

Economic Impact of the Napa Valley Wine Industry

Prepared for the Napa Valley Vintners

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A STONEBRIDGE RESEARCH REPORT

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HIGHLIGHTS

FULL ANNUAL ECONOMIC IMPACT OF NAPA VALLEY WINE INDUSTRY IN NAPA COUNTY = \$10.9 BILLION

FULL ANNUAL ECONOMIC IMPACT OF NAPA VALLEY WINE INDUSTRY ON THE AMERICAN ECONOMY = \$42.4 BILLION

	ECONOMIC IMPACT
Number of Wine Producers and Blenders ¹	542
Number of Grape Growers ²	626
Vineyard Acreage	2,820 Non-Bearing Acres 42,338 Bearing Acres 45,158 Total Vineyard Acres
Full-time Equivalent Jobs	39,900 in Napa County 29,700 in California (outside Napa) 161,400 in US (outside CA) 231,000 Total US Jobs
Wages Paid	\$1.5 billion in Napa County \$800 million in California (outside Napa) \$5.1 billion in US (outside CA) \$7.4 billion in US Total
Cases of Napa Valley Appellation Wine Produced (9L equivalents)	9.2 million
Wine Related Tourism Expenditures	\$714 million
Number of Wine Related Visits	3.5 million
Taxes Paid	\$601 million CA and Local \$553 million Federal
Taxes Paid in Other California Counties	\$209 million CA and Local \$255 million Federal
Total Taxes Paid in US	\$2.1 billion State and Local \$2.3 billion Federal
Charitable Contributions ³	\$72.9 million

¹ Number of Wine Producers and Blenders courtesy of the Alcohol and Tobacco Tax and Trade Bureau.

² Number of winegrape growers courtesy of Napa County Agricultural Commissioner.

³ Our surveys indicate that winery charitable contributions average 1.7% of winery sales.

Executive Summary

Though Napa is one of California's smaller counties – with a population of little more than 130,000 and an area of only 500,000 acres – it has earned a worldwide reputation for quality wines. Napa Valley's wine is the heart of the county's economic well-being and is the primary source of its prosperity and certainly its international prominence.

Napa Valley produces just 4% of California's winegrapes, yet the region is responsible for nearly 30% of the economic impact of wine in California, and nearly 34% of the economic impact of California's wine to the U.S. economy. While the Napa Valley appellation, which covers almost the entirety of the county, is uniquely suited for fine winegrowing due to its geography and climate, this value statement is also a reflection of the region's reputation for quality and consistency, and the appellation's strength in marketing.

In this 2008 update of the economic impact study presented in 2005, we have been able to examine in far greater detail the impact of wineries, vineyards and direct wine industry suppliers in terms of revenue, wages and employment, as well as a broader range of ancillary wine production activities. We also expanded the analysis to identify the impact of these activities beyond the borders of Napa County, as well as on the economies of California and of the United States as a whole. With this greater detail, certain measures previously identified as a Napa County impact were more appropriately allocated to state or national impact. In the absence of this re-allocation, the growth of the industry's impact on the county would have been even greater. This report draws on 2006 data, the latest year for which fully comparable data is available.

Thus, as detailed in **Tables 1 and 2** below, Stonebridge Research Group LLC found that:

- The full annual economic impact of the Napa Valley wine industry in Napa County is \$10.9 billion.
 - The impact of the Napa Valley wine industry on the State of California as a whole is \$15.2 billion.
 - The total impact of the Napa Valley wine industry on the United States economy is \$42.4 billion.
- The wine and vineyard sector is easily the county's largest employer. Napa Valley's wine and vineyard sector directly, and indirectly through the services and products they consume or generate, provides nearly 40,000 jobs in the county.
 - Furthermore, the industry generates nearly 30,000 additional jobs in California (outside the county) and more than 161,000 jobs throughout the United States (outside California).
 - This translates to 231,000 total jobs, nationwide, created by the Napa Valley wine and vineyard sector and its allied industries.

- These jobs generate total wages of \$7.5 billion in the United States: \$1.5 billion in Napa County; \$790 million in California outside of Napa County; and \$5.1 billion in the U.S. outside of California.
- Total winery revenue from sales for wine produced in the Napa Valley exceed \$4.1 billion
- The wine and vineyard sector and its related activities generate nearly \$4.4 billion in taxes, across state, local and federal levels, conservatively estimated.
- The wine and vineyard industry in the county also attracts 3.5 million visitors to Napa Valley, who disburse \$714 million in wine related tourism expenditures.

The protection of Napa Valley's distinctive appeal as an agrarian community is vital to maintaining both the industry and the jobs it creates, both directly and indirectly, through industry suppliers, tourism, retail and restaurant, and distribution. In 1968 vintners, growers and community members established America's first Ag Preserve, the Napa Valley Agricultural Preserve, which defined the urban footprint of all of the county's municipalities and today protects more than 38,000 acres of valley floor land. Since its creation, no land has been taken from the Preserve and it is the cornerstone of what defines and protects the wine industry in the county.

Table 1:
2006 Total Economic Impact (Sum of Total Spending) of the Napa Valley Wine Industry

	NAPA COUNTY	CALIFORNIA (OUTSIDE NAPA)	OUT OF STATE	US TOTAL
Revenue				
Winery Sales	\$3,328,857,407			\$ 3,328,857,407
Winery Direct Sales	\$ 812,617,157			\$ 812,617,157
Distributors Sales	\$ 16,635,251	\$ 332,705,034	\$ 1,446,543,629	\$ 1,795,883,914
Retail and Restaurant Wine Sales	\$ 56,957,331	\$ 1,180,641,282	\$ 2,952,797,189	\$ 4,190,395,802
Wine Grapes Sales	\$ 469,072,900			\$ 469,072,900
Tourism	\$ 714,372,782			\$ 714,372,782
Glass	\$ 13,366,400	\$ 113,614,387	\$ 20,049,597	\$ 147,030,384
Tax Revenues – State & Local	\$ 601,427,609	\$ 208,874,510	\$ 1,251,599,537	\$ 2,061,901,656
Tax Revenues – Federal	\$ 553,317,392	\$ 255,381,394	\$ 1,496,779,532	\$ 2,305,478,318
Financing Revenues – Debt	\$ 292,241,550			\$ 292,241,550
Vineyard Development/ Management – Overhead	\$ 137,031,020			\$ 137,031,020
Vineyard Development – Materials (excluding vines)	\$ 17,166,266	\$ 68,665,064		\$ 85,831,330
Boxes/Bags-in-a-Box	\$ 10,568,832	\$ 31,706,498		\$ 42,275,330
Corks/Capsules/ Screwtops	\$ 5,286,977	\$ 10,573,953	\$ 116,313,485	\$ 132,174,415
Wine Labels	\$ 35,600,697	\$ 11,866,899		\$ 47,467,596
Grapevines	\$ 1,089,343	\$ 9,807,090		\$ 10,896,433
Trucking	\$ 1,310,279	\$ 9,608,700		\$ 10,918,979
Charitable Contributions	\$ 72,944,388			\$ 72,944,388
Cooperage	\$ 21,184,900	\$ 31,777,351		\$ 52,962,251
Stainless Steel Tanks	\$ 1,951,200	\$ 5,853,600	\$ 1,951,200	\$ 9,756,000
Wine Labs	\$ 3,723,330			\$ 3,723,330
Grapevine Assessments	\$ 688,208	\$ 1,128,950		\$ 1,817,158
Winery Research	\$ 815,290			\$ 815,290

	NAPA COUNTY	CALIFORNIA (OUTSIDE NAPA)	OUT OF STATE	US TOTAL
Professional Services	\$ 108,950,000			\$ 108,950,000
Indirect (IMPLAN)	\$ 1,133,507,693	\$ 592,473,448	\$ 7,309,963,835	\$ 9,035,944,976
Induced (IMPLAN)	\$ 940,287,708	\$ 654,023,299	\$ 7,507,695,318	\$ 9,102,006,325
Total Revenue	\$9,350,971,910	\$ 3,518,701,459	\$22,103,693,322	\$34,973,366,691
Wages				
Winery Employees	\$ 394,196,000			\$ 394,196,000
Vineyard Employees	\$ 70,609,000			\$ 70,609,000
Tourism	\$ 259,771,571			\$ 259,771,571
Vineyard Development	\$ 15,165,696	\$ 60,662,784		\$ 75,828,480
Vineyard Materials – Labor	\$ 1,033,720	\$ 4,134,880		\$ 5,168,600
Glass	\$ 624,000	\$ 10,400,000	\$ 2,080,000	\$ 13,104,000
Distributors Employees	\$ 17,498,000	\$ 98,678,580	\$ 178,626,870	\$ 294,803,450
Labels	\$ 7,637,175	\$ 2,545,725		\$ 10,182,900
Grapevines/Nurseries	\$ 640,560	\$ 10,342,400		\$ 10,982,960
Retail/Liquor/Grocery Stores – Wine Specific	\$ 3,313,000	\$ 73,492,580	\$ 130,983,435	\$ 207,789,015
Restaurant Wages – Wine Specific	\$ 854,262	\$ 150,977,304	\$ 1,018,506,528	\$ 1,170,338,094
Boxes/Bags-in-a-Box	\$ 3,848,000	\$ 11,544,000		\$ 15,392,000
Trucking	\$ 475,000	\$ 3,300,000		\$ 3,775,000
Cooperage	\$ 5,772,000	\$ 8,658,000		\$ 14,430,000
Stainless Steel Tanks	\$ 2,600,000	\$ 10,400,000	\$ 2,600,000	\$ 15,600,000
Corks/Capsules/Screwtops	\$ 2,459,635	\$ 5,739,149	\$ 60,124,416	\$ 68,323,200
Education	\$ 179,364	\$ 1,259,346		\$ 1,438,710
Wine Labs	\$ 483,516			\$ 483,516
Professional Services	\$ 9,810,000			\$ 9,810,000
Indirect (IMPLAN)	\$ 430,553,847	\$ 154,367,833	\$ 1,738,934,236	\$ 2,323,855,916
Induced (IMPLAN)	\$ 319,272,313	\$ 183,179,195	\$ 1,999,018,092	\$ 2,501,469,600
Total Wages	\$1,546,796,659	\$ 789,681,776	\$ 5,130,873,577	\$ 7,467,352,012
Total	\$ 10,897,768,569	\$ 4,308,383,235	\$ 27,234,566,899	\$ 42,440,718,703

Source: Stonebridge Research Group LLC and IMPLAN

**Table 2:
2006 Total Employment: Napa Wine, Grapes and Allied Industries**

EMPLOYMENT SECTOR	NAPA	CALIFORNIA (OUTSIDE NAPA)	OUT OF STATE	US TOTAL
Winery	7,983			7,983
Vineyard	2,381			2,381
Tourism	10,210			10,210
Vineyard Development	634	2,525		3,159
Vineyard Materials	35	140		175
Glass	15	250	50	315
Distributor	80	442	2,768	3,290
Labels	195	65		260
Grapevine Nurseries	42	880		922
Retail/Liquor/Grocery	103	3,440	6,131	9,674
Restaurants	44	12,701	56,094	68,839
Boxes/Bags-in-a-Box	100	300		400
Trucking	20	145		165
Cooperage	150	225		375
Stainless Steel Tanks	50	200	50	300
Corks/Capsules/Screwtops	48	96	1,056	1,200
Education	2	14		16
Wine Labs	11			11
Professional Services	393			393
Indirect (IMPLAN)	9,733	3,492	40,874	54,099
Induced (IMPLAN)	7,633	4,822	54,420	66,875
Total	39,862	29,737	161,443	231,042

Source: Stonebridge Research Group LLC and IMPLAN

Methodology

To produce this assessment, Stonebridge Research Group LLC focused on the largest and most significant section of the industry involved in wine production and consumption, grape cultivation and allied industries – distribution, tourism, and equipment and suppliers. Other economic benefits, including tax revenues, financing, charitable contributions and other indirect and induced benefits generated by the wine industry are also summarized.

This report is an update of the 2005 study of the economic impact of the Napa County wine industry, which was based on the “Economic Impact of Wine in California” study for the Wine Institute. Both of those analyses were based on 2002 data. This study is based on 2006 data. In some areas, data sources available to us have changed or been somewhat revised. In certain other areas, we have been able to improve the accuracy of the analysis, such as the supplier impact calculations. Within this framework, every effort has been made to make this report as comparable as possible with the previous reports so that readers may assess the progress of the industry.

Direct, Indirect and Induced Effects (IMPLAN)

Much like dropping a rock into a pond, the wine industry has ripple effects on Napa’s economy. Economic impact studies estimate the impact of an industry in a defined geographical area by identifying and measuring specific concrete economic “events.” The events tracked in this report are jobs by industry code.

IMPLAN is the acronym for “**IM**portant analysis for **PLAN**ning.” IMPLAN is a well established and widely used economic model that uses input-output analyses and tables for over 500 industries to estimate regional and industry-specific economic impacts of a specific industry.

Thus, the full economic impact of California wine, as shown in **Table 1**, combines the Napa County wine industry’s direct, indirect and induced economic effects as measure by the application of the IMPLAN model to the employment data presented in **Table 2** this report.

The IMPLAN model and its structure are updated annually to reflect changes in the US economy, in wages, in productivity assumptions and in regional economic structures. Thus, readers should not try to directly compare the IMPLAN results from the first report with the results of this update.

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

Direct Effects

Direct effects are economic changes in industries **directly** associated with the product's final demand. This, direct effects in this case consider the direct employment and spending of wineries, vineyards, distributors, and immediately allied industries, data on which Stonebridge Research Group LLC collected through primary research.

Indirect Effects

Indirect effects are economic changes – income created through job creation – in industries that supply goods and services to the directly affected industries noted above. Examples of industry effects are purchases of electricity and gasoline by wineries, of janitorial services by wine bottle manufacturers, and cash registers purchased for use in a tasting room. These may also be defined as “secondary economic exchanges.”

Induced Effects

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, internet providers, and other non-wine related industries by workers in industries allied to the wine industry – such as the spending by the janitor working under contract to the wine bottle manufacturer in California. These tertiary exchanges induce more jobs and incomes throughout California, based on the original economic flows from the wine industry.

Measuring the Full Annual Economic Impact of the Napa Valley Wine Industry

Napa's wine industry has a “multiplier” effect, extending across the county, state, and nation in a broad network of economic benefits. The revenue derived by the wine industry becomes income for other workers and firms, who spend more money on other goods and services.