

MEMORANDUM

To: Steve Warner, President, Washington Wine Commission

From: Michaela Jellicoe and Ethan Schmidt, Community Attributes Inc.

Date: August 31, 2021

Re: 2021 Washington Wine Industry Data Updates (for year 2020)

This memo provides updated analysis on the Washington Wine Industry for the year 2020. Data are drawn from multiple sources, including the latest figures on employment, revenues, and net production released by the Washington State Employment Security Department, Washington State Department of Revenue, and the Washington Liquor and Cannabis Board. Additional non-governmental sources supported the analysis, including the Altria Corporation 2020 Annual Report, to gather the latest available data on Ste. Michelle Wine Estates (SMWE) activities and sales.

Through the COVID-19 pandemic throughout 2020, the Washington Wine Industry experienced a decline in economic impact, as well as cases of wine shipped. The wine industry experienced impacts similar to those experienced by the food and beverage industry as whole. However, during the 2020, the wine industry experienced an increase in the number of licenses and unique wineries.

KEY FINDINGS

- The COVID-19 pandemic negatively impacted businesses throughout the food industry, due to closures, public health responses and consumer responses that reduced demand throughout the pandemic.
 - Shipments data, as reported by Vintage Economic, decreased by 7.7%. In 2020, total cases exceeded 11,663,000 compared to 12,632,000 cases in 2019.
 - SMWE reported net revenues declined by \$75 million to \$614 million in 2020 compared to \$689 million in 2019, adjusted for estimated revenues among Washington labels only.
- The number of reported winery licenses totaled 1,053 in 2020, without accounting for wineries with multiple licenses. Unique wineries totaled 981. This represents an increase of 31 wineries over 2019.
- Estimated winery-generated revenues in 2020 decreased slightly by nearly \$5 million compared to 2019, due to the pandemic and public health response,

totaling \$2.37 billion. An additional \$1.26 billion in revenues were generated through downstream mark-ups in Washington state in 2020.

- Estimated tourism visits decreased, largely due to the COVID-19 pandemic, from 2.7 million visitors in 2019 to 1.8 million estimated visitors in 2020. Allied visitor spending, excluding the purchase of wine, summed to an estimated \$272 million in 2020 and directly supported an estimated 1,990 jobs and \$75 million in wages and benefits.
- The total statewide direct impact from wine production as well as allied wine tourism totaled more than \$3.9 billion in business revenues, 17,370 jobs, and \$790 in labor income.
- Total economic impact of the wine industry, including direct, indirect and induced impacts statewide summed to 38,900 jobs, \$2.1 billion in labor income and \$8.0 billion in business revenues. **Exhibit 1** presents a comparison of direct and total economic impacts of the wine industry between 2019 and 2020, including the impacts of wineries, mark-ups and tourism.

Exhibit 1. Comparison of 2018, 2019 and 2020 Statewide Economic Impacts of the Wine Industry, 2020 Dollars

	<u>Direct</u>			<u>Total</u>		
	2018	2019	2020	2018	2019	2020
Jobs	18,700	18,800	17,400	41,600	42,500	38,900
Labor income (mils \$)	\$811	\$819	\$790	\$2,168	\$2,257	\$2,068
Revenues (mils \$)	\$4,246	\$4,093	\$3,901	\$8,630	\$8,316	\$8,028

Sources: Washington Office of Financial Management, 2019; Federal Reserve Bank of St. Louis, 2020; Community Attributes Inc., 2021.

Wine shipments, as reported by Vintage Economics say a decrease of 7.7% was experienced in 2020 compared to 2019. Covered employment in winery jobs decreased by 10.2%, as reported by the U.S. Bureau of Labor Statistics reported by businesses under the North American Industry Classification System (NAICS) code for wineries, 312130. Gross business income, from the Washington State Department of Revenue did not see a similar decline among winery businesses. Gross business income, as reported by wineries classified as 312130, saw an increase of 7.7% compared to 2019.