# CALIFORNIA SEESAW
## GROWERS AND WINEMAKERS

The dominant culture in the Golden State is one of "growers on the one hand and wineries on the other," and many wineries buy in their grapes from third-party growers. **Stephen Brook** explores the complex relationships involved, and the implications in terms of terroir and value

All photography by Jon Wyand, from Stephen Brook, *The Finest Wines of California* (Fine Wine Editions / University of California Press, forthcoming 2011).

The notion of an estate winery is not well entrenched in California. Many wineries may own some vineyards, but they will also buy grapes, either from contracted growers or from the spot market. Companies such as Mondavi and Beringer have substantial vineyards statewide, but even they will supplement their own crop. Napa Valley's Heitz is a good example of a commonly encountered model. The family owns a Cabernet vineyard called Trailside, but it also contracts to buy grapes from two celebrated sources: Bella Oaks and Martha's Vineyard. Heitz as a whole farms 375 acres (150ha) in Napa Valley, but it sells much of what it grows to other wineries. Thus, estate vineyards and outsourced grapes are juggled so that the winery ends up with the mix that suits its requirements.

There are, however, a few estate wineries in California, many of them small. Screaming Eagle, Harlan, and Dominus are all self-sufficient. One of the few large-scale estate wineries in Napa Valley is Trefethen, with 500 acres (200ha) of vineyards. It is very much the exception. One reason for this mix-and-match approach is that many wineries sell hundreds of cases out of their tasting rooms, and they therefore need a wide range of wines to offer customers. To a European it may seem odd that a Napa winery will include on its list a Mendocino Sauvignon Blanc or a Santa Barbara Pinot Noir, but that is often the case. Wineries do not always attract a knowledgeable clientele. I have often stood in a tasting room in Dry Creek Valley offering nothing but robust red wines and overheard visitors ask if they have any white wines. If the answer is no, a sale has been squandered.

There are other reasons for the dearth of estate wineries. First, a winery may be more interested in winemaking than in farming. The two professions are very different, and they call for different skills. Many winemakers would rather leave the business of growing grapes to specialists. Quite a few California wineries—Testarossa, Siduri, Arcadian—are simply négociant businesses, owning no land but buying grapes from prestigious vineyards. Another reason is that most top vineyards are not for sale; even if you only want to buy their grapes, you must go down on bended knee with your money at the ready. The majority of the fine old Zinfandel vineyards in Napa and Sonoma are owned by families that have farmed them for generations. They have no intention, all things being equal, of selling their precious heritage to anyone else. Estates such as Trefethen were acquired when land was relatively cheap. Only billionaires could contemplate buying a few hundred acres of prime vineyard land today.

## The rise and rise of the estate winery

As a consequence of this structure, there is a constant tension between wineries and growers. Put simply, the grower wishes to obtain both the highest possible prices for his grapes and the largest yield compatible with good quality. The winery, on the other hand, wants to acquire fruit at the most competitive price. Depending on the economic situation, it may be the grower who is on the phone to offer winemakers as much fruit as they want, or it may be the winery that is making the rounds, on the lookout for affordable fruit of acceptable quality.

Picking by night at the Opus One vineyards in Napa Valley

Jim Young, of the Robert Young Vineyard in Alexander Valley, recalls: "Until 1999 or 2000, there was no need for us to knock on doors. Then there was a change, because there was an oversupply of grapes, and wineries started canceling contracts. So the market fluctuates. Sometimes the wineries have the upper hand, sometimes the growers do, but there is always a demand for good grapes. It's rare for contracts to exceed three years, though we have a long-term contract with Chateau St Jean that has never been canceled. Fads can also affect demand. Merlot is out of fashion, so a grower will have to accept a fairly low price, since wineries can easily find cheap Merlot grapes."

Although there are plenty of small-scale growers tending a few acres that have been either inherited or purchased as part of a "lifestyle" investment, the professional growers often farm thousands of acres. The Kendall-Jackson company cultivates 12,500 acres (5,060ha), the Kautz family tends thousands of acres in Lodi, and in the North Coast the Beckstoffer family farms more than 3,000 acres (1,200ha). Growing grapes can be big business.

Andy Beckstoffer did not begin life as a farmer. A Southerner, he has an MBA from Dartmouth College and went to work for the drinks company Heublein as a production analyst. Heublein was keen to make inroads into the wine business and had its eye on the famous Beaulieu winery. Beckstoffer helped clinch that deal in 1969. He then formed a subsidiary called Vinifera Development Company, which took care of keeping Heublein supplied with grapes as its wine production expanded. He also planted hundreds of acres of Cabernet Sauvignon off his own bat, anticipating the demand for the variety. By 1973, Heublein was losing interest in Vinifera Development. Beckstoffer made a successful offer for the company and, in his early 30s, found himself the owner of 1,200 acres (485ha) in Napa and Mendocino. Today, the Beckstoffer family owns vineyards in Napa, Mendocino, and Lake County.

Some of those plantings are new (such as those in Lake County), others are historic vineyards. Whenever there was a downturn in the wine industry, Beckstoffer was ready to pounce, snapping up vineyards that shortsighted farmers or wineries were finally willing to relinquish. Indeed, nine out of the ten vineyards that Beckstoffer owns in Napa were purchased from wineries. In 1988, Beckstoffer bought one of the historic Beaulieu vineyards, and in 1993 he acquired 90 acres (36ha) in the legendary To Kalon vineyard in Oakville. The Beckstoffers are more than collectors. If theirs has become a name to be reckoned with, it is because they are expert farmers who have thought long and hard about such matters as vine density, drip irrigation, and integrated pest management.

A few years ago, Andy Beckstoffer showed me one of his Rutherford vineyards. He explained how they had chosen the precise row orientation to encourage even ripening of the bunches; he talked about how different clones had been selected to match each soil type; he spoke of density and spacing and how yield was calculated; and of information technology and the difficulty of analyzing the stacks of data now at their disposal.

As technically astute growers, Andy Beckstoffer and his son David, who joined the company in 1997, are by no means alone. Equally revered are growers such as Larry Hyde and Lee Hudson in Carneros, the Pisonis in Monterey, and the Dutton family in Russian River Valley. Their names on a "vineyard-designated" bottle of wine are good indications of quality, because these growers tend to be choosy about who they sell their grapes to.

## The bottle formula

The system of "growers on the one hand and wineries on the other," is now well established. Andy Beckstoffer explains: "The California system came about because wine production is a capital-intensive business. Few could afford to run both vineyards and wineries. This led to a situation in the 1980s when wineries simply didn't value vineyards. They thought they could cook up wines from whatever was delivered to them, and they often sold off their own vineyards, which allowed people like us to accumulate significant holdings. Winemakers are now taking more of an interest in what happens in the vineyards. In the past, we would never see winemakers until just before harvest time. Now they are checking the vines year-round. But there is still a basic conflict, in that traditional growers want to overproduce and old-style wineries want to underpay."

The traditional way to pay a grower was according to sugar levels. By the 1970s, contracts had become more sophisticated as both growers and winemakers devised parameters that would trigger payments and/or penalties. Beckstoffer, however, threw all that out of the window when he came up with "the bottle formula," which stipulates that the price of the grapes should be directly related to the price of the wine made from them. "It's very simple," says Beckstoffer. "The bottle formula ensures that the grower gets proper reward for the quality of the wine made from his grapes. That puts the grower and winery on the same page. Whatever the bottle price, the price per ton is 100 times higher. Therefore, a $100 bottle would require our grape price to be $10,000 per ton. Many other growers now use the same formula. However, we also have a minimum price per acre, which allows a winery to reduce its crop below our usual level if it wishes to do so, while we continue to control the actual farming. We can't have a hundred different winemakers as our bosses.

"Growers need to run vineyards profitably, but they also see them as a treasure to be preserved, especially in Napa. That means revenue has to go to the land as well as the wineries, or you won't preserve the vineyards. It means that grapes aren't treated simply as a commodity to be traded. It's our way of giving the client access to some of the best vineyards of the valley. Just as important, it returns profitability to the land, which is the only way Napa will survive as an agricultural area. The moment that ceases, vineyards will be turned into shopping malls, as happened in Sonoma. That is the ultimate justification for the bottle formula."

This sounds high-minded, but many wineries regard Beckstoffer, rightly or wrongly, as a hard-headed businessman, as well as an expert farmer.

## Potential for conflict

There are many issues on which both sides need to agree when drawing up a contract. These include crop and ripeness levels, the harvesting date, and the extent to which the client can dictate how the vineyard is farmed. The fundamental decision is whether the grower is paid by the ton or by the acre (0.47ha). The former is a simple calculation, and if the grower greedily overcrops, he may well face the eventual termination of the contract. If payment is by the acre, then crop levels no longer matter. If the grower's instinct is to crop at 5 tons per acre but the client insists on only 3 tons, the grower may as well oblige the client, since the payment will be the same.

Beckstoffer, for one, is not keen on winemakers telling him how to do his job. "If the winery wants to dictate farming practices to an excessive extent, then it's likely the relationship won't work out. A long-term contract requires trust on both sides and an understanding that sometimes conditions favor one side, sometimes the other. Some winemakers still believe that the lower the yields, the better the wine will be, which is debatable. They feel pressured by their owners or by wine critics to aim for very low yields. But it's very hard to estimate the weight of the bunches. We growers can do a bunch count, but we won't have an exact idea of the weight per bunch—and thus the tonnage—until September, and sometimes our best estimates are wrong. It almost impossible to contract for an exact tonnage, so what we do is contract to deliver certain rows. If we are being paid a minimum price per acre, then we can accept that the client has the right to ask for the crop to be reduced, and we can go into harvest knowing that we won't be left with excess grapes if harvest exceeds estimates."

Jim Young feels the potential conflict is overstated. "I know some producers claim to do their own farming, but what they do is rarely something that wouldn't be done by us anyway," he says. "A good grower will pull leaves to get better aeration and make sure clusters aren't touching. It's expensive work, but it's also a kind of crop insurance, since there will be less chance of rot if the weather deteriorates.

"With a per-acre contract, clients feel free to instruct us to reduce the crop severely. But often they don't understand that an exceedingly low crop can give vegetal tones just as much as an excessively large crop. That's because the balance of the vines is being disturbed, so they're not expressing their fruit as well as they could and should.

"Wineries also decide the picking date and cite minimum Brix in the contract, as well as a maximum figure. We would normally aim to pick at 25.5° Brix, by which time the ripening should be homogenous. Of course, weather patterns can intervene, which is why there has to be some latitude, some understanding between both parties."

Virginia Lambrix, formerly viticulturist for DeLoach and now winemaker for Truett-Hurst, both in Sonoma, is also skeptical about the mania for ultra-low yields. "Some winemakers believe they can produce a 95-point wine from some vineyards simply by reducing yields. Such demands can annoy even the best growers, because those winemakers are using conventional wisdom to assert that low yields necessarily result in better wines. Even with a per-acre contract, there can be tension. Growers hate seeing their vines being punished, however much they're being paid. Also, every time a winery demands some shoot removal or additional bunch-thinning, it costs growers money to meet these demands."

## Reaching a compromise

When a grower begins working with a new client, it is standard practice to negotiate a one-year contract. If all goes well, then a more long-term deal can be concluded. David Ramey, who buys from some of the North Coast's top vineyards, dryly observes that "the most trouble-free relations with growers are those concluded with a handshake. When I have to sign a 14-page contract, I know there could be problems ahead."

Certain decisions are always left up to the client. The harvesting date is crucial, so winemakers will keep checking the vineyards they buy from in the weeks before harvest. Their decision may be based on how the grapes are tasting and their anticipated maturation, on weather forecasts, or on more banal issues such as the availability of tank space at the winery. The grower will supply the crew to harvest, but if a large number of client wineries all want their rows or blocks picked on the same day, the grower and the winemaker will just have to argue it out and reach a decision satisfactory to both parties.

The most conscientious growers prepare carefully before harvesting. Lee Hudson in Carneros explains: "We'll give an estimated harvest date to wineries to help them get prepared, but sometimes we have to keep calling them before they will actually make a decision. We try to deleaf the vines the night before picking a block. It means the winery gets fruit with fewer leaves, and it also allows our crew to pick more quickly. We ask wineries to give us three days' notice before picking their blocks, but it doesn't often work out that way. But we have to have a dance card, and it gets filled up fast. I'll only allow winery crews into the vineyard if we're really maxed out with picking too many blocks."

Since the 1990s, with the mantra of "phenolic ripeness above all else," it has become common for winemakers to demand ever longer hang-times, with, as a consequence, ever higher sugar levels. Growers such as Beckstoffer are by no means happy with this trend, which often seems driven by the wish to make wines in a style that appeals to critics and, thus, wins those priceless high scores from the press. "The trend toward very late harvesting of overripe fruit is unwelcome to most growers," says Beckstoffer. "Sugar accumulation over 24° Brix comes not from photosynthesis but from dehydration, which means lower tonnage. We give our clients precise data on the numbers and chemistry of their blocks to help them reach the right decision on when to pick. And there are other reasons for late harvesting, such as a larger-than-anticipated crop that leads to full tanks. That means wineries have to complete fermentation of a tank before it can receive a new batch of fruit. But as growers, we can't delay indefinitely. The winery must make an effort to find the capacity for our fruit, and we will do our best to help them. That's where a good relationship is important, so that we can deal with such problems.

"We have our own idea of optimal ripeness. We feel flavor development is best at 25–26° Brix, and I'm not convinced we can get that ripeness at 24° Brix. What we, and many good winemakers, want is ripeness without exceeding 15% alcohol. In my view, Napa's claim to greatness has to be based on the wine's compatibility with food, and an ability to age in an interesting way."

Young also finds demands for excessive hang-time irritating, concurring with Beckstoffer that dehydration leads to loss of weight and thus lower revenues per ton. "What's more, during harvest, overripe berries can simply drop off the bunch, leaving you with a substantial part of the crop on the ground. You can lose as much as half a ton per acre that way."

I ask Lee Hudson whether he minds his beautifully cultivated grapes being deliberately picked overripe and then watered during fermentation to produce a drinkable wine. "No, not really. In France they have the opposite problem, so they chaptalize. Here, they water! Anyway, ripeness and quality are subjective notions."

Some growers welcome active participation in the farming by interested winemakers. At Pisoni in Monterey, Mark Pisoni says, "We sell by the row and by the acre, so we're happy to have our clients specifying yields and the number of clusters per shoot. We have also done an experiment jointly with winemaker Adam Lee of Siduri. We harvested some vines at different crop levels, and he fermented them separately; then we got together to assess how they had turned out. We found that cropping at 2.5 tons per acre gave better wine than the same vines at 1 ton per acre."

If they can't be resolved by discussion, major disagreements between growers and wineries will result in the eventual termination of the contract. Hudson notes that many wineries, in these difficult economic times, are keen to wriggle out of some of their existing contracts. "If a winery wants out and I can find another buyer, it's no problem. If I can't, then they have to stick with me and honor the contract. In the present economic conditions, my costs are rising, while many clients' sales are slipping. So, at some point, we may have to agree to go our separate ways. Grape farming is a business, but it's based on relationships that in some cases have endured for decades. Some of my clients were my classmates at Davis."

Where there is considerable trust on both sides, vineyard development can become almost a joint venture. Over in Sonoma, the Dutton family has been farming apples for generations, and grapes since 1967, when Warren Dutton first put Chardonnay vines into the ground, even though his neighbors said he was crazy, insisting that Chardonnay would never ripen. Since Dutton's death in 2001, the vineyards have been run by his sons, who farm more than 1,000 acres (400ha) in 60 sites. Unlike the Beckstoffers, who

**California Cabernet Sauvignon grapes have sold for as much as $27,500 per ton**

like to call the shots, the Duttons are willing to be more accommodating, especially when planting or replanting a block. Often clients will come to them and outline their needs. Sometimes the Duttons will agree to custom-plant for them, with joint decisions on clones, trellising, and other matters. But that will be entertained only if the client will agree to a long-term contract, because it takes five years to recoup the costs of putting in a new vineyard. Much the same happens at other prestigious vineyards. Thus, at Bien Nacido in Santa Maria Valley, Syrah was planted at the request of Au Bon Climat and Qupé.

## Contracts and agreements

Lee Hudson is a good-humored man with a mop of curly graying hair, but behind the joviality there is clearly a sharp mind for business. He recalls that in the late 1980s he started receiving requests to green-harvest. "To growers, that seemed like dropping money on the ground. What these clients wanted was, in effect, to lease a block of vines from me, rather than just buying whatever came off that block. That required a different arrangement. We could assume that the yield a grower could reasonably accept from this land is 5 tons per acre—though here at Hudson it's often half as much. If the going rate was $2,000 per ton, then I would expect to earn $10,000 per acre. So I could agree to give the winery control over the crop for that sum. That way my interest was protected. The winery could risk reducing the crop without having to go to the expense of purchasing land and planting vines. That sum of $10,000 is an average. Growers make money from generous years when there is a huge crop, given by nature. But that happens only every few years, and a high-yield year is almost always followed by a low-yield year. So we estimate an average, but this can only work with long-term contracts. This per-acre system was a response to a burgeoning market and higher wine prices."

Surprisingly, Hudson still sells half his crop by the ton, not by the acre. "It's my crew that takes care of all the processes from pruning to harvest. I'm happy to let wineries have a say or even send their viticulturists here to watch procedures such as leaf-pulling take place. Unfortunately, the only person we see from some wineries is the winemaker coming here on the day of harvest to complain about something. But good wineries take pride in their blocks and take a close interest in them, which I welcome. The only thing I won't do is let their crews into the vineyard to pick the grapes. That's our job. All that is fine with a tonnage contract. But if the winery wants to dictate the crop level, then they have to negotiate a per-acre contract. I see myself essentially as a custom farmer, and I am happy to cooperate as best I can with what wineries want—but I also have the right to charge appropriately." (Bruce Cakebread of the eponymous Napa winery also favors per-ton contracts. "If you pay per acre, the grower may still neglect frost protection or make other errors, which then become problems to be borne by the client.")

Further fine points in the Hudson contract require the joint skills of lawyer and mathematician. "Contracts can get complicated at harvest. Our tonnage contracts have a rain clause and a sugar clause. At over 24° Brix, dehydration occurs, which lowers our tonnage. Twenty years ago, wineries wanted grapes picked at 23.5° Brix, but today it's considerably higher. Our clause states that if the Brix is over 25.5, then the seller (me) will be paid the target yield times the price per ton and the number of acres. This protects us from losing financially if the sugar is higher than it should be. The rain clause states that if the client delays harvest after the fruit has reached 25.5° Brix and it starts to rain, the grapes are theirs whatever the quality. The wineries sign this kicking and screaming, but they have to accept responsibility for their decisions and not saddle the grower with the consequences."

Like the Beckstoffers, Hudson operates a bottle formula. "With my costs and with the naturally low crop in Carneros, there's no way I can sell fruit to end up in a $25 bottle. Some 75 percent of my costs are labor costs, and we give our vineyard workers good pay and benefits. Years ago, it took 40 man-hours to farm an acre; today, with all the operations demanded of us, it's close to 250. The pricing of my grapes reflects not just the bottle cost but the added value of the Hudson name—I don't just apply a formula. As for vineyard designates or per-acre contracts, I won't even consider them until some years have gone by and both parties have got to know each other. I have a license on my name, which gives me the right to sample three bottles of wine made from my grapes before they are labeled. So if a wine that is going to carry my name is of poor quality, I can stop it. But almost all wineries self-regulate, so that [need] hardly ever arises. If I were to withdraw permission to vineyard-designate, it would in effect be the end of my relationship with that winery."

## The view from the other side

And what of the winery's point of view? Tom Mackey, the veteran winemaker at St Francis in the Sonoma Valley, is probably typical of most. "We have more control over our 45 contracted vineyards than in the past, and we employ a viticulture consultant who takes suggestions directly to the growers. We have some input into the farming at a few vineyards, but in general I prefer growers to do their own farming. Contracts are three to five years, and in the rare cases when growers won't respond to suggestions and improve quality, they're not renewed. But my team is continually in the vineyards, because we don't want any surprises at harvest. Some wineries have become too hard-nosed in their relations with growers, and that's only earned them animosity. We prefer a consensual approach and invite our growers to two-day meetings, complete with barbecues, so they can all taste the wines from their grapes. We pay by the ton, but contracts specify yields and clusters per shoot; and of course, we decide the picking date."

For Joel Peterson at Ravenswood, "the input we have at each vineyard will vary. Some need little or none. Others welcome it. Sometimes it's no more than a conversation. Working with a top grower is as close as you can get to owning your own vineyard without actually doing so."

Although some wineries claim to make a substantial contribution to the farming at contracted vineyards, it seems that this is often exaggerated. David Ramey in Sonoma notes, "At Hyde and Hudson I can control anything I want, but I don't need to. The vineyards are self-limiting in terms of yield. I do a little leaf-pulling and canopy management, but this is just fine-tuning." Pax Mahle, a Syrah specialist in Sonoma, adds, "If you want to farm a parcel yourself, you have to deal with the pride of the grower, and that often means compensating them financially for perceived losses."

## Three is a crowd

Dr Phillip Freese observes how the role of the viticulturist has changed over the years: "As a viticulturist working for Mondavi, I was certainly able to pass on to our growers new skills and techniques that would increase quality. Now, as a consultant, I can act as an intermediary, a kind of guidance counselor, since I speak a common language. Many winemakers talk to growers in a kind of 'wine-speak' that many growers just don't understand. Growers vary greatly in their knowledge. In Napa they tend to be very well educated; in Sonoma, less so. But the links between vineyards and wineries are growing closer all the time, which is positive."

Viticulturist Virginia Lambrix likes to form a relationship with the grower, so that both benefit—but it doesn't always work. Some growers are hobby farmers who may have acquired an excellent site but don't know the best way to farm it. She can help them to do so. "However, we need to be careful with growers we don't know. Every grower is real nice when the contract has been signed—but a year on, they can grow a second head and relations can plummet."

Not every grower is a professional like Beckstoffer or Hudson. Many have retired from their careers and fancy living in their own vineyard. Such proprietors usually employ vineyard-management companies. These may do a very good job, but they complicate the communications between the grower and would-be clients. Lambrix notes, "It's not ideal if the winery calls the [vineyard-management] company directly, because if the latter follows the winery's instructions, it's still the grower that gets sent the bill [for extra costs incurred]. But if you talk directly to the owner, he doesn't always understand what's required or transmit the request correctly to the management company. I find it important to get all parties into the vineyard at the same time, so you can sort out issues in advance.

"My job at DeLoach included forming links between the winery and the vineyards. For most wineries, that's a luxury. But an experienced viticulturist can contribute to the quality of the farming. I can walk through a vineyard and spot problems that the grower may not recognize, simply because I have walked through hundreds of vineyards, while many growers only see their own. But you need to be diplomatic. If the relationship becomes adversarial, both sides suffer. Lifestyle growers are not really farming grapes as a business, so they are often less committed than a professional grower."

## Pros and cons

Does the California model work? I think it does, even though there is no substitute for the estate that grows its own grapes and can control the innumerable variables. A good grower is not necessarily a good winemaker, however, and vice versa. At small properties, expert consultants can be used to bridge that gap. At large wineries, highly trained professionals can monitor the work of their regular growers. But there will always be a measure of uncertainty when the grower and the winery are separate entities. Many growers complain of interference by arrogant winemakers, and no doubt some growers can get up the noses of winemakers by refusing to take their requests and goals seriously enough. The harvest period is fraught with difficulties, too. Grapes may not always be picked at the optimal moment, sorting may be inadequate, and a slapdash winemaker can make a mess of the finest grapes.

The best growers—or the vineyard-management companies and consultants they employ—can produce fruit of dazzling quality, and despite some stylistic aberrations, most winemakers are technically competent

Yet the system muddles along. The best growers—or the vineyard-management companies and consultants they employ—can produce fruit of dazzling quality, and despite some stylistic aberrations, most winemakers are technically competent. At its best, the system pits professionals against professionals, whereas at its worst in Europe, it places amateurs alongside amateurs.

There is one major drawback. All farming entails costs, obviously, but if you cultivate your own estate, it is the winery that controls those costs. By entering into a contract with a prestigious grower, you are buying more than a bunch of grapes. You will be paying for the reputation of the vineyard and the grower. That premium may be justified, but it will have an inevitable effect on the price of the wine. With wineries competing to obtain fruit from the best sites, the grower can charge high prices indeed. The highest price paid to a Napa grower for Cabernet Sauvignon in 2008 was $27,500 per ton—an astronomical sum that can be earned back only by a very costly bottle. It is no surprise that many consumers consider California wines in general, and Napa wines in particular, to be seriously overpriced. ■