

# *Economic Impact Report*



## **The Economic & Fiscal Impact on Maine of the State's Beer & Wine Distributors**

**For:**  
**The Maine Beer & Wine Distributors Association**  
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## 1. Executive Summary

Maine’s beer and wine distributors play a critical, but often overlooked role in the operation of Maine’s economy. The Maine Beer & Wine Distributors Association (MBWDA)<sup>1</sup> member companies provide thousands of beer, wine and non-alcoholic beverage choices to the state and deliver their products safely, efficiently and regularly to the thousands of retailers who sell them to consumers in Maine. Due to the MBWDA’s intricate network of logistical connections, Maine households enjoy a wide range of beverages. In addition, Maine’s beer and wine distributors are a strong backbone for the state’s largest industry—tourism. The distributors are an integral part of the success of a wide variety of highly respected and nationally recognized restaurants, bars and taverns throughout the state.

To ensure compliance with Maine law and to responsibly deliver quality and choice to adult consumers, MBWDA members partner with the following retail licensees:

- Hotels;
- Bars and clubs;
- Restaurants;
- Sports venues;
- Convenience stores;
- Grocery stores;
- Other chain stores; and
- Fraternal, civic and veterans’ organizations.

As vibrant businesses, Maine’s beer and wine distributors provide high-quality jobs to hundreds of Maine citizens all across the state. Each year, distributors invest millions of dollars in new vehicles, new buildings and new technology. They pay local property and excise taxes and a wide range of state taxes, including use, fuel, income and alcohol excise and premium taxes. In addition, distributors are helping to develop the state’s beverage manufacturing sector by providing a distribution path for Maine’s growing farm winery and craft brewing industry to deliver quality and choice to the widest possible market.

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<sup>1</sup> Appendix One lists the members of Maine’s Beer & Wine Distributors Association.

The direct economic and fiscal impact of the members<sup>2</sup> of Maine's Beer & Wine Distributors Association includes:

- annual sales of \$372 million.
- employment of 1,396 full-time equivalent workers.
- payment of \$61 million in annual payroll.
- paid health, disability, pension and other benefits of \$11.5 million for these employees and all their covered dependents.
- investment of \$8 million in new buildings, vehicles and equipment, supporting an additional 40 jobs in Maine construction and vehicle businesses.
- payment of \$22 million in state and local taxes.

To put these figures in context, the MBWDA's annual total sales are:

- 40% greater than the commercial landings of Maine's lobster fishery and approximately equal to the total landings of Maine's entire commercial fisheries industry.
- greater than the total sales of Maine's dairy and seafood manufacturing sectors combined.
- equivalent to two-thirds the sales of Maine's entire sawmill industry.

In terms of employment, Maine's beer and wine distributors are approximately:

- one-half the size of Maine's semi-conductor industry.
- equal to Maine's architectural services sector.
- equal to Maine's medical laboratories sector.

In addition to this sizeable direct impact, the MBWDA has a substantial indirect impact across the state. Association spending becomes sales revenue to other Maine businesses and wages to their employees throughout the state. In progressive rounds of spending both by these related businesses and by their workers, this economic ripple effect spreads out from the MBWDA to create a much larger total economic impact on Maine. Much of the association's operational and investment spending becomes income to local beverage producers, maintenance and repair vendors, fuel suppliers, auto dealers,

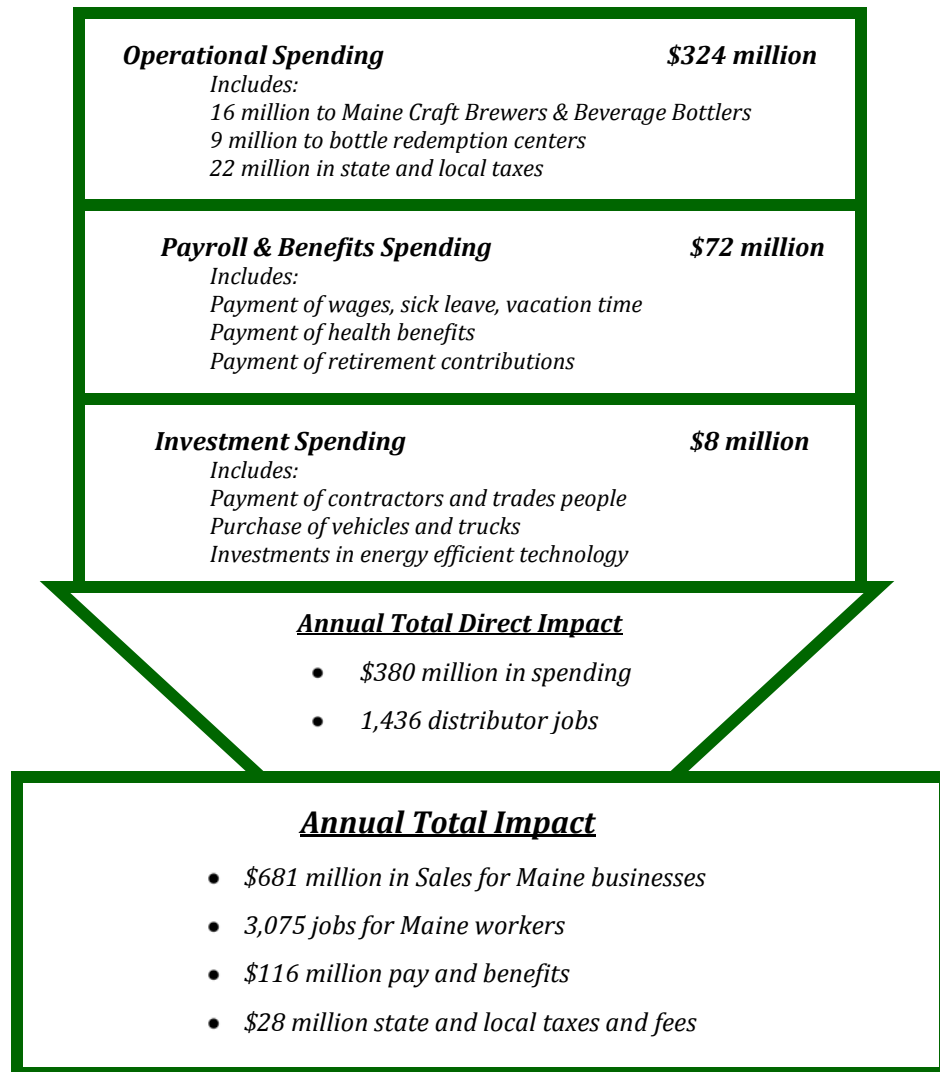
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<sup>2</sup> Direct impact data were obtained from a survey of Association members conducted from December 2009 through January 2010.

redemption centers, banks, advertising agencies, utility companies, state and local governments and scores of other Maine businesses. These enterprises, in a second round of spending, cycle a portion of their sales to other Maine businesses further extending the ripple effect of the MBWDA.

At the same time, the MBWDA’s employees and the employees of all their vendors spend their incomes on groceries, rent, home mortgages, travel, entertainment and a wide range of other consumer goods and services. The Maine businesses who receive these dollars pay their vendors and their employees, thus spreading the ripples of the MBWDA’s economic impact further still. Figure 1 illustrates the way the Association’s direct impact ripples throughout the state’s economy in multiple rounds of spending.

**Figure 1: Economic Impact on Maine of the State’s Beer & Wine Distributors**



Adding all of the down-stream ripple effects across Maine that flow from the Association's annual direct impact of \$380 million (\$372 million in member sales plus \$8 million in capital investment spending) brings its total economic and fiscal impact to:

- **sales for Maine businesses of \$681 million per year;**
- **over 3,000 jobs receiving annual wages of \$116 million; and**
- **annual payment of nearly \$28 million in state and local taxes.**

In addition to these financial ripple effects, the MBWDA has other significant impacts throughout the state. Association members distribute beverages to thousands of Maine retailers. These range from Mom and Pop convenience stores, local restaurants and taverns to large grocery chains and big box stores as well as the many hotels, motels and sports venues that serve not just Maine residents but the state's enormous tourism industry. The total retail value of these sales amounts to somewhere between \$800 million and \$1 billion each year and helps to support thousands of jobs at these establishments. These retail sales and the jobs that depend on them benefit from the advertising and brand equity investments of large national beverage producers. Without such investments, Maine retailers would not have the variety of quality products and brand recognition they now enjoy and would have a more difficult time attracting the customers they now serve. The benefits of this national, even international, investment in brand equity are brought to Maine's retailers by the MBWDA.

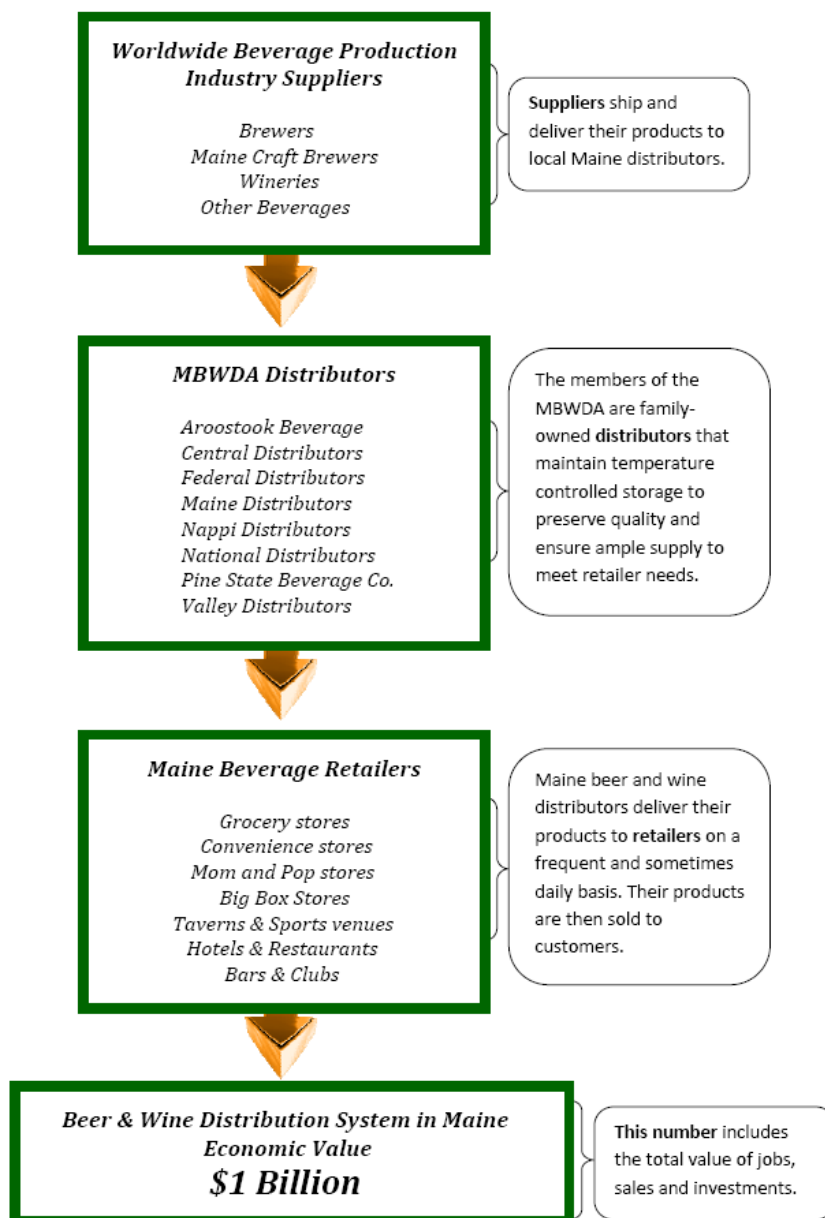
The MBWDA provides important logistical and marketing services to Maine retailers. The distributors buy product directly from licensed producers and importers and stock the product in a climate-controlled warehouse facility. This preserves quality and ensures there is ample supply to meet local retailers' needs quickly.

Finally, by providing a ready outlet to local consumers, Association members help support Maine's growing farm winery and craft brewery industry and the state's non-alcoholic beverage bottlers. The established distribution channels provided by the MBWDA help these Maine manufacturers grow in ways they could not independently sustain.

In sum, the total impact of Maine’s beer and wine distributors extends far beyond their own spending and employment. It also includes:

- the indirect and induced spending of their employees and their suppliers;
- the brand equity investments of large international beverage companies;
- the inventory and delivery services of a state-wide distribution network;
- support for Maine’s growing craft brewing and beverage industries.

**Figure 2: Economic Value of the Beer & Wine Distribution System to Maine**



## 2. The Direct Economic Impact of the Maine Beer & Wine Distributors

Maine's beer and wine distributors play a critical, but often overlooked role in the operation of Maine's economy. The Maine Beer and Wine Distributors Association (MBWDA) member companies provide thousands of beer, wine and non-alcoholic beverage choices to the state and deliver their products safely, efficiently and regularly to the thousands of retailers who sell them to consumers in Maine. Due to the MBWDA's intricate network of logistical connections, Maine households enjoy a wide choice of beverages on a daily basis. In addition, Maine's beer and wine distributors are a strong backbone for the state's largest industry – tourism.

This report defines the importance and value of this industry and presents a clear picture of the economic and fiscal impact of the MBWDA on the state's economy.

The most direct way to quantify an industry is to measure its sales, employment and payroll. The MBWDA surveyed its members in 2010 and found that, as a group, they:

- achieved sales of over \$372 million.
- employed 1,396 full-time equivalent workers.
- maintained a payroll of \$61 million.
- paid health, disability, pension and other benefits of over \$11 million.
- invested over \$8 million in new buildings, vehicles and equipment, supporting an additional 40 jobs in Maine construction and vehicle businesses.
- paid approximately \$22 million in state and local taxes and fees.<sup>3</sup>

To put these figures in context, the Association's annual total sales are:

- 40% greater than the commercial landings of Maine's lobster fishery and approximately equal to the total landings of Maine's entire commercial fisheries industry.
- greater than the total sales of Maine's dairy and seafood manufacturing sectors combined; and
- equivalent to two-thirds the sales of Maine's entire sawmill industry.

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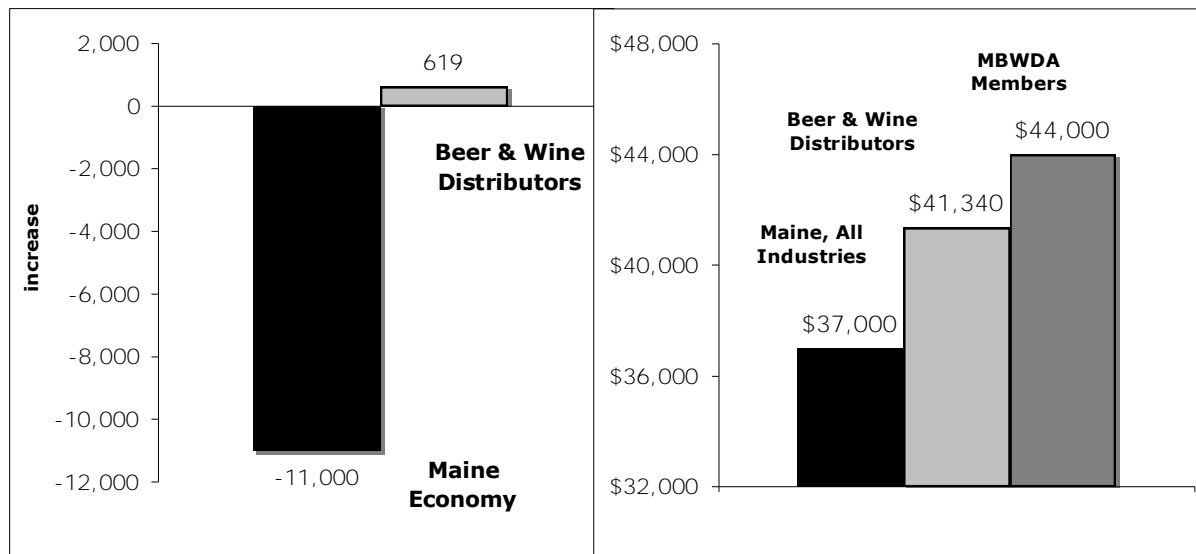
<sup>3</sup> Maine's beer and wine wholesalers collect alcohol taxes for the state on every gallon of beer and wine they distribute.

In terms of employment, the MBWDA is:

- more than one-half the size of Maine’s semi-conductor industry;
- larger than Maine’s architectural services sector; and
- larger than Maine’s medical laboratories sector.

Overall, the MBWDA is a substantial and largely unrecognized force in the state’s economy. It constitutes a significant and important component of the state’s overall economic system. Perhaps more importantly, in an era of virtually no employment growth, Maine’s beer and wine distributors have been a major source of job and wage growth.

**Figure 3: Relative Job Growth, 2000 to 2010 & Average Wage, 2010**



Sources: Maine Department of Labor and Maine Beer & Wine Distributor’s Association; 2010 wage data are through 2010 quarter 3, the latest available from MDOL.

Between 2000 and 2010, total employment in Maine dropped by 11,000. In comparison, total employment for the beer and wine distribution sector grew by more than 600. Furthermore, in 2010 the average annual payroll per worker for the entire Maine economy was \$37,000. For the beer and wine distribution sector, it was \$41,340, and for the members of the MBWDA, it was \$44,000.

### **3. The Indirect Economic Impacts of Maine's Beer & Wine Distributors**

While annual sales of \$372 million and 1,396 jobs represents a major impact on the Maine economy, it is far from the entire story of Maine's Beer & Wine Distributors Association. In addition to this sizeable direct impact, the MBWDA provides an intricate network of indirect impacts across the state.

Maine adult consumers purchase beer and wine at one of approximately 4,500 retail locations licensed by the State Bureau of Liquor Enforcement.<sup>4</sup> Maine's beer and wine distributors provide these retailers with safe and fresh products. Through their state-of-the-art distribution facilities and inventory tracking systems, distributors enable Maine's retailers to provide a great variety of international, national and local beverages at a wide range of price levels. This support allows retailers to provide tremendous quality and choice to Maine residents and visitors, thereby contributing to the vitality of the state's quality of life. The beverage sales of these retailers exceeds \$800 million per year, helping support tens of thousands of jobs and hundreds of millions of dollars in payroll all across Maine.

Observing the ripples of the economic impact through the MBWDA's supply chain, shows that a large portion of the sales of Maine beer and wine distributors becomes income to local craft brewers and beverage producers, to redemption centers, to maintenance and repair vendors, fuel suppliers, banks, insurance agents, advertising agencies, electricity, heating oil and telephone companies as well as state and local governments. These enterprises, in turn, spend some of their sales revenues to buy needed supplies and services from other Maine businesses. The ripple effect of these sales continues in additional rounds of ever-more widespread spending and employment that reaches across the state.

At the same time, the MBWDA's employees and the employees of all their vendors spend their wages on groceries, rent, home mortgages, travel, entertainment and the other consumer goods and services they buy. This spending becomes sales revenue to hundreds of other Maine businesses. These

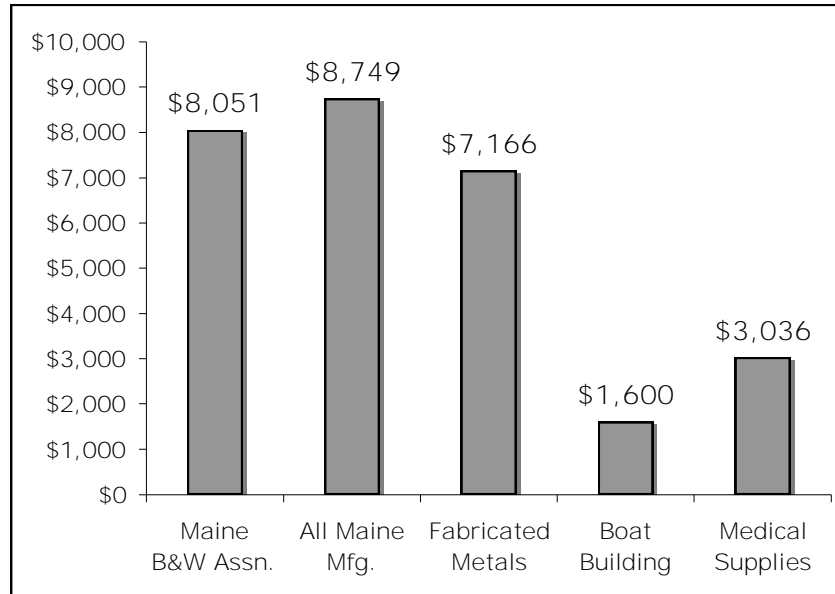
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<sup>4</sup> STATE OF MAINE Compendium of State Fiscal Information Through Fiscal Year Ending June 30, 2009 PREPARED BY: Maine State Legislature Office of Fiscal and Program Review Pub. #41, February 2010.

consumer-oriented businesses pay their vendors and employees, thus spreading the ripples of the MBWDA's economic impact still further across Maine.

In addition to its operational expenditures, each year Association members spend over \$8 million on capital investments. They upgrade and expand their buildings, replace trucks, upgrade computer systems, replace furniture and fixtures. This means that MBWDA members equip each of their workers with over \$8,000 of new capital equipment each year. This compares very favorably to Maine's overall manufacturing sector and greatly exceeds the level provided in several important sectors. Figure 4 illustrates this comparison.

**Figure 4: Investment per Employee by Sector**



Sources: U.S. Bureau of the Census Annual Survey of Manufacturers, 2006 (most recent available) and Maine Beer & Wine Distributors Association survey.

A large portion of this capital investment spending turns into sales revenue for other Maine businesses such as auto dealers, equipment suppliers and construction trade contractors. These businesses, in turn, have their own ripple effects across the Maine economy.

The down-stream supply-chain sales linkages from MBWDA's operational and investment spending to Maine businesses constitute the Association's *indirect impact* on Maine's economy and must be added to its direct impact to understand the total economic impact of the Association on Maine's economy.

The consumer-spending linkages flowing from the Association’s operational and investment spending constitute its *induced impact* on the Maine economy. This too must be added to the direct impact to understand the full impact of Maine’s beer and wine distributors on the state’s economy.

Attempting to measure all these indirect and induced effects individually would be virtually impossible. Businesses track sales for accounting and management purposes, not for the sake of tracing the flows of their sales to other industrial sectors throughout the economy. Nor are there officially available statistics such as Department of Labor employment data that measure such inter-industry relationships at the local level. Short of exhaustive direct business surveys, there is no direct way to obtain an accurate measurement of these economic “multiplier” effects. The only way to measure an industry’s total impact is to use an input-output model explicitly designed to capture those interconnections. For this report, Planning Decisions used the IMPLAN model of the State of Maine. IMPLAN (Impact Analysis for PLANing) is a computer based input-output modeling program originally developed by the U.S. Department of Agriculture Forest Service for resource management planning. It contains a mathematical representation of the purchasing patterns that take place between sectors of an economy, both nation-wide and within individual states. IMPLAN files contain all of the industry sales, employment and income data for each of 509 sectors of the Maine economy. IMPLAN uses these data along with national purchasing patterns (national input-output matrices) to create regional models from which local multiplier effects can be determined.

The diagram on page 5 illustrates in a visual way how the Association’s direct impact (spending on operations, payroll and capital investment) ripples through Maine’s economy. Table 1 below summarizes these economic impacts in a more numerical fashion as they are derived from the IMPLAN model for the State.

**Table 1**  
**Economic Impact on Maine of MBWDA Operational & Investment Spending, 2010**

Activity	Sales	Jobs	Payroll
Direct Impact	\$380,000,000	1,436	\$64,000,000
Indirect Impact	\$135,000,000	640	\$22,000,000
Induced Impact	\$166,000,000	1,000	\$30,000,000
<b>Total Impact</b>	<b>\$681,000,000</b>	<b>3,075</b>	<b>\$116,000,000</b>

Source: IMPLAN Pro 2.0 operated by Planning Decisions, Inc.

The MBWDA's direct spending impact amounts to \$380 million – the combination of its own sales revenue of \$372 million and its annual investment spending of \$8 million.<sup>5</sup> This Association generated economic activity supports 1,436 jobs, 1,396 in MBWDA member businesses and approximately 40 in the construction, equipment and vehicle businesses that fill their investment needs.

This \$380 million of direct spending becomes sales revenue to other Maine businesses throughout the state. Progressive rounds of spending by businesses with supply-chain relationships to the MBWDA generate an additional \$135 million in sales supporting 640 jobs earning over \$22 million in income. This constitutes the Association's indirect impact on the Maine economy. Examples of this indirect impact are nearly \$17 million in revenue for Maine's craft brewers and beverage producers, \$8.8 million in handling fees to bottle redemption centers across the state, \$4.9 million to fuel suppliers, \$3.2 million to building contractors, \$3.1 million to truck dealers, \$2.4 million to maintenance and repair vendors and \$1.4 million to equipment suppliers. Progressively smaller indirect sales go to other wholesale businesses, shipping, courier and postal services, real estate, business support services, food service and drinking establishments, advertising services, and accounting, legal and other professional services. All of these Maine businesses getting some portion of their annual sales revenue from MBWDA spending.

Finally, the spending of the employees of both the MBWDA and its indirectly related vendors adds up to sales of \$166 million going to Maine consumer businesses. This constitutes the Association's induced impact on the Maine economy. It supports an additional 1,000 Maine jobs earning wages of over \$30 million. The largest impacts here are in housing, health care, retail stores, restaurants and utilities.

Adding these impacts together provides a measure of the total economic impact on Maine of the Maine Beer & Wine Distributors Association. They are:

- **Total sales for Maine businesses of \$681 million**
- **Total employment in Maine of over 3,000 jobs**
- **Total income for Maine workers of \$116 million.**

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<sup>5</sup> Impact numbers are rounded to avoid giving an impression of false precision. IMPLAN results are estimates based on average inter-industry relationships and reported state employment totals for each of 508 sectors.

#### 4. The Fiscal Impacts of Maine's Beer & Wine Distributors

A third impact of the operations and investments of Maine's Beer and Wine Distributors and their indirect and induced economic impacts comes from the tax and fee revenue they generate for state and municipal governments. These revenues derive from three sources:

1. The indirect business taxes (property, sales, fuel, alcohol excise and premium, licensing, corporate income etc.) paid to state and local governments by MBWDA members and by all those businesses linked through their indirect and induced impacts;
2. All of the personal taxes paid by the individuals and households earning incomes from the direct, indirect and induced sales generated by the MBWDA's operations and investments; and
3. Direct fees charged by state and local governments for services provided to these businesses and consumers.

Table 2 lists the taxes and fees that MBWDA's total impact generates for Maine state and local governments. They total nearly \$28 million annually.

**Table 2:**  
**State & Local Tax and Fee Revenue Generated by the Operations  
& Investments of the Maine Beer & Wine Distributors Association, FY10**

<b>Category</b>	<b>Amount</b>
<b>State Government</b>	<b>\$24,000,000</b>
Income Taxes	\$4,100,000
General Sales Taxes	\$2,300,000
Alcohol Excise & Premium	\$14,100,000
Licenses & Other State Taxes & Fees	\$3,500,000
<b>Local Government</b>	<b>\$3,600,000</b>
Property Taxes	\$3,200,000
Excise and Other Local Taxes & Fees	\$400,000
<b>Total Tax Revenue</b>	<b>\$27,600,000</b>

Source: IMPLAN Pro 2.0. and U.S. Bureau of the Census.

## **Appendix One: List of Maine's Beer & Wine Distributors**

Aroostook Beverage Company  
52 Rice Street  
Presque Isle, ME 04769

Central Distributors, Inc.  
15 Foss Road  
Lewiston, ME 04241

Federal Distributors, Inc.  
2075 Lisbon Road  
Lewiston, ME 04241

Maine Distributors  
5 Coffey Street  
Bangor, ME 04401

Nappi Distributors  
615 Main Street  
Gorham, ME 04038

National Distributors, Inc.  
116 Wallace Avenue  
South Portland, ME 04106

Pine State Beverage Co.  
100 Enterprise Avenue  
Gardiner, ME 04345

Valley Distributors, Inc.  
534 Belgrade Road  
Oakland, ME 04963