Wine Spectator California Wine Oral History Series

Premium California Vineyardist, Entrepreneur, 1960s to 2000s

William Andrew Beckstoffer

Interviews Conducted by
Carole Hicke
in 1999

Introductory Materials

Legal Information

Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of Northern California, the West, and the Nation. Oral history is a method of collecting historical information through tape-recorded interviews between a narrator with firsthand knowledge of historically significant events and a well-informed interviewer, with the goal of preserving substantive additions to the historical record. The tape recording is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The corrected manuscript is indexed, bound with photographs and illustrative materials, and placed in The Bancroft Library at the University of California, Berkeley, and in other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

It is recommended that this oral history be cited as follows:

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Cataloging Information

Beckstoffer, William Andrew
Owner, Beckstoffer Vineyards

Premium California Vineyardist, Entrepreneur, 1960s to 2000s, 2000, ix, 200 pp.

Education at Virginia Tech, Dartmouth MBA; military service, Presidio of San Francisco; production and finance for Heublein Corp., 1966-1973, purchase of United Vintners, Beaulieu Vineyards; discusses Gallo, Petri, Andre Tchelistcheff, forming Vinifera Development Corp; Beckstoffer Vineyards: acqusition of Vinifera, 1973, and other properties, negotiations with United Farm Workers, improvements in viticulture technology; work on Bottle Price Formula, founding Napa Valley Grape Growers Assn. in 1975, Napa County Winery Definition Ordinance.

Interviewed in 1999 by Carole Hicke for the Wine Spectator California Wine Oral History Series, Regional Oral History Office, The Bancroft Library, University of California, Berkeley.

Series Preface—Wine Spectator California Wine Oral History Series

The California wine industry oral history series, a project of the Regional Oral History Office, was initiated by Ruth Teiser in 1969 through the action and with the financing of the Wine Advisory Board, a state marketing order organization which ceased operation in 1975. In 1983 it was reinstituted as The Wine Spectator California Wine Oral History Series with donations from The Wine Spectator Scholarship Foundation. The selection of those to be interviewed has been made by a committee consisting of the director of The Bancroft Library, University of California, Berkeley; John A. De Luca, president of the Wine Institute, the statewide winery organization; Carole Hicke, series project director; and Marvin R. Shanken, trustee of The Wine Spectator Scholarship Foundation.

Until her death in June 1994, Ruth Teiser was project originator, initiator, director, and conductor of the greater part of the oral histories. Her book, *Winemaking in California,* co-authored with Catherine Harroun and published in 1982, was the product of more than forty years of research, interviewing, and photographing. (Those wine history files are now in The Bancroft Library for researcher use.) Ruth Teiser's expertise and knowledge of the wine industry contributed significantly to the documenting of its history in this series.

The purpose of the series is to record and preserve information on California grapegrowing and winemaking that has existed only in the memories of winemen. In some cases their recollections go back to the early years of this century, before Prohibition. These recollections are of particular value because the Prohibition period saw the disruption of not only the industry itself but also the orderly recording and preservation of records of its activities. Little has been written about the industry from late in the last century until Repeal. There is a real paucity of information on the Prohibition years (1920-1933), although some commercial winemaking did continue under supervision of the Prohibition Department. The material in this series on that period, as well as the discussion of the remarkable development of the wine industry in subsequent years will be of aid to historians. Of particular value is the fact that frequently several individuals have discussed the same subjects and events or expressed opinions on the same ideas, each from his or her own point of view.

Research underlying the interviews has been conducted principally in the University libraries at Berkeley and Davis, the California State Library, and in the library of the Wine Institute, which has made its collection of materials readily available for the purpose. The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to recent California history. The office is headed by Willa K. Baum and is under the administrative supervision of The Bancroft Library.

Carole Hicke, Project Director
Wine Spectator California Wine Oral History Series
Regional Oral History Office
The Bancroft Library
University of California, Berkeley
July 1998

California Wine Industry Interviews

Interviews Completed as of January 2002

Adams, Frank. *Irrigation, Reclamation, and Water Administration.* 1956, 491 pp.

William V. Cruess, *A Half Century of Food and Wine Technology,* 1967

Maynard A. Amerine, *The University of California and the State's Wine Industry,* 1971

Horace O. Lanza and Harry Baccigaluppi, *California Grape Products and Other Wine Enterprises,* 1971

Louis A. Petri, *The Petri Family in the Wine Industry,* 1971

Edmund A. Rossi, *Italian Swiss Colony and the Wine Industry,* 1971

Ernest A. Wente, *Wine Making in the Livermore Valley,* 1971

Philo Biane, *Wine Making in Southern California and Recollections of Fruit Industries, Inc.,* 1972

Burke H. Critchfield, Carl F. Wente, and Andrew G. Frericks, *The California Wine Industry During the Depression,* 1972

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Albert J. Winkler, *Viticultural Research at UC Davis (1921-1971),* 1973

Leon D. Adams, *Revitalizing the California Wine Industry,* 1974

Maynard A. Joslyn, *A Technologist Views the California Wine Industry,* 1974

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Andre Tchelistcheff, *Grapes, Wine, and Ecology,* 1983

Alfred Fromm, *Marketing California Wine and Brandy,* 1984

Louis P. Martini, *A Family Winery and the California Wine Industry,* 1984

William A. Dieppe, *Almaden is My Life,* 1985

Robert Mondavi, *Creativity in the Wine Industry,* 1985

John B. Cella, *The Cella Family in the California Wine Industry,* 1986

Joseph E. Heitz, *Creating a Winery in the Napa Valley,* 1986

Norbert C. Mirassou and Edmund A. Mirassou, *The Evolution of a Santa Clara Valley Winery,* 1986

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Myron S. Nightingale, *Making Wine in California, 1944-1987,* 1988

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Leon D. Adams, *California Wine Industry Affairs: Recollections and Opinions,* 1990

Charles Crawford, *Recollections of a Career with the Gallo Winery and the Development of the California Wine Industry, 1942-1989,* 1990

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Morris Katz, *Paul Masson Winery Operations and Management, 1944-1988,* 1990

Legh F. Knowles, Jr., *Beaulieu Vineyards from Family to Corporate Ownership,* 1990

Eleanor McCrea, *Stony Hill Vineyards: The Creation of a Napa Valley Estate Winery,* 1990

Peter Mondavi, *Advances in Technology and Production at Charles Krug Winery, 1946-1988,* 1990

Michael Moone, *Management and Marketing at Beringer Vineyards and Wine World, Inc.,* 1990

Cornelius Ough, *Researches of an Enologist, University of California, Davis, 1950-1990,* 1990

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Miljenko Grgich, *A Croatian-American Winemaker in the Napa Valley,* 1992

Zelma R. Long, *The Past is the Beginning of the Future: Simi Winery in its Second Century,* 1992

Richard Maher, *California Winery Management and Marketing,* 1992

John A. Parducci, *Six Decades of Making Wine in Mendocino County, California*,1992

Louis (Bob) Trinchero, *California Zinfandels, a Success Story,* 1992

The Wente Family and the California Wine Industry, interviews with Jean, Carolyn, Philip, and Eric Wente, 1992

John H. Wright, *Domaine Chandon: The First French-owned California Sparkling Wine Cellar,* includes an interview with Edmond Maudière, 1992

Charles A. Carpy, *Viticulture and Enology at Freemark Abbey,* 1994

Paul Draper, *History and Philosophy of Winemaking at Ridge Vineyards: 1970s-1990s,* 1994

Rodney S. Strong, *Rodney Strong Vineyards: Creative Winemaking and Winery Management in Sonoma County,* 1994

Charles F. Wagner and Charles J. Wagner, *Caymus Vineyards: A Father-Son Team Producing Distinctive Wines,* 1994

Warren Winiarski, *Creating Classic Wines in the Napa Valley,* 1994

Richard L. Arrowood, *Sonoma County Winemaking: Chateau St. Jean and Arrowood Vineyards & Winery,* 1996

Daniel J. and Margaret S. Duckhorn, *Mostly Merlot: The History of Duckhorn Vineyards,* 1996

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Louis J. Foppiano, *A Century of Agriculture and Winemaking in Sonoma County, 1896-1996,* 1996

Agustin Huneeus, *A World View of the Wine Industry,* 1996

Joseph Phelps *, Joseph Phelps Vineyards: Classic Wines and Rhone Varietals,* 1996

David S. Stare, *Fumé Blanc and Meritage Wines in Sonoma County: Dry Creek Vineyard's Pioneer Winemaking,* 1996

William Andrew Beckstoffer, *Premium California Vineyardist, Entrepreneur, 1960s to 2000s,* 1998

William H. Hill, *Vineyard Development and the William Hill Winery, 1970s-1990s,* 1998

Janet and John Trefethen, *Trefethen Vineyards, 1968-1998,* 1998

Frank M. Woods, *Founding Clos Du Bois Winery: A Marketing Approach,* 1998

William Andrew Beckstoffer, *Premium California Vineyardist, Entrepreneur, 1960s to 2000s,* 2000

Albert Brounstein, *Diamond Creek Vineyards: The Significance of Terroir in the Vineyard,* 2000

Arthur A. Ciocca, *Arthur A. Ciocca and the Wine Group, Inc.: Insights into the Wine Industry from a Marketing Perspective,* 2000

Richard Forman, *Launching Bordeaux-Style Wines in the Napa Valley: Sterling Vineyards, Newton Vineyard, and Forman Vineyard,* 2000

Justin Meyer, *Justin Meyer and Silver Oak Cellars: Focus on Cabernet Sauvignon,* 2000

L. Doug Davis, *History of Sebastiani Vineyards, 1955-Present,* 2001.

David Bruce, *The David Bruce Winery: Experimentation, Dedication, and Success,* 2002

Interview History

W. Andrew Beckstoffer is one of Napa Valley's best known wine grape growers. He came to the business from a non-agricultural business background, in both education and early work experience. That explains, at least partly, how and why he has injected a spirit of financial responsibility and grower pride into the agricultural community of the North Coast of California. He has also proved himself to be a high-technology innovator who has changed the business and science of growing grapes.

Born and raised in Virginia—he retains a pleasant Southern drawl of his early days—Beckstoffer graduated from Virginia Tech and took an MBA degree at Dartmouth. In 1966 he joined Heublein, Inc., in production and finance. His work led him, through a somewhat complicated series of events, to vice president of United Vintners, a subsidiary of Heublein, then to president of Vinifera Development Corporation, an offshoot separated from Heublein in 1973. Vinifera went from managing vineyards for other owners to buying its own vine properties and eventually evolved into Beckstoffer Vineyards, formed in 1973. This business soon became owner of large holdings in Napa Valley, and in Lake and Mendocino Counties as well.

Beckstoffer developed early a feel for negotiations and the importance of organizing politically, and in 1975 he helped found the Napa Valley Grape Growers Association. It became a crucial factor in determining how the Valley would be developed.

Developing the Bottle Price Formula has been one of Beckstoffer's major contributions to grape growers. He insisted that growers should figure ALL of their costs, including their own labor, and that their returns should be a fixed percentage of the bottle price of the final product—the wine.

The Napa County Winery Definition Ordinance which requires Napa Valley wineries to produce wines containing at least 75 percent Napa grapes, which was established under Beckstoffer's leadership, is perhaps second only to the Napa Agricultural Preserve in its importance to the preservation of Napa vineyards and wine integrity.

Beckstoffer is the first grower—other than winery owners who grow grapes as well as making wine—to be interviewed for the Wine Spectator Foundation's California Wine Oral History Series. The oral history reflects his careful and thoughtful consideration of each topic he spoke about. From the outline sent to him before the interview sessions, he made extensive notes and organized topics in a detailed and meaningful way. An oral history is as good as what the narrator puts into it; this one documents not only Beckstoffer's career and the history of Beckstoffer Vineyards, but also much of the history of Napa Valley.

He was interviewed on January 18 and 19, 1999, in his office in St. Helena, California. The offices are in an old house and the reception area contains a display of the wine bottles of the many labels his grapes have gone into. His enthusiasm for the project was apparent from the first, and it did not flag, even when he was asked to review some 350 pages of draft transcript. He made corrections where necessary to clarify the text, and then reviewed the corrected transcript again.

The Regional Oral History Office was established in 1954 to augment through tape-recorded memoirs the Library's materials on the history of California and the West. Copies of all interviews are available for research use in The Bancroft Library and in the UCLA Department of Special Collections. The office is under the direction of Willa K. Baum, Division Head, and the administrative direction of Charles B. Faulhaber, James D. Hart Director of The Bancroft Library, University of California, Berkeley.

Carole Hicke
Interviewer/Editor
January 2000
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

I Background: Growing up in Virginia

1. ## This symbol indicates that a tape or tape segment has begun or ended. A guide to the tapes follows the transcript.

Family

Hicke

I'd like to ask you to start by telling me when and where you were born.

Beckstoffer

I was born in Richmond, Virginia, in November of 1939.

Hicke

Okay, and let me ask you a little bit about your family. How far back can you remember?

Beckstoffer

Oh, I can remember back to my grandfathers. My grandfathers were both immigrants. One, Henry Beckstoffer, came over here in 1900.

Hicke

From where?

Beckstoffer

From Germany, from a little town outside of Osnabruck, a little town called Alfhausen in Germany. We went back and visited in the 1980s. He started a lumber mill in Richmond, Virginia. There was a group of German expatriates that were in Richmond, so he came because they could speak the language.

My grandfather on my mother's side was named Simonpietri, and he came from Corsica, France. He came over here, met my grandmother, and started a grocery store chain in Richmond, Virginia.

So both of my grandfathers were immigrants, they were poor, and they were both entrepreneurs.

Hicke

Can you give me your grandmothers' names?

Beckstoffer

My grandmother's name was Sophie Beckstoffer, and the one on my mother's side was Alma Dominici Simonpietri.

Hicke

Did they have any connection with wine?

Beckstoffer

None whatsoever. I don't remember even my French heritage people having wine at all.

Hicke

Tell me about your parents.

Beckstoffer

My father was Herman Joseph Beckstoffer, and my mother was Rosemarie Simonpietri Beckstoffer.

My father was an amazing man. He was one of five children, and in those days he took care of the family. He, after graduating from high school as a great athlete, took over the family business very early and took care of his brothers and sisters. One of the most outstanding things about my dad is how he took care of his family *and* took care of my mother's family, as well. Dad ran the family business, H. Beckstoffer & Sons, lumber and millwork. He was the greatest business man in the world, in terms of really knowing what was going on, knowing what his limitations were, knowing what his business was.

And then my mother was quite French, a wonderful woman. I was one of eight children. I was the second oldest of eight children. I have two sisters and five brothers. But I had a wonderful childhood, a really wonderful childhood.

Hicke

Can you tell me what some of your primary influences were: family, friends, or teachers? That kind of thing.

Beckstoffer

My influences were, first of all, I was an athlete in grammar school and then in high school. I went to college on an athletic scholarship to play football.

But, also, we always had to work. I mean, I had to work every summer. All the guys were playing baseball, and I couldn't play. From the very beginning, my parents made us work. I went over and worked at Dad's mill when I was in the eighth grade. I keep telling my children that I started out working fifty hours a week for fifty cents an hour. I made twenty-five dollars a week. I'll never forget it.

My mother and my father both were great influences. That would be probably my father maybe more than my mother. I don't know.

Hicke

This work ethic—did you work because the family needed money?

Beckstoffer

No. It's what you did; it was simply what you did.

Hicke

And I suppose your brothers and sisters did the same.

Beckstoffer

Well, it seemed like as it got later my brothers and sisters didn't have to work as hard as I did [laughter], which is usually just the way, I think. Mostly we always worked hard, but we had to work at the mill, and then even during school we had to work on the weekends, gardening around the house. I mean, it was clear that's what you did.

Another important thing about my childhood is that when I was in the eighth grade, my wife was in the seventh grade, and we were both at little Catholic schools in Richmond. We started dating then, and I don't think either one of us ever had a serious boyfriend or girlfriend after that, since back in the early fifties.

Hicke

What is her name?

Beckstoffer

Her name is Betty—Elizabeth—and her maiden name was Kusterer.

School Days

Hicke

How about studies in school? Did you like anything in particular?

Beckstoffer

I liked two things, which is not going to surprise you. One was history, and one was quantitative things. I always liked math, and then I liked calculus, and I liked geometry, and I also liked things that were logical. You'll find as I go on to graduate school that business policy interests me, the logic of putting things together. But I was always very quantitative. And then history—I hated geography, loved history. It seemed like that was the break; you liked one or the other.

Hicke

Was this pretty much all through high school?

Beckstoffer

Yes, all through high school, and then—you don't take history any more, I think, after high school. I didn't. I would take some little history courses, but I would *read* history, after that.

But, certainly all through high school, I did better in math classes than I did in English. Then, in college, I was into engineering/science. Then in graduate school it was all quantitative again.

Hicke

Back to high school and early family days, what kind of vacations did your family take?

Beckstoffer

Very little, very little. I mean, I can remember a couple of weeks we went to a place down on the Chesapeake Bay, but basically we didn't take vacations. There were just too many kids, and my parents sort of didn't have the means. I hesitate to say we were not well-to-do, but we didn't take vacations. We worked. I mean, people worked.

Hicke

What about holidays and birthdays and things like that?

Beckstoffer

Birthdays never were a big deal, but Christmas was a big deal, Easter was a big deal, Halloween was a big deal. The thing is that back in those days, I can remember *now* we seem to orient much more around business and business associates—we lived totally in our neighborhood. All the people who came to my house to visit my mother and father were neighborhood friends or friends from my school or church. There was no business orientation, so the things in the neighborhood were the important things, and those holidays were the big holidays.

Hicke

Let's see what else we need to cover here. What about social occasions with your friends?

Beckstoffer

Social occasions we had, and again, it was very formal. Every Friday night we had the B-Teens. I went to St. Paul's Catholic School, elementary school, and Betty went to St. Benedict's, and then there was a St. Patrick's and a St. Bridgets. And at one of the schools we would have a little B-Teen where the nuns and some parents would supervise, and we would all go to this little dance party type thing. I don't know why they called them B-Teens, but that was the name.

Hicke

It's like pre-teens, I suppose.

Beckstoffer

Yes. Pre-teens, I guess. But that's what we did. And then I can remember riding my bike over to St. Benedict's, and my friends would be there, or my father would take me. But that was the extent of the social life.

Hicke

How about high school?

Beckstoffer

Same thing. Then it was all Benedictine High School. Benedictine High School was an all-boys' school, and it had compulsory junior ROTC, so we had a corps of cadets.

Our girls' school, our sister school, was St. Gertrude's High School. My mother was in the first graduating class of St. Gertrude's High School, and my father was a graduate of Benedictine, 1927. Betty went to St. Gertrude's. And so it was strictly Benedictine and St. Gertrude's, and we still had these B-Teens. We still had these Friday night things. We had a very formal dance, a military Figure, once a year, which was a very important thing. But it was all pretty simple; it was pretty simple, although, compared to my kids, we *dated* somebody. Whereas my kids seem to hang around in packs, we sort of paired up a little bit sooner than they did.

Hicke

Is there a little bit left over of the old South in all of this?

Beckstoffer

Oh, I think so, I think so. I mean, there's certainly the South in this in that it was all very white, it was all very gentile. I can remember in grammar school that my mother would take me to the Ginter Park Social Club, and they would try to teach us to dance. We were never socialites, by any means, or debutantes, or anything like that.

I was born in the South, I went to school in New England, and I live in California, and it's very clear that in the South the most important thing is your family. If you've got a good family, you're going to be all right. If somebody meets you, they want to find out how the family connections work. In New England, it's strictly where you went to school. If you went to Harvard or Yale or Dartmouth or one of those schools, you're going to be all right. They just know that's the fraternity that is the most important. In the *West*, nobody cares where you were born, nobody cares where you went to school, it's strictly production: what do you do for me *now*... [laughter] because everybody is sort of not from here.

But it was a very family-oriented society. We did things with our family, and Betty did things with her family, and my mother and father and Betty's mother and father double-dated when they were growing up; so they were part of this sort of extended family, if you would. They had known each other long before we were born. And, in fact, there was a St. Mary's Social Club picnic where they took all the kids to Buckroe Beach, and Betty and I were taken to Buckroe Beach together when we were three and four years old.

Hicke

That's really an interesting perspective, having lived in all the different parts of the country.

Beckstoffer

Yes. It's really different; it really is very different. It's just how the culture works, how the system works.

Hicke

Have you been back to Virginia?

Beckstoffer

Oh yes. I go back. I have one sister who lives in Pennsylvania, one sister who lives in Waynesboro, Virginia, and everybody else lives in Richmond. And, interestingly, again, nobody in my family works for anybody else. Everybody is an electrician or an architect or a general contractor or a nurse. They're all this entrepreneurial thing that seems to go back to my grandparents' world.

Hicke

That's really interesting.

Beckstoffer

My mother is still alive; my father died a year and a half ago. But I go back to see her; I probably see her three or four times a year.

Hicke

I'm sure that things have changed—

Beckstoffer

Oh yes, they've changed.

Hicke

—from the sort of culture you're talking about, in some sense.

Beckstoffer

I think so, but when I go back, I pretty much stay with my mother, and I hardly even see my friends from high school; very early on we would, but mainly it's going back to see my mother and see my brothers and sisters, and that takes all the time I have.

Hicke

Sure.

Beckstoffer

So, I wouldn't be an authority, but I know it's changed. I mean, I can tell from my brothers and sisters that it's changed.

Virginia Polytechnic Institute

Hicke

Right, very interesting. Well, how did you decide where to go to college?

Beckstoffer

I was recruited as a football player. I was an All City/All State football player, and I was recruited by several schools. I can remember when the fellow from Yale came down. I wouldn't even see him because I figured if I went to Yale I would certainly lose my religion at that awful place where you heard all these liberal ideas and things. But I was recruited and went to Virginia Tech, to VPI [Virginia Polytechnic Institute], on a football scholarship.

Hicke

What position did you play?

Beckstoffer

I was a guard; I played in the line.

Hicke

Did you play all the time you were at Virginia Tech?

Beckstoffer

I played for the four years that I was at Virginia Tech. I never lettered. I never was any good, they say, but I think the important thing is that, when I think back on it, I never really tried really hard; I never really extended myself when I was at Virginia Tech, either in athletics or in academics. In academics I did quite well, but I could have done a whole lot better. In athletics I played for the four years, but I never played very much.

Hicke

If we go past any of the things that you've made notes on, don't skip it.

Beckstoffer

You've been doing just fine.

Hicke

What about studies at Virginia Tech? What did you do?

Beckstoffer

What I did was, my father was in the lumber and millwood business. For example, before 1976, he did major work on the restoration of Williamsburg, Virginia. He redid everything that had any dry rot at all at St. John's Church in Richmond, Virginia. "Give me liberty or give me death."

That he redid. He was in the lumber and millwood business, and I worked over there for a long time.

So I wanted to be in engineering, but I really didn't want all of the detail of electrical or mechanical. I considered architectural engineering, but I really didn't want that. And VPI had a curriculum called

"Building Construction," which was sort of architectural engineering, but it was building houses, and I thought that was what I really wanted to do. So that was the curriculum I was in in the architectural engineering department. And, you know, I enjoyed it. It wasn't so intense, so I could play football, which was quite demanding to do, but that was the class I was in.

In graduate school I remember some important classes, but at VPI I don't remember that many important classes. VPI had a corps of cadets, so I was in the corps, which was ROTC, and I went into the army after that, later.

Probably the most important thing I did was I got married my junior year. [laughter] And I was one of these—I mean, after football season, most every weekend I was driving home to Richmond, rather than drinking beer and doing all that stuff at school. I did some of that, too, but mainly I was going home. Or, you know, Louis Armstrong and Billy Butterfield and those guys were coming through for these major dances where the girls wore crinolines and the boys wore their military uniforms. So it was, again, more a Southern thing, either a Southern or military thing there, as well.

Hicke

What was Betty doing?

Beckstoffer

Betty? She started out in college at Mary Washington College, and then her mother became very ill so she had to go back home and help her family. She was one of five children. She was the next to youngest. Then she went to secretarial school, then she was a secretary at Medical College of Virginia, then she got married, and then she came to Tech. She was a year behind me, so she came to Tech early after what would have been—it was after my junior year—it would have been after her sophomore year in college.

Hicke

And what did she major in?

Beckstoffer

I don't really know. She didn't graduate from college. She graduated in taking care of me, I guess.

Hicke

All right. Sounds like a good program.

Beckstoffer

That was a very Southern program in those days. Lots of our friends married their grammar school sweethearts, and they married them before they got out of college.

Hicke

Okay, so you graduated with a major in—

Beckstoffer

Building construction, class of 1961.

Hicke

Yes.

Beckstoffer

And I went to work for the Chesapeake and Potomac Telephone Company. That was a really good job. I remember I was paid $4,800 a year. It was a very good job in 1961. And I went to work in Washington, D.C., right after I—well, *soon* after graduation. I stayed around a little while because my first son was to be born, and he didn't come, and I said the only way he was going to come was when I had to leave.

Hicke

Yes, then it will happen.

Beckstoffer

And it happened. So I went to work for the telephone company.

Hicke

What were you doing?

Beckstoffer

I was in the engineering department. In Washington, D.C., there are no telephone lines above ground; they are all underground, so I was in the business of building manholes and designing systems that would get the cables from one place to another. I went to work in July.

Military Service of the Presidio, San Francisco

Hicke

What year are we in now?

Beckstoffer

1961. In December of 1961 I was to report to the Presidio of San Francisco because I had a two-year army requirement. I was a second lieutenant, and I was stationed at the Presidio of San Francisco, so I came to California.

Hicke

[laughs] I knew there were some people that were stationed there, but I've never met one yet.

Beckstoffer

We went on this bivouac after my junior year, and we came back, and we all had assignments, but when we went to get our assignments, they cancelled them all. The next day we were given this thing called a dream sheet, which is a preference for the place you want to be based in the United States.

Hicke

So they would know where *not* to send you.

Beckstoffer

[laughter] That's generally the case, but I was there with a friend from California, and I said, "What are the nicest places?" He said, "The Presidio of San Francisco and Fort Ross, Washington." So that's what I applied for, and I got the Presidio of San Francisco. They hadn't seen a second lieutenant at the Presidio of San Francisco for a zillion years, so they treated us very well, really very very well.

Hicke

Did you actually live there on the base?

Beckstoffer

No, I didn't. I didn't get housing right away, so we came over and found a place in Mill Valley. I found a place, and I got to manage the apartment house, which was very good for me. I think I paid $25 per month, and I swept the halls, and I would show the new apartments and things of that sort.

We finally got housing on Fort Scott. It was about three months before I was to separate from the army, and so we didn't take it, but I would have taken that earlier, if I could have.

I was in the Transportation Corps, and I was really lucky in that I got to run the motor pool. In the motor pool I was the motor officer, so I had a budget of a hundred some thousand dollars, and I had the responsibility of servicing vehicles to six major general commands. There were six generals. I had the vehicles for six generals. Plus, being in the transportation pool at the Presidio, I had like five E8s, which is as high as you can go in the enlisted part of the army, and those guys really took care of me. I found out right there that the sergeants run the army, and if you have any sense whatsoever, you pay attention to your sergeant and you pay attention to your secretary. [laughter] I learned that early, and they taught me that early. That was a great experience for me; it was really a great experience for me.

I got to travel some on space-available flights. We took my son to Japan.

Hicke

On space available?

Beckstoffer

When space was available on an army plane you could travel free with your family. Another thing that happened was that in those days it was just sort of the start up of Vietnam, I guess, and there was a lot of sensitive cargo going to the East, and all this cargo had to be accompanied by an officer and some enlisted men. So, since I was in the transportation pool, I knew some people who could get me in on this courier service, and I took eight little cans of *something* to Seoul, Korea, once, with seven enlisted men.

And I tell you, I got caught on an island. It was Iwo Jima or one of the islands in the Fujiya chain or something like that—I forget. But they wouldn't move me. I couldn't get anybody to pick me up and take me to Seoul, Korea. So I will never forget it. I went and I told the commander I needed to send a—I guess we'd call it a twx, in those days, a twx—send a twx to the commanding general of the Sixth Army, for whom I was working. I said, "I'm going to send a thing that says I'm unable to move my cargo due to the lack of cooperation of the United States Air Force." [laughter]

Hicke

Oh, I love it.

Beckstoffer

And the guy said, "You really want to do this?" And I said, "I want to do it." I had been back and forth, up and down that island. They'd take a whole convoy of trucks for these eight little cans, and we just about killed a dog and we about killed a child, because these soldiers are just racing up and down the roads, and I just didn't want any part of that. And so I stayed seven, eight days, something like that. I got moved, though.

Hicke

You did?

Beckstoffer

You bet your boots I got moved. And I got to Korea, and this—I'll never forget this—this chief warrant officer came out of the hills, and he had six little cans for me to take back. I said, "No thank you. Unless you can assure me that I'm going straight back, I'm not taking those cans."

Hicke

What are these cans? What kind of cans?

Beckstoffer

It was super-restricted data. I don't know what was in those little cans, but I had eight little cans. And in my safety deposit box today, I *still* have the receipt for those eight little cans, if anybody ever wants to check that. [laughter]

— 12 —

Hicke

Oh, that's great.

Beckstoffer

But the military was good to me.

Hicke

You must have been saluting every time you turned around at the Presidio.

Beckstoffer

You do. There were so many lieutenant colonels, lieutenant colonels were like peanuts. [laughter] They were everywhere. They were just everywhere.

But they treated the lieutenants okay; I mean, they really treated us okay. I had a good experience in the army, a really good experience.

I have a lot of stories. I don't know if you're interested in this. I was a court officer—a lawyer—not a lawyer in fact, but a lawyer for the defendants. I mean, if the army would charge a soldier with something, lots of times to try to get people out of the army, they want to get a Summary Court Martial on them, and they give them thirty days in jail and they're out of the army. So, this one kid, he was guarding some prisoners, and he put his rifle down to play pool. You know, it wasn't a big thing; he just set his rifle down. They charged him with willful dereliction of duty. So I was his lawyer.

I tried to get them to throw out the case because it was not *willful* dereliction of duty, he had just—and I'll never forget there was this mustang major who was head of the panel. He gave me about five minutes of that, and he said, "We're going to try this case." But, right after that case, I began to be the lawyer for the government. I was no longer a defense lawyer; I was then the *prosecution* lawyer, and they weren't going to have any more of that. [laughter] So that was kind of fun. That was fun. But it was a good time. It was a very unusual time.

I just want to talk some more about that time in the islands. There was this young lieutenant stationed there. We went into town a couple of times because I was stuck with nothing to do, and I could put this stuff—actually put these little cans in the brig, but his commanding officer didn't want him playing in town with me so he sort of gave him house arrest, and then *I* couldn't go out anymore, either, so I was *really* wanting to be off the island. [laughter]

Hicke

Well, how long were you stationed at that terrible place?

— 13 —

Beckstoffer

At the terrible Presidio? I was stationed at the Presidio from 1961 to 1963, and my wife left. My second child, my daughter, was to be born on my ETS, the Estimated Time of Separation. So she left on doctor's orders, I guess, three months early, and I lived in Sausalito, then, with a buddy of mine. Then I drove my car cross-country and arrived in Richmond, Virginia the day my daughter was born; that night my daughter was born.

But I was out of the army, then. At that time Vietnam was heating up, and we could have signed on for another year, and they couldn't move us—that's what they said. And if Betty hadn't already left, we probably would have signed for another year, and that probably would have been stupid, because the not-being-able-to-move—they can change that very quickly, and I could have ended up in Vietnam, but I didn't.

Hicke

Did you get up as far as the Napa Valley while you were here?

Beckstoffer

Oh yes. This is really where I got my first introduction to wine. We would come to the Napa Valley on weekends. That was the thing then. With a small child and no money, we would come here, and we would buy wine in the PX [post exchange]. We bought Christian Brothers wine—always bought Christian Brothers wine—and Betty bought this—Betty liked the sweet stuff, and I liked the dry wine.

I remember when I went back home and I went back to work for the telephone company in Washington again, we couldn't afford anything. We would get these big jugs of Gallo wine and put them in the refrigerator and then have a couple of glasses a night. It wasn't the same thing, so we sort of started swearing off of wine for a while.

Hicke

So you just stopped drinking wine?

Beckstoffer

We stopped drinking wine. Every now and then we would remember it, but we stopped drinking wine.

But I tell you, that thing I remembered always, because much later when I went to work for Heublein and got in the business of buying companies, I tried to talk them into coming out and buying Charles Krug, because I remembered Charles Krug as just being a fascinating winery.

Hicke

There must have been only five or six wineries. I don't know how many there were, but not that many.

— 14 —

Beckstoffer

Well, I know *now* how many there were in 1963. I know now there were twenty-nine wineries.

Hicke

There were that many?

Beckstoffer

There were twenty-nine wineries in 1963, because in 1965 there were twenty-nine wineries, and in 1966 Robert Mondavi was the thirtieth winery in the Napa Valley, and the first new winery in thirty years. *But* —and we'll get to this later—in 1970 there may have been twenty-nine bonded facilities, but there were only six major wineries: Inglenook, Beaulieu, Beringer, Christian Brothers, Krug, and Martini. Back in those days it was certainly not Robert Mondavi. It was those six, and they dominated everything.

Hicke

I need to turn this tape over.

Graduate School: Amos Tuck School at Dartmouth, 1964 and 1965

##

Hicke

Do you want to say more on that? Or should we go back to Washington, D.C., and pick up your story there?

Beckstoffer

Well, again, we leave the military, and I go back to the telephone company, and it was probably when I was in California that I became interested in going back to school. Well, in grammar school I don't know how many people were in my class, maybe thirty people from high school—I'm sure not ten of them went to college.

Then when I graduated from VPI there was no talk that I remember of anyone going back to graduate school. That's just not what you did. The drop-off of my class was just massive. People would just go on to work; after a while, they would just go to work. A college education wasn't that important, not in Virginia, and not in 1960. I graduated from VPI in 1961. So in the late fifties people would just go to work. The education wasn't as necessary as it is today.

Hicke

Why did *you* go to college?

Beckstoffer

To play football.

Hicke

But had you planned to go to college?

Beckstoffer

Well, I would have gone to college anyway, yes. My parents—my father didn't go to college, my mother went to college, but I was always going to go to college. I was a good student and I liked it. I was curious. I liked going to school. Yes, I would have gone to school somewhere.

Hicke

Okay. I interrupted you back when you were talking about graduate school.

Beckstoffer

What happened was that no one went to graduate school. There was no thought of it. I had the military duty, I was going into military duty, and then I was going to go to work. But I came out here and I got with this group of officers, and two things were important. One was John Kennedy came, and I was with a hundred and some thousand people.

Hicke

He came to the Presidio?

Beckstoffer

No, he came to the University of California at Berkeley and spoke, and I was just really motivated. He was very motivating. I don't know why, it's just—I'm sure there are lots of people of my generation who were motivated by that man.

Hicke

To do what?

Beckstoffer

To do something with your life. Because at VPI, as I said, I really never extended myself. I mean, I just didn't. I was a pretty good student and a pretty good athlete, and so—

Hicke

It came easy.

Beckstoffer

It came easy, and I didn't try to do much else. The second thing was that all of my friends—my second lieutenant friends—were either going back to get a law degree or to get an MBA, and so I decided, well, I think I'd rather get an MBA. I like the business aspect of this; I want to be an MBA. So I went back to the telephone company, and I was going to try to convince them to pay for my graduate degree, and then I would come back to work for them, because in those days, sometimes your employer would pay for your graduate education.

Hicke

Can I just ask, was this part of AT&T?

Beckstoffer

Yes. Ma Bell, part of Ma Bell. Yes.

But Betty really didn't want to go back. We went back to the telephone company, and I was doing quite well there. I think I got up so I was making ten thousand dollars a year. We now had a second child, and I wanted to go back to school to get poor again, I guess. [laughter]

I applied to Stanford because I had seen it out here. I was not accepted. I applied to UVA [University of Virginia] and the Amos Tuck School at Dartmouth, because the Amos Tuck School was really one of the best schools, and it was small. There were ninety-nine students in my class, two hundred students in the school, whereas I think at Harvard they have three hundred students per class. I was not accepted at Stanford, and Virginia was just too close.

I can remember that. I got the Harvard application, and the other applications would say, "Describe the most important thing you've done in your life." I got the Harvard application and it said, "Describe the *two* most important things you've done in your life," and I couldn't think of a second thing. [laughter]

Hicke

What was the one thing you could think of?

Beckstoffer

I don't even know. I don't know what the first thing was, but I can remember thinking, "I'm not going to do this. I'm not going to do this."

But I was accepted to Amos Tuck, so we visited up there, and the ivy looked dirty. [laughter] We had two kids, and we went to the student housing—it was called Sachem Village. Sachem is an Indian name, I think. And there was a couple there that had a new baby, and rather than have a crib they had a bureau, and they would pull the drawer out and put the baby in this as a crib, and Betty said, "No way we're coming up here." But in those days we weren't so democratic, so we went to school because I wanted to go to school. [laughter] The democracy didn't work very well. But we went. I went to Dartmouth.

They did lend me a lot of money—the school did. Most of these schools, when you get accepted, they find a way to get you in, and so they did all this financial support thing, and we had saved a little bit of money, so we went to school in September of 1964.

Hicke

Did Betty survive that?

Beckstoffer

She survived that very well. She was a great support to me. We got an apartment over in Wilder, Vermont, and she took care of the two kids.

I mean, I had been out of school for two years now, I was in school with the best of the Dartmouth graduates and the best of many of those other schools where they studied more than we did at VPI anyway, and I had been working.

My study room was the basement, and it was cold. I remember we bought some rugs, and I hung some rugs up in the basement so I could cordon off a small spot that I could heat up with a small heater. I would come home, and we would throw a football or something or talk to the kids a little bit, have my lunch, go down to work, come up for the dinner, go back down and study again until about two o'clock, get up in the morning, and then come back and do this just over and over again.

Plus, I had a job. The assistant athletic director was a friend of my football coach, so he let me work on football weekends, checking parking and working in the press box handing the television announcers these cards about who the players were, and he gave me some tickets that I could then scalp. Then I worked at the Hanover Inn. I worked at the Hanover Inn like four nights a week carrying drinks and waiting on tables. Then, also, I was now a veteran, right? So I joined the Reserves. And if you went one day a month, they paid you for a month, and so I would go to Army Reserves one day a month, I think it was.

Hicke

Did you ever sleep?

Beckstoffer

You don't need a lot of sleep, you know; you're young and tough and you're motivated, but it was a good time.

In the summer, I worked for two professors. One, the major mentor, if you will, was Professor Brian Quinn, who was the production guy. Then there was a marketing fellow who—I can't even remember his name. In those days, computers were done with cards; they were just stacks of cards.

Hicke

Those IBM cards?

Beckstoffer

IBM cards. I can remember one night I worked all night, and in the middle of the night I dropped a couple boxes of cards. And, you remember, they were sorted by holes. You

couldn't look one-two-three-four-five; you had to check the holes. Then I worked for Hanover Inn that summer.

In those days, they had "concentrations" at the Tuck school, so my concentration was production, but it could have been finance. You can take a number of things. Take three courses, and you've got a "concentration" in your second year. But that's what I did there.

Hicke

And that was two years?

Beckstoffer

Two years. We drank powdered milk. They were very difficult times, but it was sort of the time when I started really to go for it. I *didn't* in college by any means, but I was sort of motivated by the California experience. So I ended up being a class officer in something they called the Clearinghouse, I think it was. They had something where it was the Liebowitz Award, where your fellow students pick the outstanding guy in the class, and I got the Liebowitz Award. Then the largest fellowship at the school—Gulf Oil Company gave a fellowship, and I got that fellowship my second year.

Hicke

That's on grades? The fellowship?

Beckstoffer

I don't know what it's based on. It's certainly based partly on need, and I guess you had to be something in addition to that, you know. But I needed it. I'm sure part of the reason why I got it was that I needed it. [laughs]

Hicke

So two years at Dartmouth.

Beckstoffer

Two years at Dartmouth, and then—oh, the things that you asked on the outline: favorite courses. There were two courses that were clearly my favorites then. One was called Business Policy, where we got to run the company and decide where things were going to go. There were no entrepreneurship classes in those days, but that would have been an entrepreneurship class. Secondly was a class we called CAWE [spells]: Case Analysis and Written Expression, where you would get this case study, and you had to analyze it and then write a written report. It was really important that you be able to understand what goes on and be able to put it down succinctly. And that was a favorite course of mine, as well, and I liked that—analyzing something and trying to get your arms around it and trying to make some sense of it.

Hicke

Did it have something to do with production costs or marketing?

— 19 —

Beckstoffer

It was all sorts of problems, all sorts of problems. There would be finance problems, there would be marketing problems, there would be production problems. You had a "concentration" in production, but you did take marketing classes, too; especially your first year, there is a required curriculum in the first year.

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II Heublein, 1966-1973

Joining the Company

Hicke

Anything else about those two years?

Beckstoffer

No. Well, an important thing about the *end* of those two years was that the place you wanted to go to work was McKinsey & Company, the consulting firm. So I interviewed at McKinsey, and I interviewed at McKinsey. I interviewed with twenty companies, I think, but I interviewed with McKinsey in four cities: Boston, New York, Washington, and San Francisco. Finally, they made me go to a psychologist—I forget where it was; I think it was in New York—to do some sort of testing, you know, your psychological testing. And they didn't offer me a job. I found out later—because you can go back and get those records—that they said, "You shouldn't be a consultant; you should run something; so we're not going to offer you a job." But they didn't tell me that then, and I was very upset about that, and the dean was upset, and everybody was upset.

I decided that I wasn't going to go back to work for a public utility. The telephone company had offered me a job to come back, but I said, "I'm going to join the company that I think is the most free-enterprising company I can think of," and one of the companies was a little New England company who sold Smirnoff Vodka, which was basically changing grain neutral spirits into vodka and putting it in a bottle and charging a lot of money for it, which seemed to me what America was all about, right? [laughs] So I went to work for Heublein after Dartmouth in 1966. I graduated in 1966 and went to work for Heublein.

Hicke

So you already knew then that you wanted to do something in an entrepreneurial way?

Beckstoffer

No.

— 21 —

Hicke

I mean, you must have had some sense, because you didn't want to go back to the phone company.

Beckstoffer

But Heublein was a big company, too. I didn't see this. I mean, I couldn't see it. If you were to talk to me then, and even later, up until 1970, I would have said, "I'm going to be in the corporation forever." Maybe I wasn't paying enough attention, but I thought that I would save the corporation. I didn't anticipate the circumstances in 1973 that led me to entrepreneurship. But I was fortunate at Heublein. They had not seen an MBA before; they did not know what to do with me. It was a little, New England company then. I mean, they had Smirnoff and A-1 Sauce, and it was just making money hand over fist.

Work in the Finance Department

Hicke

What were you put to work doing?

Beckstoffer

First of all, I was put in the training program, and I just wouldn't have it. Basically, they would say, "You're going to spend six days in the accounting department, and then a day and a half—" I said, "Come on." And so finally I figured out that in a company like this you don't want to be in production; in a major marketing company you don't want to be in production.

So two things happened. One, they got a new president, a guy named Stuart Watson, who was exciting. I guess Stuart was forty-nine years old, and he wanted to expand and diversify the company. And, second, there was a director of finance, a fellow named Ed Hennessey, who was like thirty-nine years old, and he wanted to do some new and exciting things. So I went to work in the finance department for Hennessey.

They didn't know quite what to do with me. And this was a sort of right-place-right-time thing. Heublein was a public company, but the head of Heublein was a guy named Mr. John Martin, and he was the chairman of the board. His mother had been a Heublein, but he bought the Smirnoff brand from this little Russian immigrant, and so he was the biggest shareholder, et cetera, et cetera. And he wanted me to come to work for him on his cattle business.

Hicke

Where was his cattle business?

Beckstoffer

He had a farm up in Connecticut, raised Charolais cattle, and he wanted me to just be his financial guy. I resisted. I mean, I was an MBA, and I was going to be in a corporation. But finally we worked out the combination that I would work for him some, but the important part about that was it gave me great visibility in the corporation—working for the big guy, if you would. But, also, Watson wanted to expand the company. Hennessey wanted to expand. I was an MBA. So they allowed me to do lots of things: like they had never had a long-range planning department at Heublein; they just made money on Smirnoff and A-1 Sauce and paid dividends. So I can remember they made me the long-range planning guy, and I showed them how much of their new money was coming from products in addition to Smirnoff and A-1. There was Grey Poupon [mustard], there were other things that they had bought: Jose Cuervo Tequila and other things.

Hicke

So you did an analysis of the profits and the sales?

Beckstoffer

Of the company, of just what would fit with the company. Then I said what we ought to do was we ought to get an acquisition program going for products that fit with what we had. We weren't in the vodka business; we were in the disposable consumer product business. I can remember coming out and trying to buy Kikkoman Soy Sauce. I can remember trying to buy Redi Whip. I can remember trying to buy Ligget & Meyers tobacco. But we defined what business we were in a little bit differently. People had been saying, "You're in the booze business."

Acquisition of United Vintners

Beckstoffer

Then, again, things happened quickly. I came in June of 1966; in a month or so I'd gotten out of that training program (so maybe it's 1967 now); I started the acquisition business thing then, and that went on for a while. Then, all of a sudden, this fellow named Gomberg comes to us and says, "There's something for sale called United Vintners, which is Italian Swiss Colony."

Hicke

He just approached you?

Beckstoffer

What happened was that Heublein had been making vermouth in California forever, and Harry Baccigaluppi and California Grape Products had been making that product for us. In other words, it's white wine and some spices and things.

That's how you make vermouth. So they knew Lou Gomberg, and so Larry, I guess—Larry Solari who was the president of United Vintners—went to Lou Gomberg to say that he needed to do something, and then somehow or another Gomberg's friend Harry Baccigaluppi said, "Why don't you call John Martin at Heublein?"

Hicke

So were the company officers interested or did you have to persuade them?

Beckstoffer

Well, the thing was, remember now, I was this young, twenty-seven-year-old MBA, so I'm not persuading anybody of anything right now, but what happened was that—. I can remember that it came into Hennessey's bailiwick, and there also was an executive vice president, a fellow named Ed Kelley. And they had nobody in the company to look at this thing. Who was going to look at this thing? So what they did was they hired McKinsey & Company—interesting—to do an analysis, and what they did is they put two guys from McKinsey and *me* as the team to go and analyze United Vintners.

I came out here with a McKinsey team member named Dusty Rhoades. We may have done that once; we may have done that twice, and then we went to New York, and I stayed in New York for nine days. My wife loved it, and the two small kids! Actually, at this point, I've got four children.

We were in New York for nine days, we would just go in the closet with the McKinsey people, and we'd write the report. It wasn't a report about whether United Vintners was something that Heublein should be attracted to or not. Stuart Watson had told me, he said, "Don't come back and tell me it's not an attractive acquisition. Tell me what I need to do to *make* it an attractive acquisition."

Hicke

Oh, that's interesting.

Beckstoffer

A different approach to what was going on.

Hicke

Yes. So what did your report say? Or are you getting ready to tell me about it?

Beckstoffer

Actually, I have the report. It's one of those documents that I can show you. We presented this report to the Heublein executive committee in May. I made the report in the Heublein executive room in May of 1968, and it said there were only two big people in the wine business: one was Gallo, and one was United Vintners. United Vintners was

bigger than Gallo. Gallo's sales were about the same in volume, but United Vintners was bigger in revenues because they had the dry table wine business, which is Inglenook and even Petri and some other wines like that, which made it bigger. They did have Inglenook, which they had just bought from John Daniel maybe three years back. The report talked about the California wine business being a low-margin business with grape crops being very volatile. It talked about the fact that it was only in 1967 that dry table wine had sold more than sweet table wine in the United States. Would that continue? But the trend was strictly from sweet to dry in the business that we wanted to go into, and Heublein had some experience in the wine business in that they had imported Harvey's Bristol Crème and some Harvey's classics for a lot of years, a totally different business.

Hicke

Was there any talk about red or white?

Beckstoffer

No. We didn't talk about red or white wine; we talked about the need for black grapes and the need for white grapes, but that's all.

Let me see if I can find something else here. [searches notes] Okay. But what we said was that the thing that you have to do is that you have to sell the high-margin items, which are dry-table-wine items, and what we said is that there can be premium dry table wine business. I think that report was the first to say that premium table wine is a business that could grow and could be very beneficial.

Hicke

Now, who said that? Did you get it from Louis Gomberg?

Beckstoffer

We got it from our analysis during the study and poring through everything we could find out. We talked to a zillion people. We would have talked to Louis Petri at that time, we would have talked to Solari, we would have talked to all the executives in United Vintners, we would talk to Louis Gomberg, we would talk to Horace O. Lanza, we would talk to Harry Baccigaluppi—we just talked to everybody. Then we would analyze the data.

Our report said, "If you're going to do that, if this is going to be an attractive acquisition for Heublein, one, you must convert the mix from sweet to dry and probably premium dry wine, selling it for more than two dollars a bottle," which is what it sold for in those days, and, as a result, replace port, sherry, muscatel with burgundy and chablis.

— 25 —

Secondly, and I never forgot this, was you have to get the quote unquote "right grapes." We didn't know quite what the right grapes were, but we knew if we were going to build this business, we weren't going to be able to do it with Thompson's Seedless grapes. We weren't going to be able to deal in the lower San Joaquin. We had now been exposed to the Napa Valley in Inglenook, and it was very clear that the right grapes were the kind of grapes that grew in places like the Napa Valley, and we had seen them also in Mendocino County. Thirdly, you needed to minimize the grape price fluctuation. You look at grape pricing—[siren which has been going off gets louder then stops] But we had to minimize the grape price fluctuations, and I think that becomes important later with regard to our relationship with the Allied Grape Growers, who owned United Vintners and sold it to Heublein.

But we made that presentation, and based on that presentation, they said, well, we should go forward and look at it more carefully.

Hicke
They?

Beckstoffer
The executive committee of Heublein said we should go look at it more carefully. So I was basically given that responsibility.

Hicke
How about the question that Stuart asked you—how can I make this—?

Beckstoffer
He said you have to do three things. He said, "One, can you convert the mix from sweet to dry?"

Hicke
And your answer was yes.

Beckstoffer
Well, the answer was that we had to go *see* if we could. We hadn't made the decision to buy yet; we made the decision to move further. Two, can you get the right grapes and three, can you minimize these grape price fluctuations? *If* you can do that, then this will become an attractive acquisition.

So I was sent out to California to get more information. And you see, two of those conditions relate to grapes, which is interesting, and it's something that Heublein had never been into before, because it was clearly a low-margin commodity business in those days.

Hicke
And agriculture is a whole different ball game.

— 26 —

Beckstoffer
A totally different ball game. Heublein used to go buy some grain and convert it to Smirnoff liquor. So I spent at least a day of forty-eight of the fifty two weeks of 1968 in California talking to growers, going to grower meetings, meeting with Louis Gomberg, meeting with everybody he could introduce us to. We met the Almaden people; we met everybody we could meet. It ended up that Heublein decided that they

could do the things they needed to do, and so they decided to buy the company.

[siren going past—tape interruption]

Hicke
You had just decided to buy.

Beckstoffer
They decided to buy the company. Heublein paid $33 million for it, and it was the second biggest company in the wine business. They bought 82 percent, and the Allied Grape Growers retained 18 percent, and the Allied Grape Growers had an exclusive right to supply grapes for all the companies of United Vintners.

Hicke
I need to change the tape.

Beckstoffer
Okay.

Problems Arising from the Acquisition

##

Hicke
Would you clarify one thing? You said the growers owned—

Beckstoffer
The Allied Grape Growers Cooperative owned—

Hicke
That's who you meant, okay.

Beckstoffer
Owned United Vintners. So they sold us 82 percent, but they kept 18 percent, and with their 18 percent they got this exclusive right to supply us with grapes, and that's going to cause a lot of problems, because Allied, now, with this exclusive right to sell us grapes, wants to sell grapes at market price, and *Heublein* wants to make money. So if an Allied Grape grower has a Thompson Seedless grape, for example, he wants to sell that to United Vintners, to Italian Swiss Colony, and he wants them to do something with it, but Heublein, they need Chardonnay, and so they're telling Allied, "Get rid of this Thompson's Seedless guy and go find me some Chardonnay," and Allied doesn't want to do that. Plus, Allied had always had, as most people did, sort

of a production mentality. In other words, if we make it, they'll buy it, rather than the marketing attitude that Heublein had that said, "We need to find out what the consumer wants, and then make that for them." So the rubs became great.

Then, also, one of the reasons that the Allied Grape Growers wanted to sell United Vintners was that they didn't want to invest in the business. United Vintners had nine different wineries up and down the state of California, they were all falling apart, and they were all sweet-wine wineries. So there was a tremendous amount of money needed to upgrade those wineries and convert them from sweet-wine making to dry-wine making, and Heublein is making this investment, but the growers, who own 18 percent, don't want to make any investment.

Hicke

Why did they keep 18 percent?

Beckstoffer

It was just sort of how it worked out. They kept 18 percent so they would have some say. It was non-voting stock, but they got 18 percent, and that's how they got the exclusive right to supply grapes. I can go back. I've got all the stuff. I just didn't check that.

Hicke

Well, that makes sense.

Beckstoffer

All right. That's what they kept.

The other thing is that Louis Petri had put together United Vintners, and he had been the president, and he was a friend of all the growers, because he went out and bought all the little co-ops in Escalon and all these little places, and that's how you get nine wineries up and down the state of California. But there had been sort of a palace revolt, and Larry Solari had become president and kicked Louis Petri out. So, Louis Petri, now, is a friend of the growers, and Larry Solari is the guy who is trying to sell the company, because he knows that if nobody invests in a company—and not only investing in the plants, Allied wouldn't invest in the marketing, either—and so he sees the company can't make it with the growers, so he's the one that approached Heublein, but the guys who owned it were the Allied Grape Growers, who had supported Louis Petri. Louis Petri had this thing with Larry because Larry had kicked him out. So Heublein must address all those Allied "family" things, too. Heublein ends up with Solari and antagonism from the growers who controlled the right grapes, and all the other grapes, too. And they certainly control the price

fluctuations. So, two out of the three things that were crucial Allied is still in control of, and they're our unhappy partner.

But it's through this that I meet Louis Petri.

Continuing Negotiations with Louis Petri

Hicke

Yes, I wanted to talk about that, but first, tell me, you were put in charge of this operation, right? Or are we ahead of the story there?

Beckstoffer

Well, no. That's a little ahead of the story there. At this point, I'm still living in Connecticut and commuting to San Francisco. What happened was that there was no equity as such in United Vintners; there were just grower retains based on the grapes you sold to United Vintners. That's how the ownership was vested. Louis Petri, after he had been kicked out of the presidency, was selling them bulk *wine* and not grapes, and so while he owned a bit of the company, he didn't own the grower retains, and the amount of money that we were to pay over and above the book value was based on your ownership of the grower retains, of which Louis Petri had none. But Louis Petri, friend of the growers, was the kingmaker; he could make this deal or not, so we had to deal with Louis Petri.

I was sent out to deal with Louis Petri, to see how we could get Louis a share of this overage that he thinks he deserves. He had a little company called Grape Factors—which turns out to be, in fact, the corporate shell that is now Beckstoffer Vineyards—but we had to buy Grape Factors from Louis, and, in that process, pay him the boot that he would have gotten—that's the excess that he would have gotten had he owned retains in United Vintners. Grape Factors owned shares of stock, and they also owned all the vineyards in Mendocino County. They owned four hundred acres of vineyard in Mendocino County. So I get the job to come out and negotiate that purchase with Louis.

Hicke

Tell me about Louis.

Beckstoffer

Louis was an older man at that time. This is 1969. And Louis—thinking back on it now, and then it was a bit of a blur. I was just trying to stay alive in this conversation —but Louis was the combination of a real family business

man and a consummate professional. He was a member of the board of directors of Bank of America and of Holiday Inn, and he had bought S&W Foods and Barth Investment Bank, I think it was called, which is a securities house, and put together United Vintners. So this was an important guy. But he was also a family guy. It was also a family type thing, and the guys who were around him were Bob Bianchini and Louis [Moratori]. They were all sort of family guys in a little bitty office down on Kearny Street.

Louis was always assisted by Ted Kolb. Ted Kolb was a lawyer, and he was sort of a political lawyer. But we would go in and negotiate in the morning, probably about ten o'clock, and then you had to negotiate til about noon or so because about twelve-thirty or one, Louis wanted to go to Villa Taverna, and he would have lunch and start drinking. Sometimes he would drink a little bit before that. So I had two or three hours a day, and I'm anxious to go. You know, I wanted to go and get all my stuff done. And Louis taught me patience. I mean, he taught me patience because he wouldn't talk about it until he wanted to talk about it. Then, with Kolb, Louis would say one thing and Kolb would say, "Well, you don't want to do that, Louis." Or Kolb would say, "We want to do this," and Louis would say, "Well, you don't want to do that, Ted." So it was really an experience, then, in negotiating.

I'll never forget he told Stuart Watson, one time, "You know, Beckstoffer's a son of a bitch." And I said, "Hmm," you know. So then, about a month later, we went on, we got a little further, and Stuart said, "You know, I talked to Petri, and he says now you're a *clever* son of a bitch." [laughter] And I felt pretty good about that.

Hicke

That's what he meant the *first* time. [laughter]

Beckstoffer

I don't know. But we had that experience with him, and then, just to talk about Petri's influence again, it was Louis Petri who again was the sort of the father of the wine business out here in those days. He had the idea that he was going to sell the Louis Martini Winery to his friend [Cammens] Wilson, who owned Holiday Inn, and he was going to sell Beaulieu to his friends at Heublein, and I think to this day that it's fortunate he didn't decide to sell us Martini and then BV to Wilson, because Louis Martini wouldn't sell. But Louis, again his wife was Flori Cella of the famous Cella wine family, and John Cella, vice president of United Vintners, was another of Louis's friends, and Louis was clearly the leader of the pack, a devoted family man, just devoted to Flori, and when Flori died, Louis died within a couple of months.

Hicke

I would think that it would teach you frustration first before patience.

Beckstoffer

No, I guess I tend to see the other side of it, you know. That it was just, come on, I want to get on with this thing, and I want to deal with all these little numbers and details, and he was dealing in concepts until he was ready, and then he would decide when we did what we did, but he strictly controlled what was going on. I don't remember feeling frustration. I can remember staying up half the night getting ready for the little two-hour meetings. [laughs] It was exciting. It was just exciting.

Hicke

So this went on for about a year?

Beckstoffer

No, this went on for a period of months. But first, see, because we had to get this done before Louis would really agree to this deal and influence the growers to accept it. So we didn't have a long time to do that. So it happened in a period of months.

Hicke

And when you're negotiating with someone like that, I think you were getting sort of the upper hand if he considered you as what he said you were. [laughs] Isn't that an indication that you were kind of getting things you wanted?

Beckstoffer

I don't know. I think we were getting something done. It's hard to evaluate these things—who won and who lost—because who knew what would happen? Now the Mendocino property has turned out to be a wonderful thing, but Heublein made a mess of United Vintners. Remember, this is all pre-oil crisis, pre-double digit inflation, so anything anybody bought in the very late sixties, it looks today like they got a tremendous deal. Did Heublein get a tremendous deal? I don't know. If anything, I think he didn't snucker us, you know, so I think that's a credit to that, and I think, hopefully it came out to be a pretty fair deal.

Hicke

Were the negotiations over price?

Beckstoffer

Mainly price, yes. See, we just had to get a certain amount of money to Petri, and there was a question of how much that was, and that was just a certain amount of money. Then he wanted to sell his properties in Ukiah, which we did not want, so the question was, would we take them? So he was forcing us to take something we didn't even want.

Hicke

These are the Mendocino properties?

Beckstoffer

Mendocino vineyard properties, right.

Hicke

And you didn't want them?

Beckstoffer

Heublein didn't want them. And there was another property; there was also a property in Napa that he wanted to sell us, too.

Purchase of Beaulieu Vineyards, 1969

Hicke

When was all this?

Beckstoffer

This was all in 1968 and 1969. The other thing that happened of interest in '69 before I came here to live was the purchase of BV, Beaulieu Vineyards. So do you want to go to that?

Hicke

Yes.

Beckstoffer

Okay. What happened was that Heublein had a product called Black Velvet, it was a Canadian whiskey, and Heublein wanted to put BV on that label for Black Velvet, and the people at Beaulieu, BV, sued them. They were represented by this fellow, Ted Kolb, who was Louis Petri's lawyer and good buddy, and also the good buddy of Madame de Pins, who owned that company.

So, when Louis decided—and I'm not quite sure of the background of all of this—but Louis decided that he wanted to sell BV and that he wanted Heublein to have it, Ted Kolb had dealt with the general counsel of Heublein, a fellow named Paul Dohl. So he called Dohl, and told him that the family, the Sullivan family, the de Pins and the Sullivan family wanted to sell. Several people had expressed an interest, but the Madame de Pins, who was the owner and the daughter of Georges de LaTour, did not want it to be known that Beaulieu was for sale. She just did not want that for social reasons. So secret negotiations were to happen.

Well, they sent us some data, and I can remember we got on the company airplane with Mr. John Martin, we flew down to Reston, Virginia, where he was looking at buying the Virginia Gentleman whiskey brand, I think, and I made the presentation on the plane: what Beaulieu was and what it was

about, all those kinds of things. It was pretty much decided then that we wanted to do it.

So then Stuart Watson, who was the chairman, Paul Dohl, who was the general counsel, and I came out to do it. Ed Hennessey, who was the chief financial officer of Heublein, was—he was just rough, so they didn't include him. And Kolb didn't like him at all; he had seen him before. So I got to be the chief financial officer in these negotiations. We came out and met with Walter Sullivan, who was the son-in-law to the Madame de Pins, and Ted Kolb, and we negotiated the purchase in three meetings—actually, two meetings, I think—at Ted Kolb's office up in San Francisco. And, again, as I told you before, I save lots of things, but I have a little slip of paper that has Stuart Watson's handwriting on it.

Hicke

It's not on the back of a napkin, but it's close.

Beckstoffer

There's a little bitty pad, we had these little pads of paper. They had 735 acres of vineyards that we valued at $3 million, they had a little over a million gallons of wine that we valued at $1 million, equipment and buildings were $1.5 million, and then they had 150,000 cases. Some of that was projected cases, and we said we'd pay them for part of the projection. Times ten dollars, it was $1.5 million. All that totals $9 million. Then they decided they wanted to keep Beaulieu Vineyard Number One, which was where the Madame's house was. So we took that out at $500,000, and then there's a note here on my notes that says funding of $100,000, and I'm not sure why, but we ended up paying $8,400,000 for Beaulieu to include some, oh, six hundred acres of vineyard. That was in June of 1969 that that was purchased.

Hicke

That's hard to believe.

Beckstoffer

It really is, yes, hard to believe. The land was valued at $4,000 an acre for some of the very best in the Napa Valley.

Hicke

What kind of wine was it?

Beckstoffer

Well, what it says here on the sheet is that he had 784,000 gallons of dry and 268,000 gallons of sweet, so a good bit of it was sweet wine—muscats and things like that. So it wasn't all the kinds of things that you think about today that are Beaulieu by any means.

— 33 —

So we now had Beaulieu bought, but we go back to the problem that we didn't have enough right grapes for Inglenook, and now we've got Beaulieu and we don't have enough right grapes for either one of them. So the grape problem is pretty severe. Remember we wanted the right kind of grapes. We still don't know quite what the right kind of grapes are, but we're sure we don't have them.

Vice President of Planning, United Vintners

Beckstoffer

But Beaulieu is bought, and a couple of things happened. One is that I still get involved with acquisitions, and I'm doing staff work. Secondly, I'd always had a problem with Smirnoff. In other words, it's alcohol, and the more we sell, the more drunks we create. You know, you sort of have a little social welfare problem with that.

I traveled so much. One of the things was that my son at one point called a neighbor "Daddy." That really bothered me, it really bothered me.

Then I sort of felt like the wine business was my baby, you know, in terms of being involved with it. United Vintners hired a guy to run the company called Victor Bonomo. Victor was a very hot, young executive who had worked for General Foods. He put Tang on the moon. He got the astronauts to take Tang up to the moon. [laughter] And he came out, and he said to me, "Why don't you come out and work for me, and I'll teach you the marketing business? I'll teach you how to market products," because he was a marketing executive.

All these things combined, and so I came out in August of 1969 to be Vice President of Planning for United Vintners. I was out of the grape business. In other words, what I was trying to plan mainly would be this conversion of the product from sweet wine to dry table wines and premium table wines. So that marks a change—coming out here to work for Vic.

Hicke

That sounds like production to me, not marketing.

Beckstoffer

Well, no, it would have been figuring out how to define that change, and then how to market them. You know, United Vintners was selling these things, and basically what they were selling was what Gallo had created—such as a flavored

product, Boone's Farm, and we would do a "me too," and make Annie Green Springs, or there was a sangria product we did. I forget what the name was. As soon as Gallo would come out with it, it was traditional that United Vintners would just follow with a similar product. But we wanted to take the lead, and the lead was going to be greatly a part of Inglenook, which was a premium dry table wine and wasn't Italian Swiss Colony.

Hicke

So you were trying to figure out what kinds of wines to produce, and this problem of not having the right grapes was not in your area?

Beckstoffer

No, not right at that point. I came out to try to figure that out, to try to get into—I mean, I went to advertising meetings and marketing meetings and things of that sort right away.

Hicke

Meetings with whom?

Beckstoffer

Of executives, with Vic. You know, we would go into the advertising agencies and we would get the surveys and all the consumer profiles and things of that sort.

Hicke

Yes. Were you again working with Louis Gomberg?

Beckstoffer

Yes. We worked with Louis a little bit, but it was a new business for Louis and everybody else. Louis would give you the basic statistics, but we were doing the thing like brand marketers do, like people who are selling Corn Flakes and all those kinds of things, all that kind of stuff. Oh yes, we did all that kind of stuff.

But what happened was that I came to California in August of 1969. By 1970 Bonomo and Solari got into it and just—the egos wouldn't match. Bonomo was taking over, and Solari really was a sweet-wine guy, he was really a sweet-wine guy. He owned property up here, and he was a commodity guy, too. He was not the premium thing; he was just low margin, sell lots of boxes, never mind quality. So Bonomo left in 1970. I wasn't here a year when Bonomo quit the company and went to be president of Pepsi-Cola.

At the same time, Cesar Chavez started a major national boycott of Smirnoff. What he was said was that Heublein owned United Vintners, and they could control all of the Allied Grape Growers, so they were going to boycott our product until we made all the Allied Grape Growers hire all union labor. And we couldn't do that. But we were in the

process of trying to set up a farming operation in the Napa Valley to try to get us the right grapes when he started this boycott.

Hicke

He boycotted Smirnoff because of the grape growers?

Beckstoffer

That's right. He went after Smirnoff because he wanted to force Heublein to force United Vintners to force Allied. Further, we now had a situation where Larry Solari, who has bought Inglenook for United Vintners—you know, he sort of is the sweet wine, San Joaquin Valley guy living up here in the Napa Valley, trying to run Inglenook, which was a premium dry table wine business. We now had Beaulieu, and Larry Solari wants to get his hands on Beaulieu, and he wants to control that as well as all of its grape supply. So Stuart Watson needs desperately to keep Solari out of Beaulieu. We still need grapes.

Also, I had worked for Bonomo and I'd worked for Watson, and I'm not sure what happened, but there was a meeting or something with Solari and Bonomo and Watson and myself. Bonomo made a presentation, and I congratulated Bonomo on the presentation in front of Larry. Bonomo left, and Solari came in the office and said, "If you weren't so close to Watson, I'd fire you right now." So Watson had to get *me* away from Solari, too.

What he did was at that point he created this company called the Vinifera Development Corporation. The Vinifera Development Corporation is a subsidiary of Heublein, but only a subsidiary of Heublein—it's not a subsidiary of United Vintners. It reports to people in Hartford; it does not report to Solari.

Hicke

This is the farming?

Beckstoffer

This is the farming. This is the start of Beckstoffer Vineyards.

Hicke

And Andy Beckstoffer was heading this?

Beckstoffer

I was heading it. I would head that company. I would then head that company.

The St. Helena Co-op: Up Against Gallo

Beckstoffer

I'll stop there and start on Vinifera in just a minute and that whole experience of mine. But one of the things you had talked about was the St. Helena Co-op. Sort of an interesting little vignette in doing this thing is that in 1970—it was certainly 1970—Gallo, through his control of the two co-ops here—the big co-op, which is still here, and the little co-op, which was up in Calistoga, north of St. Helena—he controlled and received 50 percent of the grapes produced in the Napa Valley in 1970.

So Gallo was getting 50 percent of the Napa Valley grapes, and they went into Hearty Burgundy.

John Daniel, who was the nephew of Gustav Niebaum, who had sold Inglenook to Larry Solari I think in 1964, was still here, but he was on the board of the little co-op, and we wanted the grapes.

So the contest took the form of a little co-op board of directors election. If we elected our board members, they would switch the contract for grapes from Gallo to United Vintners, and if Gallo's slate won, they would keep it the same way. So we came up to run that election, and so John Daniel and I ran that election.

Hicke

How do you mean that?

Beckstoffer

Well, we went out to get votes, and we met with the members to get their votes. We developed a presentation that we made.

I'll never forget. There's a little old house, one of the famous old houses in Napa Valley. It's right by the railroad tracks in St. Helena. It's the Ink House. The family was named Ink. And John Daniel was a nice guy, but he wasn't really a party guy, you know; he didn't laugh a lot and things like that. He was a neat guy. And I was coming up, and I said, "John, did you know that guy who was in that famous old house was one of the founders of Heublein?" He said, "What?" I said, "Yes, haven't you seen 'Heublein, Inc.'?" [laughter] And I can remember John just broke up. He just broke up. It was wonderful. That was really good.

But we won the election. I mean, that was the first time that Julio lost up here—Julio Gallo was making the presentation—but we won the election.

Hicke

And you elected the board members that you wanted?

Beckstoffer

We elected our board members, one of whom was John Daniel. But Allied had a grape supply contract, so we had to give the co-op to Allied. But the growers here did not want to be part of a San Joaquin Valley co-op, and so the growers basically all quit the co-op and went back to Gallo, so it was a hollow victory.

But, interestingly, Charlie Wagner, Caymus [Vineyards], was on the board of Allied at that time, was the Allied director in the Napa Valley.

Hicke

Interesting.

Beckstoffer

So, old time, old time. But Allied just was not effective here. Allied couldn't get grapes. I think in 1969 Allied had 500 tons of Cabernet total in the Napa Valley, and they got us nine more tons the year that they were really supposed to expand for us. They wanted the emphasis on the San Joaquin Valley grapes, and they wanted to keep the sweet-wine business alive, even though the world was changing. Solari and [Robert] McInturf just could not get along at all; I mean, they hardly could speak. And you had this war, what we used to call north and south. It was the northern premium grapes versus the southern, sweet-wine grapes. So this conflict is now set up royally.

##

Hicke

When you say, "The growers did this," do you mean Allied?

Beckstoffer

That would be Allied Grape Growers at this point. At this point it would be Allied Grape Growers, although when I talked about the St. Helena co-op, it was the growers of the St. Helena co-op who we tried to force into the Allied co-op and they wouldn't go.

Hicke

Yes, okay. That was a little unclear to me, but I've got it.

Vinifera Development Corporation, 1970

Beckstoffer

Before I start this Vinifera story, let me just give you an idea of what we did—and I'm going to talk to you from a sheet that was prepared at the time which talked about the need and availability of Napa Valley grapes. So we're now beginning to define what the right grapes are.

Hicke

This is a study you did?

Beckstoffer

This is a study I did. It was based on—I would go to the Inglenook management people, and I said, "Look, if you're going to grow this brand, these sales, like Heublein wants you to grow those sales"—and they would have a 10 or 12 or whatever percent growth per year—"what are you going to need in terms of specific varieties of grapes?" And I went to the Beaulieu people and I said the same thing: "What are you going to need specifically?"

So this thing shows from 1970 to 1974, and this shows that Beaulieu, for example, said they were going to need 2,140 tons of Cabernet, and they had 740 tons. So they needed 1,400 tons right now. By 1974 they said they were going to need 2,948 tons, and the availability showed that they, under their own resources, would grow up to 935 tons. So within four years we needed to get 2,000 additional tons of Cabernet. That's just for Beaulieu. If you look at the all-grapes totals, they had needs of 3,700 tons, and they had 1,700 tons, so we needed to get almost 2,000 more tons of grapes—Cabernet [Sauvignon], Pinot Noir, Chardonnay, and others—in 1970, and by 1974 that need grew to 4,500 tons.

Now, that's just Beaulieu. If you look at Inglenook, Inglenook said in 1970 they needed 1,148 tons, and they had 789 tons, so they needed another 359 tons. By 1974 they said they needed 4,000 tons, and they had 1,147 tons, so they needed an additional 2,900 tons of Cabernet.

Interestingly, under the Beaulieu thing—under the Heublein—under the Inglenook thing, where you have other varietals and then other common grapes, under the available needs they had a *minus* need from 6,000 tons of common grapes in 1970. In other words, they had grapes of a variety they didn't need, that the grape growers had, and I was looking for a way to get rid of those. So that was the grape situation as we began to approach 1970.

Hicke

And that was the point of this Vinifera Development?

Beckstoffer

This was the need that Vinifera was set up to satisfy.

Hicke

What kinds of grapes did they have that they didn't need?

Beckstoffer

It just says other commons. They would have been Columbards, they would have been Carignanes, they would have been Napa Gamays, those kinds of grapes.

Hicke

Okay.

Beckstoffer

And I'll admit, again, I had spent so much time with the growers, it's normal that I would—I mean, there was nobody else to get the Vinifera job. And again, given those things that we have been talking about—the situation with Solari, the situation with BV, the situation with Chavez—Heublein decided that they needed a separate corporation that they could control from Hartford that they knew, people they could trust to do to this. It was at that point that, basically, Watson said, "What are we going to do?" and I developed a proposal that ended up being the Vinifera Development Corporation. That corporation was set up in 1970.

Again, I've got all these little documents here, but the mission was "to provide service to the Heublein wine companies by securing supplies of grapes. Initially this activity will concentrate on premium grapes from the Napa Valley for the Beaulieu and Inglenook brands." The way we were going to do that was we were going to—the strategy was to accumulate and disseminate vineyard investment expertise and information. We were going to establish and maintain a professional vineyard management capacity to provide Heublein corporate liaison with outside agricultural interests. We didn't want to do it ourselves at first. And we were not going to make a profit from operations but a reasonable return on monies invested if we could. That also caused it to be a not-for-profit. We decided we would do it not-for-profit just so we could secure the grapes. And we would send information to people about the economics of growing prime varietal vineyards.

For instance, there was an *LA Times* article. I went down and talked to the people at *LA Times*, and they wrote a big article. Then *Fortune* magazine wrote a big article on a new way to get grapes, this Vinifera thing that we were doing. Basically, we were explaining the economics of grape growing to outside investors, and then they would spend their money. We hopefully were going to put somebody else

in business to farm for them at cost, and then they would sell us grapes at market.

Hicke

Could you give me an example of exactly how it worked? You go first to the investors? I mean, just tell me how you could work through one example.

Beckstoffer

Well, I remember going to the fellow who started the Rosswell retirement homes. He had seen the *LA Times* article, and he needed to invest some money, and he was interested in big land and agriculture. So I developed the economics of buying land in the Napa Valley and growing grapes on it, developing it, selling the grapes to us, estimating market, and I would show him the return on investment that he could earn on owning that land. Then I would say to him—"We will farm it for you"—the Vinifera Development Corporation—"and we will farm for you at cost, and we will report to you how we farm and all the costs, and then as Heublein companies—Inglenook and Beaulieu, backed by this large public company back in the East—we will guarantee you a home for your grapes. So it's a closed-in investment for you, and you can make a lot of money in California real estate, owning it, in the end."

Hicke

So then you would put him in touch with a real estate dealer?

Beckstoffer

I would, or we would find the land for him. We would know. We would say, "Hey, there is this piece of land over here, but we think it will grow the grapes, and if you'll buy this, we'll then go further."

Hicke

How did you find the land? Did you go out and stomp around?

Beckstoffer

We were stomping around, and we were dealing with the real estate people here ourselves, plus we have [André] Tchelistcheff, we have all the Beaulieu people and all the Inglenook people who knew the Napa Valley. Plus, it was in the paper. It's totally different than today. There were vineyards all over the place that nobody was buying. You just looked in the real estate section and you could find all the land you wanted to find.

André Tchelistcheff

Hicke

Yes. We didn't go past André Tchelistcheff, did we?

Beckstoffer

No.

Hicke

Are we still coming to him?

Beckstoffer

We've got to get back to André in a couple of ways. Before we left Beaulieu, we probably should have talked a little bit about André, because—[laughs] It was so secret—these negotiations—and André wasn't employed, basically; he was a consultant. So André didn't know until the deal was done. The deal was done by Paul Dohl and myself, and then Paul went back to Hartford, and I got the job of seeing Mr. Tchelistcheff and telling him. The de Pins had told him, they said, "This company has been sold. Go in the next room and meet this guy from Heublein, and he will tell you what they are going to do." That was me.

Hicke

He was still in charge of making the wine?

Beckstoffer

Yes, and he was in charge of all the vineyards, too. This was back in 1969, for sure.

Hicke

Oh, okay.

Beckstoffer

So André came in, and I went through this big spiel about how we knew how to market wine, we were in the premium business, we had always sold premium product, we needed to buy quality, and all this kind of stuff. And I'll never forget, he sat there and listened, and he said to me, he said, "Talk is cheap, young man." [laughter] He said, "We'll see what you'll do." Basically that was it. That was my *first* experience with André.

We get back with him when we go back to the farm and Beaulieu, but that was the first time I met André, my first meeting with André. There are a lot of Tchelistcheff stories. I can tell you Tchelistcheff stories, if you're interested.

Hicke

Oh, I would love to have a few, a sampling.

Beckstoffer

Well, one was that a little bit later: the Connecticut Mutual Life Insurance Company bought a lot of vineyards out here, and so we had this party down at the Silverado Country Club. One of the field agents for Connecticut Mutual had a very attractive wife, and André had an eye—you know, he really liked ladies. So they had these tables where you could go and you could taste the different products, and this lady came up and said, "Mr. Tchelistcheff, I've tasted all these wines and all the Inglenook wines on the tables,

and I've just tasted Beaulieu Private Reserve. What should I taste next?"

And Tchelistcheff said, "Have a martini, young lady, because there's nowhere you can go with wine." [laughter]

Hicke

Fabulous.

Beckstoffer

Then I was standing on the road in 1970 with one of the real grower leaders around here: a fellow named Virgil Galoran. He was the president of the big co-op. He sold most of his grapes to Gallo, but also sold some to Beaulieu. So Virgil and I were standing on the road, and Tchelistcheff comes by and stops. André comes over and says, "Oh, things are *so* tough." He said, "The grapes are just *awful*. The year has been bad," you know. "Prices are going to be down. It's just going to be awful."

So we stood there and listened to it, and Virgil is kind of long in the mouth about this. So André went on like that for a little while, and then Virgil and I said, "Well, what do you think about the BV Burgundy this year?" Because Tchelistcheff is a genius with a lot of things, but making that Burgundy—where he really took all the grapes and blended the wine from Napa Gamay to Pinot and all sorts of grapes—the Beaulieu Burgundy is what everybody in the Napa Valley drank. We didn't drink Cabernet; we drank Beaulieu Burgundy.

So, "Well, how's the Beaulieu Burgundy?" asks Virgil.

"Oh, the Beaulieu Burgundy is going to be *wonderful* ! The flavors are coming up," André says all these kinds of things are wonderful and wonderful.

Well, Virgil listened to him for a few minutes—he was this great craggy old farmer—and he said, "You know, the major grape in that Burgundy is my Napa Gamay, and you just told me that the grapes weren't any good."

And Tchelistcheff said, "Oh, but they're getting better." [laughter] He was glorious.

Hicke

Those are great anecdotes.

Beckstoffer

Yes. He was good. Well, I have more, but maybe we should go on.

Hicke

Yes.

Beckstoffer

Okay.

We would send out a description of what Vinifera did. This is one of the papers we would send them, and this was sort of called the operating philosophy of this company. And we said, "While understanding our role as farmers and as a professional service company, we also think of our company in important terms of a technology company applying the rapidly growing viticultural knowledge being developed at the California universities and the business methods of industrial America to the vineyard lands and investments of our clients. Vinifera seeks not only to combine the most modern viticultural expertise with tried and true local farming practices, but also to plan, control, and report on our activities, using modern business methods and techniques in such a way that we will assist the vineyard owner in operating his property and in planning and controlling the financial and tax aspects of his investment."

And we were, in those days, saying that you've got to get involved with the technology, not only in the farming, but also with business, and you've got to consider this as an investment, and we have to be reporting activities as an investment, and it has to be controlled as an investment. It's not growing little green plants somewhere. It's a different approach to farming. You can see from my coming from an engineering background and a corporate background and not a farming background how we had a different idea about how you do things. We couldn't get the local farmer to reinvest in his land. We couldn't get him to plant Cabernet, which was a low-yielding suspect variety; he had the high-yielding Carignane, and so, since he got high yields, he didn't need to get a big price. He had just paid off the Bank of America, and he wasn't going to go back into debt to redo his land, and Allied wasn't going to help us, so we had to figure out a new way. The new way to get your better quality and better yields was technology, but nobody that we were talking to was going to invest in something when there was no control over the business aspects of it.

Hicke

This was a unique approach, I presume.

Beckstoffer

A different approach in that you could always come to the Napa Valley, and you could find someone who would disc your land. You would call them up and say, "Can you bring your tractor over and disc?" Or you could find somebody, you would say, "Would you come over and help me pick?" But in terms of running the entire farm and running the investment, this was the different thing.

The second paragraph of our statement says Vinifera provides full farming services to clients from initial land preparation, viticulture, engineering, water availability, distribution analysis, and business planning, to purchase of vineyard materials, land preparation, vine planting, and vineyard development, to annual vineyard maintenance and operation, from pruning the vines to delivering the grapes. So we were doing the turnkey thing, and we would do the whole thing to *entice* you to invest in the vineyards. We would say, "Our client must be screened to insure that they have the purpose to deliver the top grape quality possible, understanding the unique character and unpredictability of the agricultural investment and can afford the experience." So it's something different than had ever been done before. It was our approach to getting people to come. We had to have quality, and we had to get guys who didn't understand agriculture to make the investment.

Hicke

So it's designed to approach business people.

Beckstoffer

Yes. And our thought was that—before we thought prices were getting hot, you know, in those days—you were going to have to do something to advance the technology, and that's the way you will advance the quality and the yields.

Hicke

How did you propose to provide all this expertise?

Beckstoffer

Well, what we did was we set up a company. We had as our chief viticulturalist André Tchelistcheff. I brought in a guy named Bob Steinhauer, who had been a viticulturalist in the San Joaquin Valley. I also brought in a fellow named Roy Harris. Roy Harris had been Bob Steinhauer's boss. They had been running the Schenley properties in the San Joaquin Valley, and that had just been sold to Guild [Wineries]. We hired workers and we bought equipment. But three things are important, I think, in terms of our experience.

There were three things that I think we've had a lot to do about: one was getting the farmers to think like businessmen so they could stay in business. Two was bringing greater quality through technology—viticultural quality, vine quality. And third was, really, I think, raising the status of the grape grower politically, socially, economically. Roy Harris had more to do with bringing the business aspects, understanding them, allowing me to understand them, and then talking to the other growers about doing those things. He was very important in this entire process. Bob Steinhauer, who now is the head of

viticulture for Beringer, as the new vineyard guy, and André, as the old guy, got along famously, rather than fighting. They did the vineyard technology. And that's the story here for all the young guys and the new guys. But Bob had a Master's Degree in viticulture from Fresno State [University] and was just an excellent viticulturalist. And Bob has the major responsibility for showing us how to get better quality through technology and then explaining it to the other vineyardists here in the Valley. When we first came here there were only two or three college-trained viticulturalists in this valley in 1969 or '70, maybe three or something like that. So those two guys, Harris and Steinhauer, came to work with Vinifera. Then we just put together a company.

Hicke

Well, that explains my question as to how you got all that expertise.

Beckstoffer

Yes.

Hicke

And having Tchelistcheff for experience.

Beckstoffer

Then Tchelistcheff would work with us through all of this kind of thing, yes.

Hicke

And what did you do with your property? I mean, you said you bought tractors. You didn't have any land, did you?

Beckstoffer

We farmed all the Beaulieu lands, and Beaulieu now has 600 acres of land.

Hicke

Yes, I'm just thinking of where you parked the equipment, I guess. [laughs]

Beckstoffer

Well, what we did was that—again we're going to get into this—in 1970, '71, right in there, we purchased the Old Catholic Boys School from the Keig family. That was 500 acres of vineyard, and they had a major complex there that the Catholic church had owned previously, and it still stands. They had this big boys' school there, which was our single man farm workers quarters. There was a place that was a shop, and a building that was our office.

Hicke

When you say "we purchased," do you mean the Vinifera Development Corporation?

Beckstoffer

Vinifera Development Corporation purchased it.

Hicke

Okay.

Beckstoffer

Then we sold it, but we purchased the Keig property.

Hicke

Then you had to hire a lot of other people besides, I suppose.

Beckstoffer

We hired farm workers that worked for us. Well, see, Beaulieu had their farmer workers, so we took all their workers. The nucleus was those people who were working for BV. They became our employees, and then we hired more people. We hired Bob, and then we hired three more college-trained viticulturalists. You'll see that we end up in the early seventies farming 30 percent of the Napa Valley, 3,000 acres.

Hicke

Amazing! That was going to be my next question: how did this work?

Beckstoffer

Yes. It worked.

Hicke

Did you do most of the selling or whatever?

Beckstoffer

I would do the negotiating for the farmers, and I would do the negotiations. We were selling all the grapes to Heublein and Inglenook in those days, but I was dealing with the winemakers. Roy also had experience with United Farm Workers, because we had a Cesar Chavez contract at this point. I was running the business, trying to keep our focus on growing the grapes, and where do we go, and what do we plant, and how do we figure out what we plant, et cetera, and dealing with the people at Inglenook and Beaulieu.

Hicke

And were you also bringing in the investors?

Beckstoffer

Yes.

Hicke

You had hardly anything to do, did you? [laughter]

Beckstoffer

Busy times, but they were good times. They were really busy times. It was good times.

In those days, because we were such a large size and in Napa Valley, everybody came to see us, from Dr. Olmo, to Maynard Amerine, to Dr. Gohine, to Vince Petrucci—everybody wanted to come here. Our association was more to Fresno State, since Bob had gone there. Actually Vince Petrucci introduced me to Roy Harris and Bob Steinhauer, who was a graduate of Fresno State. We had all the consulting in the world.

Hicke

Do you recall any of the things that they specifically helped you with or advised you to do?

Beckstoffer

Well, again, I've got a paper here where I'm going to show you what we did in planting the Keig property. I have the letter from Tchelistcheff which shows you where technology was in 1970, the things that he considers in that letter. I'll get you to that.

Hicke

If I get ahead of the story, don't hesitate to stop me.

Beckstoffer

This is why I keep going back and forth, why I wrote this out last week, or I wouldn't get there.

But what we did was that we started Vinifera in 1970. By 1972, we had accomplished what Heublein wanted to do with Vinifera. Well, there was a major meeting, and I'm going to read from the presentation

I made. It's called, "The Future of Vinifera and Heublein in Farming."

Hicke

And the presentation was made—

Beckstoffer

Made to the people in the executive committee, the group at Heublein. The question was: "What continuing position should Heublein take regarding its involvement in agricultural land, land holding, and farming operations in California's vineyards?" What we see from that report here is that Vinifera had twenty-nine contracts; it's about 4,000 acres of land. We just had vineyard management contracts and grape contracts. At that point, in terms of grape supply, we had 26 percent of the current supply and 19 percent of what we considered to be the long-term supply of grapes in the Napa Valley. We controlled 20 percent of the grapes in Napa Valley.

When we looked at what we had looked at *before* —remember my giving you those availability and needs for '70 and '74? When we looked in 1976, we saw that—and I'm going to be giving totals here—the winery requirements for Inglenook and Beaulieu were a total of 11,300 tons, and the supply from the BV growers and from us and from Allied would be 16,400 tons. So we were 5,000 tons over. When we looked at, for example, Cabernet, the winery requirements were 2,700 tons, and we figured that by 1980 we would have 6,000 tons. So we could support an annual sales increase of 30 percent. So we had satisfied what Heublein really wanted us to do. Heublein's capital investment was going to be something over $2 million.

Hicke

With the extra grapes that you had more than what you needed, were you going to use that at the wineries or were you going to sell them?

Beckstoffer

No, what they would then do is they would go tell the winery to sell more wine.

Hicke

Yes.

Beckstoffer

You know, it's sort of a different thing. They now knew what they could go for. In 1972, we said the summary of the Vinifera experience was: "The initial purposes were under control, that we had a break-even Napa management, that we weren't making any money and not losing any money. It was $150,000 of Heublein overhead involved, that they are going to have to spend $2,266,000 in investment if they keep this thing and develop the land they had. And they had inadequate corporate staffing." In other words, here you had this real estate and farming company sitting out here owned by a major eastern marketing company, and they said— What will be the future expectations under the Vinifera Charter? The answer was "Additional Napa Vineyards through acquisition, conversion of existing aging vineyards, and reduced outside investor activity."

What Shall We Do With Vinifera Development Corporation?

Beckstoffer

In other words, we'd hit it really hard, but it wasn't going to be as good as in the past. It was going to be primarily a farming operation where we were going to have difficulty with the farm unions, overhead was going to increase in San Francisco, difficult continuity at Vinifera Management—I didn't want to stay with it, for example—nonprofit farm operation, no reduction of the Heublein investment, and we were going to have legal exposure. Other points I'm concerned with are the ability to attract and motivate farm managers, the efficiency of traditional corporate compensation schedules, et cetera.

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Beckstoffer

More points of concern were about continuity of management, it was just not a fit with Heublein's other businesses, and there wasn't any return on investment. The corporate image of Heublein did not fit with agriculture—with agribusiness and farm labor—and the question was: was it a real

opportunity for Heublein? Based on this, Heublein decided to sell Vinifera. That was their decision at this point: to sell Vinifera. What we had to do now was to set somebody else up in business to farm, because we had these grape contracts, and we depended upon this farming company to supply us, Heublein, with quality fruit. So Heublein couldn't just abandon it; they had to sell it and put somebody in business there who would continue to give them the grape supply. But Heublein didn't want any more part of this business, and that's important at this point, because they decided they wanted to sell it; I didn't decide I wanted to buy it. And, in fact, I *didn't* want to buy it.

Hicke

You said that you didn't want to continue.

Beckstoffer

Well, yes, that's right. I didn't want to continue with the company. And, remember, we talked before. I felt my future was still with the corporation. The twofold job was, I said, "Okay, I will try to sell the company, and you find me a job in the corporation."

What happened was that since I had worked for Heublein, it was very difficult for any middle manager to take me. I mean, I had a direct pipeline to top management, and so they didn't want any part of me. And I was trying to sell a not-for-profit, nonprofit company with the United Farm Workers labor contract behind it. Most importantly, the people that—we go back again—the investors we had gotten to come in, we had said to them, "You invest, we'll farm," and they lived on the thirty-eighth floor of the Chase Manhattan building—were my real market for selling Vinifera. They said, "Wait a minute, remember what you told me? You said you were a farmer. Fine. Don't come to see me." So we went from June, I guess, in '72 into '73 without any buyers interested, and then finally I said, "Let's kill two birds with one stone. You sell me the company. That way you'll solve my job requirements, and you'll serve your need to get rid of the company."

Hicke

How did you arrive at that?

Beckstoffer

Well, it was like other things, too; it's just sort of out of necessity, in that I couldn't sell the company, and they couldn't find me a job. So we were at the bar, I think, at the Cliff Hotel, Stuart Watson and I, and I said, "Why don't we try this? What do you think?" And he said, "Let's try it. Maybe we can do this. Maybe this is the solution."

Now, let me say another thing about that, so we don't confuse the issue. I did want to come back to the corporation, but I'm frustrated now that they are not able to find me a job, and I'm frustrated that I can see very clearly I'm not going to be able to sell this thing. And I really—I guess I don't want Vinifera to die either. Again, it's my baby, if you would, and it's been fun. And I always thought that one of the reasons for taking the Vinifera job in the first place was that if I did it, I would have within the corporation a very visible success, something that really belonged to me. Lots of times, you don't know whose success something is, but now I had this great success with Vinifera, and it wasn't getting me anywhere. I now had experience as a farmer in a marketing company. And I had experience as an executive, but nobody would touch me because of the way it was done. I couldn't sell it, and I couldn't let it die. But, did I want to be an entrepreneur? Again, I always thought I would go back in the corporation and I would do well.

Stuart's suggestion to address my dilemma was that I see a management consultant called Spencer Stewart. He got into political things later.

At the time I went to see him, there was a fellow named Bernard Kornfield who had written a book, and I'm not sure what's in the book, and I'm not sure about Kornfield, but the name of the book was *Do You Sincerely Want to Be Rich?* He said that if you want to be an entrepreneur, you have to sincerely want to be rich, because you're going to take great risks, you're going to work very hard, and all those kinds of things, and if you really want to be rich and are willing to do that, then maybe you wanted to be an entrepreneur. Well, I guess I was cocky enough, and I didn't think about it as much, I said, "Being rich isn't the deal, but if you convert that to say, 'Do you sincerely want to be *powerful* ?' in terms of controlling your own agenda, *that* I want to do. So I think I want to be an entrepreneur, and so I will consider doing this thing."

Hicke

I take it you read this book?

Beckstoffer

Never read the book; it was just the title. The only thing that was important was the title. I never read the book. I had the book around for a while. At least I don't remember ever reading it. And I guess Kornfield was a bit of a shady character, anyway—not somebody who you really want to be associated with, but he had the right title for what we wanted to do.

Hicke

Yes, that's interesting.

Beckstoffer

Yes.

III Beckstoffer Vineyards

Buying Vinifera, 1973

Hicke

So that was when you decided you would be an entrepreneur?

Beckstoffer

Decided I wanted to be an entrepreneur. And we tried to figure out then how we would do it. And now we're into 1973.

Hicke

Okay, here we are.

Beckstoffer

In 1973 I was going to buy 75 percent of a new corporation, and Heublein and the Connecticut Mutual Life Insurance Company were going to own 15 and 10 percent, respectively.

Now, what we had done back in 1972 was, when we bought the Keig property, the church school, which is 500 acres, I had packaged that for sale with two other pieces of property: one was the old Beaulieu vineyard Number Three, and another was a piece of property called NAPACO, which I'd bought from Louis Petri.

Hicke

NAPACO?

Beckstoffer

NAPACO. [spells] Like Napa Company.

Hicke

Oh, it's an acronym.

Beckstoffer

Yes. And I packaged those three properties of approximately 1,000 acres in Napa Valley, and Heublein sold it to Connecticut Mutual Life Insurance Company, and Vinifera was farming for them. So they needed us to farm for them. So, on that basis, they agreed to be part of this new corporation. They were also a Hartford company and very friendly with Heublein.

One of the great successes of the Vinifera experience was that when we had this 1,000 acres, I went to Connecticut Mutual, and they wanted to make us a loan on that land, and I said, "No, you've got to buy it. You've got to own the equity. Heublein doesn't want to own that." That was the first time they ever did that. They did very well in the experience, but they now owned the land and needed somebody to farm it, so they're interested in helping me set up in business.

So, what happened was that I'd own 75 percent, Heublein would own 15 percent, and Connecticut Mutual would own 10 percent. All of the land would be sold to us for 100 percent of appraised value or market value, but in no event less than book value.

Hicke

All the land owned by Conn Mutual?

Beckstoffer

No, by Vinifera Development Corporation.

Hicke

Oh, all right.

Beckstoffer

See, I'm buying the Vinifera Development Corporation.

We paid for it like this—this gets to be important—Connecticut Mutual is going to lend us a $1,200,000 on the land in Ukiah, because we owned a bunch of land in Ukiah which we had bought from Petri, and Heublein didn't want it, so they sold it to me. Plus, Connecticut Mutual is going to pay $300,000 for their 10 percent of this company.

Now, I would have to take you through some gymnastics to show you how Connecticut Mutual paid $300,000 for their 10 percent, but I paid $7,500 for mine, and Heublein pays $1,500 for theirs. Connecticut Mutual really wanted to do this deal, to help us, so they helped us and did that.

Okay, first, Heublein would be paid one million dollars in cash, then Heublein would provide a $2 million loan for the development of vineyard property, putting the vineyards on some property that Vinifera hadn't developed yet, and $1 million loan for working capital. I was to pledge all my assets. I was to pay Heublein all my cash flow to satisfy the loans. This was very important; the purchase agreement says I will "have complete freedom to run the new corporation as you see fit. Heublein and Connecticut Mutual are on the board of directors. Heublein and Connecticut Mutual have the right to participate in any other venture"—that I can go into.

We'll have to continue farming for anything Heublein wants us to do, and we will have to sell them all the grapes for thirty years. I'll have to agree to help them with any problems with farm labor unions. They had been attacked by the Federal Trade Commission, help them with that. I had to stay as chief executive officer; I could not leave. I couldn't sell *anything*, couldn't sell stock, couldn't sell land, couldn't sell anything unless I gave Heublein the first right of refusal. And if I sold anything, all the proceeds had to come back to Heublein.

Let's see, in the case of my untimely death, I gave Heublein the right to buy everything back. And in twenty-five years I had the right to buy their shares of the company. I insisted on, "And current Vinifera employees will be vested at their current levels of Heublein's benefits program." I wasn't going to allow any of my employees to be hurt because I had this chance.

But what happens here is that, one, all the Vinifera properties but none of the Beaulieu properties come to me. So all the stuff that I had developed came to me, but none of the old-time Beaulieu properties; they kept that. Two, everything was valued at the highest price it could be, book value or market value. Arthur Young, which is an accounting firm at the time, said it would be twenty years to be debt-free. Three, I must farm all of the Heublein and BV properties, all the grapes went to Heublein. I must keep good relations with the farm workers, I must assist them with the FTC complaint. Four, I must personally guarantee all the loans, I must stay with the company, I can't sell anything, I can't sell any vineyards, Heublein has the first right of refusal on anything we do sell, all the sales proceeds go to satisfy the Heublein debt. In other words, there weren't going to be any quick profits in this.

Two important things: the deal-breaker things were that I got complete freedom to run the company and all the employees were vested. From Heublein's point of view, what they got to do is that they got to maintain the Vinifera success. In other words, they could continue to get the right grapes. They got out of farming, they got away from Chavez, and they got a million dollars in cash. And they sold everything at market. Connecticut Mutual protected their investment. Very interesting.

You're going to see, Connecticut Mutual becomes my major benefactor. Lots of people think it was Heublein; it was really Connecticut Mutual, and particularly their chairman, Ed Bates, who put great faith in me.

At Connecticut Mutual, the fellow who was the head of agricultural loans, Denzel Warden, said to me—he's one of these people I've been very fortunate to know over the years. Lots of older fellows have sort of taken me under their wing, from Louis Petri to Ed Bates to John Daniel to André—Denzel said, "In all my years, my biggest problem has been getting the money out, finding good people to lend the money to." Most people go to the bank begging. He said, "My problem is getting good people to lend money to." So with the purchase, they had the ability to get the money out.

For me, I had an entrepreneurial opportunity. Given the fact that they needed these grapes from Inglenook and Beaulieu, I sort of felt like they couldn't let me fail. I felt like I was pretty secure in that. I leveraged the purchase, you know; I put up $7,500. My visible success at Heublein was going nowhere. I got to run the company. I had an assured market for all the grapes I produced. I mean, you can look at that the other way. I got a place to sell it. I got a base for exploration. I could take this company, and then when I could grow some other things—I was basically signing a twenty-year personal servitude contract, but I was getting a way of life that I liked. I liked being out here. And, very importantly here, since *they* wanted to sell the company, there was credibility in my buying it, everybody knew I wasn't ripping off the corporation. Again, Heublein got a million dollars in cash, and they got rid of a poor fit with their corporate image. Connecticut Mutual got their money out in loans.

Hicke

Was everybody happy?

Beckstoffer

Everybody was very happy. Everybody was very happy.

Hicke

That's truly amazing.

Beckstoffer

Yes. Somebody asked me at one of the Amos Tuck seminars when I used to go back and give talks at the Amos Tuck School, What was the toughest day? I was thinking, and I said it was the first day, because I was negotiating this deal for months, and I was very involved in it, doing my thing. The day before this escrow closed, my wife had our fifth child, and so she was doing *her* thing. So, familywise, it was a very, very difficult period. After that, you know, things got tough, but you just kept on

going. But that day was kind of an interesting day as we went through.

The company that I bought had total assets of something under $4 million. That was the size of this company when we did it, and $2 million, almost $3 million, of that was vineyards, because we did own a bunch of vineyards at the time.

Hicke

And the rest was equipment?

Beckstoffer

Equipment and shop and things of that sort, right. And, again, it could not have been done unless some outside person, like Connecticut Mutual, was willing to put up real money; otherwise, the corporation would have had great difficulty selling a business to an employee.

So, had they not been willing to come in and do that, to say, "Hey this is a good deal, and we're willing to put money behind it," it couldn't have happened. They did this extraordinary thing of really basically valuing the assets at $3 million and paying for 10 percent of it with $300,000, and then putting the loan on it, which cut it down to almost nothing, $10,000, so I could pay $7,500 for 75 percent and Heublein $1,500 for 15 percent.

Hicke

Now, did this include the actual land?

Beckstoffer

It did include land. Actually, what it included—it included 1,300 acres of land. It included 500 acres in Mendocino, which is the land we had bought from Petri. It included my home in Napa, which was another 80 acres, and, in addition to that, it included another 661 acres of Napa land, most of which were leasehold.

So, when I started out, I had 1,333 acres of land in 1973. That was going to change, but that's what we started out with. All the Napa land was land that I had acquired through Vinifera; it was not any of the Beaulieu land. *And* it was all the land they didn't want in Mendocino County.

Hicke

Yes. What was the reaction of the people who owned the land that you farmed?

Beckstoffer

They were okay. They all knew me; they didn't know the Heublein people. Connecticut Mutual was the big guy that we were farming for outside of Heublein. The rest of the people were concerned, but I went and explained to them, and they took it. I mean, they really didn't have a choice, but

they took it. They didn't mind losing the Heublein shield, I guess—or maybe they did, but they didn't complain.

Hicke

You didn't have any major problems with that?

Beckstoffer

No, I didn't.

Hicke

And setting up your board of directors, I don't know if you're going to get to these. Again, if I'm asking questions ahead of time, tell me.

Beckstoffer

The board of directors was one person from Heublein, one person from Connecticut Mutual, Dr. Eric Thor, who was with the University of California, myself, and I think Betty, my wife. That was the board of directors. You know, in the early days we operated the company. I would simply inform the board of directors of what I was doing.

Hicke

And so the board of directors didn't offer any problems, particularly?

Beckstoffer

No. Actually, it was great, because it gave me a way to get attention. When we were starting Vinifera and it was really hot, we could get the attention of the top executives pretty easily. Once we had satisfied those goals, it was very difficult to get the attention of any of the executives. Having them on the board was great, because I could get their attention for a couple of hours; otherwise I couldn't get their attention.

We did some things in a fairly formal way. I wrote a mission statement for my company.

Hicke

I was going to ask if you had goals set up.

Beckstoffer

The mission statement was to be "a large-volume, high-quality grower of Northern California coastal premium wine grapes through the development and application of modern business and viticultural technology, *our way* " *underlined our way* —"to realize above-average return from farming services and grape sales while building an estate in vineyard real estate."

In other words, from the very beginning it wasn't the goal to make money. You have to make money, but what I wanted to do was own real estate. I wanted to own vineyards. I definitely wanted to own vineyards. That was always my goal, and you'll see later, we paid too much for good vineyards, but the goal is if you can somehow or

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another stand the cash flow, we'll pay for it, and we'll own the vineyards.

Hicke

I'd say you've been a major success. [laughs]

Beckstoffer

[laughs] We've had fun doing that.

Now, what happens is that we purchased Vinifera in 1973 for the reasons we've said, and we financed it that way. We formed the Napa Valley Vineyard Company and the Mendocino Vineyard Company, which were really the farming operations in Napa and Mendocino, so that we could set it up as we had before, in that we had a farming company, and then the land-owner was the client. So that while Connecticut Mutual had been a client, I wanted to also make sure that *I* would be a client with the land holdings that I had. But also I did it so that all my key employees could own part of the equity of the thing that they were really involved with. So Roy Harris, all those people, got to own a part of the company. It wasn't just me that got to own a part; they got to own a part, too, and, since they were in the farming company, they could own part of the farming company.

Hicke

Does that mean they invested money?

Beckstoffer

They should have invested money. We lent them the money to buy in. But, yes, they invested money. Yes, they invested money, right.

Hicke

But they borrowed it.

Beckstoffer

Yes.

Hicke

And you thought that was important, that they have—

Beckstoffer

Yes, I thought they should. It turned out not to work really that well, because they were all young families who needed the money and couldn't build equity. They wanted to drain the company every year. They didn't understand about equity, and it's highly understandable that they didn't. But it did give them ownership. It gave them a feeling of equity in what they were doing, which was important. I thought it was important.

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The Ups and Downs of Entrepreneurship; Restructuring

Beckstoffer

So we do this starting in 1973. Well, what *else* happened in 1973 is, for example, in 1973 the price of Cabernet in Napa Valley was $862; in 1974 it was $459. Chardonnay went from $815 to $433. In Mendocino, where we had lots of land, the price of Zinfandel went from $500 to $300; the price of Carignane, which we had a lot of, went from $415 to $208. By 1977 when we defaulted on our loans, the price of Cabernet had only come back to $537 in the Napa Valley, and the price of Zinfandel had come back to $450, the price of Carignane only to $268. So right after we bought, the price of grapes went just through the bottom, the bottom of the thing.

The other thing, and one of the reasons our default happened, was that we borrowed all of the money at prime rate plus one point, and that was 7 percent, 6 percent plus 1 percent, when we made the purchase in 1973. What happened was that the interest rate went straight through the ceiling, and so all of our debts just accumulated because we had borrowed—we were totally undercapitalized, and we had borrowed all the money. We really knew it by 1975, and it took me a year and a half to convince them that this company couldn't survive. We could not survive at Vinifera.

Hicke

Them?

Beckstoffer

The Heublein people who had lent me money and the Connecticut Mutual people—mostly the Heublein people, who were in control.

The other thing that had happened was that the whole market had deteriorated for them, so it was a difficult time. In 1977 when we could not pay our bills to Heublein, we had to restructure the company, and I had to rebuy the company. What happens then is that all the people whom I had worked with, and sort of the people whom I had been employed with at Heublein—they're now the people I get to negotiate with. So there was some jealousy setting in there, and so it got just very difficult.

What happened was—just to tell you what happened—was that our situation was we were losing over $100,000 a year, after Heublein had stopped accruing interest. We owed something like $7 million. The company owed $7 million. Heublein decided—and I've got the letters—that they weren't going to lend me any money. They had lent me all

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the money before. But you see, I had personally guaranteed all this. My family had personally guaranteed all this money.

Hicke

So you were personally responsible, not just through the corporation?

Beckstoffer

Yes, that's right.

So Heublein said that they would—I would transfer all my voting control—that they would let me be a salaried employee for a mutually acceptable amount of time, they'd let me rent my residence—because my residence was on one of the vineyards—that I'd get an option to purchase my home, the Mendocino property which they didn't want anyway, and two lease-holds, but I had to pay all cash. The value would be book value or at least market. In other words, the highest price again. I had to agree to keep the farm management company, farm anything they wanted. And they wanted me to do this. The new agreement said, "It's not anticipated the cooperation to be provided by Heublein will involve capitalization of this endeavor or loans of any funds." Their intention is to release me from my personal guarantee if I would continue to cooperate. I had to be committed to manage and operate the farming operations as they envisioned it. So Heublein really got tough with us at that time.

Hicke

Are you talking about the board of directors now? Or who?

Beckstoffer

The people who are negotiating for Heublein who end up being guys who now report to Stuart Watson, but they are people who came to Heublein about the same time I did, but now they have gained some power and they are going to see that I didn't get any great deal. I don't know. I don't know quite what all sets in here, but there has been some friction over the Chavez things. You remember before—

Hicke

We'll get back to that. We haven't talked about that.

Beckstoffer

We haven't talked about that. We've talked about the difficulties here. We were maintaining the farming contracts and dealing with Chavez, but Heublein owned the land, for example, at Beaulieu, and so Chavez would every now and then go and picket up in front of Beaulieu, and Heublein wanted us to stop it, and we couldn't stop it. So there was friction here, but mainly it was from some of the Heublein employees who were not going to—you know, they thought I got a great deal in 1973, and they weren't going

to let that happen again. That was sort of their feeling through this, I guess.

So what happens was in the 1977 purchase, we end up—with my home and the lease-holds and the Mendocino vineyards and the farming assets with about $2,800,000 worth of assets. We go from $7 million to $2 million in assets. We gave everything else back to Heublein. We give them back the land I was talking about before. We went from a 1,333 acres to 667 acres, most of which is in Mendocino County. But I *do* get 100 percent of my company, which is very, very important. They let me keep the Mendocino property, they let me keep my home, they let me keep two lease-holds. So I go from a 1333 to 667 acres. My debt goes from $7.1 million to $2.6 million.

Hicke

And you sort of give up your soul.

Beckstoffer

You give up your soul again. But the people who stuck with me—Connecticut Mutual stuck with me, and their loan that was $1.2 million before is now $1,060,00. They keep it. The Savings Bank of Mendocino, whom we had been dealing with in Mendocino County—that's a local bank—they agreed to lend me $800,000 on a second deed of trust on some of the Mendocino property that Connecticut Mutual already had a loan on. Equitable lent me $600,000 on my home. I sold a parcel for $200,000, and Farm Credit lent me $200,000, so I ended up with $2,900,000 to buy this company for $2,800,000, and not a penny of it loaned from Heublein, who had loaned me all the money before.

Hicke

Was that the good news or the bad news?

Beckstoffer

That was the good news. Then, in 1978, we sold two more pieces of property, and we got the debt down. By 1980 we were down to $2 million in loans.

Hicke

Let me turn this tape over.

##

Beckstoffer

These are some more of those things about Heublein in this difficult situation. Heublein says—you know, I wasn't agreeing to everything—and they said, "If I misunderstood you at that time or if you have second thoughts, I suppose we ought to face up to the issue immediately. The purchase of your home is separate and will stand on its own two feet."

Hicke

Is this a letter you're reading from?

Beckstoffer

From Watson, right. "Personally, I hope we can resolve this, but if you or your family aren't willing or able to fulfill your future wishes, I understand."

So that's what happened. We refinanced, and we got 100 percent of a much smaller company in 1978.

Hicke

How did you feel about this?

Beckstoffer

[sighs] Well, I don't know. I didn't feel great. I felt sort of abandoned. I didn't understand why they were doing this type of thing. *One* of the things it says here in this letter is that "We would recognize that you have discharged your responsibility to us in that you did your best to make the 1973 arrangement work, but due to certain circumstances beyond the control of all of us, that arrangement has failed."

So I'd invested five years of my life in this, and I had a personal guarantee that—I guess you could declare bankruptcy or something, but without the new Heublein deal, I would have never paid the initial debt off. So, to a certain extent, I felt fortunate in getting out of it. I liked the idea of getting 100 percent of the company, and after two years I was just relieved to get it done. If I would show you the details of that services contract, it's just unbelievable. But, you know, what are you going to do?

Hicke

That was terrible to have the market go through that.

Beckstoffer

Market inflation—you know, it happened to lots of people, *lots* of people. Inflation just killed a lot of business. If it happened today, we'd be better off, but in those days we just didn't have the cash flow to handle it. Yes.

Hicke

Yes, they were tough years.

Beckstoffer

For most people—we're not the only ones—there's no straight line to success. The road's bumpy; it moves up and down.

Hicke

Yes, but it's hard to see that when you're on the down side.

Beckstoffer

Yes. They say when you're up to your butt in alligators, it's hard to remember that your job is to clean the swamp, or something like that. [laughter]

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Another interesting thing that happened is: remember now that one of the important things that I did for Heublein was to take these vineyards and take Chavez's contract, the United Farm Workers' contract, in 1973. In *1983*, Beaulieu took all their land from us. They didn't let us farm their land any more, starting in '83.

Continuing the History of the Vineyard Properties

Beckstoffer

I want to finish this history of Vinifera.

By 1987—and I'll talk about the farm workers later—we were out of the United Farm Workers Union that we'd been in for fifteen years. But we were out. There was no disruption, there was no severance paid, and there was no decertification election, but we worked hard to make the farm workers happy. I think some people like John Brown and John Crossland and people who had been here helped me do that.

But let me just, again, when we're talking about the Vinifera situation and the history of Vinifera, let me tell you that from 1971 through 1978, we planted over 3,000 acres of grapes here in Napa Valley. Over 1,200 of those acres are Cabernet Sauvignon. In that same period, from 1971 through today, through last harvest, we have harvested over 122,000 tons of grapes in Napa County, and over 111,000 tons in Mendocino County—over 233,000 tons total. Given the way we are today and now, our land and what we'll harvest from here on out it's going to be hard for anybody else to *ever* harvest as much as we have.

Today we sell grapes to some forty-eight wineries, and those forty-eight wineries include big wineries like Acacia [Winery] and Beaulieu [Vineyard] and Beringer [Wine Estates] and Cakebread [Cellars] and Stag's Leap Wine Cellars and Fetzer and Kendall-Jackson [Vineyards] and Merryvale [Vineyards]; but they also include the little guys like Liparita, Lewis Cellars, Paul Hobbs, Dunn, Behrens and Hitchcock, Duckhorn, Guenoc, Sterling, Spottswoode, Franciscan [Winery & Vineyards], Clos du Val—well that's a little bit bigger—Robert Keenan [Winery], Rudd, Nova, and St. Supery [Vineyards & Winery]. So we sell to a lot of big guys, but a lot of small guys, too. I guess we're the third-largest land holder in Napa County, but the two larger ones are corporation wineries. In Mendocino County we would

be the largest. But it's clear that in the North Coast we're the largest *seller* of wine grapes, because anybody who is close to us in land holdings is a winery.

In 1999, of the 2,500 acres of vineyard we have, over 1,000 is Cabernet in the three counties of Napa, Mendocino, and Lake County. The next largest would be Chardonnay at 330-some acres, and then Merlot at 200-some acres.

So that's the history of Vinifera to the current day—the Vinifera that becomes the Napa Valley Vineyard Company that becomes Beckstoffer Vineyards.

Hicke

Well, that's sort of the business history, but we haven't talked about the vineyard management and all of the technology and that kind of thing, but I hesitate to ask you to talk any longer. I'll leave it up to you.

Beckstoffer

Why don't we turn that off for a minute, then we can talk.

Hicke

Okay.

[tape interruption]

A Brief Look at the Napa Valley Wine Industry in 1970

Beckstoffer

One of the questions that you had was: what was the wine business like in the Napa Valley in 1970? Well, you need to remember that in 1967 the whole wine business sold more sweet wine than it did dry wine, so the Napa Valley was even more out of the mainstream than you might suspect in that it was not only dry, it was premium dry, and premium dry was a very small subset of the dry part.

In 1966, Robert Mondavi had started his winery after leaving Krug, and he was the thirtieth winery in the Napa Valley, and he was the first new winery in thirty years. In 1972 there were already thirty-seven wineries, so it's beginning to start with Chapellet [Winery] and all those other people are beginning to come. In 1970 there was clearly a Big Six here. We've talked about it before. It was BV, Inglenook, Christian Brothers, Martini, Chas Krug, and Beringer. They controlled this Valley, not the three hundred wineries that you have now that compete. They were dominant. The big premium wineries in 1970, unquestionably,

were Almaden and Paul Masson; that's what the world knew as premium wine from California.

Hicke

They're not in Napa Valley, though.

Beckstoffer

No, not Napa Valley. But, today, if you would say, "What are the premium California wineries?" it would be somebody up here; it would not be Almaden or Paul Masson, but then they were, by far. There was no question.

Hicke

I see.

Beckstoffer

Beaulieu's Private Reserve sold for $7.50. Gallo, through the ownership that controlled the two co-ops, got over 50 percent of the grapes that were produced in the Napa Valley and all of those went to Hearty Burgundy. Christian Brothers in 1970 wasn't vintage dating their wines. They didn't start that until 1974. They didn't even vintage date their wines in 1970.

In 1968 in Mendocino County, Parducci [Wine Cellars] presented the first Mendocino Cabernet Sauvignon, the first varietal wine to be sold from Mendocino County, produced in 1968.

The guys who were here, and the guys who deserve a lot of credit—farmers—were Virgil Galoran and Andrew Pelissa. Virgil Galoran was—again, I mentioned him before with the André story—but he was the long-term chairman of the big co-op which controlled all the growers, as well as being a BV grower. But he was just everywhere. Andrew Pelissa was the statesman. He was forever on the Napa County Planning Commission. He was just The Guy. He owned about seven hundred acres of grapes in the Yountville area. But he was a *major* guy through all the farming years in this Valley. Gallo and Italian Swiss were about even in terms of total cases, and we felt with good authority that Italian Swiss Colony was bigger in dollar revenues, because they had more of the higher-priced dry table wines than Gallo sweet wines.

In 1970, the Bank of America wrote a report saying that adult consumption by 1980 would go to over two gallons per capita. It never has come close, I don't think. But it was a very, very aggressive, optimistic report that spurred on a lot of planting of vineyards in the 1970s.

Hicke

That didn't turn out so well, though.

Beckstoffer

It didn't turn out to be quite the case, but that's what happened when somebody with the authority of Bank of America came out. They had great impact on what happened *after* 1970, but before 1970 no one had ever written a report like this.

In 1970, growers were farmers. They were not entrepreneurs, they were not businessmen, they were farmers in 1970.

Hicke

They still *are* farmers, aren't they?

Beckstoffer

They're farmers, and they're businessmen, and they're entrepreneurs, and they're wine men. That's different. You know, they weren't in the wine business; they were farmers. They weren't businessmen; they were farmers.

You know, the shame of the 1980s and the 1990s is that a lot of people who were good farmers and who owned the land in the 1950s and sixties, and who today are *still* good farmers—but they work for somebody else; they don't own the land. The reason that happened was because they were poor businessmen in the 1950s and 1960s, and that's a shame. And, again, one of the points is that it is probably not going to happen again.

In 1970, quality was *grape* quality; it wasn't wine quality. We wanted clean fruit that looked good, rather than talking about fruit flavors and things of that sort. It was all about grape quality and not wine quality.

Hicke

Are you talking about the market or the public or—?

Beckstoffer

I'm talking about the atmosphere in the Napa Valley.

Hicke

Is that right? I thought it was the other way. I thought that people thought the winemakers had all of the say about how the wine turned out, and not enough credit went to the grapes.

Beckstoffer

They did. That's exactly right, because the grapes had only to do with the quality of the grapes, and not with the quality of the wine. That's my point. Everybody said, "I'm going to give you pretty grapes, and the winemaker, this magic chef, will create this wonderful product through his oak barrels and winery practices."

Hicke

Yes, okay.

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Beckstoffer

What we did as farmers in the 1970s was what had been done before. There was no experimentation. We weren't doing new things, or we were beginning to do new things, but basically what we did was in vine spacing and whatever with what had been done before.

Hicke

And was that pretty much what the university—

Beckstoffer

Had told us to do a long time ago, that's right.

Land cost anywhere from $1500 an acre to $4000 an acre. To develop it cost anywhere from $2500 an acre to $4000 an acre, and the price of grapes was anywhere between $300 and $500 per ton in 1970.

In terms of what we did, there was no such thing as soil preparation, deep rooting, soil amendments—those kinds of things which we do today. The best grapes were not irrigated. We fumigated everything whether it needed it or not; we just killed everything, just fumigating and killing.

There were two rootstocks: one was AXR and the other was St. George, and St. George was seen as being too vigorous. There was one clone of each variety. There were two trellis systems: one had two wires, and one had three wires. We would go in the vineyard and we would prune it; we would cultivate it clean. You know, farmers love to run tractors, and so we just cultivated and beat the land to death. Then we would pick at high sugar. That was what we did. It was clearly a low-margin, commodity business. We were in the low-margin business, and it was a commodity. It was not a special varietal business.

Hicke

You're saying the yield was—

Beckstoffer

It was big-time yield, and it was a commodity. For example, pricing was if you had a big crop you had a low price, and if you had a low crop, you had a big price. It was all commodity. There was no specialization, if you would, or differentiation. It was a simpler time, certainly. Farmers were second-class citizens. I mean, like in all of agriculture, the processor is the first-class citizen, like the processor winery; the producer farmer is a second-class citizen; the farmworker is a third-class citizen. But it's clear that, from a social, an economical, and a political point of view, the growers are second-class citizens. If you think about it, the leaders were a bunch of old men. It was surprising after 1970 how all the young winemakers begin to come. It really just started; everybody was now young,

but in 1970 it was a bunch of old men who ran the business here.

Hicke

You're talking about the growers?

Beckstoffer

I'm talking about the business—the growers *and* the winemakers.

Hicke

Mostly old families?

Beckstoffer

Old families and old men who were doing it.

There was very little attention to what we did. When you think about today in Napa Valley, everybody pays attention to what happens, but nobody paid attention then.

There were no new dollars coming in when we first came in, none of the attractiveness of dollars coming in. For example, when we went out to spread the word to get people to invest, it was very difficult, because there was no new money coming in here. Things were cheap. Again, this was before that double-digit inflation that happened in the seventies with the oil embargoes and things of that sort. There was little vineyard activity. It was just the standard grapes. You know, there was no replanting as such in a really big way.

Cabernet was clearly *not* king. If you look at grape pricing, Cabernet Sauvignon has been less than Chardonnay, price per ton from 1955 to 1988. Cabernet, price per ton, average Napa Valley, is less for Cabernet than Chardonnay. Up until 1969, Cabernet was less than Johannesburg Riesling. Up until '68, Cabernet was always less than Pinot Noir, and it was actually less than Chenin Blanc up until 1962.

If you think about today where Cabernet is king in Napa Valley, and Napa Valley is the king of Cabernet—in 1970 it was not the case; it was not the case at all. We had a hard time convincing people to plant the low-yielding Cabernet. They wanted to plant Carignanes and Petit Sirahs, and they wanted to keep their Columbards and things.

Let's just see here. We used to have a saying—sort of socially around here there was a saying. It says, "Never let the sun set on the tourist." In other words, you bring the tourist up here, you give him nowhere to eat and nowhere to sleep so he'll go home. [laughter] It was an idea of preserving the agricultural preserves.

Hicke

That didn't last very long.

Beckstoffer

It didn't last very long here. There was full belief that within ten years the Valley would be urbanized. They said, "Why do you fight these things? Why do you try to maintain the vineyards? In ten years they will all be houses." They said that in 1970, they said that in 1980. They don't say that anymore. But in 1970, the threat of urbanization—two years after the ag preserve had been put in, there was great threat of urbanization. Lots of people were talking about it all the time.

The ag preserve happened in 1968. That's when it went in. I arrived in California in 1969, but if you look at what was going on in 1970, it was still fresh and new. Actually, when I was on the Napa County Planning Commission in the late 1970s we came back to these issues. I talked about the guys who really made it happen. Andrew Pelissa was on the planning commission. He was the only representative in this whole thing who was from the upper Valley. Everybody else was Napa City-oriented. So he was the political spokesman of the Napa Valley wine industry and had a great amount to do with the ag preserve. There are lots of people who take credit, but he was here, and he was long-term, and he was in a position to do something important.

Hicke

And that was still the idea in 1970 that you were going to preserve this—

Beckstoffer

Well, it had passed, but there was a lawsuit against it. They were trying to overturn it for some sort of—I don't know what the reason was—some sort of constitutional reason. There was still questioning: is this a good idea? I mean, we passed it, but is it a good idea? The ag preserve was much smaller than it is today. The amount of acres that were zoned was much smaller than it is today. There was a feeling that, if, in fact, it wasn't zoned, it would clearly bring in houses, cluster houses, and all these other things.

In 1969, there were 20,000 acres of grapes in Napa County planted, and 80 percent of those were owned by people who didn't own wineries. One of the things that people don't see in all of this is that, even today, 60 percent of the grapes that are made into wine in Napa County are owned by people like us who don't own the winery.

Hicke

Sixty percent?

Beckstoffer

Sixty percent. In the state of California, the number is 80 percent. So that says something we can talk about, about the responsibility of the independent grape grower with regard to quality, with regard to environmental protection, and all these other things. But it was that case then, and it is that case now.

In 1970—actually, this is a number from 1972—there were 17,000 acres, and they projected that by 2020 there would only be 21,000 acres. As you know, there are over 33,000 acres now, so what they were projecting growing out in terms of the development of the Napa Valley is much less than it is today.

Hicke

Was that because of planting of the hillsides and that sort of thing?

Beckstoffer

Planting of the hillsides and converting all the pears and the walnuts and everything—becoming a monoculture. They probably felt we'd never plant some of the ground we did. And we *wouldn't* have if the viticultural techniques hadn't improved such that would allow us to do that.

Talk about Cabernet not being king: in Napa County alone, there were *no* new Cabernet vineyards planted in 1965 or 1966.

Hicke

None?

Beckstoffer

None. In 1967, there were 600 acres planted; in 1968, 500; and in 1969, 182 acres, for a total of 2,000 acres.

Hicke

Who planted the first Cabernet?

Beckstoffer

Oh, I don't know. It would have been planted back in the 1850s. It would not have been a big deal. I think it was 1972 when Gallo, who purchases 50 percent of the grapes produced in this Valley, in his pricing for the co-op includes Cabernet with mixed blacks. Cabernet was not king like it is today. [looks through papers] Here it is: "Fifteen percent increase in the 1973 crush expected at Napa Valley co-op winery." Gallo's man says, "Be sure to bring the blacks in the sugar rating at twenty-two [Brix] or better, as they are used as the base for Gallo's Hearty Burgundy wine."

Allied Grape Growers in 1970 had less than 500 tons, and in 1969 they only got eight new tons, which says something about what they were going to do.

The five largest Cabernet growers had a total of 800 acres in Napa.

I can go into the pricing and things.

But in Napa County, there was this thing published in 1973: "Places to Stay in the Napa Valley." There were a total of 180 hotel rooms in the whole valley. [laughter] So that was pretty much the situation here in 1970.

Hicke

That is so great. You really have the historical perspective. Doing this profile of 1970 and comparing it with today is just so interesting.

Beckstoffer

It has changed dramatically in terms of what has happened and how it's happened. It's just unbelievable what has gone on. And this thing which we'll get into later on—the technology and stuff is what happens during the eighties. It just roars on through.

1976 Paris Tasting

Beckstoffer

Remember that the Paris tasting didn't happen until 1976. What happened in that was that thirty-three of us, I guess, went over on the first tour arranged by André Tchelistcheff to Europe, to France, to wine country. We were told to be extremely cautious because we were the new kids on the block, and to not insult our French hosts. And we *did* to a certain extent, but I remember one place they served us raw rabbit.

Hicke

Wow! [laughter]

Beckstoffer

Raw rabbit! I mean, these big monster rabbits that we had never seen here in the United States. Everybody thought of salmonella and all this kind of stuff. We just didn't know about French food, either, I guess.

But, you know, they were very courteous, and extremely *curious* about what we were doing in the Napa Valley. We were all North Coast people.

Hicke

You're talking about people in Bordeaux?

Beckstoffer

We were in Bordeaux and Burgundy and Champagne. Bob Travers wasn't in control of the trip, but Bob Travers took over

these wines for Steve Spurrier, this London wine merchant. I can remember helping him take them off of the luggage rack, because we put them into some luggage and the boxes were all breaking up. But while we were over there, the French professional tasters did this tasting, and Stag's Leap Wine Cellars won the best, their 1973 won the best of the red, and Chateau Montelena was best of white wine. This fellow from *Time* magazine wrote the Judgment in Paris.

We took those wines over, but at the time, 1976, we were still very cautious, because we thought the French didn't have much respect for us at that point.

Hicke

Were you there, then, when the results were announced?

Beckstoffer

Yes, we were there, and I'll never forget it, because we were in France, and, I forget, Jim Barrett, who owned Chateau Montelena, got the award. They called him on the telephone.

Hicke

He was with you?

Beckstoffer

He was with us. Jim's remark was, "Hot damn, we knocked 'em in the creek." [laughter]

Hicke

Terrific.

Beckstoffer

Terrific. And I remember, it was the same Jim Barrett who asked one of the French vintners if they put wood chips in their wine. [laughter]

Hicke

And how did the French react? Did they take it okay? Did they give you a bad reaction? I mean, did you talk to them personally?

Beckstoffer

Well, we talked to the people we were with, but it was just beginning to filter out; and of course we were being cautious by not talking too much not to insult our hosts. We didn't quite know what was going on. We certainly didn't understand the impact of this, the impact it would ultimately have. We just knew that two of them had won, and, wow, wasn't that something.

Hicke

They wanted to redo it, didn't they?

Beckstoffer

They *did* redo it, and the same ones won again. Yes. They *did* redo it. Then they wanted to cancel the whole thing and all that, but they could not. They wouldn't let it happen. The main thing was that the *Time* writer who wrote the

Judgment in Paris got it into *Time* magazine. But we did win, we did win.

Hicke

Who were your hosts?

Beckstoffer

Oh, our hosts were the people from Petrus, the people from Lafite [Lafite-Rothschild], the people from Bouchard, Louis Latour I remember talked to us at Burgundy. We had dinner at this great chateau at Mumms. We were doing three wineries a day. We went to Pomerol, we went to Aloxe-Corton.

My wife just had a fit; I mean, we were just going crazy with all the talk about malolactic fermentations. I could tell you another story where Betty and I slipped off one day, one afternoon, we just couldn't stand it.

##

Beckstoffer

We were at Pomard, I think, and we told somebody to answer for us, because Dorothy Tchelistcheff was a real scoutmaster, and she would call names every time we got back on the bus. So we got these people to speak up when they called our names, and we took off from the vineyards.

I can remember, we went up to a road, and if you went left you went to Beaune and if you went right you went to the next winery. So we were going to go into Beaune to shop and just relax and be together a little bit, and we took the wrong turn and we went to the right, and we saw the bus take a right. So Betty and I—this is true—we jumped in a *ditch* and lay flat on our stomachs in a ditch so they couldn't see us as the bus drove by. [laughter]

Hicke

You were just walking?

Beckstoffer

Yes, we did. We saw the bus coming, and we were a little bit along the road, and we saw them take the—we thought they would take a left, and they took a *right*, coming at us. The only way to hide from them was to lay flat in the ditch, you know, because it was a big bus, and they couldn't see us.

Hicke

They didn't catch you.

Beckstoffer

They never caught us. [laughter] Unless they caught it and never told us about it, they never knew that, never knew that.

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The other thing was Bob and Nonie—another story—Bob and Nonie Travers were on the trip, too, from Mayacamus Vineyards, and they skipped out one afternoon and their son was born nine months later. [laughter] We always call—I think of David as the French Connection.

Hicke

That's great.

Beckstoffer

Yes. But it was a great trip. Louis and Liz Martini were there, and Zelma Long, and Dorothy and André, and then Margrit Biever came at one point. Then the Updikes, who owned Chateau Michelle in Washington, the guy from Burn's Restaurant in Florida—Burn Laxall was there, Mirassou from Central Coast were there. Actually, my vineyard manager from Mendocino, Morgan Ruddick, went. Ernie and Virginia Asperen from Round Hill [Cellars]. It was the first trip of the wine group from California to go to the wine country of France under the aegis of the California wine business. And André, of course, led the trip.

Hicke

It was organized by him?

Beckstoffer

It was organized by André and Dorothy, yes. It was a great trip. It was an important trip.

Hicke

Yes. I was going to ask, what else did you gather out of that?

Beckstoffer

Well, I heard so much about malolactic fermentation I was going to go crazy. We spent all the time in the winery, because most of these people were interested in wine, and we couldn't get them to go out in the vineyard. Every now and then Morgan and I would slip out in the vineyard when they were talking. But they talked winemaking process and winemaking process, and we just went through the winery, and then we tasted wine. Again, we would go to two wineries in the morning, go to lunch, go to two more wineries in the afternoon, and we did that—I think we were there thirty-three days. We would do it over and over and over again, and then get on the bus and go to the next hotel.

Hicke

Did you learn anything of impact or great import?

Beckstoffer

Well, I have to say, looking at the vineyards, that I thought that they were doing it all wrong. I didn't understand, because their trellis systems and things were violating the things we did. They were low, not spread, all those kinds of things. Then I began to later know that their trellis systems and their vines matched their

microclimates very well, because their microclimates are so different than ours and so *poor*, if you would, in terms of the soil.

Hicke

And the sunshine.

Beckstoffer

And the sunshine, and it looked so different, so I was quite critical early on—not overtly critical, but in my mind I said, "What's wrong with these people?" I mean, we're saying get the vines up because it's so cold down near the ground; they're saying you need to get them down so the light will shine off the rocks and heat them. Come on. Then, again, they couldn't do anything that the traditional appellation didn't allow them to do, so they couldn't do any experimentation. We were a technology company, and we were just trying everything new to improve things, and they were saying, "No, we've been doing this for 2,000 years, and it's working pretty good." So I sort of saw an industry that was doing what they had done before—which had been the case in Napa, too, but we were beginning to change.

Review of the Financial History

Beckstoffer

We can talk about finance a bit. One of the things when you talk about finance—and especially in the early days—is we need to talk about the relationship of Vinifera finance with Connecticut Mutual and Heublein. It's often assumed that it was Heublein that did this, but if you look back in 1973 at the financing of this, Heublein certainly gave me my great opportunity to be an entrepreneur and I appreciate that, but the fact is that in 1973 in this deal it wasn't creating something new. We had done all of these things for the benefit of Heublein, and Heublein wanted them done. They weren't venturing into something new. In the process of the 1973 deal, they got $1 million in cash, and that cash came from Connecticut Mutual.

In 1974, with the Mendocino State Hospital property, they got 15 percent of the deal and put up their money, but it was very clearly stated that we would have never entered this deal unless we wanted the grapes that would be produced from the Mendocino State Hospital. In fact, they never bought any. But they were looking at it, again, in terms of what the needs of the corporation were in terms of grapes.

And there was no new development in Mendocino in 1974-75, and so they were looking for an increased supply.

As we talked before, in 1978 they said, "We're not going to give you any money to do anything. We want you to farm. We don't care if you have any land, but we're not giving you any, certainly." Then, by 1983 they actually took their land from me as a farm manager, which we needed, you know, in terms of the operation.

On the other hand, Connecticut Mutual in 1973 paid $300,000 for their 10 percent of the company and lent me $1,200,000, and it was from this $1,500,000 that we could pay Heublein $1,000,000.

In 1974, they lent all the money to Mendocino State Hospital. We can talk about that deal a little bit.

Then in 1978, when Heublein said no, they kept their $1,200,000 loan on the Mendocino property, and they lost the $300,000 investment they had in Vinifera initially.

So Ed Bates, who was the president of Connecticut Mutual Life Insurance Company, and his agricultural advisor, Denzel Warden, were the people who really took over the interest and care and kept their money in, and I think we'll see with Mendocino State Hospital that they were what paid for that. But in the early years it was Connecticut Mutual who really supplied the funding and gave the credibility of the whole deal.

Hicke

Was there some one person in particular?

Beckstoffer

Ed Bates was the acting president/chairman of the board. I mean, he was the top guy, and he knew all about it, he liked grapes, got to be a friend. But the guy who really made it happen was a fellow named Denzel Warden.

Denzel Warden was the head of the agriculture loan department, and Connecticut Mutual Life Insurance Company had a larger proportion of their portfolio in agricultural loans than any other insurance company. Denzel had been doing this for thirty or forty years. He was the fellow who told me that "My problem over my career has been getting the money out, getting people to lend to." So he was the guy who had faith in what we were doing and really made it happen. Ed Bates was then the one to make the decision, but that's what happened.

Hicke

Did he come out here and—

Beckstoffer

He would come out every now and then sort of ceremonially. *Denzel Warden* would be out here working.

Hicke

That's what I meant.

Beckstoffer

Yes, Denzel Warden would be here working, and he had an assistant named George Schwab. It was those two who really got into it and understood it, and it was those two to whom I presented the case earlier in 1971 when they bought the 1,000 acres in Napa County from Vinifera and then gave us the farming contract. So they understood the grape business very well by that point.

The Mendocino State Hospital Program was something I never anticipated, because we had just bought the company in '74, and this came up in 1975. What happened is that then-Governor Reagan was closing the state mental hospitals because he said they were just giving service to drug addicts and kids off the street, and he said the local communities should handle this and the state shouldn't, so he closed up like thirteen mental institutions.

One was in Mendocino County right in Ukiah, and it was 750 acres of ground, 500 acres of which was just virgin farm land which the State of California had had since the 1900s. Then 250 acres were covered by this state hospital, which was 600,000 square feet of floor space and twenty-nine major buildings. All the exterior metal was copper, all the roofs had mission tile, all the doors were oak, four inches thick. It was a gorgeous place. It had its own laundry, it had its own furniture shop, it had its own boiler—it was a city. It was a little city up there.

Hicke

Why did they have so much land?

Beckstoffer

Initially they had farmed this, and then the inmates, if you will, had farmed it. Then that became "cruel and unusual punishment," so then it was *not* farmed.

When we got there, there were old cattle barns, and there was an old hog pen that hadn't been used forever, and chicken pens, and everything like that, but basically the 500 acres was in two parcels, and the 250 was in another.

Hicke

So they were ranching and raising wheat or something?

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Beckstoffer

That, or letting it lie fallow. They would do a lease for some little farmer, and he might deal with something. But it had some sewer system, a sewer plant. It had everything.

They wanted to sell it, and they wanted to sell it at auction. The State of California had spent some $80 million in 1900—dollars of the *1900s* —and they couldn't get a bid. Our bid was the only bid. We bid $2.5 million dollars, and I'll never forget the day out there when we bid. I figured either I know something the rest of the world doesn't know or they know something that *I* don't know. I'm not sure which. [laughter]

But we got the property, and, at the time, they were trying to build a community college in Mendocino and Lake County. I thought this would be Princeton University for them; they would love it. But the president had sort of this edifice complex. He wanted to build his own college.

Hicke

[laughs] Edifice.

Beckstoffer

Edifice. Edifice complex, right. And it wouldn't meet all the standards of what they were doing. There had to be some adjustment to use these buildings, and he simply wouldn't make those adjustments.

So there was an election for the school board, and we actually ran five candidates and elected them all, but as soon as they got elected they forgot what the issue was and said, "We should do this study," and they actually turned down, then, using the Mendocino State Hospital as the grounds for the Mendocino Community College.

One of the guys we beat said he wasn't going to put a college on a funny farm, and most of the people there didn't take to that so we beat them.

But the thing was that once they *didn't* use it, I now had these buildings that nobody had ever paid property tax on, and we didn't have any idea how they would be assessed or what the property tax would be on this *village* that we owned. So we went about trying to sell that, and we, in fact, did sell it to the American Sino-Buddhist Association. You know, it was really hard to get a balance sheet on the Buddhist Church, so we got them to make a major down payment in cash.

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A large down payment. So we sold them that property, and then we went about developing the vineyards. We developed 500 acres of vineyards in Ukiah.

This was the first in Mendocino County, I think—the first large planting of varietal grapes in years. I'm not sure of what all of the statistics are, but it certainly created a stir, because if you'll remember before when I showed you the history of Vinifera, the price of grapes had just dipped significantly from 1973 to '74 and they were still way down. So in 1975 in the midst of this depression we had great faith that it would come back, and in Mendocino County as well. Mendocino County is not Napa County; it was down the road a bit.

So we decided to do it, and Connecticut Mutual facilitated it in that they lent me all the money that I needed for my 51 percent share, and they agreed to capitalize the interest on that until we could pay. Then the project, for my share, would give all the money back to Connecticut Mutual 'til I had paid off their debt and paid off their loans and Heublein had 15 percent of this thing.

But the thing is that we sold the property, the 250 acres, to the American Sino-Buddhists in 1976, *before* any property tax bills came due. Then they were nonprofit, so no one ever paid property taxes on it. We certainly didn't, because that would have sunk our project. We sold it to them. We sold just the buildings that we didn't want for $1,800,000. We got $600,000 in cash, because I couldn't get a balance sheet, but they made that much down payment, so if they defaulted it would be fine with me.

So we went ahead in doing that. Then in 1990 I purchased the Heublein shares and the Connecticut Mutual shares, so, as of 1990, I owned 100 percent of this project.

It's important to me for you to see that Connecticut Mutual, in terms of their dealing with me, did pretty well. They invested some $229,000 and then made a $3 million loan at market rate. They got all their money and all the interest back on the loan, and they made over 112 percent annual return on that $230,000, because the net out of that was $3,844,000. So their faith in me paid off. That was very important to me that that happen; and that, in fact, *did* happen.

When you look at the way we financed vineyards in terms of how you do it when you start with no money, and how do

you keep on doing that, it's important that you see that after '75 we go very slow, and we really don't buy anything again after '78. It's almost '81 when we start to buy things, and then we buy small properties in Napa, and we use seller financing. Basically you give 10 percent down and the seller would finance the rest of the purchase. Then the Production Credit Association would lend you money for a second deed of trust to develop the property.

So in the early years it was seller financing, and then it was PCA, the Production Credit Association, doing that. Then in later years, as we went on, we would have one property where we had developed and had some equity in that property, and we would bundle that with a new property and borrow the equity out, if you would, that would allow us to have the down payment for the second property. We just kept building—this could have been a house of cards, I guess, except that we bought good property and it worked in Napa County.

Hicke

Leveraging, sort of.

Beckstoffer

We leveraged. We *way* leveraged. We leveraged very big, and you say, well, why would the banks allow you to leverage? Well, I would say three things. One is that we put every nickel back into the vineyards. We didn't take any trips, we didn't spend any frivolous money, we didn't buy furniture, we didn't do anything except put everything back, and that was really a statement of good faith.

Secondly, I was always willing to personally guarantee everything all over again. So there wasn't something where I could default on one or another. They always got the whole bundle again, and I would again show my good faith in terms of saying, "Look, I'm going to give you everything I have as security. It may not be much, but it's everything I have." And I think that also helped in persuading him.

And, thirdly, we could manage the investment. I mean, it wasn't like you invested in an apartment house and who was going to manage it and all those other things; we were the managers. So, again, back to the Connecticut Mutual thing, we were the people who could run this investment successfully. So I think that was the key to our ability to buy vineyards and to keep on buying vineyards and financing them.

It wasn't until 1988 that we really did a very large thing, and we'll see how that works. But we were just doing

little things, investing—well, some of the Mendocino properties were bigger, but they were *cheaper*, much cheaper, so the money involved wasn't nearly what it had been in the past.

We can get into the 1990s now and look at 1996. I did a report that shows how we could make 20 percent cash return on an investment of $75,000 an acre in vineyards. In fact, you can do that, but you can only do that if you had the best land and get the best quality of grapes. If you are a winery, you might be able to lose money on the grapes and make it up on the wine; we couldn't do that, so we had to have the top quality, then we had to get paid for it. But if we *had* the top quality land, applied all the new technologies to it, we could in fact produce the better grapes and make these things work.

Hicke

Can I interrupt for just a second?

Beckstoffer

Sure.

Hicke

Do you have some more or less general philosophy of risk taking? I mean, you've more or less been expounding it right now, but—

Beckstoffer

Yes, I do, and we can get into that.

Hicke

Oh, it's coming up?

Beckstoffer

It's coming up. Yes. It's in vineyards and just generally, as well.

Hicke

Yes, okay.

Vineyards: Acquiring and Developing Quality Properties

Beckstoffer

We might go on now to planting vineyards and what we did. In the early days, we had bought this Keig Ranch that we then sold to Connecticut Mutual Life Insurance Company.

Hicke

Can I ask you, first of all, what did you look for in a vineyard, in a property? Or is that coming up, too?

Beckstoffer

Well, no, we can talk about that a little bit. What we looked for is good ground. The definition of good ground changes as we go, and what we define as good ground changes

as we go. But, basically, in the early years we had that projected needs and availability that we talked about before for Inglenook and Beaulieu. What those things said was we need black grapes and we need Cabernet Sauvignon. So we would be looking for ground to grow Cabernet Sauvignon. In the 1970s there was a fair amount of that around in big pieces and in little pieces. We were looking for the bigger pieces so we could have a bigger impact.

Hicke

What kind of soil is it that grows good Cabernet?

Beckstoffer

Well, it's a fairly vigorous soil, but not an *overly* vigorous soil. The alluvial fans, the volcanic soils, are much better than any other soils. But the *most* important thing in growing Cabernet is it has to be well drained. A Cabernet vine does not like wet feet, so we're always looking for gravel in the soil, we were looking for Class- Four soils, if you would, in terms of agricultural potential. In other words, Class-One soils are where you grow your vegetables and you keep going down. So we were looking for weaker soils. We were looking for Rutherford dust. André would call it Rutherford dust—that area of alluvial fans that had come down in the Rutherford area. Then we needed some gravel in it so that they would be well-drained, moderately rich soils in a microclimate that, again, was moderate.

One thing that is important to know about the Napa Valley—and it comes back up—is that there's only 1 percent of the earth's surface that is covered by what's called a Mediterranean climate. A Mediterranean climate has moderately warm summers and moderately cool winters with adequate rainfall, where it's warm in the day and cool at night. This is the climate that grows the great wine grapes, whether it's here or in France or Italy or any place else.

Hicke

There's only 1 percent of the earth?

Beckstoffer

That's right, 1 percent of the earth. Now, that's a lot; that's a considerable amount, but it's still only 1 percent of the earth's surface, and you find it in pockets. You find it in different pockets, and obviously the North Coast has that pocket.

Hicke

Because, actually, the line where grapes are grown around the Mediterranean extends hundreds of miles north, and probably south—well I don't know about south.

Beckstoffer

But, remember, I said the earth's surface—that's water and everything. So, it's a small amount, but it's a big amount.

Hicke

Oh, I see. That includes the water, too. Interesting.

Beckstoffer

In terms of the planting of the grapes, we had purchased this 500-acre ranch, which was the Keig Ranch in Rutherford. It was an old cattle ranch, and we had to plant that to vineyards. We did an unbelievable thing at the time. We said we were going to plant it all to Cabernet because we wanted Cabernet, and we knew that Rutherford has the Cabernet microclimate. Some of the things that came up were, for example, how you space the vines, vine spacing and things, much as we do today. Most growers were planting vines that were twelve feet between the rows and eight feet between the vines, and that was 400 and some vines per acre.

Hicke

That was what Davis had set?

Beckstoffer

What Davis had set, and the guy who had set it was Dr. [Albert J.] Winkler. And when I went out to the Keig property, I saw deep soils, and I saw that we would have adequate water. So I went to see Dr. Winkler. The worst part about it was that the UC Davis research had been done at the Oakville experiment station, so it seemed like it was right on and really right for the Napa Valley. So I went to see Dr. Winkler and I looked at his research and I found that he had done that without water—that the research that had produced the eight by twelve had been done without water, and we know that water will enliven the nutrients in the soil.

So I said, "Dr. Winkler, we've got water, and so why should we go eight by twelve? Why can't we go closer?"

He said, "Well, if you do that, you can't get any vines," because the nurseries weren't producing enough vines at the right time.

So I said, "Well, Dr. Winkler"—

Hicke

You mean you can't get enough to plant?

Beckstoffer

You can't get enough to plant.

I said, "We'll only plant half of it at the time and keep them, and now what do you think?"

He said, "Well, you just can't get *equipment* to go in these narrow rows."

I said, "Well, you know, Dr. Winkler, we're a fairly big company. We can find out. There's got to be something like that. We can find the equipment. What do you think now?"

And he said, "I think maybe you ought to try it." [laughter]

Hicke

You beat him down.

Beckstoffer

I mean, it was just analyzing it and taking it through to see if that sort of made sense.

Then what we did was—and just to show you the sort of the state of viticulture at that time—I put together a big meeting. The people at the meeting were Dr. Harold Olmo from Davis, Larry Solari, who was the United Vintners fellow, Legh Knowles, who was the president of Beaulieu Vineyards, a fellow who worked for me named Ed [Hunter], an accountant, myself, Rick Sorenson, who was the representative of Connecticut Mutual, and André Tchelistcheff. We met at Beaulieu, and we went through this spacing.

I have a letter here of December 8, 1970 that André wrote to me, summarizing the meeting. So he said to the problem of not having enough vines, "We will plant direct *Vinifera* rooted grapevines on this Keig property that's been a dairy farm forever, so perhaps the possibility of phylloxera isn't there and we can get on with our job because we can get these vines." And he talked about compulsory fumigation on a protective belt that would go around so that any equipment that came onto the farm would have to be sort of cleansed as they went through this belt. And he talked about fumigation as stopping oak root fungus. Well, we know today that fumigation doesn't have any effect on oak root fungus. Then we fumigated everything. You know, this was the deal.

Hicke

So you fumigated the whole property?

Beckstoffer

We fumigated the whole property. We fumigated basically the whole property. You know, in those days you killed everything. And he said that this would give you a life of twenty to thirty years. We could plant in 1971 and '72. He said we would go get our wood, our Cabernet cuttings—we would go get them from the Madame de Pins from Beaulieu

Number One; we would get them from Elwood Mee, who was another grower; and we would get them from Larry Solari. We would try to select clean vines, but it was somebody's eye who was selecting the varietal clones that were to be the scion wood that we would use here, rather than the UC certification program and the heat treatment program and all those things. But in 1970 we would just go in the vineyards that produced good grapes and we would start cutting wood.

We talked about planting the vineyard six by ten feet between vines and rows, and, again, Dr. Olmo says that that's okay—600 vines per acre. He said we'd have optimum moisture conditions, and we should get a higher yield of fruit and considerably improve the quality of the fruit. He talked about getting from six to seven tons per acre, which, in those days, was very high.

Hicke

For Cabernet, yes.

Beckstoffer

For Cabernet. Yes, for Cabernet, very high. And we talked about wells and pumping directly from the Napa River. Well, you don't pump directly from the Napa River today, because everything is adjudicated there.

Hicke

I'm going to turn the tape over now.

##

Beckstoffer

And we talked about a simple T trellis system, but we didn't talk about the soil preparation we do today, the deep ripping, the soil analysis that we would do today. We didn't talk about the soil amendments we would put in to balance the soil.

Hicke

You mean chemicals?

Beckstoffer

Well, we might put potassium or lime or something. We would go to the lab and find out what the chemical composition is, and then we would balance it if we needed to before we ever planted today, but we didn't do any of those things in 1970. So you can see how the Olmos and the André Tchelistcheffs, who have to be seen as at the forefront of viticulture—where they were in terms of the technology relative to where we are today.

Back then, some people would have just gone ahead and planted it. We went to Dr. Winkler, Dr. Olmo, André Tchelistcheff, Solari, who had been a planter, et cetera, and tried to gather all the information we could, and you

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can see that all the information we could get isn't like we've got today, but we did get the best of what was available at that time.

Hicke

Did they all agree with each other?

Beckstoffer

Yes. This was the sort of the outcome of the meeting. Actually, I remember that Tchelistcheff wanted to go six by nine. He wanted to go even a little closer than that.

Hicke

Had he ever planted anything that close?

Beckstoffer

No, not in the United States; he had in Europe.

The question was—and the question always comes up here—most places in the world, when they're planting grapes in the premium areas, they're trying to invigorate the vines. In other words, there is not enough sunshine and heat, so they need trellis systems and things that will invigorate the vines. Our biggest problem in the Napa Valley is *devigorating* the vines. Generally speaking, particularly for red grapes, the soils are a little bit more rich than you would like, so we're trying to *devigorate* the vines, rather than *invigorate* the vines.

Hicke

Did they understand that at that point?

Beckstoffer

I'm not sure. In fact, we planted these too close on these rich soils. We shouldn't have planted eight by twelve, but we should have planted something less than that.

We didn't know all the things we needed to do, but I've always maintained that the vine spacing you do initially you cannot change. Once it's in the ground, it's in there for twenty years. So, if you can't do it absolutely right, you should go more close rather than more *far*. Then, if you go too close, you can correct with the pruning shears.

So this was the basic idea: if we're going to make a mistake, let's make a mistake by going too close, rather than make a mistake by going too far. And, see, that's what I would have brought to the party, the idea that, "Hey, this is the way we ought to look at this problem. If you can't tell me exactly, let's go too close rather than too far," which is the engineering and the finance background.

Hicke

It's also interesting that André Tchelistcheff was not against innovation.

Beckstoffer

Well, André Tchelistcheff was *absolutely* not against innovation. André Tchelistcheff was a wonderful man in that he was totally open. His relationship with Bob Steinhauer, the old and the new, was just wonderful, always pushing Bob for the new stuff, always pushing forward, always ready to go for the new thing. It had to make sense to him, but he was very aggressive in his technology, and he was very studied, if you would, in what he was doing. I didn't see him as much in the winery as I did in the vineyards, but it was very clear that that was there.

I might say here about André—because somebody was writing a book and was talking about it the other day—someone said that after Heublein came he didn't make the wine anymore after 1970. That's absolutely not true. I can show you pictures of us at the winery in *1972* when we had the rains here and were just agonizing over this. I know that in 1970 I did frost protection with André. We went around all night long making those decisions. So André was totally involved and made the wine up until the day he left, and that was in early 1973, I guess.

The Mendocino State Hospital property, in terms of planting it, now we're in Mendocino County, and if there's been no planting in Napa County, basically, there surely has been no planting in Mendocino County. But in Mendocino County we had this large acreage, and the Chardonnay boom was beginning to start, and Mendocino County soils are much more rich and much less gravely, so we planted a lot of Chardonnay in Mendocino County. We planted of that 500 acres, I think it was almost 200 acres of Chardonnay.

Hicke

And that was determined by the soil?

Beckstoffer

Determined by the soil, determined by the soil.

Hicke

And was it on hills?

Beckstoffer

No, it was flat. It was flat, yes. It was in the Ukiah Valley, which is the old grape-growing region in Mendocino County.

But a different story: We plant white grapes up there, and we plant it because of the soil. In Mendocino County you buy a vineyard, and it would have Zinfandel and then Carignane going down to the river, and when you got close to the river they had pears, and pear soil is very rich soil, and so you plant some red grapes and you started down, and then the majority of it would be planted to Chardonnay.

But your point and the point I wanted to make is that in Mendocino County we did something different than we did in Napa County, even though the real dedication *always* in the North Coast is to plant black grapes whenever we can. But in Mendocino County it didn't work; we just had very rich soil, and that produced some wonderful Chardonnay.

Hicke
How about the climate, did that have any—?

Beckstoffer
It's still the Mediterranean climate. It's a little more bold than the Napa Valley, but Mendocino County is a very important grape-growing region. Where Napa County has about 30,000 plus acres of vineyards, Mendocino County has about 15,000, and they'll top out at roughly half of what Napa was because of the hills that you can't plant there. It's a much smaller region, but it's a special region, a special region. Some of the greatest Zinfandel ever produced historically in, say, California was grown in Mendocino County—Cresta Blanca Zinfandels in the old days.

At Beaulieu Vineyard in Napa, we had to replant all the Beaulieu Vineyards. We were farming them, as well.

Hicke
You had to plant them?

Beckstoffer
We had to replant them, because when we bought the property, one of the reasons the Beaulieu people sold was they didn't want to put any money back in vineyards. The Madame de Pins didn't want it. So some of their vineyards were twenty and thirty years old.

Hicke
So, they had to be replanted then.

Beckstoffer
They had to be replanted. And they had Aligoté, and they had Mondeuse, and they had grapes in there that you hardly ever heard of before. So we had to replant all of those, and we pushed them to plant Cabernet. In some cases, they didn't, but in most cases we planted them to Cabernet, and we began to plant it at a little bit closer spacing because of the research we'd seen at Keig.

But in those days, in all of these things, we planted one clone of Cabernet. We planted Clone 7 Cabernet, which had been developed in the early fifties at Davis.

Hicke
Did you have a choice?

Beckstoffer
No, we didn't have a choice.

We planted one rootstock, AXR1, because we thought St. George was too vigorous. In lots of places we planted these cuttings that came from the old field selections from other people's vineyards, and so we planted vineyards that were diseased with something called leaf roll primarily, and we just replanted it, hoping to maintain that quality through vines stressed by disease, thinking that that's what did it, maybe not so much as the soil and the climate.

So it was a low-tech era. It would cost us $2,500 or say $3,000 to plant an acre which today would cost us $25,000. So it was a low-tech, low-cost time. The problems were getting rootstocks. The problems were getting workers. The problems were rain and things of that sort. And our trellis systems were closed systems. They weren't open to sunlight like they are today. So you'll see what begins to happen doesn't really happen until the eighties, ten years later, where the revolution in vineyard technology really begins to come, and we'll talk about that in a few minutes.

Hicke

Did you go out yourself and hunt up rootstocks and workers? I mean, how did all this work out?

Beckstoffer

Our people did. Our people did. I remember one time we sent a bus to the San Joaquin Valley to get workers. Our Mexican foreman would go with them to do that.

One example of the emerging technology is when bench graft started. Bench graft is where you have the American rooting, and then you graft the European scion on it. Well, you can either do that in the field, which is where everybody did it under uncontrolled conditions—it would be muddy and rainy and all that kind of stuff—lots of young vines died. So somebody developed a program to do this on a bench in a nursery. We didn't know quite how well it worked but we really promoted that idea so that we could take all of the mortality out of these young vines before we planted them, rather than have half of them die in the vineyard. Let them die in the nursery, and then we'll never put the money into the planting.

I would have been involved in talking to the nurseries about getting them to do it, giving them advances, and all of those kinds of things, with money to give them incentives to do these kinds of things.

Hicke

Who was doing bench grafts?

Beckstoffer

The Lider Nursery. There was an Ed Lider—I think his name was Ed Lider—who was a farm advisor here who had a nursery. Then Zuckerman in the delta did a lot of bench grafts for us, did a lot of rootings for us.

Hicke

Did Dan Duckhorn do any of yours?

Beckstoffer

Dan Duckhorn was involved with Charlie Crocker, and they had a nursery. We bought rootings from them, yes.

Hicke

So you scavenged the neighborhood, more or less.

Beckstoffer

Well, we gave these nurseries incentive to do it. We said, "We will give you advances, money, to do it, and then we'll buy them when you get it done." That was the incentive they needed to get it going.

Hicke

Was anybody else doing this? Were they going out on a limb?

Beckstoffer

I don't know. I'm sure there were other people doing it. I know we were doing it, and some other people were doing it, but there were still a lot of the budding crews in the field.

Hicke

But you had probably the largest growing operation of anybody around.

Beckstoffer

We did that, and we were expanding, that's right. So if you were a nursery and did business with us, you knew that you would do business not only this year but next year and the year after that, so people were more interested in doing business with us.

Now, when we talk about the vineyards, we had some things that we always felt about the vineyards. And you were asking about philosophy. As an independent grower, we always said we're only going to buy the best land, even if we have to pay too much now, that the worst thing you can do is make a good investment on a bad piece of ag land, because it's going to cycle through good and bad times. Then, if you don't have the best in difficult times, and you don't have a winery, then what are you going to do with those grapes? So, if you want to be an independent grower and only sell grapes, you can only be involved in the best land, particularly if you're dealing in someplace like Napa County, because the land is not cheap. It sounds cheap today, but at $4,000 an acre, back in the early seventies that was very expensive. So our philosophy always was:

we'll look at anything, but it has to be good ground, and then we can talk about the price.

Secondly, because of the orientation to Inglenook and Beaulieu—and they were both important red wine wineries; I guess that sort of started it—we were always looking for ground in Napa County to plant black grapes, to plant Cabernet Sauvignon. We were planting more Cabernet Sauvignon, and in those early years, people were looking for land to plant Pinot Noir, and they were looking for the land to plant Chardonnay. We did some of that, too, but we were mainly looking for Cabernet—not Merlot, not anything but Cabernet.

The other thing we were looking for—and I've always looked for—was the cooler climates. People were planting Cabernet in Calistoga, and, as you know, in the Napa Valley it's different in that it's cooler in the southern part than it is in the north, where in most places the north is the cooler place; it's because of the influences of the Bay. But it was my feeling that when you go to Calistoga it just gets too hot to grow really great Cabernet. You have to do it in a cooler region. We would come down to the St. Helena, Rutherford, Oakville areas, but cooler than lots of people were doing at that time.

Later on, in the mid-nineties and late eighties, we had this Merlot craze, and people thought that Merlot, since it is a Bordeaux variety of sorts, would grow where Cabernet grows. Well, we don't think that. We think it needs to be a much cooler climate, and so we have pushed Merlot all the way to Carneros. We have major plantings of Merlot in Carneros, because it needs a cooler climate and ripens earlier. And you might blend it with Cabernet, but we're now planting Merlot in Carneros rather than Chardonnay, again through our dedication to plant red grapes wherever we can. Pinot Noir is a very difficult thing for an independent grower to grow, because the yields are less and the wineries don't want to pay as much because they can't get as much for the bottle when there's not as much demand.

Hicke

Even in Bordeaux, Merlot is grown across the river, isn't it, for the most part?

Beckstoffer

I don't really know. The thing that surprised me is that I think over 60 percent of the grapes grown in Bordeaux are Merlot. I never knew that, but a tremendous amount—the majority of grape variety in Bordeaux is Merlot. Now the

best is Cabernet, but the biggest quantity is Merlot. It's surprising to me. But it's a fact.

Now, in Napa County, again, based on what was going on here, we did do red grapes, we did do Cabernet. In Mendocino County we planted a lot of Chardonnay. Again, it was because of the ground, and it was because it was North Coast Chardonnay. Basically my feeling has always been that no one can do black grapes as well as the counties north of San Francisco, the North Coast, and no one in the North Coast can do them as well as Napa. Mendocino and Sonoma and Lake County grapes are probably better Cabernet than anywhere else except for Napa.

Chardonnay you can grow lots of places, from Carneros to Mendocino to the Central Coast. So you don't have as much of a head start, if you will, or an advantage in Chardonnay as you do in red grapes, in Cabernet. Also, I think people will generally agree that Cabernet and red wines are made much more in the vineyard than they are in the winery, whereas with Chardonnay, the impact of the winemaker is much greater than it is with red grapes. So, as a grower, I want to be in the thing where I have the greatest impact.

Hicke

Oh, good point.

Beckstoffer

Again, that takes us to red wines.

Hicke

How about Zinfandel?

Beckstoffer

Zinfandel is a wonderful grape, it grows lots of places, but it has generally *not* been premium. For example, where Zinfandel will grow, Cabernet will grow, so we would opt for Cabernet. We're saying, "If it grows good Cabernet, we're going to grow good Cabernet, even if we end up with *all* Cabernet." We would love to have more Cabernet. Zinfandel you can grow more places, and the Zinfandel wine that is made is—I don't want to call it standard, but it certainly is not Cabernet. The Cabernets that we make around here now are called luxury, ultra-premium wines, and the Zinfandel would be in the super-premium area or something like that in terms of its acceptance and its pricing and other things as well. We grow some Zinfandel in Mendocino, and we're very pleased with it, but when it dies out, Cabernet will go back in.

Hicke

Yes. You want to grow the best grape that you can grow.

Beckstoffer

We want to grow the best grape we can, and it's clear up here that it's Cabernet, so when we find ground that can grow Cabernet, we're going to grow Cabernet. Then, if we look for *new* ground, we're going to look for ground that will grow something red. If it's cool, it's going to be Merlot; if it's warm and well drained, it's going to be Cabernet. And we're now getting in small amounts of Petit Verdot and Cabernet Franc and those other things that blend with Cabernet to make it a better wine.

The other thing, while we're talking about planting vineyards, we have always wanted to do vineyard-designated wines to express the characteristics of a single vineyard site, and we'll talk about that a little bit later, but I would try to do those things in the past, and the winemakers would say, "Well, if I make the wine all from this site it will be one-dimensional. It will not be multifaceted and interesting from a complexity and personality point of view." So what we began to do is that on each individual site, we would plant multiple clones of Cabernet, attempting to get personality and complexity into the vines, and we would plant a little bit of Cabernet Franc or Petit Verdot.

I did a long study of the five varieties that they plant in France, and I found that Malbec was a filler, seemed to be a filler, so we don't plant any Malbec, but we do plant Cabernet and Cabernet Franc, Petit Verdot, and Merlot—four of the five—in the interest of creating diversity, complexity, personality, but really emphasizing what happens at a specific site. The winemaker can then blend all of those and show off the site.

Hicke

When you plant a vineyard with different clones of the same grape, do you keep those separate?

Beckstoffer

Yes. Then they can be blended in the winery. We keep them separate because they grow differently; they harvest differently. Yes, we very definitely keep them separate. We do not field blend.

Challenges of the Winegrape-Growing Business

Supply and Demand

Beckstoffer

We can switch now and look at some of the difficulties that we faced as we were going through this.

Again, some people think as they look today that there is a straight line to success, and there is not. This is agriculture, and all those kinds of things look so wonderful today, and it's certainly been good, but we've had very serious price declines. You saw the one that happened in 1974. It happened again in 1983. It happened again in 1991. It seems to happen about every ten years. If that's the case, we should be looking for some activity soon after the turn of the century. You need to see this industry as one that cycles.

Hicke

Have you figured out the reason for this?

Beckstoffer

It seems to go with the American economy, and not so much, I would argue, with supply of grapes. It has much more to do with demand. I don't have any concern with planting as much Cabernet, for example, or really good Merlot as I can. My concern is with the American economy. Will it dip? For example, let me say that I was the first grower on the board of the Wine Market Council, which is the voluntary association of vintners and growers and wholesalers and retailers and everybody involved in the wine business.

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Beckstoffer

And we've done some surveys as to why people drink wine. We found out that wine in the United States is not an everyday beverage. People see wine as a beverage for special occasions. So what happens in this economy that we've had—such a good economy for the last six or seven years—is because things are good, people have more special occasions. Today with the whole health boom, if you would, everybody assumes that wine is healthy, but that is not driving demand. What's driving demand is a good economy and people having more special occasions at which they drink wine. Well, if the economy goes south, those special occasions are going to go south right away. People are simply going to have fewer parties, fewer reasons to celebrate. So that means that wine consumption will go down.

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Now, what the Wine Market Council is trying to do is to get people, get all of us to participate in generic advertising to try to build a better base, so that when this does happen, we'll be stronger. So the conversation that's going on today is: should we spend money to do generic advertising or should the wineries spend their money to do proprietary marketing. Really, the answer to both questions is *yes* : the proprietary market—they should spend more on advertising, and we should do some generic advertising as well. A test market is going on this month to see if it works and convinces more wineries and others to join and contribute funds.

[tape interruption]

Beckstoffer

It's about demand; it's not about supply in the Napa Valley. I can show you, for example, here's an article in *Barron's*, the investors magazine, that says "Wine and Roses: It's Time Investors Had Some Sober Second Thoughts." And that's in December of 1972. Then in April of 1983, *Fortune* on the cover says, "Trouble for California Wine Makers." So, it is very back and forth, but it has been major economic news, if you would, news about demand that has influenced what is going on here.

We also had a serious drought from 1976 to 1977, and then from 1986 to 1991 we had another drought that wasn't nearly so intense, but it lasted so long. The big thing about that was that by 1986—and even for us in '76 and '77 —we had developed so much land in the Carneros district, where you can't get water, you could not dig a well. And so water supply depends on runoff, and if it doesn't rain and we don't fill the reservoirs before the season, we don't get any water. We had a *major* investment in Carneros by 1986.

People talk about the difficulties caused by competition from increased planting in Napa; I just don't buy that. Napa is small enough. Yes, they did plant a lot, and in any one situation you might say, like for example in 1991 there was an oversupply for a year, but it's a small, little blip on the screen compared to the overall demand, and good Cabernet in Napa County—we suffered a little bit of a price decline, but we were just fine. So the plantings haven't been the issue in a place like this. Now, they might be an issue in Bakersfield or the San Joaquin Valley, but in Napa and Mendocino County where we have been, it has not been a problem. It has only been about demand when the problems occur.

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Hicke

What about two or three years ago when the grapes were in such short supply that wineries were importing grapes?

Beckstoffer

Now, see, that was a problem. Most of the importation was in lesser grapes. They were importing grapes for a ten-dollar bottle of wine, rather than a twenty-five-dollar bottle of wine that we sell. But I don't have any problem with the importation of grapes. That's the free enterprise system. It works. *My* problem was that they imported those wines and then *disguised* them as California wines. Now, that's wrong.

Hicke

Yes.

Beckstoffer

And what happens on that and what really surprised me is that the Gallos of the world didn't really object to that, because the thing that was in danger was the California appellation. If you are just buying Merlot at a price and you don't care if it's California or not, well, the importance of California goes down. They should have fought that. It was part of the reason why we were really going for the California Coast appellation, which looks like it's not going to happen. But, again, it's supply.

Cesar Chavez and the United Farm Workers Union

Beckstoffer

Other difficulties. In 1970-71, one of the things we've talked about briefly before was the Cesar Chavez United Farm Workers thing. They did boycott Heublein and boycotted Smirnoff and Hamms beer and everything else that was sold by Heublein. The United Farm Workers position was that since Heublein owned United Vintners and Allied was a supplier to that, we could force all the small Allied Grape Growers—and there were some 500 or 600 or maybe 1,000 of them—to join the union. But Allied had a supply agreement, regardless, and they had emotional problems, if nothing else, against the union, so they wouldn't do it, and Heublein was caught in between. We could not accomplish what the union wanted us to do. Allied just would not participate, would not play at all, and the union was boycotting Smirnoff, which was the big money-maker, the whole image of the Heublein corporation.

Hicke

Why wouldn't Allied even look at this?

Beckstoffer

Well, the thing is that they were not going to have their workers unionize. Farmers are not accustomed to having unionized workers. They are not accustomed to having them represented by a Mexican American. There are personal things, there are racial things, it's all those things. But they wouldn't even consider it.

Hicke

It was a totally new concept for them?

Beckstoffer

It was a totally new concept of unionized labor in agriculture. And remember that Heublein is a major marketing company. In 1970, we have got Vietnam going on, and I can remember Stuart Watson, who was the president, saying, "You know, if we're not careful, we will become the napalm company. We will be the company that is so anti-people, if you would, being against poor people and boycotting at the supermarkets." So it was a major, major conflict—a between-the-devil-and-the-deep-blue-sea type of thing.

Hicke

Tell me something about your participation.

Beckstoffer

Well, what happened was that I was now at United Vintners, and at first all the executives wanted to meet Cesar Chavez. It was kind of a little circus there for a while. Then two people were given a job. One was the labor relations fellow from Heublein—a fellow named Gil Berry—and me. We called him Old Iron Pants, because he could sit and not say anything for hours, he could just sit forever, which is what labor negotiators did. So the two of us were given the job to do this, and we were negotiating with three Catholic priests, one of whom was then-Monsignor Mahoney, who is now *Cardinal* Mahoney, the archbishop of Los Angeles. Another was Bishop Donelly, who was actually from Hartford, Connecticut. He ran the cemeteries there. I forget the other priest. But we met them—

Hicke

What was their role? They were representing—

Beckstoffer

Cesar, yes. They were saying, "Hey, you guys have got to do this. This is Christian. This is—" et cetera, et cetera. I can remember conversations where we were saying, "Well, why don't you pay your cemetery workers more, your hospital workers?" "Well, we've got to run the cemetery." So they actually were helpful about this, but Cesar Chavez and Dolores Huerta and their young lawyer, Jerry Cohen—they saw that there was an opportunity here, and they pushed it.

We couldn't convince Cesar Chavez's people that we couldn't do what they wanted us to do. In other words, we couldn't convince them that we had an exclusive supply contract with Allied, and Allied was under no obligation whatsoever to have union workers.

And Allied *insisted* that we not show the United Farm Workers the supply contract between Allied and United Vintners. They said, "You can't show them that contract." And we said, "We've got to show them the contract to show them that we can't do what they're asking us to do." So this went on for a long time. Union sympathizers sat in the New York offices of Heublein—like a sit-in, blocked in the door and things. The boycott went on for, let me just say, forty-eight days or something like that. The Heublein people were going nuts. The top executives were just going nuts because they were becoming the napalm company.

Hicke

Did it have an actual impact, or was it mostly public relations type?

Beckstoffer

The thing is, we thought it was having an impact, but when it finally was tallied up, it wasn't. But you couldn't convince the Heublein executives it wasn't having a big impact.

Hicke

Yes. Nobody knew, probably.

Beckstoffer

Nobody did. The guy who was doing a lot of the negotiating for them was Jerry Cohen, a young lawyer who had been around. So we were both young guys. So finally I said to Jerry, I said, "Jerry, look, you come to my house, and I'm going to show you the Allied supply contract, and I'm going to show you what it says, and you're a lawyer, you'll understand that we can't do what you're asking us to do."

Hicke
Did you have permission?

Beckstoffer
No.

I lived down on the Peninsula. And one night—it's kind of interesting—I wanted to see just where Jerry was coming from. He was boycotting Smirnoff *and* Hamms Beer, which was a Heublein company. And I knew Jerry was a beer drinker. So he came to my house, and I offered him a Hamms beer, and he took it right away. [Laughter] But the *surprise* was that then Dolores Huerta showed up, and that scared me, because I had four small children there. I was really worried about this, because if you know the history of

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Dolores, she was the terrorist, if you will, to a certain extent—and I don't mean that—but that's just the way it was. But she showed up, and she had to see it, too. And she saw it. And that convinced them that we could not do what they wanted to do. So then we had to go back and do something that would make peace here.

It was about at that point that I told Watson, I said, "Look, I've just got to take over. I'm a young guy, and Gil Berry is the head labor negotiator, but I've just got to do this. Gil can help me, but I've just got to do some things here."

So we met, and we talked a lot. I can remember taking Jerry Cohen to a baseball game to watch Willie Mays. Finally we met with Cesar and his group in a San Jose hotel in October of 1971. What we worked out—we did something called Farm Services Agency in the San Joaquin Valley, which is where most of the Allied growers were and where most of the farm workers were.

Hicke
This was an organization?

Beckstoffer
This was a company we would set up and fund, and it would have union labor, and we would farm for anybody who would let us farm for them at cost. And we would buy the grapes. So if any grape grower, Allied or otherwise, would be willing to take our union labor and let us farm for them, we would do it, and we would do it with union labor. So we were doing everything we could do to give an incentive to the Allied growers to come over and use union labor. They didn't have to deal with the union; we would deal with the union labor.

Hicke
When you say "we," do you mean Heublein or Vinifera?

Beckstoffer
Well, Farm Service Agency was the company set up to do that, and it was a subsidiary of Vinifera.

Then, for Vinifera, we agreed to let the United Farm Worker Union represent the workers or our company. We gave them a collective bargaining agreement. So in Napa County we became a unionized labor force, and we offered the facility in the San Joaquin Valley where we had grapes. We had union representation from 1971 to 1986. We had them for fifteen years, and they were very tumultuous years. The union tried to get more Napa people, and they wouldn't come. Lots of things went on.

Hicke

You mean Napa growers?

Beckstoffer

Napa growers, Napa wineries. They tried to boycott other Napa wineries and things of that sort. Again, we were not from agriculture, and we weren't from California. We always considered dealing with the union a management problem and not an emotional problem. I always thought that they were our workers and not union workers. So we needed to take care of our people. Now, if they wanted to be represented by Cesar Chavez, that was their choice, but then they would still have to deal with us. I also considered Cesar a worthy opponent. I mean, we went back and forth and we did lots of negotiations, but we didn't get all hung up in it emotionally; we had a job to do.

Hicke

What was your assessment of Cesar Chavez?

Beckstoffer

If they had let Cesar do it, he would have given away the store. He was a kind man. I was in his office, and he had a picture of [Mohandas K.] Gandhi and Robert Kennedy behind his desk, and his little desk was about a two-by-four-foot-wide desk. There were two massive dogs. One was called Boycott, and the other was called La Causa, I guess—two big German Shepherd dogs. They scared the death out of me when we went into that little hotel room in San Jose. Those dogs were two feet wide across their hips! [Laughter] But he—and Jerry Cohen said it—he was just a saintly type of fellow. He was a social leader, but he had Jerry Cohen and these other people—Leroy Chatfield and other people—who were doing his work. But he clearly was the leader.

I can tell you—and I have a copy of it here. I wrote this out in my hand. This was done on the seventeenth of October 1971. It was done in a hotel. I wrote this out, and Cesar signed it, and Jerry Cohen signed it, and Dolores Huerta signed it, and I signed it, and Gil Berry signed. These were the points that we agreed on, and the boycott stopped. One of the things was that we would pay for with our funds. These were all sorts of rake off funds, and then no harvesting machines. We couldn't use grape harvesting machines anyway in the North Coast, so that was a big thing for them, but not a very big thing for us.

Here's the Farm Service Agency. We'll sign it, you know, the basic Christian Brothers language. Bishop Donelly—he was the bishop from Hartford, Connecticut—we used his language to do these things so we could get all this done. Any grower contacted by Farm Services Agency may sign the same contract with United Farm Workers as the

Agency signed. So if they wanted to sign, they could sign that. We'll pay the basic wage for union personnel—we pay the union people for six months of each year of the contract. We'll guarantee to crush these tonnages in the given years. If we failed, we would have to pay them some money—we didn't have to do that but they required this language. We'll recognize in a public statement that we, Vinifera, desire union grapes and will provide incentives to get them. We will, for crops other than grapes, supply the necessary union workers. And United Farm Workers will take immediate steps, beginning this night, to immediately stop the boycotting against all Heublein and subsidiaries.

Hicke

Is that confidential or could we include a copy of that?

Beckstoffer

Sure. You can include that.

So that's how it got done. I can remember Cesar—we had this agreement sitting up on top of the television in this room, and he went to Jerry and said, "I guess we've let the people down again," and they sort of laughed. They didn't get everything they wanted.

Hicke

What else did they want?

Beckstoffer

Well, they wanted all the Allied grapes, but now they knew they couldn't get them, so explaining that to the people was going to be a little bit difficult. But we got it done. I mean, we got it done, and again it was a—[laughs]—it was an interesting negotiation.

Hicke

So the Allied Grape Growers never agreed to this?

Beckstoffer

Never agreed to this, never did one of them sign with Farm Service Agency. We had effectively got it done without going to Allied, and Allied didn't participate. Allied, our partner, simply would not help us—Stuart Watson and I—during the boycott we went all through the San Joaquin Valley meeting with the Allied board and with Allied growers, trying to convince them that we were in difficult shape here. They were boycotting us, and we couldn't abide by that.

I can remember one night I was up there explaining what we were doing and how we were meeting with the union, and how we were trying to work it out, and one of the growers said, "Well, why are they picking on us? Why do you think they want to pick on us? We haven't done anything to them." I said, "Because you weren't willing to share the wealth."

And Stuart Watson got me off that stage so quick! [laughs] But that was the truth. I mean, the low wages they were paying, the poor labor housing, all of that thing is like—that's what causes workers to object.

And the Allied growers and the growers in the San Joaquin Valley and in California who were doing well wouldn't share the wealth.

The president of Allied—a guy who I think did a great disservice, frankly, to the wine business, a fellow named Robert MacInturf—took me to his labor camp. I went through his labor camp, and if there ever was just a—

Hicke

This is housing for his workers?

Beckstoffer

For his farm workers. It was just a great example of man's inhumanity to man. The beds and the toilets and things—nobody would—no *white* man—would tolerate. And he wonders why the union wants to be represented in collective bargaining. When we came out here, United Vintners owned land at Asti, and Petri owned land up in Mendocino and I saw this labor housing and equipment. I'll never forget. I came out and put together a big budget, and I figured how much—I think it was $100,000 to upgrade that, and Heublein agreed to upgrade right now, paid nonproductive money to upgrade this housing, but United Vintners had been just like the Allied growers.

It was the way that farmers treated their farm workers. As I said before, in those days the producer of the winery was the first-class citizen, the grower was the second-class citizen, and, very clearly, the farm worker was the third-class citizen, and Cesar wasn't going to have it. And he didn't. And he has to be seen as making an important contribution to our industry, no matter what these people think.

Hicke
It's interesting that you said he was a gentle person, but he surrounded himself with people who weren't so gentle, to get the work done.

Beckstoffer
That's right. Absolutely. And so all the focus was on Cesar, and the only thing he did was he would fast, but the other guys would go for your throat.

Hicke
But clearly with his support.

Beckstoffer
Sure. He knew that was the way to get it done.

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Hicke
Interesting. Now, are you going to tell me the end of this?

Beckstoffer
Yes, well, what happened was that in 1983, Heublein begins to leave us, and they are a major part of our farming business here. And we couldn't get any new farming contracts, because no one would take union labor.

Hicke
Why were they leaving?

Beckstoffer
Well, they didn't want an association with the union. Remember how I said we had the union, but periodically they would go down and walk in front of the Beaulieu winery because Beaulieu owned the land, and they said that the land owner must sign, too.

Hicke
Right, okay.

Beckstoffer
So Heublein just wanted to disassociate themselves with the whole thing, so they took all their land from us, starting in 1983.

Hicke
Out of Vinifera.

Beckstoffer
Out of Vinifera. And we needed those contracts. Then Connecticut Mutual decided they were going to sell their land, and they were the other big contract we had, so that our farming company was going to be nothing. So when we negotiated the contract with United Farm Workers—I think it was in 1986; I don't have the exact date of that—it was '85, '86, or something like that. We negotiated the ability to set up another company that would be a *non* -Farm Workers—non-unionized farm workers. So we would offer the Napa Valley Vineyard Company, which was the unionized company, to anybody who would take it,

but if they wouldn't take it, we had to have the ability to move them over to a *non-union* farming company if they would take that. It was called "double-breasting" in terms of union labor jargon. So we had two companies. We had one company that had union workers, and we had one company that had no union workers.

Hicke

These were sort of wholly owned subsidiaries?

Beckstoffer

Both of them were wholly owned subsidiaries. And what happened was over a period of five years, everybody moved from the unionized Napa Valley Vineyard Company to the new company called Winegrowers Farming Company, which was non-unionized. So, in effect, within a five-year period, after some considerable expense, we were no longer farming with unionized workers. The Napa Valley Vineyard Company still

exists, it still has a contract, but it's just a corporate shell. We made this transfer with no disruption in work activity, no severance to anybody, and we didn't transfer any of the union workers over—and no decertification election. We did it very peacefully.

Hicke

But you said at some expense?

Beckstoffer

At some expense. We were running two companies and two staffs and keeping two sets of books and doing all those things for a small company. Five years. It took us five years.

Hicke

That's pretty impressive.

Beckstoffer

It got so that here the union wasn't doing anything for the workers. The wages were high, the working conditions were good, our medical programs were better than theirs, and most people that wanted us to farm just didn't want any association with the union, because they didn't know when they would come, and then they would be boycotted. So they just didn't do that. But for fifteen years we did it, and, again, I think we treated our workers well, and we treated them like our workers, but we had to hire some people that didn't work very hard sometimes.

Hicke

Well, I suspect that the reason that you could do this was because you did treat them well.

Beckstoffer

Well, in addition something important happened. We were negotiating a contract, and I'm going to say it's 1983. And somebody came up, and they cut our vines, cut them off at the stump at the bottom. It's a big thing in the newspaper. I can show you a front page Napa newspaper article. I assume it was some of the young radicals in the union, but this was the life of these people, working those vines, how could someone come in and kill those vines? Cesar came up and denied they did it, and I said, "I never said you did it. Do you feel guilty about this?" But it was very clear that it was union vandalism. Most of the workers were really good people, and they didn't want any part of that. I would say to you that that was the start of the end of the union here when somebody, when some guy would actually kill a vine—that's a very drastic,

drastic thing for a man who works in the field.

Hicke
Well, they did themselves in, although it was probably just one or two people?

Beckstoffer
Oh yes, and probably one or two young guys who got drunk and went and got a chainsaw and did it. Yes.

Hicke
But, again, the fact that your workers were happy helped things along the way considerably, I'm sure.

Beckstoffer
Right, right. And now is the time when a lot of those people have finally come over to us, come back to us. So we now have a lot of people who were there as union, they're not unionized anymore, but they're working for us, some of the families.

Hicke
That's a happy ending.

Beckstoffer
Yes, it is.

Misleading Supply Statistics

Beckstoffer
The other thing when we talk about difficulties and real difficulties is that one of the big problems we've had—and I've said the increased plantings weren't a problem—but the misleading supply statistics, the statistics that would come out, that were just misleading. For example, it's only been recently that people have began to segment the plantings, the supply side and the demand side, based on appellation wines or coastal wines, premium wines, *and* the great San Joaquin Valley. And if you put them all together and talk about California, then you can see an oversupply. But if you take the premium, say, coastal supply against the coastal demand, you'll find out that there's an undersupply, and you'll find out if you take the San Joaquin Valley versus the California non-appellation demand, you'll find out that there's a big oversupply. And because the San Joaquin Valley is so much bigger, when you put them together, it totally deflates any coastal influence and makes it look like total oversupply of grapes.

Hicke
We're just talking about wine grapes?

Beckstoffer
We're just talking wine grapes now. So that if the statistics were proper, people wouldn't be talking about this oversupply as we did a little bit ago. You might find out that in Napa grape supply versus Napa sales, there's not enough grapes, but if you look at Fresno grape supply versus sales of Fresno wines, you'll find that there's a big

oversupply. But for every Napa grape there's a hundred Fresno grapes, and so it just doesn't correlate.

And, also, in 1976, it was through the Napa Valley Grape Growers Association that we got Senator Claire Berryhill to support a bill that got us the California Crush Report, where all of the pricing schemes were displayed. All the wineries had to tell the state government what they were paying for grapes. In the past, the wineries knew, but the grape growers *didn't* know. So we, in fact, didn't *know* what the market was like. For example, the winery would give an offer, it would not be accepted by the grower, and then the news service would pick that up as the price of grapes.

But now under the Berryhill bill the winery had to swear that this was a real price paid—there could be criminal penalties if you didn't tell the truth on this for every year. So we knew, in fact, what the prior year's sales were in great detail. So we now began to get some good statistics, but prior to that, the misleading statistics caused great difficulty for us. They knew what was going on; we didn't know what was going on. Or mainly Mr. Gallo knew what was going on.

Hicke

Who was collecting the statistics?

Beckstoffer

Before the California Crush Report (Berryhill) was established, the Federal State Marketing News Service did it to a great extent. When Charles Krug would come out with a price as an offer to the growers, the Federal State Marketing News would pick it up as the accepted price. Then the other people with the North Coast Grape Growers Association, who were more oriented to Sonoma County and Mendocino County—they would be recommending pricing for grapes in Napa County, and there was just a difference in terms of the number of wineries and the price of grapes and everything else...and the News Service would publish these price recommendations as if they were fact.

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Beckstoffer

And the other area where the misleading statistics hurt us and continue to hurt us is that no one really knows how many vineyards are out there and how many are getting planted every year. There are no reasonable and reliable statistics as to what is there. Hopefully in the next couple of years that will be cleared up, but today we really don't know what's out there. And it doesn't help that you know there's an acre of grapes out there; you have to know whether it's

in the coastal region or in the San Joaquin Valley, and you have to know whether it's Cabernet or Chardonnay. So we've got to get that data, and then we'll have some reasonable data to work with, but even today we don't have good data on that.

Hicke

Doesn't Gomberg collect that sort of thing?

Beckstoffer

No, Gomberg collects pricing data. He doesn't collect any supply data. Lots of people try, but it's all voluntary, so if I'm planting a lot of grapes and I don't want you to know about it, I just don't tell you. And so it doesn't look like the supply is so great, and so then maybe you'll think the supply is not so much and you'll pay more for the grapes. You know, that type of thing. So farmers are sneaky. [laughter]

Status of the Grower

Beckstoffer

Another big problem we've always had is the stature of the grower, again, as the second-class citizen. He didn't get his fair share, and a great many of the growers didn't *expect* to get their fair share, and that's a bigger problem, because they wouldn't fight for it. They *thought* they were second-class citizens, so we sought to give the growers incentive and motivation to say, "Hey, I've made a certain investment, I've taken a certain risk, I'm bringing this to the party, and I deserve to get my fair share for that."

Hicke

Raise the expectations a bit.

Beckstoffer

Raise the expectations, absolutely, and the status of the grape grower in the wine community. And we're making great progress on that, but it continues to be a problem, in that there are famous wineries and then there are growers. Politically in Napa County it's not the case anymore; socially in Napa County it's not the case anymore, and you'll see as we get into grape pricing how we devised systems to make sure we get our fair share.

Hicke

And you had a lot to do with that, I'm sure. But also, I think, in maybe around the eighties, the winemakers started realizing how much depended on the grapes.

Beckstoffer

Absolutely. It was always paid lip service, but it was really the case—I can remember Robert Mondavi saying he

would get the grapes in and then he would structure them and give them biceps and give them triceps and he would give them all that kind of stuff, but he would do the work in the winery. I talk about that as the days of the magic chef. In other words, you bring these ingredients, grapes, oak barrels, et cetera, to this magic chef in the winery, and he will work his magic potion and he comes up with wonderful wine.

Well, today people understand that for the best wines you've got to have the good grapes, and the winemaker should husband it through, but he shouldn't play with it any more than he has to. But in the days of the magic chef, we were just ingredients. You know, we were just ingredients. So we didn't have much to say.

Hicke

Were there some winemakers who were somewhat in advance of this?

Beckstoffer

Yes, the young guys. The young guys, more and more, they would just see us as people. They didn't have all this long background of the *patr¢n* idea and things like that. And the new owners of all these new wineries—they weren't old-time agriculturists, they were car salesmen and art dealers and dentists and everything else. So they didn't know that I was a second-class citizen. [laughter] It was just the idea that you could go as far as your ideas would take you. But that just took an evolution as we went through. Over the years it's created great difficulty for the growers to get their fair share. We were fighting a social battle, if you would, not only an economic battle.

Pricing the Grapes

Hicke

I'm sure you're going to tell me eventually about the pricing.

Beckstoffer

Yes, well, we'll go through the whole pricing thing like that.

For the growers, I can remember when we started the Napa Valley Grape Growers, and we tried to present our production costs. And I'll show you an amazing letter from Robert Mondavi. The wineries were saying they were the great friend of the farmer, but they weren't paying us our production costs.

What we were saying was, "How can you be my friend? You're not even paying my costs." "Well, what are your costs?" The growers didn't consider non-cash costs like depreciation and things of that sort, and they didn't consider their own management costs. It was just the idea that they work for nothing—they didn't put in the cost of management. So to convince the growers that their costs were such and that they had to be businessmen and not just farmers, it meant taking the growers kicking and screaming to the grape pricing discussion. You'll see that some of the pricing innovations were objected to more by the growers than they were by the wineries, in some cases.

Hicke

They just didn't understand this?

Beckstoffer

They didn't understand it, and they were thinking short term versus long term, and they weren't interested in stability and in getting long-term contracts so you could plan your business. We all borrow money, and if prices are erratic, you don't know what you're going to be heading day to day. You go all the way back to the Heublein thing. Remember, Heublein said, "We have got to minimize the grape price fluctuations." Heublein wanted not only to minimize the fluctuations, but to keep the price low. But half of that was really appropriate, in that you need to minimize these wild swings so you know what you've got to do from year to year, and you can plan your program.

Hicke

Are the growers afraid that people wouldn't buy the grapes if they put too much emphasis on pricing and so forth?

Beckstoffer

Certainly the second-class citizen would be. Yes. You have these sort of *patr¢ns* around here, and you didn't want to offend these patr¢ns by asking for a certain amount of money. Well, some of us didn't believe in that.

Inflation of 1970s; Lack of Research

Beckstoffer

The other thing, when you talk about the difficulties over the years, is the major inflation that happened in the 1970s. I mean, these are just major, major things. And the other thing that causes great difficulty and continues to is the fact that there's very little research being done. The University of California doesn't have any money to do research in viticulture. We developed something in the early 1980s called the Wine Growers of California, and we were going to do research, but that program died after three years.

Hicke

What happened?

Beckstoffer

It was not voted back in. It was an involuntary group of growers and vintners who were in this program, and, as we'll see in a little bit, the vintners didn't want to share the leadership of the wine industry with the growers. But they wanted us to pay money in for these programs. I was giving the "no-taxation-without-representation" speech, and vintners just would not allow the representation. They wanted to tax the growers and have them put their money in, but they wouldn't share the leadership function.

I've given that speech both ways. I tell the growers, when they don't want to put their money in, I say, "No representation *without* taxation. You've got to participate if you want to have a voice in what we do." And, in fact, today the growers probably don't pay their full share, but more and more they are going to as they get more businesslike and see the advantage to them of promoting the industry and begin to understand that marketing in our industry isn't just the problem of the vintners; it's a problem of the growers, as well.

Hicke

You had your work cut out for you, didn't you, on all sides.

More on Acquisition of Properties

Beckstoffer

Well, it's a business, you know, and it's a growing business. We can talk about the vineyard properties. We've talked about some of this in the past, but our strategy for buying vineyards was always only the best, and we had to do that because we didn't have a winery. And we had to produce quality. If you look at the independent grape grower, he's really held to a special standard when it comes to quality in that, one, he can't have a bad group of grapes, a lot of grapes, and then get rid of them by putting them in a big blend where they get lost. He has to sell them all. He can't lose them in a blend like a winery could. So his only long-term solution to that is have better quality. If you've got to sell them all, you've got to have better quality, so that in good times and bad times your grapes will be bought. That's easy in the good times, but in bad times your grapes will be the favorite, and they have to buy

some. And you'll always get above-average price if you have quality.

Hicke

It sort of makes mishmash of that estate-grown label, doesn't it?

Beckstoffer

That's right. It would be. The estate would be gone. Right.

Secondly, the grower can't lose money on the grapes and make it up on the wine. He can't lose money selling the grapes and make up his loss by selling the resulting wine, because he is not a winery. Thus, he must sell all of his grapes at a profit, and that means better quality.

So, in both of those things, the standards for quality of the independent grape grower is that he's just got to be better than other people, and the only way to do that is to have the best land. You're not going to start with poor land and consistently develop and produce the best grapes. So we always had that as a strategy that we had the best land.

We've talked before about how our strategy was to buy land that would grow black grapes—Cabernet Sauvignon, primarily—then in cooler climates: whether the Rutherford would be cooler than Calistoga, whether Yountville would be cooler than Oakville, whether Carneros would be cooler than anything in Rutherford for Merlot.

Hicke

Did you develop this sort of as you went along or did you have this from the beginning?

Beckstoffer

Well, it evolves. You know, we sort of came into it with Inglenook and Beaulieu needing Cabernet Sauvignon, so you were sort of directed there, and then you begin to see what makes sense in doing it, and it begins to evolve as a philosophy of the things we want to do. Then, once you develop that strategy, then you can get the technicians, or the winemakers, or the grape growers, the viticulturists and such to carry that out. But somebody has to have this vision, and it evolves over a period of years.

In Mendocino County, it is a little bit different in that up there with the pear ground we planted Chardonnay. We've done very well with the Chardonnay over the period with the whole white wine booming thing. So it isn't that Chardonnay hasn't contributed greatly to our progress and our success, it's just that it doesn't belong in Napa County

to a great extent, and it belongs on rich soils. Cabernet doesn't belong on rich soils in Mendocino County, so we planted the Chardonnay. We also planted Cabernet up there. And also in Mendocino County, because it was attracting less attention, we could buy large acreage. I think most of the acreage up there is 100 acres—plus, where here we have vineyards in Napa that are twelve acres and fifteen acres.

Hicke

Was that because Mendocino was not so well known, or is it because of a different soil and climate?

Beckstoffer

Yes. It was unfound. It's only been in the last years that people have really found the quality of Mendocino Chardonnay and the quality of Mendocino Cabernet and Merlot.

Hicke

[John] Parducci has been up there for years and decades making wine.

Beckstoffer

Yes. Making wine. But he hasn't used any oak. Parducci doesn't have a stick of oak in the winery. He never put it in small oak barrels, that process, he has stuck with the old processes, more of a production orientation than a marketing orientation. If some marketing company had got hold of that early, you don't know what Parducci could have done. He was producing French Columbard with a little spritz in it up until the 1990s.

In Lake County where we've just gone now, we have taken a great step, and after over a year of analysis we think in certain locations in Lake County we're going to be able to grow excellent Cabernet Sauvignon.

You have to be very selective. For example, in Calistoga you can grow excellent Cabernet, but you have to be very, very selective. It's not general like it is in Rutherford. In Lake County you've got to be at a certain elevation, you have to have certain richness of soils, and you've got to have certain drainage, and you've got to be in a certain place where it doesn't get too cold where it kills the vines in the early spring.

Hicke

So up in the hills, like Diamond Creek [Vineyards] is, up from Calistoga?

Beckstoffer

In Calistoga, Pickett Road, up where Milton Eisley was, up at Diamond Creek where some of the Mt. Helena vineyards are—yes, that's exactly where you go.

Hicke

But it has to be up so you don't have the heat?

Beckstoffer

Up or sheltered in a little canyon or something of that sort, right.

Hicke

Okay. I interrupted you.

Beckstoffer

No. But the point is that in these areas you have to be more selective. It isn't as easy there. But, again, it's land north of San Francisco, so the opportunity with the climate and the soils, because of the alluvial volcanic soils, is to grow Cabernet if you can get the right situation. We think we've found that in Lake County, and we've bought a 500-acre piece. You could never find that in Mendocino or Napa or Sonoma. It's a new opportunity. We don't want to do anything like they've been doing it, with regard to growing red grapes in Lake County. We want to do something totally different, and what we think we're doing is exporting all the technology we've been working on in Napa—we're exporting it to Lake County.

Now, we thought that phylloxera would get us in Mendocino County by now, and we would be exporting Napa technology to Mendocino County, but today phylloxera has slowed and we're exporting technology to Lake County. Ultimately we will export to Mendocino—I mean to Mendocino County as well. Our overall goal is to end up with 1,000 acres in each of the counties of Napa, Sonoma, Lake, and Mendocino, and to farm it ourselves.

We've always had the approach that we are managers, not investors. So we won't invest in Monterey or somewhere like that where somebody else would farm it for us or we'd spend our lives in an automobile going back and forth. I have the idea that our viticultural managers can look at 4,000 acres, and the value of that asset would be much, much magnified if you looked at other California agriculture. But they could be home with their children every night. I think that would be very attractive to the young managers. And we know the business, the premium black grape business in the North Coast, where we might not know the Chardonnay business in San Luis Obispo.

Hicke

At some point, I'm sure you're going to talk about technology, because I'm not really certain when you're talking about exporting it what kinds of things you mean, but you can explain that at a different time.

Beckstoffer

Okay, we'll get to that, but we're getting there pretty quick.

You asked about the original holdings, and our original holdings were just two small Napa leaseholds that we got to keep after 1978, my home in Napa County, and then the property in Mendocino County that no one wanted. From there, we went on to purchase the Mendocino State Hospital, as we've talked about, and then a whole series of properties.

I call some of these properties national treasures. They are agricultural lands in Napa County that allow this country to compete on a worldwide basis with the best wine in the world. We've been able to accumulate several of those vineyards in Napa County.

Our Vineyard Number Four was originally a part of Dr. George Belden Crane's original plantings in 1850. We got it in 1983. The BV Number Three property that Georges de Latour bought in the 1920s, we bought that property in 1988 and 1989. We now call it Vineyard Georges III—Georges de Latour, his third vineyard. In 1992, we were able to buy the Carneros Lake property from Charles Krug in Carneros. Things were down, and people were losing faith. They didn't want to replant that vineyard, and they sold it to us. Carneros Lake has a big reservoir pond, so we called it the Carneros Lake Vineyard. Right next to that, adjacent, is a property we bought from Louis Martini in 1993 that was his old Los Amigos vineyard—again, historic Pinot Noir and Chardonnay vineyards. Together, they are 300 acres.

Hicke

Are those both in Napa?

Beckstoffer

They're in Carneros, Napa, yes. We have no property in Sonoma.

Then, in 1983, we were able to buy Beaulieu Vineyard No. 4, which is part of Hamilton Crabb's original To-Kalon Vineyard. Mondavi owns most of the rest of that, but we own eighty-nine of his original 240 acres, which, again, is historic vineyards, here—certainly a vineyard with a pedigree.

In 1996, we bought part of the Vine Hill Ranch in the Oakville/Yountville region that the Kelham family has developed over the years for great Cabernet, and a little bit lighter a little bit farther south.

Then in 1997 we bought what we call Dr. Crane's Vineyard. Again, it's right in the city of St. Helena, and it's part of Dr. George Belden Crane's original 300 acres,

as well. It's where Chinatown was when the Chinese laborers were here. Wonderful soils in the city, and we're developing that to vineyard. I think all of these things—we're going to try and make sure they never get out of our family again, but I think they are national treasures in terms of what they can do for the country.

Hicke

It's right within the city limits?

Beckstoffer

It's within city limits. Actually, it's kind of interesting, tomorrow night, Saturday night, the St. Helena Chamber of Commerce is going to give us an award for the most outstanding civic development of 1998. I don't think that an agricultural property or development has ever been given that kind of award from a city chamber of commerce. Oh, we're thrilled. We're thrilled.

Hicke

Oh, I can believe it. That is really good.

Beckstoffer

It's neat, that's neat. So, if we can do this, the Napa Valley will never be urbanized any more than it needs to be.

Hicke

That's great. But isn't there a problem with the possibilities of smog or city air pollution?

Beckstoffer

No. Not up here. I mean, there's a tourism problem, and people complain about it, but it's not of that magnitude at all. I have no concern for it. The people will stop that long before it gets to the vineyards, if it ever starts.

Hicke

You're not worried about tourists coming along and picking off the grapes? [laughs]

Beckstoffer

No, no, I'm not.

Hicke

That's a great thing for St. Helena, though. It really is.

Beckstoffer

It really is. We're honored.

Hicke

I can just see the headlines: "A Vineyard within Our City Limits." [laughter]

Beckstoffer

They tried to put a Safeway on this property and the city stopped it. Somebody tried to do a major destination resort there and the city stopped it. But the price kept going up with these things, but today we were able to make a good investment, we think, because the soils are so good, to keep this in agriculture. It will make a very important bottle of wine one day, and I can assure you that that bottle will

say Dr. Crane's Vineyard. It will be a vineyard-designate, site-specific wine. We have planted three clones of Cabernet, one clone of Cabernet Franc, and one clone of Petit Verdot, again trying to get that complexity and personality into a site-specific vine, a site-specific vineyard. It's very exciting.

Hicke

Some winery will make a Bordeaux variety out of it?

Beckstoffer

Absolutely, yes.

Hicke

Terrific.

Beckstoffer

Maybe it will be my children, I don't know, we'll see.

Hicke

Well, we'll get to *that* story in a minute.

Beckstoffer

They'll be real good at it, too.

Other vineyards that were important vineyards: one is the Mendocino State Hospital property—500 acres there, a very productive vineyard. The vineyard which we call Amber Knolls in Lake County should just change the face of Lake County in terms of premium Cabernet Sauvignon. And there's a vineyard we have in Ukiah that produces simply wonderful Cabernet Sauvignon. If we can get somebody to really handmake that wine, it will be a real star one day.

Hicke

Nobody is making wine out of it now?

Beckstoffer

They're making wine out of it, but it's going into a blend. We're just beginning to find out how good it is, and once this contract period goes up, then we will go to a site-specific wine.

Hicke

How do you figure these things out? Do you have somebody who makes some wine out of your grapes, actually? Other than winemakers, I mean.

Beckstoffer

No. We would sell the grapes for a while and we would see, and then we would taste the wine with those winemakers, and we would begin to see their attitude. Actually, we have a fellow, Chris Phelps, who made wine for Dominus [Estate] and works with Caymus [Vineyards]. Every year he gets together a group of winemakers, people whose palates we respect, and we have all the wineries submit samples of wines made from our grapes. Last year I think we had eighty-some different lots. They taste those wines, and they rate those wines one against another. So we begin to see the results.

These aren't people we're selling grapes to, necessarily. They just are interested in the wines, and so we get a very objective view about the quality of these individual grapes and individual wines. Then we begin to know, and that helps us define not only the quality of the soils and the vineyard, but also the differences in the clones, the differences in the rootstocks and things, as well.

[tape interruption]

Viticulture and Its Evolving Technology

Beckstoffer

We can talk about viticulture and we can talk about technology, and the whole reason for all of that is primarily quality, but it's also quality at a reasonable yield so that you can again make some money. I like to think about the concept of sustainable agriculture, which involves environmental health, certainly, but it also involves social and economic equity for the growers. You need all these things if you're going to sustain yourself on the farm. So, yes, it has to be sound environmentally, but it also has to make some money, and the only way to do that, as we've talked before, is to produce quality, certainly, in this region.

Again, the independent grape grower like us is held to a special standard, and that's very important because—I'm not sure, I think, we said this—but 60 percent of the grapes grown in Napa County are grown by people who don't make wine; in Sonoma County it's 70 percent; in Lake County it's 76 percent; and in Mendocino it's 87 percent; and in all of California it's 80 percent. So if there's going to be quality in our wines, it's going to have to be done by the independent grower, and so he has great responsibility there. And, also, growing these kinds of grapes, he owns most of the land, and so his environmental responsibility is great, as well. So we need to pay attention to that.

Now we talked about what the situation was like in the early 1970s in terms of growing grapes. We talked about that a bit before. Now, in 1998, the grower ends up in a totally different position, where he's not only a farmer, but he has to be an entrepreneur, a businessman, he has to be involved in the wine business, he has to be involved in the service business, politically involved in things like

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appellation of origin, and in government regulations. I think we should stop for just a minute and say the people who should get credit for motivating this were the young winemakers. They demanded better quality, and the growers responded, I think, so they get credit here, too. But today they're not only demanding quality, they're paying for it. So it's time for us to continue to reinvest, and we're getting paid for it and have all the incentives.

The way that all this happened was that in the early 1980s, Dr. Richard Smart, primarily, came with new viticultural theories, and they had to do with balancing grapevines and letting sunlight into the grapevines. In the past it had just been photosynthesis and lower yields—that's the way you got quality. It was the more leaf exposure, the more sunlight on that leaf, the better the grape factory. Then if you had this big factory and this low amount of grapes, then you produced quality. That was the way it was done.

Well, that's *not* what Dr. Smart said. He said that the quality comes when you balance the vine between vegetation and fruit, and you let sun into the grapevines and onto the fruit. So we began to change all of our trellis systems in the 1980s. We would lift and separate, and we would make it very efficient in terms of getting sunlight into the vines and things of that sort. What that did is it changed our quality, it changed yields, it changed the costs, it changed all of our viticultural practices. Where in the past we would go in and we would prune the vines and we would cultivate the ground clean, and then we would pick the grapes at high sugar, now we don't do that anymore. We go in and manipulate the vines. We'll prune them, and then we'll shoot-thin, and then we'll pull leaves, and then we'll cluster-thin, then we'll pick twice—that type of thing. So all of those things changed.

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Beckstoffer

The trellis systems are designed now to get sunlight into the vines, but also we would adjust vine row direction so that the wind would give us natural sanitation, so we didn't have to put so many toxins on to eliminate the molds and the fungus and the things. But the idea of the trellis system helping us be environmentally sensitive as well as producing better fruit is the thing that started in the mid-1980s. And it's interesting: here we have a fellow, Dr. Smart, who is from New Zealand, who learned his craft in New York, who

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is applying it now to California. So you see the globalization now that's happening in viticulture technique.

Hicke

Right.

Beckstoffer

Well, as soon as we got into the trellis system changes, phylloxera hit. So when phylloxera hit in Napa County, we had to change all of our vine rootings, so that while we're changing the trellis system, now we have to change the roots, and the roots have to match the soils, and that affects vigor of the vines, it affects quality, it affects the trellis system you can use, it affects your yields. So things are beginning to get more complicated now. It's not just the trellis system; now it's the rootings as well, and there are lots of choices. Where we had one rooting—basically AXR—now you have eight or ten or fifteen, depending upon the soils.

Then, as we were doing that, we said, "Well, while we're at it, why don't we upgrade our varietal clones? Why don't we take the clones of Cabernet and whatever, and let's do better clones of Cabernet." All Cabernet clones are pure Cabernet, but these are genetically different types of the Cabernet. There's the UC Davis Clone 4 and Clone 6 Cabernet, and the French clone 337, for example. What happened was that all through the seventies we were planting clones of these varieties that had been selected at the University of California, Davis, in the fifties and sixties for purposes of disease freedom and higher yields—that was the selection process. Well, in the 1980s and nineties we began to use clones that were selected by the French for *wine* -quality reasons—not just for production. So the probability is that you will improve your quality.

Now, the question is: what will it do to your yields? We'd seen the quality they've done in France with a totally different microclimate—what would the clones do here? So when we began to plant these clones in the early nineties, we were taking great risks on yields, and how that's going to come out is still not determined yet. But what happened was that we were always talking about fruit flavors—whether it tasted like blackberries or cassis or black fruit or red fruit or citrus or apples or pears or something. And what we began to realize is that no matter what clone you use, the soil is going to determine those fruit flavors.

But now we are layering onto those fruit flavors what I call wine characteristics. Now, it could have been whatever flavor you want, but what was the breadth and depth of

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concentration of those flavors? What was the texture and mouth feel of that wine? They were wine characteristics that were influenced by the clones. So we're now layering on that improvement, primarily in wine characteristics, where the fruit flavors are going to be set, whatever clone you have, but these new clones will give us increased wine characteristics.

Hicke

Do you have some experimental vineyards?

Beckstoffer

Well, you plant a vineyard, and it's there for twenty years, and so we do all our pre-planting research, and then we just go ahead with it.

Hicke

You don't plant a row of this and a row of that?

Beckstoffer

No. You could do that if it was tomatoes and change it every year, but you can't do that with vines. What you just say is that because of the selection process, the probability is that I will get better quality, and if I have to suffer with yields, I'll have to suffer with yields. Then I'll just have to get paid more for it as we go. But the only thing that's ever worked here is improving the quality, and so we think we can improve the quality, we think the trellis system will give us higher yields, generally, but these clones may cut that back a bit, because we may not get the same yields that we got before.

Hicke

Are you using different sets of trellises? Or are you using one system, primarily?

Beckstoffer

We're using different sets of trellises, based on the soils and the microclimates and the variety.

Hicke

Scott Henry? Are you using that?

Beckstoffer

We're not using so much Scott Henry; we're using the Smart-Dyerson, which is a type of Scott Henry. There are two basic systems. One is where the vine grows in one vertical plane, and we call it a vertical shoot position. This is used in a place where your soils are fairly weak, so you need to invigorate the vine, so you have the vine grow in one plane, and it goes up towards the sun, which is invigorating.

When you have richer soils, when you want to *devigorate*, you need a bigger vine, and we've been doing the Geneva Double Curtain, GDC, which is two curtains of vines on each vine down the row, and we force the shoots to go down, which

is *devigorating*, because it's in richer soils. But the two main systems are where you have one plane or two planes of vine growth. What we're beginning to go to now, so that we can mechanically harvest them, is the Smart-Dyerson, where we have two different panels, but in the same plane. So, two-thirds of the vine growth go up, and one-third goes down, but it's in the same plane, rather than separate planes.

Hicke

What determines which of these you use? The mechanical harvesting?

Beckstoffer

No. The soil, the climate, and the variety.

Then you'd like to be able to mechanically harvest, but you're not going to plant to mechanically harvest if you can't get quality.

Hicke

Right.

Beckstoffer

That's a separate thing.

I don't think that in any of the permanent crop—trees or vines that will live for twenty years or thirty years—that the technology is moving so fast as in wine grapes. For example, if you're in tomatoes and you missed it this year, you can pull them out, and you can pick up all the new technology next year. But in a grapevine, if you miss it now, you can't pick it up for twenty years. If in 1999 you're using 1995 technology, five years from now when it starts to produce you're ten years behind. You have to be doing the technology that is of the 21st century, pushing the envelope out. So it behooves the grape grower today to be at the forefront of the technological advances. He's got to be aggressive on this, or, because it's moving so fast, he'll end up with an old vine too quickly. So we continue to push this envelope.

If you think about what we're able to do today—we can do many things in a limited way, but in a real way—we have the vine materials and trellis systems now that we are using where we can, in fact, make it cooler when it's hot. In other words, if we have canopy management that shades and cools the vine when it's really hot, we can affect the environment—not just the material; we can affect the environment. We can make it hot when it's cool. In other words, if we have an open trellis where we get great efficiency from whatever heat there is, we can in fact make it hotter when it's cool. We can make it wet when it's dry;

we can irrigate, if we want. And, in fact, now we can make it *dry* when it's wet, which is the toughest one, but only for the root system, in that we plant cover crops in the vine rows—grasses—that suck the moisture out of the soil, thus denying it to the roots at certain times of the years. So we have limited abilities here, but we now know how to play with mother nature and to change our environment to a certain extent, and that can be important.

Hicke

That's very important.

Beckstoffer

And, again, we don't just *prune* the vines anymore; we go in and we prune the vines—or we probably pre-prune and then prune, and then we shoot thin to get the extra shoots out, and then pull leaves to get the right light intrusion, and then the bunches that aren't coming on well—we'll drop those green, drop that fruit onto the ground at a certain period, and then we'll go pick. And in some cases now in a vine that goes north and south, it gets much more sun on the west side than it gets on the east, so we'll pick the west side of that vine one day and maybe wait a week or so and pick the east side of that vine, because they're maturing differently, depending upon where the grape bunch lays, because of the light that's hitting those bunches.

So all of that has changed, and it's not over yet, in that water management is something we're just beginning to understand. This thing about drier when it's wet type of thing—that's going to be the new thing that, in the next ten or fifteen years, we'll learn how to do that much, much better than we ever have in the past. And, again, you've got to see that it's not enough to do this without care for our physical environment. It's not enough to get quality yields, you've got to do it in an environmentally sensitive way; nobody's going to accept you doing something different than that.

Hicke

Do you name your vines individually? [laughs]

Beckstoffer

No! [laughter] No, we don't.

Hicke

It sounds like they're individually handled. I'm being silly, of course, but, I mean—

Beckstoffer

Well, maybe some of the workers know them individually, but I know the rows. And what's happened in terms of the technology—and if you look historically back into the 1850s when Hamilton Crabb came, when George B. Crane came, they solved their problems by better quality in the Napa Valley,

not by increased yields. They had the Mission grape, and rather than try to do something with that Mission, they planted superior varietal grapes.

And these were mainly German people; it's very interesting how many Germans there were—engineer types with the German mentality. They were the ones that went to the new varieties—the new, lower-yielding varieties. They tried to solve their problems with quality. That was the first group of families that came here.

The second group of families came pretty much in 1930s, and it was the Mondavi family, it was André Tchelistcheff, it was John Daniel and Inglenook. What they did—they began to solve their problems with technology, again, cutting out the oxidation in wine, going to cooler fermentations, better varietals, all those things—but they always solved problems with better quality, not with higher yields. And generally that better quality came through advanced technology. Their technologies seem simple today, but they were not simple in those days. I'm sure that our technologies will seem very simple fifteen or twenty years from now.

Hicke

But I think this is a North Coast phenomenon that you're talking about, right?

Beckstoffer

It's more Napa Valley than anyplace else. I could show you some historical statements where [Agoston] Haraszthy is saying in Sonoma County, "Hey, you've got to have yields," and Hamilton Crabb was saying over here, "It's quality. It's about quality." George Belden Crane is saying, "Hey, it's about quality." So it's a yes and no. Napa is ahead on that. Somehow or another our Napa Valley ancestors were better about that.

The soils and the climates were given to us by nature and by ancestors. I mean, they didn't put on so much synthetic toxins that they ruined the soils. What we must add to the heritage is our viticultural techniques, and that's where this generation is making its addition, and if we are environmentally sensitive, we won't screw up the soils, but we will improve the balance, we will improve our contribution through our viticultural techniques.

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Technological Innovations at Beckstoffer

Drip Irrigation

Beckstoffer

Now, programs that we have been involved with. In 1971, we brought the first drip irrigation into Napa County. We did that in Carneros, and the reason we did it was that in 1968 André Tchelistcheff had produced a Pinot Noir which he said was the second-best Pinot Noir ever produced in the state of California. The first was the 1946 that was grown in Rutherford on the Madame de Pins's property. But in 1968 he said that Carneros was producing the best Pinot Noir, so we needed to plant more grapes in the Carneros district, and there were very few at that time. But Vinifera—one of our major things was to increase the acreage we held in Carneros, and we planted about 400 acres from 1971 through 1976.

[tape interruption]

Beckstoffer

So Tchelistcheff had produced this Pinot Noir, and he wanted us to do more Pinot Noirs and he wanted to do it in Carneros. Well, you can't get a well in Carneros. It's just very, very difficult to get any well water in Carneros. So you had to have a system that was extremely efficient for delivering irrigation to these vines.

So—I'll never forget—it was a group called Spot Heaters, they made the presentation in the Carnelian Room, the 52nd floor of the Bank of America in San Francisco. They had a center feed system for getting oil to smudge pots, and they had this drip irrigation system that was developed in Israel. You know what drip irrigation is. But we started that, and that allowed us to develop grapes in Carneros.

Hicke

Why did you think this was going to work? What convinced you?

Beckstoffer

Well, you could see it. I mean, we saw the wine quality, so we knew that if we could get the grapes grown, we could make the excellent wine, but we knew that if we didn't have water, we couldn't plant the grapes. We had a certain amount of water that we could pond, but if we didn't get a very efficient system for delivering that water, we weren't going to be able to do very much. So we were searching about for a system, and all of the sudden these guys had the

system which had been developed in the arid desert, if you would, of Israel. So we brought it to the United States.

Hicke

Were they from Israel?

Beckstoffer

No, they were not. I don't know what the connection was. It was an American company, American fellows. I don't know what the relationship was to the Israelis.

Hicke

They licensed the technology, maybe.

Beckstoffer

Could have. And it's developed. We have major filtration problems, because what happens is: to control this the water goes around in little circles, and the friction slows it down so it doesn't just pour out. This is the way you can deliver half a gallon an hour to the vine. That was the technology. But you can see a little grain of sand in there would stop that thing up, and so we had awful problems initially. But basically it was the answer. Without that, Carneros could not have been developed. We would not have the Chardonnays and the Pinot Noirs or the Merlots that we have now without drip irrigation.

Hicke

And you were the first ones in the Napa Valley to get it?

Beckstoffer

We had the first ones in Napa Valley, because we were the major developers in Carneros. The other problem was that people were afraid that if you used drip irrigation on a bench graft that you would have water in a small zone and you would create a cone of salts around that grapevine, and then the new tendrils of the roots would not be able to break that cone of salt. Now, what we found out very quickly was that we get enough rainfall here that it will just dissipate that cone of salt. That slowed up its use by people in the other parts of the Valley. But today it's used all over the Valley.

Hicke

And it's quite a savings of water, right?

Beckstoffer

It's an extremely efficient way to deliver water. It is. And it's very expensive. People in the San Joaquin Valley can't use it, because it's just too expensive. It costs $2,000 an acre just to put it in, and their crops are not so intensive that they can afford to use it, but we can.

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Spacing and Canopy Management

Beckstoffer

The second area where we began to do things—and, again, back in 1970, as we went through before, we started to close up the vine spacing to put more vines per acre than had been the standard, and we were doing it for economic as well as viticultural reasons, but it was the first time people were doing vines that were less than eight by twelve feet apart. Then, in doing that, we were forced to do some canopy management things in terms of opening up these vines. Again, there is some publicity around here where in 1973 we were doing vines where we lift and separate again, but we were stopped on that because we began to produce more fruit, and the wineries didn't want the fruit because in the '73, '74, '75 period they had too much fruit, so the technology really got stopped. But we were onto something. We didn't understand the Dr. Smart Principles; we just knew we had tight rows, and it would be full of vegetation if we didn't do something with it. So it isn't that we were so smart; it was just necessary that we do something of that sort.

Heublein bought a vineyard—the Napaco Vineyard—that for some reason, Petri and Bianchini had put solid set, overhead frost protection in that vineyard. And in 1970 when we had the severe frost—twenty-eight days of frost—that worked; it saved those vines. So everybody began to put it in.

Of course, where you had water—you don't have water in Carneros, but the heat of fission or the heat of fusion as the ice forms and then melts keeps the grapevine at 32 degrees and the young bud can stand it, it puts a coat of ice on the bud. But it was a technological advance that you still can do. Today we haven't had the devastating frost, but you can lose 3 or 4 percent of your crop, and when you're now having grapes that sell for $2,000 or $3,000 a ton, 2 or 3 percent is very important, and it justifies that system, I think. We may find that that system isn't totally justified, but, again, with the need of grapes, that 2 or 3 percent becomes valuable. We talked before about this bench graft technique where we just didn't like the idea that we would plant a vineyard, and because some of the rootings didn't work or the buds didn't take, the second year we have 25 percent dead because of the conditions in the field. We said, "Let's do this under the controlled conditions in the nursery, and if some of them are going to die, that's fine. We'll just over produce the vines so we'll have enough when we go to the vineyard, and then all of them will live." So

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we began to get "takes" on 98 percent of the vine we planted [i.e., 98 percent would take root and grow]. But people were concerned that the drip wouldn't work because of the salt cone. Now it needs a lot of strength right away to make that graft union work. So we spent a lot of time working with the nurseries to affect the grafting techniques and then incentivizing them to do this work so that they would do more bench grafts.

We started about—I guess it was only ten years ago—that at harvest time we set up a laboratory at the farm center, and we would make the first wine. Rather than just taste the grapes, the vintner could taste the must. The winemaker could make a picking decision based on sugar, acid, and pH, and the taste of the new wine. A lot of the big wineries are doing that for themselves, but we could do it for the small wineries. It makes the picking decision a little bit easier, and hopefully it will increase the quality [of wine] because you pick at the right time.

Hicke

I can see they would appreciate something like that.

Beckstoffer

And what happens is the grape grower is now getting in the winemaker's business. In other words, the separation of activity between the grape grower to winemaker now gets blurred in that the grape grower is going over on his side and dealing with the new wine.

Tchelistcheff started the idea, and we picked up the idea of microclimates. In other words, it's not a very long distance that something about the climate changes, and you need to pay attention to that. Calistoga's situation is perfect. I mean, if you're in the right microclimate in Calistoga you're okay, but generally Calistoga is too hot, but Rutherford Dust had to do with the climates as well as with the soils. So the idea of, for example, not growing Chardonnay up-Valley anymore—we started out saying it had to be Yountville south because it was cooler—the microclimate was cooler. Then we began to understand that it needed to be even cooler in Carneros. We kept getting it cooler. The whole idea of planting Merlot in a cooler climate is because of microclimates. It's about microclimates and paying attention to that as well as to the soils, to really optimize what we were trying to do with the quality of the grapes.

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Results: Improved Yields and Higher Quality

Beckstoffer

People used to say the only way to get quality is low yields, low tonnage yields. We adapted the Dr. Smart ideas very early, because we knew that if we were going to pay this much money for the land and then get low yields, the price of grapes would have to go through the ceiling. We needed to improve our yields as well as our quality. We were one of the very first in the eighties to go to the GDC, the Geneva Double Curtain. Richard Smart has written about what we've done there in terms of devigorating the vines, with separating the vines, and bringing the vines into balance with the soil and the climate to produce the better yields, and better quality, as well.

Hicke

Did you have any trouble convincing winemakers that this increased yield was—

Beckstoffer

We still do. That's still not done, but winemakers are more and more beginning to understand that. What we say is, Don't judge us on anything but the quality of the fruit. Look at the quality of the fruit. If the quality of the fruit is not there, complain, but otherwise don't. So people are now beginning to understand that they can improve their yields within a certain range and improve the quality as well, simply because the vine is in balance.

Now the vine has to be in balance, not to produce fruit quantity, but to produce wine quality. There's a difference, because the fruit can look good and clean and all those kinds of things, but if it doesn't produce wine quality, you've got to balance it at a different level. In other words, you may be balancing at too high a yield, and you need to do something to balance it at a lower yield. And you hopefully can do that naturally with your trellis systems and with your soil amendments and with your cover crops to deny moisture to the vine, but if you don't, you have to do it with the pruning shears, and that's not the best way to do it. We're trying to get the vines in balance naturally so they will produce at a level that produces the ultimate wine quality and not just pretty fruit.

Hicke

Can you change that year by year?

Beckstoffer

Yes, yes. We can. For example, with the cover crops we can change the mix of grasses. Some of them are more drought tolerant, some of them evaporate more moisture, some of them will suck more moisture out of the ground. We can put a

certain amount of buds on the vine and let it grow. More or less, we can do that. We can take the vine out along the cordon wire faster or slower. In the end, if you put the vines too close, or you put them too far, they are not going to fill the cordon wire. But to a certain extent we can change those things with soil amendments and with irrigation practices. And that's why I say irrigation practices in the coming years is going to be the major tool we have for improving the quality. We understand a lot of these other things now. Now we understand it's not only how much water, but it's when you give the vine the water. The timing issue is a major issue.

Hicke

You must use a computer.

Beckstoffer

No, no, we don't. We're just in the vineyards all the time. I mean, we have highly trained professionals who are in there all the time. We have farm workers who are trained to say, "Hey, you'd better come look at this," or to know what this is and what that is. When you get down to this, it's still a small business, and it's still all very local here. I mean, we can go everywhere every day, and that's the point of keeping in the North Coast: so it isn't somewhere where you can't get at it everyday, or where you can't get to somebody every day. We have no inhibition about talking about getting higher quality and higher yields. Some people only want to talk about higher quality, but we say we've got to do both. I think, to a great extent, people are now beginning to accept that because of the quality we're producing.

Hicke

It's a major innovation, I must say.

Beckstoffer

I'd say it is a once in a lifetime opportunity to improve your quality and your yields at the same time. Usually you've got to do one or the other. With what's going on here with our trellis systems and our clones, we have the opportunity to do both at once. And now we're just going to go back and forth, I think, on the different clones. It's all being done through increased technologies. We are changing the technologies of how we develop the vines, how we plant them, how we manipulate them, what we do in terms of bringing things in balance with not only our soil amendments, but also the moisture that we give the ground to enliven the nutrients that are in that ground. We just haven't gotten to the point that we can put this on a computer. The computer probably can do lots of things, but that technology is so far ahead of our ability to use it that we've just got to stay on the ground, because, again,

the uncertainty and the timing issue—you miss it and you've lost it for a season.

Hicke

Yes, it's going to be really interesting to see how the Lake County properties develop.

Beckstoffer

We're very excited about Lake County. We planted new rootings, new roots, a new trellis, and new clones that have never been done there before. The grasses and the whole idea of cover crops and things—they haven't done that before. This is the ground. It's red volcanic soil, and it's full of obsidian—absolutely full of obsidian, black obsidian. I've said that if we could start an Indian war we really would be rich. [laughter]

In terms of clones, in terms of the cuttings that we use, in terms of the rootstocks we use, all of that has been advanced as well as trellis systems. What we are embarking upon in 1999 is a major use of the Smart-Dyerson trellis system that around the world has been used pretty much, but has not been used in California. Our new viticulturist, Dominick [Pecchenino], is a great fan of that. He's seen it used in New Zealand, and we will begin now to be on the forefront of using that system, just as we were in using the GDC in the late eighties. We'll see if it works, but I think it will. All the regimes seem to make sense, and this seems to be a system that will work and will help us devigorate and will help us get greater light intensity, greater balance in the vines. So we'll see, we'll see. But, again, it's 21st century technology that we're a little bit ahead of the curve on.

Hicke

Have you heard of that book that differentiates invention from innovation?

Beckstoffer

No.

Hicke

Invention, according to this person, is the actual idea, but innovation is someone like you who comes along and actually uses it.

Beckstoffer

And uses it and does it. Yes.

Hicke

And spreads it.

Beckstoffer

That's interesting.

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Hicke

Thanks for all of that explanation. It's a fascinating story of innovation.

Beckstoffer

Yes, it's what we've done, and I think the reason we do it is to get better quality and to get, as I said, into sustainable agriculture, to get economic profitability and to get a return on our economic equity. But the answer to all of that is quality, and the way you get the quality is through technology, and that's why it's so important for us to continue to do this, continue to look at water management, and continue to look at new clones, continue to look at new trellis systems, and continue to improve, again, because we have to sell all this fruit, and we have to sell it at a high price, and the only long term way to do that is with quality.

History and Significance of Wine Grape Pricing

The 1970s

Beckstoffer

Quality leads us directly into grape pricing, and that's another area that's been extremely important here because of all the points of economic viability. Grape pricing has to relate to two things: it has to relate to the real quality that is in the juice, which we've been talking about, but it also has to relate to the perceived quality that the customer thinks about your product. Perceived quality—like everything—is created by branding products, and here it's about appellation. So in looking at grape pricing and in looking at quality, we have to consider real quality and we have to consider perceived quality. We have to protect our appellations with great zeal, and we need to get that recognized. We can't divorce the two.

In the early years of the 1970s, the pricing was done, one, by Gallo. He was so dominant in buying grapes, and, remember, the other guy at Allied Grape Growers wasn't setting any prices; they were just taking it and spreading it to their growers. Charles Krug was major here in that they would announce recommended prices or offers first and these prices would get published as if they were accepted by the growers. So their pronouncement was very important. All of these prices got put in the Federal State Marketing

News Service. The Service would print anything that anybody said was selling, whether it was actual or not, and so you could rig this thing. The growers just never knew.

Certainly the growers didn't know what was going on. North Coast Grape Growers would come out with a recommended price for the North Coast, and Mendocino was way back of Napa, in those days, and they were pricing Napa grapes based on a desire to sell Mendocino fruit, and so it was the wrong statistics coming out. So grape pricing was just an unknown and uncontrollable thing.

Then Allied Grape Growers, they just divvied up the pot that came from United Vintners. Further, with Allied Grape Growers, for example—you would deliver grapes in October, you would get your first check next March, and you would finally get paid in full in the following October, so that it was not only the price, it was also the payment terms that really caused us a lot of problems. That was 1975.

The Bottle Price Formula: A Significant Innovation

Beckstoffer

One of the reasons for setting up the Napa Valley Grape Growers Association was the fact that the grape growers didn't have any representation at all. So what we did is, as the Napa Valley Grape Growers, we began to present and publish our vineyard production costs. And, as I said before, the winery was saying, "We're the friend of the grower," and, in fact, they were paying us less than our costs. So we had to develop what our real costs were, and when we developed those costs in 1976, they were more than what the wineries were paying. So the wineries—they're not predatory—they began to pay us more, but we influenced the price of grapes with our production cost survey. Then we began to recommend prices for Napa Valley. I think the first recommended prices by the grape growers were sometime in the early eighties. What we did was we based our recommended prices on two things. One was our costs and some reasonable return, but also we began to say that the price of our grapes depends upon the retail value of the wine that's made from them.

Hicke

This was your idea?

Beckstoffer

This was our idea back in the early seventies—'75, I think, '75 and '76. We said that a Cabernet is not always the

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same. For example, if a grape goes into a five-dollar bottle, it's worth one thing, and if it goes into a ten-dollar bottle it's worth something totally different. We didn't know who was paying what then, but when we began to see the Berryhill report, the California Crush Report, we began to see all these things, and you found out that Cabernet went for $500 and it went for $1,200 and everything in between, and, in those days, thirty or forty different pricing schemes based in all likelihood on the final retail bottle price of the wine. So, really, grape quality and value is different. Berryhill allowed us to document that.

Then in 1976 and '77 we started what was called the Bottle Price Formula for pricing grapes. This was a major thing, and it was done through the Napa Valley Grape Growers Association. [looks through papers] The kinds of things we started out doing for example: There's a Napa Valley production cost shows a steady upward climb. These were the pronouncements that we made. Then we had a sheet that showed you how to work the Bottle Price Formula.

Hicke

This is for the growers?

Beckstoffer

This was sent to the growers. And then we had grower committees for each winery through the Grape Growers Association. The Mondavi growers had a committee and the Beaulieu growers had a committee. They would take this pricing system to the vintners and say, "We want you to do it." This is a letter signed August 31, 1977:

"We, the undersigned, Robert Mondavi growers, are extremely disappointed in our negotiations with the Robert Mondavi winery and the prices being offered us this year. We believe the offerings are below current market price. In light of the winery's refusal to genuinely negotiate a fair price with at least some profit, we desire to be free from all obligation to deliver grapes to the Robert Mondavi Winery." This is signed by Milton Eisley, René DeRosa, Ernie Van Aspen—major—Andrew Pelissa, Gene Frediani, Gunther Dieter.

We presented this to Robert Mondavi, and Robert Mondavi, basically I think, didn't understand that he was paying us less than our costs. But he immediately went to the Bottle Price Formula. I can show you some articles from the *Sacramento Bee* and other papers where he and I are talking about the new way of pricing grapes. That's 1977. We started this in 1976 and 1977, based on our production

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costs, and based on the idea that we needed to develop a grape price that was tied to the consumer value.

Hicke

That's what you mean by the Bottle Price Formula.

Beckstoffer

That's the Bottle Price Formula. We did a lot of complicated formulas, but we finally came up with this. The standard formula was one hundred times the retail bottle price. For example, if the retail bottle price was ten dollars, the price of grapes should be $1000 per ton. We continued to develop that system to the point where we found out that this standard works quite well. And the bottle price can change, the retail bottle price can change, but the thing that's much more stable is the wholesale case price. The wineries have to publish these prices so you can see them, and the price doesn't change from retailer to retailer.

Generally speaking, grape costs are 26 percent of the wineries' F.O.B. case price. Depending upon variety, he can get from, say, sixty-two to seventy cases per ton. Then he has a certain F.O.B. But if you take that 26 percent times sixty-two or sixty-five cases per ton—whatever—times the F.O.B., you'll see it comes up to just about one hundred times the retail bottle price in most situations assuming the retail price is two times the F.O.B. So either one of those formulas will work.

It works best if your grapes show all the way through, like in a vineyard-designated product. If they go into a wine blend, you might negotiate a grape price for the first year. If it goes into, let's say, his Napa Valley Cabernet, then you would sign a long-term contract where the first year price would move up or down based on the retail bottle price of this Napa Valley Cabernet. So, if the Cabernet price went up 10 percent, whatever that negotiated price was, it would go up 10 percent. And, if it went down 10 percent, it would go down 10 percent.

So we changed pricing from agricultural commodity pricing, where if you have a big crop you get a low price, and if you have a low crop you have a big price—we changed that to specialty brand market pricing. The growers need to understand that it can go up or down, and they also need to understand that a large crop size can change the retail price. There is a cause and effect here; it's not direct, but we are tying ourselves to the success of the winery who's dealing with the consumer. So the grower went from being a second-class citizen, if you will, looking for a

home for his grapes, to being a real participant who is looking for someone who could, one, make luxury premium wine, and, two, market it. You needed someone with a presence in the marketplace, as well as the winemaking capacity.

What we've really done is change the way business is done in the Napa Valley, and it's beginning to spread. The more premium the area, the more likely the grapes show through, and the more likely that this system will work. There will be modifications, and you can negotiate a hundred times bottle price or ninety times the bottle price or a hundred and ten times the bottle price. The grower must negotiate.

Two things we've found: one, if you look at the California Crop Report in 1998, I think there were 240 different pricing systems for Napa Valley Cabernet. So, negotiated prices are here. I mean, there isn't one commodity price for Cabernet here. Secondly, we know that the average price of a Napa Valley Cabernet—this is an informal study I've been doing for a couple of years—is about twenty-five dollars a bottle, and that includes a lot of bottles that sell for sixteen and eighteen dollars, as well as some at higher prices. But the average price for a Napa Valley Cabernet is about $2,200 per ton. So, in fact, we're about at a hundred times. The only question is: how do we get there? What I'm saying is that this is a fair and stable way to get there that allows us in good times and bad times to have a fair sharing of the profitability of the wine business between the grower and the vintner.

I can show you investment numbers of how much money it takes to produce a case of wine from the winery side, and how much it takes to produce grapes from the grower side. And, on this basis, it seems like we're getting a fair return on our investment with the Bottle Price Formula, and it's a question of who takes the greater risk. I think you can argue that one way or another, but in the days of phylloxera and weather and things, I think the growers' risks are pretty substantial, as are the vintners'. So, that's the system that we've been developing, and that's what we're trying to promote to the individual growers.

Now, we agreed to this formula pricing on two of our national vineyard treasures: Beaulieu Vineyard Number Three or Vineyard George III, and on the former BV Number Four, To-Kalon. We did these large deals with the Kendall-Jackson Winery, and we did it because we thought we had the fruit, we think he has the ability to make the wine, and he has the market presence to sell it to the consumer in a large scale brand. I mean, this isn't going to be 300 cases; this is going to be 10,000 or 15,000 cases. So this system will work—not only on some little boutique thing, but also will become mainstream.

Hicke

This was a couple of years ago?

Beckstoffer

This was a couple of years ago we did it, and the wines aren't mature yet—well, one of them's mature—but they're beginning to mature. And in the same instance the pricing system will recognize their quality, and they also will be vineyard-designated wines. That's also important.

Vineyard-Designated Wines

Beckstoffer

Maybe we could begin to talk about vineyard-designated wines, because I think that's the future: site-specific, vineyard-oriented wines, rather than reserve wines that are a vineyard blend. The site-specific label says it's made in the vineyard; the blend says that the winery had more influence. And I think that if you look historically, Chateau Lafite-Rothschild and all of those premier Grand Cru French wines are site-specific, vineyard-designated wines. They don't do varietal labeling.

But the bottle pricing system is the system that will allow us to keep going when the price of land in Napa County has gone through the ceiling. You now have a situation in 1998 where someone paid $100,000 an acre for an older vineyard in Angwin—not in the center of the Valley. So the price of land is going up for the grape grower. The price of wine—we now have seven or eight current vintage wines selling for $100 a bottle, and they're labels you've never heard of, or they haven't been around for more than a year or so. So the price of wine is going through the ceiling. While these hundred-dollar bottle of wines may not be all that important, they make a forty-dollar bottle of wine look cheap. So you have the price of land going up on one side of the grower, and you have the price of wine going up on the other side, and the grower can't be squeezed or we're not going to be able to continue to farm.

This bottle price formula system allows us to participate in the higher retail bottle price, which

hopefully will allow us to continue to buy the land and hold the land and hold it in agriculture. I think that our St. Helena acquisition in 1997 shows that we think we can do it. We didn't do anything foolish when we bought that Dr. Crane Vineyard land in St. Helena, not economically foolish. That's good ground, it's going to produce great grapes, and we'll sell them for enough money. The wine will be able to justify that purchase.

But the bottle pricing is a major thing that's happened here. You know, it's like all overnight successes. It's been around for twenty years. But more and more people are beginning to accept it because they're doing it anyway, and the winery even more than the grape grower wants to cut out all these wild commodity fluctuations, just as Heublein did way back in 1969. If the trend is up, grape prices are going to be based on the price of wine, and they are going to be up. And if it's down, they are going to be down. It's just a question of whether the curve is smooth going up or if the curve is smooth going down. Yes, again, we've got to convince more and more people of that, but I think we're winning that war.

Hicke

That was an inspired notion, I would say.

Beckstoffer

Well, I hope we get that done. The thing that really makes this work is when you do vineyard-designated wines, because you really can see the influence of the site and the grapes. So it's very clear to see the growers' input. But vineyard designation started back in 1976, when we went through a set of federal hearings on appellations of origin, and one of the things that was determined then was, "What was an appellation?" It also allowed us to do a vineyard designation.

Hicke

Was this for Napa Valley appellation?

Beckstoffer

This was before that. It was for everything. This was setting the rules by which Napa Valley was later done, and by which all these other appellations or viticultural areas are done. It set up rules that said that you could use a vineyard designation if 95 percent of the grapes come from that vineyard. But the whole appellation system is so political. I mean, it's just so unbelievably political. It's supposed to be based on geographic features and viticultural characteristics and it's not—it's political. So what happens in the Napa Valley is they set it as the whole of Napa County including Chiles Valley and Pope Valley, and that's ridiculous.

Then the sub-appellations are the same thing. We went through Rutherford, and they have a street boundary rather than a natural boundary. It's all political. But the thing that's not political is vineyard designation. It is a specific piece of ground, so you know exactly what's going to happen in that piece of ground, and so, like we were saying a little bit ago, the estate bottling designation got bastardized and that just went out the window as well. So the new ultimate assurance of quality and consistency to the consumer is vineyard designation.

Historically that's the case. Again, France's Chateau Lafite-Rothschild is vineyard-designated. Chateau Lafite is a vineyard, Margeaux, all those major Bordeaux wineries, are vineyard designations. We're just going to the same place that the French had been, again, to really assure quality and to assure security in that consistent quality to the consumer. Now, this may be a little bit weird. In other words, you might say Martha's Vineyard is a little bit weird with its minty taste, but it's different. It's not pasteurized by any means. And if you like it, you like it; if you don't like it, you know that is what you're going to get, and you don't buy it.

Hicke

Yes. It's going to be the same unusual taste the next time you get it.

Beckstoffer

All the time, right. And so if we really have the great soils that will produce the great wines, they'll come through every year. And one will be different than the other. I would maintain that in the 21st century there will be as many famous Napa vineyards as there are famous wineries. Today there are many more famous wineries than there are vineyards, but the vineyards will come to the fore through this vineyard designation thing. And, while the best wines we make today are called reserves—somebody's reserve: Beaulieu Private Reserve, Mondavi Reserve, which are vineyard blended basically, the best wines in the future will be site-specific wines. The way we get there is by putting multiple clones and multiple varieties on the same site. For example, on the To-Kalon-BV Four property—we planted that in 1994—we planted three different clones of Cabernet, two different clones of Merlot, a clone of Petit Verdot, a clone of Cabernet Franc. That's seven different ways to express that soil. I don't see it as a Cabernet and a Petit

Verdot; I see that as seven different ways to express that soil. We learned a little bit, and now we think that Merlot really grows best in Carneros; so when we had the Dr. Crane property, we planted the three clones of

Cabernet and the Petit Verdot and the Cabernet Franc, but we didn't put the Merlot there because we think the Merlot grows so much better in a cooler climate. Again, we are continually upgrading and attempting to bring personality and diversity into a single site.

When we bought the Krug property and the Martini property in Carneros, we had 300 acres, and we did some plowing and things so we could see where the soils change. Because it was a big property, we noticed lots of soil changes. We matched rootstock to those soils, and then we matched clones. So we end up with actually thirty different ten-acre vineyards. We call it the "spice rack." [laughter] In other words, the vintner can go in and he can pick spice A, spice B whatever. One vintner might pick 50 percent spice A and 20 spice B and 30 spice C of something else. The next guy might go in and pick 50 percent spice A, 50 percent of spice C, and then the personality of these wines and the complexity can change, the personality can change. It allows the individual winemaker to express his *own* personality and let it come through with the site.

Hicke

They must love that.

Beckstoffer

They do. We're just beginning to deliver the fruit. What we're seeing right now is the vintners are showing us the separate clone A, clone B, clone C wines and evaluating those three, and we're saying, "No, no, blend them. It's all supposed to be blended in that the total is better than the sum of the parts." We're just getting into that process now as we go, and those are the changes that are being made. With the vineyard-designation idea, also people are beginning to understand that they can have the ability to do this at a single site.

Hicke

Who is making wine out of that? Can you say? Or would you rather not?

Beckstoffer

Oh, I can. Kendall-Jackson is doing a vineyard designation, Clos du Val is doing one. Who else is doing it? Stag's Leap Wine Cellars is doing one, Guenoc [Estate Vineyards Winery] is doing one. We have contracts with about seven or eight guys in Carneros and again at To-Kalon that are now tasting the fruit, and what we say to them is, "Look, we will sell you this fruit for a couple of years, and if you really like it and are willing to do vineyard designation, then we want to keep in business with you, but if you *don't* want to do a vineyard designation because of marketing reasons or whatever, we're not going to sell you the fruit

anymore." So we are really now right in the throes of developing that program.

In the next two or three years, a lot of these people are going to have to make decisions on that, and then we will either move or not move, but we don't want to do it with so many per any site. Three or four for every vineyard would be appropriate—maybe a big one and some small ones. That would give us an opportunity to evaluate what different guys did with the same fruit. So that's coming.

Kendall-Jackson is so big and he has such market presence that by doing this vineyard designation, it's going to lead the way. If Kendall-Jackson does this successfully, other people are going to do it, and we're very conscious of that because we want it to happen. He's a vehicle to help us make that happen, and that makes that project even more important, because of what he can do.

I think what you're going to begin to see is that as this idea takes off there are going to be vineyard designates whose only real pedigree is the fact that the vineyard is owned by some winery. They're just going to take their own and say it's great. So we have been very careful to buy vineyards—historically important vineyards—and to understand those pedigrees. In other words, we know that we have part of the original planting of Hamilton Crabb at To-Kalon. We know we have two sites which are the original plantings of George Belden Crane—our Dr. Crane Vineyard and our Beckstoffer No. 4 Vineyard. We know that we have the Beaulieu No. 3 Vineyard that was planted by Georges Latour, and the Beaulieu No. 4 Vineyard, too, those pedigrees. We know the pedigree of the Carneros vineyards, that when everything else was available, Louis Martini and the Krug people chose those vineyards, which gives you pedigree. Same thing with Vine Hill.

So it isn't just the fact that we own them, it's the pedigree that goes back to the history. So long as Napa Valley has been producing great wines, these places have been producing great wines. We can just improve the viticulture. The soils and climates have been there, the best of their age, and hopefully for a future age.

Hicke

Your interest in history is coming in handy.

Beckstoffer

Yes, it is. That's fine. These guys were really interesting, what they did, and you can just see great similarities between what we're trying to do—and it gives

you great comfort that you are not doing something that hasn't been done before. There's nothing new, you know. It's the whole deal of there's nothing new. We are just repeating history. You just must pay attention to find it.

Hicke

Not exactly, but in some sense, maybe.

Redefining the Appellation System; Improving Status of the Grower

Beckstoffer

Then, going on, the vineyard designation is part of the appellation system. Back in 1975 Gallo asked the federal government to define the North Coast as fourteen counties that went from Mendocino to Santa Barbara, and the Wine Institute backed them. The Napa Valley Grape Growers—and I was the president all of those days—objected to that. What we did was—it was kind of interesting—the Napa Valley Grape Growers is a part of the Farm Bureau, so we got the Farm Bureau—the California Farm Bureau—to back our position that that wasn't the North Coast. Further, in those days you were allowed to say it was a Cabernet if you only had 51 percent wine made from Cabernet grape. We wanted to increase that percentage to 75 percent.

We wanted these things to be defined so that you had to have 75 percent if it's going to be for an appellation in origin. If it was going to be Napa Valley, it had to be 75 percent grapes from Napa Valley. So we went to Napa Valley Vintners, and they said, "Hey, this is a problem for the vintners. Growers have nothing to say." We said, "No, no, we own the land. We are the independent growers. We own the land, and what you are trying to do is name our address; that is what's important." The Napa Valley Grape Growers was part of the Farm Bureau, so we got our Napa County Farm Bureau to back us in this.

Then, as it happened, a fellow who was with us in Napa was the head of the Grape Commodity Committee at the California Farm Bureau, so we got it to be policy of the California Farm Bureau. If it's policy of the California Farm Bureau, it goes to the American Farm Bureau, and then it would be their policy. So I went to Chicago, and I met with the head of the American Farm Bureau, and he agreed to it. He and I went to Washington, to the offices of the Bureau of Alcohol, Tobacco, and Firearms, and met with Mr. Rex Davis, who was the director. The American Farm Bureau

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had asked for the meeting and that's how I got it, but I guess the secretary didn't tell him. So I told him who I was, that I was a grower, and he basically said, "Why are you here?" I said we were here to talk about appellations, "And, by the way, I'd like you to meet Mr. John Datt, who is the executive director of the American Farm Bureau." He said, "Sit down and talk to me." [laughter]

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Beckstoffer

Well, there were about four hearings in 1976, and I made a presentation at each of those hearings, and the North Coast—that idea was broken up—and we set up the procedure by which you establish appellations. In other words, it should be dependent upon geographic features and viticultural characteristics. And it would be 75 percent varietal intensity to call it a particular variety such as Cabernet, and it would be 75 percent grapes from a particular county to use for a county's appellation such as Napa, 85 percent for a specific appellation such as Napa Valley, and then 95 percent for vineyard designation. That was done in 1976.

Then they set about setting up these hearings to determine the Napa Valley [appellation] and others. The important thing here, relative to what I want to say, is that a grape grower went to these hearings—it was the federal government hearing—in a situation where the wineries thought that they had everything to say and the growers had nothing to say, we made a major impact on that attitude as well as the rulings themselves. So the stature of the grape grower, now, politically, socially, or whatever, is now beginning to improve. We're now part of the deal; we're now part of the wine industry. So the status of the grape grower now is beginning to rise. The Napa Valley Grape Growers had a local political agenda dealing with the board of supervisors on land use issues, and we now also have a wine industry position, starting with those '76 hearings.

In 1979 the BATF established the Napa Valley [appellation]. The growers wanted it to be the watershed of the Napa River, not Napa County, and we had a vote of ninety-seven to eight, and the vintners backed us in that. Then when the hearings came up—and I was overseas—the government panel asked anyone if they cared if they expanded the area of Napa Valley, and the vintners said no. But, actually, Mondavi and some other people wanted Pope Valley and Wooden Valley in. In 1979, the Bureau (BATF) allowed

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almost the whole county to be part of the Napa Valley [appellation]. We said, No, just the watershed, but we lost that, politically we lost that.

Then in 1996 we had this issue of a fellow [Fred] Franzia, Bronco Wine Co., who came in and bought a small winery here called Rutherford Vintners, and it had all Rutherford grapes in the wine. The original owners made about 3,000 cases of wine. Franzia labeled it California wine, used non-Napa grapes, and expanded its sales dramatically, but kept talking about Rutherford grapes and Rutherford vineyards. So we appealed to the BATF through what is now the Rutherford Dust Society, the trade association representing the growers and vintners of Rutherford. It's an organization that I was president of. And we got that stopped.

Bronco's advertisement said, "Rutherford is not a hill, it's not an estate, it's not a ranch, and it's certainly not the dust," and he's talking about Bronco's Rutherford Vineyard's California Chardonnay. None of the grapes came from here at all. All he did was he owned that name. So we got this stopped. It was to protect our appellation, trying to protect the perceived quality of our product. As I said before, it's about real quality and about perceived quality. This fellow, Franzia, bought a whole bunch of little wineries, and markets them to look like they are individual little boutique wineries, when it's all the same fruit that comes out of Ceres in the Central San Joaquin Valley. I mean, it was awful, but we got this one stopped.

There are others like Forest Glen, whose label says "Forest Glen Winery, Sonoma County," and none of the grapes come from Sonoma County, but everybody thinks they do. So it's an issue. We went to the federal government... [reading] "BATF Agents Halt Bronco's Rutherford Bottling." It's a major issue and we got a lot of that stopped. It was all in the interest of the perceived quality of appellations and Napa Valley, which was probably the most important appellation. The grape growers took the lead in this, because vintners tend not to want to clash with vintners.

But I have to say to you that more and more of the vintners and the growers are joining together in these issues, while on lots of issues in the past it has been growers versus vintners on these issues. Today I define it more as corporate interests versus land interests, and the corporate interests aren't just the vintners. A corporate tenet is profit maximization, and probably short-term profit

maximization. So you can see the grower who wants to sell his land for the most money as an apartment house—he would be on the same side as the guy who wants to build a big winery and sell California wines on Route 29 in Napa Valley. That's the corporate interest versus the land interest—people who take a long-term interest in the land and the preservation of agriculture here. Lots of those people are vintners, and lots of those people are growers.

The current argument is between the corporate interests and the land interests, and not so much between growers and vintners, where in the early days it was growers versus vintners. Now the growers will take a lead that they had never taken before—before the Napa Valley Grape Growers and before this whole new flush of wine families. Before you would just go sit down and be quiet, you know. From 1970s to now, the status—economical, political, social status—of the grape grower has risen, and we're all stronger through it. We're all stronger because everybody is participating. It happens in great ways in quality, in grape pricing, and in appellations.

Hicke

Fascinating.

Beckstoffer

Isn't it?

[tape interruption]

Developing Environmental Sensitivity

Hicke

What about environmental concerns?

Beckstoffer

Go back to the early seventies: our first big development was the Keig property, and that property had been pasture land forever and there were some massive old oaks on that property, and we took them out. We took them out to develop the property—something we might not do today, but we certainly did it then.

Hicke

I was just admiring that one out the window there. They are beautiful.

Beckstoffer

Yes, beautiful old oaks here in the Valley. I guess that there were lots of oaks around Oakville, and the Valley had lots of oaks in it. There was a row of walnut trees right on Rutherford Road that we were able to save. And actually

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we saved one oak for a long, long time. It probably was the worst oak. We woke up at the end and said, "We'd better save one." But then it died. It wasn't the best of oaks.

We weren't as concerned about the environment then. I think we were like most other people, but we had some concerns. In the grape business it's not that hard to be environmentally sensitive in that the grapevine is pretty tough. When you look at the kinds of diseases that attack many of the fruits and vegetables that grow in California, the grapevine is really pretty tough, and so it doesn't need as much protection as some of those other products, and thus we're able to cut back on synthetic toxins and things of that sort. We're just lucky that we're able to do that.

Some of the things that have been of great environmental concern are things like fumigation. In the early days we fumigated everything, but as we woke up a little bit and began to look at things, we began to think that the soils simply don't dry out enough to allow fumigation to be effective. In other words, it requires the gas to get in all these little spaces in the soil, and if they're full of water the gas can't get in. We didn't like the idea of fumigation, because it kills the good things and the bad things. We then began to rationalize to a certain extent. I think it's true that it really didn't do that much good anyway. We also found out that it did very little good, if any, against oak root fungus, which was one of the major problems here. In much of California, fumigation is used to kill the nematodes, and we simply don't have a high nematode population in the Napa Valley, and so again, from our point of view, we just didn't have to do it. We didn't need it and didn't want to do it, either. So we were able to be a little more environmentally sensitive than we might otherwise have been.

Hicke

How long did this take to evolve this?

Beckstoffer

Oh, certainly some time in the eighties we stopped fumigating, unless we had to in some place that was really bad.

We felt like in many of the things we were doing that if we fumigated we killed lots of things good and bad, and that affected natural fruit quality, which is what we wanted to keep. For example, we started planting Cabernet Clone Four and Cabernet Clone Six, and one of the reasons we did that was because they were disease free but not heat treated. The heat treating process basically subjects the vine to so

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much heat it kills it, except for the vine tip, which grows faster than the disease. But it kills lots of things. So we were concerned, and we really liked the idea of going with those two clones because they were disease free and not heat treated, and mainly for the reasons of better quality and better fruit flavors.

When we were doing trellis systems, we began to look at row direction for purposes of natural sanitation. In other words, the rows should be planted so the wind would flow down the row, thus drying and cleaning, rather than hit the row and be stopped and then not do anything in terms of the vine's natural sanitation. The whole leaf pulling thing—rather than trying to eradicate the funguses by putting some new kind of sprays on them, we started pulling leaves to open up the vines so that air and heat could do the job of these toxins. We also found that it had an effect on fruit flavors, as well, but it was a thing where we went with the natural approach. In the phylloxera problem we were using the natural approach, in that we would plant a rooting that was resistant, rather than try to come in with some sort of gas and kill the little phylloxera bugs. It's not possible to do that. The natural approach is coming, where the whole idea of water conservation with drip irrigation is a major environmental conservation effort that we were allowed to do here because the price of grapes is high enough to support that major cost of putting in that system, of running that little black hose and all those filters all around.

We started in Mendocino County, and I think that Mendocino County is ahead of Napa County in terms of environmental sensitivity. More people there are much more sensitive to the environment. We started there making our own compost and putting it in the ground, because we found that the compost sort of inoculated the other nutrients in the ground and made them more active. Rather than do something itself, it just acts as a catalyst to make all of the other things much more efficient. So it adds to the soil, but it also adds that inoculant, so we have been making compost there for many many years. We use some of our own compost, but mainly we buy compost for any new development that we do in the Napa Valley.

All of our tractors will have covered cabs on them now for protection against the heat and anything that they're spraying, to protect our employees. Also, the young vineyard managers that we've had around here for a long time grew up in the sixties, and they just don't want any association with these toxins. It's the way they grew up.

They have a natural aversion to using them, and we support that aversion. It's an attitude, if nothing else, to try to be more sensitive to the environment, and also to leave the soil better than we found it. Farmers love to drive tractors, and they will just beat the soil to death, every little weed they cultivate again. We stopped all of that, because we know that hitting that soil, beating it up, takes a lot out of it. It's very efficient in lots of ways, and the permanent cover crops give us other things, but we are conscious that we're not beating up the soil and doing a good job in place of practice.

Hicke

Didn't Rachel Carson's book come out in the early sixties?

Beckstoffer

Right. *Silent Spring*, yes. Again, everybody began to get involved, and then the environment got represented, and it's very well represented today—politically represented. We need to farm, and generally I think the farmer is the best environmentalist, because we can make money out of open space and we can be effective. But every now and then we get people who are totally environmentalist saying that man is an intrusion on the land, and we just don't believe that. But we certainly are sensitive to environmental issues.

We have, and have had for a long time, some land in Mendocino County and a piece here, too, that is registered with the California Certified Organic Farmers, CCOF. We use that sort of as a laboratory to see what happens if you go all the way, if you go to certified organic. I don't really think that's the way to go, because if we get a mold at harvest, we're going to put something on there to save that crop. Then you are out of the system again, so you feel a little bit hypocritical. But we *will* try as best as we can to promote environmental sensitivity, to raise that flag and then do our own thing responsibly.

We were very pleased last year when the State of California gave us what they call an IPM Innovators Award, IPM is Innovative Pest Management: Environmental Sensitivity. Usually these go to quasi-government agencies or schools and groups who do this outreach. I think we were one of the first enterprising concerns—really businesses—to get this award. We felt really good about that.

Hicke

That's impressive.

Beckstoffer

We're trying to say to everybody that in the Napa Valley we need to make great wines and grow great grapes, but we have got to do it in an environmentally sensitive way. That's

the long-term look. Then it is back to the people who have land interests versus the people who have corporate interests or corporate attitudes.

Hicke

Well, it strikes me as being something of a continuum, where you go as far as you can along the continuum towards organic or whatever, pest free.

Beckstoffer

That's right.

Hicke

But there's a point where you can't go any further.

Beckstoffer

You can't go any further, and that point keeps getting pushed and pushed—I mean, the mechanical ways—and we keep looking for ways to push that envelope again so that we can do more naturally. With winemakers—you know, you can't add sugar to California wines, but you can add acid. But the winemakers around here tell you they don't want to add any acid. They want the natural acids and the natural balance in the grapes. We're trying to do things with the grapes' own natural balance without *intruding* upon that. We would keep our vines in balance naturally without using the pruning shears, if we could, trying to get the whole environment in balance, and then we think we get the better fruit.

Starting the Fremont Creek Winery, 1988-1993

Hicke

Sounds good. Tell me about the Fremont Creek Winery.

Beckstoffer

We're farmers, and we have been farmers, but back in 1987-88, we decided that we needed another way to sell our grapes, so we said we would start this little wine brand. We looked around and we named it after John Charles Fremont, who was a Georgia boy who made good in California. He was controversial at best, which also appealed to me. I read a good amount of books about him.

We started this little winery, and we called it Fremont Creek. The whole purpose of it was to have another way to sell grapes. In other words, the winery would support the vineyards, rather than vice versa, because we could sell fresh fruit, we could sell bulk wine if we needed, and this gave us a branded product.

It was mostly Mendocino grapes. The deal was that Sutter Home [Winery] was going to market it for us. We would sell them a case at a certain price, and they would market it and take care of all consumer selling. We hired the winemaker, who was Dimitri Tchelistcheff, André's son. He was making the wine up at what is now Guild's Dunnewood Plant in Mendocino. We did not have any marketing staff; we had no winery; we simply had the winemaker and the grapes. That was the basis that this was set up on so that we wouldn't have to change our management focus from growing grapes to making and selling wine.

Hicke

This was 1988?

Beckstoffer

This was 1988. The first was 1988. This time we were in the *wrong* place at the right time in that the recession hit, and people with well-advertised brands that had strong distribution networks were selling for the same price we were, and everybody just wanted discounts to sell the wine.

It was beginning to take a lot of time. I was going around the country doing winemaker dinners and making speeches, and it just wasn't working. We decided to take the winemaking from Guild—we weren't pleased with what they were doing—and we brought it to the Heublein facility, which was Christian Brothers. Heublein then sold the Christian Brothers facility, and then it went to Beaulieu. So we didn't have a home.

When we started this, Sutter Home was selling maybe something less than a million cases of White Zinfandel, but by the time we got into this, they were selling eight million cases and didn't really want to be involved anymore. My daughter came to work for us in marketing, and none of that worked.

I was doing this traveling. I really liked the winemakers. I liked living around here. But I have to tell you that we were with I don't know how many distributors all through the country, and I met two gentlemen. I mean, it was just a tough business.

So it was not something that we wanted to do. We had opportunities to grow the vineyard business, and so we just phased Fremont Creek out in 1993. It was a good learning experience. It was a less-than-ten-dollar bottle of wine. We didn't want to make money selling wine. We just wanted to sell the grapes at our market price, so it was better wine than it needed to be, but all the other pieces of the

wine business—distribution and things of that sort—didn't work. Lots of people think that if you have vineyards you should have a winery, that it is a logical extension of growing grapes. But from a management point of view, it was a totally different business. We were in the farming business. We were a little regional business here. We had a construction business, a real estate business. The winery business is about manufacturing; it's about consumer marketing; it's about all those things. It's totally different than what we do. So we just found we didn't like that. Lots of times people have asked, "Well, with all the grapes, why *haven't* you done a winery?" Most people start out with vineyards and end up with a winery. I guess our point of view is that I always liked being the grower.

Hicke

Yes. It sounds like your preferred focus.

Beckstoffer

Preferred focus. If we could keep the quality up, I didn't have to take the perishability out of the grapes by having a winery. In other words, if we keep the quality up, we can make money selling the grapes. We didn't have to lose money on the grapes and make it up on the wine. I just was trying really to raise the stature of the grape grower, rather than going over to the other side.

Maybe one day the kids will want to do that, but that's for the next generation. We put our toe in the water. If we were really serious, we would have done a much more serious thing, but it wasn't something we wanted to pursue, so we never built a winery, and I think I never will.

IV Professional and Community Activities

More on the Grape Growers Association

Beckstoffer

[Following the outline and his notes] We've talked a little bit about the Napa Valley Grape Growers Association, and I think the Napa Valley Grape Growers Association was a major step in the development of the Napa Valley. We started it in 1975, and, remember, I had just moved here in 1975. I moved up here in 1975. I got involved in this group, and the main reason was we weren't being paid for our grapes and the growers had no say in things.

Hicke

It was already founded?

Beckstoffer

No, no. We founded it. There were seven of us who met one day. Ren Harris, John Hanna, John Trefethen, Justin Meyer, Virgil Galloran, Nathan Fay, and myself. We met in 1975 and decided to form this grape growers association. The reason for founding it was we weren't being paid and we didn't have a voice in what was going on. There are some bylaws I wrote at the time, a mission statement, that said we want a voice in the governmental, social, and economic process that is the Napa Valley wine business.

We started out right away doing the Senator Claire Berryhill Crush Report work, getting some decent statistics on what the price of grapes was. We started out right away doing the BATF hearings where we set the guidelines for establishing appellations.

I was a founding director, I was the second president, and I was the president during those times.

We gave those BATF testimonies as the Napa Valley Grape Growers and as the Napa Valley Grape Growers, a committee of the Napa Farm Bureau, which took us to all those political

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benefits you heard about before. We had great impact on the pricing of grapes through the production cost study and through the bottle price formula. The ag preserve was just in its infancy, so we would be politically going to the Board of Supervisors and otherwise protecting the ag preserve, because the growers were very concerned about that. All the appellation work, or primarily all the appellation work that was done was done through the Napa Valley Grape Growers Association, setting up the Napa Valley appellation. Again, I showed you every one of the watershed boundary newspaper articles.

A *major* thing which I was involved in happened from 1987 to 1990. That was what was called the Winery Definition Ordinance. That ordinance defined what a Napa winery was. In the agricultural preserve you could grow grapes or you could build a winery—but what was a winery? People were building these buildings and they sold T-shirts and they sold glasses and they sold cheese and they sold wine made from grapes outside the Napa Valley. I argued that a facility that makes orange juice out of oranges from Florida or beer out of hops from Washington or wine out of grapes from Monterey County—they all do about the same thing for agriculture in Napa County: they don't do anything. We must tie the definition of this winery to the protection of the ag preserve. That's what the general plan of the county required and that's what the ag preserve required. Otherwise it's just a manufacturing facility just like any other manufacturing facility, and that's not allowed in the ag preserve.

Hicke

Does the fact of whether it's bonded or not make a difference?

Beckstoffer

That has nothing to do with it at all. It would have to be bonded, yes. It's just that you couldn't take agricultural land and build a manufacturing plant to do orange juice or beer or anything else you can imagine. Oranges and Lodi grapes are a food product, they help agriculture, but they don't help Napa Valley agriculture.

So we made that argument, and we came up saying that to be a Napa County wine under BATF guidelines, you have to have 75 percent Napa Valley juice in it. So to build a Napa winery or to expand an existing winery, you have to be working with 75 percent Napa County grapes.

We also said—because the tourism was a problem and because people just had these tasting rooms where they could

make money but not primarily sell Napa wine—that you could no longer do promotion activities, you could only do educational activities. There's a fine line there: bringing a bus load of spouses from people in conventions in San Francisco is one thing; having people interested in wine is another thing.

But the other thing we said was—and I got in trouble with the grapes growers on this—I said, "You can have food service." Because to sell fine wine, you really need to sell it with food. The growers were saying a winery cannot have a restaurant or food service, and I argued that it could have food service. Very controversial. I mean, even the subject of Frank Prial's article from the *New York Times*. It was all in magazines everywhere. Very contentious.

Hicke

What was the other side saying?

Beckstoffer

The other side said, "You can't tell us. We get to do what we want to do."

Hicke

We can call whatever we want a winery?

Beckstoffer

That's right. Basically it was a place that made wine—and they didn't talk about what the grapes were—and they sold wine and other things. If you had tasting rooms, you could sell as many T-shirts and baseball caps as you wanted, and, in lots of cases, they were selling more of that stuff than they were selling wine.

Hicke

But what was their argument for that?

Beckstoffer

That we get to do what we want to do.

Hicke

Freedom of choice or something like that.

Beckstoffer

Free enterprise, freedom of choice.

Hicke

Yes.

Beckstoffer

The grape growers challenged them on this. There's a front page of the *Napa Register* here that says, "Shocking Idea from Grape Growers." It's when I made the presentation to the Napa County Board of Supervisors. I said it had to be 75 percent Napa grapes and we had to control tasting rooms. You couldn't just have a tasting room and things of that sort. It ended up in a major fight and an election of the board of supervisors.

Hicke

This was a county ordinance?

Beckstoffer

A county ordinance. And, lo and behold, the vintners—who were basically for agriculture here—backed two pro-growth supervisors and elected them. It's always the case that some people are not paying attention. That really upset the rest of the people.

After that happened, there was a group of vintners—the land interest vintners—who began to rise up. So even with those two pro-growth, maximum free-enterprising supervisors, we were able to get it finally done with a joint effort between the vintners and the growers. But the growers clearly won this in a major controversy in the Napa Valley.

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Hicke

When was this passed?

Beckstoffer

This was passed in 1990. Three years doing this, three years doing this. Major contentious effort. It's a big part of that book you were talking about before and things like that. After the ag preserve, which defined what you could do with the land in terms of growing things and subdividing it, this defined what you could put on that land.

So, second to the ag preserve itself that was passed in 1968, I maintain this winery definition ordinance was the second most important piece of legislation that will keep the Napa Valley as an agricultural area and not a theme park. You can see if we have these cute little wineries that sell T-shirts and things, it begins to look like Disneyland, and if you can do that in the ag preserve land, you begin to use our good agricultural lands for this kind of an enterprise, which is totally against what we're trying to do here in the Napa Valley.

Hicke

Does the ag preserve cover all of Napa County?

Beckstoffer

No, but it covers most of it, though. It covers a whole lot of it. I think it's 100,000 acres or something close. It's big.

Hicke

And were the wineries who were already selling T-shirts, et cetera, grandfathered in?

Beckstoffer

Yes, they were. Now there's some objection that there's a double standard, but there is only a double standard because

they were doing it before. People like Sutter Home don't make any Napa Valley wine, but they've been here since the 1930s, and you can't tell them to stop.

But this long process, which gained national attention, mostly for the side of the growers trying to preserve the Napa Valley, was a tremendous boost to the status of the grape grower, the independent grower here in Napa County. So we made great strides. I mean, there was a lot of animosity, but it is now very clear that if you are going to get anything done in Napa County now, you have got to talk to the grape growers. They now participate on a social and economic basis, not only in this community, but also in the wine industry.

Hicke

Did this spread to other California counties or, say, Oregon and Washington?

Beckstoffer

It has not yet, it has not yet. No. There are—and I can't remember now—but there are some counties that have something like this. It may be in a Washington or Oregon—I'm not sure where—but it had not been tested in court. You see, one of the major issues here was, "Is this a restraint-of-trade issue or is this a land-use issue?"

If it were a restraint-of-trade issue, then the Board of Supervisors has nothing to say about it. If it were a land-use issue, they *do* have a lot to say about it. So our first step was to establish it as a land-use issue. Some people objected to that, as well. But in that three-year period in this county, it was the biggest news for three years for sure. It took us a great step forward, I think, in terms of protecting our agriculture, gaining greater status for the grape grower, and protecting the integrity of our products here. If you go to Napa County and you go into a winery and you buy a bottle, perhaps you bought it in a little store on Highway 29 and it says California Chardonnay, you assume it came from the Napa Valley, but it doesn't if it doesn't say Napa Valley Chardonnay. So we went a long way towards curtailing that kind of activity. Today, as Napa Valley gets more and more popular, people want to take more and more advantage of that reputation, so it's good that we have this in place, and hopefully we will stop further harm.

Hicke

I'm surprised that other counties haven't come to you to see how you did this, but maybe they don't all have the reputation of Napa Valley to maintain.

Beckstoffer

They don't. And they have so many more agricultural crops and other businesses. We're a monoculture, and we're just totally oriented to wine, and it's a small county, so it's much more manageable than it would be in some other counties.

Hicke

Okay, that makes sense.

Beckstoffer

Later, I think it was 1993 or '94, we did the hillside ordinance here where the grape growers themselves went to the county and said, "We need to put up some rules about when you develop vineyards in the hillside so you conserve the soil, you conserve the water," things of that sort. We went to them to regulate *us*, again, in terms of protecting that environment. So the grape growers have been active—and the vintners were active in this one too—in regulating ourselves to protect our environment. That's the latest piece of county legislation that has been passed here. It was passed with the support of both the vintners and the grape growers, the people who would be restricted.

Hicke

Does it have to do with how far up the hillside it can go or the steepness of the—?

Beckstoffer

The steepness. It has a lot to do with steepness. Right.

Other Organizations

Beckstoffer

[Looking at the outline] Other organizations that I've been a member of. Early on I was a member of the North Coast Production Credit Association. Remember, they lent us a lot of money. So I went on the board mainly to learn how they lend money. [laughter] And it was a very useful thing; you met lots of people and learned how that worked.

The other thing I did—and again I didn't move here until '75—but in 1977 I went on the Napa County Planning Commission. Andrew Pellissa had held that seat forever, and I guess I was just having lunch one day at the Wine Country Inn, and I sat down at the wrong time. Andrew was there, and he wanted off the board, and he said, "Well, we'll put Beckstoffer on." He was there with the other commissioners, and in those days that was about what it took. There was an agricultural seat on the commission that Andrew had held for a long time, and then I sat on it. I tried really hard. There was always a Town-and-Gown problem here. The Napa

city people and the up-Valley were a little different. I tried very hard to let them know that we were okay up-Valley and weren't all elitist.

During that time, we oversaw an addition to the ag preserve zone in Napa County of over 5,500 acres of land. We put an additional 5,500 acres of land into the preserve. The ag preserve had initially been for twenty acres: you couldn't divide parcels into less than twenty acres. We put it up to forty acres, so that you couldn't subdivide land parcels to less than forty acres. We developed what we called a small-winery exemption, in which a small winery could get through the permit process without going through all the red tape that normal ones would, because we were trying to foster wineries. I think in the four years that I was on the Planning Commission we approved over fifty wineries—fifty or sixty wineries.

Hicke

I was going to say, you certainly accomplished that.

Beckstoffer

Lots of wineries got started in those days.

But, again, it was a situation where a grape grower was participating in the general fiber of this community and the wine business, and again it was raising the status of those of us who didn't make wine, getting rid of that second-class citizen tag. We were now part of it, but without making wine. That was a major part of the Napa Valley Grape Growers' efforts, and a major part of some of these other jobs that we did.

The Wine Growers of California was a statewide marketing commission of growers and vintners. It was voted in '84 and went out in '87. It had a three-year life, and it had to be voted back in, and it was not voted back in. I was a member of the Establishment Committee, trying to set that up, and a member of the Board of Directors, and chairman of the Market Development Committee, which took general fund money and gave it to individual districts to develop the market. But it was one of these things where the vintners really weren't willing to share the ownership, the leadership, the representation with the growers. So it was not voted back in in 1987. It's a shame because, had we voted it back in in 1987 (I think the funding was about $9 million—$6 million was the vintners, but $3 million was the growers', and so the growers were finally putting up some of their money in general industry activities) we could have done some things on appellations and on research that we just did not get done. It's a shame. And market development—that

would have been very good for us to do in those days, and we simply didn't do it. There were some egos and politics involved, but basically it came down to the fact that the vintners at that time didn't want to share the industry leadership role with the growers.

Hicke

Will that arise again, do you think?

Beckstoffer

I don't know. I'd like to think it would. That was an involuntary commission (all growers and vintners are members and assessed annual dues). The Wine Market Council, which we're doing now, is a voluntary commission, and not only the vintners and growers are involved, but also the wholesalers and retailers. So it's a full industry representation, now, and I'm pleased at how in ten years we're learning to do something good, I guess. I would hope that we could go back at some point and have everybody participate in some sort of involuntary commission that would join the vintners and the growers. That would be very good if we could do that.

Hicke

You were on the Wine Market Council, right?

Beckstoffer

Yes, I was the first grower member of the board of the Wine Market Council. This is a very good organization that is really just beginning to try to get us all to reinvest in our industry. I mean, it's time to reinvest in our business.

Hicke

Reinvest time mostly?

Beckstoffer

No, money, everything.

Hicke

Research?

Beckstoffer

We're all making some money right now, and it's time to reinvest some of that money, whether it's in your vineyards or it's in your brands, or in your marketing efforts, or your winery. This is a big day to invest in the industry, in preparation for what I talked about before as the possible downturn in this economy. We need to build a bigger base and make sure that those special occasions don't go away and that people understand how wine is part of the good life and is not just an alcoholic beverage, if you will, in terms of the way that is seen in many instances. It *is* an alcoholic beverage—no question about that—but it is consumed with food and it is part of the good life. So the Wine Market Council I think is doing a lot of good work, and I think it will be very successful.

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Hicke

Since I've just heard that wine has now been in some study indicated as a prevention for Alzheimer's disease—

Beckstoffer

Right.

Hicke

I'm convinced that if you drink wine and exercise you'll last several hundred years. [laughs]

Beckstoffer

That's right. At least one hundred. [laughter] Right. I'm with you there, 100 percent.

Hicke

Yes, they're finding more and more things that wine is helpful with, just healthwise.

Beckstoffer

It's a fermented product that is alcohol, but the way you consume it has a lot to do with its health effects. Yes.

Hicke

That's what makes wine special.

Beckstoffer

There are other associations around here: the original part of the Carneros Quality Alliance, which is the association that promotes quality in Carneros—I was involved with starting it. I've not been involved much since then. The Rutherford Dust Society I am involved with. I am the president of that. We've done a strategic plan about what we need to promote here in Rutherford and how to do it. That will be a very effective organization, I think, too. People are beginning to see that there is a community in Rutherford, and we have some certain special history and some certain special soils that we need to promote as a group.

Hicke

Is that vintners and growers?

Beckstoffer

Vintners *and* growers, growers and vintners. Most of the effective associations that have been developed in the last several years have been grower/vintners associations, and hopefully that will continue to be the model.

Hicke

Do the distributors in other parts of this wine industry get involved in any of these?

Beckstoffer

Only in the Wine Market Council that I know about.

The association that I've been a member of—well, I'm no longer a member—but from 1976 to 1990 I was a member of the Young Presidents Organization, which is an international group of young businessmen. You have to be running a fair-sized company and be president before you're age forty, and

then you have to get out at age fifty. But it was sort of my check with reality in that these were international businessmen of the same age—not wine people, as such—but we all shared a common interest in growing our businesses and the interest in technology and business practices and things of that sort. It was always a thing that gave you great energy and gave you a life beyond the Valley and beyond the wine business, and that was very effective for me and for my wife, as well.

Hicke

Did you have yearly meetings?

Beckstoffer

You had monthly meetings, and then annually we had what we called a university, which some other organization would call a convention. They would call it a congress in Europe. But the educational content was so strong that we called it a university, and while we went to some very nice places, the purpose of the organization was education and idea exchange among the members. So, for example, Chuck Schwab was a member with me, and Jim Morgan of Applied Material, and Hal Ellis of Grubb & Ellis. It gave me an opportunity to see the way they were doing their business and for them to see the way we were doing our business, and it was just a great flow of ideas, just sitting around, exchanging ideas with these people. It was very, very effective for us. It was easy in those days to come back to the Napa Valley and grow your grapes and play tennis, but you couldn't do that, being a part of a group like this. So it was very effective. Right. Very stimulating.

Hicke

And you have to get out when you're fifty?

Beckstoffer

You have to get out when you're fifty. Their alumni organization is called the World Presidents Organization, and then the Chief Executive Organization. Both alumni associations—with the Chief Executives, you have to have been in a leadership role in YPO to get in that. So I'm a member of those groups.

Hicke

Do they have the same kinds of—

Beckstoffer

They have monthly meetings. The World President Organization has monthly meetings, and they both have the annual universities, so we get together again, right.

Hicke

And they're at least some of the same people you were with in the—

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Beckstoffer

With the same people. It's a way to maintain contact with all these people, right. It was a very effective organization.

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V Review and Preview

Management Philosophy

Beckstoffer

You asked a couple of times about management philosophy, what's my management philosophy on doing things and taking risks. I guess probably I've talked about most of these before, but just to list some things that drove us over the years: one, as we've said, only the best land will do. You can't be an independent grower and grow the quality you need unless you start with the best land. Two, we found that historically the problems of Napa grape growers have been solved through better quality, not through more grapes. The climate and the soil allow us to do that. We can do better quality because of the climate and the soil we have been presented with. Generally speaking, we get the better quality through advanced technology. We always thought that was the way to do it, to push that envelope of technology, and in that way we can get the better quality.

Three, we've always thought that in Napa County and in all of the North Coast, basically, it's red wine grapes, particularly Cabernet Sauvignon, and if you can get your decision based on the success of red wine grapes in Napa County, it's almost a sure bet long term. You might have a bump in the road, but long term it's a pretty sure bet. If you can plant good Cabernet Sauvignon in the Napa Valley, you're going to succeed sooner or later. I believe that.

I *also* believe that while the land is most important, our people are more important than our land. The land—we're just passing through the land. The land was here and will be there again, but the way we treat our people is more important. It's not *much* more important, but it's more important than the land, and that would be an entrepreneur talking versus a farmer talking, because I think you would get all entrepreneurs to agree that no matter what their

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product is, it's the way they treat their people and who their people are that is really their most important resource.

Hicke

I might just qualify that by saying all *successful* entrepreneurs would say that.

Beckstoffer

[laughs] Well, okay.

An important way to succeed is if you get into a business, you change the way business is done. You don't just accept the status quo. If you can find a better way and *change* the way business is done—in our case it was grape pricing; in our case it was new vineyard techniques; in our case it was looking at our product not as a commodity but as a branded special item. Just change the way people look at business, change the things that people know about your business, the basic parts of it. That's been sort of the philosophy that we have followed. We would rather change things than just sit and wait and see what happens.

A long time ago—this goes back to graduate school—someone said to me—and I always thought it made sense—that you never want to get in a business where the average man can't succeed. If you have to be a superstar just to succeed, not to be a star, not to be really successful, but just to succeed, it's like being a football coach in the NFL: the average man can't succeed. But in agriculture I always thought that the average man could succeed and I wanted to stay out of businesses where you just didn't have a chance to succeed, where the average man didn't have a chance to succeed.

I've also found that optimism was a self-fulfilling prophecy, that some people approach a problem, and they can think of everything that's wrong first, and other people approach a problem, and they can think of everything that's right first. I'd say pessimism is a self-fulfilling prophecy, too, but if you're an optimist, you may have the second-best way to do it, but if you'll do it with great vigor, you'll probably beat the guy who has the best way who doesn't approach his task with vigor.

I found out early in the acquisition days at Heublein that corporate fit—in other words, if the product or activity fit with what you were doing—that was more important than making money, certainly in the short term. If you could make money quick on something where you didn't know what you were doing, it didn't fit with what you were

doing, then ultimately that would be a mistake. The corporate fit—farming rather than making wine, for example—is much more important than making a little more money right away. You need a strategy, and strategy really requires foresight, it requires a passion, and it requires some experience in doing what you are—I mean, strategy isn't just planning something, but developing the vision. The strategy requires some foresight and requires some experience in doing it, and it requires passion for doing it, as well, a desire to get on with this thing.

We have always tried to emphasize fairness over equity. We'd rather be fair than say everybody gets a certain share based on an equity position, and that's always worked with us. When you have a short crop or when you have a long crop, you find that it works much better if you approach that allocation, trying to be fair...

Hicke

Are you talking about distributing the grapes to your customers?

Beckstoffer

Or *anything* you do. You'd rather be fair than totally equitable. If equity says you treat everybody the same, fairness says you treat the guy who needs it somewhat differently rather than just saying we do it in an equitable way.

Hicke

I was having trouble perceiving the difference, but that's an explanation. Okay.

Beckstoffer

Another thing, if you're a grower, and what you do is just for money, it's a poor motivator. There are lots of ways to make money, but if you don't want to accomplish something for some purpose other than making money—for example, when we went back and we talked about our mission statement, initially, our mission statement wasn't to make money, it was to establish an estate in vineyard real estate. Money was certainly involved, but not our goal. We would pay more for the land so that we could put it in the estate box, if you would, rather than just looking at the money itself, because money is just not very interesting to talk about or anything else. It's the standard by which we measure so many things, but your real goals need to be in something other than money.

Attention to detail, as you've seen, is just in everything we do. It's just great attention to detail. The devil's in the details, and you need to be involved with doing that. Then, as we said in our mission statement, we

sincerely want to do it our way. We're having fun, and it's fun partly because we get to do it our way. That's something I never would have been able to do, had I stayed with the corporation. Because some corporate boss, some corporate process would have said what we had to do.

Where we're going from here, in terms of future expansion—our goal is to end up with 1,000 acres in each of the four counties, Napa, Sonoma, Lake and Mendocino, so we can visit anything and get home at night. That would be 4,000 acres, and it would be a major statement. Its value would far exceed tens of thousands of acres in agricultural land in any other place in California. We hope to acquire some more small, top-quality Napa Valley vineyards, and I think the situation in Mendocino now is that we are going to have to acquire small vineyards. We are not going to be able to get big vineyards as we have in the past in either Napa and Mendocino land.

Our goal is strictly to do the vineyard-designated wines, the site-specific, vineyard-designated wines from historic, pedigreed properties. We're doing it now with Kendall-Jackson, Guenoc, Stag's Leap Wine Cellars, and Acacia. We're doing it with Clos du Val, we're talking to the Chalone people about doing it. We're doing it with all those people primarily with Cabernet. If we can do what we think we're going to do, we're going to end up with some very special, site-specific Merlots from Carneros. People argue that there is too much Merlot in California, and we say it has nothing to do with Carneros Merlot, because there is a quality difference. If we can raise Napa Valley Merlot to the status that Napa Valley Cabernet enjoys, we will have done a major thing again. It looks like we can do that in Carneros. We're anxious to do it, and we've spent a lot of time working at it.

As far as the winery is concerned, as I said before, that's going to be the next generation. That's not in my expansion plans at all.

The 21st Century

Beckstoffer

What I *see* in terms of the future, sort of the crystal ball thing—I think that early in the 21st century that a Napa Valley Cabernet Sauvignon-based wine—it could be a Meritage with Cabernet Franc and Petit Verdot—will consistently be

judged to be the best in the world. We have done it in the past, in a year here and there, but *consistently* sometime in the early 21st century. And the reason we'll be able to do that is that the other places have the same quality of soil and climate as we do, but because of tradition or appellation laws or something, they are not able to use all of the technology that is available, and we are. So technology will be our ace in the hole, and that will be the thing that allows us to rise above the rest of the world. We were very encouraged that what we saw in 1997 where we had a very bountiful year, but our the new technology bought us great fruit. In 1998 when we had a very difficult year, new technology also bought us very good fruit.

Hicke

Give me a couple of examples.

Beckstoffer

Well, we had in 1997 what we called a California year. We had beautiful weather right through the growing season, from the spring right on through the fall. We had large yields and large crops. In 1998 we had rain in the spring, we had a late bloom, and then we had heat spikes in the summer, which we don't want, over 100 degrees. But, lo and behold, on the first of October Indian summer started, no more rain. We had a gorgeous October, which I call the October Miracle, and the wines turned out to be beautiful. What we were able to do, we were able to sacrifice some yield for greater quality. When the wind and the sun *did* come in October, our open vines allowed us to dry out those vines and let them heal themselves naturally, and we turned out with some excellent fruit. Now, that has to do with the trellis systems, it has to do with vine manipulation, it has to do with the clones, it has to do with everything we have been doing.

Hicke

Okay, that explains how technology helps.

Beckstoffer

Yes, how the technology is helping, right.

Hicke

And by the technology, we're talking about all these things, the trellising systems, the clones, and all that.

Beckstoffer

That, and all the vine manipulation, all changes you can make, making it cooler when it's hot or dry—all those things oriented to that technology. I think that the best wines are going to be site-specific, vineyard-designated wines and not reserve wines. In other words, not vineyard blends but specific blends, specific wines from specific sites. I think there will be as many famous vineyards as there are wineries in the early 21st century. The vineyard

designation will bring that on. People will begin even more to appreciate what the vineyard does, rather than what the winery does, or in combination with what the winery does.

As I said before, I think that water management is the next frontier in terms of vineyard technology, learning more about the amount and timing of moisture we should give to the vines and give to the soils. We're just really starting to investigate that. Then I think that what we'll find is that in Napa Valley the vineyards will become, in many places, the highest and best use. In other words, apartment houses won't be the highest and best use, urbanization will not be the highest and best use. If the quality of our wine continues, if the quality of our markets, the quality of our vintners and our grape growers continues, then we can keep the Napa Valley an open space in agriculture right on into the next millenium.

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Hicke

Well, I have a couple more questions, not too surprisingly.

Beckstoffer

All right.

Hicke

I'd like to go back to your management philosophy for a minute and ask you if you have any sense of where this came from and how it evolved.

Beckstoffer

Well, you don't know. It sort of evolves. I mean, I go back, and I'm fascinated by the fact that my grandfathers were entrepreneurs, my father was an entrepreneur, my brothers and sisters are entrepreneurs. I go back to the thing that when I grew up, *you worked*. I think you worked hard, but hopefully you also worked smart. It's not just how many hours you spend. I don't know. I love what I do. I love the wine business. I like people. I don't know how to say it came around.

Hicke

Did the MBA help any?

Beckstoffer

Yes, the MBA helped greatly. It gave me the tools. It certainly gave me the tools to be able to analyze these things, to look at things in an efficient and effective way. So I think the MBA was a great benefit.

Also, the fact that I've been married for thirty-eight years is great stability in my life, so I can come in here and do what I need to do, and I didn't have to worry about things that lots of people have to worry about. So I could

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go ahead, and I knew that if I failed in this job I could start again.

I mean, everything has always been personally very stable and supportive in my life, from my parents to Betty to all these people—from Harry Baccigaluppi and Mr. Lanza to Fred McCrae and André Tchelistcheff and John Daniel and all these people—Stuart Watson, Ed Bates, John Martin—all these people who sort of took a liking to me and helped me, constructively helped me to get on with what I was doing, and I was doing things that were a little bit different, so that was really very important, to have the security and confidence that they were behind you.

Hicke

Well, I'm thinking particularly about the ideas which I just mentioned of change and your philosophy about treating your people and technology and those kinds of things, and what you're telling me is your continuity enabled you to accept change and innovate.

Beckstoffer

I think it has a lot to do with it. It allows you to have those thoughts. You're not worried about the world falling apart behind you. That's all very stable, so it allows you to go forward. People are supporting you, so you all of a sudden have great confidence in people, and you have great security in yourself. You take people who are insecure, it's very hard for them to be forward thinking and going forward. So all of this stability allows you to accept change.

And, again, if you're basically optimistic, you think it's going to turn out all right if you work hard enough. I think you can do anything if you work hard enough and you're strong and you think—work hard and work smart. You can make it happen.

But change is fun. I mean, change is energizing. All my friends and those guys in the army who were going back for their MBAs and their law degrees, to all my friends in YPO who were changing the world in Silicon Valley and the financial services business and genetic engineering. These are all guys who I was seeing every weekend. They were doing it. I can remember we called ourselves a technology company, and I tell my friends in Silicon Valley, "We're the same thing as you are." So all of those things begin to bear on how you put your mind together and how you put your life together, I guess.

Hicke

Well, since this family is so important, could you tell me how it evolved? You told me about your first child, and you were away when your first son was born, the second—

Beckstoffer

My first child was born when I was away. The second child, I got there to see the baby when the doctor brought her out of the delivery room. I just arrived from five days going across the country.

Hicke

And how about the names?

Beckstoffer

David is my first—David Michael—and he's now working for the company. He had a very successful career outside the company. He has an MBA from the Wharton School, he has two engineering degrees from Stanford—an undergraduate and a masters degree from Stanford. I'm very excited that David is smarter than I am, and all these ideas that he can carry this thing forward.

Hicke

What's he doing? What part of the company is he?

Beckstoffer

He has been with us for about a year. He is now the vice president of administration for the Napa farming company, the Winegrowers Farming Company. We will be talking next week about the path of succession for him.

Hicke

More continuity.

Beckstoffer

More continuity, right.

Hicke

Great.

Beckstoffer

My daughter Dana, who was born in 1963 when I came home, she now has two children, and David has one. She was—is—a professional chef, worked at Stars restaurant in the city, and then decided to drop out, and raise her children, but I fully expect—she is *totally* entrepreneurial. [laughs] Totally entrepreneurial. She will do a bake shop or she will do something having to do with culinary arts when her children are older.

Hicke

Wine and food.

Beckstoffer

Wine and food. [laughter]

Hicke

What is her name? Did she change her name?

Beckstoffer

She's Morgan. Dana Morgan is her name, now. My son, Andrew Tuck Beckstoffer, was born in 1966 at the Tuck School in May

as I was taking final exams, and I wasn't there for that one, either. I was in a class. He has done lots of things in the wine business. He is now working in the Valley. He would like to make wine one day. Tuck is extremely entrepreneurial, as well.

Hicke

Tuck? You call him Tuck?

Beckstoffer

Tuck, we call him Tuck. Yes. Andrew Tuck. He was lucky he didn't get named Amos Tuck. [laughter] He came close.

My daughter Kristin Anne was born in 1967. Kristin has her own business. She is a graphic designer in San Francisco. She has done most of the wine label work for Beringer. She's doing all the renovation, now, for BV. She has just come back from Australia on a printing job, and I forget who she's doing it for. She's doing extremely well. She's very, very creative and very, very talented. She's a sweet, young thing. She is very, very creative. It's amazing.

Hicke

And is her last name Beckstoffer?

Beckstoffer

Yes. She is not married.

Then the final son is Stephen John Beckstoffer. He is a graduate in viticulture of Cal Poly at San Luis Obispo. Stephen is still sort of finding his way. I find that children today don't mature as fast as they used to, but they're all very good citizens, and they all live in this area around here, which is very, very nice for us. We're all great friends.

Hicke

I can't thank you enough, Andy. This is a fabulous story and history. I really do appreciate all the thought that you put into it.

Beckstoffer

Well, I'm honored, as I told you, back in the days I remember when Louis Petri was going to do his oral history, and how thrilled he was to do it, and to be on that same program is pretty interesting and exciting for me.

Transcriber: Caroline Sears

Final Typist: Elaine Yue

Appendix

Tape Guide

Interview 1: January 18, 1999

Interview 2: January 19, 1999

Index

CV: Carole E. Hicke

B.A., University of Iowa; economics

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Interviewer/editor/writer, 1978-present, for business and law firm histories, specializing in oral history techniques. Independently employed.

Interviewer-editor, Regional Oral History Office, University of California, Berkeley, 1985 to present, specializing in California legal, political, and business histories.

Author: *The Federal Judges Association in the Twentieth Century; History of Farella, Braun & Martel; Heller, Ehrman, White & McAuliffe: A Century of Service to Clients and Community*.

Editor (1980-1985) newsletters of two professional historical associations: Western Association of Women Historians and Coordinating Committee for Women in the Historical Profession.

Visiting lecturer, San Francisco State University in U.S. history, history of California, history of Hawaii, legal oral history.