# THE ECONOMIC IMPACT
# OF WINE AND WINEGRAPES
# ON THE STATE OF OHIO 2008

**An MKF Research LLC Report**

This study was commissioned by the
**Ohio Grape Industries Committee**

MKF RESEARCH LLC

A division of
**Frank, Rimerman + Co. LLP CPAs**
The Wine Business Center, 899 Adams St., Suite E,
St. Helena, California 94574. (707) 963-9222
www.frankrimerman.com/businesses/business_management/wine_research.asp

# TABLE OF CONTENTS

**Highlights** .......... 2

**Executive Summary** .......... 4

**Methodology** .......... 10

**About MKF Research** .......... 12

## FULL ECONOMIC IMPACT OF WINE AND GRAPES ON THE OHIO ECONOMY

**$582.8 Million**

| OHIO WINE AND WINEGRAPES | ECONOMIC IMPACT |
|---|---|
| Number of Wineries | 124 |
| Grape-Bearing Acres | 1,900 |
| Wine Produced (Gallons) | 1,134,000 |
| Full-time Equivalent Jobs | 4,108 |
| Wages Paid | $124.2 million |
| Retail Value of Ohio Wine | $51.9 million |
| Wine-Related Tourism Expenditures | $73.4 million |
| Number of Wine-Related Tourists | 2,158,000 |
| Taxes Paid: State and Local / Federal | $32.8 million / $29.5 million |

**Table 1[1]**
**Total Economic Impact of Wine and Grapes in Ohio**

| **Revenue:** | **2008** |
|---|---|
| Winery Sales | $37,537,500 |
| Retail and Restaurant Sales of OH wine | $12,171,500 |
| Distributors Sales | $3,377,600 |
| Tourism | $73,410,300 |
| Wine Grape Sales | $1,821,600 |
| Federal Tax Revenues | $29,491,100 |
| State Tax Revenues | $32,789,700 |
| Vineyard Development (excluding vines) | $1,187,500 |
| Charitable Contributions | $375,400 |
| Advertising/Marketing | $515,000 |
| Winery Services | $1,430,900 |
| Wine Research/Education/Consulting | $900,000 |
| Indirect (IMPLAN) | $176,354,100 |
| Induced (IMPLAN) | $87,163,400 |
| **Total Revenue** | **$458,525,500** |
| | |
| **Wages:** | |
| Winery Employees | $11,619,200 |
| Vineyard Employees | $6,650,000 |
| Tourism | $18,517,700 |
| Vineyard Development and Materials - Labor | $178,100 |
| Distributors Employees | $1,571,900 |
| Retail/Liquor Stores - Wine Specific | $482,600 |
| Restaurant Sales of OH wine | $2,303,300 |
| Winery Services | $83,700 |
| Wine Research/Education/Consulting | $283,400 |
| Indirect (IMPLAN) | $56,151,200 |
| Induced (IMPLAN) | $26,398,500 |
| **Total Wages** | **$124,239,600** |
| | |
| **Total** | **$582,765,100** |

Sources: MKF Research, Ohio Division of Travel & Tourism, IMPLAN, Ohio Grape Industries Committee (OGIC), Bureau of Labor Statistics (BLS), Ohio State University, various Ohio wineries surveyed.

[1] Based on 2008 data.

# EXECUTIVE SUMMARY

## IMPACT OF OHIO WINE ON THE OHIO ECONOMY

Although winemaking in Ohio dates back to the early 1800s, approximately 65% of Ohio's wineries have been established in the last ten years. The number of Ohio wineries increased from 75 in 1999 to 124 wineries as of 2008.

In 2008, the wineries of Ohio produced approximately 1,134,000 gallons of wine, according to the Alcohol and Tobacco Tax and Trade Bureau (TTB). Based on direct conversations with Ohio winery owners, MKF Research LLC estimates that Ohio wineries' revenues from wine sales totaled $37.5 million in 2008. This takes into account both direct sales and the wineries' share of revenue for wine sold through the three-tier system. There were approximately 1,900 bearing acres in the state of Ohio, per the National Agricultural Statistics Service (NASS).

Wine, winegrapes and related industries created approximately $583 million of total economic value to the state of Ohio in 2008. The wine and winegrape sectors contributed at least $62.3 million in state and local taxes to the state in 2008, according to the Minnesota IMPLAN Group. Wine and winegrapes and related industries accounted for 4,108 jobs across the state, for a payroll of $124.2 million.

## EMPLOYMENT

**Table 2**
**Total Ohio Employment: Wine, Grape and Related Industries, 2008**

| | |
|---|---|
| Distributors | 32 |
| Research/Education/Consulting | 4 |
| Restaurants | 166 |
| On and Off Premise Retail | 30 |
| Vineyard | 350 |
| Vineyard Materials | 6 |
| Winery (including owners/operators) | 785 |
| Winery Services | 3 |
| Winery Tourism | 970 |
| Indirect (IMPLAN) | 1,006 |
| Induced (IMPLAN) | 756 |
| **Total** | **4,108** |

Sources: MKF Research LLC, IMPLAN, Ohio Grape Industries Committee (OGIC), Bureau of Labor Statistics (BLS), Ohio State University, the National Restaurant Association and the Ohio Division of Travel & Tourism

## TOTAL TAXES COLLECTED

**Table 3**
**Estimated Tax Revenues**

| Tax Type | Total |
|---|---|
| Federal tax revenues | |
| Excise | $2,181,000 |
| Payroll | 13,657,000 |
| Income | 7,967,000 |
| Other (corporate profits, etc.) | 5,685,000 |
| Total federal tax revenues | $29,491,000 |
| State tax revenues | |
| Excise | $726,000 |
| Sales | 11,912,000 |
| Payroll | 613,000 |
| Property | 10,832,000 |
| Other (dividends, licenses, fines, fees, etc.) | 8,706,000 |
| Total state tax revenues | $32,790,000 |
| Total tax revenues | $62,281,000 |

Source: IMPLAN, MKF Research LLC

The wine and winegrape industry generates significant tax dollars, benefiting federal, state and local governments. Tax dollars are raised through sales taxes, excise taxes, income taxes, estate and gift taxes, payroll taxes, property taxes and other business taxes and fees. According to the Minnesota IMPLAN Group, Ohio's wine, winegrape and allied industries paid $32.8 million in state and local taxes and $29.5 million in federal taxes in 2008, including approximately $2.9 million in federal and state excise taxes.

## TOURISM

Tourism is a major component of the wine industry's overall economic impact in Ohio. According to a recent survey completed by the Ohio Wine Producers Association, approximately 2.2 million tourists visited Ohio wineries in 2008. Supporting these winery visitors is a diverse labor force of approximately 970 employees with total wages of $18.5 million. The continued increase of tourist visits over the past several years can be attributed to the increase in the number of Ohio wineries, providing more destinations and opportunities for visitors to experience Ohio wine country.

Given that much of their sales are direct-to-consumer, smaller wineries have focused meaningful effort on enticing consumers to come and visit their facilities. Wine tasting tours are being widely promoted with positive sales results. There has been an expansion of related-product offerings and events, private parties, and concerts held on winery properties and, thus, the winery's function has evolved past simple production. Some existing wineries have expanded their facilities to incorporate these additional revenue streams resulting in increased winery employment and support services, and increased rural economic development. The new wineries being designed and built in Ohio incorporate this new blend of functions with traditional facilities to take full advantage of these profitable ancillary activities.

## WINE PRODUCTION AND SALES

In 2008, there were 124 wineries in Ohio, a 65% increase from 75 wineries in 1999. Meier's Wine Cellars was the largest with a production of over 100,000 cases, while there were approximately ten other wineries producing more than 10,000 cases. According to the TTB, total wine bottled in Ohio in 2008 was approximately 1,133,993 gallons, or approximately 477,000 cases. This is slightly lower than the 1,138,596 gallons bottled in 2007 and up 8% from the 1,033,354 gallons bottled in 2006.

**Table 4.1**
**Trend of Growth in Ohio Wineries**

| | |
|---|---|
| 2008 | 124 |
| 2007 | 123 |
| 2006 | 115 |
| 2005 | 114 |
| 2004 | 109 |
| 2003 | 108 |
| 2002 | 91 |
| 2001 | 90 |
| 2000 | 77 |
| 1999 | 75 |

Source: Wine Institute, TTB

Approximately 85% of Ohio's 124 wineries are small producers, producing less than 5,000 cases. However, 20 larger wineries represent over 75% of the state's total production.

**Table 4.2**
**Top Ten States' Annual Gallons Bottled in 2008**

| State | Gallons Bottled | Rank | Percentage of Total Gallons Bottled |
|---|---|---|---|
| California | 499,992,493 | 1 | 85.90% |
| New York | 34,923,377 | 2 | 6.00% |
| Washington | 20,174,467 | 3 | 3.47% |
| Oregon | 5,189,380 | 4 | 0.89% |
| Texas | 2,488,547 | 5 | 0.43% |
| Indiana | 1,534,212 | 6 | 0.26% |
| North Carolina | 1,319,117 | 7 | 0.23% |
| Florida | 1,318,487 | 8 | 0.23% |
| Michigan | 1,277,340 | 9 | 0.22% |
| Pennsylvania | 1,244,442 | 10 | 0.21% |
| ***Ohio*** | ***1,133,993*** | ***11*** | ***0.19%*** |
| All Others | 11,456,673 | | 1.97% |
| **Total** | **582,054,315** | **---** | **100.0%** |

Source: TTB

Based on our research and discussions with Ohio winery owners approximately 38% of the wine volume produced in Ohio is distributed through the three-tier distribution system. This is primarily driven by Ohio's largest wineries, which sell a significant share of their wines through this channel. The vast majority of Ohio wineries by number, however, sell direct to consumers through winery tasting rooms, allowing them to obtain higher margins on their product. These wineries generally have relatively small production.

The retail value of Ohio wine in 2008 is estimated at $51.9 million. Winery revenue totaled $37.5 million, including an estimated $16 million (62%) in winery direct sales (sales by wineries direct to consumers). Winery direct sales include sales to consumers in the winery tasting rooms, wine clubs, winery mailing lists and e-commerce or Internet sales.

## GRAPE PRODUCTION

According to NASS, there were approximately 1,900 grape-bearing acres in Ohio in 2008. While vineyard acreage in Ohio remained fairly steady over the past few years, yields have varied. This is largely due to occasionally unfavorable weather conditions such as late spring frost and mid season hail storms, harmful herbicide drift from neighboring fields and, to a lesser extent, vine loss due to insects, black rot and phylloxera.

**Table 5**
**United States Grape Production, 2008**

| Rank | State | Bearing Acreage (All types of grapes) | Utilized Production (Tons) |
|---|---|---|---|
| 1 | California | 789,000 | 6,658,000 |
| 2 | Washington | 58,000 | 350,000 |
| 3 | New York | 37,000 | 172,000 |
| 4 | Michigan | 14,200 | 73,700 |
| 5 | Oregon | 14,500 | 40,600 |
| 6 | Pennsylvania | 13,600 | 94,200 |
| 7 | Texas | 2,500 | 4,000 |
| 8 | Virginia | 2,500 | 6,550 |
| **9** | **Ohio** | **1,900** | **5,350** |
| 10 | North Carolina | 1,700 | 5,600 |
| 11 | Missouri | 1,500 | 5,200 |
| 12 | Georgia | 1,200 | 3,500 |
| | **United States** | **938,550** | **7,421,200** |

Source: NASS (includes non-wine grapes)

## COMMUNITY SUPPORT

Based on our research, wineries throughout the state of Ohio have donated approximately $392,500 to charities in 2008, including gifts of wine and cash. Wine was lawfully donated to charitable organizations pursuant to temporary F-4 and/or F-6 liquor permits. The amount of charitable contributions is likely underestimated as many wineries do not track in-kind contributions, which can be substantial.

## WINEMAKING EQUIPMENT, SUPPLIES AND SERVICES

The number of in-state suppliers or distributors of winemaking equipment, supplies and services is relatively small. There are a few different types of small businesses in Ohio that supply the wine and winegrape industry as a portion of their overall business. They include trucking services, label producers, warehousing and wine labs. As the Ohio wine industry continues to grow, so do the number of ancillary businesses that supply the industry.

**Table 6**
**Ohio Winemaking Suppliers for Ohio Wine**

| | |
|---|---|
| Direct Employment | 3 employees |
| Total Wages | $83,700 |
| Total Revenue | $1,430,900 |

Source: MKF Research LLC

## EDUCATION, CONSULTING AND WINE INDUSTRY RESEARCH

Approximately four people are employed on a full time basis in Ohio in wine related education, consulting and research, with a payroll of approximately $283,400.

**Table 7**
**Impact of Wine Related Education, Consulting and Research**

| | |
|---|---|
| Direct Employment | 4 employees |
| Total Wages | $283,400 |
| Total Funding | $900,000 |

Source: MKF Research LLC, OGIC

## A CONSERVATIVE MEASURE OF VALUE

Statistics alone do not adequately measure the intangible value the wine industry brings in terms of overall enhanced quality of life, limitation of urban sprawl and greater visibility for the state of Ohio worldwide. Accordingly, the figures provided in this report should be viewed as a conservative baseline measure of the economic impact, as the true impact of the Ohio wine industry, including intangible benefits is much greater. That measure of economic impact is approximately **$583 million** within the state of Ohio, for an industry that is a unique partnership of nature, entrepreneurship, artistry and technology.

Ohio wine and winegrape producers face sizable challenges to their continued growth and success. Working to support the Ohio wine industry and to ensure its long-term success will protect the significant benefits the industry provides to the Ohio economy.

# METHODOLOGY

## DATA COLLECTION

Data for this study was collected from a variety of public sources supplemented by primary research with wineries, suppliers, growers and other economic entities and supported by a variety of studies undertaken by industry and professional organizations. For several data items the numbers provided are only partial, given the limited availability of information, and therefore are considered conservative.

## DIRECT, INDIRECT AND INDUCED EFFECTS (IMPLAN)[2]

All economic activities have "ripple" effects: employment of one person creates economic activity for others, whether the salesman who sells the employee a car or the restaurant where she eats lunch. Economic impact studies endeavor to measure those "ripples" as well as the direct activity, to help assess the impact of the potential gain or loss of an industry.

Economic impact studies estimate the impact of an industry in a defined geographic region by identifying and measuring specific concrete and economic events, such as the number of jobs, the wages, taxes and output generated by each job.

IMPLAN[2] is the acronym for "**IM**pact analysis for **PLAN**ing." IMPLAN is a well established and widely used economic model that uses input-output analyses and tables for over 500 industries to estimate these regional and industry-specific economic impacts of a specific industry.

The IMPLAN model and methodology classifies these effects into three categories, Direct Effects, Indirect Effects and Induced Effects.

Direct Effects are economic changes in industries *directly* associated with the product's final demand. Thus, direct effects consider the direct employment and spending of wineries, vineyards, distributors and immediately allied industries.

Indirect effects are economic changes – income created through job creation in industries that supply goods and services to the directly affected industries noted above. For example, the purchases of electricity and gasoline by wineries and of cash registers purchased for a tasting room.

[2] IMPLAN is the standard economic model for economic impact studies, developed by the University of Minnesota and the US Forestry Service in the 1980s and currently used by over 1,500 organizations, including most federal, state and local organizations. For more information on IMPLAN, go to www.implan.com.

Induced effects are the effects of these new workers spending their new incomes, creating a still further flow of income in their communities and a flow of new jobs and services. Examples are spending in grocery and retail stores, medical offices, insurance companies, and other non-wine and grape related industries.

Beginning in late 2009, the Minnesota IMPLAN Group released version 3.0 of its flagship IMPLAN software product, which makes it possible to include Trade Flows in an impact analysis. In light of this, however, MKF Research LLC has remained consistent in its use and inclusion of IMPLAN data, similar to previous economic impact studies completed for other states and organizations.

# APPENDIX

## ABOUT MKF RESEARCH LLC

MKF Research LLC is the leading research source on the US wine industry. We continue to strive to raise the bar on the quality of information and analysis available to the wine industry.

MKF Research LLC conducts original research on the business of wine and wine market trends, publishes a number of industry studies and provides business advisory services and custom business research for individual companies and investors.

## MKF RESEARCH LLC PUBLICATIONS

### *Grape Trends*

By combining the annual crush and acreage reports into one easy-to-use quick reference guide, Grape Trends provides, in one source, all the information needed to make informed decisions about California's grape supply for production planning. Provided in electronic form, Grape Trends includes a complete summary of current, past (since 1997) and projected tons, prices, and bearing acres for all of California's major grape growing regions and counties for all varietals recorded, including: Chardonnay, Sauvignon Blanc, Cabernet Sauvignon, Merlot, Syrah, Zinfandel, and Pinot Noir.

### *Grape Price Analysis Tool*

The Grape Price Analysis Tool enables users to take a deep dive into the California Grape Crush Report and analyze estimated bottle prices in relation to tonnage prices. The tool makes the data from the Crush Report easy to access and provides actionable results to help determine tonnage prices based on an estimated finished bottle price.

### *Economic Impact Reports*

MKF Research LLC has completed the first study of the Impact of Wine, Grapes and Grape Products on the American Economy, for Wine America, the Wine Institute, Winegrape Growers of America and the National Grape and Wine Initiative, as well as wine and grape impact studies for Michigan, Missouri, New York, North Carolina, Pennsylvania, Tennessee, Texas, Virginia and Washington.

Recent Economic Impact Studies and Updates published by MKF Research LLC include the following, all available for purchase from MKF Research LLC:

- Economic Impact of Iowa Wine and Vineyards 2008
- Economic Impact of Wine and Winegrapes in Illinois 2007
- Economic Impact of Pennsylvania Wine and Grapes 2007
- Economic Impact of Wine and Grapes on the State of Texas 2007
- Economic Impact of Wine and Grapes on the Missouri Economy 2007
- Economic Impact of Wine and Winegrapes in Tennessee 2007
- Impact of Wine, Grapes and Grape Products on the American Economy, 2007
- Economic Impact of California Wine 2006
- Economic Impact of Washington Grapes and Wine 2006
- Economic Impact of Wine and Winegrapes in North Carolina 2005
- Economic Impact of Wine and Winegrapes in Ohio 2005
- Economic Impact of Michigan Grapes, Grape Juice and Wine 2005
- Economic Impact of New York Grapes, Grape Juice and Wine 2005

## MKF RESEARCH LLC OWNERSHIP

MKF Research LLC is owned by Frank, Rimerman + Co. LLP, CPAs.

### *Frank, Rimerman + Co. LLP, CPAs*

Frank, Rimerman + Co. LLP, founded in 1949, is the largest, locally-owned provider of accounting and consulting services in California. With offices in San Jose, Palo Alto, San Francisco and St. Helena and over 200 professionals, Frank, Rimerman + Co. LLP offers strategic business and information consulting services, tax consulting and planning, audit and financial reporting, accounting services, litigation and valuation services.

Frank, Rimerman + Co. LLP continues to build its wine industry practice, based in St. Helena (formerly the CPA practice of Motto, Kryla and Fisher), committing the full resources of this major professional services firm to the industry.