The 2006 Economic Impact of Nebraska Wineries and Grape Growers

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The 2006 Economic Impact of Nebraska Wineries and Grape Growers

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The Nebraska Wine and Grape Growers Association

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College of Business Administration
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I. Introduction

The Nebraska wine and grape growing industry makes a multifaceted contribution to the Nebraska economy. Like all industries, the Nebraska Wine industry creates employment and earnings opportunities. But, the industry also contributes to the Nebraska economy by promoting tourism and contributing to the quality-of-life of existing residents. The latter point is critical. Population growth, including the retention and attraction of younger residents, is a key policy issue facing the state of Nebraska. The wine industry and other industries that provide new and varied entertainment and cultural options for Nebraska residents play a key role in improving population growth in the state.

The Nebraska wine industry is also particularly important because it contributes to economic dynamism in the rural areas of Nebraska. There are currently 20 licensed farm wineries in Nebraska. We estimate that 18 were open at the time of this study. The 18 are dispersed throughout rural areas of the state. The industry also helps diversify the state’s agricultural sector, and adds another type of value-added agriculture to our economy. Finally, the industry encourages economic growth in the state through import substitution, that is, producing a product in Nebraska that is currently imported from other states or around the world. If Nebraska wineries are able to capture even a portion the wine market that is currently imported, the Nebraska economy will grow. And, this has been the recent trend. The Nebraska wine industry has seen a large amount of recent growth. As chart 1 below shows, Nebraskan wine production is increasing rapidly.

This study examines the economic impact of the Nebraska wine industry. We quantify the jobs, worker earnings, and total economic activity that the industry adds to the Nebraska economy. We examine the impact of 1) wine production and marketing and 2) grape production. We also present some descriptive data on the number of visitors to Nebraska wineries. This is a key gauge of the industry’s contribution to quality of life, as it measures the number of times residents (and tourists) take the opportunity to visit these entertainment and cultural venues.

Finally, it is worth noting that this study provides the 2006 economic impact of the Nebraska wine industry. We estimate the impact of this rapidly growing industry at a point in time. But, the reader should remember the trend of rapid growth in the Nebraska
wine industry when reviewing the results of this report. If the trend evident in Chart 1 continues over the next decade, the economic impact of Nebraska’s wine industry will grow along with the industry itself.

**Chart 1**

![Nebaskan Farm Winery Wine Production 1994 to 2005](chart.png)

Source: Nebraska Liquor Control Commission

**II. Economic Impact**

*Direct Economic Impact*

The direct annual economic impact of the Nebaskan wine industry is the amount of wine sales in the year 2006. The term wine sales would include the value of on-site sales at wineries as well as the wholesale price of Nebraska wine sold in retail stores.¹

We estimated statewide sales based on gallonage data provided by the Nebraska Liquor Control Commission. There were 49,000 gallons of Nebraska wine were produced in 2006. Our conversations with industry representatives indicate that there are 5 bottles

¹ The wholesale price is appropriate since the retail stores would also generate a retail mark-up through sales of wine produced in other states or countries. The wholesale sales therefore represent the new economic activity in Nebraska.
of wine per gallon. We therefore estimate that there 244,000 bottles of wine produced in Nebraska in 2006.

The average price per bottle was estimated by based on input from state industry representatives, a national trade organization (www.wineamerican.com) and contacts with the UNL Viniculture program. The estimate was the average price per bottle (on-site sales and wholesale price) was $10 bottle.

Total wine sales are estimated by multiplying 244,000 bottles by this average price. The total estimated sales for 2006 are $2.4 million. The estimate is provided in Table 1 below. As noted above, total estimated sales as we have developed them are equivalent to the direct economic impact.

We similarly estimated the value of grape production in the State of Nebraska. We began by estimating the number of acres of grape production using data from the 2002 Census of Agriculture and discussions with industry contacts and faculty with the University of Nebraska Viniculture program. Expert estimates bracketed the current Nebraska grape production as between 300 and 500 acres. The 2002 Census of Agriculture indicated 160 grape bearing acres in 2002, plus an additional 182 acres that were not yet full bearing grapes at that time. By 2006, these 182 acres would be bearing grapes. Given that it takes 3 to 4 years for developing productive grape acreage we used 340 acres as a conservative estimate.

Based on conversations with industry experts and contacts at the University of Nebraska, we estimated average production of 3 tons/acre, for an estimate of 1,020 tons of grape production in Nebraska in 2006. Industry sources indicated an average price in 2006 of $1,000 per ton, so we estimate 2006 grape producer sales of $1.0 million. This number is also reported in Table 1.

### Table 1

<table>
<thead>
<tr>
<th>Direct Annual Economic Impact</th>
<th>Spending (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska Wineries</td>
<td>$2.4M</td>
</tr>
<tr>
<td>Nebraska Grape Growers</td>
<td>$1.0M</td>
</tr>
</tbody>
</table>

Sources: BBR research estimates.
Total Economic Impact

In addition to this direct effect, there is an additional “multiplier effect” on the local and state economy. The multiplier effect occurs as money retained in the area by the wine industry “circulates” through the Nebraskan economy. For example, farm supply business and firms that supply business services make additional revenues, and employ more workers, due to their customers in the wine industry. Similarly, employees of wineries and grape growers spend their paychecks at other Nebraska businesses. Both types of spending contribute to the multiplier effect.

Such multiplier effects are typically modest, roughly 33% to 50% as large as the direct effect. We calculated relevant economic multipliers for Nebraska using the IMPLAN software and applied them to the direct economic impacts from Table 1. We then added the multiplier effect to the direct economic impact to yield an estimate of the total economic impact.

Our estimate of the total annual economic impact of the Nebraskan wine industry is provided in the first column of Table 2 below. The total annual impact for Nebraska is $5.3 million.\(^2\) This total impact includes $1.6 million in worker wages. These wages are earned in 82 full- or part-time jobs at Nebraska wineries and in additional jobs throughout the economy due to the multiplier effect. To estimate full- or part-time employment at Nebraska wineries, we contacted all licensed Nebraska wineries. We identified 18 licensed Nebraska wineries that were open at the time of the study. We received responses from 11 wineries. Employment data from the 11 responding wineries were used to estimate employment at the non-responding wineries.

Finally, note that this employment figure does not include: 1) seasonal work during the harvest period or 2) employment at grape growers not associated with wineries. In the case of seasonal work, we did not want to mix seasonal work with ordinary full- and part-time employment. In the case of grape growers not associated with wineries, we did not have sufficient information to estimate this employment. In particular, agricultural producers may cultivate grapes as well as other crops, or may

\(^2\) Our impact estimate for Nebraska Wineries reflected the impact on all industries except the fruit growing industry (which includes grape growers). Therefore, it is appropriate to sum the impacts from Nebraska Wineries and Nebraska Grape Growers in order to calculate a total industry impact.
cultivate grapes as a secondary occupation. We did not have enough information about the percentage of time spent on raising grapes to assign employment to grape cultivation.

### Table 2

*Estimated Total Annual Economic Impact from Retained Spending*

<table>
<thead>
<tr>
<th>Activity</th>
<th>Employment</th>
<th>Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions)</td>
<td>(millions)</td>
</tr>
<tr>
<td><strong>Nebraska Wineries</strong></td>
<td>$4.0M</td>
<td>60</td>
</tr>
<tr>
<td><strong>Nebraska Grape Growers</strong></td>
<td>$1.2M</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total Impact</strong></td>
<td>$5.3M</td>
<td>82</td>
</tr>
</tbody>
</table>

Sources: BBR Research Estimates

Note: Column entries may not sum to column totals due to rounding

**Quality of Life and Tourism**

We also estimated the number of visitors to Nebraska wineries in 2006. This estimate also was based on our contacts with licensed Nebraskan wineries. Based on these responses, we estimate there were 110,000 visitors in 2006 to the 18 licensed and open Nebraska wineries.³ These visitors represent tourism activity but also represent an entertainment and cultural opportunity for Nebraska residents. After all, Nebraska vineyards offer more than great wine - they also host a diverse number of events that attract outside visitors, adding money to local economies and providing an important amenity for rural residents. As the Nebraska wine industry develops, wineries will create the capacity to host larger events.

The tasting room is a significant draw to any winery. With regular hours of operation, the tasting room attracts local residents who enjoy wine or simply want to learn about a unique type of agriculture. Tasting rooms provide a distinctive source of entertainment for the local community and are an important source of revenue for the

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³ Note, due to a lack of information on tourist spending, the impact of tourist spending is not included in our study. This makes our study conservative as tourists certainly spend money in local communities.
Winery. The rooms are often rented for events such as private parties, corporate functions, or weddings.

Winery attract visitors outside their local communities by offering arts and cultural programming. Some examples are SchillingBridge winery’s popular Murder Mystery Dinner Theater or the “meet your winemaker dinners” that several vineyards host. Drawing from neighboring counties, these events are an important source of arts related activity in small communities.

Winery also host major events that attract large numbers of visitors from across Nebraska and the Great Plains. Cuthills Vineyard’s annual blues festival attracts musical talent from across the Midwest and brings thousands of visitors annually to Platte County. Only established wineries with the required institutional capacity can plan such large scale events. We should expect major events to become more common as new Nebraska wineries mature and expand. The number of visitors to wineries will grow but so will quality of life in the state.

III. Summary

The Nebraska wine and grape growing industry is expanding rapidly. We estimated the industry’s 2006 economic impact was $5.3 million, including $1.6 million in worker wages spread over an estimated 82 jobs. The employment figure includes part-time workers, but excludes seasonal workers and proprietors (besides owners of wineries) involved in grape production. We estimate that there were 110,000 visitors to Nebraska wineries in 2006. This 2006 impact is significant for the Nebraska economy and should grow as the industry grows.

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4 We did not feel it was appropriate to consider farm proprietor’s in the grape growing industry as a job as most farm producers produce multiple crops.