

## **Annex 5: Economic Implications**

The alcohol beverage industry contributes to economies around the world. Provided below is a selection of documents that illustrate the economic importance of the industry, and its contributions to tourism, entertainment, investment, innovation and employment.

**European Union:** European Commission. Directorate-General for Agriculture and Rural Development. Wine: Economy of the Sector (Working Paper). February 2006. [http://ec.europa.eu/agriculture/markets/wine/studies/rep\\_econ2006\\_en.pdf](http://ec.europa.eu/agriculture/markets/wine/studies/rep_econ2006_en.pdf), accessed June 2010.

- *The European wine industry contributes to European agricultural development.*
  - Europe is the world's leading market for wine consumption and production.
  - European vineyards constitute nearly 45% of the world's wine-growing areas.
  - In France and Luxembourg, the wine industry represents 10.3%, respectively, of agricultural production. In Italy, this figure is 9.3%, in Austria, 9%, in Portugal, 8.3%, and in Spain, 3.3%.
- *Wine-related agriculture is a global phenomenon.*
  - In 2002, approximately 7.9 million hectares were devoted to grape production around the world.
  - Total global area devoted to grape production has increased in China by 58%, in Australia by 32%, and in Chile by 17%, over the past decade.
- *Wine represents 3.5% of global trade in agricultural food (agri-food) products.*
  - In 2003, global wine trade was valued at more than € 15 billion.
  - That same year, the trade of spirituous beverages constituted 4.2% of global trade in agri-food products, valued at € 19 billion.

**Ireland:** Foley, Anthony. "The Drinks Industry and Tourism in Ireland." Commissioned by the Drinks Industry Group of Ireland. 2005. <http://www.drinksindustry.ie/easyedit/files/tourism32p.pdf>, accessed June 2010.

- *Alcohol beverage is part of the tourist experience.*
  - In 2004, tourism represented € 4.78 billion, or 3.9%, of Ireland's GNP and directly provided 231,000 jobs.
  - In 2004, the Government of Ireland received € 2.3 billion in tax revenue from tourist related activities.
  - The average tourist visiting Ireland spends 37% of their trip on food and beverage, including alcohol beverages.

- *Ireland's alcohol beverage industry helps promote Irish culture.*
  - There are over 10,000 public houses (pubs) throughout Ireland providing tourists with hospitality, food and beverage, entertainment, traditional music, and information.

**Australia:** Anderson, Kym and Nicholas Berger. "Australia's Re-Emergence as a Wine Exporter: the First Decade in International Perspective," Center for International Economic Studies Wine Policy Brief No. 5 (October 1999). Accessed June 2010.

- *In Australia, the development of the wine industry promoted export-oriented growth.*
  - During the 1970s, less than 3% of Australia's wine was exported. By 1999, more than 30% of Australia's wine was exported, with total wine exports amounting to US \$720 million.
  - Throughout the 1990s, Australia's wine exports increased more than three times more quickly than the global average growth rate. Wine exports grew 16% by volume and 21% by value.

**New Zealand:** Ballingall, John and Chris Schilling. "Economic Impact of the New Zealand Wine Industry." NZIER, April 2009. NZIER Authoritative Analysis, Wellington, New Zealand 9 June 2010. [http://www.nzwine.com/assets/NZIER\\_April\\_09.pdf](http://www.nzwine.com/assets/NZIER_April_09.pdf).

- *The wine industry is a driver of macroeconomic growth.*
  - In 2008, New Zealand's wine industry contributed US\$ 3.53 billion in gross output to the national economy.
  - It is estimated that the New Zealand wine sector employs 16,568 full time employees.
  - It is estimated that New Zealand's Gross Domestic Product (GDP) would gain an additional US\$ 2.3 million for every US\$ 1 million of value-added produced by the wine industry.
  - For every job gained in the wine industry, the "ripple effect" is such that New Zealand's economy as a whole stands to gain 1.8 jobs.
- *There are numerous positive externalities resulting from increased Research & Development (R&D) in oenological processes.*
  - Increased R&D leads to improvements in productivity and lower prices for consumers.
  - The "export of experts" is a recent trend whereby New Zealand winemakers travel around the world engaged in consulting, thereby promoting the transfer of technology and the share of information.

**South Africa;** Conningarth Economists. "Macro-economic Impact of the Wine Industry on the South African Economy (also with reference to the Impacts on the Western Cape)." *South African Wine Information Center*. 09 December 2009. 7 June 2010. [http://www.sawis.co.za/info/macro\\_study2009.php](http://www.sawis.co.za/info/macro_study2009.php).

*Wine production is a source of employment and benefits the local economy.*

- The South African Wine Industry (including tourism) supports 275 606 jobs.
- South Africa's wine industry generates Rand (R)17.1 billion of private disposable income, 17% of which directly benefits low-income households.
- The cultivation of grapes for wine production in the Western Cape region represented the majority of primary agriculture's share of GDP.
- *South Africa's wine industry has a multiplier effect on the entire South African economy, and contributes to government coffers.*
  - In 2008, South Africa's wine industry (including tourism) contributed nearly R26.5 billion to the country's annual GDP.
  - That same year, South Africa's government collected R1613 million in tax revenues from the wine industry.

**United States;** The Impact of Wine, Grapes and Grape Products on the American Economy 2007: Family Businesses Building Value. MKF Research, LLC, 2007. The Wine Business Center, St. Helena, California 9 June 2010.  
[http://www.house.gov/radanovich/wine/documents/Economic\\_Impact\\_on\\_National\\_Economy\\_2007.pdf](http://www.house.gov/radanovich/wine/documents/Economic_Impact_on_National_Economy_2007.pdf).

- *Wine and grape production promotes small businesses.*
  - In the United States, grapes are grown on approximately 23,000 farms. 90% of these farms are located on land that is smaller than 100 acres.
  - The alcohol beverage industry includes producers, wholesalers and distributors, point-of-sale operators, restaurateurs, hoteliers, marketers, shippers and truckers, and package manufacturers. See Figure 1, for an example of the impact of the wine, grape, and grape products industries on the U.S. economy in 2007.
- *The wine industry has made wide-spread contributions throughout the United States.*
  - See Figure 2 for links to additional resources on how wine and wine-related industries have benefitted the United States economy.

**Canada;** Bramble, Linda, and Carman Cullen et al. "The Development and Economic Impact of the Wine Industry in Ontario, Canada." Brock University. Ontario, Canada 07 June 2010.  
<http://www.pratic.univ-avignon.fr/wine/bramble-al.pdf>.

*This document also appears in a modified version as a chapter in the book:*

Campbell, Gwyn and Nathalie Guibert, ed. "Wine, Society, and Globalization: Multidisciplinary Perspectives on the Wine Industry." New York: Palgrave MacMillan, 2007.

- *Wine tourism is an emerging industry.*

- In 1999, 14 million people visited Niagara Falls. Approximately 5% of these visitors were wine-related tourists, according to Niagara Falls Tourism Department.

**Figure 1: The Impact of Wine, Grape, and Grape Juice on the American Economy in 2007**

<b>Total Economic Impact (Sum of Total Spending) on Wine, Grapes and Grape Juice</b>	
<b>Revenue:</b>	
Winery Sales	\$ 11,372,366,000
Retail and Restaurant Wine Sales	9,781,677,000
Distributors Sales	2,667,730,000
Tourism	3,010,259,000
Farm Gate Value of Grapes	3,459,407,000
Grape Juice Processor Sales	1,283,958,000
Grape Juice Distribution	385,187,000
Grape Juice Retail Sales	1,168,402,000
Table Grape Retail Sales	2,156,661,000
Federal Tax Revenues	9,090,229,000
State Tax Revenues	7,979,598,000
Vineyard Development (excluding vines)	1,868,648,000
Glass Bottles	573,000,000
Closures	104,000,000
Wine Labels	184,696,000
Boxes/Bags-in-a-Box	174,930,000
Cooperage	121,221,000
Stainless Steel Tanks	40,500,000
Trucking and Warehousing	602,222,000
Grapevine Assessments	6,090,000
Grapevines/Nurseries	61,777,000
Wine Labs and Consulting	11,000,000
Charitable Contributions	128,726,000
Advertising	80,621,000
Winery Research and Education	31,206,000
Financing Revenues	305,281,000
Indirect (IMPLAN)	33,896,350,000
Induced (IMPLAN)	38,578,358,000
<b>Total Revenue</b>	<b>\$ 129,124,100,000</b>

Source: The Impact of Wine, Grapes and Grape Products on the American Economy 2007: Family Businesses Building Value, p. 4.

Figure 2: The Economic Significance of the Wine and Alcohol Beverage Industry throughout the United States

Provided below is a selection of links to documents that illustrate the economic significance and different impacts of the industry within regions and states throughout the United States.

- California <http://www.wineinstitute.org/files/CA%20Impact%20Study%20Highlights%20Summary%202009.pdf>
- Michigan [http://www.michiganwines.com/docs/Industry/micheconimpact\\_execsum.pdf](http://www.michiganwines.com/docs/Industry/micheconimpact_execsum.pdf)
- Missouri <http://iccve.missouri.edu/publications/mo-winery-impact.pdf>
- Oregon [http://www.oregonwine.org/Resources/Category/0001/0002/59/Economic\\_Impact\\_Study.pdf](http://www.oregonwine.org/Resources/Category/0001/0002/59/Economic_Impact_Study.pdf)
- U.S. Wine Industry (2008) <http://www.trade.gov/td/ocg/wine2008.pdf>