

# The Appellation Trail

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**Napa Valley has made winegrower ANDY BECKSTOFFER rich. Now he's betting his name—and fortune—on new soil.**

A tough year in a hardscrabble market may be just the time to expand. Which is why **William Andrew (Andy) Beckstoffer**, the grand old man of Napa Valley grape growers, is spending \$25 million—and not on familiar soil. “We’re Napa people, but the quality here is just so much better,” says Beckstoffer, striding his red-dirt and obsidian hillside in nearby Lake County. He hopes his 1,000-acre spread—30 miles and several income levels from the Napa border—will be the center of a new wine appellation, like Carneros in Napa or Margaux in France.



The expansion comes at a time of softening grape prices and a market worried about consumer demand. Beckstoffer, 62, calls it “the riskiest thing I’ve ever done.” If it works, it could spark a boom in a region of pear orchards and bulk grapes—where the land goes for one-twentieth the price of a Napa parcel just to the south. It will also bootstrap the fortunes of **Beckstoffer Family Vineyards**, his holding company (2001 sales: \$26 million). Now Lake is “an economic ghetto,” the grower says. (The county’s median household income is 61% that of Napa’s.) “It will be wine country ... fashionable.”

Hard to believe, in a county with 4 wineries to Napa’s 250 and with none of Napa’s exclusive restaurants and posh inns. But Beckstoffer figures that even if the market collapses from a glut or a sour economy, he can still supply fruit for \$12 bottles—up to 500,000 cases a year by 2008 when his vines are fully producing—and still make a profit.

He should know. Beckstoffer came to Napa in 1969, a dicey time, with an M.B.A. from Dartmouth's Tuck school. He worked in vineyard management for Heublein—he convinced the company to get into winemaking—at the start of the region's explosion and the height of the grape boycotts. His wine cellar boasts an empty Inglenook bottle signed by labor leader Cesar Chavez, drunk the night they settled years of labor dispute.

His first independent venture, in 1973, nearly buried him. Taking out an adjustable \$6 million loan that started at 7%, Beckstoffer got nailed by stagflation, as cabernet prices fell to \$400 a ton from \$800 in one year, and interest rates jumped, peaking at 15%. Heublein, which still needed grapes, snatched back his land and kept him on as a contract farmer. It took him five years to clear the debt. Thanks to a boom in demand for quality U.S. wine, and a buy-and-hold ethic for good land, Beckstoffer now owns 3,000 acres, worth perhaps \$200 million, in Napa and Mendocino counties. His grapes go into 50 wines, including the Beringer, Merryvale and Stag's Leap labels.

His secret for the Lake project isn't just finding suitable land at \$10,000 an acre, compared with Napa's \$200,000 acres. Beckstoffer and his neighbors, which include Beringer Blass Wine Estates and Kendall-Jackson, have figured out that a certain altitude in the right part of Lake County, between about 2,000 and 2,400 feet, has a daily heating and cooling cycle similar to Napa's. Find the right hill with access to water, and it's a winner. Another advantage in Lake County is the absence of the glassy-winged sharpshooter, an insect that's plaguing growers in Napa and Sonoma counties. It spreads Pierce's disease, caused by a bacterium capable of ruining a vineyard in one season.

Good grapes are one thing. More than ever the wine business is about marketing, and now that starts with growers. Beckstoffer and others have petitioned the Bureau of Alcohol, Tobacco and Firearms to designate their patches "the Red Hills District." The appellation sets the hills apart from low-quality cabernet grown on nearby flatland. **Chalone Wine Group** (nasdaq: [CHLN](#) - [news](#) - [people](#)), a \$43 million (sales) public company producing an annual 600,000 cases of wine from small estates charging anywhere from \$9 to \$75 a bottle, uses Red Hills grapes for much of its Dynamite Vineyards cabernet, which costs \$15 to \$17 a bottle. Dynamite is made in Sonoma now, but Chalone is relocating the winery to 48 acres it purchased in Lake. "This is one of the last areas in California where you can get great quality at a reasonable price," says **Thomas Selfridge**, Chalone's president. "The key is developing consumer acceptance."

The guys who have land in Lake may also want the appellation as a means to limit competition. A planting rush in California's Central Coast has meant an oversupply of chardonnay from there. Prices are falling. There's still some land available in the Red Hills area, at up to about \$15,000 an acre. But few parcels seem big enough, or have sufficient water, for a large-scale project.

Beckstoffer ties the price of his grapes to the retail bottle's price. With a bigger incentive to hit the \$25-a-bottle mark, a lot of technology goes into the new vineyard, all of it geared to optimizing handcrafted wine with the tools of big farming. While a computer-equipped minitractor drives between vine rows, a global positioning system identifies scores of different areas in the vineyard, in case winemakers want grapes from one particular part of the hill. Sensors monitor water levels at 45 points. Areas low on water get extra irrigation. Another sensor on the side of the tractor spots budding weeds and zaps them with a minimal amount of herbicide.

The tractor crosses dry broom, barley and clover grasses, brought in to aid development of the grapevine's

roots, forcing them to search deep in the ground for water early in the season. (The grasses suck up the surface water in the early spring, then die off during the dry summer.) Vines are also stretched on wires and thinned of leaves, so fruit is stressed over vegetation growth. Such techniques have made it possible for Napa and other wine-growing regions to produce an increasing number of high-priced wines.

But the high end may prove a victim of its own success. Between the bear market and terrorism's disastrous effect on travel, expensive wines are feeling squeezed. "The \$70 to \$100 bottle has definitely slowed down," says Chalone's Selfridge. Which still leaves plenty of room for stuff that goes for \$12 or more a pop—and plenty of potential new business for growers like Beckstoffer.