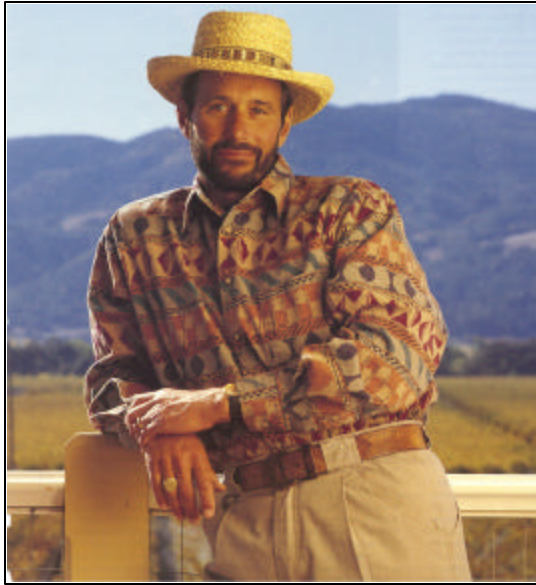


## How businessman Andy Beckstoffer became Napa's largest independent grower



Last summer, when Kendall-Jackson's Jess Jackson announced he would be making a new Napa Valley wine with Andy Beckstoffer, many people wondered who Beckstoffer was. Insiders knew that, with nearly 1,200 acres of prime Napa Valley vineyards, Beckstoffer owns and farms more land in the area than any other individual grower. In fact, only Robert Mondavi Winery and Beaulieu Vineyard top Beckstoffer in the Napa Valley acreage game. With Napa vineyards valued at \$40,000 or more per acre, Beckstoffer's holdings could be worth \$50 million. On top of that, the youthful-looking 56-year-old grape grower also owns another 1,000 acres in Mendocino County—worth half as much, perhaps. Not bad for an "outsider" from Richmond, Va., who understood little about growing grapes when he arrived in Northern California nearly 30 years ago.

Some might argue that Beckstoffer's vineyard empire fell into his lap when Heublein sold him his first major chunk of land in a leveraged buyout. But holding on to the empire has not been easy. After his first decade in the wine business, Beckstoffer found himself poised on the edge of bankruptcy and lost most of his Napa acreage. Ten more years of hard work and smart business brought him back to solvency, but by then phylloxera—the deadly vine louse—had created a Napa Valley vineyard epidemic. Beckstoffer has met this challenge head-on, replanting and managing his vineyards with innovative technology. Since 1988, he has also amassed an impressive collection of historically significant vineyard land.

Beckstoffer's most prized property is called Beaulieu No. 4. The 89-acre Oakville parcel was first planted in the 1860s, part of the famous To-Kalon vineyard. In good years, its best grapes were traditionally blended into Beaulieu Vineyard Cabernet Sauvignon Georges de Latour Private Reserve. Heublein (Beaulieu Vineyard's owner) sold the land to Beckstoffer in 1993, and Jess Jackson plans to make a currently untitled ultrapremium wine from grapes that are grown on this landmark site.

Oddly enough, Napa's mega-grower does not make wine under his own name. He tried to, with an ill-conceived, mediocre wine called Fremont Creek that was discontinued some years ago. "Winemaking is just not my focus," Beckstoffer says.

But for years consumers have been drinking other noteworthy wines made from Beckstoffer grapes, which he sells to 35 top-notch California wineries including Stag's Leap Wine Cellars, Spottswoode, Dunn and Duckhorn. Those wineries that purchase Beckstoffer's highest-quality grapes are required by contract to include the Beckstoffer name on their wine labels. "You can't make it [as a grower] unless you really have the good grapes, and they're recognized as such,"

Beckstoffer says.

Guenoc Cabernet Sauvignon Beckstoffer Vineyard Reserve 1991 scored 94 points on *Wine Spectators* 100-point scale. Says Guenoc owner Orville Magoon, "Andy's really figured out what to do in Napa. We can't do that in Guenoc Valley." He also quips, "Andy does not have the cheapest grapes in California." Magoon has known Beckstoffer for 10 years but took nearly half that time to reach an agreement with him on grape prices. "We talked about it, but we thought he was too expensive at first."

"We often start off that way," says Beckstoffer, flashing a dangerous smile. His disarmingly soft Southern drawl and gentle manner belie a reputation for tough, sure-footed negotiating skills, first honed long ago in heated relations with the late Cesar Chavez's United Farm Workers. Some vintners who buy grapes from Beckstoffer admit to dreading upcoming contract discussions, while others can be less than complimentary. "He's clever, but that doesn't mean he's so smart," said one, who did not wish to be identified. Yet virtually no one denies Beckstoffer's pivotal role in Napa Valley's wine community today.

Current consumer demand for premium wine is high, and grape supplies are short, making the market a good one for growers like Beckstoffer. It hasn't always been so, however, and vineyard owners were once at the mercy of seemingly fickle winemakers. Beckstoffer was among the first grape growers, nearly 20 years ago, to charge wineries a price based on something other than mere tonnage. "We figure in projected bottle price when talking about grape price," he explains.

Beckstoffer's goal is to sell each ton for about 100 times the projected retail value of a wine. If a winemaker plans to charge \$25 a bottle, the grape price would be \$2,500 per ton. Yet high-quality Cabernet grapes still don't bring in much more than \$2,000 per ton these days, even when they are used for wines that sell for \$30 or \$40 per bottle. Growers such as Beckstoffer—and there are many like him who don't make wine—are forcing wineries to adopt a more suitable method of profit sharing. "Not all of our grapes are perfect," Beckstoffer admits. A portion goes into wines that retail for \$10 or less.

More important than his price structuring is Beckstoffer's commitment to the latest in new growing techniques. He is assisted by his vice president of viticulture and vineyard operations, John Crossland, 47, who is also president of the Napa Valley Grape Growers Association.

Last September, Crossland gazed over a field of gnarled, old Chardonnay vines at Beckstoffer's 138-acre Las Amigas Ranch in Carneros, purchased in 1993 from the Louis M. Martini Winery. "This is the last gasp on these Martini vines," Crossland said. "The bulldozer is idling." Within hours after harvesting a sparse crop, Beckstoffer's men ripped out the entire phylloxera- and virus-infected vineyard. In its place will be planted healthy, disease-resistant Chardonnay and Merlot vines that will, Crossland hopes, produce a large enough yield of tasty, ripe fruit to make a good wine and a good profit, too.

Overcropped vines – those that carry too many grapes – typically yield lower-quality wines, and some of Beckstoffer's yields are surprisingly high for Napa's premium grapes. While some hillside vineyard owners brag about their low yields of 2 tons per acre, certain Beckstoffer vineyards in Napa Valley can sometimes yield up to 10 tons per acre. But Beckstoffer and Crossland, like other savvy growers, understand that closer vine spacing, proper vine training, irrigation and soil and clone selection can produce excellent results with greater tonnage than previously thought possible. It may sound clichéd when Crossland says, "We're looking for balance and quality with good yields," but it's true. Current wisdom suggests a balanced crop may vary according to variety and site, but truly balanced vines cannot, by definition, be overcropped. Many of the world's winemakers no longer assume that minuscule yields are

required for great wines.

Beckstoffer got his start in 1966 when he was hired by Heublein, the Connecticut-based drinks giant, to work on acquisition strategies. By the time he moved to California from the East Coast in 1969, Beckstoffer had helped Heublein purchase both Inglenook and Beaulieu Vineyard. Heublein soon realized it would need more grapes to feed its expansion program, and Beckstoffer was instructed to set up a subsidiary company to buy and manage more vineyards. The young, cocky Dartmouth M.B.A. knew little about wine and less about grape growing. He made mistakes—and enemies—in the early days with a managerial style described by some as imperious. "I was a fast-track, corporate finance guy," Beckstoffer says. Then he chuckles. "I'm nicer now."

It seems to be true, judging by the core of competent and talented professionals that Beckstoffer has gathered around him. Many of them—like Crossland and company chief operating officer John Brown (also the mayor of St. Helena) – have worked with him for a decade or more. Increasing personal maturity and perseverance, plus a willingness to learn, helped Beckstoffer turn his early errors into successes.

By 1973 Heublein decided it wanted to divest itself of the subsidiary vineyard development company established and run by Beckstoffer, who was ordered to sell it. "I couldn't sell the company, and Heublein couldn't find me another job," he remembers. Instead, he devised a highly leveraged buyout in which Heublein sold him the vineyard company along with 1,200 acres in Napa and Mendocino. "I put \$7,500 up front," Beckstoffer says. "Heublein and Connecticut Mutual [an insurance company with related land investments at the time] lent me the rest." Evidently, the two large corporations had great confidence in Beckstoffer. It was the blind leading the blind.

"I defaulted on everything in 1978," Beckstoffer recalls painfully. He then owed \$5 million to Heublein and \$2 million to Connecticut Mutual. Both companies could have pulled the plug on him, sending him into bankruptcy. Instead, an arrangement was made that allowed Beckstoffer to continue to own and operate his vineyard management company, albeit under Heublein's close scrutiny. The drinks giant reclaimed about 700 acres in Napa, while Connecticut Mutual gave Beckstoffer the opportunity to refinance his loans on various Mendocino properties. Brown, a corporate CPA with agricultural experience, came on board at that time. "We needed someone to keep us financially efficient," Andy says.

Brown and Beckstoffer ran a lean machine for the next 10 years, growing their own grapes—mostly in Mendocino County—and managing properties for others as well. By 1982 the company appeared to be out of danger, and Beckstoffer started buying new, smaller vineyard properties that no one else wanted. The big acquisition push began in 1988, when Connecticut Mutual sold him 250 acres in Napa known as Beaulieu No. 3. In 1992 and 1993 Beckstoffer Vineyards bought 300 acres in Napa—Carneros, and soon after purchased Beaulieu No. 4, which lies next to the Robert Mondavi Winery along Highway 29.

Beckstoffer Vineyards now employs more than 100 individuals full-time in its Napa and Mendocino operations. But aside from minor shares for key employees Beckstoffer and his wife of 36 years, Betty, own the whole deal. Two of their five children have shown a professional interest in wine. Beckstoffer hopes to see his children and grandchildren growing grape some day, and is putting much of his acreage in trust "for future generations—so my kids can't sell it," he says. "My lawyers are calling it my 'Dynasty Trust.' "

Next up is the (Jess) Jackson-Beckstoffer wine. There will, in fact, be two wines: a blend of Cabernet Sauvignon, Cabernet Franc, Merlot and Petit Verdot grown on Beaulieu No. 4, and a

Cabernet-based wine from grapes grown on Beaulieu No. 3.

It will be interesting to observe the two wine and grape moguls over the years to come. Consumers and winemakers alike will be watching the results of their collaboration. Whatever the outcome, Beckstoffer can look back with satisfaction on a long list of accomplishments. Even in the midst of a frantic 1996 harvest, the man from Richmond was secure enough to sit back, relax and declare, "I'm enjoying myself." It's hard not to believe him.