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French Bliss

A U.S. entrepreneur turns his passion for Burgundy (both the wine and the region) into a business.

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BEAUNE, FRANCE (FORTUNE Small Business) - The first time Blair Pethel drove the tractor out onto his newly acquired vineyards in Burgundy, he flipped it. Such accidents are common in the region, and they can be fatal. (There are two or three deaths every year.) But Pethel, blessed with a novice's luck, was unhurt. "I sat in the vines, head in my hands, embarrassed," he says. "Then I hurried down the hill to get help."

Luckily, that early accident wasn't an omen. Pethel, raised in Greensboro, N.C., and the son of a church musician, has fulfilled his decade-long dream of owning a vineyard in Burgundy. In the two years since, Pethel, now 48, has faced hail, hostile local property boards, organic chemistry classes taught in French, and unwieldy tractors. But this spring he starts selling his first vintage: 1,500 bottles of white Burgundy that was mostly sold out before he could bottle it. The name on the label says "Earl Domaine Dublaire" (as in "du Blair").

Some entrepreneurs work hard to fit their passions in around their businesses. But others turn their passions into businesses. Pethel has joined the fast-growing second category. Even as many hobbyist winemakers retire to a few acres, and vineyards replace bed-and-breakfasts as the most dreamed-of second business, his accomplishment stands out.

Pethel was initially trained as a concert pianist, but after earning a master's degree in music, he switched to journalism. In 1987 he moved to London, where he landed a job, found a wife (Fran, a British citizen), and developed an abiding love of wine. At a London event, while tasting some red Nuits St. George, he met a man who would become pivotal in his life, Patrice Rion.

Rion's family had been making wine in Burgundy since 1955, and Patrice now runs his own operation, which produces 5,000 cases a year of mostly red Burgundy under the label Domaine Rion (some of which is sold through wine retailers in the U.S.). Pethel struck up a friendship with Rion and started traveling to Burgundy four or five times a year, tasting and learning on each trip.

When Rion encouraged him to take a short sabbatical and help out during the 1999 harvest, Pethel agreed. He worked three months of 12-hour days, picking grapes and filling barrels. By winter an exhausted but exhilarated Pethel moved his family back to the U.S. with the goal of returning to Burgundy—permanently. He took a job at Bloomberg News, even though, as he puts it, "I had had my fill of journalism." Because of a small inheritance he was able to bank all of his Bloomberg salary for the next three years. He and Fran took French classes and hired French au pairs for their sons.

The family returned to France for good during the fierce heat wave of 2003, and Pethel began creating the business he'd long been plotting. Burgundy is tiny, just 30 miles long, and its vineyards are mostly classed into three tiers. He planned to buy property only in the top two levels, called premier cru and grand cru, and to limit his land to a manageable nine acres.

He also planned to hire only seasonal help, avoiding huge costs in employee compensation for full-time workers. His ultimate goal is to squeeze 20,000 bottles from his vineyards and add an equal amount of wine purchased from other local sources, which he will bottle under his label.

The first parcel of land he found was 1.2 acres in the grand cru vineyard Corton-Charlemagne. It came at a discounted price, \$1.35 million, as the property included a tenant farmer entitled to work the land through 2009. Until then, the tenant pays Blair rent in grapes. (Later Blair bought a second property, a half-acre in Chassagne-Montrachet, for \$410,000.) Blair's first wine was made from the 2004 Corton-Charlemagne fruit and has just been released. Because he doesn't yet have a production facility (he plans to spend more than \$500,000 for one in the coming months), he is renting space in Rion's cellar for those four barrels, holding 1,500 bottles of rich, mineral-laden white wine.

Pethel has some factors going for him that other expat winemaker wannabes don't, mainly indefatigable cheerfulness, obsessive organization ("I'm the kind of guy who does the accounting before I go to the accountant," he says), his wife's support, and perhaps most important, her European Union citizenship, which



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has eliminated much of the red tape that outsiders face.

Last fall, for example, he found out that anyone wishing to become an exploitant (basically, "winery owner") needed to pass a ten-month, full-time course at the Lycee Viticole de Beaune, a local institution. This ensures that not just anyone can buy France's treasured vineyards and make wine. The course cost \$8,600, but because of his wife's citizenship, he was eligible for full tuition reimbursement and even received a small stipend. (He reports that tax law and organic chemistry –both taught in French – were killers.)

Local friends and mentors in the industry have also provided him with entry into Burgundy's somewhat xenophobic winemaking community. Buying property in the region can be a bit like marrying into high society - it helps to have the right pedigree and friendships.

Seeking outside work until his operation turned profitable, Blair answered an ad in a local paper placed by Jean-Marc Pillot, a noted maker of white Burgundy. Pillot owns about 20 acres in Chassagne; his complex wines range in price from \$30 a bottle to \$250. Later, when Pethel wanted to buy a half-acre of premier cru property in Chassagne, he needed the approval of the local wine council, which, coincidentally, was headed by Pillot. Pethel was approved without delay.

Still, even with such connections, Pethel has to work at a pace not often seen in the French countryside. Because his tiny vineyards cannot yet support him, he will continue to labor for both Patrice Rion and Jean-Marc Pillot. His summer schedule: "Monday to Friday at Jean-Marc's in the vines, debudding, de-shooting, trellising, hedging, etc., from 7:45 until noon and 1:45 until 6. In the evenings I tend my own vines until about 8 or 8:30, and I work them full-time on the weekends."

And the business structure of Domaine Dublaire is dizzyingly complex. "Under French law," he explains, "a licensed exploitant –me– must be the majority owner of the company." That company, a U.S.-based holding firm called the Cote d'Or Group, controls a confusing, three-part web of French businesses, which minimizes French tax exposure both at company and personal levels. The group owns 60% of Domaine Dublaire, which in turn owns all of the vineyards and 49% of the equipment and farming rights. Domaine Dublaire farms the grapes and sells them to the group, which then makes the wine and markets it under Pethel's label.

Pethel has spent about \$1.7 million on his venture, \$245,000 of that borrowed from a local bank. Now, at the limit of his debt comfort, he is seeking to raise another \$6 million, most of which will finance his next land purchase of 7.5 acres. He has sent his business plan to 65 potential investors in three countries.

The risk, Pethel says, is relatively low, given that vineyards in Burgundy have appreciated a steady 5% a year for the past three decades. A promise of an 8% to 10% return when he is functioning at full capacity will sweeten the deal for investors. Charging \$32 a bottle (retail) for the Chassagne and \$51 for the Corton, he projects an annual profit of \$165,000 a year from the two parcels of land alone. "I'm confident," he says.

Of course, the weather can throw a wrench into those plans. Late one afternoon last July the sky turned black and fractured with lightning. Soon random vineyards across the area were pounded with dreaded pellets of ice, which knock developing grapes from the vines and make others susceptible to rot.

Hail is a constant threat of the Burgundy climate. By morning Pethel's half-acre in Chassagne had lost 20% to 30% of its fruit. He was lucky–some vineyards lost their entire crop. But Pethel was undeterred. "Back in May, just before flowering, my land was lightly hailed," he says. "It nearly broke my heart. Jean-Marc Pillot told me I'd get used to it–now I think maybe he's right. This time around the hail cost more, but my emotional angst wasn't as profound. The rewards in front of me are potentially huge, both financially and personally, but there are no rewards without risks."

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