

Walla Walla Valley Wine Cluster-Based Approach to Economic Development Grant

Final Project Report*
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** The following three documents, 1) "Economic Analysis of the Wall aWalla Wine Cluster: Past, Present, and Future", 2) "Wine Tourism and Hotel and Restaurant Revenue in Walla Walla", and 3) The Walla Walla Community College Institute for Enology and Viticulture: Building a Competitive Advance of Place" are part of this report, but are provided as separate documents on the web page.*

Introduction

The Walla Walla Valley area experienced a significant economic decline during the 1990s. What once was a robust agricultural economy suffered from waning prices, escalating production costs, and deteriorating markets. Wheat, the region's primary crop, brought prices at or below the cost of production. Food processing plants closed due to America's increased dependence on less expensive imported fruits and vegetables. Timber and milling activities dwindled. Unemployment rates soared and the region's tax base decreased significantly. There was a need for the region to "reinvent itself" by diversifying its economy and identifying and marketing higher valued products.

While the agricultural-based economy was languishing, the area had several bright spots, including a growing health care industry, emerging alternative energy production (wind farms) and a strong education system (three colleges in the Valley). Community leaders realized the need for a new economic driver to create family wage jobs and fuel economic growth and development. As the area's temperate climate, rich terroir, and rolling hills were identified as excellent components for the production of premium wines, local entrepreneurs took the opportunity to get involved in Walla Walla's emerging wine industry.

Though the wine industry in the Walla Walla Valley is relatively young, it has experienced significant growth since the Valley's first present-day winery was founded in 1977. In the past 30 years, the Walla Walla Valley wine industry has grown from just one winery and several acres of wine grapes to over 90 wineries and more than 1,500 planted acres of wine grapes. Growth in the wine industry has been accompanied by growth in the local tourism, lodging, dining, and arts sectors. The businesses comprising these sectors, combined with the wine industry, make up the Walla Walla wine cluster. For this project we defined the region as the functional economy centered around Walla Walla. The region includes all but the westernmost edge of Walla Walla County, all of Columbia County, and the northernmost portion of Umatilla County, Oregon. The Greater Walla Walla area has seen increased economic development and quality of life due to the emergence and growth of this industry cluster.

The purpose of this project is to define the wine industry cluster and to examine the relationships within the wine cluster and to determine to what extent these industries have impacted the local community and economy, and then to create strategies for fostering expansion of the wine industry and facilitating regional economic development. The primary goals of this project include: 1) establishment of an industry cluster team that will work with the regional stakeholders in defining or identifying the dimensions of the wine industry cluster and its relationships to other industry clusters in the region; 2) development of a strategy for growing the wine industry cluster; and 3) development of a planning model for the wine cluster which will help forecast labor market, investment, and infrastructure requirements.

This document contains eight chapters, including the Wine Cluster Partners in the Region, a Walla Walla Wine Industry Cluster Directory, and five reports which summarize and conclude the research that has taken place throughout the duration of this project. Reports included in this document are "Economic Analysis of the Walla Walla Wine Cluster: Past, Present, and Future", which is attached as a separate PDF document.

That report contains three sections entitled: 1) The State of the Economy, 2) Industry Cluster Report, and 3) Next Steps Report. Two additional reports, “Wine Tourism and Hotel and Restaurant Revenue in Walla Walla” and “The Walla Walla Community College Institute for Enology and Viticulture: Building a Competitive Advantage of Place” are included in the body of this document. This final project report concludes with a Summary of Project Outcomes, Proposed Initiatives, and Conclusions.

Summary of Project Outcomes

The grant project Partnership Team has accomplished the following outcomes:

Establishment of a Project Partnership Team

A Partnership Team has been established to provide future leadership for further direction beyond this grant project. The Partnership Team includes industry and community leaders, and has convened monthly since the beginning of the project. See **Wine Cluster Partners in the Region** for detailed information on the Partnership Team.

Definition and Description of the Wine Industry Cluster

Through over 50 interviews and other means of data collection, the Walla Walla wine cluster has been investigated and is described in the **Industry Cluster Report** section of the **Economic Analysis of the Walla Walla Wine Cluster: Past, Present, and Future**.

A Shared Vision

A shared vision to guide future development of the wine cluster is outlined in **Proposed Initiatives**. Though outside the scope of this project, we are also working to create a "vision statement" that will clearly state the vision for the future of the Walla Walla wine industry.

Definition of the Walla Walla Economy pertaining to the Wine and Related Industries

A detailed description of the region’s current economy and the wine cluster’s role in it and its relationship to other local clusters is outlined in the **State of the Economy** section of the **Economic Analysis of the Walla Walla Wine Cluster: Past, Present, and Future**.

An Input/Output Planning Model

An economic Input/Output Planning Model has been developed for the Walla Walla wine cluster. The results of applying different scenarios for future growth are outlined in the **Next Steps Report** section of the **Economic Analysis of the Walla Walla Wine Cluster: Past, Present, and Future**.

Wine Industry Cluster Website

A **Walla Walla Wine Industry Economic Development Grant Web Site** is being developed to share the project outcomes and best practices for furthering growth and development in the community. Structural and artistic design of the web site have been completed, and a summary description of the project, names and contact information of partnership team members, and a directory of wineries have been added to the web site. Following completion of the project the website will also feature the Final Project Summary as well as five other related reports.

Best Practices Seminar Series

The project hosted a series of three Best Practices Seminars to share the progress of the project with regional stakeholders and to discuss economic development in the region. Presenters for the three seminars included: 1) Bill McSherry, Director of Economic Development and Angela Kerwin, Senior Economic Policy Analyst for Puget Sound Region Council (Prosperity Partnership); 2) Paul Gerola, Economic Development Director for the Port of Walla Walla and Jeff Zahir, Regional Labor Economist for Washington State Employment Security Department; and, 3) Ben Warner of the Jacksonville Community Council Incorporated, Jacksonville, Florida.

Proposed Initiatives

Initiative Area	Initiatives	Proposed Action Items	Responsible Entity(s)
MARKETING	Define and solidify Walla Walla's story	<ul style="list-style-type: none"> • Develop vision statement for the Walla Walla regional wine industry • Brand wines of the Walla Walla Valley 	Walla Walla Valley Wine Alliance (WWVWA)
	Educate press, trade, and consumers about Walla Walla regional wine and market the Walla Walla brand	<ul style="list-style-type: none"> • Sponsor more events in the Walla Walla region¹ • Complete a press kit for the Walla Walla regional wine industry • Develop a CD to tell the Walla Walla Valley wine story 	WWVWA, Walla Walla regional wine industry, Walla Walla Community College (WWCC)
	Foster links between local wine, food, and arts industries	<ul style="list-style-type: none"> • Form a committee made up of representatives from various entities to plan and schedule local events 	WWVWA, Walla Walla regional wine industry, lodging and dining establishments, arts community
	Maintain reputation of quality	<ul style="list-style-type: none"> • Encourage the cultivation and production of quality wine grapes and wine in the Walla Walla AVA 	WWVWA, Walla Walla regional wine industry
	Maintain a unified message	<ul style="list-style-type: none"> • Work together to foster camaraderie within the Walla Walla regional wine industry and to speak with a unified voice 	WWVWA, Walla Walla regional wine industry
	Develop regionally tailored marketing campaigns	<ul style="list-style-type: none"> • Survey wine tourists to learn from where they are visiting and to develop marketing strategies for specific regions 	Tourism Walla Walla, WWVWA
	EDUCATION AND WORKFORCE	Develop and maintain a workforce education and training initiative that supports the needs of the wine industry	<ul style="list-style-type: none"> • Increase business, management, compliance and marketing education courses and seminars for enology and viticulture students and wine industry members
	Continue to train students for living-wage jobs	<ul style="list-style-type: none"> • Provide training and education that ensures preparation for skilled jobs in the wine industry 	WWCC
	Establish and maintain relationships with other education/training institutions inside and outside of Washington State	<ul style="list-style-type: none"> • Maintain current transfer agreements with Washington State University • Collaborate with Washington State University wine department on wine education and policy issues • Identify and reach out to education and training institutions located in other parts of the wine producing world 	WWCC, Washington State University (WSU)

¹ In this document the "Walla Walla region" includes Walla Walla County, Columbia County, and the northern portion of Umatilla County, OR.

	Provide leadership for local educational opportunities and maintain connections with local and regional industry partners	<ul style="list-style-type: none"> • Hire Director for Walla Walla Community College Center for Enology and Viticulture 	WWCC
	Ensure availability of an appropriate labor force	<ul style="list-style-type: none"> • Communicate to state and federal legislators the need for immigration reform 	State and federal legislators, Walla Walla regional wine industry
	Advocate for the availability of affordable housing for the local workforce * Please see Policy section	<ul style="list-style-type: none"> • Develop strategy and appropriate policy to address affordable housing issue 	Community Steering Committee for Affordable Housing, city and county governments
	Collaborate with the Walla Walla Valley Wine Alliance	<ul style="list-style-type: none"> • Enology and viticulture faculty and staff consult regularly with Alliance members regarding course scheduling, content, and industry requirements 	WWCC, WWVWA
	Collaborate with the Washington Wine Commission	<ul style="list-style-type: none"> • Ensure that comprehensive educational programs for the wine industry are available within Washington State 	Washington Wine Commission, WWCC, WSU, Yakima Valley Community College
INFRASTRUCTURE	Increase availability of transportation modes for shipping wine and grapes	<ul style="list-style-type: none"> • Develop a plan that will attract shipping companies and/or their services to the Walla Walla region 	Port of Walla Walla (Port)
	Attract and support new wineries	<ul style="list-style-type: none"> • Help create and sustain new and existing wineries 	Port, Walla Walla regional wine industry
	Improve and increase transportation into the Walla Walla Valley region	<ul style="list-style-type: none"> • Complete the four-lane highway into Walla Walla (Hwy. 12 project) • Add one daily flight into Walla Walla – short term • Expand flight service into the Walla Walla Valley region – long term 	Port, Washington State Department of Transportation (DOT), Horizon Air
	Increase acres planted in wine grapes	<ul style="list-style-type: none"> • Finalize a process for transferring of water rights 	State of Washington, city and county governments, Walla Walla regional wine grape growers and vintners, Washington Wine Institute (WWI), Washington Association of Wine Grape Growers (WAWGG)
	Enhance local and regional supply chain	<ul style="list-style-type: none"> • Perform gap analysis of supplies used by the wine industries to attract new support businesses to the region • Develop target initiatives designed to attract ancillary sectors 	Economic Modeling Specialists Inc. (EMSI), Port, Walla Walla regional wine industry, WWCC
	Develop an economic profile highlighting the attributes of the Walla Walla region's business climate	<ul style="list-style-type: none"> • Develop a proposal outline • Collect and assemble data • Field test findings with a focus group 	EMSI
	Share information from cluster grant	<ul style="list-style-type: none"> • Schedule meetings to share information with local private 	All

	project about the impact of the wine industry	and public organizations and agencies to use in comprehensive development	
	Economic Indicators	<ul style="list-style-type: none"> • Develop economic indicators for the regional economy and present these indicators on a web site 	Port, WWCC, EMSI
AMMENITIES	Attract more wine buyers to the Walla Walla Valley region	<ul style="list-style-type: none"> • Enhance accommodations & amenities – <ul style="list-style-type: none"> a) support addition of up to 140 additional hotel rooms in the next 18 months; b) maintain quality of current restaurants and support opening of new restaurants • Host more conferences • Work with regional (Walla Walla, Dayton, Milton-Freewater) tourism organizations, local governments and community members to form ties between these three communities as a cohesive region and to create other experiences to attract and retain wine tourists • Offer high quality multi day events for wine consumers 	Tourism Walla Walla, lodging and dining industries, independent marketing groups, WWVWA
	Retain culture of the valley and maintain quality of life	<ul style="list-style-type: none"> • Manage growth so as not to destroy what attracts people to the Walla Walla Valley area • Maintain diversity in cultures, businesses, agriculture, interests, ideas • Wine industry must continue to be sensitive to local citizens and understand that there are a variety of factors that make Walla Walla what it is, not just wine 	All
	Increase and improve amenities in the Walla Walla region	<ul style="list-style-type: none"> • Encourage growth of fine dining restaurants, art galleries, plays and concerts, and tourist experiences • Conduct surveys of tourists and in-migrants to determine future areas for expanding amenities 	Chambers of Commerce, regional colleges, WWVWA, ArtWalla, Tourism Walla Walla
POLICY	Support evaluation of zoning and permit procedures	<ul style="list-style-type: none"> • Work with city and county governments to expedite and simplify permit processes and confront zoning issues 	City and county governments, wine industry
	Continue to establish community connections	<ul style="list-style-type: none"> • Work with a regional community group (yet to be named) organized to develop processes to manage community change to create opportunities to converse with local official and community leaders and to establish an understanding of how the wine industry and the community can 	WWVWA, city and county governments, WWCC, Tourism Walla Walla, Port, Downtown Walla Walla Foundation (DTWWF), a regional community group organized to develop processes to manage community change (yet to be named)

		work together to encourage development, investment, and tourism	
	Support passage of Personal Services (Senate Bill 5822/House Bill 2240) which would allow for certain personal services to be performed by wineries, and allow certain forms of “joint advertising”, such as linking to retailer websites (more “Tied House” issues)	<ul style="list-style-type: none"> • Support the Washington Wine Institute in its lobbying efforts 	WWI, Washington wine industry
	Support passage of Special Occasion Permit (Senate Bill 5899/House Bill 2242) which would allow “local winery trade associations” to obtain a special occasion to hold wine tastings	<ul style="list-style-type: none"> • Support the Washington Wine Institute in its lobbying efforts 	WWI, Washington wine industry
	Support enactment of Common Carrier (Senate Bill 5898) that would allow wineries to ship to retailers via a common carrier, up to 100 cases per month	<ul style="list-style-type: none"> • Support the Washington Wine Institute in its compliance efforts 	WWI, Washington wine industry
	Practice sustainable viticulture	<ul style="list-style-type: none"> • Encourage development of documented criteria for sustainable viticulture practices 	VINEA Winegrowers’ Sustainable Trust
	Encourage integrity in wine labeling in the Walla Walla Valley AVA	<ul style="list-style-type: none"> • WWVWA Integrity Task Force will establish guidelines, recommendations for wine labeling integrity 	WWVWA, Walla Walla regional wine industry
	Advocate for the availability of affordable housing for the local workforce * Please see Education and Workforce section	<ul style="list-style-type: none"> • Develop strategy and appropriate policy to address affordable housing issue 	Community Steering Committee for Affordable Housing, city and county governments

Final Project Summary

Project Description

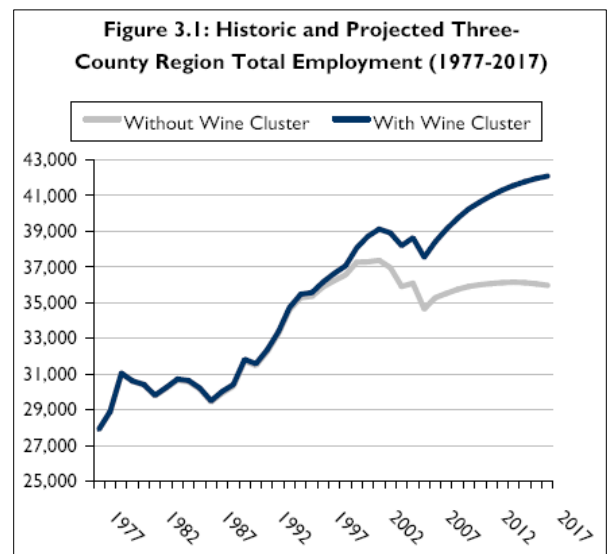
The purpose of this study is to investigate the economic impact of the Walla Walla wine cluster on the regional economy. This project seeks to gain an understanding of the interdependent relationships between the wine cluster and related industries in order to devise strategies that encourage further growth. The wine industry cluster includes vineyards, wine production facilities, and local equipment, machinery, and supply services, as well as lodging, dining, and retail establishments in Walla Walla County, Columbia County, and northern Umatilla County, which comprises approximately one-third of the Walla Walla Valley American Viticultural Area.

Findings

There are several conclusions that have been derived from this project and are specifically outlined in the three reports: Economic Analysis of the Walla Walla Wine Cluster: Past, Present and Future; Wine Tourism and Hotel and Restaurant Revenue in Walla Walla; and The Walla Walla Community College Center for Enology and Viticulture: Building a competitive advantage of place. The first examines the role of the wine cluster in generating regional employment and earnings, which helps gauge the depth and breadth of the economic impact of the wine cluster in the region. The second investigates the relationship between the production of quality wine in the area and hotel and restaurant revenue. This study finds a positive correlation between high-scoring wines and an increase in local restaurant and hotel revenue due to wine tourism. The third and final component examines workforce development, focusing on the role of the Walla Walla Community College Center for Enology and Viticulture in contributing to the development of the wine cluster. The overall findings are:

- Over the decade from 1997 to 2007, growth in the wine cluster basically accounts for all growth in the Walla Walla regional economy, and without it, the region would have experienced a considerable downturn.

There are basically two things that can be said about the future of the economy of the Walla Walla functional economic region: 1) Wine cluster growth will play an increasingly important role in overall growth of the three-county region. Absent growth in wine cluster jobs, regional growth would be all but flat in the next decade; and 2) Wine cluster and related jobs will become an increasingly important part of the regional economy. In 2006, wine cluster and related jobs accounted for roughly 8% of all jobs in



the three-county region. In contrast, by 2017 wine cluster and related jobs are projected to account for over 14.5% of all jobs. – *Hank Robison*

Below is a table showing the economic impact (current and future) for the regional wine cluster:

Fact Sheet: The Walla Walla Wine Industry

Total current jobs in wine production and wine tourism	1,094 Jobs
Annual Average Growth in direct wine cluster employment, past 10 years	25% Annual Growth
Total earnings generated by the wine cluster alone	\$46.7 Million
Other jobs dependent on the wine cluster due to multiplier effects	2,169 Jobs
Total regional earnings generated through direct, indirect, and induced effects	\$103.2 Million
Total jobs projected to be dependent on the wine cluster in 2017	6,670 Jobs
Percent of all jobs dependent on wine cluster in 2007	8.5%
Projected percent of all jobs dependent on wine cluster in 2017	15.8%
Overall 10 year growth in the regional economy	6%
Overall 10 year growth in the regional economy absent the wine cluster	-2%

- It was found that wine tourism is attracted by wine quality rather than wine quantity. Walla Walla County established itself as a leading quality wine county in the State. Specifically, this study has found that 8.9% of hotel revenue and 8.6% of all restaurant revenue in Walla Walla County is quality wine induced. – *Karl Storchmann*
- The Center for Enology and Viticulture is a key element in contributing to the growth of the wine cluster by building workforce competences, fostering entrepreneurialism, and generally enhancing the strategic advantage of the wine cluster. – *Nick Velluzzi*

Our findings suggest that the growth of the wine industry is intricately linked to the growth of related industries in the hospitality, tourism and cultural arts sectors. Though still relatively small in overall employment growth and revenue, growth in these ancillary sectors will increase job opportunities and bring revenue into the region.

In the Walla Walla region, 2.7% of all jobs are in wine production and wine tourism. Other dominant clusters include agriculture, education, government, health care, and manufacturing. While 2.7% may seem small, this number will likely only grow. As the number of wineries and vineyards in the Valley increases, there will be additional jobs created in those industries. Based upon a projection of current growth rates in the viticulture and wine production sectors, wine cluster jobs are anticipated to double in the next ten years. The multiplier effect indicates that for every wine cluster job approximately one other job is created in the hospitality sectors, essentially doubling the impact of the wine cluster. Our research shows that the wine cluster is becoming an increasingly significant component of the economic base of the Walla Walla region. Comparing the Walla Walla wine cluster growth with other basic industries in the region, the wine cluster has had a relatively significant impact on the community in terms of job growth and facilitating the development of a wine-tourism economy.