

# Economic Contributions of Distilled Spirits Manufacturing in Ontario

Research Report  
August 2019



**CANADIAN CENTRE FOR  
ECONOMIC ANALYSIS**

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## About This Report

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## RESULTS AT A GLANCE

### INTRODUCTION

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Ontario's distillery industry is composed of vertically integrated "grain-to-bottle" manufacturers who source locally grown cereal grains which are then mashed, fermented, distilled and matured on site. The resulting products, distilled spirits, count among the highest value-added goods within the agricultural and processed agri-food sectors. Distilled spirits manufacturers generate economic activity and employment, particularly in rural, agricultural regions. In Ontario, they directly employ almost 1,000 people and support a further 2,900 jobs in related and dependent industries and supply an important share of the Canadian market for distilled spirits. In fact, Ontario Spirits manufacturers alone are responsible for over half of the value of total Canadian domestic spirits production. Distilled spirit sales are also an important economic contributor to the hospitality and tourism sectors.

The distillery industry in Ontario is highly export-oriented, as most (73%) of the province's distilled spirits production is destined for international export. Ontario's unique Canadian Whisky franchise and its reputation for superior quality as one of the world's dominant four whisky categories is central to its success in foreign markets. Exports of distilled spirits produced in Ontario are important to the Canadian market as a whole, accounting for 39% of the value of all alcoholic beverage exports from Canada. The value of distilled spirits exports from Ontario also exceeds the value of all Canadian beer and wine exports combined. In this way, Ontario distilled spirits manufacturers and each of their employees help drive industrial production and income growth in the province and generate wealth for Ontarians. The average value of exports per job in the distillery industry is \$469,000, which is eight times higher than the average value of exports per job across all industries in Ontario.

Furthermore, distilled beverages provide the government of Ontario with a consistent and important source of revenue. Each year, the Liquor Control Board of Ontario (LCBO) transfers most of its earnings from the sales of alcoholic beverages to the province in the form of a dividend. Since distilled spirits are high-value, high-margin products, they are responsible for a large share of these annual earnings. In 2018, the sale of distilled spirits contributed \$1.2 billion to provincial government revenue through the dividend.

### ANALYZING THE ECONOMIC IMPACTS OF DISTILLED SPIRITS MANUFACTURING

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This report comprehensively assesses the value of having and retaining primary distilled spirits manufacturers in Ontario. Our approach consists in quantifying all economic activity generated by the sector in Ontario, as well as how this economic activity translates into tangible impacts for communities. The key findings of the analysis are presented in the table on the following page.

Distilled beverage manufacturers purchase some of the highest grade and most expensive grains from local cereal farmers. In Ontario alone, over \$30 million worth of grain is required annually to supply the distilleries. This analysis highlights the importance of the economic linkage between these industries as a source of opportunity and employment in grain-growing regions of the province.

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

The analysis also demonstrates how distilled beverage manufacturing in Ontario contributes to government revenues, which provides benefits to all Ontarians and Canadians. Per full-time job equivalent supported by the distilled spirits industry, the federal government receives on average \$49,000 in revenues and the provincial government receives \$74,000. This is almost 3 times the average federal tax revenue and 4.5 times the average provincial tax revenue per full-time job equivalent across all industries in Ontario.

**Table of Key Economic Contributions of the Distillery Industry in Ontario**

Prosperity Metrics		Summary of the Impacts of the Distillery Industry	
<b>Contribution to Ontario GDP</b>	Total gross output <sup>1</sup>	\$1.10B	62% direct, 25% indirect, 13% induced
	GDP contribution	\$501M	56% direct, 27% indirect, 17% induced
	Private capital investment	\$86M	Private capital investment supports economic growth
	Value of international exports	\$441M	“New money” flowing into the province
<b>Gross Output by Industry</b>	Distillery Industry	\$327M	Concentrated in Southwestern Ontario
	Crop Production Industry	\$54M	Strongly concentrated in Southwestern Ontario
	Support activities for transportation	\$87M	Concentrated in Southwestern Ontario and in the GTA
<b>Income, Jobs &amp; Households</b>	Total Wages	\$255M	With an average wage of \$55,060 per job
	Employment	4,638 FTE	75% of employment pays wages above the median
	Household population	12,066	41% reside in the GTA and 59% outside of the GTA
<b>Government Revenue</b>	Federal	\$227M	The federal government receives \$49,000 per FTE supported by the distilled spirits industry
	Provincial	\$344M	The provincial government receives \$74,000 per FTE supported by the distilled spirits industry

The economic benefits generated by the manufacturing of distilled spirits in Ontario are spread over a large geographic area. The industry generates employment outside of the service sector, notably in the

<sup>1</sup> Gross output is the value of all goods and services produced. It differs from GDP as it is the sum of the final purchases and intermediate inputs, while GDP subtracts intermediate inputs.

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

agriculture and manufacturing industries, with wages exceeding the median. The importance of the distillery industry to crop producers in Ontario is especially marked in Southwestern Ontario, followed by central Southern Ontario, where the employment supported by the industry is highest relative to the area's populations. Other areas to which benefits accrue include the Niagara area and the Greater Toronto Area. The table below presents how the economic and prosperity impacts of the distillery industry are distributed across these key geographic areas.

**Table of Key Regional Impacts**

Regional Prosperity Metric		Summary of Impact of Distillery Industry	
Southwestern Ontario	Gross Output	\$384M	35% of total distillery-related gross output in Ontario
	GDP	\$169M	\$116M in Essex County
	Household population	4,433	37% of total affected in Ontario
	Jobs	1,704 FTE	27% in distilleries, 20% in crop production
Niagara Area	Gross Output	\$71M	6% of total distillery-related gross output in Ontario
	GDP	\$31M	\$17M in Niagara Region
	Household population	774	6% of total affected in Ontario
	Jobs	297 FTE	30% in distilleries, 14% in crop production
Central Southern Ontario	Gross Output	\$48M	4% of distillery-related gross output in Ontario
	GDP	\$21M	17M in Simcoe County
	Household population	523	4% of total affected in Ontario
	Jobs	201 FTE	33% in distilleries, 14% in crop production
GTA	Gross Output	\$477M	44% of distillery-related gross output in Ontario
	GDP	\$227M	\$103M in Toronto
	Household population	4,919	41% of total affected in Ontario
	Jobs	1,891 FTE	14% in distilleries, 10% in support for transportation



## 1.0 BACKGROUND

### 1.1 INTRODUCTION

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Ontario's distillery industry is primarily composed of vertically integrated "grain-to-bottle" manufacturers who source locally grown cereal grains which are then mashed, fermented, distilled and matured on site. The resulting products, distilled spirits, count among the highest value-added goods within the agricultural and processed agri-food sectors. Due to the strong connection between distilleries and local crop production, many of the benefits from the economic activity generated by the distillery industry accrue directly to rural, agricultural regions in Ontario.

This industry traces its roots to the 18<sup>th</sup> century when surplus grain began to be used to produce whisky. Since then, Canadian whisky has gained a reputation for superior quality, becoming one of the world's dominant four whisky categories, competing with Scotch, American and Irish whiskies for success in foreign markets. Whisky continues to be one of the main products manufactured by the industry in Ontario, due to the strong international recognition of Ontario's unique Canadian Whisky franchise. Ontario distilleries also produce a variety of other distilled spirits from locally-sourced ingredients, such as vodka, gin, rum and liqueurs.

The objective of this report is to comprehensively assess the value of having and retaining primary distilled spirits manufacturers in Ontario. The distillery industry<sup>2</sup> in Canada is defined as the subset of the food and beverages industry composed of establishments that primarily engage in distilling, blending, or blending and mixing alcohol with other ingredients to make potable spirits (referred to as 'distilled spirits' in this report) and manufacturing ethyl alcohol.

In particular, this study aims to:

- Provide background on how distilled spirits manufacturing in Ontario fits into the national alcoholic beverages industry as a whole;
- Quantify the economic activity generated by distilled spirits manufacturing in Ontario; and
- Identify tangible impacts at the regional level.

This report is the first of two reports, the second of which will examine the possible future economic contribution of distilled spirits manufacturing in Ontario under various growth and policy scenarios.

### 1.2 DISTILLED SPIRITS IN THE MARKET FOR ALCOHOLIC BEVERAGES

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#### 1.2.1 SUPPLY

Ontario distilleries are responsible for over half of the total value of the Canadian domestic production of distilled spirits and directly employ almost 1,000 people in the province. In Ontario, distilleries tend to be larger than in the rest of Canada by the number of employees. The largest distilleries continue to be found

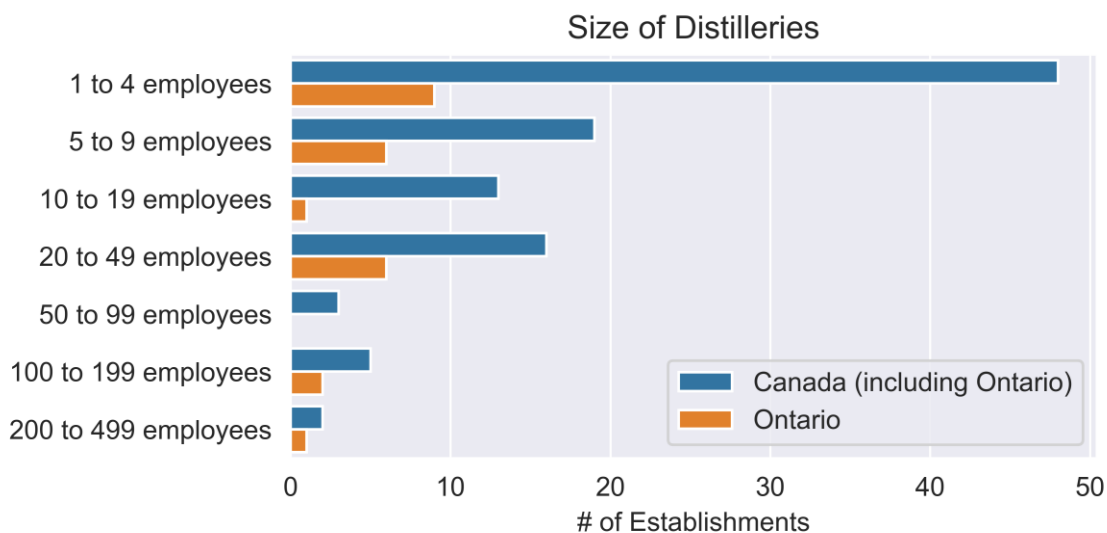
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<sup>2</sup> According to the North American Industry Classification System 31214

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

outside of large city centres in predominantly rural, grain-growing regions. For rural communities in which these distilleries are located, spirits manufacturing is a key anchor of economic activity and contributor to the local tax base. In addition, distilled spirits manufacturers support Ontario cereal farmers from whom they purchase some of the highest grade and most expensive grains as essential inputs.

**Figure 1** Size of distilleries in Ontario and Canada



Distilled spirits manufacturers in Ontario contribute significantly to the national supply of distilled spirits: they are responsible for over half of the value of all Canadian production. In 2018, this amounted to approximately \$601 million (which excludes any taxes or tariffs).

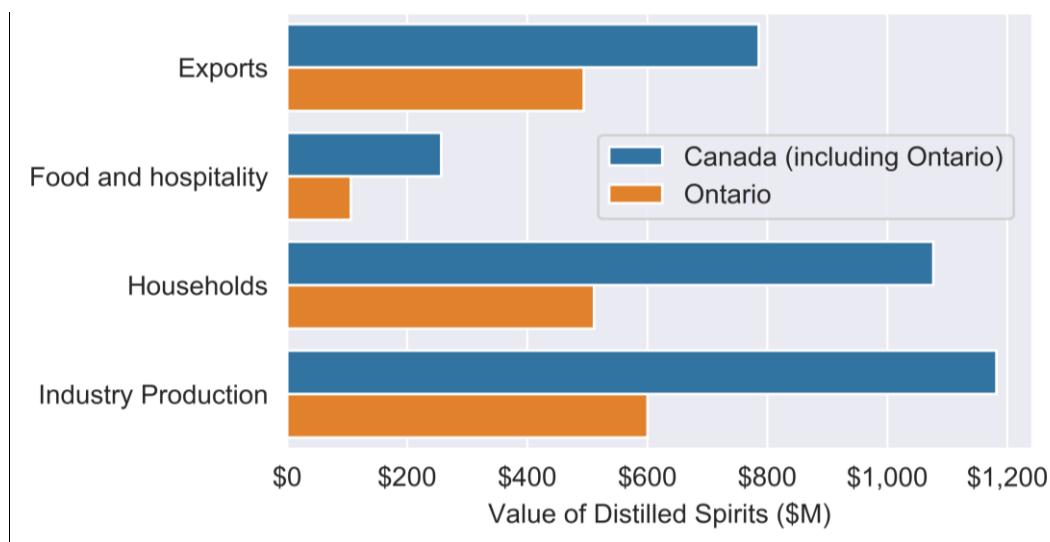
### 1.2.2 DEMAND

The total value of all distilled spirits consumed or used as intermediary products in Ontario or exported out of the province is estimated at \$1.3 billion in 2018, based on the most recent Statistics Canada data<sup>3</sup>. Households in Ontario are responsible for a large share of the domestic Canadian household demand for distilled spirits, at 48% (\$512 million) of the \$1.1 billion consumed by Canadian households in 2018 (see Figure 2).

Most spirits produced in Ontario are destined for international export. Exports are important to the Canadian market, driving industrial production and income growth, and they are a means through which Canadians gain access to foreign funds, among other benefits. In 2018, the value of these exports was about \$441 million (see Figure 3). The average value of exports per job in Ontario's distillery industry is \$469,000, which is eight times higher than the average value of exports per job across all industries in Ontario.

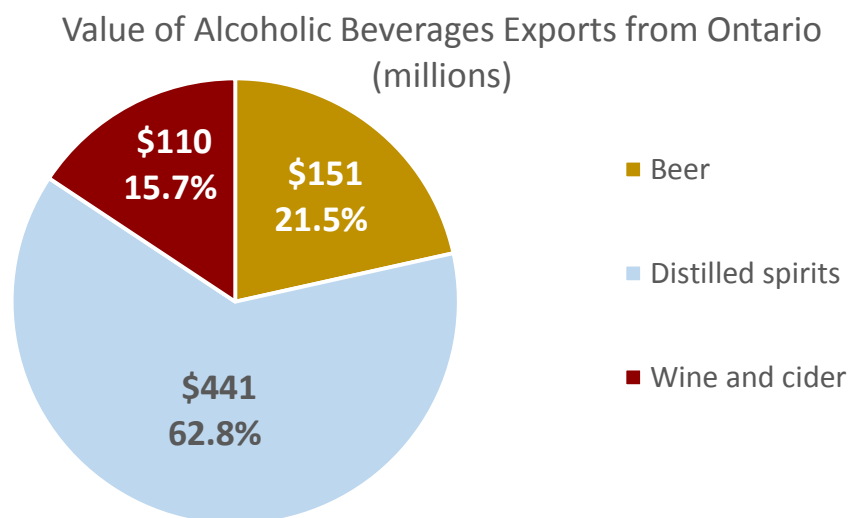
<sup>3</sup> Statistics Canada data lags by up to four years behind the current date. Analysis of historical data were used in cases where contemporaneous data was not available.

**Figure 2** Sources of demand and industry production of distilled spirits



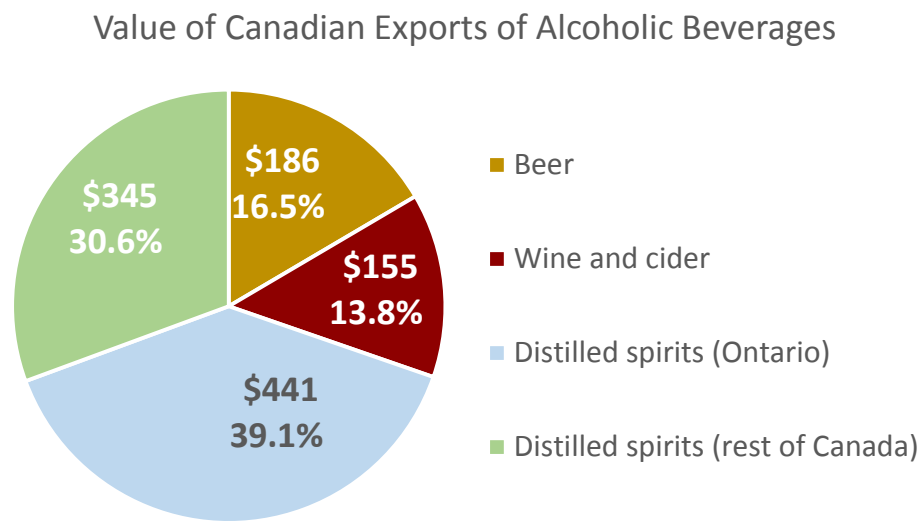
The strength of exports of distilled spirits both highlights the importance of international demand to the health of the local industry and the importance of Ontario's distillery industry for Canadian alcoholic beverages exports. Exports of distilled spirits from Ontario alone account for 39% of the value of all alcoholic beverage exports including beer, wine and cider from Canada (see Figure 4). In fact, the value of distilled spirits exports from Ontario is greater than that of all Canadian beer and wine<sup>4</sup> exports combined.

**Figure 3** Share of distilled spirits in alcoholic beverage exports from Ontario



<sup>4</sup> The wine category also includes ciders and brandies.

**Figure 4** Share of distilled spirits in Canadian alcoholic beverage exports



### 1.2.3 DISTRIBUTION

The Liquor Control Board of Ontario, a provincial government enterprise, is the largest retailer of alcoholic beverages in Ontario. It accounts for about half of all sales of alcoholic beverages by value (and one-third of sales by volume) in Ontario (LCBO, 2018). The remainder of sales are made through other establishments such as grocery stores, Ontario Winery Retail stores, The Beer Store, or on-site at distilleries, wineries, and breweries.

The importation, warehousing, distribution and sale of alcoholic beverages by the LCBO is an important, steady source of revenue for the provincial government, which helps to pay for public services, including health care, education and infrastructure (LCBO, 2019). Each year, the LCBO transfers most of its earnings to the province in the form of a dividend. For the past 24 years, the annual dividend has increased in value over that of the previous year, reaching \$2.12 billion in 2018 (LCBO, 2018). Distilled spirits are the highest-value, highest-margin product category handled by the LCBO and their sales are responsible for the greatest share of the LCBO's product sales and profits (LCBO, 2018). In 2018, these accounted for 44.3% of the LCBO's total gross margin, which translated into a \$1.2 billion contribution to the annual dividend (LCBO, 2018).

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

**Table 1** LCBO value of sales by type of alcohol and year (millions)

LCBO Sales		2018	2017	2016	2015
<b>Domestic distilled spirits (including coolers)</b>	Value	\$1.16	\$1.12	\$1.09	\$1.05
	Growth	3.9%	2.4%	4.4%	-0.2%
<b>All Distilled spirits (including coolers)</b>	Value	\$2.45	\$2.31	\$2.19	\$2.06
	Growth	6.1%	5.4%	6.4%	2.8%
<b>All Wine</b>	Value	\$2.43	\$2.30	\$2.19	\$2.07
	Growth	6.1%	4.6%	5.9%	5.6%
<b>All Beer</b>	Value	\$1.36	\$1.29	\$1.19	\$1.09
	Growth	5.8%	8.4%	9.3%	4.7%

Source: (LCBO, 2018)

## 2.0 ECONOMIC CONTRIBUTION OF DISTILLED SPIRITS MANUFACTURING IN ONTARIO

### 2.1 APPROACH

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Comprehensively assessing the importance of distilled spirits manufacturing to Ontario's prosperity requires quantifying all economic activity generated by the distillery industry in the province, as well as how this economic activity translates into tangible impacts for communities. Prosperity metrics of interest include the number of jobs supported by the industry and tax revenue generated for each level of government, for instance.

This study uses CANCEA's statistical analysis platform, and the data used includes input/output tables from Statistics Canada, the 2018 LCBO annual report and sales data from Spirits Canada to quantify the economic contributions of the distillery industry in Ontario in 2018. For more detail on CANCEA's statistical analysis platform, see Appendix B.

The resulting economic contributions can be classified into three main effects by economic convention as follows:

- **Direct Effects:** The value of all economic activity that can be directly attributed to the manufacturing of distilled spirits. This includes the income and value of the production of contributing economic agents (i.e. workers and firms).
- **Indirect effects:** the value of the economic activity that arises through business-to-business interactions within the supply chain. Indirect effects include input expenditures made by distilled spirits manufacturers, as well as the follow-on expenditures that are generated further up and down the supply chain in all sectors of the economy.
- **Induced effects:** the economic activity generated through the spending of wages earned by workers employed by the distillery industry. Induced effects also include expenditures on increased capacity or the replacement of depreciating capital stock that result from reinvesting business profits (Heintz, Polin, & Garrett-Peltier, 2009). These purchases or activities can lead to further hiring, resulting in income and tax revenues that reverberate throughout the economy.

The following section reports these economic contributions at the provincial level as well as at the regional level, highlighting areas where the economic benefits of the distillery industry are highest. Economic benefits are reported as changes in economic indicators, such as gross total output, GDP, employment, wages, and government revenue by level of government.

### 2.2 RESULTS

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The key high-level results of the analysis are presented in Table 2 below. The following subsections describe these results in more detail and provide further breakdowns.

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

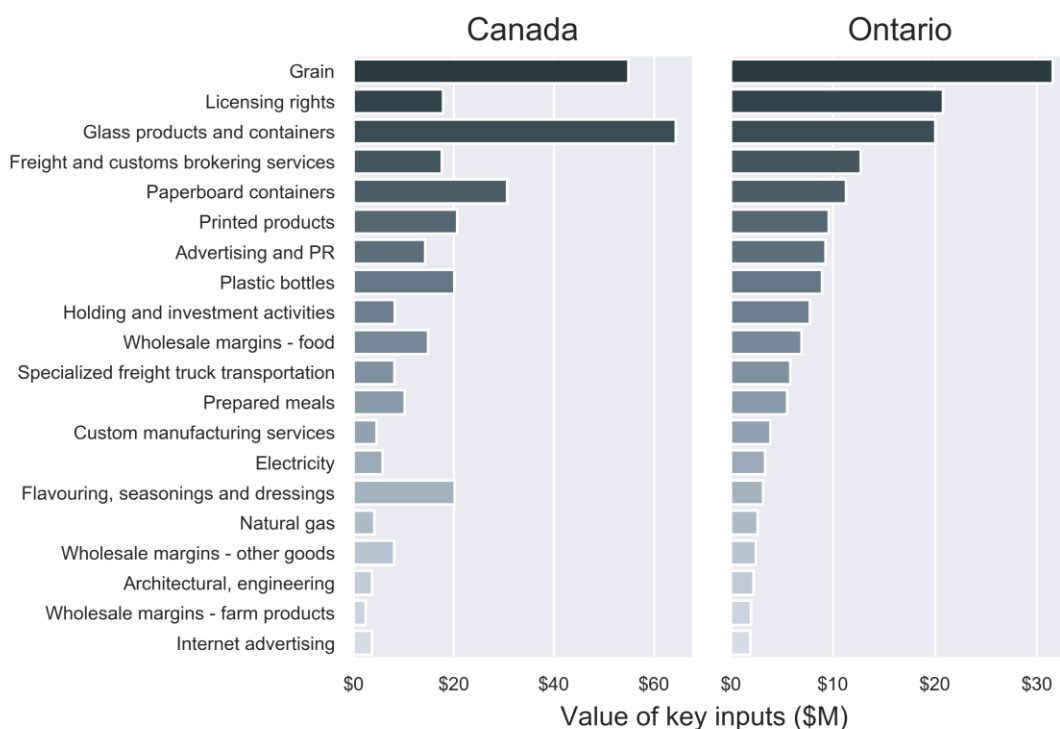
**Table 2** Summary of key economic results for Ontario

Metric	Total	Direct	Indirect	Induced
Gross Domestic Product	\$501M	\$282M	\$135M	\$84M
Gross Operating Surplus	\$151M	\$70M	\$45M	\$37M
# of Jobs	4,638	2,368	1,453	817
Labour Income	\$255M	\$133M	\$83M	\$39M

### 2.2.1 INDUSTRY IMPACTS

In 2018, the distillery industry in Ontario contributed an estimated total of \$501 million to provincial GDP with 83% of the GDP contribution attributed to direct and indirect effects, and 17% to induced effects. The value of the gross output generated directly by the industry is \$677 million, with an additional \$276 million generated indirectly through supply chain linkages and \$142 million of induced gross output. Across all industry sectors, the contribution of the distillery industry in 2018 is estimated at \$151 million in gross operating surplus (GOS)<sup>5</sup>.

**Figure 5** Primary inputs the distillery industry in Canada and Ontario



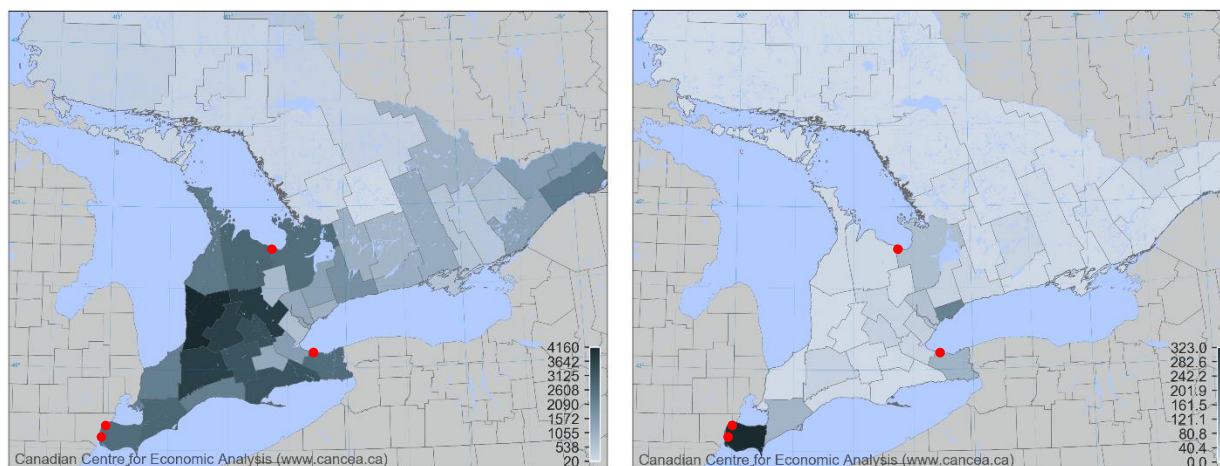
As shown in Figure 5, the primary input for the distillery industry is grains. Other key hard commodities include glass for bottling, paper products for packaging and labelling, and transportation. In Ontario alone,

<sup>5</sup> Gross operating surplus is the value added minus personnel cost of a firm. It is the balance available to a unit which allows it to recompense the providers of own funds and debt, to pay taxes and to finance all or a part of its investment.

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

over \$30 million of grain is required annually to supply the distilleries, with the bulk of that economic activity centred in Southwestern Ontario. Figure 6 shows the location of agricultural employment and of direct employment within the distillery industry (major distilling and packaging facilities are represented by red dots), highlighting the geographic proximity of the two industries. The maps show the number of full-time equivalent jobs (FTE) by census division.

**Figure 6** Location of agricultural employment (left) and location of distillery employment (right)

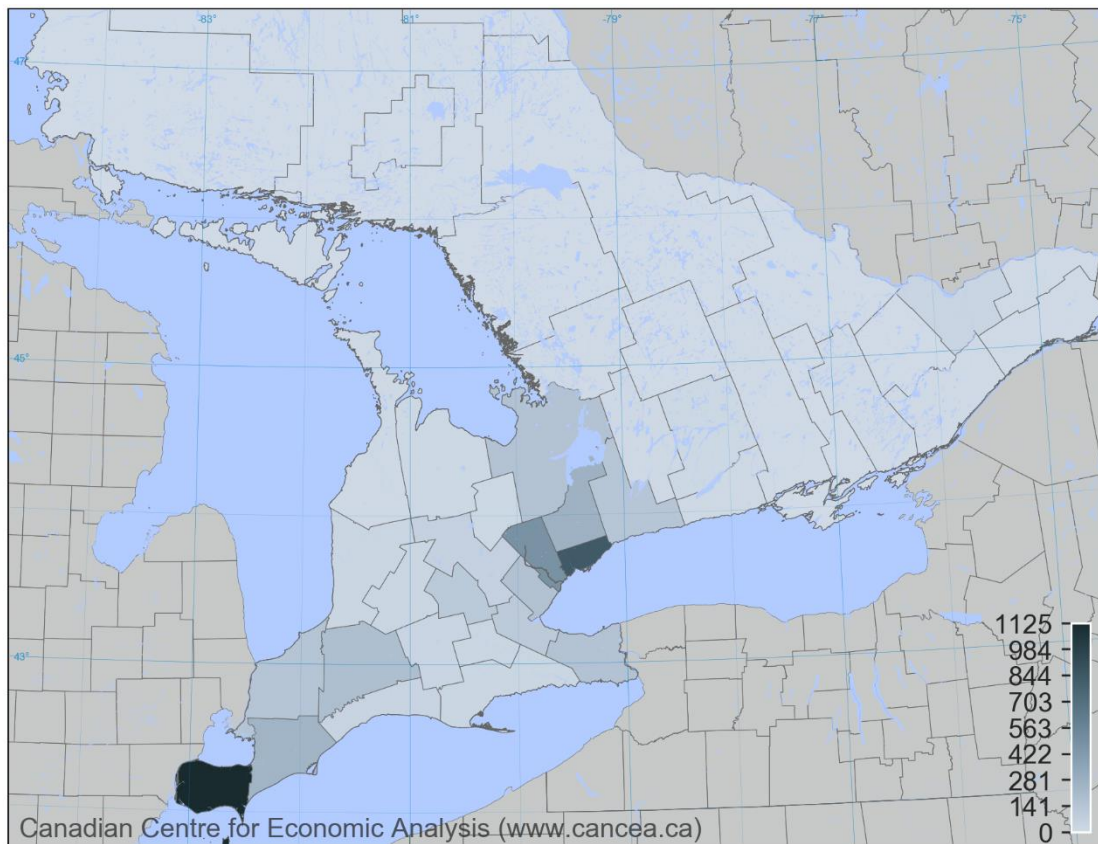


### 2.2.2 JOBS AND INCOME

The combined direct, indirect and induced effects of the distillery industry contribute an estimated 4,638 FTE jobs per year, representing \$255 million in wages. The majority (75%) of the employment supported by the distillery industry in Ontario pays wages above the median. The geographical distribution of the jobs contributed by the industry is shown in Figure 7. The economic activity generated by the industry affects an estimated 12,066 people, over half (59%) of which are located outside of the GTA. This includes individuals who live in households with individuals whose wage is linked to the distillery industry.



**Figure 7** Total jobs contributed by the distillery industry by region



The distillery industry supports employment across a broad range of industries, as shown in Figure 8. The largest share of jobs supported by the distillery industry is in distilleries, followed by crop production and support activities for transportation. This highlights the importance of the industry's linkage with the agricultural sector. Thirteen percent of the jobs supported are in the manufacturing sector, including converted paper product, plastic product, and glass product (non-metallic mineral products) manufacturing.

**Figure 8** Employment support by industry

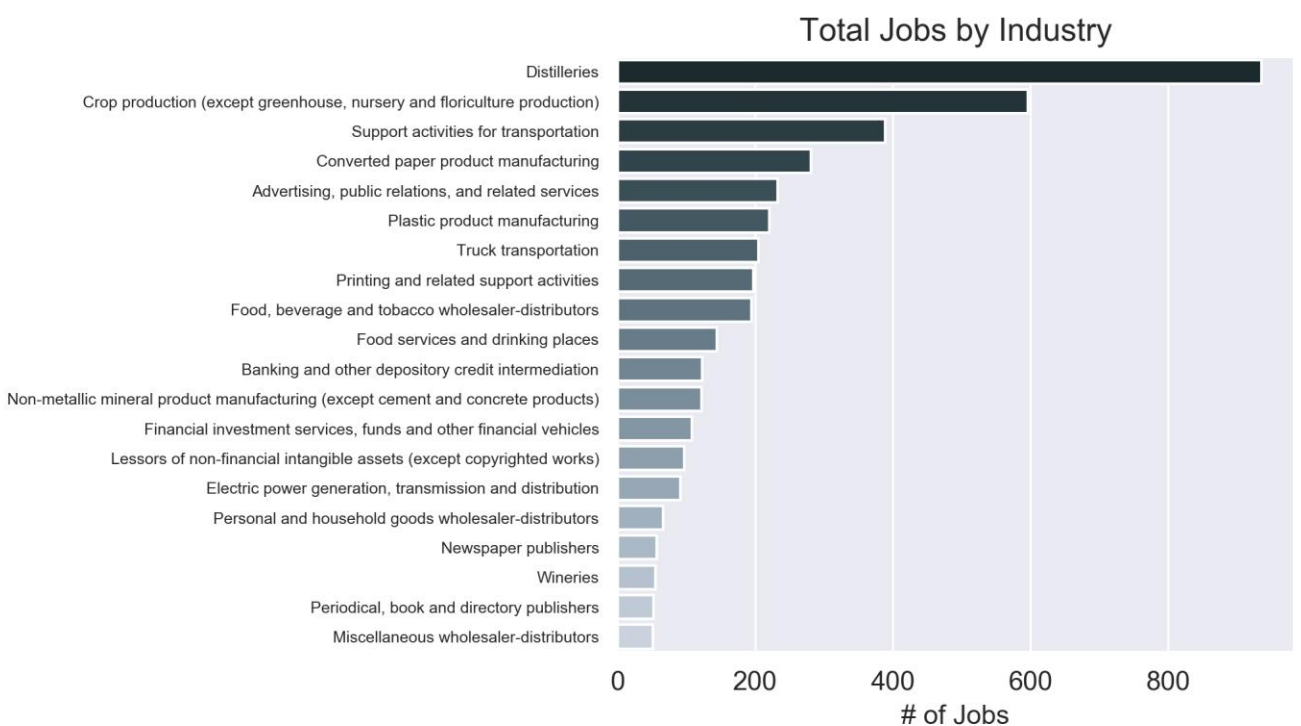
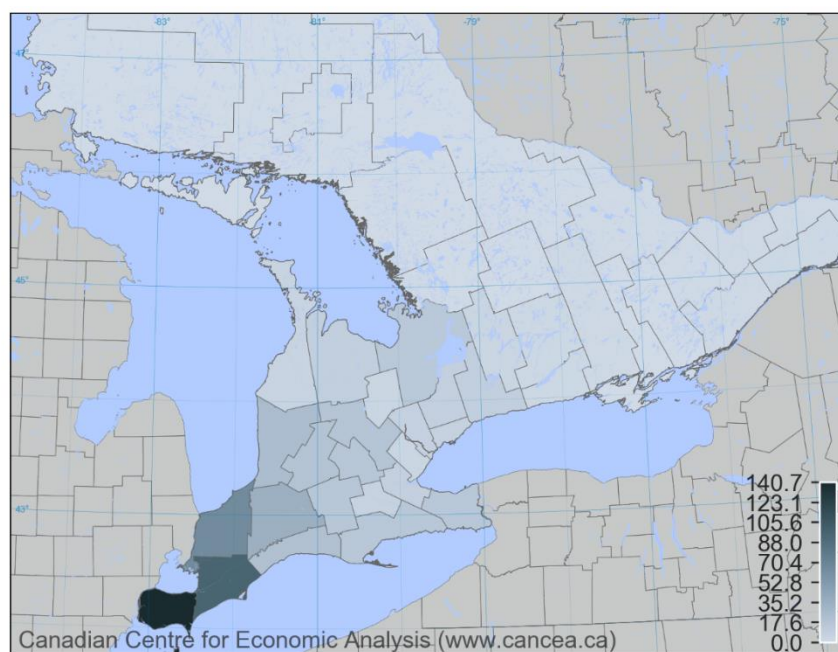


Figure 9 shows the geographical distribution of employment in crop production that is generated from distilled spirits manufacturing. The figures highlight that many of these jobs are found in the County of Essex, which is the location of the large Hiram Walker distillery. The regional impacts of the industry are described in more detail in section 2.3.

**Figure 9** Geographical distribution of jobs in crop production



### 2.2.3 TAX REVENUES

Distilled spirits manufacturers in Ontario contributes to government revenue through:

- The excise tax charged on spirits produced in Ontario;
- The sales tax charged on the Canadian sales of spirits produced in Ontario;
- The dividend payment remitted by the LCBO to the provincial government, as distilled spirits have a high margin that contributes to the LCBO's end-of-year profits;
- Corporate taxes from distilleries, as well industries supported indirectly through supply-chain linkages and through induced effects in Ontario; and
- Personal income taxes from Ontarians whose wages are supported by the distilled spirits industry.

The excise tax received by the federal government from distilled spirits manufactured in Ontario is estimated at \$124 million. This estimate is based on a volume of 24,861,000 litres of absolute alcohol sold in Ontario in 2018, a rate of excise of \$12.109 per litre of absolute alcohol<sup>6</sup>, and the percentage of distilled spirits from Ontario in the total volumes of spirits sold by the LCBO (39%) (LCBO, 2018).

Sales tax revenues are estimated using a total value of sales of distilled spirits from Ontario of \$655 million, as reported in the LCBO's 2018 annual report (p.56). Based on this value, the provincial share of revenues from the sales tax is equal to \$52 million, and the federal share is \$33 million. However, federal tax revenues also include the sales of distilled spirits produced in Ontario and exported to other provinces.

<sup>6</sup> Effective from April 1, 2018 to March 31, 2019. For the full list of rates of excise duty, visit the [CRA's Excise Duty Rates webpage](#).

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

The total value of these interprovincial sales of distilled spirits in Ontario is estimated at \$327.5 million, i.e. half of the value of what is produced and sold in Ontario. This ratio was estimated using data from Statistics Canada on the value of all Ontario production and interprovincial exports. In total, the federal government therefore receives an estimated \$49 million in sales tax revenue.

An estimated 12% of the \$2.21 billion dividend payment, equal to \$259 million, accrues directly from sales of distilled spirits produced in Ontario. This is based on \$655 million in sales of spirits produced in Ontario, a gross margin on \$0.58 per \$1 of sales of distilled spirits by the LCBO and a total gross margin of \$3.1 billion in 2018 (LCBO).

In total, the federal government receives approximately \$227 million in tax revenue from the manufacturing of distilled spirits in Ontario, while the provincial government receives about \$344 million. Per full-time equivalent job supported by the distilled spirits industry, the federal government receives on average \$49,000 in estimated revenues, and the provincial government receives \$74,000.

Of the total revenue to both governments, corporate tax accounts for 4%, personal income tax for 11%, sales taxes for 18%, excise duties for 22%, and the dividend paid to the provincial government accounts for the remaining 45%. The total revenues generated from the production of distilled beverages in Ontario to the provincial and federal governments and the breakdown by source are presented in Table 3.

**Table 3** Government revenue from distilled spirits produced in Ontario by source

Revenue in 2018 (millions)			
Tax Type	Federal	Provincial	Both
Income	\$40	\$24	<b>\$64</b>
Corporate	\$14	\$9	<b>\$23</b>
Sales	\$49	\$52	<b>\$102</b>
Excise	\$124	-	<b>\$124</b>
LCBO Dividend Payment	-	\$259	<b>\$259</b>
<b>Total</b>	<b>\$227</b>	<b>\$344</b>	<b>\$571</b>

## 2.3 REGIONAL SIGNIFICANCE OF ECONOMIC IMPACTS

The economic benefits generated by the manufacturing of distilled spirits in Ontario are spread over a large geographical area. Grouping neighbouring census divisions together shows that almost 90% of the benefits accrue to the following four areas:

- Southwestern Ontario – Includes Counties of Essex, Middlesex, Chatham-Kent and Lambton
- Niagara Area – Includes Niagara Region, Haldimand-Norfolk and Hamilton
- Central Southern Ontario – Includes Simcoe, Grey and Dufferin Counties
- Greater Toronto Area – Includes Toronto, and the Regions of Durham, York, Peel and Halton

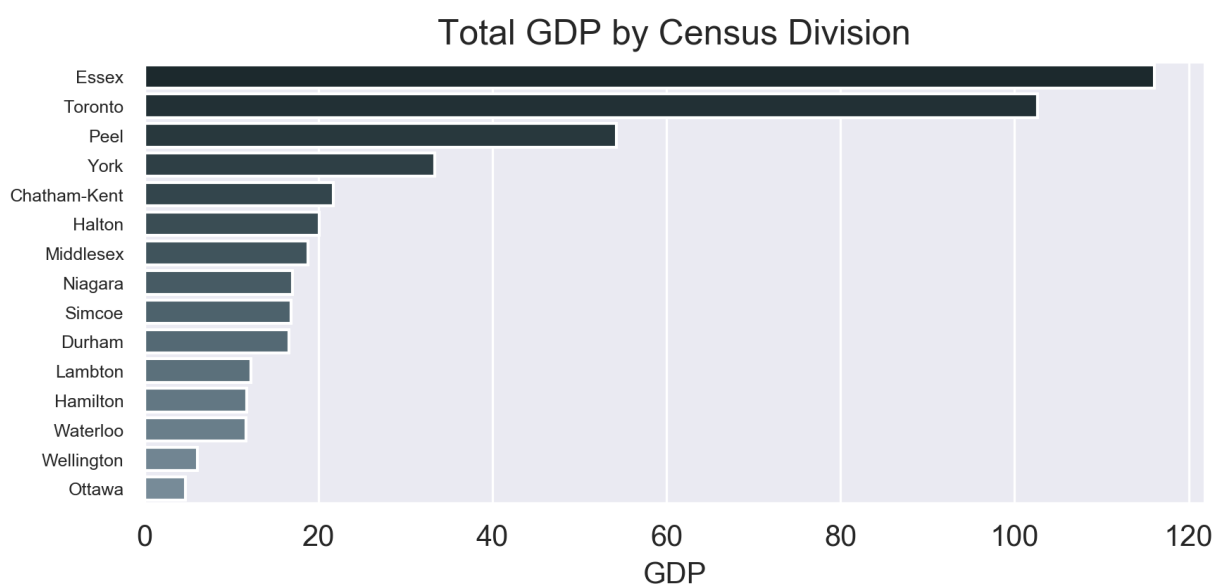
The main benefits to each region are presented in Table 4.

**Table 4** Summary of regional economic impacts

	Southwestern Ontario	Niagara Area	Central Southern Ontario	Greater Toronto Area
Output	\$384M	\$71M	\$48M	\$477M
GDP Contribution	\$169M	\$31M	\$21M	\$227M
Households	4,433	774	523	4,919
Jobs (FTE)	1,704	297	201	1,891

The GDP contribution by census division is presented in Figure 10. This section provides further detail on the key areas and the importance of the industry to each area's economic and tax base, as well as to its population.

**Figure 10** Total economic benefit by region



### 2.3.1 SOUTHWESTERN ONTARIO

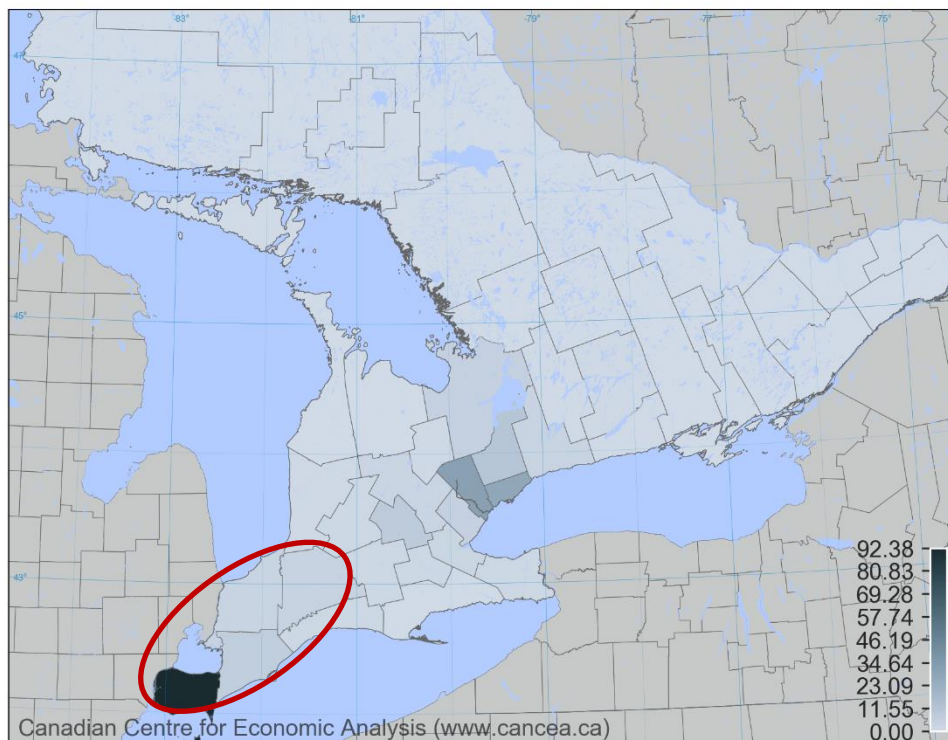
This report defines Southwestern Ontario as the area located at the tip of the Ontario Peninsula which is flanked by Lake Huron, Lake St. Clair and Lake Erie and comprises the adjacent Counties of Essex, Middlesex, Chatham-Kent and Lambton. The area sees one of the longest growing seasons in Canada, and agriculture plays an important role in the local economy.

The largest distilling facility in Ontario, Hiram Walker & Sons Limited, is located within the area in Essex County. It has the largest capacity in North America and distils 180,000 litres of alcohol every 24 hours (Corby, 2016). It is a major purchaser from local grain producers since the facility sources its grains for input locally. Southwestern Ontario is also home to a very significant packaging facility servicing North America operated by Diageo.

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

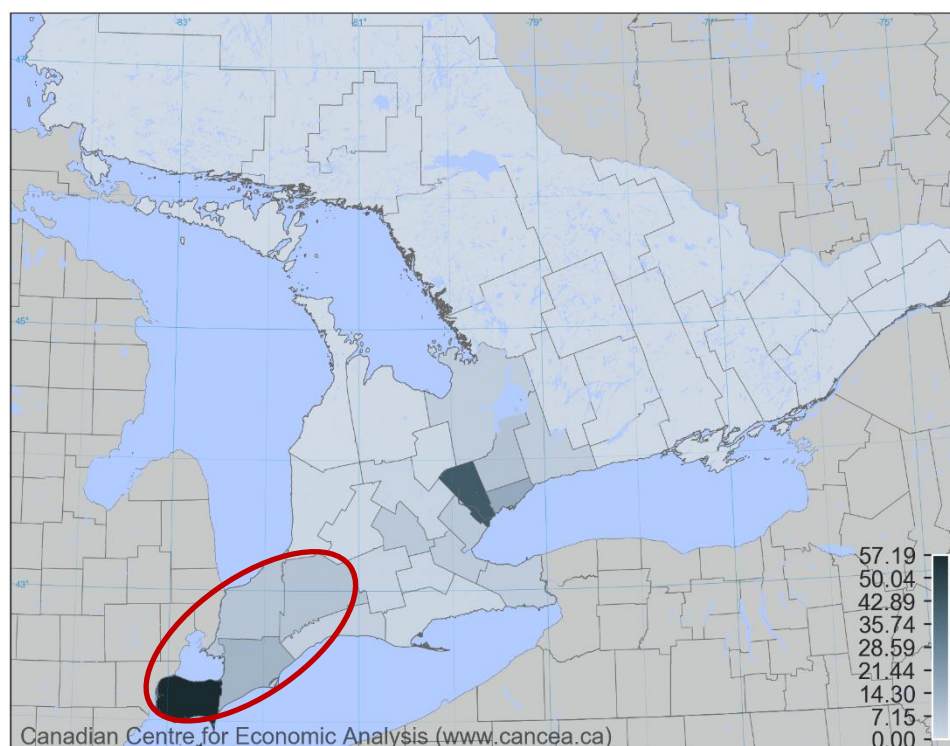
This area is the primary beneficiary of the distillery industry in Ontario, measured by the number of jobs and GDP impact per inhabitant. It is also the area with the highest number of jobs contributed by the industry in distilleries, crop production, plastic product manufacturing (such as bottles used by distillers and other products used by intermediate industries) and truck transportation. Figure 11 and Figure 12 present the geographical distribution of jobs in plastic manufacturing and in truck transportation, respectively (the counties comprising southwestern Ontario are in the red circle). Contributing a total of 1,704 FTE to the region, the industry affects an estimated 4,433 people in the area, counting those who live in a household with someone whose wage is supported by the industry. In turn, people whose employment is supported by the distillery industry in Southwestern Ontario are productive contributors to the local economy; the average output per FTE is \$225,000, translating to a GDP contribution of over \$99,000 per FTE.

**Figure 11** Geographical distribution of jobs in plastics manufacturing





**Figure 12** Geographical distribution of jobs in truck transportation



### 2.3.2 NIAGARA AREA

The Niagara area, as defined in this report, includes the census division of Niagara, along with Hamilton and Haldimand-Norfolk. Adjacent to the Greater Toronto Area and sharing a border with the United States of America, this area is strategically located from a transportation standpoint and is home to major commercial ports, while also boasting a thriving tourism industry. The area contains both important industrialized urban areas and rural agricultural lands, including the most fertile soil in Ontario. It is also the location of one of the province's most recognized whisky distilleries, Forty Creek, situated in Grimsby.

The jobs contributed by the distillery industry in the Niagara area are primarily in distilleries, crop production and support for transportation. The industry contributes just under 300 FTEs to the area, affecting an estimated 774 people. The average output per job contributed is \$238,000, and the GDP contribution per job is \$106,000.

### 2.3.3 CENTRAL SOUTHERN ONTARIO

Central Southern Ontario, as defined in this report, comprises the counties of Simcoe, Dufferin and Grey. Located on the Georgian Bay, adjacent to Lake Simcoe, and home to Blue Mountain, the area is known in Ontario as a tourist destination. Agriculture and manufacturing are also important components of the area's economic base. The Canadian Mist Distillery, a local producer of Canadian whisky primarily destined for international sales, is located in the area in Collingwood.

## Economic Contributions of Distilled Spirits Manufacturing in Ontario

The jobs contributed by the distillery industry in Central Southern Ontario are primarily in distilleries and crop production. This area sees the second-largest impact from the distillery in terms of the number of jobs per inhabitant after Southwestern Ontario. The total number of jobs contributed is about 200, and the estimated number of people who are affected is 523, counting those who live in a household with someone whose wage is supported by the industry. The output contribution per FTE in this region is \$241,000 and GDP contribution is \$105,000.

### 2.3.4 THE GREATER TORONTO AREA (GTA)

The GTA is comprised of Toronto and its surrounding regional municipalities, namely Durham to the East, York to the North, and Peel and Halton to the West. The most densely populated area in Ontario, it is a major hub of economic activity and the second largest financial centre in North America.

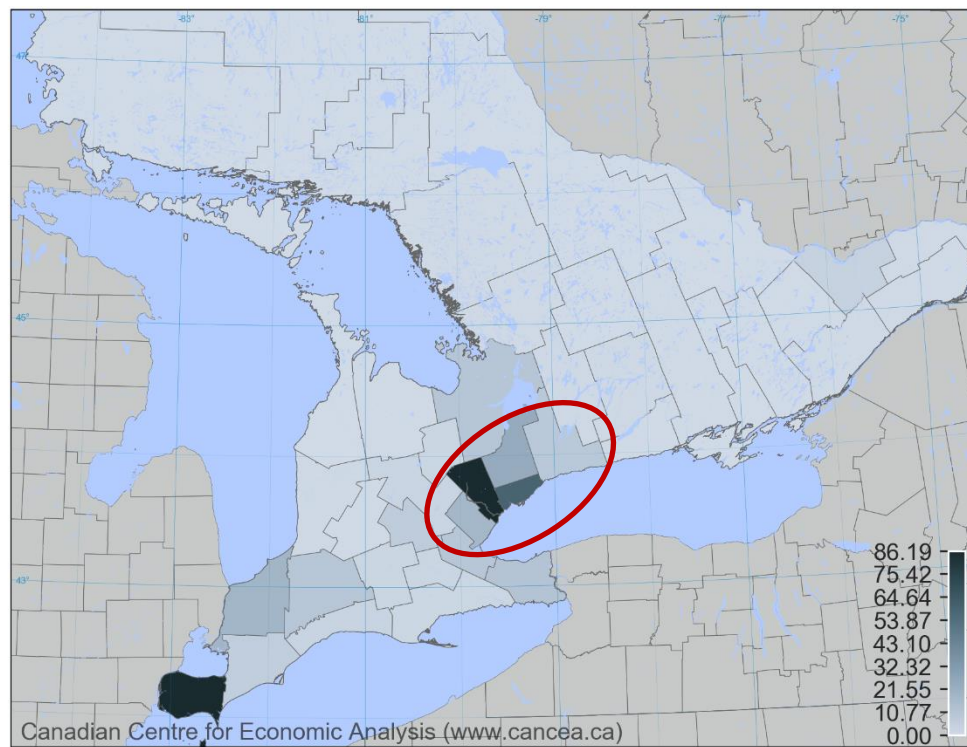
The distillery industry contributes about 1,900 FTEs to the area, which affects an estimated 4,919 individuals in the GTA, counting those who live in households with an earner whose wage is supported by the industry. The GTA is the area with the highest number of jobs contributed by the distillery industry in the following three sectors:

- Support activities for transportation;
- Advertising, public relations and related services; and
- Converted paper product manufacturing.

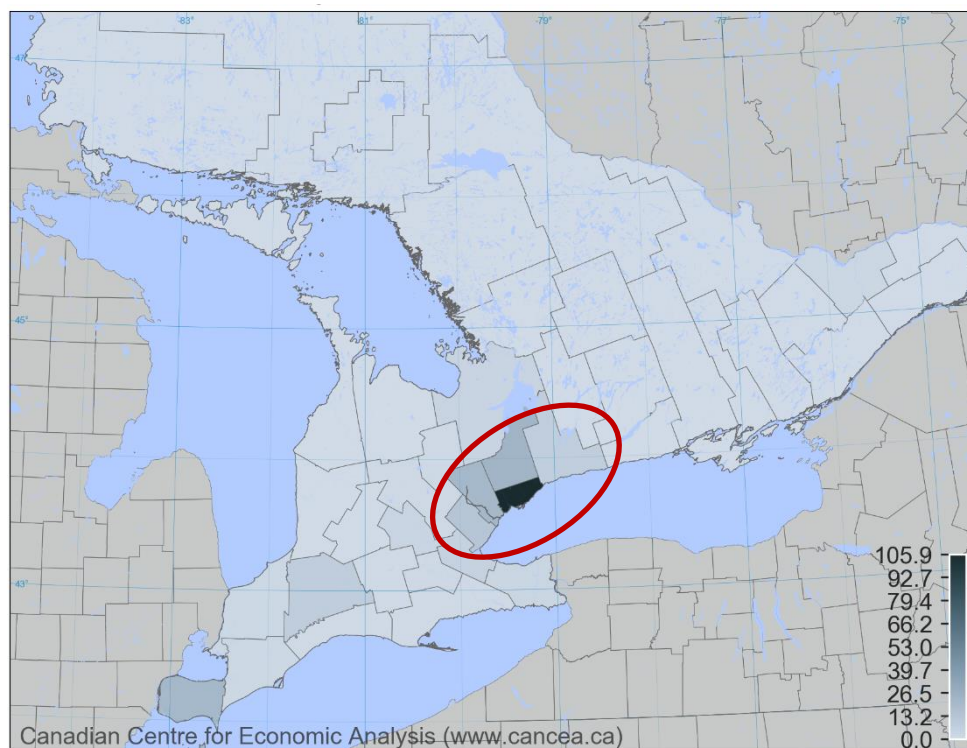
The transportation-related jobs are mainly found in the Region of Peel, a regional logistics hub, while the advertising jobs are in large part found in Toronto. Converted paper manufacturing jobs are more evenly distributed within the area. The geographical distribution of transportation-related, advertising and public relations, and paper product manufacturing jobs are shown in Figure 13, Figure 14 and Figure 15, respectively (the GTA is found within the red circle).



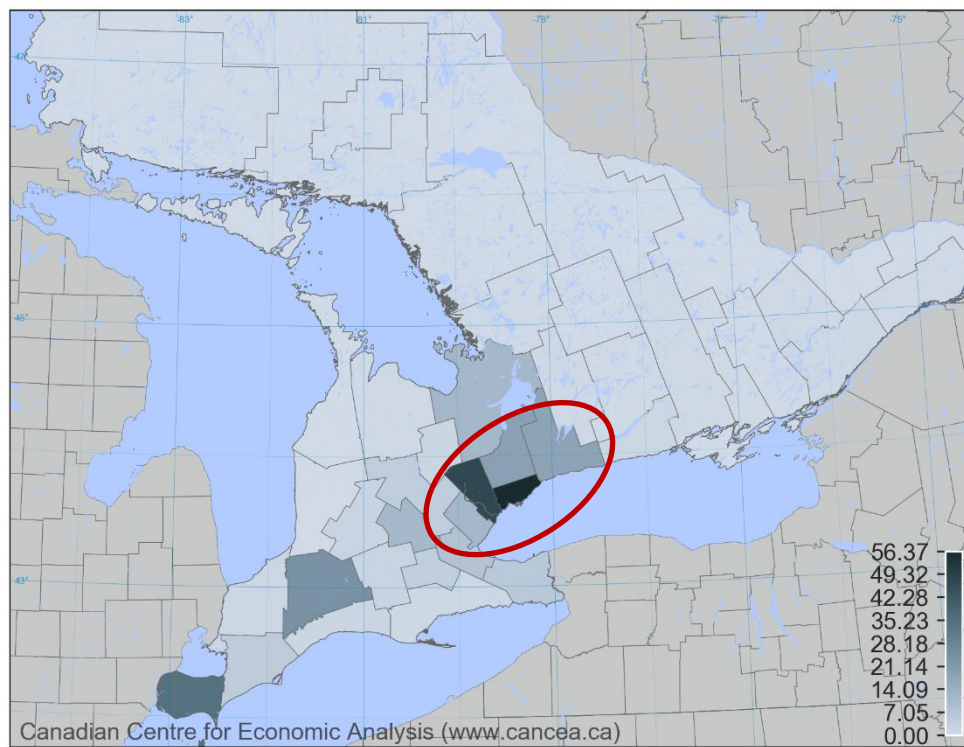
**Figure 13** Geographical distribution of support activities for transportation jobs



**Figure 14** Geographical distribution of advertising and public relations jobs



**Figure 15** Geographical distribution of converted paper product manufacturing jobs



### 3.0 CONCLUSIONS

Distilled spirits manufacturing in Ontario provides significant economic, employment, fiscal and other benefits to the province, notably in terms of government revenue and export-driven wealth creation. The combined total government revenue from the economic activity generated by the sector amounted to about \$571 million in 2018, \$344 million of which went to the government of Ontario. Exports of distilled spirits from Ontario are particularly strong in comparison to other types of alcoholic beverages produced in Canada; the value of distilled spirits produced in Ontario exceeds all Canadian beer and wine exports combined. The important international demand for products made in Ontario speaks to the strong brand recognition that locally produced distilled spirits, particularly Canadian Whisky, enjoy. These exports are important to the Canadian market, driving industrial production and income growth, and they are one of the means through which Ontario distilled spirits manufacturers generate wealth for Ontarians.

This report shows that the importance of the distillery industry in Ontario can be measured not only by the economic activity generated by the industry itself but also by the way in which this activity reverberates through the supply chain and induces spending through employment and wages. In total, the economic contribution to the province from the economic activity generated by the sector is valued at \$1.10 billion in total gross output (\$501 million in provincial GDP contribution).

Results of this analysis particularly highlight how the distillery industry continues to be a source of economic activity in parts of rural Ontario. Distilleries, which are mainly located in rural regions provide employment with wages above the median and support the local agricultural base. Southwestern and central Southern Ontario are two such areas where the employment supported by the industry is highest relative to their population. In total, it is estimated that the industry affects about 12,000 people in Ontario, including family members who live in households with an earner whose wage is supported by the distillery industry.

## A. REFERENCES

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## B. METHODOLOGY

The economic impact analysis of the contribution of distilled Spirits manufacturing was conducted using CANCEA's Prosperity at Risk® (PaR) platform<sup>7</sup>. Using over 170 tables from Statistics Canada, including Statistics Canada input-output data (I/O), and over 56,000 Canadian Census dissemination areas, the Prosperity at Risk® platform takes into account the demand and supply of commodities across industry sectors and unifies it with demographics, labour force dynamics, government finances, private capital investment, and the interdependencies of production to allow for the economic impacts of the distilled spirits industry to be quantified and forecasted.

The resulting economic contributions can be classified into three main effects by economic convention as follows:

- **Direct Effects:** The value of all economic activity that can be directly attributed to the manufacturing of distilled spirits. This includes the income and value of the production of contributing economic agents (i.e. workers and firms).
- **Indirect effects:** the value of the economic activity that arises through business-to-business interactions within the supply chain. Indirect effects include input expenditures made by distilled spirits manufacturers, as well as the follow-on expenditures that are generated further up and down the supply chain in all sectors of the economy.
- **Induced effects:** the economic activity generated through the spending of wages earned by workers employed by the distillery industry. Induced effects also include expenditures on increased capacity or the replacement of depreciating capital stock that result from reinvesting business profits (Heintz, Polin, & Garrett-Peltier, 2009). These purchases or activities can lead to further hiring, resulting in income and tax revenues that reverberate throughout the economy.

As the Prosperity at Risk® platform is an agent-based, event-driven microsimulation platform, it is capable of capturing the direct, indirect, and induced contributions of distilled spirits manufacturing to Ontario's economy, as well as identifying the contribution at different regional levels. By incorporating household behavior, industry and firm behavior, and federal and provincial tax rates, Prosperity at Risk® is capable of providing the economic impact of distilled spirits manufacturing across different economic indicators such as GDP (real and nominal), employment, wages, government revenue, and household income.

For more information on the Prosperity at Risk® platform and its applications, please refer to CANCEA (2017).

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<sup>7</sup>For an in-depth breakdown of CANCEA's Prosperity at Risk® platform, please refer to "The Economic Impact of Canadian P3 Projects" and the recent report on Bill 148: Fair Workplaces, Better Jobs Act, 2017 (The Canadian Centre for Economic Analysis 2016, 2017).

## C. DATA SOURCES

Statistics Canada. [Table 36-10-0478-01 Supply and use tables, detail level, provincial and territorial \(x 1,000\)](#)

Statistics Canada. [Table 10-10-0010-01 Sales of alcoholic beverages types by liquor authorities and other retail outlets, by value, volume, and absolute volume](#)