

PUNCH DRUNK: THE IMPACT OF AN EMERGING WINE INDUSTRY IN WALLA
WALLA

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ABSTRACT

DANIEL T. JOHNSON: Punch Drunk: The impact of an emerging wine industry in Walla
Walla

(Under the direction of Chris Roush, Barbara Friedman and Dick J. Reavis)

This four-chapter series of articles discusses the recent emergence of a popular and expanding wine industry in southeastern Washington and northeastern Oregon. To provide a broad representation of the economic, social and cultural fluctuations brought about by this new wine industry, these articles focus on the two main cities in the wine appellation (Walla Walla, Wash. and Milton-Freewater, Ore.) and the people who have moved to the area to be part of it.

For Jess, without whom I might never have followed a dream.

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Introduction

There's a saying about small towns. They're either growing or they're dying. At least that's what the pro-growth crowd would have you believe.

Walla Walla, Wash., with a little more than 30,000 people, is one such small town. As the agricultural and financial focal point of Walla Walla Valley, it has for the last 10 or so years been teetering on the precipice of something unknown, something inextricably tied to its increasingly popular wine industry.

When a writer from *Decanter Magazine* first visited Walla Walla in 1999, he came back with a story somewhere along the lines of "Small town finds new and strange identity in wine, benefits to follow." What he actually said still rings true today: that Walla Walla, a four-hour drive from any major metropolitan area, is one of the unlikeliest of places to spring a wine-chic boom and an even unlikelier place to embrace it.

And yet it has. With close to 100 bonded wineries and approximately 1,400 acres of planted grapes, wine has overtaken agricultural staples such as wheat, onions and barley as the new face of Walla Walla. Glossy magazines dedicated to the wine industry have gushed accordingly, going so far as calling it the next Napa Valley. Tourists have inexorably followed. As a result, Walla Walla has seen an influx of high-end restaurants and hotels, putting the town in the curious position of suddenly being considered a "destination."

From an economic perspective, wine has been a boon to the area. Walla Walla's tourism director credits the wine industry with supporting 11,000 jobs and \$20 million in payroll. But

not everyone has embraced what the wine industry has ushered in. New money and jobs aside, it also has disrupted what residents consider to be a high quality of life. Housing and land prices have soared in recent years, and, in the opinion of some, the community has suffered.

The effects of the emerging wine industry aren't only being felt in Walla Walla. Milton-Freewater, a small agricultural Oregon town eight miles south of Walla Walla, has for years contributed close to half of the grapes grown in Walla Walla Valley. For just as long, it has failed to capitalize on the wine tourism industry that has transformed its neighbor to the north. But renewed interest in developing vineyards in Milton-Freewater could change all that. Opinions about what development could mean for residents of Milton-Freewater, however, are split. Some see the wine tourism that could follow as a potential cure for the area's financial ills. Others think the development will instead amount to little more than the continued enrichment of Walla Walla at the expense of Milton-Freewater.

However these struggles play out, it is undeniable that Walla Walla Valley has changed as a result of its wines. People from across the country and even the world have moved to the area in recent years to work in the wine industry. Some moved there hoping to carve out their own piece of the Walla Walla Valley pie. Others went simply for one of the many jobs that the industry has created. Regardless of their motivations, the newcomers have brought with them new ideas – ideas that don't always align with those of their predecessors. For the founding fathers of Walla Walla's wine industry, no guarantees are in place that the new generation of winemakers will value the quality that the Valley has courted – and even depended upon – for its livelihood.

This thesis, written as a series of journalistic articles, will examine these and similar issues surrounding the rapidly expanding wine industry in Walla Walla Valley. While each article will attempt to address a single issue, Walla Walla Valley remains fluid. When one interest surges, another fights back. The aim for this thesis will be to discuss how the wine industry has affected the two primary cities of the Walla Walla Valley, Walla Walla and Milton-Freewater, during one brief period in time.

Literature Review

Because wine production spans thousands of years, understanding the development of wine industries and the subsequent impact they have on the people and areas that support them requires substantial filtering of literature from multiple academic fields as well as trade and popular media sources. Most academic literature pertinent to this subject falls within three categories: archaeological studies of wine producing civilizations, historical analyses of modern wine industries in the United States, and economic analyses of wine industry peripherals like wine tourism, wine pricing and market segmentation. Trade and popular media literature, meanwhile, provides some insight into various wine industries and the economic impact they have on specific areas. This review of literature will discuss relevant literature from each of these sources.

Early Wine Industries

While the earliest written records of wine production and trade prove oblique and elusive, it is now known through a series a chemical detection analyses of pottery jars that wine was

being produced on a fairly large scale between 5,400 B.C and 5,000 B.C (McGovern, Hartung, Badler, Glusker and Exner 1997). Subsequent analyses (Algaze 2000; Powell 2000; Gorny 2000; James 2000; Stronach 2000) reveal that wine spawned a burgeoning trade that spanned Mesopotamia, Anatolia Assyria and ancient Egypt, though written records from the first millennium B.C. suggest wine was a costly commodity. The high price was no doubt attributable in some part to the cost of production and transportation. A group of letters discovered in Mari that were translated by Lafont (as cited in Powell 2000) reveals that transporting wine required large outlays for boats and taxes.

This archaeological research is important because it establishes that wine has long had an economic impact on the area in which it is produced. Still, it says little about the magnitude of that impact, and it is equally uninformative on the development of Walla Walla's wine industry. A history of California wine is more relevant to this discussion because it ultimately legitimized U.S. wines and subsequently influenced the development of and demand for Washington wines.

The California Boom

As the historical anchor and innovator of the U.S. wine industry, California provides the best case study to investigate the development of the modern U.S. wine industry. Pinney (2005) asserts the quickest way to illustrate how the U.S. wine industry has changed in recent decades is to compare California's wine industry in 1966, a year when California produced three-fourths of U.S. wine and the last year in which the sale of fortified wines exceeded that of table wine, with that of subsequent years. In 1966 there were 142,000 acres of wine grapes in California totaling 3.4 million tons of harvested grapes and 165 million gallons of table

wine. Yet just 10 years later the first hints at transformation could be seen. In 1976 California's vineyard acreage totaled 660,000 acres yielding 4 million tons of grapes and 332 million gallons of wine, a 400 percent increase in acreage and twice the amount of production in wine gallons from 10 years prior. Of that, nearly 90 percent was table wine, largely considered to be of a higher quality than the fortified or jug wines that dominated the market before.

Demand for wine, meanwhile, increased substantially. Per capita consumption of wine rose 50 percent from 1967 to 1971 (Sumner, Bombrun, Alston, & Heien 2001), and with the increase came a steady demand for better wine. But better wine required better grapes, causing the price of grape growing—and therefore grape selling—to rise. The average price per ton of wine grapes in California tripled from \$71 in 1968 to \$210 per ton in 1978 (Pinney 2005), prompting farmers close to vineyards to rapidly convert their land into vineyards. Between 1966 and 1976, the number of California wineries grew nearly 50 percent from 231 wineries to 345—a growth rate that has dropped only marginally since then.

Heien and Martin (2002) contend that 1976 was an important year for the U.S. wine industry. That was the year Napa Valley red and Napa Valley white wines were judged “best” by French critics at a blind tasting in Paris. As the authors say: “European recognition of the quality of California wine, combined with a growing American taste for wine and U.S. farmers’ ongoing search for profitable crops, encouraged a substantial expansion of U.S. wine grape acreage” (p. 32). In California that has certainly been true, as evidenced by the 2,116 bonded or virtual wineries operating in California today (Klingensmith 2007).

The story of California's wine industry is important to the understanding of the entire U.S. wine industry, but it also is essential to understanding the state of Washington's meteoric rise

to the second-largest wine producer in the country. Because of California's rapid success with wine, "there was a larger, more varied, and more prosperous wine industry in the United States than would have seemed imaginable a generation earlier" (Pinney 2005, p. 252).

Economic Impact, Wine Tourism and Growth

Given the U.S. wine industry's relatively new status as an "established industry," studying the economic benefits of American wine industries is a relatively new phenomenon. Most available literature hails from government and industry reports and newspaper articles. Academic literature has examined industry peripherals like wine tourism, but little agreement exists over how the impact of tourism should be measured.

According to an economic impact report by MKF Research sponsored by a number of grape industry organizations, the full economic impact of wine, grapes and grape products on the American economy in 2005 reached \$162 billion. While the report did not subtract non-wine related elements of the grape industry including raisins, exports and grape juice, which combined account for around half of all grape production in the United States, the report does hint at the potential benefit of wine grape growing and production to state and local economies. The report defined "economic impact" as including "'direct, indirect, and induced effects' of economic activity—in essence, the 'ripple effect'" of an industry to include such measurable quantities as job creation, wages paid, winery sales revenues, wine retail sales and wine tourism (p. 7). The report included the following: total revenues from wine sales by U.S. wineries in 2005 approach \$11.4 billion, including \$707 million in exports; the retail value of wine produced in the United States in 2005 was \$23.8 billion; and sales of U.S. wine represent 73 percent of the total 2005 sales of wine in the United States.

Individual assessments by states estimate local benefits as well. One article (“Industry says Oregon wine business,” February 2006) reported that the Oregon Wine Board said the economic impact of the wine business and related activities, which it classified as including vineyard maintenance and distribution among measurements, reached \$1.4 billion in 2004. Another article (“Economic Impact of Ga. wine industry,” April 2006) reported Georgia’s wine industry represented 334 jobs and brought \$769,000 to Georgia state government and \$488,000 to local governments in 2005. North Carolina’s Grape Council predicted an economic impact from the wine industry to its state of around \$79 million (NCWine.org), and the Washington State Wine Commission estimates wine has contributed close to \$3 billion to the state’s economy (Washington Wine Commission).

While these figures can provide clues to the scope of economic potential in local wine regions, figures like winery and retail sales lack the precision needed to illustrate how that economic boost is affecting the communities in which it is being experienced. Wine tourism, however, might be an exception. Because winery sales, known as cellar-door sales, are made directly from a winery to consumers, rather than through distributors, they are not only important to wineries but also provide insight into economic benefits in a small, localized area.

According to Carlsen (2004), much of the research presently available on wine tourism is practical in nature and comprises a body of work on wine tourism conceptualization (i.e. defining what wine tourism is and is not), wine tourists (studies determining motivations for wine tourism and the type of people likely to participate in it) and wine tourism destinations. The conceptualization of wine tourism has thus been reduced to a definition of “visitation to vineyards, wineries, wine festivals and wine shows for which grape wine tasting and/or

experiencing the attributes of a grape wine region are the prime motivating factors for visitors” (Hall et al., 2000). Within these broader categories, wine, food, tourism and the arts collectively comprise the core elements of the wine tourism product and provide the lifestyle package that wine tourists aspire to and seek to experience (Carlsen 2004).

Understanding the motivations behind wine tourism has in recent years developed into an important field of study for trade organizations interested in designing marketing campaigns aimed at increasing tourism to specific wine regions. In Australia, national wine tourism strategies have been developed to encourage the proliferation of programs that enhance “visitation to wineries and wine regions to experience the unique qualities of a contemporary [regional] lifestyle associated with the enjoyment of wine at its source” (Winemakers Federation of Australia, 2002, p. 5). Even though these motivations are not yet wholly understood, many wine regions and tourism destinations realize that the benefits of wine tourism extend well beyond the cellar door to virtually all areas of the regional economy (Carlsen 2004).

Walla Walla and the Social Impact of Wine

Yet even if wine tourism figures are to be considered reliable in showing the general affects of a wine industry on an area, Walla Walla has compiled sparse data in this area. As such, literature is difficult to find that discusses how the growth of Walla Walla’s wine industry has affected the community—a problem that seems common in the literature. Pinney (2005), who got around such problems by turning to qualitative descriptions in *A History of Wine in America*, provides an anecdotal description of the effect of growth on Napa Valley:

If a tourist had ventured across San Francisco Bay to the town of Napa at any time toward the end of the 1960s and made his way north into Napa Valley, he would have found a scene of pastoral tranquility. . . . Visitors who now, at the beginning of the twenty-first century, drive to the valley find themselves, even

before reaching the city of Napa at the southern end of the valley, solicited by a series of expensive signs and billboards to visit the historic wineries, to explore the wine country, to taste the area's "world-class" wines. . . . On every side are vineyards in the monotony of monoculture: the prunes and the pears are long gone. The railroad is still there, but no daily freight runs on it; instead, a "wine train" carries tourists through the valley while they sip the local wines and eat in the detached comfort of an air-conditioned carriage. . . . (The city at the center of Napa Valley) is no longer recognizable as a farm town: there are expensive wine shops, boutiques, bed-and-breakfast houses furbished in "period" style . . . Scattered about in the more desirable locations are stylish and expensive new homes for rich professionals. Here and there rise large and opulent resort hotels offering every luxury. (pp. 243-245)

I was unable to locate a broad description of the changes in the Walla Walla Valley because of the wine industry due, in large part, to the area's recent emergence. That does not mean the effects of change aren't being felt, however. Like many cities in Napa Valley 40 years ago, Walla Walla, Wash., is a small town of approximately 30,000 residents and serves as the central point of a unique wine region. In 1984, the year in which Walla Walla Valley was recognized as an American Viticultural Area, a distinction that provides the same kind of marketing benefits and legal protection enjoyed by other wine producing regions like Napa and Sonoma valleys in California, it was home to a handful of wineries and vineyards. By 1999 the number of wineries jumped to eight (Wine in Cyberspace 1999). But accolades from magazines such as *Wine & Spectator* and *Food & Wine* brought attention to the area's wines similar to the accolades received by Napa Valley reds and whites in 1976. Predictably, the success has spawned growth, with the valley claiming more than 100 registered wineries and 30,000 planted acres.

With that growth have come other changes. For starters, the industry is bringing more than just tourists. Many people interested in working in the wine industry have flocked to the area, including a large contingent of winemakers from France (Skeen, May 2003), not to mention the impact it is having on the established population of undocumented and migrant workers in and around Walla Walla. Not surprisingly, investment money hoping to feed the growing industry hasn't been far behind (Skeen, September 2003). In 2005, Alaska Airlines

introduced a vacation package to Walla Walla (Genna 2005)—not bad for a place known more for its state penitentiary and sweet onions—and the city opened its first visitor’s bureau not long after (Baker 2006).

But not all of the area’s growth is being welcomed. The introduction of the wine grape growing industry has only complicated the area’s longstanding issues involving land development and water rights (‘Walla Walla weighs in,’ 2000; Hall 2001; ‘Walla Walla land,’ 2005; Penn 2006). At issue is how the city’s growth should be managed and how water, which is already scarce in the desert of eastern Washington, can be allocated to support the burgeoning wine industry at a time when environmentalists and an American Indian tribe are fighting for increased regulations and wheat farmers are upset about uneven distribution.

The (Walla Walla) Union-Bulletin also recently weighed in with a series of articles on how the area’s popularity has affected housing prices. The articles (Chicken 2006, ‘Dayton Still Costs Less,’ ‘Price is Right,’ ‘What Would Big Growth Mean’; Hillhouse 2006, ‘We’re on the Map,’ ‘Quality of Life’; McConn 2006, ‘All Eyes on Walla Walla’) discuss how wine, tourism and an influx of new residents have made home ownership in Walla Walla unaffordable to some.

Many of the changes in Walla Walla and its surrounding areas have come at a time when traditional industries in the area are failing. Just down the road from Walla Walla, the city of Dayton has seen its economic base crumble in recent years because of a series of processing plant closures, prompting city officials to launch an investigation into whether wine is a viable replacement industry (Wilhelm 2005; Dietrich 2006).

Finally, Walla Walla's wine success has had major implications for the area's labor force. Suffering from an insufficient number of skilled laborers, Walla Walla's wine industry requested and eventually received state funds to develop a wine-growing and viticultural degree program at Walla Walla Community College. ('Washington Wine Industry Celebrates,' 2003) While this provided a shot in the arm not only for Walla Walla's but also the state's wine industry, questions linger as to whether the other side of the industry's labor, the unskilled and often undocumented side, is benefiting from the industry's newfound success. Early work investigating undocumented laborers comes from Isabel Valle's *Fields of Toil*, which detailed the conditions migrant workers faced in the early 1990s in Walla Walla (1994). Since that time, a large population of Hispanic laborers has settled in Walla Walla based in no small part on the area's abundant apple, asparagus, onion and alfalfa harvests (Strode, Roberts, and Longhi 2000). Still, literature is surprisingly quiet on the issue of unskilled labor and the wine industry.

Conclusions from the Literature

While some academic, popular media and trade publication literature discusses the effects of the wine industry on Walla Walla and the surrounding area, it generally lacks depth. The literature that is available shows that defining and investigating the impact of a wine industry on a localized area is difficult because of the broad nature of the topic. In fact, the articles that do exist are usually short and focused on specific topics detached from a broader framework of investigation.

What is clear from the literature is that wine industries give rise to other industries that can have a positive and sometimes lucrative impact on a national or local economy. The question,

then, is how has a healthy Walla Walla wine economy benefited or detracted from the people who interact with it? The literature is ineffective in speaking to this and other issues affected by the developing industry like land development, resource management and labor. One of the reasons for this may be the overwhelming difficulty researchers have in developing successful quantitative models of measurement of these issues. Whatever the reason, one way to examine these issues is through anecdotal stories with facts and figures to support the qualitative analysis. This investigation, presented in a series of journalistic articles, will aim to do that in order to fill the void of literature on the subject.

Issues to Explore

This work explores three main questions pertaining to the rapid growth of the wine industry in the Walla Walla Valley American Viticultural Area. First, it assesses how the growth of Walla Walla's wine industry has affected the city of Walla Walla, considering questions including how much healthier the city's economy is because of the new industry and what arguments or conflicting perspectives have emerged as a result. Second, my work investigates similar issues in Milton-Freewater, Ore. And third, this thesis looks at the kinds of jobs that have emerged as a result of Walla Walla Valley's wine industry, and profiles those who have moved to the area to fill them. Lastly, this thesis ponders the future of Walla Walla Valley as it pertains to its emerging wine industry.

Method & Limitations

This research is presented in the form of a series of feature-length, newspaper-style articles and was carried out primarily through in-person and phone interviews with individuals who play a role in the United States wine industry in general and the Walla Walla wine industry in particular. Interviewees included wine grape growers, winemakers, members of the wine industry's promotional community, professors and researchers of wine economics, real estate agents, and residents and government officials of the two main cities inside the Walla Walla Valley American Viticultural Area, Walla Walla, Wash. and Milton-Freewater, Ore. In addition to interviews, I utilized primary sources comprising data collected by government and private industries and books on the history of wine and Walla Walla.

The primary limitations of this project included the physical distance from my subject matter and sources; convincing potential sources to trust me enough to enter their daily routines for participant observation and formal interviews; and limited financial resources. During the course of my investigation I spent three weeks in Walla Walla. It should be noted that my mere presence likely changed potential sources' views or behaviors in ways I can not completely account for. Another important limitation that heavily affects my conclusions is the complete absence of hard data pertaining to economic benefits experienced in the Walla Walla Valley because of the wine industry. A study funded by the state of Washington and members of the wine industry is being completed as I write these articles, but the results are not expected to be known until after publication of this thesis.

For financial figures, I depended upon the integrity of my sources. During interviews with laborers or employers in Walla Walla's wine industry I asked for salary and benefits information. While answers varied, ranges were cross-verified with multiple sources.

I decided to focus on the wine industry in eastern Washington primarily because I lived in the state of Washington for nine years and have a pedestrian knowledge of the state's wine industry. Another important factor was cost. All expenses for my research, including travel, transportation and lodging, came out of my pocket. Because I know a few individuals who live in Walla Walla I was able to limit lodging costs considerably. It should be noted that nowhere in this thesis do I use these individuals as a source. All sources were strangers prior to the research.

I have chosen to research the social and economic impact of the wine industry on Walla Walla and Milton-Freewater because they are small towns (Walla Walla has a population of around 30,000; Milton-Freewater's population is close to 6,500) that fall inside a wine appellation that was recently "discovered" by popular wine magazines and newspaper travel sections. Given the recent buzz around and from the wine industry, I set out to discover how the industry affected issues that have gone largely unexplored in great detail. This work provides a concentrated view on a small number of issues inside a small region of one state, and therefore can not be taken to represent any areas outside of the specified area.

While previous research and news articles have touched on different aspects of Walla Walla's wine industry, no work has synthesized these aspects in one article or series of articles. In addition to updating some of the earlier scholarship on the topic, my hope is that these articles will inform readers about under-reported elements of the developing industry

and the impacts they have had, both positive and negative, on Walla Walla and the surrounding area.

Chapter Breakdown

The thesis breaks down thematically into four articles. The first article discusses the major issues that arise from the growth of the wine industry in the city of Walla Walla, Wash., and the impact that growth is having on the community. The second article investigates these same issues as they pertain to the city of Milton-Freewater, Ore. The third article discusses job creation caused by the area's wine industry and profiles different people who have moved to the area to fill them. A fourth article is included to ponder the future of Walla Walla Valley. In addition to the articles, this thesis includes a bibliography and a list of people interviewed.

Chapter 1

Walla Walla's wine boom: At what price?

The headset crackles with static. Mark Small's voice rumbles in my ear, drowning out momentarily the drone of the plane's single propeller.

"That's Seven Hills Vineyard over there," he says as he points at the vast stretch of trellised land that slid into view over the Piper PA-20 Pacer's starboard wing.

Looking some few thousand feet below to where he pointed, I see the largest wine grape vineyard in the Walla Walla Valley appellation. Unlike the collection of smaller plots that stretch to what seem like infinity around it, this behemoth tract rests on the ground like a finely lined blanket.

"That use to be wheat land, back in the day," Small's voice crackles again, a sense of perspective in his voice.

Some two hours earlier, Small, a wheat and alfalfa farmer from Walla Walla, Wash., had told me about the appearance of wine vineyards from up in his plane, about how in the spring the green leafs of the wine grape vines contrast sharply with the lighter greens and mustard yellows of the dry-land wheat, barley and alfalfa plots that fill most of the Valley's floor. Unlike Seven Hills Vineyard, most are small, between 10 and 20 acres, giving them the appearance of a postage stamp placed firmly against the ground. But lately the stamp-like

plots are becoming increasingly common sights, visual reminders of Walla Walla Valley's emerging wine industry.

First practiced by the Italian immigrants who lived in Walla Walla at the turn of the 20th century, winemaking in Walla Walla is nothing new. With the founding of what proved to be the Valley's first commercially successful post-Prohibition winery in 1977, Walla Walla's wine industry is. It all began innocuously enough in the early 1970s, when full-time machinist Gary Figgins started making wine at home. He started out small, using grapes grown by growers in fertile central Washington. By the time he decided to open Leonetti Cellar in 1977, he had been making wine in his home for years. His time had come, he knew, to sell his wines commercially. What he couldn't know was how that decision would change Walla Walla going forward.

The wine boom

With the release of Figgins' first vintage in 1978, Walla Walla was thrust onto the international wine scene. Leonetti cabernet sauvignon won many honors, including being named America's Best Cabernet by *Wine & Spirits Magazine*. Seemingly overnight, the town of 30,000 had something to be known for besides its state penitentiary or sweet onions. Others interested in making wine quickly joined the fray. In 1981, Rick Small, a third-generation wheat and cattle farmer and Mark Small's cousin, opened Woodward Canyon, the area's second winery. L'Ecole N° 41 and Waterbrook Winery followed suit a few years later. Like Leonetti, all three released wines to instant acclaim.

It didn't take long for in-the-know wine lovers to notice the cottage industry taking shape on the outskirts of Walla Walla County. A small yet reliable trickle of people had already

started making the four-plus-hour drive from Seattle or Portland to Walla Walla to purchase Walla Walla wines when, in 1984, the Walla Walla Valley earned federal recognition as an American Viticultural Area. The distinction, which establishes boundaries for specific wine grape growing regions, ushered in the same kind of marketing benefits and legal protection enjoyed by other wine producing regions like Napa and Sonoma valleys in California.

When it was first established, the Walla Walla Valley AVA wasn't positioned for success. Set in a valley that suffers grapevine-killing frosts every six or seven years, its few wineries were in no position to convince area farmers to ditch more reliable crops in favor of grapes. By 1990, 13 years after Figgins opened Leonetti Cellar and six years after the founding of the AVA, the number of wineries in the Valley numbered just six. Wine grape acreage, which hovered around 100 acres of vines that were mostly planted by the winemakers themselves, was equally slow in expanding.

"This town has always been a little blue collar," says Myles Anderson, a retired wine instructor at Walla Walla Community College and co-owner of the valley's eighth winery, Walla Walla Vintners. "There was a buzz about (wine), but Walla Walla was mostly farmers and bankers and service people. No one from this area grew up seeing success come from headlong investment. And you weren't about to see anyone start over some chichi bottles of wine."

Halfway through the 1990s the number of wineries in Walla Walla didn't suggest much had changed. The Valley had less than 10, dropping the average number of wineries opened since earning appellation status to less than one per year. But other signs pointed to a possible surge. Wine grape plantings were soaring while, at the same time, a group of local investors who were working closely with a Napa-based wine group laid the foundation for

Canoe Ridge Vineyard, the area's largest winery yet. The intersection of these factors gave Walla Walla's wine industry a boost. By the close of 2000, the number of wineries in the valley had more than doubled to 22 and wine grape acreage reached 800 acres, and it was only getting started. Since then, the number of wineries in the Valley has gone up between 400 percent and 500 percent (exact figures vary because wineries can be and often are defined different ways by different sources). The number of wineries presently located in the Valley is in the 80s, and most industry experts expect that number to top 100 by some time in 2008.

"There were different waves of the explosion," Anderson acknowledges. "The first took place in the '80s, and then there was one in the '90s. But the real explosion, from around the turn of the millennium to the present, has really been the boom."

Despite now having roughly 20 percent of Washington's total number of wineries, the Walla Walla appellation produces approximately 3 percent of Washington's wine. All but a handful of the Valley's wineries fall into the boutique class, meaning they produce small lots of custom-crafted wines. (For a point of comparison, Walla Walla Valley wineries produce around 3,000 cases of wine a year. It is not uncommon for Napa Valley wineries to turn out 50,000 cases per year.) The smaller wine lots mean the wineries must sell each bottle at higher prices, prices that are often based on the area's reputation for quality wines and the difficulty involved in obtaining them. Leonetti wines, which can sell for upwards of \$100 a bottle, have come to be considered one of the most famous – and most difficult to obtain – in the Pacific Northwest. Anderson cracks a smile when he talks about how, each year around wine release weekend, the southeastern Washington sky fills with planes. Most are shuttling in run-of-the-mill visitors from Seattle or Portland, but some belong to Napa Valley's most

influential wine barons, who send their personal jets to purchase and bring back to California a select few cases.

The changing face of Walla Walla

There's an unmistakable air of whimsy about Walla Walla, born partly of its agricultural roots and certainly not hindered by its relative isolation. It's not uncommon for folks to run into multiple acquaintances as they stroll along the city's Main Street or stop into one of the local coffee shops. Encounters can often begin with a smile and end with a hug. That's just how things go in a town that has been a backwater since about the time the gold rush went bust. Or it least it *use to be* backwater.

"I mourn the fact that it's been discovered," says Candace Rose, a resident of Walla Walla for more than 30 years. She moved to Walla Walla from Denver, admitting "It took me a whole year to realize I was no longer keyed up" after the move. With the first few wineries she remembers an excitement.

"It sort of fit in with some other things going on in the community," she says, referring to a healthy appreciation for art and locally produced goods. Then came the boom. "It happened really fast. It seems like you turn around and money was all of a sudden here."

The economic benefit from the Valley's wine industry to Walla Walla is undeniable. Tourism in the once agriculturally driven town has exploded. According to a Washington state study published in 2002, the wine industry brings between \$60 million and \$80 million a year into Walla Walla County. Considering that the number of wineries in the Valley has nearly doubled since that study was released, that figure has likely climbed considerably. (A new study funded by the state of Washington and the wine industry, known as the Wine

Grape Cluster Grant, is currently under way. Results are not due to be released until after publication of this article.)

A large portion of tourism dollars being spent in the Walla Walla AVA originates in the Interstate 5 corridor, including Seattle, Portland and, to a lesser extent, wine producing areas in California.

“The people we’re drawing in ... have more disposable income and they don’t care about spending more money on a nice hotel or in our restaurants,” says Michael Davidson, president and chief executive officer of the town’s tourism board, Tourism Walla Walla. “In that sense, (the wine industry has) changed the kinds of services being offered (in Walla Walla).”

That has meant everything from the addition of nicer hotels and restaurants in the downtown section of Walla Walla to the introduction of things like day spas and winemaker dinners. Davidson estimates 11,000 jobs and close to \$20 million in wages have stayed or been created in Walla Walla due to tourism, the bulk of which is related to the wine industry. The addition of services has also meant, culturally speaking, that Walla Walla is stepping up in the world.

“Five years ago no one would have imagined we’d be getting world-class restaurants,” says Director of the Walla Walla Chamber of Commerce David Warkentin. “These are all indicators of the kind of money that is pouring into Walla Walla.”

Yet even with the addition of world renowned wines, more hotels (Comfort Suites recently opened a new Walla Walla location and boutique hoteliers from Seattle have been rumored to be interested in doing the same) and previously unheard of restaurant offerings ranging from

(gasp!) sushi to \$100-per-couple fine dining, not everyone in Walla Walla welcomes the changes.

Lifelong Walla Walla resident and lawyer Dan Clark worries the new Walla Walla, a town set up for winemakers and the tourists who flock to taste their wines, isn't benefiting the families who have called it home for generations.

"We shouldn't be fanning the flames of growth like it's a positive thing," he says. "It's not. We should accommodate, sure, but not change."

Clark says Walla Wallans, as they call themselves, need only look at the new restaurants they can't afford or the plethora of wine tasting rooms popping up throughout the Valley to recognize how much the area is changing, and how little that change is improving their lives.

Consider the tasting room for one of the town's most noted wineries, Cayuse Vineyards. Founded by Christophe Baron, a French winemaker known throughout Walla Walla Valley simply by his first name, the winery in many ways represents the exclusivity of the town's new wine chic. The winery itself is located in Milton-Freewater, on the Oregon side of the appellation, but because Walla Walla is the focal point of the wine scene Baron decided to renovate a historic hotel in downtown Walla Walla. The tasting room that was built there opens only one weekend a year, and only for private guests. When that year's vintage sells out by the end of that weekend, which it does every year, the door is locked and a sign is placed in the storefront inviting people to join a waiting list to get in. Most Walla Walla residents never get a chance to set foot inside.

Then there's the McFeeley Hotel. Located just a few blocks from Clark's house and known as the housing option of last resort for many of Walla Walla's down-and-outers, the hotel was purchased in early 2006 by David Leal, vice president of Walla Walla's Banner

Bank. By August, just a few months after it was purchased, the hotel was closed and its tenants forced to find new places to live. Leal then sold the property for almost twice what he paid to a woman from California who is interested in opening a boutique hotel. With the money earned flipping the McFeeley Hotel and other properties in Walla Walla, he has started construction on a new winery that is due to open in early May.

Clark calls the closing of the hotel “a tremendous disservice to the community,” but Leal says the building was riddled with code violations that forced its closure after he purchased it.

“I came across looking like a complete asshole banker, but no one mentions I gave the tenants a free month’s rent, I paid their utilities,” Leal says.

Whatever Cayuse and the McFeeley Hotel have come to represent, neither compare, Clark says, to Illahee, a 365-unit planned community slated for construction on the outskirts of Walla Walla. Ralph Gregory, director of land development for Abito Inc., the Bend, Ore.-based development company that plans to build the project, acknowledges Walla Walla’s wine industry was one of the main attractions to build in the area. As if to underscore the point, the draft plans include 35 acres of vineyards throughout the project.

The list of reasons Clark and a community action group he represents oppose the Illahee development includes deterring urban sprawl and what he calls leapfrog development and protecting farmland from development. But the biggest reason stems from the relationship between Abito and the Port of Walla Walla. At issue is the Port’s decision to purchase 783 acres of farm land with federally granted money. In its application for the funds from the Federal Aviation Administration, the Port stated that it intended to purchase the land in order to expand its runway protection zone, land set aside as a buffer between airports and

surrounding developments. Clark, who sued Abito and filed an appeal for review of the Port's application for funds with the Federal Aviation Administration, alleges the Port purchased the land instead to obtain its water rights, which it intends to sell to Abito. Thus far nothing Abito has done has been ruled illegal, but the FAA's review concluded that the Port "materially misrepresented or concealed the objective, benefits, and parties involved in its application for federal funds." The FAA has given the Port until May to decide how it will dispose of land in excess of that required for runway protection, or roughly three-fourths of the land it acquired. Development of the site has stalled pending the resolution of all legal matters.

Clark insists the true concern regarding Illahee is not that it could eventually be built. Instead, he worries that developers attracted to Walla Walla will follow in Abito's footsteps. Clark and the group he represents have offered to drop litigation against Abito if it would agree to obtain its water from the city and provide money for land conservation easements. So far Abito has declined.

Growing Pains

Whether considered revitalized or transformed (depending on one's point of view), Walla Walla has in the past 10 years gone from "quaint" to "discovered," and the transition is almost unanimously attributed to wine. Glossy magazines such as *Wine & Spectator* and *Money* have highlighted the city in recent years for its cultural attractions and livability – attention that has spurred interest from people who historically had no reason to seek it out.

Perhaps no one has seen how interest in Walla Walla has changed in the last 20 years more than Ken Butler, general manager and co-owner of J.L. Scott Realty in Walla Walla. A short,

stocky man with a quick smile and dark moustache, he's lived in Walla Walla since moving to the town during the ninth grade in 1973, a few years before Figgins opened Leonetti Cellar. He remembers Walla Walla as a quiet agricultural farming community where there were always as many pickups as there were cars. But things started to change with the arrival of town's wine industry.

"People use to come here for the onions, but when they went back to the office on Monday morning it probably wasn't something they went bragging about," he says. "The onion business couldn't do what wine has done. Now people come here, and when they go home they're telling their family or coworkers about the wonderful wines they drank and the restaurants they ate at."

It no longer surprises Butler when he receives a phone call from someone interested in Walla Walla real estate, sight unseen. Now, instead of just blue collar families buying homes, a mix of tourists from high-value housing markets and older couples planning for retirement have started purchasing retirement or vacation homes. Last year, for the first time ever, real estate agents in Walla Walla started seeing the number of second homes sold rival the number of primary homes sold. The attraction for many people interested in purchasing a home in Walla Walla is affordability. The median home price in Walla Walla in 2006 was \$175,800, less than half the \$425,000 median home price in King County, where Seattle is located. Not only are homes cheaper, but buyers are often getting more for their money. Butler says it's not unusual for homes without land that sell for \$800,000 in Seattle to include 10 acres of land and cost half as much in Walla Walla.

That doesn't mean prices haven't been on the rise.

“We’ve seen 50 (percent) to 60 percent increase (in home prices) in the last five years,” Butler says. “The wine industry *is* driving it. It’s not always direct, but it is drawing off of it in one way or another, and it’s the wine industry that has raised awareness of our town.”

Lower-end home buyers have felt the crunch more than most. In 2000, a 3-bed, 2-bath 1,400 square-foot home went for between \$100,000 and \$115,000. Today that same house can sell for more than \$250,000.

“We’re a little bit behind the curve (on affordable housing).” Butler says.

Commercial real estate prices have been on the rise as well. Butler sold three buildings in downtown Walla Walla last year, all three of which established new pricing highs. Lease rates haven’t been far behind. In 2001, downtown retail space went for between \$8 and \$10 per square foot. The rates have now climbed as high as \$16 per square foot. The owners of Aloha Sushi, the newest and much-anticipated restaurant downtown, were the latest to jump in at those rates.

“(They) didn’t even blink at the price,” Butler says about the owners, who came to Walla Walla from Lake Tahoe. “They are coming from an area where that’s normal.”

Making it “pencil”

Sitting in a corner office of the county courthouse’s basement, Chet Smith, the agriculture valuation coordinator for Walla Walla County, shuffles through a gargantuan pile of paperwork and office supplies on the desk in front of him. Smith tracks land sales for county taxation, and he has seen first-hand how the introduction of wine grape growing has affected land prices in the county. Locating a pile of printed reports, he pulls them from beneath a pile and leans toward me.

“Here they are,” he says, handing me all of the data on farmland sales in Walla Walla in the past six years. “You can see for yourself. Things have gone haywire the last few years.”

They had gone haywire. Before the wine craze, the value of land doubled every 10 years. In the last five, some plots of land more than quintupled in value. An acre of grape growing land with water rights sold in 2000 for \$3,154; today it sells for more than \$17,000. Irrigated acreage south of town, where many of the newest wineries are located, sells for up to \$18,000 per acre.

“Once someone who’s interested in wine is interested in the land, the value skyrockets,” Smith says. “That doesn’t mean grapes are going to grow there, and it certainly doesn’t mean that’s what the land is worth.”

Mark Small, the wheat farmer with the Piper PA-20 Pacer, says escalating land prices are making it more difficult for farmers to produce enough on their land to start paying off debt, a process known by farmers as penciling the land. Small presently owns 6,000 acres of land, 4,700 of which go unutilized as part of the U.S. Department of Agriculture’s Conservation Reserve Program. In the program, Small receives subsidies for not planting crops on his land – money that admittedly makes up the bulk of his income. Hoping to expand the amount of farmable land he owns, he’s been trying to purchase additional acreage. So far he has been unable because he hasn’t “found anything that wouldn’t get (his family) into trouble.”

“People are asking unreal prices for the land,” he says. “On the one hand it’s good if you own your home or your land because when you sell it you can make money. But then if you want to buy it back you are in worse shape.”

Other problems facing crop farmers are the restrictions that can go in place when a grape farmer is a neighbor. Often dry land wheat farmers must purchase expensive fertilizers and herbicides so as to keep the grapes unharmed.

“To be a good neighbor may cost a person money,” he says. “We want to be good neighbors, but we also have to look out for our own.”

Small doesn’t know what the future will hold for Walla Walla. He’s hesitant to say there’s a problem, shrugging off the wine-industry-be-damned stance by asserting that the folks moving in and buying the land have the right to grow and produce what they want. At the same time, he’s confounded by what he sees as irresponsible spending on something so antithetical to the city’s agricultural roots.

“You’ve seen these wineries,” he says, his voice laced with defeat. “These guys spent a lot of money, millions of dollars, before they ever turned a wheel. That’s not agriculture. That’s just money coming from somewhere else in order to chase a dream.”

Chapter 2

A tale of two cities

From Walla Walla, one could head south along Braden Road, passing through the rolling hills covered with the lion's share of Walla Walla's wine grape vineyards. Set a few acres back from the road, some of the Valley's newest wineries appear like mansions floating amid a sea of vines. It's as picturesque a wine country as can be found in the Pacific Northwest, approaching the majesty even of some of California's more famous appellations.

But as Braden Road nears the Washington-Oregon border, the vineyards and half-million-dollar homes give way to a stretch of land noticeably void of trellised vines and wineries. In their place, miles of wheat land and apple orchards surround old homes and businesses. This is the journey from the north end of Walla Walla Valley to its southern appellation tip. At its end stands Milton-Freewater, a busted Oregon town centered eight miles south and light-years behind Walla Walla.

Originally two cities, Milton-Freewater was incorporated in 1950, long after geographic isolation killed any hope for financial prosperity. The town's residents survived for many years on logging and agriculture, but in recent years both industries have slowed, leaving few options for financial betterment. Described in a 2004 *New York Times* article as a town "struggling to stand out, desperate to court tourists and hot to rescue a near-dead economy," Milton-Freewater is the redheaded stepchild of Walla Walla Valley.

At 8 percent, the city's unemployment rate is three percentage points higher than Walla Walla's and almost twice the national rate. Recent job growth, a statistic which measures the percentage of increase or decrease in available jobs in the most recent 12 months, was down 2.13 percent at the start of 2007. And per capita income, one of the more reliable measures of affluence, was \$14,898, some \$3,000 less than what Walla Walla residents earn and around \$9,000 less than the national figure. In other words, Milton-Freewater is a town in search of its spoils.

By all rational expectations, those spoils should have arrived some time ago. As the Walla Walla wine industry grew from one winery to two and then two to four, the case began to build for gaining American Viticultural Appellation recognition, a federally granted status that provides legal protection and marketing benefits to members of the wine industry within a specified boundary. With limited grape growing terrain in Walla Walla and the neighboring cities to the east, industry leaders looked south.

"We were included (in the Walla Walla Valley AVA) because Walla Walla needed the vineyards," says Hulette Johnson, director of Milton-Freewater's office of economic development. "Believe me, they wouldn't be here for a heartbeat longer than they needed to be except it's a perfect growing area for grapes."

Thus far, Milton-Freewater's inclusion in Walla Walla Valley has essentially equated to the pilfering of one area for the betterment of another. Consider that, even as Milton-Freewater encircles close to half of the nearly 1,500 vineyard acres inside Walla Walla Valley, the bulk of that vineyard land is owned by and operated for the 80-plus wineries located on the Washington side of the appellation. Milton-Freewater, by comparison, has only two wineries, hardly enough to trigger a financial windfall like the one recently

experienced in Walla Walla. The disparity between the two cities has left some of Milton-Freewater's 6,500 residents wondering if they have benefited from the wine industry's move into the area.

"If we have, it's been very minimal," says Cheryl York, director of the Milton-Freewater Chamber of Commerce.

Minimal might be an understatement. For all of its competitive advantages, including a wealth of land favorable to grape growing, proximity to a community of viticulturists, and inclusion in one of the trendiest and most popular appellations in the United States, Milton-Freewater has failed to capitalize on a wine tourism boom that brings tens of millions of dollars to Walla Walla County every year. Instead, the town has turned to branding itself "Muddy Frogwater Country" in the hopes of enticing some of the tens of thousands of tourists that visit Walla Walla every year into making the brief jaunt south for the likes of frog-inspired art, merchandise and festivals.

Why the uneven distribution of wine industry development between the two cities? Some argue the Oregon Wine Board was slow in promoting the Oregon side of Walla Walla Valley appellation.

"The Washington Wine Commission was on top of (marketing the industry) from the very beginning, yet not a peep from Oregon (Wine Board)," Johnson says.

Vicki McClellan, co-owner of Seven Hills Winery, the first winery to be located in Milton-Freewater, agrees.

"(The Oregon Wine Board) was primarily focused on the Willamette area," she says. "It didn't give a lot of ink to eastern Oregon ... or put it forward as a place where premium wines were being made."

McClellan relocated the winery in 2000 to a renovated building in downtown Walla Walla. The Oregon Wine Board refused to comment on its involvement with Walla Walla Valley.

Whether negligence played a role in squelching some of Milton-Freewater's wine tourism opportunities or not, one commonly accepted reality remains: growing wine isn't sexy; making and selling it is. With only a couple of wineries currently located on the Milton-Freewater side of the appellation, tourists have had little reason to venture into town.

But that could soon change. Walla Walla Valley wine pioneer Norm McKibben recently began working to open more land in Milton-Freewater to vineyard development. While some residents remain leery of the move, McKibben thinks a new round of vineyard development could finally lead to a cluster of wineries south of the Washington-Oregon border. If he turns out to be correct, his plans could kick open the imaginary door that for years has seemingly stopped tourists from traveling south of Stateline Road.

The “Godfather” and his vision

Sitting in his home a couple of miles south of downtown Walla Walla, McKibben cuts a calculating image. His silver-streaked hair frames his rugged face and his clothes are neatly pressed. When he speaks, he balances grit with charm, which certainly hasn't harmed his stature as one of the most sought-after representatives of Walla Walla Valley's wine industry. Informally, he's been called everything from the Godfather of the Valley to the guru of its wines. By others less enamored with his motives he's been called a pro-growth cheerleader with scant concern for the community in which he lives. The difference in opinions means he's as divisive in some circles as he is respected in others, and so, when he talks about his vision for the Valley, people usually listen.

McKibben first lived in Walla Walla during the 1970s. When he relocated to Omaha, Neb., toward the end of the decade, the Valley was in the midst of a boom. Unlike the one that would come some 20 years later, this one was based on wheat. So when he retired to Walla Walla in 1985, he was surprised to encounter a town suffering through the aftereffects of wheat's eventual bust.

"I found that some of my friends that were flying helicopters out to their field weren't doing that any more, and a lot of stores were vacant downtown," says McKibben, 71.

If he was dismayed by what he saw, he hardly had time to say so. The first six years of his retirement were spent serving on the state's Transportation Commission – the result of a request from the governor, he says. After leaving the commission, he changed directions, joining Mike Hogue as a partner in what has grown to become one of Washington State's largest wineries, Hogue Cellars. After becoming the managing partner for Seven Hills Vineyard, one of the largest vineyards in the Valley located along a range of hills south of Milton-Freewater, he developed an interest in starting his own winery – a feat he accomplished with the opening of Pepper Bridge Winery in 1998. At each step along the way, he saw more and more clearly how the wine industry could put the boom back in Walla Walla.

"I began to realize how much it was changing the town," he says. "We could have been defensive and said, 'OK, we're here, we don't want competition,' but (the Walla Walla wine industry) really was very very tiny – a duck in a giant pond."

Enter the pro-growth side of McKibben.

"I really strongly felt that the best interest of not only the city and area but of the wine industry was to get enough of a cluster in here that people recognize the kind of wine we

make,” he says. “To be famous in the industry you not only have to make great wine, people have to know you make great wine, and a group of 20 small wineries weren’t going to catch anyone’s attention.”

In the years since opening Pepper Bridge Winery, McKibben took that message to anyone who would listen. When either the Washington Wine Commission or the Oregon Wine Board would get together to discuss Walla Walla Valley, McKibben would be present. When government agencies needed to address water allocation, he would offer the wine industry’s point of view. And when government officials rolled through Walla Walla or Milton-Freewater, McKibben would find his way into their itineraries. His diligence has paid off for the Valley, which has been embraced by politicians and businessmen who share his vision for industry expansion. Increasingly, that means looking to the Oregon side of the appellation. Not surprisingly, McKibben is leading the way.

Along with a group of partners comprising the Figgins family of Leonetti Cellar, Martin Clubb of L'Ecole No. 41 and Bob Rupar of Nelson Irrigation, McKibben a few years ago purchased 1,700 acres of hillside property adjacent to Seven Hills Vineyard, 1,500 of which McKibben considers prime grape-growing land. Unlike Seven Hills Vineyard, however, the partners never planned to develop the land. Instead, the plan was to break it into smaller parcels that could be sold to people interested in growing grapes and building their own wineries, a move that would almost double Walla Walla Valley’s wine grape acreage. There was just one problem: Oregon land-use laws.

Land-use woes

Thirty-four years ago, then-Oregon Gov. Tom McCall spoke to the state Legislature about what he called “sagebrush subdivisions, coastal ‘condomania’ and the ravenous rampage of suburbia” sweeping across his state. The speech kicked off legislative action that eventually resulted in Oregon Senate bills 100 and 101 and the establishing of the statewide program for land-use planning still in effect today. For decades, the bills have remained popular among environmentally conscious Oregonians. For just as long, they have frustrated economic developers and drawn the ire of industry leaders.

“They’re extremely cultish,” says Johnson, Milton-Freewater’s director of economic development. “They weren’t perfected to protect land owners, they were perfected for environmentalists.”

It comes as no surprise to Johnson, therefore, that McKibben has encountered difficulty dividing and selling the consortium’s land. The reason lies in the fact that the land in question was zoned “exclusive farm use,” a classification that in Umatilla County prohibits the subdivision of land into parcels of fewer than 160 acres without the state’s consent. Considering land around Seven Hills Vineyard typically sells for around \$20,000 an acre, a 160-acre plot of land would require an initial outlay of around \$3.2 million. After factoring in an average of between \$15,000 and \$25,000 per acre to develop and maintain the land up to the first harvest in year three, the total cost to an investor could top out at more than \$7 million – all before producing grapes of enough quality for a bottle of wine. McKibben’s target audience, namely people hoping to produce around 3,000 cases of wine a year, typically can’t afford that expense. What’s more, Walla Walla Valley wine industry leaders don’t particularly want to welcome the large wine companies that can.

McKibben applied in 2005 for what is known as a “go-below” to the Oregon Department of Land Conservation and Development, the government agency established by Senate Bill 100 to oversee land-use administration. A go-below is a waiver of land-use regulations and can only be granted by the DLCD. In this case, McKibben sought to partition the land into 20-acre parcels for commercial vineyard development. The Oregon Wheat Growers League and the Friends of Umatilla County opposed such a plan, saying subdividing farmland increases the likelihood it will eventually be taken out of production and either developed or abandoned. But some Oregon politicians, eager for economic development in Milton-Freewater, sided with McKibben – a move that appears to have aided his cause considering that the DLCD decided in June 2006 to allow subdivision of the land into 40-acre plots. The Oregon Wheat Growers League immediately appealed the decision.

Should the ruling stand, residents with farms surrounding the land in question could see an influx of new – and likely large – homes pushed up against their farm land. According to state permit regulations, owners of the land in question can’t build a home on it without first earning a state mandated \$80,000-per-year income from the land in three out of five consecutive years. While it is questionable as to whether the 20-acre farms that McKibben desired could have achieved this level of income, industry analyses indicate a 40-acre farm easily could.

Fifth-generation Milton-Freewater farmer Scott Hendricks, whose home sits adjacent to the contested land, says he’s not anxious to see the area “carved up with million-dollar homes.” Hendricks was among the owners of Seven Hills Vineyard before it was sold in the mid-1990s to investors who included McKibben. Despite still owning 21 acres of vineyards, which he manages as part of his winery consulting company, Windrow Management LLC, he

says increased vineyard development won't benefit Milton-Freewater much, if at all. Instead, he says, the development would strain the community by allowing homes to be developed on farm land and because it would cause the price of land and homes in Milton-Freewater to rise.

"For this community to become something like Napa (Valley) would destroy it," he says. "Maybe I'm just a certified redneck reacting negatively to the prospect of change, but (the development issue) has two very, very important sides, and it does nobody any good to ignore one of them."

The road to progress

It's 11:32 a.m. on a Tuesday. Shoppers in downtown Walla Walla idle past department store windows and peruse menus posted outside cafes. Folks dressed in business-casual attire walk hurriedly through crosswalks hoping to beat the early lunch rush to a popular dining spot. An open parking spot in the few blocks surrounding Main Street is nearly impossible to find.

However, at this moment, downtown Milton-Freewater is desolate. Not a single patron is walking around, probably because most of the storefronts are closed. Of the few street-side properties occupied along one stretch of South Main Street, only the coin-operated laundry shop and the local tavern don't have FOR SALE BY OWNER signs in their windows. Two-hour parking spots sit vacant by the dozens.

The appeal by the Oregon Wheat Growers League could be settled soon, with an official at the DLCD estimating a resolution no later than October 2007. Should it fail, downtown Milton-Freewater could soon come to resemble that of Walla Walla. McKibben says

essentially all 1,700 acres owned by the consortium have potential buyers at the proposed 40-acre size, meaning that development of vineyards and the construction of wineries could begin in Milton-Freewater by spring of 2008. The economic boost, should that come to pass, could be dramatic.

“Right now people aren’t willing to cross state lines for one or two (wineries),” says Mike Watkins, supervisor for Milton-Freewater’s community development department. “Once we have tasting rooms open it’ll spur off other wineries.”

More wineries would start a domino effect by attracting increased investment in the dilapidated downtown corridor, Watkins says. Some, including hotels, restaurants and resorts, have already expressed interest in Milton-Freewater. But first there must be a reason for people to come. Once there is, prosperity like that seen in Walla Walla likely wouldn’t be far behind.

And that, says Johnson, the town’s director of economic development, is music to his ears.

“Us poor folks are finding out there are people in this world that seek (wine destinations) out,” he says. “We’ve got the road to progress; we just need to take it.”

Chapter 3

Snapshots of Walla Walla's transplant wine workers

Outside one of the dozens of wineries located along the rolling hills south of Walla Walla, Wash., a mix of buzzing machinery and bottles smacking against each other cuts through the morning air. The cacophony, which has been raging for hours, might be enough to overwhelm Dustin Tobin's senses if not for the bitter winds that, whipping down from the snow-capped Blue Mountains to the east, chill his exposed appendages.

Tobin is one of eight men hired for the day to help Waters Winery bottle its wines. His job is to label and date-stamp cases of wine as they come off the bottling line before stacking them on wooden crates. It's the only position in the assembly line that doesn't involve spending at least some time inside and, after more than two hours, the cold air has blasted his cheeks rosy and caused his nose to run. Still, his spirits are high. Slapping a label on another box and heaving it onto the crate a few feet away, a smile of satisfaction covers his face.

"This is the fun stuff," he shouts over the drone of machines and banging glass. "It sure beats working in an office."

As little as 10 years ago, there were two reasons a fellow like Tobin might find himself in Walla Walla: for a taste of the sweet onion that bears the city's name or for the state penitentiary. Though both options still draw their respective crowds, the town has come a long way thanks in no small part to its wines. Tobin, who hails from Yakima, Wash., some

130 miles northwest of Walla Walla, is just one of hundreds, perhaps thousands, of men and women who have moved to Walla Walla Valley in recent years to be part of its wine industry.

Other newcomers like Steve Brooks have come with the vision of starting a winery of their own. For them, the area offers the opportunity to build brand recognition at an industry-affordable price. And then there are those like Alejandro Peña, a once-migrant worker from Mexico who found a permanent home thanks to a steady job in a Walla Walla vineyard.

Twenty-three years after Walla Walla Valley earned federal recognition as a wine-producing appellation, one thing is clear: the wine industry has attracted people to Walla Walla who likely never would have gone there otherwise. Though their reasons for moving to the area differ, this collection of workers now calls Walla Walla Valley home. Here's a closer look at these workers and the intimate parts of the area's wine industry that attracted them.

The wine geeks

"Last pallet," Dustin Tobin yells to the group of men working inside the bottling truck. The men have been working for almost five hours, and they are ready to be finished. Especially Sean Boyd, Waters Winery's cellar master and the supervisor of the temporary laborers.

"It's always one of the best days of the year when you're done bottling because then it's out of your hands," he says. "It's time to enjoy (the wine) and start thinking about the next year."

Next year. It's not yet clear what that means for Tobin, 24. When he talks about why he chose to move to Walla Walla 18 months ago to attend the Institute for Enology and Viticulture, he's frank.

"I got into this because I have a love for agriculture," he says.

Tobin is one of hundreds of men and women ranging from 18 to 72 who have turned to the Institute for Enology and Viticulture to learn about the process of making Washington's wines. When it first started in 2000, the institute mostly taught a handful of Walla Walla area residents how to blend or appreciate the area's wines. But with a cash infusion in 2003 that led to the creation of a new building and vineyard, the institute was able to offer students courses in how to grow grapes and turn them into wine. The school is a fully functional commercial winery, the only one in a two-year college in the United States, and has been recognized as one of the best wine education programs in the West, attracting around 30 full-time students every year. Most of the school's students hail from outside Walla Walla.

"A lot of people come here for the program and find out they like it here," says Stan Clark, the institute's coordinator. "You see a good number (of students) that stick around this area after they finish (the program)."

That certainly was the case for Tobin. Growing up in Yakima, Wash., he always had an affinity for agriculture. As a kid he worked on his father's hop ranch and on neighboring farms, handling everything from grapes to apples and cherries. It was all just part of life in the hop-heavy hub of central Washington, and a life he enjoyed until high school. That's when his father decided to move the family to New York to take an office job with grape juice giant Welch's.

“It’s one of those things where you don’t know what you’re really missing until it’s gone,” Tobin says.

The family’s absence from Yakima Valley didn’t last long – the Tobins moved back to the Yakima area after only a few years – but it was enough for Tobin to realize he wanted to work in agriculture. He enrolled at Washington State University and majored in agricultural technology and management, a degree that can lead to jobs in agricultural finance. But something about it didn’t click, and after two years he dropped out.

“Too much business,” he muses, as if still trying to figure out why he left. Whatever the reasons, it didn’t kill his desire to work in agriculture. If anything, it strengthened it.

So when he heard about a school in Walla Walla where students learn to grow wine grapes, it intrigued him. He could utilize his prior schooling while also learning farming skills in a hot and growing field. It seemed like a perfect fit, and one he couldn’t pass up. Now entering his sixth and final quarter at the institute, the uncertainty of “next year” looms large.

The same can be said for Brian Rudin, a friend of Tobin’s who started at the institute at the same time. Until recently, Rudin’s interest in wine centered on drinking it. That changed a year-and-a-half ago when, at 25, he moved from Wenatchee, Wash., to Walla Walla to get the institute’s two-year enology and viticulture degree. Now, as he nears the completion of the program, he is skilled in crafting every kind of wines from cabernet franc to viogner. After graduation, he plans to tackle the “next year” dilemma by trying to get a job as an assistant winemaker at one of the many wineries around Walla Walla.

“Napa’s kind of done,” he says. “It’s all bulk wines coming out of California these days. I want to learn to make wine and to be part of the Washington wine scene. There’s a lot of promise here to do that.”

When they are not in school or out working, Tobin and Rudin practice making wine with Shane Collins, another student in their program. In all, the three men have spent close to \$10,000 on grapes and equipment and have managed to produce seven barrels of wine, the equivalent of 300 gallons or 1,500 bottles. If they were bonded to sell it, Rudin estimates it could fetch between \$30,000 and \$40,000. Because they are not, they plan to drink it or give it away once it is bottled.

“It’s really good for when we get together with friends and we get tired of opening up good bottles (of wine),” Rudin says. “We just crack open our own private stock and drink from that.”

Between their winemaking experiments and the formal training they receive in school, Tobin and his friends should emerge prepared for a well-paying career. According to an industry compensation survey conducted by *Wine Business Monthly*, winemaking jobs have experienced continuous compensation growth. In 2006, an assistant winemaker at a winery that produces less than 50,000 cases of wine can expect a starting compensation no lower than \$37,500. Higher up the job ladder, head winemakers at the same-size winery start at close to \$90,000 annually. Should Tobin or one of his classmates opt to take a less glamorous vineyard job, compensation is only slightly less.

For the time being, none of the three students knows for sure what next year holds, though all three acknowledge they will try to find a job in Walla Walla. Until graduation, the

doorway to “next year,” they’re just trying to take full advantage of the present and enjoying the possibilities.

“We’re three dudes hanging out in a garage, and we’ve got \$30,000 to \$40,000 worth of wine,” Rudin says. “From where we were a few years ago, that’s pretty amazing in itself.”

The dreamer

When longtime CNN employee Steve Brooks first told his co-workers he was quitting his job to start a winery, they thought he was crazy. To tell the truth, Brooks wasn’t so sure they were wrong.

“You have to be part stupid (to start a winery), there’s no doubt,” he says, only half joking. “But one of the reasons I told everyone (at CNN) what I was doing was so I couldn’t back out.”

In the 19 years he worked for CNN, Brooks ran the gamut of technical positions, from tape editor to sound tech and producer. Some of his most memorable assignments included remote-editing footage for broadcast from places like Cuba, Russia and Hong Kong. When he and his wife eventually had children, he settled the family in Atlanta, where he worked on special reports at CNN headquarters. It was work he enjoyed until about the turn of the millennium, when Time Warner merged with AOL.

“I was starting to get a little disenchanted with the news business,” he says about that period. “It was starting to get depressing.”

Depressing, Brooks says, because of budget cuts, increasingly longer hours and all-around low morale. It was enough to make him consider one of the buyout severance packages that were being floated in front of longtime staffers. He started talking to his wife, herself a

broadcast producer for Turner Sports, about getting out of the news business. Jarred by rising crime and traffic in Atlanta, he figured it was time to leave the South as well. Where they would go, and what they would do once they got there, however, he didn't know.

"There was some soul searching," he recalls. "It came down to following a dream."

That dream was to be a winemaker, despite the fact that the sum of his and his wife's experience with wine was limited to visiting wineries and drinking it at home.

"I didn't want to answer to a bunch of people sitting around a table, and I had gotten tired of sitting in meetings listening to people pontificate," he says. "I wanted to do something where I was in charge and where, if I (messed) up, it's my fault." Besides, he adds about his eventual decision, "I never, ever went to a winery where people were nasty or mean or uptight, so I thought, why not?"

He accepted the severance package, put his house on the market, and started looking for a place to get started. Brooks and his wife originally were going to move to McMinnville, Ore., where pinot noirs were experiencing widespread success, but the price and availability of good grape-growing land in the area made that difficult. Then he read an article in the *New York Times* about affordable winemaking in eastern Washington. If he wondered if it was really possible to open a winery without being a multi-millionaire, the article put his doubts to rest.

"I remember thinking, 'Wow, you can really do it,'" he recalls, though he admits he wasn't initially thrilled with the idea of living in eastern Washington.

"I didn't want to live in the middle of nowhere, four hours from a big city, no hospitals if the kids get sick," he says. But after some prodding from a friend he decided to make the trip to Walla Walla to check it out for himself.

Even as he drove the four hours from Portland to Walla Walla, he prepared himself for the worst.

“I was thinking, ‘There’s no way I’m living out here.’” Those thoughts subsided, however, when he entered town.

“It was really nice,” he remembers thinking. “There were nice schools, some restaurants, an opera. I drove around for about half an hour and then called my wife and said that this was going to be it.”

Since moving to Walla Walla, Brooks has taken some winemaking classes at the Institute for Enology and Viticulture and has worked odd jobs during harvest and pruning. In 2005 he put his dreams on track when he started renting space at Va Piano, a winery in Walla Walla that has established a “studio” program where winemakers can use the winery’s facilities and space as part of a lease. From there he began producing wine from grapes purchased on the open market.

When his first vintage is released this year, it will be with his own label, named Trust, and will consist of about 700 cases of wine. Immediately following release, he plans on moving into a larger facility for three or four years, during which time he hopes to build his brand name and pay off some debt.

The journey hasn’t been without its mistakes. Brooks planned on buying acreage to plant grapes when he first arrived. What came available was a patch of rocky orchard land in Milton-Freewater, Ore., which had recently been converted to vineyard space. Unprepared to pay \$9,000 an acre when equivalent land cost nearly half as much a year-and-a-half earlier, he passed. The land has since risen in value to more than \$20,000 an acre.

That snafu aside, Brooks has come a long way toward fulfilling his dream, and at a fraction of what it would cost in other wine producing areas. Grape-growing land in Willamette's sub-appellation McMinnville can be priced as high as \$35,000 an acre. Land in Napa Valley starts around three times that. By contrast, Brooks says he has put in close to \$100,000 in the first two years of operations. He acknowledges he could have gone cheaper, but he so far is happy with his progress. His next goal is to wean himself off of the bank by making and selling more wine.

"It's kind of scary because I haven't sold a thing yet, I've got nothing on the market, but I still have to make plans to have, instead of 700 cases, maybe 1,000 cases or 1,200 (next year)," he admits. "(Otherwise) you're always going to be taking that bank loan and paying it back and taking it again and paying it back. It's a vicious cycle. You need to really jump to get ahead of the curve."

As for his trepidations about moving to Walla Walla, he says they are gone. When he found himself back in Atlanta last year for a friend's funeral, he says he couldn't wait to leave.

"I was there four or five hours, and I couldn't wait to get back to Walla Walla."

Those among the vines

Alejandro Peña has never purchased an issue of *Wine Spectator* magazine. He's neither opened a *Food & Wine* nor read a *Wine Enthusiast*. If he had, there's a chance he might have seen some familiar names, including Norm McKibben, Chris Figgins and Christophe Baron, all famous winemakers of Walla Walla Valley in which Alejandro lives. He might have even

seen the name of his boss, Justin Wylie, an up-and-coming winemaker in Walla Walla who has been making a name for himself with his syrahs and cabernet sauvignons.

Peña hasn't read those magazines because he has never cared much about wine. His interest in the intoxicating brew goes no further than the paychecks he earns tending to Wylie's wine grape vineyards.

Originally from Mexico, Peña first came to Walla Walla 10 years ago with his father looking for work. For years he made the seasonal rotations from crop to crop, working everything from apples and cherries to asparagus and onions. It was backbreaking work, as evidenced by his father's inability to work any longer, but it was essential to take care of his wife, Teresa, and, eventually, two kids. The worst part, he says, was not knowing whether he would have a job from one day to the next.

That all changed three years ago when Teresa's brother told Alejandro about a job re-planting vines at Wylie's Va Piano Vineyards. Alejandro got the job, has worked there as Wylie's permanent employee ever since. Now, instead of rotating between seasonal crops, he spends 40-plus hours a week planting, pruning, thinning and harvesting Wylie's 13 acres of vineyards in Walla Walla and an additional 17 acres Wylie is developing for grapes in Milton-Freewater, Ore.

"He usually does all the labor work," Teresa says. "Justin (Wylie) doesn't have anyone else (to help him)."

Making ends meet can be difficult. Alejandro earns a salary of \$21,000 a year, or roughly \$10 an hour. There is no overtime pay, and there are no benefits. If Alejandro were to fall ill and take time off, he would not be paid. If the illness were to last too long, there's always the chance he could be replaced. Even with the fulltime, \$8-per-hour job Wylie gave Teresa a

few months ago to help Alejandro, the Peñas will only manage a combined income this year of \$37,000, some \$3,000 less than Walla Walla County's median household income.

With the money the Peñas earn at Va Piano, they are able to live in one of the 128 units at Walla Walla's Farm Labor Camp, popularly known by the migrant workers who live there as *Campo de Walla*. First established in the 1940s, the Farm Labor Camp is a government-subsidized housing project designed to provide low-income housing to migrant workers who have social security numbers. The Peñas, who both qualify, pay \$335 a month for their 2-bedroom apartment, though they are starting to think about buying a house. With Teresa's new job the Peñas figure they can now afford to spend around \$100 more each month on a home. That likely won't buy much house. Lower-end houses are hard to come by in Walla Walla, and the median home price in Walla Walla County has gone up more than 12 percent in each of the past two years from \$139,500 in 2004 to \$175,800 in 2006. Though still well below the median home price in the state of Washington, which climbed to \$293,800 last year, a monthly mortgage payment of \$435 doesn't stretch as far as it did in Walla Walla just a couple short years ago.

Compared to the thousands of Hispanic workers who have moved to Walla Walla to find work, the Peñas are lucky. Most of Walla Walla Valley's wine operations are too small to warrant fulltime work – the Peñas can only think of a few that do.

That's not to say the wine industry isn't benefiting migrant workers. In a recent survey of agricultural employers conducted by WorkSource Walla Walla, wine grape growers were the second-highest users of seasonal workers and accounted for one-third of the total seasonal labor work force used in Walla Walla County in 2006. Considering that many of the vineyards currently producing grapes were converted from wheat land, which is less labor-

intensive, the wine industry has created more jobs. Six of the survey respondents who owned vineyards also indicated they plan to expand or add grape varieties, meaning they will likely rely on more seasonal labor in coming years. As those and other vineyards grow, migrant laborers will also stand a better chance of finding permanent employment in the wine industry. Until then, however, the number of families like the Peñas will remain low.

“Most people we know still work in the orchards, just picking apples,” Alejandro says in Spanish. Most orchard jobs pay equal to what Teresa is making at Va Piano, and the work is often more difficult and less reliable. Orchard workers, “have to pick up other work where they can get it,” Alejandro says, often resulting in annual income far lower than the Peñas.

As for the glossy magazines that gush about Walla Walla wines, Alejandro has no intentions of picking any up. Even if he and Teresa were to appreciate the wines being produced in part by their hands, it isn’t likely they could afford even the cheapest of Wylie’s wines. At \$32 each, just one bottle a month would seriously jeopardize their dream of buying a home.

Chapter 4

Walla Walla Valley: What next?

Leaning back in a chair, his legs propped up on his desk, Rick Small doesn't quite look the part of a farmer. A slender man of average height, he keeps his graying hair buzzed tight against his scalp and his t-shirt tucked into his jeans. His sneakers are worn, yet inexplicably clean, and, considering there's no visible dirt or grime in his fingernails, the same can be said for his hands. To look him over, there's nothing to suggest he's been toiling in the fields.

There's nothing to suggest he's a celebrity, either, but in the wine-obsessed town of Walla Walla, Wash., where winemakers can split their time between tending vineyards and hosting high-priced meals in any number of local restaurants, he's both.

The owner of Woodward Canyon, Walla Walla's second winery, Small is perhaps best known as a founding father of Walla Walla's wine industry. When he and Army Reserve pal Gary Figgins (of Leonetti Cellar) first produced wine in their homes, it was a hobby. It was certainly never intended to replace their daytime jobs. As to their choice of location, *Travel + Leisure* writer Bruce Schoenfeld got it right in his 2005 article when he said, "they made wine in Walla Walla only because they lived in Walla Walla."

But modest as they originally were, Small and Figgins' efforts eventually spawned one of the hottest wine regions in the United States. Now, with more than 80 wineries and some 1,400 acres of planted grapes, Walla Walla Valley (an appellation that didn't even exist when

Small and Figgins started making wine) is as much a wine destination as Napa and Sonoma valleys in California or the Willamette Valley in Oregon. Wines produced in Walla Walla Valley can be found holding down multiple spots on *Wine Spectator's* annual Top-100 Wines list, and they also adorn wine lists at high-end wine bars from Seattle, Wash. and Lake Tahoe, Calif. to Charleston, S.C. and Huntsville, Ala.

In other words, Walla Walla wines have arrived.

The upshot to all of this is that the winemakers that have followed in Small and Figgins' footsteps now need only make wine inside the appellation's boundary to fetch premium wine prices. But do the prices reflect the quality of wine? Not always. A relative newcomer to the Valley who wished not to be identified said area winemakers persuaded him to price his wines above \$28 per bottle because "that price would make his wine appear 'cheap.'" Without any change to the wine, the winemaker decided to charge \$38 per bottle, some \$6 above what is unofficially believed to be the average around the Valley. It's a common practice that befuddles Small.

"I try to be objective and philosophical about it and say that everyone has the same dream (to be a winemaker) as I had when I started," he says. "On the other hand, there's a lot of people now whose wines are pretty expensive for what they are."

Because some of this appears to be based more on having "Walla Walla Valley" on a bottle of wine than the wine that goes into it, dictating what "Walla Walla wine" means seems like an important next step for industry leaders. But with more people moving to the area to start wineries, the identity of winemakers has changed. No longer the area farmers of yesteryear, they are the well-to-do businessmen and retirees of today.

“We used to have people who wanted to make wine,” says Myles Anderson, co-owner of Walla Walla Vintners, the eighth winery in Walla Walla. “Now we have people here who are interested in being part of the wine industry. There’s a difference.”

Anderson says many of the newcomers are drawn by what he calls “an irrational passion” to live what they believe to be the glamorous life of a winemaker. What they don’t see, he says, is that making quality wine requires more than just showing up. It’s a process – one that took many of the Valley’s best winemakers years to perfect.

But some of the area’s newest winemakers, eager to kick-start their labels, skirted that take-it-slow mentality. Consider the increasing popularity in Walla Walla of what are called virtual wineries. Unlike the brick-and-mortar wineries that fostered the Valley’s growth, virtual winery owners buy already-made wine from bulk wineries and sell it out of a rented tasting room. While virtual winery owners operating out of Walla Walla can’t have “Walla Walla Valley” on the label unless 85 percent or more of the grapes used to make it originated inside the Walla Walla Valley appellation, nothing stops them from calling it “Walla Walla Red” or from saying things like “crafted in Walla Walla.” For upstart winemakers, it’s a way to bring in money while trying to establish market share. For Anderson, it’s more like “scabbing” off of the Valley’s reputation.

“We’ve got guys that aren’t even making wine ... selling it as their own label,” he says. “They’re here to use the value of the Valley to market (somebody else’s) wines.”

Michael Davidson, president and chief executive officer of Tourism Walla Walla, worries that the tendency by some winemakers to cut corners will irreparably harm tourism to the Valley.

“If someone produces bad wine, they can do it (and) you can’t stop it,” he says. “But with more and more wineries, the quality of wine this area is producing is so wide to interpretation that it could lose its position as a place for unique, quality wine. If that happens, we lose our footing in the industry as a destination.”

To prevent that from happening, Davidson hopes to promote Walla Walla as more than just a place to get wine.

“I want this to be a place where you get *immersed* in wine,” he says. “That means winemaker dinners, Wine 101 (classes), whole *packages* where visitors can learn about the entire process of making wine.”

But how much wine industry is too much? No one knows for sure. Most people think the Valley could go as high as 200 wineries, but not before the area experiences a shakeout.

“Some of the newer people are so smitten by (the wine industry) that the downsides just aren’t apparent to them,” Small says. “I think a crash is just inevitable. There’ll be some failures.”

David Leal, vice president of Banner Bank in Walla Walla, agrees. On average, wineries do not start making a profit until around the seventh year of operation. While only one of Leal’s 30-plus winery clients folded during his four years at the bank, he thinks people will begin to lose patience with losing money and either close or sell.

“In five years ... I think there’ll be different names on a lot of the labels,” he says.

If there’s one thing Walla Walla winemakers and vineyard managers think Walla Walla is *not*, it’s the next Napa Valley. For years area winemakers have prided themselves on making small-lot wines for a small portion of the wine-drinking world. Unlike Napa Valley, with cities like San Francisco and Sacramento close by and a broad network of distributors already

established, Walla Walla Valley doesn't appear to have the luxury of letting quantity become its calling card.

Put simply, quality is what built Walla Walla Valley. Once it goes, so goes the Valley.

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