

The Farmer As A Businessman

By Richard Paul Hinkle
Special Correspondent

W Andrew Beckstoffer represents a new breed in vineyard management. He has taken the principle of business and finance and applied them to farming, both in his Vinifera Vineyards management company and in his role as president of the Napa Valley Grape Growers Association.

"For a long time, farmers have been considered second class citizens businesswise," said Beckstoffer. "One reason that has been so is that the farmer has not been analyzing his costs, like wineries and other industries do. This is extremely important, as the farmer cannot be expected to receive less than his costs so long as anyone in the wine system—grower, winery, wholesale distributor, or retailer—is making a profit."

Beckstoffer believes that farmers must apply the principles of finance

to the business of farming. He cites four basic cost of farming—land, labor, materials and money.

"Although some overlook the cost of their own labor, most growers know about the first three. The last is the most often overlooked," contends Beckstoffer. "The most obvious are the annual finance charges; the interest cost to borrow money for cultural expenses, harvest, etcetera, and the depreciation cost of vines as they go through their life cycle. Another part of the money cost involves the pre-production, or non-bearing years, and the vineyard investment itself. These can be called the "holding costs" and the "opportunity costs."

Beckstoffer described as costs the interest charges of invested monies during a period of three or four years before holding grapes produce a crop when growers have not return on their investment. "This is in addition to the actual investment dollars!" emphasized Beckstoffer.

"'Opportunity cost' is the cost of investing opportunity foregone by putting the money into the vineyard," he added. "This refers to the money you could have made had you decided to invest vineyard monies elsewhere or, if the vineyards already are owned or inherited, to sell the vineyard and invest the proceeds elsewhere. If you are not being paid at least that cost, as well as the others, you're an economic fool to keep the land!"


"Some farmers take pride in the fact that they and their land work for very little," he said. "The American system shouldn't require it of the farmer. This may be commendable for the moral character of the individual, but it's economic suicide and may deny the farmer's children the opportunity to enjoy the farming way of life."

A native of Richmond, Va., Beckstoffer rode a football scholarship to Virginia Tech, where he

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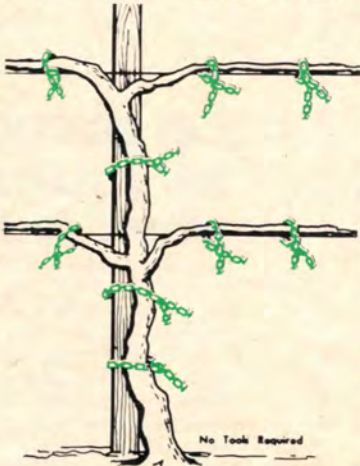


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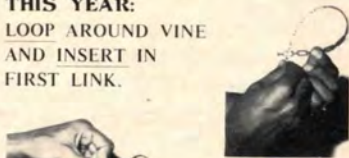


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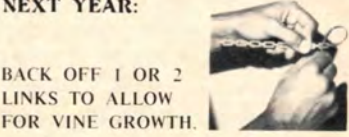
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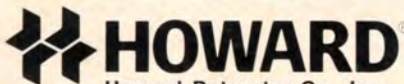


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obtained a degree in engineering. "I was looking to build houses," he said. His grandfather had emigrated from Germany before the turn of the century and started a mill and lumber business. Beckstoffer's father does custom milling and helped prepare Williamsburg for the Bicentennial.

"Vineyard developers are really in the construction business," explained Beckstoffer. "We use energy and its by-products in our fuels, fertilizers and pesticides. We require real estate, extensive labor, wood, metals and borrowed money. That' construction! Growers wonder why they're not making a profit. High development and operating costs are part of the reason. Everybody knows what construction costs have done in recent years. They have gone up almost 30 per cent a year for several years. Why are we surprised when our costs are high, severely distorted upwards by recent double digit inflation?"

After a stint in the Army (he was stationed in San Fransico and lived in Mill Valley), he returned East to take his Master's degree at Dartmouth's Amos Truck School of Business Administration. During that time he worked for Bell Telephone.

Upon graduation in 1966, he was recruited by Heublein. After working in finance, he was a member of the team that investigated and later negotiated the purchase of United Vintners and Beaulieu Vineyard. Beckstoffer was then transferred to San Francisco as vice president of planning for United Vintners. A year later, when it became evident that more Napa Valley grapes were needed for the Heublein-owned wineries, he was asked to form Vinifera Development Corp.

By 1972 the goals of the new company had been met and Heublein was then forced to decide whether or not it wanted to retain an operation that was becoming increasingly involved in the management, ownership and farming of vineyards. The answer was negative, so the company was sold to Beckstoffer.

Today, Vinifera Vineyards does manage, own and farm vineyards. And, though most of the grapes under Vinifera's care still go to Heublein wineries, Beckstoffer points out that this company will farm for anybody, regardless of where they choose to sell their grapes. In fact, some of

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Beckstoffer's newest plantings in Mendocino County are destined for Parducci and other Mendocino and Sonoma county wineries.

Vinifera Vineyards owns, or has long term leases with options to buy, nearly 1,650 acres of vineyards. It manages, over 3,000 acres, including all of the Beaulieu Vineyards properties (which itself includes the Madame de Pins vineyard).

"When we first started the company (under Heublein)," said Beckstoffer, "our chief viticulturist was Andre Tchelistcheff. More than anything else, he taught us to think in microclimates, a practice that we've followed since day one. It is so important to match the variety to the soil and to match the vineyard systems to the varieties, soils and microclimates.

"You know, no one has ever had disease-free, heat-treated vines on deep, rich soils. People had historically used crappy ground for grapes. We don't even know what our yields should be with regard to quality."


One thing that Beckstoffer is doing

to temper high Napa Valley land costs is to use closer vine spacing. Instead of the more common eight x 12 foot (450 vines per acre), Beckstoffer is trying six x 10 foot (or 726 vines per acre) in some areas. Assuming each vine produces a similar crop level, one would see a 60 per cent increase in tonnage.

"Eight by 12 vine spacing was the result of a 1953 Winkler study that was done without water. We have water and, after talking with Winkler, he said that he didn't know any reason why our spacing wouldn't work viticulturally. The worst part of such a decision was that we had to make it (in 1970) when we knew the least. But, we feel that we were able to hedge our bet somewhat. If we're wrong (by having too many vines per acre), we may be able to correct it with trellising and pruning. It's still too early to say whether we are right or wrong. But we are trying to bring some basic business principles to agriculture," he said.

Beckstoffer does not restrict his business training to his own operation. He has been a prominent figure in the Napa Valley Grape Growers Association. Extending its

extensive vineyard cost studies, the association recently has released to its members comprehensive guidelines for determining a fair return for their fruit this year and a detailed outline of what prices were paid in the county last year (from the Berryhill Report). The latter shows the high and the low base prices for each of 26 varieties at given sugar contents and the average price paid in the county for each variety.

Programs like this one are designed to raise the awareness of farmers so that they can obtain more than just personal satisfaction from their chosen livelihood. At this year's North Coast Viticulture Exposition in Santa Rosa, Napa County farm advisor Keith Bowers recalled the story of two men who were asked what they would do with a \$1million. "The first said that he would buy new clothes for his wife, take a trip to Europe and live off the remainder. The other pondered for a moment, then declared, 'I'll just keep on farming until it's gone!'" But, if people like Beckstoffer have any influence at all, such stories will become a caricature of the past rather than a prophecy of the future. 

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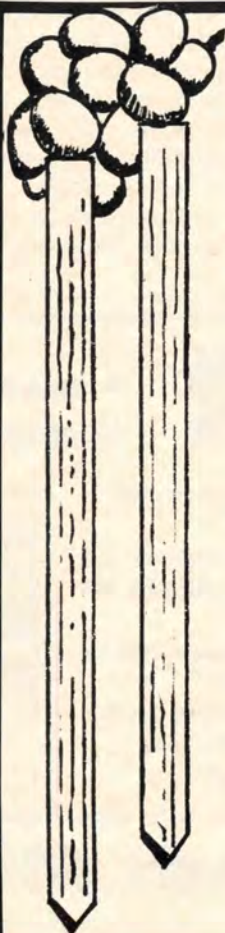


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