



HARVESTING PROFITS IN ARGENTINA'S WINE COUNTRY

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Michael Evans found peace--and a nice business--in Argentina's wine country.

In 2004 Michael Evans bought a ticket from Los Angeles to Buenos Aires. He had suffered two recent traumas: the end of his six-year marriage and the failure of John Kerry's presidential campaign, on which he had slaved for four months. "I was physically and emotionally fried," says Evans, 44, up to that point a peripatetic business and political consultant. Time for a makeover.

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Each owner pays Evans \$55,000 an acre for a planted vineyard. Beginning in the third year, owners pay cost plus 25% for a slew of services. Pruning, mowing and irrigation come to \$1,500 per acre; harvesting, \$114 per acre. Evans will also ferment, bottle and distribute the wine, leaving owners to focus on fun stuff like choosing a name and designing a label. In a good year you can get 250 cases of Malbec from an acre of grapevines.

To entertain visiting investors and lure new ones, Evans converted an old Spanish Colonial house into a tasting room and built a wine store and bar, featuring 100 Argentinean varieties, in the Park Hyatt Mendoza. The surrounding area isn't shabby, either. In October Seattle technology executive Michael Brochu and his wife rode horses to survey their 5-acre plot tended by Evans. They stayed overnight in a nearby stone casita, ate steak at an Argentinean barbecue and put back a lot of wine. "I can't say I've had as much fun with any other investment," gushes Brochu. Evans is having fun, too. Last year Vines of Mendoza generated \$3.7 million in revenue, down 30% from 2008. About 80% came from selling the plots.

Launching a wine empire was a huge leap for Evans, who had bounced around for 20 years working political campaigns, doing business development for a few technology startups and running the foundation arm of the trade group for the wireless-communication industry. When Kerry lost in 2004, Evans was renting an apartment in Fort Lauderdale, Fla. and most of his belongings were in storage. On a whim he met up with David Garrett, an old friend, in Buenos Aires. The pair took a wine-tasting class, and their instructor suggested they look up wine expert Pablo Gimenez-Riili, who gave them a tour of his family's vineyard in Mendoza. "A lightbulb went off," recalls Evans. "The combination made me think that Mendoza is Napa Valley 35 years ago."

Evans and Garrett rented a house for \$400 a month and came up with a business plan. They decided to open a tasting room featuring Argentinean wines, a hotel and a mail-order business that would ship Argentinean wine from a Napa Valley, Calif. warehouse to buyers in the U.S. and Europe. In six months they raised \$260,000 from family and friends. Evans kicked in \$85,000 in savings and credit card debt; in lieu of putting up his own money, Garrett agreed to work for free while he ate into his savings. "I was all in," says Evans, who took Spanish lessons for an hour a day. "My advice is to invest enough of your own money that it hurts."

Selling somebody else's wine was fun, but Evans really wanted to make his own. That would require capital, so the twosome worked the phones for up to 14 hours a day, mailing articles about Mendoza and Argentinean wine to prospects. "Raising money is hard, especially when you're sitting in a lawn chair in Argentina talking to people about a business that doesn't exist in a place they've never seen," says Evans. "We had to get through hundreds of noes before we could get to one yes."

Fifteen months later Evans and Garrett had rustled \$2.9 million from 59 angel investors, who put in \$5,000 to \$400,000 apiece. They used the money to buy the land and to build the tasting room. Twelve of the investors also bought units in the co-op. Of 100 plots between 3 and 18 acres apiece, 32 remain for sale. (Evans owns 20 acres.) Owners can buy the land only if they agree to plant grapes on it. Once a plot is sold Vines of Mendoza sends the buyer a case of unmarked wine. The owners sample it, then consult with Santiago Achaval, Evans' chief winemaker, about their likes and dislikes. Based on that conversation, Achaval helps them pick which of the 14 available grape varieties to plant.

Prepping a vineyard isn't cheap. Evans spent \$300,000 for a well and an irrigation system, \$30,000 to install underground power lines (to avoid spoiling the views) and \$285,000 for 250,000 grape plants, half of which came from Italy in refrigerated containers. Then the partners had to clear the brush from the virgin desert ground and put in roads to get to it. (In the early months they spent \$15 a day to rent horses from a gaucho, who would meet them on the side of the road and take them to the vineyard.) By the fall of 2007 planting had begun.

To protect against flash floods, Evans built "water defenses"--dirt canals with 16 feet of soil piled up behind them. As for the random hail storms that can strike nearly all year round, Evans' plan is to pray. "The collective wisdom among local winemakers is that it doesn't make sense to buy insurance," he says. "Even if you get hit with hail, the worst thing you lose is production for one year."

The biggest casualty of Evans' second act thus far has been his partnership with Garrett. The twosome, friends for 17 years, clashed over fundamental strategy: Garrett wanted to focus on the tasting room and the mail-order businesses, which he thought were more stable, while Evans was enamored of the private vineyard. But there were deeper issues. While Evans loved the rural life in Mendoza, meeting friends for five-hour-long barbecues and taking midday siestas, Garrett grew antsy for the bustle of Buenos Aires. "After six months of working together everyone knew that [Evans] would be in Mendoza for life," says Garrett. "Selfishly, I like to build things, but I don't like to manage them."

Garrett also sweated over how he would get his money out of the company. "Michael wanted it to be a business that would be around forever, and Pablo wanted to be a part of something that would make him and his family proud in their hometown," he adds. Garrett left in March 2008 to return to Buenos Aires. He remains the company's third-largest shareholder and owns a 4-acre vineyard called Bleeding Heart. Garrett has visited Mendoza several times since he left, and he'll be joining Evans to celebrate the vineyard's first harvest in March. Says Evans: "When Dave moved, the hole wasn't only on the business side. A good friend of mine wasn't in Mendoza anymore."

In December 2008 Evans opened the Vines Wine Bar & Vinoteca on the first floor of the Park Hyatt Mendoza. With any luck, the first harvest--reaped from 110 acres planted in 2007--will yield roughly 200,000 bottles of wine. Evans expects to turn his first profit this year.

"I'm back to working six and a half days a week," crows Evans. "But it's a feeling of wanting to go to work, not having to go to work."

