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Louis A. Petri

THE PETRI FAMILY IN THE WINE INDUSTRY

With an Introduction by

Maynard A. Amerine

An Interview Conducted by
Ruth Teiser



Louis A. Petri
1953

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PREFACE

The California Wine Industry Oral History Series, a project of the Regional Oral History Office, was initiated in 1969, the year noted as the bicentenary of continuous wine making in this state. It was undertaken through the action and with the financing of the Wine Advisory Board, and under the direction of University of California faculty and staff advisors at Berkeley and Davis.

The purpose of the series is to record and preserve information on California grape growing and wine making that has existed only in the memories of wine men. In some cases their recollections go back to the early years of this century, before Prohibition. These recollections are of particular value because the Prohibition period saw the disruption of not only the industry itself but also the orderly recording and preservation of records of its activities. Little has been written about the industry from late in the last century until Repeal. There is a real paucity of information on the Prohibition years (1920-1933), although some wine making did continue under supervision of the Prohibition Department. The material in this series on that period, as well as the discussion of the remarkable development of the wine industry in subsequent years (as yet treated analytically in few writings) will be of aid to historians. Of particular value is the fact that frequently several individuals have discussed the same subjects and events or expressed opinions on the same ideas, each from his own point of view.

Research underlying the interviews has been conducted principally in the University libraries at Berkeley and Davis, the California State Library, and in the library of the Wine Institute, which has made its collection of in many cases unique materials readily available for the purpose.

Three master indices for the entire series are being prepared, one of general subjects, one of wines, one of grapes by variety. These will be available to researchers at the conclusion of the series in the Regional Oral History Office and at the library of the Wine Institute.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to recent California history. The office is headed by Willa K. Baum and is under the administrative supervision of James D. Hart, the Director of The Bancroft Library.

Ruth Teiser
Project Director
California Wine Industry
Oral History Series

1 March 1971
Regional Oral History Office
486 The Bancroft Library
University of California, Berkeley

INTRODUCTION

For Horatio Alger stories, it is hard to beat that of Louis Petri. Taking over from his father he built the Petri Wine Company (finally United Vintners) into a gigantic California wine producer. Here he tells the story frankly and generally quite accurately.

Petri's memory is surprisingly good for many details. His slips are minor and not critical. He is, for example, correct, I believe, in recommending the development of "fanciful" names. Paul Masson's was "Emerald Dry" not "Emerald Green" and it wasn't entirely "fanciful" since the grape variety from which it is produced is called "Emerald Riesling."

Petri emphasizes his early training in chemistry. Obviously this was of great assistance to the company when they finally went into the wine bottling business.

History will probably evaluate Petri's observations on the influence of U.S. and state laws on wine mergers as highly significant. Probably the account of his formation of Allied Grape Growers and of the acquisition of Italian-Swiss Colony are the most important. The denouement of this story led eventually to the present Allied Grape Grower-United Vintner (Heublein) arrangement. How much it benefits the grower is a good question that history will soon answer. It is interesting to have Petri's acknowledgement that eventually 56 members of his family were involved in his business.

The concept and philosophy behind the wine tanker Angelo Petri is ample evidence of his willingness to gamble. The decrease in railroad rates on wine subsequently is ample evidence of the effect of the Angelo Petri.

One minor question. This writer doesn't know what created the 1956-1970 interest in table wines except consumer interest. Whether the interest in table wines in this period was due to sick-to-death attitude towards young dessert wines or to increasing quality of California table wines is a question for historians.

Petri states, at least twice, that he thinks the acquisition of small wineries by large companies will be advantageous to the maintenance of wine quality. One hopes so. Finally, we have Petri's testimonial to the prosperous future of the California wine industry.

Mr. Petri is gracious and generous to his former associates at the top management level. One finishes his account with the feeling that Petri was an imaginative and energetic executive with a heart but also with an ability to look at a business deal with a hard look. What comes through in the interview is his determination and stick-to-itiveness.

Maynard A. Amerine
Professor, Viticulture and Enology

1 August 1971
101 Wickson Hall
University of California at Davis

INTERVIEW HISTORY

The letter asking Louis A. Petri to participate in the wine industry oral history series went to him on January 30, 1969. On February 21 the first of four interview sessions was held. In it Mr. Petri's family background was discussed and, since he did not have all details in mind, during the following weeks he refreshed his memory and the interviewer checked the San Francisco city directories, so that there was some reworking of information at the second session on April 30.

Delays followed because of Mr. Petri's business affairs and absences from the city, and finally because he became ill. Shortly after he was out of the hospital the remaining two sessions were held, on September 4 and 10, 1969.

All interview sessions were held at Mr. Petri's comfortable office at 615 Montgomery Street, San Francisco. He spoke easily, although frequently interrupted by phone calls.

The adjectives energetic, nervous, quick-minded, informal, and likeable all apply to Louis Petri. In his office attending to his business affairs, it is easy to see him as a man willing to assume responsibility, make decisions, and undertake challenging ventures with enjoyment.

In the initial transcript of the tape recording, the interviewer reconciled the details of family history in the first two sessions, made some minor corrections, and turned the typescript over to Mr. Petri on October 25. Discussion of it followed. He felt that he had spoken too informally, sometimes ungrammatically, but agreed to let the interview retain its original conversational quality. He did make a few deletions and numerous changes, adding many specific details. The editing of the transcript was completed April 22, 1971. Mr. Petri furnished photographs and the accessory data that make up Appendix B and Appendix C.

At Mr. Petri's suggestion, Dante Foresti was interviewed, on April 21, 1969. Appendix A is a summary of that interview.

Ruth Teiser
Interviewer

9 August 1971
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University of California at Berkeley

(Interview #1 - February 21, 1969)

THE PETRI FAMILY

Teiser: Would you start with your grandfather, Raffaello Petri?

Petri: My grandfather was a Diamond Jim Brady. He wore a big diamond stick pin and had a fancy gold-headed cane, and everywhere he went he always wanted the best, whether he could afford it or not. Dressed immaculately. He was a bon vivant.

He came here I believe it was in the year 1889 or 1890. That year might not be exactly right, within a year or two. As a young man before he came over, he worked in a winery in the Tuscany region of Italy, which is a good wine area.

Teiser: Let me see--when I found the family first in the San Francisco city directories, his sister was here. Wasn't it his sister who was Cherubina?

Petri: Yes, that is correct. Cherubina Nieri.* I can't tell you whether she came first or...

Teiser: She was listed in an 1882 directory as Cherubina Petri at 1405 Dupont, then from 1883 on for a good many years at 1407 Dupont, the same address as "Petri Cigars and Tobacco."

Petri: That sounds right. You seem to know more about the dates than I do.

Teiser: Then in 1890 there is a listing for "R. Petri," a partner in Vincenzo Duvalle & Co., proprietors of the

*Née Petri.

Teiser: Toscano Hotel at 619 Broadway. Later he was a proprietor of the New Toscano Hotel at 526 Broadway.

Petri: That seems correct. Later he had a hotel half a block up Green Street from Columbus Avenue, the Cosmopolitan Hotel, and it's now the Montclair Restaurant. He came over here and actually went in the hotel business. He really wasn't in the wine business the first day he came here. The hotels were sort of boarding house type hotels. He naturally served wine with every meal. Very quickly he began to go to the Napa Valley to buy wine in bulk, that is in barrels.

He served his boarders their meals early, and by around 6:00 or 6:30 he had them all fed and then he would serve a special dinner where he would sell meals to the outsiders, and to them he gave a better grade of wine, if you will, that he had bought in the Napa Valley. He had an excellent palate, and an excellent ability to select wines. Those wines were so good, especially after he had aged them in the basement of the hotel, that people began to buy them. When the customers were ready to go home, they would take a case or two of his wine with them. That business began to grow, and so pretty soon he went into the wine business directly, using the basement of his hotel as a winery.

Teiser: Was he bottling it, selling it in bottles?

Petri: Yes, mainly in bottles, bottling the wine in the basement. Actually I can still recall that, before Prohibition, he had two wineries but he still did quite a bit of bottling in the basement of the hotel that was on Green Street. At first his business was essentially the hotel business, but the wine business became more important to him than the hotel. Now do you have anything on Dante Foresti?

Teiser: He was a partner in the hotel?

Petri: Yes. He was a partner with my grandfather in both the hotel and the wine business. This man is still alive. He was a very young man when he came to work for my grandfather, and because he worked hard and well, my grandfather gave him a small part of the business.

Teiser: He's first listed as a partner in the hotel in 1907, and as a partner in the wine company first in 1910. That's the first year R. Petri & Company is listed as being in the wine business.

Petri: I guess that's right. Dante is still alive, and after Prohibition Dante moved from San Francisco to Escalon. He became a partner in the Alba Grape & Fruit Company. It owned 640 acres of vineyard there together with a small winery. He still lives there.

Teiser: I see. When did your grandfather buy his first vineyard or winery?

Petri: Actually he never had a producing winery until just shortly before Prohibition. And that was on Sexton Road, right near Escalon, California. Not the Alba property. I believe it was called the R. Petri Winery. He only had it for about two or three years before Prohibition. He sold this vineyard and winery to the Emerzian family right after Prohibition. Before that he operated purely, if you will, as a broker of bulk wine, and as a bottler. He bought wine from others. Where there is now a woodworking cabinet shop on Green Street--just east of Grant Avenue--he had a wine storage depot. That winery must have had a capacity of about a quarter of a million gallons. I have heard the story many times that right before Prohibition became effective people with jugs were lined up for many blocks to buy the wine. [Laughter]

And the interesting thing is that my grandfather had about a half a million gallons of wine when Prohibition was voted in, and right up to the last hour they sold the wine. They started maybe at 25 or 30 cents a gallon. The last of it was sold at a couple of dollars a gallon. He came out of it with a considerable amount of money. And, as I said before, they were lined up for blocks, people with jugs, as if there would never be another gallon of wine produced in the world.

Teiser: What about his brothers and sisters?

Petri: Before he came to San Francisco his sister Cherubina had come before him--Cherubina and his brother Amadeo went into the cigar business. That business was on Dupont Street, now called Grant Avenue, actually in the same location where I was born.* It was a cigar

*On October 13, 1912.

Petri: store in the front, and a few Italian ladies were in the back making Italian style cigars. That was the start of the cigar business. Then when my father came to San Francisco, he actually went to work for both his father and his uncle, Amadeo. They were two separate entities, the wine and hotel business and the cigar business, and my father worked for both of them.

Teiser: Let me ask, how did your father come to be born in Marseille?

Petri: Because his parents were on a trip to Marseille and he was born there. But they went back to Italy shortly after he was born. My grandfather came over here first, and after he made a few dollars he sent for his family. There were four in my grandfather's family. There was Raffaello and Amadeo, and there was Carlotta and Cherubina. Two brothers and two sisters.

Teiser: Your father remained in Italy through his early years?

Petri: Yes, through his early years. That is correct. [on the telephone to his secretary, Miss Iola Guaraldi] What year was my father and what year was my mother born? My father, 1883. And my mother '88. Very good. Thank you. (Iola has been working for the family about 45 years. She was my father's secretary before me. She probably knows as much about the family and its business as anyone.)

My mother* was born here in San Francisco. Part of the family had moved over already. When her mother came here she was pregnant. Her mother was Carlotta Guidi. As I said before, my mother was born in San Francisco, but her father became very ill shortly after they arrived. He and the family turned around and went back to the old country. He wanted to die in his native land, Italy.

So the family was already here by 1888. I never thought of that before. They went back, maybe in early 1889. She [my mother] was, oh, less than a year old when they went back. And then my grandmother

*Born Amelia Guidi.

Petri: Carlotta remarried in Italy, and when my mother was about 12 years old, my uncle Amadeo [Petri] and Caterina, his wife, went to Italy and brought my mother back to San Francisco with them. They raised her, because my grandmother in Italy wanted my mother to be reared in the United States. The man that my grandmother married did not want to come to the United States.

Teiser: And your father* came here....

Petri: Let's see, my father was about--well, he was here before my mother came back. He was just a young boy. It was about 1898 or 1899. His first job in the United States was in Elko, Nevada. He worked for a good friend of the family who had a hotel there. I believe he worked there for about four years and then came to San Francisco. After he arrived here, he went to work for both his father and for his uncle Amadeo. My father was a great man. He worked hard and helped make both the wine and cigar business successful.

Teiser: I wish we had been able to interview your father.

Petri: Yes, I wish you could have. I'm sure you would have enjoyed it. He was ill for so many years before [his death in 1961]. He had a series of strokes, and with the last one he was in the hospital for five years.

Teiser: To go back to the Prohibition period, what happened then to the San Francisco property the family owned?

Petri: The one property we were stuck with was my grandfather's lease on the Cosmopolitan Hotel property. For years, even after my grandfather's estate was settled, we had trouble. But finally we were able to find someone to assume the lease. They built the present Montclair Restaurant on the property.

*Angelo Petri. He died October 4, 1961.



Mr. and Mrs. Angelo Petri with their sons Albert (left) and Louis (right)



Petri cigar company float constructed for the Panama Pacific International Exposition of 1915.

PROHIBITION YEARS

Teiser: What happened to the vineyard property at the time of Prohibition? It was a vineyard and winery?

Petri: Yes. At Escalon there was a small winery, the one I told about on Sexton Road, and, I think, about 100 acres of vineyard. That was sold immediately after Prohibition.

Teiser: Weren't such properties a glut on the market immediately after Prohibition?

Petri: There was a pretty good market for grapes immediately after Prohibition, because the type of grape raised in that area--what they call wine juice grape, the ones that are used to make wine--they were in good demand. Actually some of those farmers in the area made a heck of a lot more money during Prohibition than they did before Prohibition.

There developed a great market for home wine making in New York and all the principal centers, because all the Italians, Frenchmen and other wine-drinking people, wanted their wine and the law allowed them to make 200 gallons of wine [each year per household]. The law allowed families to group their permits and make their wines together. Some of the tenement buildings had pretty good size wineries in their basements.

Teiser: Was this in New York mainly?

Petri: Well, New York and other big cities such as Chicago and Philadelphia. The bootleggers would buy the permits, if you will, from the owner or give him 50 gallons of wine for free for the permit. They would then have all this wine that supposedly belonged to all the tenants in common, for sale.

But all the people of Latin extraction wanted their wine. The law allowed it. And [grapes] being packed in boxes and shipped all the way from California made the price quite high. Thus some of that land became very valuable. The juice grape growers made good money.

Teiser: So your grandfather...

Petri: He sold out. He completely retired. He had his money and he completely retired. He died in 1923, I believe. And now here starts the other end of the story that's interesting.

The Cella family, who later owned the Roma Wine Company, were the agents in the East for both our cigars and wine before Prohibition. Incidentally, J. B. Cella is my father-in-law.*

Teiser: Oh, that was how there had been a connection.

Petri: Yes. After the wine end of my grandfather's business grew, and my father became active in the selling end of the business, my father began travelling to the East to sell wine and cigars. On one of his first trips, my father met the Cellas--John Battista and Lorenzo (Lori) Cella--and they started buying wine from us. I don't know what year that was, but I know that my father was in New York with the Cellas right before I was born and that was in 1912.

Teiser: Was it all bottled here or was some...

Petri: No, it was all bulk--in barrels. We bottled here under our Petri label for sale locally. [shows old bottles] You see how old that is. [Laughter] This one, if you look closely, is dated 1918, right before Prohibition. You cannot read the dates on the others. I've had many people call me up and offer me more [old bottles] that they find when somebody dies and they clean up the basement. At first I used to give them a case of good wine or something for a couple of bottles, but then you get too many.

Well, as I said, my father started travelling East and selling wine and cigars. The Cellas became our largest customers. My father had some other accounts; I remember Dad telling about the accounts in Philadelphia, Boston and St. Louis. Yes, my father did a good job of selling wines and cigars. As I told you before, we went out of the wine business with Prohibition but remained in the cigar business.

By the way, there is someone you should talk to. I believe you met him here with me the other day. His

*Louis Petri married Flori Cella in 1935.

Petri: name is Benjamin (Benny) Mortara. He came with the cigar company during 1919 and retired in 1964. He started as a bookkeeper and retired as vice president and controller. He has been a tremendous help to the family both in the cigar and in the wine business.

Then when Repeal came, the cigar company decided to go into the wine business. A year or so before Repeal we leased three plants, all in the northern part of the state, and started producing table wines.

Teiser: Where were they?

Petri: There was one at Forestville, California, which is now an electronics plant.

Teiser: What was it called? Did it have a name?

Petri: I don't remember its name before, but it became Petri Wine Company. And also a plant just south of St. Helena, which is now what is called the "big co-op." I don't know what its name is--St. Helena Co-op or something--"the big co-op" they call it, which is presently under contract to Gallo. Then we had a smaller plant south of Calistoga. These two plants were part of the Mt. St. Helena Calistoga Wine Company, as a subsidiary of the Petri Cigar Company. This corporation was merged with the Petri Cigar Company in September 1933. (Incidentally, the one at Calistoga for many years was under contract to Gallo, but is now under contract to United Vintners.) Besides we bought wines from many small wineries in the northern area, because our own plants weren't sufficient.

EARLY POST REPEAL YEARS

Petri: Then about a year after Repeal we bought the Alba Grape & Fruit Company at Escalon, in order to acquire a plant in the southern part of the state so that we could make dessert type wines. We thought when we first entered the wine business that the market would be mainly table wines. That was what the business was before Prohibition, and that for practical purposes was all that my grandfather sold. This was proven wrong very quickly because the big business became

- Petri: port, sherry and muscatel, you know dessert wines. So we made a deal with Louis Martini (who at that time was not in the Napa Valley but was at Kingsburg, California, making dessert wines.) We bought all of our dessert wines to start out with from Louis Martini, which is interesting. Here they all tie in together. [Laughter]
- Teiser: I see in the 1941 directory there was still a Petri Cigar Company.
- Petri: D.b.a. [doing business as] Petri Wine Company.
- Teiser: But later the name was changed officially to the Petri Wine Company?
- Petri: It wasn't changed to Petri Wine Company for quite a while afterwards. As the wine business became larger than the cigar business, and every time you had official documents to sign (and there were plenty) you had to put "Petri Cigar Company d.b.a. Petri Wine Company," we reversed it and made it "Petri Wine Company d.b.a. Petri Cigar Company."
- Teiser: This is as of 1950?
- Petri: Yes, around 1950.
- Teiser: What happened to the cigar business finally?
- Petri: Oh, the cigar business stayed in existence until we sold out to Allied Grape Growers in 1959, at which time my brother Albert bought it from the corporation.

(Interview #2 - April 30, 1969)

- Teiser: Your father, Angelo Petri, at what point did he come into the wine business, and what were his accomplishments in it?
- Petri: Well, I think I told you last time that when dad first came to San Francisco, he really worked both for his father, who was in the wine business--that was the R. Petri Wine Company at that time--and he worked for his uncle, his father's brother, Amadeo, in the cigar business, known as Petri Cigar Company.



Angelo Petri in his office, with portraits of his uncle, Amadeo Petri (left) and his father, Raffaello Petri (right).

Petri: He was the one who, as the businesses grew, did all of the travelling. He went to New York and Chicago and other places and sold the cigars and the wine to wholesalers, if you will. And I think I told you last time of the connection between the Cella family and the Petri family. The Cella brothers, J. B. Cella and Lorenzo--Lori--Cella, took on in New York the sale of the wine, which they bought in bulk, and also our cigars. They bought the wine in barrels and re-bottled it in New York. They also sold some of it in barrels.

Teiser: What labels were they selling your wine under then?

Petri: I believe only Cella. And the cigars were under our own label--Marca Petri cigars. Well, at the time of Prohibition, we went out of the wine business, but continued on in the cigar business. My grandfather died, oh, not too many years [later]; I think it was about 1923.* My father kept working with my great uncle, Amadeo, in the cigar business. Amadeo died not too many years later, probably about 1925. So we were only in the cigar business and grew considerably in this business all through the time of Prohibition.

Then when Repeal looked like it was inevitable, they went and leased wineries north. They misjudged the business at that time, as any old winemaker would have, and thought that nothing but table wines would be sold. They leased three plants, one in Forestville--that's in Sonoma County near the Russian River--and two near St. Helena in the Napa Valley. They started to produce wine at the time of the repeal of Prohibition. Now I'm just a little foggy as to whether these wineries had any wine on hand when we leased them, or whether we bought only plants. I don't know whether we started from complete scratch or whether they had some wine on hand.

Right after Repeal, the big seller at that time was dessert wines, you know, high alcohol wines, and we unfortunately were not in the dessert wine field. We didn't have a dessert wine plant. And that's when they took over the Alba Grape and Fruit Company. The

*June, 1923.

Petri: Alba Grape and Fruit Company, as I told you before, had a small winery together with 640 acres of grapes, near Escalon, California. The vineyard was, for practical purposes, all wine juice varieties, and before Repeal the company shipped the grapes East. With the second crops and the stripping from the vines they made some wine. But the wine was of poor quality. When we bought the company there was about 300,000 to 350,000 gallons of wine. The wine was real bad and unsaleable. Most all of it had to be dumped down the sewer.

Teiser: Why was it so bad?

Petri: Well, it was made from grapes that were left over after they had shipped the best, and the wine just wasn't taken care of. It was really bad. I remember that was about the time that I entered the business. Oh, some of it was distilled to make brandy, but most of it was dumped. The tanks that the wine was stored in hadn't been properly maintained or prepared before use. This was true of lots and lots of wine in California at the time of Prohibition. People were making wine from what was left over on the vines, from second crop grapes that were moldy and bad grapes. There weren't too many people that had kept this type of old wineries going during Prohibition that made good wine.

We cleaned up the winery, bought some good equipment and started producing our own dessert wines. But before our own wines were ready, we were buying our dessert wines from Louis Martini, who since has become quite famous, as you know, in the Napa Valley. Louis' start in the wine business was not in the Napa Valley, it was in Kingsburg, which is right below Fresno. He had a fairly large plant there, and produced dessert wines.

Teiser: Did he make good dessert wines?

Petri: Excellent. Louis, in my opinion, is one of the best enologists and winemakers in the state of California. Incidentally he's about 82 years old at the present time. He decided that the future--well ahead of everybody--was in good premium wines in the Napa Valley and was one of the first (other than the few existing wineries such as Beaulieu and Inglenook) to go to the Napa Valley--you know, one of the first to really go to the Napa Valley and produce premium type

Petri: table wines, for which the Napa Valley is now quite famous.

Let me say that Escalon is one of the real centers of good grapes of better quality than you get further south in the [San Joaquin] valley. Even during Prohibition it was a big shipping market for what they called wine juice variety grapes, the ones for home wine making. It was a good area for it, and it still is. Well, our Escalon plant has become the prime plant for United Vintners for the production of the less expensive type of table wines. The grapes in this area are, in the main, non-irrigated, and then too this area has cooler weather than there is further south.

Teiser: What did you label your table wines?

Petri: Well, at the very start of our bottling, which didn't occur until maybe four or five years after the repeal of Prohibition, it was mainly under the Petri label. And as a second label, we had one called Albano. We wanted to call it Alba, but we couldn't get the name, so we came close to it with A-l-b-a-n-o, Albano.

Teiser: And what did you call the wines? Burgundy...

Petri: Yes, burgundy, Zinfandel. The generics. We did not sell any varietals to start with, neither did anyone else in the industry. It was burgandy, sauterne, port, sherry, muscatel, angelica. Zinfandel would be closest to a varietal as such, but most wines were not sold under the name of the grape. Still today, most of the commercial wine is sold that way. What I call "commercial" is the regular bottling of Italian Swiss Colony, Gallo, and others. They're trying, to a degree in something like a rosé to call it a "Grenache rosé" because there are plenty of Grenache grapes. Both Gallo and United Vintners have been pioneers in so called natural fruit flavored wines. These are known by such names as Thunderbird, Bali-Hai. Paul Masson has been a pioneer in creating their own fanciful names for table wine such as "Emerald Green."* More of this is needed in the industry.

Getting back to our start in the bottling of wines, we took a part of the large cigar manufacturing

*Emerald Riesling. See Introduction.

Petri: plant we had in San Francisco at Battery and Vallejo, 901 Battery Street, and made it into a winery. We took a large part of the basement and about half of the first floor. It was a rather large building; we employed about four hundred people to make cigars in that plant. We installed about 300,000 gallons of storage tanks. The wine was brought down from the wineries in tank trucks.

To start out with, in San Francisco, we sold wine to grocery and liquor stores in 5, 10, 15, 25 and 50 gallon barrels. Customers brought in their own jugs and bottles and the wine was sold directly from the barrel. My uncle Paul Petri, my father's brother, who incidentally is still alive, was sales manager at that time. He did a great job of selling wine to the grocery and liquor stores. We had a distributor in Oakland called Vick's Distributing Company that with my uncle's help did one hell of a good job for us.

We did not do any bottling for four or five years. The first bottling we ever did was a private labelling for a restaurant in Los Gatos called Ferranti's, good friends of ours. I remember I made the sale. We used to go to Los Gatos a lot because Dad had a summer home there. I sold them 200 cases under their own label. I remember that I took a couple of cigar makers and we hand-labelled it. In the meantime we began selling large quantities of wine to eastern bottlers in tank cars.

FROM BULK TO BOTTLED WINES

Petri: Our first real entrance into bottled wines really was when the can companies went to all the wineries and wanted wineries to put wine in cans. I'd say about--oh at least ten of them were subsidized by the can companies, especially American Can Company, to put in canning plants and can wine. I rebelled at the idea [laughter] of putting wine in cans, and this is when I made a deal with Owens-Illinois Glass Company whereby they made a light-weight bottle that generally was competitive in price with cans. I have that label somewhere--"Little John"--you see that label on the wall? [points to framed label]

Petri: I went to Safeway with that idea, with that little bottle, even before we started bottling....

Teiser: What was it, a tenth?

Petri: It was 12 fluid ounces. Incidentally, it is certainly wrong that we here in the United States [now] have to put a full fifth--25.6 ounces while all the imported wines come in at 24 ounces. Well, the 1.6 ounces makes a big difference both in tax, the cost of the bottle, the cost of wine and everything else. The industry had to and still has to sell a full fifth. The government allows the importers to bring in a 24-ounce bottle. It just isn't right.

Teiser: Your "Little John" bottle was 12 ounces then?

Petri: Yes, it was 12 ounces. The full fifth and tenth law came in later. Cute little bottle. I've got one home some place. Well, I went to Safeway with a sample, to try to sell them the small bottle rather than the can. They started buying it from us. Safeway at that time was buying wine in every division and most districts from different bottlers. I managed to sell them the idea of having one source for their wine business. I ended up getting all of Safeway's wine business under their private label called "Fidelis."

Later we got real fancy and made a little Fidelis 12-ounce bottle, which was a big hit. So, as I say, our real big entrance into the bottling business was when I was able to sell Safeway their Fidelis private label for their whole operation. It's a funny thing, I don't have one here [on the shelves]. I have many at home. I probably should have one here. After our start with Safeway we slowly began to get into our own bottling, essentially Petri. And you can see there [pointing] the first two labels we came out with. Those two there. This, the Vintage label was the more expensive, and this, the Double A, was in between in price, and then we had the Albano as the more competitive wine. We were one of the first companies to go out and get modern designers. We hired designers for the label and bottle designs...

Teiser: You got Jo Sinel?

Petri: Jo Sinel was the designer of those two packages you see there. One was tapered, the other had a breast.

Well, just shortly after we put our plans into effect, along came World War II. We kept on with Safeway for a while, but then we parted company with them.

[Interruption for telephone conversation]

Louis Martini... Well, as I said, we broke off with Safeway, and during the war, we put the great majority of our wine in bottles under the Petri label. We moved essentially from the tank car business to bottled wines.

Now you were asking me about my father. My father was very active in the business when we first started. I came in the business about--let's see, it was in about March or April of 1935, the year I left school. I was studying medicine at the University of St. Louis. I fell very much in love during the summer of 1934, with a girl I married in 1935. As I told you before, her name is Flori and she is a Cella. I came home for the Christmas vacation in 1934, and went back to St. Louis after the vacation, but the glamour of both families getting into the wine business and my strong desire to marry Flori made me decide to quit med school and come home.

After I came home, Dad arranged for me to get some special instructions from some of the great professors at the University of California. I took special courses from [Albert J.] Winkler, [Maynard] Amerine, and [William V.] Cruess. They were and became great in the field of enology and viticulture. At first I remember that I set up a laboratory in the laundry room of our home. Then we built a laboratory. I guess I really started as a barrel washer, if you will, but during spare time and at night I was analyzing the wines from all the plants.

Teiser: This was at a time when the University was giving kind of crash courses to people in the wine industry?

Petri: Yes, but I did not go during the daytime. I went at night. I worked during the daytime, and I had some special courses at night that I told you about.

Petri: I knew my chemistry; after all I was freshly out of school as a chem major, and I was pretty good in chemistry, so it was just a matter of learning how to do wine analyses and learning something about wine making. I also started a few research programs.

Then during the war, when we were selling most of our wines in bottles, we established a tight allocated system. Put it this way: an extremely legitimate allocation system. Special deals were available where we could have made a lot more money. We allocated every gallon of wine we could make as fairly as we could and sold every case or gallon at the O.P.A. established prices, so that when the war was over with, we had a good system of distribution of our products throughout the United States.

During the war I was very active in Washington. I was on just about every committee that had anything to do with the wine and distilling industry. I spent half of my time in airplanes commuting back and forth to Washington, and very nicely I flew on priority. I was on the O.P.A., the price committee for both the wine and the distilled spirits. I was in charge for the West Coast of making alcohol from molasses, which unfortunately all ended up in the hands of Russia. Yes, I was in charge of setting up the wine industry to make molasses alcohol with their stills during the off season. This alcohol was used as antifreeze by the Russians. I was on the N.B.A. or N.R.A., one of those initials, which allocated all scarce materials, such as glass, screw caps, cardboard boxes, out of Washington. And because of this type of work and because I was married and had a child, I was not called into the armed services.

Before the war, actually, we started acquiring other companies, and I think if you look up there [at framed photographs] and go down through them, I can tell you what they are. The first one, the picture up on the top, was where we bought out a 50 per cent interest in the Margo Wine Company. [Interruption for phone call] That was my brother.

Teiser: Your brother's name is?

Petri: Albert. He's my older brother. I only have one brother and no sisters. He's three and a half years older than I am. He was in the cigar business. We

Petri: ran them pretty much as separate businesses. However, naturally we all worked together because essentially it was a family business. Now there is somebody else you should talk to who has been in the business for a long time, and is still in it. He's just ready for retirement. He's in Europe at the moment and will be back in June. He is Mr. Bianchini, Lelio Neil Bianchini. Now, Bob--that is his nickname--was in the business before me. When I came into the business, I really worked under Mr. Bianchini.

ACQUISITIONS AND THE CREATION OF ALLIED GRAPE GROWERS

Petri: Now, about the acquisitions we were talking about. The first acquisition we made was a big bulk wine customer we had in the state of Pennsylvania. The state of Pennsylvania is a monopoly state, as you know. We first started doing business with him by making a deal on a cost-plus basis, but it became very complicated. We ended up by buying half of the company from a Mr. John Margolis. A few years later we ended up buying the other half from him.

Teiser: What was the name of the company?

Petri: Margo Wine Company. It owned the Margo label, which was the biggest selling brand in the state of Pennsylvania, and is still a very important brand. And, strangely, the company also owned the name Greystone for the state of Pennsylvania. Margolis had been buying wine from what was then Fruit Industries and managed somehow or other to get the right to the name Greystone, only for the state of Pennsylvania. The old Fruit Industries, which is now the California Wine Association, owns it for the rest of the world.

Teiser: So then you came into the Greystone label for Pennsylvania?

Petri: We came into the Greystone label for Pennsylvania. Now, right before--and that picture's not up there--Dad did this one just shortly before I began travelling for the company. We bought out half of what was Sunny Hill Wine Company in Chicago, which was a large bulk customer of ours. And we ended up eventually

Petri: buying all of it. On that, interestingly enough, there were two people involved. One of them moved to California, a man by the name of Joe Gazzara. Mr. Gazzara, who died about six or eight months ago,* bought the Crest View Winery in California, after we bought him out. Our philosophy at that time was, well, if we had these big customers, we didn't want to have to continually fight over prices and stand the danger of losing them. If we became partners and worked together it made for a better deal for everybody concerned.

Teiser: Did either of these produce wine?

Petri: No. They were strictly bottlers. Sunny Hill was the biggest brand in the Chicago area, and Margo was the big one in Pennsylvania. Well, the next acquisition, let me see, oh yes during the war--there's not a picture of that up there--we bought out the Tulare Wine Company, located just north of Tulare. This was sort of a screwball deal. The state of Washington, which was a monopoly state, gave us a contract to bottle and sell them the full gallonage of wine that came with the plant.

Teiser: Who had owned that?

Petri: A man by the name of Frank Giannini. No relation to the Gianninis of the bank.

Teiser: And it was an actual wine producer?

Petri: It was an actual wine producer and it was a fairly good sized plant. First we bought the winery, then we bought 1280 acres, two sections, of land that surrounded the winery, from the same family. Mr. Giannini had a son-in-law by the name of Fred Lagomarsino who was the general manager and was some sort of a partner with him. I believe he was more involved in the winery than he was in the vineyard.

Teiser: This was table wines?

Petri: Some table wines, but essentially dessert wines. The wine business in those days was essentially dessert

*July 9, 1968

Petri: wine--you can get the statistics. If my memory serves me right, dessert wines were about 75 per cent of the total wine market. But as you know now, the sale of dessert wines has declined and the sale of table wines has climbed tremendously. This is wonderful for the industry. As a matter of fact table wine sales are now greater than dessert wine sales.

Then our next acquisition was when we bought out the Mission Bell winery from the Arakelian family, headed by Mr. K. Arakelian.

Teiser: What's his real name? I've never heard him called anything but "K."

Petri: I think it was Krikor. It's an Armenian name. Everybody called him "K," but I think that was Krikor. Shortly after we bought out the Mission Bell winery, which was a real big winery, we turned around and sold Tulare Wine Company to K. Arakelian's son, Eddie [laughter]. We then sold the winery and most of the vineyards.

We found that trying to be farmers in a large scale was not profitable. We found it was cheaper to buy grapes than raise them. When we bought the Arakelians out we began to be a pretty good sized operation. I remember that we crushed about 100,000 tons of grapes the year we bought the Arakelians. Naturally, our sales grew with each acquisition. And this was when we began to run out of money. It wasn't so much what we paid for the plants, but every ton of grapes that we bought had to be paid for, and then we had to age the wine. The turnover of our money was slow. It was because of this that we got the bright idea of forming Allied Grape Growers. But that had a very peculiar start. It started very bad, but ended up the greatest deal that we ever made.

It started out when I got a group of large Thompson Seedless growers in the Madera area together. There had always been a problem of getting enough Thompson Seedless grapes at the beginning of the season, and getting them in fast enough so that you could make a stockpile of high proof alcohol to have available later to fortify wine grapes that came in later in the season. So to get people to give us the Thompson Seedless grapes, I made a three-year contract

- Petri: on about 20,000 tons of grapes. We agreed to pay the grower on a 4-to-1 formula. That is, on a fresh basis one-fourth of the price that they got for their raisins. Well, as the thing turned out, the raisin market got extremely hot during that period of time and we were paying a much higher price for Thompsons than what other wineries were paying. The growers were really getting rich on us. So at the end of the second year of the deal, early 1959, I proposed to the "4 to 1" growers that they form Allied Grape Growers, a co-operative, and through a very complex formula we converted their contracts to Allied Grape Growers. All of them and some other growers formed Allied Grape Growers. The original sign-up was for about 30,000-35,000 tons of grapes.
- Teiser: What part did you have in the formation of Allied Grape Growers? Beyond the original suggestion.
- Petri: I conceived the idea and helped them set up their co-operative. The idea was that after they had formed a co-op, the grower gave title to his grapes to Allied, who in turn gave us the grapes to make into wine. Then we had a very complex formula with them whereby we shared the profits from the sale of the wine. We paid Allied on a deferred basis over an 18 months period. The deal was really a partnership. Allied supplied the grapes and were paid on a deferred basis; we invested in making the wine and selling it with our brand and through our organization. As part of the arrangement they bought our Escalon and Madera plants from us at a very low price--book value--and paid for them over the next six or seven years. Allied withheld from the grower monies to pay us. It worked out great. They received enough money over market to buy the plants for free.
- Teiser: Had such a thing ever been done before?
- Petri: No, it was an entirely new concept. It was an immediate success. Right after the first crush, growers were knocking at the door to become members of Allied. It grew fast and by the end of the third year the Allied sign-up was about 60-70,000 tons of the 120-130,000 ton total we were crushing, about half of our requirements. It was about then that I bought Italian Swiss Colony, which was about the same size as ourselves.

Teiser: In the meantime, had you been liquidating acreage?

Petri: The only large acreage that we ever owned was the one around Tulare. We planted that, I believe, during the years 1943-44 during the war. Strange part of it, it was planted by German prisoners of war. There was a prisoners' camp near Tulare at the Tagus Ranch, and the Army made German prisoners of war available to agriculture. We tore out all the old vineyard and we planted it to better grape varieties. But as I said before, we sold these vineyards. And when we bought K. Arakelian, who was one of the largest grape growers in the state--they had about 8,000 acres--we did not buy the vineyards. We bought only the winery and a section of land and vineyard surrounding it.

Teiser: Had you earlier leased vineyard acreage?

Petri: No. We had the 600 acres around the plant at Escalon. Most of this was also sold off. With the Arakelian deal, we ended up with a section of land around the winery, 640 acres; we sold most of that off. No, we were not vineyardists.

ACQUISITION OF ITALIAN SWISS COLONY

Teiser: When did you buy Italian Swiss Colony?

Petri: May 29, 1953. That was a real, real big one. Well, Italian Swiss was just about equal to us both in size and sales. We were the two largest vintners in those days. Mr. Gallo was really just beginning to grow in the wine business.

Teiser: What was the ownership at that time?

Petri: National Distillers owned Italian Swiss Colony. They had a big winery at Asti, and another large plant at Clovis, California, and a smaller plant at Lodi, California. It had two bottling plants, one in Chicago and another in New York. They had many labels. Beside Italian Swiss Colony they owned G & D, which is the initials for Gambarelli & Davitto. This was a very large bottler that they had bought in the New York area. The plant in Lodi was called Shewan and Jones, which when they bought

Petri: it out was owned by Lee Jones. Incidentally, the brand name "Lejon" which they owned was put together from the name Lee Jones to make it French sounding. I bought the Italian Swiss Colony Company on extremely favorable terms.

Teiser: What were the circumstances?

Petri: National Distillers was a very large corporation that was very big in the distilled spirits business. One of the original founders of National Distillers was Seton Porter who died a short time before I bought Italian Swiss Colony. A man named Jack Bierwirth, after Porter's death, became the chief executive officer of National Distillers. He wanted to expand into the chemical field and wanted to make National Distillers a tremendous chemical company (which it is today) even though it was one of the biggest in the distilled spirits. He had management in California that was not satisfactory to him, and then too when you have Wall Street trying to run the every-day wine business from that far away, such as buying grapes, it didn't work.

For example, when the grape and wine market was high, they were buying wine and grapes; when the market was low, they were out of the market. They were just doing it backwards because they were trying to run it from New York, and they were not successful in doing this. I remember that there was a tremendous drop in the price of wine during the year following the end of the war. They lost \$11,000,000, if my memory serves me right, or was it \$9,000,000? Schenley lost a fortune too. One of them lost nine and the other lost eleven, or some such astronomical figure. Our company managed to break even during that period, but they lost their shirts. It was after that that they wanted out. He fired the people he had running the operation in California. He brought out a man by the name of Adolph Heck, made him president of Italian Swiss Colony shortly before I bought it. Adolph Heck now, and his three brothers and sister, own Korbel.* So as I say, I bought Italian Swiss Colony, and then worked like hell to enlarge the co-op because we needed more grapes. Oh,

*F. Korbel & Brothers.

Petri: let me tell you this. They sold it to me at a real good deal. Totally, we paid about eleven and a half or twelve million dollars for it. Six million of that Mr. Bierwirth gave us twenty years to pay and he did not charge us interest. [Laughter]

Teiser: He did want you to have it.

Petri: Yes. Funny thing, it isn't twenty years yet, and those notes are still floating around. They've been sold all over the place because when we sold out to the growers, those notes had to be paid off. There wasn't any sense in paying them, so I was able to work out a deal with Bierwirth where we bought U.S. government bonds that matured roughly at the same time as the notes and put them into an irrevocable trust with one of the big New York banks. Strangely, I happened to be reading a statement of a company called Mallory and saw that they bought some of the bonds with excess cash they had.

Now, I would like to go back just a little. Before we bought Italian Swiss Colony our table wine business grew and our company became rather famous for its table wine, especially the red wines, Marca Petri, Vino Rosso Pastoso, marca meaning "brand" in Italian. Our cigars were sold under the Marca Petri name. I'm sure you know vino rosso means red wine and pastoso means mellow, tasty, full-bodied. So our dry wine business grew. We needed more and more wines from the north coast counties to blend in with the dry wines we made at Escalon. We needed heavier wines to blend with our southern valley wines. So we went up north and we bought out or made screwball deals with about, oh, seven or eight little wineries, some of them small co-ops, and used their wines for blending.

Teiser: When you speak of north, what do you mean?

Petri: North coast counties. From Ukiah on down; Mendocino, Sonoma and Napa. Those three areas. Well, we ended up with a bunch of small wineries and then when we bought Italian Swiss Colony, we sold and closed most of them.

Teiser: Who did you sell them to?

Petri: We made all kinds of deals. One of them was Larkmead.

Petri: Larkmead was a co-operative. We made a deal with them whereby their grapes went into our co-op, Allied. The plant we ended up selling to Hans Kornel. He is now rather famous as a champagne producer.

The plant we had at Forestville, which was one of our original plants in the north, is now an electronics plant of some type, I forget the name of the company, but if you drive up to the Russian River, it's right on the highway. There was one at Cloverdale, which was also a co-operative. We crushed their grapes at Asti and sold the plant. It became a big prune dehydrating plant. They took out all the tanks and equipment and it became a dehydrator. We just couldn't afford all the overheads of all these small plants, when we had that tremendous plant we acquired at Asti.

But what we did at each of these locations, especially those that were far enough away from Asti, was that we put in what we called "crushing depots," which was an innovation in the industry at that time. Instead of the growers hauling their grapes to Asti, which in most instances was a long distance, in little small pickup trucks or whatever he had to deliver them in, we had the grower deliver his grapes to the little crushing depots which were nearby. There the grapes were crushed and put into a tank and as fast as there was enough must in the tank to fill a tank truck, the tank truck moved the must to Asti. Instead of moving the grapes, we moved the crushed juice--that is must--which was much better for the grape, easier for the grower and all of the other things that go with it.

Now, one other thing that we originated in the industry, and my cousin Bob Bianchini would be the one who did that one. It was the gondola dump type of truck. The gondola truck now drives up to the crusher, and after you brace the truck on its side with a couple of jacks, the gondola tank which is on a hinge is picked up by an overhead crane hook, and the whole gondola load is dumped into the crusher, instead of having to have people standing in the grapes and shoveling them into the crusher. This was the common practice in those days. Today where growers are close to a winery they have small gondolas that go through the rows of the vineyards, and they pick the grapes right into the gondolas, and haul them on the highway

Petri: to the winery and dump the grapes right into the crushers. The grape is only handled one time, put into the one gondola and delivered directly to the winery.

Teiser: Picked into the gondola?

Petri: Well, either picked directly into the gondola or otherwise the grapes are picked into boxes and the boxes are dumped into the gondola as it passes through the vineyard.

Teiser: How many acres of land were there with Italian Swiss Colony?

Petri: Not too much. There's 1200 acres of land total, of which about 500-600 acres were in grapes. This was at Asti. But unfortunately that vineyard, even with the tremendous amount of money we spent on it trying to bring it back, wasn't and still isn't too good. It just was not taken care of too well during Prohibition. The topsoil had eroded, washed away, and there just isn't enough topsoil left to make a good vineyard out of it. The grapes are excellent, but the cost of producing the grapes there is astronomical.

Teiser: You mean, the tonnage per acre is low?

Petri: The tonnage per acre is low. The quality is excellent, as most all low producers are. They had very little acreage. Italian Swiss Colony, like ourselves, were not big vineyardists. However, this is generally true of the whole industry. There are, however, co-operatives, that were owned by growers. This is especially true around the Lodi area. Just about every winery in that area is a co-operative. These growers owned their own wineries and made their own wine from their own grapes.

The wine industry is essentially broken down into two parts: the co-operative which is owned by growers who produce and market their own wines, and the winery that buys most all of its grapes from growers.

In the Napa Valley there's one other type of winery that's a little different. It is the estate-bottled producer. Here the winery must own its own grapes and must produce wine only from its own grapes to be able to call them estate-bottled.

THE WINE TANKER ANGELO PETRI

Petri: Well, let's see. What did we do next? Oh, yes, the railroads kept raising their rates to the wine industry. There was no other way to move wine long distances other than by rail. The trucking laws were against us because some states had and still have weight limitation for trucks. Trans-continental trucking is still a very difficult thing on any product that is heavy such as wine. The railroads really were making life miserable for all of us. Every time they had a rate increase, the wine industry would get the full rate increase. We all protested, but it fell to deaf ears. The railroads in those days--but they have somewhat changed their philosophy now and I think we had a lot to do with helping to change their philosophy--they got as much as they could out of every product. They got whatever the tariff would bear. Well, this was where we got the bright idea of building the wine tanker, which was named after my father, Angelo Petri.

I knew most of the railroad people. We threatened them that unless they gave us some rate reductions we would build the ship, but they never thought that we could or would do it. But we did it. We built our wine tanker. There's a picture of it [pointing], a 23,000 ton tanker. It has two and a half million gallons of stainless steel tanks and about one and a half million gallons of standard oil tanks. As to the stainless steel tanks, there are no cross-joints, they are all free-standing tanks, just like this glass; no bracing on the inside. On the outside of each tank there's what is called a cofferdam, which gives it the strength from the outside. Each tank is like a large stainless steel bottle. It was a very expensive type of a ship to build.

A very strange thing about the ship. It was a T-2 tanker, or I should say half of it was. We bought half a ship in Seattle. It was a T-2 tanker that on its third voyage during the war split in half in the middle of the northern route to Europe. The Navy went out and sunk the front end of it and towed the back end, which was in good shape, to Anchorage, Alaska. It's the only ship in history, so I'm told, where the bow hit the stern. [Laughter] The front

Petri: end smashed into the hind end of it. It was used all during the war to generate electrical power that was supplied to the big Army camp in the Anchorage area. It was pulled up on shore, as a matter of fact. Well, when the war ended, it was towed down to Seattle to be junked and salvaged. When I heard about it, they had already sold the power plant to some experimental atomic energy plant that was going to build in Montana, and Bethlehem Steel had bought the steel plating that was on it, but I managed to buy it for about \$300,000.

Then came the big gamble--to tow a half a ship from Seattle to San Francisco [laughter] but she made it. Bethlehem built the ship for us. The ship cost about seven and a half million dollars. The government gave us the equivalent of about a million dollars of subsidy because to this day, in case of war, those stainless steel tanks would be invaluable to haul chemicals. We signed a contract at that time that at any time the ship could be confiscated from us for war purposes. The big thing that the ship has done is that the rail rates now are less than half what they were before we built the ship, the railroads having come to their senses. It has saved the industry and consumers millions upon millions of dollars because the higher rail rates would have had to be added to the cost of the wine.

Teiser: You just transported your own wines then?

Petri: For practical purposes, yes, we transported only our own wine. It made seven trips a year.

Teiser: To where?

Petri: We had a wine depot in Houston, where we owned two barges, and we barged from Houston to Chicago, where we had a bottling plant.

Teiser: What did the wine go from Houston to Chicago in? In the same tanks?

Petri: No, no. It was transferred. We had a wine depot in Houston where wine was stored and we owned two barges with glass-lined tanks. Glass-lined tanks for the barges were satisfactory because there wasn't the heavy movement in the rivers that we had at sea. The waters were smooth. You had to go through some pretty

Petri: rough waters around Hatteras and those areas and the motion would have cracked any linings other than stainless steel, so we built the tanks in the ship of stainless steel. After about a year of operation, I made a deal with Corn Products. After we dumped off our wines in Houston, we then carried corn sugar. Corn Products added just enough water to the corn sugar so that it would flow it into our tanks, and from Houston we transported the corn sugar to Yonkers, New York. Our own plant was at Newark, New Jersey.

At first we had a real, a very difficult problem in finding return cargos. We could get all the chemicals we wanted for the return cargo, but we never dared put chemicals into the same tanks that carried wine. The only thing we would put in was something that was edible, just for fear of any possible contamination. However, the answer finally came when we made a deal with some big alkali company to carry soda ash to California. Now soda ash is what we used to clean the tanks before we refilled them [laughter]. To this date, the main cargo on the return trip is soda ash, which is used extensively here in California for everything from glass making to just about every food processor, including wineries, as a cleansing agent. The ship has been a very profitable venture, profitable especially against what the rates would have been. She's still operating.

She nearly foundered on us once. This made headlines throughout the world. She was going through the Golden Gate during a real heavy storm and she was fully loaded right down to the maximum. She was drawing 35 feet of water. She hit that sand bar across the Gold Gate and lost her rudder and her propeller [laughter]. But the anchors held her right off of Fleischhacker Zoo, right before she would have been grounded. She was towed back to San Francisco and was back in service within a very short period of time, about four weeks. They put on a new anchor, rudder, propeller, and made some other minor repairs.

Oh, I nearly forgot, most of the motors were shorted out, because it hit what they call a "green wave" that must have been very tall, because about 35 feet above the water line there is an air vent that cooled the whole electrical panel. Well, anyhow,

Petri: water got through the vent. Maybe only 20 or 30 gallons of water, but enough water went through the vent to short out the whole electrical system. As a result she had no power. Well, she didn't have a propeller [laughter] and she didn't have a rudder and no power. And so it was just one of those miracles that the anchors held. When the anchors finally held, she had only about three and a half feet of water under her. It was just one of those lucky things that she was saved. However, she was fully insured. Naturally, the insurance company repaired it. The day she went back into service was the day I went in the hospital with a heart attack [laughter]. I remember that quite well.

THE SALE TO ALLIED AND OTHER VENTURES

Petri: Let's go back to Allied now. Allied had grown. It had grown considerably. And we had grown. We had then grown to where we were selling in the vicinity of 300,000 tons of grapes [made] into wine. This was in '59, shortly after the ship was commissioned. The profit-sharing formula that we had was a very difficult one to put into practice because no matter how you try to figure out the profit-sharing, depending on the weather, the size of the crop and its commercial value, either we or they got the best of it. And every year this became a more difficult problem. The more they and we grew, the more difficult the problem became. So, one day...I remember exactly. We were meeting with the executive committee of Allied trying to again figure out the formula. That year was an especially difficult one. We were at the Sun Dial Motel in Modesto.

And I said, "You know, gentlemen, there's only one answer to all of this. Either we've got to buy out all of your vineyards, or you've got to buy out our company; otherwise we're going to have to part company soon, because this whole deal is getting impossible. Every year one or the other of us, no matter what the predetermined formula is, seems to think he has gotten hurt. This is and I believe will always be true. It's too much of a fluctuating business. If rains come the price goes down. How can you figure a fair average market price basis when grape prices fluctuate as much as they do?"



Signing the agreement between United Vintners and Allied Grape Growers, 1959.
Left to right, standing, Tilden E. Genzoli, Walter E. Vincent and Buddy T.
Iwata; seated, Louis A. Petri, Robert C. McInturf.

Petri: So, in unison, that executive committee said, "How much?" [Laughter] So it wasn't too long after that that we sold out, our family sold out, our entire interest to Allied Grape Growers, that small co-op that started with that raisin deal [laughter]. And so...anyhow we sold out to them. They put no money down. It was to be based on a ten-year pay-off. The sale was for \$24,000,000 on a ten-year pay-off. I had to sign an employment contract, maximum allowed by law, for seven years. I agreed to run the operation for them for seven years, which I just about had to, because I wanted to make sure that they earned enough money to pay us. [Interruption]

Well, we sold out to them. There were acceleration provisions within the contract. We made enough money for them, purely from their own earnings [so that] they were able to pay us off the \$24,000,000 in about seven and a half years instead of ten. Now this was before the tax laws changed. Therefore they were able to pay us off with tax-free dollars, and*... [buzzer...]

(Interview #3 - September 4, 1969)

Teiser: Let me ask you about a couple of things that happened before the sale to Allied Grape Growers, just scraps of things. In 1954, you considered a merger with the Blair Holding Company. What was the purpose of that?

Petri: Well, actually, Blair Holding Company was an offshoot of the Bank of America-Transamerica split, because the government ordered them to split. And one of the things that also had to be spun off from Transamerica was the Blair Holding Company. Every stockholder of Transamerica got Bank of America and Blair Holding Company stock. There was a lot of dissension among the management and directors of Blair, and I was asked to go on the board of directors. The company had many valuable assets, but was poorly run. After a while, I tried to take control of the company through a proxy fight, but I lost.

*See also pp. 35-37.

Teiser: This was personal, not a matter of...

Petri: No, this would have been for our company. The proxy fight was over our wanting to merge our company with the Blair Holding Company. The real purpose back of it all was that our company was getting big. We had all of our family fortunes locked into the company. They had something like 56,000 stockholders, if my memory serves me, because they had the same number as the Bank of America and Transamerica at the time of the split. We would have owned about 50 per cent of the company and would have had control. Based on independent appraisal and evaluations made, we were as big as they were. It got to be a very nasty proxy fight. There's no use going through all the reasons why we lost it. I wish I could do it again today. I think I'd know how to do it. But maybe it was just as well. But if we had merged with them, my family would have had shares in a publicly held corporation that were readily saleable.*

Teiser: Then in 1957 you were considering public financing of some sort again. What was that?

Petri: Well, I went to many underwriters and tried to find one that would underwrite us so that we could go public, but [being] strictly a wine company, in those days, they would have discounted us so much that it wasn't worthwhile to go public.

Teiser: In your attempt to take over, I guess, majority interest in S & W--was that what you were trying to do?

Petri: Well, yes, what I wanted to do was diversify our company. In this case I did manage to get control of S & W. I did that, as I said before, to get diversified so that we could go public. At the same time, I was also trying to buy a glass company. But, when I was in the middle of all this, along came our chance to sell out, lock, stock and barrel to Allied. We decided this was the best deal.

But before the sale I did want to diversity and that's why I took control of S & W through some stock maneuvering, you know, where you make offers, public offers, to the stockholders. We acquired a 51 per cent ownership of S & W. And then I sold S & W to Di Giorgio. I had to sell it because the co-op couldn't buy it. The co-op would have to be an agricultural entity.

*and therefore our money would not have been locked into a family-held corporation. [added by Petri.]

Petri: So they couldn't buy S & W as part of our company.

Teiser: Oh, was it as a result of that that you made the marketing agreement with Di Giorgio, or was that something separate?

Petri: That was something separate. We needed more grapes and they had a winery and plenty of grapes. They really became the same as a member of Allied. Then later we bought their Santa Fe division from them. What we really did was to make a deal where they made the wine at their plant at Delano. The grapes used were placed into the Allied pool and they were paid a fee to make the wine. Then we franchised the Santa Fe label and all other labels they owned from them. There were many labels such as Padre, Vai and others. Later we bought out all the labels from them. We built a large bottling and warehousing operation in Los Angeles and bottled and sold directly to the retailer all the Santa Fe, Italian Swiss Colony and Petri and other labels we owned. One of the labels we bought from Di Giorgio was Vai. Mr. Jimmy Vai was one of the great guys in the history of the wine business.

Teiser: You got his label?

Petri: Yes.

Teiser: He's still down there in the wine business?

Petri: Well, that's the nephew.

Teiser: I mean, the family?

Petri: Yes, and they are using the Vai label. We never disputed it.

Teiser: He uses the label again?

Petri: Yes, we never disputed it. It didn't mean that much to us.

Teiser: Funny how labels travel.

Petri: Yes.

WINE MARKETING PATTERNS AND COMPANY STRUCTURES

Teiser: I wanted to ask about the general pattern of marketing of wines. I understand that you and Gallo changed the pattern.

Petri: We very definitely did. We promoted table wines versus sweet wines. We promoted better wine making methods. Other than research done by the University, both Gallo and ourselves did more research than anyone else and maybe even more than the University. We carried forth and perfected what the University did in a test tube so to speak, and made it practical. The whole concept of truly merchandising of product the same as nearly anything else such as canned goods or other grocery products, was done by Gallo and ourselves. We were the true leaders in it.

Teiser: California Wine Association at an earlier stage had apparently tried to do the same thing and never could get it started.

Petri: They never got off the ground with their labels. They should have been by far the dominant people in the wine industry. They started out with everything running for them. They had the labels. They had the wineries, and they had the grapes. And they also had the basic financing because they had lots of product when Repeal came and were able to sell it and make a lot of money. I hate to be the one criticizing them. I would prefer you do not use such critical statements. Otherwise there's no use my talking the way I'm talking about people and companies.

Teiser: Well, you'll see the transcript. I've talked to people involved in the California Wine Association and they've said stronger things than you said. But if people in the industry such as you, who are now out of it and have some perspective, can't give analyses...what I mean is that they are very valuable and will continue to be. I know none of you want to say mean things about each other, but many of you have given such analyses, which explain why certain things came up when certain changes were made. Again, because you and Mr. Gallo are comparable and because I've talked to Mr. Gallo and have some idea of what he's done--both of you tackled the relationship with growers in new ways, each differently, didn't you?

- Petri: That's correct. He really has developed a pattern. He sort of marries the growers. When the industry has a surplus, a grower is either married to Mr. Gallo and the Gallo set-up, or otherwise Gallo just doesn't buy from him. He does not want to go the cooperative route. He and I have discussed this matter many times. His is a very small family. Essentially, just Ernest and his brother Julio, and one other brother who is in the grape-growing partnerships. He didn't have the complexity of having a large family, as I did. He is able to hold his family together much easier than I could and can do things much easier than our family was able to. We had...well, we ended up with 56 members in the family as stockholders in our company.
- Teiser: Is that right? Of course, you've had diversified holdings in your company, a longer period of business holdings.
- Petri: But essentially we were in the wine business. We went out, but then retracted, as I told you before. However, we were in the cigar business at the same time.
- Teiser: Thinking about his relationships with the growers, outside of his own family holdings, Mr. Gallo's solved it one way, and as I say, you solved it another.
- Petri: I solved it basically by going co-operative.
- Teiser: That co-operative, for example, how does it compare to Mr. Setrakian's?
- Petri: Oh, it was at least fifteen times bigger. First of all, Setrakian's is a small-knitted co-op, only has a few members. And it is essentially for production of their own grapes, making wine and brandy from their own grapes.
- Teiser: It's not a typical one then?
- Petri: Yes, it is typical. It's a true co-op, but it doesn't have as many members--that is as many small and large growers such as we had. When I left the company I think we had 1800 grower-members in Allied. I don't think Setrakian has over 25 or 30 members.

Teiser: I think that Mr. Gallo indicated that he thought that the day of the co-op was over, and others have too.

Petri: Well, yes, it is for practical purposes. Allied, for example, has sold out and generally the other co-ops have not been successful. The only one that was truly successful was Allied.

Teiser: Why do you think that is?

Petri: Because it had brands to sell its wine with. We sold them the brands, sold them Italian Swiss Colony, Petri, Lejon, and many other brands. The other co-ops have just not been able to get off the ground against the type of competition that Gallo and United Vintners can give them. They don't have strong brands. The one coming closest to having a brand would be Guild, and it is not a very strong brand. And very honestly, I think that Gallo is correct, that the basic day of the co-op is over. Unfortunately, one of the things with a co-op is that when growers want to become businessmen and want to start trying to run things too much, then they're going to start getting into trouble.

THE BUYING AND SELLING OF PROPERTIES

Petri: Allied, as you know, has sold United Vintners to Heublein. Allied still owns 20 per cent of United Vintners. Well, 18 per cent actually. It was 20 per cent and they changed it to 18 per cent. And it gets 20 per cent of the profit that United Vintners makes. Allied Grape Growers is still in existence and under a long term contract is supplying grapes to United Vintners. Allied, as I understand it, gets market prices for the grapes and 20 per cent of United Vintner's profits.

Teiser: Which means essentially that that problem is solved?

Petri: Yes, and they made a lot of money. They paid our family \$24,000,000 for United Vintners, and they sold out at the equivalent of about \$38,000,000 to \$40,000,000. So there are a lot of rich growers in the state. [Laughter] They've got a tremendous

- Petri: amount of Heublein stock, both common and preferred, and they never put up a penny. The \$24,000,000 that they paid us all came from profits.
- Teiser: Let's go back, if we may, to where you had sold to Allied Grape Growers. You told why, but what were the terms of that sale?
- Petri: Well, it was \$24,000,000. It was payable, actually, over close to ten years, but there was an acceleration clause in the contract. It could be paid sooner than that if certain things occurred, and actually they paid us off in about eight years, the last payment being a couple of years ago. It was all paid from earnings. The tax laws were very much in their favor at that time, the tax laws have subsequently changed. They did not have to pay taxes on the retains so they were able to use tax-free dollars to pay us. In short, the growers put their grapes into Allied, were paid market prices for the grapes, and now they've ended up as a group with 38-40 million dollars.
- Teiser: After you sold, your function continued...
- Petri: I signed a contract of employment. This was a condition. It was a seven-year employment contract. And I left the company just about at the end of the seven years. I was chief executive officer. I was president, and then I made [B. C.] Solari president and I became chairman of the board, but chief executive officer. I was chief executive officer to the day I left the company.
- Teiser: So they wanted you to continue running it, and you did.
- Petri: I did. Well, it was practically a condition, and what the heck. I wanted to make sure we got our \$24,000,000. [Laughter] That's for sure. Now, interestingly enough, the end of that story will probably be the end of this month or the first week of October. When Allied bought United Vintners from us, they did not have enough grapes of their own signed into the co-op, so we formed a corporation-- of the identical stockholders--called Grape Factors.
- Teiser: Which stockholders do you mean?
- Petri: The identical stockholders of the United Vintners

Petri: who sold out to Allied. They formed a new corporation called Grape Factors. Grape Factors for the first five or six years supplied the additional tonnage of grapes that they were short of in their sign-ups to satisfy their sales. Grape Factors supplied them as participating non-members. We participated in all pools in the same way as members, but because we were not growers, we could not be members. We ended up with a tremendous amount of retains, and actually, Grape Factors (as of today) owns about 18 per cent of United Vintners, which we have--as a separate deal--sold to Heublein. And that deal is closing this month. [Laughter] And that's the end of the story of our dealings in the wine or grape business as a family. With it has gone even the vineyard that we owned at Ukiah. Grape Factors owns a great big vineyard at Ukiah, about 500 acres, which has been a member of Allied. Everything has gone over to Heublein. We have sold it all to Heublein. And, as I say, that transaction will take place in a very short time.

Teiser: I think you mentioned that you had purchased certain of the Cella holdings. We haven't gone over it. I have 1961 with a question mark. Was that the year?

Petri: It was just about then, yes. It was just about two years after we sold to Allied--1961 is about right.

Teiser: How did that come about?

Petri: Well, Mr. [J. B.] Cella and his brother Lori had died, and it was just a natural. They had a lot of grapes and the type of wine sales that fitted right into United's picture. And they were willing. They did not need the money immediately, so they were perfectly willing to wait over a period of time for their money. They took the same terms as we did, and it worked out absolutely beautifully for both sides. They were specialists in the production of special wines. For example, the Taylor Wine Company, which is a very large wine company in the East--they supplied them with a tremendous amount of special wines for blending with the wines they made in the East.

Teiser: So it was no longer, as it had been very much earlier, the Roma Wine Company?

- Petri: Oh, no, no. They had sold out Roma. The Cella family sold Roma to Schenley and then went back into business as Cella Vineyards. The Cella family worked for Schenley for a while and then went back into the wine business on their own. They formed the Cella Vineyards and became specialists in making special types of wine. They also had a very large concentrate business, a lot of which they made from their own Salvador grapes. Salvadors make excellent heavy bodied concentrates. Mogen-David was one of their large customers as was Manischewitz. They grew a lot of their own grapes to make these special wines. After both the senior Cellas had died, the rest of the family was willing to sell, so we bought them out. It was a good deal for all concerned.
- Teiser: What did you buy?
- Petri: We just bought the winery at Reedley, California, and took over their business. They signed into Allied all of their grapes.
- Teiser: So they simply merged...
- Petri: Yes, it was sort of a merger. They became the largest grower member of Allied. United did well with it. It gave United a different type of business, a business that they had very little of. Cella had about 50-60 thousand tons of real good business that was profitable. As I say, it was a good deal for everybody concerned.
- Teiser: We mentioned the Blair deal, but you certainly became adept at financial management.
- Petri: Well, I should never have lost the Blair deal, but we won't go into why. [Laughter]
- Teiser: That's not what I meant. I meant you must have learned tremendously...
- Petri: Yes, I have. But I've had some real fine help. John F. Forbes & Company, who are a large C.P.A. firm here on the West Coast, were of tremendous help. The head of John F. Forbes is Scott Dunham. He is one of the finest tax men in the United States. He worked very closely with me. Then, too, there is a man named George Bangle who did all of our accounting work. He too was of great help.

- Petri: Yes, I seem to have done pretty well and if I can brag a little, I am director and also chairman of the Finance Committee of Foremost-McKesson. It is one of the largest companies in the United States--\$1,600,000,000 in sales last year. And I'm chairman of its Finance Committee.
- Teiser: Oh, my Lord, I knew you were on the board, but... And you're also on the board of the Bank of America?
- Petri: That's correct.
- Teiser: Have you been active on that?
- Petri: Yes, I am active on both boards. I attend every meeting I can. I'm sorry I missed one recently when I was in the hospital. [Laughter] That's about the only reason that keeps me away. Actually, I was out of the hospital but the doctor didn't want me to fly down to Los Angeles. The meeting was in Los Angeles, so I didn't go down.
- Teiser: I talked the other day with Mrs. [Claire Giannini] Hoffman, and I was amazed at her information and analysis of the recent past.
- Petri: Yes, she's quite a woman. She's on the board of the bank. I've known her for most of my life.*
- Teiser: This brings up another family that I know you've known all your life, the Paganini family of Security Lithograph. Did they make your labels?
- Petri: Yes, they made our labels. They own this building that we're sitting in. [Laughter] Our families have been very close friends. As a matter of fact, Bud Paganini has a boat, and this weekend we're going up the river on his boat. He has a beautiful 57-foot Chris Craft. Charlie, his brother, and I were in the same class together at St. Ignatius High School.
- Teiser: Was there anything special about their labels?
- Petri: They were a very fine label house. They made our labels from just about the day we went into the wine

*See also pp. 44-46.

- Petri: business. But they always gave us good labels, good prices. They also helped us in the design of many of our labels.
- Teiser: Yes, what about the design of labels? Did they have them designed, or...?
- Petri: Well, I was one of the pioneers in hiring someone like Sinel; we also hired Landor. I had Landor...
- Teiser: You had Walter Landor?
- Petri: Oh, yes. One of the first jobs that Walter ever did was for us.
- Teiser: One other thing I have here in my notes, and this goes back when you bought Italian Swiss. I read somewhere that you were bidding against Mr. Gallo, in effect. Is that right?
- Petri: That is true. He was trying to buy it actually... [Laughter] I don't know how this is all going to sound after a while. He had Italian Swiss Colony under option, but couldn't quite make up his mind. It's a long complex story. Maybe I had the idea before anybody else. I was in the hospital recuperating from a back operation the day I heard of the break-up within the Italian Swiss Colony organization.
- Teiser: What break-up?
- Petri: When they fired General [John R.] Deane and Solari. National Distillers fired General Deane and Larry Solari.* I was told by Harry Caddow, who was then the general manager of the Wine Institute and I was president, the very day this happened. I immediately went to work trying to see if I could buy it because I knew then that they were going to want to sell it. But unfortunately I was in the hospital and I couldn't do a hell of a lot about it. Gallo got there before us, but in the end I managed to buy it. [Laughter]
- Teiser: That really hasn't been his method of building up.
- Petri: No, he has not gone the acquisition route. What he did was to plow back every cent that the family made. His big growth really came about after we sold

*B. C. Solari

Petri: out to the growers. See, the growers had to pay us. They could not spend all the money they wanted or should have for merchandising, advertising and selling. Remember they had to pay us. Gallo had nobody to pay so he just plowed everything back into his business. He was never bigger than United Vintners during the time I was there, but today he's bigger than United Vintners. Not a hell of a lot, but by a few percentage points.

NATIONAL CORPORATIONS AND PREMIUM WINERIES

Teiser: You purchased Inglenook in '65 was it, or '64?

Petri: Well, there's a picture of John Daniel and me signing the papers. I should put dates on all of those things.* [Laughter]

Teiser: How did you happen to do it?

Petri: Well, it is very simple. Some fellow, who at one time actually used to work for me, Lou Gomberg,** came in and said that John Daniel was willing to sell and he thought an awful lot of me and thought one of the first ones he should approach was me. Lou Gomberg acted as an in-between. I liked it very much so it didn't take very long to buy it. I bought it naturally for United Vintners. It had just the image that we needed and that would help us. The premium wine field is now the fastest growing field of the wine business. Inglenook was owned half by John Daniel and half by his sister. I think she has a married name. I don't remember. She lives around Lodi and raises quarter horses. They're rather wealthy and still own a lot of vineyards. John Daniel signed all of his premium grapes into Allied.

Teiser: So he became one of your co-op members?

Petri: Oh, very definitely.

Teiser: Is he still?

Petri: Oh, yes.

Teiser: So it was both an idea and a practicality.

*May 1964.

**Louis R. Gomberg.

- Petri: That's correct. It was a most amazing thing to me that John would sell. I never dreamt that he would be willing to sell, but sure enough he did. He'd decided that he and his sister should sell, take life easier.*
- Teiser: That's the route of a lot of them are taking now. What do you think? Is the day of the family owned winery gone? Who's going to produce premium wines?
- Petri: Well, Beaulieu was sold just the other day to Heublein. I helped put the two sides together. I actually think that Heublein will do better for Beaulieu in many respects than the family could. They can invest a lot more money in such as planting premium grape varieties. Then, too, they have a wonderful merchandising organization. The premium wine business is a very difficult field. There is a long and expensive period of aging. You take for example Cabernet Sauvignon, you've got to age it four or five years. You've got your money locked up for four or five years. To grow, you've got to plant vineyards. By the time you plant the vine to the first gallon of wine that you can bottle, it's nine or ten years. Look at the long investment that it takes.
- Teiser: Will Heublein, and will the other large companies, do that?
- Petri: Yes, I believe they will. They knew this when they bought. They're willing to spend this kind of money. When United Vintners bought Inglenook it was part of a family of growers. The first major sale of this type after Inglenook, I guess, in the Napa Valley, was Beaulieu. Almaden has sold out to National Distillers. Almaden is not in the Napa Valley. This is quite a switch, since National Distillers sold us Italian Swiss Colony [laughter], and then they go back in the wine business. But there again, they wanted to go back into the premium wine field.**

*John Daniel (who continued to use the designation "John Daniel, Jr." after the death of his father, John Daniel, Sr., in 1953) died July 13, 1970.

**See also pp. 49-51.



Louis A. Petri during
interview, September 10,
1969. Photographs by
Ruth Teiser.



(Interview #4 - September 10, 1969)

STABILIZATION AND THE BANK OF AMERICA

Teiser: I'm quoting from an article you wrote in the January, 1940, Wines and Vines....

Petri: How many years ago is that? That's 29 years ago.

Teiser: It says, "Co-operatives, such as the Central California Wineries, will bring stability by preventing distressed stocks from reaching the market and ruining the whole price structure."

At that time, I presume, you were much in favor of such a stabilization plan. Do you want to speak of Central California Wineries?

Petri: Well, we, that is our company, were never part of it. The industry, however, was in bad shape. The Bank of America, in order to help the wine industry, helped form the Central California Wineries. As I said before, the market at that time was truly distressed. We had tremendous surpluses of wine and grapes. Prices of wine had gone completely to hell. Through the leadership of the Bank of America, using their Burke Critchfield, and a man by the name of Lou*--I can't remember his name; it'll probably come to me in a moment. They formed an association and put many of the distressed wineries together into one co-operative selling association. They spent quite a bit of money. They designed bottles and labels and placed all the wine in one pool and began marketing through the association. They spent a lot of money advertising and merchandising.

We were very much in favor of it (even though we were never part of it) because we figured this would help bring some stability to the industry. Nobody could make money with the market as distressed as it was at that time. One of the reasons, as I recall, that the association broke down was that the government stepped in and complained that this was a violation of the anti-trust laws, that this association was in fact a price-fixing vehicle. They

*See p. 44.

Petri: actually indicted just about all of us [laughter], including the Bank of America. The whole thing was eventually dropped by the government.* As time went on, the economic situation got better, and so because of pressure from the government, Central California Wineries was dissolved and everybody went their own way. But it was really more of a co-operative selling venture and not a true co-op such as Allied. Oh, yes, I recall the name of the other man--it was Lou Golan.**

Teiser: Walter Taylor I think was....

Petri: Yes, Walter Taylor. Yes, Walter Taylor was the head, the general manager of the California Wine Association. They were a co-operative. Yes, he, Walter Taylor, became active in [Central California Wineries].

Teiser: I wanted to ask...I know that your father was a director of Bank of America and that you have been since 1956, I believe. Does this have any relationship to the Bank of America's interest in financing the wine industry?

Petri: Well, I don't think it did any particular harm. My father was a very close friend of A. P. Giannini, and became a director right after the big Walker fight. My father was a director for 25 years minus two meetings. They gave him a 25 year pin when he was in the hospital. He was one of the leaders in helping to fight the eastern interests led by a Mr. Walker*** that were trying to take control of the Bank of America at the time. That was about 40 years ago. My father became incapable of serving on the board because he had had quite a number of strokes and was quite ill. Clark Beise, who was then president, asked me to serve. That was around 1956. Yes, it's been about 13 years that I've been on the board.

Teiser: Have you been the consultant on wine industry questions?

Petri: I've been called in quite a number of times to give advice on agricultural problems, including wine and grapes. They certainly have been wonderful to our family. They financed us from the very beginning, as they did and are still doing for just about everyone in the industry.

*See San Francisco Chronicle, April 13, 1950: "Tapp Asked About Wine Organization at TA Hearing."

**Louis Golan.

***Elisha Walker

Teiser: Beginning in the valley, was it?

Petri: Everywhere. You name the family in agriculture north or south and it probably got its original financing from the Bank of America. The Bank of America was really the first bank to finance agriculture on a large scale. Financing of agriculture was always thought of as a gamble. There was always the gamble of weather and other hazards. The bank was the first one to really finance farmers and their crops--small and large farmers. It made California. Not only as to the wine industry but as to all other types of agriculture. If somebody had a bad crop one year, all right, so they made it up the next year. They would carry them over. But in those days, going back now to the early 1900's, banks just didn't want to finance agriculture. They just wanted to finance the big tycoons of industry, and not the little farmer. But the Bank of America, through A. P. Giannini's leadership, financed agriculture. The larger wine industry financing by the Bank of America really occurred when Mario Giannini was the head of the bank. He was the son of A. P. Giannini and he was the brother of Claire Giannini Hoffman. Mario died about 15 or 17 years ago.*

Teiser: He lived for just a few years after his father's death, didn't he?

Petri: Yes, for about four or five years. However, he was a very sick man and spent very little time at the bank. He practically worked 24 hours a day, not at his office but at his home. He had that blood illness--what do you call it?--hemophilla?

Teiser: But he did have an effect on the bank's course?

Petri: Oh, very much. I think he did as much for the Bank of America to make it the great institution it is as anyone other than his father. His father was a great genius; his father was the one who put it all together and made it a great institution. Mario Giannini really went all out. He went so far that the government made him retract. The empire would have been twice as big if the government hadn't

*L. M. (Mario) Giannini died in 1952.

Petri: stepped in and stopped them.

Teiser: You knew him?

Petri: Oh, I knew him quite well.

Teiser: What kind of person was he?

Petri: Great man. Truly a great man. Very, very brave but humble man. One who lived a life of continual sacrifice. His wife is still alive and we're quite friendly with her. She has a home in Palm Springs, so do I, and we get together quite often. I also know their two daughters.

Teiser: No sons in the family then?

Petri: No.

INDUSTRY ORGANIZATIONS AND ECONOMICS

Teiser: To skip to another chapter--your years as president of the Wine Institute. What do you consider the main significance of your service in the Wine Institute?

Petri: Well, I was the last of the honorary presidents. When I became president, the Wine Institute was in really deep trouble. This was during a period when the economics of the wine industry were real bad. It was in the years 1952 and 1953. Amongst the many problems we had a problem with one of the great men of the wine industry, Harry Cadow, who was general manager of the Institute from its start, but who unfortunately became ill and was no longer able to function efficiently. It was my unfortunate task to retire Harry Cadow graciously and put the Wine Institute back on track. It was when I was president that we hired Don McColly. I don't remember the exact figures, but when I went in as president, the Wine Institute had perhaps somewhere in the vicinity of 70 per cent of the industry as members. When I went out, it was closer to 90 per cent. So we were back to being a harmonious institute.

Teiser: Did you go in just after the California Wine Association pulled out?

Petri: Let's see, I think you're right. The California Wine Association had pulled out already. Before I went in. But quite a few others had. There was a lot of dissension in the industry when I went in. I helped to remove some of the dissension and get people to come back into the Institute. I think the big thing, however, that helped was that the industry began to prosper during that period.

Teiser: Did your concept of the Wine Institute and its functions differ from other members'.

Petri: Well, that is a difficult question to answer. I was very active in all kinds of stabilization programs. I was chairman of a couple of them. I acted on all of them. I was always trying to find some means of equalizing the supply of grapes. It was most unfortunate that the wine industry has always been--to a lesser degree today, but always has been and probably always will be to some degree--the scavenger of the industry.

Grape growers make as many raisins as they want to and ship as much table grapes as they can, and then whatever is left over, at one price or other, ends up in the wineries. Therefore, because the wineries take the surplus of the other branches of the grape industry, its stability is much more volatile. And this is why I've always been very much in favor of the co-operative, where a grower had a firm home for his grapes and that was it. That's why I'm in favor of what Gallo has been doing, where he will buy from people who are faithful to him and that's it. Ideally it is best if someone has a home for his grapes in whatever branch of the industry he chooses to be in, but doesn't because of a rain or something else try to find a home in the wine industry only during the year he's in trouble.

Teiser: Since more so-called varietals are being encouraged--those are not adaptable to raisins, are they?

Petri: No. Raisins are essentially made from Thompson Seedless and to a lesser degree from Sultanas. I'd like to tell you something that absolutely amazed me the other day: table wine sales finally exceeded dessert wine sales. I predicted, 25 years ago, that this eventually would happen. I'm delighted to see it happen. As the industry makes more and more

Petri: standard type table wines, they need more and more of the--you don't call them varietals as much as you call them wine-type variety of grapes. They can be grown in the San Joaquin Valley that has always been most famous for its Thompson Seedless grapes. Thompson Seedless still makes a decent white wine. However, it's a light-bodied wine. But it's a necessary grape for the production of dessert wines. When you make a gallon of, let us say, muscatel, half of the grapes that are used to make a gallon of muscatel have to go through the stills to be made into alcohol. It is one of the most efficient grapes. It makes more alcohol per ton than any other grape.

ACQUISITIONS BY HEUBLEIN

Teiser: I wanted to ask you to detail the Heublein--I don't know whether you would call it "sale" or "merger." How it came about.

Petri: Well, I didn't have too much to do with it at the start.

Teiser: Who thought of it?

Petri: As I understand it, a fellow by the name of Lou Gomberg--and I gave you his name the other day in relation to the Inglenook deal--Lou Gomberg has been a wine industry consultant. He used to work for the Wine Institute. Then he became a wine consultant to many members of the industry. Then I hired him as my assistant, but he was still a consultant for so many other people--and I hope he reads this [laughter]--that finally we made a deal that he might as well go back in the consulting business, and I would become one of his larger clients. He is a very capable man. I like Lou Gomberg very much. As I understand it, Lou Gomberg was commissioned by Heublein to try to get them one of the larger wineries such as Gallo or United Vintners, that is, one of the large ones, because they were very much interested in getting into the California wine business. This was after I had left United Vintners. And I understand that Gomberg went to United Vintners, and because most members of the

Petri: management and of the board of directors liked the idea they decided to pursue it.

I got very much involved in the deal after they had started negotiations because I had a very close relationship with most members of the board of directors of Allied. I sat in on many of their meetings because they wanted me to advise them, and then too we owned Grape Factors. Later, as I told you before, I was helpful to Heublein in putting them together with Beaulieu Vineyard. Ted [Theodore A.] Kolb is my attorney and he was also the trustee of Beaulieu Vineyard. I think that the Beaulieu sale was a great thing for the industry. I know that a lot of people don't like to see these great corporations coming into the wine industry, but to a degree it is necessary.

Teiser: I think you said, last time you were speaking, that one of the advantages of the large companies was their ability to finance the holding of wines, aging of wines.

Petri: Yes, the aging of wines, the ability to invest in merchandising, advertising and the promotion of wine. Remember this about all family businesses-- I guess that I'm philosophizing to some degree--but it's going to be practically impossible in the United States, as is true today in England, for a family to own its business over too many years. The gap of one generation to the other, which is maybe 20-22-23 years--you can't accumulate enough cash to be able to pay the government the inheritance taxes that they're going to want and at the same time be able to hold a family business together and expand it. Oh, one or two generations can do it, but then as there are more children, and the ownership gets more and more spread, it becomes more and more difficult for families to hold on.

I think unless it's a real small winery, it's going to be very difficult, especially in the premium wine field where it takes lots and lots of capital to grow. In most instances, you've got to plant your own grapes, and as I said the other day, if you plant Cabernet Sauvignon grapes, before you can put one gallon in a bottle, it's very close to ten years before you can market the first gallon of wine. You have invested lots and lots of dollars

- Petri: in that first bottle of wine before it produces any income. It's going to take big corporations with lots of money to do these types of things, to really develop the premium wine industry in California.
- Teiser: Well, I think a question in many minds is, will the big companies find it to their interest to make very high quality wines?
- Petri: From what I have seen to date of the big corporations who have come to California, for example, Heublein-- everything that they are doing is to improve the quality. From the day that I had anything to do with Inglenook, I did everything possible to improve the quality of Inglenook. And that cost money. Actually I think John Daniel was in that position in life that he either had to start plowing a lot of money into Inglenook or sell it. I believe this was one of the reasons why John Daniel sold. We were big enough as United Vintners to have plowed lots of money into the operation.

After we bought it we built a fine fermenting cellar, with stainless steel fermenting tanks that had hot and cold controlled fermentation. This was especially needed for white wines. We built a modern bottling room so that the wine could be bottled under excellent sanitary conditions. We did everything in our power to increase the age before we marketed the wine. We tried to get more varietal grapes signed into the winery, which we were able to do, due to the advantage of the co-op sign up. Now, after I left, United Vintners did do certain things with Inglenook that I very much disagreed with. They went into the generics, which they should never have done.

Now Heublein, both as to Inglenook and Beaulieu, is doing everything it can to elevate the brands. And frankly they would be the biggest fools on earth to have come into this industry unless that's exactly what they do, and are willing to invest to do it. I can tell you that I know that they paid a goodly amount of money for Beaulieu. What fools they would be if they bastardize or lessen the quality or mass-merchandise something like Beaulieu. In order to do this, they're even keeping B. V. [Beaulieu] at this moment as a completely separate entity, completely out of United Vintners.

Teiser: I can see how they might have bought it just for the label.

Petri: Well, you just don't create labels. You don't create images. Especially you don't create fine images such as Beaulieu overnight.

Teiser: I mean, I suppose someone looking for short-term gains could have used the label briefly for...

Petri: Oh, you could have taken and milked out Beaulieu over eight or ten years and made a lot of money out of it. You could do that with Inglenook too. You could also do it with Louis Martini, Wente, Krug and others. But the type of people who buy these fine wines are sophisticated, they are gourmets and true wine lovers. They understand wines, and you give such people a couple of bad bottles of wine [laughter] and they are not going to buy it again.

Teiser: The only comparable thing I can think of is the Jack Daniels whiskey distillery. Is that a valid parallel?

Petri: To a very great degree, that is correct. It's always maintained its quality.

CURRENT AND FUTURE MARKET TRENDS

Petri: I see a tremendous, truly a tremendous future in the California premium wine field, as I do also for California brandy, California vermouth (which has practically run the European vermouths out of business in the United States). Then too, California champagne sales are growing tremendously.

Teiser: What about flavored wines? We haven't discussed them much. I know you went into them a little.

Petri: Yes, they have a good growing market. There are many flavors that people like that can be put in wine. The business started in a very peculiar way, and I think we can all thank Mr. Ernie Gallo, who found a twist in the law and started producing them. He first came out with Thunderbird, which was very successful. Actually, Thunderbird was essentially

Petri: what the cheaper alcohol buyer, if you will--the buyer of inexpensive wine--liked. He bought white port and added to it a little lemon or lime juice. This basically is what Thunderbird is--white port with lemon flavor. But from that start there has developed moderate priced cocktail type wines. They are in a variety of flavors.

As a matter of fact, in the last Heublein's financial statement--I have a few extra copies of it here; I can give you one--they describe their concept of flavored wines. I don't remember their exact wording, but it was well put. I'll give you a copy.* Flavored wines have a good growing market. They started as a novelty wine for the cheap alcohol buyer. But many of them are now used as a cocktail wine by many people, especially the younger generation. The same people who can't afford the prices of whiskey have also become large users of table wine, which is really great for the industry.

Teiser: We're getting to the end of this tape. This has been a most interesting interview. Do you have any general comments on the industry?

Petri: Yes. I'm really delighted that the wine industry has made such tremendous strides. Each year it is hitting new highs in sales, and its public image has also been hitting new highs.

*See Appendix C.

APPENDIX A

(Summary of interview with Dante Foresti, April 21, 1969)

Dante Foresti was born in Italy in 1883. Before he came to San Francisco at the age of seventeen, his father had been working as a carpenter, and had lived at Raffaello Petri's Toscano Hotel. He was an original shareholder in the Italian Swiss Agricultural Colony. He returned to Italy where he died when Dante was twelve.

"Before my father die, he say to me, Dante, you go to America. That's your country." Consequently, after learning to be a cook in Italy, young Dante came to the United States. He worked in San Francisco and nearby communities as a cook. After the 1906 earthquake he met Raffaello Petri. On a ferry boat, he heard someone calling Mr. Petri by name, and he introduced himself. He later went to see Mr. Petri, and subsequently worked with him in the construction of the Cosmopolitan Hotel and restaurant in San Francisco. He became a partner and did the cooking. It had 54 rooms and served meals to many more people than it housed.

Wine was bought in puncheons and bottled for sale. When World War I started in Europe, imports were cut and the market for domestic wines became very strong. Dante Foresti and Raffaello Petri began selling wine in volume, shipping it and various foods as well to many places in Northern California.

"But then I have to sell all this wine and get out, because Prohibition, you know, stop everything."

Prior to Prohibition, Raffaello Petri and Dante Foresti had bought a 160-acre vineyard and winery in the northern San Joaquin Valley that they soon sold to the Emerzian family. Then Foresti went into partnership with J. B. Cella and a man named Podesta and bought the vineyard and winery near Escalon that later became a Petri premise; it was there that the interview took place, at his home on the winery grounds. Under the name Alba Grape and Fruit Company, they also bought the Roma Winery near Manteca and a winery at St. Helena. J. B. Cella, who resided in New York, was eastern agent. Podesta, who handled the company's books, died within a few years. Subsequently Angelo Petri became a partner. The company was licensed to operate during Prohibition as a winery, and it also shipped grapes east by the carload. They were picked by Chinese workers who also packed them and were excellent packers.

After Prohibition, "when the wine came back, I told Louis [Petri] (he was study to be a doctor) ... 'Let's get in the wine! ... Some day you'll be the biggest wine man in it!' My god--it happened.... We form a company. Was no more Alba. Was the Petri Wine Company."

It was a subsidiary of the Petri Cigar Company, in which he had long held an interest.

PETRI WINE COMPANY
AND AFFILIATES

Prepared by
Lewis Petri
about 1951

HISTORY AND BUSINESS

PETRI WINE COMPANY

The present company was originally incorporated in 1912 as the Petri Italian American Cigar Company. The name was first changed in 1922 to the Petri Cigar Company, then in 1948 to Petri Wine Company.

The present corporation did not enter the wine business until 1933 but has been producing and distributing cigars continuously from its inception. The R. Petri Wine Company, however, headed by Raffaello Petri, was in the wine business from the late 1880's until prohibition. Raffaello Petri retired in 1918 and died in 1924. In 1933, the present corporation, headed by Angelo Petri, son of Raffaello Petri, entered the wine business and it has been actively engaged in the production and distribution of wine since that time.

During the first five years ^{that} the present company was in the wine business, it sold all of its wine in bulk. In 1938, it entered into a contract with Safeway Stores Incorporated to bottle wine for them under their own private label. At the same time, it began distributing bottled wines under the Petri label through wholesalers in a few selected markets in the United States. In 1942, the bottling contract with Safeway Stores was terminated and the company entered into an extensive marketing program to promote the Petri label on a nationwide scale. At the present time, the company is selling wine only in bottles and has discontinued the sale of bulk wines. All of its products are sold to distributors and State monopolies. At the present time, it owns only one direct branch operation located in

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San Francisco and distributing the company's products in the San Francisco-Bay area. This branch operates as a separate corporation, doing business under the name of the Petri Distributing Company. The company previously owned and operated branches in Chicago, New York, and Los Angeles, but closed them in favor of operating through independent wholesalers.

As of December 31, 1950, the company owned 510 acres of land of which only 60 acres are planted to vineyard. It did, however, own and farm approximately 1,900 acres of vineyard. During the last four years, it has been slowly liquidating its holdings and is continuing to do so.

The company is also engaged in the production and marketing of Toscani type (Italian Stogie) cigars under the dba of Petri Cigar Company. It is the third largest producer of this type of cigar in the United States. It has a very dominant position in the sale of Toscani type cigars on the Pacific Coast and the Territory of Hawaii and is one of the four important selling brands in the balance of the United States. It is estimated that the company does about 20% of the total Toscani type cigar business in the United States. Up to 1944, the cigars were produced in San Francisco, at which time the production of the cigars was moved from San Francisco to Clarksville, Tennessee, where the company presently employs about 200 people.

The present wine operation has been built up over a period of years by the purchases of many companies. The following is a chronological brief history of the various purchases of the company:

- (1) The Mont Helena Calistoga Wine Company, controlling interest purchased in 1933, remaining interest in 1934. Dissolved in 1936. This company had three small wineries under lease in Napa and Sonoma Counties. The leases on two of the wineries were allowed to expire but the lease on a winery at Forestville, California, was maintained until 1944, at which time the winery was purchased.

- (2) Alba Grape & Fruit Company purchased in 1934. A small winery and 640 acres of vineyard in Escalon, California. The present winery at Escalon has resulted from many additions to this winery.
- (3) Sunny Hill Wineries, Chicago, Illinois, half interest purchased in 1936 and remaining half in 1941. It operated as a separate corporation in the distribution of Petri bottled and bulk wine in the Middle East. In 1942, the name was changed to Petri Wine Company of Illinois which corporation was liquidated in 1947 at which time the sale of Petri Wine was given to wholesalers in the area.
- (4) Major Wine Distributors, Inc., of New York City was purchased in 1942. The name was changed to the Petri Wine Company of New York. It operated as a separate company distributing Petri Wine in the metropolitan area of New York up to June 30, 1950, at which time the corporation was liquidated and the Petri line given to a wholesaler.
- (5) Branger Wine Company, San Francisco, California - Controlling interest was purchased in 1942 and remaining interest in 1943. The name was changed to Petri Distributing Company of California, and it is operated as a separate corporation in the distribution of Petri Wine in the San Francisco-Bay area.
- (6) Tulare Wine Company, Tulare, California. Purchased in 1944 and liquidated in the same year. The winery was acquired by Petri for additional productive facilities. The winery was sold to the Argun Wine Company in 1949 after Petri acquired K. Arakelian, Inc.
- (7) Giannini Vineyards of Tulare, California. Purchased in 1944 - Approximately 1,280 acres of vineyards and bare land surrounding Tulare Wine Company of Tulare. All but approximately 240 acres of this land has been sold.
- (8) K. Arakelian, Inc. (Mission Bell Wineries). Purchased April 28, 1949.
- (9) Margo Wine Company, Philadelphia, Pennsylvania - Half interest purchased July 1, 1950, by the K. Arakelian, Inc.

K. ARAKELIAN, INC. (MISSION BELL WINERIES)

The company was founded in 1922 by Krikor Arakolian and was owned by him and members of his family up to May, 1949, at which time, the Petri Wine Company purchased all outstanding shares of the

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corporation. It operated continuously through prohibition, selling sacramental wines, grapes and raisins. After the repeal of prohibition, the company inaugurated an intensive nationwide campaign to sell its wine. Bottling branches were opened in both New York and Chicago. For the last five years, the company has sold approximately 5,000,000 gallons of wine per year. Its main brand, Mission Bell, has been well established in several of the major markets of the United States.

During the shortage period created by the war, the company sold various of its brands at high prices. In 1947 they reduced their prices to levels lower than established brands. For example, in New York, up to Petri's acquisition of the company, a quart of Mission Bell dessert wine sold to the consumer for 85¢, whereas Petri, Roma, Gallo and Guild were selling at 98¢ per quart.

The Petri Wine Company acquired all of the outstanding stock of K. Arakelian, Inc., on April 28, 1949. It has instituted many changes in the methods and policies of the company. Briefly they are as follows:

- (1) To discontinue branch bottling and distributing operations and to bottle all wine in California. It has been felt that considerable savings could be effected in having only one bottling overhead and that by bottling in California the company would have better control over the quality of its products. The Chicago operation was closed as of August 31, 1950; the New York operation is presently in the process of being closed and all operations should cease by April 1, 1951.
- (2) To concentrate sales and promotional efforts to major wine markets. A great deal of money has been spent in promoting the sale of Mission Bell wine in many markets where the foreseeable potential does not justify the expense.
- (3) To discontinue the sale of lower priced, secondary brands and sizes and concentrate all selling efforts on Mission Bell. The high overhead of branch bottling operations created a vicious cycle wherein volume became the all important factor, and in order to obtain the necessary volume, much wine was being sold at prices which showed no return on investment.

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- (4) To raise the level of prices so as to be somewhat comparable to brands such as Gallo, Guild, Italian Swiss Colony, etc. Heretofore Mission Bell was selling between 10% and 15% lower in price than other comparable brands. The prices have been raised so that at the present time Mission Bell is selling at about the same prices as Gallo, Italian Swiss Colony and Guild.
 - (5) To redesign the packages and add items to the line so as to make it more complete. The bottles, labels and cases have been completely redesigned and Vermouth and Italian type dry red wine have been added to the line.
 - (6) To eliminate duplicating overhead so that all functions other than sales are combined with Petri. The corporate office presently located in Madera will be shortly combined with that of Petri Wine Company in San Francisco.

MARGO WINE COMPANY

The company was established by Edward Black during prohibition, selling sacramental wines. Upon Mr. Black's death in 1934, John A. Margolis was appointed general manager of the company and has been its active head since. The company was incorporated in July, 1935, under the name of Biscaglia Brothers Corporation, which name was changed to the Margo Wine Company on January 1, 1947. The great majority of its business is done with the Liquor Control Board of the Commonwealth of Pennsylvania. For the past four years, its sales to the Liquor Control Commission of Pennsylvania have averaged over 600,000 cases per year. Approximately 22% of its business is under the Greystone label which is sold at premium prices. The popular priced wine is sold under the Margo label. It is leasing a 35,000 square foot building centrally located in Philadelphia. There is a storage capacity of approximately 150,000 gallons and bottling facilities for 4,000 cases of wine per eight hour day.

As of July 1, 1950, Petri Wine Company, through its wholly owned subsidiary, K. Arakelian, Inc., acquired 50% interest in the Margo Wine Company, the other 50% is owned by John A. Margolis.

The payments for this stock purchase are being made over a 5-year

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A number of contracts were entered into, the important ones being:

- (1) A five-year contract whereby K. Arakelian is to produce all of Margo Wine Company's requirements at a price based on a mathematical formula.
- (2) A five-year employment contract with John Margolis.
- (3) A ten-year stock pool agreement under which each party has a purchase option on the shares of the other party.

SALES AND MARKETING

GENERAL

During 1950, Petri Wine Company, K. Arakelian, Inc., Petri Distributing Company of California, and Margo Wine Company, together sold 12,379,969 gallons of wine. This is 10.31% of all the California wines sold in the United States and is 9.61% of all wines (including imported wine and wines made in states other than California) sold in the United States. During the 1950 vintage season, the wineries of Petri and K. Arakelian, and certain wineries under production contract, crushed the equivalent of 115,000 tons of grapes. This is slightly less than 9% of the total 1950 estimated crush in California.

Young & Rubicam, Petri's advertising agency, has recently made a summary of the available market surveys and statistical reports that they and others have prepared. A summary of their findings may be briefly stated as follows:

Of the twenty one markets surveyed Petri was first seller in seven, second seller in six, and third seller in five.

United Vintners, Inc., Heublein's newest subsidiary, is riding the crest of a growth market for flavorful, moderate-proof alcoholic beverages.

In the 12-month period ended June 30, 1969, United Vintners exceeded projections in both unit sales, up 7.1 per cent, and dollar volume, 11.3 per cent. After-tax earnings for United Vintners were up by a sizeable amount in spite of an increase of some \$3 million in the cost of grapes. This is partly due to price increases but is also the result of a better product mix. Champagnes, brandy and premium wines, for example, had a total increase of 25 per cent in case sales.

Wine consumption in the U.S. totaled 216 million gallons in fiscal 1969.

United is sharing in the increasing wine demand at all consumption levels because it has a product range from rare estate bottled vintages to popular priced varieties.

Its Inglenook estate bottled wines are recognized as wines of premium value. At the same time, United Vintners' Italian Swiss Colony brand enjoys substantial popularity in the fast-growing trend toward lighter, often slightly flavored, cocktail-aperitif wines. These beverages, appealing to moderate family usage and informal entertainment, are believed to be the wave of the future.

Among the more notable entries under the Italian Swiss Colony banner is Bali Hai, a fruit flavored wine, with an alcohol content of less than 12 per cent. Its growth pattern is outstanding. Market surveys reveal that Bali Hai's consumer base is composed largely of young adults using wine regularly for the first time.

United also has several strong contenders in the growing market for sparkling wines with its Lejon Champagne, Sparkling Burgundy and Cold Duck, a combination of champagne and sparkling burgundy. Demand for sparkling wines outpaced United Vintners production capacity but nevertheless the Company achieved a 33 per cent growth in this category. A new production facility is planned for completion in 1971.

United Vintners has been given responsibility for Heublein's imported wine business, the Vintage Wines Company. The consolidation of the imported and domestic wines business was virtually complete by the close of the year. Victor A. Bonomo, an experienced marketing executive, was named president of United Vintners in March.

Growing public interest in wines was evident in the first wine auction ever held in the U. S. which Vintage Wines Company conducted in Chicago last May. The auction attracted widespread attention as a result of extensive news media coverage. One benefit from the auction was the new values set for wines in this country, particularly California premium quality wines.

CORPORATIONS

Biggest on the Vine

Among California's clannish winemakers, Louis Petri, 40, has long been marked as a young man headed for big things. Last week, as boss of his family's Petri Wine Co., he more than fulfilled the vintners' expectations. For a reported \$16 million, he bought National Distillers' famed old Italian Swiss Colony Wine Co., the nation's third largest producer of domestic wines. In the deal, Petri acquired Italian Swiss's wineries at Asti, Lodi, and Clovis, Calif., bottling plants at Chicago and Fairview, N.J., New York's Gambarelli & Davitto distributing organization, and one of the best-known labels on the domestic vine. At one leap, Petri went from fifth to first place among U.S. vintners, with a total capacity of 46 million gallons.*

Vintage Vintner. In Italian Swiss Colony, Petri got one of the oldest vintage winemakers in the U.S. Founded in 1881 by Genoa-born Andrea Sbarbaro as a collectivist colony modeled after the cooperative theories of John Ruskin and Robert Owen, Italian Swiss Colony's skilled winemakers gained a reputation for fine dry wines. Although it still makes dry table wines, the bulk of Italian Swiss Colony's output is now sweet dessert wines, which are easier to make, and appeal more to American palates.

National Distillers Products Corp.

* Previous Big Five U.S. winemakers, in order of capacity: Roma (30,000,000 gals.); California Wine Association, a growers' cooperative (29,650,000 gals.); Italian Swiss Colony (26,000,000 gals.); Wine Growers' Guild, a cooperative (2,000,000 gals.); Petri (20,000,000 gals.).

bought Italian Swiss in 1942 as a hedge against wartime restrictions on whisky. But, after the war, the U.S. wine market turned sour, and has stayed that way ever since. Accordingly, National was glad to sell out.

New Blood. If anybody can squeeze a respectable profit out of Italian Swiss Colony, Louis Petri should be the man to do it. Behind him is a family tradition of winemaking started by his grandfather Raffaello, who began a small winery in the San Joaquin Valley in 1886, built it into one of the best-known vintners in California. During prohibition, the Petris got out of the business, and made Italian-style stogies in Tennessee, got back in again after repeal by buying three California wineries.

By 1935, the company was selling so much bulk wine in kegs that Louis Petri quit St. Louis University's medical school to start rolling barrels in his family's San Francisco warehouse. He soon convinced his father that keg distribution was outmoded, launched a program to bottle the company's wine under the Petri label and distribute it nationally. (Today, less than 10% of Petri's output is in bulk.) He also expanded Petri's more profitable sweet wine business while holding on to Petri's dry wine market. By 1945, having learned the business from dirt to decanter, he took over as president.

Petri soon showed a shrewd eye for a smart deal. In 1949, he bought up the big Mission Bell winery in the San Joaquin Valley for \$3,250,000, thereby doubled Petri's storage capacity to 20 million gals. He also figured that it was more profitable to distribute wine than to grow and crush grapes. So in 1951 he helped organize 300 small- and medium-size San Joaquin growers into the Allied Grape Growers, Inc., a cooperative to which he sold all his wineries in the valley. In return, Petri got exclusive marketing rights to Allied's out-



A. J. Lipman
PETRI'S PETRI

From dirt to decanter.

put, which last year made up 95% of Petri's tonnage.

Wineman's Choice. Last week, after a frost in the San Joaquin Valley nipped vines and sent the price of sweet wine in bulk up to 37½¢ a gal. (from a low of 32½¢), many a vintner thought Petri had made a smart buy. To swing the deal for Italian Swiss Colony, he had borrowed from the Bank of America. That the bank was willing to plunge into the precarious winemaking business was a pat on the back for Petri.

TIME, APRIL 27, 1953

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Ruth Teiser

Born in Portland, Oregon; came to the Bay Area in 1932 and has lived here ever since.

Stanford, B. A., M. A. in English; further graduate work in Western history.

Newspaper and magazine writer in San Francisco since 1943, writing on local history and business and social life of the Bay Area.

Book reviewer for the San Francisco Chronicle since 1943.

