

# Grapes of change:

## How the wine industry has transformed Oregon's economy

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McMINNVILLE — McMinnville, 1971. When a handful of pioneering farmers bought land on the outskirts of this modest rural town and decided to plant wine grapes, people called them crazy. Wine grapes wouldn't grow in the Northwest, they said.

Third Street in McMinnville, 2019. People scuttle between high-end boutiques, local businesses and fine dining. Baskets of petunias hang from lamp posts like colorful chandeliers. And on the corner where a JCPenney store once stood, there's a wine tasting room.

In this growing city where urban and rural worlds intersect, the wine industry has signed its autograph. In 2016 alone, Yamhill County, of which McMinnville is the seat, raked in more than \$15 million in wine-related property taxes.

Michael Rogers, resident of McMinnville since 1976, has watched the transformation.

"It's been an incredible change," said Rogers. "We went from a small Oregon town with a bunch of turkey farms to a classy city of wineries."

McMinnville is one grape on the vine. Across Oregon, the industry has profoundly impacted the state's economy and indirectly shaped its demographics and culture.

The industry continues to grow. In 2010, according to the Oregon Vineyard and Winery Report, there were 567 vineyards statewide. By 2017, that number more than doubled to 1,144.

According to Full Glass Research, in 2016, the sum of all economic activity in Oregon related to wine was \$5.61 billion. That means Oregon wine has a statewide economic impact of \$177.89 per second.

It's not just measured by sales. Bruce Sorte, a retired economist from Oregon State University, said the impact is computed using a multiplier effect.

Imagine throwing a stone into a pond and watching the concentric circles of ripples. The stone is the wine industry. The inner circle represents direct effects — expenditures on wine. The middle circle represents indirect effects, such as payments to suppliers. The outer circle represents income-induced effects, which work like this: A vineyard laborer might spend part of his or her salary buying groceries. Even though the grocery store is not dependent on that one person's purchase, the sum of many such payments impacts businesses and the overall economy.

The wine industry has ripple effects that impact manufacturing, tourism, small businesses, farmers, city infrastructure and the job market.

### The cooper, the canner and the glass bottle maker

Morning sunlight illuminated three figures binding barrels under an awning. Fires crackled.

Rick DeFerrari, master cooper at Oregon Barrel Works, rolled a barrel across his shop and hoisted it over a fire to "toast" its interior — caramelizing the wood sugars to bring out sweetness in the wine.

DeFerrari runs a cooperage with two assistants in McMinnville. They make about 520 barrels a year, selling 50% of them to winemakers.

Oregon's wine industry fuels many trades. The industry's influence on manufacturing, however, is often exaggerated, winemakers said.

Oregon has several custom crush facilities, and

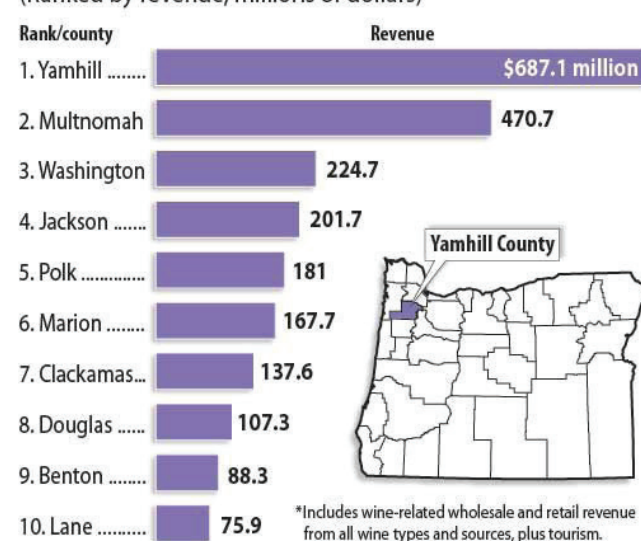


An old oak overlooking hills of rolling rows of grapes at Hyland Vineyard.

Capital Press Photo/Sierra Dawn McClain

### Top 10 Oregon wine counties, 2016\*

(Ranked by revenue, millions of dollars)



Source: Full Glass Research

Alan Kenaga/Capital Press

numerous steel manufacturers are based in the Northwest. Oregon wine label manufacturing had a 2016 value of \$5.4 million, according to Full Glass Research.

Yet most manufacturers are not based in Oregon, or even the U.S.

"We don't have the expertise, the know-how," said Eric Baisch, manager of Davison Winery Supplies. "Most products are coming from Europe, where there are generations of knowledge we don't possess."

Location matters. Where manufacturing takes place has economic consequences.

Robin Cross, an Oregon State University economist specializing in wine economics, said any time producers further process their goods, they're increasing the economic impact.

"Value-added goods increase a commodity's impact on its local region," said Cross.

Hazelnuts are a good example. Cross said packaged, roasted hazelnuts processed in-state may have 20 times the economic impact on revenue and labor as raw nuts.

"Wine works like that, too," said Cross. "The more local the manufacturing, the bigger the local impact. It's about how close producers keep suppliers."

Oregon winemakers don't keep suppliers very close.

### Build it and they will come

A young man, feather askew on his cowboy hat, stood beside a group of retired show horses. He was at Winter's Hill Estate to lead an equestrian wine tour.

Soon, the tourists — from out-of-state, each paying \$190 not including the wine — were weaving between vines with the soft clip of horse hooves and the rustle of leaves.

"Best thing 'bout this job is meetin' people from all over the world," said Willis. He rode the way he walked and talked, with an easy swagger. "People from

Japan, Europe, India, all around the U.S. They come for the Pinot Noir and intimate experience."

The group hitched up the horses and entered a dark tasting room. Amid the yellow lamplight and slosh of wine, tourists gasped as Willis, a horseman and cattle rancher, told stories of the 30-some bones he'd broken riding in rodeos. Urban and rural worlds collided — but only for a taste.

According to Longwoods International, a market research consultancy, wine-related tourism contributed about \$787 million to Oregon in 2016.

Gregory Jones, director of the Evenstad Center for Wine Education at Linfield College in McMinnville and part of the family-run Abacela Winery in Roseburg, said wine tourism has transformed Southern Oregon's economy.

"Southern Oregon has grown economically and culturally because of wine tourism," said Jones.

Agritourism, Jones said, fuels events — Jacksonville's lavender fairs, Crater Lake boat tours, the Shakespeare Festival in Ashland. It also feeds the hospitality industry.

Jeff Knapp, executive director of the tourism program Visit McMinnville, said the Atticus Hotel, built for \$8 million in 2018, typically charges \$300-\$750 per night.

Taking advantage of the tourism boom, in 2007, McMinnville residents Michael and Valerie Rogers opened the Oregon Wine Cottage, a vacation rental.

"When we took our idea to the city planning committee," said Rogers, "they asked us, 'What's a vacation rental?' Now there are probably 100 or more in town. That was only 12 years ago."

### Farms and small businesses

"There are synergies between food and beverage industries in Oregon," said Jones, the Linfield professor. "Restaurants, ranchers, farmers' markets. Whether they realize it or not, they're

all connected to wine."

Moe Momtazi, owner of Maysara Winery and Momtazi Vineyard in the green hills of McMinnville, has seen first-hand how food, wine and small businesses intertwine.

In July, Momtazi said, a couple from Colorado spent over \$500,000 on their wedding at his vineyard — supporting the local catering, bridal and floral industries.

"Wine also brings people to the area who care about healthy food," said Momtazi. He spoke with a deep Persian accent, leaning on his vowels and letting his R's roll off his tongue. "That has ripple effects for restaurants and natural farms."

He gestured to a spread in his winery — tart quince jam, crackers, sliced meats and strong cheeses. The air was thick with the heady scent of wine.

Momtazi also represents the international spirit of the industry. In 1982, he and his wife, then eight months pregnant, fled Iran after the hostage crisis, escaping with the help of smugglers. In 1983, they arrived in the U.S., finally planting their roots in Oregon — literally — in 1990.

Momtazi, previously an engineer, designed the vast winery himself. During off-seasons, he and his workers labored three years to build the winery using wood and stone from Momtazi's land.

### The people behind the purple

That's where the wine industry has one of its biggest impacts — in Oregon's labor force.

Brett Miller, Northwest Wine Co.'s marketing director, cruised up the vineyard slope at Hyland Estates on his ATV, past rows of grapes planted in geometric shapes on the hillside like a great green puzzle.

Among the vines, laborers worked under sunhats and long sleeves.

"It's hard work," said Miller, who has labored many seasons in vineyards. "Long hours. Wet. Very sticky. But it's fun."

Hyland, like most vineyards, employs primarily Latino workers through labor contractors. Most come from Oaxaca, Mexico's second-poorest state.

Agricultural labor is scarce, and Oregon winemakers say it is their biggest challenge and expense. Vineyards must offer competitive wages. The typical Hyland laborer, said winemaker Bruno Corneaux, makes \$15 hourly.

The wine industry's impact on labor begins in the field, but it doesn't end there. According to Full Glass Research, in 2016, the number of wine-related and wine-induced jobs in Oregon was 29,738. Related wages topped \$1 billion.

To grasp the scope, look how one winery impacts jobs.

Hyland Estates employs about 30 vineyard workers and 45 winery and cellar workers, most year-round and full time. Around harvest time, Hyland contracts 50 seasonal laborers. That's 125 total annual workers.

Sorte, the OSU economist, uses IMPLAN, a computer model, to generate economic estimates. Sorte said the wine industry's multiplier for employment is 2.75. That means for every one job created within the wine industry, one other related job like manufacturing is created and three-quarters of a job is created through an induced effect, such as a restaurant job. If you multiply 125 workers by 2.75, you get 344. That means Hyland Estates alone creates almost 344 jobs.

### Grafting new vines: demographics, culture

According to the Oregon Community Foundation's most recent report, the state's Latino popula-

tion is growing faster than the national rate.

In McMinnville, U.S. Census data shows from 2000 to 2010, the Latino population jumped from 15% to 21% of the total population. Higher percentages are projected for the 2020 count.

Gioia Goodrum, president of the McMinnville Area Chamber of Commerce, said residents are also aging. Although the city is growing, its school-age population has stagnated.

"Young families want to move here," said Goodrum. "But there's no more land."

Although the wine industry has fueled McMinnville's growth, it has ironically served as a blockade to expansion. The city, surrounded by high-value farmland, has over 250 wineries within 20 miles of downtown. McMinnville is beating its head against the urban growth boundary.

"We don't want to become only a retirement community," said Goodrum. "If we can't build out, we'll have to build up."

Anne Sery, winemaker at Hyland, said the culture has shifted, too.

"Yamhill's culture is changing," she said. "Not everyone likes that. Neighbors often dislike wine culture. Sometimes tourists are disrespectful of locals. Some old-time farmers are annoyed with vineyard owners. But many are happy with the changes."

Despite the influx of new money, not everyone in Yamhill County has prospered. Census data show average household incomes have remained flat. The number of people on food stamps — formally called the Supplemental Nutrition Assistance Program — has increased by 49%. And the percentage of people in poverty has increased from 9% of the overall population to 11%.

In the city park beside the McMinnville Public Library, dozens of homeless people, cocooned in blankets, lie on the grass or slouch against benches day after day.

"The wine industry has created jobs for a lot of people, but to solve deeper-rooted problems of poverty, it'll take a lot more than one successful industry," said economist Robin Cross.

### Not just a drop in the barrel

Oregon's growing wine industry constitutes a tiny fraction of the international wine supply.

According to Jones of Linfield, prior to the 1970s, Oregon's climate was too cold to grow most wine grapes. "Climate change has made Oregon suitable to growing grapes," said Jones. "Pinot Noir has a narrow climate niche. We're in the sweet spot right now, but if we get a few degrees hotter, that may change."

Because Oregon's wine industry is comparatively young, its share of the national market is 1%, dwarfed by wine-producing behemoths, such as California.

"There's room for growth," said Sery. "It's Oregon against the world."

The industry may be small on the global scale, but wine has made no small impact in Oregon.

On Third Street in McMinnville, there's a lodging house called the Hotel Oregon built in 1905. Climb four flights of stairs to the rooftop and look out over the bustling city, not long ago a small town of turkey farms. Look at the surrounding foothills — green and sprawling, miles and miles of vineyards.

The state's wine industry may be a drop in the barrel of the worldwide industry, but in Oregon, its economic impact has made a big splash.

## Economic impact of Oregon's wine industry statewide, 2016

