

The Umpqua Wine Cluster: Definitions and Impacts

Written by Hank Robison, Ph.D.
In association with CCbenefits, Inc.

March 6, 2007

Introduction

Wine production and consumption in the United States has experienced tremendous growth over the past quarter century. Just in the past ten years alone these sectors have experienced 40% growth.¹ There are many theories as to why with most citing the baby boomers' increasing appetite for fine quality wine. A projected continuation of these trends has significant economic development implications for wine producing regions.

Wine Cluster Defined

As is the case with most economic development scenarios, the economic impact of increased vineyard and winery output is not limited to these two sectors alone. Vineyards and wineries are simply the primary members of a collection of directly affected sectors appropriately dubbed the "wine cluster." Following the pattern observed elsewhere, wine production is not simply an enterprise aimed at manufacturing a commodity for export. There is of course that element, but beyond this, the region in and about the collection of wineries often becomes a destination for the "wine tourist" (i.e., the visitor attracted to the area by the prospect of wine tasting, and a collection of other auxiliary activities that make for an enjoyable outing). The most notable of these "auxiliary industries" are full service eating, drinking and fine dining, and lodging. The collection of vineyards, wineries, and associated eating, drinking and lodging places together constitute the direct portion of the region's wine cluster.

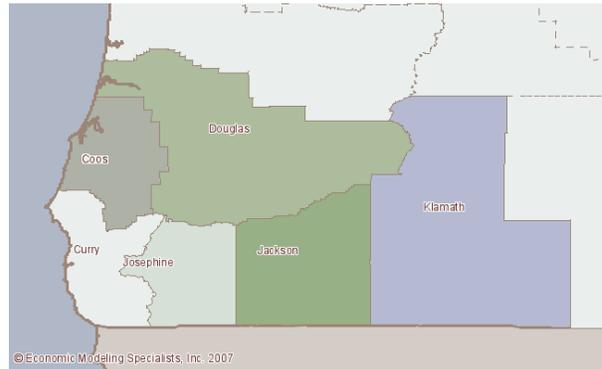


Figure 1 – The Southwest corner of Oregon consisting of Coos, Curry, Douglas, Jackson, Josephine and Klamath Counties.

Besides the direct industries, economic activity extends through familiar multiplier effects to other parts of the economy. These "indirect effects" of the wine cluster include industries that supply the direct and auxiliary industries, and through consumer income effects, industries that serve local residents, including retail of all kinds, dental and medical services, local schools, and local government. The overall role of the wine cluster in the local economy thus appears as the combined total of primary and auxiliary sector jobs and incomes.

Roadmap

The purpose of this paper is to establish the size and current economic impact of the Umpqua Region Wine Cluster. We start by defining the impact region. We turn next to the wine cluster definition, and then to estimates of its current regional employment impact. Finally, we consider a possible future for the cluster, and estimate the associated jobs impact of this.

The Economic Impact Region

A Broad Impact Region

For this study the economic backdrop is a broad region consisting of the contiguous six-counties shown in **Figure 1**. Note that this is a geographically diverse area that includes a mix of relatively larger places (e.g., Medford, Roseburg and Klamath Falls) and many smaller places, (e.g. small towns and communities).

Table 1 shows total employment observed in the six-county region in 1995 and 2005, and employment projected for the region to 2015. As of 2005, the six-county economy provided a total of roughly 250,000 full and part-time jobs.

¹ Source: The Wine Institute. <http://www.wineinstitute.com>.

From 1995 to 2005 the economy added nearly 14,000 jobs which is a 6% increase. The pace of growth is projected to increase over the next 10 years, adding nearly 40,000 jobs by 2015 (16% increase).²

Total employment		<i>TABLE 1</i>	
		10 yr change	% change
1995	236,781		
2005	250,642	13,861	5.9%
2015	289,788	39,146	15.6%

Counties: Coos, Curry, Douglas, Jackson, Josephine, Klamath

A Smaller Area Focus

This six-county focus provides a suitable assessment of wine’s broad area economic impact but only hints at smaller area effects, which could be significant. The creation of 1,000 or 2,000 jobs, for example, may not appear great compared to the approximately 250,000 jobs in the six-county area. However, if a large percentage of these new jobs occur in the same small area or local community they may constitute a significant impact. Current winery-hosting places like Oakland (population 1,000), Elkton (population 200) and others could see economically transforming changes as a result of wine cluster growth. These smaller area impacts are beyond the scope and time-frame of this report.

A more ambitious analysis would focus on small-area impacts and on the spatial diffusion of impacts: i.e., the spread of economic ripple effects from the small areas where many new wine cluster developments take place, across the trade hierarchy to other small places, and to the broad region’s larger trade centers. Though the current analysis does not specifically address these small area impact and economic spread effects, it is important to recognize that they operate in the background, and their existence can be important in addressing the economic development benefits, and particularly the rural economic development benefits of wine cluster expansion and development.

The Umpqua Region Wine Cluster

Wine Cluster—Total employment and earnings						<i>TABLE 2</i>
		Direct		Indirect		
Code	Industry	Jobs	Earnings(K)	Jobs	Earnings(K)	
11A000	Agriculture			189	\$3,121	
111332	Vineyards	220	\$3,428	0	\$0	
230000	Construction			16	\$657	
312130	Wineries	180	\$5,069	0	\$0	
420000	Wholesale trade			34	\$1,328	
4A0000	Retail trade			75	\$2,107	
531000	Real estate			38	\$746	
560000	Administrative services			27	\$556	
620000	Health and social assistance			69	\$2,623	
7211A0	Hotels and motels	38	\$790	5	\$114	
722000	Food services	83	\$1,235	40	\$588	
810000	Other services			39	\$672	
9L0000	Local Government			42	\$2,273	
*****	All Other			94	\$3,428	
		521	\$10,522	669	\$18,213	
TOTAL		Direct + Indirect		1190	\$28,735	

² Current and historic employment are obtained from the U.S. Department of Commerce’s “Regional Economic Information System:” see: bea.gov. The employment projections shown in Table 1 were obtained from Economic Modeling Specialists, Inc.’s “Strategic Advantage:” see www.economicmodeling.com. The projections are consistent with those provided by Worksource Oregon Employment Department: see www.qualityinfo.org.

Table 2 details jobs and earnings indicated for the Umpqua wine cluster as of 2005. As shown in the table, the cluster's "direct" sectors include vineyards and wineries, and portions of the lodging and dining and drinking sectors. Altogether it is estimated that at the present time the direct portion of the Umpqua region wine cluster supports 521 full and part time jobs and just over \$10.5 million in employee earnings (i.e., wages, salaries and proprietors' incomes).³

Table 2 also shows jobs and earnings in indirectly affected sectors of the economy. "Indirect" jobs and earnings are the result of regional economic multiplier effects. Altogether, economic activity indirectly linked to the wine cluster provides an additional 669 jobs and over \$18 million in earnings.⁴ As indicated in **Table 2**, direct and indirect effects combined, the Umpqua wine cluster supports a total of 1,190 jobs and nearly \$29 million in area earnings.

The Economic Impact of Wine Cluster Growth

Finding a Comparison Region

In the Umpqua region there seems to be a general consensus that the local wine industry is poised for significant growth.⁵ While vineyards currently only occupy approximately 4,000 acres, it is estimated that the region contains a total of nearly 140,000 vineyard-suitable acres.⁶

In addition, the Walla Walla wine region in Washington State has seen remarkable growth in recent years. In 1994 the region had seven wineries and by 2007 there were ninety-one, well over a ten-fold increase. What caused the great increase in wineries? First, in 2000 Walla Walla Community College opened its Enology and Viticulture Center, which trains students for jobs in the local vineyard and wine industry. Second, wine consumption has increased.⁷ Finally, Walla Walla provides ample opportunities for wine tasting, fine dining, lodging, and other activities that make a visit to a wine region an appealing activity. The case is made by many that the Umpqua wine region has similar if not more potential to become a thriving wine cluster.⁸

A Scenario for Umpqua Wine Cluster Growth

Given the characteristics of the Umpqua wine region, and talk of a new enology and viticulture center there, we felt that a five fold increase in wine production and related activities over the next ten years is not improbable. Recall that the Walla Walla wine cluster saw well over a ten-fold increase in just over ten years. **Table 3** shows the Umpqua area employment and earnings given a five-fold increase over current levels.

³ Figures on vineyard and winery employment were obtained from a mix of published sources (U.S. Department of Commerce Regional Economic Information System and U.S. Department of Labor Quarterly Census of Employment and Wages) augmented and revised by local industry contracts. Dining and lodging employment was obtained by assuming relationships established in ongoing analysis by EMSI of the Walla Walla wine region.

⁴ Indirect effects were estimated using EMSI's "Economic Impact," or EI input-output model.

⁵ Area wine production grew roughly 30% between 2003 and 2006.

⁶ Jones, G.V., Nelson, P. and Snead, N. (2004). "Modeling Viticultural Landscapes: A GIS Analysis of the Terroir Potential in the Umpqua Valley of Oregon." *GeoScience Canada*, 31(4): 167-178.

⁷ Source: The Wine Institute. <http://www.wineinstitute.org>

⁸ Jones, G.V., Nelson, P. and Snead, N. (2004). "Modeling Viticultural Landscapes: A GIS Analysis of the Terroir Potential in the Umpqua Valley of Oregon." *GeoScience Canada*, 31(4): 167-178.

Code	Industry	Direct		Indirect	
		Jobs	Earnings(K)	Jobs	Earnings(K)
11A000	Agriculture			946	\$15,603
111332	Vineyards	1,100	\$17,141	0	\$0
230000	Construction			79	\$3,283
312130	Wineries	900	\$25,346	0	\$0
420000	Wholesale trade			171	\$6,638
4A0000	Retail trade			377	\$10,535
531000	Real estate			191	\$3,729
560000	Administrative services			133	\$2,782
620000	Health and social assistance			345	\$13,117
7211A0	Hotels and motels	190	\$3,949	27	\$569
722000	Food services	415	\$6,176	198	\$2,942
810000	Other services			193	\$3,359
9L0000	Local Government			212	\$11,364
*****	All Other			475	\$17,146
		2,605	\$52,612	3,347	\$91,067
	TOTAL		Direct + Indirect	5,952	\$143,679

A comparison of current wine cluster jobs (Table 2) and projected 2015 scenario wine cluster jobs (Table 3) indicates the potential growth: nearly 5,000 new jobs and \$115 million in added labor income.⁹ Table 1 indicates that the region is projected to grow by 39,000 new jobs over the next ten years. If 5,000 of these jobs are the result of growth in the wine cluster, then that growth can be said to be responsible for roughly 12% of overall job growth during that period.¹⁰

While 12% of overall regional growth is significant, we would expect the relative effect on growth and development in the smaller sub-regions where the wineries and vineyards are located to be much greater. A more thorough look at economic development policy and the wine cluster would consider the effect of education (e.g., establishing a local enology and viticulture center), and on small area economic impacts.

Conclusions

Wine consumption in the United States continues to grow and with it an unusual economic development opportunity. Of course, not every place can cultivate a wine cluster. A region needs vineyard-suitable acreage, and the types of amenities that can draw the wine tourist.

Southwestern Oregon's Umpqua region hosts a budding wine cluster that currently supports nearly 1,200 of the area's full and part-time jobs. It is the feeling of many in the region that the wine cluster is poised for significant growth. When comparing the Umpqua wine cluster to the Walla Walla wine cluster, it is not unreasonable to forecast a five-fold ten-year increase in the Umpqua cluster. According to this scenario, wine cluster-related employment will grow by nearly 5,000 jobs – a growth that will explain roughly 12% of all new jobs in the region over that period. In relative terms, economic development impacts at the smaller sub-regional level will be greater, providing opportunities for economic revitalization and even transformation.

⁹ The actual job growth figure is 4,762 (=5,952 – 1,190 jobs from Tables 2 and 3).

¹⁰ 12% = 5,000 new wine cluster jobs divided by 39,000 overall new jobs.