



The Economic Impacts of Virginia's Distilled Spirits Industry

Facts & Figures

Virginia Distilled Spirits Industry Economic Impacts			
	2017	2016	Percentage Change
Economic Impact	\$163,045,778	\$104,090,762	57%
Distilleries	57	48	19%
Full-Time Equivalent Jobs	1,477	975	51%
Wages Paid	\$60,349,535	\$35,777,024	69%
Total Spirits Sales (Retail Value)	\$14,572,381	\$11,183,377	30%
Total Non-Spirits Sales	\$2,021,388	\$1,422,939	42%
Number of Distillery-Related Tourists	296,741	191,123	55%
Total Tourism Expenditures	\$46,885,039	\$30,197,434	55%
Grain & Agriculture Purchases	\$5,240,333	\$3,830,633	37%
Federal Taxes Paid	\$16,529,207	\$10,135,394	63%
State & Local Taxes Paid	\$17,447,894	\$11,543,961	51%

An Impactful Industry:

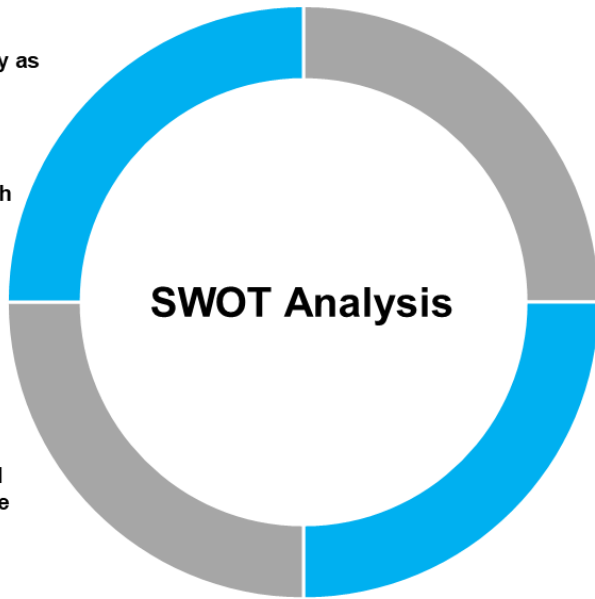
The total economic impact the distilled spirits industry creates for Virginia's economy is \$163 million. There are 57 active distilleries, seven pending, an increase of 375% since 2012. These distilleries are slated to spend \$85.7 million worth of capital improvements in the next three years. Seventy percent of all agricultural products used in production are Virginia sourced.

Strengths:

- Virginia's rich history as the Birthplace of American Spirits
- Employment
- Capital Investment
- Virginia Spirits Month

Opportunities:

- National craft spirits movement
- 45 small distilleries, seven pending. Small distilleries can mature into medium or large distilleries with regulatory support from the state



Weaknesses:

- Lack of promotional support from Virginia and Virginia ABC
- Lack of parity for treatment of industry to other beverage sectors (i.e. VA wine and craft beer)
- Cash flow

Threats:

- Capital intensive, high taxes and thin margins
- Competition from bordering states
- 3 oz. tasting limitations

An Industry Primed for Growth:

The industry is on solid footing due to exciting growth, however, there are challenging obstacles in its way that can prevent it from becoming a national player, even though there are fertile opportunities for growth.



Industry	Private Distributors	Retail Opportunities	State Excise Tax/Bottle	Revenue Transfers	No. of Event Licenses	Samples	Limitations for On-Site Consumption	Industry Organizations
Distilled Spirits	No	Virginia ABC	\$6.12	30-60 days	4	Retail price	3 oz.	Virginia Distillers Association
Wine	Yes	Grocery stores, supermarkets, gas stations, etc.	\$0.30	No	8	Cost of goods	No	VA Wine Board, VA Wine Board Marketing Office, VA Wineries Association, etc.
Craft Beer	Yes	Grocery stores, supermarkets, gas stations, etc.	\$0.02 / 12 oz. can	No	8	Cost of goods	No	Virginia Craft Brewers Guild

Footnote: The spirits excise tax is an estimate based on an 80 proof spirit bottle that retails for an average price of \$30.59.
 Footnote: Revenue transfers - in the Virginia ABC control system, when a spirit is sold at a distillery store, the distillery must transfer all revenue to the agency for collection, then after 30-60 days VABC will transfer back the distillery's cut on the sale.
 Footnote: When offering samples, distilleries must purchase sample bottles from Virginia ABC at full retail price, as opposed to offering at production cost, like wineries and breweries do. This is one of the most costly expenses distilleries are faced with.

This chart highlights the discrepancies between the way Virginia's three alcohol industries are regulated. The biggest takeaways are the disparities between Virginia tax rates amongst the Virginia spirits/wine/beer industries, revenue transfers, event licenses, and limitations for on-site consumption.