

Frank, Rimerman + Co. LLP

wine business services

# Economic Impact of Canadian Wine and Grapes - 2015

Robert Eyler, PhD

March 7, 2017

Certified  
Public  
Accountants



San Francisco  
Palo Alto  
San Jose  
St. Helena  
New York



## 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?

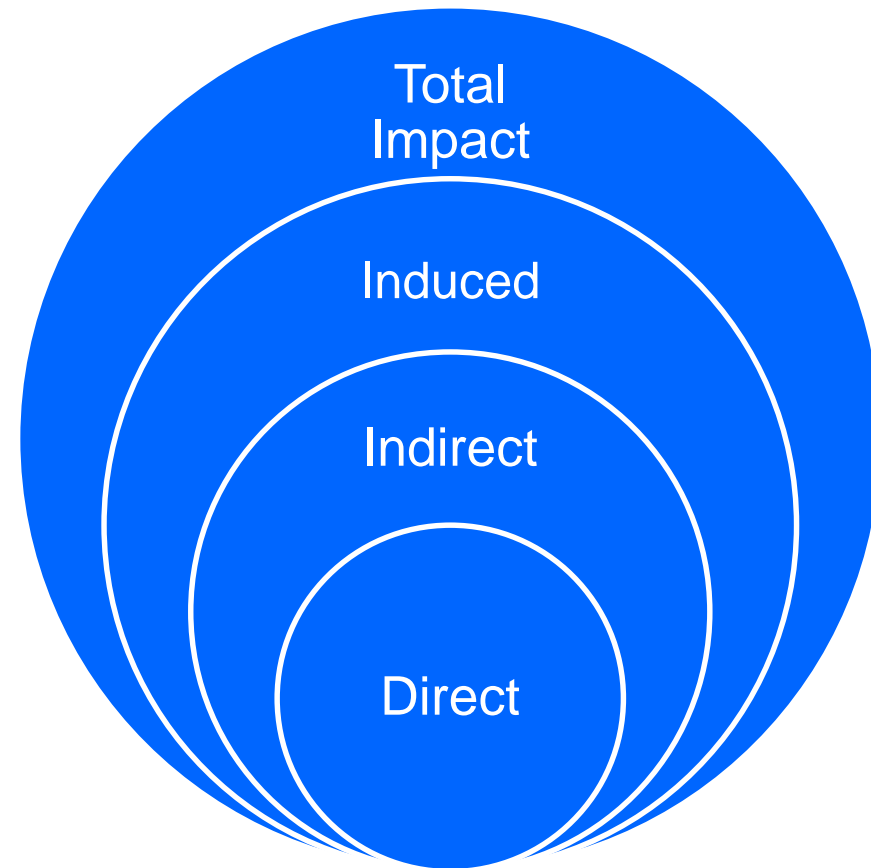
---

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



## What is Economic Impact?

- Three categories of impacts, using IMPLAN<sup>®</sup>
  - **Direct jobs, wages and revenue**
  - **Indirect jobs, wages and revenue**
  - **Induced jobs, wages and revenue**
  - **Taxes added on top**



## Methodology and Process



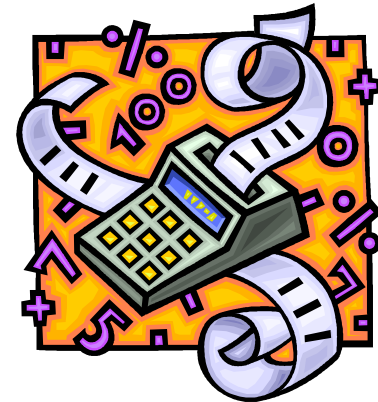
- We have done similar reports for wine regions in the US
- Data gathering – direct jobs, wages and revenue
  - Winery surveys
  - Industry trade organizations
  - Distribution channel (Liquor Boards)
  - Tourism studies
  - Suppliers
  - Educational and research institutions
- Estimate indirect and induced components comes from IMPLAN<sup>®</sup>

# Economic Impact of Canadian Wine and Grapes

## IMPLAN<sup>®</sup> Model



- The IMPLAN<sup>®</sup> model is a an input-output model
- IMPLAN<sup>®</sup> is the standard model for estimating economic impacts
- We used the IMPLAN<sup>®</sup> calculation methodology in conjunction with:
  - CANSIM input-output data to estimate the indirect and induced revenue; and
  - Wages and Canadian tax impacts resulting from the identified direct economic impacts



## Methodology and Process

---



- Winery surveys
  - Sales volume and dollars by channel;
  - Production information;
  - Non-wine revenue;
  - Employees and wages;
  - Visitors;
  - Supplier identification and spending; and
  - Overall coverage of 90% of total Canada sales volume



## Canada Economic Impact

---



604 Wineries and 1,770 Grape Growers

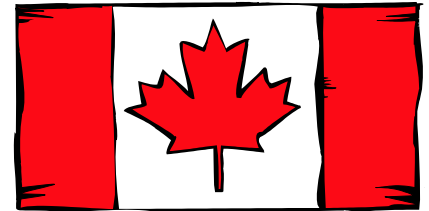
Create directly and indirectly:



## Canada Economic Impact

# \$9.0 Billion in Economic Impact

- Business revenue of nearly \$6.2 billion
- Over \$1.7 billion in tax revenue and Liquor Board markup revenue
- Jobs for 37,382 people
- Wages of over \$1.7 billion
- Increase from \$7.2 billion in 2011



## Canada Economic Impact



### ■ Wine Grape Production

- Over 1,700 grape growers
- Over 31,000 acres of planted wine grapes
- Over 95,000 tonnes of wine grapes (based on a four year average)
- Market value of over \$132 million



## Canada Economic Impact

---

■ <b>Employment (full-time equivalents), +6,000 jobs since 2011</b>	
■ Wineries and vineyards	8,368
■ Distribution channel	6,157
■ Tourism	6,343
■ Other direct	1,047
■ Indirect	8,068
■ Induced	<u>7,399</u>
■ <b>TOTAL 2015</b>	<b>37,382</b>
■ <b>TOTAL 2011</b>	<b>31,370</b>

## Canada Economic Impact



### ■ Wages +518 Million since 2011

■ Wineries and vineyards	\$ 363 M
■ Distribution channel	206 M
■ Tourism	227 M
■ Other direct	63 M
■ Indirect	455 M
■ Induced	<u>395 M</u>
■ <b>TOTAL 2015</b>	<b>\$ 1,709 M</b>
■ <b>TOTAL 2011</b>	<b>\$ 1,191 M</b>



## Canada Economic Impact

---

### ■ Revenue +\$1.75 Billion since 2011

■ Winery revenue	\$ 1,242 M
■ Wine distribution profits/markups	903 M
■ Gate value of grapes	132 M
■ Tourism	602 M
■ Other direct	368 M
■ Tax revenue	1,132 M
■ Indirect and induced revenue	<u>2,950 M</u>
■ <b>TOTAL 2015</b>	<b>\$ 7,329 M</b>
■ <b>TOTAL 2011</b>	<b>\$ 5,580 M</b>



## Canada Economic Impact

- **An average bottle of wine sold generates:**
  - \$5.55 of winery and vineyard revenue
  - \$5.14 of distribution channel/supplier revenue
  - \$2.43 of tourism revenue
  - \$6.75 of indirect revenue
  - \$5.18 of induced revenue
  - Total business revenue of \$25.05
  - \$4.58 of tax revenue
  - \$6.91 of wages
  - **Total impact of \$36.54 (\$30.76 in 2011)**



## Canada Economic Impact



### ■ Winery Tourism

■ Direct revenue	\$	602 M
■ Direct wages		227 M
■ Indirect and induced revenue		564 M
■ Indirect and induced wages		<u>161 M</u>
■ <b>TOTAL IMPACT OF TOURISM</b>	<b>\$</b>	<b>1,554 M</b>
■ <b>2011 IMPACT OF TOURISM</b>	<b>\$</b>	<b>1,218 M</b>







## Ontario Economic Impact

# \$4.36 Billion in Economic Impact

- Business revenue of over \$2.96 billion
- Over \$750 million in tax revenue and LCBO markup revenue
- Jobs for 18,008 people
- Wages of over \$870 million
- Increase from \$3.34 billion in 2011



## Ontario Economic Impact

---



- Wine Grape Production
  - Over 450 grape growers
  - Over 18,000 acres of planted wine grapes
  - Over 64,000 tonnes of wine grapes (based on a four year average)
  - Market value of over \$78 million

## Ontario Economic Impact



■ <b>Employment (full-time equivalents) + 3,600 jobs since 2011</b>	
■ Wineries and vineyards	4,866
■ Distribution channel	1,891
■ Tourism	3,214
■ Other direct	458
■ Indirect	4,022
■ Induced	<u>3,557</u>
■ <b>TOTAL 2015</b>	<b>18,008</b>
■ <b>TOTAL 2011</b>	<b>14,374</b>

## Ontario Economic Impact



### ■ Wages: + \$277 Million since 2011

■ Wineries and vineyards	\$ 225 M
■ Distribution channel	68 M
■ Tourism	125 M
■ Other direct	29 M
■ Indirect	230 M
■ Induced	<u>193 M</u>
■ <b>TOTAL 2015</b>	<b>\$ 870 M</b>
■ <b>TOTAL 2011</b>	<b>\$ 593 M</b>

## Ontario Economic Impact



### ■ Revenue + \$740 million since 2011

■ Winery revenue	\$ 563 M
■ Wine distribution profits/markups	320 M
■ Gate value of grapes	79 M
■ Tourism	311 M
■ Other direct	193 M
■ Tax revenue	522 M
■ Indirect and induced revenue	<u>1,500 M</u>
■ <b>TOTAL 2015</b>	<b>\$ 3,488 M</b>
■ <b>TOTAL 2011</b>	<b>\$ 2,745 M</b>

## Ontario Economic Impact



- An average bottle of wine sold generates:
  - \$6.42 of winery and vineyard revenue
  - \$5.13 of distribution channel/supplier revenue
  - \$3.12 of tourism revenue
  - \$8.63 of indirect revenue
  - \$6.39 of induced revenue
  - Total business revenue of \$29.69
  - \$5.23 of tax revenue
  - \$8.71 of wages
  - **Total impact of \$43.63 (\$39.73 in 2011)**



## Ontario Economic Impact



### ■ Winery Tourism

■ Direct revenue	\$	311 M
■ Direct wages		125 M
■ Indirect and induced revenue		320 M
■ Indirect and induced wages		<u>91 M</u>
■ <b>TOTAL IMPACT OF TOURISM</b>	<b>\$</b>	<b>847 M</b>
■ <b>2011 IMPACT OF TOURISM</b>	<b>\$</b>	<b>644 M</b>

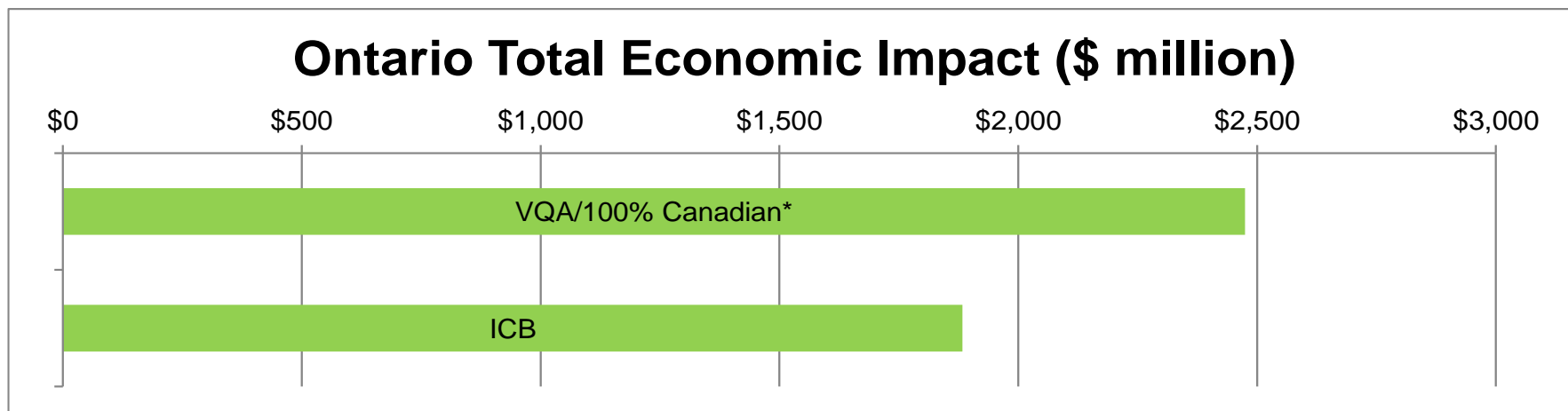


# Economic Impact of Canadian Wine and Grapes

## Ontario Economic Impact



- VQA vs. ICB wine in Ontario
  - VQA/100% Canadian wine and ICB wine are both significant economic contributors, with 75% of sales by volume of ICB and 25% for VQA/100% Canadian
  - 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



# \$2.77 Billion in Economic Impact

- Business revenue of over \$1.9 billion
- Nearly \$480 million in tax revenue and BCLDB markup revenue
- Jobs for 11,975 people
- Wages of over \$512 million
- Increase from \$2.01 billion in 2011



## Nova Scotia Economic Impact



# \$218 Million in Economic Impact

- Business revenue of over \$154 million
- Over \$53 million in tax revenue and NSLC markup revenue
- Jobs for 934 people
- Wages of over \$36 million
- Increase from \$196 million in 2011





## Quebec Economic Impact

# \$1.1 Billion in Economic Impact

- Business revenue of over \$712 million
- Nearly \$240 million in tax revenue and SAQ markup revenue
- Jobs for 5,120 people
- Wages of nearly \$228 million
- Increase from \$805 million in 2011





## Conclusions

---

- **The Canadian wine industry makes a significant contribution to the Canadian economy**
  - **The industry has experienced measured growth in recent years**
- **Many wine regions in multiple provinces driving the wine industry and its impact on the provincial and national economies**
- **Wine industry tourism continues to be 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**

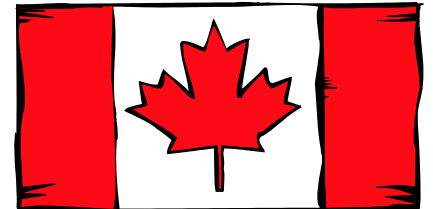


## Canada Economic Impact

---

# \$9.0 Billion in Economic Impact

- Business revenue of over \$6.2 billion
- Over \$1.7 billion in tax revenue and Liquor Board markup revenue
- Jobs for 37,382 people
- Wages of nearly \$1.7 billion
- Increase from \$6.8 billion in 2011



**Thank You!**

---



**Thanks!**

**eyler@econforensics.com**

**@bobby7007**

**for Frank, Rimerman + Co. LLP**