draft beer has also increased during the past few decades. However, compared to many countries (for example, the United States, United Kingdom, Germany and Australia), the percentage of total draught beer consumed is still low in Canada.

The question of appropriate wording on beer labels in both Canada and the U.S. has been the subject of considerable polemic for a long time. The Canadian brewing industry is in favour of uniform labelling that contains minimal detail. However, in the United States, there is a requirement for a health warning. In Canada, warnings on containers (bottles, cans and kegs) have been rejected. Consequently, all that is required on labels is:

- i) Alcohol content by volume in both English and French;
- ii) quantities in metric units;
- iii) name and brand of the product;
- iv) name and address of the bottler and producer.

Parenthetically, in the U.S. the health warning on the label reads:

- i) According to the Surgeon General women should not drink alcohol during pregnancy because of the risk of birth defects;
- ii) consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.

Molson-Coors Canada, Inc.

It has already been stated that the Molson Brewery in Montreal is the oldest brewery in North America. Founded in 1786, it continues to produce beer on the site of the original Montreal brewery.³⁰ The company brews, packages and markets a number of the most popular beer brands in Canada. Domestic beers include: Molson Canadian, Molson M, Molson Export, Molson Dry, Molson Exel Non-Alcoholic beer, Old Style Pilsner, Rickard's, Creemore Springs and Granville Island Brewing. Also, through partnerships with other major brewers internationally, Molson Coors Canada also offers a diverse portfolio of beer brands, including Coors Light, Corona, Miller Genuine Draft (product withdrawn in 2015), Heineken, Foster's Lager and Tiger. Molson employs 3,000 people in Canada and operates five breweries across the country (Vancouver, Toronto, Montreal, Moncton and St. John's), as well as the Creemore micro-brewery in Ontario and Granville Island Brewing in British Columbia. Molson Coors Canada is now part of the Molson Coors Brewing Company.³¹

On 2 May 1782, at the age 18, John Molson left England for Canada. He landed in Montreal on 26 June. Shortly after his arrival, he began working at the Thomas Loyd brewery. He subsequently purchased it by auction in 1785. In 1782, Molson sensed the potential for beer in what had recently become a British colony. Prices for wine, rum and port were rising and the English and Irish immigrants were partial to beer. When Molson came of legal age, he used money inherited from his parents to acquire a small brewery located on the shores of the St. Lawrence River, just outside the fortifications of the growing City of Montreal.

In 1785, Molson closed the brewery temporarily in order to travel back to Europe in search of modern equipment and ingredients. Upon his return to Canada, he offered barley seeds free of charge to neighbouring Montreal farmers who agreed to grow them to satisfy his brewery's needs for malt. His first brew was an ale, which was delivered in 1786, only six weeks after taking the helm again.

It was John Molson's son, Thomas, who would eventually follow in his father's footsteps by continuing the Molson brewing tradition and upholding its high quali-

ty standards. In 1903, inspired by the popularity of imported beers, Herbert Molson, Thomas' grandson, and the brewmaster John Hyde created Molson Export, an authentic ale brewed in the classic style of an ale that is still popular.

The Molson Brewery considerably expanded the breadth of its activities throughout the 20th century. In 1945 the company was transformed into a public, limited liability enterprise. As a consequence, it became possible to acquire an ownership in the company without being a member of the Molson family. This development made it possible for the company to expand and inaugurate a new brewery in Toronto (located on Lake Ontario adjacent to the Canadian National Exhibition) in 1955. Two years later in 1957, the Molson family probably made their most notable acquisition and became involved in the National Hockey League (NHL) - they acquired the Montreal Forum and the Montreal Canadiens. In 1958, the company continued to develop and added six breweries to its portfolio, which included five establishments founded by Fritz Sick in Western Canada, giving Molson a nationwide presence. In 1989, the company consolidated its market share in Quebec through a merger with Carling O'Keefe (acquiring Carling's Toronto brewery in Etobicoke, which is adjacent to Toronto Airport). As a result of this development, Molson became the largest brewing company in Canada and the fifth largest in the world.

During the late 1970s and early 1980s, the three major Canadian breweries experienced two major labour disruptions, this resulted in U.S. beer being imported for the first time into Canada. Also, Canadian brewers began producing major U.S. brands as part of licensing arrangements. Molson began brewing and distributing Coors Lite along with similar licensing agreements by Labatt's and Carling O'Keefe, who began brewing Budweiser and Miller Lite respectively. These licensing arrangements have had a profound effect on the Canadian brewing industry.

In 2005, Molson merged with Coors to form the Molson Coors Brewing Company. This was followed in 2007 by the establishment of a new brewery in Moncton, New Brunswick. Eric Molson, a sixth generation family member, retired in 2009. However, his sons Andrew and Geoff continue to be active in company affairs as members of the corporate Board of Directors. The merged

company is dual headquartered, with head offices located in Denver, Colorado and Montreal, Quebec. In addition, there are Canadian operational headquarters in Toronto with the United Kingdom headquarters in Burton upon Trent. It has already been discussed that Molson Coors Canada is part-owner of The Beer Store in Ontario.

Research on the brewing process was a major activity in Molson. They had laboratories, first of all, in Montreal and subsequently in Toronto. This research resulted in a number of patents and peer reviewed publications. In addition, they were part of an international technical consortium that exchanged ideas and results. As well as Molson, members of this group were: Cerveceria Cuauhtemoc Moctezuma (Mexico), Courage Brewery (U.K.), Cerveceria Polar (Venezuela), Coors Brewery Company (USA), Stroh Brewing Company (USA) and Suntory (Japan).

Carling O'Keefe (Canadian Breweries Limited)

In 1840, Thomas Carling began a small brewing operation in London, Ontario selling beer to British soldiers based in the local military camp. When he died, his sons William and John took over the business, and named it the W & J Carling Brewing Co. In 1880, the brewery opened a large building at the corner of Piccadilly and Talbot streets. John Carling became a prominent figure in Canadian business and politics and was knighted in 1893. Sir John Carling died in 1911. The Carling operation has changed hands several times.³²

In response to a shift away from ale, in 1877 Carling added a three-story lager plant to their London, Ontario brewery. Carling's Lager (named Bavarian Stock Lager, and Imperial Club Lager) was the company's first lager brand. Carling's Black & White Lager was introduced in the 1920s and later renamed the beer Black Label Lager. This was in contrast to Red Cap Ale, which was also launched in the early 1920s.

As a result of its strength and price, Carling Black Label quickly became popular with Canada's working class. This was particularly true of loggers and miners of Northern Ontario, where the brand gained a tough, blue-collar image. Carling Black Label in the early 1990s became the most famous Canadian beer internationally.

In Canada, it had probably one of the most successful advertising campaigns ever launched, with the phrase 'The Legend is Black'.

When Carling ceased producing Black Label in order to focus on a more profitable lager, they found that sales decreased. Carling re-introduced Black Label employing a blonde model named Mabel (portrayed by Jeanne Goodspeed) with the slogan 'Hey Mabel, Black Label.' The twenty-year marketing campaign cemented the name in the popular culture of America.

After several years of intense pressure from the larger U.S. brewers, Miller and Anheuser-Busch, in 1979 Carling-National was acquired by the Heileman Brewing Co. of La Crosse, Wisconsin. Carling and the Black Label brand are currently owned by the Molson Coors Brewing Company but are no longer widely distributed in the U.S.

In 1952, Black Label was launched in the United Kingdom. It was initially brewed in the Hope Brewery, Sheffield, which was part of Charrington United Brewers, prior to its merger with Bass. Originally, it was only available in bottles but in 1965, the Hill Top public house was the first establishment to dispense Carling on draught. In the 1970s, Carling Black Label sales rose to great heights due to a very acceptable advertising campaign and partly with the launch of Carling Black Label in cans. Cans were important to Carling's success as they assisted its advent in the U.K. market. Carling has remained as Britain's best selling lager beer since 1985. The Black Label was eliminated from the name in 1997 and the brand's logo updated.

In Canada, in association with Bass Breweries in the U.K., Carling developed a worldwide reputation in the brewing world for research. Much of Carling's research results were patented or published by brewing societies such as the Institute of Brewing, the American Society of Brewing Chemists and the Master Brewers Association of the Americas. One area that Carling focused upon, in collaboration with Bass, was continuous processing. Continuous fermentation systems were established in Toronto, Ontario and Fort Worth, Texas.³³ However, neither plant ever began functioning on a production scale. Continuous processing plants were also introduced by Bass in their Burton-on-Trent and Runcorn breweries.³⁴ The Carling Brewery acquired

the British American Brewing Company, a Windsor, Ontario brewery that was founded in 1882, and the Carling Brewing Co. and the O'Keefe Brewery was added to E.P. Taylor's brewing interests in 1934.

The Carling Brewery Co. evolved into Canadian Breweries Limited (CBL), an Ontario based company. Originally named the Brewing Corporation of Ontario, E.P. Taylor created the company in 1930 by merging Brading Breweries Limited (which he inherited from his grandfather), and Capital Brewing of Ottawa, and Kuntz Brewery of Waterloo, Ontario.

Even when the Canadian provinces prohibited alcohol consumption (already discussed), federal law, during prohibition, did not affect beer production for export. For some breweries, particularly those close to the U.S. border, a period of prosperity existed during U.S. prohibition. E.P. Taylor also served as Vice President of the Burundi Export Co., a brewing company that aimed to control prices and beer exports. In addition, E.P. Taylor acquired brewing partnerships in the United Kingdom. He initially engineered mergers between Charrington United Breweries and the Bass Brewing Company to form the largest brewing operation in the United Kingdom.

In Canada, Taylor's expansion was aggressive, and during the 1930s and 1940s, his holding company acquired about thirty Canadian breweries. This holding company changed its name to the Brewing Corporation of Canada, then Canadian Breweries Limited in 1937 and subsequently to the Argus Corporation, which was founded by Taylor and others in 1945. Also, in this corporation as well as brewing interests, were: Dominion Stores, Hollinger Mines, Crown Trust, Massey-Ferguson, Dominion Malting, Domtar and Standard Broadcasting, amongst others.

In 1968, the shares of Canadian Breweries Limited, held by the Argus Corporation Limited, were sold to Rothmans/Pall Mall for \$28.8 million. As a consequence of this, Canadian Breweries Limited was renamed to reflect its two largest subsidiaries and became Carling O'Keefe. In 1987 Rothmans decided to sell its 50% share in the Carling O'Keefe Brewing Company in Canada, which was losing market share and not meeting expectations and the company was controlled the Australian brewing company Elders IXL,

which permitted the launch of its principal Australian lager Fosters in both Canada and the United Kingdom. Subsequently, Carling O'Keefe merged with Molson to become part of Molson Coors Brewing Company. As a consequence of this development, the number of national brewing companies in Canada was reduced to two - Molson and Labatt's.

In the 1950s, Canadian prosecutors charged Canadian Breweries with being part of an illegal combine by its participation in a series of mergers that were detrimental to the public by lessening price competition. This case was heard in Ontario Court of Queen's Bench in 1959 by the Ontario Chief Justice - Regina v. Canadian Breweries Limited. The company's successful defence argued that the rules did not apply to liquor sales, a business sector where prices were already regulated through legislation. A Canadian federal commission on corporate concentration concluded that while Canadian Breweries had used questionable tactics to reduce competition, the concurrent growth of Molson and Labatt's maintained adequate competition in the Canadian brewing industry.

Following World War II, Canadian Breweries expanded its R&D focus under the direction of Dr. Scotty McFarlane and one of their major projects was continuous processing.³⁵ McFarlane was a Glaswegian who became a biochemistry professor at McGill University in Montreal prior to being recruited by E.P. Taylor. He subsequently moved to the University of California at Davis and tried, in vain, to develop a North American Brewing Research Institute similar to the one that was located at Nutfield in the U.K. - the Brewing Industry Research Foundation as it was then.

Labatt Brewing Company Limited

The founder of the Labatt Brewing Company was John Kinder Labatt who was born in Ireland in 1803. His family heritage can be traced back to the Huguenots in France. Fleeing persecution, Labatt's ancestors resettled outside Dublin. As a young man Labatt moved to London, England, where he met and married Eliza Kell. The couple sailed for Canada in 1833 and arrived in London, Ontario, where he became a farmer. There, he sold prize-winning malting barley to a local innkeeper, who built a small brewery in 1828. Contact with the

innkeeper gave Labatt the notion of becoming a brewer himself. In 1847, he formed a partnership with Samuel Eccles, an experienced brewer, and Labatt and Eccles bought the London Brewery from the innkeeper. Labatt and Eccles parted company six years later and Eccles established a brewery in St. Thomas, Ontario which is 20 miles away from London, Ontario. This venture was not a success.³⁶

Early annual beer production was 400 barrels. The newly named John Labatt's Brewery had six employees. This production increase was quite remarkable but the brewing remained as a local operation. However, the situation changed with the presence of the railroad and tracks of the Great Western Railway that connected London to other Canadian and US cities. As a consequence of this, Labatt's began shipping lager and ale to Montreal, Toronto, the Maritimes and Detroit, Michigan.

John Labatt's third son, John Labatt II, apprenticed as a brewer in Wheeling, West Virginia. John's two older brothers, Robert and Ephraim, had embarked upon their own brewery business. This departure left the John Labatt Brewery in London, Ontario, without a brewmaster. It had been assumed that one of the older brothers would eventually fill the position. As a result, at the age of 26, John Labatt II accepted his father's offer of this post. In this capacity, John II was instrumental in establishing a beer with an international appeal. India Pale Ale (IPA), based on a recipe he had learned in Wheeling, was also brewed in London, Ontario. By 1878, IPA had earned high marks and honours at the Canadian Great Exposition in Ottawa, the International Centennial in Philadelphia, the Exposition in Australia, and the French International Exposition.

In 1866, just two years after John II returned to the London brewery, John Labatt I died. He left the company to Eliza, his wife who formed a partnership with John II and renamed the business 'Labatt & Company'. Mother and son operated the brewery together until 1872, when John II bought his mother's interest and became the sole owner. Before the new company had an opportunity to establish itself, fire destroyed the London Brewery. Fortunately, insurance coverage enabled Labatt's to build a modern brewing facility at a cost of \$20,000 and annual production reached 30,000 barrels (Fig. 4).

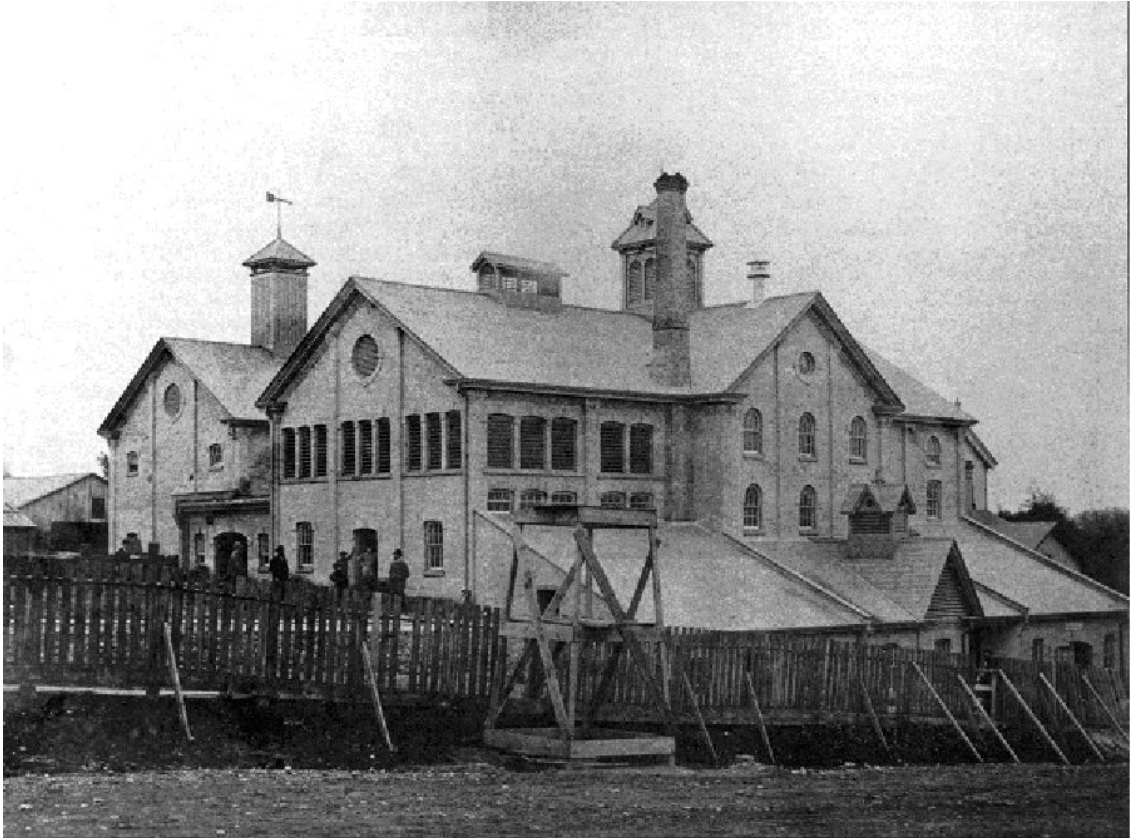


Figure 4. Following the fire of 1874, John Labatt II rebuilt his London, Ontario brewery.

In addition to introducing an award-winning ale and expanding production, John II is credited with modernizing the company through the introduction of refrigeration and distribution networks. Labatt's beers also reached distant provinces and by 1900, customers in Manitoba and the Northern Territories could purchase the brewer's products. At the turn of the century John II's two sons, Hugh and John III, joined the family business. John III had earned a brewmaster's certificate from the New York Brewing Academy following graduation from McGill University. In 1911, John II incorporated his company under the name John Labatt Limited. All but four of the 2,500 shares issued were retained by him. The remainder went to his two sons, a nephew, and his lawyer with total capitalization amounting to \$250,000.³⁷

John Labatt II died in 1915 at the age of 75, and the company's presidency went to John III. It has already been discussed here that at this time various provinces

were debating the introduction of possible Prohibition laws. It is worth repeating that in the United States, the liquor industry was regulated by a blanket federal law. However, in Canada each province created its own standards. Although all of Canada was declared legally dry by 1916, several provinces allowed the manufacture of alcoholic beverages for export. By the end of Prohibition, only 15 of Ontario's 65 breweries had survived. Labatt's was one of the survivors, and was also the only such brewing company to have maintained management continuity throughout the era.

During the 1920s and 1930s, Labatt's implemented a number of innovative employee policies. In the 1920s Labatt's workers became some of the first Canadian employees to receive annual vacation pay. In 1932, Labatt's set an industry standard by establishing a group insurance plan for its employees, and six years later an annuity plan was created to build pension benefits.

As the nation endured years of depression, the Labatt family underwent its own period of misfortune. On 15 August 1934, John Labatt III, already a widely recognized business and community leader, was kidnapped *en route* from his summer home in Sarnia to a company board meeting in London, Ontario. Later his empty car was discovered with a note instructing John's brother, Hugh, to pay a ransom of \$150,000 for the safe return of the victim. For the next several days the story of the mysterious disappearance appeared in the headlines of major newspapers worldwide. The incident was the first kidnap assault in Canadian history. The police concentrated their search around the Detroit, Michigan area as suspicion mounted about the possibility of gangster involvement. During Prohibition, American gangsters had transported alcoholic beverages from Canada into the United States across the Detroit River and authorities believed that John Labatt had been abducted in similar fashion. After a few days, Labatt was released unharmed from the Toronto Royal York Hotel. The search for his assailants continued over the next several months until John Labatt identified a Canadian book-maker. Labatt essentially retired from public life for his remaining years as Company President.

Following World War II, the company prepared to undertake a major expansion. To raise capital, John Labatt Limited became a public company and issued 900,000 shares. Many employees were among the over 2,000 original shareholders. In 1946, the company completed its first acquisition, the Copland Brewing Company in Toronto, which doubled Labatt's brewing capacity. The 1950's saw a number of new beer products added to Labatt's product portfolio. In 1950, Fiftieth Anniversary Ale was introduced, nicknamed 'Annie' or 'Fifty,' to commemorate John and Hugh Labatt's years of activity in the company. It later became Canada's most popular ale. Labatt's Pilsner Lager Beer was introduced in 1951. After its launch in Manitoba this brand gained the nickname 'Blue' after the colour of its label and because of the company's sponsorship of the Winnipeg Blue Bombers, a Canadian Football League team. This nickname remained and Labatt Blue gained increasing popularity and it became the number one beer brand in Canada in 1979. Indeed, Labatt Blue is still a popular Canadian lager brand.

In 1951, the company presidency passed from John III to Hugh, his brother. The following year he oversaw the

formation of Miracle Feeds, a company that processed and marketed spent brewers grains and other brewing byproducts. This was the company's first entry into an industry outside (but related to) brewing. A year later, John died at age 72. The company continued to expand during the 1950s, most notable was the purchase of Shea's Winnipeg Brewery Ltd., a company dating from 1873. This new subsidiary was also in the hotel industry. Labatt's also acquired the Lucky Lager Brewing Company of San Francisco and it obtained many valuable brewing techniques from Lucky Lager. Most importantly, certainly in the opinion of this author, was high-gravity brewing.³⁸ Construction of a \$6.5 million brewery in Ville La Salle, Quebec in 1956, marked Labatt's expansion with a new brewery into a province other than Ontario (previous expansions had been the result of acquiring existing breweries).

Hugh Labatt died in 1956, and W.H.R. Jarvis became the first non-family president of Labatt's. Jarvis died of a heart attack in the early 1960s and John (Jake) H. Moore became Labatt's president. He continued to supervise the further expansion of Labatt's operations in both brewing and its move into the food industry - details later. Jake Moore was born in 1915 into one of London, Ontario's pre-eminent business families. He graduated from Ridley College and the Royal Military College and joined Clarkson Gordon (accountants) in 1937. He worked on the Labatt's account at Clarkson Gordon and eventually joined Labatt's in 1956.

Jake Moore expanded Labatt's by purchasing existing breweries, constructing new brewery facilities and developed the company's national beer share to over 30% by 1964. That year, the Labatt family decided to sell 39% of the company's shares to the U.S. brewer Schlitz. However, the sale violated U.S. anti-combine legislation. As a consequence, Jake Moore began a search for a Canadian buyer and he identified Brascan to acquire the available Labatt's shares from Schlitz.

Jake Moore became President and CEO of Brascan in 1969. He also remained as Labatt's Chairman until 1977. This close relationship between the two companies had a major influence on Labatt's development during the ensuing 15 years. Brascan Ltd., (now Brookfield Enterprises), formerly Brazilian Traction Light and Power Co. Ltd., is a major natural-resources company with substantial consumer product interests and extensive

holdings in the financial services of the Canadian, United States and Brazilian economies. During Jake Moore's leadership as John Labatt's CEO, followed by his successors N.E. (Peter) Hardy and Peter Widdrington, the brewing operations, food industry interests and sales promotion activities expanded substantially.

A major expansion project in the London, Ontario brewery during 1965/67 increased its annual brewing capacity to 1.3 million U.S. barrels, making it one of the largest breweries in the world at that time. Also, in the late 1960s, Labatt's announced plans for a joint venture with Guinness Overseas to produce and market its Irish Stout in Canada. In addition, there was an agreement with Skol International to brew their lager in London, Ontario. Also, in this brewing consortium, to produce Skol, was Allied Breweries in the United Kingdom, Pripp of Sweden and Unibia in Zaire. Shortly thereafter, Skol-Caracu was formed in São Paulo in Brazil, which a few years later became part of Brascan and Labatt's became its technical consultant. Also, Allied, Pripp and Labatt's, as part of the Skol agreement, wished to exchange technical information and as a consequence a Technical Alliance was formed. (similar to the one, already discussed, that involved Molson). The three companies in the alliance worked together on a variety of projects for the next two decades. Also, Allied and Labatt's wished to include a senior director on their main Boards of Directors in order to exchange appropriate financial and marketing information. To achieve this objective, Jake Moore became a member of the Allied Breweries Board and Sir Derek Pritchard (Chairman of Skol International Limited) became a member of the John Labatt Limited Board of Directors.

In 1971, Labatt's purchased Oland & Sons Limited and its Halifax and Saint John breweries and subsequently acquired the Colombia Brewery of Creston, British Columbia in 1974. In 1977, the company introduced Canada's first light beer, Labatt Special Lite. Labatt's participated in the construction of a brewery in Trinidad and purchased an interest in Zambian Breweries during the 1970s and early 1980s. It established Labatt Importers Inc. in New York to develop Labatt's presence in the U.S. market. The company also acquired 90% of the Toronto Blue Jays, an American League baseball franchise - they won the World Series in both 1992 and 1993. In the early 1990s, Labatt's became a major sponsor of the Williams Racing Team, which was

(and still is) part of the Formula One Grand Prix Circuit. However, Labatt's withdrew from this sponsorship in 1994.

In 1980, Labatt's became the first Canadian brewing company to develop an international agreement with a major U.S. brewing company when it entered into an agreement with Anheuser-Busch to brew Budweiser and Michelob under license in Canada. Budweiser quickly gained eight percent of the Canadian beer market.³⁹ Shortly after the advent of this agreement, Molson signed a similar contract with Coors and Carling O'Keefe developed an agreement with Miller.

The 1980s and early 1990s were noteworthy for Labatt's expansion outside brewing. A number of food organisations were acquired: Laura Secord (candy), Chateau-Gai (wine), Ogilvie (flour, wheat starch and gluten), Ault (dairy products), Everfresh (fruit juice), Chef Francisco (frozen food), Catelli (pasta), etc., etc. Expansion of Blue Jays' ownership by Labatt's occurred, in 1986. Labatt's also acquired, in 1986, The Sports Network (TSN), a cable sports channel. Three years later, additional entertainment interests were attained in a New York City-based rock music talent agency. By the late 1980s, only approximately 30% of company revenue came from brewing.

Although there were significant developments in food company concerns, Labatt's brewing operations were not neglected and they were the object of numerous expansion initiatives. In 1987, the Latrobe Brewing Co. of Pennsylvania, brewers of Rolling Rock beer, was acquired. The following year, Labatt's began to brew the Carlsberg and Carlsberg Lite brands under licence from Copenhagen. They also began brewing Suntory lager, a non-pasteurised membrane filtered Japanese beer. In 1989, Labatt's purchased a 77.5% stake in the Italian brewer Birra Moretti. In terms of partial ownership of brewery raw material suppliers, in the early 1980s Labatt's acquired a 20% interest in Canada Malting (at the same time Molson also held a 20% interest in this malting company).

In 1991, Labatt's played a major part in the construction and subsequent operation of Zymase, a corn syrup manufacturer of high fructose syrup and high maltose syrup. They had a 50% interest in this company and the other 50% was held by Redpath Sugar, a subsidiary of Tate & Lyle PLC.

Brascan's significant stake in Labatt's has already been briefly discussed. Its genesis can be traced to the beginning of the 20th century in South America, particularly Brazil, where Canadians played a major role in the early development of hydroelectric power generation, street car lines and telephone systems. These developments became amalgamated operations in both São Paulo and Rio de Janeiro. The company's northern hemisphere roots were established in the second half of the twentieth century. This was in partnership with Edper Investments Limited, which was incorporated in 1954. Edper, based in Montreal, was owned by the Peter, Edward and Mildred Mona Bronfman trusts. From 1954 until 1968, Edper involved itself in real estate, financial and industrial ventures.

Edward and Peter Bronfman, nephews of Samuel Bronfman, owner of the distiller Seagram Co. Ltd., through Edper, became owners of a large number of companies under the umbrella of one or another holding company. In 1969, the Brazilian Traction, Light and Power Company sold its telephone operations to the Brazilian government, and the company was renamed Brascan. A decade later, the Brascan power business was also sold to the government and, as a consequence, Edper acquired a controlling interest in Brascan.

For two decades South African-born Jack Cockwell had been in charge of investing Brascan funds. Brascan invested in dozens of publicly traded firms and gained significant interests in many of them. As well as John Labatt Limited, forest productions conglomerate MacMillan Bloedel, financial concern Royal Trustees, mining company Noranda and real estate broker Royal LePage represented the diverse interests held by Brascan. However, the fortunes of Brascan soured with the economy in the late 1980s and early 1990s. The North American recession that followed, negatively affected core business segments such as real estate and natural resources and Brascan felt the effects. In February 1993, the Edper Group sold MacMillan and Labatt's with a combined value of \$1.96 billion. This sale clearly marked the end of an era. For the next two years it was unclear who actually owned Labatt's.

Nevertheless, shortly after Brascan's sale of its Labatt's shares, in 1993, Labatt's paid \$720 million for a 22% interest in the Mexican-based Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), whose brewing

subsidiary Cerveceria Cuauhtémoc Moctezuma brewed and marketed beer brands such as Tecate and Dos Equis. The due diligence study of FEMSA occurred in 1993, prior to the Interbrew purchase of Labatt's. This author conducted the technical aspects of this review.

In 1995, Labatt was acquired by Interbrew, the Belgian-based global brewing company with origins dating back to Belgium's Den Hoorn brewery founded in 1366. However, between the sale of Brascan's Labatt's shares early in 1993 and 1995, there was considerable acquisition activity within the company as well as attempts to decrease Labatt's overheads. This was principally directed at the disposal of a number of its food companies. Nevertheless, efforts continued to acquire brewing companies in China, Hungary and Cuba and the sale of Ice Beer technology continued. Ice Beer had been successfully developed, produced and marketed as a domestic beer since 1992.⁴⁰

In 2004, Interbrew (the world's third largest brewing company at the time) merged with Brazilian based AmBev, the world's fifth largest brewer, to create Anheuser-Busch InBev. Subsequently, Anheuser-Busch merged to form ABInBev to become the global brewing leader and is now one of the world's top five consumer products companies. St. Louis MO is headquarters for both the company's North American operations and for Anheuser-Busch itself. Leuven, Belgium has remained to be its world headquarters. ABInBev currently has over 180,000 employees in more than 30 countries globally and operates over 160 breweries.

Labatt's first few years as an Interbrew subsidiary were eventful. In 1996, the company sold its stake in the Italian brewery Birra Moretti to Heineken. In 1998, Labatt's increased its stake in FEMSA to 30%. Labatt's and Anheuser-Busch enhanced their Canadian relationship through a new agreement whereby the American company granted Labatt's the rights to sell Anheuser-Busch brands in Canada in perpetuity. In return, Labatt's agreed to increase its marketing efforts and to give Anheuser-Busch a larger share of the associated profits. In 1998, Labatt Blue celebrated its 20th straight year as the top-selling Canadian beer. Also, this brand had become the number three imported beer into the United States.

Labatt's is now a subsidiary of InBev. The major beer brands brewed and marketed in Canada by Labatt's are:

Budweiser, Bud Light, and Stella Artois. Labatt's domestic brands including Blue, 50 Ale, John Labatt Classic, Ice Beer, Kokanee and Genuine Draft are either no longer brewed or, if they are, appear to receive minimal marketplace support. Although Labatt's is still regarded as the largest brewing company in Canada, its overall reputation as a brewing company has been considerably prejudiced. Currently, it operates six breweries in: St. John's, Newfoundland; Halifax, Nova Scotia; Montreal, Quebec; London, Ontario; Edmonton, Alberta and Creston, British Columbia. In 1990, Labatt's operated twelve breweries in Canada (the Labatt's brewery in Stephenville, Newfoundland closed in 1988) but also owned breweries in the United States and Italy. This rationalization was primarily focused to more efficiently control overhead, labour and distribution costs. *A History of Labatt's*, authored by Matthew Bellamy, was published this year.⁴¹

Major developments in the Canadian industry are now being provided by the craft brewing sector. Currently, in Canada, there are over 900 operating production facilities, the majority of which can be considered to be craft breweries.

Summary

The story of Canadian beer is the story of Canada. Beer has been brewed there (starting with Quebec) for at least 450 years. It was introduced by European settlers in the 17th century. The origins of most of the major breweries in Canada and the United States exhibit similarities and differences. British/Irish immigrants to Canada in the 1700s founded, what became, the country's major breweries whereas Central Europeans (German/Czech) founded the major breweries in the United States.

Prohibition of alcohol consumption in Canada must be distinguished from similar developments in the United States. In the United States, it was the national ban on the sale, production and transportation of alcohol - the 18th Amendment to the U.S. Constitution. In Canada, prohibition arose in different ways and by a variety of stages, mainly from local municipal bans in the late 19th century and provincial bans in the early 20th century. These were largely stimulated by the efforts of people in the Temperance Movement in order to eliminate all drinking establishments. The repeal of prohibition in

Canada was gradual with 1927 being the final repeal date in Ontario. This resulted in beer being brewed in all provinces (with the exception of Prince Edward Island which did not contain a brewery). As a consequence, brewing became a national as well as a local employment concept. Nevertheless, provincial governments' overview of the industry was, and still is, strong in order to influence responsible alcohol consumption and, at the same time, encourage taxation income for their exchequers.

The repeal of prohibition in Canada resulted in the establishment of specific sales and distribution organisations in all its ten provinces. In Ontario, the Beer Store (the trading name for Brewer's Retail in Ontario) was established. This is a privately owned chain of retail outlets selling beer and other malt beverages. This organisation is now controlled by the three multinational brewing companies that essentially dominate the brewing industry in Canada. The establishment of the Beer Store has resulted in a standard returnable industry 341ml returnable bottle. This concept of an industry bottle (with the exception of Central Europe) has, in the past, been severely criticised due to its perceived lack of flexibility from a marketing standpoint. However, because of current international environmental concerns, this packaging concept is becoming the envy of the industry as a whole.

The founding and development of Canada's three major brewing companies (Molson's, Carling O'Keefe and Labatt's) over the years has been discussed. However, because of the author's experience with the Labatt Brewing Company, its financial progress over time, evolution as an international brewer and the acquisition of a plethora of food companies have been related in some detail. Nevertheless, it is hoped that the reader will be able to obtain an understanding of the history of all three brewing companies from this article.

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