

**ANNUAL REPORT ON THE  
ACTIVITIES OF THE VIRGINIA  
SPIRITS BOARD AND THE USE OF  
MONEYS IN THE VIRGINIA  
SPIRITS PROMOTION FUND**

**Scott Harris  
Chairman**

**September 1, 2024**

**Annual Report on the Activities of the Virginia Spirits Board and the  
Use of Moneys in the Virginia Spirits Promotion Fund**

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**PUBLICATION YEAR 2024**

**Document Title**

Annual Report on the Activities of the Virginia Spirits Board and the Use of Moneys in the Virginia Spirits Promotion Fund

**Author**

Virginia Spirits Board

**Legislative Mandate**

Section 3.2-3011 of the Code of Virginia

**EXECUTIVE SUMMARY**

During the fiscal year ending June 30, 2024, the Virginia Spirits Board (Board) met four times, with a focus on continual support for both the Virginia Spirits Board Marketing Office (VSBMO) and the research and education grant program. The VSBMO completed its initial contract on June 30, 2024, and the Board exercised its first renewal option for fiscal year 2025. The Board approved research and education grants, totaling \$320,000, in May 2024.

## BACKGROUND

The Virginia Spirits Board (Board) and the Virginia Spirits Promotion Fund (Fund) were established by the enactment of Chapters 85 and 410 of the 2020 Acts of Assembly. The Board and Fund were created to provide resources for promotion of the Virginia spirits industry by a number of means approved by an administrative board appointed by the Governor. The purpose of the Board is to foster the development of the Virginia spirits industry by expanding spirits research, increasing education, and promoting the production of ingredients necessary for alcohol distillation and the production of spirits in the Commonwealth.

Chapters 84 and 85 of the 2022 Acts of Assembly require that 20 percent of the 20 percent tax levied on alcoholic beverages sold by the Board of Directors of the Virginia Alcoholic Beverage Control Authority (VA ABC) that is attributable to the sale of spirits produced by a distiller licensee be deposited in the Fund. Chapters 84 and 85 also require the Board to submit an annual report to the Governor and General Assembly by October 1 of each year regarding the Board's activities and use of moneys in the Fund, including statistics regarding the extent to which use of moneys in the Fund has impacted spirits sales in the Commonwealth.

The Board consists of 11 members as follows: the Commissioner of Agriculture and Consumer Services (Commissioner) and the Chief Executive Officer of the VA ABC, both of whom shall serve ex officio without voting privileges, or their designees; and nine voting non-legislative citizen members who are appointed by the Governor, three of whom must be coopers or maltsters and six of whom must be owners or operators of a distillery in the Commonwealth.

The Board is required to meet at least four times each year. The meetings of the Board are held at the call of the chairman or whenever a majority of the members so request. The Program Manager manages and conducts the activities required for the Board to carry out its mission and provides the Board with administrative support.

The Board has the power and duty to (i) receive and dispense funds or donations from the Fund; (ii) enter into contracts for the purpose of developing new or improved markets or marketing methods for spirits products; (iii) contract for research services to improve farming practices related to the growing of ingredients necessary for alcohol distillation in Virginia; (iv) enter into agreements with any local, state, or national organization or agency engaged in education for the purpose of disseminating information on spirits projects; (v) enter into contracts with private or public entities for the purpose of developing marketing, advertising, and other promotional programs designed to promote the orderly growth of Virginia's spirits industry; (vi) rent or purchase office and laboratory space, land, equipment, and supplies as necessary to carry out its duties; (vii) employ such personnel as may be required to carry out those duties conferred by law; (viii) acquire any licenses or permits necessary for the performance of the powers and duties of the Board; (ix) cooperate with other state, regional, national, and international organizations in research, education, and promotion of the growing of ingredients necessary for alcohol production and the production of spirits in the Commonwealth and expend moneys from the Fund for such purposes; (x) adopt a general statement of policy and procedures; (xi) receive from the chairman of the Board an annual report, including a statement of total receipts and disbursements for the year, and file a copy of such report with the Commissioner; and (xii) submit an annual report to the Governor and General Assembly by October 1 of each year regarding the Board's activities and use of moneys in the Fund.

## **ACTIVITIES OF THE VIRGINIA SPIRITS BOARD**

The Virginia Spirits Board met four times during fiscal year (FY) 2024. One of the four meetings was conducted electronically in compliance with the Board's electronic meeting policy, which was adopted on November 7, 2022.

The VSBMO was created on February 3, 2023. The annual report from VSBMO, covering calendar year 2023, is included with this report (Appendix 1). The final summary report from April 2024 on the economic impact of Virginia's distillers is also included with this report (Appendix 2).

The Board received six research and education grant proposals by the February 4, 2024, deadline. The Board awarded a total of \$320,000 among the following entities: Virginia Tech, Virginia Commonwealth University, Reservoir Distillery, Virginia Agriculture in the Classroom, the Common Grain Alliance, and SPIRITS Museum.

## **USE OF MONEYS IN THE VIRGINIA SPIRITS PROMOTION FUND**

When the Fund was created in 2020, the legislation did not specify a funding mechanism and the creation of such was left to the Board. The funding mechanism was not successfully established until the 2022 Session of the General Assembly, during which a budget appropriation of \$952,375 from the General Fund was also approved effective July 1, 2022, for use during FY 2023.

Pursuant to the provisions of Chapter 84 and 85 of the Acts of Assembly of 2022, VA ABC shall deposit to the Fund 20 percent of the 20 percent tax collected that is attributable to the sale of spirits produced by a distiller licensee. On August 30, 2023, VA ABC certified to the Comptroller that the portion of the excise tax allocated to the Fund from tax collected during FY 2023 was \$1,151,898.55. Of that total, \$661,924.20 (57 percent) was attributed to the sale of Virginia-produced spirits at Virginia ABC stores, and \$489,974.35 (43 percent) was attributed to the sale of Virginia-produced spirits by distiller licensees. These funds were available for use by the Board during FY 2024.

On August 29, 2024, VA ABC certified to the Comptroller that the portion of the excise tax allocated to the Fund from tax collected during FY 2024 was \$1,241,192.93, an increase of almost eight percent from FY 2023. Of this total, \$719,388.44 (58 percent) was attributed to the sale of Virginia-produced spirits at Virginia ABC stores, and \$521,804.49 (42 percent) was attributed to the sale of Virginia-produced spirits by distiller licensees. These funds will be available for use by the Board during FY 2025.



## APPENDIX 1

ANNUAL REPORT

2023

Virginia Spirits Board Marketing Office

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# LETTER FROM THE EXECUTIVE DIRECTOR



I am thrilled to present the first Annual Report for the VSBMO covering February – December 2023. Our accomplishments this inaugural year come from many months running a marathon at a sprint's pace. We began aggressive research and discovery to determine the current state of the industry to identify where we could realize the greatest impacts. At the same time, we quickly realized that industry-wide marketing programs had suffered during the pandemic, and while the VSB became established and gained its footing, waiting to begin our marketing efforts until we had completed our research simply was not an option and the results of those efforts are evident in the 2023 sales numbers.

***Sales of Virginia-made spirits across all Virginia ABC retail outlets, which include 400 retail stores and dozens of distiller bottle shops, were up 12% (\$4+ million) in 2023 over 2022. For Virginia Spirits Month in September, sales were up a whopping 26% over 2022! This all occurred while the alcohol beverage industry overall saw steady decreases in sales, as consumer tastes changed and the country left the bulk of the pandemic behind.***

Unlike the national brands that dominate store shelves, each bottle of a spirit made and sold in the Commonwealth represents exponentially more economic benefit to the state. A bottle of whiskey made in Virginia helped to support the farmer that grew the grains, the trucking services that transported the raw materials, the cooper that made the barrels, the salaries of the distilling crew and tasting room staff, the designer that created the label, the marketing firm that helped sell it — and on and on and on. Every time a consumer chooses “Virginia-made,” they not only choose some of the best quality products but also choose to support their neighbors.

I would be remiss if I did not acknowledge and express my gratitude to our partners at the Virginia Alcohol Beverage Control Authority for their contribution to our work this past year. From day one, representatives from across the agency offered their support and assistance to help us achieve our goals. Admittedly, there was a learning curve on both sides, but we never doubted that the very capable and professional staff at the agency truly wanted to see the VSBMO, and the distillers we serve, succeed. The limitations of the law will continue to be a challenge for the industry, but I know our partners will do all they can to work with us, within those limitations to help the Virginia Spirits industry grow.

The entire VSBMO team is incredibly gratified to work with Virginia's distilling community. On behalf of the team and all of our colleagues at The Hodges Partnership, thank you for allowing us to work with you this past year, and we look forward with great anticipation for what is to come!

Cheers!

**Jack W. Gorman**  
Executive Director  
Virginia Spirits Board Marketing Office

# INTRODUCTION

## VIRGINIA SPIRITS BOARD

The Virginia Spirits Board (VSB) was established in 2020 by enactment of the Virginia General Assembly. The purpose of the Board is to foster the development of the Virginia spirits industry by expanding spirits research, increasing education, and promoting the production of ingredients necessary for alcohol distillation and the production of spirits in the Commonwealth.

The Board is one of 17 commodity boards under the Virginia Department of Agriculture and Consumer Services (VDACS) and is comprised of eleven members, three of whom are coopers or maltsters and six of whom are owners or operators of a distillery in the Commonwealth. The remaining two members are the Commissioner of Agriculture and Consumer Services and the Chief Executive Officer of the Virginia Alcoholic Beverage Control Authority, and they serve ex officio without voting privileges.

## VIRGINIA SPIRITS BOARD MARKETING OFFICE

The Virginia Spirits Board Marketing Office (VSBMO) was established in February 2023 through a competitive Request for Proposals (RFP) process conducted by VDACS on behalf of the Board. The Hodges Partnership, a strategic communications firm based in Richmond, Va., was awarded the contract. The initial 17-month contract period began in February 2023 and will conclude on June 30, 2024. Four one-year extensions will be evaluated on a year-by-year basis.

The primary purpose of the VSBMO is to develop a long-term strategic marketing program to promote and grow the Virginia spirits industry. The VSBMO's experience in year one revealed one overarching finding that drove our actions: Virginians are largely unaware of a burgeoning world-class spirits industry operating across the state; therefore, tremendous opportunity exists to grow right here in the Commonwealth, and marketing efforts should be focused within state boundaries for the short and medium term.

## POSITIVE SALES GROWTH FOR VIRGINIA SPIRITS: 2023 OVER 2022

As we reflect on 2023, we are already seeing positive results from our efforts. Future studies will help us measure increases in awareness and affinity for Virginia-made spirits. In the immediate, sales numbers reflect positive results. According to Virginia ABC, Virginia Spirits enjoyed tremendous sales increases in 2023 over 2022.

### All Months of 2023

12% GROWTH

**\$37,300,889 Total Sales**

Compared to \$33,299,437 in 2022

13.3% GROWTH

**1,192,175 Bottle Quantity**

Compared to 1,052,139 in 2022

### Virginia Spirits Month 2023

25.47% GROWTH

**\$2,639,506 Total Sales**

Compared to \$2,103,664 in 2022

20.37% GROWTH

**104,178 Bottle Quantity**

Compared to 86,550 in 2022

## Up And Running

Launch of the VSBMO began with the transfer, review and analysis of the assets inherited from the Virginia Distillers Association (VDA), followed by significant triage and updates to databases and digital assets. This included the following:

1. Cleaned outdated mailing lists, combining new information from Virginia ABC and other sources
2. Conducted an audit of @VaSpirits social media channels
3. Conducted an audit of the VirginiaSpirits.org website
4. Developed short-and medium-term goals for relaunch of the digital channels

We also began longer term planning for 2023 and beyond. Our first step was to dig into the research and discovery of both the current state of the industry and expectations of the distilling community we serve. We used our findings to reflect on the community's history as the "Birthplace of American Spirits" and to then establish benchmarks and inform future planning.

Acknowledging that Virginia's distillers should not have to wait until a full marketing plan for the year was in place to start promotional activities, we also embarked on a number of short-term opportunities to promote the industry.

# RESEARCH AND DISCOVERY

# Research and Discovery

Research and discovery will always be a fundamental element of the work we do at the VSBMO. Examining our results and uncovering new opportunities is crucial in evaluating our success and planning for the future. In our first year, our Research and Discovery program played an even more important role. Our program rested on three main pillars with several adjacent projects along the way.

Pillar 1.

## DISCOVERY MEET AND GREETINGS

Pillar 2.

## CONSUMER AWARENESS STUDY

Pillar 3.

## ECONOMIC IMPACT STUDY

### PILLAR 1: DISCOVERY MEET AND GREETINGS

The VSBMO team quickly learned that most distillers had little to no knowledge of the Virginia Spirits Board (VSB), much less the VSBMO. As a step to educate the distilling community and to begin to develop relationships with distillers across the state, we scheduled four in-person, regional “Discover Meet and Greet” sessions in Damascus, Charlottesville, Virginia Beach and Richmond, and one virtual option. Each session allowed the VSBMO team to introduce ourselves and outline our goals while hearing directly from the distilling community across the state. Here’s what we found:

- ① A universal feeling that most Virginians were largely unaware of the size, scope, variety and impact of the Virginia spirits industry.
- ② There is general agreement that many Virginia distillers produce world-class spirits that reflect the history, personality, and terroir of the Commonwealth.

- ③ A significant opportunity exists to improve the relationship between Virginia ABC and local distillers.

These three themes served as the foundation for our planning for the year and further research solidified our strategies.



## PILLAR 2: CONSUMER AWARENESS STUDY

The Consumer Awareness Study determined to what degree Virginians were generally aware of the Virginia spirits industry, including size, scope and range of products produced. The study was conducted in the fall of 2023. More than 700 of Virginia's spirits-drinking consumers completed a detailed online survey after passing through an initial screening process. Brand Federation, our partner for this study, confirmed a general lack of awareness but also helped us to identify opportunities for action.

### Key Findings

- ① Whiskey is the most well-known and commonly consumed spirit, slightly edging out vodka, and is enjoyed more by men (slightly). However, consumers are largely unaware of the sheer variety of spirits made in the Commonwealth.
- ② Spirits drinkers primarily *enjoy their cocktails at home* and generally keep bottles of their favorites in a home bar.
- ③ While most people are unable to identify a single Virginia-made spirits brand, they are also very *open to learning more* about local producers.
- ④ There is a *tremendous opportunity* to educate Virginia's spirits drinkers about the history, scale and scope of Virginia spirits.

### PILLAR 3: ECONOMIC IMPACT STUDY

The Economic Impact Study quantifies the industry's impact on the state's economy. The study was conducted by Economic Forensics & Analytics (EFA), a California firm specializing in the alcohol beverage industry, with extensive experience in the California wine industry. EFA also had previously conducted a similar study for the Virginia Wine Board and was, therefore, familiar with Virginia's players and structure.

#### \$18 MILLION GENERATED IN GOVERNMENT REVENUE

Sales at Virginia ABC points-of-sale generated over \$18 million in government revenue through excise tax revenues, mark-up revenues and sales tax revenues.

#### \$10.3 MILLION GENERATED FOR FARMERS

Virginia's farmers generated \$10.3 million in revenues from Virginia's distilleries purchasing their harvests.

### IMPORTANT NOTE

The statistics outlined below are currently estimates based on the draft of our Economic Impact Study. As of the writing of this report, the EIS is in final review and we are currently waiting for numbers from the federal Alcohol and Tobacco Tax and Trade Bureau (TTB) to finalize the report. We believe the numbers presented are conservative estimates and will increase with the final numbers, but they are currently in draft nonetheless.

## \$898.8 MILLION IN ECONOMIC IMPACT

Virginia's distillery industry created economic impacts estimated to be over \$898.8 million in 2022.

## \$175.96 MILLION IN REVENUES

Distilleries generated \$175,962,200 million in revenues across all channels and activities.

## ~3K JOBS SUPPORTED BY THE INDUSTRY

Approximately 3,081 jobs were supported by this industry in Virginia, paying workers more than \$139 million in wages.

## ~228,500 VISITORS TO VA DISTILLERIES

It is estimated that approximately 228,500 people visited Virginia's distilleries in 2022, spending another \$63.5 million beyond distillery spending on hotel stays, restaurants, entertainment and various other businesses.

# Trade Focus Group

In August 2023, the VSBMO team assembled 10 representatives from licensees in the Richmond region. Attendees included restaurant owners, bar managers and mixologists from establishments of varying sizes, structures and offerings. The VSBMO team facilitated a discussion to better understand the goals, limitations and needs of the licensee community.

*Key findings from the Trade Focus Group included:*

- 1 A moderate level of awareness of Virginia spirits products, specifically products produced within the Richmond region. Attendees were less familiar with brands produced in other parts of the state.
- 2 The group expressed a desire to support local producers but felt limited by concerns around cost, consistent relationships with distillery suppliers and consistent availability in Virginia ABC stores.
- 3 Specifically for mixologists and bar managers, there is a desire to learn more about Virginia spirits, accompanied by a general desire to further their career aspirations through continued education and training opportunities.
- 4 There was frustration with minimal interaction with Virginia's distillers, especially when faced with regular interaction and support from representatives from major national brands.

## Documenting Our History

While Virginia touts itself as the “Birthplace of American Spirits,” with documented whiskey production dating back to Jamestown in 1620, we found it challenging to identify a comprehensive timeline of events — from 1620 to present. Additionally, the documentation that does exist fails to include the role African Americans and other minority groups who played a vital role in Virginia's spirits-making history.

In order to promote the history of spirit-making in the Commonwealth and to grow familiarity with Virginia as the “Birthplace of American Spirits,” the VSBMO has embarked on a long-term project to better document the history of distilling in Virginia. The VSBMO focuses on research around the history of spirits-making in Virginia, uses for spirits beyond consumption and all the pioneers of Virginia spirits. To make this possible, we partnered with several experts in the field.

### Current partners

Virginia Museum of  
History and Culture

8 Shires Coloniale Distillery  
and SPIRITS Museum

Patrick Evans-Hylton, author of  
“Virginia Distilled: Four Centuries  
of Drinking in the Old Dominion”

# **DIGITAL ENGAGEMENT**

# VirginiaSpirits.Org

After inheriting VirginiaSpirits.org, we conducted a full audit of the website. We reviewed content, tested user experience and consumer journey, examined on- and off-page Search Engine Optimization (SEO) and checked for technical errors. The audit revealed a much longer list of to-dos than we initially anticipated, so we divided tasks into two phases. We partner with Convoy, a graphic design and web development agency based in Charlottesville, Va., to help with the development of the site.

## PHASE 1. IMMEDIATE FIXES

- 1 Add all Virginia distilleries to The Trail, as it only previously featured VDA members.
- 2 Refresh website copy and content.
- 3 Update web styling and functionality to follow ADA Compliance and accessibility best practices.
- 4 Optimize SEO.
- 5 Update and align the site with the most current Google Analytics platform.

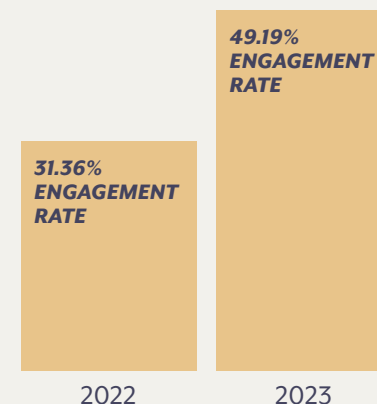
## PHASE 2. LARGER-SCALE IMPROVEMENTS

- 1 Build an events calendar to feature local happenings at distilleries and beyond.
- 2 Build a backend distillery login, allowing distilleries to update their profiles: hours, "About Us," offerings, add upcoming events, etc.
- 3 Enable advanced drop-down filtering on The Trail page: by region, spirit type, experience and "how to shop spirits."
- 4 Design the Virginia Spirits Passport page.
- 5 Create an itinerary feature on The Trail page.
- 6 Build multiple landing pages for digital campaigns.

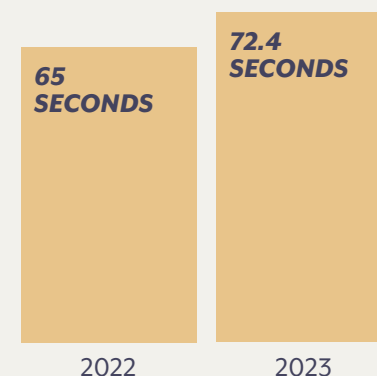
**Traffic**  
31.77% growth 2022 vs. 2023



**Engagement Rate**  
11% growth 2022 vs. 2023



**Average Session Duration**  
11% growth 2022 vs. 2023



### Our Benchmark

While we can only currently compare website data to 2022 (prior to our taking over and updating the site), 2023 statistics will serve as the baseline for our documenting our efforts.

## Social Media

After inheriting @VaSpirits social media accounts, we conducted an audit of each existing channel, including Facebook, Instagram and Twitter (now “X”). We examined top-performing posts, audiences and overarching brand identity — which led us to the following conclusion and overarching strategy:

1. Our audience is passionate about supporting locally crafted spirits and enjoys learning about the rich history and people behind Virginia, the Birthplace of American Spirits.
2. @VaSpirits social channels should serve as a resource for the Virginia Spirits community — with regular distillery features, history and educational content and information about how to enjoy #VaSpirits, including the Virginia Spirits Passport, cocktail recipes, events and finding Virginia-Made products at Virginia ABC stores.

2023 yielded steady growth and strong engagement.

450,257

TOTAL VIEWS ACROSS  
@VASPIRITS CHANNELS

780

NEW FOLLOWERS  
ACROSS @VASPIRITS  
CHANNELS

6.19%

INSTAGRAM  
ENGAGEMENT RATE  
*Industry Benchmark: 1.45%*

3.43%

FACEBOOK  
ENGAGEMENT RATE  
*Industry Benchmark: 0.74%*

## RELAUNCH ON WORLD WHISK(E)Y DAY

With our defined strategy top of mind, we relaunched the @VaSpirits social channels on World Whisk(e)y Day (May 20, 2023) and provided distilleries with a social media toolkit, which included assets to celebrate the day with us on their socials. Our relaunch messaging focused on the endless stories and experiences yet to be uncovered with Virginia Spirits, and we used drip messaging ahead of the relaunch to generate excitement from our audience.

## SOCIAL MEDIA TOOLKITS

Throughout 2023, we created easy-to-use digital toolkits for distillers to utilize on their own and to help amplify overarching campaign messaging. Each toolkit featured editable and ready-to-download social media graphics and suggested copy, plus general tips and guidelines. We created toolkits for World Whisk(e)y Day, regional exploration, Virginia Spirits Month and the Virginia Spirits Expos.

# Virginia Spirits Blog

The Virginia Spirits Blog launched in September 2023, kicking off with an overview of the VSB and subsequent marketing efforts, as well as a debrief on all things Virginia Spirits Month. In its first year, we will continue a bimonthly schedule focusing on content in the following buckets:

- ① Seasonal/holidays
- ② Travel guides
- ③ Cocktails
- ④ Education  
*history, individual spirits, spirits-making*
- ⑤ Events/campaigns  
*Virginia Spirits Month, Virginia Spirits Expos, Passport*

## OUR STRATEGY

The blog is a resource for spirits lovers, industry members and curious readers alike. It provides an opportunity to host the breadth and depth of Virginia spirits topics on the website. Regular series like “A Spirited Travel Guide” will be implemented to spotlight different regions and producers around the state. Other educational topics include historical moments in Virginia spirits-making, what goes into individual spirits and how to best enjoy, etc. The blog will strengthen other channels like social media and email marketing as it offers another clickable resource and opportunity for lengthened engagement. In the future, guest writers will be explored to provide their expertise and offer a third-party perspective and endorsement of Virginia spirits.

READERS  
**3,540**

POSTS  
**8**



### SAY HELLO TO THE VIRGINIA SPIRITS BLOG

From our origins as the Birthplace of American Spirits dating back to the 1600s to more than 70 operating distilleries [...]

[READ ARTICLE](#) →

## Consumer Newsletter

We inherited two separate consumer email address lists from the VDA consisting of (old) Passport participants and general subscribers. After combining the lists to make one consumer audience, additional time was spent cleaning archived and non-responsive contacts, leaving us with approximately 2,700 contacts.

With the plan to launch the monthly newsletter in June 2023, we set out to make a template that would offer an interactive experience for consumers and lead them through three distinct ways to engage with Virginia spirits: exploring the trail, sampling spirits (through events and cocktail recipes) and meeting local producers. Each newsletter begins with a seasonal intro and section to highlight recent blog posts.

The primary strategy for the consumer newsletter is presenting digestible content that links out to the website or additional resources. For a deeper dive, one distillery is featured per month in the “Meet the Makers” section, which is selected from existing videos on VirginiaSpirits.org. Over time, all willing, participating distilleries will be highlighted.

**43.3%**

**AVERAGE OPEN RATE**  
Industry Benchmark: 37.2%

**3,296**

**AUDIENCE AS OF JAN '24**  
From 2,696 subscribers in May '23

**800**

**CLICKS TO WEBSITE  
AND SOCIAL MEDIA  
CHANNELS**



### Season's Greetings! ❤️

As 2023 comes to a close, we would like to thank you – the friends, backers, enthusiasts and aficionados of Virginia spirits – for your support of local distilleries this past year. Because of you, your fellow Virginians get to pursue their passions in the distillery, making world-class products filled not only with local ingredients, but also the innovation, creativity, determination and grit of a burgeoning industry. Asking for “Virginia-made” when you dine out, choosing a locally produced bottle in your Virginia ABC store or purchasing from your local distilleries' bottle shop make it all possible. **And for that, we thank you!**

On behalf of the entire Virginia Spirits industry, we wish you happy holidays and look forward to another year celebrating all local spirits have to offer!





# Digital Campaigns

Our paid digital strategy focused on building awareness of Virginia Spirits, targeted to Virginia residents. Major digital campaigns promoted Virginia Spirits Month and the holidays, which ran across Meta, Google and Pinterest. Micro campaigns promoted the Virginia Spirits Guide, Virginia Spirits Expos and Virginia Spirits consumer newsletter, which ran on Meta. Our mix of campaigns helped us gather key data about our audience, potential audience and audience behavior.

## VIRGINIA SPIRITS MONTH CAMPAIGNS

We ran four concurrent digital campaigns throughout Virginia Spirits Month, focusing on: 20 percent off sale-a-bration, launch of the Virginia Spirits Passport, specials and events and regional exploration of Virginia distilleries.

320,475

TOTAL VIEWS ACROSS  
META AND GOOGLE

2,126

CLICKS TO  
VIRGINIASPIRITS.ORG

5,336

CLICKS TO  
ABC.VIRGINIA.ORG  
*Sale-A-Bratton*

122

PASSPORT SIGN-UPS

## SHARE THE SPIRIT OF VIRGINIA AND GIFT VIRGINIA-MADE BOTTLES

Our holiday campaigns aimed to educate and inspire our audience to give the gift of and celebrate with world-class Virginia Spirits, through holiday cocktail recipes, experiential gifts like distillery tours, paired cuisine, festive events and gifts of locally produced spirits.

204,944

TOTAL VIEWS ACROSS  
META, GOOGLE, PINTEREST

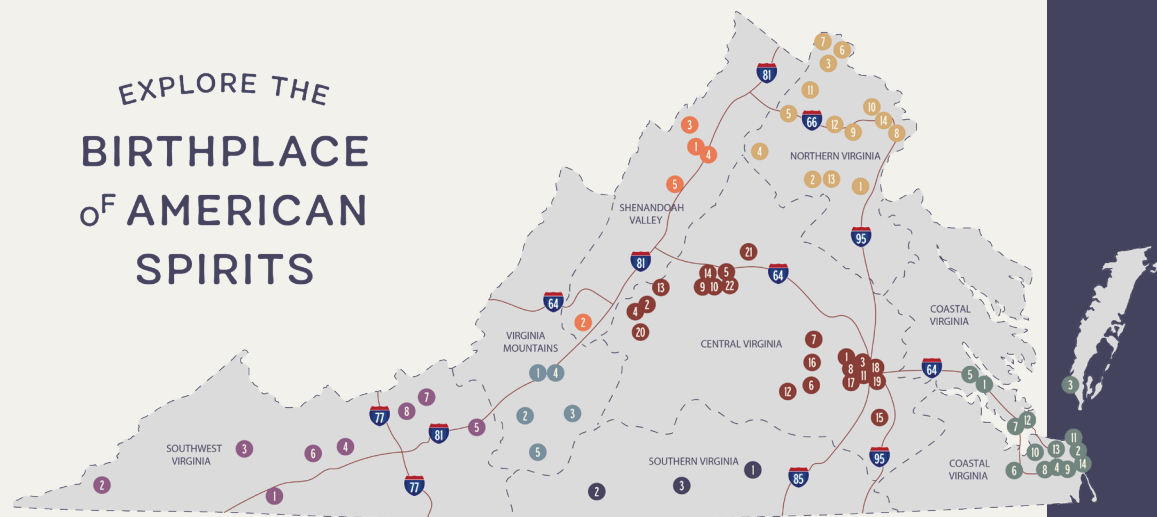
3,466

CLICKS TO  
VIRGINIASPIRITS.ORG

# CONSUMER ENGAGEMENT

# Virginia Spirits Map and Guide

The VSBMO began production on the Commonwealth's first printed map and guide of all Virginia distilleries in May 2023. The project was completed in late August in time for distribution during Virginia Spirits Month. The Virginia Spirits Map and Guide is designed to be both a resource and source of travel inspiration for consumers. Organized regionally (versus alphabetically), the Map and Guide encourages readers to see the state one piece at a time, drawing attention to each of seven distinct regions with different color coding and numbering in each section. Our goal was for consumers to see the distinct clusters of local distilleries (only those with tasting rooms open to the public) and become inspired to plan single or multi-day outings either centered around distillery visits or include them as part of other tourism activities.



## RESOUNDING WELCOME

The Virginia Spirits Map and Guide received a resounding welcome from both consumers and regional tourism offices. Comments VSBMO staff heard again and again at events included:

"It's about time!"

"I had no idea there were this many distilleries in the state!"

"I didn't know they were based there!"

"I had no idea these distilleries were in my own back yard."

75k PRINTED

20k DISTRIBUTED TO ALL 400 VIRGINIA ABC RETAIL STORES

~10k DISTRIBUTED AT TRADE AND CONSUMER EVENTS

~10k DISTRIBUTED TO DISTILLERIES ACROSS THE STATE

150+ DISTRIBUTED VIA U.S. MAIL FROM DIRECT REQUESTS VIA VIRGINIASPIRITS.ORG

18k DISTRIBUTED TO ALL 14 OFFICIAL VIRGINIA WELCOME CENTERS

# Virginia Spirits Passport

The Virginia Spirits Passport is a free mobile pass to encourage consumers to visit distiller tasting rooms. Thirty-five distilleries participated in 2023. The program is gamified so that passholders earn points by visiting distilleries. They are required to check in at each location and then earn points for each check in. The points provide pass holders with access to exclusive offers on distillery products and are redeemable for locally made prizes and unique getaway experiences focusing on Virginia Spirits. The primary goal of the Passport is for users to engage with Virginia distilleries and take advantage of the discounts offered within the app. Users are also introduced to the rich heritage of spirits-making in Virginia and learn about the Virginia Spirits Trail the more they travel across the state.

## HOW IT WORKS

The Passport resets each year as part of Virginia Spirits Month in September to encourage users to earn check-in points and redeem prizes before their offers expire. New prizes are introduced and distilleries are encouraged to promote exclusive discounts throughout the life of the program.

## Pass Performance Since Launch in September 2023



## ADDITIONAL SPONSOR AND EXHIBITOR EVENTS

In addition to the Virginia Spirits Expos, the VSBMO was a sponsor or active exhibitor at several other events in 2023. We secured sponsor visibility and distributed maps, promoted the Passport program and provided general information at the following events in 2023:

“Virginia Distilled” at the Virginia Museum of History and Culture  
300 + attendees

Urbanna Oyster Festival  
50,000+ attendees over two days

Habitat for Humanity Powhatan Annual Fundraiser  
300+ guests

VAI – The Governor’s Tourism Summit  
600 + attendees from tourism-related offices from across the state

## Virginia Spirits Expos

The VDA had a long-standing relationship with Drink Local to produce regional “Expos” (previously known as “Road Shows”). Upon learning about these events, we reached out to the organizer to learn more and identify opportunities to partner.

Attending the Charlottesville Expo provided us with partnership ideas, and we supported the remaining Expos financially and with added public relations and marketing resources. For the remaining three Expos, we attended as a vendor handing out Virginia Spirits Maps, promoting the Virginia Spirits Passport and handing out general information. The Virginia Spirits Booth served as a water station at all three Expos, providing guests with a reason to visit our booth and a complimentary way to stay hydrated, helping to prevent excessive drinking..

The VSBMO distributed more than 2,000 maps and secured more than 200 Passport sign-ups across the three Virginia Spirits Expos in which we participated in 2023. We also provided messaging, information and swag to encourage responsible consumption from our partners at Responsibility.org.

## Advertising

All advertising efforts were consumer focused in 2023. We utilized a wide range of tools and tactics to communicate our messaging to Virginia’s spirits drinkers. We make a concerted effort to ensure advertising resources amplify campaign messaging and reach every corner of the state. Advertising channels in 2023 included print, radio, billboards, digital, video and television. Wherever possible, VSBMO advertising includes responsible consumption messaging: “Please enjoy Virginia Spirits responsibly.”

### Advertising Partners

Virginia Public Media

Virginia Distilled Magazine

Northern Virginia Magazine

Virginia Living Magazine

Lamar Communications

Edible Blue Ridge Magazine

# **MEDIA ENGAGEMENT**

# Press Releases and Media Pitches

## STATEWIDE AND REGIONAL FOCUS

Through our Discovery Meet and Greets, we learned that Virginia media presents a great opportunity for us to educate Virginians and get them excited about their local distilleries. To support the various campaigns and activations that took place in 2023, the VSBMO distributed press releases and media pitches to Virginia media and select trade media outlets.

## PRESS RELEASES AND PITCHES

- Establishment of the VSBMO
- Launch of the Virginia Spirits Passport
- Virginia Spirits Expos
- Distilled Virginia Event
- Virginia Spirits Passport: One Month In
- Holiday Gift Guide/Roundup Pitching

## 2023 Press Coverage



The Virginian-Pilot

VIRGINIA LIVING



Richmondmag



Richmond Times-Dispatch



Richmond BizSENSE

# Media Tours

To engage media and influencers across the state during Virginia Spirits Month, the VSBMO hosted media tours in Richmond and Virginia Beach. In each market, we took media and influencers on a series of local distillery tours and ended the day at a local restaurant with a pairing dinner highlighting local spirits. The goal of these tours was to educate the media on what is happening in their own market and ultimately get them excited to write about Virginia spirits.

## RICHMOND MEDIA TOUR

*Highlighted Belle Isle Moonshine, Virago Spirits, Reservoir Distillery and Cirrus Vodka*

Media/influencers that participated:

Annie Tobey  
*Boomer Magazine*

Kelly Britton  
*Cuisine by KB*

Colleen Curran  
*The Richmond Times-Dispatch*

Paige Poprocky  
*The Richmond Experience*

Ja'Mia Brooks  
*Influencer*

Scott Wise  
*WTVR/Eat It, Virginia*

Karl Oldershaw  
*Virginia Booze News*

## VIRGINIA BEACH MEDIA TOUR

*Highlighted Virginia Beach Distilling, Waterman Spirits, Chesapeake Bay Distillery, Tarnished Truth Distilling Co., Ironclad Distillery and Copper Fox Distillery*

Media/influencers that participated:

Ja'Mia Brooks  
*Influencer*

Leona Baker  
*Coastal Va. Magazine/Savor Va. Magazine*

Karl Oldershaw  
*Virginia Booze News*

Megan Wilson  
*Sweet Sauce Blog*

Karl Oldershaw  
*Virginia Booze News*

## TRADE EVENTS

The VSBMO attended Bar Convent and Tales of a Cocktail to research media attendance and determine if either provided a good opportunity for participation by the VSBMO or Virginia distilleries in future years. We discovered that both events offer great opportunities to engage with trade and national media. Media outlets and freelancers attended both events but typically stuck to engaging with vendors and did not seem to attend the educational sessions.



# Influencer Partnerships

In addition to traditional media outreach, the VSBMO started partnerships with Virginia influencers to create content that focused on Virginia spirits and resonated with their respective audiences.

## BUILDING REGIONAL AWARENESS OF VIRGINIA DISTILLERIES

We enlisted the services of a prominent social media influencer to conduct regional distillery profiles. We chose this influencer not only because of her follower numbers (101,100 followers on TikTok and 27,805 followers on Instagram) but also her diverse demographic audience. The influencer visited four distilleries in Richmond and four in Virginia Beach capturing content of unique cocktails, the setting and staff of each distillery, giving viewers a glimpse into what makes each location unique.

## PROMOTING VIRGINIA SPIRITS MONTH

To help promote Virginia Spirits Month and the Virginia ABC Sale-A-Bration, we partnered with a Roanoke-based influencer because of her loyal following (35,484 followers on Instagram) and content dedicated on Roanoke/the southwestern Virginia area. The influencer purchased a bottle of local spirits from her local Virginia ABC store and created two cocktails at home, showing viewers how easy it is to make delicious cocktails at home with Virginia spirits.



Featuring Richmond Distilleries

31,519 48,971

Total views across 5  
TikTok Videos

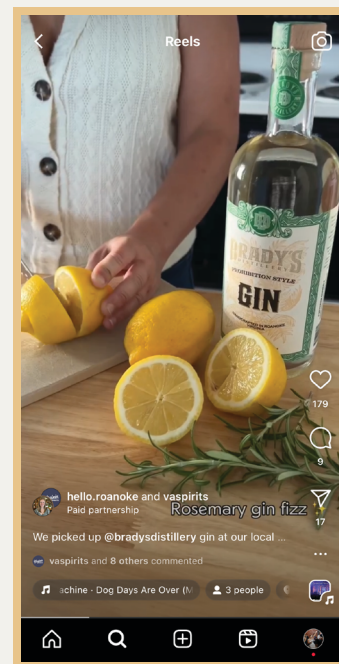
Total views across 5  
Instagram Videos

Featuring Va. Beach Distilleries

7,619 7,291

Total views of 1  
TikTok video

Total views of 1  
Instagram Video



Promoting Va. Spirits  
Month & Sale-A-Bration

9,396

Total views of 1  
Instagram video

# **TRADE & INDUSTRY ENGAGEMENT**

# Virginia ABC

Early on, the VSBMO team reached out to representatives from Virginia ABC to explore opportunities to work together to support Virginia's distilling industry. It soon became clear that the relationship with the industry's only in-state retail outlet (and regulator) would be imperative and full of opportunities.

We began attending regular meetings between the industry and Virginia ABC while scheduling our own interactions with various departments at Virginia ABC, including marketing, retail operations, compliance, digital and public relations. We toured retail stores with Virginia ABC staff and explored opportunities to promote Virginia spirits.

## VIRGINIA ABC + VIRGINIA SPIRITS MONTH

Our most significant endeavor centered around Virginia Spirits Month in September. Morphing out of several incarnations of promotional programs, we were able to collaborate on an in-store promotion that drew attention to not only the 20% off "Sale-A-Bration," but also allowed us to educate and connect with consumers. The VSBMO created 75,000 multi-panel bottle tags that were distributed to all (almost) 400 Virginia ABC stores. The tags were shipped to district managers across the state, and those managers delivered them to individual stores. Store personnel then attached the tags to all bottles participating in the sale promotion.

The bottle tags were well received, drawing attention to Virginia-made bottles across the store and even receiving attention from customers in social media posts. In addition to highlighting the September promotion, the tags also included QR codes linking back to landing pages on VirginiaSpirits.org to encourage participation in the Passport program and learn more about all Virginia spirits have to offer.

Placing the Virginia Spirits Guide and Map in Virginia ABC retail stores was a significant final partnership program with the agency in 2023. VSBMO staff distributed more than 20,000 Guides to district managers across the state and those managers delivered them to individual stores.



### Bottle Tag Results

326	111
QR Code Scans	Passport Sign-Ups

# Distillery Engagement

Distillery engagement continues to be a significant hurdle faced by the VSBMO. While almost all distillers and owners support our efforts when we meet with them one-on-one, continuing the enthusiasm and engagement beyond the meeting has been challenging, with less than ideal survey participation and response rates. We will, however, continue to find new and creative ways to engage the community and to roll out campaigns that do not require a heavy lift for distillers. The more we're able to tap into the distilling community, the more successful and impactful our initiatives will be.

One strategy for industry engagement includes leveraging our relationship with the VDA. We have participated in both board meetings and general membership meetings, and keep an open line of communication to ensure leadership is abreast of VSBMO activities.

## INDUSTRY NEWSLETTER

The Industry Newsletter launched in April 2023 with 172 recipients, including distillery contacts tagged by role and additional industry partners. The list was compiled and organized from existing contact lists from the VDA, VDACS and Virginia ABC, and through individual research and distillery outreach.

The monthly communication provides information on current and upcoming industry happenings, VSB and Virginia ABC announcements, marketing best practices, opportunities to submit content for VirginiaSpirits.Org, @VaSpirits social media campaigns and more. One week prior to the newsletter going out (first Thursday of each month), industry leaders are notified and given the opportunity to share updates or announcements for consideration. While the newsletter is chock full of relevant information throughout, the intro section provides bulleted information for a simple look at the most important updates and asks for distillers.

After each email, we see a spike in communication from distilleries and response to surveys. As a result, we're able to better represent and promote the industry — because more distilleries are updating their profiles, sharing upcoming events and promotions, submitting cocktail recipes and more. The newsletter has proven to be one of the most successful avenues for sharing information; however, we will continue to look at ways to enhance content and increase engagement. One recent addition to the newsletter spotlights a different VSB member each month, in hopes of increasing overall VSB support and encouraging industry engagement in the future.

Occasional one-off emails will be shared as needed but will not happen regularly to minimize inbox clutter and emphasize the importance of the monthly newsletter as a comprehensive digest.

**58.3%**

**AVERAGE OPEN RATE**

*Industry Benchmark: 34.7%*

**10.3%**

**AVERAGE CLICK RATE**

*Industry Benchmark: 5.6%*

### **Other highlights for distillery engagement include:**

- *Discovery Meet and Greets previously discussed.*
- *Town Halls – We have conducted two virtual Town Halls to inform distilleries about research initiatives, marketing programs in which they can get involved and Virginia Spirits Month planning.*

## FIRST LANDING CUP SPIRITS COMPETITION

The First Landing Cup Spirits Competition is planned to be the pinnacle of juried spirits evaluation by highly qualified judges. The goal is to identify the best of the best of the spirits produced in Virginia, identified and scored by a panel of notable third-party judges gathered from around the country.

Conducting a competition of this caliber requires the expertise of professionals with significant experience in conducting similar competitions and the connection with high caliber judges. In order to achieve this, the VSBMO has partnered with the American Craft Spirits Association to help us create, organize and execute the inaugural First Landing Cup.

## COMPETITION TIMELINE

Originally scheduled to take place in April 2023, we currently have the program set in a holding pattern due to concerns over budgeting and challenges faced by the Board as a result of unforeseen errors that occurred in the state's budgeting process for FY23/24. We will continue high-level planning efforts and will secure a final date for the competition itself once state monies have been issued to the Board.

## Major Campaigns

The VSBMO achieves our goals through a sustained series of activities and marketing campaigns throughout the year. Each activity, program or campaign likely includes components of each of the strategies outlined in this report.

Each year, we anticipate two campaigns will play a dominant roll and will span all engagement touch points: Virginia Spirits Month in September and The First Landing Cup Spirits Competition.

### VIRGINIA SPIRITS MONTH

Early on, the VSBMO team set September 1, 2023 (the first day of Virginia Spirits Month) as the target date for launch or completion of many of our biggest projects of the year. Efforts around the industry's annual highlight month spanned across all of our engagement touch points, from statewide advertising to handing a map to a spirits enthusiast at a Virginia Spirits Expo. Many of the specific activities have been discussed previously in this Annual Report, but we feel it prudent to include a focused list here:

- Launch and distribution of the Virginia Spirits Map and Guide.
- Launch of the Virginia Spirits Passport Program.
- Active participation at three Virginia Spirits Expos and Virginia Distilled at the VMHC.
- Distribution of 75,000 bottle tags to all Virginia ABC stores.
- Advertising that included radio, television appearances, statewide and regional print publications, statewide and regional digital publications, digital ad placements across multiple platforms and billboards in three regions of the state.
- Two media tours in two separate regions.
- Close coordination with Virginia ABC to highlight the agency's Sale-A-Bration.

## Virginia Spirits Board Marketing Office

*Operated by The Hodges Partnership*

Jack Gorman  
*Executive Director*

Adrienne Band  
*Digital Strategist + Graphic Design*

Madelyn Balser  
*Communications Coordinator*

Julia Loudy  
*Senior Media Strategist*

Amanda Christian  
*Content Strategist*

## Virginia Spirits Board

David Cuttino, Chair  
*Reservoir Distillery*

Vicki L. Haneberg  
*Virago Spirits*

Joe Guthrie, ex officio  
*Commissioner, Virginia Dept. of  
Agriculture and Consumer Services*

Scott Harris, Vice Chair  
*Catoctin Creek Distillery*

Jeff Bloem  
*Murphy & Rude Malting Company*

Tom Kirby, ex officio  
*Interim CEO, Virginia Alcohol  
Beverage Control Authority*

Andrew Yancey, Treasurer  
*Tarnished Truth*

Joshua Chandler  
*Speyside Bourbon Cooperage*

Gareth H. Moore  
*Virginia Distillery Company*

Tim Nichols  
*Appalachian Heritage Distillery*

Matthew Harris  
*Grain producer*



**Virginia Spirits Board Marketing Office**  
*Operated by The Hodges Partnership*

1805 E Broad Street  
Richmond, Virginia 23223

(804) 788-6899

VirginiaSpirits.org  
@VaSpirits  
info@virginiaspirts.org

Please enjoy Virginia Spirits responsibly.

## APPENDIX 2





# **The Economic Impact of Virginia's Distilleries 2022**

## **Summary Report**

**Final – April 2024**

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**Economic Forensics and Analytics, Inc.**  
Petaluma, CA  
[eyler@econforensics.com](mailto:eyler@econforensics.com)

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## Executive Summary

### VIRGINIA DISTILLERS

2022 ECONOMIC IMPACT
<b>\$1,105,719,000</b>

Key Categories	2022
Business Revenues Generated	\$821,712,700
Number of Distilleries	81
Virginia Distillery Revenues	\$275,962,200
Farmer Revenue (Ingredients from VA)	\$10,348,600
Estimated Number of Distillery-Related Tourists	228,500
Distillery-Related Tourism Revenue	\$63,539,800
State and Local Taxes Paid	\$81,658,200
Full-time Equivalent Jobs Supported	3,081
Wages Paid	\$139,788,400

#### Key findings from this report include:

- There were approximately 81 licensed and revenue-generating distilleries in Virginia in 2022.
- Virginia's distillery industry created economic impacts estimated to be over \$1.1 billion in 2022.
- This industry supported approximately 3,081 jobs in Virginia, paying workers more than \$139 million in wages.
- Jobs beyond distilleries span industries as diverse as grain farming, restaurants, hotels, trucking, glass manufacturing, printing, marketing services, and Virginia ABC retail store employment.
- Distilleries generated over \$275.9 million in revenues across all channels and activities, hiring workers across the estimated 81 employers in 2022;
- Using official and survey data on Virginia distilleries, assuming a wholesale price of \$180 per 9-liter equivalent case (\$15 per 750ml on average):
  - Virginia distilleries sold approximately 1.84 million 9L equivalent cases in 2022 (22,714 9L equivalents per distillery);
  - Virginia produced approximately 4.374 million gallons of bottled, distilled products in 2022.
- Virginia's farmers generated \$10.3 million in revenues from Virginia's distilleries purchasing their harvests;
- Sales at Virginia Alcoholic Beverage Control Authority (VABC) points-of-sale generated

excise tax revenues, mark-up revenues, and sales tax revenues for state and local governments;

- These sales generated over \$18 million in government revenue through those points of sales alone from Virginia-produced distilled spirits;
- Tourism to wineries adds product sales and event revenue to a distillery's portfolio of customers and acts as another marketing asset. We estimate that approximately 228,500 people visited Virginia's distilleries in 2022.
  - Visitors to Virginia's distilleries spent another \$63.5 million beyond distillery spending on hotel stays, restaurants, entertainment, and various other businesses;

### **Challenges and Opportunities: The Virginia Distillery Industry Toward 2030**

- Filling supply-chain gaps using Virginia-based vendors can reduce long-term cost pressures as an excellent economic development opportunity for Virginia distillers;
- Larger, global brands will continue to invest in ready-to-drink (RTD) cocktail products and marketing, adding competitive pressures to craft distilleries;
- Travel to Virginia continues to increase and act as an expanding market for new customers to 2030;
- Restaurants, bars, and other points-of-sale may contract to 2030 due to the rising costs of doing business, reducing local and regional wholesale customers.

## **Introduction**

This study considers the Virginia distillery industry supply chain. Economic impact studies consider how an industry's supply chains generate cash flow that pays businesses, workers, and governments based on an industry's size or growth. From the ingredients used in distilled products to vendors that provide machines, trucking, and tourism services across related processing, bottling, and sales, we estimate economic effects on the statewide economy. The distiller's property may be a manufacturing space where visitors can sample and purchase distilled spirits or have family or corporate events. We consider core from allied industries in the distillery supply chain, all connected to a Virginia-based distiller, as customers or vendors. Virginia Spirits commissioned this study.

We used data from an industry survey and official sources such as the Federal Bureau of Labor Statistics (BLS), the Federal Bureau of Economic Analysis (BEA), and Virginia Alcoholic Beverage Control (VABC) to determine the economic size of this industry in 2022 in terms of statewide revenues and employment. From there, we estimate a "multiplier" effect, or how distiller-related businesses and their employees spend earnings and wages and create gains for hundreds of industries and thousands of workers across the Commonwealth of Virginia. More revenues are generated beyond the distillery industry, with jobs supported, wages and taxes paid, and benefits rippling across Virginia's communities. This report's estimated data consider revenues, not profits, as we measure taxable transactions and incomes and cash flow versus value-added incomes. However, only in-state impacts are counted in this report; for example, we do not have VABC revenues from selling whiskey from Scotland or Kentucky. Our results do not count vendor payments in other states and countries ("leakages" from Virginia).

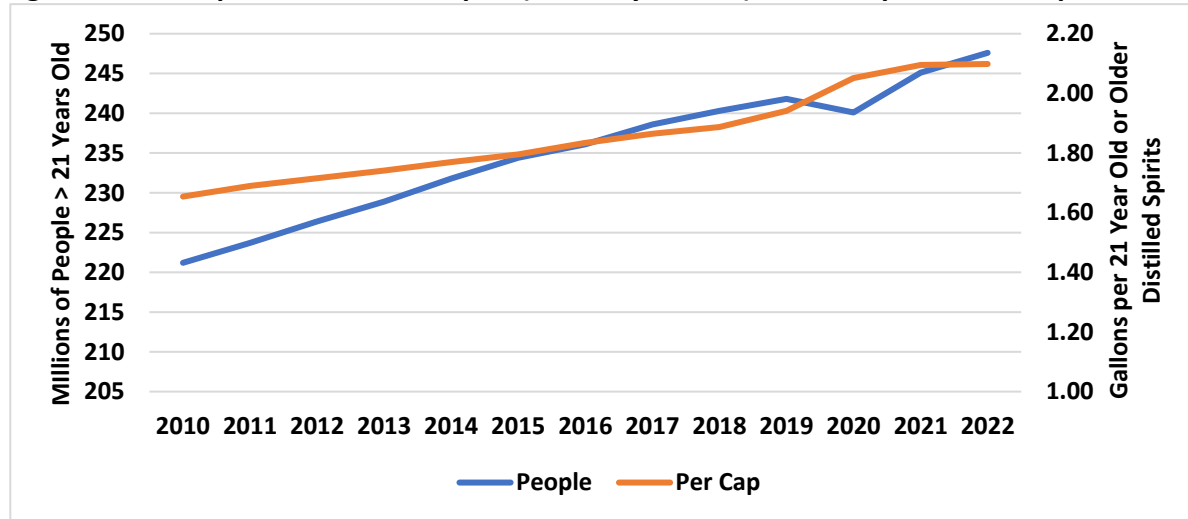
We start by looking at the overall market for distilled alcoholic beverages in the United States and data that helps us describe Virginia's distillery industry. The "direct impacts" are based on the distillery industry's economic size in terms of revenues and employment. We consider five industries as "core": ingredient farmers, distilleries, Virginia ABC as both distributor and retailer (off-premise), and restaurants and bars as on-premise retail. Allied industries include trucking, glass wholesalers, printing, marketing, tank manufacturing, and other "indirect" industries that support distillery operations and broader economic impacts.

Figure 1 shows how U.S. population growth and gallons of distilled spirits consumed annually have evolved from 2010 to 2022. Per-capita consumption nationally was somewhat flat in the 2010s, increased during the pandemic period (2020 and 2021), and has returned to trend slightly in 2022. Industry revenues are forecasted at 1.1 percent average growth from 2023 to 2028.<sup>1</sup>

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<sup>1</sup> See <https://www.ibisworld.com/united-states/market-research-reports/distilleries-industry/> for more.

Figure 1: U.S. Population and Per Capita (over 21 years old) Distilled Spirits Consumption 2010-2022



Sources: Statista, IBIS World, includes spirits from any global sources

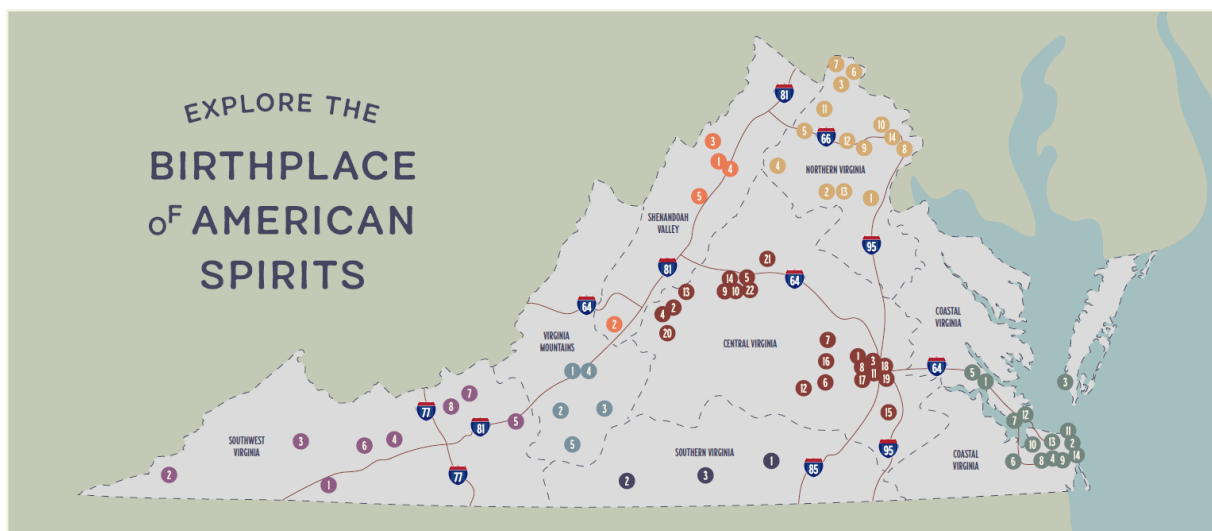
Demand for distilled beverages competes with other alcoholic beverages and is also affected by health trends, consumer tastes and preferences shifts, and population change. Revenue, employment, and the number of distillery businesses have been increasing nationally; cost pressures on equipment, inputs, and wages have all increased since the pandemic, putting pressure on profits. Smaller distilleries feel this pressure more than large firms; rising wages and costs of doing business act like a regressive tax. Ready-to-drink (RTD) cocktail products have shifted costs and markets as distilleries and other beverage companies compete for younger drinkers nationwide.

### Industry Size in Virginia

Some disparity exists regarding the number of distilleries in the Commonwealth of Virginia. We have multiple sources for an estimate of Virginia distillers in 2022. The official number of payroll employers in 2022, according to the Bureau of Labor Statistics (see <http://www.bls.gov/cew> for more information from BLS), is 44 distillers. There were 70 distilleries identified by Virginia Spirits that link directly to tourism and visitors along “the Trail” as of August 2023. The Virginia ABC identified 86 distilleries in 2022 in nine “regions”.<sup>2</sup> Virginia ABC recorded sales for 81 distilleries in 2022 and had 99 distilleries with active licenses in 2023. Revenues generated by distilleries are a critical aspect of estimating the economic impacts of this industry. While not all distilleries are the same, the number of distillery businesses in Virginia has increased since 2010, with new firms annually. The geographic dispersion of distilleries shows how Virginia would feel about the economic impacts of current and future distilleries. Distilleries are primarily in Central Virginia and spread throughout the state.<sup>3</sup>

<sup>2</sup> See <https://www.abc.virginia.gov/stores/virginia-distilleries> for more.

<sup>3</sup> The following map provided locations for 70 distilleries to visit as of August 2023 in Virginia from Virginia Spirits:

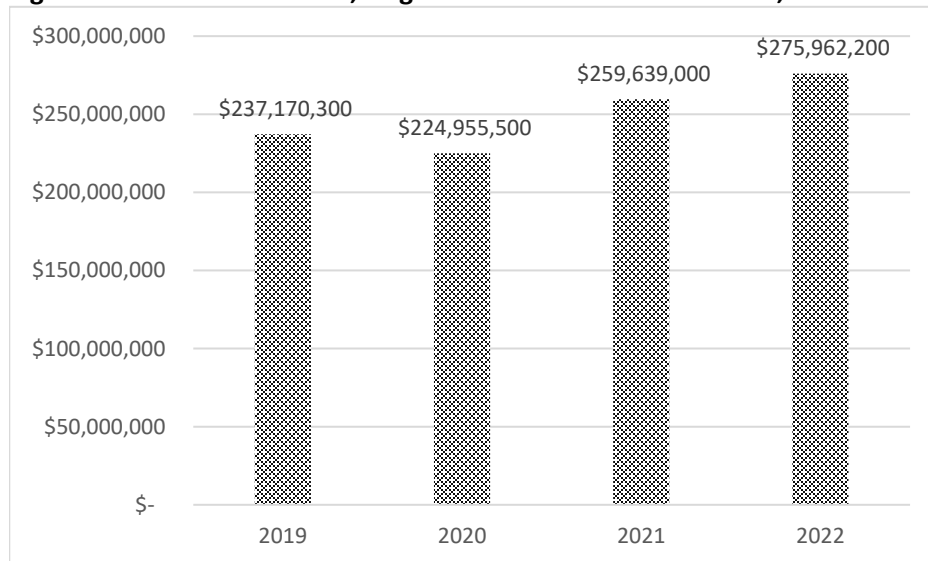


Source: Virginia Spirits

For this study, we assume 81 distilleries were operating and selling products in Virginia in 2022. Distilleries are the second step in the distilled product supply chain. Ingredient vendors sell inputs to distilleries, producing bottled goods; distilleries then look to distribution and retail within and outside Virginia for markets to complete the dirt-to-glass supply chain. Figure 2 provides our annual estimates of distillery revenue in Virginia from 2019 to 2022; these data are the basis of the “direct” economic impacts shown below.

Revenues and jobs have increased with the number of distilleries; cost pressures for equipment, inputs, and wages have all increased since the pandemic, putting pressure on profits. Ready-to-drink (RTD) cocktail products have shifted costs and markets as distilleries and other beverage companies compete for younger drinkers nationwide and expand marketing to various social media outlets alongside classic media.

**Figure 2: Business Revenues, Virginia’s Distilleries 2019 to 2022, All Channels**



Sources: Bureau of Economic Analysis, Census Bureau

The cost of doing business has increased since 2021 in Virginia, affecting many aspects of distillery business costs: rising wages and rising costs of inputs from wheat and corn to glass containers and tanks. Since April 2020:

- Prices on glass containers have increased 22.5%;
- Prices on steel tanks are up 52%, and
- Wages are up 12.4% on average in Virginia.

Distilleries combine a story with ingredients and other inputs into a craft process that creates salable products. When it exists, having a point-of-sale at the distillery allows that business to sell “lifestyle” products alongside the distillery's bottled products; the distillery's story becomes marketing and an experience at the facility for those who visit. The visit extends regional tourism and creates implicit or explicit partnerships with local restaurants, hotels, and event facilities. In some cases, an event facility exists on the distillery's grounds. Tourism is another link to economic impacts. Distilleries such as A. Smith Bowman, KO Distilling, Catoctin Creek Distilling, Vitae Spirits, and others compete with and also complement other facilities and tourism partners (hotels, restaurants, retailers, universities, etc.) regionally to enhance why visitors would come and spend money and stay overnight. In a subsequent section of this study, we estimate how distilleries support regional tourism throughout the Commonwealth.

The Virginia Alcoholic Beverage Control Authority (VABC) acts as the point-of-sale manager for all distilled spirits in Virginia. Distribution networks deliver to VABC from distilleries. VABC then sells at wholesale and retail, creating government revenue to pay for VABC activities and additional uses (such as public health programs and education). At distilleries, a VABC-licensed site allows a legal sale to take place and, thus, direct-to-consumer sales on distillery grounds. On-premise sales at restaurants, bars, and other points of sales that serve distilled products extend retail networks. Business revenues, jobs, and tax revenues are generated at each step.

Our estimates use a combination of official data on jobs and revenues and sales, survey results (gathered with assistance by Virginia Spirits), surveys of visitors by Virginia Travel Corporation (VTC) and those travelers that visited distilleries, and other data on the supply-chain relationships due to distillery operations as described below.



## **Core Industry Overview**

We now consider the direct economic impact estimates used later to estimate the overall economic impacts by considering the major supply-chain partners. We start with distilleries and then move through the related and allied industries.

Distilleries sell products directly to consumers, to Virginia ABC (VABC) as a wholesaler, and to licensed distributors that sell Virginia-produced products outside of Virginia. VABC acts as the point of sale for consumers outside distilleries, for on-premise retailers (such as restaurants and bars) that serve Virginia-based distilled products, and within the distilleries at their point-of-sale. We see later how that affects product taxation at retail and also revenue made for Virginia's government from sales of products made by Virginia distilleries.

Alongside the 2022 estimates we use to calculate economic impacts, we provide estimates for 2021 business revenues, jobs, and wages for distilleries and ingredient farmers in Virginia. Such data offer additional considerations about recent growth, especially emerging from the pandemic. For the other core industries, based on this report being an inaugural report, we show only 2022 direct impact estimates.

### **Distillery Revenues and Employment in Virginia**

**Direct Employment: 452 jobs in 2022; 425 in 2021**

**Total Wages: \$19,201,000 in 2022; \$17,011,300 in 2021**

**Total Revenue<sup>4</sup>: \$275,962,200 in 2022; \$259,639,000 in 2021**

We estimate 81 distilleries with economic impacts as our baseline number of businesses for the calendar year 2022. This estimate comes from a combination of Virginia ABC (VABC) sales data, VABC distillery license data, and survey data from distilleries as part of this study. Distillery sales of bottled products are sold in retail markets, where distillery sales to VABC are VABC's cost of goods sold. All retail sales are VABC outlets, either through direct point-of-sale or indirect sales at some other location. Distilleries are the beverage manufacturer in the supply chain, Virginia's "domestic" source of distilled spirits. Our survey of Virginia's distilleries suggested that most sales are to distributors that deliver these products worldwide. There may be some distilleries with more than one location.

Due to the distillation and product aging processes, production and sales will not be the same in a given year. The blend of official data and our survey results provided an estimate of

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<sup>4</sup> This revenue estimate includes distillery sales direct to consumers or DTC using a Virginia Alcohol Beverage Control (VABC) outlet inside the distillery. See below for more on VABC sales of Virginia-produced distilled spirits as wholesalers and retailers otherwise.

production in Virginia at 4.374 million gallons in 2022 using a ratio of 1.2 gallons produced to those sold. By assuming \$180 per 9-liter equivalent case (12 750ml bottled units in one "case") as a wholesale or freight-on-board (FOB) price, we reconcile the revenues of just over \$275.9 million in 2022 for Virginia's 81 distilleries by estimating 1.84 million 9-liter equivalents or an average of 22,713 9-liter cases sold per distillery.

However, sales revenues (Figure 2) generate the cash flow that pays current expenses for current production and drive the economic impacts of this industry in Virginia. Due to the timing issue with aging and final sales, it is essential to see the economic impact data with revenues as the foundation rather than the estimated production value in a given year.

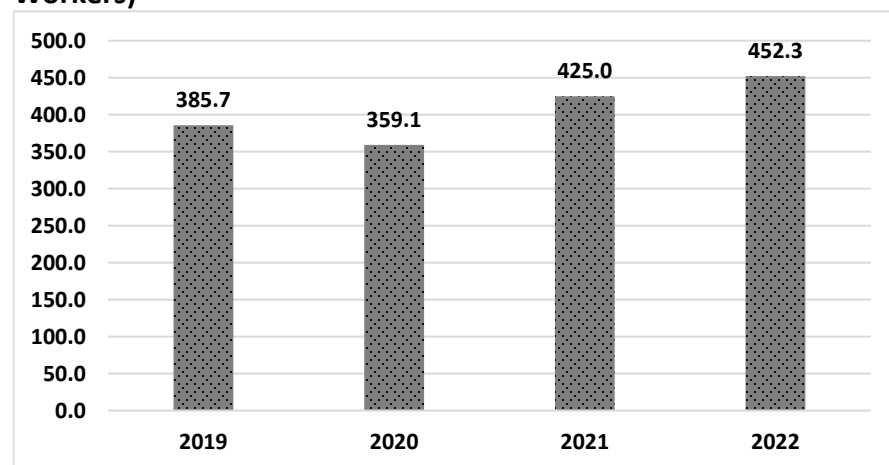
Like any other manufacturer, distilleries hire workers across bottling lines, engage in marketing, purchase ingredients for distillation, pay for administrative expenses and salaries, and purchase professional services from maintenance to legal and accounting. Our survey of Virginia distilleries suggested that many use Virginia-grown ingredients more than 50 percent of the time; such choices integrate distillery effects within the Commonwealth. Such integration extends a distillery's economic effects throughout Virginia's regional economies, where the distiller is located.

Virginia distillery revenues have steadily climbed since the downturn during the pandemic's initial stages (2020). Figures 3 and 4 provide a recent history of estimated jobs and wages at Virginia distilleries.

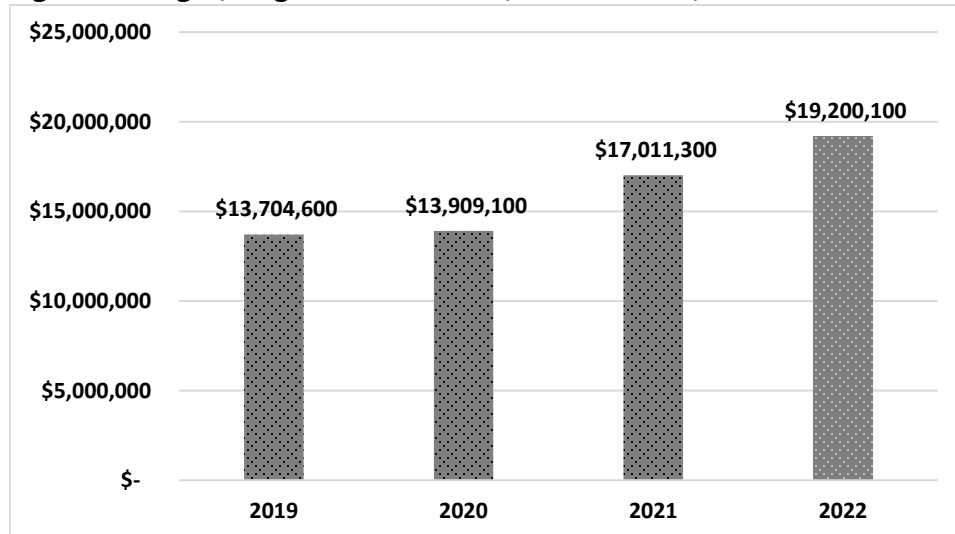
Wages paid by

Virginia's distilleries create indirect and induced impacts that add to vendor payments and broaden the industry's economic footprint.

**Figure 3: Jobs, Virginia's Distilleries, 2019 to 2022 (Number of Workers)**



**Figure 4: Wages, Virginia's Distilleries, 2019 to 2022, Current Dollars**



Sources: Bureau of Labor Statistics and EFA

Notice the pandemic's effects on workers and wages. While the number of workers fell, wages increased as Virginia's labor markets reflected a rising cost of doing business and worker shortages in

2020 and then recovery starting in 2021. Wage increases in 2021 and 2022 came with new businesses, more demand from continued marketing efforts, and rising inflation that pressured wages in Virginia and across the United States. State, local, and federal tax revenues generated by these activities are estimated separately, as shown in Figure 6.

## Ingredients Farming

**Direct Employment: 40 jobs in 2022; 38 jobs in 2021**

**Total Wages: \$1,267,100 in 2022; \$1,143,200 in 2021**

**Farmer Revenues: \$10,348,600 in 2022; \$9,736,500 in 2021**

Our survey of Virginia distilleries suggested that the cost of goods sold ranged between 21 percent of revenues to 63 percent. Our survey results helped shape assumptions about how Virginia's farmers can act as suppliers for distilleries across the Commonwealth. In some cases, responding distilleries said they source all their ingredients from Virginia suppliers; in other examples, none. Our estimates suggest Virginia's farmers generate approximately \$10.34 million in revenue from distillers; the remaining ingredients purchased originate outside Virginia.

Part of distillery purchases of their ingredients do end up as gains or "indirect" impacts in Virginia, even when not coming from a Virginia farmer; our methodology is to estimate these instead and then reduce incomes attributed to Virginia distilleries and count these incomes for Virginia's farmers as not to double count distillery outcomes. Distilleries will purchase commodities such as wheat, corn, potato, sugar cane, and other raw agricultural goods to prepare and use in manufacturing. Revenues derived from distilleries support Virginia's farmers when statewide sources are purchased.

Our survey also suggested that Virginia's distilleries purchase ingredients from outside Virginia. We assume that 60 percent of ingredients used by Virginia distilleries come from sources within Virginia, 25 percent comes from domestic US sources outside Virginia, and the remaining 15 percent from international sources. The 40 percent of import purchases by Virginia distilleries is an economic development opportunity for more partnerships within Virginia to source locally and co-market products as coming from Virginia-based sources.

An assumption of 60 percent of ingredients from Virginia as an industry average across 81 distillers is used to determine farmer outcomes. If the cost of goods sold (COGS), where ingredients will be tracked for a typical distiller, is approximately 25 percent of sales, and ingredients are roughly 25 percent of COGS, Virginia farmers are estimated to share revenue with distilleries by roughly 60 percent Virginia x 25 percent of Distillery Sales x 25 percent ingredients in COGS = 3.75 percent of total sales. Based on the estimates above, that would be approximately \$10,348,600 for 2022.

We estimate that 40 full-time workers in Virginia agriculture were supported by Virginia distilleries in 2022. The wages paid to those 40 workers would be approximately \$1,267,100, following statewide average data on agricultural wages in 2022 (roughly \$31,756 from the Bureau of Labor Statistics in 2022). Estimates using 2021 data would follow a similar methodology.

### **Virginia-Based Distilled Spirit Sales at VABC Stores (VABC)**

**Direct Employment: 86 jobs in 2022**

**Total Wages: \$2,898,000 in 2022**

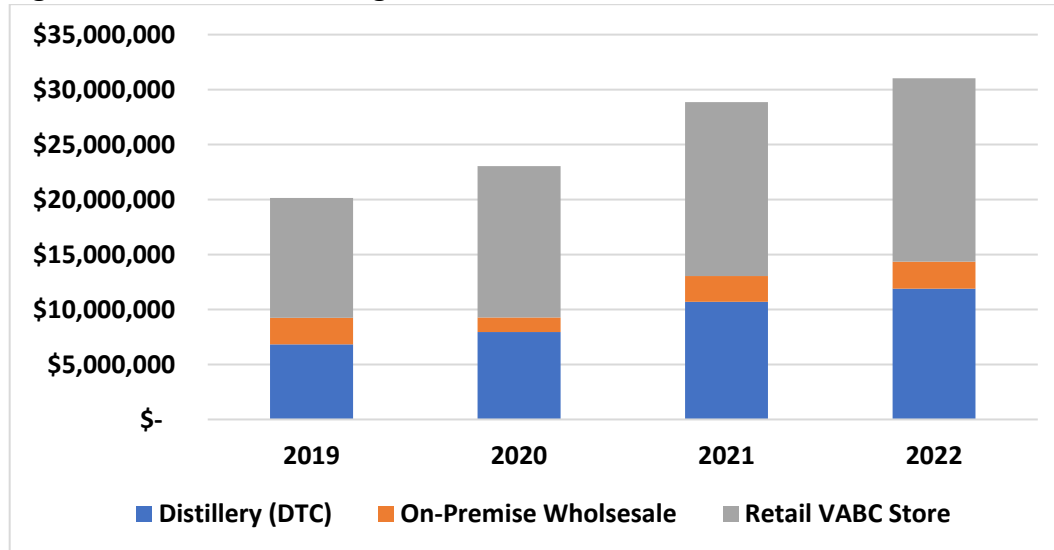
**Total Revenue: \$16,757,100 from all sources in 2022<sup>5</sup>**

Retail and restaurant sales are important core industries for distilleries as these industries are the final link connecting distilled products to final consumers as an extension of industry marketing. There are three retail sources of distilled spirit sales in Virginia. All three are regulated by the Virginia Alcoholic Beverage Control Authority (VABC). Distilleries that sell to the general public have a VABC point-of-sale (POS) on-site and sell direct-to-consumer (DTC) through that portal. VABC has retail stores which sell beer, wine, and other alcohol products worldwide. VABC also acts as a distributor in Virginia to move between wholesale purchases of distilled spirits from a distillery to an on-premise seller (licensee) that offers on-premise sales (restaurants and bars).

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<sup>5</sup> This number does not include distillery point-of-sale transactions to consumers in Virginia.

Figure 5: Retail Sales for Virginia Distilleries, 2019-22, VABC Points of Sales and Proportions



Sources: Data Provided by Virginia ABC 2019 to 2022, Virginia Spirits

It is essential to see VABC sales in two ways. One is as any retail outlet. Some vendors and workers are paid, and the economic impacts radiate from distilled product sales from the VABC stores or the licensed points of sale throughout the regional economy. Second, profits made by VABC stores and outlets are additional government revenue to the Commonwealth of Virginia. These funds are used for a mix of reinvestment in retail spaces, in support of public health programs, and for education about alcohol. From an economic impact, VABC profits should be considered like taxes, as a private-sector owner is not accessing those excess revenues directly. We revisit this in the Taxation section below.

## Restaurants and On-Premise Outlets

**Direct Employment: 5 jobs in 2022**

**Total Wages: \$539,900 in 2022**

**Total Revenue: \$6,137,800 in 2022 (includes VABC Distribution Sales Revenue)**

On-premise consumption sales happen in a physical business with a “mixed-beverage” license. Such licensees are typically bars and restaurants. VABC acts as a wholesaler, collecting tax revenue and cost reimbursement to administrate points of sale. We assume a 2.5 markup on average by on-premise vendors. The purchase price from VABC is marked up to generate revenues for wages, building rentals/leasing, utilities, other costs of doing business at bars and restaurants, and owner profits. The costs of goods sold for on-premise is dominated by the purchase price from VABC.

## **Distribution outside Virginia**

**Direct Employment: 131 jobs in 2022**

**Total Wages: \$12,242,100 in 2022**

**Total Revenue: \$68,315,400 in 2022**

Distribution adds value to distiller supply chains by providing delivery, bill collection, warehousing, and promotion services. Distributors generally transport and warehouse beer, wine, and spirits simultaneously; distilled products are part of a broader portfolio for distribution companies trying to achieve economies of scale, especially outside of a control state. For Virginia distilleries, distributors provide access to global markets. Distribution may use their own trucking and warehousing or subcontract some of that demand (see the brief section on “Allied Industries” below).

## **Tourism**

**Direct Employment: 806 jobs in 2022**

**Total Wages: \$29,666,800 in 2022**

**Total Revenue: \$63,539,800 in 2022**

Virginia generally welcomes tens of millions of visitors annually. A recent study by Tourism Economics (June 2023) for Virginia Tourism Corporation estimated over 108.4 million visitors came to Virginia in 2022, spending \$30.4 billion in the Commonwealth. Our survey provided some insight as to the number of visitors to distilleries. The 22 distilleries we surveyed that provided visitor estimates suggested an aggregate of 62,050 people visited a distillery. Using the estimated total number of distilleries with on-site sales as 81, we approximate 228,500 visitors in 2022. The facility’s relative size dictates how many people visiting can be supported and the depth and breadth of relationships with local restaurants and hotels.

Tourism Economics<sup>6</sup> estimated that \$30.34 billion was spent by those visiting Virginia, with per-visitor spending of approximately \$280 on average. These combined figures become a direct economic impact estimate of \$63,539,800. This study of Virginia tourism spending in 2022 has five major categories, with associated percentages of total spending for each major category:

- Transportation (29.4%);
- Food and beverage, including restaurant meals (28.2%);
- Lodging (19.0%);

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<sup>6</sup> See <https://www.vatc.org/wp-content/uploads/2023/08/Virginia-Tourism-Economic-Impact-2022.pdf> for the most recent report from June 2023 for calendar year 2022 visitors to Virginia.

- Recreation (12.8%);
- Retail (10.6%).

Visits may include day trips by Virginians outside their local area to distilleries throughout the Commonwealth to international visitors staying for weeks and visiting historic sites, regional destinations outside Virginia (such as Washington D.C.), or visiting a distillery to get married. Visitors spend money and stay overnight, become distillery club members, use facilities for events, and become customers when visiting distillery properties. The large proportion of spending for transportation and food/beverage spending suggests less emphasis on overnight stays by distillery visitors and more day-trip activity; however, based on alcohol consumption as part of a distillery visit, it is likely these estimates are conservative concerning overnight stays and thus less spending per person that would be without a distillery trip.

A survey conducted in 2022 by Virginia Tourism Corporation (Longwoods International was the consultant) provides more details. Overnight travelers to Virginia in 2022 who toured wineries/breweries/distilleries stayed in Virginia for 2.6 nights on average. Over 60 percent stayed in a hotel or a motel. The primary purpose was visiting friends/relatives (39%). The average travel party size for this group is 3.2 people, with approximately one-third traveling with children. Top out-of-state markets included North Carolina, New York, Pennsylvania, Florida, and Texas. Demographic data are essential to monitor in terms of visitors. These data tell what types of customers are willing to visit a distillery. They may become distillery club members or repeat customers such that their visit becomes marketing and sales.

## Allied Industries and Charitable Contributions

Allied Industry	Revenues	Jobs	Wages
Marketing/Printing	\$6,009,300	23	3,320,700
Warehousing	\$13,878,300	50	4,098,500
Glass/Caps	\$3,241,300	8	662,800
Trucking	\$7,986,400	17	1,227,700
Boxes/Packaging	\$10,907,700	29	2,578,100
Charitable Contributions	\$3,325,500	48	\$2,483,000
<b>Totals</b>	<b>\$45,348,500</b>	<b>175</b>	<b>\$14,370,800</b>

Ties to complementary industries, such as trucking and warehousing (including movement to VABC stores and licensees for on-premise sales), packaging materials, marketing consulting,

and others, expand distillery economic impacts as partner or “allied” industries.

We think of these industries as allied because these businesses are part of the production processes that take ingredients to make salable, packaged products worldwide. Without these industries in Virginia, distilleries would be reliant on imported services (those originating from outside Virginia). Further, these industries may rely somewhat on the flow of distilled products

to meet the demand for their services. For example, companies that produce printed boxes or glass for distilleries have ongoing contracts that allow such businesses to plan and potentially expand in Virginia because of the distillery industry's continued growth and success. The two-way economic relationship makes these businesses allied. Also, we estimate that charitable contributions in this industry are based on how non-profit employers are affected by the generosity of Virginia's distilleries that give cash and products for events and as general support. Such support extends how this industry affects Virginia's economy by affecting local communities and various causes.

### Taxation

The distillery industry in Virginia generates tax revenues for local, state, and federal governments across all core and allied industry partners. In Virginia, distilleries create tax revenue through excise, income, estate and gift, payroll, property taxes, and other business fees (for example, a distillery that is expanding its manufacturing facility and needs building permits pays local fees). At the federal level, distilleries generate excise tax revenue based on production levels. In 2022, we estimated the federal tax to be approximately \$16.5 million paid by Virginia distilleries.

A state excise tax of 20 percent is assessed on distilled spirits sales and collected by VABC, a large proportion of which is transferred to the Virginia Department of Behavioral Health and Developmental Services. VABC provided data from their retail outlets, with an estimated \$5.912 million in state excise tax revenue from selling Virginia-originated distilled spirit products. There are also federal excise taxes from the Trade and Tax Bureau (TTB),

As of 2023, sales taxes in the Commonwealth of Virginia ranged between 5.3 percent and 7 percent. Most major population areas have tax rates between 6 and 7 percent.<sup>7</sup> Sales taxes are assessed after the state excise tax on distilled spirits is added to the product cost for consumers. We used 5.667 percent as a conservative average for sales taxes, estimated at approximately \$2,011,400 for 2022.

The estimates in Figures 6 and 7 include sales taxes on taxable sales across all impacts, including the sales tax revenue generated from hundreds of millions in taxable transactions based on spending and wages paid to workers (then used for more spending) across Virginia. Distilleries and other employers pay payroll taxes at the federal and state governmental levels, along with a percentage of their net income in the form of corporate income taxes. Employees also pay income taxes at the federal and state levels. Figure 6 provides a summary of estimated taxes and other governmental fees paid across all levels of government.

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<sup>7</sup> See <https://www.tax.virginia.gov/sales-and-use-tax> for more details.



**Figure 6: Tax Receipts in Virginia, Related to the Distilling Industry, 2022**

Tax Type	Estimated 2022
<b>Federal Level Taxes</b>	
Excise Taxes <sup>8</sup>	<b>\$1,815,400</b>
Payroll Taxes	\$20,946,900
Income Taxes	\$25,514,700
Other Taxes and Fees	\$14,282,700
<b>Totals</b>	<b>\$62,559,700</b>
<b>State Level Taxes</b>	
Excise Taxes	\$5,912,100
Sales Taxes	\$21,143,300
Property Taxes*	\$34,584,300
Other Taxes and Fees	\$20,018,500
<b>Totals</b>	<b>\$81,658,200</b>
<b>Grand Totals</b>	<b>\$144,217,900</b>

Sources: VABC, EFA, and Bureau of Economic Analysis;

\* = Property taxes are incremental changes to current property taxes based on estimated economic activity, not total property taxes collected.

Transient occupancy taxes (TOT), or taxes to stay overnight in a commercial hotel or rental property, are another government-revenue connection based on distillery visits. To remain conservative, we do not assign any direct TOT revenues to distillery visits; these estimates would be part of the “Other Taxes and Fees” estimates in Figures 6 and 7. If Virginia has visitors that come and stay overnight after visiting a distillery, some portion of that TOT revenue should be assigned to the distillery’s operations supporting that revenue.

In Virginia, taxable sales of distilled spirits also include a VABC markup (approximately 69 percent of the freight-on-board (FOB) cost and any handling charges). Assuming a \$2 handling charge for every \$100 of distilled spirits sold in a VABC retail outlet, the markup of 69 percent is approximately 40.38 percent of the excise tax basis or the consumer costs before the state excise tax of 20 percent is assessed. The markup acts like gross profit to VABC.

The state excise tax is assessed on the marked-up price, and the sales tax is assessed on the price with the excise tax, based on local sales tax rates. In sum, the markup and the price of the bottled product create the tax basis for the 20-percent excise duty assessed, and then local sales taxes are applied. The combination of the state excise tax, sales taxes, and VABC markup creates state and local government revenue specific to distillery product sales.

<sup>8</sup> See <https://www.ttb.gov/tax-audit/tax-and-fee-rates> for more details. Virginia Spirits gained data on proof gallons removed from Virginia distilleries and assessed the federal excise tax in Virginia from the federal Trade and Tax Bureau (TTB) using a Freedom of Information Act (FOIA) request.

## **Distillery Challenges and Opportunities in Virginia**

According to the Survey of Professional Forecasters from the Philadelphia Federal Reserve, the American economy is predicted to grow slower between 2024 and 2026 than between 2021 and 2023.<sup>9</sup> A slower economy may challenge distilleries' retention of market share as consumers move down in price point, mainly if job losses affect the Virginia and national economies and spending levels begin to fall. The economic outlook may also affect travel demand. Partnerships with Visit Virginia and regional hotels and restaurants to create visitor experiences that include a distillery stop (or two) help create a demand ecosystem that does not rely on one industry's or one firm's marketing alone.

Drinking-age population and preferences continue to change. A challenge for most of Virginia's distilleries continues to be mild, ready-to-drink (RTD) beverages similar to beer in alcohol by volume (ABV). Rising competition force may also be where more prominent importers and domestic distilleries focus efforts to capture a younger audience and utilize any additional inventory as input in new product development and production. As younger consumers continue to seek travel experiences and on-premise (or delivery) services, higher-margin market demand will continue to rise. Virginia's distilleries must remain innovative.

Recent inflation will have a lingering effect on the costs of doing business in Virginia. When inflation creates higher business costs, including rising wages, such changes act as regressive taxes on smaller businesses. Since many distilleries are smaller businesses (50 or fewer employees), some risk exposure exists. Larger, global brands may seek acquisition for some Virginia distillers. Larger distilleries and brands can adapt to new product demand, utilize automation more quickly, and be more competitive in some markets based on better market positions in others.

### **A CONSERVATIVE MEASURE OF VALUE**

The estimates provided in this report should be viewed as conservative baseline measures of economic impacts from Virginia's distillers. The true impact of the Virginia distillery industry, including intangible benefits, is much more significant. Working to support this industry and ensure its long-term success protects the benefits estimated above, including the workers employed. We now conclude this study by considering industry challenges and opportunities, providing an overview of the economic impact methodology, and then providing detailed data on the economic impacts from Virginia's distilleries as described above.

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<sup>9</sup> See <https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/survey-of-professional-forecasters> for more.

**Figure 7: VIRGINIA DISTILLERIES - Summary Table 2022**

<b>Revenues</b>	<b>Total 2022</b>
Distillery Sales	\$275,962,200
Distiller Ingredient Purchases in Virginia	\$10,348,600
Retail Sales of Virginia Distilled Products	\$16,757,100
On-Premise Sales (Restaurants/Bars)	\$3,682,700
VABC Distribution Sales	\$2,455,100
Distribution outside Virginia	\$68,315,400
Tourism Spending Based on Distillery Visits	\$63,539,800
Federal Tax Revenue	\$62,559,700
State Tax Revenue	\$81,658,200
Charitable Contributions	\$3,325,500
Allied Industries -- Glass, Closures, Chemicals	\$42,023,000
Indirect Impacts	\$183,203,600
Induced Impacts	\$152,099,700
<b>Total Revenue</b>	<b>\$965,930,600</b>
<b>Wages</b>	
Distillery Sales	\$19,200,100
Distiller Ingredient Purchases in Virginia	\$1,267,100
Retail Sales of Virginia Distilled Products	\$2,898,000
On-Premise Sales (Restaurants/Bars)	\$539,900
VABC Distribution Sales	\$440,000
Distribution outside Virginia	\$12,242,100
Tourism Spending Based on Distillery Visits	\$29,666,800
Allied Industries -- Glass, Closures, Chemicals	\$14,370,800
Indirect Impacts	\$35,150,700
Induced Impacts	\$24,012,900
<b>Total Wages</b>	<b>\$139,788,400</b>
<b>Total Impact</b>	<b>\$1,105,719,000</b>
<b>Employment (Full-Time Equivalents)</b>	
Distillery Sales	452
Distiller Ingredient Purchases in Virginia	40
Retail Sales of Virginia Distilled Products	86
On-Premise Sales (Restaurants/Bars)	5
VABC Distribution Sales	5
Distribution outside Virginia	131
Tourism Spending Based on Distillery Visits	806
Allied Industries -- Glass, Closures, Chemicals	175
Indirect Impacts	602
Induced Impacts	779
<b>Total Employment</b>	<b>3,081</b>

## Economic Impact Estimation

### Impact Modeling

In this study, we use The Regional Input-Output Modeling System (RIMS II) multipliers and model to estimate the broader economic relationships we call economic impacts.<sup>10</sup> The Bureau of Economic Analysis (BEA) first provided regional input-output multipliers in the early 1970s to help economists analyze the potential impacts of economic activities on regional economies. Such examples range from the existence or growth of an industry to construction of a new event facility or warehousing space.

This study supplemented primary data for employment, wages, and revenue with RIMS II estimates when not directly available or when survey data may have been ambiguous. The best way to think about the ripple or multiplier effects that the RIMS II In the RIMS II model, these effects are categorized as follows:

**Direct effects** are changes in the industries associated directly with final demand. For example, in this study, distillery revenue is the direct effect of distilled spirit products sold by Virginia’s distillers. Direct jobs and wage (income) effects represent the employees hired by, or income derived directly from, the production and sale of distilled spirits. This study only counts the estimated markup retained by distribution retail or on-premise points of sale. RIMS II was not used for these calculations; the multipliers generate the indirect and induced effects and calculate the additional or “multiplier” effects called indirect and induced.

**Indirect effects** are the changes in industry sectors that supply goods and services to industries directly affected by the changes in demand for Virginia distilled products. Some indirect effects were estimated based on primary research; where research was insufficient, data were supplemented or replaced by the RIMS II estimates (for the allied industries, we reduced the stated indirect impacts estimated by those totals).

**Induced effects** are changes in economic activity resulting from households' spending of income earned from direct or indirect sales. For instance, employees of distilleries, printers, trucking, VABC retail outlets, and many more industries spend their wages and salaries in Virginia, resulting in additional output, income, and jobs in Virginia. These effects were entirely estimated using RIMS II.

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<sup>10</sup> See [https://apps.bea.gov/regional/pdf/rims/rimsii\\_user\\_guide.pdf](https://apps.bea.gov/regional/pdf/rims/rimsii_user_guide.pdf) for more information.

## Sources and Acknowledgements

Special acknowledgments and thanks to the staff of Virginia Spirits, VABC, and those businesses that answered our survey questions for providing data as needed.

Revenues	Sources
Distillery Sales	Virginia Spirits, Virginia Alcoholic Beverage Control Authority (VABC), IMPLAN®
Distiller Ingredient Purchases in Virginia	Based on Distributor sales from VABC data, IMPLAN®
Retail Sales of Virginia Distilled Products	Virginia Spirits, 2019-2022
On-Premise Sales (Restaurants/Bars)	VABC reporting
VABC Distribution Sales	VABC reporting, Virginia Tax
Tourism Spending Based on Distillery Visits	Visit Virginia
Federal Tax Revenue	RIMS II, VABC reporting
State Tax Revenue	RIMS II, VABC reporting, Virginia Tax
Charitable Contributions	RIMS II based on revenues and effects on non-profit organizations
Allied Industries	Survey Results from Distillers, RIMS II
Indirect Impacts	RIMS II model for Virginia (2022)
Induced Impacts	RIMS II model for Virginia (2022)
Wages and Employment	Sources
Distillery Sales	Quarterly Census of Employment and Wages (QCEW), Census, IMPLAN®
Distiller Ingredient Purchases in Virginia	QCEW and IMPLAN® based on revenue estimates
Retail Sales of Virginia Distilled Products	VABC data based on retail sales and markups
On-Premise Sales (Restaurants/Bars)	QCEW (Bureau of Labor Statistics)
VABC Distribution Sales	VABC Data provided by VABC
Tourism Spending Based on Distillery Visits	Tourism Economics 2022 Study for Virginia Tourism and Survey Data
Allied Industries	Survey Results from Distillers, RIMS II
Indirect Impacts	RIMS II
Induced Impacts	RIMS II
Number of Distillers	Virginia Spirits, QCEW, VABC
Federal Tax and Trade Bureau (TTB)	Removed Proof Gallons, 2019 to 2022

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Economic Forensics and Analytics, Inc. (EFA) is an independent research and consulting firm located in Sonoma County, California. EFA provides clients with economic impact reports for economic development support. For government and businesses alike, EFA can also provide economic impact analysis using the latest data and a proven method of describing the effects of decisions. See more at [www.econforensics.com](http://www.econforensics.com).