

Understanding the Economics Behind Distilling and Selling Virginia Spirits in the Commonwealth

2018 ECONOMIC FACT SHEET



57 + **7**
 LICENSED DISTILLERIES LICENSES PENDING

Virginia is home to 57 licensed distilleries, with an additional seven licenses pending. They range in scale from small to large. With several simple **policy, regulatory** and **statutory** changes the Virginia spirits industry can become **more sustainable, a much greater economic driver for the Commonwealth, and more attractive for outside investments.**

RATE OF RETURN TO VIRGINIA

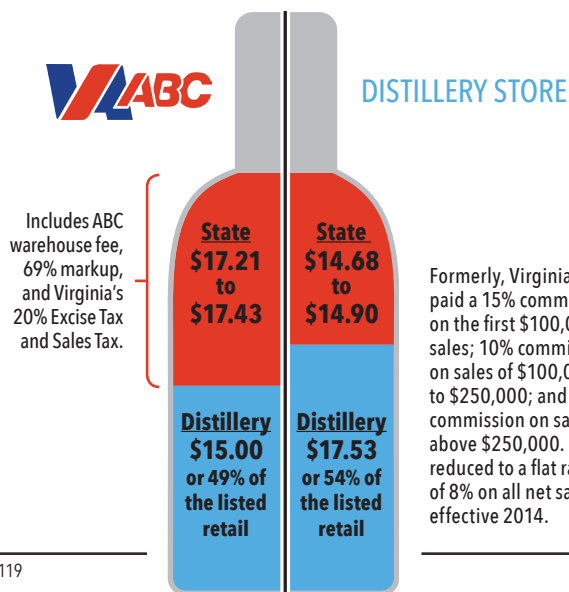


The biggest challenges facing Virginia distilleries are the **high markups** and **general state regulations** through Virginia ABC. Most people don't realize that **Virginia distillery stores are also considered Virginia ABC stores**, and as a result, incur the **exact same state markup structure** as traditional ABC stores while also shouldering additional **overhead** costs for operations and employees. Since distillery stores have to cover all of the overhead for their distillery stores while abiding by the state markup structure, **the state receives a higher rate of return** from distillery stores at **40.52% vs. 35.03%** for traditional ABC stores (per ABC's 2017 Fiscal Report). While our industry is put at a direct disadvantage by excessive and unique regulations by ABC, we are a driver for **Virginia tourism, Virginia employment** which is often in rural communities and we support **Virginia agriculture.**

For product sold at Virginia ABC Stores:

For a bottle that retails at \$32 through ABC, the **distillery receives \$15.00** per bottle paid by VABC, the **Commonwealth keeps \$17.21** (or \$17.43 from sales in Northern Virginia and Hampton Roads). The \$15.00 paid to distilleries includes all cost of goods sold as well as federal taxes.

PRICING BREAKDOWN FOR A BOTTLE RETAILING AT \$32: ABC STORES VS. DISTILLERY STORES



VIRGINIA EXCISE TAXES

Per Gallon



Per 750ml Bottle



* The above rate for spirits is based on 20% of the combined total of: the wholesale price, case handling fee, and Virginia ABC's markup. In these examples, we start with bottle of 80 proof spirit that retails for \$30.59 (does not include VA state sales tax).

Currently, our distillers contribute more to the Virginia economy through excise taxes and ABC's markup than our counterparts in the wine and beer industries.

DID YOU KNOW?

- 1 In 2017, the distilled spirits industry's **total economic impact** on the Virginia economy was valued at **\$163,045,778.***
- 2 Virginia distilleries attracted **296,741 visitors** in 2017, resulting in **\$46,885,039 worth of expenditures.***
- 3 The Virginia distilled spirits industry supports **513 direct employees** at distilleries and **1,477 employees indirectly** across numerous industries.*
- 4 In 2017, the distilled spirits industry purchased **\$5,240,333 worth of grain and agricultural products.***
- 5 Virginia distilleries must **buy their own product used for samples** from Virginia ABC, including Virginia ABC's product mark-up of **69%** and excise tax of **20%**; **this is one of the greatest costs for distillery store operations.***
- 6 Virginia has the **2nd highest state excise tax on spirits in the country**, making local craft distilled spirits very expensive for consumers.
- 7 Since Virginia is a control state, distillers are dependent on ABC as **their exclusive Virginia off-premises retail outlet.** More and more **Virginia distilleries are being turned away by Virginia ABC** to have their product listed, which not only hinders expansion in state, but also out of state. Other control states (e.g. Maryland, Pennsylvania, North Carolina, West Virginia) look to a distiller's product sales performance in the Commonwealth via Virginia ABC before deciding whether or not to carry their product.

* Source: 2018 Virginia Distilled Spirits Economic Impact Study