

Brewed in the North: A History of Labatt's by Matthew J. Bellamy

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[Aller au sommaire du numéro](#)

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Brewed in the North

A History of Labatt's

By Matthew J. Bellamy

Kingston: McGill Queen's University Press 2019. 464 pages. \$34.95
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Drawing on the records of Labatt's Brewery, now held at Western University, Matthew Bellamy traces the history of one of Canada's most enduring family enterprises from 1847 when John Kinder Labatt and Samuel Eccles acquired the London, Ontario brewery from John Balkwill through 1995 when the company, by then the largest in the industry in Canada, was taken over by the multinational Anheuser-Busch InBev. Bellamy's narrative encompasses far more than the history of a single firm, covering the development of the industry as a whole, its social impact, controversies during the Prohibition era, and the effects of globalization which ultimately undermined not only Labatt's but most of its largest competitors and leading firms in many Canadian industries in the 1980s and 1990s.

For almost a century after its founding, Labatt's focused on Ontario. J.K. Labatt took advantage of the growth of the railways in the 1860s to extend his company's market beyond London across the province. In 1878 after Ontario passed a Temperance Act, his son (also named John) expanded sales to Montreal; less successful were forays into the British Columbia and Chicago markets during the following decades. By 1910 Labatt's had abandoned Montreal and remained a "second tier" brewery, compared to Molson's in Montreal and O'Keefe's in Toronto.

The resurgence of Prohibition during and after the First World War challenged all

the brewers in Ontario. For Labatt's it culminated with the third generation making way for a professional manager, although as Bellamy points out, there was a perfectly competent heir, Constance Labatt, who served on the board of directors but was of course as a woman considered unsuitable to be an executive. The manager, Edmund Burke, steered the company through the 1920s by bootlegging beer to the United States while the owners looked the other way.

When Prohibition ended and the Great Depression descended on the industry, Burke was succeeded by Hugh MacKenzie, an accountant who overhauled the company's finances and resuscitated its advertising, marketing beer as a "moderate" form of alcohol and associating the product with "patriotic" themes during the Second World War. Between 1939 and 1945 Labatt's sales and net profits more than doubled, boosting it into the "Big Three" brewers that would dominate the postwar market in Canada.

Population growth through immigration and economic growth in these years offered the prospect of an emerging national market, but the erection of interprovincial trade barriers after 1928 posed a problem for those firms that hoped to exploit it. Leading the way in circumventing these obstacles was E.P. Taylor, head of Canadian Breweries Ltd (CBL), another London-based company. Taylor expanded CBL into Quebec and western Canada by acquiring companies or building new breweries in each province.

Mackenzie and his successor, Jake Moore, ensured Labatt's followed this strategy, taking the company public in 1945 to strengthen its capital base. It built a new brewery in Montreal and acquired a range of breweries and beer sales agencies from Winnipeg to Vancouver during the 1950s.

While the "Big Three" pursued a national market in Canada, the beer industry was consolidating in other countries and moving aggressively into international markets. Guinness in Britain, Heineken in Holland and Carlsberg in Denmark led the way in this trend, but for Canada the greatest challenge came from the giant American companies. Canadian brewers had depended on protective tariffs on imports, but the emerging multinationals could circumvent them by acquiring existing companies, much as CBL and Labatt's had overcome interprovincial barriers.

Labatt's narrowly avoided a U.S. takeover by Schlitz of Milwaukee in the early 1960s whose offer had the backing of the sole remaining Labatt family member on the board when the American government threatened Schlitz with an antitrust suit. Over the following years, however, Canadian brewers were tempted to enter into licensing agreements with U.S. behemoths, which seemed to promise access to the huge American market as well as enabling them to profit from selling popular U.S. brands. Labatt's entered such an agreement with Anheuser



Busch, makers of Budweiser in 1980.

By the end of that decade, with the prospect of a U.S. Canada Free Trade agreement looming, Labatt's faced a financial crisis, in part because of an ill-advised diversification strategy (that included setting up the Toronto Blue Jays baseball team), bad investments in the Mexican beer market, and inefficiencies bred by the persistence of interprovincial trade barriers. Threatened with a takeover by

Gerry Schwartz of the Onex conglomerate who vowed to liquidate all the assets of Labatt's except its original brewery, the company turned to Anheuser Busch, now part of a multinational giant with the Belgian InBev. By this point other members of the "Big Three" had succumbed to similar fates, and outside of Atlantic Canada, virtually the only remaining independent beer makers were microbreweries serving local or niche markets.

This synopsis of Bellamy's book does not do justice to the rich details he provides on the personalities, clashes inside the boardroom, and the impact of changing technologies and social mores on the industry. While more could have been done on Labatt's labour relations and on the health and social ills of alcoholism that Prohibitionists rightly highlighted, this is a significant contribution to the history of business in Canada.

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