

Economic Impact Report



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

For:

**The Maine Beer & Wine Distributors Association
P.O. Box 615
Augusta, ME 04332**

From:

**Planning Decisions, Inc.
477 Congress Street, Suite 1005
Portland, ME 04101-3406**

April 19, 2013

Table of Contents

1.	Executive Summary	p. 3
2.	The Direct Impact of Maine’s Beer & Wine Distributors	p. 8
3.	The Indirect Impacts of Maine’s Beer & Wine Distributors.....	p. 10
4.	The Fiscal Impacts of Maine’s Beer & Wine Distributors	p. 13
6.	List of Maine’s Beer & Wine Distributors	p. 14

1. Executive Summary

Maine’s beer and wine distributors play a critical, but often overlooked role in the operation of Maine’s economy. By delivering their products safely, efficiently and regularly to the thousands of Maine retailers they serve, the member companies of the Maine Beer & Wine Distributors Association (MBWDA)¹ provide thousands of beer, wine and non-alcoholic beverage choices to Maine residents and the state’s visitors. The MBWDA’s intricate network of logistical connections makes this wide range of beverage choices available to households throughout the state. In addition, MBWDA member companies provide a strong backbone for the state’s largest industry—tourism—contributing to 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 thriving businesses, MBWDA member companies provide high-quality jobs to more than one thousand 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.

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

The *direct economic and fiscal impact* of MBWDA members² in 2012 included:

- annual sales of \$406.5 million;
- employment of 1,088 workers;
- payment of \$51 million in annual payroll;
- payment of health, disability, pension and other benefits of \$7.1 million for these employees and all their covered dependents;
- investment of \$4.2 million in new buildings, vehicles and equipment, supporting an additional 33 jobs in Maine's construction trades, auto & truck dealers and equipment suppliers;
- payment of \$19 million in state and local taxes.

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

- 20% greater than the total value of commercial landings of Maine's lobster fishery in 2012;
- 30% greater than the Gross State Product of Maine's wood products manufacturing sector;
- 3/4ths as large as the Gross State Product of Maine's fabricated metals manufacturing sector.

In terms of employment, MBWDA members as a whole are approximately:

- equal to the size of Maine's data processing and web hosting industry;
- 60% as large as Maine's broadcasting industry;
- one-half as large as Maine's machinery manufacturing industry.

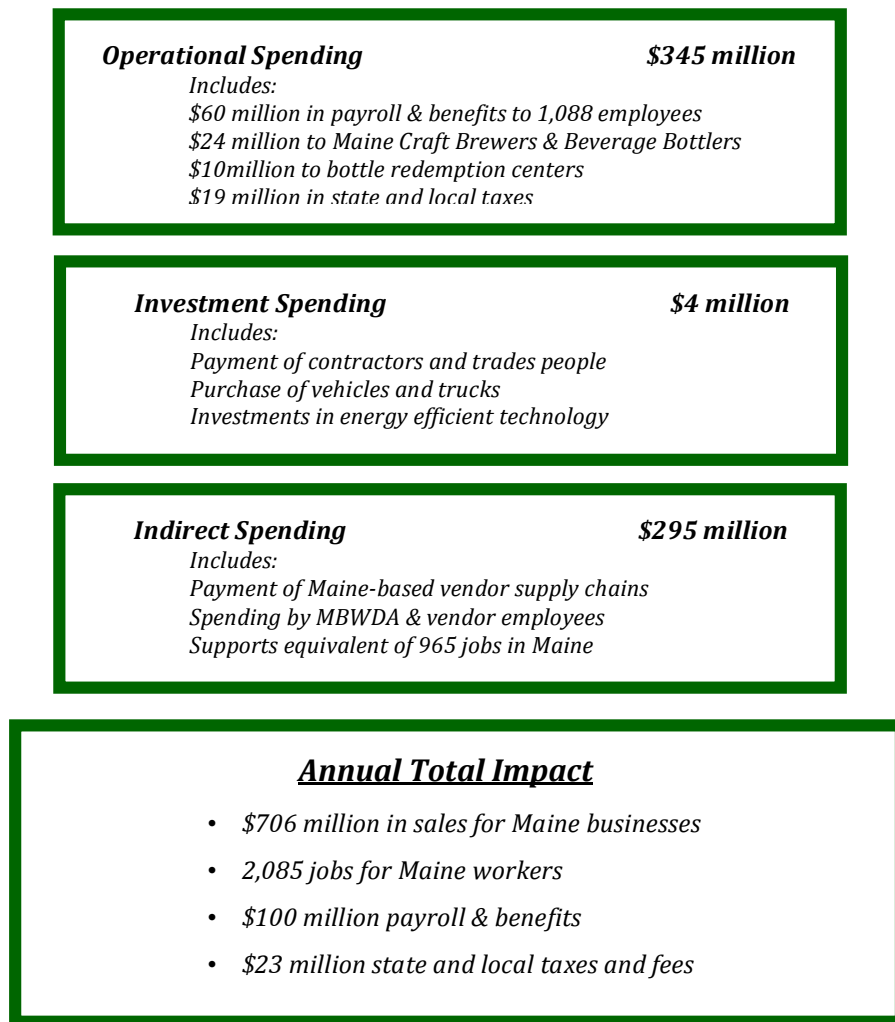
In addition to this sizeable direct impact, the MBWDA has a substantial indirect impact across the state. Association spending becomes sales revenue to other Maine businesses and wages to their employees throughout the state. In progressive rounds of spending both by these related businesses and by their 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, redemption centers, banks, advertising agencies, utility companies, state and local governments and scores of other Maine businesses. These enterprises, in a

² Direct impact data were obtained from a survey of MBWDA members conducted during the first quarter of 2013 referencing data for calendar year 2012.

second round of spending, provide jobs and cycle a portion of their sales to other Maine businesses further extending the ripple effect of the MBWDA.

At the same time, MBWDA 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 brings its *total* economic and fiscal impact in 2012 to:

- **sales for Maine businesses of \$706 million;**
- **nearly 2,100 jobs receiving annual wages & benefits of \$100 million; and**
- **payment of \$23 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.

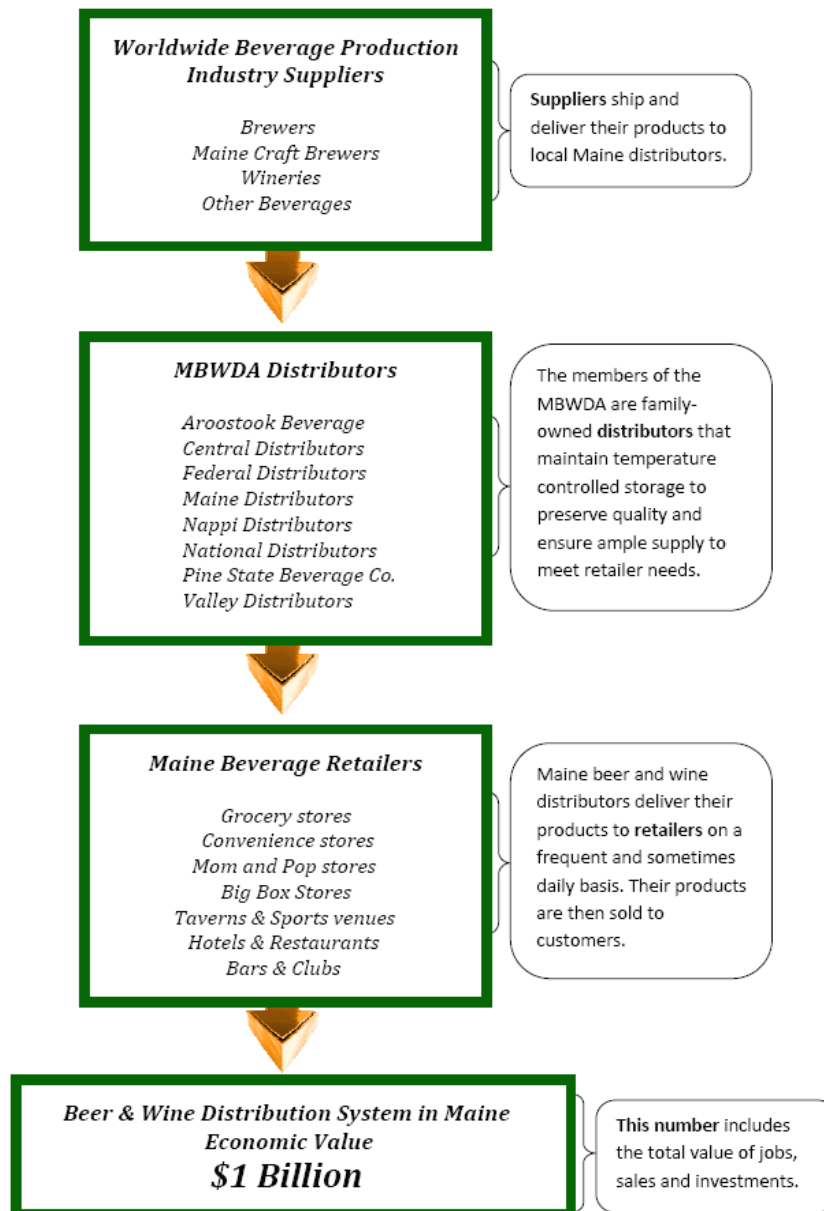
The MBWDA provides important logistical and marketing services to Maine retailers. The distributors buy product directly from licensed producers and importers and stock the product in a climate-controlled warehouse facility. This preserves quality and ensures an ample supply to meet local retailers'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

Finally, by providing a ready means to reach 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. Through 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 early 2013 regarding their calendar 2012 results and found that, as a group, they:

- achieved sales of over \$406 million;
- employed 1,088 workers;
- maintained a payroll of more than \$51 million;
- paid health, disability, pension and other benefits of over \$7 million;
- invested over \$4 million in new buildings, vehicles and equipment, supporting an additional 33 jobs in Maine's construction, vehicle and equipment businesses;
- paid approximately \$19 million in state and local taxes and fees.³

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

- 20% greater than the total value of commercial landings of Maine's lobster fishery in 2012;
- 30% greater than the Gross State product of Maine's wood products manufacturing sector;
- 3/4ths as large as the Gross State product of Maine's fabricated metals manufacturing sector.

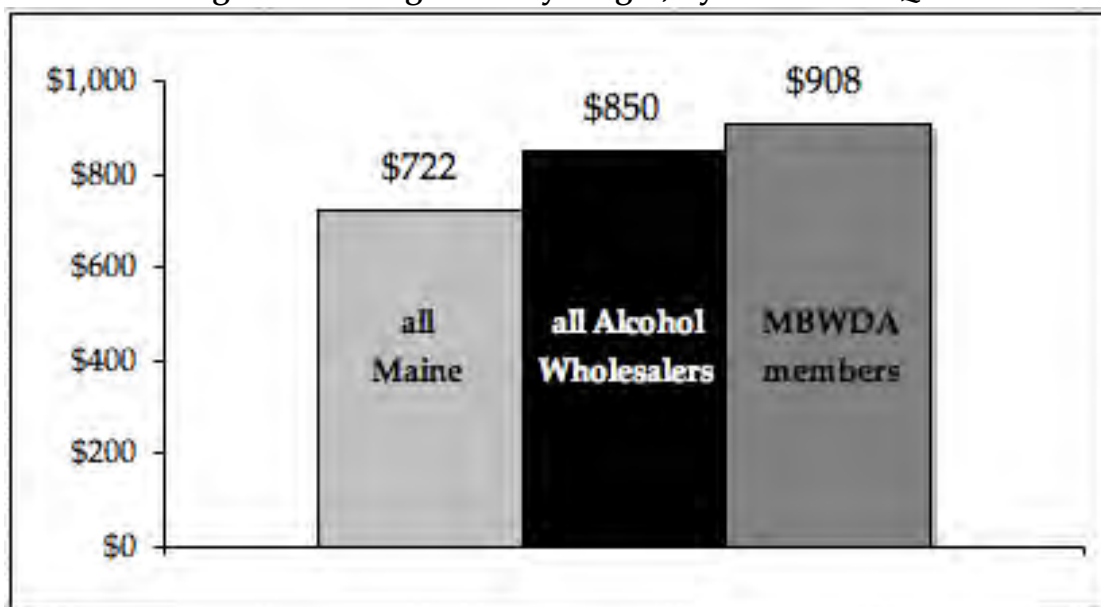
³ Maine's beer and wine wholesalers collect alcohol taxes for the state on every gallon of beer and wine they distribute and pay all other fuel, licensing, property and income taxes to which they are subject.

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

- equal to the size of Maine’s data processing and web hosting industry;
- 60% as large as Maine’s broadcasting industry;
- one-half as large as Maine’s machinery manufacturing industry.

Perhaps more importantly, in an era of extremely slow employment growth, Maine’s beer and wine distributors have been a major source of job and wage growth. Between the third quarter of 2009 and the third quarter of 2012, overall employment growth in Maine was only 0.7%. For the alcoholic beverage wholesale sector, in contrast, employment increased 57.4%. And that job growth was at above average wages. Over the same 2009 to 2012 time period, average weekly wages for the Maine economy as a whole rose 4.8%. For the alcoholic beverage wholesale sector the growth was 6.9%.⁴ Figure 3 illustrates the difference among average wage rates.

Figure 3: Average Weekly Wages, by Sector 2012 Q3



Sources: Maine Department of Labor and MBWDA survey.

In 2012 quarter 3, the average weekly pay per worker for the entire Maine economy was \$722. For the beer and wine distribution sector, it was \$850, and for the members of the MBWDA it was \$908.

⁴ Maine Department of Labor [Annual Industry Employment & Wages](http://www.maine.gov/labor/cwri/qcew1.html)
<http://www.maine.gov/labor/cwri/qcew1.html>.

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

While annual sales of \$409 million and 1,088 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 feeds a complex flow of indirect impacts across the state.

Maine adult consumers purchase beer and wine at one of approximately 6,000 liquor establishments and 300 agency stores licensed by the State Bureau of Liquor Enforcement.⁵ 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 approaches \$1 billion per year, helping support tens of thousands of jobs and hundreds of millions of dollars in payroll all across Maine.

Observing the ripples of economic impact flowing through the MBWDA's supply chain, shows that a large portion of their sales 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 consumer-oriented businesses pay their vendors and employees, thus spreading the ripples of the MBWDA's direct economic impact still further across Maine.

⁵ STATE OF MAINE Compendium of State Fiscal Information Through Fiscal Year Ending June 30, 2011 PREPARED BY: Maine State Legislature Office of Fiscal and Program Review <http://www.maine.gov/legis/ofpr/compendium/11compend/2011compendium.htm#LiquorSales>

In addition to its operational expenditures, in 2012 Association members spent over \$4 million on capital investments. They upgraded and expanded their buildings, replaced trucks, upgraded computer systems, replaced furniture and fixtures. A large portion of this capital investment spending became 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. The consumer-spending linkages flowing from the Association's operational and investment spending constitute its *induced impact* on the Maine economy. These indirect and induced impacts must be added to the direct impact to calculate the total impact of Maine's beer and wine distributors on the state's economy.

Attempting to measure all of these indirect vendor supply and induced consumer spending effects individually would be virtually impossible. There are no 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 the MBWDA's total economic impact is to use an input-output model explicitly designed to capture these interconnections. For this report, PDI used the IMPLAN model of the State of Maine.⁶ Table 1 below summarizes these economic impacts.

⁶ 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. Built into the IMPLAN data files are all of the industry sales, employment and income data for 506 sectors of the Maine economy. IMPLAN uses these data along with national purchasing patterns (national input-output matrices) to create state models. Data presented here are rounded to avoid the appearance of unwarranted precision.

Table 1
Economic Impact on Maine of MBWDA Operational & Investment Spending, 2012

Activity	Sales	Jobs	Payroll
Direct Impact	\$410,720,000	1,120	\$59,690,000
Indirect Impact	\$127,040,000	395	\$17,250,000
Induced Impact	\$168,160,000	570	\$20,900,000
Total Impact	\$705,930,000	2,085	\$97,840,000

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

The MBWDA’s direct sales impact amounts to over \$410 million—the combination of its own sales revenue of \$406.5 million and its annual investment spending of \$4.2 million. This Association generated economic activity supports 1,088 jobs in MBWDA member businesses and approximately 33 in the construction, equipment and vehicle businesses that fill their investment needs.

These direct sales become 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 \$127 million in sales supporting 395 jobs earning over \$17 million in income. This constitutes the Association’s indirect impact on the Maine economy. Examples of this indirect impact are over \$24 million in revenue for Maine’s craft brewers and beverage producers, approximately \$10 million in handling fees to bottle redemption centers across the state, \$5 million to fuel suppliers, \$4.2 million to building contractors and truck dealers, \$2 million to maintenance and repair vendors and \$4 million for building operations. 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 receive 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 \$168 million going to Maine consumer businesses. This constitutes the Association’s induced impact on the Maine economy. It supports an additional 570 Maine jobs earning wages of nearly \$21 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 \$706 million**
- **Total employment in Maine of over 2,085 jobs**
- **Total pay & benefits for Maine workers of nearly \$100 million.**

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 all of this economic activity generates for state and municipal governments. These revenues derive from three sources summarized in Table 2:

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:
State & Local Tax and Fee Revenue Generated by the Operations
& Investments of the Maine Beer & Wine Distributors Association, 2012**

Category	Amount
State Government	\$20,670,000
Income Taxes	\$3,210,000
General Sales Taxes	\$1,820,000
Alcohol Excise & Premium	\$15,040,000
Licenses & Other State Taxes & Fees	\$600,000
Local Government	\$2,830,000
Property Taxes	\$2,520,000
Excise and Other Local Taxes & Fees	\$310,000
Total Tax Revenue	\$23,500,000

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