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CALIFORNIA WINE HAS \$51.8 BILLION ECONOMIC IMPACT ON STATE AND \$103 BILLION ON THE U.S. ECONOMY

SAN FRANCISCO – The California wine industry has an annual impact of \$51.8 billion on the state’s economy, and an economic impact of \$103 billion on the U.S. economy, according to a 25-page report released today by the Wine Institute and California Association of Winegrape Growers (CAWG) at the Fort Mason Conference Center in San Francisco. The two organizations commissioned the wine business consulting firm, MKF Research LLC, to prepare the study entitled, “Economic Impact of California Wine.” The report is an update of two previously released studies based on 1998 and 2002 data.

“California wine is a signature industry for the state, creating 759,000 jobs in the U.S. and billions in economic activity, while generating significant tourism, trade, taxes and revenue. The industry contributes to California’s international appeal, preserves family farms, protects the environment and provides enjoyment to many through its lifestyle, cuisine and culture,” said Wine Institute President and CEO Robert P. (Bobby) Koch. “Despite trade barriers, agricultural pests and the threat of increased taxes and regulations, the state’s wine industry is clearly an asset to the economic vitality of California and the U.S.”

“Wine, sourced from nearly 500,000 acres of vineyards, is California’s number one finished agricultural product,” said CAWG President Karen Ross. “From San Diego County to the Oregon border, California’s great weather and many unique regions allow innovative growers and vintners to produce a diversity of high quality wines in all price ranges. The people in this industry have great passion for their work and a commitment to environmentally-friendly,

socially-responsible practices that add value to California wines in ways that cannot be measured in dollars and cents, but they are key to our continued success.”

California Economic Data

MKF Research LLC indicates that the California wine industry and its affiliated businesses created 309,000 full-time equivalent jobs in California, with a total of \$10.1 billion in gross wages. California’s wine industry related employment has increased 37 percent since 2002.

California received \$2.9 billion in wine industry taxes and other business licenses and fees in 2005, compared to \$1.9 billion in 2002. Wine and wine-related businesses and services paid an additional \$1.8 billion in federal taxes in 2005, for a total of nearly \$4.8 billion generated for California. The report shows that wine generates higher taxes than many industries because, as a regulated industry, it pays excise taxes to state and federal governments.

Visitors increasingly chose the wine regions of California as their tourist destination. Visitors to California wineries grew from 14.8 million in 2002 to 19.7 million in 2005, with tourism expenditures of \$2 billion, up 54 percent from \$1.3 billion in the last report.

“Wineries are remarkably effective magnets for tourism. America’s new ‘experiential consumer’ is particularly attracted to the personal connection, artisan atmosphere, rural environment and beauty of California’s wineries and vineyards,” said Barbara Insel of MKF Research LLC.

California is the fourth largest wine producer in the world after France, Italy and Spain, producing 2.7 billion 750 ml. bottles (225 million cases) in 2005. The 185 million cases sold in the U.S. had an estimated retail value of \$16.5 billion. U.S. wine exports, 95 percent from California, generated \$672 million in revenues to wineries in 2005.

California Wine’s National Impact

Nearly three-fourths or 74 percent of California’s wine is sold in the other 49 states, creating revenue and employment for restaurants, retailers, shippers and distributors, among others. Therefore, the national economic impact of California wine is an estimated \$103 billion, of which \$51.5 billion is generated beyond California’s borders.

California wine creates 759,000 jobs in California and the U.S., with a total \$20.9 billion payroll. The largest components of this national impact were the jobs supported by the sale of California wine in restaurants, followed by retail sales, distribution and production of wine closures.

California wine also generates a total of more than \$10 billion in tax revenues nationwide of which \$5.3 billion in local, state and federal taxes is paid in the other 49 states.

The MKF Research LLC report points out that the accomplishments of California's wine industry are particularly impressive because growth occurred during an increasingly competitive environment, stemming from foreign wine producers targeting the U.S. market with aggressive pricing, consolidation of wholesaler/retailer channels, among other reasons.

Wine Institute and the California Association of Winegrape Growers commissioned the economic impact report to provide solid data on the state's industry to use in public policy discussions with state and federal legislators and other key officials. U.S. Congressman Mike Thompson (D-St. Helena) and fellow California lawmaker, Congressman George Radanovich (R-Mariposa), who are co-chairmen of the Congressional Wine Caucus, can use the study in discussing the Farm Bill and other wine policy issues with colleagues.

"As one of the top industries in California, wine is an economic engine that helps drive the state and national economies," said Congressman Thompson. "This report demonstrates our wine industry's national economic significance and agriculture's future in value-added farm products."

Congressman Radanovich said, "California is internationally recognized for its fine wine, beautiful wine country, culture and cuisine, attracting visitors from across the U.S. and worldwide. The industry's impact is not only a major contributor to the California and U.S. economy, but is helping to expand our exports abroad."

Also released at the Fort Mason press event was the "California Sustainable Winegrowing Program Progress Report 2006," documenting the industry's adoption of sustainable practices, including pest management data.

The California Association of Winegrape Growers was founded in 1974 with the mission to provide industry leadership to advocate public policies, research and education programs and trade positions that enhance the business of growing California winegrapes. CAWG's membership represents the growers of approximately 60 percent of the total annual grape crush.

The Wine Institute is the association of more than 1000 California wineries and affiliated businesses dedicated to initiating and advocating state, federal and international public policy to enhance the environment for the responsible consumption and enjoyment of wine. Wine Institute's membership accounts for about 95 percent of California's wine production and 85 percent of U.S. wine.

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