

The Minnesota Golf Economy

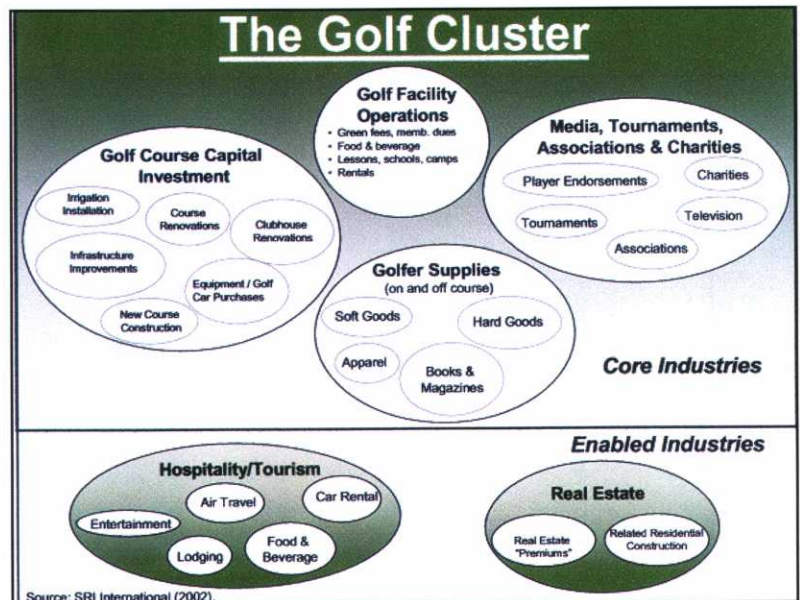
Courtesy of the Minnesota Golf Association

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: dairy products (\$1.1 billion), printed circuit assembly (\$1.3 billion) and accounting, tax and payroll services (\$1.4 billion).

¹Golf 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 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; Building credibility and recognition of the golf industry as a significant business sector and a driver of economic activity in the state.



GOLF INDUSTRY SEGMENTS

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

CORE INDUSTRIES

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 green 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 major spectator sports—hockey, basketball, football and baseball—combined.

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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

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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 facilities 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 \$47.5 million.

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. Municipal golf facilities are also represented by the Midwest Public Golf Managers Association. These state golf associations generated an estimated \$4.1 million in revenues in 2006.

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, 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 TPC of the Twin Cities. These two tournaments generated approximately \$5.5 million in 2006, excluding the tournament purse and costs for TV broadcasting.

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.

ENABLED INDUSTRIES

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.

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 among travelers, whether it is the primary motivation for a trip or is connected to other recreational time spent with friends, family, or business colleagues. In Minnesota, golf is actively promoted as an important tourism segment. The state's "Explore

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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 was developed through a public-private partnership of key golf tourism stakeholders.

In 2006, SRI estimates golf-related tourism spending in Minnesota was \$360.5 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 Impact On Minnesota's Economy

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 impact 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.

Economic impact is calculated on \$1,106.0 million of direct golf economy revenues. The following industry segments are excluded in the economic impact analysis: (1) *golf course capital investments—only new golf course construction (\$12.4 million) is included for

this category since other types of golf facility capital investment are typically financed through facility revenues (and, therefore, not included because of double counting) and (2) **the golf premium associated with golf real estate—this is considered a transfer or assets rather than new economic activity, so only golf-related residential construction (\$105.6 million) is included.

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

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.

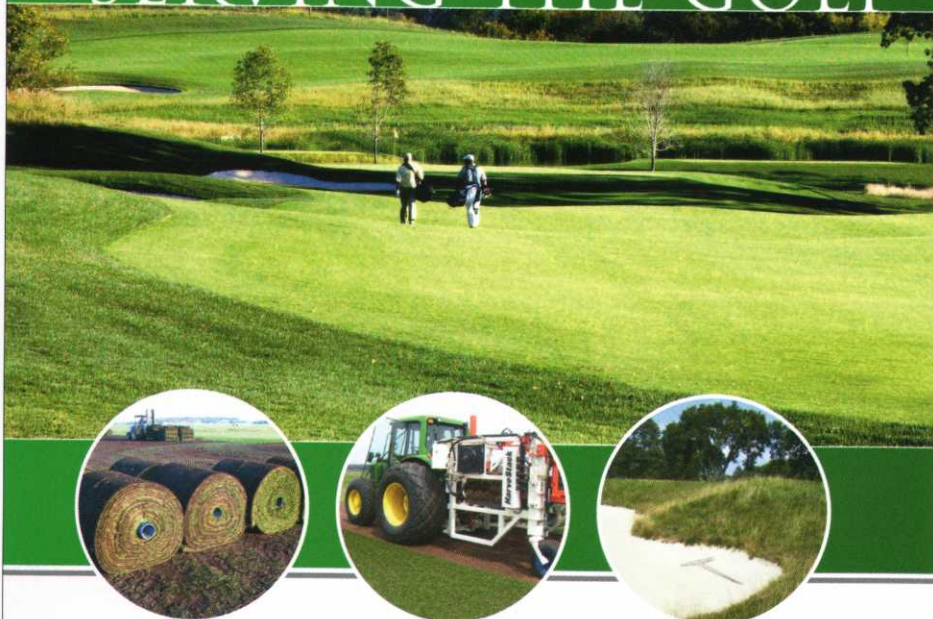
3 Minnesota will also host two major championships over the next two years: the 2008 U.S. Women's Open Championship will be held at Interlachen Country Club in Edina, followed by the 2009 PGA Championship at Hazeltine National Golf Club.

4 This estimate is derived from a national study based on the number of charitable golf outings held; the discounted fees, services and staff time for these events, as well as the charitable giving associated with professional golf tournaments. National Golf Foundation (2002). The Charitable Impact Report, 2002.

5 Note that charitable giving is not included in economic impact estimation, because it represents a transfer of income rather than new economic activity.

6 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.

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