



THE MINNESOTA GOLF ECONOMY 2006

Executive Summary



This report was prepared by



for



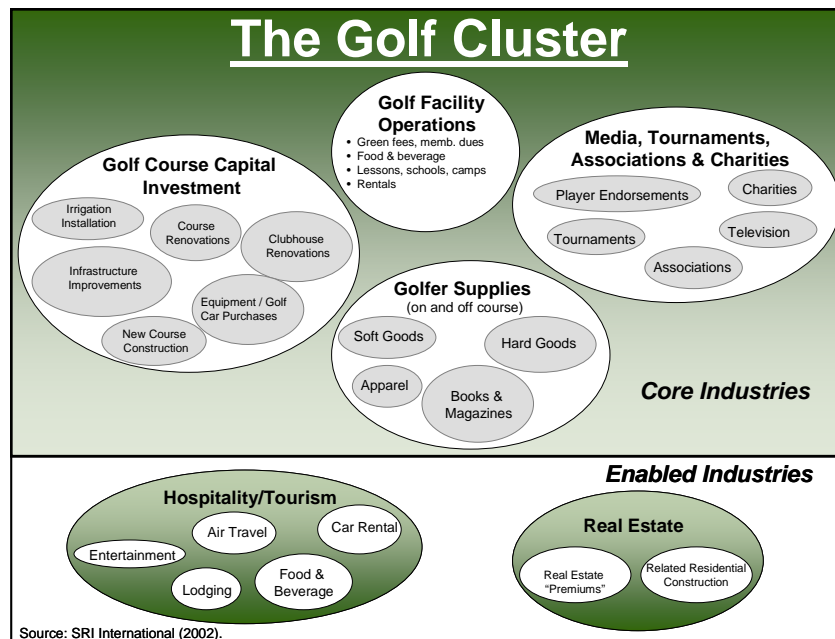
Minnesota Golf Economy 2006: Executive Summary

With over 10,000 lakes and 500 golf courses, tourism and recreation thrive in Minnesota. Golf is a key driver of Minnesota's tourism and recreation industries. However, the breadth of economic activity generated by the game of golf makes it a critical industry sector in its own right. In 2006, the size of Minnesota's direct golf economy was approximately \$1.2 billion. This puts the golf industry on par with several other important industries in the state: surgical and medical instruments (\$1.1 billion), printed circuit assembly (\$1.3 billion) and accounting, tax and payroll services (\$1.4 billion).¹

Golf brings visitors to the state, drives new construction and residential development, generates retail sales, and creates demand for a myriad of goods and services. When the total economic impact of these golf-related activities is considered, Minnesota's golf industry generated approximately \$2.4 billion of direct, indirect and induced economic output, \$776.7 million of wage income and 34,653 jobs in 2006.

The Minnesota Golf Economy 2006 report describes and analyzes Minnesota's golf industry cluster, including the revenues and economic impact generated by the industry. It offers many potential uses:

- Defining the range of core and enabled industries associated with the game of golf;
- Clearly articulating, for policymakers, the employment and revenue-generating contributions of the golf industry to the state economy; and
- Building credibility and recognition of the golf industry as a significant business sector and a driver of economic activity in the state.



¹ U.S. Census Bureau. 2002 Economic Census. SRI used the GDP implicit price deflator to inflate 2002 industry revenue data to 2006 dollars.

Golf Industry Segments

The Minnesota golf economy is comprised of \$671.0 million in core industries and an additional \$553.5 million in enabled industries, as illustrated in the table below.

Size of Minnesota's Golf Economy in 2006 by Segment (\$ million)	
Core Industries	
Golf Facility Operations	\$534.6
Golf Course Construction and Capital Investment	\$43.5
Golfer Supplies (retail margin and manufacturing exports)	\$83.3
Major Golf Tournaments and Associations	\$9.6
Total Core Industries	\$671.0
Enabled Industries	
Real Estate	\$177.0
Hospitality/Tourism	\$360.5
Total Enabled Industries	\$553.5
TOTAL GOLF ECONOMY	\$1,208.5

Golf Facility Operations. At the center of the golf economy lies the golf facilities—the largest component in terms of revenues. The revenue that flows through a golf facility comes primarily from greens fees, membership fees, golf cart rentals, and associated spending on food and beverages. This revenue, in turn, supports a host of supply sectors including golf equipment manufacturers, food and beverage providers, turfgrass equipment and maintenance service providers. Minnesota's 508 golf courses, 11 stand-alone ranges, and 29 miniature golf facilities generated \$534.6 million of revenues in 2006. This is more than all other spectator sports—hockey, basketball, football, baseball and racetracks—combined.²

Golf Course Capital Investments. Golf facilities generate economic impacts beyond operational revenues through investments to upgrade and maintain facilities and infrastructure, and through the construction, expansion and renovation of courses. These investments create employment in the construction and maintenance industries and often involve the purchase of significant amounts of equipment and supplies from companies within the state. Minnesota's golf establishments made \$43.5 million worth of capital investments in 2006: \$31.1 million of investments at existing facilities and \$12.4 million for the construction of new courses.

Golfer Supplies. Minnesota golfers spent significant sums on golf balls, golf clubs and golf apparel in 2006. Golf courses are also active consumers of turfgrass equipment, course amenities, and so on. The economic value of these goods comes from both the production of these goods, as well as retail sales of such items. Minnesota is home to a number of companies that manufacture turf maintenance and irrigation equipment, golf course amenities and other golf-related products—Toro, Miltona, Par Aide Products, etc. In 2006, Minnesota manufacturers' value-added shipments of golf-related products out of the state were approximately \$35.8 million. In addition, the margin made on on-course and off-course retail sales of golf equipment, apparel and media totaled \$47.9 million.

² These other sports generated revenues of \$421.6 million in 2002, or \$469.6 million in 2006 inflation-adjusted dollars U.S. Census Bureau (2005). *Minnesota: 2002, 2002 Economic Census, Arts, Entertainment & Recreation Geographic Series*, July 2005.

Associations. Numerous organizations represent the game of golf in Minnesota. In addition to the Minnesota Golf Association, there are several state chapters of national golf organizations such as the Minnesota Section of the PGA of America, the Minnesota Golf Course Superintendents Association, the Midwest Golf Course Owners Association and the Upper Midwest chapter of the Club Managers Association of America. Public golf facilities are also represented by the Midwest Public Golf Managers Association.

Tournaments. Over the years, Minnesota has shown enthusiastic community support for hosting major golf championships. It is the only state to have hosted all 13 USGA championships in addition to the Curtis Cup, the Walker Cup and State Team events, and has hosted several PGA and LPGA championships as well. In 2006, Minnesota played host to two professional golf tournaments: The Showdown at Somerby, a Nationwide Tour event held at Somerby Golf Club in Byron, followed later in the season by the 3M Championship at the Tournament Players Club (TPC) of the Twin Cities. These two tournaments generated approximately \$5.4 million in 2006, excluding the tournament purse and costs for TV broadcasting.³

Charities. Minnesota's golf industry makes substantial contributions to a variety of charities. In addition to monies raised at local golf club events, golf serves as a vehicle for a variety of celebrity-sponsored charitable events. The annual Tapemark Charity Pro-Am and the Matt Blair Classic both benefit local organizations supporting children and adults with developmental and learning disabilities. The Randy Shaver Celebrity Golf Classic has raised more than \$3.5 million since 1995 in support of local cancer research, prevention and treatment programs. Similarly, the annual Champions Tour and Nationwide tournaments played in Minnesota raise significant funds for local charities. Golf course owners, operators and golf professionals are happy to serve as access points for annual fundraising by local service organizations. SRI estimates that the total amount of golf-related charitable giving in Minnesota was \$52.4 million in 2006.

Golf Real Estate. Real estate developers use amenities to attract new home buyers, and golf is a key amenity in both rural and urban areas of the state. A number of new golf communities were under construction in 2006 offering a mix of single family homes, town homes, and condominiums. New residential developments are under construction at established courses, as well as newer courses (e.g., The Jewel in Lake City, Riverwood National in Otsego, and Somerby in Byron). This new golf-related real estate construction generated \$105.6 million in 2006. Furthermore, in 2006 there were approximately 85 golf communities in Minnesota, and we estimate the "golf" premium associated with the sale of real estate in these developments to be \$71.4 million. The premium is the additional amount a buyer is willing to pay for a home or property located on a golf course or within a golf community.

Hospitality/Tourism. Across the country, golf has enjoyed increasing popularity, whether it is the primary motivation for a trip or is connected to other recreational time spent with friends and family, or business colleagues. In Minnesota, golf is actively promoted as an important tourism segment. The state's "Explore Minnesota" website features golf as a primary tourist attraction and links to a user-friendly golf website (<http://golf.exploreminnesota.com>). The content for the site

³ Minnesota will host two new professional tournaments over the next couple years: the 2008 U.S. Women's Open Championship will be held at Interlachen Country Club in Edina, followed by the 2009 PGA Championship at Hazeltine National Golf Club in Chaska.








was developed through a public-private partnership of key golf tourism stakeholders.⁴ In 2006, SRI estimates golf-related tourism spending in Minnesota was \$376.5 million. This is based on: (1) an estimated 1,025,000 golf person trips taken annually in the state by Minnesota residents and non residents and (2) an average of \$352 of tourism spending per person per trip.

Golf's Economic Impact

Golf's impact on the Minnesota economy includes both the direct effects of economic activity in the core and enabled golf industries, as well as the indirect and induced (or multiplier) effects on the overall economy. In economics, the idea of the multiplier is that changes in the level of economic activity in one industry impacts other industries throughout the economy. For example, a fraction of each additional dollar spent at a golf course is, in turn, spent by the golf course to purchase goods and services for golf course operation—these are indirect effects. In addition, golf course employees then spend a fraction of their incomes on personal goods and services, and this requires companies in a myriad of other industries to hire employees and increase output to meet this demand—these are induced effects. Therefore, golf's total (direct plus multiplier) economic impact includes both the employment and wage income of those employed in golf-related industries, as well as the employment and wages generated in other sectors of the economy through subsequent purchases of goods and services by golf industry employees.

In 2006, the Minnesota golf economy generated:

- An additional \$1.3 billion in indirect and induced economic impacts for the State of Minnesota for a total impact of \$2.4 billion;
- A total impact of 34,653 jobs; and
- Total earnings of \$776.7 million.

Multiplier Impacts on State Economy						
Industry	Direct	Indirect	Induced	TOTAL OUTPUT (\$ million)	TOTAL JOBS (\$ million)	TOTAL WAGE INCOME (\$ million)
Golf Facility Operations	\$534.6			\$1,129.9	18,013	\$373.4
Golf Course Construction	\$12.4			\$29.4	244	\$9.3
Golfer Supplies	\$83.3			\$171.4	1,511	\$44.8
Tournaments & Associations	\$9.6			\$23.0	280	\$8.3
Real Estate Construction	\$105.6			\$250.6	2,081	\$78.9
Hospitality/Tourism	\$360.5			\$822.3	12,524	\$262.0
TOTAL	\$1,106.0			\$2,426.7	34,653	\$776.7

⁴ The Explore Minnesota Golf Alliance's (EMGA) primary objective is to market the state of Minnesota as a golf destination. EMGA membership includes daily fee golf facilities and golf resorts, local convention bureaus, the Explore Minnesota Tourism office, and the Minnesota Golf Association.