

Frank, Rimerman + Co. LLP

wine business services

Economic Impact of Canadian Wine and Grapes - 2011

Rob Morris

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Certified
Public
Accountants



San Francisco
Palo Alto
San Jose
St. Helena
New York

Economic Impact of Canadian Wine and Grapes

Agenda



- What is Economic Impact?
- Methodology and Process
- Canada Economic Impact
- Ontario Economic Impact
- Comparisons to Other Regions
- Conclusions

What is Economic Impact?



JOBS



What is Economic Impact?



- Jobs in the following areas
 - Wine and wine grape production
 - Suppliers of goods and services to the industry
 - Selling and reselling Canada wine such as Liquor Boards, retailers and restaurants
 - Wine industry direct tourism
 - Jobs that indirectly support the wine and grape industry
 - Plus all the jobs created when these workers spend their wages



What is Economic Impact?

- We measure the revenues, taxes and wages generated by these jobs
 - Direct jobs, wages and revenue
 - Businesses that directly support the industry
 - Wineries, vineyards, Liquor Boards, suppliers, tourism
 - Indirect jobs, wages and revenue
 - Local businesses that support the businesses above
 - Material and service providers not wine industry focused
 - Induced jobs, wages and revenue
 - Businesses supported by direct and indirect employees spending their wages in the community

Methodology and Process



- We have done similar reports for many wine regions in the US
- Data gathering – direct jobs, wages and revenue
 - Winery surveys
 - Industry trade organizations
 - Distribution channel (Liquor Boards)
 - Tourism studies
 - Suppliers
 - Educational and research institutions
- Estimate indirect and induced components
- Why 2011?

Methodology and Process



- Winery surveys
 - Sales volume and dollars by channel
 - Production information
 - Non-wine revenue
 - Employees and wages
 - Visitors
 - Supplier identification and spending
 - High response rate – sales coverage
 - 91% of total Canada sales volume



IMPLAN Model

- The IMPLAN model is a complex input-output economic model developed by the US Forest Service and the University of Minnesota and updated annually
- IMPLAN is the standard model for estimating US economic impacts
- We used the IMPLAN calculation methodology in conjunction with CANSIM input-output data to estimate the indirect and induced revenue, wages and Canadian tax impacts resulting from the identified direct economic impacts



Canada Economic Impact



476 Wineries and 1,329 Grape Growers

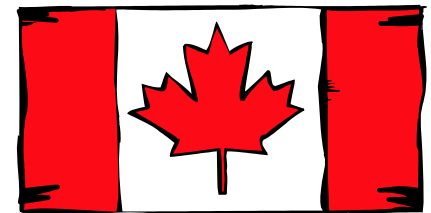
Create directly and indirectly:

Canada Economic Impact



\$6.8 Billion in Economic Impact

- Business revenue of over \$4.7 billion
- Over \$1.2 billion in tax revenue and Liquor Board markup revenue
- Jobs for 31,370 people
- Wages of nearly \$1.2 billion



Canada Economic Impact



- Wine Grape Production
 - Over 1,300 grape growers
 - Over 27,000 acres of planted wine grapes
 - Over 88,000 tonnes of wine grapes
 - Market value of over \$131 million

Canada Economic Impact



■ Employment (full-time equivalents)	
■ Wineries and vineyards	6,629
■ Distribution channel	5,824
■ Tourism	5,520
■ Other direct	724
■ Indirect	6,585
■ Induced	<u>6,088</u>
■ TOTAL	31,370

Canada Economic Impact



■ Wages

■ Wineries and vineyards	\$ 251 M
■ Distribution channel	157 M
■ Tourism	189 M
■ Other direct	36 M
■ Indirect	303 M
■ Induced	<u>255 M</u>
■ TOTAL	\$ 1,191 M

Economic Impact of Canadian Wine and Grapes

Canada Economic Impact



■ Revenue	
■ Winery revenue	\$ 1,146 M
■ Wine distribution profits/markups	572 M
■ Gate value of grapes	131 M
■ Tourism	476 M
■ Other direct	251 M
■ Tax revenue	879 M
■ Indirect and induced revenue	<u>2,125 M</u>
■ TOTAL	\$ 5,580 M

Canada Economic Impact



- An average bottle of wine sold generates:
 - \$5.80 of winery and vineyard revenue
 - \$3.74 of distribution channel/supplier revenue
 - \$2.16 of tourism revenue
 - \$4.71 of indirect revenue
 - \$4.95 of induced revenue
 - Total business revenue of \$21.36
 - \$3.99 of tax revenue
 - \$5.41 of wages
 - Total impact of \$30.76



Economic Impact of Canadian Wine and Grapes

Canada Economic Impact



■ Winery Tourism

■ Direct revenue	\$ 476 M
■ Direct wages	189 M
■ Indirect and induced revenue	439 M
■ Indirect and induced wages	<u>114 M</u>
■ TOTAL IMPACT OF TOURISM	\$ 1,218 M



Ontario Economic Impact



\$3.34 Billion in Economic Impact

- Business revenue of over \$2.3 billion
- Over \$600 million in tax revenue and LCBO markup revenue
- Jobs for 14,374 people
- Wages of nearly \$600 million



Ontario Economic Impact



- Wine Grape Production
 - Nearly 500 grape growers
 - Over 15,000 acres of planted wine grapes
 - Over 62,000 tonnes of wine grapes
 - Market value of over \$77 million

Economic Impact of Canadian Wine and Grapes

Ontario Economic Impact



■ Employment (full-time equivalents)	
■ Wineries and vineyards	3,462
■ Distribution channel	1,733
■ Tourism	2,864
■ Other direct	320
■ Indirect	3,143
■ Induced	<u>2,852</u>
■ TOTAL	14,374

Economic Impact of Canadian Wine and Grapes

Ontario Economic Impact



■ Wages

■ Wineries and vineyards	\$ 143 M
■ Distribution channel	37 M
■ Tourism	100 M
■ Other direct	17 M
■ Indirect	161 M
■ Induced	<u>135 M</u>
■ TOTAL	\$ 593 M

Economic Impact of Canadian Wine and Grapes

Ontario Economic Impact



■ Revenue	
■ Winery revenue	\$ 531 M
■ Wine distribution profits/markups	235 M
■ Gate value of grapes	77 M
■ Tourism	248 M
■ Other direct	140 M
■ Tax revenue	444 M
■ Indirect and induced revenue	<u>1,070 M</u>
■ TOTAL	\$ 2,745 M

Economic Impact of Canadian Wine and Grapes

Ontario Economic Impact



- An average bottle of wine sold generates:
 - \$7.24 of winery and vineyard revenue
 - \$4.46 of distribution channel/supplier revenue
 - \$2.95 of tourism revenue
 - \$6.25 of indirect revenue
 - \$6.48 of induced revenue
 - Total business revenue of \$27.38
 - \$5.29 of tax revenue
 - \$7.06 of wages
 - Total impact of \$39.73



Economic Impact of Canadian Wine and Grapes

Ontario Economic Impact



■ Winery Tourism

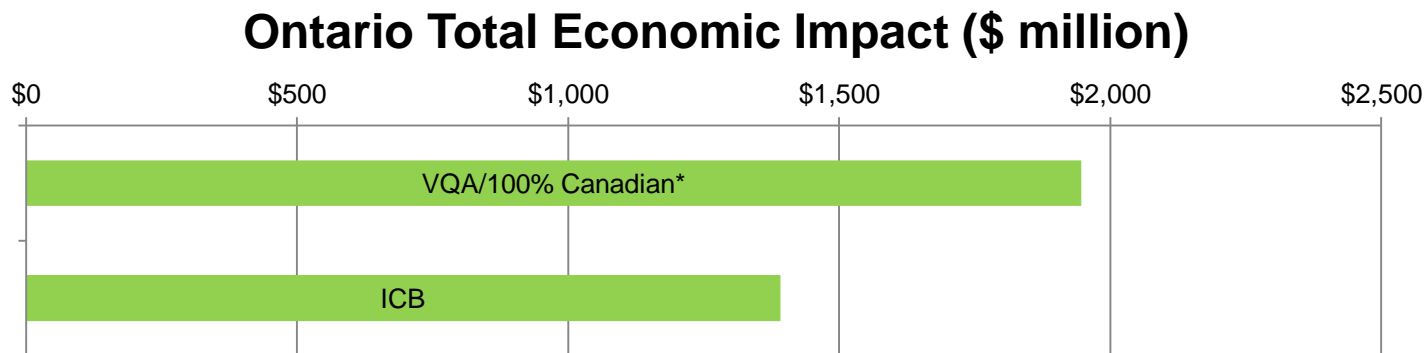
■ Direct revenue	\$ 248 M
■ Direct wages	100 M
■ Indirect and induced revenue	235 M
■ Indirect and induced wages	<u>61 M</u>
■ TOTAL IMPACT OF TOURISM	\$ 644 M



Ontario Economic Impact



- VQA vs. ICB wine in Ontario
 - VQA/100% Canadian wine and ICB wine are both significant economic contributors, with 73% of sales by volume of ICB and 27% for VQA/100% Canadian
 - The majority of grapes grown in Ontario are contained in ICB wines
 - ICB wine provides more tax revenue than VQA



*Tourism is a major economic impact and all of its value was attributed to VQA/100%

British Columbia Economic Impact



\$2.01 Billion in Economic Impact

- Business revenue of over \$1.4 billion
- Nearly \$300 million in tax revenue and BCLDB markup revenue
- Jobs for 10,323 people
- Wages of over \$350 million



Nova Scotia Economic Impact



\$196 Million in Economic Impact

- Business revenue of over \$140 million
- Over \$48 million in tax revenue and NSLC markup revenue
- Jobs for 854 people
- Wages of over \$30 million



Quebec Economic Impact



\$805 Million in Economic Impact

- Business revenue of over \$525 million
- Nearly \$161 million in tax revenue and SAQ markup revenue
- Jobs for 4,535 people
- Wages of nearly \$159 million



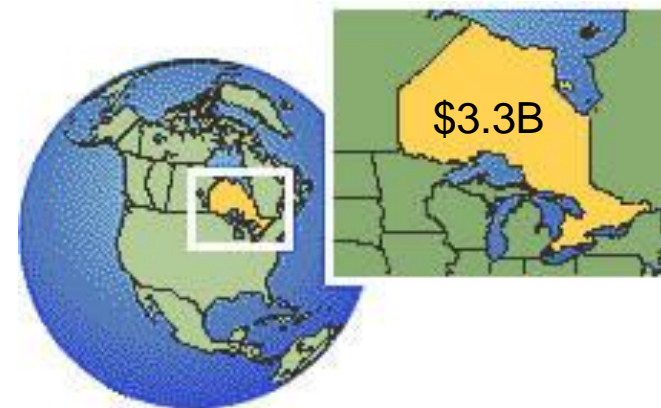
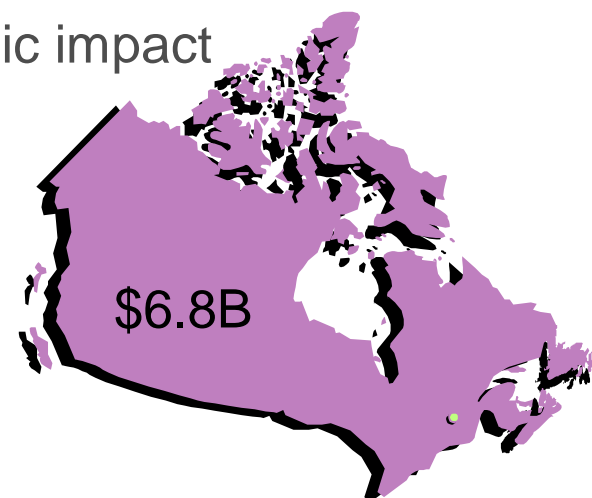
Economic Impact of Canadian Wine and Grapes

Comparisons



■ Comparisons to US wine regions – total economic impact

- Washington \$ 8.6 billion
- New York* \$ 3.8 billion
- Oregon \$ 2.7 billion
- Texas \$ 1.8 billion
- Pennsylvania* \$ 1.9 billion
- Virginia \$ 0.8 billion
- Napa Valley
 - Impact to county \$13.3 billion
 - Impact to US \$50.3 billion



* Includes juice grapes



Conclusions

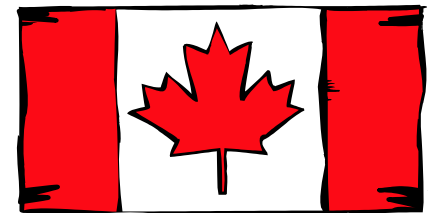
- The Canadian wine industry makes a significant, now measurable, contribution to the Canadian economy
 - There is now a baseline to measure future growth
- Many wine regions in multiple provinces are driving the wine industry and its impact on the provincial and national economies
- Wine industry tourism is a major factor in the overall economic impact of the wine industry
- There is still plenty of room for growth
 - Nationally and internationally
 - Continued government investment and funding is key to growth of the economy and jobs



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Thank You!



Rob Morris
Director, Wine Business Services
Frank, Rimerman + Co. LLP
707-967-5338
rmorris@frankrimerman.com