

Andy Beckstoffer

Cyril Penn



For three decades, **Andy Beckstoffer** has influenced viticulture throughout Northern California. As the largest independent family-owned vineyard company on the North Coast, **Beckstoffer Vineyards** farms more than 1,000 acres in Napa Valley, 1,138 acres in Mendocino and more than 1,100 acres in Lake County. Andy Beckstoffer was instrumental in forming the **Napa Valley Grape Growers Association** (NVGGA) in 1976 and was an early advocate of the then-radical concept of tying the price of grapes to the retail price of finished wine. He was a major influence in the creation of the Napa County Winery Definition Ordinance (after years of trying to define what constituted a winery, NVGGA recommended their own definition—a required 75 percent of the wine made in the Napa Valley Agricultural Preserve would need to be from Napa Valley Grapes). Beckstoffer was among the first to introduce practices that have

revolutionized grape growing: the use of overhead sprinkler systems for frost protection, innovations in trellising and vine spacing, and the use of drip irrigation. Beckstoffer continues to play a role in an ongoing revolution in vineyard management. Wine Business Monthly recently interviewed Andy Beckstoffer and excerpts of that interview follow:

Wine Business Monthly: How many wineries do you sell grapes to and what do you look for in a winery partner?

Andy Beckstoffer: We sell to 54 this year. We look at two things. We look at the ability of the winery to produce good wine. They also need to be able to market it. We want to tie the price of the grapes to the price of wine. If you have a winery that knows how to make wine but doesn't know how to price it effectively and market it, we're left in the cold as they are. If you have somebody who can't make good wine, it's not going to help to market it at a better price.

We're looking for somebody who can make and market wine and for somebody we can deal with and communicate with. In most of these things where we sell the best grapes, we go through about a two-year courtship where we are not only looking at the grapes and the wine that comes from it, but also at seeing how we deal together; if there's something going on in terms of the vineyard and how we can help them; and how they want to interact with us in the vineyard. We want to see if we can set up a long-term relationship because that's what we're really trying to do.

We need to establish the relationship over a period of time so the winemakers know what they're working with.

WBM: You use a bottle price formula for selling grapes.

AB: We are tying the price of grapes to the bottle of wine. We've done significant research over a period of time. The price of grapes has generally been 26 percent of the winery's FOB price, so if you take 26 percent times the cases per ton that a winery gets—which will run between 60 and 70 cases per ton times their FOB price, you will find it is approximately 100 times the retail price. We're going after that from the point of view of historical relationships.

What's really happened that is so surprising and interesting over the past couple of years is that the price of wine has gone up so significantly and people talk about the price of grapes. Really the price of grapes is tied to the price of wine, with the growers hopefully getting a fair share. If you look at those numbers, and we've tried to tie this to historic numbers in a rapidly changing environment, you'll find that those numbers will net the winery a gross profit in the 50 to 60 percent range, which is their historic gross profit. I could show you numbers and you could work it on back; you'll find that the return in today's investment for the winery and grower is roughly the same. The winery makes probably twice as much investment as the grower does for a dollar of wine revenue and gets twice as much return. But if you'll assume that the agricultural risk is equal to the marketing risk, the risks are the same, and so the return should be the same.

So the whole bottle price thing, where lots of people talk about it at just 100 times the retail price, is really tied to some historical parameters: both the percentage of grape costs in the FOB, the gross profit for the winery, and return-on-investment numbers.

WBM: Are other growers adopting that way of pricing grapes?

AB: I think a lot of growers are adopting the procedure where the grapes are tied to the market price of the wine. I think most growers in Napa Valley, if they were approached by a winery to buy some fruit, would ask the winery: "What's the price of the bottle that my grapes are going into?" In the past, somebody would have said, "What's was the average market price last year?," which is the commodity index. Rather than doing that, people are now focusing on the price of the bottle of wine. If somebody comes to you and you have Napa Valley Cabernet and they say they want to put it in a \$15 bottle of wine, you know they simply can't do it.

Going beyond that, there are people beginning to use distinct formulas. Generally speaking, I think we have changed the way business is done, particularly in the Napa Valley. The conversation between buyer and seller relates to the value of the end product rather than the commodity index or the district average price for grapes.

WBM: What's the mix of long and short-term contracts?

AB: We try to sell about 80 percent of our grapes on long-term contracts because if you don't have any grapes to sell, nobody talks to you, plus you don't have any opportunity to take advantage of the new star that rises. In terms of the long-term contracts, we do three, five and ten year contracts. But depending on the comfort level of the winery and us, we certainly want to do an evergreen so that if somebody shows up with a bad hair day, we don't bust up this relationship that's budding. The more important thing than the actual term is to have some sort of evergreen period where you can work out a difference that might have developed.

WBM: Do you think growers are becoming better businessmen than they used to be?

AB: Absolutely. If you look over the past 30 years, you will find growers much better businessmen. If you look at the 1990s, and back into the 1980s, there's one thing that's a shame from my point of view. That is, some of the growers who owned the land in the 1950s and 1960s, who were good farmers then, and are good farmers now, don't own their land. They don't own their land because they were bad businessmen back in the 1970s and 1980s. I think the growers are beginning to understand the economics of a bottle of wine, which I don't think they had any understanding of before. The conversation about bottle prices forces them to understand.

Generally speaking, the information available to us through your magazine and others is so much better today. It allows the grower to be a better businessman and I think he begins to understand that while some people find it distasteful for some reason, they know that if they're not good businessmen, their families are going to lose their land.

WBM: What's your view of the wine market post September 11?

AB: Up until maybe a month ago, all the winery buyers were just sitting on their hands not doing anything. All the wineries were looking six months back rather than two years forward. Now we're finding that in the Napa Valley, more than anywhere else, everybody wants to talk. And the good grapes, to the extent they are available, are gelling contracted up. We are writing contracts as we speak. In Mendocino and in Lake County, there are still people looking a bit back.

Ten or twelve wineries have told me their February 2002 was better than their February 2001 and their March was looking better. I think this idea of looking back rather than forward is fast going away. What ramifications that will have for pricing I don't know.

My understanding is that the big problem is the bulk wine business. That's all vintage-dated wine. It can't sit around for very long. The wineries have to address that problem and whether its going to last six months or a year, I don't know. I suspect that by this time next year it will all be gone. Demand continues to grow for the wines we sell in double digits. That will eat up the problem.

WBM: So you think we'll resolve the issues in the bulk wine market?

AB: They just have to be resolved. You can't sell 2001 Chardonnay in 2004. It's just old wine: It won't sell. They've got to address that problem. They need to open the wound and then close it. What are they going to do? There can be some pain between here and there for us growers and some vintners, but I think it's going to be relatively short-term. We've had these cycles. I remember 1974, 1983, and 1991, and now this again. The business is still a cyclical business but I would look in this cycle for the depth of the downturn to be less and the length of it to be less, too. We'll get out of this fine.

WBM: What do you do in the vineyard with respect to sustainability and how has that changed over the years?

AB: We've finally gotten a word that communicates a lot of things we're trying to do. Sustainability is certainly environmental sensitivity but it's also economic feasibility and social

responsibility. We need to consider all those things and become more socially conscious. That's about sustainability. If we don't communicate better and be responsible, we're not going to sustain our businesses.

It's the same thing with the economics of sustainability. It all has to do with tying the price of grapes to the price of wine. Pricing is much more stable if you do it that way. It doesn't change the direction it's going to go, but it does make it much more predictable, and the curves get a little more flat, so you don't have these wide swings.

In terms of environmental sensitivity, we have some land in Mendocino County that's organic and we use that as a laboratory to see what it's like if you go all the way.

Today, we design our vineyard blocks for quality and efficiency and sanitation. The wind will blow up the roads and clean up the bugs. We use cover crops to try to grow the good bugs that eat the bad bugs. We've cut way down on any sort of toxins we use. We pull leaves and let air and light solve the problems that the toxins would have. People don't give us in the North Coast enough credit, but drip irrigation is probably the greatest water conservation measure that has ever hit agriculture in California and it's very expensive but we all use it today. We've got machines that will pick and pluck and do all the things we used to do with toxins. We now don't just spray every period, if you could, every ten or twelve days. We look at counts to see how many bugs are developing. It is really just a mindset of the things you do everyday. It used to be that farmers loved to drive tractors. They would drive over their ground and they were just beating the hell out of the soil. We don't do that anymore. We do silt fences and hay bails and everything else to conserve our soil whenever we do anything. I think it's just what we do every day, as well as some of the very big things in terms of our viticulture regimes and equipment.

WBM: The situation with the Sierra Club and Napa County has reached a level of crisis.

AB: I think that's true. Most farmers think of themselves as environmentalists. For myself, I would say in almost all cases, I don't have any disagreement with their goals. It's the tactics that are a problem. For example, this timber initiative in Napa County sounds very Draconian. I think it's a radical element within the Sierra Club that has gone to an initiative and in the initiative process nobody gets to talk about it anymore. I think there's a clear radical element in Napa County on the environmental side.

I think they are beginning to be recognized as fringe elements rather than the mainstream. It's going to take a little time and a little pain to get that sorted out and get them defined as radical elements rather than the mainstream of the Sierra Club.

It's not just Napa County. There were 19 projects tied up in Lake County and now they are beginning to let those things through, as people get more reasonable.

This is a tough conversation because we don't want to speak ill of environmental interests. We feel like we're part of that but when they get radical, you wait as long as you can and something needs to happen about it.

WBM: Technology has improved grape quality. What's the latest and greatest?

AB: You look at the 1970s and 1980s and we all did exactly what we did before although we were learning. And then phylloxera came and gave us a chance to redo everything new.

The technology that's still going on: drip irrigation, and bench grafts, these things didn't exist in the 1970s. Quality has come through increased technology. We're now at a point where the new technology is things like (Global Positioning Systems), and the visual mapping we can do.

While that's the new technology, I think technology has probably gotten beyond our ability to manage with it right now. We're trying to find out how to manage with it. For example, our new Lake County development is sort of a rumpled blanket with rolling hills, so we get different exposures, a Southern exposure and a Northern exposure and a Northeast exposure, etcetera. We can graph that with colors. If you were a winemaker and you picked a particular block and it had a southeast exposure and you really liked that, I could go all through this vineyard, which is almost 1,000 acres, and pick the southeast exposures for you.

We have technologies that allow us to map grape maturities during harvest time. The newest and best things coming into the vineyards right now are information technologies. We are getting some really good pre-pruning machines. Vineyard materials are getting better. The technology that is best right now is giving us information so we can apply the technologies we learned in 1970s and 1980s.

WBM: What are you trying to figure out in the vineyard?

AB: We need to improve our quality and our yields at the same time. The price of land, in Napa County has gone through the ceiling. We need to make the land more productive from an economic point of view. That's either higher prices or more grapes or a combination of one of the two.

We need to preserve that land. We can't do it unless we can make the land the highest and best use of the land versus urbanization and things like that. The only way to do it is to increase the revenues on the land. Prices are going up because they are tied to these high-priced wines and that relates to quality, but with the closer vine spacing we need to find out: what is that acceptable range of yields that will give us this higher but acceptable range of quality. That's the tough thing.

WBM: You are active in three major regions. Have you thought about Sonoma, The Central Coast or Washington State?

AB: We've thought about all of the above over the years. We're a regional grower. The economic system that is the North Coast where you have multiple wineries and multiple growers dealing in total quality, is different than it is in any of the other areas. Plus, we grow red grapes best. When you have six buyers and 100 sellers, it's just a different system than you have here. Plus, if you have an area that is oriented toward the quantity of production rather than the quality or production, it's a totally different system.

We only deal in the quality areas and where our people can be home at night. We have always been managers and not investors, so that if I go anywhere outside of the North Coast, I become to a certain extent an investor because it's so difficult to get there.

Also, we want to deal in an area where we can grow red grapes. Red grapes are made much more in the vineyard than a white wine would be. If you're going to be an independent grower, you want to work with something where the major determinant of quality and price is done...rather than having someone else able to structure it or take anything and change it in the winery. Plus, we're still relatively small and don't have resources to do everything.

WBM: Cabernet and Merlot are your key varieties.

AB: Our whole development in Lake County is Cabernet. It's a new vineyard operation. This will produce a North Coast Cabernet, which is roughly a \$20 bottle of wine. If we can do that, we can open up Lake County and make Lake County wine country just like Napa, Sonoma and Mendocino. It's a pioneering effort up there.

Our major effort in Napa is single-site luxury premium Cabernets. Lake County is the most exciting new thing in that there is a volume of North Coast quality Cabernet becoming available in special spots. We've exported everything we've learned in Napa to Lake County in terms of technology.

One of the most exciting things is the cool climate Merlot in Napa. What we are doing in Carneros with Merlot is very exciting. That district, and hopefully we will be part of that, can produce the first really great Merlot ever produced in the New World. I think most wine writers would say we really haven't produced great Merlot. You get one here and there. But a district, as such, to be a Merlot district—it seems like it's going to be cooler than we thought before. We don't plant Merlot much in Rutherford anymore. We plant it all in Carneros.

WBM: What about Zinfandel, Syrah and Pinot Noir?

AB: If you look at the Central Coast, they probably do Syrah better than we do. So why plant Syrah if you have Cabernet ground? It's the same thing with Zinfandel. If you're planting grapes on a piece of land that cost \$150,000 per acre, it's very hard to plant Syrah or Zinfandel.

If you can grow the best Pinot in the world, you could probably plant Pinot. But it's not determined yet where that grows, I think it's very clear that the Cabernet grows in Napa County and I think we're showing that the Merlot is going to grow in Carneros. But the Pinot might grow several places and I don't know where that is. We have some Pinot in Carneros, but again if you look at bottle prices, if you tie the price of grapes to the price of wine and the price of wine isn't very high, you're not going to get a high price for the grapes. Pinot Noir is a very difficult grape to grow, and it's another one where the vines seem to need some age. We have some Pinot Noir in Carneros planted in the 1960s that's excellent, but it's a long time to wait.

WBM: Have you thought about your own label?

AB: We are very happy and proud to be growers. One of the reasons we're successful is to have a single focus of growing the best grapes. My vineyard managers are the number one guys in the organization. They don't play second fiddle to a winemaker, which happens a lot of times in a winery/vineyard operation.

Being in the wine business is not a logical extension of being in the grape business from a management point of view. We are in the business of farming. They [wineries] are in the business of manufacturing, and in a very big way are in consumer marketing. We're not in any of those. There are also a lot of good business reasons why we won't do our own brand. Mainly it's because we like what we're doing.

When we buy a piece of land (and let's just say it's very good) we can sell those grapes to ten different winemakers and each of them can make 3,000 cases of cult wine. If we had one, we could still only sell 3,000 cases and the rest of it would have to be blended off somewhere. This way, we have a greater opportunity to show what we have and present the consumer with a much better array of wines while maintaining ourselves as growers. And with the vineyard designates, we get all the credit we need.

WBM: Do you think Mendocino is underrated?

AB: I think Mendocino is greatly underrated for its Chardonnay. I remember back in 1980 when the Simi winery started buying our stuff and the Reserve Chardonnay Mendocino County won awards, and then they stopped doing it because they wanted to be a Sonoma winery.

The problem with Mendocino is not enough quality wineries up there wanting to sell the Mendocino product. But the Chardonnay has been just excellent for a long, long period of time.

It's more difficult to find good red grape ground up in Mendocino County but some of those benches are just wonderful. Yes, its underrated. It's very greatly underrated.

WBM: Last year we were hearing all about the glassy-winged sharpshooter and this year I haven't heard that much. Does the glassy-winged sharpshooter scare you?

AB: That's the scariest comment I've heard in a long time. I was in Sacramento the day before yesterday. We're trying to ensure that we have the funds to continue our work. One of the things we're really concerned about is people do think that the glassy-winged sharpshooter was yesterday's problem and it absolutely is not. We're getting the funding because it is such a serious problem. If people begin to think it was yesterday's problem, we won't get that funding and that would be awful.

The thing that we have to do is stop the spread. We have no cure for Pierce's disease and we're going to find a cure but that has to be down the road. In Napa County for example, there are lots of government protections because we are an 'uninfected' county. The government protects the uninfected counties from shipments from infected counties. If you find six bugs, six live adults in Napa County, we become an infected county and we lose all those protections. I think they've just found some egg masses in Sonoma County.

Believe me, from a disease point of view, it's the most serious problem I've seen in 30 years.

The problem is as great this year as it was last, and it probably will be as great as it was last year for the next several years.

If this thing hits (the way it eats and the way it dispenses disease and with the fact that we have no cure for Pierce's disease) it could be an economic disaster in a very short period of time. I don't think that big business is going to go down. We'll find something to spray. But, between here and there, we'll have to use pesticides that neither we, or our neighbors, will want to use. And that will set up a battle with counties and good-minded people that we just don't want to fight. We don't want to use the pesticides and they don't want to use the pesticides. That's why it is so important that we set up all these detection devices so that they in fact don't get here. Once they get here, we'll have to do what we have to do to save our industry. And it won't be a very pleasant thing. It is not yesterday's problem.

WBM: Growers have been talking about physiological ripeness versus sugar levels, especially after the last harvest.

AB: We're looking for mature fruit rather than just ripe fruit. We now have a larger set of tools than we ever had before. We haven't abandoned any of the processes we had before. We still go in with refractometers and measure the sugar. We still go in and look at the berries and the vine and see if we are giving moisture to the wine or if we are pumping up berries.

We've added more art to it, that is in great part, science based. We now know that to get maturity in a grapevine probably one of the measures of that is the seeds turn brown. So we have

people not only checking sugar and looking at berries, but we also have people looking at the seeds. We look at the vine and see the shape of the vine. All of our cultural practices generally are oriented to keeping that vine good and healthy rather than working with the fruit itself. The vine works with the fruit once we get the vine in the proper condition. We look at the vine more than we did before but also look at the fruit. We used to talk about microclimates as being the difference between Carneros and Rutherford. Then we talked about micro-climates as the difference between your vineyard which was adjacent to mine, or a block. But now we're more concerned with the micro-climate of a bunch of grapes than we are about the vine.

We keep getting more and more refined about what we look at and it gets to be blending of the art-most of this art is scientifically based. A guy has been tasting grapes for ten years and now what does he taste? It's getting to be a science as well as an art.

WBM: How's the year's crop looking?

AB: We don't know. To this date, we seem to have avoided any major frosts but in 1970 the big frost came in the middle of May. You're beginning to see bunches form.

We now understand that grape maturity, quality and quantity is a two -year system and really I'm talking more about the spring than anything else when the bud development happens. Last year's spring was a good one. So if we have a good spring this year, we could have a very bountiful harvest. We have one of them in the bag, if you will, and we are looking for the second one. On that basis, you'd have to say it's bright.

WBM: Can you offer advice for people who want to get into the business of growing grapes?

AB: Well a lot of people think it's over—that all the land is planted and everything's been set and developed, that the opportunity that we had in the 1970s has all gone away. I disagree with that 100 percent. I still think there are great opportunities for people to come in and take the new technology with new enthusiasm and create greater quality.

Given the place that Napa Valley is today with their wines, you have to ask. How do we raise it to the next highest level? I think that's with single-site expression, with grapes coming from a particular vineyard. Lots of the better wines are vineyard blends and they're called "Reserves." Tomorrow they will be vineyard designates coming from a specific site. That's a risky business because you can't blend off a problem. You can't solve a problem in the winery; you have to take what you are given. With the high risk comes the high return.

In the old days of the 'magic' chef where you would bring the grapes in and the winery would make everything wonderful. We were looking for the Ken and Barbie dolls of the wine world, that perfectly structured beautiful, everything-is-just-perfect, type of wine. I think the future is (and the analogy is the fit beauty with the chipped tooth who's charm is really in the way she carries her defects) where the wine shows the particular terroir or characteristics of a site and in doing that raises everything to a higher level. New people have the opportunity to take existing sites and bring the new technologies to them, and take newfound sites and take the new technologies to them.

WBM: Wouldn't you agree that the barriers to entry are higher than they were before?

AB: Sure they are, but when we came in the barriers looked awful high. It's just a question of

whether you want to play at this level. We thought we were playing at the highest level when we were paying \$10,000 an acre for land in 1980. It looked awfully high then but if the price of wine and quality of wine can continue to increase and continue to be where it is, the whole system works. When we had \$15 wines, we had \$40,000 an acre ground. Now everything is to a much higher level. So yes, the barriers to entry are much higher, but the opportunity is still there.

WBM: How did you feel you were treated in the book *Napa* (written by **James Conaway**). Was it accurate?

AB: That is not a good book. It is, in my view, the most poorly researched and unbalanced presentation ever published. There are some circumstances that I recognize and actual events that happened in there but I don't recognize any of the motivations he has for me and lots of other people.

Yes we did come in the early 1970s and I came in with a corporation, which made me controversial anyway, being an outsider. But if you look at what was going on in the 1970s, there were six wineries and nobody was going anywhere. There had been next to no grapes planted for years. We were still growing grapes that were planted right after prohibition. If you look at how farm workers were treated; they were paid much less than minimum wage and they had absolutely no benefits. If you look at the housing situation, it was just awful compared to what it is today. The vineyards were all old and diseased and had the wrong varieties in the wrong places. In 1970, in the big frost, people burned tar in open buckets. People indiscriminately cut down signature oaks.

We came in and questioned a lot of things. The questions got misunderstood in the *Napa* book. We spent lots of money on farm worker housing. He never presents that side.

The idea he presents of **Robin Lail** being some nitwit running around listening to all the men in the valley, that's just not Robin Lail. On the issue of the winery definition ordinance, on which he spent a lot of time, he totally missed the point that the conflict was about corporate interests. It was the corporate interest versus the land interest. He sets it up as growers versus vintners, but it really wasn't that. Vintners felt as strongly about their land interests as we did, but because they were unwilling to speak up and back the grower position, they let the growers twist in the wind for three years. We would never have won if they had not come back and in the end supported us. He tries to make it this personal thing. Certainly on the fringe there were some personal feelings. But basically, it was a struggle between (corporate and land) interests.

WBM: He's working on another book. Did he call you?

AB: Yes and we didn't respond. I know we were controversial in terms of when we came in the valley with a corporation. I know that we were controversial when we demanded a voice for the independent growers. I know we were controversial when we spoke up for those land interests. But I never felt the disrespect that he talks about in there—the 'most hated man' in the valley, stuff like that. There was disrespect for the grower's position but that personal stuff he talks about I just don't recognize. To sell his book, he needed to create some good guys and some bad guys.

WBM: What's the vision for the future?

AB: I'm having a great time. Some people ask: "Are you going to retire?" I've spent 30 years

trying to get people to listen, and now they're listening and I'm not going to shut up. You could ask: "What's worth a career?" I think a career is worth preserving this land in agriculture. We have to do that by making the land the highest and best use. Everyone has to understand that the ultimate enemy is going to be urbanization—not the environmentalists. We need to work together. Basically, we want to solidify gains in that area. Secondly, we have the real opportunity to consistently produce the best wines in the world. I think those wines are going to be Cabernet-based and they're going to come from the Napa Valley. I think that sort of cultural statement for our country would be something that a career is worth.

If you think about the United States; we have the biggest economy and the greatest armaments. Think about our cultural contributions, from jazz music to baseball to movies. Think if we also produced the greatest wine in the world. What statement would that make about our country? We in the Napa Valley have an opportunity to do that. So we want to continue to use the technology to better the quality and then present it to the world. If we make the best wine in the world, it's probably going to be made with vines that are now in the ground, with people who are on the ground. That's our challenge for the next ten years. **wbm**