

AltaTech and its secret weapon

3 Sep 2009 by Jancis Robinson/FT though this is longer

How's this for an idea? You raise a few hundred million dollars from a pension fund. Invest it in top American West Coast vineyard land. Plant vines there and sell their produce at top dollar on the basis that it will help your wine-producing customers gain higher scores for their wines. You get most of the vineyard work done by outside contractors (mind you, so do many of your neighbours). So really, what you're selling is expertise in vineyard prospecting and design. And your investors are in no hurry for their money back because, while your returns are not as high as you'd like, they're a lot higher than for most of the pension fund's other investments. You also offer leases on new vineyards and leaseback financing on existing ones, all part of your offer of 'creative financial solutions designed to help wineries face the challenges of a competitive marketplace'.

This enviable model, AltaTech Viticulture (formerly Premier Pacific Vineyards) of 4 Financial Plaza, Napa, California was dreamt up in 1998 by real-estate veteran Richard Wollack and William Hill, a man with a track record of turning California dirt into dollars via wine. They had their first round of financing from America's largest public pension fund CalPERS in place by 2002 when they started to accumulate suitable land. Their second major injection of cash came again from CalPERS, while their third and fourth rounds came from Commonfund so that they have now planted a total of 1,700 acres of prime vineyard, with more than 5,000 acres of plantable reserves in hand, in California, Oregon and Washington state. Vineyard land has been known to go for up to \$330,000 an acre in the Napa Valley, where AltaTech has 344 planted acres.

AltaTech's earliest developments were in Oregon's Willamette Valley where they claim to be the largest 'high end' growers of Pinot Noir and Chardonnay and view their vines there, first crop in 2005, as virtual antiques. 'We consider sixth leaf [six years after planting] generally to be fully mature,' I was told by AltaTech's head of grape sales and leasing, Patrick Mahaney. The fact that Mahaney and his colleague Richard Sowalsky, head of 'vineyard and wine design', had long and distinguished careers at the Robert Mondavi winery also doubtless helps to reassure winery owners that AltaTech grapes deserve their premium. At this year's International Pinot Noir Celebration in Oregon in July, Mahaney was clearly a very big cheese indeed. When I asked him who his Oregon customers were, he volunteered. 'Who's not getting fruit from us?' before choosing to single out for special mention such admired names as Beaux Frères, Penner-Ash, Soter and the new venture of Tony Rynders, garlanded ex-winemaker at Domaine Serene.

In Washington state AltaTech has three vineyards 'in development' (sounding like a tv series) but none producing as yet, while in California the company has 260 acres in Sta Rita Hills in Santa Barbara county, five vineyards in Sonoma, three in Mendocino and five Napa Valley sites already planted, all clustered round the town of Napa because further north, and Carneros, is just too expensive and/or has been planted already.

AltaTech aims to sell its grapes in the top 80th or 90th percentile of the going rate which, even in these depressed times, can mean \$6,500 for a tonne of Napa Valley Cabernet Sauvignon grapes. And they claim there has been no let up in demand for their grapes from California wineries as well regarded as Kosta Browne, Goldeneye, Flowers, Paul Hobbs, Melka Wines, Quintessa, Cakebread and Duckhorn. Mahaney admitted that grape prices have been softening since September 2008 and expects to see them continue to fall but at AltaTech they are optimistic that, despite California's characteristically turbulent economy, the overall trend is up. 'Most of the good land is already planted, so there will always be upward price pressure,' claims Mahaney confidently.

Mahaney also maintains that in California's stagnant economy, 'most of our wineries don't need as many grapes as they once did, so they're pruning out the less satisfactory growers. Life for the average grower has been great for a while - incredible in fact - but now things have hit some choppy waters. Those who have good relations with the wineries will do ok, even if they won't get the price increases they're accustomed to.' But still he feels confident that a sufficient number of wineries effectively want to sprinkle a little magic dust in their high end wines by buying premium grapes from him.

This probably sounds obvious, even boring, to anyone outside Europe, but to a European, raised on the idea that wines are made from grapes grown by the person named on the label, it seems positively bizarre. Where's the fun in contracting out the grape growing? I put it to Mahaney that it was theoretically possible for someone to have produced a top-scoring wine without ever setting foot in a vineyard. 'Yes, that used to happen,' he admitted readily, surely referring to names less lauded than those above, 'but less so now that people realise how important vineyards are.'

Do his customers ever want to name a AltaTech vineyard on their label? 'Some want to, even with a relatively young vineyard,' said Mahaney, 'but we own the brand so they need our permission.' He cites one of their clients, who lives in San Francisco, makes just a few hundred cases of wine a year and religiously labels every one with the name of the vineyard, even though he doesn't own them. This is presumably the ideal AltaTech client for, as Mahaney admits, their long term goal is to see their own vineyard established as 'desirable brands'.

If the future of their vineyards is in the hands of third-party winemakers, who decides the crucial question of when to pick, I wondered? 'That's kinda fuzzy,' admitted Mahaney. 'The customers do, but we don't give them carte blanche. We have in the contract that if we think they're putting the fruit at risk... But we've only had to invoke that clause once in hundreds of transactions so far. You tend to prefer those customers who want to pick sooner rather than later.' Quite.

I also wondered where AltaTech stands on the question du jour: organic, biodynamic or conventional farming? The question is perhaps answered by the words 'bioholistically produced' on the label of Bill Hill's own Napa Valley Bordeaux blend, Tetra 2006. 'Biodynamics are a bit too touchy feely, too voodoo, for Bill,' according to Mahaney. Though I could not help noticing that the wine, as sweet and polished as the other eight examples from AltaTech vineyards that Mahaney poured for me, comes from a blend of several different vineyards. It would presumably be a shame to waste AltaTech's blending possibilities.

This extraordinary punt with Arnie's public servants' pensions is competing directly with the hundreds of much smaller, individual growers, many of whom are finding life extremely tough during what Mahaney called this 'bump in the road'.

I asked the highly regarded winemaker Paul Hobbs why he bought grapes from AltaTech. His response was, 'What Patrick and PPV [now AltaTech] offers me and my organisation are three things: Diversity-extremely high-end grape sources from a broad spectrum of terroirs. Allows us to explore viticulturally exciting, emerging regions with confidence and minimal risk. Ultra-quality farming... state-of-the-art plantings impeccably managed to today's best practices. Finally, PPV's secret weapon - Patrick himself. He's easy to work with, dependable and gets what we want.'